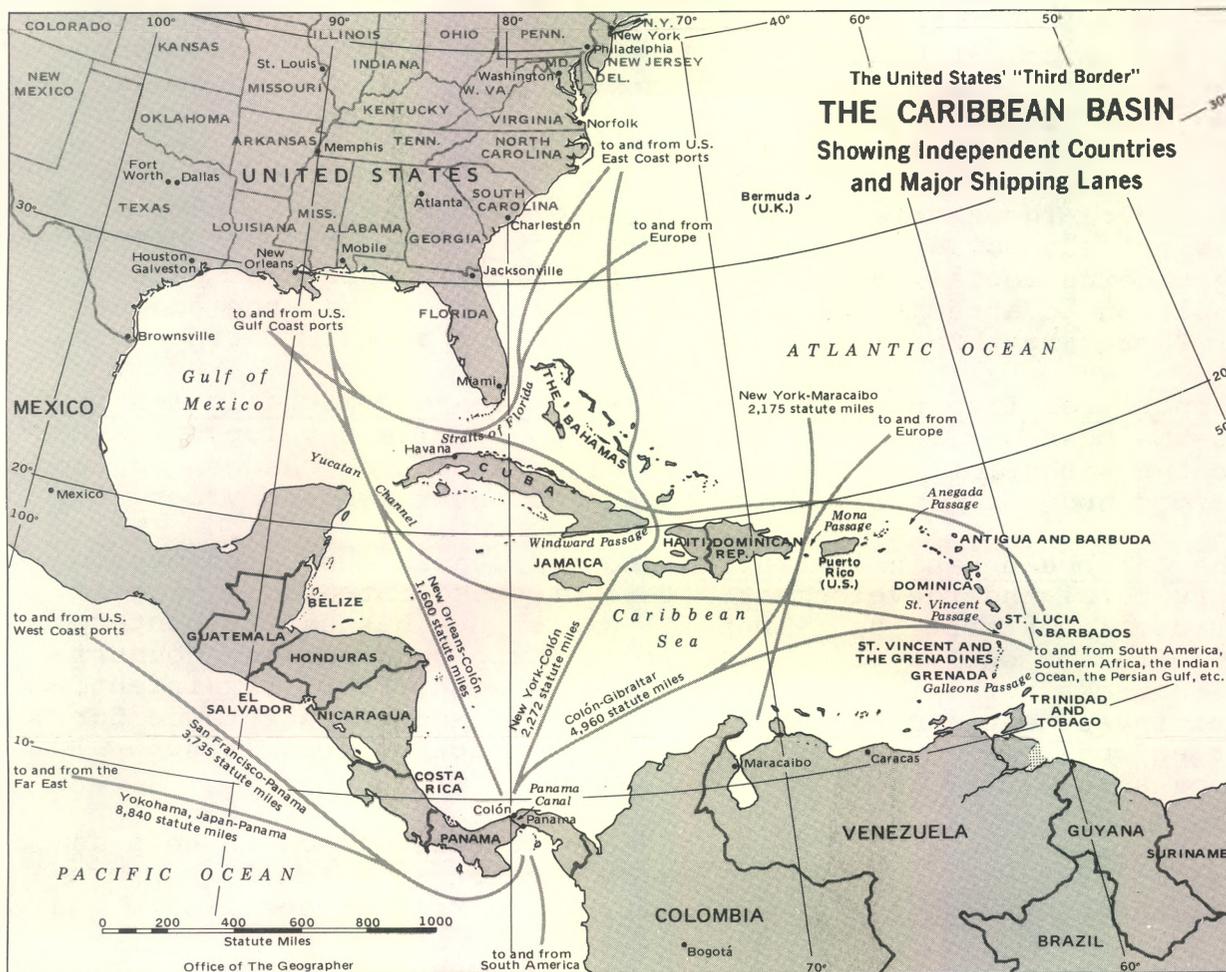


US Interests in the Caribbean Basin

May 1982

Background: The Caribbean Basin forms our "third border," contains vital sea lanes, and is now our largest source of legal and illegal immigrants. It includes some two dozen small developing nations in Central America, the Caribbean, and northern South America, as well as Mexico, Venezuela, and Colombia. These countries are our near neighbors--Washington, for example, is closer to Costa Rica than to San Francisco--and what happens in the Caribbean region affects our daily lives.



US interests: The Basin's shipping lanes are vital to US defense and prosperity. Nearly half of US trade, two-thirds of our imported oil, and many strategic minerals pass through the Panama Canal or the Gulf of Mexico. In time of war, 50% of supplies for US forces in Europe would transit the area. We are not accustomed to thinking of security threats in our own neighborhood, but examples from the past suggest such threats could happen again. During World War II, from February to July 1942, German U-boats sank 114 allied ships--more than 560,000 gross tons--in the Caribbean area. In 1962, the Cuban missile crisis brought us close to war with the Soviet Union.

Our 1962 understanding with the USSR precluding the introduction of offensive weapons applies only to Cuba. Should our worldwide adversaries be allowed to develop new bases in the region, we would face major increases in defense expenditures and redeployment of our forces from other strategic areas. Additional Cuban-style regimes in the Caribbean would divide the Western Hemisphere, undermine the Organization of American States (OAS), and introduce a new factor into the global power balance.

The Caribbean region has become the main source of immigration to the US. While this immigration can benefit the US, sudden politically motivated influxes--for example, Cuba in 1980 and Central America today--impose excessive strains on our law enforcement systems and on local US economies.

The US has important economic interests in the region. US imports from Caribbean countries total about \$30 billion a year, including significant amounts of oil, sugar, coffee, bauxite, and meat. Our major exports--about \$31 billion in 1981--include transport equipment, industrial machinery, chemicals, grain, and manufactured goods. The Basin countries have attracted some \$13 billion in US direct investment; an estimated 6 million Americans vacationed in the area last year.

US policy: The difficulties facing the Caribbean Basin nations are not due simply to Soviet-supported Cuban subversion. We must help overcome longstanding social, economic, and political problems as part of our opposition to attempts at shifting the strategic balance against the US. There are three major components in our overall Caribbean policy:

- Support for free elections and broadly based democratic institutions as the best way for each country to pursue its development according to the wishes of its people. We also favor such changes as land reform and more equitable financing of government services.
- The Caribbean Basin initiative, to help Basin economies overcome structural underdevelopment. This proposed integrated program of trade, investment, and financial assistance has as its centerpiece a US offer of one-way free trade to the region's smaller countries. It also seeks authority to offer US firms significant tax incentives for new investment and to increase direct financial assistance for both urgent balance-of-payments problems and longer term structural imbalances.
- Collective security efforts and security assistance to help democratically oriented governments resist violent, externally supported insurgents who would impose totalitarian regimes hostile to the US.

Until recently the Western Hemisphere has been an area of peace. Both the OAS and the 1947 Rio Pact on mutual security assistance have been key elements in our global strategy of peace through strength and cooperation with our friends. Moreover, the Caribbean has been one of the few developing areas where democracy has flourished. Two-thirds of the countries there hold regular elections. If the values of liberty and democracy become the hallmark of neighboring countries, our own freedom and democracy will be more secure.