Economic Commission for Latin America and the Caribbean
ECLAC OFFICE IN WASHINGTON, D.C.

United States- Latin America and the Caribbean Trade Developments 2019

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This United States Trade Developments 2019, is an annual report prepared by the ECLAC Washington Office. Raquel Artecona, Economic Affairs Officer, and Rex-Garcia Hidalgo, Senior Statistics Assistant, were the main authors, under the supervision of Inés Bustillo, Director, ECLAC Office in Washington, D.C.. In addition, Michael Cheung, Agustin Grizia, Harry Nitzberg, and Raphael Rodríguez, were involved in the research for this year's edition.

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Abstract

United States Trade Developments, 2019, provides an overview of selected developments in United States trade relations with Latin America and the Caribbean and of measures that inhibit the free flow of goods among countries in the Western Hemisphere. This is an annual report elaborated by the ECLAC Washington Office.

The United States trade policy priorities in 2019 included efforts to obtain Congressional ratification of the United States-Mexico-Canada free trade agreement (USMCA). The renegotiated USMCA, signed on 30 November 2018, revises rules of origin for vehicles, expands market access in agriculture and revises investment protection. It expands labor and environmental protection in the agreement itself and includes new topics such as digital trade, state-owned enterprises, and currency manipulation.

In addition, a major priority was advancing negotiations with China to address, among other, the U.S. bilateral current account deficit, technology transfer, intellectual property protection, and non-market policies. Tariffs and/or other trade restrictions based on investigations under U.S. trade laws such as Section 201 and Section 301 of the Trade Act of 1974 and Section 232 of the Trade Act of 1962 were employed in seeking elimination of concerns with unfair policies and practices. Also, the Administration negotiated and signed in September the first phase of a trade agreement with Japan that would gradually reduce tariffs on U.S. agricultural products and U.S tariffs on Japanese industrial products. Negotiations for a second phase trade agreement will start in 2020.

The report presents a description of trade flows between the U.S. and Latin American and the Caribbean. The region has been one of the fastest-growing regional trading partners for the United States, with Mexico becoming its number one trading partner in March 2019. The document also contains a summary of the main findings of the United States International Trade Commission on the potential economic effects of the USMCA on the U.S. economy, highlights of developments in the trade relationship between the United States and China, and measures that inhibit the free flow of trade. In addition, this year's report includes an overview of U.S. financing for development and financial assistance.

Introduction

United States Trade Developments, 2019, provides an overview of selected developments in United States trade relations with Latin America and the Caribbean and of measures that inhibit the free flow of goods among countries in the Western Hemisphere. This is an annual report elaborated by the ECLAC Washington Office.

The 2019 President's Trade Policy Agenda of the United States highlights three major points: inheriting a flawed global trading system intrinsically unfair to the United States and unfavorable to market competition; undertaking a major revision of the country's trade obligations to rebalance the relationship with the global economy and a much stricter enforcement of U.S. trade laws; and the continuation of the pursuit of new trade deals and stronger enforcement mechanisms.

Under this guidance, United States trade policy priorities in 2019 included efforts to obtain Congressional ratification of the United States-Mexico-Canada free trade agreement (USMCA). The renegotiated USMCA, signed on 30 November 2018, revises rules of origin for vehicles, expands market access in agriculture and revises investment protection. It expands labor and environmental protection in the agreement itself and includes new topics such as digital trade, state-owned enterprises, and currency manipulation.

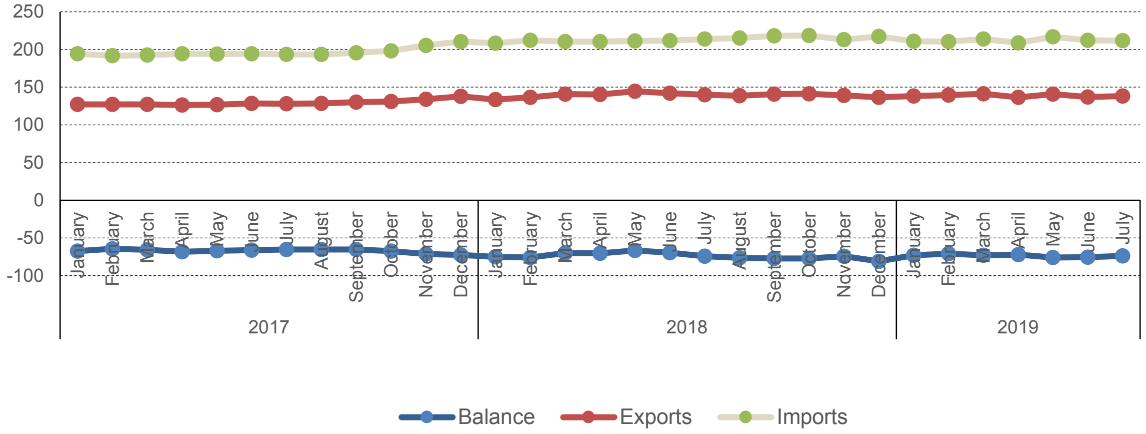
In addition, a major priority was advancing negotiations with China to address, among other, the U.S. bilateral current account deficit, technology transfer, intellectual property protection, and non-market policies. Tariffs and/or other trade restrictions based on investigations under U.S. trade laws such as Section 201 and Section 301 of the Trade Act of 1974 and Section 232 of the Trade Act of 1962 were employed in seeking elimination of concerns with unfair policies and practices. Also, the Administration negotiated and signed in September the first phase of a trade agreement with Japan that would gradually reduce tariffs on U.S. agricultural products and U.S tariffs on Japanese industrial products. Negotiations for a second phase trade agreement will start in 2020.

This year's report is organized as follows: section I presents trade flows between the U.S. and Latin American and the Caribbean. The region has been one of the fastest-growing regional trading partners for the United States, with Mexico becoming its number one trading partner in March 2019. Section II includes a summary of the main findings of the United States International Trade Commission on the potential economic effects of the USMCA on the U.S. economy and highlights of developments in the trade relationship between the United States and China. Measures that inhibit the free flow of trade are included in Section III. Finally, Section IV provides an overview of U.S. financing for development and financial assistance.

I. U.S. Trade in Figures

- U.S. trade in goods has remained relatively steady in recent years. U.S. exports of goods have hovered around US$135 billion, U.S. imports around US$212 billion and the trade deficit between US$60 billion and US$80 billion.

Figure 1
United States trade in goods, monthly data, 2017-2019
(in billion dollars)



Source: Bureau of Economic Analysis, International Trade in Goods and Services, August 2019

- North America is the top regional U.S. trading partner. In 2019, total trade with North America amounted to US$718 billion in the first seven months of 2019, an increase of 0.6% with respect to the same period in 2018. U.S. trade with North America is evenly split between Canada and Mexico. The Pacific Rim comes in second with US$716 billion in 2019. Total trade with this region fell 5.4% with respect to the same period in 2018. This is mostly explained by the fall of US$50 billion, a decrease of 13%, in U.S. trade with China. The European Union is the third top trading partner.

Table 1
United States Trade in Goods by Region, year to date, 2018-2019
(in billion dollars)

	Total Trade		Exports		Imports		Balance	
	2019	2018	2019	2018	2019	2018	2019	2018
North America	718.1	714.8	323.4	330.8	394.7	384.0	-71.4	-53.1
Mexico	361.1	351.5	151.4	154.3	209.7	197.2	-58.3	-42.9
Canada	357.0	363.3	172.0	176.5	185.0	186.8	-13.0	-10.3
Pacific Rim	716.4	756.9	225.2	240.7	491.2	516.2	-266.0	-275.5
China	321.3	371.4	60.7	74.2	260.6	297.1	-199.8	-222.9
European Union	495.7	464.7	195.9	185.0	299.8	279.7	-104.0	-94.7
Latin America and the Caribbean (exc. Mexico)	162.7	174.0	95.0	96.2	67.7	77.8	27.2	18.4
OPEC	58.0	79.4	28.8	32.6	29.2	46.8	-0.3	-14.2
Africa	34.2	36.2	15.8	14.6	18.4	21.6	-2.5	-7.0
Other countries	170.4	150.9	53.7	48.6	116.7	102.3	-63.0	-53.8
Total	2,411.7	2,415.0	956.9	965.6	1,454.8	1,449.4	-497.8	-483.8

Source: ECLAC on the basis of Bureau of Economic Analysis, International Trade in Goods and Services, August 2019

Notes: Pacific Rim region includes: Australia, Brunei, China, Hong Kong, Indonesia, Japan, Korea (South), Macau, Malaysia, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan.

- About 2% of the Harmonized Tariff Schedule (HTS) classification codes in goods trade are identified as "advanced technology" codes. Their code contains products whose technology is from a recognized high technology field (e.g., biotechnology), the products represent leading edge technology in that field, and/or such products constitute a significant part of all items covered in the selected classification code. The U.S. exported US$209 billion advanced technology products from January to July 2019 and imported US$277 billion, running a US$68 billion trade deficit in advanced technology products. Half of the U.S. imports of advanced technology products are originated in the Pacific Rim countries, 30% come from China. The U.S. runs a trade deficit in advanced technology products with China of US$55 billion. A little more than a quarter of the U.S. advanced technology trade is with the European Union. Trade in advanced technology products with Latin America is driven by trade with Mexico that exported US$33 billion and imported US$24 billion in 2019, representing 8.8% of U.S. exports of AT products and 3.4% U.S. imports.

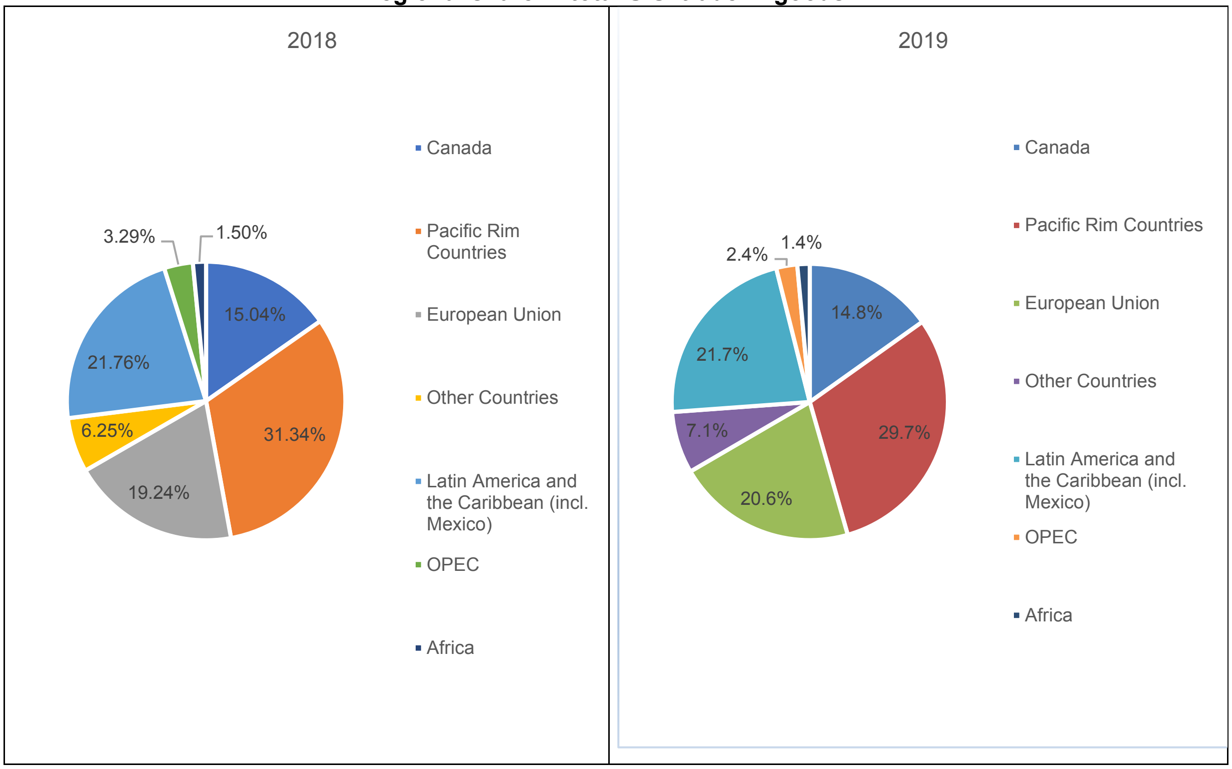
Table 3
U.S. Trade in Advanced Technology Products by Technology Group and Selected Countries and Areas, 2019
(in billion dollars)

	2019		2019	
	Exports	Imports	Exports	Imports
Total	209.3	277.1	100%	100%
North America	42.9	43.3	20.5%	15.6%
Canada	18.5	9.6	8.8%	3.4%
Mexico	24.4	33.7	11.6%	12.2%
European Union	55.8	66.0	26.7%	23.8%
Pacific Rim Countries	67.3	138.4	32.1%	49.9%
China	19.9	75.2	9.5%	27.1%
Japan	10.9	14.4	5.2%	5.2%
South/Central America	15.2	2.7	7.3%	1.0%
Brazil	6.7	1.4	3.2%	0.5%
Other Countries	57.9	45.2	27.7%	16.3%

Source: ECLAC based on Bureau of Economic Analysis, International Trade in Goods and Services, August 2019

- Latin America represents 21.7% of U.S. trade in goods, the Pacific Rim about 30%.

Figure 2
Regional share in total U.S. trade in goods



Source: ECLAC based on Bureau of Economic Analysis, International Trade in Goods and Services, August 2019.

- The top U.S. trading partners in the region are Mexico, Brazil, Colombia and Chile, together they represent 83% of total trade in goods with Latin America and the Caribbean. Trade with Mexico represents 68% of total trade with Latin America and the Caribbean. Trade with Brazil, Colombia and Chile make up 15% of total trade with the region.

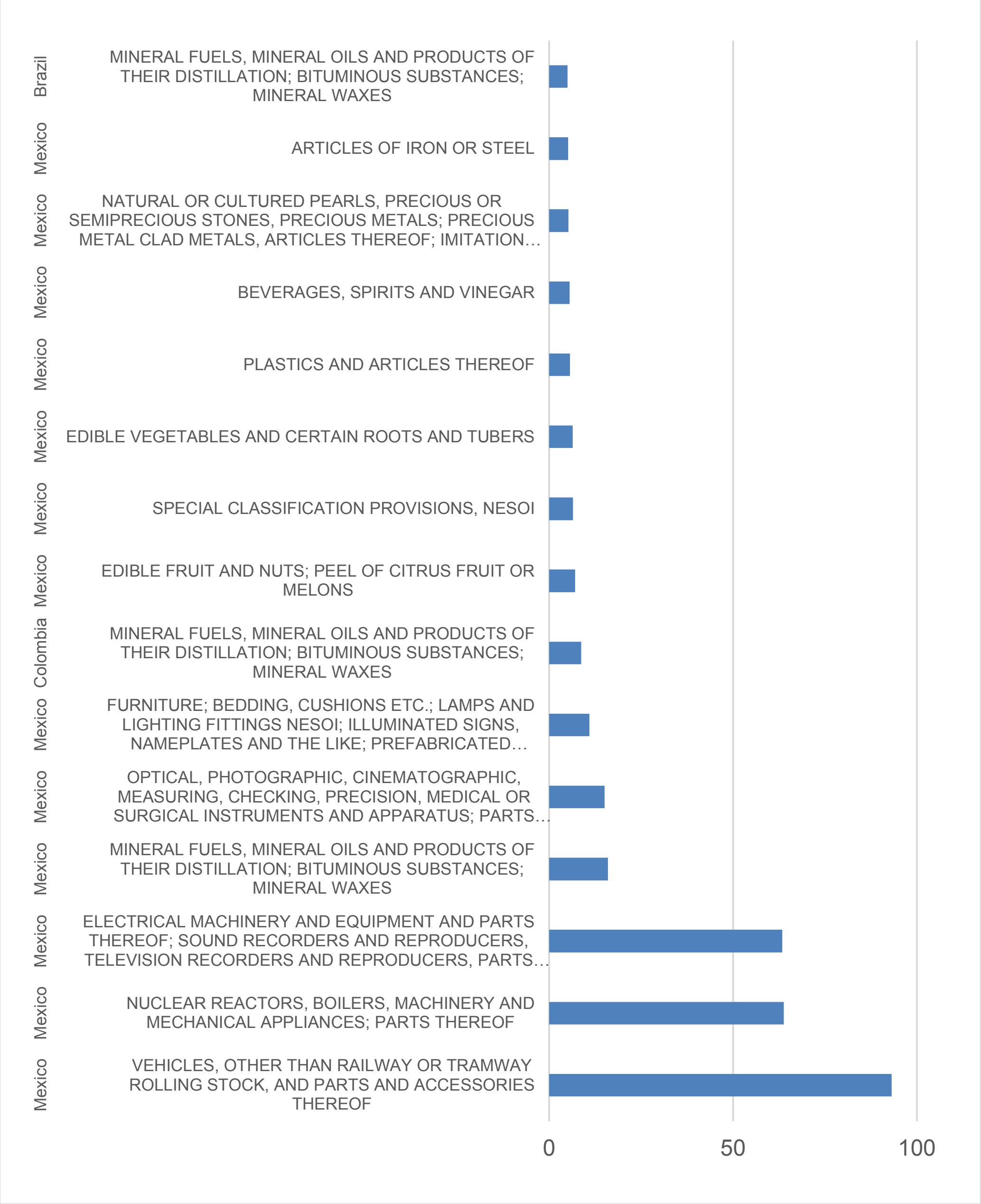
Table 2
Trade in goods with Latin America and Caribbean countries
(in billion dollars)

Country	Total Trade		Exports		Imports		Balance	
	Year-to-date 2018	Year-to-date 2019	Year-to-date 2018	Year-to-date 2019	Year-to-date 2018	Year-to-date 2019	Year-to-date 2018	Year-to-date 2019
Mexico	364.8	373.1	228.8	240.9	136.1	132.2	-92.7	-108.7
Brazil	42.9	44.7	20.5	20.6	22.4	24.1	1.9	3.5
Colombia	18.6	19.2	9.9	10.4	8.7	8.9	-1.3	-1.5
Chile	17.0	16.4	8.3	7.4	8.7	9.0	0.5	1.7
Dominican Rep	9.0	9.5	3.6	3.7	5.5	5.9	1.9	2.2
Peru	11.0	9.4	5.1	3.8	5.9	5.7	0.8	1.9
Argentina	8.7	8.2	3.1	3.4	5.6	4.9	2.4	1.5
Ecuador	8.2	8.1	4.6	4.6	3.5	3.5	-1.1	-1.2
Costa Rica	7.1	7.0	3.2	3.4	3.8	3.6	0.6	0.2
Guatemala	7.0	6.9	2.9	2.7	4.1	4.1	1.2	1.4
Honduras	6.7	6.8	3.2	3.2	3.5	3.5	0.3	0.3
Panama	4.2	4.8	0.3	0.3	4.0	4.5	3.7	4.2
Trin & Tobago	3.5	4.0	2.3	2.3	1.2	1.7	-1.1	-0.6
El Salvador	3.6	3.7	1.7	1.7	1.9	2.0	0.3	0.4
Nicaragua	3.5	3.6	2.4	2.6	1.0	1.1	-1.4	-1.5
Venezuela	12.8	3.4	9.0	2.5	3.8	0.9	-5.2	-1.7
Jamaica	1.8	1.9	0.2	0.3	1.6	1.6	1.3	1.4
Haiti	1.6	1.6	0.7	0.7	0.9	0.9	0.3	0.1
Uruguay	1.0	1.2	0.3	0.4	0.7	0.9	0.3	0.5
Paraguay	1.3	1.1	0.1	0.1	1.2	1.0	1.2	0.9
Bolivia	0.6	0.6	0.3	0.3	0.3	0.3	0.0	0.0
Belize	0.4	0.3	0.2	0.0	0.2	0.3	0.0	0.2
Cuba	0.2	0.2	0.0	0.0	0.2	0.2	0.2	0.2
Latin America and the Caribbean	535.6	535.7	310.8	315.1	224.8	220.6	-86.0	-94.5
World	2618	2600	939	928	1679	1672	-740	-744

Source: ECLAC on the Basis of USITC dataweb. Imports for consumption value, domestic exports FAS value.

- The top 15 products the U.S. imported from the region include: vehicles their parts and accessories, nuclear reactors, boilers, machinery and mechanical appliances, electrical machinery and equipment and parts and mineral fuels, mineral oils and their distillation, bituminous substances and mineral waxes. They originate in Mexico, Colombia, Brazil or Chile.

Figure 3
Top 15 U.S. imports from the region, by country of origin, 2018
(in billion dollars)



Source: ECLAC based on USITC dataweb

- The United States has free trade agreements with eleven countries in the region: Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru.
- In addition, the U.S. extends unilateral preferences under the Generalized System of Preferences (GSP) to 14 countries in Latin America and the Caribbean: Argentina, Belize, Bolivia, Brazil, Dominica, Ecuador, Grenada, Guyana, Haiti, Jamaica, Montserrat, Paraguay, Saint Lucia, and Saint Vincent and the Grenadines. President Trump reinstated Argentina's GSP eligibility in 2017. The United States Trade Representative (USTR) has still two open country practice reviews for Bolivia and Ecuador. The petition for Ecuador was submitted by the oil company Chevron in 2013 on the basis of lacking recognition and enforcement of applicable arbitral awards. For the case of Bolivia, the review was initiated in 2017 by the USTR itself and focuses on whether Bolivia is meeting the eligibility criteria regarding internationally recognized worker rights and child labor issues.

II. Trade Developments

United States trade policy during 2019 revolved around efforts to obtain passage of implementing legislation for the USMCA by the U.S. Congress, ongoing negotiations with China to address the persitent trade deficit, issues related to intellectual property rights, industrial practices causing overcapacity in steel and aluminum and other unfair trade practices.The negotiation of a trade deal with Japan was also a priority. South Korea committed this year to no longer claiming the developing country status for itself in the WTO.

A. The United States Mexico Canada Trade Agreement (USMCA)

The United States-Mexico-Canada Trade Agreement was signed on 30 November 2018 by the Presidents of the three signatory countries. To enter into force, the USMCA needs to be ratified in all three countries. Mexico ratified the agreement in June 2019, the U.S. and Canada are working with their respective congresses to ensure its ratification.

In the U.S., a vote on the proposed USMCA is expected in 2019 after some outstanding areas of concern are resolved. To expedite action in those areas, a USMCA working group was created in the U.S. House of Representatives The working group, composed of nine representatives, is divided in four subgroups: drug pricing, labor, environment, and enforcement. It has been leading negotiations among legislators, labor unions, Mexican authorities and the USTR to introduce changes to the proposed agreement that address concerns relating to enforcement mechanisms of labor and environmental laws, and biologics.

The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 requires that the United States International Trade Commission (USITC) prepare a report assessing the likely impact of a proposed U.S. trade agreement on the U.S. economy and U.S. consumers in general. The USITC released its assessment of the USMCA, "United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and Specific Industry Sectors", in April 2019. What follows is a summary of the findings.

Overall, the report finds a moderate positive economic impact of USMCA implementation, compared to a baseline scenario in which the previous trade agreement (NAFTA) remains in place. According to this report, the USMCA would increase real U.S. GDP by 0,35% (US$68 billion) and employment by 0,12% (176,000 jobs). U.S. trade volumes with Canada and Mexico are also expected to increase, as presented in Table I.

Table 4
Economy-wide impacts of USMCA (changes relative to baseline in 2017)

	Value	Percent
U.S. real GDP (billion $)	68.2	0.35
Employment (1,000 full-time equivalent workers)	175.7	0.12

	Exports (%)	Exports (billion $)	Imports (%)	Imports (billion $)
U.S. trade with Canada	5.9	19.1	4.8	19.1
U.S. trade with Mexico	6.7	14.2	3.8	12.4

Source: USITC estimates, USITC DataWeb

With respect to the manufacturing industry provisions, the report identifies the automotive sector as that with the most significant effects for the U.S. economy. Due to the significant increase in the regional content required for duty-free treatment of automobiles (Rules of Origin), the study estimates a modest increase of prices for all vehicles, implying a decline in total consumption in the United States by over 140,000 vehicles and a loss of 1,500 jobs. However, this would be largely offset by an increase of U.S. automotive parts production, generating a net employment increase of more than 28,000 full-time equivalent (FTE) employees in the automotive sector, as well as an increase in U.S. investment of US$683 million per year to meet new demand for U.S.-produced engines and transmissions.

Regarding the services sector, the USMCA is estimated to reduce costs for cross-border services trade. The biggest impact would be experienced by the broadcasting, telecommunications, and courier services sectors in the United States, which will benefit from eased broadcasting limitations, enhanced regulatory and interoperability provisions as well as intermediary liability protections, and the commercial banking sector in all three countries.

Although most trade in agricultural products between U.S., Canada and Mexico is already free under NAFTA, there are some remaining restrictions that would be eased under USMCA, mostly those regarding tariff-rate quotas (TRQs) with Canada. The new provisions of USMCA would have a positive impact on the U.S. agriculture sector, increasing total annual U.S. agricultural and food exports by US$2.2 billion (1.1 %) when fully implemented. New agriculture market access provisions, easing of TQR's related to diary, poultry and egg-containing products, as well as non-tariff measures regarding U.S. alcoholic beverages and wheat exports to Canada are the principal reasons for this increase estimated in the model.

USMCA effects on textiles, chemicals, electronic and energy products, are estimated to be rather small and not significant.

The USMCA would be the first U.S. free trade agreement to include a chapter on digital trade. International data transfers and data localization are estimated to have a significant, positive impact on industries that rely on cross-border data flows as it facilitates the automation and monitoring of industrial production and agriculture, the operation of supply chains, and access to global marketplaces, among other uses. These provisions are expected to become more important as industries become more data-intensive.

The investment chapter of USMCA will end the Investor-State Dispute Settlement (ISDS) of the U.S. with Canada after three years and maintain it with Mexico only under specific circumstances in five predefined sectors: oil and natural gas, power generation, telecommunications, transportations services and some infrastructure. Only firms working on public contracts within these sectors can raise claims directly through the ISDS channel. Firms outside these sectors can use ISDS only in cases of direct expropriation, national treatment and most-favored nation treatment, and only after having exhausted a series of other domestic channels to solve the disputes. This is expected to foster greater investment in the U.S.

With respect to labor provisions, the USMCA includes a whole new labor chapter (under NAFTA, labor was only a side agreement), promoting higher wages and improved labor conditions. It prohibits the elimination or weakening of existing labor regulations in a way that impacts intra-party trade or investment. Collective bargaining commitments in Mexico, for example, are estimated to increase Mexican union wages by 17.2 %, which would in turn have a moderate effect on the U.S. economy.

Finally, the Commission's USMCA report expects the implementation and enforcement of the IPR chapter's provisions to benefit U.S. industries that rely on IPR protections such as trade secrets, regulatory data protection, patents, trademarks, copyrights, and civil, criminal, and administrative enforcement. Sectors whose trade flow is strongly correlated with IPR protections, like scientific and analytical instruments and medical devices, will benefit the most from these new provisions, according to the model.

On the other hand, the lack of significant findings for other sectors is probably due to the fact that the effect in some industries "estimated gains to originator (first-to-market) firms from stronger IPR protections are offset by losses to follow-on or generic firms." This is the case of biopharmaceuticals, for example.

B. United States-China: escalating tension

Trade and economic relations between the United States and China have gradually expanded over the last couple of decades. In 2018, China was the largest U.S. trading partner in merchandise trade, the third-largest export market after Canada and Mexico, and the largest source of imports. U.S. goods exports to China totaled US$120.8 billion in 2018 and U.S. goods imports from China amounted to US$540.4 billion that same year. The bilateral trade deficit of trade in goods was US$419.6 billion, representing 67% of U.S. merchandise trade deficit with the world. Although foreign direct investment between the two countries has also increased it has done so much more gradually. According to the Bureau of Economic Analysis, Chinese foreign direct investment (FDI) stock in the United States was US$60.2 billion (about 1.7% of total FDI stocks in the U.S.) in 2018, and the stock of U.S. FDI in China was US$116.5 billion as compared to total U.S. FDI position abroad of US5.95 trillion in 2018.

President Trump's National Security Strategy (NSS) of 2017 sought to reconsider the policies of the past two decades, addressing challenges to United States technological leasership and geopolitical competition in the 21st century (NSS, 2017).

Concerns over the fairness of some of Chinese actions related to the acquisition of some new technology prompted President Trump to order an investigation into certain acts, policies and practices of the Chinese government relating to technology transfer, intellectual property and innovation under Section 301 of the Trade Act of 1974. Based on the findings of the investigation, trade imbalances, intellectual property theft, forced technology transfers, and the lack of reciprocity have risen to the forefront of the bilateral economic relation.

The U.S. has levied tariffs on more than US$250 billion of Chinese imports, has increased the oversight of FDI coming from China and has added Huawei to the Bureau of Industry and Security's Entity List ("Entity list") as a national-security threat, effectively banning U.S. businesses from dealing with world's largest manufacturer of 5G networking equipment and the second-largest smartphone maker in the world, after Samsung and ahead of Apple. China has retaliated with its own set of tariffs on U.S. products, allowing its currency to depreciate, and cutting tariffs to non-U.S. exporters. The chronology of the escalating tension between the United States and China is presented in Table 7.

If all the announced actions take place, the average U.S. tariff on Chinese imports will have increased to more than 24% in less than two years from an average of only 3% and will have affected more than 96% of U.S. purchases from China. At the same time, China's average tariff on U.S. exports will have increased from 8% in January 2018 to 25.9% and affect about 66% of total purchases from the U.S. China has concomitantly cut its tariffs toward non-U.S. exporters from the above mentioned 8% to a current level of 6.7%.

The tariffs imposed over the last year have reduced U.S. exports to China starting in the last quarter of 2018 and U.S. imports from China in the first quarter of 2019. Trade deficit in goods as well as the trade surplus in services have also fallen in 2019. (Table 5). U.S. tariffs on Chinese imports were imposed in three lists of products: US$34 billion (6 July 2018), US$16 billion (23 August 2018) and then US$200 billion (24 September 2018). Research conducted by the IMF has shown a significant decrease in U.S. imports of those categories of goods. In cases where there was a lag between the announcement of the tariffs and the implementation, an uptick in U.S. imports was observed in anticipation of the tariffs followed by a fall (IMF, 2019). As China imposed retaliatory tariffs, U.S. exports to China also declined.

Most research shows that consumers, both in the U.S. and China are absorbing the costs of these tariffs. Research done by the IMF (Cavallo, Gopinath, Neiman and Tang, 2019) as well as by the Federal Reserve Bank of New York (Amiti , Redding and Weinstein, 2019) found that some of these tariffs have been passed on to U.S. consumers, like those on washing machines, while others have been absorbed by importing firms through lower profit margins. U.S. manufacturers using Chinese inputs have also been negatively impacted by the tariffs.

To avoid the loss in competitiveness due to the tariffs on imported Chinese inputs, U.S. manufacturers are sourcing in countries other than China. For example, after the US$16 billion list was imposed in August 2018, a sharp decline of nearly US$850 million in imports from China was almost offset by about US$850 million increase in U.S. imports from Mexico, leaving overall U.S. imports broadly unchanged (IMF, 2019). Thus, third countries may benefit from the trade war between China and the U.S., at least in the short run. In Latin America, exports from Mexico, Brazil and Argentina may be among the winners. The tariffs levied by China on U.S. imports of soybeans seem to have been just enough to lose out to other countries' exports. Brazilian and Argentinian soybean exports to China sharply increased.

Table 5
U.S. China trade, quarterly
(in billion dollars)

							Quarter on Quarter	
	2017		2018			2,019	Percentage Change	
	Q4	Q1	Q2	Q3	Q4	Q1	2018	2019
U.S. Exports to China								
Goods	33,780	33,547	33,860	30,616	22,805	27,287	-32.5	-18.7
Services	14,392	14,907	14,434	14,053	13,745	14,145	-4.5	-5.1
Goods and services	48,172	48,454	48,294	44,669	36,550	41,433	-24.1	-14.5
U.S. Imports from China								
Goods	133,349	136,135	131,706	136,986	135,604	117,420	1.7	-13.7
Services	4,482	4,507	4,519	4,660	4,654	4,802	3.8	6.5
Goods and services	137,830	140,642	136,226	141,646	140,258	122,222	1.8	-13.1
U.S. Trade Balance with China								
Goods	-99,569	-102,588	-97,846	-106,370	-112,799	-90,133	13.3	-12.1
Services	9,911	10,400	9,915	9,393	9,091	9,344	-8.3	-10.2
Goods and services	-89,658	-92,188	-87,931	-96,977	-103,708	-80,789	15.7	-12.4

Source: Bureau of Economic Analysis

In the U.S., the agricultural sector is among the hardest hit by the increase in Chinese tariffs. To assist U.S. farmers impacted by tariff retaliation and trade disruptions, on 23 May 2019 a new trade aid package valued at US$16 billion was announced. This is similar to the trade aid package of 2018, only US$4 billion larger and including an expanded list of eligible commodities from 9 in 2018 to 41 in 2019

Table 7
Chronology of escalating tensions (tariffs) between the United States and China

2017	
28 April	Initiation of 232 investigations into whether steel/aluminum imports pose a threat to national security.
22 May	The U.S. and China agree to a trade deal that would give U.S. firms greater access to China's agriculture, energy, and financial markets, and China gains access the U.S. cooked poultry market.
18 August	Initiation of a Section 301 investigation into certain acts, policies and practices of the Chinese government relating to technology transfer, intellectual property and innovation.
2018	
7 February	After conducting a Section 201 investigation, the U.S. implements 'global safeguard tariffs' on solar panel and washing machine imports.
22 March	Following the results of the Section 301 investigation, President Trump signs a Presidential Memorandum Targeting China's Economic Aggression directing the following acts: To file a WTO case against China for their discriminatory technology licensing practices; To restrict Chinese investment in key U.S. technology sectors; and To impose tariffs on certain Chinese products
23 March	The U.S. imposes a 25% tariff on all steel imports with some exceptions and a 10 % tariff on all aluminum imports except from Argentina and Australia.
2 April	China imposes tariffs ranging 15%-25% on 128 products worth US$3 billion including fruit, wine, seamless steel pipes, pork and recycled aluminum in retaliation to the U.S.' steel and aluminum tariffs.
3 April	The USTR releases an initial list of 1,334 proposed products worth US$50 billion subject to a potential 25% tariff.
4 April	China reacts to USTR's initial list and proposes 25% tariffs to be applied on 106 products worth US$50 billion on goods such as soybeans, automobile, chemicals.
16 April	The U.S. Department of Commerce concludes that Chinese telecom company ZTE violated U.S. sanctions. As a result, U.S. companies are banned from doing business with ZTE for seven years.
17 April	China announces antidumping duties of 178.6 % on imports of sorghum from the U.S.
18 May	China announces that it will stop tariffs on U.S. sorghum during negotiations.
20 May	The U.S and China agree to a truce after China reportedly agrees to buy more U.S. goods.
29 May	End of truce, the U.S. reinstates tariff plans.
7 June	The U.S. and ZTE agree on a deal that will allow ZTE to resume business.
15 June	The U.S. revises the initial list of products released 3 April. List 1 implements a 25% tariff on a reduced 818 products (from 1,334) and is set to take effect on July 6, 2018. List 2 of 284 new products is also announced and under consideration.
16 June	China revises its initial tariff list on 4 April, to include a 25% tariff on 545 products valued at US$34 billion to take effect on 6 July 2018. China also proposes a second round of 25% tariffs on another 114 products valued at US$16 billion
6 July	The U.S. implements first China specific tariffs and China takes retaliatory measures
2 August	The U.S. Department of Commerce adds 44 Chinese entities to its export control list that pose a "significant risk" to U.S. national security.
14 August	China files WTO claim against the U.S.
23 August	U.S. and China implement second round of tariffs, China files second WTO complaint
24 September	U.S. and China implement third round of tariffs. Total China specific tariffs affect goods valued at US$250 billion, total U.S. specific tariffs applied by China affect US$110
19 November	U.S. releases list of proposed export controls on emerging technologies
2019	
5 May	The U.S. announces that the 25% tariffs on US$200 billion of Chinese imports that were delayed on February 24 will be applied starting May 10. In addition, President Trump indicates that "shortly" 25% tariffs will be imposed on all U.S. imports from China.
13 May	China announces it will increase tariffs on $60 billion of U.S. exports it had already hit last September by June 1st.
15 May	White House issued Executive Order 13873 on Securing the Information and Communications Technology and Services Supply Chain that stated that U.S. purchases of information and communication technology (ICT) goods and services from "foreign adversaries" posed a national security risk to the United States and authorized the Federal government to ban certain ICT transactions deemed to pose an "undue risk."

16 May	The U.S. Department of Commerce added Huawei and 68 of its non-U.S. affiliates to the Department's Bureau of Industry and Security Entity List, which would require an export license for the sale or transfer of U.S. technology to such entities.
20 May	The Trump Administration delayed the 16 May measure by 90 days.
1 June	China raises tariff rate on U$36 billion of the US$60 billion list from September 2018.
12 June	China's average tariff rate to every country other than the U.S. decreased from 8% to 6.7% since 2018.
1 August	The U.S. announces a 10% tariff on an additional US$300 billion of imports from China, going into effect on 1 September 2019. The list covers final consumer goods such as toys, footwear and clothing.
2 August	China let its currency devalue to its lowest level since 2011 and three days later.
5 August	The United States Department of the Treasury declares China a "currency manipulator"
13 August	The U.S. announces a 10% tariff on US$112 billion of imports from China starting 1 September (mostly clothing, and shoes, then US$160 billion on December 15, 2019 (toys and electronics).
23 August	China announces on US$75 billion of U.S. exports, effective 1 September and 15 December 2019. The most important change is the increase in its average tariff on U.S. autos from 12.6% to 42.6%. Later the same day President Trump announced an increase of 5 percentage points in the tariff rate on the US$112 billion list that would begin 1 September and the US$160 billion list on 15 December. Also, the current 25% tariff on US$250 billion of Chinese goods will increase to 30%, starting 1 October.
7 October	U.S. Department of Commerce added 28 Chinese groups, including eight artificial intelligence tech companies and 20 government entities, to the Department's Bureau of Industry and Security Entity List. The announcement identified the involvement of these organizations in human rights abuses against Uighurs as the reason for their inclusion in the "Entity list".

Source: ECLAC based on CRS, PIIE.

1. Increased oversight of foreign direct investment in the United States

Policymakers in the United States have become increasingly worried about the cumulative effect of foreign direct investment on certain sectors of the economy and the potential national security risks of projects involving foreign governments and/or cutting-edge technology. To address those concerns, the U.S. Congress passed the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), Subtitle A of Title XVII of P.L. 115-232 on 13 August 2018. FIRRMA strengthens and modernizes the Committee on Foreign Direct Investment in the United States (CFIUS), the interagency body that assists the President of the United States in reviewing the national security aspects of FDI inflows.

FIRRMA expands CFIUS's jurisdiction to transactions that do not necessarily result in foreign control of the U.S. business. The Office of Public Affairs of the U.S. Department of the Treasury in its communication of 17 September 2019 regarding the proposed CFIUS regulations to implement FIRRMA, states that this extended authority only applies to non-controlling investment in a U.S. business that:(i) produces, designs, tests, manufactures, fabricates, or develops at least one critical technology; (ii) owns, operates manufactures, supplies or services critical infrastructure; or (iii) maintains or collects sensitive personal data of U.S. citizens that could be exploited in a manner that threatens national security. FIRRMA also extended CFIUS authority to the revision of the purchase or lease by, or concession to, a foreign person of private or public real estate that: (i) is located within or will function as part of , an air or maritime port, (ii) the real estate is within "close proximity"(1 mile) to a United States military installation or another facility or property of the United States Government that is sensitive for reasons relating to national security; (iii) could reasonably provide the foreign person the ability to collect intelligence on activities being conducted at such an installation, facility, or property; or (IV) could expose national security activities at such an installation, facility, or property to the risk of foreign surveillance.

Although the review process remains largely voluntary where parties may choose to notify CFIUS of an upcoming transaction, in some circumstances the filing of a declaration for a transaction is mandatory. FIRRMA creates a mandatory declaration requirement where a foreign government has a "substantial interest" and authorizes CFIUS to make declarations mandatory for covered transactions involving certain U.S. businesses that produce, design, test, manufacture, fabricate, or develop one or more critical technologies.

Regulators in the United States had started to block or reverse investment deals for national security reasons even before FIRRMA was passed. According to a recent Congressional Research Service Report (Jackson, James K., 2019), in 2012 President Obama blocked Ralls Corporation, a U.S. firm owned by Chinese nationals, from acquiring a U.S. wind farm energy firm located near a Department of Defense facility; in 2016 a Chinese investment firm was blocked from acquiring Aixtron, a Germany-based firm with assets in the U.S.; in 2017, President Trump blocked the acquisition of Lattice Semiconductor Corp. by the Chinese investment firm Canyon Bridge Capital partners; in 2018 the acquisition of Qualcomm by Braodcom was also blocked, and in 2019 the CFIUS raised concerns over Beijing Kunlun Company's investment in Grindr LLC, an online dating site, over the foreign access to personally identifiable information of U.S. citizens.

Trade tensions between the United States and China together with increased scrutiny of certain foreign investment for national security implications and Chinese capital outflows controls[1] all contributed to a slowdown in Chinese FDI in the U.S. According to the U.S. Bureau of Economic Analysis (BEA), net Chinese flows to the United States were negative indicating an asset divestiture (-US$0.8 billion in 2018, -US$0.5 billion in 2017 compared to US$$25.4 billion in 2016). Chinese FDI stock in the United States was US$60.2 billion in 2018, a 3.7% increase with respect to the previous year. BEA's data is based on Chinese official government data.

Table 6
Chinese FDI in the U.S., 2015-2018
(in billion dollars)

	Direct investment position on ultimate beneficial owner basis				Financial transactions without current-cost adjustment (inflows (+), outflows (-))			
	2015	2016	2017	2018	2015	2016	2017	2018
China	33.1	59.0	58.0	60.2	5.1	25.4	-0.5	-0.8
All countries	3,355	3,765	4,025	4,345	468	472	277	254

Source: Bureau of Economic Analysis.

Alternative measurements of Chinese FDI in the U.S. try to capture flows that, originating in China, are routed through third countries due to capital controls and other legal and financial infrastructure features of the Chinese economy. The Rhodium Group (RG), a consulting firm, maintains a dataset that tracks investment by Chinese-owned firms coming directly from China as well as from third countries. Using RG's data, the Peterson Institute for International Economics estimated that in 2018, Chinese foreign direct investment in the United States fell 84% compared to 2017, from US$29.4 billion to US$4.8 billion (PIIE, 2019).

BEA reports that net U.S. investment in China in 2018 was US$7.6 billion, down 22.9% from 2017 and the stock of U.S. FDI in China was US$116.5 billion, up 8.3% from 2017.The RG reports U.S. FDI flows to China at US$13 billion and U.S. FDI in China at US$269.6 billion.

1. Huawei[2]

Among the national security concerns raised by the Administration of President Trump are the global supply chains of advanced technology products, especially those were China is a major global producer and exporter. On 15 May 2019, President Trump issued an Executive Order on Securing the Information and Communications Technology and Services Supply Chain (White House Executive Order 13873) declaring a national emergency with regards to the creation and exploitation by foreign adversaries of vulnerabilities in information and communication technology and services, effectively banning certain technology transactions

[1] China has increased capital controls to stop funds from leaving the country slowing Chinese foreign direct investment globally.

[2] Huawei is allegedly the world's largest manufacturer of 5G networking equipment and the second-largest smartphone maker in the world, after Samsung and ahead of Apple.

that involved foreign adversaries. The Executive Order states that "the term "foreign adversary" means any foreign government or foreign non-government person engaged in a long-term pattern or serious instances of conduct significantly adverse to the national security of the United States or security and safety of United States persons". To provide context to this definition which is quite broad, some analysts have referenced the Administration's National Security Strategy of 2017 where the term "strategic competitors" is introduced to emphasize that the U.S. needs to reinforce national security efforts against such countries, principally China and Russia. In addition, President Trump has referred to China's industrial policies that include subsidies, tax breaks, and low-cost loans to Chinese firms; discriminatory intellectual property and technology policies; and forced technology transfer as policies of "economic aggression".

On May 16, the day after the Executive Order was issued, Huawei Technologies Co. Ltd. and 68 of its non-U.S. affiliates were added to the Bureau of Industry and Security's Entity List ("Entity list") as a national-security threat. As a result of being included in the entity list, U.S. firms that would like to do business with them are required to apply for an export license for the sale or transfer of U.S. technology.

Naming Huawei a national security threat contributes to protect the United States leadership in the fifth generation (5G) cellular wireless technology market as well. Huawei is a Chinese telecommunications equipment and service provider that could potentially play a crucial role in the unveiling of the 5G technology. China is considered a "strategic competitor" in artificial intelligence and machine learning, albeit still dependent on the U.S. suppling critical inputs to that industry. By cutting access to the U.S. crucial technology its progress is expected to be significantly slowed down.

The effects of the entity list decision were eased later in May by issuing a three-month temporary general license authorizing some continued transactions with Huawei and its non-U.S. affiliates. On 19 August 2019, 46 non-U.S. Huawei affiliates were added to the entity list, and the temporary general license was extended for another three months, until 18 November 2019.

2. Currency manipulator denomination

On 5 August 2019, the United States Department of the Treasury declared China a "currency manipulator" after the currency of this country depreciated at its lowest level in 11 years to a little more than 7 yuan per dollar. The Congressional Research Service on its Insight publication of August 9, 2019 states that the Treasury Secretary designated China as a currency manipulator under the provisions of the Omnibus Trade and Competitiveness Act of 1988 (the 1988 Trade Act, P.L. 100-418, 22 U.S.C. 5301-5306). Under this law, the Treasury Department is required to analyze the exchange rate policies of foreign countries, in consultation with the International Monetary Fund (IMF), on an annual basis. The goal is to evaluate whether countries manipulate the rate of exchange of their own currency with respect to the U.S. dollar to gain an unfair competitive advantage in international trade or to prevent effective balance of payments adjustments. Once the Secretary of Treasury determines that a country that has a global currency account surplus and a significant bilateral trade surplus with the United States is manipulating its currency, he/she is required to initiate negotiations with that country, in consultation with the IMF, to eliminate the unfair advantage. The exception is if the negotiations are estimated to have a serious detrimental impact on U.S. economic and security interests.

Previously, the Treasury Department had not found China was manipulating its currency under another set of provisions in U.S. law, the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125; 19 U.S. C. 4421-4422) according to the May 2019 assessment. Under the provisions of this law, the Treasury produces a report twice a year in which it analyzes whether countries are manipulating their currencies or not based on three criteria. In its last report of the month of May 2019, the Treasury Department estimated that China was not manipulating its currency because it only met one of the three requirements to determine that a country is manipulating its currency - its trade surplus with the United States far exceeded the predetermined threshold of US$ 20 billion. The other two requirements are: a surplus in the current balance of payments of at least 2% of gross domestic product (GDP) and the finding that the country is intervening in a sustained manner in the exchange market. This last criterion is defined as the purchase of currencies frequently - in 6 months of 12, and significantly - net purchases are at least 2% of GDP in a period of one year. The latter indicators are enough to consider that the country is intervening in a sustained manner in the currency market, but they are not a necessary condition. That is, other intervention patterns of smaller or less frequent amounts can also be considered indicators of sustained intervention, depending on the circumstances of the intervention. A country that meets two of the three requirements is designated a “currency manipulator”.

Some analysts have expressed that the devaluation of the yuan responds to market forces. The slowdown in the Chinese economy as well as the effect of tariffs imposed by the United States have contributed to a weakening of the yuan.

III. Trade Inhibiting measures

This section focuses on recent developments in three significant areas of trade inhibiting measures: import policies, dispute settlement, and agricultural supports.

A. Import Policies

1. Trade remedy legislation

a) Anti-dumping, countervailing duty orders

As of 24 July 2019, there are 29 anti-dumping duty (AD) orders in place against Latin American and Caribbean countries. The cases involve Argentina (2), Brazil (11), Chile (1), Colombia (1) Mexico (12), Trinidad and Tobago (1), and the Bolivarian Republic of Venezuela (1).

Compared to last year's report[3], there is a reduction of 7 AD orders; 5 involving Mexico, 1 involving Brazil and 1 involving Trinidad and Tobago. All previous AD orders remained in effect and one new AD order was placed for Colombia.

Six countervailing duty (CD) orders are in place against Latin America and Caribbean countries, one less than last year (Brazil). The orders which now affect Argentina, Brazil and Mexico are listed below.

[3] United States- Latin America and the Caribbean trade developments 2018. https://repositorio.cepal.org/bitstream/handle/11362/44392/1/S1900015_en.pdf

Table 8
Countervailing Duty Orders Affecting Latin America and the Caribbean

Country	Item	Doc #	Order Date	Continued
Argentina	Biodiesel	C-357-821	04/01/2018	
Brazil	Carbon Steel Wire Rod	C-351-833	22/10/2002	3/7/2014
	Heavy Iron Construction Castings	C-351-504	15/5/1986	6/1/2017
	Cold-Rolled Steel Flat Products	C-351-844	20/9/2016	
	Hot-Rolled Carbon Steel Flat Products	C-351-846	3/10/2016	
Mexico	Sugar (Suspended)	C-201-846	23/9/2015	

Source: ECLAC, based on data from United States International Trade Commission, Trade Remedy Investigations and USITC notices in the Federal Register, as of July 2019

Table 9
Antidumping Duty Orders Affecting Latin America and the Caribbean

Country	Item	Doc #	Order Date	Continued
Argentina	Lemon Juice (suspended)	A-357-818	10/9/2007	7/8/2013
	Biodiesel	A-357-820	26/4/2018	
Brazil	Carbon Steel Wire Rod	A-351-832	29/10/2002	3/7/2014
	Uncoated Paper	A-351-842	5/3/2016	
	Pre-stressed Concrete Steel Wire Strand	A-351-837	28/1/2004	23/4/2015
	Iron Construction Castings	A-351-503	9/5/1986	6/1/2017
	Carbon Steel Butt-Weld Pipe Fittings	A-351-602	17/12/1986	23/8/2016
	Frozen Warm-Water Shrimp and Prawns	A-351-838	1/2/2005	29/4/2016
	Circular Welded Non-Alloy Steel Pipe	A-351-809	2/11/1992	7/2/2018
	Cold-Rolled Steel Flat Products	A-351-843	20/9/2016	
	Hot-Rolled Steel Flat Products	A-351-845	3/10/2016	
	Carbon and Alloy Steel Cut-to-Length Plate	A-351-847	16/1/2017	
	Emulsion Styrene-Butadiene Rubber	A-351-849	12/9/2017	
Chile	Preserve Mushrooms	A-337-804	2/12/1998	2/9/2015
Colombia	Citric Acid and Certain Citrate Salts	A-301-803	07/25/2018	
Mexico	Fresh Tomatoes (suspended)	A-201-820	1/11/1996	16/12/2002
	Carbon Steel Wire Rod	A-201-830	29/10/2002	7/3/2014
	Prestressed Concrete Steel Wire Strand	A-201-831	28/1/2004	23/4/2015
	Circular Welded Non-Alloy Steel Pipe	A-201-805	2/11/1992	7/2/2018
	Light-Walled Rectangular Pipe and Tube	A-201-836	5/8/2008	23/6/2014
	Magnesia Carbon Bricks	A-201-837	20/9/2010	12/2/2016
	Seamless Refined Copper Pipe and Tube	A-201-838	22/11/2010	21/2/2016
	Large Residential Washers	A-580-868	15/02/2013	6/5/2019
	Steel Concrete Reinforcing Bar	A-201-844	6/11/2014	
	Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes	A-201-847	13/9/2016	
	Sugar (suspended)	A-201-845	23/9/2015	
	Emulsion Styrene-Butadiene Rubber	A-201-848	12/9/2017	
Trinidad & Tobago	Carbon Steel Wire Rod	A-274-804	29/10/2002	3/7/2014
Venezuela (Bol. Rep. of)	Silicomanganese	A-307-820	23/5/2002	12/6/2019

Source: ECLAC, based on data from United States International Trade Commission, Trade Remedy Investigations and USITC notices in the Federal Register, as of July 2019

Antidumping investigation of Mexican tomatoes

On 19 September 2019, the representatives of Mexican fresh tomato producers and U.S. tomato producers signed a new agreement removing previous exceptions to reference price floors for U.S. imports of Mexican fresh tomatoes and raised the reference prices.

Among other provisions[4] the new agreement provides an inspection mechanism that would allow the U.S. to increase the percentage of inspected tomato loads to 66 percent, up from approximately 1 percent, to prevent the entry of damaged tomatoes and by extension their alleged negative impact on the U.S. fresh tomato market. In line with this, the agreement also ensures that the U.S. Department of Commerce will be able audit 80 Mexican tomato producers per quarter without "good cause" and more with it.

The new agreement comes after the Florida Tomato Exchange submitted a request to the U.S. Department of Commerce to end the previous agreement, which had existed since 2013. Ninety days after the announcement, on 7th May 2019, the withdrawal went officially into effect. As an immediate consequence, the final part of the antidumping investigation was resumed and 17,5% preliminary duties on fresh tomatoes from Mexico were reinstated at the border. The investigation into Mexican Tomato dumping that had been suspended by the previous agreement was resumed. The antidumping investigation was initiated in 1996 but was suspended the same year after a mutual agreement with Mexican growers.

Fresh tomatoes represent a US$2 billion industry in Mexico, which are estimated to cover half of the demand in the U.S. In case a new suspension agreement had not been reached, the continuation of the duties would have represented an annual cost of US$350 million for the Mexican growers and U.S. consumers. According to the U.S. Department of Commerce, the new agreement is said to help tomato producers on Florida, Texas, Arizona, and elsewhere in the US.

2. Special 301 Report

The Office of the USTR conducts an annual review of the state of protection and enforcement of Intellectual Property Rights (IPR) among U.S. trade partners around the world. The results are presented in the Special 301 Report. Countries may be categorized as "Priority Foreign Countries" or added to either the "Priority Watch List" or the "Watch List." This assessment takes into consideration each country's level of development, its international obligations and commitments, the concerns of rights holders and other interested parties, and the trade and investment policies of the United States. These issues then become the focus of bilateral and multilateral negotiations to improve the IPR regime.

Priority Foreign Countries are identified as having the strongest impact on the United States intellectual-property-related products and may, therefore, be subject to investigations under the "Section 301" provisions.

Between the 2018 Special 301 Report and the 2019 Special 301 Report, the changes observed for Latin America and Caribbean countries are the following: Colombia was moved out from the "Priority Watch List" and Paraguay was included in the "Watch List".

Colombia was moved from the "Priority Watch List" back to the "Watch List" after an Out-of-Cycle Review conducted in 2018 by the USTR that focused on Colombia's recent enactment of improved copyright legislation as part of the U.S.-Colombia Trade Promotion Agreement (CTPA). On the other side, Paraguay was placed in the Watch List after failing to meet certain commitments regarding IP rights protection and enforcement that where included as a part of the 'Memorandum of Understanding' (MOU) signed by the US and Paraguay in 2015.

[4] Regarding the provisions on the treatment of damaged tomatoes, the Florida growers alleged damaged tomatoes were being used as a tool to lower the de-facto price of the shipments below the reference price. They proposed the creation of contracts with provisions to prevent buyers from getting back liquidated damages. Mexican growers argued such contracts would make them liable in the U.S., as they would violate the buyer's right under U.S. law to reject tomatoes with defects; instead, they proposed to have an Agricultural Department representative present at the destruction of the damaged products, in order to ensure compliance.

Table 10
Latin America and Caribbean Countries in the Priority Watch List and Watch List, 2018

Priority Watch List	Watch list
Argentina	Barbados
Chile	Bolivia (Plur. State of)
Venezuela (Bol. Rep. of)	Brazil
	Costa Rica
	Colombia
	Dominican Republic
	Ecuador
	Guatemala
	Jamaica
	México
	Peru
	Paraguay

Source: USTR 2019 Special 301 Report

B. Overview of selected United States Dispute Settlement Cases involving Latin American and Caribbean countries

As of June 2019, the United States has brought 124 cases to the WTO Dispute Settlement body as the complainant party and has been involved in 154 cases as the respondent party since it became WTO member in 1995. Eighteen of these cases were made against countries from Latin America and the Caribbean, including Argentina (5), Brazil (4), Chile (1), Mexico (7) and Venezuela (1).

The most recent case was brought by the U.S. on 16th July 2018 against Mexico, claiming the imposition of increased duties for certain products originating in the U.S.. After several meetings, the two countries reported to have reached a mutually agreed solution and the case was closed on 11 July 2019.

i. Peru's timber verification

In July 2019, the U.S. Trade Representative ordered the U.S. Customs and Border Patrol (CBP) to deny entry to products from the Peruvian timber exporter Inversiones WAC E.I.R.L. based on the finding of illegal harvest practices in its supply chain. The block was set for three years, or until WAC is able to prove full compliance of law and harvest regulations to the Timber Committee.

One year earlier, in February 2018, theTimber Committee had requested the Peruvian Government, under the provisions of the U.S.- Peru Trade Promotion Agreement, to conduct a timber verification process for three specific timber shipments from Peru to the U.S. The final report of the audit was released in July 2018 and revealed illegal logging practices related to shipments from WCA.

Since then, however, Peru has failed to take enforcement action against this timber producer and against illegal logging in general, according to the Trade Representative.

Even though Peru announced a set of unilateral measures to address illegal harvesting in 2016, this is the second time that the Timber Committee bans timber imports from a peruvian exporter. In October 2017, the Peruvian timber exporter "Inversiones La Oroza" was also found to be engaging in illegal logging practices and received a denial of entry for its products as well, which is still in force.

The USTR and the Timber Committee announced that they will continue to cooperate with Peru to fight illegal logging and improve forest sector governance. Further verifications might continue as an effort to monitor Peru's implementation of the commitment in the Enviroment Chapter of the PTPA.

Peru has the ninth largest forest resource in the world. Timber exports from Peru make up just 0.37% of total U.S. wood imports valued at US$23.7 million.

C. Agricultural supports

1. The 2018 Farm Bill

On December 18th, the Agriculture Improvement Act of 2018 (P.L. 115-334) or "2018 Farm Bill" was signed into law. The bipartisan Farm Bill will regulate a set of agricultural and food programs in terms of scope and allocation of resources for the next five years (2019-2023) and is expected to continue providing financial support and risk management tools, mainly in the form of subsidies, incentives and insurance programs needed by farmers and ranchers. According to the U.S. Department of Agriculture (USDA), 2018 was the year with the lowest net farm income in 16 years, after adjusting for inflation. It dropped to US$66.3 billion, which represents a 12% decrease with respect to the previous year and reflects a decline in U.S farm profitability.

The 2018 Farm Bill is deemed to be budget-neutral[5], meaning that it does not increase or decrease the total budget for agriculture projected by the Congressional Budget Office (CBO) in its Baseline of April 2018 (elaborated under the projections of the 2014 Farm Bill). Hence, the total outlays projection of the Farm Bill ended at US$428 billion until 2023 and US$867 billion until 2028. However, the bill includes some budget reassignments within the titles and programs contained in it. The 12 titles in which the total budget is distributed, as well as the reassignments approved in the new bill are listed in Table 11.

Table 11
2018 Farm Bill—Projected Outlays 2019-2023

Title	Budget (billion dollars)	% of Budget	Change w.r.t. Baseline (April 2018)	
			absolute (billion dollars)	relative
Nutrition	326.02	76.1%	+0.098	0.03%
Crop Insurance	38.01	8.9%	-0.047	-0.12%
Commodities	31.44	7.3%	+0.101	0.10%
Conservation	29.27	6.8%	+0.555	2%
Trade	2.044	0.48%	+0.235	13%
Others[a]	1.498	0.35%		

Source: Congressional Budget Office – April 2018 Baseline

[a] Credit, Rural Development, Research, Forestry, Energy, Horticulture, Miscellaneous

Source: ECLAC based on Congressional Research Service Report No. R45425

The nutrition title is the most important among them, as it will receive a support of US$326 billion over the next 5 years, which represents around 76% of the total baseline. Most of the projected outlays within the Nutrition title are related to the Supplemental Nutrition Assistance Program (SNAP), formerly known as "food stamps" program, which is conceived to provide benefits that help people in low-income households to purchase food. This was one of the most controversial elements in the debate of the bill. At issue was the extension of the requirement of work for food stamps on workers aged 49 to 59 and those with children between 6 and 12 years old. This would have implied benefit cuts for more than 1 million households. Nonetheless, this change was not included in the final version passed to the senate, evidencing a bipartisan compromise related to the SNAP.

Next is crop insurance, for which the bill assigned US$38 billion (8.9% of the outlays). This title has traditionally represented the highest projected cost for an individual USDA program not related to nutrition. The program allows producers to purchase insurance against major losses in yield or revenues for their crops. On average, the federal government pays 60% of a producer's premiums. The government also reimburses private-

[5] Most of the analysis is based on Congressional Research Service Report N0. R45425, USDA ERS Farm bill related research https://www.ers.usda.gov/agriculture-improvement-act-of-2018-highlights-and-implications/ers-farm-bill-related-research/)(

sector insurance companies for administrative and operating expenses, as well as for negative underwriting profits. However, the crop insurance title will see an overall US$47 million decrease due to increased administrative fees paid by farmers and ranchers for catastrophic coverage.

- The **Price Loss Coverage** program makes payments to producers when the annual average market price per unit of a covered commodity falls below the reference price set in law.
- The **Agriculture Risk Coverage–County** program makes payments to producers when the actual average revenue for a crop (price times production) within the producer's county falls below that local guaranteed amount, which is based on an average for recent years.
- The **Marketing Loan Gains** program makes short-term loans for specific amounts per unit of a commodity, using current production as collateral. Loans may be repaid at market prices (with the farmer keeping any difference below the loan amount) or forfeited to the government. Once a loan is repaid, producers are free to sell their crops.
- The federal **Dairy Support** program makes payments to producers to account for the difference between the monthly milk price and the cost of feed. Participants may choose the size of the margin they wish to cover and may be required to pay a premium to the government for such protection. Participants in the Price Loss Program and in the county-based risk coverage programs may receive payments from only one such program in a five-year period. The loan program is available to qualified producers in any year.
- Through the **Disaster Assistance,** the federal government offers producers assistance when natural disasters reduce feed available for livestock, cause above-average death rates among livestock, or damage trees.

Another outlay of US$32 billion (7.3% of the budget) is projected for the Commodities title, which includes the Price Loss Coverage (PLC), the Agriculture Risk Coverage (ARC), the Marketing Loan program, Dairy Support program and the Disaster assistance program.

Overall, commodity programs see a US$101 million increase in outlays. These additional outlays are primarily due to increased marketing loan rates and the flexibility for producers to make an annual decision between ARC and PLC on a crop-by-crop and farm-by-farm basis. This is an important change with respect to the previous Farm Bill, which allowed producers to choose one of the programs, but they had to stick to that for the whole 5-years-period.

The new Farm Bill also uses the old reference prices for PLC payments. However, it now adds a new term called the Effective Reference Price, which can be adjusted with improvements in market prices. This price will be calculated each year and used in determining if there will be a PLC payment. PLC Effective Reference Prices are calculated as the greater between the 85 percent of the 5-year Olympic average price (that eliminates high and low outliers) and the PLC Reference Price established in the 2014 Farm Bill. The effective reference price will never be lower than the current reference price and can never be higher than 115% of the current reference price (from the 2014 Farm Bill).

The fourth biggest title of the Farm Bill is the conservation title, which will receive US$28 billion (6.8% the budget) over the 2019-2023 period. Outlays for this title are projected to increase by US$555 million with respect to the previous legislation. Conservation programs encourage producers to take fragile land out of production or to make improvements that promote land conservation by preventing erosion or improving productivity, for example.

The other 7 titles of the Farm Bill account together for 1% of the budget. Among these titles, the increase of US$235 million for trade promotion and facilitation programs under the trade title is one notable compared to the previous bill.

Some other notable reforms of the 2018 Farm Bill include the expansion of some of the federal farm subsidies to nieces, nephews and first cousins of farmers — even if those relatives do not directly work on the farm. The aim of this is to promote and incentivize the involvement in agricultural activities.

Furthermore, instead of the temporary funding they were receiving under the 2014 Farm Bill, the new legislation provides permanent funding for local farmer's markets, research for organic farming and for organizations working to train the next generation of farmers, as well as for veteran and minority farmer.

Another important innovation incorporated in the new Farm Bill is the legalization of hemp production, a form of cannabis with lower THC levels than marijuana that was prohibited until now, but might grow into a US$20 billion industry by 2022, according to some analysts.

The effective impact of the new legislation on the actual agricultural outputs of the U.S. will be observed in the coming years, but the outlook and forecasts done for the agriculture, especially for the international trade of the U.S., provide already a general idea of the direction in which it is going to move.

2. U.S. Department of Agriculture support programs[6]

The U.S. Department of Agriculture (USDA) supports various programs to aid the creation, expansion and maintenance of long-term export markets for U.S. agricultural products.

In July 2019, the U.S. announced a US$16 billion budget for the continuation of the agricultural trade aid program initiated in 2018. The budget was increased by US$4 billion compared to 2018. The program is designed to provide support to farmers, ranchers and producers affected by a set of retaliatory tariffs imposed in the last years as consequence of the U.S. trade disputes overseas. A third round of the aid program in 2020 is not planed.

Three agencies belonging to the USDA and the Foreign Agricultural Services (FAS) have been designated administrators of the aid package:

The Farm Service Agency (FSA) is the administrator of the Market Facilitation Program (MFP), for which 90% of the budget is conceived (US$14.5 billion). The FSA, under the authority of the Commodity Credit Corporation (CCC), will execute the payments in three tranches, starting from August 2019.

The Agricultural Marketing Service is the administrator of the Food Purchase and Distribution Program. They have received US$1.4 billion to purchase commodities targeted by retaliation measures. The Food and Nutrition Service is in charge to distribute the commodities purchased through nutrition assistance programs and child nutrition programs.

The Agricultural Trade Promotion Program (which is part of the FAS) is the recipient of US$100 million, which are being used to expand the program, which develops foreign markets for U.S. agricultural products. The main objective is for the agricultural exporters to identify and access new markets and help mitigate the effects of other countries' restrictions.

The USDA's total outlays for 2019 are estimated at US$ 156 billion. Roughly 82% of outlays, about US$ 129 billion, are associated with mandatory programs that provide services as required by law.

a. Market-development programs

The FAS administers several programs in partnership with private-sector organizations to develop, maintain and expand commercial export markets for United States agricultural products. The budget for fiscal year 2019 is about US$ 301 million.

Regarding financial support for these programs, the Farm Service Agency (FSA) supports the Commodity Credit Corporation (CCC), which provides funding not only for commodity programs administered by the FSA but all the export programs administered by the FAS. CCC borrows funds needed to finance these programs from the United States Treasury and repays the borrowings, with interest, from receipts and appropriations provided by Congress. These programs facilitate buyers in countries where credit is necessary to maintain or increase United States sales.

Foreign Market-Development Program

[6] This section draws on information from the following websites: https://www.usda.gov/ccc and https://www.fsa.usda.gov/

The Foreign Market Development (Cooperator) Program supports and expands foreign markets for United States commodity and agricultural products by seeking to reduce market impediments. The program reimburses cooperators via Commodity Credit Cooperation (CCC) funds to strengthen market development activities and increase market share. Producers of United States agricultural products, except tobacco, including those associated with small volume export commodities, participate in efforts to build export markets. Preference is given to nonprofit United States agricultural and trade organizations that represent an entire industry or are nationwide in membership and scope.

The program provides cost-share assistance to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to support United States trade. These activities include technical assistance, trade servicing, and market research. A minimum of US$ 35 million at the program level for the Cooperator Program is provided by the CCC.

Market-Access Program

The Market Access Program (MAP) uses funds from the CCC to reimburse participating organizations for a portion of the cost of carrying out overseas marketing and promotional activities, such as consumer promotions. The MAP creates a partnership between non-profit U.S. agricultural trade associations, nonprofit U.S. agricultural cooperatives, non-profit state-regional trade groups, and small businesses.

Included in the MAP is a brand promotion component that provides export promotion funding to 600-800 small companies annually and thereby contributes to the National Export Initiative goal of expanding the number of small and medium-sized entities that export. The budget provides US$200 million program level for MAP in 2019.

Quality Samples Program

The Quality Samples Program (QSP) is designed to encourage the development and expansion of export markets for U.S. agricultural products. The program, funded by the CCC, ensures that U.S. agricultural trade organizations are reimbursed for the price of the sample purchase, the domestic transportation cost to the exportation port and to the foreign port or point of entry only. In addition to helping importers overcome trade and marketing obstacles, the QSP promotes foreign understanding and appreciation of U.S. agricultural products by providing information to a targeted audience about quality and use of the U.S. goods. The program is carried out under the CCC Charter Act, which provides the foreign importers with a better understanding of U.S. agricultural products. The budget includes $3 million of funding for the program in 2019.

Emerging Markets Program

The Emerging Markets Program (EMP) promotes U.S. agricultural exports with CCC funding for technical assistance activities that address technical barriers to trade in emerging markets. Examples of such technical assistance include feasibility studies, market research, industry sector assessments, workshops and specialized training. The program is funded on a case-by-case basis and only supports exports of generic products. It is approved by the Food, Agriculture, Conservation, and Trade Act of 1990. The Budget provides a US$8 million program level for EMP in 2019.

An emerging market is defined as a country that is progressing towards a market-oriented economy that can provide a feasible market for the United States. An emerging market country has a per capita income level below the level for upper middle-income countries as determined by the World Bank, as well as a population of 1 million or greater.

Technical Assistance for Specialty Crops Program

Technical Assistance for Specialty Crops (TASC) Program seeks to eliminate unique trade barriers that may hinder the exportation of U.S. specialty crops or all plant products produced in the U.S. Specialty crops do not include wheat, field grains, oilseeds, cotton, rice, peanuts, sugar, or tobacco. The program awards grants to U.S. organizations to help them undertake measures to overcome sanitary, phytosanitary and technical trade barriers, including grants for seminars, study tours, pest and disease research, and field surveys. The maximum award is for US$500,000 per year for projects continuing up to five years. The 2018 Farm Bill provides US$9 million per year for this program. The 2018 Farm Bill provides US$9 million per year for this program

Borlaug Fellowship Program

The Borlaug International Agricultural Science and Technology Fellowship Program advocates food security and economic growth in developing and middle-income countries by providing fellows an opportunity to work with a mentor in the U.S. The program usually lasts an average of 8-12 weeks and topics covered under the program have included topics like agronomy, nutrition, food safety, and agricultural economics. Participants are usually scientists, researchers, or policymakers and upon completion of their program in the United States, the U.S. mentor will visit the home country of the participating fellow to continue collaboration.

Cochran Fellowship Program

The Cochran Fellowship Program provides short-term training opportunities to agricultural professionals from eligible countries. The goals of the program are to help develop agricultural systems to meet food and fiber needs in the respective countries and to strengthen trade relations with the United States. The program selects participants from middle-income countries and brings them to the United States for 2-3 weeks to work alongside U.S. universities, government agencies and private companies. The program was created in 1984 and to date has trained 17,500 individuals from 125 countries.

b. Export Programs and Commercial Export Financing

The FAS uses CCC funds to support emerging markets and improve the competitiveness of United States agricultural products in foreign markets. The funds are administered as credit guarantees and are used to increase trade in areas that would otherwise not be able to import United States products.

Export Credit Guarantee Program

The GSM-102 provides credit to foreign buyers with the objective of maintaining or increasing United States sales in countries where financing may not be available. Under the program administered by the CCC, United States private banks guarantee funds to approved foreign banks in dollar-denominated letters of credit, for use in the purchase of United States agricultural products and foodstuffs. Of the US$ 5.5 billion allocated to Export Credit Guarantees for 2019, US$ 5 billion will be made available throughout the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms of 18 months. The remaining US$ 500 million will be used for facility financing guarantees.

Facility Guarantee Program

The Facility Guarantee program was created to boost sales of U.S. agricultural exports in countries where demand may be affected by inadequate handling or distribution. The program grants credit to eligible countries to improve or establish agriculture facilities in developing markets.

Sugar Import Program

All imports of sugar into the U.S. are subject to tariff-rate quotas (TRQ) which set low tariff rates for sugar, up to a specified amount. Upon entering the U.S., sugar imports from Latin America and the Caribbean are categorized in one of two ways: 1) raw cane sugar or sugar and 2) sugar-containing products. Each federal fiscal year beginning October, the U.S. Trade Representative (USTR) announces country-specific in-quota allocations for raw cane and refined sugar.

In the Harmonized Tariff Schedule, the USTR has increased the fiscal year 2020 TRQ for raw cane sugar to 1,231,497 metric tons raw value (MTRV), the minimum to which the U.S. is committed under the WTO Uruguay Round Agreement on Agriculture. USDA has also increased the fiscal year 2019 TRQ for refined sugar at 211,644 MTRV (from 192,000 MTRV), of which 187,393 MTRV will be reserved for specialty sugars, as defined by USTR.

The specialty sugar TRQ's will be offered in five periodic tranches on a first-come, first-served basis, as showed in Table 11. The second, third, fourth and fifth tranches will be reserved for organic sugar and other specialty sugars not currently produced commercially in the United States or reasonably available from domestic sources.

Table 12
Specialty Sugar Allocations

Tranche	Date	Allocation
1	1 October 2019	1,656 MTRV
2	9 October 2019	50,000 MRTV

3	22 January 2020	50,000 MRTV
4	15 April 2020	35,000 MRTV
5	15 July 2020	35,000 MRTV

Source: United States Department of Agriculture notices in the Federal Register as of July 2019.

Table 13
U.S. raw cane Sugar TRQ allocations and usage
(in metric tons)

	2018			2019			
Country	FY 2018 TRQ Original Allocation	Quantity Entered	Allocation Filled (%)	FY 2019 TRQ Original Allocation	FY 2019 TRQ Final Allocation	Quantity Entered	Allocation Filled (%)
Argentina	45,281	43,784	97	45,281	51,943	43,046	83
Barbados	7,371	578	8	7,371	7,671	5,098	66
Belize	11,584	11,584	100	11,584	13,288	63	0
Bolivia	8,424	7,565	90	8,424	9,663	0	0
Brazil	152,691	142,120	93	152,691	175,155	152,691	87
Colombia	25,273	24,558	97	25,273	28,991	16,269	56
Costa Rica	15,796	15,772	100	15,796	18,120	15,796	87
Dominican Republic	185,335	184,725	100	185,335	185,335	183,173	99
Ecuador	11,584	11,528	100	11,584	11,584	11,584	100
El Salvador	27,379	27,379	100	27,379	31,407	27,379	87
Guatemala	50,546	50,166	99	50,546	57,983	41,367	71
Guyana	12,636	12,610	100	12,636	14,495	12,636	87
Haiti	7,258	0	0	7,258	0	0	--
Honduras	10,530	5,921	56	10,530	12,079	10,407	86
Jamaica	11,584	11,578	100	11,584	13,288	11,584	87
Mexico	7,258	0	0	7,258	7,258	0	0
Nicaragua	22,114	14,268	65	22,114	25,368	22,114	87
Panama	30,538	19,655	64	30,538	35,031	29,645	85
Paraguay	7,258	4,319	60	7,258	7,258	1,097	15
Peru	43,175	38,213	89	43,175	49,527	14,141	29
St. Kitts and Nevis	7,258	0	0	7,258	0	0	--
Trinidad-Tobago	7,371	0	0	7,371	0	0	--
Uruguay	7,258	0	0	7,258	0	0	--
Total	1,117,195	950,610	85	1,117,195	1,117,195	853,573	76

Source: USDA Economic Research Service, Sugar and Sweetener Yearbook Tables, July 2019.

IV. U.S. Foreign Assistance

A. Development financing reform

President Trump signed the "Better Utilization of Investment Leading to Development (BUILD) Act of 2018" (H.R. 5105/S. 2463) into law on 5 October 2018. The BUILD Act creates the U.S. International Development Finance Corporation (USIDFC), combining and reforming the Overseas Private Investment Corporation (OPIC) and the USAID's Development Credit Authority to catalyze market-based, private-sector development and economic growth in developing countries. It reforms the United States development financing system to make it more flexible and faster to operate; the USIDFC will have twice the OPIC's portfolio, a higher lending limit and equity investment authority. Furthermore, the BUILD Act seeks to increase efficiency by reducing duplicate efforts in development finance programs (White House statement from the Press Secretary).

The BUILD Act aims to bring the U.S. development finance instruments up to par with those of other parts of the world. Development Finance Institutions (DFIs) in Europe, China, and other countries are already providing services to the private sector in developing countries encompassing debt and equity financing, risk mitigation and technical assistance (Leo B., Moss, T. 2015). These include increased financing activities in Latin America.

Development finance is increasingly in demand in middle income regions like Latin America and the Caribbean, as previously low-income countries become middle- and high-income countries and transition from aid recipients to finance seekers in their pursuit of sustainable development. Access to capital continues to be a significant constraint to infrastructure investment in developing countries and therefore development financing institutions have a role to play. For example, the China Development Bank and China Export-Import Bank have been tending to this growing demand since 1994, particularly in Latin America and Sub-Saharan Africa. India, Malaysia, Turkey, Brazil and other countries also have public entities that provide project and trade finance as well as guarantees. Traditional donors such as European DFIs and the International Finance Corporation also provide financing risk mitigation and technical assistance.

In September 2019, in the occasion of the 60th anniversary celebration of the Inter-American Development Bank (IDB), the IDB President and the acting OPIC President and CEO announced the signature of memorandum of understanding (MOU) between the two institutions pledging to invest a combined US$3 billion in development projects in Latin America and the Caribbean over a five-year period. This collaboration will focus on projects in the infrastructure sector—transport, energy, water and sanitation, and social infrastructure –health and education and will prioritize investment in businesses and funds owned by, led by, or providing a product or service that intentionally empowers women.

The USIDFC has been conceived to be a strong complement to the work of other U.S. government aid programs. Foreign assistance remains highly relevant to the U.S. development and national security goals.

B. United States foreign aid

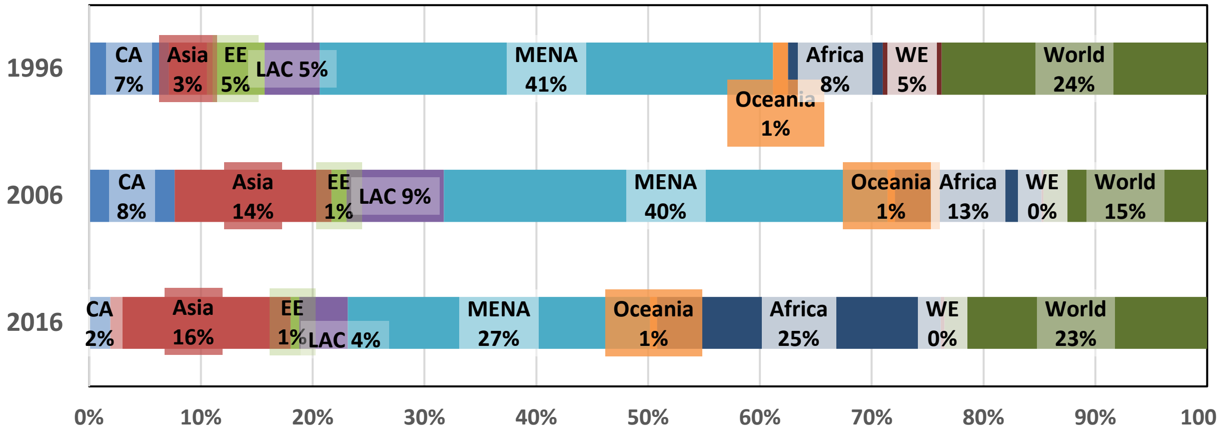
A key instrument of U.S. foreign policy, foreign aid has supported different U.S. strategic interests at different points in time. Foreign aid can take different forms ranging from projects with an implementing partner, core contribution to international organizations, technical assistance to recipient countries to direct budget support to governments. Most of the U.S. foreign aid is provided through grants rather than loans, although some agencies provide loans and loans guarantees. According to the Congressional Research Service (Tarnoff et al, 2018), total aid, including military and security assistance was around US$49 billion in 2016, about 1.2% of the federal budget.

In the proposed FY2020 budget request, the Administration proposed a 24% cut in State and USAID funding.

Federal spending on foreign assistance historical high was during the immediate post-war, the late 1940s and early 1950s. Although on a downward trajectory after that, the Alliance for Progress for Latin America at the beginning of 1961, the Camp David Middle East Peace Accords in 1979, and the peak of military assistance of 1985 briefly interrupted that trend. More recently, after the September 11, 2001 attacks foreign aid funding has been increasing with U.S. counterterrorism strategy in Iraq, Afghanistan, and Pakistan and with the global health initiatives (AIDS and HIV), the creation of the Millennium Challenge Corporation in 2004, and counter-narcotics activities.

Latin America and the Caribbean has been and continues to be a low assistance recipient as compared to other regions, only 4% of aid went to the region in 2016. Latin America's share in U.S. foreign aid fluctuations are explained by assistance to Colombia and Central American countries. Aid has shifted to regions of more pressing strategic interest (Figure 4), the past few decades show a continuing strategic interest in the Middle East –i.e. Israel, Egypt and after 2003 Iraq.

Figure 4
Regional Distribution of Aid, FY1996, FY2006, FY2016
(in percentages)



Sources: Source: U.S. Overseas Loans & Grants [Greenbook], https://explorer.usaid.gov/reports.html
Notes: Africa = Sub-Saharan Africa; CA = Central Asia; EE = Eastern Europe; LAC = Latin America/Caribbean; MENA = Middle East/North Africa; WE = Western Europe; World = Unallocated by Country/Region.

1. U.S. Foreign Assistance to Latin America and the Caribbean.

The United States has historically been a major contributor of foreign assistance to Latin America and the Caribbean supporting economic development and pursuing varying strategic interests.

a. Fiscal Year 2019 Appropriations

On 15 February 2019, President Trump signed into law the Consolidated Appropriations Act, 2019 (P.L. 116-6). Division F of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019 includes appropriated funding for foreign assistance for some of the key programs in Latin America and the Caribbean. The appropriations show a much larger sum than what the Administration had requested and than what was appropriated for the same programs in the previous fiscal year, except for Central America, as highlighted below:

- U.S. Strategy for Engagement in Central America: US$527.6 million to continue implementation of this Strategy. This amount is US$92 more than was requested by the Administration but US$99 million less than Congress appropriated for the initiative in fiscal year 2018.
- Colombia: US$418.3 million to the peace process and security, and development. This amount is US$153 million more than what the Administration requested and US$27 million more than Congress appropriated for Colombia in fiscal year 2018.
- Mexico:US$162.7 million to security and rule-of-law, US$84 million more than the Administration requested and US$10 million more than what Congress appropriated for Mexico in fiscal year 2018.

The U.S. Strategy for Central America was approved in 2014 to work with Central American governments in the promotion of economic prosperity, security and governance strengthening of the sub-region. Although mostly focused on the Northern Triangle countries of El Salvador, Guatemala, and Honduras, the Strategy also encompasses Belize, Nicaragua, Costa Rica and Panama. The Strategy more than doubled aid to the region. Later, the focus of the intiative shifted towards preventing illegal immigration, combating transnational crime and generating business opportunities for the U.S. Cuts in funding for the initiative have also been proposed (CRS, 2019c).

Following the signature of Asylum Cooperation Agreements by each of the Northern Triangle countries, the State Department announced its intent to “resume targeted U.S. foreign assistance funding for El Salvador, Guatemala, and Honduras” in a 16 October 2019 Press Statement of the Secretary of State. Foreign assistance funds had been temporarily put on hold until the governments of these countries took “sufficient action” to reduce the vast number of migrants coming to the U.S. border.

There is no additional information on the fiscal year 2019 appropriations for the rest of the programs in the Latin America and the Caribbean. The latest information available corresponds to FY2018 appropiations and FY2019 requests. Table 14 shows the evolution of the different U.S. foreign assistance accounts in the region.

Table 14
U.S. Foreign Assistance to Latin America and the Caribbean by account, FY2013-2018
(appropriations in millions of current dollars)

Account	2014	2015	2016	2017	2018	2019 (request)	%Change 2018-2019
Development Assistance	214.4	214.1	484.4	484.4	386.2	0	___
Economic Support Fund	459.3	583.1	402.9	352 b	426.1b	0	___
Economic Support and Development Fund	0.0	0.0	0.0	0.0	0.0	515.9	-36% a
Global Health Program (USAID)	63.1	66.1	66.4	64.4	63.4	32.2	-49%
Global Health Program (State Department)	157.4	142.5	123	117.7	136.7	119.2	-13%
Food for Peace/Food Aid	29.1	21	15.7	36.8	14.5	0	-100%
International Narcotics Control and Law	467.1	483.2	524.4	533.2	542.2	390	-28%
Nonproliferation, Anti-terrorism, Demining, and	14.5	12.6	8.6	25.4	23.5	21.9	-7%
International Military Education and Training	13.5	13.5	13	13.4	12.6	11.1	-12%
Foreign Military Financing	59.3	48.8	69.4	82.7	86	20	-77%
Total	1,477.6	1,584.8	1,707.6	1,710.1b	1,691.3b	1,110.3	-34%

Source: CRS

Notes: a. The FY2018 request included a new ESDF foreign assistance account, which would have consolidated the DA and ESF accounts. This table compares the FY2018 ESDF requested to the combined amount provided through the DA and ESF account in FY2017

b. The table does not include US$9 billion of economic and support for the region (2017) provided as multilateral assistance though the OAS.

In FY2018, U.S. foreign assistance to the region amounted to approximately US$1.7 billion dollars, 49% of which or US$836 million went into the development assistance and economic support fund. Another 38% went to support security enhancing in the region (narcotics control and law enforcement, nonproliferation, anti-terrorism, demining and related programs). Lastly, 11% went into the Global Health Programs both at the USAID and at the State Department.

As shown in Table 15, the U.S. Strategy for Engagement in Central America amounted to US$340 billion in the year 2018. Aid levels to Central America have been increasing since 2014 because of the spike in migration from Central America.

Colombia was the single largest recipient of U.S. assistance in the region (Table 15) --US$391 billion in 2018, as has been the case since 2000 due to the counternarcotic and counterterrorism efforts. Haiti was the second-largest recipient of U.S. assistance with US$184.4 billion due to its significant development challenges, especially after the earthquake of 2010.

The focus of the FY2018-FY2019 Merida Initiative has been on combating the production and distribution of opioids and other drugs, improving border interdiction and port security, and combating money laundering.

FY2019 provided US$145 million for the initiative, US$68 million more than was requested in the budget proposal. It included funds to strengthen the rule of law, secure borders and ports and combat transnational organized crime.

Table 15
Foreign Assistance to Latin America and the Caribbean by country, 2014-2018
(in million dollars)

	2014	2015	2016	2017	2018	2019 (Request)	% Change FY 2018-FY2019
Argentina	589	576	579	624	2,900	600	-79%
Bahamas	172	200	207	173	100	200	100%
Belize	1,234	1,058	1,243	1,241	1,250	200	-84%
Bolivia	0	0	0	0	0	0	___
Brazil	13,858	11,586	12,858	11,690	11,425	575	-95%
Chile	1,082	1,032	670	689	400	500	25%
Colombia	330,601	307,776	299,434	386,269	391,253	265,400	-32%
Costa Rica	1,731	1,673	1,819	5,718	5,725	400	-93%
Cuba	20,000	20,000	20,000	20,000	20,000	10,000	-50%
Dominican Republic	23,248	22,350	21,615	13,736	20,209	5,045	-75%
Ecuador	2,000	0	2,000	1,789	1,789	1,500	-16%
El Salvador	21,631	46,549	67,900	72,759	57,735	45,700	-21%
Guatemala	65,278	113,099	131,226	140,446	120,069	69,409	-42%
Guyana	6,904	4,692	243	277	200	200	0%
Haiti	300,796	242,922	190,744	184,426	184,341	170,455	-8%
Honduras	41,847	71,191	98,250	95,260	79,800	65,750	-18%
Jamaica	6,670	5,573	5,065	10,597	1,600	500	-69%
Mexico	206,768	165,168	160,156	138,566	152,660	78,910	-48%
Nicaragua	8,400	12,054	10,000	9,679	10,000	0	-100%
Panama	2,986	4,077	3,346	3,271	3,225	1,200	-63%
Paraguay	7,528	7,980	8,620	6,150	4,400	1,900	-57%
Peru	82,649	84,079	74,898	64,473	73,734	47,400	-36%
Suriname	212	199	215	269	200	100	-50%
Tribidad and Tobago	179	308	325	343	300	150	-50%
Uruguay	725	550	499	498	400	300	-25%
Venezuela	4,298	4,256	6,500	7,000	15,000	9,000	-40%
Barbados and Eastern Caribbean	16,734	24,692	26,425	26,629	24,195	9,639	-60%
USAID Caribbean Development	0	4,000	4,000	3,000	4,000	0	-100%
USAID Central American Regional	33,492	50,762	39,761	38,316	19,930	5,419	-73%
USAID South America Regional	16,500	12,000	12,000	14,000	18,065	0	-100%
USAID Latin America and Caribbean Regional	29,050	22,500	28,360	26,700	51,600	30,050	-42%
State Western Hemisphere Regional	230,449	341,938	478,668	425,471	414,795	289,810	-30%
CARSI (Central America Regional Security Initiative)	161,500	270,000	348,500	329,225	319,225	252,800	-21%
CBS (Caribbean Basin Security Initiative)]	63,500	58,500	57,721	57,700	57,700	36,200	-37%
Total	1477611	1584840	1707626	1710059	1691300	1110312	-34%

Source: CRS 2019b

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