

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

HEARING BEFORE THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

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THURSDAY, JULY 14, 2016

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 2 o'clock, in room 2200 Rayburn House Office Building, Hon. Jeff Duncan (chairman of the subcommittee) presiding.

Mr. DUNCAN. Okay. A quorum being present, the subcommittee will come to order. I would now like to recognize myself for an opening statement. Thank you, guys, for your patience.

Today, we need to highlight a very important region in our hemisphere that unfortunately often gets overlooked. Many of our Caribbean friends have repeatedly urged the United States to pay more attention to the Caribbean, and I want you to know that I have heard you.

I would also like to thank Ranking Member Sires in particular for his leadership in working to prioritize this subcommittee's focus on the Caribbean. These islands, home to many beautiful and popular travel destinations, often come up in conversation for the average American only in the context of tourism and planning a future vacation.

However, while these are certainly important strengths for the region, the Caribbean has much more to offer which U.S. businesses, universities, and local communities should consider when planning future investment, academic research, or where to develop stronger economic ties.

One of the primary tools of U.S. engagement with CARICOM countries is the Caribbean Basin Initiative, or CBI, which was created in 1983.

Can we turn that sound down a little bit, sir? Can we turn that down just a little bit? Okay.

Which was created in 1983 and has subsequently expanded to provide 17 countries and dependent territories with duty-free access to U.S. market for most goods. This engagement has led to a 44-percent increase in U.S. exports to the Caribbean over the past 10 years, and last year the total trade relationship between the U.S. and the Caribbean was \$33.4 billion.

I believe it is critical to work with our neighbors to mutually promote economic growth through trade liberalization, respect for the rule of law, and adherence to free market principles in order to

achieve prosperity that is sustainable for the region. In addition, I am a firm supporter of deeper U.S.-Caribbean energy relations. To me it is a win-win situation.

U.S. possesses an abundance of oil, natural gas, and technical expertise, and the Caribbean has some of the highest energy costs in the world and needs to lower these costs by building infrastructure for delivering energy, integrating energy markets to attract investment and financing, and establish pipelines and liquified natural gas frameworks.

In view of Venezuela's instability, its oil production decline, and low global oil prices, countries in the Caribbean dependent upon Venezuela's Petrocaribe programs should seriously consider how they can diversify their energy matrix and build stronger energy partnerships with the United States and other energy-producing countries in the region. After all, the United States is the largest energy producer in the Western Hemisphere; collectively with Mexico and Canada, North America accounts for 71 percent of the hemisphere's crude oil and 28 percent of natural gas reserves in the hemisphere.

Similarly, Argentina, Brazil, Colombia, Peru, and Trinidad and Tobago have significant oil and natural gas production. In my view, freedom-loving, market-friendly, energy-producing countries in this hemisphere should be working more closely together to pursue hemisphere-acquired, energy independence and that means assisting non-energy producing countries including the Caribbean neighbors in reaching this objective. Ultimately, if the Western Hemisphere were more energy independent it would go a long way to transforming our societies and security and independence and our economic growth.

So today, there are many trade energy opportunities for U.S. and CARICOM. However, I remain concerned about the growing security challenges in the region from transnational criminal organizations that seek to use the region to ship drugs, migrants, and contraband to United States shores. The Caribbean Basin Security Initiative is another tool the United States has used since 2010 to address regional security issues, and given the Caribbean's strategic location to U.S. homeland, we need to keep considering ways to improve CBSI and more effectively cooperate with the regional partners to control borders, block criminal groups' ability to exploit permissive environments to their advantage.

I am also concerned about the people from the Caribbean that have joined Islamic extremist organizations. Last year, the former head of the U.S. Southern Command, General Kelly, testified before Congress that close to 100 people had left the Caribbean to go fight in Syria. At a subsequent briefing, he specifically named Jamaica, Siriname, and Trinidad and Tobago as having had people leave for the battlefield. These threats to the United States and regional security should motivate all of us; give us all a greater willingness to do more to strengthen security cooperation.

Moreover, I want to point out at a previous subcommittee hearing on border security threats in the region, I raised concerns regarding reports that I had seen about citizen by investment programs in the Caribbean which have enabled fraud, corruption, and exploitation by foreign nationals. I hope our Caribbean friends will

consider the regional implications of poorly managed CIPs. They pose security vulnerabilities to all of us since improperly vetted CIP applicants might allow a transnational criminal to evade sanctions and travel restrictions.

In view of the growing security threats that I have mentioned, it is vital for regional security that Caribbean countries, as well as all Latin American countries, adopt and follow strong vetting mechanisms according to international best practices using all checks of law enforcement sanctions and terrorist database that are available to them.

And finally, I would be remiss if I did not mention the importance the United States places on cooperation in the multilateral organizations such as United Nations or the OAS, Organization of American States. I want to thank the Caribbean countries that voted with the United States recently at the OAS on the situation in Venezuela. I recognize your support and friendship, and I commend your courage of conviction to speak the truth to power even when it is difficult.

These countries that chose to abstain from voting or voted against the resolution at the OAS regarding the situation in Venezuela, I want you to know that your decision only furthers oppression and tyranny in the Americas. It is my hope that you will reconsider how your vote on these type of issues in the future.

Ultimately, we all have a responsibility to actively safeguard freedom in the Americas, but that can only require very tough choices. I realize these decisions are complex, and I look forward to hearing from our witnesses on all these topics today, and so with that I will turn to the ranking member for his opening remarks.

Mr. SIREs. Thank you, Mr. Chairman, for working together on this hearing, and I want to thank the witnesses for being here today. Thank you very much.

The Caribbean is often described as America's third border and I agree with this description. With almost 45 million people encompassing 16 independent countries and 14 overseas territories, the Caribbean is a diverse region that includes some of the hemisphere's richest and poorest nations. It is a region of great economic and cultural, political and security ties to the United States. The U.S.-Caribbean relationship is characterized by extensive economic linkages, significant security cooperation, and continued U.S. assistance to support economic and social development, including efforts to combat HIV/AIDS and to mitigate the effects of climate change.

Over the past 3 years, the administration has put forth a new effort supporting energy diversification and clean, sustainable energy projects to improve the region's energy security and to help it move away from its dependence on oil from Venezuela. Venezuela, which has long subsidized energy costs to many Latin American and Caribbean countries, must turn inward to rescue itself from economic and political collapse. Amidst these troubling times we must work with our Caribbean partners to diversify energy sources, strengthen their economies, and build upon a mutual security interest.

On the legislative front, last month the House approved H.R. 4939, the United States-Caribbean Strategic Engagement Act of

2016. This act is designed to increase engagement with the Caribbean that requires the Secretary of State to submit a multiyear plan to Congress for U.S. engagement with the Caribbean regions and update on its U.S. diplomatic effort to engage the eastern Caribbean countries.

As a global power, the United States faces challenges and threats from every corner of the world. However, it is vital that we remain engaged in the Western Hemisphere and not lose sight of our interests so close to home. I look forward to hearing from our witnesses on how the U.S. efforts in the Caribbean can improve and how America can continue to strengthen its partnership with our Caribbean neighbors. Thank you.

Mr. DUNCAN. I will thank the ranking member, and I will just say I don't know how many other members we are going to have today. We have adjourned for the August recess break and we wanted to continue. Knowing that we were going to adjourn, we were willing to continue with this hearing because that is how important it is to the ranking member and myself, so don't think because no other members show up that it isn't a vital issue to the committee and to the subcommittee. And I look forward to hearing from the witnesses who are very well known to the committee so their bios are available to us, and I will recognize Eric Farnsworth for 5 minutes.

**STATEMENT OF MR. ERIC FARNSWORTH, VICE PRESIDENT,
COUNCIL OF THE AMERICAS AND AMERICAS SOCIETY**

Mr. FARNSWORTH. Well, Mr. Chairman, thank you very much for continuing with the hearing on such a vital topic. Thank you for your leadership overall on these issues as well as the Caribbean specifically, and Mr. Ranking Member, you as well. It is really important to have a bipartisan voice on these issues and we note that. We take satisfaction in that and thank you for that leadership, and we ask that that would continue in some way given the importance of the issues at hand.

The United States does have strategic issues in the Caribbean Basin and we don't often talk about it in that way, but in my view they are strategic, from support for democratic institutions—some of which are quite fragile; some of which are strong and enduring—we have security interests including drug trafficking, counterterrorism, the fight against financial crimes, obviously immigration and humanitarian concerns, energy, the environment, economic development; it is a very wide range of issues to which the United States has interest. The United States also maintains significant diplomatic interests in the region most notably in the current context related to Venezuela's slow motion collapse and related discussions at the OAS and the United Nations, and both of you have referred to those issues as well.

Recognizing this, the administration has made a number of efforts along these lines to improve relations with the Caribbean. Presidential and vice presidential travel has been well received as have initiatives on security and energy. The Caribbean Basin Security Initiative, for example, has proven to be a workable concept. In my view, enhanced results would be anticipated with the availability of greater resources for that program.

At the same time at least in this instance, geography really is destiny and the hard reality is that the Caribbean lies between the major drug producing region of the Andes and the overwhelming demand for drugs in North America and also in Europe. It has also been a jump-off point for extraregional migration to the United States. Security is a constant challenge for regional law enforcement requiring close coordination and assistance from the United States and other interested parties.

Economically, the Caribbean Basin is also under strain. With generally small productive capacities, the region has relied on preferential trade access with the United States and Europe, robust tourism receipts, and most recently Venezuelan energy largesse via Petrocaribe. With the reduction both in global energy prices and also Venezuelan production Petrocaribe is less important now than it once was, but the program has nonetheless left a significant debt overhang for a number of Caribbean nations.

Likewise, tourism is being impacted by new market entrants in the region as well as the possibility of reduced demand from the United Kingdom in the wake of Brexit and also health related concerns such as the Zika virus which we are hearing so much about. The Obama administration has sought to address several of these economic concerns by promoting the Caribbean Energy Security Initiative to catalyze a cleaner, more energy secure future, consistent with the Paris climate change accords, nonetheless still greater progress might be made.

I thought for some time, Mr. Chairman and Mr. Ranking Member, that we need to think bigger and bolder and more strategically about the Caribbean, and this hearing is part of that process and again I thank you for doing it. In my judgment and with the new expansion of the Panama Canal, it is time perhaps for a new Caribbean Basin Initiative which will bring a number of the policy priorities together under one strategic initiative. For this reason I am particularly pleased that the House has just passed the United States-Caribbean Strategic Engagement Act, and Mr. Sires you referenced that in your opening comments. This is a worthy bipartisan effort to begin the process and I urge prompt Senate passage of the bill.

Several related initiatives might also be considered, learning from successes like Costa Rica, for example. The Caribbean should consider branding itself the cleanest, most environmentally friendly region for tourists and citizens which the United States can actively support. Not just technical assistance, but also concessionary financing, technology transfer, debt-for-nature swaps, and a regional commitment to open markets perhaps through expanded trade investment ties with the United States particularly in natural gas exports, which would all be part of a new CBI designed in full consultation and coordination with Caribbean leaders themselves to rebrand the region as a model for environmental and clean energy development.

Caribbean leaders for their part would be encouraged to strengthen regional integration and cooperation, reduce barriers to trade and investment, create efficiencies particularly in clean energy related sectors including standards and regulations, and pro-

mote a regional vision not just a national vision for each individual nation.

A focus on investment climate issues would also be welcome as would mechanisms to ensure that de-risking by U.S. banks not unduly burden the Caribbean banking sector or reduce access to trade finance and development support including remittances.

Diplomatically, we could anticipate a favorable response from the region if the United States took a more proactive approach. Additional Embassies and pre-clearance facilities, a commitment to ongoing high level consultations including visits, and the naming of a senior level envoy for Caribbean Basin affairs could all be considered. In the meantime, recognizing the collective weight of Caribbean nations within the OAS and other international bodies should motivate the United States to look for quick dispersing deliverables which can be highlighted. One of these in my view should be a high profile, joint assault on Zika including subsidized access to vaccines as soon as they can be developed and effectively deployed.

Other nations, including China and Venezuela, are particularly good at these sorts of diplomatic initiatives. The goodwill they have engendered in the region through such activities should be a wake-up call for Washington that the Caribbean Basin cannot be taken for granted. In the current environment the United States must contend for the Caribbean as indeed we have to contend for all of Latin America, and I believe that additional U.S. efforts in the Caribbean would be rewarded. So Mr. Chairman, Mr. Ranking Member, thank you again for the opportunity to join you. It is a privilege to do so, and I look forward to the questions you might have.

[The prepared statement of Mr. Farnsworth follows:]



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HEARING BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
JULY 14, 2016

ERIC FARNSWORTH
VICE PRESIDENT
COUNCIL OF THE AMERICAS

*** As Prepared for Delivery ***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. DUNCAN. Thank you, Eric. Next witness very well known to the committee as well, Sally Yearwood, you are recognized for 5 minutes.

**STATEMENT OF MS. SALLY YEARWOOD, EXECUTIVE
DIRECTOR, CARIBBEAN-CENTRAL AMERICAN ACTION**

Ms. YEARWOOD. Thank you, Mr. Chairman, Ranking Member Sires. Thank you for holding this timely hearing on the U.S.-Caribbean partnership. Coming as it does in the wake of the House passage of H.R. 4939, we have an important opportunity to assess and recalibrate the relationship.

The Caribbean is the United States' third border. U.S. security interests in regional stability are intrinsically linked and so, by extension, collaboration on critical economic, political, and social development issues must be a foreign policy priority.

Today there is no dominant partner in the region. Russia, China, Canada, Taiwan, Venezuela, and the European Union all have a substantial presence. The Islamic Development Bank has established significant ties with financing in some Caribbean nations, and other countries ranging from Qatar to Japan and Brazil have had a significant impact on how and where the countries of the Caribbean have turned to search for trade and financing alternatives.

The United States remains the region's primary trading partner, but there is no doubt that when it comes to overall engagement other countries are filling, and in some cases exploiting, a vacuum. What can be done to build this stronger partnership? I will speak to the areas of economic cooperation that we believe could have an impact.

Trade and Assistance. The 1983 Caribbean Basin Economic Recovery Act remains one of the most generous nonreciprocal trade bills ever granted by the U.S. The Caribbean Basin remains a top ten trading partner with a balance of trade surplus in favor of the U.S. It is also worth noting that the Caribbean is the only area of the world where U.S. ship operators and U.S. nationals remain significant players in the international carriage of goods by sea.

When CBERA was passed, regional economies were very much oriented around agricultural and manufactured products. However, the world has changed. The economies today with some exceptions are largely dominated by travel and tourism, the financial services sector and other service based industries.

At the Inter-American Development Bank, the World Bank, and the United States Agency for International Development there are substantial programs that are designed to build regional competitiveness. With H.R. 4939, the U.S. Government can examine what exists, where there are gaps, and recommend potential areas for trade and cooperation which reflect today's reality.

Correspondent Banking and De-risking. While the technical issues behind this are under discussion among your colleagues in the Financial Services Committee, and recently they sent a letter to the OCC requesting clarity on the application of rules and compliance, this issue has been front and center for the countries of the Caribbean for a while.

This is a global problem, but it is widely acknowledged that the Caribbean has been disproportionately affected because of the size of the markets and the perception of risk. CCAA has been working with the region, the U.S. Government, international financial institutions, associations, and the private sector to help identify solutions for the Caribbean. The CEO of the FIBA describes the situation as follows: We are working on financial inclusion in developing countries and de-risking is then blocking access to finance. This amounts to a de facto embargo on the region in the area of financial services.

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

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

Travel and Tourism. Millions of travelers move by air and sea between the Caribbean and the U.S. every year. Air and sea ports are a critical part of the security apparatus every day. Sharing the security responsibility at the front lines gives the U.S. additional control over its borders and creates a collaborative environment for managing terrorist watch lists as well as trafficking of guns, drugs, and other contraband.

Pre-clearance facilities in-region are an instrument for building a security partnership. While the cost does not justify pre-clearance in every Caribbean country, a strategic look at increasing pre-clearance presence through a hub and spoke system would be beneficial to shared collaboration and security.

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

Security and Disaster Resilience. CCAA has run a Disaster Management Workshop Series with our partners from Tropical Shipping and other regional partners for almost two decades. This event underscores the importance of public-private partnerships in disaster management. Previously focused very much on natural disasters, we now look at broader threats to the specific countries.

The United States Southern Command is an important collaborator and I would be remiss not to mention their ongoing engagement as well as their responsiveness to regional disasters whenever called upon. The region is vulnerable to range of natural and other disasters and resilience is critical. Any breakdown has trade, economic, and security implications for the broader region and for its partners outside the region. A multi-country strategy forged in collaboration with regional partners should be a part of the engagement.

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

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

Thank you Mr. Chairman, Ranking Member Sires, members of the committee for the opportunity to be with you today. I look forward to any questions.

[The prepared statement of Ms. Yearwood follows:]



CARIBBEAN-CENTRAL AMERICAN ACTION

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Testimony of Sally Yearwood

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

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

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

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

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

Trade and Assistance:

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

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

Correspondent Banking and De-risking:

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

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

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

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

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

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

Travel and Tourism:

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

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

Diplomatic Presence:

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

Security and Disaster Resilience:

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

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

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

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

CONCLUSION:

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

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

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

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

Mr. DUNCAN. Thank you so much, Ms. Yearwood.

We will now enter in the question phase of it. We have a lighting system in here. I don't know if we are going to use that with just the three of us here, and I think Representative Meeks is coming. So we will just try to get through it and I will try to monitor it.

All eyes are on Venezuela right now, and Venezuela's impact on the Caribbean nations from energy to trade and other things are very concerning, especially Eastern Caribbean nations. So, I guess the question that I have is, all six countries of the Organization of Eastern Caribbean States are members of the Bolivarian Alliance known as ALBA, which includes efforts to promote regional cooperation and alleviate poverty; so to what extent have ALBA and Petrocaribe increased Venezuela's influence in the Caribbean? I think I can answer that question tremendously.

What effect will it have with the waning influence of Venezuela given the nature of the Maduro government and the issues with energy, and the issues with poverty, and food security and that sort of thing? So Eric, you know, let's just delve into how Venezuela and the situation there is actually going to impact especially the Eastern Caribbean ALBA countries.

Mr. FARNSWORTH. Mr. Chairman, thank you. And I agree it is the pregnant issue if you will of the region. Venezuela is a country that is in collapse. Economically, some are saying it is no longer a democracy. It is a country that has severe and lasting internal problems which it is going to take years to get beyond.

And so, the relationship that Venezuela has developed with a number of countries of the Caribbean in good times has become strained, because the largesse that Venezuela has been able to frankly give away or to provide a concessionary on concessionary terms has been much constrained in the current environment. You know, you talk to Caribbean leaders and they say we are not big fans of the Venezuelan regime, but if they are giving us free stuff why not take it? And I think in some ways, it is very much a commercial relationship or, it has been a commercial relationship.

I guess what I would say is in the current environment, because of the troubles that Venezuela is having and frankly because of the opportunities that we have in the United States through the entire revolution of energy that we have seen in our own country over the last several years, we have an opportunity to come into the Caribbean as a partner and say, look, you know the programs and the activities that you may have been doing with Venezuela are no longer relevant and we can provide the same things that you need without the political or without the ideological overhang that you might have had previously.

Mr. DUNCAN. Let me ask you something about that. Is there enough trust of the United States for us to step into that void with those countries? I don't know the answer to that.

Mr. FARNSWORTH. Well, I think in the current environment we need to do some groundwork. We need to do some spade work. I mean, look, Petrocaribe was a very successful program and we understand why. I mean, it was timely, it provided something that the leaders needed when they needed it. It was symbolic. It was very, very easy to explain to people. I mean, we are getting oil from Venezuela. It was focused. It was on one issue.

And I think sometimes, when the United States engages with the countries of the Caribbean, we have a lot of well meaning programs and wonderful ideas, but they are diluted, right? Not deluded, but diluted in terms of the effort and the focus. Under Petrocaribe, it was one product easily explained, highly symbolic, and people said Venezuela's our friend.

And I think what we need to do better from the United States' perspective is to build that level of trust through an ongoing sustained engagement with the region so that people can say, look, we do trust you. We do take this partnership on the terms in which it is offered because it is mutually beneficial.

Mr. DUNCAN. I personally think energy is a great opportunity for us, no doubt about that. Let me delve into money laundering and terrorism financing a little bit. There is a big push by the U.S. to have U.S. banks sever relationship with Caribbean-based banking institutions. Does that policy work to reduce money laundering and opportunities for terrorist organizations to access the financial system? And that is probably to Sally.

Ms. YEARWOOD. In a lot of ways it does the opposite, because once U.S. banks move out of the region what you have created in fact is a void and that becomes filled by other institutions. And there are anecdotal accounts of people when taking remittances between jurisdictions that have to carry that in cash in a suitcase. So, what is being created is a situation where there is more opportunity for terrorist financing or something to go wrong and somebody to exploit that void. So I would say that the U.S. banks absolutely need to be a key and vital player in the regional money system.

Mr. DUNCAN. I am probably less concerned, and maybe I shouldn't be, but less concerned about terrorism financing through the Caribbean financial institutions as I am about money laundering. We just saw in Panama, a huge \$800 million money laundering scheme, real estate involvement, huge number of employees involved in a legitimate business—still a money laundering scheme. And so I want to make sure that we are cognizant of the possibility in the Caribbean nations as well.

Ms. YEARWOOD. Part of the issue is the perception of risk versus the reality of the risk. Banks are not leaving the Caribbean because there is money laundering. Banks are leaving the Caribbean because the costs of compliance are overwhelmingly stacked against the banking system. You have small jurisdictions and for every account that you are dealing with you have to put a huge amount of money into making sure that the cost of—that the businesses is clean.

But what we have to do in effect is create a system where the regulators, the banks, everybody is working together, information is being shared, and when information is passed between the regulators and the Treasury or the regulators and the banks, people know where the voids are. What we need to also do is see what the technology, the tools that are out there that can create better compliance that can—the blockchain and other things that can build a more stable and more verifiable, transparent banking system.

And the problem in the Caribbean is that the economies are small, putting these systems in place costs a lot, but all the Carib-

bean will tell you that they meet the compliance regulations. And so there is a disconnect between what is actually happening and what people are saying is happening. I think one of the common complaints is the breakdown between what is going on in offshore financial services and what is going on in banking.

And the Panama Papers were very largely linked to the offshore financial services industry versus the correspondent banking and de-risking issue that is currently being faced. And, so, that break needs to be made so we can tackle the problem at hand which is the ability to move money back and forth in a clean, transparent manner.

Mr. DUNCAN. I am assuming that the Federal Government is monitoring—in Panama Papers an individual is never implicated in that and start shifting financial resources around, in possibly, the Caribbean nation. I am assuming our Treasury and FBI are monitoring that, I would assume. So I am going to go ahead and yield to the ranking member.

Mr. SIRES. One of the reasons that I supported, or I still support the export of energy from this country is to offset the influence of Venezuela because basically they were using it for political purpose. You know, if you look at the votes they took at the U.N. or even the OAS, you know, these people just became so dependent on Venezuela that we had to, I felt, offset that influence.

So now Venezuela is in trouble. I think their production is something like 40, 50 percent less, and there is a void there that we can help fill and, you know, we can really help in terms of just having a little bit more influence on people.

The other thing that worries me is that on the eastern part of the Caribbean. Basically, we have an Embassy in Barbados and it serves all those islands there. Meanwhile, you have Venezuela, Cuba, Brazil, they all have a presence there. So I was just wondering how much of a competitive disadvantage this puts us when we don't have, really, a presence in the Eastern Caribbean.

Mr. FARNSWORTH. Well, Mr. Sires, I think both of your points are very well made and I would agree with both of them, the implications of both of them. You can't ask somebody for their vote and their support as an international institution if you haven't done anything to build that rapport in advance, and I think having diplomatic presence is part of that.

And, you know, again, I go back to what I said earlier. Petrocaribe was a very successful program. Now I wish that we had done Petrocaribe and not Venezuela, but now there is an opportunity to change that. But we see the results. And when the OAS under a very courageous secretary general, Luis Almagro, tries to bring the institution toward recognizing that Venezuela is no longer in compliance with the Inter-American Democratic Charter, he is not getting the full support of the hemisphere, and indeed much of the Caribbean Basin has not gone along with that. And if you line up the votes, who voted in favor and who abstained, you can do a pretty easy one for one comparison based on who is a member of Petrocaribe.

And so the implication of your question I think is spot on, you know, and that is why I think when we talk about the Caribbean in Washington, oftentimes we think about it in the context of, you

know, island nations or programs or social development, and all of these are very, very important issues. Venezuela looks at this as a strategic issue. And the dividends pay off down the road when Venezuela itself is in the spotlight of the international community. Then they have friends that they can rely on and it pays dividends for them.

So I think that at the end of the day that is a lesson frankly that we can learn, and I think we can build toward reversing that course.

Ms. YEARWOOD. I agree 100 percent with Eric. Venezuela stepped in at a time that was very important for much of the region and now the region is very much paying the price, whether it is in debt or other areas related to votes and other requirements that they do as a result of the—

Mr. SIRES. Increased costs in energy too now.

Ms. YEARWOOD. Sorry?

Mr. SIRES. An increase in the cost of energy also.

Ms. YEARWOOD. Oh, absolutely, absolutely. And so I think to the point, we are at an important juncture now with the cost of energy being what it is with the U.S. energy supply going up and the region looking at ways to increase sustainable energy, whether it is through natural gas or getting the region less dependent on Petrocaribe and able to make these switches to new types of energy is going to make a huge difference.

Mr. SIRES. See, I don't think things happen by accident. I think this was well calculated between Venezuela and Cuba and, you know, unfortunately—well, we have an opportunity now to fill in a void.

The other concern that I have is the significant increase of China in this region. You know, we seem to be put to a lull of sleep or something because everybody seems to move in and then we react. And we don't seem to catch these things until something like this happens, you know, like Venezuela.

So unfortunately, you know, since I have been here we have been pushing—and I know Mr. Meeks and the other members that are here, you know, this is an important region for us. It is an important region for America and we really should concentrate. So now you have the Chinese moving in. They are going to go through the Panama Canal and they come in and they throw money, you know, at these small countries, which in reality they can't afford not to accept the money. So how much of influence is there now of the Chinese? And I know it is growing, but—

Ms. YEARWOOD. The Chinese influence, it is actually very interesting to watch the way China has kind of come into the region and the types of projects. Sometimes it is a sports stadium. I think the recent, the Baha Mar debacle in the Bahamas, you have seen the Chinese Government come in in a way that the U.S. businesses cannot come in to any country. If a Chinese developer comes into a country in the region they have the Chinese financing and the Chinese Government behind them.

Mr. SIRES. And the employees.

Ms. YEARWOOD. And the employees. And so you have effectively got a package that the U.S. cannot—the Foreign Corrupt Practices Act and all sorts of other reasons, the U.S. cannot compete in

terms of the types of investment that they are able to take in without kind of having to do the due diligence behind it. And it is very welcome in a lot of places, but what Baha Mar has shown us is that it can create a very difficult situation for the countries where they go.

Mr. FARNSWORTH. I think Sally raises a really interesting and important point in this context. You know, the Chinese or Venezuelan model is a state-led model, so the capital of the country, the leaders in the country can say this is what we are going to do. We are going to create Petrocaribe or we are going to build a sports stadium or we are going to declare that we are going to develop these projects, whereas the U.S. model is private sector-led model.

And the disconnect here is that we are dealing with smaller economies, island nations, and in comparison of other investment opportunities in other countries in Latin America, much less worldwide, these are economies that generally aren't going to draw that large investment except in a couple sectors like tourism like we have been talking about.

And so there is a place, in my view, for the United States Government to help leverage and facilitate private sector engagement in the Caribbean Basin, but I think we have to be very intentional about it. We can't just assume that okay, the private sector will show up or they won't based on market conditions and we will be happy with that. I think that this is where the strategic emphasis comes in to say, look, you know, during the 1980s we created the Caribbean Basin Initiative. It was private sector-led, right, but the government facilitated it, and that has been in large measure how we have worked in terms of Caribbean issues.

I don't have any problem with that. I think that is appropriate. But we are competing against state-led competitors with a lot of money. And so this is some of the disconnect and I think we have to recognize that and then develop the approach based on what the reality is so that we can be more effective in our approach.

Mr. SIRES. Thank you. Mr. Chairman.

Mr. DUNCAN. The Chair will now go to Mr. Yoho from Florida.

Mr. YOHO. Mr. Chairman, I appreciate you putting this together, and I want to thank you for putting the pivot on our neighbors in the Caribbean.

As you have stated and that we have seen, and it is not just this administration, it is probably over the last 20 or 30 years where we have taken our eye off the ball in the Caribbean. When we have nation states that close to us with like cultures, you know, we value the same things, our family values, things like that, that close to us, and we take the eye off of that we start losing our competitiveness and we have seen that.

I come from Florida, and we have over 105 million visitors a year in the tourist trade and it is the gateway to the Caribbean whether it is through our airports or through our shipping ports. And it is so important down in that area and we want people, you know, number one is to be secure in that area. And with the conflicts going on in the world we don't want them to invade in that area and unfortunately, we are starting to see that.

And I think one of the biggest things is President Maduro, after Chavez, seeing what is going on in Venezuela.

And we have seen in the past, when you have self-appointed dictators that come to power and when they fall there is a vacuum filled. We have seen that around the world. We have seen it in the Middle East. And when that happens you are never quite sure who is going to fill that void.

And we want to make sure that we can have, I don't want to say an influence, but we want to, you know, promote the people with the ideals, the same values that we have and help them succeed in that without being meddling into their societies. And it is just so important, especially with this time in our nation and around the world with the conflicts going on. You know, there is a collection of islands down there—nation states, satellite countries—and like I said earlier we share the same cultures, values in all except maybe for that one sore thumb about 90 miles off our coast, and there is possibility of changing.

And I think my questions are with the energy for the Caribbean islands, if Venezuela collapses, which I know the oil production will still go on, it is going to hurt all the Caribbean nations. And so who will fill that void? Who would best be to fill that? And what I want you to think about, I am being a little bit jaded here. I think I would like to see an American company come in there and fill that void. How would you see that happening and what would you recommend? We will start with you, Ms. Yearwood.

Ms. YEARWOOD. Thank you, Mr. Yoho. I think that the U.S. is well placed to fill the void in the event that Venezuela is no longer able to provide through the Petrocaribe program. I think the surplus natural gas, I think the growth of clean and renewable energy, the region is really at a crossroads in terms of transitioning to clean and renewable energy whether its solar or wind.

But there are other areas if I can make a couple of recommendations. One of the issues, for example, is OPEC has a large amount of investment in the Caribbean in the energy area. But there are two issues. The size of the markets in the smaller countries of the Caribbean don't necessarily enable them to receive OPEC financing or really be able to put together a good package for OPEC financing, and the second point is lack of feasibility studies. OPEC doesn't make grants and it doesn't do feasibility studies and so there is a lot of legwork that needs to be done in order bring some of this new technology into the space.

Mr. YOHO. Is there any private partnerships, private-public partnerships or NGOs that you would recommend that would be best suited, you know, with the oil companies and, you know, one of our think tanks up here?

Ms. YEARWOOD. I would recommend Eric. No.

Mr. YOHO. You have to like that. Is that a segue you want to—

Ms. YEARWOOD. No, I think there are a lot of entities in the U.S. that are working on energy in the Caribbean.

Mr. YOHO. Okay. And I guess my concern is we can't worry about what happened in the past over the last 20 or 30 years. We can start from this point forward so that we have policies in place so that we have a strong foothold in there. And I know our feelings are we don't want to tell you how to live, we just want to be good trading partners with you, but help become strong trading partners where we develop an economic base in your countries.

And with the influence of China, all my life China was kind of an adolescent, but in the last, say 10 years, I have seen them grow into puberty and they have a lot of money and they are starting to feel the effects of their testosterone. And we have seen that in the South China Sea, but we have seen the investments they have done in the Caribbean, you know, in the Bahamas—I think it was \$3½ billion—and what they have done in Panama and Honduras and all that.

I don't want to deny anybody doing business. I just think there are better partners that we can have and I think that would come from the good ol' U.S. of A. And so policies that you would help direct us, you know, whether it is ag, energy, just merchandise trade, what would you recommend, Mr. Farnsworth?

Mr. FARNSWORTH. Well, Mr. Yoho, thank you for the question. And let me make a quick footnote on the China issue, first, if I can. You know, China's engagement in the Caribbean—and Ambassador Bernal is the true expert on this. I don't want to step on your toes.

But it is different in the Caribbean than it is in South America, for example, where it is much more commercial, it is much more commodities based. In the Caribbean, there is a very healthy political component because of the desire for China to be recognized globally, right. You still have the political competition with Taiwan in parts of the Caribbean and Central America, et cetera, et cetera, so we have to remember that part of the aspect as well.

In terms of the energy relationship, one of the things we are learning from the reforms in Mexico is it is not just oil and gas drilling, for example. Everybody focuses on that in the majors in the deepwater in the Gulf of Mexico and when is the next bid round and all that. But what it is even more impactful in Mexico is the power grid, the electricity, and when that gets freed up the cost of electricity comes down and that is really good for the consumer.

And what we see in the Caribbean, across the Caribbean is the cost of electricity is really, really high. And so if you can bring that cost down to the consumer, first of all, you have more disposable income to spend on other things, but also it becomes a much more competitive commercial platform to begin to produce and so that begins to bring investment, which right now is more limited because again on the size of the economy.

So if there is one aspect that could really be focused on, you know, it is not let's continue to import dirty diesel fuel and some of the really dirty pollutants that Venezuela is providing. Let's help convert the Caribbean to a clean energy power grid that can be used much more efficiently that where the cost of electricity can come down and make the entire region a much more competitive productive platform which will help their economies long term.

So energy isn't just then seen as an energy sector issue, it is seen as an economic issue which I think is how we need to begin to view it.

Mr. YOHO. And I appreciate it. And I am out of time, but I look forward to working with you in the future so that we can draft legislation to help bolster the presence of America there, and I think everybody wins in that situation. And I yield back, Mr. Chairman.

Mr. DUNCAN. Thank you. We are then joined by Ambassador Bernal. Thanks for coming. I am sorry about the DC traffic and probably exacerbated by the DC heat. But we are going to go ahead and recognize you for 5 minutes for an opening statement.

**STATEMENT OF HIS EXCELLENCY RICHARD BERNAL, PRO-
VICE CHANCELLOR FOR GLOBAL AFFAIRS, UNIVERSITY OF
THE WEST INDIES IN JAMAICA**

Mr. BERNAL. Thank you, Mr. Chairman, my apologies for being late. I left my house at 3 o'clock a.m. this morning. I was going well until the Falun Gong had a demonstration on Constitution Avenue.

I will very briefly summarize my verbal statement which is that I think this is an important time for the U.S. to re-examine its policy toward the Caribbean and to take a new bold initiative in the Caribbean; because, the Caribbean has been having a very difficult time since the global economic crisis; a combination of long term structural institutional factors as well as some short term cyclical factors, such as oil prices.

It is important for the U.S. and for Jamaica because the U.S. is the main and largest trading partner and main source of investment and tourists. It is in the interest of the U.S. to have a prosperous, peaceful, and democratic Caribbean. In that regard I focus on the economic issues, because I think the economic issues impinge on all the other issues which are important such as governance, democracy, anti-narcotics campaigns.

I have identified six issues which I think need to be addressed. The first issue which I think needs to be addressed is the debt situation. The Caribbean countries have become some of the most highly indebted countries in the world. The levels of debt now for many countries have the necessity of several restructuring exercises, and indeed the debt is now at a level where these countries cannot grow out of debt; that something has to be done.

The debt is in three forms and it is multilateral debt, bilateral debt, and commercial debt. It is time to take an initiative which significantly reduces the debt structure which will free these economies to try to stimulate their own growth process.

The multilateral debt needs to be stretched out and at a much lower interest rate. The bilateral debt can be reduced through a range of initiatives from debt-for-environment swaps to cancellation. The commercial debt needs to be transferred over to the multilaterals. This will give some fiscal space and allow these countries to resume public investment and investment in health and education.

Second issue is what I call international financial intermediation. The de-risking of the correspondent banking relationships are very important to the Caribbean because international financial banks have been critical not only to domestic economy but in its link to the global economy. Some services have already been choked off and there must be a way for us to find an initiative that combines the security goals which we subscribe to, and also at the same time, allow financial intermediation such as trade financing, transfers of profits, debt payments, et cetera, to continue.

Thirdly, security. The small states of the Caribbean find it very difficult to contend with transnational crime linked to narcotics

trafficking, international terrorism, cybersecurity, et cetera. The U.S. has done an outstanding job in supporting these countries, but I think there is room to do more in the interest of our mutual security. Security these days can only be defined as international and can only be responded to by cooperation among countries.

Fourthly, in the trade area there are some good legislation in place for trade. However, many of the Caribbean countries are now service oriented countries and we need to examine possibilities for promoting mutual and beneficial value chains which combine U.S. and Caribbean in services such as health care, education, and back office support. I think by combining the skills on Capitol Hill with some of the human resources in the Caribbean, these firms can remain competitive both here and in the U.S.

Climate change. The Caribbean countries are coastal societies. Infrastructure, economic activity, population, the building environment are all concentrated on a narrow strip on the coast, even for those countries which are not islands, for example, Belize and Guyana. It means that they are among the most vulnerable countries to climate change. More resources need to be made available in a more accessible way to mitigate climate change and to assist these countries in surviving. And I point particularly to the tourist industry which is critically dependent on the quality of that immediate coastal strip.

Finally, energy. The Caribbean, bar the exceptions of Trinidad and Tobago, depend heavily on importation of energy. It is time for the Caribbean to move toward alternative energy sources. Solar, wind, and thermal all have possibilities, and to shift the production of electricity which is among the highest cost in the world onto energy in less expensive sources. That would serve to revive a whole range of economic activity, including manufacturing.

And I conclude, Mr. Chairman, by saying that all of these are interrelated aspects that need to be addressed. If we could address them in one overall initiative led by the U.S. and involving the development of financial institutions, I think that they reinforce each other and it is time for a new bold initiative in U.S. policy toward the Caribbean.

Thank you for allowing me to make this brief statement at this late stage in the proceedings.

[The prepared statement of Mr. Bernal follows:]

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

**HEARING BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
JULY 14, 2016**

Ambassador Dr. Richard L. Bernal
Pro-Vice Chancellor, Global Affairs, University of the West Indies.

The views expressed in this testimony are personal and not those of the University of the West Indies. I will focus on the importance of CARICOM-US economic relations and the priorities for action in the post-global financial crisis era.

The relationship between the United States (US) and the member states of the Caribbean Community (CARICOM) is a multi-dimensional and of fundamental importance because the U.S. is the largest economic partner of the Caribbean and the Caribbean is the third border of the U.S. I focus on the economic aspects because the economic development of the Caribbean is inextricably linked to other important issues such as democracy, governance, national security, transnational crime and narcotics trafficking. All of these issues are of vital interest to the United States and the Caribbean. The purpose of this testimony is to assist Congress to reexamine and refresh U.S. policy towards the CARICOM countries.

CONTEXT

The Caribbean has experienced an economic slowdown since the onset of the global financial crisis which erupted in late 2008. The rate of economic growth in 2014 was 1.2 percent and the rate of unemployment in 2013 was almost 14 percent. The crisis was precipitated by a combination of long-term structural and institutional factors compounded by cyclical short-term factors such as commodity prices, in particular oil prices. Rates of growth in the Caribbean have varied among the countries but have been low and fluctuating. In an effort to promote and sustain economic growth governments have pursued fiscal policies which have contributed to a build-up of external debt. The U.S. as a global superpower and largest economic partner of the Caribbean in trade, investment and tourism can play an important role in assisting the Caribbean to achieve sustainable economic development. There are several issues which require urgent attention to facilitate the economic recovery of the Caribbean.

1. DEBT

The Caribbean countries continue to be among the most indebted in the world. The debt is now a major impediment to economic growth because it has deprived Caribbean governments of the ability to use fiscal policy to promote growth. The situation is now at a point where a major policy initiative has to be mounted to significantly reduce the debt if sustainable economic growth is to be resumed.

Conventional wisdom in the economics profession is that when the debt stock is over 75 percent of Gross Domestic Product (GDP) the debtor country cannot grow its way out of debt. Jamaica leads with a debt/GDP ratio of 130.5 % in 2014, followed by Barbados at 108.5%, Grenada at 99.1 %, Antigua at 96.4 %, the Bahamas at 82.4%, St. Vincent at 79.4%, St. Lucia at 78.4%, St. Kitts at 78.0%, Belize at 77.3% and Dominica at 74.1%. Debt service increased in 2014 to 23 percent of fiscal revenue and required 26.9 percent of current fiscal expenditure with Barbados leading with 35.3 percent.

The reduction of the debt will ease the liquidity constraints, solvency risk and allow governments to increase public investment in infrastructure, education and health. The debt burden has to be reduced by a strategy combining (a) a restructuring of multilateral, (b) reduction of bilateral debt by debt swaps for climate mitigation, environment, education and cancellation and (c) conversion of commercial debt into multilateral debt.

Debt reduction needs to be supported by the creation of a macroeconomic stabilization fund which would increase resilience through export promotion, improved fiscal management and debt management. The objective being to prevent the build-up of debt to levels which stifle economic growth.

2. INTERNATIONAL FINANCIAL INTERMEDIATION

De-risking and correspondent banking relations is a global problem to which the Caribbean is disproportionately vulnerable because of the prominence of foreign owned banks in the domestic financial systems and the heavy reliance on correspondent banking relations for international financial intermediation. Adverse impacts include choking international investment flows, trade financing, transfers of remittances, debt servicing, transfers of profits and royalties. Some U.S. banks have already restricted or withdrawn some of these services from the Caribbean. Combatting money laundering and terrorist financing is a goal shared by Caribbean governments and suitable arrangements have to be put in place to ensure that this can be attained while allowing normalcy in international business.

3. SECURITY

The small states of the Caribbean in recent years have been threatened by transnational crime related primarily to narcotics trafficking and have benefitted from U.S. cooperation and assistance. More such support and cooperation will be necessary because global terrorism, money laundering, human trafficking and cyber-crime are international in scope and character. The cost of security is already an additional expense on all forms of economic activity and could affect vital economic sectors, in particular tourism.

4. TRADE

Trade between CARICOM countries and the United States has been conducted under special trade arrangements. The Caribbean Basin Economic Recovery Act (CBERA) (revised 1990) and the Caribbean Basin Trade Partnership Act (2000) which enhances CBERA, provide unilateral duty free market access for nearly all goods from beneficiary countries. The 2006 Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE) enhances the current access for certain apparel enjoyed by Haiti under CBTPA.

While CARICOM Heads of Government have decided not to negotiate a CARICOM-United States Free Trade Agreement at this time there are other ways to enhance the arrangements governing U.S.-CARICOM trade. Approximately 130 products that do not currently benefit from duty free treatment either under CBERA or the US GSP have been granted tariff elimination under CAFTA.

All CARICOM countries except Suriname are CBERA beneficiaries. However, not all CARICOM beneficiaries are eligible for the additional preferences provided under CBTPA. Only Barbados, Belize, Guyana, Haiti, Jamaica, Saint Lucia, and Trinidad and Tobago have been designated as fully eligible to receive the enhanced benefits of the CBTPA.

CBERA benefits are limited to merchandise trade, which accounts for a diminishing share of total regional exports. With the exception of Belize, Guyana, Suriname and Trinidad and Tobago services exports account for the lion share of total exports of individual countries. Therefore, one clear objective in any future trade arrangement should be to provide opportunities to harness and grow the services trade between the U.S. and CARICOM. Integrated value chains in health, education and business services processing could benefit employment and international competitiveness in both the U.S. and the Caribbean.

5. CLIMATE CHANGE

The small island developing states of the Caribbean are among the most vulnerable to climate change. The region has suffered perennial natural disasters which have caused damage the equivalent of several percent of GDP, requiring massive reconstruction of infrastructure and rehabilitation to the built environment. Climate change, evident in the form of global warming and sea level rise, will require mitigation measures particularly because Caribbean countries are coastal societies i.e. population, economic activity and infrastructure are concentrated on a narrow strip of the coast.

There is a need for more financial resources for disaster relief and disaster risk reduction projects to accelerate the recovery of economic activity after a natural disaster with emphasis on infrastructure projects and to enhance climate adaption and mitigation. These resources should be complementary to other initiatives in the region such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

6. ENERGY

While the price of oil and gas is lower than in past years there is no guarantee that they will not increase. Most of the Caribbean countries are almost completely dependent on imported fossil fuels and cannot assume financial relief such as that provided by the Petro Caribe. The dependence on imported energy has to be substantially altered by a shift to alternative energy sources such as solar, wind and thermal.

CLOSING REMARK

A democratic, peaceful and prosperous Caribbean Basin is in the interest of the United States of America. Economic development is a critical component of the foundation of stable democratic societies and the best long-term defense against threats to national security. The growth of trade, tourism and investment between CARICOM and the US can contribute to the economic development of the CARICOM countries thereby strengthening a partnership based on shared economic and political ideals. The proposals I have outlined can promote the expansion and diversification of trade and investment between the United States and the CARICOM region to the benefit of both parties. The effectiveness of the proposals could be multiplied significantly if they were coherently integrated components of a single, comprehensive new template for U.S. policy towards the Caribbean.

Mr. DUNCAN. Well, thank you so much for making the effort to be here. Mr. Meeks has agreed we are going to skip over him and go to the former chairman of the full committee, Ms. Ros-Lehtinen, for 5 minutes.

Ms. ROS-LEHTINEN. Thank you so very much and I apologize for coming late. And we have another hearing which I am chairing on Syria, but thank you, Chairman Duncan and Ranking Member Sires, for holding this important hearing.

And I don't think that we can discuss U.S. foreign policy initiatives with the Caribbean without focusing on PDVSA and Petrocaribe. Venezuela established Petrocaribe in 2005 to help influence many countries in the hemisphere and up to this point the strategy has worked. However, now we see the collapse of the Venezuelan economy because of the incompetence of the Maduro regime.

So it gives the U.S. an opportunity to fill that void, and this is where we need the State Department and the Department of Energy to be extremely focused on this effort right now because it is in our national security interest to coordinate an energy solution; a strategy so that fewer countries in the Western Hemisphere would be dependent on a very unreliable Venezuela.

And if we don't—and when not if Venezuela falls because you see the writing on the wall—we mitigate the fall by not allowing other countries in the region to go down with the sinking ship. And I think that we have got to be working with our partners, our allies in the Caribbean to help them take advantage of the abundant and cheap natural gas and the new advanced clean wind and solar technologies available. This way we strengthen our partners' economies, we buffer the region from the impacts of Venezuelan collapse and take realistic steps toward reducing carbon emissions.

So the crisis in Venezuela may cause an oil supply disruption. What impact would such a disruption have on the Caribbean nations?

Mr. BERNAL. My colleagues are determined to make sure I carry a fair share of the load. First of all, I would like to recognize your longstanding interest in Caribbean affairs. Thank you for that.

The relationship with Venezuela is a long and complicated one. Venezuela initiated the Petrocaribe at a time when many Caribbean countries were really very stretched financially and really needed some assistance. However, the relationship has its complexities. For example, Venezuela claims a very large share of Guyana which is a member of the CARICOM group. It also has extended its claims in terms of coastal waters based on an island almost 400 miles away from Venezuela and mainland, so that the relationship is not all the Caribbean benefiting from some financial support.

I think we are at a juncture where the relationship is going to become very unpredictable because of nobody knows exactly what will happen in the Caribbean with Venezuela. But I think that this is time for a re-examination of the relationship. Several Caribbean countries are thinking beyond Petrocaribe because they don't assume that it will continue in its present form and they have to be thinking of alternatives. This creates a juncture in which new initiatives, including from the U.S. in energy, would be very welcome in the region.

Ms. ROS-LEHTINEN. Thank you very much, Mr. Chairman and Ranking Member Sires. Thank you.

Mr. DUNCAN. Well, thank you. Thanks for taking time to run down here. The Chair will now go to Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman. And thank you for being here, and good to see all of you who, you know, we rely upon very much with your expertise and because the Caribbean is extremely important, I think. I know it is to all of us in the United States of America. It is really, you know when you look at our hemisphere and we have got to make sure that we strengthen and working together.

And I hear my colleagues in regards to especially Petrocaribe, but I think that the issues that are confronting a lot of the islands—and I notice, for example, Mr. Ambassador, you listed as number six in order of priority the energy crisis, et cetera, in trying to make sure. So I want to try to find out as it pertains to the islands themselves the things that are most pressing with them that would help them overall with their economy, because I know, for example, you can't just depend upon tourism or you can't just depend upon, you know, they have the diversification of it needs to be there.

And one of the things that I know we have worked on and I would like to get your assessment on the success of it. We have been doing a lot in regards to in trading. And let's talk, for example, in 2020 for Haiti the HOPE Act expires. Is HOPE good? What do we need to do? How can we improve it? Would it help the situation in Haiti because Haiti is crucial, I think, also to the Caribbean. I don't know, and so that is important.

The two preferential trade programs with reference to Caribbean imports the Caribbean Basin Trade Partnership Act. That is—where are we with that? Is that helpful? Do we need to do more? Do we need to relook at it? You know, in some other parts of the world, but looking at these trade agreements as a mechanism of economic benefits for both sides.

So how do you see and how do you think that we can continue to improve, you know, extend or modify some of the trade agreements that we have with the Caribbean?

Ms. YEARWOOD. Thank you, Mr. Meeks. Thank you for your leadership on Caribbean issues. I am going to tackle two issues here primarily, and I will leave my colleagues to address some of the others.

I think one of the key issues that the Caribbean has is competitiveness. And I think to make better use of U.S.-Caribbean trade agreements a lot of the competitive issues need to be addressed. I mentioned in my testimony that the IDP they are doing a lot of work on trade facilitation. That is going to be important to getting the Caribbean more able to kind of have single windows, reduce the costs of transportation, and reduce the cost of clearance in moving goods.

There are interregional issues as well. Issues such as traveling from one Caribbean island to the other can be more expensive than going to Miami and then going back down. So there are a lot of issues that the Caribbean needs to tackle in order to become a more competitive place to do business and to trade more effectively.

I didn't want to, however, not take the opportunity to say something about Haiti. I did live there for 13 years and I do follow what is going on there very closely. And I think it is extremely critical that the HOPE bill not just go to 2020, but go—there has to be some sustainability to what is going to succeed the HOPE bill following 2020.

Haiti is in a very difficult situation right now politically. Parliament is shaky to say the least, kind of an interim President that may or may not be constitutional. I am not a Haitian constitutional expert, but I have questions. But at this point in time, what Haiti needs more than anything else once this particular juncture of political difficulty is overcome, Haiti is going to need sustainability and stability to its relationship for trade and investment with the United States. So I think that is a critical issue that the Congress needs to keep its eye on. Thank you.

Mr. MEEKS. Yes, sir.

Mr. FARNSWORTH. If I could simply reinforce what Sally just said, the issue of competitiveness is real and we deal with the business community all the time. And again if you are dealing with smaller economies which don't have as many prospects as some of the other opportunities for the international investor, folks are going to go elsewhere. And so there has to be in my view a singular attention to investment climate issues. Energy is part of that. It is certainly not the only aspect.

I think we also have to be aware of unintended consequences. And you have done some really good work obviously on the trade agenda, Mr. Meeks. Clearly the TPP is something that Council of the Americas supports. We appreciate your leadership and others of the subcommittee on that.

But there are perhaps some unintended consequences. And for example, when the North American Free Trade Agreement was first passed one of the strongest advocates for something that became known as NAFTA Parity was Ambassador Richard Bernal of Jamaica who came into the U.S. Government of which I was a member at the time and said we support, we the Jamaicans, for example, support NAFTA. It is a good thing, but we want to make sure that Jamaica and the other Caribbean countries are not negatively impacted by the trade and investment diversion that might go to Mexico as a result of NAFTA.

I think that was a very important point then and it is a very important point now. And to the extent that TPP goes forward, and again I hope that it does. I strongly support it and we hope that it is a near term issue. Nonetheless, with some new entrants into textiles, for example, and agriculture that are highly competitive in the global environment that will impact countries in the Caribbean Basin.

It will impact Central American countries, some of the Northern Triangle countries where we are giving a lot of U.S. taxpayer assistance to which we support, but again the issue is one of trade and investment diversion. We have to be careful that doing the "right thing" with other economies we are not negatively impacting some economies which are already stressed.

And so what is the answer here? I think the answer is to go back to the original idea in some way of NAFTA Parity only this is TPP

parity, right? If Haiti, for example, is dependent on the textiles trade with the United States, we I think need to make sure that whatever we do in TPP doesn't unnecessarily undermine that or doesn't create difficulties in a way that would take away some of those advantages that Congress has worked so hard over the years to develop. And it is not just Haiti of course, but that is perhaps the best example.

So my point is that if we look at these in a more comprehensive way, in a way that where you have a lot of different, integration of different strands, then I think we will come to a better place. And so as we are looking at these issues strategically, I just very much support the way that you are putting this in the context of it is not just this issue or that issue or another issue, it is all of these together and how can we move forward in a comprehensive integrated manner in support of the Caribbean, and I think that is what we have to keep foremost in mind.

Mr. BERNAL. Let me begin by thanking you, Congressman Meeks, for your consistent leadership on Caribbean issues. In response to the issue that you raise, I believe that the onus is not only on the U.S. but is on the Caribbean. We in the Caribbean have to do some things to make it easier for business to operate and to become internationally competitive. I remain convinced that if we create the right kind of environment between the U.S. and the Caribbean that there is private sector initiative on investment and there are opportunities, very real opportunities which can take place by combining Caribbean and U.S. resources in a way beneficial both to the U.S. and to the Caribbean.

In that regard, I think that we are focused a lot on trade in goods. That is going to be difficult for the Caribbean because of its energy imports and because of the small scale of production. So I think we now have to begin to think about services. After all, services is the fastest growing sector in the world economy. There are areas in which the U.S. could provide more services and there are areas for collaboration where doing some of it in the Caribbean can allow U.S. firms to retain their international competitiveness against China, Asia, et cetera.

And I think we now need to look at what is it we have to do to free services? For example, health care, retirement homes, tourism, higher education, all of those are potential growth sectors which are mutually beneficial. What the onus has to be is to find ways to clear and establish a seamless economic space between the U.S. and the Caribbean so that private sector capital can work. There are opportunities.

Lastly, I would say that the Caribbean is becoming a much more complex area because of the changes in policy toward Cuba, the cross-cutting trade agreements such as CAFTA, et cetera, and we have to think of the Caribbean now in a wider sense. In regard to Haiti, I think very important is its continued integration with the English-speaking Caribbean, because these are well established democracies and it is an economic area which holds opportunities for Haiti and there is now quite a lot of Caribbean investment going into Haiti and vice versa. One very large investment in petroleum distribution in the Caribbean is from a Haitian firm.

So I think it is very important for that Caribbean integration to continue to embrace Haiti and that should be encouraged from the U.S. end as well.

Mr. MEEKS. I think I will ask one question and that is, what has been the engagement activity when you talk about some of the planning of folks, say, of some of the international banks like the IDB? Are they participating and they have ideas to help and finance some of the businesses there? Or the IMF, are they in—you know, in Jamaica we had a big problem at the time when you talk about debt and trying to figure out.

What is the involvement of the international development banks in the Caribbean and can, or should, the United States use some of its influence with some of the banks that it also makes contributions to?

Mr. BERNAL. I will take the first shot on this one because I just finished a week ago, 8 years on the board of directors of the Inter-American Development Bank. I can assure you that the Inter-American Development Bank in particular has been very active and has provided substantial support across a range of sectors. I believe that our big brother, the World Bank, has contributed, but I would venture to suggest that there is scope for much more resources to be put into the region.

The issue here is that the Caribbean is classified as middle income, developed countries and are therefore excluded from certain concessional facilities and are not necessarily seen as a priority when it comes to poverty alleviation. But while these are middle income countries, the basis of their economies is fragile. Sometimes it is one sector, tourism, and therefore while they are middle income they are vulnerable and need continued support. The U.S., I think, has a critical role in urging the development institutions to continue to play a role in the Caribbean.

Mr. FARNSWORTH. Just a quick coda to that as well. We have talked a little bit about the debt overhang that affects the Caribbean and so there is a potential future role, maybe not too far in the future, in terms of the international banks perhaps the IMF as well to really help work through some of those debt issues in a meaningful and lasting way. So a lot has already been done as the Ambassador was indicating, but I think there is even a greater role going forward that could be contemplated.

Mr. DUNCAN. We have time for a few more questions. I thought it was going to be just the ranking member and myself. I am glad we had such active participation. I am glad you showed up.

Brazil is concerned about tourism with regard to the Olympics. And tourism being such a big part of the Caribbean nations' economy and a big part of the U.S. tourism headed there—Zika. It has got to be on their minds. I guess I am concerned about how much U.S. assistance will make it to the Caribbean nations and whether Zika is even a concern on the island nations themselves and what effect that may have on tourism, or expected effects. So if you all could delve on that a little bit because that is on my constituents' minds.

Eric?

Mr. FARNSWORTH. It is very much on the minds of the hemisphere community. You referenced Brazil and I think that is abso-

lutely correct. Although, in Brazil right now it is the winter and the mosquito population in the winter tends to go down, and so at least we hear from the Olympic organizers that Zika won't be as much of an issue during this current time of the Olympics, et cetera.

But look, Zika is an issue across the region and indeed here in the United States too. As I explain in my prepared comments, it seems to me that this could be an easy win for the United States if we want to put it in those terms. Zika affects all of us. We all have a very real incentive to get rid of it as fast and as quickly and as comprehensively as possible.

So there is a lot of good research going on in the United States and other places. Once the vaccine or the right approach to address Zika comes forward, why not, working with the Caribbean partners and others in the hemisphere have a very significant public health initiative that affects people where they live? I mean, this is the type of thing, these are the types of lessons we are learning that are very effective from other countries when they do it whether it is Venezuela, whether it is China, whether it is other countries because this is what people need.

And if the United States could be seen as helping to address a very relevant public health issue and do so in a cost effective way in partnership with host governments, I think that is an obvious area to try to explore.

Ms. YEARWOOD. The Caribbean Hotel & Tourism Association, the Caribbean Tourism Organization, the Caribbean Public Health Agency, and the Pan American Health Organization are all intimately involved in trying to deal with the Zika crisis not just at the global level but also at the tourism level. People recognize Zika as a singular issue that could impact the economy of the entire region and so they are very cognizant and working toward trying to contain the threats and dealing with the vector management, et cetera.

I think to Eric's point, the ability of those agencies to have greater participation by the U.S. Government providing support, technical assistance, and working with CDC, getting additional resources into the fight could only be helpful.

Mr. BERNAL. Mr. Chairman, if you will permit me. Zika is a problem in itself, but it raises a much broader issue which is hemispheric and global pandemics. There are so many people moving around the region from the U.S., Canada, from the Caribbean—several million a year—that it is an interest of common and mutual importance that we try to combat these pandemics.

Early intervention is critical. The moment—we need to have a fast-acting reaction to the possibility of pandemics. We know, for example, that way back in the '60s when there was an outbreak of polio in Jamaica that for a relatively small amount of expenditure on preventive measures, vaccines, we could have prevented a major human tragedy.

So one of the things we can look at is a fast-reacting mechanism for possible pandemics. It is in our mutual interest. These are issues which are not national or even regional. They are global, and the only way to tackle them is by effective cooperation.

In passing, let me say that the debt situation is such that it is beginning to constrain the governments and their ability to do health and education which has long term adverse consequences for development. If we could address the debt, and maybe one of the areas to look at is to bring in foundations and development agents to look at debt-for-health swaps in which some of the debt can be alleviated and that money be put into preventive health care.

Mr. DUNCAN. Thank you for that. I would be remiss if I didn't mention Haiti and Dominican Republic, and ask—I will let you ask the question if you would like.

Mr. MEEKS. I would be remiss if I didn't ask about Haiti and the Dominican Republic.

Mr. DUNCAN. So migration, economy, situation in Haiti with the government, if you all just want to touch on that.

Ms. YEARWOOD. That is opening a rabbit hole, but there are a lot of possible ways to go at this question. Haiti is in a particularly interesting situation. As I mentioned I was there for 13 years. I have been working on the issue for almost 20 years, and I think at this particular point in time it is as bad as I have ever seen it in terms of the simple inability to know what is going to happen. And whether it is with the Parliament or the government, crime is on the rise.

Budget wise, we know the U.S. and European Union are not going to be providing money toward elections. Last I heard, there was no money in the Haitian budget for elections, so somehow they need to find 55 million to get to a set of elections that nobody is certain, you know, if it can happen and if it will happen because of the impasse on the ground there. That of course has repercussions on the DR-Haiti migration issue. If Haiti continues to slide downhill, it is going to be hard pressed for anybody to be able to stop the flight of migrants either to the Dominican Republic, the Bahamas, Turks and Caicos, Jamaica, and of course Florida and the United States.

So I don't know if the question is how do we solve this because I don't know, but it is I think something that is just critical at this moment and I think that the potential is there for this to go very bad very quickly.

Mr. DUNCAN. I recognize the ranking member for a question.

Mr. SIRE. Thank you. You know I would be remiss if I didn't bring up Cuba. You know, many of these island nations, their main source of income is tourism. We have this push now to open up Cuba, lifting the travel embargo and making it easier for Americans to travel to Cuba. Now how much of a detriment is that going to be for the rest of the islands, because Cuba has always been seen as the place to go in the Caribbean. And I think that that is going to hurt the economy of a lot of these islands.

First of all, it is 90 miles from Miami, you could practically swim there, and, you know, it has always been this destination with this mystique. They still think they are going to see Hemingway having a drink over there at La Bodeguita. So how do you see that happening? What do you see happening there as tourism keeps increasing and people don't go to the other destinations? Yes.

Mr. BERNAL. The return of Cuba to as a destination for American tourists has both negative and positive effects. In the short run it is a new destination. It is going to attract a lot of investment and tourists there, and that could divert, particularly, tourists from the nearest islands to Cuba such as the Bahamas and Dominican Republic, but it could affect the entire Caribbean.

However, the tourist industry has grown steadily each year globally and in the Caribbean even in the wake of the global financial crisis, so there is room to accommodate further growth. What is important for the Caribbean is to do the following: One, to maintain the freshness of the tourism product and its international competitiveness in price and quality; and secondly, to look for the possibility of multiple destination tourism. That is, some time in Cuba, some time in the rest of the Caribbean, find collaborative ways.

Lastly, the Caribbean has tremendous tourism expertise and management which it can offer to Cuba in building Cuban tourism. One of the essential things is to ensure that as airlift comes from new markets like China that the Caribbean also makes sure that it is competitive with the new destinations. For example, direct flights from China to Cuba, but not yet to the rest of the Caribbean.

So the Caribbean faces competition, but it is an industry in the Caribbean which has shown an ability to remain internationally competitive and attractive. I have no doubt that the industry will continue to grow, but it needs to up its game because of the new competition.

Ms. YEARWOOD. I don't have a lot to add to Ambassador Bernal's point. International tourism grew by 4 percent in 2015; global trade grew by 2.8 percent. So what we do know is that the tourism market continues to expand and the Caribbean's growth has been positive for awhile now. So I think on the whole, the Caribbean is doing well.

To the point, Cuba does present a little bit of a challenge and there have been a number of studies done. The Caribbean Hotel & Tourism did do a study on the disruption that Cuba could cause. But one of the points that there is, is that the U.S. is the only country that has the embargo on Cuba and other countries have been traveling to Cuba without any interference forever, I guess, and so that market is safe. You have the Canadians, the Europeans. To Ambassador Bernal's point the emerging Chinese and Asian market coming into the Caribbean, so I think it is both a challenge and an opportunity. But I think as long the Caribbean does work on its competitive issues and does remain able to compete with Cuba on cost and quality they should be okay.

Mr. SIRES. Thank you.

Mr. DUNCAN. Well, as you can see, on a day when sessions end and people are leaving town we have the committee members come even unexpected to the chairman, and that shows the importance that the Caribbean region is to our subcommittee, to Congress as a whole, and I think to the government.

We are going to continue delving into these issues and figuring out ways that we can engage more, especially in light of Venezuela as we have talked about, and what may or may not happen with Petrocaribe. I think there is great opportunity. I talk about jobs,

energy, and the founding fathers all the time. I think there is opportunity in jobs, opportunity in energy, and opportunity for hemispheric engagement for the country and especially in this region.

So witnesses are reminded there may be other questions that are submitted and we ask you to respond to those. We will leave the record open for 10 days. And we want to thank you Eric, Sally, and Ambassador. Thanks for coming and I look forward to continuing the conversation. Yes, thank you. Yes, sir.

Mr. BERNAL. It would be remiss of us if we didn't place on record our appreciation to you for your leadership and chairing of the committee and for convening this session to give us an opportunity to share some views with you, and we place on record our appreciation. It will be remiss of us.

Mr. DUNCAN. Well, let's put the attention where it is directed. My ranking member wanted to focus on this issue and I am glad he did. We were welcome to, happy to accommodate him and I appreciate that. It kind of directed my focus toward the region and I am super glad that he did.

So we will look forward to seeing you in September after this break and I hope everyone has a good break as well. And with that the committee will stand adjourned.

[Whereupon, at 3:39 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE RECORD

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128**

**Subcommittee on the Western Hemisphere
Jeff Duncan (R-SC), Chairman**

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere in Room 2200 of the Rayburn House Office Building (and available live on the Committee website at <http://www.ForeignAffairs.house.gov>):

DATE: Thursday, July 14, 2016

TIME: 2:00 p.m.

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

WITNESSES: Mr. Eric Farnsworth
Vice President
Council of the Americas and Americas Society

Ms. Sally Yearwood
Executive Director
Caribbean-Central American Action

His Excellency Richard Bernal
Pro-Vice Chancellor for Global Affairs
University of the West Indies in Jamaica

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.



COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Western Hemisphere HEARING

Day Thursday Date July 14th 2016 Room 2200 Rayburn

Starting Time 2:00 p.m. Ending Time 3:39 p.m.

Recesses (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Honorable Jeff Duncan

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

TITLE OF HEARING:

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

SUBCOMMITTEE MEMBERS PRESENT:

Rep. Jeff Duncan, Rep. Albio Sires, Rep. Gregory Meeks, Rep. Heana Ros-Lehtinen, Rep. Ted Yoho

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

HEARING WITNESSES: Same as meeting notice attached? Yes No
(If "no", please list below and include title, agency, department, or organization.)

Eric Farnsworth, Sally Yearwood, and Richard Bernal

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

TIME SCHEDULED TO RECONVENE _____

or
TIME ADJOURNED 3:39 P.M.

Mark A. Walker
Subcommittee Staff Director