

**THE STRATEGIC IMPORTANCE OF BUILDING A STRONGER
U.S.-CARIBBEAN PARTNERSHIP**

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*** As Prepared for Delivery ***

Good afternoon, Mr. Chairman, Mr. Ranking Member, and Members. It is a privilege to appear before you again. I am pleased to offer testimony on U.S. interests in the Caribbean Basin and the importance of building a stronger partnership with regional democracies. Thank you for the opportunity to join this timely and important hearing.

I am particularly gratified, as a long-time practitioner and advocate for U.S. policy toward the Western Hemisphere, that you are bringing a focus to the Caribbean Basin. Bipartisan congressional engagement provides a meaningful opportunity both to identify and then to pursue our longer term interests there on a strategic basis.

And we do have strategic interests in the Caribbean Basin, from support for democratic institutions—some quite fragile, some strong and enduring—to security including drug trafficking, counter terrorism, and financial crimes, to immigration and humanitarian concerns, to energy, the environment, and economic development. The United States also maintains significant diplomatic interests in the region, most notably in the current context related to Venezuela’s slow-motion collapse and related discussions at the OAS and the United Nations. Understandably, diplomatic support for regional or extra-regional initiatives is generally more readily forthcoming when we have done the spadework in advance that is required to build healthy, mutually-beneficial partnerships.

Recognizing this, the Administration has made a number of efforts along these lines. Presidential and Vice Presidential travel has been well-received, as have initiatives on security and energy. The Caribbean Basin Security Initiative, for example, has proven to be a workable concept, and enhanced results would be anticipated with the availability of greater resources, not less. At the same time, at least in this instance, geography is destiny, and the hard reality is that the Caribbean lies between the major drug-producing region of the Andes and the overwhelming demand for drugs from North

America and also Europe. Security is a constant challenge for regional law enforcement, requiring close coordination and assistance from the United States and other interested parties.

Drug trafficking through the Caribbean could potentially be reduced once the Colombia peace accords are implemented and the FARC fully ends its participation in the drug trade, although production of coca has recently increased. Of perhaps greater concern, senior Venezuelan officials have been implicated by U.S. authorities for participating in and actively facilitating the drug trade, significantly complicating international drug control efforts. The Caribbean must deal with the resulting throughput of drugs from the Andes through Venezuela on the way to the United States and Europe. These will continue to be vexing issues well into the next U.S. administration and perhaps beyond. And not just drug trafficking but also numerous ancillary activities, including money laundering, trafficking in persons and arms, and domestic crime, among other illegal activities.

Economically, the Caribbean Basin is also under strain. With generally small productive capacities, the region has relied on preferential trade access with the United States and Europe, robust tourism receipts, and, more recently, Venezuelan energy largesse via Petrocaribe. With the reduction both in global energy prices and also Venezuelan production, Petrocaribe is less important now than it once was, but the program has nonetheless left a significant debt overhang for a number of Caribbean nations that chose to avail themselves of the program. Likewise, tourism is coming under renewed strain given new market entrants as well as the possibility of reduced demand from the UK in the wake of Brexit and also the perception of health-related concerns including the mosquito-borne Zika virus.

The Obama Administration has sought to address several of these economic concerns by promoting the Caribbean Energy Security Initiative to catalyze a cleaner, more energy secure future consistent with the Paris climate change accords. The Council of the Americas has been a partner in these activities, co-hosting the Vice President's January 2015 Caribbean Energy Summit, for example, and we have also worked with the Administration and other interested parties including the Inter-American Development Bank and within the Summit of the Americas process to promote the Caribbean as both a source and a model for the uptake of clean energy sources and technologies. It's a good beginning. Nonetheless, still greater progress might be made by even a marginal increase in resources and efforts, particularly at a time when the Caribbean voice is so important in issues such as regional democracy promotion and hemispheric institutions including the OAS.

I've thought for some time that we need to think bigger and bolder and more strategically about the Caribbean. In the early 1980's, for example, the Caribbean Basin Initiative, or CBI was a bipartisan effort fully consulted with regional governments to build fragile economies in the face of external threat. It worked, handsomely, supporting democracy through market access and economic support. That initial threat has long receded but new ones have emerged, and I believe it is therefore time for a new CBI which will bring a number of policy priorities together under one strategic initiative. For this reason I am particularly pleased that just one month ago the House of Representatives passed the United States-Caribbean Strategic Engagement Act, introduced initially by Congresswoman Ileana Ros-Lehtinen and Congressman Eliot Engel, in an effort to prioritize regional affairs. This is a worthy, bipartisan effort to begin the process, and I would urge prompt Senate passage of the bill.

Several initiatives might be considered. For example, helping the region to remake itself as a model for the environment and clean energy will, along with a continued focus on security-related efforts, assist regional growth through greater economic efficiencies and job creation particularly in the infrastructure and tourism sectors, support financial well-being and debt service, strengthen regional integration, and enhance relations with the United States while reducing dependence, in time, on Venezuela or extra-hemispheric actors such as China. Caribbean nations are small island developing

states, or SIDS, and their long-run existential viability depends in part on bolstering climate resilience and mitigating rising sea levels. As the Vice President might say, this is the United States asking the region not what we can do *for* you, but what we can do *with* you, in our mutual self-interest.

Learning from successes like Costa Rica, the Caribbean should consider branding itself the cleanest, most environmentally-friendly region for tourists and citizens, which the United States can actively support through the rapid conversion of dirtier heavy-fuel oils in the Caribbean energy grid to cleaner natural gas and renewables, both from enhanced exports from the U.S. itself as well as locally-sourced product from, say, Trinidad and Tobago. Not just technical assistance, but also concessionary financing, technology transfer, debt-for-nature swaps, and a regional commitment to open markets particularly in environmental products and services, perhaps through expanded trade and investment ties with the United States, would all be part of a new CBI designed, in full consultation and coordination with Caribbean leaders themselves, to rebrand the region as a model for environmental and clean energy development. In one recent case, for example, a U.S. company won a tender in 2015 to supply liquefied natural gas to power Jamaica's national electricity grid. This new terminal, when completed in 2017 or 2018, will not only position Jamaica over time as a regional LNG hub. It will also reduce the nation's traditionally high electricity prices thus fueling broader economic growth while facilitating a lower-carbon future, and, from a foreign policy perspective, offering alternatives to the increasingly tenuous energy relationship with Venezuela.

For their part, Caribbean leaders would be encouraged to strengthen regional integration and cooperation, which has always been somewhat problematic as a practical issue, in order to increase the size of internal markets, reduce barriers to trade and investment, create efficiencies particularly in clean energy-related sectors including standards and regulations, and promote a regional vision—not just a national vision—for each individual nation. A singular focus on investment climate issues would also be welcome.

Diplomatically, we might anticipate a different response from the region if the United States takes a more proactive approach. Additional embassies, a commitment to ongoing high-level consultations including visits, and the naming of a senior-level envoy for Caribbean Basin Affairs could all be considered by the next U.S. administration. In the meantime, recognizing the collective weight of Caribbean nations within the OAS and other international bodies should motivate the United States, to the extent we want to work with the OAS to promote regional democracy, for example, to look for quick-disbursing deliverables which can also be highlighted. Other nations including China and Venezuela are particularly good at this aspect of diplomacy. The goodwill they have engendered in the region through such activities should be a wake-up call for Washington that the Caribbean Basin cannot be taken for granted. In the current environment, the United States must contend for the Caribbean, as indeed we must contend for all of Latin America, and I believe that additional U.S. efforts in the Caribbean would be rewarded.

Mr. Chairman, Mr. Ranking Member, thank you again for the opportunity to join you and your colleagues this afternoon. I look forward to your questions.