



**Statement before the House Foreign Affairs
Subcommittee on the Western Hemisphere, Civilian Security,
Migration, and International Economic Policy**

***“Costa Rica, the Dominican Republic,
and Panama: A New Alliance for
Promoting Democracy and Prosperity in
the Americas.”***

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Chair Sires, Ranking Member Green, and distinguished Members of the Subcommittee on the Western Hemisphere, Civilian Security, Migration, and International Economic Policy, I am very grateful for this opportunity to testify before you today.

Media coverage is saturated with reports of creeping authoritarianism, flagging enthusiasm for democracy, disastrous humanitarian crises, and the endemic challenges of corruption, crime, and violence in Latin America and the Caribbean. The Covid-19 pandemic is arguably the most significant economic and social disruption since World War II. In addition to being the moral and right thing to do from a public health standpoint, whichever country is seen as “solving” the Covid-19 vaccine challenge will reap enormous public diplomacy benefits. I have argued on multiple occasions that the United States should play a more prominent, more decisive role in leading distribution of safe and effective vaccines, particularly in Latin America and the Caribbean. Yet amidst these very real challenges, equally important opportunities and advances have emerged over the past year. Perhaps one of the most promising, yet least-covered causes for optimism is the Alliance for Development in Democracy, inaugurated by three of the standout countries: Costa Rica, the Dominican Republic, and Panama. The name of this alliance alone speaks volumes, signaling a recognition of the connection between democracy strengthening and sustainable broad-based economic growth and prosperity.

This alliance also intersects with broader trends impacting our hemisphere. Renewed enthusiasm for nearshoring has placed Latin America and the Caribbean in an advantageous position to benefit from thousands of good new jobs and a surge in economic activity.¹ Within this nearshoring movement, the countries of the alliance are poised to gain the most. All three benefit from trade agreements with the United States, Costa Rica and the Dominican Republic through CAFTA-DR, and Panama through the Panama-U.S. Trade Promotion Agreement. Under CAFTA-DR, U.S. trade has doubled with Costa Rica and Panama, and tripled with the Dominican Republic. Combined, these three countries currently represent the United States’ third-largest trading partner in the region.² Beyond the sheer volume of trade, these countries are also promising nearshoring partners in terms of the types of goods exchanged. Mining in the Dominican Republic and Panama will take on more importance as the world seeks to transition to electric vehicles, while Costa Rica’s billion-dollar medical device industry is a prime candidate for mutually beneficial growth.

In addition to nearshoring and a deepening of trade relations, another growing trend in the region is a desire for closer partnership with the United States on national security issues. From the Caribbean Basin to the Pacific coast, leaders throughout the hemisphere have expressed a willingness to sit down with Washington and align on shared goals. Notably, this includes countries that in recent years pursued a closer relationship with China. Indeed, it is telling that Costa Rica, the first country among the alliance members to formally recognize the People’s Republic of China in 2007, is the least enthusiastic about adopting Chinese telecommunications exports and vaccines.³ Similarly, President Luis Abinader of the Dominican Republic has expressed great enthusiasm when it comes to the prospects of closer relations with Washington. However, the desire for a stronger partnership with the United States is not an offer that stands indefinitely or unconditionally. If Washington fails to engage effectively, for example failing to be responsive enough on vaccines for Covid-19 in the hemisphere, the region will, no matter how reluctantly, seek deeper partnership elsewhere. Ultimately, we should see this new partnership as

an opportunity and as a wakeup call. These countries have other options, and this means we must pay more attention to the region, not just to the three countries convening themselves but also to the broader Central American and Caribbean neighborhood.

Extra-Hemispheric Engagement

While the United States continues to develop its strategy for engagement in the region, China has left no doubt as to its desire for greater engagement in the hemisphere. Over the past two decades, China's share of trade in Latin America and the Caribbean has multiplied eight times over, growing steadily until the global economic disruptions of the coronavirus pandemic put this on the back foot.⁴ In Panama, the value of bilateral trade with China has doubled over the past two years, and China has now replaced the United States as that country's leading trade partner. In Costa Rica and the Dominican Republic, the United States remains the number one trading partner, but China has jumped to second place in those two countries. Closer trade integration with China has also come with a steady decline in the number of countries that recognize Taiwan in the hemisphere. Costa Rica was the first to de-recognize Taiwan in 2007 and it was around the same time the PRC purchased \$300 million purchase of Costa Rican government bonds.⁵ In the past five years both Panama and the Dominican Republic have also switched their recognition, diplomatic moves which typically followed by a massive influx of Chinese investment and high-level visits from Beijing.

All three countries are also part of the Belt and Road Initiative (BRI), joining some sixteen other Latin American and Caribbean nations in this regard. Under the auspices of the BRI, Chinese companies have expanded significantly throughout the alliance members.⁶ Telecommunications giant Huawei for instance is already deeply entrenched in Costa Rica's digital infrastructure, while the Chinese government waged a lengthy pressure campaign to ensure Huawei would be able to participate in the Dominican Republic's 5G development.⁷ Along the Panama Canal, the Rizhao-headquartered Landbridge Group has acquired two ports while Chinese state-owned enterprises have invested billions in developing nearby infrastructure projects.⁸ China's interest in the canal is understandable given its centrality to trans-oceanic commerce, however Panamanian authorities have shown some signs of concern already. Huawei-supplied cameras were recently removed from the regional operations center in the Colón Special Economic Zone, part of the company's "safe cities" project, due to data security concerns.⁹ More broadly, China's track record of so-called "debt-trap diplomacy" ought to give all three countries pause when dealing with Beijing and the BRI.

The evolving coronavirus pandemic has added a new dimension to strategic competition in the hemisphere. Beginning with strategic shipments of personal protective equipment (PPE), now the region has become a battleground for the 'vaccine diplomacy' campaigns of both China and Russia. In the Dominican Republic (DR), while U.S. testing and authorization procedures delayed the disbursement of millions of AstraZeneca vaccines to the DR, China seized upon the vaccine vacuum and sold Sinovac doses to the DR. When the U.S. leaves a vacuum, China and Russia will seek to fill it. When countries like the DR needed vaccines, China took advantage of that need and pressured the DR to open up their telecoms market to Huawei. The "good news" is that Chinese and Russian Vaccines have performed in a suboptimal way and citizens in the region want Western vaccines if they are made available. But to the extent we do not solve other people's Covid-19

vaccine problem, these countries will continue to seek sub-par Chinese and Russian solutions. Panama has sourced its vaccines, in roughly equal parts, from Russia and the United States, while, notably, Costa Rica has not approved the Sinovac, Sinopharm, or Sputnik V vaccines for use within its borders, primarily relying upon Pfizer and AstraZeneca doses to inoculate its population. In the hemisphere as a whole, the United States has donated over 60 million doses, including half a million each to Costa Rica and Panama, though no donations have been made by the U.S. government to the Dominican Republic.¹⁰ However, with the Omicron variant surging and the importance of delivering booster shots to those already fully vaccinated becoming apparent, the relevance of vaccine diplomacy in the region will continue to linger.

Challenges and Progress in Rule of Law

What truly differentiates the members of the Alliance for Development in Democracy is their commitment to strengthening rule of law and governmental accountability. In this respect, all three have made marked progress in their commitments to electoral integrity and ensuring civil and political rights for their citizens. Indeed, a little more than two weeks from today, Costa Ricans will head to the polls to select a new president in a display of democratic values that stands in marked contrast to the fraudulent elections and outrageous human rights violations across the border in Nicaragua last year.

I greatly admire the three countries in this alliance. These are countries that have done many things that other countries should emulate. Still, corruption and government accountability remain an endemic challenge throughout the region, one exacerbated by increasingly savvy drug-financed transnational criminal networks. The good news is serious and high-level commitment on the part of the presidents of all three countries to tackle this challenge. Last June, Costa Rica's Judicial Investigation Police carried out a series of raids at the Casa Presidencial and government agencies following up on reports of graft in major state public works projects.¹¹ President Abinader of the Dominican Republic has launched an aggressive anti-corruption campaign which has seen progress with extensive investigations being launched and the arrest of prominent criminal actors and former government officials.¹² These measures have contributed to the Dominican Republic improving by three places in the World Justice Project's 2021 Rule of Law Index.

Panama under President Laurentino Cortizo has also embarked on a campaign to address gaps in oversight and change incomplete and sometime unfair international perceptions of the country as a shadowy financial haven. President Cortizo signed a list of anti-corruption priorities when he first came in to office. Progress however has been difficult, especially as the pandemic strained public administration and opened up new opportunities for corrupt authorities to siphon funds from relief packages and PPE shipments.¹³ The challenge of corruption in these three countries should not deter U.S. engagement with the alliance, rather the present moment offers a chance to support sorely needed reforms by providing technical assistance and deepening U.S. commitments to all three countries.

U.S. Interests and the Alliance

Forging a closer partnership with Costa Rica, the Dominican Republic, and Panama is not only essential to fortify their institutional and anti-corruption efforts. There are several key U.S. strategic priorities that implicate all three countries. In particular, these include nearshoring, climate change, migration, and security.

First, as the United States continues its economic decoupling from East Asia and looks to rebuild supply chains from a “just-in-time” to a “just-in-case” model, it must seek out willing and able regional partners, including these three countries. Stable political environments, established manufacturing bases, skilled workforces, and free trade agreements with the United States are therefore all necessary components for countries to make the most out of nearshoring opportunities. With robust economies and high levels of secondary and tertiary school attendance for the region, all three countries should prove capable of adapting to the needs for high technology manufacturing and shared services that will drive global economic growth in the coming decades. In addition, the framework of CAFTA-DR offers a preexisting mechanism to facilitate nearshoring flows to member countries.

Turning to the issues of climate change and disaster resilience, the three countries stand at the forefront of the push for a green transformation. Costa Rica has nearly completed its transition into a totally carbon-neutral country.¹⁴ In addition, Costa Rica is host to the regional office of USAID’s Office of U.S. Foreign Disaster Assistance, serving as a lynchpin for not only coordination between the Washington and San José, but broader efforts to support disaster risk reduction throughout the hemisphere. Meanwhile the Dominican Republic, as one of the most vulnerable countries to natural disasters, has worked to promote climate adaptation both domestically and in international forums. Panama, with its lush jungle, is one of only three carbon negative countries in the world today. As the Biden Administration looks to promote the green recovery elements of its Build Back Better framework, it has much to gain from bringing these countries into the conversation to share their experiences and best practices. There are also opportunities to work with U.S. allies farther afield, such as Taiwan, which has engaged in noteworthy disaster preparedness work in Haiti and Honduras. Japan as well has increasingly focused its assistance efforts in the region on disaster mitigation and climate adaptation efforts. The United States can therefore leverage partnerships both within and beyond the hemisphere the local to advance its environmental priorities.

In terms of the increasingly complex challenges migration poses throughout the region, all three countries have been forced to grapple with migration. In Costa Rica, over 80,000 Nicaraguans have sought refuge since 2018, with that number expected to grow as the dictatorship there tightens its hold on power.¹⁵ The Dominican Republic has repeatedly called for international attention to the humanitarian crisis in neighboring Haiti where violence and natural disasters have displaced hundreds of thousands in recent months.¹⁶ In Panama as well, the government has struggled to respond to a rapid increase in crossings through the Darién Gap, an expanse of inhospitable jungle along its border with Colombia.¹⁷ With nearly 130,000 crossings in 2021, migration flows through this area both present an emerging challenge for governments, and speak to the desperation of those who shoulder such an arduous journey. Venezuelans displaced by increasingly dire conditions have driven much of the current wave of migration. Today, Panama is host to over

205,000 Venezuelans and the Dominican Republic estimated to have surpassed 114,000. In Costa Rica, some 22,000 Venezuelans make up a relatively smaller, but significant portion of that country's refugee population.

Increased migration flows also carry troubling implications for regional security. Criminal actors often take advantage of human need to move illicit goods and set up new networks of influence. Organized crime is on the rise in Costa Rica, while attacks on prominent Nicaraguan opposition leaders living there speak to an even more sinister strategy employed by the Ortega-Murillo regime.¹⁸ The Dominican Republic, has long confronted transnational organized crime in the form of drug smuggling networks and cracked down in recent years as part of its anti-corruption and rule of law strategy, but more work remains to be done.¹⁹ Finally, Panama has faced a steady uptick in violence since 2017 as criminal gangs struggle to expand their territories and influence.²⁰ The United States should regard these developments carefully, and work closely with local security partners before these challenges metastasize into broader regional threats.

Recommendations

Given the crucial role these three countries play in nearshoring, climate, migration, and security, the question facing the United States today is not one of whether to engage more, but how best to engage. Fortunately, the alliance members have already outlined areas where they would welcome greater U.S. participation, including on regional economic integration, migration, and disaster response. These efforts dovetail with some of the key priorities of the Biden administration in the region, and further illustrate the need for closer partnerships with all three countries.

Answer the Mail

On several occasions the leaders of Costa Rica, the Dominican Republic, and Panama have expressed interest in high-level dialogue with the United States. However, since his inauguration, President Biden has not had a formal call or one-on-one meeting with any of his counterparts in the three countries. The Democratic majority can put pressure on the administration to open this line of conversation, which will serve as an essential stepping stone to more seamless cooperation. Confirming the U.S. ambassadors to the Dominican Republic and Panama, which are currently at the Senate, will also enhance the United States' presence in these countries. In addition, the Congressional Central American and Caribbean Caucuses provide established mechanisms for Congress to pave the way for closer relations and advocate for a more robust U.S. policy in the region.

Support a Regional Vaccine and PPE Capacity

The current pandemic has laid bare the need for a new and robust global health supply chain. Vaccine diplomacy and vaccine nationalism in particular have been two stumbling blocks to achieving the comprehensive coverage needed to halt the emergence of new variants and protect vulnerable populations. Given their favorable economic and industrial conditions, the United States ought to give serious consideration to enabling vaccine and PPE manufacturing centers in one or more of these three countries, in partnership with Japan and Taiwan. Establishing such

capacities would augment the region's ability to rapidly acquire the tools needed to address future public health emergencies.

Renew and Improve the Caribbean Basin Initiative

The Caribbean Basin Initiative (CBI) was launched nearly four decades ago with the aim of supporting development and countering the Soviet Union's efforts at the time to expand throughout the region. Today, a reimagined CBI could further many of the same goals, promoting a sustainable post-pandemic recovery, supporting disaster response strategies, and acting as a credible counteroffer to China's influence campaign. This new incarnation of the CBI could also expand its participants to include a greater role for countries that have proven their ability and desire to assume a leadership capacity such as the Dominican Republic.²¹ Furthermore, such an initiative would complement the Caribbean Basin Security Initiative Act and show sustained U.S. interest in engaging with the region.

Revisit CAFTA-DR

It has now been more than 15 years since CAFTA-DR first entered into force. The region looks very different today than it did in the past, while the nature of commerce and trade has evolved significantly. If the trade agreement is to be successful at facilitating economic growth and integration – for both the United States and the region – it is high time to review the mechanisms through which CAFTA-DR seeks to promote these goals. In particular, modernizing intellectual property and digital economy provisions will help bring the trade agreement up to speed with institutions like USMCA, while helping to align the broader region on a common set of trade best practices.

Convene the Private Sector

The economic future of Costa Rica, the Dominican Republic, and Panama will not be determined by U.S. government assistance, but by the ability of these countries to attract and leverage the private sector. Already organizations such as the Costa Rican Investment Promotion Agency (CINDE) are working to attract interest in high technology, emerging industries such as robotics, cloud computing, and smart manufacturing. There are excellent other sub-regional groupings such as "HUGE" which convenes the private sector of Honduras, El Salvador, Guatemala and the United States, along with the Partnership for Central America that Vice President Harris has convened. These are initiatives to consult. The United States should encourage greater investment across Central America and the Caribbean – regional chambers of commerce and regional initiatives can help.

Leverage the Summit of the Americas

For the first time in nearly three decades the United States will host the Summit of the Americas in 2022. This event will be an opportunity to align the region on key issues, especially those of migration and democracy. The United States should solicit input from all three countries before, during, and after the summit to begin the construction of regional frameworks to address these shared challenges. On the subject of migration, the United States can draw from these countries'

experiences to develop a policy that presents the issue as not merely a North American phenomenon, but accounts for varied and shifting dynamics throughout the region. Regarding democratic values, President Biden has already praised the alliance in his remarks at the Summit for Democracy. The Summit of the Americas can therefore serve as a chance to take stock of the three countries' efforts since then to strengthen participatory and accountable governance in the hemisphere.

Remember the Regional Context

To be sure, these three countries are bright spots, but the United States cannot afford to neglect its relationship with any of the other countries in Central America and the Caribbean. Any reimagination of the CBI, or new CAFTA-DR negotiations should acknowledge all parties as equal contributors to the success of these agreements. To the extent that the members of the Alliance for Development in Democracy wish to play a greater leadership role, the United States should welcome their engagement, but be sure that they assume a corresponding level of responsibility. At the core of U.S. policy must be the belief that good governance and democracy pays dividends, and any country that sincerely embraces these principles should be a welcome partner for closer engagement.

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