

FOIA MARKER

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Folder Title:

POTUS [President of the United States] Trip to Venezuela, Brazil, and Argentina (1997)
[Binder] [2]

Staff Office-Individual:

Inter-American Affairs-Senior Directors

Original OA/ID Number:

2564

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37	6	10	2	V

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	Bilateral Meeting with President Caldera (4 pages)	ca. 10/1997	P1/b(1)
002. talking points	Talking Points for Meeting with President Caldera (4 pages)	ca. 10/1997	P1/b(1)
003. report	U.S. Government Report (2 pages)	09/17/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Inter-American Affairs (Senior Directors)
OΛ/Box Number: 2564

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POTUS [President of the United States] Trip to Venezuela, Brazil, and Argentina
(1997) [Binder] [2]

2009-1155-F
ke2500

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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VENEZUELA

Divider Title: _____



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

October 9, 1997

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *RE R.*

SUBJECT: Economic developments in Argentina, Brazil, and Venezuela

The economies of Argentina, Brazil, and Venezuela are all enjoying at least moderate growth, have scored significant gains against inflation, and have been so far untouched by the financial turbulence in Asia. Their challenge looking forward will be to maintain stable financial policies and embark on deeper reforms needed to raise the living standards of all their people. Five themes have shaped the recent history and future prospects of the three countries.

- First, decades of protectionism, statist controls, and financial instability culminated in the early 1980's debt crisis, followed by the "lost decade" of economic stagnation. The 1990's have seen a remarkable change in economic thinking as leaders in Argentina, Brazil, and to a lesser extent Venezuela, embraced market-oriented policies.
- Second, reforms of the 1990's and ample global liquidity have fueled large-scale flows of foreign capital to the countries over the past two years, with Argentina and Brazil together likely to receive as much as \$50 billion this year. Those inflows can catalyze investment and growth, but they can also turn quickly into destabilizing outflows if policies slip and confidence wanes. Latin countries must stay vigilant about contagion from Asia -- especially Brazil, with its wide budget and current account deficits.
- Third, all three have undergone costly banking restructurings that have left their banking sectors in better health than Mexico in 1994 or Thailand today. Foreign banks have played important roles in recapitalizing and modernizing their banking systems.
- Fourth, the reforms achieved so far will not produce the sustained growth rates of five percent or higher needed to ensure that increased prosperity reaches all segments of society. The three countries, and others in Latin America, must tackle more difficult reforms to improve education, build modern institutions, and fight corruption.
- Fifth, Argentina and Brazil have deepened their economic integration through the Mercosur Customs Union. Those markets are a tremendous opportunity for American exporters, given that they have only recently opened their economies and their trade is expanding rapidly. But if Mercosur deepens without our involvement, trade will be diverted away from our exporters. Argentina appears more receptive to folding Mercosur relatively quickly into the FTAA, while Brazil is inclined to delay the FTAA while Mercosur deepens.

BRAZIL

In 1994, when President Cardoso was Finance Minister, Brazil introduced the Real Plan, its most serious effort yet at breaking the mold of hyperinflation and economic stagnation. The plan has succeeded brilliantly, cutting inflation from over 1000% in 1994 to 6% this year and boosting the popularity of President Cardoso. Brazil also liberalized trade and embarked on a vast privatization program expected to yield revenues of up to \$80 billion over the next three years.

Fiscal deficits in excess of 4% of GDP, together with tight monetary policy needed to curb inflation, have kept economic growth rates down to only about 3%, and contributed to a strong currency and a current account deficit in excess of 4% of GDP. Those figures make Brazil the most vulnerable of the three countries to financial instability. The Real Plan is not now under threat and will likely be sustainable through the November 1998 Presidential elections, especially if today's global low interest rates persist. But to safeguard financial stability and raise growth, the government will need meaningful fiscal reform after the elections.

ARGENTINA

Argentina initiated serious economic reform in 1991 with its celebrated Convertibility Plan, which disciplined monetary policy by committing it to convert pesos into dollars at a one-to-one rate. Argentina also opened its borders to world trade and privatized much of its economy.

Today Argentina's economy looks healthy, with growth near 7%, inflation lower than in the U.S. (after more than 2000% in 1990), and manageable fiscal and current account deficits. Unemployment is an important problem, however, due in large part to rigid labor laws. The 16% jobless rate is cutting into support for President Menem and his reform policies. A poor showing in next month's Congressional elections could strengthen the hand of populist elements and lead to a softening of reforms. Another risk for Argentina is its exposure to potential currency instability in Brazil -- which accounts for close to one-third of Argentina's foreign trade.

VENEZUELA

Venezuela has not suffered the same degree of financial instability as Argentina or Brazil, and nor has it embraced reform as strongly, as it has used its oil revenues to subsidize inefficient policies. The end result has been average annual growth below one percent from 1980 to 1996, one of the lowest in the hemisphere.

Last year's "Agenda Venezuela" economic reform program was a step forward and scored modest gains. Those reforms and high recent oil prices helped cut inflation to about 35% this year, raise growth to about 4%, and bring the current account and budget into surplus. But implementation of Agenda Venezuela reforms has been incomplete, as key privatizations, pension and social security reform, and cuts in the public payroll are all behind schedule. One obstacle to reform has been Venezuela's poor record in attacking poverty directly and instead relying on inefficient subsidies and price controls to help the poor.

One notable recent reform is the opening of Venezuela's oil sector to foreign investors. The Venezuelan government expects oil production to double over the next ten years due to higher domestic and foreign investment.

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ARRIVAL CEREMONY

Divider Title: _____

SCENESETTER: GENERALISIMO DE MIRANDA AIRBASE

Your visit to Venezuela begins with a brief arrival ceremony at the Generalisimo Francisco de Miranda Airbase, which is also known as La Carlota. General de Miranda served as an army officer with Napoleon in the early 1800s, and brought back to Venezuela, then a Spanish colony, many of the ideas of the French Revolution which had penetrated Spain. In 1811, he initiated an insurrection in Valencia, Venezuela (95 miles west of Caracas). He later served under Simon Bolivar in the wars of independence.

The airport, originally named La Carlota after the surrounding area, served as Caracas' main civilian airport from April 1946 until construction of the Maiquetia International Airport was completed. In October 1966, the airfield was renamed in honor of Generalisimo Francisco de Miranda by an act of the Venezuelan Air Force. The airbase is situated in the municipality of Chacao, at the base of the mountain range El Avila, a national park. The airbase serves as the base of operations for the presidential air fleet, and is also the headquarters of the Venezuelan Air Force.

REMARKS TO BE PROVIDED

VENEZUELAN CONGRESSIONAL AND MUNICIPAL LEADERS
PARTICIPATING IN PHOTO OPPORTUNITY

Dr. Cristobal Fernandez Dalo, President of the Senate and Congress since March, 1996 and a member of the opposition Movimiento al Socialismo party

Dr. Ramon Guillermo Avelado (COPEI), President of the Chamber of Deputies and a member of the opposition Social Christian Party (COPEI), which was founded by President Caldera in the late 1940s but later abandoned

Dr. Henry Ramos Allup (Accion Democratica)

Dr. Nelson Chitty La Roche (COPEI)

Dr. Jose Albornoz (La Causa Radical)

Dr. Luis Manuel Esculpi (Movimiento al Socialismo)

Dr. Pedro Pablo Aguilar (COPEI)

Dr. Paciano Padron (independent)

Ms. Irene Saez, (independent), mayor of Chacao (Caracas municipality), and a prospective presidential candidate; Antonio Ledesma, (Action Democratic), mayor of Libertador (Caracas municipality)

Yvonne Attas, mayor of Baruta (Caracas municipality)

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EMBASSY EVENT

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BILATERAL MEETING W/ PRES. CALDERA

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STATE DINNER AND RECEPTION

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SCENESETTER: STATE DINNER AT LA CASONA
PRESIDENTIAL RESIDENCE

The President's residence, known as La Casona (which literally means the "big house") is a colonial-style manor surrounded by 30 acres of sugar fields. The original owner of the house was the Marques de Mijares family. In 1928, Alfredo Brandt, brother of painter Federico Brandt, purchased the house and named it La Casona.

President Rul Leoni was the first President to occupy the house (1966). In 1973, President Caldera, during his first term as President, opened the house to the public one day a week; this tradition continues.

The Council of Ministers room contains a vast mural by Tito Salas [check] entitled "Los Causahabientes" -- or Those Who Formed Venezuela. This painting depicts Simon Bolivar and the 19th Century presidents of Venezuela. The house includes several gardens which contain trees planted in the last century. Several giant sloths also live in the gardens.

TOAST TO BE PROVIDED

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ENERGY EVENT

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SCENESETTER: DROP-BY ENERGY BREAKFAST

The Venezuelan-American Chamber of Commerce is hosting a breakfast Monday morning at your hotel. The audience of about 100 will include the Chamber's board (representing U.S. affiliates and Venezuelan firms from many different industries), executives from U.S. energy companies operating in Venezuela, representatives from non-governmental and environmental organizations, trade associations and the twelve Fulbright "Energy for the 21st Century" scholarship winners. U.S. companies will generally participate at the country manager level, although some energy companies may send senior U.S. executives.

You will arrive at the close of the breakfast at 9:00 a.m. Counselor McLarty, Secretary Albright and Secretaries Pena and Daley, will have spoken and will be wrapping up questions and answers. You will make brief remarks, which will be closed to the press.

Your presence will underscore U.S. support for the growing commercial ties between the two countries. Your remarks will also note the Fulbright Energy scholarships to be given to 12 Venezuelan students for two-year masters' study program in the U.S. (1998-2000). The Fulbright scholarships are sponsored by a public-private sector partnership largely underwritten by U.S. energy companies. Before departing, you will be escorted to a photo opportunity with the twelve Fulbright scholarship recipients.

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WREATH LAYING

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SCENESETTER: WREATH-LAYING AND CROWD EVENT
AT THE NATIONAL PANTHEON

On Monday morning, you will proceed from Miraflores Palace to the wreath-laying ceremony at the National Pantheon, a revered site containing the remains of Simon Bolivar and many of Venezuela's other founding fathers. The Pantheon was constructed in the 19th century when Bolivar's remains were transferred from Colombia to Venezuela. Its internal layout is in the form of a cross, with Bolivar's sarcophagus mounted on a raised altar.

Bolivar, known as "El Libertador" for leading the fight to end Spanish colonial rule in Venezuela, Colombia, Ecuador and Peru, promoted French and American ideals of political equality. Bolivar also sought to create a politically integrated region encompassing all the Andean countries -- a vision which still inspires many.

Your escort, the Director of Historical Ceremony and Monuments, the Ministers of Interior and of Foreign Affairs, and Ambassador Maisto will join you. You will proceed down the central nave to the altar. The National Youth Orchestra, which does not normally play at Pantheon ceremonies, will play the U.S. and Venezuelan National Anthems. The Orchestra, formed in 1975, is made up of 250 children 7 to 14 years old, most of whom come from poor families. They would not have had the opportunity to learn to play an instrument were it not for the National Youth Orchestra and its counterparts at the state and local level.

After the ceremony, you will give a scene-setting speech to a crowd of approximately 5,000 people. The speech will cover our hemispheric agenda, celebrate U.S.-Venezuelan relations and commemorate Columbus Day.

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SPEECH TO CROWD AT PANTEHEON

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