

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:

South America Reading/Experts Memos

Staff Office-Individual:

Press-Gobush, Matthew

Original OA/ID Number:

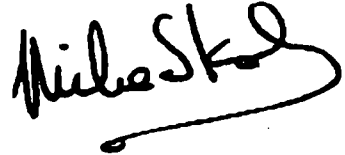
3107

Row:	Section:	Shelf:	Position:	Stack:
42	6	2	3	v

September 15, 1997

**FAX TO: TONY BLINKEN
NATIONAL SECURITY COUNCIL
(202) 456-9370**

**FROM: MICHAEL SKOL
DIPLOMATIC RESOLUTIONS, INC.**



Tony,

As promised, following are some thoughts on President Clinton's message during the upcoming trip to Venezuela, Brazil and Argentina:

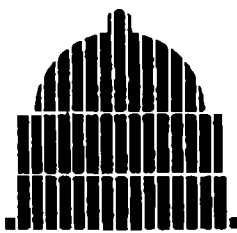
TRADE: In all three countries, but more so in Argentina than in the others, the President can campaign for fast track in much the same language as in the U.S. He can be frank: We want more open trade with you (the Argentines, Venezuelans, Brazilians) because we are going to set records -- in this hemisphere -- buying more from each other than any of us buy from anywhere else. Words about how the nations of North and South America are all going to benefit from increased trade, how we form the most natural of trading blocks, sound good in Washington as well as Caracas, Brasilia and Buenos Aires. The Latins will appreciate an American President fighting for a legislative victory in Washington over an issue with which they are so familiar and so involved.

ANTI-CORRUPTION: A uniquely strong subject for the President, combining as it does both the 'level playing field' so powerfully sought by the U.S. business community vis-a-vis the Foreign Corrupt Practices Act (FCPA) and the political, economic and social anti-corruption mandate now sweeping the hemisphere. The attached article outlines the background of what is arguably the most important political theme of the decade in the region.

*Undermines
Part of
system*

Significant everywhere, but especially in Venezuela and Argentina. Venezuela's President Caldera can be praised for his initiative -- clearly backed by the Clinton Administration -- to create the Inter-American Convention Against Corruption. It is the first international treaty to deal with the subject (and the first to demand enactment of FCPAs in other countries). In Argentina, anti-corruption is the theme of the October mid-term elections (and will be as well for the next Presidential elections). The President can claim pride in how the Western Hemisphere has taken a global lead against corruption, a clear example of the convergence of U.S. and Latin American political outlooks. And the U.S. is widely admired for our leadership on ethical issues -- and sought after for counsel in these matters.

*Venezuela
Initiative*



AUGUST 1996

FEDERAL ETHICS REPORT

VOLUME 3, ISSUE 8

CONTENTS

- International Ethics** 6
- U.S. Initiates Best Global Practice Award

- Law and Policy** 7
- Congress Acts on Ethics Bills
 - OGE Issues 1995 Informal Advisory Opinions

- Investigations** 10
- DIA Official Convicted of Conflict of Interest and Conspiracy for Hiring Girlfriend
 - Ex-Lawmaker Goes to Prison; Current Member Goes Free

- Procurement** 12
- Agencies Rule on Conflicts of Interest in Government Contracting

- Books** 16
- Critic of Clinton's Ethics Suggests Changes to Ethics Laws

- Legislative Update** 18

An Ethical Bonanza: the Caldera Convention and the Internationalization of the FCPA

By Ambassador Michael Skol

Senior Vice President
Diplomatic Resolutions, Inc.

The first half of 1996 witnessed one of the most important developments ever in the international ethics arena: Dramatic movement toward a long-standing goal of the U.S. Government and the American business community—the "internationalization" of the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§78dd, 78ff [EGR 1-025]. A central stage for the drama was in this hemisphere with the signing of the Inter-American Convention Against Corruption. The "Caldera Convention," as it is sometimes known (for its initiator, Venezuelan President Rafael Caldera), should be required reading for everyone engaged in international business. At least their lawyers and ombudsmen should get a copy.

The "bonanza" was a long time coming. In 1977, the United States had become the first nation in the world to criminalize the payment by

its citizens of bribes to foreign government officials. It is still the only one, leaving American firms at a disadvantage vis-à-vis companies whose countries have no such "moralistic" legislation.

Many countries continue to find bribery acceptable and even worth subsidizing—as long as it takes place in some developing country and not at home. Certain nations even make the practice openly—and unapologetically—*tax deductible*. "Schmiergeld" ("grease money") the Germans call it, and the word even appears as such in their income tax instruction form.

The effect on U.S. firms operating overseas is significant. The Commerce Department recently reported that "the foreign firms that offer bribery typically win about 80 percent of the deals." Commerce Secretary Mickey Kantor estimates that bribery by foreign firms cost U.S. companies some \$45 billion in lost contracts between April 1994 and May 1995.

But now things are changing in two broad arenas: Public international

continued on page 2



Ethical Bonanza . . . from page 1

policy and private corporate behavior. The combined effect should be—or must be made to be—a new international ethical order in which it is no longer necessary to bribe in order to do business.

PUBLIC INTERNATIONAL POLICY

The FCPA created an unlevel playing field, and the U.S. team was unhappy. But there was no turning back the ethical clock in Washington. The solution was not to reverse the FCPA, but somehow to convince other developed nations to do what the United States had done: stop their companies from corrupting other nations. The field had to be leveled higher up the terrain, not lower.

For years, the U.S. fought within the Organization for Economic Cooperation and Development ("OECD") to induce other developed countries to adopt measures similar to the FCPA. Progress was slow until recently. In May 1994 the OECD finally recommended that its member states "take effective measures to...combat bribery of foreign public officials...." But it took more pressure—particularly from the Western Hemisphere—before any further steps were taken.

The open market was at the heart of the revolutionary campaign against corruption in our own hemisphere. Privatization, decentralization and the elimination of protectionism, monopolistic practices and governmental controls—all moved forward in the region during the past half-decade. Governments have discovered that economic reform had the additional benefit of automatically eliminating certain corrupt opportunities: The freeing of exchange rates ended a bureaucrat's ability to make decisions on who got which rate for what. An end to price controls has meant that nobody would be deciding, for a fee, which products cost how much. And the transfer of productive capacity from public to private hands has meant that decisions would be made more by the marketplace than by vulnerable human beings.

The nations of this hemisphere also have realized how powerful effective implementation of anti-corruption laws and regulations can be in attracting foreign investment. These countries want to be part of the huge "Free Trade Area of the Americas" promised for the year 2005, but they are learning that they will not get there if the foes of free trade in the U.S. can cogently argue that cor-

Federal Ethics Report (ISSN 1080-210X) is published monthly by CCH Washington Service Bureau, a subsidiary of CCH, Inc. The publication can be obtained as a stand-alone newsletter or in conjunction with *Ethics in Government Reporter*. A subscription to the newsletter is available for \$215 per year. A subscription to *Ethics in Government Reporter*, a four-binder looseleaf publication that includes *Federal Ethics Report*, is available for \$695 per year. For problems with subscription, delivery or billing, contact our Customer Service Department. For questions regarding the substantive content of the publication, contact the Editor or the Managing Editor. To subscribe to *Federal Ethics Report*, or to *Ethics in Government Reporter*, please call the Customer Service Department.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

© 1996, CCH Washington Service Bureau, 655 Fifteenth Street NW, Suite 270, Washington, DC 20005. No portion of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publisher.

Editorial Office (202) 508-0600/(800) 955-5219

- Managing Editor, Susan Kavanagh
susan_kavanagh@cch-lis.com
- Editor, Matthew Merrick
matt_merrick@cch-lis.com
- Layout, Jeffrey Helman

Customer Service (202) 508-0656/(800) 955-5216

Facsimile (202) 508-0694

POSTMASTER: Send address changes to:
Federal Ethics Report, CCH Washington Service Bureau,
655 Fifteenth Street NW, Suite 270, Washington, DC 20005



International Ethics

ruption or non-democratic behavior in the region is endemic and, therefore, a bar to integration with the United States.

Other constituencies joined the campaign. In the political arena, presidents have been impeached on corruption charges, and candidates have made anti-corruption a winning principal theme in elections in Brazil, Venezuela, Honduras, Peru and Mexico. Experts in economic development have realized that in a corrupted economy costs are higher, quality lower, services inferior and the poor poorer. Defenders of democracy have recognized that nothing undermines a fragile system's credibility (and survivability) quite like the image of a corrupted state. In a phrase, nations have learned that corruption makes them non-competitive—likely losers in the global fight for a higher standard of living for their people.

Grassroots ethical and anti-corruption groups have appeared, as Gustavo Coronel's "Agrupacion ProCalidad de Vida" in Venezuela and Luis Moreno Ocampo's "Iniciativa Privada para el Control de la Corrupcion" in Argentina. Transparency International, a new global non-profit organization helping governments devise anti-bribery procedures, quickly has become the preeminent international influence group in this area.

And our own native constituency, the American business community—backed increasingly by Washington—has added its voice to the clamor.

This gathering of constituencies reached a critical mass in December 1994 at the Miami Summit of the Americas. What was unmentionable a few years before in inter-American relations had become a common action theme. The Summit's "No to Corruption" initiative attacked corrupt practices and challenged OECD nations to stop aiding and abetting the process, calling "on

the governments of the world to adopt and enforce measures against bribery in all financial or commercial transactions...."

The Summit leaders promised to develop internal ethical and transparency standards and to strengthen inter-American anti-corruption legal mechanisms. And they pledged to negotiate a regional treaty against corruption—a pledge fulfilled this past March 29 with the final negotiation in Caracas of the "Caldera Convention."

The Inter-American Convention Against Corruption contains four measures that are

key to combating government corruption throughout the hemisphere: 1) it recommends basic changes in national ethics laws; 2) it establishes transparency as a basic principle of governmental operations; 3) it limits the practice of bank secrecy, and 4) it calls for expedited mechanisms for the exchange of information and for the extradition of corrupt officials who take the money and run.

Article VIII is of special interest. It is nothing less than the *de facto* internationalization of the FCPA:

...each State Party shall prohibit and punish the offering or granting, directly or indirectly, by its nationals, persons having their habitual residence in its territory, and businesses domiciled there, to a government official of another State, of any article of monetary value, or other benefit, such as a gift, favor, promise or advantage, in

*Nations have learned
that corruption makes
them non-competi-
tive—likely losers in the
global fight for a higher
standard of living for
their people.*

continued on page 4



International Ethics

Ethical Bonanza . . . from page 3

connection with any economic or commercial transaction in exchange for any act or omission in the performance of that official's public functions.

At the same time, across the Atlantic, there has been progress within the OECD.

A whole new concept of "credibility services" has emerged to assist American companies operating abroad to take advantage of the anti-corruption movement.

The OECD Council has recognized that the tax deductibility of bribes is a practice that must be ended. The OECD Ministers recently endorsed that recommendation and committed themselves to "criminalize

bribery in an effective and coordinated manner in order to combat bribery in international business transactions and, for that purpose, further examine the modalities and appropriate international instruments to facilitate criminalization and consider proposals in 1997."

THE PRIVATE SECTOR AND "CREDIBILITY SERVICES"

While these events were taking place, what have private American firms been doing? What more can they do?

With certain exceptions, the normal reaction to foreign competitor bribery has been to pull out of the bidding process rather than complain and risk being seen as the accuser of a decision-maker on future contracts. Now more firms are coming to understand that they do have options, often in alliance with Washington agencies and, especially, with U.S. embassies.

U.S. Ambassadors are increasingly willing to step in on behalf of American firms. If the company does not want to blow the whistle itself, the Ambassador can do it instead—and generally with greater effect. The Ambassador also has more flexibility on whether that whistle is blown publicly or privately. Often just a comment is enough: "Mr. President (or) Mr. Minister, something appears to be wrong here. The way out may just be to level the field of play in the following ways...." U.S. intelligence agencies can be engaged in this arena. Very frequently, the specific "intelligence" cannot be passed directly to the U.S. firm but the Ambassador will know just how to use it.

Embassies also help by using the broader, policy approach—and linking it with the specific case. The Ambassador can, openly and without apology, argue for transparency and efficiency and for clear technical and financial criteria in the bidding process as a positive good for the country. That the same policies are also field-leveling mechanisms that benefit U.S. companies is the nature of the beast. Urging countries worldwide to adopt open (including non-corrupt) economic and trade systems is, after all, a basic tenet of American foreign policy.

Similarly, the Ambassador can demonstrate that only a U.S. firm can assure a government that, if the firm attempts to bribe an official, it could face stiff penalties imposed by a U.S. Government demonstrably interested in enforcing the FCPA—an anti-bribery insurance policy, valid anywhere in the world and fully underwritten by Washington. Not that U.S. firms never bribe, but they cannot do so with impunity—and that makes all the difference. Until other developed nations follow suit with their own versions of the law, this is a uniquely American selling point.



International Ethics

Significantly, a whole new concept of "credibility services" has emerged to assist American companies operating abroad to take advantage of the anti-corruption movement. "Credibility services" can help companies:

- Develop specific anti-corruption marketing strategies
- Engage the resources of the U.S. Government and international agencies
- Take maximum advantage of the "anti-bribery insurance policy" hiding within the Foreign Corrupt Practices Act
- Induce foreign governments to seek out the American "anti-corruption cavalry" when scandal looms
- Maximize the "clean-corporate-image" public relations dollar in a foreign environment deal symbiotically with those in governments working on broader, but parallel, policy issues, and
- Make effective common cause with the constituencies pursuing complementary developmental, ethical, and political agendas.

A parallel species of "credibility service" is now available to foreign governments. Ministries throughout Latin America have engaged SWIPCO (Swiss Procurement Company), for example, as a primary purchasing agent, thus creating a demonstrable buffer between potentially corruptible politicians and bureaucrats on the one hand and key procurement decisions on the other. Other elements include customs and other operational services, transparency and ethics systems, investigations, image-building, coalition-creation with non-governmental organizations and others, anti-money laundering methods and direct diplomacy with governmental and corporate actors.

A consolidated definition of the concept might be: "A flexible package of tools for

governments and private firms in the fight against the corruption that undermines both national development and the corporate bottom line." The goal for governments is to enable them to recapture money and project value traditionally lost to corruption, to improve attractiveness to foreign

investors and to satisfy the growing popular clamor for ethical leadership. The goal for private companies

is to deal ethically and successfully with the "un-level playing field" created by the ability of foreign firms to legally do something they cannot: bribe officials in third countries.

It is in fact a measure of the coming-of-age of the anti-corruption concept that such services represent a growing commercial opportunity. That one can now "sell" anti-corruption is a good sign of the viability of the whole process and a harbinger of what can and should happen next.

That one can now "sell" anti-corruption is a good sign of the viability of the whole process and a harbinger of what can and should happen next.

A NEW MONROE DOCTRINE?

What more can be done now? How do we take advantage of the inter-locking constituencies throughout the hemisphere? How do we build on such landmark developments as the new Inter-American Convention? What is the role of American business?

We must make certain the United States fully backs the Inter-American Convention Against Corruption. The American business community, in particular, should

continued on page 6



U.S. Initiates Best Global Practice Award

Last year, President Clinton announced the adoption of Model Principles for U.S. firms that have operations abroad. With the "Model Business Principles," the Clinton Administration hopes to encourage business to adopt voluntary codes of conduct for doing business around the world. The principles focus on safe workplaces, fair employment practices, responsible environmental practices, anti-corruption efforts and maintaining an ethical working environment.

To further this effort, the International Trade Administration ("ITA") of the Department of Commerce announced on

July 25 that it will be presenting the "Best Global Practices Award." ITA will present the award to a company or companies "that have exhibited extraordinary leadership and accomplishment in corporate citizenship in overseas activities." In selecting the winner or winners, ITA will look for firms that have met the goals of one or more of the Model Business Principles during the company's last three years of operations.

Any U.S.-based company can apply for the award. A company may apply on its own behalf, or an outside organization can nomi-

continued on page 7

Ethical Bonanza ... from page 5

organize first to urge the Administration to send it quickly to the Senate, even in this election year. Then that same community should press the Senate rapidly to ratify it. U.S. business needs to organize the way it did on behalf of NAFTA in 1993.

The other nations of the hemisphere should not only ratify the Convention, but begin to take aggressive steps to implement it. Individual countries could, for example, insist that bids on projects could only come from countries acceding to the no-bribery provisions of the Convention. Blackballing the bribers is the most effective message of all.

Here at home, the burgeoning ethics phalanx of American business management should recognize the new salience of "credibility services" in international business practice and aggressively insist that corporate policy can now openly act on the thesis that "anti-corruption" is not only good corporate behavior but good business as well.

A hemispheric campaign is today bringing people committed to economic development and ethical behavior together

with business leaders who want a fair shake in the international market.

This half of the world has now declared a kind of regional Monroe Doctrine against extra-hemispheric corrupt interference. Except this time it is the Calderas, Fujimoris and Reinas, not just an American President and his Secretary of State, making the threat. And this time we are dealing with an ethical issue that even the Europeans will have to admit is a valid one. ■

Michael Skol joined Diplomatic Resolutions, Inc. as Senior Vice President in January 1996 after a 30-year career in the U.S. Foreign Service. Ambassador Skol was the Principal Deputy Assistant Secretary of State for Inter-American Affairs from 1993 to 1996. Prior to that, he was U.S. Ambassador to Venezuela. Other postings included Argentina, Viet-Nam, the Dominican Republic, Italy, Costa Rica and Colombia.

Diplomatic Resolutions, Inc. is a facilitator for national and international companies doing business in emerging markets. Based in Washington, D.C., Diplomatic Resolutions works as a "private sector embassy" supplying consultation services to U.S. advanced technology firms for projects in over 60 countries. The firm is a leader in the new concept of providing diverse "credibility services" to clients worldwide.

1420 16th Street, NW
Washington, DC 20036
Ph: 202-483-0116
Fax: 202-483-0132

Diplomatic Resolutions, Inc.

Fax

To:	Mr. Tony Blinken - NSC	From:	Nicolas A. Fetchko
Fax:	202-456-9370	Pages:	
Phone:		Date:	09/15/97
Re:		CC:	

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Please find attached communiqué from Ambassador Michael Skol.

The information contained in this transmission may contain privileged and confidential information and is intended for the named recipients only. If the reader of the message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by a collect telephone call to (202) 483-0116 and return the original to the sender by mail. We will reimburse you for the postage.

Peter Hakim's June 1997 OpEd on Brazil prepared for the Christian Science Monitor

The United States and Brazil--the two largest countries of the Americas--have a strong mutual interest in building a more economically integrated and politically cooperative hemisphere. Brazil is potentially vital partner for the US. It is not a rival, competing for leadership among Latin American countries.

Brazil recognizes that the US will remain the dominant power in the hemisphere for years to come. The US economy is, after all, more than ten times larger than that of Brazil. The US is the main trading partner and source of investment capital for nearly every Latin American country. Nonetheless, Brazil--with Latin America's largest economy, land mass, and population--is important and influential in regional affairs. What happens in Brazil matters a great deal for the rest of Latin America.

Brazil's significance, moreover, has grown sharply in the past few years, largely because of its high quality leadership and the success of its economic policies. Three years ago, Brazil's annual inflation exceeded 7,000 percent; today it is less than ten percent. Although many trade barriers remain, tariffs on most imports have been cut deeply. Privatization and infrastructure development are proceeding, and there has been an explosion of foreign direct investment to Brazil, expanding from \$2 billion in 1993 to \$9 billion last year and a projected \$15 billion this year. The Mercosur economic pact, led by Brazil and Argentina, has shown extraordinary dynamism. On the political front, Brazil is also demonstrating international leadership. It heads the four nation group that brought peace to the Peru-Ecuador frontier, and played a key role in stopping a military coup in Paraguay last year.

Brazil still has staggering problems to deal with. Its public administration is bloated and inefficient. Large budget and trade deficits leave the economy vulnerable; poverty, inequality, and social injustice are still endemic. Reform comes slowly in Brazil because it usually requires amending the country's unwieldy constitution, which needs the approval of a three-fifths majority in both houses of Congress. President Fernando Henrique Cardoso's own authority to shape policy was strengthened recently when he gained (through a constitutional amendment) the right to stand for reelection--but, with elections now only 18 months away, the prospects of any substantial new reform initiatives are quickly diminishing.

While there are no deep frictions or disruptive conflicts in US-Brazilian relations, serious differences have emerged, mainly over trade policy issues. The development of hemispheric free trade arrangements is one point of contention. Some US officials believe Brazil is an obstacle to the building of the Free Trade Area of the Americas (FTAA), as agreed at the 1994 Miami Summit Meeting of presidents and prime ministers. Brazil is seen as trying to slow negotiations, make the FTAA a less comprehensive agreement than initially envisioned, and even postpone the accord beyond the agreed-upon 2005 start date.

This view is partly justified, although Brazil's decisions are driven mostly by domestic political considerations not by international economic or political strategy. There is just not much political support in Brazil for accelerating or deepening trade liberalization. Opposition comes from many in the business community (including US-based multinational corporations) who fear international competition, as well as from labor unions and other traditional foes of free trade. Indeed, trade politics in Brazil are remarkably similar to those in the US that are preventing the passage of new fast track legislation. These problems are compounded by large current account and fiscal deficits and an overvalued currency--all of which put Brazil's anti-inflation efforts at risk and, with them, the credibility of Brazil's economic reforms..

Despite their differences over trade, the US and Brazil share important economic interests. In the first instance, the US benefits from a high-performing Brazilian economy. The stronger the economy, the more willing and able the Brazilian government will be to promote trade liberalization and other reforms. A robust economy also makes Brazil a better customer for US goods and a more attractive setting for US investment. Most importantly, an economically dynamic Brazil will help to expand the US constituency for extending free trade beyond Mexico, and to open the way for Congressional approval of fast track negotiating authority for President Clinton. The US and Brazil are the leaders of the two largest trade groups in the Americas. If these two trade groups find common ground, free trade in the Americas is inevitable. If they cannot, it is impossible.

For its part, Brazil benefits most from joining with the US--its major trade partner and source of foreign capital--in a hemispheric free trade pact, not from establishing a rival trade group. In addition, Brazil's interests in assuming a more active international role generally, for example, by gaining a permanent seat on the UN Security Council or by participating in the G-7 Summits, depends to an important degree on sustained support from the US.

President Clinton is scheduled to visit Brazil (along with Argentina and Venezuela in early October). That visit, some two years after the successful visit of Brazilian President Cardoso to Washington in early 1995, by itself, will contribute constructively to US-Brazilian relations. Four other policy initiatives would reinforce the potential gains of the President's trip:

First, the Administration, as it has promised, should present a realistic fast track proposal to Congress in September, and subsequently go all out to secure its approval. Nothing would raise the credibility of the US more in Brazil and the rest of Latin America, and convincingly convey the message that the US is serious about free trade agreement with other hemispheric countries.

Second, in trade and other negotiations with Brazil, the US should not get bogged down over short-term, tactical issues. The focus should be on longer-term objectives. The precise path that governments choose for achieving free trade in the Americas--which has been the subject of intense differences between the US and Brazil--is less important than their reaching agreement on the principles and goals that should ultimately guide economic integration efforts.

Third, together the US and Brazil should establish a sustained format for bilateral discussions on the full range of issues that affect the relationship between the two countries. The Brazilian government is prepared to negotiate and compromise, if its concerns are given serious attention.

Fourth, Washington should not let trade totally dominate the US-Brazil agenda. There are many other issues of importance to the two nations. Brazil's support is crucial to strengthening the Organization of American States and other inter-American institutions, promoting democracy and respect for human rights, expanding social opportunities in the hemisphere, and resolving internal and cross-border conflicts. Cooperation between the two countries is also important for dealing with such issues as environmental degradation, drug trafficking and criminal violence, and proliferation of nuclear and conventional weapons.

The message should be clear. The US should treat Brazil as a partner, not a rival. Cooperation between the two countries is vital for making broader hemispheric cooperation work.

Submission to Brazilian Publication "Amanha"

President Clinton's Visit to Brazil: a Prelude to Cooperation or Strife

by Michael May and Sidney Weintraub

Questions have arisen in Brazil regarding U.S. policy in the Americas, especially the effect that the passage of fast-track negotiating authority will have on American involvement in the region. Once formally requested by the president, the U.S. Congress will need to approve the proposal. Fast-track negotiating authority is crucial in that it would allow the president to negotiate trade agreements that would be voted on by the Congress without amendments. Fast-track gives U.S. trade negotiators credibility in that potential partners in a free-trade negotiations would know that the accord reached with the U.S. executive branch would not be substantially changed by the Congress, although the agreement need not necessarily be approved. In fact, there is a growing feeling in the region that the lack of fast-track authority has diminished the posture of the U.S. abroad.

Despite scepticism that exists in some Brazilian circles, the granting of fast-track is preferably before the hemispheric negotiations start but surely before they are concluded, the necessary requirement that would permit the United States to fulfill the 1994 commitment that it undertook, along with 33 other nations present at the Miami Summit, to reach a Free Trade Area of the Americas (FTAA) by 2005. Brazil affirmed this agreement and continues the support its concept. Although there may be disagreement as to the timing, approach and scope of the FTAA, most of the countries of Latin America and the Caribbean support U.S. involvement in the region and would be disappointed if President Clinton arrived at the Santiago Summit in April 1998 without fast-track negotiating authority in hand.

The President Clinton's October, 1997 visits to Argentina, Brazil, and Venezuela will provide an important opportunity to cement relations between the United States and these countries and serve as a prelude to the Santiago Summit by providing a benchmark of U.S. intentions in the area. A successful Clinton journey could mirror the accomplishments resulting from the earlier fruitful visit of President Cardoso to Washington. The stopover in Brazil will clearly be the make or break element of the trip. This is particularly true in the area of trade. Both countries need a catalyst that will encourage greater hemispheric cooperation. U.S. relations with Argentina are the warmest they have been in years, particularly because virtually all of the seriously contentious bilateral trade problems have been resolved. U.S. trade relations with Venezuela are relatively noncontentious. This is less true for Brazil-U.S. trade relations.

President Clinton must show the Brazilian government and population that he recognizes Brazil's stature in the region and the world. He must also support the many dynamic reforms undertaken by President Cardoso. However, there are differences as to how free trade in the Americas should be accomplished. Without fast-track, when the Santiago summit takes place, Clinton would be seen by informed Latin Americans as coming with half empty hands. Conversely, with fast-track approved, Clinton would be perceived as ready to engage the United

States in serious trade bargaining. Future hemisphere integration and economic growth will depend, to a large degree, on Brazil and the U.S. jointly adopting a mature position of mutual cooperation. Inflexibility and short-sightedness on the part of either Brasilia or Washington would be harmful to both countries and the hemisphere as a whole.

Michael May and Sidney Weintraub are Latin America scholars who specialize in trade, economic and political issues at the Center for Strategic and International Studies in Washington, DC



Center for Strategic & International Studies
Washington, DC

September 8, 1997

Dear Sir :

On behalf of the CSIS U.S.-Argentine Caucus and the CSIS MERCOSUR-South America Project I am pleased to invite you to attend the inaugural meeting of the Congressional Study Group (CSG) on MERCOSUR. The CSG is a bipartisan initiative chaired by Senators Mike DeWine and John Breaux and Representative Robert Matsui. The meeting will be held in Room SC-5 of the Capitol on Thursday, September 25, from 8:30 a.m. to 11:30 a.m.

The meeting will feature a prominent congressional candidate from each of Argentina's three main political parties--**José Remes Lenicov, Justicialist Party; Roberto Frenkel, Radical Party; and Enrique Martinez, FREPASO.** Topics will include the future of Argentine economic and trade policy vis-à-vis foreign investment, U.S.-Argentine bilateral and trade relations, and the outlook for cooperation in the hemisphere and elsewhere. They will also discuss the relationship among MERCOSUR, NAFTA, and the Free Trade Area of the Americas. A question and answer period will follow the presentation.

This visit comes at an interesting moment. The United States is considering giving Argentina non-NATO ally status. Argentina, a nation of 35 million people, will hold crucial congressional elections shortly after President Clinton's visit in October, and will return to the polls in 1998 to elect their next president. The evolving political scenario combined with the country's MERCOSUR membership and leadership in the formation of hemispheric trade policy will make for a timely, interesting, and engaging session.

I hope that you will join on September 25. To RSVP (acceptances only), please return this form by fax to CSIS Americas Program at (202) 466-4739.

Sincerely,

Michael May
Director, U.S. Argentine Caucus &
MERCOSUR-South America Project

_____ I will attend the meeting on September 25.

Name: _____
Title: _____
Company: _____
Telephone: _____ Fax: _____

and contribute proactive input into this crucial process. Senators Mike DeWine (R-OH) and John Breaux (D-LA) and Representative Robert Matsui (D-CA) will co-chair the MERCOSUR Congressional Study Group.

In addition, the Project will also sponsor visits to the region by senior U.S. congressional staff to dialogue and exchange ideas with their MERCOSUR counterparts on major and fast developing topics, especially in the area of trade and commerce. These one-on-one exchanges would also serve to help identify key MERCOSUR congressional leadership for future dialogue.

MERCOSUR - SOUTH AMERICA CORPORATE BRIEFINGS

A major factor facing the United States will be the growing commercial potential of MERCOSUR and the major countries of South America. The total GDP of MERCOSUR is over \$ 1 trillion and constitutes over half of the overall Latin American GDP. It also accounts for 50 percent of Latin America's industrial output. U.S. corporations are constantly evaluating whether to expand in the region and adopt strategies that will allow them, through increased trade and investment, to confront growing competition from Europe and Asia. This new scenario requires U.S. corporations to develop specific knowledge of MERCOSUR and major South American countries.

The MERCOSUR-South America Project will undertake an ongoing series of practical, succinct briefings with a strong private sector focus. These meetings will highlight issues such as trade, NAFTA accession, MERCOSUR and the FTAA process, and policies in the region that affect commerce, investment, privatization, integration, and bi and multilateral dispute settlements. All the fora would reenforce the central tenant of increasing private sector knowledge of the major South American markets. The events will center primarily on Brazil, Argentina, Chile, Colombia, and Venezuela.

PROJECT LEADERSHIP

Michael A. May (202-775-3273) directs the Americas Program MERCOSUR-South America Project at CSIS. With nearly two decades of international private sector experience living and working throughout the Americas, Mr. May has developed an in-depth knowledge of countries, cultures, and business practices of the region. Prior to joining CSIS, Mr. May's activities with the region included: running his own independent consulting company; working for a U.S. multinational corporation in Latin America, and directing the Western Hemisphere programs of the Pharmaceutical Research and Manufacturers Association. He also managed Latin American Affairs at the U.S. Chamber of Commerce, Association of American Chambers of Commerce in Latin America and Brazil-U.S. Business Council. Mr. May has also worked on a U.S. Senate staff and with the Pan American Health Organization.

He is fluent in English, Spanish, and Portuguese.



**Center for Strategic & International Studies
Washington, DC**

**MERCOSUR - SOUTH AMERICA PROJECT
AMERICAS PROGRAM**

MERCOSUR (MERCOSUL in Portuguese) may be the most significant economic policy development in Latin America. By including South America's most vibrant economies (Brazil, Argentina, and as an associate, Chile), MERCOSUR is increasingly defining a Latin American variant different from the model of regional integration being fostered by the United States and its partners in NAFTA. The process by which the MERCOSUR countries shape this regional trade and investment agenda has profound repercussions on U.S. policy perspectives in this hemisphere into the 21st century.

Recognizing the importance of these issues, the Center for Strategic and International Studies has launched the MERCOSUR-South America Project within the Americas Program. This new initiative, under the leadership of Michael May, expands the Center's already strong focus on the MERCOSUR countries and illustrates its long-term commitment to improving U.S. government and congressional policymakers and private sector understanding of, and relations with, these countries.

MERCOSUR CONGRESSIONAL STUDY GROUP

This extraordinary sequence of critical events implies legislative policymaking at some point. Not only will the U.S. Congress be asked to pass judgement on trade policy in Latin America, but it will shape its debate through consideration of various side-issues, from environment and labor standards to narcotics policy issues. To varying degrees Latin American legislatures will go through similar debates. The role of legislative decision-making in economic and foreign policy is becoming a salient area of study of the region's fledgling democracies.

In recent years the countries of MERCOSUR, with congressional support, have become more forceful players in the international arena. Since adopting NAFTA, the U.S. Congress has not involved itself in international trade-expanding legislation. It is estimated that almost half of Republicans and around 65 percent of the Congress as a whole have never voted on international trade. Consequently, it is unclear how trade-expanding legislation -- and other issues affecting the region -- will fare in the U.S. Congress.

Currently, no formal U.S.-MERCOSUR inter-parliamentary interaction exists, complicating understanding and negotiations between the United States and Brazil, Argentina, and Chile. Fast moving circumstances will demand greater interaction and increase the learning curve of all congressional players and their staffs. Based on the credibility of CSIS, the U.S.-MERCOSUR Congressional Study Group (CSG) would provide the needed outreach to Congress

FAX TRANSMISSION

MERCOSUR/MERCOSUL- SOUTH AMERICA PROJECT

AMERICAS PROGRAM

TEL: 202/ 775-3273

FAX: 202/466-4739

To: Tony Blinken
Director of strategic Planning
nsc

Date: September 11, 1997

Fax #: 456-9370

Pages: 6 , including this cover sheet.

From: Michael May

Subject:

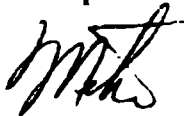
COMMENTS:

Tony,

I enjoyed speaking with you this morning. I have attached the English translation of an article that I co-authored for the Brazilian publication "Amanha".

I have also attached some other items that may be of interest. I will send you some comments regarding the countries which the President will visit.

Please do not hesitate to call me if I can be in anyway helpful in preparing for the President's trip.



**The
Center
for
International
Affairs**

**Harvard
University**



1737 Cambridge Street, Cambridge, MA 02138

Phone: (617) 495-5982

FAX: (617) 495-8292

E-mail: jdomingu@cfia.harvard.edu

**Jorge I. Domínguez
Director**

Clarence Dillon Professor of International Affairs

12 September 1997

To: Tony Blinkin, National Security Council
fax# 202-456-9370

You asked me for some suggestions for themes for the President's trip to Argentina, Brazil, and Venezuela.

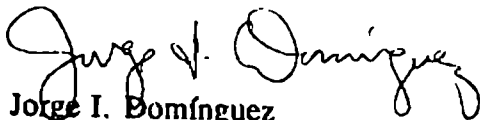
- 1) *Democracy*. The President will be visiting Argentina on the eve of their national Congressional elections. The President should meet with leading opposition figures; this might include a reception for a larger number and a private meeting with a small group. The theme would be to recognize and hail Argentina's democratic consolidation. This event will serve the President make this point and speak broadly to themes that can bolster domestic support in the U.S. for this aspect of our foreign policy; it will serve the Menem government by showing its own commitment to democratic rules, and no doubt will serve the opposition as well. (I can supply some names, if you wish.) Something similar would, of course, be valuable in Brazil and Venezuela as well but in Argentina it is quite pressing.
- 2) *Investment horizons*. In Brazil, President Cardoso has been working patiently and hard to enact economic policy reforms through Congress, including both constitutional amendments and legislation. Cardoso has done so both because he believes in democratic procedures and, in my judgment, because he understands that acting through Congress delivers a much more credible commitment than enacting the same reforms by decree. An act of Congress commits the future beyond the tenure of the incumbent with greater force than a decree. In this way, President Clinton could be speaking to Wall Street as well, calling attention to the utility of these democratic procedures for the long-term interests of international investors.
- 3) *Trade growth*. The President has just requested fast-track authorization from Congress. It might be good to note at some point, probably in Buenos Aires, that in 1997 the gross domestic products of Argentina and Mexico are growing faster than those of Singapore, Taiwan, and South Korea; Brazil and Chile (GDP growing at 5-6%) are no slouches either. The U.S. economy will gain by facilitating rapid trade growth with these dynamic economies.
- 4) *Military collaboration*. There is genuine concern in Argentina, Brazil, and Chile concerning whether U.S. military policies toward them are part of an unarticulated U.S.

"grand design" -- extra-NATO ally designation for Argentina, F-16s sales to Chile, for example, and, if so, what is it. It would be good to emphasize the splendid cooperation Argentina, first, and Brazil, more recently, have been giving to United Nations peacekeeping missions, actively participating in support of policies that closely coincide with U.S. political and military objectives. Argentina and Brazil do so while holding their military expenditures below 2% of gross domestic product (higher for Chile and Venezuela). President Clinton would emphasize that we seek mature military collaboration with these democratic governments with which we share many interests. They do, indeed, act to share burdens with the United States. And Argentina, Brazil, and Chile have made impressive efforts toward cooperative security relationships among themselves, too.

5) *Venezuela*. Venezuela is more troubled. Praise its democratic continuity. Praise its adoption of difficult decisions to stabilize the economy. Praise the admirable long-standing bilateral relations in petroleum trade (Venezuela never joined an embargo). Praise its constructive role in the pacification of Central America. These can be valuable themes within the United States, of course, but the Venezuelan political mood will be "foul" whereas in Argentina and Brazil the mood will be more buoyant.

I hope that these suggestions are helpful. Feel free to get in touch with me again.

Sincerely,



Jorge I. Domínguez
Professor

HARVARD UNIVERSITY

Center for International Affairs

FAX COVER SHEET

Date: 9/12/97

To: Tony Blinkin, National Security Council

FAX Number: (202) 456-9370

Destination: Washington, D.C.

From: Jorge Dominguez / M. McNulty

Program/Account Number: 4422

Total Number of Pages: 2
(Include/Do not include Cover)

Transmitted by:

Time of Transmission:

Price:

Message:

URGENT

1737 Cambridge Street, Cambridge, MA, 02138

Phone: (617) 495-4420

Fax: (617) 495-8292

CONFIDENTIALITY NOTICE: The information contained in this communication is confidential to the sender and is intended solely for the use of the addressee. Unauthorized use, disclosure, or copying is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately.



Inter-American Dialogue

September 16, 1997

To: Mr. Anthony Blinkin
Via Fax: 456-9370
From: Mr. Peter Hakim
Pages (including this): 4

Dear Tony:

I thought you would be interested in the attached article I prepared for *Oxford Analytica*. I would very much welcome your reactions.

Sincerely,

Peter Hakim

1211 Connecticut Avenue NW, Suite 510 . Washington, DC 20036 . 202/822-9002 . FAX: 202/822-9553 .

US-Latin American Relations

As President Clinton prepares for his second trip to Latin America this year--a week long visit to Brazil, Argentina, and Venezuela, beginning October 12--US policy in the region badly needs to be re-energized. US-Latin American relations, for the most part, remain cordial, but the opportunities for building a genuinely cooperative and integrated hemisphere seem to be slipping away. US policy and action in Latin America has been sharply constrained by domestic political imperatives--no matter whether Washington is dealing with the major issues of trade and economic integration, with the politics of appointing ambassadors to countries like Mexico and Argentina, with controversial themes like drugs and immigration, or with troublesome countries like Cuba and Haiti. Within the region, the United States is more and more perceived as a less than fully reliable partner, insensitive to Latin American concerns, and preoccupied with its own short-term interests.

The question is whether and how President Clinton and his advisors can reinvigorate US policy in the coming months, in time for a successful meeting of Western Hemisphere leaders at the second Summit of the Americas in mid-April in Santiago, Chile.

As it has been from the outset of Clinton's second term, the most critical uncertainty is whether the Administration will secure fast track negotiating authority from Congress this year. For most of Latin America, this is the acid test of the US commitment to building hemispheric free trade arrangements and stronger economic cooperation overall. Without fast track, the United States cannot make good on its promise to have Chile become part of NAFTA, nor will it have much credibility to engage the other nations of the hemisphere in free trade discussions. It will still be possible to launch negotiations for the Free Trade Area of the Americas (FTAA) at the Santiago Summit, but the exercise will generate little enthusiasm in Latin America.

The prospects are still good that the White House will secure fast track this year--but they are dimming as time passes. They suffered a major blow last week when the Administration, once again, failed to present fast track legislation to Congress--after publicly assuring everyone that it would definitely do so. The Administration's problem is not a new one. It has still not found an acceptable formula for dealing with labor and environmental standards in the fast track request.

The only solution that will get Congressional approval is for the Administration to accept the Republican demand for a "clean" fast track bill (i.e., with very weak or no labor and environmental conditions), and then use of the full weight of the presidency to press hard for the 60 to 70 Democratic votes needed for passage. Last week's delay hurt the prospect of fast track approval in several ways: It revealed that the White House remains divided on the issue and thereby further galvanized the opposition, and it reduced by another week the already short time frame for gaining approval. Yet, if Clinton gives fast track his top priority and throws himself personally into the campaign, he will probably win. He has got to do so within the next week or two, however.

US trade problems with Latin America do not end with fast track. Largely because of the influence of the US textile industry, Central American and Caribbean countries have been denied

NAFTA parity legislation--which would establish an interim trade arrangement to help protect these nations' economies by stemming the NAFTA-induced diversion of trade and investment toward Mexico. And the United States has not been willing to give a hearing to the Central American governments' request for a full free trade pact with the region.

The United States and major Latin American countries (most prominently, Brazil) are at odds over how the nations of the hemisphere should proceed toward the FTAA. There is broad consensus that FTAA negotiations should be formally launched at the Santiago Summit--but fundamental differences have emerged over the pace of the negotiations; whether efforts should be made to reach and implement partial agreements prior to the 2005 target date; and the role that subregional trading blocs like NAFTA and Mercosur should play in the negotiations once the FTAA is in place. Compounding the frictions over multilateral trade issues are a range of bilateral trade conflicts between the United States and most of its partners in Latin America and the Caribbean. Intellectual property rights remains a contentious issue, as does the range of US non-tariff barriers--anti-dumping actions, countervailing duties, and health and sanitary restrictions, for example.

U.S.-Latin American relations are suffering from more than frustrations over trade issues. This past month, the Clinton Administration announced plans for two security-related initiatives in Latin America, both meant to underscore growing US confidence in the region's governments. Washington lifted its twenty-year old ban on the transfer of high tech weapons to Latin America, and proposed a special security relationship for Argentina, to designate that country a major non-NATO ally (a category heretofore reserved for a handful of countries like Israel, Jordan, and Korea that are close US partners in actively hostile situations). The reaction in Latin America--particularly among the countries most affected--has been almost the opposite of what was intended. Instead of good will, the announcements provoked suspicions about US aims and rekindled some of the historic anxieties among Argentina, Brazil, and Chile. The United States needs to stop taking important decisions about Latin America in an ad-hoc fashion. In concert with other governments, Washington needs to shape a coherent policy on security issues to guide future decisions, and help to explain them. It should focus on promoting regional transparency on all military initiatives, developing arms restraint regimes, resolving border conflicts, and enhancing civilian control of the military.

Within the next week, the Administration is required to present a report to Congress, giving an updated review of US-Mexican cooperation against drug trafficking. (The report was mandated by Congress as a condition for agreeing, earlier this year, to certify Mexico as a reliable US ally in the war against drugs.) The findings are not likely to present a very positive assessment of Mexico's antidrug efforts--just the opposite, in fact. Coincidental with the initiation of the fast track debate, the report could well open a new round of anti-Mexican and anti-NAFTA criticism in the United States, and new calls for the decertification of Mexico (although these will be resisted by the Administration).

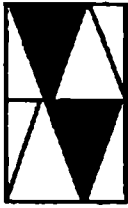
US drug policy will remain a constant source of friction in US relations in the hemisphere as long as Washington insists on unilaterally judging the counter-narcotics efforts of other countries and penalizing those that do not meet its standards. Meanwhile, the one country that has been decertified by the United States--Colombia--continues its downward spiral of political and economic deterioration, mounting violence and human rights abuses, and loss of territorial control to drug criminals, guerillas, and paramilitary forces. Most of this cannot be blamed on decertification, although US policy has certainly not helped Colombia deal with any of its problems

Another issue increasingly dividing the United States and Latin America is immigration. Although they mainly affect Mexico, Central America, and the Caribbean, the harsh US immigration laws that took effect this year--and the record number of deportations they have produced--are seen throughout the region as demeaning to Latin America. The fact they were approved without concern about (or even consideration of) their effects on other countries reinforces the Latin American view that the region is a low priority for the United States.

US policy toward a number of specific countries will also importantly influence the broader US-Latin American relationship. Washington's Cuba policy, a source of continuing friction with Latin America, will most probably become more intransigent in the coming period. A constructive change in US policy would be welcomed throughout the region, but unless there is a deep crisis in Cuba--resulting in another mass outflow of people and/or internal violence--that is not in the cards. The Administration's efforts to stay usefully engaged in Haiti, manage a graceful exit from Panama by the treaty date of 2000, and restore normal relations with Colombia are being closely watched in the region.

Interestingly, only trade--of all these contentious issues in US-Latin American relations--is now scheduled to be on the agenda for the Santiago Summit discussions of the hemisphere's presidents and prime ministers next April. More than anything, that suggests that the other issues--security and arms control, narcotrafficking, immigration, Cuba, and Haiti--are either too difficult or too conflictive for the heads of state to deal with them productively. The good news is that, if agreements can be reached on the trade front and the stage can be set for real progress toward hemispheric economic integration, these other problems will become relatively less important and probably easier to address. The bad news is that, if the trade discussions do not produce satisfactory results, US-Latin American relations could take a turn for the worse--as more antagonistic issues come to dominate the inter-American agenda. Nothing, in short, would do more to revitalize US policy toward Latin America than an energetic White House campaign for fast track legislation and its prompt approval by Congress.

Peter Hakim, for Oxford Analytica
September 14, 1997



Inter-American Dialogue

September 4, 1997

To: Mr. Anthony Blinkin
From: Ms. Kati Suominen for Mr. Peter Hakim
Via Fax: 456-9370
Pages (including this): 5

Dear Mr. Blinkin:

Peter Hakim asked me to forward to you the attached two items. He will forward the Dialogue's recommendations on educational reform early next week.

Should you have any questions, please call me at (202) 463-2560.

Sincerely,


Kati Suominen

1211 Connecticut Avenue NW, Suite 510 . Washington, DC 20036 . 202/822-9002 . FAX: 202/822-9553 .

Peter Hakim's OpEd for August 1997 prepared for the *Christian Science Monitor*
(2 pages)

This past month, the Clinton Administration announced plans for two security-related initiatives in Latin America, both apparently meant to underscore growing US confidence in the region's governments. Washington lifted its twenty-year old blanket ban on the transfer of high tech weapons to Latin America, and proposed a special security relationship for Argentina, to designate that country a non-NATO ally (a category heretofore reserved for a handful of countries like Israel, Jordan, and Korea that are close US partners in actively hostile situations). The reaction in Latin America--particularly among the countries most affected--has been almost the opposite of what was intended. Instead of good will, the announcements provoked suspicions about US aims and rekindled some of the historic anxieties among Argentina, Brazil, and Chile. All this has occurred less than two months after the US constructively promoted a resolution in Organization of American States calling for a legal framework to insure advance notification and greater transparency in arms acquisitions.

In itself, the decision to allow US companies once again to sell advanced weapons to Latin America was hardly unreasonable. The grounds for imposing the prohibition in the first place, back in 1977, have largely disappeared. Repressive military regimes have been replaced by elected civilian governments throughout Latin America. Aside from the festering frontier dispute between Ecuador and Peru, the countries of the region are at peace with one another. The prospect of armed conflict across borders has never been lower. Military expenditures, not very high by international standards to begin with, have almost everywhere been dropping steadily and sharply. The opponents of renewed US sales have exaggerated the danger that they would spark a new regional arms race--generating new frictions and squandering resources that would be better used for social purposes. After all, the countries have long had access to similar weapons from European suppliers.

But the US decision ending the bar on arms transfers was not universally welcomed in Latin America. The Argentine government, which for most of this decade has been Washington's staunchest supporter in the region, was most strongly opposed. Argentina does not, at this time, want to spend money on sophisticated weapons; nor, however, does it want its military officers envious of their neighbors and alienated from their government. Brazil was ambivalent. It may soon be in the market for jet aircraft and other advanced weapons, but does not appreciate the prospect of increased pressure, from its military or from US manufacturers to buy now. Even the Chileans, who have announced plans for major purchases of military hardware and thus stand to benefit first from the new US policy, resent the implication that the US has bestowed a special favor on them. Many Chilean officials feel their needs could be satisfied by other suppliers--and they may still turn to Europe for their acquisitions.

The US decision to make a Argentina a special military ally also has some justification. Argentina was the only Latin American country to volunteer troops for the Gulf War. Alone in the region, it has regularly sent troops to international peacekeeping missions, including to such US priority spots as Haiti and Bosnia. In almost every instance, Argentina has energetically supported US security and arms control initiatives. Further, the US action may alleviate the concerns of Argentine's military forces about Chilean arms purchases from the US.

Still, singling out Argentina in this way was bound to rankle Chile and Brazil and create some apprehension about US motives. Both countries see themselves as strong allies of the US, and want to be on an equal footing with other Latin American nations in their security relations with Washington. There is both bafflement and concern about by what the US has in mind by conferring a distinctive military status on Argentina. Secretary of State Madeleine Albright's statements that this is all symbolic have not been particularly reassuring.

The US had no need to make these decisions now. Neither decision serves any particularly urgent purpose. Neither advances any strong US interest in Latin America--by, for example, making the region more secure, democratic, or prosperous. Backtracking or recanting is not the answer. It would add to the confusion and rancor among Latin American government, and--in fact--the decisions are not calamitous. What the US should do, instead, is to shape a coherent policy framework that will guide and anchor future decisions, and help to explain them to others. The US should be working with every country of the hemisphere to develop arms control and restraint arrangements that will build confidence among nations and strengthen civilian control of armed forces. That will contribute more to peace and genuine security in Latin America than a unilateral US embargo on advanced military sales.



The Brookings Institution



Fundação Getúlio Vargas



Inter-American Dialogue

September 4, 1997

Mr. Anthony Blinkin
Senior Director for Strategic Planning
National Security Council
Via Fax: 456-9370

Dear Tony:

In anticipation of President Clinton's visit to Brazil next month, the Brookings Institution, Fundação Getúlio Vargas, and Inter-American Dialogue have joined together to host several events on Wednesday, September 17 to review the critical issues and choices in U.S.-Brazilian relations. We are pleased to invite you to participate in two of these events.

- The first is a dinner discussion of the Dialogue's Congressional Members' Working Group on Latin America, chaired by Jim Kolbe (R-AZ), Jim Leach (R-IA), Xavier Becerra (D-CA), and Lee Hamilton (D-IN). This session is scheduled for 6:00 to 8:00 p.m. on September 17 in the Capitol building.
- The second is a small, private roundtable discussion which—as you will note in the attached program—will cover the full range of issues affecting ties between the two countries. This session is scheduled from 9:00 a.m. to 2:30 p.m. at the Brookings Institution. We hope you will be with us for the entire session but, if that is not possible, we would welcome your participation for as much time as you can make available. To assure a lively and productive exchange, the number of participants—both Brazilian and U.S.—will be limited to 30.

An outstanding group of public and private leaders from Brazil will be with us. In addition to Foreign Minister Luiz Felipe Lampreia, they include Planning Minister Antonio Kandir, American Chamber of Commerce President Joel Korn, former Central Bank President Carlos Langoni, President of Brazil's Foreign Trade Association and former Minister of Industry Marcus Vinicus Pratini de Moraes, and political commentators Bolivar Lamounier and José Augusto Guilhon Albuquerque. Brazilian Ambassador Paulo Tarso Flecha de Lima and U.S. Ambassador to Brazil Mel Levitsky will participate as well. Other U.S. participants will include Administration officials, leading journalists and policy analysts, corporate executives, and senior staff of international financial institutions.

We know how valuable a contribution you can make to the quality of our discussion, and very much hope you will be able to accept our invitation. Please let us know if that will be possible by contacting Sandra Forero at (202) 463-2573 or by fax at (202) 822-9553.

Sincerely,

Michael H. Armacost
President
The Brookings Institution

Peter Hakim
President
Inter-American Dialogue



The Brookings Institution



Fundação Getúlio Vargas



Inter-American Dialogue

U.S.-Brazilian Relations

Washington, DC
September 17, 1997
Brookings Institution

- 9:00 - 2:30 p.m. Roundtable discussions with U.S. policy officials and leading analysts. Discussions begin with brief presentations by one Brazilian and one U.S. participant followed by period of open exchange.
- 9:00 - 10:30 a.m. Discussion I: Political and Social Issues in U.S.-Brazil Relations
 - 10:30 - 12:00 p.m. Discussion II: The Economic and Business Issues
 - 12:00 - 2:00 p.m. Discussion III (working lunch): Brazilian-U.S. Relations: The Bilateral and Hemispheric Agenda
- 3:30 - 5:30 p.m. Public Session (for 80 to 100 leading members of the policy, media, academic, and business communities in Washington)
- 6:00 - 8:00 p.m. Dinner Meeting for Brazilian participants with members of the U.S. Congress and senior administration officials.

from J. S. Tulchin

July 11, 1997

MEMO TO MACK

The key to engagement in Latin America is a loud, clear message. The message should be repeated often by a highly visible representative of the President and it should be linked closely to the President's visits to the region, to the upcoming summit - and to future ministerials - and be marked by specific concrete accomplishments.

As to substance, engagement in Latin America should focus on two subjects for action - increasing economic exchange and consolidating democracy - and two subjects for hemispheric goodwill - human capital formation and poverty alleviation. Each of these should be the focus of discussion during the President's trip and during the summit.

1) Economic exchange: THIS IS MORE THAN TRADE.

The nations of Latin America are focused on fast track, but their economic growth depends more on expanding investment and savings than on trade. Therefore, it is important to understand that Argentina, Chile, Brazil and the others want US investment as much as or more than access to US markets. Both are important.

ACTION: Fast track. This should be the President's #1 priority in the Fall. With the expansion of NAFTA will come all the other advantages that pave the way for investment. Pushing for fast track will be the clearest signal that the President cares about the region. Everything else is just talk.

ACTION: Hemispheric talks to fix rules for private sector exchange This might include stock market transactions, the protection of intellectual property, the adjudication of commercial disputes, and the reduction of money laundering.

2) Consolidating Democracy: EXERCISING LEADERSHIP

Democracy in Latin America is still precarious in many countries. In none are there strong institutions capable of withstanding powerful shocks. This is an area in which the US enjoys a massive comparative advantage, an area in which all of Latin America looks to the US with genuine admiration and respect. The stronger the democracies in the region, the stronger we are. Therefore, we should act to encourage the nations in the region to consolidate their democracies. We should speak often and loudly on issues such as judicial reform, police reform, political party organization, congressional procedures, freedom of the press, reducing corruption.

ACTION: support regional standards of democratic reform. This can be done by encouraging reliance on OAS conventions, by giving backbone to relevant IDB conditionalities, and by initiating other regional efforts to strengthen democracy.

ACTION: declare unequivocal US support for democracy in the region.

3) Human Capital Formation: PROVIDING ENCOURAGEMENT

4) Poverty Alleviation: SETTING THE RIGHT MORAL STANDARDS

These are critical subjects for the leaders of Latin America. However, it is not possible for any president of the US to intervene to good effect in these areas except as moral support.

ACTION: provide moral support. The President should support his colleagues in the region and encourage them to devote their political energies and the economic resources of their governments to these issues. The principal problem in Latin America is the legacy of centuries of social injustice and the alarming lack of any sense of community solidarity.

ACTION: give visibility to Latin America. The President needs a high-level official to speak on behalf of his administration about Latin America and he needs Latin American expertise in the White House.

from J. S. Tulchin

July 11, 1997

from J. S. Tulchin

July 11, 1997

Addendum

Since drafting the memo to Mr. McLarty, several issues have come into higher relief and should be taken into consideration as plans are drawn for the president's trip to Latin America in October. These issues affect the countries he is to visit and are currently at the top of their lists of priorities. As a consequence, if the president is not prepared to deal with these issues in his conversations, his ability to deal with the issues which are, in my opinion more significant and have longer term implications will be undermined.

- Mercosul/Merosur versus NAFTA/FTAA
- Brazil's aspirations to join the Security Council
this is tied in with the recent announcement of Argentina's special status and the impending sale of military high technology to Chile
- the Pentagon's announcement of a change in US policy on the sale of arms to Latin America

Washington Post, 12 December 1996

Bernard Aronson

Strengthen Democracies, Not Armies

With democracy ascendant in our hemisphere, Latin America has a historic opportunity to redefine the role of its military, traditionally the greatest obstacle to democratic stability. Unfortunately, that opportunity will be endangered if the Clinton administration goes ahead with its plans to end a two-decade-old ban and resume sales of sophisticated U.S. weaponry to Latin American militaries.

Until recently, the military in Latin America traditionally viewed itself as the self-appointed guardian of the nation's order and sovereignty, separate from, and ultimately, above the state. But the military dictatorships of right and left that ruled through the 1970s and '80s left a legacy of violence and economic mismanagement, and there is no popular nostalgia for their return. The guerrilla insurgencies which, during the Cold War, provided a national security rationale for military dominance have in most cases ended. And burgeoning intra-regional trade has begun to erode the border rivalries that once justified large defense establishments.

These historic changes, coupled with the pressures of shrinking public resources on military budgets, have offered Latin Americans a unique opportunity to transform the military into a normal, civilian-dominated branch of government.

The administration's impending arms sales presuppose that this important transformation has already taken place. In reality, the delicate balance between civilian and military power in Latin America has only barely begun to tilt toward the civilian side, and the administration's decision risks tipping it back in the other direction.

While elected presidents hold office in every Latin American nation except Cuba, not one exercises the authority over the military that every Western democratic leader assumes automatically upon taking office. In most Latin nations there is still no real civilian-military glue, and at best only rudimentary oversight by elected legislatures.

The threat of military coup d'état has diminished, especially since foreign ministers of the Organization of American States agreed in 1991 to confront them collectively. Yet twice in 1992, rebel Venezuelan military forces nearly overthrew the civilian president, and this past April, a Paraguayan general almost toppled that nation's first democratic government. Though border tensions have lessened, Colombia and Venezuela periodically rattle sabers over disputed island territories, and last year Peru and Ecuador fought a bloody border battle.

Apparently, the administration believes that resuming U.S. arms sales will strengthen democracy—and implicitly civilian rule—by recognizing and rewarding those Latin militaries that have accepted democratic governance, as well as those that have supported recent negotiated settlements of disputed boundaries. Militaries still threatening hostilities, such as Peru and Ecuador, would continue to be excluded, the administration stresses.

This view would be more credible if civilian presidents and populations in Latin America were asking for new weaponry, but the opposite is true. Throughout the hemisphere, civilian leaders are struggling to reduce bloated state budgets and payrolls as part of far-reaching structural economic reforms designed to restrain inflation and attract foreign investment. Civilian populations—whose real wages still have not recovered from the lost decade of the 1980s—are pressing new democratic governments for safe drinking water, sanitation, health services, basic education and housing.

To feed the appetites of Latin American militaries for sophisticated weapons they do not need at a cost no Latin nation can afford—and to do so against the private wishes of democratic leaders—would undermine civilian authority and heighten regional tensions.

Chile, for example, faces no discernible military threat. Yet no Latin military is pressing more aggressively for sophisticated armaments, including advanced fighter aircraft. The commander of the Chilean army, Gen. Augusto Pinochet, holds that position not because the elected Chilean president appointed him but because Pinochet installed himself through the year 1998 by constitutional amendments he imposed as a condition of relinquishing power over the government. Under other provisions imposed by the military, the elected president cannot remove an armed service chief, and the Chilean armed forces have an automatic claim on 10 percent of the nation's copper export revenues. This is hardly a model of civilian control worthy of reward.

If Chile upgrades its military capabilities, the military in neighboring Argentina, Chile's historic rival, will demand new armaments to counter the perceived threat. Extreme Argentine nationalists—no friends of democracy—will press the civilian government to buy them. Argentina is just now emerging from a deep self-imposed recession, engineered to stave off capital flight following Mexico's peso crisis; unemployment stands at 17 percent. The sale of jets to Chile, warns Jorge Domínguez, Argentina's civilian defense minister, "is neither suitable nor necessary for the needs of the region."

The U.S. administration argues that if this country did not sell the high-tech weapons to Latin America, France, Russia or others would fill the vacuum. The weapons, then, would still flow, while the United States would lose influence, revenues and jobs—and would exercise less control over the end use and transfer of the arms.

Instead of acquiescing in this false choice between foreign and U.S. arms sales, the administration should exercise real leadership in the hemisphere by endorsing and vigorously supporting the growing civilian call for regional arms control. The hemisphere is ripe for negotiations on agreed regional balances of conventional weapons, limits on acquisitions of destabilizing new weaponry and confidence-building measures among Latin militaries.

To succeed, a new Latin American conventional arms control regime must not appear to be imposed by Washington. But with presidential leadership, the United States could be far more energetic and creative, through the OAS and other regional groupings, in support of an arms control agenda emerging from Latin America. At Latin request, for example, NATO and the Warsaw Pact could share their experience with conventional arms control in Europe. The United States should support, also, a long-standing Argentine proposal to establish a regional center under U.N. auspices where Latin militaries could train with Western militaries for international peacekeeping duties.

With arms control agreements in place and Latin militaries engaged in international peacekeeping missions, the United States could respond legitimately to reasonable requests to upgrade Latin military forces, so long as those requests were initiated by civilian leaders, sanctioned by regional agreements and consistent with acceptable human rights practices. Such a policy would be far more worthy of U.S. leadership in the Americas and far more supportive of democracy.

The writer was assistant secretary of state for Inter-American Affairs from June 1989 to July 1993.

Submission to Brazilian Publication "Amanha"

President Clinton's Visit to Brazil: a Prelude to Cooperation or Strife

by Michael May and Sidney Weintraub

Questions have arisen in Brazil regarding U.S. policy in the Americas, especially the effect that the passage of fast-track negotiating authority will have on American involvement in the region. Once formally requested by the president, the U.S. Congress will need to approve the proposal. Fast-track negotiating authority is crucial in that it would allow the president to negotiate trade agreements that would be voted on by the Congress without amendments. Fast-track gives U.S. trade negotiators credibility in that potential partners in a free-trade negotiations would know that the accord reached with the U.S. executive branch would not be substantially changed by the Congress, although the agreement need not necessarily be approved. In fact, there is a growing feeling in the region that the lack of fast-track authority has diminished the posture of the U.S. abroad.

Despite scepticism that exists in some Brazilian circles, the granting of fast-track is preferably before the hemispheric negotiations start but surely before they are concluded, the necessary requirement that would permit the United States to fulfill the 1994 commitment that it undertook, along with 33 other nations present at the Miami Summit, to reach a Free Trade Area of the Americas (FTAA) by 2005. Brazil affirmed this agreement and continues the support its concept. Although there may be disagreement as to the timing, approach and scope of the FTAA, most of the countries of Latin America and the Caribbean support U.S. involvement in the region and would be disappointed if President Clinton arrived at the Santiago Summit in April 1998 without fast-track negotiating authority in hand.

The President Clinton's October, 1997 visits to Argentina, Brazil, and Venezuela will provide an important opportunity to cement relations between the United States and these countries and serve as a prelude to the Santiago Summit by providing a benchmark of U.S. intentions in the area. A successful Clinton journey could mirror the accomplishments resulting from the earlier fruitful visit of President Cardoso to Washington. The stopover in Brazil will clearly be the make or break element of the trip. This is particularly true in the area of trade. Both countries need a catalyst that will encourage greater hemispheric cooperation. U.S. relations with Argentina are the warmest they have been in years, particularly because virtually all of the seriously contentious bilateral trade problems have been resolved. U.S. trade relations with Venezuela are relatively noncontentious. This is less true for Brazil-U.S. trade relations.

President Clinton must show the Brazilian government and population that he recognizes Brazil's stature in the region and the world. He must also support the many dynamic reforms undertaken by President Cardoso. However, there are differences as to how free trade in the Americas should be accomplished. Without fast-track, when the Santiago summit takes place, Clinton would be seen by informed Latin Americans as coming with half empty hands. Conversely, with fast-track approved, Clinton would be perceived as ready to engage the United

States in serious trade bargaining. Future hemisphere integration and economic growth will depend, to a large degree, on Brazil and the U.S. jointly adopting a mature position of mutual cooperation. Inflexibility and short-sightedness on the part of either Brasilia or Washington would be harmful to both countries and the hemisphere as a whole.

Michael May and Sidney Weintraub are Latin America scholars who specialize in trade, economic and political issues at the Center for Strategic and International Studies in Washington, DC

Peter Hakim

US-Latin American Relations

As President Clinton prepares for his second trip to Latin America this year—a week long visit to Brazil, Argentina, and Venezuela, beginning October 12—US policy in the region badly needs to be re-energized. US-Latin American relations, for the most part, remain cordial, but the opportunities for building a genuinely cooperative and integrated hemisphere seem to be slipping away. US policy and action in Latin America has been sharply constrained by domestic political imperatives—no matter whether Washington is dealing with the major issues of trade and economic integration, with the politics of appointing ambassadors to countries like Mexico and Argentina, with controversial themes like drugs and immigration, or with troublesome countries like Cuba and Haiti. Within the region, the United States is more and more perceived as a less than fully reliable partner, insensitive to Latin American concerns, and preoccupied with its own short-term interests.

The question is whether and how President Clinton and his advisors can reinvigorate US policy in the coming months, in time for a successful meeting of Western Hemisphere leaders at the second Summit of the Americas in mid-April in Santiago, Chile.

As it has been from the outset of Clinton's second term, the most critical uncertainty is whether the Administration will secure fast track negotiating authority from Congress this year. For most of Latin America, this is the acid test of the US commitment to building hemispheric free trade arrangements and stronger economic cooperation overall. Without fast track, the United States cannot make good on its promise to have Chile become part of NAFTA, nor will it have much credibility to engage the other nations of the hemisphere in free trade discussions. It will still be possible to launch negotiations for the Free Trade Area of the Americas (FTAA) at the Santiago Summit, but the exercise will generate little enthusiasm in Latin America.

The prospects are still good that the White House will secure fast track this year—but they are dimming as time passes. They suffered a major blow last week when the Administration, once again, failed to present fast track legislation to Congress—after publicly assuring everyone that it would definitely do so. The Administration's problem is not a new one. It has still not found an acceptable formula for dealing with labor and environmental standards in the fast track request.

The only solution that will get Congressional approval is for the Administration to accept the Republican demand for a "clean" fast track bill (i.e., with very weak or no labor and environmental conditions), and then use of the full weight of the presidency to press hard for the 60 to 70 Democratic votes needed for passage. Last week's delay hurt the prospect of fast track approval in several ways: It revealed that the White House remains divided on the issue and thereby further galvanized the opposition, and it reduced by another week the already short time frame for gaining approval. Yet, if Clinton gives fast track his top priority and throws himself personally into the campaign, he will probably win. He has got to do so within the next week or two, however.

US trade problems with Latin America do not end with fast track. Largely because of the influence of the US textile industry, Central American and Caribbean countries have been denied

NAFTA parity legislation—which would establish an interim trade arrangement to help protect these nations' economies by stemming the NAFTA-induced diversion of trade and investment toward Mexico. And the United States has not been willing to give a hearing to the Central American governments' request for a full free trade pact with the region.

The United States and major Latin American countries (most prominently, Brazil) are at odds over how the nations of the hemisphere should proceed toward the FTAA. There is broad consensus that FTAA negotiations should be formally launched at the Santiago Summit—but fundamental differences have emerged over the pace of the negotiations; whether efforts should be made to reach and implement partial agreements prior to the 2005 target date; and the role that subregional trading blocs like NAFTA and Mercosur should play in the negotiations once the FTAA is in place. Compounding the frictions over multilateral trade issues are a range of bilateral trade conflicts between the United States and most of its partners in Latin America and the Caribbean. Intellectual property rights remains a contentious issue, as does the range of US non-tariff barriers—anti-dumping actions, countervailing duties, and health and sanitary restrictions, for example.

U.S.-Latin American relations are suffering from more than frustrations over trade issues. This past month, the Clinton Administration announced plans for two security-related initiatives in Latin America, both meant to underscore growing US confidence in the region's governments. Washington lifted its twenty-year old ban on the transfer of high tech weapons to Latin America, and proposed a special security relationship for Argentina, to designate that country a major non-NATO ally (a category heretofore reserved for a handful of countries like Israel, Jordan, and Korea that are close US partners in actively hostile situations). The reaction in Latin America—particularly among the countries most affected—has been almost the opposite of what was intended. Instead of good will, the announcements provoked suspicions about US aims and rekindled some of the historic anxieties among Argentina, Brazil, and Chile. The United States needs to stop taking important decisions about Latin America in an ad-hoc fashion. In concert with other governments, Washington needs to shape a coherent policy on security issues to guide future decisions, and help to explain them. It should focus on promoting regional transparency on all military initiatives, developing arms restraint regimes, resolving border conflicts, and enhancing civilian control of the military.

Within the next week, the Administration is required to present a report to Congress, giving an updated review of US-Mexican cooperation against drug trafficking. (The report was mandated by Congress as a condition for agreeing, earlier this year, to certify Mexico as a reliable US ally in the war against drugs.) The findings are not likely to present a very positive assessment of Mexico's antidrug efforts—just the opposite, in fact. Coincidental with the initiation of the fast track debate, the report could well open a new round of anti-Mexican and anti-NAFTA criticism in the United States, and new calls for the decertification of Mexico (although these will be resisted by the Administration).

US drug policy will remain a constant source of friction in US relations in the hemisphere as long as Washington insists on unilaterally judging the counter-narcotics efforts of other

countries and penalizing those that do not meet its standards. Meanwhile, the one country that has been decertified by the United States--Colombia--continues its downward spiral of political and economic deterioration, mounting violence and human rights abuses, and loss of territorial control to drug criminals, guerillas, and paramilitary forces. Most of this cannot be blamed on decertification, although US policy has certainly not helped Colombia deal with any of its problems.

Another issue increasingly dividing the United States and Latin America is immigration. Although they mainly affect Mexico, Central America, and the Caribbean, the harsh US immigration laws that took effect this year--and the record number of deportations they have produced--are seen throughout the region as demeaning to Latin America. The fact they were approved without concern about (or even consideration of) their effects on other countries reinforces the Latin American view that the region is a low priority for the United States.

US policy toward a number of specific countries will also importantly influence the broader US-Latin American relationship. Washington's Cuba policy, a source of continuing friction with Latin America, will most probably become more intransigent in the coming period. A constructive change in US policy would be welcomed throughout the region, but unless there is a deep crisis in Cuba--resulting in another mass outflow of people and/or internal violence--that is not in the cards. The Administration's efforts to stay usefully engaged in Haiti, manage a graceful exit from Panama by the treaty date of 2000, and restore normal relations with Colombia are being closely watched in the region.

Interestingly, only trade--of all these contentious issues in US-Latin American relations--is now scheduled to be on the agenda for the Santiago Summit discussions of the hemisphere's presidents and prime ministers next April. More than anything, that suggests that the other issues--security and arms control, narcotrafficking, immigration, Cuba, and Haiti--are either too difficult or too conflictive for the heads of state to deal with them productively. The good news is that, if agreements can be reached on the trade front and the stage can be set for real progress toward hemispheric economic integration, these other problems will become relatively less important and probably easier to address. The bad news is that, if the trade discussions do not produce satisfactory results, US-Latin American relations could take a turn for the worse--as more antagonistic issues come to dominate the inter-American agenda. Nothing, in short, would do more to revitalize US policy toward Latin America than an energetic White House campaign for fast track legislation and its prompt approval by Congress.

Peter Hakim, for Oxford Analytica
September 14, 1997

Mr Blinken — —

In the wake of our most recent conversation, I thought this might interest you.

Will be testifying before the same Subcommittee again on Oct 8.

Thanks for your openness.

Bill Perry

Institute for the Study of the Americas

Testimony by

William Perry

President

Institute for the Study of the Americas

CURRENT TRENDS IN U.S. POLICY TOWARD THE WESTERN HEMISPHERE

Subcommittee on the Western Hemisphere
House International Relations Committee

Rayburn House Office Building
Room 2172
Washington, D.C.
March 12, 1997

*1899 L Street, N. W. Suite 500 Washington, D.C. 20036
Tel: (202) 728-9622 Fax: (202) 872-0896*

EXECUTIVE SUMMARY

During the late 1980s, the face of Latin America was transformed by trends toward democracy and market economics – as well as a decline in local and international tension associated with the Cold War. At the same time, the United States confronted the demands of a new age – including increasingly pressing domestic problems and the need to maintain its economic competitiveness on the wider global stage. In this context, inter-American relations became of much greater relative importance. And Washington responded with a far-sighted effort to forge a truly hemispheric free trade zone – both to advance its own interests and consolidate hard-won gains by the people of the region.

But, in spite of the incorporation of Mexico into NAFTA, progress has been slow and widespread opposition to continuation of the process has developed in the United States. Meanwhile, local efforts toward economic integration are proceeding apace and the great trading nations of Europe and Asia are involving themselves to an ever increasing extent in the affairs of the region. Moreover, a new constellation of local political, economic and security difficulties has emerged – which threatens continued progress in a number of countries and is complicating their relations with the United States.

In particular, the rigors of market reform have tired much of the region and periodic challenges to the permanence of democratic government continue to emerge in a number of the countries there. Also, drug-trafficking, illegal immigration, corruption, insurgency and other forms of violence are complicating Washington's relations with nations like Mexico and Colombia.

In the new age that we have now entered, the United States is fated to be ever more closely linked to its hemispheric neighbors – for good or ill. And it would be far better for all concerned if they were positive assets rather than debilitating liabilities in the world of the future. Washington launched an ambitious hemispheric free trade initiative for the dual purposes of strengthening its global economic competitiveness

and heading off regional political and security problems that could negatively affect American society.

But, it is in real danger now of losing its leadership position with respect to the drive for inter-American commercial integration and the whole US strategy toward the Western Hemisphere is falling into increasing disarray. Moreover, this important matter is hardly being discussed any more – witness the recent presidential campaign. And, as it stands now, Washington's approach to the region is dominated by isolated squabbles over a lengthening list of highly contentious issues that simply can not be dealt with effectively on an individual basis.

If there is a viable alternative to the strategy that has been embraced (but not well implemented) by both the Bush and Clinton administrations, let it be brought forward for national debate. Otherwise, we must now get serious about the hemispheric agenda that is presently on the table. And the imperatives for 1997 are as follows:

- 1.) Prompt approval of fast-track legislation and the incorporation of Chile into NAFTA/WHFTA.
- 2.) Acceptance of NAFTA parity for the CBI nations.
- 3.) Forging of a bi-partisan consensus with respect to qualifications for additional members in the future.
- 4.) The establishment of a new inter-American security system aimed at effectively meeting the requirements of the present age.
- 5.) Complete re-thinking and reform of the Organization of American States (or the creation of some new body) in order to produce a truly functional forum for effective hemispheric political discussion.

Testimony
before the House Subcommittee on the Western
Hemisphere
William Perry
President, Institute for the Study of the Americas

I would like to take this opportunity to commend the House Western Hemisphere Subcommittee for holding these hearings and express my appreciation at having been invited to participate. It was my privilege to have testified on this same general subject before the Subcommittee at the beginning of the Bush Administration and, at the full Committee level, as the Clinton Administration was getting under way. These general overviews are useful to take stock of where we have been and in what direction we should be heading -- as well as identify past failings and future opportunities. And it is particularly appropriate to undertake such an effort at the present crucial juncture in the rapidly evolving relationship between the United States and the remaining countries of the Western Hemisphere.

Background

Toward the end of the 1980s a new and extremely hopeful period of U.S.-Latin American relations appeared to be dawning. By that time, a wave of democracy was sweeping over the region in a process that would eventually leave the Castro regime as the sole remaining dictatorship in the Hemisphere (a tragic exception that we all hope to soon see remedied). At the same time, Latin American governments were, one after the other, coming to see the need and virtue of practicing much more free market-oriented economic policies. Meanwhile, the classic Cold War period was coming to an end -- removing many grounds for contention within and among regional actors and between them and the United States. All these developments -- especially when taken together -- greatly improved prospects for levels and kinds of hemispheric cooperation that had been unimaginable during previous decades.

This new situation was very welcome here in Washington -- particularly by those of us with long-standing involvement in Latin American affairs. Although having emerged victorious and vindicated from nearly five decades of contention on an equal number of continents, the United States faced a new era of challenge. Many were concerned about its ability to compete in purely economic terms with commercial rivals in Europe and Asia -- whose leadership seemed irrevocably committed to highly protectionist practices. Greatly heightened attention came to be focused on apparently intractable domestic social and fiscal problems. And, in short order, there emerged a host of new questions of war and peace that had to be confronted, without

the kind of clear guiding imperatives previously provided by the Cold War.

Under this new scheme of things, the other countries of the Western Hemisphere promised to be of much greater importance to the United States -- both in terms of dangers and opportunities. After all, if domestic matters were to become exalted over wide-ranging international concerns, there was no other part of the world that exerted as much of a day-to-day influence on the lives of average Americans as our hemispheric neighbors. In fact, the United States had itself become the fifth greatest Latin American country in terms of population -- with inter-American social and economic contact rapidly intensifying, -- including a wave of illegal immigration that seemed to be spiraling out of control. Crime was also rising along with this flow of goods and people -- most notably in the form of increasingly aggressive and powerful drug-trafficking organizations, the operations of many of which were based in the countries to our south. And periodic threats to the new democracies of the region soon became evident -- as well as risks of economic crises that could result in the abandonment of recently embraced free market principles.

On the other hand, Latin America's new circumstances and relevance to our society proffered bright new opportunities to the United States. The combination of greater local peace and more open economic policies (followed, in most cases, by dramatically improved performance) held forth hopes for a rapid development process in a region where U.S. firms enjoyed very considerable natural advantages. Obviously, there were significant prospects for heightening the competitiveness of many sectors of the American economy through enhanced cross-border production initiatives -- while our chronic global trade deficit would be substantially ameliorated by expanding exports to a region that greatly favored them. Moreover, the demonstration effect of a closer and freer economic relationship with the rest of the Hemisphere could better Washington's negotiating position vis-a-vis more protectionist nations in Europe and Asia. And the countries of Latin America and the Caribbean might be rallied behind U.S. efforts to forge a more open global trading environment. Greater economic integration of this kind could also be expected to offer the collateral benefits of bolstering the survival prospects of local democracies and heading off future security problems -- including eventually, such new-age difficulties as illegal immigration and transnational drug smuggling.

This was the environment that spawned President Bush's decision to begin negotiations toward incorporating Mexico into a North American Free Trade Area (NAFTA) during May of 1990 and launch the wider-ranging Enterprise for the Americas Initiative (EAI) the following month. The general thrust of this effort was continued under President Clinton, who was (just barely) able to secure congressional approval for Mexico's inclusion into NAFTA (November 1993) and convened the Miami Summit of hemispheric presidents (December 1994) -- which endorsed the

concept of a comprehensive Free Trade Area of the Americas (FTAA), initially scheduled to enter into operation by 2005.

We are all aware -- or we should be -- of the simultaneous and subsequent process that has steadily eroded domestic political support for timely follow-up on this broad strategic initiative. Significant factors here were inadequate conceptualization, attention and promotional efforts on the part of both the Bush and the Clinton Administrations -- as well as insufficient sustained protagonism on the part of the Latin American countries, the U.S. business community and other parties who were presumably most interested in the outcome. The rise of seemingly isolationist and protectionist domestic opinion evident during the 1992 and 1994 election campaigns was also an important factor. And, ultimately, the crisis that struck Mexico beginning in December, 1994 -- as well as increasing problems with that country and Colombia over political corruption and drug-trafficking have had a decidedly negative effect on the willingness of Washington to continue to move forward. The clearest proof of the result is the failure to begin negotiations aimed at adding Chile to NAFTA during the 1994-1996 period -- a country which should have been an ideal and easy candidate for membership and counted with commitments on this score from both Presidents Bush and Clinton.

Thus, after an electoral campaign in which U.S. strategy toward Latin America played no appreciable part, we must now see if the process of forging a truly hemispheric free trade area (and ultimately, a greater community of political and security interest, as well) can be revived. But make no mistake. The United States has lost its leadership role in this area and we are on the verge of forfeiting many of the economic, political and security benefits that presented themselves so clearly only a few short years ago. In fact, we may even be permanently excluded from them by ongoing local efforts toward economic integration, the initiatives of extra-hemispheric actors and increasingly ominous trends in our relationships with a number of key Latin American countries.

Strategic Overview

The overall reaction of the U.S. public and policy-making elites to the end of the Cold War -- and the opportunities and challenges presented in its wake -- has been a very disappointing one. The most relevant point of unfavorable comparison seems to me presented by the record that our forefathers compiled at the end of World War II -- the last occasion that there was a comparable revolution in the nature of the international system. At that time, the five short years from 1944 through 1949 witnessed a tremendously creative process of policy, institutional and attitudinal adjustment that laid the basis for a successful U.S. foreign policy strategy over the subsequent critical period of four decades.

- o The Bretton Woods conference of 1944 created the foundation for a new international economic system and the establishment of institutions like the International Monetary Fund (IMF) and the World Bank.
- o The United Nations was inaugurated in 1945.
- o During the summer of 1947 the Marshall Plan was articulated to confront the danger of communism in Europe and lay the basis for broad, ongoing cooperation with a revived system of Western European states.
- o That same year also witnessed the signature of the Rio Treaty -- a new defense pact among the countries of the Western Hemisphere -- which was followed in 1948 by a massive upgrading of the old Pan-American Union to form the Organization of American States (OAS).
- o In 1949 the Western allies put their disagreements and fears aside to allow the union of their occupation zones into a new and democratic German state.
- o At the same time, in contravention to many old habits, a broad trans-Atlantic defense system (NATO) was established that has endured to the present day.
- o Moreover, all this activity laid the basis for successful containment of Communist aggression in Korea during the following year -- and the subsequent forging of a number of increasingly global arrangements: a peace treaty and defense agreement with Japan; the ANZUS pact; SEATO and CENTO -- as well as the establishment of a strategic understanding with the new Israeli state.
- o At an even more fundamental level, public and political attitudes changed in positive ways that made this all possible and sustained the U.S. through the perilous Cold War period. In particular, most of the Democratic Party ceased to be fooled by the theoretical attractions of Communism and the public attitudes of its leadership. And the Republicans emerged from a period of isolationism to bear their fair share of the vast new public policy burdens imposed by circumstances on the United States.

Our record, however, since the end of the Cold War, is puny, at best tactical and in some respects counter-productive by comparison. Certainly no correspondingly great changes have taken place at international political and economic institutions. In terms of updating existing politico-security arrangements, relatively little has been accomplished in some cases (NATO and Japan), and nothing even attempted in others (the Rio Treaty and the OAS). Moreover there have been few, if any, initiatives that can be characterized as entirely new --

aimed at forging wholly original approaches to confront the fresh constellation of opportunities and dangers that characterize the new age we have just entered -- with the exception of the effort initially undertaken to establish a genuine community of Western Hemisphere nations. Moreover, domestic opinion seems to be evolving in negative ways and there has been an appalling lack of leadership and imagination on the part of both our policy community and political elites.

Now, I am not sure what is worse -- to have had so few creative ideas to begin with or to be spoiling one of the only ones we have had. But the Western Hemisphere is the topic of this hearing -- so it is preferable to focus on that dimension at the present time. In this regard, three fundamental factors must be kept clearly in mind:

- 1) Despite ongoing problems, setbacks and occasionally serious frustrations, the situation in Latin America and the Caribbean has, from the standpoint of the United States, improved dramatically over what it was in decades past. And, even in cases where present circumstances are still far from what we would wish, there are good chances of prevailing, if the United States demonstrates leadership, creativity and a minimum of sensitivity to local concerns. Indeed, most governments in the Hemisphere now earnestly wish to work with us. And, in the few examples where this may not be the case, our basic position enjoys such support within the local population that it is likely to triumph over time, providing that we demonstrate a modicum of intelligence and steadfast commitment.

- 2) Our hemispheric neighbors are not going to go away and, indeed, U.S. society will become even more closely linked to, and affected by, what transpires elsewhere in the Americas as far into the future as can be foreseen. Even those who wish us to concentrate more on our "internal" affairs will not be able to escape this now immutable fact. Thus, these countries can either become a significant asset to the domestic and international situation of the United States in coming years and decades or a debilitating liability. And our enlightened self-interest should impel us to a broad strategy aimed at incorporating them into a general community -- as the Europeans have done with formerly less-developed and troubled nations like Greece, Spain, Portugal and Ireland.

- 3) The effort to create the base for such a community -- through the Enterprise for the Americas and subsequent spin-offs -- was, at least as originally conceived, an effort undertaken primarily to advance the interests of the United States (although, of course, it had to be sufficiently attractive to others so as to invite their involvement). If we have come to the point where, after intelligent debate, we no longer consider this to be the case, then the endeavor should be abandoned. But, if it is merely that the current approach is not seen to be working or that it does not currently enjoy the required level of public support -- then we must redefine our strategy and seek that measure of political backing required to implement it.

The Present Situation

The circumstances that we face today in the Western Hemisphere may be summarized by the following general observations and more specific comments with respect to subregions and particular countries.

1) The most fundamental fact is that we have lost our leadership position in the drive toward the forging an Alaska to Tierra del Fuego free trade zone of which the United States forms the center-piece. Chile's recent decision to associate itself with Mercosur and Mercosur's negotiations with the EU demonstrates that local countries are despairing of Washington's previously expressed commitments and that extra-hemispheric trading nations are acting upon opportunities that we appear to be ignoring. Thus, if we continue along in our current irresolute manner, significant economic and diplomatic advantages are likely to be foregone -- and the whole basis for inducing enhanced politico-security cooperation from our hemispheric neighbors progressively undermined.

2) The potential for local backsliding in economic policy terms and occasional crises of the kind experienced by Mexico last year are also increasing. Occasional cases of problems like these are probably inevitable and, hopefully, temporary. Moreover, they are often due to local failures over which Washington has little real control. But, to the extent that we keep moving back the light at the end of the tunnel (i.e. prospects for accession to a truly hemispheric free trade area involving the United States), and show our disinclination to provide reasonable amounts of support when absolutely necessary, we heighten the likelihood of local economic crises and strengthen the hand of those forces now massing in opposition to continued reform and the practice of free-market policies.

3) Political corruption and drug-trafficking are very serious and increasingly inter-related problems in particular countries. And, certainly, enhanced multilateral efforts -- as well as occasionally strong unilateral U.S. action -- is required to confront them. But, in the end, necessarily concerted local policies -- as well as the disposition of our neighbors to cooperate on the international front -- depends upon the maintenance of democratic government and strong economies. And, over time, the United States would be well-advised to place fundamental reliance on working with positive elements within regional countries -- rather than gratuitously punitive measures that could adversely affect local economies, democratic politics and long-standing international relationships.

4) High levels of illegal immigration continue from the region (and from other areas of the globe) and are of increasing concern to the American public -- especially in certain parts of this country. And there is no reason why strong new measures should not be taken (both federally and at the local level) to protect our borders and enforce our laws. But, given the

naturally open nature of our society, we must remain acutely conscious of the need to stabilize the factors that impel immigration and secure more active cooperation from the authorities in neighboring countries. This, in turn, requires an acceleration of, rather than a halt to, the hemispheric economic strategy that we have been attempting to pursue -- as well as the engagement of regional governments in bold new initiatives to overcome the new-age security problems that we now face -- like illegal immigration.

5) One of the most irritating and inexplicable features of the current situation is the lack of foresight, imagination and initiative that we have shown in the wake of our initial step of having launched the drive toward hemispheric free trade. Two areas that are particularly notable in this regard are the absence of any serious effort to reform the inter-American security system and the lack of vision with respect to the importance of this Hemisphere's future energy situation. Frankly, it should be obvious that, if we are to link ourselves economically to a group of nations, such an effort must be accompanied by adequate new politico-security arrangements (and that our failure to have moved in this area is now negatively affecting public support for the free trade dimension of the initiative). Similarly, it is incomprehensible to me that we have failed to appreciate and act upon the importance of maintaining the Americas' current advantage of energy self-sufficiency -- especially in view of its relationship to the fundamentally economic nature of our hemispheric strategy and our experience with the Middle East over the last few years. (There are other important resources -- as well as environmental issues to be considered here.)

6) Mexico is, by dint of geographic and social imperatives, our most fundamentally significant point of contact with the rest of the Western Hemisphere (and these days, it should be seen as one of our very most important policy priorities). Everyone is familiar with our neighbors' recent problems and with an increasing danger posed there by the nefarious combination of drugs, corruption and illegal immigration. But the more fundamental story is that Mexico is now in the middle of a transition toward fully democratic government and the institutionalization of economic practices that could lead to a truly developed society with an economy highly complementary to that of the United States. Moreover, the country's notorious problems (and the difficulties it causes for us) can only be resolved if this transitional process is successfully completed. The alternative is really too ugly to contemplate. Thus, while there is no reason not to set firm standards with respect to our support and require that Mexico act responsibly on international issues of particular concern to the United States, it would be very foolish to hazard the underlying process. This is especially true when the current administration in Mexico has adhered to prudent economic policies under very difficult circumstances (that are now beginning to produce concrete signs of recovery) and the upcoming elections of 1997 and 2000 are likely to produce

substantial progress toward the kind of government that we need in that country and have long professed to desire.

7) Chile is a relatively small and remote country. But it is also the nation that led the way in the process of liberalizing economic reform that swept over the Americas during the course of the past decade. The Chilean economy is in no way significantly threatening to that of the United States and is a model of free market practice -- in many respects superior to our own. In addition, it has received commitments from both the Bush and Clinton administrations that a serious attempt would be made at bringing the country into NAFTA immediately after Mexico. Thus, if we are serious about our intention to create an American-led free trade zone in the Western Hemisphere -- with all the economic, political, security and diplomatic benefits that should thereby accrue to the United States -- we must move promptly toward securing the necessary fast-track authority to begin what should be a relatively brief and easy negotiation aimed at Chilean accession to NAFTA.

By far too lengthy a delay has already spawned enormous disappointment in Santiago -- resulting in the recent decision to associate with Mercosur. And other hemispheric countries can be forgiven for doubting our intentions and going their own way if we can not take this simple and obvious step toward realization of what, after all, was our initiative in the first place.

8) The imminent expansion of the Mercosur Pact (from its original membership of Argentina, Brazil, Paraguay and Uruguay -- to include Chile, Bolivia and, perhaps, Venezuela and the other Indian Pact countries, as well) is a tribute to the pusillanimous approach of the United States toward hemispheric free trade during recent years. There is nothing inherently wrong with this approach to sub-regional integration -- which is quite understandable in view of U.S. inaction and the benefits that have accrued to member countries. But it does produce the possibility that an extensive South American or even a broader Latin American-Caribbean free trade area may emerge under Brazilian leadership. Ultimately, negotiations with such a large group could prove impossibly difficult for Washington -- or the powers that be within it might decide that they do not particularly want American involvement. This could eventually lead to inter-hemispheric contention and/or a new trade bloc in the region from which the United States derives no particular benefit vis-a-vis the great trading nations of Europe and Asia. And equality with those countries in large and dynamic Latin American markets would comprise a serious defeat for the future prospects of our economy. Alternatively, and somewhat ironically, a large local bloc without the expectation of participation by the United States could also end in disaster -- because Brazil and Argentina, in particular, are presently still struggling to institutionalize liberalizing reforms, a process made more difficult without the hope of eventually favored access to the U.S. market and its capital resources. The course of the coming year promises to be a crucial one for both of these important countries.

9) The nations of the Andean region are a varied lot with greatly distinct prospects and importance from the standpoint of the United States. Venezuela, Colombia and Peru are countries with significant productive capabilities and even greater potential. And all are oil producers -- Venezuela, one of the largest suppliers to the U.S. market and Colombia with some of the very most important recently discovered fields in the Hemisphere. But the former is struggling to return to a process of economic reform and dynamism-- and the latter is deeply troubled by guerrilla and narco-trafficking induced violence and corruption -- which has also given rise to a serious crisis in its relationship with the United States. Peru previously experienced similar problems but has been making consequential progress during recent years. Bolivia and Ecuador are lesser lights from an economic standpoint. But the former is, of course, also a significant producer of narcotics and the latter has just undergone a political crisis, the final outcome of which is not presently foreseeable.

Our policy here should be to encourage continued economic progress and democratic practice -- in part by reviving our commitment to a hemispheric trade area which these countries would ultimately have hopes of entering. And, in this particular subregion, adding an energy dimension to the commercial component of our policy could pay particularly high dividends. Drug-trafficking, as well as the violence and corruption that it spawns -- are highly troubling to the United States. And combating this scourge will require greatly increased levels of effort and international cooperation than we have been able to achieve in the past -- probably achievable only through the establishment of a new-age inter-American security system. Accordingly, economic sanctions against functioning democratic governments -- which were once wrongly mooted with respect to Peru and are now being considered against Mexico and Colombia -- ought to be avoided except in absolute extremis.

10) The Central American and Caribbean areas are less of a relative priority with the United States, as our focus has shifted from security to economic issues in the wake of the Cold War. But they are still important on a number of grounds and at least two quite serious problems remain to be found there. In Central America, the continued practice of democracy and economic recovery are presently our highest priorities. And these small nations need to integrate while traveling this path, in part because they must come together in order to eventually have some chance of joining the United States in a free trade arrangement. Nicaragua remains the most difficult and problematic case. And Panama may require a degree of special attention because of the question of the Canal Zone and the role it might come to play in common efforts to forge a new and more effective pattern of inter-American security cooperation.

Most Caribbean states are generally in the same boat -- being countries of modest size and potential that must focus on retaining democracy, reforming their economies and associating

themselves more closely together so that they might come to a comprehensive, longer term arrangement with the United States. Some of the smallest countries there may also face problems from internal divisions and/or the potentially overwhelming influence from powerful drug-trafficking organizations. The two exceptional situations are Haiti and Cuba. I am sadly but honestly dubious about the large, and at base, rather unilateral role that the United States has assumed in the very difficult Haitian case. And my recommendation would be to attempt to transfer these responsibilities to a revived OAS -- or at least a larger and more permanent support group. Otherwise, we are sooner or later going to find ourselves in more difficulty than we have bargained for.

The situation in Cuba -- at least, in the short run -- is equally difficult and even more dangerous -- since it could go critical at any time and the Castro government still disports significant military capabilities. This is a case where sanctions are clearly warranted -- at the highest level that can be sustained in the court of U.S. public opinion. In addition, we should be doing all that we can behind the scenes and with other countries to make the end of the Castro dictatorship come as quickly and relatively painlessly at possible. But, at the same time, I do not expect an easy transition and hope that we have effective plans prepared for every contingency.

Conclusions and Recommendations

Despite the generally much improved situation in Latin America and the Caribbean over the course of the past decade, my basic conclusion is that the United States is well on its way toward missing an historic opportunity -- which we ourselves, were the first to identify and act upon during the late 1980s and 1990s. The objective would be to consolidate hard-won regional gains in democratic and free-market economic practice -- while, at the same time, significantly enhancing global U.S. competitiveness and moving strategically to head off new-age threats to the security of our society. The means toward these ends would be the forging of a comprehensive hemispheric free trade zone with the United States as its focal point -- to be followed and accompanied by other parallel initiatives aimed in the direction of eventually creating a genuine Western Hemisphere community of nations during the course of the 21st century. But this process -- at least in terms of Washington's leadership within it -- now seems badly stalled. And, if we do not move promptly to reassume the initiative, then either others will take the lion's share of the benefits or we will have contributed significantly to a new cyclical downturn in the region -- bringing serious and unnecessary problems upon ourselves.

Of course, there are now powerful discordant voices on this matter -- or at least many who feel that we are not going about the effort in the right way. I invite them to debate of the general question -- in the certainty that the merits of a strategically proactive approach toward the Western Hemisphere

can be conclusively demonstrated and - if necessary, a refined means of proceeding found.

As a starting point for this necessary process of deliberation, I would offer the following set of recommendations:

- o A bipartisan consensus now needs to be forged that will permit fast-track authority for Chile -- and support prompt negotiations aimed at bringing that country into NAFTA/FTAA during 1997. Simultaneously, we need to encourage other appropriate nations and groups to present their qualifications for admission to our immediate consideration thereafter. In this regard we should also be able to define criteria for membership - - which, if not universally embraced, at least enjoy the support of the Executive and a healthy majority within our Legislature. Meanwhile extending NAFTA parity to the CBI countries would also be a positive initiative.
- o At the same time, we should move forward, creatively and forthrightly, toward the creation of a fresh, up-to-date and effective system of inter-American security -- parallel to the dynamic hemispheric economic community that we wish to establish. Frankly, it was never possible, in my view, to contemplate closer institutionalized economic association between the United States and the remainder of the Americas without adequate attention being devoted to the new constellation of security issues that plague us all. And, in trying to do so thus far, we have added unnecessarily to the difficulty of mobilizing U.S. public opinion in favor of the economic elements of the overall effort.

Certainly, there is no shortage of issues that must be addressed under this rubric (which I have written about elsewhere) -- defense of democracy, drug-trafficking, illegal immigration, terrorism, joint defense production, peacekeeping and improved civil-military relations comprising a very short list. Also, we should not be afraid to debate alternative approaches among ourselves and with our regional neighbors -- in order to identify the most innovative and effective kinds of solutions. But something significant clearly needs to be done in this area. And there is no reason why enjoyment of the benefits of closer economic relations should not be contingent on responsible participation in such an effort. Moreover, it is to be hoped that working together along these lines will not only help to address necessarily international problems more effectively -- but also arrest the unhealthy punitive trend that is creeping into U.S. relations with certain of its neighbors.

- o Progress in the above-mentioned area requires attention to the need for a political forum where common policies can be defined and positions prepared to represent the stance of this Hemisphere to the rest of the world. The OAS does not currently meet the requirements here and the U.S. has invested little effort in an attempt to secure appropriate reforms. Such an effort would not necessarily be any easy one. And the U.S. must be prepared to consider alternatives -- including new bilateral subregional and functional pacts -- and/or grafting security provisions into the FTAA accords.
- o Other complementary initiatives should also be considered on a continuing basis. For example, the energy area seems to offer grounds for enhanced hemispheric cooperation. The general idea would be to find ways to encourage local energy production -- in an effort to retain the Americas' overall self-sufficiency in this critical realm against all future contingencies. The U.S. interest in this matter would be assuring its preferred and guaranteed access to hemispheric resources, in the event of adverse developments in other areas of the globe.

Blinken, Antony J.

From: Naplan, Steven J.
Sent: Monday, September 29, 1997 11:03 AM
To: @SPEECH - NSC Speechwriters
Subject: SoAm breakfast notes (up until arrival of Blinken) [UNCLASSIFIED]

SoAm Influentials Bkfst

Hakim: would be most useful for POTUS to raise social issues on this trip. Education in Brazil, race in Brazil. Brazil and the US share many of the same challenges on race, and POTUS should draw parallels noting our shared race challenges given POTUS' declared interest in race matters.

just as USG seeks UK's cooperation on Bosnia, so too, POTUS should seek Brazil's cooperation re drugs. Treat Brazil like a first-world partner (accord Brazil the respect we commonly show UK or Germany).

"Brazilians love to hear about commonalties between the US and Brazil."

Tulchin: USG tripped and fell on arms sales issue. POTUS should put a positive spin on this issue by encouraging transparency of mil budgets and purchases, suggesting a program of arms registration and monitoring.

Feinberg, Tulchin and May: POTUS needs to declare unequivocal support for MERCOSUR ("most important").

Schwab: POTUS must offer a strong argument for Fast Track. POTUS should explain that the US looks after its own best interests and that ("good news") our best interests are shared on this issue.

Vivanco: Cardoso has been very receptive to a discussion of human rights. POTUS should endorse Cardoso's National Human Rights Plan.

May: Argentineans are sore about the prolonged vacancy of an ambassador from the USG. Need to signal that this post will soon be filled.

Blinken arrives ...

NOTE: Piccone took extensive notes, FYI

Blinken, Antony J.

From: Blinken, Antony J.
Sent: Tuesday, September 30, 1997 6:24 PM
To: @PLANNING - Strat Plan & Comm
Subject: Notes from Latin Am. breakfast [UNCLASSIFIED]

Belatedly, some of the salient points made:

-- Need to treat Latin Ams as global powers with global interests -- not just Latin american agenda (i.e. tak about Middle East;Bosnia;Russia etc...). This was said more for what POTUS says in bilats, but points still worth echoing in remarks.

-- In Argentina and Brazil, highlight courage and willpower it has taken them to get economic houses in order. Tamed hyperinflation. We know how difficult since we only just got our own budget in balance. Show respect for the drama they have lived.

-- [To extent relevant for public remarks] on arms, put in context of strides toward democracy. Military has begun to play proper role (paranthetically, Perry at some point had a good line about hemispheric meetings not so long ago featrung generals at the table and suits behind them -- now, its other way around). But need for arms control, not free for all. Done a good job controlling WMD. Bring same commitment to conventional arms.

-- Just as in U.S., major debate in Latin america about whether economic reform/market opening is right course. Answer is marrying free markets to social justice. opening only answer -- not just opening markets but oopening socieites. But unrestrained free markets not the way, as we know from own experience (19th century; progressive period). State has key role to play in rounding out rough edges of change -- smaller but stronger and better focused state. [Note: Chile, country that has gone furthest in opening marketsd also gone furthest in reducing poverty, unemployment.]

-- Half population in L.A. <25 yrs. old [check this]. Opporetunity for this new generation to build Americas that is model for world -- hemisphere coming together around values of democracy, commtiment to free trade, determination to settle disputes peacefully, to work together on shared problems like drugs and crime. We ended old E-W divide. Now, must put same energy in ending N-S divide in this hemsiphere.

-- Make clear no one has monopoly on right answers. We don't have pretesne of knowing it all. Can tell you what worked for us -- look t oyou for what has worked for you. And know we need you as partners. Can't tackle problems of 21st century as successfully alone as we can together. We're dealing with community affairs, community issues in which we all have stake.

-- Themes should be consistenton all stops so when we strike negative chord (e.g. corruption; violence vs. journalists) it doesn;t come across as picking on anyone.



GRADUATE SCHOOL OF INTERNATIONAL RELATIONS
AND PACIFIC STUDIES

Richard Feinberg
Professor and Director
APEC Study Center

UNIVERSITY OF CALIFORNIA, SAN DIEGO
9500 GILMAN DRIVE
LA JOLLA, CALIFORNIA, 92093-0519
(619) 534-0357, FAX (619) 534-3939

Tony Blinken
National Security Council
FAX: (202) 456-9370

Dear Tony,

The attached article on the President's trip to South America is scheduled to appear in this Sunday's San Diego Union Tribune.

Enjoy the trip!

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Feinberg".

Richard Feinberg

Attachment

CLINTON VISITS SOUTH AMERICA

by Richard Feinberg

Bill Clinton travels today to South America for a week's swing through Venezuela, Brazil and Argentina. Amazingly, this will be the President's first visit to South America and only his second to Latin America. During his five years in office, Clinton has traveled innumerable times to Europe and Asia, but neglected our neighbors to the south. In the interim, heads of state from Japan, South Korea, France, Germany and Canada, among other powers, have visited the region to fill the inviting vacuum.

In 1994, President Clinton hosted the first Summit of the Americas in Miami, and pledged to lead the Western Hemisphere in the creation of a free trade area. But domestic politics -- pressures from the unions and some partisan Republicans -- caused him to procrastinate. Only this fall did Clinton begin to push Congress for the authority to negotiate such a major trade agreement. In the interim, the emboldened Europeans have approached key south American economies and proposed erecting a separate free trade bloc among themselves, excluding the United States.

In fact, South America is important to the United States. Our geographic proximity means that events in South America -- good and bad -- inevitably spill over across our borders, whether these currents involve people, goods or capital. Already we sell more to Brazil than we do to China, and by 2010 our exports to all of Latin America may surpass our sales to Europe and Japan combined. Increasingly Brazil and Argentina are important actors on the world stage, and we want them as allies on issues ranging from the control of nuclear technology to international peacekeeping to global climate change.

Fortunately, shared democratic values and a common stake in healthy global markets create unprecedented conditions for cooperation between the United States and our southern neighbors. Gone from South America are the military juntas and statist economic policies that in past decades clashed with liberal U.S. values. Clinton's three hosts all personally did battle against authoritarian regimes; while in exile from military rule in the early 1970s, Brazilian president Fernando Henrique Cardoso taught at Stanford University.

But most recently relations between the United States and some South American countries have become somewhat frayed. Heavy-handed U.S. pressures on counter-narcotics policies have alienated even those Latin Americans who accept that narcotics trafficking is a serious threat. In particular, the Congressionally-mandated annual "certification" report card is an affront to Latin American pride.

In addition, recent U.S. moves in the security area have inadvertently stepped on Latin sensitivities. When the Clinton administration signaled a new readiness to sell F-16 warplanes to Chile, neighboring Argentina felt disadvantaged. When Secretary of State Madeleine Albright announced that the administration wished to designate Argentina as a "major non-NATO ally," Brazil took umbrage. Brazilian diplomats are privately accusing the United States of seeking to sow division in the region.

During his trip Clinton has the opportunity to overcome these differences and build on our shared values and interests. As he did during his trip to Mexico last spring, the president can win over his audiences by demonstrating that he understands their sensitivities and sympathizes with their concerns. But more than that, Clinton must make the case that the U.S. is an engaged and reliable ally dedicated to building a hemispheric community of democracies -- as he promised when he hosted the Miami summit. He can build this trust

this by reaching agreements on concrete issues of special meaning to each country but of relevance to the rest of the hemisphere as well.

Already the biggest supplier of oil to the U.S. market, Venezuela is prepared to greet Clinton with a reaffirmation of its intention to double oil production over 10 years. Appropriately, Secretary of Energy Federico Pena will offer assistance to help make that production efficient and clean.

In Venezuela, Clinton should also confer with President Rafael Caldera on a strategy to implement the Inter-American Convention on Corruption finalized in Caracas in early 1996. Endemic corruption is a serious threat to democratic legitimacy throughout Latin America and Caldera took a lead in placing corruption on the inter-American agenda at the Miami summit. The Venezuela-inspired Convention Against Corruption is a statement of excellent intentions, and it is time to set priorities, provide technical assistance and establish mechanisms for monitoring its implementation. Caldera and Clinton should propose deadlines whereby countries throughout the hemisphere fix their domestic laws to conform to the Convention signed by their diplomats.

In Brazil, Clinton will be greeted warmly by President Cardoso. The two men have much in common and got along famously during Cardoso's state visit to the White House two years ago. Both are gregarious individuals who combine intellectual curiosity with politician pragmatism.

Cardoso has told Clinton that he wants education to top the agenda. The visit offers both presidents the opportunity to profile their domestic education initiatives in an international venue. Specifically, Clinton and Cardoso can agree to consult on educational standards and testing, and cooperate on distant learning linkages and internet access for schools in poor neighborhoods.

Most important, Clinton and Cardoso should agree on a common strategy for implementing the central promise of the Miami summit: building a hemispheric community of democracies through the creation of a free trade area by 2005. Both presidents understand that free trade is not only economically efficient but is also the best catalyst for hemispheric cooperation on a host of common concerns, from democratic consolidation to counternarcotics.

But Cardoso's cosmopolitanism is hemmed in by a powerful foreign ministry that fancies itself in competition with the United States for leadership in South America; hence, Brazilian diplomats prefer to consolidate a Brazilian-led South American trade bloc, and to stall creation of a hemispheric free trade area. In contrast, Clinton can offer Cardoso a genuine partnership in building hemisphere-wide integration as the more constructive and prestigious path. The two men could agree to accelerate negotiations, to reach agreement on at least the basic framework for hemispheric free trade by the year 2000 -- while both men are still in office (Cardoso is almost certain to win re-election later this year).

Clinton should carry the case for hemispheric free trade directly to the Brazilian people. Happily, the average Brazilian likes Americans and naturally inclines toward close economic relations with the United States. Clinton can build on this favorable predisposition through public remarks, electronically-transmitted "town meetings," and symbolic gestures such as donations of computers to public schools.

Clinton also needs to diffuse Brazilian suspicions that the U.S. is seeking to bolster Argentina at their expense. He can assuage Brazilian insecurities by making it clear that the United States accepts a leadership role for Brazil, and that the United States supports South

American trade integration so long as it is a building block --not a roadblock -- toward wider hemispheric integration.

In Buenos Aires, Clinton will then be free to celebrate Argentina's turn away from its previous antagonistic "third worldism" toward its current policy of close alignment with U.S. security interests worldwide. From Haiti to the Persian Gulf, Argentina has joined peacekeeping missions supportive of U.S. policy. Such loyalty deserves recognition, although invoking hard-edged, Cold War imagery like "non-NATO ally" is probably ill-advised. If it is too late to turn away from that offer, Clinton should make clear that it is a symbolic gesture not intended to disrupt the still fragile military balance in South America.

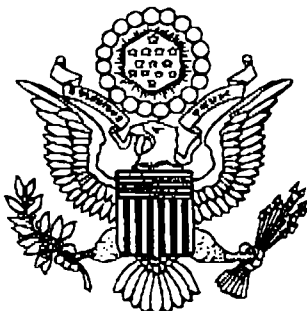
Clinton will be in Argentina at a delicate political moment just days before important mid-term congressional elections. He should meet with the spectrum of political leaders to demonstrate his political neutrality and support for democratic pluralism. The U.S. president should also meet with local Jewish leaders to express his abhorrence for the terrorist acts to which they have been subject.

In addition, at each stop Clinton should discuss two more themes: narcotics and climate change. To advance the battle against drug trafficking, the administration understands it should move away from unilateral hectoring in favor of multilateral cooperation. Proposals to design more constructive monitoring mechanisms, to formulate country strategies framed by consensual regional agreements and to build a multinational counternarcotics center in Panama -- all make good sense. The establishment of an international law enforcement academy to train anti-crime officials would also fit into this more cooperative approach.

Coming just two months before the important Kyoto conference on climate change, the trip provides Clinton with an excellent opportunity to seek common ground with key Latin American countries on this controversial issue. A joint hemispheric position on carbon emission targets would overcome the current gap between industrial and developing countries -- and demonstrate that a unified Western Hemisphere can play a leadership role in global affairs.

In sum, a trip that reaches tangible understandings on energy, corruption, education, trade, security, narcotics and the environment would breathe life into the concept of a hemispheric community of democracies. It would provide the Clinton administration with new ammunition in its uphill campaign to extract authority from the U.S. Congress to negotiate trade deals. And by fortifying its southern flank, the United States would also strengthen its global posture.

Richard Feinberg, the senior Latin Americanist on the National Security Council from 1993-96, is the Director of the APEC Study Center at the University of California, San Diego.



EMBASSY OF THE UNITED STATES OF AMERICA

Colombia 4300
(1425) Buenos Aires, Argentina

VOICE: (54) (1) 777-4533; 777-4534
EXEC direct: (54) (1) 771-4385
EXEC direct fax: (54) (1) 777-3142

U.S. Mailing address:
American Embassy
Unit 4301
APO AA 34034-4301

FAX TRANSMITTAL

Date: 10/10/97

N° of pages including cover: 2

To: David Levy
Fax:

From: V. Manuel Rocha

Please do whatever you can with UNIVISION to include the attached list of U.S. Fulbright students in the Town Hall Mtg. We strongly recommend it. Thank you.

U.S. Fulbright students (graduate level) in Buenos Aires (HIGHLY RECOMMEND TO INVITE ALL: LIVING EXAMPLE OF THE HUMAN/CULTURAL/ EDUCATIONAL LINKS BETWEEN THE TWO COUNTRIES)

Jeffrey Bass (Anthropology)

James Cane (History)

Margaret Galbraith (Women's Studies)

Gavin Parrish (Political Science)

Francesca Coppelli (Spanish Literature)

Sonia Rehani (Political Science)

Rhea Sumpter (Molecular Biology)

Diana Rhoten (Education)

Christy Vidal (Political Science)

Sujay Rao (History)

Tamara Falicov (Communication)

Mark Healey (Latin American History; in the province of San Juan)

August 4, 1997

MEMORANDUM FOR TONY BLINKEN

FROM: ERIC FARNSWORTH (6-7583)

SUBJECT: WISE PEOPLE LIST

Include Mack
Per your request to Mack last week, the following contacts would all be useful for you to approach regarding themes for the President's upcoming travel to South America. All have significant experience in the region, been vetted with Mack, and would presumably be willing to assist our efforts. Let's stay in touch as trip planning goes forward.

In no particular order:

✓ William Perry - William Perry and Associates (Regional/Briz. I)	728-9622
✓ Peter Hakim - InterAmerican Dialogue	822-9002
Joe Tulchin - Woodrow Wilson Center (Regional)	357-2429 (1446)
Mark Falcoff - American Enterprise Institute (Regional/Arg-L - B-7.1)	862-5902
Michael May - Center for Strategic and International Studies (MERIDIAN)	887-0200 - ask him for exp. l.
Michael Skol - Diplomatic Resolutions (Venezuela)	483-0116
Ron Sheman - InterAmerican Development Bank (Regional)	623-1031
Al Fishlow - Council on Foreign Relations (Regional - economic)	212-434-9639
Jorge Dominguez - Harvard (Regional - democracy)	617-495-5982
Bernie Aronson - Acon Investments (Regional)	861-6060

R. Gordon Roth
Johns Hopkins

Clinton Hopes To Boost Pact On Latin Trip

By CARLA ANNE ROBBINS
And MATT MOFFETT

Staff Reporters of THE WALL STREET JOURNAL

RIO DE JANEIRO — South Americans aren't exactly blasé about President Clinton's visit next week. But their excitement has been tempered by the fact that so many other leaders—including Germany's Helmut Kohl, France's Jacques Chirac, Spain's Jose Maria Aznar and this week the Pope—have made it here before him.

More than anything, Mr. Clinton's better-late-than-never tour beginning Sunday to Venezuela, Brazil and Argentina will be hampered by the uncertain fate of American "fast-track" trade legislation. The law would give the president broad negotiating authority, which is essential if he is to move forward with his plan for a hemispheric free-trade zone by the year 2005.

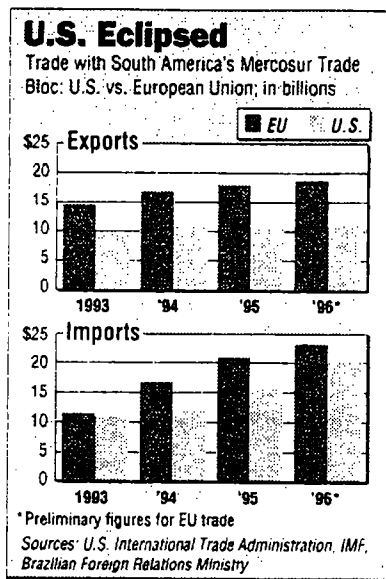
Yesterday, the House Ways and Means committee approved the bill by a vote of 24-14. But only four Democrats voted in favor, and winning final passage will be difficult.

"The whole relationship is based on [President Clinton's] promise of a free-trade agreement" with the region, says Peter Hakim, president of the Washington-based Inter-American Dialogue. "The visit is simply no substitute for fast track."

Mr. Clinton has an undeniable way with crowds and White House officials expect him to make up for lost time once he hits the ground. He's even planning one of his trademark town-hall meetings while in Buenos Aires, which will be broadcast all over the continent. White House officials are also hoping that the trip will generate new support in Congress for the fast-track bill. Mr. Clinton will try to correct Congress's negative stereotypes about Latin America while showcasing the region's strengths: its deepening democracies, reforming economies and enthusiasm for all things American.

In Venezuela, for example, Mr. Clinton will discuss energy issues with environmentalists, academics and top U.S. oil-company executives—the White House is expecting the chief executive officers of Mobil, Pennzoil, Arco and Chevron, among others—to highlight Venezuela's strategic importance as the number-one source of imported oil for the U.S., now surpassing Saudi Arabia.

At a model school in one of Rio de Janeiro's shantytowns, supported by Xerox Corp. and Brazilian soccer great Pele, Mr. Clinton will emphasize the future potential of Latin America's biggest market by helping inaugurate a new Internet education program. "For critics who say that these are just a bunch of low wage



competitors, the message will be: Look, they're getting ready for the 21st Century," says a top White House aide. At all three stops U.S. officials will sign modest environmental-cooperation agreements, a clear bid to calm environmentalist opposition to free trade.

While Mr. Clinton emphasizes the positive, his aides will be trumpeting the negative, especially the danger that without fast-track the U.S. could get squeezed out of the Latin American market by Japanese and European competitors. "This is a natural market for the U.S., but it's not a market the U.S. can or should take for granted," warns President Clinton's special envoy to the region, Thomas F. "Mack" McLarty.

Whether or not that argument plays on Capitol Hill, many Latin Americans already are true believers. The European Union has pitched its own free-trade agreement with Mercosur, the customs union composed of Brazil, Argentina, Uruguay and Paraguay. Trade between Mercosur and the EU already exceeds that between Mercosur and the U.S. "The U.S. is losing status on the continent compared to the European Union," says Walder de Goes, a political scientist in the Brazilian capital of Brasilia.

Prof. De Goes and others say the Americans can still recoup and President Clinton's visit could be an important first step. "There is prestige for Brazil in him coming here," says Claudio Haddad, chief executive officer of Banco de Investimentos Garantia SA, Brazil's largest investment bank. A new generation of Latin Americans, less burdened by old resentments, seems especially energized by the upcoming visit. "I am very eager to see him in person. It will be more exciting than watching him on CNN," says Paula Barros, a college student chatting with friends outside the Manhattan English School here.

In his first term, Mr. Clinton won approval for the North American Free Trade Agreement by appealing to congressional pride in American world leadership.

Beijing May Order Boeing Jets

By KATHY CHIEN

Staff Reporter of THE WALL STREET JOURNAL

BEIJING — China may order a batch of passenger jets from Boeing Co., possibly during a Sino-U.S. summit to be held at the end of the month, according to Chinese officials and U.S. business executives.

At the same time, though, U.S. Commerce Secretary William Daley said during a trip to China yesterday that China's trade surplus with the U.S. was "unacceptable." Addressing the American Chamber of Commerce in Beijing, Mr. Daley hinted that the two sides may announce or sign several deals today, possibly involving aviation, insurance and power generation.

"You could say China wants to create a better atmosphere" ahead of the summit, a Chinese government official said. He declined to put a value on the deals, saying many were still under negotiation.

Chen Jiande, a Boeing official in Beijing, confirmed that the company was negotiating with China for possible plane sales, and added that "we hope something will happen in the near future."

The talks are thought to cover several scenarios, the smallest of which could involve China's purchase of 30 Boeing jets, mostly narrow-body 737s, in a deal valued at about \$2 billion.

While a Boeing purchase and other possible deals will beef up the U.S. balance sheet, Mr. Daley said China's trade surplus with the U.S. would swell to \$44 billion this year from \$40 billion in 1996, second only to Japan's. He said that while China's exports to the U.S. have surged, its purchases of U.S. products haven't, despite the fast growth of the Chinese economy. "It's just unacceptable to have these sorts of trends continue," Mr. Daley said.

Mr. Daley suggested that without a change, it would be difficult for Washington to extend permanent "most favored nation" trading status to China: "I don't think you can see a serious move on permanent MFN until steps are taken to address what we see as an unacceptable trade situation." MFN status would grant China the same trading privileges as most U.S. trading partners.

Union Workers Pressed to Give To Carey Coffers

Clinton Nominee for FCC Is Cleared by Senate Panel

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON The Senate Commerce Committee cleared William Kennard, President Clinton's nominee to head the Federal Communications Commission, and three others to fill vacancies on the five-member board.

The committee's voice vote clears the way for the full Senate to vote on the nominees. Mr. Kennard, a Democrat and currently the FCC's general counsel, would succeed Chairman Reed Hundt. The Senate also will consider Republicans Michael Powell, chief of staff of the Justice Department's antitrust division, and Harold Furchtgott-Roth, an economist with the House Commerce Committee; and a Democrat, Gloria Tristani, a New Mexico utilities regulator. The nominees will join Commissioner Susan Ness, a Democrat.

While Mr. Kennard, 40 years old, is expected to win confirmation, two issues could delay a vote. One is concern from rural state senators that the FCC's implementation of last year's telecommunications act will lead to higher rates for rural customers. Another is opposition from Sen. Jesse Helms (R., N.C.), who has raised concerns over an FCC decision to revoke the permit of a family-owned Asheville, N.C., radio station.

Three Teamsters Employees Are Expected to Testify On Campaign Donations

By GLENN BURKINS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Three Teamsters employees have told House investigators they were illegally pressured last year to contribute to union President Ron Carey's re-election campaign.

The House Committee on Education and the Workforce voted to subpoena the three, who are expected to testify when the committee begins hearings next week into what went wrong in the Teamsters' 1996 election.

One of the three, Barbara Dusina, a union organizer from Tampa, Fla., said in an interview with The Wall Street Journal that her supervisors asked her to give \$100 a month to Mr. Carey's campaign. Under labor laws, union officials are barred from soliciting any campaign contributions. Mrs. Dusina said that she felt compelled to contribute, but because of her family finances, she could afford to give only \$50 a month for nine months.

Mrs. Dusina, 52 years old, says her supervisors made it clear that as a union employee she was expected to give, whether she wanted to or not. She said there was an unspoken understanding. "If you didn't give you weren't going to be working there after a Carey victory," she said. "I don't like being shaken down like that."

New Vote Ordered

The House hearings are scheduled to start as Senate Republicans also explore alleged wrongdoing by the Carey campaign. After months of bitter campaigning last year, Mr. Carey won a narrow victory over Detroit labor lawyer James P. Hoffa. But a new vote was ordered in August after federal election officer Barbara Zack Quindel discovered evidence that Mr. Carey's campaign had accepted illegal contributions. The campaign's alleged financial abuses are also being investigated by a grand jury in New York.

Next week's testimony by Mrs. Dusina and her colleagues adds a new twist to the investigations. So far, federal investigators have focused on evidence suggesting that Carey campaign officials conspired to funnel money from the union's treasury into Mr. Carey's campaign.

John Bell, spokesman for the Carey campaign, expressed doubt that next week's hearings would be "fair and balanced." He said the committee has made no effort to investigate alleged abuses by the Hoffa campaign.

A Teamsters spokeswoman said the union isn't aware of the specifics of the three employees' cases and declined further comment.

Complaint by Hoffa Backers

While many Teamsters employees say they gave freely of their time and money to support Mr. Carey, Hoffa supporters have complained that union employees were encouraged to campaign for Mr. Carey during work hours.

In one instance, Mrs. Dusina said, she and more than 100 other union employees last year were summoned to the Teamsters Washington headquarters, ostensibly to prepare for a union convention. But when they arrived, she said, much of the time was devoted to pressuring those in attendance to donate money to the Carey campaign.

Mrs. Dusina said she worries that she will lose her union job because of her congressional testimony. On Monday, Republican Rep. Peter Hoekstra of Michigan, chairman of the Education and the Workforce's investigations subcommittee, wrote a letter to Mr. Carey warning him not to retaliate against the witnesses.

THE WALL STREET JOURNAL THURSDAY, OCTOBER 9, 1997

1420 16th Street, NW
Washington, DC 20036
Ph: 202-483-0116
Fax: 202-483-0132

Diplomatic Resolutions, Inc.

Tony
Dave
Dan
Vinca
Teal
Steve

Fax

To:	Mr. Tony Blinken	From:	Mr. Chris Dorval
Fax:		Pages:	4
Phone:		Date:	10/09/97
Re:		CC:	

☐ **Urgent** ☒ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

The information contained in this transmission may contain privileged and confidential information and is intended for the named recipients only. If the reader of the message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by a collect telephone call to (202) 483-0116 and return the original to the sender by mail. We will reimburse you for the postage.



Diplomatic Resolutions, Inc.

TO: Tony Blaken
FR: Christopher Dorval
RE: Brazil

Tony, I regret this is so late as you are likely in the very final stages of developing your themes and messages for Brazil. My delay is that it is so damn hard to find the time to put on paper all my impressions! As such, I would be happy to speak with you directly to underscore some perspectives or read over any talking points or speech drafts.

BRAZIL

While a strong message by the President on the Free Trade Area will be embraced by the ex-patriot community and US business leaders and Brazilians working for US companies, it is always important to underscore how very Euro-centric Brazil really is. You know better than I that with Mercosul, the Brazilians are quite happy to be in the driver's seat and aren't going to be anxious to give up their central role to an free trade area that dissipates their influence. That said, my experience is that Brazilians are very open minded about Americans and are aggressively trying to change their old ways of doing business to compete in the global marketplace.

Obviously Brazil was colonized by Portugal, so language and a strong nationalism vis-à-vis Spanish Latin America sets them apart. Many of the largest and most successful companies in Brazil are European, such as Ericsson, Siemens, Alcatel, Stet and others; additionally, Brazil is home to the largest Japanese population outside Japan, so companies like NEC are very strong. You also see how Japan influences eating habits: most good restaurants have sushi along with the traditional steak as regular fare. Additionally, there is quite a diaspora of Lebanese and other others of Middle Eastern origin, all of which makes Brazil a unique melting pot, much like the U.S. It also makes Brazil less U.S. centric than any other nation in Latin America.

I have attached a copy of a newly issued stamp commemorating Ericsson's presence in Colombia as an indication of their roots in Latin America. They have been in Brazil for over 100 years as well.

So Brazil is not a natural American marketplace as other Latin countries might be; they are open to the U.S., but have strong and comfortable relations that are deep and lasting to Europe.

Not surprising is the constant refrain I hear from Brazilians (which is true the world over as well) about Americans: Americans don't want to develop relationships over time and invest in Brazil; they only want to come in for the quick deal and leave. That mentality must stop: American's need to be challenged to think differently about these markets and send a clear message of commitment and respect to markets and nations such as Brazil. This might be

something the President could address.

Another way to the hearts of Brazilians is through their language: any chance of the President uttering a few phrases in Portuguese would not only be well received, but set an example for all Americans intent on working in Brazil that we must make an effort to communicate to our neighbors in as many ways as possible, including language as well as understanding of their culture, history and economic needs.

In sum, then, I would emphasize:

- **Commitment to the Market.** Americans to invest in money, time, energy and commitment to neighbors such as Brazil, including the special role "relationships" based on trust over time play in getting business done in Brazil.
- **Leadership.** Notwithstanding the Brazilian government's contentment with the status quo on trade, business leaders and the economic elite know the U.S. must lead to open trade. Furthermore, NOT to take a leadership position would be a disaster for American business interests in Brazil.
- **Praise.** It is striking that a country that has been shaped by a paternalistic government for most of its modern history is so willing to change its economic structure and remains so open to outsiders. Brazilians need to be praised for the open minded and gracious way they have moved their nation and economy so swiftly to integrate into the global economy. That said, there are a number of tariff barriers and other economic disincentives that must still be addressed.



COLOMBIA

900

AEREO

POSTAL



100

AÑOS

POSTAL

POSTAL