

National Defense University

National War College

**CENTRAL AMERICA AND THE CARIBBEAN
-- A FRAMEWORK FOR ANALYSIS**

*A CASE OF PROFOUND TRANSFORMATION
AND OPPORTUNITY*

Core Course 5604

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Introduction

U S policy toward Central America and the Caribbean, like any regional foreign policy, is framed by America's world vision. This framework has changed radically with the end of the Cold War. The Clinton Administration has articulated this global vision in a National Security Strategy of "Engagement and Enlargement." Broadly speaking, there are four components in that vision: 1) promoting political stability and security, 2) advancing economic security and prosperity, 3) promoting democratic values, and 4) cooperating with other nations to resolve our common agenda of trans-national problems.

American goals and interests in Central America and the Caribbean reflect this strategic framework. The United States is closely bound to this region by ties of geography, history, culture and economics. What distinguishes American foreign policy interests in Central America and the Caribbean, from other parts of the globe, is the overarching importance of the "inter-mestic" component of our foreign policy agenda -- migration, narcotics, organized crime, and environmental protection are the most important examples. There is no region in the world where a failure of U S foreign policies would so damage our domestic agenda. Our central challenge in this region, therefore, is to ensure that our domestic policies, particularly in the areas of law enforcement, and our foreign policies are mutually reinforcing and sustainable.

At the same time, the region also presents major opportunities for the United States. Mexico is our third largest trading partner and an important source of imported energy. American exports have penetrated the markets of Central America and the Caribbean to the extent that the centrally important economic issue is not market access but market size. Clearly economic growth in the region would benefit American exporters.

U.S. Goals and Interests

With these factors in mind the Clinton Administration has articulated the following foreign policy goals toward Central America and the Caribbean

-- *Reduce internal nation-state tensions* by strengthening political and social stability and consolidating democracy Help countries in the region build a civil society with enduring democratic institutions, civilian control of government, rule of law and respect for human rights utilizing technical training and law enforcement cooperation programs The legacy of U S intervention in the region means that multilateral rather than bilateral efforts may be more welcomed and sustainable Accordingly, the U S will work when it can through multilateral organizations such as the Organization of American States

-- *Lessen external nation-state tensions* by strengthening regional institutions such as the Organization of American States and Free Trade Areas, encouraging participation in global institutions such as the WTO and OECD, and promoting confidence building measures such as military-to-military exchanges, joint exercises and transparency in defense policy

-- *Promote sustainable development, social equity and eradication of poverty*
Accomplish this by facilitating new private sources of investment capital, which generally brings organizational, managerial and technical expertise as well as needed capital to link the recipient country with the world economy With low savings rates but high investment requirements, the region is more vulnerable than others to swings in world capital markets Yet it must continue to rely on foreign direct investment for needed capital The U S can help reduce the risk inherent in more open capital markets (utilizing the resources of the international financial institutions, and regional development banks) by enhancing transparency and setting aside resources to deal with the possibility of a financial crisis The U S can help the region fight the corruption that

undermines economic progress through regional and multilateral initiatives such as the “No to Corruption” agreement at the Miami summit and the Illicit Payments Initiative in the OECD

-- *Accelerate economic integration* of the region by steadily implementing the NAFTA, implement “NAFTA parity” legislation to ensure that Caribbean countries are not disadvantaged by NAFTA, obtain Congressional support for a renewed GSP program, lead negotiations on a hemispheric free trade agreement with the goal of completing negotiations by 2005 and completing implementation by 2015, and encourage countries to work together toward common objectives in multilateral economic negotiating fora

-- *Address cooperatively common concerns* such as environmental degradation, communicable diseases, narcotics, international crime and terrorism Use global and regional fora where possible, but bilateral negotiations when necessary to discuss issues such as migration where interests differ

These foreign policy objectives are politically sustainable in the United States because they are determined less by idealism than by national interests U S policy to promote *political stability and democracy* stems from a belief that democratic societies will be less prone to internal tensions and less likely to turn to violence to resolve external tensions Hence a region governed by democracies will be more stable U S efforts to sustain *regional economic prosperity* stem from our economic interests It is estimated that by 2002, U S exports to Central America and the Caribbean will rise 51% and imports will increase 43% Moreover, economic prosperity will enhance other foreign policy goals, it will alleviate illegal immigration, assist in law enforcement and narcotics eradication programs and enhance regional political stability Many of the United States’ most pressing social problems -- unsustainable flows of illegal immigration, trafficking in illegal narcotics, and air and water pollution along our borders

cannot be resolved without regional cooperation Therefore it is in the United States' interest to elicit *cooperation on trans-national issues*

Regional Trends and Country Analysis

Political and security trends are positive, but the gains are fragile

Democracy is spreading Thirty-four of 35 nations in the hemisphere have democratically-elected governments (Cuba is the sole regional holdout) Increasingly, Central American militaries are accepting the concept of civilian authority and rule of law

The region is becoming more politically stable Conflict, tension and political violence have diminished dramatically and disarmament is quickening The long history of armed conflict in Central America seems to have ended Regional leaders have forged ties that have facilitated the settlement of long-running differences such as the dispute over the Honduran-Salvadoran border Regional institutions, such as the Organization of American States, play a constructive role For example, the OAS brokered the Pact for Democracy to resolve disputed elections in the Dominican Republic

Rise of an unfriendly hegemon or hostile alliance is unlikely As a result, traditional challenges to U S security interests in the region are unlikely Conversely, countries in the region recognize that their prosperity hinges on U S economic ties and implicit security guarantees U S engagement in the region will be welcomed, but to sustain that attitude, we must be sensitive to nascent concerns about U S domination

Cuba no longer poses a security threat Loss of support from its Soviet patron, and internal economic problems means that the Castro regime is no longer able or willing to attempt to export its ideology Although other nations in the region support our goal of seeking a

democratic transition in Cuba, they differ over tactics. Indeed most countries in the region, particularly Mexico, are hostile toward U S policies that attempt to force them to halt dealings with the Castro regime. This dissonance has undermined efforts to cooperate in other areas and shifted the focus away from Castro's dismal human rights record and failed economic policies.

Economic Trends also positive but pose a greater challenge

Countries have achieved modest economic growth but with wide disparities in incomes. Central American countries have among the highest population growth rates in Latin America, meaning that their economies must grow rapidly to absorb the increased labor force. Rural poverty is increasing (however, half of the poor of Central America are in urban areas). Mexico has recovered from the peso crisis while the fears of a "tequila effect" appear to have been exaggerated. Nonetheless Guatemala, El Salvador, Belize, Honduras and Nicaragua are impoverished. Deepening and quickening of economic reforms in Mexico, El Salvador and elsewhere are needed to sustain investor confidence and generate sustainable growth.

Geography makes the region important to the U S

Mexico is of particular importance because domestic turmoil could translate into a security problem for the United States. We share a 2,000-mile long border with a nation of 94 million persons. We also share a population with 4-5 million Mexican-born persons living in the United States and 500,000 U S citizens living in Mexico -- the largest U S civilian presence abroad anywhere. Mexico is our second largest export market, since 70% of Mexican imports come from the United States, there is a direct correlation between Mexican economic prosperity and American export-sector jobs. Moreover, the U S obtains significant energy supplies (oil

and natural gas) from Mexico. Currently 11% of our petroleum imports come from Mexico, which holds the second largest reserves outside the volatile Persian Gulf region. These energy supplies are more secure than alternative sources from the Middle East, and cheaper to transport to U.S. consumers.

Trans-national issues are of paramount importance

-- Mexico, Central America and the Caribbean matter to the U.S. because these nations are neighbors. Economic problems in the region will soon cause U.S. domestic problems. The essence of our strategy toward Mexico, Central America and the Caribbean must be to ensure that these states develop into full collaborators against, rather than conduits for and sources of, illegal migration, narcotics, cross-border pollution and international crime.

U.S. Policy -- Capabilities and Means

-- There is a *role for U.S. leadership* particularly in the economic and political spheres. There is a growing recognition that the United States shares common interests with other countries in the region and can play a constructive role. No country in the region (with the possible exception of Cuba) expects to successfully challenge U.S. power. Our chief asset is our articulation of democratic ideals, promotion of human rights, successful economic system and the example of a society governed by the rule of law and civilian control. These "soft power" assets provide influence beyond what can be measured by economic indicators. They mean that small amounts of resources can promote important U.S. interests.

-- *Our ability to lead is tempered* somewhat by ambivalent feelings toward the U.S. Anti-American sentiment (and some jealousy of our economic power and political weight) remains,

particularly in Mexico. Although this tendency has diminished, resentment over historical examples of U.S. dominance tempers somewhat our ability to exert power unilaterally. On the other hand, countries of the region are also frustrated by U.S. neglect and desire to be treated with respect as independent nations.

-- *Strong regional organizations* such as the Organization for American States and the Inter-American Development Bank can play a constructive role in advancing U.S. interests -- particularly on issues (such as combating corruption, improving administration of justice, privatization initiatives and good governance) where overt U.S. leadership might be counterproductive. The United States maintains a strong voice in these institutions, but their multilateral character makes these organizations less threatening to others.

-- *Trade and investment flows* tie countries of the region to the U.S. economy. This gives us regional influence, but also a stake in its continued growth and prosperity. Countries of the region want greater economic ties because they perceive the U.S. economy as an engine of growth. The Caribbean nations want closer ties with the United States in the form of "NAFTA parity" (immediately) and a free trade agreement (over the long term). Several Central American countries have already concluded Bilateral Investment Treaties with the United States and the prospect of a Free Trade Agreement with their largest and most important overseas market continues to spur economic reforms.

-- *Differing perceptions on trans-national issues may impede cooperation.* As close neighbors, policies on the environment, law enforcement, terrorism and narcotics affect U.S. security interests. Although there is a growing recognition that cooperation is essential to resolving these issues, the U.S. has not recognized that countries in Central America and the Caribbean may have different goals and priorities. For example, Mexico and other nations tend

to view illegal migration to the United States as a social “safety valve” and are less interested in stemming flows of migrants. Likewise, many nations in the region view illegal narcotics flows as mainly a problem of U.S. demand. Differing perceptions have undermined cooperative efforts to confront these problems.

Evaluation of U.S. Policy towards Mexico and Central America

-- *Direct personal ties* in Latin America are important. The Summit of the Americas in Miami was a good start, but efforts to build personal relations between leaders have faltered since then. President Clinton should visit Mexico soon to meet President Zedillo. This act would convey the message that we regard Mexico as an important bilateral partner, and would encourage progress on important issues such as economic openness, environmental protection and law enforcement. We should seek agreement at this meeting for follow-on meetings between Attorney General Reno, Secretary Albright, and Secretary Cohen with their counterparts. President Clinton, however, should avoid the perception that he favors any particular Mexican leader or political party (Bush’s problem with Salinas), but he should pursue close relations with whomever the Mexican democratic system selects as its leader. In pursuit of this goal, U.S. congressmen should consider establishing ties with ruling and opposition party leaders through parliamentary exchanges.

-- *The main security threats are internal challenges* to democratic rule. This is in contrast to the Cold War period when external threats (real or imagined) were seen as the major security problem and there was an apparent conflict between promoting political stability and human rights. Current threats can best be met through promoting democracy and the rule of law and by continuing with policies leading to sustained economic growth. The U.S. should

consider promoting judicial reform and greater law enforcement cooperation including police training and provision of technology For example the United States could establish a regional law enforcement academy where Central American and Caribbean nations could train personnel and improve working relations with other nations

-- *Avoid emergence of unfriendly coalitions* Although the rise of an unfriendly hegemon able to challenge U S regional supremacy is unlikely, the U S should consolidate regional institutions and strengthen bilateral relationships (particularly with Mexico) to ensure that nations in the region do not align with unfriendly outside powers U S should continue to mitigate the regional influence of the Castro regime and channel Canadian interest into constructive projects such as promoting democracy in Haiti

-- *Minimize differences over Cuba* The United States should begin a dialogue with Mexico, Canada and other nations in the region to re-focus the debate on Castro's failed policies and how to encourage a transition to democratic rule in Cuba Within the constraints of domestic politics, we should review our Cuba policies to see if the foreign policy costs (such as promoting multilateral economic institutions) outweigh the benefits of Helms-Burton legislation

-- *Promote economic integration and encourage economic reforms* As the engine of regional economic growth, the U S must sustain its relatively open economy, resist protectionist pressures, promote open economic policies and pass and implement "NAFTA parity" legislation The best way to "lock-in" regional economic reforms would be to utilize the "carrot" of eventual NAFTA accession to encourage additional reforms in countries not yet prepared for NAFTA obligations Two available tools are our Bilateral Investment Treaty and Intellectual Property Rights Protection Agreement programs Nations in the region can be encouraged to sign on, as a transitional arrangement leading toward a Free Trade Agreement The U S should also consider

a TIFA (Trade and Investment Framework Agreement) program similar to the dialogue the U S held with Mexico prior to NAFTA negotiations. Under a TIFA, American economic officials meet annually with counterparts to resolve trade and investment issues. This dialogue could encourage the liberalization and reform necessary to prepare for NAFTA membership requirements.

-- *Public Diplomacy* The United States and countries in the region share a common agenda and the U S should enhance regional understanding of our common interests such as promoting sustainable development, protecting the environment, combating corruption, and preventing the spread of infectious diseases.

-- *Panama* No discussion of this region would be complete without a brief look at the relationship between the United States and Panama. Currently, Panama will assume full control of the Panama Canal on December 31, 1999. Additionally, U S authorities have transferred several military sites to Panama, with six installations remaining under U S control reverting to Panama during 1999. The U S has already reduced its military personnel in Panama from 11,000 in 1992 to about 7,500 today. The remainder of American forces are scheduled to leave by the end of 1999. Panama and Washington continue to work toward a solid cooperative relationship in the 21st century. At issue is a mutually satisfactory agreement on the retention of some U S military bases in Panama.

The Panamanians have determined that the departure of U S forces would cost Panama thousands of jobs and over \$300 million in annual purchases. This figure represents 4% of Panama's GNP. U S budgetary pressures call for closing nonessential overseas bases. The United States Southern Command has already begun to move to Miami in anticipation of the total troop pullout. At stake may be the continued superb U S -Panama relationship.

Some say that losing access to Panamanian bases would damage U S counter-drug support and cooperative security programs in Latin America. To Panama, withdrawal represents removal of a valuable physical symbol of U S commitment. Former SOUTHCOM CINC General Barry McCaffery explains, however, that, “We have no vital military or economic interest directly at stake in Panama which we cannot support through some other strategy.” Additionally the Department of Defense no longer considers Panama Canal passage “vital” for U S military needs.

The United States should continue to execute provisions of the 1977 treaty and withdraw forces from Panama by 1999. This policy would not, however, prohibit our nation from exploring limited co-basing arrangements to satisfy Panama’s concern for a visible show of U S resolve and our concern for maintaining counter-drug efforts. This arrangement would also demonstrate full respect for Panamanian sovereignty.

Conclusion

With the end of the Cold War, the United States faces no immediate security threats in Central America and the Caribbean. This does not mean, however, that we have no national security interests in the region. Because countries in Central America and the Caribbean are close neighbors, political instability would soon spill over in the form of illegal migration, and narcotics trafficking. Moreover, lack of attention to the region would mean that we forgo significant economic opportunities. Our important national security interests can be assured with minimal expenditure of resources, but they do require domestic political leadership.

Present policies toward ensuring political stability and promoting democratic values are adequate and should be continued. The Clinton Administration, however, should increase personal ties between U S and Central American leaders, particularly with Mexico. By forging a special relationship with Mexico that matches our tremendous common interests, the two nations' leaders can overcome a legacy of mistrust and misunderstanding that continues to undermine common goals and objectives.

These political policies will fail, however, unless the region continues its economic growth. Although the United States cannot determine success of the region's economic policies, we can assume a leadership role. In the short term this means passing and implementing "NAFTA parity" for the Caribbean nations, and obtaining "Fast Track" legislation for additional countries to join NAFTA. The major impediment to this policy, is not the lack of foreign policy resources, rather it is domestic political opposition. Success will require a public education program and political leadership to explain to the American people and to members of Congress why U S interests are inexorably tied to the political stability and economic growth of our neighbors to the south.