

The Alliance of Caribbean Democracies (ACD)

Mission and Goals

In a turbulent Western Hemisphere, three well-functioning democracies in the Caribbean Basin stand out: Costa Rica, the Dominican Republic, and Panama. Yet, due to their relative stability and small size, the international community often overlooks them. If united in a working coalition – in an Alliance of Caribbean Democracies (ACD) – these three nations can: 1) Gain greater visibility and weight in inter-American and global affairs; 2) Act together as more efficient, impactful interlocutors with the United States; 3) Augment their access to public and private resources and programs, thereby accelerating economic growth and job creation; and 4) Share among themselves successful experiences and best practices.

Shared Interests with the United States

- ❖ The United States – especially the southeastern and coastal Atlantic states – and the ACD share the common ecosystem of the Caribbean Basin, integrated by demographics, cultures, and commerce.
- ❖ As the Biden administration reasserts U.S. defense of democratic values, the United States can demonstrate this commitment by providing concrete support to these three progressive democracies in its own “near abroad.”
 - Conversely, democratic stability in the ACD could be at risk if economic growth is too slow to meet popular expectations demanding better living standards and higher-quality social services.
- ❖ As the United States stimulates the relocation of global supply chains toward “allied, friendly” nations, the market-oriented open economies of the ACD are well-prepared and well-situated to serve as efficient, reliable, and secure site selections.
 - The reconfiguration of global supply chains, to correct for their undue concentration in distant, vulnerable sites in Asia, could exclude or include the ACD, devastating their economies and undermining their democracies – or propelling them onto a new, higher growth path. The outcomes will depend equally on incentives molding decisions by international investors as well as on the business climates created by host nations.

ACD Agenda with the United States: Resources for Accelerated, Sustainable Development

- *Biden administration industrial policies* are creating a rich mix of incentives (grants, loans, fiscal subsidies, government procurement) that could drive investment and trade flows toward the ACD – but only if the United States grants them eligibility and access to these incentives.
- *U.S. commercial programs, including the Development Finance Corporation (DFC) and Eximbank*, are valuable instruments to encourage investment and trade in upper middle-income countries, and to finance requisite infrastructure projects (transportation, logistics, energy, digital services). The ACD could benefit from enhanced access to these official resources.
- *Multilateral development institutions* (Inter-American Development Bank and World Bank), with whom the ACD have strong relations. The ACD can work together to support the recapitalization of the IDB and to argue for larger shares of the Bank’s future commitments.
- *USAID assistance to lower-income countries*. The Biden administration has earmarked \$4 billion over 4 years for the three Northern Triangle countries (El Salvador, Honduras, Guatemala).
 - As upper middle-income countries, Costa Rica, the Dominican Republic, and Panama are no longer eligible for many of these programs. The three democracies are not in competition with the Northern Tier for traditional foreign aid.

The “Ask”: First Steps

- ✓ Precondition: Formation of the Alliance of Caribbean Democracies (ACD). Reach agreement on goals, structure, and first steps (as suggested below).
 - Task governments to define conditions for expanding membership to like-minded nations.
- ✓ Initiate negotiations with the United States on a *Social Compact for Near-Shoring Success* centered in these concepts:
 - *Eligibility*. The U.S. government to declare the ACD countries as friendly “allies and partners who share our values” (as outlined in the *100-Day Review under E.O. 14017*, June 2021) and hence are eligible for U.S. government incentives encouraging collective supply chain resilience. The ACD and U.S. government to define conditions regarding democratic governance, high labor standards, environment protection, gender equity, and social inclusion. Understandings on security measures, export restrictions, inventories, and stockpiling.

- *Access.* Provide ready access to the web of U.S. institutions and incentives promoting nearshoring for the ACD.
- *Fast-track project approval.* Accelerate the execution of concrete projects that enhance the ecosystems facilitating foreign investment into the ACD.
- ✓ Persuade the U.S. government to facilitate access to the DFC and Eximbank on favorable terms, and to encourage the IDB/World Bank to act with greater urgency in financing the infrastructure projects that compliment industrial investment.
- ✓ Engage USTR on reforms to CAFTA-DR and USMCA which increase regional efficiencies by allowing cumulation of value-added requirements across member nations. Consider other updates to CAFTA-DR and the U.S. – Panama FTA but without requiring full-blown renegotiations.
- ✓ Open consultations between the U.S. government and the ACD on the OECD proposal to establish minimum tax rates on corporate profits. The ACD goal is to avoid losing competitive advantages vis-à-vis other locations.

Longer-term Initiatives

- ✓ *Design development strategies.* Each ACD nation to engage with relevant U.S. government agencies and the IDB/WB to design the national ecosystems, business climates, and productivity targets that fit the requirements of global value chains, including those identified by the U.S. government as “critical” to national security. Link U.S. government, IDB/WB, and private sector resources to national needs. Brainstorm on policies to augment backward linkages between enterprise hubs (free trade zones) and domestic enterprises.
- ✓ *Build educational partnerships.* Inventory the number and types of skilled workers required to accommodate accelerated growth, including knowledge-intensive on-shoring investments. Work with the U.S. Department of Education and with U.S. state universities and community colleges to develop institutional partnerships, including the creation of educational satellites. Subsidies to be provided by U.S. public and private entities, including firms driving supply chains.
- ✓ *Manage joint approaches to FDI source firms.* Where mutually beneficial, the ACD will approach potential investors with integrated investment plans, dispersing regional offices, design and innovation teams, and manufacturing facilities among their economies.

- ✓ *Invigorate diasporas.* Each of the ACD have strong, prosperous diasporas that can be better mobilized to engage their talents and resources in their home countries. The diasporas should also do more to make their interests known to U.S. political and business leaders.

Organizational Structure

Among the ACD, establishment of working groups among ministries of foreign relations, ministries of international trade, and private sector organizations and leaders. Consideration of a forum for civil society and diaspora organizations.

Among the ACD, consideration of procedures for enhancing cooperation among national FDI and export promotion agencies.

Among the ACD, coordinate positions in international forums on the growing list of global risks – including climate change, pandemics, mass migrations.

With U.S. government agencies, formation of a permanent dialogue. Negotiation of a framework for this diplomatic forum. Focus on the initiatives – next steps and longer-term measures – outlined above.

Calendar: Action-forcing Events

- *United Nations General Assembly*, late September 2021. Possible meetings among foreign ministers, presidents.
- *Summit of Democracies*, December 9-10, 2021. The ACD to participate and coordinate policies.
- *Summit of the Americas*, May-June (TBD), 2022. The ACD to work closely with the United States, as the host government, to set an agenda that rewards and fortifies democratic governance and accelerates sustainable growth in the Caribbean Basin.