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Emerging players in the Caribbean

What implications for the Caribbean,
their relations with the EU and the ACP?

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Abstract

Traditionally, the Caribbean had trade and economic relation predominantly with the US, Canada and Europe and it is only in recent times that there has been diversification in their relations with other players. However, changes in the global economy have led the Caribbean, like other regions, to increasingly engage in economic relations with the emerging BRICs economies (in particular Brazil, India, China) and Venezuela. This has resulted in the Caribbean's increasing engagement with these new players, which has implications for the Caribbean and its relations with more traditional partners like Europe and the Group of African, Caribbean and Pacific (ACP) States. The sustained economic growth of the emerging players and their increasing engagement with the Caribbean may lead the latter to divert their attention from relations with traditional partners. The fact that the emerging players are seen as fellow developing countries may further contribute to this shift. The diversity of the Caribbean's economic engagement with new partners is providing the Caribbean with greater confidence in its foreign policy relations with Europe. The engagement with new players also has consequences for Caribbean development and the regional integration process. If major economic activities and development cooperation continue to intensify with the emerging players, the ACP framework will decrease in relevance for the Caribbean. It is important for the Caribbean to assess the implications of old and new relationships for Caribbean development and regional integration. The national development plans of Caribbean countries and their goals for regional integration should be the foundational pillar for informing the nature of engagement with emerging players and the EU. Development projects and programmes should be part of a broad long-term strategic plan for strengthening regional integration. The critical success value of any type of engagement with new or traditional players is the extent to which the relationship strengthens regional integration, an important prerequisite for Caribbean development.

Abbreviations

ACP	African, Caribbean and Pacific
ALBA	Alternativa Bolivariana para las Américas
BRIC	Brazil, Russia, India, China
CARIBCAN	Caribbean-Canada Trade Agreement
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CBERA	Caribbean Basin Economic Recovery Act
CDB	Caribbean Development Bank
CLACS	Community of Latin American and Caribbean States
CSR	Congressional Research Service
CUPET	Cubapetroleo
ECDPM	European Centre for Development Policy Management
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAA	Free Trade of the America's
G20	Group of Twenty
GDP	gross domestic product
IADB	Inter-American Development Bank
IIR	Institute of International Relations
JCEUS	Joint Caribbean-EU Strategy
LAC	Latin America and the Caribbean
LNG	liquefied natural gas
MERCOSUR	Mercado Comun del Cono Sur (Southern Cone Common Market)
OCT	Overseas Countries and Territories
PDVSA	Venezuela's Petroleos de Venezuela
SWOT	Strengths, Weaknesses, Opportunities and Threats
US	United States
UWI	University of the West Indies
WTO	World Trade Organization

1. Introduction

Traditionally, the Caribbean had trade and economic relation predominantly with the US, Canada and Europe and it is only in recent times that there has been diversification in their relations with other players. Ties with North America were informed primarily by geostrategic considerations, the US, and Canada to a lesser extent, seeing the Caribbean as having significance particularly in the context of the Cold War and its geographical proximity. Relations with Europe were based on the historical colonial relationship. Relations with the other players were primarily linked to the large Indian and Chinese Diaspora in some Caribbean countries. However, changes in the global economy have led the Caribbean, like other regions, to increasingly engage in economic relations with the emerging BRICs economies (in particular Brazil, India, China) and Venezuela. Over the last decade, the BRICs contributed over a third of world GDP growth and grew from one-sixth of the world economy to almost a quarter and this trend is expected to continue and to accelerate.¹ Venezuela has also become increasingly important in South America and is demonstrating economic clout as a major oil producing country, having one of the largest oil and mineral reserves in Latin America. Venezuela's economic wealth is derived from world oil prices giving it a competitive advantage in international trade.² The dramatic rise in oil prices and the intensification of anti US sentiments in both the Caribbean and Latin America have seen an increase in Venezuela's prominence in the Region.

The above developments have resulted in the Caribbean's increasing engagement with these new players, which is consequently having major implications for the Caribbean and its relations with more traditional partners like Europe. This new mode of engagement also has some implications for the group of African, Caribbean and Pacific (ACP) States. The foregoing is the subject of this paper.

The paper outlines the background of Caribbean relations with the emerging economies and the EU in Section 2. Section 3 reviews the foreign policy framework of the emerging players and the EU with the Caribbean. The strategic interests of the Caribbean, the emerging players and the EU are examined in Section 4. Key issues relating to trade and select examples of investment and development programmes and projects are covered in Section 5. Section 6 analyses the implications of the role of the emerging players for the Caribbean and the latter's relations with the EU, while Section 7 considers the implications for the ACP Group. Finally, by way of conclusion, Section 8 discusses some considerations for the way forward.

2. Background and Context

Long before the emerging players established formal diplomatic relations with the Caribbean, the latter had various links with the emerging economies. In the case of India and China, it was primarily socio - cultural, stemming from the large Chinese and Indian Diaspora in some Caribbean countries. There were also

¹ Values in purchasing power parity terms. See Goldman Sachs. (2010) "Is this the Brics Decade?" BRICs Monthly. Issue no. 10/03. May. Goldman Sachs Global Economics, Commodities and Strategy Research at <https://360.gs.com>

²The World Bank. Venezuela Country Brief.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/VENEZUELAEXTN/0,,contentMDK:20214769~pagePK:141137~piPK:141127~theSitePK:331767,00.html>

cases of collaboration in foreign policy, in the case of China for example, when Trinidad and Tobago co-sponsored Resolution 2758 of October 25, 1971, which gave legitimacy to the “One China Policy”.³

Current relations between the Caribbean and the emerging players must be seen in the context of changes in the global political economy which have both facilitated the latter’s emergence and propelled their quest for new partners and markets overseas. Venezuela’s interaction with the Caribbean is also a result of economic forces, albeit indirectly. China’s foreign policy position towards the Caribbean is a reflection of their broader foreign policy objectives in an increasingly globalised economy. Starting from the late 1970s, China undertook economic and diplomatic reform driving them to seek and receive foreign investment, technology, and expertise. Since then, the People’s Republic of China has emerged as a major global exporter and increased its membership and participation in international organizations⁴ and extended their tentacles to various parts of the globe. One of the regions that China has engaged in this new dispensation is the Caribbean. Since the 1990s, India, like China, has also been driven to seek foreign direct investment and markets overseas. Like India and China, Brazil’s interest in the Caribbean, beginning from the 1990s, has been largely defined by the need to sustain its rise on the global stage. Recent Venezuela–Caribbean relations are largely driven by Venezuela’s opposition to the Free Trade of the America’s (FTAA), a US-led globalisation project in the Western Hemisphere. In contrast to the other players, Caribbean - EU economic relations have a much longer history. Traditionally, Europe’s foreign policy towards the Caribbean was couched in the context of the post-colonial relationship, largely defined by the Lomé Conventions (first signed in 1975) with its colonies in Africa, the Caribbean and the Pacific. This relationship was based mainly on trade and development cooperation with preferential treatment for the ACP as the guiding principle. By 2000, the winds of economic globalisation had shifted this non-reciprocal relationship to one governed by reciprocity in trade and economic relations. Global economic developments were opening up the Caribbean to new partners while at the same time changing the context of the Caribbean’s engagement with its traditional partners. While the Caribbean was being weaned off its traditional relationship with the EU, other players were seeing the Caribbean as a space to engage. These developments provide the context for understanding the Caribbean’s relationship with the emerging players and the EU. Having provided the background and context of the Caribbean relationship with the emerging players, we now examine the policy frameworks that give meaning to the relationship.

3. Foreign Policy Frameworks of Emerging Players and the EU in the Caribbean

The emerging players have signed agreements that institutionalise their relations with the Caribbean. The former have agreements with CARICOM as well as with individual Caribbean states. The latter is the dominant method of engagement in the case of China.⁵ The Standing Joint Commission on Consultation,

³ Rambachan, S. (2010). Speech delivered at the 61st Anniversary of the founding of the People’s Republic of China, Friday 1 October.

⁴ Dumbaugh, K. (2008). “China’s Foreign Policy: What Does It Mean for U.S. Global Interests?” CSR Report for Congress.

⁵ The bilateral relationship is largely facilitated by diplomatic relations, trade and cooperation agreements and large investment projects that China has undertaken in the Region. Cuba, Suriname, Jamaica, Guyana, Trinidad and Tobago have signed Trade Agreements; Barbados, Cuba, Guyana, Jamaica, Trinidad and Tobago have signed Agreements on the Promotion and Protection of Investment and Cuba, Jamaica, Barbados, Trinidad and Tobago signed Agreements on Avoidance of Double Taxation. A Maritime Agreement has been signed with the Bahamas. China – Caribbean Economic and Trade Cooperation Forum, 2007.

Cooperation and Coordination Agreement which defines CARICOM - India relations, covers cooperation in the political, economic, environmental, health, scientific and technical fields and seeks to coordinate the parties' positions in international fora.⁶ Like India, Brazil-Caribbean formal policy instruments cover a wide range of areas beyond trade and investments: health, education, culture, agricultural development, energy, tourism and civil defence. Venezuela's economic relations with Caribbean States is through the Bolivarian Alliance for the Peoples of Our America (ALBA)⁷ initiative and the related Petro Caribe Agreement, a cooperation arrangement, in which Venezuela provides oil to Caribbean countries on a preferential payment basis. The focus of ALBA and Petro Caribe is development finance rather than trade.⁸ The EU's relations with the Caribbean are defined by the Economic Partnership Agreement (EPA), which is a comprehensive free trade agreement negotiated between the CARIFORUM and the EU during the 2002-2007 period and signed in October 2008. A Joint Caribbean-EU Strategy is also under preparation, which will provide for trade and development cooperation and collaboration in several areas viz: climate change, crime and security, regional integration and Haitian reconstruction.

Having outlined the policy frameworks of the emerging players and the EU in the Caribbean, we now outline select examples of their trade, investment and development cooperation in the Caribbean.

4. The Emerging Players in the Caribbean: Trade, Investment and Development Cooperation

The EU is by far the most significant trade partner for the Caribbean, with exports to the EU far outstripping those of the emerging players, notwithstanding the decline in the value of these exports in 2009, presumably related to the financial crisis. India is the least significant emerging trading partner for CARICOM. The value of trade has been growing between CARICOM and the emerging players for the period 2005 – 2009 (except for the slow down in 2009 due to the global economic and financial crisis). Interestingly, trade with Brazil and India has continued to grow in 2009 in spite of the world recession. Although the level of trade with the emerging countries has been considerably lower than with the EU, the value of trade has been on the increase between CARICOM and the emerging players for the period 2005 – 2009. Nonetheless, this has been based primarily on increasing imports and a growing trade deficit with the emerging players rather than increasing exports to these markets. In contrast, the region experienced a trade surplus with the EU for the last four years of the same period, as shown in Table 1 and illustrated in Figures 1, 2 and 3.

⁶Agreement Between the Caribbean Community and the Government of India to Establish a Standing Joint Commission on Consultation, Cooperation and Coordination (2003). http://www.Caricom.Org/Jsp/Secretariat/Legal_Instruments/Agreement_Caricom_India_Jointcommission.Jsp?Menu=Secretariat

⁷ Three CARICOM States are members of ALBA: Dominica, Antigua and Barbuda and St. Vincent and the Grenadines. Cuba is also a member of ALBA

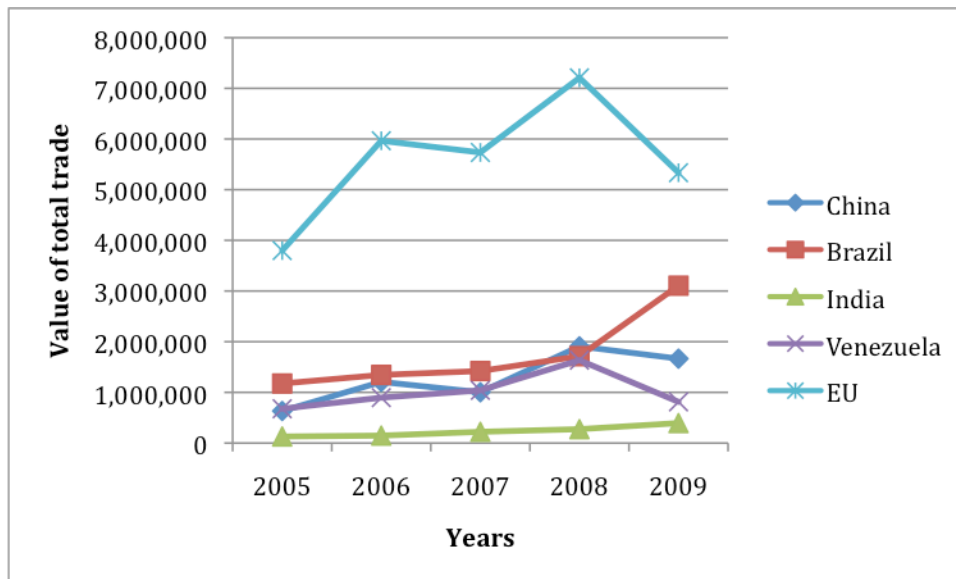
⁸ See for details of the Caribbean's engagement in the ALBA and PetroCaribe arrangements, Girvan, N. (2011). ALBA and CARICOM: Paradoxes and Problematique. Paper Presented at Conference, ALBA and the Future of Regional Integration, London Metropolitan University,

Table 1: Value of Caribbean Community (CARICOM)'s trade with China, Brazil, India, Venezuela and the EU for five years (2005– 2009) in US Dollars (000).

Year	2005			2006			2007			2008			2009		
Country	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance
China	507,506	124,727	-382,779	877,667	329,209	-548,458	959,509	42,484	-1,763,956	1,806,440	101,451	-1,408,116	1,509,567	155,546	-2,500,843
Brazil	1,094,868	79,788	-1,015,080	1,225,305	119,489	-1,105,816	1,307,943	113,230	-1,332,380	1,523,168	190,788	-3,004,486	3,054,886	50,400	-3,177,514
India	110,749	18,232		134,256	12,500		134,550	87,027	-47,523	177,280	96,748	-80,532	260,303	133,624	-126,679
Venezuela	643,919	32,730	-611,189	857,514	38,179	-819,335	1,023,341	16,426	-1,006,915	1,609,737	25,240	-1,584,497	798,889	13,588	-785,301
EU	2,040,138	1,757,835	-282,303	2,584,030	3,381,609	797,579	2,528,215	3,205,704	1,253,358	2,674,117	4,533,475	15,493	2,647,117	2,687,610	37,528

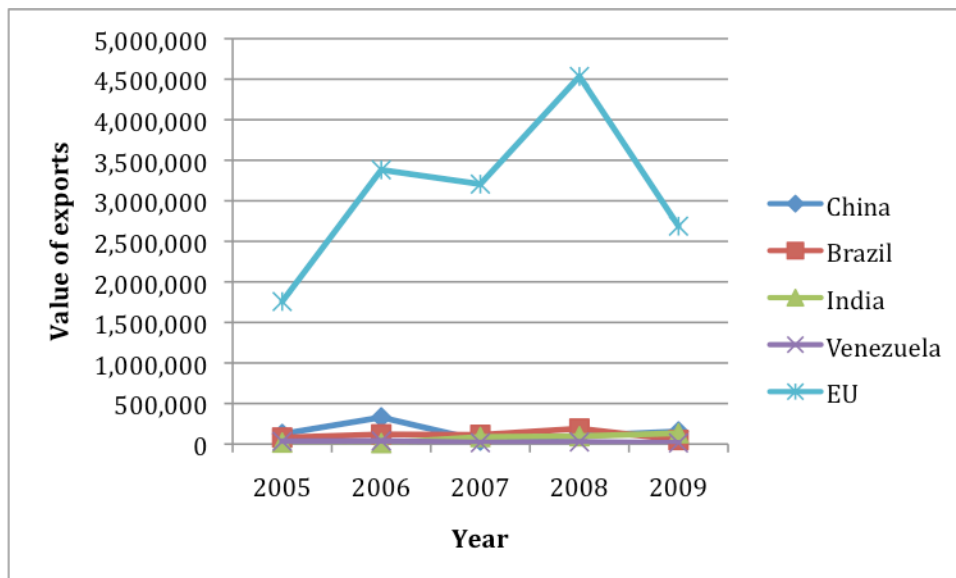
Source: International Trade Centre. http://www.trademap.org/Bilateral_TS.aspx

Figure 1 – Total CARICOM trade with China, Brazil, India, Venezuela and the EU 2005 – 2009 (USD ‘000)



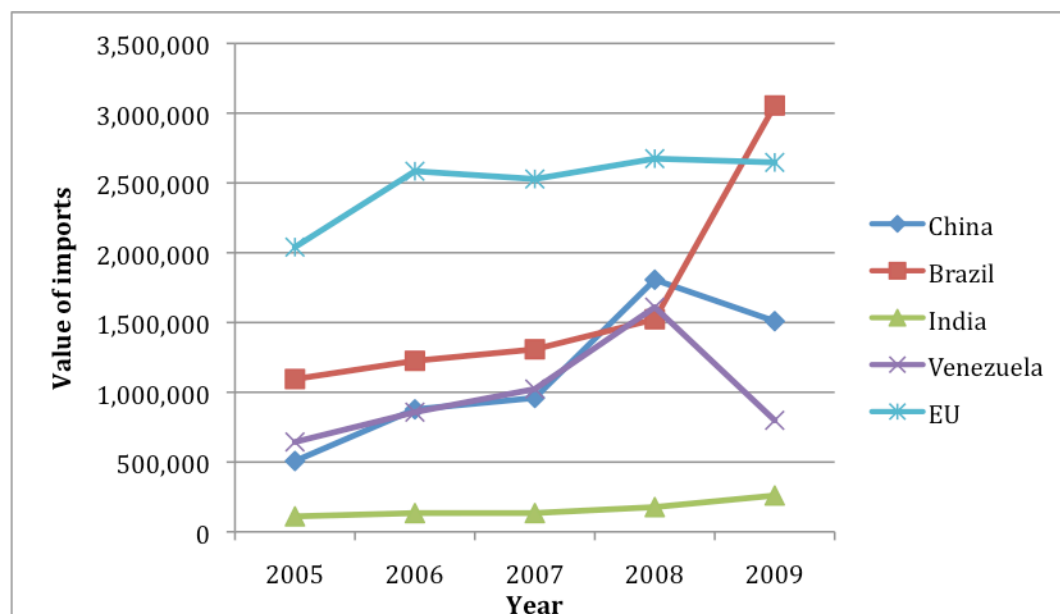
Source: International Trade Centre. http://www.trademap.org/Bilateral_TS.aspx

Figure 2 – CARICOM exports to China, Brazil, India, Venezuela and the EU 2005 – 2009 (USD ‘000)



Source: International Trade Centre. http://www.trademap.org/Bilateral_TS.aspx

Figure 3 – CARICOM imports from China, Brazil, India, Venezuela and the EU 2005 – 2009 (USD '000)



Source: International Trade Centre. http://www.trademap.org/Bilateral_TS.aspx

The emerging players have invested in the region's multilateral financial institutions. China and Venezuela are non-borrowing members of the Caribbean Development Bank (CDB) and Brazil's membership is pending. There is also interest across the emerging players in the oil sector. For example in 2010, China National Petroleum Corporation won a \$6bn bid to expand a Cuban oil refinery, among the largest oil investments in Cuba. The refinery is jointly owned by state-owned Cubapetroleo (CUPET) and Venezuela's Petroleos de Venezuela (PDVSA). Funding for the project is mainly provided by Chinese banks and backed by guarantees from Venezuelan oil revenues.⁹ In 2008, Petrobras, a Brazilian oil company signed a thirty-year oil exploration and production agreement with Cuba.¹⁰ Venezuela has built a fuel storage facility and has pledged to build an oil refinery in Dominica to process 10,000 barrels of oil per day. Venezuela has also built a liquid natural gas facility in St. Vincent under the Petro Caribe Agreement.¹¹ India's focus seems not to be in oil but other sectors (some of which the other players are also involved) including mining, agriculture, banking and tourism with a concentration in the mining sector.¹² India has been encouraging Indian businesses to invest in the hospitality, tourism, renewable energy, film and IT sectors in the Dominican Republic.¹³

⁹ Marc, Frank. (2010). China Groups' China Oil Deal. Financial Times. November 24, <http://www.ft.com/cms/s/0/0844c5c2-f72f-11df-9b06-00144feab49a.html#axzz1OfhtzDm4>

¹⁰ Latin America Herald Tribune. "Brazil's Petrobras Opens Oil-Exploration Office in Cuba." <http://www.laht.com/article.asp?CategoryId=14510&ArticleId=339381>

¹¹ Associated Press (2007). "Venezuela's Chavez calls for anti-imperialist unity as he woos Caribbean." http://www.usatoday.com/news/world/2007-02-17-chavez-caribbean_x.htm?POE=NEWISVA

¹² Horta, Loro. YaleGlobal Online. Yale Centre for the Study of Globalisation. <http://yaleglobal.yale.edu/content/indian-investors-enter-caribbean>

¹³ IANS, (2011), ThaIndian News. February 2. http://www.thaindian.com/newsportal/business/dominican-republic-assured-of-indian-investment_100497396.html

All the emerging players are engaged in building major infrastructural projects in the Caribbean region. The refurbishing of the Wildey Gymnasium in 2005 was undertaken in Barbados with Chinese assistance.¹⁴ China is financing and building a US\$3.4 billion Caribbean megaresort in Nassau, Bahamas scheduled to open in 2014.¹⁵ In Jamaica, China is undertaking several road construction projects and the rebuilding of significant pieces of infrastructure,¹⁶ completed a national convention centre in April 2011.¹⁷ Venezuela is funding the constructing of an international Airport in St. Vincent worth approximately \$200 million to be completed between 2012 and 2013.¹⁸ Venezuela provided Guyana with \$1.5 million under the ALBA-Caribe scheme for the construction of a homeless shelter while Haiti was to receive \$1 billion for several projects including the construction of housing.¹⁹ Venezuela provided Jamaica credit for infrastructural projects - freeway, sports centre and renovation of a cultural centre.²⁰ Jamaica accrued US\$150 million (\$9.75 billion) in cash flow savings from the Petro Caribe arrangement with Venezuela for the fiscal year to March 31, 2006.²¹ Indian companies have also won bids for infrastructural projects in telecommunications, IT-related services and road construction sectors and there are several Indian-owned hotels in the Caribbean.²²

The emerging players are also all involved in other development assistance projects and programmes. The Brazilian government donated different varieties of sugar cane for adaptability tests in Jamaica and offered training courses in sugar plantation management. In 2007, Jamaica and Brazil signed a complementary arrangement to the Agreement on Technical Cooperation for the Implementation of the Project "Human Resources Training and Technical Transfer to Support the Jamaican Programme to Modernize the Sugar and Ethanol Sectors" and the Project "Technical Training Programme in Production and Processing to Diversify and Enhance Tropical Fruit and Culture in Jamaica."²³ Venezuela has provided Dominica with asphalt, university scholarships, \$12 million for housing and fuel storage tanks under the Petro Caribe Agreement.²⁴ The Government of India has assisted CARICOM countries with training, scholarships and concessional lines of credit.²⁵ China assisted Barbados with acquiring military equipment, uniforms and training worth US\$421,000 in 2008.²⁶

¹⁴ Economic and Commercial Counsellors' Office of the Embassy of the People's Republic of China in Barbados. (2005). "Wildey Gym Spruce-up", posted from the Nation Newspaper. July 18.

<http://bb2.mofcom.gov.cn/aarticle/chinanews/200509/20050900403271.html>

¹⁵ Jamaica Gleaner. (2011), "Bahamas begins construction of a new 1000 acre resort", September 23.

<http://jamaica-gleaner.com/gleaner/20110223/business/business51.html>

¹⁶ Jessop, D. (2011), "China-Caribbean ties offer alternative development model" Jamaica Gleaner, February 20

<http://jamaica-gleaner.com/gleaner/20110220/business/business92.html>

¹⁷ Jamaica Observer. (2011). "MoBay Convention Centre officially handed over to Jamaica," April 18.

http://www.jamaicaobserver.com/news/MoBay-Convention-Centre-officially-handed-over-to-Jamaica_8688477

¹⁸ Associated Press (2007). "Venezuela's Chavez calls for anti-imperialist unity as he woos Caribbean." http://www.usatoday.com/news/world/2007-02-17-chavez-caribbean_x.htm?POE=NEWISVA

¹⁹ West Indian News. (2010). "Guyana, Venezuela relations now at its best," November 29.

<http://www.thewestindiannews.com/guyana-venezuela-relations-now-at-its-best-%E2%80%93-venezuela-foreign-minister/>

²⁰ Venezuelanalysis.com. Venezuela's Chavez Concludes Whirlwind Latin America and Caribbean Tour.

<http://venezuelanalysis.com/analysis/civil-society>

²¹ Thames, Camilo. (2006) "Government of Jamaica to funnel PetroCaribe funds to public bodies – IMF." Jamaica Gleaner, September 25. <http://jamaica-gleaner.com/gleaner/20060915/business/business5.html>

²² Horta, Loro. YaleGlobal Online. Yale Centre for the Study of Globalisation. <http://yaleglobal.yale.edu/content/indian-investors-enter-caribbean>

²³ Brazil Jamaica bilateral relations, www.jis.gov.jm/special_sections/brazil/bilateralRelations.pdf

²⁴ Caribbean Media Corporation, (2007). "Dominica government, environmentalists agree on oil refinery assessment", March 22nd. Cited in R. Saunders. (2007), Expanding its sphere of influence: Venezuela in the Caribbean, Caribbean-Britain Business Council Seminar Series,

²⁵ Deloitte and FICCI, (2010), India and LAC: Business Environment and Opportunities for Collaboration

Theme paper at India LAC Business Summit March 30th 2010.

²⁶ Caribbean 360. "China gives Barbados over US\$400 000 in military aid"

<http://www.caribbean360.com/mobile/http://www.caribbean360.com/index.php/news/13026.html>

The next section analyzes the underlying interests driving the official pronouncements in policy papers, projects and programmes undertaken by the various players in the Region.

5. Interest Analysis

There are broad common interests and motivations that drive the emerging players' (Brazil, India and China) relationship with the Caribbean. They are as follows:

1. The forces of economic globalisation have created opportunities for the rise of Brazil, India and China as global players, which have fuelled the need for new markets, investment opportunities and new sources of raw materials to sustain their economic growth.
2. The Caribbean presents an opportunity for the emerging players to assert themselves in the Latin American and Caribbean region. This is in keeping with great power ambitions, to have significant presence across various regions of the globe.

While there are these common broad interests there are some country specific interests. For example, while China and India are seeking new markets and investment opportunities, they are also using the Caribbean as an external battlefield for supremacy on the Asian sub - continent. Nationalism, i.e. China's rivalry with Taiwan is a major driving force for the latter's interests in the Caribbean.

The strategies for pursuing these broad interests are also not always the same.

5.1. China

China's actions for instance, seem to encapsulate wider ambitions for attaining great power status (at least in reference to their activities in the Caribbean region). Unlike the other players, China sees the Caribbean as playing a role in their global strategy to control global sea routes, for example. Chinese investment in Guyanese agriculture is a peculiar interest and may be an attempt to address China's food security challenges.²⁷

Traditionally, it was the "One China Policy" which defined China's economic relations with the Caribbean. Chinese Interest in the region had been driven by its ambitions to completely usurp Caribbean diplomatic support for Taiwan. Taiwan needs support as it continues to seek recognition at the UN and in other multilateral fora and has been courting leaders who will take the bait with aid, infrastructural and development projects. This issue carries much weight in Caribbean – China relations, because CARICOM's ability to negotiate deals with China is hindered because of Taiwan's diplomatic relations with some CARICOM member states. The two parties continue to battle on these grounds in the Caribbean. More recently, the motivation for China's actions in the region has evolved from solely the narrow "One China Policy" and is now simultaneously being driven by larger global geostrategic interests.

²⁷ See for more details, Fengyinga, N., B. Jieyingb and Z. Xuebiao, 2010. Study on China's Food Security Status International Conference on Agricultural Risk and Food Security 2010. <http://www.un.org.cn/cms/p/resources/30/1320/content.html> The study indicates that while China has made significant improvements in food security, there are still some segments of the population and areas that are still vulnerable to food insecurity stemming from disparities between urban and rural areas, and among regions.

China's interest in the Caribbean is far more than promoting "peaceful coexistence" and "building a harmonious world of durable peace and common prosperity."²⁸ The Caribbean possesses several assets, which are valuable to maintain China's increasing economic growth. First, the Caribbean has sources of raw materials to maintain China's economic growth: Trinidad and Tobago (oil, asphalt and gas); Jamaica (bauxite) and Guyana (bauxite, timber and minerals) are therefore the most important to China in this regard. Second, the Caribbean, including Cuba and the Dominican Republic and the Overseas Countries and Territories (OCTs) with a combined population of about 40 million people is a relatively small yet lucrative market for Chinese products. Third, the Caribbean is a market for Chinese investments and offers lucrative business opportunities for Chinese firms and employment of Chinese workers. Fourth, the Caribbean is seen as a possible springboard for export of Chinese products to the US, Canada and the EU. CARICOM countries provide a 'production platform' due to preferential arrangements provided by the Caribbean Basin Economic Recovery Act (CBERA), CARIBCAN and the CARIFORUM–EU EPA.²⁹

Chinese presence in the Caribbean is to fulfil another criterion for great power status: the ability to have a global reach and to exert influence across various regions of the globe. China is doing this on several fronts – the spread of Chinese firms and investments beyond traditional spaces to places as the Americas and their efforts at influencing the agenda of entire regions. China has been trying to do this through its participation in regional institutions such as the Inter-American Development Bank (IADB) and the Caribbean Development Bank (CDB). In fact, their desire to participate in regional and multilateral fora in the Caribbean and Latin America was stated in their 2008 policy document³⁰ towards this region.

China sees the Caribbean as part of its broader strategy to control global trading routes and an extension of their "String of Pearls" Strategy in Asia to control shipping lanes.³¹ The Latin American and Caribbean region is of particular importance for this purpose for two reasons: this region is under the sphere of influence of the US, which China views as a threat to Chinese energy imports in the event of a conflict over Taiwan and the region's strategic location to the Panama Canal. The control of refineries and storage facilities in the LAC region is therefore important for this purpose. The acquisition of the oil facility in St. Eustatius, a strategic location for oil tankers passing through the Americas is an indication of this ambition. The oil facility will be able to handle some of the largest oil tankers and is within easy reach of other transport and refining centres in the region. There is speculation that this is part of a strategy by China to infiltrate ship fuel markets before expanding activities in other oil trades. Chinese acquisitions and oil deals in Latin America, with Venezuela in particular, may be a part of this grand strategy. China also has ambitions to acquire other refineries, including in the United States. The PetroChina acquisition in St. Eustatius could also be a response to the proposed expansion of the Panama Canal to accommodate larger ships with greater fuel and oil cargoes to pass through.³² Other indications of this ambition include a plan by Colombia and China for the construction of a railway connecting the Caribbean Sea and the Pacific Ocean as an alternative to the Panama Canal.³³

²⁸ China's Policy Paper on Latin America and the Caribbean. 2008. http://www.gov.cn/english/official/2008-11/05/content_1140347.htm

²⁹ Richard, B. (2010). "The Dragon in the Caribbean: China-CARICOM Economic Relations". *The Round Table: The Commonwealth Journal of International Affairs* Volume 99, Issue 408: 281 - 302

³⁰ China's Policy Paper on Latin America and the Caribbean. 2008. http://www.gov.cn/english/official/2008-11/05/content_1140347.htm.

³¹ See analyses of China's strategy to control shipping, *The Washington Times*. 2005. "China Builds up Strategic Sea Lanes" January 17, <http://www.washingtontimes.com/news/2005/jan/17/20050117-115550-1929r/?page=all#pagebreak>; Devonshire-Ellis, C. China Briefing, March 18 2009. <http://www.china-briefing.com/news/2009/03/18/china%E2%80%99s-string-of-pearls-strategy.html>

³² Bousquet, E. (2010). "China's refinery deal helps Cuba's oil exploration" http://www.china.org.cn/business/2010-12/07/content_21495604.htm

³³ Columbia Reports. (2011). "Colombia, China planning rail alternative to Panama canal".

<http://colombiareports.com/colombia-news/economy/14329-colombia-china-plan-alternative-to-panama-canal.html>

China is also interested in the Caribbean as part of its objectives of attaining energy and food security. In this vein, China is principally interested in the Caribbean's oil reserves to support its huge population and rapid economic growth. China's real gross domestic product is growing at a rate of 8-10% a year and its energy need is projected to increase by 150 percent by 2020 which demands increasing amounts of oil.³⁴ Other resources of interest to China include the Caribbean's fairly large reserves of bauxite, natural gas and fish stocks. The prospect of the discovery of oil and mineral deposits in Guyana and unexplored maritime resources of the Caribbean Sea are also attractions for China.³⁵ The lease of the large crude oil facility in St. Eustatius by PetroChina, from Saudi Arabia is also an indication of this motivation. The Caribbean also has the potential of land for improved food security in the midst of a rising food prices. The vast areas of fertile land of the Caribbean countries on the South American mainland – Guyana, Belize and Suriname are attractive prospects for China.³⁶

5.2. Other emerging players

Brazil like China has been developing strategic partnerships with other countries of the South and has been able to assert itself as a leader in the Western Hemisphere and as an emerging global power. Economic diplomacy is therefore the main thrust of Brazilian foreign policy, pushing them to search for new markets, additional energy supplies and diversification of trade partners. The Caribbean offers opportunities in the energy sector for Brazil. In this vein, Brazil is actively pursuing relations with the non-Hispanic Caribbean and has recently been placing high priority on its relations with CARICOM. To keep up with its high energy consumption propelled by its sustained economic growth, Brazil has built two liquefied natural gas (LNG) re-gasification terminals in the last two years both of which have been served mostly with LNG from Trinidad and Tobago.³⁷

Venezuela's interest in the Caribbean has an element that is peculiar only to Venezuela i.e. the latter's opposition to US hegemony in the Western Hemisphere and the vision for an alternative development and regional integration model in the Caribbean and Latin American Region. During the FTAA negotiations, Venezuela's interest in the Caribbean region was heightened. An FTAA agreement would mean greater integration of the US and Canadian economies with Latin America and the Caribbean within a neo liberal framework. Chavez' vision was for a different kind of integration with the Caribbean and Latin America, one based on socialist ideals with Venezuela at the centre. The Caribbean Region has therefore been used by Venezuela to demonstrate her power relative to that of the United States. Venezuela has since then devised an instrument (Petro Caribe) with two elements that are extremely attractive to the Caribbean - the provision of oil on favourable terms and the application of the principles of equity and small and differential treatment as the basis for economic relations.

Like China, India sees the Caribbean as a route through which they can access the US market. In that regard, the Dominican Republic is well placed for India to access the US market as the former has an FTA with the US.

³⁴ Fueling the Dragon: China's Race into the oil market. Institute for the Analysis of Global Security. <http://www.iags.org/china.htm>

³⁵ Bernal, Richard L. (2010). 'The Dragon in the Caribbean: China-CARICOM Economic Relations', The Round Table, 99: 408, 281 — 302

³⁶ *ibid*

³⁷ Energy Information Administration. Country Analysis Briefs. Brazil. <http://www.eia.doe.gov/cabs/brazil/Full.html>

5.3. The Caribbean perspective

Caribbean States are generally interested in the emerging players for two overarching reasons: the promise the latter hold for contributing to the economic and social development of the Region and the potential the emerging players have for representing the former in international fora and for transforming the global economic order. More specifically the Caribbean sees the emerging players as being able to provide development assistance, investment, providing opportunities for diversifying the Caribbean's trading partners, representation of a Southern voice, closer to the Caribbean's interests, in international fora, and acting as possible intermediaries between the Caribbean and developed countries. In contrast to the other emerging players, the Caribbean does not seem to view Venezuela as having the ability to transform global economic relations, neither is it seen as being able to represent the needs of the Caribbean in multilateral fora. In contrast to China and India, Brazil and Venezuela are important for the Caribbean in the context of the wider Latin American and Caribbean (LAC) integration system, the Community of Latin American and Caribbean States (CLACS) and other sub - regional arrangements e.g. the ALBA. Overall, and collectively, the new players represent an emerging counterweight to the economic and political influence of the EU in the Caribbean Region, which is a reflection of the evolution of a broader phenomenon towards multipolarity in the global political economy.

The Caribbean views the emerging players as important sources of development aid, FDI and trade for generating long term growth and development in the region and for forging strategic partnerships in the international fora. For the first reason, the emerging players' membership in the Caribbean Development Bank and the Inter-American Development Bank is important for deeper financial and economic cooperation with the Region.³⁸ The Caribbean views its relationship with the emerging players beyond narrow interests. In this vein, the Caribbean wishes to better align with China, Brazil and India because of the potential they possess for transforming the global economic order. They are also seen as intermediaries for bridging the gap between developed and developing countries, in particular, small and vulnerable countries.³⁹ At the Brasilia Summit in April 2010, leaders articulated the need for Brazil to raise the concerns of CARICOM at the G20 meeting in June 2010; agreed to continue working toward reform of the United Nations and its Security Council to reflect current realities especially as it relates to greater representation for developing countries in the decision-making processes of multilateral organizations and agreed to mutually support their candidacies in these organisations.⁴⁰

Apart from the cross cutting and broader interests, the Caribbean has specific interests in the various players. Recent bilateral and multilateral events and the first Brazil-CARICOM Summit⁴¹ have provided a framework for understanding CARICOM's current interest towards Brazil in the larger South American context. Among the areas on which leaders agreed to work include, the establishment, under a joint Brazil-CARICOM Protocol, a mechanism for political consultations to identify and promote common positions on the international scene; collaboration on climate change; technical cooperation through Memorandums of Understanding (MOUs) and Technical corporation agreements, collaboration on Haiti; agriculture; energy, bio fuels; health; education and culture; civil defence/disaster management; tourism, trade and transport.⁴²

³⁸ Golding, B. (2010). "China- Caribbean ties for Development and Progress". China Daily. February 3. http://www.chinadaily.com.cn/opinion/2010-02/03/content_9418665.htm

³⁹ Golding, B. (2010). China- Caribbean ties for Development and Progress. China Daily. February 3. http://www.chinadaily.com.cn/opinion/2010-02/03/content_9418665.htm

⁴⁰ Brasilia Declaration Issued by the First CARICOM Brazil Summit, 26th April 2010, Brasilia, Brazil. http://www.caricom.org/jsp/communications/meetings_statements/brasilia_declaration.jsp

⁴¹ The Brasilia Summit fulfills a mutual desire for closer collaboration and cooperation between Brazil and CARICOM to strengthen their historical and cultural bonds and to develop avenues the further deepening of their relationship.

⁴² Brasilia Declaration Issued by the First CARICOM Brazil Summit, 26th April 2010, Brasilia, Brazil. http://www.caricom.org/jsp/communications/meetings_statements/brasilia_declaration.jsp

The thrust of recent Latin American–Caribbean Summits is also illustrative of the Caribbean’s continuing favourable posture towards Brazil and the wider Latin American region. For example, at the first and second Latin America–Caribbean Summits on Integration and Development (CALC) in 2008 and 2010, Heads of State and Government reiterated the commitment to the establishment of the Community of Latin American and Caribbean States⁴³, Latin America–Caribbean integration, strengthening of just, democratic societies, combating poverty, inequality and all forms of discrimination, multilateralism, and sustainable development.⁴⁴ Brazil also offers potential for greater intra-regional trade and presents an opening to South America’s largest trading bloc MERCOSUR.⁴⁵ CARICOM is particularly drawn to India for the lessons that can be learnt from the development of India (and other Asian countries) especially in the area of International Information Technology, as the Region is moving towards the development of a skills and knowledge-based society.⁴⁶

Unlike the other players, some aspects of CARICOM’s interest in Venezuela are conflictual in nature. Venezuela’s claim to large portions of Guyanese territory; its claim to Aves Island and the role that it played in the complaint to the World Trade Organization (WTO) about the EU preferential system for Caribbean bananas. The land, maritime and trade disputes notwithstanding, most CARICOM countries have a keen interest in courting Venezuela for two reasons: the rising anti US stance by Venezuela and some Caribbean nations as a result of the US led proposal for the stalled Free Trade Area of the Americas (FTAA) and Venezuela’s ability to meet the oil needs of the Caribbean. With both Venezuela and the Caribbean confronting the US against neo-liberal globalization up to 2004 and the Caribbean’s need for more affordable oil, Caribbean - Venezuela relations have been sustained.

The fact that the emerging players are seeking to assert themselves as major players on the world stage will inevitably result in competition and possibly conflict with each other and the EU in the long term but it may also present opportunities for collaboration. First, the interest of China and Brazil in engaging with the Caribbean jointly in multilateral fora and on global issues may become an area of potential competition between the emerging players and Europe. At the 2010 Caribbean - Latin America Brasilia Summit, parties agreed to establish a mechanism to identify and promote common positions on the international scene. The EU also has a similar interest in soliciting Caribbean support in international fora in the context of the Joint Caribbean EU Strategy. Second, although there has been major cooperation between China, Venezuela and Brazil in the oil sector, the race for oil and other minerals can become a source of competition in the Caribbean. Both China and Brazil are growing fast and need oil and other minerals to maintain the rapid growth of their economy. There may also be competition between Indian and Chinese firms as they seek to establish businesses in the Dominican Republic for example, to access the US market.

The Caribbean’s development agenda has been couched in the context of its long-standing economic relations with traditional partners. However, the Caribbean’s increasing engagement with the emerging players will no doubt affect traditional economic relations and by extension, the context within which their development agenda is framed. These issues are explored in the next section.

⁴³ The Community to Latin American and Caribbean States was established in 2010

⁴⁴ Brasilia Declaration Issued by the First CARICOM Brazil Summit, 26th April 2010, Brasilia, Brazil.
http://www.caricom.org/jsp/communications/meetings_statements/brasilia_declaration.jsp

⁴⁵ Tingle -Smith, T. (2007). The New Geography of Brazil – Caribbean Economic Cooperation. How Brazil is Bridging the Economic Divide in the Caribbean. Experts Panel Conference Paper Conference on the Caribbean: A 2020 Vision, June.

⁴⁶ CARICOM – Indian Joint Commission Mooted – India’s Envoy. CARICOM Secretariat. Press Release.
http://www.caricom.org/jsp/pressreleases/pres112_00.jsp?null&prnf=1

6. Implications of the Emerging players' Role for the Caribbean and Caribbean–EU Relations

The sustained economic growth of China, Brazil and India may lead Caribbean countries to divert their attention from relations with traditional partners. If global trends continue to favour China's rise for example, the latter will increasingly be seen as a credible and legitimate partner and there may be increased attention towards China, potentially at the expense of the EU and other traditional partners.

The fact that China, India, Brazil and Venezuela are seen by the Caribbean as fellow developing countries may further contribute to the shift from traditional partners. China, Brazil, India and Venezuela come with an advantage, if only by the fact that they were never colonizers and are not perceived to have been in an exploitative relationship with the Caribbean in the past. There is therefore a greater feeling of camaraderie and partnership that makes the relations with the emerging players more comfortable even if it is not necessarily more beneficial. Further, China's policy of non-interference has a special appeal to Caribbean countries that have an affinity to the concept of "sovereignty" and preserving domestic policy space. This has become increasingly important amidst the increasing role of global governance institutions and the conditionalities that accompany traditional aid, trade and development cooperation. Venezuela's application of non-reciprocity in the context of the ALBA and PetroCaribe is particularly appealing to the Caribbean because the parties acknowledge that the Caribbean is at a relatively lower level of economic development. The Caribbean is therefore more inclined to gravitate towards China's and Venezuela's approach towards development.

The framework of financial cooperation for development programmes with the emerging players *vis-à-vis* the EU has implications for the Caribbean's relationship with the EU. The funding of development cooperation activities with the emerging players is characterized by less stringent and bureaucratic procedures than with the EU. For example, disbursement of funds for social and economic projects under PetroCaribe and ALBA is quick and conventional feasibility criteria are not necessary, as was the case in the construction of the international airport in St. Vincent. Payment in kind (e.g. bananas) for oil is also possible under PetroCaribe. Financial cooperation from these sources, therefore seems to be more attractive in some respects *vis-à-vis* the EDF, which is perceived to be quite cumbersome.⁴⁷

The Caribbean now has greater confidence in its foreign policy relations because of the diversity of economic engagement with new partners. This renewed confidence has Cold War parallels when the Caribbean and other Third World countries were able to exercise some degree of independence from the two super powers at the time. In this context, the Caribbean may be able to use the opportunity to take advantage of the competition among the emerging and traditional players for their benefit in negotiations and other areas of engagement. This phenomenon, what we call the 'wild rush', has already sparked renewed interest in the Caribbean (and Africa) by the EU. The EU's interest in seeking Caribbean support in multilateral fora through the Joint Caribbean-EU Strategy (JCEUS) under negotiation is a manifestation of this interest. The JCEUS is in part informed by the recognition of the EU that its position and influence in the region is being challenged. This scenario also has implications for US foreign policy towards the region. Although the Caribbean has declined in geo political/strategic importance, there is now cause for concern regarding the US' energy security for example. This concern stems out of China's investments in oil and gas in Venezuela and the wider hemisphere.

⁴⁷ Girvan, N. (2011). Global and Regional Reconfigurations of Power: Implications for Caribbean EU-Relations Paper presented at workshop, the Joint Caribbean EU Strategy: Reflections and Analysis, Institute of International Relations, UWI.

The Venezuelan and Chinese approach of engaging with the Caribbean may have unintended consequences for development models and the regional integration process. This aspect also has implications for Caribbean relations with the US and Canada. The CARIFORUM–EU EPA and the CARICOM-Canada FTA are based on a development model that is premised on the notion that trade liberalization is a key tool for development. Additionally, EU trade and development cooperation and assistance are dependent on partner countries' ability to adhere to particular normative principles. Venezuela has explicitly articulated its rejection of a neo-liberal model of development by the launching of the ALBA and PetroCaribe initiatives. China's approach to development is less explicit, but it is clear that their approach is different from that of the traditional powers. Although China has denied that they are pursuing any particular model of development, there are some key elements that are common in their engagement with Third countries. First, China has indicated that each country should choose a development path that is suited to their peculiar needs. Second, Chinese aid, development assistance and cooperation are not tied to conditionalities. Third, China claims that non-interference is at the centre of their policy of engagement and claims not to get involved in a country's internal affairs. Fourth, China's development strategy is not driven by ideological considerations and does not insist on values such as good governance, democracy and human rights as a prerequisite for engagement on trade and development cooperation. The Chinese 'development model' holds much appeal for the Caribbean because of the seemingly 'no strings attached' policy it upholds. There are concerns in some circles that ALBA and PetroCaribe have negative implications for the cohesiveness of CARICOM, partly because of the objection of Trinidad and Tobago and Barbados, CARICOM's oil producers.

The relationship that the Caribbean now has with new players is likely to have an impact on the ACP as a Group, particularly because the Caribbean's relationship with the EU has developed in the context of the ACP grouping. This is the subject of the next section.

7. What implications for the ACP?

The presence of the emerging players in the Caribbean has several implications for the future of the ACP. China, Brazil, India and Venezuela are playing a greater role in the region at a time when the EU is redefining its relationship with the ACP. In the Lisbon Treaty, which establishes the rules of engagement with third countries, there is no longer any reference to the ACP Group, indicating that the ACP as a bloc is not as important as it was in the past to the EU. The regional approach that the EU took in the EPA negotiations is also an indication of this shift. This may be a positive development, as this is already forcing the ACP to re-evaluate its relationship with the EU and to assess its current configuration.

This is principally because the ACP was created specifically for EU engagement with the ACP bloc and is therefore not recognised in official Caribbean relations with the new players. China, Brazil and India therefore have no overarching framework that links their relationship with the Caribbean with other parts of the ACP. The absence of a long - term coherent plan by the emerging players for wider groupings will inevitably affect such arrangements. If major economic activities and development cooperation with the emerging players continue, the ACP framework will decrease in relevance. Additionally, ACP regions and individual nations are in competition with each other for aid, trade and investment from the emerging players. Therefore, the method of engagement with the emerging players, i.e. through mainly bilateral cooperation, will weaken not only the ACP group but other regional arrangements of which the Caribbean

is a part. These developments provide an opportunity for the Caribbean with other ACP countries to re-evaluate the *raison d'être* of the ACP group in a changing global political economy and the continued relevance of the existing framework for engagement in this new dispensation. On the other hand, the Caribbean along with the rest of the ACP may be able to take advantage of the existing framework to modify, expand and re-invent itself as necessary, guided by the new relationships that are evolving. The new relationships the Caribbean now has with emerging players are in themselves an indication of the shift in the global political economy.

8. What is the way forward?

First, the Caribbean should continue to diversify its economic relations while at the same time strategically maintain certain aspects of their relationship with traditional partners relevant to their developmental priorities. The Caribbean's new engagement with emerging players is important for diversifying trading and investment partners but a relationship with the EU will continue to be beneficial for several reasons: the EU continues to be an important power broker on the global stage; the EU continues to play an important role as a trading power and donor both in terms of sustainable and long-term development support, and humanitarian assistance; the EU is key example of, and supports regional integration and promotes values such as democracy, human rights, and the rule of law. Relations with the EU should not be neglected because while the BRICs economies are growing, as a group, they are not yet a cohesive force that projects power overseas, in conflict situations for example; the BRICs, however, have not yet developed long-term coherent development programmes for the Caribbean as a region and China, for example, pursues economic and investment relations with little concern for human rights and other values including corporate social responsibility. The presence of both the EU and the emerging players' have great geo-political significance because they serve as a counter weight to US power in the region and provides the Caribbean with some degree of flexibility especially with respect to reducing the latter's dependence on the US.

Second, a cost-benefit or SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is necessary for determining the best direction and nature of engagement with each new and traditional players. This evaluation should not aim to simply prioritize which players the Caribbean should engage, but also the specific sectors in which this engagement is most beneficial. It means that the Caribbean may be engaging with diverse partners but would be doing so strategically and deliberately in line with a long-term development strategy. Besides, national differences within the Caribbean should also be taken into consideration. Already, some have identified the downside of some aspects of a seemingly productive relationship with new players. For example, in the case of Venezuela, there is uncertainty in yearly financial flows and the Caribbean runs the risk of facing unsustainable debt burdens with Venezuela, given the former's limited export capacities. In another case, while China provides a new export market for certain products and offers loans and investment with little conditionality, there are concerns that trade relations with China reproduce the colonial division of labour of exporting raw materials and importing manufactured goods; China's investment projects are tying financing with the use of Chinese labour, design, and technology; there is limited use of local labour and supplies and a lack of technology transfer.⁴⁸ Finally, it is important for the Caribbean to assess the implications of old and new relationships for Caribbean development and regional integration. The national development plans of Caribbean countries and their goals for regional integration should be the foundational pillar for informing the nature of

⁴⁸ *ibid*

engagement with emerging players and the EU. Development projects and programmes should be part of a broad long term strategic plan for strengthening regional integration. Two proposals in that respect are (i) taking concrete action to reduce the huge trade imbalance that currently exists with the emerging players, and (ii) undertaking an evaluation of the effectiveness of development projects to assess their contribution to social and economic development. As there appears to be competition among Caribbean States for assistance and loans from China, for example, if this trend continues, this poses the danger of further hindering the cohesion of CARICOM and the integration process. The critical success value of any type of engagement with new or traditional players is the extent to which the relationship strengthens regional integration, an important prerequisite for Caribbean development. Therefore, the credibility of any relationship the Caribbean pursues should be measured by the degree to which regional integration is a priority.

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