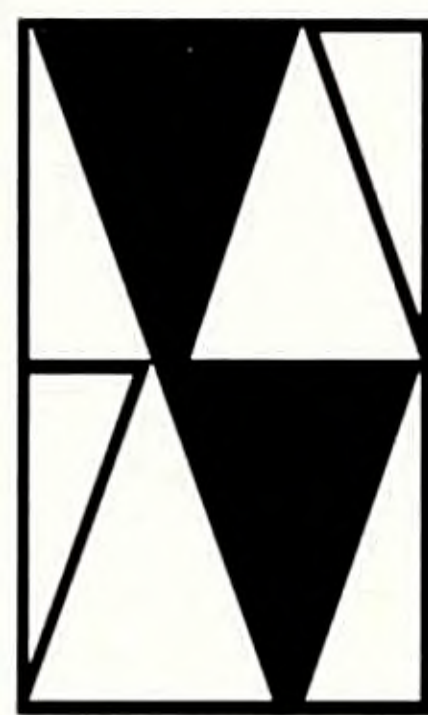


CONVERGENCE AND COMMUNITY: The Americas In 1993



A Report of the Inter-American Dialogue

The Aspen Institute

Photographs by Rick Reinhard

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Dialogue President Richard E. Feinberg, Co-Chair Javier Pérez de Cuéllar, and Chairman Emeritus, Sol M. Linowitz.



Dialogue members Javier Silva Ruete, Richard W. Fisher, José Francisco Peña Gómez, Gabriel Valdés, and Raúl R. Alfonsín (clockwise from far left), and plenary speaker Assistant Secretary Bernard Aronson (far right).



Introduction

We cannot recall a time when the opportunities for constructive and sustained cooperation among Western Hemisphere nations have been greater—or when the potential payoffs from such cooperation have been larger. The Cold War is over and U.S. policy toward Latin America is no longer shaped and constrained by a preoccupation with security matters. Latin American concerns about U.S. political and economic dominance in the region have subsided, along with fears of unilateral U.S. intervention. Today, across the Americas, we see a convergence of interests and values—focusing on democratic politics, enhanced global competitiveness, and social and economic progress.

This year's report of the Inter-American Dialogue explores the three main challenges facing the hemisphere in the 1990s and, in doing so, sets forth a common policy agenda for the nations of the Americas. More than in any previous report, we offer concrete recommendations—aimed at transforming the common agenda into joint and effective action.

We urge the United States, Canada, and Mexico to complete their efforts to forge a North American Free Trade Agreement, and applaud the initiatives that many Latin American countries have taken toward constructing other sub-regional trade pacts. We recognize that many countries are still struggling with the fundamental problems of reducing budget deficits, controlling inflation, restoring economic growth, and overcoming mass poverty. But the quality of economic policy and management has improved dramatically throughout the region, and a solid basis is being established for sustained advance.

Our proposals focus on how to build on this progress in order to create a genuine hemispheric free trade system and, eventually, a hemispheric economic community. The objectives are to enable every nation to become more productive and compete more effectively in global markets—in ways that will protect the natural environment and the rights of workers, and help to foster social justice and democratic practice.

We have been heartened by Latin America's impressive turn toward democracy over the past decade, even as we recognize that democratic practice across the region is still very uneven. In a few countries, constitutional rule has already been interrupted and in some others, it is clearly threatened.

As the United Nations takes on an expanding role worldwide, we commend the governments of the hemisphere for their collective initiative to make the Organization of

American States (OAS) a more effective instrument for promoting and protecting democracy in the Americas. We are encouraged by their efforts to put commitment into practice through the monitoring of elections, mediation of conflicts, and supervising the implementation of peace accords, and by the joint actions taken to restore democratic politics in Haiti and Peru, even though these have yet to produce the results sought. We offer recommendations to enhance the capacity of the OAS to carry out these tasks, and create the basis for a Western Hemisphere community of democracies—where democracy in each country becomes the common concern of all countries.

Finally, we urgently call attention to the massive poverty and profound inequalities that pervade so many countries of the Americas. These problems have been ignored for too long. We argue that progress toward political democracy, hemispheric integration, and economic growth will be stymied unless parallel advances are made toward the achievement of social justice. There can be no inter-American community without strong national communities that encourage the participation of all citizens in political life, provide for the fair distribution of economic opportunity, and protect the rights of minorities, women, and the poor.

The Dialogue's work on these challenges will not stop with this report. We are not satisfied merely to offer recommendations. We want to see our proposals turned into action—by governments, international agencies, business communities, and non-governmental organizations. In the past year, the Dialogue has embarked on projects to help define the architecture of new hemispheric trade arrangements, to explore the full range of instruments available to the inter-American system to advance and safeguard democratic rule, to better understand the nature of poverty and inequality in the Americas and identify ways to open opportunities to vulnerable groups, and to review and promote initiatives for educational reform regionwide.

Our report is a group statement that reflects the consensus of the Dialogue's participants. 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. We all subscribe in our individual capacity; institutional affiliations are provided for purposes of identification only.

As a new U.S. president prepares to take office next month, the nations of the Americas have an unparalleled opportunity together to shape their common future. It will take many years to build a genuine democratic community in the hemisphere, and there will surely be setbacks and disappointments. But an important start has been made. Progress now must be sustained and deepened.

Peter D. Bell
Javier Pérez de Cuéllar
Co-Chairs
Richard E. Feinberg
President
December 13, 1992

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In preparing this document, we have drawn on the discussion at our plenary session in April 1992 and on working group meetings, informal discussion among our members and staff, commissioned research, and the advice of specialists from throughout the hemisphere and beyond. Winston Fritsch, Nora Lustig, Tom Farer, and Heraldo Muñoz prepared major papers for our deliberations. We are grateful to them and to the many other experts who drafted background materials, commented on our ongoing work, and participated in our preparatory meetings, including Domingo Acevedo, L. Francis Bouchey, Hugo Caminos, Thomas Carothers, Luigi Einaudi, Joseph Eldridge, Gary Fields, Dennis Gallagher, Claudio Grossman, Norman Hicks, Diane La Voy, William LeoGrande, Jerome Levinson, James Michels, Peter Morici, Moisés Naim, Charles Nelson, Richard Newfarmer, Ronald Scheman, Jeffrey Schott, Francisco Villagran, and Alexander Wilde.

We owe particular gratitude to Sol M. Linowitz, who so skillfully chaired and guided the Dialogue from its formation in 1982, and this year became its Chairman Emeritus; to Rodrigo Botero, the Dialogue's Co-Vice Chair; to the other members of the Executive Committee; and to the many Dialogue members who participated in our activities.

We express our appreciation to Dialogue Senior Fellow Peter Hakim, who was principally responsible for drafting the report; Associate Donna Lee Van Cott, who coordinated the design and publication with such creativity; Jennifer Ezell, the Dialogue's able and efficient Business and Development Manager; Galo Plaza Fellow Deborah Leipziger; Teresa Braceland and Joan Caivano for their administrative and logistical support; Zan Northrip and Andy Hira, who prepared the graphics; and the other Dialogue interns who contributed with energy and enthusiasm. We also appreciate the continued cooperation of The Aspen Institute, under whose auspices the Dialogue operates.

We thank Senator Paul Sarbanes and Assistant Secretary Bernard Aronson for delivering stimulating keynote addresses at the opening of our plenary session, and Ambassador Gustavo Petricoli of Mexico for hosting the reception that preceded our meeting. We are indebted to the many ambassadors and other government officials who contributed their thoughts and suggestions, and to staff members of the World Bank, Inter-American Development Bank, Economic Commission on Latin America and the Caribbean, and Organization of American States who provided valuable advice.

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Finally, we want to pay special tribute to Daniel Oduber, the former president of Costa Rica, who contributed so much to the Dialogue since its founding and served wisely and ably as Co-Chair for the two years prior to his death in October 1991.



Chairman Emeritus Sol M. Linowitz and Dialogue members Gabriel Valdés, Co-Vice Chair Rodrigo Botero, Acting Co-Chair Peter D. Bell, and Sonia Picado celebrate the Dialogue's tenth anniversary.



Summary of Recommendations

Our report explores the three main challenges facing the hemisphere in the 1990s—how to build regional economic partnerships to enhance global competitiveness; how to protect and advance the democratic gains of the past decade; and how to promote social and economic justice. We set forth a common policy agenda for the nations of the Americas, and offer concrete recommendations that can transform that agenda into joint and effective action—and create the foundations of a genuine Western Hemisphere Community of Democracies.

Chapter I Western Hemisphere Economic Integration

With the first building blocks being put in place, the nations of the Western Hemisphere will have the opportunity in the coming years to forge an economic community that will span the Americas and, within a generation, could incorporate nearly one billion persons. An economically integrated hemisphere would enable every nation to become more productive and compete more effectively in the global economy.

We propose a six-point program for grasping this opportunity—a program of economic integration that is hemispheric in scope, comprehensive in coverage, and grounded in social justice and democratic practice.

1. *The United States, Mexico, and Canada should proceed to ratify the North American Free Trade Agreement (NAFTA), making sure it or parallel accords give appropriate attention to the environment and to workers' rights.* The rejection of the NAFTA at this stage would gut the core of future hemisphere-wide trade arrangements.
2. *Latin American and Caribbean governments should intensify their efforts to forge viable sub-regional trade pacts while sustaining their internal processes of economic reform and trade liberalization.* These are essential steps toward hemispheric economic integration.
3. *The NAFTA partners should begin consultations with other hemispheric governments to establish criteria, procedures, and timetables for building NAFTA into a Western Hemisphere free trade pact.* The NAFTA commission proposed in the agreement's

text could undertake such consultations on behalf of the three governments. In addition to basic economic conditions, requirements for entry to an expanded NAFTA should include a commitment to democratic governance; authoritarian governments should be excluded.

4. *Negotiations should begin promptly to incorporate into NAFTA those countries that can meet the entry requirements.* Chile is the likely first candidate, given its economic performance, its existing free trade accord with Mexico, and the U.S. pledge to put it next in line.
5. *The United States, Mexico, and Canada should work with the countries of Central America and the Caribbean to pave the way for their participation in free trade talks.* NAFTA is likely to impose some immediate losses on these countries, and the sooner they can achieve the benefits of broader integration the better.
6. *The governments of the Americas should establish a new multilateral organization to guide and coordinate progress toward a Western Hemisphere Economic Community.* The existing regional economic organizations—the Inter-American Development Bank (IDB), Organization of American States (OAS), and United Nations Economic Commission for Latin America and the Caribbean (ECLAC)—should play prominent roles in the new coordinating body, along with private business, trade unions, and other non-governmental organizations.

Chapter II The Collective Defense of Democracy

There is movement today, still tentative but clear and growing, toward the formation of a democratic political community in the Western Hemisphere. Nearly every nation of the Americas is now governed by elected, civilian leadership. A democratic network of participatory institutions has emerged, involving political parties, human rights groups, trade unions, professional and business associations, the media, women's organizations, and environmental groups. And the nations of the hemisphere have collectively pledged to promote democracy and to act jointly to defend it where it is threatened or violated. Democracy in each country of the Americas has become the concern of all countries.

To sustain and deepen this progress toward democratic community, two fundamental challenges must be confronted. First, democratic institutions throughout the Americas—public and private—must be made more effective, responsive, and participatory. Second, the nations of the hemisphere must fortify their resolve and capacity to respond to violations of constitutional order.

We propose a nine-point strategy for the inter-American community to meet these challenges.

1. *The nations of the hemisphere must actively promote negotiated settlements of Latin America's remaining guerrilla conflicts to end the violence and counterviolence that undermine the institutions and values of democracy.* They must also work to stop human rights abuses by vigorously pursuing the findings and recommendations of official and credible non-governmental human rights organizations.

2. *Hemispheric governments should together take a fresh look at the missions, size, weapons, and costs of their armed forces—with the objective of establishing firm civilian control over the military.* Civilians should be trained to manage security policy and international agencies should be encouraged to monitor military spending.
3. *The inter-American community should bolster the basic institutions of democracy in every country.* Whenever national elections are endangered by fraud or violence, governments should be pressed to accept international monitors. Non-partisan assistance should be made available to strengthen legislatures and judicial systems, and aid provided to non-governmental organizations.
4. *Sustained efforts must be undertaken by every country, individually and jointly, to reduce sharp inequalities and pervasive poverty that exacerbate other threats to democratic rule.*
5. *The inter-American community must respond rapidly to breakdowns of democratic rule—as called for in the Santiago resolutions of the OAS.* All nations of the hemisphere must forcefully condemn the illegal usurption of power and work collectively to repair the democratic process.
6. *The capacity of the OAS to play a leadership role in situations of democratic breakdown must be strengthened.* The OAS's new Unit for Democracy needs to be enlarged and better financed. The Unit should cooperate closely with the Inter-American Commission on Human Rights and many other relevant organizations—public and private, multilateral and national, regional and sub-regional.
7. *The inter-American community should not try to impose a predetermined solution following a democratic breakdown.* In some cases, decisive action might well quickly reverse an illegal takeover of power. But if a rapid turnaround appears unlikely, inter-American efforts should foster negotiations among contending national forces to restore constitutional rule. In situations where the internal order is threatened or where repression is rampant, the OAS should press the authorities to allow a significant civilian mission to establish itself in the country to assist in rebuilding democratic politics.
8. *When an illegally constituted government refuses to engage in negotiations to restore democratic order and rejects a civilian mission, the inter-American community should consider applying stronger sanctions.* But there should be no automaticity regarding the selection, sequencing, or escalation of sanctions. They must be orchestrated on a case-by-case basis, directed to achieving specific political aims, and supported by a consensus of OAS members.
9. *The priority aim of collective hemispheric action must be to restore the democratic process as quickly as possible.* However distasteful, this may require a compromise solution that accommodates some of the demands of those who illegally took power.

Chapter III The Problems of Poverty and Inequality

The struggle against social and economic inequity is the most difficult challenge facing the Americas today. Progress toward consolidating democratic politics, resuming economic growth, and building an economically integrated hemisphere is jeopardized by mass poverty and profound income disparities. Democracy must be anchored in social justice if it is to endure. A vibrant economy requires the productive employment of all sectors of the population.

A genuine Western Hemisphere community can only be built on a foundation of strong national communities in which all citizens participate in political life and enjoy the benefits of economic progress. The challenge for the Americas is to forge a future that is shared by all Americans.

We propose seven measures to meet that challenge.

1. *The countries of the Americas should give as much priority to alleviating poverty and reducing inequality as they do to promoting growth.* These goals go hand-in-hand.
2. *All governments must sustain sound, growth-oriented macroeconomic policies.* Government spending must be kept in line with tax revenues and inflation must be controlled. Anti-poverty initiatives are invariably undermined by high inflation and low growth, which reduce wages, destroy jobs, and force cuts in social spending.
3. *Anti-poverty strategies should emphasize efforts to raise the productivity of the poor, particularly women.* What are required are stepped-up investments in health and education and other programs that enhance the skills and increase the capital assets of low-income groups. Such investments in human capital permanently lift individuals and families out of poverty, reduce inequalities of income and opportunity, and contribute to national growth.
4. *Income transfer programs should be targeted to the neediest and most vulnerable population groups.* Such targeting can increase the assistance provided to the very poor, while reducing the cost of such programs to governments.
5. *Governments must improve the quality of programs that serve the poor.* Local governments, community groups, and business and professional associations should be intensively involved in the planning and management of social services. Every effort should be made to exploit opportunities for collaboration between public and private sectors.
6. *Programs to reduce poverty and inequality must be consistent with macroeconomic stability and therefore should be financed through some combination of increased taxes, the reallocation of existing expenditures, and external aid.* Opening new opportunities for the poor, above all, requires that the better-off pay their taxes.

7. *External organizations should put their financial, intellectual, and political muscle behind national anti-poverty programs.* The World Bank and the IDB should commit at least one-third of their Latin American lending to poverty reduction. These institutions, along with smaller development and non-governmental organizations, must consistently focus priority attention on poverty and inequality—not only by spending money or imposing conditions on loans, but also through programs of research and publication, speeches by their officials, and persistent private communications to world political and economic leaders. International agencies should cooperate in building a data collection and analysis system to report on the progress made by every nation in reducing poverty and inequality.

We believe the nations of the Americas have an unparalleled opportunity together to shape their common future. It will take many years, but an important start has been made toward building political and economic community in the hemisphere. Progress now must be sustained and deepened—for the benefit of all Americans.



Paula Stern, José María Dagnino Pastore, Elliot Richardson, Co-Chair Javier Pérez de Cuéllar, Jorge I. Domínguez, and incoming Co-Chair Bruce Babbitt.

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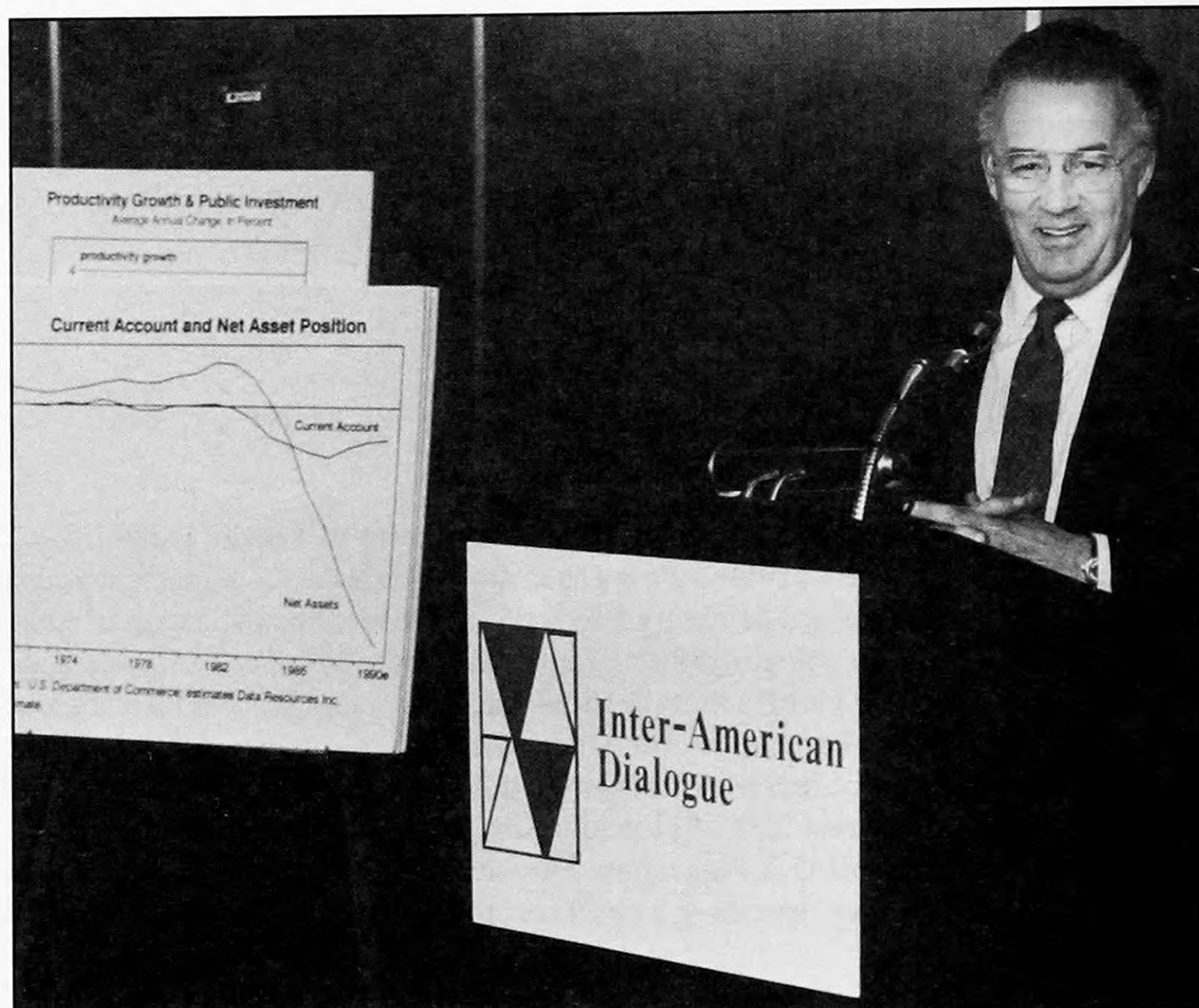
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Senator Paul Sarbanes addresses the 1992 plenary session.



Chapter I

Western Hemisphere Economic Integration

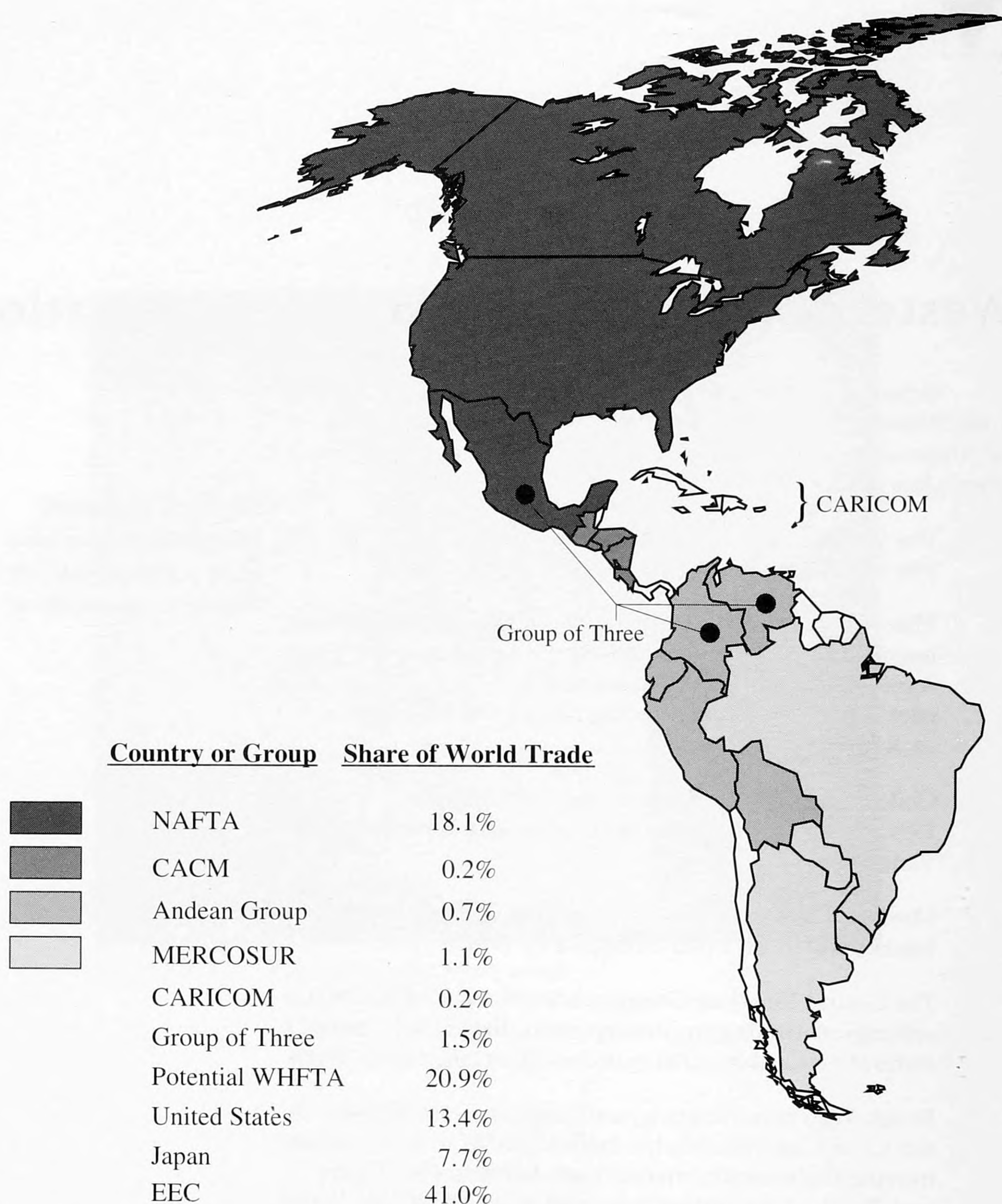
Regional economic integration is an idea that is taking hold in the Western Hemisphere. In the past few years, the nations of the Americas have set in place the first building blocks of a hemispheric free trade system.

- The United States and Canada concluded a comprehensive free trade agreement in 1989.
- This year, Mexico, the United States, and Canada completed negotiation of a three-nation North American Free Trade Agreement (NAFTA), modeled on the earlier U.S.-Canadian pact. The NAFTA is now being considered for approval by each nation's legislature.
- Chile signed a bilateral free trade accord with Mexico in 1991, and will likely soon reach a similar agreement with Venezuela.
- Mexico, Colombia, and Venezuela have announced their intent to establish a free trade pact by 1994.
- The Central American Common Market and CARICOM (the sub-regional trade group incorporating the English-speaking states of the Caribbean) have revived their integration efforts.
- Brazil, Argentina, Paraguay, and Uruguay founded the Southern Cone Common Market (MERCOSUR) in 1991 and are moving to dismantle internal trade barriers. (See Figure 1.1 and Table 1.1 for further information on MERCOSUR and other regional groupings.)

Regional economic integration is an idea that is taking hold in the Western Hemisphere.

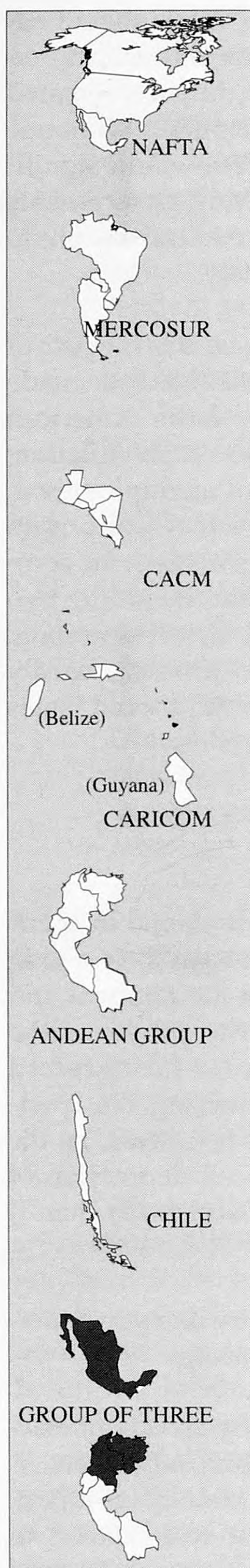
Hemispheric Expectations

Much of the flurry of trade-related activity in Latin America was prompted by President George Bush's June 1990 announcement of the Enterprise of the Americas Initiative (EAI), which proposed an



Source: IMF, Direction of Trade Statistics Yearbook 1991.

Figure 1.1: Integration in the Americas and Shares of World Trade



The North American Free Trade Agreement (NAFTA) was signed by the presidents of Canada, Mexico and the United States on October 7, 1992 and has already been approved by the Mexican Congress. It must now be accepted by the legislatures of Canada and the U.S., where the agreement faces domestic opposition over environmental, labor and trade-adjustment issues.

While a common external tariff is on track for March 1993, MERCOSUR's internal tariffs have already been reduced by more than 50% and are being cut by an additional 7% every six months in order to meet a January 1995 zero-tariff deadline. Intra-MERCOSUR trade responded by jumping 47% in the first year following the March 1991 signing of the regional agreement. Bolivia, 80% of whose exports already go to MERCOSUR countries, is currently an associate member and has formally applied for full membership.

The Central American Common Market aims to achieve a free trade agreement and plans to establish a common external tariff by 1997. Within the CACM, Guatemala, Honduras and El Salvador have formed the *Triangulo Comercial del Norte*, which plans for free trade by the first day of 1993. The *Triangulo* countries also envision a customs union and the free flow of capital and human resources. All CACM members except Panama are considering the establishment of free trade with Mexico, and a CACM linkage with CARICOM is also being discussed.

Although agreement was reached at a July 20 meeting to lower CARICOM's common external tariff by September 1993, non-compliance problems have occurred. Nevertheless, plans call for the establishment of a single currency and a common external tariff, as well as the elimination of all non-tariff barriers by 1993, thus clearing the way for a common market in 1994. Links with CACM and Venezuela are also being considered.

Despite implementation of a free trade agreement among Andean Group members, plans for a 1992 common external tariff and for a 1996 common market are on hold as a result of Peru's refusal to sign further agreements until Venezuela recognizes President Fujimori's extra-Constitutional government. In addition, Ecuador initially refused to lift its tariff barriers, but eventually established a common external tariff with Colombia and Venezuela after receiving concessions in March. The Group's continuing problems may lead Bolivia to abandon the region for MERCOSUR, under whose rules a new member cannot join if it belongs to another common market.

Chile has negotiated a free trade agreement with Mexico and is attempting to reduce tariffs with Venezuela and Argentina. Chile is also pressing for free trade with the U.S. and would likely be the first non-North American entrant to the NAFTA.

The Group-of-Three governments of Mexico, Colombia, and Venezuela plan to formalize by 1993 a tariff-reduction program aimed at establishing free trade by 1994. Mexico has agreed to extend all concessions to Ecuador and Peru, resulting in a de facto Mexico-Andean Group free trade agreement.

Sources: Latin American Special Reports, The Economist, Business Latin America, Foreign Broadcast Information Service, The Financial Times, Latin American Regional Reports, Latin American Weekly Report, The New York Times, and the Government of Venezuela.

Table 1.1: Economic Integration in the Americas

eventual Western Hemisphere free trade system, involving all nations of the Americas. The initiative sparked an enthusiastic response from almost every Latin American government. It created abundant expectations in the region that hemispheric economic integration is now a feasible goal and, if achieved, would significantly boost growth prospects in Latin America. Most governments of the hemisphere are now convinced that there are sound reasons to pursue regional free trade arrangements vigorously.

Nonetheless, many difficult obstacles still stand in the path of hemispheric free trade. Although important progress has been made toward economic stability and recovery, many Latin American economies are still plagued by severe problems—high inflation, distorted prices, burdensome debt, record rates of unemployment, and overvalued currencies, for example—all of which are certain to hamper integration initiatives. Moreover, the longer-run commitment to regional free trade of some key nations, including two of the most crucial, the United States and Brazil, is still uncertain. And hemispheric integration, even if it were to proceed, hardly guarantees sustained economic advance in either the United States or Latin America.

The Experience with Free Trade

Regional trade liberalization is not a new theme in inter-American relations. Latin America and the Caribbean have a long history of economic integration efforts—at both the regional and sub-regional levels. Few of those efforts, however, produced the sought-after economic gains and none of them have a strong record of sustained performance. Intra-regional trade among the countries of Latin America has increased in the past few years, as the region has begun to emerge from its debt-induced depression of the 1980s, but it is still a smaller fraction of overall trade than it was 20 years ago.

Current integration initiatives, however, are likely to generate more substantial economic gains, for these reasons:

- The earlier initiatives focused on increasing the size of markets for Latin America's protected and subsidized industries. Their main purpose was not to bolster international competitiveness or attract foreign investment. It was instead to buttress the region's inward-directed, import-substituting strategies of development, which were already floundering in many countries. The potential gains for participating nations were thus small to begin with, and the resulting benefits were often distributed very unequally among the partners, leaving some to pay higher than international prices for essential imports.

- In contrast, trade liberalization today is associated with the broader restructuring of Latin America's economies, and is aimed at enhancing productivity, expanding exports and foreign investment, and—as detailed in Table 1.2—lifting trade barriers generally. Latin American nations are not proposing merely to offer trade preferences to their neighbors; they are broadly opening their economies to international competition. Regional integration is proceeding in tandem with Latin America's integration into the global economy. Most Latin American nations have joined the multilateral world trading system, the General Agreement on Tariffs and Trade (GATT), and they are constructively participating in the current Uruguay Round of negotiations.
- Deliberately excluded in the past, the United States is now welcomed by Latin American governments as a vital partner in regional free trade schemes. Indeed, as noted above, it was precisely the U.S. proposal for Western Hemisphere free trade that reinvigorated integration efforts within Latin America. And U.S. involvement is fundamental. The United States, after all, is Latin America's most important market, absorbing upwards of 40 percent of the region's exports, and the largest single source of its external investment and new technology.
- Finally, after several years of painful reform and adjustment, the nations of Latin America share fundamentally similar economic policy directions, emphasizing macroeconomic stability, export-oriented growth, and reliance on market forces and private sector initiative. Not only are Latin America's economies more compatible with one another; they are also more compatible with the U.S. and Canadian economies.

A hemispheric free trade system that is kept open to outside flows of goods and capital should accelerate, not slow, movement toward a more integrated global economy.

These advantages notwithstanding, some critics of hemispheric integration argue that the pursuit of regional free trade pacts may turn out to be a costly exercise. The concern is that such pacts would end up weakening the GATT system of open multilateral trading arrangements, and perhaps contribute to a world dominated by inward-looking trade blocs and to an upsurge of global protectionism. The granting of regional trade preferences will undoubtedly cause some diversion of trade from extra-hemispheric to regional partners. Provided, however, that Latin American nations continue generally to reduce barriers to imports and foreign investment, trade diversion should be more than offset by the growth-stimulating impact of regional integration, which will spur demand for imports worldwide. A hemispheric free trade system that is kept open to outside flows of goods and capital should accelerate, not slow, movement toward a more integrated global economy.

Neither the United States nor most nations of Latin America have much to gain by constructing a "fortress America." Only about

Table 1.2: Trade Liberalization Programs in Latin America

	Initiated	Maximum Tariff		Number of Distinct Tariff Rates		1991 Privatization [†] (US\$ millions)	Notes
		Initial	Present	Initial	Present		
 Argentina	1987	115%	→ 22%	—	→ 4	1,908	<ul style="list-style-type: none"> Value of industrial output subject to restrictions fell from 62% to 18% by 1989. Licensing restrictions eliminated. "Buy Argentinean" requirement lifted. Selected tariffs raised marginally at end 1991.
 Brazil	1988	105%	→ 85%	29	→ 7	1,688	<ul style="list-style-type: none"> 40% maximum tariff is programmed for 1994. Local content regulations continue.
 Chile	1973	220%	→ 11%	57	→ 1	*	<ul style="list-style-type: none"> Quotas eliminated in 1970s.
 Mexico	1985	100%	→ 20%	10	→ 5	9,400	<ul style="list-style-type: none"> Coverage of import licenses fell from 92% of production to 18% by 1990.
 Peru	1990	110%	→ 25%	53	→ 3	*	<ul style="list-style-type: none"> Quotas and most regulatory controls eliminated in 1991. 15% maximum tariff is programmed.

[†]Chilean privatization was carried out in the 1980s. Peru's privatization program began in 1992. The 1991 figure for Venezuela was US\$2,284 million.
Source: Economic Commission for Latin America and the Caribbean, April 1992; LatinFinance.

	Exports to Hemisphere as percent of Total Exports	Exports to U.S. as percent of Total Exports	Total Exports as percent of GNP
Argentina	40%	14%	12%
Bolivia	54	17	25
Brazil	37	23	6
Chile	31	17	33
Colombia	61	46	17
Costa Rica	66	46	27
Guatemala	68	38	19
Jamaica	60	39	35
Mexico	81	73	13
Peru	39	22	10
Uruguay	50	10	21
Venezuela	78	55	35
Latin America & the Caribbean	57	40	11

Source: IMF, Direction of Trade Statistics Yearbook 1991. Data reflect 1990 export levels.

Table 1.3: The Hemispheric Export Market

one-third of all U.S. trade is with Western Hemisphere partners, and the bulk of that is with Canada, with which the United States is already linked in a free trade accord. Nearly half of Latin America's trade is with the United States, but that drops to 35 percent for the countries of South America, and to about 20 percent for the Southern Cone nations of Brazil, Argentina, and Chile. (See Table 1.3). Western Hemisphere nations are well aware that a closed regional bloc would leave them vulnerable to retaliatory measures from Japan and Europe. It would be a bad bargain compared to a genuinely open world trade system.

We offer three recommendations to guide future hemispheric integration efforts and to improve their chances of succeeding and enduring:

1. *Western Hemisphere free trade initiatives should be consistent with the building of a free multilateral trading system at the global level.* The aim should be an open regionalism. The governments of the Americas should steer clear of any new restrictions to extra-hemispheric imports and should redouble efforts to achieve a rapid conclusion of the current Uruguay Round of GATT negotiations. Even the appearance of laying the foundation for a "fortress America" should be avoided.

Free trade agreements, in short, serve as both an incentive and an anchor for trade liberalizing measures and other economic reforms.

2. *Nonetheless, for the time being at least, a Western Hemisphere Free Trade Area should be restricted to the nations of this hemisphere.* Although perhaps debatable on strictly economic grounds, such a restriction would reinforce the emerging sense of community in the Americas and contribute to the strengthening of cooperation on other fronts—including the defense of democratic practices and institutions.
3. *Regardless of the pace of hemispheric and/or sub-regional integration, the governments of the Americas should continue unilaterally to eliminate restraints on both trade and foreign investment.* Dismantling economic barriers brings its own reward. It will strengthen national economies and expand export capacity as well as bolster regional integration efforts.

Gains and Losses

Even at this early stage, important conclusions can be drawn about the probable gains and losses from hemispheric integration. The most valuable gains will be: 1) the direct, one-time benefits of expanded trade resulting from lowered import barriers, without considering the impact of changing patterns of investment and production; 2) the insurance effects, i.e., the lowering of future risk and uncertainty by “locking in” desired policy changes through international treaty; 3) the prospect of greater investment flows and new production opportunities; and 4) improved economic coordination among free trade partners.

The Direct Benefits: Recent studies conclude that the creation of a Western Hemisphere free trade system would produce a one-time rise in intra-hemispheric trade of some five to ten percent—a significant if not dramatic expansion. The trade gains would vary from country to country, depending on the severity of the restrictions that each nation now faces in hemispheric markets. Because its tariffs and other trade barriers are already lower than those of most other countries in the Americas, the United States stands to derive the largest percentage growth.

The direct, one-time economic gains of hemispheric free trade will be larger for those countries that export more to hemispheric markets—and for those in which trade accounts for a greater share of economic activity. All told, however, these gains represent only a small part of the potential benefits of free trade. Over time, other benefits should assume far greater importance.

Free Trade as Insurance: Free trade arrangements, validated by formal international agreements, offer the signatory countries insurance against the risks of new or expanded trade restrictions. A

Western Hemisphere Free Trade Agreement (WHFTA) would, for example, allow Latin American exporters more stable and predictable access to the U.S. market. This, in turn, should make trade flows more predictable and hence more profitable, and draw new investment—foreign and domestic—to export activities. U.S. investors, for their part, would be assured of more stable economic policies in Latin America, making the region a more attractive location for their capital and for joint production activities.

Free trade agreements, in short, serve as both an incentive and an anchor for trade liberalizing measures and other economic reforms. These reforms, once bound by international agreement, are insulated—at least to some degree—from domestic political reversal. For some, the “locking in” of economic policies might be considered a cost, not a benefit, because it restricts national sovereignty and may constrain national responses to special problems. But the intent of all international agreements is precisely to limit the sovereign choice of the contracting nations in order to obtain mutually agreed upon benefits.

Investment Flows: Latin America’s greatest economic gains from hemispheric integration will likely come from swelling flows of foreign direct investment—from Japan and Europe, as well as from the United States and elsewhere in the region. Unlike loans or portfolio investment, direct investment is not just another source of capital; it also opens the way for technological advances in production, marketing, and industrial organization.

The bottom line for foreign investors will be Latin America’s economic performance. That is what will count most in regional efforts to attract investment. The prospect of hemispheric free trade has clearly spurred economic reforms and should reassure investors that the changes will not be transitory. The promise of regional integration can thus help to create a “virtuous circle”: economic reforms, encouraged and anchored by free trade prospects, are bolstering investor confidence and calling forth new investment, which should, in turn, produce better economic performance and thereby attract still more investment and give greater national credibility to the reforms. Chile and Mexico, particularly, are already deriving the benefits of just such a virtuous circle. As conveyed in Figure 1.2, private capital flows to Latin America have soared in the past few years.

The intent of all international agreements is precisely to limit the sovereign choice of the contracting nations in order to obtain mutually agreed upon benefits.

From the U.S. and Canadian perspectives, the combination of sustained economic growth and diminished restraints on trade should translate into thriving export markets in Latin America. Although still recovering from the economic reversals of the 1980s, Latin America has already become a larger consumer of U.S. goods and services than either Japan or Germany, and remains the fastest-growing market for U.S. exports. In addition, hemispheric free trade should create new opportunities for U.S. and Canadian firms to join

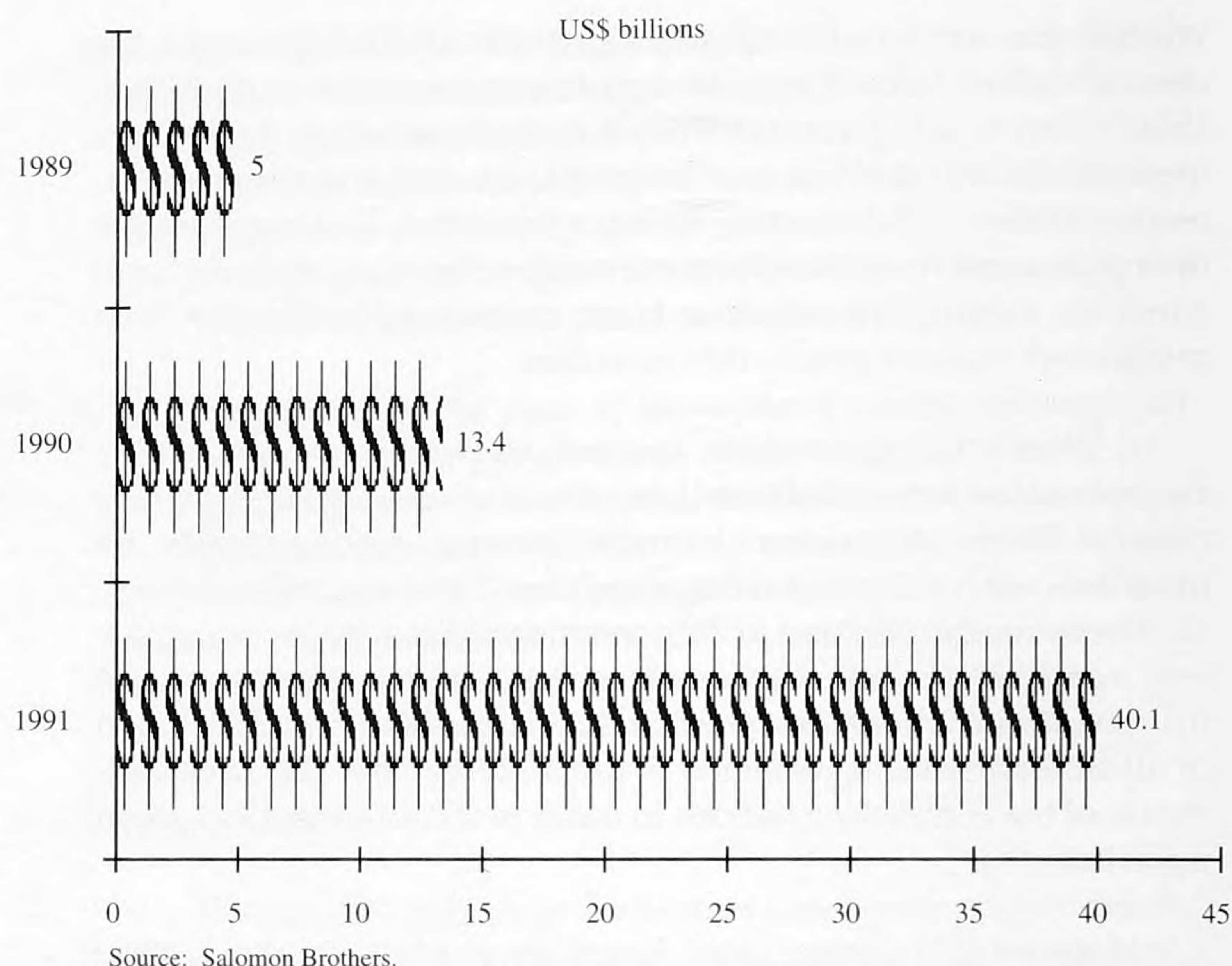


Figure 1.2: Private Capital Inflows to Latin America

their capital, technology, and global marketing capacity with Latin America's natural resources and lower-cost labor. All countries of the hemisphere should then be able to compete more effectively in international markets.

As integration proceeds, the nations of the Americas will need to harmonize national regulatory regimes to avoid trade distortions and, in similar fashion, to deal regionally with other issues once considered purely of domestic concern.

Economic Coordination: As hemispheric trade and capital markets become integrated, cooperation will be required, and facilitated, on a widening array of economic issues. Macroeconomic strategies—including monetary, fiscal, and exchange rate policies—will become more and more interdependent. No country will be able to achieve its economic goals without effective coordination among all countries.

Governments, for example, may want to limit fluctuations among their currencies; macroeconomic coordination can help to stabilize exchange rates and facilitate trade and investment flows. As integration proceeds, the nations of the Americas will need to harmonize national regulatory regimes to avoid trade distortions and, in similar fashion, to deal regionally with other issues once considered purely of domestic concern.

Enhanced economic coordination was foreshadowed by the June 1992 meeting of U.S. Treasury Secretary Nicholas Brady with 11 Latin American finance ministers just prior to the Munich summit of the world's industrial powers. The session did not produce any major new agreements, but broadened the agenda of hemispheric

economic integration to include, in addition to trade matters, domestic financial markets, international capital flows, macroeconomic policies, and pressing social issues.

If undertaken on a regular basis, coordination efforts of this sort should contribute to improved economic decisionmaking regionwide, reduced conflict over economic issues (particularly if satisfactory dispute settlement mechanisms are incorporated into free trade agreements), and stronger cooperation in such key international institutions as the GATT, World Bank, and IMF, as well as in such regional bodies as the IDB and the Economic Commission for Latin America and the Caribbean (ECLAC). It should also allow for greater cooperation on such related issues as the environment and migration.

The Costs of Integration: Costs will be incurred in building a Western Hemisphere free trade system. While Latin America as a whole stands to gain economically from free trade, as does the United States and Canada, the benefits will not be evenly distributed across countries, industries, or individuals. There will inevitably be some losers.

Economic adjustments will have to be undertaken, either as a precondition for free trade negotiations or as a result of agreements reached. And the costs of these adjustments will vary from country to country. In the case of Chile, for example, they will be modest because most of the necessary reforms have already been put in place; for Brazil, in contrast, they could be substantial.

Once trade barriers are lifted, not all industries will be able to compete successfully and many will be forced out of business. Some workers will lose jobs, and some communities will be left in an economic lurch. The fact that the Americas as a whole will be better off is no compensation to those who will bear the consequences.

These costs cannot, however, be entirely attributed to economic integration. Latin American governments are introducing market-oriented reforms and lifting import restrictions, not merely to set the stage for free trade negotiations, but because such reforms are considered essential for economic recovery and long-term growth. Many of the costs, in short, will have to be incurred in any event. Indeed, progress toward hemispheric integration—because it promises tangible international benefits—may facilitate the required adjustments and make them more politically acceptable.

All in all, free trade arrangements will benefit some Western Hemisphere countries more than others. The sequencing of negotiations may leave latecomers at a disadvantage, and nations that are excluded will suffer discriminatory trade preferences and the diversion of investment flows. The nations of Central America and the Carib-

If undertaken on a regular basis, coordination efforts of this sort should contribute to improved economic decision-making regionwide, reduced conflict over economic issues, and stronger cooperation in key international institutions and regional bodies.

bean, for instance, have reason to be concerned about the loss of benefits acquired from the United States under the Caribbean Basin Initiative (CBI). The marginal gains of the CBI tariff exemptions will be eroded once Mexico and other countries are also granted preferential access through free trade agreements with the United States.

In assessing both the costs and benefits of free trade, we are well aware that trade arrangements will not be the main determinant of economic progress in Latin American nations. Far more important will be the degree to which governments are able to adopt and sustain sound domestic policies. But the promise of free trade has helped to keep Latin America's economic reforms on track—and to quicken their pace. And once agreements are reached, they will make it harder for governments to abandon the new policies.

This overview of the potential gains and losses from hemispheric integration leads us to four recommendations:

In assessing both the costs and benefits of free trade, we are well aware that trade arrangements will not be the main determinant of economic progress in Latin American nations. Far more important will be the degree to which governments are able to adopt and sustain sound domestic policies.

1. *Western Hemisphere nations should seek to forge free trade arrangements that incorporate every country in the Americas.* If such arrangements are kept consistent with an open multilateral trading system at the global level, the benefits of hemispheric integration—including expanded trade, larger flows of investment, and greater international competitiveness—could be considerable.
2. *Free trade agreements should eliminate nearly all restraints to the free flow of goods and capital.* Every barrier need not and should not be lifted immediately, since some of the changes will cause short-term and costly disruptions. But removing the vestiges of protectionism is what will produce the greatest economic gains over the longer-term—and that is what the objective should be during a reasonable phase-in period.
3. *All agreements must incorporate fair and effective mechanisms for expeditiously resolving trade disputes.* Such disputes—over the facts of specific cases, over how an agreement should be interpreted, and over issues not covered by the agreement—are inevitable and can be costly if allowed to drag on.
4. *Adequate attention must be given to the prospective losers from hemispheric integration.* Each country of the Americas will have to address in its own way the problems of workers who lose jobs and of communities which lose important sources of livelihood as free trade transforms patterns of investment and production. Programs for worker retraining and placement will need to be strengthened and adequately funded, and social safety nets expanded in some places. The

Inter-American Development Bank and the World Bank should be prepared to help support such programs as part of their development assistance packages for Latin America.

International financing will also be needed for physical infrastructure and basic education, particularly by the region's poorer countries, to enable them to take advantage of new investment opportunities that regional integration will bring. It is time that the U.S. Congress authorize full financing for the IDB's Multilateral Investment Fund, which contemplates support for such investment promoting initiatives. The Fund was initially proposed two years ago as a component of the Enterprise for the Americas Initiative.

The Architecture of Hemispheric Integration

A Western Hemisphere free trade system can be built in different ways.

One approach would have the United States—as the overwhelmingly largest economy (accounting for nearly 80 percent of all economic activity in the Americas) and the most important hemispheric trading partner for most other countries—negotiate free trade pacts, one by one, with the countries of Latin America and the Caribbean. Since the other nations will also want to negotiate among themselves, the hemisphere would soon be crisscrossed by a web of overlapping trade agreements.

There is one advantage in proceeding this way: it may be easier to reach accords through bilateral negotiations than through multilateral talks. What would emerge, however, is a hemispheric patchwork of different rules and preferences for exporters and investors. The full benefits of a single integrated market would not be realized.

A variant of this approach would have the United States negotiate trade agreements, not with individual countries, but with sub-regional economic groupings such as the MERCOSUR or the Andean Pact. This would reduce, although not eliminate, the drawbacks of a hemispheric patchwork of agreements. But, again, the benefits of a single integrated market, operating under a common set of rules, would not be achieved.

The most compelling model is for NAFTA to become the core of an expanding hemispheric free trade area. The three NAFTA countries—accounting for nearly 90 percent of all economic activity in the hemisphere—will inevitably be the bulwark of any hemispheric integration scheme, and they have already struggled through more than a year of painstaking trade negotiations. In practice, NAFTA would be transformed into a free trade club to which other

Western Hemisphere countries and/or groups of countries would seek membership.

The building of a Western Hemisphere Free Trade Area involves more than a mere search for commercial advantage. Ground is being broken for the formation of a community of nations—with important political as well as economic dimensions. For a hemispheric community to endure, it must be founded on a set of shared values—meaning that it must ultimately become a club reserved for democracies, like its European counterpart.

For a hemispheric community to endure, it must be founded on a set of shared values.

For NAFTA to succeed and serve effectively as the core of an expanding regional trade system and emerging community, Mexico must open its politics, end electoral fraud, and fully respect human rights. For its part, the United States should take decisive measures to curb rights abuses against migrants in the border regions.

We recommend:

1. *NAFTA should become the centerpiece of an expanding hemispheric free trade system.* Groups of countries that have reached their own trade arrangements, as well as individual nations, should be eligible for admission.
2. *The three North American partners, in consultation with other Latin America and Caribbean nations, should clearly spell out the criteria and procedures for entry into an expanding NAFTA.* In general terms, the economic requirements might include membership in GATT, macroeconomic stability, a liberal trade and investment regime, and, plainly, a readiness to accept the basic NAFTA rules. Commitment to democratic governance and respect for human rights should also be requirements; blatantly authoritarian governments should be excluded, as well as those which persistently and grossly violate the rights of their citizens.

The Environment and Workers' Rights

Concerns about the environment and workers' rights have emerged as the most difficult issues in the ongoing debate over NAFTA, and they are likely to surface in future debates over hemispheric free trade. Three rather different concerns are at play.

The first is that industries in search of higher profits might be tempted to move their operations to countries with lax standards or enforcement practices. Some countries, it is feared, will become havens for pollution and intolerable working conditions.

Second, as competition for investment dollars intensifies, there is concern that governments will be hard pressed to ease standards and enforcement practices for protecting the environment and workers' rights.

Third, some national environmental or labor regulations—for example, those that bar the import of foodstuffs treated with certain pesticides—might be judged unfair trade barriers and could end up being weakened or voided.

The problem of cross-border pollution has also been raised in the NAFTA debate, but it is not likely to become an issue for broader hemispheric integration. Other concerns, such as the proper exploitation of the Amazon Rain Forest, may turn out to be contentious.

None of these concerns is groundless. Highly competitive industries want to find low-cost sites for production. That, indeed, is the essence of global competition. Stiff environmental and labor standards do increase manufacturing costs, and countries will be bidding against one another to attract new investment.

The way to tackle these problems is not to stop progress toward free trade, but rather to confront the issues of environmental protection and labor rights head on. All evidence suggests that economic growth, over time, does lead to improvements in wages, working conditions, and environmental standards. Opposing growth-producing initiatives is not the way to protect workers or the environment in less developed countries. On the other hand, labor rights and environmental issues are far too important to ignore until countries have reached some future level of development. Appropriate regulations can contribute to long-term growth and national well-being.

The way to tackle these problems is not to stop progress toward free trade, but rather to confront the issues of environmental protection and labor rights head on.

We offer four recommendations:

1. *Regional trade agreements must incorporate or be accompanied by provisions to protect the environment and the rights of workers.* Economic growth is vital to combat ecological deterioration as well as to improve wages and working conditions, but sound environmental and labor standards, properly enforced, are needed to build productive economic partnerships.

The protections ultimately included in the NAFTA accord must be aggressively monitored to determine how effective they are in practice. And provision must be made for stiffening and/or revamping the rules should they prove inadequate. Regional commissions—one on the environment and one on labor—composed of governmental and non-governmental representatives, should be established and adequately

funded to monitor and judge the effectiveness of standards established in the NAFTA text and parallel accords.

2. *All countries should have access to the technical expertise and training needed to develop appropriate legislation and enforcement procedures.* Assistance should be provided by relevant U.S. and Canadian government agencies, as well as by multilateral development institutions.
3. *Domestic laws and regulations for protecting the environment and labor rights, if they are applied equally to national and foreign producers, should not be considered unfair barriers to trade.*
4. *Beyond the specific protections built into trade pacts, the nations of the hemisphere should initiate a sustained program of cooperation to deal with the full spectrum of environmental challenges—as advocated by the Dialogue in our 1990 report and by other groups.* Consideration should be given to establishing a new institution—perhaps modeled on the Pan American Health Organization or the Inter-American Commission on Human Rights—to gather and analyze data on environmental issues, furnish technical assistance, evaluate compliance with agreed-upon targets, and spotlight violations.

The Next Steps

Whether the longer-term goal of effective economic integration among the nations of the Western Hemisphere can be achieved will depend on the decisions and actions taken by many governments in the next few years. Some initial progress has been made, but it is still easily reversible.

We recommend seven steps for the governments of the Americas to take advantage of the emerging opportunities for closer hemispheric economic ties.

Step 1. The United States, Mexico, and Canada should proceed to ratify and implement the NAFTA agreement, making sure it or parallel accords give appropriate attention to the environment and to workers' rights. The rejection of NAFTA at this stage would be a decisive setback. It would deal a severe blow to Mexico's economic reform efforts and badly strain U.S.-Mexican relations across a range of issues. It would also gut the core of future hemisphere-wide trade arrangements. The United States is unlikely to pursue free trade agreements with other Latin American nations if it does not first move toward integration with Mexico, which accounts for more than one-half of all U.S. trade with the region.

The rejection of NAFTA at this stage would be a decisive setback. It would deal a severe blow to Mexico's economic reform efforts and badly strain U.S.-Mexican relations across a range of issues.

Multilateral Investment Fund	The administration's request for \$ 100 million was reduced to \$ 90 million by Congress and approved into law.
P.L. 480 Debt Reduction	The administration's request for \$ 70 million was reduced to \$ 40 million by Congress and approved into law.
AID Debt Reduction	The administration's request for \$ 216 million was reduced to \$ 50 million by Congress and approved into law.
Eximbank Debt Swaps	Authorization passed both the House and Senate as part of the Eximbank reauthorization bills, but no provision for funding has been made.

Box 1.1: Status of the Enterprise for the Americas Initiative

Step 2. Latin American and Caribbean governments should intensify their efforts to forge viable sub-regional trade pacts while sustaining their internal processes of economic reform and trade liberalization. Such measures at the national and sub-regional level will facilitate subsequent integration into an expanded NAFTA agreement.

Step 3. The United States should promptly implement the debt reduction and investment promotion features of its Enterprise for the Americas Initiative (EAI), the status of which is detailed in Box 1.1. It should also make a concerted effort to gain Japanese and European participation in both features, which would greatly increase their value to Latin America. Not only would U.S. action on this front help to strengthen the economies of several countries, it would be broadly reassuring of Washington's continuing commitment to the EAI's free trade vision.

Step 4. Once the North American accord is approved, the NAFTA partners should quickly begin consultations with other hemispheric governments in order to establish criteria, procedures, and timetables for negotiating the extension of NAFTA and building toward a genuine Western Hemisphere free trade pact. The NAFTA commission proposed in the agreement's text could undertake such consultations on behalf of the three governments.

Step 5. Negotiations should begin as soon as possible to incorporate into NAFTA those countries that can meet the entry requirements. Chile is the likely first candidate, given its economic performance and potential, its existing free trade accord with Mexico, and the U.S. pledge to put it next in line.

What we have proposed is a strategy for grasping this opportunity—a strategy of economic integration that is hemispheric in scope, comprehensive in coverage, and grounded in social justice and democratic practice.

Step 6. The United States, Mexico, and Canada should work with the countries of Central America and the Caribbean to pave the way for their participation in free trade talks. NAFTA is likely to impose some immediate losses on these countries, and the sooner they can achieve the benefits of broader integration the better.

Step 7. The governments of the Americas should establish a new multilateral organization to guide and coordinate progress toward a Western Hemisphere Economic Community. Despite the fundamental importance that trade and economic integration has assumed in inter-American relations, no organization currently has the mandate and expertise to exercise leadership on these crucial issues.

Such an organization is needed to serve several complementary objectives: to collect, systematize and disseminate statistics on trade, capital flows, and macroeconomic indicators; to analyze issues and policies related to regional integration—including labor and environmental standards and the harmonization of economic regulations; to review and evaluate proposed trade and related agreements among nations; and to serve as a source of expertise and technical assistance to individual countries. Over time, it could be entrusted with more sensitive tasks such as defining rules to guide negotiations, mediating negotiations, investigating violations of trade and related economic accords, and settling disputes over many aspects of hemispheric integration.

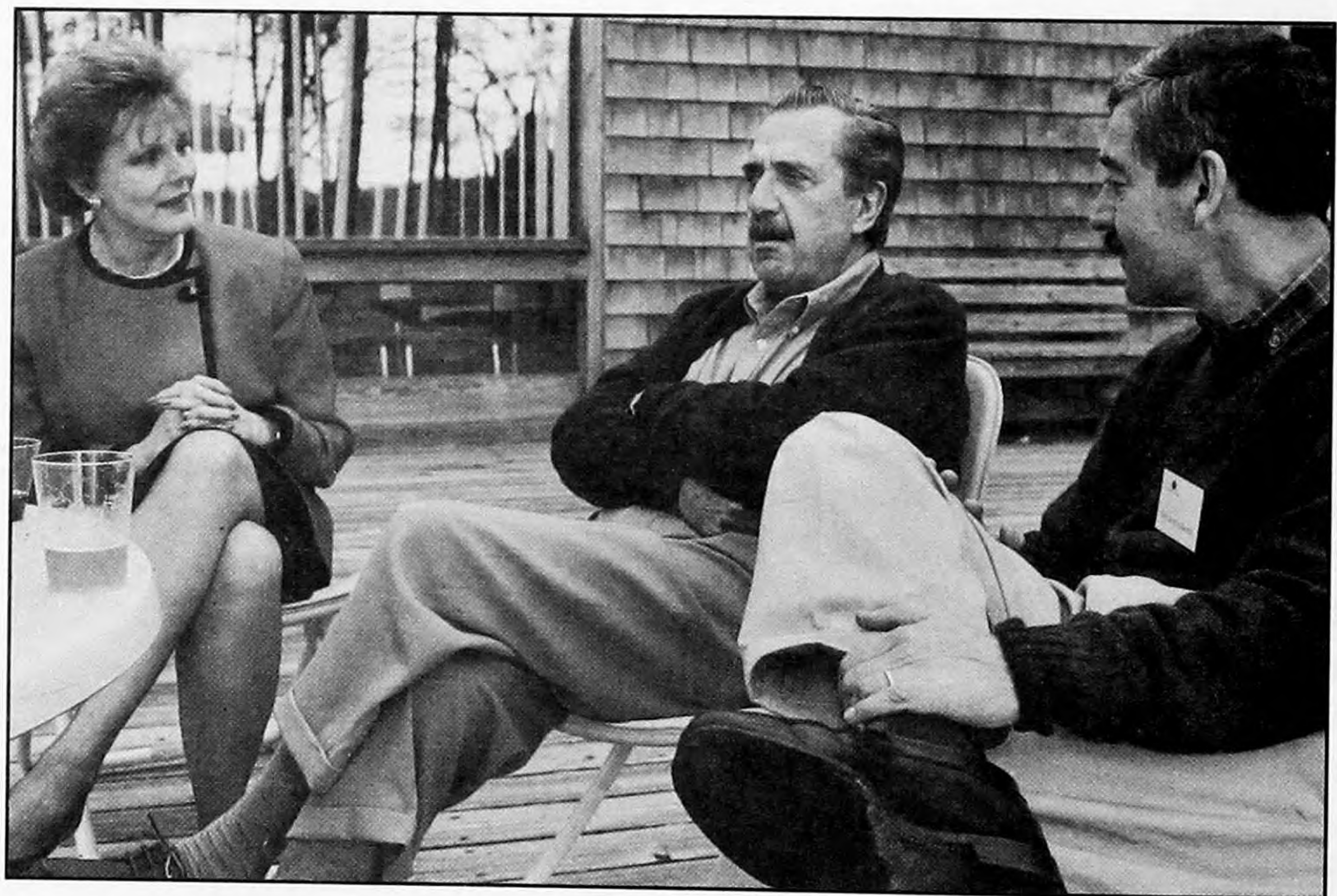
This new institution could evolve from the proposed NAFTA commission or it could be established through the collaboration of the main existing regional economic organizations—the IDB, OAS, and UN Economic Commission for Latin America and the Caribbean. These regional organizations will have to play prominent roles in any hemispheric coordinating body, no matter how it is structured. It will also be imperative to have the active involvement of private business, trade unions, and the many other non-governmental organizations that now influence hemispheric economic and social relations.

With the ideological divisions of the Cold War having subsided, the nations of the Western Hemisphere now confront a crucial point of decision. For the first time ever, they have the opportunity to design and build an economic community that will span the Americas and, within a generation, could incorporate nearly one billion persons. An economically integrated hemisphere would enable every nation to become more productive and compete more effectively in the global economy. It would lay the foundation for enduring economic and social advances, and it could point the way toward greater political cohesion and sustained cooperation on many dimensions.

What we have proposed is a strategy for grasping this opportunity—a strategy of economic integration that is hemispheric in scope, comprehensive in coverage, and grounded in social justice and democratic practice.



Billie Miller and Charles McC. Mathias, Jr.



Sonia Picado, Raúl R. Alfonsín, José Octavio Bordón.



Chapter II

The Collective Defense of Democracy

Two propositions are today widely accepted among the governments and people of the Americas.

First, democracy—characterized by regular, competitive elections, a free press, constitutionally guaranteed rights, and civilian control of government—is the only legitimate means to secure and exercise political power. To be sure, the practice of democracy, including the conduct of elections, is far from vigorous in most countries, and its survival remains at risk in some. Yet the commitment to democratic norms is broad and strong across the Americas. Only the regime of Fidel Castro in Cuba now openly rejects democracy.

Second, the inter-American community should act collectively to help build and defend democracy in the hemisphere. Having gradually emerged over many years, this proposition was codified in “The Santiago Commitment to Democracy and the Renewal of the International System” and accompanying resolutions adopted by the General Assembly of the Organization of American States (OAS) in June 1991 in Chile. The Santiago resolutions mandated an immediate meeting of the OAS Permanent Council following any rupture of democratic rule in the Americas, and instructed the OAS to “adopt efficacious, timely, and expeditious procedures to ensure the promotion and defense of representative democracy.” (See Box 2.1)

The OAS General Assembly reaffirmed and strengthened this commitment at its meeting in the Bahamas one year later. More importantly, the OAS member states acted on the commitment when constitutional rule was abrogated in Haiti in September 1991 and in Peru in April 1992. Democracy has yet to be restored in either nation, but the OAS—supported by nearly every country of the hemisphere—orchestrated significant multilateral responses in both cases. Although more forceful and effective responses might have been possible, the actions taken went beyond any previous

Democracy—characterized by regular, competitive elections, a free press, constitutionally guaranteed rights, and civilian control of government—is the only legitimate means to secure and exercise political power.

The Santiago Resolutions of the OAS

REPRESENTATIVE DEMOCRACY

(Resolution adopted at the fifth plenary session, held on June 5, 1991)

WHEREAS:

The Preamble of the Charter of the OAS establishes that representative democracy is an indispensable condition for the stability, peace, and development of the region;

Under the provisions of the Charter, one of the basic purposes of the OAS is to promote and consolidate representative democracy, with due respect for the principle of non-intervention;

Due respect must be accorded to the policies of each member country in regard to the recognition of states and governments;

In view of the widespread existence of democratic governments in the hemisphere, the principle, enshrined in the Charter, that the solidarity of the American states and the high aims which it pursues require the political organization of those states to be based on effective exercise of representative democracy must be made operative; and

The region still faces serious political, social, and economic problems that may threaten the stability of democratic governments.

THE GENERAL ASSEMBLY

RESOLVES:

1. To instruct the Secretary General to call for the immediate convocation of a meeting of the Permanent Council in the event of any occurrences giving rise to the sudden or irregular interruption of the democratic political institutional process or of the legitimate exercise of power by the democratically elected government in any of the Organization's member states, in order, within the framework of the Charter, to examine the situation, decide on and convene an ad hoc meeting of the Ministers of Foreign Affairs, or a special session of the General Assembly, all of which must take place within a ten-day period.
2. To state that the purpose of the ad hoc meeting of Ministers of Foreign Affairs or the special session of the General Assembly shall be to look into the events collectively and adopt any decisions deemed appropriate, in accordance with the Charter and international law.
3. To instruct the Permanent Council to devise a set of proposals that will serve as incentives to preserve and strengthen democratic systems, based on international solidarity and cooperation, and to apprise the General Assembly thereof at its twenty-second regular session.

Box 2.1: The Santiago Resolutions of the OAS

OAS initiatives to deal with internal violations of constitutional order. And the OAS is currently debating an amendment to its charter that would allow the General Assembly to suspend the membership of governments that have assumed power illegally. A hemispheric consensus now plainly endorses joint action to restore democracy where it has been displaced, even as doubts and disagreements persist on the right means to achieve this goal.

Democracy in Jeopardy

The 1980s were a period of extraordinary political renewal in Latin America with military regimes and personalist dictatorships giving way to freely elected governments in country after country (see Figure 2.1). In 1979, elected leaders governed in only two of ten South American countries—Venezuela and Colombia—and in just one of the six republics of Central America and Panama—Costa Rica. A dozen years later, popularly elected presidents held office in every Central and South American nation, and democratic rule remained strong in most of the Commonwealth Caribbean. Indeed, the foundering of democratic politics in Haiti and Peru during the past year was the first time in more than 15 years that authoritarian regimes had dislodged fairly and freely chosen democratic governments in Latin America.

In August 1991, Haiti’s army ousted the nation’s first-ever freely elected president, Jean-Bertrand Aristide, only nine months after he had taken office. Six months later, Peru’s President Alberto Fujimori, in an action backed by the military and, according to opinion polls, supported by a majority of the population, shut down Congress and the judicial system, suspended the constitution, and began to rule by decree. Yet it was not these actual ruptures of democracy in Peru and Haiti that provoked most concern among the hemisphere’s democratic leaders: it was a failed coup in Venezuela in February 1992.

Both Peru and Haiti were in desperate straits when democratic rule was interrupted. Peru had been disintegrating for many years. Average income had dropped by almost a third in the past decade; the brutal “Shining Path” insurgency had



*Elected President Jean-Bertrand Aristide was deposed by the military on September 30, 1991. **The Brazilian election of Tancredo Neves was decided by an appointed electoral college, not by popular vote. ***Peru's democratic rule was suspended by elected President Alberto Fujimori on April 5, 1992. Source: Latin American Special Report, February 1991.

Figure 2.1: The Return of Freely Elected Governments

*A hemispheric consensus
now plainly endorses
joint action to restore
democracy where it has
been displaced.*

persistently extended its reach, resulting in more than 25,000 deaths and massive human rights abuses by both the Peruvian military and the insurgents; corruption and criminal violence—often related to drug trafficking—had become entrenched; and Peru's institutions, public and private, had lost their effectiveness and credibility.

Haiti, for its part, was perhaps even more distressed; its people were impoverished and its natural resources devastated. The country has no history of democratic rule or decent national government.

Venezuela, in contrast, is the wealthiest country in Latin America. The economic setbacks it suffered in the 1980s were less severe than those of many other countries. At the time of the coup, Venezuela boasted relatively high growth and low inflation. It had enjoyed more than a third of a century of democratic rule with one civilian president replacing another through competitive elections since 1958. Despite Venezuela's advantages, a military coup almost succeeded, and nearly resulted in the death of President Carlos Andrés Pérez. Moreover, the army officers who plotted the coup gained immediate popular sympathy.

The key factors explaining the attempted overthrow in Venezuela—ineffective institutions, government corruption, extreme income disparities, and a failure of national political leadership—are all too visible in many other nations of Latin America. The truth is that if democracy could come under siege in Venezuela, few governments in Latin America can feel secure.

Recent events in Haiti, Peru, and Venezuela do not mean that Latin America's democratic renewal has ended, or that many other reversals of democratic rule are likely to occur. They are, however, a warning that the survival of democracy cannot be taken for granted—that the nations of the Americas need to work hard, both individually and collectively, to strengthen democratic institutions and make them more effective, responsive, and participatory. Most countries of Latin America have now accomplished the transition from authoritarian regimes. The more difficult challenge lies ahead—to deepen and consolidate the democratic gains so that they take firm root.

Consolidating Democratic Rule

The government and citizens of each nation are responsible for strengthening and safeguarding democracy. National leaders must consistently demonstrate commitment to democratic values and practice. They must be willing to compromise, accept political defeat that results from democratic procedures, and convince their supporters to do so as well. They must respect and reinforce the basic institutions of government, and encourage the wide participation of citizens.

The countries of the Americas, working together, can fortify national efforts to consolidate democratic rule. In its 1990 report, the Inter-American Dialogue identified four areas in which international initiatives would be particularly helpful: 1) controlling political and criminal violence; 2) curtailing the autonomy and political influence of the region's armed forces; 3) strengthening economic development efforts; and 4) bolstering the network of democratic institutions in the hemisphere.

Controlling Violence

Where insurgents challenge governments, countries confront vicious circles of violence and counterviolence that undermine the institutions, procedures, and values essential to democracy. As long as the fighting continues, democratic practice remains truncated and precarious: the armed forces intrude in political decisions, the authority of civilian leaders and institutions are compromised, economic progress is hampered, and human rights abuses persist.

We recommend two inter-American initiatives to reduce violent conflict:

- *As it did in Nicaragua and El Salvador with the assistance of the United Nations, the inter-American community should actively promote negotiated settlements of Latin America's remaining guerrilla conflicts.* Persistent diplomatic and political pressure on the warring parties in Colombia and Guatemala, combined with mediation assistance, could help to end the prolonged fighting in those nations. With Shining Path leader Abimael Guzmán now behind bars, there may also be, for the first time, prospects of opening negotiations to resolve the civil war in Peru.
- *Western Hemisphere countries should expand the resources available to the Inter-American Commission on Human Rights and the associated Court and Institute, and vigorously pursue the findings and recommendations of these agencies. Governments and multilateral institutions should also give careful attention to the reports and recommendations of the many credible non-governmental organizations professionally monitoring human rights.* Such actions could help to diminish the violence and human rights abuses perpetrated by Latin American security forces.

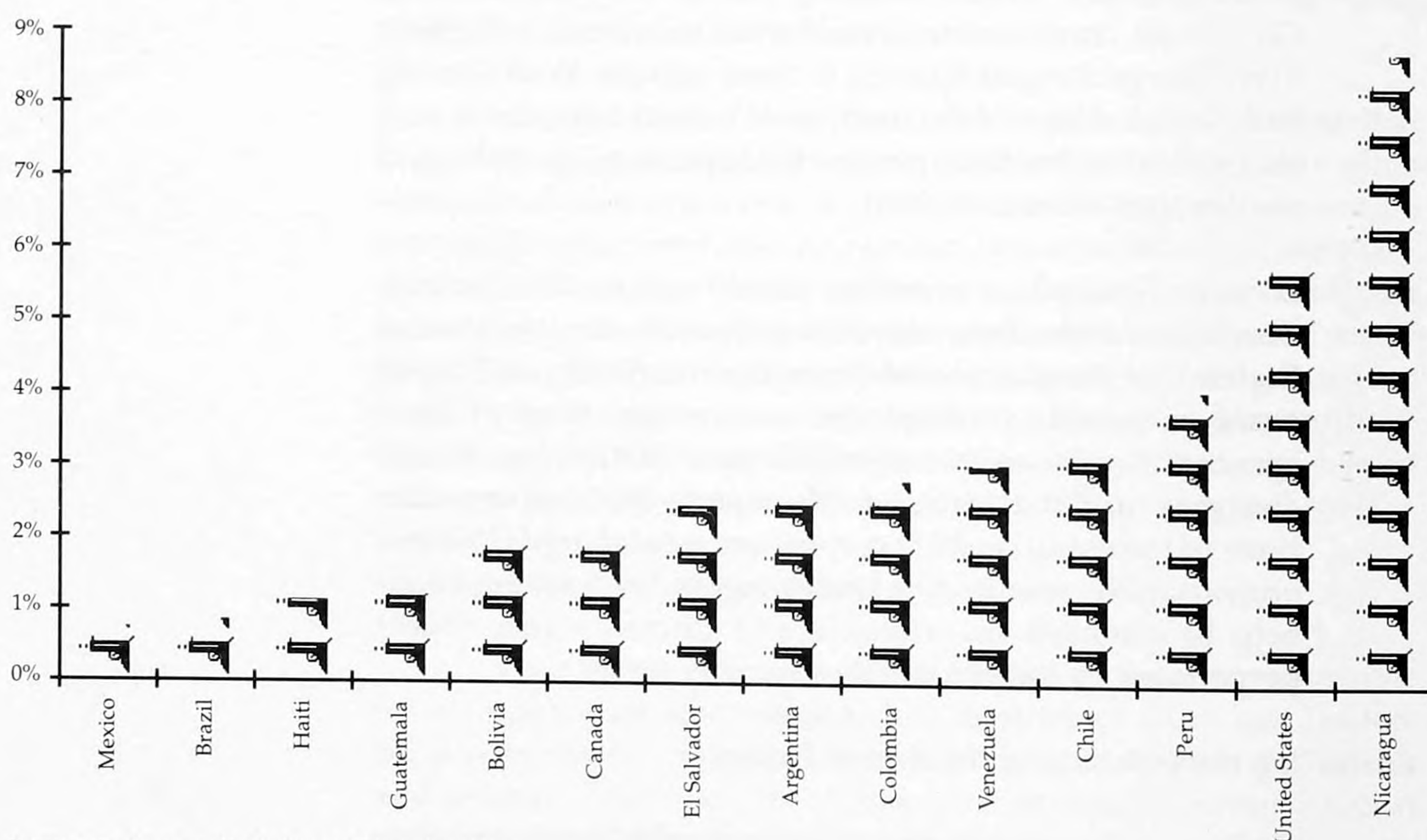
Curtailing the Influence of the Armed Forces

Civilian-military relations vary considerably from country to country in Latin America, but they remain troublesome nearly everywhere. Constitutional democracy requires that all military

forces be subject to the effective direction of elected civilian authorities. Few Latin American countries meet that basic condition today.

Three international measures would help to increase civilian control of military forces in Latin America:

- *The OAS, its individual member states, and non-governmental organizations should foster national and regional dialogues among civilian and military officials to take a fresh look at their armed forces—their mission, size, weapons, and cost. The OAS should consider organizing a permanent forum of civilian defense ministers, armed service commanders, and key members of legislatures, to develop regionwide norms of civil-military relations and the evolving missions of armed forces in the Americas. Clearly, such norms would not immediately be adopted by all armies, but they could lead to a growing convergence of attitudes and behavior as has happened on such matters as the conduct of elections and economic management.*
- *International financial institutions—the World Bank, International Monetary Fund (IMF), and Inter-American Development Bank (IDB)—should monitor military spending and propose that armed forces' budgets be subjected to the same cost-cutting measures as those of civilian agencies.*



Source: Latin American Weekly Report, 5 November 1992.
Data for U.S. and Canada from UNDP, Human Development Report 1992.

Figure 2.2: Military Spending as a Percentage of GDP

Security expenditures will be determined by judgments regarding internal and external threats, but their impact on fiscal policy must also be considered. See Figure 2.2 for military expenditures as a percentage of GDP for selected countries.

- *Military assistance programs from abroad, where they are still necessary, should be designed and implemented in ways that reinforce civilian authority.* Bilateral and multilateral training programs, like those offered at the Inter-American Defense College in Washington, should no longer be largely reserved for military officers; they should instead be preparing large numbers of civilians to manage national security policy. These programs might also train Latin American officials for international peacekeeping operations and encourage them to consider such operations as part of the mission of modern armies.

Effective democratic practice requires structured and dependable institutions, accepted rules of political conduct, and established legal procedures.

Building Networks of Democratic Institutions

Political and civic organizations remain weak in most of the region. Effective democratic practice, however, requires structured and dependable institutions, accepted rules of political conduct, and established legal procedures. In their absence, politics becomes personalized and erratic, and voters may grow apathetic and disaffected. The extent of political disaffection is conveyed in Figures 2.3 and 2.4.

We recommend three inter-American initiatives to strengthen national institutions:

- *Whenever national elections are endangered by fraud, manipulation, or violence, governments should be pressed to accept international observers to monitor the electoral process—from the conduct of the campaign to the counting of ballots.* All nations of the Americas should be prepared to participate in and help finance these activities.
- *International organizations and bilateral donors should support, in non-partisan ways, initiatives to strengthen legislatures and judicial systems—by assisting the development of research services and staff training programs, for example.* These institutions are crucial to any democratic order, but have traditionally been weak and ineffective in Latin America.
- *Similar assistance should be made available to bolster non-governmental organizations—political parties, trade unions, business and consumer groups, civic associations, and com-*



51% of all Venezuelans consider their government "bad" or "very bad," up from 33% a year ago, according to a recent poll.--Reuters, 4/3/92



13% of Brazilians responding to a recent *Folha de Sao Paulo* poll said that they would vote for a return of the monarchy if a plebiscite were held that day.--UPI, 5/29/92

Only 32% of polled Canadians said they would turn to an elected politician for assistance if their community were faced by a problem affecting large numbers of people in their area--Maclean's, 1/6/92



In May, U.S. confidence in Congress averaged around 20%, the lowest rate since the Watergate scandal.--Christian Science Monitor, 5/22/92



Only 42% of the Mexican people questioned prior to the 1991 mid-term elections believed that their vote would be respected.--*Este Pais*, 8/91

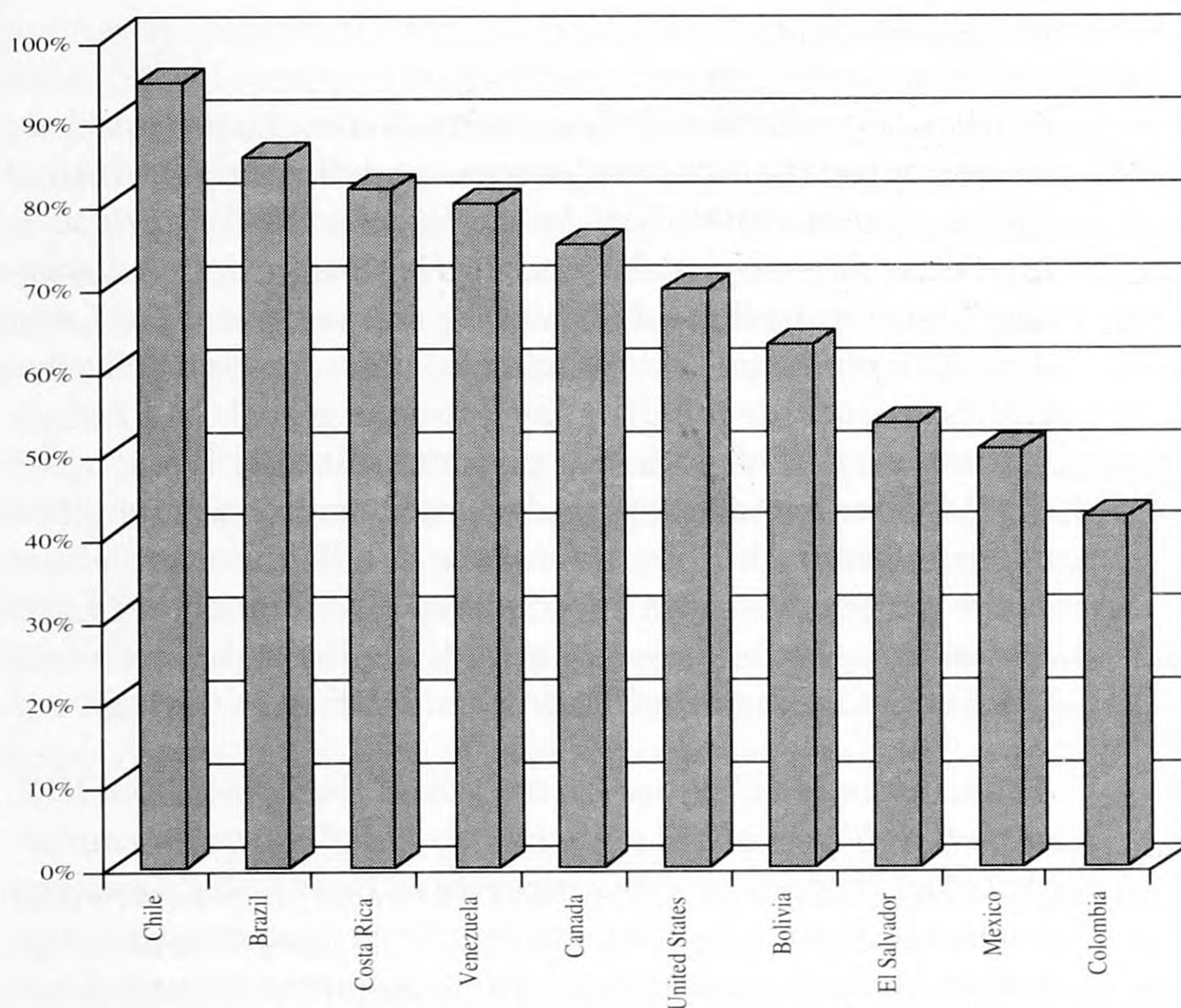


46.5% of Chileans recently polled by the Latin American School of Social Studies (Flacso) stated that they believed the Armed Forces could carry out another coup. 40.9% disagreed, but only 3.1% said it would be impossible.--FBIS, 7/13/92



Only 11.6% of Argentineans surveyed by a prominent Buenos Aires think tank supported a proposed constitutional reform that would allow the country's president to seek re-election.--Business Latin America, 6/22/92.

Figure 2.3: Public Disaffection in the Americas



Note: Percentage of registered population voting in most recent presidential or parliamentary election.
 Sources: FBIS; Statistical Abstract of Latin America; CSIS; Governments of Brazil, Costa Rica, Canada, United States.

Figure 2.4: Voter Turnout in the Americas

munity organizations—through which citizens' demands can be expressed and brought to the attention of authorities. Counterpart institutions in more advanced democracies and private and public foundations can be especially helpful in supporting non-governmental groups in Latin America. They often maintain active ties with such groups and are likely to understand their needs.

Democracy draws its strength from a politically active populace and a multiplicity of representative institutions. Yet few Latin American nations can today boast the vigorous array of civic and political institutions that are essential to achieve wide political participation, expand access and accountability, and build confidence in political life.

Bolstering Economic Growth

Throughout Latin America, slow economic growth, sharp inequalities, and pervasive poverty are exacerbating other threats to democratic governance. National economic and social policies are the key to confronting these problems, but the economic policies of the industrialized countries can assist—or undercut—the region's own efforts.

Few Latin American nations can today boast the vigorous array of civic and political institutions that are essential to achieve wide political participation, expand access and accountability, and build confidence in political life.

We recommend:

- *Further debt relief may help recovery in some Latin American countries, but the industrial powers—particularly the United States—could assist most by dealing decisively with their internal economic problems, curtailing budget deficits, spurring higher growth, and increasing market access for Latin American products.* They should also redouble their collective efforts to conclude the Uruguay Round of global GATT negotiations. As discussed in the previous chapter, Washington should move forward with its declared intention to strengthen hemispheric trade links. Not only would these initiatives create a more favorable international environment for Latin American growth, they would provide the right incentives for domestic reform and trade liberalization in the region.
- *As spelled out in Chapter III, the World Bank, IMF, and IDB, as well as bilateral aid agencies, should give greater emphasis to fighting poverty and inequity in their Latin American programs.* Latin American governments need financial support and technical assistance for anti-poverty measures. Even more significant, the commitment of international institutions will legitimize additional national expenditures for social programs. The IDB has an especially critical role to play because of its special understanding of the region and its high profile in Latin America's smaller and poorer countries.

The commitment of international institutions will legitimize additional national expenditures for social programs.

When Democratic Rule Breaks Down

Given the challenges to democracy in Latin America today—military forces that escape civilian control, endemic violence in numerous countries, persistent economic and social distress, the fragility of political institutions, and widespread disaffection among ordinary citizens—democratic rule will come under intense pressure in many places and may break down in some. In signing the Santiago Declaration and accompanying resolutions in June 1991, the nations of the Americas pledged to respond collectively to such ruptures of democracy.

The Legal Precedents

Multilateral action to prevent or redress violations of constitutional order is not a wholly new concept in hemispheric relations. A long sequence of historical precedents underpins the current inter-American commitment to the collective defense of democracy.

One crucial step was taken in 1959 when the OAS created the Inter-American Commission on Human Rights, thereby establishing the principle that the abuse of human rights in any nation was a concern of all nations of the Americas, and putting in place an

institutional mechanism to act on that concern. Hemispheric governments failed to respond in any effective way to the numerous military takeovers of power in the 1960s and 1970s; indeed, in most cases, the new authoritarian rulers were recognized without protest. In 1979, however, the OAS member states, for the first time ever, called for the replacement of a sitting government. In a strongly worded statement, they demanded that the Somoza regime step down and that a new democratic government be installed in Nicaragua.

In 1985, the OAS Charter was revised to reinforce the importance of democratic rule as “an indispensable condition for stability, peace, and development in the region” and emphasize the Organization’s role in “promoting and consolidating” democracy. With its endorsement of the 1987 Esquipulas peace plan for Central America, the inter-American community again rejected the idea that democracy was a matter of purely domestic concern.

The Esquipulas proposals declared that democracy was essential for peace in each country and, in turn, was inseparable from peace and security throughout Central America. Internal democracy was considered a legitimate international concern because regional peace depended on it. In reference to El Salvador, former UN Secretary General Javier Pérez de Cuéllar, speaking at the Inter-American Dialogue’s 1992 plenary meeting, pushed the argument further, asserting that “human rights have become a keystone of peace, and thus a responsibility of the international community. The sovereignty of states must be considered under the sovereignty of human rights.”

In the past few years, national political arrangements in Nicaragua, El Salvador, and Suriname were subjected to intensive international oversight by OAS and UN missions involved in the negotiation and implementation of peace settlements. Similarly, the internal politics of Haiti, Panama, Paraguay, and Chile were importantly influenced by the election monitoring activities of various public and private groups from other countries.

The current hemispheric commitment to the collective defense of democratic rule is, in short, based on many historical precedents. The Santiago resolutions, however, went beyond those precedents by 1) calling for international action in a country without the approval of the government in power, and 2) creating a mandatory procedure to decide on and set in motion such action. The UN and OAS intervened in Nicaragua and El Salvador at the request of the national authorities. By contrast, in Haiti and Peru, the inter-American community acted without prior request from the *de facto* governments.

Several guiding principles for inter-American action have emerged from the Santiago resolutions and the subsequent OAS initiatives in Haiti and Peru:

Former UN Secretary General Javier Pérez de Cuéllar, speaking at the Inter-American Dialogue’s 1992 plenary meeting, pushed the argument further, asserting that “human rights have become a keystone of peace, and thus a responsibility of the international community. The sovereignty of states must be considered under the sovereignty of human rights.”

- OAS member states are expected to respond rapidly to interruptions of democratic rule. The Santiago resolutions require the Secretary General to call a meeting of the OAS Permanent Council immediately following any such interruption and, within ten days, to review the situation and convene either an ad hoc meeting of the hemisphere's foreign ministers or a special session of the General Assembly. The OAS did, in fact, react quickly to the democratic breakdowns in both Peru and Haiti.
- The response has to be broadly inter-American, joined by virtually all nations of the hemisphere and, at a minimum, forcefully condemn the abrogation of democratic order. The idea is to make it plain to those who illegally assume power that they have violated broad hemispheric norms and will not find allies in the Americas. Conversely, democracy's defenders should be able to count on support across the region.
- Governments should work mainly through the OAS to frame responses to democratic breakdowns. The OAS—in which all nations of the hemisphere (except Cuba) participate—has primary responsibility for mobilizing and legitimizing collective action to safeguard democracy.

The central challenge is how to make these principles work in practice. What, specifically, has to be done, to get those who illegally seize power, and who most often will have a monopoly or near monopoly on armed force, to relinquish that power and allow for the return of democratic governance and the rule of law?

Two kinds of measures are needed to turn commitment into appropriate, effective, and sustainable action. First, it is crucial to strengthen institutional capacities—within and outside the OAS—for joint action to defend democracy. Second, hemispheric governments must formulate an agreed-upon operational strategy for confronting situations of democratic breakdown.

Bolstering Institutional Capacities

The nations of the hemisphere have assigned the OAS the lead role in organizing collective responses to democratic breakdowns, but they have yet to provide it with the necessary financial and technical resources. We are encouraged that the United States, whose annual quota accounts for about 60 percent of the OAS budget, has been paying its full assessment in recent years, after nearly a decade of substantial delinquency. Still, OAS expenditures have fallen by more than half since 1975 and by nearly a third since 1985. For the OAS to carry out its role effectively, it must have the resources to recruit and maintain high-quality personnel.

More specifically, the OAS requires resources to expand and strengthen its new Unit for Democracy, which has operational responsibility for initiatives to protect and promote democracy. The Unit currently lacks even a rudimentary fact-finding and analytic capacity.

Good quality OAS decisionmaking demands accurate, timely, and nuanced assessments of the key political actors (including the military) and their changing positions and alliances, the points at which different kinds of pressure would be most effective, and the main options for proceeding. Such assessments require continuing consultations across the political spectrum and among many different sectors of society.

We recommend three measures:

1. *The OAS should reinforce its Unit for Democracy.* The Unit should have the capacity to gather and analyze information on countries where the constitutional order has been swept aside or is under siege, and to devise and evaluate alternative strategies of response. During a period of crisis, it should be able to draw on a wider, previously organized network of academic and policy experts to assist in fact-finding and interpretation. At other times, staff would be responsible for monitoring democratic progress in the Americas and for investigating potentially eruptive situations.
2. *The Democracy Unit should be adequately funded by OAS member governments.* We estimate the cost will be approximately \$2 to \$2.5 million per year. It may be possible to transfer some funds from other OAS agencies, but given the organization's generally tight budget, most will have to come from increased contributions.
3. *Consideration should be given to transforming the Democracy Unit into an Inter-American Commission on Democracy, modeled after the Commission on Human Rights, with its own governing board and independent mandate.* An alternative would be to expand the mandate and resources of the Human Rights Commission—which is widely considered the most effective agency of the OAS—to include responsibility for promoting and defending democracy. At a minimum, the Democracy Unit, in all of its activities, should closely cooperate with the Inter-American Commission on Human Rights.

Beyond the OAS, the inter-American community includes a great many organizations—public and private, multilateral and national, regional and sub-regional—that can and should participate in collective responses to ruptures of democratic order.

The multitude of non-governmental organizations, foreign and national, that are active in such areas as human rights, humanitarian aid, refugee protection, press freedom, and judicial and electoral reform have crucial roles to play.

The OAS should coordinate its actions with such other inter-governmental organizations as the 13-member Rio Group and the Group of Three, composed of Mexico, Colombia, and Venezuela. These organizations often have greater flexibility and access than the OAS, and can be helpful in such areas as mediation, fact-finding, and communication with key political actors.

International financial institutions—including the IDB, World Bank, and IMF—have considerable scope, even under their current rules, for exerting economic pressure on unconstitutional regimes. In the case of Peru, the withholding of international loans helped persuade President Fujimori to moderate his initial plans and make concessions toward restoring the democratic order.

The multitude of non-governmental organizations, foreign and national, that are active in such areas as human rights, humanitarian aid, refugee protection, press freedom, and judicial and electoral reform also have crucial roles to play. With their particular skills and special access, they can serve as independent sources of information, help to monitor the effects of measures pursued by official agencies, and undertake specialized tasks in accord with their own missions.

We recommend that the OAS, through its Unit for Democracy, establish regular channels of communication to this mosaic of organizations. Informal advisory bodies could be established by the OAS to facilitate interchange among these organizations and to draw on their particular expertise. In specific circumstances, the advisory groups could be helpful in developing strategies for joint or complementary actions. With a stronger Democracy Unit in place, the OAS would be better able to cooperate with other organizations, contribute constructively to their activities, and make use of them to reinforce its own efforts.

Defining Operational Strategies and Procedures

The OAS experiences in Haiti and Peru suggest three interlocking operational issues need to be confronted whenever the inter-American community sets out to respond to a rupture of democratic order.

First, what outcome should be pursued by the OAS and the rest of the inter-American community? Should efforts be directed to restoring something close to the *status quo ante*, as they were in Haiti, where the initial goal was quickly to return President Aristide to power? At promoting negotiations between the *de facto* government and competing groups to establish a process to revive or remake the constitutional order, as in Peru? At forging an interim caretaker government until elections can be held, as some are now recommending in Haiti? What combination of these goals might be most appropriate?

Second, decisions must be made about the nature of the inter-American response. Should it be tough and uncompromising, and try to impose a solution? Or should a more conciliatory approach be pursued, in an attempt to encourage and nurture cooperation among contending political groups? How partisan should the collective action be? Should it stand unambiguously with the deposed leadership, squarely opposed to the transgressors of the constitutional process? Or should a more neutral stance be adopted, with the OAS seeking to serve as a mediator between the competing forces?

Third, what specific instruments of pressure should be used to support collective action? What combinations and sequences of diplomatic, political, economic, and military sanctions can and should be called upon?

These questions cannot be answered in the abstract. They call for decisions based on the facts of each situation, the principles involved, and the likely consequences of different courses of action. The appropriateness of any specific course must be evaluated not only on its immediate prospects of success, but also on whether it can be sustained over time if it does not produce quick results and on what precedents it sets for future actions.

We offer the following recommendations:

1. *The inter-American community should not try to impose a predetermined solution following a democratic breakdown.* In some cases, quick and decisive action might well reverse a military coup or other illegal takeover of power, or perhaps serve to prevent such a takeover in the first place. But if a rapid turnaround appears unlikely or cannot be accomplished, inter-American efforts should be directed to fashioning a framework and procedures through which the contending national forces can work toward an agreed-upon approach to return the country to constitutional rule. That means encouraging both sides to negotiate, make reasonable concessions, and find grounds for agreement. In these circumstances, the role of the OAS and other external actors is to foster a national dialogue, exert persistent pressure on all sides to help keep negotiations on track, and provide, where it can be helpful, mediation and other assistance.
2. *Most pressure should be directed to the de facto holders of power.* They must insistently be kept aware that they have illegally usurped power, that they are not the country's legitimate rulers, and that their government cannot be a full participant in regional and sub-regional groups until democratic rule is restored. But democratic opposition groups may also need to be persuaded to join negotiations with those holding power, and to accept compromises.

The appropriateness of any specific course must be evaluated not only on its immediate prospects of success, but also on whether it can be sustained over time if it does not produce quick results and on what precedents it sets for future actions.

Political and Diplomatic

- Denial of travel visas to coup leaders and close supporters.
- Suspension of the offending country's membership in sub-regional organizations (such as the Group of Rio) and in broader regional institutions (such as the OAS).
- Exclusion from Latin America and Western Hemisphere caucuses in international agencies.
- Withdrawal of ambassadors.
- Withdrawal of formal diplomatic recognition.
- Direct financial and political assistance to democratic opposition groups.

Economic

- Suspension of bilateral economic assistance programs (except, perhaps, for humanitarian aid).
- Suspension of trade preferences.
 - Embargo of vital exports and imports.
 - Embargo of all trade.
- Suspension of all economic and commercial ties.

Military

- Termination of military aid.
- Withdrawal of foreign military missions.
- Embargo of military supplies.
 - Imposition of a blockade.
 - Multilateral military intervention against the de facto government.

Box 2.2: Possible Sanctions in Response to Democratic Ruptures

3. *The OAS should be prepared to send, on relatively short notice, civilian missions to countries where internal order has collapsed or is severely threatened, where repression and/or violence has become rampant, or where communication between contending political forces has broken down.* In Nicaragua and Suriname, such missions have helped to defuse internal conflicts, keep order, provide needed technical assistance, and generally improve the environment for rebuilding democratic politics. A mission is now being organized for Haiti to accomplish similar purposes.
4. *In the first instance, mainly moral and diplomatic suasion should be used to nudge a country back toward democracy. However, where unconstitutional authorities refuse to engage seriously in dialogue and in negotiations to restore democratic order and reject the idea of a civilian mission, the inter-American community should consider applying the kinds of sanctions spelled out in Box 2.2.* The credible threat of such stronger sanctions may well give the initial moral and diplomatic pressures a greater chance of succeeding.
5. *There should be no automaticity regarding the selection, sequencing, or escalation of sanctions.* They must be orchestrated on a case-by-case basis. Sanctions targeted on the pocketbooks, careers, or objectives of those directly responsible for blocking the return to democratic rule are likely to be the most effective and most readily sustainable. In the case of a military coup, for example, the armed forces can be cut off from external aid and excluded from international training exercises. Even targeted sanctions, however, should be directed to achieving specific aims. They should not be used merely to punish.

Sanctions should never be imposed lightly or precipitously. They can cause hard-to-reverse damage to a country and its people; they can backfire and strengthen the most intransigent opponents of democratic rule; they may end up blocking rather than encouraging dialogue among the key political actors; and they may increase the difficulty of sustaining consensus among OAS member countries. There is, after all, still no real agreement among the nations of the Americas regarding the use of coercive sanctions.

As our recommendations make clear, we believe that the priority objective of collective hemispheric action must be to restore constitutional rule where it has been abrogated and to do so as quickly as possible. However distasteful, this may require a compromise solution that accommodates at least some of the demands of those who illegally took power. In the past decade, most transitions from military to civilian rule in Latin America were accomplished through negotiations and compromise. In order to restore constitu-

tional government, democratic leaders accepted institutional and legal changes imposed by the military regime.

International Peacekeeping in the Americas

External military involvement—whether unilateral or multilateral—in the domestic affairs of any nation remains an issue of extreme sensitivity in inter-American relations. This does not mean that the nations of Latin America oppose the use of multilateral military force in all circumstances. They have, for example, endorsed the sending of an armed UN contingent to El Salvador to supervise implementation of the recently negotiated peace accords between the government and the guerrilla forces. Latin American governments also welcomed a UN security detail to protect OAS and other election observers during Haiti's December 1990 presidential elections.

No regional consensus yet exists on whether the OAS should develop some form of peacemaking or peacekeeping capacity, or whether it should continue to depend on the UN for all security-related activity. Delegating security operations to the United Nations has one main drawback: the OAS has less control over the timing and conduct of a UN security mission than it would over its own.

Members of the Inter-American Dialogue are divided over whether the OAS should begin to consider establishing a modest security or peacekeeping capacity (not a standing force but, like that of the UN, one that would draw on designated national forces). Many of us believe that such a limited security capacity could importantly reinforce the OAS's ability to respond to actual or threatened breakdowns of democratic order, and that the issue should be placed on the OAS agenda for consideration.

Others of us, however, are convinced that discussion of an inter-American security force would not be fruitful at this time and should therefore be deferred. We see no prospect of the OAS member states reaching agreement, and believe that a divisive debate on the subject might well weaken the emerging hemispheric commitment to collective action in favor of democracy.

Even if the nations of the hemisphere were ready to consider the development of an OAS security capacity, most of them would reject outright the idea of an inter-American force intervening in a country against the wishes of its national authorities. A few Latin American governments have advocated intervention in Haiti, but most resist even contemplating such a step. For some time into the future, the use of external military force in any Latin American country is likely to gain broad hemispheric support only if it is approved by the national authorities and welcomed by a range of political opinion in that country.

Building a Western Hemisphere Community

There is movement today, still tentative but clear and growing, toward the formation of a democratic political community in the Western Hemisphere. Nearly all nations of the Americas are now governed by elected, civilian leaders. Other essential components of such a community are also falling into place, and these are being reinforced by parallel initiatives toward hemispheric economic integration.

The Democratic Convergence: Even though democratic institutions and practice need to be strengthened in virtually all countries, including the United States, the basic values of democracy are shared throughout the hemisphere. Authoritarian alternatives, whether of the left or right, are now widely rejected as illegitimate, including by the armed forces of most countries. There is, moreover, an increasing convergence on the specific norms that should guide democratic practice in such crucial areas as elections, military oversight, press freedoms, human rights, and judicial procedures.

A Network for Democracy: A democratic network of independent institutions is growing throughout the hemisphere—involving political parties, human rights groups, trade unions, professional and business associations, the media, women's organizations, religious institutions, and environmental groups. By mobilizing ideas and energy across borders, this network is helping to bolster, enrich, and protect citizen participation in political life within all nations.

Collective Action: The countries of the Americas have made clear their collective commitment to promote democracy throughout the hemisphere and to act jointly to defend it where it is threatened or violated. And that is precisely what a democratic community is all about: democracy in each country of the Americas must be the concern of all countries.

The historic challenge—and opportunity—for all Western Hemisphere nations is to turn this shared commitment into effective action.

There is an increasing convergence on the specific norms that should guide democratic practice in such crucial areas as elections, military oversight, press freedoms, human rights, and judicial procedures.



Incoming Co-Chair Bruce Babbitt and Chairman Emeritus Sol M. Linowitz.



Chapter III

The Problems of Poverty and Inequality

The struggle for social justice is the most difficult challenge facing the Americas in the 1990s. Whatever progress Latin America has made in consolidating democratic politics, restoring economic dynamism, and building toward an economically integrated hemisphere, is tarnished and jeopardized by the mass poverty and profound inequalities of income and wealth that plague most nations of the region.

Why Worry about Poverty and Inequality?

Glaring income disparities and extreme poverty are morally offensive, wherever they occur. But Latin Americans also fear that the persistence of massive poverty and inequality could defeat the region's struggle for sustained economic growth and undermine prospects for stable democracy. In the United States, the emergence of an alienated, socially destructive underclass is a cause for alarm. There are good reasons for these concerns:

The persistence of massive poverty and inequality could defeat the region's struggle for sustained economic growth and undermine prospects for stable democracy.

- In many countries of Latin America, market-oriented economic policies have become widely identified with unending austerity, and are often considered detrimental to the interests of low-income sectors. Accurate or not, such perceptions can produce pressures to modify or abandon sound policy directions. They can also undercut the support and credibility of governments trying to carry out the policies. Indeed, under conditions of extreme income inequality, social conflicts can make it difficult to implement coherent economic programs of any kind. Rising pressures for protectionism in the United States are symptomatic of the anxiety about the unequal impact of international competition.
- National productivity inevitably suffers in economies with poorly educated, low-skilled work forces. Unless they are able to raise the skill and educational levels of their popula-

Uneven educational standards may also be reducing the global economic competitiveness of the United States.

tions, Latin American countries will have a hard time competing for capital and export markets in the international economy. Uneven educational standards may also be reducing the global economic competitiveness of the United States.

- Widespread poverty imposes other burdens on the national economy. It can, for example, lead to large-scale environmental damage when subsistence farmers plant crops on steep, erosion-prone hillsides; when poor families decimate forests to secure wood for charcoal to cook and heat their homes; when thousands of impoverished laborers turn to gold mining and use chemicals that dangerously pollute waterways. Costly epidemics—cholera and tuberculosis, for instance—as well as high crime rates are often linked to poverty.

The political consequences of mass poverty and inequality can be equally devastating:

- Although guerrilla leaders are usually drawn from the middle class, it is poverty, inequality, and injustice that most often inspire and fuel insurgent movements like those of the Shining Path. Even those insurgencies that do not challenge national power can provoke security forces into violently repressive responses that degrade and subvert democratic institutions. Internal war is usually economically disruptive, and sometimes can be devastating.
- Even where poverty and inequality do not spark armed rebellion, they often produce political apathy, disaffection, and hostility. Destructive uprisings—like those in Los Angeles, Caracas, Buenos Aires, and São Paulo—are sometimes the result. Other consequences, visible in the United States as well as in many countries of Latin America, are a broad distrust of political leaders and institutions, the heightened appeal of demagogues, and abstention from elections and other political activities. Still another manifestation is popular support for anti-democratic challenges to entrenched leadership, as recently witnessed in both Peru and Venezuela.
- Large social and economic disparities in a country—particularly where they are reinforced by racial or ethnic differences—can undermine any sense of national cohesion and identification. The sense of belonging to the same society, and of being represented by its leaders and institutions, is vital for a functioning democracy. It is imperiled wherever class divisions are profound.
- When all is said and done, democracy is incompatible with persistent and gross social inequities. Democracy and equality are intertwined concepts. It is hard to build and sustain

The sense of belonging to the same society, and of being represented by its leaders and institutions, is vital for a functioning democracy. It is imperiled wherever class divisions are profound.

democratic institutions in a society divided sharply by income and wealth.

Confronting poverty and expanding opportunities for the poor, in short, are no less crucial for economic progress than investing in industry or controlling inflation. Reducing inequality is no less vital for democratic stability and advance than conducting fair elections or assuring civilian control over military forces.

Thus, our first recommendation: *All countries in the Americas should give as much priority to alleviating poverty and reducing inequality as they do to promoting growth. These goals must go hand-in-hand.*

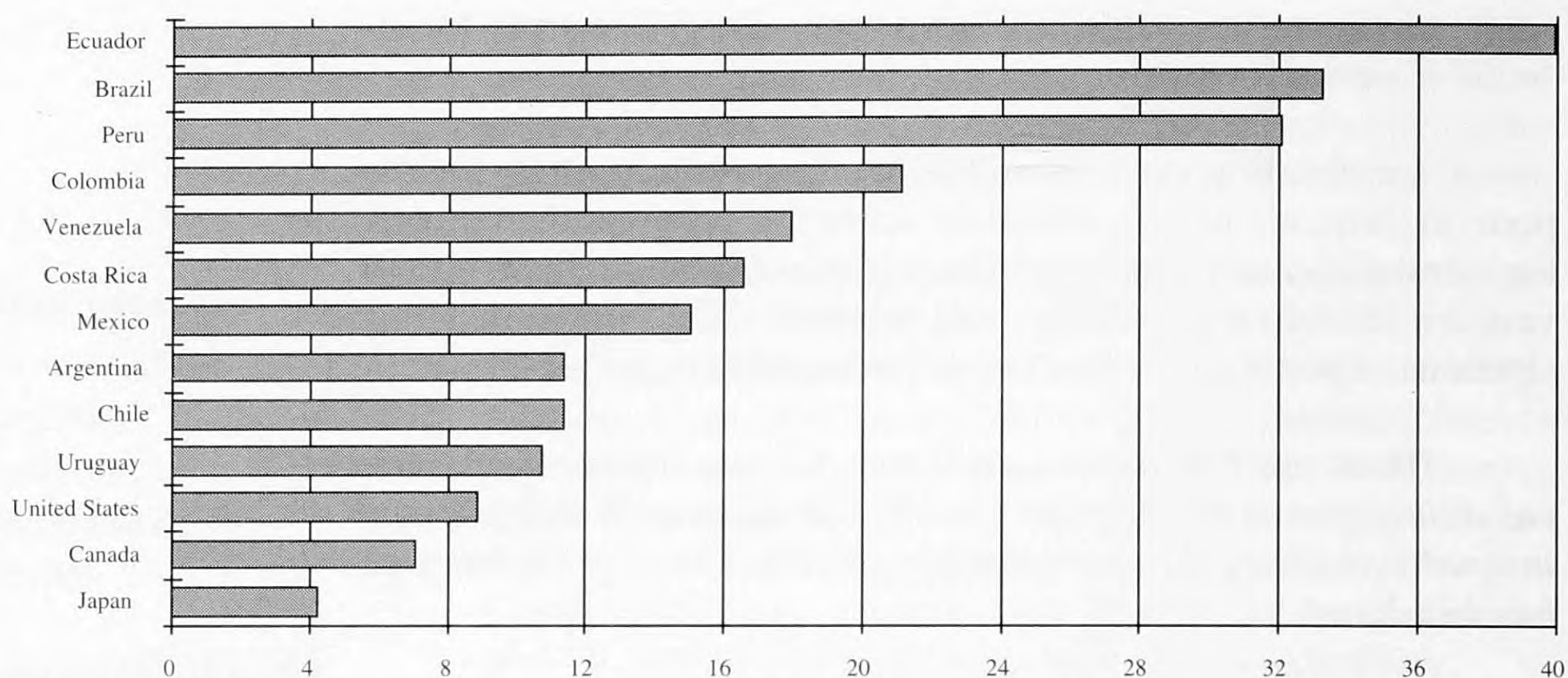
The Dimensions of Poverty and Inequality

Some 180 million people, or two out of every five persons in Latin America, are living in poverty today. About one-half of them endure abject poverty, with incomes less than that needed to purchase a minimally adequate diet. The gap between rich and poor in Latin America is greater than in any other major region in the world: the wealthiest fifth of the region's population earns some 20 times that of the poorest fifth, compared to a ratio of less than ten to one in Asia.

Behind these statistics is a great deal of human suffering: the many millions of people in Latin America who subsist on grossly deficient diets and often endure hunger; live without electricity, water, or sewage disposal; are debilitated by easily preventable or curable diseases; and lack access to basic education. Mass deprivation is reflected in high rates of infant and child mortality, low wages and high unemployment, widespread illiteracy, staggering levels of crime, and persistent migration in search of a better life. Those who suffer most tend to be excluded ethnic groups, Indians and blacks particularly; women and children, especially those in large families in which the woman is the primary breadwinner; and subsistence farmers and landless laborers.

Both the incidence of poverty and the magnitude of income inequality vary widely among countries and across regions within countries. In many nations—Honduras, Peru, Brazil, Haiti, Nicaragua, and Bolivia, for instance—a substantial majority of the population are impoverished. In a few—like Costa Rica, Chile, Uruguay, and Argentina—the incidence of poverty is less than one-half the regional average. In Ecuador, Peru, and Brazil, the wealthiest 20 percent of families earn 30 times more than the poorest 20 percent, while the ratio is only about ten to one in Argentina, Chile, and Uruguay. (See Figure 3.1.)

The gap between rich and poor in Latin America is greater than in any other major region in the world.



Sources: National Bureau of Economic Research, Working Paper 2897, 1989; UNDP, Human Development Report, 1992.

Figure 3.1: Ratio of Income of Wealthiest 20% of Households to Income of Poorest 20% of Households

Latin America has not been stagnant. During three decades of relatively rapid growth—from the early 1950s to the early 1980s—the region's gross domestic product quintupled in real terms and average per capita income more than doubled. Every sector of society in almost every country gained ground, both economically and socially, although the gains were far from equally distributed either across countries or income groups. Table 3.1 illustrates some of the gains achieved between 1970 and 1989.

Many indicators of social welfare improved considerably. Life expectancy rose by nearly 30 percent, as infant mortality declined dramatically. As late as 1960, only five Latin American countries had infant mortality rates of less than 85 per 1,000 live births; by 1980, only three countries—Peru, Bolivia, and Haiti—had rates in excess of 80. Illiteracy dropped from nearly 40 percent in 1960 to half that by 1980. In that same period, primary school enrollment became nearly universal, while secondary school enrollment jumped nearly threefold, from 14 to 39 percent of the relevant age group.

In sum, the situation of Latin America's lowest income groups did improve from 1950 to 1980, for the poor were the primary beneficiaries of the decline in infant mortality and illiteracy. At the same time, income inequality in the region worsened, and the share of income going to the poorest fifth of the population diminished.

The Lost Decade of the 1980s

In the past decade of regionwide economic depression, poverty spread throughout Latin America. The sheer number of poor increased by some 50 million people, over the estimated 130 million

	GNP per Capita		Life Expectancy at Birth		Illiteracy Rate	
	1970	1990	1970	1990	1970	MRE*
Argentina	\$ 1020	\$ 2400	67	71	7%	5%
Brazil	450	2680	59	66	34	19
Canada	3870	20370	73	77
Chile	840	1940	62	72	11	7
Colombia	340	1260	61	69	..	13
Costa Rica	560	1900	67	75	..	7
Jamaica	720	1500	68	73	4	..
Mexico	820	2490	62	70	26	13
Panama	680	1850	66	73	22	12
Peru	520	1160	54	63	..	15
United States	4970	21790	71	76
Uruguay	740	2560	69	73	..	5
Venezuela	1260	2560	65	70	..	12

*Most recent estimate, varying between 1985 and 1990.

Source: World Bank, Social Indicators of Development 1991-92.

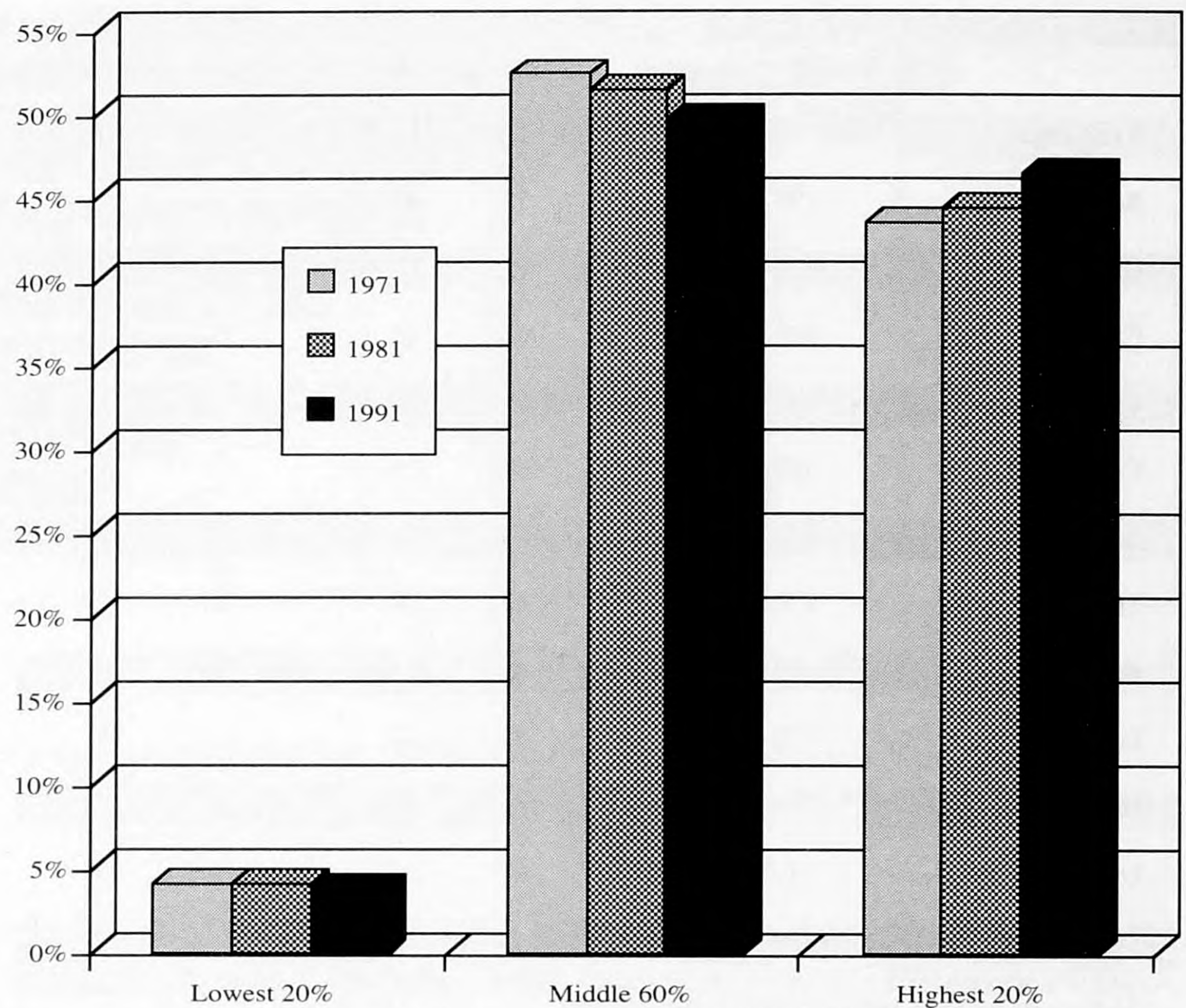
Table 3.1: Selected Social Indicators

in 1980. Per capita income and wages declined almost everywhere, rates of unemployment and underemployment rose to record levels, and public spending on health, education, and other social programs was drastically curtailed. The earlier gains were not completely lost, however. Only a few countries actually suffered increases in malnutrition, infant mortality, or illiteracy, although the pace of improvement did decline in most places.

In some countries, generally those with the highest rates of poverty and inequality to begin with, the poorest sectors bore the brunt of the economic decline. In others, middle and upper-middle income groups suffered the worst setbacks. During this period of extreme adversity for most Latin Americans, only the rich (i.e., the top ten percent of all income earners) emerged largely unscathed. In virtually every country, the rich improved their position relative to all other sectors and may have gained absolutely in some places.

In contrast to Latin America and the Caribbean, the United States enjoyed steady growth during much of the 1980s. Yet poverty in the country rose and the distribution of income and wealth became more skewed. From about 13 percent in 1980, the U.S. poverty rate increased to more than 14 percent in 1991; for children, the rate jumped from 18 to 22 percent. And whereas in 1980, the incomes of the wealthiest ten percent of all U.S. citizens were some ten times those of the poorest, the ratio had grown to twelve to one by 1991.

The United States enjoyed steady growth during much of the 1980s. Yet poverty in the country rose and the distribution of income and wealth became more skewed.



Source: U.S. Bureau of the Census, Money Income of Households, Families, and Persons in the United States: 1991, 1992.

Figure 3.2: Share of U.S. Aggregate Household Income

Only as Latin America's debt problems began to recede in the early 1990s did the issues of poverty and inequality reappear on the development agenda.

Moreover, poverty became far more visible in the United States, with a sharp expansion in the number of homeless, deteriorating educational standards in many places, the uneven availability of health care, and the decay and chronic violence in central cities. (Income inequality in the United States is illustrated by Figure 3.2.)

Poverty and inequality were neglected issues in the 1980s—in Latin America, in the United States, and in the international financial institutions. With the onset of Latin America's debt crisis in 1982 and the associated economic downturn, governments throughout the region concentrated on restoring macroeconomic stability, reducing expenditures to control soaring deficits, and reviving economic growth. Under conditions of generalized economic distress, with nearly all social groups losing ground, the problems of the poor were pushed aside.

Only as Latin America's debt problems began to recede in the early 1990s did the issues of poverty and inequality reappear on the development agenda. In the past two years, the international agencies, including the World Bank, IDB, and UN Economic Commission on Latin America and the Caribbean (ECLAC), have published major reports on the dimensions of poverty, the effects of economic adjustment on the poor, and how to improve their situation—and they have stepped up their funding for social and economic programs targeted on low-income sectors. So, too, national governments have

increasingly been seeking aid for anti-poverty programs, and some are using a larger share of their own scarce resources to create new opportunities for the poor.

A regional consensus is emerging that Latin America's social problems demand far greater attention than they have been getting. When President Bush announced the Enterprise for the Americas Initiative in June 1990, he failed to suggest that his proposals might help to alleviate poverty or improve social conditions in Latin America. Two years later, when U.S. Treasury Secretary Nicholas Brady and 11 Latin American finance ministers met in Washington, poverty was a central item on the agenda. Their public communique following the June 1992 meeting underscored the importance of "broadening the benefits of economic growth to all sectors of society." In the United States, stagnant real wages and high unemployment at home became central issues in the 1992 presidential campaign.

It will take sustained commitment and forceful government action on many fronts to produce substantial and lasting improvement in the position of the poor.

Confronting Poverty and Inequity

Latin America's mass poverty and deep economic inequalities cannot be eradicated quickly or easily. It will take sustained commitment and forceful government action on many fronts to produce substantial and lasting improvement in the position of the poor. An effective strategy has to include three interlocking and reinforcing elements:

- Governments must keep their macroeconomic policies in order, both to control inflation and promote adequate growth.
- Substantial public investment must be directed toward upgrading the skills and raising the productivity of the poor, through, for example, improved health and education services.
- Social safety nets must be expanded and strengthened to protect the most vulnerable groups.

Macroeconomic Policies: In Latin America today, nothing is more important in the struggle against poverty and inequality than sustained economic growth. In country after country, it is the lack of steady work at adequate wages that keeps most families in poverty. Economic growth is needed to generate new employment opportunities and, eventually, higher wages. Even in those countries with extremely inequitable patterns of income distribution—Brazil, for instance—economic growth has improved the situation of the poor.

Growth does more than create jobs and push up wages. Increased tax revenues mean more resources are available for public investment and social spending that can benefit the poor. The

political opposition to distributional measures diminishes when all incomes are rising. Under conditions of economic stagnation or decline, on the other hand, poverty invariably worsens; the number of poor increases and their circumstances become more difficult.

After just such a period of decline in the 1980s, wide agreement has emerged in Latin America on what has to be done to achieve sustainable growth. The requisite policies, which most countries are now trying to carry out—some with more success than others—include: curtailing budget deficits and keeping inflation down, deregulating economic activity and letting markets set most prices, and giving new emphasis to trade and foreign investment.

The battle against inflation is crucial. High inflation not only hampers growth by distorting prices and frightening away investors; it is also a noxious tax that falls most heavily on the poor. Inflation makes it impossible for those with limited resources to save or plan for the future. Where inflation persists over time, it is invariably associated with budget deficits and balance-of-payment problems. The economic adjustments and austerity programs required to remedy these problems place a heavy burden on the poor.

We offer one recommendation to all governments: *Sustain sound macroeconomic policies. Whether in the United States, Canada, or Latin America, government spending must be kept in line with tax revenues, and inflation must be controlled.* The poor pay a high cost for failure on these fronts. No matter how well conceived and implemented, measures to combat poverty, if they end up fueling inflation and constraining growth, will reduce wages and employment and impose other hardships on low-income groups—and thus defeat their purpose.

Investing in the Poor: Economic growth is not enough. Between 1960 and 1980, Brazil achieved exceptionally rapid rates of per capita growth, amounting to an average of more than four and a half percent per year, amounting to a total of 142 percent for the entire period. Yet the fraction of the population living in poverty declined by only 45 percent—significantly less than the 75 percent decline in Costa Rica, where per capita growth in the same period was only about one-half that of Brazil.

What went wrong in Brazil was that inequality steadily worsened as lower income groups obtained a disproportionately small share of the benefits of the country's spectacular growth. The opposite was true in Costa Rica: income disparities there lessened as the poor got more than their corresponding share.

Economic growth does not require or necessarily produce greater inequality—nor do the benefits of growth have only to trickle down. With appropriate governmental intervention, the distribu-

No matter how well conceived and implemented, measures to combat poverty, if they end up fueling inflation and constraining growth, will reduce wages and employment and impose other hardships on low-income groups—and thus defeat their purpose.

tion of income and opportunity can become more equal at every stage of development. The way to assure that the poor gain more than a proportionate share of the benefits of growth, thereby reducing income inequality and accelerating poverty alleviation, is for governments to invest directly in the poor.

In every country, in both rural and urban areas, education is a critical determinant of individual and family income. Educating the children of poor families is the best way to enable them to escape poverty. Education does more than provide skills that help increase the productivity and employment prospects of workers, as important as that is. The more education women receive, the better job they tend to do in caring for the needs of their children. Increased schooling also results in smaller families, which, in turn, helps to diminish the incidence of poverty.

Expenditures on health and nutrition services are another way for governments to invest in the poor. As in the case of education, expanding and improving those services contributes to raising the productivity of low-income individuals, and it enhances their ability to take advantage of schooling and training opportunities. The bottom line is that healthy, well-nourished children grow up to be better educated and more productive adults.

Family planning services are also vital. Birth rates in Latin America have declined sharply in the past 25 years, but the region's population is still growing some two and one-half times faster than that of the United States and other industrialized countries. This growth, which is most rapid among lower-income groups and in poorer countries, exacerbates poverty and retards development; it puts enormous pressure on natural resources in rural areas and on the basic infrastructure of urban centers; it leads to overcrowded schools and high rates of unemployment among youth; and it severely restricts individual opportunity—particularly among women. Population and family planning programs have proven to be effective in reducing birth rates, especially when these are combined with measures to improve women's access to education and jobs. There are few better investments.

The quality of education, health, and other social services matters a great deal. Many Latin American countries have achieved nearly universal primary school enrollments. But as coverage expanded to almost all eligible children, the quality of instruction often deteriorated. Common failings include poorly trained teachers; textbooks that are badly prepared, outdated, or simply not available; teaching methods that focus on rote learning; programs of study that are divorced from the demands of labor markets; and centralized educational bureaucracies that are out of touch with local needs. The visible consequences are high rates of non-completion and inadequate preparation of those who do manage to graduate.

The way to assure that the poor gain more than a proportionate share of the benefits of growth, thereby reducing income inequality and accelerating poverty alleviation, is for governments to invest directly in the poor.

Opportunities for collaboration between public and private sectors can and should be more effectively exploited. Businesses should be specifically encouraged, perhaps with some government support, to take an active and sustained role in training workers and protecting their health and safety.

The quality of education, health, and other services—rather than their coverage—appears to have been the main victim of the massive cutbacks in social expenditures in the 1980s. In many Latin American countries, upgrading the quality of schools and health facilities requires the virtual rebuilding of the institutions responsible for these services and the redefinition of their missions. In the United States, as well, it is urgent to improve the quality of health care and education, most of all in inner cities where these services have deteriorated badly in recent years.

In much of Latin America, there is a need to decentralize the planning and management of social services; local governments, community groups, and business and professional associations should all be more intensively involved. Opportunities for collaboration between public and private sectors can and should be more effectively exploited. Businesses should be specifically encouraged, perhaps with some government support, to take an active and sustained role in training workers and protecting their health and safety.

Health and education are not the only ways to invest in the poor. Where they have been properly designed and implemented, comprehensive rural development programs have been effective in raising small farm productivity, spurring the growth of subsidiary rural industries, and lifting incomes of peasant farmers and landless laborers. Some of the key elements of such programs are expanded rural infrastructure (roads, schools, and irrigation facilities, for example), improved agricultural research and extension services, increased access to credit and supplies, and—usually most important of all—the removal of price controls that discourage crop production.

The development of small businesses is another way to expand employment opportunities for low-income groups. In many places, the growth potential of small, often informal, industries could be substantially enhanced by regularizing their legal status and removing other existing biases that hamper their access to public and private credit, foreign exchange, and critical raw materials. Although the record is mixed, special programs have been effective in some countries in providing training, credit, and technical and marketing assistance to small entrepreneurs.

In each area, investments in women often have the highest payoff. In country after country, women are routinely denied opportunities available to men, and are disproportionately represented among the poor. It is not only that justice and equity are badly served. The exclusion of women is an enormous waste of talent and resources; in effect, the productive potential of approximately one-half the region's population is underutilized. In many critical areas, women have an especially important contribution to make: child-rearing, subsistence agriculture, and small-scale commerce,

for example. Women can do these and other tasks better when they are educated and have access to health care, credit, land, and technical assistance.

We offer two recommendations:

- *In developing strategies to combat poverty, governments throughout the hemisphere should give first emphasis to raising the productivity of the poor, particularly poor women.* This requires stepped-up investments in health and education services, and in other programs that can enhance the skills and capital assets of low-income groups. Such programs have the potential permanently to lift individuals and families out of poverty, reduce income inequalities, and contribute to overall national growth.
- *Governments must raise the quality of programs that serve the poor.* Extending the reach of badly designed and managed programs to larger numbers of people is not an effective way to confront poverty, and can breed cynicism.

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Income Transfers: Investments in the poor do have a drawback. The neediest sectors, those in most abject poverty, often cannot take advantage of such measures, or their needs are so immediate that they cannot wait for investments to bear fruit. What they require is some form of income transfer—food stamps, public jobs, or direct cash subsidies, for example.

Ideally, income transfer programs, to keep their costs in bounds, should be targeted as efficiently as possible on those in genuine need. This can be more difficult than it sounds. Information on the poor and their specific problems is often lacking; means testing is hard to accomplish and can be expensive; administrative infrastructures may be inadequate for effective targeting; and assistance is frequently diverted to ineligible groups. In addition, political support is hard to sustain for programs that benefit relatively small numbers of people who command little influence. Distressingly, these problems tend to be most severe in countries where the situation of the poor is dismal to begin with. Yet the scarcity of resources makes targeting, for all its problems, essential in most places.

We recommend that governments restrict income transfer programs to the neediest and most vulnerable population groups. In many places, a better targeting of income transfers could increase the assistance provided these groups while reducing their costs to governments.

Paying the Bill: Whether through income transfers or through investments in education, health, and small enterprises, government spending to reduce poverty and inequality must be consistent with

macroeconomic stability. Large and inflationary budget deficits must be avoided. No anti-poverty strategy can work under conditions of economic stagnation and high inflation, as these inevitably defeat any direct efforts to reduce poverty.

It is thus vital that expenditures in favor of the poor, like all public expenditures, be financed through some combination of increased revenues from taxes and fees imposed on the better off, the reallocation of existing expenditures, and external aid flows. And there is considerable scope in most countries both for raising tax revenues and for reallocating expenditures—although these reforms inevitably generate political resistance.

In the first place, governments should redirect current outlays for education and health. Study after study has shown that additional investments in primary schooling, early childhood education, and literacy programs, which mainly serve lower-income groups, produce higher economic returns than new expenditures on secondary and university education, which largely serve middle- and upper-income students. Similarly, additional expenditures on preventive health services—including pre-natal care, infant and early childhood nutrition programs, and family planning, for example—protect public health more effectively than more spending on hospitals. This means, concretely, that shifting the proportion of public resources from universities to primary schools and pre-school programs, or from hospitals to local clinics, does not only benefit the poor. It also contributes to national growth.

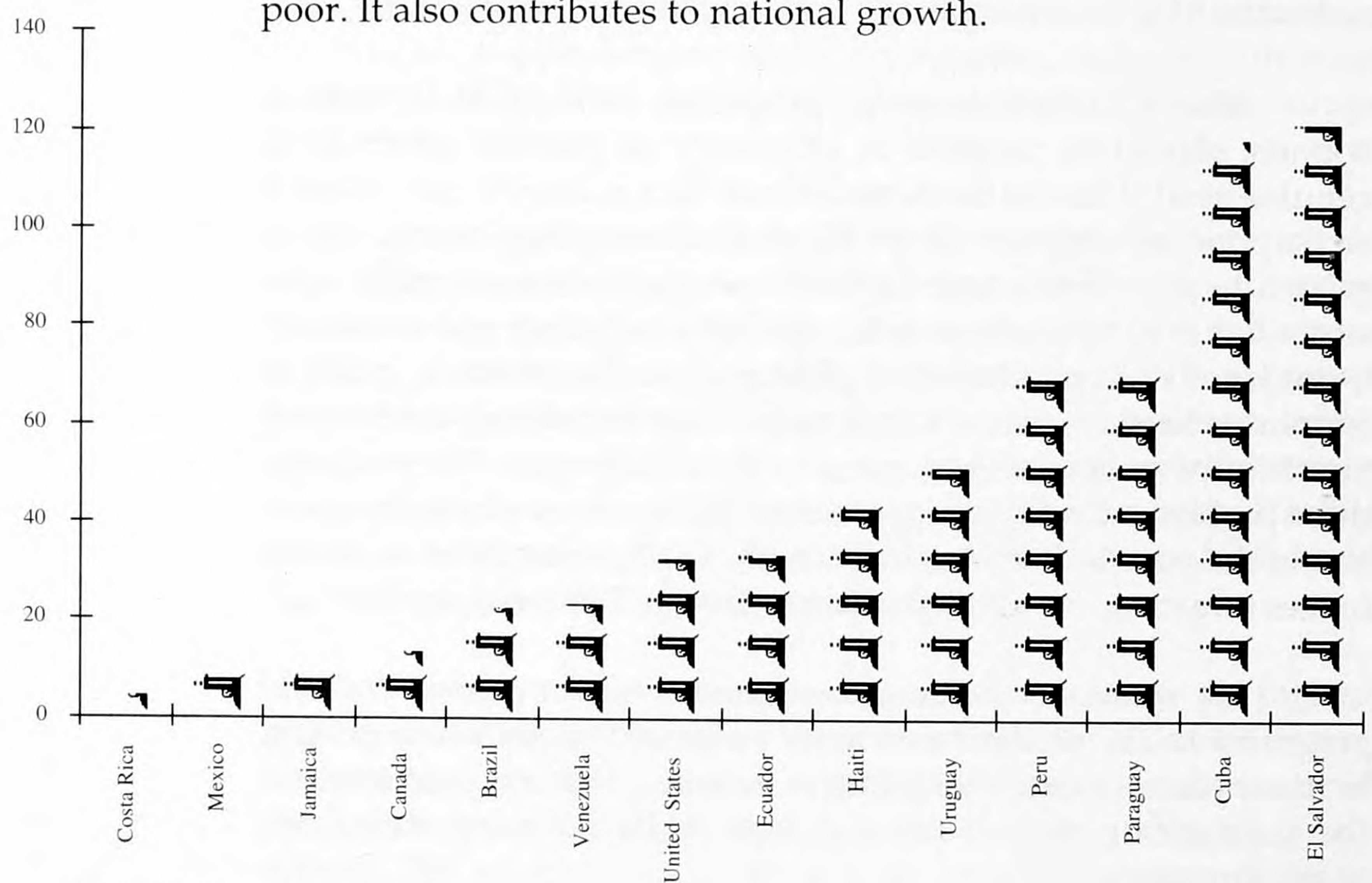


Figure 3.3: Military Spending as a Percentage of Health and Education Outlays

Public expenditures in many areas contribute less to national productivity and welfare than do investments in the poor. Governments throughout Latin America have sharply cut subsidies to both private and state enterprises in recent years, but there is still room for further reductions in most countries. To a lesser extent, military budgets have also been shaved back; yet several countries that face no serious internal or external threats are spending significantly more than the regional average on their armed forces—both on a per capita basis and as a fraction of total government expenditures. Chile, for instance, allocates nearly 15 percent of its budget to the military, while both Brazil and Mexico allocate less than five percent. (Figure 3.3 compares military spending to health and education outlays across a number of countries.)

Most Latin American countries do not impose very high tax burdens on their citizens relative to other middle-income countries, nor are the taxes actually collected particularly progressive. In many places, they are quite regressive, in fact. Because current tax burdens are low in most of the region, the supply-side objection to collecting more taxes (i.e., that higher taxes will translate into reduced investment) is not relevant. Latin American nations need increased tax revenues in order to finance anti-poverty programs without creating new inflationary pressure.

It is not higher tax rates that are required in most places (although in some countries that face large fiscal imbalances, like the United States, they may be necessary). It is fair and effective systems of tax collection to which all citizens contribute an equitable share. Many countries have reduced tax evasion in recent years, but it remains a serious problem in much of the region. Aiding the poor in Latin America requires that the better-off pay their taxes.

We offer one recommendation: *Governments must use non-inflationary financing to support anti-poverty measures.* In every country of the Americas, there is room for reallocating expenditures in ways that will benefit the poor and for expanding tax revenues without constricting growth.

What International Aid Agencies Can Do

The main task of confronting poverty and inequality falls to each nation, but international financial institutions, bilateral donors, and private aid agencies can reinforce national efforts in important ways.

In the first instance, they can step up their financing for projects directed to the needs of the poor—whether through investments in health and education, small enterprises, and rural development or through income transfer programs. This, in fact, is the announced

Most Latin American countries do not impose very high tax burdens on their citizens relative to other middle-income countries. . . . Latin American nations need increased tax revenues in order to finance anti-poverty programs without creating new inflationary pressure.

intention of the senior management of both the World Bank and the Inter-American Development Bank (IDB), the two major public sources of external support for Latin America. The ebbing of the debt crisis and the return of private financial flows to Latin America are what make a sharp increase in anti-poverty lending possible today.

External support is a crucial source of non-inflationary funding for anti-poverty measures at a time when most Latin American governments remain cash-strapped. But the potential contribution of international agencies far exceeds the capital they provide.

International agencies can condition their support in ways that mobilize additional national funding for anti-poverty measures. Beyond insisting on appropriate levels of counterpart funding for specific social projects, these agencies can 1) make adequate attention to the poor a condition for other, non-poverty funding within country programs; 2) press for such policy initiatives as tax reform and cutbacks in military expenditures, which would increase the resources available for poverty programs; 3) promote legal reforms that would assist small-scale enterprises and local organizations; and 4) provide training and technical assistance to enhance the efficiency and effectiveness of social measures.

External agencies play the lead role in setting the international development agenda, establishing global norms for confronting key problems, and fixing priorities for action. What they say and do critically influences the choices of governments throughout the developing world. By consistently focusing their own attention on poverty and inequity, they will focus the attention of others.

Better information and analysis are crucial. In contrast to the multitude of international statistics on growth rates, inflation, and trade and financial flows, world data on poverty, inequality, and other social issues are sorely deficient. There are no generally acceptable indicators to convey the dimensions of poverty or portray the situation of the poor anywhere in the world. Most countries do not even gather the relevant information on a regular basis. Illustrative of the sorry state of information on social issues, the World Bank's published statistics on income inequality contain useful data on only a handful of developing nations.

Smaller international and national aid agencies, private foundations, and the multitude of non-governmental organizations have special roles to play in the struggle against poverty and inequality in Latin America. They are a fertile source of new ideas for reaching and assisting the poor. Over the years, they have pioneered such initiatives as debt-for-nature swaps, international agricultural research stations, child survival techniques, and women-in-development programs. They can also influence the programs and practices of the larger development institutions; they have succeeded, for example,

In contrast to the multitude of international statistics on growth rates, inflation, and trade and financial flows, world data on poverty, inequality, and other social issues are sorely deficient.

in getting more significant attention to environmental matters, to the special problems of women, and to human rights issues. They are particularly effective in working directly with the poor and their organizations at the grassroots level.

We offer four recommendations to enhance the contribution of external agencies to the struggle against poverty and inequality in Latin America:

- *Over the next ten years, both the World Bank and the IDB should commit at least one-third of their Latin American lending to poverty reduction efforts.* In devising their programs and policies, they should pay close attention to the views of smaller development agencies and NGOs, and seek opportunities for collaboration with them.
- *The World Bank and the IDB must consistently focus priority attention on poverty and inequality—not only by spending money or imposing conditions on lending, but also through expanded programs of research and publication, speeches by top bank officials, and persistent private communications to world political and economic leaders.*
- *International agencies should cooperate in building a data collection and analysis system capable of producing annual reports on the progress made by every nation in meeting the needs of its poor.* The agencies should develop a standard set of criteria and procedures, applicable to all countries, to measure poverty and inequality.
- *In public and private communications, the international institutions should make clear that, in evaluating country performance, they propose to give priority to changes in the levels of poverty and inequality.*

All told, external organizations can contribute most to the struggle against poverty by putting political, as well as financial and intellectual, muscle behind national programs. It is, after all, the poor who are the least powerful in Latin America. On a day-to-day basis, their needs are the most easily ignored and their demands most easily deflected. Economic exclusion is everywhere the handmaiden of political exclusion. What external aid agencies can and should do with their financial and other resources is to lean against this political imbalance, and to bolster the authority and influence of those national policymakers who are committed to improving the position of the poor.

The United States government should have a key role in fighting against poverty and inequality in Latin America—through its influence on the policies and priorities of the international finan-

cial institutions, with its own bilateral aid programs, and in its extensive communications with all Latin American and Caribbean governments. To play that leadership role effectively, the United States must regain political and moral authority by forcefully confronting its own accumulated social problems.

Democracy must be anchored in social justice if it is to endure.

In recent years, Latin America has largely turned away from authoritarian rule and made impressive strides toward democratic politics. Most nations of the region are also making important progress toward restoring dynamism to their economies. Sustaining and deepening these advances now requires that Latin America face up to the challenges of mass poverty and inequality. Democracy must be anchored in social justice if it is to endure. A vibrant and growing economy requires that all sectors of the population be productively employed.

The vision of a genuine Western Hemisphere community, economic or political, can only be built on a foundation of strong national communities in which all citizens participate in political life and enjoy the benefits of national economic progress. This is true in the United States and Canada no less than in Latin America and the Caribbean. The challenge for the Americas is not only to build a better future, but a future that is shared by all Americans.

Supplemental Comments from Members of the Dialogue

Raúl R. Alfonsín

I think sub-regional integration should be the first priority of Latin American countries, and a WHFTA a result of negotiations between groups of countries (NAFTA-MERCOSUR, for example) to diminish the effects of the asymmetry between our countries. On the other hand, economic reforms within Latin America should avoid the concentration of wealth, monopolies, and the creation of further poverty and inequality. It should be clear that "market forces" are not enough to provide welfare. Selective but very effective intervention by the state on the national economy is needed.

Finally, I believe a new political thinking is needed in the hemisphere, one capable of putting center stage not ideology but, rather, the human person and his/her basic needs; one capable of preserving human dignity, rather than considering actual people as numbers in an economic formula.

Sergio Bitar

I basically agree with the report. I would add, however, that, though the Enterprise for the Americas Initiative has advanced hemispheric integration efforts, commercial accords among Latin American countries have achieved their own dynamic. Latin American economies are opening because of domestic factors favoring integration that are independent of the EAI. Moreover, Latin American countries should pursue trade accords not only with the United States, but also with the European Community, Japan, and other countries outside the region.

Karen DeYoung

As a journalist, my personal interests and those of my employer are in the gathering and dissemination of information about the Americas as an aid to decisionmakers. Although I endorse the superb research in this report and support the general call for enhanced regional cooperation, emphasis on poverty reduction, and the promotion of democratic institutions, I do not endorse any recommendation calling for adoption of specific legislation, treaties, or policies by any government or international body.

Dianne Feinstein

I am pleased to associate myself with this laudable report. Certainly, I concur with its call for an effective collective defense of democracy in this hemisphere, and I agree that the social agenda—both in Latin America and in the United States—must urgently be addressed. However, I believe strongly that a NAFTA hastily entered into could severely damage the State of California, and cost it jobs in both agriculture and manufacturing. Any free trade agreement with Mexico should be structured so as to protect U.S. wage levels; prevent third-country circumvention of U.S. laws with adequate and well-monitored rules of origin; and assure parity in the enforcement of environmental standards. In the long run, a fair NAFTA could produce jobs for California—but only if it creates a more level playing field among the trading parties.

Richard W. Fisher

As we proceed with ratifying NAFTA and expanding the horizons of free trade throughout the hemisphere, we incur an added responsibility to remove obstacles to economic efficiency in the United States. The objective of removing trade barriers is to raise living standards everywhere, including the U.S. Presently, our private sector—especially our manufacturing base—is hampered by several factors that inhibit adjustment to new trade regimes. The budget deficit of the Federal Government crowds out capital that might otherwise go to entrepreneurs. The U.S. banking system is dysfunctional. Regulations imposed by Washington too often provide disincentives to business, especially small businesses, which are the engines of job creation.

It is incumbent on the next presidential administration to complete the promise of NAFTA by creating conditions for adjustment and economic growth in the United States. If not, NAFTA may represent a Pyrrhic victory.

Douglas A. Fraser

I want to disassociate myself from the report's references to NAFTA.

Pedro-Pablo Kuczynski

Although I endorse this fine report, I would like to object to the recommendation to create an international organization to "guide and coordinate progress toward a Western Hemisphere Economic Community," as I believe the record of official institutions in promoting change in Latin America is not all that good, and there are too many institutions already, most of them ineffective. Moreover, the recent crisis in the EEC is not a good omen.

Celso Lafer

I welcome the Inter-American Dialogue's report as a timely and positive contribution to policy debates on the key issues on the agenda of Western Hemisphere relations: regional integration within the context of a renewed global free trade system as contemplated by the Uruguay Round of GATT negotiations; collective support for democracy; and attention to poverty and inequality in the Americas.

Although I am personally pleased to be associated with the report, I am unfortunately unable to endorse its conclusions and recommendations because of my recent service as Brazil's Minister for Foreign Relations. As Minister I had to define many policy positions at a level of detail and precision that could not, of course, be reflected in the report. To subscribe fully to the report at this time would require me to disregard many distinctions that are of considerable importance to Brazilian public policy, such as the importance of a renewed GATT for small global traders; the role of MERCOSUL; the possible trade and investment diversion consequences of NAFTA; the relevance of armed forces in Latin America; and the specifics of international efforts to support democracy.

Modesto A. Maidique

I believe that the document understates the nature and manner in which Fidel Castro has rejected democracy. His regime has consistently and flagrantly violated the most elemental of human rights. Castro himself has turned his back on worldwide trends toward more open and pluralistic economic and political systems, thereby deepening the agony and trauma of captive peoples on the Island.

Archbishop Marcos McGrath

I am pleased with the Dialogue's report but would like to add the following comments. With regard to the environment, successful pollution-reducing technologies have been achieved by promoting research and development rather than prohibiting and regulating contamination. In addition, I

believe the attempt to control global warming should begin in the countries with the more efficient technologies—the United States and Europe—and should be financed by them, as it will improve overall welfare in these countries.

With regard to the fight against poverty and inequality, the public sector must reduce expenditures to state-owned enterprises in order to channel resources into social enhancement programs. Meanwhile, the private sector and non-governmental organizations should increase their participation in social programs. Regarding inflation, stabilization of prices is in itself redistributive, as levels of entitlements that are locked into inflation can be eliminated when inflation is reigned in.

Celina Vargas do Amaral Peixoto

Chapter II accurately conveys the different views expressed in our plenary session regarding peacekeeping forces. I do not, however, fully agree with the statements on sovereignty and the collective defense of democracy. I am convinced of the importance of the principle of self-determination. I believe that democracy—which I value thoroughly and have persistently fought for in Brazil—can be strengthened and defended most effectively through actions that respect sovereignty and not through sanctions or intervention by international organizations.

José Francisco Peña Gómez

Regarding the reference to electoral fraud in Mexico, the present administration is making a serious effort to reform and improve the electoral system, as it demonstrated by nullifying a recent gubernatorial election in favor of the opposition.

The report is correct in pointing out that the small nations of the Caribbean will be among the losers when the NAFTA is signed, as they will lose the exclusive benefits they have enjoyed under the Caribbean Basin Initiative. I believe the NAFTA countries must extend special treatment to these countries, in order to give them enough time to reorient their industries to compete on equal terms with the United States, Canada, and Mexico. Among the positive decisions of the Republican administration, the Caribbean Basin Initiative must be preserved as a permanent contribution to social peace and economic progress in the Caribbean. This will benefit not just those countries, but will create jobs in North America. The Dominican Republic has benefited most from the free trade zones, yet its trade balance continues to be favorable to the United States. In addition, the United States must forgive debts under PL-480, AID and the Eximbank for those countries in the region that have fulfilled their stabilization programs.

I feel that the report has over-emphasized free trade, forgetting that, given the weakness of markets in the small and medium-size countries of Latin America, a strong state role in the economy will be necessary for some time. Though the state has proven a poor administrator in the production of commodities, it has a role to play in balancing the power of monopolies and multinationals without intervening in the production process.

Augusto Ramírez-Ocampo

In reference to Chapter II on the collective defense of democracy, I believe that hemispheric nations must act exclusively through the Organization of American States according to pre-established norms adopted by consensus. In my view, unilateral intervention or, indeed, anything less than full multilateral action, is unacceptable, as is any form of military intervention—even when undertaken collectively to restore democratic government. The protection of fledgling democracies requires that economic and human development be made compatible. Special consideration must be given to the social costs of economic adjustment.

Luís Inácio "Lula" da Silva

Although I have great esteem for the work of the Inter-American Dialogue and wish to be associated with its report, I disagree with some of the report's recommendations and believe that certain important points have not been sufficiently emphasized. First of all, I disagree profoundly with the report's vision of regional integration. Free trade is not integration, as the progressive parties of Latin America understand, due to the deep inequalities in the degree of development among our countries. In addition to the asymmetries among the countries in the Americas, there are sharp inequalities within countries, caused by the adjustment process. These neoliberal policies have marginalized large sectors of our population by excluding them from the labor market.

The Enterprise for the Americas Initiative, though it refers to "equal members in a free trade zone," does not include the measures that would make all countries truly equal members. Moreover, the debt relief offered by the EAI refers only to official debt, which is a minute portion of the total regional debt burden. I wish to underscore the negative role of this external debt: It continues to obstruct development in our countries and aggravates capital flight, further deepening the existing asymmetries between our countries and the United States. I do agree with the report's focus on strengthening the sub-regional integration process, because through these processes we will improve our bargaining position and facilitate our insertion into the hemispheric community from a position that defends the interests of our people.

I completely agree with the premise of the section on collective defense of democracy in Latin America. United States policy, however, has not always supported and strengthened democratic practice on our continent. Most recently, actions such as the Torricelli Amendment, which strengthened the embargo of Cuba, are cause for great concern in Latin America. Though democracy does not consist only of free elections, freedom of the press, defense of human rights, and the rule of law, without these there cannot be democracy. True democracy must include the increase of social rights and the significant reduction of inequities.



Dialogue members convene for the 1992 plenary session at the Aspen Institute's Wye Plantation.

Biographical Information

INTER-AMERICAN DIALOGUE MEMBERS FROM THE UNITED STATES

Peter D. Bell (Acting Co-Chair)

Peter Bell is President of the Edna McConnell Clark Foundation. He was a senior associate of the Carnegie Endowment for International Peace from 1984 to 1986, and prior to that served as President of the Inter-American Foundation. He is Chairman of the Board for CARE and Chairman of Americas Watch.

Bruce Babbitt

Bruce Babbitt served as Governor of Arizona from 1978 to 1987. From 1975 to 1978 he was the Attorney General of Arizona, and in 1988 he was a candidate for the Democratic Party nomination for President. Governor Babbitt is currently a partner in the law firm of Steptoe & Johnson, with offices in Phoenix and Washington, D.C. Beginning in January 1993, Governor Babbitt will serve as the Dialogue's Co-Chair.

Michael D. Barnes

Michael D. Barnes is a partner at Arent, Fox, Kintner, Plotkin & Kahn in Washington, D.C. From 1979 to 1987, he was a Member from Maryland of the U.S. House of Representatives and chaired the Subcommittee on Western Hemisphere Affairs of the Committee on Foreign Affairs. He is a member of the boards of the U.S. Committee for UNICEF, the Overseas Development Council, and the Center for National Policy.

McGeorge Bundy

McGeorge Bundy is a Fellow at the Carnegie Corporation of New York. From 1979 to 1990, he was Professor of History at New York University, and served as President of the Ford Foundation from 1966 to 1979. From 1961 until 1966, he was Special Assistant to the President for National Security Affairs. Previously, he was Dean of the Faculty of Arts and Sciences at Harvard University.

Yvonne Brathwaite Burke

Yvonne Brathwaite Burke is a Los Angeles attorney. From 1973 to 1979 she was a Member from California of the U.S. House of Representatives and earlier served in the California Assembly. She was a member of the Bilateral Commission on the Future of U.S.-Mexican Relations, and is a trustee of the Ford Foundation and Educational Testing Service.

Terence C. Canavan

Terence C. Canavan is the former Managing Director of the Institutional Banking Division of Chemical Bank. He served as Director of the Bank's affiliate in Caracas from 1973 to 1976, and previously represented the Bank in Mexico City and Madrid. He is Chairman of Acción, and a member of the board and ex-officio Chairman of the Council of the Americas.

Jimmy Carter

Jimmy Carter was President of the United States from 1977 to 1981 and Governor of Georgia from 1971 to 1975. He is Chairman of the Board of Trustees of the Carter Center in Atlanta, and Chairman of the Council of Freely Elected Heads of Government. Since 1982, he has been a University Distinguished Professor at Emory University, and has written five books. He is the recipient of numerous awards for his work to protect human rights and promote international peace.

Henry G. Cisneros

Henry G. Cisneros, the President of Cisneros Asset Management in San Antonio, was Mayor of San Antonio from 1981 to 1989. He served on President Reagan's National Bipartisan Commission on Central America and on the Bilateral Commission on the Future of U.S.-Mexican Relations. He is Chairman of the Board of the National Civic League and a member of the board of the Rockefeller Foundation.

A.W. Clausen

A.W. Clausen is the retired chairman and chief executive officer of BankAmerica Corporation and Bank of America NT&SA. He now serves as director and chairman of the Executive Committee of the Board of Directors of the Corporation and the Bank. From 1981 to 1986, he was the President of the World Bank. Currently, Mr. Clausen is a member of a number of advisory boards and councils.

Ralph P. Davidson

Ralph P. Davidson has been Chairman of the Board of Time, Inc., and President of the John F. Kennedy Center for the Performing Arts. He is a trustee of Phoenix House, the nation's largest drug prevention program, and a member of the boards of the Koll Companies and First Interstate Bancorp. He has served on the Commission on Executive Exchange and the Statue of Liberty-Ellis Island Centennial Commission.

Karen DeYoung

Karen DeYoung is the assistant managing editor—National News—for the Washington Post. She has also served as the Post's foreign editor and as bureau chief in Latin America and London. In 1981 DeYoung received the Maria Moors Cabot Award for promoting inter-American understanding, and in 1980 she won the Sigma Delta Chi Distinguished Service Award for reporting on the Nicaraguan revolution and the Salvadoran war.

Jorge I. Domínguez

Jorge Domínguez is a professor of government at Harvard University. A past President of the Latin American Studies Association, Dr. Domínguez is a leading authority on Cuba and Latin American politics, and is widely published on these topics.

Katherine W. Fanning

Katherine Fanning is Vice President and a member of the board of the Institute for Global Ethics. She was Editor of The Christian Science Monitor from 1983 to 1988, and previously was Publisher and Editor of the Anchorage Daily News. She is a trustee of the Kettering Foundation, the Charles Stewart Mott Foundation, and a member of the boards of the Boston Globe Co., the Center for Foreign Journalists, and the Institute for Journalism Education.

Dianne Feinstein

Dianne Feinstein was elected Senator from California in 1992. She served as the first woman Mayor of San Francisco from 1979 to 1987, and was the first woman President of the city's Board of Supervisors. She has been a member of the Executive Committee of the National Conference of Mayors and of the Democratic Party's Policy Committee.

Antonio Luis Ferré

Antonio Luis Ferré is President of El Nuevo Día Puerto Rico's major daily newspaper. He is Vice Chairman of the Board of Banco Popular, Vice Chairman of the Board of Puerto Rican Cement, and a member of the boards of American Airlines, and the Metropolitan Life Insurance Company. He is also Vice President of the Economic Development Committee of Puerto Rico and of the Ponce Art Museum Foundation.

Maurice Ferré

Maurice Ferré served six terms as Mayor of Miami from 1973 until 1985. He is currently a business consultant. Mr. Ferré was the first National Chairman of the Hispanic Council on Foreign Affairs and a member of President Ford's Immigration Commission and President Carter's Commission on Ambassadorial Appointments.

Richard W. Fisher

Richard Fisher is Managing Partner of Fisher Capital Management of Dallas. From 1986 to 1991 he was Chairman of the Board of the Institute of the Americas. He served as Executive Assistant to the Secretary of the Treasury from 1977 to 1979. Mr. Fisher is Chairman of the Dallas Committee on Foreign Relations, and serves on the visiting committees of the John F. Kennedy School at Harvard, the Center for International Affairs at Harvard, and the John Tower Center at Southern Methodist University.

Albert Fishlow

Albert Fishlow is Dean of International and Area Studies and Professor of Economics at the University of California at Berkeley. From 1978 to 1982, he was Director of the Concilium on International and Area Studies at Yale University. In 1975 and 1976, he served as Deputy Assistant Secretary of State for Inter-American Affairs. He is an authority on Brazil and international financial issues.

Douglas A. Fraser

Douglas A. Fraser, Professor of Labor Studies at Wayne State University, was President of the United Auto Workers from 1977 to 1983. He is Co-Chair of the Michigan Governor's Commission on Jobs and Economic Development, a member of the executive committee of the Leadership Conference on Civil Rights, and a trustee of the Carnegie Foundation for International Peace.

Andrew J. Goodpaster

General Andrew Goodpaster, U.S. Army (Ret.) is Chairman of the Atlantic Council of the United States. He was Superintendent of the U.S. Military Academy at West Point from 1977 to 1981, and Supreme Commander of the Allied Forces in Europe from 1969 to 1974.

Hanna Holborn Gray

Hanna Holborn Gray has been President of the University of Chicago since 1987. Previously, she was Provost and Acting President of Yale University, and Dean of the College of Arts and Sciences at Northwestern University. She is a member of the boards of Morgan Guaranty Trust, J.P. Morgan, Atlantic Richfield, and other corporations.

David A. Hamburg

David A. Hamburg, M.D. has been President of the Carnegie Corporation of New York since 1983. He has served as President and Chairman of the Board of the American Association for the Advancement of Science, and President of the Institute of Medicine, National Academy of Sciences. He is a trustee of Stanford University, Rockefeller University, and Mount Sinai Medical Center.

Antonia Hernández

Antonia Hernández is President and General Counsel of the Mexican-American Legal Defense Fund in Los Angeles. She is a member of many boards including the Latino Museum of History, Art and Culture, Quality Education for Minorities Network, and Skirball Institute on American Values. Ms. Hernández has written extensively on immigration liberties.

Theodore M. Hesburgh

Theodore Hesburgh, C.S.C., is President Emeritus of the University of Notre Dame, where he served as president from 1952 to 1987. He has been Chairman of the Board of the Rockefeller Foundation, the Overseas Development Council, the U.S. Commission on Civil Rights, and the Select Commission on Immigration. Father Hesburgh presently serves as an overseer at Harvard and a director of the United States Institute of Peace.

Don Johnston

Don Johnston is Chairman of the International Executive Service Corps, and is a member of the boards of the Equitable Life Assurance Society, McGraw-Hill, Inc., and Johns Hopkins University. Earlier he was Chairman of the J. Walter Thompson Company.

Juanita M. Kreps

Juanita M. Kreps is Vice President Emeritus of Duke University. From 1977 through 1979, she was U.S. Secretary of Commerce. She has served on many corporate boards, including Citicorp, R.J.R. Nabisco, AT&T, United Airlines, Armco, Chrysler, Eastman Kodak, and J.C. Penney.

Sol M. Linowitz

Sol Linowitz is senior counsel of the international law firm of Coudert Brothers. He served as President Carter's personal representative for the Middle East Peace Negotiations and as co-negotiator for the Panama Canal Treaties. From 1966 to 1969 he was U.S. Ambassador to the Organization of American States. Previously, he had been Chairman of Xerox Corporation.

Abraham F. Lowenthal

Abraham F. Lowenthal is the Director of the Center for International Studies at the University of Southern California. From 1982 to 1992 he was the Dialogue's founding Executive Director, and he was previously the founding Director of the Latin American Program at the Woodrow Wilson International Center for Scholars, and Director of Studies at the Council on Foreign Relations. His books and articles are widely circulated in the U.S. and abroad.

Monica Lozano

Monica Lozano is Associate Publisher and Editor of LA OPINION, the largest Spanish-language daily newspaper in the United States. She is a trustee of the University of Southern California, Commissioner of the Los Angeles Redevelopment Agency, and a director of CARECEN, the Center for Human Rights and Constitutional Law, and the Venice Family Clinic. Ms. Lozano is the recipient of the 1988 Central American Refugee Center Award, the 1989 Mexican-American Opportunities Foundation's Outstanding Woman of the Year Award, and the 1992 NOW Legal Defense and Education Fund award.

Modesto A. Maidique

Modesto A. Maidique has been President of Florida International University, the public university at Miami, since 1986. He has taught at Harvard, Stanford, and M.I.T. Maidique was President and CEO of Collaborative Research, Inc. and co-founder and CEO of Analog Devices Semiconductor.

Jessica Tuchman Mathews

Jessica Mathews is Vice President of World Resources Institute. She has served on the staff of the Office of Global Issues of the U.S. National Security Council and on the editorial board of the Washington Post. She is the author of many articles on global environmental concerns and writes a regular column for the Post.

Charles McC. Mathias, Jr.

Charles Mathias is a partner at the law firm of Jones, Day, Reavis & Pogue. From 1969 to 1987, he was a U.S. Senator from Maryland and earlier served four terms as a Member of the House of Representatives. In 1985 Senator Mathias was elected President of the North Atlantic Assembly.

David T. McLaughlin

David McLaughlin is President and CEO of The Aspen Institute. He has served as Chairman and CEO of the Toro Company and as President of Dartmouth College. He is a member of the boards of Westinghouse, the Chase Manhattan Bank, the Chase Manhattan Corporation, ARCO Chemical Corporation, and the Maryland Higher Education Commission.

Robert S. McNamara

Robert S. McNamara served from 1968 to 1981 as President of the World Bank. From 1961 to 1968, he was U.S. Secretary of Defense. He has also been President of the Ford Motor Company. Mr. McNamara has served on numerous boards, including Corning Glass, Strategic Planning Associates, the Brookings Institution, and The Aspen Institute.

William G. Milliken

William G. Milliken was Governor of Michigan from 1969 to 1983, and a state senator from 1961 to 1965. He has chaired the National Governors' Association and the Republican Governors' Conference. He serves on the boards of the Chrysler Corporation, the Unisys Corporation, the Ford Foundation, and Consolidated Rail Corporation, and was Chairman of the Board of The Center for the Great Lakes.

Ambler H. Moss, Jr.

Ambler Moss is Dean of the University of Miami's Graduate School of International Studies and Director of the North-South Center. He was U.S. Ambassador to Panama from 1978 to 1982 and Deputy Assistant Secretary of State for Congressional Relations from 1977 to 1978. He was in the career Foreign Service from 1964 to 1971. He is a member of the Bars of Florida and the District of Columbia and has practiced law in Washington, Brussels, and Miami.

Edmund S. Muskie

Edmund S. Muskie is a senior partner of the international law firm Chadbourne and Parke. He was Secretary of State from 1980 to 1981, Senator from Maine from 1959 to 1980, and Governor of Maine from 1954 to 1958.

Luis G. Nogales

Luis Nogales is President of Nogales Partners, a media acquisition firm. Mr. Nogales earlier served as President of UNIVISION and as Chairman and CEO of United Press International. He currently is a member of the board of the Bank of California and the Adolf Coors Company, and is a trustee of Stanford University and The Ford Foundation.

Federico Peña

Federico Peña served as Mayor of Denver from 1983 to 1991. He served two terms in the Colorado House of Representatives and was elected House Majority Leader in 1981. At present Mr. Peña is President and CEO of Peña Investment Advisors Inc., and of counsel to Brownstein, Hyatt, Farber, and Strickland, P.C.

John Petty

John Petty is Chairman of the Czech and Slovak American Enterprise Fund, a U.S. taxpayer-funded small business venture capital fund. In addition, he is Chairman of Federal National Payables, Inc., a private small business financing company. He previously served as Chairman of the High Level Review Committee of the Inter-American Development Bank, as Chairman and CEO of Marine Midland Bank, Inc., and as Assistant Secretary of the Treasury for International Affairs.

Charles J. Pilliod, Jr.

Charles J. Pilliod, Jr. is Chairman and Chief Executive Officer of ABF Investors Inc. He was U.S. Ambassador to Mexico from 1986 to 1989, and Chairman and Chief Executive Officer of the Goodyear Tire & Rubber Company from 1974 to 1983. He served as a Director of the U.S. Chamber of Commerce, National Association of Manufacturers, and was a founding member of the Business Round Table. He is presently a member of the boards of A. Schulman, Empire Berol Corporation, AEA Investors Inc., Dal-Tile Corporation, and a member of the Advisory Board of Marvin & Palmer Associates, Inc.

Robert D. Ray

Robert D. Ray has been President and Chief Executive Officer of Blue Cross/Blue Shield of Iowa since 1989 and previously served as President and CEO of Life Investors, Inc. He was Governor of Iowa from 1969 until 1983, and has been a Republican Party leader at both national and state levels. He is Chairman of the Indo-Chinese Refugee Panel.

Elliot L. Richardson

Elliot Richardson is a senior partner at Milbank, Tweed, Hadley & McCloy in Washington, D.C. He has been U.S. Attorney General, Secretary of Defense, Secretary of Commerce, and Deputy Secretary of State. Secretary Richardson was the Personal Representative of the U.N. Secretary General for monitoring the electoral process in Nicaragua.

Sally Shelton

Ambassador Sally Shelton is currently a Senior Fellow and Adjunct Professor at Georgetown University's Center for Latin American Studies, where she is Co-Director of the U.S.-Mexico Project. She has held several senior positions in government and the private sector, including U.S. Ambassador to Grenada, Deputy Assistant Secretary of State for Inter-American Affairs, and Vice President of Bankers Trust Company. Ambassador Shelton is also a Director of the Puma Fund, and an adviser to several U.S., Japanese, and European companies on investment strategies in Latin America.

Adele Simmons

Adele Simmons has been President of the John D. and Catherine T. MacArthur Foundation since May 1989. Previously, Dr. Simmons was President of Hampshire College, Dean of Student Affairs at Princeton University, and Dean of Jackson College at Tufts University. Dr. Simmons is a board member of Marsh & McLennon Co., Affiliated Publications, the Zayre Corporation, the Union of Concerned Scientists, Synergos, and several other non-profit organizations.

Anthony M. Solomon

Anthony M. Solomon is Chairman of the Economics Program at the Institute for East-West Studies. Mr. Solomon served as President and Chief Executive Officer of the Federal Reserve Bank of New York from 1980 to 1985, and served as Vice Chairman of the Federal Open Market Committee. He has been Undersecretary of the Treasury and Assistant Secretary of State for Economic Affairs. He is a member of the boards of the Institute of International Economics, the Syntex Corporation, and the United Kingdom Equity Fund.

Peter Tarnoff

Peter Tarnoff has been President of the Council on Foreign Relations in New York since 1986. Previously, he was Executive Director of the World Affairs Council of Northern California and President of the International Advisory Corporation in San Francisco. He served as a career Foreign Service Officer from 1961 to 1982. From 1977 to 1981, Mr. Tarnoff was Executive Secretary of the Department of State and Special Assistant to Secretaries of State Edmund Muskie and Cyrus Vance.

Viron P. Vaky

Viron Vaky was Assistant Secretary of State for Inter-American Affairs from 1978 to 1979 and has been Ambassador to Costa Rica, Colombia, and Venezuela. He is currently adjunct Professor of Diplomacy at Georgetown University's School of Foreign Service.

Fred F. Woerner

General Fred Woerner is Professor of International Relations at Boston University. He was Commander in Chief of the U.S. Southern Command from 1987 to 1989; served earlier in Colombia, Guatemala, Panama, and Uruguay; and was Director of Latin American Studies at the U.S. Army War College from 1973 to 1977. He has written extensively on U.S. military policy in Latin America.

INTER-AMERICAN DIALOGUE MEMBERS FROM LATIN AMERICA, CANADA AND THE CARIBBEAN**Javier Pérez de Cuéllar (Co-Chair)**

Javier Pérez de Cuéllar, a lawyer and career diplomat, served two terms as Secretary-General of the United Nations from 1982 through 1991. He was a member of the Peruvian delegation to the General Assembly at its first session in 1946, and also served as President of the Security Council during the events in Cyprus in 1974. He has been decorated by some 25 countries.

Rodrigo Botero (Co-Vice Chair)

Rodrigo Botero, a private economic consultant, is a former Minister of Finance of Colombia. He has also served his country in various capacities at home and abroad, including as Special Advisor for Economic Affairs to the President and Economic Counselor at the Colombian Embassy in Washington. He was a member of the Brandt Commission on International Development Issues. Mr. Botero is the founder of the Foundation for Higher Education and Development in Bogotá. From 1988 to 1991 he was a visiting scholar and an associate at the Center for International Affairs at Harvard University.

Mariclaire Acosta Urquidí

Mariclaire Acosta is President of the Mexican Commission for the Defense and Promotion of Human Rights, and the founder of the Mexican Academy for Human Rights. She was previously President of Amnesty International in Mexico.

Raúl Alfonsín

Raúl Alfonsín was President of Argentina from 1983 until 1989, leading Argentina's transition to democracy after seven years of military rule. Between 1989 and 1990 he was President of his party, the Radical Civic Union, and in 1991 he founded the Social Democratic Movement. He was a co-founder of the Permanent Assembly for Human Rights, and has written four books on Argentine politics.

Nicolás Ardito Barletta

Nicolás Ardito, Director of the Center for Economic Growth, was president of Panama from 1984 to 1985, and Vice President of the World Bank for Latin America and the Caribbean from 1978 to 1984. He has served as Minister of Planning and Economic Policy of Panama and Director of Economic Affairs at the OAS, and as founder and President of the Latin American Export Bank.

Sergio Bitar

Sergio Bitar is President of the Party Pro-Democracy in Chile, and was Minister of Mines. He is also President of the Centro Latinoamericano de Política y Economía Internacional (CLEPI). He has written widely on economic policy issues and is the author of Island 10, recounting his experiences as a political prisoner.

José Octavio Bordón

José Octavio Bordón was Governor of the Province of Mendoza, Argentina, from 1987 until 1991. He has served in the National Congress, where he was Chairman of the Foreign Relations Committee, and is a past President of the Justicialist Party. He is currently a Visiting Professor at Georgetown University.

Oscar Camilión

Oscar Camilión is serving as a United Nations mediator in Cyprus. He was Argentina's Foreign Minister in 1981 and Ambassador to Brazil from 1976 until 1981. Mr. Camilión has been a professor at the Faculty of Law of the University of Buenos Aires.

Margaret Catley-Carlson

Margaret Catley-Carlson will assume the presidency of the Population Council in January 1993. She has served the Canadian government as Deputy Minister for Health and Welfare, President of the Canadian International Development Agency, and Assistant Under Secretary in the Department of External Affairs. Dr. Catley-Carlson also served as Assistant Secretary General of the United Nations as Deputy Executive Director for Operations at UNICEF.

Roberto Civita

Roberto Civita is President of Editora Abril, Brazil's largest publishing concern. He is Publisher of Veja, President of the Brazilian Magazine Publishers Association, and a member of the board of the International Center for Economic Growth. In 1991 he was elected "Person of the Year" by the Brazilian-American Chamber of Commerce in New York.

Oliver F. Clarke

Oliver F. Clarke is Chairman of the Board and Managing Director of The Gleaner, Jamaica's daily newspaper. He has been Chairman of the Caribbean Publishing and Broadcasting Association, Director of the Private Sector Organization of Jamaica, and Treasurer of the Inter-American Press Association.

José María Dagnino Pastore

José María Dagnino Pastore is a professor of Economics at the Catholic University of Argentina. He has served as Minister of Finance, Minister of Economy and Labor, Secretary of the National Development Council of Argentina, and as an Ambassador-at-Large to Europe. Ambassador Dagnino Pastore is a Director of Loma Negra S.A. and of Pirelli Argentina S.A., and an honorary Director of the National Fund for the Arts.

Oscar Espinosa

Oscar Espinosa is Managing Director of Enrique Ferreyros S.A. and a member of the board of several companies, including Centromin S.A. in Peru. He was Chairman of the financing company Finanpro from 1981 to 1983 and Chairman and President of the Banco Internacional del Peru from 1979 to 1981. He has served as Alternate Executive Director of the World Bank, Chairman and President of Peru's National Development Corporation (COFIDE), and Technical Director of its National Planning Institute.

Carlos Filizzola

Carlos Filizzola, M.D., became the first elected mayor in the history of Asunción, in elections held in 1991. From 1989 to 1991 he was the deputy assistant Secretary General of the Central Unitaria de Trabajadores, Paraguay's largest workers association, and has actively participated in the fight against the Stroessner dictatorship. He has served as President of the Doctors' Association of the Hospital de Clínicas from 1986 to 1988.

Xabier Gorostiaga

Xabier Gorostiaga, S.J., is the Rector of the UCA (Universidad Centroamericana) Managua, Nicaragua, and the President of the Regional Center for Economic and Social Research (CRIES). From 1979 to 1981, he was Director of National Planning for Nicaragua. Father Gorostiaga was the founding Director of the Panamanian Center for Social Studies and Action, and an economic advisor to Panama during the negotiations on the Panama Canal treaties.

Allan E. Gotlieb

Allan E. Gotlieb, former Canadian Ambassador to the United States, is Chairman of Burson-Marsteller of Canada, and a consultant with the Toronto law firm of Stikeman, Elliott. He was Under Secretary of State for External Affairs in 1977, a Canadian member of the Permanent Court of Arbitration from 1977 to 1982, and Canadian delegate to the UN General Assembly in 1967 and 1968. He has written four books and numerous articles on international law.

Ivan L. Head

Ivan Head is a past President of the International Development Research Centre of Canada. From 1968 to 1978, he was Special Assistant to the Prime Minister for foreign policy issues. Currently a professor at the University of British Columbia, Mr. Head is an Officer of the Order of Canada and a Federal Queen's Counsel.

Osvaldo Hurtado Larrea

Osvaldo Hurtado was President of Ecuador from 1981 to 1984. He is President of CORDES, a non-profit research center. He also writes editorials for the newspaper El Universo of Guayaquil and the Spanish News Agency (EFE), and is the author of several books, including Political Power in Ecuador.

Enrique V. Iglesias

Enrique V. Iglesias is President of the Inter-American Development Bank. He served as Foreign Minister of Uruguay from 1985 to 1988, and earlier as President of Uruguay's Central Bank. From 1972 through 1985, he was Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean.

Elsa Kelly

Elsa Kelly is Director of Cultural Affairs in Argentina's Foreign Ministry. She has served as a Deputy Minister of Foreign Affairs in Argentina from 1983 to 1985, the Argentine Ambassador to UNESCO, and Alternate Chief of the Argentine delegation to the third United Nations Law of the Sea Conference. She has been a member of the Organization of American States' Commission on Human Rights.

Pedro-Pablo Kuczynski

Pedro-Pablo Kuczynski is President and CEO of Nueva Management, Inc., which develops investments in construction, housing and basic industry in Latin America. From 1982 to 1992, Mr. Kuczynski was a Managing Director of First Boston Corporation and Chairman of First Boston International. Previously, he served as Peru's Minister of Energy and Mines, and as Deputy Director General of the Central Reserve Bank. He has also been Chief of the World Bank Policy Planning Division, and Chief Economist of the International Finance Corporation.

Celso Lafer

Celso Lafer is Professor of Public International Law and Jurisprudence at the University of São Paulo. He was Chairman of the United Nations' Conference of Science and Technology (1989). From mid-April until the beginning of October 1992, Mr. Lafer served as Brazil's Minister for Foreign Relations.

Augustín F. Legorreta

Augustín F. Legorreta is Chairman and Chief Executive Officer of Grupo Financiero Inverlat, S.A. de C.V., and earlier served as Chairman and C.E.O. of Banco Nacional de México. Mr. Legorreta has been President of the Mexican Bankers' Association and President of the Consejo Coordinador Empresarial.

Jorge Paulo Lemann

Jorge Paulo Lemann is founder and senior partner of Banco de Investimentos Garantia S.A. of Brazil. He serves on the board of several Brazilian corporations as well as the Catholic University of Rio de Janeiro; Ação Comunitária, an educational program for slum dwellers in Rio de Janeiro; and Fundação Estudar, providing scholarships for needy but qualified university students.

Fernando Leníz

Fernando Leníz is Chairman of the Board of several major companies in Chile and President of the Chilean Society of Engineers. He was Finance Minister of Chile from 1973 to 1975. He is Professor of Engineering at the University of Chile.

Marcos McGrath

Monsignor Marcos McGrath, C.S.C., has been Archbishop of Panama since 1969. He was a member of the Doctrinal Commission of the Second Vatican Council from 1962 to 1965, and of the Steering Committees of the General Conferences of Latin American Bishops held in Medellín in 1968 and in Puebla in 1979. He was Vice President of the Council of Latin American Bishops from 1967 to 1972.

Beatríz Merino

Beatríz Merino is an attorney by training, and a former Peruvian Senator. Previously, Senator Merino served as Director of Procter & Gamble's Lima office.

Lorenzo Meyer

Lorenzo Meyer is a leading historian and political commentator in Mexico. He has been Director of the Center for International Studies at El Colegio de México. He won a national award for his outstanding contribution to journalism in 1988.

Billie Miller

Billie Miller, a Barbadian barrister and attorney-at-law, has been a Member of Parliament for the Barbados Labour Party since 1976. She served as Minister of Health and Social Security from 1976 to 1981, Minister of Education from 1981 to 1986, and a Senator from 1986 to 1989. Ms. Miller is a member of the board of the International Institute for Women's Political Leadership, the Council of the Inter-American Parliamentary Group on Population and Development, and President of the International Planned Parenthood Federation - Western Hemisphere Region.

Sylvia Ostry

Sylvia Ostry is Chair of the Centre for International Studies, Chancellor of the University of Waterloo, Chair of the Canadian Institute of International Affairs, and Western Co-Chair of the Blue Ribbon Commission for Hungary's Economic Recovery, and a member of the G-30 in Washington. Dr. Ostry has served in the Canadian government as Chair of the Economic Council of Canada, Deputy Minister of International Trade, Ambassador for Multilateral Trade Negotiations, and the Prime Minister's Personal Representative for the Economic Summit. Dr. Ostry has been Head of the Economics and Statistics Department of the OECD in Paris and the 1989 Volvo Distinguished Visiting Fellow at the Council on Foreign Relations. Dr. Ostry is a Companion of the Order of Canada.

Celina Vargas do Amaral Peixoto

Celina Peixoto is Director of the Getulio Vargas Foundation. She has been Director of Brazil's National Archives, President of the Latin American Association of Archives, and a founding member of the National Association for Research and the Social Sciences. She is a member of "The New Independent Commission" in Geneva.

José Francisco Peña Gómez

José Francisco Peña Gómez is a former Mayor of Santo Domingo, and a leading candidate for President of the Dominican Republic. He is Vice President of the Socialist International, and has been President of the Dominican Revolutionary Party since 1986.

Sonia Picado Sotela

Sonia Picado is Executive Director of the Inter-American Institute of Human Rights, and a Justice on the Inter-American Court of Human Rights. She was Co-Chair of the International Commission for Central American Recovery and Development, and has served as Dean of the University of Costa Rica Law School.

Jacqueline Pitanguy

Jacqueline Pitanguy is the founding President of CEPIA, a non-profit, non-governmental organization researching public policy in relation to women. Formerly President of the national Council for Women's Rights, Brazil's first federal organization for the improvement of women's conditions, she has also been a Senior Consultant on Women's issues with the UN, the OAS, and the International Women's Health Coalition. Dr. Pitanguy is a prominent social scientist and activist in Brazil, and has published widely on women's issues.

Mercedes Pulido

Senator Mercedes Pulido is a member of the progressive wing of COPEI, serving on the Senate's Internal Politics and Health Committees, and as President of the Bicameral Commission of Women's Rights. Previously, she was Minister of State for the Participation of Women in Development, where she oversaw a major legal reform that rewrote the laws governing the family and gender issues in the early 1980s. She was also on the Economic Commission for Latin America and the Caribbean, and an Associate Sub-Secretary General at the U.N.

Alberto Quirós Corradi

Alberto Quirós is President of Seguros Panamericano in Caracas. He is a past President of Compañía Shell de Venezuela, and has been President and Editor of Diario de Caracas and Director of El Nacional.

Augusto Ramírez Ocampo

Augusto Ramírez Ocampo was a member of the Asamblea Nacional Constituyente of Colombia in 1991. He has also served as the Personal Representative of the Secretary General of the United Nations for the Special Plan of Cooperation in Central America, and Personal Representative of the Secretary General of the Organization of American States (OAS), and Chief of the OAS Democracy Mission in Haiti.

Shridath Ramphal

Sir Shridath Ramphal was the Secretary-General of the Commonwealth from 1975 to 1990. He was the Foreign Minister of Guyana, Chairman of the UN Committee on Development Planning, and Vice President of the UN General Assembly. He has been Chairman of the recent West Indian Commission and is currently Co-Chairman of the new International Commission following the Stockholm Initiative on Global Security and Governance. He recently published Our Country, The Planet in the context of the Earth Summit.

Gonzalo Sánchez de Lozada

Gonzalo Sánchez de Lozada is a mining entrepreneur in Bolivia. He served as President of the Senate and Minister of Planning from 1985 to 1989. He is now the national head of the Movimiento Nacionalista Revolucionario (MNR) in Bolivia.

Julio María Sanguinetti

Julio María Sanguinetti was President of Uruguay from 1985 to 1989. He served in the Uruguayan Legislature from 1963 until 1971, and was Minister of Industry and Trade and of Education and Culture in 1971 and 1972. He is President of the PAX Institute and the author of several works on Uruguayan politics.

Javier Silva Ruete

Javier Silva Ruete is a former Senator and President of the Solidarity and Democracy Party in Peru. He was Minister of Economy and Finance from 1978 to 1980, and earlier served as Manager of Peru's Central Reserve Bank, and as Minister of Agriculture. Mr. Silva has been Vice President of the Andean Development Corporation, and General Secretary of the Andean Group.

Luís Inácio "Lula" da Silva

Luís Inácio "Lula" da Silva is President of the Workers Party in Brazil. In the 1989 presidential elections, he was defeated by a narrow margin. He has been a federal deputy from the state of São Paulo, and Director and President of the Metalworkers Union of São Bernardo do Campo. He founded the Central Workers Union.

Julio Sosa Rodríguez

Julio Sosa is Chairman of Industrias VENOCO and President of the Banco del Orinoco. He is also President of the Universidad Metropolitana in Caracas. From 1969 to 1972, Ambassador Sosa was Venezuela's Ambassador to the United States.

Gabriel Valdés

Gabriel Valdés is President of the Chilean Senate. He was President of the Christian Democratic Party from 1982 to 1987, and Director for Latin America and the Caribbean of the UNDP from 1974 to 1981. Mr. Valdés served as Chile's Minister of Foreign Relations from 1964 until 1970.

Mario Vargas Llosa

Mario Vargas Llosa is one of Latin America's most widely read novelists. He was a leading candidate for President of Peru in 1990, and has been President of PEN International. Mr. Vargas Llosa has recently been a Visiting Scholar at Wissenschaftskolleg zu Berlin, and is now a Visiting Scholar at Harvard University. His most recent book is an autobiographical essay, El pez en el agua.

ABOUT THE INTER-AMERICAN DIALOGUE

The Inter-American Dialogue is a forum for sustained exchange among leaders of the Western Hemisphere and an independent, non-partisan, center focusing on inter-American economic and political relations. The Dialogue is Washington's only center for policy analysis dedicated primarily to U.S.-Latin American relations, and to convening policymakers, business and financial leaders, heads of non-governmental organizations and intellectuals seeking practical responses to hemispheric problems. Founded in 1982 and operating under the auspices of The Aspen Institute, the Dialogue is currently co-chaired by Peter D. Bell and Ambassador Javier Pérez de Cuéllar. Its president is Richard E. Feinberg.

Assembly of Western Hemisphere Leaders

The Dialogue's 100 members—from the United States, Canada and sixteen Latin American and Caribbean countries—include five former presidents, as well as prominent political, business, labor, academic, media, military, and religious leaders. At periodic plenary sessions, members analyze key hemispheric issues and formulate policy recommendations. The Dialogue presents its findings in comprehensive reports that are widely recognized as balanced and authoritative.

The Research Agenda: Politics and Economics

The Inter-American Dialogue seeks to produce accessible, policy-oriented, multidisciplinary research and publications to enrich the discussions of its membership, and to promote participatory democracy and broadly shared economic growth throughout the Americas.

The Program on Democracy and Peace focuses on issues of democratic change, human rights and conflict resolution. A major project is exploring ways for the Inter-American System to exercise a collective defense of democracy in its member states. A second study is assessing the progress being made in individual countries toward genuine democracy.

The Program on Hemispheric Integration emphasizes the management of strategic economic issues in U.S.-Latin American relations, particularly with regard to the creation of a hemispheric free trade system and the problems of inequity and poverty. One project is considering the institutional architecture that hemispheric integration will require, while another study is investigating how nations can address poverty and inequality without unduly sacrificing growth. A third is exploring the impact of ideas and individuals on economic reform processes in Latin America today.

Latin American Policy Forum

By meshing its membership and research, the Dialogue promotes informed debate and discussion about Western Hemisphere issues throughout the region. During the past year, the Dialogue has sponsored fora for U.S. and Latin American leaders in Argentina, Brazil, Chile, Mexico, and Peru.

Congressional Outreach With Members and Staff

- ▼ The bipartisan **Congressional Members Working Group** convenes monthly to provide Members the opportunity to exchange ideas on key issues in U.S.-Latin American relations with executive branch officials and private experts. The Group is co-chaired by Rep. Jim Kolbe (R-AZ), Rep. Jim Leach (R-IA), Rep. Bill Richardson (D-NM), and Rep. Robert Torricelli (D-NJ).
- ▼ The **Congressional Forum on Latin America**, co-sponsored with the Congressional Research Service, provides Congressional staff with a monthly forum for open discussion and analysis with leading policymakers from the inter-American community.
- ▼ Dialogue staff are routinely consulted on Congressional hearings conducted on inter-American issues, and Dialogue members and staff often testify before Congressional committees and provide private briefings to individual Members.

Networking the Washington NGO Community

The newly inaugurated Washington D.C. **Liaison Committee on Latin America (DCLC/LA)** is meeting the long-standing need to improve communications among the many Washington-based non-governmental organizations that are concerned with Latin America, and to build stronger bridges between the NGO community and the U.S. government. The 50 research centers and academic programs represented on the DCLC/LA focus on such issues as the environment, human rights, migration, international economics, and overall U.S. foreign policy, from a wide range of political perspectives.

The Washington Exchange Among Economic Policymakers

Co-sponsored with the Brookings Institution and the Overseas Development Council, the Washington Exchange is a forum that brings together Latin American heads of state and top economic policymakers with Washington's senior officials and experts in the realm of economics and finance. It has hosted President Fernando Collor of Brazil and President Carlos Menem of Argentina, as well as finance ministers from Argentina, Bolivia, Chile, Colombia, Jamaica, Mexico, Peru, and Venezuela.

The Inter-American Dialogue is funded by private foundations, international organizations, corporations, Latin American and European governments and individuals, and the sale of publications.



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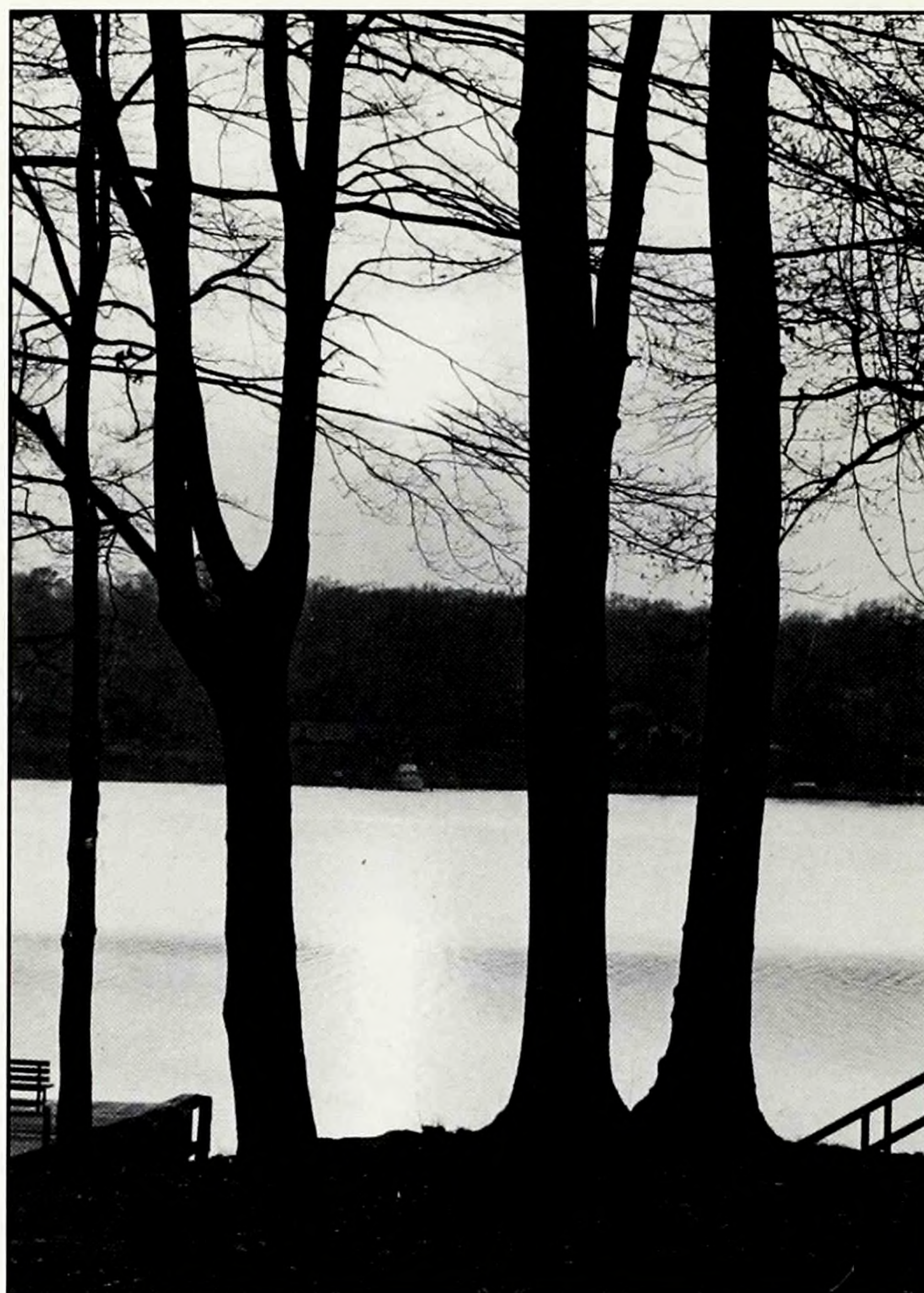
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