

117TH CONGRESS  
2D SESSION

# S. RES. 661

Promoting stronger economic relations between the United States and countries in Latin America and the Caribbean.

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## IN THE SENATE OF THE UNITED STATES

JUNE 7, 2022

Mr. MENENDEZ (for himself, Mr. YOUNG, Mr. KAINE, Mr. HAGERTY, and Mr. COONS) submitted the following resolution; which was referred to the Committee on Foreign Relations

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## RESOLUTION

Promoting stronger economic relations between the United States and countries in Latin America and the Caribbean.

Whereas, to maintain the role of the United States as a global economic leader and protect the national security interests of the United States, the United States must strengthen economic relations with countries in the Western Hemisphere;

Whereas ongoing supply chain disruptions resulting from the COVID-19 pandemic demonstrate the need for the United States to increase supply chain resiliency through reshoring and nearshoring initiatives;

Whereas, in 2019, the People's Republic of China was the top supplier of goods imported into the United States, providing significant quantities of rare earth minerals, phar-

maceutical ingredients, medical equipment, and other goods vital to the economic prosperity and national security of the United States;

Whereas the COVID–19 pandemic and production outages and shipping disruptions in the People’s Republic of China have jeopardized worldwide access to critical goods, contributing to an unprecedented, ongoing supply chain crisis that has exposed the severe risks of concentrating global supply chains in the People’s Republic of China;

Whereas Congress has raised concerns about the reliance of the United States on global supply chains based in the People’s Republic of China;

Whereas the People’s Republic of China has shown its willingness to use critical supplies as a political tool to advance the goals of the Chinese Communist Party, including when the People’s Republic of China—

(1) threatened to withhold rare earth mineral shipments to Japan; and

(2) utilized personal protective equipment and vaccines as a diplomatic tool;

Whereas findings made pursuant to a supply chain review required by President Joseph R. Biden, Jr., under Executive Order 14017 (86 Fed. Reg. 11849) and released on June 8, 2021, recommended that, in addition to expanding domestic production capacity, the United States Government use diplomatic and financial tools to cooperate with allies to create more diverse, resilient, and secure supply chains;

Whereas 8 of the 13 countries in the world that recognize Taiwan are in Latin America and the Caribbean, and nearshoring initiatives can help decrease the susceptibility

of such countries to coerce economic pressure from the People’s Republic of China;

Whereas the United States has free trade agreements in effect with 12 countries in Latin America and the Caribbean, more than in any other geographic region, providing significant incentives to relocate international supply chains that cannot be relocated to the United States to Latin America and the Caribbean;

Whereas, in addition to existing free trade agreements and the geographic proximity of countries in Latin America and the Caribbean to the United States, there are several significant advantages for the United States Government and United States entities to relocate supply chains from the People’s Republic of China to the Western Hemisphere, including—

(1) reduced distance to markets in the United States, which will lower freight costs, enable quicker adaptability to fluctuating consumer demand, and reduce the energy used to transport goods;

(2) longstanding bilateral ties and shared democratic values, which lessen the risk of geopolitical disruptions to supply chains;

(3) comparative advantages for sourcing and manufacturing key critical goods, including rare earth minerals, pharmaceuticals, medical goods, and semiconductors, when there is a historical inability for such goods to be entirely sourced or manufactured in the United States; and

(4) access to a highly qualified and young working-age population;

Whereas the report entitled “Widening the Aperture: Nearshoring in Our ‘Near Abroad’ ” released by the Wil-

son Center in April 2021 provided evidence that increasing and strengthening supply chains regionally, particularly in Colombia, Mexico, and other countries in the Caribbean and Central America, will, on average, create more jobs in the United States than international supply chains located in other geographic regions;

Whereas switching as few as 15 percent of imports into the United States from the top 10 source countries of such imports outside of the Western Hemisphere to countries in Latin America and the Caribbean would increase exports from Latin America and the Caribbean by \$72,000,000,000 annually, helping the region recover from the effects of the COVID–19 pandemic and reducing pressures encouraging migration to the United States;

Whereas, despite existing and growing opportunities for countries in Latin America and the Caribbean to become crucial actors in global supply chains, including technological advances that have diminished the need to produce in countries with a low cost of labor, challenges to nearshoring remain, including—

- (1) concerns about the rule of law, corruption, and criminal activities that discourage foreign direct investment or significantly raise the costs of shifting production to the region;

- (2) concerns about compliance with and enforcement of international labor and environmental standards;

- (3) underdeveloped physical and digital infrastructure; and

- (4) regional economic fragmentation;

Whereas the governments of several countries in Latin America and the Caribbean, including Colombia, the Domini-

can Republic, and Mexico, have sought to strengthen economic relations with the United States and launched initiatives to incentivize nearshoring;

Whereas the Inter-American Development Bank (commonly known as “IDB”) has prioritized efforts to encourage nearshoring in Latin America and the Caribbean, including by—

(1) making economic integration and the strengthening of regional supply chains 1 of 5 core pillars in the agenda outlined in the document entitled “Vision 2025, Reinvest in the Americas”;

(2) including nearshoring as a business line of IDB Invest for the first time in the history of IDB;

(3) hosting a high-level dialogue with more than 500 private sector leaders on December 2, 2020, to assess how to increase production capacity and supply chain resilience in the region; and

(4) launching the largest private sector coalition in the history of the IDB to explore opportunities for reinvesting in countries in the Western Hemisphere, including through nearshoring initiatives and a toolkit to incentivize and finance nearshoring activities in the Western Hemisphere; and

Whereas the United States Government can leverage diplomatic, foreign assistance, and financing tools to strengthen the participation of Latin American and the Caribbean in global supply chains and address challenges to nearshoring, including through the activities of the United States Agency for International Development and the United States International Development Finance Corporation: Now, therefore, be it

1       *Resolved*, That the Senate—

(1) recognizes that increased tensions between the United States and the People's Republic of China and the COVID-19 pandemic have—

(A) exposed severe vulnerabilities attributable to overreliance by the United States and other countries on supply chains based solely or mainly in the People's Republic of China; and

(B) heightened the importance of the United States diversifying its supply chains through reshoring and nearshoring initiatives to increase resiliency against future disruptions;

(2) emphasizes that reshoring efforts of sufficient scale to increase domestic production capacity and relocate supply chains to the United States remain critical and should be encouraged and implemented;

(3) emphasizes that—

(A) nearshoring efforts should be pursued in a complementary fashion to better achieve more resilient, diverse, and secure supply chains, particularly for goods unlikely to be manufactured in the United States;

(B) nearshoring in Latin America and the Caribbean, relative to relying on supply chains in other geographic regions, has the greatest

1 potential to contribute to the economic pros-  
2 perity and security of the United States while  
3 also advancing the post-pandemic economic re-  
4 covery of countries in the Western Hemisphere;

5 (C) nearshoring in Latin America and the  
6 Caribbean provides greater opportunities for ex-  
7 panding co-production operations and other co-  
8 operative business ventures with United States  
9 entities; and

10 (D) nearshoring in Latin America and the  
11 Caribbean can complement and enhance efforts  
12 by the United States to support democratic con-  
13 solidation across the region by strengthening  
14 the rule of law, encouraging competitiveness,  
15 and raising standards on corruption, labor, and  
16 environmental issues;

17 (4) supports initiatives by the Inter-American  
18 Development Bank, governments in Latin America  
19 and the Caribbean, and the private sector to finance,  
20 incentivize, or otherwise promote nearshoring in  
21 Latin America and the Caribbean;

22 (5) encourages the United States Agency for  
23 International Development and the United States  
24 International Development Finance Corporation to  
25 strengthen programmatic support for initiatives like-

1 ly to facilitate the relocation of global supply chains  
2 to the Western Hemisphere, including through in-  
3 creased collaboration with each other, the private  
4 sector, the Inter-American Development Bank, and  
5 countries in Latin America and the Caribbean;

6 (6) calls for governments in Latin America and  
7 the Caribbean to increase opportunities for  
8 nearshoring in the region by—

9 (A) modernizing and consolidating physical  
10 and digital infrastructure;

11 (B) combating corruption, strengthening  
12 the rule of law, enhancing labor and environ-  
13 mental standards, and improving democratic  
14 governance; and

15 (C) pursuing other efforts to facilitate the  
16 ease of doing business in and attract foreign di-  
17 rect investment to the region, including by  
18 leveraging strong relationships with Taiwan;  
19 and

20 (7) urges the Secretary of State, in coordina-  
21 tion with the United States Agency for International  
22 Development, the United States International Devel-  
23 opment Finance Corporation, and the heads of all  
24 other relevant Federal agencies and departments, to

1 take a leading role in advancing nearshoring in  
2 Latin America and the Caribbean, including by—

3 (A) strengthening support for the activities  
4 described in paragraph (6);

5 (B) engaging with governments in the  
6 Western Hemisphere to explore opportunities to  
7 lower trade barriers, streamline customs and  
8 other regulations, support capacity building  
9 programs to strengthen environmental and  
10 labor standards, establish incentives for mutu-  
11 ally beneficial co-production arrangements, and  
12 facilitate economic integration of the region;

13 (C) strengthening legal regimes and moni-  
14 toring and enforcement measures relating to  
15 labor standards to ensure that—

16 (i) any enhanced sourcing relationship  
17 with a country does not support or beget  
18 labor abuse or other human rights abuses,  
19 such as those found in the People’s Repub-  
20 lic of China; and

21 (ii) any new investment under a  
22 nearshoring program has sufficient labor  
23 standards and benefits the workers in such  
24 country;

1           (D) ensuring that nearshoring activities  
2           are consistent with efforts to improve supply  
3           chain energy efficiency, reduce the energy used  
4           to transport goods, and advance environmental  
5           sustainability; and

6           (E) working in partnership with multilat-  
7           eral development banks and private investors to  
8           create incentives for entities to relocate supply  
9           chains from the People's Republic of China to  
10          the Western Hemisphere, including by financing  
11          the development of regional technology hubs  
12          with strong labor and environmental regula-  
13          tions.

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