Advancing American Interests in the Western Hemisphere

Testimony Before the Senate Foreign Relations Committee

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March 5, 2025

Senator Risch, Ranking Member Shaheen, distinguished members of the committee, thank you for the opportunity to testify today.

Hemispheric developments and U.S. national interests are deeply intertwined. Shared borders, interpersonal ties, economic interests, and security alliances have bound the nations and people of our hemisphere for much of our recent history.

Our economic ties are expansive, facilitated by U.S. company engagement, free trade agreements with eleven Latin American and Caribbean nations, and countless other forms of economic outreach. Since NAFTA entered into force in 1994, U.S. foreign direct investment in Latin America and the Caribbean and regional FDI in the United States have both increased almost ninefold, according to Congressional Research Service calculations. The region accounted for over 21 percent of U.S. total trade in goods in 2023. Mexico is the top trading partner of the U.S. worldwide, representing about 16 percent of our goods trade.

U.S. economic and other ties to the region are also of considerable strategic importance. Hemispheric trade and supply chain development are critical to reducing U.S. overreliance on Chinese goods, for instance. And South America is a major source of the inputs needed for U.S. AI and other high-tech industries. It contains 40 percent of the world's copper reserves, 35 to 40 percent of lithium reserves, and significant deposits of nickel, cobalt, and other critical minerals and metals. Beyond our economic ties, our historic partnerships security and development have been vital to hemispheric stability and our collective ability to address security, humanitarian, and other issues.

Developments in the hemisphere also present some challenges to U.S. interests. The region has experienced major political and socioeconomic shifts in recent years and continues to grapple with the many effects of transnational crime, lingering Covid-19 shocks, natural disasters, and other difficulties. All of this has exacerbated irregular migration—an issue that has tested the United States across administrations and overshadowed much of substantive engagement with the region. Other critical issues include transnational crime, including the trafficking of illegal goods and substances, such as fentanyl, which has had a dramatic, wasting effect on the U.S. population.

Also of concern is the progress that China has made toward dismantling U.S. ties in the region, whether through targeted messaging campaigns, political alliances, or as a result if its nowextensive economic footprint in the hemisphere. In just a matter of decades, China has assumed a dominant economic position in certain sectors and parts of the region. Trade underpins the China-Latin America relationship, as many nations rely heavily on China's demand for their raw materials and on often-artificially low-cost Chinese imports. Latin American nations also look to China for other forms of economic opportunity, including finance and investment. China's economic presence ensures that Beijing's interests now factor prominently in the region's economic and political decision-making.

Fortunately, there is much that the United States can still do to maintain and grow its strategic hemispheric partnerships, to address shared security and other challenges, and to compete effectively with China in the Western Hemisphere. Doing so begins with a commitment to constructive engagement, carefully employing the widest possible range of economic and diplomatic tools and platforms, including new, innovative mechanisms to bolster American competitiveness in the hemisphere.

1. **Engage constructively, leveraging the many invaluable tools at our disposal.**

Engagement, including through the many U.S. and multilateral organizations that provide economic and other forms of assistance to the region, will be an indispensable part of any effort to advance American interests in the Western Hemisphere. Only by forging constructive partnerships within the region can the United States address the full range of challenges and opportunities inherent in the U.S.-Latin America dynamic.

Our country's recent demands on Latin American nations have prompted immediate action on certain issues of U.S. concern, but reliance on "sticks" alone is not sustainable, and will not yield desirable long-term outcomes, whether for the United States or our partners. The United States is no longer the only viable economic or political partner for Latin American nations. Unless we recognize the strategic value of our hemispheric relations and demonstrate that we have something substantial to offer, Latin American nations will increasingly look to diversify their partnerships, leaning toward China.

Lasting solutions to issues that have concerned our electorate—migration, rule of law, transnational crime, drug flows—are also best achieved through constructive engagement with our Western Hemisphere partners. Progress on transnational crime requires law enforcement cooperation, certainly, but also work within the region to address common underlying problems such as weak rule of law, inadequate security forces, and poor governance. Relying on force-based solutions alone—especially unilateral ones—will fail to achieve desired outcomes in the long-term, all while undermining international trust in the United States. Sustained U.S. efforts to promote stability and prosperity in Mexico, Central America, and other parts of the region, through security cooperation and other forms of foreign assistance, will produce greater and longer-lasting dividends in rooting out lawlessness.

We must pursue our many national and economic security objectives in ways that support and reinforce our soft power and economic stability, not undermine them. Our foreign assistance, security cooperation, and diversified economic engagement have historically distinguished us from China. They are indications of our long-term and sincere commitment to hemispheric stability. If we hope to make the case that we are a more reliable, trustworthy, and steadfast partner than other extra-hemispheric actors, then we must demonstrate that to the region.

Equally, failing to invest meaningfully in our relationships with Latin America will exacerbate the challenges we face, including China's rise, democratic erosion, irregular migration, and organized crime. We must pursue long-term solutions, and we need partnerships to achieve real progress. Absent these, China is ready and waiting to seize upon perceived U.S. departure from the region, by maintaining and furthering its economic interests, certainly, but also through massive diplomatic outreach, technical and security cooperation agreements, and efforts to shape regional policymaking—all of which are part of the Belt and Road Initiative. China's promises, however hollow, to address Latin America economic, security, and other needs, must be met with constructive U.S. proposals.

2. **Explore new, innovative solutions to advance U.S. and broader hemispheric interests.**

China's engagement with Latin America is not static. It is ever-evolving, consistent with China's own interests and opportunities in the region. As a result, the United States must be creative and nimble in its efforts to compete with China in the region, anticipating China's next steps in Latin America, and crowding in resources where possible.

Most recently, China has aggressively entered the venture capital ecosystem in Latin America, focused on technology startups, including fintech and AI-enabled companies. It is an open secret among Latin American fund managers that China has been scouring funds' data rooms for tech startups, particularly in Mexico. And, now we are seeing wholly-owned Chinese general partners entering the region. Meanwhile, fund managers and entrepreneurs in the region are wary of taking Chinese capital, but they are struggling to find alternatives. If this sounds familiar, it's because we have seen this same Chinese playbook in strategic infrastructure, critical minerals, and ICT (5G).

The good news is that there is considerable opportunity for the United States to be a significant player across many different sectors in Latin America, while also furthering regional integration, and challenging China's inherently neocolonial model of engagement with the hemisphere.

In addition to U.S. development assistance and technical cooperation, which help to create the conditions for investment in the region, the U.S. government has the capabilities to leverage trusted and knowledgeable institutional partners like the Inter-American Development Bank and CAF-Development Bank of Latin America to provide solutions to this challenge with a relatively small investment. Using a collaborative capital model, the U.S. Development Finance Corporation can create a pathway through which to deploy and crowd-in institutional capital, including that of IDB, and especially IDB Invest. When competing with China in the region, partnership with the Inter-American Development Bank is among our most powerful and cost-effective options. There, the United States pays a fraction of total cost, while leveraging the IDB's excellent reputation and know-how in the region. Additionally, the vast majority of the IDB's scaled projects are squarely in the interests of the United States.

Through a DFC-led collaborative capital model, the U.S. can create vehicles targeting sectors of strategic and national security interest to the United States and partners, such as transport infrastructure, venture capital, and critical minerals. The DFC's recent $25 million deal with Techmet in Brazil, to develop a Brazilian nickel and cobalt project that aims to supply the electric car industry, is a critical example of the work that can be done through this mechanism. Scaling this and other efforts—including by crowding in additional regional financial institutions, such as the CAF—would be transformative for the United States and the region. Passage of the Americas Act, which has bipartisan support, would importantly complement these efforts and bolster regional integration by facilitating regional trade, encouraging reshoring of key industries to the United States, and generating related supply chains across the Americas.

3. **Accurately diagnose China's prospects in Latin America.**

The United States should aim to diagnose China-Latin America developments correctly, accounting for China's many economic and political advances, but also its missteps and deficiencies. Despite China's substantial and growing relations with the region, this is a moment when many in our hemisphere are seriously contemplating the relative benefits and drawbacks of expanded relations with China.

China's massive industrial policy is altering the global economic landscape in profound ways, provoking isolationist policymaking in the developed and developing worlds alike. Latin America is not immune from these effects. Latin American nations are increasingly overwhelmed with artificially low-cost Chinese goods, including in sectors and industries where they may hope to maintain some degree of industrial capacity.

After three decades of enhanced engagement by Chinese companies, banks, and other actors, the region is also assessing the effects of Chinese activity across economic sectors. While most countries are still interested in expanding their exports to China and attracting new investment, especially in growth-promoting sectors, concerns about project quality and debt levels are evident in parts of the region. In other cases, Latin American nations are grappling with projects gone wrong and general overdependence on China's economy, which limits their decision-making prospects.

Beyond all of this is a reckoning in the region with China's own economic limitations and what it can realistically bring to bear at this juncture in support of the region's development. Chinese economic activity, technical cooperation, and donations still feature prominently in Latin America and the Caribbean, but countries such as Honduras—which sacrificed its ties with Taiwan in 2023 in pursuit of new, China-backed infrastructure investment—may very well be left waiting. Moving ahead, Latin American nations will need to consider whether their expectations for engagement from China are consistent with their own national planning objectives, and also in line with China's current economic realities and priorities.

China is clearly committed to continued engagement with the region, but if we look beyond the headlines, this would seem a moment of great opportunity for the United States to compete more effectively with China in Latin America, bringing vast U.S. public and private sector resources to bear in innovative ways. We must be bold in recalibrating our approach and show up for our partners in the region. Doing so will be critical to our country's continued international leadership and our ability to compete with China and other increasingly influential extra-regional actors.

I firmly believe that we will look back on this moment as a definitive one in our hemispheric relations—and a possible inflection point in China's global affairs. This is not the time to sacrifice our hard-won gains and partnerships. It *is* a moment to think critically and carefully about what constitutes power, what we stand for, and how we can creatively and constructively achieve that.