

The Americas in 1997:
Making Cooperation Work

A Report of the SOL M. LINOWITZ FORUM

INTER-AMERICAN DIALOGUE

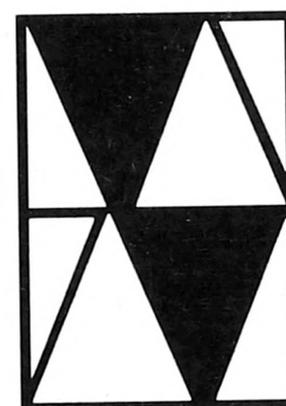
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May 1997
Washington, DC



Luiz Felipe Lampreia and Cyrus Vance

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Bob Graham, Richard Lugar, and Richard Fisher



Barry McCaffrey, José María Dagnino Pastore, and Rozanne Ridgway

INTRODUCTION

FROM ITS BEGINNING in 1982, the Inter-American Dialogue has formulated and promoted cooperative approaches to the main problems affecting the Western Hemisphere. All of us associated with the Dialogue have been encouraged by the growth in cooperation in hemispheric affairs over the past half dozen years—between the United States and Latin America, among the governments of Latin America and the Caribbean, and among private groups throughout the Americas. The Western Hemisphere is today closer than ever before to regional economic integration and meaningful political cooperation—but many of us are concerned that the pace of progress has slowed in the past two years.

The overriding objective of our report this year—the ninth review of inter-American relations that the Dialogue has produced—is to accelerate economic integration and political partnership in the hemisphere. We emphasize that democratic politics and market economics are the essential foundation of genuine regional cooperation, and suggest that the building of enduring and productive hemispheric ties depends on each nation's success in strengthening democracy, expanding economic productivity and growth, and reducing poverty and inequality among its citizens.

The report proposes a series of practical steps to assure the future of hemispheric cooperation. We call on the United States to play a more vigorous role in building cooperation. This will, in the first instance, require the White House and Congress to reach agreement on fast track negotiating authority and several other trade-related issues so the U.S. government can credibly engage the other nations of the Americas in free trade talks. It is also imperative that Washington discontinue its unilateral policy approaches toward a political opening in Cuba and the control of the international drug trade, and join with other governments in developing a common strategy to address these critical issues.

We urge every nation in the hemisphere to agree on the principles and goals that should guide economic integration, to promptly choose a common path toward free trade, and to consolidate subregional trade pacts while making sure they are consistent with broader hemispheric trade arrangements. Finally, the report highlights the need for stronger multilateral institutions to manage and advance the growing cooperation in inter-American affairs. We urge all governments to assign high priority to restructuring and adapting the Organization of American States (OAS) to the needs of an increasingly interdependent hemisphere, and to integrate the OAS and the presidential summits.

For a more ample discussion of the problems and potential of the OAS and other regional institutions, we refer you to a new Dialogue report, *The Inter-American Agenda and Multilateral Governance: The Organization of American States*, prepared by our study group on multilateral governance, chaired by Ambassador Viron Vaky. Other key hemispheric issues are addressed in a series of policy briefs published by the Dialogue over the past several months:

International Peace and Security in the Americas
by Jorge I. Domínguez

The Underperformance of Latin America's Economies
by Sebastian Edwards

Balancing the Short- and Medium-Term: Prospects for Reform and Democratic Development in Brazil
by Bolívar Lamounier

The Mexican Peso Crisis, the Rescue Package and Beyond
by Nora Lustig
with
Mexico 1996: A Turning Point or a New Chapter of a Protracted Transition?
by Lorenzo Meyer

Education in Latin America: Problems and Challenges
by Jeffrey M. Puryear

Tensions and Dilemmas of Democratic Politics in Latin America
by Michael Shifter

Institutional Requirements for Western Hemisphere Free Trade
by Sidney Weintraub

The report that follows reflects the consensus of the Dialogue's members. Not every signer agrees fully with every phrase in the text, but—except as noted by individual statements—each of the members endorses the report's overall content and tone, and supports its principal recommendations. All of us subscribe as individuals; institutional affiliations are for purposes of identification only.

Peter D. Bell, Co-Chair

Alejandro Foxley, Co-Chair

Peter Hakim, President

ACKNOWLEDGMENTS

THIS REPORT DRAWS on the deliberations at our May 1996 plenary session, the first held under the auspices of the Dialogue's new Sol M. Linowitz Forum, as well as on meetings of Dialogue task forces and study groups, informal discussions among our members and staff, commissioned research, and the advice of many people throughout the hemisphere and beyond. Jorge Domínguez, Sebastian Edwards, Tom Farer, Bolívar Lamounier, Nora Lustig, Lorenzo Meyer, Michael Shifter, Viron Vaky, and Sidney Weintraub all prepared background papers for our plenary deliberations. We thank them and the many others who drafted materials and participated in our discussions on inter-American issues in the past year.

We are grateful to President Clinton who spoke at the dinner on May 16 inaugurating the Linowitz Forum, designed to pay tribute to our founding co-chairman and his contributions to inter-American relations. We are also indebted to Foreign Minister Luiz Felipe Lampreia of Brazil who delivered an inspiring keynote address at the dinner, and to Mack McLarty for his critical support of this event and for his eloquent words that evening. Joan Caivano deserves our thanks for ably orchestrating the dinner and the endowment campaign for the Forum. Our special gratitude goes to John Whitehead, Cyrus Vance, and Javier Pérez de Cuéllar, the co-chairs of the endowment campaign.

We are deeply grateful to Chilean Ambassador John Biehl for graciously hosting a luncheon to honor members of the Inter-American Dialogue, and to U.S. Senators Bob Graham and Richard Lugar who gave thoughtful keynote addresses at the lunch. We also want to thank Bernard Aronson, César Gaviria, Barry McCaffrey, Lawrence Summers, and Alexander Watson for taking the time to brief Dialogue members.

Dialogue Co-Chairs Alejandro Foxley and Peter Bell have our gratitude for their skillful direction of the plenary. We also want to thank our Co-Vice Chairs Jessica Mathews and Juan Manual Santos, other members of our Board of Directors, and the many Dialogue members who contributed importantly to our activities. As always, we are indebted to our two emeritus chairmen, Sol Linowitz and Javier Pérez de Cuéllar.

The preparation of the plenary report is a collaborative effort that involves all Dialogue staff. Jonathan Calkins, who oversaw the design and production of this report, and Sandra Forero, who prepared the graphics, deserve special recognition.

This work would have been impossible without the sustained support the Dialogue has received from the Ford, W.K. Kellogg and A.W. Mellon foundations, and the Carnegie Corporation of New York. We are also grateful for contributions from American Airlines, Americas Society, Arca Foundation, AT&T Foundation, Banco Itau, Banco Safra, Canadian International Development Agency, Canadian International Development and Research Centre, Capital Group Companies, General Electric, General Service Foundation, Inter-American Development Bank, the Embassy of Japan, John D. and Catherine T. MacArthur Foundation, Pew Charitable Trusts, Petróleos de Venezuela, Southern Peru Copper, Swedish International Development Agency, TransBrasil Airlines, U.S. Agency for International Development, U.S. Institute of Peace, World Bank, and the governments of Argentina, Chile, Colombia, and Mexico. We also want to thank Dialogue Associates for their contributions and many other individual donors as well.

We extend our appreciation to the corporate contributors to the Sol M. Linowitz Forum, including Bechtel Corporation, Bloomberg Financial Markets, Chase Manhattan Foundation, Ciccone Calcografica S.A., Price Charities, Time-Warner, Inc., Weingart Foundation, and, with special gratitude, the Whitehead Foundation. We are also grateful for many generous individual donations.

We want to offer a special tribute to McGeorge Bundy, National Security Advisor to Presidents Kennedy and Johnson, and former President of the Ford Foundation, who contributed so much to the Dialogue since its founding. He served on the Dialogue's Board of Directors and our Task Force on Cuba until his death in 1996.



Margaret Sloane, Lee Cullum, and Jessica Mathews



Robert Pastor, Barry McCaffrey, and César Gaviria

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Alejandro Foxley, Peter Hakim, Bill Clinton, and Peter Bell



Carla Hills and Lawrence Summers

The Americas in 1997: **Making Cooperation Work**

THE OPPORTUNITY TO establish an enduring framework of political and economic cooperation in the Americas is today within reach.

Every country will benefit from more cooperative hemispheric relations. By integrating their economies, the nations of the Americas can more rapidly expand trade and investment flows, build more competitive business sectors, and achieve higher rates of sustained growth. By strengthening political cooperation, governments and private organizations can work more effectively to protect democracy and human rights and advance the rule of law. By joining together multilaterally, they can more effectively address common problems such as drug trafficking and criminal violence, environmental deterioration, and poverty and inequality.

But the opportunity to build strong and productive hemispheric partnerships must be grasped soon—or it will fade. Progress is needed on three fronts to assure the future of hemispheric cooperation:

- Within individual nations, the challenges are to strengthen democratic practice, improve economic performance and, most of all, raise the living standards of all citizens.
- In hemispheric affairs, the U.S. and other governments must turn their verbal commitments into consistent national policies that foster political cooperation and economic integration.
- Multilaterally, stronger rules and institutions are required to consolidate, deepen, and sustain cooperation in the hemisphere. The OAS should be restructured and adapted to the changing needs of hemispheric relations.

In hemispheric affairs, the U.S. and other governments must turn verbal commitments into national policies that foster cooperation.

Building Partnerships in the Hemisphere

Since the late 1980s, relations among the governments of the hemisphere have become more harmonious and constructive. The nations of the Americas have expanded political and economic cooperation, and together they are beginning to establish the foundations of a genuine hemispheric community. The conflicts that dominated inter-American relations during the 1980s—over the international debt crisis and Central America's wars—have been resolved. This past year, Peru became the last major debtor to sign a "Brady" debt-reduction agreement, bringing the crisis to a symbolic end, even as foreign debt payments remain a drag on economic growth in some countries. Also in 1996, the government and guerillas of Guatemala reached a peace settlement, finally ending Central America's long nightmare of civil strife. Democratic stability, political reconciliation, and economic and social progress are now the main challenges facing the region.

In 1990, President Bush announced the Enterprise for the Americas Initiative, pointing the way toward a new framework for U.S.-Latin American economic relations.

In 1990, President Bush announced the Enterprise for the Americas Initiative, calling for the establishment of a hemisphere-wide free trade system that would reach from Canada to Argentina and include all nations of the Americas. The Initiative sparked enthusiastic responses from nearly every Latin American and Caribbean country, and pointed the way toward a new framework for U.S.-Latin American economic relations.

In the same year, the United States and Mexico initiated discussions toward a free trade pact that would link their two economies more closely. Shortly thereafter, Canada joined the negotiations, and the resulting North American Free Trade Agreement (NAFTA) was approved by the legislatures of the three countries in 1993. Earlier, in 1991, at the opposite end of the hemisphere, Brazil, Argentina, Paraguay, and Uruguay established another new economic pact, Mercosur. Existing trade groups—the Central American Common Market, Caricom, and the Andean Pact—were, to varying degrees, reenergized.

Since 1990, the governments of the Americas have also worked together, mostly through the Organization of American States (OAS), to safeguard and strengthen democracy. They have disarmed insurgent movements, monitored elections that were endangered by fraud or conflict, and acted to prevent ruptures in constitutional rule. In 1991, the OAS General Assembly approved "Resolution 1080," which mandated that, whenever the constitutional order was disrupted in any country of the Americas, the OAS must immediately call a meeting of member states and develop measures to protect representative democracy. The resolution has been invoked four times—in response to a military takeover in Haiti, an attempted coup by Paraguay's armed forces, and unconstitutional seizures of

power by elected presidents in Peru and Guatemala. Over the past five years, the Inter-American Development Bank (IDB) has also expanded its role in hemispheric affairs, replacing the World Bank as the largest international lender in the region.

The Summit of the Americas, in December 1994, brought together all 34 of the hemisphere's elected presidents and prime ministers for two days of meetings in Miami. The assembled leaders approved a plan of action that conveyed an inter-American consensus on the critical issues in hemispheric affairs, and a broad convergence of interests and objectives among the countries. For the majority of nations, the Summit's most important accomplishment was the agreement to negotiate a hemispheric free trade arrangement (the Free Trade Area of the Americas or FTAA) by 2005—and the design of a process, involving periodic meetings of the hemisphere's trade ministers, to achieve that objective. On their own, the three NAFTA partners—the United States, Canada, and Mexico—underscored their commitment to regional free trade by pledging to bring Chile quickly into NAFTA.

The governments also agreed jointly to engage 22 other issues. They announced, for example, that they would cooperatively work to defend democracy and human rights, alleviate poverty, upgrade education and health services, combat corruption, curtail drug trafficking, improve the status of women and indigenous groups, and protect natural environments. The range of agreement on these and other problems was impressive. The heads of state have scheduled another summit in March 1998 in Santiago, Chile.

The Pace of Integration Slows

In the two and a half years since the Miami Summit, progress toward building a more politically cooperative and economically integrated hemisphere has been uneven. To be sure, governments and private organizations in the hemisphere collaborate on many issues. Multilateral efforts prevented a military takeover in Paraguay and restored peace between Peru and Ecuador. OAS monitors helped to assure the fairness of presidential elections in Nicaragua and the Dominican Republic. Subregional cooperation has been even more vigorous. The presidents of Central America have initiated regular, twice-yearly meetings to review common problems and set courses of action. The four Mercosur nations have strengthened their economic and trade group, and incorporated Chile and Bolivia as associate members. Despite a number of specific disputes, the three NAFTA partners continue to implement their agreement.

For the majority of nations, the Summit's most important accomplishment was the agreement to negotiate a hemispheric free trade arrangement.

Since the Miami Summit, progress toward building a more cooperative and integrated hemisphere has been uneven.

Hemispheric economic integration has been set back by the failure of the U.S. government to secure "fast track" authority.

Countries have also been working toward the goals of the December 1994 Summit. The hemisphere's trade ministers have met twice—in Denver, Colorado and Cartagena, Colombia—and a third meeting is scheduled in Belo Horizonte, Brazil in May 1997. The governments have established working groups on all the key trade issues. With the assistance of several regional agencies, these groups have made important technical progress on the free trade agenda. Ministers of defense from throughout the hemisphere have assembled twice to explore ways to improve inter-American collaboration on security matters. New treaties have been signed to combat money laundering and corruption.

At the same time, however, confidence in the future of hemispheric cooperation has diminished. Progress toward hemisphere-wide free trade has been slower than expected. Despite the election in 1994 of a highly regarded new Secretary-General, the OAS has not gained significantly in stature or credibility. Most nations remain opposed to expanding its financing or mandate, or making necessary changes in its structure and operations.

U.S. Policy

Washington's response to the collapse of the Mexican peso was a display of responsible partnership.

U.S. policy in the past two years has not been fully conducive to building long-term cooperation in the hemisphere. The pace of hemispheric economic integration has been set back by the failure of the U.S. government to secure "fast track" negotiating authority. Without that authority, Washington has been unable to (1) fulfill its pledge to bring Chile into NAFTA, or (2) initiate free trade negotiations with other Latin American and Caribbean governments. The Administration reaffirmed its commitment to pursue fast track authority during the February 1997 state visit of President Frei of Chile, but did not present a strategy for proceeding. The United States has also failed to establish an interim trade arrangement for the nations of the Caribbean and Central America—the so-called NAFTA parity measure—which would help protect these nations' economies by stemming the NAFTA-induced diversion of foreign trade and investment toward Mexico.

The loss of U.S. initiative on regional trade is partly explained by Mexico's economic crisis (which began one week after the Miami Summit concluded) and by the specter of the crisis spreading to other Latin American countries. Washington's response to the collapse of the Mexican peso—organizing and participating in a \$50 billion rescue package—was a display of responsible partnership. It was, however, decidedly unpopular in the United States (so much so that the Administration had to address the problem through an executive order because legislation would have been defeated in Congress). But, whatever the explanation, the lack of fast track authority from Congress hampered U.S. efforts to promote and pursue

hemispheric free trade. Without strong U.S. engagement, the drive toward the Free Trade Area of the Americas (FTAA) slowed, despite active initiatives at the subregional level.

U.S. policy on two other fronts—Cuba and illicit drugs—raised concerns in Latin America and the Caribbean about Washington's commitment to cooperation in hemispheric relations. On both issues, Washington unilaterally designed and implemented new coercive policies, despite the opposition of every other country of the Americas and many beyond.

The passage of the Helms-Burton legislation, seeking further to curtail international trade and investment with Cuba, was broadly condemned in Europe as well as Latin America and the Caribbean. Virtually every country rejected the legislation's extra-territorial provisions, designed to penalize foreign industries investing in Cuba. More generally, other governments consider U.S. policy toward Cuba dangerously anachronistic, more likely to sustain Fidel Castro's repressive regime in power and make it less responsive to international pressure than to promote needed change. They also fear that the U.S. approach may be increasing the prospects for violence when change does occur, rather than advancing the stated U.S. goal of a peaceful political transition.

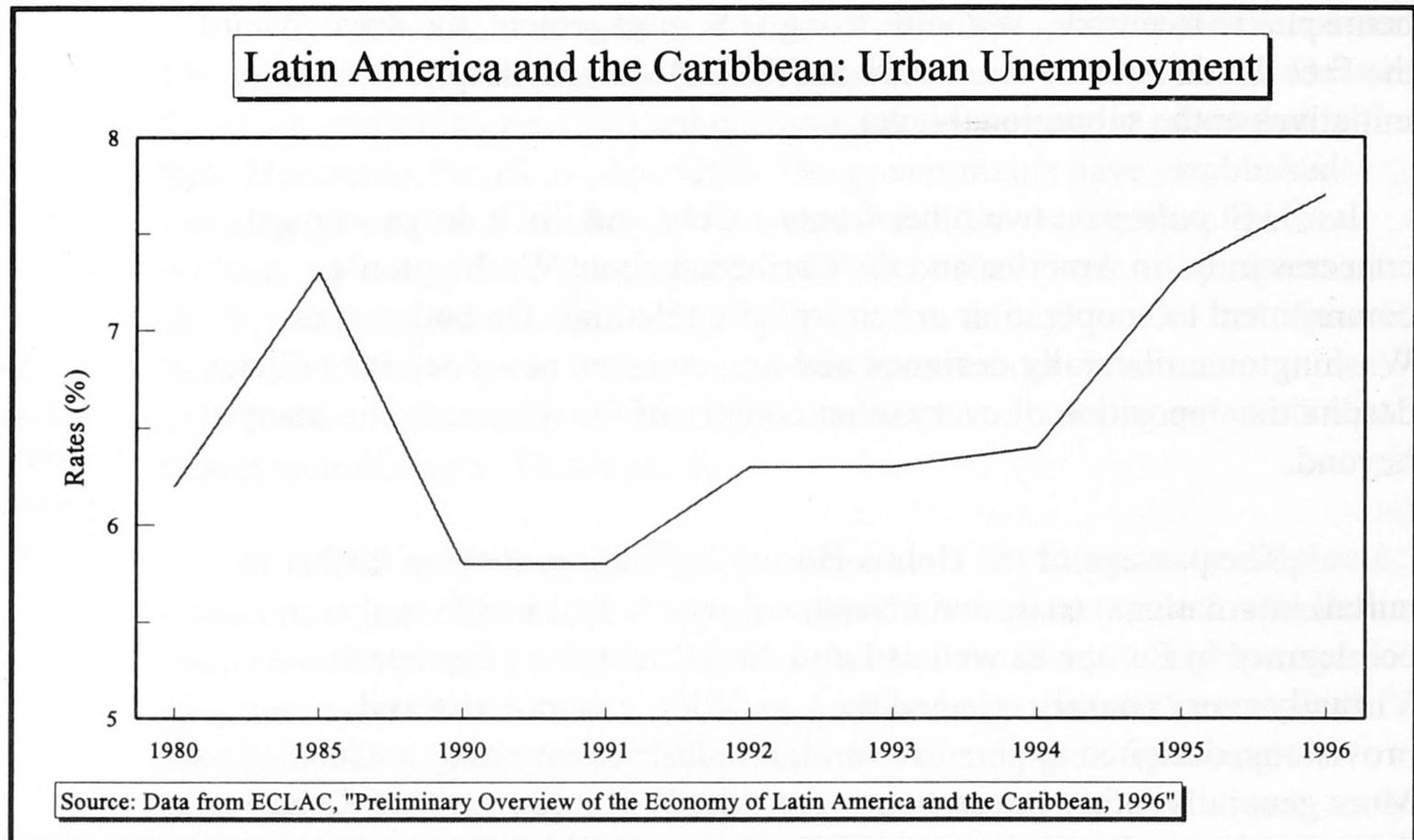
U.S. policy on two other fronts—Cuba and illicit drugs—raised concerns about Washington's commitment to cooperation.

The U.S. anti-drug campaign in Latin America is another source of friction in hemispheric relations. The problem is less the objective, which is now broadly shared, than the way Washington has shaped a strategy for fighting drugs that takes little account of the views of other nations. The strongest irritant is U.S. legislation requiring Washington unilaterally to assess and "certify" whether other nations are fully cooperating with U.S. anti-drug efforts, and then to decide on penalties for countries that do not pass the test.

A Broader Retreat from Inter-American Cooperation

It is not only in Washington that the commitment to more cooperative inter-American relations may have weakened. Other countries have also retreated from the multilateral agenda.

The Mexican economic crisis in 1995, coupled with rising unemployment in the region, sparked concern among some Latin American governments that barriers to foreign trade and investment were being lifted too rapidly, leaving countries vulnerable to external economic events. Despite the progress of subregional integration initiatives, Brazil and some other governments have advocated a slower process of hemispheric trade liberalization and greater controls on foreign



investment. They have argued, for instance, that the 2005 deadline for completing free trade negotiations in the hemisphere should be considered a target date rather than a firm commitment. Many of the smaller Latin American and Caribbean nations seek trade concessions from the United States and other large economies, rather than negotiated trade agreements with reciprocal responsibilities.

A number of governments oppose efforts to reform the OAS, and expand its role in hemispheric affairs. Reflecting, in part, Latin American and Caribbean concerns about the potential U.S. dominance of a more robust OAS, some nations are prepared to restrict the institution's mandate, tolerate mediocre performance, and keep the Organization away from major issues. Latin American governments, for example, have resisted efforts to make the OAS's Democracy Unit a more forceful instrument for democratic change. Proposals to bolster the Inter-American Commission and Court of Human Rights by expanding their authority, upgrading staff, and improving procedures have languished. Some countries would like to constrain these institutions further. There is little interest in Latin America and the Caribbean to take advantage of post-Cold War opportunities to revamp hemispheric security relations.

Expectations for regional cooperation could well have been too high. The convergence of interests and values among the countries of the hemisphere may have been exaggerated. The obstacles to more cooperative inter-American relations are, after all, still formidable and should not be underestimated. Despite the growing similarities in many dimensions, the

Some nations are prepared to restrict the mandate of the OAS, tolerate mediocre performance, and keep the Organization away from major issues.

differences among the nations of the Americas are enormous—in size and power, political and economic arrangements, history and culture, and race and ethnicity. There is a particularly striking asymmetry of power and wealth between the United States and the rest of the Americas—and that asymmetry is a continuing, potent source of distrust in hemispheric relations.

Political and Economic Reform

The essential basis for enduring and productive cooperation in the Americas was put in place with the hemisphere's broad turn toward democratic politics and market economics over the past dozen years. It was these fundamental political and economic changes that brought the countries of Latin America and the Caribbean closer together, opened the way for deeper cooperation with the United States, and set the stage for building a genuine community of nations.

Democracy and free markets have not yet generated the results they promised, however. With some exceptions, Latin America's political and economic performance over the past several years has been disappointing—at least when set against the high expectations for the region's reform efforts.

The Democratic Opening

Latin America's democratic opening has been broad and sustained. Elections are now virtually the only path to political power in the region. Military regimes and personalistic dictatorships have given way to popularly elected civilian governments almost everywhere in Latin America. The threat of a return to dictatorship is low everywhere.

Over the past dozen years, every country (except Cuba) has had at least two consecutive presidential elections, and most have had three or more. Governing parties have regularly yielded office to opposition candidates. Since 1980, only one elected president in the hemisphere, Jean Bertrand Aristide of Haiti, was displaced by military force, and he was eventually returned to power. Presidents in Brazil and Venezuela were removed from office for corruption but, in both cases, with strict adherence to constitutional norms. The string was broken earlier this year when Ecuador's president was ousted by Congress. Even though the president was corrupt and unpopular, his removal is a cause of concern because it violated the constitution and the military played a mediating role. Moreover, the governments of the hemisphere, which had responded quickly to four earlier disruptions of democratic rule, were silent this time.

Democracy and free markets have not yet generated the results they promised.

Local and regional politics are showing new vitality in many places.

On the positive side, violence was largely avoided and Ecuador's armed forces showed no inclination to take power for themselves.

In every country of Latin America, dramatic improvements took place in the quality and openness of political life following the end of authoritarian rule and the installation of elected, civilian government. The press has become more open and vigorous throughout the region. Local and regional politics are showing new vitality in many places. Ethnic and racial minorities are taking a more active political role in some nations. Civil society organizations in many countries are diversifying and expanding their reach.

Yet progress toward effective democratic practice in the region has been uneven. Democratic norms and procedures have been satisfactorily consolidated in only a small number of countries. Such central institutions of democracy as judicial systems and legislatures are weak and discredited in many nations; in some, they barely function. Political parties and trade unions are growing weaker in most countries. Human rights abuses declined almost everywhere with the end of military rule, but few governments have managed fully to control this scourge—or to eliminate the impunity with which such abuses are committed. The armed forces are subordinated to civilian authority in most nations, but in many they still retain special economic and political prerogatives. In a few, they still elude the full control of elected leaders.

With soaring crime rates, personal security has become a central political issue across the Americas.

The return of democratic rule has been accompanied by a destructive upsurge in criminal violence, often linked to drugs. With soaring crime rates, including rising incidents of kidnaping and murder, declining personal

security has become a central political issue across the Americas. Almost every Latin American and Caribbean city is far more dangerous today than it was five years ago, and no solutions are in sight. In several places, notably Colombia, Mexico, and the countries of the Caribbean, criminal enterprises

Murder Rates Per 100,000 population		
	Late 70s to Early 80s	Late 80s to Early 90s
Colombia	21	90
Brazil	12	20
Mexico	18	18
Venezuela	12	15
Peru	2	12
Panama	2	11
Ecuador	6	10
U.S.	11	10
Argentina	4	5
Uruguay	3	4
Paraguay	5	4
Chile	3	3

Source: The Economist, 1997

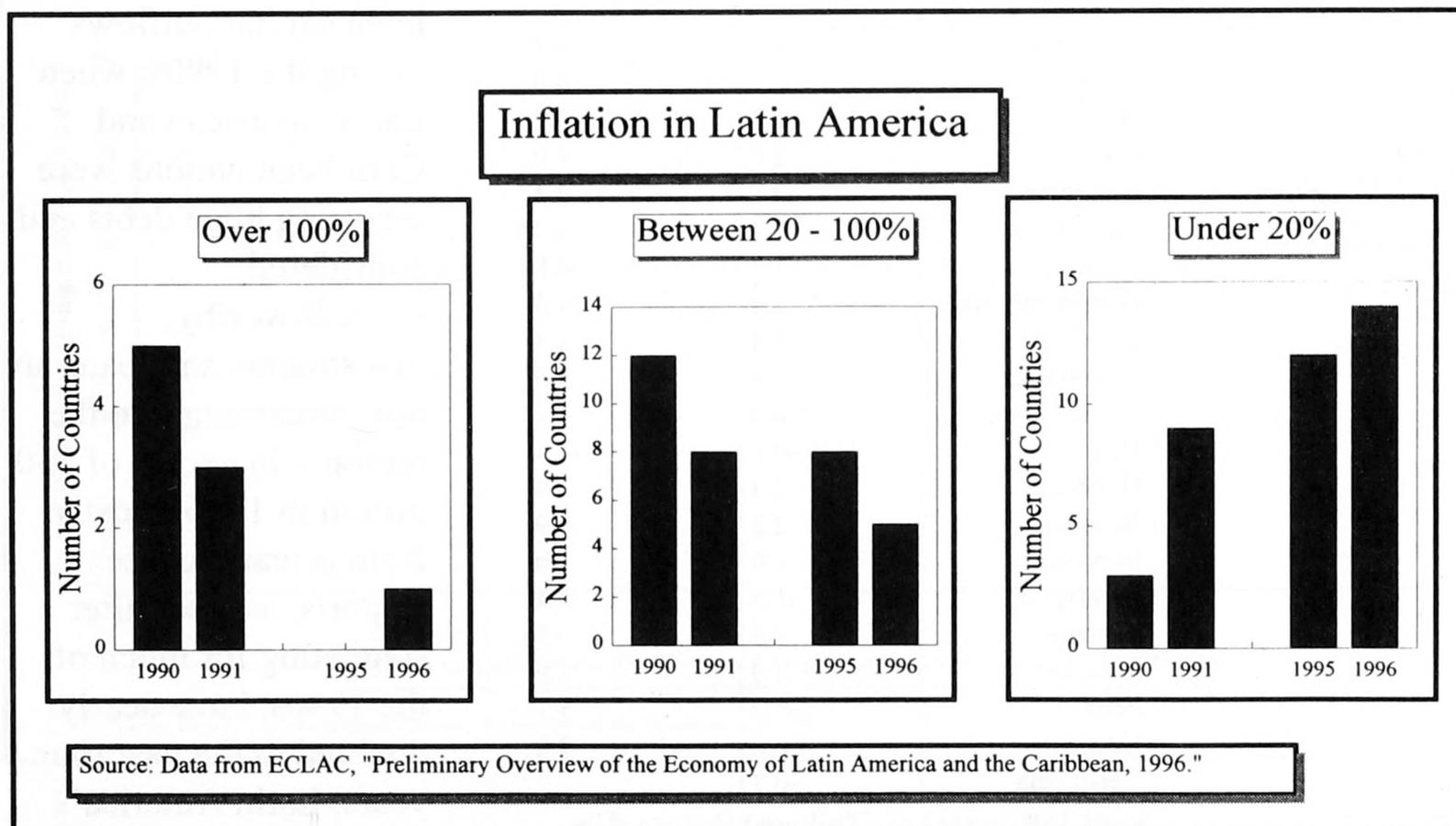
threaten to undermine elected authorities. Corruption is still widespread, although it is now widely recognized as a problem that needs to be addressed. In many countries, citizens, fairly or unfairly, associate democracy with expanding crime, corruption, and deepening insecurity—with the breakdown of law and order. These are problems that affect all social groups, and democratic governments have not been effective in dealing with them.

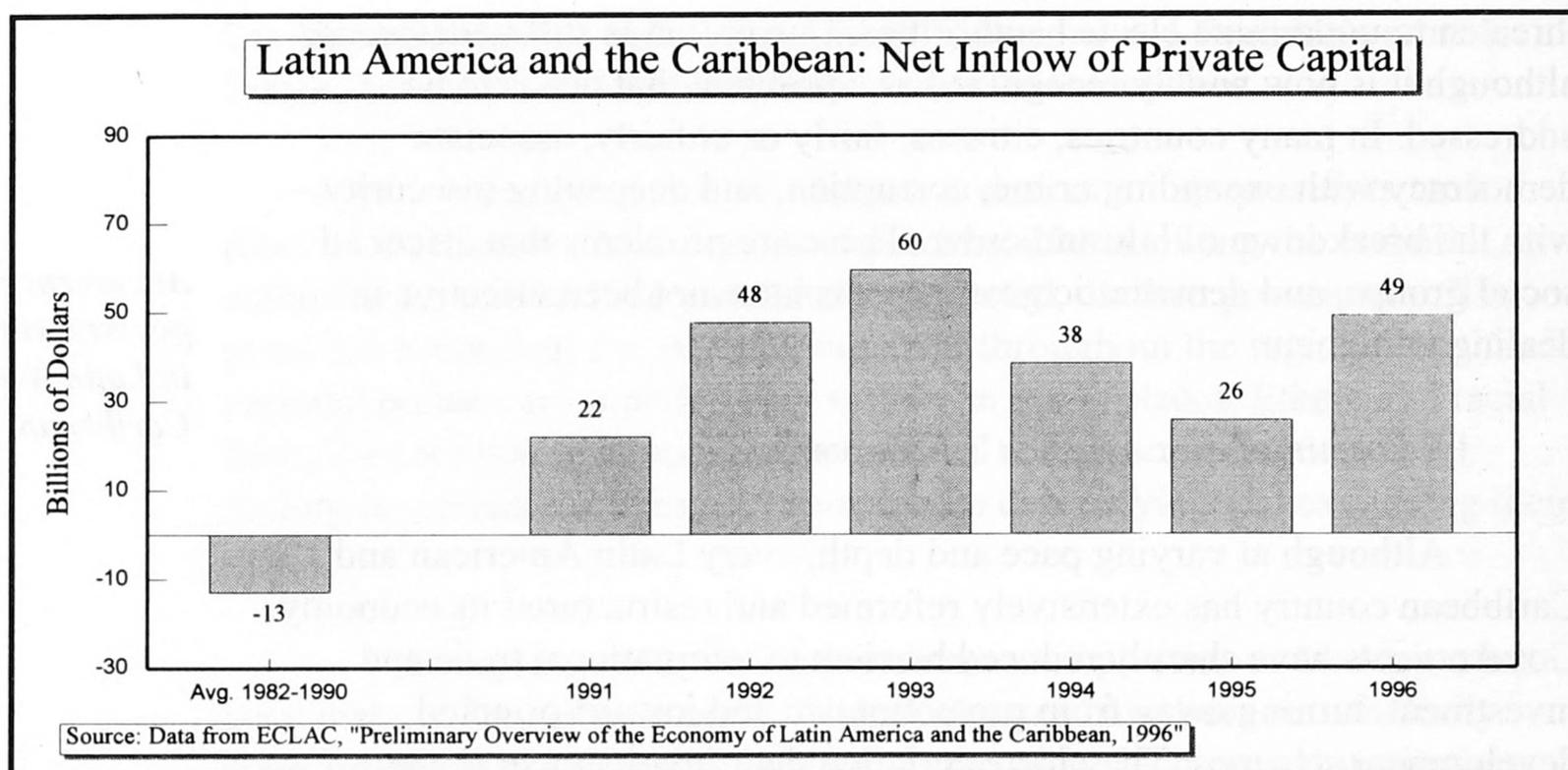
At current rates of growth, poverty will keep increasing in Latin America and the Caribbean.

Reforming Latin America's Economies

Although at varying pace and depth, every Latin American and Caribbean country has extensively reformed and restructured its economy. Governments have sharply reduced barriers to international trade and investment, turning away from protectionism and inward-oriented development schemes. They have curtailed their involvement in the production and distribution of goods and services, and scaled back regulation of economic activity. Emphasis today is on competitive markets, private enterprise, foreign trade, and macroeconomic discipline. Governments are controlling budget deficits, redirecting expenditures, transforming pension systems, and revamping tax codes to generate greater revenue.

Economic reform has produced benefits in nearly every country of the region. The most impressive gains have come from controlling inflation, which has long plagued Latin America's economies. Over the past five years, inflation rates have declined everywhere that they





were a problem. The yearly average for the region as a whole has dropped to 20 percent, from 1200 percent just six years ago. In 1990, prices in four major Latin American countries rose by more than 1000 percent. In 1996, only one country, Venezuela, had an inflation rate above 100 percent.

Latin America's annual economic expansion is only half the region's six percent average in the 1970s.

Annual Rate of GDP Growth		
	1981-1990	1991-1996
Latin America	1.1	3.2
Caribbean	0.1	1.5
Argentina	-0.3	4.7
Bolivia	0.2	4.0
Brazil	1.3	2.7
Chile	3.0	7.0
Colombia	3.7	4.4
Costa Rica	2.2	3.7
Cuba	3.7	-4.8
Dominican Rep.	2.4	4.3
Ecuador	1.4	3.4
El Salvador	-0.4	5.6
Guatemala	0.9	4.1
Haiti	-0.5	-2.4
Honduras	2.4	3.4
Jamaica	2.2	0.9
Mexico	1.9	2.0
Nicaragua	-1.5	2.4
Panama	1.6	4.5
Paraguay	3.0	2.9
Peru	-1.2	5.1
Uruguay	0.0	3.8
Venezuela	-0.7	2.4

Source: Data from ECLAC, "Preliminary Overview of the Economy of Latin America and the Caribbean, 1996"

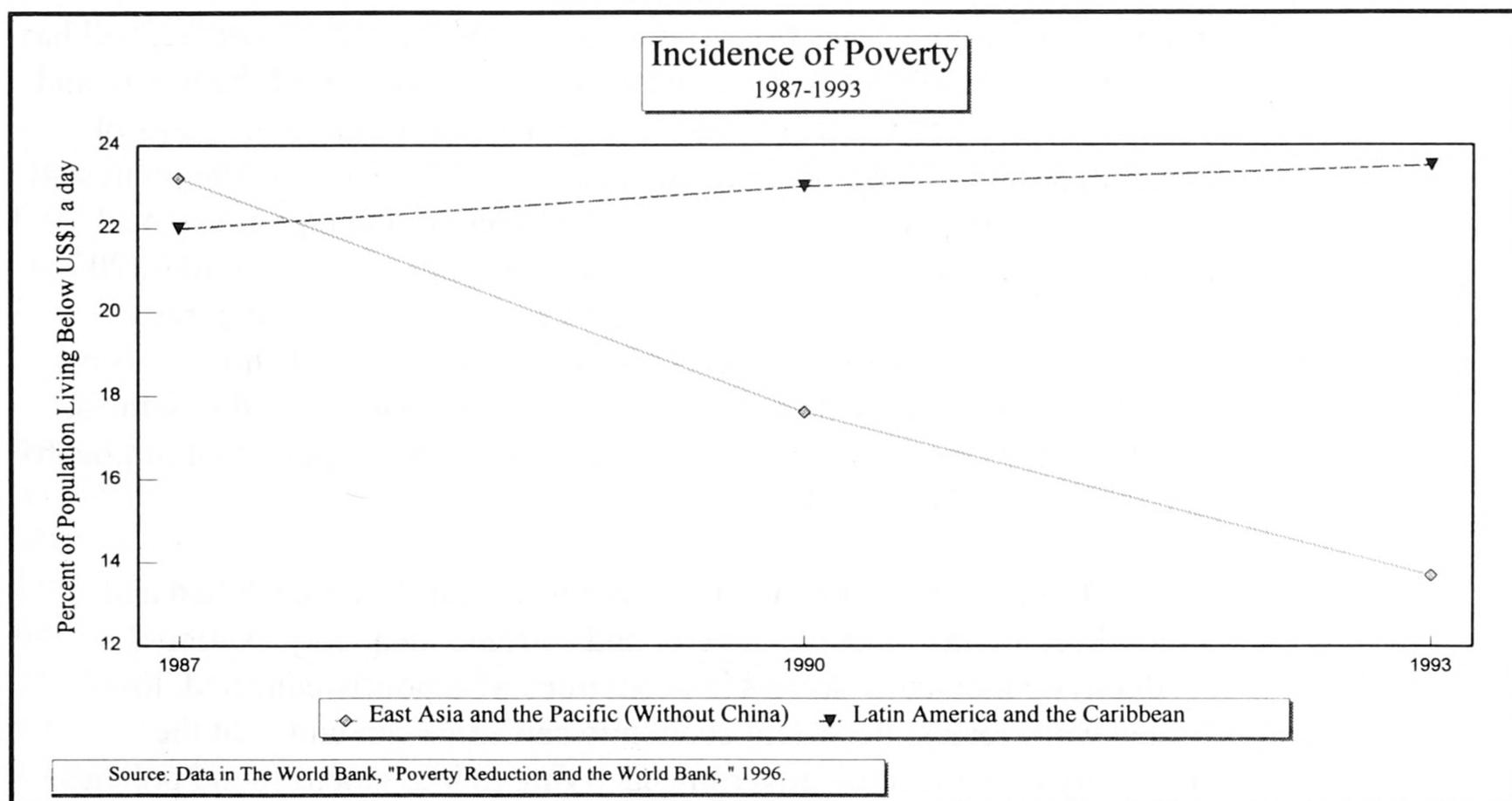
Other gains include the revival of foreign investment and lending to the region. After nearly a decade of huge capital outflows during the 1980s, when Latin American and Caribbean nations were servicing huge debts and considered uncreditworthy, investments and loans are now streaming into the region—in excess of \$50 billion in 1996, mostly from private sources. Exports, as well, after stagnating for much of the 1980s, have nearly doubled in the past four years. Latin America's per capita income has

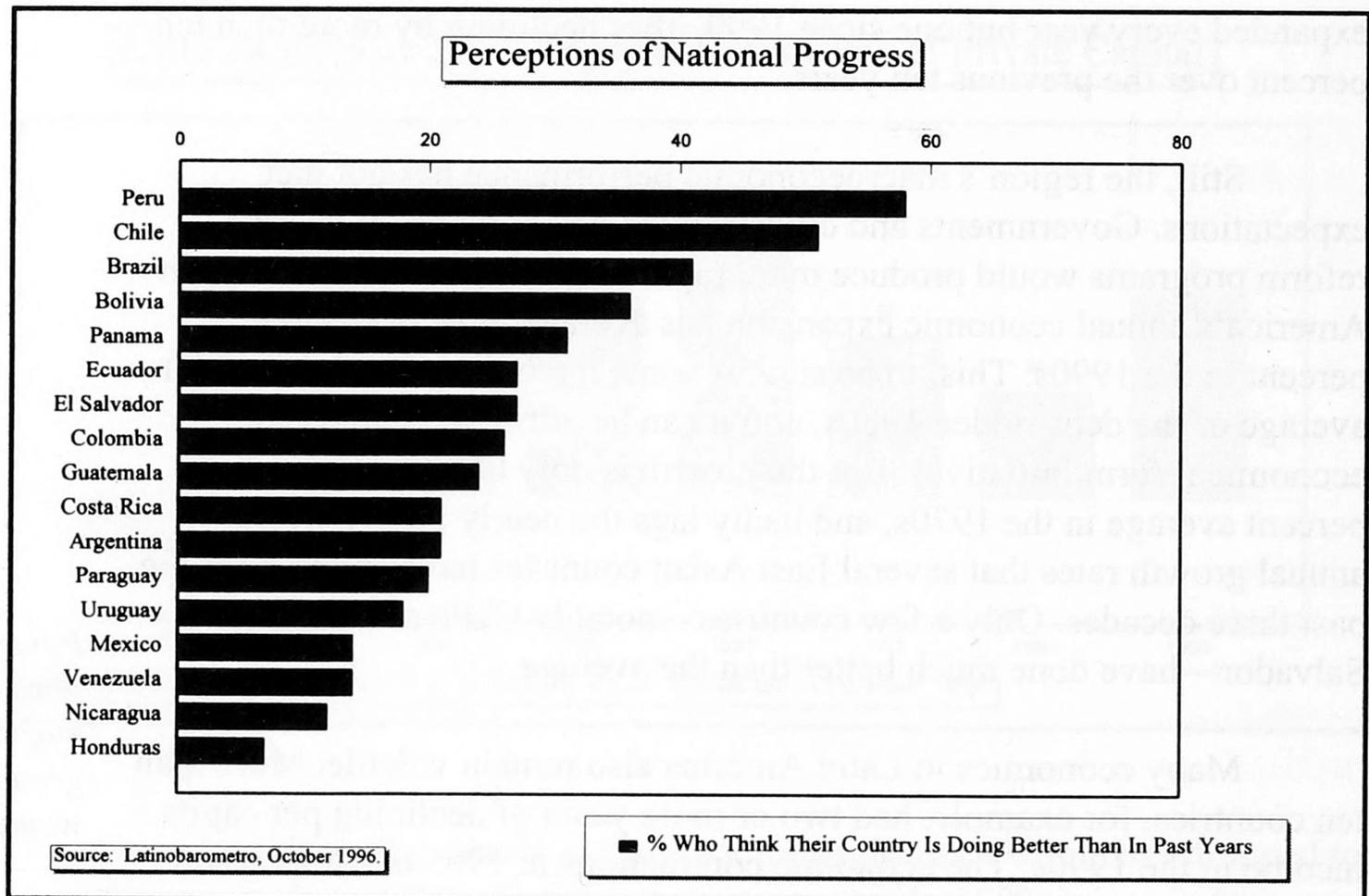
expanded every year but one since 1990, after declining by more than ten percent over the previous ten years.

Still, the region's macroeconomic performance has not met expectations. Governments and citizens alike had anticipated that the reform programs would produce more rapid and consistent growth. Latin America's annual economic expansion has averaged just over three percent in the 1990s. This, to be sure, is some three times the 1.1 percent average of the debt-ridden 1980s, and it can be attributed mainly to economic reform initiatives. But the growth is only half the region's six percent average in the 1970s, and badly lags the nearly eight percent annual growth rates that several East Asian countries have enjoyed for the past three decades. Only a few countries—notably Chile and El Salvador—have done much better than the average.

Many economies in Latin America also remain volatile. More than ten countries, for example, had two or more years of declining per capita income in the 1990s. The economic contractions in 1995 of Mexico and Argentina (two of the three largest economies of the region) were especially harsh, although both countries are recovering impressively. Most disturbing, the World Bank calculates that, at the region's current rate of growth, poverty will keep increasing in Latin America and the Caribbean.

Poverty is widespread in almost every nation, affecting most severely indigenous groups, racial minorities, women, and children.



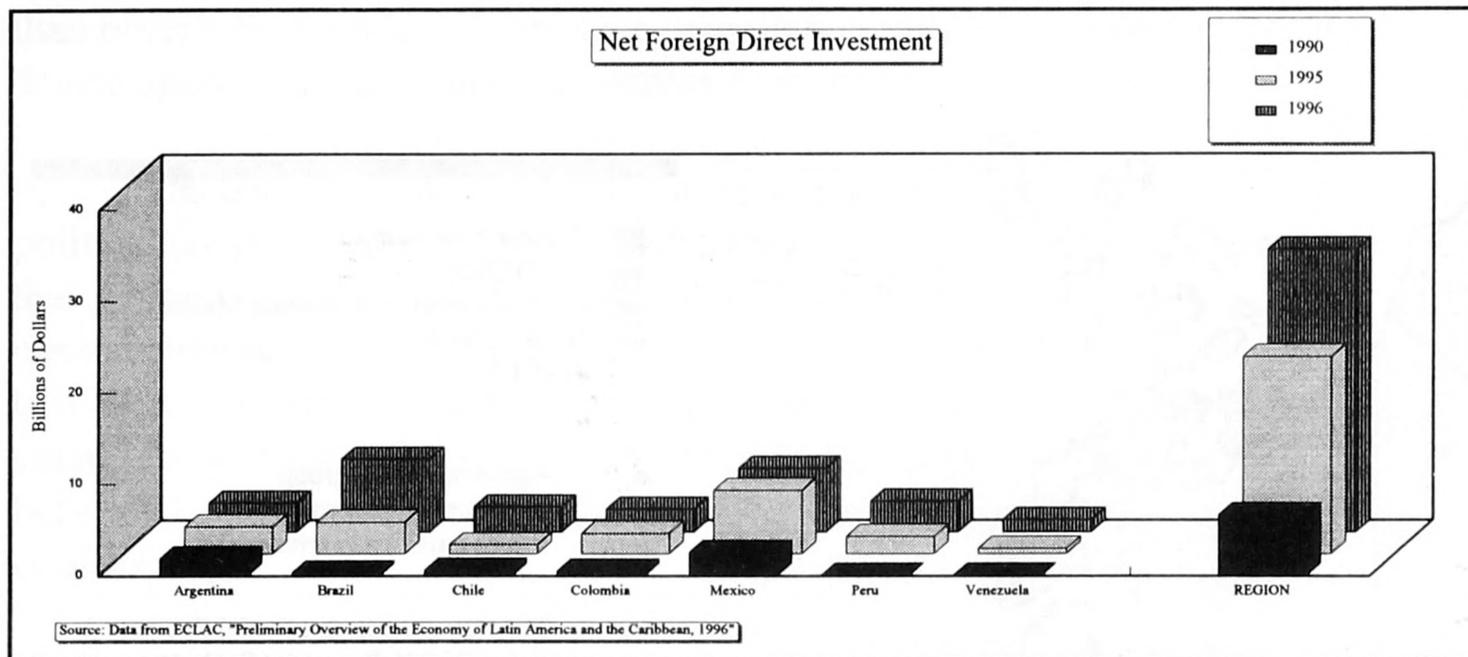


The Struggle for Social Justice

Social conditions are dismal throughout most of Latin America and the Caribbean, and are getting worse in some places. Poverty and inequality have declined some in the 1990s, largely because inflation—and the tax it imposes on the poor—has been contained. Latin America, however, still has the worst distribution of income and wealth of any region of the world, and current trends point to further deterioration (in part because the gains of declining inflation have been exhausted almost everywhere). The poorest 40 percent of the population receive only 10 percent of the region's annual income, while nearly 60 percent of the income goes to the wealthiest 20 percent. Poverty is widespread in almost every nation, affecting most severely indigenous groups, racial minorities, women, and children. Slow growth, high unemployment, low-quality and inefficient social programs, and the lack of social safety nets all contribute to the perpetuation of poverty in Latin America and the Caribbean.

Free trade will produce some losers.

The region's political and economic advances are tarnished and jeopardized by this massive poverty and extreme inequality. National productivity inevitably suffers in economies with poorly educated, low-skilled work forces. Persistent economic hardships can undercut the credibility of democratic governments trying to implement sound policies. They can also lead to a broader distrust of political leaders and institutions, abstention from elections and other political activities, and indifference to



democracy. Large social and economic disparities in a country, particularly where they are reinforced by racial and ethnic differences, undermine national cohesion and identification.

More than anything else, successful efforts to raise the living standards of the poor and reduce social injustice will enhance hemispheric prospects for sustained growth and stable democratic policies. This is also the best way to advance inter-American cooperation, which depends on shared commitments to democratic values and common economic interests.

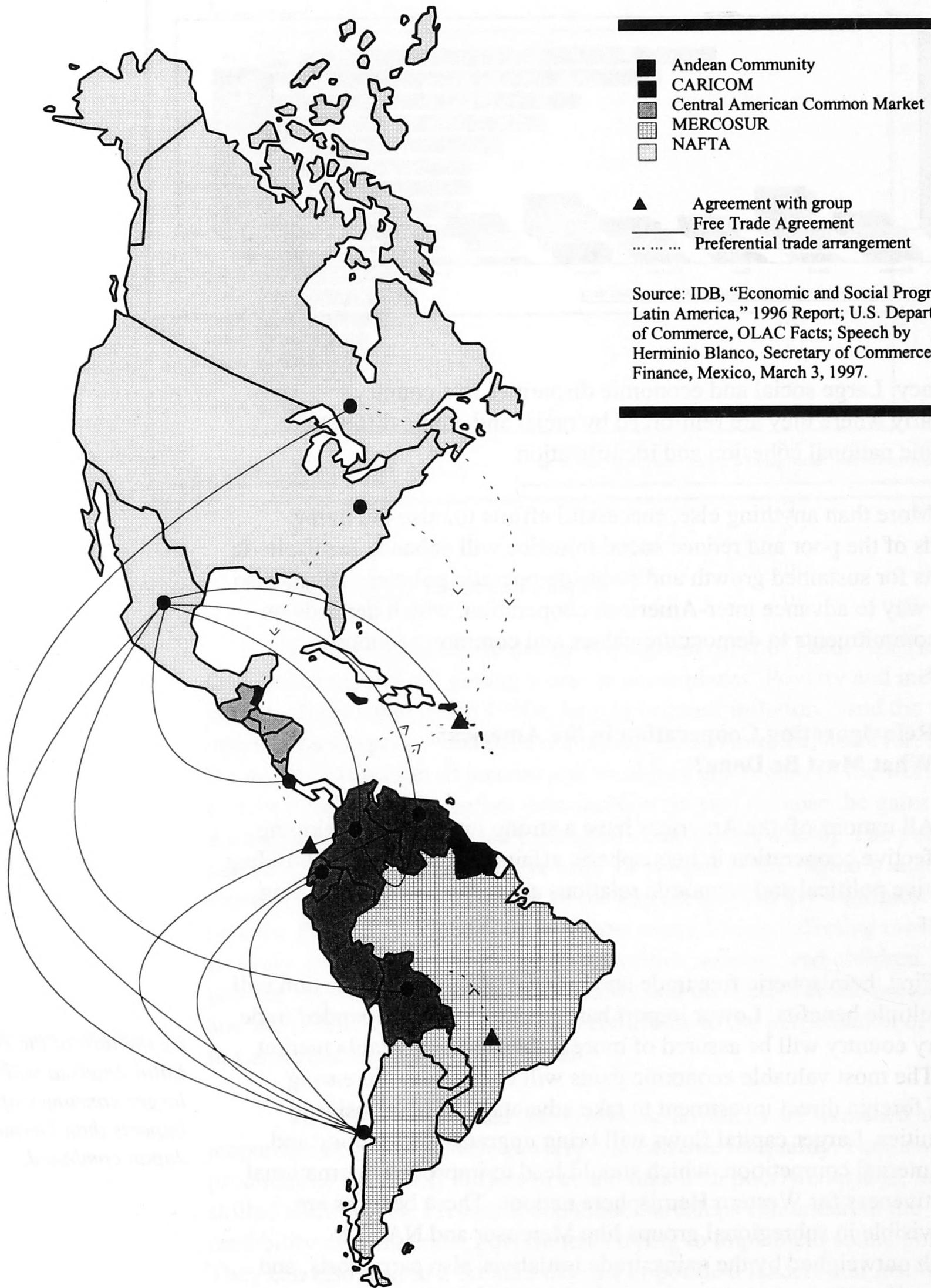
Reinvigorating Cooperation in the Americas: What Must Be Done?

All nations of the Americas have a strong interest in developing more effective cooperation in hemispheric affairs. The reasons for building cooperative political and economic relations are today more compelling than ever.

First, hemispheric free trade and broader economic integration will bring multiple benefits. Lower import barriers will lead to expanded trade, and every country will be assured of more stable and predictable market access. The most valuable economic gains will come from increasing flows of foreign direct investment to take advantage of new business opportunities. Larger capital flows will bring upgraded technology and greater internal competition, which should lead to improved international competitiveness for Western Hemisphere nations. These benefits are already visible in subregional groups like Mercosur and NAFTA. Although outweighed by the gains, trade initiatives also carry costs, and these are affecting certain countries, industries, and communities more

By the turn of the century, Latin America will be a larger consumer of U.S. imports than Germany and Japan combined.

Trade Agreements in the Americas



Source: IDB, "Economic and Social Progress in Latin America," 1996 Report; U.S. Department of Commerce, OLAC Facts; Speech by Herminio Blanco, Secretary of Commerce and Finance, Mexico, March 3, 1997.

than others. Free trade will produce some losers, and governments need to devise appropriate measures to address their needs.

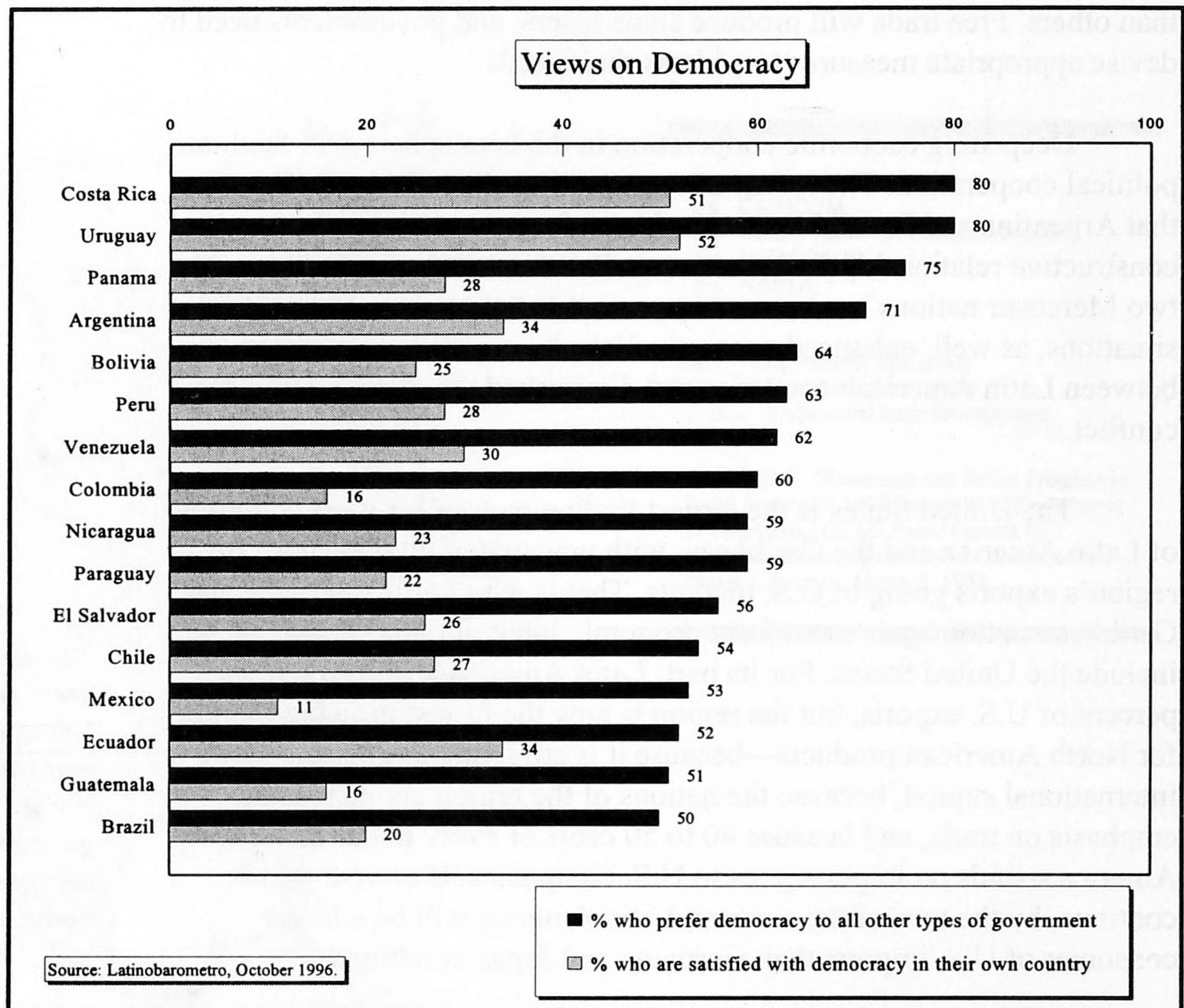
Deepening economic cooperation in the hemisphere will facilitate political cooperation. The return of democratic politics is the main reason that Argentina and Brazil have been able to forge a cordial and constructive relationship in recent years. But the economic alliance of the two Mercosur nations has been an important factor as well. In other situations, as well, enhanced economic links have reduced tensions between Latin American countries and diminished the chances of open conflict.

The United States is the largest trading partner for most countries of Latin America and the Caribbean, with upwards of 40 percent of the region's exports going to U.S. markets. That is why Latin American and Caribbean nations gain most from economic integration schemes that include the United States. For its part, Latin America absorbs only 14 percent of U.S. exports, but the region is now the fastest growing market for North American products—because it is attracting large-scale flows of international capital, because the nations of the region are increasing emphasis on trade, and because 40 to 50 cents of every dollar that Latin America spends on imports goes to U.S. companies. If current trends continue, by the turn of the century, Latin America will be a larger consumer of U.S. imports than Germany and Japan combined.

The actions taken to address constitutional challenges in Paraguay, Peru, and Guatemala, and to restore Haiti's elected government, were all accepted as legitimate exercises of power.

Second, the hemisphere confronts a variety of common problems whose solutions require cooperation and shared learning among countries. The struggle against illicit drugs and other international criminal activity is just one example. Because narcotics, money, criminals, and weapons are so easily moved across borders, and because the cultivation, processing, and transport of drugs can be shifted rapidly from one place to another, no country acting alone can make headway against the drug trade. Similarly, the prevention of environmental damage and the management of natural resources, particularly involving border areas and waterways, require sustained cooperation among nations. By joining together, the small countries of the Caribbean are better able to protect their security. And there are a range of other problems that demand joint action.

Third, by acting collectively, the nations of the Americas grant legitimacy—as well as greater influence—to initiatives that no country could justifiably undertake by itself. The actions taken to address constitutional challenges in Paraguay, Peru, and Guatemala, and to restore Haiti's elected government, were all accepted as legitimate exercises of power—not violations of national sovereignty—because they were jointly sanctioned by the countries of the hemisphere. Effective mechanisms for



collective action should also diminish the U.S. temptation to intervene unilaterally, which is so distasteful to the countries of Latin America and the Caribbean, and so damaging to the prospect of hemispheric partnership.

To be effective, the United States must lead by example, not by command or imposition.

Finally, increased cooperation gives Western Hemisphere nations an advantage in pursuing their interests in international forums. The consensus among hemispheric governments that UN peacekeepers should be stationed in Guatemala to assist that country's peace process helped to reverse China's veto on UN involvement this past year. Joint hemispheric initiatives and common positions on agricultural trade issues in the World Trade Organization (WTO), on questions of nuclear weapons and environmental affairs at the UN, or on economic strategies at the World Bank and IMF could all be influential.

The momentum toward greater cooperation in the hemisphere has slowed, but it has not reversed. Although sometimes exaggerated, a genuine convergence of values, interests, and objectives has taken place among the countries of the hemisphere. Electoral democracy is secure in

most places, democratic principles are, by and large, accepted by all sectors, and governments remain committed to collectively safeguarding democracy in the Americas. Open, market economics has become entrenched throughout Latin America and the Caribbean. The region's economies are growing, albeit slowly, and social issues seem to be moving higher on every nation's agenda. Moreover, all countries—including the United States—continue to affirm their commitment to economic integration and political cooperation. What, then, needs to be done to reinvigorate hemispheric cooperation and build the foundations of a genuine community of nations in the Americas?

Redirecting U.S. Policy

Given its size, wealth, power, and global reach, the United States will have a central role to play in the building of cooperation in the Americas. On any scale, the margin of difference between the United States and the other countries of the hemisphere is enormous. With the United States participating, the Free Trade Area of the Americas (FTAA) would boast an annual GNP of about \$9 trillion. Without U.S. participation, the GNP would drop to less than \$2 trillion. U.S. military expenditures are some ten times those of all other hemispheric countries combined. The United States is the single most important market and source of investment capital for most Latin American and Caribbean nations. The foreign policy of every Latin American and Caribbean country is crucially shaped by its relations with the United States.

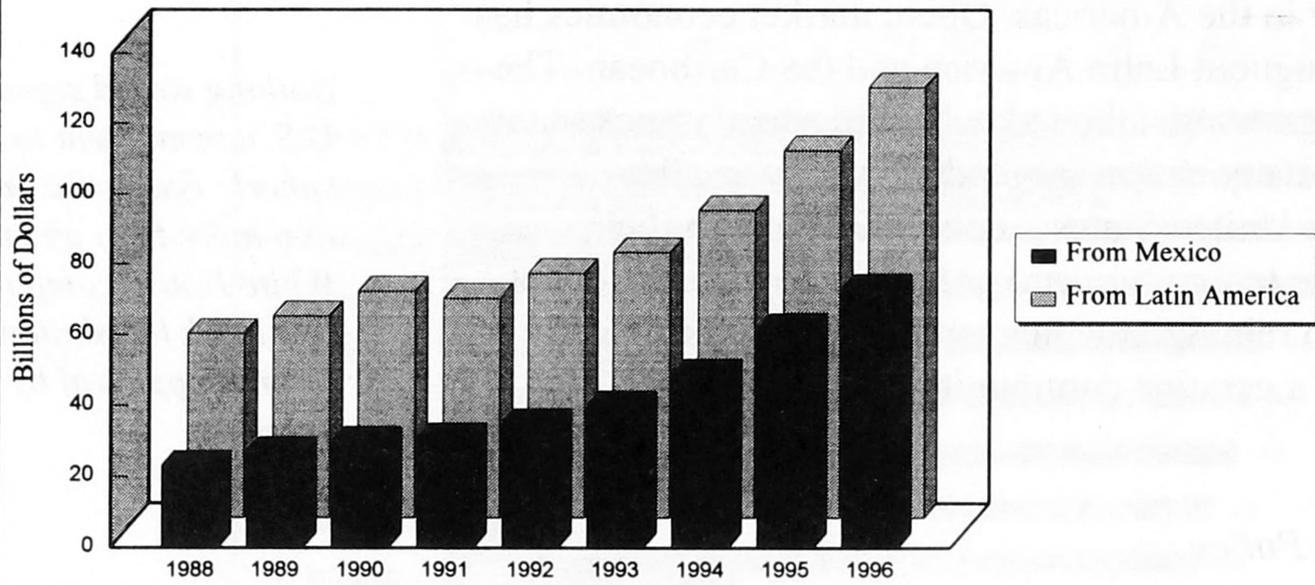
This huge asymmetry of power and resources between the United States and the other countries of the hemisphere is an obstacle to effective collaboration. Latin American and Caribbean governments are concerned that the United States will take advantage of cooperative arrangements to impose its policy preferences. They, in turn, want to shape such arrangements in ways that will constrain U.S. actions. U.S. leadership will only be constructive if the United States is genuinely respectful of other nations of the hemisphere, acts in consultation with them, and offers coherent and consistent approaches to hemispheric issues. To be effective, the United States must lead by example, not by command or imposition.

There are several specific actions that the United States should now be taking to exercise responsible leadership and point the way toward stronger hemispheric cooperation.

Nothing would signal the U.S. commitment to hemispheric economic integration more than an energetic White House campaign for fast track legislation and its prompt approval by Congress.

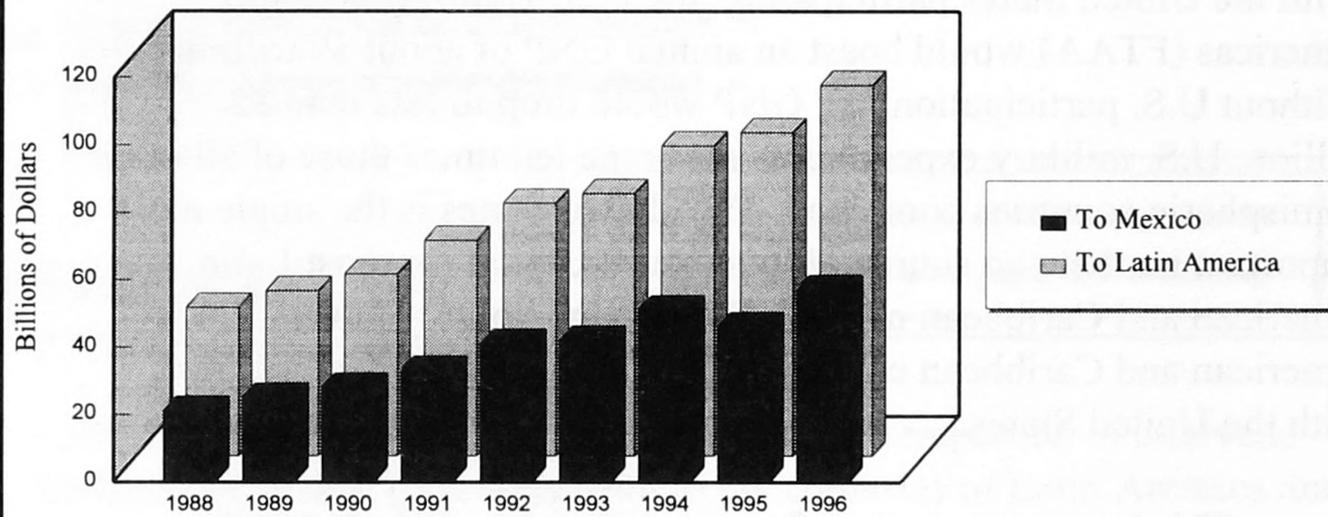
Every hemispheric government now recognizes the destructive effect of illegal drugs.

Latin American Exports to the United States
1988-1996



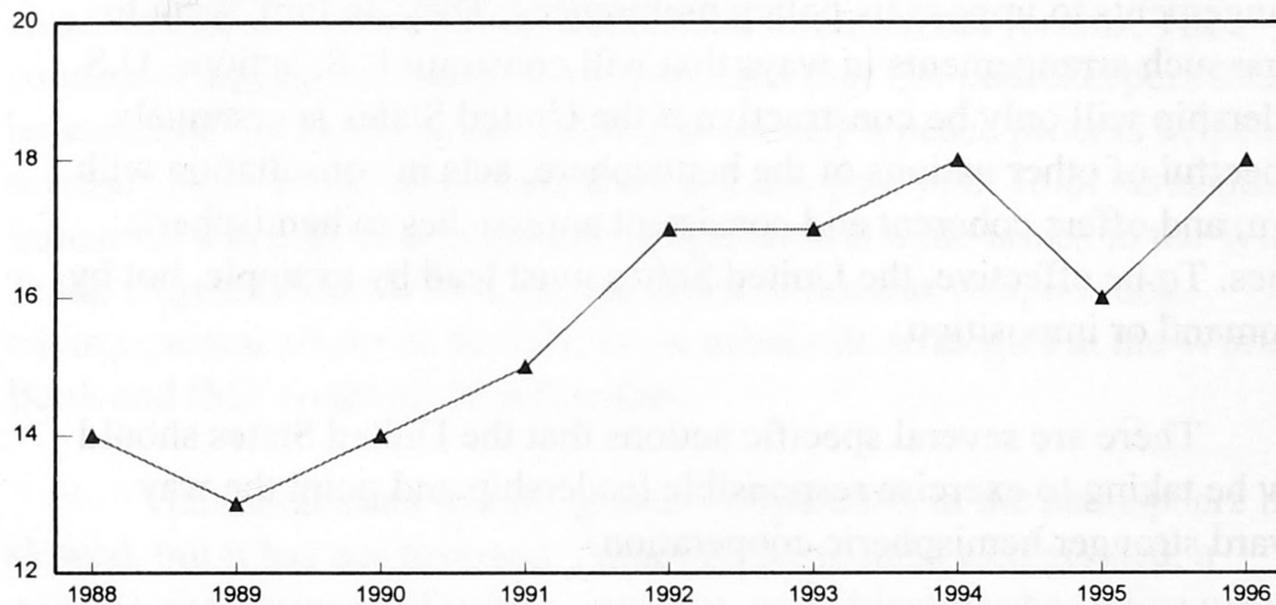
Source: Data from Census Bureau and OTEA.

U.S. Exports to Latin America
1988-1996



Source: Data from Census Bureau and OTEA.

U.S. Exports to Latin America as a Percentage of Total Exports



Source: Data from Census Bureau and OTEA.

Latin American and Caribbean nations gain most from economic integration schemes that include the United States.

- The Clinton Administration should go all out to secure fast track negotiating authority from Congress this year so that Chile can be brought into NAFTA and the United States can credibly engage other nations of the hemisphere in free trade discussions. Nothing would signal the U.S. commitment to hemispheric economic integration more than an energetic White House campaign for fast track legislation and its prompt approval by Congress.
- The United States should also enact NAFTA parity legislation this year to help shore up economies of the Caribbean and Central America. Washington should then begin negotiating full access to NAFTA for these countries, which send upwards of 60 percent of their exports to the United States and collectively buy more from the United States than Brazil or China does. These two U.S. initiatives—fast track and NAFTA parity—would do a good deal to reinvigorate U.S. relations with Latin America and the Caribbean, and accelerate the pace toward hemispheric free trade.
- The United States should join with the other nations of the Americas to develop a common, multilateral strategy to confront the trade in illicit narcotics, and the related problems of money laundering, illegal flows of arms and precursor chemicals, and besieged democratic institutions. This approach would require, first of all, that the United States stop judging the anti-narcotics efforts of other countries and “decertifying” and penalizing those that are not performing satisfactorily according to Washington’s standards. No multilateral initiative can work if the United States insists on the right to make unilateral judgments about its partners and then to impose sanctions on them.

It is self-defeating for Washington to act in isolation in its Cuba policy.

Every hemispheric government now recognizes the destructive effect of illegal drugs. They should together develop a process to collectively review national anti-drug efforts—as they have for violations of human rights and democratic process. They should also approach narcotics as a social, health, and education problem as well as a criminal one. The United States would surely have the leading voice in a multilateral program to battle drugs, but—unlike today—it would not be the only voice. This is the best way to mobilize international cooperation to confront illicit drugs.

Summit meetings of the hemisphere’s presidents and prime ministers are a powerful basis for inter-American cooperation.

- The United States should modify its policy toward Cuba, which is a continuing source of friction in relations with other governments. It is self-defeating for Washington to act in isolation in its Cuba policy. The declared U.S. objective in Cuba—peaceful change to democratic rule—is shared by every government in this

hemisphere and Europe. Other governments are prepared to work with the United States to promote democracy, human rights, and rule of law in Cuba, but Washington must be willing to consult with other nations and moderate its uncompromising approach.

Compromise must be sought on the issues of greatest contention, including the extra-territorial aspects of U.S. policy. Cooperation should certainly be possible in those areas where agreement between the U.S. and other governments already exists, such as supporting Cuba's nascent civil society, enlarging humanitarian aid, and encouraging free flows of information, ideas, and people between Cuba and other nations. Beginning in this way, the U.S. and other governments might ultimately be able to develop a cooperative strategy and set of reinforcing policies.

- The U.S. government should take the lead to have the summit implementation and planning process (and related activities like the meetings of the hemisphere's defense ministers and the FTAA deliberations) gradually integrated with the Organization of American States. Summit meetings of the hemisphere's presidents and prime ministers are a powerful basis for inter-American cooperation.

There is no more effective multilateral engagement than an assembly of heads of state seeking to build a consensus on regional norms, principles, and objectives. And there is no better way to get senior U.S. government officials to attentively focus on Latin American and Caribbean issues than to involve the U.S. president in those issues through regular summit meetings. The summits also encourage other countries to give attention to hemispheric affairs and arrangements, not merely to the specific issues and bilateral relations that dominate the international agendas of most governments.

By themselves, however, summit meetings are ad-hoc events that do not provide a sustained or cohesive approach to managing cooperation in the hemisphere. There is the danger that the summits and related activities may weaken, rather than strengthen, the hemisphere's established institutional forum—the OAS. The U.S. and other governments should undertake to adapt the OAS to the summit process.

Collective action to defend democracy depends on the strength of democratic practice within each nation.

The Common Agenda

The joint efforts of every country of the hemisphere will be required to build cooperation in inter-American relations. Over the next several years these efforts should focus on three main priorities—reinforcing internal democracy and equitable economic expansion in every country of the hemisphere, building free trade throughout the Americas, and restructuring and strengthening the OAS and other regional institutions.

Strong nongovernmental organizations and socially responsible business communities are vital for social advance.

I. The National Challenges: Genuine inter-American cooperation can be built only on the foundations of strong national communities. Collective political action by the hemisphere's governments and nongovernmental actors to defend democracy and rule of law where they are endangered depends, more than anything else, on the strength of democratic practice within each nation. Similarly, what will most determine the quality and depth of hemispheric economic cooperation—and provide the motivation to pursue that cooperation—will be the dynamism of the region's economies. The broad turn toward markets has made free trade and economic integration in the Americas possible. It will take robust, growing economies to make integration succeed. And, to sustain democratic politics and economic advances, every country of Latin America and the Caribbean must squarely face the challenges of poverty and inequality.

The task of fortifying and consolidating democracy is daunting, as is the achievement of economic growth with equity. No one knows for sure how to accomplish either task. What we do know is that they will require continued, extensive reform in the coming period.

Free, periodic elections to choose a nation's political leaders are clearly an essential element in any democracy, and today characteristic of nearly every Latin American and Caribbean country. Now, countries face the more difficult, "second generation" challenge of building solid democratic institutions—legislatures, parties, labor unions, judicial systems, local governments, and civic and community organizations, for example—that can effectively deliver public services and are accountable to citizens.

Market-oriented policy reforms have improved economic performance throughout Latin America and the Caribbean. Like the consolidation of democracy, however, long-term economic growth will require a second stage of institutional reform and restructuring that is harder to implement. Nations now have to remake key economic and financial institutions, both private and public. They have to raise the

competitiveness of the private sector, devise the means to regulate new and expanded economic activities, reform labor and civil service legislation, and boost tax revenues and national savings.

The most critical internal challenge confronting the nations of the Americas today is how to raise living standards and reduce social and economic inequality. No one solution will work. It will take long-term commitment and forceful government action on many fronts over decades to produce lasting improvements. Governments have appropriately scaled back their activities in some areas. It is now crucial that they turn priority attention and increased resources to those problems that clearly require public initiative, such as improvement of education, health, and other social services. Governmental action will not, by itself, be enough. Strong nongovernmental organizations and socially responsible business communities working in tandem with governments will also be vital. An effective strategy has to include three inter-linked and reinforcing elements:

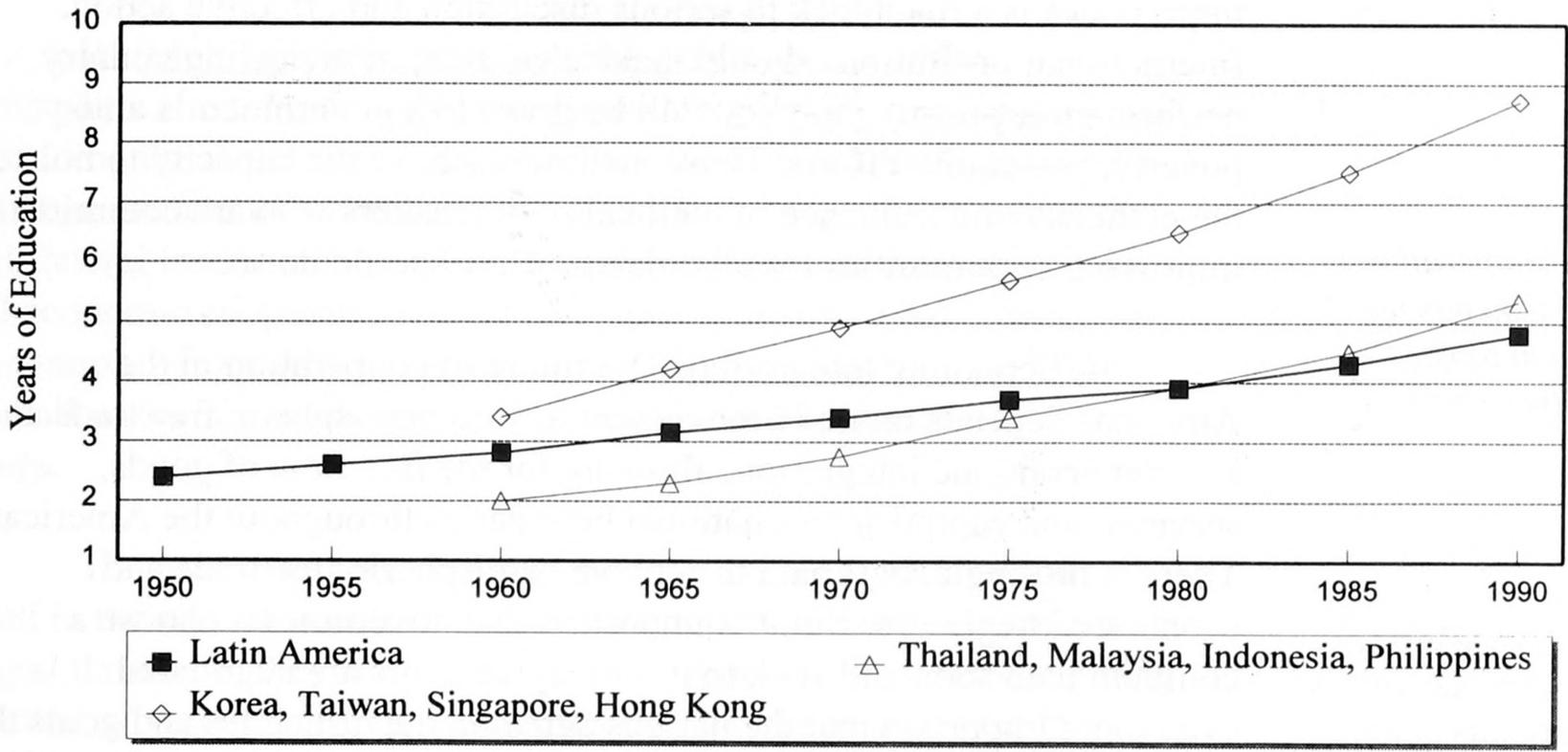
- Stable macroeconomic policies and sustained growth are fundamental. Low inflation and rapid, stable economic expansionism are powerful antipoverty measures.
- Public investments must be directed toward upgrading the skills and raising the productivity of the poor. More than anything else, it is essential that Latin American and Caribbean nations improve the quality of education available to every child in the region; increased spending on primary and secondary schools is crucial. Programs to aid small businesses and foster rural development can make poor people more productive by providing them with capital assets. In every area, investing in women and girls, as well as disadvantaged minorities, is likely to produce the largest payoffs.

Increased spending on primary and secondary schools is crucial.

Perceptions of the Most Important Problem in the Region				
% of population				
Region/ Country	Education	Unemployment	Low Salaries	Corruption
Total Latin America	15	21	9	8
Argentina	18	43	6	10
Brazil	14	13	13	11
Chile	17	9	12	2
Colombia	22	16	2	18
Peru	20	32	14	2
Uruguay	15	36	11	6
Venezuela	31	8	4	10

Source: Latinobarometro, October 1996.

Educational Level of the Labor Force Latin America and Southeast Asia



Source: Londoño, "Poverty, Inequality, and Human Capital Development in Latin America, 1950-2025," World Bank, 1996

- A serious commitment to greater equality of opportunity will require every nation of the Americas to make their public sectors more efficient and accountable, reallocate existing public expenditures from upper- to lower-income groups, and introduce tough measures to insure that the better-off pay their taxes. Government spending for education in most Latin American countries today reinforces and perpetuates existing inequalities. Education should, instead, be turned into an instrument for equalizing opportunities and fostering shared growth. Throughout the region, tax burdens are slight compared to other middle-income countries, and the taxes actually collected are more likely than not to be regressive. Thoroughgoing tax reform is essential for social progress in Latin America.

The main task of confronting poverty and inequality falls to each nation, but international financial institutions (mainly the World Bank and Inter-American Development Bank), bilateral donors, and private aid agencies can help by putting their financial, intellectual, and political muscle behind national efforts. All of these agencies have the ability to focus priority attention on education and social issues—by spending money and imposing conditions on their loans, and through programs of research and publication, public speeches, and

persistent private communications to national leaders. These institutions can also show the way by introducing better data collection and analysis on poverty and inequality worldwide. The lack of reliable statistics on these issues is a roadblock to serious discussion and effective action. International institutions should make clear that, in reviewing country performance, priority attention will be given to a government's anti-poverty, pro-equity efforts. These institutions have the capacity to bolster the authority and influence of national policymakers who are committed to improving opportunities for all citizens. They should do so.

The future of cooperation in the Americas depends on rapid movement toward hemispheric free trade.

II. Economic Integration: The future of cooperation in the Americas depends on rapid movement toward hemispheric free trade and broader economic integration, allowing for the free flow of goods, services, and capital across national boundaries throughout the Americas. There is no single, best path to achieve hemispheric free trade and economic integration. But it is important that governments choose a common path soon and stick to it until agreements are negotiated. It is even more important that the nations agree on the principles and goals that should guide economic integration efforts. Some key considerations are:

- Efforts should continue to consolidate and deepen Mercosur, NAFTA, and other subregional free trade arrangements. These arrangements have reduced trade barriers throughout the hemisphere, and are producing economic benefits for participating countries. The members of these trade groups should sustain policies that will facilitate subsequent integration efforts at the hemispheric level. Hemispheric trade arrangements, in turn, should be kept fully consistent with an open multilateral trading system at the global level. This is the way to maximize the gains of regional integration.
- Every country of the Americas is a member of the World Trade Organization, and, as such, has accepted a wide range of trade obligations to other members. In negotiations toward hemispheric free trade, the governments together should be prepared to assume new trade-opening measures. Non-tariff barriers, not tariffs, are now the main obstacle to trade and investment flows. Removing them quickly should be the primary objective of hemispheric trade talks.
- A permanent secretariat is needed to support negotiations toward a free trade agreement. The secretariat, which could be associated with a strengthened OAS, is already needed as an independent source of information, technical analysis and expert advice (particularly for the hemisphere's smaller economies) as well as a

coordinator of schedules and logistics. As negotiations proceed, these tasks will become increasingly complex, and the need for a competent secretariat even greater.

III. Multilateral Institutions: The governments of the hemisphere should give high priority to strengthening the capacity and expanding the mandates of key inter-American institutions, especially the Organization of American States (OAS). Stronger and more active multilateral institutions will be required to manage sustained political and economic cooperation in the hemisphere. Institutional creation and renovation—from APEC, OECD, and NATO to reform of the UN—are hallmarks of a world increasingly challenged by transnational issues.

The problems and weaknesses of the OAS are serious and stand in the way of genuine multilateral cooperation in the hemisphere. In good measure, they reflect the absence of political consensus among member governments about what the OAS should be and what it should do. Forging that consensus is a crucial challenge for all governments of the Americas.

The Organization of American States, along with the Inter-American Development Bank, are the logical mechanisms through which governments should engage each other in the management of hemisphere affairs. Other regional arrangements, like the FTAA process, the Summit Implementation Review Group (SIRG), and the Rio Group, for example, are making valuable contributions. The OAS, however, is the only forum where all governments regularly come together to address the full range of regional issues. The OAS provides the infrastructure and machinery for cooperative effort. It is up to the governments to make good use of them. The OAS does not today have the capacity to assume a central role in the design and management of the presidential summits or the hemispheric free trade negotiations. Member governments should, however, recognize the desirability of having a reformed and revitalized OAS eventually assume these responsibilities.

The nations of the Americas should initiate a fresh, systematic review of the OAS—for the purpose of reforming its operations and redirecting its activities. The future of the OAS should be a priority issue at the next summit meeting in Santiago in March 1998. Extensive preparation will be required to reach agreement on fundamental questions regarding the OAS's future, and governments should start now to develop proposals for change. Governments must begin to look to the OAS as the place to deal with the central problems of inter-

The problems of the OAS reflect the absence of political consensus among governments about what it should be and what it should do.

A series of small, practical steps can produce historic progress.

American relations. Relying on ad-hoc arrangements is not good enough. Genuine hemispheric cooperation requires effective hemispheric institutions.

The countries of the Western Hemisphere are closer than ever before to regional economic integration and meaningful political cooperation. Over the next several years, a series of small, practical steps can produce historic progress toward more enduring and productive ties among all nations of the Americas.



Bill Clinton, Sol Linowitz, and Javier Pérez de Cuéllar



Nora Lustig, Moisés Naím, and Fernando Henrique Cardoso



Ana Julia Jatar and Charlene Barshevsky



Sergio Bitar, Oscar Arias, and Bernard Aronson

SUPPLEMENTAL COMMENTS

Mariclaire Acosta

Although I support many recommendations in this report, I do not agree with its tone. It reflects the asymmetrical and unbalanced relationship between the United States and the rest of the hemisphere. There is inadequate emphasis on domestic U.S. issues that have a direct bearing on its relations with other countries. Furthermore, on almost every issue the report is based on U.S. perspectives and interests. I would question whether the interests of the United States on issues such as drugs, capital flows to Latin America, prevalence of free market economies, and the end of the debt problem are *really* the same as in the rest of the hemisphere. In recommending effective mechanisms for collective action in the Americas, the report characterizes the U.S. temptation to intervene unilaterally as “distasteful” to the other countries of the region—I would suggest that a more accurate adjective would be “destructive”.

Raúl Alfonsín

This is a very good report and I agree with most of it, but I want to express some reservations. The report reflects an unjustified enthusiasm for the economic adjustment policies in Latin America. While acknowledging their high social cost, it calls for deepening the reforms without establishing needed regulatory frameworks and safety nets. Also, the external debt problem of Latin America has not been resolved. It is one of the gravest problems the region suffers.

The United States should more effectively control drug consumption among its own population, and all nations in the region should reject the idea of involving armed forces in fighting drug trafficking. The consequences of military involvement would clearly be detrimental to the consolidation of democratic systems.

Peggy Antrobus

This report illustrates the dilemmas in attempting to analyze Latin America and the Caribbean as a single region, given the enormous differences between the Commonwealth Caribbean (CARICOM) and Latin America.

Fifty years of parliamentary democracy preceded by an anti-colonial struggle sets CARICOM countries apart. A commitment to human rights and democracy are part of our history. These values are meaningful, however, only if people have secure livelihoods. Globalization and unchallenged market forces place these in jeopardy for CARICOM countries. Without ethical considerations, poverty and inequity will not be solved by market-led growth and U.S.-style democracy.

These differences in perspective—and the limitations of this report—are illustrated by the absence of any reference to the relationship between CARICOM countries and the United States regarding such fundamental issues as sovereignty and economic survival. Is it really possible to speak of common interests when there is such an imbalance of wealth and power between the parties?

Sergio Bitar

I do not now foresee the expansion of NAFTA to Chile or other Latin American countries. Neither the U.S. Congress nor Administration appear to agree on how to do so. My own analysis leads me to prefer a bilateral free trade arrangement between Chile and the United States rather than entry into NAFTA. Such bilateral negotiations could be a precedent for future negotiations with MERCOSUR.

Lee Cullum

As a journalist, I cannot endorse the specific aspects of this report, but I do concur in the spirit of it.

Karen DeYoung

As a practicing journalist involved in coverage of U.S. government policy, I make no endorsement of the policy recommendations on trade and U.S. involvement in multilateral organizations contained in this report.

Maurice Ferré

As a firm supporter of the Helms-Burton Act, I would oppose any recommendation to weaken that Act or change the direction of U.S. policy toward Cuba.

Richard W. Fisher

The report does not sufficiently stress the tremendous need for governments in the hemisphere to institute policies to encourage higher savings. Increased savings is the touchstone for true economic prosperity, and will encourage increased foreign direct investment. On the drug issue, the United States must assume greater responsibility for curtailing demand. At the same time, it should not declare corrupt governments of supplier nations as cooperative. With regard to trade, the statement could be more blunt: the president of the United States must *personally* make a strong push for Fast Track.

Jack Fuller

As publisher of *The Chicago Tribune* I have always felt it best not to join any political statements outside of the newspaper, therefore I must stand on the disclaimer in the introduction. The views expressed in the document are not necessarily my own.

Xabier Gorostiaga

The Inter-American Dialogue's expressed concern about growing poverty, unemployment, inequality, and the exclusion of the majority of Latin Americans should be at the center of our agenda. The report places an excessive emphasis on "market democracy," when the markets are very fragile, imperfect, and shrinking for most people, and democracies have to survive in a sea

of poverty, inequality, and ungovernability. The Dialogue needs to complement its analysis with greater attention to underlying values.

Carla Hills

I would offer two comments. First, while cooperative, multilateral responses to challenges in the hemisphere are always to be preferred, there may be circumstances involving our vital interests that would require us to act unilaterally. Second, creating a permanent secretariat to support FTAA negotiations would simply produce a new bureaucracy, duplicating the technical and advisory expertise already available from existing institutions.

David Lawrence

As a journalist and publisher of *The Miami Herald* I must stand on the disclaimer in the introduction. The specific views expressed in the document are not necessarily my own, but I do agree in general with its message.

Fernando Léniz

In general the report is good, except that it should much more clearly relate poverty to the lack of education. In my judgement, education is a "necessary condition" for attacking poverty and sustaining growth in today's world. The solution of health and other social policies can come as a "consequence" of sustained growth and an excellent educational system for the entire population.

Manuel R. Moreno Friginals

Critics of the Helms-Burton Law exaggerate its extra-territorial dimension. Many foreign investors are acquiring properties that were confiscated without proper compensation, and are paying Cuban workers the lowest wages in the region. I agree with those who fear the possibility of violence in Cuba.

José Francisco Peña Gómez

I share to a large degree the judgements expressed in the report, but I do have a few reservations. I do not agree that president Carlos Andrés Pérez' removal from office was legal, as the charges against him were not proven. It is also important to note the elections of 1994 and 1996 in the Dominican Republic were by no means fully free and fair, given the misuse of government resources in the campaign. Finally, the report should have emphasized that the lack of political participation by women puts a severe limit on democracy in Latin America.

Augusto Ramírez Ocampo

The asymmetry noted in the report between the United States and the rest of the region calls for accelerating the political integration of Latin America through the creation of a Latin American Community of Nations. The Rio Group and the Latin American Parliament have been working

toward this objective in order to create greater balance in ongoing trade negotiations. It is inappropriate to compare, as the report does, the military intervention of the United States in the case of Haiti—which was not supported by the majority of countries of Latin America—with the collective actions legally authorized by the Organization of American States in the cases of Guatemala and Paraguay.

Mario Vargas Llosa

I have long supported sanctions against all dictatorships, in Latin America and elsewhere, whether of the left or right. Accordingly, I believe that it is important to maintain sanctions against the Cuban government.

MEMBERS OF THE INTER-AMERICAN DIALOGUE

FROM LATIN AMERICA, THE CARIBBEAN, AND CANADA

Mariclaire Acosta Urquidi is president of the Mexican Commission for the Defense and Promotion of Human Rights, and a founder of the Mexican Academy for Human Rights.

Raúl Alfonsín was president of Argentina from 1983 until 1989. He presides over the Institute of International Relations of the Radical Party.

Peggy Antrobus is former head of the Women and Development Unit at the University of the West Indies, and Development Alternatives with Women for a New Era (DAWN).

Oscar Arias is president of the Oscar Arias Foundation, and recipient of the Nobel Prize for Peace. He was president of Costa Rica.

Roberto Baquerizo is president of Banaunión Grupo Financiero in Ecuador, and of Fruit Shippers, Ltd. He has served as president of the Guayaquil Stock Exchange.

Nicolás Ardito Barletta was president of Panama from 1984 until 1985, and vice president for Latin America and the Caribbean at the World Bank. He now serves as general administrator of the Inter-oceanic Region Authority.



Mariclaire Acosta and Monica Lozano

Sergio Bitar is senator from the northern region of Tarapaca, and president of the Pro-Democracy Party in Chile.

José Octavio Bordón was governor of the province of Mendoza, Argentina, and a candidate for president.

Rodrigo Botero served as minister of finance of Colombia, and is the founder of the Foundation for Higher Education and Development in Bogotá.

Edwin W. Carrington is secretary-general of the Caribbean Community Secretariat.

Carlos Castillo Peraza is a candidate for the mayor of Mexico City. He was president of the National Action Party (PAN) of Mexico.



Enrique Dreyfus, Nicolás Ardito Barletta, and Margaret Catley-Carlson

Margaret Catley-Carlson is president of the Population Council. She was deputy minister for health and welfare in Canada, and president of the Canadian International Development Agency.

Fernando Cepeda Ulloa is director of the magazine *Estrategía: Económica y Financiera*. He was minister of government in Colombia.

Roberto Civita is chairman and CEO of Abril S.A., Brazil's largest publishing and pay TV company.

Oliver F. Clarke is chairman of the board and managing director of The Gleaner Company. He was 1990 recipient of The Americas Award and he will become president of the Inter-American Press Association in October 1997.

Jonathan Coles is chairman of Mavesa, and president of Venezuela Competitiva. He was minister of agriculture of Venezuela.

Gisèle Côté-Harper Q.C. is a barrister and teaches law at Laval University in Quebec. She is member of the board of directors of the Inter-American Institute of Human Rights in Costa Rica.

Roberto Teixeira da Costa is vice chairman of the board of Banco Sul America and chairman of the Brazilian chapter of the Latin American Business Council (CEAL). He was founder of the Brazilian Securities and Exchange Commission.

José María Dagnino Pastore is professor of economics at the Catholic University of Argentina. He served as minister of finance, minister of economy and labor, and ambassador-at-large in Europe.

Enrique Dreyfus was foreign minister of Nicaragua from 1990 to 1992. He has served as president of Nicaragua's principal business federation, and director for Nicaragua at Banco Centroamericano de Integración Económica (BCEI).

Oscar Espinosa is managing director of Enrique Ferreyros, S.A. in Peru. He was chairman and president of Peru's National Development Corporation.

Carlos Filizzola, M.D., is president of the Encuentro Nacional party. He was the first democratically elected Mayor of Asunción, Paraguay, and deputy secretary-general of Paraguay's largest labor association.

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Diego García Sayán is director of the Andean Commission of Jurists.

Ciro Ferreira Gómes was minister of finance of Brazil and governor of the state of Ceará. He is now director of strategic planning of Beach Park Hotel and Tourism, Ltd.

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Oswaldo Hurtado was president of Ecuador. He is president of CORDES, a research center in Ecuador.

Pedro-Pablo Kuczynski is president and CEO of The Latin America Enterprise Fund, and chairman of the board of Edelnor S.A. in Lima, Peru. He was chairman of First Boston International, and minister of energy and mines in Peru.

Augustín Legorreta is chairman and chief executive officer of Grupo Financiero Inverlat. He has been president of the Mexican Bankers Association, and president of the Business Coordinating Council.

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Fernando Léniz is chairman of several major companies and foundations in Chile. He was finance minister of Chile.

Barbara McDougall was foreign minister of Canada. She is an international business strategist, and chairperson of AT&T Canada Long Distance Services.



Oscar Espinosa, Beatríz Merino, and Jonathan Coles

Beatríz Merino is a congresswoman in Peru and chairperson of the Committee on Women in congress. She is a senior partner at the law firm Merino, Van Hasselt and Morales.

Lorenzo Meyer is an historian and political commentator in Mexico. He was director of the Center for International Studies at El Colegio de México.

Manuel Moreno Fragnals is a Cuban historian and has participated in collaborative international projects on the history of the Americas.

Roberto H. Murray Meza is president of La Constancia S.A., El Salvador's largest brewery. He has served as president of the Social Investment Fund, and was under-secretary of culture.

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José Francisco Peña Gómez was candidate for president of the Dominican Republic. He served as mayor of Santo Domingo.

Javier Pérez de Cuéllar was secretary-general of the United Nations from 1982 until 1991.

Jacqueline Pitanguy is the founding president of CEPIA, a private research organization on women's issues in Brazil.

Alberto Quirós Corradi is president of Allied Consulting in Caracas. He was president of Shell of Venezuela, Maraven, Lagoven, and director of *El Nacional* and *El Diario de Caracas*.

Augusto Ramírez Ocampo was foreign minister of Colombia and mayor of Bogotá. He led the UN Mission in El Salvador. He is a member of the National Reconciliation Commission.

Nicanor Restrepo is president of Compañía Suramericana de Seguros S.A. He was president of the Latin American Business Council (CEAL) and of the Corporación Financiera Suramericana.

Juan Manuel Santos was vice president and minister of trade in Colombia. He is chairman of the Good Government Foundation.

Javier Silva Ruete has served as a senator, minister of economy and finance, and minister of agriculture of Peru.

Maurice Strong is executive coordinator for UN Reform, and chairman of Earth Council. He was president of the Canadian International Development Agency, and secretary-general of the 1992 UN Conference on Environment and Development.

Gabriel Valdés has served as president of the Chilean senate, minister of foreign relations, and president of the Christian Democratic Party.

Mario Vargas Llosa is a distinguished novelist, and was candidate for president of Peru in 1990.

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Michael Barnes is a partner at Hogan & Hartson. He was a member of the U.S. Congress from Maryland and served as chair of the Subcommittee on Western Hemisphere Affairs.

Alan Batkin is vice chair of Kissinger Associates, Inc. He was a managing director of Lehman Brothers.

Peter D. Bell is president of CARE USA, the international development and relief agency.

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Jimmy Carter was president of the United States from 1977 until 1981 and governor of Georgia from 1971 until 1975. He is chairman of the board of trustees of the Carter Center in Atlanta, and chairman of the Carter Center's Council of Freely Elected Heads of Government.

A.W. Clausen was president of the World Bank and chairman and CEO of BankAmerica Corporation and Bank of America. He is now an honorary director of the board of directors of the Corporation and the Bank.

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David Lawrence, Jr. is publisher and chairman of *The Miami Herald*. Formerly president of the American Society of Newspaper Editors and the Inter-American Press Association, he chaired the Miami arrangements for the 1994 Summit of the Americas.

Sol M. Linowitz was founding co-chairman of the Inter-American Dialogue. He is honorary chairman of the Academy of Educational Development. He has served as chairman of the Xerox Corporation, President Carter's representative to the Middle East peace negotiations, ambassador to the Organization of American States, and co-negotiator of the Panama Canal Treaties.

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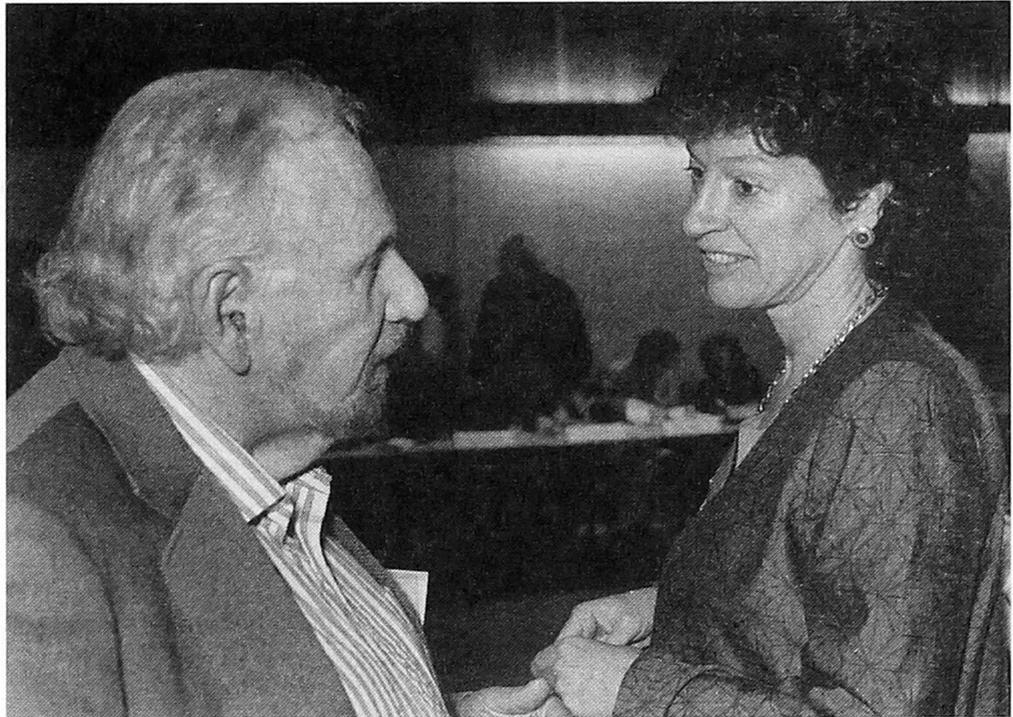
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Judy Woodruff is CNN's prime anchor and senior correspondent. She was chief Washington correspondent for *MacNeil/Lehrer NewsHour* and anchor of *Frontline with Judy Woodruff*.

NOTES

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Inter-American Dialogue

In Brief

The Inter-American Dialogue is the premier U.S. center for policy analysis, communication, and exchange on Western Hemisphere affairs. The Dialogue's select membership of 100 distinguished citizens from throughout the Americas includes former presidents and cabinet level officials as well as business and other private sector leaders. The Dialogue seeks to promote informed debate on hemispheric problems, advance opportunities for regional economic and political cooperation, expand channels of communication among the countries of the Americas, and bring fresh, practical proposals for action to the attention of governments, international institutions, and private organizations. Since 1982, throughout successive Republican and Democratic administrations, the Dialogue has helped shape the agenda of issues and choices on inter-American relations. President Bill Clinton has said, "For 14 years the Inter-American Dialogue has played a leading role in framing the debate on issues that really matter to the peoples of our hemisphere."

The Dialogue emphasizes four broad themes—promoting economic cooperation, strengthening democratic rule and respect for human rights, focusing priority attention on poverty and inequality, and bolstering inter-American institutions. The Dialogue's country studies assess the problems of particular nations and their relations in the hemisphere and beyond. Significant Dialogue attention has been devoted to such diverse countries as Argentina, Brazil, Cuba, Nicaragua, Peru, and Venezuela.

All Dialogue projects incorporate significant outreach components—reports, articles, press conferences, and briefings for policy officials. The Dialogue also sponsors public discussions, often in collaboration with other institutions, to shape and clarify policy debates in Washington and bring Latin American and Caribbean views to the attention of U.S. decisionmakers.

The Sol M. Linowitz Forum is the centerpiece of the Inter-American Dialogue's work. It was established in May 1996 to build greater understanding, trust, and effective cooperation in the Americas, and to honor the Dialogue's founding co-chairman for his many contributions to international relations in this hemisphere and beyond.

Under the Forum's auspices, the Dialogue periodically assembles its core membership to review the most important issues in hemispheric affairs. In the Forum's sessions, Dialogue members and specially invited guests probe their differences and seek to forge a common agenda, identify cooperative solutions to key regional problems, and develop consensus proposals for action by public and private institutions. The Forum's findings and recommendations are published and communicated to decisionmakers and opinion leaders throughout the Americas.

The Inter-American Dialogue is supported by private foundations, corporations, governments, international organizations, and individuals.

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