

Strengthening U.S.-Caribbean Ties

An Interview with Melanie Chen, Board Director, Atlantic Council

EDITORS' NOTE *Melanie Chen is a Board Director at the Atlantic Council, a position which she has held since 2014. She is currently the only member of the Atlantic Council Board born in the Caribbean. She is a former investment banker and began her career at Salomon Brothers and worked as a managing director in the Global Energy Group at Morgan Stanley.*



Melanie Chen

INSTITUTION BRIEF *The Atlantic Council (atlanticcouncil.org) promotes constructive leadership and engagement in international affairs based on the Atlantic Community's central role in meeting global challenges. The Council provides an essential forum for navigating the dramatic economic and political changes defining the twenty-first century by informing and galvanizing its uniquely influential network of global leaders. The Atlantic Council – through the papers it publishes, the ideas it generates, the future leaders it develops, and the communities it builds – shapes policy choices and strategies to create a more free, secure, and prosperous world.*

What do you see as the Caribbean's strategic importance as a key partner for the United States?

First, sheer geography. The Caribbean islands are the U.S.' closest neighbors to the south for a large swathe of the country extending from Florida to Texas. We share the common waters of the Caribbean Sea and it behooves us to collaborate on energy and sustainability issues in the interest of mitigating negative environmental externalities.

Second, what happens in the Caribbean has reverberations on U.S. shores – from international relationships in this era of rising superpowers to climate migration and illicit trade to narcotics trafficking and transnational crime. Additionally, look at broader hemispheric issues, such as the Venezuelan crisis, where instability spills over into Caribbean waters. In that same light, Caribbean nations can be partners in identifying solutions to some of these larger hemispheric challenges.

Of course, we must recognize how Caribbean immigrants to the United States have traditionally been among the highest-performing immigrant groups, providing vital contributions to the U.S. economy.

Will you discuss the vision for launching the Caribbean Initiative and how you define the mission of the Initiative?

The Caribbean Initiative raises awareness of the strategic importance of the Caribbean in Washington while promoting greater alignment between the Caribbean and the United States on joint challenges and joint solutions. It is a response to the lack of sustained attention to the Caribbean in Washington. My hope is that this initiative paves the way for new ideas and new commitments for the United States and the Caribbean to work together in confronting shared global challenges. The Caribbean has not had a sustained voice in Washington since the late 1980s; I now hope that it does.

How has the global pandemic impacted the Caribbean and how is the region addressing this challenging and unprecedented time?

The global COVID-19 pandemic has drastically affected our islands. Tourism is the mainstay of most Caribbean economies – in the Bahamas, Barbados, and Jamaica, for example, it accounts for 34 to 48 percent of GDP – and it is arguably the sector most affected globally by the coronavirus. The Inter-American Development Bank identified shocks such as a slowed tourism industry, trade losses in commodity-based economies, and decreases in foreign direct investments and remittances as having dramatic impacts on the region. At the same time, COVID-19 may have revealed the benefits of integrated, unified coordination among Caribbean nations when faced with external threats. The regional architecture of CARICOM has received praise for

its performance in organizing and supporting the region during the pandemic.

What do you see as the role that the Caribbean can play in regard to fighting climate change?

The Caribbean is potentially a global leader when it comes to fighting climate change. Nearly 30 Caribbean islands are classified as small island developing states for which climate change represents an existential crisis. These islands form a significant portion of AOSIS (Alliance of Small Island States), which has been instrumental in shaping the outcomes of the Conferences of the Parties (COP) to the Paris Agreement and advocating for reducing temperature rise well below 1.5°C. As a result of their unique vulnerabilities, the Caribbean is a great incubator of sustainable policy solutions that promote climate adaptation, mitigation and resilience. The Caribbean could be a global model of what works and what does not in terms of climate policy.

Will you highlight the Caribbean's focus on sustainable energy transition and how critical this is to the region?

For over 100 years there has been substantial investment by U.S. companies in the Caribbean's hydrocarbon sector, and the transition to green and more sustainable energies in the mid-term offers new investment prospects particularly if there is a resolution of the Venezuelan crisis. This transition is critical because the energy sector plays a crucial role in all stages of the disaster risk management cycle and all societal service systems – for example, healthcare, infrastructure, and telecommunications – rely on the energy sector for both daily activities and emergency response and recovery.

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For these and other reasons, energy security is essential for sustainable development and poverty eradication.

Green growth, low-emission policies, and climate resilient development initiatives can result in lower operational costs and create economies of scale. Fortunately, the geography and topography of the region are well-suited to most renewable technologies.

What have been the repercussions of the Venezuela crisis on the region?

First, we must find an international or regionally brokered resolution to the Venezuela crisis that allows for the rebirth of democratic institutions and for an alleviation of humanitarian suffering. The current situation has led to more than five million Venezuelan migrants and refugees, with most in Latin America and the Caribbean. Although Colombia has received by far the largest number of refugees, the Caribbean, especially Aruba, Curaçao, the Dominican Republic, Guyana, and Trinidad & Tobago, is projected to host some 224,000 Venezuelans by the end of 2021 and account for some of the highest percentages per capita in the region – 26,000 refugees in Curaçao is 16 percent of the total population.

This is a concern not only in the humanitarian sense, but also regarding security. Host countries with limited resources and further hampered by the COVID-19 pandemic are overburdened. Countries receiving Venezuelans need greater assistance.

How critical is security cooperation to address the flow of illicit activities and is this cooperation happening?

Greater hemispheric cooperation is urgent when it comes to security. Corruption is a

concern in most democracies in the region, from bribery and petty crime to money laundering and terrorism financing schemes. It is in the U.S. interest to contribute to anti-corruption efforts in order to spur development, national stability, advance human rights, and reverse social exclusion and poverty.

The United States has spent over \$1 trillion on counter-narcotics efforts domestically and in Latin America and the Caribbean since the 1970s, but cooperation and information sharing on a range of illicit activities including, but not limited to, narcotics trafficking is fundamental. Additionally, although organized crime largely sustains itself on illicit profits, it has become increasingly creative in laundering its profits; huge sums of illicit funds have entered the legitimate economy via trade-based money laundering and value transfer, as well as cryptocurrencies and other hard-to-track wire services. These are all worrisome for democratic governance globally. We must strengthen U.S.-Caribbean ties to foster development and address the root causes of insecurity, issues upon which the Caribbean Initiative is laser focused.

How can the Caribbean most effectively address the issue of inequality throughout the region?

Inequality is a serious problem for the Caribbean. The small size and population of island nations have made it difficult to advocate for their preferred developmental interests in Washington, where larger hemispheric security issues, narrowly construed, have eclipsed the sustainable development trajectories that could benefit from a deeper and more cohesive partnership with the United States. That

is why the Caribbean Initiative is forming a Financial Inclusion Task Force to propose workable solutions for financial regulations that achieve anti-money laundering/counter-terrorism financing goals while still providing robust and needed services in the region, especially to those traditionally left out of the banking sector. Correspondent banking relations are integral to financial inclusion for Caribbean countries. Remittances are a significant portion of GDP in many Caribbean countries and require immediate convertibility to be useful to recipients. Businesses need access to hard currencies to trade and to conduct regional and international commerce.

In a world where commerce itself has migrated online, the ability to pay for goods and services through credit cards necessitates a relationship with banks that can facilitate these transactions. In 2016, in response to a spate of hefty fines by regulators on banks operating internationally, many of the banks providing services to local banks in the Caribbean arbitrarily terminated the relationships with their Caribbean respondent banks. The regulators concerned with money laundering and terrorism financing intended for banks to manage the risks; instead, the banks decided to avoid risk altogether citing the small size of Caribbean markets and inadequate cost-benefit ratios. The effect of the withdrawal was severe with more than 25 banks incapacitated. The fallout has led to expanded anti-bank sentiment by ordinary citizens and businesses at a time when concerted efforts are required to transition the many entities operating in the informal or “gray” economy into the formal bankable sector. The reputational smear on the entire region has embittered many.

What is your hope for the impact that the Caribbean Initiative will make and how will you define success for this effort?

My hope is that the Caribbean Initiative will put the Caribbean on the agenda in Washington and that it will serve as a voluntary but powerful forum for building confidence, generating trust, and fostering ideas for how the United States and the Caribbean can work together, and ultimately, that it will lead to action. Success will be the ability to advance concrete, practical solutions for some of the longstanding challenges that the Caribbean faces – challenges that the United States can play a role in helping to solve. ●

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