

MEMORANDUM

To: Don Eugenio Tironi

From: Mark Malloch Brown

Re: NAFTA and Rio Group Summit

Date: Oct. 7, 1993

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Background:

I wanted to take advantage of our personal relationship to send this memorandum to you directly. As you may recall from our strategy presentation for Chile's image campaign in the United States, we have been concerned since last spring about the impact of the NAFTA debate. During our presentation and in subsequent discussions, there has been a lively exchange of views regarding Chile's positioning on NAFTA. The views can be stated briefly in the form of two options:

- 1) Chile should avoid media attention and keep a low profile during the debate so as to avoid both embarrassing Mexico and becoming too deeply associated with Mexico in the American mind; or
- 2) Chile should tactfully take advantage of media attention during the NAFTA debate to create positive contrasts with Mexico.

Both options were premised on NAFTA's passage. With that premise now possibly in doubt, we believe it is vital to reevaluate Chile's positioning on NAFTA. We think this is especially important with the Rio Summit drawing near, given that this is the only assemblage of so many Latin American heads of states and international press scheduled before the U.S. Congress votes. We also note from the Summit agenda you sent to us that Presidents Aylwin, Menem and Franco have a closing press conference scheduled for October 16th. It therefore seems inevitable that, through the media and diplomatic reporting on the Summit, whether through formal or informal commentary Chile will be drawn into the debate.

Consequently, it would seem that the "low profile" option is not viable. An additional reason for considering the more assertive position is the plea that President Clinton made privately to the Latin American heads of state at the reception he held for them in New York on the eve of the General Assembly

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opening. The President very candidly asked for the help of Latin American presidents, and urged them to assist the Administration in persuading the American public of NAFTA's benefits in terms of the economy and hemispheric stability. Action by Chile now to support NAFTA will be favorably received by the Administration, and might be a factor in the Administration's determination of which Latin American country deserves to be the next to enter into a free trade agreement with the U.S. In short, support for NAFTA will build political capital for Chile within the Clinton Administration.

Issue:

Assuming that the "low profile" option is out, the question before us is how best to position Chile from now through the November vote on NAFTA. In this memorandum, we primarily address Chile's positioning with U.S. policymakers and the media rather than Latin American audiences. We are mindful, however, of the importance of Mexican-Chilean relations.

Current State of U.S. Debate:

At present the situation favoring passage of NAFTA has deteriorated badly. Major developments can be summarized as follows:

- 1) President Clinton's domestic agenda is dominated by the health care reform debate and the foreign policy agenda is crowded with the Russian and Somalian crises, limiting the presidential assets which can be devoted to pressing for NAFTA's passage.
- 2) NAFTA is far short of the votes needed for passage in the House. Even states like California, which stand to gain from NAFTA, have a majority of their congressional delegation against the treaty.
- 3) House Speaker Tom Foley has indicated that NAFTA will not be brought to a vote until there is sufficient support for passage, but House Majority Leader Richard Gephardt and Majority Whip David Bonior are actively opposing passage, leaving a leadership void.

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- 4) House Republicans who were expected to lead the effort to pass NAFTA have determined that it is in their political interests to refrain from interfering in the Democratic infighting, although many will still vote in favor of NAFTA.
- 5) The resulting perception of weakness in the pro-NAFTA congressional coalition has led to major U.S. corporate supporters deciding to limit their public support.
- 6) The AFL-CIO, while not making this a litmus-test vote, is nonetheless mobilizing against NAFTA through constituent pressure, advertising, and Capitol Hill office visits.
- 7) Ross Perot's "United We Stand America" organization is mobilizing against NAFTA on the basis of U.S. job loss, with Perot making a substantial number of television appearances.
- 8) The environmental movement is divided, with approximately half of the major U.S. environmental organizations supporting NAFTA and half opposing its passage.
- 9) The countervailing pro-Administration grassroots effort, USA*NAFTA, has been slow in launching its own media campaign on behalf of the treaty.
- 10) Until the President devotes substantial time out of his schedule to campaigning for NAFTA, there is little likelihood that that this negative prognosis will change.

The major issue driving the anti-NAFTA campaign is the perception that the treaty will have a negative impact on the U.S. economy and on manufacturing jobs in particular. This presents a serious risk that NAFTA's defeat will brand any other free trade agreements with Latin America as bad for U.S. workers. Public opinion may be irrevocably prejudiced against a future FTA with Chile.

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Chile's Current Positioning:

In June our survey data comparing public support for an FTA with Chile and Mexico showed the following:

- levels of opposition to an FTA with Chile were almost as high as levels of opposition to NAFTA
- Mexico had substantially more support for an FTA than Chile, by a margin of 53% to 41%
- 30% had no opinion with regard to an FTA with Chile while only half that number, 15%, expressed no opinion on Mexico

Despite the positive aspects of the June poll, Chile's position today closely resembles Mexico's during the opening years of the NAFTA debate. Like Mexico in 1991, a free trade agreement enjoys support from key policymakers but the public and key interest groups remain uncommitted. This lack of commitment is compounded by relatively low familiarity with Chile, as the poll reflects.

Given these circumstances, it is highly likely that the intense media coverage of the NAFTA fight will lead to a diminished number of undecideds with regard to an FTA with Chile. For most of the American public, the case for and against free trade with other Latin American countries will be indistinguishable from the case for and against NAFTA.

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Chile's Recommended Positioning:

Given the foregoing considerations, we recommend that your handling of the NAFTA issue, beginning with the Rio Group Summit next week, should be designed to establish the following positioning:

- 1) Chile supports passage of NAFTA;
- 2) A U.S.-Chilean FTA is a compatible match between two economies that means prosperity for both, and in significant ways differs from Mexico because of the different size of the market, the trade profile between the two countries, and Chile's labor and environmental record;
- 3) If NAFTA is defeated, the U.S. will lose an historic opportunity to increase its exports because Latin America will look increasingly to Asia and Europe for trade.

We believe there is a way to both support Mexico and create positive contrasts for Chile in the design of the messages you use to communicate these positioning points.

Strategic Message:

The message that will convey all the positioning points is one that defends Mexico against Perot's attacks while promoting Chile as a case that demonstrates the fallacy of Perot's arguments.

The message should defend Mexico against Perot's attacks which prey on stereotypes of Latin American workers as backwards, poor, and exploited. It should respond to the demagogic arguments employed by those like Perot, rather than the AFL-CIO or NAFTA's congressional opposition. While defending NAFTA, the case should be made that the real Latin America is modern, progressive, with rising wages and standards of living. Growth in GDP in Latin America, especially Chile, leads directly to U.S. exports of manufactured goods, providing a boost for American jobs.

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This combines support for Mexico while creating positive contrasts for Chile. In recent media appearances, Perot has used photographs of Mexican shantytowns clustered around maquiladoras to illustrate his point that Mexican laborers will be far cheaper than U.S. laborers, and that U.S. jobs will consequently be lost to Mexico. House Majority Leader Richard Gephardt has recently deployed similar tactics, arguing that Mexican wage rates will inevitably depress U.S. wage rates, although his anti-NAFTA attack is considerably more low-key than that of Perot. Perot is providing the pictures and sound bites for television and the public campaign, while Gephardt works the editorial boards and policymakers.

Tactically, what you can do is:

Support Mexico by attacking Perot's tactics.

Characterize the tactics as playing to old stereotypes of Latin America as backward and poor, built on fear and prejudice.

Cite Chile as a case in point that modern Latin America is developed, has good labor protection and environmental standards, and is economically dynamic.

Cite Chile's impressive growth of imports of manufactured goods from the U.S. and Canada as evidence that low trade barriers benefit U.S. blue-collar workers.

Make the broader hemispheric case that Chile is so well credentialled to do on democracy, the environment, and markets.

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Conclusion:

We would suggest that you give consideration to incorporating these elements into formal remarks, such as a speech, during the Summit. Alternately, you may want to use the Summit closing press conference on the 16th to launch these themes in response to reporters' questions.

By interjecting Chile's case into the NAFTA debate, albeit it in defense of Mexico, we may force NAFTA detractors to make clear that they are not against free trade with Chile. This will give the issue prolonged media exposure in the U.S., and prevent public opinion from turning uniformly against free trade with Latin America should NAFTA be defeated.

If you feel the case against saying anything of this nature at the Summit is overwhelming, there may be alternatives. We are currently working with Nathaniel Nash of the New York Times who plans to come to Santiago in the first week of November. It might be advisable to seek an interview between a senior official, perhaps even the President, and Mr. Nash. During the interview, these themes can be introduced. Also, television host John McLaughlin has tentatively expressed an interest in interviewing President Aylwin sometime between Oct. 29 and Nov. 3. This would be an excellent opportunity to make the case for an FTA with Chile while defending Mexico on a nationally-televised talk show.

If you concur with this view, we will be pleased to elaborate on the message elements for either a speech, the news conference, or an interview.

cc: Ambassador Patricio Silva
Blas Tomic