



U.S. Senate Committee on Finance

Subcommittee on International Trade, Customs, and Global Competitiveness

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\*\*\*\*\* As Prepared for Delivery \*\*\*\*\*

Good afternoon.

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 non-partisan 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 one 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 healthcare, 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 freer 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 pre-existing freer 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 co-sponsored 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 non-traditional 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 anti-democratic 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.