

**ECONOMIC COOPERATION FOR A STRONGER
AND MORE RESILIENT WESTERN HEMISPHERE**

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

MAY 16, 2023



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PUBLISHING OFFICE

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ECONOMIC COOPERATION FOR A STRONGER AND MORE RESILIENT WESTERN HEMISPHERE

TUESDAY, MAY 16, 2023

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 3:01 p.m., in Room SD-215, Dirksen Senate Office Building, Hon. Thomas R. Carper (chairman of the subcommittee) presiding.

Present: Senators Bennet, Cortez Masto, Cornyn, Cassidy, Young, and Tillis.

Also present: Democratic staff: Evan Gieseemann, Staff Director, Finance Subcommittee on International Trade, Customs, and Global Competitiveness for Senator Carper; Daniel Kim, Trade Fellow for Senator Carper; and Andrew Smith, Legislative Aide for Senator Carper. Republican staff: Laura Atcheson, Senior Counsel and Legislative Advisor for Senator Cornyn; and Sophie Foley, Legislative Assistant for Senator Cornyn.

Senator CARPER. Well, good afternoon, everybody. Senator Cornyn and I are delighted to call this hearing to order.

Before we hear from our witnesses, we have in the audience a number of folks from other countries who are here, including, I am told, an Ambassador or two or three from Uruguay. Anybody here from Uruguay, raise your hand. And what is your name? [Inaudible.] Bienvenido.

And anyone from Peru? Peru, and ¿cómo se llama? [Inaudible.] Ah, bienvenido.

And I was just in a congressional delegation down in Guatemala a couple of months ago, and Senator Cornyn's been there, I know, any number of times. Anyone here from Guatemala? Okay, good.

I was just in your country again about 2 months ago with a bipartisan, bicameral congressional delegation. We are delighted you are able to join us today.

And I am told that we may have representatives here from embassies, maybe from El Salvador, here in the U.S. Anybody from El Salvador? Ah good, good.

And from Paraguay? Anyone from Paraguay? Stand up, yes. Okay, welcome. Bienvenido. Nice to see you. Okay.

Well, let us go ahead and kick off our important hearing, and we are delighted to be able to do this together.

OPENING STATEMENT OF HON. THOMAS R. CARPER, A U.S. SENATOR FROM DELAWARE, CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS, COMMITTEE ON FINANCE

Senator CARPER. Thank you. We thank our visitors for joining us. We would also like to especially thank our witnesses for not just joining us, but for preparing for our first hearing, and preparing your testimony, and your willingness to respond to our questions as well.

I especially want to thank our subcommittee's ranking member, Senator Cornyn, with whom I am privileged to work on any number of issues together. One of the things we try to do is we believe, I think we subscribe to the notion that bipartisan solutions are lasting solutions. We cannot always agree on everything, but we try to find the middle more often than not, and it is a real privilege for me.

Today, we have come here to better understand how we can foster trade and economic cooperation throughout the Western Hemisphere, an important subject. It is interesting. I am going to mix, kind of like mix metaphors here. We are talking about the Western Hemisphere. I am going to share with you an African proverb, one of the famous African proverbs, my favorite African proverb. It goes something like this: "If you want to go fast, travel alone; if you want to go far, travel together." I think that is good advice on all kinds of fronts, including this one here today.

But today we have, I think, a real opportunity to go far and do it together, and how might that be? By understanding how trade partnerships are mutually beneficial and vital to the health of our global economy.

We have already seen our regional partnerships help tackle shared challenges, including climate, including immigration, and including security issues. Our global economy is increasingly shaped by regional cooperation. That includes enhancing supply chain resiliency and near-shoring manufacturing.

These are issues that I know we all agree on, no matter what your party affiliation may be. One way to increase regional cooperation and secure our supply chains is by working with our trading partners to build a stronger and more resilient Western Hemisphere as we move forward.

Today, we can help our own economy while also helping our allies improve their economies. It is not a choice of doing one or the other; we can do both. Our greater collaboration across the region will support economic growth and job creation for the people looking for opportunity and stability in the workforce.

On the heels of Mother's Day, thanks to my own mother, I have tried to live by the Golden Rule. My mother was a deeply religious woman, deeply religious woman. I have tried to live my life by the Golden Rule. She was a big Golden Rule person: treat other people the way you want to be treated. It actually turns out that is in every major religion of the world, which I did not realize when I was your age or our witnesses'.

But I suspect I am not the only person in this room—I know a couple of them pretty well—I am not the only person who was raised with the Golden Rule in mind. We have a shared interest,

and I think we have a moral obligation, to help our partners have stability, so that their children and families can be safe, so they can have access to education and have a good shot at some hope for their future, a future filled with opportunities.

For years, I have focused on addressing the challenges that people face in, among other places, the Northern Triangle, which includes some of the folks in the room here today, but includes folks in El Salvador, people from Guatemala, and from Honduras.

Earlier this year, as I mentioned earlier, I led a bipartisan, bicameral congressional delegation to Mexico, to Guatemala, and to Honduras. And there, in addition to meeting with the leaders of those countries, we saw firsthand the need for greater economic opportunities, stronger rule of law, more educational and workforce training opportunities, and policies that we could implement with our partners to stem the flow of migration.

Our delegation met with government officials, with private-sector leaders, and with other stakeholders across all three countries, to listen, to learn, and to develop solutions together. Despite many of the challenges we witnessed, there is also, I think, a reason for some hope for them, and I think for us too.

In Mexico, we heard about how the U.S.-Mexico-Canada Agreement, also known as USMCA, has provided certainty for businesses operating across North America, while also bolstering protections for workers, and helping to protect the environment of our planet, on which all of us live.

And in Guatemala and Honduras, we saw how the significant private-sector investments, spurred by the Biden administration and by us, are creating jobs, expanding access to capital for small businesses, providing workforce training and education, and improving economic outcomes.

We also saw the important role of the textile industry in creating jobs and opportunities throughout the region. And through visits to the U.S. State Department-funded programs, like migrant children's shelters and like coffee exporters, the positive impact on the ground was clear.

Despite these successes, the trip underscored that there is more work that we can and ought to do, and more that they can do to support economic growth, security, and resilience throughout the region.

Let me ask for just a show of hands of our witnesses—a question for our witnesses. Have you ever been to a store called Home Depot? Raise your hand if you have. Have you ever been to a Home Depot?

[Show of hands.]

Senator CARPER. Yes. Anybody in the audience—you can put your hands down—including people from Central America, South America, been to a Home Depot in your country? Anybody?

[Show of hands.]

Senator CARPER. Yes, a number of people. They have a saying at Home Depot, and it goes something like this: “You can do it; we can help.” You can do it; we can help—and that is something that certainly has guided me.

I am pleased to have our witnesses here today. We are pleased to have our witnesses here today to share their insights into how

policymakers can use trade and economic tools to achieve these goals, and ultimately to work with our allies to try to get a strategic path forward that advances the interests of not just one region or one little piece of the region, but the entire hemisphere.

The Biden administration has already taken a number of steps to promote greater cooperation across both North and South America. I think one of the examples—I think they are good examples—is one that is called the “call to action” initiative, not well known by everybody in the country. But I think it is a positive, very positive effort.

It is led by our Vice President and is spurring literally billions with a “b,” billions of dollars of private investments, and creating meaningful economic opportunities in Central America, while helping to sustainably address the root causes of migration, including illegal migration.

U.S. Trade Representative Katherine Tai and Secretary of State Tony Blinken also recently launched a new form of economic collaboration across the region to increase supply chain resiliency, to expand sustainability and inclusive trade practices, and to support our climate goals.

Today, I am eager—I think we are all eager—to hear from all of you, from our witnesses, about how we can use these initiatives to meaningfully engage with our allies to address the range of challenges facing the Western Hemisphere. And partly, free trade agreements are one key to creating economic growth and resiliency in the region.

With a successful renegotiation of the USMCA, we now have a model for how we can bolster trade across the Western Hemisphere, and maybe even across the globe. Through the example of USMCA, we have seen that it is possible to create market opportunities and to update our trade policies for a 21st-century economy, including establishing strong and enforceable standards to protect workers and to protect our environment.

While it is not a perfect agreement—nothing is perfect—it gives us a road map for how we can use trade to boost economic growth and foster a nurturing environment for job creation in our country and in the countries of our trading partners. Toward that end, I hope we can consider opportunities to modernize and strengthen some of the other trade deals throughout our region, including the Central America Free Trade Agreement and some of the bilateral agreements and investment frameworks throughout Latin America.

Another major economic and security consideration for the Western Hemisphere is China’s footprint in the region, especially when their actions run counter to the strategic goals of the United States and our allies. And whether we are talking about the vulnerabilities in our supply chains due to overreliance on China for critical materials, or Chinese use of financial assistance to advance their political goals, we need deeper coordination with our allies to tackle these challenges.

For example, I have been eager to find ways for the United States to work more closely with our allies to bolster the resiliency of our medical supply chains, including lifesaving medical treatments, including devices, and including other equipment.

I will be introducing legislation in the coming weeks to support the resiliency of our medical supply chains by shifting investments out of China and into the Western Hemisphere, and I look forward to discussing that with our ranking member, Senator Cornyn, and with his staff.

I oftentimes say maybe more than I should. I have these things, these sayings that I like to use over and over again, and one of them is, “if you can do it, we can help.” That is just one of a hundred or more, but I like to say “find out what works, and do more of that.”

When I was Governor of Delaware for 8 years, we focused a lot on what we can learn from other States. And rather than Delaware just reinventing the wheel or something, why don’t we learn from other States what they are doing to address a particular problem or not? So, I believe that to my core.

My wife wants to know what I want to put on my tombstone when I die, and I am in perfectly good health, so I do not—I said, “Honey, we do not have to rush into that.” But I said, “How about, find out what works, and do more of that.” Some people will see that tombstone in the future and say, “He must have been a very interesting person,” so we will see.

But I hope that today’s hearing leads to a better understanding of what works to strengthen trade and economic coordination across the Western Hemisphere, including using diplomatic and economic tools to advance our shared values and our shared goals.

Once more, I want to thank our ranking member and his team, and I want to thank all of you for appearing before us today, and all of our staffs.

With that, I am delighted to move to Senator Cornyn for his opening statement.

Senator Cornyn?

[The prepared statement of Senator Carper appears in the appendix.]

OPENING STATEMENT OF HON. JOHN CORNYN, A U.S. SENATOR FROM TEXAS

Senator CORNYN. Thank you, Mr. Chairman, and thank you to our witnesses for joining us here today.

I recently led a bipartisan delegation to Panama, Colombia, Argentina, and Brazil, to investigate, among other things, the PRC’s growing influence in the region. In recent decades, as we know, China has made massive investments across Latin America, including transportation infrastructure, energy projects, and so much more. Of course, the investments are not an act of generosity. Rather, it is a way for China to project power around the world and gain access to valuable natural resources, among other things.

We heard the same message from all of the heads of state that we visited with. They do not trust China. They understand that Belt and Road projects crumble shortly after they are built, and that the debt from the PRC comes with strings attached.

Despite these risks, some of these leaders feel like they have no alternative. They explained the difficulty of saying “no” to free roads, stable currency, and generous trade agreements. In each

country, we heard there was a clear preference for the United States over a relationship with China.

Unfortunately, they do not see the United States stepping up and offering a better option. While on the surface our relationships remain strong in Latin America, paradoxically our allies and partners are sliding away from the United States and closer to the PRC. We can see this happening in a growing number of Latin American countries when they accept Belt and Road projects, cut diplomatic ties with Taiwan, agree to trade with the PRC in yuan rather than dollars, and even allow the PRC to bring military assets into the region.

The bottom line is that the strong and enduring relationship we have had with Latin America over the last 200 years is not a given. We have to work harder to maintain it and to grow it. But with the growing influence of the PRC in the Western Hemisphere, our friends and allies must have other options to choose from.

So, we have to be engaged in the region and remind our allies and our partners that the United States always has been and always will be the best option. The good news is that our Latin American allies and partners want increased trade with the United States, and by and large they are skeptical of the PRC's motives.

Leaders from each country we visited told us that they would prefer a good option at the right price from the United States, compared to a free option from the PRC. If given that choice, they would choose the United States virtually every time. Fortunately, the solution is not as complex as it may seem. At each stop, we heard the same thing.

The way to outcompete China in Latin America is through new free trade agreements. Increased trade, not free infrastructure and cheap debt, is how the United States shows it is the better option. To compete with the PRC and build enduring relationships, the United States has to work with our allies and partners to build the right investment climate for businesses. New free trade agreements in Latin America would provide the confidence needed to promote investment and economic growth in the United States and the region.

Like the chairman, I recently led another group to Mexico City, where we sat down and visited with President López Obrador, and we attempted to explain what a historic opportunity there was to bring back some of those supply chains from Asia to North America, and what a great opportunity it would be for Mexico, among other countries, to help encourage that.

Time will tell whether that had much of an impact or not, but I am glad, like you said, Mr. Chairman, that USMCA is in place. But it seems so obvious that Mexico is already an important part of our manufacturing supply chains, and it seems like it should not be that hard to just grow it in a way that is mutually beneficial—beneficial to them by creating jobs and growing their economy, and beneficial to us because of the security of those supply chains, for example.

Of course, there are opportunities for near-shoring critical supply chains, building our partners' and allies' investment climates, stimulating both U.S. and partner industrial bases, growing the market for small businesses, and accessing the abundant untapped rare

earth deposits in Latin America. There is a lot of opportunity out there.

It is no secret that Washington often has its sights set elsewhere in the world. Latin America has not been one of our priorities. Yet the opportunities to strengthen our mutual interests in trade through markets and democracy and regional security are potentially limitless.

We need to compete, and that means first, we need to show up, and we need to prevent China from destabilizing our shared hemisphere. And we also have the opportunity to forge deeper and lasting ties with countries whose economies, resources, industrial capacity, and shared values with the United States have endured for centuries.

So I look forward to hearing from today's witnesses and maybe asking a few questions. Thank you very much.

[The prepared statement of Senator Cornyn appears in the appendix.]

Senator CARPER. Thank you, Senator Cornyn.

Our first witness is—I am just going down the line here. Our first witness is Mr. Jonathan Fantini Porter, who is the chief executive officer of the Partnership for Central America.

The partnership, as you may know, is a nonprofit, nonpartisan, nongovernmental organization that works with a multilateral coalition of private organizations to advance economic opportunity across the Northern Triangle countries, including El Salvador, Guatemala, and Honduras. The alliance is a key component of the Vice President's "call to action," and the partnership aims to support economic development, address climate change, and promote investment in the region.

Previously, I believe Mr. Fantini Porter served as a national security aide at the White House, a congressional aide in both chambers of the U.S. Congress, and as a chief of staff in the United States Department of Homeland Security. Mr. Fantini Porter, you have the floor. And do you go by Fantini Porter?

Mr. PORTER. Porter is just fine, sir.

Senator CARPER. Okay; thank you.

STATEMENT OF JONATHAN FANTINI PORTER, CEO AND EXECUTIVE DIRECTOR, PARTNERSHIP FOR CENTRAL AMERICA, WASHINGTON, DC

Mr. PORTER. Senator, thank you for that introduction. And, Chairman Carper, Ranking Member Cornyn, members of the committee, thank you for the opportunity to discuss the challenges and approaches to achieving greater economic cooperation across the Western Hemisphere.

Before offering brief introductory remarks, I would like to thank you, Chairman Carper, for leading, as you mentioned, a bipartisan and bicameral delegation to Mexico, Guatemala, and Honduras, which builds on Vice President Harris's work with the Partnership for Central America, to address the root causes of migration and strengthen relationships between our countries.

I would also like to thank the bipartisan leadership of Senator Cassidy and Senator Bennet, sir, for your cosponsorship of the milestone Americas Act, which offers an important set of solutions

to strengthening cooperation in the hemisphere. I would also importantly like to thank you, Ranking Member Cornyn, for the co-delegation that you led to the region, as well as your engagement in the region over these many, many years. Thank you, sir.

A unified Western Hemisphere, Senators, is a critical pillar of our Nation's long-term economic competitiveness and national security. Comprised of over 1 billion people with a shared cultural bond, a GDP of more than \$35 trillion, and a range of comparative advantages, we are considerably stronger together than apart.

Enhanced cooperation would make us stronger in countering the influence of strategic competitors such as China, as Senator Cornyn alluded to, and stem the root causes of irregular migration, which Chairman Carper alluded to, while strengthening the U.S. economy and furthering our climate goals by near-shoring and integrating supply chains.

There are a number of foundational pillars in achieving greater cooperation, including trade policies to incentivize near-shoring while strengthening American jobs, diplomatic engagement, development assistance and financing to improve infrastructure, consistency across labor protections and the rule of law, and investment promotion and supply chain integration.

This is where the Partnership for Central America comes in, Senators. As a model for investment promotion to near-shore and integrate supply chains, they create economic growth in both the United States and across the region. As an independent, non-partisan organization, we are working through a public-private partnership with the U.S. Government and more than 100 partners to mobilize investments that advance economic growth and sustainable development goals.

Senators, in just 18 months, the partnership has delivered unprecedented impact in the region, if I may say, including mobilizing more than \$4.2 billion in corporate and civil society investments, as Chairman Carper noted, of which more than \$500 million of those investments have been deployed on the ground.

Alongside diplomatic, trade, and development pillars, the Partnership can serve as a model for the necessary private-sector mobilization that is required today to achieve greater economic integration and sustainable development goals across the Americas. These programs have delivered results in communities. For example, children from a rural, indigenous community in Comayagua, Honduras are now able to access the Internet. This creates for these families access to the global economy and immeasurable potential for their lives.

Similarly, one of PCA's partners launched its first line of coffee from two northern Central American countries represented today in the audience, as part of its \$150-million commitment to this effort. This is a tangible example of how greater coordination and cooperation can lead to new investments from global companies that deliver high-quality jobs and achieve our strategic objectives across the Americas, including stemming the economic roots of migration and countering the incursion of strategic competitors in the Americas.

The Western Hemisphere faces a range, Senators, of foundational challenges, including forced migration, corruption, and strategic ad-

versaries. A singular plan for the Americas that strengthens economic cooperation could bring our region together around a common vision and make the most of this brief post-COVID moment to become a near-shoring hub, while strengthening American jobs.

During the course of our discussion today, I look forward to sharing the Partnership's public-private model of investment promotion as a case study in successfully near-shoring global firms to achieve economic growth and sustainable development.

With that, I thank you very much for the opportunity, and I look forward to answering your questions.

[The prepared statement of Mr. Porter appears in the appendix.]

Senator CARPER. You are welcome, but it is we who thank you.

And our next witness is Eric Farnsworth, and he is the vice president of the Council of the Americas. Welcome; nice to see you. Mr. Farnsworth leads the Washington office of the Council of the Americas, an international business organization—no stranger to us—whose members share a common commitment to economic and social development, open markets, the rule of law, and democracy throughout the Western Hemisphere.

Prior to his time at the Council, Mr. Farnsworth served in government with the U.S. Department of State, with the Office of the U.S. Trade Representative, and the White House under former President Clinton.

Mr. Farnsworth, welcome, or as we say in South America and Latin America, bienvenido, and the floor is yours.

**STATEMENT OF ERIC FARNSWORTH, VICE PRESIDENT,
COUNCIL OF THE AMERICAS, WASHINGTON, DC**

Mr. FARNSWORTH. Thank you, Mr. Chairman. Gracias; de nada. It is a real privilege to have the opportunity to testify before this subcommittee, and, Mr. Chairman, Mr. Ranking Member, members, I really want to take a moment to thank you not just for your interest on this topic but for your leadership in terms of the issues that you are focusing on during a particularly complicated time across the Americas, both politically and economically.

I also want to thank the ambassadors and the diplomatic corps who have turned out in real force this afternoon to show their interest and support on these topics, and obvious interest in working together as real partners with the United States.

Latin America and the Caribbean were hit hard by the COVID pandemic. The human costs were the highest worldwide. Economically, budgets strained under new spending requirements, debt increased, and rapidly rising U.S. and global interest rates have made debt more difficult to service.

The World Bank suggests that headwinds are increasing and that the outlook for 2023 is “substantially bleaker”—that is their quote—than 2022, which itself achieved no great results. Forecasts for the out-years suggest growth will remain insufficient to create the jobs the region requires to reduce poverty significantly, address rising social demands, and mitigate social tensions.

Leaders are ultimately responsible for job creation and development in their own economies, but we can help. I think maybe, Mr. Chairman, this is where the Home Depot doctrine would apply to the Western Hemisphere.

If we want to support U.S. interests, however, including our own economic growth, supply chain security and resiliency, regional development that discourages migration and illegal activities, democratic governance, and crucially maintaining a privileged position in the Americas, I believe we have to help, because alternatives now exist, namely China, that did not before.

There is so much Washington can do now to support our friends across the region, many of whom have called for enhanced economic and trade relations, even as they are being actively and aggressively courted by Beijing. There is no reason, for example, that Washington cannot propose regional liberalization of individual economic sectors such as environmental technology; goods and services, including clean energy, where the region is a global bright spot and a critical partner in combating climate change; or the digital economy or health care or other sectors, consistent with and building on existing efforts and political priorities. I believe we should also be more proactive and responsive to the specific trade-related requests of our democratic friends, including Brazil, Ecuador, Uruguay, and others.

But if we really want to recapture the strategic initiative in the Americas, and I believe we do, we should consider expanding the trade agreement with Canada and Mexico, USMCA, which has already been talked about in this session, into the rest of the hemisphere.

USMCA was negotiated and overwhelmingly passed on a bipartisan basis. It included new provisions around digital, clean energy, and other sectors that are lacking in previous-generation free trade agreements. To remain competitive, these agreements will have to be updated and upgraded, drawing supply chains away from China and strengthening resiliency, while rebuilding regional economies and creating jobs in the formal sector.

This is not a call for block-to-block negotiations, which are cumbersome and inconvenient. Rather, the idea would be to offer USMCA accession to democratic partners individually, as they show the desire and capacity to meet the standards and obligations the agreement requires.

Costa Rica, for example, has already expressed interest and would make an appropriate new party to the agreement. Such an approach would also ensure that troublesome partners such as Nicaragua do not gain USMCA access without a return to the democratic path. At some point, hemispheric nations without pre-existing free trade agreements should also have an opportunity to accede to the USMCA, and in this category I would place Ecuador, which has also expressed interest.

This could incentivize commitments and reforms that otherwise might not occur absent market access provisions and broader sectoral coverage that provides certainty and rule of law to investors. Early movers would gain the most from relocating supply chains, thus creating competition for access to the agreement and a built-in impetus to take actions that might otherwise be too difficult politically for them to take.

The Americas Act, cosponsored on a bipartisan basis by Senators Cassidy and Bennet, which has already been mentioned, is a major

step in this direction. It would help recapture the regional narrative from those who may question Washington's reliability.

It would also undercut the notion, now aggressively being promoted by Beijing and their amplifiers, that Latin America and the Caribbean have just as much or more to gain from China than from the United States. We applaud the authors of this initiative, and there are others as well.

The Western Hemisphere is in play. Hearts and minds are up for grabs as the region suffers from pandemic after-effects, willing to consider both nontraditional domestic and international options. U.S.-led economic engagement can be an effective corrective, building partnerships, linking allies, drawing job-creating direct investment in strategic sectors, and strengthening democratic governance. But we must first choose to engage.

Mr. Chairman, thank you again for the invitation to testify, and I look forward to your questions.

[The prepared statement of Mr. Farnsworth appears in the appendix.]

Senator CARPER. Thanks. Thanks for those words.

Next witness: I would like to introduce Margaret Myers. What is your full name?

Ms. MYERS. Margaret Myers Mullinix.

Senator CARPER. Like 3M, right?

Ms. MYERS. Three Ms.

Senator CARPER. Three Ms, there you go.

The next witness is Margaret Myers, director of the Asia and Latin America Program at the Inter-American Dialogue. Ms. Myers has published extensive research on China's relations with the Latin American and Caribbean region.

Previously, Ms. Myers worked as a Latin American analyst in China, analyst for the U.S. Department of Defense, during which time she was deployed with the U.S. Navy in support of Partnership of the Americas. A retired Navy captain salutes you. Thank you for that service.

Ms. Myers, you have the floor, and welcome today. Thank you.

STATEMENT OF MARGARET MYERS, DIRECTOR, ASIA AND LATIN AMERICA PROGRAM, INTER-AMERICAN DIALOGUE; AND FELLOW, WOODROW WILSON CENTER, WASHINGTON, DC

Ms. MYERS. Thank you very much, Senator, for the kind introduction. Good afternoon to everyone. I would like to thank Chairman Carper, Ranking Member Cornyn, and the members of the subcommittee for, first of all, working diligently toward a bipartisan solution on this really critical issue, but also of course for the opportunity to share my views on advancing economic cooperation for a stronger and more resilient Western Hemisphere.

As a specialist on China's engagement with the region, I offer some thoughts today not just on prospects for engaging more extensively with the hemisphere, but also on the ways in which U.S. prospects are shaped by China's many efforts across the Americas. I first of all note that this is a critical moment for expanded engagement. Nearly every country in our region is facing similar obstacles in pursuit of economic recovery and future growth: edu-

cational setbacks, extreme weather events, fiscal limitations, historic migration flows, and wide-ranging other shared challenges.

There is considerable need and indeed justification for enhanced hemispheric cooperation to advance many of our common objectives. For the United States, there is also a tremendous opportunity to promote not only our own industrial and diplomatic interests, but also economic progress across the hemisphere, especially by deepening our engagement with emerging sectors across the region, including those related to energy and digital transformation, in addition to medical and pharma industries, as was mentioned previously.

Targeted investment in these industries and expanded, focused value-chain development would do much to both advance U.S. competitiveness and hemispheric growth. But if we are to engage in these and other areas, now is most certainly the time to do so.

Time is truly of the essence as China grows its technological outreach and economic presence in these and other industries. In a matter of years, through a series of targeted investments and subsidized offerings, China has established prominent, even dominant economic positions, including in energy generation and transmission, telecommunications, renewable energy, electromobility, and now critical minerals.

The U.S. policy toward Latin America should be a China policy. It should not be principally motivated by U.S. interests in competing with China in the region. Pursuing stronger economic ties within the hemisphere is a critical objective in its own right, with direct implications for the U.S. economy and regional security and stability. But our ability to be competitive in international markets and strategic industries requires an understanding of China's efforts and positioning in the Western Hemisphere, including in the Caribbean frankly, which has been an outsized recipient of China's finance and other attention in recent years.

With that in mind, I would offer that if we are serious about engaging economically with our region and remaining competitive with China in the process, trade is fundamental, as Senator Carper mentioned. So much of China's influence in the region is derived from its ever-expanding commercial partnerships, even when they are advancing economic reprioritization in much of Latin America.

Ecuador signed a trade agreement with China just days ago. An Uruguayan trade deal and possible Central American agreements are also on the horizon. Even a focus on deepening existing U.S. agreements, if not signing new ones, would be welcome at this juncture.

In pursuit of stronger ties, new private-sector investment in the hemisphere, including through near-shoring, is of course helpful, even more so when the investment has strategic implications such as concern semiconductor supply. But it is also critical to simply maintain our presence in sectors where U.S. companies have been active for decades.

Crafting incentives for U.S. and partner-nation companies not just to engage anew, but also to stay the course in the region, will be of great consequence. We also must look to add value in the hemisphere, including by helping to develop regional supply chains, as noted. This is what the region needs and wants, and is among

the very best ways for us to ensure strong and binding economic ties.

U.S. investment in trade in the hemisphere has historically been far more diversified than China's. We have a strong record of adding value that can and should be expanded upon. Doing more will require the removal of barriers to financial engagement, many of them administrative in nature, and even more opening up to channels for direct G2G involvement in certain cases where needed.

Ensuring a prominent U.S. role within the hemisphere and competitiveness with China also, of course, requires sustained commitment to addressing our own economic challenges and societal needs. Robust commitments to improving U.S. domestic conditions will naturally boost competitiveness and generate prospects for broader and longer-term hemispheric cooperation. U.S. companies must stay competitive, but so must the U.S. model, including in the eyes of our hemispheric partners.

Thank you very much for the opportunity.

[The prepared statement of Ms. Myers appears in the appendix.]

Senator CARPER. Thank you. Thank you very much for those words.

And when I—our fourth witness is Cathy Feingold, and when I met her, I said, "Are you related to Russ Feingold?", who used to be our Senator, I think it was from Minnesota?

Ms. FEINGOLD. Oh, I am from Illinois.

Senator CARPER. I know you are, but there is no relationship?

Ms. FEINGOLD. No relation.

Senator CARPER. Okay, very good. Well, we are glad to—every now and then we hear from him, but we are happy today to hear from you, and welcome. Please proceed. Your full statement will be made part of the record. Thank you.

**STATEMENT OF CATHY FEINGOLD, DIRECTOR OF THE
INTERNATIONAL DEPARTMENT, AFL-CIO, WASHINGTON, DC**

Ms. FEINGOLD. Thank you so much. Good afternoon. Thank you, Chairman Carper, Ranking Member Cornyn, and the distinguished members of the committee, for the opportunity to testify on this important topic. It is truly a privilege to be here today representing the 60 trade unions and 12.5 million workers who are part of the AFL-CIO.

With my limited time, let me touch on a number of recommendations related to trade, investment, immigration, and priority supply chains across the region. On trade, it is essential that we learn from the failure of the Central America Free Trade Agreement to generate decent work and sustainable economic growth in the region. CAFTA contained strong rights for foreign investors, but weak commitments to international labor standards and environmental protections.

So what can be done? Here I think we can learn from our experience with the United States-Mexico-Canada Agreement, USMCA. USMCA required Mexico to overhaul its weak labor laws and created a new rapid response labor mechanism, ensuring employer compliance at the factory level.

While many challenges remain, we're encouraged by the López Obrador administration's evident commitment to labor rights re-

form and this administration's successful use of the rapid response mechanism to address worker rights abuses and advance independent union organizing in a number of factories in Mexico. That will help raise wages both in Mexico and here in the United States.

Let me share a few recommendations based on USMCA. We need to upgrade CAFTA's labor provisions, as well as all FTA's, to include a rapid response labor mechanism—access to the U.S. market should be a privilege, not a right—and remove harmful provisions like the investor-state dispute settlement mechanisms from all agreements.

We should ensure that APEP and any future FTAs, including critical mineral agreements, include strong and enforceable labor provisions as contained in the USMCA. They should also contain strong rules of origin, to ensure that workers and businesses from the parties to the agreement are the primary beneficiaries, not third parties like China.

On investment, we support Vice President Harris's "call to action" and recognize the potential of new investments by the U.S. companies to generate good jobs in Honduras, Guatemala, and El Salvador. However, we cannot assume that any U.S. corporate investment will create good jobs, and we have cautioned that these investments must be accompanied by social and environmental safeguards. To accomplish that, workers and unions must have mechanisms to give regular input to the process, and to hold employers accountable for violations of human and trade union rights.

To date, those are entirely missing. There has simply not been enough transparency or engagement from the administration or the various public-private initiatives on how they will ensure that these investments will meet international standards for responsible investment, anticorruption issues, worker rights, and environmental protection.

We also believe that unions in the U.S., especially those that have strong leadership from Central America, can play a critical role in this initiative by providing best practices on apprenticeship programs and workforce training models.

With recent leadership changes in key allies like Colombia, Brazil, and Argentina, there is real opportunity for this administration to promote a model of inclusive economic growth that delivers for workers here and across the Americas. If APEP is modeled on the Asia-Pacific Economic Cooperation model, APEC, it will be important to ground the scope of work in a worker-centered approach to trade and investment. The scope of work of APEP must move beyond the APEC's narrow focus on trade and investment liberalization, to building a new regional model based on the needs of workers, their families, and the environment. As APEP moves forward, close consultation with labor, environmental groups, civil society, and Congress will be vital to shaping the priorities for this initiative and building support.

APEP can be an important forum for developing a new model for building partnerships around critical minerals. The AFL–CIO and our affiliates support the need to secure critical minerals for clean energy transition, and we believe we need to invest here in the United States to safely extract and process these minerals, as well

as to ensure that any mining in partner countries includes close consultation with unions and impacted communities.

On immigration, for too long we have seen failed U.S. foreign and trade policies that have prioritized the needs of corporations and not those of workers. Because trade policy, development assistance, and broader foreign economic interventions have not done enough to support the emergence of resilient domestic markets, economies in the region have grown reliant on migration and remittances.

We urge policymakers to think big about the shifts that are needed to address pernicious injustices in the region, and scale up investment and assistance that supports decent work, so that migration becomes a choice rather than a means of survival.

As work to address root causes continues, regional migration strategies should prioritize regularization schemes such as temporary protected status and rights-based channels which allow migrants the freedom to move, settle, work, and fully participate in society. We recommend this over expanding flawed and abusive temporary labor migration programs.

In short, we have a lot to do to ensure that trade is an engine of sustainable growth for all workers in the Americas, but the worker-centered trade agenda gives us a good map moving forward.

Thank you for the opportunity to address you today.

[The prepared statement of Ms. Feingold appears in the appendix.]

Senator CARPER. Great, and thank you for addressing us today.

Our final witness today will be Neil Herrington, and the last but not least. We welcome you. As I understand, he is senior vice president for the Americas Department at the U.S. Chamber of Commerce, and in this role, Mr. Herrington manages the Americas Department programs, councils, and policy initiatives across the Western Hemisphere.

Mr. Herrington also serves as president of the U.S.-Cuba Business Council, the U.S.-Colombia Business Council, and the U.S.-Argentina Business Council. Before joining the chamber in 2014, Mr. Herrington held posts in both the private and the public sector, including a stint as Director of the State of California's Office of Trade and Investment in Mexico City, and service with the Office of the U.S. Trade Representative, where he was senior advisor to the Deputy USTR for Asia and Africa. Who was the U.S. Trade Representative then?

Mr. HERRINGTON. Susan Schwab, sir.

Senator CARPER. There you go. Well, at any rate, Mr. Herrington, the floor is yours. Make the most of it. Thanks so much, and welcome.

**STATEMENT OF NEIL HERRINGTON, SENIOR VICE PRESIDENT,
AMERICAS PROGRAM, U.S. CHAMBER OF COMMERCE, WASHINGTON, DC**

Mr. HERRINGTON. Mr. Chairman, thank you so much. I want to echo the sentiments expressed by my colleagues and appreciation not only for this opportunity, but for the dedication and commitment that this committee continues to demonstrate towards the re-

gion and its issues, challenges, and opportunities. I am also honored to be joined by such an esteemed panel of my colleagues here.

In the Americas, the Chamber runs a 55-year-old network of American Chambers of Commerce across Latin America and the Caribbean, five bilateral business councils, and a variety of other bilateral and multilateral initiatives. We believe that the most effective way to drive inclusive growth and widespread opportunity across the region is through economic integration, enhanced market access, and business-led solutions.

As part of the 9th Summit of the Americas last June, the Chamber was proud to partner with the State Department to host the fourth CEO Summit of the Americas, a private-sector-focused event which gathered regional heads of state, policymakers, think tanks, and leaders of businesses large and small from across the hemisphere.

We leveraged the opportunity to align with the Summit's leaders meeting in order to spark a public-private dialogue across six priorities critical to fostering growth in the region: adherence to rule of law, digital transformation, resilient health systems, energy and sustainability, support for small and mid-sized companies, and trade—one critical priority that was not included on the leaders agenda.

A key takeaway from the CEO Summit was that the regional private sector is already hard at work addressing these priorities and is committed to do much more. What we are asking of regional governments is that they help foster conditions conducive to business in areas like trade policy, regulation, taxation, and most importantly, adherence to rule of law.

I will briefly highlight two of these. When it comes to trade policy, the fact that 12 of the U.S.'s 20 free trade agreement partners are in Western Hemisphere countries provides an important foundation upon which to build. Partly due to the excellent market access these FTAs provide U.S. exporters, our regional neighbors purchased more than \$900 billion in U.S. merchandise exports in 2022, or nearly 44 percent of all U.S. merchandise exports.

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 to address regulatory transparency, and to ensure protection of intellectual property rights.

Additional regional market access opportunities should be pursued, which is why we support members of the Senate who have called for FTA negotiations with Ecuador and Uruguay. And of course, no priority is more important than compliance with and enforcement of our existing FTAs.

When it comes to USMCA, the Chamber continues to raise a number of troubling issues surrounding implementation, compliance, and enforcement of the agreement, especially with regard to Mexico. We have appreciated the strong voices on the subcommittee also urging compliance from our partners and enforcement from USTR.

In terms of quick trade winds, Congress can help by continuing to ensure timely approval and renewal of trade preference programs, such as GSP and Haiti HOPE-HELP Acts. For years,

Chamber member companies have identified weak rule of law as the number one challenge facing U.S. companies doing business in the region.

In response, the Chamber has been at the forefront of promoting adherence to rule of law as the key to governments' ability to increase investment and trade and help drive sustainable economic growth. To bring greater attention to the importance of rule of law, 10 years ago the Chamber's Americas Program developed the global business rule of law dashboard.

What was once a regional initiative today covers more than 100 markets around the world, and tracks five core critical factors to business success: transparency, predictability, stability, accountability, and due process. We have found that where these factors are present, investment thrives, economies grow, jobs are created, and prosperity follows.

Conversely, in markets where these factors are weak or absent, corruption thrives, informality reigns, investment dollars flee, and tax revenues plummet. The fourth and most recent version of our dashboard revealed that Latin America and the Caribbean are lagging significantly behind, earning the lowest average score of any region of the world.

The Chamber and our partners at the region's Am Champs have no greater objective than to raise awareness of the importance of the rule of law to attract investment and generate broad-based economic growth. Without it, potential transcendent economic opportunities for the hemisphere, such as near-shoring, remain elusive.

In spite of the challenges, the opportunities to foster inclusive growth to enhance economic cooperation and integration across the region are immense. 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, more resilient Western Hemisphere.

Thank you again for the opportunity to share our views in this important hearing, and I look forward to your questions.

[The prepared statement of Mr. Herrington appears in the appendix.]

Senator CARPER. Mr. Herrington, you have given us a lot to think about. Thank you for your presence, and thanks for your testimony. I would like to ask a question. This would probably be for Mr. Porter and for Mr. Herrington.

How do rule-of-law issues hinder investment and economic opportunity? How can the U.S. support our allies to strengthen rule of law and create an environment for job creation?

So a little bit of background. I had been the Treasurer and a Congressman for Delaware, been a Naval flag officer. I moved to Delaware, got to be elected Governor, and before I was sworn in, actually just after I was sworn in as Governor, I hosted a former Governor to come in and have lunch with me at the Governor's house. His name was Bert Carvel. He was like a great, great giant of a man.

He was an older fellow, but he was like very wise, very smart, a very successful businessman and Democrat. We sat down and we had lunch, and he said—he went right to the point, and he said, "Governor, for you here's my strongest piece of advice—I hope you

will take this to heart.” I said, “What would that be, Governor Carvel?” And he said, “The main thing is to keep the main thing the main thing.”

I said, “Would you say that again?” He said, “Yes; the main thing is to keep the main thing the main thing.” He said, “Do you know what I mean?” I said, “I think I do.” I said, “You are talking about, figure out what is important and keep that in mind?” He said, “Yes.”

And he said at the time, he said, oh gosh, close to 50 percent of the State of Delaware’s revenues came from corporations from America and around the world that were incorporated in Delaware, paid franchise tax, providing about half of our revenues.

One of the reasons why they do that is because we have a great judiciary with really smart judges, and the rule of law and certainty and predictability, which companies are always interested in. And he said, “Just keep that in mind. Do not be the Governor who killed the goose that laid the golden egg.”

When I led—and I suspect Senator Cornyn heard a fair amount of this when he led a codel down into Central America recently. But we heard in one country after the other about rule of law, how important rule of law was.

We heard that, and not just an acknowledgement by the leaders of Honduras, Guatemala, and Mexico, we really heard it a lot from the business community. We heard it from the nonbusiness communities as well.

Rule of law is critical. If you do not have that, it is like what they used to say about integrity. If you have it, nothing else matters. Integrity—if you do not have it, nothing else matters. Same is true with rule of law. But how do rule-of-law issues hinder investment and economic opportunity, and how can the U.S. support our allies to strengthen the rule of law and create an environment for job creation?

I am going to ask Mr. Porter to lead off, and then Mr. Herrington, please.

MR. PORTER. Certainly, Senator. Thank you for the question, and you used the words “the main thing.” I would echo your sentiment. Corruption, weaknesses in rule of law are among the main things hindering investment to northern Central America.

I would note that the IMF has found that \$13 billion is lost in productivity annually in northern Central America, and that northern Central America, according to Transparency International, has a worse ranking than 103 of the 180 countries ranked by Transparency International.

In actions to counter this, to your point of how we have sort of taken an approach to respond to this, the first piece I would just note is that with Vice President Harris and our “call to action” partners, we have launched the Good Governance, Good Jobs declaration, which is our partnership’s commitment and actions to combat corruption, and to protect labor rights in the region.

I would note that as one first example, and that said, Senator, when we think about systemic challenges, corruption in this context is one of those, a systemic challenge.

What we would hope to do, noting that there have been limited, significant improvements in this area, is to work with this body

and our partners at this table, to identify opportunities to work together comprehensively to attack and approach the challenge that, at the end of the day, is a systemic challenge.

Senator, I would note that as an approach: working together to take this challenge on collaboratively. I will end there and pass to my colleague.

Mr. HERRINGTON. Yes. First of all, I would like to commend the work of PCA and Jonathan, where we have been partnered since the beginning, right? Many of our companies have stepped up with major commitments supporting this effort. This is an effort we have undertaken since the Alliance for Prosperity. Senator Carper, I know you have been very involved since then, if not before.

I think you said it. It is funny, because I have had the same thought before. You can talk about supply chain resiliency, you can talk about building things like digital connectivity, you can talk about ensuring resilient health-care systems, all of the things we are focused on. But if you do not have rule of law, you have nothing. I think that is really well said. And I think that in this case for business, what is the impact? As I think a lot of you who have been in business previously know very well, business is certainty. Certainty for business is everything, and what lack of adherence to the rule of law does is, it undermines business certainty. And so, businesses are going to go and look for other options in other locations in which to invest, which in the case of northern Central America, we cannot afford collectively.

What can we do about it? I think one of things that we set out early on in working with PCA and other stakeholders in this effort is suggesting ways in which we can strengthen institutional capacity building, working with public-sector partners and ensuring that they are committed to upholding the rule of law. And certainly, governance in the region, frankly speaking, remains, I think, one of the biggest challenges we see coming from 2014, when President Obama launched the Alliance, to now. I think that still remains the biggest impediment.

Something else we can do is, promote the adoption of business ethics and good governance programs. The Commerce Department has great programs in this area, and I think those are things—Jonathan, you can correct me—but I think those are things that PCA and the Vice President's office have leveraged.

This one is key too: deploying digital tools. One of our members has a great anecdote that says "a bit cannot take a bribe." So, when you are talking about digital tools enhancing transparency, ensuring that in Customs, in permitting, in licensing, in taxation, you avoid having the urge of a Customs official, for example, to take a bribe, that is actually not possible if you can digitize everything.

Last thing—and I will leave it here—really working with partners to combat IP piracy, and counterfeiting as well, is critical in the region.

Senator CARPER. Good. My thanks to both of you for your response to that question.

I am going to yield now to Senator Cornyn. Thank you.

Senator CORNYN. Thank you, Mr. Chairman.

Mr. Porter, I think a couple of times in your testimony you talked about root causes of migration. Coming from Texas, we have a fair amount of experience with the migration challenges, and you know, the Border Patrol likes to talk about push factors and pull factors.

I agree with you, that some of the push factors are violence, poverty. We all understand that. But there are also the pull factors. I will not make this a hearing on immigration policy, but the perception that you are free to come to the United States and you will be escorted to the interior of the United States and be able to stay here for years is, I think, a pull factor which is causing us a lot of problems.

The other thing I would just say about looking at root causes is, the United States is not very good at nation-building. And so I think what we need to do is try to work with our partners and friends in South America to help them as they grow their economy. But it is pretty complicated.

Mr. Herrington mentioned the rule of law. You have to have an independent judiciary in order to make sure the rule of law actually means something. So, lots of challenges. But I would just invite you all in the short time we have here—it is not a whole lot of time to talk about too many details, but I think one of the things we found when we—Senators Shaheen, Lee, Marshall, Fisher, Budd, Crapo, and I went, as I said, to Panama and Argentina, Colombia and Brazil, and one of the things that I think we overlook is our education system.

I remember, when CAFTA was being considered, going to Central America with Senator Shelby from Alabama. And many of the leaders we met there had received advanced education in the United States. It is a very powerful way for us to understand one another. And the other is just our military-to-military ties that can sort of stabilize, sometimes, the tempest of political leadership, whether it is in the United States or other countries.

Those—military and education—have a way of providing stability. But I want to ask all of you, as well as the ambassadors in the audience, please share with us your ideas about things we can do to strengthen our ties with the region. It is really, really important.

Ms. Myers, let me ask you about trade. I do not believe the Biden administration is interested in negotiating any true new trade agreements, and assuming that is the case, how do we significantly increase our economic presence in the region while bolstering our own economic and national security interests? If we cannot do any trade agreements, what do we do?

Ms. MYERS. Shall I respond? I mean, we are paralyzed in this respect from a political perspective at the moment. We see not only a lack of interest in striking new bilateral free trade agreements, but also a disinterest in rejoining the CPTPP.

There has also been in general, to the extent to which there is a trade policy, right, and an interest in engaging more extensively in trade agreements, it is not focused on the Latin American regions. It is focused on Europe and elsewhere.

There are things I think we can do within the context of existing trade agreements to deepen them, to expand them, to include new

chapters, to modernize them. Whether there is appetite for that or not remains to be seen, but certainly there is some possibility there.

There are also efforts for us to engage, I think, in digital infrastructure development, if not trade, to expand infrastructure across the region that promotes, at least across the region, trade in various forms, if not through formal agreements.

But you know, with the dynamics as they are, I think we all recognize that trade is fundamental, especially if we are to compete effectively with China, which derives most of its influence from its commercial relationships. But trade is critical. But indeed, this is something that we really need to grapple with and think about very critically.

Supply chain development is an important part of this, but must be accompanied, obviously, by new efforts to develop trade relations and to facilitate open trade in much of the region. I would say also, just as a final point, a lot of the talk today has been about Central America and Mexico.

When we are talking about China and China's rise—China's engagement over the past 2 decades now, and the extent to which China has engaged, really across the entire region—there are major disparities in the extent of U.S. activity and influence in different subregions within Latin America and the Caribbean.

Indeed, we are losing the battle most expansively in the context of South America. So, as much as it is critical to develop these linkages within the Central American and Mexican context, and to invest more extensively there through the main mechanisms and extensive and excellent work that my colleagues here are doing, it is also critical for us to think about some of these supply chain prospects, right, including if we are talking digital and energy transition which apply directly in the context of South America.

So, I do not have the answers necessarily, or at least not the technical answers, but I do believe that with some creative thinking, there will be some opportunities to engage more extensively, at least in some forums.

Senator CORNYN. I have many more questions, but no time.

Thank you, Mr. Chairman.

Senator CARPER. Those are good questions.

One of the things that Senator Cornyn and I were talking about, just before we kicked off this hearing, in terms of what's important, is that the main thing is the main thing. Rule of law is the main thing. Another thing that is hugely important is for the U.S. to have fully confirmed, Senate-confirmed, ambassadors in virtually every country south of Texas.

And the idea that we have—and we were just talking about a couple of just excellent people who have been nominated. They have been nominated months ago, and we are still waiting for their nominations to move. It is just an awful, awful situation.

All right. Senator Cassidy, people say to me every day, "Why can't Democrats and Republicans work together in the Congress and get things done?" I would just say for, I guess the witnesses, the three of us, Cassidy, Cornyn, and Carper—the three Cs—we work on a lot of stuff together, and we get a lot done, and it is a pleasure working with each of them. Thank you.

Go ahead, sir.

Senator CASSIDY. Thank you, Senator Carper. Thank you all.

I just want to note there are 10 embassies reflected here, eight on an ambassador level. That is the importance—and, Mr. Chairman, Mr. Ranking Member, I would not mind at a later hearing, to have those guys and gals up here speaking, because I think we will learn so much from them. So thank you very much for being represented here.

Senator CARPER. I am Tom Carper, and I approve that message.

Senator CASSIDY. Mr. Herrington, I always like to steal good rhetoric. “A bit does not take a bribe.” I like that. One of the things in the Americas Act—and a couple of you have mentioned the Americas Act; thank you very much—is an e-governance system, where we imagine that somebody, a business that would, instead of having to go to an office and pay somebody a consideration in order to have their permit given, they would go online.

They would then go online and file their, whatever they file. It would be auditable. So a company doing business in that country could go online themselves and see if their vendor had paid their taxes—you see where I am going with that—ideally moving companies from the informal to the formal, which would expand the tax base, et cetera.

Now just your thoughts on that, because I see countries around the world doing something like that, and in some regards South America is ahead of the U.S. as regards their embrace of such things. Thoughts?

Mr. HERRINGTON. Yes; thank you, Senator. I think it is a critical question, because I think in this sense, we see these digital tools exactly like you are talking about: e-governance.

I touched on the transparency piece, right, and they are critical for transparency as you say. They are critical for taking the temptation away from bureaucrats and those who are in positions to reap gain from things like Customs revenue and tax revenue.

The other thing they bring to the table is inclusive growth. When you are talking about this, what you are doing is, you are leveling the playing field for small and medium-sized businesses. So you make it so—and one of the things that USMCA does very well is it has, as a lot of you know, it has a dedicated small business chapter.

Senator CASSIDY. Kind of go fast, because I have a bunch of questions.

Mr. HERRINGTON. Yes. And so—sorry, I am forgetting my third thing. I do this all the time, and now I am blanking.

Senator CASSIDY. That is okay. But it also helps people remember.

Mr. Farnsworth, you mentioned—and of course it is in the Americas Act too—allowing countries to ascend to the USMCA. I draw the contrast of free trade agreements as kind of hub and spoke. The U.S. goes to a country and the country comes back, but it does not go between countries.

USMCA goes between Canada and Mexico and the United States, and so the advantage of bolting in, if you will, to USMCA is that it allows a domestic content to include from Guatemala, El Salvador, and Honduras. All could count towards the domestic con-

tent. What thoughts do you have as to how a country could bolt in, if you will?

Mr. FARNSWORTH. Well, I think it is a key question, and I really appreciate, again, your leadership on this particular topic. The question is fundamental. In the current text, there is no explicit accession clause, so that would have to be developed in conjunction with our fellow parties, Canada and Mexico, as you had mentioned.

But you know, what this does is, it allows for the United States to expand the new generation—and the only example of the new generation—of bipartisan trade, which includes labor, which includes the environment, which includes digital, which includes clean energy in a way that previous agreements did not.

And so, for those who are arguing that those should be included in new trade agreements, the answer is “yes,” they should, on a bipartisan basis. The way to do that is to take the template we already have and to allow countries that have the capacity and the demonstrated will to meet those high standards, to accede into that platform. I think that is a real opportunity for us.

We talk a lot about enforcement, we talk a lot about impunity, we talk a lot about rule of law. All that is really well and good, but at the local level, that is a politically costly decision for a lot of leaders to take. In order for them to take some of those decisions, there have to be positive incentives. There have to be reasons why they would make those politically difficult steps. And to have access to the largest market in the world, that is a pretty important incentive.

Having said that, it also allows us to leverage our own values in the context of labor, in the context of the environment, digital, anti-corruption, all these things that you have taken such a leadership role on, and to be able to say, “Yes, we support your development through trade, but we also want to do this in a way that is broadly inclusive and broadly supportive of the values that we jointly share.”

That is something that China cannot bring to the table, but China can bring to the table the money and the incentives. If we do not provide something that somehow gives those incentives for countries to take these difficult steps, we are just going to be having this same hearing in another 3 years and trying to figure out what is going on and why.

Senator CASSIDY. I agree with that.

Two things, Mr. Chair, although I am out of time. Both of you went over, so I will take a little bit more. When Ms. Feingold talked about making sure that labor standards are an adequate standard, we do not want our people competing against slave labor. And Latin America does not want to use slave labor. They want to have our labor standards.

So I do think—and I will point out a success story. If you look at pollution from steel manufacturing, and the U.S. has a unit of one, and the Europeans have about a unit of one, and the Canadians one, Mexico is 1.2. They are almost where we are.

And so they have aligned with us in terms of how we control that sort of thing. China is a 2.4. So we have that kind of commonality of concern.

Lastly—well never mind. I was about to say something—I can't. I yield back; thank you.

Senator CARPER. That might have been the best part of all. All right; thanks so much for being here and for your leadership.

I welcome Senator Young.

Senator YOUNG. Thank you, Mr. Chairman.

Ms. Myers, it is clear that China views Latin America as a critical part of their food and energy supply chain with growing potential. Our American farmers and producers rely on a strong export market, and it appears that China is doing everything that it can to not be our customer. In fact, China is canceling purchases of U.S. grain that they made earlier this year, and corn exports are down 35 percent from last year. China is turning to other countries in Latin America, particularly Brazil, to meet their needs.

This effort is further increasing China's influence in the region, and they are becoming an increasingly important customer. And we all know what kind of retaliation China is capable of if these trading partners do not subscribe to the CCP playbook. It is called economic coercion. This will be the top item on the agenda of the G7 this month in Hiroshima.

To what extent is China pivoting to Latin America instead of the United States as a source for food and energy resources, in your estimation, and what are the implications of this shift?

Ms. MYERS. It is a terrific and timely question; thank you.

Certainly, I think there has been a pivot not only to Latin America, but to the global south in general, as China encounters more and more difficulties and a much more tense dynamic, especially in the China-U.S. context, but also in other parts of the global north. We see this happening not just in the agricultural realm—and certainly there is much more reliance, especially on Brazil, but also other parts of the southern cone, major soy producers in particular, other producers of commodities too.

And this is the impetus behind a lot of the trade agreements that are potentially being struck in this region, right? But it does not stop there, right? The Latin American region, but also the rest of the global south, is the primary destination for Chinese technological goods—and services for that matter—in part because, again, there are obstacles to doing these things in other parts of the world.

So there has been a doubling down on engagement in various forms, also on the narrative, right, that China is sharing. As you know, the Belt and Road is a global initiative, but the global development initiative will be largely focused on the global south.

So, we see a real reorientation across the board, including in the form of diplomatic and human resources, wherein you have such an expansive presence on the ground in global south nations to develop these various trade dynamics and export relationships. They are unparalleled, and they are, at the subnational level, both state and provincial level, and municipalities—but in municipalities of 50,000 people, looking to, over the course of potentially 10 years, strike a deal that is supportive of food or energy security, or else some other project that China has its eyes on including, for example, in the lithium sector.

So I completely agree with your assessment, and I think it is far more expansive than we even realize.

Senator YOUNG. That was a fantastic and sweeping summary of the implications. I really appreciate that. So that is why I did not interject, Ms. Myers. Latin America, as you alluded to, holds a dominant position in the global production of critical minerals. The region boasts about 40 percent of the world's copper production—I think that is right—and supplies about a third, maybe a little more than a third, of global lithium serving that market, thanks to significant contributions from Chile and Argentina.

The U.S. increasingly is depending on access to these critical minerals, some of it driven by consumer demand, much of it driven by regulation and legislation. China continues to increase investments in mineral-rich territories across the world, including several Latin American countries. You just mentioned this. So, given China's strong foothold in the mining sector throughout Latin America, how might the U.S. effectively compete to safeguard its own access to these indispensable resources?

Ms. MYERS. This will be a matter of incentivizing investment on the part of not just U.S. companies, but partner nation companies as well.

And as part of what I had hoped to communicate in my 5 minutes of commentary—and hopefully I do so in my written testimony more convincingly—our needs to focus our efforts to compete effectively with China, not just in the Western Hemisphere but globally, are very wide-ranging.

Some of them are more effective than others. I think they are growing more sophisticated and more creative. We are coming up with new solutions, and new solutions to overcoming some of the barriers that we have encountered, being agile and investing within a certain time frame that will make us competitive and allow us to access critical assets.

But right now, there is very limited incentive on the part of some companies to engage, depending upon the country, depending upon the regulations in place and the investment environment.

Senator YOUNG. Well, it seems to me—and I will not be long, but just an observation, and maybe you can kind of nod or offer a 10-second response. But there is a certain methodology that we need to approach as we think about critical minerals. We need to do our best to assess the current and future need for particular, discrete critical minerals. We need to figure out where all those are found or those are supposed to be at particular estimated rates of extraction. There are a lot of different assumptions associated with these different scenarios.

Then we need to divide and conquer, with trusted allies, and determine who is going to get the lithium, who is going to get the copper. And of course, along the way, we need to figure out where we can have a requisite processing capacity for each of these different things.

All of this should be laid out, made available to members of Congress, either in a classified setting or unclassified. I have not seen it. We have passed a big—I say “we,” the people's Congress. Some of us, you know, we are more supportive than others. I was not

super-enamored, because I think a lot of this work should have been done on the front end of the Inflation Reduction Act.

But this is now the law of the land. We are wedding ourselves to this electrification future, and I do not know where the work is. I do not know where the homework is, and now we are scurrying around. We have actually, in the interest of environmental improvement—which is a very important public policy imperative—we have made our supply chains more brittle at a time when on the semiconductor side and other areas, we are talking about more resiliency.

So I publicly lament this, but I have quietly and privately tried to shop around for answers. We are just not getting them.

Mr. HERRINGTON. Senator—

Ms. MYERS. Oh, I am sorry. If I could just say, I could not agree more with the need for better understanding of the overall landscape and also a strategic plan in this respect.

At the same time, we need to understand exactly what China is offering the region, and it is low, good bids, right, but also promises to help to develop production capacity by building battery factories and wide-ranging other things.

Some of these are empty promises; some of them are coming to pass. But if we are to be competitive in this sense, we have to compete, including on their terms.

Senator YOUNG. Thank you all.

Mr. HERRINGTON. Senator, may I add—

Senator CARPER. Yes, just very briefly.

Mr. HERRINGTON. Thirty seconds, because your question is incredibly timely. The Senate is likely to have in front of it soon a vote on the bilateral tax treaty with Chile. It has been in the works a decade, more than a decade now, since 2010.

Exactly to your point, not only does it help U.S. companies be more competitive by ending double taxation, but some of the biggest ambassadors in Chile, as you know, invested in very critical industries like the lithium sector, where we are going to have to produce 500 percent—according to the industry, we are going to have to produce 500 percent more lithium in the next 10 years to meet demand.

This secures exactly what you are talking about. This treaty will secure that bond with Chile and protect U.S. investment at the same time, so we can access these critical minerals.

Senator CARPER. Good.

On that note, we are going to pivot—we have been joined by the full chairman of the Finance Committee, Ron Wyden.

Senator Wyden, thanks so much for coming.

Senator WYDEN. Thank you, Senator Carper and Senator Cornyn. Good work on this, and I thought Senator Young's questions were very pertinent and very relevant. And what was important about it is, he went sort of sector by sector, and that is very useful.

I am going to take a little bit different tack. When the CHIPS bill came up—and this was historic legislation all four of us were very heavily involved in—it was basically on hold for at least 10 hours, maybe a little bit longer.

Senator Crapo, the ranking minority member on this committee—somebody we all work very closely with—essentially

walked over to visit with me. And I was in the center of the chamber, and he said, “We really ought to take our legislation and see if that can break this open.”

And as Senator Young knows, Senator Crapo stood up a little bit later and said, “I am here to offer the Crapo-Wyden trade proposal that has been developed in the Senate Finance Committee.” And everybody smiled because they were not exactly sure what was in the Crapo-Wyden China proposal.

But they sort of liked the fact it was bipartisan, and we went through a few things. And Senator Crapo said “Crapo-Wyden” four or five times, and I said “Crapo-Wyden” four or five times, and it got 91 votes. Now, Senator Schumer—to his credit—and my colleagues have reacted very positively.

We are talking about another bill that focuses on increasing our competitiveness with China. We all decided—and I think almost everybody up here already knows it—that we are going to start with the legislation that got 91 votes, because around here, you can hardly get 91 votes for ordering a soda, let alone passing a major piece of legislation.

So, Ms. Myers, pretend you were kind of advising all of us to build on the legislation. It had MTBs and GSPs, and my colleagues all remember it.

We all agreed on both sides of the aisle on the efforts to push back against China censorship, which in my view is particularly damaging to our innovators in the technology sector, something I have spent a lot of time on. But this is a new day. That was last Congress. Now we have to update it.

You are us and Senator Young—let us just stipulate. Senator Young’s questions are very, very appropriate and very pertinent. Now we have to build a trade package into a competitiveness agenda that I hope will be bipartisan. Senator Crapo talked at length about how we would go about doing it, and that is why we said, “We will start with the bill.”

You are us, and what would you put into a trade package now? In other words, you can take from the specifics you gave Senator Young and other ideas you might have. What would you put in it?

Ms. MYERS. So I attempted to talk a little bit about this a bit earlier and also in my testimony. But my sense is that—I mean, I am aiming high here, right, and perhaps idealistically, that there can be some discussion motivated, in fact, by this very extensive and shared interest in competing effectively with China globally, but also in this region.

But also, the critical importance of engaging with our partners on trade terms, which is what they are asking for every time that they visit and every time that we have high-level discussions. I mean, given the political realities, I would again advocate for a deepening of the existing agreements, right, to whatever extent possible.

I would advocate for an extensive, well thought-out, and strategic effort to think through what are the supply chains, including in emerging industries that we are most interested in from a strategic and economic perspective, and how to engage with those from an investment perspective, but also to facilitate trade across the hemi-

sphere in these goods, adding value in a way that we can and China cannot.

And then you know, beyond that, finding ways to work on digitalization, on digital economy development.

Senator WYDEN. I very much want to get to one other question.

Ms. MYERS. Sure.

Senator WYDEN. I very much like your focus on adding value, and I think Senator Young and I have talked about that over the years a little bit with respect to competitiveness. If you could flesh out how we might have a bipartisan provision in that area, a China competitiveness package, that would talk about how we could better add value to American goods and services and better compete, I think that would be good. Senator Young and Senator Cornyn will get a visit from me on that.

Mr. Chairman, can I ask one other question really quickly?

Senator CARPER. No, no. [Laughter.]

Yes. Sure you can.

Senator WYDEN. Cuba. A question for you, Mr. Herrington. I recently traveled to Cuba, and I was struck by how many private-sector entrepreneurs there do not agree with the government policies that have inhibited them. And what these folks said is, "Go back and tell your legislators in the U.S. Senate"—and I am not going to mention any names. But they said, "Go back and tell your legislators that we really believe in private enterprise. We do not agree with the Cuban Government on this, and if you all, Senator Wyden, will do more to encourage U.S. licensing agreements and banking," all of them said, to a person, "Mr. Senator, just see if I can have easier banking, because if I can bank and my relatives can bank, we will get more private enterprise here in Cuba."

And then they delivered, I thought, the selling point, I would say, to my colleagues. They said, "You do something like this, Senator Wyden, and that will reduce Cuban migration from Cuba to the United States. It will be good for business, and it will reduce migration."

So I proposed this to the Biden administration. I never give up. But how can you all help us with this administration to unleash private enterprise in Cuba, with things like very narrow approaches with licensing and banking, around the idea that this will be a much-needed competitive orientation for the Cuban economy, and it will be good for reducing migration from Cuba to the United States? What can you all do?

Mr. HERRINGTON. Thank you very much, Senator Wyden. Thank you for leading that delegation. What it did was, I think, it really shone some light on really these important issues here in Washington.

For those who do not know, the Chamber, for more than 2 decades, has promoted engagement with Cuba. We have opposed the Helms-Burton Act, and one of the key reasons that Senator Wyden mentions that we are in this is to empower the Cuban people to break the shackles from a despotic regime, because we firmly believe in the virtuous circle of free enterprise and democracy.

We really believe that creating jobs, creating free enterprise, creates democracy. I think in this case, there are a lot of recommendations that you have made. I have seen them: restoring U-turn

transactions; certainly, pushing OFAC to allow U.S. banks to be able to operate on the island. And then there are the other, smaller things like pushing up remittance thresholds, increasing travel license categories and availability.

Individually, these are small measures. There is no doubt about that, as I think you indicated. Collectively, they are big, because what they do is—these all can provide sources of revenue to not only Cuban entrepreneurs, but Cubans who are facing the worst economic crisis since the collapse of the Soviet Union.

Two things very quickly. One thing that Congress can do, I believe, actually is push the Biden administration to call for a review of Cuba's designation as a state sponsor of terror. Why is that so important? Because, exactly to your point, when all these entrepreneurs are telling you they need financing, this designation—I can read through the long list of the legalities, and I will not do that.

What it does is, it creates that uncertainty that I was talking about before for any bank—not just in the U.S. but around the world—that does business in the U.S. can have any business in Cuba. So that is one thing. Second thing, what we can do—we are already contemplating a mission in the fall to work specifically with entrepreneurs on capacity-building issues, like starting a business, payroll, accounting, dealing with taxes, marketing, social media, et cetera.

We have floated the idea to the interagency. We would very much like the Commerce Department to participate, and we would love to have you as part of it too.

Senator WYDEN. I will follow up with you. I am way over my time.

Thank you, Mr. Chairman, Senator Cornyn.

Senator CARPER. Senator Cornyn, your turn.

Thanks. That was a great exchange. Thank you so much for joining us, Mr. Chairman. I know you have a lot on your plate today. Thanks.

John?

Senator CORNYN. Mr. Herrington, we have seen a growing trend of nationalization of private resources, private enterprise, including minerals and energy, and we saw that in Mexico with, I think it is Vulcan Materials, among others. In Chile, President Boric announced his intention to nationalize the country's lithium industry.

These trends create an unstable environment, to be sure, for U.S. investment in the region. What actions should we take to counter this growing trend?

Mr. HERRINGTON. I think the case-by-case basis is important. I think in the Chilean case, Senator, first of all, it is a question that is on our minds all the time. In the case of Chile, I think we need to give some time for this to play out.

Why? Because President Boric has in the past, despite the fact he is pursuing a quite left-leaning agenda, been quite pragmatic in the past. So I think we would exercise caution there. In the case of Mexico, however, we have a trade agreement in the USMCA, as you referenced well in your opening remarks, and frankly we are not holding our trade partners accountable for lack of compliance.

It starts with Mexico, and it starts with—I think the mining law that you referenced, the Vulcan incident, was tantamount to expropriation. Investment protection in USMCA was limited, as you know, was trimmed down from NAFTA. Thankfully, Vulcan is able to use NAFTA to bring an ISDS case.

But USTR, in the case of Energy Mexico specifically, I think we have been—the last thought I will give is that the U.S. had the right after 90 days. The U.S. asked for energy consultations last July. After 90 days, the U.S. and Canada had the right to take Mexico to a dispute panel.

Here we are 10 months later, and nothing has happened. There is a lot of talk, but no action. And so, I would urge the Senate and the Congress to please ask USTR to enforce USMCA.

Senator CORNYN. Ms. Myers, it is no secret that the PRC is a large provider of precursor chemicals that are used by the cartels in Mexico and elsewhere to produce synthetic opioids. Last year alone in America, 71,000 Americans died because they ingested fentanyl, which as you know is incredibly powerful, taking only a tip of the pencil lead worth of fentanyl to take a life.

And of course, then they—the cartels—use industrial-sized pill presses to gin out tens of thousands of these counterfeit pharmaceuticals, which people take, kids take, thinking they are something relatively innocuous like a Percocet or Xanax, only to not wake up the next morning.

We know where it is coming from, and we know where the precursors are coming from. We know where the manufactured drugs are coming from. The U.S. Ambassador to China recently stated that the Chinese Communist Party is quote “not contributing” to the U.S. fentanyl crisis, which I find bewildering.

We know China is a virtual police state, and they monitor the movement of all their citizens. They have all sorts of ways, through facial recognition and other use of artificial intelligence, to monitor the movements of their people and their businesses. Do you agree with the U.S. Ambassador to China that the CCP is not contributing to the fentanyl crisis in the United States?

Ms. MYERS. I do not agree. The evidence very strongly suggests that China is not only involved in the production of precursors for meth and synthetic opioids, but also in laundering money from major supplier cartels. So there is, in fact, a profound involvement.

And we have seen, previously, a considerable effort, many years ago frankly, to try to work with the U.S. to address some of these problems and do so, acknowledging that this is in fact a problem. Since the China-U.S. relationship has soured, and soured very considerably, there has been less of an effort on the part of China’s leadership to engage on this critical issue.

It is exceedingly unfortunate, and I hope it will change in the coming years, because until it does, China is implicit in this problem and in fact, by extension, in the major challenges that we are facing and in the unnecessary deaths of so many U.S. citizens.

Senator CORNYN. I agree.

Thank you, Mr. Chairman.

Senator CARPER. Thank you, Senator Cornyn.

We are coming close to the end. I thank you for sticking with us, and I want to again thank Senator Cornyn and his staff—and my

staff—for pulling this all together, and thank you all for taking time. I guess sitting out there in the cheap seats—we are happy that you could all join us. It is great to see you; *bienvenido*.

I have had the opportunity to be on codels to Central America and South America and Mexico for—I have been in the Senate for 22 years. I have been going down there for almost that long, and continue to be hugely interested in that part of the world. They are our neighbors, and our success as a Nation is largely interdependent with that of the folks who live south of us.

In almost every codel I have been a part of, we have talked a fair amount about education, access to education. If countries are going to be lifted up, they are going to be lifted up because the citizens, especially young people of those countries, get a better education.

And the same is true here. The same is true here. It is not just something that is on them. But a question, if I could, with respect to education and workforce development. During the codel I led, the bipartisan, bicameral codel I led this year to Mexico, to Honduras, Guatemala, a key message that we heard almost at every stop along the way was the need for improving access to education.

This is not all on us, as you know, and earlier I referred to Home Depot. “You can do it; we can help.” This is not something that we can do for them, nor should we do for them by ourselves, but it is a shared responsibility, and we can help.

But many of you are likely familiar with the proverb, as you know, the proverb is, “if you give a person a fish, you feed them for a day; if you teach a person to fish, that person can feed themselves and their families for a lifetime.”

I used to think that was in the scriptures. I thought that was in the Bible, and I have quoted it for years. And so I was not sure where this was in the Bible, but I would quote it. And about a year ago, after an event was over, a fellow came up to me—he was a minister—and he said, “You know, when you quoted, you said ‘give a person a fish and you can feed him for a day, but teach a person to fish’—you’re the one who just said that, and you said it was in the Bible.” I said, “Yes.” He said, “It’s not in the Bible.” So I said, “It should be. It should be.”

But one of the most impactful ways to improve lives and to uplift entire countries is by better ensuring that the people, their young people and not-so-young people, have access to the education and workforce training that is needed to support themselves and their families, and actually, the kind of workforce that is needed by employers in those particular countries.

A question, if I can. I want to pick on Ms. Feingold, and then maybe Mr. Herrington. But give me some ideas and thoughts that you have on what can be done to further expand education and workforce development throughout Central and South America, and how can government officials and private-sector leaders work together to advance this goal? This is sort of a “you can do it, and then we will figure out how we can help.” Please, Ms. Feingold, you go first.

Ms. FEINGOLD. Thanks so much for the question, Senator. I think this is a great moment to be connecting the dots about what we have discussed today.

For example, if we do not have—you were talking about market access earlier. We do have investment through the Partnership for Global Infrastructure, for example, and if you are going to be investing in infrastructure in the region, that would be a perfect moment to do some workforce development training.

We have models here in the labor movement. The labor movement, next to the military, is the largest provider of apprenticeship programs. I think we could do fantastic exchanges. We were talking about that earlier. We need to do some worker-to-worker exchanges.

In our labor movement, we have lots of leaders from the Central American region who have natural connections back to Central America, back to the region, back to Mexico, and throughout South America. So I think we could really harness the experience we have on apprenticeship.

I want to just point out one thing, that we have heard a lot about sort of the business environment. But one thing we really need to do in the region is to build trust. There is a lot of distrust over the years, and I hear it from our partners from the unions there. I think of educational programs, workforce development, apprenticeship.

One part of apprenticeship programs that is key is making sure they have the right to join a union. When we think about giving workers the right not to migrate—a great project that we have looked at is the difference between workers who have a collective bargaining agreement in the apparel sector in Honduras.

They are far more likely to have good working conditions, not be eager to leave their job, because they feel like they can talk to the company. There is room for negotiation. They have good wages. And so we need to think about those kinds of models. That is what apprenticeships would do, worker-to-worker exchanges.

We have been saying we would love to do this, so we would love to work with all of you to make it happen, especially in the critical minerals sector. That is another area where we think we could have some worker-to-worker exchanges. Workers are looking for a new economic model in the region, not just the old extractive model.

How can we show them what a clean energy transition looks like? And I think again, our unions are on the forefront of creating good union jobs in the clean energy sector, and could provide that kind of information.

Senator CARPER. Wonderful, wonderful comments.

Mr. Herrington, please.

Mr. HERRINGTON. Yes; thank you, Senator. This is something we have done previously, in Mexico specifically, in the workforce development space. I come at this humbly by saying I know nothing, but our companies know a lot. So we really look to our member companies, all of which have their own singular workforce development plans.

The reason I say they know best, obviously, is they are trying to reskill, upskill their workers for an economy that has never moved faster, that has never transformed faster. And so, a quick recommendation I would have, if there is an appetite for it, is we would be happy, as the Chamber, to jump in on a public-private en-

deavor for this, to get a collection of companies together that can help with this in the region.

Senator CARPER. Good; thank you.

Senator Young was here, and he asked some questions. We very much welcome his participation, not just today, but more broadly. He has been very active in these issues for some time. And I want to thank him also for working with me to advance digital trade policies like those in USMCA.

I hope we can bring these, some of these policies, to the entire hemisphere and a lot of the places we were talking about here today. I have a comment or two, as we conclude the hearing. Let me yield to Senator Cornyn for anything else that he would like to say.

[No response.]

Senator CARPER. Okay.

I want to again thank all of you for taking time to join us. This is, as I said—it is not just its importance, but this is stuff I really care about. I know Senator Cornyn does, I know Senator Cassidy does, and Senator Young, folks like Senator Wyden, and others who came here.

We are competing, for your information, against a lot of other hearings that are going on, including one highly classified hearing that is going on at this moment that members feel compelled to attend, and that we are going to go to immediately.

But despite that, we had pretty darn good attendance and really a good conversation. To those who are here as guests who are sitting in the audience, who maybe have not been to many committee hearings of late, we do not always get along this well in hearings, but when Senator Cornyn and I are involved in it, we do.

And we try to set a good example, and we believe that bipartisan solutions generally turn out to be lasting solutions. But my thanks to Senator Cornyn and his staff, my staff, for all that they did to bring us together for a really important conversation on economic cooperation across the Western Hemisphere in which we live.

I want to thank again each of our witnesses for appearing before our subcommittee today. Some of you we know, some of you we do not. So it was a great chance to see some young friends and to make maybe some new ones. Thank you for lending your voice and expertise on how our country can further engage with our partners on trade and partners on investment in this region.

For Senators who wish to submit questions for the record, those questions are due 7 hours from right now—no. [Laughter.] Actually, it is 7 days from right now, and our witnesses will have 45 days—that is a long time—45 days to respond to the questions for the record that we send your way.

Anything else? With that, I think we're adjourned, and as we say in Delaware, hasta pronto—we'll see you soon.

[Whereupon, at 4:16 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. THOMAS R. CARPER,
A U.S. SENATOR FROM DELAWARE

Good afternoon, everyone. Thank you to our witnesses for joining us today. I would also like to thank our subcommittee ranking member, Senator John Cornyn—and his staff—for helping to arrange this hearing. Today, we have come here to better understand how we can foster trade and economic cooperation throughout the Western Hemisphere. One of my favorite African proverbs is, “If you want to go fast, go alone. If you want to go far, go together.”

Today we have a real opportunity to go far together. How? By better understanding how our trade partnerships are mutually beneficial and vital to the health of the global economy. We have already seen our regional partnerships help tackle shared challenges, including climate, migration, and security issues. Our global economy is increasingly shaped by regional cooperation, and that includes enhancing supply chain resiliency and near-shoring manufacturing. These are issues that I know we all agree on, no matter your party affiliation. And one way to increase regional cooperation and secure our supply chain is by working with our trading partners to build a stronger and more resilient Western Hemisphere moving forward.

Together, we can help our own economy while also helping our allies improve their economies. Greater collaboration across the region will support economic growth and job creation for people looking for opportunity and stability in the workforce. On the heels of Mother’s Day, thanks to my mother, I have tried to live my life by the golden rule: treat others the way you would want to be treated. And I suspect I’m not the only person who was raised this way. We have a shared interest, and a moral obligation, to help our partners have stability so that their children and families can be safe, have access to education, and hope for a future filled with opportunities.

For years, I have been focused on addressing the challenges people face in the Northern Triangle, which includes El Salvador, Guatemala, and Honduras. And earlier this year, I led a bipartisan, bicameral congressional delegation to Mexico, Guatemala, and Honduras. There, in addition to meeting with leaders of those countries, we saw firsthand the need for greater economic opportunity, stronger rule of law, more educational and workforce training opportunities, and policies we can implement with our partners to stem the flow of migration. Our delegation met with government officials, private-sector leaders, and other stakeholders across all three countries to listen, learn, and develop solutions together. And despite many of the challenges we witnessed, there is also reason for hope for them and for us.

In Mexico, we heard about how the U.S.-Mexico-Canada trade agreement, also known as USMCA, has provided certainty for businesses operating across North America, while also bolstering protections for workers and helping to protect the environment of our planet on which we all live. And in Guatemala and Honduras, we saw how the significant private-sector investments spurred by the Biden administration are creating jobs, expanding access to capital for small businesses, providing workforce training and education, and improving economic outcomes. We also saw the important role of the textile industry in creating jobs and opportunity throughout the region. And, through visits to U.S. State Department-funded programs, like migrant children’s shelters and coffee exporters, the positive impact on the ground was clear. Despite these successes, this trip underscored that there is more work

that we can do—and they can do—to support economic growth, security, and resiliency throughout the region.

I am pleased to have our witnesses here today to share their insights into how policymakers can use trade and economic tools to achieve these goals, and ultimately to work with our allies to chart a strategic path forward that advances the interests of the entire hemisphere. The Biden administration has already taken steps to promote greater cooperation across North and South America. One example is the “call to action” initiative. It is led by Vice President Harris and is spurring billions of dollars of private investments and creating meaningful economic opportunities in Central America, while helping to sustainably address the root causes of migration. U.S. Trade Representative Katherine Tai and Secretary of State Tony Blinken also recently launched a new forum for economic collaboration across the region to increase supply chain resiliency, expand sustainable and inclusive trade practices, and support our climate goals. Today, I am eager to hear from our witnesses about how we can use these initiatives to meaningfully engage with our allies to address the range of challenges facing the Western Hemisphere.

Importantly, free trade agreements are one key to creating economic growth and resiliency in the region. With the successful renegotiation of the USMCA, we now have a model for how we can bolster trade across the Western Hemisphere—and across the globe. Through the example of USMCA, we have seen that it is possible to create market opportunities and update our trade policies for a 21st-century economy, including establishing strong and enforceable standards to protect workers and our environment. While it is not a perfect agreement, it gives us a road map for how we can use trade to boost economic growth and foster a nurturing environment for job creation in our country, and those of our trading partners. Toward that end, I hope we can consider opportunities to modernize and strengthen some of our other trade deals throughout the region, including the Central America Free Trade Agreement and some of our bilateral agreements and investment frameworks throughout Latin America.

Another major economic and security consideration for the Western Hemisphere is China’s footprint in the region, especially when their actions run counter to the strategic goals of the United States and our allies. Whether we’re talking about vulnerabilities in our supply chains due to overreliance on China for critical materials, or China’s use of financial assistance to advance their political goals, we need deeper coordination with our allies to tackle these challenges. For example, I have been eager to find ways for the United States to work more closely with our allies to bolster the resiliency of our medical supply chains, including lifesaving medical treatments, devices, and other equipment. I’ll be introducing legislation in the coming weeks to support the resiliency of our medical supply chains by shifting investments out of China and into the Western Hemisphere.

I often times say, “Find out what works, and do more of that.” I hope that today’s hearing leads to a better understanding of what works to strengthen trade and economic coordination across the Western Hemisphere, including using diplomatic and economic tools to advance our shared values and our shared goals.

Once more, let me thank our ranking member and the witnesses appearing before us today, as well as our staffs.

PREPARED STATEMENT OF HON. JOHN CORNYN,
A U.S. SENATOR FROM TEXAS

Thank you, Mr. Chairman. And thank you to our witnesses for joining us here today. I recently led a bipartisan delegation to Panama, Colombia, Argentina, and Brazil to investigate, among other things, the PRC’s growing influence in the region. In recent decades, as we know, China has made massive investments across Latin America, including transportation infrastructure, energy projects, and so much more.

Of course, these investments are not an act of generosity. Rather, they’re a way for China to project power around the world and gain access to valuable natural resources, among other things. We heard the same message from all of the heads of state that we visited with: they don’t trust China. They understand that Belt and Road projects crumble shortly after they’re built, and that the debt from the PRC comes with strings attached.

Despite these risks, some of these leaders feel like they have no alternative. They explain the difficulty of saying “no” to free roads, stable currency, and generous trade agreements. In each country, we heard there was a clear preference for the United States over a relationship with China. Unfortunately, they do not see the United States stepping up and offering a better option. While on the surface, our relationships remain strong in Latin America, paradoxically our allies and partners are sliding away from the United States and closer to the PRC.

We can see this happening as a growing number of Latin American countries, when they accept Belt and Road projects, cut diplomatic ties with Taiwan, agree to trade with the PRC in yuan rather than dollars, and even allow the PRC to bring military assets into the region. The bottom line is that the strong and enduring relationship we’ve had with Latin America over the last 200 years is not a given. We have to work harder to maintain it and to grow it.

With the growing influence of the PRC in the Western Hemisphere, our friends and allies must have other options to choose from. So we have to be engaged in the region, and remind our allies and our partners that the United States always has been—and always will be—the best option.

The good news is that our Latin American allies and partners want increased trade with the United States. And by and large, they’re skeptical of the PRC’s motives. Leaders from each country we visited told us that they would prefer a good option at the right price from the United States, compared to a free option from the PRC. If given that choice, they would choose the United States virtually every time.

Fortunately, the solution is not as complex as it may seem. At each stop, we heard the same thing: the way to outcompete China in Latin America is through new free trade agreements. Increased trade, not free infrastructure and cheap debt, is how the United States shows it is the better option.

To compete with the PRC and build enduring relationships, the United States has to work with our allies and partners to build the right investment climate for businesses. New free trade agreements in Latin America would provide the competence needed to promote investment and economic growth in the United States and the region. And like the chairman, I recently led another group to Mexico City, where we sat down and visited with President López Obrador, and we attempted to explain what a historic opportunity there was to bring back some of those supply chains from Asia, back to North America, and what a great opportunity it would be for Mexico, among other countries, to help encourage that.

Time will tell whether that had much of an impact or not, but I am glad, like you said, Mr. Chairman, that USMCA is in place. But it seems so obvious that Mexico is already an important part of our manufacturing supply chains, and it seems like it shouldn’t be that hard to just grow it in a way that’s mutually beneficial—beneficial to them by creating jobs and growing their economy, and beneficial to us because of the security of those supply chains, for example. Of course, there are opportunities for near-shoring critical supply chains, building our partners’ and allies’ investment climate, stimulating both U.S. and partner industrial bases, growing the market for small businesses, and accessing the abundant but untapped rare earth deposits in Latin America. There’s a lot of opportunity out there.

It’s no secret that Washington often has its sights set elsewhere in the world. Latin America has not been one of our priorities. Yet the opportunities to strengthen our mutual interest in trade, free markets, democracy, and regional security are potentially limitless. We need to compete, and that means first we need to show up. And we need to prevent China from destabilizing our shared hemisphere, and we also have the opportunity to forge deeper and lasting ties with countries whose economies, resources, industrial capacity, and shared values with the United States have endured for centuries.

So I look forward to hearing from today’s witnesses, and maybe asking a few questions. Thank you very much.

PREPARED STATEMENT OF ERIC FARNSWORTH,
VICE PRESIDENT, COUNCIL OF THE AMERICAS

Mr. Chairman, Mr. Ranking Member, members, thank you for interest in these important topics at a time of such political and economic uncertainty in the Americas. The Council of the Americas is a nonpartisan policy and trade association dedicated for almost 60 years to the promotion of democracy, inclusive growth, open

markets, and the rule of law across the hemisphere. It is a privilege to have the opportunity to testify before this subcommittee.

THE SIGNIFICANT CHALLENGE OF POST-PANDEMIC RECOVERY

Latin America and the Caribbean were hit hard by the COVID pandemic. The human costs were the highest worldwide. Economically, budgets strained under new spending requirements, debt increased, and now, rapidly rising U.S. and global interest rates have made debt more difficult to service.

The World Bank suggests that headwinds are increasing and that the outlook for 2023 is “substantially bleaker” than 2022, which itself achieved no great results. And forecasts for the out years predict that growth will remain insufficient to create the jobs the region requires to reduce poverty significantly, address rising social demands, and mitigate social tensions. While the region has by now fully recovered its lost GDP growth since the pandemic, growth nonetheless remains below all other regions worldwide except, barely, war-torn Eastern Europe.

Leaders are ultimately responsible for job creation and development in their own economies, but we can help. And if we want to support U.S. interests including our own economic growth, supply chain security and resiliency, regional development that discourages migration and illegal activities, democratic governance, and, crucially, maintaining a privileged position in the Americas, we *have* to help, because alternatives now exist—namely, China—that didn’t before.

The needs and opportunities are there. What’s required by Washington is an expanded appreciation for the challenges that exist across the region and an urgent vision to address them effectively.

AN URGENT NEED FOR ENHANCED REGIONAL ECONOMIC ENGAGEMENT

In Senate testimony prior to the Los Angeles Summit of the Americas 1 year ago, I called for a renewed commitment to regional growth and recovery including a concerted effort on debt service and relief, new lending, enhanced incentives for private sector-led investment, and trade. In the year since then, these issues have only become more acute, as intensified migration pressures after the lifting of title 42 clearly show.

There is so much that Washington can do now to support our friends across the region, many of whom have called explicitly for enhanced economic and trade relations with the United States even as they are being actively and aggressively wooed by Beijing. Trade and investment are no panacea, but they are powerful tools to promote economic growth and an effective transmission belt for U.S. values including transparency and anti-corruption, rule of law, education reforms, labor rights, and environment protection. I have heard more times than I can count, from diverse and varied interlocutors across the hemisphere, that the United States is losing opportunities and risking strategic realignment with China because we are not engaged in a manner consistent with the region’s own needs and desires. And when we rebuff our friends, we embolden our adversaries.

Above all, the United States must decide as a priority that we are going to show up in the hemisphere as the preferred partner in the pursuit and achievement of the hemisphere’s highest economic and political aspirations, and then take meaningful steps to do so. There is no reason, for example, that Washington cannot propose region-wide liberalization of individual economic sectors such as environmental technology, goods, and services including clean energy, where the region is a global bright spot and a critical partner in combating climate change . . . or the digital economy . . . or health care, consistent with, and building on, existing efforts and political priorities. And we should also be more proactive and responsive to the specific trade-related requests of our democratic friends, including Brazil, Ecuador, Uruguay, and others.

A BOLD NEW APPROACH TO ENGAGE WITH THE AMERICAS: ENLARGE USMCA

But if we really want to recapture the strategic initiative in the Americas in a manner consistent with Western values and sustainable, private sector-led economic development, we should consider the expansion of the trade agreement with Canada and Mexico—USMCA—into the hemisphere, including additional countries as they show the interest and capacity to meet the standards and obligations the agreement requires.

USMCA was overwhelmingly passed on a bipartisan basis, a negotiated solution between a Republican White House and Democratic congressional leadership. The

current Trade Representative, instrumental in forging the final agreement, was unanimously confirmed to her current position by this body, a signal of strong support for these efforts.

USMCA included new provisions around digital, clean energy, and other sectors that are lacking in previous-generation free trade agreements with others in the hemisphere, among them Central America, Chile, Colombia, the Dominican Republic, Panama, and Peru. To remain competitive, these agreements will have to be updated and upgraded, drawing supply chains away from China and strengthening resiliency, while building regional economies and creating jobs in the formal sector.

This is not a call for block-to-block negotiations, which are cumbersome and inconvenient. Rather, the idea would be to offer USMCA accession to democratic partners on an individual basis. For example, Costa Rica has already expressed interest and would make an appropriate party to the agreement. Such an approach would also ensure that troublesome current freer trade partners such as Nicaragua do not gain USMCA access without a return to the democratic path, while encouraging a race to the top among those nations who aspire to meet the high standards on trade and social development that USMCA demands.

At some point, nations without preexisting free trade agreements should also have an opportunity to accede to USMCA. Across the region, this could incentivize commitments and reforms that otherwise might not occur absent market access provisions and broader sectoral coverage that provides certainty and rule of law to investors. Early movers would gain the most from relocating supply chains, thus creating competition for access to the agreement and a built-in impetus to take actions that might otherwise be too difficult politically.

A VEHICLE FOR CHANGE

The Americas Act cosponsored on a bipartisan basis by Senators Cassidy and Bennet is a major step in this direction. It's strategic, timely, and creative, a thoughtful framework for sustained regional engagement designed to recapture the regional narrative from those who may increasingly question Washington's reliability. It would also undercut the notion now aggressively being promoted by Beijing that Latin America and the Caribbean have just as much or more to gain from China than the United States. We applaud the authors of this initiative. And there are others as well.

The Western Hemisphere is in play. Hearts and minds are up for grabs as the region continues to suffer from the after effects of the pandemic, willing to consider nontraditional options both domestically and internationally. Economies are underperforming, populations are deeply unsatisfied, and politics are roiled. Young democracies across the region are troubled, even as authoritarians deploy every tool at their disposal to promote their own antidemocratic visions. It doesn't have to be this way, and the people across Latin America and the Caribbean deserve better. U.S.-led Western economic engagement can be an effective corrective, building partnerships, linking allies, drawing job creating direct investment in strategic sectors, and strengthening democratic governance. But we must first choose to engage.

Mr. Chairman, thank you again for the invitation to join you and your fellow Senators today. I look forward to your questions.

PREPARED STATEMENT OF CATHY FEINGOLD, DIRECTOR OF THE INTERNATIONAL DEPARTMENT, AFL-CIO

Thank you, Chairman Carper, Ranking Member Cornyn, and the distinguished members of this committee, for the opportunity to testify on this important topic.

My name is Cathy Feingold, and it is a privilege to be here today representing the 60 trade unions and 12.5 million workers who are part of the AFL-CIO.

This hearing comes at a critical moment as the Biden administration moves forward with the Americas Partnership for Economic Prosperity and other initiatives to demonstrate U.S. leadership for a democratic, prosperous, secure, and resilient Western Hemisphere.

With my limited time, let me touch on a number of recommendations related to trade, investment, immigration, and priority supply chains across the region.

TRADE

On trade, it is essential that we learn from the failure of the Central American Free Trade Agreement (CAFTA) to generate decent work and sustainable economic growth in the region. CAFTA contained strong rights for foreign investors, but weak commitments to international labor standards and environmental protections. Instead of raising standards, foreign firms often took advantage of weak labor law enforcement to pay workers poverty wages while actively suppressing any attempts to organize trade unions.

So what can be done? Here I think we can learn from our experience with the United States-Mexico-Canada Agreement (USMCA).

The USMCA required Mexico to overhaul its weak labor laws and created a new rapid response labor mechanism ensuring employer compliance at the factory level. While many challenges remain, we are encouraged by the López Obrador administration's evident commitment to labor rights reform and the Biden administration's successful use of the rapid response mechanism to address worker rights abuses and advance independent union organizing in a number of factories in Mexico.

Let me share a few recommendations based on USMCA:

- Upgrade CAFTA's labor provisions as well as all FTAs to include a rapid response labor mechanism. Access to the U.S. market should be a privilege, not a right.
- Remove harmful provisions like the investor-state dispute settlement mechanisms from agreements.
- Ensure that APEP and any future FTAs, including critical mineral agreements, include strong and enforceable labor provisions as contained in the USMCA. They should also contain strong rules of origin to ensure that workers and businesses from the parties to the agreement are the primary beneficiaries, not third parties like China.

INVESTMENT

On foreign direct investment, we support Vice President Harris's "call to action" and recognize the potential of new investments by U.S. companies to generate good jobs in Honduras, Guatemala, and El Salvador.

However, we cannot assume that any U.S. corporate investment will create good jobs, and we have cautioned that these investments must be accompanied by social and environmental safeguards. To accomplish that, workers and unions must have mechanisms to give regular input to the process, and to hold employers accountable for violations of human and trade union rights. To date, those are entirely missing.

There has simply not been enough transparency or engagement from the administration or the various public-private initiatives on how they will ensure that these are investments that meet international standards for responsible investment on anti-corruption, workers' rights, and environmental protection. We believe unions in the U.S., especially the ones with strong leaders from Central America, can play a critical role in this initiative by providing best practices on apprenticeships and workforce training models.

Without more transparency and broader stakeholder engagement, it will be difficult to evaluate the extent to which these investments actually deliver on generating the good jobs and equitable growth necessary to address the root causes of migration.

With recent leadership changes in key allies like Colombia, Brazil, and Argentina, there is real opportunity for the Biden administration to promote a model of inclusive economic growth that delivers for workers across the Americas.

If APEP is modeled on the Asia-Pacific Economic Cooperation model (APEC), it will be important to ground the scope of work in a worker-centered approach to trade and investment. The scope of work of APEP must move beyond the APEC's narrow focus on trade and investment liberalization to building a new regional model based on the needs of workers and their families and the environment. As APEP moves forward, close consultation with labor, environmental groups, civil society, and Congress will be vital to shaping the priorities for this initiative and building support for the initiative.

APEP can be an important forum for developing a new model for building partnerships around critical minerals. The AFL-CIO and our affiliates support the need

to secure critical minerals for the clean energy transition and believe we need to both invest in the United States to safely extract and process these minerals as well as ensure that any mining in partner countries includes close consultation with unions and impacted communities.

IMMIGRATION/MIGRATION

For too long, failed U.S. foreign and trade policies have prioritized the needs of corporations and low-wage, export-oriented growth while actively undermining democracy and accountability, contributing to the push factors driving people to migrate. And because trade policy, development assistance, and broader foreign economic interventions have done little or nothing to support the emergence of resilient domestic markets, economies in the region have grown reliant on migration and remittances.

We urge policymakers to think big about the shifts that are needed to address pernicious injustices in the region and scale up investment in assistance that supports decent work so that migration can become a choice rather than a means of survival.

As work to address root causes continues, regional migration strategies should prioritize regularization schemes, such as Temporary Protected Status, and rights-based channels—which allow migrants the freedom to move, settle, work, and fully participate in society—over expanding flawed and abusive temporary labor migration programs.

The strategies developed must protect and empower workers in countries of origin, transit and destination, and produce positive labor market outcomes for all working people, regardless of race, gender, or immigration status. In order to effectively integrate a worker rights lens into the policy framework, workers need and expect a seat at the table as these policies are being developed and implemented.

In short, we have work to do to ensure that trade is an engine of sustainable growth for all workers in the Americas, but the worker-centered trade agenda gives us a good map moving forward.

Thank you for the opportunity to share our recommendations with you, and I will be happy to answer any questions.

PREPARED STATEMENT OF NEIL HERRINGTON, SENIOR VICE PRESIDENT, AMERICAS PROGRAM, 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 mid-sized 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 percent 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 percent 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 sheets¹ 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.

¹ <https://www.uschamber.com/international/trade-agreements/making-the-case-for-trade-with-the-americas>.

Further, U.S. exports to new FTA partner countries have grown roughly three times as rapidly on average in the 5-year period following the agreement's entry-into-force as the global rate of growth for U.S. exports, as Chamber research² shows.

In some cases, the FTA premium has been much larger: U.S. exports to Chile quadrupled in the 5 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 percent of all tariff lines in almost every case (and 100 percent 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 percent 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 midsize businesses export to Canada than to any other market; by value, American small and midsize businesses export more to Mexico than to any other country.³

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 percent of Ecuador's exports (equivalent to 32 percent 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 in any event, it is a question for the Uruguayans to answer. For the United States, offering to open negotiations with Montevideo makes good sense.

² https://www.uschamber.com/assets/archived/images/open_door_trade_report.pdf.

³ <https://www.trade.gov/report/tradestats-express-national-and-state-trade-data>.

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-percent 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.⁴

There is significant potential for growth. Two-way trade rose by more than 25 percent 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,⁵ American workers have benefited as the digital economy has generated high-wage jobs and 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 10 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 percent 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

⁴ https://www.uschamber.com/assets/archived/images/documents/files/busbc_trade_agreement_initiative_report.pdf.

⁵ <https://www.uschamber.com/international/trade-agreements/the-digital-trade-revolution-how-u-s-workers-and-companies-can-benefit-from-a-digital-trade-agreement>.

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 2 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 and 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 10 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.⁶

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 increasingly 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 health-care 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 trilateral 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 health care, 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 me-

⁶<https://www.uschamber.com/regulations/chamber-recommendations-for-build-america-buy-america-statute-in-ijta>.

dium 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 (BITs) 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 percent 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 percent 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 near-shoring 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 Dashboard⁷ 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.

⁷ <https://www.uschamber.com/international/the-global-rule-of-law-and-business-dashboard-2021>.

- (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 near-shoring, 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 near-shoring in the Americas region overall. The survey will help identify trends related to supply chain realignment and the potential for near-shoring 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 consulta-

tion 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.

PREPARED STATEMENT OF MARGARET MYERS, DIRECTOR, ASIA AND LATIN AMERICA PROGRAM, INTER-AMERICAN DIALOGUE; AND FELLOW, WOODROW WILSON CENTER

I would like to thank Chairman Carper, Ranking Member Cornyn, and the members of the Subcommittee on International Trade, Customs, and Global Competitiveness for the opportunity to share my views on advancing economic cooperation for a stronger and more resilient Western Hemisphere.

The following testimony considers the many prospects for broader economic cooperation within the hemisphere, underscoring the value of engaging more extensively within our region, while also noting the various ways in which U.S. prospects are shaped by China's expansive efforts across the Americas.

A SHIFTING ECONOMIC LANDSCAPE

1. An opportune moment . . .

I applaud the subcommittee's efforts to advance economic cooperation within the Western Hemisphere. The hemisphere's critical role in the U.S. economy and in support of broader U.S. interests is frequently overlooked amid wide-ranging other U.S. objectives and obligations, but the various nations that comprise the Americas are in many cases longstanding and deeply important economic and political partners for the United States. According to the U.S. Chamber of Commerce, the Americas accounted for over 40 percent of overall U.S. exports in 2022 and over 30 percent of total U.S. imports. Moreover, U.S. imports from the Latin American region increased in recent years, from nearly \$1.18 billion in 2019 to \$1.24 billion in 2022. Countries in the hemisphere also factor among our most important global trading partners (Mexico accounted for 14.7 percent of U.S. trade in 2022), sources of human capital, and sources natural resources, including critical minerals.

As the region grapples with the numerous economic, social, and other effects of the COVID-19 pandemic, this is an especially opportune moment to forge stronger partnerships and advance shared solutions. Indeed, nearly every country in the hemisphere is expected to face similar obstacles in pursuit of economic recovery in the coming years. Historic GDP losses and high debt levels have limited policy options and growth prospects. The region is also facing educational setbacks, frequent extreme weather events, historic migration flows, and wide-ranging other shared challenges. With all of this in mind, there is considerable need and justification for enhanced hemispheric cooperation—whether to properly diagnose the problems that the region is facing, derive lessons from varied policy approaches, further integrate our economies, mobilize creditor resources, or adapt to and mitigate the effects of a changing climate, among many other shared objectives.

Additionally, the value of shorter, regional supply chains and of consolidating production close to consumer markets became readily apparent amid the pandemic, and now amid ever-more-frequent, climate change-related disruptions. Nearshoring is a part of this process and has the potential to dramatically expand exports of goods and services from Latin America and the Caribbean. The creation of integrated regional value chains is a larger endeavor, and hasn't come easily in the region, but is immensely productive where it exists, such within the context of the USCA. More can and should be done to nurture and expand regional economic linkages in their various forms.

2. . . . but time is of the essence.

China's already expansive presence in the region, and dominant position in certain global supply chains, presents some challenges for U.S. and other partner engagement in strategic sectors across Latin America. China's heavily subsidized telecommunications and renewable energy companies have quickly established a dominant position in much of the hemisphere, outcompeting U.S., other regional, and international firms in many cases.

After 2 decades of enhanced Chinese engagement with the hemisphere, geographic disparities in U.S. and Chinese economic influence are notable. U.S. trade and in-

vestment ties remain strong in North and Central America, but are less prominent in South America, where Chinese companies dominate the economic landscape. Chinese investment stock in Peru is four times that of U.S. stock, for instance—the result of an intensive Chinese focus on the Peru’s mining sector. China has for many years been the top market for South American exports. Driven by South American flows, Latin American and Caribbean trade with China rose to record levels in 2022, with the region reporting an estimated \$184 billion to China and importing an estimated \$265 billion in goods.

For the United States, there is tremendous opportunity to deepen engagement throughout the hemisphere, including on the development of growth-promoting electromobility, microelectronics, and other regional supply chains. But time is of the essence as China grows its technical outreach and economic presence in these and other industries. Indeed, in just a matter of years, through a series of targeted investments and subsidized offerings, China has established prominent (and even dominant) positions in regional industries, including energy generation and transmission, telecommunications, renewable energy, electromobility, and now, critical minerals.

China’s focus on emerging industries in the region is likely to continue. As the country urgently looks for new drivers of GDP growth, Chinese leaders are counting on “new infrastructure,” or technology intensive sectors, to boost economic productivity. As a result, China has broadly supported innovation-related investment at home and abroad. In Latin America, energy transition, telecommunications, artificial intelligence, and other innovation-related industries are a focus for Chinese diplomats and firms alike. Indeed, in 2022, China’s greenfield and M&A investments in Latin America and the Caribbean were centered on emerging supply chains in the renewable energy and electric vehicle (EV) industries, including lithium mining and manufacturing batteries and EVs.

HEMISPHERIC ECONOMIC POLICY IN AN ERA OF STRATEGIC COMPETITION

U.S. policy toward Latin America should not be a China policy—it should not be principally motivated by U.S. interest in competing with China in the region, in other words. Pursuing stronger economic ties within the hemisphere is a critical objective in its own right, with direct implications for the U.S. economy and regional security and stability.

However, the ability of the United States and its companies to maintain competitiveness in international markets and strategic industries requires some understanding of China’s efforts and positioning in the Western Hemisphere and other regions.

I offer the following limited observations and recommendations as the United States seeks broader engagement within the hemisphere—and at a moment when China has achieved an expansive and even dominant presence across several economic sectors.

1. Market access is fundamental

If the United States is serious about engaging economically with the region, and also competing effectively with China in this hemisphere and elsewhere, then a robust trade agenda must be a priority. The Ecuador-China trade agreement, struck just days ago, is evidence not just of China’s growing trade agenda in the region, but of U.S. paralysis in this respect. Ecuador sought a trade deal with the United States, too, but left Washington empty-handed. At the same time, so much of China’s influence in the region is derived from its ever-expanding commercial partnerships, even when they are advancing economic re-primarization in parts of the region. An Uruguayan trade deal with China and possible Central American agreements are also on the horizon. If new U.S. trade deals and rejoining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are not currently feasible, then efforts to strengthen and expand existing agreements should be seriously considered. The Americas Partnership for Economic Prosperity (APEP) may also provide important opportunities for enhanced deal-making, but much will depend on levels of interest among partner nations in collaborations that don’t involve market access.

2. Stay the course

Stronger U.S. ties to the region are achievable through various mechanisms but boosting U.S. economic presence is of utmost importance. U.S. efforts to engage at the subnational level across the hemisphere will be increasingly practical, especially in pursuit of opportunities in industries governed by subnational authorities. Chi-

na's investment-related outreach is similarly "multitiered," with diplomatic and economic engagement evident at all administrative levels. Chinese commitments at the subnational level have been exceedingly productive in many cases. Five years of intense diplomatic engagement with Argentina's Jujuy province resulted in renewable energy, data storage, surveillance technology, and lithium extraction deals.

In pursuit of stronger ties, new private sector investment in the hemisphere, whether through "near-shoring" or other initiatives, is also critical. So, for that matter, is maintaining a presence in sectors where U.S. companies have been active for decades and even longer in some cases. Brazilian firm Odebrecht's corruption crisis generated numerous opportunities for Chinese company acquisition of sizeable infrastructure assets across the hemisphere, especially in the energy sector and often at the request of governments looking to ensure the continuous operation of major energy assets. But U.S. company divestment from the region has also created opportunities for Chinese and other investors. Crafting incentives for U.S. and partner nation companies to not just engage anew, but also to stay the course in the region, will be of great consequence.

Discussions are underway and steps are notably being taken within the U.S. Government to remove certain administrative barriers to regional investment and finance. This includes within the U.S. Development Finance Corporation, as it seeks to allocate finance to a wider range of partners in Western Hemisphere, regardless of income level. U.S. efforts to engage more extensively through IDBInvest are also promising. Given the fiscal constraints confronting countries in the region, international financing and the regional pooling of resources through multilateral development banks or other mechanisms are critical to ensuring much-needed development and climate-related investments and increasing hemispheric resilience. The possible expansion of G2G deal-making, including new authority for individual U.S. government departments, is another notable development, and should focus on opportunities in priority economic sectors.

3. *Focus on adding value*

Chinese investment and trade in Latin America and the Caribbean remain overwhelmingly focused on agricultural commodities and extractive industries, but China has also made commitments to regional manufacturing, including of electronics, automobiles, and, most recently, lithium batteries. These investments largely support China's interests in established and emerging supply chains, though are additionally upheld as evidence of China's commitment to addressing enduring asymmetries in the China-Latin America economic dynamic.

In practice, U.S. hemispheric trade and investment are more diversified than China's. But as claims support for Latin American production capacity, this will be a critical moment for the United States to underscore its long-standing commitment to economic upgrading and diversification across the region, while also funneling resources toward a select set of priority and growth-promoting sectors/initiatives, including possibly those related to energy and digital transformation.

Any commitment to hemispheric economic upgrading must also include continued and concerted efforts to promote open standard development processes and harmonized legal and regulatory frameworks in discussions with hemispheric partners. China's strategies for standards setting and regulatory harmonization ensure that representatives from Chinese companies have outsize presence in standards-setting venues, are pursuing alignment with Belt and Road countries, and are engaging in wide-ranging policy coordination with members of the BRICS grouping, the Asia-Pacific Economic Cooperation forum, and other regional platforms.

Regional economic upgrading will additionally benefit from expanded technical and educational collaboration. Education must be revamped to prepare the region for the green economy and the investment opportunities it brings, for instance—this is an area rich in opportunities for collaboration. U.S. government outreach on global digital transformation, just energy transition, and in many other critical areas is already underway, and should strive for greater Latin American participation.

4. *Strengthen the U.S. model*

Ensuring a prominent U.S. role within the hemisphere, and a degree of competitiveness with China in this and other regions, will also require a substantial and sustained commitment to addressing our own economic challenges and societal needs. Continued, robust commitments to improving U.S. domestic conditions will naturally boost U.S. competitiveness and generate prospects for broader and longer-term economic cooperation within the hemisphere. The Bipartisan Infrastructure Deal is a critical step in the right direction. U.S. companies must stay competitive,

but so must the U.S. economic model, including in the eyes of our hemispheric partners.

PREPARED STATEMENT OF JONATHAN FANTINI PORTER, CEO AND EXECUTIVE
DIRECTOR, PARTNERSHIP FOR CENTRAL AMERICA

INTRODUCTION

Chairman Carper, Ranking Member Cornyn, and members of the committee, thank you for the opportunity to discuss the challenges, opportunities, and approaches to achieving greater economic cooperation across the Western Hemisphere. A more unified Americas is a critical pillar of our Nation's long-term economic competitiveness and national security. Enhancing cooperation among the countries that comprise the region would make us stronger in countering the influence of strategic competitors and stem the root causes of irregular migration while strengthening the U.S. economy and furthering our climate goals by near-shoring and integrating supply chains and co-production.

There are a number of foundational pillars in achieving greater cooperation, including trade policies to incentivize near-shoring, investment promotion and supply chain integration, diplomatic engagement, development assistance to improve infrastructure, and consistency across labor protections and the rule of law.

The Partnership for Central America (PCA) is a model for mobilizing private-sector investment across the region, integrating supply chains, and promoting near-shoring that creates economic growth in both the United States and across the region. As an independent nongovernmental organization, we are working through a public-private partnership model with the U.S. Government to mobilize investments that advance economic growth and sustainable development goals. In just 18 months, the Partnership has delivered unprecedented impact in the region, including mobilizing more than \$4.2 billion in corporate and civil society investments to northern Central America of which more than \$500 million has already been deployed. Alongside diplomatic, trade, and development pillars of enhanced cooperation, the Partnership for Central America can serve as a model for the necessary private sector mobilization that is required today to achieve greater economic integration and sustainable development goals across the Americas. As USAID Administrator Samantha Power noted during congressional testimony in May 2022, "The Partnership for Central America shows that with dedicated effort we can draw . . . companies that want to be involved in that broader societal effort."

ENHANCED COOPERATION ADDRESSES CRITICAL CHALLENGES
FACING THE WESTERN HEMISPHERE

Improved regional cooperation would benefit the U.S. economy, help curb Chinese incursion in the Americas, stem migration, and further our climate resilience and adaptation goals.

First, cooperation could lead to significant economic benefits for the U.S. economy. The economies of the Western Hemisphere are highly interdependent, and closer collaboration can help to create a more stable and prosperous economic environment. Increased trade between countries in the region can help to boost economic growth, create jobs, and increase investment opportunities for American businesses. The United States is a significant trading partner for many countries in the region, and closer economic ties can help to expand American exports, particularly in sectors such as textiles, agriculture, energy, and technology. Improved regional cooperation can also help to facilitate the transfer of technology and knowledge, which can help to promote innovation and competitiveness for American businesses.

The textile and apparel industry is an example of this mutually beneficial system for job creation in the United States and poverty alleviation in Central America. There are more than 500,000 U.S. workers in our country's textile industry and 80 percent of yarn made in the U.S. is exported to northern Central America where Central American workers then convert that raw U.S.-made material into many of the apparel products we wear everyday. This is particularly important for the largest cotton-producing states, including Texas (3.4M bales p.a.); North Carolina (1M bales p.a.); and South Carolina (530K bales p.a.). The United States and our partners across the region are part of an integrated supply chain. When we invest in our region as a whole, and take advantage of each country's unique comparative advantage, we make the United States stronger against strategic competitors, stem ir-

regular migration, and achieve our labor and climate goals—all while protecting and growing the United States’ economy and high-quality jobs.

Improved regional cooperation can also help counterbalance strategic competition in Latin America. In Central America, China has invested heavily in infrastructure projects such as ports, highways, and telecommunications. According to data from the Inter-American Development Bank, Chinese investment in the region totaled \$90 billion between 2005 and 2019, with a significant increase in recent years.

Beyond Central America, Chinese investment has been a significant source of financing for energy and mining projects in the Western Hemisphere. In countries such as Brazil, Argentina, and Peru, Chinese companies have invested in large-scale projects such as hydroelectric dams, oil and gas exploration, and mining operations. The trend of increasing Chinese investment in Central and South America is likely to continue in the coming years, as China seeks to strengthen its economic ties with the region and expand its global influence.

A reduction in irregular migration to the United States is a third potential outcome of improved regional cooperation—by addressing the economic roots of migration. In northern Central America, for example, nearly 10 percent of the populations of Guatemala, Honduras, and El Salvador have had to flee their home countries since 2014 as a result of humanitarian challenges that include the highest murder rates in the world, climate disasters that have decimated as much as 80 percent of crops in recent years, a threefold increase in hunger, and as much 40 percent of the population living in extreme poverty in the regions. Both as a cause and consequence, poverty stands out as the leading motivation for migration with 74 percent of migrants citing it as the primary reason behind their decision to flee. By working together on coordinated migration management—like the Los Angeles Declaration on Migration and Protection—the hemisphere can create more stable and prosperous economies in the region and reduce the push factors that drive migration.

Finally, improved regional cooperation can also help to fight climate change. Our united efforts across the public, private, and social sectors have an important role to play in promoting sustainable development, increased supply chain integration, and near-shoring, which can help to reduce greenhouse gas emissions, promote sustainable land use practices, protect vulnerable ecosystems, and increase supply chain transparency. By working together with countries in the Americas, we can near-shore production to reduce shipping times, promote greater cooperation on renewable energy, regenerative agriculture, and the protection of biodiversity.

This matters because many regions in the Americas are ranked among the most vulnerable regions in the world to the effects of climate change. For example, the Global Climate Risk Index has ranked Honduras as the country most at risk in the world to climate-related disasters, and Guatemala experienced 12 times more hurricanes and tropical storms in recent years than the entire previous record, which contributed to recent migration spikes. According to the World Bank, Central America could see millions of additional climate migrants by 2050 as agricultural yields decline across Central America as a result of drought.

PARTNERSHIP FOR CENTRAL AMERICA—A MODEL FOR PRIVATE-SECTOR MOBILIZATION TO ADVANCE REGIONAL COOPERATION, NEARSHORING, AND SUPPLY CHAIN INTEGRATION

The Partnership for Central America is a model for mobilizing the private sector in support of economic cooperation, including promoting investments, integrating supply chains, and promoting near-shoring to create economic growth in both the United States and across the Americas. Like other frontier and emerging economies around the world, northern Central America lacked a sustained organizing effort to mobilize and maintain the international investments and job creation required to shift the needle on economic growth in the region. To address this need, the Partnership was launched in May 2021 alongside a “call to action” by Vice President Harris to reduce the root causes of poverty in the region.

As a convener, PCA has brought together more than 100 strategic partners to deliver on a bold 10-year strategic plan to mobilize private-sector investments to create jobs and implement social programs that build the investment climate for long-term growth. Within this scope, PCA mobilizes and coordinates the private sector to promote climate resilience, job creation, trade and near-shoring facilitation, and supply chain integration, among others. Our board of directors and strategic partners include leading regional and global government, business, and civil society leaders.

In 18 months, PCA mobilized \$4.2 billion in civil-society and private-sector funding to the region—of which more than \$500 million has already been deployed. Since our launch, our partners have financially included more than one million individuals; provided digital connectivity to more than four million; created more than 15,000 living-wage jobs; supported more than 4,500 farmers; and provided technical training to more than 15,000 individuals, with 3,500 trained with certification for employment. As a result of these programs, children from a rural indigenous community in Comayagua, Honduras are now able to access the Internet, which connects these families to the global economy and creates an immeasurable potential for their lives. Similarly, PCA helped guide Nespresso to launch its first line of coffee from El Salvador as part of its \$150 million commitment, which is a tangible example of how greater cooperation can lead to new investments from global companies that deliver high-quality jobs that achieve our strategic objectives across the Americas, including stemming the economic roots of migration.

This has resulted in an impact on the ground that includes delivering aid to 5 million potential migrants, which reduces their need to migrate; mobilizing investments to a historic level (*e.g.*, one country's Foreign Direct Investment increased 300 percent); and contributing to a reduction in year-to-date migration from this region (as of February 2023).

ECONOMIC COOPERATION TO ACHIEVE ECONOMIC GROWTH

As we work to support integrated supply chains and increase economic growth in the United States and Central America, the Partnership has prioritized sectors with expansive trade and near-shoring potential. In Central America, only 20 percent of the workforce is employed in the formal economy and 74 percent of migrants cited low wages or lack of jobs as a reason for migrating. By increasing investment in strategic sectors and industries, the Partnership works with partners to create a more inclusive and sustainable workforce in the region.

As one example, two-way trade in the textile and apparel sector supports more than 1 million workers in the U.S. and Dominican Republic-Central America Free Trade Agreement (CAFTA–DR) countries. Eighty percent of U.S.-spun yarn exports go to the CAFTA–DR countries, and of the \$15 billion in two-way textile and apparel trade between the U.S. and CAFTA–DR, \$4 billion were U.S. textile exports, which resulted in \$11 billion in CAFTA–DR textile and apparel exports to the U.S.

More apparel production in Central America translates into more yarn and fabric investments and jobs in the U.S., while simultaneously reducing the economic drivers of migration.

Since the beginning of the COVID–19 pandemic, due to supply chain challenges and delays, there has been an industry-wide focus on diversifying textile and apparel production supply chains to the Western Hemisphere. From our work with leading apparel brands, we know companies are actively seeking pathways to diversify their supply chains to our region. In this brief moment of opportunity to grow our country and region as an economic hub for near-shoring, we look forward to working with this committee on shaping policies that incentivizes near-shoring and simultaneously protects American jobs.

Looking forward, we are conscious of the many challenges that lay ahead in achieving our shared vision of economic cooperation, including overcoming clear challenges in adherence to the rule of law and consistent environmental and labor standards. Even so, improved regional cooperation across the Western Hemisphere is essential to achieving a more stable, prosperous, and sustainable future for the United States and the region. Such cooperation can help to create new economic opportunities, counter investments by strategic competitors, stem illegal migration to the United States, and fight climate change. By working together across policies, investments, and social-sector programs, we can help to promote greater prosperity, security, and stability for the region. However, it will require sustained attention, adequate resources, political will across governments, and strong and inclusive economic growth to go with strengthened governance.

I look forward to collaborating closely with this committee going forward to deliver on our shared vision for advancing economic cooperation for a stronger and more resilient Western Hemisphere.

COMMUNICATION

NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS
1701 K Street, NW, Suite 625
Washington, DC 20006

Chairman Carper and Ranking Member Cornyn, thank you for the opportunity to submit a statement for the record on this subject that is so important to the U.S. textile industry, our workers, and our Western Hemisphere trading partners.

The National Council of Textile Organizations (NCTO) represents the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as well as suppliers of textile machinery, chemicals, and other such sectors that have a stake in the prosperity and survival of the U.S. textile sector. U.S. textile and apparel manufacturers produced nearly \$66 billion in output in 2022, and our sector's supply chain employs 538,000 workers from fiber to finished sewn products. The U.S. industry is the third largest exporter of textile-related products in the world. Fiber, textile, and apparel exports combined were \$34 billion in 2022.

As the world continues to emerge economically from the lingering impacts of the recent pandemic, there is a growing consensus on the need to implement policies that will build new and redundant domestic supply chains for critical items, re-shore and near-shore manufacturing to the U.S. and Western Hemisphere, and boost economic opportunities in Central America to stem patterns of outward migration.

The key to creating a setting where nearshoring can thrive is adhering to rational rules of origin and trade policies that support a predictable, competitive, and innovative business environment, create export markets and co-production synergies, and provide opportunities for businesses to realize a return on their capital investments. The U.S. has created a strong co-production arrangement in this hemisphere through the development of strategic free trade agreements (FTAs) that provide tangible incentives to make capital investments and manufacture products throughout North America, Central America, and the Caribbean. As a result, the success of the U.S. textile industry is now closely linked with the success of our supply chains throughout the region. The key driver for this relationship is the prevalence of the strong "yarn forward" rule of origin that underpins our FTAs and supports these investments and jobs. If those rules of origin were undermined in any way, it would have a significant ripple impact on employment and lead to further instability and migration from the hemisphere.

The Western Hemisphere's textile and apparel supply chain is a vital economic driver for the whole region. Textile components and their various associated end products including apparel support \$40 billion in annual two-way trade and 2 million direct jobs throughout the hemisphere. For historical context, two-way Western Hemisphere textile trade in 2022 posted a 60% increase from 1993, the year before the yarn-forward rule was first introduced as part of NAFTA. In terms of exports, our hemispheric partners purchased \$17.6 billion worth of U.S. textiles in 2022, accounting for 71% of total U.S. textile and apparel exports that year. In return, the U.S. consumed \$21.6 billion in textile and apparel imports from the Western Hemisphere in 2022.¹ Central to these successes is a shared commitment to strong rules of origin, environmental sustainability, advanced labor practices, and effective enforcement mechanisms.

Within this broader hemispheric construct, an extremely valuable textile co-production relationship has evolved between the U.S. and the countries of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). In 2022,

¹ U.S. Department of Commerce, Office of Textiles and Apparel.

two-way trade between the U.S. and the CAFTA–DR countries totaled \$15 billion. U.S. textile-related exports were \$4 billion, which resulted in \$11 billion in CAFTA–DR textile and apparel exports to the United States. Notably, 81% of U.S. exports of spun yarns go to the CAFTA–DR countries.² The benefits of this important two-way trading structure help employ over 500,000 textile and apparel workers in the CAFTA–DR region and nearly 600,000 workers in the United States.

Several factors have contributed to increased pressure on international apparel sourcing decisions, including pandemic-caused supply chain disruptions, limited freight capacity, increased shipping costs from Asia, and trade enforcement actions including the China 301 penalty tariffs and the ban on products from China’s Xinjiang Uyghur Autonomous Region (XUAR). These factors are shifting significant business to the Western Hemisphere, with CAFTA–DR having just completed two of its best years ever in textile and apparel exports to the U.S. In fact, key CAFTA–DR suppliers have outpaced even some major Asian exporters as the U.S. textile and apparel market recovered from a downturn in 2020 due to the pandemic. In 2022, compared to the COVID downturn year of 2020, CAFTA–DR regional exports of apparel to the U.S. were up *nearly 70%*.

This is a seminal moment if we are to capture more investment, increase cooperation, and shift sourcing to the FTA and preference programs we have created in the Western Hemisphere. Both U.S. and regional textile and apparel manufacturers are hungry to increase regional supply chains, production capacity, and employment. This is a win-win opportunity for U.S. and regional workers alike.

THE BIDEN-HARRIS ADMINISTRATION’S CALL TO ACTION

NCTO commends this committee, Congress more generally, and the administration for a renewed focus on the tremendous opportunities available in the Northern Triangle and the additional policies needed to help U.S. companies take full advantage.

When the administration’s Call to Action was announced in 2021, our industry was immediately supportive, and the CAFTA–DR supply chain has since attracted \$2 billion in investment just over the last 18 months. A number of our members have been formally recognized as part of the Call to Action including Parkdale, SanMar, and Unifi. We recognize the serious problems posed, both in the U.S. and in Northern Triangle countries, by increased levels of outward migration from Central America. Our hemispheric trade platform requires a dependable business environment and stable workforce throughout the production chain. Sufficient economic and employment opportunities must exist for workers both at home and abroad, and this is one of the root causes of outward migration that must be addressed.

In addition, the Call to Action was issued at a critical economic moment as previously noted: the ongoing coronavirus pandemic disrupted global supply chains, prompting governments and businesses to examine the risks inherent in outsourcing all, or even a significant amount, of our manufacturing to China and other Asian countries. This reflection should lead all of us to commit to the hard work of re-shoring industries of all kinds to the U.S. and Western Hemisphere.

The need to recalibrate our supply chains is made even more apparent by the recent focus on China’s history of unfair and exploitative trade practices that have fueled its success at the expense of U.S. workers and our trading partners in the CAFTA–DR region. Perhaps no other sector has suffered more as a result of predatory Chinese trade practices than the U.S. textile and apparel industry. As Congress holds China accountable for its exploitation and genocide of the Uyghur Muslim population in Xinjiang, sourcing apparel from Asia has rightly become more problematic due to its inherent link to the widespread use of forced labor throughout the region’s supply chains, including cotton production. The best alternative to China’s forced labor apparel is this hemisphere’s supply chains.

OPPORTUNITIES FOR THE NORTHERN TRIANGLE

During this pivotal time for nearshoring and onshoring, our industry and regional partners welcome the opportunity to be a solution for brands and retailers seeking to recalibrate their supply chains long-term. We believe we have a historic opportunity, if done right, to further strengthen the industry in both the United States and Central America.

Our members’ sizable recent investments are geared toward helping bring textile supply chains out of Asia to the region and supporting jobs both here at home and

² *Ibid.*

throughout the hemisphere. The textile and apparel co-production chain that we share with the region is one of the most essential supply chains for employment and economic development in the United States and the CAFTA–DR region.

Within the CAFTA–DR region, the three countries of the Northern Triangle: Guatemala, Honduras, and El Salvador represent a particularly vibrant and lucrative textile relationship. Out of total U.S. exports to CAFTA–DR, these countries receive 65% of U.S. textile and apparel exports and 81% of U.S. spun yarn exports for further processing. In return, two-thirds of CAFTA–DR textile and apparel exports to the U.S. come from the countries of the Northern Triangle.³

CAFTA–DR is a multilateral free trade agreement that creates jobs and value through preferential market access for a completely vertical regional production chain, from base fibers through finished apparel and other textile goods. Since the adoption of the trade agreement, investments in U.S. textile production to supply the CAFTA–DR market with textile inputs has led to billions of dollars of investment in both the U.S. and the region with further bold investments to be announced soon.

However, favorable factors create an environment for us to take even greater advantage of these opportunities. For example, doubling textile and apparel exports from the region is achievable with your support, and now is the time to recalibrate these supply chains permanently. A 2022 report from Werner International (<https://wernerinternational.com/wp-content/uploads/2022/01/Werner-Final.pdf>) conservatively estimates that merely doubling apparel exports from the region to the U.S. would result in an additional \$6 billion in new investment in the U.S. and CAFTA–DR region.

The study also concluded that a commitment by brands and retailers to double sourcing from CAFTA–DR to the U.S. under the current yarn forward rules would result in an additional 180,000 U.S. textile jobs and 2.17 million jobs in the CAFTA–DR region. This includes direct and indirect job creation. Having a stronger, more resilient textile and apparel supply chain in the hemisphere ensures increased stability throughout the entire supply chain, including cut and sew jobs. It is because of that stability that the U.S. and regional industries were able to pivot overnight to making life-saving PPE during the pandemic.

Further, the U.S. can save substantially on our greenhouse gas emissions by shifting sourcing from China and Asia to Central America and the hemisphere. On average, apparel exported from China produces 51.8 kgs of CO₂ per ton, compared to 18.1 kgs of CO₂ from the CAFTA–DR region.

With additional policy support from Capitol Hill, we see a once-in-a-generation opportunity to onshore and near-shore these critical co-production chains—and both the United States textile industry and that of the region stand ready to be active partners.

CHINA, CAFTA–DR, AND THE U.S. TEXTILE INDUSTRY

Some argue that CAFTA–DR has not been as successful as its signatories had hoped when it went into force. This argument underpins requests to the administration and Congress to fundamentally alter the agreement's rules of origin in favor of expanding access to third-party textile inputs from China and other low-cost Asian producers. This shortsighted strategy would open a backdoor into CAFTA–DR for textile inputs from China and other third-party countries to supercharge end-stage apparel assembly in the Northern Triangle.

These Trojan horse concepts would chill investments in the U.S. and the region, undermine new opportunities in CAFTA–DR, and cede the future for this supply chain to Asia and China. It would dismantle employment in Central America, the United States, and every free trade agreement in our hemisphere—including the newly renegotiated United States-Mexico-Canada Agreement (USMCA)—and have a profound impact on trade preference partners like Haiti, where apparel production is the predominant employment sector. Simply put, it would be a disaster.

To assess some of the headwinds our collective industries have faced, we need to review the broader factors that contributed to our current environment, including China's historical and ongoing predatory trade practices and the failure to hold China accountable for how these pervasive unfair trade practices have undermined industry both in the U.S. and in the CAFTA–DR countries.

³*Ibid.*

China's Rise to Dominance in Global Textile and Apparel Production

To better understand CAFTA–DR's historical performance in production and exports to the U.S., we must place CAFTA–DR within the context of the broader global trade environment over recent decades. In short, CAFTA–DR came online at a time when market access and other expected economic benefits were being aggressively captured by China by any means necessary.

Starting in the mid-1990s, China emerged as a large-scale predatory force benefiting from virtually limitless government programs intended to ensure that China's textile industry dominated world markets and displaced foreign competitors and workers. China leveraged the Asian financial crisis of the late 1990s to steeply devalue its currency and slash prices for textile and apparel exports by 30–80% virtually overnight. China paired its persistent currency devaluation with heavy industrial subsidies to its state-owned factories which has shrouded market forces, undervalued the true cost of its products, and displaced virtually all competitors.

These economic factors were compounded by a series of U.S. policy decisions that devastated U.S. textile and apparel manufacturing and our partners' operations in the Western Hemisphere. These trade liberalizing policies included allowing China, a non-market economy, to join the WTO and entering into permanent normal trade relations with Vietnam, another non-market economy. WTO agreements that limited overproduction and dumping of textiles and apparel were also phased out, creating an opportunity to fill rising global demand for apparel with cheap, government-subsidized products from China and its Asian supply chain partners.

This led to a sharp decline in U.S. textile and apparel output and employment, with far reaching implications for our trade and preference program partners in the Western Hemisphere. Despite an unprecedented increase in global apparel consumption from 1997–2009, U.S. textile and apparel production declined by 61%, employment decreased by a staggering 69%, exports fell by 15%, and the U.S. trade deficit for textile and apparel products increased by 82%. At the same time, Chinese textile and apparel exports exploded, making China the dominant player in the global market. From 1992–2016, Chinese textile and apparel exports to the world grew by a staggering 910%, skyrocketing from \$26.4 billion to \$266.3 billion.⁴ In fact, China's share of the world's textile and apparel trade quadrupled, growing from 9.5% in 1992 to 38.3% in 2016.

Unfair Trade Practices

Further fueling China's dominant global position in the textile and apparel sector is the fact that many key competitors in China are state-owned enterprises, including companies owned by the People's Liberation Army. Moreover, China is the world's leading purveyor of illegal trade practices designed to unfairly bolster a blatantly export-oriented economy. These predatory practices take many forms, from macroeconomic policies that grant across-the-board advantages to their manufacturers to industry specific programs intended to dominate global markets in targeted areas.

China's abuses include the exploitation and genocide of an estimated 800,000 to 1.8 million Uyghur Muslims in the XUAR, where forced labor camps are an integral part of cotton, textile, and apparel production. The country also actively ignores its duty to maintain any environmental standards in manufacturing, while pollution and workplace safety hazards are rampant.⁵ China also continues to massively undervalue its products to maintain its dominant position in the market, slashing prices on its apparel exports by 17.3% between 2020 and 2021 at a time when consumer prices rose by 4.2%.⁶

Impact on U.S. Trade Partners in the Western Hemisphere

Of course, all this economic chicanery has had an adverse impact not only on U.S. manufacturers and workers, but also directly on our valued political and economic allies in the Western Hemisphere, contributing to economic instability and outward migration. Despite promises of preferred access to our consumer market through free trade agreements, our trading partners find themselves at a distinct disadvantage to China's aggressive trade tactics.

⁴ World Integrated Trade Solution (WITS).

⁵ See: <https://chinadialogue.net/en/pollution/6283-the-denim-capital-of-the-world-so-polluted-you-can-t-give-the-houses-away/> and <https://www.dailymail.co.uk/news/article-2994650/Secret-footage-shows-factory-workers-China-use-controversial-method-linked-dozens-deaths-make-jeans-Abercrombie-Fitch-American-Eagle-Outfitters.html>.

⁶ BLS CPI Summary; September 14, 2021.

As the U.S. was poised to finalize CAFTA–DR and enable the region to compete for the U.S. consumer apparel market against a rising China, the major developments noted above—China’s adoption of deplorable trade and economic tactics and the liberalization of U.S. trade policy—served to directly counteract that opportunity. These events negatively impacted investment, sourcing, and production decisions in the CAFTA–DR region, which was not equipped to compete with the aggressive, predatory policies and practices employed by the Chinese Communist Party.

Despite those enormous challenges, the CAFTA–DR agreement has been a strong and critical co-production chain for our collective industry sectors. Our member companies see tremendous opportunity right now to invest in the CAFTA–DR co-production chain and strengthen our economic partnerships. Ironically, as we are trying to recalibrate supply chains, some would ask Congress to consider a wholesale reassessment of CAFTA–DR and to fundamentally alter the short supply process in our FTAs. These harmful changes are disguised as adding “flexibilities” with an eye toward allowing Chinese textiles and other third-party inputs to displace textiles from North America, Central America, and the Dominican Republic, artificially driving down the cost of sourcing from the Western Hemisphere. This would be a grave error that would reward China’s often illegal trade practices and undermine existing and future investment—relegating the region to low-cost apparel assembly with no incentive to expand into more advanced manufacturing or product offerings and contributing to further rounds of outward migration.

WHY CAFTA–DR? THE YARN FORWARD RULE OF ORIGIN

Apparel production in CAFTA–DR has been a success despite the headwinds from China’s increased access to our market during the agreement’s existence. This is due to a host of reasons, chief among them being the various benefits U.S. and regional producers receive from the agreement, including high standards for workers and the environment, customs enforcement mechanisms, and reciprocal market access for all regional goods.

However, the most important element of the CAFTA–DR agreement and other U.S. FTAs is the yarn forward rule of origin. This unique investment-based rule for textiles and apparel ensures that the signatory countries benefit from investments made in capital-intensive yarn and fabric production, capturing that important value-add from third-party countries like China. Under this model, every stage of manufacturing from yarn formation through apparel assembly must take place within a CAFTA–DR signatory country to receive duty benefits. This construct is responsible for creating a massive regional market for U.S. textile exports in the Western Hemisphere resulting in the aforementioned \$40 billion in annual two-way trade supporting 2 million direct jobs. In the U.S., the U.S. Department of Labor estimates that each textile job supports three additional jobs in the communities where they are located, and this “multiplier” effect is even higher in Central America.

Would additional “flexibilities” that displace U.S. and regional textiles in favor of Chinese or other third-party textiles actually support even more manufacturing jobs, investment, and production than CAFTA–DR’s existing rules support? The recent report from Werner International referenced earlier examines these exact questions, and unsurprisingly a fair analysis of these potential changes demonstrates that the opposite would be true.

Under weaker rules that would permit Chinese and other Asian textiles into the CAFTA–DR production chain, we would see a catastrophic loss of employment and investment both in the U.S. and in Northern Triangle countries. For the U.S., we would expect to see the loss of billions of dollars in exports to the CAFTA–DR region, and the loss of over 307,000 U.S. jobs in the short to medium term as Chinese products are substituted for American ones. As customers for American textiles decline, we would also lose vital warm industrial base capacity for mission critical military procurement—creating a national security threat. Further, a severe contraction of U.S. textile manufacturing would cause U.S. cotton farmers to lose their sole domestic customer, devastating the market for American cotton. These U.S. manufacturing and farm jobs would be lost forever to China’s dominant position in the hemisphere.

The impact these proposed changes would have on the region would be even more stark. Valuable upstream textile manufacturing would be displaced by imports of cheaper Asian products, resulting in a loss of verticalization and over 247,000 jobs in Central America’s textile and apparel industries. The dominoes would fall beyond CAFTA–DR as other hemispheric players, such as Haiti and Mexico, would suffer catastrophic losses in terms of sales to the U.S. market as they are forced to com-

pete with CAFTA–DR apparel made with subsidized, low-cost textile inputs from China and other third-party suppliers. Non-U.S. job losses would extend throughout the entire hemisphere to over 373,000 workers, likely driving additional rounds of outward migration as displaced workers look for viable employment opportunities elsewhere.

Ironically, rather than re-shoring these supply chains closer to the U.S., changes to CAFTA–DR’s rule of origin for textiles and apparel would cement the region’s reliance on foreign supply chains for apparel production. China and other third parties would monopolize yarn and fabric sales to the CAFTA–DR region, freezing out current and future investment in verticalization and cementing the region as a low-cost hub for assembling apparel exclusively from Asian textiles—while also severely destabilizing regional apparel assembly. This would ignore critical U.S. goals associated with nearshoring supply lines, increasing environmental sustainability, and ensuring that goods produced under abhorrent labor practices do not enter the U.S.

RECOMMENDATIONS

As an industry, we believe that keeping a laser focus on China is the critical issue of our time from an economic and national security perspective. We urge members of Congress to consider creating a framework that puts a strong Western Hemisphere front and center in our approach to international trade, placing these priorities above the lowest common denominator policy goals of unrestricted trade flows and low retail prices. Marginal, and likely only temporary, benefits for U.S. consumers simply do not justify further incentivizing the worst global labor, production, and trade practices at the expense of workers in the U.S. and the Western Hemisphere.

Apply Increased Pressure on International Apparel Sourcing Decisions

As mentioned previously, factors putting increased pressure on international apparel sourcing decisions include pandemic-caused supply chain disruptions, logistics issues, and trade enforcement actions. These factors alone served to shift significant business to this region, with CAFTA–DR posting record apparel export totals to the U.S. in recent years. The U.S. must hold China accountable and further ramp up enforcement activities on unfair trade practices, labor abuses, and the exploitation of the Section 321 de minimis tariff loophole.

Uphold Pre-existing Free Trade Agreements

The important regional momentum underway would be upended by weakening rules to allow backdoor duty-free access for Asian and other inputs through CAFTA–DR and dismantle all current and planned textile investment. We need to maintain the strong yarn forward rule and other mechanisms meant to uphold the integrity of this rule of origin and reject efforts to liberalize our FTA and preference programs. Failure to do so would create a race to the bottom on pricing, cutting corners, and abandoning the high standards our FTAs have established up to this point.

Both U.S. and regional textile and apparel manufacturers are hungry to increase regional supply chains, production capacity, and employment. This is a win-win opportunity for U.S. and regional workers alike. As the U.S. government is cracking down on unfair practices, we are witnessing new efforts to fundamentally alter our FTAs and preference program structure with calls to liberalize rules of origin to permit cheap textiles from China and its supply chain partners to creep into the Western Hemisphere and displace America from the center of our own trade platform.

Develop Incentives to Mobilize Stronger Western Hemisphere Co-Production Chains

One of our best strategies to counter China’s trade practices and dominance in our sector is to lean into the regional trade alliances we have forged in the Western Hemisphere and make these near-shore supply chains as competitive as possible. We need to prioritize re-shoring and nearshoring and create an equitable industrial plan to ensure the systematic growth of this and other critical sectors. China does this routinely, relying on predatory measures to construct their industrial policy—the U.S. and region will be left behind if we don’t create our own industrial plan that includes critical investments and robust trade enforcement.

Further, we should develop incentives to help mobilize stronger co-production chains in the U.S. and Northern Triangle. This includes continuing to push back publicly on Trojan horse concepts to undermine the Western Hemisphere with “flexibilities” to substitute Asian yarns and fabrics and other third-party inputs for those from the U.S. Notably, officials from the U.S. Trade Representative’s office and the Vice President’s office convened an industry roundtable and released a statement signaling that the administration values the U.S.-Central American textile and apparel

supply chain and is committed to maintaining CAFTA–DR’s rules of origin to allow future investments and benefits to accrue to the CAFTA–DR signatories.⁷

Congress must also remain steadfast on the critical importance of the yarn forward rule and reject any attempts to undermine or dismantle the CAFTA–DR rule of origin with these so-called flexibilities. This position is further supported by CECATEC–RD, the association representing the region’s textile and apparel supply chain. Congress reaffirmed support for the yarn forward rule through its recent approval of the USMCA. Similarly, Congress should now firmly dismiss calls to dismantle the successful CAFTA–DR rule of origin. As an important show of support, a bipartisan group of lawmakers sent a letter to Commerce Secretary Gina Raimondo urging her support of CAFTA–DR’s rules of origin that are working to spur significant investment and employment in the region.⁸

It is also important for Congress to send a strong signal to brands and retailers that the U.S. and Western Hemisphere supply chains are ready and open for business. This serves as an opportunity to gain long-term commitments from retailers that will unlock further domestic and regional investments to bolster this critical production chain. In addition, it will help grow jobs in both the U.S. and the region, while also nearshoring more production; help address the migration crisis; and assist us in addressing the urgent issue of climate change. There are several critical policies outlined below on how Congress could help this co-production chain further.

The U.S. textile industry has invested heavily in important carbon-reducing technologies with vastly different sustainable footprints than Asia. Our industry is a world leader in clean energy, water reduction and recirculation, recycled products, and safer chemical technology to further drive innovation and sustainability. Sourcing closer to home, utilizing inputs from the U.S. and the regional co-production chain, is critical to helping reduce dependence on an unsustainable Asian supply chain and its alarming global carbon footprint.

While the U.S. textile industry would staunchly oppose any rewrite of CAFTA–DR textile origin concepts that would erode these rules, we want to partner with Congress, the administration, and our regional allies in a concerted effort to stimulate and expand the economies of Western Hemisphere countries. U.S. textile companies have direct investment experience throughout the hemisphere, and we are intimately familiar with the region’s strengths and weaknesses. Many fundamental problems that plague the region are not unique to our industry and are instead systemic challenges.

While some of these issues may be difficult to resolve in the short term, a comprehensive infrastructure plan for the Northern Triangle with targeted, high impact investments and competitive loans to upgrade regional power grids, roads, and local ports would pay immediate dividends. These improvements would help to mitigate unnecessary cost factors associated with frequent production disruptions due to power outages and product delivery complications tied to clogged highways and inefficient regional ports. These unnecessary cost factors greatly diminish the region’s ability to compete with other textile and apparel players in the hemisphere, not to mention dominant Asian suppliers, who are all vying for increased access to the U.S. market.

We believe now is the time to further partner with the administration and Congress to unlock more investments and further bolster this supply chain. We believe this requires the creation of a comprehensive manufacturing plan to expand both onshoring and nearshoring this supply chain. The opportunities are ripe if we seize this moment.

There are several other initiatives that could be pursued to improve the competitiveness of the CAFTA–DR region, including the Northern Triangle countries experiencing high rates of immigration to the U.S., such as:

- Working directly with U.S.-based textile companies to leverage further investment in the region, while ensuring it won’t undermine U.S. employment/production, through low interest loans, no interest loans, loan guarantees and other financial incentives.

⁷ See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/ustr-roundtable-highlights-united-states-central-america-supply-chain-textiles-and-apparel>.

⁸ See: <http://www.ncto.org/bipartisan-group-of-38-lawmakers-sends-letter-to-secretary-of-commerce-urging-support-of-strong-cafta-dr-rules-of-origin-warning-against-importer-led-attempts-to-change-rules/>.

- Better coordination among lending agencies of the federal government, like USAID, IDB, DFC, Export-Import Bank, etc., to ensure targeted, strategic investment in this sector. Lending and funding agencies should work directly with U.S. industry who are seeking to expand necessary capacity in the region—without putting U.S. jobs at risk—as retailers look to diversify out of China/Asia. Regrettably, much of the financing that has previously been allocated to the region has been segregated and not impactful for upscaling necessary strategic investments in this sector.
- Allocate funding for textile and apparel workforce training in the U.S. and the region.
- Streamline H-2B processes to ensure more co-production and training opportunities in the U.S.
- Provide tax incentives to help companies invest in new equipment, processes, and R&D.
- Collaborate with industry to identify necessary industrial expansion allocations to bolster this critical sector and appropriate necessary funding. This industry is the critical feedstock for the medical supply chain and our military. It must be prioritized for funding allocations.
- Provide employment tax credits for domestic manufacturers.
- Create onshore and near-shore tax incentives for U.S. companies that invest in the U.S. and in the region and deploy tax penalties for offshoring production to Asia.
- Ensure trade stability in the region by not pursuing programs and policies that would undermine the critical co-production/employment benefits.
- Provide incentives for greenhouse gas emission reductions in the supply chain, including freight and manufacturing.
- Bolster trade enforcement tools for our sector to counter predatory trade practices.
- Close the de minimis loophole that allows for duty-free shipments from China to come to the U.S. through e-commerce platforms.
- Keep China's 301 penalty tariffs in place on finished textile and apparel products and hold China accountable to the commitments it has made.
- Effectively enforce the Uyghur Forced Labor Prevention Act and Xinjiang cotton ban, and provide CBP the necessary resources to effectively enforce illegal transshipment that has undermined textile investment in the CAFTA-DR region and our other FTA regions.
- Block any efforts to expand GSP for textile and apparel products, which would undermine this co-production chain.

A strong and viable Western Hemisphere supply chain for textile and apparel products devoid of abhorrent human rights abuses is one of our best counters to China's global influence.

CONCLUSION

In conclusion, the U.S. textile industry is excited about the new opportunities available to lean into U.S. economic and trade relationships in the Western Hemisphere, including the Northern Triangle. Current factors have combined to create a singular environment extremely favorable to bringing manufacturing back to the Western Hemisphere from China and other Asian countries. As the lynchpin to regional textile and apparel manufacturing and trade, the yarn forward rule of origin is a proven component of the region's ability to successfully compete with China despite its widespread predatory trade practices.

For far too long we have permitted China to set the global agenda, undermining U.S. values and ideals and harming our workers and trading partners in the Western Hemisphere. With Congress's help, we can empower U.S. companies to commit sourcing and capital investments to the region, hold China accountable for its unfair trade practices that undermine U.S. and regional competitiveness, and enable the Northern Triangle countries to fully realize the benefits available to them under CAFTA-DR. Working hand-in-hand with the governments and industries of the Western Hemisphere, we can address our shared challenges, leading to increased economic opportunity throughout the region and mitigating the underlying causes of outward migration.

