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Memo for the Biden Administration: Policy Priorities for Latin America

The economic and political relationship with Latin America is strategically important to the United States, and there is a significant opportunity for the Biden Administration to recommit support for these allies. In 2019, total trade between the U.S. and Latin America was more than \$1.5 trillion and has grown more than 60% since 2009. Because of the COVID-19 pandemic, however, regional GDP growth declined by 8.1% and trade has dramatically slowed. Further regional integration, including strengthening trade relationships between the U.S. and Latin America, will be necessary for building shared prosperity and addressing the challenges of poverty, education, and inequality, including those exacerbated by the pandemic, into the next decade.

The Information Technology Industry Council (ITI) encourages the Biden Administration to develop and advance a comprehensive strategy for deepening engagement with Latin American countries early in the administration in order to strengthen diplomatic and commercial ties, address existing market access barriers while preventing the emergence of new trade irritants, and promote regulatory compatibility. Risks in the region, including security, climate, and economic, as well as protectionist or anti-competitive policies are increasing rapidly, with a direct impact on the United States and U.S.-companies. Countries often go at issues alone because they can move quickly, creating risks of fragmentation, contagion, and precedent-setting for unfair, trade restrictive, or investor-unfriendly policies. Early and strategic engagement in the Americas can greatly benefit the United States as it reinvigorates America's economic growth and resilience while rebuilding important alliances all over the world.

Recovery from the COVID-19 pandemic presents the opportunity to accelerate the significant gains in economic and digital inclusion that have taken place during the past year. Latin America has long suffered with economic inequalities that challenge the stability of the region, but the achievements in access to technology, use of digital payments, leveraging e-commerce, embrace of cloud policies and government IT transformation, as well as deployment of broadband infrastructure, made during the pandemic, if built upon, can make huge strides in enabling all citizens, businesses, and communities to reap the benefits of increased digital connectivity and inclusion. The United States should work with governments across the region to pursue policies that attract continued investments in connectivity, cloud services and digital infrastructure, and digital payments to build on and ensure that these gains extend beyond the pandemic response.

Below, we outline our recommendations for strategic engagement in the region. We look forward to continuing to partner with policymakers in the United States and across Latin America in support of these recommendations and a collaborative partnership focused on economic prosperity and digital transformation.

COVID Recovery

As countries throughout the region recover from the COVID-19 pandemic, digital technologies will continue to play a critical role in supporting governments, communities, businesses, healthcare providers, and schools as they operate online, track virus cases, distribute supplies and vaccines,

and enable widespread economic recovery. The Biden administration should engage with partners in the region on these efforts, ensuring harmonization of regulatory frameworks, embrace of global, interoperable standards and tech-based solutions, and discouragement of policies that would make accessing the internet or digital technologies more difficult. Additionally, as both public and private sectors make more investments in digital transformation, risk-based and globally interoperable cybersecurity and data protection practices will be critical in ensuring the security of systems, infrastructure, and data.

Summit of the Americas

The Ninth Summit of the Americas, to be hosted by the United States, provides an important opportunity early in the administration to reinforce and strengthen alliances in the region and lay out a renewed vision for cooperation, growth, and partnership with these important allies. ITI encourages U.S. officials to prioritize engagement on the Summit, including advancing a series of commitments and principles for all governments to agree. Potential deliverables for the Summit could include:

- Commitment by all leaders to state-of-the-art digital trade principles, including (but not limited to) enabling cross-border data flows, pursuing risk-based cybersecurity approaches, strengthening privacy and security by facilitating compatibility of regulatory approaches for emerging technologies and internet services, and avoiding reliance on country-specific standards or local content requirements that fragment trade and digitalization.
- Commitment to providing every citizen with access to broadband infrastructure and closing the connectivity gap.
- Commitment to advancing anti-corruption efforts by facilitating the use of digital systems for government procurement and contracting of public works to ensure transparency, oversight, and effective accountability.
- Commitment to a regional workforce development and reskilling program that would enable students and workers to learn STEM skills at all levels and companies across the region to tap into growing talent pools.

Bilateral and Regional Trade

ITI urges the Biden administration to pursue a trade agenda in the region that builds on existing U.S. trade agreements and leverages the policy perspectives reflected in those agreements. The administration should also deepen collaboration with the regional trade blocs to open new avenues for securing commitments that facilitate trade in goods and services and further integrate the economies in the Americas. The administration should pursue rules-based trade commitments that provide a path to economic growth and prosperity, counter digital protectionism, and facilitate trade. By harmonizing testing and labeling requirements, lowering or eliminating tariffs - including through joining the WTO Information Technology Agreement and its expansion, streamlining customs regulations and procedures, and getting products to market with fewer costs and barriers, governments can facilitate broader, faster, and more equitable access to productivity-enhancing technology goods and services. Through direct engagement, the United States should work to prevent the advancement of harmful unilateral digital taxation policies in favor of pursuing a sustainable, multilateral solution regarding the tax challenges arising from digitalization of the global economy. More broadly, realizing a comprehensive and forward-looking digital trade agenda in the region would be a remarkable achievement benefitting companies, employees, and small business owners operating in the region who want to expand their reach, as well as workers and consumers availing themselves of the socioeconomic benefits provided through those services.

USMCA Implementation and Enforcement

ITI sees the USMCA as a gold standard trade agreement, deepening the United States' economic relationship with Canada and Mexico – two of its most important relationships – and featuring state-of-the-art digital trade and trade facilitation chapters that is more advanced than any other agreement the United States has signed. This agreement is essential to maintaining the significant degree of commercial integration in North America and safeguarding the daily operations of thousands of U.S. companies, small and large, across all sectors. To ensure its success, ITI urges the Biden administration to effectively enforce all USMCA provisions, including its landmark digital trade provisions. In this regard, there is a need to prioritize Mexico's recent 'kill-switch' provision, an unprecedented enforcement mechanism that empowers Mexico's tax authority, in collaboration with its telecom regulator, to demand that local Internet Service Providers (ISPs) block websites or digital services providers that are non-compliant with Mexico's VAT rules. Notably, such action could only be taken against non-resident firms, in conflict with the national treatment and access to internet provisions of the USMCA. Given the nature of the measure, its potential for expansive detrimental impact on U.S. service suppliers, and its potential contravention of USMCA commitments, we urge the Biden administration to ensure that Mexico amends this provision in a way that achieves the tax policy objectives of the Mexican government and conforms with Mexico's international trade obligations. In addition, U.S. exporters, many of which are small businesses, face intensifying customs and regulatory issues at the Mexico border. We encourage the administration to work with Mexico to ensure full implementation of the USMCA trade facilitation chapter and eliminate any new barriers to entry.

Greater Cooperation with Brazil

As the largest economy in Latin America, Brazil is an important market for U.S. companies and an important partner for promoting greater coordination bilaterally and throughout the region. The Agreement on Trade and Economic Cooperation (ATEC) and bilateral Commercial and ICT Dialogues, as well as other bilateral mechanisms, have provided an important space for engagement already, and there continue to be areas ripe for further collaboration. For example, the United States and Brazil could commit to pursuing meaningful digital trade commitments, reduced or eliminated tariffs on tech products, coordinated development of risk-based cybersecurity measures, and greater support for stakeholder engagement in policy development. Additionally, U.S. companies would greatly benefit from increased bilateral dialogue on ensuring cross border data flows between the two countries, as well as initiatives to broaden adoption of AI-driven technologies across both economies.

Access to Information and Entrepreneurship in Cuba

ITI believes that the efforts made during the Obama administration to support entrepreneurship, people-to-people connections, and access to information were important and necessary steps to support the Cuban people. Digital technologies are a critical part of this support, and ITI encourages the Biden administration to further expand the policy of opening relations with the island, including clarifying export, import, payment, and investment rules, coordinating government agency efforts to provide guidance to businesses and organizations that are working on the island, and expanding connectivity and access to technology policies in support of Cuba's entrepreneurs and citizens.

In particular, ITI urges the Biden administration to prioritize:

- Reducing export barriers for U.S. technology products and related goods that will support increased demand for internet.
- Ensuring consistency and clarity in U.S. export policies, especially for financial services, cloud and software services, and internet and connectivity investments.
- Investing in projects that increase utility of and demand for internet in Cuba.
- Initiating a dialogue with Cuban government officials and between the Cuban government and private sector leaders to share best practices in broadband, procurement, and internet services, and to increase trust in technology.
- Encouraging the Cuban government to continue to increase the availability of both public and private internet access spots.

Security in the Northern Triangle

The security and humanitarian situation in the Northern Triangle will demand immediate attention from the Biden administration. Improving regional security will require strengthening both the economies and the governments in El Salvador, Honduras, and Guatemala. Digital technologies can have a positive role to play in these efforts, including improving telecom infrastructure to expand connectivity, increasing transparency and accountability in government, reducing crime, expanding educational resources, and creating economic opportunities. Further, additional access to technology can serve as an important catalyst for combatting organized crime, democratizing access to credit, and bolstering trade. ITI encourages the Biden administration to continue the important work that President Biden did as Vice President and increase opportunities for industry to support these critical efforts.