



## Launching an "Opportunity Partnership" in the Americas

Roger F. Noriega

Colaboraciones n° 770

January 26, 2006

*The United States has gone around the world seeking to address challenges to our security and prosperity, but a significant opportunity is readily available closer to home. Helping this country's fastest growing trade partners and top energy suppliers right here in the Western hemisphere achieve and institutionalize open, competitive economies will produce a century's worth of prosperity for the United States and its natural partners. Like-minded governments in the Americas should work together to launch an "Opportunity Partnership" that would sustain a reform agenda and alleviate the region's chronic poverty by empowering the poor both economically and politically.*

After the smoke cleared over the controversies at the Summit of the Americas in Mar del Plata, Argentina, the real importance of the meeting became evident. The region's leaders reaffirmed their commitment to free trade and a reform agenda aimed at fighting pov-

erty through economic growth and democracy. Most governments remain committed to market principles and the policies needed to build modern, competitive economies. But no one should be content with the current pace of growth or take it for granted that responsible, friendly governments will thrive on their own. U.S. leadership must help to deepen, broaden, and hasten economic growth close to home, but more needs to be done by the countries themselves. The Bush administration must urge its friends in the Americas to join in a bold initiative to provide an Opportunity Partnership to their people.

An Opportunity Partnership would reward countries in the Americas that open their economies and govern democratically with substantial material and political support and access to the benefits of free trade and investment. This new Partnership, which could be launched by

like-minded governments at the upcoming June 2006 General Assembly of the Organization of American States (OAS), would stress the central task of helping people lift themselves out of poverty through economic and political empowerment.

**Launching an “Opportunity Partnership” in the Americas**

An “Opportunity Partnership” would reward countries in the Americas that open their economies and govern democratically with political and material support, trade, and investment. This new partnership, which could be launched by like-minded governments at the upcoming June 2006 General Assembly of the Organization of American States (OAS), would stress the central task of helping people lift themselves out of poverty through economic and political empowerment.

**To join the Partnership, governments must:**

- be absolutely democratic, complying with the Inter-American Democratic Charter;
- respect the rule of the law and fight corruption;
- fight poverty by adopting free-market principles and trade liberalization; and,
- provide their poorest citizens essential self-help tools, such as education and health.

**Benefits of the Partnership would include:**

- being attractive to private capital;
- access to a \$20 billion “Americas Solidarity Fund,” managed by the Inter-American Development Bank, for transparent infrastructure investments;
- eligibility to compete for U.S. Millennium Challenge Account and a \$1 billion “Americas Fund” to generate private sector investment in participating countries; and,
- a seat at renewed regional trade talks.

The Partnership would be administered by the OAS, which would evaluate compliance with the foregoing preconditions and provide technical assistance to aid their progress.

Building such a partnership means challenging governments to stay on the reform track and rewarding those that do. These ends are fairly

conventional. The means for pursuing them must be far more creative, taking into account that reform-fatigue and an anti-American campaign in the region have made the task harder than ever.

### **A Free-Market Consensus**

The media coverage of Mar del Plata focused on a debate about whether to immediately renew negotiations for a Free Trade Area of the Americas (FTAA) or to wait for the World Trade Organization (WTO) talks to produce a deal eliminating farm subsidies. President George W. Bush did not go to the summit to impose a free-market agenda on his neighbors, as critics asserted. On the contrary, it was a handful of FTAA opponents who overplayed their hand and provoked a showdown. Abetted by summit host Argentina, Venezuelan president Hugo Chávez sought to exploit narrow differences over timing to “bury the FTAA” and boost his leftist agenda.

After a rare and revealing seven-hour presidential-level debate, the leaders agreed to instruct negotiators to resume FTAA talks in 2006, with concerns on agricultural subsidies duly noted. Indeed, in a statement in favor of progress in the WTO talks, the leaders quoted President Bush’s September 14 speech before the UN calling for progress against distortions in agricultural trade. Contrary to the summit coverage in the U.S. press, Bush’s agenda was in the mainstream at Mar del Plata.

During the private presidential dialogue, not one of the thirty-three other leaders echoed Chávez's rant against free markets.[1] Instead, one after another explained why he remained committed to this agenda. Several confronted Chávez head-on. When Chávez began a soliloquy on poverty, Alejandro Toledo, the one-time shoeshine boy who is now the Stanford-educated president of Peru, interjected, saying, "Don't lecture me about what it means to be poor, Hugo." Toledo went on to describe why export markets are key to beating poverty in Peru.

Only after leaders from the larger countries left the hall did Chávez try to bully other delegations to scuttle the FTAA language. As Chávez cast about for allies, Guyanese president Bharrat Jagdeo, who received an economics degree from the Soviet-aligned Patrice Lumumba University in 1990, explained that guaranteeing access to markets through free trade accords is essential to small states that do not have oil or vast internal markets. "We are talking about survival, not ideology," Jagdeo told a frustrated Chávez.

Leaders of Central America, Mexico, Canada, Colombia, and Jamaica, among others, made eloquent statements in favor of the opportunities created by free-market policies. Panama's vice president Samuel Lewis showed remarkable resolve, sticking to pro-FTAA language with the belligerent President Chávez at his elbow.

Dominican president Leonel Fernández set the tone for the de-

bate by touting the progress made by governments pursuing a host of macroeconomic reforms that have largely tamed inflation and set the stage for sustained growth. While Fernández endorsed greater emphasis on social development to fight poverty, he asserted that returning to the policies that produced hyperinflation and boom-and-bust cycles is unthinkable today.

Thus a debate that has been misinterpreted by the media as divisive served a genuine purpose as leaders passionately defended their shared principles. As if to punctuate this consensus, President Luiz Inácio "Lula" da Silva hosted President Bush in Brazil just after the Mar del Plata meeting, and the two leaders issued a communiqué that "reaffirmed their commitment to the FTAA process." [2]

The plan of action approved by the leaders at the summit is a testament to the abiding commitment to a reform agenda.[3] It includes:

- twenty-three concrete measures that national governments agree to take to generate decent working conditions in the region;
- twenty measures intended to generate economic growth and raise incomes, including more coherent social and economic policymaking, investment in infrastructure, increased credit to the private sector (particularly small and medium enterprises), protec-

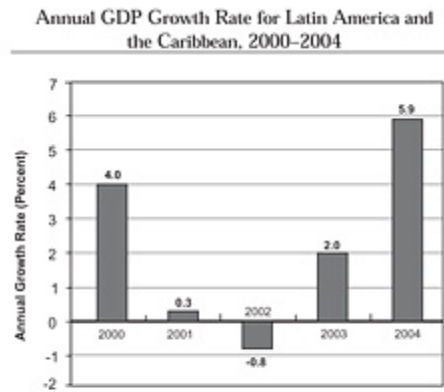
tions for private property, and smart energy policies;

- fifteen measures on social development, with special attention to health and infectious diseases, ambitious goals on the completion of primary and middle-school education, and a continuing dialogue to address the needs of indigenous people; and
- about ten measures on democratic governance, with commitments to support human rights, fight corruption, enhance the rule of law, and strengthen the capacity of the OAS to promote and defend representative democracy.

### U.S. Engagement

The Bush administration has a coherent strategy for engaging the Americas. Using trade and investment accords and promoting democracy, the rule of law, and multilateral cooperation, the United States has helped build a framework for a more secure and prosperous inter-American community. Economies are rebounding from flat growth at the beginning of this decade (see chart above), and Bush's personal diplomacy has solidified good relations with leaders from across the political spectrum. For more than a handful of countries in the last five years, U.S. intercession with international lenders has pulled faltering economies back from the brink. The United States contributes \$1.7 billion in assistance

to Latin America and the Caribbean. U.S. purchases from the region generate \$240 billion in income and are an engine for growth.



SOURCE: Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean, 2004-2005. (Santiago, Chile: ECLAC, 2005).

But, commerce is not altruistic, and virtually every cent the United States provides to countries in the region goes to help countries do things that the U.S. needs them to do, such as helping fight drugs or opening up their markets. To revitalize reform and rejuvenate a popular consensus behind the pro-market growth strategy, the time is ripe to present a framework for building an inter-American community that puts as much emphasis on the intangibles of optimism, hope, and a sense of solidarity as it does the bricks and mortar of policy. And while the United States cannot be expected to *buy* good will in the region, it is important that the American people understand that their own security and prosperity justify a more generous posture when it comes to aid and trade.

Although the United States cannot--indeed, should not--shoulder all of the responsibility for laying the

foundation for an Opportunity Partnership, it has an indispensable role to play both in terms of aid and trade policy.

For example, at a time when the United States is seeking to strengthen its friends against the anti-American onslaught fueled by the mischievous Chávez, trade accords with Colombia, Peru, Ecuador, and Panama are not merely beneficial economically--they are integral to U.S. efforts to strengthen political bonds with friendly states. President Bush has wisely refused to interfere with his trade negotiators, but the White House must signal that this is no time for dragging out negotiations to squeeze concessions from poor friends. Mercantile arrangements will do the United States no good in the long term if they come at the expense of political stability in the very countries it is trying to fortify.

As far as aid is concerned, President Bush's Millennium Challenge Account (MCA) program--which provides an incentive for basic reforms and fighting corruption--is based on sound logic. President Bush explained:

The MCA is based on clear principle: countries that seek our aid must demonstrate a record of performance. . . . Specifically, countries seeking MCA assistance have got to show results in three key areas. They must govern justly--that makes sense. They must invest in their people--that's a wise use of money. And they must encourage economic freedom.[4]

However, the MCA must be managed in a more flexible way to leverage contributions for other donors and to attack pockets of extreme poverty even in middle-income developing countries.

**The Millennium Challenge Account**

In March 2002 in Monterrey, Mexico, President Bush proposed the Millennium Challenge Account (MCA) to encourage greater contributions from developed nations and greater responsibility from developing nations. The MCA is managed by the Millennium Challenge Corporation (MCC), established along with the MCA by Congress in January 2004. The mission of both is to promote economic development while strengthening good governance, economic freedom, and investments in people. Of the fifteen Latin American countries that are eligible according to income requirements and other restrictions, two have compacts with the MCA, another two are eligible for them, and two more are considered threshold countries.

Compact Countries:  
Honduras (signed June 13, 2005)  
Nicaragua (signed July 14, 2005)

Eligible Countries (countries which have demonstrated their eligibility according to sixteen indicators assessed by third-party organizations):  
Bolivia  
El Salvador  
Honduras  
Nicaragua

Threshold Countries (have not qualified but have demonstrated a commitment to improving their performance):  
Guyana  
Paraguay

A first step toward reinvigorating and sharpening our strategy in the Americas is convincing U.S. taxpayers that an even more generous investment is needed. Indeed, failure to do so could erase decades of investment in the United States' neighborhood and natural market. An Opportunity Partnership would go beyond a bilateral approach to

engage a community of countries committed to recognizing and supporting one another's success.

U.S. engagement is vital, but for an Opportunity Partnership to flourish, it must be embraced at the outset by like-minded governments in the region. This Partnership could be launched by a meeting of willing partners at the time of the next OAS General Assembly in the Dominican Republic in June 2006. Only those that commit in advance to adhere to a concrete reform agenda to advance political and economic freedom will be welcome to attend this ad hoc session--no observers, no kibitzers, no naysayers.

Unfortunately, too many in the region--particularly those on the margins of society--have been convinced by those who know better that U.S. policy is about little more than exploiting its poor neighbors through unfair trade agreements. It is essential to correct this impression through a constructive new framework that stresses the central task of helping people lift themselves out of poverty by extending political power and economic opportunity to people from all walks of life. This sort of empowerment formula is much more revolutionary than the stale, statist rhetoric offered by U.S. critics.

By December 2006, a dozen countries will hold presidential elections in the region.[5] As people elect new leaders, there is no better time to renew a pro-reform agenda along with a host of incentives to encourage them to adopt this responsible

course and to reward voters for choosing wisely.

Finally, one need not overestimate Chávez's influence in the region--which is probably on the wane--but it makes no sense to underestimate the price he can exact by fishing in troubled waters.

### **Conditions for Partnership**

To be part of this Opportunity Partnership, participating governments must declare their commitment to cooperate with one another to create prosperity and to fight poverty and agree to be judged by one another on progress in the following areas:

- They must seek political stability and harmony by being fully democratic, respecting the "essential elements" laid out in the Inter-American Democratic Charter. Countries that hold free and fair elections are in; regimes that rig voting and mug their opponents are out.
- They must build more just societies by respecting the rule of the law and rooting out all forms of corruption, beginning with full compliance with the Inter-American Convention against Corruption. Those that fight drug mafias are in; those that tolerate contraband and dole out state-sponsored privileges to cronies are out.
- They must commit themselves to fight poverty by

adopting free-market principles and trade liberalization. Countries that drop tariffs are in; countries that squander their energy resources with backward energy policies are out.

- They must promote social development for all by consciously providing their poorest citizens with the tools they need to pull themselves out of poverty. Educational systems that measure results are in; welfare for the rich is out.

### **Benefits of Membership**

Of course, virtue is its own reward, and economies that adopt sound policies will attract billions more in private capital than could ever be mobilized from official development aid. But the Opportunity Partnership can provide critical inputs to poor countries or provinces that might otherwise be left behind.

Countries that comply fully with the above preconditions would be eligible to access a \$20 billion “Americas Solidarity Fund” created and managed by the Inter-American Development Bank.[6] The fund would support public-private infrastructure investments in eligible countries, provided that the transactions are absolutely transparent and judged by fund managers to be viable and sustainable. As relatively well-off countries in Latin America advance, they should become the Partnership’s *donors* rather than its recipients.

Following up on President Bush’s pledge to generate more capital in the region, the United States should create a \$1 billion “Americas Fund” through a combined effort of the Overseas Private Investment Corporation, the Export-Import Bank of the United States, and the Trade Development Administration to prime the pump of private sector investment in participating countries.

In addition, the U.S. Millennium Challenge Account should be fully funded to \$5 billion per year, as President Bush requested, with countries in the Americas eligible for funds provided that they match every dollar of the U.S. contribution with a dollar from their own national budgets, a dollar from international financial institution grants, and a dollar from donors from outside the hemisphere.

Countries that comply with the commitments above would be eligible to sit at the table to complete regional trade talks by the end of the 2006. Others will have the option of acceding to the agreement as they meet eligibility requirements.

### **Organizing the New Initiative**

The Opportunity Partnership might be organized and administered by a reinvigorated, adequately funded OAS. Countries must agree to contribute to a voluntary fund of \$50 million annually--above and beyond the current \$100 million budget of the OAS--to evaluate their compliance with the foregoing precondi-

tions and to provide technical assistance to aid their progress. Although some OAS member states may opt out of this initiative, it is important to recall that several OAS entities, such as the Inter-American Drug Abuse Control Commission, initially consisted of a subset of the organization's full membership.

Although the Partnership will not necessarily eclipse the OAS as a policy-making body, it could present a framework for pursuing common initiatives for free-market development. For example, it is absolutely essential that this Opportunity Partnership advance a regional dialogue regarding the effective use of energy resources for the benefit of partner countries and the region's poor.

### **Final Thoughts on the Region's Future**

As this new Opportunity Partnership evolves, the English-speaking Caribbean must not be left behind. The small island states will need particular attention to ensure that their economies are neither swamped by regional trade of larger states nor preyed upon by criminal elements testing what they see as weak links in our community of the Americas. The Caribbean governments are planning an international conference on the future of the region early in 2006, creating an opportunity to build support for the small island states that make up a maritime border for the United States. Canada, the United States, and Europe should think creatively about the economic and political plans of their Caribbean partners, with the objective of devising pro-

grams to help address the unique needs of the area.

Also, the transition in Cuba is already under way in the hearts and minds of a growing number of people willing to think about the future for themselves. As all of the Americas respond as a community to give their Cuban brothers and sisters a helping hand to join an Opportunity Partnership, we will be doing our neighborhood a world of good. However, the full participation of Cuba would naturally depend on a government there abiding by the essential elements of the Inter-American Democratic Charter.

To be sure, not every country in the Americas will want to be part of the Opportunity Partnership proposed here or follow through with these self-help measures. Clearly, for the time being, Cuba will continue to fall behind its neighbors as long as Castro's tyranny staggers on. Chávez will continue to wreak havoc on the Venezuelan economy and society until his people have had enough. Argentina's short-sighted leadership appears to be foreclosing options with reckless abandon. And, while one can hope that Bolivia's new leadership will adopt responsible policies, post-election comments by Evo Morales have not allayed doubts about the economic model he intends to adopt.

So be it. Countries that make bad decisions should be prepared to bear the responsibility for them. The rest of the hemisphere should not be expected to bribe countries to adopt

sound policies or to bail out those that do not. The vast majority of the hemisphere will welcome a sensible, constructive initiative such as the Opportunity Partnership, and that is more than worth the effort.

*Ambassador Roger F. Noriega is a visiting fellow at AEI. His firm Tew Cardenas, LLP, represents the governments of Panama and Ecuador, which are negotiating trade agreements with the United States.*

## Notes

1. Accounts of private dialogue are based on author's interviews with high-level officials from various countries.

2. George W. Bush and Luiz Inácio Lula da Silva, "Joint Statement on the Occasion of the Visit by President George W. Bush to Brazil," Office of the White House Press Secretary, November 6, 2005, available at <http://www.whitehouse.gov/news/releases/2005/11/20051106-2.html>.

3. Organization of American States, "Creating Jobs to Fight Poverty and Strengthen Democratic Governance," Plan of Action from the Fourth Summit of the Americas,

November 5, 2005, available at [http://www.summitamericas.org/Docu-ments%20for%20Argentina%20Summit%202005/IV%20Summit/Plan%20de%20Accion/PDF/Proyecto%20Plan%20Ac-cion%20ENG%20Nov\\_5%20IV%20Summit.pdf](http://www.summitamericas.org/Docu-ments%20for%20Argentina%20Summit%202005/IV%20Summit/Plan%20de%20Accion/PDF/Proyecto%20Plan%20Ac-cion%20ENG%20Nov_5%20IV%20Summit.pdf).

4. George W. Bush, "A President Attends Swearing-In of Millennium Challenge CEO," Office of the White House Press Secretary, December 20, 2005, available at <http://www.whitehouse.gov/news/releases/2005/12/20051220.html>.

5. These elections, listed chronologically, are in Honduras, Chile, Bolivia, Haiti, Costa Rica, Colombia, Peru, Mexico, Brazil, Ecuador, Nicaragua, and Venezuela.

6. Inter-American Development Bank president Luis Alberto Moreno cited IDB estimates of \$80 billion dollars a year to expand and upgrade infrastructure. See Luis Alberto Moreno, "Promoting Economic Opportunity in the Americas: IDB's Role," (remarks, American Enterprise Institute, Washington, D.C., December 13, 2005).

*Roger F. Noriega, asistente del Secretario de Estado para asuntos del hemisferio Oeste (Canada, Iberoamerica y Caribe) y Embajador americano en la Organización de los Estados Unidos en la administración Bush, Roger Noriega es colaborador en el programa del American Enterprise Institute en asuntos del hemisferio Oeste.*