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AMERICAN CHAMBER OF COMMERCE



USA OUTLOOK

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Foto: AP News

U.S., Guatemala Reach Agreement on Asylum Seekers

Last Friday, Guatemala agreed to become a gatekeeper for asylum seekers in Central America. This agreement was signed under pressure and threats from the Trump administration. The safe third-country agreement, signed by Guatemala's interior minister Enrique Degenhart, requires Guatemala to provide asylum for Central American migrants. The safe third-country agreement is expected to take effect sometime in August. In exchange for giving asylum to migrants, Guatemala expects the U.S. government to expand an agricultural guest-worker program for Guatemalans. This program will allow Guatemalans to travel legally to the U.S. and will include construction and service-sector workers.

The terms of the agreement require the U.S. government to arrange and cover the costs of transportation for asylum seekers who are currently in the U.S. Unaccompanied minors are excluded from the agreement. As of now, the pact will be revised every three months and can be renewed after two years. Earlier in July, Guatemala had backed off on signing an agreement that would designate it as a safe third country. This caused Mr. Trump to threaten retaliation.

This agreement, however, has been very controversial. The president of Refugees International, Eric Schwartz, criticized the agreement by claiming that Guatemala is not safe for refugees. From January to May, Guatemala received 172 asylum requests, whereas Hondurans and Salvadorans filed 74,000 asylum requests in the U.S. in 2017.



Foto: uschamber.com

The GSIB Surcharge Needs and Update: Small Businesses are Counting on it

Businesses agree in that there needs to be healthy competition in the financial sectors in order to be able to purchase products and services they need. In order to meet these goals, financial institutions need to be regulated efficiently. An area that has been overlooked in the impact of domestic and global regulations upon U.S. globally systematically important banks (GSIBs). This is important because those are the financial institutions used by businesses who sell goods and services overseas.

The state of these banks is pretty good. The Fed provided passing grades to these firms on their CCAR stress resisting exercise. It is important that these banks can endure significant stress, given that they make up 25% of all small business loans. However, reforms are needed because overlapping requirements are making it harder for banks to deploy capital for businesses. A reform that would be modest but beneficial is recalibrating the GSIB surcharge.

The GSIB surcharge requires additional capital be held by some financial institutions in proportion to their riskiness and the costs they would impose on the financial system in the event of failure. However, the policy does little to consider the impact on the availability of credit and costs imposed on Main Street. The effects of the GSIB surcharge is being seen on small businesses. Last November the U.S. Chamber of Commerce shared its concerns with the Fed regarding nearly 50% decrease in small business lending by financial institutions. Without a change to the GSIB surcharge, small businesses will struggle with limited credit available.



Foto: uschamber.com

Democratic Debate: With Spotlight on Detroit, a Look at the Motor City Business Community's Local Impact

Detroit will be hosting the third democratic debate, where a predominant theme will be the American economy. For this discussion, Detroit is an ideal host. Manufacturers and retailers are migrating to the Motor City, where a big startup scene has brought Detroit back to the technology map. For the second year in a row, foreign direct investment into the city surpassed \$2 billion. Technology companies, local and international retailers, and manufacturers are choosing Detroit. Many prominent companies have had a strong impact in Detroit's economy, including Ford Motor Company, Alticor, and Dan Gilbert's portfolio of around 100 companies.

Ford Motor Company employs hundreds of thousands of people. In previous decades, the Ford Motor Company Foundation has invested in public school systems and has supported multiple community organizations and initiatives. Another powerful company is Alticor, which employs more than 13,000 people worldwide and generates over \$9.2 billion. Alticor works on a global scale to support entrepreneurs and to fight childhood malnutrition. Finally, Quicken Loans and Rock Ventures are two of Dan Gilbert's companies. Over the last ten years, 100 or so companies in Dan Gilbert's portfolio have invested almost \$6 billion into Detroit and employ around 17,000 people in and around the city. Gilbert's companies have supported programs that help residents at risk of tax foreclosure to avoid it.



Foto: Washington Post

If the U.S. Economy is in Good Shape, why is the Federal Reserve Cutting Interest Rates?

On Wednesday, the Federal Reserve cut interest rates for the first time in more than a decade. The Fed usually lowers interest rates in dire times with the purpose to boost the economy. However, the United States' economy is currently in good shape. To defend their actions, the Fed claims the cuts are for insurance in order to prevent negative effects of President Trump's trade war. Wall Street expects that the Fed will lower interest rates even more by the end of the year and Trump has been saying he wants to see a large cut.

The last time the Fed cut rates was in December 2008, when unemployment was over 7%, the stock market lost a third of its value, and Lehman Brothers declared bankruptcy. Today, unemployment is at 3.7%, the economy is growing healthily at a pace of over 2%, and the stock market is at record highs. However, if the Fed does not do three cuts this year, the market could pull back and make financial conditions tight again, even though the Fed is trying to loosen conditions.

Federal Reserve leaders are giving three key reasons to cut rates now. The first is Trump's trade war. The concern is that the U.S. economy will be dragged down given that manufacturing was in a technical recession in the first half of the year and the housing market remains sluggish. The second reason is that the Fed needs to act sooner than later because if they wait, there will not be enough measures to save the economy if a lot of trouble were to happen. Finally, inflation is too low. The Fed wants an inflation of about 2% yearly and right now, it sits around 1.6%.



Foto: The Wall Street Journal

The Moments that Mattered on Wednesday's Debate

Democratic candidates debated over health care, racism, immigration, and the criminal justice system on Wednesday night, whilst criticizing one another for past records. The top-tier candidates, Joe Biden and Kamala Harris, were the most frequent targets for the other candidates. New Jersey Senator Cory Booker is one of the seven candidates who secured a spot in the September debate along with Mr. Biden and Ms. Harris. Below are several of the most important moments in the debate.

Senator Harris unveiled a new health-care proposal, which was attacked as being too expensive by Mr. Biden and Colorado Sen. Michael Bennet, two more moderate candidates who support option for public health insurance. Moreover, after Mr. Biden declined to answer for the deportations under the Obama administration, Mr. Booker pointed out that Mr.

Biden brings up former President Obama only when it was convenient. Next, Hawaii Rep. Tulsi Gabbard went after Ms. Harris on her record as a prosecutor, claiming she was concerned about the record. To this, Ms. Harris defended her actions. Later, New York Senator Kirsten Gillibrand challenged Mr. Biden's 1981 op-ed titled "Congress is subsidizing deterioration of family," which focused on Mr. Biden's opposition to granting a child-care tax credit to wealthy families. Finally, before the debate even started, Mr. Biden told Ms. Harris in a joking way to go easy on him with the attacks, even though this did not happen.