

STATEMENT BY UNITED STATES OF AMERICA

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Statement by the Head of Delegation of the United States of America
Mr. Richard Terrell Miller
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Mr. President, Excellencies, Ladies and Gentlemen,

We are gathered in the great city of Sao Paulo this week to answer one question: how can we improve the lives of our citizens. What steps can we take here at UNCTAD XI that will increase economic security, create jobs, and raise incomes? What can we do to improve each individual's opportunity for a fuller, richer, and happier life?

Hundreds of millions of people in this world live in poverty, hunger and hopelessness. If we stand for anything at this conference, let us stand together in determination to change that fact.

The United States believes that the path to development lies in the energy, skills and resources of individuals and communities throughout the world. Development is not a gift that can be passed from the North to the South, or from the rich to the poor. It is a process which is successful when the daily lives of people are changed, and for the poorest, changed in dramatic and liberating ways.

We know the basic agents of positive change:

- Education and training--the accumulation of knowledge by individuals and the society as a whole.
- Human effort--the work of individuals to plant, grow, mine, build, transport and distribute.
- Capital accumulation--savings to invest in new ways to produce, the foundation of economic growth.

There are, of course, agents of negative change: war, disease, oppression, terrorism, crime, corruption, and natural disasters. Each of these, if left unchallenged, can be an insurmountable obstacle to development.

The first priority for governments, both individually and collectively, must be to do everything we can to fight these agents of negative change. The United States devotes huge resources to these challenges, literally hundreds of billions of dollars. Other countries, too, have to spend far too much of their resources overcoming negative, often man-made, challenges. How much better it would be for us all if the resources spent fighting evil could be devoted to positive investments and economic growth!

When we succeed in conquering these negative challenges, we create an environment in which development is possible. Then there is a chance through those positive agents for change--education, jobs, and investment-- to create the process we know as sustainable development.

Most would agree that education, at least primary education, is an important role of governments. We should do everything possible to ensure that no child is left behind, without the basic knowledge or skills to compete effectively and independently in society. The U.S. commitment to international educational efforts is best reflected by President Bush's decision to rejoin UNESCO. The initial U.S. contributions to UNESCO are being used to help educate children in countries emerging from conflict.

The other agents for positive change--jobs and investment--are, in the view of my government, best left primarily in the hands of the private sector.

For both job creation and investment, we know that the private sector is the most powerful engine of growth, with resources that dwarf those available to governments or the international community. This was the message of the UN Conference on Financing for Development, the Monterrey Consensus. It is also the message of the recent report of the UN's Commission on the Private Sector and Development, which estimates that as much as \$9.4 trillion of informal assets are available in developing countries. Why are these assets not contributing more to investment and growth? The same report provides an answer, pointing to formal rules, enforcement systems and cultural conditions in many countries that are so restrictive that most entrepreneurs cannot use their talents to better their lives.

When the United States was facing difficult economic conditions in the early 1980s, former President Ronald Reagan noted that government could not solve the problem because government was the problem. Sadly, government in many developing countries is part of the problem, not part of the solution. When we in the United States call for good governance, we are not calling for more governance. All too often, it is government actions, through arbitrary or complex regulations, excessive taxation, protectionist tariffs, or unsustainable monetary expansion, that stifle private initiative, confiscate profits or private resources, and drive people out of the formal economy. Finding the right balance between the rules and regulations necessary to ensure economic and legal certainty and stability, and the economic freedom necessary for innovation and growth, is the key question of development policy

The United States was founded on the still revolutionary idea that ultimate sovereignty rests with the people, not the government. We are a country whose citizens jealously guard their individual liberty and freedoms, both political and economic, from government encroachment. This belief in economic and political freedom underpins our success as a society, and is the vision we offer to the world.

The annual Index of Economic Freedom produced by the Heritage Foundation and the Wall Street Journal ranks countries according to the economic freedom they accord their

citizens. The Index demonstrates an unmistakable correlation between economic freedom and economic growth.

Let me be clear. Economic freedom does not mean an absence of government. You always need government to ensure the fair operation of markets, the protection of property rights, the enforcement of contracts, and a level playing field for competition. What we often see instead, however, particularly in countries that lack democratic institutions, are governments that use their power to enforce the privileges and wealth of ruling elites. Without revolutionary change that gives that power to the people, there is little prospect for sustainable, broad-based development.

Opening national economies to the disciplines and incentives of global markets through the great process of trade liberalization in which we are engaged is one way to give power back to the people. Entrenched special interests, who have used the power of national governments to protect themselves from competition, rightly fear liberalization. But for the masses, the dynamism of a truly free economy offers opportunities of which they have only dreamed in the past.

Last week, at Sea Island Georgia, the leaders of the G8 underscored that "we face a moment of strategic opportunity," and that "by combining an upturn in growth in various regions with a global reduction in barriers to trade, we can deepen, broaden, and extend this economic expansion." They went on to state that "Open markets and domestic reform go hand in hand, offering the best means to further integrate developing countries into the global economy."

Let us join together this week to set UNCTAD on a course that will promote democracy and economic freedom, that will open markets and encourage domestic reform. In doing so, we will bring hope and opportunity to millions.