

Fact Sheet: Presidential Action on Lowering the Cost of Remittances

(White House cites U.S. initiatives to reduce money-transfer costs) (940)

While President Bush joined his hemispheric colleagues at the Special Summit of the Americas, held January 12-13 in Monterrey, Mexico, the White House issued a fact sheet outlining the Bush administration's efforts to help reduce the cost of remittances, which play a vital role in the economic life of the Western Hemisphere. Remittances are money transfers that immigrants send home to their countries of origin, usually to help support family members.

The White House fact sheet, released January 13, applauded regional leaders for joining Bush in "committing [themselves] to create the conditions necessary to reduce by at least 50 percent the cost of sending money home to family members and local communities" by the year 2008. "Such transfers between our economies, known as remittances, have grown dramatically over the past decade, yet the fees involved remain high and constrain the impact of the flows," the White House said.

Increasingly, experts have come to recognize the potential of remittances as a development tool in the region. "Remittances represent the largest source of foreign capital for many of the poorest countries in the hemisphere and account for more than 10 percent of GDP [gross domestic product] in six countries (Nicaragua, Haiti, Guyana, El Salvador, Jamaica and Honduras)," the White House noted.

To examine ways to lower money-transfer fees, the United States will hold a conference in 2004, hosted by the Federal Reserve Bank of Atlanta, on establishing regionally compatible electronic payment systems. "The conference will bring together financial-sector leaders and payment-system experts to discuss ways to reduce the cost" of remittances, according to the White House. "Target countries will include Jamaica, Guatemala, Nicaragua, Haiti, Mexico, Bolivia, and Colombia," the White House said. "The conference will also promote efficient investment of remittances in local communities."

In addition, the White House cited the U.S.-Mexico Partnership for Prosperity initiative for achieving "significant success" in lowering money-transfer costs. Since the program's inception, "the cost of sending remittances from the United States to Mexico has fallen by 58 percent," the White House observed.

Following is the text of the White House fact sheet, with a summary of the president's actions to reduce the cost of remittances:

(begin fact sheet)

THE WHITE HOUSE
Office of the Press Secretary

FOR IMMEDIATE RELEASE
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FACT SHEET: LOWERING THE COST OF REMITTANCES PRESIDENTIAL ACTION

Leaders of the hemisphere joined President Bush in committing to create the conditions necessary to reduce by at least 50 percent the cost of sending money home to family members and local communities by 2008. Such transfers between our economies, known as remittances, have grown dramatically over the past decade, yet the fees involved remain high and constrain the impact of the flows.

The Increasing Importance of Remittances: Remittances, the money sent by migrants to their families and friends living abroad, have tripled in the last six years and now total over \$32 billion annually in the Western Hemisphere -- more than four times official development assistance flows to the region. Remittances represent the largest source of foreign capital for many of the poorest countries in the hemisphere and account for more than 10 percent of GDP in six countries (Nicaragua, Haiti, Guyana, El Salvador, Jamaica and Honduras).

Some 85 percent of the flows to Latin America and the Caribbean come from within the hemisphere, including more than three-quarters of the total, or \$25 billion, from the United States alone. These hard-earned funds go directly to families and communities where they are used for improving the quality of life of the citizens of the hemisphere -- paying for school books, purchasing medicine, or starting a business.

Summit Commitment to Reduce Remittance Costs: Fees associated with sending remittances remain high, averaging 12.5 percent, or \$4 billion annually. Leaders at the Summit committed to reduce this regional average cost by at least half by 2008. Leaders committed [themselves] to accomplishing this by, as needed or appropriate: promoting competition between providers of remittance transfers; eliminating regulatory obstacles and other restrictive measures that affect the cost of sending; and adopting new technologies while maintaining effective financial oversight.

U.S. Action: President Bush is committed to support the region's efforts to lower remittance costs. To support the Special Summit of the Americas commitment, the U.S. will hold a conference hosted by the Federal Reserve Bank of Atlanta later this year on establishing regionally compatible electronic payment systems. The conference will bring together financial-sector leaders and payment-system experts to discuss ways to reduce the cost of transfer, including sharing experiences with automated clearinghouses (ACH) and other electronic payment systems, and exploring ways to harmonize payment systems in the region and build regional electronic payments interchanges; and provide more than \$3 million in assistance

over the next two years to expand access to financial services in Latin America and the Caribbean. Target countries will include Jamaica, Guatemala, Nicaragua, Haiti, Mexico, Bolivia, and Colombia. The conference will also promote efficient investment of remittances in local communities.

U.S.-Mexico Partnership for Prosperity: U.S. and Mexico have already achieved significant success in lowering the cost of remittances through this innovative program. Bilateral efforts to promote competition in the market for remittance services and to bring those without bank accounts into the formal financial system have produced dramatic results since 1999; the cost of sending remittances from the United States to Mexico has fallen by 58 percent. Remittance flows have grown at a rate of 10 percent annually.

(end fact sheet)

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