



CARIBBEAN-CENTRAL AMERICAN ACTION

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The Strategic Importance of Building a Stronger U.S.-Caribbean Partnership

Chairman Duncan, Ranking Member Sires, and Members of the Subcommittee, thank you for holding this timely hearing on the U.S.-Caribbean partnership. Coming as it does, in the wake of the House passage of H.R.4939 (the United States-Caribbean Strategic Engagement Act of 2016) we have an important opportunity to assess and recalibrate the relationship.

In examining the “Strategic Importance of Building a Stronger U.S. Caribbean Partnership” the first clear argument for this is that the Caribbean is the United States’ third border. U.S. security interests and regional stability are intrinsically linked, and so, by extension, collaboration on critical economic, political, and social development issues must be a foreign policy priority.

Today, there is no dominant partner in the region. Russia, China, Canada, Taiwan, Venezuela, and the European Union all have a substantial presence in the region. The Islamic Development Bank has established significant ties for financing in some Caribbean nations, and other countries ranging from Qatar, to Japan and Brazil have had a significant impact on how and where the countries of the Caribbean have turned to search for trade and financing alternatives. This is part of the conundrum: The United States remains the region’s primary trading partner, and for goods and services there remains a favorable trade balance, but there is no doubt that when it comes to overall engagement other countries are filling, and in some cases exploiting, a vacuum.

The question becomes, therefore, what can be done to close this gap and build stronger partnerships with the region. CCAA is focused on regional economic development, so I will therefore speak to some of the areas of economic cooperation that we believe could have an impact.

Trade and Assistance:

Since 1983, the legislative relationship between the U.S. and Caribbean has largely been defined by the provisions laid out under the Caribbean Basin Economic Recovery Act, followed in 2000 by the Caribbean Basin Trade Partnership Act and subsequent amendments. CBERA remains one of the most generous, non-reciprocal trade bills ever granted by the United States to a group of countries, and today the Caribbean Basin¹ remains a top ten trading partner with the United States, with a balance of trade surplus in favor of the United States. It is also worth noting that the Caribbean is the only area of the world where USA ship operators and US Nationals remain as significant players in the international carriage of goods by sea. The reality is, however, that the world has changed, and in the process, so has the Caribbean. At the time when CBERA was passed, regional economies were very much oriented around agricultural and manufactured products. The economies today, with some exceptions, are largely dominated by travel and tourism, the financial services sector, and other service-based industries.

Working with partners including the Inter-American Development Bank, the World Bank, and the United States Agency for International Development, there are substantial programs that are designed to build regional competitiveness through trade facilitation assistance, technical assistance in the areas of dispute resolution, education and training in emerging technology, among others. With H.R.4939, the U.S. Government can examine what exists, where there are gaps, and recommend potential areas for trade and cooperation which reflect today's reality.

Correspondent Banking and De-risking:

While the technical issues behind this are under discussion among your colleagues in the Financial Services Committee, and recently they sent a letter to the OCC² requesting clarity on the application of rules and compliance, this issue has been front and center for the countries of the Caribbean for a while. This is a global problem, but it is widely acknowledged that the Caribbean has been disproportionately affected because of the size of the markets and the perception of risk. CCAA has been working with the region, the U.S. Government, International Financial Institutions, associations, and the private sector, to help identify solutions for the Caribbean. The CEO of the Florida International Bankers Association³, describes the situation as follows: "We are working on financial inclusion in developing countries, and de-risking is then blocking access to finance. This amounts to a de facto embargo on the region in the area of financial services."

When international banks sever relationships with regional banks, there is a direct impact on economic growth, trade, and remittances. As important: when the costs of complying with regulations create a burden on the legitimate banks and they shut down, there is a threat that underground or less-regulated institutions will take their place. This brings the issue into the territory of economic stability, viability and, ultimately, security for the region and the United

¹ 2014 numbers. This includes Central America data. Data from U.S. Census Bureau – Foreign Trade Statistics.

² Letter to the Honorable Eric M. Thompson, Inspector General, U.S. Department of the Treasury, July 5, 2016

³ Op-ed: "Is De-risking sounding a death knell for foreign banking?" David Schwartz, CEO, Florida International Bankers Association. (www.fiba.net)

States. While we can all agree that the banking community's ability to combat money laundering and terrorist financing is a shared priority, what we cannot do is place undue burdens on any individual party. There exists an opportunity for all stakeholders to come together to craft a balanced, risk-based approach between regulation and inclusion, where all parties recognize that they have a role in the problem, as well as in the solution.

Travel and Tourism:

There are two related items here that I believe would constructively contribute to building the U.S. strategic presence in the region. First, millions of travelers move by air and sea between the Caribbean and the United States every year. Air and sea ports are a critical part of the security apparatus every day. Sharing the security responsibility at the frontlines gives the United States additional control over its borders and creates a collaborative environment for managing terrorist watch-lists, as well as trafficking of drugs, guns, and other contraband. Pre-clearance facilities in-region are an instrument for building a security partnership⁴. While the cost does not justify pre-clearance in every Caribbean country, a strategic look at increasing pre-clearance presence through a hub and spoke system would be beneficial to shared collaboration and security.

A second option for collaboration would be to provide technical assistance, such as in the area of increased training, for the development of a shared watch-list for travelers into and within the region. This will help alert regional authorities to foreign persons who might be a threat to security.

Diplomatic Presence:

Representative Engel has long called for the establishment of a diplomatic presence in the countries of the Eastern Caribbean. There are nine member states of the Organization of Eastern Caribbean States, six of which are independent states. The OECS is a political and economic union that has proven effective and pro-active. If there is no appetite for diplomatic presence in all of the countries of the Eastern Caribbean, I believe that there should at least be stronger recognition of the force that the OECS represents in the region, and at least one full Embassy should be established there, instead of serving this grouping out of Bridgetown.

Security and Disaster Resilience:

Caribbean Central American Action has been actively involved in the area of regional disaster resilience for many years. We have run a Disaster Management Workshop Series with our partners from Tropical Shipping (based in Florida) and many other regional partners for almost two decades. This event, which goes to multiple Caribbean locations every year, is a one-day intensive workshop that underscores the importance of public-private partnerships in disaster management.

⁴ Currently Aruba, Bermuda, and the Bahamas have pre-clearance programs for travelers into the United States. A pre-clearance facility is slated to open in Punta Cana, Dominican Republic, in May, 2017.

As the threats have evolved, so too has the workshop. Previously focused very much on natural disasters such as hurricanes and earthquakes, we now look at broader threats to the specific countries, including cyber-crime, man-made hazards, and health threats – including the current Zika virus – among others. United States Southern Command (USSOUTHCOM⁵) has established itself as an important partner in our efforts, and I would be remiss not to mention their ongoing engagement as well as their responsiveness to regional disasters whenever called upon. Cooperation on disaster management must be an ongoing process. The region is vulnerable to a range of natural and other disasters, and the ability to recover from them impacts the ability for a country to provide for its citizens. Any breakdown of this nature has trade, economic, and security implications for the broader region and for its partners outside the region. A multi-country strategy, forged in collaboration with regional partners, should be a part of the strategic engagement going forward.

Time does not allow for the full range of matters to be addressed. Energy, for one is a regional priority, and there I would urge continued U.S. engagement on the sustainable energy front, building on the Vice President’s hallmark “Caribbean Energy Security Initiative”. Furthermore, Haiti remains an ongoing challenge, and the current political crisis has implications for the region as a whole.

CONCLUSION:

The United States and the Caribbean are natural allies, and today, with the uncertainty over the future of Venezuela and the added uncertainty about what Brexit means for the countries of the Commonwealth Caribbean, we can alleviate the insecurities that these small, vulnerable economies face when there is disruption on the horizon. A quick look at the communiqué⁶ issued after the recent CARICOM Heads of Government meeting reflects the wide range of issues that the region is dealing with. H.R.4939 could not have come at a more strategically important time for the relationship.

Thank you, Mr. Chairman, for the opportunity to be with you today. I look forward to any questions.

⁵ CCAA enjoys a public-private partnership with USSOUTHCOM to promote poverty alleviation, community-based humanitarian assistance, human capacity strengthening, and disaster preparedness and response.

⁶ <http://caricom.org/media-center/communications/communiqués/communique-issued-at-the-conclusion-of-the-thirty-seventh-regular-meeting-of-the-conference-of-heads-of-government-of-the-caribbean-community-caricom-4-6-july-2016-georgetown-guyana>