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OA/ID Number:	13729
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Folder Title:
Enterprise for the American Initiative 9/14/90 [OA 8315]

Stack:	Row:	Section:	Shelf:	Position:
G	26	20	7	3

1
AMERICAS INITIATIVE \ ROOSEVELT ROOM
FRIDAY, SEPTEMBER 14 \ 10:30 A.M.

- 0 IN LATIN AMERICA AND THE CARIBBEAN, A NEW GENERATION OF LEADERS, WITH THE SUPPORT OF THEIR CITIZENS, HAS TURNED INCREASINGLY TO MARKET FORCES AS THEY HAVE PURSUED ECONOMIC REFORMS DESIGNED TO ENCOURAGE GROWTH.

- 2 -

- 0 WE HAVE WELCOMED THESE DEVELOPMENTS. THAT'S WHY, IN JUNE, WE ANNOUNCED ENTERPRISE FOR THE AMERICAS -- A MAJOR NEW INITIATIVE TO HELP FORGE A GENUINE PARTNERSHIP OF FREE MARKET REFORM THAT WILL SUSTAIN BOTH GROWTH AND POLITICAL STABILITY IN LATIN AMERICA AND THE CARIBBEAN.

- 3 -

- 0 AS I SAID IN JUNE: I KNOW THERE HAS BEEN SOME CONCERN IN THE AMERICAS THAT WITH SO MANY THINGS GOING ON IN THE WORLD THAT OUR FOCUS WILL SHIFT AWAY. BUT I HAVE ASSURED THE LEADERS THROUGHOUT OUR HEMISPHERE THAT THE U.S. WILL NOT LOSE SIGHT OF THE TREMENDOUS CHALLENGES AND OPPORTUNITIES RIGHT HERE IN WHAT WE HOPE WILL SOON BE THE FIRST FULLY DEMOCRATIC HEMISPHERE IN THE WORLD.

- 4 -

- 0 FOR THE FIRST TIME, THE THREE ECONOMIC ISSUES OF GREATEST IMPORTANCE TO LATIN AMERICA -- TRADE, INVESTMENT, AND DEBT -- HAVE BEEN JOINED IN A SINGLE ENDEAVOR.
- 0 SINCE OUR ANNOUNCEMENT, THE AMERICAS INITIATIVE HAS BEEN WELCOMED BY LEADERS THROUGHOUT LATIN AMERICA AS A TRULY HISTORIC AND POSITIVE STEP FORWARD.

- 5 -

0 ON TRADE, WE HAVE SET FORTH CLEARLY OUR LONG-TERM OBJECTIVE -- A HEMISPHERIC FREE TRADE ZONE FROM ALASKA TO ARGENTINA.

0 AS A STEP IN THAT DIRECTION, WE OFFERED TO NEGOTIATE FRAMEWORK AGREEMENTS AND WILL ADDRESS SPECIFIC LATIN AMERICAN TRADE CONCERNS WITHIN THE URUGUAY ROUND. WE HAVE ALREADY SIGNED FRAMEWORK AGREEMENTS WITH ^{Mexico, Bolivia,} COLOMBIA AND ECUADOR. OTHERS ARE IN PROGRESS.

- 6 -

0 ON INVESTMENT, WE WANT TO INCREASE THE INCENTIVES FOR COUNTRIES TO ADOPT POLICIES THAT WILL ATTRACT CAPITAL, AND FACILITATE THE RETURN OF FLIGHT CAPITAL.

0 ON DEBT, WE ARE SUPPLEMENTING THE BRADY PLAN WITH A NEW PROPOSAL TO REDUCE OFFICIAL DEBT.

- 7 -

- 0 THE LEGISLATION WE ARE TRANSMITTING TO CONGRESS TODAY ADVANCES BOTH THE INVESTMENT AND DEBT PORTIONS OF THE INITIATIVE, AND CONTAINS AN INNOVATIVE APPROACH TO THE ENVIRONMENT. I ASK FOR PROMPT ACTION, THIS SESSION, BY THE CONGRESS.
- 0 WITHOUT CONGRESSIONAL AUTHORITY, WE CANNOT GET UNDERWAY ON SOME OF THE MOST IMPORTANT ELEMENTS OF THE INITIATIVE. TO CITE TWO EXAMPLES:

- 8 -

- 0 OUR INITIATIVE INCLUDES A \$1.5 BILLION MULTI-DONOR INVESTMENT FUND, ADMINISTERED THROUGH THE INTER-AMERICAN DEVELOPMENT BANK, TO PROVIDE SUPPORT AND TECHNICAL ASSISTANCE TO CARRY OUT INVESTMENT REFORMS. AND WE WANT TO THANK I.D.B. PRESIDENT ENRIQUE IGLESIAS FOR HIS STRONG SUPPORT OF OUR INITIATIVE.

- 0 AND CONGRESSIONAL ACTION IS ALSO NECESSARY TO AUTHORIZE REDUCTION OF THE DEBT OWED BY OUR LATIN AMERICAN NEIGHBORS TO THE U.S. GOVERNMENT.
- 0 WE WILL ALSO PURSUE DEBT FOR EQUITY AND DEBT FOR NATURE SWAPS TO IMPROVE THE HEMISPHERE'S ENVIRONMENT.

- 0 WE BELIEVE THESE MEASURES TOGETHER WILL BOOST TRADE, INVESTMENT, AND GROWTH IN OUR HEMISPHERE.
- 0 THIS LEGISLATION IS GOOD FOR OUR NEIGHBORS, GOOD FOR THE HEMISPHERE, AND IT HAS MY FULL BACKING AND SUPPORT. LET'S MOVE FORWARD, AND LET'S PASS THIS IMPORTANT LEGISLATION SOON.

#

Olin
Wethington

come to Room 122

when you are finished

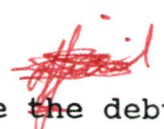
(McNally/Simon) Draft One (B:TP)

editing

PRESIDENTIAL TALKING POINTS: AMERICAS INITIATIVE
ROOSEVELT ROOM
FRI., SEPT. 14, 10:30 A.M.

- o The Revolution of '89 has produced peaceful changes that are almost universally positive -- at home here in the Western Hemisphere as well as in Eastern Europe.
- o In Latin America, a new generation of leaders has turned increasingly to market forces as they have pursued economic reforms designed to encourage growth.
- o We have welcomed these developments. That's why, in June, we announced the Enterprise for the Americas -- a major new initiative to help forge a genuine partnership of free market reform that will sustain both growth and political stability in Latin America and the Caribbean.
- o Since our announcement, the Americas Initiative has been welcomed by leaders throughout Latin America as a truly historic and positive step forward.
- o For the first time, the three economic issues of greatest importance to Latin America -- trade, investment, and debt -- have been joined in a single endeavor.
- o On trade, we will seek to negotiate free trade agreements and move toward a hemispheric free trade zone from Alaska to Argentina, a process that has already begun with Mexico.
- o We are also developing bilateral framework agreements and will address specific Latin American trade concerns within the Uruguay Round.
- o On investment, we want to increase the incentives for countries to adopt policies that will attract capital, and facilitate the return of flight capital.
- o Prompt congressional action on this proposal is critical to enable us to proceed on the debt reduction, environmental, and investment aspects of the Americas Initiative.
- o Without congressional authority, we cannot ~~even~~ get underway on some of the most important elements of the Initiative. To cite two examples:
- o Our initiative includes a \$1.5 billion multi-lateral investment fund, administered ~~by~~ ^{through} the Inter-American Development Bank, to provide support and technical assistance to carry out investment reforms. And we want to thank I.D.B. president Enrique Iglesias for his strong support of our Initiative.

Don't forget to include the burden of official debt as to stimulate economic growth.
make part of that

- 
- o ~~And~~ our plan also includes authorization to reduce the debt owed by our Latin American neighbors to the U.S. government.
 - o We will also pursue debt for equity and debt for nature swaps to improve the hemisphere's environment.
 - o We believe these measures together will boost trade, investment, and growth in our Hemisphere.
 - o As I said in June: I know there has been some concern in Latin America that with so many things going on in the world that our focus will shift away. But I have assured the leaders throughout Central and South America that the U.S. will not lose sight of the tremendous challenges and opportunities right here in what we hope will soon be the first fully free hemisphere in the world.

Don Johnson

(McNally/Simon) Draft One (B:TP)

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← INSERT - WE
HAVEN'T FORGOTTEN

o For the first time, the three economic issues of greatest importance to Latin America -- trade, investment, and debt -- have been joined in a single endeavor.

o On trade, we will ~~seek to negotiate free trade agreements~~ ^{HAVE BEEN SET FORTH CLEARLY OUR LONG TERM OBJECTIVE -} and move toward a hemispheric free trade zone from Alaska to Argentina, ~~a process that has already begun with Mexico.~~

o ~~We are also developing~~ ^{AS IT STEPS IN THAT DIRECTION, WE PROPOSE OFFERS TO NEGOTIATE} bilateral framework agreements and will address specific Latin American trade concerns within the Uruguay Round. ~~THE REACTION HAS BEEN MOST FAVORABLE -~~ ^{WE HAVE}

o On investment, we want to increase the incentives for countries to adopt policies that will attract capital, and facilitate the return of flight capital.

ALREADY SIGNED
BREMEN
AGREEMENTS
WITH
COLOMBIA
AND
ECUADOR.
OTHERS
ARE IN
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ENVIRONMENT

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o ~~Without congressional authority, we cannot even get underway on some of the most important elements of the Initiative. To cite two examples:~~ ^{THE LEGISLATION WE ARE PROPOSING TODAY ADVANCES BOTH THE DEBT & INVESTMENT AND DEBT}

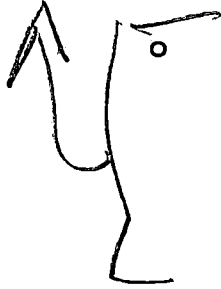
o Our initiative includes a \$1.5 billion ~~multi-lateral~~ ^{through multi-donor} investment fund, administered by the Inter-American Development Bank, to provide support and technical assistance to carry out investment reforms. And we want to thank I.D.B. president Enrique Iglesias for his strong support of our Initiative.

I ASK FOR
PROMPT ACTION
THIS SESSION
-- THE C

Congressional action is

(necessary to authorize reduction of

- o And ~~our plan~~ also ~~includes authorization to reduce~~ the debt owed by our Latin American neighbors to the U.S. government.
- o We will also pursue debt for equity and debt for nature swaps to improve the hemisphere's environment.
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o As I said in June: I know there has been some concern in Latin America that with so many things going on in the world that our focus will shift away. But I have assured the leaders throughout Central and South America that the U.S. will not lose sight of the tremendous challenges and opportunities right here in what we hope will soon be the first fully free hemisphere in the world.

*Here is some
additional material.*

**Program for the Americas -- A New Partnership
for Trade, Investment, and Growth**

- As you know, the United States has recently announced a major new initiative to promote growth in Latin America and the Caribbean.
- We hope to expand trade and investment as vehicles for growth by opening markets, facilitating capital flows, and reducing debt burdens.
- Our initiative also targets support for the environment to help make economic growth sustainable over the long term.
- On trade, we will seek to negotiate free trade agreements and move toward a hemispheric free trade zone.
 - We are also prepared to develop bilateral framework agreements and work to address specific Latin American trade concerns within the Uruguay Round.
- On investment, we want to increase the incentives for countries to adopt policies that will attract capital flows and facilitate the return of flight capital. We will be seeking broad support for:
 - A sector loan program in the Inter-American Development Bank to support investment reforms.
 - Creation of a multilateral fund to provide further support for comprehensive investment reforms.
- On debt, we will pursue measures to buttress support for commercial bank debt reduction, and to reduce Latin debt owed to the U.S. government.
 - We will encourage the IDB to join the IMF and World Bank in supporting debt and debt service reduction transactions negotiated with commercial banks under the current debt strategy.
 - We will offer relief on bilateral official debts for countries that are committed to IMF/World Bank economic reform programs and liberalization of investment regimes, and have negotiated commercial bank debt reduction as appropriate.
 - This will involve substantial reduction of the concessional obligations of eligible countries and acceptance of interest payments in local currency, which will in turn be devoted to environmental programs within each country.

We are saying the IDB is a new proposal to reduce official debt.

official and

From: Barry

*from Ed
(Holiday)*

come to Room 122

when you are finished

(McNally/Simon) Draft One (B:TP) *editing*

PRESIDENTIAL TALKING POINTS: AMERICAS INITIATIVE
ROOSEVELT ROOM
FRI., SEPT. 14, 10:30 A.M.

*The
Enterprise
for the
Americas*

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- Prompt congressional action on this proposal is critical to enable us to proceed on the debt reduction, environmental, and investment aspects of the Americas Initiative.
- ~~Without congressional authority, we cannot even get underway on some of the most important elements of the Initiative.~~

To cite two examples:

- Our initiative includes a \$1.5 billion multi-lateral investment fund, administered by the Inter-American Development Bank, to provide support and technical assistance to carry out investment reforms. And we want to thank I.D.B. president Enrique Iglesias for his strong support of our Initiative.

*with
the support
of their
citizens*

*requiring
congressional
action*

- o And our plan also includes authorization to reduce the debt owed by our Latin American neighbors to the U.S. government.
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OFFICE OF CABINET AFFAIRS STAFFING MEMORANDUM

Date: 09/13

Due by: 2:00 p.m. Today, 09/13/90

Subject: OMB Clearance: Treasury briefing materials concerning the "Enterprise for the Americas Initiative."

From: Holly Williamson

	ACTION	CONCUR	FYI		ACTION	CONCUR	FYI
HOLIDAY	☐	☐	☐	MCBEE	☐	☐	☒
DANZANSKY	☐	☐	☒	MCMUNN	☐	☐	☐
ADAIR	☐	☐	☐	PORTER	☐	☐	☐
BUCHHOLZ	☐	☐	☐	SCHALL	☐	☐	☐
CASSE	☐	☐	☐	SECHLER	☐	☐	☒
EVANS	☐	☐	☐	WETHINGTON	☒	☐	☐
FARRAR	☒	☐	☐	WILLIAMSON	☐	☐	☐
GUNN	☐	☐	☐	_____	☐	☐	☐
HEIMBACH	☐	☐	☐	_____	☐	☐	☐
JACKSON	☐	☐	☒	_____	☐	☐	☐

Comments:

Please review and provide comments by 2:00 p.m. today.
Thanks.

OK OPW



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 13, 1990

LEGISLATIVE REFERRAL MEMORANDUM

TO: Department of Agriculture (Shapiro 382-1516) 312
Department of State (Rappaport 647-4463) 225
Environmental Protection Agency (Quinn 382-5414) 326
Agency for International Development (Lester 647-8371) 202
Export-Import Bank (Katz 566-8967) 236
Council of Economic Advisers (Obermiller 395-5036) 242
Department of Justice (Navarro 514-2141) 217
National Security Council (William F. Sittman 456-2224) GF/WW (OEOB - Room #381) 249
Department of Labor (Zinman 523-8201) 330
United States Trade Representative (Bolten X3150) 223
U.S. Information Agency (Johnson 485-8828) 255
Department of Education (Kristy 732-2670) 207
Department of Commerce (Levitt 377-3151) 324

SUBJECT: Treasury briefing materials concerning the "Enterprise for the Americas Initiative."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than 3:00 p.m., Thursday, September 13, 1990.

Questions and your views should be referred to Rodney Bent (395-4944).

Ronald K. Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

cc: J. Doherty
S. Offutt
D. Vandenberg

H. Williamson
B. Hannon
E. Rea

C. B. Gray
J. Irwin
R. Rettman

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Enterprise for the Americas Initiative

*auth
spec
fund*

The Administration intends to submit a legislative proposal to facilitate implementation of the investment, debt, and environmental elements of the President's Enterprise for the Americas Initiative.

In the investment area, the Administration will seek to provide for contribution by the United States to the Enterprise for the Americas Investment Fund, a multilateral investment fund to be established at the Inter-American Development Bank. Authorization for contributions of \$500 million to the Fund and authorization of appropriations for the contribution will be sought. The Fund is aimed to foster a climate favorable to investment in Latin American and Caribbean countries and would support efforts in these countries to facilitate investment and the reflow of flight capital. It would advance specific, market-oriented investment policy initiatives and reforms and finance technical assistance for privatization efforts, business infrastructure, and worker-training and education programs. The Secretary of the Treasury will seek contributions from other countries to the Fund.

The purpose of the Enterprise for the Americas Initiative is to encourage and support market-oriented reform and economic growth in Latin America and the Caribbean through inter-related actions which will promote debt reduction, investment reforms, and environmental protection. The Enterprise for the Americas Facility will be established in the Department of the Treasury to support these objectives through administration of debt reduction operations for nations that meet certain investment reform and other policy conditions.

Criteria need to be established to govern eligibility to participate in the debt reduction operations under the Facility. These criteria will aim to encourage economic reform, including measures to liberalize investment regimes. An eligible country should:

- o have in effect an IMF stand-by arrangement, extended fund arrangement, or an arrangement under the structural adjustment facility or enhanced structural adjustment facility, or, in exceptional circumstances, an IMF-monitored program or its equivalent;
- o as appropriate, have received structural or sectoral adjustment loans under the International Bank for Reconstruction and Development (World Bank) or the International Development Association (IDA);
- o have in place major investment reforms in conjunction with an IDB loan or otherwise be implementing open investment regimes; and

- o as appropriate, have agreed on a satisfactory financing program with commercial banks including, if appropriate, debt and debt service reduction.

Clear authority will be necessary to undertake the actions proposed in the debt element of the Initiative. The Administration will seek authority to reduce concessional loans extended under the Foreign Assistance Act of 1961 (FAA) and credits extended under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended. This reduction would be accomplished through an exchange of new obligations for obligations outstanding as of January 1, 1990. Once agreed by the President, the responsibility for executing the exchange of obligations that will result in the debt reduction rests with the agency which holds loans or credits to be affected. Such agency will act at the direction of the Facility.

Once the exchange is undertaken, principal payments on new obligations will be paid in U.S. dollars and credited to the accounts established to receive principal payments on the old debt obligations. Interest payments will be at a concessional rate and will be made in local currency if the debtor country has reached an environmental agreement with the United States establishing an Environmental Fund. Under such an agreement, interest payments deposited in an Environmental Fund and would be jointly programmed by the U.S. and debtor country government. In the absence of such an environmental agreement, interest would be paid in U.S. dollars into the U.S. Treasury.

The President would be authorized to enter into agreements with countries receiving debt reduction under the Initiative which, in addition to establishing Environmental Funds and providing for joint programming, could specify the uses of monies in the Funds. The President intends to encourage the involvement of local private environmental groups in decisions on the use of grant funds and to consult with non-governmental organizations in the United States and abroad regarding the establishment, structure, and operation of the Environmental Fund program.

In addition to the authority to reduce concessional debts, the President would be authorized to sell, reduce, or cancel loans made to an eligible country under the Export-Import Bank Act of 1945, as amended, and assets acquired as a result of credit guarantees made in connection with export sales to eligible countries under programs authorized pursuant to the Commodity Credit Corporation Charter Act, as amended, or section 4(b) of the Food for Peace Act of 1966, as amended. Such sale, reduction, or cancellation would only be undertaken for those loans made or assets acquired prior to January 1, 1990 and would be consistent with terms or conditions of prior agreements relating to the loans or assets.

Eligible purchasers for Exim Bank loans and CCC assets would depend on the presentation of satisfactory plans for engaging in debt-for-equity or debt-for-nature swaps. Once an eligible purchaser is identified, the Facility will notify the agency which holds the loans or assets to be affected, and that agency will carry out the sale, reduction, or cancellation. Prior to such a transaction, consultations would be undertaken with the eligible country regarding the amounts to be affected and their uses for debt-for-equity or debt-for-nature swaps. The proceeds of any sale, reduction, or cancellation of a loan or asset would be credited to the account established for the repayment of that loan or those assets.

Such sales, reductions, or cancellations of loans or assets would be carried out in a way to maximize return to the U.S. Government. These transactions would not be required to be registered pursuant to the Securities Act of 1933 and, for the purposes of that Act, neither Exim Bank nor CCC would be deemed an issuer or underwriter with respect to any subsequent sale or other disposition of such loan or asset pursuant to a debt-for-equity or debt-for-nature swap.

The President would submit an annual report to Congress on the operation of the Facility.

**IMPLEMENTATION OF THE
INVESTMENT, DEBT AND ENVIRONMENT COMPONENTS
OF THE
"ENTERPRISE FOR THE AMERICAS" INITIATIVE**

The key investment, debt, and environment components of the "Enterprise for the Americas" initiative are as follows:

- (1) Contributions to the Enterprise for the Americas Investment Fund to be administered by the Inter-American Development Bank (IDB).
- (2) Development of an investment sector lending program in the IDB to provide loans in support of investment reforms.
- (3) Creation of the Enterprise for the Americas Facility within the Treasury Department to support the objectives of the Initiative through debt reduction operations for eligible nations.
- (4) Reduction of concessional (AID and PL 480) debts owed by eligible countries.
- (5) The sale, reduction, or cancellation of Eximbank loans and CCC assets to facilitate debt/equity or debt-for-nature swaps.
- (6) Use of interest payments on reduced concessional obligations to support environmental programs in the debtor country.

The following provides further detail on the expected operation of these elements.

Enterprise for the Americas Investment Fund

This fund is expected to be multilateral in nature, although it could commence operations based initially on U.S. contributions if other contributions are not available. The Administration will be seeking authority to contribute (as grants) \$100 million annually to this Fund over five years beginning in FY 1992.

The Fund is expected to provide support for investment policy initiatives and reforms and to finance technical assistance for privatization, development of business infrastructure, and worker training and education programs.

The Administration discussed this proposal with other G-7 industrial countries at the Houston Economic Summit and will continue to seek contributions from European countries, Japan, and Canada.

Although the IDB would manage the Fund, contributing countries would be expected to provide guidelines for disbursement of grants to eligible countries.

IDB Investment Sector Loan Program

The President has proposed the establishment of an IDB sector lending program to provide fundamental support for investment reforms. Liberalization of investment regimes is particularly important as a means of attracting the scarce capital critical to sustained growth. The objective for Latin America and the Caribbean must be to compete effectively for limited resources while also attracting the flight capital of their nationals back home.

The U.S. Government will work with the Inter-American Development Bank to develop an investment sector lending program consistent with these goals.

Enterprise for the Americas Facility

The Enterprise for the Americas Facility will support the objectives of market-oriented reform and economic growth, investment reform, and environmental protection through the administration of debt reduction operations for eligible countries.

To be eligible for debt reduction, Latin American and Caribbean countries must:

- o Have in effect International Monetary Fund/World Bank economic reform programs;
- o Have in place major investment reforms in conjunction with an IDB loan, or otherwise be implementing an open investment regime; and
- o For countries which owe a substantial part of their debt to commercial banks, have negotiated a satisfactory financing program with commercial banks, including debt and debt service reduction if appropriate.

Decisions on country eligibility, based on these criteria, will be made through an interagency process chaired by the Secretary of the Treasury. The Enterprise for the Americas Facility will issue instructions to the appropriate Federal agencies to effect the debt reduction, sale, or cancellation which has been negotiated with eligible countries (see below). It will also provide technical support for an interagency team, to include relevant agencies, which will negotiate the terms of debt reduction with individual countries.

Reduction of Concessional Debts

Decisions on the extent of debt reduction on Agency for International Development and P.L. 480 obligations of individual eligible countries will be made through an interagency process chaired by the Secretary of the Treasury.

Debt reduction will be effected through the exchange of outstanding obligations for new, reduced AID and P.L. 480 obligations bearing concessional interest rates (see environmental support discussion below).

Reduction, Sale, or Cancellation of Eximbank and CCC Obligations

Decisions on the amount of Eximbank loans (and loans acquired pursuant to its guarantee and insurance programs) and the amount of CCC assets acquired as a result of its export sales guarantees which will be available for reduction, sale or cancellation for eligible countries will be made through an interagency process chaired by the Secretary of the Treasury.

Such reductions, sales, or cancellations will be made solely to facilitate debt/equity swaps or debt-for-nature swaps. Specific mechanisms will be developed to assure that this objective is realized.

Enterprise for the Americas Environmental Funds

The Administration will seek to negotiate an environmental agreement with each country determined eligible for debt reduction. Conclusion of such an agreement would allow the eligible country to make interest payments on new obligations resulting from debt reduction in local currency. The agreement would establish an Environmental Fund to receive interest payments and would determine the operation of the Fund and the use of its resources to provide grants for environmental projects and programs.

The local currency interest payments would be deposited in an eligible country's Environmental Fund and would be jointly-programmed by the United States and that country. It is contemplated that local committees -- composed of U.S. Government representatives, eligible country representatives, and representatives of local private environmental groups -- would have a significant role in formulating programs and projects funded by each country's Environmental Fund.

The Administration is committed to encouraging the involvement of local non-governmental environmental groups in the decision-making process. We have heard preliminary views from non-governmental organizations in Washington and believe it will be important to consult with these groups regarding the establishment, structure, and operation of the Environmental Fund program.

We anticipate that annual programs for individual countries would be formulated at the local committee level, as would proposals for specific projects to be funded. Annual programs would be subject to the joint approval of the USG and the debtor government.

It is also clear that this crisis is giving us a glimpse of an emerging post-Cold War world order that holds out the promise of new levels of cooperation among the nations of the world.

While the events of the past month have drawn the world's attention to the grave situation in the Middle East, we realize that other regions also need our support and hold prospects for mutually beneficial cooperation. The past year has seen the dramatic emergence of Eastern Europe, which will pose a challenge for many years to come.

At the same time, a quieter but no less important revolution has occurred in Latin America, where a new generation of leaders has turned increasingly to market forces as they have pursued economic reforms designed to encourage growth. In June, President Bush announced his Enterprise for the Americas Initiative, a cooperative endeavor to boost growth, trade, and investment in the Hemisphere. This evening I want to reaffirm the President's fundamental commitment to the Enterprise Initiative and to discuss elements of its implementation.

The White House announcement of the Initiative on June 27 followed a broad Administration review of U.S. economic policy toward Latin America and the Caribbean that the President commissioned after his visit to Colombia in February for the Andean Summit. That review underscored the fundamental importance of our economic, political, and financial relations with the Caribbean and Central and South America.

Geography makes all of us in this hemisphere natural allies. We share a rich historical and cultural heritage and strong economic ties that go back centuries. People, capital, and goods flow in abundance across our borders. Following the recent democratic transitions in Latin America and the Caribbean, we share more interests and values than ever before.

Yet economic conditions in many of these nations have not allowed us in recent years to make the most of these close ties.

Many Latin American and Caribbean economies remain burdened by a decade of difficult economic adjustment. Poor economic policies, over-management by governments, and a difficult world environment have contributed to economic decline. The debt crisis has constrained the resources needed for growth and tested the resolve of nearly every government in the region. Countries have suffered diminished trade, debilitating financial imbalances, the flight of their own citizens' capital, and the harsh results of low growth.

Meanwhile, for our part, the United States has developed a large trade deficit with the region as economic hardship in many Latin and Caribbean countries choked the appetite for imports

while still compelling expansion of exports. At the same time, U.S. foreign direct investment in the region has declined -- both in relation to overall U.S. foreign direct investment and to U.S. investment in developing countries. In short, these countries are much less competitive in attracting vitally needed capital.

These problems have overshadowed potential opportunities for more productive hemispheric relations. They call for decisive action to improve the prospects for growth and prosperity throughout the Hemisphere. The Enterprise for the Americas Initiative reaches out to our neighbors to support economic reform and sustain growth. For the first time, the three economic issues of greatest importance to Latin America -- trade, investment, and debt -- have been joined in a single endeavor. These are the three pillars of the Enterprise Initiative. A recognition of the complex interrelationships among these three policy areas is an indispensable precondition for Latin America's long-term recovery of growth and prosperity.

The Initiative also sets a challenge for Latin America. Its leaders will have to forge and implement policies to make their countries competitive in a world short of resources. Their reward will be expanded trade and investment within our Hemisphere, reduction in their stock of official bilateral debt, and local currency resources for environmental programs.

The first pillar of the Initiative -- trade -- aims to expand trade first and foremost by pursuing a successful conclusion to the Uruguay Round. As part of this effort, we will respond to the particular interests of Latin and Caribbean countries by seeking deeper tariff reductions in the Uruguay Round on products of special interest to them.

To build further on the trend toward free markets, we will seek to establish a free trade system that links the entire Hemisphere. The President announced in the Enterprise Initiative that we will be prepared to enter into free trade agreements with other markets in Latin America and the Caribbean -- particularly with groups of countries that have associated for purposes of trade liberalization. Mexico is already on its way to becoming our first such trade partner to the south. Others will follow, and in the meantime we are already negotiating bilateral framework agreements to open markets and develop closer trade ties with countries that wish to move in this direction.

The second pillar of the Initiative consists of a broad program to help Latin American and Caribbean countries attract the capital needed to expand their economies. Countries must compete today for capital in a world of scarce resources. To do so effectively, they must establish stable economies and regulatory systems hospitable to investors both at home and abroad. The

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Initiative includes two proposals to create incentives for investment reform:

- o a new lending program in the Inter-American Development Bank to support investment sector reforms; and
- o a \$1.5 billion multilateral investment fund administered by the Inter-American Development Bank to provide support and technical assistance to carry out investment reforms.

We are now seeking contributions from Europe, Japan and Canada as well as legislation from Congress authorizing U.S. contributions of \$100 million annually over a five-year period.

Finally, the third pillar offers official debt reduction for those countries that establish sound economic policies and liberalize their investment regimes to promote domestic and foreign investment. First, we have proposed that the IDB immediately join the IMF and World Bank in making available enhancements to support debt and debt service reduction negotiated with commercial banks under the Brady Plan. Second, and of particular significance for the many countries with large proportions of official debt, the U.S. will undertake to reduce both concessional development assistance loans and non-concessional obligations to Eximbank and the Commodity Credit Corporation (CCC). In the case of non-concessional debt, we propose to sell a portion of such assets to facilitate debt-for-equity and debt-for-nature swaps.

We believe that this program will be effective in supporting strong economic growth throughout the hemisphere. To help ensure the sustainability of this growth, however, we must take into account the finite environmental resources with which we are endowed. We must take care not to use up today the resources vital to growth and prosperity tomorrow.

With this in mind, the President's proposal includes dedication of resources to the environment as a component of the restructuring of U.S. concessional debt. Interest payments on restructured AID and PL-480 claims, therefore, will be made in local currency and targeted to fund appropriate environmental projects jointly supported by the United States and the participating government. We will seek a strong role in this process for local non-governmental organizations with expertise in the environment and conservation.

Reaction from the Region

Leaders throughout Latin America and the Caribbean have reacted enthusiastically to the President's Enterprise Initiative. Last month I visited a number of the larger countries of Latin America. Seldom in my experience has an initiative caught so

The Administration has prepared legislation to secure authority from Congress for implementing the multilateral investment fund, for reducing official bilateral debt, and for

- It will also allow the sale of a portion of Latin Ex-Im Bank and Commodity Credit Corporation obligations to facilitate debt/equity and debt/nature swaps.
- We believe that these measures will together help boost investment, trade, and growth in a region of special interest to the United States.
- The benefits of this program, however, will reach beyond this hemisphere to the world economy as a whole.

THE ENTERPRISE FOR THE AMERICAS INITIATIVE:
A BASIC CHANGE IN U.S. ECONOMIC POLICY
TOWARD LATIN AMERICA

Roger B. Porter
Assistant to the President
for Economic and Domestic Policy

ADDRESS BEFORE THE AMERICAS SOCIETY
New York, N.Y.
September 11, 1990

THE ENTERPRISE FOR THE AMERICAS INITIATIVE:
A BASIC CHANGE IN U.S. ECONOMIC POLICY
TOWARD LATIN AMERICA

ADDRESS BY ROGER B. PORTER
TO THE AMERICAS SOCIETY
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Introduction

It is an honor to participate in the Chairman's International Advisory Council's discussion of President Bush's Enterprise for the Americas Initiative, which he announced on June 27. Leaders such as you from both the public and the private sector hold the key to the success of the initiative. David, you, George Landau, and other guiding lights of the Americas Society deserve great credit for organizing this event.

My purpose is to discuss the thinking behind the President's initiative and the results he expects from it. Encouraging democracy and economic growth through open markets in Latin America and the Caribbean is a high priority of President Bush, even in these days of concern about the situation in the Middle East. Despite the current focus of public attention on the Gulf, I can assure you that the President's interest and concern for Latin America is both longstanding and continuing.

Background

Events in the Western Hemisphere must be viewed as part of a worldwide phenomenon. This is a time of enormous economic and political change. The changes taking place are almost universally positive. Not least, they are being achieved peacefully. This is a remarkable accomplishment. There is a fresh, dynamic attitude around the world that views change cheerfully, not fearfully. This is a time of great potential. Individuals and societies today are prepared to innovate, not merely repeat the ways of the past. While there are risks involved, there is a broad consensus that the potential benefits of change far outweigh the costs.

Since taking office in January 1989, the President and his Administration have been encouraged by events in Latin America. The intellectual and political impetus behind these events are part of this

worldwide phenomenon. Nearly every country in the region has struggled for at least a decade to find solutions to economic stagnation while fulfilling popular democratic expectations. Toward the end of the 1980's, a consensus began to emerge on two critical points.

First, the leadership in country after country became convinced that the policies associated with Latin America's rising debt levels, increased capital flight, high inflation, and low growth rates, could not continue. These policies had put the region on a path leading nowhere worth going.

Second, the region's leaders became convinced that change was necessary, and that at its essence the new system must be market-oriented, not government-dominated. Elections throughout the region -- in Mexico, Brazil, Argentina, Venezuela, Peru, Nicaragua, and Honduras -- have produced political leaders committed to this new way of thinking.

We have become increasingly committed throughout the Americas to the notion that economic success rests with a vibrant market economy. Ultimately, the notion that governments can successfully organize and direct economic activities has been discarded. In Latin America and the Caribbean, the debate over alleged historical economic injustices suffered at the hands of nations with developed economies has virtually disappeared. The new message from Latin leaders is a pragmatic one:

We must not dwell on the past; we have much work to do.

We control our own destiny; to succeed we must concentrate on practical solutions that work.

This practical approach means removing barriers to genuine competition and clearing the way for entrepreneurship at all levels of society. Thanks to the work of Peruvian economist Hernando de Soto and others, the view that the path to economic prosperity lies with private initiative rather than the state is increasingly shared not only by political and business leaders such as yourselves, but throughout the citizenry as well.

A New U.S. Approach

Against this background, President Bush developed a vision for Latin America that is build on a foundation of partnership:

Partnership between Latin America and the Caribbean on the one hand and the United States on the other;

Partnership among the countries of Latin America and the Caribbean;

Partnership between governments in the hemisphere and their private sectors; and

Partnership among the private sectors of the countries in the region.

The President believes that the United States has a unique opportunity to help reinvigorate Latin America's economy, and in doing so to strengthen democracy. This contribution is of a particular nature. What has become abundantly clear is that no government can impose solutions or solve problems by the large-scale transfer of official resources. The real initiative must come from the region itself, with the United States playing an active and cooperative role. The President asked Treasury Secretary Nicholas Brady to lead an interagency effort to decide how best to take advantage of this opportunity.

In future years, as historians examine the second half of the 20th century, the President's initiative may well be seen as an important turning point in the relationship between the United States and Latin America. It is instructive to compare President Kennedy's 1961 Alliance for Progress initiative and with President Bush's initiative this year.

Reflecting the spirit, perhaps even the innocence, of the time, the Alliance for Progress program had as an underlying premise the importance of governments. Latin governments were to design what President Kennedy termed a "vast new Ten-Year Plan for the Americas," and the United States Government was to provide the foreign aid needed to support it. By contrast, the Enterprise for the Americas Initiative focuses on markets. It is built on the premise that no amount of official resources can offset inappropriate economic policies. The challenge to Latin governments under the Bush initiative is to remove obstacles to efficiently functioning markets, and to create a climate for entrepreneurship. The role of the U.S. government is to facilitate increased access to our markets and investor community and to help in relieving financial burdens. Implicit in the President's initiative is a sense of partnership and equality.

Elements of the Initiative

Many of you are familiar with the President's Enterprise for the Americas Initiative. The initiative has three pillars: trade, investment, and debt reduction. The debt pillar also has an important environmental dimension. Let me briefly explain each.

Trade. The President has established a long-term goal or vision of a Hemisphere-wide free trade area. Obviously, this goal will not be achieved overnight. The first step toward that goal involves negotiating framework agreements. These framework agreements create a mechanism for discussing general principles of trade and investment relations and ways to address specific problems.

The next step is the negotiation of free trade agreements with other markets in Latin America and the Caribbean. This process will begin with Mexico.

We envision our free trade negotiations encouraging and enhancing efforts for subregional integration that are being pursued in this hemisphere. This is why the President said explicitly in his speech that we stand ready to enter into free trade agreements with other markets in Latin America and the Caribbean, "particularly with groups of countries that have associated for purposes of trade liberalization". We are not looking for 32 individual free trade agreements in the region. While we do not rule out agreements with individual countries, our vision is broader and more complex -- of a region at peace, where countries trade freely among themselves and with us.

Let me make two final points about the President's approach to trade in his initiative.

First, the evolution toward open trade is a gradual one. The pace must be determined by Latin and Caribbean countries themselves.

Second, progress toward the goal should not occur at the expense of further liberalization of the multilateral trading system. The President has stated clearly that successful completion of the Uruguay Round is his highest trade priority. In fact, the countries of this hemisphere have much more to gain from lower trade barriers worldwide than from improved access to the U.S. market alone. It would not be correct, therefore, to interpret the President's initiative as a shift in U.S. trade

policy away from multilateralism and toward regionalism. We do not intend to create a hemispheric trading bloc.

Investment. The second pillar of the Enterprise for the Americas is an investment initiative to unlock the potential for domestic and foreign investment and encourage capital flows. The initiative has two parts.

First, we will work with the Inter-American Development Bank to create a new policy-based lending program to promote the reform of investment regimes. The program will provide both technical advice and financial support for privatization efforts and the liberalization of investment regimes.

Second, we will work to create in the IDB a multilateral investment fund to advance comprehensive investment reforms. This fund will provide grants of up to \$300 million annually over five years. The United States is prepared to contribute one third of the resources for the fund. Europe and Japan also need to do their part.

Debt. The third pillar provides additional support for debt and debt-service reduction in Latin America and the Caribbean. The President's debt proposal contains three parts.

First, we propose that the Inter-American Development Bank become an additional source of enhancements under the existing debt strategy for addressing commercial debt problems.

Second, we will address the problem of official debt by seeking legislation to permit substantial reduction of existing U.S. concessional loans (development assistance and P.L. 480) to eligible countries in the region.

Third, to encourage pollution reductions and preserving natural resources, the United States is prepared to have interest payments on reduced concessional debt used to support environmental programs within the debtor country.

The U.S. will promote privatization and environmental goals by allowing the official debt of eligible countries that was originally provided on commercial terms (Eximbank and CCC) to be sold or reduced when this will support debt-for-equity or debt-for-nature swaps.

The benefits of debt reduction under this initiative will be open to countries that have undertaken reform measures themselves, including implementing IMF and World Bank reform programs, adopting major investment reforms, and negotiating a satisfactory financing package with commercial banks, where appropriate.

Implementing the Initiative

The Bush Administration is hard at work implementing the President's initiative. Some elements require immediate legislative authority; others do not.

The President will soon transmit to the Congress proposed legislation to implement the debt and investment portions of the initiative.

We are pleased with the strong expressions of support from key Members of Congress since the President's announcement. The Administration will press hard for Congressional approval of the Enterprise legislation before the end of the year. The support of groups like yours is indispensable if we are to succeed in this effort.

The trade elements of the initiative need no immediate Congressional action. Much is already happening here. In the next few days, the President will formally notify the Congress of our intent to negotiate with Mexico on a free trade agreement. This notification is required to make possible use of the so-called "fast track" authority for Congressional approval of the free trade pact when agreement has been reached. Under the "fast track" authority, Congress must approve or disapprove of the agreement without amendment.

Preparatory consultations are already well under way. Actual negotiations between the United States and Mexico are likely to begin early next summer. This will prevent any overlap with the Uruguay Round negotiations and will allow time for informal bilateral discussions to clear the way for negotiations.

There has been a truly impressive burst of interest in framework agreements since June 27. At the time of the President's speech, framework agreements were in place with Mexico and Bolivia. Since then, agreements have been reached with Colombia and Ecuador. Similar agreements with Chile and Costa Rica are imminent. During the middle of this month, U.S. trade experts will meet with their counterparts from Argentina, Brazil, and

Uruguay to discuss a possible four-way framework agreement. Agreements with Venezuela and the Andean countries are also possible. Based on our experience with Mexico, I believe that these agreements will be extremely useful in encouraging the kind of dialogue that will strengthen common understanding of trade principles and strategies, and help pave the way for the creation of a hemisphere-wide free trade area.

Role of the Private Sector

The task of this group today is to consider the role of the private sector in making the President's vision a reality. While governments have a role to play in realizing this vision, their role is as facilitators, not as main actors. The private sectors in each of our countries hold the key. They must work not only with their governments, but with one another.

As Mexico's recent past demonstrates, when the private sector in a country decides that its future lies not in attempting to preserve statist stability but in promoting the dynamism of the free market, there is no limit to what can be accomplished. I encourage those of you who are part of the Latin private sector to work with your colleagues and government officials in order to take advantage of the initiative.

The potential benefits of opening economies in the region make it well worth the efforts of those of you who represent Latin America's private sector. As one estimate of the potential benefits, the Institute of International Finance has projected that, if the major Latin countries could raise the inflows of foreign investment relative to GDP close to the levels registered in Southeast Asian and the Iberian countries, direct investment could account for 10 percent of gross fixed investment by 1993. This would be double the average of the last five years.

The private sectors in the United States and Canada also have a role. One contribution you can make is to help see that courageous reform is rewarded. In liberalizing their investment rules, Latin countries will be taking a risk. Market forces will involve adjustments. But the benefits are well worth the risks. Americans, Canadians, and others can work to make sure that the outside world, particularly financial markets, understands the significance of changes that have taken place.

Conclusion

I applaud the Americas Society for its outstanding work in support of the President's Enterprise for the Americas Initiative. With your help, and with good will and patience, I am convinced that the initiative will be a vital tool for Latin leaders as they prepare their economies to meet the demands of the 21st century.

Public Papers of the Presidents

Remarks Announcing the Enterprise for the Americas

Initiative

25 Weekly Comp. Pres. Doc. 1009

June 27, 1990

LENGTH: 2584 words

Thank you all very much for coming to the White House, and it is my pleasure to welcome so many distinguished guests with such strong interest in the vital Latin American and Caribbean region. Let me recognize the many members of the diplomatic corps that are here and extend to you a warm welcome -- from Latin America, particularly, and the Caribbean, Europe, Japan. Members of our Cabinet -- Nick Brady and Secretary Baker, Carla Hills, Secretary Mosbacher -- delighted you're here. Chairman of the Council of Economic Advisers, Mike Boskin, is here. Bill Webster, welcome. And of course, we're delighted to see Alan Greenspan, Chairman of the Federal Reserve Board, here and then an old friend, Barber Conable, of the World Bank, and Richard Erb, from the IMF. And Ricky Iglesias, an old friend of the Bushes, and we welcome him, of the IDB, and so many leading lights in the business and financial communities. To all of you, then, a welcome.

In the past 12 months, every one of us, from the man in the White House to the man on the street, has been fascinated by the tremendous changes, the positive changes, taking place around the world. Freedom has made great gains not just in Eastern Europe but right here in the Americas; and we've seen a resurgence of democratic rule, a rising tide of democracy, never before witnessed in the history of this beloved hemisphere. And with one exception, Cuba, the transition to democracy is moving towards completion, and we can all sense the excitement that the day is not far off when Cuba joins the ranks of world democracies and makes the Americas fully free.

With one exception, that's the case. But the political transformation sweeping the rest of Latin America and the Caribbean has its parallel in the economic sphere. Throughout the region, nations are turning away from the statist economic policies that stifle growth and are now looking to the power of the free market to help this hemisphere realize its untapped potential for progress. A new leadership has emerged, backed by the strength of the people's mandate, leadership that understands that the future of Latin America lies with free government and free markets. In the words of Colombia's courageous leader, Virgilio Barco -- President Barco: "The long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition that open economies with access to markets can lead to social progress."

For the United States, these are welcome developments, developments that we're eager to support. But we recognize that each nation in the region must make its own choices. There is no one-size-fits-all approach, to reform. The primary responsibility for achieving economic growth lies with each individual country. Our challenge in this country is to respond in ways that support the positive changes now taking place in the hemisphere. We must forge a genuine partnership for free-market reform.

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Back in February, I met in Cartagena[Colombia] with heads of the three Andean nations, and I came away from that meeting convinced that the U.S. must review its approach not only to that region but to Latin America and the Caribbean as a whole. And I asked Treasury Secretary Brady to lead a review of U.S. economic policy towards this vital region, to make a fresh assessment, if you will, of the problems and opportunities we'll encounter in the decade ahead. And that review is now complete, and the results are in, and the need for new economic initiatives is clear and compelling.

All signs point to the fact that we must shift the focus of our economic interaction towards a new economic partnership because prosperity in our hemisphere depends on trade, not aid. And I've asked you here today to share with you some of the ideas, some of the ways we can build a broad-based partnership for the nineties -- to announce the new Enterprise for the Americas Initiative that creates incentives to reinforce Latin America's growing recognition that free-market reform is the key to sustained growth and political stability.

The three pillars of our new initiative are trade, investment, and debt. To expand trade, I propose that we begin the process of creating a hemispherewide free trade zone; to increase investment, that we adopt measures to create a new flow of capital into the region; and to further ease the burden of debt, a new approach to debt in the region with important benefits for our environment.

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. One principal reason for that: overrestrictive trade barriers that wall off the economies of our region from each other and from the United States at great cost to us all. These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism still stifles progress and free markets breed prosperity. To this end, we've formulated a three-point trade plan to encourage the emerging trend toward free-market reform that are now gathering forces in the Americas.

First, as we enter the final months of the current Uruguay round of the world trade talks, I pledge close cooperation with the nations of this hemisphere. The successful completion of the Uruguay round remains the most effective way of promoting long-term trade growth in Latin America and the increased integration of Latin nations into the overall global trading system. Our aim in the Uruguay round is free and fair trade, and through these talks we are seeking to strengthen existing trade rules and to expand them to areas that do not now have agreed rules of fairplay. And to show our commitment to our neighbors in Latin America and the Caribbean, we will seek deeper tariff reductions in this round on products of special interest to them.

Second, we must build on the trend we see toward free markets and make our ultimate aim a free trade system that links all of the Americas: North, Central, and South. And we look forward to the day when not only are the Americas the first fully free, democratic hemisphere but when all are equal partners in a free trade zone stretching from the port of Anchorage to the Tierra del Fuego.

I'm announcing today that the U.S. stands ready to enter into free trade agreements with other markets in Latin America and the Caribbean, particularly with groups of countries that have associated for purposes of trade liberalization. And the first step in this process is the now-announced free

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trade agreement with Mexico. We must all recognize that we won't bring down barriers to free trade overnight; changes so far-reaching may take years of preparation and tough negotiations. But the payoff in terms of prosperity is worth every effort, and now is the time to make a comprehensive free trade zone for the Americas our long-term goal.

And third, I understand that some countries aren't yet ready to take that dramatic step to a full free trade agreement. And that's why we're prepared to negotiate with any interested nation in the region bilateral framework agreements to open markets and develop closer trade ties. Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counterproductive barriers to trade and towards our ultimate goal of free trade. And that's a prescription for greater growth and a higher standard of living in Latin America and, right here at home, new markets for American products and more jobs for American workers.

Promoting free trade is just one of three key elements in our new Enterprise for the Americas Initiative. And our second pillar is increased investment.

The competition for capital today is fierce, and the key to increased investment is to be competitive, to turn around the conditions that have discouraged both foreign and domestic investment -- reduce the regulatory burden, clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs.

In one large Latin city, for instance, it takes almost 300 days to cut through the redtape to open a small garment shop. In another country, the average overseas caller has to make five phone calls to get through, and the wait for a new telephone line can be as long as 5 years. And that's got to change.

Investment reform is essential to make it easier to start new business ventures and make it possible for international investors to participate and profit in Latin American markets. In order to create incentives for investment reform, the United States is prepared to take the following steps:

First, the United States will work with the Inter-American Development Bank to create a new lending program for nations that take significant steps to remove impediments to international investment. The World Bank could also contribute to this effort.

And second, we propose the creation of a new investment fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million a year in grants in response to market-oriented investment reforms in progress. In parallel, the European Community will contribute \$100 million to the fund, and both sides seek to create an attractive climate for new investment, we must future growth, but the investment climate remains clouded, weighted down by

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the heavy debt burden. Under the Brady plan, we are making significant progress. The agreements reached with Mexico and Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico, to take just one example, has already seen a reversal of the destructive capital flight that drained so many Latin American nations of precious investment resources. That's critical. If we restore confidence, capital will follow.

As one means of expanding our debt strategy, we propose that the IDB add its efforts and resources to those of the International Monetary Fund and the World Bank to support commercial bank debt reduction in Latin America and the Caribbean, and as in the case of World Bank and IMF, IDB funds should be directly linked to economic reform.

While the Brady plan has helped nations reduce commercial bank debt, for nations with high levels of official debt -- debt owed to governments rather than private financial institutions -- the burden remains heavy. And today, across Latin America, official debt owed to the U.S. Government amounts to nearly \$12 billion, with \$7 billion of that amount in concessional loans. And in many cases, the heaviest official debt burdens fall on some of the region's smallest nations, countries like Honduras and El Salvador and Jamaica.

That's a problem we must address today. As the key component in addressing the region's debt problem, I am proposing a major new initiative to reduce Latin America and the Caribbean's official debt to the United States for countries that adopt strong economic and investment reform programs with the support of international institutions.

Our debt reduction program will deal separately with concessional and commercial types of loans. On the concessional debt, loans made from AID or Food for Peace accounts, we will propose substantial debt reductions for the most heavily burdened countries. And we will also sell a portion of outstanding commercial loans to facilitate these debt-for-equity and debt-for-nature swaps in countries that have set up such programs. These actions will be taken on a case-by-case basis.

One measure of prosperity and the most important long-term investment any nation can make is environmental well-being. As part of our Enterprise for the Americas Initiative, we will take action to strengthen environmental policies in this hemisphere. Debt-for-nature swaps are one example, patterned after the innovative agreements reached by some Latin American nations and their commercial creditors. We will also call for the creation of environmental trusts, where interest payments owed on restructured U.S. debt will be paid in local currency and set aside to fund environmental projects in the debtor countries.

These innovative agreements offer a powerful new tool for preserving the natural wonders of this hemisphere that we share. From the vistas of the unspoiled Arctic to the beauties of the barrier reef off Belize to the rich rain forests of the Amazon, we must protect this living legacy that we hold in trust. For an increasing number of our neighbors, the need for free-market reform is clear. These nations need economic breathing room to enact bold reforms, and this official debt initiative is one answer, a way out from under the crushing burden of debt that slows the process of reform.

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I know there is some concern that the revolutionary changes we've witnessed this past year in Eastern Europe will shift our attention away from Latin America; but I want to assure all of you here today, as I've assured many democratic leaders in Central and South America and the Caribbean and Mexico, the United States will not lose sight of the tremendous challenges and opportunities right here in our own hemisphere. And indeed, as we talk with the leaders of the G-24 about the emerging democracies in Europe -- I've been talking to them also about their supporting democracy and economic freedom in Central America. Our aim is a closer partnership between the Americas and our friends in Europe and in Asia.

Two years from now, our hemisphere will celebrate the 500th anniversary of an epic event: Columbus' discovery of America, our New World. And we trace our origins, our shared history, to the time of Columbus' voyage and the courageous quest for the advancement of man. Today the bonds of our common heritage are strengthened by the love of freedom and a common commitment to democracy. Our challenge, the challenge in this new era of the Americas, is to secure this shared dream and all its fruits for all the people of the Americas -- North, Central, and South.

The comprehensive plan that I've just outlined is proof positive the United States is serious about forging a new partnership with our Latin American and Caribbean neighbors. We're ready to play a constructive role at this critical time to make ours the first fully free hemisphere in all of history. Thank you all for coming and God bless the peoples of the Americas. Thank you very, very much, indeed.

Note: The President spoke at 2:48 p.m. in the East Room at the White House. In his opening remarks, he referred to Secretary of the Treasury Nicholas F. Brady; U.S. Trade Representative Carla A. Hills; Secretary of Commerce Robert A. Mosbacher; William H. Webster, Director of Central Intelligence; Barber B. Conable, Jr., President of the World Bank, which is also known as the International Bank for Reconstruction and Development; and Richard D. Erb, Deputy Managing Director of the International Monetary Fund. The President also referred to the Group of 24, the industrialized democracies that have pledged support for economic and political reform in Poland and Hungary.