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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 27, 1990

REMARKS BY THE PRESIDENT
ON THE ENTERPRISE FOR AMERICAS ADDRESS

The East Room

2:48 P.M. EDT

THE PRESIDENT: Thank you all very much for coming to the White House. And it is my pleasure to welcome so many distinguished guests with such strong interests in the vital Latin American and Caribbean region.

Let me recognize the many members of the diplomatic corps that are here and extend to you a warm welcome, from Latin America particularly and the Caribbean, Europe, Japan, members of our Cabinet, Nick Brady and Secretary Baker, Carla Hills, Secretary Mosbacher. Delighted you're here, Chairman of the Council of Economic Advisers Mike Boskin is here; Bill Webster, welcome. And of course, we're delighted to see the Chairman, Alan Greenspan, Chairman of the Federal Reserve Board here, and then an old friend, Barber Conable of the World Bank and Richard Erb from the IMF. And Ricky Iglesias, an old friend of the Bushes, and we welcome him of the IDB. And so many leading lights in the business and financial communities. To all of you, then, a welcome.

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

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

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

Back in February, I met in Cartagena with heads of the three Andean nations. And I came away from that meeting convinced that the U.S. must review its approach not only to that region, but to Latin America and the Caribbean as a whole. And I asked Treasury

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Secretary Brady to lead a review of U.S. economic policy towards this vital region, to make a fresh assessment, if you will, of the problems and opportunities we'll encounter in the decade ahead. And that review is now complete, and the results are in. And the need for new economic initiatives is clear and compelling.

All signs point to the fact that we must shift the focus of our economic interaction towards a new economic partnership because prosperity in our hemisphere depends on trade, not aid. And I've asked you here today to share with you some of the ideas, some of the ways we can build a broad-based partnership for the '90s -- to announce the new Enterprise for the Americas Initiative that creates incentives to reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

The three pillars of our new Initiative are trade, investment and debt. To expand trade, I propose that we begin the process of creating a 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 debt -- the burden of debt -- a new approach to debt in the region with important benefits for our environment.

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

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

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

I'm announcing today that the U.S. stands ready to enter into free trade agreements with other markets in Latin America and the Caribbean, particularly with groups of countries that have associated for purposes of trade liberalization. And the first step in this process is the now-announced free trade agreement with Mexico. We must all recognize that we won't bring down barriers to free trade overnight; changes so far-reaching may take years of preparation and tough negotiations. But the payoff in terms of prosperity is worth every effort. And now is the time to make a comprehensive free trade zone for the Americas our long-term goal.

And third, I understand that some countries aren't yet ready to take that dramatic step to a full free trade agreement. And that's why we're prepared to negotiate with any interested nation in the region bilateral framework agreements to open markets and develop closer trade ties. Such agreements already exist with Mexico and

Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counterproductive barriers to trade and towards our ultimate goal of free trade. And that's a prescription for greater growth and a higher standard of living in Latin America; and right here at home, new markets for American products and more jobs for American workers.

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

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

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

Investment reform is essential to make it easier to start new business ventures and make it possible for international investors to participate and profit in Latin American markets. In order to create incentives for investment reform, the United States is prepared to take the following steps: First, the United States will work with the Inter-American Development Bank to create a new lending program for nations that take significant steps to remove impediments to international investment. The World Bank could also contribute to this effort.

And second, we propose the creation of a new investment fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million a year in grants in response to market-oriented investment reforms in progress in privatization.

The U.S. intends to contribute \$100 million to the fund, and we will seek matching contributions from Europe and Japan. But in order to create an attractive climate for new investment, we must build on our successful efforts to ease the debt burden. That's the third pillar of this new Enterprise for the Americas Initiative.

Many nations have already undertaken painful economic reforms for the sake of future growth. But the investment climate remains clouded, weighted down by the heavy debt burden. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico and Costa Rica and Venezuela are already having a positive impact on investment in those countries.

Mexico, to take just one example, has already seen a reversal of the destructive capital flight that drained so many Latin American nations of precious investment resources. That's critical. If we restore confidence, capital will follow.

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

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

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

Our debt reduction program will deal separately with concessional and commercial types of loans. On the concessional debt, loans made from aid or food for peace accounts, we will propose substantial debt reductions for the most heavily burdened countries. And we will also sell a portion of outstanding commercial loans to facilitate these debt-for-equity and debt-for-nature swaps in countries that have set up such programs.

These actions will be taken on a case-by-case basis. One measure of prosperity in the most important long-term investment any nation can make is environmental well-being. As part of our Enterprise for the Americas Initiative, we will take action to strengthen environmental policies in this hemisphere.

Debt-for-nature swaps are one example -- patterned after the innovative agreements reached by some Latin American nations and their commercial creditors. We will also call for the creation of environmental trusts, where interest payments owed on restructured U.S. debt will be paid in local currency and set aside to fund environmental projects in the debtor countries.

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

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

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

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END

3:09 P.M. EDT

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America
file.

Meg Lunsberger
Jim Deal 6/21
Don Johnson

4:00
pm

rogram for the Americas:
for Trade, Investment, and Growth

a world of revolutionary change. Democracy
ing forth in Eastern Europe and Latin
their train a broad re-evaluation of
international relations.

This revolution is political, but it is also economic. The
yearning for freedom and the desire for economic opportunity are
often inseparable. Command economies have failed to provide
economic prosperity for their people. But now the message that
"freedom works" is gaining ground and producing results. Where
the beachhead of liberty is made, economic freedom and progress
must secure the land.

This great enterprise must be a shared effort of the
industrial democracies and the emerging nations that seek greater
freedom and economic progress. Together we can encourage political
and economic reform, and the entire world will benefit.

No region is more important to the United States than Latin
America and the Caribbean. Geography makes us natural allies. We
share a rich historical and cultural heritage and strong economic
ties that go back centuries. We are closer today and exchange
more people, capital, and goods than ever before. And we share
democracy and democratic values more widely today than at any time
in the past.

Accordingly, I am proposing today a new cooperative effort to strengthen our economic ties and encourage economic growth and development throughout the Western Hemisphere. A new "Program for the Americas" will give us a foundation for economic progress and prosperity in the coming years.

If the values of democracy and the fruits of economic freedom are to be secured, there must be economic progress. Turning today's potential into reality will depend in large part on the success of the economic policies we put into place now.

The nations of Latin America and the Caribbean have endured a difficult decade of painful economic adjustment. Democracy has flourished, but economic progress has lagged. The debt crisis has tested the resolve of virtually every government in the region. Failed economic policies and over-management by governments have contributed to economic decline. Countries have suffered diminished trade, debilitating financial imbalances, the flight of their own citizens' capital, and the harsh reality of insufficient growth in a world short of resources.

The United States has not gone untouched by this crisis. As Latin America and the Caribbean cut imports, postponed investment, and struggled to service its foreign debt, we too were affected. We lost trade, markets, and opportunities. Financial instability in our neighbors has also affected us in important, if less visible, ways.

Latin American and Caribbean leaders have made a great deal of progress in coping with this crisis. A new generation of democratically elected leaders is turning the tide away from economic decline. Their chief tools to date are new, more open, market-oriented economic policies, and the will of their people to implement change.

This is a revolution no less dramatic than that of Eastern Europe. As many countries of Latin America and the Caribbean adjust their economies to internal and external realities, they are seeing the promise, and in some countries the beginnings, of a new harvest.

The United States must help in Latin America's historic effort to rise from the economic demoralization of the 1980's to the reality of economic progress in the 1990's. Like all successful efforts among neighbors, first steps begin at home, but success is assured by many hands working together.

A New Partnership for Trade, Investment and Growth

Three months ago I asked Treasury Secretary Brady to lead a review of U.S. economic policy toward Latin America and the Caribbean. We needed a fresh assessment to better understand the problems and opportunities facing us and the hemisphere in the 1990's. That review is now complete, and its conclusions were both clear and concise -- we must move quickly to build a stronger and more comprehensive economic partnership with our neighbors.

Our goal must be to promote economic progress to the benefit of all nations in the hemisphere. Our means will be to collaborate with our neighbors to address the region's commanding economic problems: trade, investment, debt, and environment.

Therefore, today I am announcing a major economic policy initiative for Latin America and the Caribbean. Its first pillar is a broad-based trade initiative which defines the vision and sets out the challenge for movement toward a broad regime of free and fair trade within the hemisphere. The second pillar is an investment initiative that will encourage capital flows, reduce debt burdens, and improve the environment.

The Trade Initiative

Let me begin with the trade initiative. Barriers to trade represent a serious obstacle to growth. Trade within our hemisphere has seriously lagged the pace of growth in world trade during all of the 1980's. Limited trade opportunities have constrained the growth of the hemisphere's most competitive industries and the spawning of new companies, products, and services. To achieve broader economic growth in all our economies, we must expand the potential for trade.

The trade initiative addresses this pressing need. It would contain three mutually reinforcing elements:

- (1) We are prepared to negotiate free trade agreements with individual countries with large national markets, as well as with groups of countries interested in aligning to liberalize trade. As we have begun to see in our trade with Canada and hope to see with Mexico, such agreements can offer significant and lasting benefits for both sides.

- (2) As an initial stepping stone toward this end -- and for those which are not yet positioned to embrace a free trade agreement -- we are prepared to develop bilateral framework agreements. Such agreements can help establish principles for bilateral cooperation on trade issues.

- (3) We are also prepared to work with Latin countries to help address their specific trade concerns within the Uruguay Round, and to seek authority for deeper tariff cuts on specific products of interest to them.

By opening our borders to trade, the nations of the Americas can all boost economic activity -- creating more jobs, higher incomes, and new opportunities to expand growth. Each of these steps would help move us toward a long-term vision of a truly open hemispheric trading system.

The Investment Initiative

The second pillar of our program is an investment initiative to unlock the potential for domestic and foreign investment as the region's strongest hope for financing growth in a world short of resources. Central to this initiative will be a program aimed at accomplishing significant debt reduction under our bilateral concessional loan programs.

The competition today for capital is particularly fierce. More and more countries are building market economies which will appeal to both domestic and foreign investors. An increased flow of investment resources both at home and abroad is essential for the recovery of sustained growth in Latin America and the Caribbean. This will mean turning around the conditions that have, over the last decade, led U.S. investors to look away from the region to other markets -- a diversion of capital flows that led to less investment and more debt.

Economic policy reform, and in particular the reform of investment regimes, is a vital part of attracting resources, including the repatriation of flight capital. Reduction of the region's debt burden is an essential complement to these reform efforts.

To encourage appropriate policies and help the nations of Latin America and the Caribbean attract indispensable capital, the

United States is prepared to pursue with them a four-point program.

First, we propose to work with Latin governments and the President of the Inter-American Development Bank to develop a new investment sector loan program within the IDB. The program could provide both technical advice and financial support for privatization efforts, and liberalization of investment regimes -- possibly in conjunction with the World Bank.

In a parallel effort, I will seek support from the U.S. Congress and other industrial countries to establish a multilateral investment fund to provide additional resources to advance comprehensive investment reforms in Latin America and the Caribbean. This Fund could provide up to \$300 million annually in response to broad investment reforms as well as efforts to privatize government-owned industries and to finance worker training, education, and health programs to develop vital human capital. The IDB could serve as a conduit and trustee for these funds, which would complement both IDB and World Bank sector lending programs.

As a further incentive for investment reform, we intend to build on the progress already being made in addressing the debt problems of the region. Heavy debt burdens themselves have a tremendous impact on overall confidence in Latin American and Caribbean economies. For this reason, we initiated last year a major international effort to reduce commercial bank debt burdens.

As we have already seen in cases such as Mexico and Chile, reduced debt servicing burdens, in combination with strong domestic economic reforms, are having a profound impact on capital flows and confidence in these economies.

To support this process, we would propose that the IDB provide an additional source of enhancements under the existing debt strategy to back specific transactions negotiated by Latin American and Caribbean countries with their commercial banks. As in the IMF and World Bank, the availability of these resources will be directly linked to economic reform efforts.

We also recognize that many countries in the region are burdened by large official bilateral debt, which has been increasingly difficult to service on a timely basis. In many countries, U.S. bilateral obligations account for a significant portion of such debt. To address this problem, I will propose legislation to Congress to permit the United States to reduce and restructure bilateral concessional loans for Latin American and Caribbean countries with serious debt servicing difficulties.

This reduction of official bilateral debt will complement commercial bank debt reduction under the existing debt strategy. Action will be taken on a case-by-case basis for those countries in the region which adopt strong economic reform programs in conjunction with the IMF and World Bank and which are pursuing comprehensive investment reforms with the Inter-American Development Bank or other multilateral institutions. We expect this program to

*smaller countries
pp.
\$ 7 billion total
460
exim
ccc*

produce substantial debt reduction on U.S. claims, particularly for the smaller countries of the region. At the same time, new flows of foreign assistance to the region would be maintained.

To underscore our commitment to sustainable natural resource management as a key component of a hemispheric growth strategy, we will make dedication of resources to the environment a fundamental part of the restructuring of U.S. concessional debt. Interest payments on remaining concessional claims will be accepted in local currency and placed in trusts to support environmental projects agreed with each participating government.

We will also seek Congressional authority to sell a portion of outstanding bilateral commercial credits to help facilitate foreign investment and to fund action in support of the environment. These sales of credits held by Eximbank and the Commodity Credit Corporation would be undertaken to make available in the market obligations of countries that have set up specific debt/equity or debt/nature swap programs.

Increased support for investment reforms and reduction of official debt burdens can produce broad benefits for Latin America and the Caribbean. The measures I have described will help these countries attract new resource flows and encourage the return of capital held by their nationals overseas. This capital will provide a powerful stimulant for growth. By dedicating financing to the environment, we hope to provide for continued prosperity tomorrow.

Conclusion

Together, the trade and investment initiatives in the "Program for the Americas" can signal the beginning of a new era of cooperation among the nations of the hemisphere. It is my firm view that by combining our ambitions and determination, we can put mutual goals within reach.

There are great economic, financial, and developmental differences among individual countries within Latin America. As a result, the broad program I have described can only be applied effectively on a country-by-country basis. But through joint efforts and commitments, I have confidence that we will build a stronger and more stable hemisphere.

During the 1980s, U.S. initiatives and our relations with the nations of the region were focused on problem-solving. We now want to build -- through dialogue and cooperation -- the framework for a productive and lasting relationship that will provide for bright futures for our children.

In just two years we will all join in celebration of the 500th anniversary of Christopher Columbus' introduction to the "new" world that is now our own. Let us move now to prepare for this historic event. By joining forces to promote economic growth, we will advance stability and prosperity -- and carry on the great tradition of our hemisphere as a center of promise for the future.

Historic

Oru cooperation - not dictated by U.S. —
balanced benefit

if free undertake sig. econ ref., provide
mentatues.

McGroarty/Cawley
June 26, 1990
8:15 pm
[LATAM]

PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
2:30 P.M.

It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

With one exception -- Cuba -- the transition to democracy is moving towards completion. And we can all sense the excitement -- that the day is not far off when Cuba joins the ranks of the world's democracies -- and makes the Americas fully free. //

The political transformation sweeping Latin America and the Caribbean has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that stifle growth -- and are now looking to the power of the free market to help this hemisphere realize its untapped

potential for progress. // A new leadership has emerged -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

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

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

All signs point to the fact that we must shift the focus of our economic interaction -- towards a new economic partnership: because prosperity in our hemisphere depends on trade -- not aid.

I've asked you here today to share with you some ideas on ways we can build a broad-based partnership for the 90's. To announce the new Enterprise for the Americas Initiative that creates incentives to reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

The three pillars of our new initiative are trade, investment, and debt. // To expand trade -- I propose that we begin the process of creating a 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 ~~debt strategy~~ *approach to debt in the region* -- with important benefits for our environment. //

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. One principal reason: over-restrictive trade barriers that wall off the economies of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

To this end, we've formulated a three-point trade plan to encourage the emerging trend toward free market reform now gathering force in Latin America.

First, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade. Through these talks, we are seeking to strengthen existing trade rules, and to expand them to areas that do not now have agreed rules of fair play. And to show our commitment to our Latin neighbors, we will seek deeper tariff reductions in the Round on products of special interest to Latin countries. //

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

I am announcing today that ~~following the conclusion of a~~ *in this process*
Free Trade Agreement with Mexico. ~~the U.S. stands ready to~~ *and the first step is a*
 enter into Free Trade Agreements with other markets in Latin

and the Caribbean
America -- particularly with groups of countries that have associated for purposes of trade liberalization. // *

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of preparation and tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make a comprehensive free trade zone for the Americas our long-term goal. ~~We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.~~

Third, I understand that some countries aren't yet ready to take that dramatic step to a full free trade agreement. That's why we're prepared to negotiate with any interested Latin American nation bilateral framework agreements to open markets and develop closer trade ties. //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, **new markets for American products, and more jobs for American workers.** ///

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

The competition for capital today is fierce. The key to increased investment is to be competitive -- to turn around the conditions that have discouraged both foreign and domestic investment. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. In one large Latin city, for instance, it takes almost 300 days to cut through the red tape to open a small garment shop. In another country, the average overseas caller has to make five phone calls to get through -- and the wait for a new telephone line can be as long as five years. / That's got to change. / Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

In order to create incentives for investment reform, the U.S. is prepared to take the following steps:

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

Second, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization. The U.S. intends to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan. //

But in order to create an attractive climate for new investment -- we must build on our successful efforts to ease the debt burden -- the third pillar of our new Enterprise for the Americas initiative. //

Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources. // **That's critical: if we restore confidence -- capital will follow.** //

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

While the Brady Plan has helped nations reduce commercial bank debt, for nations with high levels of official debt -- debt owed to governments, rather than private financial institutions -- the burden remains heavy. Today, across Latin America, official debt owed to the U.S. Government amounts to nearly \$12 billion dollars -- with \$7 billion of that amount in concessional

America: our new world. We trace our origins -- our shared history -- to the time of Columbus' voyage, and the courageous quest for the advancement of man.

Today, the bonds of our common heritage are strengthened by the love of freedom and a common commitment to democracy. Our challenge -- the challenge in this new era of the Americas -- is to secure this shared dream and all its fruits for all the people of the Americas, / North, Central and South.

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

#

Insert
p. 3 of
original draft.

(A)

Hills

First, as we enter the final months of the current Uruguay Round of world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade.

Through these talks, we are seeking to strengthen existing trade rules, and to expand them to areas that do not now have agreed rules of fair play. We will listen to the specific trade

concerns of our Latin American neighbors -- and whenever possible we will work in Uruguay Round negotiations to make deeper tariff reductions on products of special interest to Latin countries.

Second, we are prepared to negotiate a bilateral framework agreement with any interested Latin American nation, as a vehicle for opening markets and developing closer trade ties.

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade -- and towards our ultimate goal of free trade. That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, new markets for American products, and more jobs for American workers.

Darman Comments from Cicconi's etc.

3

the decade ahead. That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. //

I've asked you here in order to take this opportunity to outline a comprehensive strategy for Latin America -- a broad-based initiative -- a partnership for the 90's that I call Enterprise for the Americas: one that creates incentives that reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

The twin pillars of our new initiative are trade and investment. //

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade.

per Darman ^A The principal reason: over-restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that **protectionism stifles progress -- and free markets breed prosperity.** //

To this end, we've formulated a **three-point challenge** to encourage the emerging trend toward free market reform now gathering force in Latin America.

First, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. **The successful completion of the**

89-04-92 N77-03

As the third in our four-point plan to encourage investment, we propose that the IDB add its efforts and resources to those of the International Monetary Fund and the World Bank to finance commercial debt transactions in Latin America. And -- as in the case of World Bank and IMF -- IDB funds should be directly linked to economic reform. //

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

That's a problem we must address. Today -- as the fourth and final component in our package of investment reform incentives -- I am proposing a new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of ^{the most heavily burdened} ~~some~~ countries, by as much as ^{40 to} 80%. // (per Danna)

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. ///

As part of the Enterprise for the Americas investment initiatives, we will take action to employ economic policy in the service of strengthened environmental policies in the hemisphere.

DEPARTMENT OF THE TREASURY
WASHINGTON

June 26, 1990

UNDER SECRETARY

MEMORANDUM FOR CHRISS WINSTON
DEPUTY ASSISTANT TO THE PRESIDENT
FOR COMMUNICATIONS

FROM: DAVID C. MULFORD *JCB for*
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS

SUBJECT: PRESIDENT'S LATIN AMERICAN REMARKS

o Page 1 -- paragraph 3 --

Continue to believe reference to Castro will not be taken well by this particular audience. We recommend deletion.

o Page 2 -- paragraph 2, delete the following:

"Each nation in the region must make its own choices and move at its own pace."

Rationale: Sentence implies that debtors not willing to adopt serious reforms can delay doing so.

o Page 3, paragraph 3, insert the following:

"The twin pillars of our new initiative are first, a vision for broad-based free trade within the hemisphere, and second, new financial support for open investment regimes -- buttressed by substantial reduction of the region's debt obligations to the U.S. Government.

Alternative: Sentence as is with: "...supported by official debt reduction."

*Chriss:
This is
where we
discussed
using three
pillars.*

-2-

- o Page 3, paragraph 5, change "three-point challenge" to "three-point trade plan."

- o Page 3, paragraph 6, delete "First." The order of the points in the three-point plan should be free trade agreements, bilateral trade framework agreements and finally, deeper tariff reductions. This is the order of importance.

- o Page 5, 4th paragraph, change last sentence as follows:
"The other is increased investment -- and here, reducing the official debt burden plays a central role."
moved to 306 pillar 9.

- o Page 5, last paragraph -- modify second sentence as follows:
"The key to increased investment is to be competitive -- to turn around the conditions that have discouraged both foreign and domestic investment." This should replace the first paragraph at the top of page 6, which should be deleted.

- o Page 7, third paragraph -- rework as follows:
"That's a problem we must address. Today -- as the fourth component in our package of investment reform incentives -- I am proposing a new initiative to reduce Latin America's official debt to the U.S. for countries which adopt strong economic and investment reform programs with the support of international institutions."

-3-

diff:

"The debt reduction program will deal separately with concessional and commercial types of loans. Concessional debt may be reduced as much as 80% for some countries. We will also sell a portion of outstanding U.S. commercial loans to facilitate debt-for-equity and nature swaps in countries that have set up such programs. These actions will be taken on a case-by-case basis."

Rationale: This is an essential element of the initiative which must be clearly reflected in the speech.

- o Page 7, paragraph 4, delete the entire paragraph, since it is covered in the previous section. In any case, reforms are a condition precedent for debt reduction not something to be done afterwards.
- o Page 7/8, overlapping paragraph, change as follows:
 - Modify first sentence to read, "As part of the Enterprise for the Americas investment initiative, we will take action to strengthen environmental policies in the hemisphere."

-4-

-- Modify last sentence to read, "interest payments owed on restructured U.S. debt will be paid in local currency and set aside to fund environmental projects in the debtor countries."

Rationale: The local currency aspect is a key part of the proposal and is understood as such by the President.

EYES ONLY

SENSITIVE

~~SECRET~~
McGroarty/Cawley
June 25, 1990
2:50 pm
[LATAM]

Washington
12 noon
Glavin

PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
11:15 A.M.

It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, / in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

Today, only 1 percent of all the people in the Americas are living under a dictator's rule. They are the ten million men and women on Cuba's island prison. And even there -- we all know freedom will not forever be denied. The day will come when Cuba, too, joins the ranks of the world's democracies -- and makes the Americas fully free. //

The political transformation sweeping Latin America has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that

EYES ONLY

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stifle growth -- and are now looking to the power of the free market to help Latin America realize its untapped potential for progress. A new leadership is emerging -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with ^{GN} ~~free~~ free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

For the U.S., these are welcome developments -- developments we must encourage every way we can. / At the same time, we must recognize that we cannot -- and must not -- attempt to impose on our Latin American neighbors a prescribed course of change. / There is no blueprint -- no one-size-fits-all approach to reform. Each nation in the region must make its own choices and move at its own pace. / The primary burden of achieving economic growth lies with the Latin American nations themselves. Our challenge in the United States is to respond in ways that support the positive changes now taking place in Latin America. We must ~~marshall the resources of the Americas -- public and private --~~ and forge a genuine partnership for free market reform. //

With these new realities in mind, three months ago, I asked Treasury Secretary Brady to lead a review of U.S. economic policy toward Latin America and the Caribbean region -- to make a fresh assessment of the problems and opportunities we'll encounter in

EYES ONLY

SENSITIVE

3

the decade ahead. That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. //

I've asked you here in order to take this opportunity to outline a comprehensive strategy for Latin America -- a broad-based initiative -- a partnership for the 90's that I call Enterprise for the Americas: one that creates incentives that reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

The twin pillars of our new initiative are trade and investment. //

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. ^AThe principal reason: [~~over~~]restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

To this end, we've formulated a three-point challenge to encourage the emerging trend toward free market reform now gathering force in Latin America.

First, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the

EYES ONLY

SENSITIVE

Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

*See
Carter
Hills*

~~Our aim in the Uruguay Round is free and fair trade. And we will insist on a rigorous enforcement of existing trade rules.~~

But ~~We~~ will listen to the specific trade concerns of our Latin American neighbors -- and whenever possible, we will seek

authority for deeper tariff reductions ^{in the Uruguay Round} on products of special interest. ^{to Latin countries} //

~~Second, the essence of this challenge is a vision for the hemisphere of a Free Trade Zone.~~ I am announcing today that the

U.S. stands ready to enter into ~~Free Trade Agreements~~ with significant markets in Latin America -- particularly with groups of ^{countries} nations that ^{have associated} ~~form associations~~ for purposes of ^{trade} liberalizing ^{their} ~~their trade policies.~~ //

~~Second,~~ There is no reason not to build on the trend we see toward free markets, and make our ultimate aim a free trade agreement that links all of the Americas -- North, Central and South. //

We look forward to the day when not only are the Americas the first fully free democratic hemisphere -- but when all are equal partners in a free trade zone stretching from Alaska's Port of Anchorage to Argentina's Tierra del Fuego. *This is our vision for the hemisphere.*

Thus

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make

preparation and

EYES ONLY

SECRET

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a comprehensive ~~Free Trade Zone~~ for the Americas our long-term goal. We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.

Third, I understand that some countries aren't yet ready to take that dramatic step to a full ~~Free Trade Agreement~~. That's why we're prepared to negotiate with any interested Latin American nation ^{framework} bilateral ~~trade~~ agreements to establish a ^{achieving} mechanism ~~to~~ ^{framework for freer trade.} //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, **new markets for American products, and more jobs for American workers.** ///

Dismantling barriers to trade is just one of two key elements in our ^{Enterprise for the initiative} Americas. ~~Enterprise Initiative~~. The other is increased investment -- and here, easing the debt burden plays a central role. //

The competition for capital today is fierce. The key to increased investment is to be competitive. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. [[Examples to come.]]

EYES

SENSITIVE

6

Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

In order to create incentives for investment reform, the U.S. is prepared to take the following four steps:

First, the U.S. will work with the IDB -- the Inter-American Development Bank -- to create a new lending program for nations that take significant steps to remove impediments to international investment. //

Second, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization. The U.S. ^{intends} ~~is ready~~ to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan. //

And in order to create an attractive climate for new investment, we must build on our successful efforts to ease the debt burden. / Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources.

EYES ONLY

SENSITIVE

7

As the third in our four-point plan to encourage investment, we propose that the IDB add its efforts and resources to those of the International Monetary Fund and the World Bank to finance commercial debt transactions in Latin America. And -- as in the case of World Bank and IMF -- IDB funds should be directly linked to economic reform. //

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

That's a problem we must address. Today -- as the fourth and final component in our package of investment reform incentives -- I am proposing a new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of some countries, by as much as 80%. //

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. ///

As part of the Enterprise for the Americas investment initiatives, we will take action to employ economic policy in the service of strengthened environmental policies in the hemisphere.

EYES ONLY

SENSITIVE

8

Debt-for-nature swaps are one example -- patterned after the innovative agreements reached by some Latin American nations and their commercial creditors. We will also call for the creation of Environmental Trusts -- where interest payments owed on restructured U.S. debt will be set aside to fund environmental projects in the debtor countries. ///

I know there is some concern that the revolutionary changes we've witnessed this past year in Eastern Europe will shift our attention away from Latin America. I assure all of you here today -- the United States will not lose sight of the tremendous challenges and opportunities here in our own hemisphere. /

I am convinced that Latin America stands at a turning point -- on the threshold of a new era of freedom, prosperity and progress. // The comprehensive plan I've just outlined -- this -- ambitious Enterprise for the Americas -- is proof positive the United States is serious about forging a new partnership with our Latin American neighbors. We're ready to play a constructive role at this critical time in the history of this hemisphere. //

We in the United States will do all we can to help secure for all the Americas the freedom, peace and prosperity we enjoy - - to make ours the first fully free hemisphere in all of history. // Thank you -- and God bless the people of the Americas.

#

YES ONLY SENSITIVE

NSC
W/Scowcroft

McGroarty/Cawley
June 25, 1990
2:50 pm
[LATAM]

PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
11:15 A.M.

It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, / in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

With one conspicuous exception -- Cuba -- the transition to democracy is moving toward completion. And we can all sense the excitement -- that the day is not far off when all the Americas will be free democratic civilian states.

The political transformation sweeping Latin America ^{and THE CARIBBEAN} has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that

EYES ONLY

SENSITIVE

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stifle growth -- and are now looking to the power of the free market to help ^{THIS HOMOIS PHERE} Latin America realize its untapped potential for progress. A new leadership ^{WAS EMERGED} is emerging -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

For the U.S., these are welcome developments -- developments we must support every way we can. We are eager to do this, but recognize that each nation in the region must make its own choices. The primary burden of achieving economic growth lies with each individual country. Good policies have to begin at home. Our challenge in the United States is to respond in ways that support the positive changes now taking place in Latin America. We must marshal the resources of the Americas -- public and private -- and forge a genuine partnership for free market reform.

With these new realities in mind, three months ago, I asked Treasury Secretary Brady to lead a review of U.S. economic policy toward Latin America and the Caribbean region -- to make a fresh assessment of the problems and opportunities we'll encounter in

the decade ahead. ^{TIRE} That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. This analysis concluded that we must shift the focus of our economic interaction. Prosperity in our hemisphere depends on trade, not aid. And prosperity requires more, not less of

INSERT

This review was a result of the Cartagena Summit. I came away from that important meeting convinced that we had to do something not only for the Andean countries, but for the region as a whole.

What if no Andean Summit?? (?)

... measures to bring capital flows back to this region; and

-- On debt, that we include a new element in our debt strategy, one which will also help improve the environment.

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. The principal reason: over-restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

To this end, we've formulated a three-point challenge to encourage the emerging trend toward free ^{Trade} ~~market reform~~ now gathering force in Latin America.

Stay w/ Olan's order

~~First~~, I am announcing today that, following the conclusion of a Free Trade Agreement with Mexico, the U.S. stands ready to enter into Free Trade Agreements with the countries of Latin America and the Caribbean, particularly with groups of nations that form associations for purposes of liberalizing their trade policies.

Significant mkt's.

Our ultimate aim is a free trade system that links all of the Americas -- North, Central and South. We look forward to the day when not only are the Americas the first fully free democratic hemisphere -- but when all are equal partners in a free trade zone stretching from Alaska's port of Anchorage to Argentina's Tierra del Fuego.

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significant markets

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of ^{difficult} tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make a comprehensive Free Trade Zone for the Americas our long-term goal. We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.

Second,

First, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the

Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade. And we will insist on a rigorous enforcement of existing trade rules.

^{To show our commitment}
~~But we will listen to the specific trade concerns of our Latin American neighbors -- and whenever possible, we will seek authority for deeper tariff reductions on products of special interest.~~ // ^{to this region}

Third, I understand that some countries aren't yet ready to take that dramatic step to a full Free Trade Agreement. That's why we're prepared to negotiate with any interested Latin American nation bilateral ^{framework} trade agreements to establish a framework for freer trade. //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, new markets for American products, and more jobs for American workers. ///

✓ Promoting free trade is just one of three key elements of my initiative. The second is increased investment.

The competition for capital today is fierce. The key to increased investment is to be competitive. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. [[Examples to come.]]

Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

✓ In order to create incentives for investment reform, the U.S. is prepared to take the following ~~four~~ steps:

First, the U.S. will work with the IDB -- the Inter-American Development Bank -- to create a new lending program for nations that take significant steps to remove impediments to international investment. //

the World Bank could also contribute to this effort.

~~XXXXXX~~, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization.

If Congress approves, we would be prepared X

~~The U.S. is ready to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan. //~~

~~and in order to create an attractive ^{climate} climate for new investment, we must build on our successful efforts to ease the debt burden. / Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources.~~

To provide additional resources to fund debt and debt service reduction under the Brady Plan, I propose that the IDB also contribute to funding these operations, along with the IMF and World Bank, for those countries undertaking economic reform.

Let me now turn to the question of debt.

IF WE stay w/ "3 pillars" we don't need this.

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

That's a problem we must address. Today -- ~~as the fourth and final component in our package of investment reform incentives~~ - I am proposing a ^{major} new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of some countries, by ^{up to} ~~as much as~~ 80%. //

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. ///

Let me give you some more details! We would propose to reduce the principal owed to us and thus the annual interest payable on the debt. Payments on the remaining principal would be spread over several years and tailored to each country's specific situation. [The interest on this reduced debt would remain concessional, but would be payable in a unique fashion -- one which is aimed at preserving the environment.]

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We could do so by accepting the interest payments on the remaining concessional debt in local currency and placing those funds in local trusts to support environmental projects agreed with each participating government. When pursued over a number of years, we believe such projects could show important positive results. And if other creditor countries adopt similar programs, we could have a powerful new tool for preserving our common American homeland. We will also encourage debt-for-nature swaps -- along the lines of innovative agreements reached by some countries and their commercial creditors. In this regard, we believe the IDB could play a very useful role.

I know there is some concern that the revolutionary changes we've witnessed this past year in Eastern Europe will shift our attention away from Latin America. I assure all of you here today -- the United States will not lose sight of the tremendous challenges and opportunities here in our own hemisphere. /

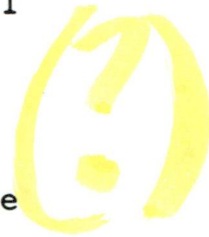
Indeed, it is our intention to help draw the attention of Western Europe and Asia to the opportunities in this hemisphere as well as to those in Central and East Europe. That's why Secretary Baker has been exploring the approach of the G-24 (Group of 24) concept to support democracy and economic liberty in Central America. We hope to offer not just one helping hand to the region, but a brace of three.

Additional Insert for Draft Speech

1. Insert on Page 5, second full paragraph on original draft ending "... more jobs for American workmen" if President approves recommendation in Amb. Hills' memo regarding a second Andean Trade Package:

There is one specific feature of our trade initiative that I wish to highlight. When this review process began, I directed that special consideration be given to the Andean countries. My Summit meeting with the leaders of Peru, Colombia, and Bolivia impressed upon me need for us to respond to their special problems. These countries contributed much to our effort to rid this hemisphere of the scourge of drug consumption and production. They will benefit from the broad program that I am outlining here, but I also plan to ask Congress for special authority to provide duty free treatment to their goods. This would be similar to the treatment provided in the Caribbean Basin Initiative.

↑
~~HOLD~~



EYES ONLY

SENSITIVE

McGroarty/Cawley
June 25, 1990
2:50 pm
[LATAM]

PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
11:15 A.M.

It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, / in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

Today, only 1 percent of all the people in the Americas are living under a dictator's rule. They are the ten million men and women on Cuba's island prison. And even there -- we all know freedom will not forever be denied. The day will come when Cuba, too, joins the ranks of the world's democracies -- and makes the Americas fully free. //

The political transformation sweeping Latin America ^{AND THE CARIBBEAN} has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that

stifle growth -- and are now looking to the power of the free market to help ^{THAT'S HOW IS PHASE} Latin America realize its untapped potential for progress. A new leadership ^{HAS EMERGED} is emerging -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

For the U.S., these are welcome developments -- developments we must ^{SUPPORT} encourage every way we can. / ^{WE ARE EXCITED TO DO THIS} ~~At the same time, we must~~ ^{RECOGNIZE THAT} ~~recognize that we cannot~~ and must not -- attempt to impose on our Latin American neighbors a prescribed course of change. / ~~There is no blueprint -- no one-size-fits-all approach to reform.~~ Each nation in the region must make its own choices, and move at its own pace. / The primary burden of achieving economic growth ^{WITH EACH INDIVIDUAL COUNTRY. GOOD POLICIES HAVE TO BEGON AT HOME.} lies with the Latin American nations themselves. Our challenge in the United States is to respond in ways that support the positive changes now taking place in Latin America. We must marshal the resources of the Americas -- public and private -- and forge a genuine partnership for free market reform. //

With these new realities in mind, three months ago, I asked Treasury Secretary Brady to lead a review of U.S. economic policy toward Latin America and the Caribbean region -- to make a fresh assessment of the problems and opportunities we'll encounter in

the decade ahead. That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. //

ANALYSIS
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ECONOMIC
TRANSITION. PROSPECTS
FOR HEMISPHERE
AND OUR
POLICY REQUIRES
E. INT. COOP.
ECONOMIC
COOPERATION.

I've ^{INVITED} asked you here in order to take this opportunity to ^{SHARE} outline a comprehensive strategy for Latin America -- a broad-based initiative ^{WORK - MAKE IT A REAL} a partnership for the 90's that I call -- ^{WE WANT TO SEE A PARTNERSHIP FOR DEMOCRACY AND PROSPERITY} Enterprise for the Americas: one that creates incentives that reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

The twin pillars of our new initiative are trade and investment. //

EXPLORE, I
PROPOSING
FOLLOWING:
TRADE, THAT
GAIN THE
BENEFIT OF CREATING
A FREE-TRADE
AREA;
INVESTMENT
AND ADAPT
WAYS TO
BRING CAPITAL
BACK TO
THIS REGION;

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. The principal reason: over-restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

BEST, THAT
ELEMENTS
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WHICH WILL
HELP IMPROVE
UNDERSTANDING.

To this end, we've formulated a three-point challenge to encourage the emerging trend toward ^{FREE} free market reform now gathering force in Latin America.

^{SPONSOR} ~~First~~, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the

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Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade. And we will insist on a rigorous enforcement of existing trade rules.

^{TO SHOW OUR COMMITMENT,}
~~But we will listen to the specific trade concerns of our Latin American neighbors -- and whenever possible, we will seek authority for deeper tariff reductions on products of special interest.~~ //

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FIRST, ~~second,~~ ^{following the conclusion of a Free Trade Agreement with Mexico,} the essence of this challenge is a vision for the hemisphere of a Free Trade Zone. I am announcing today that the U.S. stands ready to enter into Free Trade Agreements with ^{THE NEW COUNTRIES OF} significant markets in Latin America ^{AND THE CARIBBEAN} particularly with groups of nations that form associations for purposes of liberalizing their trade policies. //

~~There is no reason not to build on the trend we see toward free markets, and make our ultimate aim~~ ^{OUR} ^{IS} ^{SYSTEM} a free trade agreement that links all of the Americas -- North, Central and South. //

We look forward to the day when not only are the Americas the first fully free democratic hemisphere -- but when all are equal partners in a free trade zone stretching from Alaska's Port of Anchorage to Argentina's Tierra del Fuego.

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of ^{DIFFICULT} tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make

a comprehensive Free Trade Zone for the Americas our long-term goal. We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.

Third, I understand that some countries aren't yet ready to take that dramatic step to a full Free Trade Agreement. That's why we're prepared to negotiate with any interested Latin American nation bilateral ^{FRAMEWORK} ~~trade~~ agreements to establish a framework for freer trade. //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, new markets for American products, and more jobs for American workers. ///

~~Dismantling barriers to trade is just one of two key elements in our Americas Enterprise Initiative. The other is increased investment and here, easing the debt burden plays a central role. //~~

The competition for capital today is fierce. The key to increased investment is to be competitive. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. [[Examples to come.]]

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PROMOTING FREE TRADE
OF MY INITIATIVE

Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

In order to create incentives for investment reform, the U.S. is prepared to take the following ~~four~~ steps:

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

Second, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization. *If Congress approves we would be prepared*
~~The U.S. is ready to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan. //~~

And in order to create an attractive ^{economic} climate for new investment, we must build on our successful efforts to ease the debt burden ^{in the region.} Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources.

To provide additional resources to fund debt and debt service reduction under the Brady Plan, I propose that the IDB also contribute to funding these operations along with the IMF and World Bank for these countries. *economic reform.*

[As the third in our four-point plan to encourage investment, we propose that the IDB add its efforts and resources to those of the International Monetary Fund and the World Bank to finance commercial debt transactions in Latin America. And -- as in the case of World Bank and IMF -- IDB funds should be directly linked to economic reform. //]

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

That's a problem we must address. Today -- [as the fourth and final component in our package of investment reform incentives -]
 - I am proposing a ^{major} new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of some countries, by [as ^{up to} much] as 80%. //

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. III (Add attached 2 para.)

[As part of the Enterprise for the Americas investment initiatives, we will take action to employ economic policy in the service of strengthened environmental policies in the hemisphere.

Let me give you ^{thus} some more details. We would propose to reduce the principal owed to us and the annual interest payable on the debt. Payments on the remaining principal would be spread over several years and tailored to each country's specific situation. The interest on this reduced debt would remain concessional, but would be payable in a unique fashion-- one which is aimed at preserving the environment.

We could do so by accepting the interest payments on the remaining concessional debt in local currency and placing those funds in local trusts to support environmental projects agreed with each participating government. When pursued over a number of years, we believe such projects could show important positive results. And if other creditor countries adopt similar programs, we could have a powerful new tool for preserving our common American homeland. We will also encourage debt-for-nature swaps-- along the lines of innovative agreements reached by some countries and their commercial creditors. In this regard, we believe the IDB could play a very useful role.

Debt-for-nature swaps are one example -- patterned after the innovative agreements reached by some Latin American nations and their commercial creditors. We will also call for the creation of Environmental Trusts -- where interest payments owed on restructured U.S. debt will be set aside to fund environmental projects in the debtor countries.]

I know there is some concern that the revolutionary changes we've witnessed this past year in Eastern Europe will shift our attention away from Latin America. I assure all of you here today -- the United States will not lose sight of the tremendous challenges and opportunities here in our own hemisphere. /

(X) RBZ insert.

I am convinced that Latin America stands at a turning point -- on the threshold of a new era of freedom, prosperity and progress. // The comprehensive plan I've just outlined -- this -- ambitious ^{Partnership for Democracy & Prosperity} Enterprise for the Americas -- is proof positive the United States is serious about forging a new partnership with our Latin American neighbors. We're ready to play a constructive role at this critical time in the history of this hemisphere. //

We in the United States will do all we can to help secure for all the Americas the freedom, peace and prosperity we enjoy - - to make ours the first fully free hemisphere in all of history. // Thank you -- and God bless the people of the Americas.

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~~Partnership~~ / Freedom

out Progress

→ Partnership for Pluralism. → Venture.

Enterprise Alliance


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Additional Insert for Draft Speech

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[There is one specific feature of our trade initiative that I wish to highlight. When this review process began, I directed that special consideration be given to the Andean countries. My Summit meeting with the leaders of Peru, Colombia, and Bolivia impressed upon me need for us to respond to their special problems. These countries contributed much to our effort to rid this hemisphere of the scourge of drug consumption and production. They will benefit from the broad program that I am outlining here, but I also plan to ask Congress for special authority to provide duty free treatment to their goods. This would be similar to the treatment provided in the Caribbean Basin Initiative.]]

EYES ONLY

SENSITIVE

McGroarty/Cawley
June 25, 1990
2:50 pm
[LATAM]

PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
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It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, / in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

Today, only 1 percent of all the people in the Americas are living under a dictator's rule. They are the ten million men and women on Cuba's island prison. And even there -- we all know freedom will not forever be denied. The day will come when Cuba, too, joins the ranks of the world's democracies -- and makes the Americas fully free. //

The political transformation sweeping Latin America ^{AND THE CARIBBEAN} has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that

EYES ONLY

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stifle growth -- and are now looking to the power of the free market to help ^{THIS AREA IS WHERE} Latin America realize its untapped potential for progress. A new leadership ^{HAS EMERGED} is emerging -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

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the decade ahead. That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. //

I've ^{INVITED} asked you here in order to take this opportunity to ~~outline a comprehensive strategy for Latin America -- a broad-based initiative~~ ^{GET SHARE WITH YOU SOME PROPOSALS ON HOW WE CAN MAKE THIS WORK -- MAKE IT A REAL} ~~partnership for the 90's that I call -- Enterprise for the Americas: one that creates incentives that~~ ^{WE WANT TO SEE A PARTNERSHIP FOR DEMOCRACY AND PROSPERITY -- ONE} reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

~~The twin pillars of our new initiative are trade and investment.~~ //

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. The principal reason: over-restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

To this end, we've formulated a three-point challenge to encourage the emerging trend toward ^{FREE} ~~free-market reform~~ now gathering force in Latin America.

~~As~~ ^{SPONSOR} ~~we~~ as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the

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Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade. And we will insist on a rigorous enforcement of existing trade rules.

^{TO SHOW OUR COMMITMENT,}
~~But we will listen to the specific trade concerns of our Latin American neighbors -- and whenever possible, we will seek authority for deeper tariff reductions on products of special interest.~~ //

~~FIRST, SECOND,~~ the essence of this challenge is a vision for the hemisphere of a Free Trade Zone. I am announcing today that the U.S. stands ready to enter into Free Trade Agreements with ^{THE NEW COUNTRIES OF} significant markets in Latin America ^{AND THE CARIBBEAN} particularly with groups of nations that form associations for purposes of liberalizing their trade policies. //

~~There is no reason not to build on the trend we see toward free markets, and make our ultimate aim a free trade agreement~~ that links all of the Americas -- North, Central and South. //

We look forward to the day when not only are the Americas the first fully free democratic hemisphere -- but when all are equal partners in a free trade zone stretching from Alaska's Port of Anchorage to Argentina's Tierra del Fuego.

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of ^{DIFFICULT} tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make

EYES ONLY

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a comprehensive Free Trade Zone for the Americas our long-term goal. We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.

Third, I understand that some countries aren't yet ready to take that dramatic step to a full Free Trade Agreement. That's why we're prepared to negotiate with any interested Latin American nation bilateral ^{FRAMEWORK} trade agreements to establish a framework for freer trade. //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, new markets for American products, and more jobs for American workers. ///

^{PROMOTING FREE} Dismantling barriers to trade is just one of ^{THREE} ~~two~~ key elements in ^{OF MY INITIATIVE} ~~our Americas Enterprise Initiative~~. The ^{SECOND} ~~other~~ is increased investment ~~and here, easing the debt burden plays a central role.~~ //

The competition for capital today is fierce. The key to increased investment is to be competitive. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. [[Examples to come.]]

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Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

In order to create incentives for investment reform, the U.S. is prepared to take the following ~~four~~ steps:

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

Second, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization. *If Congress approves we would be prepared* // ~~The U.S. is ready to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan.~~ //

And in order to create an attractive ^{economic} climate for new investment, we must build on our successful efforts to ease the debt burden ^{in the region.} // Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources.

To provide additional resources to fund debt and debt service reduction under the Brady Plan, I propose that the IDB also contribute to funding these operations along with the IMF and World Bank for these countries under the

economic reform.

[As the third in our four-point plan to encourage investment, we propose that the IDB add its efforts and resources to those of the International Monetary Fund and the World Bank to finance commercial debt transactions in Latin America. And -- as in the case of World Bank and IMF -- IDB funds should be directly linked to economic reform. //]

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

That's a problem we must address. Today -- [as the fourth and final component in our package of investment reform incentives -]

- I am proposing a ^{major} new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of some countries, by ^{up to} [as much] as 80%. //

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. III (Add attached 2 para.)

[As part of the Enterprise for the Americas investment initiatives, we will take action to employ economic policy in the service of strengthened environmental policies in the hemisphere.]

Let me give you ^{thus} some more details. We would propose to reduce the principal owed to us and the annual interest payable on the debt. Payments on the remaining principal would be spread over several years and tailored to each country's specific situation. The interest on this reduced debt would remain concessional, but would be payable in a unique fashion-- one which is aimed at preserving the environment.

We could do so by accepting the interest payments on the remaining concessional debt in local currency and placing those funds in local trusts to support environmental projects agreed with each participating government. When pursued over a number of years, we believe such projects could show important positive results. And if other creditor countries adopt similar programs, we could have a powerful new tool for preserving our common American homeland. We will also encourage debt-for-nature swaps-- along the lines of innovative agreements reached by some countries and their commercial creditors. In this regard, we believe the IDB could play a very useful role.

Debt-for-nature swaps are one example -- patterned after the innovative agreements reached by some Latin American nations and their commercial creditors. We will also call for the creation of Environmental Trusts -- where interest payments owed on restructured U.S. debt will be set aside to fund environmental projects in the debtor countries. ///

I know there is some concern that the revolutionary changes we've witnessed this past year in Eastern Europe will shift our attention away from Latin America. I assure all of you here today -- the United States will not lose sight of the tremendous challenges and opportunities here in our own hemisphere. /

⊗ RB2 insert.

I am convinced that Latin America stands at a turning point -- on the threshold of a new era of freedom, prosperity and progress. // The comprehensive plan I've just outlined -- this -- ambitious Partnership for Democracy & Prosperity Enterprise for the Americas -- is proof positive the United States is serious about forging a new partnership with our Latin American neighbors. We're ready to play a constructive role at this critical time in the history of this hemisphere. //

We in the United States will do all we can to help secure for all the Americas the freedom, peace and prosperity we enjoy - - to make ours the first fully free hemisphere in all of history. // Thank you -- and God bless the people of the Americas.

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5119

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JAMES W. CICCONI

FROM: BRENT SCOWCROFT

SUBJECT: NSC/State Comments on the Draft Speech

Attached is a revised version of the proposed speech on Latin America to reflect NSC and State (Zoellick) comments on the original draft. I have also included some language on the G-24 concept for Central America, that Secretary Baker wants inserted on page 8.

Attachments

Tab A Draft Speech with Annotated Changes
Tab B Additional Insertions for Draft Speech

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B), August 28, 1997

By RM NARA, Date 9/29/04

~~SECRET~~

Declassify on: OADR

~~SECRET~~

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	Meg Lundsager/Don Johnson to Brent Scowcroft, re: Comments on Draft Speech. (1 pp.)	06/26/90	P-1, (b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Speech File, Drafts
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WHORM Cat.:
File Location: Latin American Trade & Investment Initiative 6/27/90

<p>Date Closed: 9/29/2004 FOIA/SYS Case #: Re-review Case #: 2004-2249-S P-2/P-5 Review Case #:</p>	<p>OA/ID Number: 05375</p>
<p>MR Case #: MR Disposition: Disposition Date:</p>	<p>Appeal Case #: Appeal Disposition: Disposition Date:</p>

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<p>Presidential Records Act - [44 U.S.C. 2204(a)]</p> <p>P-1 National Security Classified Information [(a)(1) of the PRA] P-2 Relating to the appointment to Federal office [(a)(2) of the PRA] P-3 Release would violate a Federal statute [(a)(3) of the PRA] P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA] P-5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA] P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]</p> <p>C. Closed in accordance with restrictions contained in donor's deed of gift.</p>	<p>Freedom of Information Act - [5 U.S.C. 552(b)]</p> <p>(b)(1) National security classified information [(b)(1) of the FOIA] (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA] (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA] (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA] (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA] (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA] (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA] (b)(9) Release would disclose geological or geophysical information</p>
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EYES ONLY

SENSITIVE

McGroarty/Cawley
June 25, 1990
2:50 pm
[LATAM]

**PRESIDENTIAL REMARKS: LATIN AMERICAN TRADE AND
INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
11:15 A.M.**

It is my pleasure to welcome to the White House so many distinguished guests with strong interests in the vital Latin American and Caribbean region.

In the past 12 months, every one of us -- from the man in the White House to the man on the street -- has been fascinated by the tremendous changes -- positive changes -- taking place around the world. / Freedom has made great gains -- not just in Eastern Europe -- but right here, / in the Americas. / We've seen a resurgence of democratic rule -- a rising tide of democracy never before witnessed in the history of this hemisphere. //

With one conspicuous exception -- Cuba -- the transition to democracy is moving toward completion. And we can all sense the excitement -- that the day is not far off when all the Americas will be free democratic civilian states.

The political transformation sweeping Latin America ^(AND THE CARIBBEAN) has its parallel in the economic sphere. / Throughout the region, nations are turning away from the statist economic policies that

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stifle growth -- and are now looking to the power of the free market to help ^{THIS HEMISPHERE} Latin America realize its untapped potential for progress. A new leadership ^{HAS EMERGED} is emerging -- backed by the strength of the people's mandate -- leadership that understands that the future of Latin America lies with free government and free markets. // In the words of Colombia's courageous leader -- President Virgilio Barco: "the long-running match between Karl Marx and Adam Smith is finally coming to an end" with the "recognition... that open economies with access to markets can lead to social progress." //

For the U.S., these are welcome developments -- developments we must support every way we can. We are eager to do this, but recognize that each nation in the region must make its own choices. The primary burden of achieving economic growth lies with each individual country. Good policies have to begin at home. Our challenge in the United States is to respond in ways that support the positive changes now taking place in Latin America. We must marshal the resources of the Americas -- public and private -- and forge a genuine partnership for free market reform.

With these new realities in mind, three months ago, I asked Treasury Secretary Brady to lead a review of U.S. economic policy toward Latin America and the Caribbean region -- to make a fresh assessment of the problems and opportunities we'll encounter in

- 5 -

the decade ahead. That review is now complete -- the results are in -- and the need for new economic initiatives is clear and compelling. This analysis concluded that we must shift the focus of our economic interaction. Prosperity in our hemisphere depends on trade, not aid. And prosperity requires more, not less, ^{of} an economic partnership.

I've invited you here in order to take this opportunity to share with you some proposals on how we can make this work -- make it a real partnership for the 90's. We want to see a partnership for democracy and prosperity -- ^{one} ~~one~~ that creates incentives that reinforce Latin America's growing recognition that free market reform is the key to sustained growth and political stability.

Therefore, I am proposing the following:

-- In trade, that we begin the process of creating a hemisphere-wide free trade area;

-- In investment, that we adopt measures to bring capital flows back to this region; and

-- On debt, that we include a new element in our debt strategy, one which will also help improve the environment.

Let's begin with trade. In the 1980's, trade within our hemisphere trailed the overall pace of growth in world trade. The principal reason: over-restrictive trade barriers that wall off the economies of the nations of Latin America from each other, and from the United States -- at great cost to us all. / These barriers are the legacy of the misguided notion that a nation's economy needs protection in order to thrive. The great economic lesson of this century is that protectionism stifles progress -- and free markets breed prosperity. //

To this end, we've formulated a three-point challenge to encourage the emerging trend toward free market ^{trade} ~~refers~~ now gathering force in Latin America.

First, I am announcing today that, following the conclusion of a Free Trade Agreement with Mexico, the U.S. stands ready to enter into Free Trade Agreements with the countries of Latin America and the Caribbean, particularly with groups of nations that form associations for purposes of liberalizing their trade policies.

Our ultimate aim is a free trade system that links all of the Americas -- North, Central and South. We look forward to the day when not only are the Americas the first fully free democratic hemisphere -- but when all are equal partners in a free trade zone stretching from Alaska's port of Anchorage to Argentina's Tierra del Fuego.

We must all recognize that we won't bring down barriers to free trade overnight. Changes so far-reaching may take years of ^{difficult} tough negotiations. But the payoff -- in terms of mutual prosperity -- is worth every effort. / Now is the time to make a comprehensive Free Trade Zone for the Americas our long-term goal. We are ready to take the first step -- as we are doing with Mexico -- to a future that promises expanded trade and greater prosperity to all parties.

Second,

~~First~~, as we enter the final months of the current Uruguay Round of the world trade talks, I pledge close cooperation with the nations of Latin America. The successful completion of the

Uruguay Round remains the most effective way of promoting long-term trade growth in Latin America -- and the increased integration of Latin nations into the global trading system.

Our aim in the Uruguay Round is free and fair trade. And we will insist on a rigorous enforcement of existing trade rules. ^{To show our commitment}
~~But we will listen to the specific trade concerns of our Latin American neighbors -- and whenever possible, we will seek authority for deeper tariff reductions on products of special interest.~~ // ^{to this region}

Third, I understand that some countries aren't yet ready to take that dramatic step to a full Free Trade Agreement. That's why we're prepared to negotiate with any interested Latin American nation bilateral ^{framework} trade agreements to establish a framework for freer trade. //

Such agreements already exist with Mexico and Bolivia. Framework agreements will enable us to move forward on a step-by-step basis to eliminate counter-productive barriers to trade - - and towards our ultimate goal of free trade. // That's a prescription for greater growth and a higher standard of living in Latin America -- and right here at home, new markets for American products, and more jobs for American workers. ///

Promoting free trade is just one of three key elements of my initiative. The second is increased investment.

The competition for capital today is fierce. The key to increased investment is to be competitive. / Reduce the regulatory burden -- clear away the thicket of bureaucratic barriers that choke off Latin America's aspiring entrepreneurs. [[Examples to come.]]

Investment reform is essential -- to make it easier to start new business ventures -- and make it possible for international investors to participate and profit in Latin American markets. //

In order to create incentives for investment reform, the U.S. is prepared to take the following ~~four~~ steps:

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

Second, we propose the creation of a new Investment Fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million dollars a year in grants in response to market-oriented investment reforms and progress in privatization.

If Congress approves, we would be prepared

~~The U.S. is ready~~ to contribute \$100 million to the fund -- and we will seek matching contributions from Europe and Japan. //

And in order to create an attractive ^{economic} climate for new investment, we must build on our successful efforts to ease the debt burden. / Many nations have already undertaken painful economic reforms for the sake of future growth -- but the investment climate remains clouded by the heavy burden of debt. Under the Brady Plan, we are making significant progress. The agreements reached with Mexico, Costa Rica and Venezuela are already having a positive impact on investment in those countries. Mexico -- to take just one example -- has already seen a reversal of the destructive capital flight that drains so many Latin American nations of precious investment resources.

To provide additional resources to fund debt and debt service reduction under the Brady Plan, I propose that the IDB also contribute to funding these operations, along with the IMF and World Bank, for those countries undertaking economic reform.

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

That's a problem we must address. Today -- ~~as the fourth and final component in our package of investment reform incentives~~ - - I am proposing a ^{major} new initiative to reduce and restructure Latin America's official debt to the U.S. -- in the case of some countries, by ^{up to} ~~as much as~~ 80%. //

In return, we will expect these countries to adopt strong economic and investment reform programs, with the support of international institutions. ///

Let me give you some more details. We would propose to reduce the principal owed to us and thus the annual interest payable on the debt. Payments on the remaining principal would be spread over several years and tailored to each country's specific situation. The interest on this reduced debt would remain concessional, but would be payable in a unique fashion -- one which is aimed at preserving the environment.

LATIN AMERICAN TRADE AND INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
2:30 P.M.

IT IS MY PLEASURE TO WELCOME TO THE WHITE HOUSE SO MANY DISTINGUISHED GUESTS WITH STRONG INTERESTS IN THE VITAL LATIN AMERICAN AND CARIBBEAN REGION.

IN THE PAST 12 MONTHS, EVERY ONE OF US -- FROM THE MAN IN THE WHITE HOUSE TO THE MAN ON THE STREET -- HAS BEEN FASCINATED BY THE TREMENDOUS CHANGES -- POSITIVE CHANGES -- TAKING PLACE AROUND THE WORLD. / FREEDOM HAS MADE GREAT GAINS -- NOT JUST IN EASTERN EUROPE -- BUT RIGHT HERE, IN THE AMERICAS. / WE'VE SEEN A RESURGENCE OF DEMOCRATIC RULE -- A RISING TIDE OF DEMOCRACY NEVER BEFORE WITNESSED IN THE HISTORY OF THIS HEMISPHERE. //

WITH ONE EXCEPTION -- CUBA -- THE TRANSITION TO DEMOCRACY IS MOVING TOWARDS COMPLETION. AND WE CAN ALL SENSE THE EXCITEMENT -- THAT THE DAY IS NOT FAR OFF WHEN CUBA JOINS THE RANKS OF THE WORLD'S DEMOCRACIES -- AND MAKES THE AMERICAS FULLY FREE. //

THE POLITICAL TRANSFORMATION SWEEPING LATIN AMERICA AND THE CARIBBEAN HAS ITS PARALLEL IN THE ECONOMIC SPHERE. / THROUGHOUT THE REGION, NATIONS ARE TURNING AWAY FROM THE STATIST ECONOMIC POLICIES THAT STIFLE GROWTH -- AND ARE NOW LOOKING TO THE POWER OF THE FREE MARKET TO HELP THIS HEMISPHERE REALIZE ITS UNTAPPED POTENTIAL FOR PROGRESS. // A NEW LEADERSHIP HAS EMERGED -- BACKED BY THE STRENGTH OF THE PEOPLE'S MANDATE -- LEADERSHIP THAT UNDERSTANDS THAT THE FUTURE OF LATIN AMERICA LIES WITH FREE GOVERNMENT AND FREE MARKETS. // IN THE WORDS OF COLOMBIA'S COURAGEOUS LEADER -- PRESIDENT VIRGILIO BARCO: "THE LONG-RUNNING MATCH BETWEEN KARL MARX AND ADAM SMITH IS FINALLY COMING TO AN END" WITH THE "RECOGNITION... THAT OPEN ECONOMIES WITH ACCESS TO MARKETS CAN LEAD TO SOCIAL PROGRESS." //

FOR THE U.S., THESE ARE WELCOME DEVELOPMENTS -- DEVELOPMENTS WE'RE EAGER TO SUPPORT. BUT WE RECOGNIZE THAT EACH NATION IN THE REGION MUST MAKE ITS OWN CHOICES. THERE IS NO BLUEPRINT -- NO ONE-SIZE-FITS-ALL APPROACH TO REFORM. THE PRIMARY RESPONSIBILITY FOR ACHIEVING ECONOMIC GROWTH LIES WITH EACH INDIVIDUAL COUNTRY. OUR CHALLENGE IN THIS COUNTRY IS TO RESPOND IN WAYS THAT SUPPORT THE POSITIVE CHANGES NOW TAKING PLACE IN THE HEMISPHERE. / WE MUST FORGE A GENUINE PARTNERSHIP FOR FREE MARKET REFORM. //

BACK IN FEBRUARY, I MET IN CARTAGENA WITH THE HEADS OF THE THREE ANDEAN NATIONS. I CAME AWAY FROM THAT MEETING CONVINCED THAT THE U.S. MUST REVIEW ITS APPROACH NOT ONLY TO THAT REGION -- BUT TO LATIN AMERICA AND THE CARIBBEAN AS A WHOLE. I ASKED TREASURY SECRETARY BRADY TO LEAD A REVIEW OF U.S. ECONOMIC POLICY TOWARD THIS VITAL REGION -- TO MAKE A FRESH ASSESSMENT OF THE PROBLEMS AND OPPORTUNITIES WE'LL ENCOUNTER IN THE DECADE AHEAD. THAT REVIEW IS NOW COMPLETE. THE RESULTS ARE IN -- AND THE NEED FOR NEW ECONOMIC INITIATIVES IS CLEAR AND COMPELLING.

ALL SIGNS POINT TO THE FACT THAT WE MUST SHIFT THE FOCUS OF OUR ECONOMIC INTERACTION -- TOWARDS A NEW ECONOMIC PARTNERSHIP: BECAUSE PROSPERITY IN OUR HEMISPHERE DEPENDS ON TRADE -- NOT AID.

I'VE ASKED YOU HERE TODAY TO SHARE WITH YOU SOME IDEAS ON WAYS WE CAN BUILD A BROAD-BASED PARTNERSHIP FOR THE 90'S. TO ANNOUNCE THE NEW ENTERPRISE FOR THE AMERICAS INITIATIVE THAT CREATES INCENTIVES TO REINFORCE LATIN AMERICA'S GROWING RECOGNITION THAT FREE MARKET REFORM IS THE KEY TO SUSTAINED GROWTH AND POLITICAL STABILITY.

THE THREE PILLARS OF OUR NEW INITIATIVE ARE TRADE, INVESTMENT, AND DEBT. // TO EXPAND TRADE -- I PROPOSE THAT WE BEGIN THE PROCESS OF CREATING A 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. //

LET'S BEGIN WITH TRADE. IN THE 1980'S, TRADE WITHIN OUR HEMISPHERE TRAILED THE OVERALL PACE OF GROWTH IN WORLD TRADE. ONE PRINCIPAL REASON: OVER-RESTRICTIVE TRADE BARRIERS THAT WALL OFF THE ECONOMIES OF THE REGION FROM EACH OTHER, AND FROM THE UNITED STATES -- AT GREAT COST TO US ALL. / THESE BARRIERS ARE THE LEGACY OF THE MISGUIDED NOTION THAT A NATION'S ECONOMY NEEDS PROTECTION IN ORDER TO THRIVE. THE GREAT ECONOMIC LESSON OF THIS CENTURY IS THAT PROTECTIONISM STIFLES PROGRESS -- AND FREE MARKETS BREED PROSPERITY. //

TO THIS END, WE'VE FORMULATED A THREE-POINT TRADE PLAN TO ENCOURAGE THE EMERGING TREND TOWARD FREE MARKET REFORM NOW GATHERING FORCE IN THE AMERICAS.

FIRST, AS WE ENTER THE FINAL MONTHS OF THE CURRENT URUGUAY ROUND OF THE WORLD TRADE TALKS, I PLEDGE CLOSE COOPERATION WITH THE NATIONS OF THIS HEMISPHERE. THE SUCCESSFUL COMPLETION OF THE URUGUAY ROUND REMAINS THE MOST EFFECTIVE WAY OF PROMOTING LONG-TERM TRADE GROWTH IN LATIN AMERICA -- AND THE INCREASED INTEGRATION OF LATIN NATIONS INTO THE GLOBAL TRADING SYSTEM.

OUR AIM IN THE URUGUAY ROUND IS FREE AND FAIR TRADE. THROUGH THESE TALKS, WE ARE SEEKING TO STRENGTHEN EXISTING TRADE RULES, AND TO EXPAND THEM TO AREAS THAT DO NOT NOW HAVE AGREED RULES OF FAIR PLAY. AND TO SHOW OUR COMMITMENT TO OUR NEIGHBORS IN LATIN AMERICA AND THE CARIBBEAN, WE WILL SEEK DEEPER TARIFF REDUCTIONS IN THE ROUND ON PRODUCTS OF SPECIAL INTEREST TO THEM. //

SECOND, WE MUST BUILD ON THE TREND WE SEE TOWARD FREE MARKETS -- AND MAKE OUR ULTIMATE AIM A FREE TRADE SYSTEM THAT LINKS ALL OF THE AMERICAS -- NORTH, CENTRAL AND SOUTH. // WE LOOK FORWARD TO THE DAY WHEN NOT ONLY ARE THE AMERICAS THE FIRST FULLY FREE DEMOCRATIC HEMISPHERE -- BUT WHEN ALL ARE EQUAL PARTNERS IN A FREE TRADE ZONE STRETCHING FROM THE PORT OF ANCHORAGE TO TIERRA DEL FUEGO. /

I AM ANNOUNCING TODAY THAT THE U.S. STANDS READY TO ENTER INTO FREE TRADE AGREEMENTS WITH OTHER MARKETS IN LATIN AMERICA AND THE CARIBBEAN -- PARTICULARLY WITH GROUPS OF COUNTRIES THAT HAVE ASSOCIATED FOR PURPOSES OF TRADE LIBERALIZATION. AND THE FIRST STEP IN THIS PROCESS IS A FREE TRADE AGREEMENT WITH MEXICO. //

WE MUST ALL RECOGNIZE THAT WE WON'T BRING DOWN BARRIERS TO FREE TRADE OVERNIGHT. CHANGES SO FAR-REACHING MAY TAKE YEARS OF PREPARATION AND TOUGH NEGOTIATIONS. BUT THE PAYOFF -- IN TERMS OF MUTUAL PROSPERITY -- IS WORTH EVERY EFFORT. / NOW IS THE TIME TO MAKE A COMPREHENSIVE FREE TRADE ZONE FOR THE AMERICAS OUR LONG-TERM GOAL. //

THIRD, I UNDERSTAND THAT SOME COUNTRIES AREN'T YET READY TO TAKE THAT DRAMATIC STEP TO A FULL FREE TRADE AGREEMENT. THAT'S WHY WE'RE PREPARED TO NEGOTIATE WITH ANY INTERESTED NATION IN THE REGION BILATERAL FRAMEWORK AGREEMENTS TO OPEN MARKETS AND DEVELOP CLOSER TRADE TIES. //

SUCH AGREEMENTS ALREADY EXIST WITH MEXICO AND BOLIVIA. FRAMEWORK AGREEMENTS WILL ENABLE US TO MOVE FORWARD ON A STEP-BY-STEP BASIS TO ELIMINATE COUNTER-PRODUCTIVE BARRIERS TO TRADE -- AND TOWARDS OUR ULTIMATE GOAL OF FREE TRADE. // THAT'S A PRESCRIPTION FOR GREATER GROWTH AND A HIGHER STANDARD OF LIVING IN LATIN AMERICA -- AND RIGHT HERE AT HOME, NEW MARKETS FOR AMERICAN PRODUCTS, AND MORE JOBS FOR AMERICAN WORKERS. ///

PROMOTING FREE TRADE IS JUST ONE OF THREE KEY ELEMENTS IN OUR NEW ENTERPRISE FOR THE AMERICAS INITIATIVE. OUR SECOND PILLAR IS INCREASED INVESTMENT.

THE COMPETITION FOR CAPITAL TODAY IS FIERCE. THE KEY TO INCREASED INVESTMENT IS TO BE COMPETITIVE -- TO TURN AROUND THE CONDITIONS THAT HAVE DISCOURAGED BOTH FOREIGN AND DOMESTIC INVESTMENT. / REDUCE THE REGULATORY BURDEN -- CLEAR AWAY THE THICKET OF BUREAUCRATIC BARRIERS THAT CHOKES OFF LATIN AMERICA'S ASPIRING ENTREPRENEURS. IN ONE LARGE LATIN CITY, FOR INSTANCE, IT TAKES ALMOST 300 DAYS TO CUT THROUGH THE RED TAPE TO OPEN A SMALL GARMENT SHOP. IN ANOTHER COUNTRY, THE AVERAGE OVERSEAS CALLER HAS TO MAKE FIVE PHONE CALLS TO GET THROUGH -- AND THE WAIT FOR A NEW TELEPHONE LINE CAN BE AS LONG AS FIVE YEARS. / THAT'S GOT TO CHANGE. / INVESTMENT REFORM IS ESSENTIAL -- TO MAKE IT EASIER TO START NEW BUSINESS VENTURES -- AND MAKE IT POSSIBLE FOR INTERNATIONAL INVESTORS TO PARTICIPATE AND PROFIT IN LATIN AMERICAN MARKETS. //

IN ORDER TO CREATE INCENTIVES FOR INVESTMENT REFORM, THE U.S. IS PREPARED TO TAKE THE FOLLOWING STEPS:

FIRST, THE U.S. WILL WORK WITH THE INTER-AMERICAN DEVELOPMENT BANK TO CREATE A NEW LENDING PROGRAM FOR NATIONS THAT TAKE SIGNIFICANT STEPS TO REMOVE IMPEDIMENTS TO INTERNATIONAL INVESTMENT. THE WORLD BANK COULD ALSO CONTRIBUTE TO THIS EFFORT. SECOND, WE PROPOSE THE CREATION OF A NEW INVESTMENT FUND FOR THE AMERICAS. THIS FUND, ADMINISTERED BY THE IDB, COULD PROVIDE UP TO \$300 MILLION DOLLARS A YEAR IN GRANTS IN RESPONSE TO MARKET-ORIENTED INVESTMENT REFORMS AND PROGRESS IN PRIVATIZATION. THE U.S. INTENDS TO CONTRIBUTE \$100 MILLION TO THE FUND -- AND WE WILL SEEK MATCHING CONTRIBUTIONS FROM EUROPE AND JAPAN. //

BUT IN ORDER TO CREATE AN ATTRACTIVE CLIMATE FOR NEW INVESTMENT -- WE MUST BUILD ON OUR SUCCESSFUL EFFORTS TO EASE THE DEBT BURDEN -- THE THIRD PILLAR OF OUR NEW ENTERPRISE FOR THE AMERICAS INITIATIVE. //

MANY NATIONS HAVE ALREADY UNDERTAKEN PAINFUL ECONOMIC REFORMS FOR THE SAKE OF FUTURE GROWTH -- BUT THE INVESTMENT CLIMATE REMAINS CLOUDED BY THE HEAVY BURDEN OF DEBT. UNDER THE BRADY PLAN, WE ARE MAKING SIGNIFICANT PROGRESS. THE AGREEMENTS REACHED WITH MEXICO, COSTA RICA AND VENEZUELA ARE ALREADY HAVING A POSITIVE IMPACT ON INVESTMENT IN THOSE COUNTRIES. MEXICO -- TO TAKE JUST ONE EXAMPLE -- HAS ALREADY SEEN A REVERSAL OF THE DESTRUCTIVE CAPITAL FLIGHT THAT DRAINS SO MANY LATIN AMERICAN NATIONS OF PRECIOUS INVESTMENT RESOURCES. // THAT'S CRITICAL: IF WE RESTORE CONFIDENCE -- CAPITAL WILL FOLLOW. //

AS ONE MEANS OF EXPANDING OUR DEBT STRATEGY, WE PROPOSE THAT THE IDB ADD ITS EFFORTS AND RESOURCES TO THOSE OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK TO SUPPORT COMMERCIAL BANK DEBT REDUCTION IN LATIN AMERICA AND THE CARIBBEAN. AND -- AS IN THE CASE OF WORLD BANK AND IMF -- IDB FUNDS SHOULD BE DIRECTLY LINKED TO ECONOMIC REFORM. //

WHILE THE BRADY PLAN HAS HELPED NATIONS REDUCE COMMERCIAL BANK DEBT, FOR NATIONS WITH HIGH LEVELS OF OFFICIAL DEBT -- DEBT OWED TO GOVERNMENTS, RATHER THAN PRIVATE FINANCIAL INSTITUTIONS -- THE BURDEN REMAINS HEAVY. TODAY, ACROSS LATIN AMERICA, OFFICIAL DEBT OWED TO THE U.S. GOVERNMENT AMOUNTS TO NEARLY \$12 BILLION DOLLARS -- WITH \$7 BILLION OF THAT AMOUNT IN CONCESSIONAL LOANS. // AND IN MANY CASES, THE HEAVIEST OFFICIAL DEBT BURDENS FALL ON SOME OF THE REGION'S SMALLEST NATIONS -- COUNTRIES LIKE HONDURAS, EL SALVADOR, JAMAICA.

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OUR DEBT REDUCTION PROGRAM WILL DEAL SEPARATELY WITH CONCESSIONAL AND COMMERCIAL TYPES OF LOANS. ON CONCESSIONAL DEBT -- LOANS MADE FROM AID OR FOOD FOR PEACE ACCOUNTS: WE WILL PROPOSE SUBSTANTIAL DEBT REDUCTIONS FOR THE MOST HEAVILY BURDENED COUNTRIES. AND WE WILL ALSO SELL A PORTION OF OUTSTANDING U.S. COMMERCIAL LOANS TO FACILITATE DEBT-FOR-EQUITY AND DEBT-FOR-NATURE SWAPS IN COUNTRIES THAT HAVE SET UP SUCH PROGRAMS. THESE ACTIONS WILL BE TAKEN ON A CASE-BY-CASE BASIS. //

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FOR AN INCREASING NUMBER OF OUR NEIGHBORS, THE NEED FOR FREE MARKET REFORM IS CLEAR. // THESE NATIONS NEED ECONOMIC BREATHING ROOM TO ENACT BOLD REFORMS. AND THIS OFFICIAL DEBT INITIATIVE IS ONE ANSWER: A WAY OUT FROM UNDER THE CRUSHING BURDEN OF DEBT THAT SLOWS THE PROCESS OF REFORM. //

I KNOW THERE IS SOME CONCERN THAT THE REVOLUTIONARY CHANGES WE'VE WITNESSED THIS PAST YEAR IN EASTERN EUROPE WILL SHIFT OUR ATTENTION AWAY FROM LATIN AMERICA. I ASSURE ALL OF YOU HERE TODAY -- AS I'VE ASSURED MANY DEMOCRATIC LEADERS IN CENTRAL AND SOUTH AMERICA, THE CARIBBEAN AND MEXICO -- THE UNITED STATES WILL NOT LOSE SIGHT OF THE TREMENDOUS CHALLENGES AND OPPORTUNITIES HERE IN OUR OWN HEMISPHERE. /

INDEED, AS WE TALK WITH THE LEADERS OF THE G-24 ABOUT THE EMERGING DEMOCRACIES IN EUROPE, I HAVE BEEN TALKING TO THEM ALSO ABOUT THEIR SUPPORTING DEMOCRACY AND ECONOMIC FREEDOM IN CENTRAL AMERICA. / OUR AIM IS A CLOSER PARTNERSHIP BETWEEN THE AMERICAS AND OUR FRIENDS IN EUROPE AND ASIA. ///

LESS THAN TWO YEARS FROM NOW, OUR HEMISPHERE WILL CELEBRATE THE 500TH ANNIVERSARY OF AN EPIC EVENT -- COLUMBUS' DISCOVERY OF AMERICA: OUR NEW WORLD. WE TRACE OUR ORIGINS -- OUR SHARED HISTORY -- TO THE TIME OF COLUMBUS' VOYAGE, AND THE COURAGEOUS QUEST FOR THE ADVANCEMENT OF MAN.

TODAY, THE BONDS OF OUR COMMON HERITAGE ARE STRENGTHENED BY THE LOVE OF FREEDOM AND A COMMON COMMITMENT TO DEMOCRACY. OUR CHALLENGE -- THE CHALLENGE IN THIS NEW ERA OF THE AMERICAS -- IS TO SECURE THIS SHARED DREAM AND ALL ITS FRUITS FOR ALL THE PEOPLE OF THE AMERICAS, / NORTH, CENTRAL AND SOUTH.

THE COMPREHENSIVE PLAN I'VE JUST OUTLINED IS PROOF POSITIVE THE UNITED STATES IS SERIOUS ABOUT FORGING A NEW PARTNERSHIP WITH OUR LATIN AMERICAN AND CARIBBEAN NEIGHBORS. WE'RE READY TO PLAY A CONSTRUCTIVE ROLE AT THIS CRITICAL TIME -- TO MAKE OURS THE FIRST FULLY FREE HEMISPHERE IN ALL OF HISTORY. // THANK YOU -- AND GOD BLESS THE PEOPLE OF THE AMERICAS.

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LATIN AMERICAN TRADE AND INVESTMENT INITIATIVE
THE EAST ROOM
JUNE 27, 1990
2:30 P.M.

IT IS MY PLEASURE TO WELCOME TO THE WHITE HOUSE SO MANY DISTINGUISHED GUESTS WITH STRONG INTERESTS IN THE VITAL LATIN AMERICAN AND CARIBBEAN REGION.

LET ME RECOGNIZE THE MANY MEMBERS OF THE DIPLOMATIC CORPS -- FROM LATIN AMERICA AND THE CARIBBEAN, EUROPE AND JAPAN. / MEMBERS OF MY CABINET -- NICK BRADY, JAMES BAKER, BOB MOSBACHER AND CARLA HILLS. THE OTHER KEY MEMBERS OF MY ADMINISTRATION. / ALAN GREENSPAN, CHAIRMAN OF THE FEDERAL RESERVE, BARBER CONABLE OF THE WORLD BANK, RICHARD ERB FROM THE IMF -- AND ENRIQUE IGLESIAS OF THE IDB. AND SO MANY LEADING LIGHTS IN THE BUSINESS AND FINANCIAL COMMUNITIES. TO ALL OF YOU: WELCOME. //

IN THE PAST 12 MONTHS, EVERY ONE OF US -- FROM THE MAN IN THE WHITE HOUSE TO THE MAN ON THE STREET -- HAS BEEN FASCINATED BY THE TREMENDOUS CHANGES -- POSITIVE CHANGES -- TAKING PLACE AROUND THE WORLD. / FREEDOM HAS MADE GREAT GAINS -- NOT JUST IN EASTERN EUROPE -- BUT RIGHT HERE, IN THE AMERICAS. / WE'VE SEEN A RESURGENCE OF DEMOCRATIC RULE -- A RISING TIDE OF DEMOCRACY NEVER BEFORE WITNESSED IN THE HISTORY OF THIS HEMISPHERE. //

WITH ONE EXCEPTION -- CUBA -- THE TRANSITION TO DEMOCRACY IS MOVING TOWARDS COMPLETION. AND WE CAN ALL SENSE THE EXCITEMENT -- THAT THE DAY IS NOT FAR OFF WHEN CUBA JOINS THE RANKS OF THE WORLD'S DEMOCRACIES -- AND MAKES THE AMERICAS FULLY FREE. //

THE POLITICAL TRANSFORMATION SWEEPING LATIN AMERICA AND THE CARIBBEAN HAS ITS PARALLEL IN THE ECONOMIC SPHERE. / THROUGHOUT THE REGION, NATIONS ARE TURNING AWAY FROM THE STATIST ECONOMIC POLICIES THAT STIFLE GROWTH -- AND ARE NOW LOOKING TO THE POWER OF THE FREE MARKET TO HELP THIS HEMISPHERE REALIZE ITS UNTAPPED POTENTIAL FOR PROGRESS. // A NEW LEADERSHIP HAS EMERGED -- BACKED BY THE STRENGTH OF THE PEOPLE'S MANDATE -- LEADERSHIP THAT UNDERSTANDS THAT THE FUTURE OF LATIN AMERICA LIES WITH FREE GOVERNMENT AND FREE MARKETS. // IN THE WORDS OF COLOMBIA'S COURAGEOUS LEADER -- PRESIDENT VIRGILIO BARCO: "THE LONG-RUNNING MATCH BETWEEN KARL MARX AND ADAM SMITH IS FINALLY COMING TO AN END" WITH THE "RECOGNITION... THAT OPEN ECONOMIES WITH ACCESS TO MARKETS CAN LEAD TO SOCIAL PROGRESS." //

FOR THE U.S., THESE ARE WELCOME DEVELOPMENTS -- DEVELOPMENTS WE'RE EAGER TO SUPPORT. BUT WE RECOGNIZE THAT EACH NATION IN THE REGION MUST MAKE ITS OWN CHOICES. THERE IS NO BLUEPRINT -- NO ONE-SIZE-FITS-ALL APPROACH TO REFORM. THE PRIMARY RESPONSIBILITY FOR ACHIEVING ECONOMIC GROWTH LIES WITH EACH INDIVIDUAL COUNTRY. OUR CHALLENGE IN THIS COUNTRY IS TO RESPOND IN WAYS THAT SUPPORT THE POSITIVE CHANGES NOW TAKING PLACE IN THE HEMISPHERE. / WE MUST FORGE A GENUINE PARTNERSHIP FOR FREE MARKET REFORM. //

BACK IN FEBRUARY, I MET IN CARTAGENA WITH THE HEADS OF THE THREE ANDEAN NATIONS. I CAME AWAY FROM THAT MEETING CONVINCED THAT THE U.S. MUST REVIEW ITS APPROACH NOT ONLY TO THAT REGION -- BUT TO LATIN AMERICA AND THE CARIBBEAN AS A WHOLE. I ASKED TREASURY SECRETARY BRADY TO LEAD A REVIEW OF U.S. ECONOMIC POLICY TOWARD THIS VITAL REGION -- TO MAKE A FRESH ASSESSMENT OF THE PROBLEMS AND OPPORTUNITIES WE'LL ENCOUNTER IN THE DECADE AHEAD. THAT REVIEW IS NOW COMPLETE. THE RESULTS ARE IN -- AND THE NEED FOR NEW ECONOMIC INITIATIVES IS CLEAR AND COMPELLING.

ALL SIGNS POINT TO THE FACT THAT WE MUST SHIFT THE FOCUS OF OUR ECONOMIC INTERACTION -- TOWARDS A NEW ECONOMIC PARTNERSHIP: BECAUSE PROSPERITY IN OUR HEMISPHERE DEPENDS ON TRADE -- NOT AID.

I'VE ASKED YOU HERE TODAY TO SHARE WITH YOU SOME IDEAS ON WAYS WE CAN BUILD A BROAD-BASED PARTNERSHIP FOR THE 90'S. TO ANNOUNCE THE NEW ENTERPRISE FOR THE AMERICAS INITIATIVE THAT CREATES INCENTIVES TO REINFORCE LATIN AMERICA'S GROWING RECOGNITION THAT FREE MARKET REFORM IS THE KEY TO SUSTAINED GROWTH AND POLITICAL STABILITY.

THE THREE PILLARS OF OUR NEW INITIATIVE ARE TRADE, INVESTMENT, AND DEBT. // TO EXPAND TRADE -- I PROPOSE THAT WE BEGIN THE PROCESS OF CREATING A 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. //

LET'S BEGIN WITH TRADE. IN THE 1980'S, TRADE WITHIN OUR HEMISPHERE TRAILED THE OVERALL PACE OF GROWTH IN WORLD TRADE. ONE PRINCIPAL REASON: OVER-RESTRICTIVE TRADE BARRIERS THAT WALL OFF THE ECONOMIES OF THE REGION FROM EACH OTHER, AND FROM THE UNITED STATES -- AT GREAT COST TO US ALL. / THESE BARRIERS ARE THE LEGACY OF THE MISGUIDED NOTION THAT A NATION'S ECONOMY NEEDS PROTECTION IN ORDER TO THRIVE. THE GREAT ECONOMIC LESSON OF THIS CENTURY IS THAT PROTECTIONISM STIFLES PROGRESS -- AND FREE MARKETS BREED PROSPERITY. //

TO THIS END, WE'VE FORMULATED A THREE-POINT TRADE PLAN TO ENCOURAGE THE EMERGING TREND TOWARD FREE MARKET REFORM NOW GATHERING FORCE IN THE AMERICAS.

FIRST, AS WE ENTER THE FINAL MONTHS OF THE CURRENT URUGUAY ROUND OF THE WORLD TRADE TALKS, I PLEDGE CLOSE COOPERATION WITH THE NATIONS OF THIS HEMISPHERE. THE SUCCESSFUL COMPLETION OF THE URUGUAY ROUND REMAINS THE MOST EFFECTIVE WAY OF PROMOTING LONG-TERM TRADE GROWTH IN LATIN AMERICA -- AND THE INCREASED INTEGRATION OF LATIN NATIONS INTO THE GLOBAL TRADING SYSTEM.

OUR AIM IN THE URUGUAY ROUND IS FREE AND FAIR TRADE. THROUGH THESE TALKS, WE ARE SEEKING TO STRENGTHEN EXISTING TRADE RULES, AND TO EXPAND THEM TO AREAS THAT DO NOT NOW HAVE AGREED RULES OF FAIR PLAY. AND TO SHOW OUR COMMITMENT TO OUR NEIGHBORS IN LATIN AMERICA AND THE CARIBBEAN, WE WILL SEEK DEEPER TARIFF REDUCTIONS IN THE ROUND ON PRODUCTS OF SPECIAL INTEREST TO THEM. //

SECOND, WE MUST BUILD ON THE TREND WE SEE TOWARD FREE MARKETS -- AND MAKE OUR ULTIMATE AIM A FREE TRADE SYSTEM THAT LINKS ALL OF THE AMERICAS -- NORTH, CENTRAL AND SOUTH. // WE LOOK FORWARD TO THE DAY WHEN NOT ONLY ARE THE AMERICAS THE FIRST FULLY FREE DEMOCRATIC HEMISPHERE -- BUT WHEN ALL ARE EQUAL PARTNERS IN A FREE TRADE ZONE STRETCHING FROM THE PORT OF ANCHORAGE TO TIERRA DEL FUEGO. /

I AM ANNOUNCING TODAY THAT THE U.S. STANDS READY TO ENTER INTO FREE TRADE AGREEMENTS WITH OTHER MARKETS IN LATIN AMERICA AND THE CARIBBEAN -- PARTICULARLY WITH GROUPS OF COUNTRIES THAT HAVE ASSOCIATED FOR PURPOSES OF TRADE LIBERALIZATION. AND THE FIRST STEP IN THIS PROCESS IS A FREE TRADE AGREEMENT WITH MEXICO. //

WE MUST ALL RECOGNIZE THAT WE WON'T BRING DOWN BARRIERS TO FREE TRADE OVERNIGHT. CHANGES SO FAR-REACHING MAY TAKE YEARS OF PREPARATION AND TOUGH NEGOTIATIONS. BUT THE PAYOFF -- IN TERMS OF MUTUAL PROSPERITY -- IS WORTH EVERY EFFORT. / NOW IS THE TIME TO MAKE A COMPREHENSIVE FREE TRADE ZONE FOR THE AMERICAS OUR LONG-TERM GOAL. //

THIRD, I UNDERSTAND THAT SOME COUNTRIES AREN'T YET READY TO TAKE THAT DRAMATIC STEP TO A FULL FREE TRADE AGREEMENT. THAT'S WHY WE'RE PREPARED TO NEGOTIATE WITH ANY INTERESTED NATION IN THE REGION BILATERAL FRAMEWORK AGREEMENTS TO OPEN MARKETS AND DEVELOP CLOSER TRADE TIES. //

SUCH AGREEMENTS ALREADY EXIST WITH MEXICO AND BOLIVIA. FRAMEWORK AGREEMENTS WILL ENABLE US TO MOVE FORWARD ON A STEP-BY-STEP BASIS TO ELIMINATE COUNTER-PRODUCTIVE BARRIERS TO TRADE -- AND TOWARDS OUR ULTIMATE GOAL OF FREE TRADE. // THAT'S A PRESCRIPTION FOR GREATER GROWTH AND A HIGHER STANDARD OF LIVING IN LATIN AMERICA -- AND RIGHT HERE AT HOME, NEW MARKETS FOR AMERICAN PRODUCTS, AND MORE JOBS FOR AMERICAN WORKERS. ///

PROMOTING FREE TRADE IS JUST ONE OF THREE KEY ELEMENTS IN OUR NEW ENTERPRISE FOR THE AMERICAS INITIATIVE. OUR SECOND PILLAR IS INCREASED INVESTMENT.

THE COMPETITION FOR CAPITAL TODAY IS FIERCE. THE KEY TO INCREASED INVESTMENT IS TO BE COMPETITIVE -- TO TURN AROUND THE CONDITIONS THAT HAVE DISCOURAGED BOTH FOREIGN AND DOMESTIC INVESTMENT. / REDUCE THE REGULATORY BURDEN -- CLEAR AWAY THE THICKET OF BUREAUCRATIC BARRIERS THAT CHOKE OFF LATIN AMERICA'S ASPIRING ENTREPRENEURS. IN ONE LARGE LATIN CITY, FOR INSTANCE, IT TAKES ALMOST 300 DAYS TO CUT THROUGH THE RED TAPE TO OPEN A SMALL GARMENT SHOP. IN ANOTHER COUNTRY, THE AVERAGE OVERSEAS CALLER HAS TO MAKE FIVE PHONE CALLS TO GET THROUGH -- AND THE WAIT FOR A NEW TELEPHONE LINE CAN BE AS LONG AS FIVE YEARS. / THAT'S GOT TO CHANGE. / INVESTMENT REFORM IS ESSENTIAL -- TO MAKE IT EASIER TO START NEW BUSINESS VENTURES -- AND MAKE IT POSSIBLE FOR INTERNATIONAL INVESTORS TO PARTICIPATE AND PROFIT IN LATIN AMERICAN MARKETS. //

IN ORDER TO CREATE INCENTIVES FOR INVESTMENT REFORM, THE U.S. IS PREPARED TO TAKE THE FOLLOWING STEPS:

FIRST, THE U.S. WILL WORK WITH THE INTER-AMERICAN DEVELOPMENT BANK TO CREATE A NEW LENDING PROGRAM FOR NATIONS THAT TAKE SIGNIFICANT STEPS TO REMOVE IMPEDIMENTS TO INTERNATIONAL INVESTMENT. THE WORLD BANK COULD ALSO CONTRIBUTE TO THIS EFFORT. SECOND, WE PROPOSE THE CREATION OF A NEW INVESTMENT FUND FOR THE AMERICAS. THIS FUND, ADMINISTERED BY THE IDB, COULD PROVIDE UP TO \$300 MILLION DOLLARS A YEAR IN GRANTS IN RESPONSE TO MARKET-ORIENTED INVESTMENT REFORMS AND PROGRESS IN PRIVATIZATION. THE U.S. INTENDS TO CONTRIBUTE \$100 MILLION TO THE FUND -- AND WE WILL SEEK MATCHING CONTRIBUTIONS FROM EUROPE AND JAPAN. //

BUT IN ORDER TO CREATE AN ATTRACTIVE CLIMATE FOR NEW INVESTMENT -- WE MUST BUILD ON OUR SUCCESSFUL EFFORTS TO EASE THE DEBT BURDEN -- THE THIRD PILLAR OF OUR NEW ENTERPRISE FOR THE AMERICAS INITIATIVE. //

MANY NATIONS HAVE ALREADY UNDERTAKEN PAINFUL ECONOMIC REFORMS FOR THE SAKE OF FUTURE GROWTH -- BUT THE INVESTMENT CLIMATE REMAINS CLOUDED BY THE HEAVY BURDEN OF DEBT. UNDER THE BRADY PLAN, WE ARE MAKING SIGNIFICANT PROGRESS. THE AGREEMENTS REACHED WITH MEXICO, COSTA RICA AND VENEZUELA ARE ALREADY HAVING A POSITIVE IMPACT ON INVESTMENT IN THOSE COUNTRIES. MEXICO -- TO TAKE JUST ONE EXAMPLE -- HAS ALREADY SEEN A REVERSAL OF THE DESTRUCTIVE CAPITAL FLIGHT THAT DRAINS SO MANY LATIN AMERICAN NATIONS OF PRECIOUS INVESTMENT RESOURCES. // THAT'S CRITICAL: IF WE RESTORE CONFIDENCE -- CAPITAL WILL FOLLOW. //

AS ONE MEANS OF EXPANDING OUR DEBT STRATEGY, WE PROPOSE THAT THE IDB ADD ITS EFFORTS AND RESOURCES TO THOSE OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK TO SUPPORT COMMERCIAL BANK DEBT REDUCTION IN LATIN AMERICA AND THE CARIBBEAN. AND -- AS IN THE CASE OF WORLD BANK AND IMF -- IDB FUNDS SHOULD BE DIRECTLY LINKED TO ECONOMIC REFORM. //

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