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Latin American producers get together to halt world coffee price slide

The main Latin American mild coffee producing countries, which between them account for about 50% of total output, came up with an eleventh-hour agreement to limit exports in Bogotá on 10 July, in an attempt to halt the abrupt slide in world market prices. Prices immediately rallied on the main exchanges.

After Colombia and the main Central American producers –El Salvador, Honduras, Costa Rica and Nicaragua– had earlier proposed to withdraw from the market altogether, everything hinged on the attitude that Brazil, which opposed such a move, would eventually take.

The deal worked out involved a 28m bag (60kg) limit on exports for the next 12 months, of which Brazil has a 12m bag share, Colombia 9.9m, El Salvador 2.05m, Costa Rica 1.9m, Honduras 1.5m and Nicaragua 595,000. The six countries between them normally export more than 36m bags a year, with Brazil accounting for 17m bags.

The situation had become desperate after a 20% (12m bag) cut in exports, agreed by producers in London in March, had failed to make any impact on falling prices, despite an historically low level of stocks worldwide.

Colombia, the world's biggest producer of mild coffee, led the campaign to restrict exports, arguing that speculators in consumer countries were making a killing out of driving prices down.

President Ernesto Samper raised the issue with President Fernando Henrique Cardoso of Brazil in Buenos Aires, where both were attending the inauguration of President Carlos Menem on 9 July, and the two leaders agreed to give full political support to measures to defend price levels and confront speculators.

Only Guatemala of the Latin American coffee producers remained aloof from the Bogotá meeting; Mexico did not attend but supported the Colombian-Central American position.

The producer countries hope that, by spacing shipments out over the next 12 months at the rate of about 7m bags a quarter, they will force consumers to run down their stocks to a level at which they will be obliged to offer higher prices.

The New York and London exchanges had seen selling over the previous two weeks that drove coffee prices down to their lowest level for a year. Analysts at the New York Coffee, Sugar and Cocoa exchange, quoted by the London *Financial Times*, agreed that fund managers and market makers had profited from the price collapse, while buyers and sellers of actual coffee suffered. ■

INSIDE

COLOMBIA

DRUGS

Two more Cali bosses arrested

AND INVESTIGATORS PURSUE THEIR INFLUENTIAL CONTACTS

...And then there were two. The domino-like collapse of the Cali organisation's hierarchy meant that, by the end of the first week of July, only Miguel Rodríguez Orejuela and Helmer 'Pacho' Herrera of the seven-strong leadership were still at large. Diaries and other documents confiscated from the captives yielded a reputedly rich harvest of politicians, officials, sporting and other leaders of Colombian society, all of whom are being investigated by the public prosecutor's office.

Santacruz held. The biggest fish in the latest catch was José (Chepe) Santacruz Londoño, 51, said to be number three in the Cali structure, after the Rodríguez Orejuela brothers. He was captured on 5 July in a Bogotá restaurant, where he was unlucky, or unwise, enough to talk business next to a table full of police undercover agents, including one of the bodyguards of the national police director, General Rosso Serrano.

It turned out that he had been in Bogotá for several weeks, presumably seeking favourable conditions for surrendering.

Arizabaleta too. Three days later Phanor Arizabaleta, number five in the pecking order and at 57 the oldest of the big bosses, finally turned himself in at security police (DAS) headquarters in Bogotá, accompanied by his Cali lawyer. His arrest had been reported at the beginning of July, but the suspect turned out to be an innocent Venezuelan pilot.

Santacruz has drug-trafficking and money-laundering charges pending against him in both Colombia and the United States, where he ran a drug-distribution network based on New York. He is also believed to have been involved in the assassination of the governor of Antioquia, Antonio Roldán Betancur, in 1989 and in at least three murders in the US, including that of investigative reporter Manuel de Dios Unanue in a New York bar in 1992.

As a young man he was in the same gang of small-time kidnappers and car thieves as Gilberto Rodríguez Orejuela, before graduating in engineering and later in money-laundering on a grand scale through construction and property companies. He is said to own some 200 estates and 2,000 apartments in Cali and Bogotá.

Deputy public prosecutor Adolfo Salamanca set off for Washington on 9 July to collect further judicial evidence against the latest detainees, confident that there would be no more reluctance to share information with the Colombian authorities from the likes of Thomas Constantine, head of the Drug Enforcement Administration, and attorney-general Janet Reno, who only a few months ago were deeply suspicious about Colombia's commitment to defeating the drug traffickers.

DEA caution. The DEA, while celebrating Colombia's succession of impressive coups against the Cali cartel, has been at pains to point out that the war is not over yet, and that the flow of drugs to the US is unlikely to diminish. And President Ernesto Samper noted on 8 July that the distribution networks, financial structures and coca plantations still had to be destroyed.

He called for more international co-operation against money-laundering and the supply of precursor chemicals, and said a bigger effort was also needed to control demand in consumer countries.

But if one of the best-organised criminal businesses in the world can be dismantled so comprehensively once the political will is there, then the smaller, less influential gangsters anxious to move in on the Cali patch should prove less troublesome to the authorities.

Antioquia cartel. The Medellín police announced on 5 July that a new 'Antioquia cartel' had risen from the ashes of the old Escobar organisation. A few days earlier some 500kg of cocaine had been found in the smart El Poblado district of the city.

One of the most important sources of information on the political and social ramifications of the Cali sphere of influence is said to be a notebook taken from Julián Murcillo, a 47-year-old economist who is believed to be the organisation's main business front-man (*testaferro*). He was arrested in Bogotá on 7 July, and is wanted in Colombia and Miami on money-laundering charges.

According to the Bogotá press, it contained the names of former ministers and judicial officials, as well as Juan José Bellini, who had already been forced to resign as president of the Colombian football federation because his name was also found in Santacruz' papers. ■

POLITICS & VIOLENCE

Samper shows army who is boss

AFTER GENERALS OPPOSE TROOP WITHDRAWAL FROM LA URIBE

President Samper was faced with a 'crisis' in the first week of July when the military made clear they did not believe in the guerrillas' supposed commitment to opening peace talks, and were particularly opposed to withdrawing their forces from La Uribe, the stronghold of the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Meta department, where the first formal contacts are supposed to take place.

Samper insists on obedience. The President was forced to issue an order, as commander-in-chief of the armed forces, before officers would agree to the withdrawal from all parts of La Uribe district except the main urban area, which was stipulated by Farc negotiators as a precondition for talks. There is a strong feeling in some parts of the military hierarchy that the government has made too many concessions to the guerrillas already.

Military suspicions about the guerrillas' good faith, which seem to be shared by the President himself, have been compounded by a continuing high level of political violence, including attacks by Farc and Ejército de Liberación Nacional (ELN) columns on military and civilian targets all over the country. But Samper seems committed to the peace initiative for the time being.

Mediation offers. Conditions for the commencement of talks are still unclear. President José María Figueres of Costa Rica has again offered his good offices, and Samper has appealed for Colombian church leaders to intercede. The ELN, for its part, has called for an international 'protectorate' to guarantee the security of its negotiators.

The army claimed important successes against the guerrillas in early July, including the capture in Bogotá of the alleged number three of the ELN, Marco Antonio Velásquez Holguín (aka 'Dionisio' or 'Jairo'), who was said to be planning terrorist attacks on government figures.

Urabá killings. Not all the killing has been between the military and guerrillas. The habitually high levels of violence in the Urabá banana-growing region of the Caribbean coast have been breaking all records; in Necoclí alone 248 people have died so far this year, 128 'disappeared' and 1,300 moved away, out of a population of only 7,800.

COCA PLANTATIONS SPREAD. The area under coca in Colombia has increased from 15,000-25,000ha in 1989 to 80,000-100,000ha now, according to a report in *El Colombiano* of Medellín. In addition, there are 20,000ha of poppies and 5,000ha of marijuana. Some 300,000 small growers produce illegal crops in more than 200 of Colombia's 1,000 municipalities.

Right-wing paramilitaries are struggling for control with the Farc and former guerrillas who have taken up legal politics. The latter are often victims of the confrontations: on 1 July Gustavo Mestre of Esperanza, Paz y Libertad (formerly Ejército Popular de Liberación) was shot dead in Turbo, apparently by Farc guerrillas, and on the following day in Chigorodó two gunmen murdered Luis Espitia, a leader of the Unión Patriótica. ■

SOUTHERN CONE

TRADE & AGRICULTURE

Argentina is forced to import wheat

BONANZA FOR PARAGUAY AND URUGUAY; PROBLEM FOR BRAZIL

Attention has shifted in Mercosur from the problems of Argentina's auto exports (*see* Page 322/95, this issue) to the upset caused by the miscalculation of Argentina's wheat harvest. This is already promising a bonanza for Uruguayan wheat exporters and Paraguayan flour mills, and has provoked demands from the Brazilian flour industry for the lowering of tariffs.

Argentina's wheat harvest had been estimated by the government at a record 11.5m tonnes, but farmers say it has actually only totalled 10.6mt –and to make matters worse, exporters rushed to place abroad, in the first six months of this year, some 6mt, or twice as much as in the comparable period of last year.

With local consumption normally demanding 4.5mt, this has put a squeeze on supplies, and prices of flour and bread shot up so much that the government had to eliminate tariffs on imports of flour.

Already, Argentina has been purchasing wheat from Uruguay and placing orders for Paraguayan flour.

Brazilian reaction. In neighbouring Brazil, this year's harvest in Paraná, the main wheat-producing state, has been estimated at 1.5mt, about 25% lower than last year's. Faced with the drying-up of imports from Argentina, the flour mills have called upon the government to eliminate the 10% Mercosur common external tariff for wheat. Officials from Paraná say the government seems disposed to go along with this –but are challenging the mills' parallel demand that the tariffs be maintained for flour and wheat products.

As the industry's main argument is that the tariffs should be eliminated to prevent domestic prices rising by 20% to 25%, they say that the freeing of imports should take place across the board.

Effect on Argentine balance. A lateral question is how much the shortfall will affect Argentina's high hopes of improved export earnings this year. The answer is: not all that much. If the farmers are right, the harvest has turned out only 8% lower than expected; on the other hand, since December last year, as a result of higher demand for wheat in the northern hemisphere, prices have risen 69%, from US$117 to US$198 per tonne.

Even though the imports to make good the deficit may have to be made at even higher prices, the balance will still work out heavily in favour of Argentina. ■

❑ Frantic lobbying by two different sets of **banana-producing countries** attempted to influence the future of the world market for the fruit. The 14 countries of **Caricom** concluded their summit in Georgetown on 7 July with a decision to appeal to the European Union not to revise the preferences granted to former colonies under the Lomé IV accord.

Three days later the European Commission decided to downgrade scheduled negotiations with the US on the banana market régime to 'informal discussions', despite a threat of trade sanctions from Washington unless the EU agrees to give a bigger share of the market to US companies.

Less apparently successful were the **Latin American** producer countries which refused to sign the banana market quota deal with the EU last year –**Ecuador, Guatemala, Honduras, Mexico and Panama**– in their attempts to influence both the EU and fellow Latin American producers.

Meeting in Panama, the five countries called for the EU quota to be increased from 2.5m tonnes a year to 3m, and for **Costa Rica, Colombia, Nicaragua and Venezuela** (which did accept the EC quotas) to join them in this demand.

They received a dusty answer from the EU agriculture commissioner, Franz Fischler, who called the quota demand excessive, and from Spain's agriculture minister, Luis Atienza, who said the five should have accepted the market régime while they had the chance.

❑ **Bolivia's inflation rate** in the first half-year was 5.13%, close to the 6.5% target for the whole year. The June increase was 0.69%.

ECONOMY & LABOUR

Cardoso stops shadow boxing

PRESIDENT'S BOUT WITH LEFT IS NOW BARE-KNUCKLE CONTEST

War has been declared between President Fernando Henrique Cardoso and the Brazilian Left. The confrontation, which has been building up for months, came to a head over the issue of de-indexation of the economy (*see* Page 305/95), which Cardoso is determined to push through and his opponents in congress and the unions are equally resolved to block.

Provisional measure. The provisional measure (MP) sent to congress at the beginning of July has become the focus of hostilities, with the opposition led by the Partido dos Trabalhadores (PT) putting down more than 100 amendments.

Almost all of them concern the de-indexation of wages, which would leave the setting of wage levels to the free play of market forces, in negotiations between workers and employers.

In addition, the government is determined to close the loophole represented by productivity deals, insisting on close monitoring of companies' output figures before increases can be granted, and ruling out productivity bonuses for individual categories of employee; across-the-board payments by company are the only deals it will accept.

CUT enraged. This intransigence has outraged the Central Unica dos Trabalhadores (CUT), the PT-aligned union confederation, which described the measure as a 'veritable wage anchor to save the Plano Real'.

What the government wants, said CUT president Vicente Paulo da Silva (Vicentinho), is to ban real wage increases. Further proof of this, he said, is the creation of a mediator to settle wage disputes, thereby reducing the role of the labour courts, which the government regards as pro-worker. This makes the whole idea of free bargaining a joke, Vicentinho said.

The PT, in addition to the amendments, has also filed an action with the Supremo Tribunal Federal to challenge the provisional measure's constitutionality, on the grounds that it 'revokes social conquests' made by the workers in the past.

The hard man on the government side is Cardoso himself. While labour minister Paulo Paiva has shown some flexibility, offering the prospect of changing the MP to allow productivity deals by category, and conceding that companies might be allowed to grant real wage increases on their own initiative, Cardoso has threatened dire consequences (such as cuts in official loans) if these are passed on to the consumer in the form of price rises.

Cardoso, perhaps tiring of the constant verbal attacks on his alleged 'betrayal' of his old social-democratic ideals, not to mention the street demonstrations that have greeted him in different parts of the country, has gone on the offensive against the Left and all its works.

Caracas address. The most public expression of this new verbal aggressiveness came in a speech in Caracas, where he was a guest at Venezuela's independence day celebrations in the first week of July.

He described Brazil's left-wing leaders as 'neo-conservatives', marching with their political banners into a non-existent future. He warmed to this theme in a closed-circuit television address to members of his own Partido da Social-Democracia Brasileira (PSDB) on the organisation's seventh anniversary, via Embratel's TV Executiva.

He asked rhetorically whether 'to be on the Left it is necessary to be stupid (*burro*),' and took up the derisive label 'vanguard of backwardness' used by the neo-liberal Right against the statist Left.

Cardoso unabashed. When the transcript of this discourse reached the press, as these things tend to do, there was an immediate uproar. But Cardoso was unabashed, making clear that, in his view, the constitutional reforms opposed by the Brazilian Left are an integral part of modern social-democratic thought: a combination of 'democracy, economic opening and social justice'.

The government, Cardoso said, was committed to better income distribution, which would be the 'next step' of the reform programme. But for this to be possible 'we must maintain both the stability of the currency and the rate of growth and transform the state.'

No meeting with Carlos Andrés. Despite his protestations of continuing commitment to social-democratic ideals, critics have noted that Cardoso was unable to meet former President Carlos Andrés Pérez in Caracas, despite the latter's repeated invitations, and that the attack on the Brazilian Left is in effect a formal break with PT leader Luiz Inácio Lula da Silva, with whom Cardoso maintained cordial personal relations until recently.

Now that the gloves are off, Cardoso may find that the battle over wages is protracted and bloody. The solid support of the government's right-wing allies cannot be counted on this time.

The MP's sponsor, senator Coutinho Jorge (PMDB), is in favour of automatic adjustment of wages to take account of past price increases for those earning up to three times the minimum wage. And this climate of opinion in favour of protecting the lowest-paid is probably in the majority in congress. The Left is keeping people in Brasília during the current month-long congressional recess to maintain the momentum. ■

INFLATION BLOW. The general price index (IGP) compiled by the Fundação Getulio Vargas showed a sharp increase in June, to 2.62% from 0.40% in May. Housing, health and transport were the main elements in the rise in the index, which is a weighted measure of consumer and wholesale prices and construction costs.

The IGP's findings were confirmed by the University of São Paulo's index, which registered 2.66% in June against 1.97% in May.

The IGP has gone up by 52.19% over the past 12 months and by 10.09% in the first half of 1995.

ECONOMY

Emergency over but controls remain

MATOS DEFIES CALLS FOR RETURN TO LIBERAL POLICIES

The good news for all Venezuelans was that President Rafael Caldera announced on 6 July the restoration of the basic freedoms suspended a year earlier as part of the economic emergency programme. The bad news for business leaders was that finance minister Luis Matos Azócar disregarded their pleas for a simultaneous return to economic liberalism and doled out another helping of 'heterodox' measures.

Emergency law. Caldera combined his announcement on constitutional guarantees with the promulgation of the financial emergency law, which frees the government's hand to intervene in the economy without having recourse to emergency measures on each occasion.

This was the fourth of the laws demanded by Caldera as a condition for restoring the said freedoms: the others, on consumer protection, the banking and foreign exchange systems, were approved in May.

Business and labour leaders welcomed the restoration of constitutional rights, such as freedom from arbitrary arrest, as a move in the right direction, particularly as a step towards improving the country's battered international image.

But the battery of new economic legislation has enabled the government to defy business calls for the dismantling of the controls assembled under the emergency conditions of the past year.

Matos' priorities. Matos Azócar made the government's priorities clear on 7 July, after a meeting with business and union leaders: 'This is not the time to apply a tough economic policy, such as devaluation and fuel price increases.' These were precisely the measures demanded by employers as conditions for signing up to the 'anti-inflation pact' touted by the government since May.

The reasons were mainly social and political: the costs of such policies, repeatedly urged on the government by the World Bank and International Monetary Fund (IMF), would be unacceptably high. And devaluation, Matos said, would not solve the underlying problem of the fiscal deficit.

Besides, the minister said, the comfortable trade surplus, exchange reserves of US$11bn and steady growth of non-traditional exports all meant that devaluation was not an urgent priority.

So the macroeconomic stabilisation programme announced on 6 July was aimed at tackling the deficit while maintaining the fixed exchange rate of 170 bolívares to the dollar, and keeping the exchange and price controls in place.

Matos' main objective was to reduce the fiscal deficit from 7.5% of GDP to 1% by 1997. The deficit stands at Bs922bn (US5.4bn) or 7.58% of GDP, according to the government; employers say it is more like a potentially catastrophic 11%.

More of the same. The recipe is more of the same: more gradual cuts in public spending, more improvements in tax collection, an increase in sales tax from 12.5% to 15% and reintroduction of a tax on financial transactions. If these have the desired effect, inflation will be down to 40% by the end of the year, from 70.8% last year, Matos said. The June figure of 2.7% was sharply lower than May's 4.9%.

Although all this goes down well with the unions, the chances of the employers signing the anti-inflation pact on this basis are slim. As Edgar Romero, head of Fedecámaras, said on 7 July: 'The market must be opened up and controls removed for the economy to develop freely.' ■

Risk contracts given the go-ahead

FIRST TEN BLOCKS TO BE PUT OUT TO TENDER BY PDVSA SOON

Risk contracts for oil exploration and production by foreign companies were approved by congress in the first week of July. The state oil company, PDVSA, can now go ahead and call for international tenders for exploring 10 blocks where prospects are good for finding light and medium crudes.

PDVSA, the main contributor to government coffers, has been badly hit by the politically-controlled domestic oil price and has also been fending of attempts by the government to get its hands on the company's investment budget. So the go-ahead for risk contracts is a very welcome development.

If foreign contractors discover commercial quantities of oil and gas, PDVSA may then set up joint ventures with them to develop their finds, with PDVSA taking a share of the profits. The share-out has to be negotiated in each case. ■

❑ **Volkswagen** is to invest US$250m in its first bus and lorry assembly plant in **Brazil.** It will be located at Resende in Rio state, after the state and local government offered a package of tax exemptions and incentives, including a greenfield site free of charge. The plant is expected to generate 5,000 jobs directly and 20,000 indirectly.

Brazil's automobile plants were due to **halt production** for three weeks from 10-17 July because of the build-up of stocks, according to the industry association, Anfavea. Some 225,000 vehicles have proved unsaleable since the government imposed credit restrictions in April.

The plants are expected to turn out 125,590 units in July, compared with a record 167,454 in June. Output in the first six months was 832,923, against 764,070 in the same period of 1994.

❑ **Argentine car exports** to Brazil this year will not be affected by the import quotas imposed in June, said Brazil's secretary of integration at the foreign ministry, José Botafogo Gonçalves.

❑ Total **foreign investments** in Brazil reached US$33.5bn this year, according to official figures. Electrical energy, cars and consumer goods are the most dynamic sectors.

Foreign companies acquired 66 Brazilian companies in the first half-year, according to KPMG, while 23 joint ventures were set up notably in chemicals, packaging and computers.

❑ The **Escelsa** power generating company was to be auctioned on 11 July, the first of 18 companies to be sold in a new phase of the privatisation programme.

EXCHANGE RATES Local currency per US$1				
COUNTRY	CURRENCY	Year ago 08.07.94	Previous 30.06.95	Current 04.07.95
Argentina	peso	0.9990 (fr)	0.9995 (fr)	1.0000* (fr)
Bolivia	boliviano	4.67 (o)	4.80 (o)	4.80 (o)
		4.68 (p)	4.81 (p)	4.80 (fr)
Brazil	real	0.920 (c)	0.920 (c)	0.925 (c)
		0.940 (p)	0.922 (fr)	0.930 (fr)
Chile	peso	420.67 (b)	374.70 (b)	375.90 (b)
		424.00 (fr)	377.00 (fr)	378.00 (fr)
Colombia	peso	820.24 (m)	881.23 (m)	891.28 (m)
		825.00 (p)	835.00* (fr)	835.00 (fr)
Costa Rica	colón	156.97 (o)	179.99 (b)	180.58 (b)
		(p)	180.20 (fr)	181.00 (fr)
Dominican Rep.	peso	13.10 (fr)	13.98** (fr)	13.90** (fr)
Ecuador	sucre	2,210.00 (fr)	2,600.00 (o)	2,615.00 (o)
El Salvador	colón	8.78 (i)	8.79* (o)	8.79* (o)
Guatemala	quetzal	5.72 (fr)	5.76* (fr)	5.77* (o)
Honduras	lempira	8.58 (p)	9.45 (o)	9.42 (o)
Mexico	nuevo peso	3.41 (b)	6.40* (o)	6.28* (o)
		3.40 (e)	(fr)	6.25 (fr)
Nicaragua	córdoba	6.75 (o)	7.51* (o)	7.53* (o)
	oro	7.05 (p)	(fr)	(fr)
Paraguay	guaraní	1,915.00 (fr)	1,972.00* (fr)	1,972.00* (fr)
Peru	nuevo sol	2.20 (fr)	2.24 (o)	2.24 (o)
Uruguay	nuevo peso	5.03 (fr)	6.31 (fr)	6.36 (fr)
Venezuela	bolívar	170.00 (o)	170.00 (o)	170.00 (o)

Barbados (dollar) 2.01** - **Belize** (dollar) 2.0** - **Cuba** (peso) 1.00** - **East Caribbean** (dollar) 2.7 - **Guyana** (dollar) 143.30** - **Haiti** (gourde) 19.00** - **Jamaica** (dollar) 32.80** - **Panama** (balboa) 1.0 - **Suriname** (guilder) 419.00** - **Trinidad & Tobago** (dollar) 5.70**

(c) commercial - (fr) free - (p) parallel - (o) official - (b) banking - (t) tourist - (i) interbanks - (e) exchange houses - (m) market rate

Sources: No asterisk, IPS. *Efe. **Bank of America.

THE STOCKMARKETS

Price & total return indices (US$ terms), 1984=100

Country		No. shares in index	Previous** 23.06.95	Latest 30.06.95	% variation since: Prev. week	Dec.94
L.America	price	328	562.74	579.70	3.0	-15.0
	return		862.87	889.21	3.1	-13.7
Argentina	price	34	1,047.82	1,114.50	6.4	-7.1
	return		1,477.60	1,571.64	6.4	-5.4
Brazil	price	89	252.86	253.79	0.4	-21.7
	return		426.57	428.48	0.4	-20.4
Chile	price	47	3,702.91	3,804.10	2.7	16.3
	return		7,466.43	7,670.48	2.7	18.5
Colombia	price	25	1,737.73	1,774.60	2.1	-5.0
	return		3,546.47	3,625.26	2.2	-3.9
Mexico	price	80	1,071.75	1,141.52	6.5	-28.0
	return		1,583.34	1,686.62	6.5	-27.3
Peru*	price	37	203.43	217.98	7.2	6.2
	return		211.15	226.26	7.2	7.5
Venezuela	price	16	242.99	242.61	-0.2	-18.0
	return		302.67	302.31	-0.1	-16.5

*Base 1992=100. **Revised. **Source**: IFC.

Slowdown pred

SELA WARNS OF NEW, 'UNCE

In the matter of Latin America's growth prospects this year, the pessimist seem to be outnumbering the optimists. Two recent forecasts lower the region's expected rate of GDP growth to 2% or less –and both link the outlook to the recent Mexican crisis.

Unctad has lowered the predicted rate of growth from 3.7% to 2%, largely because Mexico's GDP is expected to *fall* by about 5% (with Venezuela's decline continuing, and Argentina showing experiencing little if any growth).

This means that Latin America will grow less than the average for all developing countries (4.5%), and much less than the Asian economies (whose growth rate is expected to accelerate from 5.3% to 6%).

Allan Wagner, cooperation director at the Sistema Económico Latinoamericano (Sela), thinks it is possible that Latin America will grow by only 1.5% this year. He said so when presenting a study prepared by Sela which warns that, in the wake of the Mexican crisis,

CAPITAL INFLOWS TO THE REGION	
Year	US$bn
1993	65.1
1994	56.1
1995*	30.9

*Projection. Sources: Sela, IIF.

DEBT STRUCTURE & COST	
STRUCTURE	US$bn
Total	547.0
Long-term	437.1
Short-term	96.5
IMF credit	13.4
INTEREST/EXPORTS	%
1990	25.1
1994	19.1

ictions get gloomier

:RTAIN' PHASE FOR EXTERNAL DEBT

the region's external debt situation has entered a new phase, both complex and unforeseeable, hallmarked by a decline in capital inflows and affected by the growth of external indebtedness over the past four years.

From 1975 to 1981 the region's debt experienced an expansive phase, with credit abundant and cheap; from 1982 to 1990, following Mexico's default, the situation was hallmarked by a drying-up of credit, world recession and deteriorating terms of trade for Latin America.

A third phase began in 1990, with the massive return of foreign capital, much of it private, as the region underwent drastic economic reform and growth perked up. It ended in 1994 with the Mexican crisis and the increase in US interest rates at a time when many countries had overvalued currencies and were excessively reliant on short-term capital inflows, which showed how vulnerable they were to any upsets.

The data deployed by Sela, summarised below, speaks for itself. ■

THE GROWING EXTERNAL DEBT

Year	US$bn
1975	69.1
1980	228.3
1985	378.7
1990	441.5
1994	533.8

Source: Eclac.

THE BIGGEST DEBTORS

Country	US$bn
Brazil	151.5
Mexico	136.0
Argentina	75.0
Venezuela	38.8
Peru	23.1
Chile	21.5
Colombia	21.4

■ **COLOMBIA / Ecopetrol loan.** A six-bank syndicate headed by Chemical Bank has granted Colombia's state oil company a US$700m loan to help finance the construction of a new oil pipeline from Cusiana to Puerto Coveñas, to be known as Oleoducto Central. The total cost of the 800-kilometre duct is estimated at US$2bn. This compares with the 780km Caño Limón-Puerto Coveñas pipeline, built 10 years ago at a cost of US$700m.

European aid. The European Union has approved a US$13m aid package (with a grant component of US$9.3m) for a scheme to improve social conditions in Ciudad Bolívar, which embraces a number of poor districts lying south of the capital, Bogotá.

■ **HONDURAS / IDB loan.** The IDB has approved the disbursement of US$10m to help finance agricultural development in Honduras. The resources will be channeled through a special fund, created to give small and medium-sized farmers access to credit from commercial banks. Priority is being given to loans to help boost the country's production of basic grains.

■ **JAMAICA / Italian rescheduling.** The Italian government has agreed to reschedule, with payments spread out until the year 2014, US$7m worth of Jamaica's bilateral debt. This sum represents all principal and interest falling due between October 1992 and September this year.

Jamaica's external debt has been reduced through a series of write-offs from US$4bn five years ago to US$3.6bn nowadays.

■ **MEXICO / IMF disbursement.** Following verification of agreed performance targets, on 30 June the IMF cleared the disbursement of the second, US$2bn tranche of the standby credit granted to Mexico last February.

At that date Mexico's international reserves stood at US$10.1bn. In the first six months of the year the inflow of foreign loans, mainly from the IMF and the US government, totalled US$17.95bn.

■ **PANAMA / Debt forecast.** By the end of this year, according to planning minister Guillermo Chapman, Panama's external debt with commercial creditor banks will be US$4bn –though there could be changes as the process of 'reconciliation' of the debt advances, and as a result of parity changes for that portion of the debt which was not contracted in US dollars. At end-1994, Panama's external debt stood at US$7.4bn.

■ **PARAGUAY / Debt tally.** The central bank reports that Paraguay's external debt stood at US$1.35bn at the end of June, an increase of 7.7% since the beginning of the year. Of this total, US$692.6m is owed to Paris Club governments, US$630.8m to multilateral lenders, and US$22.5m to commercial banks.

■ **PERU / Japanese loan.** On 5 July, President Alberto Fujimori announced that within days Peru would sign a loan agreement worth US$350m with Japan. Of the total, US$150m will go to the modernisation of the port of El Callao, US$100m to improving Lima's water supply and sewage systems, and US$100m to several irrigation schemes.

IMF letter. The letter of intent agreed with the IMF allows the Peruvian government to devote to social projects about US$1bn of privatisation proceeds which are expected to total US$2bn. In 1994 the IMF authorised Peru to set aside US$800m for this purpose, but according to unofficial estimates only US$368m were actually used.

■ **CENTRAL AMERICA / Loans for hotels.** Central America's hotel industry will request loans totalling US$2.5m from the Banco Centroamericano de Integración Económica (BCIE), and US$70m from the European Union, to rehabilitate the Hotel Rancho Nijamay, in Antigua Guatemala, and turn it into a regional training centre.

CUBA

ECONOMY

After six years, official statistics

GOVERNMENT PRODUCES REPORT ON THE LAST YEAR'S UPTURN

Cuba's six-year statistical blackout cane to an end in early July, when the Oficina Nacional de Estadísticas (ONE) produced its first full report on the performance of the economy since 1989 –to highlight that last year marked the first year of growth (a minimal 0.7%) after a 34% slump.

Sectoral performance. The breakdown offers a clear portrait of what has been happening in Cuba. Most of the push last year came from industry, which expended by 7.6%; tourism (5.5% –despite the setback of the 'raft people' crisis); and power generation (4.4% –not too impressive given the fact that the energy bottleneck is a crucial constraint).

Holding back the economy are agriculture and fishing, where a 4.9% *decline* was registered (largely the result of the continuing fall in sugar output, only partly offset by the fishing sector); transport and communications (-3.4%) and public services (-1.8%).

The growth in revenues from tourism and an 18% increase in export earnings raised hard-currency earnings last year to US$1.3bn, which left the country US$642m short of what it needed to cover its import needs.

'Trend continuing.' Economy and planning minister José Luis Rodríguez recently announced (without providing any figures) that the trend of the first six months of this year indicates a continuation of the upturn. This, in spite of the fact that the last sugar harvest has fallen way below expectations, totalling only 3.3m tonnes.

The government is pinning high hopes on a recovery of the sugar sector over the coming year: it is predicting a harvest of about 5m tonnes. One reason for their optimism is that they have been able to secure some US$100m in foreign financing for the sugar industry.

THE 1994 UPTURN	
M	%
GDP	0.7
Industry	7.6
Tourism	5.5
Electricity, gas & water	4.4
Public services	-1.8
Transport & comms.	-3.4
Agriculture & fishing	-4.9
Source: Oficina Nacional de Estadísticas.	

Sugar still crucial. Though the expansion of tourism as a hard-currency earner has been remarkable, officials recognise that the reactivation of the sugar industry is crucial to any real recovery.

The figures recently released by ONE illustrate this quite dramatically when set against the country's past performance. Cuba's hard-currency earnings last year were only slightly more than half of what sugar alone earned in 1992 –the year before the recent slump– and only a little more than a quarter of what sugar exports nominally earned in the mid-1980s.

Reform & social safety net. Economic reform still has a long way to go, but some local economists have been warning that it will be hard to advance in the area of public finances if the government is to honour its commitment to maintaining a social security net.

Even after sharp cutbacks in 1994, the government is still spending about 3bn pesos a year on subsidies for unprofitable state enterprises, and another 741m on the provision of essential supplies via the ration book system. If jobs have to go, the latter figure will have to increase. ■

THE SUGAR FACTOR	
Annual production	
Year	m tonnes
1989-92 av.	7.7
1993	4.2
1994	4.0
1995	3.3
1996*	5.0
*Forecast.	

REGION

OIL & GAS

Increased output almost everywhere

GAS GROWTH LEADERS SEE THEIR RESERVES DECLINING

Latin America's oil production rose last year to 8m barrels per day, up 5% from 1993. Output increased in all but two countries: Mexico, whose level has remained relatively stable since 1990, and Trinidad, where a long decline appears to be tapering off.

Reserves grew by a slightly lower rate, 3.2%, which was largely impelled by discoveries in Colombia, Argentina and Peru.

Natural gas production reached 86.2m tonnes oil equivalent, up 2.6% from 1993, with the biggest increases in Bolivia and Trinidad. Regional gas reserves appear to have shrunk slightly, by 0.9% to 7,237bn cubic metres.

Growth leaders. Among the big oil producers, the one which recorded the highest rate of growth in 1994 (12.6%) was Argentina –though this seems to have slowed down considerably in the first quarter of this year. Next came Opec defector Ecuador with 6.8%, and Venezuela with 5.5%. Of the two which recorded declines, Mexico seems to have picked up again, with a 2.2% increase in the first quarter of 1995. In 1994, Peru overtook Trinidad as the region's seventh-biggest oil producer.

The highest increase in gas production was recorded in Bolivia (11.1%), followed by Trinidad with 8.3%. Argentina, whose as schemes have been much in the news, increased output by 3.1%. almost recovering 1990 levels –but it was also the country which appears to have eaten most heavily into its reserves (with Bolivia following suit).

The table in the following page summarises the performance of the regional oil and gas industry last year, and provides comparative data which give a view of the longer-term trends (plus early-1995 production figures for four big oil producers). ■

OIL PRODUCTION

	Production 000 bpd					Growth %		
	1991	1992	1993	1994	1995*	5 yrs	94/93	95/94
Mexico	3,127	3,117	3,113	3,070	3,137	0.3	-1.4	2.2
Venezuela	2,384	2,343	2,374	2,506	2,545	6.7	5.5	1.6
Brazil	647	657	669	698	740	14.3	4.3	0.4
Argentina	482	555	583	658	650	34.0	12.6	-1.2
Colombia	425	445	457	456	..	6.0	0.2	..
Ecuador	291	311	350	374	380	30.5	6.8	1.6
Peru	115	115	125	130	..	12.0	3.9	..
Trinidad	150	141	127	126	..	12.0	-0.8	..
Bolivia	21	20	22	23	..	-16.0	4.5	..
9 ctries	7,642	7,704	7,820	8,041	..	4.3	5.2	..

*First quarter.

OIL RESERVES

	Reserves bn barrels				Growth %		
	1986	1990	1993	1994	5 yrs	10 yrs	94/93
Venezuela	56.3	60.5	63.3	64.5	6.6	14.6	1.9
Mexico*	55.6	52.0	50.9	50.8	-2.3	-8.6	-0.2
Brazil	2.3	2.8	3.6	4.0	42.8	73.9	11.1
Colombia	1.5	1.9	1.9	3.4	78.9	126.6	78.9
Argentina	2.2	1.9	1.6	2.2	15.8	0.0	37.5
Ecuador	1.1	1.4	2.0	2.0	42.8	81.8	0.0
Peru	0.6	0.8	0.4	0.8	0.0	33.0	100.0
Trinidad	0.6	0.6	0.5	0.5	-16.6	-16.6	0.0
Bolivia	0.2	0.1	0.1	0.1	0.0	-50.0	0.0
9 ctries	120.4	122.0	124.3	128.3	5.1	6.6	3.2

*Private estimates; the official ones are higher.

GAS PRODUCTION

	Production mtoe					Growth %	
	1990	1991	1992	1993	1994	5 yrs	94/93
Venezuela	19.5	19.7	19.5	23.1	23.3	19.5	0.9
Mexico	25.5	23.6	22.9	22.6	22.9	-10.2	1.3
Argentina	20.7	17.9	18.1	19.4	20.0	-3.4	3.1
Trinidad	5.0	5.1	5.4	6.0	6.5	30.0	8.3
Colombia	4.7	3.9	3.8	4.0	3.9	-17.0	-2.5
Bolivia	2.7	2.7	2.7	2.7	3.0	11.1	11.1
Other	6.4	5.3	5.6	6.2	6.6	3.1	6.5
Total	84.5	78.2	78.0	84.0	86.2	2.0	2.6

GAS RESERVES

	bn m^3						
	1986	1990	1993	1994	5 yrs	10 yrs	94/93
Venezuela	1,727	2,993	3,651	3,650	21.9	111.0	0.0
Mexico	2,167	2,060	1,983	2,009	-2.5	-7.2	1.3
Argentina	623	671	750	500	-25.0	-19.0	-33.0
Colombia	110	128	110	283	121.0	157.0	157.0
Trinidad	280	462	240	240	-48.0	-14.2	0.0
Peru	23	340	199	199	-41.0	765.0	0.0
Brazil	93	116	137	137	18.1	47.0	0.0
Bolivia	129	155	118	111	28.3	-13.9	-6.0
Ecuador	87	112	112	108	-3.6	24.0	-3.6
9 ctries	5,239	7,037	7,300	7,237	2.8	38.0	-0.9

Sources: Petroleum Economist, BP Statistical Review of World Energy, SR-94-04.

POLITICS

In Chiapas, two parallel approaches

APART FROM THE TALKS, BOTH BID FOR BROADER PUBLIC BACKING

The fourth round of conversations between the Mexican government and the Ejército Zapatista de Liberación Nacional (EZLN) concluded on 6 July with little to report except some 'progress' on the definition of procedures to be followed.

The Zapatistas have been pressing hard to expand the scope of the negotiations (to include, for example, national issues) and extend the duration of the talks as much as possible. The government has been trying to confine the talks as much as possible to regional issues, and to get them done with swiftly.

The Zapatistas want to incorporate other parties to the talks; the government wants to keep them limited to the two main parties to the conflict in Chiapas.

And both sides are running two-track policies: one at the negotiating table, the other directed to broader audiences.

At the end of the fourth round of talks, the Zapatistas announced that they would formally begin a 'national consultation' through which other political and social groups would be able to propose the agenda for negotiation –a ploy designed to place the EZLN in the role of catalyst of a wide range of demands embracing far more than the immediate problems of Chiapas.

The government, in keeping with its own negotiating stance, has begun to publicise concrete plans in aid of Chiapas which, it says, will go ahead regardless of any other commitments which may arise from the negotiations. In this manner they are portraying themselves as the party which is truly interested in responding to the 'root causes' of the Zapatista uprising –and, by implication, portraying the Zapatistas as playing for time and uninterested in finding practical solutions.

THE EZLN'S AGENDA

The Zapatistas want to set up a series of 'tables' to discuss such matters as government, culture, health, justice, democracy, housing, Indian rights, political liberties, food and women's rights. In their proposal, these discussions would take place consecutively. The cessation of hostilities and an eventual peace agreement would come at the end, after agreement is reached on each of these issues.

The government wants fewer tables and would like these discussions to take place simultaneously.

A key point on which no agreement has yet been reached is that of the preliminary measures to ease tension in the core conflict area.

The government has announced that it is going ahead with a development plan for Chiapas, which envisages setting up a US$20m fund to support agriculture and cattle-ranching, and investing some US$18m in basic infrastructure, including the construction or improvement of some 500 kilometres of roads.

The execution of this development plan will draw in the army, which will help to identify the needs of particular communities in the areas under its control.

Apart from this, the national development bank, Nacional Financiera (Nafin), has announced that it will provide some US$190m worth of finance for a variety of purposes. Of this total, about US$115m will go to financing the needs of some 3,100 local industries, and US$20m to be lent on, through local non-banking financial institutions, to some 1,000 small businesses.

Nafin says it is also helping 2,000 commercial enterprises and 575 providing services to obtain new financing or restructure their existing debts.

Already, according to Nafin, some 40 individual projects have been identified, which require the injection of about US$66m.

The government's propaganda blitz has played up, as an important achievement, the fact that about 12,000 people who had been displaced last year by the conflict have now been able to return to their original communities. ■

❑ The government of **Argentina** will demand **greater reserve requirements from banks,** starting 15 July. Unlike the minimum cash requirements deposited with the central bank, which bear no interest, banks will be able to place these with first-grade banks or in recognisedly solvent international paper, such as US Treasury bonds.

❑ The Argentine central bank predicts that by September the banks will have fully **recovered the deposits** which fled the system earlier in the year. So far about 40% of the US$7.5bn have returned to the banks.

❑ Argentina's **trade balance** in January-May showed a surplus of US$362m. Exports were up 45% to US$8.6bn;; imports down 2.2% to US$8.2bn.

❑ The word from **Brazil**'s foreign ministry is that the import quota for **Argentine cars** will not affect export plans for this year: about 70,000 units will be sold.

❑ Argentine oil company **YPF** has announced plans to **invest US$150m abroad** (in Bolivia, Chile, Peru and Venezuela) over the coming three years.

❑ The government of **Chile** has ordered banks to establish **reserves** equivalent to 30% of **financial investments and deposits originating abroad.** This complements the liberalisation of rules governing Chilean investment abroad (*see* Page 302/95).

❑ The Chilean government has also sent to congress a draft bill introducing **tariff surcharges on imported farm produce.**

❑ **Foreign investment in Chilean mining** totalled US$744m in the first five months of this year: the largest single sum was the US$300m for the Collaguasi project.

❑ **Paraguay's trade balance** for the first five months of the year showed a US$840m deficit, more than twice that recorded in the same period of 1994. Exports were down 11.2% to US$302.8m; imports up 36.7% to US$1.1bn.

❑ **Sales of new cars in Uruguay** totalled 21,703 units in the first six months of the year, 82.4% up on the same period of 1994 (and actually equivalent to 80.4% of all sales registered last year). This was largely due to a rush to beat the introduction, on 1 July, of higher taxes on new vehicles (up 47% for petrol-fueled cars, 26% for diesel).

POLITICS

'Extortion' forces Angeloz to resign

EARLY DEPARTURE OPENS UP NEW SUCCESSION GAME IN UCR

On 6 July, the governor of the province of Córdoba, Eduardo Angeloz, threw in the towel and resigned his post because, he said, 'I am not willing to get down on my knees before any messianic technocrat.' This was an allusion to economy minister Domingo Cavallo, accused by Angeloz of practising 'extortion' by starving the province of funds so as to force it to privatise its state-owned bank and power company.

The critical situation of the provincial finances had led in late June to rioting by unpaid government employees in the provincial capital (*see* Page 289/95). After that, Angeloz had attempted to sidestep the federal government by seeking a US$150m loan from the Dillon Read Investment Bank, of New York.

These negotiations collapsed in the first week of July; the result, according to Angeloz, of a 'sinister' manoeuvre by the national government to foster mistrust among the potential lenders.

Angeloz, a leading figure in the opposition Unión Cívica Radical (UCR), had been widely mentioned as a strong candidate to succeed former President Raúl Alfonsín as chairman of the party later this year. His resignation has put paid to his hopes –and opened up an entirely new succession scenario.

Another of the prominent Radicals who could have aspired to the top job, senator Fernando de la Rúa, has his sights set on the mayoralty of Buenos Aires city, when it holds its first-ever mayoral elections (the post has hitherto been held by a presidential appointee) in October.

This has boosted the chances of congressman Rodolfo Terragno, who served as public works minister in the Alfonsín administration and is the UCR politician with the greatest degree of public support *outside* the party. After the recent debacle in the presidential election, Terragno also strengthened his position within the party with an unusual ploy: a gathering of all the Radicals who had won in provincial, municipal and legislative contests.

Terragno has already indicated that he will compete for the post. He has announced a wide-ranging programme to reform the party, a key feature of which is an old hobby-horse of his: 'open' primaries, which would allow the broader public to take part.

Angeloz's resignation does not spell victory for Cavallo as far as the province of Córdoba is concerned. In the recent elections the governorship was won by another Radical, Ramón Mestre –who in what looks like a reprise of the Alfonsín-Menem transition in 1989, will take office months before schedule.

Mestre has stated that he has not intention of bowing to Cavallo's pressure to privatise the provincial state enterprises. ■

TAX RECEIPTS AND THE IMF

When the Menem government closed the books on the first half of the year its tax receipts amounted to US$[illegible] or [illegible]% less than the target agreed with the IMF. In order to meet the targets for the rest of the year, tax collectors would have to bring in some US$5bn a month. The average for the first six months, just over US$3.5bn, if maintained, would leave them 30% short.

The government, which recently decided not to seek a waiver of conditions from the IMF, and still insists that there is no need to negotiate new performance targets, says that tax collection will recover over the coming few months. This is the main immediate task for the second Menem administration, which began on 8 July.

UPDATE: INFLATION IN THE REGION

Country	Source	Apr	May	Jun	Last 12m	Jan-Dec 1994
Argentina	Indec	0.5	0.0	-0.2	3.7	3.9
Bolivia	INE	1.6	0.5	0.7	10.9	8.5
Brazil	FGV	2.3	0.4	2.6	52.2	1,093.8
Chile	INE	0.6	0.6	0.7	7.6	8.9
Colombia	Dane	2.2	1.6	1.2	22.7	22.6
Costa Rica	DGEC	0.6	0.9	1.5	..*	19.9
Ecuador	Inec	2.6	2.0	1.5	22.5	25.4
El Salvador	Digestyc	0.6	1.8	n.a.	9.2[1]	8.9
Guatemala	BCG	0.8	1.5	n.a.	8.1[1]	11.6
Honduras	BCH	2.6	1.8	0.9	29.3	25.6
Mexico	Bco.Méx.	8.0	4.2	3.2	37.7	7.1
Nicaragua	Fideg	0.0	0.7	1.6	11.7[1]	11.9
Panama	DEC	0.0	0.1	n.a.	1.0[1]	1.3
Paraguay	BCP	0.8	0.7	1.1	14.5	18.3
Peru	INE	1.0	0.8	0.8	11.1	15.4
Uruguay	DGEC	3.5	2.2	3.0	40.6	44.1
Venezuela	BCV	4.1	4.9	2.7	61.2	70.8

Previous: WR-95-25, Page 292/95. [1]To May. *Methodology changed.

■ **ARGENTINA / Menem's cabinet.** On 8 July, at the inauguration of his second term as President, Carlos Menem swore in his new cabinet:
❑ *Coordinating minister:* Eduardo Bauzá
❑ *Foreign relations:* Guido di Tella.
❑ *Interior:* Carlos Corach.
❑ *Economy:* Domingo Cavallo.
❑ *Health & social action:* Alberto Mazza.
❑ *Education:* Jorge Rodríguez.
❑ *Labour:* Armando Caro Figueroa.
❑ *Justice:* Rodolfo Barra.

Before the end of the year, Menem is expected to submit to congress an amendment to the ministries law which will allow him to add new portfolios.

Extradition. A Paraguayan appeals court allowed, on 6 July, the extradition of five Lebanese and two Brazilian nationals to Argentina to face charges of arms smuggling and storage of explosives –though they are actually suspected of having taken part in the bombing of the Israeli embassy in Buenos Aires in March 1992.

■ **CHILE / Military appointments.** President Eduardo Frei has appointed General Fernando Rojas Vender to succeed General Ramón Vega as commander of the air force –the only service where the President can exercise his right to appoint commanders.

In early July rumours began to circulate that the commander of Carabineros, General Rodolfo Stange, had resigned –if true, this would leave only the army and the navy under commanders whose tenure has lasted since the Pinochet dictatorship.

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IN THIS WEEK'S REGIONAL REPORT
Mexico and Nafta (RM-95-07)

In this week's regional report Mexico and Nafta, we analyse the resignation of the interior minister, Esteban Moctezuma and look at what his replacement, Emilio Chuayffet [illegible] might do. Also in politics, we examine the reasons why the [illegible] PAN pulled out talks with the government about political reform. In business, we look at the implications of the alliance between Telmex and Televisa and the new shape of labour reform in the country. On the economy we analyse the most recent figures and put a spotlight on unemployment. In the Nafta report, we look at the schedule Chile has set for negotiations with the current Nafta members and its relations with the Mercosur. We also provide details on the barriers the US has erected against Latin American imports.

■ **HAITI / Second round postponed.** The provisional electoral council may postpone until 13 August the celebration of a second round of elections in those districts where irregularities marred the 25 June polls.

■ **HONDURAS / Hondutel.** The state telephone company, Hondutel, has begun to take measures to prepare for privatisation. One of these has been to cut off thee government phones from direct access to international calls. This, says manager Mario Maldonado, together with a US$4.5m ceiling on free government calls, will allow Hondutel to save 50% in the public sector. The company is also to pay off in the coming three years some US$99m worth of loans originally scheduled to mature in 15 years.

■ **MEXICO / Talks with leading narco.** The newspaper *El Financiero* reports that the government is negotiating the surrender of the leader of the 'Gulf cartel', Juan García Abrego. He is said to want guarantees that he can keep 20% of his fortune, that his family is not persecuted, and that he should not be extradited to the US.

■ **NICARAGUA / Confiscated properties.** The Nicaraguan government is to issue US$531m worth of bonds to compensate people whose properties were seized by the Sandinista government. For this purpose it will set aside 40% of the proceeds from the privatisation of the state telephone company –a project still held up in congress.

■ **ST KITTS & NEVIS / Election results.** Final results of the 3 July elections show that the Labour party (SKNLP) took 7 of the 11 contested seats in Parliament, against 1 for the Peoples Action Movement (PAM, 2 for the Concerned Citizens' Movement (CCM), and 1 for the Nevis Reformation Party (NRP)

■ **CARICOM / External tariff.** The Caricom heads of government have agreed to reduce the common external tariff from 35% to 30% by 30 June next year (Jamaica and Trinidad have already done so; Barbados will do so by April).

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MEMORANDUM 20 June 1995

TO: (Distribution)
FR: Ramón E. Daubón, USAID/LAC/DAA
RE: Agenda for 26 June Meeting of the Summit of the Americas' Civil Society Task Force

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The meeting will be held at the USAID Latin America-Caribbean Bureau, Rm. 4529 State, 2-4 PM. Please confirm your attendance with Karen at 202-647-9184. Even if you can't come, we'd like to hear your comments on any of the agenda items, announcements you wish to make or materials you wish distributed. We'll pass all of these on to the participants.

AGENDA

1. Discussion items:
   - Task Force Statement of Purpose and Priorities (Daubon, based on draft by Yriart, Esquel Group Foundation)
   - Incorporation of civil society lens into the other Summit topics. (Daubon)
   - Possible Task Force presentations at 1996 Bolivia post-Summit:
     a. CIVICUS project on model legislation for civil society (Marschall, CIVICUS)
     b. IDB national consultations between governments and civil society (Landivar, IDB)
     c. Esquel Group Foundation analysis on the regulatory environment in Latin America (Yriart, Esquel)
     d. Municipal-Business-Civic partnerships
        -USAID's New Partnerships Initiative (Thorup, USAID)
        -Swiss Business Council for Sust. Development (Shearer, Synergos)
        -National Civic League E. European project (Parr, NCL)

2. Reports:
   - Overview of materials on the US regulatory environment for civil society (Kreshner, IDB)
   - Basic bibliography for civil society (McCannell, CDIE)
   - Andean Corp. for Grassroots Development (Price, Inter American Foundation)

3. Updates/information (Daubon):
   a. Task Force presentation to IDB Executive Directors
   b. USAID Civil Society network project (Swallow, USAID)
   c. Status of White House project on Reiventing Citizenship
   d. Drucker Foundation's "Jornada Argentina del Sector Social" (Pearson, Drucker)
   e. Benton Foundation resources for "Strategic Communication for Non-profits"
   f. Reilly article on municipal-civil society collaboration
   g. Creation of the People's Alliance for Social Development
   h. CIVNET Network on the Internet

MEMORANDUM 31 May 1995

TO: Distribution
FR: Ramon E. Daubon, USAID/LAC/DAA
RE: Minutes of the May 22 Meeting of the Civil Society Task Force; Announcement for Next Meeting

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Conclusions and Next Steps

- IDB offered the services of an intern to work on the overview of materials on the US regulatory environment for civil society. (As of this writing the intern has been assigned and will be querying task force members in the near future about this and other tasks).

- Task force members will present to chair by June 12 their suggested priorities for the goals of the civil society initiative. Yriart will propose a draft text. Also by June 12, task force members will propose ways to incorporate a civil society lens into each of the 22 other Summit action items. These will be culled for discussion at the next meeting for subsequent presentation to the other task forces.

- Our Kettering Foundation and USAID/CDIE members are requested to explore their respective institutions for recommendations on a basic "two-foot bookshelf" bibliography of civil society readings that could be passed on to organizations newly interested on the subject. (By our next meeting?) Other members' selections for this basic list are also welcome. Members with access to the Alliance for National Renewal might also wish to inquire about their choices for an introductory civil society bookshelf.

- Our Inter-American Foundation members are encouraged to make a brief presentation at the next meeting about the newly formed Andean Corporation for Grassroots Development and how it might connect to the task force and to the new hemispheric network on civil society to be sponsored by USAID.

- Task force members connected with the "reinventing citizenship" initiative that originated at the White House are invited to report back on its status at the next meeting of the task force.

- USAID will explore with the office of the USED a possible presentation on the task force and its work to IDB Executive Directors.

- The next meeting of the task force will be on June 26, 2-4PM at the USAID/LAC conference room (State Dept. Bldg., Rm. 4529A)

Summary of Proceedings
The second meeting of the informal advisory task force for implementation of the Civil Society initiative of the Summit of the Americas was held on May 22 from 2:00-4:00 pm in the USAID/LAC conference room.

Mark Schneider opened the meeting by highlighting the speeches by Secretary Christopher and Assistant Secretary Watson at the Council of the Americas that day, as well as the latest congressional update, all on the topic of the reorganization of foreign assistance.

Ramon Daubon then went over the conclusions from the first meeting as summarized in the minutes from that meeting.

Jorge Landivar, IDB, clarified that it has not been defined whether the IDB strategy for civil society work would be a program or a fund, and it may be a few months until it is announced. He emphasized that if the new governments of Brazil or Mexico wrote to the IDB expressing interest in a civil society program of some sort, it might prompt the Bank to respond.

Daubon explained how the Independent Sector, the National Civic League, the Drucker Foundation and the National Center for Non-profit Boards had been providing a wealth of information on the US regulatory environment as it relates to NGO's, but we face the issue of assembling and annotating the information so as to make it useful to our purposes. Landivar volunteered that a new intern in his office could be applied to this task. It was agreed that this should be coordinated as soon as possible.

Daubon raised the issue of how the Summit office in State would inject civil society into the other sectors of Summit follow up. He emphasized the need to keep in mind that the Summit was a meeting of governments, and that the role of this follow-up task force should be to point out ways in which governments can promote and encourage civil society such as by improving the regulatory environment. A related role would be to establish links between our and other governments to assist each other in achieving this goal, particularly as it affects all the other topics of the Summit. Daubon then asked for suggestions of how this task force could address the civil society implications of the 22 other Summit topics and identify areas for special focus on civil society to be presented to the coordinators of the other initiatives. Mark Wells, Summit Coordinating Office, emphasized that the Summit office acts as a clearinghouse rather than a director of the other task forces' actions, but that it is feasible to get representatives of this task force invited to the proceedings of the others.

Juan Felipe Yriart, Esquel Group Foundation, stated that the ultimate function and goal of the civil society task force was still unclear, however, and that a concise statement of what we expect to achieve would facilitate all contacts with other groups. He suggested that all the members identify priorities to be addressed by the group and submit them to Daubon for preparation of a statement to be discussed at the next meeting. Yriart offered to draft language for a first version to be submitted to the members before the next meeting.

Larry Slesinger, National Center for Nonprofit Boards, said that he had counted 13 specific references to civil society among the other initiatives and that could provide an entre. Cathryn Thorup, USAID/PPC, agreed that the underlying theme of the Summit documents points out the importance of civil society in all initiatives, and that it should be conceptually easy to provide specific entry points for each. Daubon then suggested that each member of the task force go down the list of initiatives and identify roles for civil society in each one. Also, and in response to Yriart's proposal, each member should prioritize the goals and functions of the task force. It was agreed that the list from the minutes of the first meeting of "areas identified as especially apt for further action by the task force" provide a base to work with. Those points were as follows:

1. increasing the visibility and recognition of the non-profit sector;
2. developing the sector's institutional capacity for advocacy;
3. developing ancillary support services for governance, administration and accounting;
4. developing fund-raising capabilities and mechanisms and a legal environment conducive to philanthropy, and
5. promoting the involvement of the business sector as a donor as well as a civic actor.

Several task force participants suggested additions to the list. Yriart pointed out that the list doesn't encompass areas such as regulatory environment. Slesinger emphasized that we should focus on improving the methodologies for civil society work. Bill Reese, Partners of the Americas, said we need ways to increase the governments' recognition of the role and legitimacy of NGO's. Sandra Gray, Independent Sector, suggested that in addition to topics we also list organizations that may be involved in each priority area.

Returning to the insertion of civil society implications into the work of the other Summit task forces, Letitia Butler, USAID/LAC, emphasized the importance of writing from the latter's point of view, to not overwhelm them with additional tasks.

Repeating his offer of the services of an intern, Jorge Landivar suggested that each task force member put into writing ideas written along the lines of Butler's suggestion and which can be forwarded to the other task forces. It was agreed that in a subsequent meeting with the intern we can discuss among ourselves the details of the ideas. In this respect, Gray emphasized considering the importance and difficulty of "process" issues, such as public consultations and the inclusion of non-governmental actors in the process. Agreeing, Yriart pointed out that in some countries to incorporate civic participation into public processes could require amendments to their constitutions.

Consensus was to submit to Daubon by Monday June 12 the proposed goals of the task force as well as the suggestions for incorporating a civil society lens into the work of the 22 other Summit task forces.

Cathryn Thorup then summarized the New Partnerships Initiative (NPI) at AID, and handed out a one page summary (attached as Appendix 1). Thorup emphasized that the NPI stems from a conviction by President Clinton and Vice-President Gore that development and democracy both arise from strong local communities. The NPI's central tenet is that the way to strengthen community action is by effective partnerships between local civic organizations, local government and the local business sectors, especially including small and micro producers. The NPI's goal is to promote a regulatory and institutional environment that strengthens local NGOs, local businesses and local governments and fosters such partnerships.

Cheryl Morden, Church World Service/Lutheran World Relief, spoke about the need for such an effort, to push out the legal and operational parameters for NGO's and to document case studies to disseminate the organizational learning even further. Landivar then asked if there was a comprehensive background bibliography that could serve as a primer for organizations to conceptualize the full role of civil society in a democracy. It was proposed that the Kettering Foundation had been collecting good reading material on civil society over the years and might be able to assemble a good selection for this purpose. (The task force would be grateful to its Kettering members for any guidance on this aspect.) In addition, USAID's Center for Development Information and Evaluation (CDIE) is finalizing a study of civil society and has probably compiled a good bibliography from varied sources. (Author Gary Hansen sits in our task force and will probably help us in this respect.) Gray finally added that the Alliance for National Renewal would have new introductory materials available in the spring. (Task force members with access to the Alliance and its publications might want to inform Daubon at USAID of how to proceed.)

Martha Villada and William Reese, Partners of the Americas, then described USAID's anticipated project with Partners to assist in the formation of a hemispheric civil society network. The project, expected to commence this summer, will initially assist five Latin American civic NGOs from Argentina, Chile, Colombia and Guatemala to reach out to directly twenty and indirectly eighty other similar organizations throughout the hemisphere. Organizations in this consortium will make each other's resources available to strengthen their institutional capacities for civic action. Gray noted that the project could be coordinated with the regional civil society initiative of the CIVICUS organization. Villada explained that they are, and the participation of CIVICUS President Miklos Marschall in the task force will further facilitate this coordination. Nancy Zucker, Transparency International, asked how specific NGOs can get to be among the 80, and Villada explained that the consortium will put out a notice. Landivar suggested that the task force explore the possible connection of this network with the Andean Corporation for Grassroots Development, recently created with support from the Inter-American Foundation. That Corporation intends to link a broad network of Latin American NGOs for development support, learning & dissemination, and resource mobilization.

Next on the Agenda, Daubon addressed the issue of the involvement in the task force of domestic US government agencies. He noted that with task force member William Galston leaving his position at the White House National Domestic Policy Council the status of the "reinventing citizenship" project was unclear. Gray volunteered to find out information on the status of the initiative. She also asked if we should be identifying concrete activities that the task force might have undertaken in that context, such as computer communication links between US and Latin networks. Landivar suggested that in fact the IDB might be receptive to such a project.

Daubon went on to discuss the Summit of the Americas' follow-up Presidential conference on Sustainable Development in Bolivia in 1996. The Summit's "Plan of Action" instructs governments to make a progress presentation on the Civil Society initiative at that Conference. The meeting was initially scheduled for May but may now be pushed to December 1996. While several questions remain about the Conference itself (such as the scope of what "Sustainable Development" encompasses and the logistic difficulties of holding it in a small city like Santa Cruz) it poses an excellent stimulus and opportunity to the task force to produce results to present to the governments.

A specific point in the "Plan of Action" refers to the role of the IDB in promoting civil society, and several task force members expressed concern about the apparent lack of definition to date. Landivar suggested that it would help if the Executive Directors could be informed about the task force and its concerns, and that he would check at the IDB about proper channels. Daubon suggested that it might be appropriate for USAID to request through the office of the US Executive Director to make a presentation to the Directors about the Summit initiative.

Proceeding to discuss institutional outreach for the task force, Daubon asked for ideas as to the best way to engage other institutions - should they be a formal part of the task force or just informally consulted? Several members suggested that we continue as we've been doing, disseminating the work of the task force informally and inviting new institutions to join as they express an interest. Good opportunities for this occur in meetings and conferences, and these should be exploited. Landivar explained that in early 1996 the IDB is bringing together the Esquel group, the Arias foundation, and representatives from the English-speaking Caribbean to explore the regulatory framework. Gray mentioned that CIVICUS expects to have its regional report on the regulatory environment drafted by then, and it could be presented on that occasion. Reese said that one challenge was to get US NGO's (beyond the InterAction members which would be automatically interested) involved in the long-term effort. Villada suggested that their US partners were a possibility.

New Partnerships Initiative (NPI)

Building Local Capacity

The diverse challenges of the post-Cold War period demand innovative approaches to achieving U.S. foreign policy goals. The Clinton Administration's "New Partnerships Initiative," through the U.S. Agency for International Development (USAID), will strengthen social, economic and political capacity in developing countries where it is most vital -- at the community level. The goal is to build local capacity to take full responsibility for the sustainability of development efforts.

Based upon a notion of enhanced society-to-society linkages and partnership among an expanded set of development actors, the New Partnerships Initiative (NPI) is an alternative to the traditional model of government-to-government "foreign aid" and reinforces the Administration's commitment to sustainable development. The goal is to ensure that U.S. assistance yields concrete results and measurable improvements in the lives of people by focusing on three mutually reinforcing areas: strengthening the ability of diverse nongovernmental actors to contribute to sustainable development; empowering small businesses and entrepreneurs to drive economic growth; and helping nations to foster democratic local governance. NPI provides an integrated framework for addressing these areas by simultaneously working to build capacity at the grassroots level while fostering a supportive enabling environment at the national level in terms of policy, regulatory frameworks and resources. NPI is designed to enhance the pursuit of USAID's sustainable development objectives and to spur further its management reforms.

All three components of NPI are linked by a single idea -- that families and individuals, when given the power and opportunity to change their lives, will do exactly that. NPI builds upon extensive USAID experience in collaborating with private voluntary organizations (PVOs), nongovernmental organizations (NGOs), coops, universities, foundations, small businesses, local governments and other donors to foster networks of development partners among nations and across sectors. The initiative places a special priority on activities that engage and empower women.

- The first component will strengthen the role of the nongovernmental sector--both here and abroad--in tackling these tremendous development challenges. USAID will focus its efforts on creating an environment conducive to the effective operation of a broad array of nongovernmental actors, as well as enhancing their ability to plan, deliver services, manage resources, and evaluate results. USAID will also explore the use of new communications technologies to promote networking and shared learning among nongovernmental actors around the globe, including those that have not traditionally worked beyond their own borders.

- The second component will strengthen the role of small business in partner countries. USAID will work directly with national governments to improve laws and regulations so that greater opportunities exist for entrepreneurial activity by the poor. USAID will expand its training and internship programs between small businesses in the U.S. and abroad in order to encourage the adoption and transfer of productive processes, technologies and techniques. These programs will draw on the expertise of small businesses in the U.S. to advise and enhance the capacity of small businesses in partner countries. Loan guarantees and credit mechanisms will also be used to support small and medium-sized firms in modernizing and enhancing their contributions to the economy and society.

- The third component will promote the decentralization of political power to local communities in the developing world. USAID will work in conjunction with partner country governments, private sector entities and nongovernmental actors to enhance local democratic governance through the implementation of necessary legal reforms and the promotion of grassroots participation in problem-solving and decision-making. NPI will also enhance the ability of U.S. state and local government officials to make valuable contributions by sharing their knowledge and expertise. Strengthening democracy at the community level will frequently entail fundamental reforms in municipal codes to enhance local government fiscal and administrative autonomy.

USAID continues to be one of the lead agencies in the National Performance Review, and NPI is part of the Administration's continuing commitment to do more with less in the federal government.

U.S. Agency for International Development
Bureau for Latin America and the Caribbean
Office of the Assistant Administrator

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FROM: DAA/LAC, Ramon E. Daubon

SUBJECT: Minutes of First Meeting of the Civil Society Task Force. Announcement of Next Meeting.

PAGES: 6 pages (including cover)

MEMORANDUM

TO: Distribution

FROM: Ramon E. Daubon, Deputy Assistant Administrator, Bureau for Latin America and the Caribbean

RE: Minutes of the First Meeting of the Civil Society Task Force. Announcement for Next Meeting.

Introduction

The first meeting of the informal advisory task force for implementation of the Civil Society Initiative of the Summit of the Americas was held on April 10 at the Cordell Hull Conference Room at the OEOB. Mark Schneider, AA of USAID LAC Bureau, opened the meeting, saying he viewed this as the first in a series. The objectives of this first meeting were to: 1) establish the task force to advance the goals of the Summit civil society initiative, 2) identify possible contacts between civic networks in the U.S. and the rest of the hemisphere, 3) promote concrete activities, and 4) assess potential support from other sources.

Summary of Discussions

Ambassador Richard Brown, Senior Coordinator of the Summit Coordinating Office, commented that while previous summits had little follow-up, this summit would have ongoing groups such as this task force, and specific events by the permanent Summit Implementation Review Group (SIRG) of signatory countries such as the May 5-6 meetings in El Salvador. He emphasized the importance of having all types of organizations commenting on all action items.

Richard Feinberg, Senior Advisor for Latin America at the National Security Council, noted that the civil society portion of summit follow-up is one of the most controversial aspects of transforming "dichos into hechos", words into deeds. There has been some activity already; OAS Secretary General Gaviria has issued a vision for OAS that includes a prominent role for civil society, and the First Ladies' meeting in October in Asuncion will focus, in part, on citizen participation. Still, promoting a hemispheric initiative to pursue the values of a democratic civil society will require a concerted effort.

Schneider emphasized that the U.S. promoted increased participation in the lead-up to the Summit resulting in other countries following suit, such as the inclusion of Nicaraguan NGOs in the consultations for a women-in-development initiative.

Ramon Daubon opened the dialogue with the question of what action can we take to promote a civic conversation between the surging citizen movement in the U.S. and the emerging civic awareness in the rest of the hemisphere.

Martha Villada, Partners of the Americas, described their work in mobilizing citizens in the area of democracy, training women to be more politically active, and reaching out to emerging NGOs. Partners is consolidating a network with 5 Latin lead organizations to reach out to 80 other organizations throughout the hemisphere and train them in involving citizens in civic action and working with government. Partners has over 60 partnerships between cities and states in the hemisphere. John Swallow noted that USAID is providing $1.25 million to Partners in FYs 93-96.

Miklos Marschall, CIVICUS, summarized the conclusions of his organization's recent Mexico City conference on the enabling environment for civil society -- visibility, (more research is needed on civil society); advocacy, (groups tend to be strong on energy but weak in organization and legal ability); need for a network of support centers; need for new sustainable funding methods to respond to local initiatives; and need for more corporate involvement in civic organizations.

John Parr, National Civic League, said it is more valuable to connect on a substantive level (WID, etc.) rather than on a generic level (civil society, etc.) in order to promote civic engagement.

Steve Vetter, Inter-American Foundation, explained how the Kellogg Foundation was bringing groups to the U.S. to look at philanthropic organizations and community development foundations. He noted that governments had organized principally around the economic aspects of the Summit, and hoped they would be able to organize as effectively around the social aspects. Civic action, he felt, is a way to draw governments toward social policies.

Charles Reilly, IDB, explained how the Bank will devote much more attention to social topics and through them to civil society. The question for IDB is whether it creates a special window for civil society programs or does it by "mainstreaming" civil society into all its ongoing work. Reilly added that those active in civil society must understand that the executive branch is not the only part of government able to address these issues. Links between civil society and reform of the state is key with citizen links at both the executive and legislative levels.

Juan Felipe Yriart, Esquel Group Foundation, distributed a paper entitled "The New Covenant and the Summit of the Americas". Observing that things are not moving fast enough in shoring up the basis for a strong civil society, he stated that the two major issues are: 1) legal and regulatory framework governing civil society are weak in most LAC countries, and 2) importance of education and using schools as community development centers.

Parr, Elizabeth Boris - Aspen Institute, and Sandra Gray - Independent Sector--discussed how strengthening the process can be as important as the outcome of civic engagement, highlighting the importance of research on civil society and its mechanisms as well as the importance of the involvement of people.

Cathryn Thorup described USAID's new partnership initiative by which 40% of USAID funding is expected to be channeled through NGOs in 5 years. The importance of partnerships is to build local capacity at the grassroots level where the foundation of civil society lies. She elaborated how enabling environment and local capacity go hand in hand, and emphasized USAID's commitment to both. She described how this sense of participation also spurs the management reforms within USAID.

William Galston, U.S. Domestic Policy Council, described how the President has stressed the importance of civil society in the U.S., and the natural extension from the practice of citizenship here to abroad. In the recent State of the Union address, the President noted that the public sector can only do so much in social problems such as teen pregnancy, and called on the voluntary sector to address some of these issues. The anticipated Civic Partnership Council, to be created at the White House, would serve to bring visibility to this idea of renewal of citizenship and could be a point of communication between U.S. domestic actions and international activities.

Schneider then explained how the media needs to be trained to understand civil society issues in order to accurately and effectively report on them. For example, the Rainforest Alliance trained reporters starting in 1985 which resulted in a 1500% increase in published articles.

Feinberg interjected that it would be useful if the OAS gave an annual award for the best civil society initiative or the best piece of civil society reporting. This idea had been presented as part of the Summit commitments and could be picked up again.

Gray explained that the Independent Sector has a program with the Schools of Journalism to encourage such reporting, and that we need to share best practices.

Schneider then asked all present to send AID any examples of activities and we would disseminate them.

Vetter then argued that these efforts should include socially responsible corporate entities. To which Daubon added that companies can be made to realize that social peace is good for business.

Elizabeth Boris described the growing awareness for this sector and how Aspen is receiving many requests to study it.

Parr described how the National Civic League created Internet database for case studies.

Yriart, however, reminded the group that while the U.S. is ready to move ahead, legislative and judicial issues are still big stumbling blocks in Latin America.

Cheryl Morden, Church World Services, argued how U.S. PVOs are on a steep learning curve in terms of civil society. Many NGOs do not know about Summit initiatives and follow-up.

Kenneth Tolo, U.S. Department of Education, described mechanisms that could address this, such as the development of standards carried out by the National Center for Civic Education, the conference on civic education in Prague in June, and a new electronic network, CIVNET, on civic education.

Schneider concluded the meeting expressing hope that all present will be part of this group. He announced that the next meeting will be in the middle of May after the Summit Implementation Support Group meeting in San Salvador on May 5-6. He urged circulation of material with Ramon Daubon as funnel.

<u>Conclusions and Recommendations</u>

- The task force was constituted with all present participants. Others will also be invited to join.

- Following the mandate of the Summit Action Plan, USAID will pursue the overview of the enabling environment for civil society institutions in the U.S.. The Independent Sector offered to provide guidance in this respect.

- Related also to the Summit mandate, the IDB is no longer pursuing the creation of a Civil Society Fund, but is instead exploring ways to build a civil society lens into all of its normal operations, particularly those pertaining to social policies.

- The task force will assist the Summit Coordinating Office in pointing out the civil society implications of all 23 of the Summit action items.

- Five areas were identified as especially apt for further action by the task force:

1. increasing the visibility and recognition of the non-profit sector;

2. developing the sector's institutional capacity for advocacy;

3. developing ancillary support services for governance, administration and accounting;

4. developing fund-raising capabilities and mechanisms and a legal environment conducive to philanthropy, and

5. promoting the involvement of the business sector as a donor as well as a civic actor.

- Possible concrete activities involving contacts between the civic networks in the U.S. and Latin America/Caribbean could involve:

    1. journalism and other mass media exchanges;

    2. civic education programs in schools;

    3. community development partnerships involving local-level community groups, business and government;

    4. comparative studies on the enabling environment;

    5. exchanges on corporate and business philanthropy and civic involvement;

    6. contacts with the White House project on Reinventing Citizenship and the anticipated Civic Partnership Council to be derived from it;

    7. alternative mechanisms for information dissemination and broad civic education, and

    8. electronic networks.

- The task force will explore links with USAID's "New Partnerships Initiative", focusing on local-level civil society, government and business, and with USAID's "Lessons without Borders" program of exchanging development lessons between cities in the U.S. and developing countries.

- The task force will meet again on Monday, May 15 from 2-4 p.m. at the USAID/LAC Conference Room (4529A), Department of State. Please contact Karen Franchois to confirm your participation for this meeting by phone (202-647-9184) or by fax (647-9671).

MEMORANDUM 7 July 1995

TO: (See Distribution)

FR: Ramón E. Daubón, Deputy Assistant Administrator

RE: Minutes of the Summit Civil Society Task Force Meeting on June 26, 1995. Announcement of next meeting.

Summary of Consensus

o The chair will select a subcommittee for the presentation to the Executive Directors of the IDB on the work of the task force. USED Ron Scheman has agreed to facilitate and we are awaiting confirmation as to the date and venue.

o The draft mission statement presented by Yriart (Esquel) was approved with a modification that the task force will undertake actions beyond advising the US Government and geared to strengthening civil society networks and values throughout the hemisphere. (A revised draft is attached, for approval at the next meeting.)

o RE the Task Force's presentation at the 1996 Summit in Bolivia, a strong complementarity already exists between the work of CIVICUS (on model guidelines for a legal regulatory environment), IDB (on government-civil society consultations in various countries--with Synergos--and on the overview of the regulatory environment--with Esquel), the People's Alliance for Social Development (on multi-national civil society agenda setting and networking) and the USAID-Partners sponsored Regional Network for Civil Society. A draft proposal--to be discussed at the next meeting--for a panel of presentations is being submitted to the Bolivia Summit planning task force.

o Likewise, there's a strong complementarity between efforts at USAID, Synergos and the National Civic League for local-level partnerships between civil society, business and local governments. (Refer to the individual task force members for more information on each of these.) A joint presentation in Bolivia is also being proposed.

o Finally, and based on the summary chart prepared by Marsden of Inter Action, specific task force members were assigned to make contact with the coordinators of the 22 other Summit action items to explore their respective civil society implications and report back at the next meeting. Use of this information for the Bolivia Summit needs to be discussed. (Copy of Marsden's chart as well as a listing of the action item Summit coordinators are available from this office.)

o The next meeting of the Task Force is scheduled for Monday July 24, 2-4 PM. We will procure a larger conference room, to be announced.

Reports Presented:

o Ryan McCannell of USAID/CDIE presented an annotated Basic Bibliography for Civil Society, prepared for the Task Force (copies available through this office). It focuses on relatively recent published and unpublished works on the topic with useful annotations, available though CDIE. Other members of the Task Force have offered to send their compilations of basic readings.

o Tom Kreshner of IDB presented a summary compilation of materials made available to the Task Force by The Independent Sector on the regulatory environment for non-profits in the US. (Copies available through this office).

o Walter Price of the Inter American Foundation (IAF) reported on the recent creation of the Andean Corporation for Grass Roots Development. The Corporation represents the formalization of an existing network of organizations in the region sponsored by the IAF as in-country support mechanisms for its projects. Supplemented now by local support, the corporation links the existing institutions to facilitate training and technical assistance to non-profits for project design and management, resource mobilization, management and learning and dissemination. (Copies of the report are available through the IAF at 703-841-3800.)

o Other reports and resources:
-Cathryn Thorup of USAID/PPC reported on the new CIVNET computer network. The report CIVNET and Beyond: The Internet Users' Guide to Civic Education Practitioners is available through this office.
-Thorup also presented her paper on "Building Community through Participation: The Role of Non-governmental Actors in the Summit of the Americas", from Advancing the Miami Process by the North-South Center. (Available from PPC)
-Clarence Pearson of the Drucker Foundation reported on their recent seminar on the Argentine "Social Sector", with over 800 participants. (Seminar outline available from Drucker Foundation).
-John Parr of the National Civic League (NCL) forwarded for distribution the program description of their "Emerging Leaders' Forum for the Northern Carpatian Region", on forging civic-business-government partnerships at the local level in Poland. (Available from NCL).
-Karen Menichelli of the Benton Foundation forwarded a sample of their Strategic Communications for Nonprofits package, with separate reports on Talk Radio, Voice Programs, Op-Eds, Using Video, Media Advocacy, Cable Access, Electronic Networking and Strategic Media. (Available from Benton).

Minutes
The meeting was held as scheduled in room 4531 of the State Department; 26 members were present. Ramon Daubon began the meeting by presenting the short updates and information in item 3 of the agenda. He proposed that a Task Force subcommittee make the presentation to IDB Executive Directors and was instructed to appoint it.

John Swallow, LAC/RSD/DHR, provided a brief summary of the proposed amendment to the USAID/Partners Civil Society network project with five Latin American NGOs. The network will train 20 other civil society NGOs, which will in turn reach 85 others. Scheduled start date is late August; the desired total is $5.3 million dollars over five years.

No information was available on the status of the White House project on Reinventing Citizenship after the departure of Domestic Policy Advisor Bill Galston. Yriart (Esquel Group Foundation) proposed that the Task Force convey its concern to the White House that this project be kept viable. Cathryn Thorup (USAID/PPC) informed that the new contact person in the White House is Flo McAffie, but no information was available as to this person's dedication to Galston's old portfolio. (Task Force members with access to more information are urged to share it!)

Pearson, Drucker Foundation, described their "Jornada Argentina del Sector Social," a recent seminar in Argentina on non-profit management with 800+ participants. Daubon then presented resources from the Benton Foundation for "Strategic Communication for Non-profits", including media information, talk radio, video, and cable access strategies. If interested contact the Benton Foundation at 1634 Eye Street NW, Washington, D.C. 20006 or tel: 202-638-5770 and fax 202-638-5771.

Other resources passed out included the article by Task Force member Reilly on municipal-civil society collaboration ("Topocrats, Technocrats and NGOs" available through this office) and a description of the People's Alliance for Social Development, a global network with over 500 NGOs created after the Copenhagen "Social Summit". Also distributed was material on CIVNET, a network on the internet with the largest collection of materials on civil society. Civnet is both a World Wide Web homepage and an electronic discussion group for civic education practitioners, curriculum designers, teachers, trainers, researchers, administrators and NGOs involved with civic education or civil society. CIVNET was introduced at the 1995 Prague Civitas conference on strengthening civic education in new and old democracies. For more information contact Richard Tkachuck, 4-194 Center for Science and Technology, Syracuse University, Syracuse, NY, 13244 or tel: 315-443-5445.

Yriart (Esquel) presented the draft Task Force Statement of Purpose and Priorities for discussion. Daubon called for a consensus regarding the goals and functions as presented, but Zucker of Transparency International and others argued for a broader role for the Task Force beyond being just an advisor to governments. There was broad consensus that the Task Force should exercise a life of its own linking civil society networks around the hemisphere and assisting networks in other countries to guide their own governments. Morden, Church World Service/Lutheran World Relief stressed a way to identify the ways in which governments and NGOs can network. Pearson said there is a need for government, business and social sectors to be equal partners and not a top-down approach; he and Zucker also emphasized that codes of corporate responsibility should be developed. Steve Vetter, IAF, agreed that corporate social responsibility is key, and informed that three hundred government, civic and business leaders will meet in Cartagena in August to discuss this.

Twig Johnson, USAID/LAC/RSD, replied that while governments can examine the enabling conditions for civil society, what is important is the interface among the three sectors. Yriart commented that the governments' legal and regulatory systems in LAC have not kept up with general conditions. We should focus on the big tasks that we have to do and should include all organizations and people in the process.

Feinberg, NSC, reported on a talk he gave to the Inter American Institute for Human Rights, where he found the staff to be very uninformed about the Summit, its plan of actions and its ramifications. Feinberg warned that we take advantage of the Summit to build the necessary support for these partnerships between civil society, business and government, and that we must see to it that a civil society lens is added to all the other Summit initiatives.

Morden then passed out an initial reading of the civil society aspects of the various initiatives included in the Summit Plan of Action, dividing it into four avenues for access: 1) technical assistance, information and referral; 2) legal framework and enabling environment; 3) institution strengthening; and 4) learning agenda. Next, the 23 initiatives were discussed and on each initiative volunteers are to call the specified contact person to dialogue on what can be done to link with the Task Force in order to facilitate their respective processes. Reports will be given at the next meeting. Daubon reviewed the four topical areas of the Summit: 1) democracy and rights, 2) economics and trade, 3) investing in social sectors, and 4) environment, and argued that civil society implications may relate to these broader categories more than to specific action items. As an example, Landivar of IDB said that the Bank devotes 80% of its attention to the "social" sector (the rest being NGOs and business).

A discussion followed regarding the task force's progress report to the post-Summit conference to be held in Bolivia in Nov. 1996, as required in the Miami Summit Plan of Action. Marschall, reported CIVICUS' work on 1) attaining higher visibility, 2) international legislative and procedural guidelines for civil society and 3) strategies for funding civil society organizations. These will be reported in its next world assembly in early 1997, so it expects to have results ready to report at the Bolivia Summit. Similarly, the IDB-sponsored reports on national consultations on government-civil society relations in Brazil and Mexico would also be ready for presentation at about that time. In addition, the Esquel Group Foundation would have results of its analysis of the regulatory environments, while Landivar and Marschall reported on conversations with the People's Alliance for Social Development for a parallel meeting of its network of NGOs. This would begin a day or two prior to the Summit, and a summary presentation of its deliberations could be incorporated into the task force presentation. Finally, a presentation on the projects by USAID, Synergos and the National Civic League on local civic-business-government partnerships could be incorporated into the panel or become the subject of a separate presentation.

Walter Price, IAF, then discussed the newly formed Andean Corporation of Grassroots Development, which focuses on 1) resource mobilization, 2) development support and 3) linking organizations for dissemination, and which will support about 485 projects this year with a combination of donor and recipient country resources. Finally, two annotated reports commissioned at the previous meeting were distributed: an overview of materials received on the regulatory environment (by Kreshner of IDB) and on a basic bibliography on civil society (by McCannell of USAID/CDIE). Task force members were reminded that the topics had not been exhausted and to submit additional materials, addressed to this office.

The meeting adjourned at 4:15 pm, as time ran out.

USAID Civil Society Task Force
Mission Statement
(Draft 7/5/95)

Mission

The Civil Society Task Force convened by USAID's Latin America and Caribbean Bureau consists of a group of U.S.-based non-profit agencies, including civic associations, international development PVOs, private foundations and others. Its principal mission is to assist the U.S. Government (USG) in the design of follow-up activities to the 1994 Summit of the Americas, particularly related to implementation of Action Items dealing with civil society. In addition, the Task Force will serve on its own as a network and link with similar civil society networks in the hemisphere and around the world to further the role of civil societies in the construction of democracy.

Goals

A. Task Force will advise/assist the USG in the following:

1. Implement in the U.S. the Summit Plan of Action Item relating to Invigorating Society and Community Participation as well as other items in the Plan of Action that call for citizen participation mechanisms;

2. Revitalize civic participation in the U.S., using both the Summit Plan of Action and President Clinton's call for a New Covenant as starting points;

3. Assist other Hemispheric Governments in implementing these Summit Action Items;

B. The Task Force will also initiate a hemispheric-wide "civic conversation" to promote civic values, strengthen similar networks in other countries, and support them in their advice and assistance to their respective governments.

Functions

To do this, the Task Force will:

1. Raise awareness within the U.S. of the Summit through media, established networks, etc.

2. Establish priorities and benchmarks for U.S. implementation of Summit commitments.

3. Using priorities, identify existing programs and develop new programs to contribute to implementation.

4. Monitor USG implementation and prepare progress reports for submission to government and public media.

5. Advise the USG (USAID) regarding what they should do to assist implementation in other countries.

6. Advise the USG in the promotion within IDB of the civil society program.

7. Connect with other civic associations or coalitions to exchange information and ideas.

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The New Covenant and the Summit of the Americas

A Discussion Paper presented to
the First Meeting of the
Task Force for Implementation of
Summit of the Americas Initiative on Civil Society

Washington, DC
April 10, 1995

The New Covenant and the Summit of the Americas

In presenting this discussion paper to the Task Force for Implementation of the Summit of the Americas Initiative on Civil Society, the Esquel Group Foundation hopes to make a contribution towards the choice of strategic targets to be addressed by the proposed "hemisphere-wide civic conversation" that this Task Force will promote. We begin by pointing to the emerging trends in both the U.S. and other parts of the Hemisphere that reflect a renewed awareness of citizen rights and obligations. These trends, we believe, will serve as the foundation for civic initiatives of a hemispheric scope.

We follow with proposals for two of the many possible topics that could be addressed within a hemispheric conversation: seeking a favorable legal and regulatory environment for non-governmental actors and promoting schools as the center of civic participation. What sets them apart is that they already are natural focal points for civic participation and they lend themselves to concrete activities that can be taken up in partnership among the hemisphere's citizens (and governments). It is through such activities, in which citizens directly exercise their rights and responsibilities, that we can pave the way for a New Convenant of the Americas.

Renewed Awareness of Citizen Rights and Obligations

In the United States

Just as the spirit of democracy is taking hold in other parts of the Hemisphere, evidence of declining civic engagement and social connectedness is appearing in the U.S.[1] In his 1995 State of the Union Address, President Clinton noted,

> "The common bonds of community which have been the great strength of our country from its very beginning are badly frayed."

In that same address, President Clinton calls upon U.S. citizens to forge a new social compact, a New Convenant, based on very old ideas:

> "... (A)ll Americans have not just a right but a solemn responsibility to rise as far as their God-given talents and determination can take them, and to give something back to their communities and their country in return. Opportunity and responsibility,

[1] Putnam, Robert D., "Bowling Along: America's Declining Social Capital", in Journal of Democracy, Vol. 6, No.1, January 1995.

they go hand in hand; we can't have one without the other, and our national community can't hold together without both."

The New Covenant will set the stage for equipping U.S. citizens to meet the challenges of the global economy and for changing the way government works. According to President Clinton, the values encompassed in the New Covenant will also pave the way for repairing the frayed bonds of the U.S. society and for revitalizing the vision of a common purpose.

In Latin America

The democratic revolution that has occurred during the last decade throughout Latin America and the Caribbean has opened new doors for citizen participation. As the century draws to a close, the Hemisphere is in the midst of consolidating democratic institutions. Citizens are gaining confidence and learning to exercise their rights and voice their opinions.

Citizens throughout the Western Hemisphere are facing challenges similar to those President Clinton cited. Workers, businesspeople and governments are struggling to adjust to the requirements of the global economy, having just passed through a decade of economic crisis. As the Mexican case demonstrates, the adjustment process is far from over.

From Chile to Mexico, governments are changing the way they work. The trend toward extensive changes in the welfare state and decentralization of governmental operations is evident throughout the region. Bolivia's pioneer Law on Popular Participation, for example, "municipalizes" decision-making and service provision, in theory, making government more accessible to the general population. The Law also establishes a new mechanism for legally recognizing grassroots organizations and incorporates them into planning, decision-making and monitoring within their respective regions.

Yet, while President Clinton talks of repairing the damaged bonds of U.S. society, many countries in the Hemisphere are only now building that sense of community. Many have lost or suppressed indigenous practices and institutions or had no strong sense of mutual ties from the beginning. Just in the last decade or so, fed in part by economic and social crises, self-help groups and other forms of association have begun to emerge at a rapid pace.

It is the process of regenerating community bonds in the U.S. and creating a civic culture in the new democracies that will legitimize a hemisphere-wide civic initiative to work toward a New Covenant of the Americas. In the New Covenant of the Americas, citizens throughout the hemisphere would assume their rights and responsibilities and build on the common bonds of a hemispheric community.

The Summit of the Americas and the New Covenant

The Plan of Action resulting from the 1994 Summit of the Americas contains several elements from which a New Covenant of the Americas could be forged. Throughout the Plan of Action, in Action Items ranging from Strengthening Democracy to the Partnership for Biodiversity, governments committed themselves to fostering greater citizen participation in problem solving, particularly at the local level, and in policy development. Below we point to two Action Items that lend themselves to immediate activities that could be taken up by this Task Force to stimulate hemispheric civic dialogue and, ultimately, to create a foundation for a New Covenant of the Americas.

Legal and Regulatory Reform

In his State of the Union Address, President Clinton reminded U.S. citizens that one of the country's great strengths had always been the ability to associate and to find common ground. While some studies show a decline in associational tendencies for a variety of reasons, the legal and regulatory framework is generally considered sound, with checks and balances that ensure the right to associate as well as accountability to society as a whole. To the South in Latin America and the Caribbean, an associational revolution is taking place under a legal and regulatory system that has not kept pace with citizens' desires to work together toward common goals.

With the Plan of Action, governments committed themselves to:

> "(r)eview the regulatory framework for non-governmental actors with a view to facilitating their operations and promoting their ability to receive funds."

While some of the region's governments - Bolivia, for example - have taken steps to reform or begin reviewing their legal and regulatory systems to respond to the new reality, many others have lagged behind.

Well before Summit preparations began, the Esquel Group Foundation and its partners in the Grupo Esquel network began developing an initiative which combines elements of research, participatory dialogue and action to contribute to developing a legal and fiscal framework favorable to the growth and strengthening of civil society in the region. Country level work is underway in Brazil, where Fundação Grupo Esquel-Brasil is leading a coalition of civil society organizations, joining with legal experts and public officials, to identify critical issues, to raise awareness, and to develop concrete proposals for changes in laws and regulations, as well as their administration. Other preliminary work has been undertaken in Argentina, Chile, Ecuador, Peru and Uruguay.

A centerpiece of the initiative is a Regional Conference on the Legal and Regulatory Framework for Civil Society, which will be held in Buenos Aires in late September of 1995.

The Conference will bring together civil society leaders, public officials, parlamentarians, and experts from at least 8 South American countries to exchange information and to identify common ground on the issues addressed.

What has started with this modest initiative should be taken up as a hemisphere-wide task. We urge this task force to:

1) Call upon the organizers of the Bolivia Summit on Sustainable Development to include progress on governments' commitment to reviewing the regulatory framework for non-governmental actors as a priority agenda item;

2) Pledge support for the 1995 Regional Conference on the Legal and Regulatory Framework for Civil Society;

3) Encourage broad participation in public debate by incorporating the legal and regulatory framework for non-governmental actors as a central issue in the "hemisphere-wide civic conversation".

Education: Communities and Schools

The Summit Plan of Action recognizes education as "an indispensable basis for sustainable social and cultural development, economic growth and democratic stability." What is often less appreciated is that education is also the training ground for active citizens, and schools are often the center of community activity and civic participation.

The Presidents of the Hemisphere hinted at the latter in the Plan of Action as they committed their governments to:

> "(s)upport decentralization (in education) including assurance of adequate financing and broad participation by parents, educators, community leaders and government officials in education decision-making."

They went on to suggest the creation of a hemispheric partnership of governments, non-governmental actors, the business community, donors, and international organizations to discuss educational policy.

Education policy itself is frequently a hotly debated political issue, in the U.S. and throughout the Hemisphere. However, the Esquel Group Foundation suggests that the proposed civic conversation sidestep that debate and, instead, take advantage of the focus on education to explore the concept of schools and educational facilities as the center of community activity and civic engagement. Ultimately, this will reinforce the human element and widen the debate on policy issues.

For decades, school-community partnership experiments have been undertaken throughout the U.S. Originally focussing on providing access to schools and basic education programs for community residents, "community education" found itself becoming a process by which residents could mobilize to meet community needs, such as deteriorating neighborhoods, unemployment, immigrant assimilation, and other needs as they emerged.[2] In the face of dwindling federal and local government budgets, community members, including businesses, have stepped in to bolster the resources and keep many of these programs alive.

At the heart of community education is the belief that it is a local responsibility to set an educational agenda that meets the needs of all citizens and that the entire community must be held accountable to ensure that the goals of the agenda are attained. These concepts bring us back to the values encompassed in President Clinton's New Covenant: the rights and responsibilities of individual citizens and communities.

In many parts of the Latin American and Caribbean region, decentralization of education is indeed taking place. With or without government intervention, communities are experimenting with programs similar to the U.S. community education model. Mothers turn school cafeterias into community dining halls. Local health clinics are often set up in school buildings. Adults are offered evening literacy classes in the same classrooms in which their children learned arithmetic earlier in the day. Schools are also used as the site for community meetings.

As in the U.S., these activities are supported - in whole or in part - by the contributions of the community members themselves. It is thought that, in Latin America and the Caribbean, school-community partnerships would be an attractive target for the philanthropic conscience emerging within the business sector. U.S. and Canadian businesses in those countries could offer challenge support to stimulate contributions to these partnerships.

Throughout the Hemisphere, schools can be viewed as the center of community activity and, thus, as a catalyst for civic participation. As the decentralization process takes hold and responsibility is returned to the local level in both the U.S. and in other parts of the Hemisphere, the time is ripe to engage in a hemispheric partnership to discuss not only educational policy, but also how schools and educational centers can become the target and the impetus for civic action.

Thus, we urge this task force to:

1) Take up school-community partnership and community education as a priority topic within the hemisphere-wide civic conversation.

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[2] Charles Stewart Mott Foundation. 1994 Annual Report.

2) Explore opportunities for engaging businesses or business groups in joining this part of the civic conversation and, possibly, financing the conversation itself, as well as follow-up activities that might result.

About the Esquel Group Foundation

The Esquel Group Foundation (EGF) is a non-profit, private foundation committed to strengthening civil society in Latin America. EGF works with a variety of non-governmental organizations, foundations, private corporations, and international development agencies working in Latin America and the Caribbean.

EGF is a unique combination of North American and Latin American human resources and skills. Collectively, EGF's multicultural Board, staff and advisors bring several hundred years of professional experience in the Latin American and Caribbean region, working with civil society organizations, governmental agencies, international organizations, and the private business community. Its membership in the Grupo Esquel network of organizations in Argentina, Bolivia, Brazil, Chile, Ecuador, Peru and Uruguay multiplies the expertise it draws on to develop quality programs and services.

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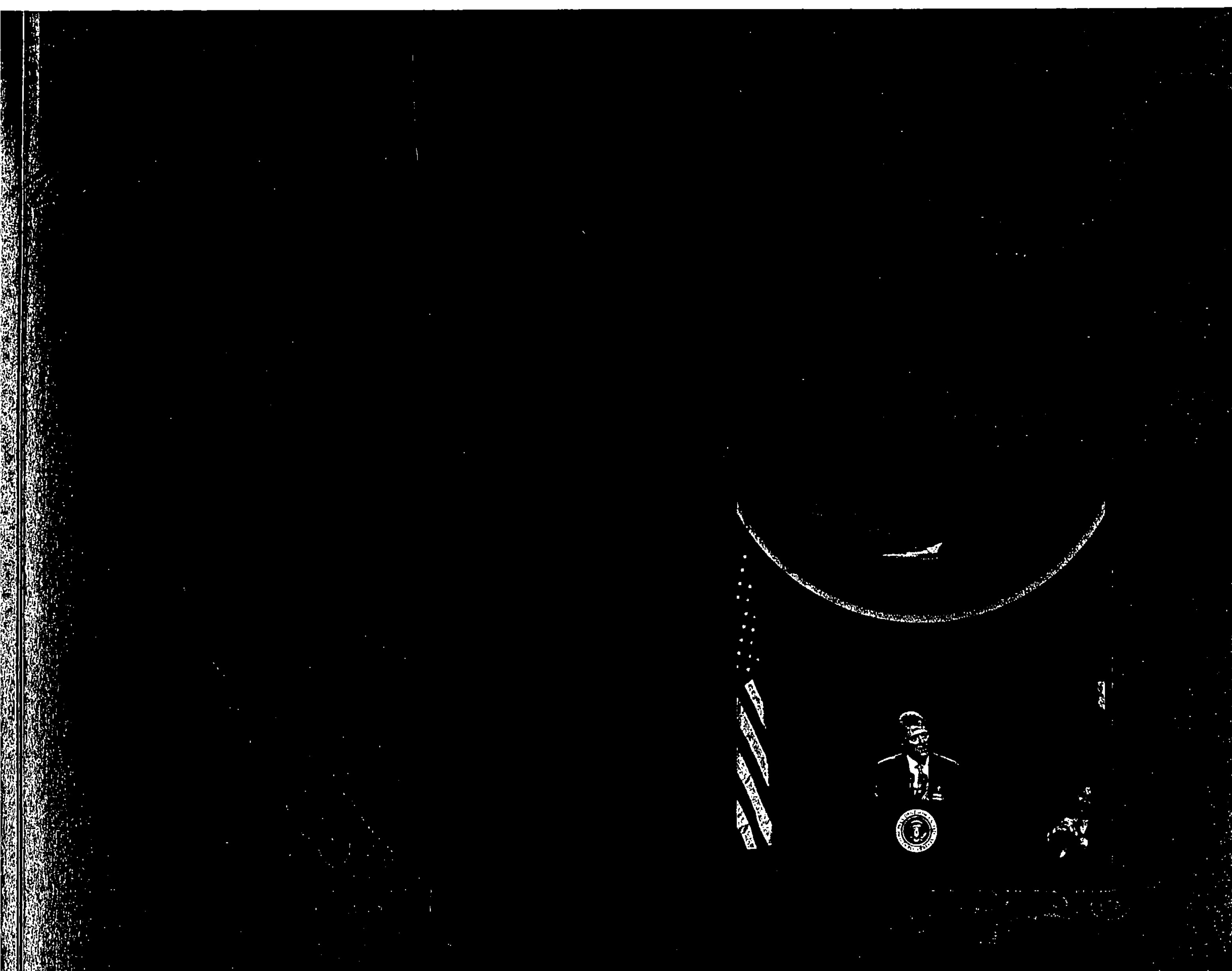

Building a Partnership for Prosperity

White House Report on The Summit of the Americas

Miami, Florida - December 9-11, 1994