

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re response to report (5 pages)	02/23/2000	P1/b(1)
002. cable	re support brief (15 pages)	04/10/2000	P1/b(1)

COLLECTION:

Clinton Presidential Records
 NSC Cables
 Jan 1999-Dec 2000] ([sweatshop ...])
 OA/Box Number: 530000

FOLDER TITLE:

[02/23/2000-05/02/2000

2018-1072-F

kc2342

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re response to report (5 pages)	02/23/2000	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1999-Dec 2000] ([sweatshop ...])
OA/Box Number: 530000

FOLDER TITLE:

[02/23/2000-05/02/2000

2018-1072-F

kc2342

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEHMLA1507 0620813-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: R 020813Z MAR 00
LINE4: FM AMEMBASSY MANILA
OSRI: RUEHML
DTG:
ORIG: AMEMBASSY MANILA
TO: RUEHC/SECSTATE WASHDC 8998
RUEHC/DEPT OF LABOR WASHDC
INFO: ////
SUBJ: THIRD ANNUAL LABOR OFFICER CONFERENCE
TEXT: UNCLAS MANILA 001507

STATE FOR DRL/IL
DEPT OF LABOR FOR ILAB

E.O. 12958: N/A
TAGS: ELAB, AMGT, PREL, OTRA, RP
SUBJECT: THIRD ANNUAL LABOR OFFICER CONFERENCE

REF: STATE 17444

1. POL/LABOR OFFICER ATTENDED THE 1999 LABOR OFFICER CONFERENCE AS PART OF THE FSI LABOR OFFICER COURSE. WE NOTE THAT DEPARTMENT WILL GIVE PRIORITY TO THOSE WHO WERE UNABLE TO ATTEND THE PREVIOUS TWO CONFERENCES. POST DOES NOT ANTICIPATE THAT LABATT WILL BE IN THE U.S. NEAR THE CON PROGRAM. RECOMMENDED PANELS:

- TRADE AND LABOR POST SEATTLE, INCLUDING ILO/WTO/IFI COOPERATION;
- CORE LABOR STANDARDS, INCLUDING USDOL INITIATIVES;
- CORPORATE RESPONSIBILITY AND SWEATSHOP ISSUES, INCLUDING UN GLOBAL COMPACT, FLA UPDATE, AND "NO SWEAT" INITIATIVE;
- CHILD LABOR, INCLUDING CONVENTION 182 AND E.O. 13126 FOLLOW-UP;
- PUBLIC DIPLOMACY ASPECTS OF LABOR DIPLOMACY, INCLUDING INTERACTING WITH HUMAN RIGHTS GROUPS AND NGOS;
- AFL-CIO AND SOLIDARITY CENTER PROGRAMS, INCLUDING USAID FUNDING PROSPECTS; AND

- ADVISORY COMMITTEE ON LABOR DIPLOMACY, INCLUDING
LABOR OFFICER PERSONNEL ISSUES.

3. IN ADDITION, DEPARTMENT MIGHT CONSIDER A LUNCH
PROGRAM ON BEST PRACTICES IN LABOR DIPLOMACY,
INCLUDING BOTH U.S. AND FOREIGN LABATTS. AN
INTERNET RESOURCE UPDATE SHOULD ALSO BE A STANDARD
FEATURE OF THESE CONFERENCES, BUT COULD PERHAPS BE
COVERED WITH HANDOUTS RATHER THAN A SEPARATE PANEL.

HUBBARD

TOR: 03/02/00 03:26:22

DIST: SIT: NSC HUSO KEITH LIEBERTHAL OSIUS PRITCHARD SMITHH
SIT: NSC HUSO KEITH LIEBERTHAL OSIUS PRITCHARD SMITHH

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEHTGA0887 0732010-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: R 132010Z MAR 00
LINE4: FM AMEMBASSY TEGUCIGALPA
OSRI: RUEHTG
DTG:
ORIG: AMEMBASSY TEGUCIGALPA
TO: RUEHC/SECSTATE WASHDC 5091
INFO: RUEHC/DEPT OF LABOR WASHDC
RUCPDOG/USDOC WASHDC
RUEHZA/ALCA COLLECTIVE
SUBJ: EFFORTS TO ORGANIZE MAQUILADORA SECTORAL WORKERS
TEXT: UNCLAS SECTION 01 OF 03 TEGUCIGALPA 000887

SENSITIVE

STATE FOR DRL/LEA/IL, WHA/PPCP, AND WHA/CEN
STATE PLEASE PASS TO USTR FOR ROSENBAUM AND VOLTEMER
LABOR FOR ILAB/OFR - WHOLEY
COMMERCE FOR ITA/MAC/WH/OLAC - JAFFEE
EMBASSIES FOR LABATTS/LABOFFS

E.O. 12958: N/A

TAGS: ELAB, PINR (ROSENTHAL, JAIME), ETRD, PGOV, PREL, HO
SUBJECT: EFFORTS TO ORGANIZE MAQUILADORA SECTORAL WORKERS

REF: A) HAYNES/LUACES E-MAIL OF 3/7;
B) LUACES/HAYNES TELCON OF 3/7;
C) 99 TEGUCIGALPA 3947;
D) 99 TEGUCIGALPA 3637 (NOTAL);
E) 99 TEGUCIGALPA 2406

SENSITIVE BUT UNCLASSIFIED -- PROTECT ACCORDINGLY.

1. (SBU) SUMMARY: AS REPORTED IN REFS C AND D, WORKERS AT YOO YANG, A SOUTH KOREAN-OWNED MAQUILADORA LOCATED AT THE ZIP CONTINENTAL INDUSTRIAL PARK, HAVE BEEN ATTEMPTING TO ORGANIZE AN INDUSTRY-WIDE UNION SINCE LAST AUGUST. THE MINISTRY OF LABOR (MOL) HAS MADE A PRELIMINARY DECISION TO DENY LEGAL RECOGNITION TO THE PROPOSED UNION, LEADING U.S. LABOR RIGHTS ACTIVISTS TO PREPARE AN INTERNATIONAL CAMPAIGN TO BOYCOTT SELECTED HONDURAN GOODS (REF A). THE TENTATIVE MOL DECISION AGAINST THE YOO YANG WORKERS, INTENTIONALLY OR OTHERWISE, WOULD ASSIST THE OWNER OF ZIP CONTINENTAL, A CANDIDATE FOR THE PRESIDENTIAL NOMINATION OF THE RULING LIBERAL PARTY, IN THWARTING LOCAL LABOR EFFORTS TO UNIONIZE THE WORK FORCE AT HIS INDUSTRIAL PARK. U.S. LABOR CONTACTS, FOR THEIR PART, HAVE ADMITTED TO LABATT THAT THEY INTEND TO USE A FORMAL MOL DENIAL OF THE WORKERS' PETITION TO JUSTIFY

FILING A 301 PETITION AGAINST HONDURAS AND LOBBYING AGAINST CBI PARITY FOR CENTRAL AMERICA. EMBASSY HAS DETERMINED THAT HONDURAS' ANTIQUATED LABOR CODE PERMITS THE MOL TO DENY THE WORKERS' PETITION AS CURRENTLY CONSTITUTED, AND THUS CONCLUDES WITH RELUCTANCE THAT, HOWEVER UNFAIR THAT ACTION MAY BE, RETALIATORY ACTION AGAINST THE GOH CANNOT BE JUSTIFIED ON JURIDICAL GROUNDS. EMBASSY WILL URGE THE YOO YANG WORKERS TO AMEND THEIR PETITION TO RESTRICT THE JURISDICTION OF THEIR PROPOSED UNION TO YOO YANG PROPER, AS COMPANY MANAGEMENT APPARENTLY POSES NO OBJECTION TO THE CREATION OF A LOCAL UNION, AND THEN WILL URGE THE MOL TO ACCEPT AN AMENDED PETITION. AMBASSADOR PLANS TO RAISE CONTINUING LABOR PROBLEMS AT ZIP CONTINENTAL WITH ITS OWNER, OUTLINING THE POTENTIAL DAMAGE TO HIS BUSINESS INTERESTS, TO THE HONDURAN ECONOMY, AND TO HIS POLITICAL ASPIRATIONS. LABATT HAS FORWARDED PERTINENT DOCUMENTATION TO INTERESTED WASHINGTON AGENCIES. END SUMMARY.

2. (U) AS A CONSEQUENCE OF LABOR STRIFE AT KIMI DE HONDURAS, ANOTHER SOUTH KOREAN-OWNED MAQUILADORA LOCATED AT ZIP CONTINENTAL (REF D), NON-UNION WORKERS AT YOO YANG JOINED FORCES LAST AUGUST WITH SITRAKIMIH, THE KIMI WORKERS' UNION, TO FILE A PETITION WITH THE MOL FOR LEGAL RECOGNITION OF A UNION THAT WOULD REPRESENT ALL LABORERS AT ZIP CONTINENTAL. UNDER THE LABOR CODE, THE MOL SHOULD HAVE ADJUDICATED THE PETITION AS DRAFTED ON ITS MERITS, BUT THE MOL IN SEPTEMBER COMPELLED THE YOO YANG WORKERS TO WITHDRAW THEIR PETITION, ASSERTING THAT IT CONTAINED DRAFTING ERRORS AND LACKED SUPPORTING DOCUMENTATION (REF C). THE WORKERS SUBMITTED A NEW PETITION IN NOVEMBER, THIS TIME FOR A "SYNDICATE OF WORKERS IN THE MAQUILA AND SIMILAR INDUSTRIES OF HONDURAS" (SITRAIMASH) THAT WOULD PURPORT TO REPRESENT THE ESTIMATED 125,000 WORKERS AT OVER 400 MAQUILADORAS IN HONDURAS. POLCOUNS WROTE TO LABOR MINISTER MIRANDA LAST NOVEMBER TO ASK WHY THE MOL HAD DENIED THE ORIGINAL PETITION AND TO UNDERSCORE USG SUPPORT FOR WORKER RIGHTS; MIRANDA REPLIED IN DECEMBER THAT THE AMENDED PETITION WAS STILL UNDER MOL REVIEW.

3. (U) THE MOL TO DATE HAS NOT RULED ON THE PETITION, CAUSING ITS SUPPORTERS IN THE U.S. TO CONTACT THE MOL, THE HONDURAN EMBASSY IN WASHINGTON, AND THIS EMBASSY OVER THE PAST TWO WEEKS TO PRESS FOR A FAVORABLE RULING. LABATT LEARNED LAST WEEK THAT THE NATIONAL LABOR COMMITTEE, A U.S. NGO HEADED BY AMCIT CHARLES KERNAGHAN, HAS INVITED SITRAKIMIH TO SEND A SPEAKER TO NEW YORK CITY NEXT MONTH TO ADDRESS ITS ANNUAL ANTI-SWEATSHOP RALLY ON THE DIFFICULTIES THAT MAQUILADORA WORKERS IN HONDURAS FACE IN ORGANIZING UNIONS WITHIN THE INDUSTRY. LABATT ON MARCH 7 ALSO LEARNED THAT U.S. LABOR RIGHTS ACTIVISTS ARE USING THE GLOBAL ACTION (E-MAIL) NETWORK TO INITIATE AN E-MAIL CAMPAIGN NEXT MONTH TO FORWARD PETITIONS TO THE GOH AND TO THE HONDURAN EMBASSY FAVORING LEGAL RECOGNITION FOR SITRAIMASH, TO LOBBY THE U.S. CONGRESS AGAINST EXTENDING CBI PARITY TO HONDURAS (AND CENTRAL AMERICA), AND TO BOYCOTT CLOTHING IMPORTS FROM HONDURAS. THE U.S. ACTIVISTS PLAN TO BEGIN COLLECTING PETITION SIGNATURES ON THIS SUBJECT IN FRONT OF HONDURAS' EMBASSY AND CONSULATES IN THE U.S. WITHIN THE NEXT FEW

WEEKS.

4. (U) THE MOL ON MARCH 8 PROVIDED LABATT WITH A JURIDICAL ANALYSIS DATED FEBRUARY 24 OF THE SITRAIMASH PETITION THAT UNCLAS SECTION 02 OF 03 TEGUCIGALPA 000887

SENSITIVE

STATE FOR DRL/LEA/IL, WHA/PPCP, AND WHA/CEN
STATE PLEASE PASS TO USTR FOR ROSENBAUM AND VOLTEMER
LABOR FOR ILAB/OFR - WHOLEY
COMMERCE FOR ITA/MAC/WH/OLAC - JAFFEE
EMBASSIES FOR LABATTS/LABOFFS

E.O. 12958: N/A

TAGS: ELAB, PINR (ROSENTHAL, JAIME), ETRD, PGOV, PREL, HO
SUBJECT: EFFORTS TO ORGANIZE MAQUILADORA SECTORAL WORKERS

THE MOL PREVIOUSLY SHARED WITH THE HONDURAN EMBASSY IN WASHINGTON AND WITH THE ASSOCIATION OF HONDURAN MAQUILADORES (AHM). THE MOL DIRECTORATE OF LEGAL SERVICES HAS RECOMMENDED TO LABOR MINISTER MIRANDA THAT THE PETITION BE DENIED FOR THE FOLLOWING REASONS:

-- ARTICLES 471 AND 472 OF THE LABOR CODE PERMIT THE ESTABLISHMENT OF AN INDUSTRY-WIDE UNION WHEN AN INDUSTRY LACKS A UNIONIZED WORKFORCE. HOWEVER, 45 HONDURAN MAQUILADORAS (ABOUT TEN PERCENT OF ALL MAQUILADORAS) HAVE LEGALLY CONSTITUTED UNIONS, SO RECOGNITION OF SITRAIMASH WOULD RUN COUNTER TO THE LABOR CODE.

-- THE PETITION WAS FILED JOINTLY BY NON-UNION WORKERS AT YOO YANG AND UNIONIZED WORKERS AT KIMI, CONTRARY TO ARTICLES 471 AND 472, WHICH ALSO STIPULATE THAT ONLY ONE UNION CAN EXIST AT A GIVEN COMPANY OR BUSINESS.

-- ARTICLE 475 OF THE LABOR CODE PERMITS ANY 30 WORKERS TO ORGANIZE A UNION, WHETHER AT THE COMPANY OR INDUSTRY LEVEL. THE MOL ANALYSIS, HOWEVER, POINTS OUT THAT SITRAIMASH, WHOSE PETITION WAS SIGNED BY LESS THAN 100 WORKERS, PROPOSES TO REPRESENT THE ESTIMATED 125,000 EMPLOYEES THROUGHOUT THE MAQUILADORA INDUSTRY. THE MOL ANALYSIS IN THIS REGARD CITES ARTICLE 483, WHICH PERMITS THE MOL TO DENY LEGAL RECOGNITION TO PROPOSED UNIONS WHOSE STATUTES RUN "COUNTER TO THE CONSTITUTION OF THE REPUBLIC, TO THE LAWS OR TO GOOD (LABOR) PRACTICES ('LAS BUENAS COSTUMBRES') OR CONTRAVENE SPECIAL DISPOSITIONS" OF THE LABOR CODE.

-- THE MOL ANALYSIS ASSERTS THAT THE PETITION STILL LACKS SUPPORTING DOCUMENTATION, AND THAT THERE ARE UNIDENTIFIED "CONTRADICTIONS" BETWEEN SITRAIMASH'S LEGAL NOTICE OF UNION FORMATION AND ITS PROPOSED STATUTES.

5. SINCE THE MOL HAS MADE ITS LEGAL ANALYSIS OF THE SITRAIMASH PETITION AVAILABLE TO THE PRIVATE SECTOR LOCALLY AND TO THE HONDURAN EMBASSY IN WASHINGTON TO RESPOND TO U.S. CONGRESSIONAL AND PUBLIC INQUIRIES ON THIS MATTER, LABATT HAS FORWARDED COPIES OF SAME, AS WELL AS OF THE RELEVANT

SECTIONS OF THE HONDURAN LABOR CODE, TO THE PERTINENT WASHINGTON AGENCIES (VIA UNCLASSIFIED POUCH) AND TO INTERESTED U.S. LABOR RIGHTS NGO'S. LABATT'S U.S. LABOR INTERLOCUTORS HAVE EXPRESSED UNIFORM APPRECIATION FOR THE INFORMATION PROVIDED, BUT CATEGORICALLY REJECT WHAT APPEARS TO BE A TENTATIVE MOL DECISION TO DENY LEGAL RECOGNITION TO SITRAIMASH. THEY ARE ESPECIALLY CRITICAL OF THE MOL DELAY IN ADJUDICATING THE PETITION, OBSERVING THAT ARTICLE 484 OF THE LABOR CODE REQUIRED THE MOL TO MAKE A DECISION WITHIN 15 WORKING DAYS AFTER SITRAIMASH RESUBMITTED ITS PETITION ON NOVEMBER 22. ONE U.S. LABOR CONTACT TOLD LABATT ON MARCH 7 THAT SHE CONSIDERED THE MOL'S ACTIONS IN THIS MATTER "A TEXTBOOK CASE FOR FILING A 301 PETITION" AGAINST A FOREIGN GOVERNMENT.

6. (SBU) COMMENT: SEVERAL HIDDEN AGENDA ARE AT PLAY HERE. NEITHER THE GOH NOR THE AHM CAN BE ENTHUSIASTIC OVER THE PROSPECT OF A SINGLE UNION REPRESENTING SOME 125,000 WORKERS IN THE COUNTRY'S FASTEST-GROWING ECONOMIC SECTOR. UNION ACTIVISTS AT YOO YANG AND KIMI ALSO HAVE MADE CLEAR THAT THEIR FIRST ACT UPON RECEIVING LEGAL RECOGNITION WILL BE TO ATTEMPT TO ORGANIZE ALL WORKERS AT THE ZIP CONTINENTAL INDUSTRIAL PARK. THE PARK'S OWNER, JAIME ROSENTHAL, IS WELL KNOWN FOR HIS OPPOSITION TO ORGANIZED LABOR IN GENERAL AND TO THE PRESENCE OF LABOR UNIONS AT ANY OF HIS BUSINESS ENTERPRISES IN PARTICULAR, DESPITE PUBLIC DEMURRALS TO THE CONTRARY. KIMI DE HONDURAS MOVED TO A NEW SITE IN SAN PEDRO SULA LAST MONTH BECAUSE ROSENTHAL LAST YEAR REFUSED TO RENEW THE COMPANY'S LEASE AT ZIP CONTINENTAL (REF E). ROSENTHAL IS ALSO A LEADING CANDIDATE FOR THE NOMINATION OF THE RULING LIBERAL PARTY FOR THE PRESIDENCY OF HONDURAS, WHICH FACT COULD INFLUENCE LABOR MINISTER MIRANDA'S EVENTUAL RULING ON THE SITRAIMASH PETITION. FINALLY, U.S. ORGANIZED LABOR CONTINUES TO DESIRE TO BLOCK PENDING U.S. LEGISLATION GRANTING CBI PARITY TO CENTRAL AMERICA AND TO ESTABLISH A PRECEDENT FOR THE USG TO IMPOSE ECONOMIC SANCTIONS AGAINST GOVERNMENTS THAT VIOLATE WORKER RIGHTS: FROM THE U.S. LABOR PERSPECTIVE, THE SITRAIMASH PETITION FITS THOSE PARTICULAR BILLS WELL.

7. (U) EMBASSY CONSIDERS THAT, AT VARIOUS POINTS IN THIS PROCESS, BOTH SITRAIMASH AND THE MOL VIOLATED THE TIMELINES ESTABLISHED IN THE LABOR CODE FOR THE FILING AND ADJUDICATION OF A PETITION FOR LEGAL RECOGNITION OF A NEW UNION. WE ALSO CONCLUDE, WITH RELUCTANCE, THAT THE LABOR UNCLAS SECTION 03 OF 03 TEGUCIGALPA 000887

SENSITIVE

STATE FOR DRL/LEA/IL, WHA/PPCP, AND WHA/CEN
STATE PLEASE PASS TO USTR FOR ROSENBAUM AND VOLTEMER
LABOR FOR ILAB/OFR - WHOLEY
COMMERCE FOR ITA/MAC/WH/OLAC - JAFFEE
EMBASSIES FOR LABATTS/LABOFFS

E.O. 12958: N/A

TAGS: ELAB, PINR (ROSENTHAL, JAIME), ETRD, PGOV, PREL, HO
SUBJECT: EFFORTS TO ORGANIZE MAQUILADORA SECTORAL WORKERS

CODE PROVIDES SUFFICIENT LEGAL JUSTIFICATION FOR A PRESUMPTIVE MOL DECISION TO DENY THE SITRAIMASH PETITION. CONSEQUENTLY, EMBASSY DOES NOT RPT NOT BELIEVE THAT 301 ACTION AGAINST HONDURAS WOULD BE WARRANTED IN THIS INSTANCE.

8. (U) IF THE MOL DENIES THE SITRAIMASH PETITION, LABATT WILL ENCOURAGE THE PETITIONERS TO FILE A NEW PETITION WITH THE MOL, THIS TIME FOR LEGAL STATUS AS A UNION OF WORKERS EMPLOYED BY THE YOO YANG MAQUILADORA. LABATT UNDERSTANDS THAT THE MANAGEMENT AT YOO YANG ALREADY DEALS WITH ITS UNION ACTIVISTS AS THOUGH THEY ARE LEGALLY IN PLACE, AND WOULD BE PREPARED TO URGE THE MOL TO APPROVE A NEW PETITION FROM THE WORKERS THERE.

9. (SBU) AMBASSADOR PLANS TO MEET WITH JAIME ROSENTHAL LATER THIS MONTH TO PLUMB HIS VIEWS ON DOMESTIC LABOR ISSUES AND TO DISCUSS THE NEGATIVE PERCEPTIONS OF HONDURAS THAT THE LABOR SITUATION AT ZIP CONTINENTAL HAS GENERATED AMONG U.S. ORGANIZED LABOR AND SOME IN THE U.S. CONGRESS. AMBASSADOR WILL MAKE CLEAR TO ROSENTHAL THE IMPORTANCE THAT THE USG PLACES ON FULL RESPECT FOR WORKER RIGHTS AND THE POTENTIAL NEGATIVE CONSEQUENCES THAT CONTINUED LABOR STRIFE IN THE MAQUILADORA SECTOR COULD HAVE FOR THE PROSPECTS FOR CBI PARITY FOR HONDURAS, HIS BUSINESS INTERESTS, AND HIS POLITICAL AMBITIONS.

ALMAGUER

TOR: 03/13/00 16:53:45

DIST: SIT: AVERY NSC HOLLIS MERLETTI ORFINI SHANNON VALENZUELA
SIT: AVERY NSC HOLLIS MERLETTI ORFINI SHANNON VALENZUELA

Cable

PREC: PRIORITY
CLASS: UNCLASSIFIED
LINE1: PAAUZYUW RUEHCAA9850 0762113-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: P 162109Z MAR 00
LINE4: FM SECSTATE WASHDC
OSRI: RUEHC
DTG:
ORIG: SECSTATE WASHDC
TO: ALL DIPLOMATIC AND CONSULAR POSTS PRIORITY
INFO: ////
SUBJ: COMBATING TRAFFICKING IN HUMAN BEINGS
TEXT: UNCLAS STATE 049850

E.O. 12958: N/A
 TAGS: KWMN OIIP PHUM SOCI
 SUBJECT: COMBATING TRAFFICKING IN HUMAN BEINGS

1. SUMMARY: THE PURPOSE OF THIS MESSAGE IS TO ALERT POTS TO A STATE DEPARTMENT WEB SITE THAT PROVIDES EXTENSIVE INFORMATION ON THE PROBLEM OF TRAFFICKING IN WOMEN AND CHILDREN, AND WHAT THE ADMINISTRATION IS DOING TO COMBAT IT. IF POSTS HAVE PROGRAM SUGGESTIONS OR NEEDS, PLEASE SEE PARA 4. DEVELOPMENT OF DOMESTIC UNDERSTANDING OF AND SUPPORT FOR THIS ISSUE WOULD BENEFIT FROM POST INPUT AS WELL. DETAILS OUTLINED IN PARA 5.
 END SUMMARY.

- - - - -

2. TRAFFICKING IN HUMAN BEINGS IS ONE OF THE WORLD'S FASTEST GROWING CRIMINAL ENTERPRISES. IT IS NOW THE THIRD LARGEST SOURCE OF PROFITS FOR INTERNATIONAL ORGANIZED CRIME, BEHIND ONLY DRUGS AND GUNS. WOMEN AND GIRLS ARE PARTICULARLY VULNERABLE TO THIS FORM OF EXPLOITATION. DESPERATE ECONOMIC NEEDS OFTEN DRIVE THEM TO APPLY FOR JOBS IN OTHER COUNTRIES AS NANNIES, WAITRESSES OR SALES CLERKS. HOWEVER, THEY END UP AS VIRTUAL SLAVES, WORKING IN SWEATSHOPS OR BROTHELS, SUBJECT TO ABUSE, IMPRISONMENT AND STARVATION, AND EXPOSED TO HIV/AIDS AND OTHER SEXUALLY-TRANSMITTED DISEASES. THE PRESIDENT'S INTERAGENCY COUNCIL ON WOMEN (PICW) IS CHARGED WITH COORDINATING ALL USG POLICY ON TRAFFICKING IN WOMEN AND CHILDREN (TWC). A WEALTH OF INFORMATION ON THE ISSUE IS NOW AVAILABLE ON THE PICW WEB SITE. POSTS ARE ENCOURAGED TO VISIT THE SITE. IT HAS, AMONG OTHER THINGS, THE USG'S DEFINITION ON TWC, THE ADMINISTRATION'S LEGISLATIVE PROPOSAL AND AN EXTENSIVE PIECE ON THE USG'S VARIOUS ANTI-TRAFFICKING INITIATIVES.

- - - - -

3. THE URL FOR THE PICW SITE IS:

HTTP://SECRETARY.STATE.GOV/WWW/PICW/TRAFFICKING/HOME.HTML
THE SITE CARRIES TEXTS OF SPEECHES, ARTICLES, A LISTING OF
REGIONAL INITIATIVES, AND LINKS TO OTHER SITES. IN
ADDITION, IIP WILL HAVE A SITE UP BY THE TIME OF THE ASIAN
REGIONAL INITIATIVE AGAINST TRAFFICKING OF WOMEN AND
CHILDREN (ARIAT) IN MANILA (MARCH 29-31). THE CONFERENCE
IS CO-HOSTED BY THE U.S. GOVERNMENT AND THE GOVERNMENT OF
THE REPUBLIC OF THE PHILIPPINES. LOOK FOR SPECIFIC
DETAILS ON THE IIP SITE IN SEPTTEL.

- - - - -

4. POSTS WITH SPECIFIC PROGRAM NEEDS SHOULD CONTACT EITHER
THEIR IIP/G TEAM OR THE ECA EXCHANGE OFFICE, AS
APPROPRIATE, WITH AN INFORMATION COPY TO CYNTHIA FARRELL
JOHNSON IN IIP/T/GIC AND MARTHA BROWN IN ECA/PE/C. AN
INFORMATION COPY SHOULD ALSO BE SENT TO POST'S RESPECTIVE
REGIONAL BUREAU PD OFFICE. WE WELCOME ANY SUGGESTIONS
POSTS MIGHT HAVE FOR PRODUCTS
OR PROGRAM ACTIVITIES THAT WOULD SUPPORT EFFORTS TO COMBAT
THIS PROBLEM IN THE FIELD. PAST FIELD INITIATIVES HAVE

INCLUDED: A DVC FOR
CANADIAN POSTS FEATURING PICW AND NGO EXPERTS; AGROUP
INTERNATIONAL VISITORS PROJECT FOR SOUTH ASIAN SOCIAL
WORKERS, ACTIVISTS AND JOURNALISTS; AND SPEAKERS FEATURED
AT CONFERENCES ON THE ISSUE IN ISRAEL AND ALBANIA.

- - - - -

5. DEVELOPMENT OF DOMESTIC UNDERSTANDING OF AND SUPPORT FOR
THIS ISSUE WOULD BENEFIT FROM ANECDOTES, SPECIFICS OF
NATIONAL CONCERN, EVIDENCE OF THE EFFECTIVENESS OF LOCAL
PROGRAMS. WE INVITE POSTS TO FORWARD MATERIAL THAT
MIGHT BE APPROPRIATE FOR USE BY PICW OR STATE DEPARTMENT
PUBLIC AFFAIRS. PLEASE ALSO ALERT PICW AND PA IF THERE ARE
INDIVIDUALS WITH EXPERTISE IN THIS SUBJECT WHO ARE PLANNING
TRAVEL TO THE U.S. THIS WOULD PRESENT AN OPPORTUNITY
FOR THESE INDIVIDUALS TO BRIEF A RANGE OF DOMESTIC
DECISION MAKERS. MANY THANKS AND BEST REGARDS. (IIP/T/GIC)
ALBRIGHT

TOR: 03/16/00 16:23:41

DIST: SIT: ALLEN BABBITT BAKER NSC CLARKER CRESSEY DEROSA FELDMAN GUARNIERI
KRASS MCLEAN NAPLAN PATTEN ROSA SCHWARTZ VACCARO WILCOX WOHNIG
SIT: ALLEN BABBITT BAKER NSC CLARKER CRESSEY DEROSA FELDMAN GUARNIERI
KRASS MCLEAN NAPLAN PATTEN ROSA SCHWARTZ VACCARO WILCOX WOHNIG

Cable

PREC: IMMEDIATE

CLASS: UNCLASSIFIED

LINE1: OAAUZYUW RUEHCAA4560 0832329-UUUU--RHEHAAX.

LINE2: ZNR UUUUU ZZH

LINE3: O P 222317Z MAR 00

LINE4: FM SECSTATE WASHDC

OSRI: RUEHC

DTG:

ORIG: SECSTATE WASHDC

TO: ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS IMMEDIATE

RUEHCN/AMCONSUL CHENGDU IMMEDIATE 0000

RUEHGZ/AMCONSUL GUANGZHOU IMMEDIATE 0000

RUESLE/AMCONSUL SHANGHAI IMMEDIATE 0000

RUEHSH/AMCONSUL SHENYANG IMMEDIATE 0000

RHEHNSC/NSC WASHDC IMMEDIATE 0000

RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0000

RHHMUNA/USCINCPAC HONOLULU HI IMMEDIATE

INFO: RUEHLO/AMEMBASSY LONDON PRIORITY 0000

RUEHLE/AMEMBASSY LUXEMBOURG PRIORITY 0000

RUEHMO/AMEMBASSY MOSCOW PRIORITY 0000

RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0000

RUEHFR/AMEMBASSY PARIS PRIORITY 0000

RUEHLI/AMEMBASSY LISBON PRIORITY 0000

RUEHRL/AMEMBASSY BERLIN PRIORITY 0000

RUEHSA/AMEMBASSY PRETORIA PRIORITY 0000

RUEHRO/AMEMBASSY ROME PRIORITY 0000

RUEAIIA/CIA WASHDC PRIORITY 0000

RUEKJCS/SECDEF WASHDC//USDP PRIORITY 0000

RHHMAH/CINCPACFLT PEARL HARBOR HI PRIORITY

RUEHUNV/USMISSION UNVIE VIENNA PRIORITY

RUETIAA/DIRNSA FT GEORGE G MEADE MD PRIORITY

RUAGAMS/COMUSKOREA SEOUL KOR//CC/BJ/CJ/EJ/PAJ/SJS// PRIORITY

RUAGAMS/CHJUSMAG SEOUL KOR PRIORITY

RUCJACC/USCENTCOM MACDILL AFB FL PRIORITY

RUCPDOG/USDOC WASHDC PRIORITY 0000

RUEATRS/TREASURY DEPT WASHDC PRIORITY 0000

RUEHNO/USMISSION USNATO PRIORITY 0000

SUBJ: MARCH 22 PRESS GUIDANCE FOR THE EAP REGION

SECDEF -- ALSO FOR OASD/PA AND OASD/SOLIC/SOP

USCINCPAC FOR FPA TWINING

UNVIE FOR FITZPATRICK

TEXT: UNCLAS STATE 054560

MOSCOW FOR ANDERTON

E.O. 12958: N/A

TAGS: OPRC, XE, US

SUBJECT: MARCH 22 PRESS GUIDANCE FOR THE EAP REGION

SECDEF -- ALSO FOR OASD/PA AND OASD/SOLIC/SOP

USCINCPAC FOR FPA TWINING
UNVIE FOR FITZPATRICK
USEU FOR RUTH

1. INDEX:

- CHINA: HOLBROOKE'S AND ROTH'S MEETINGS (PARAS 2-3)
- CHINA: PRC ARTICLE ON ATTACK PLANS FOR TAIWAN (PARAS 2,4)
- TAIWAN/CHINA: CROSS-STRAIT DEVELOPMENTS (PARAS 5-6)
- BURMA: SUPREME COURT TO REVIEW STATE SANCTIONS (PARAS 5,7)
- UNCHR: THE 56TH COMMISSION ON HUMAN RIGHTS (PARAS 5,8)
- PHILIPPINES: INITIATIVE AGAINST TRAFFICKING OF WOMEN AND CHILDREN (PARAS 5,9)
- DOJ STATEMENT: SETTLEMENT IN USIA CLASS ACTION LAWSUIT (PARAS 10-11)
- DEPARTMENT: HARTMAN CLASS-ACTION LAWSUIT (PARAS 12-13)

2. THE FOLLOWING PRESS GUIDANCES WERE PREPARED ON 3/22/2000. SPOKESMAN JAMES RUBIN DREW FROM THEM AT THE PRESS BRIEFING ON THAT DAY. POSTS MAY DRAW FROM THEM ON AN IF ASKED BASIS.

3. CHINA: HOLBROOKE'S AND ROTH'S MEETINGS

CONTEXT: AMBASSADOR RICHARD HOLBROOKE, ACCOMPANIED BY EAP A/S STANLEY ROTH, HAS CONCLUDED THREE DAYS (MARCH 20-22) OF MEETINGS WITH SENIOR CHINESE OFFICIALS. HE MET FOR MORE THAN TWO HOURS WITH BOTH PRESIDENT JIANG ZEMIN AND FOREIGN MINISTER TANG JIAXUAN. HE ALSO MET WITH VICE PREMIER QIAN QICHEN. WHILE HIS PRINCIPAL FOCUS WAS ON UN MATTERS--WHICH HE DISCUSSED WITH VICE FOREIGN MINISTER WANG GUANGYA ON MARCH 20--HE ALSO ENGAGED CHINESE OFFICIALS ON A BROAD ARRAY OF ISSUES, INCLUDING HUMAN RIGHTS AND PARTICULARLY TAIWAN. ACCORDING TO HOLBROOKE, THE TALKS WERE CONSTRUCTIVE AND VERY POSITIVE.

Q: PLEASE PROVIDE A READOUT REGARDING AMBASSADOR HOLBROOKE'S AND A/S ROTH'S MEETINGS IN CHINA.

A: -- AMBASSADOR HOLBROOKE, JOINED BY STATE DEPARTEMENT ASSISTANT SECRETARY STANLEY ROTH, HAS CONCLUDED A VERY SUCCESSFUL VISIT TO BEIJING WHERE HE MET WITH PRESIDENT JIANG ZEMIN, VICE PREMIER QIAN QICHEN, FOREIGN MINISTER TANG JIAXUAN, AND OTHER CHINESE OFFICIALS.

-- THE FOCUS OF AMB. HOLBROOKE'S TRIP, BOTH IN JAPAN AND CHINA, WAS ON UN ISSUES. NONETHELESS, HE ALSO DISCUSSED A FULL RANGE OF BILATERAL ISSUES--INCLUDING HUMAN RIGHTS AND TAIWAN--WITH SENIOR OFFICIALS.

-- AMBASSADOR HOLBROOKE CALLED THE TALKS "EXCELLENT."

-- HE SAID THE DISCUSSION OF TAIWAN TOOK PLACE IN A CONSTRUCTIVE ATMOSPHERE AND CHINA'S WAIT-AND-SEE APPROACH ON TAIWAN WAS ENCOURAGING.

-- HE SAID IT WAS ENCOURAGING TO SEE THAT CHINA WAS REACTING

TO THE TAIWAN ELECTION RESULTS WITH PRUDENCE AND CAUTION.

-- OTHER ISSUES DISCUSSED INCLUDED CHINA'S WTO ACCESSION, PNTR, AND HUMAN RIGHTS.

4. CHINA -- PRC ARTICLE ON ATTACK PLANS FOR TAIWAN

CONTEXT: AN ARTICLE IN TODAY'S USA TODAY DISCUSSES AN ARTICLE PRINTED IN A CHINESE WEEKLY, TITLED CAPE OF GOOD HOPE, THAT REPORTEDLY DESCRIBES PLANS TO INVADE TAIWAN WITH A FLEET OF 200,000 PRC FISHING BOATS. THE CHINESE ARTICLE ALSO REPORTEDLY DISCUSSES THREATENING THE U.S. WITH NUCLEAR ATTACK, SELLING NUCLEAR WEAPONS TO ROGUE STATES, AND SEIZING U.S. ASSETS IN CHINA. THE WEEKLY, AN OBSCURE PUBLICATION PUT OUT BY THE SCIENCE AND TECHNOLOGY DIGEST NEWSPAPER, DEVOTED 16 PAGES TO THE TAIWAN ELECTIONS, ONE DAY AFTER DPP CANDIDATE CHEN SHUI-BIAN WON THE CONTEST 3/18.

Q: WHAT DO WE KNOW ABOUT A REPORT IN AN OBSCURE PRC NEWSPAPER OF PLANS TO INVADE TAIWAN WITH A FLEET OF 200,000 FISHING BOATS AND TO FRIGHTEN THE U.S. INTO STAYING OUT OF THE TAIWAN STRAIT BY THREATENING NUCLEAR WAR, SELLING NUCLEAR ITEMS TO ROGUE STATES, AND SEIZING U.S. ASSETS IN CHINA? (USATODAY)

A: -- WE ARE AWARE OF PRESS REPORTS REGARDING THIS ARTICLE.

-- THERE ARE NO INDICATIONS OF AN UNUSUAL BUILDUP OF FORCES IN OR AROUND THE REGION.

-- WE CONTINUE TO UPHOLD OUR "ONE CHINA" POLICY, URGE THE TWO SIDES TO ENGAGE IN DIALOGUE, AND INSIST THAT THERE BE A PEACEFUL RESOLUTION OF CROSS-STRAIT DIFFERENCES.

-- IN OUR OFFICIAL DISCUSSIONS WITH THE CHINESE, THEY HAVE REITERATED THEIR PREFERENCE FOR A PEACEFUL RESOLUTION OF THE TAIWAN ISSUE.

(IF PRESSED)

-- WE HAVE AND WILL CONTINUE TO URGE BOTH SIDES TO AVOID ANY ACTIONS WHICH MIGHT INCREASE TENSIONS IN THE STRAIT.

5. THE FOLLOWING PRESS GUIDANCES WERE PREPARED ON 3/22/2000 AND WERE NOT USED BY SPOKESMAN RUBIN AT THE PRESS BRIEFING ON THAT DAY. POSTS MAY DRAW FROM THEM ON AN IF ASKED BASIS.

6. TAIWAN/CHINA: CROSS-STRAIT DEVELOPMENTS

CONTEXT: ON MARCH 21, TAIWAN LEGISLATIVE YUAN (LY) VOTED TO LIFT A BAN ON DIRECT TRADE, TRANSPORTATION AND POSTAL LINKS BETWEEN SEVERAL OFFSHORE ISLANDS AND THE PRC. THIS STEP WAS HIGHLIGHTED IN AN ARTICLE IN TODAY'S WASHINGTON POST. IN ITS ARTICLE TODAY, THE POST CHARACTERIZED THE STEP AS THE "FIRST GOODWILL GESTURE" SINCE OPPOSITION DEMOCRATIC PROGRESSIVE PARTY (DPP) LEADER CHEN SHUI-BIAN WAS ELECTED PRESIDENT ON MARCH 18.

THERE WAS ALSO PRESS COVERAGE OF THE PROPOSAL BY CHEN CHAO-NAN, A DPP LEGISLATOR, TO REMOVE THE TAIWAN INDEPENDENCE

CLAUSE FROM THE DPP'S CHARTER. THE CURRENT LANGUAGE IN THE DPP CHARTER LISTS "THE ESTABLISHMENT OF A SOVEREIGN AND INDEPENDENT REPUBLIC OF TAIWAN" AS THE FIRST OF SEVERAL PARTY GOALS. THE 31-MEMBER DPP CENTRAL EXECUTIVE COMMITTEE MET ON MARCH 22 TO CONSIDER THIS PROPOSAL. HOWEVER, DPP CHAIRMAN LIN I-HSIUNG TOLD MEDIA THAT THE DECISION ON REMOVING THE CLAUSE MAY BE CONSIDERED AT THE DPP PARTY CONGRESS IN JULY 2000.

Q: WHAT IS OUR REACTION TO THE TAIWAN LEGISLATURE'S VOTE TO LIFT A BAN ON DIRECT TRADE, TRANSPORT, AND POSTAL LINKS BETWEEN SEVERAL OFFSHORE ISLANDS AND THE MAINLAND? WHAT ABOUT DPP MOVES TO REMOVE A CLAUSE ADVOCATING THE ESTABLISHMENT OF THE "REPUBLIC OF TAIWAN" FROM THE PARTY CHARTER?

A: -- THE U.S. WELCOMES STATEMENTS AND ACTIONS THAT REDUCE CROSS-STRAIT TENSIONS AND MAKE DIALOGUE MORE LIKELY TO BE ACHIEVED.

-- WE BELIEVE IMPROVING CROSS-STRAIT ECONOMIC TIES SERVES THE INTEREST OF BOTH TAIWAN AND THE PRC AND IS CONDUCIVE TO PEACE AND SECURITY IN THE REGION.

Q: WHAT ABOUT DPP MOVES TO REMOVE A CLAUSE ADVOCATING THE ESTABLISHMENT OF THE "REPUBLIC OF TAIWAN" FROM THE PARTY PLATFORM?

A: -- WE UNDERSTAND THAT THE IDEA OF AMENDING THE DPP CHARTER IS BEING CONSIDERED BY THE DPP, BUT NO FINAL DECISION HAS BEEN MADE.

IF ASKED:

-- THE LANGUAGE OF THE PARTY'S PLATFORM IS FOR THE DPP TO DECIDE.

IF PRESSED:

-- CONSISTENT WITH OUR "ONE CHINA" POLICY, WE DO NOT SUPPORT TAIWAN INDEPENDENCE.

-- OUR "ONE CHINA" POLICY IS BASED ON THE TAIWAN RELATIONS ACT AND THE THREE JOINT COMMUNIQUS.

Q: DO YOU HAVE ANY REACTION TO CHEN SHUI-BIAN'S REPORTED STATEMENT OF SUPPORT FOR NORMALIZATION OF U.S.-PRC TRADE RELATIONS?

A: -- WE APPRECIATE CHEN SHUI-BIAN'S STATEMENT QUOTED IN THE LOS ANGELES TIMES EXPRESSING SUPPORT FOR "NORMALIZATION" OF U.S.-PRC TRADE RELATIONS. WE STRONGLY BELIEVE PERMANENT NORMAL TRADE RELATIONS BETWEEN THE U.S. AND THE PRC IS IN THE INTERESTS OF THE U.S. AND PRC, AS WELL AS TAIWAN.

-- CHEN ALSO INDICATED THAT HE LOOKS FORWARD TO THE ACCESSION OF BOTH THE PRC AND TAIWAN TO THE WTO. THE U.S. STRONGLY SUPPORTS WTO ACCESSION FOR BOTH THE PRC AND TAIWAN ON THEIR COMMERCIAL MERITS.

7. SUPREME COURT TO REVIEW MASSACHUSETTS' BURMA SANCTIONS

BACKGROUND: TODAY, MARCH 22, SUPREME COURT HEARD ARGUMENTS IN THE MASSACHUSETTS BURMA LAW CASE. THE SUPREME COURT WILL REVIEW THE DECISION OF THE U.S. COURT OF APPEALS FOR THE FIRST CIRCUIT OF JUNE 22. THE JUNE 22 DECISION AFFIRMED THE NOVEMBER 4, 1998 DECISION OF THE U.S. DISTRICT COURT IN MASSACHUSETTS THAT THE MASSACHUSETTS BURMA LAW IS AN UNCONSTITUTIONAL INFRINGEMENT ON THE FEDERAL GOVERNMENT'S POWER TO REGULATE FOREIGN AFFAIRS.

THE COURT OF APPEALS HELD THAT THE MASSACHUSETTS STATUTE WAS UNCONSTITUTIONAL ON THREE GROUNDS:

- (1) AS AN INFRINGEMENT ON THE FEDERAL GOVERNMENT'S FOREIGN AFFAIRS POWERS (THE SAME GROUND ON WHICH THE DISTRICT COURT HAD BASED ITS DECISION);
- (2) AS A VIOLATION OF THE FOREIGN COMMERCE CLAUSE OF THE CONSTITUTION AND
- (3) THE STATE STATUTE WAS "PREEMPTED" BY FEDERAL LAW.

Q: WHAT IS THE ADMINISTRATION'S VIEW OF THE MASSACHUSETTS BURMA CASE?

A: -- THIS CASE RAISES IMPORTANT CONSTITUTIONAL ISSUES. AT EARLIER STAGES IN THIS CASE, WE HAVE NOTED AND WELCOMED LOWER COURTS' RECOGNITION OF THE EXECUTIVE BRANCH'S PARAMOUNT ROLE IN CONDUCTING FOREIGN AFFAIRS.

-- WE WILL LEAVE TO THE SUPREME COURT THE DIFFICULT TASK OF ADDRESSING THE IMPORTANT LEGAL ISSUES RAISED BY THIS CASE.

Q: WHAT IS THE ADMINISTRATION'S GENERAL VIEW OF THE APPROPRIATENESS OF STATE AND LOCAL SANCTIONS? DON'T YOU BELIEVE THAT STATES AND LOCAL GOVERNMENTS HAVE THE ABSOLUTE RIGHT TO EXPRESS THE VIEWS OF THEIR CITIZENS?

A: -- WE UNDERSTAND THE CONCERNS AND FRUSTRATIONS THAT GIVE RISE TO LOCAL SANCTION MEASURES. A NUMBER OF GOVERNMENTS AROUND THE WORLD ENGAGE IN CONDUCT -- SUCH AS THE ABUSE OF HUMAN RIGHTS IN BURMA -- THAT STIRS PUBLIC INDIGNATION AND PROMPTS CALLS FOR A STRONG GOVERNMENT RESPONSE.

-- AT THE SAME TIME, WE ARE CONCERNED ABOUT THE SPECIFIC MEASURES STATES HAVE PROMULGATED TO VOICE THEIR CONCERNS. WHILE THE INTENTIONS ARE GOOD, THE MEANS CAN BE EITHER INEFFECTIVE OR COUNTERPRODUCTIVE.

-- OTHER GOVERNMENTS REACT STRONGLY AGAINST STATE AND LOCAL SANCTIONS. THIS AVERSION OFTEN SHIFTS THE FOCUS FROM THE TARGET COUNTRY'S BEHAVIOR TO THE FOREIGN GOVERNMENT'S OBJECTION TO THE U.S. SANCTIONS.

-- OUR TRADING PARTNERS' OBJECTIONS ARE EVEN STRONGER WHEN THEY THINK THE SANCTIONS ARE INCONSISTENT WITH OUR INTERNATIONAL OBLIGATIONS.

-- THAT IS WHY WE THINK IT IS IMPORTANT FOR THE FEDERAL

GOVERNMENT AND STATE GOVERNMENTS TO COORDINATE CLOSELY ON THESE TYPES OF ISSUES, AND WE ARE WORKING HARD TOWARDS THIS END.

8. UNCHR: THE 56TH COMMISSION ON HUMAN RIGHTS IN GENEVA

CONTEXT: THE U.N. COMMISSION ON HUMAN RIGHTS (CHR) MET FOR THE FIRST TIME IN 1947 TO DRAFT THE UNIVERSAL DECLARATION OF HUMAN RIGHTS. THE DECLARATION WAS ADOPTED ON DECEMBER 10TH, 1948 (NOW "HUMAN RIGHTS DAY"). THE COMMISSION'S MAIN PURPOSES ARE TO SET HUMAN RIGHTS STANDARDS, DEAL WITH VIOLATIONS OF HUMAN RIGHTS, AND TO PROVIDE ADVISORY SERVICES AND TECHNICAL ASSISTANCE TO SECURE ENJOYMENT OF HUMAN RIGHTS.

THE COMMISSION FOCUSES BOTH ON COUNTRY-SPECIFIC SITUATIONS AND THE UNIVERSAL PROMOTION OF CIVIL AND POLITICAL AND ECONOMIC, SOCIAL, AND CULTURAL RIGHTS. FORMER PRESIDENT OF IRELAND, MARY ROBINSON IS THE HIGH COMMISSIONER FOR HUMAN RIGHTS. APPOINTED BY U.N. SECRETARY GENERAL KOFI ANNAN IN 1997, SHE IS THE SECOND TO HOLD THIS POSITION WHICH WAS CREATED IN 1994.

Q: WHAT MEETINGS ARE GOING ON IN GENEVA RIGHT NOW?

A: -- THE 56TH COMMISSION ON HUMAN RIGHTS OPENED MONDAY, MARCH 20, IN GENEVA. U.N. HIGH COMMISSIONER FOR HUMAN RIGHTS, MARY ROBINSON, GAVE OPENING REMARKS.

-- SECRETARY OF STATE MADELINE ALBRIGHT WILL SPEAK AT THE COMMISSION ON THURSDAY, MARCH 23.

-- THE FIRST WEEK INVOLVES ELECTION OF OFFICERS, ADOPTION OF THE AGENDA, VIP SPEECHES, AND INITIAL DISCUSSION OF SOME RESOLUTIONS. THE FIRST WEEK OF THE COMMISSION ALSO FOCUSES ON RACISM AND SELF DETERMINATION. THE SECOND WEEK WILL COVER SPECIFIC COUNTRY SITUATIONS. THE THIRD WEEK WILL COVER ECONOMIC SOCIAL AND CULTURAL RIGHTS, CIVIL AND POLITICAL RIGHTS, AND WOMEN. THE FOURTH WEEK WILL CONTINUE TO FOCUS ON WOMEN IN ADDITION TO THE RIGHTS OF THE CHILD AND INDIGENOUS. THE 5TH WEEK WILL FOCUS ON SUB COMMISSION REPORTS, HUMAN RIGHTS MECHANISMS, TECHNICAL COOPERATION, AND RATIONALIZATION OF WORK, AS WELL AS VOTING ON SOME OF THE KEY COUNTRY RESOLUTIONS. FINAL VOTING AND PREPARATION OF A DRAFT REPORT FROM THE COMMISSION WILL TAKE PLACE IN THE 6TH AND FINAL WEEK.

-- NUMEROUS FOREIGN DIGNITARIES HAVE GIVEN STATEMENTS. AMONG THEM ARE THE PORTUGUESE MINISTER FOR FOREIGN AFFAIRS, JAIME GAMA ON BEHALF OF THE EUROPEAN UNION, CROATIAN MINISTER OF FOREIGN AFFAIRS, TONINO PICULA, CZECH REPUBLIC DEPUTY PRIME MINISTER JAN KAVAN, AND POLISH UNDER SECRETARY OF STATE, JERZY KRANZ.

-- DELEGATIONS HAVE BEGUN TO CIRCULATE AND REVIEW DRAFT RESOLUTIONS.

Q: HOW IS U.S. BEING REPRESENTED?

A: -- AMBASSADOR NANCY RUBIN HEADS THE U.S. DELEGATION TO THE

COMMISSION ON HUMAN RIGHTS. MOST MEMBERS ARE HUMAN RIGHTS AND REGIONAL SPECIALISTS FROM THE DEPARTMENT OF STATE, BUT IT ALSO INCLUDES A FEW EXPERT PUBLIC MEMBERS.

Q: WHAT ARE U.S. PRIORITIES AT THE COMMISSION?

A: -- U.S. PRIORITIES AT THE COMMISSION THIS YEAR INCLUDE COUNTRY-SPECIFIC RESOLUTIONS ON CHINA, THE FORMER YUGOSLAVIA, CUBA, SUDAN, IRAN, AND IRAQ AND A NUMBER OF THEMATIC RESOLUTIONS INCLUDING ON DEMOCRACY AND GOOD GOVERNANCE.

-- THE UNITED STATES IS SPONSORING THE CHINA RESOLUTION AND IS WORKING TO GAIN SUPPORT FROM OTHER COUNTRIES IN THIS EFFORT TO ENCOURAGE CHINA TO FOLLOW THROUGH ON ITS STATED COMMITMENT TO THE INTERNATIONAL STANDARDS ON HUMAN RIGHTS. THE U.S. DECIDED TO SPONSOR THIS RESOLUTION BECAUSE OF THE MARKED DETERIORATION ON CHINA'S HUMAN RIGHTS RECORD.

-- THE U.S. IS ALSO SPONSORING A RESOLUTION ON THE FORMER YUGOSLAVIA (SPECIFICALLY, SERBIA & MONTENEGRO INCLUDING KOSOVO, BOSNIA & HERZEGOVINA, AND CROATIA). THIS RESOLUTION HIGHLIGHTS ONGOING HUMAN RIGHTS PROBLEMS OF THE MILOSEVIC REGIME AND RECOGNIZES THE NEWLY-ELECTED GOVERNMENT OF CROATIA'S COMMITMENT TO DEMOCRATIC PRINCIPLES.

Q: WILL THE U.S. SPONSOR A RESOLUTION CONDEMNING RUSSIA FOR ITS ACTIONS IN CHECHNYA AT THE U.N. COMMISSION ON HUMAN RIGHTS IN GENEVA?

A: -- IT IS TO BE EXPECTED THAT, IN LIGHT OF THIS WIDESPREAD CONCERN ABOUT THE SITUATION, CHECHNYA WILL BE DISCUSSED AT THE COMMISSION ON HUMAN RIGHTS.

-- THE U.S. HAS BEEN CONSULTING ACTIVELY WITH EUROPEAN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS ABOUT THE SITUATION IN CHECHNYA. OUR PRIORITY IN DISCUSSIONS REGARDING CHECHNYA AT THE UNCHR CONTINUES TO BE ON FINDING THE MOST EFFECTIVE WAYS TO BRING RUSSIA INTO COMPLIANCE WITH ITS OBLIGATIONS.

9. ASIAN REGIONAL INITIATIVE AGAINST TRAFFICKING OF WOMEN AND CHILDREN (ARIAT)

CONTEXT: THE UNITED STATES GOVERNMENT AND THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES ARE CO-HOSTING THE ARIAT MEETING IN MANILA, MARCH 29-31. SECRETARY ALBRIGHT ANNOUNCED U.S. SUPPORT FOR THE MEETING AT THE ASEAN POST-MINISTERIAL CONFERENCE IN JULY 1999. THE ARIAT MEETING IS AN IMPORTANT NEXT STEP IN THE ONGOING EFFORTS TO STOP TRAFFICKING OF WOMEN AND CHILDREN THROUGHOUT ASIA AND THE REST OF THE WORLD. THE UNITED STATES PLACES THE HIGHEST IMPORTANCE ON BUILDING INTERNATIONAL COOPERATION AND STRENGTHENING LAWS AND THEIR ENFORCEMENT TO STEM TRAFFICKING. INVITATIONS TO PARTICIPATE HAVE BEEN SENT TO 21 OTHER GOVERNMENTS THROUGHOUT THE ASIA-PACIFIC REGION.

THE ARIAT MEETING IN MANILA WILL DEVELOP PRACTICAL STRATEGIES FOR NATIONAL AND REGIONAL COOPERATION TO:

--SHARE SUCCESSFUL PRACTICES AND BUILD CAPACITY THROUGH TRAINING AMONG ASIA-PACIFIC COUNTRIES TO COMBAT TRAFFICKING;
--CREATE REALISTIC NATIONAL ACTION PLANS TO COMBAT TRAFFICKING OF WOMEN AND CHILDREN;
--PRODUCE A REGIONAL ACTION PLAN WHICH EMPHASIZES PREVENTION, PROTECTION AND RE-INTEGRATION OF VICTIMS AND PROSECUTION OF AND ENFORCEMENT MEASURES AGAINST TRAFFICKERS;
--AND SEEK INCREASED SUPPORT AND COMMITMENTS FROM DONORS, INCLUDING INTERNATIONAL BANKS AND ORGANIZATIONS, THE PRIVATE SECTOR AND PARTICIPATING GOVERNMENTS TO COMBAT TRAFFICKING.

IF ASKED:

Q: WHAT CAN YOU TELL US ABOUT THE ASIAN REGIONAL INITIATIVE AGAINST TRAFFICKING OF WOMEN AND CHILDREN (ARIAT) MEETING?

A: -- THE UNITED STATES GOVERNMENT AND THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES ARE CO-HOSTING THE ARIAT MEETING IN MANILA, MARCH 29-31.

-- SECRETARY ALBRIGHT ANNOUNCED U.S. SUPPORT FOR THE MEETING AT THE ASEAN POST-MINISTERIAL CONFERENCE IN JULY 1999.

-- THE ARIAT MEETING IS AN IMPORTANT NEXT STEP IN THE ONGOING EFFORTS TO STOP TRAFFICKING OF WOMEN AND CHILDREN THROUGHOUT ASIA AND THE REST OF THE WORLD. THE UNITED STATES PLACES THE HIGHEST IMPORTANCE ON BUILDING INTERNATIONAL COOPERATION AND STRENGTHENING LAWS AND THEIR ENFORCEMENT TO STEM TRAFFICKING. INVITATIONS TO PARTICIPATE HAVE BEEN SENT TO 21 OTHER GOVERNMENTS THROUGHOUT THE ASIA-PACIFIC REGION.

-- THE ARIAT MEETING IN MANILA WILL DEVELOP PRACTICAL STRATEGIES FOR NATIONAL AND REGIONAL COOPERATION TO:

-- SHARE SUCCESSFUL PRACTICES AND BUILD CAPACITY THROUGH TRAINING AMONG ASIA-PACIFIC COUNTRIES TO COMBAT TRAFFICKING;

-- CREATE REALISTIC NATIONAL ACTION PLANS TO COMBAT TRAFFICKING OF WOMEN AND CHILDREN;

-- PRODUCE A REGIONAL ACTION PLAN WHICH EMPHASIZES PREVENTION, PROTECTION AND RE-INTEGRATION OF VICTIMS AND PROSECUTION OF AND ENFORCEMENT MEASURES AGAINST TRAFFICKERS;

-- AND SEEK INCREASED SUPPORT AND COMMITMENTS FROM DONORS, INCLUDING INTERNATIONAL BANKS AND ORGANIZATIONS, THE PRIVATE SECTOR AND PARTICIPATING GOVERNMENTS TO COMBAT TRAFFICKING.

Q: IS THIS CONFERENCE THE INITIATIVE OF THE U.S. GOVERNMENT?

A: -- THE UNITED STATES GOVERNMENT AND THE PHILIPPINE GOVERNMENT ARE CO-HOSTS FOR THE ARIAT MEETING. BOTH GOVERNMENTS HAVE TAKEN THE LEAD IN IMPLEMENTING THIS IMPORTANT INITIATIVE.

Q: WHO IS LEADING THE U.S. DELEGATION?

A: -- RALPH BOYCE, DEPUTY ASSISTANT SECRETARY OF THE EAST

ASIAN AND PACIFIC BUREAU AND ANITA BOTTI, DEPUTY DIRECTOR OF THE PRESIDENT'S INTERAGENCY COUNCIL ON WOMEN AND SENIOR ADVISOR ON TRAFFICKING IN WOMEN AND CHILDREN WILL CO-LEAD THE U.S. DELEGATION.

Q: WHAT IS THE NATURE AND MAGNITUDE OF TRAFFICKING?

A: -- AT ITS CORE, THE INTERNATIONAL TRADE IN PERSONS IS ABOUT ABDUCTION, COERCION, DECEPTION, VIOLENCE AND EXPLOITATION. A TRAFFICKING SCHEME INVOLVES A CONTINUUM OF RECRUITMENT, ABDUCTION, TRANSPORT, HARBORING, TRANSFER, SALE OR RECEIPT OF PERSONS THROUGH VARIOUS TYPES OF COERCION, FORCE, FRAUD OR DECEPTION FOR THE PURPOSE OF PLACING PERSONS IN SITUATIONS OF SLAVERY OR SLAVERY-LIKE CONDITIONS, SERVITUDE, FORCED LABOR OR SERVICES. EXAMPLES INCLUDE, BUT ARE NOT LIMITED TO, SEXUAL SERVITUDE, DOMESTIC SERVITUDE, BONDED SWEATSHOP LABOR OR OTHER DEBT BONDAGE.

Q: WHO WILL ATTEND THE ARIAT MEETING?

A: -- AUSTRALIA, BRUNEI, CAMBODIA, CANADA, CHINA, HONG KONG, INDONESIA, JAPAN, LAOS, MACAU, MALAYSIA, MONGOLIA, NEW ZEALAND, PAPUA NEW GUINEA, REPUBLIC OF KOREA, RUSSIA, THAILAND, VIETNAM AND THE EUROPEAN UNION PLAN TO ATTEND.

Q: IS THE UNITED STATES PAYING FOR DELEGATES FROM OTHER COUNTRIES TO ATTEND THE ARIAT MEETING?

A: -- WE COULD NOT SUPPORT THE TRAVEL EXPENSES OF ALL THE OFFICIAL DELEGATIONS DUE TO FUNDING CONSTRAINTS.

Q: DID THE LACK OF U.S. FINANCIAL SUPPORT PREVENT SOME COUNTRIES FROM ATTENDING? WHY DID THE U.S. NOT PAY THE TRAVEL COSTS OF SOME DELEGATIONS?

A: -- EVERY INVITEE MADE A DECISION ON THE MERITS OF THIS MEETING BASED ON ITS NATIONAL INTERESTS. WHILE THE U.S. WAS ABLE TO ASSIST WITH SOME TRAVEL EXPENSES, FUNDING CONSTRAINTS DID NOT PERMIT US TO PAY FOR ALL THE PARTICIPANTS.

Q: ARE NGO REPRESENTATIVES BEING INVITED TO PARTICIPATE?

A: -- EACH GOVERNMENTAL DELEGATION WILL CONSIST OF UP TO FOUR SENIOR WORKING LEVEL OFFICIALS INVOLVED IN COMBATING TRAFFICKING. IN RECOGNITION OF THE IMPORTANT ROLE NGOS PLAY IN COMBATING TRAFFICKING, EACH DELEGATION IS BEING INVITED TO INCLUDE TWO NGO REPRESENTATIVES. THESE REPRESENTATIVES WILL BE "PARTICIPANTS" AND WILL BE ABLE TO VOICE THEIR CONCERNS AND THE CONCERNS OF THE NGO COMMUNITY AT LARGE AND PROVIDE IDEAS ON PRACTICAL STEPS TO REDUCE DIFFERENT PARTS OF THE TRAFFICKING PROBLEM.

Q: WHO PICKS THE NGO REPRESENTATIVES?

A: -- THIS IS A MATTER FOR EACH COUNTRY TO DECIDE.

Q: DOES THE ARIAT MEETING AIM TO OUTLAW PROSTITUTION OF ANY KIND?

A: -- THE ARIAT MEETING SEEKS TO ADDRESS A BROAD RANGE OF ISSUES RELATED TO TRAFFICKING OF WOMEN AND CHILDREN. WHILE PROSTITUTION AND TRAFFICKING ARE RELATED, THEY INVOLVE SOME DISTINCT ISSUES. THE FOCUS OF THE ARIAT MEETING IS TO ADDRESS THE ISSUE OF TRAFFICKING. THE MEETING WILL SEEK A CONSENSUS ON A REGIONAL ACTION PLAN TO IMPLEMENT PRACTICAL PROGRAMS TO COMBAT THE TRAFFICKING OF WOMEN AND CHILDREN FOR ANY PURPOSE.

10. THE FOLLOWING PRESS RELEASE WAS ISSUED BY THE DEPARTMENT OF JUSTICE UNITED STATES ATTORNEY ON 3/22/2000.

11. SETTLEMENT ANNOUNCED IN 23-YEAR-OLD SEX DISCRIMINATION CLASS ACTION LAWSUIT AGAINST USIA

WASHINGTON, D.C. -- THE UNITED STATES DEPARTMENT OF JUSTICE, THE UNITED STATES ATTORNEY'S OFFICE FOR THE DISTRICT OF COLUMBIA, THE UNITED STATES DEPARTMENT OF STATE, AND THE BROADCASTING BOARD OF GOVERNORS ("BBG") TODAY ANNOUNCED AN AGREEMENT TO SETTLE THE CASE OF CAROLEE BRADY HARTMAN, ET AL, V MADELEINE K. ALBRIGHT AND MARC B. NATHANSON, A TWENTY-THREE-YEAR-OLD SEX DISCRIMINATION CLASS ACTION LAWSUIT THAT WAS ORIGINALLY FILED AGAINST THE UNITED STATES INFORMATION AGENCY ("USIA"). FOLLOWING THE DISSOLUTION OF USIA LAST OCTOBER, THE BBG AND THE STATE DEPARTMENT, AS SUCCESSOR AGENCIES, INHERITED THE CASE. THE SETTLEMENT AGREEMENT, WHICH MUST BE APPROVED BY THE COURT, PROVIDES FOR THE CLASS MEMBERS TO RECEIVE 508 MILLION DOLLARS TO RESOLVE CLAIMS AGAINST THE NOW DEFUNCT USIA AND ITS SUCCESSORS.

THE ORIGINAL SUIT, FILED IN 1977, CHARGED THAT THE USIA REJECTED EMPLOYMENT APPLICATIONS FROM WOMEN BASED ON THEIR SEX IN VIOLATION OF TITLE VII OF THE CIVIL RIGHTS ACT OF 1964. THE COURT SUBSEQUENTLY CERTIFIED THE CASE AS A CLASS ACTION ALLEGING DISCRIMINATION AGAINST WOMEN IN USIA'S HIRING DECISIONS FOR SIX OCCUPATIONAL CATEGORIES BETWEEN OCTOBER 8, 1974 AND NOVEMBER 16, 1984. THE OCCUPATIONAL CATEGORIES INVOLVED IN THE SUIT WERE WRITER-EDITOR, FOREIGN LANGUAGE BROADCASTER, FOREIGN INFORMATION SPECIALIST, PRODUCTION SPECIALIST, RADIO BROADCAST TECHNICIAN AND ELECTRONIC TECHNICIAN. MORE THAN 1,100 WOMEN SOUGHT RELIEF IN THE CLASS ACTION. APPLYING PRINCIPLES THAT GOVERN THE RESOLUTION OF CLASS ACTION EMPLOYMENT DISCRIMINATION CASES, THE TRIAL COURT FOUND IN FAVOR OF THE CLASS ON THE BASIS OF A STATISTICALLY SIGNIFICANT DISPARITY BETWEEN THE PERCENTAGE OF WOMEN WORKING FOR USIA IN THE RELEVANT JOB CATEGORIES, AND THE PERCENTAGE OF WOMEN WORKING IN COMPARABLE JOB CATEGORIES IN THE U.S. ECONOMY. ON APPEAL, THE CIRCUIT COURT UPHELD THE FINDING OF CLASS-WIDE LIABILITY, AND THE SUPREME COURT DECLINED TO REVIEW THE DECISION. HEARINGS THEN BEGAN TO RESOLVE THE ISSUE OF THE GOVERNMENT'S LIABILITY TO INDIVIDUAL CLASS MEMBERS. OF THE FORTY-EIGHT CLASS MEMBERS WHOSE CLAIMS WERE HEARD PRIOR TO THE SETTLEMENT, FORTY-SIX PREVAILED.

U.S. ATTORNEY WILMA A. LEWIS STATED THAT "AFTER EXHAUSTING OUR LEGAL REMEDIES REGARDING THE TRIAL COURT'S FINDING OF CLASS-WIDE LIABILITY AND LITIGATING THE CLAIMS OF FORTY-EIGHT

INDIVIDUAL CLASS MEMBERS, WE NEGOTIATED A CLASS-WIDE SETTLEMENT THAT IS AN EQUITABLE AND FAIR RESOLUTION OF THE MATTER." MS. LEWIS NOTED THAT "DURING THE NEGOTIATIONS, WE TOOK INTO ACCOUNT THE PRIOR COURT DECISION OF THE TRIAL AND APPELLATE COURTS, CONCERNING CLASS-WIDE LIABILITY FOR DISCRIMINATION, THE RESULTS OF THE INDIVIDUAL CLASS MEMBERS' HEARINGS THAT HAD BEEN CONDUCTED TO DATE, AS WELL AS OUR INDEPENDENT PROJECTION OF THE LIKELY RESULTS OF THE REMAINING HEARINGS IN THE ABSENCE OF A SETTLEMENT. THE SETTLEMENT AMOUNT IS THE RESULT OF THE LENGTHY TIME PERIOD INVOLVED, THE RELATIVELY HIGH-PAYING POSITIONS AT ISSUE, THE NUMBER OF CLAIMANTS, AND THE ACCRUAL OF PRE-JUDGEMENT INTEREST BEGINNING IN 1991."

UNDER THE TERMS OF THE AGREEMENT, MEMBERS OF THE CLASS ACTION SUIT WILL ACCEPT 508 MILLION DOLLARS IN SETTLEMENT OF ALL CLAIMS FOR BACK PAY, RETIREMENT BENEFITS, HIRING PREFERENCES, FRONT PAY, AND PREJUDGMENT INTEREST FOR THOSE CLASS MEMBERS WHOSE INDIVIDUAL HEARINGS HAVE NOT YET TAKEN PLACE. FOLLOWING A FAIRNESS HEARING BEFORE U.S. DISTRICT JUDGE JAMES ROBERTSON AND FINAL APPROVAL BY THE COURT, THE SETTLEMENT PROCEEDS WILL BE DISTRIBUTED IN ACCORDANCE WITH A FORMULA DEVELOPED BY REPRESENTATIVES OF THE PLAINTIFF CLASS.

12. THE FOLLOWING PRESS GUIDANCE WAS PREPARED ON 3/21/2000 FOR USE FOLLOWING RELEASE OF THE DOJ PRESS RELEASE ABOVE. SPOKESMAN RUBIN DID NOT USE THE GUIDANCE AT THE BRIEFING TODAY. POSTS MAY DRAW FROM IT ON AN IF ASKED BASIS.

13. DEPARTMENT: HARTMAN CLASS-ACTION LAWSUIT

I. THE CASE

Q. WHAT IS THE STATE DEPARTMENT REACTION TO THE HARTMAN SETTLEMENT JUST ANNOUNCED BY THE JUSTICE DEPARTMENT?

A. AS YOU MAY KNOW, THE STATE DEPARTMENT WAS NOT A DEFENDANT IN THE ORIGINAL LAWSUIT BROUGHT IN 1977, BUT WE INHERITED PART OF THIS CASE WHEN USIA MERGED WITH THE DEPARTMENT IN OCTOBER OF LAST YEAR. IN THAT CONTEXT, THE GOVERNMENT SETTLED THE CASE BECAUSE IT WAS THE RIGHT THING TO DO. SECRETARY ALBRIGHT HAS MADE IT A PRIORITY -- AS DID HER PREDECESSORS -- AND THE STATE DEPARTMENT HAS TAKEN MANY STEPS TO HELP ENSURE EQUAL EMPLOYMENT AND PROMOTIONAL OPPORTUNITIES FOR ALL EMPLOYEES AND APPLICANTS FOR EMPLOYMENT.

Q. WHAT IS THE CASE ABOUT?

A. HARTMAN IS A CLASS ACTION LAWSUIT FILED IN 1977 AGAINST THE UNITED STATES INFORMATION AGENCY ("USIA") UNDER TITLE VII OF THE CIVIL RIGHTS ACT. DESPITE AN INITIAL VICTORY FOR USIA IN 1979, THE DISTRICT COURT IN 1984 FOUND USIA TO HAVE DISCRIMINATED AGAINST WOMEN WITH RESPECT TO HIRING FOR POSITIONS IN 6 OCCUPATIONAL CATEGORIES, INCLUDING WRITER-EDITOR, FOREIGN LANGUAGE BROADCASTER, FOREIGN INFORMATION SPECIALIST, PRODUCTION SPECIALIST, RADIO BROADCAST TECHNICIAN, AND ELECTRONIC TECHNICIAN. APPEALS AND SUBSEQUENT LITIGATION HAVE CONFIRMED THAT FINDING.

Q. WHAT TIME PERIOD DOES IT COVER?

A. THE CASE WAS FILED IN 1977. IN 1984, ON THE BASIS OF A STATISTICAL SHOWING OF A DISPARITY BETWEEN THE PERCENTAGE OF WOMEN EMPLOYED BY USIA AND THE PERCENTAGE OF WOMEN EMPLOYED IN CERTAIN SEGMENTS OF THE U.S. ECONOMY AS A WHOLE, USIA WAS FOUND LIABLE FOR DISCRIMINATION IN HIRING PRACTICES FROM 1974 TO 1984.

Q. HOW MANY WOMEN ARE COVERED IN THE LAWSUIT?

A. THE CLASS CONSISTS OF APPROXIMATELY 1,100 WOMEN.

Q. WERE ANY OF THE WOMEN HIRED BY VOA OR ELSEWHERE IN USIA AT A LATER DATE?

A. YES. THE PLAINTIFF CLASS INCLUDES WOMEN WHO WERE LATER HIRED BY USIA/VOA.

Q. DID ALL THE PLAINTIFFS APPLY FOR JOBS AT VOA OR ELSEWHERE IN USIA?

A. MOST OF THE JOBS WERE AT VOICE OF AMERICA EXCEPT FOR FOREIGN INFORMATION SPECIALIST AND SOME WRITER-EDITOR JOBS.

Q. WERE SPECIFIC SUPERVISORS IDENTIFIED?

A. THE COURT DID NOT ADDRESS THIS ISSUE. THE DISTRICT COURT'S FINDING OF CLASS-WIDE LIABILITY WAS BASED ON STATISTICAL DISPARITIES BETWEEN USIA'S WORKFORCE PROFILE AND THE PERCENTAGE OF WOMEN EMPLOYED IN CERTAIN SEGMENTS OF THE UNITED STATES' ECONOMY AS A WHOLE. THE COURT DID NOT IDENTIFY SPECIFIC SUPERVISORS AND ITS FINDING OF CLASS-WIDE LIABILITY WAS NOT BASED ON ANY SPECIFIC ACTS OF INDIVIDUAL WRONGDOING. THEREFORE THE PROCESS WAS NOT HELPFUL FOR FINDING INDIVIDUAL SUPERVISORS LIABLE FOR DISCRIMINATION.

-- THE ALLEGED ACTS OF DISCRIMINATION AT ISSUE HERE INVOLVED HIRING AND OCCURRED BETWEEN 16 AND 26 YEARS AGO. THE COURT IDENTIFIED NO INDIVIDUALS AS BEING RESPONSIBLE FOR DISCRIMINATION IN HIRING. FURTHERMORE, THE MAJORITY OF CLAIMS AT ISSUE INVOLVED POSITIONS TRANSFERRED TO THE BBG, NOT THE STATE DEPARTMENT. WE BELIEVE THAT THE RIGHT PLACE TO PUT OUR ENERGIES NOW IS TO FOCUS ON ENSURING THAT DISCRIMINATION DOES NOT HAPPEN IN THE FUTURE, RATHER THAN TO MAKE THE ALMOST IMPOSSIBLE EFFORT TO DETERMINE WHO WAS RESPONSIBLE FOR WHAT THE COURTS CONCLUDED WERE STRUCTURAL RATHER THAN INDIVIDUAL PROBLEMS.

Q. WHY IS THE STATE DEPARTMENT INVOLVED AT ALL?

A. THE DEPARTMENT OF STATE WAS NOT A DEFENDANT IN THE ORIGINAL LAWSUIT AND WAS NEVER HELD LIABLE. IT INHERITED A PIECE OF THIS CASE WHEN USIA WAS CONSOLIDATED INTO THE DEPARTMENT EFFECTIVE OCTOBER 1, 1999. THE MAJORITY OF THE CLAIMS INVOLVED USIA POSITIONS, INCLUDING THOSE IN VOICE OF AMERICA, TRANSFERRED TO THE BROADCASTING BOARD OF GOVERNORS

("BBG"). THE CHAIR OF BBG AND THE SECRETARY OF STATE IN THEIR OFFICIAL CAPACITIES WERE SUBSTITUTED AS DEFENDANTS FOR THE DIRECTOR OF USIA BY OPERATION OF LAW.

Q. DOES THE CASE INVOLVE THE FOREIGN SERVICE OR ONLY THE CIVIL SERVICE?

A. BOTH.

Q. DID THE GOVERNMENT DISCRIMINATE AGAINST WOMEN APPLICANTS FOR JOBS?

A. THE DISTRICT COURT FOUND THAT THE GOVERNMENT HAD DISCRIMINATED IN HIRING WOMEN FOR JOBS AT USIA. THE DISTRICT COURT'S FINDING WAS UPHELD ON APPEAL. THE SETTLEMENT, HOWEVER, DOES NOT CONSTITUTE AN ADMISSION OF LIABILITY.

Q. WHO IS RESPONSIBLE FOR THE DISCRIMINATION AND WAS ANYONE EVER PUNISHED OR HELD ACCOUNTABLE?

A. THE DISTRICT COURT'S CLASS-WIDE LIABILITY FINDING WAS BASED ON STATISTICAL DISPARITIES BETWEEN USIA'S WORKFORCE PROFILE AND THE PERCENTAGE OF WOMEN EMPLOYED IN CERTAIN SEGMENTS OF THE UNITED STATES' ECONOMY AS A WHOLE. SPECIFIC SUPERVISORS WERE NOT IDENTIFIED AND THE CLASS-WIDE FINDING WAS NOT BASED ON ANY SPECIFIC ACTS OR STATEMENTS OF WRONGDOING BY INDIVIDUALS.

THE ALLEGED ACTS OF DISCRIMINATION AT ISSUE HERE INVOLVED HIRING AND OCCURRED 16-26 YEARS AGO. THE COURT IDENTIFIED NO INDIVIDUALS AS BEING RESPONSIBLE FOR DISCRIMINATION IN HIRING. THE MAJORITY OF CLAIMS AT ISSUE INVOLVED POSITIONS TRANSFERRED TO THE BBG, NOT THE STATE DEPARTMENT. WE BELIEVE THAT THE RIGHT PLACE TO PUT OUR ENERGIES NOW IS TO FOCUS ON ENSURING THAT DISCRIMINATION DOES NOT HAPPEN IN THE FUTURE, RATHER THAN TO MAKE THE ALMOST IMPOSSIBLE EFFORT TO DETERMINE WHO WAS RESPONSIBLE FOR WHAT THE COURTS CONCLUDED WERE STRUCTURAL RATHER THAN INDIVIDUAL PROBLEMS.

Q. WERE RECORDS DESTROYED?

A. YES.

Q. WHY DID THE GOVERNMENT DESTROY RECORDS?

A. MANY OF THE DOCUMENTS RELEVANT TO THE CASE WERE APPARENTLY DESTROYED UNDER ROUTINE RECORD DISPOSITION SCHEDULES FOLLOWING THE DISTRICT COURT'S INITIAL DECISION IN USIA'S FAVOR IN 1979. SOME RECORDS WERE APPARENTLY LOST OR MISPLACED DUE TO A VARIETY OF FACTORS, INCLUDING DECENTRALIZATION OF USIA RECORDKEEPING, TURNOVER IN PERSONNEL, A LACK OF APPRECIATION FOR THE SIGNIFICANCE OF VARIOUS DOCUMENTS, AND OFFICE MOVES.

Q. WHO IS RESPONSIBLE FOR THE LOSS OF RECORDS?

A. AS FAR AS WE CAN DETERMINE, NO ONE IMPROPERLY DESTROYED RELEVANT DOCUMENTS. NUMEROUS INQUIRIES WERE MADE AND NO

EVIDENCE OF WRONGDOING WAS UNCOVERED.

Q. WHY WERE THE RECORDS NOT JUST ARCHIVED RATHER THAN DESTROYED?

A. RECORDS THAT WERE ARCHIVED WERE RETRIEVED. OTHER RECORDS WERE NOT ARCHIVED IN ERROR, AS HINDSIGHT CLEARLY SHOWS. ANY LARGE ORGANIZATION IS NOT ABLE TO KEEP ALL ITS PAPERS INDEFINITELY. THERE ARE STANDARD SCHEDULES RELATING TO THE DISPOSITION OF CERTAIN KINDS OF DOCUMENTS.

II. THE LITIGATION

Q. WHY DID THE CASE DRAG ON FOR SO LONG?

A. THE GOVERNMENT IN GOOD FAITH VIGOROUSLY DEFENDED THE CASE AT ALL STAGES, INCLUDING UP TO THE SUPREME COURT. FURTHER QUESTIONS ABOUT THE CONDUCT OF THE LITIGATION SHOULD BE DIRECTED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. DID THE GOVERNMENT DELIBERATELY ENGAGE IN DELAY TACTICS?

A. NO. RESOLUTION OF THE CASE TOOK A LONG TIME BECAUSE THE CASE WAS COMPLEX, MANY CLAIMS WERE INVOLVED, AND THE GOVERNMENT VIGOROUSLY DEFENDED THE CASE IN GOOD FAITH AT ALL STAGES. FURTHER QUESTIONS ABOUT THE CONDUCT OF THE LITIGATION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. IN RETROSPECT, SHOULD THE GOVERNMENT NOT HAVE FOUGHT THIS CASE?

A. THE GOVERNMENT LITIGATED THIS CASE IN GOOD FAITH AND TOOK POSITIONS WELL-GROUNDED IN FACT AND LAW. ANY FURTHER QUESTIONS ABOUT THE CONDUCT OF THE LITIGATION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. WHAT RELIEF DID THE SUCCESSFUL CLAIMANTS (THE ONES WHO OBTAINED JUDGMENTS) RECEIVE?

A. IN GENERAL, THE 46 CLAIMANTS WHO PREVAILED IN INDIVIDUAL HEARINGS RECEIVED AWARDS OF PAST AND FUTURE EARNINGS AND RETROACTIVE RETIREMENT ACCOUNTS. SOME ALSO RECEIVED INSTATEMENT ORDERS. FURTHER QUESTIONS ABOUT THE CONDUCT OF THE LITIGATION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. HOW MANY HAVE BEEN PAID THUS FAR? WHEN WILL THE OTHERS BE PAID?

A. THIS QUESTION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. DOES THIS END THE LITIGATION? IF NOT, WHAT'S LEFT TO DO?

A. FINAL COURT APPROVAL OF THE SETTLEMENT WILL END THE LITIGATION IN ALL MATERIAL RESPECTS. ANY MORE DETAILED

QUESTIONS SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. WHAT HAPPENED TO THE NAMED PLAINTIFF IN THE ORIGINAL LAWSUIT?

A. CAROLEE BRADY HARTMAN'S CLAIM WAS REJECTED BY THE DISTRICT COURT. THE SPECIAL MASTER APPOINTED BY THE COURT FOUND THAT MS. HARTMAN HAD NEVER FORMALLY APPLIED FOR A POSITION AND, TO THE EXTENT THAT SHE INITIATED THE APPLICATION PROCESS, SHE SUBSEQUENTLY FAILED TO COMPLETE IT AND ABANDONED ANY EFFORT TO SEEK THE POSITION THAT FORMED THE BASIS OF HER CLAIM. THE SPECIAL MASTER ALSO FOUND THAT USIA HAD PROVED A DEFENSE OF LACK OF QUALIFICATIONS BY CLEAR AND CONVINCING EVIDENCE.

III. THE SETTLEMENT

Q. WHY DID THE GOVERNMENT SETTLE?

A. THE GOVERNMENT SETTLED BECAUSE FURTHER LITIGATION WAS UNLIKELY TO BE PRODUCTIVE AND THE DEPARTMENT OF JUSTICE RECOGNIZED AFTER CAREFUL REVIEW THAT POSTPONING SETTLEMENT WOULD ONLY SUBJECT THE GOVERNMENT TO FURTHER AND RAPIDLY INCREASING COSTS.

-- NOW WE CAN LOOK FORWARD AND CONCENTRATE ON CONTINUING TO IMPROVE THE AREAS IN WHICH THE COURT FOUND FAULT.

Q. WHAT DOES THE SETTLEMENT COVER?

A. UNDER THE TERMS OF THE SETTLEMENT, PLAINTIFFS WILL ACCEPT \$508 MILLION PAID FROM THE JUDGMENT FUND, WHICH IS ADMINISTERED BY THE DEPARTMENT OF TREASURY, IN SETTLEMENT OF ALL CLAIMS. THE 46 CLAIMANTS WHO PREVAILED IN INDIVIDUAL HEARINGS BEFORE THE SPECIAL MASTER WILL RECEIVE THE INDIVIDUAL RELIEF THEY WERE AWARDED. PLAINTIFFS WILL RECEIVE ATTORNEYS' FEES, COSTS, EXPENSES, AND INTEREST ACCRUED THEREON.

Q. HOW WAS THE SETTLEMENT FIGURE REACHED?

A. THE SETTLEMENT FIGURE WAS REACHED AFTER A VERY CAREFUL ANALYSIS OF POTENTIAL LIABILITY BY THE UNITED STATES ATTORNEY'S OFFICE. FURTHER QUESTIONS SHOULD BE DIRECTED TO THEM.

Q. WHY DID IT TAKE SO LONG TO SETTLE THE CASE?

A. SETTLEMENT NEGOTIATIONS WERE LENGTHY BECAUSE OF THE SIZE OF THE CLASS AND THE COMPLEXITY OF THE ISSUES INVOLVED. FOR MORE DETAILED INFORMATION, ASK USAO.

Q. HOW IS THE SETTLEMENT TO BE DISTRIBUTED AMONG THE PLAINTIFFS?

A. THE PLAINTIFFS TOGETHER WITH CLASS COUNSEL WILL DETERMINE DISTRIBUTION OF THE SETTLEMENT. FURTHER QUESTIONS SHOULD BE

REFERRED TO USAO.

Q. WHAT IS THE AVERAGE SIZE OF SETTLEMENTS IN CLASS ACTION CASES? WHAT IS THE HIGH/LOW RANGE?

A. THIS QUESTION SHOULD BE REFERRED TO USAO.

Q. WHY IS THE SETTLEMENT AMOUNT SO MUCH HIGHER THAN OTHER RECENT CLASS ACTIONS AGAINST THE GOVERNMENT?

A. THIS QUESTION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

Q. HOW WILL THE MONEY FROM THE SETTLEMENT BE DISTRIBUTED?

A. THE PLAINTIFFS TOGETHER WITH CLASS COUNSEL WILL DETERMINE DISTRIBUTION OF THE SETTLEMENT. FURTHER QUESTIONS SHOULD BE REFERRED TO USAO.

Q. WHERE DID THE MONEY COME FROM TO SETTLE THE CASE?

A. THE MONEY WILL COME FROM THE JUDGMENT FUND, WHICH IS ADMINISTERED BY THE DEPARTMENT OF THE TREASURY. THE STATE DEPARTMENT IS INCURRING NO LIABILITY FOR PAYMENT OF THE SETTLEMENT. ALL FURTHER QUESTIONS SHOULD BE REFERRED TO USAO.

Q. IF THE CASE HAS SETTLED, WHY DO SOME PLAINTIFFS HAVE INDIVIDUAL DAMAGES AWARDS?

A. FORTY-SIX PLAINTIFFS WHO PREVAILED IN INDIVIDUALIZED DAMAGE DETERMINATIONS RECEIVED INDIVIDUAL DAMAGES AWARDS BEFORE THE CASE WAS SETTLED AND THESE AWARDS ARE NOT AFFECTED BY THE SETTLEMENT.

Q. IS THE GOVERNMENT SATISFIED WITH THE SETTLEMENT?

A. YES. WE SUPPORT THE SETTLEMENT. THE STATE DEPARTMENT BELIEVES IT IS IN THE BEST INTEREST OF ALL THE PARTIES TO PUT THIS LONGSTANDING MATTER BEHIND US AND MOVE FORWARD.

Q. WHAT ABOUT ATTORNEYS' FEES? ARE THEY INCLUDED IN THE SETTLEMENT?

A. YES. PLAINTIFFS WILL RECEIVE ATTORNEYS' FEES. THIS QUESTION SHOULD BE REFERRED TO THE UNITED STATES ATTORNEY'S OFFICE.

IV. PRESENT STATE OF AFFAIRS

Q. GIVEN THAT THE COURT FOUND THE GOVERNMENT LIABLE FOR DISCRIMINATION, WHAT HAS BEEN OR IS BEING DONE TO REMEDY THE PROBLEM?

A. MUCH HAS HAPPENED SINCE 1984 AND A MAJORITY OF THE CLAIMS AT ISSUE INVOLVE POSITIONS TRANSFERRED TO THE BBG. THE REMAINING PARTS OF USIA BECAME PART OF STATE ONLY LAST OCTOBER. NEVERTHELESS, THE STATE DEPARTMENT IS COMMITTED TO

ENSURING EQUAL EMPLOYMENT AND PROMOTIONAL OPPORTUNITIES FOR ALL EMPLOYEES AND APPLICANTS FOR EMPLOYMENT IN ALL AREAS OF THE DEPARTMENT, WHICH IS WHY IT:

-- EVALUATES ANNUALLY ALL SUPERVISORS AND MANAGERS ON EFFECTIVENESS IN CARRYING OUT EQUAL EMPLOYMENT OPPORTUNITY RESPONSIBILITIES.

-- MONITORS HOW THE DEPARTMENT IS DOING IN HIRING AND PROMOTING WOMEN AND MINORITIES THROUGH THE REPORTS OF THE UNDER SECRETARY FOR MANAGEMENT'S COUNCIL ON EQUALITY IN THE WORKPLACE.

-- REQUIRES EEO TRAINING FOR MANAGERS AND SUPERVISORS OF FOREIGN SERVICE OFFICERS.

-- RECRUITS AT TARGETED COLLEGES AND UNIVERSITIES, INCLUDING WOMEN'S COLLEGES, TO ENCOURAGE MORE WOMEN AND MINORITIES TO APPLY.

-- REGULARLY REEVALUATES OUR PROCEDURES FOR HIRING NEW EMPLOYEES, INCLUDING MAKING REFINEMENTS IN OUR EXAMINATION PROCESSES TO PROMOTE EQUAL OPPORTUNITY PRINCIPLES.

(FOR A MORE DETAILED LIST, SEE THE ANSWER TO THE LAST QUESTION IN THIS SECTION.)

Q. WHAT DOES THE STATE DEPARTMENT LOOK LIKE NOW IN TERMS OF HIRING WOMEN FOR THOSE POSITIONS?

A. THERE HAS BEEN SIGNIFICANT IMPROVEMENT IN THE PART OF USIA TRANSFERRED TO STATE SINCE THE ORIGINAL FINDING OF LIABILITY IN 1984, WHICH WAS BASED ON STATISTICAL EVIDENCE FROM 1978. TWO OF THE SIX JOB CATEGORIES WITH RESPECT TO WHICH THE COURT FOUND USIA LIABLE FOR DISCRIMINATION IN HIRING WERE TRANSFERRED TO THE STATE DEPARTMENT WHEN USIA WAS ABOLISHED ON OCTOBER 1, 1999. THESE TWO JOB CATEGORIES ARE WRITER-EDITOR AND FOREIGN INFORMATION SPECIALIST, WHICH IS THE TERM USED BY USIA TO REFER TO ITS FOREIGN SERVICE OFFICERS. WRITER-EDITOR POSITIONS ARE CIVIL SERVICE.

-- AS THE FOLLOWING NUMBERS SHOW, THE POSITIONS AFFECTED BY THIS LAWSUIT THAT TRANSFERRED TO THE STATE DEPARTMENT LAST OCTOBER NOW HAVE A SUBSTANTIALLY HIGHER PERCENTAGE OF WOMEN THAN IN 1978. 1978 IS USED AS THE REFERENCE YEAR BECAUSE THE LIABILITY FINDING WAS BASED ON STATISTICS FROM 1978.

--IN DECEMBER 1978, WOMEN HELD 25% OF THE WRITER-EDITOR POSITIONS.

--IN SEPTEMBER 1999, WOMEN HELD 52% OF THE USIA WRITER-EDITOR POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT.

--IN DECEMBER 1978, 13% OF USIA'S FOREIGN SERVICE OFFICERS WERE WOMEN.

--IN SEPTEMBER 1999, WOMEN HELD 44% OF THE USIA FOREIGN SERVICE OFFICER POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT.

WRITER-EDITORS

DECEMBER 1978

SEPTEMBER 1999		
WOMEN	25&	52&
MEN	75&	
48&		
USIA JUNIOR OFFICERS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	34&	60&
MEN	66&	
40&		
USIA MID-LEVELS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	12&	46&
MEN	88&	
54&		
USIA OVERALL FS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	13&	44&
MEN	87&	
56&		

Q. DON'T THE COURT RULINGS IN THIS CASE, AND THE MAGNITUDE OF THE SETTLEMENT, REFLECT BADLY ON THE STATE DEPARTMENT?

A. NO. THE DEPARTMENT INHERITED A PART OF THIS CASE ONLY LAST OCTOBER. THE ACTS AT ISSUE IN THIS LITIGATION OCCURRED MORE THAN 15 YEARS AGO, AND THUS LONG BEFORE ANY PART OF THE USIA CAME TO THE STATE DEPARTMENT AND BEFORE CONSOLIDATION OF THE TWO AGENCIES WAS EVEN CONTEMPLATED. NONETHELESS, THE STATE DEPARTMENT TAKES THIS CASE VERY SERIOUSLY. IT UNDERSCORES THE NEED TO BE VIGILANT IN OUR COMMITMENT TO ERADICATING ANY VESTIGES OF UNFAIR EMPLOYMENT PRACTICES AND TO ENSURING THAT ALL EMPLOYEES AND APPLICANTS FOR EMPLOYMENT ARE GIVEN EQUAL OPPORTUNITY FOR EMPLOYMENT AND ADVANCEMENT.

Q. WHAT KIND OF RESPONSIBILITY DOES THE STATE DEPARTMENT TAKE FOR THIS CASE?

A. THE STATE DEPARTMENT WAS NOT A PARTY TO THE CASE WHEN LIABILITY WAS FOUND AND WAS NOT HELD RESPONSIBLE FOR ACTIONS THAT TOOK PLACE AT ANOTHER AGENCY BETWEEN 1974 AND 1984. HOWEVER, THE STATE DEPARTMENT IS RESPONSIBLE FOR PROVIDING ITS EMPLOYEES WITH A WORKPLACE THAT IS FREE FROM BIAS AND DISCRIMINATION. THIS INCLUDES ESTABLISHING PROCEDURES TO HANDLE COMPLAINTS OF DISCRIMINATION AND ENSURING THAT THOSE PROCEDURES ARE EFFECTIVE.

Q. WHAT ARE STATE'S RESPONSIBILITIES UNDER HARTMAN AT THIS POINT?

A. AS A SUCCESSOR AGENCY TO USIA, THE STATE DEPARTMENT ASSUMED A SMALL AMOUNT OF REMEDIAL RESPONSIBILITY LAST OCTOBER. THE STATE DEPARTMENT IS RESPONSIBLE FOR IMPLEMENTING THE REMEDIES THAT WERE AWARDED TO INDIVIDUAL CLAIMANTS WHO SOUGHT EMPLOYMENT WITH COMPONENTS OF USIA THAT ARE NOW PART OF THE STATE DEPARTMENT. THIS INVOLVES OFFERING A SMALL NUMBER OF CLAIMANTS -- FEWER THAN FIVE -- STATE DEPARTMENT JOBS; ADJUSTING SERVICE COMPUTATION DATES, EARNED

LEAVE, AND ANNUITIES FOR SOME CLAIMANTS; AND MAKING CHANGES TO CLAIMANTS' OFFICIAL PERSONNEL FILES AND RETIREMENT RECORDS.

-- STATE IS NOT RESPONSIBLE FOR THE MONETARY SETTLEMENT. ALL MONIES ARE BEING PAID FROM THE JUDGMENT FUND, WHICH THE DEPARTMENT OF THE TREASURY ADMINISTERS.

Q. SINCE THE STATE DEPARTMENT INHERITED PART OF THIS CASE FROM USIA, DO THE PROBLEMS THAT WERE UNCOVERED BY THE HARTMAN SUIT CONCERN STATE?

A. THE PROBLEMS THAT WERE ADDRESSED BY THE HARTMAN SUIT CONCERN THE STATE DEPARTMENT VERY MUCH. WE WANT TO ENSURE THAT THERE IS NO DISCRIMINATION IN OUR HIRING PRACTICES. FURTHERMORE, THE STATE DEPARTMENT WANTS EMPLOYEES AND APPLICANTS FOR EMPLOYMENT IN ALL AREAS OF THE DEPARTMENT, IN THE CIVIL SERVICE AND THE FOREIGN SERVICE, TO BE ACCORDED DIGNITY, FAIRNESS, AND EQUAL OPPORTUNITY.

Q. DID THE PROBLEMS HIGHLIGHTED BY THE SUIT EVER RESULT IN IMPLEMENTATION OF ANY NEW POLICIES OR PRACTICES IN THE DEPARTMENT?

A. THE CONDITIONS THAT THE COURT FOUND TROUBLING IN THIS SUIT AROSE LONG BEFORE THE STATE DEPARTMENT INHERITED ANY FUNCTIONS FROM USIA. HOWEVER, THE STATE DEPARTMENT ITSELF HAS TAKEN A NUMBER OF STEPS TO PREVENT DISCRIMINATION. (SEE LAST QUESTION IN THIS SECTION FOR MORE DETAILS.)

Q. WHO WERE THE HIGHEST OFFICIALS AT USIA AND VOA DURING THIS PERIOD AND DID THEY EVER ACKNOWLEDGE RESPONSIBILITY?

A. USIA DIRECTORS OVER THE 10-YEAR LIABILITY PERIOD INCLUDED JAMES KEOGH, JOHN REINHARDT, AND CHARLES WICK. VOA DIRECTORS INCLUDED KENNETH GIDDENS, PETER STRAUSS, MARY BITTERMAN, JAMES CONKLING, JOHN HUGHES, AND KENNETH TOMLINSON. USIA AND VOA OFFICIALS DID NOT COMMENT PUBLICLY ON THE CASE WHILE IT WAS IN LITIGATION.

Q. WHAT PERCENTAGE OF OLD USIA CAME TO THE STATE DEPARTMENT AND WHAT PERCENTAGE WENT TO FORM THE NEW BBG?

A. ABOUT 50% OF USIA WENT TO BBG AND ABOUT 50% CAME TO THE STATE DEPARTMENT. THIS NUMBER DOES NOT INCLUDE FOREIGN SERVICE NATIONALS (NON-U.S. CITIZENS USUALLY ASSIGNED TO POSTS ABROAD). THE MAJORITY OF THE HARTMAN CLAIMS, HOWEVER, INVOLVE POSITIONS TRANSFERRED TO BBG.

Q. DOES STATE HAVE ANY GENDER RATIO PROBLEMS NOW?

A. THE STATE DEPARTMENT IS COMMITTED TO A DIVERSE AND GENDER-BALANCED WORKFORCE. TO THAT END, THE STATE DEPARTMENT HAS WORKED TO INCREASE THE NUMBER OF WOMEN WHO ARE CANDIDATES FOR ENTRY INTO THE FOREIGN SERVICE. THE PERCENTAGE OF WOMEN IN EACH JUNIOR OFFICER CLASS HAS BEEN INCREASING EACH YEAR, AS HAS THE PERCENTAGE OF WOMEN IN THE OVERALL FOREIGN SERVICE.

Q. HOW MANY WOMEN CURRENTLY WORK AT VOA? HOW LARGE IS THE

TOTAL WORKFORCE?

A. BECAUSE VOA IS NOW A PART OF BBG, THIS QUESTION SHOULD BE REFERRED TO BBG.

Q. WHAT PERCENTAGE OF EMPLOYEES IN THE POSITIONS FOR WHICH THE SUIT WAS BROUGHT (I.E., WRITER-EDITORS, FOREIGN LANGUAGE BROADCASTERS, FOREIGN INFORMATION SPECIALISTS, PRODUCTION SPECIALISTS, RADIO BROADCAST TECHNICIANS, AND ELECTRONIC TECHNICIANS) ARE CURRENTLY WOMEN?

A. (NOTE: THIS ANSWER LARGELY DUPLICATES THE ANSWER TO QUESTION IV.2) THE STATE DEPARTMENT CAN ONLY ANSWER THIS QUESTION WITH RESPECT TO THE TWO USIA JOB CATEGORIES -- WRITER-EDITOR AND FOREIGN INFORMATION SPECIALIST -- THAT TRANSFERRED TO THE DEPARTMENT IN OCTOBER 1999. THERE HAS BEEN SIGNIFICANT IMPROVEMENT.

(BACKGROUND: WRITER-EDITORS ARE CIVIL SERVICE POSITIONS FOUND PRIMARILY AT THE STATE DEPARTMENT. FOREIGN INFORMATION SPECIALISTS, WHICH ARE WHAT USIA FSOS WERE CALLED, ARE NOW FOUND ONLY AT THE STATE DEPARTMENT.)

-- THE POSITIONS AFFECTED BY THIS LAWSUIT THAT TRANSFERRED TO THE STATE DEPARTMENT LAST OCTOBER NOW HAVE A SUBSTANTIALLY HIGHER PERCENTAGE OF WOMEN THAN IN 1978. 1978 IS USED AS THE REFERENCE YEAR BECAUSE THE LIABILITY FINDING WAS BASED ON STATISTICS FROM 1978.

-- IN DECEMBER 1978, WOMEN HELD 25% OF THE WRITER-EDITOR POSITIONS. IN SEPTEMBER 1999, WOMEN HELD 52% OF THE WRITER-EDITOR POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT. IN DECEMBER 1978, 13% OF USIA'S FOREIGN SERVICE OFFICERS WERE WOMEN. IN SEPTEMBER 1999, WOMEN HELD 44% OF THE FOREIGN SERVICE OFFICER POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT.

WRITER-EDITORS	DECEMBER 1978	
SEPTEMBER 1999		
WOMEN	25%	52%
MEN	75%	
48%		
USIA JUNIOR OFFICERS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	34%	60%
MEN	66%	
40%		
USIA MID-LEVELS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	12%	46%
MEN	88%	
54%		
USIA OVERALL FS	DECEMBER 1978	SEPTEMBER 1999
WOMEN	13%	44%
MEN	87%	
56%		

Q. HOW MANY WOMEN NOW WORK AT STATE? WHAT KIND OF POSITIONS DO THEY HOLD?

A. WOMEN HOLD POSITIONS AT EVERY GRADE AND CLASS THROUGHOUT THE CIVIL SERVICE AND FOREIGN SERVICE, INCLUDING IN THE SENIOR EXECUTIVE SERVICE, THE SENIOR FOREIGN SERVICE, AND POSITIONS REQUIRING SENATE CONFIRMATION. THE DEPARTMENT ACTIVELY WORKS TO RECRUIT WOMEN AND MINORITIES INTO THE FOREIGN SERVICE AND CIVIL SERVICE.

-- 33% OF THE STATE DEPARTMENT'S CURRENT FOREIGN SERVICE GENERALISTS AND SPECIALISTS ARE WOMEN. THIS INCLUDES THE FOREIGN SERVICE GENERALIST AND SPECIALIST POSITIONS THAT CAME OVER FROM USIA LAST OCTOBER. IN THE CIVIL SERVICE, 62% OF THE POSITIONS ARE HELD BY WOMEN. AGAIN, THIS INCLUDES THE CIVIL SERVICE POSITIONS THAT CAME TO THE STATE DEPARTMENT FROM USIA.

Q. WHAT PERCENTAGE OF NEW HIRES ARE WOMEN?

A. IN THE FOREIGN SERVICE, 39% OF JUNIOR OFFICER HIRES IN 1999 WERE WOMEN. IN THE CIVIL SERVICE, FOR CALENDAR YEAR 1998, 64% OF NEW HIRES WERE WOMEN.

-- THE DEPARTMENT ACTIVELY SEEKS TO ATTRACT WOMEN INTO THE FOREIGN SERVICE BY RECRUITING AT WOMEN'S ORGANIZATIONS AND WOMEN'S COLLEGES. IN ADDITION, THE DEPARTMENT USES ITS STUDENT PROGRAMS -- INTERNS, FOREIGN AFFAIRS FELLOWS, AND PRESIDENTIAL MANAGEMENT INTERNS -- TO ENCOURAGE ENTRY INTO THE FOREIGN SERVICE AND CIVIL SERVICE. 59% OF THE PARTICIPANTS IN THESE STUDENT PROGRAMS IN 1999 WERE WOMEN.

Q. HOW MANY POSITIONS (NON-SUPPORT) TRANSFERRED FROM USIA TO STATE THAT WOULD BE COVERED IN THIS SUIT? HOW MANY OF THOSE POSITIONS WERE/ARE FILLED BY WOMEN?

A. APPROXIMATELY 800 FOREIGN SERVICE POSITIONS CAME TO THE STATE DEPARTMENT FROM USIA. ABOUT 50 WRITER-EDITOR POSITIONS CAME TO THE STATE DEPARTMENT FROM USIA.

-- THE POSITIONS AFFECTED BY THIS LAWSUIT THAT TRANSFERRED TO THE STATE DEPARTMENT LAST OCTOBER NOW HAVE A SUBSTANTIALLY HIGHER PERCENTAGE OF WOMEN THAN IN 1978. 1978 IS USED AS THE REFERENCE YEAR BECAUSE THE LIABILITY FINDING WAS BASED ON STATISTICS FROM 1978.

-- IN DECEMBER 1978, WOMEN HELD 25% OF THE WRITER-EDITOR POSITIONS. IN SEPTEMBER 1999, WOMEN HELD 52% OF THE WRITER-EDITOR POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT. IN DECEMBER 1978, 13% OF USIA'S FOREIGN SERVICE OFFICERS WERE WOMEN. IN SEPTEMBER 1999, WOMEN HELD 44% OF THE FOREIGN SERVICE OFFICER POSITIONS THAT TRANSFERRED TO THE STATE DEPARTMENT.

Q. WHAT IS THE STATE DEPARTMENT DOING TO MAKE SURE THIS TYPE OF DISCRIMINATION DOES NOT HAPPEN AGAIN?

A. THE SECRETARY HAS REPEATEDLY REAFFIRMED THE IMPORTANCE OF EQUAL OPPORTUNITY AND A DIVERSE AND BIAS-FREE WORKPLACE. SHE HAS ISSUED POLICY STATEMENTS TO DEPARTMENT MANAGERS AND EMPLOYEES STRESSING HER COMMITMENT TO THE PRINCIPLE OF EQUAL EMPLOYMENT OPPORTUNITY AS WELL AS FAIR TREATMENT FOR ALL. IN ADDITION, SHE HAS INFORMED MANAGEMENT OFFICIALS AT ALL LEVELS THAT THEY SHARE RESPONSIBILITY FOR ENFORCING FEDERAL EEO LAWS AND ENSURING EQUITABLE MANAGEMENT PRACTICES.

-- RECRUITING WOMEN AND MINORITIES INTO THE FOREIGN SERVICE IS A CENTRAL GOAL OF THE DEPARTMENT'S STRATEGIC RECRUITMENT PLAN. THE GOAL IS TO INCREASE THE NUMBERS OF WOMEN AND MINORITIES WHO TAKE THE FOREIGN SERVICE WRITTEN EXAM. RECRUITERS VISIT TARGETED SCHOOLS, INCLUDING WOMEN'S COLLEGES. RECRUITERS ALSO SPEAK TO A NUMBER OF WOMEN'S GROUPS AND PARTICIPATE IN CONFERENCES AND CAREER FAIRS TARGETED AT WOMEN.

-- THE DEPARTMENT REGULARLY REEVALUATES OUR PROCEDURES FOR HIRING NEW EMPLOYEES AND MAKES REFINEMENTS IN OUR EXAMINATION PROCESSES TO PROMOTE EQUAL OPPORTUNITY PRINCIPLES.

-- THE STATE DEPARTMENT ALSO RELIES ON STUDENT PROGRAMS AS FEEDERS INTO THE PERMANENT RANKS FOR BOTH THE FOREIGN SERVICE AND CIVIL SERVICE. IN 1999, WOMEN ACCOUNTED FOR 59% OF THE PARTICIPANTS IN OUR STUDENT PROGRAMS AS A WHOLE. THAT BREAKS DOWN TO 57% OF THE INTERNS, 63% OF THE FOREIGN AFFAIRS FELLOWS, AND 56% OF THE PRESIDENTIAL MANAGEMENT INTERNS.

-- THE STATE DEPARTMENT'S COUNCIL FOR EQUALITY IN THE WORKPLACE, CHAIRED BY THE UNDER SECRETARY FOR MANAGEMENT, MAKES RECOMMENDATIONS WITH REGARD TO PERSONNEL POLICIES AND PRACTICES THAT AFFECT ADVANCEMENT AND OPPORTUNITY IN BOTH THE FOREIGN SERVICE AND CIVIL SERVICE AND IS FOCUSED ON IDENTIFYING ANY PERCEIVED BARRIERS TO RECRUITMENT AND ADVANCEMENT.

-- EEO/DIVERSITY TRAINING COURSES ARE REQUIRED FOR ALL SUPERVISORS OF FOREIGN SERVICE OFFICERS (BOTH FOREIGN SERVICE AND CIVIL SERVICE) AND FOR ALL FOREIGN SERVICE OFFICERS.
PICKERING

TOR: 03/22/00 22:30:54

DIST: SIT: NSC HUSO KEITH LIEBERTHAL OSIUS PRITCHARD SMITHH
SIT: NSC HUSO KEITH LIEBERTHAL OSIUS PRITCHARD SMITHH

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEHMEA3145 0952156-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: R 042156Z APR 00
LINE4: FM AMEMBASSY MEXICO
OSRI: RUEHME
DTG:
ORIG: AMEMBASSY MEXICO
TO: RUEHC/SECSTATE WASHDC 1251
INFO: RUEHC/DOL WASHDC
RUEHKG/AMEMBASSY KINGSTON 0052
SUBJ: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'S PROGRAM IN MEXICO (TRACKER NO. 10028)
TEXT: UNCLAS SECTION 01 OF 03 MEXICO 003145

STATE FOR IIP/T GCHRISTISON, IIP/G/WHA JGREENSPAN;
INFO WHA/PDPA CWILDER; LABOR FOR ILAB; KINGSTON FOR
PAO MKORFF-RODRIGUES

E.O. 12958: N/A
TAGS: SOCI, OIIP, ELAB
SUBJECT: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'S PROGRAM IN MEXICO (TRACKER NO. 10028)

1. DESCRIPTION OF THE ACTIVITY: MR. STANLEY LEVY, A PARTNER WITH MANATT, PHELPS & PHILLIPS LAW FIRM AND FORMER GENERAL COUNSEL OF GUESS, INC., EMPHASIZED U.S. INDUSTRY LABOR CODES OF CONDUCT AS "GOOD BUSINESS" IN DISCUSSIONS WITH REPRESENTATIVES FROM THE APPAREL INDUSTRY, U.S. MANUFACTURERS, MEXICAN SUPPLIERS, HUMAN RESOURCES MANAGERS AND STUDENTS OF INTERNATIONAL BUSINESS. MR. LEVY NOTED THAT ADHERENCE TO LABOR STANDARDS WAS A PRIVATE SECTOR AS WELL AS USG CONCERN, WITH INDUSTRY CODES OF CONDUCT OFTEN EXCEEDING U.S. LABOR LAWS TO SAFEGUARD CORPORATE IMAGE AGAINST SWEATSHOP CONTRACTORS.

- THIS CONSUMER-BASED TREND SURPRISED MANY OF MR. LEVY'S AUDIENCE: THE LABOR EXPERT FROM A RESPECTED THINK TANK HAD THOUGHT THE NEW EMPHASIS ON LABOR STANDARDS WAS DRIVEN BY THE U.S. GOVERNMENT OR LABOR UNIONS; WHILE BUSINESS STUDENTS AT THE PRIVATE ANAHUAC UNIVERSITY FELT THEY RARELY DISCUSSED THE HUMAN SIDE OF PRODUCTION, FOCUSING INSTEAD ON PROFIT AND THE BOTTOM LINE. WE EXPECT THIS PROGRAM TO REINFORCE FAIR LABOR PRACTICES, CONTRIBUTING TO OUR MPP GOAL OF ECONOMIC PROSPERITY.

2. PROGRAM DATES: MARCH 28-30, 2000; FY-00; SECOND QUARTER.

3. JUSTIFICATION AND OBJECTIVES: THROUGH THIS PROGRAM, POST WISHED TO CONVEY THAT ATTENTION TO INTERNATIONAL SOURCING PRACTICES IS A FACTOR OF BUSINESS IN THE U.S. THIS IS A WORKING ENVIRONMENT, RATHER THAN GOVERNMENT-TO-GOVERNMENT, ISSUE THAT SHOULD NOT BE SEEN AS THREATENING TO MEXICAN MANUFACTURERS. INSTEAD, MEXICAN BUSINESS AND LABOR ORGANIZATIONS SHOULD UNDERSTAND THE FACTORS BEHIND THIS GROWING PRIVATE SECTOR CONCERN TO WORK WITH THEIR U.S. PARTNERS MORE EFFECTIVELY.

4. SUNDRY:

- TRACKER NO. 10028
- MPP GOAL: ECONOMIC COOPERATION AND PROSPERITY.
- AUDIENCE REACHED: APPAREL INDUSTRY REPRESENTATIVES; MEXICAN FACTORY OWNERS AND HUMAN RESOURCE MANAGERS; U.S. MANUFACTURERS; STUDENTS OF INTERNATIONAL BUSINESS; EMBASSY OFFICIALS; AND INTELLECTUAL READERS OF EL FINANCIERO DAILY.

5. RESULTS/IMPACT: VERY GOOD. GIVEN A CONFLUENCE OF INDUSTRY CHAMBER MEETINGS DURING THE LAST WEEK OF MARCH, POST WAS NOT ABLE TO BRING THIS EXPERIENCED SPEAKER TO ALL DESIRED AUDIENCES, PARTICULARLY THE CHAMBERS. IN EVERY MEETING, HOWEVER, MR. LEVY WAS ABLE TO EXPLAIN CLEARLY THE CONCERNS OF U.S. INDUSTRY AND WHY CONTRACTORS -- ESPECIALLY THOSE IN MEXICO, WHICH LAST YEAR DISPLACED CHINA AS THE LARGEST APPAREL SUPPLIER TO THE U.S. -- NEED TO COMPLY WITH VOLUNTARY LABOR STANDARDS AS A "COST OF DOING BUSINESS." MR. LEVY DETAILED U.S. INDUSTRY'S RECENT EMPHASIS ON COMPLIANCE WITH VOLUNTARY LABOR STANDARDS FOR CONTRACTORS, EXPLAINING THAT INDUSTRY CONCERN STARTED WITH THE 1992 DECISION TO HOLD LEVI STRAUSS RESPONSIBLE FOR UNPAID BACK WAGES IN SAIPAN; AND THE 1996 KATHY LEE GIFFORD SWEATSHOP LABOR SCANDAL.

- EVEN THOSE FAMILIAR WITH THE NEW U.S. INDUSTRY LABOR STANDARDS BENEFITED FROM MR. LEVY'S EXPERIENCE AS HE WAS ABLE TO DIRECT THEM TO WEBSITES AND OTHER RESOURCES CONTAINING DETAILED LISTS OF THE CODES OF CONDUCT.

- PARTICULARLY SUCCESSFUL WERE EVENTS WITH THE HUMAN RESOURCES AND LABOR CONTACT GROUP, A LIVELY AD HOC MEETING OF MEXICAN BUSINESS PEOPLE INVOLVED IN LABOR ISSUES; ANAHUAC UNIVERSITY'S FACULTY OF BUSINESS; AND REPRESENTATIVES FROM U.S. COMPANIES DOING BUSINESS IN MEXICO.

6. SPECIFIC HIGHLIGHTS INCLUDD:

- AN ANIMATED LUNCH WITH REPRESENTATIVES F THE HUMAN RESOURCES AND LABOR CONTACT GROUP: MR. LEVY DEBUNKED THE IMPRESSION THAT COMPANIES COULD NOT IMPROVE STANDARDS OVERSEAS WITHOUT SACRIFICING CHEAPER WAGES. NOTING THAT IMPROVED LABOR STANDARDS TEND TO IMPROVE

PRODUCTIVITY ALONG WITH WORKER MORAL, MR. LEVY ARGUED THAT SELF-MONITORING INVESTS RESPONSIBILITY WITH THE SUPPLIER. HIS INTERLOCUTORS -- RANGING FROM HUMAN RESOURCE MANAGERS FOR U.S. COMPANIES TO A LEADING LABOR LAWYER -- AGREED, RESPONDING THAT ALTHOUGH UNCLAS SECTION 02 OF 03 MEXICO 003145

STATE FOR IIP/T GCHRISTISON, IIP/G/WHA JGREENSPAN; INFO WHA/PDPA CWILDER; LABOR FOR ILAB; KINGSTON FOR PAO MKORFF-RODRIGUES

E.O. 12958: N/A

TAGS: SOCI, OIIP, ELAB

SUBJECT: PROGRAM EVALUATION OF U.S. LABOR EXPERT STANLEY LEVY'S PROGRAM IN MEXICO (TRACKER NO. 10028)

MONITORING COMPLIANCE WITH LABOR STANDARDS IS DRIVEN BY FEAR OF BAD PRESS, FACTORIES ARE IMPLEMENTING THE STANDARDS AS PART OF GOOD BUSINESS PRACTICES. THE REALITY OF LIVING CONDITIONS IN EACH COUNTRY, HOWEVER, MUST BE TAKEN INTO ACCOUNT AS SOME STANDARDS ARE NOT REALISTIC. IMPORTANTLY, MR. LEVY SHARED WEBSITES AND OTHER SOURCES FOR SPECIFIC INDUSTRY CODES OF CONDUCT.

AMONG THE ATTENDEES AT THE LUNCH WAS THE PRESIDENT OF THE MEXICAN FAIR LABOR COURT SYSTEM, ANTONIO MONTES PENA, WHO GAVE ADDITIONAL WEIGHT TO THE MEETING AS A REPRESENTATIVE OF AN ENTITY HANDLING CONTROVERSIES BETWEEN EMPLOYERS AND EMPLOYEES. FOR MR. MONTES PENA TO HEAR FIRST-HAND THE CONCERNS OF HUMAN RESOURCE DIRECTORS OF AMERICAN SUBSIDIARIES IN MEXICO FOR THEIR EMPLOYEES ALLOWED HIM TO UNDERSTAND THE PHENOMENON MORE FULLY, CLEARLY DEMONSTRATING THAT U.S. COMPANIES ARE WORRIED ABOUT THEIR IMAGE VIS A VIS CONSUMERS. WE HOPE THAT THE MEXICAN FAIR LABOR COURT, WHEN ARBITRATING LABOR DISPUTES, WILL KEEP IN MIND THE FAIR LABOR CONDITIONS AND PRACTICES DISCUSSED AT THIS EVENT.

- A LECTURE TO INTERNATIONAL BUSINESS STUDENTS AT ANAHUAC UNIVERSITY: MR. LEVY'S AUDIENCE WAS SURPRISED BY HIS SUGGESTION THAT WORKERS, NOT BOTTOM LINE PROFIT, WERE THE MOST IMPORTANT PART OF PRODUCTION. MR. LEVY ACKNOWLEDGED THAT SUCH A CHANGE IN CORPORATE CULTURE WAS DRIVEN BY PROFIT (MINIMIZING RISK TO CORPORATE IMAGE) RATHER THAN ALTRUISTIC INTEREST IN THE WORKER. NEVERTHELESS, QUALITY ASSURANCE IS NO LONGER SUFFICIENT TO PROTECTING A COMPANY'S REPUTATION; THE EXPERIENCES OF NIKE, GAP, LEVI'S AND LIZ CLAIBORNE HAVE SHOWN THAT HUMAN RIGHTS ISSUES MUST BE CONSIDERED AS WELL.

- A BREAKFAST MEETING WITH U.S. INDUSTRY REPRESENTATIVES: MR. LEVY AGAIN NOTED THAT THOSE FACTORIES WITH THE BEST LABOR STANDARDS HAVE INCREASED PRODUCTIVITY. IT THEREFORE MAKES GOOD BUSINESS SENSE TO COMPLY WITH THE INDUSTRY LABOR STANDARDS, WHICH ARE INCORPORATED INTO CONSUMER VALUES. THE LABOR

REPRESENTATIVE FROM THE CENTER FOR RESEARCH ON DEVELOPMENT (CIDAC) EXPRESSED SURPRISE THAT THE IMPETUS FOR COMPLIANCE CAME FROM CONSUMERS AND INDUSTRY REPRESENTATIVES RATHER THAN LABOR UNIONS OR THE USG; HE SAID HE WILL CHANGE HIS FOCUS ON LABOR-RELATED ARTICLES AS A RESULT.

- THE NATIONAL CHAMBER OF THE APPAREL INDUSTRY'S ANNUAL MEETING: MR. LEVY'S AUDIENCE RESPONDED WITH MORE PRACTICAL CONCERNS: HOW MANY FACTORIES PASSED INSPECTION FOR LABOR STANDARDS, AND HOW MUCH DID IT COST THEM TO COMPLY? ALTHOUGH INITIALLY ONLY 20 PER CENT OF MEXICAN SUPPLIERS COMPLIED WITH U.S. INDUSTRY STANDARDS, MR. LEVY STRESSED THAT THE COST OF UPGRADING LABOR STANDARDS SHOULD BE VIEWED AS SIMILAR TO THE COST OF UPGRADING EQUIPMENT TO FULFILL A U.S. ORDER: PART OF THE COST OF DOING BUSINESS.

- MR. LEVY WAS ALSO INTERVIEWED BY ECONOMIC DAILY EL FINANCIERO, WHICH PUBLISHED A HALF-PAGE ARTICLE THE NEXT DAY DETAILING THE COMPLIANCE PROGRAM.

7. NON-USG SOURCES OF IN-COUNTRY FUNDING: NONE.

8. QUALITY OF U.S. SUPPORT: GOOD. POST WAS PLEASED THAT IIP/T WAS ABLE TO SECURE MR. LEVY'S PARTICIPATION IN THIS PROGRAM, WHICH EMPHASIZED THE ROLE OF PRIVATE INDUSTRY IN CREATING NEW STANDARDS. MR. LEVY TOLD POST HE SPOKE TO OVER 40 INDUSTRY CONTACTS TO PREPARE FOR THE TRIP, ARRIVING WITH A WEALTH OF DOCUMENTS AND MEXICO-SPECIFIC CONCERNS BY U.S. MANUFACTURERS THAT ENHANCED HIS TALK. HE WAS AMONG THE MOST PROFESSIONAL AND PREPARED SPEAKERS WE HAVE HAD THE PLEASURE TO HOST, AND WE RECOMMEND HIM FOR FUTURE LABOR-FOCUSED PROGRAMS IN THE REGION. (DRAFTED BY SSTEVENSON)

DAVIDOW

UNCLASSIFIED

PAS 4/3/00

PAS:PAO:JDICKSON

PAS:CAO:OKERR

PAS:ACAO:ROSS

NONE

AMEMBASSY MEXICO
TO SECSTATE WASHDC

DEPT. FOR IIP/G/WHA JGREENSPAN, CBARONE; INFO WHA/PDPA
UNCLAS SECTION 03 OF 03 MEXICO 003145

STATE FOR IIP/T GCHRISTISON, IIP/G/WHA JGREENSPAN;
INFO WHA/PDPA CWILDER; LABOR FOR ILAB; KINGSTON FOR
PAO MKORFF-RODRIGUES

E.O. 12958: N/A

TAGS: SOCI, OIIP, ELAB

SUBJECT: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'S PROGRAM IN MEXICO (TRACKER NO. 10028)

CWILDER

E.O. 12958: N/A

SUBJECT: REQUEST FOR SPEAKERS TO PARTICIPATE IN
CONFERENCE FOR YOUNG POLITICAL LEADERS

1. SUMMARY: SPEAKERS WILL WORK WITH YOUNG POLITICAL LEADERS FROM THREE MAIN POLITICAL PARTIES IN MEXICO CITY AND AT LEAST ONE ADDITIONAL CITY TO DISCUSS INTERNAL PARTY OPERATIONS IN THE UNITED STATES, EXTERNAL RELATIONS WITH OTHER PARTIES AND ORGANIZATIONS, AS WELL AS ADDRESS HOT TOPICS AND PLATFORMS FOR UPCOMING U.S. ELECTIONS. END SUMMARY.

2. DATES OF THE PROGRAM: MAY 15-19, 2000

3. PURPOSE OF PROGRAM: UNDER THE MPP GOA ZW2DTWO COUNTRIES, HITS DIRECTLY AT BOTH OF THESE GOALS. SPEAKERS WILL FOCUS ON INSTITUTIONAL STRUCTURE AND THE POLITICAL PROCESS IN THE U.S., HOT TOPICS AND PARTY PLATFORMS IN THE UPCOMING U.S. ELECTIONS, AS WELL AS OTHER ISSUES SUCH AS CAMPAIGN FINANCING, TRANSPARENCY, AND ACCOUNTABILITY TO VOTERS. AS ELECTIONS IN MEXICO AND THE U.S. WILL TAKE PLACE THIS YEAR, THIS PROGRAM IS TIMED TO LINK YOUNG LEADERS WHO WILL WORK BEHIND THE SCENES IN THE NEW ADMINISTRATIONS AND POSSIBLY BE IN POSITIONS OF POWER IN THE YEARS TO COME.

4. AUDIENCE: YOUNG POLITICAL LEADERS FROM THE THREE MAIN POLITICAL PARTIES IN MEXICO, NGO LEADERS, PUBLIC OPINION LEADERS, JOURNALISTS, AND ACADEMIC EXPERTS ON POLITICS AND ELECTIONS.

5. PROPOSED TOPICS AND TYPE OF EVENTS: TOPICS WOULD INCLUDE POLITICAL PARTY STRUCTURE AND FUNCTIONS IN THE U.S., HOT TOPICS AND PARTY PLATFORMS FOR UPCOMING U.S. ELECTIONS. SUGGESTED SPEAKING POINTS WOULD INCLUDE ETHICS, CAMPAIGN FINANCING, ACCOUNTABILITY TO VOTERS, IMPORTANCE OF HISPANIC VOTE. EVENTS WOULD INCLUDE PANEL DISCUSSIONS, ONE-ON-ONE MEETINGS, AND PRESS INTERVIEWS.

6. TYPE OR NAME OF SPECIALISTS REQUIRED: POST IS INTERESTED IN TWO YOUNG ACTIVE LEADERS, ONE FROM THE DEMOCRATIC PARTY AND ONE FROM THE REPUBLICAN PARTY. IT IS KEY THAT THESE SPEAKERS ARE KEY DECISION MAKERS, ABLE TO IMPART APPLICABLE INFORMATION AND HAVE A WIDE UNDERSTANDING OF THE ISSUES IN THIS YEAR'S ELECTION IN THE U.S. AND THE ROLE OF THEIR PARTY IN THE POLITICAL ARENA.

POST HAS BEEN WORKING WITH SEVERAL CONTACTS, INCLUDING THE U.S. ASSOCIATION OF YOUNG POLITICAL LEADERS, TO DEVELOP A LIST OF POSSIBLE SPEAKERS. THIS WILL BE SENT DIRECTLY TO IIP PROGRAM OFFICER AS SOON AS POSSIBLE.

7. LANGUAGE REQUIREMENTS: SPANISH PROFICIENCY IS

IMPORTANT TO THE SUCCESS OF PROGRAMS IN MEXICO AND IS GREATLY DESIRED. IF EXCELLENT SPEAKERS WITHOUT LANGUAGE SKILLS ARE FOUND, POST WILL PROVIDE SIMULTANEOUS TRANSLATION.

8. REQUESTS FOR SUPPORTING BIBLIOGRAPHIC MATERIALS: POST WILL WORK WITH ITS RESOURCE CENTER TO DEVELOP APPROPRIATE MATERIALS.

9. NAME/CONTACT INFORMATION FOR PROGRAM OFFICER: ASST. CULTURAL OFFICER REBECCA ROSS, TEL. 52-5209-9100, EXT. 4545 (WORK); 52-52BO-5068 (HOME); FAX: 52-5533-0940; E-MAIL: RROSS(AT SIGN)USIA.GOV.

J) FUNDING SPECIFICS: POST WILL COVER ALL COSTS VIA PUBLIC DIPLOMACY ALLOTMENT.

K) SPECIAL CONSIDERATIONS: AS TIMING FOR THIS PROGRAM IS SHORT, POST WOULD LIKE TO WORK WITH IIP TO IDENTIFY SPEAKERS BY APRIL 24. THANKS AND REGARDS. DAVIDOW

TOR: 04/04/00 17:37:14

DIST: SIT: AVERY NSC HOLLIS MERLETTI ORFINI SHANNON VALENZUELA
SIT: AVERY NSC HOLLIS MERLETTI ORFINI SHANNON VALENZUELA

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. cable	re support brief (15 pages)	04/10/2000	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1999-Dec 2000] ([sweatshop ...])
OA/Box Number: 530000

FOLDER TITLE:

[02/23/2000-05/02/2000

2018-1072-F
kc2342

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHSAA3071 1111115-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: O 201115Z APR 00
LINE4: FM AMEMBASSY PRETORIA
OSRI: RUEHSA
DTG:
ORIG: AMEMBASSY PRETORIA
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 1438
INFO: RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLO/AMEMBASSY LONDON 1006
RUEHFR/AMEMBASSY PARIS 2069
RUEHNR/AMEMBASSY NAIROBI 3496
RUEHRC/USDA FAS WASHDC 0564
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAWJB/DEPT OF JUSTICE WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RHEHAAA/WHITE HOUSE WASHDC
SUBJ: GETTING TO GROWTH: PART 2 OF A US ECONOMIC
STRATEGY IN SOUTH AFRICA
TEXT: UNCLAS PRETORIA 003071

SENSITIVE

WHITE HOUSE FOR OVP FOR JIM BABBITT
NSC/NEC FOR GSMITH
DEPT FOR AF DAS WSCHNEIDMAN
DEPT FOR AF/S, AF/EPS, EB AND INL
DEPT PASS USAID FOR AFRICA BUREAU (WILLIAMS JEFFERS)
DEPT PASS USTR (RWHITAKER, BSCHWARTZ)
DOC FOR 4510/ITA/MAC/ANESA/OA/SMILLER
TREASURY FOR OAISA/BARBER/GSONE
JUSTICE FOR OFFICE OF THE ATTORNEY GENERAL
LONDON FOR PFLAUMER
PARIS FOR WILLIAMS-MANIGAULT

E.O. 12958: N/A
TAGS: ECON, EFIN, ELAB, SOCI, AORG, SF
SUBJECT: GETTING TO GROWTH: PART 2 OF A US ECONOMIC
STRATEGY IN SOUTH AFRICA

REF: A. PRETORIA 1430
B. PRETORIA 1687

(U) SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.
NOT FOR INTERNET POSTING.

(U) THIS IS PART 2 OF A 5 PART SERIES CABLES DESIGNED TO

OUTLINE HOW WE CAN ACHIEVE KEY US POLICY GOALS IN SOUTH AFRICA. THESE MESSAGES CALL FOR SPECIFIC ACTIONS FROM WASHINGTON AGENCIES AND THE MISSION IN SOUTH AFRICA. THEY ARE INTENDED TO COMPLEMENT THE MPP AND TO ASSIST IN PREPARATION FOR THE STATE VISIT OF PRESIDENT MBEKI.

SUMMARY

1. (SBU) ALL IS NOT WELL IN THE SOUTH AFRICAN ECONOMY. UNEMPLOYMENT IS HIGH AND GROWTH IS NOWHERE NEAR THE LEVELS NEEDED TO ADDRESS POVERTY. THE GROWTH, EMPLOYMENT AND REDISTRIBUTION (GEAR) POLICY, THE SAG'S MACROECONOMIC CENTERPIECE, STABILIZED THE ECONOMY BY REDUCING INFLATION, LOWERING THE BUDGET DEFICIT AND LIBERALIZING TRADE. UNDER GEAR, HOWEVER, THE SAG SHOULD TAKE ADDITIONAL MEASURES TO ADDRESS PRIVATIZATION, INVESTMENT AND CONCERNS ABOUT LABOUR SKILLS AND REGULATION. TO MOVE FORWARD, WE MUST ENCOURAGE SAG TO SET CLEARER AND HIGHER GROWTH TARGETS, FOCUS ON MORE LABOR INTENSIVE INDUSTRIES AND SPEED PRIVATIZATION AND INVESTMENT. END SUMMARY.

WHAT THE ISSUES ARE: IMPEDIMENTS TO GROWTH

2. (U) DURING THE THREE AND A HALF YEARS SINCE GEAR WAS ARTICULATED, THE SAG HAS SUCCEEDED IN PUTTING IN PLACE THE ELEMENTS OF A CREDIBLE AND CONSTRUCTIVE ECONOMIC STABILIZATION PROGRAM. MONETARY POLICY IS SOUND AND FISCAL POLICY IS SUPPORTIVE WITH THE BUDGET DEFICIT EXPECTED TO COME IN WELL UNDER THREE PERCENT OF GDP. INFLATION HAS DECLINED AND INTEREST RATES HAVE DROPPED.

3. (SBU) BUT ALL IS NOT WELL. SOUTH AFRICA'S ANEMIC ECONOMIC GROWTH RATES IN RECENT YEARS HAVE MEANT THAT MILLIONS OF UNEMPLOYED AND UNDEREMPLOYED CANNOT FIND JOBS AND OFFICIAL UNEMPLOYMENT IS 25.2 PERCENT. THE ULTIMATE GOAL OF THE SAG'S ECONOMIC POLICIES MUST BE POVERTY REDUCTION. THIS WILL REQUIRE SUSTAINED ECONOMIC GROWTH AT RATES NOT SEEN RECENTLY IN SOUTH AFRICA. REAL GDP GROWTH HAS NOT EXCEEDED FOUR PERCENT OVER THE LAST FIFTEEN YEARS AND THE CONSENSUS PROJECTED GROWTH FOR 2000 IS IN THE THREE TO FOUR PERCENT RANGE. THIS LIMITED (AND INADEQUATE) GROWTH IS LARGELY DUE TO STRUCTURAL CONSTRAINTS IN THE ECONOMY.

4. (SBU) MUCH OF THE ECONOMY IS STILL DOMINATED BY THE PUBLIC SECTOR. ALTHOUGH THE GOVERNMENT HAS IDENTIFIED PRIVATIZATION AS KEY TO DEVELOPMENT, THE SAG HAS PRIVATIZED ONLY A SMALL NUMBER OF FIRMS. THE SLOW PACE IS THE RESULT OF THE NEED TO RESTRUCTURE PARASTATALS TO MAKE THEM COMMERCIALY ATTRACTIVE AND THE POLITICAL REQUIREMENT TO CONSULT WITH ALL STAKEHOLDERS AS THE PROCESS PROCEEDS. BY VIRTUE OF THEIR SUBSTANTIAL POSITION IN THE ECONOMY, PARASTATALS ARE BOTH IMPORTANT EMPLOYERS AND SUPPLIERS OF GOODS. THUS, ANY GOVERNMENT ACTION ON THEM REQUIRES THE INVOLVEMENT OF TRADE UNIONS AND CONSUMERS. THIS IS A TIME-CONSUMING AND POLITICALLY DIFFICULT PROCESS, BUT ONE THAT CANNOT BE AVOIDED.

5. (SBU) THE CONTINUED IMPORTANCE OF PARASTATALS AND THE DEGREE TO WHICH A FEW MAJOR COMPANIES DOMINATE THE SOUTH AFRICAN ECONOMY REFLECTS ANOTHER OF THE ECONOMY'S STRUCTURAL PROBLEMS: BARRIERS TO ENTRY. THE PARASTATALS AND OLIGARCHIC COMPANIES DO NOT WELCOME COMPETITION AND HAVE ERECTED ELABORATE SCHEMES TO KEEP OTHERS OUT. WHILE THE SAG IS WORKING TO ELIMINATE SUCH OBSTRUCTIONS BY, FOR EXAMPLE, ESTABLISHING A MORE POWERFUL COMPETITION COMMISSION, THE BARRIERS, ESPECIALLY FOR SMMEs, ARE STILL FORMIDABLE. A MAJOR IMPEDIMENT IS FINANCING AND NEW SOUTH AFRICAN COMPANIES CONTINUE TO HAVE A HARD TIME OBTAINING LOAN CAPITAL BECAUSE THE BANKING SYSTEM STILL LOOKS MORE FOR COLLATERAL THAN PROSPECTIVE INCOME GENERATION. VENTURE CAPITAL IS ALSO SCARCE.

6. (SBU) LABOR LAWS ARE ALSO SEEN BY MANY AS A SIGNIFICANT CONSTRAINT ON THE ECONOMY. IN AN EFFORT TO ADDRESS THE COUNTRY'S APARTHEID PAST, THE SAG HAS ERECTED A NUMBER OF NEW LABOR LAWS RANGING FROM COVERING BASIC CONDITIONS TO AFFIRMATIVE ACTION. WHILE MUCH OF THIS LEGISLATION REFLECTS FIRST WORLD NORMS, THE PROCESSES ARE NEW AND ADJUDICATION SLOW. THERE IS A GENERAL PERCEPTION AMONG BUSINESS THAT IT IS NOW HARD TO FIRE STAFF AND THUS MANY COMPANIES BELIEVE IT IS BETTER NOT TO RISK TAKING ON NEW EMPLOYEES. SOME COMMENTATORS MAINTAIN THAT SOME OF THE BASIC LABOR CONDITIONS IN THE NEW LAWS ARE HAMPERING THE DEVELOPMENT OF SMMEs, PARTICULARLY THOSE RELATING TO HOW WAGE LEVELS ARE SET AND THE EFFICIENCY OF THE LABOR DISPUTE SETTLEMENT PROCESS. THE CONCERN OVER LABOR RIGIDITIES IS FURTHER COMPOUNDED BY THE RELATIVELY LOW SKILL BASE AMONG THE MAJORITY OF THE SOUTH AFRICAN POPULATION, REFLECTING ANOTHER LEGACY OF THE APARTHEID ERA. THE SAG IS CONTEMPLATING SOME AMENDMENTS TO THE LABOR LAWS, BUT NEEDS TO GO FURTHER TO ACHIEVE ADEQUATE REFORM. ALTHOUGH NO ONE WANTS THE CREATION OF A LEGAL REGIME THAT WOULD ALLOW UNREGULATED SWEATSHOPS TO FLOURISH, THE SAG DOES NEED TO AMEND THE LABOR LAWS TO CREATE CONDITIONS THAT ALLOW FOR THE DEVELOPMENT OF MORE LOWER PAYING JOBS THAT IN TURN WILL PROVIDE EMPLOYMENT FOR THOSE WITH FEW SKILLS.

7. (SBU) MANY OBSERVERS BELIEVE THE ANSWER TO GROWTH AND JOB CREATION LIES IN INCREASED FOREIGN DIRECT INVESTMENT (FDI). THIS CONCLUSION IS BASED LARGELY ON THE LOW LEVELS OF DOMESTIC SAVINGS AND INVESTMENT THAT CHARACTERIZE THE SOUTH AFRICAN ECONOMY. IN ADDITION TO EFFORTS TO ATTRACT FDI, GOVERNMENT POLICY AIMED AT INCREASING DOMESTIC SAVINGS, SUCH AS CHANGES IN TAX POLICY, ARE NEEDED.

8. (SBU) HOWEVER, DUE TO LIMIT SCOPE FOR INCREASING DOMESTIC SAVINGS, FDI MUST REMAIN THE KEY FOCUS. THE OLIGOPOLISTIC NATURE OF THE SOUTH AFRICAN PRIVATE SECTOR AND THE DOMINANCE OF THE STATE IN MANY KEY SECTORS (ENERGY, TRANSPORT, AND TELECOMMUNICATIONS) UNDERSCORES THE CRITICAL ROLE OF PRIVATIZATION IN ATTRACTING FOREIGN DIRECT INVESTMENT. ALSO, THE INFRASTRUCTURE BACKLOG, ESTIMATED AT OVER R170 BILLION, CANNOT BE ADDRESSED WITHOUT INCREASED PARTICIPATION FROM THE PRIVATE SECTOR WHETHER THROUGH PRIVATIZATION OR

PUBLIC-PRIVATE PARTNERSHIPS.

WHAT THE SAG IS DOING: STABILIZING THE ECONOMY

THE MACROECONOMIC POLICY RESPONSE

9. (SBU) IT WAS CLEAR BY EARLY 1996 THAT ONLY THROUGH SUSTAINED HIGHER GROWTH RATES COULD THE GOVERNMENT HOPE TO REDUCE SOCIETAL INEQUALITY THROUGH ACCELERATED JOB CREATION AND SOCIAL DELIVERY. THIS IN TURN NECESSITATED NEW MACROECONOMIC INITIATIVES FROM GOVERNMENT. THE RESULT WAS THE GROWTH, EMPLOYMENT, AND REDISTRIBUTION STRATEGY (GEAR),
E

WHICH LAID OUT A SET OF SPECIFIC ECONOMIC TARGETS THROUGH THE YEAR 2000. GEAR VALIDATED THE EXISTING ECONOMIC POLICY FRAMEWORK BUT WENT FURTHER BY IDENTIFYING STRUCTURAL WEAKNESSES INHIBITING ECONOMIC GROWTH AND EMPLOYMENT AND FOCUSING ATTENTION ON POLICY SOLUTIONS TO ADDRESS THEM. MINISTERS HAVE INTERPRETED GEAR TO MANDATE FOCUS ON THE CREATION OF NEW HIGH WAGE INDUSTRIES, RATHER THAN PUT RESOURCES INTO LOWER WAGE, MORE LABOR INTENSIVE ONES.

10. (SBU) GEAR RESULTS HAVE BEEN MIXED, WITH JOB CREATION BEING PARTICULARLY DISAPPOINTING. WHEREAS GEAR FORECAST AN ANNUAL AVERAGE OF 270,000 NEW JOBS BETWEEN 1996-2000, THE REALITY HAS BEEN NET JOB SHEDDING IN THE FORMAL SECTOR, PRIMARILY IN LABOR INTENSIVE SECTORS LIKE MINING, MANUFACTURING, AND CONSTRUCTION. TURMOIL IN EMERGING MARKETS WAS AN UNANTICIPATED FACTOR THAT NEGATIVELY AFFECTED A NUMBER OF GEAR ASSUMPTIONS INCLUDING EXPORT GROWTH AND FOREIGN INVESTMENT. MOREOVER, INSTABILITY IN THE RAND, SPARKED BY THE 1998 CURRENCY CRISIS, LED TO HIGH AND GROWTH INHIBITING INTEREST RATES THAT HAD A DISPROPORTIONATE EFFECT ON SMALL AND EMERGING BLACK BUSINESS AND ALSO LOWERED DEMAND FOR LABOR INTENSIVE INDUSTRIES PARTICULARLY CONSTRUCTION AND DURABLE MANUFACTURED GOODS.

11. (SBU) DESPITE THESE EXOGENOUS FACTORS, GEAR RECORDED SOME NOTABLE SUCCESSES. FISCAL MANAGEMENT BENEFITED GREATLY FROM THE INTRODUCTION OF A ROLLING 3-YEAR MEDIUM TERM EXPENDITURE FRAMEWORK, WHICH FORCED THE PROCESS TO BECOME MORE STRATEGIC AND TRANSPARENT. THE BUDGET DEFICIT, WHICH WAS 7.9 PERCENT OF GDP IN FY92/93, HAS BEEN STEADILY REDUCED AND CAME IN AT 2.6 PERCENT OF GDP IN FY99/00. ON THE REVENUE SIDE, A RESTRUCTURING OF THE SOUTH AFRICAN REVENUE SERVICE (SARS) LED TO GREATLY IMPROVED TAX COLLECTION. IN LAST FISCAL YEAR ALONE, SARS BROUGHT IN R 2.7 BILLION IN UNFORECAST REVENUE.

12. (SBU) CONSUMER PRICE INFLATION, WHICH AS RECENTLY AS 1992 RAN IN THE DOUBLE DIGITS, HAS DIPPED BELOW 5 PERCENT, WELL UNDER THE GEAR TARGET OF 7-8 PERCENT. GOVERNMENT HAS SUPPORTED THIS THROUGH REDUCED DISSAVING, A TIGHT MONETARY POLICY AND BY DOING ITS PART TO RESIST UPWARD WAGE PRESSURES. TRADE LIBERALIZATION HAS MADE A SIGNIFICANT CONTRIBUTION TO REDUCING INFLATION AND IMPROVING SOUTH AFRICA'S GLOBAL

COMPETITIVENESS. A STRONGER COMPETITION LAW WAS PASSED IN 1998, WHICH PROHIBITS MANY ANTI-COMPETITIVE PRACTICES NOT COVERED BY PREVIOUS LEGISLATION AND GRANTS THE COMPETITION AUTHORITY A DEGREE OF INDEPENDENCE NOT ENJOYED BY ITS PREDECESSOR.

GEAR: FAILURES AND CHALLENGES FOR THE FUTURE

13. (SBU) SOME OF GEAR'S OUTCOMES COULD HAVE BENEFITED FROM MORE RESOLUTE GOVERNMENT ACTION. THIS WAS THE CASE PARTICULARLY IN THE AREAS OF PUBLIC SECTOR RESTRUCTURING, LABOR MARKET REFORM AND SUPPORT TO SMALL AND MEDIUM-SIZED BUSINESS. THOUGH SOME CONSIDER THE POST-1994 PRIVATIZATION PROCESS A SUCCESS, ESPECIALLY GIVEN THE ANC'S INITIAL IDEOLOGICAL OPPOSITION TO IT, MANY HAVE CRITICIZED THE SLOW PACE. BETWEEN 1996 AND 1999, MAJOR STAKES WERE SOLD IN TELKOM, THE AIRPORTS COMPANY, AND SOUTH AFRICAN AIRWAYS. PRESIDENT MBEKI NOW APPEARS TO BE TAKING STEPS TO SPEED UP THIS PROCESS. UNDER PUBLIC ENTERPRISES MINISTER RADEBE, THE DEPARTMENT IS UNDERGOING A RAPID RESTRUCTURING THAT WILL SEE A SIGNIFICANT BOOST IN THE NUMBER AND QUALITY OF STAFF. THE PRESIDENT HAS ALSO MANDATED THAT A DETAILED PRIVATIZATION PLAN BE SUBMITTED AND THIS IS EXPECTED LATER THIS YEAR.

14. (SBU) GEAR CORRECTLY IDENTIFIED THE NEED FOR LABOR MARKET REFORM AND CALLED FOR A POLICY OF REGULATED FLEXIBILITY AND SKILLS DEVELOPMENT. MANY ARGUE THAT THE NEW LABOR LAWS IMPOSE ONEROUS CONDITIONS ON EMPLOYERS, LEADING MANY TO SUBSTITUTE LABOR WITH CAPITAL, AND ARE DISCOURAGING FOREIGN INVESTORS WHO MUST ALREADY CONTEND WITH THE COUNTRY'S LOW SKILL BASE. PRESIDENT MBEKI HAS PROMISED TO REVIEW THESE LABOR LAWS AND PROPOSE REVISIONS IF THEY ARE INHIBITING JOB CREATION. TO DATE, THE DEPARTMENT OF LABOR HAS MADE SOME MINOR EXEMPTIONS FOR SMALL BUSINESSES BUT HAS NOT EXPANDED THEM TO INCLUDE MEDIUM-SIZED BUSINESSES, WIDELY CONSIDERED THE MOST LIKELY TO GENERATE SIGNIFICANT EMPLOYMENT GROWTH. HOWEVER, THE DEPARTMENT OF LABOR APPEARS WILLING TO CONSIDER SPECIFIC LEGISLATION CHANGES PROPOSALS BY BUSINESS THAT CAN BE SHOWN TO INCREASE EMPLOYMENT.

WHAT THE USG IS DOING: SUPPORTING ECONOMIC CAPACITY

15. (SBU) THE USG PROVIDES EXTENSIVE ASSISTANCE IN A NUMBER OF KEY AREAS AFFECTING MACROECONOMIC STRATEGY, PRIMARILY THROUGH USAID'S NINE YEAR, \$30 MILLION ECONOMIC SUPPORT PROGRAM THAT SEEKS TO IMPROVE THE CAPACITY OF KEY GOVERNMENT AND NON-GOVERNMENT ENTITIES TO FORMULATE, EVALUATE, AND IMPLEMENT ECONOMIC POLICIES. THOUGH USAID DOES NOT TARGET SPECIFIC POLICY CHANGES, USG FUNDED ECONOMIC CAPACITY BUILDING, PROVISION OF LONG-TERM ADVISORS, AND TARGETED SHORT-TERM ASSISTANCE NONETHELESS INFLUENCE THE FORMULATION AND IMPLEMENTATION OF POLICY. MANY USAID FUNDED ADVISORS ARE USG EMPLOYEES AND HAVE BEEN PROVIDED BY THE U.S. DEPARTMENTS OF TREASURY, LABOR, JUSTICE AND AGRICULTURE. SPECIFIC MACROECONOMIC RELATED USG ASSISTANCE INCLUDES:

O DEPARTMENT OF FINANCE: TECHNICAL ASSISTANCE IN THE AREAS OF INTER-GOVERNMENTAL FISCAL RELATIONS, TAX POLICY, AND LOCAL GOVERNMENT FINANCE AND TO IDENTIFY WAYS TO STRENGTHEN SARS COLLECTION AND AUDIT CAPABILITIES.

O DEPARTMENT OF LABOR: ASSISTANCE IN IMPLEMENTING NEW LABOR LEGISLATION, IMPROVING LABOR MARKET INFORMATION, STATISTICS, AND ANALYSIS, AND IN STUDIES SUCH AS ON THE IMPACT OF CURRENT LABOR LEGISLATION ON JOB CREATION.

O DEPARTMENT OF TRADE AND INDUSTRY: SHORT-TERM ADVISORS TO THE NEW COMPETITION COMMISSION.

O DEPARTMENT OF PUBLIC ENTERPRISES: SHORT-TERM ADVISORS TO ASSIST IN THE DEVELOPMENT AND IMPLEMENTATION OF A NEW PRIVATIZATION STRATEGY.

O CAPACITY BUILDING: THROUGH THE MANDELA ECONOMIC SCHOLARS PROGRAM ALMOST 100 SOUTH AFRICANS FROM HISTORICALLY DISADVANTAGED GROUPS WILL BE SENT TO THE U.S. FOR GRADUATE AND POST-GRADUATE ECONOMICS TRAINING AND THEN WORK FOR SAG UPON THEIR RETURN. IN ADDITION, WE HAVE PROVIDED OVER 40 SCHOLARSHIPS PER YEAR FOR LOCAL UNIVERSITY EDUCATION AND SHORT-TERM ECONOMICS TRAINING FOR ROUGHLY 800 PEOPLE PER YEAR. WE NEED TO CONTINUE TO ENSURE THAT THESE PROGRAMS ARE EVENLY SPREAD ACROSS GEOGRAPHIC AREAS.

NEXT STEPS: A US STRATEGY

A. REFINING GEAR

16. (SBU) IT IS TIME FOR A FRESH LOOK AT GEAR. CLEARLY, THE GROWTH TARGETS AND THE AVENUES FOR ACHIEVING THEM AS ORIGINALLY CONCEIVED ARE INSUFFICIENT. WE MUST ENCOURAGE SAG TO REFINE GEAR TO CLEARLY SET FORTH HIGHER TARGETS OF SIX TO TEN PERCENT REAL GDP GROWTH ANNUALLY ON A SUSTAINED BASIS, PARTICULARLY ACROSS INDUSTRIES THAT CREATE JOBS. ONLY WITH THIS KIND OF GROWTH CAN POVERTY AND UNEMPLOYMENT BE REDUCED. TO DO THIS, WE MUST URGE THE SAG TO TAKE GREATER RISKS AND EXPERIMENT MORE.

B. FOCUSING ON EMPLOYMENT

17. (SBU) WE MUST ALSO URGE THE SAG TO SHIFT ITS FOCUS AND RESOURCES FROM HIGH WAGE INDUSTRIES TO A BROADER MIX OF INDUSTRIES. AT LEAST INITIALLY, SAG MUST IDENTIFY AND THEN SUPPORT SOME LABOR INTENSIVE, LOWER WAGE INDUSTRIES SUCH AS LIGHT MANUFACTURING ASSEMBLY OR TEXTILES. PURSUING SUCH A DEVELOPMENT PATH WILL RESULT IN QUICKER JOB CREATION AND A BETTER MATCH FOR SOUTH AFRICA'S LOW SKILL LABOR FORCE.

18. (SBU) CONVINCING SAG OFFICIALS OF THIS--AND UNQS--WILL NOT BE EASY, BUT WE MUST TAKE EVERY OPPORTUNITY TO STRESS THE IMPORTANCE OF PROVIDING JOBS TO THOSE WITH VERY FEW SKILLS NOW. ALTHOUGH WE SHOULD ACKNOWLEDGE THAT HIGHER WAGE JOBS

SHOULD ALSO BE CREATED, WE MUST URGE SAG TO CONSIDER THE BROADER MASS OF PEOPLE WHO ARE CURRENTLY UNEMPLOYED AND WITHOUT HOPE OF TAKING ON ANY BUT UNSKILLED WORK. THE SAG SHOULD NOT AIM TO CREATE AN ENVIRONMENT WHERE SWEATSHOPS CAN THRIVE, BUT RATHER SHOULD AIM FOR AN ECONOMY WITH A WIDE MIX OF HIGHER AND LOWER PAID JOBS THAT CAN EMPLOY PEOPLE WITH THE RANGE OF SKILLS THAT CURRENTLY EXIST IN SOUTH AFRICA.

19. (SBU) AS PART OF THIS EFFORT, THE SAG SHOULD TAKE STEPS TO INCREASE LABOR FLEXIBILITY BY ALLOWING LOWER WAGES FOR TRAINEES AND IN CERTAIN REGIONS OF PARTICULARLY HIGH UNEMPLOYMENT AS WELL AS BY ALLOWING THE MINISTER OF LABOR MORE LATITUDE IN EXEMPTING BUSINESSES FROM CENTRALLY NEGOTIATION WAGE AGREEMENTS. THESE REFORMS, ALONG WITH IMPROVEMENTS IN EDUCATION AND SKILLS, WILL STRENGTHEN SOUTH AFRICA'S TOTAL FACTOR PRODUCTIVITY WHICH IN TURN WILL INCREASE ITS COMPETITIVENESS AND ECONOMIC GROWTH IN LABOR INTENSIVE INDUSTRIES.

20. (SBU) FINALLY, TO ADDRESS THE PROBLEMS OF THE "LOST GENERATION"--THOSE WHO PROTESTED THE APARTHEID REGIME BY BOYCOTTING SCHOOL AND WHO LACK SKILLS FOR MOST JOBS--WE SHOULD URGE SAG TO LOOK AT OUR CCC EXPERIENCE DURING THE DEPRESSION. THE SAG COULD CREATE A SIMILAR CORPS, PROVIDING TRAINING TO ENABLE IT TO FOCUS ON INFRASTRUCTURE UPGRADES TO ADDRESS SOME OF SOUTH AFRICA'S BACKLOG. ONE EXAMPLE COULD BE UPGRADES TO SOUTH AFRICA'S MANY SCHOOLS THAT CURRENTLY LACK ADEQUATE CLASSROOMS OR TOILET FACILITIES. IN THIS WAY, THE "LOST GENERATION" AND OTHERS IN A SIMILAR SITUATION MIGHT RECEIVE SOME JOB SKILLS, BE REMOVED FROM THE LURE OF CRIME, AND CONTRIBUTE TO SOUTH AFRICA'S GREATEST LONG-TERM NEED, BETTER EDUCATION. FUNDING FOR THIS COULD EXPLORED WITH DONORS, PARTICULARLY THE INTERNATIONAL FUNDING INSTITUTIONS.

C. PRIVATIZATION

21. (SBU) SIGNIFICANT INCREASES IN BOTH FOREIGN AND DOMESTIC DIRECT INVESTMENT ARE REQUIRED TO GENERATE THE DEVELOPMENT NEEDED TO REVITALIZE THE SOUTH AFRICAN ECONOMY. RESTRUCTURING AND PRIVATIZATION OF THE LARGE SEGMENTS OF THE ECONOMY THAT REMAIN UNDER GOVERNMENT CONTROL ARE PERHAPS THE QUICKEST WAYS TO ATTRACT SUCH QUANTITIES OF FDI. PRIVATIZATION HAS MANY BENEFITS BEYOND BRINGING IN MOREGROWTH-ENHANCING FDI, PUBLIC TREASURY THAT CAN BE USED FO INCREASED SOCIAL SPENDING, EFFICIENCY GAINS INKEY INDUSTRIES, TECHNOLOGY TRANSFER AND IMPROVD BUSINESS CONFIDENCE. THESE IN TURN ATTRACT ET MORE FDI AND BECOME A VIRTUOUS CIRCLE.

22. SBU) WHILE SOME ENCOURAGING STEPS HAVE BEEN TAKN ON PRIVATIZATION AND GOVERNMENT HAS REFOCUSSED O ITS IMPORTANCE, MORE NEEDS TO BE DONE SOON. THE USG CAN PLAY A ROLE IN ENCOURAGING FASTER PROGRESS ON PRIVATIZATION, EXPANDING THE NUMBER OF PARASTATALS CONSIDERED FOR PRIVATIZATION AND PREPARING PARASTATALS FOR PRIVATIZATION. THE SAG'S FOCUS SHOULD MOVE DECISIVELY AWAY FROM ENDLESS POLICY DEBATES AND TOWARD IMPLEMENTATION OF THE PRIVATIZATION AGENDA. WE CAN ENCOURAGE FASTER PROGRESS BY CONTINUING TO PRESS FOR PRIVATIZATION AS A POSITIVE ECONOMIC STEP WITH PUBLIC AND PRIVATE SECTOR AUDIENCES.

23. (SBU) FOCUS ON THE "BIG FOUR" PARASTATALS IS THE KEY, BUT IN ADDITION WE SHOULD ENCOURAGE THE SAG TO FOCUS ON SOME OF THE SMALLER PARASTATALS WHICH WOULD BE EASIER TO PRIVATIZE, PROVIDE A QUICK RETURN, AND BUILD SAG CAPACITY TO PRIVATIZE. ONE OBVIOUS CANDIDATE THAT SAG IS NOT CURRENTLY CONSIDERING IS THE INDUSTRIAL DEVELOPMENT CORPORATION, A PARASTATAL THAT PROVIDES VENTURE CAPITAL. THE IDC IS ALREADY BEING RUN ON COMMERCIAL LINES AND SHOWS A PROFIT, YET SAG REFUSES TO CONSIDER PRIVATIZING IT AT THIS TIME. SIMILARLY, THEY ARE NOT CURRENTLY FOCUSING ON SASOL, THE GOVERNMENT-OWNED SYNTHETIC FUELS PRODUCERS, EVEN THOUGH IT IS A PROFITABLE COMPANY. WE SHOULD WORK TO CHANGE THEIR VIEW AND ALSO BRING TO THEIR ATTENTION OTHER PARASTATALS THAT CAN AND SHOULD BE QUICKLY PRIVATIZED.

D. INCREASING INVESTMENT

24. (SBU) BESIDES CREATING INVESTMENT OPPORTUNITIES THROUGH PRIVATIZATION AND RESTRUCTURING, SOUTH AFRICA MUST MAKE CONDITIONS IN THE ECONOMY MORE ATTRACTIVE TO INVESTORS -- FOREIGN AND DOMESTIC. LABOR MUST BE THE KEY HERE. EITHER WAGES AND CONDITIONS MUST BECOME MORE FLEXIBLE OR HIGHER PRODUCTIVITY MUST BE OFFERED. AS NOTED ABOVE, SOUTH AFRICA'S SKILL LEVELS ARE LOW AND ARE UNLIKELY TO CHANGE OVER THE NEAR TERM. THUS, DEALING WITH WAGES AND WORKING CONDITIONS SEEMS TO BE THE ONLY SHORT-TERM OPTION -- AND MORE FLEXIBILITY WOULD MAKE SOUTH AFRICA A MORE ATTRACTIVE PLACE FOR INVESTMENT. THE CURRENT POLITICAL REALITY IN SOUTH AFRICA IS THAT NEITHER REPEAL NOR EXTENSIVE REVISION OF THE POST-1994 LABOR LEGISLATION ARE POSSIBLE, NOR DO WE BELIEVE SUCH RADICAL CHANGE IS EVEN DESIRABLE. NEVERTHELESS, WE BELIEVE CAREFULLY TARGETED AMENDMENTS FOCUSED ON WAGE LEVELS AND CONDITIONS OF SERVICE, ESPECIALLY FOR SMALL AND MEDIUM BUSINESSES, COULD BE EFFECTIVE CATALYSTS FOR INCREASED EMPLOYMENT OF UNSKILLED AND SEMI-SKILLED WORKERS. WE SHOULD THEREFORE ENGAGE THE SAG TO SHOW HOW LABOR FLEXIBILITY IN OTHER DEVELOPING COUNTRIES HAS HELPED BROADEN PROSPERITY AND BRING ABOUT GROWTH. THIS WOULD BE ANOTHER OPPORTUNITY TO URGE LABOR CONDITIONS APPROPRIATE FOR LOWER WAGE, LABOR INTENSIVE INDUSTRIES TO BE CREATED IN SOUTH AFRICA.

25. (SBU) TO MAKE SOUTH AFRICA MORE ATTRACTIVE TO BOTH DOMESTIC AND FOREIGN INVESTMENT, THE TAX STRUCTURE MUST BE REEXAMINED. SOUTH AFRICAN TAXES -- ALTHOUGH DECLINING -- ARE STILL HIGH COMPARED TO OTHER DEVELOPING COUNTRIES. MORE EFFICIENT TAX ADMINISTRATION WOULD ALLOW THESE RATES TO DROP FASTER. THROUGH USAID, WE ARE PRESENTLY ADVISING THE SAG ON TAX REFORM AND WE SHOULD CONTINUE TO HELP SOUTH AFRICA STRENGTHEN ITS COLLECTION METHODS AND TO EXPAND THE TAX BASE.

26. (SBU) CRIME IS ALSO A DETERRENT TO INVESTMENT AND MUST BE ADDRESSED. POLICE DEPARTMENTS MUST BE FULLY STAFFED AND PERSONNEL APPROPRIATELY TRAINED. THE JUDICIAL SYSTEM MUST BECOME MORE EFFICIENT. SEE REF A FOR MORE ON HOW WE AND THE SAG ARE APPROACHING THIS ISSUE.

27. (SBU) FINALLY, TO ENCOURAGE INVESTMENT WE MUST URGE THE

SAG TO CONTINUE TO OPEN ITS ECONOMY. OUR WORK IN SUPPORT OF THE COMPETITION COMMISSION IS CRITICAL AND SHOULD BE STRENGTHENED. BEYOND THIS, WE NEED TO HELP THE SAG EXAMINE FURTHER TARIFF REDUCTIONS AND PRICE DEREGULATION, PARTICULARLY IN THE ENERGY, TRANSPORT, AND TELECOMMUNICATIONS SECTORS. WE SHOULD CREATE OPPORTUNITIES FOR SOUTH AFRICAN BUSINESS BY OPENING OUR OWN MARKET, POSSIBLY THROUGH A US-SA FREE TRADE AGREEMENT. SEE SEPTTEL ON TRADE FOR A MORE DETAILED DISCUSSION OF THIS POINT.

E. DEVELOPING SMMES

28. (SBU) SMMES ARE A LOCUS FOR JOB CREATION AND ECONOMIC GROWTH. WE MUST HELP THE SAG IDENTIFY AND REMOVE IMPEDIMENTS TO SMME GROWTH. THE AVAILABILITY OF CREDIT FOR SMALL AND MEDIUM-SIZED ENTERPRISES SHOULD BE EXPANDED THROUGH INNOVATIVE PROGRAMS AND STRUCTURES. HISTORICALLY, THE SOUTH AFRICAN BANKING ESTABLISHMENT HAS DONE LITTLE TO SUPPORT THE ESTABLISHMENT OF MICROCREDIT OR LOAN FACILITIES AIMED AT SUPPORTING LOCAL ENTREPRENEURS. WE SHOULD ALSO EXAMINE SUCCESSFUL EFFORTS BY NATIVE AMERICANS TO DEVELOP SMMES USING THE INTERNET TO OVERCOME ISOLATED LOCATIONS OR LIMITED INFRASTRUCTURE. SEE SEPTTEL ON PROSPERITY FOR A MORE DETAILED DISCUSSION OF SUGGESTIONS TO IMPROVE SMME DEVELOPMENT.

F. RAISING SKILL LEVELS

29. (SBU) LONG-TERM, HOWEVER, SOUTH AFRICA MUST ADDRESS ITS SKILL SHORTAGE. WE MUST DEEPEN OUR COMMITMENT TO HELP THEM DO THIS NOW. BEYOND OUR CURRENT PROGRAMS IN SUPPORT OF THE GENERAL EDUCATION STRUCTURE, WE NEED TO LOOK AT IDENTIFYING TECHNOLOGICAL ADVANCES, SUCH AS INTERNET LEARNING, THAT WE CAN HELP TRANSFER TO SOUTH AFRICA. WE SHOULD ALSO EXAMINE THE PROGRAMS WE HAVE USED FOR ADULT EDUCATION AND RETRAINING TO SEE WHERE THESE MIGHT FIT INTO THE SOUTH AFRICAN EDUCATIONAL MIX. WE SHOULD CONSIDER US MILITARY TECHNICAL ASSISTANCE TO THE SOUTH AFRICAN MILITARY ON HOW THE US MILITARY HAS WORKED TO PROVIDE SERVICEPEOPLE TRAINING WHICH WILL HELP THEM NOT ONLY IN THE MILITARY BUT ALSO WHEN THEY ENTER THE CIVILIAN WORKFORCE.

CONCLUSION

30. (SBU) USG POLICY IN SOUTH AFRICA SHOULD FOCUS ON HELPING TO CREATE THE CONDITIONS THAT WILL INCREASE BUSINESS CONFIDENCE AND THEREBY SUPPORT HIGHER INVESTMENT INFLOWS. MORE FLEXIBLE LABOR LEGISLATION AND LESS CONCENTRATION OF OWNERSHIP ARE ESSENTIAL PIECES OF THIS PUZZLE. THE SAG NEEDS TO CAPITALIZE ON THE POLITICAL STABILITY THAT HAS BEEN ACHIEVED SINCE 1994 BY REDOUBLING ITS EFFORTS TO RATCHET UP ECONOMIC GROWTH, IN SPITE OF THE DIFFICULT DECISIONS THAT WILL ACCOMPANY THIS UNDERTAKING. OPPOSITION FROM ORGANIZED LABOR AND ENTRENCHED INTERESTS WILL BE INTENSE BUT SHOULD NOT BE ALLOWED TO FRUSTRATE WHAT MUST BE THE NEXT CHAPTER IN SOUTH AFRICA'S RENAISSANCE.

ACTION REQUESTS

31. (SBU) THE US MISSION WILL PROMOTE THE FOLLOWING POLICY THEMES IN ALL OF OUR INTERACTIONS WITH KEY SOUTH AFRICAN ECONOMIC OFFICIALS. WE WILL DEEPEN OUR TIES TO BUSINESS, BOTH AMERICAN AND SOUTH AFRICAN, AND EMPHASIZE THESE THEMES WITH THEM. WE URGE ALL VISITING US OFFICIALS TO REINFORCE THESE EFFORTS BY USING THESE THEMES IN ANY MEETINGS OR SPEECHES THEY MAY HAVE IN SOUTH AFRICA.

32. (SBU) IN OUR CORE MESSAGE TO THE SAG, WE SHOULD:

- O PRAISE THE SAG'S MACROECONOMIC POLICIES, BUT ENCOURAGE THE GOVERNMENT TO DEEPEN AND ACCELERATE STRUCTURAL REFORMS (E.G. PRIVATIZATION) TO ACHIEVE HIGHER REAL GDP GROWTH ON A SUSTAINED BASIS;
- O URGE THE SAG TO ADOPT POLICIES SUCH AS TAX REFORMS TO INCREASE INVESTMENT (PARTICULARLY BY ATTRACTING CAPITAL FROM ABROAD) AND SAVINGS WHILE RAISING PRODUCTIVITY;
- O ENCOURAGE THE SAG TO CARRY OUT ITS PROMISE TO SPEED RESTRUCTURING AND PRIVATIZATION, PARTICULARLY OF THE FOUR LARGEST PARASTATALS; AND
- O SPUR THE SAG TO ADOPT POLICIES, SUCH AS MODIFYING SOME LABOR LAWS AND IMPROVING TRAINING PROGRAMS, THAT WILL TAKE ADVANTAGE OF THE LARGE POOL OF LABOR BY SUPPORTING THE GROWTH OF INDUSTRIES THAT EMPLOY SEMI-SKILLED AND UNSKILLED WORKERS.

32. (SBU) IN ADDITION, WE WILL TAKE THE FOLLOWING ACTIONS TO FURTHER REINFORCE THE ECONOMIC CONDITIONS NEEDED FOR 6 TO 10 PERCENT GDP GROWTH IN SOUTH AFRICA:

- PROMOTE MORE AND BETTER ENGAGEMENT BETWEEN THE SAG AND BUSINESS. WE WILL DO THIS BY STRENGTHENING OUR LINKS TO BUSINESS ORGANIZATIONS, SHARING US MODELS OF GOVERNMENT-BUSINESS PARTNERSHIPS, AND ENCOURAGING THE SAG TO VIEW BUSINESS AS A HELPFUL PARTNER.
- ENCOURAGE IMPROVED PROCUREMENT PRACTICES AND INCREASED ANTI-TRUST EFFORTS. WE WILL DO THIS BY ENCOURAGING THE SAG TO CLARIFY AND RATIONALIZE ITS PROCUREMENT PRACTICES AND THROUGH CONTINUED WORK WITH THE COMPETITION COMMISSION.
- ENCOURAGE BETTER DONOR COORDINATION IN SOUTH AFRICA AND BETTER ENGAGEMENT BETWEEN THE SAG AND THE IMF AND WORLD BANK. WE HAVE STARTED A DONOR COORDINATION GROUP THAT IS BEGINNING TO LOOK AT THIS ISSUE. SEE REF B.
- PROVIDE TECHNICAL ASSISTANCE ON THE NEW US ECONOMY AND ON THE USE OF TECHNOLOGY SUCH AS E-COMMERCE TO SUPPORT EXPORT SALES FROM SMES AND ISOLATED COMMUNITIES, DRAWING ON THE US EXPERIENCE OF NATIVE AMERICAN ECONOMIC DEVELOPMENT. OUR E-COMMERCE INITIATIVE IS A FIRST STEP IN THIS EFFORT.
- DEVOTE MORE RESOURCES TO HELP SAG REDUCE SOUTH AFRICA'S CRIME PROBLEM. SOUTH AFRICA NOW HAS MORE OF A REPUTATION AS A CRIME CENTER THAN AS A PROMINENT EMERGING MARKET. SEE REF A.
- EXPAND AND DEEPEN USG SUPPORT FOR SOUTH AFRICA'S FISCAL PROGRAM BY PROVIDING TECHNICAL ASSISTANCE FOR DEBT MANAGEMENT, HANDLING THE FORWARD BOOK, AND GOVERNMENT OPERATIONS AND MAINTENANCE AS WELL AS SUPPORTING FURTHER PRICE DEREGULATION.
- CONTINUE TO DEVOTE RESOURCES TO THE FIGHT AGAINST HIV/AIDS AS THIS DISEASE HAS THE POTENTIAL TO SLOW ECONOMIC GROWTH AND FRUSTRATE GROWTH-ENHANCING PROGRAMS. SEE SEPTTEL FOR DETAILS

ON THIS ASPECT OF THE STRATEGY.

--PROMOTE LINKAGES BETWEEN US EXPERTS, INDUSTRY ASSOCIATIONS,
AND CHAMBERS OF COMMERCE AND SOUTH AFRICAN INDUSTRIES TO
IMPROVE DEVELOP SOUTH AFRICAN MARKETING SKILLS.

LEWIS

TOR: 04/20/00 08:03:39

DIST: SIT: BABBITT BRUNS BYRNE NSC DEMPSEY DUNCAN LEE ROBERTS SAUNDERS SMITH
PRT: FUERTH

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEHMEA4005 1231517-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH
LINE3: R 021517Z MAY 00
LINE4: FM AMEMBASSY MEXICO
OSRI: RUEHME
DTG:
ORIG: AMEMBASSY MEXICO
TO: RUEHC/SECSTATE WASHDC 1904
INFO: RUEHC/DOL WASHDC
RUEHKG/AMEMBASSY KINGSTON 0061
SUBJ: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'/]RO..SS, INC., EMPHASIZED
TEXT: UNCLAS SECTION 01 OF 02 MEXICO 004005

STATE FOR IIP/T GCHRISTISON, IIP/G/WHA JGREENSPAN;
INFO WHA/PDPA CWILDER; LABOR FOR ILAB; KINGSTON FOR
PAO MKORFF-RODRIGUES

E.O. 12958: N/A

TAGS: SOCI, OIIP, ELAB

SUBJECT: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'/]RO..SS, INC., EMPHASIZED
U.S. INDUSTRY LABOR CODES OF CONDUCT AS "GOOD
BUSINESS" IN DISCUSSIONS WITH REPRESENTATIVES FROM
THE APPAREL INDUSTRY, U.S. MANUFACTURERS, MEXICAN
SUPPLIERS, HUMAN RESOURCES MANAGERS AND STUDENTS OF
INTERNATIONAL BUSINESS. MR. LEVY NOTED THAT ADHERENCE
TO LABOR STANDARDS WAS A PRIVATE SECTOR AS WELL AS USG
CONCERN, WITH INDUSTRY CODES OF CONDUCT OFTEN
EXCEEDING U.S. LABOR LAWS TO SAFEGUARD CORPORATE IMAGE
AGAINST SWEATSHOP CONTRACTORS.

- THIS CONSUMER-BASED TREND SURPRISED MANY OF MR.
LEVY'S AUDIENCE: THE LABOR EXPERT FROM A RESPECTED
THINK TANK HAD THOUGHT THE NEW EMPHASIS ON LABOR
STANDARDS WAS DRIVEN BY THE U.S. GOVERNMENT OR LABOR
UNIONS; WHILE BUSINESS STUDENTS AT THE PRIVATE ANAHUAC
UNIVERSITY FELT THEY RARELY DISCUSSED THE HUMAN SIDE
OF PRODUCTION, FOCUSING INSTEAD ON PROFIT AND THE
BOTTOM LINE. WE EXPECT THIS PROGRAM TO REINFORCE FAIR
LABOR PRACTICES, CONTRIBUTING TO OUR MPP GOAL OF
ECONOMIC PROSPERITY.

2. PROGRAM DATES: MARCH 28-30, 2000; FY-00; SECOND
QUARTER.

3. JUSTIFICATION AND OBJECTIVES: THROUGH THIS
PROGRAM, POST WISHED TO CONVEY THAT ATTENTION TO
INTERNATIONAL SOURCING PRACTICES IS A FACTOR OF
BUSINESS IN THE U.S. THIS IS A WORKING ENVIRONMENT,

RATHER THAN GOVERNMENT-TO-GOVERNMENT, ISSUE THAT SHOULD NOT BE SEEN AS THREATENING TO MEXICAN MANUFACTURERS. INSTEAD, MEXICAN BUSINESS AND LABOR ORGANIZATIONS SHOULD UNDERSTAND THE FACTORS BEHIND THE GROWING PRIVATE SECTOR CONCERN TO WORK WITH THEIR U.S. PARTNERS MORE EFFECTIVELY.

4. SUNDRY:

- TRACKER NO. 10028
- MPP GOAL: ECONOMIC COOPERATION AND PROSPERITY.
- AUDIENCE REACHED: APPAREL INDUSTRY REPRESENTATIVES; MEXICAN FACTORY OWNERS AND HUMAN RESOURCE MANAGERS; U.S. MANUFACTURERS; STUDENTS OF INTERNATIONAL BUSINESS; EMBASSY OFFICIALS; AND INTELLECTUAL READERS OF EL FINANCIERO DAILY.

5. RESULTS/IMPACT: VERY GOOD. GIVEN A CONFLUENCE OF INDUSTRY CHAMBER MEETINGS DURING THE LAST WEEK OF MARCH, POST WAS NOT ABLE TO BRING THIS EXPERIENCED SPEAKER TO ALL DESIRED AUDIENCES, PARTICULARLY THE CHAMBERS. IN EVERY MEETING, HOWEVER, MR. LEVY WAS ABLE TO EXPLAIN CLEARLY THE CONCERNS OF U.S. INDUSTRY AND WHY CONTRACTORS -- ESPECIALLY THOSE IN MEXICO WHICH LAST YEAR DISPLACED CHINA AS THE LARGEST APPAREL SUPPLIER TO THE U.S. -- NEED TO COMPLY WITH VOLUNTARY LABOR STANDARDS AS A "COST OF DOING BUSINESS." MR. LEVY DETAILED U.S. INDUSTRY'S RECENT EMPHASIS ON COMPLIANCE WITH VOLUNTARY LABOR STANDARDS FOR CONTRACTORS, EXPLAINING THAT INDUSTRY CONCERN STARTED WITH THE 1992 DECISION TO HOLD LEVI STRAUSS RESPONSIBLE FOR UNPAID BACK WAGES IN SAIPAN; AND THE 1996 KATHY LEE GIFFORD SWEATSHOP LABOR SCANDAL.

- EVEN THOSE FAMILIAR WITH THE NEW U.S. INDUSTRY LABOR STANDARDS BENEFITED FROM MR. LEVY'S EXPERIENCE AS HE WAS ABLE TO DIRECT THEM TO WEBSITES AND OTHER RESOURCES CONTAINING DETAILED LISTS OF THE CODES OF CONDUCT.

- PARTICULARLY SUCCESSFUL WERE EVENTS WITH THE HUMAN RESOURCES AND LABOR CONTACT GROUP, A LIVELY AD HOC MEETING OF MEXICAN BUSINESS PEOPLE INVOLVED IN LABOR ISSUES; ANAHUAC UNIVERSITY'S FACULTY OF BUSINESS; AND REPRESENTATIVES FROM U.S. COMPANIES DOING BUSINESS IN MEXICO.

6. SPECIFIC HIGHLIGHTS INCLUDED:

- AN ANIMATED LUNCH WITH REPRESENTATIVES OF THE HUMAN RESOURCES AND LABOR CONTACT GROUP: MR. LEVY DEBUNKED THE IMPRESSION THAT COMPANIES COULD NOT IMPROVE STANDARDS OVERSEAS WITHOUT SACRIFICING CHEAPER WAGES. NOTING THAT IMPROVED LABOR STANDARDS TEND TO IMPROVE PRODUCTIVITY ALONG WITH WORKER MORALE, AGREED, RESPONDING THAT ALTHOUGH

UNCLAS SECTION 02 OF 02 MEXICO 004005

STATE FOR IIP/T GCHRISTISON, IIP/G/WHA JGREENSPAN;
INFO WHA/PDPA CWILDER; LABOR FOR ILAB; KINGSTON FOR
PAO MKORFF-RODRIGUES

E.O. 12958: N/A

TAGS: SOCI, OIIP, ELAB

SUBJECT: PROGRAM EVALUATION OF U.S. LABOR EXPERT
STANLEY LEVY'S PROGRAM IN MEXICO (TRACKER NO. 10028)

MONITORING COMPLIANCE WITH LABOR STANDARDS IS DRIVEN
BY FEAR OF BAD PRESS, FACTORIES ARE IMPLEMENTING THE
STANDARDS AS PART OF GOOD BUSINESS PRACTICES. THE
REALITY OF LIVING CONDITIONS IN EACH COUNTRY, HOWEVER,
MUST BE TAKEN INTO ACCOUNT AS SOME SANDARDS ARE NOT
REALISTIC. IMPORTANTLY, MR.LEVY SHARED WEBSITES AND
OTHER SOURCES FOR SPECIFIC INDUSTRY CODES OF CONDUCT.

AMONG THE ATTEDEES AT THE LUNCH WAS THE PRESIDENT OF
THE MEXICN FAIR LABOR COURT SYSTEM, ANTONIO MONTES
PENA, WHO GAVE ADDITIONAL WEIGHT TO THE MEETING AS A
REPRESENTATIVE OF AN ENTITY HANDLING CONTROVERSIES
BETWEEN EMPLOYERS AND EMPLOYEES. FOR MR. MONES PENNA
TO HEAR FIRST-HAND THE CONCERNS OF HUMN RESOURCE
DIRECTORS OF AMERICAN SUBSIDIARIES IN MEXICO FOR THEIR
EMPLOYEES ALLOWED HIM TO UNDERSTAND THE PHENOMENON
MORE FULLY, CLEARLY DEMONSTRATING THAT U.S. COMPANIES
ARE WORRIED ABOUT THEIR IMAGE VIS A VIS CONSUMERS. WE
HOPE THAT THE MEXICAN FAIR LABOR COURT, WHEN
ARBITRATING LABOR DISPUTES, WILL KEEP IN MIND THE FAIR
LABOR CONDITIONS AND PRACTICES DISCUSSED AT THIS
EVENT. .

- A LECTURE TO INTERNATIONAL BUSINESS STUDENTS AT
ANAHUAC UNIVERSITY: MR. LEVY'S AUDIENCE WAS SURPRISED
BY HIS SUGGESTION THAT WORKERS, NOT BOTTOM LINE
PROFIT, WERE THE MOST IMPORTANT PART OF PRODUCTION.
MR. LEVY ACKNOWLEDGED THAT SUCH A CHANGE IN CORPORATE
CULTURE WAS DRIVEN BY PROFIT (MINIMIZING RISK TO
CORPORATE IMAGE) RATHER THAN ALTRUISTIC INTEREST IN
THE WORKER. NEVERTHELESS, QUALITY ASSURANCE IS NO
LONGER SUFFICIENT TO PROTECTING A COMPANY'S
REPUTATION; THE EXPERIENCES OF NIKE, GAP, LEVI'S AND
LIZ CLAIBORNE HAVE SHOWN THAT HUMAN RIGHTS ISSUES MUST
BE CONSIDERED AS WELL.

- A BREAKFAST MEETING WITH U.S. INDUSTRY
REPRESENTATIVES: MR. LEVY AGAIN NOTED THAT THOSE
FACTORIES WITH THE BEST LABOR STANDARDS HAVE INCREASED
PRODUCTIVITY. IT THEREFORE MAKES GOOD BUSINESS SENSE
TO COMPLY WITH THE INDUSTRY LABOR STANDARDS, WHICH ARE
INCORPORATED INTO CONSUMER VALUES. THE LABOR
REPRESENTATIVE FROM THE CENTER FOR RESEARCH ON
DEVELOPMENT (CIDAC) EXPRESSED SURPRISE THAT THE
IMPETUS FOR COMPLIANCE CAME FROM CONSUMERS AND
INDUSTRY REPRESENTATIVES RATHER THAN LABOR UNIONS OR
THE USG; HE SAID HE WILL CHANGE HIS FOCUS ON LABOR-
RELATED ARTICLES AS A RESULT.

- THE NATIONAL CHAMBER OF THE APPAREL INDUSTRY'S ANNUAL MEETING: MR. LEVY'S AUDIENCE RESPONDED WITH MORE PRACTICAL CONCERNS: HOW MANY FACTORIES PASSED INSPECTION FOR LABOR STANDARDS, AND HOW MUCH DID IT COST THEM TO COMPLY? ALTHOUGH INITIALLY ONLY 20 PER CENT OF MEXICAN SUPPLIERS COMPLIED WITH U.S. INDUSTRY STANDARDS, MR. LEVY STRESSED THAT THE COST OF UPGRADING LABOR STANDARDS SHOULD BE VIEWED AS SIMILAR TO THE COST OF UPGRADING EQUIPMENT TO FULFILL A U.S. ORDER: PART OF THE COST OF DOING BUSINESS.

- MR. LEVY WAS ALSO INTERVIEWED BY ECONOMIC DAILY EL FINANCIERO, WHICH PUBLISHED A HALF-PAGE ARTICLE THE NEXT DAY DETAILING THE COMPLIANCE PROGRAM.

7. NON-USG SOURCES OF IN-COUNTRY FUNDING: NONE.

8. QUALITY OF U.S. SUPPORT: GOOD. POST WAS PLEASED THAT IIP/T WAS ABLE TO SECURE MR. LEVY'S PARTICIPATION IN THIS PROGRAM, WHICH EMPHASIZED THE ROLE OF PRIVATE INDUSTRY IN CREATING NEW STANDARDS. MR. LEVY TOLD POST HE SPOKE TO OVER 40 INDUSTRY CONTACTS TO PREPARE FOR THE TRIP, ARRIVING WITH A WEALTH OF DOCUMENTS AND MEXICO-SPECIFIC CONCERNS BY U.S. MANUFACTURERS THAT ENHANCED HIS TALK. HE WAS AMONG THE MOST PROFESSIONAL AND PREPARED SPEAKERS WE HAVE HAD THE PLEASURE TO HOST, AND WE RECOMMEND HIM FOR FUTURE LABOR-FOCUSED PROGRAMS IN THE REGION. (DRAFTED BY SSTEVENSON)
DAVIDOW

TOR: 05/02/00 10:44:55

DIST: SIT: AVERY BABBITT NSC FELDMAN HOLLIS MCLEAN MERLETTI NAPLAN ORFINI
PATTEN SCHWARTZ SHANNON VACCARO VALENZUELA WILCOX