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The Enterprise for the Americas Initiative: Description and Up-date October 1992

On 27 June 1990, President Bush unveiled his Enterprise for the Americas Initiative (EAI), a hemispheric program that he projected would establish a free-trade zone stretching from "Anchorage to Tierra del Fuego," expand investment and provide a measure of debt relief for countries in Latin America and the Caribbean. The EAI has three components: the negotiation of a number of anticipated free-trade agreements; an investment-sector loan program and a proposed five-year US$1.5 billion Multilateral Investment Fund (MIF) to be administered by the Inter-American Development Bank (IDB); and a program of conditional official-debt relief, in which the interest payments on the reduced debt would be paid in local currency and could be used to finance environmental projects in Latin America and the Caribbean.

The North American Free Trade Agreement (NAFTA) is the first of the projected free-trade accords. To date, every country in the Western Hemisphere except Cuba, Haiti and Suriname have signed "framework agreements" with the United States that establish Trade and Investment Councils in each country. These are designed to monitor commercial relations and to identify and remove any impediments to trade and investment flows as a prelude to the negotiation of free-trade agreements.

The accession clause (Article 2205) of the NAFTA specifies that other countries or groups of countries may join the NAFTA subject to the terms agreed on by the member countries and in accordance with domestic approval procedures in each country. It makes NAFTA the model for any future agreements. This would mean that future negotiations could proceed much more quickly than has the NAFTA. Chile is slated to be the next country to negotiate an FTA with the United States.

The investment-sector loan program, administered and financed by the IDB as part of its policy-based (sector-reform) lending, was designed to support the EAI's goals by extending financing for country reforms that encourage private investment. Such reform programs are prerequisites for bilateral debt reduction by the United States.

So far, four countries -- Chile, Bolivia, Jamaica and Colombia -- have received investment-sector credits totalling approximately $572 million, all in 1991. The program has been effectively suspended, however, until the IDB's next scheduled recapitalization in 1994, as the Bank has reached its ceiling on policy-based lending (25 percent of its total lending).

The Multilateral Investment Fund has yet to begin functioning and is unlikely to do so until January after a donors' project-selection committee is established at the IDB. So far, approximately $1.25 billion has been pledged by Japan and 20 North American and Latin American countries to the five-year, $1.5 billion IDB program proposed by Bush. The U.S. Congress has just authorized and appropriated $90 million of the $100 million requested by the Administration for the first year, which should prompt a $100 million contribution from Japan and set the establishment of the program in motion.

The MIF will grant assistance to improve the investment climate in the region through three windows: a Technical Assistance Facility; a Human Resources Facility; and an Enterprise Development Facility, to which a revolving-loan and equity-investment fund is attached.

The third EAI component, official-debt relief, links the forgiveness of PL480 and AID debt owed the United States (only two percent of total Latin American and Caribbean foreign debt) to the promulgation of structural adjustment and open-investment policies. Countries so qualifying for debt reduction are eligible to enter into Environmental Framework Agreements with the U.S. government, creating local environmental funds with payments, in local currency, of the interest on the remaining official debt. An Environment for the Americas Board, appointed by the President, manages the program.

In 1990, Congress gave the Administration authority to forgive up to $1.7 billion in PL480 loans. The Administration has since established debt-reduction programs with Chile and Bolivia and signed agreements with Jamaica, El Salvador and Costa Rica. Congress subsequently required that debt forgiveness be paralleled by a matching appropriation, slowing down the expansion of the program. In recent months Congress agreed to appropriate $40 million and $50 million for PL480 and AID debt relief, respectively, the latter primarily for Jamaica and El Salvador and both considerably less than the Administration's request.