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# **The Bush Administration's Western Hemisphere Policy**

**By**

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[The following are remarks to the Council of the Americas, New York City, New York, January 8, 2004.]

## **The Bush Administration's Western Hemisphere Policy**

That Western Hemisphere Policy is a natural extension of President Bush's vision for the world and his Administration's strategy for achieving it. The President articulated that vision eloquently in a recent speech. At the 20th anniversary celebration of the National Endowment for Democracy last November 2003, the President recalled the fidelity of one of his predecessors, Ronald Reagan, to the principles of freedom. President Reagan believed that democracy, not communism, was on the right side of history. That was not a settled question when President Reagan made that assertion, but I think it is fair to say that it has stood up pretty well over time. President Reagan urged us to have the courage of our convictions, to champion the cause of democracy and freedom around the world. Many believed that to be a simple take on a complicated world that Central American campesinos and Eastern European workers cared little for and knew less about democracy. They were wrong. Those people broke the grip of the caudillos and the dictators, along with their henchmen the thugs and the central planners. And today, they are undeniably better off for it. As President Bush said:

Freedom honors and unleashes human creativity and creativity determines the strength and wealth of nations. Liberty is both the plan of Heaven for humanity, and the best hope for progress here on Earth.

Right here, in the Americas, that vision is being realized. In the 1980s, the people of the region struggled against tyranny, opted for democracy, and changed history. Today, the vast majority of Latin Americans and their Caribbean neighbors live under leaders of their own choosing. Fidel Castro is a tragic hold-out. That relentless democratic tide represents a quiet revolution. Americans can take considerable pride in the role we played in helping history along. Today, the region's elected leaders face a new challenge: making democracy work for the general welfare of their people.

Unless women and men from all walks of life have a stake in economic growth in Latin America and the Caribbean, the gap between rich and poor will widen, and genuine prosperity may prove illusive or unsustainable. We know the answer:

Democracy and the rule of law are essential to global development and trade, because they empower individuals to share the costs and the blessings of prosperity.

As the people of the Americas are free to exercise their essential political freedoms, they naturally will be able to claim their fair share of economic opportunity. In the long run, broad-based economic growth produces greater stability and sustainability.

## **Challenges: Strengthening Liberal Values and Institutions**

You know the challenges too well. Elected leaders in many countries are grappling with persistent political, economic, social, and, in some cases, ethnic problems. Several countries are confronting costly threats to security either in terms of narco-terrorism or violent crime that undermine the rule of law.

Current economic growth rates are inadequate to generate sufficient jobs for growing populations, let alone address chronic poverty. Corruption and inefficiency have stunted

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economic development and spawned disenchantment with the label free market reforms in many countries. All these factors have combined to stir popular dissatisfaction and, in some cases, violent outbursts, which relatively weak institutions of government are hard-pressed to control.

Although most elected leaders remain convinced that democracy and the free market must be part of any sustainable plan for development, many of their people are weary of waiting for their lives to get better and for their futures to get brighter. Soaring rhetoric is not going to meet their down-to-earth demands for concrete action and tangible results.

### **An Agenda for the Americas**

In April of 2001, the democratically elected leaders of the hemisphere gathered in Quebec City for the Third Summit of the Americas. At that meeting, the leaders committed themselves and their countries to pursuing an agenda for all the people of the Americas. As stated in the Declaration of Quebec City, it is an agenda to strengthen representative democracy, promote good governance and protect human rights and fundamental freedoms. We seek to create greater prosperity and expand economic opportunities while fostering social justice and the realization of human potential.

Recognizing the urgent needs of many of our citizens, President Bush and his fellow leaders of the Americas have agreed to meet in Monterrey, Mexico, January 12-13, to reinvigorate our agenda and set some practical short-term goals that will improve the daily lives of people in the Americas and strengthen our relationships.

This Special Summit will focus our efforts in three areas: stimulating economic growth and reducing poverty; promoting good governance and fighting corruption; and investing in our people to improve their quality of life and provide them the tools they require for success in today's economy.

### **Economic Growth and Reducing Poverty**

Our agenda for promoting growth and reducing poverty includes practical steps that have a proven record of success: protecting property rights; lowering barriers to remittances and increasing access to financial services; and making it easier to start and expand a small business.

In each of these critical areas, Latin America and the Caribbean lag behind not just developed economies but behind the world's other emerging markets. We simply have to do better to ensure our competitiveness and to create jobs for our people.

### **Strengthening and Enforcing Property Rights**

An effective property rights system, one that provides for enforceable, efficient, and equitable rights to property, is the foundation of modern market economies. It allows people to accumulate wealth in their homes and other real property and to capitalize on those assets in pursuit of economic opportunity. But in many Latin American countries, the property rights system hinders, rather than enables, economic progress.

In too many countries (e.g. Guatemala, Trinidad, and Honduras), close to 50 percent or more of all property is not even recorded in the formal system. Records that are kept often do not reflect actual ownership. Costs for accessing and modifying records are prohibitively high. Many countries systems of property laws are ad hoc, antiquated, and inconsistent.

At the Santiago Summit in 1998, we agreed to reform registries and make property titling more accessible. At the Quebec Summit three years later, we recognized that further progress required countries to make a greater effort, but little has been done since then.

The best leg up out of poverty is property, not a program. Reforming laws and regulations so that registered property can serve as collateral is an essential and urgent task. In Monterrey, we

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will encourage all of our neighbors to commit to making these necessary reforms by a date certain so that our people can put their property to work for them.

### **Remittances**

Remittances from citizens working abroad are a vital source of capital for many countries, not to mention sustenance for many families in the region. According to a report released November 24, 2003 by the Pew Hispanic Center, remittances from the United States to Latin America and the Caribbean will amount to approximately \$30 billion this year.

Remittances to Latin America are expected to surpass foreign direct investment flows, making them the largest flow of capital into the region. For six countries in Latin America, remittances account for more than 10 percent of their gross domestic product. It is also noteworthy that a disproportionate amount of these remitted earnings go to women and to rural areas. More than two-thirds, or \$25 billion, come from the United States. Until recently, remittances have received little attention. The market in the transmission of remittances is inefficient and uncompetitive. Senders pay high fees, on average 12.5 percent of the remittance. Furthermore, many recipients have limited or no access to financial institutions that could allow them to use these funds for future expenses, such as education or the purchase of a home.

Concerted efforts by Mexico and the United States have produced dramatic results in terms of lowering costs and enhancing access to financial services. The cost of sending remittances from the United States to Mexico has fallen by over 30 percent annually in recent years, remittance flows have grown at a rate of 10 percent annually, and thousands of people have opened a bank account for the first time.

We must commit to extending the best practices and proven strategies for lowering the cost of remittance and increasing access to financial services to the rest of the Hemisphere. We can do this by encouraging private sector competition and creating a regulatory environment that facilitates these transactions.

### **Removing Roadblocks to Starting a Business**

Another chronic problem in Latin America is job creation. In the United States and in other countries around the hemisphere, small and medium sized enterprises account for the majority of new jobs created every year. Approximately 80 percent of all businesses in Latin America are small and medium-sized enterprises (SMEs), employing approximately 57 percent of the workforce in the region (130 million people out of 227 million workers). These firms are a key to addressing chronic poverty and unemployment in the region.

Yet entrepreneurs wishing to start or expand businesses in Latin America face some of the most daunting obstacles in the world. According to a World Bank study, it takes longer to start a business in Latin America than in Sub-Saharan Africa. In Brazil, it takes an average of three months; in the United States, about three days. Costs to start a business can consume up to three times the average annual per capita income. In the United States, the cost is generally less than 1 percent.

Costly and complex procedures discourage foreign direct investment, provide opportunities for corruption, and drive small businesses into the informal sector, where they have less access to credit, do not pay taxes, and are not subject to public regulation. At the Special Summit of the Americas, we hope presidents will commit to concrete measures to unleash this entrepreneurial spirit.

### **Increasing Access to Capital to Small and Medium-sized Enterprises**

Getting a business started is just the beginning of an entrepreneur's problems. Latin American entrepreneurs cite lack of access to credit as the largest single obstacle to expanding

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their businesses. Domestic credit extended to the private sector in Latin America is less than half the average rate in other emerging markets, amounting to 24 percent of gross domestic product in 2001, compared to an average of 52 percent for other emerging market regions.

It is time for us to make the reforms that will allow our people to control their own economic destiny and contribute to greater prosperity of their neighborhoods, nations, and the region as a whole.

### **Free Trade**

The four steps listed below will promote economic growth and reduce poverty, especially if they are enacted in the context of the *Free Trade Area of the Americas* (FTAA).

- Strengthening and enforcing property rights;
- Lowering barriers to remitted earnings and increasing access to financial services;
- Removing obstacles to starting a small business; and;
- Increasing access to capital for small business owners.

World Bank studies have documented that developing countries that trade freely increase their gross domestic product and reduce poverty faster than developing countries that do not faster even than developed countries, such as the United States.

We remain committed to the *Free Trade Area of the Americas* process. We are moving forward with *Central American Free Trade Agreement*. On November 18, the US Trade Representative formally notified Congress of our intent to initiate negotiations for a Free Trade Agreement with Colombia, Peru, Ecuador, and Bolivia in 2004. We will also pursue trade accords with the Dominican Republic and Panama.

These new agreements will build on the historic success of *North America Free Trade Agreement*. Trade represents the best opportunity for the countries in this hemisphere to attract the capital that they need to create jobs and sustain a level of economic growth that will support necessary public investments in education, health, and infrastructure that are essential to the quality of life.

### **Promoting Good Governance and Fighting Corruption**

The second initiative on our agenda that I would like to talk to you about is promoting good governance and fighting corruption. Corruption remains a major issue in the region. In a Latinobarometro survey, 80 percent of Latin Americans in 2002 cited corruption as a significant problem. Only 25 percent of respondents expressed confidence in their government or judiciary, the lowest level in six years.

The World Bank has identified corruption as the single greatest obstacle to economic and social development in the world, reducing a country's growth rate by 0.5 percent to 1 percent per year and driving away investment.

The Quebec Summit Plan of Action committed us to practice good governance and combat corruption. As the first region to bring into force a comprehensive anti-corruption instrument, the Americas have made progress relative to other regions, but the cost of corruption is too high to be complacent. Governments in the region must follow through on their pledges in the Inter-American Convention Against Corruption. We must deny safe haven to fugitive corrupt officials and their assets. The United States is doing its part. Federal law makes it a felony for a US citizen to bribe a foreign public official. The Bush Administration has also begun to revoke the visas of foreign officials whom we believe to be corrupt to preclude the possibility of flight to the United States.

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We are working with our partners in the region to improve their legal systems and their ability to prosecute white-collar criminals. With US support, new Criminal Procedures Codes passed into law in Honduras (1999), Colombia (2002), and the Dominican Republic (2002) are introducing profound changes into the justice systems of those countries, moving from them written inquisitorial to oral adversarial systems.

The passage of the *Criminal Procedures Code in Nicaragua* (2001) provides for prosecuting crimes not covered previously such as money laundering, narcotics trafficking and public corruption. A code that took effect in 2001 in El Salvador removes the executive branch's de facto immunity from civil prosecution. We urge all the governments of the region to make public transactions and financial management transparent to outside observers in order to eliminate corruption and avoid even the appearance of corruption. Furthermore, all corporations should recognize the value of ethical business practices and good corporate citizenship to economic development, the overall investment climate, and their own long-term interests.

### **Investing in Our People: Health**

Another of the priorities on President s Bush's agenda in Monterrey will be aiding the region's ailing healthcare system. HIV/AIDS is a major threat to public health in the region today and threatens to overwhelm an already overburdened and underfunded public health infrastructure. Approximately 2.9 million people in the hemisphere are infected with HIV/AIDS. The Caribbean is particularly affected, with the second-highest rate of HIV/AIDS transmission in the world, behind only Sub-Saharan Africa. Over a quarter of a million children in the islands have lost one or both of their parents to the disease.

President Bush's \$15 billion *Emergency Plan for AIDS Relief* will enable us to administer lifesaving anti-retroviral medicines to those afflicted by HIV/AIDS. Having these medicines will be the difference between life and death for many thousands of people. But as important as this relief is, it is not a complete solution. An integrated approach to fighting HIV/AIDS combines prevention, care and appropriate treatment.

Programs that have brought infection rates down begin with a strong emphasis on preventing transmission of HIV, especially among young people. In countries that have demonstrated success in controlling the epidemic, political leadership has been a crucial element. At the Special Summit, President Bush will strongly urge his fellow leaders to undertake comprehensive programs to stop the spread of this deadly disease.

### **Investing in Our People: Education**

In the same spirit, President Bush will go to Monterrey to commit along with his fellow leaders in the Americas to invest in education to improve the quality of life of our people and provide them the tools they require for success in today's global economy. Education is essential and, according to the Inter-American Development Bank, there is an impressive rate of return on our investment in education. On average, an economy obtains a nearly 18 percent rate of return on primary education and a nearly 13 percent rate of return on secondary education.

President Bush believes that a good education is the foundation for creating economic growth, social advancement, and democratic progress. At home, the President made education a priority through his No Child Left Behind initiative. He shares this commitment to providing a quality education with many leaders in Latin America and the Caribbean who understand that education is critical to achieving hemispheric prosperity and security, in addition to addressing the needs of people, especially the poor.

We have our work cut out for us. Schools in Latin America and the Caribbean are simply not educating the young. The best school systems in the region fall in the bottom quartile of

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worldwide achievement tests. Although more students than ever are enrolled in school, fewer are completing their studies. Almost half of the students who enter primary school fail to make it to the fifth grade and only about 30 percent finish secondary school, resulting in the highest repetition and dropout rates in the world. Experts estimate that as much as \$11 billion annually in education spending in Latin America is squandered due to high repetition and dropout rates.

Latin America's workforce averages less than six years of schooling, two years below most of the region's developing country competitors. In the 1990s, the average years of school of Latin America's workforce grew at a rate well below the world average and other developing countries, resulting in the region falling further behind.

A story in the *Washington Post* recently pointed out that, a generation ago, Mexico and South Korea ranked near the bottom in academic achievement among the thirty nations of the Organization for Economic Cooperation and Development. Today, among people age twenty-five to thirty-four, Mexico ranks last in the same Organization for Economic Cooperation and Development studies, while South Korea has risen to No. 1. South Korea's highly skilled workers produce some of the world's most popular cars and electronics, but Mexico's workforce still relies largely on sweat.

Schools in Latin America traditionally have been a public monopoly, administered and financed by central governments. Parents and civic leaders have little say in how schools are run and little information regarding their progress. President Bush will urge his colleagues to require well-defined educational standards, regular testing, and education report cards to identify where those standards are not being met. These are simple but necessary measures that must be adopted to begin improving the education in the Americas.

### **The Results Summit**

Later this week, the region's foreign ministers will gather in Monterrey to complete the negotiations on a declaration that will be issued by our presidents. Our aim is to produce a list of commitments to achieve concrete results by specific dates. To be sure, we will spend some of our time trying to improve on the soaring rhetoric of the past. But my hope is that we will spend less time and energy wrestling with one another on the diagnosis of our problems and focus, instead, on practical measures to help solve them.

In the years after this summit, after all is said and done, it is more important what is done than said. Very few of the 800 million people of this hemisphere are going to read the Declaration of Nuevo Leon. However, if we work to deliver the practical commitments I have just discussed, our peoples daily lives will be much better and their futures much brighter.

### **The Millennium Challenge Account**

The commitment of all the hemisphere's leaders to invest in the health and education of all the people of the Americas and make necessary reforms in markets and government will be critical to the future of the United States and the region. President Bush recognized that fact when he announced the Millennium Challenge Account initiative. If fully funded by Congress, Millennium Challenge Account will increase our core development assistance by 50 percent, resulting in a \$5 billion annual increase over current levels by fiscal year 2006 and beyond. Those monies will be directed to those countries that govern justly and honestly, uphold the rule of law, fight corruption, invest in their people, and promote economic freedom.

Unlike traditional assistance programs, Millennium Challenge Account will provide an incentive for other countries to invest in their people so that they have the resources and opportunities, such as education, adequate healthcare and nutrition, and equality before the law, to improve their own quality of life and contribute to the greater good.

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## **Conclusion**

With the Millennium Challenge Account and the Free Trade Area of the Americas, the reforms and investments called for in this agenda for the Special Summit offer a tried and true method for making real economic, political, and social progress in the Americas. It is in the best interests of the United States and all of the people of the Americas that we grow and prosper together in peace and freedom. All that is required is that we summon the collective will to do it.