



# Caribbean-U.S. Relations: Issues in the 110<sup>th</sup> Congress

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## Summary

With some 42 million people encompassing 16 independent countries and 13 overseas territories, the Caribbean is a diverse region that includes some of the hemisphere's richest and poorest nations. The region consists of 13 island countries, from the Bahamas in the north to Trinidad and Tobago in the south; Belize, which is geographically located in Central America; and the two countries of Guyana and Suriname, located on the north central coast of South America. With the exception of Cuba and Haiti, regular elections in the region are the norm, and for the most part have been free and fair. Nevertheless, while many Caribbean nations have long democratic traditions, they are not immune to threats to their political stability, including terrorism. Many nations in the region experienced economic decline in 2001-2002 due to downturns in the tourism and agriculture sectors, but most Caribbean economies have rebounded since 2003.

U.S. interests in the Caribbean are diverse, and include economic, political, and security concerns. The Bush Administration describes the Caribbean as America's "third border," with events in the region having a direct impact on the homeland security of the United States.

The U.S.-Caribbean relationship is characterized by extensive economic linkages, cooperation on counternarcotics and security, and a sizeable U.S. foreign assistance program. U.S. aid supports a variety of projects to strengthen democracy, promote economic growth and development, alleviate poverty, and combat the HIV/AIDS epidemic in the region. The United States has offered preferential treatment for Caribbean imports since 1984 under the Caribbean Basin Initiative yet the performance of the region's exports to the United States has been mixed. During a June 2007 meeting in Washington, DC, Caribbean leaders and President Bush pledged to strengthen existing trade arrangements. President Bush vowed to work with Congress to extend and update the Caribbean Basin Trade Partnership Act, which provides NAFTA-like tariff treatment for Caribbean imports, before it expires at the end of September 2008. Despite close U.S. relations with most Caribbean nations, there has been tension at times in relations. Many Caribbean nations resent U.S. expressions of concern about their relations with Cuba and Venezuela. Another delicate issue has been the large number of deportations from the United States to the region over the past several years.

This report, which will be updated periodically, deals with broad issues in U.S. relations with the Caribbean, including foreign assistance; counternarcotics and security cooperation; support to combat the HIV/AIDS epidemic; trade policy; the deportation issue; and energy issues. It does not include an extensive discussion of Cuba, the Dominican Republic, or Haiti, which are covered in other CRS reports. Additional CRS reports on the Caribbean region include CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by (name redacted), and CRS Report RL32001 *HIV/AIDS in the Caribbean and Central America*, by (name redacted).

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## Introduction to the Caribbean Region

The Caribbean, encompassing 16 independent nations and 13 overseas territories, is a region of almost 42 million people that includes some of the hemisphere's richest and poorest nations. Although many of these nations have similar characteristics, the region as a whole is more commonly distinguished for its diversity. The region consists of 13 island nations from the Bahamas in the north to Trinidad and Tobago in the south; Belize, which is geographically located in Central America; and the two nations of Guyana and Suriname, located on the north central coast of South America. The largest nations in terms of land area are Guyana and Suriname, while those with the largest populations are Cuba, the Dominican Republic, and Haiti. The island nations of the Eastern Caribbean are among the smallest countries in the world. (See **Tables 1 and 2** and **Figure 1**.)

Ethnically, a majority of the regional's population is of African heritage, descendants of slaves brought to the West Indies in the 17<sup>th</sup> to 19<sup>th</sup> centuries to work on sugar plantations. Three nations—Guyana, Trinidad and Tobago, and Suriname—have large populations of East Indian heritage, descendants of indentured servants who were brought to the West Indies in the 19<sup>th</sup> and early 20<sup>th</sup> centuries. Small minorities of ethnic Chinese are also found in several Caribbean nations and a Javanese population is found in Suriname. Both Cuba and the Dominican Republic have large populations of Spanish descent, but in both countries, people of mixed African-Spanish heritage make up the majority of the population. Descendants of indigenous Caribbean peoples, the Arawak and Carib Indians, constitute small minorities in several Caribbean island nations, while Guyana and Suriname have minorities of several Amerindian tribes. Belize, in addition to having a small Garifuna (mixed African and Amerindian heritage) population, also has a significant indigenous Mayan population.

Many countries in the region share a common British colonial heritage, while Cuba and the Dominican Republic were Spanish colonies, Haiti was French, and Suriname was Dutch. Stemming from its diverse colonial history, the region includes 12 predominantly English-speaking nations. In several nations, however, more than one language is spoken, and in several countries, a common patois or dialect is spoken. Haiti has two official languages: Creole, the common language spoken by most of the population; and French, which is spoken only by about 10% of the population. In several of the English-speaking Caribbean nations, a French patois is also spoken, evidence of a historical era when British and France vied for colonial control in the region.

### Political Development

Politically, all Caribbean nations, with the exception of communist Cuba, have elected democratic governments. Although Haiti and the Dominican Republic achieved independence in the 19<sup>th</sup> century and Cuba became independent in 1902, the remaining Caribbean nations did not gain full political independence until the second half of the 20<sup>th</sup> century. Four of these gained independence in the 1960s, six in the 1970s, and three in the 1980s, with St. Kitts and Nevis the most recent in 1983. Most of the former British colonies have parliamentary forms of government. Guyana, the Dominican Republic, Haiti, and Suriname are republics headed by presidents. As noted above, the region also includes 13 overseas territories, consisting of six British, three French, two Dutch, and two U.S. territories (see **Table 1**).

Regular free and fair elections have been the norm in most Caribbean nations for many years, with the exception of Cuba and Haiti. In 2006, Haiti ultimately held successful elections in February that had been postponed several times in 2005; Guyana held successful elections in August without the political violence that some observers had expected; and St. Lucia held successful elections in December that led to a change in government. To date in 2007, the Bahamas held parliamentary elections in early May that led to a change of government; Jamaica has elections scheduled for September 3 (postponed from August 27 because of Hurricane Dean); and elections in Trinidad and Tobago are due by October. (See **Table 3** for a listing of leaders and elections for head of government.)

Although many Caribbean nations have maintained long democratic traditions, they are not immune from terrorist and other threats to their political stability. In 1981, the government of Eugenia Charles in Dominica was threatened by a bizarre coup plot involving foreign mercenaries. Grenada, under the socialist-oriented government of Maurice Bishop, experienced a break from the democratic norm after it assumed power in a nearly bloodless coup in 1979 and installed a people's revolutionary government. After the violent overthrow and murder of Bishop in 1983, the United States intervened to restore order and end the Cuban presence on the island. In 1990, the government of Trinidad and Tobago was endangered by a coup attempt by a radical Muslim sect, the Afro-Trinidadian based Jamaat al Muslimeen, led by Yasin Abu Bakr. In 1993, stability on St. Kitts was threatened following violent protests after disputed elections; order was restored with the assistance of security forces from neighboring states. More recently, in early June 2007, one Trinidadian and three Guyanese nationals were arrested in Trinidad and Tobago in a foiled plot to blow up a fuel pipeline and tanks at New York's John F. Kennedy International Airport. A fourth suspect, a U.S. citizen of Guyanese origin, was arrested in the United States. The plot focused U.S. and international attention on the potential security threat of Muslim extremists from the Caribbean region.

## **Economic and Social Development**

As noted above, the Caribbean region is home to some of the richest and poorest nations in the hemisphere, with varying levels of social development. Based on per capita income levels, the World Bank categorizes two Caribbean countries—Antigua Barbuda and the Bahamas—as high income, eight as upper middle income, five as lower middle income, and one—Haiti—as low income. Most of the English-speaking countries have high literacy rates and relatively low infant mortality rates. Haiti has the lowest adult literacy rate in the Caribbean, estimated at 52%, and the highest infant mortality rate, measured at 74 per 100,000 live births, while Cuba by far has the lowest infant mortality rate in the region. The United Nations Development Program issues an annual report on human development, with a composite human development index (HDI) that ranks countries based on life expectancy, adult literacy, educational enrollment, and per capita income. In 2006, based on their HDI rank, six Caribbean nations—Barbados, Cuba, St. Kitts and Nevis, the Bahamas, Trinidad and Tobago, and Antigua and Barbuda—were categorized as having “high development,” while nine others, ranging from Dominica to Jamaica, were categorized as having “medium development.” The only Caribbean nation ranked as having “low development” was Haiti.<sup>1</sup>

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<sup>1</sup> For HDI rankings, see CRS Report RS22657, *Latin America and the Caribbean: Fact Sheet on Economic and Social Indicators*, by (name redacted).

Many Caribbean nations experienced an economic slump in 2001-2002 due to downturns in the tourism and agriculture sectors, although most economies in the region have rebounded since 2003. In 2006, all Caribbean nations experienced economic growth, with English-speaking nations and Suriname averaging 6.8% growth for the year. Among the strongest Caribbean economic performers in 2006 were Trinidad and Tobago, with 12% growth, Antigua and Barbuda, with 11% growth, and the Dominican Republic, with 10% growth. Grenada's economy, which experienced an economic decline of over 7% in 2004 because of the damage from Hurricane Ivan, rebounded in 2005 and 2006, with growth rates of 13.2% and 7% respectively. The weakest economic performers in recent years have been Guyana, which experienced a 3% decline in 2005 because of high oil prices and floods, and just a 1.3% increase in 2006; and Haiti, hard hit by floods in 2004 caused by Tropical Storm Jeanne, which experienced a 3.5% economic decline in 2005, and only experienced modest growth of 1.8% in 2005 and 2.5% in 2006.<sup>2</sup>

## **Regional Integration**

In terms of regional integration, 14 of the region's independent nations belong to the Caribbean Community (CARICOM), with the exception of the Dominican Republic (which has observer status) and Cuba. CARICOM was formed in 1973 to spur regional integration.

CARICOM, which often has been criticized for acting too slowly, is trying to prepare itself for hemispheric integration by moving ahead with its own regional integration. In April 2005, CARICOM members established the Caribbean Court of Justice (CCJ), headquartered in Port-of-Spain in Trinidad and Tobago, that will serve as the region's final court of appeal and replace the Privy Council based in London. To date, however, only Barbados and Guyana have accepted the CCJ as their final court of appeal.

In 2006, 12 out of 14 CARICOM nations signed an accord for a CARICOM Single Market (CSM) to further the process of regional economic integration. Eastern Caribbean nations were enticed to join in part by a decision to establish a regional Development Fund and Development Agency for poorer or disadvantaged countries. Under the accord, governments have agreed to provide for the free movement of goods, services, capital, and labor. The goal is to have a CARICOM Single Market and Economy (CSME) by the end of 2008, which is to include a single currency and the harmonization of economic policy. Some observers maintain that while there has been some progress under the CSM, a number of governments are lagging behind in facilitating the free movement of labor and capital.<sup>3</sup> Trinidad and Tobago's Central Bank governor has pointed the difficulty of moving ahead with a common monetary or macroeconomic policy given the differences in the region's economies.<sup>4</sup>

The Cricket World Cup games held in nine Caribbean nations in March and April 2007—including Grenada, St. Vincent, and Trinidad and Tobago—spurred some movement toward regional integration. In preparation for the event, CARICOM established a travel and security initiative dubbed the Single Domestic Space, allowing visitors to obtain one visa to travel to 10

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<sup>2</sup> U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Preliminary Overview of the Economies of Latin America and the Caribbean*, December, 2006.

<sup>3</sup> "Jury Still Out on Caribbean Single Market," *BBC Monitoring Americas*, February 3, 2007.

<sup>4</sup> Economist Intelligence Unit (EIU), "Organisation of Eastern Caribbean States, Country Report," March 2007, p. 31.

English-speaking Caribbean countries, with the need to pass through security checks only at their first point of entry.<sup>5</sup>

In addition to CARICOM, six Eastern Caribbean nations are members of the Organization of Eastern Caribbean States (OECS), the subregional organization designed to stimulate economic integration and foreign policy harmonization. The six OECS nations also share a common currency, the Eastern Caribbean dollar, with monetary policy managed by the Eastern Caribbean Central Bank. The Caribbean Development Bank (CDB), headquartered in Barbados, promotes economic development and regional integration.

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<sup>5</sup> "Cricket World Cup Boost Regional Integration," *Latin American Regional Report, Caribbean & Central America*, February 2007.



**Figure I. Map of the Caribbean Region**



**Source:** Map Resources. Adapted by CRS.

**Table 1. Caribbean Region: Independent Countries and Territories**

<b>Independent Countries</b>		
Antigua and Barbuda <sup>ac</sup>	Dominican Republic	St. Kitts and Nevis <sup>ac</sup>
Bahamas <sup>a</sup>	Grenada <sup>ac</sup>	St. Lucia <sup>ac</sup>
Barbados <sup>a</sup>	Guyana <sup>a</sup>	St. Vincent and the Grenadines <sup>ac</sup>
Belize <sup>a</sup>	Haiti <sup>a</sup>	Suriname <sup>a</sup>
Cuba	Jamaica <sup>a</sup>	Trinidad and Tobago <sup>a</sup>
Dominica <sup>ac</sup>		
<b>Territories</b>		
<i>British</i>	<i>French (departments)</i>	
Anguilla <sup>bd</sup>	French Guiana	
Bermuda <sup>b</sup>	Guadeloupe	
British Virgin Islands <sup>bd</sup>	Martinique	
Cayman Islands <sup>b</sup>		
Turks and Caicos Islands <sup>b</sup>		
Montserrat <sup>ac</sup>		
<i>Dutch</i>	U.S.	
Aruba	U.S. Virgin Islands	
Netherlands Antilles	Puerto Rico	

- a. CARICOM full members
- b. CARICOM associate members
- c. OECS full member
- d. OECS associate members

**Table 2. Caribbean Countries: Basic Facts**

<b>Country</b>	<b>Area (sq. miles)</b>	<b>Population (2005, thousands)</b>	<b>Gross National Income (GNI) \$ billions 2005</b>	<b>Per Capita Income (U.S. \$, 2005)</b>	<b>Adult Literacy Rate (%ages 15 and above, 2004 est.)</b>	<b>Infant Mortality Rate (per 1,000 live births 2004)</b>
Antigua and Barbuda	170	81	.885	10,920	85.8	11
Bahamas	5,382	323	—	a	95	10
Barbados	166	270	—	b	100	10
Belize	8,867	292	1,021	3,500	75.1	32
Cuba	44,200	11,269	—	c	99.8	6
Dominica	290	72	.273	3,790	88.0	13
Dominican Republic	18,704	9,000	21.1	2,370	87.7	27

Country	Area (sq. miles)	Population (2005, thousands)	Gross National Income (GNI) \$ billions 2005	Per Capita Income (U.S. \$, 2005)	Adult Literacy Rate (%ages 15 and above, 2004 est.)	Infant Mortality Rate (per 1,000 live births 2004)
Grenada	133	107	.418	3,920	96.0	18
Guyana	82,980	751	.759	1,010	96.5	48
Haiti	10,714	9,000	3.9	450	52	74
Jamaica	4,244	3,000	9.0	3,400	79.9	17
St. Kitts and Nevis	101	48	.394	8,210	97.8	18
St. Lucia	238	166	.794	4,800	94.8	13
St. Vincent	130	119	.427	3,590	88.1	18
Suriname	63,037	449	1,140	2,540	89.6	30
Trinidad and Tobago	1,980	1,305	13,632	10,440	98	18

**Sources:** Area statistics are drawn from the U.S. Department of State Background Notes for each country; population and per capita income statistics are from the World Bank's *World Development Report 2007*; infant mortality rates and adult literacy rates are from the United Nations' *Human Development Report 2006*. Adult literacy rates for the Bahamas, Barbados, Haiti and Trinidad and Tobago are from the UNESCO Institute for Statistics 2003.

- a. Estimated by the World Bank to be \$10,726 or more.
- b. Estimated by the World Bank to be between \$3,446 and \$10,725.
- c. Estimated by the World Bank to be between \$876 and \$3,465.

**Table 3. Caribbean Leaders and Elections**

Country	Leadership	Last Election	Next Election
Antigua and Barbuda	Prime Minister Baldwin Spencer	Mar. 23, 2004	by Mar. 2009
Bahamas	Prime Minister Hubert Ingraham	May 2, 2007	by May 2012
Barbados	Prime Minister Owen Arthur	May 21, 2003	by May 2008
Belize	Prime Minister Said Musa	Mar. 5, 2003	by Mar. 2008
Cuba	President Fidel Castro	a	a
Dominica	Prime Minister Roosevelt Skerritt	May 5, 2005	by May 2010
Dominican Republic	President Leonel Fernandez	May 16, 2004	May 2008
Grenada	Prime Minister Keith Mitchell	Nov. 27, 2003	by Nov. 2008
Guyana	President Jagdeo Bharrat	Aug. 28, 2006	by Dec. 2011

Country	Leadership	Last Election	Next Election
Haiti	President Rene Préal	Feb. 7, 2006	2011
Jamaica	Prime Minister Portia Simpson Miller <sup>b</sup>	Oct. 2002	Sept. 3, 2007
St. Kitts and Nevis	Prime Minister Denzil Douglas	Oct. 25, 2004	by Oct. 2009
St. Lucia	Prime Minister John Compton	Dec. 2006	by Dec. 2011
St. Vincent and the Grenadines	Prime Minister Ralph Gonsalves	Dec. 7, 2005	by Mar. 2010
Suriname	President Ronald Venetiaan	May 25, 2005	May 2010
Trinidad and Tobago	Prime Minister Patrick Manning	Oct. 7, 2002	by Oct. 2007

- a. Castro has served as head of government since the 1959 Cuban Revolution. Since that time, there have been no elections for head of government. Because of Fidel Castro's poor health, his brother Raúl has been acting as interim leader since late July 2006.
- b. Portia Simpson Miller was sworn in as Prime Minister in March 30, 2006, after replacing out-going Prime Minister P.J. Patterson as leader of the ruling People's National Party.

## Most Recent Developments

### Regional and U.S. Policy Developments

- On **September 3, 2007**, Jamaica is scheduled to hold parliamentary elections that were postponed from August 27 because of recovery efforts after Hurricane Dean. The ruling People's National Party (PNP), headed by Prime Minister Portia Simpson Miller, is competing against the opposition Jamaican Labour Party (JLP), led by Bruce Golding, in a race that is expected to be close.
- From **August 17-19, 2007**, Hurricane Dean caused damage in several Caribbean nations, with about a dozen deaths attributed to the storm. In the eastern Caribbean, Dominica, St. Lucia, and the French islands of Guadeloupe and Martinique reported extensive damage to the agricultural sectors. Jamaica was hard hit by the storm, which caused flooding in several parishes, made many roads impassable, caused power outages, and significantly damaged the agricultural sector. U.S. Ambassador to Jamaica Brenda LaGrange declared a disaster due to the hurricane, and the U.S. Agency for International Development's Office of Foreign Disaster Assistance (USAID/OFDA) provided \$125,000 for emergency relief supplies. A USAID assessment team is determining whether Jamaica needs additional assistance.
- On **June 19-21, 2007**, the Caribbean Community (CARICOM) held a conference in Washington D.C. in which Caribbean leaders held meetings with President Bush and several Members of Congress, and a series of meetings at the Inter-American Development Bank, the Organization of American States, and the World Bank, with forums for the diaspora, the private sector, and development experts. A joint statement issued by President Bush and Caribbean leaders pledged cooperation in several areas, including a strengthening of existing trade

arrangements. President Bush announced that he would work with Congress to extend and update the Caribbean Basin Trade Promotion Act (CBTPA). See the joint statement at <http://www.state.gov/p/wha/rls/prsr/07/q2/86952.htm>.

- On **June 2, 2007**, the Department of Justice announced that four individuals—one U.S. citizen of Guyanese origin, two Guyanese nationals, and one Trinidadian national—were being charged in a plot to attack John F. Kennedy International airport by planting explosives in the airport’s major jet-fuel supply tanks and pipeline. The plot allegedly tapped into “an international network of Muslim extremists from the United States, Guyana, and Trinidad and Tobago.” The three foreign nationals were arrested in Trinidad and Tobago.
- On **June 9, 2007**, the Departments of Homeland Security and State announced that there would be some flexibility in the passport requirement for U.S. citizens traveling by air to the Caribbean, as well as Canada and Mexico, that went into effect on January 23, 2007. A backlog of passport applications resulted in a policy change through the end of September 2007 whereby individuals who have applied but have not yet received their passports are able to travel with a government-issued photo and official proof of their passport application.
- On **May 2, 2007**, the Bahamas held parliamentary elections in which the opposition conservative Free National Movement (FNM), led by former Prime Minister Hubert Ingraham, defeated the ruling center-left Progressive Liberal Party (PLP), led by Prime Minister Perry Christie. The FNM captured 23 seats while the PLP won the remaining 18 seats in the House of Assembly.

## **Congressional Action**

- On **July 31, 2007**, the House passed, by a vote of 371 to 55, H.R. 176 (Lee), the Shirley A. Chisholm United States-Caribbean Educational Exchange Act of 2007, which would authorize assistance to the countries of the Caribbean to fund educational development and exchange programs.
- On **July 24, 2007**, the House Western Hemisphere Subcommittee of the Committee on Foreign Affairs held a hearing on U.S. deportees in Latin America and the Caribbean.
- On **June 18, 2007**, the House passed H.Con.Res. 148 (Lee) by voice vote, which recognizes the significance of National Caribbean-American Heritage Month.
- On **June 15, 2007**, the House passed, by a vote of 379 to 25, H.Amdt 291 to the FY2008 Department of Homeland Security Appropriations Act, H.R. 2638, that would prohibit any funds in the bill from implementing a passport requirement plan under section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 before June 1, 2009. The House subsequently approved H.R. 2638 with the provision, and the Senate approved its version July 26, 2007, with a provision that would delay the implementation of a passport requirement plan to no earlier than June 1, 2009.
- On **June 11, 2007**, the House passed H.Res. 418 (Engel), by a vote of 386-0, which recognizes and welcomes the delegation of Presidents, Prime Ministers, and Foreign Ministers from the Caribbean to Washington DC, and commends CARICOM for holding the conference on the Caribbean.

## Issues in Caribbean-U.S. Relations

U.S. interests in the Caribbean are diverse, and include economic, political, and security concerns. During the Cold War, security concerns tended to eclipse other policy interests, and focused on the potential threat in the region from the Soviet Union and Cuba. In the aftermath of the Cold War, other U.S. policy interests emerged from the shadow of the East-West conflict in the Caribbean and U.S. policy priorities shifted from one emphasizing security concerns to a new focus on strengthened economic relations through trade and investment. With the September 2001 terrorist attacks in the United States, security concerns have re-emerged as a major U.S. interest in the Caribbean. The Administration describes the Caribbean as America's "third border," with events in the region having a direct impact on the homeland security of the United States. It describes Caribbean nations as "vital partners on security, trade, health, the environment, education, regional democracy, and other hemispheric issues."<sup>6</sup>

The United States has close relations with most Caribbean nations, with the exception of Cuba under Fidel Castro. The U.S.-Caribbean relationship is characterized by extensive economic linkages, cooperation on counternarcotics efforts and security, and a sizeable U.S. foreign assistance program supporting a variety of projects to strengthen democracy, promote economic growth and development, alleviate poverty, and combat the AIDS epidemic in the region. The region has had preferential treatment of its exports to the U.S. market since the early 1980s, and U.S. efforts are now focused on helping the region prepare for hemispheric free trade.

Despite close U.S. relations with most Caribbean nations, at times there has been tension in the relationship. For example, relations between CARICOM nations and the United States became strained in the aftermath of the departure of Haitian President Jean Bertrand Aristide from power in February 2004. CARICOM nations called for an investigation into the circumstances surrounding Aristide's departure, and Haiti's participation in CARICOM was suspended. After Haiti held elections in February 2006 leading to the inauguration of Rene Préval as president, CARICOM subsequently reinstated Haiti's participation in CARICOM at their July 2006 summit. In another example, Caribbean nations generally maintain good relations with Cuba and Venezuela, and resent U.S. expressions of concern about these relations. Many Caribbean nations are participating in a Venezuelan program known as PetroCaribe that offers oil on discounted terms depending on the price of oil.

### U.S. Foreign Assistance

The United States has provided considerable amounts of foreign assistance to the Caribbean over the past 25 years. U.S. assistance to the region in the 1980s amounted to about \$3.2 billion, with most concentrated in Jamaica, the Dominican Republic, and Haiti. An aid program for the Eastern Caribbean also provided considerable assistance, especially in the aftermath of the 1983 U.S.-led military intervention in Grenada. In the 1990s, U.S. assistance to Caribbean nations declined to about \$2 billion, or an annual average of \$205 million. Haiti was the largest regional recipient of assistance during this period, receiving about \$1.1 billion in assistance or 54% of the total. Jamaica was the second largest U.S. aid recipient in the 1990s, receiving about \$507 million, almost 25% of the total, while the Dominican Republic received about \$352 million, about 17%

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<sup>6</sup> U.S. Department of State, *Congressional Budget Justification, Foreign Operations, FY2006*, "Third Border Initiative," p. 548.

of the total. Eastern Caribbean nations received about \$178 million in assistance, almost 9% of the total. The bulk of U.S. assistance was economic assistance, including Development Assistance (DA), Economic Support Funds (ESF), and P.L. 480 food aid. Military assistance to the region amounted to less than \$60 million during the 1990s.

From FY2000 through FY2007, U.S. aid to the Caribbean region amounted to about \$1.9 billion, with increases reflecting increased HIV/AIDS assistance to the region (especially to Guyana and Haiti), disaster and reconstruction assistance in the aftermath of several hurricanes and tropical storms in 2004, and increased support for Haiti following the departure of President Jean-Bertrand Aristide from power. As in the 1990s, the bulk of assistance to the region consisted of economic assistance. With regard to hurricane disaster assistance, Congress appropriated \$100 million in October 2004 in emergency assistance for Caribbean nations (P.L. 108-324), with \$42 million for Grenada, \$38 million for Haiti, \$18 million for Jamaica, and \$2 million for other countries affected by the storms. Overall assistance to the Caribbean amounted to \$393 million in FY2005, \$336 million in FY2006, and an estimated \$346 million in FY2007 (see **Table 4**).

For FY2008, the Bush Administration requested almost \$367 million in assistance for the Caribbean, with about 61% for Haiti, almost 13% for Cuba democracy programs, almost 10% for the Dominican Republic, and just over 7% for Guyana. The Caribbean regional program would be funded at \$9.3 million, while Eastern Caribbean nations would also receive about \$3.2 million for a Peace Corps program, \$0.6 million for International Military and Training (IMET) assistance, \$0.5 in counternarcotics assistance, and \$0.5 million in anti-terrorism assistance (ATA). While in past years, Caribbean nations have received some Foreign Military Financing (FMF)—for example, almost \$4 million in FY2006—the Administration did not request any FMF for Caribbean nations in FY2008. Funding for the Third Border Initiative would decline, and has been subsumed into a Western Hemisphere Program, with at least \$1.750 million identified for the TBI in the State Department’s FY2008 Congressional Budget Justification for Foreign Operations. (Also see discussion below on “Third Border Initiative and Security Issues.”)

In the 110<sup>th</sup> Congress, the House passed H.R. 176 (Lee), the Shirley A. Chisholm United States-Caribbean Educational Exchange Act of 2007, on July 31, 2007, by a vote of 371-55. The measure would authorize assistance to the countries of the Caribbean to fund educational development and exchange programs.

**Table 4. Total U.S. Foreign Assistance to the Caribbean, FY2003-FY2008**  
(U.S. \$ millions)

Country	FY2003	FY2004	FY2005	FY2006	FY2007 (estimate)	FY2008 (request)
Bahamas	1.336	1.264	1.294	1.747	0.838	1.200
Belize	2.046	2.082	2.799	2.334	2.764	2.485
Cuba	6.000	21.369	8.928	10.894	13.300	45.700
Dominican Republic	28.099	33.968	28.652	28.229	35.038	34.646
Guyana	8.407	11.590	20.255	23.846	31.302	27.331
Haiti	71.887	132.324	182.717	225.738 <sup>a</sup>	217.404	222.900
Jamaica	22.337	24.186	22.459	17.580	15.532	13.654
Suriname	1.397	1.471	1.486	1.883	2.048	1.474



Country	FY2003	FY2004	FY2005	FY2006	FY2007 (estimate)	FY2008 (request)
Trinidad and Tobago	0.540	—	0.049	.234	1.300	1.478
Caribbean Regional	13.008	10.310	110.909	11.326	14.840	9.310
Eastern Caribbean <sup>b</sup>	4.255	6.900	4.958	5.136	4.958	4.804
Third Border	3.000	4.976	8.928	2.970	3.000	1.750 <sup>c</sup>
OAS Special Mission in Haiti	—	4.971	—	—	—	—
Operation Enduring Friendship	—	—	—	3.960	4.000	—
Total	162.312	255.411	393.434	335.877	346.324	366.732

**Source:** U.S. Department of State, FY2004-FY2008 Congressional Budget Justifications for Foreign Operations. FY2007 estimates were provided by the Department of State.

- a. For FY2006, aid figures for Haiti include \$20 million in FY2006 supplemental assistance.
- b. The Eastern Caribbean category funds military assistance and Peace Corps programs for seven countries. Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Development assistance for these nations is funded under USAID's Caribbean Regional program.
- c. For FY2008, the Third Border Initiative (TBI) is part of the Western Hemisphere Regional Program, with \$1.750 million in ESF designated to enhance diplomatic, economic, health, education, disaster preparedness, and law enforcement cooperation and collaboration. In addition, an unspecified portion of \$1.1 million for humanitarian assistance under the Western Hemisphere Regional Program would support TBI activities that help Caribbean nations plan and prepare for natural disasters.

## HIV/AIDS in the Caribbean<sup>7</sup>

The AIDS epidemic in the Caribbean has begun to have negative consequences for economic and social development in several countries, and continued increases in HIV infection rates threaten future development prospects. In contrast to other parts of Latin America, the mode of HIV transmission in several Caribbean countries has been primarily through heterosexual contact, making the disease difficult to contain because it affects the general population. The countries with the highest prevalence or infection rates in the Caribbean are Belize, the Bahamas, Guyana, Haiti, and Trinidad and Tobago, with rates between 2% and 4%; and Barbados, the Dominican Republic, Jamaica, and Suriname, with rates between 1% and 2%.

The response to the AIDS epidemic in the Caribbean America has involved a mix of support by governments in the region, bilateral donors (such as the United States, Canada, and European nations), regional and multilateral organizations, and nongovernmental organizations (NGOs). Many countries in the region have national HIV/AIDS programs that are supported through these efforts.

U.S. government funding for HIV/AIDS in the Caribbean has increased significantly in recent years. Aid to the Caribbean region rose from almost \$6 million in FY2000 to \$23.2 million in FY2003, largely through the Child Survival and Health (CSH) foreign assistance funding account. Because of the inclusion of Guyana and Haiti as focus countries in the President's

<sup>7</sup> For further information, see CRS Report RL32001, *HIV/AIDS in the Caribbean and Central America*, by (name redacted); and CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by (name redacted).

Emergency Plan for AIDS Relief (PEPFAR), largely funded through the Global HIV/AIDS Initiative (GHAI) funding account, U.S. assistance to the region for HIV/AIDS increased to \$36 million in FY2004, \$70 million in FY2005, \$79 million in FY2006, and \$104 million in FY2007. For FY2008, the Administration requested almost \$116 million in HIV assistance for the Caribbean, with \$83 million for Haiti and \$21 million for Guyana. (See **Table 5**, which shows U.S. aid levels for HIV/AIDS assistance to the Caribbean from FY2003-2008. The figures represent a subset of total assistance levels shown in **Table 4**.)

In the 110<sup>th</sup> Congress, H.R. 848 (Fortuño), introduced February 6, 2007, would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance. The additional countries are Antigua and Barbuda, Barbados, the Bahamas, Belize, Dominica, Grenada, Jamaica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Suriname, Trinidad and Tobago, and the Dominican Republic. Another initiative, H.Con.Res. 166 (Lee), introduced June 7, 2007, would support the goals and ideals of National Caribbean American HIV/AIDS Awareness Day.

**Table 5. U.S. HIV/AIDS Assistance to the Caribbean: FY2003-FY2008**  
(U.S. \$ millions)

Country	FY2003	FY2004 <sup>a</sup>	FY2005 <sup>a</sup>	FY2006 <sup>a</sup>	FY2007 (est.) <sup>a</sup>	FY2008 (req.) <sup>a</sup>
Dom. Rep.	5.3	5.3	5.5	6.1	5.1	5.0
Guyana	4.2	6.8	14.8	18.0	25.3	21.3
Haiti	7.7	18.3	44.1	47.3	67.3	83.0
Jamaica	1.3	1.3	1.3	1.5	1.3	1.2
Carib. Regional Program	4.9	4.7 <sup>a</sup>	4.7	5.9	5.1	5.0
<b>Total</b>	<b>23.4</b>	<b>36.4</b>	<b>70.4</b>	<b>78.8</b>	<b>104.1</b>	<b>115.5</b>

**Sources:** U.S. Agency for International Development, website at [http://www.usaid.gov/our\\_work/global\\_health/aids/Funding/FactSheets/lac.html](http://www.usaid.gov/our_work/global_health/aids/Funding/FactSheets/lac.html); U.S. Department of State, FY2007 and FY2008 Congressional Budget Justification for Foreign Operations. FY2007 estimates were provided by the Department of State. The figures presented are subtotals of total U.S. assistance to the Caribbean shown in **Table 4**.

- a. For FY2004, Guyana, received \$5.1 million in Global HIV/AIDS Initiative (GHAI) funding and Haiti received \$13 million in GHAI funding. For FY2005-FY2008, all assistance for Guyana and Haiti was GHAI funding. The remainder of assistance for all countries and years is largely from the Child Survival and Health (CSH) funding account, with the exception of \$1 million in Economic Support Funds for the Caribbean Regional Program in FY2004.

## Millennium Challenge Account<sup>8</sup>

Over the past several years, several Caribbean nations have been potential recipients for Millennium Challenge Account (MCA) assistance, but none have been selected for the program, which provides assistance to countries with strong records of performance in the areas of governance, economic policy, and investment in people. Although Haiti and Guyana have been candidate countries potentially eligible for MCA funds since FY2004 (because of low per capita income levels), neither country has been approved to participate in the program because they have not met MCA performance criteria. Guyana has been designated as an MCA “threshold”

<sup>8</sup> For additional information see CRS Report RL32427, *Millennium Challenge Account*, by (name redacted).

country since FY2005, and in June 2007 was slated to receive \$7.2 million in assistance (from FY2005 MCA funds) to help the country improve its fiscal policy so that it may become eligible for regular MCA funding. For FY2006 and FY2007, the per capita income level for MCA-eligibility increased, and as a result, in addition to Guyana and Haiti, three other Caribbean countries—the Dominican Republic, Jamaica, and Suriname—became potentially eligible for MCA funding but ultimately were not approved for participation.

### **Article 98 Agreements and Sanctions on U.S. Aid<sup>9</sup>**

An obstacle in the provision of some U.S. assistance to the Caribbean has been that several Caribbean nations that are parties to the International Criminal Court (ICC)—Barbados, St. Vincent, and Trinidad and Tobago—have not signed agreements to exempt Americans from ICC prosecution, so-called “Article 98 agreements.” The American Servicemembers’ Protection Act (ASPA, P.L. 107-206, title II), prohibited U.S. military assistance to countries that are parties to the ICC and do not have Article 98 agreements. In 2006, Congress modified ASPA through a provision in the FY2007 John Warner National Defense Authorization Act (P.L. 109-364), which ended the ban on IMET; restrictions on FMF, however, remain in effect. Since FY2005, foreign operations appropriations legislation has also prohibited ESF assistance to countries that are parties to the ICC and have not signed Article 98 agreements, although the legislation has provided for presidential waiver.

In July 2003, the Administration announced the termination of military assistance to six Caribbean nations because they had not signed bilateral immunity agreements: Antigua and Barbuda, Barbados, Belize, Dominica, St. Vincent and the Grenadines, and Trinidad and Tobago. Subsequently, Antigua and Barbuda signed an Article 98 agreement in September 2003; Belize signed one in December 2003; and Dominica signed one in May 2004. This left Barbados, St. Vincent, and Trinidad and Tobago as the three Caribbean countries forgoing U.S. military assistance because of the ASPA sanction. Trinidad and Tobago, which played a leading role in the establishment of the ICC, has strongly resisted signing an agreement, as has Barbados. In term of ESF assistance, both Barbados and Trinidad and Tobago reportedly have been excluded from Third Border Initiative projects, because these countries have not signed Article 98 agreements.<sup>10</sup>

### **Hurricane Recovery and Reconstruction Assistance in 2004**

Several Caribbean nations—especially Haiti, Grenada, Jamaica, and the Bahamas—were hard hit during the 2004 Atlantic hurricane season. Hurricane Charley struck western Cuba in August 2004, damaging over 70,000 homes and thousands of hectares of crops. Hurricane Frances struck the Bahamas in September 2004, causing widespread damage throughout the country’s islands. In the same month, Hurricane Ivan caused severe damage across the Caribbean: it devastated Grenada, damaging some 80% of the nation’s housing, and destroying or damaging much of country’s public infrastructure; it passed over Jamaica, causing damage in the western part of the island and in southern coastal towns; and it affected western Cuba, damaging houses and crops. Tropical Storm Jeanne caused devastating mudslides and floods in northern Haiti in September

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<sup>9</sup> For additional information see CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by (name redacted).

<sup>10</sup> Senate Foreign Relations Committee, Hearing on “The Impact on Latin America of the American Servicemembers’ Protection Act,” Testimony of Peter DeShazo, Center for Strategic and International Studies, March 2006.

2004 that killed some 3,000 people, with over 2,800 of those in the city of Gonaives. Another 300,000 Haitians were affected by the loss of homes, livelihoods, and infrastructure.

In response, the United States provided immediate humanitarian assistance to several Caribbean nations, especially Grenada, Haiti, and Jamaica, but also the Bahamas, the Dominican Republic, and Cuba. USAID's Office of Foreign Disaster Assistance (OFDA) set up Disaster Assistance Response Teams (DARTs) to respond to the storms, with team members located in the various islands. By the end of October 2004, USAID had provided almost \$23 million in emergency humanitarian assistance, largely for assistance to respond to Hurricane Ivan and Tropical Storm Jeanne. In addition, the 108<sup>th</sup> Congress appropriated \$100 million in emergency assistance (P.L. 108-324) in late October 2004 to provide longer-term reconstruction assistance for Caribbean nations afflicted by the storms.

The reconstruction assistance was targeted as follows: \$42 million for Grenada, \$38 million for Haiti, \$18 million for Jamaica, and \$2 million for other countries affected by the storms. In Grenada, USAID's assistance program had two phases. The first was a short-term program to restore and revitalize rural communities, repair schools and health centers, and reestablish the productive capacity of small and medium-size businesses. The second, longer-term phase focused on rebuilding infrastructure, revitalizing the business sector, and restoring the government's economic management capacity.

In Haiti, the reconstruction program had two major components. A community revitalization component involved road repair, disaster mitigation, water system rehabilitation, drainage and clean up, public building rehabilitation, and household repairs. A rural revitalization component involved hillside stabilization, irrigation, and an early warning system for flooding on the La Quinte River, which flows past Gonaives, the city that was devastated by Tropical Storm Jeanne.

The Jamaica assistance program also had two phases. The first was an immediate recovery program to help repair community infrastructure and help revitalize the agricultural sector. The second phase involved the repair and rebuilding of homes, assistance for business recovery, and the rehabilitation and re-supply of schools. Other smaller hurricane assistance programs targeted affected communities in the Bahamas and Tobago, and also provided assistance to Eastern Caribbean nations to design and implement risk reduction efforts for low-income housing.<sup>11</sup>

## **Drug Trafficking and Money Laundering Issues**

Because of their geographic location, many Caribbean nations are transit countries for cocaine and heroin from South America destined for the U.S. and European markets. In addition, two Caribbean nations—Jamaica and St. Vincent and the Grenadines—are large producers and exporters of marijuana. Of the 16 countries in the Caribbean region, President Bush designated four of them—the Bahamas, the Dominican Republic, Haiti, and Jamaica—as major drug-producing or drug-transit countries in September 2006 pursuant to annual legislative drug certification requirements. The President urged the new government in Haiti to strengthen law enforcement and the judiciary to bring drug trafficking and crime under control.<sup>12</sup>

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<sup>11</sup> USAID, Jamaica-Caribbean Regional Program. "Hurricane Recovery & Rehabilitation Program for Grenada, Jamaica, and the Caribbean Region," Eleventh Report, November 2005.

<sup>12</sup> White House, Press Release, "Memorandum for the Secretary of State: Presidential Determination on Major Drug Transit or Major Illicit Producing Countries for Fiscal Year 2007," Presidential Determination No. 2006-24, September (continued...)

All four designated Caribbean countries are major transit countries for illicit drugs to the U.S. market, and Jamaica is the largest marijuana producer and exporter in the Caribbean. The Bahamas cooperates extensively with the United States on counternarcotics measures, including interdiction efforts through Operation Bahamas and Turks and Caicos (OPBAT), a multinational interdiction effort, and efforts that target Bahamian drug trafficking organizations. The Dominican Republic, a major transit country for both cocaine and heroin, cooperates closely with the United States, although the State Department's March 2007 *International Narcotics Control Strategy Report* notes that "corruption and weak governmental institutions remained an impediment to controlling the flow of illegal narcotics" through the country. Jamaican cooperation with U.S. law enforcement agencies on counternarcotics efforts is described by the State Department report as robust, but the report also noted that the government seemed unable to act against official corruption, ranging from petty shakedowns by street cops to higher-level corruption and other criminal activities. In Haiti, anti-drug efforts have been hampered over the years by weak institutions, poor economic conditions, and political instability. According to the State Department report, a challenge for the Preval government is curbing continued violence perpetrated by criminal elements, some of whom are involved in drug trafficking.

Many other Caribbean nations, while not designated major transit countries, are still vulnerable to drug trafficking and associated crimes because of their geographic location. In particular, the State Department's March 2007 report maintains that such crimes have the potential to threaten the stability of the small states of the Eastern Caribbean, and to varying degrees, have damaged civil society in some of these countries. Given the poor outlook for the banana industry in the Caribbean, some observers believe that it will be difficult to contain marijuana production unless there is adequate support to diversify these economies away from banana production. St. Vincent and the Grenadines is the largest marijuana producer in the Eastern Caribbean.

Efforts to crack down on money laundering also constitute a major component of U.S. anti-drug strategy, and became increasingly important as a counter-terrorist strategy in the aftermath of the September 2001 terrorist attacks in the United States. The State Department's list of major money laundering countries (also categorized as "jurisdictions of primary concern") includes six Caribbean countries—Antigua and Barbuda, the Bahamas, Belize, the Dominican Republic, Haiti, and St. Kitts and Nevis—and one British Caribbean dependency, the Cayman Islands. The Department of State, in its March 2007 drug strategy report, maintains that although Antigua and Barbuda has comprehensive legislation to regulate its financial sector, the country remains vulnerable to money laundering because the sector is loosely regulated and because of its Internet gaming industry; the report notes that Antigua and Barbuda has yet to prosecute a money laundering case. The Bahamas has enacted strong anti-money laundering laws that has made it difficult for drug traffickers to deposit large amounts of cash; as a result, traffickers have begun storing large quantities of cash in safe houses, purchasing real estate, vehicles, and jewelry, and processing money through legitimate businesses and shell companies. In Belize, money laundering is believed to occur primarily in the country's growing offshore financial center. Money laundering in both the Dominican Republic and Haiti stems from their roles as major drug transshipment points. In the Dominican Republic, financial institutions engage in transactions with money derived from illegal drug sales in the United States, with courier and wire transfers the primary methods for moving the funds. St. Kitts and Nevis, according to the State Department, is

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(...continued)  
15, 2006.

at major risk for corruption and money laundering because of the high volume of narcotics being trafficked through the country and because of the presence of known traffickers on the islands.

The Financial Action Task Force on Money Laundering (FATF), an inter-governmental body with the objective of combating money laundering and terrorist financing, has published a list of non-cooperative countries and territories in the fight against money laundering since 2000. The FATF evaluative process has been a major factor in Caribbean countries improving their anti-money laundering regimes. Four Caribbean nations and one dependent territory were on the first FATF non-cooperative list issued in 2000: the Bahamas, the Cayman Islands, Dominica, St. Kitts and Nevis, and St. Vincent and the Grenadines. Grenada was added to the list in September 2001. Subsequent actions by all these nations to improve their anti-money laundering regimes resulted in all of them being removed from the list by June 2003. The Bahamas and the Cayman Islands were removed from the list in June 2001; St. Kitts and Nevis in June 2002; Dominica in October 2002; Grenada in February 2003; and St. Vincent in June 2003. Once a nation is removed from the list, the FATF continues to monitor developments in the country to ensure compliance.

Some Caribbean officials and others have complained that pressure to strengthen and enforce anti-money laundering regimes in the region have had a detrimental effect on its offshore financial sectors. They maintain that the anti-money laundering measures required have been indiscriminate and constitute an attack on legitimate business conducted in the small financial sectors of the region. In particular, after the U.S. congressional passage of new anti-money laundering provisions in the USA PATRIOT Act (P.L. 107-56, Title III), approved in the aftermath of the September 11 terrorist attacks, some feared that the stricter scrutiny of transactions between U.S. and Caribbean financial institutions would threaten the offshore financial industry in the Caribbean.<sup>13</sup> The act's anti-money laundering provisions include a prohibition on U.S. correspondent accounts with shell banks (banks that have no physical presence in the chartering country) and tighter bank record keeping requirements.

Some observers maintain that the strengthening of anti-money laundering regimes in the Caribbean will have the end result of increasing the attractiveness of the region's offshore financial sectors for legitimate business transactions. According to this view, such efforts as the FATF evaluative process and the anti-money laundering measures under the PATRIOT Act will help change the reputation of the Caribbean as being a haven for money launderers and tax evaders.

## **Tax Haven Issue**

Legislation has been introduced in the 110<sup>th</sup> Congress that would restrict the use of offshore tax havens and tax shelters to avoid U.S. Federal taxation. S. 396 (Dorgan), would amend the Internal Revenue Code to treat controlled foreign corporations established in tax havens as domestic corporations, including those in several Caribbean states. S. 681 (Levin) and H.R. 2136 (Doggett), the Stop Tax Haven Abuse Act, would restrict the use of offshore tax havens and tax shelters to inappropriately avoid Federal taxation. Of the 34 countries and territories listed in S. 681/H.R. 2136 as "offshore secrecy jurisdictions," 16 are in the Caribbean: Anguilla, Antigua and

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<sup>13</sup> For example, see "Barbados—Weighed Down by Money Laundering Controls—Bankers and Government Officials Are Worried that Hasty Decisions in the War Against Money Laundering Could Threaten the Financial Services Industry in Small Jurisdictions Like Barbados," *The Banker*, July 1, 2003; "U.S. Lawmaker: Antiterror Laws May Hurt Offshore Banking," *Dow Jones International News*, January 5, 2003.

Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Netherlands Antilles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Turks and Caicos Islands.

Caribbean nations have strongly objected to the legislation because they believe it unfairly targets the region. They have called for the removal of CARICOM member states from the legislation, asserting that the countries are in compliance with international information and transparency requirements. According to the Organization for Economic Co-operation and Development (OECD), 17 Caribbean nations and territories that have been categorized as tax havens have committed to improving transparency, and are not listed on the OECD's list of uncooperative tax havens. Barbados, which had been listed as an OECD tax haven in 2000, was subsequently removed from the list because of its longstanding information exchange arrangements with other countries, and its actions to further enhance the transparency of its tax and regulatory rules.<sup>14</sup>

### **Internet Gambling Issue<sup>15</sup>**

A controversial issue in U.S. relations with the Caribbean has been a World Trade Organization (WTO) complaint filed by Antigua and Barbuda challenging U.S. restrictions on cross-border Internet gambling. Antigua, which has invested in Internet gambling as a means of diversifying its economy, maintains that it has lost millions of dollars because of the U.S. restrictions. In April 2005, the WTO Appellate Body ruled that the restrictions were inconsistent with U.S. market access commitments under the General Agreement on Trade in Services (GATS), but that the United States could justify them under the GATS public morals exception. The Appellate Body also found, however, that the United States did not appear to be in full compliance with the exception because of possible discriminatory treatment of foreign service suppliers in the area of horseracing. The United States was given until April 2006 to comply. In July 2006, the WTO established a compliance panel at the request of Antigua, which maintained that the United States had taken no action in response to the 2005 decision.<sup>16</sup> The compliance panel ruled in Antigua's favor in March 2007.

In May 2007, the United States Trade Representative (USTR) announced that the United States would modify its commitments under the GATS to rule out any market access commitments on gambling services. As a result, Antigua and Barbuda, along with the European Union, Japan, India, Costa Rica, Macao, Canada, and Australia are seeking compensation from the United States for the decision to change its commitments under the GATS. A first round of talks on the issue was held in July 2007.<sup>17</sup> In addition, Antigua and Barbuda announced separately in June that it would seek authorization from the WTO to impose more than \$3.4 billion in annual trade sanctions on the United States for not complying with the 2005 WTO ruling against U.S. restrictions on cross-border Internet gambling. U.S. officials challenged Antigua's retaliation

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<sup>14</sup> Organization for Economic Co-operation and Development, "35 Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters," December 12, 2003.

<sup>15</sup> For additional information on the WTO case, CRS Report RL32014, *WTO Dispute Settlement: Status of U.S. Compliance in Pending Cases*, by (name redacted).

<sup>16</sup> Esther Lam, "WTO Unveils Revamped Panel to Determine U.S. Compliance in Internet Gambling Case," *International Trade Reporter*, August 24, 2006; and Daniel Pruzin, "WTO Issues Appellate Ruling on Gambling Over Internet," *International Trade Reporter*, April 14, 2005.

<sup>17</sup> Daniel Pruzin, "U.S. Holds First Round of Talks with Nations Requesting Compensation for Gambling Ban," *International Trade Reporter*, July 19, 2007.

figure, and an arbitration panel was set up in late July 2007 to rule on Antigua's request. Antigua maintains that it simply wants a negotiated solution in the gambling case.<sup>18</sup>

CARICOM officials have expressed concerns about U.S. inaction in the WTO case and have told U.S. officials that they consider it a regional Caribbean issue with the United States as opposed to just a U.S. bilateral issue with Antigua and Barbuda.<sup>19</sup> The issue was raised by Caribbean officials during CARICOM's June 2007 Washington conference, with CARICOM states urging the United States to collaborate with Antigua and Barbuda.

## **U.S. Trade Policy<sup>20</sup>**

The United States has offered a one-way duty-free preferential trade arrangement for a wide range of products from Caribbean Basin nations since the early 1980s as an incentive for increased investment and export production in the region. These preferences have changed over the years, but are broadly referred to as the Caribbean Basin Initiative (CBI). In 1983, Congress enacted the Caribbean Basin Economic Recovery Act (CBERA), which allowed duty-free importation of many categories of products with certain significant exceptions. Most apparel and textile goods were ineligible under the CBERA, but in the late 1980s imports of apparel from CBERA countries that were assembled from U.S. components became eligible for reduced duties. These production-sharing arrangements boosted the apparel sectors of several Caribbean Basin countries. In 1990, Congress enacted so-called CBI II legislation that enhanced the benefits of CBERA and made its provisions permanent.

Congress approved the Caribbean Basin Trade Partnership Act (CBTPA) (P.L. 106-200, Title II) in 2000, which expanded preferential tariff treatment for Caribbean Basin nations, providing them with preferential tariff treatment on their exports to the United States, similar to that provided under the North American Free Trade Agreement. Most significantly, this included preferential treatment for petroleum products and qualifying textile and apparel products. To be eligible for the program, countries must fulfill criteria covering a wide spectrum of issues, including WTO obligations, intellectual property rights, worker rights, child labor, and counternarcotics, anti-corruption, and transparency efforts.

The CBTPA benefits are scheduled to expire at the end of September 2008, or earlier if the country enters into a free trade agreement with the United States. Currently, seven Caribbean countries are participating in the CBTPA program because they fully meet the eligibility criteria: Barbados, Belize, Guyana, Haiti, Jamaica, St. Lucia, and Trinidad and Tobago. The Dominican Republic traded its benefits under both the CBERA and the CBTPA when it approved implementing legislation in March 2007 for a reciprocal free trade agreement with the United States as part of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).<sup>21</sup> Remaining Caribbean countries continue to benefit from the CBERA program

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<sup>18</sup> Rossella Brevetti, "Antigua's Objective in Gambling Case at WTO Is Negotiated Solution, Counsel Says," *International Trade Reporter*, August 2, 2007.

<sup>19</sup> "CARICOM Backs Antigua in On-Line Gambling Dispute with USA," *BBC Monitoring Latin America*, October 15, 2006.

<sup>20</sup> For further information, see CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by (name redacted).

<sup>21</sup> For further information, see CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by (name redacted).



with the exception of Cuba, which is not eligible, and Suriname, a former Dutch colony which has never elected to participate in the CBI trade program. As noted above, the CBERA program has no expiration date. Haiti received additional tariff preferences beyond CBERA and CBTPA in 2006 when Congress approved the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act of 2006 (Title V of P.L. 109-432), which includes more flexible rules of origin for apparel.

Since the United States first implemented a preferential trade program for Caribbean Basin imports in 1984, the overall performance of the region's exports has been mixed (see **Table 6**). The Dominican Republic has been the Caribbean country that has benefitted most from the program, and its apparel sector expanded significantly because of production-sharing arrangements. Overall U.S. imports from the Caribbean amounted to about \$4.8 billion in 1984 and to about \$14.9 billion in 2005, an increase of over \$10 billion. The Dominican Republic accounted for \$3.5 billion of the increase. Trinidad and Tobago, an oil and gas exporter, increased its exports destined for the United States from \$1.4 billion in 1984 to about \$8.4 billion in 2005. For other Caribbean nations, however, such as Haiti and the Bahamas, overall exports to the United States have declined or been stagnant since the early 1980s. Bahamian exports to the United States fell when the country's oil refinery closed in 1985; the country's economy remains based on tourism and financial services. Many small Caribbean nations have service-based economies, with tourism and financial services the leading sectors. As a result, the U.S. trade preferences have not had a significant economic impact on these small economies.

U.S. exports to the Caribbean region (including agricultural exports to Cuba, which have been allowed since late 2001) rose from \$8.9 billion in 2001 to \$14.2 billion in 2006 (see **Table 7**). Four Caribbean countries—Dominican Republic, Trinidad and Tobago, Jamaica, and the Bahamas—are the destination for the lion's share of U.S. exports to the region. In 2006, U.S. exports to these four countries accounted for 79% of total U.S. exports to the Caribbean. The United States ran a trade deficit of almost \$700 million with the Caribbean in 2006, largely because of natural gas imports from Trinidad and Tobago. For most other Caribbean nations, the United States ran a significant trade surplus.

## **Movement Toward Free Trade**

All Caribbean nations with the exception of Cuba are participating in the negotiations for a Free Trade Area of the Americas (FTAA), although negotiations for that agreement have been stalled since 2004.<sup>22</sup> Within CARICOM, while some governments, like Trinidad and Tobago, are enthusiastic about the FTAA, other Caribbean governments, especially the smaller countries of the region, have reservations about the FTAA and its impact on the region. While participating in the FTAA negotiations, Caribbean nations argue for special and differential treatment for small economies, including longer phase-in periods. CARICOM has also called for a Regional Integration Fund to be established that would help the smaller economies meet their needs for human resources, technology, and infrastructure.

In April 2006, U.S. and CARICOM trade officials meeting in Washington began exploring the possibility of a free trade agreement, although Caribbean ministers reportedly maintained that they would only negotiate such an agreement if it included extensive transition periods for

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<sup>22</sup> For background and status of the FTAA negotiations, see CRS Report RS20864, *A Free Trade Area of the Americas: Major Policy Issues and Status of Negotiations*, by (name redacted).

Caribbean nations.<sup>23</sup> The officials also agreed to revitalize a dormant Trade and Investment Council, originally established in the early 1990s, that would be the mechanism used to continue exploratory talks on an FTA as well as other trade and investment issues.

A key issue for the Caribbean and Congress is how to deal with the impending expiration of the CBTPA program in September 2008, which provides the greatest trade benefits to the region. At CARICOM's June 2007 meeting in Washington D.C., a joint U.S.-CARICOM statement expressed determination to strengthen existing trade arrangements. President Bush pledged to Caribbean leaders that he would work with Congress to extend and update the CBPTA.<sup>24</sup>

**Table 6. U.S. Imports from Caribbean Countries**

(U.S. \$ millions)

Country	1984	2002	2003	2004	2005	2006
Antigua and Barbuda	7.898	3.527	12.767	4.366	4.414	5.771
Bahamas	1,154.282	449.697	479.305	637.687	699.936	452.815
Barbados	252.598	34.438	43.428	36.882	31.904	33.842
Belize	42.843	77.668	101.443	107.020	98.265	146.814
Dominica	.086	4.670	5.252	2.883	3.344	3.148
Dom. Republic	994.427	4,168.881	4,455.230	4,527.100	4,603.684	4,528.989
Grenada	.766	6.886	7.602	5.101	5.853	4.467
Guyana	74.417	115.615	118.690	122.398	119.931	125.237
Haiti	377.413	255.007	332.340	370.681	447.217	496.141
Jamaica	396.949	396.317	422.749	319.737	375.572	519.596
St. Kitts and Nevis	23.135	48.627	44.588	41.709	49.719	50.070
St. Lucia	7.397	19.180	12.999	14.281	32.397	30.117
St. Vincent	2.958	16.475	4.142	4.125	15.650	2.027
Suriname <sup>a</sup>	104.636	132.722	140.064	140.820	165.346	164.539
Trinidad and Tobago	1,360.106	2,440.304	4,333.753	5,842.170	7,890.884	8,370.048
<b>Total</b>	<b>4,799.911</b>	<b>8,170.014</b>	<b>10,514.352</b>	<b>12,176.960</b>	<b>14,544.116</b>	<b>14,933.621</b>

**Source:** 1984 statistics are from U.S. International Trade Commission, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report*, 1999-2000, September 2001; 2000-2005 trade statistics are from the Department of Commerce, as presented by World Trade Atlas.

a. Suriname has not been a beneficiary of the Caribbean Basin Initiative preferential trade program.

<sup>23</sup> "CARICOM Members Seek Special Treatment in FTA Talks with U.S.," *Inside U.S. Trade*, April 14, 2006.

<sup>24</sup> White House, Press Release, "Joint Statement: Conference on the Caribbean," June 20, 2007; Jacqueline Charles, "Bush Pledges Support for Caribbean Trade," *Washington Post*, June 21, 2007.

**Table 7. U.S. Exports to Caribbean Countries**  
(U.S. \$ millions)

Country	2001	2002	2003	2004	2005	2006
Antigua and Barbuda	95.526	81.359	127.314	125.745	190.447	194.196
Bahamas	1,026.342	975.309	1,074.694	1,185.751	1,786.740	2,288.164
Barbados	286.613	267.646	300.095	348.432	394.920	443.141
Belize	173.167	137.667	198.808	151.832	217.563	238.815
Cuba	7.096	145.649	259.127	404.141	369.035	347.775
Dominica	30.690	44.972	34.332	35.989	61.540	68.024
Dominican Republic	3,757.045	4,250.068	4,205.449	4,358.279	4,718.733	5,347.802
Grenada	59.873	56.406	68.420	70.103	82.440	75.594
Guyana	141.252	128.208	117.148	138.411	176.705	179.418
Haiti	550.383	573.185	639.441	672.978	709.621	809.406
Jamaica	1,405.522	1,420.187	1,469.545	1,430.780	1,700.769	2,034.999
St. Kitts and Nevis	46.338	49.461	58.768	60.322	94.069	127.234
St. Lucia	86.743	99.499	119.544	105.297	135.389	151.496
St. Vincent	38.836	40.449	46.216	45.462	45.411	58.321
Suriname	155.306	124.757	192.655	179.189	245.701	258.158
Trinidad and Tobago	1,087.143	1,020.211	1,063.297	1,207.578	1,416.748	1,614.775
<b>Total</b>	<b>8,947.875</b>	<b>9,415.033</b>	<b>9,974.853</b>	<b>10,520.289</b>	<b>12,345.831</b>	<b>14,237.318</b>

**Source:** Trade statistics are from the Department of Commerce, as presented by World Trade Atlas.

### Third Border Initiative and Security Issues

As first announced by President Bush at the April 2001 Summit of the Americas, the “Third Border Initiative” (TBI) had the goals of deepening cooperation in fighting the spread of HIV/AIDS, responding to natural disasters, and making sure the benefits of globalization are felt in even the smallest economies. The Caribbean was described as an often overlooked “third border,” where illegal drug trafficking, migrant smuggling, and financial crime threaten U.S. and regional security interests. The initiative consisted of a package of programs to enhance diplomatic, economic, health, education, and law enforcement cooperation and collaboration. Most significantly, the initiative included increased funding to combat HIV/AIDS in the region.<sup>25</sup>

In the aftermath of the September 2001 terrorist attacks in the United States, the Third Border Initiative expanded to focus on issues affecting U.S. homeland security in the fields of administration of justice and security. Economic Support Funds (ESF) under the TBI have been used to help Caribbean airports modernize their safety and security regulations and oversight, which is viewed an important measure to improve the security of visiting Americans. TBI funds have also been used to support border security such as the strengthening of immigration controls;

<sup>25</sup> U.S. Department of State, International Information Programs, Washington File, “Fact Sheet: Caribbean Third Border Initiative,” April 21, 2001.

to help Caribbean economies move toward greater competitiveness; and to support an improvement of environmental management.<sup>26</sup> Assistance in FY2007 was used to help Caribbean nations enhance security in preparation for the Cricket World Cup games.

Recent funding for the TBI amounted to \$8.9 million in FY2005, almost \$3 million in FY2006, and a request of \$3 million for FY2007. For the FY2008 request, the TBI has been subsumed into a larger Western Hemisphere Regional Program, with \$1.75 million in ESF that will support TBI activities designed to enhance diplomatic, economic, health, education, disaster preparedness, and law enforcement cooperation and collaboration. An unspecified portion of \$1.1 million humanitarian assistance under the Western Hemisphere Regional Program would fund TBI activities that help Caribbean governments plan and prepare for natural disasters. (See **Table 4** on U.S. assistance to the Caribbean.)

Caribbean nations have been supportive of the TBI program, and in 2004 signed a joint declaration with the United States stating that the TBI was a valuable framework for structuring Caribbean-U.S. engagement and enhancing cooperation in a variety of areas: diplomatic, security, economic, environmental, health, and education.<sup>27</sup>

## **Muslim Extremists**

As noted above, in early June 2007, the Department of Justice announced that four individuals—two Guyanese nationals, one Trinidadian national, and one U.S. citizen of Guyanese origin—were being charged with conspiring to blow up fuel tanks and a fuel pipeline at JFK International Airport in New York. The U.S. citizen—Russell Defreitas, a former airport cargo worker at JFK—was arrested in New York. The two Guyanese nationals, Abdul Kadir (a former member of Guyana’s parliament) and Abdel Nur, and the Trinidadian national, Kareen Ibrahim, were arrested in Trinidad and Tobago and face extradition to the United States to stand trial. According to the Justice Department, the failed “plot tapped into an international network of Muslim extremists from the United States, Guyana, and Trinidad,” and the defendants “used their connections to present their terrorist plot to radical groups in South America and the Caribbean, including senior leadership of Jamaat al Muslimeen (JAM).”<sup>28</sup> The JAM had been responsible for a bloody coup attempt in 1990 in Trinidad and Tobago. Some news reports maintain that the plotters had also planned to seek help from Iran.<sup>29</sup> U.S. officials have lauded cooperation from both Guyana and Trinidad and Tobago as instrumental in deterring the plot, and the arrests have highlighted the strong counterterrorism cooperation between the Caribbean and the United States.<sup>30</sup>

For some observers, the failed plot focuses attention to the potential security threat posed by Muslim extremists in the Caribbean. According to this view, while there are doubts that the accused had the resources and expertise to carry out the plot, the very presence of such individuals in the region espousing such radical views warrants closer scrutiny and attention.<sup>31</sup>

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<sup>26</sup> U.S. Department of State. Congressional Budget Justification for Foreign Operations. FY2003-FY2007.

<sup>27</sup> U.S. Department of State,

<sup>28</sup> U.S. Department of Justice, “Four Individuals Charged in Plot to Bomb John F. Kennedy International Airport,” Press Release, June 2, 2007.

<sup>29</sup> Andrew O. Selsky, “3 To Be Extradited in Alleged JFK Plot,” Associated Press, August 8, 2007.

<sup>30</sup> Bruce Zagaris, “JFK Bomb Plot Spotlights U.S.-Caribbean Enforcement Cooperation,” *International Enforcement Law Reporter*, August, 2007.

<sup>31</sup> “JFK Plot Puts Spotlight on the Caribbean,” *Latin American Regional Report: Caribbean and Central America*, June (continued...)

Some terrorism specialists, however, maintain that there is little evidence to indicate that Muslims in the Caribbean in such countries as Guyana and Trinidad and Tobago are attracted to radical Islamist ideologies. They contend that the JAM in Trinidad and Tobago has not a track record of operating outside of Trinidad.<sup>32</sup>

## Port Security

In addition to the TBI, the United States has also provided support to improve port security in the Caribbean region, with the objective of helping ports comply with the more stringent set of maritime regulations embodied in new International Ship and Port Facility Security (ISPS) Code, which went into effect on July 1, 2004. The ISPS is a set of maritime regulations for ships and port facilities with the objective of preventing terrorist incidents. There has been concern among Caribbean nations about the high cost of implementing these security regulations. Some of the larger, richer countries in the Caribbean will be better equipped to afford these extra security costs, while some of the smaller and poorer nations will have difficulty coming into compliance.

The U.S. Coast Guard has responsibility for conducting foreign port security assessments to see whether the ports are in compliance with the ISPS standards. Trade sanctions are an option if the port is not in compliance. By November 2004, all Caribbean nations had self-reported that they were in compliance with the more stringent standards of the ISPS Code. The Coast Guard is currently involved in visiting foreign ports worldwide to ensure that security practices are up to standards. According to the Government Accountability Office, most Caribbean ports visited by the Coast Guard have implemented the ISPS Code to a large degree, but the Coast Guard also found facilities in some counties that needed to make improvements or take additional measures.<sup>33</sup>

In addition to the Coast Guard, several U.S. agencies have provided some support to help Caribbean nations come into compliance with the ISPS Code and improve port security. The U.S. Maritime Administration (MARAD) in the Department of Transportation organizes, manages, and implements the Inter-American Port Security Training Program (IAPSTP) for the Organization of American States. The State Department's Bureau for International Narcotics and Law Enforcement Affairs has funded port security improvements for several Western Hemisphere countries. In the past, USAID has funded a project specifically for Eastern Caribbean nations to help assess the status of each port's security requirements and its security plans, and has more recently funded a program to help Haiti comply with ISPS Code requirements.<sup>34</sup>

Several Caribbean ports are included in the Container Security Initiative (CSI), a program implemented by U.S. Customs and Border Protection (CBP) of the Department of Homeland Security. The CSI program helps ensure that high-risk containers are identified and inspected at foreign ports before they are placed on vessels for delivery to the United States. In September 2006, three Caribbean ports became operational CSI ports: Caucedo, Dominican Republic;

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(...continued)

2007, p. 13.

<sup>32</sup> Chris Zambelis, "Spotlight on Trinidad and Tobago's Jamaat al-Muslimeen," *Terrorism Monitor*, Jamestown Foundation, June 21, 2007.

<sup>33</sup> U.S. Government Accountability Office, *Information on Port Security in the Caribbean Basin*, June 29, 2007, GAO-07-804R.

<sup>34</sup> *Ibid.*

Kingston, Jamaica; and Freeport, Bahamas. All three of these ports are also involved in the Megaports Initiative run by the National Nuclear Security Administration of the Department of Energy. That initiative has the goal of deploying radiation detection equipment to ports in order to detect nuclear or radioactive materials. The Megaports Initiative is currently operational in the Bahamas, while Jamaica and the Dominican Republic are working to implement the program.

## **U.S. Passport Requirements**

Caribbean nations that depend on tourism such as Jamaica and the Bahamas have expressed concern about the potential negative effects on tourism in the region because of new U.S. passport requirements mandated by Section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), known as the Western Hemisphere Travel Initiative. Beginning January 23, 2007, U.S. citizens traveling by air to the Caribbean (including Bermuda), as well as to Canada and Mexico, require passports. The requirement for the Caribbean originally had been set for December 31, 2005, but subsequently was delayed several times. Because of an extensive backlog of passport applications, the Departments of State and Homeland Security announced on June 8, 2007, that there would be some flexibility with the policy through the end of September 2007, whereby individuals who have applied but have not yet received their passports are able to travel with a government-issued photo and official proof of their passport application.<sup>35</sup> The Caribbean tourism industry has feared that the impact of the air travel passport requirement would be catastrophic for Caribbean economies.<sup>36</sup> To date, according to some anecdotal reports, the passport requirement has discouraged some travelers to the region, with reports of 10% declines in U.S. tourists going to Jamaica and other islands.<sup>37</sup> In the Bahamas, stopover tourists declined 5% in the first quarter of 2007 compared to the same period in 2006.<sup>38</sup>

The passport requirement for U.S. citizens traveling by sea to the Caribbean (as well as by land and sea to Canada and Mexico) could be implemented as early as January 2008, according to the Department of State, but an exemption for cruise ship travel could mitigate a negative affect on tourism in the region. Proposed rules were published in the Federal Register on June 26, 2007, which laid out the documents that would be required for those traveling by land and sea.<sup>39</sup> Under the proposed rules, U.S. citizens traveling on cruise ships on round trip voyages that begin and end in the same U.S. port would not require passports, but could travel with government-issued photo ID and a certified copy of their birth certificate. For several Caribbean nations, however, a majority of tourism revenues are derived from tourists arriving by air, compared to day trippers from cruise ships.

In the 110<sup>th</sup> Congress, both the House and Senate-passed versions of H.R. 2638, the FY2008 Department of Homeland Security Appropriations Act have provisions that would delay the implementation of any plan for passport requirements to no earlier than June 1, 2009. The House approved its provision in the bill on June 15, 2007, when it passed H.Amdt 291 (LaTourette), by a

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<sup>35</sup> U.S. Department of State, "Joint Departments of State and Homeland Security Announcement: U.S. Citizens With Pending Passport Applications Allowed Temporary Travel Flexibility Within Western Hemisphere," June 8, 2007, available at <http://www.state.gov/r/pa/prs/ps/2007/jun/86206.htm>.

<sup>36</sup> Sean Lengell, "U.S. Rules May Hit Caribbean," *Washington Times*, October 18, 2006; "U.S. Passport Move Will Devastate Caribbean Economy," *BBC Monitoring Latin America*, October 14, 2006.

<sup>37</sup> Danica Coto, "Caribbean Fret Over Drop in American Tourists," *Associated Press*, July 30, 2007.

<sup>38</sup> "Bahamas, Country Report," Economist Intelligence Unit, July 2007, p. 13.

<sup>39</sup> *Federal Register*, Vol. 72, No. 122, June 26, 2007, pp. 35087-35116.

vote of 379 to 25, prohibiting any funds in the bill from implementing a passport requirement plan under section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 before June 1, 2009. The Bush Administration opposes any provisions in the bill that would delay implementation of the Western Hemisphere Travel Initiative to June 2009.

## Crime

High rates of violent crime, including murder and kidnaping, is a major public security concern throughout the Caribbean. Jamaica, with 1,335 murders in 2006, had a murder rate of 50.5 (per 100,000 people), the highest in the Caribbean. Other countries with high murder rates in 2006 were St. Kitts and Nevis (35.5), Belize (32.2), Trinidad and Tobago (28.6), St. Lucia (24), and Guyana (20.4).<sup>40</sup> According to a March 2007 joint UN/World Bank study, homicide rates in the Caribbean are high by world standards. Comparative international rates from 2002 show that the region has more murders per capita—30 per 100,000—than any other region in the world, compared to a rate of 29 for Southern and West Africa, 26 for South America, and 7 for North America.<sup>41</sup>

The UN/World Bank study concluded that the transit of illicit drugs through the Caribbean is the major factor contributing to high rates of crime and violence in the region. The report maintained that a criminal justice-focused approach is necessary for certain types of crime and violence, but contended that there has been over-reliance on this approach for crime reduction in the region. Additional approaches could focus on prevention, environment-improvement, community policing, and targeted youth services. The report also called for more reintegration services for deportees (see discussion below) and for the availability of firearms to be limited and regulated.<sup>42</sup>

## Deportation Issues

U.S. deportations to Latin American and Caribbean countries constitute the overwhelming majority of U.S. deportations worldwide.<sup>43</sup> In FY2006, for example, the Department of Homeland Security (DHS) deported almost 197,000 aliens worldwide, with almost 188,000 of those, or 95%, going to Latin American and Caribbean countries. Overall in FY2006, some 45% of those deported to Latin America and the Caribbean were removed based on a criminal conviction. For a number of countries, particularly in the Caribbean, a majority of those deported were removed on criminal grounds. Legislation enacted in 1996—the Antiterrorism and Effective Death Penalty Act of 1996 (AEDPA, P.L. 104-132) and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA, Division C of P.L. 104-208)—made changes to immigration law that increased the number of aliens<sup>44</sup> subject to deportation and decreased access to relief from deportation. As a result, U.S. deportations to the Latin American and Caribbean region have

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<sup>40</sup> “Organization of Eastern Caribbean States, Country Report,” Economist Intelligence Unit, June 2007, pp. 33-34.

<sup>41</sup> United Nations Office on Drugs and Crime (UNODC) and World Bank, “Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean,” March 2007, pp 4-10.

<sup>42</sup> Ibid, pp. ii-iv.

<sup>43</sup> These are formal deportations, consisting of those who are placed in removal proceedings, and do not include voluntary departures. For more information see CRS Report RL33351, *Immigration Enforcement Within the United States*, coordinated by (name redacted).

<sup>44</sup> Defined as any person who is not a citizen or national of the United States.

increased (as with deportations worldwide) more than fourfold over the past decade, from over 46,000 in FY1995 to, as noted above, some 199,000 in FY2005 and almost 188,000 in FY2006.

Caribbean countries accounted for just over 3% of total U.S. deportations in FY2006, with 6,100 aliens deported to the sub-region. Among Caribbean countries, the major recipient of U.S. deportations in FY2006 were the Dominican Republic, with over 2,800 of its citizens deported, accounting for 46% of U.S. deportations to the Caribbean; Jamaica, with over 1,400 deportations, or 23%; and Haiti, with over 800, accounting for just over 13%. A number of small English-speaking Caribbean nations—such as St. Kitts and Nevis, Antigua and Barbuda, and Guyana—while having much smaller numbers of their citizens deported from the United States, were among the top recipient countries on a per capita basis. For most Caribbean nations, with the exception of Haiti, a large majority of their citizens deported from the United States were removed on criminal grounds. For example, almost 88% of Jamaicans and 80% of Dominicans were deported on criminal grounds in FY2006. (See **Table 8**.)

The deportation of Caribbean citizens from the United States has been one of the thorniest issues between Caribbean nations and the United States for a number of years, with challenges centered on criminal deportees and social stigma. The number of U.S. criminal deportations to the Caribbean has increased from just over 3,100 in FY1996 to over 5,300 in FY2005, although the number fell to about 4,500 in FY2006.<sup>45</sup> While the majority of those returned are not hardened criminals, even a small number of such criminals can cause significant problems. A recent U.N.-World Bank study concluded that it is unlikely that the average deportee in Jamaica is committing violent crime, and that statistics on criminal deportees in Barbados and Trinidad and Tobago show low re-offender rates among criminal deportees. Nevertheless, the study maintains that it is possible that some deportees are involved in violent crime, and that such activity can have a significant impact in such small Caribbean countries.<sup>46</sup>

Stigma has been a major problem facing deportees to Caribbean countries, with employers often unwilling to hire deportees because of the perception that they are hardened criminals that cannot be trusted. Caribbean officials often fuel the stigma by contending that the deportees are largely responsible for the rise in crime in the region. For example, Haitian officials have repeatedly criticized the deportations, and have blamed the country's increase in violent crime and kidnaping on the deportees. In contrast, foreign diplomats as well as officials of the U.N. police force in Haiti dispute this, and assert that Haiti's powerful street gangs are responsible for the crime.<sup>47</sup> In Jamaica, government officials often link the criminal deportees to criminal organizations and rising homicide rates in the country. Some Jamaican politicians contend that the deportees learned their criminal ways in the United States and that many have lived in the United States since they were young children. In contrast, noted Jamaican criminologist Bernard Headley contends that the majority of criminal deportees in Jamaica are not hardened criminals, and that a only minority of deportees were raised in the United States at a young age.<sup>48</sup>

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<sup>45</sup> Deportation statistics for 1996 and 2005 are from the annual Yearbook of Immigration Statistics, DHS, while 2006 statistics were provided to CRS from DHS.

<sup>46</sup> United Nations Office on Drugs and Crime (UNODC) and World Bank, "Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean," March 2007, p. 10.

<sup>47</sup> Gary Marx, "New Life Is No Life for U.S. Ex-cons in Haiti," *Chicago Tribune*, May 17, 2007.

<sup>48</sup> UNODC/World Bank report, p. 88; Bernard Headley, "Giving Critical Context to the Deportee Phenomenon," *Social Justice*, Vol 33, No. 1, 2006; Marc Lacey, "No Paradise for Criminals Deported to Jamaica," *New York Times*, March 21, 2007



Caribbean officials have called on the United States to provide better information on deportees with criminal records. Some have recommended that U.S. law enforcement authorities share information on all Caribbean deportees, with the goal of establishing a Deportee Databank for the region. Some Caribbean officials have also called on the United States to reconsider the policy of deporting long-term permanent residents, balancing such issues as the interests of children, the interests of the individual, and the impact on both the United States and recipient countries.<sup>49</sup>

Caribbean leaders have also called for reintegration assistance to help returning nationals, many who have spent many years away from their country. Speaking at the June 2007 CARICOM meeting in Washington D.C., Jamaican Prime Minister Portia Simpson Miller called for international assistance for rehabilitation, reintegration into society, and mechanisms for effective monitoring.<sup>50</sup> The U.N.-World Bank study noted above maintained that assisting reintegration efforts in the Caribbean for deported offenders could be a cost-effective way for deportee-sending countries to promote development and weaken international criminal networks. The study recommended improved coordination and information sharing on criminal deportees by sending countries; robust research on the contribution of deportees to crime; and the financing of deportee reintegration programs, including financial support from sending countries.<sup>51</sup>

CARICOM issued a report on crime and security in 2002 recommending that its member states establish offices for the resettlement of deportees, modeled after such an office in St. Kitts and Nevis, that would provide temporary employment, housing, and other services. Several countries in the region have established such offices. Trinidad and Tobago, for example, established a Social Displacement Unit within the Ministry of Social Development that assesses the needs and provides some assistance to deportees.

**Table 8. U.S. Deportations to the Caribbean, FY2005-FY2007**

Country	FY2005			FY2006			FY2007 (through June 18, 2007)		
	Total	Criminal	Non-Criminal	Total	Criminal	Non-Criminal	Total	Criminal	Non-Criminal
Antigua-Barbuda	33	27	6	37	32	5	18	16	2
Bahamas	135	122	13	75	65	10	57	47	10
Barbados	57	—	—	42	39	3	25	22	3
Belize	178	121	57	167	108	59	117	72	45
Cuba	47	26	21	39	22	17	21	14	7
Dominica	24	17	7	21	14	7	25	22	3
Dominican Republic	2,929	2,301	628	2,805	2,241	564	1,677	1,336	341

<sup>49</sup> House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, Testimony of Annmarie Barnes, Ministry of National Security, Jamaica, Hearing on “Deportees in Latin America and the Caribbean,” July 24, 2007.

<sup>50</sup> CARICOM Secretariat, Press Release 143/2007 (June 20, 2007), Address by the Most Hon. Porta Simpson Miller, Prime Minister of Jamaica, Washington, D.C. June 19, 2007.

<sup>51</sup> UNODC/World Bank report, pp. xvi and 81.

Country	FY2005			FY2006			FY2007 (through June 18, 2007)		
	Total	Criminal	Non-Criminal	Total	Criminal	Non-Criminal	Total	Criminal	Non-Criminal
Grenada	38	27	11	25	20	5	17	15	2
Guyana	347	251	96	253	176	77	179	132	47
Haiti	1,088	584	504	814	296	518	783	372	411
Jamaica	1,777	1,480	297	1,426	1,249	177	823	709	114
St. Kitts and Nevis	21	—	—	24	22	2	6	5	1
St. Lucia	27	17	10	24	13	11	21	13	8
St. Vincent and the Grenadines	38	30	8	18	14	4	10	7	3
Suriname	22	7	15	15	7	8	8	6	2
Trinidad and Tobago	398	305	93	315	249	66	194	163	31
<b>Total: Caribbean</b>	7,159 <sup>a</sup>	5,315 <sup>a</sup>	1,766 <sup>a</sup>	6,100	4,567	1,533	3,981	2,951	1,030
<b>Total: World</b>	17,3651	85,517	88,134	196,707	88,970	107,737	177,517	59,491	89,885

**Source:** Prepared by Nelson Olhero, Research Associate, CRS Foreign Affairs, Defense and Trade Division, utilizing information provided by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

a. The number of criminal and non-criminal deportees does not add to the sum total in FY2005 because no data distinguishing these categories is provided for Barbados and St. Kitts and Nevis in that year.

In 2006, the United States indirectly funded a \$1 million pilot project in Haiti through the United Nations Development Program and implemented by the International Organization for Migration (IOM), which established a Haitian government program providing services to deportees. The program, which began operating in 2007 under the Haitian government’s Ministry of Social Affairs, involves counseling, HIV/AIDS testing, a drug rehabilitation program, skills training, and micro-enterprise support. State Department officials indicate that they are hoping to use the program as a model for reintegration programs in other CARICOM countries in the future.<sup>52</sup>

<sup>52</sup> Testimony of Charles S. Shapiro, Principal Deputy Assistant Secretary of State, Bureau of Western Hemisphere Affairs, House Subcommittee on the Western Hemisphere, Hearing on “Deportees in Latin America and the Caribbean,” July 24, 2007; Eric Green, “Project to Help Haitian Deportees Serves as Model for Caribbean,” U.S. Department of State, International Information Programs, August 7, 2007.

## Caribbean Energy Security<sup>53</sup>

A major concern for Caribbean nations—the majority of which are net energy importers—has been the rising price of oil and the potential effect of such rising prices on economic growth and social stability. In the Caribbean region, only three nations—Trinidad and Tobago, Cuba, and Suriname—have significant oil and gas reserves.<sup>54</sup> Of these, only Trinidad and Tobago is a major oil and gas producer. With gas reserves of 19 trillion cubic feet—the fifth largest in the Western Hemisphere—Trinidad is the largest supplier of liquefied natural gas (LNG) to the United States, accounting for 75% of all U.S. LNG imports. It also produced an estimated 150,000 barrels of oil per day in 2006. Both oil and gas reserves in Trinidad have declined in recent years, putting pressure on exploration efforts in order to sustain future production. Cuba produces oil, about 69,000 barrels of oil per day, but still imports a majority of its consumption needs. Estimates of Cuba's offshore oil reserves, however, approach 5 billion barrels of undiscovered oil.<sup>55</sup> Suriname produces about 12,000 barrels of oil per day. Barbados also produces a small amount of oil, which is refined in Trinidad and Tobago, but it imports 90% of its oil consumption needs.

Venezuela is now offering oil to Caribbean nations on preferential terms in a new program known as PetroCaribe, and there has been some U.S. concern that the program could increase Venezuela's influence in the Caribbean region. Since 1980, Caribbean nations have benefitted from preferential oil imports from Venezuela (and Mexico) under the San Jose Pact, and since 2001, Venezuela has provided additional support for Caribbean oil imports under the Caracas Energy Accord. PetroCaribe, however, goes further with the goal of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program.

Under the program, Venezuela is offering to supply 190,000 barrels per day of oil to the region on preferential terms. When oil prices are over \$50 a barrel, 40% of the volume is financed over 25 years at an annual interest rate of 1%. Cuba, a major beneficiary of PetroCaribe, receives some 90,000 barrels per day (bpd) of oil from Venezuela, while the Dominican Republic receives some 40-45,000 bpd and Jamaica receives some 23,500. Fourteen Caribbean nations are signatories of PetroCaribe. PetroCaribe also has the goal of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program. Barbados, which already receives discounted petroleum rates from Trinidad, has declined to sign the agreement, and Trinidad, which has its own abundant energy resources, has declined to sign.

In the past, Trinidad's Prime Minister Patrick Manning warned other CARICOM nations that PetroCaribe could leave them dependent on Venezuelan oil.<sup>56</sup> Petrotrin, Trinidad and Tobago's state-owned oil company reportedly is looking for new oil markets outside the Caribbean to replace some markets lost to Venezuela because of PetroCaribe. The company traditionally has

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<sup>53</sup> For additional information, see CRS Report RL33693, *Latin America: Energy Supply, Political Developments, and U.S. Policy Approaches*, by (name redacted), (name redacted), and (name redacted).

<sup>54</sup> "Caribbean Fact Sheet," U.S. Department of Energy, Energy Information Administration, July 2006.

<sup>55</sup> Jorge Piñon, "Cuba's Energy Future," University of Miami, Cuba Transition Project, Institute for Cuban and Cuban American Studies, May 2007.

<sup>56</sup> "Trinidad PM Says Venezuela's PetroCaribe Scheme a 'Direct Threat,'" *BBC Monitoring Americas*, September 6, 2006.

sold about 60,000 barrels per day of oil to the region.<sup>57</sup> More recently, Trinidad has increased its energy cooperation with Venezuela. In March 2007, Trinidad and Venezuela signed an agreement for the joint development of offshore gas blocks that lie in common waters. Trinidadian Prime Minister Patrick Manning has suggested that the gas produced from the joint endeavor should be processed in Trinidad because it already has the infrastructure in place and well-developed LNG capabilities.<sup>58</sup> Manning also has proposed to both Brazil and Venezuela that the three countries cooperate in building a second oil refinery in Trinidad and Tobago.<sup>59</sup>

The development of biofuels such as ethanol, produced from sugar, could help some Caribbean countries reduce their dependence on imported oil. In March 2007, the United States and Brazil signed an agreement to promote greater cooperation on ethanol with part of the accord focusing on assistance for biofuels development in several countries, including the Dominican Republic, Haiti, and St. Kitts and Nevis. In early August 2007, Brazil and Jamaica signed an agreements to help modernize Jamaica's sugar and ethanol sectors.<sup>60</sup>

## Legislative Initiatives in the 110<sup>th</sup> Congress

### Caribbean-American Heritage Month

**H.Con.Res. 148 (Lee)**, introduced May 14, 2007 and passed by the House on June 18, 2007 by voice vote, recognizes the significance of National Caribbean-American Heritage Month.

### Caribbean Community

**H.Res. 418 (Engel)**, passed (386-0) by the House June 11, 2007; recognizes and welcomes the delegation of Presidents, Prime Ministers, and Foreign Ministers from the Caribbean to Washington DC, and commends the Caribbean Community for holding the conference on the Caribbean.

### Education

**H.R. 176 (Lee)**, Shirley A. Chisholm United States-Caribbean Educational Exchange Act of 2007—introduced January 4, 2007; reported by the House Committee on Foreign Affairs July 23, 2007 (H.Rept. 110-254); and passed (371-55) by the House on July 31, 2007—would authorize assistance to the countries of the Caribbean to fund educational development and exchange programs.

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<sup>57</sup> Linda Hutchinson-Jafar, "Rival Forces to Seek New Oil Markets," *Reuters News*, March 6, 2007.

<sup>58</sup> "Jens Gould, "Venezuela, Trinidad Sign Gas Unification Agreement," *Platts Oilgram News*, March 22, 2007.

<sup>59</sup> Juliette Kerr, "Prime Minister of Trinidad and Tobago Proposes New Refinery with Support from Other Countries in the Region," *World Markets Research Centre*, March 23, 2007.

<sup>60</sup> "Jamaica, Brazil to Deepen Cooperation," *BBC Monitoring Americas*, August 11, 2007.

## Energy

**S. 1007 (Lugar)**, introduced March 28, 2007, would, among other provisions: direct the Secretary of State to work with the government of Brazil and other foreign governments in the Western Hemisphere to ensure energy security by fostering the development of biofuels production, research and infrastructure; and require a study and investigation from the Secretary of the Treasury regarding ethanol imports from certain Caribbean Basin countries. **S. 1106 (Thune)**, would extend the additional duty on ethanol from January 1, 2009 to January 1, 2011, and require an investigation into ethanol imports from certain Caribbean Basin countries.

## Health and HIV/AIDS

**H.R. 848 (Fortuño)**, introduced February 6, 2007, would amend the State Department Basic Authorities Act of 1956 to authorize assistance to combat HIV/AIDS in Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Trinidad and Tobago and Dominican Republic. **H.Con.Res. 166 (Lee)**, introduced June 7, 2007, would support the goals and ideals of National Caribbean American HIV/AIDS Awareness Day. **H.Con.Res. 173 (Jones, Stephanie Tubbs)**, introduced June 21, 2007, would support the goals and ideals of the First Summit of Caribbean Ministers of Health.

## Jamaica

**H.Con.Res. 16 (Lee)**, introduced January 5, 2007, would congratulate Prime Minister Portia Simpson Miller for becoming the first democratically-elected female Prime Minister of Jamaica and the first female Jamaican head of state.

## Passport Requirements

**H.R. 2638 (Thompson, Bennie)**, the FY2008 Department of Homeland Security Appropriations Act, both the House and Senate-passed versions have provisions that would delay the implementation of any plan for passport requirements to no earlier than June 1, 2009. The House approved its provision on June 15, 2007, when it passed H.Amdt. 291 (LaTourette), by a vote of 379 to 25, prohibiting any funds in the bill from implementing a passport requirement plan under section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004. The Bush Administration opposes any provisions in the bill that would delay implementation of the Western Hemisphere Travel Initiative to June 2009.

**H.R. 1684 (Thompson, Bennie)**, Department of Homeland Security Authorization Act for FY2008, passed (296-126) by the House May 9, 2007; Section 1124(a) of the House-passed bill would, among other provisions, provide that citizens of the United States or Canada less than 16 years of age not be required to present a passport when returning to the United States from Canada, Mexico, Bermuda, or the Caribbean at any port of entry along the international land or maritime border of the United States.

**H.R. 1061 (Slaughter)**, Protecting American Commerce and Travel Act of 2007, introduced February 14, 2007, would: direct the Secretary of Homeland Security to conduct a pilot program to determine if a state driver's license may be enhanced to satisfy the passport requirements of the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458) for land and sea travel

only; provide that a U.S. citizen under 17 shall not be required to present a passport when returning to the United States from Canada, Mexico, Bermuda or the Caribbean at specified ports of entry; direct the Secretary of State to issue U.S. citizen applicants a passport card that may be used for international travel although the Secretary may limit the use of a passport card to only international land and sea travel.

### **Tax Havens**

**S. 396 (Dorgan)**, introduced January 25, 2007, would amend the Internal Revenue Code to treat controlled foreign corporations established in tax havens as domestic corporations, including those in several Caribbean states. **S. 681 (Levin)**, introduced February 17, 2007, and **H.R. 2136 (Doggett)**, introduced May 3, 2007, the Stop Tax Haven Abuse Act, would restrict the use of offshore tax havens and tax shelters to inappropriately avoid Federal taxation. Of the 34 countries and territories listed as “offshore secrecy jurisdictions,” 16 are in the Caribbean.

### **Trade**

**H.R. 762 (Fortuño)**, introduced January 31, 2007, would authorize appropriations for FY2008 for voluntary contributions on a grant basis to the Organization of American States to establish a Center for Caribbean Basin Trade and to establish a skill-based training program for Caribbean Basin countries.

## **For Additional Reading**

CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by (name redacted).

CRS Report RL33819, *Cuba: Issues for the 110<sup>th</sup> Congress*, by (name redacted).

CRS Report RS21718, *Dominican Republic: Political and Economic Conditions and Relations with the United States*, by (name redacted) and (name redacted).

CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by (name redacted).

CRS Report RS21930, *Ethanol Imports and the Caribbean Basin Initiative (CBI)*, by (name redacted).

CRS Report RS20864, *A Free Trade Area of the Americas: Major Policy Issues and Status of Negotiations*, by (name redacted).

CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by (name redacted) and (name redacted).

CRS Report RL32001, *HIV/AIDS in the Caribbean and Central America*, by (name redacted).

CRS Report RL33693, *Latin America: Energy Supply, Political Developments, and U.S. Policy Approaches*, by (name redacted), (name redacted), and (name redacted).

CRS Report RL33828, *Latin America and the Caribbean: Issues for the 110<sup>th</sup> Congress*, coordinated by (name redacted).

CRS Report RS22657, *Latin America and the Caribbean: Fact Sheet on Economic and Social Indicators*, by (name redacted).

CRS Report RL33162, *Trade Integration in the Americas*, by (name redacted).

CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by (name redacted).

CRS Report RL32739, *Tsunamis: Monitoring, Detection, and Early Warning Systems*, by (name redacted).

CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean*, by (name redacted), (name redacted), and (name redacted).

CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by (name redacted).

CRS Report RL32014, *WTO Dispute Settlement: Status of U.S. Compliance in Pending Cases*, by (name redacted).

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