U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC 20062-2000
uschamber.com

Senate Committee on Finance
Subcommittee on International Trade, Customs, and Global Competitiveness

Hearing on "Economic Cooperation for a Stronger and More Resilient Western Hemisphere"

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Testimony of Neil Herrington
Senior Vice President, Americas
U.S. Chamber of Commerce

Thank you for the opportunity to testify on the importance of economic cooperation for a stronger and more resilient Western Hemisphere. I am Neil Herrington, Senior Vice President for the Americas at the U.S. Chamber of Commerce.

Around the globe, the Chamber works to advance free enterprise, build consensus on complex policy issues, and help companies grow and create economic opportunities through trade and investment.

We are proud to be home to the Association of American Chambers of Commerce of Latin America and the Caribbean (AACCLA), which brings together 23 American Chambers of Commerce (AmChams) operating in the region to advance common policy priorities focused on increasing trade and investment, share best practices, and help connect companies across the region. We also promote public-private dialogue through our binational business councils focused on Brazil, Mexico, Colombia, Argentina, and Cuba.

We believe that the most effective way to drive inclusive growth and widespread opportunity across the region is removing barriers to mutually beneficial trade, enhancing market access, and improving public-private dialogue on sound policies.

The IX Summit of the Americas in June 2022 provided a unique opportunity to focus increased attention on the importance of U.S. ties with the countries across the region. The Chamber was proud to partner with the U.S. Department of State to host the IV CEO Summit of the Americas, the private sector stakeholder forum, which along with the youth and civil society events, was held in Los Angeles prior to the Leaders' Summit.

The CEO Summit provided a space for dialogue between the public and private sectors — both in the U.S. and across the region. The agenda and priorities were broadly aligned with the goals of the Leaders' Summit and political commitments in order to encourage joint solutions.

The Chamber convened heads of state, government officials, and business leaders from across the hemisphere to advance six critical priorities: the rule of law; resilient health systems; digital transformation; energy and sustainability; support for small and midsized companies (the leading drivers of growth and inclusion in our country and across the region); and trade, a critical issue that wasn't included on the Leaders' agenda. The key takeaway from the CEO Summit was that private sector commitment, investment and know-how are indispensable for achieving the goals of sustainable and inclusive growth.

I welcome the opportunity to share the Chamber's perspectives and commend the Subcommittee for shining a spotlight on the importance of U.S. engagement with the Western Hemisphere. My testimony will focus on ways that the private sector and governments can work together to increase our trade and investment ties to build a more resilient hemisphere grounded in the rule of law and free enterprise.

Trade is a Priority for the Americas

The United States should leverage its existing network of agreements and promote a regional trade and economic agenda that will help the U.S. and the region's companies compete globally, provide incentives to enhance regional supply chains, level the playing field for small businesses seeking to expand and enter new markets, and make the Western Hemisphere a more attractive destination for foreign and domestic investment.

In addition to improving market access for U.S. companies, high-standard trade agreements contribute to strengthening rule of law in the region by requiring our partners to provide a transparent and predictable legal framework and by addressing regulatory transparency and the protection of intellectual property rights.

Trade agreements, together with economic cooperation, enhance our national security and provide an environment for increased cooperation between governments in areas such as the fight against transnational crime, international terrorism, and a host of other threats to our economic and national security.

Benefits of U.S. Trade Agreements

The United States has free trade agreements (FTAs) in force with 20 countries, 12 of which are in the Americas (Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru). This network stretches from the Canadian arctic to Chilean Patagonia.

The rationale for bilateral and regional FTAs is simple: While the United States receives substantial benefits from trade, the international playing field is sometimes tilted unfairly against American workers, farmers, and companies. The U.S. market is largely open to imports from around the world, but many other countries continue to levy steep tariffs and other barriers against U.S. exports. FTAs are negotiated to level the playing field and create reciprocity in key trade relationships.

Partly due to the excellent market access these FTAs provide U.S. exporters, our hemispheric neighbors purchased more than $900 billion in U.S. merchandise exports in 2022 — or nearly 44% of total U.S. merchandise exports. Services data lag, but in 2021 U.S. services exports to these countries topped $214 billion, taking total U.S. exports to our Western Hemisphere neighbors to well above $1.1 trillion.

While U.S. FTA partners represent just 6% of the world's population outside the United States, in recent years they have regularly purchased nearly half of all U.S. exports, according to data from the U.S. Department of Commerce. As summarized on fact sheets prepared by the Chamber using official data, those exports support more than 3.4 million jobs in the United States. Similarly, majority-owned affiliates of U.S. multinationals employed nearly 2.8 million workers in these markets.

FTAs allow much more robust commercial exchanges to develop over time. On a per capita basis, these 20 countries buy 14 times more U.S.-made goods and services than other countries. It should come as no surprise that eliminating tariffs and other trade barriers enables trade to expand—often turning small economies into major export markets.

Further, U.S. exports to new FTA partner countries have grown roughly three times as rapidly on average in the five-year period following the agreement's entry-into-force as the global rate of growth for U.S. exports, as Chamber research shows.

In some cases, the FTA premium has been much larger: U.S. exports to Chile quadrupled in the five years after the FTA entered into force. This boost to U.S. export growth is especially pronounced with more recent FTAs, which are front-loaded to eliminate tariffs rapidly, open services markets, and eliminate nontariff barriers more comprehensively than earlier FTAs.

U.S. trade agreements have eliminated duties on approximately 99% of all tariff lines in almost every case (and 100% in some instances). In this regard, U.S. FTAs are often far superior to those negotiated by other countries.

In the Chamber's experience, FTAs are especially important to small business exporters. More than 98% of the nearly 300,000 American companies that export are small and medium-sized businesses. They account for one-third of U.S. merchandise exports.

It comes as no surprise that FTA markets are top export destinations for small business exporters. More U.S. small and midsized businesses export to Canada than to any other market; by value, American small and midsized businesses export more to Mexico than to any other country (data).

U.S. bilateral and regional trade agreements can be powerful tools to codify common values on transparency, labor and human rights, rule of law, and the environment.

Expanding the U.S. Network of Trade Agreements

The Chamber has been urging the administration to negotiate additional trade agreements to promote rules-based trade and investment with our Western Hemisphere partners to create new opportunities for U.S. exporters and for our partners and drive sustainable and inclusive growth in the region. We have supported USTR's negotiations under existing trade and investment frameworks and encourage building on progress to move toward comprehensive, high standard trade agreements.

Ecuador. The Chamber supports making progress toward a trade agreement with Ecuador. We welcomed the signing and implementation of the U.S.-Ecuador Protocol on Trade Rules and Transparency, which included commitments on trade facilitation, good regulatory practices, anti-corruption measures, and small business and medium enterprises, and we are supportive of negotiations to expand the protocol to include a digital chapter.

In the near-term, the Chamber supports the Innovation and Development in Ecuador Act (IDEA), which would make Ecuador eligible for designation as a beneficiary of the Caribbean Basin Economic Recovery Act (CBERA). According to a recent study by AmCham Ecuador-Quito, access to this preference program would cover 56% of Ecuador's exports (equivalent to 32% of the country's export value in 2021). Approval of IDEA would open opportunities for agro-industrial products like tuna and broccoli, which are sources of employment for vulnerable populations in rural areas, helping to reduce migration and the impact of drug trafficking organizations.

It is notable that Ecuador has pressed the U.S. administration to open negotiations for such a trade agreement for some time. Finding the U.S. unresponsive on this score, Ecuador recently concluded a trade agreement with China, which is likely to erode U.S. market share in the country over time. Concluding a U.S.-Ecuador trade agreement would help level the playing field, and opening negotiations to this end should not be delayed.

Uruguay. Similar to Ecuador, the Chamber encourages the Biden Administration to pursue negotiations the administration to advance conversations for a bilateral trade agreement with Uruguay. Although Uruguay is a member of Mercosur, the question of whether Uruguay has the autonomy to move forward with its own bilateral trade negotiations with third parties is ambiguous — but it any event, it is a question for the Uruguayans to answer. For the United States, offering to open negotiations with Montevideo makes good sense.

Given that the U.S. is Uruguay's third largest trading partner, behind China and Brazil, cementing a bilateral FTA would incentivize competition and investments both in the U.S. and Uruguay. Due to the lack of an FTA or preferential access to the U.S. market under other programs such as the Generalized System of Preferences, the 4.8% average U.S. tariff on imports from Uruguay in 2021 was higher than any other Western Hemisphere country. As a strategic partner, the U.S. and Uruguay have signed a myriad of agreements, including a Bilateral Investment Treaty and Trade Investment Framework Agreement, among others.

Brazil. The Chamber and its Brazil-U.S. Business Council have urged the administration to explore the possibility of opening negotiations for a bilateral FTA. This would be a significant undertaking, but taking preliminary steps to identify and remove the obstacles that have prevented even the initiation of negotiations would in itself pay dividends and enhance the trade relationship. While Brazil exports large volumes of primary commodities to China and other Asian markets, the U.S. is the largest market for Brazil's value-added exports that support good jobs, balanced growth, and sustainable development in Brazil. The U.S.-Brazil trade relationship could be expanded further by a trade agreement that reduces bilateral tariff and nontariff barriers to trade, with net benefits to the U.S. economy, according to a Council study.

There is significant potential for growth. Two-way trade rose by more than 25% last year to nearly $100 billion. The Chamber welcomed the 2020 Agreement on Trade and Economic Cooperation (ATEC) that established commitments in trade facilitation, good regulatory practices, and anti-corruption measures, and which could serve as a foundation for continued progress.

Digital Trade. Digital trade benefits companies of all sectors and sizes and is another opportunity for increasing mutually beneficial trade with our partners in the Western Hemisphere. According to a recent Chamber study, American workers have benefitted as the digital economy has generated high-wage jobs, innovative product opportunities in the U.S. and overseas. Services represent a majority of digital exports and U.S. jobs. ICT-enabled services exports have more than doubled over the past ten years.

Digital trade also provides new growth opportunities for small and medium exporters, including through digital advertising, digital payment services, and online sales channels. The Chamber is calling for the United States to negotiate new rules for digital trade with key partners abroad to unlock these opportunities and address rising trade barriers.

Accession to USMCA

In recent months, some voices in Washington have called for some current FTA partners in the Americas to accede to the United States-Mexico-Canada Agreement (USMCA), presumably abandoning their current FTAs in the process. The U.S. Chamber of Commerce opposes this initiative for the following reasons:

- The current U.S. FTAs with Chile, Peru, Colombia, Panama, the five Central American countries, and the Dominican Republic already provide outstanding reciprocal market access: Those FTAs eliminated duties on approximately 99% of all tariff lines. Seeking to remove the remainder would involve liberalizing trade in politically sensitive products such as sugar.

- The USMCA has rules of origin for products such as autos and textiles and apparel that were tailored for the integrated North American industrial base. Those rules are inappropriate for U.S. trade with Central or South America. To illustrate, it is unlikely that trade between the U.S. and Central or South America could comply with the USMCA auto rules of origin, resulting in a de facto termination of duty-free trade for autos — resulting in commercial losses for all parties.

- The USMCA lacks a defined accession mechanism. Further, inviting any country to join the USMCA would entail adding Canada and Mexico to the negotiating table, causing the complexities of any negotiation to expand geometrically. Also, given that Canada and Mexico already have their own FTAs with most of the countries in question, it is unclear what interests Ottawa and Mexico City would have in the undertaking.

- The USMCA has a strong digital trade chapter — a feature lacking in earlier FTAs — but it would be simpler to negotiate a standalone agreement on that issue like the U.S.-Japan Digital Trade Agreement. This is one of the few areas where the USMCA is obviously superior to the U.S. FTAs with other countries in the hemisphere.

U.S. Trade Preference Programs

Generalized System of Preferences (GSP): The Chamber has been advocating for Congress to take action on renewal of the GSP legislation, which has traditionally received bipartisan support but lapsed more than two years ago. Since the 1970s, GSP has promoted market-based economic growth by providing developing countries with duty-free access to the U.S. market for select goods. More than half of U.S. imports under GSP are raw materials, parts and components, or other inputs U.S. companies rely on to produce goods for the U.S. market or exports. Renewal for this mutually beneficial trade program will provide certainty to U.S. companies and our trading partners in the region. Beneficiary countries as of December 2020 in the Western Hemisphere include Argentina, Belize, Bolivia, Brazil, Dominica, Ecuador, Grenada, Guyana, Haiti, Jamaica, Paraguay, St. Lucia, St. Vincent & Grenadines, Suriname, and Uruguay.

Caribbean Basin Economic Recovery Act (CBERA): The Chamber has long supported Caribbean Basin initiative programs, and strongly supported the 2020 Extension of the Caribbean Basin Economic Recovery Act, which renewed trade preferences for Haiti and other Caribbean countries for ten years. The program requires the use of U.S.- or Caribbean-made yarns and fabrics, which has made Haiti — as the principal country still participating in the program — an important export market for U.S. textiles. The program supports numerous U.S. textile, apparel, and footwear jobs and promoted economic development in the region. During testimony to the U.S. International Trade Commission during a review of CBERA in March 2023, AmCham Jamaica noted the importance of the program for Jamaica's exports to the United States, which represent a significant percentage of Jamaica's foreign exchange earnings and contribute to strengthening Jamaican businesses.

Haiti HOPE-HELP Acts: Haiti continues to undergo political, economic, social and security crises. Access to the U.S. market under CBERA and the HOPE and HELP Acts continues to be a lifeline for the country and has contributed to the development of Haiti's apparel industry, which provides a significant source of employment and economic opportunity. According to data from the Haiti's Industry Association, the garment industry currently supports 50,000 jobs, which under HOPE legislation require intensive, transparent and public monitoring of factories' compliance records. HOPE/HELP will expire on September 30, 2025, and early and long-term renewal will provide greater certainty for investment and job-creation in Haiti.

Full Compliance with Existing Trade Agreements

Full compliance with existing trade agreements is a top priority, beginning with the U.S.-Mexico-Canada Agreement (USMCA), which was a signature bipartisan effort and provides the framework for trade and investment with the top two U.S. trading partners. Three-way trade is estimated at more than $1.7 trillion annually, and roughly one-third of U.S now takes place within North America.

USMCA: The Chamber has raised a number of issues surrounding the enforcement and implementation of the USMCA. In the years since the Chamber worked to enact this vital and modernized agreement, we have continued partnering with our allies in both Mexico and Canada to ensure the agreement lives up to its potential and increases regional competitiveness. Trust is the cornerstone of any trade agreement.

It's essential that the United States uphold its commitments, which sends an important signal to Canada and Mexico and our trading partners around the world. For example, the Chamber has called for the Administration to uphold the USMCA dispute settlement panel ruling on automotive rules of origin published in January. We welcomed the ruling and the certainty it will provide for industry across the U.S., Canada, and Mexico. Auto and auto parts manufacturers in the U.S. depend on North American trade. Yet more than 120 days after the decision was published, the United States has not yet taken meaningful action to implement it. In addition, the Chamber is concerned about actions by the administration to extend the reach of Buy America rules to new products and sectors, which can result in unintended consequences, including tying up projects in red tape, driving up project costs, and inviting retaliation from our trade partners.

During recent meetings in Canada, U.S. Chamber President and CEO Suzanne Clark continued to elevate our concerns about Canada's efforts to advance legislation and regulations that appear to violate the letter and the spirit of the USMCA. This includes measures relating to digital trade and a digital services tax that unfairly targets U.S. companies; changes to customs procedures that Canadian Customs and Border Services is pursuing; as well as Canada's continued unwillingness to uphold its USMCA commitments related to additional market access granted to U.S. dairy farmers.

The USMCA's success also depends on Mexico, where U.S. companies are growing increasing concerned about Mexico's commitment to upholding its USMCA obligations, most notably related to energy and agriculture (including glyphosate, genetically modified corn ban, agricultural biotechnology import approvals), and also including healthcare procurement, biopharmaceutical approvals, and full implementation of Chapter 7 customs and trade facilitation commitments. The López Obrador administration's recent proposed changes to mining, environmental, and administrative law reinforce concerns about Mexico's commitment to its USMCA obligations and adherence to the rule of law.

The Mexican government's efforts to reverse the 2013 liberalization of the energy sector and tilt the playing field toward state-owned Pemex and the Federal Electricity Commission represent the most significant policy issues facing the business community in Mexico. More recent changes to Mexico's energy policies unfairly disadvantage U.S. companies and run counter to our common goals of generating reliable energy and the expansion of renewable energy in Mexico, which are essential for companies and the government to meet their climate commitments.

Mexico's energy reforms are a high-profile example among a growing number of commercial challenges that are collectively undermining transparency, predictability, and certainty for investors in Mexico. The Chamber applauded USTR's initiation of dispute settlement consultations regarding Mexico's energy policies in July of last year. Today, nearly 10 months later, the issues are still not resolved, nor has the U.S. exercised its right to request a dispute panel (after 90 days if an agreement is not reached). We are also urging the United States to request formal dispute settlement consultations with Mexico on its ban on GMO corn, given the lack of progress of informal discussions and the technical discussions initiated in March.

The U.S. Chamber, together with our Mexican and Canadian counterparts, raised these issues during the January North American Leaders' Summit. The private sector is committed to partnering with all three governments to support USMCA implementation, and we recommend leveraging USMCA institutions like the Trade Facilitation Committee, the SME committee, and the subcommittee to work on a trinational emergency protocol, as platforms for increased public-private dialogue.

The U.S. and its partners have an opportunity to use the trade agreement committee review process, which was designed to facilitate government-to-government exchanges, to increase engagement with stakeholders. We commend U.S. government efforts to solicit input from the private sector and strongly encourage the creation of regular and routine mechanisms to solicit the views of all stakeholders and to update stakeholders on the committees' work as they progress. Ensuring close and regular communication with traders is crucial to enhance regulatory compliance and reduce costs for implementation for traders.

Regulatory Cooperation to Increase Mutually Beneficial Commerce

U.S. investment in the Western Hemisphere is a highly effective tool for creating local jobs, enhancing economic prosperity, and advancing U.S. foreign policy objectives. Fostering increased private sector investment will require strengthening the rule of law, as well as investments in infrastructure, across a broad range of sectors, including telecommunications, broadband, transportation, energy, and healthcare, as well as customs modernization and trade facilitation.

Pro-Growth Regulatory Frameworks

Disparate, poorly designed, and unnecessarily burdensome regulatory frameworks are a challenge for U.S. investors and local businesses, in particular, small and medium enterprises. U.S. trade policy and economic cooperation in the Western Hemisphere can help create a stronger environment for investment and trade by proactively working to set global standards and promote good regulatory practices. This could include support for policymakers to encourage long overdue reforms to improve competitiveness, increase investment in infrastructure, reduce risk and create strong economic ecosystems, including lowering trade barriers; improving procurement processes; implementing modernization of customs and border crossings, along with other trade facilitation measures; streamlining licensing and permitting processes; harmonizing regulatory frameworks; and strengthening legal and regulatory certainty.

Slow and complex permitting processes—along with product registrations, sanitary restrictions, and other technical barriers to trade—create major obstacles for businesses and job creators. For example, the IX Summit of the Americas Declaration on Good Regulatory Practices provides a platform for cooperation in this area in addition to leveraging trade agreements to implement binding commitments in this area.

Digital economy is one area where the United States can help U.S. companies compete by setting standards and sharing best practices in the region. Priorities include expanding connectivity and policies that promote an open, integrated digital economy, with the free flow of data, data governance, greater digital regulatory harmonization.

Closing the "digitalization gap" between sectors and regions is crucial to raising productivity and to building supply chain resilience. Regional governments need to expand and upgrade digital infrastructure to increase internet connectivity and facilitate the private sector's digitalization of key sectors of the economy. Target areas for cooperation include:

- Expanding and upgrading digital infrastructure to increase connectivity to affordable broadband connection and bridge the digital divide by expanding coverage by completing the transition to 4G, with a more targeted approach to 5G.

- Developing and adopting common regional guidelines for e-commerce, digital payment mechanisms, data protection and electronic signatures; support local legislation to spur their implementation.

- Promoting measures to support the development of a robust fintech sector to underpin the development of e-commerce and facilitate remittances.

- Promoting high-quality digital trade provisions to support the development of a sustainable digital economy in the region, including commitments to facilitate cross-border data flows and refrain from implementing data localization requirements.

- Supporting the development of standards for AI and other emerging technologies and strengthening cybersecurity measures.

- Deploying digitalization to reduce corruption in four priority public-private interactions that are especially vulnerable to corruption and that have a significant impact on investment and economic growth: tax administration, customs, licensing and permitting, and public procurement.

Tax Policies

Increased digitalization and potential supply chain realignment offer new opportunities for Latin America and the Caribbean to take advantage of trade opportunities, deepen regional integration, and drive sustainable and inclusive economic growth through increased trade and investment.

The Chamber believes it is important to maintain the coherence of the international tax system, and we encourage continued multilateral engagement to address digital tax issues. Novel country-specific or regional approaches risk fragmentation that could yield significant tax and trade disruptions, resulting in increased costs for tax administrators and taxpayers. In particular, the Chamber is deeply concerned about the emergence of unilateral or regional measures that violate fundamental principles of international taxation by asserting jurisdiction to tax nonresidents based on novel concepts like “significant economic presence.”

Bilateral income tax treaties (BTTs) are another means of increasing legal certainty for U.S. investors with regard to the tax treatment of the activities in the U.S. and the partner country. While the U.S. has a number of tax treaties in force with regional markets, support for the negotiation and implementation of additional agreements would help U.S. business advance investment and trade across the hemisphere.

The BTT executed by the U.S. and Chile that is currently pending in the U.S. Senate remains a priority issue for Chamber member companies operating in Chile. Corporate tax rates in Chile have increased due to changes in Chilean tax legislation that went into effect in 2014. Taxes on U.S. companies with Chilean operations will increase as high as 44% without the ratification of the treaty to avoid double taxation, putting U.S. companies at a competitive disadvantage relative to companies headquartered in the two dozen European, Asian, and Western Hemisphere countries which already have a tax treaty with Chile in force. Approval of the U.S.-Chile BTT also constitutes a geopolitical imperative to counter China’s influence in the region and to support the energy transition, including the adoption of EVs. Chile is one of the world’s largest producers of lithium, which is essential to EV production, and U.S. companies are working closely with the Chilean government and local partners to develop these resources responsibly.

In the case of Brazil, U.S. foreign direct investment represents close to 23% of the country’s total FDI and supports jobs in both countries. To boost bilateral investment, both countries should level the playing field, avoiding measures that result in double taxation. Recently, U.S. and Brazilian private sectors have been placed at a competitive tax disadvantage in view of the new U.S. Treasury norms on Foreign Tax Credits (FTC), disallowing credits for taxes paid in Brazil. The U.S. Chamber and the Brazil-U.S. Business Council call for the withdrawal or revision of the rules. A Provisional Measure, recently confirmed in the Brazilian Congress, is a positive step toward aligning Brazil’s transfer pricing rules with OECD principles. A bilateral tax treaty would provide a permanent solution.

Separately, U.S. businesses operating across the hemisphere continue to face longstanding challenges in recouping refunds of Value Added Tax (VAT) and Alternative Minimum Tax (AMT) they are legally owed. A number of regional markets have instituted VAT collection via withholdings by credit and debit card processors. While these policies were well-intended to mitigate tax evasion, they have inadvertently resulted in over-collection of VAT and potentially inaccurate reporting of government revenue.

Strengthening the Rule of Law

Strengthening the rule of law is an essential condition to capture the potential benefits of nearshoring and increased private sector investment. Indeed, it is essential for supporting a stable environment for business expansion, job creation, and economic prosperity.

In addition to the more traditional focus on security, enforcement, and effective judicial systems, the U.S. government should frame its policies toward the region to better incorporate business considerations in efforts to combat corruption and promote the rule of law, specifically targeting factors that prevent companies from investing and/or expanding their investment. Chamber member companies consistently have identified weak rule of law as the top challenge to doing business in Latin America and the Caribbean. Corruption, the lack of transparent and predictable regulatory and legal frameworks, counterfeiting and piracy hinder trade and investment.

In 2013, the Chamber launched the Coalition for the Rule of Law in Global Markets and developed the Global Rule of Law and Business Dashboard to offer the business community, governments, policymakers, and stakeholders across the world an innovative, empirical tool to measure and understand the particular needs of the business community within a rule of law context. The dashboard encompasses tracks five core factors critical to business success:

1) Transparency: Laws and regulations applied to business must be readily accessible and easily understood.
2) Predictability: Laws and regulations must be applied in a logical and consistent manner regardless of time, place, or parties concerned.
3) Stability: A government's rationale for the regulation of business must be cohesive over time, establishing an institutional consistency across administrations, and free from arbitrary or retroactive amendment.
4) Accountability: Investors must be confident that the law will be upheld and applied equally to government as well as private actors.
5) Due Process: When disputes arise, they must be resolved in a fair, transparent, and predetermined process.

According to the 4th edition of the Global Business Rule of Law dashboard, the Americas region lags significantly behind other regions, earning the lowest average score. Continued improvement requires coordinated effort by governments, private sector, international institutions, and civil society.

The Chamber and our partners at the region's AmChams have been committed to working to raise awareness of the importance of rule of law to attract investment and generate broad based economic growth, and to advocate for policies that increase transparency, level the playing field, and combat corruption. As noted, we are advocating for measures to leverage digitalization to reduce corruption in four priority public-private interactions that are especially vulnerable to corruption and that have a significant impact on investment and economic growth: tax administration, customs, licensing and permitting, and public procurement. Steps to combat piracy and counterfeiting can also contribute to improving the rule of law, given linkages to transnational criminal groups.

Opportunities for Enhanced Economic Engagement

Across the Western Hemisphere, governments are seeking to attract new investment, tapping into the potential for nearshoring, and pursuing reforms that can build a stronger environment for private sector led growth.

At the CEO Summit of the Americas, the Chamber committed to conducting a supply chain survey to contribute to a better understanding of the current factors driving corporate sourcing decisions and assess potential opportunities for new investment and nearshoring in the Americas region overall. The survey will help identify trends related to supply chain realignment and the potential for nearshoring in the Americas, and it will inform our advocacy with governments regarding the government reforms and policies needed to attract increased trade and investment.

For example, one of the ways that we anticipate leveraging the survey results is our work with the U.S. Department of State to support the Alliance for Development in Democracy, in recognition of member countries' — Costa Rica, Dominican Republic, Panama, and Ecuador — commitments to improving the investment climate and the principle of strengthening democratic institutions and free markets.

Now is the time for the United States to step up its engagement in the Western Hemisphere to promote our shared values, national security and economic prosperity through a robust adherence to the rule of law and increased trade and investment. U.S. inaction on the trade front forces potential partners to turn to our global competitors for trade and investment. This is especially concerning as China emerging as the top trading partner and source of investment in many of the countries in our region.

Recommendations and Conclusion

The following are some of the Chamber's recommendations for congressional action to support economic cooperation with our hemispheric partners.

- The Congress should move expeditiously to reauthorize GSP, pass the IDEA Act for Ecuador, and renew the HOPE and HELP Acts to support Haiti.
- The Senate should approve the U.S.-Chile Tax Treaty and press the administration to pursue more such agreements, particularly with Brazil.
- The Congress should work with the administration to support reforms to advance the rule of law, anti-corruption measures, and greater transparency in government proceedings across the region.
- The Congress should work with the administration to support economic cooperation in such areas as trade facilitation, good regulatory practices, science- and risk-based policy development, digital trade, and sound tax policy, as well as to advance entrepreneurship and small and medium-sized businesses engaging in international commerce.
- The Congress should begin the hard work of renewing Trade Promotion Authority to set negotiating objectives, establish executive-legislative consultation parameters, and press the administration to pursue a bold market-opening trade agenda in the Americas and beyond.

The Chamber stands ready to work with members of the Committee to help advance policies that will build closer ties with our partners and build a stronger and more resilient Western Hemisphere. Thank you for the opportunity to share our views in this important hearing.