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• George Bush

Remarks Announcing the Enterprise for the Americas Initiative

June 27, 1990

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 Alan Greenspan, Chairman of the Federal Reserve Board, here and then an old friend, Barber Conable, of the World Bank, and Richard Erb, from the IMF. And Ricky Iglesias, an old friend of the Bushes, and we welcome him, of the IDB, and so many leading lights in the business and financial communities. To all of you, then, a welcome.

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

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

For the United States, these are welcome developments, developments that we're eager to support. But we recognize that each nation in the region must make its own choices. There is no 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 [Colombia] with heads of the three Andean nations, and I came away from that meeting convinced that the U.S. must review its approach not only to that region but to Latin America and the Caribbean as a whole. And I asked Treasury Secretary Brady to lead a review of U.S. economic policy towards this vital region, to make a fresh assessment, if you will, of the problems and opportunities we'll encounter in the decade ahead. And that review is now complete, and the results are in, and the need for new economic initiatives is clear and compelling.

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

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

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

First, as we enter the final months of the current Uruguay round of the world trade talks, I pledge close cooperation with the nations of this hemisphere. The successful completion of the Uruguay round remains the most effective way of promoting long-term trade

growth in Latin America and the increased integration of Latin nations into the overall global trading system. Our aim in the Uruguay round is free and fair trade, and through these talks we are seeking to strengthen existing trade rules and to expand them to areas that do not now have agreed rules of fairplay. And to show our commitment to our neighbors in Latin America and the Caribbean, we will seek deeper tariff reductions in this round on products of special interest to them.

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

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

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

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

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

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

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

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

And second, we propose the creation of a new investment fund for the Americas. This fund, administered by the IDB, could provide up to \$300 million a year in grants in response to market-oriented investment reforms in progress in 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 Caribbean's official debt to the United States for countries that adopt strong economic and investment reform programs with the support of international institutions.

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

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

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

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.

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