



Caribbean Working Paper Series

**The Caribbean Potential: Reimagining the
Region's Policy Frameworks**

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Summary

The Caribbean enters 2021 outside many of the violent crosshairs affecting the rest of the world, but a mix of factors, notably the global pandemic, an uncertain economic outlook, an unsteady US policy footprint now merging into a new administration in Washington, and an expanding politico-humanitarian crisis with Venezuela, are going to test Caribbean national leadership and will require a more robust regional consensus to emerge. The region's layered institutional machinery anchored in democratic norms, and the emergence of the southern Caribbean as a heavyweight oil and gas producer, can provide major buffers to effectively tackle the confluence of factors affecting the region. But unless deployed strategically to benefit the Caribbean's future, those same assets will also shape a much bleaker future.

A. The Regional Outlook

The Caribbean enters 2021 arguably outside many of the crosshairs affecting the rest of the world:

- While criminal gang violence remains a perennial problem, more broadly the region is conflict-free.
- Its response to the COVID-19 pandemic, while uneven across the region, has remained manageable.
- While key economic sectors have taken a direct hit (notably travel and hospitality), deep economic pain has been mostly postponed.
- A key US policy trade platform (the Caribbean Basin Trade Partnership Act - CBTPA) was *in extremis* renewed by the US Congress in the last quarter of 2020.
- The 2020 hurricane season was moderate by comparison to the disasters of recent years.
- The region's generally democratic governance practices were tested in Guyana and the Dominican Republic but demonstrated considerable resiliency.
- 2020 was likewise a transition year for the return to global prominence of the region's oil and gas production potential.
- And while the Caribbean remains an object of global power competition (US-China-Russia), the region has more or less been able to extract advantages from this great power dynamic.

The above portrait of the region suggests a confluence of factors, implying a need for careful attention by Caribbean national leadership and inviting regional consensus to offset the potential for a much bleaker picture to emerge. What does this portend for 2021 and beyond?

1. The region's economy:

Feeding on the residual structural economic effects of the 2008 global crisis, for much of the region— notably among the countries of the eastern and northern Caribbean—the economic impact of the global pandemic has compounded problems. While the US economy is presumed to be in recovery stage by summer 2021, in tandem with recoveries among European economies and probably faster-paced Asian economies, one needs to be cautious about how this will all trickle across the Caribbean. There is no reason to believe that the tourism industry and even business travel will recover well-enough to substantially make a difference until late 2021 into 2022. Likewise, the budgetary impact of the pandemic rather than fiscal mismanagement means that going into 2021 the region's outlook for government debt as a percentage of GDP is unsustainable for several countries (IMF, 2021). This

suggests an urgent need for multilateral efforts for a debt relief package particularly for small middle-income countries.³

2. The southern Caribbean (Guyana, Suriname, Trinidad and Tobago):

Their oil and gas economies are serving as significant cushions to better absorb the economic contractions that have affected the rest of the region. The challenge here is different. In a perverse way, Guyana's potential to become a per-capita oil-producing global leader draws attention to the country's fragile politics, whose electoral process in the wake of the March 2020 national elections almost went off the rails. Guyana's eastern neighbor, Suriname, also underwent a significant electoral transition in May 2020 with a surprising exit from years of quasi-strongman rule⁴; but how the country's legal institutions and political processes digest this transition conclusively remains uncertain.

3. The Caribbean's regional institutional machinery:

Guyana's ability to sustain the rule of law to overcome the 2020 electoral crisis is a result, in part, of the region's well developed regional institutional mechanisms – centered around CARICOM (Caribbean Community) headquartered in Guyana⁵, and a smaller subset, the OECS states (Organization of Eastern Caribbean States, based in St. Lucia), and a broad network of more specialized institutions. The historical impetus for this form of regionalism lies with CARICOM's four founding members, Barbados, Guyana, Jamaica, Trinidad and Tobago. Beyond CARICOM's Anglo-Caribbean core, Suriname has played an increasingly engaged role over the years while Haiti, the last to join, has been relatively aloof.⁶ In the aggregate, this agglomeration of institutional mechanisms is impressive by including layers of functional and specialized bodies, notably the Caribbean Court of Justice (CCJ), the Caribbean Public Health Agency (CARPHA). The CCJ was the key regional institution to uphold Guyana's electoral results, while CARPHA has been instrumental in the coordination of COVID-19 information for the Caribbean. Other prominent institutions include the Caribbean Disaster Emergency Management Agency (CDEMA), and 16 other institutions, and a more selective association with the Caribbean Development Bank (CDB), the Caribbean Tourism Organization (CTO), the University of the West Indies (UWI) and other key regional actors.

Yet, while this rich universe has provided the region with instrumentalities to punch internationally above the weight of its individual members, it appears these days to lack strategic momentum, coordination, and consensus for joint-action required for significant new initiatives. We will return to this theme later.

³ Debt relief is not related to income levels, bypassing the hurdle faced by a number of countries in the region of being above the economic threshold for development assistance (ODA).

⁴ Despite Dési Bouterse's authoritarian style of governance, some elements of the rule of law prevailed, leading to successful indictments for his 1982 murders and other human rights violations.

⁵ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

⁶ An even wider grouping exists, the Association of Caribbean States (ACS - based in Trinidad and Tobago), bringing together all Caribbean states and territories along with Central America, Mexico, Venezuela, Colombia.

4. The region's interplay with external actors:

The Caribbean's fortunes have historically often been tied to factors on the periphery, let alone outside the region. On the agenda for the foreseeable future is the slow-motion territorial dispute between Guyana and Venezuela – the World Court's December 2020 ruling that it has jurisdiction to hear the case sets up an unpredictable dynamic with the Maduro regime. A more immediate and wider issue is centered around the deepening political and humanitarian crisis in Venezuela. The latter is hemorrhaging its population, and while considerable attention has been given to flows into the rest of South America, its impact on the neighboring smaller Caribbean territories (notably Trinidad & Tobago, as well as Aruba and Curacao) is increasingly severe. The ensuing domestic political debates in Trinidad and elsewhere in the region draw attention to lack of consensus among CARICOM countries as to what an appropriate response should be either in diplomatic or humanitarian terms. Likewise, a messy regional brew of transnational threats, most notably drug trafficking, remains an active and inconclusive policy arena. On the outer margins of this policy domain are relations with Cuba, where much of the Caribbean's thinking is unified and remains at odds with Washington. The Biden administration's inclination on much of this may be somewhat more encouraging to Caribbean views, and in the case of Venezuela, could necessitate early action.

B. Key Policy Issues

The working premise is that the region represents a universe of overlapping *country* interests anchored to a set of core democratic political norms—the latter operationally exemplified by the region's adherence to the rule of law, as well as by an abundance of multilateral institutions noted above. From this vantage point, the most established portion of the region, numbering twelve countries, is its Anglo-Caribbean components. But there are also notable exceptions to this, with Cuba representing perhaps the region's historically most disruptive agenda and Haiti its most frustrating. This all begs the question of how the multi-faceted diplomacies of small states coalesce toward effective policies in a world dominated by more powerful actors.

When the region's Anglo-Caribbean community is contrasted with the region's three large Hispanic countries/territories (Cuba, the Dominican Republic, Puerto Rico), the latter represent populations and geographical sizes that dwarf the rest of the region. Interspaced throughout are also remnants of the region's colonial past, with British, French, and Dutch territories, while linguistically and politically, Haiti remains more insular and has a more limited outreach to the rest of the region⁷. This compartmentalization frames much of Caribbean policymaking despite overlapping histories, baseline cultural affinities, and a host of common challenges.

The Caribbean needs to do better. Finding new ways of reimagining the region's policy priorities can start by appreciating the degree to which the components parts of Caribbean politics and economics are operating at different speeds *and* capacities for action, resulting in a puzzle of individualized interests. Conceptually, there may also be a need to recognize the reality of what might be characterized as Caribbean sub-regional functionalism, underscoring pragmatic and forward-looking approaches to policy issues. The reality is that the center of regional economic activity has been shifting

⁷ Haiti's population is nearly twice as large as the other 13 CARICOM countries, and is also the poorest.

southward (Trinidad & Tobago, Guyana) and northward (the Dominican Republic and beyond). This vision does not split up the region's core Anglo-Caribbean community but instead anticipates a greater integration of all Caribbean countries around common interests and related institutional arrangements.⁸ The policy challenge is to envision how this puzzle of varied interests can coalesce into effective, larger, policy instruments. Six of those issue-areas are reviewed briefly below.⁹

1. Exiting the global pandemic:

The first cases of COVID-19 were reported in the Caribbean by March 2020:

- The immediate impact was not so much driven by actions of governments in the region but by the reality of the US, Canadian, and European economies (and therefore travel) shutting down very quickly.
- All Caribbean economies were severely affected by the COVID-19 pandemic, most significantly by a travel and hospitality industry which essentially collapsed. For several of the smaller eastern Caribbean states, the impact has been dramatic; 2019 data collected by the World Travel and Tourism Council (WTTC) for countries most reliant on tourism list 8 Caribbean destinations out of the top 10 globally (WTTC, 2020).¹⁰
- A moderate reopening of the region in the early summer with a lessening of both internal COVID-19 restrictions and some international travel did boost revenues a bit and reinstate some employment; this was not sustainable. It furthered the spread of the pandemic and quickly led to stricter travel protocols.
- The pandemic increased the vulnerability and the already challenging material circumstances of the region's marginalized populations – something that will not be easily overcome as the region's baseline assumptions for a *sustainable* economic recovery all point to 2022 – not earlier.

The spread of COVID-19 has triggered significant unbudgeted costs for Caribbean governments. In tandem, the unexpected economic downturn has deprived economies of expected revenue. The outlook is not particularly promising, with contraction of economies for 2020 hovering in the 8-15% range for most of the larger countries,¹¹ probably lower for Trinidad Tobago and the Dominican Republic; even oil-rich Guyana is probably facing a reduced estimate of its *growth* rate to about 26%.

In response, a consortium of international development institutions and governmental aid and investment agencies have provided several tranches of budgetary support since the beginning of the pandemic. This has not been as smooth as expected; in some cases, support was slow and insufficient, leading some Caribbean governments to broaden their requests for support. Outside particularly of Haiti, hurdles also had to be overcome triggered by the fact that much of the region is above the economic threshold for development assistance (ODA). For example, estimated 2020 support for all US development assistance programs to the Caribbean totaled \$498 million, of which \$172 million

⁸ Notions of a more complete regional integration is analyzed in a research effort led by UWI's Sir Arthur Lewis Institute of Social and Economic Studies (SALISES), [Pan-Caribbean integration: beyond CARICOM](#) (Lewis, Gilbert-Roberts and Byron, 2018).

⁹ This is not an exhaustive listing – while Cuba and Haiti are not the focus of this analysis, they are essential components of Caribbean policy discussions.

¹⁰ Aruba, St. Lucia, US Virgin Islands, St. Kitts & Nevis, British Virgin Islands, Bahamas, and Anguilla. Percentage of total national employment in the tourism sector ranged from a high of 91% in Antigua to 51% in Anguilla.

¹¹ Bahamas, Barbados, Cuba, Jamaica, Suriname.

was for Haiti and another \$270 million was allocated to the Caribbean Basin Security Initiative (CBSI). As of mid-year 2020 (late August), COVID-19 related US assistance to the Caribbean, including regional initiatives, totaled \$21,675 million, of which Haiti and the Dominican Republic received about 3/4th of the amount (CRS, 2020).

Arguably, the “rest of the Caribbean” has benefited from US and other international support of regional support mechanisms, but the region needs to be ready to address the next major obstacle – distribution of vaccines. This entails both access to the vaccine in sufficient quantities, addressing the logistical implications of safeguarding their transport to the four corners of the region, and providing the requisite medical support infrastructure to ensure that populations receive the vaccines safely and as rapidly as possible. These and related tasks are made to order for regional platforms, such as those anchored by CARICOM, to effectively synchronize with global actors. Equally important, the Caribbean should also envision itself as being able to capitalize on some of its own manufacturing/assembly/technology infrastructure for COVID-19 related medical supplies – going beyond PPEs etc...toward medical research, testing, and production as generators of economic recovery and development drivers. All of this will tax the region’s political and private sector leadership but these challenges provide opportunities for historically critical joint action as well.

2. Economic resiliency and innovation:

The region’s core challenge is to remain competitive in a global environment where:

- Technological change is rapid.
- Trade policy tensions among key global actors (the United States, the EU, China) have risen in recent years and has had an impact on the Caribbean.
- The consequences of the region’s economic transformations into services (mostly notably travel and hospitality but also financial services, ICT, health, educational, etc.) have reduced an already limited manufacturing base.
- In tandem, there is the long-term weakening of traditional Caribbean agriculture exports (notably sugar, and to a lesser degree, bananas).¹²
- In the aggregate, all of this has generated overall trade imbalances, notably with the United States (the US remains by far the single largest trading partner for the region).

The region does remain well positioned to take advantage of trading commodities that remain in demand globally – including oil, gas, gold, diamonds, bauxite and minerals, forestry, fisheries. Likewise, the Caribbean is a leader as a global tourism destination and has important if challenged presence in the financial services industry. More selectively, several Caribbean countries (Haiti and the Dominican Republic notably) are competitive in the assembly and garment/textile sector, although faces stiff competition globally. Nonetheless, the region’s economic foundation remains too *undiversified*.

In this regard, the renewal of the CBTPA in 2020 provides a baseline platform for Caribbean-US trade relations but which as a whole remains more beneficial to the US than in the reverse. This invites

¹² For a sense of the strategic stakes and brutal disputes in this arena, see *Corporate versus National Interest in US Trade Policy: Chiquita and Caribbean Bananas* (Bernal, 2020).

considerations to do more. The asymmetries that exist with the Caribbean's traditional trading partners have been masked by the relative success of simply a larger volume of trade flows and investments. There is a need to focus policy attention for a Caribbean economic strategic repositioning vis-à-vis the United States in particular, and efforts to shape new rules of trade and investment that match up with the region's widening transition to and stake in the services sector.

At stake is the region's resiliency – and a critical need to go beyond a lexicon that essentially references the Caribbean's capacity for disaster management or ensuring responsive security mechanisms. For example, the U.S.-Caribbean Resiliency Partnership is a commendable endeavor but requires a more robust engagement from Caribbean stakeholders as much as the United States. Effective resiliency is all about anticipating changes – or opportunities – and this has strategic implications. If so, this places in stark relief the need to not just respond but catapult the region beyond the COVID-19 global pandemic. For now, the absence of an integrated US geopolitical vision probably curbs policymakers, key private sectors actors, and civil society stakeholders throughout the Caribbean from more vigorously engaging American partners. This will not be easy and requires coordinated action among key Caribbean governmental actors within existing regional institutions; one can envision at least four overlapping nodes of activity:

- This means responding to opportunities such as investments in the Blue Economy across key sectors of the region's economy – from aquaculture, marine biotechnology, shipping and marine transport facilities, tourism, rebalanced coastal development, oil and gas exploration and development, and a related renewable energy infrastructure -- let alone calibrating the impact of the onset of artificial intelligence (AI) on traditional labor force capacities. The modernizing economies of the larger Anglo-Caribbean economies (Barbados, Jamaica, Trinidad & Tobago and to a degree Guyana) are well positioned in this regard --including fast introduction of 5G communication technology, and the potential to capitalize on the region-wide community of under-utilized computer scientists, app developers, and budding IT entrepreneurs and startups. This requires a business-friendly environment, legal and administrative transparency, and an engaged national political leadership in arenas where there is robust competition within the region (Jamaica and the Dominican Republic), let alone from other parts of the hemisphere.
- Working toward resiliency and innovation also implies taking advantage of the global geopolitical developments. Paradoxically, the Caribbean could benefit from shifts away from Chinese sourcing of products destined for the North American market, but the Caribbean faces stiff rivalry from Central America and Mexico. Likewise, the UK's Brexit process has meant that parallel agreements have to be negotiated to ensure that the EU trade preferences regime¹³ continues separately with the United Kingdom, the second-largest trading partner after the US for many countries in the region. All of this will require skilled negotiating machinery from the Caribbean as a region – the CARICOM Office of Trade Negotiations (OTN) will need all the polish and profile of its preceding Caribbean Regional Negotiating Machinery (CRNM) mechanism.

¹³ Signed in 2008, the CARIFORUM- (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Lucia, St Vincent and the Grenadines, St Kitts and Nevis, Suriname, Trinidad and Tobago) EU Economic Partnership Agreement covers trade not just in goods but also in services.

- The incoming Biden administration may not view it as an immediate priority, but some elements of the US Congress appear interested in exploring what could be envisioned as a 21st Century version of the Caribbean Basin Initiative (CBI). This could capitalize on the unmet expectations of the legislation passed in late 2016, the US Caribbean Strategic Engagement Act (HR 4939), whose implementation through *Caribbean 2020* has been unimpressive. We will return to these themes later. An overlapping opportunity is the fact that the United States will host the 9th *Summit of the Americas* later this year. Held every three years, it brings together leaders from the entire hemisphere, and includes pre- and post- diplomatic meetings between US officials and representatives of CARICOM member states. Recent Summit meetings have been less than stellar performances but working together with the host country, the Organizations of American States (OAS) and other key participants, CARICOM and the Caribbean community at large (including private sector and civil society) have an opportunity to shape the summit agenda.¹⁴

- The pursuit of a 21st Century edition of the CBI to anchor the region's economic resiliency and innovation capacity should entail engaging the region's expanding US-based Caribbean diaspora. Members of Congress are more likely to hear from them than from Caribbean governments. The diaspora's growing presence at federal, state, and local levels represents a reservoir with policymaking potential; while somewhat insular in its individual country community, notably among its various Anglo-Caribbean components, an effective deployment of this diaspora in the United States could begin to match up with its more institutionalized counterparts among the Dominican and Haitian communities, let alone Cuban, and overlapping Puerto Rican/Virgin Islands constituencies. Earlier attempts of the US State Department to engage with diaspora communities must go beyond ad-hoc consultations and instead include a systemic framework of engagement. This will not be easy but if done correctly, the rewards would be of beneficial to both US and Caribbean policymakers. It could include working jointly on behalf of economic innovation in the Caribbean, which can bring into play an expanding network of business and community leaders, a surge in investment and philanthropy, skills transfer, and more targeted flows of remittances.¹⁵

3. Energy diversification/climate change:

- A rebooting of global significance, let alone for the region, is underway in the southern Caribbean that is anchored to offshore petroleum production coming online and expanding over the coming decade.
- The two key countries are Guyana and Suriname, but this ties in with the historical center of the Caribbean oil and gas industry, Trinidad and Tobago – and the latter also undergoing a revival of its own exploration efforts. This feeds into an expansion of exploration efforts north toward Barbados and eastward from Trinidad into the offshore Guyana Basin.
- But the policy road ahead is challenging.

This emerging financial bonanza tied to fossil fuels and the global importance of natural gas has created an axis of economic development, which also engages a turbulent mix of issues: security

¹⁴ Held since the inaugural 1994 Miami meeting, Trinidad and Tobago hosted the summit in 2009.

¹⁵ Among a wide literature on the subject, a noteworthy effort includes a recent CSIS study of the Guyanese diaspora, focused on the degree of engagement– and options to expand this dynamic. The study also includes useful vignettes of the Jamaican and Dominican diasporas. (Matera, Sandin, Alvarez, October 2020).

concerns overlapping with energy policy interests, including an impetus for a *realistic* regional energy policy; likewise, the perception of financial bonanzas is likely to severely test domestic economic and political governance; and all of this is going to co-mingle with other developments in the region, in the short to mid-term particularly neighbouring Venezuela – for starters, any pending settlement of the Guyana-Venezuela territorial dispute. A wider perspective raises an arguably equally critical set of issues – the need for a regional push for cooperation in renewable energy. While fossil fuels will persist for the foreseeable future as the driver of modern economies, the global energy system is undergoing a transition away from a nearly complete dependence on fossil fuels toward a greater reliance on clean and renewable energy sources. Unless governments in the region act soon, the danger for the Caribbean (even for Guyana and Trinidad and Tobago) lies in remaining energy insecure, paying excessive prices for the use of fossil fuels, and ultimately raising the cost of production and making the region less competitive globally.

Energy security and sustainability has received regional attention over the past decade. For example, CARICOM has put in place since 2013 the machinery to address this through the CARICOM Energy Policy (CEP) and the Caribbean Sustainable Energy Roadmap and Strategy (C-SERMS), and even what amounts to an executing agency, the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE). With some multilateral support, several initiatives have been launched, particularly centred around “small island” development frameworks. However, the ambitious goals of the region are in practice not really being met with the needed regional leadership commitments and investments.

This includes insufficient access to financing for infrastructure and institutional capacity-building that is required to substitute a fossil fuel infrastructure with one able to match up with renewable energy. This will not be easily corrected without a wider constituency of international public and private sector support, and active private-public partnerships. Renewable energy has a much greater potential for decentralized distribution, and greater overall self-sufficiency in energy, but with it come significant up-front infrastructure investments. Therefore, a concerted energy and foreign policy relationship with the United States can be an important partner for the region – including taking advantage of a series of overlapping US policy platforms, the Caribbean Energy Initiative (CEI) and the Caribbean Energy Security Initiative (CESI), to which we will return later.

- As a backdrop to the regional conversation about energy diversification is probably a much sharper consensus regarding climate change – its effects are viewed as a clear danger to the Caribbean. The 2019 hurricane season devastated the Bahamas, while the rest of the region is still recovering from the 2017 season. Climate change effects also include less annual rainfall, and perversely both drought and periods of flooding, affecting agricultural production. Rising ocean levels are becoming a factor throughout the region, which points to a serious attention in the Blue Economy *and* the Green Economy -- opportunities for the sustainable use of ocean resources and management of coastlines while preserving the health of the ocean ecosystem and the land masses. Oil and gas will play a prominent role in the Blue Economy as the industry itself needs to retool technologically to accommodate the evolving demands of the new order.¹⁶ Absent active U.S. government policy

¹⁶ For an informed analysis, see “Is there a future for the oil and gas sector within the Caribbean’s Blue Economy?” (Bryan, 2020).

interest, American private know-how and investment nonetheless provide the bases for constructive engagement.

4. Democratic governance and regional norms:

- The 2019-21 cycle of elections represents dynamics that will shape the state of governance in the region, but most importantly reconfirm the region's adherence to democratic practices and values.¹⁷
- The disputed 2020 national elections in Guyana highlight the fragility of electoral and constitutional practices while also pointing to the role that regional norms-based institutional mechanisms can play to insure transparent and credible outcomes.
- That the Caribbean Court of Justice plaid a conclusive role as a court of appeal for a constitutional dispute originating in Guyanese courts is an important indicator of regional democratic practices not to be underestimated.¹⁸
- Simultaneously, the Dominican Republic was able to successfully stage rescheduled elections despite initial technical difficulties and delays due to the pandemic.
- However, neighboring Haiti's electoral delays since October 2019 have planted the seeds for a political crisis¹⁹.

Nonetheless, while endowed with governance assets and regional institutional mechanisms to support them, including long-standing observances relating to democratic elections, the Caribbean is also a nexus of chronic public sector transparency and institutional deficiencies. Some of these target specific sectors, notably the region's financial services transparency and banking regulatory standards. This has a practical impact on the Caribbean's ability and access to the global financial and trading system. Reliable estimates vary but what is generally accepted is that the Caribbean is by far the region most directly affected by the withdrawal of correspondent banking relations -- between Caribbean banks and particularly their US counterparts. The critical issue here is fear of US regulatory repercussions. The backdrop remains the perception of the Caribbean as representing high-risk jurisdictions with uneven compliance when it comes to money-laundering laws and counter-terrorism financial monitoring and compliance.²⁰

In a perverse way the absence of correspondent banking relations has led banks in the Caribbean to reach out to intermediate banks in Turkey and China and others to settle transactions in the US. This has raised the cost (and time) of doing business in the Caribbean, let alone pushed a reliance on financial network away from historically significant US and developed world grid. These trends are also paradoxically driving financial flows underground and outside the banking and regulatory systems,

¹⁷ 2019: Dominica; 2020: Belize, Dominican Republic, Jamaica, St. Kitts & Nevis, St. Vincent & the Grenadines, Suriname, Trinidad and Tobago; 2021: St. Lucia.

¹⁸ Arguably, moving forward, an argument can be made that the region's institutional democratic norms will need to be deepened in a manner that all CARICOM states are stakeholders in the process, including, but not limited to, electoral observations missions from CARICOM and optimistically, adoption of the CCJ as the highest court of appeals in the region.

¹⁹ In the absence of a functioning parliament and local elected officials, as of early 2021 Haiti is being governed through presidential decrees – with a disputed endpoint to the president's term (Feb. 7, 2021 or 2022).

²⁰ Over the years parallel actions by the EU have also directly targeted the Caribbean; a revised country-sanctions list for 2020 targeting money laundering and terrorism financing includes the Bahamas, Barbados, Jamaica, and Trinidad and Tobago.

leading to the very channels of money laundering and terrorism financing which are the heart of the debate. There needs to be a better way. In recent years, CARICOM countries notably, have taken corrective steps, including recommendations from the high-profile Financial Action Task Force (FATF) as well as the Caribbean FATF. Nonetheless, the region needs to come to grips with how to convincingly address its compliance obligations relating to money laundering, terrorism financing, tax evasion and drug trafficking.

A forthcoming study, *Good Governance, Corruption and the Caribbean*,²¹ catalogues many of the above issues and provides a useful menu of recommendations. Four of these are noted below:

- Throughout the region, efforts that set a national tone and establish standards of practice for good governance: Jamaica and Guyana have integrity commissions while Barbados recently passed the Integrity in Public Life Act covering not only actors in the political process but senior managers of state-owned enterprises as well.
- With increasing digitalization of commerce and investment, the region needs an updating of governance practices which match up with these changes in the global economy. A related need is greater linkage to international mechanisms addressing best practices for fintech applications, and crypto-currencies. In addition to multilateral sources²², the region's the Caribbean Development Bank is itself a key actor on good governance.
- CARICOM can play a far more robust role in upgrading the region's standards relating to governance and anticorruption through its Legal Affairs Committee. This will not be easy but needs to be seen as a regional priority; a regional initiative could be launched to help develop uniform financial disclosure legislation for CARICOM members.
- With significant expansions of their oil and gas exploration (and gold as well), Guyana and Suriname need to strengthen mining sector governance, transparency, accountability, and administration. The same applies to dealing with the deficient regulatory regime affecting these two countries' forestry management which make up about 90 percent of their land cover.

5. Transnational non-state actor threats:

- By virtue of its geographical location, the Caribbean is more than a bridge between North and South America; it has historically been an active pathway channeling a messy brew of issues which branch out into the rest of the world.
- This includes several transnational threats, notably drug trafficking and organized crime, human trafficking, and terrorism-relationships.
- The global scope of this packet of problems are beyond the individual and arguably even collective capabilities of Caribbean countries.
- Also, the layer of persistent crime and violence in most Caribbean nations underscore the corrosive mix these factors encourage and adds to governance hazards.

²¹(Boejoekoe and MacDonald, forthcoming, 2021). See also a punchy OAS report, [OAS CARICOM Vulnerability to Recovery Report Framework-Strategy](#), (OAS, August 2020).

²² For example, the Egmont Group is a body of 165 Financial Intelligence Units (FIUs) acting as a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing. Most Caribbean countries are members (except for Guyana, Haiti and Suriname).

The most realistic description of this policy arena highlights the notion of shared vulnerabilities – the Caribbean is not alone; in fact, US drug trafficking and organized crime policies have since the 1980s often overwhelmed the character of what stands for US interests in the Caribbean region. Despite concerted efforts (and budgets) across a spectrum of US governmental agencies (civilian, law enforcement, military) over several administrations, the best that can be argued is that the problems are being managed²³. While the US has prioritized counternarcotic enforcement and other key transnational threats -- including money laundering and tax transparency – the scale and impact of the problems raise increasingly important issues of what is *effective* enforcement.

Perversely, at the same time, the region (as well as Mexico and Central America) has become a significant destination of American arms sales (the looseness of US gun sales transactions means that much of the flow into the region is in fact through trafficking networks). This is madness but in part the result of US policy action – with origins in the 1990s-early 2000s with the United Nations Conference on the Illicit Traffic in Small Arms and Light Weapons, the US ratified in 2014 the broader UN Arms Trade Treaty (ATT), only for the Trump administration to in turn initiate the process to pull out of it in 2019. Likewise, the unintended consequences of the forced repatriation from the US of illegal migrants have energized a violent network of criminal gangs, providing manpower for drug and arms trafficking and other illicit activities, let alone further headaches for law enforcement in the Caribbean. For example, the exponential growth of criminal gangs in Haiti and the fragmenting of gangs in Jamaica are alarming trends that suggest that there needs to be a better way.

Individually relatively small and insular, the region’s governmental and cultural norms invite openness and a sense of community. Ironically, that has made the region even more vulnerable to transnational organized crime and non-state threats. This mix of issues invites exploring more creative technical and financial assistance initiatives, as well as strengthening regional and international enforcement mechanisms (such as the CARICOM Implementing Agency for Crime and Security (IMPACS)). The region has done its part by establishing a Regional Security Management Framework in 2006; in 2013, CARICOM adopted the CARICOM Crime and Security Strategy (CCSS), which in effect makes everything from drugs trafficking to human trafficking, to financial crimes and corruption a top priority. That was the easy part.

There is a threshold beyond which the cost and manpower needed to provide scale to these efforts becomes cost-prohibitive – or at least is not sustainable. This is even more true as the range of programming transitions from administrative to traditional law enforcement/police functions, to quasi-military roles. Even for the larger countries in the region (Trinidad and Tobago, Jamaica, and the Dominican Republic, with varying levels of military establishments), it is worth questioning how far the international community is expecting them to budget limited resources to a mission whose scope of engagement to be effective involves the deployment of operational (let alone strategic) resources that only the US and a few other actors have in place. It is not within the scope of this overview study to dwell into detailed policy alternatives, suffice it to note that at the strategic policy

²³ See [Report of the Congressional Western Hemisphere Drug Policy Commission](#), December 2020; the opening sentence reads: “Our collective failure to control either drug abuse or drug trafficking has exacted an enormous human toll.”

level, US policy might benefit from a significant reimagining of its approach to the Caribbean. This will be addressed in the following concluding section.

6. Strategic Concerns:

Amplified by vexing longstanding crisis points, the Caribbean region retains a capacity to catapult into the center of strategic concerns. For the purposes of this study, three issue-areas are analyzed: 1) the US-China rivalry; 2) US Caribbean policy; 3) policy breakdowns: Haiti and Venezuela.

- *The US-China rivalry*: A possibly oversimplified vision of the Caribbean entails the notion of a return of the Cold War in the region. Yet, the factors that enable this scenario should not be underestimated: in a mix of economic and sharp-power diplomacy, China is filling in the void left by the Soviet Union, while Russia's more limited resources is reenergizing its politico-security presence, notably Cuba and Venezuela. Added to the picture are intermittent and more shadowy actors such as Iran, and non-state actors such as those linked to Jihadism. U.S. policy responses have been slow and somewhat disjointed.

The main instrument in the Chinese arsenal with appeal to the Caribbean is the Belt and Road initiative (BRI).²⁴ Launched in 2013, the sheer scope of the initiative underscores China's global strategic ambitions. Over time these ambitions may be balanced by some of the BRI's inherent flaws -- tales of shoddy project outcomes and opaque contracting generating an expanding pool of corruption at all levels of public governance, from Sri Lanka and Pakistan to Kenya and Colombia. In fact, there are already instances of contractual disputes and local pushback in the case of Guyana. There is likewise no obvious ideological affinity, let alone direct alignments, linking China's ambitions to the Caribbean's extensive democratic community. Nor are Caribbean countries being courted for potentially divisive choices such as allowing a Chinese military presence in the region; in fact, for now there appears little desire by Beijing to needlessly alarm Washington in a region it considers its "backyard".

Nonetheless, the appeal of somewhat open-ended infrastructure funding (transportation, electricity, telecommunications, and development finance loans) addresses real needs in the Caribbean and has made in-roads. Trinidad and Tobago was in 2018 the first to sign on the BRI and has since been joined by Antigua and Barbuda, Barbados, Guyana, Jamaica, and Suriname. Both Trinidad and Tobago and Jamaica have accessed loans from the China Development Bank and China Export-Import Bank. To the degree that governments in the region can extract material advantages from these relationships should be attributed to policy efficacy, not weakness.

In a related development watched by the rest of the region, Chinese development assistance was the inducement leading the Dominican Republic in 2018 to switch diplomatic recognition from Taiwan to the PRC, while a similar effort has so far failed with Haiti.²⁵ Taiwan's reduced diplomatic footprint

²⁴ The subject is attracting a widening literature; the scale of China's strategy is well covered in (Bernal, 2014), and (Hillman, 2020); for narrower analyses, see (Ellis, 2020).

²⁵ *The PRC is recognized by*: Antigua & Barbuda, Bahamas, Barbados, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Suriname, Trinidad and Tobago. *Taiwan ties*: Haiti, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines.

is centered heavily in the Caribbean and was underscored by the Taiwanese President's 2019 visit into the region. Taipei's financial muscle, while limited compared to Beijing's, remains an effective one, backed by Washington's warning that any shift will have consequences. However, beyond threats, US policy responses to China's expansive ambitions in the region have been less than impressive. Absent in US policy has been a sense of *economic statecraft*, leading Washington to be complacent about the potential impacts of China's BRI. Belatedly, the new US International Development Finance Corporation (DFC)²⁶ is being deployed and an initial wave of efforts targeting Guyana, Jamaica, Suriname, the Dominican Republic, and Haiti.²⁷ The US might also benefit from demonstrating more convincingly its willingness to work with the Caribbean, as well as engaging the region through other platforms such as the Inter-American Development Bank, and the Growth in the Americas Initiative (*America Crece*) -- launched in 2018 but which remains something of a work in progress as to where it fits in the roster of US policy initiatives.

The COVID-19 pandemic provides another possible arena for further US-China rivalry. Although China's credibility has come under scrutiny in its own handling of the virus, and interaction with the WHO, it remains a potentially appealing partner -- notably for Chinese COVID-19 vaccines -- as we move further into 2021 and the aftermath of the pandemic. Post-pandemic economic recovery globally will trigger more Chinese demand for Caribbean commodities and agricultural exports. China will also continue offering BRI-related opportunities. Smaller pockets of (sometimes controversial) interest among smaller eastern Caribbean countries will continue with investment-for-citizenship arrangements for Chinese elites (and others!). Ultimately, the Caribbean component of US-Chinese rivalries will be folded into the incoming Biden administration's approach to China strategically -- which leads to how the new administration might define US-Caribbean policy.

- *US Caribbean policy*: The Caribbean is not likely to be a strategic arena inviting immediate action. Nonetheless, the nexus of issues reviewed earlier in this essay may both necessitate action and open opportunities to revitalize relations with the region. Addressing the policy compartmentalization that presently exists suggests updating the original Caribbean Basin Initiative (CBI). Dating back to the 1980s, it has gone through several iterations since then without going beyond its original strategic logic anchored by tariff and trade benefits combining Central America with most of the Caribbean. The program was made permanent in 1990 with the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBI II), but arguably things have lost their way after that. For starters, when the North American Free Trade Agreement (NAFTA) came into effect in 1994 it undermined CBI country advantages, particularly in the textiles/apparel sector. The remedy was the Caribbean Basin Trade Partnership Act (CBTPA) first passed in 2000 and recently renewed. For its part, the Dominican Republic, although the largest free market economy in the Caribbean is not in the CBI²⁸, joined Central

²⁶ Created in late 2018 through the BUILD Act (Better Utilization of Investment Leading to Development), replaced OPIC and other US development finance platforms.

²⁷ As in other cases, a waiver has had to be issued to allow DFC support to Caribbean countries whose GDP's are above the economic threshold for development assistance (ODA).

²⁸ The DR's 2019 GDP was close to \$90 billion, close to three times the next largest GDP in the region, Trinidad and Tobago.

America in 2005 with the Central America Free Trade Agreement-DR (CAFTA-DR). Meanwhile, several sub-agreements of the CBTPA have been negotiated with Haiti in the apparel/textile sector.²⁹

This sequence of US initiatives has been repeated in multiple sectors over the past two decades and generated a mosaic of overlapping objectives, bureaucratic processes, competing constituency lobbying, uncertain budget support, and a somewhat confusing policy messaging to potential beneficiaries in the region.³⁰ An opportunity for a major correction was the 2016 legislation (US-Caribbean Strategic Engagement Act), which became *Caribbean 2020*. But its policy translation missed the mark, being instead a long task list of issues with no clear path forward to achieve these or dedicated funding. And this is repeated in individual sectors, such as energy policy. The Caribbean Energy Initiative (CEI) is part of a several layers of policy initiatives to have emerged from Washington under the current and preceding administrations – this includes *Caribbean 2020* itself (whose six priorities include energy). There is also the Obama-era Caribbean Energy Security Initiative (CESI), emphasizing the notions of energy sector governance and clean technologies investments. These and other efforts are also shaped by broader policy frameworks encompassing even wider hemispheric visions – most notably the Growth in the Americas Initiative (*America Crece*).

A *21st Century CBI* could provide an opportunity to merge what has become an encyclopedia of Caribbean related US initiatives. The subtitle of *Caribbean 2020* conveys the mismatch between dazzling language and unfulfilled reality: “a multi-year strategy to increase the security prosperity and well-being of the people of the United States and the Caribbean.” None of this will go far unless all key parties come to the dance floor. To enhance the salience of the region’s interests, Caribbean leadership needs to find ways to take advantage of mutual interests and engage Washington across all its policy constituencies. This requires concerted and sustained action.

There are signals that the Caribbean and some of its subparts (Haiti) are on the radar of key members of both the US house and the Senate. A comprehensive approach to the region may start with economic and trade issues and needs be framed by a more unified diplomatic engagement. An initial challenge will be translating the admittedly generous preferential trade terms of the CBI mechanism into agreements addressing trade in *services* – presently excluded but representing the growth segment of Caribbean economic activity. These issues will intersect with an array of other policy interests that the Caribbean should take advantage off. To the degree that shifts in US trade sourcing from China (or even other Asian markets) continues or is even encourage by US policy – *near-shoring* as well as *re-shoring*, the Caribbean needs to be actively at the table. But the Caribbean will be competing with other hemispheric (and global) actors, so targeted action from regional leadership with an enhanced presence in Washington synchronized with US state-level interests is called for. Other Caribbean assets also include: the region’s re-emergence as a significant oil and gas producer; the Caribbean’s commitments to joint action on climate change and renewable energy sources; the democratic character of the region’s governance norms, and the implications from being able to position itself to shape the

²⁹ The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE), the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II), and the Haiti Economic Lift Program of 2010 (HELP).

³⁰ This includes the Partnership for Prosperity and Security in the Caribbean, the Third Border Initiative, as well as the Caribbean Basin Security Initiative (CBSI).

priorities of hemispheric institutions such as the Organization of American States (OAS) – CARICOM alone represents over 40% of the OAS’ membership.

- *Policy breakdowns*: Haiti and Venezuela may both become early disrupters in US-Caribbean policy for the Biden administration. While Caribbean capacity to influence developments in either country is limited (even though Haiti is part of CARICOM, the Moise government has not welcomed offers of assistance in its current crisis), the repercussions, however, will be felt first in the region. Provoking deep debates about regional migration flows, Haiti and Venezuela’s situation also affords some symmetries.

Haiti’s timetable is framed by the dispute over when Moise’s mandate ends. With a political process stalled, an economy down to bare threads, and the level of insecurity rising dramatically, the likelihood of a crisis drawing the US and other key actors (Canada, the UN/OAS apparatus, others) is a near certainty. CARICOM’s somewhat passive attitude so far will also have to change in part because the problems are likely to deepen.

Venezuela offers an even messier outlook. Reports suggesting that the 2021 outflow could reach 7 million people is alarming enough, but when intermingled with the COVID-19 pandemic’s late 2020-early 2021 surge, the outlook has become frightening. There is no unity of view in the region on relations with the Maduro regime, while the political and diplomatic sustainability of the alternative Guaidó parliamentary presidency is now increasingly in limbo. There is likewise discord among key actors in the region regarding an appropriate refugee/asylum policy framing the worsening Venezuela crisis. The scale of possible political and economic remedies is beyond even key actors’ capacity to act (notably Trinidad and Tobago). This is one clear case where urgent multilateral action is required, and even if somewhat unwelcomed so early in the Biden administration, action is required by Washington. CARICOM should press this approach as well.

C. The Caribbean Potential

Framed by a global pandemic and its likely lingering effects on the socio-economic fabric of the region, the Caribbean’s potential lies in its ability to use, deepen, and consolidate the instruments of regional multilateralism to advance individual and collective interests. It is a region where the US is no longer the only active global power, but the likely reemergence of a steadier and sustained engagement from Washington provides critical touchpoints and a *reimagining* of policy frameworks – notably:

- Not just exiting the COVID-19 pandemic but working together to capitalize on the region’s underutilized technology/IT capabilities and human talent.
- Responding to climate change imperatives and both *Blue* and *Green* economy opportunities that it provides, let alone finding ways to translate the southern Caribbean energy boom into sustainable paths toward energy diversification regionally.
- Reenergizing the Caribbean’s rich universe of regional institutional machinery toward joint-action on critical initiatives, that also takes advantage of the commitment to democratic norms to encourage the application of economic and political best practices regionally.

- And actively capitalize on a responsive US Congressional constituency for a greater and more effective engagement of US foreign policy generally and the Caribbean specifically.

This requires robust commitments across the full panoply of Caribbean public and private sector actors, and civil society, heightened outreach to the Caribbean diaspora -- and skilled interlocutors and negotiators.

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