THE BROOKINGS INSTITUTION

RE-THINKING U.S.-LATIN AMERICAN RELATIONS: A HEMISPHERIC PARTNERSHIP FOR A TURBULENT WORLD

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ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PARTICIPANTS:

Introduction:

STROBE TALBOTT
President, The Brookings Institution

Moderator:

MAURICIO CÁRDENAS
Senior Fellow and Director, Latin America Initiative

Featured Speakers:

ERNESTO ZEDILLO
Former President of Mexico
Co-Chair, Partnership for the Americas Commission, The Brookings Institution

THOMAS PICKERING
Former U.S. Under Secretary of State for Political Affairs
Co-Chair, Partnership for the Americas Commission, The Brookings Institution

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P R O C E E D I N G S

MR. TALBOTT: Good morning, everybody. I'm Strobe Talbott. It's terrific to see such a good turnout here. I know that there are members of the diplomatic corps and other friends of Brookings and friends of this enterprise in particular.

I want to particularly say a word of thanks to Ambassador Sarukhan for his help and support throughout this venture. We look forward to working with him into the future, and he put on a terrific event at the Mexican Cultural Institute last night, which was not only pleasant, but very substantive and anticipated a couple of the things we'll be talking about today.

This is, of course, the--we hope--high-impact rollout of the work of our Partnership for the Americas Commission.

And I would not, by any means, say that this is the end of the Commission's work, although the commissioners, who have worked long and hard, are now putting their own part of it aside and moving on to other things.

But we hope that the Commission is going to

have very real influence at a very important time in some rethinking that will be going on in the months ahead about American foreign policy in general and in particular policy towards our own region.

But we're also, here at Brookings, seeing today's event as a way of underscoring or dramatizing the commitment of the institution to our neighborhood, which is to say the Western Hemisphere.

And while we will be talking about the findings and the recommendations of the Partnership for the Americas Commission, it will be against the backdrop of an ongoing set of projects that we are taking under the auspices of our Latin America Initiative.

And in a moment, when I turn the program over to Ernesto Zedillo and Tom Pickering, you will also be hearing from Mauricio Cárdenas, who is the director of our initiative.

And it is our hope that, for years to come, this initiative will allow Brookings to play its own part in sponsoring and informing ongoing, consistent engagement with our neighbors here in this hemisphere.

We hope that the initiative is going to pick

up on themes that have been put forward in the Commission's report and recommendations; that it will be a source to all of you, as well as to the incoming Congress and the incoming administration, for more effective, more engaged, and, I might add, more respectful U.S. policy towards our fellow members of the Western Hemisphere.

I might say that there are a number of people here today who have, in addition to the Ambassador, made the startup of our initiative and the work of the Commission possible. One of them is Tom Ramey, over here in the front row, who is the CEO of Liberty Mutual International, and very familiar, for many decades, with the life of the hemisphere; and he has been a member of the Commission. And, Tom, we're particularly grateful to you personally, and, of course, to your company.

I think that once the three panelists have a chance to present the essence of the report to you, you will all have a chance to join in a discussion with them.

And so, with that, I'm now going to turn matters over to Mauricio and to President Zedillo and

Ambassador Pickering. Thanks very much.

MR. CÁRDENAS: Thank you very much, Strobe. Well, first of all, welcome. It's a great honor and a great pleasure to have you here and to welcome the two co-chairs of this Commission, former President Ernesto Zedillo and former Under Secretary of State Ambassador Thomas Pickering.

As Strobe just said, Brookings is beginning a new engagement with Latin America, taking place through the Latin America Initiative, that will contribute to making Brookings a truly global think tank, improving the quality of public policies not just in the U.S., but elsewhere and also improving policies in the U.S. with regard to other parts of the world, in this case with Latin America.

For that purpose, Brookings convened a group of very talented and prominent Latin Americans and American citizens to discuss the state of the relationship between the U.S. and the Hemisphere and make some concrete, pragmatic recommendations about ways to enhance that partnership.

You'll find in this report very specific, practical ideas. You won't find grandiloquent prose.

You'll find issues and recommendations that can be adopted, that can be implemented, and that will certainly be an important input for the discussion about Latin America, both within the executive and Congress in this country.

This Commission convened very talented individuals, like former President Lagos of Chile; former President Quiroga of Bolivia; former Prime Minister of Peru, Dañino; and former Vice President of Guatemala, Eduardo Stein.

I could mention many other names, but the important aspect is that the proposals you're going to hear from President Zedillo and Ambassador Pickering were generated by this group's work.

There are no significant or important disclaimers. Essentially these are the views of 20 individuals with tremendous experience in government, in business, and in academic work in the region who I think will help us in pushing the agenda in a very specific direction.

The goal is to make this part of the world, this hemisphere, work together to solve global problems.

It is clear that the agenda today is, to a large extent, dictated by global problems. Trade, energy and climate change are just examples of that.

So what you will see in this report -- and there is no one better than the co-chairs to present these views -- are specific ideas of how this region can work together and build blocks that can then become part of the solution to global challenges.

That's the common theme in many of the proposals you're going to find in this report.

So I'm not going to take any longer, because you came here to hear the co-chairs, not me. And I'm going to ask President Zedillo, who needs no introduction -- President Zedillo has been a remarkable leader in our region. He's someone that I truly admire, not only because he's also a fellow economist, but also because, I was just thinking, it takes a tremendous amount of character to go from Los Pinos back to the classrooms at Yale University.

MR. ZEDILLO: You mean it takes courage for the university to take me back? I agree with you.

MR. CÁRDENAS: So he's really, truly, truly someone that I believe sets an example for many people

and for many of us.

President Zedillo is going to talk about two of the four areas of this report, particularly about economic integration and migration, two of the essential aspects of the relationship between the U.S. and Latin America and the Caribbean, and two areas where very specific proposals are being made.

And then Ambassador Pickering will take on two other areas of the report, which essentially have to do with energy and climate change, on the one hand, and with organized crime and very specifically with the issue of drug trade.

And we're going to also add to these four topics something that was part of the discussion, and is also included in the report, that you could think about as a supplement to the report, which is a reflection on the relationship between the U.S. and Cuba.

This is a very important issue and certainly one that generates controversy, especially here in the U.S. So that's why the commissioners thought it was important to make some recommendations in that regard.

And Ambassador Pickering will tell us a

little bit more about the specific proposals on that front.

After listening to Ambassador Pickering, we're going to open the floor for your questions and your comments, and we'll help just to engage in a lively discussion on these very important and timely issues.

So, President Zedillo, it's an honor. It has been a pleasure working with you on this commission, and thank you very much for all your efforts in generating the necessary consensus and leadership in this commission.

MR. ZEDILLO: Thank you, Mauricio. Let me start by paying my modest tribute to Strobe Talbott, whose idea it was to do this report. It was Strobe who thought that it was important to launch this initiative.

I also want to express my gratitude to Lael Brainard, who has also been a great supporter of the initiative at Brookings; and to Carlos Pascual; and, of course, to the great team that worked with the Commission to produce this document -- Mauricio Cárdenas, Leonardo Martinez-Diaz, and many others that

worked mostly during the summer to produce materials and the concepts that now we have put forward in this report.

Let me also express my satisfaction for having been in very excellent company in this commission; of course, with my co-chair, Ambassador Pickering, and this distinguished group of commissioners that, with a very open mind -- and I would say independent attitude -- participated in this endeavor.

Let me also stress that this report is remarkable for one thing. I went back to several reports that have been produced on U.S.-Latin American relations.

And I found that typically the reservations and the caveats about those reports take more space than the report itself. People like to write all these long letters saying, well, you know, yes, the report is fine, but, but, but, but, but. And that takes more space than the report itself.

Well, in this report, we were 10 Latin Americans and Caribbeans and 10 U.S. citizens. And we

don’t have such a long section on reservations. In fact, we don't have a section on reservations.

What we say here is that all the commissioners endorsed the report as a whole, but, of course, not every one of them agrees on all that we say in the report.

And that, for me, reflects a very high degree of consensus.

And fortunately, we have achieved that not by going to the lowest common denominator. My co-chair, Strobe and I and a number of commissioners kept pushing to really address the tough issues that we believe are important for U.S., Latin American, and Caribbean relations.

Let me also mention that our report is not about recriminating the United States for what this country has done or has not done in Latin America.

This report is about the future. This report is about common opportunities and also about the common effort, if we are going to tap those opportunities.

Let me also say that this report is not about telling Latin American governments what to do

with their domestic policies.

Of course, every one of the members of this commission know very well that the primary responsibility for our own development lies within our countries ourselves, and that there are enormous challenges for our own government and our own societies to overcome the long-standing problems of development that we still face in Latin America.

But our report is not about that. Our report is about identifying those issues that we believe require collective, cooperative work on the part of the United States and on the part of the countries in Latin America and the Caribbean to be addressed properly.

And it is from these criteria that we identified the four fundamental areas, to which Mauricio Cárdenas was making reference -- the questions of economic integration, migration, energy and climate change, and organized crime and drug trafficking.

And we added one topic, which we thought was worthwhile to consider, which is the question of U.S.-Cuba relations, or lack of relations, because I think

it's an emblematic topic in that if it conveys a change in the way it has been dealt for too long, then I think this can also open other approaches to developing the relationships with Latin America.

So let me talk only briefly, because I would hope or I would beg you please to read the report. Let me just talk briefly about two of these four issues that I mentioned before.

On migration, we all know that it is a very important issue, not only for the United States, but also for a number of Latin American countries.

It is an important issue for the United States because migration happens to make an important contribution -- that’s our strong belief -- to the economic progress of the United States.

We endorse those estimates that say that, on balance, immigration into the United States produces a net benefit perhaps in the vicinity of $50 billion per year.

So we do believe that migration is an economic force for good in this country. We also recognize, however, that illegal immigration is a problem for this country. All the members of the

Commission of course believe in the application, the strict application, of the rule of law. But we also believe that the problem with illegal immigration is not that it is immigration but that it is illegal, and the illegality of this problem stems from the fact that there is a mismatch between the need for foreign workers in the U.S. labor market, and the availability of legal workers to meet that demand.

The United States actually happens to be one, if not the, most open country in the world for immigration, but still there is a difference. You accept legally almost one million people every year. That's a flow of immigrants into this country. But according to the best studies available, those studies say that your labor market under normal conditions of economic growth, will need 1.5 million workers coming into this country every year. The economy is demanding those workers, but you only allow one million and therefore there's pressure for half a million that unfortunately is solved through illegal means. So, our strong recommendation is that the

United States should confront this problem with the best information available and try to decide on policies that really recognize the fact that particularly within the next few years this mismatch between immigration and your labor demand will continue to grow and the present policies, and if you don't want (inaudible) that pass unintended and very (inaudible) consequences in the American society, then it is better to recognize that need and be addressed by a new system of visas that we outline in our report.

And let me also mention that we say as part of our diagnosis that although we do not underestimate the goodwill and the good intentions of present policies, we believe that those policies will simply not work. We think that, for example, recent actions which put more emphasis on repression and practically no emphasis on the need to have a comprehensive policy probably will make the problem worse and will not benefit American society and will certainly not benefit the countries sending migrants.

We strongly recommend of course investments on this issue but not the kind of investments that have been made recently, and here, of course, I speak as a Mexican citizen, among many Mexican citizens that truly regret and resent the construction of that abominable wall on the border between Mexico and the United States. I think the United States -- that's my humble opinion -- should certainly spend more on an intelligent order that favors the application of the law but not that kind of investment which I personally find profoundly offensive towards the neighborhood and the friendship between Mexico and the United States.

On trade, we strongly applaud and endorse the efforts that have been made in recent years to integrate us more economically. And integration means more interdependence, more trade, more investment going in both ways. And we emphasize how important -- and this is sometimes rather little recognized -- how important Latin America is for the United States in terms of trade. We export and import one-fifth of your trade as a region. We take one-fifth of your

exports and we sell you one-fifth of your imports, and there's little mention sometimes that as a region we are a more important provider of oil to the United States than the Middle East. The Middle East is always in the headlines. In the economic headlines and the political headlines, as far as the United States is concerned, however, we happen to be much more important in economic terms as a region for the United States.

You will see in our report that we have been careful enough to emphasize that from our perspective, the best approach to pursuing the enhancement of economic integration in the region for the United States is to pursue multilateral trade agreements. And in that respect, we express a very strong recommendation for the U.S. to do what it takes to conclude the Doha Round of trade liberalization successfully. We do that because we believe that arriving at a system with reciprocity and nondiscrimination is best for everybody, but we also say it because if we really believe in that project

that was described in the early days of December 1994 with leaders of the Americas committed to negotiate free trade area of the Americas, then there is a fundamental precondition in solving the very complex issue of rising protectionism in this country, we're really going to have an agreement in the Americas, because there is no way that countries like Brazil or Argentina will subscribe to a free-trade area in the Americas if agriculture is not incorporated seriously into such agreement. So, the dream of our free-trade area in the Americas really goes through Doha and Geneva, if you wish, and therefore we salute with enthusiasm the decision of the G-20 leaders that met here in Washington a few days ago by which they commit somehow in more propitious terms the day before to conclude the Doha Round and something that just happened in the recent meeting in Peru of the APEC leaders.

Having said that, however, our Commission has taken a very strong position in asking the legislative branch of the U.S. government to approve

the Colombia and Panama trade agreements, although we believe that in the longer term we must have a multilateral system as a base for trade deals. We do believe that the governments of Colombia and Panama have negotiated these agreements in good faith, have made significant compensations in the process of negotiating these agreements, and that it will be a dramatic disappointment if the pertinent branch of government fails to ratify these trade agreements. We believe that the failure to do so will pose a very serious problem for the advancement of relations not only between the U.S. and these two countries but I would say it will create a sense of disillusion in the whole Latin American region, and that is why we strongly endorse the approval of these trade deals as soon as possible.

So, these are some comments on the report, and I do encourage you to consider it, and I am hopeful that it will serve to enhance the discussion of this question of U.S.-Latin American and Caribbean relationships, an issue which I believe is in the good

interest of the United States and certainly of our own countries.

MR. PICKERING: Thank you, President Zedillo and thank you Mauricio and Strobe and Carlos and Lael and Leo and all the others who helped to make this the kind of report that we wanted and the kind of report that I think you will find interesting and I hope constructive in its terms and in its recommendations.

I want to speak to you -- and I'll do so in a minute -- about energy and climate change and their close-knit relationships in the hemisphere, and I want to talk to you about drugs and narcotics and then at the end say a little bit about Cuba. Before I do, I just want to say that while we had no simple, overall theory of the case, no unified field theory to provide in terms of relations with Latin America, we certainly, as President Zedillo made clear, believe that partnership--increased partnership and consultation of all ways -- all of the elements of that kind of relationship and diplomacy -- will be critically important for the future in the region. No

one state obviously commands the heights here that we are all in this together and that we have much to learn from each other, we have much to contribute to each other, and these are, from our perspective, significant findings. The problems are complex and deeply interrelated. They are transnational. Many of them transcend the hemisphere, as you heard a moment ago, and it will be important obviously, as the next administration sets its priorities, to see some of these issues pulled forward and put up -- if I could put it that way -- high on the list of questions as we go ahead.

Sustainable energy and dealing with climate change are significant and important questions. The rapidly rising demand for energy all over the world and within the hemisphere, which may be tempered temporarily by the downswing in oil prices as a result of our financial and other crises, will in the near term perhaps be a little bit eased, but most of us believe that prices will go up and pressures will continue. The close (inaudible) to relationship ships

between burning carbon-based field and impact on climate -- and indeed the impact of climate on activities in the hemisphere is self-evident and very important. We only have to note, for example, that climate change will have serious effects on agriculture production, on the availability and capacity to produce potable water across the hemisphere, on things such species loss, which we have been engaged in, and from our own experience on what we see as the potentially increasing destructive power of serious storms in the Caribbean basin alone, so these are all very important considerations for us to take into account.

We did not believe that we had the final answer in these areas. In some of them, we felt it would be very important to pull the hemisphere together to work on some of those final answers, and so our first and I think most cogent recommendation was to form within the hemisphere an important group on climate change, and obviously Brazil and Mexico and the United States would play key roles in the area of

coming together. The purpose of this particular group would be to coordinate policies on climate change looking toward negotiations, and indeed we hoped and believed that membership in this group would include acceptance of the notion that there is a price for carbon emission, and, whether that is dealt with through processes of taxation or processes of cap and trade systems, that all countries who join with us in this hemispheric group would be committed at least to that substantial and very important proposition. It is also, I think, significant to us that this kind of a group would work hard pulling together as much of a common policy as we could in the region in approaching those negotiations.

A second and related group but distinctly different, composed in part of scientists and in part perhaps of government officials, would look at the question down the road of adaptation to climate change and how and in what way we in the hemisphere can do our best to meet the needs of moving ahead in that area. We propose that the 54-cent-per-gallon U.S.

tariff on ethanol be reduced and gradually removed, and at the same time we also propose removing supports for the use of corn for fuel production. The two, I think, quite succinctly capture our notion that the most efficiently priced ethanol in the hemisphere ought to have the access to the U.S. market and wider availability and that the notion that subsidies were in fact increasing the competition for corn between food and fuel, what is the proposition we should abandon as we move ahead down the road. So, these changes would be very significant. We all know that the United States is still, in terms of energy production, the residual depositary of 3 percent of the world's reserves of hydrocarbon energy, that we use 25 percent, and that we're heavily dependent on the hemisphere for our imports. Thirty percent of our energy imports come from the hemisphere, and so this close (inaudible) relationship is very important. But it leads us to looking for a closer (inaudible) relationship in renewables as well, so we are proposing the creation of a research laboratory of the

Americas located either in Central America or South in the hemisphere to work on such questions as wind and solar renewable energies and cellulosic biomass for the production of energy for the future as other ways to bring us together in our steps forward.

We need, in our view, to intensify our cooperation on peaceful use of nuclear energy in the hemisphere. And while each state will have different views about how to proceed, we hope that the hemisphere can be the repository of serious and indeed significant commitments to safeguards to prevent any diversions or proliferation on the one hand and, secondly, of serious work on the development of waste management processes for the back end of the nuclear fuel cycle, all very significant if that source energy is going to be more widely used.

As part of our greater integration, we thought it would be very important to find new ways and reinforced ways to help to finance the integration of energy grids across the hemisphere. The U.S. and Canada are tied. Mexico I believe soon will be. But

grids should, in our view, be extended into Central America and across the Darian Gap into the southern portion of the hemisphere as a way of giving us stability, the ability to respond to emergencies, and a sense of -- if I could put it this way -- of confidence going into the longer-term future that energy supplies can be moved across these grids in ways that will meet demand and take care of surpluses and in fact I think promote greater trade in electrical energy.

And, finally, we thought it would be useful to promote regulatory regimes which both open up to the private sector investment in energy as well as open up trade in energy to increased and improved technology and services. This would take advantage of our large market and indeed the tremendous technical abilities that we all have to moving this question ahead.

Let me now turn to protecting the hemisphere against drugs and organized crime, a second and very

serious issue among the four that we included as our highest priority in the report.

The region has, unfortunately, 27 percent of the global homicides in the world, in excess of 140,000 per year. We stand in this country at the crossroads of a lot of the drug-related and criminal activity in the hemisphere. But I have to emphasize -- and this is not out of deference to my co-chairman, because the problem is a great deal more serious than that, but many of us don't understand that 2,000 weapons a day cross the border from the United States to Mexico in a southward direction. We seemingly find ourselves a little bit oblivious to that while trying to put a large burden on our friends in the hemisphere to stop the movement of drugs north. This is very important, and last night Ambassador Sarukhan reminded me that 90 percent of the weapons that are taken capture in Mexico are by serial number in origin from the United States. So, this is a big issue.

We are concerned that the war on drugs has not made more significant progress and indeed there is

in some sense a feeling of failure about big pieces of it. Prices are falling, and while the number of people using drugs in the United States has not increased radically, there are at least 6 million people in our country who in one way or another are entrapped in this. Eradication has not delivered what I would call sustained reductions. It has been sporadically successful, and indeed the agility of the mobility and flexibility of those producing drugs subject to eradication has meant that they have found new and clever and indeed distinct ways to avoid the mass eradication technologies that we have employed up until now.

So, we are coupling all of this in our deep concern with the need for further demand reduction here in the United States. This is a two-way street, and in every sense of the word many in the hemisphere feel we have been remiss and indeed reluctant to address the problem head up and straight on in our own country. Although our recommendations will take into account some successful programs that we have begun.

So, let me turn now to the recommendations here. We think that it would be extremely valuable to undertake a comparative evaluation of successful drug countermeasures pursued anywhere in the world, and that particular effort ought to address a number of significant questions, including what policies have been most effective in reducing consumption, how can lasting reductions be achieved, what is the climate in which that can occur or has occurred, and how can we harmonize policies across the hemisphere both in dealing with this issue and in dealing with the close links that this issue has with the (inaudible) and similar activities across our own hemisphere, it would be very important to launch a hemispheric dialogue on illegal drugs. What can be done in the context of that dialogue for demand reduction; how can we achieve greater coordination of policies in this area; how can we link it more tightly with questions of alternative crops and with better interdiction?

We think it's important to combine policies that promote alternative livelihoods in a more

effective way with better interdiction techniques, and we've been in the struggle for a long period of time in seeking to find what benefits alternative and replacement crops can provide to those now engaged in the production of illegal narcotics.

I was struck by an entirely different expression of this when looking at Afghanistan in January. Polls taken among Afghans who produced opium poppies indicated a pretty significant number, well over 50 percent, would at least say to the pollster that they were prepared to shift to an alternative crop if they could get 50 percent of the value they were earning from the production of illegal narcotics crops. I don't know whether this will exist in the hemisphere or not, but it's an interesting indication of the fact that people are uncomfortable being under the gun of producing illegal narcotics, and we hope that people will take this into account.

I think it's time for all of us to be serious and ratify the new UN protocol on enlisted shipment and trafficking of arms across borders. This will go

far, I think, to helping reduce that flow of arms that I pointed to earlier and about which our friends are very, very concerned. And we think it would be important to launch new projects for harm reduction. This is a nice euphemism, in my view, for demand reduction.

We have worked very carefully in some of our jurisdictions with new courts oriented towards finding innovative ways to reduce recidivism and returning individuals who are now addicted to drugs, to that practice, rather than locking them up and having them in a sense promote a further education in criminal activity in the prison system.

We also need to find new ways of outreach, including taking some successful programs that we have pursued in our educational system and seeing whether they can be adapted outside the educational system to reach people who one way or another fall victim to drugs, if, in fact, they are not subjected to this kind of an approach, and we need to find new ways to create and confect messages to individuals in specific

target groups who have many different ways of looking at this problem and many different reactions to this set of issues.

This remains a hugely complicated, deeply interrelated problem that extends all the way from pure narcotics addiction right across the line to political stability in many of the nations of the hemisphere. It is no less salient in this country. Demand reduction, in our view, needs to have equal priority with supply interdiction. It is our hope that these particular messages will be heeded.

Now let me just turn very briefly to Cuba. There is no question at all that adding Cuba to the list adds a strong potential for controversy and differences of view. And while we were careful to relegate Cuba to the end of the list of our recommendations, it is also already apparent, as it was to most of us, that it will receive very considerable attention in the Press.

Cuba, for all of us, is a long-term issue. We see attitudes changing, particularly among young

Cuban Americans across our country. The younger generation is looking at a different approach, and this change in attitude and indeed what I would call the modern definition of "insanity" -- continuing to do the same thing and expect a different result -- should at least cause us pause in our Cuban policy to take a look, in fact, at whether indeed we have been following the right prescriptions.

This is compounded by the fact that while oil prices may fluctuate over the next couple of years that will be in demand, and Cuba, as you now know, is of interest to many producing companies because of its large offshore reserve, which are being proved, and we would expect investment on the order of $3-to-$4 billion over the next four or five years in those activities. It means Cuba will assume a different status, if I could put it this way, with respect to its economy and financial position.

We have in effect put together a series of policies and a series of recommendations for policy that attempt to work more closely with the people of

Cuba to find new ways to assist, work with, and have contacts with them. These policies are unilateral, bilateral, and multilateral as the case may be and, as you will see as I talk to you about them, how each one will play.

We have begun by saying it's time to lift all restrictions on travel to Cuba.

Secondly, we feel it is time to repeal all of the aspects of the communications embargo, which covers radio and TV and Internet, including the trade in communications technology and equipment as new ways to communicate with, relate to, talk to -- if I could put it this way -- and have back and forth dialogue and conversations with the people of Cuba.

We think it is time, also, to remove the caps and the targeted restriction of remittances to Cuba so that those with families and friends in Cuba can provide an unrestricted flow of support as they choose.

We think it is time to take Cuba off the terrorism list. We see no recurrent evidence that

would convince us that they should continue to remain there.

In addition, in a broader way in order to promote knowledge in context, we think we should remove restrictions on the use of federal funds for exchanges with Cuba of all kinds, whether they would be sports, or cultural, or academic.

We think it's time for the United States to stand ready in times of natural disaster or human-made disasters in Cuba to provide appropriate assistance as we do for other countries.

And we think it is time to encourage and enhance official contacts between diplomats and government representatives, and, finally, time to end opposition to the reengagement of Cuba with the international community in regional and global economic and political organization as a further means of promoting new and different and, I hope, democratic future for Cuba.

These recommendations will not be uncontroversial. They were, however, in the view of

our group, and as the results of a careful separate study here at Brookings, the kinds of thoughts that commended themselves very much to us as being wise and we hope useful down the road in the future.

I thank you for the opportunity to make these few remarks, and I'll turn it back to you now, Mauricio.

(Applause)

MR. CARDENAS: Thank you very much, Ambassador. Let me just add that, listening to Ambassador Pickering, I cannot think of a more appropriate co-chair for this Commission on the U.S. side because Ambassador Pickering talks about constructive engagement with Latin America, but he talks about it from the very practical point of view of someone who's done a lot for the region.

I am from Colombia, and I'm sure you all are aware of the tremendous turnaround in Colombia in the last two years. I think few people here in the U.S. have done more for making that possible than Ambassador Pickering. Ambassador Pickering was a

fundamental and decisive part of creating this and engaging the U.S. with Colombia, but not just that. With him I had the privilege of touring many capitals in Europe to create awareness on the need to save Colombia and the need to engage in a very constructive way with Colombia. So it's with that wisdom, the wisdom of practice of someone who's had a remarkable career in the foreign service of this country that his words and his recommendations carry a lot of weight.

So with that, let me open for questions and commentaries, hopefully short because I like to engage as many of you here in the audience as possible.

So we'll start with you, sir.

MR. McAULIFFE: John McAuliffe from a nongovernmental organization, the Fund for Reconciliation and Development. First I want to thank you for the Cuba section, that I think represents not just intellectual work but also a political breakthrough at a high level of policy discussion in Washington. And I think it will be marked as an important turning point.

I want to ask you about implementation, because I agree that the first step is travel. President Obama has already pledged to end restrictions on Cuban American travel and remittances. And he can do that on January 21st.

He has equal authority to end restrictions on 11 other categories of nontourist travel. It includes humanitarian, educational, religious support for the Cuban people, sports, cultural -- many different things are possible for him to do simply by a stroke of the pen, and general licenses for those things would make it possible even by February, March, April for many Americans to travel as they did before 2004 and without the bureaucratic obstacles that existed before 2004 even.

Would you recommend that President Obama use that authority and at the same time encourage Congress to end the restrictions that affect commercial travel, the sort of mass travel that would be possible?

MR. CARDENAS: I'm, going to collect a few questions, if you allow, so that we have two rounds.

Yes, please? The lady here.

MS. DARR: I'm Denise Darr with CNS News. I wanted to ask Mr. Zedillo about the violence along the border between Mexico and the United States. He spoke about the offensiveness of a fence and talked about a more intelligent type of border security.
And yet, according to the U.S. State Department -- and you know, yourself, of the incredible violence and deaths, and even deaths and kidnappings of Americans. I wanted to ask you what you would propose, what that more intelligent kind of border would be to end the violence.

MR. CARDENAS: Thank you. Yes?

MR. MERLIN: I'm (inaudible) Merlin with Reuter Associates, and my question is also on Cuba. A lot of your recommendations seem to be like concessions to the Cuban government. I know this is always a controversial issue. I've been following Cuba since I worked at the Introsection, and a lot of your recommendations are, in fact, things that the U.S. government has said that it would do if the Cuban

government would hold free and fair elections, freedom of speech, so on and so forth.

So I'm wondering what your take is on what the Cuban government should be doing to normalize relations with the U.S., because the question is always, what can the U.S. do differently? And I think the question should be: What is the Cuban government willing to do for the Cuban people?

MR. CARDENAS: One more and I think we should answer, because my memory is very short. Yeah, but if there is another one on Cuba, or for President -- first Cuba?

(Laughter)

I'll give you the hard ones.

MR. PICKERING: I think, and certainly the report is tilted heavily in the direction of removing travel restrictions across the board beginning with Cuban Americans. But I think in the end the thesis behind the report is that we ought to seek to find ways to encourage broader relations with the Cuban people to the extent that we can.

I would say, on the second question, no one would be more delighted than I if Raul and Fidel should suddenly turn out to be George Washington and Thomas Jefferson. We know that's not going to happen, and while Raul has made a few small gestures in the direction of moving ahead, it is my view, after years of looking at this that, in effect, we are helping them be the jailers of the Cuban people. And if that particular approach were going to work, it would have long since worked.

My feeling is that the more we can establish relations with the future of Cuba, which is the people of Cuba, the better off we will be and they will be, even though I think it will be painful and difficult. But I would much rather have the embargo be an embargo of Fidel than an embargo of Uncle Sam.

MR. ZEDILLO: Well, unfortunately, violence is not only on the border; violence is all over Mexico. And this is very dramatic and unprecedented. And the point that we are making in this report is

that the present strategy of combating organized crime and those strategies and our confidence is failing.

Ambassador Pickering provided a few figures which are very revealing in terms of drug consumption and many other indicators on these aspects. And the very worrisome thing is that, in this area, countries like Mexico or Colombia are paying the bill -- in the suffering and the undermining of our institutions -- for a problem that all of the stakeholders should not only be putting more effort into, but should perhaps also have a more open mind to recognize the nature of this problem and have the political courage to move towards more comprehensive and effective approaches to address these questions.

And I think our report without being revolutionary -- because that was not our objective -- really goes well beyond what has been said in previous reports. If you go to page 26 of the report under the heading of Undertake a Comparative Evaluation of Counter-Narcotic Measures, you will recognize that we

are significantly departing from the purely repressing criminal approach to combat (inaudible).

We believe, and it is expressed here, that the United States government and the American society should look more carefully at what has worked and what has not worked in other parts of the world, and choose to start thinking of the drug problem fundamentally as a public health problem. This is not to say that the question of applying the laws should be de-emphasized in any sense, but we believe that without a broader perspective on this issue, we will continue to suffer the deaths and the undermining of our institutions, and you will continue to have a significant and growing demand for the narcotics that are produced or that go through our countries.

MR. CARDENAS: So we'll do another round. We have the gentleman right here.

SPEAKER: Yes, thanks.

MR. CARDENAS: And then you, sir.

SPEAKER: Jodie (inaudible) from (inaudible). My question is regarding the America's 8, that

proposal about eight countries. You recognize in the report that the issue of the membership could be controversial. You just stated three countries: Brazil, Mexico, and, of course, United States. What about the rest of the group?

I'm saying that because we have just seen recently with this G-20 meeting here in the United States that there are already some voices, 20 voices, actually, in the world, asking for more participation. What would happen in the region if we start with an American 8 Group? What would happen to others, all the rest of the hemisphere? And (inaudible) something, an expression about countries like, of course, Venezuela or Cuba.

MR. CARDENAS: Very well. Yes, sir, right here. Yes?

MR. WATSON: Alec Watson now from Hills & Company. Most of the reports on U.S./Latin American relations contain some elements of financial transfers from the U.S. to countries in Latin America, foreign

assistance programs or even private foreign investments.

And this report specifically does not deal with that. I find it very, very interesting and maybe an indication of a perception of maturity in the relationship which has not been there before. But I wonder if you could comment on that at all?

MR. CARDENAS: Yes, and the gentleman right there behind you?

MR. WEINTRAUB: Thank you. Sidney Weintraub, Center for Strategic and International Studies. I want to ask a question to both of you on drug trade. Taking into account what President Zedillo just said about the impact on countries like Mexico and Colombia, and then looking through your recommendations, you have indirect recommendations about looking at what other countries have done. You make no mention or suggestion of either complete or partial legalization of certain drugs.

And I guess the question I am asking is: If you don't have partial legalization of certain drugs

and if we keep putting everybody in jail the way we do -- we put more people in jail, almost than the rest of the world combined on drug issues -- are you recommending anything very important?

MR. CARDENAS: Let me come back to our panelists and perhaps, Ambassador, you could comment on the A-8 question and the last question, and, President Zedillo, do you want to answer his question about the financial flows.

MR. PICKERING: On the A-8, it was a proposal designed to begin to stimulate thinking in the hemisphere about whether that kind of informal hearing and consultative group could help to do things like reinvigorate the hemispheric established institutions, some of which have become, if I could put it this way, less than useful and maybe even less than attentive to the prevailing needs of the hemisphere.

It was thought wise to mention those states that ought to be on it because of their role and position in the hemisphere; and it was thought unwise to prescribe, for all the obvious reasons, the full

list because in the end the full list will certainly have its own problems of controversiality, and it would give Press people, like you and others, a real opportunity to write wonderful stories about how such terrible mistakes had been made in this prescription.

What I would add is that we had at least one serious discussion on flexibility in membership in large measure because this is a report on Latin America and the Caribbean and the Caribbean States are more often than not, both because of their size and location, widely ignored and we felt that at a minimum they needed to be represented in such a group and it might be a rotational representation. My own view is that other states might be represented in a rotational way. It was just not clear that we had all of the answers to all of those problems at the time we discussed it, but we thought it should be put out there for this kind of a discussion and I'm grateful to you for your question if it promotes further thinking about the issue.

On the question of legalization, Sidney Weintraub knows as well as any of us that this is a hand grenade or a bombshell issue of great controversy. We didn't have full agreement across the board in our group as to whether we should move in that direction or not. Some of the language is artfully crafted so as not to prohibit perhaps that kind of consideration, but there was no sense of real unanimity that we could recommend in one or another cases that this might move ahead.

I have to say I think without revealing any secrets that there were passionate voices in the discussion on both sides of this particular question. I don't think that our failure to mention it even as an option will necessarily see it die away as a set of questions before us and so we did I think the best we could while still preserving the unanimity of the group.

MR. ZEDILLO: Let me start with a complement to your answer to Sidney and suggest then that we go back to page 26 of the report where we say that we

believe that the United States government should undertake a comprehensive evaluation of what has worked and has not worked in combating drug trafficking and particularly its most negative and violent aspects. We say that in doing that review it will be in the best interests of all stakeholders to address such critical questions as what policies are most effective at reducing drug consumption and what policies best minimize the harms to society caused by drug use. That is to say, by raising the question we are establishing what in our view should be the kind of criteria that should be introduced into the discussion. Whether this leads to recommendations like the one you expressed, that's still a question. But what really worries a number of members of this commission is that in this country, which is a really important market for drug consumption and which every year pays a significant human and material cost for this problem, the discussion is not conducted in the most open and frank ways and this I believe is very worrisome for the United States but also for other

countries that are affected by this problem. So our first plea is for a more open and enlightened discussion in this country and we hope that these kinds of questions are answered in that process.

On the question of aid, you are right, we don't say as other reports do that the United States should be nice and increase its foreign aid 100 percent, but actually there are a number of chapters here that convey the idea that cooperation should be enhanced. For example, on the question of energy and climate change there are a number of ideas here that of course will require real resources to be implemented and we expect not only the United States but other members of the continental community to contribute resources toward those cooperative initiatives. But of course we speak about the principle of common but differentiated responsibility, which I believe is very prudent. The bigger and relatively richer members of this community -- of course the United States, but also the Mexicos and Brazils of the continent -- should be ready to

contribute more. We also speak in the chapter on trade about trade facilitation, which has to do with infrastructure and making it easier for our countries to trade among themselves and that of course requires investment.

So we believe that to implement a number of these measures we will certainly need transfer of resources not only on the part of the United States toward its southern neighbors but perhaps also transfer of resources among the southern neighbors including Mexico.

MR. CARDENAS: Let's do another round. We're going to have the lady in blue there.

MS. SMALL: Gretchen Small with Executive Intelligence Review. I first have a comment and then a question on something that was not raised here. My comment, and maybe President Zedillo you would like to address, because I think it's worth noting on the debate on legalization that you are a member of a Latin America Commission on Drugs and Democracy, you are actually a co-chair of it, which was created,

financed by, and is directed by George Soros who is the leading financier of legalization internationally and who has stated on the record repeatedly that his own outlook on life came from his early days working for the Nazis in Hungary against his fellow Jews, a job which he says openly he feels no repentance for and that he says clearly if I didn't do it, someone else would have. And I think that the legalization question, his role in speculation, the question of a relationship with George Soros, is one of the hottest things going.

My question to both of you since it seems to me you are both inclined toward legalization, I'll leave that as it is, my question is that I think the report is going to lack all credibility, those things which might be useful, those things which might not, because you did not address the great elephant in the living room which is that the gigantic derivatives financial bubble has blown apart and we're looking at over a quadrillion in derivatives that are blowing out. They cannot be bailed out, the current attempt

to bail them out is leading to the disintegration of the entire global financial system and everything that globalization implied and action is urgent actually before President-elect Obama comes and in very different directions which will include what we've raised, the bankruptcy reorganization which the founder of my magazine Lyndon LaRouche has proposed in which we establish a firewall cutting off payment to the speculators and in the case of the United States and with other countries then protection for the bankers to keep the doors open for those elements of physical economy that are required. But unless this issue of the breakdown of the system is addressed, I think there is nothing else we can deal with and there will be no handle particularly on the drug thing.

MR. VAN AGTMAEL: Antoine Van Agtmael, Emerging Markets Management. I want to ask actually some of the same questions but in less-dramatic terms. Since the bulk of the report was written we have had this financial hurricane and, I'm thinking particularly looking forward in terms of its impact on

the global economy and in Latin America, is it your sense that this has made the recommendations you made more urgent or has put them in effect on the back burner? Has it made them more realistic or in fact less realistic?

MR. CARDENAS: Let's do one more in this round.

MR. TOWELL: Timothy Towell, retired Foreign Service officer, former political officer in Havana, 1979 and 1980, Cuba. I think this is a wonderful set of recommendations and look forward to seeing them implemented. Tom, you sort of put Raul and Fidel in the same category of geriatric bad guys and that Raul has not moved forward the way that some had hoped. What do you think of the thesis that until Fidel croaks you really can't move forward and therefore Raul, who may or may not be a pragmatist, who may or may not be able to move forward, surrounds himself with nasty, tough, old generals, geriatric also, who are his bad guys, rather than Fidel's young acolytes who are very dangerous and very energetic, and is

biding his time until the old man croaks and then there may or may not be the kind of pragmatic inching forward, Chinese model or whatever, toward the kind of position that would allow Cuba to interact better with the wonderful recommendations of your committee?

MR. CARDENAS: I'm going to ask the co-chairs to deal with these two questions hopefully in a short matter. They are complex.

MR. ZEDILLO: That's impossible.

MR. CARDENAS: It's impossible. I want to urge you to because there are lots of people and I'd very much like to do a final round. So if you could just touch on these issues. I think legalization is a huge issue but the discussion that we're now trying to have is on other issues that are very important on the demand side. If we just continue to discuss legalization, this other agenda that is so important will not be discussed.

MR. PICKERING: Let me take Tim Towell's first. It would be nice to see Fidel gone and Raul turning around as a kind of modern liberal social

democrat. I'm not sure in fact that we have any basis for hoping for that. But my thought has always been that in the absence of that kind of change, it made no sense to wall the Cuban people off from the United States and we seemingly have done so because we thought that in doing so we would somehow bring Fidel to brook. It reminds me of the hopes we had for the embargo against Iraq 20 years ago when it invaded Kuwait. My view was always that the last chicken sandwich in Iraq would be on Saddam's plate. So in effect, punishing the people to get some reaction from the leaders has its own frailties and faults.

On the other hand, opening I think has an enormous advantage. We may be totally blocked. Tim, you know better than I. But I think trying it and seeing whether we can move shifts the burden, and people will know where the burden has shifted to, and that's the best answer I can give you on that one.

On the whole question which I know that President Zedillo will talk about at greater length, it is extremely important first to know that the

report was prepared mainly before the financial collapse. But it is extremely important to note that our recommendations particularly on trade are totally antiprotectionist, totally in accord with all the best thinking that now is related to the question of how to deal with the financial bailout, and while it is not my intention to have a long discussion of all the various measures pro and con on a highly personal basis that might be or might not be succeeding, greater economic integration in the hemisphere, and particularly the trade issues which President Zedillo has cogently and thoroughly addressed, is very important when considering the question of how to deal with this particular problem of the financial crisis. And I don't think anyone in this room would stand up and say let's ignore the financial crisis and deal only with the hemisphere. What we are saying is there is a real synergy between dealing with the hemisphere in its many aspects. It also means that we do not have the luxury of postponing every other issue because we're dealing with the financial crisis. The

question of priorities will be a vexed and very difficult one for the next American president because every priority he selects will make someone happy and every priority he fails to select is going to disappoint somebody, so he's now at the zenith of his political popularity internationally unless he can figure a new way around this.

My hope is that he will talk about all of these questions at some length in the early opportunities he has to do so, so that people around the world will know in fact how he fits the world together and how these various pieces are going to come on his scope and the United States scope. It is also I think more than important that we can walk and chew gum.

MR. ZEDILLO: Let me go back to the question of drugs and insist that all we are asking in this report is that not just you Americans but that everybody think seriously and openly about this question. What sometimes is a little bit frustrating particularly here in the United States is that when we

start talking about this issue, immediately some firewalls are built around this topic and I think, with all due respect to your comments, a good example of that, you raised aspects of Mr. Soros' biography which I would say are totally irrelevant to me discussing this issue because this is a much bigger and fundamental issue for my country and for your country. All we are saying is to raise the question of what policies best minimize the harms to society caused by drug use. I invite you to think with openness and intellectual ambition about what kind of responses we give to this question.

The first answer that is very clear in my view is that what we have been doing until now is a total failure and if we don't change this condition, the human and economic costs that we have been paying for this failure are only going to increase. I find it peculiar that as we speak of this topic there is the fact that there is this drugs and democracy group spearheaded by President Cardoso of Brasilia and President Davidia of Colombia, and of which I am also

a member, and we have yet a final report, immediately somehow this work or that work is beginning to be disqualified supposedly on the basis of an association with Mr. Soros. I think that if that's the level of discussion that we are going to have, then we are not going to get anywhere. So I will insist on the need to be more open to a serious discussion.

This leads me to Antoine's question of the massive financial crisis that we confronting. Of course I do have opinions on that issue. I have been writing about it. I happen to be an expert for the wrong reason and I have been keeping in mind how to react in front of this crisis. I think it's going to be very painful, but particularly since the last days of September I think the financial authorities of this country and other countries have come to the conclusion that the only thing we cannot allow is the collapse of the global financial system because that would lead practically automatically to the collapse of the global economy. And we just saw in the last few hours that they understand that and that they will

do whatever it takes to avoid the collapse of the global financial system.

I am hopeful that at some point this situation will stabilize. Of course, there will be big invoice to be paid by the time we finish stabilizing the system and we will have to endure a significant and painful recession at least for 2009. But I think that if governments act decisively, act in a coordinated way as they are trying to do, if in front of the instability in the markets they also act massively and in a coherent way we will overcome the crisis. I have always been very skeptical of the idea that the Latin American countries somehow were delinked from the risk of this crisis. I always thought that on the contrary, we have become more interdependent and therefore we should expect significant effects on Latin America. Fortunately we are in a better position for this crisis than in the past because we have been more responsible with public finances. We have given independence to our central banks. We have flexible exchange rates. So we are

positioned to manage the situation, but we will have to pay a very high cost. Countries like Mexico will also have not only a slowdown but a recession for some months, Brazil is suffering and will continue to suffer, and the other Latin American countries likewise. But I think what is important at this moment is to continue dealing with the peculiar financial crises we are going through and then get ready to give new energy and strength to our economies. And as the ambassador said, the only thing that we're not going to recommend in front of these events is that countries make the mistake that they made in previous international crises, that is to become more inward looking and protectionist. I think that will make the social and economic costs of this crisis much higher.

MR. CARDENAS: Thank you very much, President Zedillo. I have to apologize to those of you who still have questions and would like to make more comments, but it's 12:00 noon and we have to call this meeting to an end. I don't want to do it before

thanking again our two co-chairs not only for their leadership during the entire commission but also for this presentation that gave such a comprehensive view of the report that you may be thinking that you don't have to read it because you've heard it all. But I would recommend that you read it because there are other things and there is the substance also of why the commission came to this conclusion. So I hope you can take copies of the report and I look forward to seeing you again in other events here at Brookings on the Latin America Initiative. Thank you very much.

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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