

**CALL TO ACTION: PRIVATE-SECTOR INVESTMENT
IN THE NORTHERN TRIANGLE AND ITS IMPACT
ON HOMELAND SECURITY**

HEARING
BEFORE THE
**SUBCOMMITTEE ON
OVERSIGHT, MANAGEMENT,
AND ACCOUNTABILITY**
OF THE
COMMITTEE ON HOMELAND SECURITY
HOUSE OF REPRESENTATIVES
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CALL TO ACTION: PRIVATE-SECTOR INVESTMENT IN THE NORTHERN TRIANGLE AND ITS IMPACT ON HOMELAND SECURITY

Thursday, February 17, 2022

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON OVERSIGHT, MANAGEMENT,
AND ACCOUNTABILITY,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:03 p.m. via Webex, Hon. J. Luis Correa (Chairman of the subcommittee) presiding.

Present: Representatives Correa, Titus, Meijer, and Harshbarger.

Mr. CORREA. Good afternoon, everyone. The Committee on Oversight of Homeland will now come to order—actually, information committee hearing. I want to thank all of our guests for being here today. This is a very most important issue, which is the Triangle and economic growth in the Triangle areas in Central America.

Without objection, the Chair is authorized to declare the subcommittee in recess at any time.

I want to thank again everybody for being here today.

What is this committee hearing about? We are essentially responding to irregular migration at the U.S. Southern Border. This is one of the big issues that we have been focused on in DHS, and, as you know, Department of Homeland Security is a key player in the National security. We are looking beyond our borders to help our southern neighbors stabilize their local economies.

Over the last year, this subcommittee has had a number of opportunities to dive deeply into the complex issues that result in migration north from this region of Central America. We have heard from a variety of Government and non-Government experts who are working hard to understand and combat the root causes of migration. Of course, this is no easy task.

The Northern Triangle countries of Guatemala, Honduras, and El Salvador are facing enormous economic pressures, as well as some political challenges, as well as social challenges. This subcommittee has held hearings to examine how COVID-19, the pandemic, and climate change have also impacted these countries already battered by other challenges.

We have also explored how weak governing systems have all too frequently allowed corrupt actors to divert aid money intended to help support development to other areas. We have also looked at how transnational criminal organizations exploit vulnerable com-

munities, especially those who seek a better life in the United States.

One message, though, has come out loud and clear: We cannot expect migrants to stop making the dangerous journey to the United States until they have hope and opportunity for a better life at home. Building this hope will take time and a lot of energy and collaboration from the private and public sectors, not only domestically, that is, in the Triangle, but in the United States as well.

Although DHS and the U.S. Government have committed significant resources toward helping the Northern Triangle governments increase their security and improve customs enforcement, there is only so much the U.S. Government can do to help create jobs and support local economic development.

We learned also that simply sending money, sending aid money to these governments, will not create meaningful and sustainable change that is required in Central America to create good-paying jobs. This is an area that is best suited for the private sector. Essentially creating a partnership with the private sector, we can come up with new opportunities for the region to begin to stabilize this area.

Recognizing this fact, Vice President Harris called upon companies to support efforts to increase economic development and investment in the Northern Triangle. With the launch of the Call to Action last May, the Vice President secured commitments from several major companies and organizations who collectively pledged to invest about \$1.2 billion in the region.

These investments will be made in a number of areas, including development of sustainable agricultural practices, bringing internet access to millions of homes and banking services to individuals across the region.

However, just as critical will be a number of new employment opportunities that these investments must bring forth, therefore reducing poverty and giving people the hope that they need for upward mobility and sustainability in their local regions. Increasing access to long-term employment will remove one of the most common causes of migration to the United States.

Today, I am pleased to welcome three companies who answered the Vice President's Call to Action, and I look forward to hearing directly from these private-sector partners about their plans and how these investments will create much-needed change in the Northern Triangle.

I am also looking forward to hearing about any challenges that you may face and how the U.S. Government can be an effective partner with you to move forward.

As General Patton used to say, "Lead, follow, or get out of the way." We want to play partners with you. We want to make sure we increase your probability of success in Central America.

Creating a long and lasting change will be difficult, but we are lucky to have partners such as all of you to help lend a little hope and opportunity that will make America a good partner to our neighbors south of the border.

With that, I thank you again for joining us today.

[The statement of Chairman Correa follows:]

STATEMENT OF CHAIRMAN J. LUIS CORREA

FEBRUARY 17, 2022

Responding to irregular migration at the U.S. Southern Border remains one of the key areas of focus for several Department of Homeland Security components. DHS is a key player in our National security. It is looking beyond our borders to help our southern neighbors stabilize their local economies.

Over the last year, this subcommittee has had the opportunity to dive deeply into these issues. We have heard from a variety of Governmental and non-Governmental experts who are working hard to understand and combat the root causes of migration. It is certainly no easy task. The Northern Triangle countries of Guatemala, Honduras, and El Salvador face enormous economic, political, and social challenges.

This committee has held hearings to examine how the COVID-19 pandemic and climate change have significantly impacted these countries' already battered economies. How weak governing systems have too frequently allowed corrupt actors to divert aid money intended to help support development. And how transnational criminal organizations exploit vulnerable communities, particularly those who seek a better life in the United States.

One message has rung out loud and clear: We cannot expect migrants to stop making the dangerous journey to the United States until they have hope in a better life at home. Building this hope will take time and collaboration across the public and private sectors. Although DHS and the U.S. Government have committed significant resources toward helping the Northern Triangle governments bolster their security and improve customs enforcement, there is only so much the U.S. Government can do to help create jobs and support economic development.

We have learned that simply sending aid money to these governments will not create the meaningful and sustained change that is required. However, this is an area where our private-sector partners can help create some unique new opportunities for the people of this region. Recognizing this, Vice President Harris has called upon companies to support efforts to increase economic development in the Northern Triangle.

With the launch of this Call to Action last May, the Vice President secured commitments from several major companies and organizations who collectively pledged to invest over \$1.2 billion in the region. These investments will be made in a variety of sectors including the development of sustainable agricultural practices, bringing internet access to millions of homes, and banking services to individuals across the region.

Just as critical will be the number of new employment opportunities these investments will bring, helping to reduce poverty and giving people hope in upward mobility. Increasing access to long-term employment will remove one of the most common causes of migration to the United States.

Today I am pleased to welcome 3 companies who answered the Vice President's Call to Action. I look forward to hearing directly from these private-sector partners about their plans and how these investments will create much-needed change in the Northern Triangle region.

I also look forward to hearing about any challenges they face and how the U.S. Government can be an effective partner in this effort. Creating long-lasting change is difficult, but we are lucky to have partners such as these to help lend a little of the hope and opportunity that makes America a good partner to our neighbors in the south.

Mr. CORREA. What I would like to do as Chair is recognize the Ranking Member, the gentleman from Michigan, Mr. Peter Meijer, for an opening statement.

Welcome, Mr. Meijer.

Mr. MEIJER. Thank you very much, Mr. Chairman.

Thank you to all of our witnesses who are participating and who have joined us here today.

I think there is a lot of partisan rancor around the border, and we come from different perspectives there.

But when it comes to how we can counter those irregular migration patterns, I think we speak largely with one voice on wanting to make sure that, especially in the Northern Triangle and in Central America, we are doing everything that we can to promote sta-

bility, to promote some degree of economic sustainability, so that we can make sure that we are strengthened by our neighbors and we are countering some of the corruption, some of the transnational criminal organizations, and some of the other challenges that we have seen in those areas.

So I am very excited that we are able to speak here today, and excited to be able to address this excellent group. We have a number of folks here, and I am really excited to be hearing from those stakeholders on the variety of migrant push factors. The private sector is obviously leading the way in many areas with this Call to Action.

When Vice President Harris put out this Call to Action for the business and social enterprises it was aiming to provide for a more stable economic environment for development in the region to stem the migration problems. I certainly agree that a more economically and politically stable environment will curb migration and I commend the private-sector entities here who have pledged to assist this effort, as well as those who have been working in the Northern Triangle for years prior to this formalized announcement.

While important, private-sector investment only yields results in the long term. There are immediate steps that this administration can take to stop the on-going crisis, including addressing the significant pull factors for illegal immigration as well as the gaping security vulnerabilities along the Southern Border.

Since President Biden entered office a little over a year ago, more than 2 million migrants have been encountered at the Southwest Border, which is more people than those residing in all but the 4 most populous cities in the United States.

On Day 1, this administration halted the construction of the border wall, implemented catch-and-release policies allowing migrants to flow into American communities in the midst of this pandemic, pulled back on fully utilizing Title 42 public health authorities, undermined the Remain in Mexico policy, hamstrung our border and immigration agents, and facilitated the travel of illegal immigrants across the United States, even following arrest warrants to serve as valid forms of identification. In December 2021, a record-breaking 178,000 migrant encounters occurred along the Southwest Border.

We had a resolution of inquiry introduced earlier this week following our concerns around how the Biden administration has handled the border crisis, because I certainly feel that the American people deserve complete transparency into the decisions made, which have encouraged illegal border crossings, aided criminal activity, and increased the flow of dangerous drugs like fentanyl into the United States.

So despite my frustrations with the administration's handling of the border crisis, I am sincerely interested in hearing from our witnesses here today and learning about the plans for investment in the Northern Triangle, both what has already occurred and what is coming down the pike, and what their most significant concerns and challenges are regarding the success of these plans.

We have certainly seen initiatives tried in the past, and we want to make sure that we learn from those mistakes and not repeat them.

I once again emphasize these outcomes will not materialize for many years. So while we are focusing on those longer-term targets, we cannot be distracted from the more pressing challenges we are seeing today, because responsible governance requires us to take a comprehensive approach. We can and should invest in long-term regional solutions, but we must also act now to solve the crisis at our border.

So with that, Mr. Chairman, I yield back, and I look forward to speaking with our experts assembled here today.

[The statement of Ranking Member Meijer follows:]

STATEMENT OF RANKING MEMBER PETER MEIJER

Thank you, Chairman Correa, for holding this important hearing today, and thank you to our witnesses for joining us to share their unique perspective on an extremely complicated issue.

We are convened today for the fourth hearing this subcommittee has held on the topic of illegal immigration at our Southern Border. We have heard from stakeholders on a variety of migrant push factors and today we will hear from private-sector witnesses on their economic investment initiatives in the Northern Triangle.

Regrettably, instead of putting effort toward securing the border, the Biden administration chooses to focus entirely on the “root causes” of illegal immigration from Central America. As part of this effort, Vice President Harris has announced a Call to Action for businesses and social enterprises to commit to investments in these countries. This initiative aims to provide a more stable economic environment for development in the region and to stem its emigration problems. I agree that a more economically and politically stable environment would help curb migration from these countries, and I would like to commend the private-sector entities that have pledged to assist in this effort, as well as those that have been working in the Northern Triangle for years prior to this formalized announcement.

While important, private-sector investment only yields results in the long term. There are immediate steps this administration can take to stop the on-going crisis, including addressing the significant pull factors for illegal immigration, as well as the gaping security vulnerabilities along the Southern Border.

Since President Biden entered office a little over a year ago, more than 2 million migrants have been encountered at the Southwest Border. That is more people than those residing in all but the 4 most populous cities in the United States.

On Day 1, this administration:

- Halted the construction of the border wall,
- Implemented catch-and-release policies that allowed migrants to flow into American communities in the midst of a deadly pandemic,
- Pulled back on fully utilizing Title 42 public health authorities,
- Undermined the Remain in Mexico Policy,
- Hamstrung our border and immigration agents, and
- Facilitated the travel of illegal immigrants all across the United States, even allowing arrest warrants to serve as valid forms of identification.

In December 2021 alone, a record-breaking 178,000 migrants were encountered at the Southwest Border. This year is on track to be just as disastrous as 2021 for border security, if not worse. Immediate action must be taken to prevent this outcome.

Earlier this week, I introduced a Resolution of Inquiry on the Biden administration’s mishandling of the border crisis. The American people deserve complete transparency into the decisions made that have encouraged illegal border crossings, aided criminal activity, increased the flow of dangerous drugs like fentanyl into the United States, and endangered the lives of migrants and children making a perilous journey to the Southwest Border.

The porous Southern Border has also increased our homeland’s vulnerability to terrorist threats. We know that CBP has encountered known and suspected terrorists at the Southern Border within the past year. Just last week, I joined my Republican colleagues from Michigan in demanding answers from DHS regarding a specific case of an individual who reportedly was encountered crossing the border and flagged on the FBI’s terrorist watch list, only to be later released into Michigan despite opposition to release from both FBI and ICE agents involved in the case.

In November 2021, the U.S. Border Patrol’s Del Rio Sector alone apprehended individuals from over 60 different countries after they illegally crossed our border. In December, the migrants coming from the Northern Triangle were outnumbered by those coming from more distant countries. This trend shows the Biden administra-

tion's flawed approach to the overall problem. With more migrants coming to the Southern Border from further away, it is clear that pull factors are a major driver of this crisis, and just addressing the root causes in the Northern Triangle is not an adequate solution.

I, along with my 29 Republican colleagues who cosponsored this resolution, urge the Majority to join us in demanding transparency from this administration. There is no more hiding from this crisis.

Despite my frustrations with the administration's handling of the border crisis, I am sincerely interested in hearing from our witnesses today. I would like to learn more about their investment plans for the Northern Triangle, and what their most significant concerns and challenges are regarding the success of these plans. Congress must hear about these private-sector initiatives to inform our policy making and ensure the best possible outcome for not only the people living in the Northern Triangle, but Americans and our National interests as well.

I once again emphasize that these outcomes will not materialize for many years, even with the Government and private sector acting in lockstep. Responsible governance requires us to take a more comprehensive approach, to address push and pull factors simultaneously, rather than one after the other. We can and should invest in longer-term, regional solutions but we must also act now to solve the crisis at our border to ensure the safety and security of all Americans.

Thank you again, Mr. Chairman, and I yield back.

Mr. CORREA. Thank you, Mr. Ranking Member.

Members are reminded that the committee will operate according to the guidelines laid out by the Chairman and Ranking Member in their February 3 colloquy regarding remote procedures. Without objection, Members not on the subcommittee will be permitted to sit and ask questions of the witnesses. Members may also submit statements for the record.

[The statement of Chairman Thompson follows:]

STATEMENT OF CHAIRMAN BENNIE G. THOMPSON

FEBRUARY 17, 2022

We are here today to acknowledge the investments committed by the private sector to the Northern Triangle in response to Vice President Harris's Call to Action. I want to thank Chairman Correa and Ranking Member Meijer for holding today's hearing, as we continue to support the Vice President's efforts addressing the conditions in Central America that push migrants to the U.S. Southern Border.

The COVID-19 pandemic and extreme weather conditions have exacerbated the root causes of migration—which include corruption, violence, and poverty in El Salvador, Guatemala, and Honduras. These communities have been faced with difficult decisions to either flee their homes or stay in harm's way. To remain at home is to endure an environment where there is limited economic opportunity to meet essential needs, including food and shelter.

Nearly 1 million Salvadorans, 3.1 million Hondurans, and 3.7 million Guatemalans are contending with crisis or emergency levels of food insecurity. Sustainable, long-term development of the region will require a significant commitment of resources. Last March, my colleagues and I passed the American Rescue Plan Act, which provided \$10.8 billion to respond to COVID-19 globally, including in Central America.

The Biden administration's 2022 budget request includes almost \$861 million to Central America to address the root causes of irregular migration. However, U.S. backing alone will not be enough to achieve sustainable outcomes. As Vice President Harris has renewed engagement with Central America, she has called on the private sector to make commitments to support inclusive economic growth in the Northern Triangle by launching the Call to Action.

The Call to Action aims to generate new commitments from businesses and organizations to address the root causes of migration. Increasing collaboration with companies that advance economic opportunity and address urgent climate, education, and health challenges in Central America sends a signal of hope to the region. Private-sector investment through the Call to Action has the potential to outlast shifts in policy and Government aid between administrations.

Over time, promoting economic opportunity in the Northern Triangle will reduce the motivations for migrations to make the often-dangerous journey to the U.S. bor-

der. Although motives vary by individual, socioeconomic, and security conditions are decision drivers of economic migrants and asylum seekers.

The Call to Action is one component of the administration's comprehensive, long-term strategy to address barriers to investing in the region. Together, the Government and private sector can tackle obstacles to promoting economic opportunity and supporting long-term development.

I look forward to hearing more from our witnesses today on the investments their companies are making to bring hope and stability to those in Central America and, in turn, strengthen homeland security.

Mr. CORREA. Now I welcome our panel of witnesses.

First, we have Mr. Anderson "Andy" Warlick. Mr. Warlick is chairman and CEO of Parkdale Mills, a textile manufacturer that generates \$2 billion in sales a year, has 5,000 employees and plants located in the United States as well as internationally. His company leads the world in spun yarn with automation, sustainable practices, and new technology.

Our second witness is Mr. Dan Christenson. He is senior director of government affairs at PepsiCo. Before his role leading to PepsiCo's policy engagement, he served as deputy chief of staff for policy for the U.S. Department of Agriculture from 2011 to 2016. Before that, Mr. Christenson served several years as a senior professional staff member on the U.S. Senate Agriculture Committee.

Our third witness is Ms. Maria Nelly Rivas. Ms. Rivas serves as the vice president of government relations for Latin America at Cargill and is a member of Cargill's Central American business leadership. She has extensive leadership experience in business, international development, and government. She has previously served as the Latin America regional coordinator at the U.N. World Tourism Organization and is assistant resident representative at the U.N. Development Programme in Managua.

Our final witness will be Mr. Daniel Runde. Mr. Runde serves as senior vice president and William Schreyer Chair in Global Analysis at the Center for Strategic and International Studies. His work centers around U.S. leadership building a more democratic and prosperous world. Before joining CSIS, Mr. Runde held leadership roles at the U.S. Agency for International Development and the World Bank Group.

Without objections, the witnesses' full statements will be inserted into the record.

Now I ask each witness to summarize his or her statement in 5 minutes, beginning with Mr. Warlick.

Welcome, sir.

STATEMENT OF ANDERSON WARLICK, CHAIRMAN AND CEO, PARKDALE MILLS

Mr. WARLICK. Thank you, Chairman Correa and Ranking Member Meijer. Thank you for the opportunity to testify on a subject that is so important to the U.S. textile industry, our workers, and our Western Hemisphere trading partners.

My name is Andy Warlick, and I am chairman and chief executive officer of Parkdale. We are headquartered in Gastonia, North Carolina. We are one of the world's leading manufacturers of spun yarns and cotton consumer products. We operate 34 operations in the United States, Latin America, and Europe, and 24 of those locations are in 8 different States here in the United States.

Textile and apparel production is one of the most consequential employers both in the United States and the Northern Triangle. The U.S. industry success is tied to the success of Central America and our Western Hemisphere partners. It supports \$12.5 billion in two-way trade with the CAFTR–DR region and supports more than a million textile and apparel workers.

Over 79 percent of what we make at Parkdale in yarn is exported and sent to the Northern Triangle countries. It is further processed into fabrics and finished apparel and sent back to the United States market, duty-free, under the rules of origin. Those exports also use U.S. cotton that is farmed in 18 different States.

Supply chains from China have broken down because of a combination of factors during COVID: Freight issues, forced labor concerns in Xinjiang, labor shortages. Rising economic tensions between the United States and China have led many brands and retailers to recalibrate their sourcing methodologies in order to mitigate risk.

This today is a historic opportunity to both onshore and near-shore this critical production chain, and our company and our industry stand ready to help. If we seize this opportunity together, we will harness significant further economic development in the United States and in the region, and we can achieve economic opportunity for all of the workers.

When our industry invests, it creates high-wage-paying jobs in the United States and the CAFTA region. It also creates more stability. We create supply chains that are quicker, more reliable and transparent, and they are free of forced labor, like the abhorrent practices that we have seen documented in Xinjiang.

It is also a supply chain in which a container coming from Central America versus China cuts greenhouse gas emissions by 70 to 80 percent.

We need to build on this momentum going forward. That is why Parkdale is investing \$150 million to build a new yarn spinning facility in Honduras and support and expand our operations in Hillsville, Virginia. I was pleased to announce our new investment with Vice President Harris at a White House roundtable in December.

We are deeply committed to the region in this investment because of the yarn forward rule of origin. We know of hundreds of millions of dollars of textile and apparel investment that will be made in the United States and Central America region this year as a result of two things: Sourcing shifts and the yarn forward rule of origin that drives and supports these investments.

I believe we could double exports out of the region. This is not just the art of the possible. It is achievable if we do it together.

Right now, the region only represents 7 percent—7 percent—of what is shipped into the United States. The other 93 percent mainly comes from China and Asia. If we doubled it to just 14 percent, it would create 2.2 million jobs and \$6 billion in new investment, and that is according to an independent study that was conducted by Werner International.

This would not only help mitigate the environmental concerns linked to high levels of greenhouse gas emissions in the Asian supply chain, but it would also address the forced labor crisis in

Xinjiang and help blunt China's global dominance in these industries.

As outlined in my written submission, China's predatory trade behavior has a far-reaching adverse impact across the U.S. textile industry and Central America region. We need Congress to continue to be aggressive on Chinese predatory trade practices that are undermining investment in our industry and also in the region.

I would urge Congress to oppose any proposals that weaken U.S.-CAFTA-DR rules of origin or concepts around adding more of these so-called flexibilities to the agreement. All of these are red herrings that would undermine critical investment, not just in the United States, but mainly in the region, and give back-door access to China and other countries that are not party to the agreement, while chilling local investment.

As the CAFTA-DR Textile and Apparel Industry Association wrote to Congress, it will exacerbate the immigration crisis and dismantle current and future investments.

We need Congress' continued support to stand with the U.S. textile manufacturing workers and those in the region, which has built a strong co-production platform. Now is the time to unlock more investments and further bolster this critical co-production chain.

We know of, as a part of this recalibration of the supply chain, hundreds of millions of dollars in investment are going to be announced very soon. We believe a comprehensive manufacturing plan for the United States, Northern Triangle, an entire hemisphere, is ripe. We need targeted, high-impact investments and competitive loans to upgrade infrastructure to help reshore and nearshore critical production chains. We need low-interest loans or loan guarantees for expansion in our sector.

Several other key recommendations are outlined in my written testimony, including better coordination among Federal lending agencies, incentives for greenhouse gas emission reductions in the supply chain, investment-based tax incentives, bolstering trade enforcement tools to counter predatory trade practices, and also closing the de minimus loophole that allows shipments from China to come into the U.S. duty-free and keeping China's 301 penalty tariffs in place on finished textiles and apparel products.

We can't act in a vacuum. Our supply chains are interconnected with the region, and future job and economic growth depends on a strategic plan.

The region is responding to the new market opportunities. It has seen significant, significant growth over the last year, and the U.S. textile industry is recovering from the pandemic. Production is coming back strong, and the trajectory is even stronger.

Parkdale and our entire industry are excited about the abundant opportunities available. Our investments will create a ripple effect that unlocks the door to future investments. Hundreds of millions of dollars in investments are coming into the region this year on top of billions in existing investments that are there.

The tide is starting to turn, and we can seize on this moment together and bring manufacturing back to the Western Hemisphere from China and other Asian countries.

I would like to invite Members of the committee to come down and tour Parkdale's state-of-the-art facilities and see first-hand how your policies and onshoring and nearshoring efforts contribute not only to our growth but to the health and expansion of the entire U.S. textile industry.

I want to thank you for the opportunity to testify today. I would be happy at some point to entertain any questions. But thank you for allowing me the opportunities.

[The prepared statement of Mr. Warlick follows:]

PREPARED STATEMENT OF ANDERSON WARLICK

FEBRUARY 17, 2022

Chairman Correa and Ranking Member Meijer, thank you for the opportunity to testify on this subject that is so important to the U.S. textile industry, our workers, and our Western Hemisphere trading partners.

My name is Anderson Warlick, and I am chairman and CEO of Parkdale Mills, which is headquartered in Gastonia, North Carolina. We are one of the world's leading manufacturers of spun yarns, with significant operations in the United States and Western Hemisphere.

As an industry leader for over 100 years, Parkdale produces 900 million pounds of yarns annually, enough yarn to produce 1.56 billion T-shirts every year. Our company is the largest domestic consumer of U.S. cotton, using 755 million pounds of U.S.-grown cotton per year, accounting for approximately 60 percent of total U.S. cotton consumption. Parkdale currently has 34 operations in the United States, Latin America, and Europe. In the United States, Parkdale operates 24 locations in 8 different States. Our company exports 99 percent of our yarn to Western Hemisphere countries, with 78 percent of our exports going to the Northern Triangle countries. Those exports support 4,000 jobs in the United States and have a substantial impact on employment in the region. We estimate that for every single yarn job created, there are 20 more direct and indirect jobs created throughout the supply chain. This demonstrates the incredibly strong textile and apparel co-production chain between the United States and the Western Hemisphere. These industries in Central America and the United States are partners in our own success.

Parkdale also worked hand-in-hand with our Central American customers to re-tool production lines, literally overnight, to manufacture personal protective equipment (PPE) for the U.S. Government. Since the onset of the COVID-19 pandemic, Parkdale has become one of the Federal Government's largest domestic suppliers of PPE products, producing over 450 million testing swabs, more than 100 million face masks, and over 60 million level-1 isolation gowns.

Over nearly a decade, our company has made significant capital investments totaling \$500 million, creating more than 1,500 jobs. We believe in constantly investing in our operations and people and have a relentless commitment to providing innovative and cost-effective solutions to our customers.

THE BIDEN-HARRIS ADMINISTRATION'S CALL TO ACTION

As a company that has fully embraced U.S. trade policy that supports and strengthens our strategic National interests and relationships in the Western Hemisphere, Parkdale commends this committee, Congress more generally, and the administration for a renewed focus on the tremendous opportunities available in the Northern Triangle and the additional policies needed to help U.S. companies take full advantage.

To be clear, the main reason that we have a domestic textile industry is because we have created a strong co-production arrangement in this hemisphere through the development of strategic free trade agreements (FTAs) that provide tangible incentives to make capital investments and manufacture products throughout North America, Central America, and the Caribbean. The success of Parkdale's operations in the United States is entirely dependent upon the success of our supply chains domestically and throughout the region. The key driver for this relationship is the prevalence of the strong rules of origin that underpin our FTAs and support these investments and jobs. If those rules of origin were undermined in any way, it would have a significant ripple impact on employment and lead to further instability and migration from the hemisphere.

When we became aware of the administration's Call to Action last year, Parkdale was immediately supportive. We recognize the serious problems posed, both in the

United States and in Northern Triangle countries, by increased levels of outward migration from Central America. Our hemispheric trade platform requires a dependable business environment and stable workforce throughout the production chain. Sufficient economic and employment opportunities must exist for workers both at home and abroad, and this is one of the root causes of outward migration that must be addressed.

In addition, the Call to Action was issued at a critical economic moment: The ongoing coronavirus pandemic has disrupted global supply chains, prompting governments and businesses to examine the risks inherent in outsourcing all, or even a significant amount, of our manufacturing to China and other Asian countries. This reflection should lead all of us to commit to the hard work of re-shoring industries of all kinds to the United States and Western Hemisphere.

The need to recalibrate our supply chains is made even more apparent by the recent focus on China's history of unfair and exploitative trade practices that succeed at the expense of U.S. workers and our trading partners in the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) region. Perhaps no other sector has suffered more at the hands of Chinese trade practices than the U.S. textile and apparel industries. As Congress holds China accountable for its exploitation and genocide of the Uyghur Muslim population in China's Xinjiang Uyghur Autonomous Region (XUAR), sourcing apparel from Asia has rightly become more problematic due to its inherent link to forced labor utilized throughout the region's supply chains, including cotton production. The best alternative to China's forced labor apparel is this hemisphere's supply chains.

OPPORTUNITIES FOR THE NORTHERN TRIANGLE

In December, I joined executives from PepsiCo, Cargill, and other major corporations at a White House roundtable hosted by Vice President Harris to announce Parkdale's \$150 million investment in a new yarn spinning facility in Honduras. Importantly, this investment will also enhance and support the production at Parkdale's textile manufacturing facility in Hillsville, Virginia. Our new investment will support approximately 500 employees at each location and also increase indirect job growth in Honduras and the United States, and particularly in the U.S. cotton industry across 18 States. This investment will help our customers shift sourcing for 1 million pounds of yarn per week away from supply chains in Asia and China, enhance U.S.-CAFTA-DR co-production resilience, and increase our product offerings in the region. The reason this investment is possible is because of the CAFTA-DR agreement's rule of origin for textiles and apparel, known as the yarn forward rule of origin, and the administration's continued support for this critical provision.

We believe Parkdale's investment is just the first of several announcements that will unlock hundreds of millions of dollars in additional yarn and fabric investment in both the CAFTA-DR region and the United States in the coming months. This is a pivotal time for nearshoring and onshoring these critical production chains amid a global supply chain crisis that is forcing importers to shift their sourcing away from elongated Asian supply chains to the Western Hemisphere and United States. We welcome the opportunity to be a solution to brands and retailers seeking to recalibrate their supply chains long-term and believe we have a historic opportunity, if done right, to further strengthen the industry in both the United States and Central America.

Parkdale's investment is geared toward helping bring textile supply chains out of Asia to the region and supporting jobs in the United States and the region. The textile and apparel co-production chain that we share with the region is one of the most essential supply chains for employment and economic development in the United States and the CAFTA-DR region. This co-production chain currently supports over 1 million combined jobs and \$12.5 billion in two-way trade.

Within the CAFTA-DR region, the most vibrant and lucrative textile relationship exists between the three countries of the Northern Triangle: Guatemala, Honduras, and El Salvador. These countries receive two-thirds of all U.S. textile exports to the CAFTA-DR region and 78 percent of U.S. spun yarn exports for further processing. In return, 70 percent of CAFTA-DR textile and apparel exports to the United States come from the countries of the Northern Triangle. For every \$1 of U.S. textile exports to the region, we receive approximately \$3.44 in apparel imports from the Northern Triangle.

CAFTA-DR is a bilateral free trade agreement that creates jobs and value through preferential market access for a completely vertical regional production chain, from base fibers through finished apparel and other textile goods. Since the adoption of the trade agreement, investments in U.S. textile production to supply the CAFTA-DR market with textile inputs has led to billions of dollars of invest-

ment in both the United States and the region with further bold investments to be announced soon.

However, favorable factors create an environment for us to take even greater advantage of these opportunities. For example, doubling textile and apparel exports from the region is achievable with your support, and now is the time to recalibrate these supply chains permanently. A newly-released report from Werner International conservatively estimates that merely doubling apparel exports from the region to the United States would result in an additional \$6 billion in new investment in the United States and CAFTA-DR region.

The study also concluded that a commitment by brands and retailers to double sourcing from CAFTA-DR to the United States under the current yarn forward rules would result in an additional 180,000 U.S. textile jobs and 2.17 million jobs in the CAFTA-DR region. This includes direct and indirect job creation. Having a stronger, more resilient textile and apparel supply chain in the hemisphere ensures increased stability throughout the entire supply chain, including cut and sew jobs. It is because of that stability that the United States and regional industries were able to pivot overnight to making life-saving PPE.

Further, we can save on our greenhouse gas emissions by shifting sourcing from Asia and China to Central America and the hemisphere. By simply shipping a container from Central America instead of China, we are able to cut greenhouse gas emissions significantly. On average, apparel exported from China produces 51.8 kgs of CO₂ per ton, compared to 18.1 kgs of CO₂ from the CAFTA-DR region.

With additional policy support from Capitol Hill, we see a once-in-a-generation opportunity to onshore and nearshore these critical co-production chains—and both the United States textile industry and that of the region stand ready to be active partners.

CHINA, CAFTA-DR AND THE U.S. TEXTILE INDUSTRY

Some argue that CAFTA-DR has not been as successful as its signatories had hoped for when it went into force. This argument underpins requests to the administration and Congress to fundamentally alter the agreement's rules of origin in favor of expanding access to third-party textile inputs from China and other low-cost Asian producers. This strategy would open a backdoor into CAFTA-DR for textile inputs from China and other third-party countries to supercharge end-stage apparel assembly in the Northern Triangle. These Trojan horse concepts would chill Parkdale's investments in the United States and the region, undermine new opportunities in CAFTA-DR, and cede the future for this supply chain to Asia and China. It would dismantle employment in Central America, the United States, and every free trade agreement in our hemisphere—including the newly-renegotiated United States-Mexico-Canada Agreement (USMCA)—and have a profound impact on trade preference partners like Haiti, where apparel production is the predominant employment sector. Simply put, it would be a disaster.

To assess some of the headwinds our collective industries have faced, we need to review the broader factors that contributed to our current environment, including China's historical and on-going predatory trade practices and the failure to hold China accountable for how these pervasive unfair trade practices have undermined industry both in the United States and in the Northern Triangle.

China's Rise to Dominance in Global Textile and Apparel Production

To better understand CAFTA-DR's historical performance in production and exports to the United States, we must place CAFTA-DR within the context of the broader global trade environment over recent decades. In short, CAFTA-DR came on-line at a time when market access and other expected economic benefits were being aggressively captured by China by any means necessary.

Starting in the mid-1990's, China emerged as a large-scale predatory force benefiting from virtually limitless government programs intended to ensure that China's textile industry dominated world markets and displaced foreign competitors and workers. China leveraged the Asian financial crisis of the late 1990's to steeply devalue its currency and slash prices for textile and apparel exports by 30–80 percent virtually overnight. China paired its persistent currency devaluation with heavy industrial subsidies to its state-owned factories which has shrouded market forces, undervalued the true cost of its products, and displaced virtually all competitors.

These economic factors were compounded by a series of U.S. policy decisions that devastated U.S. textile and apparel manufacturing and our partners' operations in the Western Hemisphere. These trade liberalization policies included allowing China's non-market economy to join the WTO and entering into permanent normal trade relations with the non-market economy of Vietnam. Arrangements at the WTO that limited overproduction and dumping of textiles and apparel were also phased out,

creating an opportunity to fill rising global demand for apparel with cheap, government-subsidized product from China and its Asian supply chain partners.

This led to a sharp decline in U.S. textile and apparel output and employment, with far-reaching implications for our trade and preference program partners in the Western Hemisphere. Despite an unprecedented increase in global apparel consumption from 1997–2009, U.S. textile and apparel production declined by 61 percent, employment decreased by a staggering 69 percent, exports fell by 15 percent, and the U.S. trade deficit for textile and apparel products increased by 82 percent. At the same time, Chinese textile and apparel exports have exploded, making China the dominant player in the global market. From 1992–2016, Chinese textile and apparel exports to the world grew by a staggering 910 percent, skyrocketing from \$26.4 billion to \$266.3 billion.¹ In fact, China's share of the world's textile and apparel trade quadrupled, growing from 9.5 percent in 1992 to 38.3 percent in 2016.

Unfair Trade Practices

Further fueling China's dominant global position in the textile and apparel sector is the fact that many key competitors in China are state-owned enterprises, including companies owned by the People's Liberation Army. Moreover, China is the world's leading purveyor of illegal trade practices designed to unfairly bolster a blatantly export-oriented economy. These predatory practices take many forms, from macroeconomic policies that grant across-the-board advantages to their manufacturers to industry-specific programs intended to dominate global markets in targeted areas.

China's abuses include the exploitation and genocide of an estimated 800,000 to 1.8 million Uyghur Muslims in the XUAR, where forced labor camps are an integral part of cotton, textile, and apparel production. The country also actively ignores its duty to maintain any environmental standards in manufacturing, while pollution and workplace safety hazards are rampant.² China also continues to massively undervalue its products to maintain its dominant position in the market, slashing prices on its apparel exports by 17.3 percent between 2020 and 2021 at a time when consumer prices rose by 4.2 percent.³

Impact on U.S. Trade Partners in the Western Hemisphere

Of course, all this economic chicanery has had an adverse impact not only on U.S. manufacturers and workers, but also directly on our valued political and economic allies in the Western Hemisphere, contributing to economic instability and outward migration. Despite promises of preferred access to our consumer market through free trade agreements, our trading partners find themselves at a distinct disadvantage to China's aggressive trade tactics.

As the United States was poised to finalize CAFTA–DR and enable the region to compete for the U.S. consumer apparel market against a rising China, the major developments noted above—China's adoption of deplorable trade and economic tactics, and the liberalization of trade policy—served to directly counteract that opportunity. To be clear, these events directly impacted investment, sourcing, and production decisions in the CAFTA–DR region, which was not equipped to compete with the aggressive, predatory policies, and practices employed by the Chinese Communist Party.

Despite those enormous challenges, the CAFTA–DR agreement has been a strong and critical co-production chain for all our sectors. We see tremendous opportunity right now to invest in the CAFTA–DR co-production chain and strengthen our economic partnerships. Ironically, as we are trying to recalibrate supply chains, some would ask you to consider a wholesale reassessment of CAFTA–DR.

These harmful changes are disguised as adding "flexibilities" with an eye toward allowing Chinese textiles and other third-party inputs to displace American and Central American-Dominican Republic textiles, artificially driving down the cost of sourcing from the Western Hemisphere. This would be a grave error that would reward China's often illegal trade practices and undermine existing and future investment—relegating the region to low-cost apparel assembly with no incentive to expand into more advanced manufacturing or product offerings and contributing to further rounds of migration.

¹ World Integrated Trade Solution (WITS).

² See: <https://chinadialog.net/en/pollution/6283-the-denim-capital-of-the-world-so-polluted-you-can-t-give-the-houses-away/>, and <https://www.dailymail.co.uk/news/article-2994650/Secret-footage-shows-factory-workers-China-use-controversial-method-linked-dozens-deaths-make-jeans-Abercrombie-Fitch-American-Eagle-Outfitters.html>.

³ BLS CPI Summary; September 14, 2021.

WHY CAFTA–DR? THE YARN FORWARD RULE OF ORIGIN

Apparel production in CAFTA–DR has been a success despite the headwinds from China’s increased access to our market during the agreement’s existence. This is due to a host of reasons, chief among them being the various benefits U.S. and regional producers receive from the agreement including high standards for workers and the environment, customs enforcement mechanisms, and reciprocal market access for all regional goods.

However, the most important element of the CAFTA–DR agreement and all other U.S. FTAs is the yarn forward rule of origin. This unique investment-based rule for textiles and apparel ensures that the signatory countries benefit from investments made in capital-intensive yarn and fabric production, capturing that important value-add from third-party countries like China. Under this model, every stage of manufacturing from yarn formation through apparel assembly must take place within a CAFTA–DR signatory country to receive duty benefits. This construct is responsible for creating a massive regional market for U.S. textile exports in the Western Hemisphere resulting in \$35 billion in annual two-way trade and supporting 2 million direct jobs. In the United States, the U.S. Department of Labor estimates that each textile job supports 3 additional jobs in the communities where they are located.

Would additional “flexibilities” that displace U.S. and regional textiles in favor of Chinese or other third-party textiles actually support even more manufacturing jobs, investment, and production than CAFTA–DR’s existing rules support? The recent report from Werner International referenced earlier examines these exact questions, and unsurprisingly a fair analysis of these potential changes demonstrates that the opposite would be true.

Under weaker rules that would permit Chinese and other Asian textiles into the CAFTA–DR production chain, we would see a catastrophic loss of employment and investment both in the United States and in Northern Triangle countries. For the United States, we would expect to see the loss of billions of dollars in exports to the CAFTA–DR region, and the loss of over 307,000 U.S. jobs in the short- to medium-term as Chinese products are substituted for American ones. As customers for American textiles decline, we would also lose vital warm industrial base capacity for mission-critical military procurement—creating a National security threat. Further, a severe contraction of U.S. textile manufacturing would cause U.S. cotton farmers to lose their sole domestic customer, devastating the market for American cotton. These U.S. manufacturing and farm jobs would be lost forever to China’s dominant position in the hemisphere.

The impact these proposed changes would have on the region would be even more stark. Valuable upstream textile manufacturing would be displaced by imports of cheaper Asian products, resulting in a loss of verticalization and over 247,000 jobs in Central America’s textile and apparel industries. The dominoes would fall beyond CAFTA–DR as other hemispheric players, such as Haiti and Mexico, will suffer catastrophic losses in terms of sales to the U.S. market as they will be forced to compete with CAFTA–DR apparel made with subsidized, low-cost textile inputs from China and other third-country suppliers. Non-U.S. job losses would extend throughout the entire hemisphere to over 373,000 workers, likely driving additional rounds of outward migration as displaced workers look for viable employment opportunities elsewhere.

Ironically, rather than re-shoring these supply chains closer to the United States, changes to CAFTA–DR’s rule of origin for textiles and apparel would cement the region’s reliance on foreign supply chains for apparel production. China and other third parties will monopolize yarn and fabric sales to the CAFTA–DR region, freezing out current and future investment in verticalization and cementing the region as a low-cost hub for assembling apparel exclusively from Asian textiles—while also severely destabilizing regional apparel assembly. This would ignore critical U.S. goals associated with nearshoring supply lines, increasing environmental sustainability, and ensuring that goods produced under abhorrent labor practices do not enter the United States.

RECOMMENDATIONS

As an industry, we believe that keeping a laser focus on China is the critical issue of our time from an economic and National security perspective. We urge Members of Congress to consider creating a framework that places a strong Western Hemisphere front and center in our approach to international trade, placing these priorities above the lowest common denominator policy goals of unrestricted trade flows and low retail prices. Marginal, and likely only temporary, benefits for U.S. consumers simply do not justify further incentivizing the worst global labor, production,

and trade practices at the expense of workers in the United States and Northern Triangle.

Apply Increased Pressure on International Apparel Sourcing Decisions

As mentioned previously, factors putting increased pressure on international apparel sourcing decisions include pandemic-caused supply chain disruptions, limited freight capacity, increased shipping costs from Asia, and U.S. Customs and Border Protection (CBP) actions banning cotton products from China's XUAR. These factors alone are shifting significant business to this region, with CAFTA-DR on course to have one of its best years ever in textile and apparel exports to the United States. In fact, key CAFTA-DR suppliers are outpacing even major Asian exporters as the U.S. textile and apparel market recovers from a downturn in 2020 due to the pandemic. For the first 9 months of 2021, compared to the same period in 2020, we note that regional exports of apparel to the United States are up significantly:⁴

- Honduras: up 56.3 percent
- El Salvador: up 54.9 percent
- Nicaragua: up 45.7 percent
- Guatemala: up 38.7 percent
- Dominican Republic: up 33.2 percent.

Over the same 9-month period, China and Vietnam have seen smaller gains of 25 percent and 15 percent, respectively.⁵ Any changes to CAFTA-DR's rules of origin will have a significant adverse impact on the region's recovery versus Asia.

Uphold Pre-existing Free Trade Agreements

This important regional momentum would be upended by weakening rules to allow backdoor duty-free access for Asian and other inputs through CAFTA-DR and dismantle all current and planned textile investment. We need to maintain the strong yarn forward rule and other mechanisms meant to uphold the integrity of this rule of origin and reject efforts to liberalize our FTA and preference programs. Failure to do so would create a race to the bottom on pricing, cutting corners, and abandoning the high standards our FTAs have established up to this point.

Both U.S. and regional textile and apparel manufacturers are hungry to increase regional supply chains, production capacity, and employment. This is a win-win opportunity for U.S. and regional workers alike. As the U.S. Government is cracking down on these unfair practices, we are witnessing new efforts to fundamentally alter our FTAs and preference program structure with calls to liberalize rules of origin to permit cheap textiles from China and its supply chain partners to creep into the Western Hemisphere and displace America from the center of our own trade platform.

Develop Incentives to Mobilize Stronger Western Hemisphere Co-Production Chains

One of our best strategies to counter China's trade practices and dominance in our sector is to lean into the regional trade alliances we have forged in the Western Hemisphere and make these nearshore supply chains as competitive as possible. We need to prioritize reshoring and nearshoring and create an equitable industrial plan to ensure the systematic growth of this and other critical sectors. China does this routinely, relying on predatory measures to construct their industrial policy—the United States and region will be left behind if we don't create our own industrial plan that includes critical investments and robust trade enforcement.

Further, we should develop incentives to help mobilize stronger co-production chains in the United States and Northern Triangle. This includes continuing to push back publicly on Trojan horse concepts to undermine the Western Hemisphere with "flexibilities" to substitute Asian yarns and fabrics and other third-party inputs for those from the United States. Notably, officials from the U.S. Trade Representative's Office and the Vice President's office recently convened an industry roundtable and released a statement signaling that the administration values the U.S.-Central American textile and apparel supply chain and is committed to maintaining CAFTA-DR's rules of origin to allow future investments and benefits to accrue to the CAFTA-DR signatories.⁶ Congress must also remain steadfast on the critical importance of the yarn forward rule and reject any attempts to undermine or dismantle the CAFTA-DR rule of origin with these so-called flexibilities. This position is further supported by CECATEC-RD, the association representing the region's textile and apparel supply chain. Congress reaffirmed support for the yarn forward

⁴ U.S. Department of Commerce; OTEXA Major Shippers Report.

⁵ Ibid.

⁶ See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/ustr-roundtable-highlights-united-states-central-america-supply-chain-textiles-and-apparel>.

rule through its recent approval of the USMCA. Similarly, Congress should now firmly dismiss calls to dismantle the successful CAFTA–DR rule of origin.

It is also important for Congress to send a strong signal to retailers that the U.S. and Western Hemisphere supply chains are ready and open for business. This serves as an opportunity to gain long-term commitments from retailers that will unlock further domestic and regional investments to bolster this critical production chain. In addition, it will help grow jobs in both the United States and the region, while also nearshoring more production; help address the migration crisis; and assist us in addressing the urgent issue of climate change. There are several critical policies outlined below on how Congress could help this co-production chain further.

The U.S. textile industry has invested heavily in important carbon-reducing technologies with vastly different sustainable footprints than Asia. Our industry is a world leader in clean energy, water reduction and recirculation, recycled product, and safer chemical technology to further drive innovation and sustainability. Sourcing closer to home, utilizing inputs from the United States and the co-production chain with the region, is critical to helping reduce dependence on an unsustainable Asian supply chain and its alarming global carbon footprint.

While the U.S. textile industry would staunchly oppose any rewrite of CAFTA–DR textile origin concepts that would erode these rules, we want to partner with Congress, the administration, and our regional allies in a concerted effort to stimulate and expand the economies of Western Hemisphere countries. Parkdale and other U.S. textile companies have direct investment experience throughout the hemisphere, and we are intimately familiar with the region’s strengths and weaknesses. Many fundamental problems that plague the region are not unique to our industry and are instead systemic challenges.

While some of these issues may be difficult to resolve in the short term, a comprehensive infrastructure plan for the Northern Triangle with targeted, high-impact investments and competitive loans to upgrade regional power grids, roads, and local ports would pay immediate dividends. These improvements would help to mitigate unnecessary cost factors associated with frequent production disruptions due to power outages and product delivery complications tied to clogged highways and inefficient regional ports. These unnecessary cost factors greatly diminish the region’s ability to compete with other textile and apparel players in the hemisphere, not to mention dominant Asian suppliers, who are all vying for increased access to the U.S. market.

We believe now is the time to further partner with the administration and Congress to unlock more investments and further bolster this supply chain. We believe this requires the creation of a comprehensive manufacturing plan to expand both onshoring and nearshoring this supply chain. The opportunities are ripe if we seize this moment.

There are several other initiatives that could be pursued to improve the competitive position of the CAFTA–DR region, including the Northern Triangle countries that are experiencing high rates of immigration to the United States, such as:

- Working directly with U.S.-based textile companies to leverage further investment in the region to ensure it won’t undermine U.S. employment/production through low-interest loans, no interest loans, loan guarantees and other financial incentives.
- Better coordination among lending agencies of the Federal Government, like USAID, IDB, DFC, Export-Import Bank, etc., to ensure targeted, strategic investment in this sector. Lending and funding agencies should work directly with U.S. industry who are seeking to expand necessary capacity in the region—without putting U.S. jobs at risk—as retailers look to diversify out of China/Asia. Regrettably, much of the financing that has previously been allocated to the region has been segregated and not impactful for upscaling necessary strategic investments in this sector.
- Allocate funding for textile and apparel workforce training in the United States and the region.
- Streamline H–2B processes to ensure more co-production and training opportunities in the United States.
- Provide tax incentives to help companies invest in new equipment, processes, and R&D.
- Collaborate with industry to identify necessary industrial expansion allocations to bolster this critical sector and appropriate necessary funding. This industry is the critical feedstock for the medical supply chain and our military. It must be prioritized for funding allocations.
- Provide employment tax credits for domestic manufacturers.

- Create onshore and nearshore tax incentives for U.S. companies that invest in the United States and in the region and deploy tax penalties for offshoring production to Asia.
- Ensure trade stability in the region by not pursuing programs and policies that would undermine the critical co-production/employment benefits.
- Provide incentives for greenhouse gas emission reductions in the supply chain, including freight and manufacturing.
- Bolster trade enforcement tools for our sector to counter predatory trade practices.
- Close the *de minimis* loophole that allows for duty-free shipments from China to come to the United States through e-commerce platforms—closing this loophole is addressed in the House's America COMPETES Act and I strongly urge its inclusion in the final China bill.
- Keep China's 301 penalty tariffs in place on finished textile and apparel products and hold China accountable to the commitments it has made.
- Effectively enforce the Xinjiang cotton ban and provide CBP the necessary resources to effectively enforce illegal transshipment that has undermined textile investment in the CAFTA–DR region and our other FTA regions.
- Block any efforts to expand GSP for textile and apparel products which would undermine this co-production chain.

A strong and viable Western Hemisphere supply chain for textile and apparel products devoid of abhorrent human rights abuses is one of our best counters to China's global influence.

CONCLUSION

In conclusion, Parkdale is excited about the new opportunities available to us and other U.S. companies to lean into U.S. economic and trade relationships in the Northern Triangle. Current factors have combined to create a singular environment extremely favorable to bringing manufacturing back to the Western Hemisphere from China and other Asian countries.

For far too long we have permitted China to set the global agenda, undermining U.S. values and ideals and harming our workers and trading partners in the Western Hemisphere. With Congress's help, we can empower U.S. companies to commit sourcing and capital investments to the region, hold China accountable for its unfair trade practices that undermine U.S. and regional competitiveness, and enable the Northern Triangle countries to fully realize the benefits available to them under CAFTA–DR. Working hand-in-hand with the governments and industries of the Northern Triangle, we can address our shared challenges, leading to increased economic opportunity throughout the region and mitigating the underlying causes of outward migration.

I thank you for the opportunity to testify today and the committee's attention to these critical issues.

Mr. CORREA. Mr. Warlick, thank you very much for your testimony. We are going to take you up on your invitation to visit your operation in Central America.

Mr. WARLICK. We would be honored.

Mr. CORREA. Now I would like to recognize Mr. Christenson to summarize his statement in 5 minutes.

Sir, welcome.

STATEMENT OF DAN CHRISTENSON, SENIOR DIRECTOR OF GOVERNMENT AFFAIRS, PEPSICO, INC.

Mr. CHRISTENSON. Thank you, Mr. Chairman, and good afternoon. Thank you to you and to the Ranking Member and to the Members of the subcommittee for inviting PepsiCo to testify before you today.

My name is not Paula Uribe, as the written testimony would suggest. I am Dan Christenson, senior director of government affairs, based here in Washington, DC, and filling in for Paula this afternoon. Unfortunately, she had a family emergency to attend to in Colombia and could not be here today. So she sends her regrets. We really appreciate the committee's understanding.

So it is an honor to speak before this subcommittee about PepsiCo's commitment to both the United States and Latin America. But before I give you the highlights of our investments in the Northern Triangle, let me share some background on PepsiCo.

We are the largest food and beverage company in the United States and have a presence in over 200 countries with a portfolio of brands that people know and love around the world.

A testament to this loyalty is the fact that over 95 percent of U.S. households have at least one of our products in their kitchen.

Together with our franchise bottlers, we employ and support the jobs of nearly 120,000 Americans across the country. That number increases to nearly 500,000 when you consider PepsiCo's broader impacts. So, in total, our operations contribute approximately \$37.9 billion to the Nation's GDP.

At the heart of the success of our business strategy is PepsiCo Positive, our corporate sustainability mission, which will serve as an end-to-end transformation of our business, from how we source our ingredients and make our products, to how we engage people to make better choices for themselves and the planet.

Turning to our efforts in Latin America, PepsiCo has been in the Latin American and Caribbean region for over a hundred years. PepsiCo Latin America includes all of our foods and beverages businesses in that region, comprising 34 emerging and developing markets. Altogether, our Latin America business generated \$7.6 billion in net revenue last year.

We have deep roots in the region, with approximately 138 manufacturing facilities, as well as a large distribution network, including more than 24,000 routes that together generate more than 77,000 direct jobs and even more indirect jobs.

In the Northern Triangle, we invested more than \$70 million in Guatemala during 2019 and 2020. This investment included the development of a new LEED-certified Mixing Center in Villa Nueva just outside of Guatemala City.

Additionally, as we announced in December, we expect to invest at least \$190 million in the region in the next 3 years. This will be a regional hub for us, built around a strong network of manufacturing plants, distribution centers, and sales routes.

These regional investments are aligned with our global Positive agenda, which will include spreading regenerative farming practices across 7 million acres globally by 2030, becoming net water positive by 2030, and achieving net-zero emissions by 2040.

Also central to our Pep Positive agenda is our commitment to providing meaningful jobs and career growth. These investments will drive and sustain jobs that enable people in the region to build successful lives in their own communities.

In the Northern Triangle, we support over 4,000 families directly and several thousand families indirectly. These numbers will only grow as our presence continues to expand. We expect to increase direct employment by 3 percent annually over the next 3 years. Additionally, our bottler CBC supports over 3,000 direct jobs and over 11,000 indirect jobs just in Guatemala.

In this region, our wages are 15 percent above the average salaries, the turnover rate is only 7 percent in Guatemala, and women

make up 75 percent of managerial positions and more than 25 percent of our overall work force.

As part of our Pep Positive framework, our Guatemala business, alongside our global foundation, will train farmers in the region around the efficient use of water and fertilizers.

We are also working to improve gender equality in the region. For example, women represent 30 percent of our regional executive committee for Central America, which is significantly higher than the median.

This agenda extends to our partnership with organizations like CARE International to reduce childhood malnourishment in the region. Our initiative with CARE works in parallel to a capacity-building program to improve nutrition and hygiene at the community level that has benefited over 2,000 children in 2021 alone.

In closing, I thank you again for the chance to speak to you today and would like to take the opportunity to invite the Chairman, the Ranking Member, and all the honorable Members of this subcommittee to come see our operation in Guatemala or any other country in the Latin American region. It would be an honor to host you.

With that, I would be happy to take any questions that I can. [The prepared statement of Ms. Uribe follows:]

PREPARED STATEMENT OF PAULA URIBE, DIRECTOR, GOVERNMENT AFFAIRS, PEPSICO

FEBRUARY 17, 2022

Good afternoon, thank you Chairman Correa, Ranking Member Meijer, and Members of the subcommittee for inviting PepsiCo to testify before you today. My name is Paula Uribe, and I am director of government affairs at PepsiCo, based in Washington, DC.

It is an honor to speak before this committee about PepsiCo's commitment to both the United States and the Latin American region.

Today, I will discuss PepsiCo's current and future investments in the Northern Triangle, which we announced in December of last year.

First, some background on PepsiCo.

PepsiCo is the largest food and beverage company in the United States and the second-largest globally, with a presence in over 200 countries. While we're proud to serve almost every corner of the globe, we're equally proud of our roots as an American-born company. Our portfolio of brands includes Pepsi-Cola and Frito-Lay, as well as Aquafina, Gatorade, and Quaker Oats.

Our business directly contributes to America's prosperity. Together with our franchise bottlers, we employ and support the jobs of nearly 120,000 Americans across all 50 States and the District of Columbia. That number increases to nearly 500,000 when you consider PepsiCo's broader impact. In addition, we spend \$2.2 billion annually on agriculture. We source over 5 million metric tons of potatoes, grains, fruits, vegetable oil, and more in the United States, from growers of all sizes.

In total, PepsiCo's system-wide operations contribute approximately \$37.9 billion to the Nation's GDP.

We have 81 manufacturing sites, and over 1,000 distribution centers and other facilities in the United States, including in your Congressional districts.

I'm proud to share that PepsiCo is deeply committed to sustainability initiatives that are at the heart of our recently launched global business strategy, PepsiCo Positive (pep+), which will transform our business operations: From how we source our ingredients and make our products, to how we leverage the power of our brands to help take sustainability mainstream and engage people to make better choices for themselves and the planet.

PepsiCo has been named a Global Top Employer by the Top Employers Institute for the second consecutive year, in addition to receiving 2022 Top Employer status in 32 countries and regions around the world, including 5 countries in Latin America (Brazil, Mexico, Chile, Colombia, and Guatemala).

I will now share with you PepsiCo's efforts in Latin America.

PepsiCo has been in the Latin American and Caribbean region for over 100 years. PepsiCo Latin America includes all our foods and beverages businesses in that region, comprising 34 emerging and developing markets. Our business units include snacks, beverages, cookies & crackers, and nutrition.

Our business in Latin America generated \$7.6 billion dollars in net revenue last year.

We are a company with deep roots in the Latin America region; we have approximately 138 plants, including our 13 major bottling partners' plants. In addition, we have a large distribution network, including more than 24,000 routes and generating more than 77,000 direct jobs and millions of indirect jobs.

PepsiCo is committed to our local communities in the Northern Triangle.

Despite the COVID-19 crisis, we invested more than \$70 million USD in Guatemala during 2019 and 2020. This investment included the development of a new Mixing Center in Villa Nueva, just outside of Guatemala City, which has just been LEED (Leadership in Energy and Environmental Design) certified. As you may know, LEED is the most widely-used green building rating system in the world and is a recognition of PepsiCo's commitment to building healthy, highly efficient, and cost-saving green operations around the world, particularly in regions suffering the extreme effects of climate change.

Additionally, as we announced in December, we expect to invest at least \$190 million USD in the Northern Triangle in the next 3 years through improvements to our infrastructure, and in ways aligned with our pep+ corporate sustainability agenda.

The Northern Triangle will be a regional hub for us, built around a strong network of manufacturing plants, distribution centers, and sales routes both for internal and external markets.

Our regional investments are aligned with our pep+ corporate sustainability agenda, through which we strive for positive action for the planet and people. Pep+ is focused on 3 pillars: Positive agriculture, positive value chain, and positive choices.

This includes spreading regenerative farming practices across 7 million acres globally; becoming net water positive by 2030 by reducing absolute water use and replenishing watersheds; and achieving net-zero emissions by 2040 by increasing the use of renewable energy.

Another relevant piece of our Pep+ agenda is our commitment to providing meaningful jobs and growth opportunities for our people in the region and empowering them to enhance their well-being and make a positive impact at work, at home and in their local communities.

We expect these investments to drive and sustain jobs, to offer the opportunity for people in the Northern Triangle to build successful lives in their own communities. We are working to provide opportunities and good environments in their home communities.

In the Northern Triangle we support over 4,000 families directly and several thousands of families indirectly. The number of families PepsiCo supports will only grow as our presence continues to expand; we expect to increase direct employment by 3 percent, annually. Additionally, our bottler CBC supports over 3,000 direct jobs and over 11,000 indirect jobs, just in Guatemala.

I want to share some facts about employment in these countries:

- Our wages are 15 percent above the average salaries.
- Turnover rate is of 7 percent, in Guatemala. Our employees want to have a job at PepsiCo until retirement.
- Women make up 75 percent of managerial positions and more than 25 percent of our overall workforce.

We have been named Top Employer in Guatemala for the first time in 2022, an award that acknowledges the company's commitment to developing our talent, fostering diversity, and nurturing an inclusive and flexible working environment.

This is also the case for our entire value chain. For every direct job, we create 2.5 indirect ones there, therefore, we generate additional 10,000 jobs that also benefit from our unique approach to growth.

As part of our contribution to the agricultural sector, we work with producers to transfer technology and best practices and guarantee buying 100 percent of their harvest.

We work alongside local and global foundations and other partners, including the Inter-American Development Bank, to train and support female farmers in the region, with a joint investment of over \$700,000 USD.

These are just a few examples of how a PepsiCo job is a job that can really change the economic trajectory of entire generations.

As part of our pep+ framework, our Guatemala business, alongside our global Foundation, will train farmers in Suchit pez, Pet n and Izab l around the efficient use of water and fertilizers to reduce the environmental impact of their activities.

Additionally, through the Next Gen Agro Fund, in alliance with Inter-American Development Bank, we promote sustainable agricultural practices and gender inclusion in the countryside, thereby encouraging solutions that strengthen the resilience of rural communities.

We are also working to increase technological access, including through programs to increase connectivity and implement digital processes, such as for those related to customs and obtaining permits.

Moreover, we are working to improve gender equality in the region. For example, women represent 30 percent of our regional Executive Committee for Central America, which is significantly higher than the median.

As part of our Brands with Purpose agenda, we are also partnering to reduce childhood malnourishment. Alongside CARE International, we recently launched the program Quaker Qrece, a holistic intervention in Guatemala comprised of a specialized food product that helps children with low to moderate malnourishment to overcome this condition, in parallel to a capacity-building program to improve nutrition and hygiene at the community level. It has benefited 2,200 kids in 2021 alone.

Finally, I thank you again for the chance to speak to you today and would like to take the opportunity to invite Chairman Correa, Ranking Member Meijer, and all the honorable Members of this subcommittee to come see our operation in Guatemala and/or any other country in the Latin American region. It would be an honor to host you.

Mr. CORREA. Mr. Christenson, we will also take you up on your offer to visit your operation.

Mr. CHRISTENSON. Excellent.

Mr. CORREA. A hundred years in Central America. That is impressive.

Thank you for your testimony.

I now recognize Ms. Rivas to summarize her statement in 5 minutes.

Welcome now.

**STATEMENT OF MARIA NELLY RIVAS, VICE PRESIDENT,
GOVERNMENT RELATIONS FOR LATIN AMERICA, CARGILL**

Ms. RIVAS. Thank you, Chairman Correa and Ranking Member Meijer and Members of the subcommittee, for inviting Cargill to testify today. As a Central American, I am proud to share the story of our work in the region and to discuss the \$160 million in new investments we announced in December.

Cargill is a Minnesota-based food and agriculture company, but we have deep roots in Central America and have been active in the community for 52 years. We are committed to the long-term success of the region.

We at Cargill believe that every culture can be part of the solution to many of the challenges we face today, including food insecurity and the lack of economic opportunity. We believe this to be especially true in Central America and the Northern Triangle.

Our 10,000 employees in Central America—one-third of whom are in the Northern Triangle—work with farmers and customers every day to feed and nourish people and animals. I am proud to say that nearly half of our production facilities are led by women.

Through both our business and philanthropic investments, we strive to improve farmer livelihoods and nourish those in the region. It is part of who we are and it is how we do business.

In the region, we produce and deliver chicken and other protein products that serve as staples in local households. We also produce

and deliver animal nutrition products that help livestock farmers care for their animals. Our distribution network reaches thousands of small neighborhood shops, farm stores, schools, and other places where people get food and feed.

I would like to share one example of the work we do with partners like USAID, CARE, the World Food Programme, and others to improve food security, nutrition, and farmer livelihoods.

Melissa is a wife and mother of 3 in San Marcos, Honduras. When her husband lost his job because of the pandemic, Cargill and CARE helped Melissa start a business out of her house selling roasted chicken.

Now that business has grown. She takes orders through a cell phone to bring food into her community, and she is the main source of income for her family. She is also helping put her oldest daughter through school.

I have seen many women like Melissa grow their business and become leaders in their towns. In supporting them, we support families, we support schools, and we support entire communities.

These farmers and small businesses carry the greatest potential to improve economic and food security.

As I mentioned before, we at Cargill believe that every culture can be part of the solution. We have seen the positive impact when partners across the private sector, civil society, and governments work together. By working across borders, sectors, and industries we can achieve more.

We welcome the administration's efforts to bring us together and do just this in the Northern Triangle. It makes strategic sense to our business and supports our customers and communities.

In December, as part of our long-term strategy, we announced our plans to invest an additional \$150 million over the next 5 years to expand our operations in Honduras, Guatemala, and El Salvador. We expect this investment to create more than 400 direct new jobs, as well as additional jobs across the larger value chain.

We are also committing an additional \$10 million over the next 3 years, doubling our historic contributions to fund programs that support farmers, entrepreneurs, and local communities. Together, these investments will help farmers and small businesses grow and diversify their income, strengthen school feeding programs, and generate more trade within Central America and the Caribbean.

While we as companies can and must do our part, we are also encouraged to see the administration and this committee recognize that there is a role for governments to play. To truly remove barriers to job creation, governments in the region—supported by the United States and the private sector—need to take actions that will benefit workers and employers.

In closing, Chairman Correa and Ranking Member Meijer, we believe every culture can be part of the solution to creating greater economic opportunity in the Northern Triangle.

Cargill is committed. We stand ready to share more than 50 years of local insight to unlock growth and potential in the region.

Thank you to the subcommittee for your attention to this effort. We welcome the opportunity to host you in the region. I look forward to your questions and exchange this afternoon. Thank you.

[The prepared statement of Ms. Rivas follows:]

PREPARED STATEMENT OF MARIA NELLY RIVAS

FEBRUARY 17, 2022

Thank you, Chairman Correa and Ranking Member Meijer, for inviting Cargill to testify today. As a Central American, I am proud to share the story of our work in the region and to discuss the \$160 million dollars in new investments we announced in December.

Cargill is a Minnesota-based food and agriculture company, but we have deep roots in Central America and have been active in the local community for 52 years. We are committed to the long-term success of the region.

We at Cargill believe that agriculture can be part of the solution to many of the challenges we face today, including food insecurity and lack of economic opportunity. We believe this to be especially true in Central America and the Northern Triangle.

Our 10,000 employees across the region—one-third of whom are in the Northern Triangle—work with farmers and customers every day to feed and nourish people and animals. I'm proud to say that nearly half of our production facilities are led by women. Through both our business and philanthropic investments, we strive to improve farmer livelihoods and nourish those in the region. It's part of who we are and it's how we do business.

In the region, we produce and deliver chicken and other protein products that serve as staples in local households. We also produce and deliver animal nutrition products that help livestock farmers care for their animals. Our distribution network reaches thousands of small neighborhood shops, farm stores, schools, and other places where people get food and feed.

We also have a long history of working with partners like USAID, CARE, and the World Food Program to improve food security, nutrition, and farmer livelihoods in the region. I'd like to share two examples, of many, which exemplify this work.

Melissa is a wife and mother of three in Honduras. When her husband lost his job because of the pandemic, Cargill and CARE helped Melissa begin a small business selling roasted chicken out of her home. By providing her with technical assistance, business training, and supply vouchers, her business has grown. Today, she takes orders through her cell phone to bring food into her community, and she is the main source of income for her family. She is also helping put her oldest daughter through school.

Albertina is a community leader in Guatemala who saw an opportunity to provide animal protein to her local village, since she and her neighbors had to walk 6 kilometers to the nearest urban center to get it. With technical assistance, training, and inputs like animal feed from Cargill and Heifer International, Albertina started her own pig farm, adding animal protein to their existing crops. Not only is she providing new sources of nutrition and income for her own family, she also helps lead a project teaching other families to do the same, strengthening the productive and entrepreneurial capacity of the whole community.

I have seen many women like Melissa and Albertina grow their businesses and become leaders in their villages. In supporting them, we support families, schools, and entire communities, while also contributing to women's empowerment. It is these farmers and small businesses who carry the greatest potential to improve economic and food security.

CARGILL'S COMMITMENTS & IMPACT

As I mentioned earlier, we at Cargill believe that agriculture can be part of the solution. We have also seen the positive impact when partners across the private sector, civil society, and governments work together. We welcome the administration's efforts to do just this in the Northern Triangle. By working across borders, sectors, and industries we can achieve more. It makes strategic sense to our business and supports our customers and communities.

In December, as part of our long-term strategy in the region, we announced our plans to invest an additional \$150 million over the next 5 years to expand our operations in Honduras, Guatemala, and El Salvador. We expect this investment to create approximately 400 new jobs, as well as additional jobs across the larger value chain.

We also committed an additional \$10 million over 3 years, doubling our historic contributions, to fund programs that support farmers and entrepreneurs, improve community nutrition, and expand school meal programs.

Together, these investments will help farmers and small businesses grow and diversify their income, strengthen school feeding programs, and generate more trade within Central America and the Caribbean.

RECOMMENDATIONS FOR GOVERNMENTS

While we as companies can and must do our part, we are also encouraged to see the administration and this committee recognize that there is an important role for governments to play.

To truly remove barriers to job creation, governments in the region—supported by the United States and the private sector—need to take actions that will benefit workers and employers.

We believe a focus on developing greater regional integration, improving transparency and rule of law, and expanding critical infrastructure would have a significant positive effect on investment in the Northern Triangle.

- **REGIONAL INTEGRATION.**—Food needs to move. Today it can be difficult to move food and other goods across borders within the region. By improving regional integration and facilitating intra-regional trade, we can build a stronger market and improve food security.
- **TRANSPARENCY & RULE OF LAW.**—Efforts to digitalize trade and investment processes will help businesses grow and will improve government transparency. Open markets that enable predictability and certainty are critical to attracting and supporting long-term investment.
- **INFRASTRUCTURE.**—Greater resources and collaboration are needed to expand and upgrade critical infrastructure—such as ports, electricity, waterways, and broadband access. This would improve the region's competitiveness and enable greater investment and growth.

We encourage local governments and the U.S. Government to support these 3 priority areas, which we believe will improve the region's business climate and promote job creation.

CLOSING

In closing, we believe agriculture can be part of the solution to creating greater economic opportunity in the Northern Triangle. Cargill is committed and stands ready to share our more than 50 years of local insight to unlock growth and potential in the region.

Thank you to the subcommittee for your attention to this effort.

Mr. CORREA. Thank you, Ms. Rivas, for your testimony.

Now I would like to recognize our last witness, Mr. Runde, to summarize his statement in 5 minutes.

Welcome, sir.

**STATEMENT OF DANIEL F. RUNDE, SENIOR VICE PRESIDENT
AND WILLIAM A. SCHREYER CHAIR, CENTER FOR STRATEGIC
AND INTERNATIONAL STUDIES**

Mr. RUNDE. Thank you. Chairman Correa, Ranking Member Meijer, it is a distinct pleasure to testify before both of you and in front of this very distinguished subcommittee. Thank you for asking me to do this.

The best social program is a decent job. Most people do not want to leave where they grew up. The U.S. Government should take advantage of the potential for nearshoring in Central America. The COVID-19 pandemic has provided an opportunity for the reorienting and nearshoring of U.S. international commerce.

A different future is possible for Central America. For example, policies pursued in El Salvador in the late 1990's and early 2000's serve as an effective example. The Salvadoran Government's National Reconstruction Plan of 1992 to 1997 culminated in El Salvador achieving investment-grade bond status in 1998.

By the early 2000's, El Salvador outperformed Chile, Argentina, South Korea, and Germany in the Index of Economic Freedom, which measures ten indicators, including rule of law, government spending, and market openness.

As a result, migration from El Salvador to the United States was lower, and the economy was strong and growing. Job creation drove growth and decreased immigration, and poverty fell from 40 percent of the population in 1996 to 20 percent in 2000.

There are many positive lessons from this previous era in El Salvador.

Studies have shown that when countries reach the threshold of \$8,000 GDP per capita, that migration largely halts. Mexico surpassed this level of \$8,000 of GDP per capita in 2005, which correlates with the beginning of major decreases in Mexican-U.S. migration.

In 2020, Guatemala reported a GDP per capita around \$4,600, while El Salvador recorded a GDP per capita of \$3,800, and Honduras \$2,400. The goal is to get these 3 countries to \$8,000 per capita as quickly as possible.

I am a big proponent of foreign assistance. The reality is that all the foreign assistance, all spigots from all over the world, as a percentage of GDP to these Central American countries is very small, reaching at most maybe 3 percent of the GDP.

Foreign aid can help, but it needs to be focused, and it needs to work in partnership with others, especially the private sector.

The Biden administration has taken a good step by convening the Partnership for Central America. PCA convenes a cadre of America's finest companies, including some that have been testifying here today, and it is an excellent start.

PCA is also in the process of inviting key local companies to join the partnership, and this is very important.

Engaging the U.S. private sector is a critical initial step, but this must be done in conjunction with engagement of the local private sector in Central America. One of the fastest potential tracks to achieve these aims would be to engage local companies in U.S. multinational company supply chains.

Without painting too broad a brush, I would argue that most who follow Central America closely in Washington have expressed a negative bias toward the local private sector in Central America due to fears of corrupt actors. I think we need to collectively rethink this bias.

In this context, I want to raise a new organization, HUGE, H-U-G-E, which stands for Honduras, United States, Guatemala, and El Salvador. HUGE convenes many leading local private-sector companies and a growing number of very fine multinational companies.

The association promotes strategic investments in the Northern Triangle, taking advantage of competitive advantages in these countries. Over the next 5 years, HUGE aims to facilitate \$10 billion or more in investments among Honduras, the United States, Guatemala, and El Salvador.

So what can the United States do?

So, first, we have got to answer the mail on COVID-19. The great ideas at this hearing will be academic unless we address the challenges brought on by COVID-19. The United States and our partners need to do more to solve Central America's COVID-19 problem.

Second, let's help close the digital divide accelerated by COVID-19 in Central America. We ought to be using our foreign assistance and other instruments to close this digital divide that has been uncovered, exacerbated, or accelerated by COVID-19 in Central America. Either we are going to do it or the Chinese Communist Party and Huawei is going to do it. It is as simple as that.

Third, let's be frank, let's get right with Guatemala. Of the 3 countries, probably Guatemala is the most reliable ally. If we want any progress, we need a better diplomatic relationship with Guatemala. So a simple thing to do would be to get right with the Giammattei administration. I am happy to talk about this.

Fourth, it is time to revisit and revise CAFTA-DR. It has been more than 15 years since CAFTA-DR entered into force. The region looks very different today. We have had USMCA. We ought to be looking at things like intellectual property and digital economy positions for CAFTA-DR. We ought to update CAFTA-DR to the USMCA standards as part of a nearshoring strategy.

Fifth, let's partner with Mexico and repurpose the North American Development Bank to help Central America. This is a very actionable thing for Congress to do. Mexico wants to do it. We ought to allow the NAD Bank to operate on southern Mexico's border with Guatemala and in the Northern Triangle. This is something Congress could easily do.

Sixth, the United States should support a capital increase for the Inter-American Development Bank under the right conditions. The IDB's annual meeting is coming up next month. The United States could announce they are supporting a capital increase that has a large private sector component to it. It could be part of a larger positive hemispheric agenda that could be announced in June when the Biden administration hosts its Summit of the Americas in Los Angeles.

Seventh—and I will stop here—the United States should allocate foreign aid to support economic growth and good governance and use foreign aid to lubricate shifts in global supply chains toward Central America.

The United States, correctly, is going to be investing billions of dollars over the next several years in the region. USAID should spend monies and provide expertise to support pro-growth economic policy reforms. It should also spend monies on improving governance and security.

Then the United States should use foreign aid to lubricate global supply chains toward Central America. The fancy terms are things called trade capacity building or trade facilitation.

There is no magic bullet, nor an out-of-the-box solution to the problems of Central America. The problems are solvable, but they require sustained attention from the United States.

I congratulate you, Congressman, for hosting a series of hearings on an on-going basis on this. Thank you for doing that. It is important.

Political will in these countries and ultimately strong and inclusive economic growth to go with strengthened governance. Economic growth is possible in Central America's poorest countries, but we cannot manage or solve the challenges of Central America without the private sector, and especially the local private sector.

Thank you.

[The prepared statement of Mr. Runde follows:]

PREPARED STATEMENT OF DANIEL F. RUNDE

THURSDAY, FEBRUARY 17, 2022

Chairman Correa, Ranking Member Meijer, and distinguished Members of the House Homeland Security Oversight, Management, and Accountability Subcommittee, I am grateful for the opportunity to appear before you today to testify on the importance of private-sector investment in the Northern Triangle and its impact on homeland security.

My name is Dan Runde, I am a senior vice president at the Center for Strategic and International Studies and direct our Americas Program. Among other past roles, I ran the Global Development Alliance public-private partnership initiative at USAID during the Bush administration. I recently agreed to serve as an advisor to the Partnership for Central America (PCA), convened by Vice President Harris.

BRIEF OVERVIEW OF ISSUES IN THE NORTHERN TRIANGLE

The Northern Triangle of Central America (NTCA) has experienced overwhelming economic, political, and security challenges in recent years.¹ These include a combination of political challenges, drug-financed criminal gangs that generate high rates of violence, and not enough jobs in the formal economy. All the problems in Central America have had international repercussions, including an ongoing migration crisis at the U.S.-Mexican border.

The best social program is a decent job. The best magnet to curb migration are economic hopes in one's own country. Most people do not want to leave where they grew up. Lack of economic opportunity and insecurities push them to leave. The high rate of informal employment in the Northern Triangle (77% on average) is the most notable factor contributing to the push for migration.² Creating attractive investment conditions that contribute to the rule of law in Central America is in the best interest of the United States—by creating economic and trade opportunities that benefit people in the region and here at home. Increasing trade with NTCA countries can help foster better economic opportunities in those countries, thus slowing the outflow of migrants. International trade can offer consumers lower price goods as well as augment productivity and increase average income. Such trade can spur innovation within the United States and knowledge and technology exchanges with Central America.³

The United States remains a major partner for the 3 countries in the Northern Triangle, with annual funding for the Central America strategy reaching \$505.9 million in fiscal year 2021 (although this is a decrease from the \$750 million provided in fiscal year 2017).⁴ Overall, from fiscal year 2016 to fiscal year 2021 the U.S. Congress appropriated over \$3.6 billion to carry out the U.S. Strategy for Engagement in Central America.⁵

The U.S. Government should take advantage of the potential for near-shoring in Central America. The Covid-19 pandemic has provided an opportunity for the reorienting and nearshoring of U.S. international commerce.⁶ While re-centering U.S. supply chains in the Americas would be a positive for multinational firms, it would be transformative for Latin America. Studies have shown that moving even \$1 billion of U.S. textile trade with China to the Northern Triangle would create hundreds of thousands of manufacturing jobs for workers.⁷

¹Daniel F. Runde & Mark L. Schneider, "A New Social Contract for the Northern Triangle," CSIS, May 8, 2019, <https://www.csis.org/analysis/new-social-contract-northern-triangle>.

²Conor M. Savoy & T. Andrew Sady-Kennedy, "Economic Opportunity in the Northern Triangle" CSIS, September 20, 2021, <https://www.csis.org/analysis/economic-opportunity-northern-triangle>.

³"Stronger Open Trade Policies Enable Economic Growth for All," World Bank, April 3, 2018, <https://www.worldbank.org/en/results/2018/04/03/stronger-open-trade-policies-enables-economic-growth-for-all#:~:text=Trade%20is%20central%20to%20ending,more%20affordable%20goods%20and%20services>.

⁴"U.S. Strategy for Engagement in Central America: An Overview," Congressional Research Service, February 16, 2021, <https://sgp.fas.org/crs/row/IF10371.pdf>.

⁵Ibid.

⁶Juan José Daboub & Daniel F. Runde, "Turning the Covid-19 Crisis into an Opportunity for the Central American Textile Sector," CSIS, June 17, 2020, <https://www.csis.org/analysis/turning-covid-19-crisis-opportunity-central-american-textile-sector>.

⁷Ibid.

A different future is also possible. For example, policies pursued in El Salvador in the late 1990's and early 2000's serve as an effective example. The Salvadoran government's National Reconstruction Plan (NRP) of 1992 to 1997 culminated in El Salvador achieving investment-grade bond status in 1998.⁸ By the early 2000's, El Salvador outperformed Chile, Argentina, South Korea, and Germany in the Index of Economic Freedom, which measures 10 indicators including rule of law, government spending, and market openness.⁹ As a result, immigration from El Salvador to the United States was low, and the economy was strong and growing.¹⁰ Job creation drove growth, decreased emigration, and poverty fell from 40% of the population in 1996 to 20% in 2000.¹¹ There many positive lessons from this previous era in El Salvador.

IMPROVING CONDITIONS AND CATALYZING PRIVATE-SECTOR INVESTMENT IN NTCA

Studies have shown that when countries reach the threshold of \$8,000 GDP per capita, migration largely halts. Mexico surpassed this level of GDP per capita in 2005, which correlates with the beginning of major decreases in Mexican-U.S. migration.¹² Though obviously significant, GDP per capita alone does not seem to be a compelling enough factor to slow migration. Other economic factors include increased trade and employment.¹³ In 2020, Guatemala reported per capita GDP at \$4,600, while El Salvador recorded \$3,800, and Honduras \$2,400.¹⁴ It is interesting to note that the 3 countries of El Salvador, Guatemala, and Honduras provide \$18 billion per year of trade with the United States, accounting for 53% of Central American trade with the United States, and producing 48% of Central America's GDP.¹⁵

While I am a strong proponent of foreign assistance, the reality is that all foreign assistance (from the United States, the multilaterals, and others) as a %age of GDP in NTCA countries is very small, reaching at most less than 3% when one adds up all spigots of assistance from all official donors. Ultimately, dealing with the governance issues, confronting the security issues, and enacting pro-growth economic policies are the most important things to attract private investment. However, foreign assistance can help with these big challenges. Foreign assistance is an important catalyst and can fund things that others cannot: Economic reforms that encourage investments, anti-corruption programs, support for judicial reform and other governance programming. Foreign aid is important, but it needs to be focused and it needs to work in partnership with others. It should work particularly closely with the private sector.

The Biden administration has taken a good step by convening the Partnership for Central America (PCA). PCA convenes a cadre of America's best companies, and it is an excellent start. Since May 2021, the Partnership for Central America has grown from 12 founding members to 75 companies and secured \$1.25B in foreign investment. In just 9 months, these projects are delivering significant results in digital access and financial inclusion with significant and scaled impacts forthcoming.

Engaging the U.S. private sector is a critical initial step, but this must be done in conjunction with engagement of the local private sector in NTCA countries. One of the fastest potential tracks to achieve these aims would be to engage local companies in U.S. multinational company supply chains.

Without painting with too broad a brush, I would argue that most who follow Central America closely in Washington have typically expressed a negative bias toward the local private sector in Central America due to fears of "corrupt actors." I think we need to collectively rethink this bias in Washington against the local private sector in Central America. I don't want to be misunderstood: There are some bad actors in the local private sector in Central America just as there are bad actors everywhere, but we have to partner with the local private sector because they have been there the longest and largely make their lives and their livelihoods in the region.

⁸Christina Perkins & Erin Nealer, "Achieving Growth and Security in the Northern Triangle of Central America," CSIS, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/161201_Perkins_NorthernTriangle_Web.pdf.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid.

¹²Erol K. Yayboke & Carmen Garcia Gallego, "Out of the Shadows: Shining a Light on Irregular Migration," CSIS, August 2019, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/190826_RundeYaybokeGallego_IrregularMigrations.pdf.

¹³Ibid.

¹⁴"GDP per capita (current US\$)—Latin America & Caribbean," World Bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ZJ>.

¹⁵"About HUGE," HUGE, <https://think-huge.org/about/>.

In this context I want to raise a new organization: HUGE, which stands for Honduras, United States, Guatemala, and El Salvador. HUGE convenes many leading local private sector companies and a growing number of multinational companies. The association promotes strategic investments in the Northern Triangle, taking advantage of competitive advantages in these countries.¹⁶ Over the next 5 years, HUGE aims to facilitate \$10 billion or more in investments between Honduras, the United States, Guatemala, and El Salvador.¹⁷ HUGE's members and the association adhere to the highest ethical, social, and environmental standards. Thus, HUGE gives strong evidence that it is possible to conduct business responsibly and profitably in the NTCA linked with partners in the United States. This is encouraging to other companies looking to move supply chains from China to the Americas, which is one of the primary initiatives of HUGE.

WHAT CAN THE UNITED STATES “DO”?

The overarching goal for the U.S. Government must be to support policies that create an attractive environment for private-sector investment in the Northern Triangle.

So, what can the United States “do”?

First, answer the mail on COVID-19

The great ideas at this hearing will be a bit academic until we address the challenges brought by COVID-19. We must first address the need for vaccines in the region and the economic downturn resulting from the pandemic. A failure to address the vaccine shortage in countries like Guatemala leaves the country open to the influence of malign actors like China. Guatemala recognizes Taiwan. Unfortunately, Guatemala has a lower vaccination rate for a bunch of complex reasons that result in it waiting for non-Chinese vaccines. El Salvador recognizes the Mainland, and in return, China gave El Salvador approximately 1.5 million vaccine doses, which is significant even if they these vaccines are sub-par.¹⁸ There are large-scale vaccine campaigns on the border of El Salvador and Guatemala. The Guatemalan press says, “if we only recognized the Mainland, we would get more vaccines.” The United States can fix this by getting more vaccines to Guatemala. This same dynamic has played out in the Dominican Republic, which had initial plans to exclude Huawei from its telecom system. After receiving 20 million doses from China when it couldn't get Western vaccines for complicated reasons, the DR reversed its position and allowed Huawei to participate in its telecommunications market. The United States and our partners need to do more to solve Central America's COVID-19 problem.

Second, help close the digital divide accelerated by COVID-19 in Central America

Additionally, the United States needs to focus greater development assistance on closing the digital divide in Central America. The digital divide has been exposed, accelerated, and exacerbated by COVID-19. There are several barriers to increasing investment in broadband and other digital infrastructure including rural access, regulatory issues, and access to electricity. We have a number of soft power tools to help bring the digital economy of the future to more people in the region, helping to close the education gap, develop a more vibrant workforce, attract more private investment and jobs, and stem Northern migration. Either the United States and our allies will help close the digital divide in Central America or the Chinese Communist Party and Huawei will.

Third, let's get “right” with Guatemala

Of the three countries, arguably Guatemala is the most reliable ally. If we want any progress, we need to develop a better relationship with Guatemala. Vice President Harris visited Guatemala. For reasons I do not understand, the Biden administration did not invite Guatemala to the Summit for Democracy. I would note that the Biden administration invited Pakistan (who declined) and India (who attended) while not inviting Guatemala. So, a simple thing would be to “get right” with the Giammattei administration. At the same time, we are mistreating Guatemala, a country that has been a good partner to us, I find it interesting that we are putting so much attention on the new Honduran government. Honduras has a new government that will either be: A reasonable social democracy or an authoritarian govern-

¹⁶ Ibid.

¹⁷ “Think HUGE,” HUGE, <https://think-huge.org/>.

¹⁸ “China, U.S. to send COVID-19 vaccine doses to El Salvador,” Reuters, July 2, 2021, <https://www.reuters.com/world/americas/us-sending-15-mln-doses-modernas-covid-19-vaccine-el-salvador-2021-07-02/>.

ment along the lines of Venezuela or Nicaragua. I hope Honduras is a reasonable democracy. I just think we should pay as much attention to countries who are reliable partners.

Fourth, it's time to revisit and revise CAFTA–DR

It has now been more than 15 years since CAFTA–DR first entered into force. The region looks very different today than it did in then. We should modernize intellectual property and digital economy provisions in CAFTA–DR, and we should bring the trade agreement up to standards comparable to those of the USMCA.

Fifth, let's partner with Mexico and others to repurpose the North American Development Bank to help Central America

The United States should expand the mandate of the Northern American Development Bank (NADB) to include Southern Mexico and the Northern Triangle. Mexico has expressed openness to pursuing such an expanded mandate. With a new authorization from Congress and a modest sum from the U.S. taxpayers, the NADB could help. The NADB could be considered as an avenue for a potential partnership between Mexico, the United States, and Canada to work in Central America.

Sixth, Mexico could be a more important trading partner to Central America

The level of trade between Mexico and Central America is unusually low. President “AMLO” of Mexico has expressed concern about the lack of development in Central America and Southern Mexico.

In 2019, Mexico exported \$2.2B¹⁹ to Guatemala (making it the Mexico's 15th largest export destination out of 151 countries), \$915M²⁰ to El Salvador (29th), and \$775M²¹ to Honduras (33d). These numbers should be seen in the context of Mexico's trade with countries like Colombia, farther away, to which Mexico exported \$3.7B in 2019, making the country Mexico's 12th largest export destination, and second-highest destination in Latin America after Brazil.²² There must be ways to address this.

Seventh, the United States should support a capital increase at the Inter-American Development Bank under the right conditions

Given the upcoming annual Inter-American Development Bank (IDB) shareholders meeting scheduled for next month, the United States should announce support for a capital increase for the IDB.²³ The IDB hopes to increase sovereign lending to governments in the region from \$12 billion to \$20 billion per year to respond to the historic needs of the region.²⁴ The IDB has a significant private-sector lending arm that would also expand with a capital increase. With 30% of the shares, the United States essentially holds a veto.²⁵ A capital increase, announced next month in Uruguay, could be a great component to a larger, positive hemispheric agenda that should be announced in June at the U.S.-hosted Summit of the Americas.²⁶

In return for a capital increase, the United States should insist on several things. Among other things, the IDB could allocate some grant monies for the Northern Triangle, fortifying the Biden administration's “Root Cause Strategy.”²⁷ Most important, the IDB should offer membership to Taiwan. As a member of both the World Trade Organization and the Asian Development Bank, there is little reason for Tai-

¹⁹ “Mexico/Guatemala,” OEC, [https://oec.world/en/profile/bilateral-country/mex/partner/gtm#:text=Bilateral%20Trade%20by%20Products,%23permalink%20to%20section&text=In%202019%2C%20Mexico%20exported%20%242.15B%20to%20Guatemala.,The%20main%20products&text=Beer%20\(%2467M\).,During%20the%20last%2024%20years%20the%20exports%20of%20Mexico%20to,exported%20%24571M%20to%20Mexico](https://oec.world/en/profile/bilateral-country/mex/partner/gtm#:text=Bilateral%20Trade%20by%20Products,%23permalink%20to%20section&text=In%202019%2C%20Mexico%20exported%20%242.15B%20to%20Guatemala.,The%20main%20products&text=Beer%20(%2467M).,During%20the%20last%2024%20years%20the%20exports%20of%20Mexico%20to,exported%20%24571M%20to%20Mexico).

²⁰ “Mexico/El Salvador,” OEC, [https://oec.world/en/profile/bilateral-country/mex/partner/slv#:text=Bilateral%20Trade%20by%20Products,%23permalink%20to%20section&text=In%202019%2C%20Mexico%20exported%20%24916M%20to%20El%20Salvador.,The%20main%20products&text=\(%2435.7M\).,During%20the%20last%2024%20years%20the%20exports%20of%20Mexico%20to,exported%20%24159M%20to%20Mexico](https://oec.world/en/profile/bilateral-country/mex/partner/slv#:text=Bilateral%20Trade%20by%20Products,%23permalink%20to%20section&text=In%202019%2C%20Mexico%20exported%20%24916M%20to%20El%20Salvador.,The%20main%20products&text=(%2435.7M).,During%20the%20last%2024%20years%20the%20exports%20of%20Mexico%20to,exported%20%24159M%20to%20Mexico).

²¹ “Mexico/Honduras,” OEC, [https://oec.world/en/profile/bilateral-country/mex/partner/hnd#:text=Mexico%2DHonduras%20In%202019%2C%20Mexico,Toilet%20Paper%20\(%2433.1M\)](https://oec.world/en/profile/bilateral-country/mex/partner/hnd#:text=Mexico%2DHonduras%20In%202019%2C%20Mexico,Toilet%20Paper%20(%2433.1M)).

²² “Mexico Exports By Country,” Trading Economics, <https://tradingeconomics.com/mexico/exports-by-country>.

²³ Daniel F. Runde, “Decision time for the future of the IDB,” The Hill, February 10, 2022, <https://thehill.com/opinion/finance/593629-decision-time-for-the-future-of-the-idb>.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

wan to be excluded from the IDB. Other new potential IDB shareholders should include India and Australia, Singapore, and the Gulf states.

Eighth, the United States should allocate foreign aid to support economic growth, good governance and “lubricate” shifts in global supply chains toward Central America

The United States will be spending billions over the next couple of years in the region. USAID can spend monies and provide expertise to support pro-growth economic policy reforms. USAID is currently providing \$48 million over 3 years to increase economic opportunity in Guatemala.²⁸ This funding aims to increase such opportunities by supporting private-sector entrepreneurs and innovators seeking technology-driven solutions to challenges in the region. USAID should expand these kinds of initiatives to other Central American countries. USAID also will spend monies on improving governance and security. Improving these issues are key to encouraging the private sector to invest. Also, the COVID-19 pandemic has provided an unprecedented opportunity for the United States to use foreign aid to “lubricate” global supply chains toward Central America, especially the Northern Triangle. Monies that are described as “trade capacity building” and “trade facilitation” come to mind.

Our foreign assistance should be done more intentionally in partnership with the private sector.

Perhaps USAID might consider that 30% of its monies be leveraged by the private sector. USAID and other 150 account agencies to do more co-creation with the private sector, especially on initiatives that foster trade, connect local companies to U.S. supply chains, and help close the digital divide.

Ninth, the DFC, EXIM and USTDA (and maybe MCC?) have important roles to play

The DFC should be providing credit insurance to the private sector to lend in Central America. There is a lot of investment money for the larger region but less for Central America. There are a limited number of bankable projects in Central America which means that the DFC needs to work closely with USAID and others to provide technical assistance to make projects “bankable” for the DFC. If the DFC does not have “deal maker” based in Central America, they should.

EX-IM has a role to play as well.

USTDA is the best-kept secret in the U.S. Government and can make contributions in Central America by accelerating and catalyzing investments in the digital, “hard” infrastructure, and energy sectors.

Given the attention from the Biden administration, does a new government in Honduras merit another look from the MCC? If the Biden administration wanted to “get right” with Guatemala, would a new partnership with the MCC be a way to signal that?

Tenth, leverage the flow of remittances to Central America

Remittances are crucial to the economic health of Central America, have a much greater impact than foreign aid, and remittances to the region are 15 times higher than all forms official development assistance.²⁹ Therefore, the United States should support policies and innovations that leverage remittances.

CONCLUSION

In conclusion, there is neither a “magic bullet” nor an “out of the box” solution to the problems of the Northern Triangle. Most of the solutions are relatively straightforward but politically hard and involve a mixture of economic, development, political, and security reforms. The problems of the region are, in fact, solvable, but they require sustained attention from the United States, political will in these countries, including cooperation from elites in these societies, and ultimately strong and inclusive economic growth to go with strengthened governance. However, this growth can only come about with real citizen security, reduced gang violence, and a new social contract that brings together all sectors of society and government.³⁰

Mass migration from the Northern Triangle to the United States will significantly decline when:

²⁸“FACT SHEET: U.S.-Guatemala Cooperation,” White House, June 7, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/07/fact-sheet-u-s-guatemala-cooperation/>.

²⁹REMITTANCES IN CENTRAL AMERICA: THE ROLE OF CABEI,” CABEI, 2021, https://www.bcie.org/fileadmin/user_upload/Remittances_in_Central_America_the_Role_of_CABEI.pdf.

³⁰Daniel F. Runde & Mark L. Schneider, “A New Social Contract for the Northern Triangle,” CSIS, May 8, 2019, <https://www.csis.org/analysis/new-social-contract-northern-triangle>.

- GNP per capita reaches around \$8,000, which is slightly over double the current GNP per capita;
- Transnational crime, drug trafficking, and gang violence and activity are significantly reduced;
- The social contract is reset and basic needs such as jobs, education, health, infrastructure, and power are reliably delivered.

Economic growth is possible in Central America's poorest countries, but we cannot manage or "solve" the challenges of Central America without the private sector and especially the local private sector.

Mr. CORREA. Thank you very much.

I thank all the witnesses for your testimony.

I will remind the subcommittee that each one of us will have 5 minutes to question the panel. I will recognize myself for 5 minutes of questions.

First of all, Mr. Runde, I totally agree with you, with your thoughts. I also agree with our Ranking Member, Mr. Meijer, when he talks about challenges that we have.

Bigger picture, though, I look at the United States, we are always managing by crisis. In my years in Congress, you are always running from one issue to the other, always putting out fires.

We have essentially ignored Central America, Latin America for 50 years. We only look when there is a little bit of smoke, and then by then there is a big fire and things get out of control.

We are going to continue in this country, I presume, to operate crisis management. So what we need to do is try to figure out how to continue to focus right now on Central America.

We talk about wide-spread violence, fragile democratic institutions, poverty, inequality, big issues that are going to take a long time to fix.

Yet, what I want to do today is start by asking all of you, what can we do as a Government, as a legislative body, to make sure that you are successful? In my opinion, this \$1.2 billion that has been committed to be invested in Central America will make a splash if the results are spectacular.

So what do we do? Do we get out of the way? Do we help you? What are the things that we can do to make sure that you are successful right now?

I will start out with Mr. Warlick from Parkdale.

Mr. WARLICK. Well, thank you very much.

But I think there are several things. One of the things, this opportunity that we have right now to reshore as we talk about some of the issues with the supply chains breaking down, this is one of the greatest opportunities to industrialize the region.

I would ask that we do everything we can to protect that, make this region first among any equal, give this region the trade preferences, and help keep it from predatory practices that have damaged a lot of manufacturing in the Western Hemisphere.

Mr. CORREA. Let me interrupt you, Mr. Warlick. As you know, we were looking at some legislation dealing with the rules of origin, products in CAFTA, and your industry had some concerns.

My issue is I want you to make products that Americans want to buy. We need to have some of those synthetic materials, either American-made or Central American.

How fast can we get you up and running so that we can continue to nearshore, get this stuff from the Americas?

Mr. WARLICK. Well, these investments are coming in now, and those synthetic products are already made here. In fact, we own a synthetic—we just bought a synthetic manufacturing plant that is brand-new right there in San Pedro Sula, Honduras.

So that investment is going into the region. There is more investment going into El Salvador right now for that polyester that you are talking about.

The problem you have if you open up the agreement, then what it does is it allows people to dump product in from China and other places which undermines—

Mr. CORREA. Mr. Warlick, I don't want to open up the agreement. What I want to do is help you get up and running as quickly as possible. What can I do as the Government to help you get there?

Mr. WARLICK. Well, I think right now the region has grown. I mean, if you look at the capacities this year, we are up in some cases 53 percent in some of these countries.

So adding capacity is what we are all trying to do right now, because we recognize that there will be people that want to near-shore, so we have to build this production.

But that goes back to talking about financing, talking about working together with the different agencies to be able to help look at these projects, and some infrastructure.

Daniel talked a little bit about that. There needs to be some coordination in the region on infrastructure, and there needs to be coordination between the countries in that region, whether it is on their borders, and paperwork going back and forth on products, going from one country to the next, coming to the United States. That needs to be streamlined.

So things like that, that the United States can lead in, would be very, very helpful.

Mr. CORREA. Are there infrastructure issues? Are the ports sufficient for you? Railroad lines? Are those issues or not for you?

Mr. WARLICK. Those are issues. The ports are very, very small. The rail is nonexistent. Then there is always a challenge on energy, the energy grid there.

But we are investing privately in some of these things, and the private sector is investing in some of these things, particularly with energy.

So, yes, there are infrastructure issues.

Mr. CORREA. Thank you.

I am running out of time, so I will conclude there and recognize our Ranking Member for his line of questions.

Welcome, sir.

Mr. MELJER. Thank you, Mr. Chairman.

Thank you to all of our witnesses here today for sharing your remarks earlier.

We certainly have a very comprehensive list of expertise in the region, heavily weighted toward the private sector, which I think we agree is where a lot of those economic opportunities can be born.

But I also appreciate Mr. Runde's experience at CSIS and experience in policy, focusing on U.S. economic and diplomatic engagement.

On that note, Mr. Runde, you are currently involved with Vice President Harris' Call to Action, the initiative we were speaking of earlier, but in that advisory capacity.

Could you please speak a little bit more about your role and what that initiative truly involves?

Mr. RUNDE. Well, I think it is a great start. I think that Vice President Harris convening some of America's leading companies has been a really good start.

I was asked recently, about a month ago, to join. I have a background working at USAID. I worked in investment banking and commercial banking. I have had a lot of experience around private enterprise and also the role of government and the private sector working together.

I have just recently signed on as an adviser to them. So I haven't had a chance to do much in terms of on a day-to-day basis. But I agreed to do it because I really respect the team that they have pulled together. I respect what the Vice President is trying to do. I have great respect for all the companies that have been convened.

I know there are a number of things that they are looking at in terms of—there are a couple of things that they are in.

One is that PCA is in the process of finalizing a rule of law pledge, so that we don't just have more business, but we have better business.

But also I know that PCA is fleshing out a large-scale concept on farmer insurance for the 2 million small farms across all 3 countries.

Then, finally, I just want to flag something else. There is an important role for companies through large-scale civic service programs which could inspire tens of thousands of young people across the population.

So the Howard G. Buffett Foundation and Glass Wing International launched something called the Central AmeriCorps Initiative to harness the power of young people in the region to increase rootedness and work to improve their home communities.

So these are things associated with PCA. So I am quite optimistic about it. I thought it was very important. I think it has gotten a lot of attention to the region.

I think, a little bit to Congressman Correa's standpoint, that we have an ADD relationship with the region. I think we need to bring in various stakeholders, for you to bring in the American private sector. Having someone of the prominence of Vice President Harris drawing, putting a spotlight on American business, and bringing in—beginning to bring in local businesses is very important.

I actually, frankly, think this series of 4 hearings that Chair Correa has convened, along with you, Congressman Meijer, actually I want to just congratulate you and thank you for doing this.

We don't spend enough time, or we have sporadic kind of one-off things. It is clear that you all are taking a very thoughtful and serious approach to this. So I just want to applaud your service on this and just say thank you for continue doing a sustained attention on this.

So we need sustained attention. PCA is part of that. But, ultimately, the problems of the Northern Triangle, of these 3 countries, is going to require sustained attention over multiple administra-

tions. We need to make a 10- or 15-year commitment to the region. The problem is we have kind-of 10-week or 15-week.

So I just think this sort of effort that the Congress is doing by convening a series of hearings is very, very important. The efforts that Vice President Harris is doing are important, as well as other initiatives, such as HUGE.

Mr. MEIJER. Thank you, Dan.

I think the Chairman and I agree strongly on just the challenges of that attention span component, but also making sure that we are thinking longer-term down the road. We have problems today, but we can also be working to mitigate the problems down the line.

I guess one of the things that comes up and becomes a challenge in mediating between those two are political changes and leadership changes within the region and within the Northern Triangle.

On that question, are you at all concerned with the recent change in power in Honduras and how that may impact the Call to Action's goal addressing some of those root challenges?

Mr. RUNDE. Yes. Thank you for that.

So, first, let me just reiterate that our best partner in the region is Guatemala. I thought it was a missed—I am going to put it this way—I thought it was a missed opportunity that we did not invite the Guatemalans to the Democracy Summit. We invited India, and we invited Pakistan. Pakistan took a flyer and said no, and India came.

So there are lots of country in the world we have issues with that were invited to the Summit for Democracy. So I am sure someone can explain to me why Guatemala wasn't invited, but I thought that was a blooper. So I think we ought to get right with Guatemala.

In terms of Honduras, I thought it was quite significant that Vice President Harris led the delegation for the swearing-in of Xiomara Castro.

So I think there are sort-of two directions that Honduras could go. It could go in the direction of a responsible social democracy, progressive social democracy, and that would be my hope, at least under her administration, or it could go in some worse direction.

So I understand why the Biden-Harris administration is investing so much effort in Honduras. We are going to have to work with Xiomara Castro for the next 4 years.

I was really pleased to see that the U.S. Senate, I believe—I don't want to say they have confirmed yet. We have an ambassador who had a hearing, I think last week, to represent Honduras. I think it is the first time we have had an ambassador, a sitting Ambassador to Honduras.

So one thing we could do is confirm a qualified person, like this very qualified senior foreign service officer that we are going to be sending to Honduras.

So I think engagement of Honduras is good. I think we need to be cautious, trust but verify. But I think we have extended our—and I think we need to—we do have to engage with the Honduran government. I think our best partner is Guatemala. We should trust but verify with Honduras.

Mr. MEIJER. Thank you, Dan.

With that, Mr. Chairman, I yield back.

Mr. CORREA. Thank you, Mr. Ranking Member.

I would now like to recognize Ms. Titus for 5 minutes of questions.

Welcome, Congress Member Titus.

Ms. TITUS. Well, thank you, Mr. Chairman. Thank you holding this hearing.

I serve on the subcommittee of Foreign Affairs for the Asian and South Pacific, and we had some conversation there about expanding the Development Finance Corporation so that you could take in some of those island countries.

I wonder if the countries that we are talking about in the Northern Triangle already qualify for that assistance. Even if they do, are there ways that we might change or expand or encourage more participation by that group to help finance some of these investments that we need in this area?

Anybody?

Mr. RUNDE. I am happy to take this, Chair Correa, but I want to see if the other witnesses want to comment on this first before I do.

Mr. CORREA. Anybody want a stab at it? Or, Mr. Runde.

Ms. RIVAS. Hi. Hello.

Mr. CORREA. Well, go ahead.

Ms. RIVAS. Yes. So I think that your question—and thank you, Congresswoman, for the question—is relevant to one of the key challenges that has been mentioned here, and that is the need for infrastructure. The question was asked. It is one of the 3 main challenges we have identified for growth in the region and for actually realizing these investments and to be able to invest more.

So energy, ports, roads, and resources that can be directed to that. But not only that, but those resources should also be along working on digitalization, bringing response into the systems, and making sure that those investments that organizations like the Development Finance Corporation and others can make in the region also work to improve trade within Central America.

I just wanted to bring that to your attention as well.

Thank you.

Ms. TITUS. Well, that reminds me of another point. As the Chairman said, we have ignored this area for so long. When we step back, it creates a power vacuum and China moves in.

We see China's Belt and Road has expanded much beyond their neighborhood. They are building the port in Lima. So I am sure maybe y'all see some investment of China in this infrastructure if we are not there to help with things like this finance corporation.

Anybody?

Mr. RUNDE. Congresswoman, Amen. Thank you so much for flagging this. Absolutely.

If we leave a void, China is going to fill that vacuum, whether it is digital infrastructure, whether it is hard infrastructure, whether it is vaccines, whether it is values. They have the ability now, they have enough mass and enough ability to fill in ways 20 years ago they couldn't.

So you are seeing this. In Central America you are seeing this. El Salvador used to recognize Taiwan. They flipped to the mainland.

The Chinese are using vaccine diplomacy. So the level of vaccination that Guatemala has is half of what El Salvador has because China has given El Salvador their crappy vaccine.

So they have sort-of 60 percent, mas o menos, levels of vaccination, maybe a little bit higher, and Guatemala is less, because for a whole bunch of complicated reasons they have got to go to the back of the line to get the top-shelf stuff from us. There are a lot of asks on the top-shelf stuff. It is a longer conversation.

But the point is—and so they have had China and El Salvador doing large-scale vaccine campaigns on the El Salvador-Guatemala border. So the Guatemala press says, well, if we would only—it is like in the Bible with that, the Devil tempting Christ. It is like if you would only recognize the mainland, you could get all these crappy vaccines.

So we need to respond across a series of vacuums. One of them absolutely is digital; another one is hard infrastructure.

You are seeing this in ports and energy. I agree with Mr. Warlick's comment about having a regional approach to energy and infrastructure.

The DFC is an important instrument, it is not enough, but it is an important instrument. There are a number of—there is lots of monies for green projects, but less for sort-of other kinds of activities.

So I think one of the things we need to think about is making sure we have enough technical assistance for the Development Finance Corporation. That is in essence sort-of like expertise to kind-of make projects what they call bankable, or to kind-of fix projects up to make them more attractive or to make them attractive to the private sector.

So sometimes it is about technical assistance, and sometimes it is about making sure that we have people that can kind-of generate deals.

We need to enable an alternative to China. We don't have to meet China dollar for dollar. We are not going to meet China dollar for dollar through the DFC. The DFC is an important instrument. It needs to work with things like AID.

We could put the Inter-American Development Bank on steroids. We could put the North American Development Bank and repurpose it to focus on those 3 countries as well as the U.S.-Mexican border, the southern Mexican border.

We could also be using instruments like the U.S. EXIM Bank, USTDA, and also the MCC, the Millennium Challenge Corporation. We have a new, very fine leader of the Millennium Challenge Corporation confirmed by the Senate.

We ought to maybe perhaps take a look at—another look at Honduras or Guatemala for Millennium Challenge Corporation investments.

Over.

Ms. TITUS. Thank you.

Thank you, Mr. Chairman.

Mr. CORREA. Thank you, Ms. Titus.

Again, I will recognize Mrs. Harshbarger for 5 minutes of questions.

Welcome, ma'am.

Mrs. HARSHBARGER. Thank you, Chairman.

Thank you, witnesses, for being here.

Mr. Warlick, Parkdale employs 455 full-time employees at your Mountain City facility, which is in my district. I want you to know I visited that facility, and it was top-notch. I learned so much about what you do. Those workers are dedicated and it is a wonderful facility. Just letting you know that. It is a wonderful place.

I learned a lot reading your testimony, sir, that your company is the largest domestic consumer of U.S. cotton—of U.S.-grown cotton per year, which is amazing, 755 million pounds.

I have also learned that you have become one of the Federal Government's largest domestic suppliers of PPE products in the country, and that is great because we need allied countries, like the Triangle countries, instead of depending on China for PPE.

I have been in the pharmacy world for 35 years, and we saw nothing greater than what we needed to survive during the pandemic, our medications, our PPE products, come from an adversarial nation. So it is wonderful that you are stepping up to do that, sir.

Also in your testimony you talked about the newly-announced investment in Honduras, and it won't only create new jobs in that country, but will also help support Parkdale's manufacturing jobs here in the United States.

In your testimony you said, "The success of Parkdale's operations in the U.S. is entirely dependent upon the success of our supply chains domestically and throughout the region," which I totally agree with.

If you would, explain in a little more detail how your U.S. facilities and workers, included in my district, benefit from a strong co-production chain between the United States and Central America, sir?

Mr. WARLICK. Well, thank you very much, and I appreciate those kind words. We are so excited to be in Tennessee. That is a wonderful place to operate and a wonderful group of people that we have there. I was delighted that you got to go through that operation.

The co-production chain that we have is critical because 78 to 79 percent of what we make is exported to that region to support customers there that are knitting fabrics or weaving fabrics and having them cut and sewn and they come back to the United States.

So this co-production chain is very, very important for the U.S. textile industry, because most of the textile industry, 70 to 80 percent, is exported there. The rest would probably be going into the NAFTA region.

But it is critical. That is what enables us to buy that much U.S. cotton and convert it here and then ship those yarn cones on containers to Central America.

We also have factories in Central America that help subsidize that capacity as well, and the new plant will do just that. We will be upgrading some of our operations in the United States, putting in some more robots, some more robotic factories. And will also be investing in Central America to be nearby to be able to be a quicker response, have warehousing facilities there to support our domestic locations.

Mrs. HARSHBARGER. Well, I have said this all along, if we can't produce it here in our country, we need to go to allied countries, and especially those who need help, in order to be more self-sufficient in everything, not just what you do, but in everything.

So I loved touring that facility. When I saw the automation and some of the robotics that you had and how they spin that, to me, it was simply—it was—I mean, it was art, basically, when you look at that. They gave me some products to bring home just to see what they did.

It is a wonderful facility. I would tell any of my colleagues to go tour one of your facilities. I would love to go on a codel over there to see how these things work.

Mr. WARLICK. We would love to have you. One of the most impressive things I have heard from you and the Chairman is the fact that there is a recognition that maybe we have underinvested in this area, because it is in our backyard, these are our neighbors.

Let's think about these are Americans. These are Americans—North America, Central America—these are Americans here. I am glad to hear that we should be viewing this area as first among any equal as far as development and building up.

So thank you for your interest.

Mrs. HARSHBARGER. Well, no worries. I will see you shortly, again, I am sure.

With that, I yield back, sir.

Mr. CORREA. Mrs. Harshbarger, great questions. I just want to say we are planning to put together a codel. The states keep shifting on us. But we do want to go in and ask the questions of these wonderful people and tour.

I think Mr. Warlick is absolutely correct. These are Americans. If you think of the remittances of the folks from that area that live in the United States that send money back on a periodic basis, that is a great revenue stream for those countries.

A lot of folks live, like I say, with one foot in the United States and one foot in Central America. So we do have to focus on these issues. But like I mentioned earlier, just trying to get beyond management by crisis.

So if I can, that is our first round of questions. Are you folks OK if we go for a second round of questions?

Mr. Ranking Member, are you OK with that?

Our witnesses?

So if I can, then, let me ask all of you. Pepsi, you have got a hundred years of history. Cargill, you have got, I think you said, 50 years of history. All of you there have knowledge about how things are working where the rubber meets the road.

Do you feel like we, as a Government, reach out and hear your opinions and we are making policy in Central America?

Mr. Christenson.

Mr. CHRISTENSON. Sure, yes. I mean, thank you for the question, Mr. Correa.

I would say, in general, and I will lead into this by trying to answer your last question, too, I think, in general, we are a Fortune 500 company, and so when we look to invest and build, I mean, we look to do that within the resources of our own company.

I would say in the region what we hear from the business on the ground is that, yes, there are challenges. I mean, we are still committed to continue expanding. All the commitments that we made, we plan to honor.

But security issues and, I think, the lack of legal certainty, those, I think, just as a practical matter, those increase the cost of doing business, and those can represent a barrier to further investment. I think, again, over the last 3 years what we hear from our business there, that they have noticed a significant increase in activities that can be a deterrent.

So I would say we have taken the steps of engaging extensively with the local Northern Triangle governments. Fundamentally what we need there is——

Mr. CORREA. Mr. Christenson, let me interrupt you.

Mr. CHRISTENSON. Yes.

Mr. CORREA. You said you have issues. The security issue, the violence issue, that is a tough one. I will put that one aside for a moment.

But let's focus on maybe one that we can help with, which is a certainty of investment in the area, the rule of law and predictability, so to speak, when it comes to your investments, and figuring out the business climate that you will be operating in and under.

Can we as a Government reach out and help you clear that road, not to impose on anybody's sovereignty, but to say, these are American investors under possibly a rule of treaty, a something? Can we come up with an understanding, government to government, that this is the way we will respect your investment by your country's entities in our area?

Is that something we can do? Can we do something?

Mr. CHRISTENSON. Right. Something that we hear from our businesses certainly in the region having the U.S. Government echoing our voice with the regional governments. We would love to work with you on what form that takes. That could certainly be helpful. So, yes, Mr. Correa, we would love to work with you on that.

Mr. CORREA. Again, Mr. Christenson, and I will tell all of you that 2 years ago when I went to Central America I committed to going back in 6 months and it has been 2 years. All of us know that in the middle of that we got COVID, we have all kinds of crises.

But I do hope we focus in and make a long-term commitment. It is not about Central America; it is about the United States and making sure we have stable economies south of us.

Any other? Some of the witnesses, can you care to comment on that? Is there anything the Government can do to help you in terms of stability, predictability of your investments in Central America?

Ms. RIVAS. Chairman Correa, you call out issues that are key for certainty, predictability. I think that technical assistance was mentioned before that could be transferred to governments. I think policy. In terms of policy, we work with local chambers to bring the messages to the local governments, but we also link to the U.S. Chamber to bring those messages to the United States as well.

So I think the partnership itself and one of the reasons, and I think Mr. Runde mentioned this as to why he has been part of this, is because we see this potential to bring together the U.S. Government, our concerns, the issues we have identified, and work with the local governments.

We have, as it was mentioned by my colleague from Pepsi, we work with the local governments, we bring our expertise, we bring our concerns, we bring examples, but actually supporting them with experiences and with the assistance and the investment.

But as I mentioned before, investment in infrastructure, but also investment in digital tools and investment in bringing more transparency to the system. It could be as simple as defining, what is the key process for a value chain? How do you make that digital? How do you create a system? How do we all, businesses and the different institutions, have access to that and try it out and put it to work?

We have some pilots, but I think the partnership is also about scaling these pilots that have shown some good results in the region.

Mr. CORREA. Thank you.

Mr. Warlick or Mr. Runde.

Mr. WARLICK. Thank you, Mr. Chairman.

What I would say is we appreciate, our industry appreciates the efforts by the administration and also USTR in giving us certainty on the rules of origin, because it just unlocked \$900 million worth of investments there that are going to be critical for the reindustrialization of the area.

So thank you very much for that.

Mr. CORREA. OK.

Mr. Runde.

OK. I think my 5 minutes are up.

Anybody else up for 5 minutes of questions?

Going once? Going twice?

I would like to thank our witnesses today for your testimony, and Members for your questions, and the witnesses for answering.

Ms. Titus, did you have some questions?

Ms. TITUS. Well, thank you, Mr. Chairman.

I would just say, as we continue to look at development in this area, we should keep in mind the Vice President's call for including women in the development and employment opportunities.

We see little microeconomies sometimes. It is usually in the area of handicrafts where women get together and do weaving or whatever. You see them in imported shops here. But I think there are broader opportunities.

We know women are agents of change, whether we are talking about fighting corruption in government or making investments at the local level or with campesinos who have no land of their own. So let's always remember to focus on them going forward, too.

I thank you, Mr. Chairman, for having this hearing.

Mr. CORREA. Thank you very much.

I just want to warn the witnesses I will probably be calling on you to talk a little bit more as we prepare our trip to Central America.

Mr. Warlick, again, thank you very much for your policy recommendations and thoughts because, as you know, those are some of the issues that we were looking at just recently and we will continue to look at.

Mr. WARLICK. Thank you, sir.

Mr. CORREA. I want to, again, thank all of you.

Before adjourning, I ask for unanimous consent to submit a statement letter to the record from Microsoft on their investments in response to the Call to Action effort.

Without objection, so admitted.

[The information follows:]

STATEMENT FROM KATE BEHNCKEN, VICE PRESIDENT AND LEAD OF MICROSOFT
PHILANTHROPIES, MICROSOFT CORPORATION

FEBRUARY 17, 2022

Chairman Correa and Ranking Member Meijer, thank you for the opportunity to submit a statement for the record as you consider private-sector investments in the Northern Triangle.

Microsoft has a long-standing presence in the Northern Triangle, first opening an office in Guatemala in 1995 and soon following with operations in El Salvador and Honduras. Through our presence and work in this area, Microsoft has developed a deeper understanding and perspective of regional dynamics. We are committed to promoting economic opportunity in these countries through increasing broadband access and providing digital skilling. As a key part of this work, in July 2021 Microsoft, working with numerous other companies, and through the Partnership for Central America, joined together to answer Vice President Harris' call to action to promote economic opportunity and address urgent challenges in the region.

Having access to affordable high-speed internet and the skills necessary to unlock the power of connectivity is critical to participating in the global digital economy. The past 2 years have made clear that broadband and skills are vital to education, productivity, collaboration, and communication around the world. Broadband can play an influential role in invigorating the economy and building a brighter future for people in the region. Unfortunately, these countries fall short of the regional benchmark for broadband: Broadband penetration in El Salvador is 57 percent, Guatemala is 41 percent, and Honduras is 37 percent. The broadband gap, or digital divide, disproportionately impacts rural areas where fiber and mobile wireless networks are less prevalent due to smaller populations and lower density. This lack of broadband access in rural areas exacerbates the challenges inherent in fostering local economic empowerment, 21st-Century skilling, and inclusive access to on-line information, services, and solutions.

The Microsoft Airband Initiative works in tandem with regional partners to close the digital divide and bring high-speed internet connectivity to unconnected communities world-wide. Through these partnerships, we are on track to catalyze broadband access for 4 million people by 2024 and to date 1.5 million people now live within the footprint of new networks being established through our work with regional partners. And broadband access is just the first step: Microsoft has expanded its collaboration with New Sun Road and USAID to establish solar-powered digital community centers to provide broadband, digital skills, devices, educational experiences, and mentorship to women and young people in rural and high-migration areas. Eleven of these community hubs are managed by women from the local communities are already operational in rural Guatemala. We are committed to having 20 community hubs up and running in the country by July 2022.

It is also vital that people learn digital skills so they can leverage connectivity whether for education, work, entrepreneurship, or other opportunities. Microsoft launched a global skilling initiative in 2020 to help people around the world get access to digital skills needed for jobs of today and tomorrow. Through this initiative we have reached more than 53,000 people in El Salvador, Guatemala, and Honduras with top learning paths in customer service and IT support.

Building on this global skilling initiative, Microsoft will commit to training over 100,000 people in the next 3 years, equipping them with soft, technical, and digital skills needed for in-demand roles. We deliver this training, both on-line and in-person, through our partnerships with regional nonprofits. Our goal is to build partner-

ships with other companies so together we can develop a scalable model to train 1 million people in the region by 2026.

Microsoft will continue its commitment to help communities in the Northern Triangle gain access to jobs and economic opportunities to earn a living and thrive. We continue to partner with other private-sector entities, non-profits, and the Government to achieve these important goals.

Thank you for seeking Microsoft's views regarding economic development in the Northern Triangle and we look forward to discussing this important matter with the subcommittee in the future.

Mr. CORREA. Members of the committee will have additional—if they have additional questions, we ask that you respond, submit them to our witnesses, and the witnesses to please respond expeditiously in writing to those questions.

The Chair reminds Members that the committee record will remain open for 10 days.

Without objection, this committee stands adjourned.

Thank you very much.

[Whereupon, at 3:14 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS FROM CHAIRMAN J. LUIS CORREA FOR ANDERSON WARLICK

Question 1a. Through Vice President Harris's Call to Action, Parkdale Mills announced that it is investing \$150 million to build a new yarn spinning facility in Honduras to support the region and expand operations in Virginia.

When will those investments be fully implemented?

Answer. We are near completion in our Hillsville VA location and under construction in Honduras. We expect Phase 1 will be complete in the 4th quarter of 2022, and Phase 2 will be complete in the 2nd quarter of 2023.

Question 1b. What types of yarns will be produced by those facilities?

Answer. Our new investments will be suitable for cotton, cotton/synthetic, and synthetic short staple yarns. Our equipment will be able to spin cotton, polyester, nylon, acrylic, rayon, Tencel, and support our advanced material initiatives.

Question 1c. What percentage of yarn produced by those facilities will be for apparel?

Answer. The yarns we are currently producing in Hillsville VA are for apparel end uses and we expect the same for Honduras. The equipment specifications would allow us to service a wide range of markets.

Question 1d. Will the yarn produced by those facilities be available on the market for purchase?

Answer. Yes.

Question 2a. In your testimony, you mention that nearshoring and onshoring are critical production chains amid a global supply chain crisis and that Parkdale Mills welcomes the opportunity to be a solution to brands and retailers seeking to recalibrate their supply chains.

Please describe any partnerships you have with U.S.-based brands and retailers in the Northern Triangle.

Answer. Parkdale has long-standing relationships with many recognized manufacturers and brands in the NT. These partnerships operate under contracts of varying lengths of time and terms. We do not have any contracts with retailers at the moment. Over the years, we have met with many retailers and brands and in the past very few have wanted to manage their supply chain back to the yarn source.

Question 2b. Would you be open to expanding your partnerships to support a shift in production to the Western Hemisphere and the United States?

Answer. We are encouraged by the shift in demand coming to the WH and Parkdale is very open to the expansion of our current plans.

