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Globalization And Achieving Lasting Development by **Alan P. Larson** **Under Secretary of State for Economic, Business and Agricultural Affairs**

The World Bank and International Monetary Fund hold their annual meetings on October 2-3. As that gathering discusses globalization and development, I hope it will be with a clear recognition that it is private enterprise that is the basic engine to both.

The United States' approach to development reflects our nation's basic values, a generous heart combined with a hard-headed demand for results. We see private initiative from businesses and families as prime movers in any nation's advancement and welcome the fact that entrepreneurship, personal responsibility and property rights are taking their rightful place in the venerable body of development ideals. As the UN's recent report "Unleashing Entrepreneurship " makes clear, private sector resources can make powerful contributions to development.

Take remittances – the hard-earned money that foreign workers send back to their families in developing countries. These amount to roughly \$90 billion annually. Beyond helping families put food on their tables, this money goes a long way toward helping everyday people build houses, start businesses, and even hire workers.

Another example is foreign direct investment, a flow that the Institute of International Finance forecast at \$225 billion this year. It is an especially powerful development tool because it spurs economic growth and development by transferring knowledge and technology, creating jobs, boosting productivity, enhancing competitiveness and stimulating entrepreneurship.

Domestic savings in the developing world is a far greater source of development finance, estimated at more than \$2 trillion a year. As countries put in place policies and institutions that encourage domestic investment, these savings can support rising income, productivity, and jobs.

And then there is trade. Time and again, trade has proven to be a powerful engine for progress in emerging economies. Time and again, countries that embrace trade find themselves moving onto a faster growth path and converging with the developed world. And also, time and again the United States has been at the center of the effort to promote free and unfettered trade. The U.S. is the top importer of goods from developing countries, importing \$680 billion last year -- more than 10 times greater than all ODA to developing countries from all donors.

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But there is still more work to be done. A World Bank study estimates that a successful conclusion of the Doha negotiations could lift more than 140 million people out of poverty and add \$350 billion annually to developing country incomes. The July Geneva WTO framework agreement presents a unique opportunity to move ahead on a final package that will open markets for trade – especially in agriculture – around the world. For this reason all institutions and governments must press ahead to a successful conclusion of the Doha round.

At the March 2002 UN Conference on Financing for Development in Monterrey, Mexico, world leaders recognized that the best hope for the developing world to achieve its potential is for each country to take primary responsibility for its own development. The Millennium Challenge Account or MCA, is the American response to this challenge. The MCA provides grants to countries that govern justly, invest in their people, and promote economic freedom to encourage all developing countries to adopt sound economic and social policies.

The MCA is a common sense idea that draws on lessons learned about development over the past 50 years. In its five months of operation, the MCA has selected 16 partner countries that are reaching out to their citizens and putting forward innovative ideas for how to overcome their greatest growth and development hurdles.

With strong bipartisan support, Congress authorized the Millennium Challenge Corporation (MCC) to administer the MCA and provided \$1 billion in initial funding for FY04. The President has requested \$2.5 billion for the MCA for the coming fiscal year. From 2006 on, the President intends to ask Congress to appropriate it \$5 billion annually – an amount that is in addition to an assistance budget that was already 50% above its 2001 level in 2003. MCA, combined with the President's HIV/AIDS initiative – committing \$15 billion over five years – and growth in our traditional development assistance budget puts us on track to increase our overall assistance levels in 2006 by 75%.

Debt reduction for the poorest countries is a priority of our development strategy. Under the enhanced Heavily Indebted Poor Countries (HIPC) initiative, 27 countries have had their debt burden reduced by two thirds –some \$32 billion in present value terms, enabling them to increase their spending on poverty reduction. Moreover, the United States goes beyond the generous parameters of this multilateral program and forgives 100 percent of the debt these countries owe us.

But despite all this progress, we recognize that some countries still face unsustainable debt burdens. That's why G-8 leaders at Sea Island this summer agreed to work toward extending the HIPC initiative for two more years and to consider other measures to help the poorest countries address their debt sustainability.

Eradicating poverty is an expression of our nation's deep humanitarian impulse. It reflects a recognition that our own well-being depends on the well-being of fellow human beings. Bringing all of the world's poor into an expanding circle of opportunity is vital to raising hope, improving peoples' lives, and creating a more secure, democratic, and prosperous world. Do this, and we will have made a lasting mark toward turning the corner on poverty.