

**Testimony of Deputy Assistant Secretary of State Matthew M. Rooney  
Before the Senate Committee on Foreign Relations  
Subcommittee on Western Hemisphere, Peace Corps and Global Narcotics  
Affairs  
“Doing Business in Latin America: Positive Trends but Serious Challenges”  
July 31, 2012**

Chairman Menendez, Ranking Member Rubio, and members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Administration’s efforts promote the competitiveness of U.S. business in Latin America and the Caribbean.

The Western Hemisphere is a region of extraordinary opportunity for U.S. business. Sound macroeconomic management and investments in health and education by many governments in the region have facilitated an impressive economic expansion. Since 2002, the GDP of the region has more than tripled, rising to approximately five and a half trillion dollars in 2011. Average inflation rates in the region have hovered around six percent since 1997, a far cry from the days of hyperinflation and monetary crises that stifled investment and ate away at families’ savings. In the last ten years, fixed capital investment nearly quadrupled and governments’ greater contributions to social safety nets helped mitigate the negative effects of the 2008-2009 financial crisis.

These developments and many others have paved the way for a 78 percent increase in the size of the middle class since 1990. The region now has 128

million middle class households that have more disposable income to spend on education, healthcare services, cars, houses, consumer electronics, and other amenities that were previously out of reach. Rising U.S. exports to the region demonstrate that U.S. companies are already taking advantage of these opportunities, and the region's growing reservoir of consumer demand will underpin continued growth in trade and investment flows.

That is not to say, however, that the region is without challenges. Some countries, such as Argentina and Venezuela, continue to experience high rates of inflation. Weakening global demand has caused commodity prices to come off their highs in recent months, highlighting the risk of overreliance on a single sector to drive growth. Sustaining robust economic expansion will require the region to transition away from commodity-led growth, driven primarily by demand from China and other markets in Asia, to a more balanced economic approach based on productivity improvements. In this context, many countries in the Americas are taking another look at the benefit of maintaining diverse trading relationships with countries such as the United States with which they exchange a much broader range of goods and services.

Our businesses also face challenges in taking advantage of the increasing opportunity in the region. For example, the lack of transparency or a level playing field in certain nations, and the threat of expropriation or even nationalization

greatly discourages investment. U.S. companies also tell us of the need to overcome or otherwise compensate for the high barriers to trade faced in Argentina. We have expressed our concern, both in bilateral and multilateral settings, over the nature and application of trade-restrictive measures which adversely affect imports into Argentina. We will also continue to urge the Argentine government to normalize relations with all of its international creditors to improve Argentina's investment climate.

Nevertheless, our highly competitive private sector is well positioned to overcome these and other barriers and the Administration is working every day to help them do that. To help U.S. firms compete against Chinese and other state-owned enterprises, we are working with Commerce to provide better and more easily available information on opportunities around the hemisphere. State and Commerce are leading the Infrastructure Exports Initiative, which focuses on promoting business opportunities for infrastructure projects in nine countries worldwide including Brazil and Colombia in Latin America. We will host a global conference that will discuss further how U.S. companies can compete for these projects more successfully.

As the President and Secretary Clinton have noted, our proximity to the region gives our businesses a leg up on competitors from other countries looking to trade with or invest in Latin America and the Caribbean. But it's not just

geographic proximity that matters; it's also the deep cultural ties that exist between the people of the Americas. Last week Secretary Clinton underscored this point by opening the Latin-America IdEA Partnership (La Idea) business competition, which will serve as a platform to support U.S.-based diaspora groups who are investing in their communities of heritage in Latin America with the goal of building new business partnerships between U.S. and Latin American small- and medium-sized entrepreneurs. This initiative builds on the Caribbean Idea Marketplace, a similar initiative already underway. The Secretary said it best, when she said that through these efforts "We're going to find the best ideas and help them grow into successful businesses that create value and jobs throughout the hemisphere."

La Idea is just one piece of a larger initiative that President Obama launched in Tampa, Florida en route to the Summit of the Americas. The addition of our new trade agreements with Colombia and Panama brings to fruition the vision of an unbroken chain of free trade agreements extending from the Arctic to Tierra del Fuego. Along with the benefits of new market access and growth that these agreements bring, we have a responsibility to help our small- and medium-sized businesses navigate the complexities of international trade to be just as successful on the global stage as our largest companies. To this end the President proposed linking our extensive network of small business development centers with similar

centers throughout the hemisphere to create the Small Business Network of the Americas. With over 2,000 centers in the hemisphere serving more than 2 million small- and medium-sized businesses, linking these centers more closely together will provide our local business people with an on-ramp to the global economy. It can start with opportunities to connect our small business support centers and help individual small businesses make a new sale in Mexico or find a business partner in Brazil for example. But, as the Small Business Network of the Americas develops, doing business across borders will be within reach for more and more of our small and medium businesses. This effort builds on several years of work under Pathways to Prosperity in developing the small business development center model in Latin America. Mexico and El Salvador are leading the way in adapting this successful U.S. approach to small business promotion to the realities of Latin America.

On West Commerce Street in San Antonio, Texas, there is a great little business called the Mariachi Connection. In 1995, Josie Benavidez started the business after she had a difficult time finding a replacement string on a *guitarron* for her husband Rene, a music teacher in the local San Antonio schools. Rene eventually quit his teaching job to focus full time on building their new business selling Mariachi costumes, sheet music, dance shoes, and instruments. Since 1999, Rene and Josie have been getting business advice and training from the San

Antonio Small Business Development Center which has helped them apply for loans and expand their online business to sell Mariachi products worldwide. The International Trade Center at the San Antonio SBDC also worked through the Mexican network of SBDCs to help the Benavidez family find the right suppliers and expand their sales to Mexico. This partnership between our SBDCs and Mexico's SBDCs is exactly the kind of team work the President talked about when he launched the Small Business Network of the Americas and it is exactly what we need to help our small businesses create jobs.

Josie is just one example of the entrepreneurial spirit of many women throughout the hemisphere. But, the fact of the matter is that women in the region often face significant barriers to getting their businesses off the ground, no matter how promising they might be. That is why the President launched the Women's Entrepreneurship in the Americas Initiative—or WEAmericas—to improve access to training, finance, and markets for businesswomen like Josie.

These stories illustrate the fact that our businesses have moved beyond just selling products to Latin America and the Caribbean, they are now working hand-in-hand to build complete businesses from supply chains to distribution networks to retail partnerships. This is one of the reasons Secretary Clinton has worked to focus our commercial diplomacy by emphasizing the importance of economic statecraft. She has elevated the role of economics across all elements of our

foreign policy to more effectively compete in a world where influence is increasingly measured in economic terms rather than military might. Through her Economic Statecraft initiative, she has challenged all of us at the Department to put the concerns of U.S. business at the center of our thinking and to keep in mind that creating global business linkages is part of fostering our own economic growth.

To that end, we are collaborating more closely than ever with our neighbors in North America on economic issues such as regulatory cooperation and more efficient borders. We have made a down payment on carrying out our jobs diplomacy by setting up a direct line for U.S. businesses to talk with our Ambassadors in countries throughout hemisphere to get advice on navigating the local political and economic landscape in each country. The inclusion of Mexico and Canada in discussions on the Trans-Pacific Partnership is a positive development as we increase our economic integration with the Asia-Pacific region. We have also engaged with our FTA partners in the Hemisphere to develop a shared understanding of the opportunities and challenges posed by the economic developments in Asia and the broader Pacific.

The Americas also holds tremendous strategic importance for the United States in terms of energy. In coming years, the region will supply more and more of our imported energy as oil producers such as Canada, Brazil, and Colombia ramp up output and as Mexico, already a major energy producer, considers

important reforms to increase its production. Building on the emergence of the Western Hemisphere as a leader in global energy production, the President came together in Cartagena with his counterparts to launch an initiative called Connecting the Americas 2022, which seeks to enhance electrical interconnection across the hemisphere. We believe that this initiative will, among other things, open broad new opportunities for investment in electrical generation and transmission and in grid management technology, all areas where U.S. businesses are highly competitive. It will also spread electrical power to the 31 million people across the region who currently lack access to electricity. Connect 2022 will build on the Energy and Climate Partnership of the Americas to increase the availability of reliable and affordable electricity. This means better schools and better education for children, consistent power for health clinics and hospitals, lower costs for businesses, and increased opportunity for economic development. It will also help create a business climate that accelerates development of renewable energy, as countries swap power with one another to more effectively utilize clean energy resources where they are available. Realizing the vision of hemisphere-wide electrical interconnection and increased access to electricity over the next decade will require government action and private sector investment—and work is already underway.



We are confident that even closer collaboration with our partners will help all of the nations of the Americas to compete more successfully on the global stage. We believe that these close economic ties with our partners in the Western Hemisphere make us more competitive in the global economy, and our top priority is ensuring that our businesses can pursue the opportunities that the region presents to create jobs and prosperity for the American people.

Mr. Chairman, Mr. Ranking Member, Members of the Committee, thank you again for the opportunity to be here today to discuss this important issue. I look forward to your questions and to working closely with this Committee to promote U.S. economic interests in the Western Hemisphere.