

**Remarks by Deputy Secretary of the Treasury Samuel W. Bodman  
at the IDB conference on remittances**

Thank you for that kind introduction, and for the terrific work that you and your colleagues are doing here at the IDB.

I would also like to thank the staff of the IDB's Multilateral Investment Fund (MIF) for organizing today's conference and for inviting me to join you today.

As I hope you know, the Treasury Department has been very supportive of the MIF, not only for its work in the area of remittances, but also for its support of microfinance and providing grants for private sector development. Your work is encouraging the growth of a small business sector throughout Latin America and the Caribbean.

Reaching out to small businesses is central to the Bush Administration's economic growth agenda in the region. As in this country, we know that small businesses do and will provide the majority of the employment opportunities in Latin America. I would also argue that a growing and vibrant small business sector fosters entrepreneurship and innovation, strengthens local financial systems, and builds grass-roots support for improvements in the business climate and democratic ideals in developing nations.

In addition to its efforts to promote small business growth, the IDB continues to do important work in the area of remittances. We know that remittances are an integral part of the American immigrant experience. For generations, families have been sending money home around the world: to Ireland and Poland . . . the Philippines and India . . . and El Salvador and Mexico.

But this phenomenon, once hidden in plain view, is now bigger than ever. Technological advances in communication and data transfer - and a surge in labor mobility - have fueled enormous growth in remittances. Since 1995, annual remittances from the United States have nearly doubled. This dramatic growth is testimony to the hard work and commitment of workers from abroad seeking better lives for themselves and their families.

The IDB, and the MIF in particular, have made remittances part of the public discussion and policy consideration. This work has enabled us to better comprehend the impact remittances have on the United States as well as Latin America and the Caribbean.

The MIF has played a critical role in strengthening the delivery of financial services, and encouraging private sector entry into the remittance market. And the MIF continues its work in the field by improving the capacity of financial institutions that deliver these services and streamlining the remittance process. The result has been an increase in monetary flows to families in Latin America and increased productivity growth in the United States and in the region.

And this contribution goes well beyond the Americas. The pioneering work of the IDB and the MIF has created a model for global work on remittances, including current efforts through the APEC (Asian Pacific Economic Cooperation) process and by the G7 countries.

I thought I might spend a few minutes discussing our efforts in this area at the G7. In recognition of the importance of remittances around the world, the G7 is committed to facilitating remittance transfers and increasing options available to recipients to help them improve their own economic livelihood. This is a top priority issue for this year's G8 Summit to be held in Sea Island, Georgia, next month.

The G7 Global Remittance Initiative is focused on identifying and examining the barriers that impede the flow of remittances to the end-recipient. These obstacles include a lack of awareness

of, trust in, or access to financial institutions that offer remittance services, limited competition in the provision of remittance services, weak technological infrastructure, and excessive regulatory barriers that deter innovation and restrict entry into this market.

The goal here is two-fold: first, to increase overall awareness of the range of services that are available; and secondly, to foster more competition, which in turn will result in affordable and accessible remittance services. Much of what the G7 is planning to accomplish this year reflects research the MIF has sponsored on the remittance market, and I thank you for that important contribution.

We hope to see our cooperative work in this area continue. Just three weeks ago, Secretary Snow spoke to the Council of the Americas and reiterated U.S. support for facilitating access to remittances from workers in the United States to their families back home. To achieve this, we are committed to working with the MIF and its donor countries to achieve the Summit of the Americas goal of cutting in half the average cost of remittance transfers in the region by 2008. This goal -announced earlier this year - will generate more competition among the providers of these services . . . eliminate regulatory obstacles and other restrictive measures that increase costs . . . and encourage the use of new technologies while maintaining effective financial oversight.

The MIF has been a good partner in this effort: working to improve the collection and reporting of remittance data, encouraging the reduction of transaction costs, and identifying ways to "bank the unbanked."

The MIF has correctly focused on increasing the options senders and recipients have to save and spend their own money. This year, for example, I'm told the MIF will present two projects to help remittances sent to Mexico be used to finance housing. I think that is a very innovative example of the future directions we can take with remittances.

Remittances have become a significant force in the economies of Latin America and the Caribbean. In recent years these flows have been over five times the volume of Official Development Assistance.

I know you'll be hearing more details about remittances and their impact from Mr. Bendixen, but let me highlight a few findings of the MIF study.

This survey and report that you will discuss today presents detailed analysis of remittances from the United States, and provides particular insight into the new patterns of migration into this country.

According to the survey, remittances from the U.S. to Latin America and the Caribbean total about \$30 billion annually [2002 data]. While precise numbers are very difficult to obtain, based on what this survey has found, the total income of these immigrants living in the United States is estimated to be around \$450 billion.

This state-by-state analysis will assist policymakers here in the U.S. and around the world. As a former Deputy Secretary of Commerce, and now serving at the Treasury Department, I can tell you that we have an interest in these analyses throughout the U.S. government. These data highlight important and significant impacts on the U.S. economy, as well as on Latin American and Caribbean economies.

All of us have an interest in learning more about this under-studied area. This report deserves to be read and discussed, and we look forward to continue working with the Bank and the MIF.

Again, I'm happy to be here. Thank you.