

# THE GROWING ECONOMIC PRESENCE OF CHINA IN THE CARIBBEAN

**Paper presented at the IMF/UWI  
Conference on “The Caribbean  
Challenges after the Global Crisis”  
Barbados, 27-28 January, 2011.**

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# CONTENTS

1. Objective
2. Economic Presence
3. Trade
4. Services
5. Development Assistance
6. Foreign Investment
7. Tourism
8. China's Economic Presence in the Caribbean
9. Opportunities

# 1. Objective

- The objective is to establish and analyze the nature, extent and pattern of China's economic presence in the Caribbean.
- China has been expanding its economic relations with developing countries, including those in Caribbean.
- Economic interaction with China cannot be fully understood without factoring in the geopolitics.
- Diplomatic recognition of China and Taiwan:

Region	China	Taiwan
Caribbean	Antigua & Barbuda Bahamas Barbados Dominica Guyana Jamaica St. Lucia Suriname Trinidad & Tobago	Belize Dominica Dominican Republic Haiti St. Kitts & Nevis St. Vincent & the Grenadines

## 2. Economic Presence

- China has expended its economic presence in the Caribbean during the past decade.
- China's deepening involvement in the Caribbean, an expression of political and economic motivations.
- China's economic presence has varied from country to country, reflecting recognition of China or Taiwan
- Increased development assistance & technical assistance.
- Continued expansion of imports.
- Limited, emerging foreign investment.

## 3. Trade

- Trade expansion due to increased exports to the Caribbean.
- Imports from China have grown substantially and rapidly, but with fluctuations.
- Exports from CARICOM countries have declined.
- Caribbean supplies less than 0.001% of China's imports.
- Export products from the Caribbean include: bauxite, alumina, lumber, asphalt and scrap metal.
- Trade deficit has grown substantially

### 3. Trade (cont'd)

- Market penetration for Chinese goods is occurring across all product categories.
- Imports may be dislocating domestic production.
- The Caribbean is not adequately exploiting opportunities for exporting high-value products such as coffee, rum, sugar, fish, lobster, shrimp, and scrap metal.
- Imports from China likely to increase as both merchant community and consumers in the Caribbean become more familiar with products from China.

### 3. Trade (cont'd)

- China's export of services, has been almost entirely in construction.
- China's exports to the Caribbean are likely to continue to grow, given their competitive price and quality.
- Lines of credit, loans and grants boost Chinese exports
- China's exports can have a disruptive effect e.g. apparel manufacturing.
- China could displace traditional suppliers, i.e. US, EU.

## 4. Services

- Chinese firms have been involved in large construction projects in Caribbean countries—
  - Trinidad (PM's official residence)
  - Jamaica (convention center)
  - Suriname (houses, roads, Ministry of Foreign Affairs)
  - Guyana (sugar factory)
  - Antigua (20,000-seat stadium)
  - Tobago (hospital).
- Chinese firms started to win contract through competitive bidding—
  - St. Kitts (hospital)
  - Grenada (low-income housing).



## 5. Development Assistance

- China increased its aid during last decade—\$1.5B in 2002 to approx. \$25 B in 2007.
- Aid to Caribbean was US\$87M in 2005.
- Aid has increased significantly since 2005
- Aid is the principal means of influence by China in foreign policy.
- The amount and allocation are related to the rivalry with Taiwan for diplomatic recognition.

## 6. Foreign Investment

- Outward DFI in China has grown exponentially.
- In 2008 DFI from China amounted to \$56B.
- China is a major investor in developing countries particularly in energy and raw materials.
- Very little DFI has been directed to the Caribbean.
- Care has to be exercised when interpreting the data on investment from the Caribbean to China because the figures include “round tripping.”
- Potential for Chinese DFI in bauxite, minerals, agriculture, tourism, infrastructure and health care.
- Global brands a new possibility.

## 7. Tourism

- In 2008, nearly 46 million Chinese traveled abroad and spent \$30B.
- Products and marketing programs have to be specifically designed and mounted to entice tourists from China.

## 8. China's Economic Presence in the Caribbean

- China's economic presence in the Caribbean has increased significantly.
- China's exports to the region outpace that of the Caribbean.
- There has been a substantial increase in Chinese development assistance.
- Little investment, little tourism.

## 9. Opportunities

- China is the fourth largest economy in the world.
- Growing at an average rate of 10 percent.
- Growth promoting opportunities
- Vast export opportunity
- Reducing the cost of imports
- Inward investment possibilities
- Commencement of tourism