

CARIBBEAN and CENTRAL AMERICA: The US Near Abroad: Seeking Stability in a fractious world

A Lecture

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I have been asked to speak on the subject: "Caribbean and Central America: The US Near Abroad: Seeking Stability in a fractious world".

THE US CONTEXT OF RELATIONS WITH CENTRAL AMERICA AND THE CARIBBEAN

Central America and the Caribbean are not high on the US Government's agenda and they have not been remotely priorities for the US since the collapse of the Union of Soviet Socialist Republics in 1991.

The Caribbean and Central America lost their strategic significance to the US, once the Soviet Union was no longer a rival power in the area.

The last major initiative for this area by the US was the Caribbean Basin Initiative introduced by the Ronald Reagan Administration in 1983. Under this initiative Central American and Caribbean countries enjoyed duty free access to the US market for certain of its exports. The CBI was extended under subsequent US governments but much of its value was eroded when the US, Canada and Mexico formed the North American Free Trade Area (NAFTA) in 1994.

Mexico produced, more cheaply, many of the goods that were exported to the US by Caribbean countries in particular, and consequently Mexican exports displaced Central American and Caribbean manufactured goods from the US market.

The preoccupation of the government of George W Bush between 2001 and 2008 with American involvement in Afghanistan and Iraq caused Central America and the Caribbean to fall even further away from American attention except for issues related to drug trafficking, and illegal migration.

Nothing much of substance has changed since the advent of Barack Obama as the President of the United States in January 2009 except that the US economy is in the deepest recession that it has encountered for seventy years; the US Treasury has a hole of one trillion dollars from monies spent on either trying to save American financial institutions or stimulating the economy; and Obama himself has placed emphasis on closing down offshore sectors in Caribbean and Central American countries that allegedly have been vehicles for tax evasion by US companies and individuals.

DEFINING THE AREA OF DISCUSSION

We should adopt as a working definition of the Caribbean, those countries which are in the Caribbean Sea or have been associated with them historically, politically and administratively.

In this connection, the Caribbean would include the independent countries of Barbados and the Bahamas which are not physically in the Caribbean.

The rest of the Caribbean would be the islands from Cuba to Trinidad and Tobago – 11 of them altogether,¹ including the six independent countries of the Organization of Eastern Caribbean States (the OECS).

To complicate matters even more, the South American mainland countries of Guyana and Suriname would have to be included in the Caribbean, because they are both members of the Caribbean Community and Common Market (CARICOM) which is an organization of 15 States bound by a Treaty.

Belize in Central America is also a member of CARICOM, even though it also has close links with its neighbours in Central America.

The Central American countries are, in addition to Belize: Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

RELEVANCE OF COLOMBIA, BRAZIL AND VENEZUELA

Colombia and Venezuela also have Caribbean coasts, and while they are not here defined as Caribbean, their individual relations with the United States and their problematic relations with each other are very relevant to the subject we are discussing.

One other country needs to be taken into account even though it is neither Caribbean nor Central American – and that country is Brazil in South America; neighbour to Suriname, Guyana, Venezuela and Colombia, and one of the emerging powers in the new global economic dispensation.

It is important to note that Brazil has eschewed all border disputes with its neighbours, including Guyana. This point is important to bear in mind because Venezuela continues to maintain a claim to two-thirds of Guyana.

Venezuela also lays claim to what now amounts to a sandbank in the Caribbean Sea between Dominica and Antigua and Barbuda. That sandbank has erroneously been called “Aves Island” or “Bird Island”. But, it is not an island at all, and at one point it was said to be a part of the territory of Dominica, although Venezuela has hotly maintained its claim to the point of erecting a platform on the Sandbar, maintaining a military presence on it, and causing civil occasions such as marriages to take place on it.

It is important to understand that Venezuela is not a signatory to the Law of the Sea Convention which has a settled definition of an “island”. By its physical nature and the fact that it cannot naturally sustain human habitation; the so-called “Aves Island” would not be recognised by the Convention as an island.

However, by maintaining that the sandbank is an island and part of its territory, Venezuela holds the view that it can assert its maritime boundaries not from its own

¹ The 11 countries would be: Cuba, Dominican Republic, Haiti, Jamaica, Trinidad and Tobago and the independent countries of the OECS: Antigua and Barbuda, St Kitts-Nevis, Dominica, St Lucia, St Vincent and the Grenadines, and Grenada.

coast line but from Aves Island. This would give it considerable maritime space in the Caribbean Sea including over areas where there is believed to be oil or natural gas.

I should also draw attention to two other border disputes.

In Central America, Guatemala claims part of Belize. The governments of these two countries have agreed to take the issue to binding arbitration provided that referenda in both countries agree that such arbitration should proceed.

Two years ago, Guyana and Suriname set a precedent for a peaceful settlement of their maritime boundaries under an award by an Arbitration established under the Law of the Sea Convention. The award, delivered on 17th September 2007, was binding on both governments and each has accepted it. The dispute between them had a material effect on oil exploration off the Guyana coast. It now allows such exploration to continue after Suriname had stopped it by military intervention.²

Just months before a similar Tribunal had made an award in a maritime boundary dispute between Barbados and Trinidad and Tobago. But, the maritime boundaries of the majority of Caribbean countries remain unsettled. One suspects that, as exploration for offshore oil and gas becomes important in the future, so too will settled maritime boundaries become an area for focus.

The second remaining land dispute is one between Guyana and Suriname. Both of these countries are members of the Caribbean Community and Common Market which has set as one of its objectives, the creation of a single market, and eventually, a single economy. So, it is to be hoped that this issue will be settled peacefully in the not too distant future.

What all this suggests is unease about security in the region until these issues are firmly settled, in particular the claims by Venezuela which is, by far, the most superior military nation in Central America and the Caribbean.

Venezuela's President announced on September 14th (2009) that the Russian government had extended \$2.2 billion in credit to Venezuela to finance arms purchases, including 92 Soviet-era T-72 tanks and short-range missiles with a reach of 55 miles (90 kilometers). President Chavez also said his nation will purchase an anti-aircraft weapons system with a range of 185 miles (300 kilometers). According to him, "Soon some little rockets are going to be arriving... and they don't fail".³ This latest order of military equipment from Russia follows a series of other purchases over the last few years that have vastly strengthened Venezuela's military capacity in relation to its Central American and Caribbean neighbours.

² For a full discussion of the UNCLOS Tribunal on the Guyana-Suriname Maritime boundary and the award of the Tribunal, see: Shridath Ramphal, "Triumph of UNCLOS: The Guyana-Suriname Maritime Arbitration; A Compilation & Commentary, Hansib Publishing, London, 2008

³ "Venezuela to get Russian Missiles", BBC News, <http://news.bbc.co.uk/go/em/-/1/hi/world/americas/8251969.stm>

The purchase triggered a reaction from US Secretary of State Hilary Clinton who said that the US government fears that the weapons purchases by Venezuela could fuel an arms race in South America.⁴

While assertions have been made that President Chavez is enhancing the capability of his military to resist a potential attack by the US, there is nothing to suggest that such an attack is remotely likely, and in any event, even with the recent purchase of military equipment, Venezuela would be unable to sustain a defence against the US should an attack occur. Since this should be obvious to President Chavez, the question arises: why is the Venezuelan government arming itself in this way? The question itself gives rise to nervousness by Venezuela's neighbours.

COLD WAR IMPORTANCE OF THE AREA TO THE US

In the period of the cold war between the United States and the former Soviet Union of Socialist Republics, the Caribbean commanded a strategic importance for the US and its allies in Western Europe because much of the oil requirements of the US had to transit Caribbean waters, and the Caribbean was an important passageway for US military supplies to Western Europe.

The Caribbean was the so-called "backyard" of the US and the preoccupation by successive US administrations to counter "the communist menace" in that backyard rendered the Caribbean very important to Washington.

It was so important that US administration of President Ronald Reagan ordered the invasion of the Caribbean Island of Grenada in 1983 when it claimed that a "communist-backed" military coup had taken place there and that the Cubans were constructing an airfield for Soviet aircraft. A year later, the CIA was authorised to mine the harbours of Nicaragua in an attempt to overthrow the socialist Sandinista government in favour of US-backed rebels - the Contras.

It is worth noting that at least forty-one occasions, from 1898 to 1994, have been recorded in which the U.S. government intervened successfully to change governments in Latin America. These do not include the unsuccessful attempts such as the infamous and failed invasion of Cuba at the Bay of Pigs in 1961.

In the event, many Caribbean countries and some countries of Central America enjoyed a high level of official development assistance from the US as well as access to the US market for a number of their exports free-of-duty throughout the 1970s and 1980s. The exceptions in the Caribbean were Jamaica and Guyana, both of which had embarked upon socialist programmes in which they nationalised foreign-owned companies and drew themselves close to the Soviet Union and China.

⁴ "U.S. fears Venezuela could trigger regional arms race",
<http://www.cnn.com/2009/WORLD/americas/09/16/us.venezuela.arms/index.html>

The US also encouraged Canada and the countries of what was then the European Economic Community to give preferential access for Caribbean commodities, such as bananas, sugar and rum, to their markets and to pitch-in with development aid.

What has been little acknowledged in the literature on the region is that the period of the 1980's also saw the development of drug trafficking through the Caribbean and Central America from supply countries such as Colombia to huge market countries such as the United States. The trafficking of drugs became an important source of significant revenue to operators, to banks in which they deposited their income, and to the economies in which they lived through their spending on vehicles, boats and even the construction of homes.

The decade of the 1980s, therefore, was a period of unprecedented growth for many Caribbean countries.

All of this changed in the post Cold War period.

THE POLITICAL, ECONOMIC AND SOCIAL CHALLENGES

Since the mid-1990s, US aid to the Caribbean and Central America dwindled, preferential access for Caribbean and Central American goods to the US market eroded, and there was no longer any pressure by the US on Europe to help the region by paying preferential prices for its commodities especially bananas and sugar.

U.S. targeted aid for poverty alleviation has stagnated at approximately \$600 million a year. In real terms it now represents a third of what it was in the 1980s.

In this context, Caribbean and Central American economies declined. In the case of many Caribbean countries, their situation was made worse by an increase in the number of annual hurricanes, and an enlargement of their intensity. Between 1995 and 2006, several Caribbean economies were wrecked by powerful storms.

Many Caribbean governments tried to borrow themselves out of their economic difficulties which progressively worsened. The result is that many Caribbean countries are today among the most heavily indebted nations per capita in the world. For many of them, the debt to GDP ratio is over 100%. Their already bad economic situation has worsened since the global financial crisis which began last year in several ways including:

- A severe downturn in tourism revenues. In some countries it has been higher than 25%
- A tightening of access to borrowing on the international and domestic markets as financial institutions adopt a more cautious approach in the wake of stronger measures by regulatory bodies;
- A shrinking of their financial services sector, particularly in those countries that offer offshore financial services;
- A virtual halt to foreign investment and a significant slow down by local investors;
- A significant drop in remittances from their Diaspora, particularly those in the US and UK. In the case of some countries in the Caribbean, remittances made

- up as much as 20% of their GDP and were larger in volume than overseas development aid; and
- A fall in prices of commodities.

It is significant, for instance, that this month (September 2009), the International Monetary Fund (IMF) described Barbados – one of the better-off Caribbean countries – as being in “severe recession”. The IMF acknowledged that Barbados “has some of the highest social and competitiveness indicators in the region and enjoys investment-grade rating on its sovereign debt. Its low crime rate, well-educated work force, and attractive natural setting have helped make it a top destination for high-end tourism and a prime location for offshore financial services and real estate investment”. But the Executive Board went on to say: “Barbados is facing a severe economic recession. Output is contracting, as the global financial crisis has depressed tourism, brought Foreign Direct Investment (FDI) to a sudden stop, and weakened public finances. Consequently, unemployment has risen to double-digit level. While the underlying balance of payments is expected to remain weak, international reserves are expected to increase marginally in 2009, on account of the SDR allocations and the large government bond issue abroad”.⁵ If it is so in Barbados, it is worse in other Caribbean and Central American countries that have not been as well managed.

The IMF World Economic Outlook, published in April 2009, suggests that Latin American economies will contract by 1.5 percent in 2009 before recovering in 2010. But, the likelihood of a start of recovery by many Caribbean economies, which are dependent on tourism and financial services, is very unlikely until 2011, even if the economies of the US and Europe pull out of recession this year.

Latin America as a whole still lags behind other developing regions in combating poverty and inequality. Approximately 37 percent of the population remains poor and 22 percent still live on less than two dollars a day. According to the IDB, sluggish economic growth in Latin America and the Caribbean could put as many as 2.8 million people into poverty in the next two years.

DRUGS, ARMS AND CRIME

Against this background, I come now to the gravest problem facing the countries of the Caribbean and Central America except, I would suggest, Cuba.

The problem is drug trafficking and the attendant high level of crime that now permeates the entire region.

World cocaine sales are reported to be \$60 billion annually. The market is lucrative and it spawns a variety of crimes: gang-warfare; illegal arms smuggling and distribution; executions; and murders.

Leaders of Central American and Caribbean countries have repeatedly put the blame for the drug trafficking trade on the governments of the market countries such as the US.

⁵ IMF Executive Board Concludes 2009 Article IV Consultation with Barbados, Public Information Notice (PIN) No. 09/117, September 14, 2009

They have argued that governments in North America and Europe have been reluctant to implement measures to curb the demand in their own countries because such measures would be politically unpopular.

While US consumption of cocaine is reported to have decreased "from its peak in the early 1970s", US commentators say it has "remained essentially stable at a rate three times that of Europe".

The US, Canadian and European governments have concentrated on cutting supply through eradication and interdiction with limited success, and it is clearly time to re-think this strategy. But, in doing so, the authorities in these countries must do so in full collaboration with both the producing and transit countries, both of whom are as much the victims of the trade as the countries in which the huge markets reside.

Marijuana is produced illegally in the Caribbean islands of Jamaica and St Vincent and the Grenadines. Crops are regularly eradicated, but farmers return to their cultivation as a cash crop. In both countries, banana farmers have been put out of business by the loss of preferential markets in the European Union, and the argument has been made that they should be allowed to produce marijuana, under regulated and supervised conditions, for the medicinal market. It has been pointed out that this is being done in some States of the United States, such as California, and is capable of replication in the Caribbean where it would provide employment and contribute to the economy.

In conditions of economic decline and increased unemployment, drug trafficking and its attendant other crimes escalate, as they are doing now throughout the region.

Shannon O'Neil of the US Council on Foreign Relations points out:

"Latin America is now the most violent region in the world. Its homicide rate is three times the global average. More than four out of every ten killings by gunfire globally occur in the region, even though Latin America contains only 10 percent of the world's population. The Inter-American Development Bank (IDB) puts the cost of these homicides at 14 percent of gross domestic product (GDP)."⁶

Two other factors have become apparent over the last decade. The first is that the US, like Canada and the United Kingdom, have been deporting criminals, born in Latin America and the Caribbean, back to their places of birth. Governments are convinced that these criminals, who they claim learned and perfected their criminal skills in North America and Europe, have contributed to the increase in crime in their countries.

The Minister of National Security of Jamaica, Senator Dwight Nelson, has blamed the return of criminals from North America and Britain for the rising crime situation in his country. He is reported as saying that many of the so-called "deportees" contribute to the gang culture, and that eight per cent of the murders committed by guns is attributable to gangs. He said that since the start of the year (2009), "We have had 2,000 deportees come back to this country from the United Kingdom, the United States and Canada".⁷ Similar complaints are made by other Caribbean governments.

⁶ U.S.–Latin American Relations, Dr. Shannon K. O'Neil, Douglas Dillon Fellow for Latin America Studies, Council on Foreign Relations, Naval War College, May 2009

⁷ Report of the Caribbean News Agency reprinted on "Go-Jamaica website: http://www.go-jamaica.com/news/read_article.php?id=12566

And with respect to Central America, Shannon O'Neil, states that:

"A more recent concern for the United States and Central American countries in particular is the growth of transnational gangs. The two most prominent are the Mara Salvatrucha 13 and Mara 18, which have somewhere between fifty thousand and one hundred thousand members residing in the Central American nations (particularly in El Salvador, Guatemala, and Honduras) and in the United States. By many accounts these gangs originated in the United States in migrant neighbourhoods, and then spread to Central America with the deportation of non-citizen criminals from the United States. There is substantial evidence of cross-border consultation among gang members, as well as movement back and forth between countries".⁸

The second factor is the spread of illegal arms throughout these countries. In Guyana, the Commissioner of Police, last year declared that he had given-up the struggle to stop the smuggling of arms so wide and porous are the Guyana borders and so determined the smugglers who are associated with the narcotics trade.

Almost every country has the same problem and many of the smuggled weapons, when captured, are traceable to the United States. This suggests that the absence of a vigorous policy by the US government to curb arms sales is unintentionally contributing to crime in Central America and the Caribbean.

Central American and Caribbean countries are overwhelmed by the crime that has developed as a consequence of drug trafficking. In many cases, their police forces are out-gunned by the weapons available to drug gangs, and they lack the numbers, the equipment and other resources to combat the problem.

POSSIBLE US ACTION TO CURB CRIME IN THE REGION

The US government could make an enormous contribution to resolving this huge problem by passing legislation and implementing machinery to control arms smuggling; by reviewing the practice of deporting convicted felons to their countries of origin; and by adopting measures to stop legal sale of assault weapons.

Beyond this, the United States should take the lead in organising collaborative arrangements with Europe and Latin America and the Caribbean to establish a comprehensive anti-narcotic programme that addresses both supply and demand. If this is not done, the problem of drug-trafficking and its attendant high crime will continue to plague Central America and the Caribbean with a terrible destabilising effect on the small economies that are least able to cope.

⁸ See Footnote 6.

POLITICAL ISSUES

Venezuela

Arguably, the Venezuelan President Hugo Chavez has become a polarizing force in inter-American relations since he assumed office in 1999.

Apart from his more public actions of describing the United States as “the evil empire”, and famously calling former US President George W Bush “the devil”, he has contributed to internal conflicts in several Latin American and Caribbean countries; and invited alliances with US adversaries worldwide.

More recently, he has described the agreement of Colombia to allow the use of its military bases by the US as “an act of war” even though both the governments of the US and Colombia have stated that the purpose is part of the fight against drug trafficking.

Colombia, of course, has been the home of drug cartels for decades and successive US and Colombian governments have been involved in expensive efforts to eradicate them.

Chavez and the Colombian President have openly quarrelled over Chavez’s alleged support for a rebel Colombian group – the Revolutionary Armed Forces of Colombia (FARC) - who are said by the United Nations Office on Drugs and Crime to be financed mainly by drug profits and, also, to be major clients of the world’s arms traffickers.⁹

In the event, relations between Venezuela and Colombia are very poor, and relations between the US and Venezuela – even with the arrival of Barack Obama as President of the US – is uneasy.

The uneasiness of the US-Venezuelan relationship has not been alleviated by the fact that the US is the biggest purchaser of Venezuela’s precious commodity, oil, or that Venezuela is the fourth largest oil supplier to the US.

Chavez has threatened to cut-off oil supplies to the US, although to do so would be to cut-off his nose to spite his face, since, to date, Venezuela has not developed a new market to absorb the level of oil it sells to the US. Efforts to develop a market in China have been expensive with Venezuela subsidising the shipping costs.

In recent years, under Chavez’s government, the oil wealth of Venezuela has been used to create two organizations: Petro Caribe and ALBA – the Bolivarian Alternative for the Americas.

ALBA was created by President Chavez as an alternative mechanism to the Free Trade Area of the Americas (the FTAA) which was proposed by the United States under former President Bill Clinton. The FTAA’s concept was exactly what its name implies – a Free Trade Area of all the Americas from Canada to Argentina including the Caribbean islands.

⁹ Colombia fears rebels may get surface-to-air missiles,
<http://www.latimes.com/news/nationworld/world/la-fg-colombia-missiles13-2009sep13,0,6957261.story>

President Chavez saw the FTAA as a device for spreading US capitalism and control over the entire Americas. ALBA was therefore conceived as an alternative to the FTAA based on principles of socialism and excluding the US and presumably Canada and Mexico. These latter three countries had already constructed a free trade area among themselves – the North American Free Trade Area.

ALBA gives financial assistance, provided by Venezuela, to its other six member-states. It is not a Treaty Organization; there is no set of ALBA statutes or obligations by which adhering states agree to be legally bound under international treaty law. The "principles" and "agreements" appear to be of a political nature; they are bilateral or trilateral documents to which specific Heads of government subscribe.

Its members include Venezuela, Ecuador, Cuba, Bolivia, Nicaragua, and the small Caribbean islands of Antigua and Barbuda, Dominica and St Vincent and the Grenadines.

A military dimension has been suggested for the organization. Both Venezuela's Hugo Chavez and Nicaragua's Daniel Ortega have argued that the member countries of ALBA "should work to form a joint defence strategy and start joining our armed forces, air forces, armies, navies, National Guards, and intelligence forces, because the enemy is the same, the empire" (presumably the United States).¹⁰

Despite the present stridency in the attitude toward the United States by the governments of Venezuela, Bolivia and Nicaragua in particular, this proposed military alliance may come to nothing for, by any rational analysis, there is no evidence of a military threat to these countries from the current administration of Barack Obama. Indeed, if his words are to be taken as his bond, Obama stated quite clearly at the Summit of the Americas in Trinidad and Tobago in April this year that US bullying will not occur under him.

Petro Caribe is a facility, launched by President Chavez in 2005, under which the now 16 member countries can purchase oil from Venezuela at market value, with 60 per cent of the cost to be paid up front, and the remainder payable over 25 years at one per cent interest. The sixteen members are ten small states of the Caribbean two Central American countries - Guatemala and Nicaragua - and the larger Caribbean Islands Cuba, Dominican Republic and Haiti with Venezuela.¹¹

Incidentally, it should be noted that Honduras was a member of both Petro Caribe and ALBA under the Presidency of Chavez's ally, Jose Manuel Zelaya Rosales, but when he was removed from office in June this year, Honduras was expelled from both groups.

While these facilities are extremely important to the countries that benefit from them, they have been widely seen in the United States and in Europe as an attempt by President Chavez to exercise influence in the Caribbean and Central America by making their governments dependent upon his largesse for their economic well being.

¹⁰ <http://www.globalresearch.ca/index.php?context=va&aid=7934>

¹¹ PetroCaribe was initially created with 14 members, but has since expanded to 18. They are: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominican Republic, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Suriname, and Venezuela.

But, it should be borne in mind that the United States left a vacuum in Central America and the Caribbean when it reduced aid and investment, and took an aloof attitude to the region except on those matters, such as drug trafficking, that many in the region regard as primarily serving US interests. As their economic conditions worsened, Venezuela's offers of deferred payment for oil and long term soft loans became increasingly attractive even at the cost of increasing their overall debt and exposing themselves to Venezuela as their single largest creditor.

It is significant that only two Caribbean countries stayed out of Petro Caribe – Barbados, and Trinidad and Tobago which is itself a producer of oil and natural gas, and which, up until the creation of Petro Caribe, was the principal supplier of oil to Caribbean countries within the CARICOM grouping.

With regard to the oil relationship between the US and Venezuela, there is much in the analysis of Paul Taylor, a Senior Strategic Researcher at the Naval War College in the US. He says this:

“Aside from some refineries along the Gulf coast that are engineered to process the heavy crude that Venezuela produces, the U.S. economy would not suffer if China's modest purchases expanded to absorb all of Venezuela's petroleum exports. As long as Venezuela maintains its level of production, international markets will clear with little disruption. The United States could make up any loss of Venezuelan product elsewhere. Only by cutting the level, not the destination, of exports could Chávez use his oil as a weapon, but he cannot afford to cut exports and lose revenue for any extended period. Even if he could, the price increases that step would cause would hit consumers everywhere, not just in the United States”.¹²

Nonetheless, President Chavez's continuous verbal attacks on the US, his open hostility to Colombia; Venezuela's continued claim to “Aves Island” and to two-thirds of Guyana; along with Chavez's steady increase in the capacity of his military, make-up a troubling scenario for the area.

CUBA

I come now to Cuba against whom the United States has continued a trade embargo for 49 years. Last night (September 14th 2009), the trade embargo was extended for yet another year by President Obama. The Cuban newspaper, *Granma*, solemnly reported the event by saying:

“Obama has followed in the footsteps of all previous US presidents who have signed one-year extensions of the law since the 1970s. Obama's predecessor, George W. Bush, signed the last extension on September 12, 2008”.¹³

During his election campaign for the US Presidency, Obama said he would "grant Cuban Americans unrestricted rights to visit family and send remittances", but that he would

¹² “The Outlook for U.S. Foreign Policy in Latin America and the Caribbean”: The Challenges of Transforming Goodwill into Effective Policy, Paul D. Taylor, Senior Strategic Researcher Naval War College, May 2009

¹³ “President Obama Maintains US Blockade of Cuba”, Cuban News Agency, <http://www.ain.cubaweb.cu/idioma/ingles/2009/0916bloqueocuba.htm>

maintain the embargo as a whole until "a post-Fidel [Castro] government begins opening Cuba to democratic change". So, in extending the trade embargo, he did nothing that he did not say he would do.

He made good on his pledge to remove restrictions on family travel and remittances by including measures in the 2009 spending bill that cut-off funding for the enforcement of such restrictions. In doing so, he sought a helpful response from Cuba – some clear indication that the government would be willing to engage in discussions about change in Cuba. Raul Castro appeared to offer the response in April (2009) when he said: "We are open, whenever they want, to discussing everything: human rights, freedom of the press, political prisoners, everything they want to discuss".¹⁴

But, it was a response that solicited a sharp rebuke from his older brother and father of the Cuban Revolution, Fidel Castro who immediately said: "Without a doubt, the president (Obama) misinterpreted Raul's statement"¹⁵. The elder Castro, while he had stepped down as President and handed the office to Raul, remained the Head of the Cuban Communist Party which is supreme in Cuba.

The Bill which allowed family travel and remittances to Cuba did not pass easily. This emphasizes that the Cuba is more a domestic political problem than a foreign policy issue for the US government. The anti-Castro, Cuban-American lobby is still strong and able to influence US Congressional representatives from both parties to whom it makes election campaign contributions. .

But, battle lines are beginning to be drawn in the US between the die-hard, anti-Castro groups and those who regard the embargo as a failed effort and who want access to the Cuban market for US goods and services. A bipartisan group of U.S. senators and interest groups is backing a bill that seeks to end all travel restrictions to the island.

The 'Freedom to Travel to Cuba Act' was introduced by Senators Byron Dorgan, a North Dakota Democrat, and Michael Enzi, a Republican from Wyoming. They were joined by 20 co-sponsors, the American Farm Bureau Federation, the U.S. Chamber of Commerce and Human Rights Watch. A similar measure has been introduced in the House of Representatives.

What is clearly driving the sponsors of the Bill is recognition of the economic opportunities that Americans have lost and are continuing to lose in Cuba.

Despite the embargo, the value of US agricultural sales to Cuba in 2008 under a humanitarian sales provision was \$710 million, a 61% increase over 2007. This makes the US Cuba's fifth largest trading partner overall,¹⁶ and the US International Trade Commission estimates that US agricultural sales would double if the embargo is dropped.

¹⁴ "Obama 'misinterpreted' Raul Castro's words: Fidel", , (AFP) – Apr 22, 2009, http://www.google.com/hostednews/afp/article/ALeqM5jS_OYzar59fcUkNg11_-0MrqsCGA

¹⁵ Ibid

¹⁶ "Cracks in US Embargo", Martha Brannigan, Miami Herald, September 6, 2009

Thirty-eight States of the US have long since recognised the value of the Cuban market and they have used the loophole of humanitarian assistance in the embargo to sign agreements with Cuba.

US businesses have been champing at the bit to get into Cuba for some time, especially as they had to sit-by while Canadian and European companies - and now Brazilian, Chinese and Indian ones - grab the opportunities created by the departure of Russia after the demise of the Soviet Union in 1991.

Oil companies are reportedly also concerned that Cuba's state-run oil concern has signed joint operating agreements with companies from several countries (including Russia) to explore waters that Cuban scientists claim could contain reserves of up to 20 billion barrels of oil.

Nonetheless, anti-Castro groups remain strong and powerful in the US. They will work hard to ensure that the trade embargo remains in place.

Raul Castro could strengthen Obama's hand by showing willingness to address the human rights issues that do require attention in Cuba, and are an obstacle to progress. But, there are clearly other powerful forces within Cuba (Fidel himself) and elsewhere that discourage him from doing so.

On the security side of all this, while in the past, the Cuban government has been able to argue that political dissidents in Cuba were being organised and supported by US government agencies to overthrow the government, such arguments are now a thing of the past.

They are as anachronistic as any arguments by anti-Castro groups in the US that Cuba's communism is a threat to the US or that Cuba is a terrorist state. These latter claims have long been debunked by the US military who do not regard present-day Cuba as a threat to US security.

Similarly, it should be pretty clear to the Cuban government that the US today poses no security threat to Cuba.

In these circumstances, the present relationship between Cuba and the US may continue as it now is for the foreseeable future, but at least it poses no security issues for the two countries or for the area.

BRAZIL

Brazil is not a Central American or Caribbean Country, but it is the largest country in South America and it has started to develop closer relations with its regional neighbours.

Yesterday (September 14th, 2009), for instance, the Presidents of Brazil and Guyana officially opened a bridge that now links their two countries by road at the narrowest point of their border. It is expected that the bridge across the Takutu River will eventually lead to the transportation of goods from Northern Brazil to a Port in Guyana, and from there into the Atlantic Ocean.

If this materialises, it will serve the economies of both countries well.

Brazil has been leading UN peace-keeping forces in Haiti over the past few years, and, as was mentioned earlier in this paper, it has taken a high profile role in the Doha Round of global trade negotiations at the World Trade Organisation.

The Brazilian government is known to be concerned about tensions in the area, and while it contributed to the halting of the negotiations for a Free Trade Area of the Americas, it did not do so on the basis of an anti-American position but because it did not want Latin American countries to be put in a situation where they would compromise on Hemispheric trade matters that could adversely affect their bargaining stance in global talks.

Both the US and Central American and Caribbean countries should use Brazil's good offices to promote a dialogue on a range of issues of mutual benefit including: a comprehensive programme to fight drug trafficking; curbing arms smuggling; and programmes of joint action with the International Financial Institutions to advance economic development in the area.

Brazil could also be an influential broker in trying to improve relations between the US and Venezuela.

IMPORTANCE OF REGION TO THE US

Central America and the Caribbean are not entirely without importance to the US particularly in the energy sector. For instance, from the Caribbean, Trinidad and Tobago is already the largest supplier of natural gas to the US and is also a supplier of oil; Belize, Barbados and Suriname are also small oil producers with the potential for more discoveries when the global recession recedes and investment is available for exploration; US studies also indicate that there are reserves of oil off the coast of Guyana, and exploration is likely to begin there next year by a Canadian company, CGX, which has already started operations..

For the US, access to oil and natural gas from friendly countries so close to its own borders is infinitely more attractive and less politically burdensome than oil from the Middle-East.

THREATS TO US STABILITY, SECURITY AND PROSPERITY

We come now to a consideration of whether there are any particular threats to the US's stability, security and prosperity from Central American and the Caribbean.

We have already discussed the major problem – drug trafficking. And, we have considered the relationships between the US and Cuba and the US and Venezuela.

From the point of view of the US, the two other threats to its stability and prosperity would be illegal migration and tax evasion by US companies and persons using offshore financial services in Central America and the Caribbean.

On the first point, given the relatively small size of Caribbean populations, apart from Haiti, illegal immigrants are not as great a problem to the US as are immigrants from Mexico with which it shares a porous border.

People from some Central Americans have also been using Mexico as a means of entering the US illegally.

This problem will continue as long as the economies of Central American and Caribbean countries decline and these countries are not able to lift more of their people out of poverty and unemployment.

But, it should be noted that Caribbean governments argue that while some illegal migration to the US occurs, it pales into insignificance compared to the large number of tertiary educated persons that the US poaches from Caribbean countries. These persons include doctors, nurses, teachers and engineers. At the moment, more than 62% of the tertiary-educated people from the Caribbean live and work in the US, Canada, the UK and France. In the case of Guyana and Jamaica, the figure is over 80%.

With regard to tax evasion and the alleged used of financial institutions in Central America and the Caribbean, a Bill entitled "Stop the Tax Havens Abuse Act" has been introduced in the US Congress. Among other countries such as Switzerland, the Bill identifies a number of Caribbean countries as tax havens, and seeks to give powers to the US Treasury Secretary to act against their financial institutions if they do not cooperate in providing certain information related to accounts held US companies and persons.

Many of the jurisdictions have already been hurt by the mere suggestion, implicit in the Bill, that they may be havens for tax evasion, and the bigger offshore centres have engaged lobbying firms in the US to explain their positions. A number of other countries already have tax information exchange agreements with the US.

This issue is unlikely to pose any major threat to the US from Central America and the Caribbean. Indeed, it is more likely to harm the regional jurisdictions by causing Americans doing legitimate business to shun these countries for fear that they may be caught-up in US actions against them. This loss of US business for Central American and Caribbean financial institutions has already started.

The capacity of these countries to fight back is virtually non-existent. As international tax expert, Bruce Zagaris, puts it:

"The ability of the offshore centers and private banks to "fight back" will depend on a mix of whether they organize themselves properly and astutely. The small offshore financial centers (SOFC) face a disparity of power and resources. They are not members of many of the informal groups (G8, G20, and FATF) or

international organizations (OECD, EU), so they do not have a right let alone opportunity to have input when the groups or IGOs are framing the problem".¹⁷

The most worrying problem for the US in Central America and the Caribbean should be their economic situation. Conditions of economic decline lead to social and political unease, and instability. These conditions are already apparent in several countries, and if they deepen, the area could find itself even more vulnerable to drug trafficking and the attendant crime that is already so overwhelming a problem. In turn, this will cause greater migration of educated people, and more refugees.

It is the economic condition of the area that the US should see as the biggest potential threat, and it is to alleviating that problem that it should devote resources.

HOW THE US CAN HELP CENTRAL AMERICAN AND CARIBBEAN ECONOMIES

It is simply a fact that, with few exceptions, Central American and Caribbean governments have either limited or no capacity to finance policies to address shocks to their economies such as the effect of the current global recession. In the Caribbean particularly, small or poor populations do not produce sufficient savings there is not enough access to credit, and budgets are already in deficit or pretty close to it. In these circumstances, governments have no room to pay for the size of stimulus programmes that are required to improve these economies.

The United States can be very helpful to Central American and Caribbean economies in direct and indirect ways.

First, the US economy is important to the area for tourism, investment, remittances, and access to finance. In this regard, the quicker the US economy can come out of its present recession, unemployment can be reduced and jobs take on a less tenuous prospect, the sooner Central America and the Caribbean will see more US tourists return to their shores, a resurgence of investment from US businesses, a return to access to borrowing from US financial institutions, and a return to the rate of remittances enjoyed before the slump in the US economy.

Of course, Central America and the Caribbean also need access to a vibrant US market for trade. Since a revived US economy would be less inclined to protectionism and more open to imports, it is in the interest of Central America and the Caribbean for the US economy to recover soon.

Second, the US could be enormously helpful to Central American and Caribbean countries if it led the way in encouraging the international and hemispheric financial institutions to provide funds to these countries on far less onerous conditions than they have in the past.

¹⁷ "The International Financial Services Sector increasingly squeezed", Bruce Zagaris, 24 Annual TH Transcontinental Trusts Conference, June 23, 2009, Geneva, Switzerland

As an example, the US should use its influence with other countries who govern the World Bank to reverse the graduation of many of these countries from access to concessionary financing. At the moment, they do not have access to such funds because they are regarded as middle-income countries with no regard for the high costs which their smallness and remoteness imposes upon them.

Of critical importance is help with the debt of these countries. Much of their debt, apart from those who owe Venezuela for oil as part of PetroCaribe, is commercial debt, though their official debt is also high. Some effort should be made to help these countries to reschedule their debt to all sources on a payment scheme that should include some forgiveness and a realistic repayment scheme. In this regard, the IMF could play an important role in providing financing that (a) is not necessarily linked to the countries' Special Drawing Rights; and (b) is not subject to the usual prescription of raising taxes, reducing public sector spending; freezing wages, and repaying foreign debt. The US could play a pivotal role in achieving such change in IMF policies and conditionalities.

If governments in the industrialised world could bail out some companies and financial institutions on the basis that their economies could not allow these firms to collapse, surely this is also a basis for arguing that the collapse of states should be avoided.

Without international assistance, the difficult economic conditions of Central America and the Caribbean will get worse not better, and so too will the attendant problems of social and political instability.

THE PROSPECTS FOR FUTURE RELATIONS

In conclusion, the prospects for future relations between the US and Central American and Caribbean countries depend in large measure on the United States government.

There is no doubt that Central American and Caribbean governments recognise how important the United States is to them. This is a reality re-enforced by the fact that the second largest location of each of their populations is the United States.

Apart from a few governments who have linked themselves to Venezuela, under ALBA, no Central American government will take sides in the US-Venezuelan relationship, and the three Caribbean governments that have joined ALBA have made it clear that they value their relations with the US and will maintain them.

Cuba should pose no major problem to the US.

It is the US itself that now has to rejuvenate its Central American and Caribbean policy. Both President Obama and Secretary of State Hilary Clinton have their hands full with pressing international matters such as Iraq, Afghanistan and increasingly Iran. But, they could and should appoint a high profile political person to oversee day to day policy and programmes in relation to the area across a wide spectrum of subjects, many of which have been identified in the course of this discussion.

If the US were to show greater interest in the region and a willingness to champion its causes particularly with the international financial institutions, there is no doubt that a spirit of fraternity and co-operation would be widely reciprocated.

But, a regional Commentator, David Jessop, has recently made a telling and worrying point about the Caribbean that is equally true of Central America. He says:

“Taken at face value the region has a very weak hand. The Caribbean does not have conflicts that threaten to escalate into global confrontations; thankfully it has neither nuclear weapons nor terrorism, nor does it have a significant military presence or the economic ability to change global financial or trade flows. In short it has little that would make bigger, wealthier and more influential states take notice”.¹⁸

There is merit in his observation. It may be that the only things that will make the US sit up and take notice of Central America and the Caribbean are a major conflict or a descent into chaos.

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¹⁸ David Jessop, The View from Europe, September 11: 2009, www.caribbean-council.org