



EXPANDING PROSPERITY THROUGH TRADE AND GROWTH

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Under Secretary of State for Economic, Business and Agricultural Affairs;
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Thank you, Ambassador Boeker, for inviting me to participate in such a distinguished panel. My friend Ambassador Barbosa is an accomplished diplomat representing a great nation. Professor Patricio Meller Bock is an accomplished expert on the benefits of trade. I am honored to join them. We are here to explore how trade and growth can help us build a stronger, more prosperous, and more democratic Hemisphere. I will suggest seven reasons why this is a moment of unique opportunity to make progress on that agenda.

First, this is a moment of unique opportunity because the stake of the United States in the Hemisphere has never been higher. Last year, two-way trade of the United States with the nations of this Hemisphere amounted to \$786 billion or 39% of our total trade. This region has been our fastest growing market for the last decade.

At least as importantly, our cultural and familial links with the region are profound and are becoming even more so. The recent census confirms that Americans increasingly have strong Latin and Caribbean roots. And Americans are traveling to Latin America more than ever before. Our peoples are connected by vices as well as by virtues. Illegal drug use here in the United States has joined forces with illicit production and trafficking cartels abroad. Societies at both ends of this sinister trade are threatened. Governments at both ends must cooperate to promote legitimate trade, which will make it easier to suppress illegitimate trade.

Second, this is a moment of unique opportunity because a new U.S. President is giving unprecedented attention to the Hemisphere. President Bush made his first foreign trip as President to Mexico, where he met with President Fox. During the past 2 months, the President has met with Prime Minister Chretien of Canada, President Pastrana of Colombia, and President Flores of El Salvador. In the next several weeks he will meet with President Lagos of Chile, President de la Rúa of Argentina, and President Cardoso of Brazil. His first major international event is the Summit of the Americas in Quebec.

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The message is clear. This Hemisphere is at the top of the President's foreign policy agenda. He knows that the destiny of the United States cannot be separated from that of our neighbors in Canada, Latin America, and the Caribbean - and he will act accordingly.

Third, this is a moment of unique opportunity because the Hemisphere is ready to embrace freedom and democracy. Democratic forces and institutions are gaining ground in the Hemisphere. The Quebec Summit will set a new foundation for freedom. Strengthening democratic institutions is one of the three principal themes of the Summit. Leaders will back it up by endorsing cooperative activities on elections, health, education, the environment, labor, and combating corruption.

Leaders will reaffirm the fundamental principal that the Summit process is a sacred enterprise undertaken by free societies and democratically elected leaders. Dictatorships and dictators have no place in the Summit process.

Fourth, this is a moment of unique opportunity because the economies of the Hemisphere are ready to shift from stabilization to rapid growth. The 1990s brought a welcome recovery from the economic troubles of the "lost decade." But the achievements of the past decade, important as they have been, did not create enough economic horsepower to rapidly reduce poverty and income inequality.

During the 1990s, the average economic growth rate was 3.3%. That was respectable, but it is not good enough, in my view, to meet the needs or satisfy the aspirations of our people. We have to aim higher. To achieve higher growth, there must be reforms that unleash the wealth-producing capabilities of our people.

Clearly, we cannot, of course, relax sound budget and monetary policies. Rather, we must use this foundation of solid macroeconomic policies as a springboard for deeper structural reforms. We are ready for a second generation reform targeted on privatization, deregulation, and competition that can stimulate productivity and raise the potential growth rates of our economies.

Fifth, this is a moment of unique opportunity because we are entering the crucial phase of negotiations on the Free Trade Agreement for the Americas (FTAA). Free trade is a powerful tool for stimulating growth and reducing poverty. The experience of Chile is one of the best examples. Chile's free trading policies have made it the fastest growing country in Latin America and one of the fastest-growing countries in the world. And at the same time Chile has cut its poverty rate in half during the last decade.

In many countries, trade policies do not fully support growth. Average tariffs in Latin America are on the order of 15%. When one country eliminates or drastically reduces tariffs and other trade barriers, it can stimulate its own trade and increase its own growth. When all of the countries of our region join in reducing such barriers, the spur to trade, efficiency, and growth reaches a crescendo. And that is what we are trying to accomplish through the FTAA.

In Quebec, Leaders will review the state of preparations of the FTAA. Negotiators have made great progress and are in a good position to move ahead rapidly. Leaders will want to consider how they can give energy and direction to this process.

Sixth, this is a moment of unique opportunity because the U.S. is rebuilding its domestic consensus on trade. Everyone loses when the U.S. does not play a leading role in promoting trade liberalization. The trading system then simply does not operate well because no other country is able to exert that leadership.

Trade Promotion Authority is important not only to facilitate U.S. leadership but also to assure achievement of vital economic goals here at home. Our economy will not achieve its highest potential, our children will not have the best possible jobs, and our seniors will not have retirements as secure as they deserve unless the President has the authority to negotiate fair treatment for our goods, services, investments and innovations. For some, Trade Promotion Authority raises strong concerns. But we can, must and will work through them this year.

Meanwhile, I have a suggestion for trade negotiators throughout the region. Make sure you have secured from your own government the political mandate you need. Don't worry about the United States. We'll be back at the negotiating table this year with Trade Promotion Authority in hand.

Seventh, this is a moment of unique opportunity because there is an unprecedentedly large global pool of capital ready to be invested in the region. Between 1990 and 1998, global flows of cross-border equity investment (that is, portfolio and foreign direct investment) more than quadrupled, growing from \$460 billion to \$1.6 trillion annually. Foreign direct investment flows to developing countries grew six-fold, from \$32 billion to \$180 billion annually.

Starting from a low base following the debt crises of the 1980s, the Hemisphere as a whole attracted a respectable share of this dramatic increase in global equity investment. Within the region, however, the distribution of the inflows was uneven. Excluding the U.S., which is the world's leading destination for foreign direct investment, more than 60% of foreign direct investment flows to the region in 1998 went to just two countries: Brazil and Mexico.

Foreign investments create jobs, spur innovation, and stimulate growth. We know. The U.S. is the world's largest recipient of inward foreign direct investment, and proud of it.

The FTAA should help ensure that foreign investment in the Hemisphere continues and grows. By creating larger markets for the goods and services produced in the region, it should also make all of the countries of the Hemisphere, not just the big ones, more able to attract and hold on to new investment.

Ladies and gentleman, the moment is unique and the opportunities are great, but they must be seized. Otherwise, it will be a lost moment, and they will be missed opportunities. Today's conference should remind us all how important it is that Quebec (Canada) lay a hemispheric foundation for free trade and free people.

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