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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13798
Folder ID Number: 13798-001

Folder Title:
Multilateral Investment Fund Signing 2/11/92 [OA 7568]

Stack:	Row:	Section:	Shelf:	Position:
G	26	22	3	2

566-8243
George Folsom

To Michelle
Date 6 Feb Time 5:33

WHILE YOU WERE OUT

M George Folsom.
of
Phone 566-8243.
Area Code Number Extension

TELEPHONED		PLEASE CALL	X
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	
RETURNED YOUR CALL			

Message 633-7832
WTF speech.

Jay
Operator

AMPAD EFFICIENCY® 23-021 CARBONLESS

To Michelle
Date 2/2/10 Time 2:30p

WHILE YOU WERE OUT

M Lisa Reategui
of
Phone 647-9150
Area Code Number Extension

TELEPHONED		PLEASE CALL	
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	
RETURNED YOUR CALL	✓		

Message

Operator

AMPAD EFFICIENCY® 23-021 CARBONLESS

America's Growing Economic Lead

By LAWRENCE B. LINDSEY

Two leading Japanese politicians, Prime Minister Kiichi Miyazawa and Speaker of the House Yoshio Sakurauchi have caused a firestorm by questioning the quality and work ethic of America's workers and this country's ability to compete in the world. But doubts about America are not confined to foreigners. Not too long ago, some American leaders warned that the country is at risk of a future of flipping hamburgers and sweeping up around Japanese computers.

Fortunately, the evidence is strong that those who are bearish about America's future are wrong about both the past and the future. But the pessimism about America is so widespread that talk of protectionism and a retreat from active involvement in international economic and political affairs is again fashionable. The facts suggest that those seeking a truly effective industrial policy should actually favor active American promotion of rapid world-wide economic growth in the context of free trade.

Growing Advantage

Research by Andrew Warner of Harvard University and the Federal Reserve shows that, contrary to popular belief, America's advantage is in the production of high-technology capital goods, and that this advantage has been growing. A key reason for the recent boom in exports has been the rapid rise of world-wide spending on capital goods.

Industrial Giant

Back in the late 1960s, when by all accounts the U.S. was the world's industrial giant, manufacturing amounted to about 22% of real gross domestic product. Much of this manufacturing went into defense and the production of consumer goods from shirts to automobiles. Only 28% of the manufacturing base was devoted to capital goods such as computers, aircraft and industrial machinery, and only 20% of American capital goods were exported. The total value of U.S. capital-goods exports was just 1.4% of GDP.

Today, when some assert that the U.S. has lost its manufacturing base, manufacturing output has risen to 23% of real GDP. The share of the manufacturing base devoted to capital goods has risen to 38%. This capital-goods boom has been made possible by exports: About 45% of capital goods output is now sold abroad, more than double the proportion of the late 1960s. Capital-goods exports now amount to 4% of GDP.

Contrary to the pessimists' view, a major part of this improvement occurred during the 1980s, and particularly the late 1980s. During the 1980s, the growth in real exports amounted to one-fifth of the real growth of the economy. Inflation-adjusted growth in exports of capital goods outpaced overall growth by better than two to one. Since 1986, the story is even more striking. Nearly half of America's real economic growth over the past five years has been in exports.

Also contrary to the pessimists' claims, U.S. exports have become less based on farm and other primary goods and more focused on high technology. Capital equipment has risen to 41% of U.S. exports from 30% in the late 1960s, largely as a result of the world-wide investment boom: As other countries develop their economies, they purchase increasing amounts of American-made machines, computers and airplanes.

During the past two decades, the investment share of world product has risen to 26% from 22%. In dollar terms, gross world investment outside the U.S. in 1992 will be roughly $5 trillion.

We should hope that this process continues, not only for humanitarian reasons, but also to benefit the American economy. Each 1% in world investment spending produces a 1.5% increase in exports of capital goods, and almost a full point increase in total merchandise exports. Strikingly, not only does the relationship between world-wide investment and U.S. exports pass traditional statistical tests easily, the relationship stands up to a wide variety of mathematical and statistical specifications. In fact, the link between U.S. exports and world-wide investment shows some signs of having strengthened in recent years.

In the late 1960s, only 20% of American capital goods were exported. Today, about 45% of capital-goods output is sold abroad. Capital-goods exports now amount to 4% of GDP.

It is interesting to contrast the U.S. performance with that of Japan. There is no evidence of a statistical relationship between Japanese exports and world investment spending over the past quarter century. There does appear to be some improvement over time for Japan, although this improving trend does not pass statistical muster. Further, even at its highest, the sensitivity of Japanese exports to world-wide investment spending remained below America's.

One reason for the popularity of the pessimists' view is that America's strengths are not apparent in goods that consumers normally buy. To see them, one has to visit factories, construction sites and airport hangars—not your usual tourist stops.

The regional composition of investment also appears to be shifting in America's favor. Latin America as a whole and Mexico in particular are increasing their pace of investment. During 1989, the U.S. exported twice as many capital goods to Latin America as did Japan. The other area of potential investment in the years ahead is the former communist bloc, which could become a staggering source of future growth of U.S. capital goods exports.

The most urgent message of this analysis is that encouraging faster world-wide economic development might be the single most effective policy for promoting the growth of exports. The export-promotion policy that many suggest as an alternative to freer trade is a reduction in the exchange value of the dollar. This has three potential drawbacks. First, it's not clear that a country's monetary authorities can control the value of their currency. Second, if foreign-exchange markets perceive that devaluation is an intended policy of the U.S. government, interest rates in assets denominated in dollars might rise to offset the exchange-rate loss. Third, devaluation would reduce Americans' purchasing power and standard of living.

Recent history provides a good test of the relative efficacy of world-wide investment and exchange-rate depreciation. The late 1980s were a period not only of rapidly growing world-wide investment spending, but also of real dollar depreciation. During the five years following the Plaza Accord of 1985, the dollar fell 38% on a trade-weighted basis. World-wide investment spending rose 38% over the same period.

Over those five years, total U.S. merchandise exports rose $192 billion in inflation-adjusted terms. $106 billion of the additional merchandise exports, or 55%, was statistically associated with the rise of global investment.

Common-Sense Ideas

Let there be no mistake: Neither America nor any other country can expect to enjoy an economic free ride. Americans should continue their efforts to reform the nation's schools, increase the investment rate, encourage the natural entrepeneurship of the population and subject government spending and regulation to rigorous cost-benefit tests. But these are common-sense ideas that we would be well advised to undertake regardless of the international trading situation.

There may be some advantage in having Mr. Miyazawa and his countrymen think that America is in decline. It probably pays to be underestimated. But we would be foolish to underestimate ourselves. World economic trends are moving our way and we do not need to be protected from them. If anything, we need to reinforce them and to increase our exposure to them. The best industrial policy for America to pursue is active involvement in the world's affairs to promote global economic development and free trade.

Mr. Lindsey is a governor of the Federal Reserve, in Washington, D.C.

Photo Copy Preservation

DEPARTMENT OF THE TREASURY
WASHINGTON

Facsimile Transmittal

From

Office of Multilateral Development Banks (OASIA/IDB)
1500 Pennsylvania Avenue, N.W.
Room 5400
Washington, D.C. 20220
(Fax # 202–633–0985)

Date: 2/6/92 Page 1 of 3 Page(s)

To: Michelle Nix

Tel. # 456-7750
FAX # 456-6218

From: George Folsom

Comments:

Draft talking points on MIF signing for President Bush

Draft Talking Points for President Bush
MIF Signing Ceremony

- President Iglesias, distinguished representatives, honored guests,
  - -- I am delighted to be with you today to host this ceremony for the signing of the Multilateral Investment Fund.
- When I launched the Enterprise for the Americas Initiative in June 1990, I placed a great deal of importance on assisting Latin American countries to open their economies to investment.
  - -- This is good for Latin America and for the U.S. economy.
- The Multilateral Investment Fund, is a critical component of my Initiative.
  - -- It will stimulate private investment in Latin America by promoting reforms that encourage an open investment climate.
  - -- In turn, this will promote economic growth in the region and provide new trade and investment opportunities for the American people.
- Today, Latin America is the strongest and most visible market for U.S. exports and direct investment.
  - -- Half of our foreign investment in developing countries goes to Latin America, and one in seven dollars of U.S. exports world wide are to this region.
- As investment in this region expands, U.S. exports and U.S. jobs will be generated, which will stimulate economic growth in our country.
- Indeed, all nations will benefit from a more open investment climate and expanded economic opportunities in Latin America.
- But this is not an objective that any one country can achieve; international cooperation is key.
  - -- That's why the Multilateral Investment Fund is widely supported by the international community -- both by the countries outside the region as well as those throughout Latin America and the Caribbean.

-- At least $1.2 billion has already been pledged for this important Fund, and more countries are expected to make financial pledges soon -- advancing us toward our $1.5 billion funding goal.

o For our part, the United States intends to contribute $500 million to the Multilateral Investment Fund.

-- I look forward to early congressional approval of legislation to authorize and appropriate funds for our contribution.

o And to administer this Fund, the Inter-American Development Bank will lead the way -- adding to its critical role in promoting economic growth and development in Latin America.

-- I place a great deal of confidence in this institution and in it's effective President, Mr. Enrique Iglesias.

o In signing these documents, we bring the Multilateral Investment Fund into existence.

-- It is my commitment to promote economic growth and prosperity in our hemisphere -- jobs for our people, and opportunities for our business communities.

-- I believe that the Multilateral Investment Fund will advance these objectives.

o It is, therefore, with great pleasure that I welcome you to this signing ceremony.

DEPARTMENT OF THE TREASURY
WASHINGTON

Facsimile Transmittal

From

Office of Multilateral Development Banks (OASIA/IDB)
1500 Pennsylvania Avenue, N.W.
Room 5400
Washington, D.C. 20220
(Fax # 202–633–0985)

Date: 2/7/92 Page 1 of 2 Page(s)

To: Michelle Nix

Tel. # 456-7750
FAX # 456-6218

From: Ronda Breznick for George Folsom

Comments:

Attached is material on U.S. exports and jobs that can be used for the President's talking points at the MIF signing ceremony.

ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI)

Benefits to the United States and to the Region from the EAI

-- Latin America and the Caribbean represent the fastest growing regional market for U.S. exports.

- o U.S. exports to the region have grown by 12 percent annually during the past 5 years -- much faster than exports to the rest of the world.
- o Exports to the region have doubled since 1986 -- to $62 billion.
- o 1 of every 7 dollars of U.S. exports now goes to Latin America and the Caribbean.
- o The United States accounts for 57% of the region's imports, compared to 29% for Europe and 11% for Japan -- we have the most to gain from stronger economies and more open markets.
- o Every $1 billion increase in U.S. exports generates 20,000 export-related jobs.

-- The Enterprise for the Americas Initiative will:

- o support economic growth and improve individual welfare throughout the region;
- o open markets for U.S. exporters;
- o expand opportunities for U.S. investors; and
- o ease debt burdens, releasing resources for capital formation, imports, education, health, and the environment.

-- The United States will benefit through:

- o stronger growth at home,
- o improved investment earnings,
- o increased exports,
- o more jobs, and
- o better regional security.

-- To advance the EAI further, Congress needs to:

- o provide the necessary authorizing legislation (currently pending in the foreign aid bill rewrite);
- o appropriate $310 million in FY '92 and $286 million in FY '93 to fund debt reduction; and
- o appropriate $100 million each year for 5 years for the U.S. contribution to the Multilateral Investment Fund.

Claire

- 20 Foreign dignitaries
- Jeb Bradley
- Enrique Iglesias

# of jobs will be created by depends on rate of reform

USTR
Myles Frechette
395-6135
Ast. U.S. Trade Rep.

Bet.
1/6 and 1/7
More than
'90+'89 2/3 "has gone"
C8.5+%

Fact Check Copy 1

(Duggan/Nix)
February 7, 1992
Draft Two
Invest

PRESIDENTIAL REMARKS: MULTILATERAL INVESTMENT FUND SIGNING CEREMONY
ROOSEVELT ROOM
TUESDAY, FEBRUARY 11, 1992
2:30 p.m.

[Acknowledgments]

Today marks another milestone along the path of mutual progress for the United States and its friends and neighbors. We move a large step closer to fulfilling the vision of a free, peaceful, prospering Western Hemisphere. As we sign the charter for the new Multilateral Investment Fund, we advance the far-sighted aims of the Enterprise for the Americas Initiative. Our new fund is an exciting innovation: It will provide targetted support for Latin American countries as they transform lumbering state-run industries into efficient private enterprises.

NSC Tim Deal and Treasury George Folsom 566-8243

In a neighborhood of free and stable economies, investment helps everyone. Our effort today will lift the tide of hope and freedom. It will free up new resources so that men and women throughout the Americas can carry their dreams and achievements as far as their God-given talents will take them.

Make no mistake: The future growth of the United States economy depends on expanding mutual investment and trade with our neighbors in the Americas. Flourishing trade and investment throughout the hemisphere will create new jobs for men and women in Syracuse and St. Louis as well as in Sao Paolo and Santiago. Right now, we earn 62 billion dollars -- one in every seven of our worldwide export

Tim Deal NSC & George Folsom 566-824

DOC 7

Lindy Wood AID 647-9100

Inter-American Treasury George Folson 566-8243

dollars from Latin America. Over 2 [Half] of our foreign investment in developing countries goes to Latin America. And we're moving forward to create in this hemisphere a new free trade area of 360 million consumers and six billion dollars in annual output -- the North American Free Trade Area of Mexico, Canada and the United States. This commitment will endure -- we're in this to stay. The future doesn't frighten us. I ask you to look up on the wall of this Roosevelt Room: We're sitting beneath a portrait of the great world leader who said in a truly dark and dangerous time -- a time far more difficult, far more threatening than ours -- "the only thing to fear is fear itself."

I know the people of the United States, and I can assure you that we will say no to the gloomy spirits that want to make pessimism a self-fulfilling prophecy. We don't want to "protect" our future from freedom, opportunity and growth. Working Americans -- and those looking for work -- have common sense. They know that when other countries develop their economies, that results in more sales for America's airplanes, computers, and other high-quality capital goods. Over the past five years, nearly half of America's real economic growth has been in exports -- and exports will carry us to rewarding new destinations in our future.

Our partners in Canada and Japan and Europe already have joined us in pledging a total of 1.2 billion dollars to this important fund for our future. The U.S. pledge alone is 500 million dollars -- one-third of the 1.5 billion dollar goal. I

Fact Tim Deal NSC

Bob Fisher Dir. for Mex. Aff. USTR 395-3412

Carla Hills' office USTR

Bartlett's pg. 779

Governor of Fed Reserve Lindsey 452-3214

Latin America

George Folson 566-824 Inter-Am Bank Treasury

urge the United States Congress to act without delay to provide the funds to fulfill this pledge.

Let me salute all the representatives of the nations participating in this promising new effort. I want to commend the Inter-American Development Bank and its president, Enrique Iglesias, who will administer the new fund. I am confident you will do an outstanding job with your new responsibility.

Debbie Myers + George Foster 5leb 82483

This is a moment not so much for us but for future generations. It is they who will benefit from what we commence today. It is for them that we invest in a new age of discovery and opportunity -- from Hudson Bay to the Strait of Magellan.

Thank you, and may God bless all the peoples of the Americas.

# # #

Additional Fact Check Entries

(Duggan/Nix)
February 8, 1992
Draft Three
Invest

PRESIDENTIAL REMARKS: MULTILATERAL INVESTMENT FUND SIGNING CEREMONY
ROOSEVELT ROOM
TUESDAY, FEBRUARY 11, 1992
2:30 p.m.

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In a neighborhood of free and stable economies, investment helps everyone. Our effort today will lift the tide of hope and freedom. It will free up new resources so that men and women throughout the Americas can carry their dreams and achievements as far as their God-given talents will take them.

Make no mistake: The future growth of the United States economy depends on expanding mutual investment and trade with our neighbors in the Americas. Flourishing trade and investment throughout the hemisphere will create new jobs for men and women in Syracuse and St. Louis as well as in Sao Paolo and Santiago. Right now, we earn 62 billion dollars -- one in every seven of

George Folson Treasury 566-8243

our worldwide export dollars -- from Latin America. Half of our foreign investment in developing countries goes to Latin America. And we're moving forward to create in this hemisphere a new free trade area of 360 million consumers and six billion dollars in annual output -- the North American Free Trade Area of Mexico, Canada and the United States.

This commitment will endure -- we're in this to stay. The future doesn't frighten us. I ask you to look up on the wall of this Roosevelt Room: We're sitting beneath a portrait of the great world leader who said in a truly dark and dangerous time -- a time far more difficult, far more threatening than ours -- "the only thing we have to fear is fear itself."

I know the people of the United States. I can assure you that we will say no to the gloomy spirits that want to make pessimism a self-fulfilling prophecy. We don't want to "protect" our future from freedom, opportunity and growth. Working Americans -- and those looking for work -- have common sense. They know that when other countries develop their economies, that results in more sales for America's airplanes, computers, and other capital goods. Over the past five years, nearly half of America's real economic growth has been in exports. During those same five years, U.S. exports to Latin America and the Caribbean increased by 12 percent annually -- much faster than exports to the rest of the world. Exports will carry us to rewarding new destinations in our future. Every billion-dollar increase in exports generates 20,000 new jobs in the United States.

George Folsom Treasury 566-8243

Our partners in Canada, Japan, Spain and other countries in Europe and Latin America already have joined us in pledging more than 1.2 billion dollars to this important fund for our future. The U.S. pledge alone is 500 million dollars -- one-third of the 1.5 billion dollar goal. I urge the United States Congress to act without delay to provide the funds to fulfill this pledge. Congress also must provide funds for our Latin American debt reduction plans. By focusing on the future and advancing the Enterprise for the Americas Initiative, Congress can help me lead the United States to improved investment earnings, increased exports and more jobs.

George Folsom/Treas. 8243 5616

Let me salute all the representatives of the nations participating in this promising new effort. I want to commend the Inter-American Development Bank and its president, Enrique Iglesias, who will administer the new fund. I am confident you will do an outstanding job with your new responsibility.

This is a moment not so much for us but for future generations. It is they who will benefit from what we commence today. It is for them that we invest in a new age of discovery and opportunity -- from Hudson Bay to the Strait of Magellan.

Thank you, and may God bless all the peoples of the Americas.

# # #

Fact Check Copy 1

Jee Brady & Enrique Iglesias

(Duggan/Nix)
February 7, 1992
Draft Two
Invest

PRESIDENTIAL REMARKS: MULTILATERAL INVESTMENT FUND SIGNING CEREMONY
ROOSEVELT ROOM
TUESDAY, FEBRUARY 11, 1992
2:30 p.m.

[Acknowledgments]

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NSC Tim Deal and Treasury George Folson 566-8243

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Make no mistake: The future growth of the United States economy depends on expanding mutual investment and trade with our neighbors in the Americas. Flourishing trade and investment throughout the hemisphere will create new jobs for men and women in Syracuse and St. Louis as well as in Sao Paolo and Santiago. Right now, we earn one in every seven of our worldwide export

Tim Deal NSC & George Folson 566-8243

dollars from Latin America. Half of our foreign investment in developing countries goes to Latin America. And we're moving forward to create in this hemisphere a new free trade area of 360 million consumers and six billion dollars in annual output -- the North American Free Trade Area of Mexico, Canada and the United States. This commitment will endure -- we're in this to stay. The future doesn't frighten us. I ask you to look up on the wall of this Roosevelt Room: We're sitting beneath a portrait of the great world leader who said in a truly dark and dangerous time -- a time far more difficult, far more threatening than ours -- "the only thing to fear is fear itself."

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Our partners in Canada and Japan and Europe already have joined us in pledging a total of 1.2 billion dollars to this important fund for our future. The U.S. pledge alone is 500 million dollars -- one-third of the 1.5 billion dollar goal. I

urge the United States Congress to act without delay to provide the funds to fulfill this pledge.

Let me salute all the representatives of the nations participating in this promising new effort. I want to commend the Inter-American Development Bank and its president, Enrique Iglesias, who will administer the new fund. I am confident you will do an outstanding job with your new responsibility.

Debbie Myers + George Folsom 5616 8243

This is a moment not so much for us but for future generations. It is they who will benefit from what we commence today. It is for them that we invest in a new age of discovery and opportunity -- from Hudson Bay to the Strait of Magellan.

Thank you, and may God bless all the peoples of the Americas.

# # #

February 10, 1992

INFORMATION

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST
TONY SNOW

FROM: JOE DUGGAN

SUBJECT: MULTILATERAL INVESTMENT FUND SIGNING CEREMONY

I. SUMMARY

On Tuesday, February 11, at 2:30 p.m., in the Roosevelt Room, you will deliver remarks to an audience of approximately 40 people gathered for the signing of the MIF agreement. Included in this audience will be ambassadors from the 16 countries who have pledged to contribute to this fund.

II. DISCUSSION

Your remarks highlight the benefits of this fund not only for Latin America, but also for Canada, Europe and the United States.

Changes made after Staffing 2/7 11:35

(Duggan/Nix)
February 7, 1992
Draft Two
Invest

PRESIDENTIAL REMARKS: MULTILATERAL INVESTMENT FUND
SIGNING CEREMONY
ROOSEVELT ROOM
TUESDAY, FEBRUARY 11, 1992
2:30 p.m.

[Acknowledgments]

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In a neighborhood of free and stable economies, investment helps everyone. Our effort today will lift the tide of hope and freedom. It will free up new resources so that men and women throughout the Americas can carry their dreams and achievements as far as their God-given talents will take them.

Make no mistake: The future growth of the United States economy depends on expanding mutual investment and trade with our neighbors in the Americas. Flourishing trade and investment throughout the hemisphere will create new jobs for men and women in Syracuse and St. Louis as well as in Sao Paolo and Santiago.

Right now, we earn one in every seven of our worldwide export dollars from Latin America. Half of our foreign investment in developing countries goes to Latin America. And we're moving forward to create in this hemisphere a new free trade area of 360 million consumers and six billion dollars in annual output -- the North American Free Trade Area of Mexico, Canada and the United States. This commitment will endure -- we're in this to stay. The future doesn't frighten us. I ask you to look up on the wall of this Roosevelt Room: We're sitting beneath a portrait of the great world leader who said in a truly dark and dangerous time -- a time far more difficult, far more threatening than ours -- "the only thing we have to fear is fear itself."

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Our partners in Canada, Japan, Spain and other countries in Europe and Latin America already have joined us in pledging more than 1.2 billion dollars to this important fund for our future.

The U.S. pledge alone is 500 million dollars -- one-third of the 1.5 billion dollar goal. I urge the United States Congress to act without delay to provide the funds to fulfill this pledge.

Let me salute all the representatives of the nations participating in this promising new effort. I want to commend the Inter-American Development Bank and its president, Enrique Iglesias, who will administer the new fund. I am confident you will do an outstanding job with your new responsibility.

This is a moment not so much for us but for future generations. It is they who will benefit from what we commence today. It is for them that we invest in a new age of discovery and opportunity -- from Hudson Bay to the Strait of Magellan.

Thank you, and may God bless all the peoples of the Americas.

# # #

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

EXECUTIVE DIRECTOR
United States

CABLE ADDRESS
INTAMBANC

FACSIMILE COVER SHEET

DATE: 6 February 1992

NUMBER OF PAGES TO FOLLOW: 20

TO: Michelle Nix
White House / Speech Writing

ADDRESSEE'S FAX NUMBER: 456-6218

ADDRESSE'S CONFIRMATION NUMBER: 456-7750

FROM: Debbie Myers
U.S. Executive Director's Office

SENDER'S FAX NUMBER: 623-3612

SENDER'S CONFIRMATION NUMBER: (202) 623-1031

COMMENTS/SPECIAL INSTRUCTIONS:
Here is the MDF Concept Paper and Agreement Establishing the MDF. I will send the countries in a minute.

NATIONAL SECURITY COUNCIL

06-Feb-1992 15:24 EDT

UNCLASSIFIED

MEMORANDUM FOR:
Robert B. Morley (MORLEY)

FROM: Pat A. Battenfield
(BATTENFIELD)

SUBJECT: Call from Speechwriting

Joe Dugan (Speechwriting) has been tasked with preparing remarks for the President for the MIF signing ceremony. He said he's not familiar with the subject and would like to talk with someone here as soon as possible.

Tim is out at a meeting for at least another 30 minutes. Do you want to talk with Dugan or should he speak with Tim?

Dugan's number is: x2930.

CC: Roseanne M. Hill (HILLR)
CC: O. Ruth Stalcup (STALCUP)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

8996

The Bush Record on

ENTERPRISE FOR THE AMERICAS INITIATIVE

"(The Enterprise for the Americas Initiative) is 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."

-- President George Bush
June 27, 1990

Enterprise for the Americas: Creating Jobs for Americans

President Bush's proposal to create a free trade zone in the Americas is rapidly becoming a reality.

- The United States has taken the first step toward the vision of a hemispheric free trade system by commencing negotiations with Mexico and Canada on a North American Free Trade Agreement. In addition, the Bush Administration has signed trade framework agreements with approximately thirty hemispheric countries. Our neighbors are responding by reducing trade barriers and introducing reforms that offer opportunities for American exports and investment. U.S. exports to the region grew by 10% in 1990 and are expected to grow by 14% in 1991, creating more jobs for Americans.

- The Bush Administration has signed debt agreements with Chile, Bolivia, and Jamaica on the basis of their commitment to economic reform. Congress has authorized debt relief for other countries willing to open their markets and implement strong economic reform measures.

- The Bush Administration's innovative proposal to establish a Multilateral Investment Fund to provide additional targeted support for privatization of hemispheric economies is gaining support and producing results. Chile, Argentina, Brazil, Mexico, Venezuela, and others have initiated this difficult process, creating opportunities for local businesses as well as American companies.

A market of close to five hundred million people is opening up to American business and the products of American labor.

Enterprise for the Americas: Strengthening Freedom in the Hemisphere

Political freedoms are never secure unless people have economic freedoms that bring opportunity and prosperity. The three pillars of the Enterprise for the Americas Initiative, trade, investment, and debt relief, are helping hemispheric countries grow and develop as never before. Venezuela is expected to grow by 8% this year, Argentina, Mexico and Chile by

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4-5%. These growth rates produce employment and better living standards in these countries, reducing immigration pressures and the threat of authoritarian governments in the hemisphere.

Enterprise for the Americas: Protecting the Environment

In the context of the Enterprise for the Americas Initiative, the Bush Administration has made a strong statement in support of the concept of debt relief in exchange for protection of the environment.

- It led to the Group of Seven's 1990 Houston Economic Declaration statement singling out debt for environment swaps as a mechanism that can play a useful role in protecting the environment.

- In the fall of 1990, the Paris Club decided to accept debt for environment transactions as a strategy for reducing foreign debt burdens in heavily indebted countries.

- As part of the Enterprise for the Americas Initiative process, we have signed debt for environment agreements with Chile, Bolivia, and Jamaica, and expect more to follow. The Bush Administration is negotiating a comprehensive plan with Mexico to deal with border environmental concerns in the context of the broad Enterprise for the Americas effort.

Enterprise for the Americas: The Next Steps

The Bush Administration remains committed to working with our hemispheric neighbors to sustain the excellent progress we have made to date.

- We hope to conclude the North America Free Trade Agreement with Mexico and Canada by early 1992.

- We will promote active use of Trade and Investment Councils to resolve trade issues, discuss the requirements for free trade agreements, and facilitate negotiations when the appropriate time arrives. We are pursuing such discussions with Chile, for example.

- We and the Japanese have pledged $500 million each over five years to the Multilateral Investment Fund and will solicit additional contributions from other countries. Congressional action is needed to provide funding for the Multilateral Investment Fund and for debt reduction purposes.

In short, the Bush Administration has made the Enterprise for the Americas Initiative a high priority because it produces jobs for Americans, helps assure freedom and prosperity for our neighbors, and promotes measures designed to protect the environment throughout the hemisphere.

The Bush Record on

(B)

THE ENTERPRISE FOR THE AMERICAS INITIATIVE

"[The Enterprise for the Americas Initiative] is 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."

-- President George Bush
June 27, 1990

The Enterprise for the Americas Initiative has supported the economic revitalization of Latin America and the Caribbean. It has bolstered the commitment to market-oriented reforms and investment liberalization by Latin American leaders, by producing tangible results for their developing economies, while also providing new, profitable opportunities for U.S. trade and investment. As a result:

- o capital inflows to the region more than tripled, from $4 to $14 billion, between 1989 and 1990;
- o foreign exchange reserves increased by $13 billion, the largest increase in a decade;
- o as one of the fastest growing markets for American products, U.S. exports to the region grew by 10% in 1990, with growth forecast at 14% in 1991; and
- o U.S. direct investment in Latin America rose by more than 15% in each of the last two years.

* * *

The three pillars of the Enterprise for the Americas are trade, investment, and debt. To expand trade -- President Bush proposed that we begin the process of creating a hemisphere-wide 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.

TRADE

President Bush's proposal to create a free trade zone in the Americas is a goal that is now widely accepted throughout the Hemisphere. As a first step, the United States has already successfully negotiated bilateral trade framework agreements with thirty countries in the Hemisphere. We are engaged in intense negotiations with our Canadian and Mexican colleagues on the North American Free Trade Agreement. [Chile could also be a free trade agreement candidate based on its open trade and investment regimes and prudent macroeconomic management.]

INVESTMENT

The Inter-American Development Bank is taking the lead role in a new investment sector lending program aimed at helping Latin American and Caribbean countries undertake dramatic liberalization of their investment regimes. Four investment sector loans have already been negotiated with Chile, Bolivia, Jamaica, and Colombia. Negotiations are now underway with Argentina, Costa Rica, El Salvador, Guatemala, Honduras, Trinidad and Tobago, and Uruguay.

The United States has also proposed the creation of a Multilateral Investment Fund, with a one-time capitalization of approximately $1.5 billion. The Fund, to be administered by the Inter-American Development Bank, will provide resources for privatization, for strengthening the productive capacities of the work force, and for making capital more easily available to the smaller entrepreneur. Japan, Spain, Portugal, and Canada have all expressed their enthusiastic support. Major Latin countries have also stated their intention to join the Fund. We expect the MIF agreement to be signed as early as January 1991.

DEBT/ENVIRONMENT

Chile, Bolivia, and Jamaica have already received initial benefits under the EAI debt pillar, eliminating a total of $263 million in food assistance debt. We are seeking further authority and appropriations from Congress to reduce foreign economic assistance debt and to sell a limited portion of Eximbank and Commodity Credit Corporation assets for debt/equity, debt-for-nature, or debt-for-development swaps.

Bolivia and Jamaica have already signed Environmental Framework Agreements with the United States. This enables them to make interest payments on their reduced debt obligations in local currency to support grass roots environmental projects. This element of the EAI has received strong support from the environmental community, and involves their active participation through the recent creation of a U.S. Environment for the Americas Board to review the local environmental programs.

In short, the Enterprise for the Americas Initiative is actively working to encourage trade, investment, and growth in Latin America and the Caribbean.

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Export Trends
TORRICELLI, HAMILTON OPPOSE IDEA
THAT CUBAN TRADE EMBARGO BE EASED

MIAMI (BNA) -- Two House Foreign Affairs Committee members said the United States will not ease its trade embargo against Cuba--as was suggested by Massachusetts Institute of Technology Professor Rudiger Dornbusch--as long as Cuban leader Fidel Castro remains in power.

The suggestion that the embargo be eased met with strong opposition from Rep. Robert Torricelli (D-NJ), chairman of the House Foreign Affairs Subcommittee on Western Hemisphere Affairs. Easing the embargo at this time, he said, would give false hope to the communists, prolong the dictatorship in Cuba, and postpone the "day of reckoning." No change in U.S. relations with Cuba is coming under Castro's government, he said.

Speaking at the 15th Annual Miami Conference on the Caribbean sponsored by Caribbean/Latin American Action, which took place in Miami Dec. 2-6, Dornbusch told Torricelli that Cuba and Castro are not the same thing. Saying that the United States had won the war, Dornbusch commented that the biggest risk was losing the peace and making Cuba into another Haiti.

Rep. Lee Hamilton (D-Ind), chairman of the House Foreign Affairs Subcommittee on Europe and the Middle East, also said it was not possible for the United States to have normal relations with or lift the embargo on a Castro-led Cuba. But, Hamilton said, discussions with Cuba on specific issues should begin. To the extent that Cuba is able to accommodate the United States, Hamilton said that he would be prepared to take "modest steps" to improve the situation. The U..S. trade embargo against Cuba has been in place since 1963.

Need for a Soft Landing for Cuba

Dornbusch said that the greatest challenge to the region is how to engineer a "soft landing" for Cuba. Caribbean and Central American countries should seek ways to lighten the U.S. trade embargo against Cuba in order to facilitate Cuba's re-entry into the region's economy, he said. If re-entry into the world economy is not facilitated, Cuba could become another Haiti, Dornbusch suggested. Haiti's economy is being devastated by a trade embargo imposed Oct. 29 by the United States after Haiti's democratically elected president was toppled (8 ITR 1583, 10/30/91).

At a panel discussion on Cuba and tourism Dec. 5, attorney Bruce Colan, of Fine, Jacobson, Schwartz and Nash, said that the extent to which trade between the United States and Cuba will occur after the embargo is lifted is heavily dependent on the availability of financing. Products that Cuba will export include sugar, fish, tobacco, and citrus, he said. Miami should

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receive more benefits from trade with Cuba than any other area in the United States, Colan added. Efforts should be made to identify and minimize any "bottlenecks" that could result from a resumption of normal relations with Cuba, he said.

Substantial Air Traffic Predicted

The air traffic between Havana and Miami will be "very substantial" once normal relations are resumed, attorney Pedro Freyre of Dow Latin America said. Antolin Carbonell, who is with the Miami International Airport, said that a plan has been developed to accommodate the increase in air traffic that would follow a change of government in Cuba.

Jean Holder, secretary general of the Caribbean Tourism Organization, said that Cuba is making serious efforts to address conditions for tourism. If the embargo is lifted, there will be a lot more hotel joint ventures in Cuba, Colan said, adding that Cuba will have a start-up advantage since it will be able to offer deals that few countries in the region will be able to match.

Freyre noted that Cuba has fallen off the most preferred trading partner list of the former communist bloc countries. In his view, there is a "faint smell of desperation" in the air.

Business Unlikely to Return to Haiti

In the case of the Haitian trade embargo, even if the embargo were lifted tomorrow, business will not return to the area anytime soon, speakers at the Dec. 4 session of the conference said.

Andrew Postal, president of Judy Bond Inc., a company that manufactured blouses in Haiti, said that 20,000 to 30,000 jobs have been lost as a result of the embargo. However, Haitian Association of Industries President Jean Baker estimated that more than 60,000 jobs have been lost.

Some U.S. firms have been lost permanently in the area and those that are thinking of going back will do so on a limited basis, Postal said.

Speakers agreed that the embargo has devastated the already struggling private sector and that economic recovery would be a slow process for Haiti after the embargo is lifted.

Doubts about Haiti's Future

Prior to the embargo, Haiti imported about 65 percent of its products from the United States, and the United States took about 85 percent of its exports, according to the State Department.

The issue now is whether U.S. companies will go back, Postal said, adding that there will be the perception in board rooms of "enormous risk" in going back after the embargo is lifted.

Peter Evelyn, president of Kirk Line Inc., said he did not see trade with Haiti resuming after the embargo is lifted. "No one will be able to buy goods," he commented.

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Haitian private sector representative Andre Apaid, who is also a trustee for Caribbean/Latin American Action, blasted the embargo, saying it was starving people and ruining the private sector. The embargo is punishing the private sector, not the army, he said.

The Organization of American States called for the embargo after Haitian President Jean-Bertrand Aristide was ousted in a military coup (8 ITR 1507, 10/16/91). President Bush prohibited exports and imports of goods and services to and from Haiti as of Nov. 5, 1991 (8 ITR 1584, 10/30/91).

Postal argued that it would take more than the lifting of the embargo and the restoration of Aristide to get Haiti on track again, adding that anyone who thought it would be business as usual after the embargo is lifted is living in a "fool's paradise."

According to Postal, even if the embargo were lifted "tomorrow," U.S. business would not return to the area for at least several months "on a best-case basis."

U.S. Department of Commerce Caribbean Basin Division Director Jay Dowling said that it will be harder and harder to bring U.S. companies back with each passing day of the embargo. He added that the United States does not have a plan to bring back investment to Haiti because the situation changes every day.

Rick Helfenbein, president of Crystal Brands/Izod Kids, said that while he said was committed to going back to Haiti after the crisis is over, guarantees would have to be provided that his goods and people would be safe.

Investment Fund Will Be Finalized

During a luncheon address Dec. 5, Mexican Deputy Secretary of Commerce Pedro Noyola tried to assuage the fears that NAFTA will be a source of problems for countries in the Caribbean region. Noyola said that the Mexico is interested in analyzing the possibilities of negotiations with the Caribbean region on improved market access and tariff and non-tariff barrier elimination.

While acknowledging Caribbean concern that new foreign investment may be diverted to Mexico as a result of NAFTA, Treasury Undersecretary for International Affairs David Mulford Dec. 3 emphasized that NAFTA is still being negotiated and the Mexico will "not get duty-free treatment overnight but gradually over a transition period as a result of mutual concessions."

Mulford said the United States plans to finalize and sign the multilateral investment fund agreement in early 1992. The MIF concept is contained in President Bush's Enterprise for the Americas Initiative, a reform package for Latin America that includes a debt-reduction plan, a vision for hemispheric free trade, and a stronger emphasis on environmental protection in the hemisphere (7 ITR 983, 7/4/90).

While the Inter-American Development Bank is the "focal point" for implementing the investment portion of the initiative, Mulford noted that a number of non-IDB members, particularly in the eastern Caribbean, are interested in participating. The U.S. government supports participation by

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non-IDB member countries, Mulford said, adding that the United States is exploring options with the IDB and hopes to develop a workable solution.

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Draft Talking Points for President Bush
MIF Signing Ceremony

DRAFT

- President Iglesias, distinguished representatives, honored guests,
  - -- I am delighted to be with you today to host this ceremony for the signing of the Multilateral Investment Fund.
- When I launched the Enterprise for the Americas Initiative in June 1990, I placed a great deal of importance on assisting Latin American countries to open their economies to investment.
  - -- This is good for Latin America and for the U.S. economy.
- The Multilateral Investment Fund, is a critical component of my Initiative.
  - -- It will stimulate private investment in Latin America by promoting reforms that encourage an open investment climate.
  - -- In turn, this will promote economic growth in the region and provide new trade and investment opportunities for the American people.
- Today, Latin America is the strongest and most visible market for U.S. exports and direct investment.
  - -- Half of our foreign investment in developing countries goes to Latin America, and one in seven dollars of U.S. exports world wide are to this region.
- As investment in this region expands, U.S. exports and U.S. jobs will be generated, which will stimulate economic growth in our country.
- Indeed, all nations will benefit from a more open investment climate and expanded economic opportunities in Latin America.
- But this is not an objective that any one country can achieve; international cooperation is key.
  - -- That's why the Multilateral Investment Fund is widely supported by the international community -- both by donors and the countries of Latin America.

DRAFT

-- $1.2 billion has already been pledged for this important Fund, and more countries are expected to make financial pledges soon -- advancing us toward our $1.5 billion funding goal.

o For our part, the United States intends to contribute $500 million to the Multilateral Investment Fund.

-- I look forward to early congressional approval of legislation to authorize and appropriate funds for our contribution.

o And to administer this Fund, the Inter-American Development Bank will lead the way -- adding to its critical role in promoting economic growth and development in Latin America.

-- I place a great deal of confidence in this institution and in it's effective President, Mr. Enrique Iglesias.

o In signing these documents, we bring the Multilateral Investment Fund into existence.

-- It is my commitment to promote economic growth and prosperity in our hemisphere -- jobs for our people, and opportunities for our business communities.

-- I believe that the Multilateral Investment Fund will advance these objectives.

o It is, therefore, with great pleasure that I welcome you to this signing ceremony.

Countries that have pledged to the Multilateral Investment Fund (MIF)

United States

Japan

Canada

Germany

Italy

Spain

Portugal

France

Mexico

Venezuela

Brazil

Argentina

Chile

Colombia

Peru

Uruguay

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

EXECUTIVE DIRECTOR
United States

CABLE ADDRESS
INTAMBANC

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DATE: 6 February 1992

NUMBER OF PAGES TO FOLLOW: 1

TO: Michelle Price
White House/Speech Writing

ADDRESSEE'S FAX NUMBER: 456-6218

ADDRESSEE'S CONFIRMATION NUMBER: 456-7750

FROM: Debbie Myers
US Executive Director's Office

SENDER'S FAX NUMBER: 623-3612

SENDER'S CONFIRMATION NUMBER: (202) 623-1031

COMMENTS/SPECIAL INSTRUCTIONS:

Here is the list of countries that have pledge/donated to the MIF

Debbie

MULTILATERAL INVESTMENT FUND

Overview

Most countries in Latin America and the Caribbean have sustained serious economic losses during the 1980's, with the average per capita income declining by almost 8%. Low or negative economic growth, high inflation and frequent balance of payments crises have led to a lack of private sector confidence in the region. On a net transfer basis, some $200 billion has fled the region, and the level of investment has dropped by one-third during the decade.

To resume economic growth in the region, a dramatic increase in investment is needed. This requires a fundamental transformation in development strategies. The public sector, which prior to the debt crisis had been identified as an engine of growth in these countries, is no longer able, or expected, to provide the investment required. In fact, many inefficient state enterprises represent a major drain on these economies.

Latin governments in general now have come to the realization that private sector investment must play a larger role in promoting economic growth. However, the private sector remains unable to make the investment because of severe constraints imposed by government policies and inadequate domestic or foreign financing. Moreover, substantial domestic savings are being transferred out of Latin America and what remains is too small to meet public and private investment needs.

Many governments have a window of opportunity to make comprehensive reforms. The transition must be swift and special levels of international support must be mobilized to stimulate investment and finance reform efforts during a transition period. Poor economic performance in Latin America could spill over into domestic discontent with the national governments, placing added pressure on the viability of many of the emerging democracies in the region.

To resume private sector oriented growth, three basic elements are required: (i) macroeconomic stabilization; (ii) an open market system built on private investment; and (iii) a private sector that can stimulate and respond to new investment opportunities. Much of the work to foster these conditions can be supported through existing IMF, IBRD and IDB programs. However, a number of difficult obstacles cannot be reached through the existing financial structures of these institutions. The institutions are unable to generate the level of net income needed to finance the activities desired. Therefore, grant resources to complement MDB efforts are needed over the next several years to facilitate a more rapid and successful transition to private sector-led growth.

The Enterprise for the Americas Initiative calls for reforms to establish private sector-led, open market economies. Those countries willing to undertake investment reforms, will become

candidates for official debt relief and improved trade access. To support investment liberalization, the IDB will design investment sector operations utilizing appropriate loans to finance the needed reforms.

To complement and strengthen the efforts of multilateral and bilateral agencies in identifying and removing investment constraints in Latin American and Caribbean countries, President Bush proposed establishment of a Multilateral Investment Fund (MIF). The Fund would be administered by the Inter-American Development Bank.

The Fund is designed to augment the IDB, IIC and World Bank's loan and technical assistance resources. The MIF would support countries making difficult policy reforms in situations where IDB or World Bank financing would be inappropriate.

The needed reforms often require far-reaching, costly, and painful measures, such as reducing government employment and privatizing public enterprises; opening protected domestic markets; and, revitalizing private sectors crippled by years of neglect and a lack of interaction with global markets. MIF funding would also help develop the mechanisms that support private enterprise, such as banking and trade finance services.

A large portion of MIF support would be in the form of grant funding to assist countries that are experiencing large budget deficits and are unable to increase revenues or borrow internationally. MIF funding would also provide the funding for training needed to speed the rebuilding of a vigorous private sector.

We are proposing a Multilateral Investment Fund totalling $1.5 billion to be paid in at $300 million per year for five years. The United States would contribute $100 million per year. Other IDB non-borrowing countries would fund the remaining $200 million per year. Funding levels for the various facilities and allocations for individual programs are to be determined by the donors.

Structure of the Multilateral Investment Fund

The Multilateral Investment Fund will have three separate facilities for activities:

-- an expanded <u>technical assistance</u> facility to identify and implement the policy changes needed to transform recipient economies;

-- a <u>human resources</u> facility to mitigate the social costs of economic restructuring by retraining displaced workers, and to strengthen the productive capacities of the workforce, from laborer to manager; and,

-- an enterprise development facility to stimulate investment and private sector financing while broadening participation of low-income groups, women and minorities in the economy.

The three facilities provide the flexibility to design assistance tailored to a specific country's situation. Funds can be shifted among facilities depending on need, in consultation with donor governments.

I. Technical Assistance Facility

The pace and scope of reform differs substantially from country to country. Many governments are not in a position to identify constraints to investment or the reforms that are needed. Therefore expert technical assistance is required to evaluate national and sectoral policies. Creation of a positive policy environment for investment will often require a more facilitating regulatory environment and a legal code compatible with international standards. In addition, reforms involving privatization require highly trained expertise capable of assisting in valuing and selling public-owned assets. Technical assistance grants are needed to contract the required advisory services. This is especially true for those countries unable to incur additional foreign indebtedness or in cases where foreign exchange generally is a binding constraint.

The Technical Assistance Facility would provide grant assistance in the following areas:

-- Country diagnostic studies to identify investment constraints and advisory services for legislation and regulatory reform,

-- Design and implementation of privatization programs,

-- Financial sector development,

-- Business infrastructure development.

A. Country Diagnostic Studies and Reform. As a first step, MIF funds would be used to finance country diagnostic studies to identify investment constraints and to develop options for removing them. These studies would examine legislative, financial and regulatory constraints among other investment impediments. This exercise would serve as the basis for comprehensive reform of the investment climate. Many countries in the region subsequently will need substantial assistance to bring their investment and commercial codes, tax systems, regulatory procedures and agencies and their judicial systems up to international standards. Some countries are already revising their investment codes; other should do it if funds were available.

B. Design and Implementation of Privatization Programs. Funds would be used for designing privatization programs at the national level and for implementing the privatization of specific enterprises. Technical assistance grants of this type are needed in the larger economies but also would be ideally suited for the smaller state-owned enterprises located in Central America and the Caribbean. MIF resources are needed to help in the valuing, restructuring, marketing and sale of small and medium state-owned enterprises.

C. Financial System Development. Technical assistance in the banking sector and capital markets is needed to review a country's financial system to identify impediments to the mobilization and allocation of resources. The primary objective would be to create new capabilities for the financial system. This could entail improving operations of existing institutions or examining the possibilities for developing new institutions where needed. Technical assistance for countries with weak financial systems, such as many in Central America, would focus on basic reforms to eliminate practices that inhibit or distort the financial system. Countries with more sophisticated financial institutions would be candidates for targeted innovations, such as creation of an over-the-counter equity markets or a metals exchange, building where possible on institutions and infrastructure already in place.

Overall objectives in addressing the financial system would be to:

-- create improved investment instruments and improve the availability of longer-term financing from private sources;

-- eliminate interest rate distortions;

-- increase the security of the financial sector through prudential regulations, improved accounting and disclosure standards, and training of professional staff in risk and credit analysis; and,

-- assist in the modernization of technical infrastructure to access and process information more quickly.

D. Business Infrastructure Development. Technical assistance in this area would be used to assist governments to identify, prioritize and develop needed business infrastructure. In addition, substantial technical assistance is needed to assist governments to develop strategies that promote private sector integration and support for government initiatives to develop needed infrastructure such as telecommunications, roads, ports, power, etc.

II. Human Resources Facility

While human resources development has long been an objective of the

IDB and other international financial institutions, circumstances today demand additional and urgent efforts to mitigate the social cost of the transformation to open market economies. And if investment is to be attracted, the skills needed to support a dynamic business environment must be developed quickly. Human resource programs most often require grant financing. While they build the capacity of individuals to participate in the economy they often do so without any assured means to recover the cost. And addition, workers displaced by a shrinking public sector generally lack the finances needed for retraining and relocation.

The human resources facility would provide grant assistance in the following areas:

-- Restructuring work forces,

-- Vocational education,

-- Management training.

A. Restructuring Work Forces. Many governments have been heavily over-staffed, especially in their public enterprises. Unless this overstaffing can be eliminated in an acceptable manner and public expenditure cut quickly, economic reforms can be defeated by social unrest and fiscal imbalances. Democracies need to support redundant workers with a social safety net and train them for economically viable jobs elsewhere. The needs here are often massive and compelling, given the level of restructuring required. Often the retraining of displaced workers can be carried out through government programs or through local NGO's. A minimum family support package to include basic housing and food may be required for a defined period while the training is in progress.

B. Vocational Education. In many countries skilled labor is in short supply and unable to service the manpower needs of growing, export-oriented enterprises. It is essential that business be able to obtain appropriately trained workers. This will require the development of vocational training programs that are responsive to the manpower needs of the private sector. In particular, workers have to be trained to international standards of production if these countries are to attract foreign investors. Vocational educational programs often may require institutional development to carry out the training. Such programs are traditionally recognized as requiring public sector support because the financial benefits are hard to capture as workers enter the workforce or move from business to business. Grant funding to governments launching such programs is often essential as the only means of financing available.

C. Management Training. As the private sector expands and a country integrates further into the global economy, a variety of management skills must be available at international standards.

Managers need to improve quickly their capabilities in international norms of finance and accounting, dispute settlement, transportation, computers, etc. In several poor countries where markets were protected from external competition, there is both a lack of trained managers and the absence of an institutional structure to develop managers able to function in these areas. In these special instances, where government budgets are constrained and the country is over-indebted, some of these areas should be considered for grant technical assistance.

III. Enterprise Development Fund

Throughout the region, micro and small enterprises lack the necessary skills to respond to business opportunities that arise from changing economic conditions and policy reforms. But even with the appropriate skills, many entrepreneurs are handicapped by lack of access to essential financing.

Stimulating small businesses activity is a key element in promoting sustainable economic growth. Growth in this sector can produce important economic and social benefits that extend well beyond improving the living standards of the owners. These benefits include job creation and significant participation by women who make up a large percentage of micro-entrepreneurs. For countries in recession, the growth of smaller enterprises also contributes to a broader-based recovery of domestic demand.

The Enterprise Development Facility is designed to improve the responsiveness of smaller enterprises to changing economic conditions and policy reforms. The Facility has three basic objectives:

-- **Business Development Program** to improve the ability of micro and small enterprises to identify and pursue business opportunities; and

-- **Financial Services Program** to create or expand financial services to small and micro enterprises,

-- **Investment Fund** to provide loan and equity financing to small entrepreneurs.

A. Business Development Program

Throughout Latin America there is a desire to broaden the participation of low-income groups, women and minorities in the economy. Typically these groups do not have the skills to exercise their entrepreneurial instincts. Street vendors and microenterprises are unable to plan their businesses, apply for working capital and other financing and interact successfully with the government for licenses and contracts. In many countries this has led to the development of a large informal

economy which is highly efficient given the constraints within which it operates, but inefficient as regards the overall economy and its development.

The Business Development Program will organize or provide grants to existing non-governmental organizations (NGOs) (such as foundations, educational institutions, business cooperatives and associations, and community organizations) and to local financial institutions that provide services to micro and small business. These grants can be used to help individuals develop business plans, to assist smaller entrepreneurs solve business problems such as production or distribution, to work with smaller enterprises to identify sources of financing, and to bring entrepreneurs together with business opportunities.

B. Financial Services Program

Domestic financial institutions throughout the region are most often unwilling or unable to provide financial services to micro and small entrepreneurs. In general, transaction costs for lenders are high relative to revenue and risks are perceived to be great. And even if financing is available to small businesses, it is usually very short term and expensive. Finally, financial institutions are often physically remote from where smaller entrepreneurs live and work and may be intimidating, especially for microentrepreneurs in the informal sector.

Financial requirements of smaller businesses include working capital loans, leasing, seed capital for start-ups, finance for recovery or expansion, and equity to create a solid capital base from which to grow.

These capital needs are diverse and there is no single type of financial service or form of organization that can address the requirements of all smaller businesses. The purpose of the Financial Services Program is to promote "institution-building" of NGOs and domestic financial intermediaries to expand the volume and range of services for smaller businesses. The goal is to establish self-sustaining channels for resources to flow to those businesses. These objectives will be pursued by (1) technical assistance grants to fund development costs associated with creating or expanding financial services to smaller businesses (including innovations in deposit taking, rediscount facilities and interbank markets, credit analysis and risk management, supervisory techniques and information management) and (2) equity investments and long-term loans to NGOs and intermediaries to build their capital base.

C. Investment Fund. An Investment Fund will provide financing through NGOs and domestic financial intermediaries that are creating or expanding services to smaller businesses. Small and

micro enterprises to be funded through these intermediaries will be selected according to guidelines determined by the management of the Multilateral Investment Fund. In general, financing techniques will be chosen to maximize the "multiplier" effect of the Fund's resources. Financing will be in the form of equity, quasi-equity, loans or guarantees.

The Investment Fund will be "revolving": income and proceeds from the Investment Fund's loans and investments will be reinvested in new projects. The Investment Fund will also be available for financing specific companies where this would be more efficient than using intermediaries and the projects are too small for direct investment.

Loans and investments made by the Investment Fund will be priced at market-based rates rather than subsidized rates. This policy will avoid contributing to price distortions in the domestic financial system, will encourage efficient allocation of Investment Fund resources, and will build viable, self-sustaining financial institutions to service target enterprises.

March 19, 1991 4:00pm

MULTILATERAL INVESTMENT FUND

1. When President George Bush launched the Enterprise for the Americas, one of the pillars of the program was the creation of a Multilateral Investment Fund to be administered by the Inter-American Development Bank. During the latter half of 1991, intensive discussions took place among a group of member countries of the Bank to establish the parameters of the Fund, to reach agreement on how it would be operated and to discuss its possible contribution to said Fund.

2. The Fund is being established with a number of goals in mind, all related to the desire to provide critical support for the landmark economic reforms now being undertaken throughout the region. Thus, the purposes of the Fund are to:

(a) encourage the development and implementation of investment reforms and facilitate significantly increased levels of private investment, both foreign and domestic, thereby accelerating the economic and social growth and development in the regional developing member countries of the Bank, and the developing member countries of the Caribbean Development Bank;

(b) encourage those members in their efforts to implement development strategies based on sound economic policies which encourage increased private investment and an expanding private sector, as those policies will increase employment opportunities and foster small businesses and micro-enterprises, and thus help alleviate poverty, improve income distribution, and strengthen the role of women in development;

(c) stimulate micro enterprises, small businesses and other entrepreneurial activities in those members;

(d) provide financing to help enable those members to (i) identify and implement policy reforms which will increase investment, (ii) bear certain of the costs associated with investment reforms and an expanding private sector, and (iii) broaden participation of smaller entrepreneurs in their economies; and

(e) promote in the full range of its operations environmentally sound and sustainable economic development.

3. Principal decisions relating to the use of the resources of the Fund will be taken by the donors who will, for that purpose, constitute a Donors Committee. These decisions include final approval of proposals for grants or loans and allocation of Fund resources among the various facilities. However, the administration of the Fund would rest with the Bank, which would be responsible for, among others, identifying appropriate operations, developing proposals, submitting those proposals to the Donors and executing the operations that are approved. In addition, the Bank would administer the Fund resources and keep the Bank's Board of Executive Directors fully informed of the Fund's activities to ensure that they are consistent with the Bank's policies and, where relevant, the policies of the Inter-American Investment Corporation.

4. The arrangements which would govern the Bank's administration of the Fund are contained in an Agreement for the Administration of the Multilateral Investment Fund, which would be signed by the Bank and all of the donors, if it is approved by the Board. The donors would also sign, among themselves, an Agreement Establishing the Multilateral Investment Fund. The Agreement Establishing the Fund would enter into force only when at least five prospective donors with contributions of at least $800,000,000 had deposited instruments of ratification, acceptance or approval. Within sixty days of ratifying, accepting or approving, the respective donor must deposit an instrument of Contribution and then pay its first installment within 30 days of that deposit.

5. There is transmitted to the Board the following documents:

(a) The Agreement for the Administration of the Fund, for its consideration and discussion by the Board;

(b) A Proposed Resolution which, if approved by the Board, would authorize the President of the Bank, or such person as he shall designate, to sign the Administration Agreement on behalf of the Bank;

(c) The Agreement Establishing the Fund, for the information of the Board; and

(d) For the information of the Board, a Memorandum to the President from the General Counsel of the Bank setting forth the legal considerations pursuant to which the privileges and immunities of the Bank extend to the resources administered by the Bank on behalf of others.

If the Board is in agreement, it is requested to approve the attached Proposed Resolution.

AGREEMENT ESTABLISHING THE MULTILATERAL INVESTMENT FUND

WHEREAS, many leaders in Latin America and the Caribbean have embraced market-based economic reform, recognized the need to reduce external debt burdens to manageable levels and recognized the need for liberalized investment regimes;

WHEREAS, the need to attract private capital is critical to the economic development of the countries of Latin America and the Caribbean, and investment reform is needed to stimulate foreign and domestic investment in these countries;

WHEREAS, the prospective donor members of the Inter-American Development Bank listed in Schedule A of this Agreement (each considered a "Donor" on adherence to this Agreement and so referred to hereinafter) have agreed to establish a multilateral fund in the Bank as a transitional measure to assist in investment reform;

WHEREAS, such a multilateral fund can provide critical resources to supplement and complement the activities of the Inter-American Development Bank, the Inter-American Investment Corporation and other multilateral development banks, to provide support for their policies and their initiatives to promote investment reform and stimulate in particular the activities of micro-enterprises;

WHEREAS, the Inter-American Development Bank (hereinafter referred to as the "Bank"), to fulfill its purposes and in pursuit of its objectives, has agreed to administer such a fund, and on _____, has signed the Agreement for the Administration of the Multilateral Investment Fund (hereinafter referred to as the "Administration Agreement");

THEREFORE, the Donors agree to establish the Multilateral Investment Fund (hereinafter referred to as the "Fund") as follows:

Article 1: General Purposes

The general purposes of the Fund are to:

(a) encourage the development and implementation of investment reforms and facilitate significantly increased levels of private investment, both foreign and domestic, thereby accelerating the economic and social growth and development in the regional developing member countries of the Bank, and the developing member countries of the Caribbean Development Bank;

(b) encourage those members in their efforts to implement development strategies based on sound economic policies which encourage increased private investment and an expanding private sector, as those

policies will increase employment opportunities and foster small businesses and micro-enterprises, and thus help alleviate poverty, improve income distribution, and strengthen the role of women in development;

(c) stimulate micro-enterprises, small businesses and other entrepreneurial activities in those members;

(d) provide financing to help enable those members to (i) identify and implement policy reforms which will increase investment, (ii) bear certain of the costs associated with investment reforms and an expanding private sector, and (iii) broaden participation of smaller entrepreneurs in their economies; and

(e) promote in the full range of its operations environmentally sound and sustainable economic development.

Article 2: Contributions to the Fund

Section 1. Instruments of Contribution.

(a) As soon as reasonably possible after depositing the instrument indicating that it has ratified, accepted, or approved this Agreement under Article 6, Section 1 (hereinafter referred to as an "Instrument of Acceptance"), but no later than sixty days after depositing that instrument, each Donor shall deposit with the Bank an Instrument of Contribution in which it agrees to pay to the Fund the amount set forth for it in Schedule A in five equal annual installments (such Contribution hereinafter referred to as an "Unqualified Contribution"). Donors which have deposited an Instrument of Contribution prior to the date this Agreement enters into force pursuant to Article 5, Section 1 (hereinafter referred to as the "Effective Date") may postpone payment of the first installment until the 30th day after that date. Donors depositing an Instrument of Contribution on or after the Effective Date shall pay their first installment within 30 days after such deposit, but no later than the first anniversary of the Effective Date or such later date as determined by the committee established under Article 4 (hereinafter referred to as the "Donors Committee"). Donors shall pay each subsequent installment before or on the corresponding anniversary of the first installment.

(b) Notwithstanding the provisions of paragraph (a) of this Section regarding Unqualified Contributions, as an exceptional case, each Donor may deposit an Instrument of Contribution in which it agrees that payment of all installments except the first is subject to subsequent budgetary appropriations, and in which it undertakes to seek to obtain the necessary appropriations to pay the full amount of each installment by the payment dates set out in paragraph (a) (such Contribution hereinafter referred to as a "Qualified Contribution"). Payment of an installment due after any such date shall be made within 30 days after the requisite appropriations have been obtained.

(c) If any Donor which has made a Qualified Contribution has not obtained the appropriations to make payment in full of any installment by the dates indicated in paragraph (a), then any Donor which has paid the corresponding installment on time and in full, may, after consultation with the Donors Committee, direct the Bank in writing to restrict commitments against that installment. That restriction shall not exceed the percentage which the unpaid portion of the installment, to be paid by the Donor which has made the Qualified Contribution, bears to the entire amount of the installment to be paid by that Donor, and shall be in effect only for the time that unpaid portion remains unpaid.

(d) Any member of the Bank which does not appear in Schedule A, and which becomes a Donor in accordance with Article 6, Section 1, shall make a contribution to the Fund by depositing an Instrument of Contribution in which it agrees to pay an amount and on dates and on conditions approved by the Donors Committee under that Article.

(e) The Fund shall not be increased beyond the total of the amounts set out in Schedule A plus the amounts set out in Instruments of Contribution deposited pursuant to paragraph (d).

Section 2. Payments.

(a) Payments due under this Article shall be made in any freely convertible currency determined by the Donors Committee, or in non-negotiable non-interest-bearing promissory notes (or similar securities) denominated in such currency and payable on demand in accordance with criteria and procedures to be established by the Donors Committee to meet the operational commitments of the Fund. Payments to the Fund in a freely convertible currency, which are transferred from a trust fund of a Donor, shall be deemed to be paid towards the amount due from that Donor when transferred.

(b) Such payments shall be made to an account or accounts established specially for that purpose by the Bank, and such notes shall be deposited in that account or with the Bank, as the Bank shall determine.

(c) To determine amounts due for each Donor paying in a convertible currency other than the United States dollar, the U.S. dollar amount opposite its name in Schedule A shall be converted into the currency of payment at the IMF representative exchange rate for that currency calculated by averaging those rates on a daily basis during the six-month period ending on November 30, 1991.

Article 3: Operations of the Fund

Section 1. General. The operations of the Fund shall be managed through three Facilities, namely, the Technical Cooperation Facility, the Human Resources Facility and the Small Enterprise Development Facility. It is the responsibility of the Donors Committee to ensure that all Fund

operations shall be consistent with the Bank Group's general programs and policies applicable to its own operation, and the Bank Group's strategy and program for the respective country resulting from the continued policy dialogue and the development priorities of the country concerned through the formal mechanisms set out in the Administration Agreement.

Section 2. The Technical Cooperation Facility. Under the Technical Cooperation Facility, grants shall be provided for technical cooperation, as appropriate to governments, government agencies, privatization agencies, stock exchanges or others, to achieve the purposes of the Fund, and, in particular, to finance:

(a) country diagnostic studies to identify investment constraints, including legislative, financial and regulatory impediments to investment;

(b) the development of national country plans for comprehensive reform of the policy and legal environment for investment, in conjunction with, and complementary to, Bank country programs;

(c) advisory services to implement plans mentioned in paragraph (b), which may involve advice on reforming investment laws, laws on intellectual property rights, commercial laws, tax systems, labor laws, laws to protect the environment and legal procedures, as well as advice on implementing those laws, and regulatory agencies;

(d) advice on the design and implementation of privatization programs, including advice on the valuation and techniques for privatizing particular enterprises; and

(e) assistance on developing and strengthening financial systems (i) to remove impediments (such as interest rate distortions) and support healthy competition; (ii) to develop sound prudential safeguards, including accounting and disclosure standards, and institutions to administer them; (iii) to expand the capabilities of the banking sector and capital markets by more direct, transparent and technically-current information networks; and (iv) to take other measures to strengthen the financial sector, such as advice on the creation and development of capital or commodity markets.

Section 3. The Human Resources Facility. Under the Human Resources Facility, grants shall be provided, as appropriate to governments, government agencies, educational institutions or others, to develop the human resource base needed for increased investment flows and an expanded private sector, and, in particular, to finance:

(a) the training of workers who may be displaced as governments implement investment reforms, reduce public expenditures, restructure or privatize;

(b) the training of workers and managers to assure that skilled workers and managers are available to meet the manpower needs of investors and an expanded private sector, and that managers are familiar with

international practice in such areas as finance, accounting, planning, marketing and distribution, management information systems and so forth;

(c) the training of individuals who can serve those regulatory functions essential for the operation of a market-oriented system, including training in such disciplines as consumer protection, worker protection, the administration of competition laws and the protection of the environment;

(d) the training of professionals who are considered important to the development of the local economy, through strengthening the scientific, technical and managerial capabilities of the human resource base; and

(e) the strengthening of vocational training and other institutions which will serve the purposes set out in (a), (b), (c) and (d).

Section 4. The Small Enterprise Development Facility.

(a) Under the Small Enterprise Development Facility, financing shall be provided to indigenous micro-enterprises and smaller businesses directly or through intermediaries, and to institutions serving them, to achieve the purposes of the Fund, as set out below.

(b) For the purposes set out in paragraph (a), grants may be provided for technical cooperation to non-governmental organizations and domestic financial institutions (including financial intermediaries) to expand the volume and range of services available to micro-enterprises or smaller businesses. Such grants for technical cooperation may be used to help those organizations and institutions to:

(i) improve financial and business practices so that they may become self-sustaining;

(ii) develop innovative financial services, such as leasing and rediscount facilities, and participate in interbank markets; and

(iii) develop services to assist micro-enterprises or smaller businesses to prepare business plans, identify business opportunities and sources of financing, and solve particular marketing or other business problems.

(c) To also achieve the purposes of paragraph (a), a Small Enterprise Investment Fund shall be established, and shall at all times and in all respects be held, used, obligated, invested and accounted for separately from other resources of the Multilateral Investment Fund. The resources of the Small Enterprise Investment Fund may be used to make loans, equity investments, and quasi-equity investments to smaller business and micro-enterprises, and to non-governmental organizations and domestic financial institutions which are creating or expanding services to micro-enterprises or smaller businesses, or which are lending to or investing in micro-enterprises or smaller

businesses. The Donors Committee shall determine the basic terms and conditions of such loans and investments. Any amounts, whether dividends, interest or otherwise, received by the Bank from the operations of the Small Enterprise Investment Fund shall be deposited to the account of the Multilateral Investment Fund, for allocation by the Donors Committee pursuant to Article 4, Section 3.

Section 5. Principles for Fund Operations.

(a) Financing from the Fund shall be provided under the terms and conditions of this Agreement consistent with the rules set out in Articles III, IV and VI of the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the "Charter"), the policies of the Bank applicable to its own operations, and the rules and policies of the Inter-American Investment Corporation where relevant. In addition, while all developing member countries of the Bank are potentially eligible recipients, financing from the Fund shall be provided only if

(i) in the case of grant assistance, the recipient has established that the assistance will likely have a catalytic impact on investment flows;

(ii) the developing member country of the Bank, in the territory of which the resources will be utilized, either

(A) is in compliance with an investment sector loan agreement between that country and the Bank, or

(B) (1) in the case of financing under Section 2(a), (b) or (c) of this Article, is committed to sound macroeconomic policies and to investment reform; or

(2) in the case of any other financing under this Agreement, is implementing both sound macroeconomic policies and policies and practices which have removed and continue to remove impediments to increased investment flows, and which are resulting in a significant expansion of the private sector; and

(iii) the developing member country of the Bank, in the territory of which the resources will be utilized, is in compliance with agreements with relevant international financial institutions.

(b) In deciding on providing grant funds, the Donors Committee shall pay particular attention to the commitment of specific member countries to poverty reduction and investment reform, the social costs of economic reforms, the financial needs of the prospective recipients and the relative levels of poverty in specific member countries.

(c) Financing in the territories of countries which are members of the Caribbean Development Bank, but not the Inter-American Development Bank, shall be conducted in consultation and agreement with, and through,

the Caribbean Development Bank and under such conditions, consistent with the principles of this Section, as the Donors Committee shall decide.

(d) Fund resources shall not be used to finance or pay for project expenses which have been incurred prior to the date the Fund resources may be made available.

(e) Grants from a Facility may be made available on a basis which permits contingent recovery in appropriate cases of funds disbursed. Any amounts so recovered shall be deposited to the account of the Multilateral Investment Fund, for allocation by the Donors Committee pursuant to Article 4, Section 3.

(f) Only nationals or companies from Donors, or regional developing countries which are members of the Bank, shall be eligible for procurement from Fund resources, except that developing member countries of the Caribbean Development Bank shall be eligible for procurement from financing provided pursuant to paragraph (c) of this Section.

(g) The Fund shall not be used to finance any undertaking in the territory of a regional developing member country of the Bank if that member objects to such financing.

Article 4: The Donors Committee

Section 1. Composition. Each Donor may participate in and appoint a representative, on the basis of a nomination by its Governor of the Bank, to meetings of the Donors Committee.

Section 2. Responsibilities. The Donors Committee shall be responsible for the final approval of all proposals for grants from the Technical Cooperation Facility, the Human Resources Facility and the Small Enterprise Development Facility, and all proposals for loans, equity investments or other financings from the Small Enterprise Investment Fund.

Section 3. Allocation Among Facilities. The Donors Committee may allocate the resources of the Fund at any time to any Facility, including the Small Enterprise Investment Fund, and may decide that a specific percentage of total Fund assets be reserved for a particular Facility, provided that no more than forty (40) per cent of total resources of the Fund may be allocated to any Facility.

Section 4. Meetings. The Donors Committee shall meet at the principal office of the Bank as often as the business of the Fund requires. The Secretary of the Bank (serving as Secretary of the Committee) or any Donor may call a meeting. As necessary the Donors Committee shall determine its organization, rules of operation and procedure. A quorum for any meeting of the Donors Committee shall be a majority of the total number of representatives representing not less than four-fifths of the total voting power of the Donors.

Section 5. Voting. Unless otherwise specified in this Agreement, the Donors Committee shall reach decisions by a three-quarters majority of the total voting power. The total voting power of each Donor shall consist of the sum of its proportional votes and its basic votes. Each Donor shall have one proportional vote for each one hundred thousand United States dollars it has contributed in cash or notes (or similar securities) under Article 2, Section 2, or the equivalent in cash or notes (or similar securities) which it has contributed in freely convertible currencies under Article 2, Section 2. Each Donor shall also have basic votes consisting of such number of votes as results from the equal distribution among all the Donors of twenty (20) per cent of the aggregate sum of the basic votes and proportional votes of all the Donors.

Section 6. Report. When approved by the Donors Committee the annual information statement submited under Article 5, Section 2(a) of the Administration Agreement shall be forwarded to the Bank's Board of Executive Directors.

Article 5: Term of the Agreement

Section 1. Entry into force. This Agreement shall enter into force on the date when at least five prospective donors listed on Schedule A, the proposed contributions of which on that Schedule total at least 800,000,000 United States dollars, have deposited the instruments referred to in Article 6, Section 1.

Section 2. Term of this Agreement. This agreement shall remain in force for a period of ten years after the Effective Date, and may be renewed for no more than one additional renewal period of five years. Prior to the end of the initial period, the Donors Committee shall consult with the Bank about the advisability of extending the operations of the Fund or any Facility for the renewal period. At that time the Donors Committee, acting by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, may extend this Agreement or any of the operations of any Facility or Fund for the renewal period or a period shorter than the renewal period.

Section 3. Termination by the Bank or the Donors Committee. This Agreement shall terminate in the event that the Bank suspends or terminates its own operations under Article X of the Charter. This Agreement shall also terminate in the event that the Bank terminates the Administration Agreement under Article 6, Section 3 of that Agreement. The Donors Committee may decide to terminate this Agreement or any Facility, or the Small Enterprise Investment Fund, at any time by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

Section 4. Winding up of Fund Operations.

(a) On termination of this Agreement, the Donors Committee shall direct the Bank to make a distribution of assets to Donors after all the

liabilities of the Fund are discharged or provided for. Any such distribution of remaining assets shall be in proportion to contributions made by Donors in cash or by encashment of notes or similar obligations under Article 2, Section 2. Balances remaining in any such notes or similar obligations shall be canceled.

(b) On termination of any Facility or the Small Enterprise Investment Fund, and after all relevant liabilities are discharged or provided for, the Donors Committee, by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, may decide on the allocation or distribution of funds remaining in the Facility. Any distribution to Donors shall be in the proportions referred to in paragraph (a) above.

Article 6: General Provisions

Section 1. Adherence to this Agreement. This Agreement may be signed by any prospective donor. Any such signatory may become a Donor under this Agreement by depositing with the Bank an instrument of ratification, acceptance or approval, setting forth that it has ratified, accepted or approved this Agreement. Any member of the Bank not on Schedule A may adhere to this Agreement by depositing an Instrument of Acceptance and an Instrument of Contribution in an amount, and on dates and conditions, approved by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

Section 2. Amendment.

(a) This Agreement may be amended by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors. The approval of all Donors shall be required for an amendment to this Section, to the provisions of Section 3 of this Article which limit the liabilities of Donors, or an amendment which increases the financial or other obligations of Donors, or an amendment to Article 5, Section 3.

(b) Notwithstanding the provisions of paragraph (a) of this Section, any amendment which increases the existing obligations of the Donors under this Agreement or involves new obligations of the Donors shall take effect for each Donor which has notified its acceptance in writing to the Bank.

Section 3. Limitations on Liability. In the operations of the Fund, the financial liability of the Bank shall be limited to the resources and reserves (if any) of the Fund, and the liability of Donors as Donors shall be limited to the unpaid portion of their respective contributions that has become due and payable.

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HEADLINE: The Enterprise for the Americas Initiative: supporting a 'silent revolution' in Latin America; Includes related articles

BYLINE: Clark, Carrie B.

BODY:

The almost daily headlines about revolutionary changes occurring in the Soviet Union and Eastern Europe tend to overlook the silent revolution occurring in the Western Hemisphere. To the surprise of many, changes similar to the political and market-opening measures taking place in the Soviet Union and Eastern Europe have been under way in Latin America since the mid-1980s.

Drawing little attention from world media, democracy has flourished throughout the Latin American region. Latin American countries are shaping models of political and economic liberty by pushing aside military and authoritarian governments, and restructuring their inward-looking economies to adopt open market-oriented practices.

As of 1990, every country in Latin America (except Cuba) had, for the first time in history, a democratically elected president. These newly elected officials have taken bold steps by turning their backs on the traditional closed policies of the past to implement positive market-oriented reforms. Translated, this means abundant trade and investment opportunities for U.S. firms in the region. Gradually, U.S. firms are awakening to these opportunities.

The allure of the Latin American market has always been its considerable size and huge resource base. The combined population of Latin America reaches 445 million, 8.4 percent of the world total. This is the same as the entire population of the European Community and almost one-half greater than that of the Soviet Union or the United States. Based on population alone, the Latin American market provides tremendous potential for U.S. firms.

The United States is economically tied to Latin America. Latin American markets produce output (in terms of gross domestic product) valued at more than $ 825 billion. Almost 60 percent of the merchandise trade of Latin America is transacted with countries in the Western Hemisphere. The United States provides more than 40 percent of Latin America's imports and buys a similar share of its exports. U.S. exports to the region have prospered, growing by 74 percent since 1986.

Additionally, the mix of U.S. and Latin American cultural and historical ties, and geographic proximity make a formula for natural partners. Common values and democratic traditions play an important role in easing U.S. firms' movement into the Latin American market.

Enterprise for the Americas Initiative

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It was this in mind that the Bush Administration launched the Enterprise for the Americas Initiative (EAI) on June 27, 1990. The EAI is a program designed to strengthen Latin American and Caribbean economies through increased trade, investment, and reduction of official debt to the United States. These three components are packaged to work independently but toward a common goal.

The EAI serves as the blueprint for the eventual creation of a hemispheric free trade area from the "Northern tip of Alaska to the southernmost point of Tierra del Fuego." It will take a lot of time, hard work, cooperation, and patience to build this free trade area.

The goals of the EAI and the Uruguay Round are mutually complementary. Success of the Uruguay Round is of utmost importance to hemispheric free trade initiatives. A successful Round will establish international baseline baseline standards for services trade, intellectual property protection, investment performance requirements, and other areas that will facilitate negotiation of a free trade agreement.

Trade

With the shift to democratically-oriented political environments, countries in Latin America and the Caribbean have undertaken widespread economic and trade policy reforms. These reforms show a broad shift away from the inward-looking policies of import substitution and protectionism toward recognition of the benefits of uninhibited forces and the advantages of participating fully in the global economy.

To encourage this emerging trend, President Bush proposed a three-point plan in the trade portion of the EAI that establishes free trade relationships based on a balance of benefits and obligations.

Keeping in mind the long-term goal of a hemispheric free trade area, President Bush announced a willingness to enter into free trade agreements with other countries in the Latin American region. The negotiation of a North American Free Trade Agreement (NAFTA) with Mexico and Canada represents the first step in this process. Chile also may be an eventual candidate for a free trade agreement.

Framework Agreements

Recognizing that some countries may not be ready to take the dramatic step toward negotiating a comprehensive free trade agreement in the current "fast tract" authority period which extends to June 1, 1993, the President invited interested countries to negotiate bilateral framework agreements with the United State. These framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade and investment. They also provide a forum to resolve disputes with individual countries.

Much progress has been made on the trade front during the past year. The United States has signed framework agreements with Colombia; Ecuador; Chile; Honduras; Costa Rica; Venezuela; El Salvador; Peru; Panama; Nicaragua; the South American Quadripartite Common Market (MERCOSUR), which consists of Argentina, Brazil, Uruguay, and Paraguay; and CARICOM, which consists of Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica,

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Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, and the Grenadines, Bilateral framework agreements were signed with Mexico and Bolivia before creation of the EAI, and negotiations with Guatemala are currently in progress. The remarkable pace in negotiating framework agreements with such a broad range of countries in the Americas testifies to the commitment of so many nations in the Western Hemisphere to economic reform, liberalization, and democracy.

The bilateral framework agreements negotiated to date generally contain similar objectives. They are based on a statement of agreed principles regarding the benefits of open trade and investment, increased importance of services to economies, the need for adequate intellectual property rights protection, the importance of observing and promoting internationally-recognized worker rights, and the desirability of resolving trade and investment problems expeditiously.

The parties agree that a bilateral/plurilateral consultative mechanism is useful, and accordingly have established a Council on Trade and Investment. The Council's objectives are to monitor trade and investment relations, hold consultations on specific trade and investment matters of interest to both sides, and work toward removing impediments to trade and investment flows. Framework agreements do not bind signatories to implement specific trade liberalization commitments.

The signing of a framework agreement with a country, or group of countries, does not imply that the United States will propose free trade negotiations with such countries immediately. Indeed, many countries are not ready politically or economically for such a relationship.

Investment

The investment portion of the EAI is designed to unlock the potential for domestic and foreign investment, encourage capital flows, and improve the environment.

U.S. direct investment in the region amounts to almost $ 72 billion. To increase this level, sectoral and structural reforms are encouraged in the Latin American region. Restrictive investment regimes in Latin America and the Caribbean have hampered efforts to attract capital and induced existing capital to move offshore.

The investment component of the EAI seeks to support countries' efforts to liberalize investment regimes and thereby generate foreign and domestic investment and the return of capital held by nationals overseas. To compete effectively for capital in a world of scarce resources, countries need to establish clear and predictable regulatory systems that are hospitable to all investors.

To help fuel investment reform, the Initiative includes two proposals administered by the Inter-American Development Bank (IDB), an investment sector loan program and a multilateral investment fund (MIF).

Investment Sector Loan Program

The EAI proposes creation of a new lending program in the IDB to support investment sector reforms. The IDB has been evaluating the need for reform in

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individual countries and has been negotiating investment sector loans. The first of these was approved in June, with Chile receiving $ 150 million to open its copper and transport sectors to foreign investment, sign inheritance tax and investment agreements, and pass legislation allowing international dispute settlement mechanisms to arbitrate foreigners' investment disputes. Negotiations on loans for Jamaica and Bolivia have been completed, and are awaiting IDB Board approval.

Multilateral Investment Fund (MIF)

In a parallel effort, the EAI proposes a five-year $ 1.5 billion MIF for the years 1992-96. The Fund will serve as a complement to the new IDB investment sector lending program. Because the Fund is designed to serve as an incentive, funds would be disbursed after reforms are enacted.

The Fund would provide program and project grants to advance specific, market-oriented investment policy initiatives and reforms and encourage domestic and foreign investment in Latin America and the Caribbean. It also would finance technical assistance for privatizing government-owned industries, enterprise development, business infrastructure, and worker training and education programs to develop supporting human capital. To combat micro-and small-sized enterprises' lack of access to capital, the Fund could provide them with credit and equity financing through arrangements to be developed with local nongovernmental organizations and other financial intermediaries.

The "Enterprise for the Americas Initiative Act of 1991," currently being considered by Congress, requests and appropriation of $ 500 million in the next five years, to be transferred to the IDB in five installments of $ 100 million, beginning in fiscal year 1992. Japan has committed $ 100 million per year for five years in grant resources to the Fund. Spain, Portugal, Canada, and France have indicated a willingness to contribute to the Fund, in amounts not specified. The United States also is seeking contributions from other European and Asian countries.

Debt

The large amount of debt owed by Latin American and Caribbean countries (approximately $ 425 billion) to commercial banks and official creditors has inhibited economic growth and discouraged investor interest over the last decade. Debt reduction can restore the confidence of domestic and foreign investors and encourage repatriation of flight capital.

Debt reduction also is an important tool for encouraging countries in the region to persist in their economic reform efforts. The overhang of external debt has tested the resolve of nearly every government in the region. By easing the burden of debt on Latin American and Caribbean economies, the rewards of reform will develop immediately and visibly.

The debt component of the EAI proposes to reduce official concessional and nonconcessional bilateral debt. U.S. concessional debt owed by Latin American and Caribbean countries totals $ 6.9 billion. The EAI works to reduce this amount substantially for eligible countries. This covers Agency for International Development (AID) and PL-480 loans, $ 5.1 and $ 1.9 billion, respectively. The old debt would be exchanged for new, reduced obligations.

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Concessional debt

The stock of concessional debt would be substantially reduced at the outset, depending on circumstances in each country. New dollar payments on this reduced debt would be applied to retire principal. Hence, a country's concessional debt would be eliminated in a designated time period.

Interest on new, reduced debt would be assessed at a concessional rate and payable in local currency, contingent on negotiation of a bilateral environmental framework agreement establishing an Enterprise for the Americas Environmental Fund. Otherwise, interest would be paid in U.S. dollars. Currently, Bolivia, Jamaica, and Chile are eligible to negotiate Environmental Framework Agreements.

Local currency interest payments would be deposited in the Environmental Fund, administered by local committees comprised of host country and U.S. government representatives and local nongovernmental organization members. This structure will nurture local support for the environment.

The public/private Environment for the Americas Board has been established in Washington, D.C., to review implementation. The Board's three primary functions will be to advise the Secretary of State on negotiation of environmental framework agreements; ensure, in consultation with local governments and groups, proper constitution of local administering bodies; and review the programs, operations, and fiscal audits of these bodies.

Nonconcessional debt

Total nonconcessional debt owed to the U.S. government as of December 1990 by Latin American and Caribbean governments is about $ 4.9 billion. About $ 4.0 billion is owed to the U.S. Export-Import Bank, and $ 0.9 billion to the Commodity Credit Corporation (CCC).

Under the EAI, a portion of this nonconcessional debt would be sold to facilitate debt-for-nature, debt-for-development, or debt-for-equity swaps in eligible countries. These swaps would retire part of a country's nonconcessional obligations to the U.S. government. About 10-15 percent could be eligible for swaps.

Countries eligible for debt reduction under the EAI will be implementing strong economic reform programs. The statute providing the Administration with authority to reduce PL-480 obligations (1990 farm bill) identifies eligible countries as those which have an IMF program, or in exceptional cases, are close to one; have a World Bank adjustment loan, as appropriate; are undertaking major investment reform, possibly in conjunction with an IDB investment sector loan; and have negotiated a financing program with commercial bank, if commercial loans are a significant share of the country debt portfolio.

The legislation enacted to date allows flexibility in applying criteria to take into account individual country circumstances. This flexibility would be used, as needed, to allow countries with strong economic reform and investment liberalization programs to benefit from debt reduction.

Two-Way Street

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Business America (c) 1991 IAC

Unlike aid packages of the past, the EAI is a "two-way street." It is designed to benefit both the United States and Latin American countries. To reap the benefits, however, Latin American countries must undertake the necessary structural economic reforms to liberalize their economies and open their markets.

Many Latin American countries are making important strides toward these goals. Just to illustrate a few examples:

* Venezuela has implemented significant reforms in the two years since President Carlos Andres Perez took office. Under his leadership, Venezuela has eliminated quantitative restrictions on manufactured imports, established a free foreign exchange market, will cap tariffs at 20 percent by 1993, joined the GATT, and improved the investment environment b allowing 100 percent foreign ownership in most sectors, and eliminating remittance restrictions and prior approval. He also reformed the tax structure and lowered corporate rates substantially, and privatization is under way in the telecommunications, airline, ports, and banking sectors.

* Colombia has aggressively liberalized the external sector. Effective Sept. 10, 1991, tariffs now range from 0-15 percent, and 40 percent of import items enter duty-free. The country has also dismantled the import license system, eased foreign exchange controls, reduced or eliminated export subsidies via accession to GATT Subsidies. Code and bilateral subsidies agreements with the United States, and dramatically liberalized the investment regime, including the highly lucrative financial sector, and begun a privatization process with several financial institutions.

* Brazil is gradually implementing important structural reforms by reducing tariffs from a current average of 32 percent to a 14 percent average by 1994, eliminating one of the most pervasive import barriers -- the Law of Similars, beginning an ambitious privatization program, and developing a new Industrial Property Code to strengthen intellectual property rights protection and to provide patent protection for pharmaceuticals.

* Chile has already accomplished extensive structural reforms and continues to do so by improving its investment climate with the passage of enhanced intellectual property legislation which further reduces its import tariff rate.

* Argentina is moving to resolve past economic problems by privatizing 11 state public sector companies in the past two years, including the airline, telephone, electric utility, natural gas, and water/sewerage sewtors, eliminating domestic price controls, lowering the average tariff rate to 9 percent -- with a maximum rate of 35 percent on some consumer and intermediate goods, simplifying the tax system, and extending foreign investors' national treatment in virtually all sectors.

Many U.S. Businesses are Flourishing

Many U.S. companies have watched their businesses flourish since the beginning of the wave of democratic fever and implementation of structural reforms. Latin American countries have a tremendous internal market that is desperate for goods after a lengthy period of repressed demand. This success signals an important turn of market events for American companies which have had only limited market access in the past. Recent successes include increasing

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market access to the telecommunications, transportation, oil and gas, pulp and paper sectors in several Latin American countries, with even greater prospects for the future.

With positive political and structural changes taking place during Latin America's silent revolution, the resulting U.S. private sector opportunities, and U.S. government programs of the TPCC/EAI, U.S. businesses should take advantage of the opportunities presented and include Latin America as a high priority in their marketing plans.

GRAPHIC: ;Photograph

SUBJECT:
Enterprise for the Americas Initiative, Evaluation ; Latin America, International trade ; Free trade and protection, Political aspects ; Export marketing, Political aspects ; Caribbean Area, International trade ; United States, Relations with Latin America

NAME:
Quayle, Dan, Foreign relations ; Mosbacher, Robert A., Foreign relations

GEOGRAPHIC:
Caribbean Area ; South America ; Central America

11316690

LOAD-DATE-MDC: November 01, 1991

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Section 4. Withdrawal.

(a) After full payment under a Qualified or Unqualified Contribution, any Donor may withdraw from this Agreement by delivering to the Bank at its principal office written notice of its intention to do so. Such withdrawal shall become finally effective on the date specified in the notice but in no event less than six months after the notice is delivered to the Bank. However, at any time before the withdrawal becomes finally effective, the Donor may notify the Bank in writing of the cancellation of its notice of intention to withdraw.

(b) When a Donor has withdrawn from this Agreement, it shall remain liable for all its obligations under this Agreement which shall have been in effect before the effective date of its notice of withdrawal.

(c) Arrangements for settling respective claims and obligations, entered into by the Bank and a Donor pursuant to Article 7, Section 7 of the Administration Agreement, shall be subject to approval by the Donors Committee.

IN WITNESS WHEREOF, each of the prospective donors, each acting through its authorized representative, has signed this Agreement.

Done at Washington, District of Columbia, on _____, in a single original, whose English, French, Portuguese and Spanish texts are equally authentic, which shall be deposited in the archives of the Bank which shall transmit a duly certified copy to each of the prospective donors listed in Schedule A of this Agreement.

FEBRUARY 6, 1992

MEMORANDUM FOR JOE DUGGAN

FROM: MICHELE NIX

SUBJECT: MULTILATERAL INVESTMENT FUND SIGNING

On Tuesday, February 12, at 2:30 p.m., in the Roosevelt Room, the President will deliver remarks (5 minutes) to an audience of 40 people for a signing ceremony for a Multilateral Investment Fund Agreement. The entire ceremony will last 15 minutes. POTUS will walk in -- no introduction.

The agreement will be signed by: Enrique Iglesias, President of the Inter-American Development Bank and Brady. Secretary Baker will probably be at the event. He is slated to meet with the President right before the signing.

The audience makeup will include: approximately 16 foreign ambassadors and private sector reps from corporations such as American Express and others.

Claire Sechler has no info on the agreement; she has been scrambling to get Treasury to get info to us by the end of the day; their working on a fact sheet on the agreement and other items.

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6TH STORY of Level 1 printed in FULL format.

Copyright 1991 Buraff Publications, a division of
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International Securities Regulation Report

October 7, 1991

LENGTH: 1693 words

HEADLINE: MOUS ABOUND AT ANNUAL MEETING; SEC SIGNS FIVE UNDERSTANDINGS

BODY:

WASHINGTON -- If Richard Breeden felt a little soreness in his writing hand Sept. 23-26, there was good reason.

The U.S. Securities and Exchange Commission chairman picked up the pen on five occasions at the J.W. Marriott Hotel in Washington, site of the 16th annual conference of the International Organization of Securities Commissions, to sign "statements," "communiques," and "memoranda of understanding" with several countries and institutions.

The SEC signed MOUs with Norway and the United Kingdom, a statement reaffirming an earlier communique with Sweden, a joint statement with the European Community, and a joint understanding with the Inter-American Development Bank and the United Nations Economic Commission for Latin America and the Caribbean.

The U.S. Commodity Futures Trading Commission also signed a financial information sharing memorandum of understanding with the Ontario Securities Commission, the Commission des Valeurs Mobilieres du Quebec, the Toronto Futures Exchange, and the Montreal Exchange.

U.S., U.K. MOU Expanded

Five years after their initial memorandum of understanding, the SEC and U.K. regulators entered into a new MOU Sept. 25 providing for a wider range of mutual assistance in securities law enforcement.

The U.K.-U.S. MOU -- which also was signed by CFTC Chairman Wendy Gramm; John Redwood, minister of state for corporate affairs, U.K. Department of Trade and Industry; and David Walker, chairman of the U.K. Securities and Investments Board -- supersedes the previous MOU signed in 1986. According to the SEC, the new agreement "builds on the experience of operating the earlier MOU and the excellent working relationship the parties have developed during the five years it has been in effect."

In particular, the SEC said, the new MOU provides for mutual assistance "across a wider range of laws and regulations," and expands the forms of assistance the regulators may provide. The MOU also "sets out procedures for more effective cooperation" between the parties, and prescribes the manner in which the SEC and the DTI will use their newly obtained power to compel the production of documents and testimony on behalf of a foreign counterpart. CFTC reauthorization legislation "will provide similar powers," the SEC stated.

It said the MOU "makes assistance available in virtually all types of cases that could arise" under U.K. and U.S. futures and securities laws, including

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disclosure violations, fraud or manipulation, prohibited futures trading practices, and failure to comply with reporting requirements.

The SEC said the MOU contemplates that the parties will provide assistance making information available, taking testimony, obtaining specified information and documents, conducting compliance inspections, and permitting representatives of the requesting authority to participate in conducting inquiries.

SEC, Norway Sign MOU

Meanwhile, on Sept. 24, Breeden and Svein Aasmundstad, director general of Norway's Banking, Insurance and Securities Commission, signed an MOU that "provides for mutual assistance and cooperation in the full range of enforcement and regulatory matters," the SEC said.

Under the MOU, assistance will be provided in the form of access to agency files, taking testimony and obtaining information and documents, and conducting compliance inspections. "Such assistance is intended to facilitate the investigation, litigation, or prosecution of securities matters in both countries where information needed by one authority is located in the territory of the other," the SEC said.

It added that assistance is contemplated in securities law matters involving insider trading and other fraudulent or manipulative conduct, disclosure requirements, and financial qualifications. "Each party also represents its intention to engage in consultations to enhance the coordination of their respective market oversight functions," the SEC said. It noted that over the past 10 years, "there has been a substantial increase in cross-border securities transactions between the U.S. and Norway."

Also at the IOSCO meeting, Breeden and Stig Danielsson, deputy director general of the Swedish Financial Supervisory Authority reaffirmed on Sept. 25 their respective agencies' commitment to the terms of a June 27 communique between the SEC and the SFSA's predecessor agency, the Swedish Bank Inspection Board (ISRR, July 15, p. 4).

The SEC also signed a joint statement with the Commission of the European Communities on Sept. 23 to promote information sharing and mutual assistance efforts between the SEC and relevant national authorities in EC countries (ISRR, Sept. 23, p. 6).

CFTC, Canada Agree

The financial information sharing MOU between the CFTC and Ontario and Quebec establishes a framework for sharing information on a "routine" and "as needed" basis, the CFTC's Gramm said at the Sept. 23 signing.

The FISMOU provides for information sharing with respect to Ontario and Quebec futures brokers selling Canadian futures contracts to U.S. customers. These firms are exempted from registration with the CFTC based on their compliance with applicable Canadian law.

The agencies also agreed to share financial information for "key related firms," which are Ontario and Quebec futures brokers directly or indirectly controlling, controlled by, or under common control with a U.S. futures

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broker, or U.S. futures brokers with a similar relationship to a Quebec or Ontario futures broker.

The FISMOU was signed by Gramm, Robert J. Wright, chairman of the OSC; Paul Fortugno, chairman of the CVMQ; James S. Gallagher, president of the TFE; Giovanni Giarrusso, executive vice chairman of the ME; and Robert K. Wilmouth, president. U.S. National Futures Association.

Finally, the SEC signed on Sept. 26 an understanding with the IDB and the UNECLAC to conduct consultations and provide technical assistance for the development of capital markets in Latin America and the Caribbean.

The understanding provides for consultation with the SEC's Emerging Market Advisory Committee, which has been active in providing assistance to developing markets. The understanding was signed by Breeden, Enrique V. Iglesias, president of the IDB, and Gert Rosenthal, executive secretary of UNECLAC.

No specific funding arrangements have been made for providing technical assistance, but Iglesias said that funding could come from the IDB's newly established multilateral investment fund, set up in response to President Bush's Enterprise for the Americas Initiative. Rosenthal said the work done under this agreement will be funded as part of UNECLAC's "ongoing work program."

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INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

EXECUTIVE DIRECTOR
United States

CABLE ADDRESS
INTAMBANC

FACSIMILE COVER SHEET

DATE: 6 February 1992

NUMBER OF PAGES TO FOLLOW: 1

TO. Michelle Fife, [redacted]

ADDRESSEE'S FAX NUMBER: [redacted] 6218

[redacted]

SENDER'S CONFIRMATION NUMBER: (202) 623-1031

COMMENTS/SPECIAL INSTRUCTIONS

[redacted]

As the TPM-

[redacted]

Countries that have pledged to the Multilateral Investment Fund (MIF)

United States

Japan

Canada

Germany

Italy

Spain

Portugal

France

Mexico

Venezuela

Brazil

Argentina

Chile

Colombia

Peru

Uruguay

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 11, 1992

REMARKS BY THE PRESIDENT
DURING THE MULTILATERAL INVESTMENT FUND SIGNING CEREMONY

Roosevelt Room

2:33 P.M. EST

THE PRESIDENT: Welcome -- especially excellencies -- and may I single out President Iglesias of the IDB -- thank him for being here; and of course, Secretary Brady who has been so instrumental from the U.S. side in all of this.

Today marks another milestone along the path of mutual progress for the United States and its friends and neighbors. And we move another stop closer to fulfilling the vision of a free, peaceful and prospering Western Hemisphere.

As we sign the charter for the new Multilateral Investment Fund, we advance the far-sighted aims of Enterprise for the Americas Initiative. Our new fund is an exciting innovation. It will provide targeted support for Latin American countries as they transform lumbering, state-run industries into efficient private enterprises.

This fund assures our neighbors that together we share a stake in a better future and that we will stand by them and help them as they carry out some very difficult reforms.

In a neighborhood of free and growing economies, investment helps everyone. Our effort today will lift the tide of hope and freedom, and will free up new resources so that the men and women throughout the Americas can carry their dreams and achievements as far as their God-given talents will take them.

Make no mistake: The future growth of the United States economy depends on expanding mutual investment and trade with our neighbors in the Americas. Flourishing trade and investment throughout the hemisphere will create new jobs and raise the quality of life for people in Syracuse and St. Louis as well as Sao Paolo and Santiago.

Right now, we earn $62 billion -- one in every seven of our worldwide export dollars from Latin America. Well over half of our foreign investment in developing countries goes to Latin America. And we're moving forward to create in this hemisphere a new free trade area of 360 million consumers and $6 trillion in annual output -- the North American Free Trade Area of Mexico, Canada and the United States.

This commitment will endure because we're in this to stay. And I know the people of the United States. And I can assure you that we will say no to the gloomy spirits that want to make pessimism a self-fulfilling prophecy. We embrace a future founded upon freedom, opportunity and growth.

Working Americans and those looking for work have common sense. And they know that when other countries develop their economies, that results in more sales for America's airplanes and

computers and other capital goods. The world is buying U.S. products at a record pace.

Over the past five years, nearly half of America's real economic growth has been in exports. During those same five years, U.S. exports to Latin America and the Caribbean increased by 12 percent annually -- much faster than the exports to the rest of the world.

Exports will carry us to rewarding new destinations in our future. And remember what exports do right here at home. Every billion-dollar increase in exports generates 20,000 new jobs in the United States. So the long and short of it is, the prophets of American decline simply don't grasp the facts. The 21 countries represented here already have pledged more than $1.2 billion to this important fund for our future. The U.S. pledge alone is $500 million, one-third of the $1.5 billion goal; Japan pledging an equal amount.

I urge the United States Congress to act without delay to provide the funds to fulfill our pledge. And I also urge Congress to support debt reduction under the broader Enterprise for the Americas Initiative which will provide further support for U.S. exports, investment and jobs.

Let me salute all of the representatives of the nations participating in this promising new effort. I want to commend the Inter-American Development Bank, its President, Enrique Iglesias, who will administer the new fund; and I am confident, sir, that you will do an outstanding job with your new responsibility.

This is a moment not so much for us, but for future generations, really. It's they who will benefit from what's beginning here today. And it is for them that we invest in a new age of discovery and opportunity from Hudson Bay to the Staits of Magellan.

And now I would like to invite all the signatories who are here today with us -- those that have signed this agreement already -- to come up here and we can muster behind the two remaining, two final signatures.

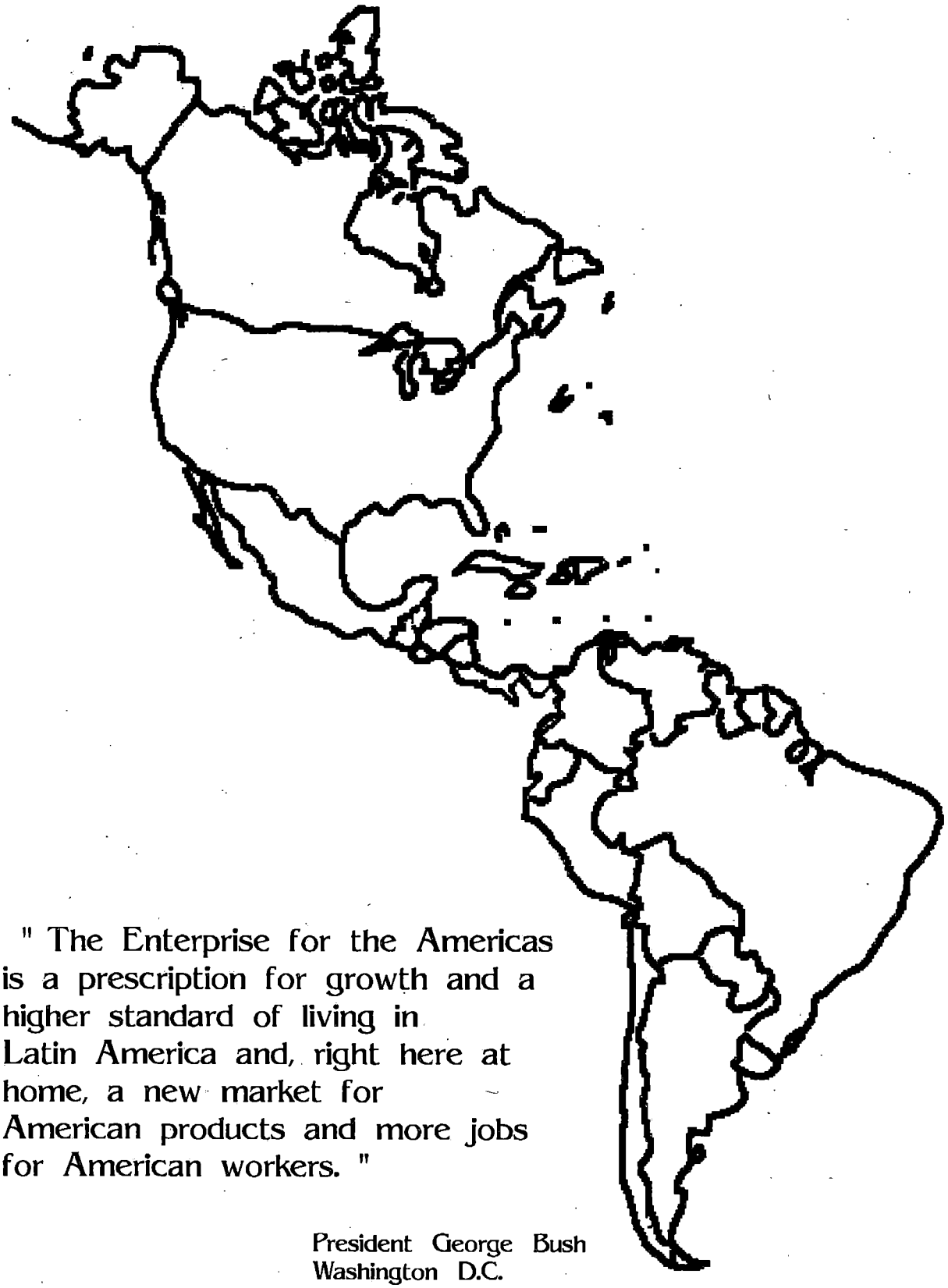
But thank you all for being here and for your constructive work on this wonderful project. Thank you. (Applause.)

END 2:38 P.M. EST

ENTERPRISE FOR THE AMERICAS INITIATIVE

A VISION FOR ECONOMIC GROWTH IN THE WESTERN HEMISPHERE

February 1992



" The Enterprise for the Americas is a prescription for growth and a higher standard of living in Latin America and, right here at home, a new market for American products and more jobs for American workers. "

President George Bush
Washington D.C.
June 27, 1990

Executive Summary

A quiet revolution for political and economic freedom is under way in the Western Hemisphere. In its own right, it is just as profound as the revolutionary events in Eastern and Central Europe and the new Commonwealth of Independent States. Elected civilian governments hold office in virtually every nation, encompassing **96 percent** of the Hemisphere's population. The "open market" outlook now embraced by most countries in the region is a far cry from the discriminatory and protective trade and investment policies of the past. While the pace of economic reform varies, each country in the region offers significant commercial opportunities for the United States.

With a population of **451 million**, a gross domestic product valued at more than **$860 billion**, and total world trade of **$236 billion**, Latin America and the Caribbean provide natural partners for U.S. business. The established market presence puts U.S. business in a uniquely competitive position to profit from the expanding and increasingly diversified production, as well as the growing consumer market in the region. U.S. exports to Latin America and the Caribbean have risen from **$31 billion** in 1986 to an estimated **$62 billion** in 1991, creating an additional **620,000** U.S. jobs. Much of this increased trade and investment is occurring in Mexico, where the government has acted aggressively to make the changes necessary to bring about the economic growth which attracts U.S. business. As the rest of the region undertakes similar reforms, it will be up to U.S. business to capitalize on the increased opportunities for trade and investment in the Hemisphere.

President Bush introduced the Enterprise for the Americas Initiative (EAI) in June 1990 to create a private-public partnership that will assure continued growth and stability throughout the Hemisphere. The appeal of this initiative is an appeal to economic self-interest. It serves the interests of both U.S. and Latin American and Caribbean businesses and governments and ushers in a new era of U.S.-Latin American and Caribbean relations--one that is based on mutual respect and mutual responsibility. The benefits, like the responsibilities, are two-way.

The program's three pillars--trade, investment, and debt reduction--are mutually reinforcing. The goal of the trade pillar is to expand free trade throughout the Hemisphere, creating growth, jobs, productivity, and new private sector initiative. The investment pillar is designed to stimulate economic reform and investment liberalization that will create an attractive environment for new capital and repatriated flight capital. The debt reduction pillar, by alleviating the region's financial burden, will strengthen economies, generate demand for traded goods, and stimulate investment. In addition, by allowing the repayment of interest on remaining debt in local currency to support grassroots environmental projects, the EAI includes an innovative mechanism to support sustainable use of the environment.

A successful EAI is essential to a strong U.S. economic future. For the vision of the EAI to become a reality, governments and private sectors from every nation must work together as partners. The U.S. government is already working with other governments to move toward a free trade area and to create more attractive investment climates throughout the hemisphere. It is now time for the private sector to capitalize on the improving economic climate and maximize the new opportunities generated in Latin America and Caribbean. As they have done in Mexico, U.S. companies must reconsider the benefits of doing business with the region, identify opportunities for entering the market, and stimulate a broader commitment to the Hemisphere. Doing so will strengthen the U.S. economy and create U.S. jobs.

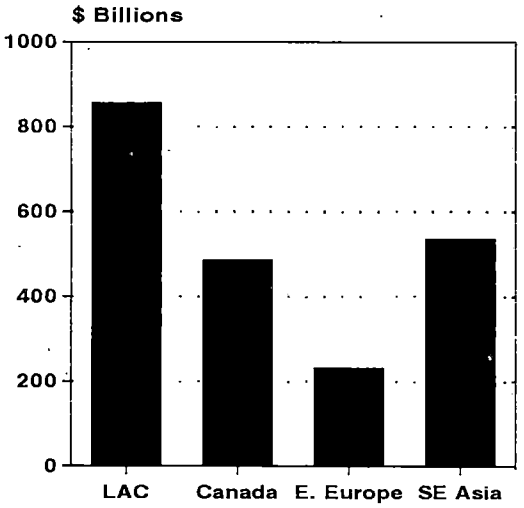
Why Latin America and the Caribbean is Important to U.S. Businesses

Latin America and the Caribbean as a Market for U.S. Exports

The attraction of the Latin American and Caribbean market has always been its considerable size, its large resource base, and its close proximity to the United States. For 1991, the total population in the region is estimated at **451 million**, **8.4** percent of the world total. This population base rivals that of all of Europe.

The gross domestic product of Latin America and the Caribbean exceeds **$860 billion.** This makes the region's economy nearly **40** percent larger than that of Canada, the number one export market for the United States. It is over **three times** larger than that of Eastern and Central Europe and it is larger than the entire South-East Asia market.

Gross Domestic Product
1989

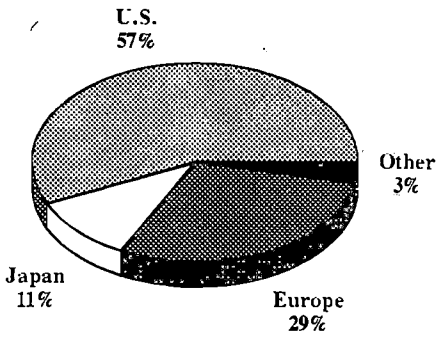


LAC: Latin America and the Caribbean
Source: World Bank

Latin American and Caribbean trade with the world is estimated at **$236 billion.** More than **50 percent** of that trade is with the United States. Of the total exports to Latin America and the Caribbean from industrialized countries, the United States commands a **57** percent share, as compared to only **11** percent for Japan and **29** percent for Europe.

Industrial Country Exports
to Latin America and the Caribbean

1989



Source: United Nations

Encouraging Trends in the Region

Political Stability

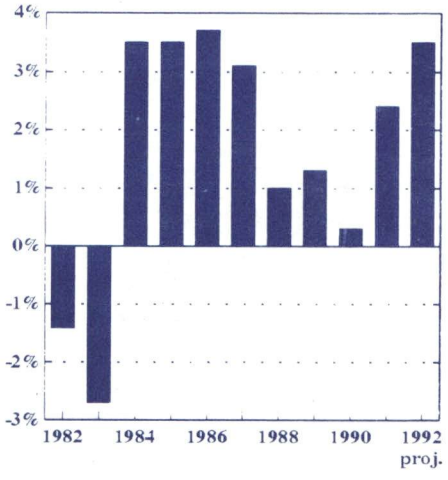
Almost all Latin American and Caribbean countries have replaced authoritarian regimes with elected civilian governments. Armed conflict has diminished. Most citizens now live in peace throughout the Hemisphere. The growing political stability in the region encourages investment and sustained economic growth.

Economic Growth

Real gross domestic product in the region is estimated to have risen by **2.4** percent in 1991, a significant improvement over the

0.3 percent figure for 1990 and the average growth rate of **1.3** percent from 1981 to 1990. For several countries the growth rate in 1991 was much higher: Mexico estimates **4-4.5** percent growth, Venezuela **6** percent growth, and Chile **5.5** percent growth. In 1992, economic growth for the entire region is projected to accelerate to **3.5** percent.

Gross Domestic Product for Latin America and the Caribbean



Source: United Nations' ECLAC

Reduced Inflation

For the most part, hyperinflation has been brought under control. The weighted average annual inflation rate for the region in 1991 is expected to be down over four fold from the average of **1,200** percent in 1989 and 1990. Except for Brazil and Peru, where prices are still rising by more than 100 percent a year, inflation is generally expected to range from **10 to 35** percent.

Growing Trade

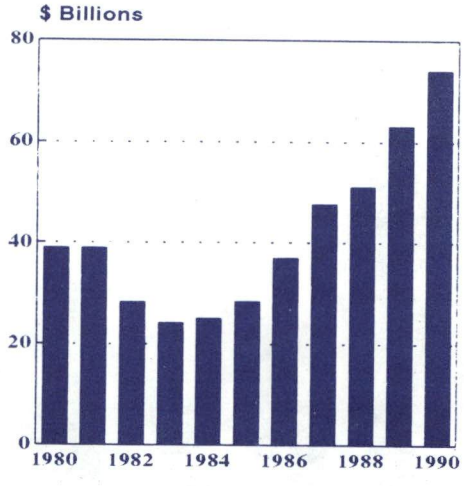
Latin American and Caribbean trade with the world has risen dramatically from **$140.5 billion** in 1986 to an estimated **$236 billion** in 1991. During that same period merchandise trade with the United States grew from **$72.1 billion** to an estimated new record high of more than **$125 billion**.

As a result of the market-oriented economic policies it has implemented since the mid-1980's, Mexico is experiencing the fastest growth in trade in the region. Total U.S.-Mexican merchandise trade has risen from **$29.5 billion** in 1986 to **$57.9 billion** in 1990. Other countries in the region have begun to adopt similar reforms and are beginning to see increases in trade, from **$42.5 billion** in 1986 to **$58.6 billion** in 1990.

Increased Investment

Capital inflows into Latin America and the Caribbean accelerated to **$14 billion** in 1990, up from only **$4 billion** in 1989. U.S. direct investment in the region has risen substantially over the past five years, from **$36.8 billion** in 1986 to **$72.5 billion** in 1990. Mexico's market-based policy reforms have attracted a large portion of

U.S. Direct Investment Position in Latin America and the Caribbean



Source: U.S. Department of Commerce

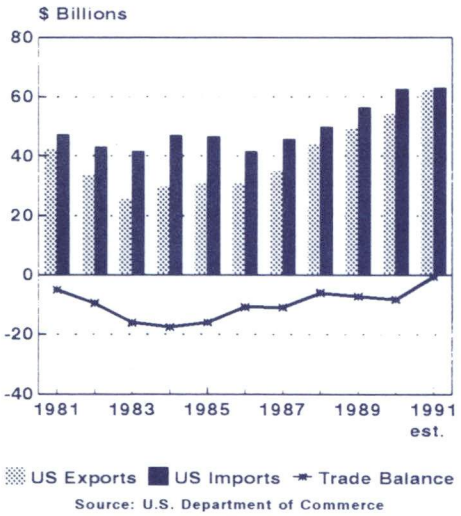
this new investment. As other countries in the region follow suit they too will attract new U.S. investors.

Impact on the U.S. Economy

U.S. merchandise exports to Latin America and the Caribbean totalled **$54 billion** in 1990 and are expected to reach about **$62 billion** in 1991. This represents almost **14** percent of U.S. exports worldwide.

Latin America and the Caribbean is the fastest growing regional market for U.S. exports. For the last five years, U.S. exports to the region have averaged **12** percent annual growth. In 1991, exports are expected to grow almost **14** percent. This rate of increase is well above U.S. export growth to the rest of the world which is expected to be about **5** percent in 1991.

U.S. Trade
with Latin America and the Caribbean



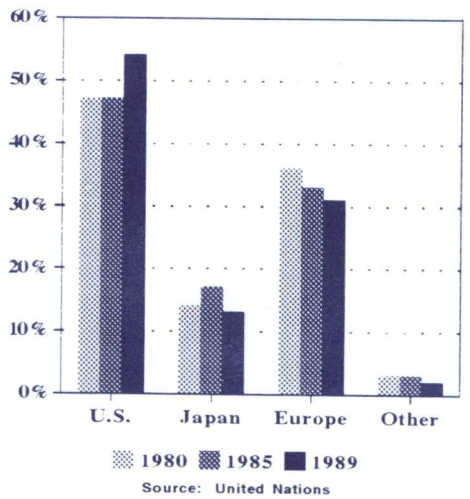
Source: U.S. Department of Commerce

U.S. export growth is strong not only in Mexico, where it is averaging **18** percent annually since 1986, but also in the rest of the region, where U.S. exports have grown by more than **7** percent over each of the last five years.

Because of this strong export growth, the U.S. trade deficit with the region has declined from **$10.8 billion** in 1986 to less than **$1 billion** in 1991.

Much of the gain in U.S. exports to Latin America is attributed to rapidly growing demand for manufactured goods, which now account for **83** percent of total U.S. exports to the region. Leading U.S. manufactured exports are motor vehicle parts, aircraft, telecommunications, electrical switching gear, construction and mining equipment, and electrical machinery.

Industrial Countries
Manufactured Exports
to Latin America and the Caribbean



Source: United Nations

The U.S. market share of industrialized-country exports to Latin America and the Caribbean has gained relative to that of Japan and Europe, rising from **50** percent in 1980 to **57** percent in 1989. For manufactured goods the U.S. share rose from **47** percent to **54** percent.

U.S. Exports to Latin America and the Caribbean Create U.S. Jobs

It is estimated that each $1 billion in U.S. exports creates **20,000** U.S. jobs. The **$62 billion** in U.S. exports to Latin America and the Caribbean in 1991 thus supported more than **1,000,000** U.S. jobs. More than one-half of those jobs were created since 1986, as a result of U.S. export growth to the region. This steady growth in U.S.-job-creating exports to Latin America and the Caribbean since 1986 stands in sharp contrast to the bleak economic times in the region from 1981 to 1983. During that period U.S. exports fell by **$16 billion** at a cost of over **300,000** jobs.

The strong U.S. market share in the region indicates a preference in Latin America and the Caribbean for U.S. goods. The principal constraint on growth in U.S. exports to the region is the limited purchasing power of Latin Americans and Caribbeans. Economic growth in Latin America and the Caribbean means increased ability to purchase which is translated into U.S. export growth and into more jobs in the United States.

A New Era of U.S.-Latin American and Caribbean Relations

A quiet revolution for political and economic freedom is underway in the Western Hemisphere which, in its own right, is just as profound as those revolutions in Eastern Europe and the new Commonwealth of Independent States.

Elected civilian governments are in office in virtually every nation, with **96** percent of the Hemisphere's population governed democratically. Just ten years ago, nearly **40** percent was living under authoritarian regimes.

Countries in the Hemisphere are also turning away from the failed statist economic model of government-owned enterprise, excessive regulation and import substitution. Instead they are turning toward market-oriented economic policies which open up trade and private investment opportunities as a basis for broad participation in lasting economic growth.

The "open market" outlook now embraced is a far cry from the panoply of licensing requirements, price controls, high tariffs, and discriminatory investment policies of the past. The new liberalization measures are designed to generate economic growth, attract foreign and domestic investment, and reverse the economic stagnation engendered by past economic policies. While the pace of economic reform varies, each country in the region offers significant commercial opportunities for U.S. business.

As a result of the changes occurring in the region, U.S. relations with Latin America and Caribbean are increasingly characterized by mutual respect and mutual responsibility, based on shared interests and values.

Enterprise for the Americas Initiative

Overview

The Enterprise for the Americas Initiative (EAI), introduced by President Bush on June 27, 1990, crystallized a vision of promoting economic growth through increased trade and investment and has served as a catalyst for furthering this vision. The EAI offers market access, financial and technical resources and debt reduction opportunities to countries that liberalize their trade and investment regimes, maintain sound economic policies conducive to investment and competition, and manage responsibly their international debt obligations. A few countries are at the forefront of the swing toward market-oriented liberalization in the region. The pattern of reform they have set is clear, and the EAI seeks to encourage further progress in these and other countries.

The appeal of the Initiative is an appeal to self interest. It serves the interests of both U.S. and Latin American and Caribbean businesses and governments. It ushers in a new era of U.S.-Latin American and Caribbean relations which is no longer characterized by dependency. It envisions a partnership among all of the countries in the Hemisphere. The benefits, like the responsibilities, are two-way.

To realize the vision of the EAI requires a partnership of the public and private sectors working together to make it a reality. Building business linkages throughout the hemisphere will improve the position of U.S. businesses in the region for the future. If U.S. businesses are to remain competitive and continue to grow, they must focus on the international arena. Latin America and the Caribbean, where the U.S. already enjoys a competitive advantage, is a natural partner for trade and investment.

The EAI's three pillars--trade, investment and debt reduction--are interrelated and mutually reinforcing components which should all move forward in order to achieve the economic growth that is necessary to a peaceful, democratic and prosperous Hemisphere.

Trade

The long-term goal of the EAI is a free trade area stretching from Point Barrow, Alaska to Argentina's Tierra del Fuego, the southernmost tip of Latin America. However, hemispheric free trade is not a substitute for an open global trading system. The successful completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), therefore, remains the first priority of the United States in assuring our own access--and that of Latin America and the Caribbean--to the markets of the world. A concurrent priority for the region is to complete the negotiation of the North American Free Trade Agreement (NAFTA) with Canada and Mexico. Additional free trade agreements will be negotiated with other countries or groups of countries in the region under the EAI.

As an important first step toward this vision of hemispheric free trade, the EAI calls for the negotiation of trade and investment framework agreements between the United States and the countries of Latin America and the Caribbean. These framework agreements establish commissions to identify and discuss steps for the

elimination of obstacles to expanded trade and investment. Successful implementation of the trade pillar will greatly expand trade within the region, opening markets, enhancing opportunities for U.S. businesses and creating more U.S. jobs.

Investment

Businesses throughout the region will benefit from the open investment climates that the EAI strives to create. The removal of government restrictions and disincentives will stimulate employment, increase investment in industry, and encourage the return of flight capital. By increasing market access, protecting intellectual and physical property, and providing recourse for resolving disputes, Latin American and Caribbean countries can compete for scarce investment capital in the global marketplace.

To support such reforms, President Bush has called upon the Inter-American Development Bank (IDB) to implement two programs which will help create a positive investment climate in the region: the Investment Sector Loan Program and the Multilateral Investment Fund.

The Investment Sector Loan Program provides adjustment loans to countries committed to reforming their trade and investment regimes. These loans encourage the further opening of investment regimes which will help recipient countries mobilize and attract private capital and strengthen private sector contributions to development. Specific investment reforms encouraged by the loans include:

- financial sectors must be open to competition, and financial services and markets must be modernized to facilitate private investment;
- flight capital must be encouraged to return;
- open investment policies must be codified so that the "rules of the game" are clear;
- state owned businesses should be privatized;
- credible and internationally accepted dispute settlement procedures must be adopted.

The IDB has already negotiated Investment Sector Loans with the Governments of Chile, Jamaica, Bolivia and Colombia.

The five year, $1.5 billion Multilateral Investment Fund (MIF) will facilitate the adoption of investment reform by providing grant and loan financing for the following three purposes:

- **technical assistance** to implement policy reforms such as the privatization of government owned enterprises and business infrastructure development;
- **human resource development** to meet the needs of an expanded private sector including retraining of former employees of privatized state owned enterprises; and
- credit and equity financing and technical assistance to **small enterprises.**

Open investment regimes will allow for the free flow of capital throughout the Hemisphere, increasing opportunities for U.S. investors. The strengthening of the Latin American and Caribbean economies will allow the region as a whole to compete for scarce resources on the global market.

Debt Reduction

The large amounts of debt owed by Latin American and Caribbean countries have slowed economic growth and investment

flows into the region. Debt reduction can restore the confidence of domestic and foreign investors, and will encourage repatriation of flight capital and help renew access to international financial markets.

The EAI will work to reduce bilateral debt owed to the U.S. Government, which totalled about $12 billion at the end of 1990. Such debt includes both concessional debt and non-concessional debt.

Eligibility for reduction of concessional debt resulting from USDA food aid loans (and upon Congressional authorization, Agency for International Development loans) requires that the beneficiary country meet the following conditions:

- have an IMF program or its equivalent in place;
- have in place a World Bank adjustment loan, if appropriate;
- have undertaken major investment reform in conjunction with the IDB investment sector loan program, or otherwise implementing or making significant progress towards an open investment regime; and
- have negotiated a financing program with commercial banks if commercial loans are a significant share of country's debt portfolio.

The Administration is also seeking Authority to swap non-concessional Export-Import Bank and Commodity Credit Corporation assets under the EAI to facilitate equity investment, development and environmental activities.

U.S. commitment to the debt reduction pillar is critical to continue to reinvigorate the confidence of the global market in the region.

Environment Component

The debt reduction pillar of the EAI includes an innovative mechanism to support environmental protection and conservation in Latin America and the Caribbean. Each country that benefits from a reduction of its P.L. 480 and/or A.I.D. debt can pay the interest on the debt that remains in local currency. These local currency payments will be used to support grassroots environmental projects. Following the negotiation of an Environmental Framework Agreement, each debtor country will set up an administering body, with U.S. membership, to make decisions about the use of these funds. Local non-governmental organizations will hold a majority of the seats on these bodies. The U.S. Environment for the Americas Board, a body combining government and non-governmental members, will provide general oversight of the program.

Conclusion

The future prosperity of the United States and our neighbors in the Western Hemisphere is dependent upon our capacity to build mutually beneficial economic partnerships. In order for this to happen, business and government must work together to create healthy and expanding economies throughout the region. The EAI builds upon the positive trends within the Hemisphere by offering a partnership that through investment policy reform and trade liberalization will expand Latin American and Caribbean economies and increase demand for U.S. goods and services.

Status of the EAI

Progress to Date

In the year and a half since President Bush's June 1990 announcement of the Enterprise for the Americas Initiative, significant progress has been made toward realizing the program's objectives. With each step, new opportunities are opening for trade with and investment in the Latin America and the Caribbean region. Important advancements include:

Stimulus of Economic Reform throughout the Region

The EAI is supporting dramatic reforms in the region to open up economies. These include the reduction of trade barriers, the reform of investment regulation, the privatization of nationalized industries, and sub-regional free trade negotiations. Such reforms open markets for U.S. goods and services as well as opportunities for U.S. investment.

Increased Support of U.S. Positions in GATT Negotiations

In conjunction with the increased cooperation brought about by the EAI, many countries in the region are committed to the GATT process, taking an active role in the Uruguay Round of multilateral trade negotiations and actively pursuing global agreements on agriculture, balance of payments and trade related investment measures negotiations, among others.

Progress in the Negotiation of the NAFTA

The extension by Congress of fast track authority until June 1993 allows for the negotiation of the North American Free Trade Agreement (NAFTA) with Mexico and Canada and furthers the trade pillar of the EAI. The NAFTA negotiations are currently underway in six broad categories: market access, trade rules, investment, services, intellectual property rights and dispute settlement. The NAFTA will greatly increase U.S.-Mexico trade and bring more jobs to the United States.

Opening up of Trade Negotiations

The U.S. has signed 16 Trade and Investment Framework Agreements with 31 countries in Latin America and the Caribbean, leaving only three small countries outside the Initiative. These agreements provide a forum for discussing restrictive trade and investment policies that limit business opportunities, allow for the resolution of disagreements, and advance efforts at trade liberalization and opening of markets.

Meetings have been held or are scheduled for all of the trade and investment councils. This process will help the parties to identify and put in place the measures that will be necessary for the future negotiations of free trade agreements.

The EAI has also served as a stimulus to regional arrangements which are lowering barriers to trade within groups of countries in Latin America and the Caribbean. Trade groups such as the Andean Pact, Central America, MERCOSUR and CARICOM are simultaneously expanding regional markets.

Implementation of the Investment Sector Loan Program (ISLP) and the Multilateral Investment Fund (MIF)

ISLP loans totaling $485 million have been made by the Inter-American Development Bank (IDB) to Chile, Jamaica, Bolivia and Colombia. Seven additional loans are under review for approval by the end of 1992.

The U.S. and Japan will each contribute $500 million to the MIF. Spain, Canada, Portugal, and several Latin American countries are also committed to contributing. Additional countries are considering participation, which will continue to advance the MIF toward the $1.5 billion funding target.

Full implementation of the ISLP and MIF programs will greatly enhance U.S. investment opportunities in the region.

Reduction of Concessional Food Aid Debt

Pursuant to the authorization gained under the 1990 Farm Bill, in fiscal year 1991 the Administration reduced concessional food aid debt owed by Chile, Jamaica and Bolivia by a total of $263 million. These countries have implemented extensive economic and investment reforms, demonstrating strong commitment to expanding their economies through the free market approach.

Signing of Environmental Framework Agreements

In September 1991, President Bush named the Environment for the Americas Board, a joint public and private body established by Congress. The functions of the Board are to advise the Administration on the negotiation of Environmental Framework Agreements, to ensure appropriate non-governmental participation in local administering bodies, and to review the operation of funds established in participating countries. This Board is chaired by a representative from the Treasury Department and includes representatives from the Agency for International Development, the Department of State, Environmental Protection Agency, the Inter-American Foundation and four private sector representatives. Two additional seats will soon be added to the Board to include a representative from the Department of Agriculture and a fifth private sector representative.

With the advice of the Board, the U.S. Government has now negotiated and signed Environmental Framework Agreements with Bolivia and Jamaica. Negotiations are underway with Chile, and an agreement is expected to be signed early in 1992. It is hoped that authorization and appropriations for reduction of A.I.D. loans and for debt swaps of non-concessional CCC and EXIMBANK debt will be obtained.

Status of Pending Legislation

While remarkable progress has been made over the past year and a half, full implementation of the President's Initiative remains contingent upon the passage of the Administration's "Enterprise for the Americas Act of 1991." Submitted to Congress in February 1991, the Bill seeks authorization to work actively on the investment and debt reduction pillars of the Initiative.

The Enterprise for the Americas Initiative Act has two major components:

- A $500 million contribution over five years (1992-1996) of U.S. funds for the Multilateral Investment Fund (MIF) to be administered by the Inter-American Development Bank. This contribution will match the Japanese commitment and, when combined with amounts pledged by other donors, will substantially fulfill the $1.5 billion target for the MIF.
- The authority to reduce official debt owed by the Latin American and Caribbean countries to the U.S. Government. Congress already authorized the reduction of PL 480 food debt, in the 1990 Farm Bill. Additional legislative authority is needed to reduce debt owed to the Agency for International Development, the Export-Import Bank and the Commodity Credit Corporation.

Once these authorizations are granted, Congress must then appropriate funding for both components. Congressional support for both the Enterprise for the Americas Initiative Act of 1991 and the corresponding appropriations is essential to the success of the Initiative.

Why U.S. Business Must Act Now

The possible benefits of increased economic cooperation among the nations of the Western Hemisphere are tremendous. The region is rapidly stabilizing and improving both economically and politically. Most countries are experiencing positive economic growth. Nations are eliminating laws and regulations that restrict trade and investment. Because of strong U.S. competitiveness and established market presence, the United States is uniquely positioned to participate in and benefit from such cooperation. Working together will result not only in the strengthening of the economies throughout the region, but also in the creation of U.S. jobs.

From a national perspective, the consequences of failing to strengthen economic ties with Latin America and the Caribbean could be severe. By the year 2020 the region's population is estimated to grow to more than 700 million. The question that should concern us is whether those 700 million people will be living in poverty and desperation, disillusioned with the principles of democratic government and market economies, and vulnerable to the false appeals of extremists. Or will they be informed, productive citizens and consumers with whom we share common interests and values grounded in individual liberty, the rule of law, and free enterprise? If both the U.S. government and the U.S. business community are actively engaged in the region, prospects for success are greatly increased.

The positive trends and growing opportunities in Latin America and the Caribbean are becoming increasingly evident to investors from other industrialized countries. As they have done in Mexico, U.S. companies should reconsider the benefits of doing business in the region, identify new opportunities for entering the market, and make a sustained commitment to the Hemisphere. Doing so will stimulate growth in the region, strengthen the U.S. economy and create U.S. jobs.

The EAI provides governments and businesses with a framework for assuring that the region is marked by strong, interdependent economies. In order for the vision of the EAI to become a reality, it will take the coordinated effort of governments and private sectors from every nation in the Hemisphere to work together as partners. The United States is both a critical partner in and a beneficiary of this process.

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