ADVANCING U.S. BUSINESS INVESTMENT AND TRADE IN THE AMERICAS

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*** As Prepared for Delivery ***

Good afternoon, Mr. Chairman, Mr. Ranking Member, and Members. It is a privilege to appear before you again. I am pleased to offer testimony on ways to advance U.S. business investment and trade interests in the Americas. Thank you for the opportunity to join this timely and important hearing.

The Prevailing Circumstances of Hemispheric Trade and Investment Relations

The news from last week that the Trump Administration has decided to move forward with steel and aluminum tariffs on Canada and Mexico as well as Europe, with the possibility of additional future tariffs, coupled with cancellation of U.S. participation in the Trans-Pacific Partnership and an aggressive effort to reformulate and recast NAFTA, have roiled hemispheric trade and economic relations. Where once the United States was unquestionably the leader in promoting open markets and investment climate reforms across the hemisphere, Washington has now become a disruptor.

These actions have introduced a significant element of uncertainty into the trade and investment calculus along with normal and anticipated emerging market risks in Latin America and the Caribbean Basin. And increasing uncertainty is, to be blunt, bad for business. With rising costs, patterns of trade shift, including sourcing and fully integrated supply chains that drive production. Meanwhile, investments are delayed or not made at all, and productivity lags.

As the United States retrenches, others are quick to fill the void, with China in the lead. China would still be a major presence in the Americas, of course, as it is in other emerging markets globally, even under a more traditional U.S. approach to trade. But Washington's recent actions are accelerating pre-existing trends to the point where we may soon reach an inflection point making impossible a return to the *status quo ante*. This would be a self-generated and unnecessary strategic setback for U.S. interests in the Western Hemisphere.

Specific Near-Term Actions to Consider

Within this framework, absent a policy shift, there are nonetheless any number of things that can be done to advance U.S. commercial interests in the hemisphere to the extent we are inclined to prioritize them.

The first is to be present, and Vice President Pence's announcement Monday that he will soon travel for the third time to Latin America in less than a year is welcome news. We also applaud Secretary of State Mike Pompeo's presence at the OAS General Assembly this week and the leadership of UN Ambassador Nikki Haley on Venezuela. Such efforts must be sustained. Effective commercial diplomacy also requires that the United States have diplomats and senior officials in place to conduct day-to-day activities including the promotion of U.S. business. To name one example, we are just five months away from the mid-term elections and still have no Senate-confirmed Assistant Secretary of State for the Western Hemisphere, although I understand an outstanding candidate has been identified. Personnel are policy, and it's difficult to have an effective policy without the right people in place to develop and implement it.

Second, we should refrain from affirmatively taking steps that would actually *reduce* the U.S. investment presence in Latin America and the Caribbean. A perfect example is the ongoing effort to excise investor-state dispute settlement provisions from NAFTA, which would cause U.S. energy and other investors to re-evaluate their investment plans going forward, particularly if the incoming president of Mexico, whoever may be elected on July 1, seeks to rein in energy sector reforms implemented by the outgoing government. Rule of law remains imperfect in Mexico, as it does across much of the region, and investors will be less likely to commit significant additional resources without greater judicial certainty. But Mexico's hydrocarbon deposits will remain, thus opening the door wider to greater sectoral investment from China, Russia, and other extra-regional actors. The same is true with other provisions being pushed by the United States in ongoing NAFTA negotiations, including dispute resolution, government procurement, and a five-year sunset clause.

Third, as the region develops alternatives to the United States, we have to contend more actively for regional commerce. No longer is the United States the only game in town, if we ever were. Competition is fierce, and we must, as a result, compete. It's one thing to promote the United States as a preferred partner for the region—and indeed I believe that that is the case—but partnership requires sensitivity to the needs of others and a search for mutually-rewarding solutions on issues that matter most to us and also to them. China understands this, even if execution is not always perfect. But unless Washington is willing to engage with the region on the basis of true partnership, we will continue to lose ground to others with a different approach. A full push to return Venezuela to the democracy path is welcome, no doubt, but regional policy must also be based more broadly on seeking and consummating shared opportunity with regional partners and friends.

Finally, I believe that we need to get a better handle on how our scarce aid resources are spent. Indeed, we should increase rather than decrease foreign assistance. But no matter what levels of assistance are appropriated year to year, we should make every effort to prioritize trade facilitation and business climate reforms. Working with Latin American and Caribbean partners

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to address obstacles to U.S. trade and investment including insufficient infrastructure, weak rule of law, inadequate workforce development, and deteriorating personal security among others would go a long way to helping create conditions attractive for U.S. commercial engagement and sales. Over the past generation, the region took concrete steps to solidify the macro economy and, with the obvious exception of Venezuela and a handful of others, the region is far ahead of where it used to be. Nonetheless, inadequate efforts were made to reform the micro economy, which has proven to be the Achilles heel for regional development and where enhanced U.S. commercial diplomacy and assistance could usefully be directed.

Improved Development Finance is Key to Competitiveness

As well, we face a new challenge from China and other nations who are able to use development finance more effectively than current authorities allow the United States to do. U.S. efforts are limited in size, scope, and a diffusion of authorities across too many agencies. This is a perennial issue, which the prompt passage and implementation of the BUILD Act establishing a full-service, self-sustaining U.S. International Development Finance Corporation would help to address. Without streamlined and enhanced development finance activities it will be increasingly difficult for the United States to compete effectively in Latin America and the Caribbean, and we should give attention to this matter as a priority.

Mr. Chairman, thank you again for the invitation to appear before you and the Subcommittee today. I look forward to your questions.

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