

**THE U.S. AND THE CARIBBEAN IN THE NEW  
MILLENNIUM: WHAT IS THE AGENDA?**

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**HEARING**  
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Washington, D.C.

**Before the Subcommittee on the Western Hemisphere**  
**House Committee on International Relations**  
**May 17, 2000**

Mr. Chairman, thank you for your invitation to testify at this Hearing of the Western Hemisphere Subcommittee of the House Committee on International Affairs on the topic of the US and the Caribbean in the New Millennium: What is the Agenda? This Hearing is timely since the start of a new millennium is an appropriate time to evaluate the past and plan for the future. My comments will focus on relations between the United States and the Caribbean Community and Common Market (CARICOM) countries. CARICOM is a regional integration arrangement established in 1975 and whose members are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago. Table I provides data on land area, population, GDP and GDP per capita.

**CARIBBEAN/US RELATIONS**

US foreign policy towards the Caribbean has been a subset of a wider Latin American policy within an overall foreign policy framework dominated by Cold War perspectives. As a super power, the US has pursued a foreign policy of global reach and engagement within which the Caribbean has not always been the subject of a clear, distinctive and sustained policy. In fact, the US has pursued separate policies for Central America, Cuba, Haiti, the Dominican Republic and the CARICOM, albeit within the leitmotif of free trade, anti-communism and democracy.

US policy towards the English-speaking Caribbean (ESC) emerged during the 1960s when these countries attained their political independence from Great Britain beginning with Jamaica in 1962. The CARICOM countries made the transition to independence through a series of negotiations, and since that time they have maintained an enviable record of stability, electoral democracy and peaceful co-existence with their neighbors. The US military has had to intervene once in the Caribbean region, in Grenada in 1983.

The Caribbean and the US have had a long and mutually beneficial relationship over many decades and share a resolute commitment to democracy, the rule of law and the promotion of private sector-led market-driven economies.

### INTERNATIONAL CONTEXT

The global economy and the international political framework, which have existed since World War II, are in an advanced stage of metamorphosis. The speed and the profundity of the changes involved in globalization have been so dramatic that most people have not realized that the world is not changing; it has changed. This transformation ushers in a new era, and those countries that are slow to adjust and adapt to the new economic environment will be progressively marginalized from the mainstream of global economic activity. The global changes are not simply a change in the weather; they constitute a change in climate.

The nature and conduct of international relations has also been altered profoundly during the last two decades. The post World War II political architecture collapsed with the end of the Cold War, leaving the United States as the single super power. The implosion of the Soviet Union, the fragmentation of Eastern Europe, the rise of the newly industrialized economies in Asia and Latin America and intensifying tri-polar economic rivalry with the US, Japan and the EU, have combined to change the dynamics of international affairs. In the immediate future, international relations will be more complex because of diversity and proliferation of political actors; the evolution of governance in response to the erosion of the sovereignty of the nation state, and the need for new forms of management of the global economy

The strategic importance of the ESC to the United States and Europe has declined in recent years. This is a reflection of the end of the Cold War, and the fact that the region's principal exports of agricultural products and critical raw materials, e.g. sugar, bananas and bauxite, are no longer as important to the US and the EU. These products are readily available from other regions and in some cases at lower prices. The security concerns of the US have changed dramatically in the post-Cold War era; current priorities include the Middle East, China, Iraq and North Korea, as well as the rehabilitation of the Soviet Union and Eastern Europe. Unlike those countries, the ESC is characterized by well-entrenched and stable democracies, as such despite its proximity, it has received less attention from the US.

The challenge for the Caribbean and for the Caribbean/US relationship is to reinforce the traditional friendship and build on the remarkable history of international collaboration, political cooperation and economic interdependence. The US/CARICOM partnership must continue to pursue the enduring goals of peace, democracy and economic development. In order to achieve this, the US and CARICOM will have to jointly confront common challenges.

### CARIBBEAN REALITY

The dominant feature of CARICOM countries is their vulnerability, which has both economic and security dimensions.

#### Economic Vulnerability

In the ESC, economies are small and fragile with a number of common characteristics. First, external transactions are large in relation to total economic activity, as indicated by the high ratio of trade to GDP. Second, there is heavy reliance on external trade because of a narrow range of resources and the inability to support certain types of production, given the small scale of the market. Third, openness is measured by imports and exports of goods and services as a percentage of GDP. The United States has a trade/GDP ratio of 15 percent. By contrast, CARICOM economies have trade GDP ratios between 40 and 204 percent.

The limited range of economic activity in these small economies is reflected in the concentration on one to three exports, accompanied in the majority of cases, by a relatively high reliance on primary commodities. In extreme instances, one primary product export accounts for nearly all of exports. For example, in 1991, bananas accounted for 92 percent of total exports in Dominica and 87 percent in St. Lucia. Export concentration is compounded by the dependence on one or two export markets, e.g. Britain absorbs 80 percent of Dominica's bananas and 90 percent of St. Lucia's exports.

The high degree of openness to international transactions, as reflected in the trade/GDP ratio of the members of CARICOM, and the concentration in a few export products, particularly some primary products and agricultural commodities whose prices are subject to fluctuations in world markets, make small economies extremely vulnerable to external economic events. Economic vulnerability can be a feature of an economy of any size and level of development, but it is compounded by the CARICOM countries' small size, susceptibility to natural disasters, remoteness and insularity. Studies of developing countries have demonstrated that there is a direct relationship between vulnerability and size, with the smallest developing countries being the most vulnerable. A World Bank/Commonwealth Secretariat study shows that of 111 developing countries, 26 of the 28 most vulnerable were small countries and 28 least vulnerable were all large states. Canada, Brazil, Argentina, and the United States have vulnerability indexes of 0.2 or less, while Caribbean and Central American economies exceed 0.4. The smallest economies have vulnerability indexes ranging from 0.595 for Barbados to 0.843 for Antigua.

Small economies have severe constraints on their material and labor inputs both in amount and variety, because of their limited land area and small populations. These constraints make it very difficult to attain global standards of efficiency and economies of scale for a wide range of products and they lead to high unit costs of production. Small economies tend to have a narrower range of domestic and export production because of the small size of the market and the limited range of resources. Concentration is usually significantly higher in developing countries than in developed countries e.g. in manufacturing. This is particularly the case in small, developing countries where small domestic markets make it difficult for firms to attain economies of scale and if they do, it is usually by market dominance, in many instances as monopolies

Volatility in national income is a pronounced characteristic of developing

countries which export a few primary products, particularly minerals and agricultural commodities and experience erratic fluctuations in capital flows. This is particularly the case in small developing countries have a severely constrained adjustment capacity that limits their ability to react. Volatile fluctuations in national income is costly because of the adverse impact on investment, resource allocation, productivity, inflation, exchange rates and economic growth. Small economies experience higher income volatility than larger economies, estimated by the World Bank/Commonwealth Secretariat, as 25 percent higher. A recent study of foreign direct investment flows in the last 20 years reveals that small developing countries are at a disadvantage in attaining FDI relative to larger developing countries, because even when they have sound economic policies, small developing countries are rated 28 percent more risky.

### **Proneness to Natural Disasters**

One of the peculiarities of small developing countries, particularly the small islands of the Caribbean, is the prevalence of natural disasters. The adverse implications of natural disasters have contributed to volatility in the growth of Caribbean countries. It is unquestionable that the impact of a natural disaster on a small economy and its financial sector can be far more devastating than it is on a large economy, where the damage is relatively localized. The following statistics concerning the amount of damage caused by natural disasters in relation to GDP bear this out. The damage to Jamaica from Hurricane Gilbert in 1988 amounted to about 33 percent of GDP; to Antigua from Luis and Marilyn in 1995, about 66 percent of GDP; to Montserrat from Hugo in 1989, about 500 percent of GDP. In comparison, the damage to the United States from Hurricane Andrew in 1992, while much larger in an absolute amount, amounted to only 0.2 percent of GDP.

### **Security**

Security issues in the CARICOM region increasingly involve: 1) drug trafficking and money laundering; 2) illicit arms trafficking and the link to crime and violence; and 3) trans-border shipment of nuclear and hazardous wastes through sea and airspace of small island states. Such problems are of course not unique to the small island states of the Caribbean. However, these states because of their extremely small size, suffer the consequences to a much greater extent than would normally be associated with these problems. In addition, the geographical location of the small island states of the Caribbean make them natural transit points for a range of materials including illicit drugs and arms.

The illegal trade in guns has contributed to a pronounced escalation of gun violence. Closely associated with illicit firearms, is the drug trade that is of enormous size and attracts so much money that it is difficult for the governments of the small island states, due to their limited resources, to effectively combat these scourges without assistance. The arms trade and the closely associated drug trade directly threatens the social and political fabric of small island states because, in addition to the violence and crime that it stimulates, it promotes increased drug use in these small societies which increases health risks and thereby adversely impacts on the youth.

There is an inextricable link between security and economic conditions and policy in the CARICOM states and US policy towards the region must be based on a clear recognition of this fact. Ultimately, the best defense against the temptation to involvement in the lucrative drug production and trafficking is economic growth involving increasing employment and income, particularly in rural areas.

### CHALLENGES FACING THE CARIBBEAN

The economic and security challenges facing the Caribbean require a fundamental transformation of these economies, by undertaking strategic global repositioning (SGR). Strategic global repositioning is the process of repositioning a country in the global economy and world affairs by implementing a strategic medium to long-term plan formulated from continuous dialogue with the public sector, private sector, academic community and the social sector. It involves proactive structural and institutional transformation (not adjustment) focused on improvement and diversification of exports and international economic and political relations. An integral part of strategic global repositioning will be export diversification encompassing the development of new exports, e.g. informatics, as well as improving competitiveness and productivity in existing export sectors, e.g. bauxite. Some foreign exchange earning sectors such as tourism will have to undergo a continual process of review and adjustment, changing the product mix to meet shifting demands or to create new customers. The production and export of traditional commodities such as sugar, nutmegs and bananas on the present scale may not be viable in the long run. There have been serious and sustained attempts to increase the competitiveness of these sectors, while developing new export industries. This is a very urgent problem for economies heavily dependent on the export of bananas e.g. St. Lucia, St. Vincent and the Grenadines and Dominica. The experience of Antigua's transition from an economy based on sugar to one in which tourism is the core activity is an encouraging example of the transition possibilities.

Tourism has been a principal sector which accounts for about 30 percent of the region's export earnings and one in every five jobs. In some countries, including the smaller islands of the Eastern Caribbean, the percentage of the population employed in tourism is much higher than 20 percent, and tourism's share of GDP can be as high as 70 percent. Given the crisis being experienced in the Eastern Caribbean with the marketing of bananas to Europe, the importance of tourism is expected to increase. The capacity of CARICOM countries to be internationally competitive in tourism is reassuring because it is indicative of a capability which could be applied in other economic activities. There has been success in food processing, apparel manufacturing, notably in Jamaica and heavy industry in Trinidad and Tobago. Mining of minerals in Guyana and Jamaica and natural gas in Trinidad and Tobago remain important and there are prospects for expansion.

Efforts to diversify exports have already begun in the region through the further development of new exports such as information technology (IT). The governments of the ESC have embarked on a serious effort to liberalize the region's

telecommunications sector. Last year, Jamaica began this process by signing a landmark agreement with the local telecommunications monopoly to phase-in a fully competitive system within three years. In the first phase of this process, the liberalization of wireless services, a leading U.S. telecommunications firm won one of two bids to offer cellular services. With respect to information technology, several countries in the region, such as Jamaica and Barbados, have identified the expansion of this sector and the shift to a new "digital" economy as priorities for sustained economic growth.

### ECONOMIC ISSUES AND POLICY

The United States is the largest trading partner and source of capital flows of the CARICOM. CBI nations are a significant market for US exports: in 1998, US exports to CBI countries totaled \$21.1 billion, 9.1 percent more than in 1997. Exports to the Caribbean accounted for 3 percent of the total US exports in 1998, up from 2.8 percent in 1997. The US-CBI trade is shown in Table II. It is estimated that about 50 cents of each dollar spent in the Caribbean Basin is spent back in the US compared with only 10 cents of each dollar spent in Asia. In 1995 Jamaica purchased 75 percent of its imports from the United States. The Caribbean Basin is in aggregate now the tenth largest export market for the US, surpassing other US trading partners such as France. Presently, the US/Caribbean relationship supports more than 400,000 jobs in the US and many more throughout the Caribbean. For further details see Table III.

#### Caribbean Basin Initiative (CBI)

The CARICOM welcomes the passage by both Houses of the Trade and Development Act of 2000 by the adoption of Conference Report to HR 434 by overwhelming majorities. The legislation will provide enhanced access to the US market for exports from the Caribbean Basin and expand trade and commerce with the nations of Africa. The Bill finally accomplishes much of what Jamaica and other CBI States have sought since the passage of the NAFTA six years ago, a leveling of the playing field regarding access to the US market to enable the CARICOM and other CBI beneficiary nations to compete on an equal footing with Mexico for new investment in the region.

#### Bananas

The CARICOM continues to be deeply disturbed by the active participation of the US in the challenge to the European Union's arrangements with the Caribbean and other ACP partners, for the sale of bananas. The CARICOM states sought to impress upon the US the critical importance of the banana industry to the countries of the Caribbean. The export of bananas is vital to the economic, social and political fabric of many states some of whom depend on the industry for more than 50 percent of their export revenue. Over several years CARICOM sought to achieve an accommodation with the US, however, despite assurances of sensitivity to the plight of the region, the US persisted in its challenges to the banana regime which undermined confidence in

the industry among the farmers and industry interests in the Caribbean. This led to sharp declines in banana production with the resulting loss of jobs and foreign exchange earnings.

While some of the losses suffered as a consequence of the US action cannot be recovered, CARICOM continues to hope for a resolution of the problem in the near future. A genuine sense of cooperation among the partners must be the basis of any solution that would balance the interests of the parties while preserving necessary market access provisions for CARICOM countries. The US must maintain a constructive approach to the process now underway, remaining cognizant of its many pledges to take into account the expressed concerns of the region.

### **Sugar and Rum**

Sugar producers of the CBI region are concerned about the efforts by Mexico to accelerate the expansion of its sugar quota to the US market at a faster rate than agreed in the side letter signed at the time of the NAFTA Agreement. Under this agreement, Mexico's quota will increase to 250,000 metric tons by 2001. The US is permitted to allocate a global quota of 1,117,195 metric tones per annum as notified to the WTO, within that quota, the portions assigned to Caribbean countries have declined sharply over the years. The individual country quotas are now at levels, which barely make shipping economical. Any measure that results in further loss in preferential access to the US market could have significant economic and social consequences in the region, particularly given the low world market prices. The Caribbean countries are therefore urging the United States Government not to entertain Mexico's request for an expansion of its sugar quota, unless it can be accommodated without a reduction in the quotas currently allocated to the Caribbean countries.

The countries of CARICOM which export sugar continue to seek a CARICOM sugar quota, which would allow reallocation among its members in the event of temporary shortfall by any one of them. During the CARICOM/US Trade and Investment Council discussions in 1999, the US undertook to explore the legal implications of this request. A single CARICOM sugar quota would be consistent with the region's efforts to create a CARICOM Single Market and Economy.

CARICOM urges the US not to consider expansion of the "zero for zero" agreement it negotiated with the EU as this would further jeopardize the access of rum exports from the Caribbean to the EU and US markets. CARICOM is pleased that rum imported from the region into Canada, then blended and bottled for re-export to the US is to be granted duty-free access under the Trade and Development Act of 2000 bill. The bill provides for liqueurs and "spirituous beverages" produced in Canada from CBI rum to be given duty-free access where this rum accounts for at least 90 percent by volume of the alcoholic content of these liqueurs and spirituous beverages

### **World Trade Organization (WTO)**

The global economic environment must be complementary to the internal economic policies of small, developing economies, such as those in the CARICOM region in order

to ensure their growth, development and resilience. However, the trend towards reduction or elimination of preferential trading arrangements poses a major challenge. The dismantling of preferential trade arrangements such as the WTO ruling on bananas, indicate that fundamental changes, which profoundly affect the Caribbean, have already occurred. Measures should be designed to address the concerns and interests of small, developing economies and these should not be limited to measures, which avoid putting small economies at a disadvantage, but should be proactive in promoting the growth and development of smaller economies. For example, Article IV of the GATS specifies measures aimed at increasing the participation of developing countries in the global trade in services, through specific commitments in relation to strengthening their domestic services, its efficiency, capacity and competitiveness. In order to achieve the meaningful participation of smaller economies, the following measures are recommended.

First, smaller economies should be allowed to undertake commitments to the extent consistent with their adjustment capacity, development, financial and trade needs and their administrative and institutional capabilities for implementation. These concessions should be negotiated on an issue-by-issue basis, and where appropriate, on a product-by-product basis. Small developing economies should also be permitted some exemptions. This would not only address the question of disparities, but also avoid situations where small, developing economies, despite their best efforts, were not able to meet certain requirements and timetables.

Second, given the small size of firms in smaller economies and the small scale of production and the limited size of the market, export sectors will require a longer period of adjustment than larger firms and larger, more developed economies. Hence, there must be asymmetrically phased implementation of rules and disciplines, permitting a longer adjustment period for smaller economies. For example, in agricultural trade, in particular, food items, smaller economies should be allowed the flexibility to implement their commitments to reduction of protection and domestic support over a longer period than the implementation period prescribed for larger economies.

Third, the small, developing countries will have to improve their capacity to mediate the encounter with the global marketplace. Technical assistance for capacity building should aim to: (a) contribute to efforts by small economies to undertake the structural, institutional and legislative adjustment; (b) promote the development of adequate institutional capacity including training to improve their handling of negotiations and implementation of the international trade agreements; (c) assist small economies in fulfilling their obligations under the various international agreements, in particular, commitments under the WTO; (d) ensure that small, developing countries can overcome their limited capability to make use of the dispute settlement mechanism because of their inadequate expertise and institutional capacity to implement panel findings and the high cost and administrative difficulties of using the mechanism.

#### **Free Trade Area of the Americas (FTAA)**

Small economies of Central America and the Caribbean constitute the majority of the FTAA participants and a seamless hemispheric marketplace cannot come into existence without these countries, therefore it is essential that their concerns must be kept under continuous review during all stages of the negotiation of the Free Trade Agreement. CARICOM states will continue to make their needs known and identify the specific areas in which they will require assistance, in order to ensure their effective participation. Technical assistance should be made available to all small states that are a part of this process through multilateral institutions as well as bilaterally, from more developed countries. The FTAA process should include a mechanism for the provision of such assistance. Additionally, the Caribbean is of the view that in order to respond to the concerns and special circumstances of small states, any agreement forming a free trade area of the Americas ought to contain provisions, including but certainly not limited to longer adjustment periods and the provision of technical assistance.

#### **Lomé Waiver**

The CARICOM countries welcome the pledge by the US not to oppose the EU 's application to the WTO for a waiver to facilitate the implementation of the trade provisions under the new EU/ACP partnership agreement to replace the fourth Lomé Convention. Any effort to link this comprehensive cooperation arrangement to the banana dispute would represent an unwarranted attack on the efforts of the 72 developing countries of the ACP to pursue vitally important goals of sustainable development in cooperation with EU partners. This agreement covers important issues of development cooperation, trade, investment, private sector development and social sector development.

#### **Development Financing**

Since the 1960s, the US has supported the process of structural adjustment, economic reform, trade liberalization and economic growth in the CARICOM countries. US foreign aid has played an important role in the expansion of physical infrastructure, the improvement of institutional capacity and the training of human resources in the Caribbean. During the 1980s, US development assistance to the region averaged \$200 million per annum. Since then there has been a sharp reduction. For evidence of this one has only to look at US foreign assistance to Jamaica which declined from \$165.6 million in 1985 to approximately \$15 million per annum since 1995. The Caribbean views this trend as unfortunate and unwise since development assistance has and continues to contribute to supporting private sector-led growth and investment. The United States has been a vital source of funding for the following programs: facilitating economic liberalization; promoting institution-building and public sector efficiency; supporting debt reduction; providing assistance to the social sectors to cushion the effects of economic adjustment on the poor; improving natural resource management; assisting in efforts to combat the international narcotics trade; funding environmental protection; and disaster relief, investment promotion. USAID's assistance to the region is shown in Table IV. Declining US assistance may negatively affect the CARICOM states' capacity to carry out these programs at a continued high level.

### Debt Relief

The servicing of a large external debt can cripple the economic growth of developing countries because it uses scarce foreign exchange, constrains fiscal expenditure, and reduces import capacity. Jamaica experienced debt problems during the late 1970s and 1980s and benefited from debt relief from various debt restructuring exercises and debt relief initiatives for the region e.g. Enterprise for the Americas Initiative. The CARICOM region has also benefited from debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, formally launched by the IMF and the World Bank in 1996. In 1999, Guyana was one of the first seven countries to benefit from debt relief under the program, receiving approximately US\$450 million. Guyana will also be obtaining additional relief under the Enhanced HIPC Initiative.

### SECURITY ISSUES AND POLICY

Cooperation on security matters is one of the most important and successful aspects of the Caribbean/US relationship. The region has been a committed partner in the fight against narcotic drugs and other aspects of transnational crime. At the same time, it continues to emphasize the link between economic opportunity and social stability, which are the best antidotes to the drug trade and transnational crime.

#### Narcotics Trafficking

The fact that small island states in the Caribbean are located close to major production points of drugs and are also major markets for drugs, encourages drug smuggling and the multi-national drug trafficking groups to begin to locate increasingly in small island states. Efforts to combat drug smuggling have proven to be an expensive exercise, diverting substantial resources from social investment such as education and health. In addition, resources available to the police and military forces in small island states are limited, particularly equipment such as motor vehicles, ships, airplanes and surveillance equipment, and this makes it difficult, despite the strong commitment of governments in this area, to fight the scourge of illicit drug and firearms trafficking.

Four countries in the Caribbean are on the Department of State's list of major transit countries, according to the most recent International Narcotics Control Strategy Report (INCSR). In each case, the Report notes that the country or territory lies on the cocaine trafficking route from South to North America. Further, six countries are listed as major money-laundering countries, which are defined as those countries whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking. Over the last 14 years, CARICOM governments have received full certification from the US. This signifies that CARICOM countries are taking steps individually or in conjunction with the US to fulfill the obligations as parties to the UN 1988 Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Both sides agree that an excellent cooperative relationship exists between the US law enforcement agencies, and those of the

**CARICOM region.**

The small states of CARICOM do not have the capacity or resources to tackle the major drug cartels by itself. General McCaffrey is correct when he speaks of the hemispheric narcotics control effort not as a war but as a long-term engagement. The crimes deriving from drug trafficking have high impact on small nations and small populations. Money laundering, drug use, political corruption, intimidation and violent crime have all increased in the region over the last two decades as a result of its strategic location. Each nation faces the challenge of ensuring that it does not become a weak link in the fight against transnational organized crime. The geographic location of Caribbean states between the main sources of supply and the US has placed a significant burden on them to continue to undertake aggressive interdiction efforts to curtail the movement of drugs through the region. Caribbean states continue to commit significant resources to counter narcotics efforts. As the US commits itself to more robust anti-narcotic efforts in source nations, due attention must be paid to ensuring that a compatible strategy with adequate resource support is developed with respect to transit countries in the Caribbean.

The governments in the region continue to undertake significant eradication programs for marijuana crops as a corollary to their far-reaching efforts to interdict the flow of hard drugs to the US. The support given by the US government to regional security forces by way of donated aircraft and vessels has improved the capacity to challenge the well-funded and well-organized criminal organizations involved in narcotics trafficking. Many member states have entered into maritime cooperation agreements, which has facilitated cooperation and helped to more effectively challenge the drug traffickers and other players in organized crime. It is critical for all partners that the US strengthen its support for the CARICOM anti-narcotics programs through enhanced training, technical assistance, and resource allocation commensurate with the magnitude of the threat posed by the cartels.

**Money Laundering**

The CARICOM governments, like the US, recognize that the key to fighting transnational crime is to deprive them of the ill-gotten gains that sustain them. The region has therefore moved to introduce and implement far-reaching legislation to counteract money laundering. The United States has played and must continue to play a vital role in building CARICOM's capacity to fight this challenge. While unwavering in our commitment to preventing illicit financial activity in the region, CARICOM does not wish to see the legitimate financial sector fall victim to the fight against financial crimes. The region has expressed concern about the OECD criticisms of certain CARICOM states deemed to be tax havens with harmful fiscal regimes. The region has taken steps to ensure that this sector is not abused by criminal elements and urges the US and its OECD partners to adopt a balanced approach to this important area of the regional economic development.

### Illegal Guns

The battle to stem the flow of illicit guns has been a major area of concern for CARICOM in its dialogue with the US. The traffic in illegal weapons emanating mainly from the US has played a significant role in increased violence and criminal activity in the region. CARICOM states have joined the US in signing, the Inter-American Convention against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials and are committed to efforts to stem the flow of guns to the region. In this area we need the continued support of the USA. The US continues to provide support to the region in its effort to trace guns used in criminal activity and the assistance provided by the BATF in this regard is important. However, CARICOM views the illicit traffic of firearms as threat in equal measure to the illicit traffic in drugs. What the region needs in this regard is the US' commitment to stemming the outflow of illegal guns to the Caribbean, not unlike the Caribbean's commitment to stemming the trafficking of drugs to the US. Due to the seriousness of the problem, at great expense some CARICOM states have already implemented sophisticated security measures at ports of entry to try to address the inflow of illegal guns.

### Migration and Deportation

The migration of people both legally and illegally from economically depressed areas to countries where jobs and higher wages are available is likely to be more pronounced in the next decade or two, as Latin American and Caribbean population growth rates persist at high levels and as some countries of the hemisphere experience little economic growth and development. This will be a major economic problem and political issue in the US, which will face increasing pressures of migration if it remains an oasis of affluence in a sea of poverty.

One area of deep concern for CARICOM states is the problem of deportation. This problem, exacerbated by US legislation adopted in 1996, has had a serious impact on the social fabric of many CARICOM countries that lack the resources to deal with the impact of criminal returnees many of which have little ties to the communities to which they are returned. The incidents of deportation from the US to Caribbean countries has increased despite the pleas from Caribbean governments for the US to be sensitive to the capacity of Caribbean law enforcement agencies to deal with the influx of highly experienced "deportees" with access to sophisticated weapons through their existing criminal ties to the US.

Under the Anti-terrorism and Effective Death Penalty Act and the Illegal Immigration Reform and Immigration Responsibility Act of 1996, the term '*Deportation*' was changed to '*Removal*' and the definition of a felony broadened. These Acts further limited the discretion of the INS and mandated the deportation of immigrants for acts classified as misdemeanors under state law but defined as "aggravated felonies" for the purposes of immigration law. The new definition applies to offences that occurred before, on or after the date of enactment of the legislation. These changes have resulted in many hardship cases including the detention and removal of long-stay permanent residents including elderly persons, for minor offenses previously

categorized as committed long ago. The deportation of persons who have lived in the US since childhood is an area of particular concern, as in many cases these persons have no viable ties in the region. This exacerbates problems within the CARICOM because these persons have no established means of support upon their return and are prone to become involved in criminal activities. A record 2,922 persons were deported to CARICOM countries in 1999, the majority were removed on the basis of narcotic drug offences. In the period 1995-99, the number of deportations to the region doubled as shown in the Table V.

The CARICOM would benefit from the enactment of legislation to restore some discretion to the Immigration and Naturalization Service (INS) and reverse some of the unintended consequences of the 1996 legislative measures. In drafting new legislation the responsible agencies should consider such factors as: the ties of the individual to the US and their length of stay in the country; the impact of deportation on US-based families; the nature of the offences; their lack of connection to the states to which they are returned and the negative impact that deportation has on the CARICOM and similarly situated countries.

### INTERDEPENDENCE

Despite the differences in population, GDP, land area and levels of development there is a close interdependence between the US and the countries of CARICOM. This interdependence is likely to increase as many problems faced by all these countries can only be solved by cooperation on a regional, hemispheric or global level.

#### Co-production

One of the most visible examples of this is the co-production in apparel manufacturing. The production of apparel in the CBI region is complementary to production in the United States. For each garment produced in Jamaica, 80 percent of the finished good consists of US textiles, machinery and other inputs, most of which is imported from US-based American firms. US garment producers, therefore, maintain competitiveness in the global market place by having different stages of the production process dispersed within the hemisphere, involving CBI producers. In the future, as globalization progresses, it is not going to be possible for any single product, firm or country, to stay competitive unless the production process is dispersed throughout the region so that each aspect is undertaken where it is most cost effective.

#### Environmental Preservation

The countries of the Caribbean are very conscious of the importance of environmental protection and attach great importance to issues of sustainable development. The region has been at the forefront of initiatives to address concerns of small island developing states including issues of global warming and climate change. A regional framework exists for addressing the objectives of the UN Framework Convention on Climate Change. The CARICOM recognizes that an integrated approach to regional environmental concerns is necessary for the protection of the

Caribbean sea and its fragile ecosystem. The region has therefore sought recognition of the Caribbean Sea as a special area in the context of sustainable development. In this context the CARICOM cooperates in efforts to address issues of marine pollution and other threats to the marine environment and marine life. The Caribbean continues to call for the cessation of shipments of nuclear waste, out of deep concern for the possible effect on the region of any accidents or mishaps during transit.

The Caribbean region is vulnerable to natural disasters, as the damage of hurricanes in recent years has so clearly demonstrated. The region continues to work closely with the United States to maintain a strong disaster mitigation and response capability. The USAID-funded Caribbean Disaster Mitigation Project provided an important mechanism for this, and continued close cooperation with the US will remain a critical factor in the effort to maintain an effective programme to address disaster preparedness and response issues.

#### HIV/AIDS

In the CARICOM region, the Dominican Republic and Cuba an estimated 360,000 adults and children were infected with HIV/AIDS in 1999 and 70 percent are between the ages of 15 and 44 years. Aids is the leading cause of death among the 15-44 year olds irrespective of gender but young women 15-24 are particularly vulnerable. The prevalence of HIV is 2-4 times higher in this age group than in any other female age group and the number of reported cases 3-6 times higher in females in this age group compared to males. Governments in the region in collaboration with the Caribbean Epidemiology Centre (CAREC) and UNAIDS has put forward a CARICOM HIV/AIDS Regional Strategic Plan. The plan places emphasis on prevention and control and funding is being considered by the EU and the World Bank.

#### International Peace & Security

The history of the region's involvement in international affairs demonstrates that small states can be influential, especially when acting collectively. The ESC with its strong and independent democratic traditions is uniquely qualified to play a constructive role in global affairs. Despite small size, CARICOM countries have contributed positively to regional and international bodies committed to the maintenance of peace and security, and the promotion of social economic and political progress around the world. Member states of CARICOM are active members of the Organization of American States and the United Nations. Furthermore, CARICOM states have served as elected members of the UN Security Council on a number of occasions. Jamaica is currently in the first year of its two-year term as a nonpermanent member of the Council from the Latin American and Caribbean region. Jamaica takes these responsibilities very seriously and is committed to working together with other members to address the serious challenges to peace and security, which confront the global community.

#### NEW ISSUES

New issues are likely to confront the public policy machinery of Caribbean countries; e.g. seabed mining biodiversity, epidemics, refugees, soil erosion and the exhaustion of fish stocks. International relations will involve encounters with new configurations e.g. trade blocs, non-governmental organizations and new multilateral governance arrangements. The nature of conflict could be broadened to include terrorism, international crime and resource use, including the seabed. These issues are already contentious problems in many areas of the world and could emerge in future US-CARICOM relations.

#### COOPERATION FOR COMMON GOALS

The dilemma facing the CARICOM countries is to undertake strategic global repositioning of their economies to cope with challenges and seize the opportunities of globalization to ensure economic progress and preserve and deepen democracy despite the corrosive threat of transnational criminal activities emanating from but not confined to narcotics and firearms trafficking.

It is in the national interest of the US for the Caribbean to attain these goals, as it will ensure prosperous trade and investment partners, peaceful and democratic neighbors in the Caribbean, and allies in the fight against transnational crime and for the preservation of the environment through sustainable development.

The objective of US policy should be to support and complement Caribbean/CARICOM countries to attain economic progress and sustainable development, while preserving peace, stability and democracy. US policy should avoid measures and decisions which are detrimental to the CARICOM e.g. deportation of criminals on a scale disruptive to Caribbean society. The costs and benefits must be carefully weighed to avoid the disastrous consequences such as those caused by the dismantling of the EU regime for the importation of bananas from the Africa Caribbean and Pacific (ACP) countries. Stability, continuity, and friendly relations should not be jeopardized for short-term gains especially when they could be exceeded by long-term costs. The economic and security aspects of US policies need to be carefully calibrated and consistently integrated in a coherent holistic approach. The process of periodic consultations between the leaders of the US and the CARICOM and the annual meeting between the Secretary of State and Foreign Ministers is very constructive. Hearings in Congress are also an essential component in the exchange of views which must be the basis for cooperation in the pursuit of common goals and for understanding where there are differences in policies.

**TABLE I**  
**Land Area, Population, GDP, GDP per Capita for the CARICOM**  
**Countries and the United States**

| COUNTRY                     | LAND AREA (sq km) | POPULATION  | GDP US\$ Million | GDP Per Capita US\$ |
|-----------------------------|-------------------|-------------|------------------|---------------------|
| Antigua & Barbuda           |                   |             | 639              | 9432                |
| Bahamas                     | 440               | 66,860      | 4560             | 14998               |
| Barbados                    |                   |             | 2469             | 9789                |
| Belize                      | 13,880            | 290,400     | 705              | 2949                |
| Dominica                    |                   |             | 273              | 3690                |
| Grenada                     | 430               | 265,630     | 360              | 3758                |
| Guyana                      |                   |             | 782              | 998                 |
| Jamaica                     | 22,960            | 238,550     | 7445             | 2893                |
| St Kitts & Nevis            |                   |             | 305              | 7193                |
| St Lucia                    | 750               | 73,000      | 639              | 3677                |
| St Vincent & the Grenadines | 340               | 96,200      | 320              | 2874                |
| Suriname                    |                   | 849,180     | 1104             | 2474                |
| Trinidad & Tobago           | 214,970           | 2,576,000   | 6380             | 4666                |
| United States               |                   | 40,820      | 9256150          | 33933               |
|                             | 10,990            | 15,200      |                  |                     |
|                             |                   | 113,220     |                  |                     |
|                             | 360               | 412,070     |                  |                     |
|                             |                   | 1,285,140   |                  |                     |
|                             |                   | 270,299,008 |                  |                     |
|                             | 620               |             |                  |                     |
|                             | 390               |             |                  |                     |
|                             | 163,270           |             |                  |                     |
|                             | 5,130             |             |                  |                     |
|                             | 9,363,520         |             |                  |                     |

Source: IMF, World Economic Outlook Database (<http://www.imf.org/>)

**TABLE II**

**US/CBI Trade Statistics – 1985-1995 (Millions of Dollars)**

| Year | US Imports | US Exports | Balance |
|------|------------|------------|---------|
| 1985 | 6,687      | 5,942      | -745    |
| 1986 | 6,065      | 5,362      | 297     |
| 1987 | 6,039      | 6,906      | 867     |
| 1988 | 6,061      | 7,690      | 1,629   |
| 1989 | 6,637      | 8,290      | 1,653   |
| 1990 | 7,525      | 9,569      | 2,044   |
| 1991 | 8,372      | 10,013     | 1,641   |
| 1992 | 9,627      | 11,263     | 1,636   |
| 1993 | 10,378     | 12,428     | 2,050   |
| 1994 | 11,495     | 13,441     | 1,946   |

|      |        |        |       |
|------|--------|--------|-------|
| 1995 | 12,673 | 15,306 | 2,633 |
| 1996 | 14,700 | 15,903 | 1,203 |
| 1997 | 16,857 | 18,432 | 1,575 |
| 1998 | 17,249 | 21,108 | 2,869 |

Source: Calculated from Department of Commerce data.

**TABLE III**  
**Number of US Workers on Trade with the Caribbean Basin Nations**

| Year | Total # of US Workers | # of New US Jobs Created Per Year |
|------|-----------------------|-----------------------------------|
| 1985 | 118,840               |                                   |
| 1986 | 127,240               | 8,400                             |
| 1987 | 138,120               | 10,880                            |
| 1988 | 153,800               | 15,680                            |
| 1989 | 165,800               | 12,000                            |
| 1990 | 191,380               | 25,580                            |
| 1991 | 200,260               | 8,880                             |
| 1992 | 225,262               | 25,002                            |
| 1993 | 248,552               | 23,290                            |
| 1994 | 268,814               | 20,292                            |
| 1995 | 306,120               | 37,306                            |
| 1996 | 318,060               | 11,940                            |
| 1997 | 368,640               | 50,580                            |
| 1998 | 402,360               | 33,720                            |

Based on US Department of Commerce formula of \$1 billion in exports = 20,000 jobs.

**TABLE IV**  
**USAID ASSISTANCE TO THE CARIBBEAN, 1985-1998**  
**(US\$ mil)**

|              | 1985         | 1986         | 1987         | 1988         | 1989         | 1990         | 1991         | 1992         | 1993         | 1994         | 1995         | 1996         | 1997         | 1998         |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| DA           | 126.8        | 110.6        | 115.7        | 128.1        | 127.2        | 103.9        | 95.0         | 71.4         | 98.5         | 53.3         | 83.8         | 30.1         | 48.8         | 24.9         |
| ESF          | 225.1        | 150.0        | 91.2         | 17.7         | 35.3         | 18.9         | 25.1         | 40.6         | 32.0         | 37.7         | 56.9         | 45.5         | 53.8         | 74.5         |
| PL 480       | 106.0        | 101.8        | 84.8         | 74.1         | 137.5        | 69.6         | 85.1         | 73.9         | 87.7         | 151.5        | 51.6         | 88.5         | 41.9         | 36.9         |
| <b>TOTAL</b> | <b>458.9</b> | <b>362.4</b> | <b>291.7</b> | <b>219.9</b> | <b>300.0</b> | <b>192.4</b> | <b>206.2</b> | <b>185.9</b> | <b>218.2</b> | <b>242.5</b> | <b>202.4</b> | <b>164.1</b> | <b>144.5</b> | <b>136.3</b> |

\* Includes assistance to the Dominica Republic

Source: USAID, LAC Databook, 1999

**TABLE IV**  
**CRIMINAL AND NONCRIMINAL DEPORTEES TO THE CARICOM FOR THE**  
**PERIOD**  
**1995-1999**

|               | 1995        | 1996        | 1997        | 1998        | 1999        |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Criminals     | 1236        | 1406        | 1714        | 1768        | 1953        |
| Non-criminals | 285         | 314         | 809         | 879         | 969         |
| <b>Total</b>  | <b>1521</b> | <b>1720</b> | <b>2523</b> | <b>2647</b> | <b>2922</b> |