

**THE HEALTH, ECONOMIC, AND POLITICAL CHALLENGES FACING
LATIN AMERICA AND THE CARIBBEAN**

HEARING BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE, CIVILIAN SECURITY,
AND TRADE

SEPTEMBER 15, 2020

ERIC FARNSWORTH
VICE PRESIDENT
COUNCIL OF THE AMERICAS

*** As Prepared for Delivery ***

What a privilege it is to appear again before you, Mr. Chairman and Mr. Ranking Member, for this virtual hearing on such an important topic. You both as well as the other members of this Subcommittee continue to offer sound and meaningful leadership on issues that impact literally hundreds of millions of people in the United States and across the Americas. We acknowledge and very much appreciate your efforts, particularly during these unsettled and challenging times in the hemisphere.

Near Term Regional Outlook: Muddling Through

Unfortunately, the near-term health and economic outlook for the region, already suffering from a pre-pandemic downturn, is challenging. But the good news is that the situation is not at all hopeless. The pandemic has amplified and accelerated a number of pre-existing trends, to be sure, highlighting regional challenges that many of us have pointed to for years in terms of holding back the region's full potential.

Issues including the world's highest levels of inequality, substandard housing, uneven healthcare and sanitation, and patchwork social safety nets have made the pandemic much worse across the region than it might otherwise have been. Of equal importance, significant percentages of workers are stuck in the informal economy, making economic shutdowns and quarantines difficult if not impossible to implement and enforce. This doesn't even begin to account for the collapse of Latin America's once-wealthiest country, Venezuela, whose economy and democracy have been destroyed by chavismo and where estimates suggest between five and six million Venezuelans are now refugees in neighboring countries hard-pressed to absorb them.

The World Bank has estimated that regional growth will approach negative 10 percent this year, the worst performance since meaningful records began to be kept in 1901. Estimates for a 2021 recovery are welcome, but nonetheless are in the two to three percent range for most countries, a far cry from the region's potential.

Council of the Americas
1615 L St NW, Suite 250
Washington, DC 20036

Even before the health crisis, the region faced years of sluggish economic prospects, as commodities prices softened and investment flows slowed or even dried up in some cases. With China now returning to growth, some commodities producers in South America are seeing exports increase, but much more will be required to achieve the long-run, sustainable growth that the region can achieve and that its people deserve.

Latin America and the Caribbean are in a difficult position right now; the pandemic has yet to peak, we are told, and conditions for economic recovery do not yet fully exist. International acknowledgement of this reality and, more importantly, concrete actions to assist the people of the region coming out of the crisis, will be critical so that the region isn't forced to confront yet another "lost decade."

China, for one, sees this reality, and has already laid the groundwork for stronger relations going forward. As I've written on numerous occasions, including most recently in *Americas Quarterly*, *The National Interest*, *World Politics Review*, and elsewhere, and also provided Congressional testimony, China's agenda goes well beyond economic engagement, which is already strong. [China is the top trade partner with Brazil, Chile, and Peru, among others, and the second largest with Argentina.] It is a growing spectrum of activities that seeks to bend regional politics and relationships toward Beijing's worldview across a wide range of issues. The novel coronavirus pandemic offers new opportunities to expand efforts to win regional hearts and minds, which Beijing has seized, including the promise of a one billion dollar facility for regional vaccine procurement. This promise may or may not, in the end, be fulfilled, but it has captured regional attention and gained significant goodwill. Now, it is incumbent on the United States to recognize the shifting ground and to react appropriately.

Contending More Actively for the Americas

Mr. Chairman and Mr. Ranking Member, both of you and others on this Subcommittee have pointed to these important issues as priority areas, and noted both the strength of U.S. relations with the region and also our need to accelerate our efforts, particularly on the trade and investment side. Because the reality is that, despite challenges, the region really does share an affinity for the United States and Western ideals of democratic governance and human rights, and does not view China in the same way. But unless we contend for the Americas actively and consistently, seeking the regional growth and development that directly supports our own well-being, the alternative may be a more intentional turn toward Beijing.

Notably, Washington is taking actions to build a forward-looking economic recovery agenda for the region, among them the Americas Crece program announced at the end of 2019 and enhanced financing facilities through the newly-minted Development Finance Corporation. These are solid steps. But in my view, significantly more must be done in order to recapture the vision of a mutually-supportive, open market democratic agenda fusing regional ambitions with U.S. interests.

Council of the Americas
1615 L St NW, Suite 250
Washington, DC 20036

Fortunately, the United States is slated to host the next Summit of the Americas in 2021, a gathering of democratically-elected leaders first held in Miami in 1994, at a time and location yet to be determined. This will provide a tailor-made opportunity to develop the sort of recovery agenda the region is actively seeking and which will be increasingly critical to implement the longer the pandemic lasts.

In the first instance, addressing the healthcare crisis, including broad distribution and wide access for cost-effective vaccinations, will be paramount, to the extent that the Summit occurs during a time when such an initiative would remain relevant. At the same time, it will be an opportunity for democratically-elected leaders to establish new regional frameworks for health cooperation and pandemic management, with expertise that must also be drawn from the private sector, to address future pandemics and regional health crises.

Second, economic recovery must be at the forefront of the agenda. Latin America already suffers from one of the lowest levels of intra-regional trade worldwide, an obvious area for real-time attention. The gains from expanded intra-regional trade would put the region on sounder economic footing, while helping to moderate the cyclical nature of commodities markets. As well, nations across the region can focus more attention on improving their respective investment climates, both to draw needed direct foreign investment as well as to keep domestic investment at home. Mr. Rooney, you have made this case effectively many, many times. As former Secretary of State Colin Powell previously said, capital is a coward, going where it is most welcome and staying far away from, even fleeing, places it is not. In a global economy, nations that focus on competitiveness will benefit over the longer term.

For its part, the United States should come to the 2021 Summit with a robust economic expansion initiative. Absent a massive financial package of debt relief and new lending, the region will be looking for economic help and renewal of a hemispheric trade and investment agenda will be the best way to promote regional recovery, support U.S. and regional economic interests, and renew a regional strategic posture that China's actions this century have begun to challenge.

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