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POTUS [President of the United States] Trip to Chile (for Summit of the Americas) and State Visit, April 15-19, 1998 [4]

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**President Clinton's Trip
to
Chile**

April 1998



PRESS KIT

President Clinton's Trip to Chile State Visit and Summit of the Americas

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The President's Trip to Chile State Visit and Summit of the Americas

TRIP OVERVIEW

**Thursday, April 16, 1998
Santiago, Chile**

- Bilateral Meeting with President Frei
- Signing of Joint Communique
- Tour of Santiago Neighborhood and Roundtable Discussion with Community Leaders
- Address to Business Leaders
- State Dinner

**Friday, April 17, 1998
Valparaiso, Chile**

- Address to Joint Session of Congress
- Tour of Rural Town

**Saturday, April 18, 1998
Santiago, Chile**

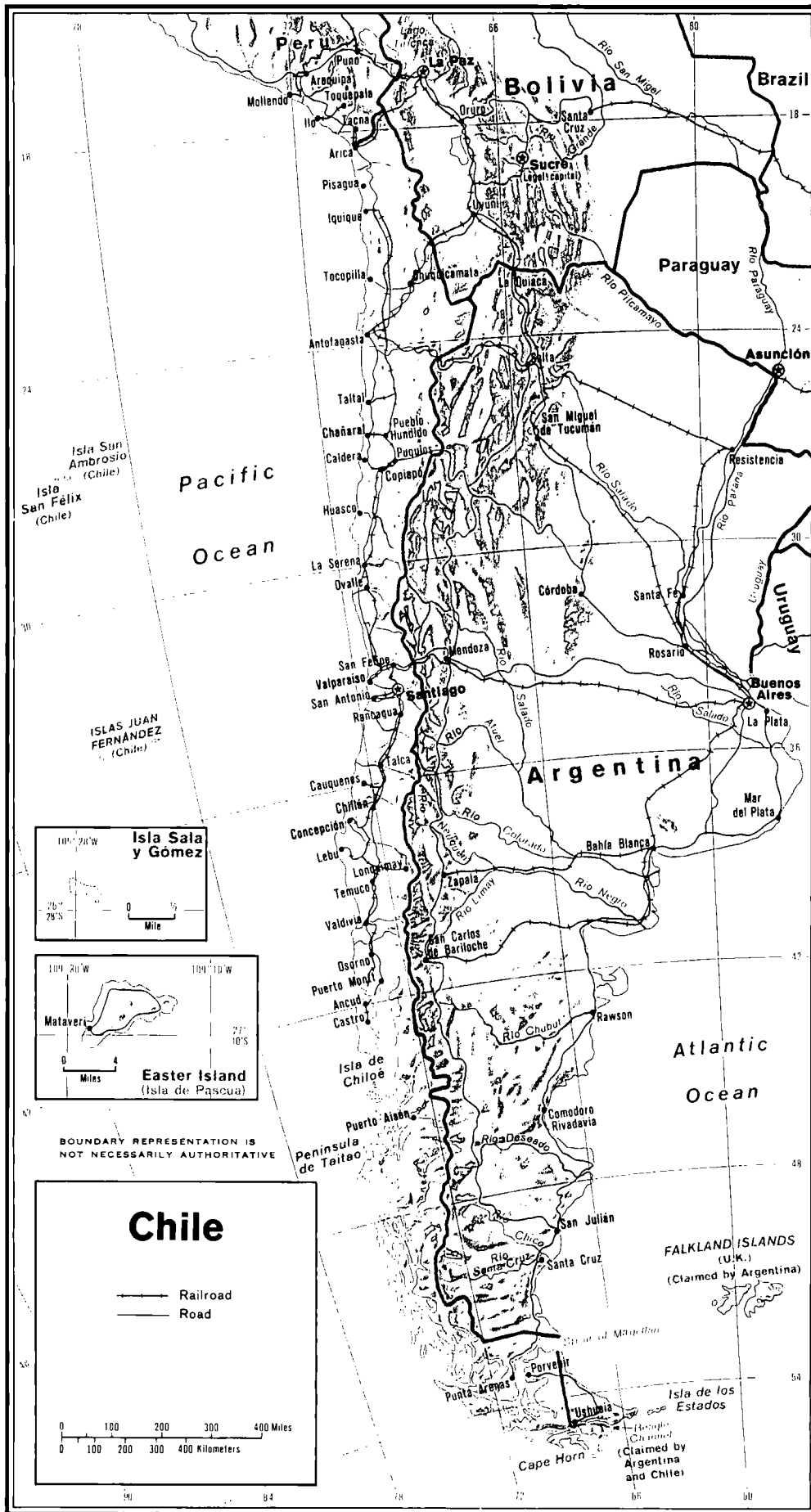
- Summit of the Americas Opening Ceremony
- Summit Discussion Sessions:
 1. Democracy
 2. Education
 3. Poverty Alleviation
- Summit Gala

**Sunday, April 19, 1998
Santiago, Chile**

- Summit Discussion Sessions:
 4. Trade and Economics
 5. Open Leaders Discussion
- Summit Closing Ceremony
- Remarks to U.S. Embassy Community

North and South America







U.S. Department of State

Background Notes: Chile, March 1998

Released by the Bureau of Inter-American Affairs.

OFFICIAL NAME: Republic of Chile

PROFILE

Geography

Area: 756,945 sq. km. (302,778 sq. mi.); nearly twice the size of California.

Cities: *Capital*--Santiago (metropolitan area est. 5.2 million). *Other cities*--Concepcion-Talcahuano (840,000); Vina del Mar-Valparaiso (800,000); Antofagasta (245,000); Temuco (230,000).

Terrain: Desert in north; fertile central valley; volcanoes and lakes toward the south, giving way to rugged and complex coastline; Andes Mountains on the eastern border.

Climate: Arid in north, Mediterranean in the central portion, cool and damp in south.

People

Nationality: *Noun and adjective*--Chilean(s).

Population (1997): 14.6 million.

Annual population growth rate: 1.5%.

Ethnic groups: Spanish-Native-American (*mestizo*), European, Native-American.

Religions: Roman Catholic 89%; Protestant 11%.

Language: Spanish.

Education: *Years compulsory*--8. *Attendance*--3 million. *Adult literacy rate*--94%.

Health: *Infant mortality rate*--17/1,000. *Life expectancy*--72 yrs.

Work force (5.2 million): *Services and government*--36%. *Industry and commerce*--34%. *Agriculture, forestry, and fishing*--14%. *Construction*--7%. *Mining*--2%.

Government

Type: Republic.

Independence: September 18, 1810.

Constitution: Promulgated September 11, 1980; effective March 11, 1981; amended in 1989 and 1993.

Branches: *Executive*--president. *Legislative*--bicameral legislature.

Judicial--Constitutional Tribunal, Supreme Court, court of appeals, military courts.

Administrative subdivisions: 12 numbered regions, plus Santiago metropolitan region, administered by appointed "intendentes," regions are divided into provinces, administered by appointed governors; provinces are divided into municipalities administered by elected mayors.

Political parties: Major parties are the Christian Democrat Party, the National Renewal Party, the Party for Democracy, the Socialist Party, the Independent Democratic Union, and the Radical Social Democratic Party. The Communist Party has not won a congressional seat in the last three elections.

Suffrage: Universal at 18, including foreigners legally resident for more than five years.

Economy (1997)

GDP: \$77.1 billion.

Annual real growth rate: 7.1%.

Per capita GDP: \$5,280.

Mining (8.2% of GDP): Copper, iron ore, nitrates, precious metals, and molybdenum.

Forestry, agriculture and fisheries (7.5% of GDP): *Products*--wheat, potatoes, corn, sugar beets, onions, beans, fruits, livestock, fish.

Industry (15.3% of GDP): *Types*--mineral refining, metal manufacturing, food processing, fish processing, paper and wood products, finished textiles.

Trade (1996): *Exports*--\$15.4 billion: copper, fishmeal, fruits, wood products, paper products. *Major markets*--EU 24%, U.S. 17%, Japan 16%, U.K. 6%, Brazil 6%, South Korea 6%, Germany 5%, Argentina 5%. *Imports*--\$17.4 billion: petroleum, chemical products, capital goods, vehicles, electronic equipment, consumer durables, machinery. *Major suppliers*--U.S. 24%, EU 20%, Argentina 9%, Brazil 6%, Japan 5%, Germany 4%.

U.S.-CHILEAN RELATIONS

Relations between the United States and Chile are better now than at any other time in history. The United States Government applauded the rebirth of democratic practices in Chile in the late 1980s and early 1990s and sees the maintenance of a vibrant democracy and healthy economy as among the most important U.S. interests in Chile. President Eduardo Frei's February 1997 state visit to the United States forged close ties with President Clinton, leading to the latter's state visit to Chile in April 1998. The two governments consult frequently on issues of mutual concern, and dialogue takes place in four bilateral commissions (on defense, global security, agriculture, and science).

Many prominent Americans and senior U.S. officials visited Chile during the period 1995-1997, including Mrs. Hillary Rodham Clinton, ex-Presidents Carter, Bush, and Ford, former Secretary of State Christopher, and many other members of the Cabinet and Congress, and senior members of the U.S. military, concerning a large range of issues from education through international trade.

The warm relationship enjoyed by United States and Chile today contrasts with the difficult period of relations during Augusto Pinochet's military regime from 1973-89. A 1976 car bomb attack in Washington, DC, which killed Orlando Letelier, former Chilean ambassador to the United States and a member of President Salvador Allende's cabinet, and U.S. citizen Ronni Moffitt, caused a sharp deterioration in relations, including a ban on security assistance and arms sales to Chile. In response to a commitment by President Aylwin's Government to pursue the Letelier-Moffitt case within the Chilean judicial system, President Bush lifted the sanctions. A Chilean court subsequently convicted two Chilean military officers of having ordered the assassination.

The goal of U.S. foreign policy in Chile is to pursue expanded economic relations and to cooperate on a range of bilateral and multilateral issues of interest. Above all, the United States believes that an economically strong and democratically healthy Chile will benefit the entire hemisphere.

U.S. Embassy Functions

Besides working closely with Chilean Government officials to improve our bilateral relationship, the U.S. Embassy in Santiago provides a wide range of services to U.S. citizens and businesses in Chile. (Please see the Embassy's home page: <http://www.rdc.cl/~usemb> for details of these services.) The embassy is also the locus for a number of American community activities in the Santiago area.

Attaches at the embassy from the Foreign Commercial Service and Foreign Agriculture Service work closely with the hundreds of U.S. companies which maintain offices in Chile. These officers provide information on Chilean trade and industry regulations and administer several programs intended to aid U.S. companies starting or maintaining business ventures in Chile.

The Consular section of the embassy provides vital services to the more than 5,500 U.S. citizens residing in Chile. Among other services, the Consular section assists Americans who wish to participate in U.S. elections while abroad and provides U.S. tax information. Besides the U.S. residents living in Chile, over 80,000 U.S. citizens visit annually. The Consular section offers passport and emergency services to U.S. tourists as needed during their stay in Chile.

Principal U.S. Embassy Officials

Ambassador--Gabriel Guerra-Mondragon
Deputy Chief of Mission--Charles S. Shapiro
Economic and Political Counselor--Stephen Wesche
Agricultural Counselor--Richard J. Blabey
Consul General--Thomas J. Rice
Administrative Counselor--David Davison
Commercial Counselor--Carlos F. Poza
Defense Attache--Capt. Thomas L. Breitinger, USN
Public Affairs Officer--Kathleen Brion
Milgroup Commander--Col. Mark Mayer

The U.S. Embassy and Consulate in Santiago are located at 2800 Andres Bello Avenue, Las Condes, (tel. 562-232-2600; fax: 562-330-3710). The mailing address is Casilla 27-D, Santiago, Chile. Internet: <http://www.rdc.cl/~usemb>.

ECONOMY

Chile's economy, spurred by free market-oriented policies, has averaged a real growth rate of almost 8% per year over the past decade. A limited government role in the economy, openness to international trade and investment, high domestic savings and investment rates, and budget surpluses have made this performance possible. The economy's rapid growth has led to steady increases in wages and living standards.

In 1997, the economy grew by 7.1% in real terms as the inflation rate fell to 6.0%. With investment continuing at a record pace, the economy is expected to continue growing quite vigorously over the next several years. The late-1997/98 financial crisis in Asia is expected to negatively affect Chilean exports and reduce Chile's substantial trade surplus with the region; the Asian crisis is expected to reduce Chilean GDP expansion by roughly one percentage point, resulting in a growth rate of between 5.5% and 6.0% in 1998.

Chile has achieved central government budget surpluses every year since 1988. In 1997, the surplus equaled 1.9 % of GDP. The 1973-90 military government sold many state-owned companies, and the two democratic governments since 1990 have continued privatization at a more sporadic pace. Import tariffs are a flat 11% on nearly all products and the GOC plans to reduce the rate to 8% in 1998. Policy measures such as the privatization of the national pension system encourage domestic investment, contributing to an estimated total domestic savings rate of approximately 23% of GDP in 1997. The foreign investment law offers investors basically the same treatment as domestic firms, along with some extra guarantees.

Wages have risen faster than inflation each year since 1990; nearly all of this growth reflects greater productivity. The higher wages have increased living standards and

have brought more people into the labor force. The share of Chileans with incomes below the poverty line (roughly \$4,000/year for a family of four) fell from 46% of the population in 1987 to 23% in 1997.

Unemployment has varied with the business cycle in recent years, with annual rates of between 4.5% and 6.0%.

Inflation has declined every year since 1990, when the indicator stood at 27%. In 1996, December-to-December inflation stood at 8.2%, and it fell to 6.0 % in 1997. Because most wage settlements and spending decisions are indexed, either formally or informally, it has been difficult to reduce inflation rapidly while maintaining high growth rates. Still, the independent Central Bank has been willing to raise interest rates when necessary to bring down inflation.

The establishment of a compulsory private sector pension system in 1981 was an important step toward increasing domestic savings and the pool of investment capital. Under this system, all workers must pay 10% of their salaries into privately managed funds. This large capital pool has been supplemented by substantial foreign investment.

Total public and private investment in the Chilean economy is very high; in 1997, investment accounted for 33% of GDP, a historical record. The government recognizes the necessity of steadily increasing private investment to boost worker productivity. The government is also encouraging diversification to non-traditional exports such as fruit, wine, and fish to gradually reduce the relative importance of basic traditional exports such as copper, timber, and other natural resources.

Chile's welcoming attitude toward foreign direct investment is codified in the country's Foreign Investment Law, which gives foreign investors the same treatment as Chileans. Registration is simple and transparent, and foreign investors are guaranteed access to the official foreign exchange market to repatriate their profits and capital. However, such capital must be kept in Chile for one year before being repatriated.

Foreign direct investment in Chile continued at a record pace in 1997, adding \$5.0 billion to the total stock. Total foreign investment flows in 1998 (including portfolio and other indirect forms of investment) were \$8.1 billion, or better than 10% of GDP.

Foreign Trade

Chile's economy is highly dependent on international trade. In 1996, exports reached \$15.4 billion and imports \$17.4 billion. Exports accounted for almost 22% of GDP. Chile has traditionally been dependent upon copper exports. The state-owned firm CODELCO is the world's largest copper producing company. Foreign private investment has developed many new mines, and the private sector produces more copper than CODELCO. Copper output is expected to increase significantly in the next

few years as more private sector projects come on stream.

Non-traditional exports have grown faster than those of copper and other minerals. In 1975, non-mineral exports made up just over 30% of total exports; by 1996, they accounted for 52% of export earnings. The most important non-mineral exports are forestry and wood products, fresh fruit and processed food, fishmeal and seafood, and other manufactured products.

Chile's export markets are geographically diverse. Asia and the European Union are the largest regional markets. The U.S., the largest single market, takes in about 17% of Chile's exports. Latin America has been the fastest-growing export market in recent years. The government actively seeks to promote Chile's exports globally. Since 1991, Chile has signed free trade agreements with Canada, Mexico, Venezuela, Colombia, and Ecuador. An association agreement with MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) went into effect in October 1996. Chile has joined the Asia-Pacific Economic Cooperation (APEC) organization in an effort to boost commercial ties to Asian markets. Also, Chile and the European Union plan to negotiate a trade agreement in the medium term. Chile shares the U.S. interest in negotiating a comprehensive trade agreement between the two countries. This is due in large part because the United States is the country's most important single trading partner and source of foreign investment; both countries also recognize that the example it would set for broader hemispheric trade integration would be in each other's interest. Chile's 1996 free trade agreement with Canada was modeled largely on NAFTA in anticipation of an eventual trade pact with the United States; similarly, Chile broadened its bilateral free trade agreement with Mexico in March 1998.

Imports have grown along with the economy in the past few years. The country's high investment rate is reflected in the fact that capital goods make up almost 30% of total imports. The United States is Chile's largest single supplier, supplying 24% of the country's imports in 1996. Import tariffs are a flat 11% on nearly all products although higher effective tariffs can be charged on imports of wheat, wheat flour, vegetable oils, and sugar as a result of a system of import price bands.

Finance

Chile's financial sector has grown faster than other areas economy over the last few years; a banking law reform approved in 1997 broadened the scope of permissible foreign activity for Chilean banks. Domestically, Chileans have enjoyed the recent introduction of new financial tools such as home equity loans, currency futures and options, factoring, leasing, and debit cards. The introduction of these new products has been accompanied by increased use of traditional instruments such as loans and credit cards. Chile's private pension system, with assets worth over \$30 billion at the end of 1997, has provided an important source of investment capital for the stock market. The

number of firms with shares traded on the stock market continues to grow.

Chile's credit rating is one of the best in Latin America. In recent years, many Chilean companies have sought to raise capital abroad due to the relatively lower interest rates outside of Chile. There are three main ways Chilean firms raise funds abroad: bank loans, issuance of bonds, and the selling of stock on U.S. markets through American Depository Receipts (ADRs). Nearly all of the funds raised go to finance investment.

The government is rapidly paying down its foreign debt. The combined public and private foreign debt was roughly 35% of GDP at the end of 1997, low by Latin American standards.

GOVERNMENT AND POLITICAL CONDITIONS

Following a coup in 1973, Chile was ruled by a military regime headed by General Augusto Pinochet until 1990. The first years of the regime were marked by serious human rights violations. In its later years, however, the regime gradually permitted greater freedom of assembly, speech, and association, to include trade-union activity.

In contrast to its authoritarian political rule, the military government pursued decidedly laissez faire economic policies. During its 16 years in power, Chile moved away from economic statism toward a largely free-market economy and that fostered an increase in domestic and foreign private investment.

General Pinochet was denied a second eight-year term as President in a national plebiscite in 1988. In December 1989, Christian Democrat Patricio Aylwin, running as the candidate of a multi-party center-left coalition, was elected president. In the 1993 election, Eduardo Frei Ruiz-Tagle of the Christian Democratic Party was elected president for a six-year term and took office in March 1994.

Chile's constitution was approved in a September 1980 national plebiscite. It entered into force in March 1981. After Pinochet's defeat in the 1988 plebiscite, the constitution was amended to: ease provisions for future amendments to the constitution; create nine appointed or "institutional" senators; and diminish the role of the National Security Council by equalizing the number of civilian and military members (four members each).

Chile's bicameral Congress has a 48-seat Senate (38 elected, 9 appointed, one for-life) and a 120-member Chamber of Deputies. Deputies are elected every four years. Senators serve for eight years with staggered terms. The current Senate contains 20 members from the center-left governing coalition, 18 from the rightist opposition. In March 1998, nine newly appointed institutional senators--replacing those appointed under the former military government in 1989--took seats, as did ex-President Pinochet, who became a "senator for life" (Chile's constitution provides that

ex-Presidents who have served at least six years shall be entitled to a lifetime senate seat.) Both the Aylwin and Frei Administrations have proposed unsuccessfully the abolition of the nine appointed Senate seats. The last congressional elections were held in December 1997. The current lower house (the Chamber of Deputies) contains 70 members of the governing coalition and 50 from the rightist opposition. The Congress is located in the port city of Valparaiso, about 140 kilometers (84 mi.) west of the capital, Santiago.

Chile's congressional elections are governed by a unique binomial system that rewards coalition slates. Each coalition can run two candidates for the two Senate and two lower chamber seats apportioned to each chamber's electoral districts. Typically, the two largest coalitions split the seats in a district. Only if the leading coalition ticket outpolls the second-place coalition by a margin of more than 2-to-1 does the winning coalition gain both seats.

The political parties with the largest representation in the current Chilean Congress are the centrist Christian Democrat Party and the center-right National Renewal Party. The Communist Party and the small Humanist Party failed to gain any seats in the 1997 elections.

Chile's judiciary is independent and includes a court of appeal, a system of military courts, a constitutional tribunal, and the Supreme Court.

National Security

Chile's armed forces are subject to civilian control exercised by the president through the Minister of Defense. Under the 1980 constitution, the services enjoy considerable autonomy, and the president cannot remove service commanders on his own authority.

Army 55, troops: The Commander in Chief is Lt. General Ricardo Izurieta. The army is organized into six divisions, one separate brigade, and an air wing.

Navy: Admiral Jorge Arancibia directs the 29,000-person navy, including 5,200 marines. The fleet of 11 surface vessels and four submarines is based in Valparaiso. The navy operates its own aircraft.

Air Force: General Fernando Rojas Vender heads a force of 12,000. Air assets are distributed among four air brigades headquartered in Iquique, Santiago, Puerto Montt, and Punta Arenas. The Air Force also operates an airbase on King George Island, Antarctica.

The Chilean police are comprised of a national, uniformed police force (carabineros) and a smaller, plainclothes investigations police force. After the military coup in September 1973, the Chilean national police were incorporated into the Defense Ministry. With the return of democratic government, the police were placed under the

operational control of the Interior Ministry, but remain under the nominal control of the Defense Ministry. General Manuel Ugarte, who directs the national police force of 27,000, is responsible for law enforcement, traffic management, narcotics suppression, border control, and counter-terrorism throughout Chile.

PEOPLE

About 85% of Chile's population live in urban centers with 40% living in greater Santiago. Most have Spanish ancestry. A small, yet influential, number of Irish and English immigrants came to Chile during the colonial period. German immigration began in 1848 and lasted for 90 years; the southern provinces of Valdivia, Llanquihue, and Osorno show a strong German influence. Other significant immigrant groups are Italian, Croatian, French, and Middle Eastern. About 400,000 Native Americans, mostly of the Mapuche tribe, reside in the south-central area.

The northern Chilean desert contains great mineral wealth, primarily copper and nitrates. The relatively small central area dominates the country in terms of population and agricultural resources. This area is also the historical center from which Chile expanded until the late 19th century, when it incorporated its northern and southern regions. Southern Chile is rich in forests and grazing lands and features a string of volcanoes and lakes. The southern coast is a labyrinth of fjords, inlets, canals, twisting peninsulas, and islands. It also has small, rapidly declining petroleum reserves, which supplied about 8% of Chile's domestic requirements during 1996.

HISTORICAL HIGHLIGHTS

About 10,000 years ago, migrating Indians settled in fertile valleys and along the coast of what is now Chile. The Incas briefly extended their empire into what is now northern Chile, but the area's remoteness prevented extensive settlement.

In 1541, the Spanish, under Pedro de Valdivia, encountered hundreds of thousands of Indians from various cultures in the area that modern Chile now occupies. These cultures supported themselves principally through slash-and-burn agriculture and hunting. Although the Spanish did not find the extensive gold and silver they sought, they recognized the agricultural potential of Chile's central valley, and Chile became part of the Viceroyalty of Peru.

The drive for independence from Spain was precipitated by usurpation of the Spanish throne by Napoleon's brother Joseph. A national junta in the name of Ferdinand--heir to the deposed king--was formed on September 18, 1810. Spanish attempts to reimpose arbitrary rule during what was called the Reconquista led to a prolonged struggle under Bernardo O'Higgins, Chile's most renowned patriot. Chilean independence was formally proclaimed on February 12, 1818.

The political revolt brought little social change, however, and 19th century Chilean society preserved the essence of the stratified colonial social structure, family politics, and the influence of the Roman Catholic Church. The system of presidential power eventually predominated, but wealthy landowners continued to control Chile.

Toward the end of the 19th century, government in Santiago consolidated its position in the south by persistently suppressing the Mapuche Indians. In 1881, it signed a treaty with Argentina confirming Chilean sovereignty over the Strait of Magellan. As a result of the War of the Pacific with Peru and Bolivia (1879-83), Chile expanded its territory northward by almost one-third and acquired valuable nitrate deposits, the exploitation of which led to an era of national affluence.

Chile established a parliamentary-style democracy in the late 19th century, which tended to protect the interests of the ruling oligarchy. By the 1920s, the emerging middle and working classes were powerful enough to elect a reformist president, whose program was frustrated by a conservative congress. Continuing political and economic instability resulted in the quasi-dictatorial rule of General Carlos Ibanez (1924-32).

When constitutional rule was restored in 1932, a strong middle-class party, the Radicals, emerged. It became the key force in coalition governments for the next 20 years. In the 1920s, Marxist groups with strong popular support developed. During the period of Radical Party dominance (1932-52), the state increased its role in the economy.

The 1964 presidential election of Christian Democrat Eduardo Frei-Montalva (father of the current president) by an absolute majority initiated a period of major reform. Under the slogan "Revolution in Liberty," the Frei Administration embarked on far-reaching social and economic programs, particularly in education, housing, and agrarian reform, including rural unionization of agricultural workers. By 1967, however, Frei encountered increasing opposition from leftists, who charged that his reforms were inadequate, and from conservatives, who found them excessive.

In 1970, Dr. Salvador Allende, a Marxist and member of Chile's Socialist Party, who headed the "Popular Unity" (UP) coalition of Socialists, Communists, Radicals, and dissident Christian Democrats, was elected by a narrow margin. His program included the nationalization of most remaining private industries and banks, massive land expropriation, and collectivization. Allende's proposal also included the nationalization of U.S. interests in Chile's major copper mines.

Elected with only 36% of the vote and by a plurality of only 36,000 votes, Allende never enjoyed majority support in the Chilean Congress or broad popular support. Domestic production declined, severe shortages of consumer goods, food, and manufactured products were widespread and inflation reached 1,000% per annum.

Mass demonstrations, recurring strikes, violence by both government supporters and opponents, and widespread rural unrest ensued in response to the general deterioration of the economy. By 1973, Chilean society had split into two hostile camps. A military coup overthrew Allende on September 11, 1973. As the armed forces bombarded the presidential palace, Allende committed suicide.

FOREIGN POLICY

With its return to democracy in 1990, Chile became an active participant in the international political arena. It is an active member of the Rio Group, and it rejoined the Non-Aligned Movement. Chile was a driving force in the world summit for social development held in Copenhagen in March 1995. Chile is an active member of the United Nations and the UN family of agencies, serving on the UN Security Council 1995-97. Chile participates in UN peacekeeping activities, including UNSCOM in Iraq. The Chilean Government has diplomatic relations with most countries, including Cuba. Chile maintains only consular relations with Bolivia; Chile's acquisition of territory during the War of the Pacific (1879-83) continues to influence adversely its relations with Peru and Bolivia. Chile's association with the MERCOSUR countries in 1996 and its continuing interest in hemispheric free trade, as well as its membership in the Asia-Pacific Economic Cooperation (APEC) grouping auger well for even closer international economic ties in the future. Politically, Chile has been one of the most active countries in supporting implementation of the 1994 Summit of the Americas, hosting the second Summit of the Americas in Santiago, April 1998.

Principal Government Officials

President--Eduardo FREI Ruiz-Tagle

Minister of Foreign Affairs--Jose Miguel INSULZA

Ambassador to the United States--John BIEHL Del Rio

Ambassador to the Organization of American States (OAS)--Carlos PORTALES

Ambassador to the United Nations--Juan SOMAVIA Altamirano

Chile maintains an embassy in the United States at 1732 Massachusetts Avenue NW, Washington, DC 20036 (tel. 202-785-1746).

OTHER CONTACT INFORMATION:

American Chamber of Commerce in Chile

Vespucio Sur 80, Piso 9

82 Correo 34

Santiago

Tel:/Fax: 562-290-9700

Fax: 562-206-0911/2247

Home page: <http://www.amchamchile.cl>

U.S. Department of Commerce
Trade Information Center
International Trade Administration
14th and Constitution Avenue, NW
Washington, DC 20230
Tel: 800-USA-TRADE, Fax: 202-482-4726
Home page: <http://www.ita.doc.gov>

TRAVEL AND BUSINESS INFORMATION

The U.S. Department of State's Consular Information Program provides Travel Warnings and Consular Information Sheets. **Travel Warnings** are issued when the State Department recommends that Americans avoid travel to a certain country. **Consular Information Sheets** exist for all countries and include information on immigration practices, currency regulations, health conditions, areas of instability, crime and security, political disturbances, and the addresses of the U.S. posts in the country.

Public Announcements are issued as a means to disseminate information quickly about terrorist threats and other relatively short-term conditions overseas which pose significant risks to the security of American travelers. Free copies of this information are available by calling the Bureau of Consular Affairs at 202-647-5225 or via the fax-on-demand system: 202-647-3000. Travel Warnings and Consular Information Sheets also are available on the Consular Affairs Internet home page: <http://travel.state.gov> and the **Consular Affairs Bulletin Board (CABB)**. To access CABB, dial the modem number: (301-946-4400 (it will accommodate up to 33,600 bps), set terminal communications program to N-8-1 (no parity, 8 bits, 1 stop bit); and terminal emulation to VT100. The login is **travel** and the password is **info** (Note: Lower case is required). The CABB also carries international security information from the Overseas Security Advisory Council and Department's Bureau of Diplomatic Security. Consular Affairs Trips for Travelers publication series, which contain information on obtaining passports and planning a safe trip abroad, can be purchased from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954; telephone: 202-512-1800; fax 202-512-2250.

Emergency information concerning Americans traveling abroad may be obtained from the Office of Overseas Citizens Services at (202) 647-5225. For after-hours emergencies, Sundays and holidays, call 202-647-4000.

Passport Services information can be obtained by calling the 24-hour, 7-day a week automated system (\$.35 per minute) or live operators 8 a.m. to 8 p.m. (EST) Monday-Friday (\$1.05 per minute). The number is 1-900-225-5674 (TDD: 1-900-225-7778). Major credit card users (for a flat rate of \$4.95) may call

1-888-362-8668 (TDD: 1-888-498-3648).

Travelers can check the **latest health information** with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at (404) 332-4559 gives the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. A booklet entitled *Health Information for International Travel* (HHS publication number CDC-95-8280) is available from the U.S. Government Printing Office, Washington, DC 20402, tel. (202) 512-1800.

Information on **travel conditions, visa requirements, currency and customs regulations, legal holidays, and other items of interest to travelers** also may be obtained before your departure from a country's embassy and/or consulates in the U.S. (for this country, see "Principal Government Officials" listing in this publication).

U.S. citizens who are long-term visitors or traveling in dangerous areas are encouraged to register at the U.S. embassy upon arrival in a country (see "Principal U.S. Embassy Officials" listing in this publication). Registering with the embassy may help you to replace lost identity documents or help family members contact you in case of an emergency.

Further Electronic Information:

Department of State Foreign Affairs Network. Available on the Internet, DOSFAN provides timely, global access to official U.S. foreign policy information. Updated daily, DOSFAN includes *Background Notes; Dispatch*, the official magazine of U.S. foreign policy; daily press briefings; *Country Commercial Guides*; directories of key officers of foreign service posts; etc. DOSFAN's World Wide Web site is at <http://www.state.gov>.

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1997 Country Reports On Economic Policy and Trade Practices

Department of State report submitted to the Senate Committees on Foreign Relations and on Finance and to the House Committees on Foreign Affairs and on Ways and Means, January 1998.

CHILE Key Economic Indicators

(Billions of U.S. dollars unless otherwise noted)

<i>Income, Production and Employment</i>	1995	1996	1997 1/
Nominal GDP	67.3	71.9	79.5
Real GDP Growth (pct)	8.5	7.2	6.5
GDP by Sector:			
Agriculture/Fishing	5.4	5.7	6.1
Mining	5.3	6.0	6.7
Manufacturing	11.3	11.7	12.5
Construction	3.7	4.0	4.5
Services	29.9	32.3	35.5
Government	1.7	1.7	1.9
Per Capita GDP (US\$)	4,700	5,100	5,400
Labor Force (000s)	5,497	5,522	5,600
Unemployment Rate (pct)	5.5	5.5	5.5
<i>Money and Prices</i> (annual percentage growth)			
Money Supply (M2)	26.8	23.2	19.5
Consumer Price Inflation (pct)	8.2	6.6	5.9
Exchange Rate(peso/US\$)	397	412	415
<i>Balance of Payments and Trade</i>			
Total Exports (FOB) 2/	16.4	15.4	16.9
Exports to U.S.	1.9	2.6	2.7
Total Imports (CIF)	15.3	17.4	17.6

Imports from U.S.	3.6	4.1	4.5
Trade Balance	1.1	-2.0	-0.7
Balance with U.S.	-1.7	-1.5	-1.8
Current Account Deficit/GDP (pct)	0.2	-4.1	-3.5
External Public Debt	21.8	23.0	26.3
Debt Service	23.6	27.3	25.0
Payments/Exports (pct)	N/A	N/A	N/A 3/
Fiscal Deficit/GDP (pct)	N/A	N/A	N/A 3/
Gold and Foreign Exchange Reserves (US\$ billions)	14.8	15.5	18.8
Aid from U.S. (US\$ millions)	3.6	0.3	0.2
Aid from All Other Sources	N/A	N/A	N/A

Sources: Central Bank of Chile

1/ 1997 Estimates based on monthly data available in November 1997.

2/ All figures merchandise trade. Source: Central Bank of Chile.

3/ The Government of Chile has run a fiscal surplus for more than a decade.

1. General Policy Framework

Chile's economy has grown rapidly for more than a decade. This growth has been fueled by steadily rising domestic savings and foreign investment. Copper remains the country's most important product, accounting for about 42 percent of export earnings in the first nine months of 1997. However, exports of fish, forestry products, fresh fruit, and manufactured products are also important. Chile's investment grade credit rating is the highest in Latin America, and Chilean firms finance investment by borrowing, issuing bonds, and selling stock abroad as well as in Chile. Many Chilean firms are also expanding abroad.

The government of Eduardo Frei (1994-present) has continued Chile's emphasis on macroeconomic stability and the economy's export orientation. The government has generated fiscal surpluses in each of the years 1988-1996, and it is projected to do so in 1997. The pace of privatization has slowed in the last few years. The independent central bank has gradually loosened foreign exchange restrictions on capital outflows. The government remains concerned about the potential effects on the exchange rate of rapid foreign currency inflows. As of late 1997, pending legislative proposals would allow banks to do business abroad and would privatize Chile's water and sewage companies.

The Central Bank's monetary policy adjusts interest rates to affect domestic spending. In this way, it aims to gradually reduce inflation while keeping the economy on a path of steady growth. It has sought to stabilize the exchange rate by buying or selling

dollars to keep the exchange rate within a preannounced range.

Indicators for 1997 suggest that real GDP growth will exceed the government's target of 5.5 to 6.0 percent. Inflation will be near the Central Bank's target of 5.5 percent. Unemployment will average about 6 percent. Despite falling world copper prices since the highs achieved in 1995, increases in gross output of copper have kept the contribution of copper to export earnings relatively level. Chile will likely experience a merchandise trade deficit of some \$700-800 million in 1997. The current account will be even more negative due to the country's normal services deficit. Foreign investment flows continue to more than balance the negative performance of the current account, and accumulated reserves as of November 1997 were greater than \$18 billion.

2. Exchange Rate Policies

The Central Bank allows the peso-dollar exchange rate to fluctuate within a 12.5 percent band on either side of the reference rate. The reference exchange rate moves each day according to changes in the exchange rates of the dollar, mark, and yen and the difference between Chilean and foreign inflation, together with an adjustment allowing a 2 percent annual appreciation of the real exchange rate. The Central Bank buys or sells dollars in the official inter-bank market when the peso threatens to move more than twelve and one-half percent above or below the reference exchange rate. The Central Bank does this only to reduce what it believes are short-term fluctuations. It does not attempt to block long-term trends in the exchange rate, and it has shifted the reference exchange rate twice since 1992 to reflect long-term strengthening of the peso.

Over the last several years, the Central Bank has gradually reduced restrictions on foreign exchange outflows. In 1995, it lifted the requirement that exporters remit some of their foreign currency earnings through the inter-bank market. A legal parallel market operates with rates almost identical to the inter-bank rate. Over the last decade, the peso has appreciated in real terms against the dollar because of Chile's trade surpluses, strong inflows of foreign capital, and the dollar's weakness on international markets; this trend continued throughout most of 1997, despite the dollar's strength elsewhere. Since the Asian turmoil began October 23, the peso has depreciated steadily against the dollar, with some intervention by the Central Bank.

3. Structural Policies

Pricing policies: The government rarely sets specific prices. Exceptions are urban public transport and some public utilities and port charges. State enterprises generally purchase at the lowest possible price, regardless of the source of the material. U.S. exports enter Chile and compete freely with other imports and Chilean products. Chile's free trade agreements with Mexico, Canada and Mercosur give exporters from those countries significant competitive advantages -- virtually all Mexican and Canadian exports enter the Chilean market duty free. Import decisions are typically

related to price competitiveness and product availability. (Certain agricultural products are an exception. See section 5.)

Tax policies: An 18 percent value-added tax (VAT) applies to all sales transactions and accounts for over 40 percent of total tax revenue. There is an 11 percent tariff on virtually all imports originating in countries with which Chile does not have a free trade agreement. Computers enter Chile duty-free as a result of the Information Technology Agreement. Personal income taxes are levied only on income over about \$6,000 per year. The top marginal rate is 45 percent on annual income over about \$75,000. Profits are taxed at flat rates of 15 percent for retained earnings and 35 percent for distributed profits, with incentives for business donations to educational institutions. Tax evasion is not a serious problem.

Regulatory policies: Regulation of the Chilean economy is limited. The most heavily regulated areas are utilities, the banking sector, securities markets, and pension funds. No government regulations explicitly limit the market for U.S. exports to Chile (although other government programs, like the price band system for some agricultural commodities described below, displace U.S. exports). In recent years, the government has introduced rules permitting private investment in the construction and operation of public infrastructure projects such as toll roads. Most Chilean ports are administered by a state-owned firm, although legislation is pending to permit private concessions.

4. Debt Management Policies

Due to Chile's vigorous economic growth and careful debt management over the last decade, foreign debt is no longer a major problem. As of mid-1997, Chile's public and private foreign debt was about \$23.5 billion, or around 30 percent of GDP. (In 1985, the debt-to-GDP ratio was 125 percent.) Since the mid-1980s, public sector debt has declined steadily. In 1995, the government and the Central Bank prepaid over \$1.5 billion in debt to the International Monetary Fund (IMF).

5. Significant Barriers to U.S. Exports

Chile has few barriers to U.S. exports and is a member of the WTO. Nevertheless, treatment in some areas, especially agricultural commodities, diverges from international norms. Chile agreed in the GATT Uruguay Round not to raise its tariff rates above 25 percent. This is being phased in for a few agricultural products; their maximum rate is now 29 percent. The uniform Chilean tariff rate is currently 11 percent on all goods except for used goods, which are subject to a 16.5 percent tariff. Chile has free trade agreements which will lead to duty-free trade in most products by the late 1990s with Mexico, Venezuela, Colombia, Ecuador and the Mercosur bloc. Tariffs also are lower than 11 percent for certain products from member countries of the Latin American Integration Association (ALADI) and products imported by diplomats and the Chilean military.

The 18 percent VAT is applied to the CIF value of imported products plus the 11 percent import duty. Duties may be deferred for seven years for capital goods imports purchased as inputs for products to be exported. Duties may be waived on capital goods to be used solely for production of exports. (See section six.) Automobiles are subject to additional taxes based on value and engine size. The engine tax, which is scheduled to be phased out by 1999, applies to vehicles with engines of over 1,500 cc, while the value tax is 85 percent of the CIF value over a certain price level (around \$10,300 in 1997). These taxes discourage sales of larger and more expensive vehicles, including most U.S.-made automobiles. Despite these taxes, sales of U.S.-made vehicles are rising.

Another tax that has the effect of discouraging U.S. exports is the 70 percent tax on whiskey, which is produced in only small volumes domestically and which competes with other domestically produced liquors taxed at lower rates. In mid-1997, the government introduced a law that would change the liquor tax system whereby whiskey would still face higher tax rates than domestically produced liquors with a lower alcohol content. Moreover, the measure would raise the taxation on virtually all other imported distilled spirits.

Import licenses: According to legislation governing the Central Bank since 1990, there are no legal restrictions on licensing. Import licenses are granted as a routine procedure. Imports of used automobiles and most used car parts are prohibited.

Investment barriers: Chile's foreign investment statute, Decree Law 600, sets the standard of treatment of foreign investors in the same manner as Chilean investors. Foreign investors using DL 600 sign a contract with the government's Foreign Investment Committee guaranteeing the terms and tax treatment of their investments. These terms include the rights to repatriate profits immediately and capital after one year, to exchange currency at the official inter-bank exchange rate, and to choose between either national tax treatment at 35 percent or a guaranteed rate for the first ten years of an investment at 42 percent. Approval by the Foreign Investment Committee is generally routine, but the committee has rejected some "speculative" investments. In late 1997, the government modified its DL 600 policy to restrict investment entering under the law's provisions to projects worth more than \$1 million. In addition, projects of more than \$15 million are now routinely vetted with the Central Bank to identify possible "speculative" flows. Finally, associated external loan financing in excess of the value of direct foreign investment flows cannot enter under the provisions of DL 600 (i.e., to enter free of deposit provisions, foreign loan leveraging cannot exceed a ratio of 1:1).

Investment not entering Chile through DL 600 can enter under Chapter 14 of the Central Bank Regulations. Under Chapter 14, investors must deposit 30 percent of the

value of capital inflows in a non-interest bearing Central Bank account (known as the "encaje") for one year. The purpose of the policy is to limit speculative investment which seeks to take advantage of Chile's high interest rates and thereby to help stabilize the value of the Chilean peso, which has appreciated significantly in recent years. The policy has not managed to stop the local currency's revaluation. The encaje is applied to inflows of foreign capital into stocks, bonds, bank deposits, and real estate as well, which in the view of local authorities do not increase the Chilean economy's productive capacity or improve technology. There is no tax treaty between Chile and the United States, so profits of U.S. companies operating in Chile are taxed by both governments. However, U.S. firms generally can claim credits on their U.S. taxes for taxes paid in Chile.

Firms may invest without using DL 600 or registering with the foreign investment committee by bringing capital in through foreign exchange dealers or private banks under Chapter 14. Few firms use this means of investment, as it subjects funds to the encaje and it lacks the guarantees provided by the contract with the foreign investment committee.

There are some deviations, both positive and negative, from the nondiscrimination standard. Foreign investors receive better than national treatment on taxation, as they have the option of fixing the tax rate they will pay at 42 percent for ten years or paying the prevailing domestic rate, which is at present lower.

There are also examples of less than national treatment. D.L. 600 allows the Central Bank to restrict the access of foreign investors to domestic borrowing in an emergency in order to prevent distortion of local financial markets. The Central Bank has never exercised this power.

Other examples of less than national treatment are certain sectoral restrictions on foreign investment. With few exceptions, fishing in the country's 200-mile Exclusive Economic Zone is reserved for Chilean-flag vessels with majority Chilean ownership. Such vessels also are the only ones allowed to transport by river or sea between two points in Chile ("cabotage") cargo shipments of less than 900 tons or passengers. The automobile and light truck industry is the subject of trade-related investment measures, although U.S. firms are among those helped as well as those harmed. Manufacturers based in the United States and France receive import protection in the form of the taxes noted above, which protect their Chilean production. The manufacturers also receive tax benefits for the use of local inputs and for exporting auto components. Despite these measures, imports make up around 85 percent of the auto market.

Oil and gas deposits are reserved for the state. Private investors are allowed concessions, however, and foreign and domestic nationals are accorded equal treatment.

Services barriers: Full foreign ownership of radio and television stations is allowed,

but the principal officers of the firm must be Chilean. A freeze in force since the early 1980s on the issuance of new bank licenses means that would-be bankers (domestic as well as foreign) must acquire existing banks. The Government of Chile hoped to promulgate banking reform legislation by the end of 1997 that would, inter alia, end the freeze.

Principal nontariff barriers: The main trade remedies available to the Chilean government are surcharges, minimum customs values, countervailing duties, antidumping duties, and import price bands. Chile's most significant nontariff barrier is the import price band system for certain agricultural commodities, which currently applies to wheat, wheat flour, vegetable oils, and sugar. When import prices are below a set threshold, surtaxes are levied on top of the across-the-board 11 percent tariff in order to bring import prices up to an average of international prices over previous years.

The Chilean government may apply country-specific duties on products that it determines to have received subsidies from exporting countries and on products that it determines to have been dumped at below-market prices. Some industry sources have claimed that surtaxes occasionally have been applied to agricultural imports without reasonable evidence of subsidies or dumping. In the past, these duties have been applied to items such as Argentine wheat flour and Chinese-made shoes. As of late 1997, none are in effect.

Animal health and phytosanitary requirements: Chile has been slow to recognize pest-free areas in the United States that would facilitate the export of many U.S. fruits and vegetables to Chile. When promulgating changes in its regulations, Chile does not allow the public a period for comment on the proposed rule. Procedures and tolerances for testing imported chicken for the presence of salmonella present such a severe commercial risk that local importers are reluctant to import such products. Chile's unique beef grading and labeling requirements deter the trade from considering the importation of beef cuts from the United States.

Government procurement practices: The government buys locally produced goods only when the conditions of sale (price, delivery times, etc.) are equal to or better than those for equivalent imports. In practice, given that many categories of products are not manufactured in Chile, purchasing decisions by most state-owned companies are made among competing imports. Requests for public and private bids are published in the local newspapers.

6. Export Subsidies Policies

With minor exceptions, the Chilean government does not provide exporters with direct or indirect support such as preferential financing or export promotion funds. It does, however, offer a few nonmarket incentives to exporters. For example, paperwork requirements are simplified for nontraditional exporters. The government also provides

exporters with quicker returns of VAT paid on inputs than other producers receive. In 1997, alleged Chilean subsidies became the focus of a countervailing duty investigation by the Department of Commerce of Chilean salmon exports to the United States.

The most widely used indirect subsidy for exports is the simplified duty drawback system for nontraditional exports. This system refunds to exporters of certain products a percentage of the value of their exports, rather than refunding the actual duty paid on imported inputs to production (as is the case in Chile's standard drawback program). All Chilean exporters may also defer tariff payments on capital imports for a period of seven years. If the capital goods are used to produce exported products, deferred duties can be reduced by the ratio of export sales to total sales. If all production is exported, the exporter pays no tariff on capital imports.

Chile's forestry subsidy indirectly promotes exports, because most of Chile's forestry products are exported. The government subsidizes about 75 percent of planting costs and certain management costs for the first generation of trees in a plantation. The value of the subsidy is adjusted for inflation and treated as taxable income when the trees are harvested several years later. Forestry industry representatives say the subsidy, when allocated over the life of plantations, amounts to an interest-free loan for about 5 percent of total costs. Both foreign investors and Chileans are eligible for the subsidy. The law which established the subsidy in 1974 (DL 701) expired in 1996 but may be renewed.

7. Protection of U.S. Intellectual Property

Chile's intellectual property regime is basically compatible with international norms, and industry representatives have welcomed government enforcement efforts.

Continuing deficiencies in patent protection, however, have kept Chile on the USTR Special 301 watch list since 1989. Efforts to enforce intellectual property rights in Chilean courts have been successful. Chile does not have an explicit statute for protecting the design of semiconductors nor does it have comprehensive trade-secret protection. Chile belongs to the World Intellectual Property

Organization. Contracts may set fees and royalties only as a percentage of sales, and payments for the use of trade secrets and proprietary processes are usually limited to three percent.

Patents: The industrial property law promulgated in September 1991 substantially improved Chile's protection of industrial patents, but it falls short of international standards. The law provides a patent term of 15 years from the date of grant. (The Uruguay Round agreements require Chile to adopt a 20-year standard by 2003.) The law does not consider plant and animal varieties or surgical methods to be patentable. Most importantly, the law does not provide pipeline protection for pharmaceutical

patents filed abroad before the law's promulgation. Because of the lack of pipeline protection and the long lead times involved in the marketing of new pharmaceutical products, the law will not prevent local companies from pirating foreign pharmaceutical patents of products introduced into the market for several more years. In addition, the registration procedures required by the Health Ministry to market new drugs are more onerous for first-to-file firms, which tend to be foreign firms. Finally, payments for the use of patents may not exceed five percent of sales.

Copyrights: Piracy of video and audio tapes has been subject to criminal penalties since 1985. Chilean authorities have taken aggressive enforcement measures against video, video game, audio, and computer software pirates in recent years, and piracy has declined in each of these areas. In the mid-1980s, the software piracy rate was believed to be around 90 percent; it is currently estimated between 65 and 70 percent, believed to be the lowest rate in Latin America. The decline is in part the result of a campaign by the U.S. and international industry, with the cooperation of Chile's courts and government, to suppress the use of pirated software. Greater access to authorized dealers and service has also helped to reduce the rate of piracy. Industry sources say that penalties remain low relative to the potential earnings from piracy and that stiffer penalties would help to deter potential pirates. Copyright protection is 50 years. U.S. recording industry officials have said that Chile's copyright law grants producers less favorable treatment vis-a-vis authors than is the international norm.

Trademarks: Chilean law provides for the protection of registered trademarks and prioritizes trademark rights according to filing date. Local use of a trademark is not required for registration. Payments for use of trademarks may not exceed one percent of sales.

Impact of Chile's intellectual property practices on U.S. trade: Although it is difficult to accurately estimate damages, most observers believe that the U.S. pharmaceutical industry has suffered most from the infringement of its intellectual property (in this case, patent) rights in Chile. The local association of U.S. research-based pharmaceutical companies assesses market loss at some \$200 million annually. Chile's software developer's association has estimated that some \$70-80 million worth of software was pirated in Chile in 1996.

8. Worker Rights

a. **The Right of Association:** Most workers have a right to join unions or to form unions without prior authorization, and around 13 percent of the work force belongs to unions. Government employee associations benefited from legislation in 1995 which gave them the same rights as unions. Reforms to the labor code in 1990 removed significant restrictions on the right to strike. Those reforms require that a labor inspector or notary be present when union members vote for a strike.

b. **The Right to Organize and Bargain Collectively:** The climate for collective bargaining has improved, and the number of contract negotiations has grown steadily. The process for negotiating a formal labor contract is heavily regulated, a vestige of the statist labor policies of the 1960's. However, the law permits (and the Aylwin and Frei governments have encouraged) informal union-management discussions to reach collective agreements outside the regulated bargaining process. These agreements have the same force as formal contracts.

c. **Prohibition of Forced or Compulsory Labor:** Forced or compulsory labor is prohibited in the constitution and the labor code, and there is no evidence that it is currently practiced.

d. **Minimum Age for Employment of Children:** Child labor is regulated by law. Children as young as 14 may be legally employed with permission of parents or guardians and in restricted types of labor. Some children are employed in the informal economy, which is more difficult to regulate. A 1997 government study estimated that about 125,000 minors worked. Most of these children worked in the countryside, and many of them worked with their parents.

e. **Acceptable Conditions of Work:** Minimum wages, hours of work, and occupational safety and health standards are regulated by law. The legal workweek is 48 hours. The minimum wage, currently around \$170 per month, is set by government, management, and union representatives, or by the government if the three groups cannot reach agreement. Lower-paid workers also receive a family subsidy. The minimum wage and wages as a whole have risen steadily over the last several years. As a result, poverty rates have declined dramatically in recent years, from 46 percent of the population in 1987 to 23 percent in 1996. Currently 11 percent of salaried workers earn the minimum wage.

f. **Rights in Sectors with U.S. Investment:** Labor rights in sectors with U.S. investment are the same as those specified above. U.S. companies are involved in virtually every sector of the Chilean economy and are subject to the same laws that apply to their counterparts from Chile and other countries. There are no special districts where different labor laws apply.

Extent of U.S. Investment in Selected Industries

U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 1996

(Millions of U.S. dollars)

Category	Amount
Petroleum	(1)
Total Manufacturing	591
Food & Kindred Products	(1)

Chemicals & Allied Products	195	
Metals, Primary & Fabricated	-113	
Machinery, except Electrical	5	
Electric & Electronic Equipment	9	
Transportation Equipment	(1)	
Other Manufacturing	256	
Wholesale Trade		367
Banking		565
Finance/Insurance/Real Estate		2046
Services		(1)
Other Industries		2777
TOTAL ALL INDUSTRIES	6745	

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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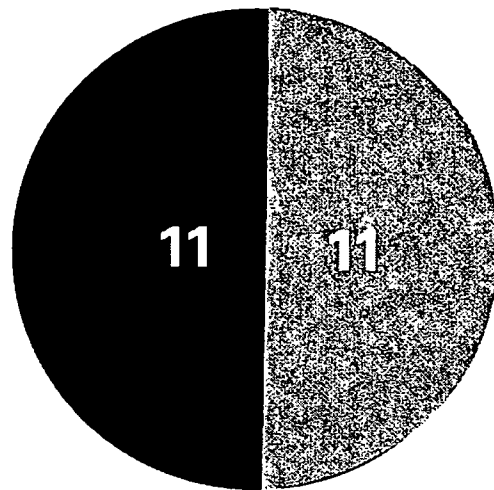
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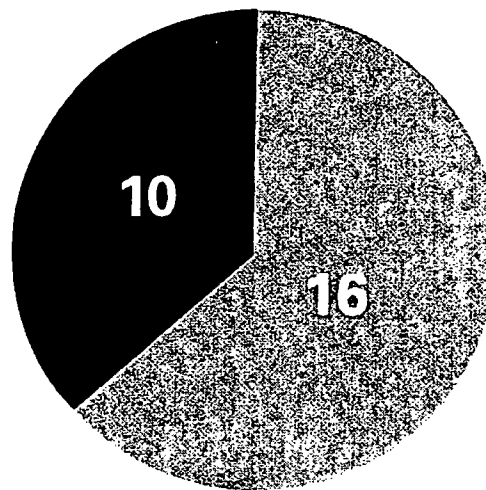
Democracy Sweeps the Hemisphere

Status of Democracy at Time of Hemispheric Meetings

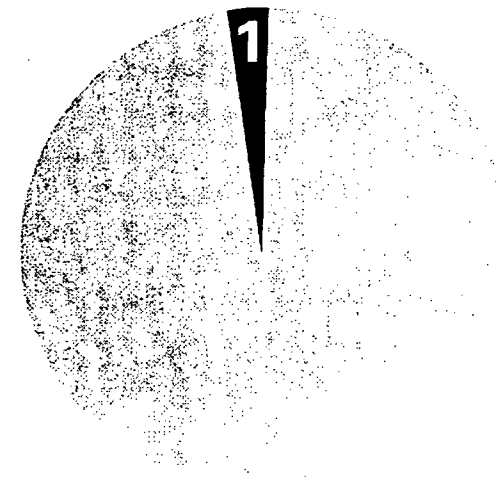
1956 Hemispheric Summit in Panama




1967 Hemispheric Summit in Uruguay



1998 Summit of the Americas in Santiago

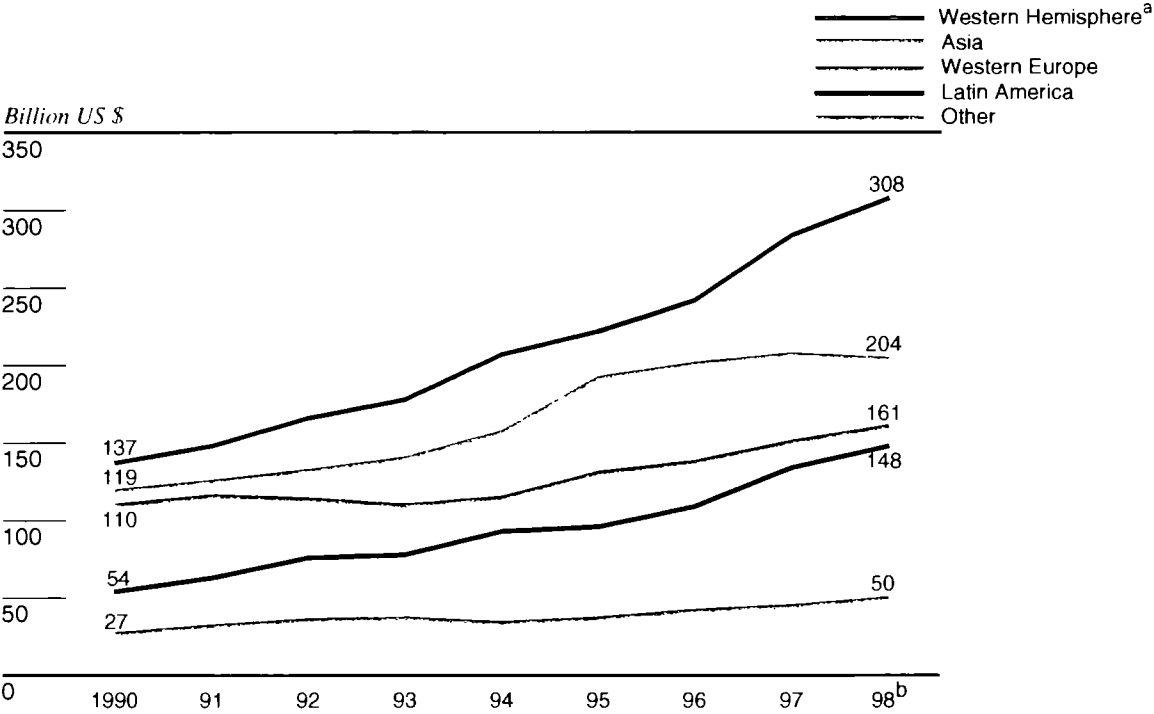


 Non-democratic governments in hemisphere at time of meeting*

 Democratically-elected governments in hemisphere at time of meeting*

**These charts account only for those countries that were independent at the time of the hemispheric meeting. In 1956 and 1967, many of the Caribbean nations were under colonial rule.*

Growing Market for US Exports in Latin America

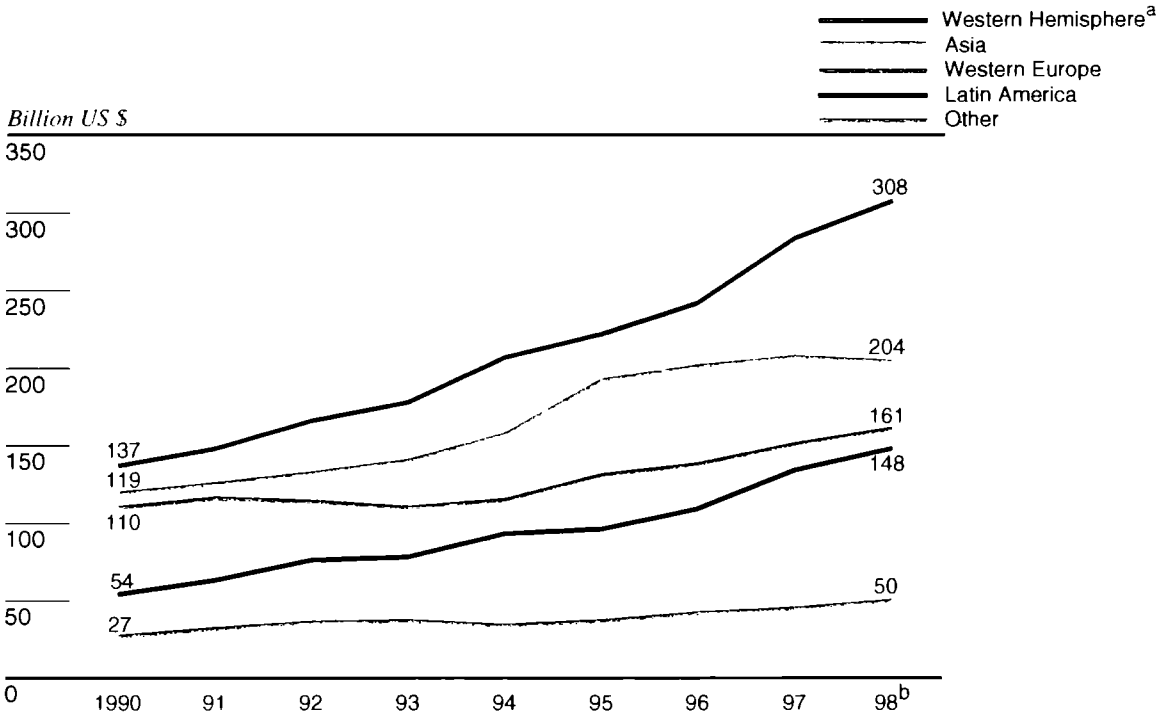


^aFTAA countries, i.e., Latin America, the Caribbean, and Canada.

^bProjection.

Source: UNTRADE.

Growing Market for US Exports in Latin America

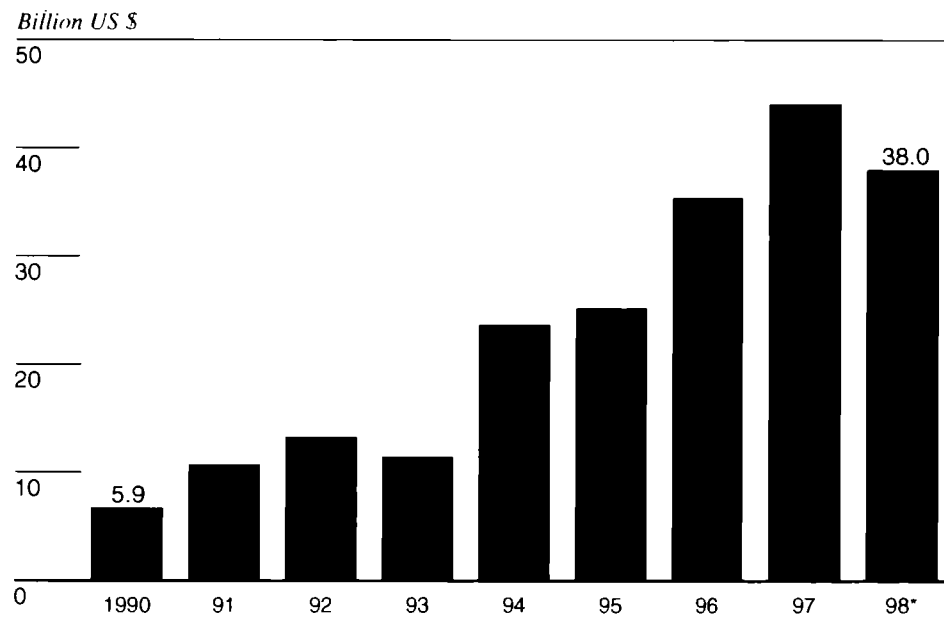


^aFTAA countries, i.e., Latin America, the Caribbean, and Canada.

^bProjection.

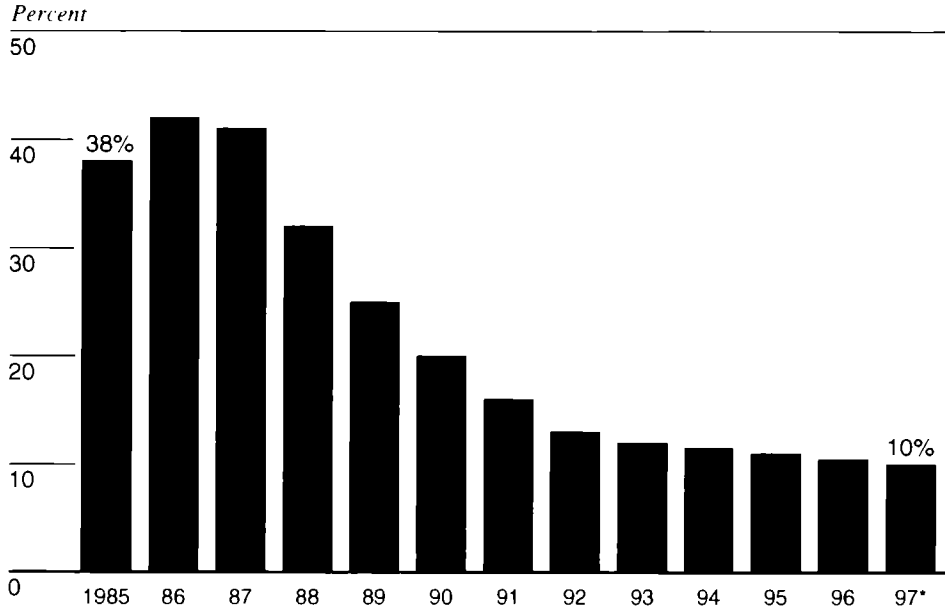
Source: UNTRADE.

Rising Foreign Direct Investment in Latin America



*Projection.
Source: IMF.

Economic Reforms: Falling Tariff Levels in Latin America



*Estimate.

Source: IDB, ALADI.

Note: Tariff levels based on weighted average of Latin American imports, as calculated by ALADI.

SUMMIT OF THE AMERICAS DECLARATION OF PRINCIPLES

Partnership for Development and Prosperity: Democracy, Free Trade and Sustainable Development in the Americas

The elected Heads of State and Government of the Americas are committed to advance the prosperity, democratic values and institutions, and security of our Hemisphere. For the first time in history, the Americas are a community of democratic societies. Although faced with differing development challenges, the Americas are united in pursuing prosperity through open markets, hemispheric integration, and sustainable development. We are determined to consolidate and advance closer bonds of cooperation and to transform our aspirations into concrete realities.

We reiterate our firm adherence to the principles of international law and the purposes and principles enshrined in the United Nations Charter and in the Charter of the Organization of American States (OAS), including the principles of the sovereign equality of states, non-intervention, self-determination, and the peaceful resolution of disputes. We recognize the heterogeneity and diversity of our resources and cultures, just as we are convinced that we can advance our shared interests and values by building strong partnerships.

To Preserve and Strengthen the Community of Democracies of the Americas

The Charter of the OAS establishes that representative democracy is indispensable for the stability, peace and development of the region. It is the sole political system which guarantees respect for human rights and the rule of law; it safeguards cultural diversity, pluralism, respect for the rights of minorities, and peace within and among nations. Democracy is based, among other fundamentals, on free and transparent elections and includes the right of all citizens to participate in government. Democracy and development reinforce one another.

We reaffirm our commitment to preserve and strengthen our democratic systems for the benefit of all people of the Hemisphere. We will work through the appropriate bodies of the OAS to strengthen democratic institutions and promote and defend constitutional democratic rule, in accordance with the OAS Charter. We endorse OAS efforts to enhance peace and the democratic, social, and economic stability of the region.

We recognize that our people earnestly seek greater responsiveness and efficiency from our respective governments. Democracy is strengthened by the modernization of the state, including reforms that streamline operations, reduce and simplify government rules and procedures, and make democratic institutions more transparent and accountable. Deeming it essential that justice should be accessible in an efficient and expeditious way to all sectors of society, we affirm that an independent judiciary is a critical element of an effective legal system and lasting democracy. Our ultimate goal is to better meet the

needs of the population, especially the needs of women and the most vulnerable groups, including indigenous people, the disabled, children, the aged, and minorities.

Effective democracy requires a comprehensive attack on corruption as a factor of social disintegration and distortion of the economic system that undermines the legitimacy of political institutions.

Recognizing the pernicious effects of organized crime and illegal narcotics on our economies, ethical values, public health, and the social fabric, we will join the battle against the consumption, production, trafficking and distribution of illegal drugs, as well as against money laundering and the illicit trafficking in arms and chemical precursors. We will also cooperate to create viable alternative development strategies in those countries in which illicit crops are grown. Cooperation should be extended to international and national programs aimed at curbing the production, use and trafficking of illicit drugs and the rehabilitation of addicts.

We condemn terrorism in all its forms, and we will, using all legal means, combat terrorist acts anywhere in the Americas with unity and vigor.

Recognizing the important contribution of individuals and associations in effective democratic government and in the enhancement of cooperation among the people of the Hemisphere, we will facilitate fuller participation of our people in political, economic and social activity, in accordance with national legislation.

To Promote Prosperity Through Economic Integration and Free Trade

Our continued economic progress depends on sound economic policies, sustainable development, and dynamic private sectors. A key to prosperity is trade without barriers, without subsidies, without unfair practices, and with an increasing stream of productive investments. Eliminating impediments to market access for goods and services among our countries will foster our economic growth. A growing world economy will also enhance our domestic prosperity. Free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and better protecting the environment.

We, therefore, resolve to begin immediately to construct the "Free Trade Area of the Americas" (FTAA), in which barriers to trade and investment will be progressively eliminated. We further resolve to conclude the negotiation of the "Free Trade Area of the Americas" no later than 2005, and agree that concrete progress toward the attainment of this objective will be made by the end of this century. We recognize the progress that already has been realized through the unilateral undertakings of each of our nations and the subregional trade arrangements in our Hemisphere. We will build on existing subregional and bilateral arrangements in order to broaden and deepen hemispheric economic integration and to bring the agreements together.

Aware that investment is the main engine for growth in the Hemisphere, we will encourage such investment by cooperating to build more open, transparent and integrated markets. In this regard, we are committed to create strengthened mechanisms that promote and protect the flow of productive investment in the Hemisphere, and to promote the development and progressive integration of capital markets.

To advance economic integration and free trade, we will work, with cooperation and financing from the private sector and international financial institutions, to create a hemispheric infrastructure. This process requires a cooperative effort in fields such as telecommunications, energy and transportation, which will permit the efficient movement of the goods, services, capital, information and technology that are the foundations of prosperity.

We recognize that despite the substantial progress in dealing with debt problems in the Hemisphere, high foreign debt burdens still hinder the development of some of our countries.

We recognize that economic integration and the creation of a free trade area will be complex endeavors, particularly in view of the wide differences in the levels of development and size of economies existing in our Hemisphere. We will remain cognizant of these differences as we work toward economic integration in the Hemisphere. We look to our own resources, ingenuity, and individual capacities as well as to the international community to help us achieve our goals.

To Eradicate Poverty And Discrimination In Our Hemisphere

It is politically intolerable and morally unacceptable that some segments of our populations are marginalized and do not share fully in the benefits of growth. With an aim of attaining greater social justice for all our people, we pledge to work individually and collectively to improve access to quality education and primary health care and to eradicate extreme poverty and illiteracy. The fruits of democratic stability and economic growth must be accessible to all, without discrimination by race, gender, national origin or religious affiliation.

In observance of the International Decade of the World's Indigenous People, we will focus our energies on improving the exercise of democratic rights and the access to social services by indigenous people and their communities.

Aware that widely shared prosperity contributes to hemispheric stability, lasting peace and democracy, we acknowledge our common interest in creating employment opportunities that improve the incomes, wages and working conditions of all our people. We will invest in people so that individuals throughout the Hemisphere have the opportunity to realize their full potential.

Strengthening the role of women in all aspects of political, social and economic life in our countries is essential to reduce poverty and social inequalities and to enhance democracy and sustainable development.

To Guarantee Sustainable Development and Conserve Our Natural Environment for Future Generations

Social progress and economic prosperity can be sustained only if our people live in a healthy environment and our ecosystems and natural resources are managed carefully and responsibly. To advance and implement the commitments made at the 1992 United Nations Conference on Environment and Development, held in Rio de Janeiro, and the 1994 Global Conference on the Sustainable Development of Small Island Developing States, held in Barbados, we will create cooperative partnerships to strengthen our capacity to prevent and control pollution, to protect ecosystems and use our biological resources on a sustainable basis, and to encourage clean, efficient and sustainable energy production and use. To benefit future generations through environmental conservation, including the rational use of our ecosystems, natural resources and biological heritage, we will continue to pursue technological, financial and other forms of cooperation.

We will advance our social well-being and economic prosperity in ways that are fully cognizant of our impact on the environment. We agree to support the Central American Alliance for Sustainable Development, which seeks to strengthen those democracies by promoting regional economic and social prosperity and sound environmental management. In this context, we support the convening of other regional meetings on sustainable development.

* * * * *

Our Declaration constitutes a comprehensive and mutually reinforcing set of commitments for concrete results. In accord with the appended Plan of Action, and recognizing our different national capabilities and our different legal systems, we pledge to implement them without delay.

We call upon the OAS and the Inter-American Development Bank to assist countries in implementing our pledges, drawing significantly upon the Pan American Health Organization and the United Nations Economic Commission for Latin America and the Caribbean as well as sub-regional organizations for integration.

To give continuity to efforts fostering national political involvement, we will convene specific high-level meetings to address, among others, topics such as trade and commerce, capital markets, labor, energy, education, transportation, telecommunications, counter-narcotics and other anti-crime initiatives, sustainable development, health, and science and technology.

To assure public engagement and commitment, we invite the cooperation and participation of the private sector, labor, political parties, academic institutions and other

non-governmental actors and organizations in both our national and regional efforts, thus strengthening the partnership between governments and society.

* * * * *

Our thirty-four nations share a fervent commitment to democratic practices, economic integration, and social justice. Our people are better able than ever to express their aspirations and to learn from one another. The conditions for hemispheric cooperation are propitious. Therefore, on behalf of all our people, in whose name we affix our signatures to this Declaration, we seize this historic opportunity to create a Partnership for Development and Prosperity in the Americas.

SUMMIT OF THE AMERICAS PLAN OF ACTION

The heads of state and government participating in the 1994 Summit of the Americas in Miami, Florida, desirous of furthering the broad objectives set forth in their Declaration of Principles and mindful of the need for practical progress on the vital tasks of enhancing democracy, promoting development, achieving economic integration and free trade, improving the lives of their people, and protecting the natural environment for future generations, affirm their commitment to this Plan of Action.

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Appendix

I. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS

1. Strengthening Democracy

The strengthening, effective exercise and consolidation of democracy constitute the central political priority of the Americas. The Organization of American States (OAS) is the principal hemispheric body for the defense of democratic values and institutions; among its essential purposes is to promote and consolidate representative democracy, with due respect to the principle of non-intervention. The OAS has adopted multilateral procedures to address the problems created when democratic order has been interrupted unconstitutionally. In order to prevent such crises, the OAS needs to direct more effort toward the promotion of democratic values and practices and to the social and economic strengthening of already-established democratic regimes.

Governments will:

Give expeditious consideration to ratifying the Cartagena de Indias, Washington and Managua Protocols to the OAS Charter, if they have not already done so.

Strengthen the dialogue among social groups and foster grass roots participation in problem solving at the local level.

Support efforts by the OAS to promote democracy by:

Encouraging exchanges of election-related technologies and assisting national electoral organizations, at the request of the interested state.

Strengthening the Unit for the Promotion of Democracy so that it can provide assistance at the request of the interested state on such matters as legislative and judicial processes, government reforms (including administration of justice, technical modernization of national legislative bodies, simplification of government regulations and promotion of participation by community organizations in local democracy), and other institutional changes.

Encouraging opportunities for exchange of experiences among member states' democratic institutions, particularly legislature-to-legislature and judiciary-to-judiciary.

Fostering understanding, dialogue and political reconciliation, at the request of the affected state and bearing in mind that national reconciliation comes from within.

Requesting the OAS to promote and follow up on these commitments.

2. Promoting and Protecting Human Rights

Great progress has been made in the Hemisphere in the development of human rights concepts and norms, but serious gaps in implementation remain. While courts ultimately have the responsibility for enforcing legal rights and obligations, reforms in other institutions are needed to contribute to the further development of a climate of respect for human rights. There must also be universal access to justice and effective means to enforce basic rights. A democracy is judged by the rights enjoyed by its least influential members.

Governments will:

Give serious consideration to adherence to international human rights instruments to which they are not already party.

Cooperate fully with all United Nations and inter-American human rights bodies.

Develop programs for the promotion and observance of human rights, including educational programs to inform people of their legal rights and their responsibility to respect the rights of others.

Promote policies to ensure that women enjoy full and equal legal rights within their families and societies, and to ensure the removal of constraints to women's full participation as voters, candidates and elected and appointed officials.

Review and strengthen laws for the protection of the rights of minority groups and indigenous people and communities to ensure freedom from discrimination, to guarantee full and equal protection under the law, and to facilitate active civic participation. Support a process to review and enhance the protection of indigenous rights in OAS member states and to develop promptly an effective United Nations declaration on indigenous rights.

Review national legislation affecting people with disabilities, as well as benefits and services for them, and make any changes needed to facilitate the enjoyment by these individuals of the same rights and freedoms as other members of society.

Undertake all measures necessary to guarantee the rights of children, and, where they have not already done so, give serious consideration to ratifying the United Nations Convention on the Rights of the Child.

Guarantee the protection of the human rights of all migrant workers and their families.

Take the necessary steps to remedy inhumane conditions in prisons and to minimize the number of pretrial detainees.

Review training curricula for law enforcement agents to ensure that they adequately cover proper treatment of suspects and detainees as well as relations with the community.

Exchange experiences on protection of human rights at the national level and, where possible, cooperate in the development of law enforcement and security force training or other programs to reduce the potential for human rights violations.

Call on the OAS and the Inter-American Development Bank (IDB) to establish or to reinforce programs, as appropriate, to support national projects for the promotion and observance of human rights in the Western Hemisphere.

Further strengthen the Inter-American Commission on Human Rights and the Inter-American Court of Human Rights.

3. Invigorating Society/Community Participation

A strong and diverse civil society, organized in various ways and sectors, including individuals, the private sector, labor, political parties, academics, and other non-governmental actors and organizations, gives depth and durability to democracy. Similarly, a vigorous democracy requires broad participation in public issues. Such activities should be carried out with complete transparency and accountability, and to this end a proper legal and regulatory framework should be established to include the possibility of obtaining technical and financial support, including from private sources.

Governments will:

Review the regulatory framework for non-governmental actors with a view to facilitating their operations and promoting their ability to receive funds. This review will emphasize the management and oversight of resources as well as transparency and the accountability to society of said actors.

Take steps to improve the participation in social activities and initiatives of groups traditionally marginalized, including women, youth, indigenous people and the extremely poor.

Exchange progress reports on activities in the civil society area at the 1996 Summit Conference on Sustainable Development in Bolivia.

Consider the development by the IDB of a new Civil Society Program to encourage responsible and accountable philanthropy and civic engagement in public policy issues.

4. Promoting Cultural Values

Cultural development is a fundamental and integral component of development in the Americas and has an inherent capability to enrich our societies and to generate greater understanding among our countries.

In order to promote cultural values, governments will:

Encourage more dynamic relations among public and private institutions and organizations, including universities, museums, and centers of art and literature, as well as among individual cultural actors. Such exchanges emphasize our cultural diversity, recognize the value of our local cultures and contribute to improving hemispheric understanding.

Request that the OAS and IDB reinforce their plans and programs to facilitate these cultural exchanges and the flow of cultural and historical information within and among our nations.

5. Combating Corruption

The problem of corruption is now an issue of serious interest not only in this Hemisphere, but in all regions of the world. Corruption in both the public and private sectors weakens democracy and undermines the legitimacy of governments and institutions. The modernization of the state, including deregulation, privatization and the simplification of government procedures, reduces the opportunities for corruption. All aspects of public administration in a democracy must be transparent and open to public scrutiny.

Governments will:

Promote open discussion of the most significant problems facing government and develop priorities for reforms needed to make government operations transparent and accountable.

Ensure proper oversight of government functions by strengthening internal mechanisms, including investigative and enforcement capacity with respect to acts of corruption, and facilitating public access to information necessary for meaningful outside review.

Establish conflict of interest standards for public employees and effective measures against illicit enrichment, including stiff penalties for those who utilize their public position to benefit private interests.

Call on the governments of the world to adopt and enforce measures against bribery in all financial or commercial transactions with the Hemisphere; toward this end, invite the OAS to establish liaison with the OECD Working Group on Bribery in International Business Transactions.

Develop mechanisms of cooperation in the judicial and banking areas to make possible rapid and effective response in the international investigation of corruption cases.

Give priority to strengthening government regulations and procurement, tax collection, the administration of justice and the electoral and legislative processes, utilizing the support of the IDB and other international financial institutions where appropriate.

Develop within the OAS, with due regard to applicable treaties and national legislation, a hemispheric approach to acts of corruption in both the public and private sectors that would include extradition and prosecution of individuals so charged, through negotiation of a new hemispheric agreement or new arrangements within existing frameworks for international cooperation.

6. Combating the Problem of Illegal Drugs and Related Crimes

The problems of illegal drug and related criminal activities pose grave threats to the societies, free market economies, and democratic institutions of the Hemisphere. Drug use imposes enormous social costs; drug money and income are net drains on economic growth; and drug lords and criminal organizations endanger the security of our people through corruption, intimidation, and violence. While drug trafficking continues to be a significant source of illegal funds, the money laundering industry increasingly deals with the proceeds of all types of criminal activity. An integrated and balanced approach that includes respect for national sovereignty is essential to confront all aspects of these problems. For these reasons, a broad coordinated hemispheric strategy to reduce drug use and production, including new enforcement methods that can disrupt drug trafficking and money laundering networks and prosecute those engaged in such activities, is required. In this context, governments note the work of the 1992 San Antonio Summit, endorse the efforts of the Inter-American Commission on Drug Abuse Control, and agree to work together to formulate a counter-narcotics strategy for the 21st Century.

Governments will:

Ratify the 1988 United Nations Convention Against the Illicit Traffic of Narcotics and Psychotropic Substances and make it a criminal offense to launder the proceeds of all serious crimes.

Enact legislation to permit the freezing and forfeiture of the proceeds of money laundering and consider the sharing of forfeited assets among governments.

As agreed by ministers and representatives of Caribbean and Latin American governments in the Kingston Declaration, November 5-6, 1992, implement the recommendations of the Caribbean Financial Action Task Force on Money Laundering and work to adopt the Model Regulations of the Inter-American Commission on Drug Abuse Control (CICAD).

Encourage financial institutions to report large and suspicious transactions to appropriate authorities and develop effective procedures that would allow the collection of relevant information from financial institutions.

Work individually and collectively to identify the region's narcotics trafficking and money laundering networks, prosecute their leaders, and seize assets derived from these criminal activities.

Adopt programs to prevent and reduce the demand for and the consumption of illicit drugs.

Adopt effective and environmentally-sound national strategies to prevent or reduce substantially the cultivation and processing of crops used for the illegal drug trade, paying particular attention to national and international support for development programs that create viable economic alternatives to drug production.

Pay particular attention to the control of precursor chemicals and support comprehensive drug interdiction strategies.

Strengthen efforts to control firearms, ammunition, and explosives to avoid their diversion to drug traffickers and criminal organizations.

Hold a working-level conference, to be followed by a ministerial conference, to study and agree on a coordinated hemispheric response, including consideration of an inter-American convention, to combat money laundering.

Convene a hemispheric-wide conference of donors, including multilateral development banks and UN agencies, to seek resources for alternative development programs aimed at curbing the production, trafficking, and use of illicit drugs, and the rehabilitation of addicts.

Support the discussion the OAS has initiated with the European Union on measures to control precursor chemicals.

Support the convening of a global counter-narcotics conference.

7. Eliminating the Threat of National and International Terrorism

National and international terrorism constitute a systematic and deliberate violation of the rights of individuals and an assault on democracy itself. Recent attacks that some of our countries have suffered have demonstrated the serious threat that terrorism poses to security in the Americas. Actions by governments to combat and eliminate this threat are essential elements in guaranteeing law and order and maintaining confidence in government, both nationally and internationally. Within this context, those who sponsor terrorist acts or assist in their planning or execution through the abuse of diplomatic privileges and immunities or other means will be held responsible by the international community.

Governments will:

Promote bilateral and subregional agreements with the aim of prosecuting terrorists and penalizing terrorist activities within the context of the protection of human rights and fundamental freedoms.

Convene a special conference of the OAS on the prevention of terrorism.

Reaffirm the importance of the extradition treaties ratified by the states of the Hemisphere, and note that these treaties will be strictly complied with as an expression of the political will of governments, in accordance with international law and domestic legislation.

8. Building Mutual Confidence

The expansion and consolidation of democracy in the Americas provide an opportunity to build upon the peaceful traditions and the cooperative relationships that have prevailed among the countries of the Western Hemisphere. Our aim is to strengthen the mutual confidence that contributes to the economic and social integration of our peoples.

Governments will:

Support actions to encourage a regional dialogue to promote the strengthening of mutual confidence, preparing the way for a regional conference on confidence-building measures in 1995, which Chile has offered to host.

II. PROMOTING PROSPERITY THROUGH ECONOMIC INTEGRATION AND FREE TRADE

9. Free Trade in the Americas

- 1) While pursuing economic integration and free trade in the Hemisphere, we reinforce our strong commitment to multilateral rules and disciplines. We endorse full and rapid implementation of the Uruguay Round, active multilateral negotiations in the World Trade Organization, bilateral and subregional trade agreements, and other trade arrangements that are consistent with the provisions of the GATT/WTO and that do not raise barriers to other nations.
- 2) Extraordinary achievements have been made by countries of the Hemisphere in trade liberalization and subregional integration. Free trade and increased economic integration are key factors for sustainable development. This will be furthered as we strive to make our trade liberalization and environmental policies mutually supportive, taking into account efforts undertaken by the GATT/WTO and other international organizations. As economic integration in the Hemisphere proceeds, we will further secure the observance and promotion of worker rights, as defined by appropriate international conventions. We will avoid disguised restrictions on trade, in accordance with the GATT/WTO and other international obligations.
- 3) We will strive to maximize market openness through high levels of discipline as we build upon existing agreements in the Hemisphere. We also will strive for balanced and comprehensive agreements, including among others: tariffs and non-tariff barriers affecting trade in goods and services; agriculture; subsidies; investment; intellectual property rights; government procurement; technical barriers to trade; safeguards; rules of origin; antidumping and countervailing duties; sanitary and phytosanitary standards and procedures; dispute resolution; and competition policy.
- 4) We recognize that decisions on trade agreements remain a sovereign right of each nation. In addition, recognizing the importance of effective enforcement of international commitments, each nation will take the necessary action, in accordance with its own legislation and procedures, to implement the agreements in the areas covered by this Plan of Action.
- 5) As we work to achieve the "Free Trade Area of the Americas," opportunities such as technical assistance will be provided to facilitate the integration of the smaller economies and increase their level of development.

Immediate Action Agenda

We direct our ministers responsible for trade to take the following concrete initial steps to achieve the "Free Trade Area of the Americas."

6) With the objective of ensuring full and complete discussion among the parties to the various trade agreements in the Hemisphere, we direct that meetings be held under existing trade and investment fora. Members of these fora will determine areas of commonality and divergence in the particular agreements under review and should consider the means of improving disciplines among them and bringing them together. We further direct that members of these fora inform ministers of the status of their discussions and make recommendations for achieving the "Free Trade Area of the Americas."

7) Transparency in, and a clear understanding of, the subregional and bilateral agreements achieved to date among the nations in the Hemisphere are critical for advancing trade and investment integration in the Americas. We will direct the OAS Special Committee on Trade, with the support of the IDB, ECLAC, and other specialized regional and subregional organizations, to assist in the systematization of data in the region and to continue its work on studying economic integration arrangements in the Hemisphere, including brief comparative descriptions of the obligations in each of the Hemisphere's existing trade agreements. We will further direct the Special Committee on Trade to prepare a report of its work by June 1995 for the meeting of ministers.

8) We direct our ministers responsible for trade to: (a) review the progress of work undertaken in the fora noted in paragraphs 6 and 7; (b) provide guidance with respect to further work; and (c) consider areas for immediate attention--such as customs facilitation and product testing and certification with a view to mutual recognition agreements--that could be taken up in the appropriate fora.

9) Therefore, today we launch the "Free Trade Area of the Americas" by initiating the following process. We will direct the OAS to assist the host country in arranging the ministerial meetings.

January 1995 Initiation of work programs and establishment of schedules in the fora in paragraph 6 and in the Special Committee on Trade.

June 1995 Meeting of Ministers responsible for trade.

-- preliminary report on status of work in the fora described in paragraph 6.

-- preliminary Special Committee on Trade report.

-- areas for immediate consideration.

March 1996 Meeting of Ministers responsible for trade.

-- final report to ministers by the Special Committee on Trade.

-- final reports to ministers from the fora described in paragraph 6.

-- timetable for further work.

10. Capital Markets Development and Liberalization

The availability of capital at competitive rates is essential to finance private sector investment--a vital ingredient in economic development. Developing, liberalizing and integrating financial markets domestically and internationally, increasing transparency, and establishing sound, comparable supervision and regulation of banking and securities markets will help to reduce the cost of capital by enhancing investor and depositor confidence.

Governments will:

Form a Committee on Hemispheric Financial Issues to examine steps to promote the liberalization of capital movements and the progressive integration of capital markets, including, if deemed appropriate, the negotiation of common guidelines on capital movements that would provide for their progressive liberalization.

Prepare, in cooperation with the Inter-American Development Bank, a comprehensive list of national capital regulations in order to promote transparency and support the discussions in the Committee on Hemispheric Financial Issues.

Support the cooperative endeavors of the Association of Latin American and Caribbean Bank Supervisors and the Council of Securities Regulators of the Americas to provide sound supervision and regulation that support the development and progressive integration of markets.

The Committee on Hemispheric Financial Issues should also review problems of debt in the Hemisphere, taking account of ongoing work and drawing, as appropriate, on a broad range of expertise.

11. Hemispheric Infrastructure

Development in this Hemisphere depends on urgent infrastructure measures, including the priority allocation of financial resources, in accordance with national legislation and with the participation of both the public and private sectors. Strengthening the flow of private productive capital to economically and environmentally sound projects has become increasingly vital to countries throughout the Hemisphere as the growth of official sources of capital has failed to keep pace with the area's needs.

Governments will:

Charge multilateral development banks to work with governments and, as appropriate, private concerns, to develop mechanisms to deal with lending and investment issues.

Draw on other regional and sub-regional experiences within the Hemisphere to support infrastructure development.

Governments that so wish will develop suitable mechanisms, including multilateral and bilateral commitments on regulatory and legal rules and practices, to encourage private investment, both domestic and foreign, in national and transboundary infrastructure projects.

12. Energy Cooperation

The nations of the Hemisphere have begun a new era of economic growth. This new era is based on greater economic cooperation, freer trade, and open markets. Sustainable economic development requires hemispheric cooperation in the field of energy.

Governments will:

Convene a follow-up hemispheric officials' meeting in the first semester of 1995 to encourage cooperation to study ways to develop the energy industry within the Hemisphere, consistent with the least cost national energy strategies and the activities described in the "Partnership for Sustainable Energy use" in the following areas:

Consideration of ways to use the energy sector to promote sustainable economic growth.

Cooperation to study ways to optimize and facilitate the financing mechanisms of international financial institutions to support the development of projects in the energy sector, especially including those pertaining to the enhancement of efficiency in the use of energy and to non-conventional renewable energy.

Cooperation to promote capital investment and to foster the use of innovative financial mechanisms to increase investment in the energy sector and the enhancement of efficiency in the use of energy and non-conventional renewable energy, in accordance with each country's legislation and developmental needs.

Promotion of the use of efficient and non-polluting energy technologies, both conventional and renewable, leading to a higher degree of knowledge and technical expertise in this area.

Consideration of the enhancement of ongoing efforts to establish electric and other energy facilities in accordance with domestic regulatory frameworks and, where appropriate, under sub-regional agreements.

13. Telecommunications and Information Infrastructure

A country's information infrastructure--telecommunications, information technology, and broadcasting--is an essential component of political, economic, social and cultural development. The information infrastructure development needs in the Americas are

immense. The governments of the Americas intend to meet these needs by engaging in multiple actions, where consistent with their respective governing laws, such as: encouraging private sector investment to increase participation in the telecommunications and information infrastructure sectors; promoting competition; implementing flexible regulatory regimes; stimulating diversity of content, including cultural and linguistic diversity; providing access to information networks for service and information providers; and ensuring universal service, so that the benefits of the information infrastructure will be available to all members of our societies.

Governments will:

Engage in ongoing discussions at the international level of the actions referred to above and endeavor to take those actions in their own countries, taking account of domestic conditions and circumstances.

Undertake efforts to make government information more publicly available via electronic means.

Review the availability and interoperability of connections to international networks that facilitate trade, improve education and improve access to health care.

Encourage major universities, libraries, hospitals and government agencies to have access to these networks, building on the work of the OAS Hemisphere-Wide Inter-University Scientific and Technological Information Network.

Via the OAS Inter-American Telecommunications Commission (CITEL), and in coordination with the sub-regional telecommunications organizations, develop and carry out a work program to:

Evaluate regulatory, technical and legal means to promote liberalization, common standards, interoperability of networks and compatible use of the radio spectrum.

Examine ways to promote greater consistency of the certification processes for telecommunications equipment among member countries.

Develop regional guidelines for the provision of international value-added network services.

Support a meeting by 1996, coordinated by CITEL, of senior telecommunications officials to conduct further discussions of the above actions.

14. Cooperation in Science and Technology

There is a need to re-assess the on-going interaction among the region's science and technology (S&T) infrastructure and cooperative mechanisms; to provide impetus for improved cooperation; to reduce barriers to collaboration; to augment the demand for

technology; and to disseminate information about technological opportunities using new advances in information technology; and generally to improve communications among the key S&T organizations, researchers in the region, and growing technology-based small and medium-sized enterprises.

The commitment of the countries of the Americas to non-proliferation has gained new momentum with the acceptance of the international safeguard regime by some of our countries. The outstanding progress achieved in this field is to be commended and should contribute to enhanced opportunities for cooperation in the area of advanced goods and technologies.

Governments will:

Convene a meeting of ministers responsible for science and technology in the Hemisphere within the next year to assess progress and to promote the Bolivar Programme and the OAS Common Market of Scientific and Technological Knowledge (MERCOCYT) program, to provide the necessary support to improve scientific partnerships and technological ventures in the region, and to explore the possibility of establishing a council on science and technology.

Use existing multilateral mechanisms in the region to address a wide number of common S&T interests, including enhanced professional technical training, development and implementation of national policies and regional programs, dissemination and standardization of science and technology (including metrology and other technical norms), environmental technology development, and more effective partnerships to promote learning and competitiveness.

Stimulate greater S&T interaction in the Hemisphere and support efforts already undertaken in other fora, including the Inter-American Institute for Global Change Research, and the International Research Institute for Climate Prediction. Governments will serve to advance and communicate new initiatives such as the Global Learning and Observations to Benefit the Environment (GLOBE) program.

Confirm their interest in participating in new initiatives driven by a demand from private sector and non-government interests in technological opportunities.

Confirm their national commitments to share S&T information with others in the Hemisphere, in accord with their respective laws, and to expand cooperation in scientific and environmental research.

15. Tourism

Tourism is important to our economies and valuable in promoting understanding among the people of the Americas.

Governments will:

Undertake initiatives to stimulate tourism in the Hemisphere.

III. ERADICATING POVERTY AND DISCRIMINATION IN OUR HEMISPHERE

Large segments of society in our Hemisphere, particularly women, minorities, the disabled, indigenous groups, refugees and displaced persons, have not been equipped to participate fully in economic life. Nearly one-half of the Hemisphere's population still lives in poverty. Expanded participation of the poor in the region's economies, access to productive resources, appropriate support for social safety nets and increased human capital investments are important mechanisms to help eradicate poverty. In pursuit of these objectives, we reaffirm our support for the strategies contained within the "Commitment on a Partnership for Development and Struggle to Overcome Extreme Poverty" adopted by the OAS General Assembly.

The World Summit for Social Development to be held in Copenhagen in March 1995, as well as the United Nations World Conference on Women in Beijing in September 1995, will provide unique opportunities to define strategies to promote social integration, productive employment and the eradication of poverty.

16. Universal Access to Education

Universal literacy and access to education at all levels, without distinction by race, national origin or gender, are an indispensable basis for sustainable social and cultural development, economic growth and democratic stability.

Governments will:

Guarantee universal access to quality primary education, working with public and private sectors and non-governmental actors, and with the support of multinational institutions. In particular, governments will seek to attain by the year 2010 a primary completion rate of 100 per cent and a secondary enrollment rate of at least 75 per cent, and to prepare programs to eradicate illiteracy, prevent truancy and improve human resources training.

Promote, with the support of international financial institutions and the private sector, worker professional training as well as adult education, incorporating efforts to make such education more relevant to the needs of the market and employers.

Improve human resources training, and technical, professional and teacher training, which are vital for the enhancement of quality and equity of education within the Hemisphere.

Increase access to and strengthen the quality of higher education and promote cooperation among such institutions in producing the scientific and technological knowledge that is necessary for sustainable development.

Support strategies to overcome nutritional deficiencies of primary school children in order to enhance their learning ability.

Support decentralization including assurance of adequate financing and broad participation by parents, educators, community leaders and government officials in education decision-making.

Review existing regional and hemispheric training programs and make them more responsive to current needs.

Create a hemispheric partnership, working through existing organizations, to provide a consultative forum for governments, non-governmental actors, the business community, donors, and international organizations to reform educational policies and focus resources more efficiently.

Urge the March 1995 World Summit for Social Development and the September 1995 Fourth World Conference on Women to address the issue of universal access to education.

17. Equitable Access to Basic Health Services

Despite impressive gains in the Hemisphere, limitations on health services access and quality have resulted in persistently high child and maternal mortality, particularly among the rural poor and indigenous groups.

Governments will:

Endorse the maternal and child health objectives of the 1990 World Summit for Children, the 1994 Nariño Accord and the 1994 International Conference on Population and Development, and reaffirm their commitment to reduce child mortality by one-third and maternal mortality by one-half from 1990 levels by the year 2000.

Endorse a basic package of clinical, preventive and public health services consistent with World Health Organization, Pan American Health Organization (PAHO) and World Bank recommendations and with the Program of Action agreed to at the 1994 International Conference on Population and Development. The package will address child, maternal and reproductive health interventions, including prenatal, delivery and postnatal care, family planning information and services, and HIV/AIDS prevention, as well as immunizations and programs combating the other major causes of infant mortality. The plans and programs will be developed according to a mechanism to be decided upon by each country.

Develop or update country action plans or programs for reforms to achieve child, maternal and reproductive health goals and ensure universal, non-discriminatory access to basic services, including health education and preventive health care programs. The plans and programs will be developed according to a mechanism to be decided upon by

each country. Reforms would encompass essential community-based services for the poor, the disabled, and indigenous groups; stronger public health infrastructure; alternative means of financing, managing and providing services; quality assurance; and greater use of non-governmental actors and organizations.

Strengthen the existing Inter-American Network on Health Economics and Financing, which serves as an international forum for sharing technical expertise, information and experience, to focus on health reform efforts. The network gathers government officials, representatives of the private sector, non-governmental institutions and actors, donors and scholars for policy discussions, analysis, training and other activities to advance reform; strengthens national capabilities in this critical area; and fosters Hemisphere-wide cooperation.

Convene a special meeting of hemispheric governments with interested donors and international technical agencies to be hosted by the IDB, the World Bank and PAHO to establish the framework for health reform mechanisms, to define PAHO's role in monitoring the regional implementation of country plans and programs, and to plan strengthening of the network, including the cosponsors' contributions to it.

Take the opportunity of the annual PAHO Directing Council Meeting of Western Hemisphere Ministers of Health, with participation of the IDB and donors, to develop a program to combat endemic and communicable diseases as well as a program to prevent the spread of HIV/AIDS, and to identify sources of funding.

Urge the March 1995 World Summit for Social Development and the September 1995 Fourth World Conference on Women to address the issue of access to health services.

18. Strengthening the Role of Women in Society

The strengthening of the role of women in society is of fundamental importance not only for their own complete fulfillment within a framework of equality and fairness, but to achieve true sustainable development. It is essential to strengthen policies and programs that improve and broaden the participation of women in all spheres of political, social, and economic life and that improve their access to the basic resources needed for the full exercise of their fundamental rights. Attending to the needs of women means, to a great extent, contributing to the reduction of poverty and social inequalities.

Governments will:

Recognize and give full respect for all rights of women as an essential condition for their development as individuals and for the creation of a more just, united and peaceful society. For that purpose, policies to ensure that women enjoy full legal and civil rights protection will be promoted.

Include a gender focus in development planning and cooperation projects and promote the fulfillment of women's potential, enhancing their productivity through education, training, skill development and employment.

Promote the participation of women in the decision-making process in all spheres of political, social and economic life.

Undertake appropriate measures to address and reduce violence against women.

Adopt appropriate measures to improve women's ability to earn income beyond traditional occupations, achieve economic self-reliance, and ensure women's equal access to the labor market at all employment levels, the social security systems, the credit system, and the acquisition of goods and land.

Cooperate fully with the recently-appointed Special Rapporteur on Violence Against Women, its Causes and Consequences, of the United Nations Commission on Human Rights.

Support and actively work to secure the success of the United Nations World Conference on Women that will take place in Beijing in September 1995.

Encourage, as appropriate, ratification and compliance with the International Convention on the Elimination of all Forms of Discrimination Against Women and the Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against Women.

Further strengthen the Inter-American Commission on Women.

Call upon regional and international financial and technical organizations to intensify their programs in favor of women. Encourage the adoption of follow-up procedures on the national and international measures included in this Plan of Action.

19. Encouraging Microenterprises and Small Businesses

Microenterprises and small businesses account for a large percentage of the employment of the poor, particularly women, and contribute a considerable percentage of the gross domestic product of our countries. Strengthened support for microenterprises and small businesses is a key component of sustainable and equitable development.

Governments will:

Further pursue or initiate programs of deregulation and administrative simplification.

Increase efforts to enable enterprises to obtain information on appropriate technologies (especially those that are environmentally sound), markets, processes, raw materials and

management systems that will permit them to be more competitive in the global economy.

Develop programs of financial deregulation to reduce costs in credit transactions and strengthen the institutional capacity of the financial sector servicing microenterprises and small businesses, and encourage the active participation by multilateral and bilateral agencies, development banks, commercial banks and other intermediary credit organizations, consistent with strict performance standards.

Strengthen the institutions and programs that supply services and facilitate access to training and technical assistance to make possible this sector's participation in the global economy through export of its products and services.

Encourage cooperation among businesses in this sector to enable them to benefit from the advantages of economies of scale without losing their distinctive characteristics.

Promote the strengthening of relations among the public, private and mixed (public/private) institutions that support the microenterprise and small business sector through programs of information, training, technical assistance, financing and association-building, enabling this sector to thrive over the long term.

Recommend to the multilateral development organizations, especially the World Bank and the IDB, the establishment or fortification of funds and other mechanisms to support microenterprises and small businesses.

20. White Helmets--Emergency and Development Corps

The "White Helmets Initiative" is based on the conviction that a concerted international effort of developing and developed countries can facilitate the eradication of poverty and strengthen the humanitarian rapid response capability of the international community to emergency humanitarian, social and developmental needs.

The countries of the Americas could pioneer this initiative through the creation of national corps of volunteers that could respond to calls from other countries in the region. These national corps could eventually be put at the disposal of the United Nations.

Governments will on a voluntary basis:

Establish, organize and finance a corps of volunteers to work at the national level and, at the same time, be at the disposal of other countries of the Hemisphere and, eventually, the United Nations system, on a stand-by basis, for prevention, relief, rehabilitation, technical, social and development cooperation, with the aim to reduce the effects of natural disasters, social and developmental needs and emergencies.

Through the creation of a national corps of volunteers, be responsible for the following:

Selection and training of its national volunteer corps;

Financing of its national corps of volunteers, encouraging the involvement of the private sector;

Preparedness to send specialized volunteers, on short notice and at the request of the United Nations, to cope with situations generated by or to prevent the effects of natural disasters and humanitarian emergencies.

Contribute to the formation of this corps and invite private enterprises, foundations and regional financial institutions to do so.

Contribute to the development of an international roster of volunteers to be maintained in a master plan in the United Nations to be drawn upon to complement the activities of existing UN mechanisms. The IDB, OAS, and PAHO should be invited to participate and assist in developing this corps.

IV. GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS

21. Partnership for Sustainable Energy Use

Consistent with Agenda 21 and the Framework Convention on Climate Change, sustainable energy development and use promote economic development and address environmental concerns. Governments and the private sector should promote increased access to reliable, clean, and least cost energy services through activities and projects that meet economic, social, and environmental requirements within the context of national sustainable development goals and national legal frameworks.

Governments will:

Pursue, in accordance with national legislation, least cost national energy strategies that consider all options, including energy efficiency, non-conventional renewable energy (i.e., solar, wind, geothermal, small hydro, and biomass), and conventional energy resources.

Emphasize market-oriented pricing, which discourages wasteful energy use.

Identify for priority financing and development at least one economically viable project in each of the following areas: non-conventional renewable energy, energy efficiency, and clean conventional energy.

Promote, in cooperation with the private sector and rural and isolated communities, rural electrification programs which take into account where appropriate the utilization of renewable energy sources, in accordance with the domestic regulatory framework.

Seek to ratify and begin implementation of the provisions of the Framework Convention on Climate Change which entered into force on March 21, 1994.

Encourage the World Bank and IDB to increase promptly and substantially, as a portion of energy lending, financing of projects in energy efficiency and renewable energy and financing to improve the environmental sustainability of conventional energy sources, in accordance with economic rationality.

Call on the multilateral financial institutions and other public and private financial institutions to finance regional and national programs in support of this action plan, such as training and exchange programs as well as technology cooperation, in accordance with the needs and conditions of receiving countries.

Assist with coordination and technical cooperation between countries, using existing regional organizations, including project identification and implementation, training programs, and personnel and information exchanges to increase capacity.

Promote the identification and implementation of private sector projects that reduce greenhouse gas emissions.

Convene a Sustainable Energy Symposium in the first half of 1995 to discuss follow-up activities relative to this initiative. In the spirit of cooperation countries will share their experiences and discuss progress on implementing this action plan.

22. Partnership for Biodiversity

Our Hemisphere contains over half the world's biodiversity. To sustain the Hemisphere's social and economic development, we must intensify efforts to understand, assess, and sustainably use this living resource base. We must act now to increase the technical and management capacity and public awareness of national and international efforts in this area. Agenda 21, the Convention on Biological Diversity, and other related international instruments recognize these needs and call for the conservation and sustainable use of biodiversity resources.

Governments will:

Seek to ensure that strategies for the conservation and sustainable use of biodiversity are integrated into relevant economic development activities including forestry, agriculture, and coastal zone management, taking into account the social dimension and impact of these activities.

Develop and implement the policies, techniques, and programs to assess, conserve, and sustainably use terrestrial, marine, and coastal biodiversity resources.

Seek to ratify the Convention on Biological Diversity and pursue opportunities for collaboration under it, and, as appropriate, other international and regional environmental instruments.

Support democratic governmental mechanisms to engage public participation, particularly including members of indigenous communities and other affected groups, in the development of policy involving conservation and sustainable use of natural environments. The forms of this participation should be defined by each individual country.

Develop national plans and programs to establish and strengthen the management of parks and reserves, seeking links to economic, social, and ecological benefits for local people.

Build capacity for the conservation and sustainable use of biodiversity, through programs on management of parks and protected areas, forests and wetlands management, the Small Islands Developing States Action Plan, the Coral Reef Initiative, CITES support projects, and the Caribbean Regional Marine Pollution Action Plan, among others.

Launch a "Decade of Discovery" to promote hemispheric technical and scientific cooperation and to facilitate the exchange of information relevant to the conservation and sustainable use of biological diversity.

Increase support of training and education initiatives addressing sustainable use of biodiversity resources and foster activities by universities, non-governmental actors and organizations and the private sector to assist in the training of managers and to empower local communities.

Call on multilateral financial institutions, including the IDB and the Global Environment Facility, to support eligible regional and national projects.

Discuss progress on implementation of national and international activities described above at the 1996 Summit Conference on Sustainable Development in Bolivia, and at subsequent annual sustainable development ministerials.

23. Partnership for Pollution Prevention

As recognized in Agenda 21, sound environmental management is an essential element of sustainable development. Cooperative efforts are needed to develop or improve, in accordance with national legislation and relevant international instruments: (1) frameworks for environment protection; and (2) mechanisms for implementing and enforcing environmental regulations. To achieve this goal, a new partnership will promote cooperative activities for developing environmental policies, laws, and institutions; increasing technical capacity; promoting public awareness and public participation; continuing to pursue technological, financial and other forms of cooperation; and facilitating information exchange, including on environmentally sound technologies. The activities of the partnership will build on and advance the implementation of international agreements and principles including those agreed to at the 1992 United Nations Conference on Environment and Development and the 1994 Global Conference on the Sustainable Development of Small Island Developing States, in areas identified as priorities by countries of the Hemisphere.

Governments will:

Strengthen and build technical and institutional capacity to address environmental priorities such as pesticides, lead contamination, pollution prevention, risk reduction, waste and sanitation issues, improved water and air quality, access to safe drinking water, urban environmental problems, and to promote public participation and awareness.

Develop and implement national action plans to phase out lead in gasoline.

Strengthen national environmental protection frameworks and mechanisms for implementation and enforcement, and include sustainability criteria and objectives in national and other development strategies.

Undertake national consultations to identify priorities for possible international collaboration.

Support democratic governmental mechanisms to engage public participation, particularly from members of indigenous and other affected communities, in the consideration of policies regarding the environmental impact of development projects and the design and enforcement of environmental laws.

Convene a meeting of technical experts, designated by each interested country, to develop a framework for cooperative partnership, building on existing institutions and networks to identify priority projects. These projects will initially focus on (1) the health and environmental problems associated with the misuse of pesticides, and (2) the impacts of lead contamination from gasoline and other sources. Subsequent activities could address waste, air, water quality, marine pollution from ships and other sources, and problems associated with urbanization.

Promote the participation of organizations, such as the IDB, MIF, the World Bank, PAHO, the OAS, and non-governmental actors and organizations, as appropriate, to finance, develop and implement priority projects.

Develop environmental policies and laws with the goal of ensuring that economic integration of the region occurs in an environmentally sustainable manner.

Establish mechanisms for cooperation among government agencies, including in the legal and enforcement areas, to facilitate environmental information exchange, technology cooperation and capacity-building.

Develop compatible environmental laws and regulations, at high levels of environmental protection, and promote the implementation of international environmental agreements.

Discuss progress on implementation of international and national activities described above at the 1996 Summit Conference on Sustainable Development in Bolivia and at subsequent annual sustainable development ministerials.

APPENDIX

The primary responsibility for implementing this Plan of Action falls to governments, individually and collectively, with participation of all elements of our civil societies.

Existing organizations or institutions are called upon to implement the package of initiatives that has emerged from this Summit of the Americas. In many instances we have proposed that specific issues be examined by meetings of ministers, senior officials or experts. We are also proposing that some of these initiatives be carried out in partnerships between the public and private sector. Wanting to benefit from existing hemispheric mechanisms, and considering the various proposals included in this Plan of Action, we offer the following recommendations, which shall not impede any government from approaching other institutions not cited herein, as appropriate.

I. Principal Initiatives in Which International Organizations and Institutions Will Be Involved

A) The OAS will have a paramount role in following up on the various decisions of this Summit meeting. Regarding the Plan of Action, the OAS has a particularly important supporting role in connection with the following:

Strengthening Democracy

Promoting and Protecting Human Rights

Combating Corruption

Eliminating the Threat of National and International Terrorism

Building Mutual Confidence

Free Trade in the Americas

Telecommunications and Information Infrastructure

The Action Plan also envisages roles for the OAS in the following areas:

Promoting Cultural Values

Combating the Problem of Illegal Drugs and Related Crimes

Cooperation in Science and Technology

Strengthening the Role of Women in Society

Partnership for Pollution Prevention

B) We call on the Inter-American Development Bank to support the activities specified in this Plan of Action. The policies agreed in the recently completed augmentation of its capital and replenishment of the Fund for Special Operations already move in the directions identified and should receive special emphasis. The IDB has a particularly important role in connection with the following:

Universal Access to Education

Equitable Access to Basic Health Services

Encouraging Microenterprises and Small Businesses

Partnership for Sustainable Energy Use

Partnership for Biodiversity

Partnership for Pollution Prevention

In addition, the Action Plan envisages roles for the IDB and its affiliates in the following areas:

Promoting and Protecting Human Rights

Invigorating Society/Community Participation

Promoting Cultural Values

Combating Corruption

Combating the Problem of Illegal Drugs and Related Crimes

Free Trade in the Americas

Capital Markets Development and Liberalization

Hemispheric Infrastructure

Cooperation in Science and Technology

White Helmets--Emergency and Development Corps

C) Other international organizations, notably ECLAC and PAHO in the Hemisphere, as well as the World Bank and all agencies of the UN system active in the Hemisphere, are called upon to assist in the implementation of the action items where appropriate.

II. High-Level Meetings

The following high level meetings and conferences are called for to carry out the mandates emanating from the Summit:

Summit Conference on Sustainable Development (Bolivia, 1996) with follow-on Annual Ministerials

Ministerial Conference on Combating Money Laundering (preceded by working level meeting)

Conference of Donors for Alternative Development Programs to Curb Narcotics Trafficking

Global Counter-Narcotics Conference

Special OAS Conference on Combating Terrorism

Regional Conference on Confidence-Building Measures (Chile, 1995)

Meetings of Ministers Responsible for Trade (June 1995, March 1996)

Meeting of Committee on Hemispheric Financial Issues

Hemispheric Meeting on Development of Energy Industries (first semester 1995)

Meeting of Ministers Responsible for Science and Technology (1995)

Meeting Between Governments and Donors/Technical Agencies to Establish Health Reform Mechanisms

Sustainable Energy Symposium (first half of 1995)

III. Initiatives in Which Public and Private Sector Partnerships Play an Important Role

Strengthening Democracy

Promoting and Protecting Human Rights

Invigorating Society/Community Participation

Promoting Cultural Values

Combating Corruption

Hemispheric Infrastructure

Cooperation in Science and Technology

Universal Access to Education

Equitable Access to Basic Health Services

Encouraging Microenterprises and Small Businesses

White Helmets--Emergency and Development Corps

Partnership for Sustainable Energy Use

Partnership for Biodiversity

Partnership for Pollution Prevention

Implementation of the Decisions Reached at the 1994 Miami Summit of the Americas

The following is the text of the Executive Summary of a 200 page report on implementation of the decisions reached at the Miami Summit. The United States Government prepared the report based on inputs from governments that served as Responsible Coordinators for the various Miami Summit initiatives and on contributions from the Inter-American Development Bank, the Pan American Health Organization, and the Organization of American States. The report, which is available in English, French, Portuguese, and Spanish, will be distributed at the Santiago Summit and posted on the Internet.

Executive Summary

Since the Miami Summit, governments, international organizations, and civil society have worked hard to implement the decisions reached at that historic event. Together, they have made important progress in this endeavor.

I. Preserving and Strengthening the Community of Democracies in the Americas

Recent elections in the Hemisphere have been some of the fairest in history, and voter participation has reached extraordinary levels in some cases – e.g., 86 percent in the 1996 presidential election in the Dominican Republic and between 83 and 90 percent in the 1996 municipal elections in Paraguay. Democracy has become more firmly established in Haiti, where one constitutionally elected President succeeded another in 1997.

Many nations have taken steps to reform their judicial systems, and many have passed laws strengthening human rights. At the OAS, a strengthened Unit for the Promotion of Democracy has helped a number of countries modernize and improve their legislative institutions and has fielded election observer missions to ten countries.

In a precedent-breaking decision guided by the Miami Summit recommendations, the 1996 Summit of the Americas on Sustainable Development in Santa Cruz, Bolivia called for the participation of civil society in decision-making on public issues. The Bolivia Summit entrusted the OAS with the formulation of an Inter-American Strategy for the participation of civil society in decision-making on sustainable development. The U.S.

Agency for International Development (USAID) has established a network linking 30 (potentially 80) NGOs throughout the Americas.

In its capacity as Responsible Coordinator for the Miami Summit initiative on Promoting Cultural Values, Costa Rica began hosting an Exhibition on Cultural Values of the Americas in San Jose in March 1998. Mexico, El Salvador, Guatemala, Peru, and the United States have signed international agreements on combating illegal traffic in archeological artifacts.

The Inter-American Convention Against Corruption, a direct result of the Miami Summit and the first of its kind in the world, was negotiated in record time and has already been signed by 23 OAS member states and ratified by nine. At the national level, many governments have taken specific anti-corruption measures, including the passage or strengthening of legislation against corruption and the approval of codes of ethics for public officials.

Through a series of coordinated actions, the Summit governments have launched an unprecedented offensive against drugs and related crimes. The Summit partners have developed new and creative hemispheric initiatives, including an Anti-Drug Strategy for the Hemisphere, a coordinated action plan to combat money laundering, and a convention against illicit firearms. Illicit coca cultivation has been reduced by 40 percent in Peru and in the Andes as a whole by at least 10 percent.

At a hemispheric Specialized Conference on Terrorism in Lima in 1996, participants issued a 23-point Plan of Action calling for a wide range of specific steps against terrorism. Bilateral and multilateral cooperation agreements have been signed. Peru has dealt severe blows to its two terrorist organizations, and the United States has brought major terrorists to justice.

At a regional conference on Confidence and Security Building Measures (CSBMs) in Santiago, Chile in 1995, governments agreed on eleven CSBMs to be implemented on a voluntary basis. Peru and Ecuador, working closely with the Rio Protocol countries, are now moving toward a historic resolution of their long-standing border dispute. Over 6,000 land mines have been destroyed in three Central American countries under the aegis of the OAS.

II. Promoting Prosperity Through Economic Integration and Free Trade

The Hemisphere's Trade Ministers have held four major meetings at which basic principles for a Free Trade Area of the Americas (FTAA) were adopted. Based on this extensive preparatory work, Heads of State and Government are expected to launch FTAA negotiations at the Second Summit of the Americas in Santiago, Chile, April 18-19, 1998.

Working together, governments have taken important steps to strengthen and modernize their financial markets. There is now a regional commitment to implement the Basle Committee's Core Principles for Effective Banking Supervision as well as programs to train key bank personnel, improve clearance and settlement systems, and facilitate access to finance by microenterprises and small businesses.

Numerous major infrastructure projects have been completed or initiated in a wide range of categories, including energy, transportation, water and sanitation, and pollution prevention. Since 1995, the IDB has loaned some \$1.4 billion for private infrastructure, mobilizing investments in that sector for a total of \$4 billion. Transportation Ministers have developed a Western Hemisphere Transportation Initiative aimed at promoting integrated transportation systems that foster the economic development of the Hemisphere.

Energy Ministers have built a well structured and effective framework for hemispheric cooperation across a broad spectrum of energy objectives, including integration of energy markets, the increased production and distribution of sustainable energy, environmental protection, and the promotion of private investment in energy initiatives. Ministers have agreed to promote policies and actions supportive of the commitments that their governments will assume within the context of the negotiation of the Free Trade Area of the Americas. In addition, they have called for hemispheric cooperation in addressing the important issue of climate change.

At an unprecedented meeting of senior telecommunications officials in Washington in 1996, participants issued a comprehensive and detailed Plan of Action whose implementation over time will result in dramatic and fundamental improvements in telecommunications throughout the Hemisphere. These improvements will support numerous critical objectives in such areas as education, health care, and public safety.

Ministers responsible for science and technology, meeting in Cartagena, Colombia in March 1996, approved a Plan of Action of extraordinary scope designed to accelerate economic development and integration in the Hemisphere through cooperation in science and technology. The Plan of Action's 43 specific commitments cover a vast array of actions – from joint projects in basic and applied research, to cooperation in agriculture, education, and health, to efforts on specific issues such as the *El Niño* phenomenon, to special projects of benefit to small and relatively less developed countries.

Governments and the OAS have taken important steps to increase tourist flows and improve the tourism industry. Between 1994 and 1997, revenue from international tourism in the Americas (excluding international transportation costs) increased from \$95.4 billion to \$119.8 billion, and the number of tourists entering each of the major regions of the Hemisphere rose substantially.

III. Eradicating Poverty and Discrimination in our Hemisphere

Today over 90 percent of the children of the Hemisphere between the ages of 7 and 12 are receiving some form of basic education, and large percentages of indigenous children are benefiting from bilingual education. Programs in adult literacy, teacher training, and school nutrition have been expanded and improved. In Haiti, the goal is to teach 2 million people to read and write by the year 2000.

In 1995, U.S. First Lady Hillary Rodham Clinton launched a Measles Elimination Program at the Pan American Health Organization (PAHO). Measles cases were reduced from 23,583 in 1994 to only 2,109 in 1996. An upsurge of cases in 1997, which resulted almost exclusively from an outbreak in Brazil, underscores the need for aggressive vaccination programs. PAHO has launched a series of efforts against dengue, malaria, and HIV/AIDS. Over 80 percent of children under one year of age are receiving immunizations against the major childhood diseases.

An Inter-American Conference on Hunger, convened in Buenos Aires in October 1996 at the initiative of Argentina, issued a 15-point agenda for the battle against hunger. Proposed actions include the establishment of food banks and of national committees for the fight against hunger.

Numerous countries have changed their electoral codes to increase female participation in elections and, therefore, in political decision-making. At least seven countries have adopted the approach of establishing quotas for female participation in elections. Several countries have improved penal codes to protect women and girls from violence, abuse, and discrimination. The Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against Women, the "Convention of Belém do Pará," came into force on March 5, 1995, and has been ratified by 26 governments since the Summit.

The Inter-American Development Bank (IDB) and other development agencies have committed close to \$1 billion dollars to the promotion of microenterprises and small businesses throughout the Hemisphere. The IDB alone plans to invest \$500 million over the next five years in loans and technical assistance for microenterprise promotion.

The White Helmets Committee of Argentina, established in 1995 in response to the Summit mandate, worked quickly with the United Nations Volunteers (UNV) to establish the White Helmets Initiative as a functioning element within the U.N. system. Efforts thus far have included land mine clearance in Angola, election monitoring in Armenia, improvement of food aid distribution in Haiti, sanitation and vaccination programs in Paraguay, and an initiative for the eradication of Chagas' disease carriers in Bolivia.

IV. Guaranteeing Sustainable Development and Conserving our Natural Environment for Future Generations.

In Brazil, a new 2.35 million hectare Amazon forest reserve has been added to two existing parks, creating a total reserve larger than Switzerland. Also in Brazil, the size of the protected Atlantic Coastal Rain Forest in Bahia has been doubled. The size of Bolivia's Noel Kempff Park has been doubled, and Peru has established the first new national park since 1986, protecting 537,000 hectares. Progress has been made in protecting the mesoamerican coral reef systems and in preserving the unique biodiversity of the Galapagos Archipelago.

In the area of pollution prevention, thirteen countries have eliminated the sale of leaded gasoline, several more are scheduled to do so by 2001, and virtually all gasoline sold in the Hemisphere is expected to be lead free by 2007. A \$2 billion dollar pipeline to carry gas, a clean form of energy, is being built between Santa Cruz, Bolivia and Sao Paulo, Brazil. USAID has launched numerous pollution prevention projects throughout the Hemisphere, including a \$25 million cooperative effort with the Central American countries.



Summit of the Americas

IMPLEMENTATION OF THE SUMMIT PLAN OF ACTION:

Contact Points for the Private Sector and Non-Governmental Organizations

The Plan of Action adopted at the Summit of the Americas contains twenty-three initiatives grouped in four broad categories: strengthening democracy, promoting prosperity through economic integration and free trade, eradicating poverty and discrimination, and guaranteeing sustainable development and the conservation of our natural environment. The Summit leaders called for "the participation of all elements of our civil society" in implementing the Plan of Action. Each initiative is described below, including a brief sketch of implementation activities and strategies. The public at large is encouraged to participate in the "Miami process." Contact points within the U.S. government agency responsible for overseeing U.S. implementation are provided for each initiative.

I. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS

The Summit of the Americas 1994 was an opportunity to celebrate and consolidate the remarkable transformation to democracy in the Western Hemisphere. The assembled leaders recognized that the strengthening and effective exercise of democracy was the central political priority for the Americas.

Strengthening Democracy: The Organization of American States (OAS), responding to the Summit mandate and to Secretary General Gaviria's leadership, has strengthened the Unit for Promotion of Democracy by increasing staff and raising its assessed budget by 41 percent over 1995 levels. The Democracy Unit runs programs in some 15 countries focused on

electoral processes, improved governance (e.g., administration of justice, legislative staffs), and conflict resolution (e.g., a pilot project on resolving rural conflicts in Guatemala). The OAS continues its activism in election monitoring: major efforts in 1996 were undertaken in Nicaragua, the Dominican Republic, Suriname, and Ecuador.

The Strengthening Democracy initiative is being implemented jointly with the Human Rights initiative (*see item 2*).

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Promoting and Protecting Human Rights: The democratically elected leaders in Miami undertook to promote policies that would guarantee and protect human rights and universal access to justice. They agreed to give consideration to adherence to human rights instruments to which their states were not yet party. They also committed themselves to specific actions in support of the rights of women, minority groups, indigenous populations, people with disabilities, children, prisoners, and migrant workers and their families.

In September 1995, Brazil and Canada presented a proposal for implementation of both democracy and human rights in the Hemisphere. This proposal was referred to the OAS for consideration and further action. The steps which the United States and other Summit countries have taken in these areas will be reviewed at the OAS.

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Invigorating Society — Community Participation: The governments agreed to review national regulations in order to facilitate the operations of non-governmental organizations (NGOs) and promote their ability to raise private funds, while emphasizing their accountability. Governments will also encourage participation in society by marginalized groups and consider the creation of a Civil Society Program at the Inter-American Development Bank (IDB).

The U.S. has taken actions to enhance civil society such as the creation, through the United States Agency for International Development (USAID), of the Latin America and the Caribbean Network, which will ultimately link 80 NGOs throughout the hemisphere. The Governments of Uruguay and Jamaica presented a report on progress in the civil society are in the Hemisphere at the December 1996 Santa Cruz Summit of the Americas for Sustainable Development.

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Promoting Cultural Values: The Presidents and Prime Ministers in Miami decided to promote cultural values through encouraging more dynamic relations among public and private institutions and to facilitate cultural exchanges through the OAS and IDB.

The IDB administers an active and growing exchange program. On the U.S. side, the United States Information Agency (USIA) funds numerous exchanges of artists, writers and other professionals in the arts and humanities. The U.S. is the only major art-importing country to have ratified the 1970 UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export, and Transfer of Ownership of Cultural Property. On March 8, 1995, with the approval of the U.S. Cultural Property Advisory Committee, the U.S. signed a bilateral agreement with El Salvador on the protection of cultural patrimony. Similar agreements

with Nicaragua and Canada are pending.

In addition, USIA and the Kennedy Center have named 18 applicants from the Southern Hemisphere as Humphrey Scholars in the field of the performing arts.

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Combating Corruption: Summit leaders agreed that corruption in both the public and private sectors weakens democracy, and undermines the legitimacy of governments and institutions. The leaders committed themselves to develop priorities for reforms needed to make government operations transparent and accountable, establish conflict of interest standards for public employees, and ensure proper oversight of government functions by strengthening internal mechanisms and facilitating public access to information.

To encourage an exchange of information, the OAS opened a working channel in 1995 with the OECD Working Group on Bribery in International Business Transactions. The Summit states have also negotiated a new Convention on Corruption which identifies acts of corruption, extradition provisions, and legal assistance measures. As of October 1996, 23 governments, including the United States had signed the Convention.

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Combating the Problem of Illegal Drugs and Related Crimes: The leaders agreed to formulate a broad coordinated hemispheric strategy to reduce drug production, trafficking, and consumption. In response, a

meeting of ministers responsible for fighting money laundering was held in Buenos Aires in December 1995, chaired by Secretary of the Treasury Rubin. Ministers agreed to outlaw money laundering, reform banking laws to include reporting of suspicious transactions, and expand potential for sharing of information among countries to investigate and prosecute financial crimes. The OAS Inter-American Commission on Drug Abuse Control (CICAD) will assist countries to undertake ongoing assessments of progress on the decisions reached in Buenos Aires.

Governments also approved in December 1996 the Anti-Drug Strategy in the Hemisphere was also negotiated by the Hemisphere, also with the assistance of CICAD. The Strategy acknowledges the threat narcotics pose to our national security and defines a cooperative approach to combatting them.

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Eliminating the Threat of National and International Terrorism: The governments reaffirmed their determination to combat and eliminate terrorism, which they described as not only a violation of the rights of individuals but as an assault on democracy itself.

The U.S., Brazil, Canada and the Southern Cone countries (Argentina, Chile, Paraguay, and Uruguay) issued a declaration in Buenos Aires on August 2, 1995 that committed these countries to a set of shared principles and practical measures in the fight against terrorism. The U.S. has also urged all governments to adhere to existing multilateral counter-terrorism conventions. The OAS held a Conference on Terrorism in Lima in April 1996, in which all nations agreed to upgrade intelligence exchange and enforcement cooperation in a concerted effort to eliminate terrorism in the Hemisphere.

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Building Mutual Confidence: Governments agreed to support actions to encourage a regional dialogue to promote the strengthening of mutual confidence in security matters. The unprecedented OAS Conference on Confidence- and Security-Building Measures (CSBMs), which was held in Santiago, Chile on November 7-8, 1995, was successful in increasing OAS member states' understanding of CSBMs and establishing an agenda for future action. The Conference issued the "Declaration of Santiago on CSBMs", which committed the countries of the Hemisphere to monitor and evaluate implementation of eleven CSBMs, such as advance notice of

military exercises and exchanges of information concerning defense policies and doctrines. Consideration is being given to a second OAS Conference on CSBMs in 1997, hosted by El Salvador.

The U.S. will be working on an action plan for annual fulfillment of the commitments of the Santiago Declaration. At the OAS, the U.S. will support efforts to implement the CSBMs through the newly created Permanent OAS Committee on Hemispheric Security.

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II. PROMOTING PROSPERITY THROUGH ECONOMIC INTEGRATION AND FREE TRADE

Recognizing that economic progress depends on sound economic policies, sustainable development, and dynamic private sectors, and that the key to prosperity is trade without barriers and an increasing flow of productive investments, the leaders resolved to construct the Free Trade Area of the Americas, in which barriers to trade and investment will be progressively eliminated. They further agreed to encourage investment by cooperating to build more open and transparent markets.

Free Trade in the Americas: The hemispheric leaders in Miami agreed to set in motion immediately a process to construct "The Free Trade Area of the Americas" and to maximize market openness through agreements that reduce tariff and non-tariff barriers. They resolved to conclude the negotiation of the FTAA no later than 2005.

As agreed by the heads of state, the Trade Ministers met at Denver on June 30, 1995, and agreed on a substantive "Joint Declaration"; the thrust of the declaration is that participants in the FTAA will all play by the same rules. The FTAA will be consistent with the WTO, it will be balanced and comprehensive, it will not raise barriers to other countries, and it will represent a single undertaking. The Ministers established seven working groups in Denver, providing them general terms of reference. At the second

Trade Ministerial at Cartagena in March 1996, they established four more such groups to address the issues of services, intellectual property, government procurement, and competition policy. The third Trade Ministerial is planned for Belo Horizonte Brazil in May 1997.

The U.S., along with the other countries, is using various private sector fora to seek advice from businessmen and to keep them informed of the FTAA progress, and is participating actively in all of the working groups.

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Capital Markets Development and Liberalization: The leaders agreed to form a Committee on Hemispheric Financial Issues which would promote the liberalization and progressive integration of capital markets, increasing transparency and comparable supervision in the markets, and possibly negotiating common guidelines on capital movements. Meetings were held in July and November 1995 and March 1996 at the Vice Ministerial level to establish a work program for cooperation to advance regulatory reform. The meeting also reviewed problems of debt in the hemisphere and agreed to monitor the progress of the World Bank and the IMF as these institutions develop a comprehensive approach to treating international financial institution debt. The IDB developed a draft questionnaire to guide the countries in their survey of their national capital regulations. A Meeting of Ministers of Finance in May 1996 advanced the agenda in these areas, which will lead to increased cooperation in the Hemisphere.

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Hemispheric Infrastructure: The heads of state in Miami charged multilateral development banks with the development of mechanisms that would deal appropriately with current lending and investment issues. Governments will be encouraged to commit voluntarily to regulatory practices that encourage private investment in national and transborder infrastructure projects. It is projected that national governments will adopt a "Code of Best Practice" as a means of publicizing the countries' adherence to investment-friendly economic and regulatory reforms.

The IDB and International Finance Corporation are defining for governments new models of assistance to achieve maximum leverage of their resources. An industry-specific panel on infrastructure was held during the Denver Trade and Commerce Forum in July 1995. The IDB hosted a Roundtable on Innovative Financing for Infrastructure on October 23-24, 1995. A financing plenary session focusing on the mobilization of private capital for energy infrastructure was held during the October 29-31, 1995 "Hemispheric Energy Symposium" co-chaired by the U.S. Department of Energy and the Government of Venezuela (*see item 12*). Current and future work will also focus on hemispheric telecommunications infrastructure (*see item 13*).

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Energy Cooperation: The leaders agreed to convene a follow-up Hemispheric Energy Symposium to study ways to encourage cooperation to develop an energy industry consistent with least-cost strategies, efficiency, and the use of renewable energy sources. The Energy Symposium, which was co-hosted by the U.S. and Venezuela in Washington, D.C. on October 29-31, produced eight "outcomes," such as clean energy options and new opportunities for natural gas. Summit governments formed a Hemispheric Steering Committee to coordinate energy related follow-up to the Summit. Individual governments have volunteered to coordinate implementation of the eight outcomes on a hemispheric level.

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Telecommunications and Information Infrastructure: The heads of state agreed to undertake efforts to improve access to international networks that facilitate trade flows and that improve education and access to health care. They also agreed to encourage private investment in the sector, and implement more flexible regulatory regimes. They tasked the Inter-American Telecommunications Commission (CITEL) of the OAS to take actions to upgrade telecommunications in the hemisphere. CITEL, with active U.S. public and private sector participation, accelerated its work program to accommodate the Summit Telecommunications Officials meeting in September 1996, which adopted hemispheric guidelines that will serve as the basis for future negotiations in telecommunications services.

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Cooperation in Science and Technology: The leaders agreed to convene a Science and Technology Ministerial, which was held in Cartagena, Colombia on March 28-29, 1995. The Ministers responsible for science and technology agreed on an action plan to improve hemispheric cooperation on scientific and technological matters, capitalizing on new telecommunications and information technology.

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Tourism: The leaders agreed to explore ways of expanding tourism development in the hemisphere. The current action agenda is devoted to the issue of eliminating tariff and non-tariff barriers. Although the work is moving forward, the initiative has not yet received strong impetus from the governments. The Inter-American Travel Congress, coordinated by the OAS, was recently concluded in March 1997 in San Jose, Costa Rica.

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**III. ERADICATING POVERTY AND DISCRIMINATION IN OUR
HEMISPHERE**

Recognizing that strong democracies depend on the health and well-being of their people, the leaders affirmed support for strategies to provide health services and to curtail the devastating effects of poverty. Further noting that governments and economies flourish when all segments of the population participate fully in society, leaders agreed to invest in education and small business.

Universal Access to Education: The leaders made a commitment to refocus existing resources more effectively toward universal quality education, literacy programs, and employment training through reforms in financing and decentralization. The goal is to achieve 100% primary school completion rates and 75% secondary school enrollment by the year 2010, paying particular attention to the unmet needs of women, indigenous people and other disadvantaged groups.

The U.S. Government's centerpiece for education reform will be USAID's Partnership for Education Reform in the Americas (PERA) project. PERA

was created in response to increasing recognition on the part of national governments, international organizations, and the private sector of the role education plays in development. For the first time, the nations of the Hemisphere are committed to work as equal partners in the solution of common problems in education and to share their knowledge and resources on a specific and practical agenda. PERA's goal is to develop joint activities to promote the implementation of policies aimed at improving the opportunities of all children and youth to obtain quality education and productive work.

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Equitable Access to Basic Health Services: Governments decided to expand access to basic health services, with minimum goals for the year 2000 of reducing the region's child mortality rate by one-third and maternal mortality rate by one-half from 1990 levels. Leaders endorsed the provision of basic health services recommended by international organizations and the development of national plans encompassing accessible essential services for poor and indigenous groups, stronger public health infrastructure, and advancing alternative means of financing and providing services, involving community resources and greater use of NGOs.

The U.S. will continue its support for health care services through the Pan-American Health Organization (PAHO), funding agencies, and the Inter-American Network on Health Economics and Financing. PAHO developed a regional plan of action to reduce maternal mortality by half (from the 1990 level) by the end of the century, to reduce infant mortality, and to eliminate measles from the Hemisphere.

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Strengthening the Role of Women in Society: The leaders committed their governments to promote policies to ensure that women enjoy full legal and civil rights protection and participate in decision-making at all levels. Leaders also agreed to support the work of multilateral fora on women's issues.

The U.S. supported progressive positions at the World Conference on Women and will seek to secure ratification of the Convention on the Elimination of All Forms of Discrimination Against Women. Nicaragua has assumed the role of hemispheric coordinator for follow-up to this action item and held a working-level conference on women in April 1997.

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Encouraging Microenterprises and Small Businesses: The leaders decided to support and strengthen microenterprises and small businesses by means of improved legal and regulatory environments and simplified administration, strengthened financial-sector support from national and international sources, enhanced access to training and technical assistance, increased public-private cooperation, and involvement by NGOs.

Regionally, the IDB committed \$500 million in 1995 over five years to the support of microenterprise and small business projects. An IDB-sponsored conference in November 1995 brought together microfinanciers, microentrepreneurs, commercial banks, NGOs, and government representatives for a comprehensive review of the problems and resources

for expanding microenterprise. The USAID five-year program for Latin America and the Caribbean also devotes significant attention to underwriting the growth of microenterprise and small business.

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White Helmets — Emergency and Development Corps: Countries decided to establish, on a voluntary basis, national corps of volunteers dedicated to reducing the effects of natural disasters and to meeting social and developmental needs and emergencies. They would respond to calls from the region, and would eventually be at the disposal of the United Nations. Each government will be responsible for their training and financing.

The OAS and IDB are developing a proposal for facilitation of White Helmets requests in the Hemisphere. The U.S. will continue to support Argentina, author of the initiative, in developing this project under the auspices of the United Nations framework. It is also examining ways in which the U.S. can contribute its own expertise both to the Argentine effort and within the context of the United Nations Volunteers Program.

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IV. GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS

Seeing the need for wise management of the hemisphere's environmental resources to ensure their use by future generation, the leaders agreed to promote partnerships in the fields of energy, pollution prevention, and the sustainable use of biological resources.

Partnership for Sustainable Energy Use: The participating countries made a commitment to increase access to reliable, clean, and less costly energy services. This action item is being jointly-implemented with the initiative on Energy Cooperation (*see item 12*).

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Partnership for Biodiversity: The participating countries committed themselves to build capacity (indigenous, local, and national) for the protection and sustainable use of biodiversity resources within the policy framework of existing international agreements, and the resources of the Inter-American Development Bank and the newly replenished Global Environmental Facility. Summit countries made further commitments in the area of biodiversity at the December 1996 Santa Cruz Summit of the Americas on Sustainable Development.

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Partnership for Pollution Prevention: The participants decided to strengthen technical and institutional capacity to address environmental priorities such as control of pesticides, reducing lead contamination, improved water and air quality, and urban environmental problems. They will use existing institutions such as the OAS and the resources of the multilateral development banks to develop legal frameworks, environmental compliance and enforcement capacity, and public participation.

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Note: Copies of the complete Summit agreement and Summit-related documents may be obtained from:

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Prepared by the Summit Coordinating Office, U.S. Department of State, April 30, 1997

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 26, 1997

**PRESS CONFERENCE OF
PRESIDENT CLINTON AND PRESIDENT FREI OF CHILE**

Room 450 Old Executive Office Building

1:16 P.M. EST

PRESIDENT CLINTON: Good afternoon. Please be seated.

First, let me say it's been a great pleasure to welcome President Frei to the White House. We meet in an historic moment for our hemisphere, when the foundation of democracy and free markets is firmly in place. Now we must lead in building on that foundation to forge a future of peace and prosperity.

Chile is the window through which we see the Americas of tomorrow -- a multiparty democracy, a firm commitment to human rights, proven economic reform. President Frei is working hard to make sure that all Chileans benefit from Chile's economic growth, lifting people from poverty and raising their aspirations. Chile is also an active global citizen, promoting peace from El Salvador to Iraq, sending civilian police to Bosnia, ratifying the Chemical Weapons Convention.

At the crossroads of trade among the world's most dynamic economies, Chile can be a cornerstone of the vibrant free trade area we are working to build in our hemisphere. Together, the United States and Chile are showing the promise of partnership in the Americas. Today, President Frei and I reaffirmed our commitment to build on that partnership at the Summit of the Americas that Chile will host in March of 1998.

At the Summit in Miami in 1994, we charted a road map for collective action. Now we must set further milestones for progress that will benefit our people, deepening democracy, advancing trade, expanding opportunity, fighting drugs and protecting the environment. I look forward to attending the Santiago Summit and to working closely with President Frei to build on Miami's success.

We also discussed the importance of open trade, both in boosting prosperity and in bolstering freedom and democracy. I repeated to the President what I told the Congress: I believe we must have fast track authority to conclude new trade agreements that open markets to America's products and that advance our values. The United States simply cannot afford to sit on the sidelines while others share in the fruits of Latin America's remarkable growth.

Chile's strong record of reform, good government, and sound fiscal policies make it an excellent candidate for the first use of such authority. Our administration remains committed to concluding a comprehensive free trade agreement with Chile. In that regard, I'm pleased to announce that I've asked the Secretary of Agriculture, Dan Glickman, to travel to Chile to inaugurate a new consultative process to promote our agricultural trade.

Our countries have also agreed to launch negotiations on an open skies agreement. And, finally, I want to mention something near to my heart -- our Fulbright Exchange program, the oldest in Latin America. Today, Chile's decision to share this program's cost will help our people to build even stronger ties as we enter the 21st century.

Over the next several months, as I visit Latin America and the Caribbean, I'll continue to advance the important agenda we focused on today, consolidating the historic journey of the Americas toward democracy, open markets, mutual respect and cooperation. We are weaving a fabric of an integrated hemisphere -- a community where people live, work and learn together as friends on behalf of peace and progress.

Before I ask President Frei to speak, I'd like to say just a few words, if I might, to the American people and the American press about our continued determination and our ongoing efforts to get to the bottom of the question of Gulf War illnesses. This week, as a result of the ongoing review we instituted several months ago, new documents have come to light further suggesting that our troops could have been exposed to chemical agents during the Gulf War. As soon as we get any new information we share it with our veterans and the American people, and we will act appropriately on any information we uncover.

I want to caution everyone that it is important not to prejudge the actions of the developments that occurred in the previous administration. We simply have to get to the bottom of it. Today I've written to Dr. Joyce Lashof, the Chair of our action committee on Gulf War illnesses, and asked the PAC (Presidential Advisory Commission) to focus on the documents that have come to life this week. It is essential that we get all the help we can from the PAC in understanding the full significance of the documents and any other new information that might come to light. We cannot stop until we get all the answers about Gulf War illnesses.

And now I'd like to ask President Frei to make an opening statement. And we'll take your questions.

Mr. President.

PRESIDENT FREI: Mr. President, I would like in the first place to reiterate our thanks for this invitation. Chile is a country that in the recent years has consolidated its democracy. It has

had sustained growth in the last 14 years, with average development and growth rate of seven percent a year. And that has strengthened and consolidated our economy.

We have given a front battle against poverty, bringing down to half the level at which we had it during the '80s. And at the same time, we've done it within the framework of a tremendous opening to foreign trade -- international trade. Chile has today the economic complementation agreements with more than 30 countries. We are members of Mercosur starting October of last year. We are members of APEC, as the only South American country. And we are negotiating an agreement with the European Union.

For all these reasons, at this working meeting we have discussed all the items -- hemispheric ideas, the Summit of the Americas to be held in March of '98 in Chile, what are the main items and subjects and what we will focus on during the year -- consolidation of democracy, free trade, struggle against poverty, and also very preeminent subjects that we have agreed to include in that Summit of the Americas, and that is education science technology and training as the essential and foremost tool to leave under development.

We have talked also about our participation in the United Nations, and in all those issues of world peace we have representatives of our armed forces in Iraq, and we will take part with members of our police forces in Bosnia. And we are very active, seeking in Latin America the peaceful settlement of disputes. And this has been proven by our participation in several conflicts we've had in Latin America, and very recently in those difficulties between Peru and Ecuador, whereby we have actively participated to consolidate peace in the region.

Also, we have reviewed our bilateral relation. In the last years of my government the increase of bilateral trade between Chile and the U.S. has had an explosive increase; it has increased more than 50 percent in the last two or three years. Only 1996 we've had investments of American firms equivalent to all of the American investment we had in Chile in the previous 15 years -- and so with an exchange of more than \$6.2 billion. Of course, there are sensitive issues, especially in agricultural sectors. And we have expressed our way of thinking and our ideas as to trade, the point of interest to Chile, to the United States. And as the President has stated, our Secretaries of Agriculture will meet so as to jointly look for a solution to these problems that we believe always can emerge in a trade -- such a vast, broad and diversified trade relation as the one we have.

Also, we have spoken of politics. We are interested in the 1998 summit to speak of politics as we did in the Iberia American Summit of Santiago. Usually we used to discuss environment, free trade and education. This time we raised the subject of democratic governance, good government, how to make our democracies effective in Latin America, how to solve the very specific and concrete problems of the people.

And that item, that subject, we want to include it in the summit of next year. We know that democracy has to be built every single day, with great effort and sacrifice. And that is why this conversation has been very open, candid. We are a small country. We are no power neither as to population, nor are we an economic power. But with certain dignity we do have the capability of

raising before the United States a very wealthy bilateral relation of great development and to work together in the hemisphere and in global policies.

I believe that Chile, and this I say here solemnly, Chile is no example, nor model. What we've done is to build an experience based on our history. And, of course, drawing upon the lessons and work of many, many generations we have been able to consolidate this development model -- this development process. And we have a historic opportunity. Never before has the country been in a position to view upon the future in a different manner.

If we act in this way, well, I think that in the next years we can leave underdevelopment behind. That is what we want in Chile. That is what we want to build. And we feel partners with the United States in this major endeavor, that as a Latin American country I will be able to leave behind poverty, margination, and build a better future for our children. That is our task, the major project.

And I feel today that, upon arrival to the United States, being received by the President and highest authorities, and when speaking to more before the joint session of Congress -- first time a Chilean President will have this honor -- it's not an honor for the President, it's an honor to the country, for what we've been, for what we are, and what we are building.

Thank you, Mr. President.

Q Sir, the documents yesterday show you raised a great deal of money from people you entertained at the White House. Did you pay for their food and such? And can you really say the White House was not used as a fundraising tool?

PRESIDENT CLINTON: Absolutely. Look at the list of the people. We put it out there. A vast majority, I think almost seven eighths of them were people that I had relationships with that were independent of my campaign for President in '92. But some people did come and stay with me who helped me. And I think that's entirely appropriate. I don't think people who support you and help you through tough times and who believe in what you're doing should be disqualified from being the President's guests at the White House.

But any presidential guest at the White House, whether they're family members or dignitaries, or whatever, their costs are not born by the taxpayers.

Mr. President, would you like to call on someone?

Q President Clinton, in Chile, your political will with regard to Chile's accession to NAFTA is well known. However, at this point, with all the time that's gone by, we're asking for more concrete steps. Among those steps you are about to take, are you going to ask for fast track authority from Congress?

PRESIDENT CLINTON: Yes. I am going to ask for fast track authority from Congress. In my State of the Union address I said that I would. And I want to reiterate today that I believe the

first use of that authority should be to conclude a comprehensive trade agreement with Chile. And I would hope that the Congress would support that endeavor.

I believe the President's speech to the Congress tomorrow will be very helpful in that regard. And I'm delighted that he came here. I'm delighted that this is my first state visit since I was reelected President. And I wish it had been done before, but it was simply not possible to pass through Congress. I do believe we'll get the fast track authority and I believe we'll conclude an agreement. But we have a lot of work to do. And, as I said, the fact that the President is going to speak to Congress tomorrow to a joint session is a historic thing not only for Chile, but it's very important for the United States and for the future of this whole region.

Terry.

Q Mr. President, in the documents that were released yesterday, two high ranking White House officials, Harry Ickes and Evelyn Lieberman, refer to DNC coffees at the White House as "fundraisers." That, of course, would be illegal. How do you explain their choice of words, and do you think that any of the fundraising activities came close to skirting the line, going across the line into illegality?

PRESIDENT CLINTON: No. We got strict advice about -- legal advice about what the rules were and everyone involved knew what the rules were. Did we hope that the people that came there would support me, particularly after we got into a political season when we were doing this? Of course, we did. But there was no solicitation during the events. And the guidelines, which I believe were made available to you also yesterday, and the documents made it clear that there was to be no price tag on the events. Did the people hope that the folks that came to the events would subsequently support me? Yes, they did. And I think that was clear to everyone involved at the time. But there was no solicitation at the White House, and the guidelines made clear that there was to be no price tag on the events.

Q But the language in those memos?

PRESIDENT CLINTON: I think my own view is -- and I haven't talked to the people, but that's how much they hoped would come out of their endeavors after the coffees were over. And I think if you will ask them you'll find out that sometimes they did and sometimes they didn't.

Q President Clinton, Chile is a country with a small economy and a small population. Why do you think it deserves to be part of NAFTA?

PRESIDENT CLINTON: I think that Chile deserves to be part of NAFTA because it is the most successful democratic free market economy in Latin America, with high rates of growth, a deeply entrenched democracy, having overcome very well documented, extreme difficulties in building that democracy over the last few decades. And really, I think Chile is looked to as a leader in our hemisphere on political and economic matters. And I can't imagine how we could have a set of free trade agreements with our neighbors in Latin America that Chile was not a part of.

And what I'm hoping is that others in our hemisphere who have now embraced democracy will see what Chile has done economically, not simply in having high rates of growth, but also in reducing poverty, spreading the benefits of economic growth to more people.

The commitments that the President has articulated in education, for example, that the First Lady saw so clearly when she was down there two years ago -- I'm hoping that that will spread across our hemisphere, and that when we come to Santiago next year there will be a deep feeling among all the other nations there represented that we should press on to create a free trade area of the Americas, and that it should help more countries to bring the benefits to their people that the Chilean people are beginning to realize.

So the symbolic significance of Chile is far beyond the size of the economy, although I wouldn't minimize the size of the economy and its potential for growth.

Claire?

Q Mr. President, given all the public attention at this point on the fundraising issue, and the calls now from Capitol Hill from Democrats and Republicans for an independent counsel, don't you think it might make sense at this point to have an independent counsel to take some of the pressure off?

PRESIDENT CLINTON: I think what I always think about that. There is a statute and that is a decision for the Attorney General to make, it should not be a political decision. It's a legal decision; the Attorney General has to make it.

Q Would you be opposed to an independent counsel?

PRESIDENT CLINTON: I'm not going to comment. I never have. It is a decision that should be made strictly on the law, based -- by the Attorney General, not based on any politics. But the evidence that we made clear yesterday is I think -- I've answered the questions about that, and I don't think there is a legal issue there.

Q President Frei, have you been told by President Clinton the strategy he will use in the months ahead to propose fast track on Congress? And also, a domestic question -- have you decided -- are you close to a decision to who will be president of the Christian Democrats in Chile?

PRESIDENT CLINTON: I'm glad you asked him a domestic question. Thank you.
(Laughter.)

PRESIDENT FREI: What we think as to free trade is to show exactly what our experience has been, more than taking part as to -- or referring to the decisions that the U.S. government or Congress have to make. We are interested; of course, we are. Why? Because as I said before, we have economic complementation agreements with more than 30 countries. Our foreign trade is highly diversified in Asia, Europe and America. Our trade with Latin America is very similar to the one we have with the United States. That is why we have aggressively sought these agreements, allowing a small nation to consolidate those markets. Today, we have foreign trade --

I mean, imports, exports and related services -- they account for practically 55 percent of our GDP. And so today at least six or seven out of 10 jobs in Chile depend on international trade.

And that is why we believe that this has been beneficial for the country. And also, Chilean firms have gone abroad and invested more than \$15 billion in the southern cone of America -- unprecedented fact -- practically 20 percent of our GDP. And this has meant the creation of an area not only of free trade, but of integration. We are working in physical integration, energy integration, and we are contributing to improve the quality of life in the continent and particularly in our country.

That is why we've grown in recent years at rates -- permanent rates about 6 or 7 percent, I would say. The last 14 years, we have a savings and investment rate that reaches unprecedented figures. Last year we had a saving investment rate of 28 percent, 28.5 percent of our GDP. And domestic savings, there the state contributes with 5 percent to domestic savings. And for five years we've had fiscal surplus.

Our accounts are in order, and thus we are firmly convinced that free trade not only is a pillar and foundation for Chile's development, but an essential condition to consolidate our political, social, and economic project. And that is why, of course, we are interested, and we are certainly interested in the agreement with the United States. We signed with Canada in November an agreement following the guidelines of NAFTA and that includes labor and environmental clauses that we are also ready and willing to accept.

So this is our vision of the country, how is our country going to be in the 21st century and we are working towards that. And that is why we expect and the U.S. government and Congress to define this, which is a road for Chile, of course, but it is also a road to be followed by the Americas.

And as to the Christian Democrat Party in Chile, the President of the Republic is President of all Chileans and does not take part in active politics. There in Chile, I am head of state and head of government, and the decisions of the parties are independent decisions. And the Christian Democratic Party, of which I've been a member for more than 35 years, elects its authorities democratically, universal suffrage process which is underway, and at the end of March they will hold that election. All the members will vote, and they will democratically elect their authorities.

Q Mr. President; are you ready to endorse Senator Lott's call for a commission of economists to once and for all settle this issue of whether the CPI overstates inflation?

THE PRESIDENT: Let me say, first of all, I support a cost of living increase that is appropriate. I think it's important that it be accurate. There have been questions raised and opinions offered about that. And I think it's important that we agree to a procedure that will have credibility not only among both parties and their leaders in Congress, but even more importantly out there among the American people.

This is not a question for the budget; this is a question about the long term viability of our systems and whether the CPI is an accurate reflection of how much the cost of living of Americans goes up every year.

I appreciate Senator Lott's suggestion and I have -- it is one of the things that I have considered, and I think we'll have some sort of an announcement on that in the not too distant future. But I think it's important for me to make sure that whatever we do has not only the confidence of Senator Lott, Senator Daschle, Speaker Gingrich and Leader Gephardt and the members of their caucuses, but also of the people out there in the country that will be living with whatever decision is made on this.

So I think he made a good, constructive suggestion. I think we ought to take that under advisement. And we need to see what other options there are out there and then we need to go forward, and I expect to do that.

Q President Clinton, since the Miami Summit not much progress has been done with regard to the free trade areas of the Americas. Do you think that the various regional processes in Latin America have been making much more headway, and do you think that the next summit is going to concentrate more on that than that FTAA?

PRESIDENT CLINTON: Well, I think the answer to your question is it depends in large measure on what we do here. Since the United States did not renew fast track authority, there was not much more we could do. But a lot of progress has been made within South America, for example. Chile reached an agreement with Mercosur countries, and a lot of other things have been going on there. And then we've been working on some specific issues with a lot of nations in our hemisphere.

But I believe that our ability to get a free trade area of the Americas -- Chile also, I think, made separate agreements with both Canada and Mexico. So our ability to get a free trade area of the Americas and to build what I think is potentially the most powerful economic unit in the early part of the next century now rests with the willingness of Congress to approve the fast track authority, and our ability to get back on track and try to be a constructive, cooperative part of this process. And I intend to do whatever I can to achieve that.

And, as I said, I'm delighted that the President is going to address Congress tomorrow. There's an enormous amount of admiration for Chile in the United States Congress, across party lines, for all kinds of reasons. And I think his words will be heard and I think they will be exceedingly helpful.

Thank you very much.

THE PRESS: Thank you.

END

1:43 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 12, 1995

STATEMENT BY THE PRESIDENT

One-Year Anniversary of the Summit of the Americas

Last December, I joined the other 33 democratically-elected leaders from the Western Hemisphere in Miami for the historic Summit of the Americas. Working in a new spirit of cooperation, we set a common agenda to strengthen the advance of democracy in our region, to protect our environment and natural resources, to expand opportunities for our nations and our communities, and to promote a new partnership for hemispheric prosperity.

Over the last year, the hemisphere's leaders have worked hard to realize the ambitious program defined at the Summit. We are working together to challenge money-launderers, narcotics traffickers and others who ignore the rule of law. A new hemispheric Partnership for Pollution Prevention will phase out the use of leaded gasoline and other chemicals that contaminate our air and poison our soil.

In June, we hosted a meeting of regional trade and commerce ministers to discuss measures to facilitate trade liberalization and to begin preparations for the negotiation of a Free Trade Area of the Americas by the year 2005. Already, falling trade barriers have allowed our exports to the hemisphere to grow by 12 percent in the first half of 1995 to \$112 billion, generating over 180,000 export-related jobs. Steady progress means more jobs and opportunities for American workers and U.S. businesses as we look toward the next century.

Working together, the democratic nations of this hemisphere have achieved much. I know we can accomplish much more. Despite the challenges faced by our hemisphere this past year, the foundations of the Summit remain strong and our nations, including the United States, remain committed to our common goals.

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THE WHITE HOUSE
Office of the Press Secretary
(Miami, Florida)

For Immediate Release

December 9, 1994

**REMARKS BY THE PRESIDENT TO MEMBERS OF THE SUMMIT COMMUNITY,
HOST OFFICIALS, AND OFFICIALS FROM FLORIDA
ON THE GOALS OF THE SUMMIT**

The Jackie Gleason Theater for the Performing Arts
Miami, Florida
12:30 P.M. EST

THE PRESIDENT: Thank you very much, Mr. Vice President. Thank you, ladies and gentlemen, for that warm welcome. Hillary and I and the Vice President and Mrs. Gore are delighted to be here.

We thank Governor Chiles and Mrs. Chiles, the Lt. Governor and Mrs. MacKay, the members of the Florida congressional delegation, Senator Graham, Senator Mack, the distinguished members of Congress who have come from all over the United States to be here. I want to say a special word of thanks to Dante Fascell, the honorary cochair of this summit and a great man. (Applause.)

I thank the mayors of Miami Beach and Miami, all the people who are involved in the Metro Dade government, all the people who have worked so hard on this summit.

When we first announced the plans to hold the Summit of the Americas here in Miami, it seemed that it was a natural choice. This city, after all, has been variously described as the hub, the melting pot, the gateway, the crossroads of the Americas. But in the end we chose Miami because of the commitment of the people who live and work here to make this summit a success, led, as the Vice President said, by the Governor and the Lt. Governor.

I won't dwell on all the subtle and not-so-subtle details of our many conversations about this. But let me say that they persuaded me that this was the reverse of that wonderful line in the movie, *Field Of Dreams*, where they said to us, if you come, we will build it. And you have, and I thank you. (Applause.)

Your efforts have been extraordinary, and we are grateful for them. I have just been amazed at the energy that has come out of this community and this state over the last several months -- the kind of energy that's supposed to be generated only by the Florida sun. You promised that the citizens of Miami would do it right, and it's clear that you have delivered. I think I can say for all of those who have come from around America to be here, we knew we would need to be warm in December, and now we are in more ways than one. And we thank you very, very much. (Applause.)

History has given the people of the Americas a dazzling opportunity to build a community of nations committed to the values of liberty and the promise of prosperity. Now, over the next three days, the 34 democratically-elected leaders of our hemisphere will gather to begin to seize this opportunity.

I convened this Summit of the Americas with three clear goals in mind: First, to open new markets and create a free trade area throughout our hemisphere. Second, to strengthen this remarkable movement to democracy. And third, to bring together our nations to improve the quality of life for all of our people.

If we're successful, the summit will lead to more jobs, opportunity and prosperity for our children and for generations to come. We will have launched a new partnership for prosperity.

Today, we gather in Miami to mark a quiet revolution and to launch a new era, for here in the Americas, as all of us know, nation after nation has freed itself from dictatorship and debt, and embraced democracy and development.

When historians look back on our times, they will marvel at the speed with which democracy has swept across the entire Americas. Consider this: At the time of the last hemispheric summit in 1967, 10 countries suffered under authoritarian rule and there were fewer here. But today, 34 of the hemisphere's leaders have won their post through ballots, not bullets.

This weekend we will welcome leaders like President Aristide of Haiti. (Applause.) We have all seen his commitment to reconciliation and the rule of law and how it now moving his people from fear to freedom. And I hope I can take a moment of pride to salute the brave American men and women in uniform and their partners from around the world who helped to restore that democracy and freedom to Haiti. We are very proud of them. (Applause.)

Here at the Summit of the Americas, the people of the United States will meet a whole new generation of leaders, a generation no longer subject to the dictates of military juntas, who stifle liberties and loot their nation; a generation that has proved in Central America that bloody regional conflicts can be peacefully concluded through negotiation and reform and reconciliation; a generation which has pledged to support democracy collectively wherever it is imperiled in this hemisphere. That's a commitment no other region in the world has made.

These leaders are here in Miami because they have tapped what Simon Bolivar, the liberator of Latin America, called "the most sacred spring," "the will of the people." Today, just a day before the anniversary of the adoption of the Universal Declaration of Human Rights, we honor them, all of them. And we must also honor the brave men and women who dedicated themselves to the cause of freedom and liberty, and who today lie

all across this hemisphere in unmarked graves. And this summit is also a tribute to their astonishing sacrifice. And it is their triumph as well. (Applause.)

Only one nation in our hemisphere is not represented here. It's the only one where democracy is still denied. We support the Cuban peoples' desire for peaceful, democratic change, and we hope that the next time we have one of these summits, and the people of all the Western Hemisphere send their leaders here, a leader of a democratic Cuba will take its place at the table of nations. (Applause.) Thank you.

The wave of political freedom that has swept across the Americas has also been matched by unprecedented economic reform. In these times of very great stress, farsighted leaders in nation after nation have adopted sound policies to tame inflation, to restore economic growth. They've cut tariffs, stabilized currencies, opened their economies to foreign investment. They have worked together to shrink mountains of debt. They've privatized; they've decentralized.

Argentina has cut its central government by 60 percent in four years. Bolivia has given back to local communities more responsibility for health, for education, for agriculture. Brazil has slashed its inflation rate. The so-called "lost decade" in Latin America is a fading memory.

These reforms are working wonders. Investment is growing; the middle class is again on the rise. The Western Hemisphere now boasts the second fastest growing economies in the world. And if current trends continue, within just a decade, our hemisphere will be the biggest market in the world -- more than 850 million consumers buying \$3 trillion worth of goods and services. These are remarkable, hopeful times.

Here in the United States, we, too, have developed a comprehensive economic strategy to reap the rewards of this moment. We had a lot of work to do just to put our economic house in order. We've made deep cuts in our deficit and federal spending, in the size of the federal government. For the first time since Harry Truman was President, this year we will have three years of reduction in our deficit in a row. (Applause.) We are already taking our federal government down to its smallest size since John Kennedy was President. We've made major steps toward deregulation and banking and trucking and deregulating the states in the areas of welfare, health, and education. And we have just begun to move in this direction.

Our country has produced over five million new jobs in the last 22 months. We've got the lowest unemployment rate in four years, and have been voted by the Annual Panel of International Economists as the world's most productive economy for the first time in nine years. (Applause.) But the thing that gives me the most hope, after all the years -- nearly two decades -- in America of American families working longer work weeks for stagnant wages and more fragile benefits, is that this year more high-wage jobs have come into our economy than in the previous five years combined. We hope that we are seeing the beginning of the end of a 20-year trend in stagnant wages,

and the beginning of the restoration of the American Dream by reaching out to the world and into our hearts. (Applause.)

Still we know that millions of Americans have not felt this economic recovery. Millions of Americans are still working harder for less and feeling very uncertain, even as they read all the good statistics in the newspaper. We have a lot of work to do. But the truth is that the United States has never been in a stronger economic position to compete and win in the world.

We're also taking bold steps to open new markets and to make the global economy work for our people. For 40 years, our markets have been more open than those of many other nations. We led the restoration of economic hope and opportunity after the second world war. But now that competition is everywhere and productivity is growing, and the lessons of management, technology and investment and are readily apparent to hardworking people all across the world, we cannot allow that to continue. We simply must be able to export more of our goods and our services if we are going to create more high-wage jobs.

Just a year ago yesterday, I signed into law NAFTA, the North American Free Trade Agreement. You can clap for that. (Applause.) When Congress voted for NAFTA, that event committed the United States to continuing leadership and engagement in the post-Cold War world. It marked a new era in world trade relations for America. And it gave birth to this summit, which could not have occurred if that hadn't happened.

In the first nine months of this year, our exports to Mexico jumped 22 percent. Increased exports to Mexico and Canada have helped us to create more than 100,000 new jobs in America in this year alone. Auto exports to Mexico are up 500 percent. And I might say, Mexican exports to the United States are also up. It's been a good deal for us, a good deal for them. There has been no "giant sucking sound," except for American goods going across the border. (Applause.)

Last month in Indonesia, we agreed with 17 other Asian Pacific nations -- including Mexico and Chile, two countries represented here -- to achieve free trade in the Asian Pacific region by the year 2020. The tariffs will begin to fall and give us new access to new markets in the fastest growing economies of the world far before then.

And just yesterday I signed into law the bill implementing the General Agreement on Tariffs and Trade, the largest agreement ever for free and fair trade. And GATT, like NAFTA before it, passed because we had strong, bipartisan support in Congress. That is a pattern that must prevail as we continue to pursue open markets and prosperity in this hemisphere and around the world.

And I strongly urge all the nations in our hemisphere who have not yet done so to follow what America has done and implement this agreement now. It is an important thing for our future growth. (Applause.)

Finally, let me emphasize that our economic strategy seeks to prepare our own people to fill the high-wage jobs of the future. For too many people, as I said earlier, these times are ones of great uncertainty. Pressures of the global economy have held down wages and increased job turnover for people who are not in a position to take advantage of the developments now occurring.

We owe it to those Americans to provide the kind of lifetime education and training that will give them a chance to win in this economy as well. And we must ensure that basic labor standards are preserved and promoted so that freer trade means better working conditions for all. (Applause.)

After all, in America, our people, our workers, are the most important asset we have. And that is true in every other nation as well. That's why democracy and free trade go hand in hand. More free trade is worthwhile only if its benefits actually change the lives of real people for the better.

But as I have said over the last two years, that does not mean that we can repeal the laws of change, repeal the sweeping changes taking place in the global economy. If we do nothing to reach out to other countries than to expand trade -- if we had walked away from NAFTA, if we had walked away from GATT -- if we don't reach out here and throughout the world, the United States will still consider -- continue to suffer the burdens of trade, or we can't walk away. But if we reach out, as we are, with NAFTA, with GATT, with the Summit of the Americas -- if we act wisely, then we can make this new world work for us. Trade can be a benefit to our people.

When we have the opportunity to sell American products and services around the world, we know we can compete and we know that means new jobs and a rising standard of living, the core of the American Dream.

I will say again, we must in the United States not only create jobs, but raise incomes. And we can only do that if we train people for higher wage jobs and if we create those jobs. One of the only ways we can create those jobs is to expand trade, especially in this hemisphere. So that's why every American worker in every part of the United States should be glad we are all here today at the Summit of the Americas. (Applause.)

Now, I hope I've established why that is my primary goal for this summit. We have a real opportunity here to build on the momentum of NAFTA and GATT. That's what this new partnership of prosperity is all about -- creating a free trade area that stretches from Alaska to Argentina. Let no one underestimate the significance of this -- (applause.)

Someday I'll learn to coordinate my speech lines and the applause. (Laughter.)

Let me tell you, though -- think about it -- from Alaska to Argentina. People have talked about free trade in this hemisphere for years. It's been talked about and talked

about. The difference is, here in Miami we have a chance to act, and we're going to take it. (Applause.)

Let me try to describe in graphic terms what this means. Latin America is already the fastest-growing region in the world for American exports. Of every dollar Latin Americans spend on exports, 44 cents buy goods made in the U.S.A. Despite trade barriers that are, on average, four times higher than ours, Florida alone sold almost \$9 billion worth of goods in the Americas in last year alone. And by the year 2005, if current trends continue, our country will sell more to Latin America than to Western Europe or Japan. That's why we're here. That's an investment worth making.

Creating a free trade area would be good news throughout the Americas. Here in the United States, our exports to Latin America could literally double by the year 2005. That would create over one million new jobs.

Exports also create good-paying jobs. On average, export-related jobs pay 17 percent more than average wages in America. They're the kind of jobs that guarantee the families that we are concerned about a fair shot at the American Dream. And that is why we must succeed here.

But trade is not the only goal of this meeting; there are two others. The second goal of our summit must be to preserve and strengthen our community of democracies. Continued economic prosperity clearly depends upon keeping the democracies alive and stronger. And we can only do that if we address the dangers to democracy that face all nations.

Many of the dangers we face -- consider them -- international crime, narcotics trafficking, terrorism, environmental degradation -- these things can only be overcome if we act in harmony. So in the days ahead we will discuss ways to seize the assets of money launderers, to explore new ways like those developed in Chile to prevent corruption from corroding our democracies, to move forward on all of these fronts.

We must also keep our democracies healthy and open. Our hemisphere has come too far and the cost has been too great to return to the days of repression and dictatorship. So at the summit we will discuss how the Organization of American States can help to reconcile political disputes and ensure that democratic constitutions actually live and breathe.

Here in the United States we know that democracy is hard work. We've been at it over 200 years, and we know we still have to defend it every day. We have to continually review how well our governments perform, and even whether they should be doing some things at all. Our own efforts to cut the size and cost and improve the performance of government, led by the Vice President and his reinventing government team, demonstrates the immense importance and the great rewards of this undertaking. And we, too, have only just begun.

The third goal of the summit is to bring our nations together to pursue sustainable development. That is far more than a buzzword. Our democracies and our prosperity will be short-lived if we do not figure out how to deal with the things that enable us to grow and come together and maintain our quality of life over the long run. Improving the basic health and education of our peoples is a key part of that sustainable development strategy.

Consider our common efforts to eradicate polio, banished from our hemisphere since 1991. That shows you what cooperation can bring. So at this summit we will discuss ways that we can combat poverty, combat disease, increase health care, increase education, remove threats from millions and millions of our fellow citizens.

Our summit agenda also calls for important talks aimed at making our environmental and trade policies mutually supportive. Threats to our environment respect no border, and ultimately can undermine our economies. We must discuss initiatives that will make progress. We're going to talk about things like banning lead from gasoline in every country, conserving nature's diversities, spreading innovative environmental technologies. We will be doing the kinds of things that will permit us to sustain the remarkable trends of the last few years.

At the summit, in support of expanding trade and democracy and sustainable development, we will consider more than 20 initiatives, all told, to plot a course for the future. And I am convinced that we will succeed as long as we recognize that the bonds that unite us are stronger than the forces that divide us.

Once the United States and our neighbors were clearly divided by seemingly unbridgeable cultural and economic gulfs. But today, superhighways, satellite dishes, and enlightened self-interest draw us together as never before. Our economies are increasingly interwoven. And Latin American and Caribbean contributions to American culture -- in great novels, fine foods, spirited music, free television networks, and many other ways grow every day.

By the year 2020, the United States of America may well boast a Spanish-speaking population second only in size to Mexico's. (Applause.) The connections between north and south in the Americas are, in short, a source of great energy. We have to strengthen these bonds. We've got to make them work for the benefit of all of our people.

On this very day, 170 years ago, the foot soldiers of Bolivar's army won the Battle of Ayacucho, the last battle for liberation between the people of the New World and colonial Spain.

With that triumph Peru proclaimed its independence and a new era began in our hemisphere. It was an era that Bolivar hoped would produce greater unity among the Pan American states. Well, his dream was not realized in his lifetime. And generation after generation has struggled without success to make it real.

In our own century, President Roosevelt's good neighbor policy, as Vice President Gore said, sought to unite the hemisphere by urging mutual respect among all and recognizing even then, long ago, the importance of our interdependence. Three decades later, President Kennedy's Alliance For Progress inspired the peoples of the Americas with its vision of social justice and economic growth. Today, we can build on those foundations and do what could not be done in former times.

We can create a partnership for prosperity where freedom and trade and economic opportunity become the common property of the people of the Americas. Just imagine it: a hemisphere where disputes among or within nations are peacefully and honorably resolved; where cultures and nations are universally and mutually respected; where no person's rights are denied and labor is not abused; where ideas and trade flow freely across borders; where work is rewarded and families and communities are strong. Just imagine it.

My fellow Americans, this is a magic moment. Let us seize it.

Thank you very much. (Applause.)END1:05 P.M. EST

THE WHITE HOUSE

**Office of the Press Secretary
(Buenos Aires, Argentina)**

For Immediate Release

October 17, 1997

**PRESS BRIEFING BY
MIKE MCCURRY AND
NATIONAL SECURITY ADVISOR SANDY BERGER**

**Sheraton Buenos Aires
Buenos Aires, Argentina**

11:50 A.M. (L)

MR. MCCURRY: By popular demand, several of you who are wrapping up your coverage of the President's very successful trip to Latin America wanted someone to come in and talk about what a successful trip it was to Latin America. And for that reason, I have produced the National Security Advisor to the President of the United States of America, Mr. Samuel Berger.

Mr. Berger, welcome to the White House press filing center.

MR. BERGER: I've never been more movingly introduced in my life. Popular demand - I can just see it out there. Let me just say a few things and then let's go to your questions.

The President has been very pleased by the results of this trip, at least so far. We have one more day tomorrow in Bariloche. I think this is, if you step back a bit, quite a remarkable set of events, because what we're seeing here is literally a sea change in the attitude between -- a sea change in relations between the United States and Latin America. It didn't just happen on this trip, it's been happening, but this trip I think reflects it, accelerates it, encapsulates it.

I think this results from the new face of the United States in a post-Cold War period, the new face that the United States presents to Latin America and the new face that Latin America presents to the United States. In the first half of that equation, I would say that for our part what the President has conveyed over the last several days is, number one, our desire for a constructive partnership with these countries; number two, the fact that we are not threatened by their growth. This is a very important issue for them. In fact, the President has said that he welcomes Mercosur, the aggregation or the group, the alignment of the regional cooperation of a number of countries here has been a powerful statement in South American terms of our saying, your growth, your success is not something we have to resist, it's something that benefits us.

It also was reflected, I think, in the way the President has talked about the common elements and has recognized the common elements of the problems that we face -- whether it's

fighting drugs or terrorism or even dealing with twin problems of growth and equity, which we've talked about and the President has talked about throughout this trip.

A fundamental, almost existential question for South America, where the disparities have been so great, now they have this new growth -- how do they close the gap. But the President has talked about those issues not only as issues for them, but issues for us as well, and issues that we're dealing with -- how do we close the gap as we continue to grow -- and as I pointed out earlier, very much part of the fast track debate.

Now, for their part, the harsh anti-Americanism that one would have seen here I think perhaps as recently as 10 years ago or eight years ago simply is dissolving. And that's the result of a number of things that they deserve enormous credit for. We now have shared values of democracy and market economics. I think they're more trustful of our motives and our desire to seek a constructive partnership based upon mutual respect.

So I would say that we have done some serious work on specific issues while we have been on this trip -- energy and narcotics in Venezuela, education, crime drugs in Brazil, peacekeeping, environment here in Argentina into tomorrow. But just as important as the specific progress that has been made on these issues I think has been -- is the new confidence that has emerged in our relations, something that began in Miami when the President convened all the leaders in 1994, something I think that has been accelerated and intensified by this trip, and something that we will now pursue as we head towards the second Summit of the Americas in Santiago in April.

The end. Questions.

Q Sandy, will the President take any action today on the Japanese shipping situation, and what are his options under the law?

MR. BERGER: Well, this is a matter still under negotiation, so I'm not going to comment too much on it. Obviously, the FMC has voted; I don't know whether it's actually issued its declaration at this point. There are negotiations going on between the United States and Japanese officials. This is obviously a serious concern to us. The question of equitable access to shipping facilities in Japan is a very important matter to us, and we will be pursuing it during the day and tomorrow. But I don't want to speculate on what might happen.

Q Is there a deadline when you think this might hit? There was some talk about noon today or midnight tonight.

MR. BERGER: No, I think -- I don't think it's today. But I think there are certain timetables, as I understand it, FMC procedures and it's obviously not something that goes on forever.

Q Sandy, you mentioned that the harsh anti-Americanism appears to have dissipated.

MR. BERGER: Largely dissipated.

Q As you are speaking, the television monitors are showing images from last night in the Palermo district, and I was just wondering what your take is on that.

MR. BERGER: Let me put it this way. I -- that's why I said "largely." But I don't believe an American President could have spoken in front of the memorial of San Martin, as the President did yesterday, 10 years ago in Argentina. So are there still elements in the society, are there still groups in the society that are anti-market economy, anti-American? Certainly. We're dealing here with a long history that precedes not only this President, but precedes this century. But the President has received an extraordinarily friendly and warm welcome in Argentina, as he did in Brazil and Venezuela, whether it's from the students that he met, whether it's from the people on the street, whether it's from the people he's met in and out of government. This is a country that likes America.

Brazil likes America. Venezuela likes America. That would not have been true five or 10 or 15 years ago.

Q When you speak about -- confidence between USA and this hemisphere, which of the aspects do you think should be concentrated or be worked on in order --

MR. BERGER: I think that's a very good question. I think that we have to consolidate through the habits of cooperation rather than the propensity to dictation. I mean that not in the stenographic sense -- that is, we are working with them now in partnership on a whole range of issues -- on terrorism, on the environment, on counternarcotics, on energy, on building civil society and helping them build their democracies. And I think that as that pattern of cooperation -- I think the tone was set in Miami in '94 when everybody sat around one round table, there was no head table, there was no seat that was larger than another seat, they sat around that table as partners -- through the way we've tried to deal with the countries of Latin America.

I think this will intensify and I think it's reinforced by what's happened -- I don't want to underestimate what's happened in these countries. The fundamental paradigm -- the fundamental arrangements of government in these countries has shifted dramatically since the '70s, when we had -- when we would be talking about "disappeared" in Argentina.

Q Sandy, if fast track were to fail this fall, what would it do to these trends you're describing? Would it slow them or interrupt them, reverse them?

MR. BERGER: I think it would undermine -- it would hurt our ability to take advantage of them to the fullest. The fact is that integration is going on. Trade is increasing. But as these countries negotiate trade agreements with other countries, those other countries will have a competitive advantage in these markets against us. We will be playing on an uneven playing field.

Chile, for example, has an 11 percent tariff on telecommunications equipment. Chile also has a free trade arrangement or tariff preferential arrangement with I believe every country in this hemisphere except the United States.

So American companies lost a large contract, I think earlier this year or late last year, to Northern Telecom, in part because we had an 11 percent monkey on our back. And number one in economic terms, John, I would say, it will disadvantage us. We will be paying -- our companies and workers will be -- it will be harder for them to take advantage of the growth than others. Second of all, I think politically -- I think that in this new partnership, I think the countries of Latin America still look to the United States for leadership -- not for domination, but for leadership. And I think that were we not to have fast track, I think it would be a puzzling statement to the rest of this hemisphere as to why the United States, the most successful and thriving economy in the hemisphere and in the world, was unwilling to try to lead in forming the new economic arrangements of the next generation.

Q Going back to Japan, you said that this cannot go on forever. Could you give us a sense of the deadline for the decision, and at what stage or when could the President step in?

MR. BERGER: No. I'm not going to -- I can't go beyond what I did -- simply there are negotiations going on.

Q Well, at least what is the deadline? It's not clear when --

Q Could you just clarify why you don't think the deadline --

Q Just about the deadline. Could you be a bit more clear about when this negotiation is supposed to end?

MR. BERGER: I know the negotiations are going on today. I can't honestly tell you what the concrete deadline is. If I can get more information to you on it in the next several hours, we will.

Q Can you explain why you think it is not today, sir?

MR. BERGER: Because I have been led to believe it's not today. But I'm here and they're there, and I would like to be a little more confident of my facts before I either lead you or mislead you.

Q Mr. Berger, before the trip began you gave a pop quiz on South America. At week's end, do you think more Americans are more aware of what is happening in South America?

MR. BERGER: I think so, I hope so. I think what they have seen is a far more diverse hemisphere than probably our instinctive images are. We tend to think of Latin America -- the most vivid images in our mind are maquiladora pictures that we've seen in debates about fast track. And as we saw in Rio, there continue to be -- there continues to be very deep poverty in

Latin America. But we've also seen a new vitality, a new vitality among the leaders, a new vitality -- a new confidence in the democracy that they fought so hard to restore and now have back, and a new vitality economically.

I think that hopefully people in the United States see this and say that Latin America is more like us than we thought it was.

Q Does the President think that his visit has had any impact at all on his chances for fast track approval in Congress? Does this make a difference at all?

MR. BERGER: I don't know the answer to that. I think it's hard -- obviously, while we're here, the President, as you've heard, has mentioned fast track in most of the speeches. But I think it's not necessarily the right place to have -- engage in a fundamentally domestic debate in front of a foreign audience.

By the time the message gets back to people back home, I'm not sure that it has a decisive impact, but I would hope that it would have a positive impact for the reason that I said; that is, seeing that this is an enormously vibrant, growing, thriving area of the world should, I think, help convince Americans and the members of Congress that we ought to be as much a part of the growth, as much a part of that future as we possibly can.

Q But at the same time, before a foreign audience, he urged businesses to help out, help him out on fast track. Do you have any sense whether or not more businesses are going to step up to the plate and come out or push either through advertising or through lobbying their congresspeople for fast track?

MR. BERGER: I think there are a lot of folks back in the United States that have expressed their support for fast track, including business groups and others. And I would hope that they would continue to do that.

Q Sandy, some of these nations have not had very many years to plant roots for their new democratic systems. What makes you think that -- isn't it possible that there could be some back-sliding?

MR. BERGER: I think the point -- let me start with your premise I think is right and is important to recognize, and that is here in Argentina, for example -- it's not that far in time from a very harsh period and those memories are very vivid and the restoration of democracy is still a work in progress. And I think that one of the things that the President has talked about with each of these leaders, particularly with President Cardoso, with President Menem, is how important it is to build the institutions of civil society so that the democracy that you have helped to restore is sustained.

Those institutions are an independent judiciary; those institutions are a free press; those institutions are all of those -- non-governmental organizations -- those are all extraordinarily important in terms of making sure that democracy -- the return to democracy does not reverse.

Q One of the main complaints of U.S. businessmen in Argentina is that there is a lack of respect for intellectual property rights, particularly in the pharmaceutical industry where it's just -- industries, basically -- what specific assurances have you gotten from the Menem administration that that is going to change?

MR. BERGER: This has been an issue that we have been dealing with the Argentines on for some time. In fact, I believe they're on the USTR's list of countries that have intellectual property problems in the pharmaceutical industry and others.

The President raised it very specifically with President Menem, pressed very hard with him to try to pass the laws necessary to protect intellectual property. In this case, the problem has been less President Menem than getting some of these laws through his parliament.

Q -- the President told the Argentine journalists in an interview this morning --

MR. BERGER: I couldn't hear you, and also Mr. McCurry, however, will do it.

MR. MCCURRY: Give it a try. Sandy is probably going to miss the plane -- my fault. Sorry about that.

Let me answer your question, Mara. The President had a very good interview with four leading journalists from the Argentinean community today. I should say, put that in some context, that that interview was preceded by a meeting that my colleagues, Mr. Blumenthal and Mr. Steinberg, had with some Argentine journalists that wanted to express concerns about freedom of press issues that exist here in Argentina. That was a very positive meeting and we gained a lot of understanding of the concerns that those journalists had.

The President in his interview -- and we will have the transcript available when we arrive at our next destination -- talked about a lot of things. In fact, for those of you writing trip wrap-ups, there's a very good commentary that the President had about the meaning of the trip, the importance of the stop here in Argentina. But they did ask specifically about questions related to press freedom. And the President described his conversation with President Menem about this issue and talked about the reasons why a free and vigorous press, along with an open and liberalized economy, can over time create greater opportunities for all people when it's an important part of the transitions that are occurring around the world, to marry market economics with free flows of information and a vigorous and free press.

The President noted in his conversations with President Menem of how useful it's been to have a formal structure at the Organization for Security and Cooperation in Europe to assist former totalitarian countries making a transition to democracy, and he suggested that there should be some type of mechanism or, what the President described as an ombudsman placed perhaps in the Organization of American States to deal in this region with standards and norms expected for the conduct of free journalism, and to deal with complaints or issues for journalists who feel like their rights to report and to cover stories are being interfered with.

That was I think the beginning of a conversation that clearly we hope will continue. We have been working within the OAS on things like judicial training and establishing norms of law enforcement and judicial proceedings, and this was another aspect of how we might take a regional forum like the Organization of American States and deal with concerns that are of issue not only here in Argentina, but in other countries in the hemisphere as well.

Q I should have tried this with Sandy, but I think all three stops, certainly in Venezuela and Brazil, there were rhetorical pledges of support for the President's goals on global warming, that developed countries be included, but that they not put unfair restrictions on their growth. Were there any more concrete pledges of support?

MR. MCCURRY: I think as you know, tomorrow in Bariloche, the President does have an opportunity with President Menem to emphasize the importance of the work we do together in this hemisphere on environmental protection, but I anticipate them having some specific things to say tomorrow that will address that question.

You'll recall that a goal of U.S. policy as we think ahead to Kyoto has been to look for ways in which we define realistic, achievable, but binding targets for emission reductions, flexibility in implementing those targets, which would require cooperative arrangements, joint implementation between countries who want to engage in, for example, market-based trading of political permits similar to what we do in acid rain reduction in the United States.

And then third, a principle that we have stressed over and over again is the participation of the developing world along with the developed world. And of course the President's message in Venezuela, Brazil, and Argentina has been that you have to be part of the solution. I'm very hopeful, as we are here now, that we'll have some very specific, concrete things to say tomorrow on that and that President Menem will talk about his attitudes on these subjects. And that will be an important aspect of the stop tomorrow.

Q Mike, you've been at the podium during past face-offs with Japan, many of them. How would you compare this in terms of seriousness? And is this threat of detaining and blocking ships a real one, or is this part of the negotiating process?

MR. MCCURRY: This is an unusual way in which a trade concern is being pursued because it's outside some of the contours of what we normally think of as the trade disputes and successfully resolved with Japan in the past. But at the moment, it is being, I think, reported as a much more dramatic episode than what the reality is at this point.

Remember, the Federal Maritime Commission to my knowledge -- Anne, correct me if I'm wrong -- has not yet delivered to the United States government, specifically to the Transportation Department, any result of action that it has contemplated that would require any action by us. And at the meantime, our negotiations are pursuing that.

We clearly are going to pursue the penalties. The \$3.8 million in penalties that have now been assessed because of Japanese port practices have to be paid. Not only, by the way

-- they are now adding up beyond that. That's only the amount that covers the period through the end of September, and in the first half of October additional penalties have been assessed. So those penalties are going to have to be paid or the underlying practices that are of concern are going to have to be addressed.

And I think our negotiators are making that clear. But given the strength of our relationship with Japan, the importance of our commercial transactions, we would hope and expect that this matter would be resolved short of any more dramatic or more escalatory proceedings, but we'll have to wait and see.

Let me move on to something we need to do before you all leave here. The President again this morning used his line item veto authority to save taxpayers \$19 million. He cancelled eight projects that are in the 1998 Energy and Water Appropriations Act. This is the sixth time the President has used the line item authority, and if you accumulate what the President has done up to now, he has saved a total of roughly \$2 billion for U.S. taxpayers by his exercise of this authority.

I think it's also accurate to say that no doubt his use of this authority has been a deterrent as the appropriations process unfolds in Congress so that additional wasteful spending is not included in other bills that have not yet been completed.

Today's actions affect five water projects that the President did not request in his budget. Those projects are either new -- they're not part of any ongoing project, or they have greater costs than benefits, or they are largely recreational in purpose and affect only a limited number of people, or, it was the belief of the President, they should be funded at the local level.

The President also cancelled three other projects that he believed represented unwarranted subsidies to corporate interests.

Details on all of these projects are going to be briefed at the White House in about 45 minutes by OMB Director Frank Raines and representatives of the Army Corps of Engineers and Bureau of Reclamation and Energy Department, which are the agencies that are affected by the President's actions. They will have a lot more detail on those individual projects, and we can get a readout on that briefing when we arrive at our next stop.

Q Mike, can you tell us what states?

MR. MCCURRY: Yes, the states in which these projects are located are Indiana, Alaska, Pennsylvania, Mississippi, Virginia, Arizona, and then there is one -- the two Energy Department projects are really not specifically located in one state. I think one of them looks like -- was supported by members of the Minnesota congressional delegation so there might be some tie-in to Minnesota. But there will be more detail provided up at the White House on each of those.

Q Did President Clinton make any effort to contact Senator Lott on the project --

MR. MCCURRY: Those notification have been, as we have been doing with the line item veto, have been done locally -- have been done through our representatives up in Washington -- I think specifically through Congressional Affairs, although some other White House staffers may have been involved as well.

Q -- when you talk about specifics, are you going to actually put forward the negotiating position tomorrow?

MR. MCCURRY: John's question was, did we make any specific headway on the arguments that the President has made here in the region with some of his counterparts that he's visited with. And I think we will see some evidence of some specific progress, at least with respect to our cooperative efforts with Argentina on that issue when the two Presidents address it tomorrow.

On the larger question of when is the United States going to begin to move more publicly into a discussion of its negotiating positions for the Kyoto conference, as we've said all along, we expect that to happen during the course of the upcoming meetings next week in Rome, but I can't get any more specific than that.

There is still, by the way, still work to be done on some fundamentally important choices the President has to address. He's been getting briefed on and off about this, has had several meetings back in Washington with his advisors. I expect him to get some additional written material on the issue over the course of the weekend, and no doubt there will be some meetings at the White House prior to any final decisions.

Q Mike, I just wanted to be sure -- there are five water projects and three energy projects?

MR. MCCURRY: There are five water projects, one Bureau of Reclamation project. I mean, five Army Corps of Engineers projects, one Bureau of Reclamation project, and two Department of Energy projects.

Q Just following up on the global warming question again, given that the President hasn't decided yet what -- targets he's going to shoot for, how is he going to be able to conduct conversations with the Presidents of Latin America beyond generalities about the notion that we should all make -- as long as it's cost-free?

MR. MCCURRY: Because the fundamental -- in a sense, our negotiating position is made clear by the principles that we have. If you have binding emission targets, the question of what those targets are set at is an important question, but not as significant as the fact that you are actually going to set binding targets.

Second, if you are insisting on flexibility of implementation, that suggests the whole way in which you structure the control regime to achieve those targets. And I think that's widely known.

But, third and most importantly in terms of our conversations here, if you insist on participation by the developing world, the question is how, under what terms, and the discussions the President has had with his counterparts here have been about what role the developing world would play in an international regime to control the emission of greenhouse gases.

Q Is Argentina a developing nation?

MR. MCCURRY: It would be -- those terms for purposes of defining what your emission levels are have been defined. There have been different negotiating positions that have been advanced on what is the level of CO2 or other outputs that would trigger certain kinds of designations. But that's still part of what's being discussed by negotiators.

All right. Do we need a briefing tomorrow or if we just have a couple people in and around the environment of that available so you can talk to them. I'm not planning to do anything else tomorrow unless events dictate it.

Q Can you tell us what the radio address is about?

MR. MCCURRY: The radio address is on education. While I'm here I'll give you a brief snapshot of the week ahead. The President anticipates returning -- one of his underlying themes of this trip has been the importance that education plays in sustaining the kind of economic growth that is important in this hemisphere; that the strength of the global economy is going to depend on well-educated workers and a work force who are able to acquire new skills and use them as we see all the changes occurring in the global marketplace.

Well, that is very relevant to a debate back home on national standards and on how we invest in the kind of training and teaching that will produce the work force of the 21st century that's equipped to compete in these kinds of global settings.

The President is going to make a strong argument next week that we need national standards, even though there are members of Congress, mostly from the other party, that don't believe we need national standards. More ironically, there are members of -- some of the same members saying not only do we not need standards, we also don't need to invest in teaching people to read and to do some of the things that would be measured in national tests.

So I think the President is going to join that debate, and his radio address is going to be more broadly about generally the importance of educational standards. But I anticipate next week being a week that's filled with a lot of debate about how we're going to produce world-quality, high-class education for American children.

On Monday, the President doesn't have any public events, but I'm going to have Secretary Riley over at the White House to talk about some interesting ways in which kids can prepare for college, specifically with respect to mathematics preparation.

Tuesday, we've got a number of college presidents in town who are going to support the President's America Reads initiative, which, as I just indicated, has been under -- facing criticism in Congress.

On Wednesday, we aren't ready to say what we'll be doing on this day. You should say it's possible we'll make an announcement this week since we said we might do it, but don't rule it out, don't rule it in. You get the kind of flavor -- okay, if you can't catch that hint you're all asleep.

Thursday is the child care conference, right -- the White House Conference on Child Care on Thursday. And that's going to be a lot of fun and interesting. And on Friday, the President will address the Annual Conference of the National Board of Certified Teachers.

So it's a week that's going to be devoted to the education and care of America's children, something that is part of the ongoing commitment of the President as he advances his objectives in his second term.

Q Is he going to be doing anything on fast track? Is that important?

MR. MCCURRY: Of course. He's been doing some things on fast track even during this trip, but we will continue -- I think one thing that will certainly happen next week is, as we do after all foreign policy trips, there will be briefings for members of Congress about what we've done during the course of this trip, the importance the President attaches to all of the things he's talked about with respect to free trade and why that, hopefully, will be impressive to members of Congress as they consider that vote.

Q What did you say is going on on Wednesday again? I'm sorry.

MR. MCCURRY: I already said it.

Q I know, but I need you to repeat it for me.

MR. MCCURRY: I didn't say anything. I just read a note that said we're holding it open, but nothing is scheduled for that day.

Q Friday the teachers are doing what? Is it national standards or charter schools or -

MR. MCCURRY: Yes. Over the course of the week we're going to spend a lot of time talking about why we have to measure ourselves against national standards that will world-class, well-educated kids. And then, second, we're going to talk about why -- in order to achieve those standards and measure against those standards, we need to invest in things like training teachers so that they can go teach kids to read, which is the America Reads initiative, or developing the volunteer participation that we foresee as well.

Okay, that's the week ahead. Over and out.



Secretary of State Madeleine K. Albright

Op-Ed: Advancing Hemispheric Cooperation: The Summit of the Americas

for Diario Las Americas, Miami, Florida, April 5, 1998

As released by the Office of the Spokesman

U.S. Department of State

A new era of cooperation among the democratic nations of the Western Hemisphere began in December 1994 at the historic Summit of the Americas in Miami. The first meeting of its kind in twenty-seven years, the Miami Summit--attended by thirty-four leaders--was the largest Inter-American summit in history and the first in which all the participants were democratically elected. The Miami Plan of Action for development into the 21st Century became the blueprint for implementing significant, democratic reforms. The plan produced tangible results and created a foundation upon which to continue building a better future for all citizens in the Americas.

On April 18 and 19 the Government of Chile will host the second Summit of the Americas in Santiago to adopt the next generation of reforms, achievable in the next three years. The themes of the summit are Education, Preserving and Strengthening Democracy and Human Rights, Economic Integration and Free Trade, and Eradication of Poverty and Discrimination.

The Summit of the Americas brings together freely elected leaders united in their commitment to democracy, human rights, and economic freedom. Cuba is the sole dictatorship in the region and, as a result, will not be present in Santiago. It is our hope that Cuba continues to be left out of any democratic forum until it has undertaken fundamental democratic changes.

When the leaders of those nations meet in Santiago, they will adopt a new Plan of Action designed to spread equality and opportunity to all localities and to people at all levels of the social scale. The goal of the plan is to extend to every citizen the tools needed to advance and prosper in a safe, secure, and clean environment of free people.

Education will be a central focus of the summit. Democratic nations understand the intrinsic importance of educating their citizens. An educated populace produces a vibrant society and enables the country to prosper. Education is the single best tool for combating poverty and for narrowing the socially destructive divide between rich and poor. In Santiago, leaders will endorse allocating more funds for primary and secondary education to

improve teacher training, elevate educational standards, increase textbook availability, and institute distance-learning programs. They will advocate curricula reform to teach democratic values, to meet the needs of a changing global marketplace, and to devise adult educational programs for lifelong learning, particularly for women and displaced workers.

Education is closely tied to another major theme of the summit--reducing poverty and ending discrimination. Leaders will focus their efforts on enhancing the role of women and vulnerable groups in society, improving general health, attacking hunger and malnutrition, and serving the needs of mothers and infants, the aged, and the physically disabled. The participants will advocate extending increased economic opportunities to the microentrepreneur by opening new lines of credit and providing training and technologies to enable small businesses to compete and succeed. They will also endorse bettering the position of manual and migrant workers by strengthening labor ministries, enhancing worker rights, improving working conditions, and eliminating exploitation, particularly destructive child-labor practices.

The leaders are committed to bolstering fundamental democratic freedoms and advancing human dignity at all levels. Their focus will be on improving local governments and judicial systems to insure a just, fair, and equitable society for all. Democracy and justice also demand a safe and secure environment. The leaders are resolved to attack corruption, terrorism, international organized crime, and drug trafficking. On a larger scale they seek cooperative actions that will build trust between neighbors, resolve problems before they escalate into conflicts, and promote the peaceful resolution of existing international conflicts.

Actions taken at the summit will help advance economic integration and trade. The hemispheric community is committed to creating the Free Trade Area of the Americas (FTAA) by 2005. FTAA would be a step beyond agreements already in place, such as NAFTA and the Central American Common Market. FTAA, coupled with the regional pacts and rooted in liberal market reforms, would not only expand economic integration, but also create jobs and raise living standards by removing barriers to investment and trade within the Western Hemisphere. Economic integration and growth also depend on other factors to be addressed at Santiago, including improving water quality, expanding the use of renewable energy technologies, and working toward consensus on global climate change.

The Santiago Summit will move beyond the reforms begun in Miami in 1994 by strengthening democracy at the grass-roots level, spreading the

benefits of equality throughout society, enhancing the well-being of all citizens, and fostering international peace and prosperity. The Santiago Plan of Action will represent the second generation of reforms for the next generation of Americans.

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THE WHITE HOUSE

WASHINGTON

A Second Generation of Reforms for the Next Generation of the Americas

Remarks by Thomas F. "Mack" McLarty III
Counselor to the President and Special Envoy for the Americas
The National Press Club, Washington D.C., April 9, 1998

Thank you for that warm and welcoming introduction. I am pleased to return to the National Press Club. *Es un placer estar con ustedes*, I am honored to be here.

I know that the competition is fierce among policymakers for those coveted National Press Club mugs. But beyond that esteemed recognition, and the honoraria here, it is a genuine privilege to be with you and your National Press Club Colleagues as you celebrate your 90th anniversary. During your distinguished history, the Club has been a witness to and participated in many important events. To put things into perspective, ninety years ago Teddy Roosevelt was President. Strom Thurmond, who spoke here last week, was in first grade. Believe it or not, 1908 was the last time the Chicago Cubs won the World Series. And that was also, it sometimes seems, the last time many Americans paid very much attention to Latin America and the Caribbean.

I. The Quiet Revolution of the Americas

So I am particularly pleased to come before you today to encourage all of us to take a fresh look at the western hemisphere. This, my friends, is not your father's Latin America.

- Thirty years ago half of the region was ruled by authoritarian governments or dictatorships; today 34 out of the 35 countries are democratic.
- Fifteen years ago Central America was torn apart in civil war and conflict between the United States and the Soviet Union; today Central America is at peace, and the United States exports more to Central America than all of the former Soviet states combined.
- Less than ten years ago, Argentina's annual rate of inflation was 5,000 percent. Today Argentina's it is 0.3 percent, with an average growth rate of 7 percent. In Brazil, Latin America's largest economy, the 10th largest in the world, inflation is still 5 percent. As Secretary of Finance Pedro Malan told President Clinton and I and our cabinet members last year, the difference is that's an annual figure, not a weekly one.
- And from a security standpoint, regional cooperation is the norm rather than the exception.

But the story I want to tell today is not the absence of crisis. Rather, it is a story of genuine opportunity. We have seen a quiet revolution in the Americas that in many ways is no less dramatic than the fall of the Berlin Wall. Profound changes have opened the door to unprecedented democracy and growth. But these fundamental changes are not fully guaranteed. As a result, the President and our Administration have seized this moment in time to pursue a vision for a greater Americas based on mutual trust, mutual respect, and mutual reward.

II. The Results of U.S. Engagement

This Administration's sustained engagement with the Americas has produced meaningful and concrete results. In the first term, the President worked to pass the NAFTA, convene the Miami Summit, help reverse the Mexican peso crisis, restore democracy in Haiti, and, with the friends process, bring peace to Guatemala and to the border between Ecuador and Peru. The Vice President has made five trips to the hemisphere, highlighting economic growth and the environmental stewardship. Our First Lady has made four trips, raising the profile of important issues of health, poverty, and women's participation in civil society.

It is no coincidence that the first two state visits in President Clinton's second term were for hemispheric leaders: Prime Minister Chretien of Canada and President Frei of Chile. And with his travel next week to the Summit, the President will have made three trips to seven countries in the region in less than a year. That's an unprecedented level of Presidential engagement. And at each stop we have made progress on trade, democratic reforms, environmental issues, drugs, crime, and corruption.

III. A Real Impact on Our Daily Lives

Still, some may legitimately ask why Americans and their President should care so deeply about what happens in the Americas. After all, James Reston once wrote that the people of the United States will do almost anything for Latin America except read about it. But if it is true, as the President has suggested, that the once bright line between domestic and foreign policy is blurring, then perhaps there are no foreign policy issues more compelling and relevant to the American people than those in Latin America and the Caribbean. Whether it is jobs and the economy, immigration and drugs, or the very air that we breathe, these issues hit home and have a real impact on people's lives. These are the issues that Americans discuss as they gather together around their kitchen tables.

- Let's take the timely subject of gasoline prices. Gasoline today sells for just a little over a dollar per gallon -- adjusting for inflation, that's the cheapest it's been in a generation. But how many of us know and recognize that Venezuela is our number one energy supplier, and that three of our top four sources of energy are in our hemisphere?
- Let's take jobs. One-fourth of our economy depends on trade, and export-related jobs pay some 16% more than others. Forty percent of our total exports go to this hemisphere. For example, we export more to Chile, with 14 million people, than we do to India, with 940 million. We export more to Brazil than to China, and Mexico has now replaced Japan as our #2 market for goods and services behind Canada. And with half of Latin America's population under 21, the potential for future economic growth literally goes off the charts.
- What about retirement? Forty-three percent of all Americans now own stock. Working families *depend* on these investments, but these investments depend on international financial stability. And many Latin American economic and financial policies today are more a model to emulate than a model to avoid. I have seen this personally at the recent APEC Summit in Vancouver and at the World Economic Forum in Davos where Asian and other officials -- from both the public and private sector -- actively sought out Latin American leaders for their economic counsel.

But beyond economic security, Latin America and the Caribbean are also important to U.S. national security.

- Our allies in this hemisphere stand with us and by us on the world stage. They provide significant support for efforts in Bosnia, Haiti, and elsewhere, and they are steadfast supporters of non-proliferation, including our efforts to contain Saddam Hussein.
- Our allies are clearly critical to our efforts to combat the forces of illegal narcotics. Drugs are both a supply problem and a demand problem. But we cannot win this fight without the full cooperation of Mexico, Peru, Colombia, Bolivia, the Caribbean and others. We must continue to work together if we hope to prevail against this dark, evil force.
- The same is true with environmental stewardship. The Amazon is the world's largest rainforest -- providing a good bit of the oxygen we breathe. Rather incredibly, Costa Rica contains fully 7% of the world's biodiversity. My point is that we cannot stop the universal threats to our environment, like global warming, without the full cooperation of developed and developing nations.
- Similarly, we simply cannot address the complicated issue of illegal immigration without economic growth and cooperation abroad.

Now, I'm no Charles Kuralt, reporting on American opinion, but I think it is safe to say that national security, jobs, gas prices, drugs, immigration, and the environment are issues that the American people care about -- and care about deeply.

And as a result, as the President's special envoy for the Americas, I am certainly pleased that Americans are showing a growing interest in the region. We clearly share geography and the common values of family and faith, and a sense of community responsibility. Our cultural exchanges are at record levels, and the United States has the fifth largest Hispanic population in the world. And as I noted before, our trade to the hemisphere is booming, growing at twice the rate of any other region of the world.

By the same token, importantly, our neighbors to the south are rethinking their view of the United States. Motives are no longer automatically questioned. For the first time, the hemisphere is now ready and willing to enter into a broad partnership. The new reality is this: in the wake of the quiet revolution that I noted earlier, the people of the Americas have discovered shared values, common interests, and the same hopes for a better life. But now we must solidify our progress by working together, with purpose and resolve, to address the issues that make a real difference in people's lives.

IV. The Santiago Summit of the Americas

Almost four years ago at the first Summit of the Americas in Miami, we affirmed the region's progress with the so-called first generation of reforms -- free and fair elections, and stable, open economies. And if our agreement to create a Free Trade Area of the Americas by the year 2005 was the centerpiece of Miami, as some pundits claim, then the launch of actual negotiations in Santiago will be the cornerstone of our economic architecture.

But as someone from the private sector, I also believe that the first generation of reforms is not sustainable without a second generation of reforms to strengthen democratic institutions in the hemisphere. Democracy and market reforms are literally two sides of the same coin. Both are necessary to continue the region's impressive growth and development. And together they will ensure that a rising tide lifts all boats.

That is the agenda that we collectively developed for Santiago. The leaders and the people of the region are as focused on education, poverty alleviation, and economic growth as we are domestically. It is truly a common agenda.

Education

In today's interconnected global economy, education is the only route to lasting, inclusive growth. But the hemisphere regrettably has not always received a passing grade. On average, Latin American children receive only seven years of schooling. Primary schools are underfunded, and some teachers supervise up to 150 students. These are some of the same challenges that we confront in the United States, but perhaps more acute. Experts warn that this grim report card may be the single greatest impediment to full participation in the global economy. And our leaders and people agree.

In Miami we made the commitment to provide every child a basic education by 2010. We ought to honor that commitment, and we will in Santiago, with an emphasis on primary and secondary education, and with increased funding from state and federal governments, supported by a dramatic increase in funding from the Inter-American Development Bank and the World Bank. We will put more teachers in the classroom, improve curricula, encourage more parental involvement and responsibility, link students to the internet, and expand vocational training for lifelong learning.

But in a world where the line between domestic and foreign policy has blurred, a better-educated hemisphere is clearly in *our* interests as well. Broadbased education improves economic growth, and a strong economy enlarges the middle classes who buy our goods and services, encourages those tempted by illegal immigration to remain home with their families, it both educates and encourages environmental stewardship. It reduces the urge to make money from illegal drugs, and it improves governments' capability to stem the flow of narcotics.

These matters are in the interests of hemispheric leaders to address, and it is in the U.S. interest that they do so. And the same is true with remainder of the Summit agenda. From the concrete steps toward a multilateral alliance against drugs, to progress on global climate change and clean energy, the Summit will address the issues that matter to our citizens. After all, pot smoke and clean air simply don't mix.

The Santiago Summit will call for creation of a justice studies center to strengthen the rule of law. Independent judiciaries are essential for strong democracies. And it will help establish the office of a Special Rapporteur to advocate for freedom of expression, something important to members of this institution. You might know that, since 1988, almost 200 reporters have given their lives in pursuit of a story, undermining the public dialogue on which democracy is built. Democracy cannot deliver without a free press, and we cannot tolerate intimidation of free expression, whether it be by drug lords, guerrillas, or by governments.

The Second Generation of Reforms

During recent trade discussions in Costa Rica, I visited a new state-of-the-art Intel microchip plant outside of San Jose. I asked the managers there, hard-nosed business people to be sure, why they selected Costa Rica over everywhere else in the world for their half-billion dollar investment. Open markets are important, they said, but the deciding factor was Costa Rica's educated workforce, stable democracy, and respect for the rule of law. This is exactly the point that our hemispheric neighbors understood when they were developing the Summit agenda almost a year ago. Now is the time to pursue a second generation of reforms for the next generation of the Americas.

Launching Trade Negotiations

Next week in Chile we will formally launch comprehensive and meaningful negotiations to establish a Free Trade Area of the Americas (FTAA). Last month our trade ministers met to plan negotiations, and they made significant progress. We should not underestimate the importance -- or the difficulty -- of achieving consensus on these issues. Now we are negotiating with order and determination over the pace of negotiations, but not the overall goal. We are agreed on that.

Let me be clear: economic integration in the hemisphere will proceed regardless of government action. The private sector is moving forward with trade and investment in a natural linkage of markets. Our efforts are intended to bring order to this ongoing process. The President is committed to the FTAA, he is committed to these negotiations, and to complete them, he is committed to obtaining fast track negotiating authority, which will help the United States shape the agreement consistent with our vital interests and the values our citizens hold dear. As negotiations proceed and the benefits of the FTAA become clear, we are confident that Congress will give the President the tools he needs to finish the job.

V. Democratic Values: From Solitude to Solidarity

Let me conclude my remarks with a few final thoughts. As we look ahead to the next century, we must not ignore the new realities that have swept the Americas. We must help shape the character of our hemisphere through sustained engagement.

I think our choice is rather clear. Will our future as neighbors be one of sovereign states, working together as partners on the common concerns of our people? Or will we see mixed progress, less prosperous hemispheric economies--including our own--and a return to suspicion and mistrust? For the first time in memory, the hope in the Americas for democracy, peace, and prosperity is a realistic one. What we do in Santiago and beyond will help determine whether democracy will in fact deliver, and whether it will endure for generations to come.

For much of the last century, democracy was all too rare in our own hemisphere. Citizens and governments who spoke out for democracy could often sympathize with the title of Gabriel Garcia Marquez's novel "One Hundred Years of Solitude." But the new character of the hemisphere has brought our citizens and governments together. With sustained U.S. engagement and a new spirit of partnership, we can create "One Hundred Years of Solidarity" for democratic values. From *Cien Años de Soledad* to *Cien Años de Solidaridad*, from solitude to solidarity. Together we can realize the vision of a truly greater Americas.

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Jeffrey Davidow, Assistant Secretary for Inter-American Affairs

Testimony before the Trade Subcommittee of the House
Ways and Means Committee
Washington, DC, July 22, 1997

The Free Trade of the Americas

Thank you, Mr. Chairman, for this opportunity to join my colleague, Ambassador Lang in testifying on this critical issue.

First, I want to emphasize that I agree whole-heartedly with Ambassador Lang's testimony that the Free Trade Area of the Americas is strongly in the U.S. interest, and will be good for U.S. workers, businesses and consumers. What I would like to add is that there are equally compelling arguments for the FTAA from the perspective of over-all U.S. foreign policy toward Latin America and the Caribbean.

Our policy toward Latin America is derived from three basic objectives established by the President and the Secretary of State for our overall foreign policy:

First, to keep the United States economically strong, internationally competitive and prosperous, and to preserve its position as the hub of an expanding global economy.

Secondly, to preserve and advance freedom by promoting the principles and values upon which this nation's democracy and identity are based.

Third, to establish a framework of cooperation that protects our citizens and our friends from the new transnational threats of environmental degradation, narcotics trafficking, migrant smuggling, terrorism, and international crime.

Construction of the FTAA serves each of these objectives. **First**, by promoting greater efficiency and economic growth in all the participating economies, the FTAA will strengthen our economy, providing new opportunities, and a better quality of life for U.S. workers, businesses and consumers, as demonstrated in the previous testimony. Further, the ability of the U.S. economy to create jobs, provide opportunities and project its strength globally is admired and envied throughout the world. That gives credibility to our nation as a model of democracy and market economics, and it gives our diplomacy a special strength.

Secondly, the FTAA will also strongly promote our values. The increased impulse to growth and investment in Latin America which will be provided by the FTAA will

further consolidate market-based reforms underway in the region and strengthen democracy. Indeed, the commitment by the hemisphere's leaders to the principle of free trade has in itself been a catalyst accelerating reform and investment in the region.

The opening of markets and enhanced competition envisioned by the FTAA also serve as an impulse to social mobility--a key factor in long-term political stability. Closed economies allow the well-connected to grab and keep the best opportunities, and thus tend to perpetuate the positions of the privileged. But economies based on competition reward efficiency, innovation, and enterprise regardless of political or social connections. Indeed, the FTAA has come to symbolize Latin America's new open economic model; the FTAA's emphasis on growth, competition, efficiency, and innovation are exactly the qualities which the region's economic reforms are designed to encourage.

This brings me to a criticism often leveled at FTAA and trade liberalization in general, namely that freer trade may increase growth in the economy overall but only to benefit the rich. Recent research shows exactly the opposite. For example, an IDB study of 13 countries which significantly opened their trade regimes during the period 1985-95 showed that trade liberalization was associated with an increase in the real incomes of the lower 60% of the population. The increase was largest for the poorest 20%, and the richest 20% of the population experienced a small drop in real income. These are important findings that need to be better understood not only by policymakers but also by the public whose support must be maintained or won for free trade policies.

Thirdly, the FTAA will contribute strongly to the new cooperative framework between the United States and Latin America. Economic vitality is indispensable to protecting the environment for future generations and waging an effective fight against illegal migration, the drug trade and other forms of transnational crime. Without broadly-shared growth, citizens' trust in their governments and institutions deteriorate, state legitimacy erodes, the rule of law weakens and social ills propagate. The growth and opportunities provided by the FTAA will put a strong new weapon in the hands of those Latin American leaders who want to work cooperatively with us in addressing these problems.

It is no wonder then that the movement to free trade has become one of the cardinal points of U.S. strategy toward Latin America. From the very beginning, when President Bush first proposed the concept of hemispheric free trade in June 1990, this idea captured the imagination of people throughout Latin America and the Caribbean. The specific initiative by President Clinton and the other 33 democratic leaders of the hemisphere to negotiate the FTAA by the year 2005 was the centerpiece of the Miami Summit of the Americas in December 1994. Even though the Miami Summit endorsed an Action Plan of 23 initiatives, the FTAA was clearly one of the boldest and most dramatic initiatives and has remained so ever since. Indeed, for many in Latin America

and the Caribbean, the FTAA--with its offer of an economic partnership among countries with juridically equal rights and obligations--has become the cornerstone of the new relationship between the U.S. and Latin America.

As you know, there has been considerable progress toward achieving the FTAA goal through technical working groups and ongoing meetings of the hemisphere's vice-ministers and ministers of trade. We are now reaching a critical juncture in this process--moving from the preparatory phase to the actual negotiations. As noted in Ambassador Lang's testimony, the hemisphere's trade ministers at their meeting in May in Belo Horizonte recommended to their presidents and heads of government that the FTAA negotiations be launched at the Santiago Summit in April 1998. The Ministers will meet again in February in San Jose, Costa Rica to make recommendations for the Summit on the structure, pace and venue of the negotiations.

Our efforts toward the FTAA are complemented by the joint effort of the Administration and the Congress to enhance trade opportunities for countries which are beneficiaries of the Caribbean Basin Initiative. I want especially to express my appreciation to this Subcommittee on this point. We have major strategic and economic interests in the countries of Central America and the Caribbean, which are among our closest neighbors and with whom we share many historical and social ties. Providing these countries with improved access to the U.S. market will stimulate increased trade and growth in their economies, which in turn will provide new opportunities for U.S. exports and investment, and protect our other interests in the region.

Clearly then, there is forward momentum, both in our overall trade relationship with the rest of the hemisphere, and in reaching the FTAA goal. But the ability of the U.S. to shape the upcoming FTAA negotiations and influence the way trade will flow and economies will work in the future will depend on our ability to lead, and to negotiate with credibility.

As has been pointed out by trade negotiators, academic experts, politicians and business leaders, this means that U.S. negotiators must be backed by fast-track. One of the clearest arguments made on this issue comes from one of your distinguished predecessors, Mr. Chairman. When he testified before your Subcommittee in March, former Congressman Sam Gibbons (who as Chairman of this Subcommittee was an official advisor to numerous international trade negotiations) said that, without fast-track:

"No foreign government will make a deal with us in a negotiation because they know from experience that Congress will ultimately re-write the agreement. No other country negotiates like the United States.... Their Parliaments only accept or reject, so they require us to do the same before they will sit down to serious negotiations with us."

For the United States to maintain our traditional leadership role in global economic policy, it will clearly require expeditious congressional approval of fast-track procedures. Without this, our negotiators in effect become glorified observers in the negotiating process, and we cede the initiative to other countries.

Let me emphasize also that there has been no lack of initiative among hemispheric countries. As Ambassador Lang pointed out, over the past few years, a network of free and partially free trade agreements has developed covering every country in the hemisphere. This network is now expanding beyond the hemisphere to include Europe and Asia. The rules and structures of these agreements are setting precedents which will have an increasing influence on the way trade and investment are conducted in this hemisphere, and on the internal policies and institutions of participating countries. In effect, this ship has already left port. If we want to maintain our influence in the hemisphere and protect the interest of U.S. workers, businesses and consumers, we must have the legislative authority to allow us to act with credibility.

Let me close by pointing out that political and economic leadership are inextricable in today's world. If we lose our ability to lead in the trade arena, we will increasingly lose our influence strategically, politically, and in other spheres of international relations. This is not just an issue of internal Congressional procedures, or of internal U.S. politics, this is nothing less than a question of our ability to protect our interests, our willingness to keep our commitments, and our ability to lead effectively around the world.

Particularly now, when democratic governments of the hemisphere have come to an unprecedented consensus, it would be tragic if we were to lose this historic opportunity to form a true and lasting partnership with our American neighbors.

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