

Chinese Engagement with Nations of the Caribbean

Evan Ellis, Ph.D. ¹



As Chinese engagement with the Western Hemisphere has received increasing attention from business, academic, and government circles, the focus has traditionally been on the nations of South America, whose large resource endowments and consumer markets have given rise to multi-billion dollar loans, acquisitions, and trade flows with the PRC. Although eclipsed by the volume of activity in the Southern Cone, few parts of the Western Hemisphere have witnessed more strategically significant engagements relative to their size, than has the Caribbean. China's first overt military presence in the hemisphere in modern times was the contingent of military police which it deployed to Haiti in September 2004, and has maintained there since. China's key logistics hub for the region is the massive deepwater port and airport facility which the firm Hutchison-Whampoa operates in Freeport, the Bahamas, 65 miles from the continental United States. The largest population of Chinese students in Latin America is currently Cuba, where between 1,000 and 2,000 Chinese study Spanish, medicine, and other topics. The majority of investment flows between

China and Latin America involve Caribbean “tax shelter” states such as the Cayman Islands and the British Virgin Islands, creating massive opportunities for money laundering and organized crime. Finally, the largest concentration of Chinese work projects are also found in the Caribbean, where a combination of resorts backed by Chinese investors, and infrastructure projects backed by Chinese banks, are being performed under conditions which permit thousands of Chinese laborers to be imported into the region by the Chinese companies contracted to perform the work.

This paper analyzes PRC engagement with the Caribbean, with a focus on eight key trends in this present that are strategically significant from a US perspective:

- Growing PRC military activities in the region
- Expansion of Chinese investment
- Increasing numbers of Chinese companies operating on the ground
- Growing PRC Chinese financial presence
- Expanding activities by Chinese organized crime
- Expansion of the Chinese presence in telecommunications
- Expansion of PRC-Caribbean political and cultural ties
- Use of the region by the PRC as a logistics hub

Growing PRC military activities in the region. Although the PRC has been very cautious to portray its military activities in Latin America in a non-threatening manner, some of its most significant military engagements in Latin America have occurred in the Caribbean.

The first deployment of Chinese military forces into Latin America was the sending of a detachment of Popular Liberation Army (PLA) security police to Haiti in September 2004. Since that initial deployment, the PRC has continually rotated its forces to sustain a presence in Haiti. Indeed, 4 PLA officials from this force, plus four visiting officers, were killed in the January 2010 Haiti earthquake, becoming the first PRC military personnel to officially be killed in Latin American territory in modern times.²

In September 2011, the PRC chose the Caribbean as the destination for the first-ever visit by a PLA hospital ship to the Western Hemisphere. The first and only such ship built by the PRC, given the name “Peace Ark,” was scheduled to make port calls in Jamaica, Cuba and Trinidad, as well as Costa Rica as part of the mission “Harmonious Mission 2011.”³

The PRC also conducts significant interactions with the militaries of virtually all of the Caribbean nations with which it has diplomatic relations. A series of senior level Caribbean military leaders have visited China in the past two years, including Colonel Ernst Mercuur, Commander of the Suriname Armed Forces

(visit to the PRC in June 2009),⁴ Coronel Alvin Quintyne, Chief of Staff of the Barbados Defense Force (November 2009), Gary Anthony Rodwell Best, Chief of Defense Staff of Guyana (July 2010),⁵ and Lamure Latour, Minister of Defense of Suriname (December 2010).⁶ Publicized trips by Chinese defense leaders to the Caribbean during the past two years have principally involved Cuba, including the December 2010 visit to Havana by Ma Xiaotian, deputy chief of the General Staff of the Chinese People's Liberation Army.⁷

At a lower level, people-to-people military interactions have included inviting uniformed Caribbean military personnel and defense civilians for professional military education trips to the PRC, including classes in military studies institutes in Chanping and elsewhere.⁸ In the case of Jamaica, in addition to officer exchanges, the PLA donated \$3.5 million in non-lethal military equipment to the Jamaica Defense Force (JDF) in 2010.⁹ Although the size of the donation was relatively modest, it was significant relative to the size of the JDF, and came at a time in which the JDF had been profoundly challenged by difficulties in entering and asserting control over the Tivoli Gardens neighborhood of Kingston.¹⁰

Beyond such public military to military engagement, the PLA is also reported to have personnel at Soviet-era intelligence collection facilities in Bejucal, Lourdes, and Santiago de Cuba, although the Chinese government has denied such allegations.

Expansion of Chinese investment. Although the Caribbean has traditionally lacked the large national markets or natural resources which have drawn Chinese investment to other parts of Latin America, its modest quantities of key raw materials, such as petroleum, nickel, and bauxite have attracted the attention of multiple Chinese companies, as have its opportunities for tourism.

Its geographical position also serves as a natural logistics hub for goods transiting between China and Europe and the Atlantic coast of the Americas. Historically, Chinese resources have flowed into the region in modest quantities as gifts, such as soccer and cricket stadiums and development assistance, as a reward to nations changing diplomatic recognition from Taiwan to the PRC. By one estimate, China spent \$132 million in “aid and soft loans” to Caribbean nations through 2007,¹³ including \$100 million in aid for Dominica following its recognition of the PRC in March 2004,¹⁴ and the construction of a \$40 million multi-use sports stadium for Grenada following its own diplomatic switch from Taiwan to the PRC in January 2005.¹⁵

Aside from such “political rewards,” in recent years billions of dollars of Chinese loans and investments which may be characterized as “commercial” in character have also begun to flow into the Caribbean (although still channeled

principally toward those countries which maintain diplomatic relations with the PRC).

These funds have had a significant effect on the relatively small economies of the region, as well as on the associated political environment and popular consciousness. Some of the most notable projects include:

- Commitment to invest \$2.4 billion to construct the 3800-room “Baha Mar” resort on New Providence Island in the Bahamas.¹⁶
- \$462 million in the Punta Perla beachfront resort on the eastern coast of the Dominican Republic.¹⁷
- Hutchison-Whampoa’s establishment of its major regional logistics hub in Freeport, Bahamas, including administration of the airport, the container port, and various companies and commercial properties operating in the area, with an accumulated investment of between \$500 million¹⁸ and \$2 billion, depending on what is counted.
- Construction of a warehousing hub at the Caymans Estate facility near Kingston, Jamaica.¹⁹
- The July 2010 purchase of 30,000 hectares of sugarcane fields and three ethanol refineries in Jamaica by the Chinese firm Complant.²⁰
- Purchase of 70% interest in the Omai Bauxite mine from the Guyanese government in February 2007 for \$46 million.²¹
- A \$6 billion project to expand and modernize the Cienfuegos refinery in Cuba.²²
- Participation by China National Petroleum Corporation in oil drilling operations off the west coast of Cuba.²³
- Plans by a group of private Chinese investors to invest \$200 million in two hotel resort complexes in Grenada.²⁴

Expansion of Chinese companies operating on the Ground. As a function of the investment and works projects mentioned above, as well as other activities, Chinese companies have moved from an indirect presence, purchasing from and selling goods to the region through intermediaries, to a larger, direct presence on the ground. The use of Freeport by Hutchison-Whampoa as its regional logistics hub was particularly significant in establishing a large PRC commercial footprint in the region, both because of its own operations, and also because of implied flows of Chinese goods that the operation enabled, including links with other Chinese entities such as China Overseas Shipping Company (COSCO).

Beyond projects funded by PRC investors, Chinese construction companies have secured a number of major highway, port, and building projects with the help of funding for the packages from Chinese financial institutions. Such projects typically involve the importation of thousands of Chinese laborers, although officially only on a temporary basis. As an example, an estimated

6,150 Chinese workers will be brought to the Bahamas for the construction of the Bahia Mar resort.²⁵

Chinese construction projects in the Caribbean other than direct investments include the following:

- Construction of 3,500 homes in Jamaica by the Chinese firm Complant, leveraging a \$76 million (USD) loan provided by Chinese banks.²⁶
- Construction of the \$45 million Convention Center in Montego Bay, Jamaica, also by Complant, with funding from PRC financial institutions.²⁷
- Commitment to \$6 billion in work to build a deep sea port and highway improvements in Suriname to support that country's role as a transportation hub for northern Brazil commerce, with the work to be done by two Chinese companies: Don International and China Harbor Engineering Corporation.²⁸
- A \$400 million USD 5-year highway construction project for the Jamaican government and a separate \$65 million USD project to improve the road from Kingston to the international airport, with the money loaned by China Development Bank, and the work to be done by China Harbor Engineering Company.²⁹
- A \$70 million improvement project for the international airport in Nassau,³⁰ for which the Chinese government provided loans at preferential interest rates.³¹
- Drilling of oil wells by the Chinese oil service company Great Wall Drilling Co. (GWDC) under contract with the Cuban national oil company CUPET.³²
- Construction of the Prime Minister's residence and the National Performing Arts Center in Port of Spain, Trinidad, by Shanghai Construction Company.³³
- A new \$45 million terminal at the Antigua international airport, paid for by a Chinese loan.³⁴
- Chinese companies' construction of the Mt. St. John Medical Center³⁵ and an electric generating plant in Antigua,³⁶ the Skeldon sugar factory in Guyana,³⁷ and the expansion of the State College and State House in Dominica.³⁸

Such projects, as well as the ongoing commercial activities of Chinese telecommunications companies Huawei, ZTE, and Shanghai Alcatel Bell, the appliance company Haier, and others, both give Chinese businesses a weight in their respective communities, and maintain Chinese management and technical personnel in the region.

This presence has implications for the level of Chinese interactions with local communities, including possibilities for conflict, as well as the influence of these businessmen in local Caribbean politics and social dynamics. Indeed, there have already been protests in Jamaica, that China Harbor Engineering is not employing a sufficient number of Jamaicans in the Palisadoes road project,³⁹ and discontent in the Bahamas regarding the labor practices of Hutchison Whampoa, the Chinese logistics company operating the container terminal at Freeport.⁴⁰

Beyond such commercial presence, a complimentary role is also played by Caribbean educational institutions, which bring Chinese students and professionals into the region, with a type of interaction arguably less conflictual than that which applies to the interaction between Chinese laborers and their host countries. The primary exchange programs are in Cuba, including the University of Havana, which alone hosts more than a thousand Chinese students for language, medical, and technical programs.⁴¹

Growing PRC Chinese financial presence. Tax shelter countries such as the Cayman Islands and the British Virgin Islands have long served as instruments for the movement of Chinese, as well as Western capital. Previously, Chinese laws giving favorable tax treatment to “foreign capital” encouraged a process by which funds from the PRC would be exported to a foreign tax haven such as the Cayman Islands and the British Virgin Islands, transformed, and re-invested into mainland China at the more favorable tax rate.⁴² While reform to Chinese tax laws have eliminated many of the incentives for “round-tripping,” because of massive and growing Chinese financial assets (over \$3 trillion in foreign exchange reserves as of April 2011),⁴³ the quantity of funds flowing into Caribbean tax shelter countries has continued to increase.

Some evidence also suggests that the flow of funds between Chinese and Caribbean banks has complicated the prosecution of money laundering activities by international authorities. This is because banking secrecy in Caribbean tax shelter countries such as the British Virgin Islands or the Cayman Islands greatly magnifies the administrative and linguistic barriers involved in following the money trail between China and the Caribbean, creating incentives for Chinese organized crime groups to use such routes for their own money laundering activities. Recognizing such vulnerabilities, the PRC has attempted to improve its visibility over Caribbean tax shelters, reaching an agreement with the British Virgin Islands in 2010, for example, forcing banks there to disclose the actual owners of companies registered there if formally requested to do so.⁴⁴

In addition to tax shelter countries, the presence of Chinese financial institutions in Caribbean nations has also begun to increase more broadly. As noted previously, loans from Chinese financial institutions such as China Development Bank and the Export-Import Bank of China have played key roles in billions of dollars of work projects by PRC companies in the region. The PRC has also become a member of the Caribbean Development Bank,⁴⁵ with Chinese bankers playing a key role at the May 2010 Caribbean Development Bank Board of Governors meeting,⁴⁶ as well as trips by delegations from the China Development Bank to Antigua & Barbuda in October 2009,⁴⁷ and a visit to Trinidad and Tobago by the Vice President of China ExIm Bank.⁴⁸

Expansion of Chinese organized crime activities in the region. Chinese triads and other organized crime groups have long had a presence in the Caribbean among Chinese immigrant populations. Nonetheless, the expansion of trade, human, and financial flows between the PRC and the region has proliferated opportunities for organized crime in ways that are difficult to monitor and control, given the lack of Chinese language capabilities and ethnically-Chinese agents among small, modestly resourced Caribbean security forces, as well as a frequent lack of collaboration from Chinese communities regarding crimes involving their own members.⁴⁹

There is very little public evidence regarding the presence of Chinese criminal organizations in the Caribbean. The Chinese triad organization Tian Dao Man reportedly has a presence in Grenada.⁵⁰ Recent murders within the Chinese community in Trinidad have led to speculation that triad groups have a presence there as well.⁵¹ In general, indications suggest that activities of such groups in the Caribbean concentrate on money laundering through casinos and human trafficking, possibly leveraging the influx of Chinese guest workers, as well as the increasing Chinese goods and capital flowing through regional financial institutions for legitimate purposes.⁵²

Expansion of PRC-Caribbean political and cultural ties. There are two reasons why the PRC gives the Caribbean a level of political attention uncharacteristic for its size: (1) Because of its longstanding ties with Cuba, an ideologically receptive country in strategic proximity to the United States, and in need of powerful global allies, and (2) because six of the 23 nations in the world that diplomatically recognize the Republic of China (Taiwan) are found in the Caribbean.

The closest political partner of the PRC in the Caribbean is arguably Cuba. During the 1970s and 1980s, Sino-Soviet geopolitical competition, in combination with close ties between Cuba and the Soviet Union, impaired the Sino-Cuban relationship. Nonetheless, with the end of the cold war, a rapid Sino-Cuban rapprochement was driven by mutual interest and need. With the withdraw of Soviet military and economic aid, Cuba found itself in need of a new international patron, at the same time that the events of Tiananmen Square left the PRC isolated and in search of friends on the international stage.⁵³ China-Cuba political and cultural interaction seems to have particularly accelerated since 2007. In November 2008, Chinese President Hu Jintao stopped in Cuba, as well as Costa Rica, on his way to the APEC summit in Lima, Peru.⁵⁴ There have also been regular contacts at the level of Vice President and party leadership including the June 2011 trip to Cuba by Chinese Vice President Xi Jinping.⁵⁵ At the level of cultural exchanges, Cuba is the Latin American country with the most Chinese students, with between 1000-2000 currently studying topics such as Spanish language and medicine at various Cuban institutions, including the University of Havana.⁵⁶ In addition,

a Confucius Institute was established at the University of Havana in November 2009.⁵⁷

In addition to PRC relations with Cuba, Chinese political and cultural engagement with other Caribbean countries has arguably been driven by those countries, which, diplomatically do not recognize the PRC, and an effort to preserve recognition of the PRC in the rest, avoiding reversals such as the May 2007 decision by St. Lucia to undo its 2007 decision to recognize PRC.⁵⁸

With the exception of the November 2008 trip by Hu Jintao to Cuba,⁵⁹ no Chinese president has traveled to the Caribbean in recent times, although Caribbean Presidents and Prime Ministers have traveled to China, including Jamaican Prime Minister Bruce Golding, who traveled to China in February 2010 and was received by Chinese President Hu.⁶⁰ Below the executive level, senior visits include the February 2009 trip by Chinese vice-president Xi Jinping to Jamaica, and the near-simultaneous trip by Chinese vice-premier Hui Liangyu to Barbados and the Bahamas. In that year as well, National People's Congress chairman Wu Bangguo traveled to the Bahamas as part of a two nation Latin American tour.⁶¹

Within universities and the business community of the Caribbean, the language and experience base for doing business with the PRC has been limited, although it has begun to make progress in recent years. In 2009, the PRC established its first "Confucius Institute" in the Caribbean, for the promotion of Chinese language and culture at the University of the West Indies, in Kingston, Jamaica.⁶² Since that time, other Confucius institutes and classrooms have been established in the College of the Bahamas and the University of the West Indies Cave Hill Campus (Barbados) as well as the University of Havana, as noted previously. In addition, Caribbean participation in events such as the 2010 Shanghai World Expo⁶³ have also served to promote contacts.

Expansion of the Chinese presence in space and telecommunications. For years, the Caribbean telecommunications infrastructure was considered a relative "backwater," monopolized, atomized, and generally non-profitable. Like their western counterparts, Chinese telecommunication giants ZTE and Huawei refrained from making major investments in the sector. In recent years, however, that has begun to change. Since 2007, Huawei has won telecom infrastructure work in Trinidad and Tobago,⁶⁴ Jamaica, Aruba, Cayman, and Barbados,⁶⁵ while ZTE has developed a smaller, but important presence in Guyana, Guadeloupe⁶⁶ and Haiti.⁶⁷

The newest Chinese entrant to the Caribbean telecom market has been Shanghai Alcatel Bell which, in December 2010, was announced as the agent for a fiber optic communication line that would connect Cuba and Jamaica to

the Venezuelan grid.⁶⁸ While the project in itself is modest, it makes Cuba, and to a lesser extent Jamaica, more dependent on the Chinese for international data connectivity, since Chinese firms Huawei and ZTE have played major roles in the modernization of both the fiber optic and space-based components of the Venezuelan architecture to which the cable connects.⁶⁹

Conclusions. The significance of Chinese engagement with the Caribbean should not be underestimated because of its modest absolute size, or commercial character. While the dominant form of Chinese engagement with the Caribbean is loans and investments, the volume of capital involved is enormous relative to the size of the economies involved, giving the Chinese enormous and growing influence in the region. Moreover, the vast majority of these involve work to be performed on the ground in the Caribbean with hundreds or thousands of Chinese workers. Such presence will increase possibilities for political unrest by displaced local workers, social frictions between Chinese and locals, and possibly, opportunities for the growth of Chinese criminal organizations leveraging the large “floating” Chinese population.

In addition, the political character of Chinese interest in the Caribbean should not be overlooked. While Chinese companies are legitimately seeking to make money in the Caribbean through sales of products and services, and to secure supplies of key primary products such as petroleum, nickel and bauxite, the Caribbean is also strategically important both to the US and to China. Not only is the region home to 6 of the 23 nations in the world that diplomatically recognize Taiwan as the legitimate government of all of China, but it is also a central geographic location, encompassing both the key “southern approaches” to the United States, as well as the gateway for commerce passing through the Panama Canal from Asia to nations of the Atlantic.

In the end, the strategic significance of China’s engagement with the Caribbean for the United States is three-fold. First, by capturing the attention of Caribbean governments, and providing an alternative source of investment and trade, Chinese engagement undercuts the ability of the US to advance its own agenda in the region, including issues such as human rights, democratization, respect for law, and fiscal accountability. While the PRC may not promote an anti-US agenda in the region, it does serve as an enabler for vulnerable states in the region to follow the alternative path advocated in the region by states such as Venezuela and Cuba.

Second, over the longer term, PRC activities in the Caribbean may interact with other regional dynamics to give rise to new security challenges. The importation of Chinese laborers for work projects, logistics hubs which create opportunities for the distribution of Chinese contraband goods, and the use of the region as a tax shelter by Chinese investors, for example, each nurtures a

small but dangerous presence by Chinese organized crime groups in the region. As such groups potentially grow in strength and diversify into other activities; they may interact in difficult to predict ways with other transnational criminal entities currently engaged in operations in the Caribbean, such as Mexico and Colombia-based narco-trafficking organizations, as well as local Caribbean gangs.

Finally, the PRC presence in the Caribbean has the potential to take on a much more menacing character should Sino-US relations degenerate into a hostile geopolitical competition. Under such undesirable circumstances, the presence of substantial Chinese naval facilities and telecommunications infrastructure (albeit commercial), and thousands of Chinese personnel, many less than 100 nautical miles from US shores, and the associated potential to observe or disrupt key maritime routes and nearby US facilities would become a major liability for military planners.

In the end, the implications of China's engagement with the Caribbean thus depend on the broader China-US relationship, as well as on the evolution of the region itself, highlighting once again the importance of evaluating a range of contingencies, seemingly only different in subtle ways, but in which the imperatives and risks for US planners responsible for Caribbean security issues will be dramatically different.

En septiembre de 2011, la República Popular China seleccionó al Caribe como destino para la primera visita de un buque hospital del PLA (Ejército Popular de Liberación) al Hemisferio Occidental. El primero y único buque fabricado por la PRC, bautizado con el nombre "Arca de Paz", estaba programado a hacer escalas en Jamaica, Cuba y Trinidad, al igual que en Costa Rica, como parte de la "Misión Armoniosa 2011".

Notes

1. The views expressed in this article are those of the author and do not reflect the official policy or position of the National Defense University, the Department of Defense, or the U.S. Government.
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5. "China, Guyana pledge to advance military ties." *Xinhua*.
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<http://www.jamaicaobserver.com/news/China-donates--300m-in-military-gear-to-Ja>. January 15, 2011.
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http://www.jamaicaobserver.com/columns/Something-went-horribly-wrong-in-Tivoli-Gardens_7657608. May 30, 2011.
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13. Ezra Fieser, "Why is China spending billions in the Caribbean?" *GlobalPost*. Boston.
<http://www.globalpost.com/dispatch/news/regions/americas/110325/china-caribbean-investment-tourism>. April 22, 2011.
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[bin/article.cgi?f=/g/a/2011/06/09/bloomberg1376-LMJKJ41A1I4H01-3TL9NRDOV12Q1UV0T6TAHBDU3F.DTL](http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/06/09/bloomberg1376-LMJKJ41A1I4H01-3TL9NRDOV12Q1UV0T6TAHBDU3F.DTL). San Francisco. June 9, 2011.

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25. Aranaud de Borschgrave, “China Wins Friends at Breakneck Speed.” *Trade Reform*. <http://www.tradereform.org/2011/04/china-wins-friends-at-breakneck-speed/>. April 21, 2011. See also Ezra Fieser, “Why is China spending billions in the Caribbean?” *GlobalPost*. Boston.

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Contributer



Dr. Evan Ellis is an assistant professor with the Center for Hemispheric Defense Studies (CHDS). His research focus is on Latin America's relationship with external actors, including China, Russia, and Iran. His book "China and Latin America: the Whats and Wherefores" was published by Lynne Rienner press in April 2009. Dr. Ellis' published articles include treatments of Latin America's relationship with China, populism in the Andes, urban street gangs, military transformation, and regional energy security issues.

Dr. Ellis is also the technical lead for the center's signature "NationLab" program of custom-designed, interactive exercise events, conducted by CHDS with partner institutions throughout Latin America on issues of strategic importance to the host countries. Dr. Ellis has presented his work on Latin America strategic issues and other topics in a broad range of business and government forums in the United States, Argentina, Bolivia, Belize, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Panama, Paraguay, Peru, Venezuela, France, and the United Kingdom, and is a frequent guest lecturer at the U.S. Air Force Special Operations School.

