

# Caribbean in Crisis: Checkbook Diplomacy

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The leaders of eight Caribbean nations toasted a new friend at a private luncheon this summer at Port of Spain, the capital of Trinidad and Tobago. But the host was not Trinidadian premier Kamla Persad-Bissessar, but Xi Jinping, China's president, accompanied by his folk singer wife Peng Liyuan.

Over a spicy meal, Mr Xi made clear to the heads of state and government that China would not be a spectator to the region's economic difficulties. Ms Persad-Bissessar later said Beijing had promised \$3bn of soft loans and investment. The Chinese embassy announced plans to set up a Caribbean scholarship program.

"We see in your China Dream a splendid opportunity for China to become a model for the world," Ms Persad-Bissessar said in her toast to Mr Xi.

The most important issues were discussed in private meetings with each country after the lunch, according to a top Caribbean official. "They told us that we don't ask for enough, but gave us a grant of Rmb50m (\$8m) and begged us to spend it as soon as possible," he said.

Mr Xi's Caribbean visit—the first by a Chinese head of state—was a demonstration of Beijing's ambition to cement ties with countries in America's back yard. China's charm offensive comes at an opportune time: the Caribbean countries need help to fight off widespread economic problems and many sense a slow and steady erosion of Washington's position as the region's leading power.

The Caribbean push takes China into a sensitive region for the US. Some of the cold war's most turbulent moments came as a result of clashes over countries around the Caribbean and Central America. In 2001 President George W. Bush called the Caribbean the US's "third border."

But the region's politicians say that the US has become an absentee superpower in the wake of the financial crisis and because of its commitments in the Middle East. China's munificence is eagerly welcomed.

"I certainly did not frown when the new Chinese president told us in Port of Spain recently that China was going to invest \$3bn in the Caribbean," says Freundel Stuart, prime minister of Barbados. "We welcome all the help we can get."

Signs of China's burgeoning interest in the Caribbean are apparent everywhere. Trinidad's steel-and-glass National Academy of Performing Arts was paid for by Beijing. China has also paid for cricket stadiums across the region. Some

Chinese embassies are being expanded.

“In entering the Caribbean, China doesn’t really care about the US’s feelings, it mainly cares about how the countries there see us,” says Wang Peng, secretary-general of the Central America and Caribbean Research Centre at the Chinese Academy of Social Sciences, a government think-tank.

The stock of Chinese investment in the Caribbean increased by more than 500 per cent between 2003 and 2012 to almost \$500m, according to official Chinese statistics. Since then several big projects have started, and more are expected in the coming years, including highways, ports and hospitals. In a prominent \$65m project, the China Harbour Engineering Company has rebuilt the main road to Kingston airport, building increased sea defenses for a road that has a history of storm damage.

Joe Biden, US vice-president, visited regional leaders ahead of this summer’s Chinese delegation. Yet some in the Caribbean suspect that he scrambled at short notice once the US state department realized Mr Xi was meeting all the local premiers with ties to Beijing.

“He [Mr Biden] said China would give us roads and hospitals and said there was no problem if you take it, but made it clear that they are there for the Caribbean as well,” says the senior Caribbean official. “But the optics were a little strange.”

Despite the complaints from Caribbean politicians, the US does not ignore the region. In addition to its heavy spending on the drug war in areas such as Colombia, Washington helps fight resurgent cocaine trafficking in the Caribbean and has spent some \$263m through the Caribbean Basin Security Initiative since it was established in 2009. The US Agency for International Development is also active across the region. But the US eschews the kind of grand, symbolic investments and outright budgetary aid that China has lavished on many Caribbean countries.

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Politicians and officials around the region are quick to bemoan this. The few countries that still have ties with Taiwan—and are therefore missing out on Beijing’s investment spree—are particularly frustrated.

Denzil Douglas, prime minister of St Kitts and Nevis, an island federation in the eastern Caribbean with relations with Taipei, hopes that the sight of rising Chinese influence will compel the US to rethink. “We told Biden clearly: you have to do more than just traditional national security policies ... We said we needed money to help the Caribbean be a positive frontier.”

Until recently many experts saw China’s presence in the Caribbean as unremarkable. Its generosity was largely the result of a diplomatic war between China and Taiwan for official recognition. Promises of money led to several countries switching relations between Taipei and Beijing, and occasionally back to their original friend again. Aside from diplomatic recognition, each Caribbean statelet also enjoys a full vote in the UN General Assembly and other organizations – attractive assets for any budding superpower.

While the Chinese investment splurge has been eye-catching in the context of the Caribbean’s small size, it is minuscule compared with the overall wave of Chinese foreign investment in Latin America and Africa.

But Xi Jinping's visit changes the calculation. The cheque book war between China and Taiwan for recognition is less of an issue, after a tacit understanding between the two sides since 2008. The Chinese leader does not visit countries merely to sign a few loan and grant agreements—and certainly not in countries as small as those in the Caribbean—without a deeper strategic intent.

“It was clearly a major visit. Not many heads of state come to this region, and the president of China is a big deal,” observes a western diplomat based in the region. “It's hard to believe that the Caribbean is a strategic growth opportunity for Chinese companies, so clearly there's a political angle.”

Regional officials insist that there is nothing untoward about China's growing presence. “Their interest is primarily economic,” says Peter Phillips, Jamaica's finance minister. “There is no military or strategic reach into the Caribbean. And there's no indication that they want that either.”

Others are more skeptical, pointing out that the economic benefits are tiny for China. Trinidad and Tobago enjoys sizeable oil and gas reserves, but they are not large enough to matter greatly to Beijing. Jamaica and Guyana are leading bauxite producers but on the whole the region's natural resources are not sufficiently sizeable to matter much to China. Higher wages and heavy unionization make Caribbean countries unattractive investment destinations and tiny populations mean they will never be important export markets.

Some countries have even formed military-to-military relationships with China. The Trinidad and Tobago Defense Force has had a relationship with the People's Liberation Army since 1999, which has gradually deepened through aid, reciprocal visits and the training of Trinidadian officers in China. Last year the PLA's band played at Trinidad's National Academy for Performing Art for the country's 50th independence anniversary, with music ranging from Chinese folk songs to The Beatles and Abba.

Barbados's military also have ties with the PLA, after losing US aid for refusing to sign a Bilateral Immunity Agreement that would prevent it from surrendering US citizens to the International Criminal Court—a campaign waged by the Bush administration.

“We are a sovereign country and we won't sell our soul,” says Mia Mottley, the Barbados attorney-general at the time of the BIA imbroglio. She now leads the country's opposition Barbados Labour party and insists that her country will stand up to Beijing, too, if required. “If we want to say [something] to China we will do so, just like we did with the US on the criminal court,” Ms Mottley says. “We did not become independent to become subservient ... We are equal to China, even though we are smaller.”

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Not everyone in the Caribbean is enthusiastic about the Chinese presence, however. Several countries have declined to de-recognize Taiwan, in large part because of the conditions often attached to Chinese largesse: any project must be overwhelmingly built by Chinese laborers and engineers, and use Chinese materials.

That insistence is contentious in countries with high unemployment. Some Chinese workers stay and compete against

local labour. Ricky Skerritt, the tourism and transport minister of St Kitts and Nevis, is careful not to criticize China directly. But his fulsome praise of Taipei's policies tacitly highlights a common concern over China in the Caribbean. "If Taiwan lends or gives you money for an infrastructure project they do so on merit, and they don't insist on you bringing in their engineers or workers, planting a bit of their country in the middle of ours," he says.

Nonetheless, there is excitement about the role China could play in the region. "They are becoming a colonial force in the Caribbean, but at least not in the traditional way," says Avinash Persaud, a prominent Barbadian economist. "It's all voluntary, there are no gunboats involved." Indeed, some countries appear to regret nailing their flag to the Taiwanese mast.

The Dominican Republic is the biggest regional country with ties to Taipei. Analysts say that the authorities would probably gladly switch to Beijing if the two sides of the Taiwan Strait were still locked in overt competition. "We've missed the boat, undoubtedly," says Bernardo Vega, a former central bank governor.

However, in time, China is likely to discover that an empire of influence is easier to acquire than maintain. The US has shied away from grandiose generosity for good reason, analysts say, adding that Beijing is unlikely to pour money into the leaky bucket of Caribbean state finances indefinitely.

Washington's hegemony over the tropical islands is unlikely to be supplanted by Beijing soon, says Cheng Li, a senior fellow at the Brookings Institution. He nonetheless urges vigilance: "The US should pay more attention to China in the Caribbean, even if it is only at an early stage."

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### **Jamaica: Largesse gives rise to uneasiness**

Jamaica is one of China's more avid supplicants, a fact not unrelated to the country's dire economic condition and desperation for foreign investment. But even there some locals are perturbed by the government's willingness to kowtow to Beijing.

A big Chinese project is planned for Goat Islands, two cays to the south of the Jamaican mainland. China Harbour Engineering Company, a subsidiary of China Communications Construction Company, plans to build a \$1.5bn transshipment port and logistics hub there to take advantage of the expansion of the Panama Canal.

However, Goat Islands is in the middle of the Portland Bight Protected Area: 1,900 sq km of mangroves, coastal swamps, cays and coral reefs. There is already some industrial activity and fishing in the area but the Jamaica Environment Trust fears the port project will destroy the habitat of 22 vulnerable species, such as the Jamaican iguana.

Chinese investment is both an opportunity and a potential disaster, says Trevor Munroe, a former trade union leader, academic and now clean government activist in Jamaica. While the country needs more investment, he frets that government desperation could lead it to yield too much on environmental and labour standards.

Peter Phillips, Jamaica's finance minister, says: "We have to be mindful of our interests but also mindful of operating in a

global world. There is no evidence of anything untoward in the Chinese presence here in Jamaica.”

Yet the integrity of public procurement—or lack thereof—is perhaps the biggest concern. Many Caribbean countries are plagued by corruption and Mr Munroe fears that shadowy deals between governments and China will fuel even more graft.

“There is a lot of concern among the civil society organizations, the private sector and even in governmental authorities that the hunger for Chinese investment will lead to far too many compromises,” he says.

*Additional reporting by Jamil Anderlini in Beijing.*

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