

Conditional Support: Chinese Development Aid in the Caribbean

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KEYWORDS:

Development Aid

Maritime Silk Road

Initiative

MSRI

Chinese-Caribbean

Relations

Chinese-Caribbean

Trade

Rare Earth Elements

Sino-Taiwanese Competition

ABSTRACT

In recent decades, China has emerged as a significant economic power operating within the Caribbean, analyzing its foreign policy strategy in the region of paramount importance. This essay will seek to identify the ideology undergirding China's foreign policy within the Caribbean, using these insights to analyze the effects of Beijing's increased engagement within the region. This essay will argue that Beijing has sought to create close ties with several Caribbean states by launching numerous generous development assistance projects, attaching conditionalities to these projects to effectively incorporate partner states into their export and ideological network. China views the Caribbean as a valuable political partner, as its proximity to the United States makes its potential alliance with China a prominent counterfactual to Western hegemony. To achieve this argument, I will highlight how China's Maritime Silk Road Initiative (MSRI) has influenced China's grand strategy within the Caribbean, as it seeks to incorporate the region into a broader economic network to challenge Western economic systems. I will then highlight how economic considerations influence China's bilateral relations with some resource-rich Caribbean states, investigating China's diplomatic approach to increasing its access to natural resources in the region. Lastly, this essay will investigate how China's development assistance-based strategy has impacted the Caribbean. This will cover its negative and positive effects on domestic industries while exploring how China's ambitious economic expansion has stoked social discontent in the region.

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undergirding China's foreign policy within the Caribbean, using these insights to analyze the effects of Beijing's increased engagement within the region. This essay will argue that Beijing has sought to create close ties with many Caribbean states by launching numerous generous development assistance projects, attaching conditionalities to these projects to effectively incorporate partner states into their export and ideological network. China views the Caribbean as a valuable political partner, as its proximity to the United States makes its potential alliance with China a prominent counterfactual to Western hegemony. To achieve this argument, I will highlight how China's Maritime Silk Road Initiative (MSRI) has influenced China's grand strategy within the Caribbean, as it seeks to incorporate the region into a broader economic network to challenge Western economic systems. I will then highlight how economic considerations influence China's bilateral relations with a number of resource-rich Caribbean states, investigating the diplomatic approach China has used to increase its access to natural resources in the region. Lastly, this essay will investigate how China's development assistance-based strategy has impacted the Caribbean. This will cover its negative and positive effects on domestic industries while exploring how China's ambitious economic expansion has stoked social discontent in the region.

China's actions within the Caribbean have been guided by its strategic desire to economically incorporate developing states into a vast Sinocentric trading network, with Beijing attempting to create an economic coalition amongst the Global South to challenge Western dominance. The Caribbean thus stands out as an ideologically significant region for China, as its proximity to the U.S. makes it a potentially symbolic rebuttal to Western economic hegemony. Despite its close proximity to the United States, the Caribbean has

failed to create sustained economic growth and benefit from trade globalization, leading to its exploitation and underdevelopment by the West.¹ This has influenced the region's unique relationship with China in two ways. First, the Caribbean's classification as a region that has failed to economically benefit from the neocapitalist system led by the United States has made it a region of emphasis for the CCP, as 'small states' left behind during the neocapitalist revolutions of the 1980s are of distinct significance to China's attempts to create a "Sinocentric [trade] network" spanning the Global South that can challenge the Eurocentric economic and political norms governing international politics.² China frames this coalition as an inclusive alternative to the West's current dominance of the international system, as it will incorporate developing economies into China's vast export market.³ Second, China's ideological beliefs have made the Caribbean an area of pronounced importance for Beijing due to the region's difficulty generating economic growth despite its geographic proximity to the United States, as this neatly demonstrates the West's exploitative relationship towards the Global South.⁴ If Beijing could develop close ties with the Caribbean and partially displace the West's economic and diplomatic hegemony, it would achieve a symbolic political victory, showing that China could compete with and even beat America in its backyard. To this end, China has drawn heavily from its MSRI initiative to guide its actions in the Caribbean. This broad ideological strategy intends to achieve structural changes to the global economy by creating maritime trade flows that situate China as the de facto leader of international maritime trade through its vast export network.⁵ This ideological cornerstone of Chinese foreign policy explains why economic considerations are central to Beijing's approach to the Caribbean. They seek to incorporate the region into a more extensive trading

¹ Gahman, Levi, Gabrielle Thongs, and Adaeze Greenidge. 2021. "Disaster, Debt, and 'Underdevelopment': The Cunning of Colonial-Capitalism in the Caribbean." *Development (Society for International Development)* 64 (1-2): 112–18. <https://doi.org/10.1057/s41301-021-00282-4>.

² Mendez, Alvaro, and Chris Alden. "China in Panama: From Peripheral Diplomacy to Grand Strategy." *Geopolitics* 26, no. 3 (2021): 838.

<https://doi.org/10.1080/14650045.2019.1657413>.

³ *Ibid.*, pg. 838-839.

⁴ MacDonald, Scott B. 2022. "Introduction." In 'The New Cold War, China, and the Caribbean: Economic Statecraft, China and Strategic Realignment.' Cham: Springer International Publishing AG.

⁵ *Ibid.*, pg. 839; 844.

network to significantly augment Chinese soft power in distant parts of the world.

China's high demand for natural resources has led to its calculated courtship of resource-rich Caribbean states such as Guyana, Cuba, and Jamaica, aiming to gain access to new streams of natural resources. China relies on development assistance to garner close relations with these potential client states, allowing several Caribbean nations to secure significant material gains through developing close economic and political ties with China. Due to China's ongoing economic expansion, it had become a significant consumer of rare earth elements such as nickel and bauxite, with its 'thirst' for these natural resources being "one of the most compelling drivers of [its] foreign economic policy."⁶ This has led to Beijing's interest in cultivating close relations with Caribbean countries with significant mineral deposits, such as Jamaica and Guyana, attempting to access these resources through its state-sponsored investment in Caribbean domestic resource production sectors.⁷ To this end, China has directly invested in Caribbean resource production companies through its state-owned enterprises (SOEs), seen through its purchase of a 70% controlling stake in Guyana's Omai Bauxite Mining corporation, using this purchase to make its Chinese state-owned aluminum giant the largest bauxite producer in the global market.⁸ To secure these favourable deals, China rolled out an extensive campaign to assuage the Guyanese government, complete with a 15.3 million dollar public debt write-off that held symbolic value due to the Caribbean's high rate of external debt.⁹ This acquisition strategy is not exclusive to

Guyana, as China sent over \$100 million in aid for infrastructure projects in Jamaica to strengthen its relationship with the Golding government, using this relationship to open the door to Beijing's investment in Jamaica's aluminum sector.¹⁰ Caribbean leaders have been able to capitalize on China's desire to secure long-term investments in the region, as host countries often leverage investment from Beijing to increase domestic resource production, evidenced by its creation of a "state-of-the-art" sugar production facility in Guyana, nearly doubling sugarcane production in the country.¹¹ This strategy has the potential to generate lasting benefits to Caribbean economies, as China's investment signals its willingness to strengthen the economies of partner states in ways that its Western competitors have historically been unwilling to do.¹² Ultimately, China's need for natural resources will be a crucial facet of its engagement with the Caribbean, as host countries will likely solicit large aid packages from Beijing in exchange for access to their valuable natural resources.

Despite China's notable investments in several resource-rich Caribbean countries, its development assistance projects are often undergirded with economic conditionalities designed to significantly increase Chinese migrant flows to host countries, creating tension with local businesses that often cannot compete with Chinese-owned businesses. China's development assistance projects represent multi-million dollar investments that have a chance to route significant sums of money to small Caribbean economies and rejuvenate portions of their private sectors.¹³ However, the Caribbean has failed to benefit from these projects in such

⁶ Bernal, Richard L. "The Growing Economic Presence of China in the Caribbean." *World Economy* 38, no. 9 (2015): 1427. <https://doi.org/10.1111/twec.12204>.

⁷ Valle, Valeria Marina. "Latin America and the Caribbean Satisfy China's Hunger for Energy, Minerals, and Metals." *Latin American Policy* 4, no. 1 (2013): 2–3. <https://doi.org/10.1111/lamp.12001>.

⁸ Bernal, Richard L. "The Growing Economic Presence of China in the Caribbean." *World Economy* 38, no. 9 (2015): 1427. <https://doi.org/10.1111/twec.12204>.

⁹ *Ibid.*, pg. 1423.

¹⁰ Horta, Loro. "A Brave New World: China Embraces the

Caribbean." *Defense & Security Analysis* 25, no. 4 (2009): 428. <https://doi.org/10.1080/14751790903416749>.

¹¹ Bernal, Richard L. "The Growing Economic Presence of China in the Caribbean." *World Economy* 38, no. 9 (2015): 1421. <https://doi.org/10.1111/twec.12204>.

¹² Gustafson, Bret. "The New Energy Imperialism in the Caribbean: The Caribbean Has Some of the Highest Utility Rates in the World. Decades of Fossil Fuel Dependence, Foreign Profiteering, and Domestic Debt Made It So." *NACLA Report on the Americas* (1993) 49, no. 4 (2017): 421–28. <https://doi.org/10.1080/10714839.2017.1409013>.

¹³ MacDonald, Scott B. 2022. "Introduction." In "The

a manner. China views these projects "as lucrative [construction] activities whose profit has to go to Chinese firms," systematically excluding local labourers and construction companies from participating in these ventures.¹⁴ As a result of its preferential selection of Chinese contractors, China exports thousands of migrants to the Caribbean countries it sends assistance to, with a significant number of Chinese migrants sent to work on development projects staying in the country and creating distinct communities known for their ownership of successful small businesses.¹⁵ Beijing strategically includes terms in development projects that prevent partner states from limiting Chinese migrant inflows and preventing recipient states from establishing economic barriers regulating migrants' involvement and ownership activities in domestic industries.¹⁶ As a result, Beijing's assistance projects drastically increase Chinese migrant inflows to the Caribbean, allowing China to use these groups to enhance Beijing's soft power in the region.¹⁷ This complicates the relationship that China's seemingly benign development agenda has with the Caribbean, as aid projects are meant to usher in deep economic connectivity with China and their host countries, often having a detrimental impact on local businesses that have to contend with highly competitive Chinese supply chains. This practice has led to the "soaking up [of] small businesses" in countries where large infrastructure projects are built, creating a dynamic in which Chinese expatriates drive local competitors out of business and create foreign-owned monopolies that closely mirror Western multinational corporations, exporting profits generated abroad.¹⁸ In this sense, development assistance poses similar challenges to Caribbean governments as the restrictive loan packages offered to the region by the West,

obfuscating China's seemingly benevolent intentions. Despite this, however, development projects will continue to be a salient characteristic of Sino-Caribbean relations, bringing with it a set of economic conditionalities that have the potential to damage the local Caribbean industry.

Political competition with Taiwan has been a defining feature of Sino-Caribbean relations, as several Caribbean states' recognition of Taiwan has led to intense competition between the two nations in the region. This has benefitted several CARICOM members, as China has sought to use development assistance flows to reward its regional allies, a dynamic which has been used to gain funding to modernize domestic industries by several governments. CARICOM has a unique relationship with China, as six of its fifteen member states recognize Taiwan, making it one of the few remaining battlegrounds in Taiwan and China's diplomatic war.¹⁹ This rivalry has profoundly impacted China's interactions with the region, as Richard Bernal finds that the \$25 billion China spends yearly on development assistance in the Caribbean is generally only offered to countries in the region that no longer recognize Taiwan.²⁰ Countries such as Dominica and St. Kitts and Nevis have used the competition to their advantage, soliciting generous aid projects from China in exchange for their sole recognition of the PRC, a tactic used by Dominica to get approximately \$140 million in aid from Beijing.²¹ In addition to increased development inflows, preferred nations receive access to an expanded Chinese export market, gaining access to higher-value exports such as maritime vessels, support equipment, and tankers, of which some CARICOM members re-export for profit.²² China's strategy of providing aid to its diplomatic partners thus can be

New Cold War, China, and the Caribbean: Economic Statecraft, China and Strategic Realignment,' 93-94. Cham: Springer International Publishing AG.

¹⁴ Tudoroiu, Theodor, and Amanda Ramlogan-Gangabissoon. "The Myth of China's No Strings Attached Development Assistance: a Caribbean Case Study," 6. Lanham, Maryland: Lexington Books, 2020.

¹⁵ *Ibid.*, pg. 156.

¹⁶ *Ibid.*, pg. 151.

¹⁷ *Ibid.*, pg. 151.

¹⁸ *Ibid.*, pg. 165.

¹⁹ Horta, Loro. "A Brave New World: China Embraces the Caribbean." *Defense & Security Analysis* 25, no. 4 (2009): 426. <https://doi.org/10.1080/14751790903416749>.

²⁰ Bernal, Richard L. "The Growing Economic Presence of China in the Caribbean." *World Economy* 38, no. 9 (2015): 1411; 1422. <https://doi.org/10.1111/twec.12204>.

²¹ *Ibid.*, pg. 1423.

²² *Ibid.*, pg. 1412.

reliably used by Caribbean nations to gain a substantial source of development inflows, as Beijing's investments in the region indicate that it is willing to divert economic resources to gain diplomatic partners in the Caribbean. However, as the power in this trade relationship is disproportionately balanced in China's favour, significant risks remain associated with the Caribbean's acceptance of China's development assistance.

Caribbean leaders view China as a potential source of significant tourism inflows and structure their relationships with Beijing to attempt to promote Chinese tourism in the Caribbean. However, these efforts are unlikely to yield substantial returns as they ignore Chinese tourist preferences and domestic opposition to Beijing's increased regional presence. Due to China's potential to be a significant source of tourism inflows, Caribbean policymakers "have an obsession" with capturing a significant portion of China's tourism market, leading to close cooperation with China to build Chinese-owned tourism projects in countries such as St Maarten, St. Lucia, and Guyana.²³ Despite policymakers' hopes that China will become a significant player in the tourism industry, it is unlikely to happen, as few Chinese tourists prefer the Caribbean over similar sea and sand destinations in Asia. The region's geographical isolation from China ultimately limits its appeal.²⁴ Even if these obstacles could be surmounted, significant challenges domestically exist to allow for the reforms and societal changes that would need to be made to facilitate a significant scale shift in Chinese tourism preferences. Primarily would be the need for a cultural change within the

Caribbean, as studies indicate Chinese tourists expect local tour guides and officials to be proficient in Chinese while requiring cultural traditions to be accommodated by their host countries.²⁵ There remains significant hostility towards China in the region,²⁶ as high levels of cultural tension in recent years led thousands of protestors in Santo Domingo to protest against Chinese business interests in 2013.²⁷ Events such as this have alarmed Beijing and soured potential tourists, as Chinese nationals in the Caribbean "feel threatened" by such occurrences, leading top CCP officials such as Vice-Premier Li Keqiang to "explicitly [ask] for the protection of Chinese shopkeepers" and nationals in negotiations with Caribbean officials.²⁸ Therefore, China is unlikely to posit a notable impact on the Caribbean tourism industry, as there is relatively little interest in the region from Chinese tourists, and cultural hostility to Chinese nationals has soured prospective tourists.

Despite China's enthusiastic engagement with the Caribbean, it will not displace America's hegemonic influence over the region. This is for two reasons: America is the Caribbean's most prominent export and import market by a significant margin—making its displacement as the region's primary economic partner a daunting investment that China is unwilling to take—and because any such displacement would likely trigger a security confrontation with the U.S. that China seeks to avoid. While China's recent economic advancements in the Caribbean are significant, they are dwarfed in comparison to the West's economic presence in the region, as China accounted for less

²³ Tudoroiu, Theodor, and Amanda Ramlogan-Gangabissoon. "The Myth of China's No Strings Attached Development Assistance: a Caribbean Case Study," 114. Lanham, Maryland: Lexington Books, 2020.

²⁴ *Ibid.*, pg. 114.

²⁵ Liao, Xinge, and Dolores Sánchez Aguilera. "Chinese Tourism in the Caribbean—Destination Image and Future Expectations." In *Tourism Product Development in China, Asian and European Countries*, 128; 132. Singapore: Springer Singapore, 2020. https://doi.org/10.1007/978-981-15-4447-7_7.

²⁶ Hearn, Adrian H. "Harnessing the Dragon: Overseas

Chinese Entrepreneurs in Mexico and Cuba." *The China Quarterly* (London) 209, no. 209 (2012): 111–113. <https://doi.org/10.1017/S0305741011001500>.

²⁷ Li, Yuan. "Dominican Republic and P.R. China: Exchange, Trade and Investment," 13. GFDD/Funglode Fellows Program. Global Foundation for Democracy and Development, December 2013. <https://www.globalfoundationdd.org/documentos/dr-china-exchange-eng.pdf>.

²⁸ Tudoroiu, Theodor, and Amanda Ramlogan-Gangabissoon. "The Myth of China's No Strings Attached Development Assistance: a Caribbean Case Study," 153; 161. Lanham, Maryland: Lexington Books, 2020.

than one percent of foreign direct investment in the region in 2013.²⁹ Furthermore, China's demand for Caribbean exports is significantly lower than its Western counterparts, as its "importance as an export market for the Caribbean has not significantly increased" in recent years.³⁰ As a result, the Caribbean will be forced to continue to foster close relations with major Western countries such as the United States. Additionally, China's early-21st century expansion in the Caribbean occurred when American foreign policy was primarily preoccupied with the Middle East and Asia, with China's growing engagement in the region being narrowly enabled by a temporary period of American malfeasance.³¹ This would likely change if China were to establish itself as a viable competitor to American hegemony in the Caribbean. America has a demonstrated history of using military force in the region when it perceives foreign superpowers as taking actions that are "clearly detrimental to American interests."³² The U.S. has repeatedly projected military power in the region to deter encroaching superpowers, with America's current military operation in Haiti serving as an indirect warning to China not to challenge the U.S. in its backyard overtly. As a result, commentators argue that "the PRC will avoid any overt attempt at undermining US [dominance] in the region," as this will force the two powers into a security showdown that will undermine the economic advances China has sought to foreground in the Caribbean.³³ Thus, America's presence in the region limits the extent of Sino-Caribbean cooperation, as China sticks to less controversial economic deals crafted to avoid direct competition with Western interests. Ultimately, China will continue to use the Caribbean as an economic hub to distribute Chinese goods and increase its soft power but will make sure not to challenge western hegemony for fear of security consequences.

China views the Caribbean as a region of strategic significance due to its potential to challenge Western hegemony in Beijing's great power competition with the United States.

Despite the Caribbean's political importance to this initiative, China has prioritized its economic welfare when interacting with regional states, using large development assistance projects as a bargaining chip to dictate its economic relationship with partner states. As a result of the lucrative investments promised by these projects, Beijing has been able to pressure many Caribbean governments into adopting domestic laws that have significantly increased Chinese migrant inflows while also decreasing domestic barriers to their extensive involvement in Caribbean economies. This has dramatically increased Beijing's soft power within the region, creating animosity towards Chinese expansion in many Caribbean states, as these practices have eroded export competitiveness and disadvantaged many domestic businesses. As a result of this perceived cultural hostility towards Beijing, Chinese businesses are likely to continue to prioritize their current form of engagement in the region—focusing investment on natural resources industries while incorporating the Caribbean into Beijing's vast export market. There are severe constraints to the CCP's engagement in the region; however, chief amongst these is the close geographic proximity of the United States to the Caribbean. Due to the profound economic and secure connectivity that has emerged from this proximity, Beijing is unlikely to be able to replace America as the most significant trade and political partner in the region, declining to challenge American hegemony for fear of a militarized showdown with Washington.

²⁹ Bernal, Richard L. "The Growing Economic Presence of China in the Caribbean." *World Economy* 38, no. 9 (2015): 1414. <https://doi.org/10.1111/twec.12204>.

³⁰ *Ibid.*, pg. 1414.

³¹ Horta, Loro. "A Brave New World: China Embraces the

Caribbean." *Defense & Security Analysis* 25, no. 4 (2009): 429. <https://doi.org/10.1080/14751790903416749>.

³² *Ibid.*, pg. 425.

³³ *Ibid.*, pg. 425.

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