Caribbean-China Relations: Foreign Policy and Small State Economic Adjustment

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CARIBBEAN-CHINA RELATIONS: FOREIGN POLICY AND SMALL STATE ECONOMIC ADJUSTMENT

A Dissertation

Presented to

The Faculty of the Josef Korbel School of International Studies

University of Denver

In Partial Fulfillment

of the Requirements for the Degree

Doctor of Philosophy

by

Dana Marie Morris

November 2008
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I would also like to thank all the Caribbean officials that agreed to be interviewed and I would also like to acknowledge the role of the CARICOM Secretariat in providing important trade statistics.

My choice of topic is linked to my friend Diana Thorburn. While agonizing about a dissertation topic she said, “Write about China in the Caribbean. We need more work on that topic.” She was right, and I thank her for her support throughout this project. I would also like to thank my friends and family who were especially supportive during the entire writing of this dissertation. I would specifically like to acknowledge the support of Gwen Phillips (my grand-mother), Elizabeth Brown (my mother), Diallo Dixon, John
Rapley, Deserene Burrell, Damion Brown, Anna Perkins, Damien King and Atai Lee.
# List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>ACP</td>
<td>African Caribbean and Pacific Countries</td>
</tr>
<tr>
<td>ACS</td>
<td>Association of Caribbean States</td>
</tr>
<tr>
<td>ADS</td>
<td>Approved Destination Status</td>
</tr>
<tr>
<td>ALPART</td>
<td>Alumina Partners Company</td>
</tr>
<tr>
<td>CARICOM</td>
<td>Caribbean Community</td>
</tr>
<tr>
<td>CARIFTA</td>
<td>Caribbean Free Trade Area</td>
</tr>
<tr>
<td>CBERA</td>
<td>Caribbean Basin Economic Recovery Act</td>
</tr>
<tr>
<td>CBI</td>
<td>Caribbean Basin Initiative</td>
</tr>
<tr>
<td>CET</td>
<td>Common external tariff</td>
</tr>
<tr>
<td>EC</td>
<td>Eastern Caribbean</td>
</tr>
<tr>
<td>ECOSOC</td>
<td>United Nations Economic and Social Council</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>EPZ</td>
<td>Export processing zone</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>G77</td>
<td>Group of 77</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIFSA</td>
<td>Grenada Financial Services Authority</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IBC</td>
<td>International Business Corporation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>---------</td>
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</tr>
<tr>
<td>IDB</td>
<td>Inter-American Development Bank</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>NAM</td>
<td>Non-Aligned Movement</td>
</tr>
<tr>
<td>NIEO</td>
<td>New International Economic Order</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECS</td>
<td>Organization of Eastern Caribbean States</td>
</tr>
<tr>
<td>PRG</td>
<td>Partial Risk Guarantee</td>
</tr>
<tr>
<td>SIDS</td>
<td>Small Island Developing States</td>
</tr>
<tr>
<td>STABEX</td>
<td>System for the Stabilization of Exports</td>
</tr>
<tr>
<td>SYSMIN</td>
<td>System for Mineral Products</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Trade and Development Conference</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
INTRODUCTION

Source: Jamaica Observer, 8 February 2005.

Research Rationale

In 2005, Neville Duncan, a noted Caribbean political scientist declared: “I cannot see that the Caribbean has any other choice but to develop a relationship with China.”\textsuperscript{1} This sentiment is echoed in the cartoon shown above, and both are

indicative of a general mood across the Caribbean wherein China is seen as not only an important player in the international system, but also one that the Caribbean states\textsuperscript{2} should position themselves to reap some benefits from.

The decision by English-speaking Caribbean states to increasingly engage with China is seemingly unproblematic, but upon close examination it will become clear that there are important variations across the Caribbean in their approach to China as seen in their support for the One China policy. Since the 1970s Barbados, Guyana, Jamaica and Trinidad and Tobago have consistently recognized China and not Taiwan.\textsuperscript{3} On the other hand, countries such as the Bahamas, Dominica, Grenada, and St. Lucia have vacillated between recognition of China and Taiwan.

The English-speaking Caribbean states share a similar colonial history and have similarly structured economies and political systems. In addition, since 1973 they have been participants in a free trade area, the Caribbean Community (CARICOM), which identifies foreign policy coordination as an important component of this integration initiative. If all the Caribbean states are so similar,

\begin{itemize}
  \item[I] I will use the term ‘Caribbean states’ and ‘Caribbean’ interchangeably. The preferred terminology is ‘Caribbean states’ as it better captures the subtle yet important differences among the Caribbean states instead of depicting them as one homogenous group. My definition of the Caribbean as used in this research project is provided in the next section.
  \item[3] Recognition of China is defined as support for the “One China Policy.”
\end{itemize}
why do we see variation in their interactions with China? This dissertation argues that the variable explaining this divergence is resource endowment.

Resource endowment is typically understood to be related to natural resources which by definition are simply factors of production that are provided by nature.\(^4\) These include land, water and sea resources. This dissertation will look at natural resource endowment, but will also include a less discussed resource—sovereignty. A resource is simply, “anything that can contribute to economic activity.”\(^5\) The identification of sovereignty as a resource is quite unusual, but this dissertation will show that the rights associated with sovereignty—especially in relation to the ability to vote in international bodies and to recognize other states\(^6\)—can be traded and this trade can in fact result in economic gains.

Brief Overview of Caribbean-China Relations

In terms of the specifics of the relationship between Caribbean states and China, it is useful to divide the various aspects of the relationship into economic,


\(^5\) Ibid., 403.

\(^6\) The dissertation will also explore other aspects of sovereignty that have also been traded in the Caribbean. These include the sale of flags of convenience, the establishment of offshore financial centers, and the sale of economic citizenship. These will be discussed in some detail in Chapters 2 and 4.
cultural and political areas (see Table 1 below). Economically, the Caribbean states that officially recognize China and support the ‘One China Policy’ are the recipients of vast amounts of loans, grants, and technical assistance in areas such as railway, irrigation, and water systems. The loans are provided to Caribbean governments at low rates of interest and are devoid of explicit conditionalities that have been the subject of much discontent in loans obtained from, for example, the IMF or World Bank.

Table 1. A Typology of China-Caribbean Relations

<table>
<thead>
<tr>
<th>Economic Relations</th>
<th>Political</th>
<th>Cultural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Voting in IGOs</td>
<td>Scholarships</td>
</tr>
<tr>
<td>Grants</td>
<td>Military Assistance</td>
<td>Language Teachers</td>
</tr>
<tr>
<td>Trade (natural resources from the Caribbean and Chinese goods)</td>
<td>Cooperation in Isolating Taiwan</td>
<td>Sport Exchanges</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>Geopolitical Strategizing</td>
<td></td>
</tr>
<tr>
<td>Ports</td>
<td></td>
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</tr>
</tbody>
</table>

Despite the fact that these loans are devoid of any explicit conditionalities, this study will highlight the existence of implicit conditionalities. For example, the loan agreements do not mention the need for Caribbean states to support the
“One China Policy,” but in most official speeches that relate to China, Caribbean government officials consistently invoke their unwavering support for the policy. In addition, Chinese companies have been awarded several contracts for development projects that are being financed by these Chinese loans and these companies tend to import labor from China. These negative aspects of the relationship with China will be explored in more detail in the case studies. It will be shown that the net benefits accruing to Caribbean states are actually much lower than it would initially appear.

Politically, there has been an increase in the number of high-level governmental contacts between Caribbean states and various arms of the Chinese government and the business sector. The Caribbean states have worked and continue to work with China in many international fora and have also supported various Chinese initiatives in these fora. For example, in 2005 Jamaica voted against a motion to grant Taiwan observer status in the World Health Assembly, something that was a high priority for China as it sought to continue the isolation of Taiwan in international bodies. In addition, the Jamaican Prime Minister in 2004 declared Jamaica’s commitment to working with China in the reform of the United Nations and the country’s support for China’s objection to the inclusion of

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7 Given the implicit nature of the conditionalities I used the interviews to try to gauge the extent to which implicit conditionalities exist. A more detailed discussion of implicit conditionalities is provided in chapter 6.
Japan as a Security Council permanent member, which is also very important to China.

The cultural dimension of the relationship is as interesting as the economic and political realms. Cultural contacts include much collaboration at the educational level. In addition to scholarships provided by the Chinese government, there is China’s agreement in 2003 to send two Chinese language teachers to the University of the West Indies free of cost. In this agreement China agreed to pay the salaries of the teachers and all their relocation costs. The Caribbean governments would only be required to incorporate Mandarin language into the foreign language options in the Language Departments. Other cultural contacts include the exchange of sport coaches. China has sent table tennis coaches to several Caribbean states and Jamaica sent several track and field coaches to China to assist in the training of Chinese athletes for the Beijing Olympics.

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8 The University of the West Indies is the regional university and is funded by the English-speaking, former British colonies’ governments in the Caribbean. There are three main campuses located in Barbados, Jamaica, and Trinidad and Tobago and there are also distance-learning centers in all the other states. The governments participating in the funding of the University are the ones that are the subject of this study. The governments do not directly run the University, but given the level of subsidies provided by the governments, they have significant influence over the universities. The agreement between China and regional leaders vis-à-vis Chinese language teachers was negotiated by diplomats without the involvement of University officials.
Research Questions

This dissertation aims to answer four important questions. The first and central question is, why is there variation in the strategies employed by different Caribbean states vis-à-vis China? Jamaica and Trinidad have had a consistent foreign policy of recognizing China since 1972. Dominica, Grenada, and St. Lucia on the other hand, have wavered on their commitment to the One China policy. The dissertation locates the answer to this variation question in the differences in resource endowment. Countries such as Jamaica and Trinidad and Tobago have a significantly wider natural resource base than the smaller Caribbean states such as Dominica, Grenada, and St. Lucia.

The argument that will be made is that where natural resources are scarce, Caribbean states will become more reliant on their sovereignty as a resource. The natural resource-scarce Caribbean states have therefore adopted a strategy of using their sovereignty in order to reap some economic gain and their vacillation between China and Taiwan can be read as their attempt to gain the most economic gain from recognizing either country.

The dissertation aims primarily to explain Caribbean foreign policy vis-à-vis China, but this study would be incomplete without an understanding of China’s motivations in the Caribbean. It will be shown that China’s interest in the developing world is increasing and the primary explanation for this expanded
interest relates to China’s resource search. The Caribbean states, with the exception of Guyana, Jamaica and Trinidad and Tobago, lack the natural and strategic resources that China demands. The second research question is therefore, what motivates China’s interest in the Caribbean?

It will be shown that there are three motivations behind China’s interest in the region—economics, recognition, and prestige. At an economic level, China regards the Caribbean as another market for its exports and it is attracted to the natural resources in Guyana, Jamaica and Trinidad and Tobago. Half of the countries that recognize Taiwan are in the Latin America and Caribbean region. An important motivator for China in the Caribbean is therefore the isolation of Taiwan, which involves getting states that recognize Taiwan to switch recognition to China. The third motivation is prestige or the signaling of China’s rise as a great power. China needs votes in international bodies and more allies. The soft power and economic aid strategies employed by China across the developing world are therefore aimed at signaling China’s rise as a great power.

China has a trade surplus with almost every Caribbean state. Chapters 3, 4, and 5 will treat those statistics in more detail, but it should be noted that the deficit facing most Caribbean states is widening and this is exacerbating an already negative balance of trade position. It should also be noted that not only does China have a trade surplus with the region, but when China offers aid, FDI
and loans, they import Chinese laborers to fill positions that could be filled by nationals of the Caribbean countries. This is in fact one of the implicit conditions of Chinese aid. If China does not represent a real market for Caribbean exports and China imports labor instead of using the vast surplus labor already available in the Caribbean, why are these states still willing to engage with China on an even closer level?

The third central research question is therefore, why do Caribbean states engage with China when doing so does not yield unambiguous benefits? The answer to this question is quite complex. At first glance, it would appear that the decision to engage with China is a direct result of a “follow the leader” dynamic. But the fact is that the articulated rationale for engaging with China has never been about following the actions of other Caribbean states or other developing countries. The central aim of Caribbean foreign policy is the attainment of economic development, and China represents an option for the acquisition of aid and investment. As will be shown, in especially the cases of Dominica and Grenada, the trade surplus or the implications of increased market access for Chinese goods, are never really discussed.

The argument that the dissertation makes is that the reason for the continued interaction with China in spite of the apparent low net benefits is two-fold. First, the Westminster political system that is seen in the Caribbean results in
a lack of scrutiny of agreements signed and very little public discussion of the relationship between any government and China. Second, the aim of the Caribbean states is the attraction of aid and investment. Given that the states are currently experiencing significant economic problems, and aid from the US and Europe has been curtailed, it follows that their primary goal is attaining commitments for aid and investment and little thought is given to the actual or expected long-run benefits.

This study will argue that the relationship between Caribbean states and China is best conceptualized as a two-way trade. The Caribbean states are currently on the international market with something resembling a shopping list, which has the attraction of aid and investments at the very top. Caribbean states have throughout their brief independent history tried several strategies to attract economic aid and investments and are again seeking a new avenue for attracting these economic goals.⁹

China is simultaneously engaged in a much discussed drive for natural resources—especially oil and minerals, but less discussed items on its shopping list are recognition as a rising and important power and support for its policy of

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⁹ The various strategies that have been employed by Caribbean states to attract investments will be discussed in more detail in Chapter 2.
isolating Taiwan internationally. In view of this, the Caribbean states that have minerals and oil—namely, Jamaica, and Trinidad and Tobago—are trading them for Chinese investments into their natural resource sectors along with receipts from the sale of these resources to China.

Where no natural resources exist, Caribbean states are trading another important, yet often overlooked resource—their sovereignty. As sovereign states, Caribbean states have as a right the ability to recognize other sovereigns and to vote in international bodies in which they hold membership. These happen to be two rights that China is very interested in and that China is willing to pay for. There is therefore a political market value for sovereignty.

There is, however, a fourth important question that is driving the study and that will motivate the entire discussion, what are the implications of the Caribbean’s strategy towards China for the study of small states in the international relations discipline? Small states are understudied and when they are studied, they are often misunderstood. This study does not aim at a general theory of small state behavior, but instead aims to highlight important and interesting aspects of small states and their international relations so as to enhance the existing literature pertaining to small state foreign policies, in particular. The

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10 For a brief discussion of the prevailing view that a significant component of China’s relations with developing countries is related to its search for energy and minerals, see David Zweig and Jianhai Bi, "China's Global Hunt for Energy," *Foreign Affairs* Sept/Oct (2005).
answers to the first three questions will point to some of these implications. More specifically vis-à-vis the fourth research question, the study aims to show that small state foreign policy cannot be solely studied at the system level or solely at the individual level, but must instead be studied from all three levels of analysis—the system, state and individual levels.

Definition of the Caribbean

There are many definitions of the term ‘Caribbean’. The most common one is based on geography. The simplest definition available is those islands located in the Caribbean Sea. This definition is, however, inadequate as it excludes countries such as Guyana and Belize and in some cases even the Bahamas is excluded as it is a chain of islands adjacent to the main archipelago and is therefore considered a part of North America.\(^ {11}\)

Another geographical approach is to view the Caribbean as the islands in the Caribbean Sea plus “all those territories whose shores are washed by the Caribbean Sea.”\(^ {12}\) This would include Mexico, Belize, Honduras, Guatemala,


\(^{12}\) Ibid., 1.
Nicaragua, Costa Rica, Panama, Colombia, and Venezuela. This definition of the Caribbean is often termed the Caribbean Basin, but this is mainly an artifact of the United States, and in particular the Reagan Administration.\textsuperscript{13} This definition is also not useful as most of these states do not identify themselves as a part of the Caribbean and the historical and cultural differences are enormous. In addition, this definition omits the three Guianas,\textsuperscript{14} which identify themselves as a part of the Caribbean.

Given the problems with geographical definitions, this paper will therefore, similar to Payne and Sutton, define the Caribbean in terms of geography, history, and identity.\textsuperscript{15} My general definition of the Caribbean is therefore all the islands in the Caribbean Sea (including the Bahamas) plus the three Guianas and Belize. All these states were similarly colonized with plantation economies and importantly, view themselves as a part of the Caribbean.

\textsuperscript{13} In the 1980s the US offered Caribbean states preferential access to the US market through an agreement titled the Caribbean Basin Initiative (CBI). This is the first instance that the term Caribbean Basin is used. This concept is therefore a US construct based on its estimates of its national interest.

\textsuperscript{14} The three Guianas are Guyana (former British colony), Suriname (former Dutch colony), and Guiana (former French colony). On the face of it, the three Guianas are located in South America and have the Atlantic Ocean as their coastline, but they often identify themselves as a part of the Caribbean.

\textsuperscript{15} Payne and Sutton, \textit{Modern Caribbean Politics}. 
Having established my general definition of the Caribbean, I will however only be dealing with a subset of this region in this project—the English-speaking Caribbean. This English-speaking group comprises the former colonies of Britain and the dependent colonies of the US and Britain. I will, however, be ignoring the dependencies of the US and Britain in this dissertation due to the fact that a primary aim of this project is to explore how sovereignty is traded by Caribbean states. The American and British dependencies are culturally and historically similar to the independent states, but their lack of sovereignty make them unimportant to this analysis. The group under study is therefore the former colonies of Britain, which are included in my general definition of the Caribbean. These countries are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, and Trinidad and Tobago.16

The use of this subset of Caribbean states is useful, as it will help me to better develop an analytical framework to understand their behavior vis-à-vis China, as I have taken out important differences of history and culture. The countries chosen have a similar, history, culture, political system, identity, population size, and development rank as identified in the United Nations

16 Belize, St. Kitts and Nevis, and St. Vincent and the Grenadines do not recognize China. They will therefore not be included in this analysis. The Caribbean states being discussed are therefore Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, and Trinidad and Tobago. Primary focus will, however, be placed on Dominica, Grenada and Jamaica.
Development Program’s Human Development Index (HDI). Having isolated these cases I can within reason treat these states as homogenous units with the primary difference being their natural resource endowment. When the term Caribbean or Caribbean states is used in this study, it is therefore only in reference to these English-speaking independent states.

This study will, however, focus on three Caribbean states—Dominica, Grenada and Jamaica. These three were chosen mainly because the central argument that this dissertation will make is that the Caribbean states are trading their resources (both natural and sovereign) for Chinese investments and the cases selected therefore have diverse resource endowments. Jamaica has bauxite, which China wants, and it also has its sovereign rights and influence with the other Caribbean states. Dominica and Grenada are included because, unlike Jamaica that has natural resources that are of interest to China, Dominica and Grenada’s only resource attracting China is their sovereignty and the rights wrapped up in this designation. The three Caribbean states selected are therefore sufficiently similar—historically, culturally, and politically—while at the same time are sufficiently different in relation to their resource endowment (the independent variable in this study) to investigate the proposed hypotheses that are highlighted below. The study will, however, show that the results obtained vis-à-vis the three case studies are in fact generalizable and can be extended to analyses of the other English-speaking Caribbean states that also recognize China.
METHODOLOGY

This dissertation in its exploration of Caribbean-China relations is venturing into a new area. Discussions of China’s engagement with the Third World are increasingly popular, but discussions of Caribbean-China engagement are largely absent from the academic discourse. There are two possible explanations for this absence. The first is fairly obvious; the topic is new. China’s renewed engagement with the Third World has intensified since the 1990s as the Chinese economy continued its boom and was more interested in the natural resources that existed in the developing world. Given that the topic is new it is understandable that there would be a relatively thin literature available.

Another reason for the possible academic silence in relation to the more specific relations between Caribbean states and China relates to the fact that there is very little academic work on the Caribbean in general. In fact, the references to the Caribbean are usually intertwined with discussions of Latin America, but as will be discussed in chapter 3, the Latin American engagement with China is quite different from that existing in the Caribbean.

Given the paucity of academic literature on Caribbean-China relations, the dissertation makes extensive use of newspaper articles published across the region and extensive interviews conducted. The interviews were conducted with
government and private sector officials in Dominica, Grenada, and Jamaica. All interviews are confidential and the names of interviewees will not be given in this thesis. The access gained to these individuals makes this study one of the first to really explore the foreign policy decision-making process in the Caribbean in relation to China.

In order to identify the specific motivations for the Caribbean’s links with China, interviews were conducted with officials working specifically on China-related issues at the Foreign and Finance ministries across the region. Analyses were also done with respect to the aid packages received from China and the ways in which Chinese loans are being used in the region. Given the increasing trade links, it was also important to examine what the Caribbean is gaining or losing from trading with China. This involved studying the trade data to gauge the general trends in trade flows and the extent to which the trade gap between China and the region is widening.

In terms of data collection on the China side, there is a small yet significant body of work available on China in the Third World. This secondary literature will be drawn upon in an effort to identify the links between China’s general developing country policy stance and China’s policies in the Caribbean. There is very limited work on China’s role in the Latin America and Caribbean region and of the existing work, the focus is mostly Latin America, with a few
passing mentions of the Caribbean. Given the paucity of secondary sources, this analysis focuses on the texts of agreements signed between China and the Caribbean. Interviews with Chinese ambassadors in the three selected states were also conducted. This is limited, but again not worrisome insofar as the dissertation is heavily biased towards an explanation of the Caribbean side.

Triangulation and Validity

Given the fact that accounts of various interviewees will invariably differ, the methodological strategy of triangulation was employed.\(^\text{17}\) Triangulation involves the use of multiple methods of data observation to increase the credibility of the findings.\(^\text{18}\) In this study, the accounts of any one interviewee were checked against reports in the media. In addition, where available, the existing statistics and agreements were used to substantiate both newspaper accounts and interviewee statements. The validity of the findings in this thesis was therefore enhanced as a result of the use of methodological triangulation.


Hypotheses

There are 2 major hypotheses driving this study:

1. If a state has natural resources that are of strategic importance to China, then it will have a consistent foreign policy vis-à-vis China;
2. If a state has no natural resources that are of strategic importance to China, then its foreign policy vis-à-vis China will be inconsistent.

For the purposes of this study, the independent variable is therefore natural resource endowment and the dependent variable is foreign policy consistency. Natural resources are simply resources accorded by nature (for example, land and sea resources). For the purposes of this study, the natural resources being considered are those that China is particularly interested in. Resultantly, the beaches and climate in the Caribbean would not be included as these are not demanded by China at this time. Foreign policy consistency is represented by a consistent policy of recognizing China (no change in recognition of China since 1972) and an inconsistent foreign policy is one wherein a country switches recognition between China and Taiwan.

The year 1972 is selected for two important reasons. First, the Caribbean states began gaining independence in 1962 and the foreign policies of Britain were adopted en masse. The Caribbean’s attempts to define their own foreign
policy really begins in the 1970s as they forged closer relations with other
developing countries and establish new sets of relationships outside of the
traditional relationship with the former colonizer and other great powers. Second,
prior to 1972 China did not have a seat in the UN. At the time of independence in
1962, the Caribbean states did not have a realistic option to recognize China as
their relationships were based on membership in the UN. China only assumed its
seat in the UN in October 1971. The choice of 1972 is therefore based on the
premise that prior to that year recognition of China was not a valid option for
these newly independent Caribbean states.

There is also one sub-hypothesis:

**If a state has no natural resources that are of strategic importance to China,**
then it will creatively sell rights accorded by sovereignty

In relation to the sub-hypothesis, the above definition of natural resources
applies. In addition, the sovereign rights being sold are votes in international
bodies and recognition of other states. Natural resource endowment is therefore
the independent variable and the creative sale of sovereignty is the dependent
variable in this sub-hypothesis.
Extensions to Other Caribbean States

Table 2 below shows the expected results vis-à-vis resource endowment and the consistency of foreign policy towards China. As shown below, there are three countries that have natural resources that are of strategic importance to China. These are Guyana, Jamaica, and Trinidad and Tobago. According to the stated hypotheses these three countries would be expected to have a consistent policy of recognizing China since 1972. The empirical findings do confirm this as all three countries have recognized China since 1972 and have never changed recognition since then.

Table 2. The Expected Relationship between Strategic Natural Resources and Foreign Policy Consistency in Caribbean States that Recognize China

<table>
<thead>
<tr>
<th>Country</th>
<th>Strategic Natural Resources of Interest to China</th>
<th>Expected Outcome (Foreign Policy Consistent Towards China)</th>
<th>Actual Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua and Barbuda</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Inconsistent</td>
</tr>
<tr>
<td>Bahamas</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Inconsistent</td>
</tr>
<tr>
<td>Barbados</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Consistent</td>
</tr>
<tr>
<td>Dominica</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Inconsistent</td>
</tr>
<tr>
<td>Grenada</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Inconsistent</td>
</tr>
<tr>
<td>Country</td>
<td>Strategic Natural Resources of Interest to China</td>
<td>Expected Outcome (Foreign Policy Consistent Towards China)</td>
<td>Actual Outcome</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Guyana</td>
<td>YES</td>
<td>Consistent</td>
<td>Consistent</td>
</tr>
<tr>
<td>Jamaica</td>
<td>YES</td>
<td>Consistent</td>
<td>Consistent</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>NO</td>
<td>Inconsistent</td>
<td>Inconsistent</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>YES</td>
<td>Consistent</td>
<td>Consistent</td>
</tr>
</tbody>
</table>

Antigua and Barbuda, the Bahamas, Dominica, Grenada, and St. Lucia do not have natural resources, and it is expected that they will have an inconsistent foreign policy vis-à-vis China. In these cases the empirical findings do support the arguments to be espoused in this dissertation. These five countries have in fact had an inconsistent foreign policy wherein they have switched recognition between China and Taiwan. The only case that does not neatly fit into the discussion is Barbados.

Barbados does not have any resources that are of strategic importance to China, but they have consistently recognized China since 1972. One possible explanation for this relates to the fact that Barbados has traditionally been one
country that has been less reliant on external aid. Barbados is in fact considered to be a high human development country with a very high GDP per capita. In fact, the average GDP per capita for the countries identified in Table 2 is US$10,280, while Barbados’ GDP per capita is US$17,297, which is significantly higher than the other countries in the sample. Barbados’ foreign policy is therefore less concentrated on economic goals. What we do see from Table 2 above is that the results that are obtained for the three case studies can in fact be extended to analyses of the wider Caribbean.

**Structure of Dissertation**

At a theoretical level, this dissertation is squarely situated in the ongoing debate relating to small states in the international system. In view of this, the dissertation begins with a discussion of the development of the small state topic in the international political economy literature in chapter 1. One of the major lacunae in the existing body of work relates to explaining the foreign policy behavior of small states. A primary aim of this dissertation is therefore to help elucidate small state foreign policy behavior.

Chapter 1 will show that economics is a prime motivation for the foreign policies of small states. The Caribbean states routinely argue that their small size places them at an economic disadvantage and their attempts to gain concessions in various international fora is, by extension, one of the leading foreign policy goals
of these states. The chapter will discuss the literature pertaining to the features of small states and will show that despite some negative attributes, small states do perform quite well at an economic level. The literature relating to the foreign policy strategies of small states will also be explored, and the lacunae with respect to variations in small state foreign policies will also be highlighted.

Caribbean states place significant emphasis on the use of foreign policy to attain economic development, but this dissertation demonstrates that there is in fact some heterogeneity in the strategies employed by the Caribbean states under study. Chapter 2 therefore highlights some of the important features of Caribbean international relations and situates Caribbean foreign policy behavior in the existing small state literature. This chapter makes the case that the Caribbean states’ relationship with China is rooted in their search for economic survival and the persistent need to locate this survival in an external power. It will therefore be shown that China is simply the newest great power providing the Caribbean states with aid and investment, and this pattern is similar to that seen in their relations with Europe and the US in the past. The trading of resources—both natural and sovereign—is merely the latest development strategy employed by Caribbean states.

Chapter 3 moves the discussion to the Chinese side and explores the roots of Chinese interest in the Caribbean. Beginning with a discussion of China’s
wider Third World policy, the discussion aims to situate the current relationship with the Caribbean into China’s wider international relations. It will be shown that there are three motivations driving Chinese actions in the Caribbean—economics, recognition and prestige.

The need to adjust or strategically reposition is a key motivation behind the Caribbean’s renewed interest in China. For Caribbean states, especially Dominica and Grenada, foreign policy is seen as merely another tool of their adjustment process. Chapter 4 discusses the relationship that Dominica and Grenada have with China. The major conclusion in these cases is that their lack of natural resources results in an inconsistent foreign policy vis-à-vis China. This inconsistency is seen in them switching diplomatic recognition from China to Taiwan, and vice versa. Dominica and Grenada are examples of states that creatively use their sovereignty by selling votes or recognition. This strategy is employed because they do not possess any other natural resources to trade with China.

Chapter 5 details the relationship between Jamaica and China. Jamaica is discussed as an example of a natural resource-rich country in the Caribbean. Jamaica has bauxite and China is interested in gaining increased access to this important mineral. The Jamaican example is, however, very different from the Dominican and Grenadian cases. Jamaica has had a consistent policy of
recognizing China since 1972 and there have been no discussions of changing this
position. Jamaica’s foreign policy stance is therefore described as a consistent one
vis-à-vis China. It will also be shown that they do not solely rely on their
sovereignty as a resource, as they have a natural resource that can be traded with
China.

One point that the three major case studies points to is the importance of
foreign policy in the attainment of economic development. In fact, the economic
aim as expressed in the attraction of aid and investments is the main driver of the
foreign policies of all these states. The argument to be made in this dissertation is
that the creative use of sovereignty, which is a key strategy employed by several
small states, is relatively more important as a strategy for weaker states because
they traditionally have had fewer natural resources and suffer from other negative
results of their lack of size and power.

Chapter 6 will pull together the theoretical conclusions emanating from
the previous chapters. This chapter will return to the theoretical and historical
foundation laid in chapters 1 and 2 and will discuss the implications of the
discussion to the development of the literature on small state foreign policy
behavior. This chapter will highlight the fact that adjustment strategies will
undoubtedly take place at the foreign policy level, as economic development is a
prime motivation for small state international relations. It will also show how the
existing political system in the Caribbean thwarts transparency and results in 
Caribbean states endorsing agreements with China that are inconsistent with their 
national interest.

The story that this dissertation weaves is therefore one of two-way trade 
where the Caribbean states are selling resources (bauxite, market access, 
sovereign rights) to China in exchange for aid and investment. It is also a story of 
adjustment wherein Caribbean states are using their relationship with China as a 
tool of economic adjustment. A state that has natural resources that are of interest 
to China will sell it China, but where no natural resources exist, they will have to 
rely on their sovereignty as a resource.
CHAPTER 1

The Foreign Policies of Small States

The Caribbean states are all small states via any definition of small that is employed. Not only are the Caribbean states small, but they have pursued a foreign policy that is based on the premise that as small states they are uniquely disadvantaged in the current international economic system and therefore need some concessions from foreign governments and institutions. As will be demonstrated in chapters 4 and 5, Dominica, Grenada, and Jamaica expressly identify their small size and the resultant vulnerabilities associated with this as one of the motivations behind their closer relations with China. This chapter will therefore discuss the evolution of the small states literature, with particular emphasis on both the nature of the small state dilemma and the special characteristics of the foreign policies of small states.

The chapter will begin with the issue that dominates the small state literature—the definition of a small state and the special features of these states. It will be established that the features highlighted in this literature, especially vis-à-vis small market size, import dependence and economic vulnerability, are consistent with the economic features of Caribbean states. Most of these analyses,
however, fail to demonstrate the impact of size on economic outcomes such as economic growth and the existing literature does not go far enough in explaining the unique foreign policy strategies that are employed by these small states.

The discussion will then move into an analysis of the literature pertaining to the ramifications of small size. There are conflicting studies in this regard. Some authors argue that small size is debilitating while others argue that small states have in fact performed quite well despite their less than favorable economic features. It will be shown that Caribbean states can fit into both sides of the debate. On one hand, they do in fact possess the negative attributes commonly associated with small states such as small market size and diseconomies of scale, and these features mean that their production potential is significantly lower than that of larger states. On the other hand, they out-perform many larger countries as is seen in their high level of human development. This chapter and the rest of the chapters in the dissertation will demonstrate that despite these findings, Caribbean states still perceive themselves as being at an economic disadvantage and the foreign policies pursued are indelibly based on this assumption. There is no literature that explains this phenomenon, but one clearly pragmatic explanation is evident for this difference between rhetoric and actual performance. This divergence can be seen as a strategy aimed at gaining more concessions from external donors. It is clear that small states have unique features that can potentially thwart their development and Caribbean states are essentially using
this reality to gain trade and aid preferences. This reality will be discussed in more detail in chapter 2.

The final section of this chapter will look at the literature relating to the foreign policies of small states. It will discuss the major studies of Annette Baker Fox, Maurice East and Jeanne Hey. All three, writing in different periods, make the case that small state foreign policy is unique and very different from those of larger, more powerful states. The existing studies do not, however, examine explanations for variations in the strategies of small states. They generally conclude that small states pursue a particular type of general foreign policy that is limited in scope, addresses a small number of issues, and small states exhibit a preference for neutrality. This dissertation will extend the scope of these analyses by focusing on the specific foreign policies pursued by a seemingly homogeneous group of small states in the Caribbean. It will show that their approach to China is very heterogeneous in nature and the general small state foreign policy taxonomies presented do not sufficiently explain why this foreign policy variation is seen.

**Conceptualizing ‘Smallness’**

This study seeks to add to the existing literature on small states. One of the primary preoccupations of this literature relates to the definition of a small state.
There is no agreed definition of small in the political economy literature as different authors employ a range of definitions. Definitions focus on, inter alia, the size of the economy, the GDP, ability to influence the international system, and population size. Countries such as Luxembourg, Switzerland, Zimbabwe, and Grenada can be defined as small states depending on the definition employed. Caribbean states are, however, ‘small’ along all of the usual measures of country size.

But how useful is the distinction of smallness? Neumann and Gstohl argue that of the almost 200 states in the UN, only a few dozen are in fact large states, and large states are in fact more of an exception in the international system.19 Most academics would not go as far as Neumann and Gstohl, but the number of small states in the world is disputed, with different studies employing a different number. The number of small states in the world is ultimately dependent on the definition of smallness used. The population size is the most preferred measure, but even this is not uniformly employed. For example, the UN defines a small state as one with a population under ten million, while the Commonwealth Secretariat, on the other hand, defines a small state as one with a population under 1.5 million. But there is also the category of micro-states which is generally agreed to be states with a population under one million.

Not only is there no consensus on the population of small states, but Croward also points to the fact that the population definition of small states has also evolved.\textsuperscript{20} In the 1950s and 1960s a state was considered small if it had a population under 10 or 15 million. In the 1970s and 1980s the upper limit was lowered to 5 million and in the 1990s, the limit was again reduced to between 1 and 1.5 million population.\textsuperscript{21} It should, however, be noted that these are merely general trends, as scholars deviate from these conventions. Whatever the cut-off point used in relation to population, it should be noted that population size is a continuous variable and as such, any mark or position chosen as the breaking point is arbitrary.\textsuperscript{22} The small state literature does focus much energy on defining small states, but this dissertation will not focus on this issue. What is more important for this discussion are the ramifications of small size.

Features of Small States

Several writers have attempted to highlight the key features of small states, but some characteristics such as dependence, small market size, and vulnerability recur in the literature. Maurice East, one of the earliest writers on the

\begin{footnotesize}
\begin{enumerate}
\item[]\textsuperscript{20} Tom Crowards, "Defining the Category of 'Small States'," \textit{Journal of International Development} 14, no. 2 (2002).
\item[]\textsuperscript{21} Ibid.
\item[]\textsuperscript{22} Ibid.
\end{enumerate}
\end{footnotesize}
political economy of small states, identifies four characteristics of small states; these are a small land area, small population, small GNP and a low level of military capabilities.\textsuperscript{23} The literature pertaining to the economic and political features of small states has, however, expanded since then.

Selwyn, for example, argues that there are seven key characteristics of small states. These are: dependence on foreign trade; narrow natural resource base; heavy dependence on foreign corporations; dependence on foreign institutions; diseconomies of scale; and constraints in the use of import substitution policies.\textsuperscript{24} A subset of these seven characteristics is evident in the works of several other authors. For example, Paul Streeten who initially states that, “we know a small state when we see it,”\textsuperscript{25} goes on to identify three major characteristics of these states; that is the possession of a small land area, diseconomies of scale, and the concentration of production in one or few areas.

This dissertation starts with the Streeten and Selwyn arguments that small states have features such as a small land area and diseconomies of scale that can in fact become economically debilitating. It will also be shown that these features


\textsuperscript{24} Percy Selwyn, "Smallness and Islandness," \textit{World Development} 8 (1980).

\textsuperscript{25} Paul Streeten, "The Special Problems of Small Countries," \textit{World Development} 21, no. 2 (1993), 197.
are important contributors to the Caribbean’s current economic woes and the subsequent need for economic adjustment. These points will, however, be discussed in more detail in chapter 2.

So far, the features of small states as identified by Streeten, Selwyn and East are all depicting negative attributes. The fact is, however, that despite these seemingly debilitating economic features, small states have demonstrated some amount of economic and political success. Sutton and Payne pick up on this reality and provide a more balanced description of the features of small states.26 The five features identified by Sutton and Payne are openness, resilience, enclaveness, weakness and dependence. At first glance it would seem as if the differences in the Sutton and Payne list is merely an exercise in semantics, but most of the literature defining the features of small states tend to focus on negative attributes and this is true of the existing literature pertaining to Caribbean foreign policy. The inclusion of resilience as a feature points to the fact that despite all the negative attributes, small states are in fact quite stable both politically and economically. The Caribbean states in this study do in fact demonstrate this resilience. It will in fact be shown that the Caribbean states have been quite creative and have devised new methods for attaining economic growth

and the sale of sovereign rights is one such innovation. This issue will, however, be taken up in more detail later in this chapter.

Vulnerability and ‘Islandness’

There have also been two recent additions to the literature on the features of small states—the concepts of Vulnerability and Small Island Developing States (SIDS). The literature on Vulnerability was advanced primarily by Briguglio and UNCTAD in the development of the Vulnerability Index in 1997.27 The Vulnerability argument is that small states are more likely to be vulnerable to exogenous economic, political, strategic, ecological, environmental and meteorological factors. This vulnerability is linked to their narrow economic structures and their openness to international trade. Caribbean states have frequently employed these arguments in making a case for leniency in negotiations with countries offering aid and in their negotiations with multilateral agencies such as the IMF and World Bank. It will be shown in chapters 2, 4, and 5, that the changing international trading environment exacerbates their vulnerability and this has necessitated some economic adjustment. China is seen as an important dimension of this adjustment strategy.

Many of the general characteristics of small states highlighted earlier also pertain to small islands. The SIDS concept is also relatively new and Briguglio was again a major developer of this approach.\textsuperscript{28} The Commonwealth Secretariat also played an important role in the development and study of this concept as the majority of SIDS are located in the Caribbean and a significant number are members of the British Commonwealth. In terms of actually modeling SIDS, this was first done by Briguglio where he added “islandness” as an important additional variable constraining small states.\textsuperscript{29} His argument is that a small state that is also an island is expected to be even more vulnerable and disadvantaged as they are more susceptible to ecological problems.

More specifically, Sutton and Payne point out that islands possess, “near common properties of remoteness, environmental precariousness, insularity, rights to maritime zones, and military indefensibility.”\textsuperscript{30} The usual focus of the analysis of SIDs relates to their propensity to be adversely affected by environmental factors. In the Caribbean context this specifically means more threats from hurricanes, beach erosion, the destruction of coral reefs, and floods in low-lying areas. Chapter 4’s discussion of Dominica highlights the devastating

\textsuperscript{28} Briguglio, "Small Island Developing States and Their Economic Vulnerabilities."

\textsuperscript{29} Ibid.

\textsuperscript{30} Sutton and Payne, "Lilliput under Threat: The Security Problems of Small Island and Enclave Developing States," 584
effects of hurricanes as the infrastructure on the island was severely damaged by Hurricane Ivan in 2004. It will be shown that the economic downturn that followed this hurricane was indeed a major contributor to the Prime Minister’s decision to switch recognition from Taiwan to China.

In Dominica’s presentation at the UN General Assembly Meeting in October 2007, Charles Savarin, the Minister of Foreign Affairs, Trade and Labor, echoes the view of other SIDs when he argues that they,

Are most vulnerable to the effects of climate change even though they contribute the least to emissions of greenhouse gases. Sea level rise threatens the territorial existence of SIDs, and low lying islands in the Indian Ocean, the Pacific, and the Caribbean may simply disappear in the next thirty years or less, as the melting of the polar ice caps and mountain glaciers on all continents becomes the new reality of unchecked climate change. The disappearance of beaches, coastal tourism plant and loss of coastal communication infrastructure would devastate the tourism economy of most island states … Rising sea temperature is causing death and bleaching of coral reefs, which in turn are impacting negatively on fish stocks, the major protein source of island states. . . . Rising sea temperature also provides a fertile ground for the development of tropical storms and hurricanes which affect the Caribbean every year. Climate change is contributing to the frequency and severity of these storms every year.

This concern is echoed across the Caribbean as hurricanes have become more frequent and are resulting in more damage. These states are also grappling with the destruction of coral reefs due to rising sea temperatures and pollution, and this has exacerbated the effects of hurricanes in coastal areas. In addition,
there are concerns about beach erosion and this will undoubtedly have a negative impact on the fragile tourism industries in the region.

The small states political economy literature therefore highlights several important features of these states. These include small domestic markets, limited land area, poor natural resource endowment, limited labor force, greater social homogeneity, and openness to international trade. Added to these are the additional vulnerabilities associated with small states that are also islands. There is much consensus on the important economic characteristics of small states, but little consensus on the consequences or ramifications of these features.

*Are Small States Economically Disadvantaged?*

The general conclusion of much of the economic discussions of small states is ultimately that their economic prospects are limited and this disadvantage is largely a result of their size.\(^3^1\) In addition, it is argued that micro-states and island states are even more disadvantaged. But Armstrong and Read highlight important successes such as the Asian tigers and Western European states that they argue discredit claims that small states are acutely disadvantaged.\(^3^2\)

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empirical results in this dissertation are in accordance with the general conclusions reached by Armstrong and Read.

Armstrong and Read correctly note that the critical issue in the political economy literature pertaining to small size is not how to define small size or even the characteristics of small states, but instead is, “the extent to which small size affects fundamental economic ‘givens’ and so constrain domestic economic activity in small states and adversely affects their growth performance.” In fact, the results of some statistical tests have yielded inconclusive and contradictory results as to the effects of small size on growth, as will be seen below.

One study conducted by Armstrong and Read on the economic performance of European micro-states and autonomous regions found that their economic development was in fact greater than that of adjacent EU members and their unemployment rates were also lower. They found that the most successful micro-states and autonomous regions were those that had a well developed financial sector, or were endowed with natural resources, or had a strong tourism sector. In a similar vein, Streeten shows that between 1973 and 1983, Malta’s


34 The European micro-states and autonomous regions studied were Cyprus, Iceland, Malta, Liechtenstein, Andorra, San Marino, Canaries, Ceuta and Melilla, Isle of Man, Guernsey, Jersey, Gibraltar, Madeira, Azores and Faroes.
GNP per capita increased on average by 8.1% and this represented the highest growth rate in Europe.\textsuperscript{35}

Streeten also found that at an aggregate level, small states have lower growth rates than larger states.\textsuperscript{36} He, however, noted that when the data was disaggregated based on geographic regions, differences in growth rates by regions were significantly greater than the differences seen when country size was the independent variable.\textsuperscript{37} The general consensus is that small states in many instances out-perform larger states.

These results are also borne out by a cursory look at the ranking of Caribbean states based on the UNDP’s Human Development Index which ranks human development for 177 countries with the country ranked number 1 having the highest level of human development and the country ranked number 177 having the lowest level of human development. Table 3 below highlights the fact that some small Caribbean states have performed quite well. Barbados (number 31), the Bahamas (number 49), St. Kitts and Nevis (number 54), Antigua and Barbuda (number 57), and Trinidad and Tobago (number 59) all rank as countries

\textsuperscript{35} Streeten, ”The Special Problems of Small Countries.”

\textsuperscript{36} Ibid.

\textsuperscript{37} These conclusions were also reached by Easterly and Kraay (2000).
with high human development. All the other countries perform relatively well and are classified as medium human development countries.\(^{38}\)

Table 3. The Rank of Caribbean States on the HDI

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados</td>
<td>31</td>
</tr>
<tr>
<td>Bahamas</td>
<td>49</td>
</tr>
<tr>
<td>St. Kitts/Nevis</td>
<td>54</td>
</tr>
<tr>
<td>Antigua/Barbuda</td>
<td>57</td>
</tr>
<tr>
<td>Trinidad/Tobago</td>
<td>59</td>
</tr>
<tr>
<td>Dominica</td>
<td>71</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>72</td>
</tr>
<tr>
<td>Belize</td>
<td>80</td>
</tr>
<tr>
<td>Grenada</td>
<td>82</td>
</tr>
<tr>
<td>St. Vincent</td>
<td>93</td>
</tr>
<tr>
<td>Guyana</td>
<td>97</td>
</tr>
<tr>
<td>Jamaica</td>
<td>101</td>
</tr>
</tbody>
</table>

Source: UNDP Human Development Index, 2007

The statistical tests and the anecdotal evidence emanating from a look at the performance of Caribbean states on the HDI demonstrate that small size does

\(^{38}\) It should also be noted that China ranks number 81, which is lower than all but 4 Caribbean states—Grenada, St. Vincent, Guyana, and Jamaica.
not necessarily result in poor economic performance. Despite this evidence, there is still an argument that can be made that small states are more vulnerable. In the small states literature vulnerability is essentially defined as an increased susceptibility to exogenous shocks that emanates from a country’s small size.\textsuperscript{39}

Armstrong and Read in another study specifically on the vulnerability argument found that in the short-run vulnerability does not affect growth performance. Their evidence however suggested that, “vulnerability is a time-series phenomenon affecting long-run growth performance but is insignificant as a determinant of cross-section levels of income per capita.”\textsuperscript{40} Vulnerability can therefore be seen as an important long-run determinant of a small state’s economic future, but the vulnerability variable does not explain differences in performance between small states and larger states in the short run. In terms of the empirical evidence on SIDS, Armstrong and Read also found that ‘islandness’ had no real effect on growth performance.\textsuperscript{41}

This conclusion is borne out in the Caribbean case as these states perform quite differently. Barbados is considered to be closer to being a developed country

\textsuperscript{39} Briguglio, "Small Island Developing States and Their Economic Vulnerabilities."

\textsuperscript{40} Armstrong and Read, "The Phantom of Liberty?: Economic Growth and the Vulnerability of Small States."

\textsuperscript{41} Ibid.
than a developing country while Guyana is one of the worst performing countries in the hemisphere. All the English-speaking Caribbean states have similar histories, economic structures and political systems, but some have relatively high GDP per capita while others have low levels of GDP per capita. Smallness or islandness is therefore not the sole source of underperformance. It is therefore clear that there are other domestic institutional variables that explain this divergence in performance.

This divergence is also seen in the foreign policies pursued by these Caribbean states. This dissertation aims to show why these states have varying policies towards China. It will be shown below that the answer is not found in much of the work on the foreign policies of small states. The answer to the foreign policy variation question is in fact similar to the answer to the economic performance question. Variation is indeed a function of the prevailing domestic institutional framework.

Quite similarly, Selwyn concluded from his study of the difference in economic performance of Mauritius and Swaziland that the ‘island’ category “seems illegitimate,” meaning that it is not particularly useful as an analytical construct. Factors such as history, economics and institutions were seen to be

42 Selwyn, "Smallness and Islandness.", 950
stronger explanatory variables explaining difference in the economic performance of both countries.

Dommen’s analysis of the social, political and ecological trends relating to island states concludes that, “island countries are indeed different and indeed they are particularly fortunate places, where life is longer and nature is bounteous though the menu may be short. Politics is friendlier. Hurricanes are more dangerous than social unrest.”43 Dommen’s description is quite simplistic and is in fact a mis-description, as there are many citizens of small states that would disagree with this characterization. But Dommen’s conclusion is consistent with other authors who argue that there is social and political stability in most small states.

The general consensus is therefore that the statistical tests do not support the theoretical claims that small states are by virtue of being small, or even small islands, at a long run disadvantage. Despite this, subsequent chapters will illustrate that actual small state foreign policies in the Caribbean still reflect the assumption that small size is debilitating. These discussions that relate to the definition and features of small states dominate the small state literature, but they do not provide any real framework for understanding the foreign policies of these small states.

states or to understand how economic adjustment takes place in these countries. In order to understand this economic adjustment we must engage the literature on small European states in the 1970s and 1980s.

Economic Adjustment in Small States

Maurice East argues that economic considerations are a key component of the foreign policies of small states.\footnote{East, "Size and Foreign Policy Behavior: A Test of Two Models."} This dissertation will argue that a key motivator for the increased relations with China on the Caribbean side relates to economic adjustment. The Caribbean states are increasingly finding that their request for aid and concessionary packages in trade deals are dismissed. This has led to significant economic downturns especially in some smaller Eastern Caribbean states such as Dominica and Grenada. Katzenstein’s acclaimed analysis of small European states provides a useful framework for understanding small state economic adjustment.\footnote{Peter Katzenstein, Small States in World Markets: Industrial Policy in Europe (Ithaca: Cornell University Press, 1985).} He does not discuss the nature of foreign policies, but he does help us to understand why small states, despite much literature to the contrary, perform so well economically.

Katzenstein’s analysis starts from the same premise as other authors on small states—openness and vulnerability to external shocks. But from here he
diverges significantly from other small state theorists, such as Kuznets,\textsuperscript{46} East,\textsuperscript{47} and Streeten,\textsuperscript{48} arguing instead that small European states exhibit a remarkable ability to adjust and in the 1970s and early 1980s, were more adaptable than larger industrial states to the oil shocks and the general international economic slowdown during that period. Instead of locating the explanation of small state behavior at the international level or external conditions, Katzenstein provides an explicitly domestic explanation for this phenomenon. He argues that,

International factors affect political strategies and outcomes only indirectly: they are funneled through domestic structures that are shaped by different histories and embody different political possibilities. … while external events induced convergence, internal events drive countries to different responses.\textsuperscript{49}

For Katzenstein, the ability of small European states to adjust is therefore a function of their political and economic structure, which he describes as democratic corporatism. Democratic corporatism has three key components: an ideology of social partnership; a centralized system of interest groups; and continuous political bargaining between various interest groups, state

\begin{flushleft}

\textsuperscript{47} East, "Size and Foreign Policy Behavior: A Test of Two Models."

\textsuperscript{48} Streeten, "The Special Problems of Small Countries."

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bureaucracies and political parties. It is these three features that account for the strong performance of the European small states even during the oil shocks of the 1970s and an international economic downturn. The constant dialogue and bargaining accounts for much of the domestic stability witnessed in these states and the ideology of social partnership provided the general framework for this dialogue and bargaining to take place.

The details of the European cases are not important for the purposes of this dissertation, what is useful in this thesis is the identification of the explanation of small state behavior outside of the ‘system’ level of analysis and the emphasis on domestic political structures in explaining the adjustment strategies of these European states. The Caribbean political economy bears little resemblance to the democratic corporatism associated with the small European states, but the general premise that political structures and economic structures determine adjustment strategies is generalizable. Katzenstein’s framework, despite its European roots, can easily be modified for the Caribbean context. The Caribbean states under study are all democracies and have strong democratic traditions. More specifically, the Caribbean states have Parliamentary systems of government modeled off the British Westminster system. It will be shown in chapters 4, 5 and 6 that this political structure is very important in understanding

50 Ibid., 32.

51 The pertinence of the level of analysis question is discussed in more detail below.
how decisions are made and how relations are managed in the case of Caribbean-China relations.

Having discussed the features of small states and the potential economic effects of small size the discussion will now focus on the foreign policy strategies pursued by small states. This dissertation argues that small states do not have a homogenous approach to foreign policy decision-making and that resources are key to understanding the variations in the foreign policy strategies of different Caribbean states.

The Foreign Policy Strategies of Small States

Jeanne Hey provides a comprehensive list of the commonly cited foreign policy attributes of small state behavior. Table 4 below reproduces this list. She argues that small states have a foreign policy that is, inter alia, limited in scope, principled, non-conflictual and dependent on external powers. One of the most striking things about the list, in addition to its length, is that there is no ranking of the features. The list is therefore more of a taxonomy, pointing to some of the more popular features highlighted in the literature. All the points highlighted by

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Hey have been a feature of the foreign policies of Caribbean states at some point in their history. Chapter 2 will make this point in more detail.

Table 4. Hey’s Characteristics of the Foreign Policy of Small States

<table>
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<td>Low level of participation in world affairs</td>
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<tr>
<td>Address a narrow scope of foreign policy issues</td>
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<tr>
<td>Limit behavior to close geographical area</td>
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<tr>
<td>Employ diplomatic and economic foreign policy instruments, as opposed to military instruments</td>
</tr>
<tr>
<td>Emphasize internationalist principles, international law, and other “morally minded” ideals</td>
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<tr>
<td>Choose neutral positions</td>
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<tr>
<td>Rely on superpowers for protection, partnerships and resources</td>
</tr>
<tr>
<td>Aim to cooperate and avoid conflict with others</td>
</tr>
<tr>
<td>Spend a disproportionate amount of foreign policy resources on ensuring physical and political security.</td>
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The Hey taxonomy is quite similar to that of Maurice East. East identifies seven key patterns associated with small state foreign policy; a low

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53 East, "Size and Foreign Policy Behavior: A Test of Two Models."
level of participation in world affairs, high levels of activity in IGOs, high levels of support for international legal norms, avoidance of the use of force as a technique of statecraft, avoidance of behavior and policies that tend to alienate the more powerful states, a narrow functional and geographic range of foreign policy concerns, and frequent utilization of moral and normative positions on international issues.\(^{54}\)

East, adopting a resource-based framework for understanding small state foreign policy behavior, argues that it is the lack of political resources that accounts for their unique foreign policies.\(^{55}\) Small states therefore try to minimize the costs of conducting foreign policy by initiating more joint actions. In addition, East argues that the foreign policies of small states are dominated by economic considerations. This economic focus is seen in two respects—the heavy involvement of economic bureaucracies and the greater utilization of “economic techniques of statecraft.”\(^{56}\)

It should, however, be noted that East’s conclusions have been challenged. Duval and Thompson, for example, refute the conclusions raised by East on three

\(^{54}\) Ibid., 557.

\(^{55}\) Ibid.

\(^{56}\) Ibid., 576.
grounds. First, they argue that his data set was biased and therefore not representative of the total population of small states. Second, they argue that he mis-specifies the independent variable by defining a small state as one with limited economic surplus. Thirdly, and related to second reason, his operationalization of size is faulty as he uses value of economic surplus to measure smallness. Despite this criticism, the fact, however, remains that numerous scholars have used East’s conclusions as a starting point for discussing small state behavior. The criticism, however, demonstrates that care must, however, be taken to not solely rely on East’s conclusions. East’s argument relating to the importance of political resources in determining foreign policy will be modified in this dissertation. The emphasis in this study is on natural and sovereign resources, but East’s argument that resource endowment is important is useful in the context of this dissertation.

Early Views of the Foreign Policies of Small States

The early literature on the foreign policies of small states focused heavily on providing analyses of the inherent problems associated with their lack of material capabilities. Rothstein defines a small state as “a small power which recognizes that it can not obtain security by use of its own security, and that it

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must rely fundamentally on the aid of others.” But even in the early stages of the development of the small state foreign policy literature there were voices arguing that the small European states had unique foreign policies that sometimes yielded success, despite a lack of comparable material capabilities. One of the first works to treat this issue was Fox’s discussion of the policies of small states in WWII. Fox focuses on the alliance patterns of Turkey, Finland, Norway, Sweden and Spain. She found that during the War, “Sweden, Spain, Turkey, Switzerland, Eire, and Portugal all avoided being drawn into the war and emerged from it unwounded and, if anything, stronger than before.” This successful international maneuvering is credited to their diplomatic prowess. Fox’s conclusion—and the conclusion of this dissertation—is therefore that treating small states as just pawns limits our understanding of their foreign policies.

This dissertation builds on the underlying premise of Fox’s work that small states are not mere pawns in the international system, but in fact do have quite interesting and problematic foreign policies that should be studied. The Caribbean’s relations with China therefore demonstrates Fox’s argument that small states are not just mere pawns in the international system, but are in fact

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60 Ibid., 40.
creative states that have devised innovative strategies for dealing with the disadvantages associated with their size.

In the late 1950s and early 1960s there was a debate in Britain and across the world as the decolonization process proceeded. The British colonies in the Caribbean region were set to be decolonized, but these states were considered to be too small as political units to be viable. In fact, the initial British plan for decolonization involved the granting of independence only if the former colonies became a federation. The thinking behind this was linked to the earlier work on small states, which saw them as having inherent administrative problems. It was thought that this would have been even more exaggerated in the Caribbean states as they lacked a history of self-government and would have to learn everything related to foreign policy formulation and its conduct in a very short time. The birth of the Caribbean states therefore took place amidst an important debate about their viability as political units.

The early literature on the effects of size on foreign policy options and strategies often focused on the lack of material capabilities, but even in the early writings of Vital and Singer there was some attempt made to point out some

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possible options open to small states.\textsuperscript{62} Vital argues that not all small states are equally disadvantaged, but instead variables such as level of development, internal stability and geography can mitigate against some of their weakness.\textsuperscript{63}

In a similar vein, Singer argues that analysts must distinguish between “coercive power” and “attractive power”.\textsuperscript{64} Coercive power relates to one state getting another state to do what it wants for example by threatening the use of force if the other state does not comply with its demands. Attractive power on the other hand is the power derived from some attribute possessed by a state that may be useful to another state, such as the possession of an important strategic resource. Small states tend to lack coercive power, but that does not preclude their possession of attractive power that makes them attractive to external states and that can be used to their advantage.

This distinction between coercive and attractive power is useful as it shows that Caribbean states that do not have coercive power can exercise some attractive power especially when another more powerful state is attracted to its

\begin{footnotesize}
\begin{enumerate}
\item[] \textsuperscript{64} Singer, \textit{Weak States in a World of Powers: The Dynamics of International Relationships}.
\end{enumerate}
\end{footnotesize}
natural resources or ability to vote in international bodies. As will be highlighted throughout this thesis, in the China case, the Chinese government is attracted to both the Caribbean’s natural resources and sovereign rights.

**Theoretical Foundations: The Levels of Analysis Question**

As noted in the introductory chapter, there are two major research questions driving this study—why do we see variation in the foreign policies of Caribbean states vis-à-vis China, and, why do these states align with China given the disadvantages associated with this increased relationship? Both these questions raise one common, but unresolved issues in international politics—the levels of analysis problem.\(^{65}\)

The answers to both research questions are found at the domestic level of analysis. In relation to the first question, the answer posited is that variation in foreign policy is attributed to differences in natural resource endowment. In the second case, the explanation lies in the nature of the Westminster political model

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\(^{65}\) The levels of analysis problem was first discussed in detail in 1961 in Singer’s seminal article, J. David Singer, "The Levels of Analysis Problem in International Relations," *World Politics* 14, no. 1 (1961). The argument made in this paper is that there are two possible levels of analysis in international relations, the system level and the state level. Waltz adds the individual as a third level of analysis seen in International Relations. See, Kenneth Waltz, *Man, the State, and War: A Theoretical Analysis* (New York: Columbia University Press, 1959).
seen in the Caribbean. Both these responses deviate from the typical explanations posited for small state foreign policy behavior.

What explains small state behavior? Where should we locate causality? As highlighted by Elman and Hey, the usual explanatory variable used in small state foreign policy analyses is the international system. Many authors argue that small states are even more constrained by the international system due primarily to their lack of resources (whether diplomatic, military, economic) and they are therefore often in a reactive stance. They are subsequently unable to dictate the rules of the international game. At a political level, they are often subject to the whim and fancy of larger states and are treated as pawns, and at the economic level, small states given their lack of natural resources cannot make the rules and tend to be price takers because of their limited resource base and therefore cannot dictate prices.

System level analyses are, however, not without fault as they over-emphasize the inability of small states to maneuver in the international political


and economic system. But as the works of Katzenstein and Armstrong and Read discussed above show, there is some amount of flexibility available to these small states and the international system is not the dominant explanatory variable explaining their economic performance. As noted before, Katzenstein actually identifies the domestic structure as the key explanatory variable. This is also one of the conclusions that this work will make.

The other popular explanation for small state behavior rests at the individual level. Many studies of the foreign policies of individual countries often place causality at this level of analysis. In these studies differences in foreign policy across time are attributed to the leader that is in power at any particular time. The importance of leadership (the individual level of analysis) is a newer addition to the small state literature. The leadership variable is especially important in the Caribbean context as these states are governed under the Westminster political system where power is concentrated in the hands of the Prime Minister and—at his/her discretion—the Cabinet.

This thesis deviates from the usual emphasis on system level explanation, pointing instead to domestic factors explaining the foreign policies of small states and agrees with Elman’s declaration that, “political behavior can only be

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explained in the context of institutionally created incentives and available options.\textsuperscript{69} For example, Jacqueline Braveboy-Wagner argues that the foreign policy decision-making process in the Caribbean is highly “politicized.”\textsuperscript{70} This, she notes, is a direct result of the Westminster political system and the weak nature of the political system. Donato St. Aimee, building on Braveboy-Wagner’s work, correctly notes that in the Caribbean, foreign policy is made at the level of the political leader and, “the attitude of that individual will determine policy choices and decisions without significant inputs from interest groups and parliament.”\textsuperscript{71}

Both system level and individual level analyses are therefore important in understanding Caribbean foreign policy behavior vis-à-vis China. However, subsequent sections of this chapter will show that it is in fact very hard to determine which is the most dominant, but the dissertation ultimately concludes that domestic variables such as political system and natural resource endowment are in fact the key explanatory variables explaining the foreign policy behavior of

\textsuperscript{69} Elman, "The Foreign Policies of Small States: Challenging Neorealism in Its Own Backyard.", 187

\textsuperscript{70} Jacqueline Braveboy-Wagner, \textit{The Caribbean in World Affairs} (Boulder: Westview Press, 1989). By using the term “politicized,” Braveboy-Wagner is simply pointing to the fact that the foreign policies and process through which they are developed tend to be undemocratic and non-transparent.

\textsuperscript{71} Donatus St. Aimee, "Foreign Policy Dimensions of Very Small States in Their Quest for Economic Development" (Dissertation, CUNY, 1997). The importance of leadership will be discussed in subsequent chapters.
Caribbean states. In addition, this dissertation will argue that understanding Caribbean foreign policy is actually an exercise in understanding development policy. The main motivator of Caribbean foreign policy is economic development in the sense of the attainment of external capital flows that will ultimately result in increases to GNP. The international economic system provides constraints to the actions of Caribbean states, but the real driver of foreign policy in the region is the search for resources necessary for domestic economic development.

From the above discussion, it is clear that this dissertation is therefore breaking new ground, as there exists several holes in the discussion of the foreign policy of small states. For example, there is limited discussion of variations in the foreign policy behavior of small states. What we do have are individual studies of individual states and a compendium of the general patterns seen in their foreign policies. Discussions of differences in the substance and concerns of foreign policy are largely missing. In addition—and even more important for this dissertation—there is little discussion of the link between resource endowment and foreign policy suffice to say that countries that have specific strategic resources will use them in their foreign policy, but these analyses are also quite limited. The next chapter will focus on the specific details of the foreign policies of Caribbean states.
CHAPTER 2

The Caribbean States: Small States in the International System

Smallness in the Caribbean is often discussed in association with concepts such as vulnerability, dependency and survival. This thesis argues that in order to understand the rationale behind the interest in China, the persistent role of small size considerations is key. On October 12, 1492 Columbus arrived in the Caribbean and claimed the Caribbean states as Spanish colonies. The British gained control in the mid 1600s and remained the dominant foreign force until decolonization between the 1960s and 1980s.

For the Caribbean, the current relationship with China is actually rooted in two important things: first, the search for survival as small states and second, locating the source of that survival in some external power. Georges Fauriol states

72 Almost all the international relations texts relating to the Caribbean discuss the concept of small size. It is virtually impossible to read an account of Caribbean IR without reference in some manner to the issue of size and the problems that stem from this size deficiency. It should, however, be noted that the juxtaposition of size and other concepts such as vulnerability and weakness are not universal. In fact, as will be discussed later, there are some theoretical discussions of small size that treat this “lack” as a positive attribute, but in the Caribbean context, small, vulnerability and weakness are inextricably related.

that the small Caribbean states do not have a foreign policy, they simply have a policy of existence.\textsuperscript{74} If this line of thinking is to be followed, the conclusion would be that as small states, the international relations of the Caribbean states is therefore simply a story of survival. As has been noted in the previous chapter, small states actually do much more than survive. They have been able to adjust to external shocks and in many instances have outperformed much larger states at an economic level.

The economic survival of the Caribbean has always been intertwined with a great power—the Spanish, the British (and then the wider EU), the US and now China. The need to survive and the identification of this means in an external power are the hallmarks of Caribbean foreign policy and provide a good explanation for the recent intensification of relations between the region and China. This thesis will argue that the primacy placed on relations with great powers is also due to the perception that their survival is threatened and great powers represent a source of much needed aid and investments.

Chapter Outline

This chapter will begin with an overview of the foreign policy stance of Caribbean states since the 1960s. It will show that the foreign policies pursued by

\textsuperscript{74} Georges A. Fauriol, \textit{Foreign Policy Behavior of Caribbean States: Guyana, Haiti, and Jamaica} (Lanham: University Press of America, 1984).
Caribbean countries has changed over time, but the economic foundation of the various foreign policies pursued remains constant over time. In addition, great powers have always been an important component of Caribbean foreign policy. In the 1960s it was the US and Great Britain, but the US eventually became the sole major power. During the Cold War period, the US and the Soviet Union, to a lesser extent, were the major great power players in the Caribbean. In the post-Cold War era the emphasis shifted to the US solely, but in recent years China has become an important player in the region. The discussion will therefore emphasize the relationship between economic development and foreign policy in the Caribbean and the importance of great powers in the Caribbean states.

The chapter will then make the case that the current foreign policy stance of increased relations with China is in fact due to the current economic downturn being experienced by these Caribbean states. The chapter concludes with a discussion of one of the primary theoretical discussions in the thesis—the notion of sovereignty for sale. It will be shown that the creative use of sovereignty for economic gain is a strategy that has been employed by Caribbean states in the past through their sale of flags of convenience and economic citizenship, and the establishment of offshore financial centers. The use of their status as sovereign states to vote with China in international bodies and to recognize China is therefore the newest phase of their creative use of sovereignty.
Development and Foreign Policy: The Caribbean Context

The History of Caribbean Foreign Policies

The foreign policy story of the Caribbean is a story of great power involvement in the region and the search for strategies to promote economic development. The importance of great powers is depicted in the political system, the economic structure and the foreign policy objectives of Caribbean states. In order to understand the Caribbean’s relations with China it is therefore imperative that we briefly discuss both the Caribbean’s experience with other great powers in its history and the foreign policy strategies that have aimed at achieving economic development.

The Caribbean’s foreign policy has been characterized by the influence of external states especially the US and Europe. Erisman argues that the Caribbean has historically been,

a cockpit of great power conflict … foreign nations have fought and schemed to control the Caribbean from almost the very moment that Columbus first came ashore on San Salvadore Island in the present-day Bahamas.\(^75\)

There have been other important regional players such as Venezuela and Cuba that have been influential, but the powers that dominate Caribbean considerations have been the US and Britain.

The Caribbean states after discovery, were colonized by various European forces and the European influence on the Caribbean would remain an important part of Caribbean identity even after decolonization. Upon decolonization, the agreements signed by the British and other European states were “grandfathered” and the Caribbean states were obligated, upon the receipt of sovereignty, to adhere to all previous agreements. The structure of the economy seen in the 1960s was also a European artifact and the Caribbean was intentionally set-up as a provider of raw material to Europe (specifically sugar).

Table 5 below depicts the phases of Caribbean foreign policy since the start of the decolonization process in the 1960s. It is important to note that since attaining independence beginning in the 1960s these states have found it necessary to declare allegiance to a particular state or cause throughout their short history. This is related to the need to appease the reigning hegemon and to attract foreign aid and investment. This, however, changed after the end of the Cold War when political allegiances became seemingly obsolete. The fact is, however, that

76 One example of these agreements were the “land lease” agreements where Britain leased lands in the Caribbean to the US for 99 years in exchange for the US’ entry into WWII on the side of the allies. These leases are still valid as the leases expire around 2040.
the notion that a more powerful benefactor state is necessary for the development of the Caribbean still figures prominently in Caribbean foreign policy considerations, but it should be noted that this runs contrary to the overtures of foreign policy officials. China is the new benefactor in the post-Cold War era and this indicates that very little has changed for these states.

Table 5. Caribbean Alignment with External Powers

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<th>PERIOD</th>
<th>INTERNATIONAL ALIGNMENT</th>
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<td>1960s</td>
<td>Alignment with the West</td>
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<td>1970s</td>
<td>Alignment with the South, but We Need Aid from the Industrial Powers</td>
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<tr>
<td>1980s</td>
<td>Re-Alignment With the West</td>
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<td>1990s-present</td>
<td>Alignment Doesn’t Matter?</td>
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1960s: Alignment With the West

The Caribbean states that gained independence in the 1960s were Barbados, Trinidad, Guyana, and Jamaica. At this time the Cold War was already underway and Cuba was already solidly in the Soviet camp. As a result, the Caribbean was already identified as a battleground in the ideological battle of the Cold War. The Cuban Missile Crisis (1961-62) occurred on the heels of the first round of Caribbean decolonization, making it even more imperative that these new states in the US’ backyard declare their ideological allegiance.
The decade of the 1960s was therefore characterized as ‘Alignment with the West.’ The slogan “We’re with the West” therefore epitomizes the need for an ideological declaration. Alexander Bustamante made this statement immediately upon Jamaica’s independence in 1962. This was similar to pronouncements made in Trinidad and Tobago and Barbados. These declarations point to the fact that external realities often dominate foreign policy considerations in the Caribbean. ‘We’re with the West’ must therefore be understood within the geopolitical framework of the 1960s. The Cold War had already started and both sides were vying for the support of states across the developing world. The declaration by Bustamante should therefore be seen as Jamaica and other Caribbean states being solidly behind Western powers, and the US in particular.

At the start of the decolonization process in the Caribbean, Britain’s decline as the world superpower was already a fait a compli. The United States, which was geographically closer, had become the main force in the region. The 1823 Monroe Doctrine which declared the Americas as the US’ sphere of influence and the 1904 Roosevelt Corollary which proclaimed the US right to intervene militarily in the affairs of countries in Latin America and the Caribbean highlight the US’ view of the region. The frequent interventions by the US in the affairs of Latin America really did not spill over to the English-speaking

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Caribbean until in the 1970s. In fact, up to the 1970s the Bahamas was the only Caribbean state that the US viewed as a vital consideration. It is only in the mid-1970s that the English-speaking Caribbean really becomes a part of the US’ backyard as reflected in the attention directed towards the region as a part of general Cold War considerations. But despite the lack of attention on the US’ part, the Caribbean states were cognizant of the fact that the US was the leading power (at least in geographic proximity) and was the leading economic force. Even before decolonization, Caribbean economies were becoming aware of the economic potential of the US market. US firms dominated the mineral industries and the newly formed tourism sectors were heavily reliant on US nationals seeking tropical vacations.78

1970s: Alignment with the South, but We Need Aid from the Industrial Powers

The 1970s are an important period in Caribbean economic and foreign policy history. It is during this decade that most Caribbean states gained their independence and it is also in this period that we see an important contradiction in the Caribbean and its foreign policy—extolling the virtues of solidarity with developing countries and opposition to industrialized countries, while simultaneously seeking preferences from powerful countries especially Britain.

The Lomé Convention was an example of this real contradiction. In the aftermath of World War II and the commencement of the decolonization process, the international community witnessed the emergence of several new states onto the international stage. These former colonies were eager to have their voices heard and almost immediately directed international attention to the disadvantaged position they inherited in relation to developed countries and the general ills of the international economic system. They consistently, and often quite convincingly, argued that they needed development assistance and increased access to the markets of developed countries on preferential terms. These efforts were met with varying degrees of success. One of the most promising development arrangements obtained by developing countries were the Lomé Convention concessions given to a subset of developing countries. Under this Convention, the European Community offered trade and development concessions to African, Caribbean and Pacific (ACP) countries that seemed to encapsulate almost all of what the developing countries were demanding in the United Nations and in other international fora.

The first Lomé Convention, signed in 1975, provided non-reciprocal duty-free access to the EEC market. It also included significant amounts of

79 The ACP distinction does not encompass all states in Africa, the Caribbean or the Pacific. The ACP countries are those countries in the three regions that are former colonies of European Community members. In 1975 ACP membership was 47, but by 2000 the membership had increased to 79. Cuba became the 79th member in 2000, but does not participate in EU-ACP agreements.
development aid through the European Development Fund (EDF). This Fund was aimed at facilitating the diversification of the ACP countries away from their dependence on agricultural production and towards the establishment of viable manufacturing sectors. The Lomé Convention was seemingly incontrovertible. It was just what the developing countries said was necessary to mitigate against their disadvantaged position in the international economic system and to facilitate their economic development.

The Lomé Convention emanated from the accession of Britain into the European Community and the moral obligation it felt towards its former colonies. Prior to decolonization, exports of the British colonies had special access to the British markets. This relationship continued after decolonization and Britain was intent on maintaining this relationship even after it became a member of the European Community.\(^80\) The first Lomé Convention provided non-reciprocal trade benefits to ACP countries and also importantly a stabilization provision, commonly referred to as the Stabilization of Export Earnings (STABEX),\(^81\) which was aimed at guaranteeing a certain level of export earnings by compensating for fluctuations in the export earnings of ACP countries in relation to their exports into the European Community. Under Lomé I most agricultural goods would enter


\(^81\) The ‘Stabilization of Export Earnings’ (STABEX) provisions are found in Title II of the Convention.
the European market duty free, but other goods that competed with European goods would receive preferential treatment in the form of lower tariff rates than those levied on goods from non-ACP countries.

One important aspect of the Lomé Convention was the stabilization component of the agreement. Article 16 enshrined a commitment on the part of the European Community not only to guarantee a market for ACP products, but also to ensure stable earnings by these countries from exports of certain products to that market. The STABEX facility stated:

> With the aim of remedying the harmful effects of the instability of export earnings and of thereby enabling the ACP States to achieve the stability, profitability and sustained growth of their economies, the Community shall implement a system for guaranteeing the stabilization of earnings from exports by the ACP States to the Community of certain products on which their economies are dependent and which are affected by fluctuations in price and/or quantity. (Lomé Convention 1976)

The products covered under the article 16 STABEX provision included iron, bananas, coffee, cocoa, coconut, tea and wood products. What more could the ACP countries ask for? Their most critical exports had a guaranteed market and in the event that export earnings fell below expectations due to any unforeseen event,\(^2\) ACP countries would be compensated for the shortfall in earnings. The Caribbean states accessed the STABEX funds on numerous occasions.

\(^2\) These unforeseen events included floods, droughts, and hurricanes and decreased prices in the European market.
occasions, especially in the aftermath of hurricanes. It is therefore easy to understand why the Lomé Convention could have been viewed as almost a panacea for ACP countries. This Convention is also one of the primary foreign policy successes of the Caribbean region as the main negotiators were Caribbean nationals.

The original Lomé Convention was succeeded by three other Conventions. However, those successive Conventions made very few changes to the content and benefits conferred on ACP members. Therefore from 1975 to 2000 ACP countries continued to benefit from what seemed to be a perfect agreement. Lomé II was signed in 1979 and the only major change was the inclusion of a provision titled ‘System for Mineral Products’ (SYSMIN) which provided assistance to developing countries dependent on mineral extractions. SYSMIN worked similar to the STABEX provision for agricultural products. Lomé III was signed in 1984 and it shifted some focus from industrial development to the development of industries that would prove to be self-sufficient and would not depend on the provisions of STABEX or SYSMIN for support. Lomé IV was the first 10-year agreement, running initially from 1990 to 1995, after which time there was a mid-term review. After some minor adjustments the Agreement continued until 2000. This agreement proved to be a lifeline for Caribbean states and it will be

Chapter 3 will provide a more detailed discuss of the Lomé Conventions and will discuss how the loss of the Lomé preferences have directly led to the need for economic adjustment in the Caribbean.
shown in Chapter 3 that the loss of these preferences had detrimental effects in several Caribbean states.

The NAM and NIEO

While negotiating for preferential agreements, the Caribbean states became a part of the wider Third World movement aimed at identifying the disadvantages of the international economic system during the 1970s. This was primarily demonstrated in the Caribbean’s active membership in the Non-Aligned Movement (NAM) and their support of calls for a New International Economic Order (NIEO). In fact, the Lomé negotiation was a corollary to this activity. It was the first instance that they were successful in getting some measures that were seemingly aimed at countering the disadvantages of not only size, but also their lack of development.85

84 The Non-aligned movement (NAM) is a direct offshoot of Chinese Third World activism. The principles of peaceful coexistence that serve as the basis if the movement were in fact first articulated by China’s Zhou Enlai. NAM was formed in 1961 and aimed at promoting the principles of self-determination and sovereignty, among others. The NIEO movement was largely an outcome of NAM discussions. The aim of the NIEO was to make the international economic more equitable as Third World countries argued that the existing structure of the international system resulted in developed countries getting richer, while the poorer countries remained underdeveloped.

CARICOM: Another Antidote for Small Size

The Caribbean states have also identified regional integration as an important antidote for small size.\textsuperscript{86} Recall that in Chapter 1 it was pointed out that Britain initially recommended that upon decolonization the Caribbean states establish a federation, but attempts at federation failed in 1961 when Jamaica in a referendum voted to stay out of any Caribbean federation stating primarily that the other Caribbean countries would stifle Jamaica’s own development. Trinidad also followed suit and their Prime Minister Eric Williams, already skeptical of the benefits of federation, made a famous statement that ‘ten minus one equals zero.’ The idea was that if Jamaica—the most developed state of the ten Caribbean states seeking federation—pulled out, then there was no way that a federation would succeed.

The next attempt at some form of regionalism came in 1965 with the Caribbean Free Trade Area (CARIFTA). The establishment of a free trade area was essentially a ‘fall back’ position, as it was believed to be easier to accomplish because issues related to trade agreements are easier to negotiate than are issues related to political integration. The aim was to establish a free trade area between

\textsuperscript{86} One popular Caribbean text is titled “Surviving Small Size” and it focuses on the importance of regional integration to the Caribbean states. Integration is often argued to be the only hope for the survival of these small states.
the ten states that had attempted federation earlier. Tariffs were eliminated on imports from member countries and the immediate results were quite good. Intra-Caribbean trade doubled and the manufacturing industries primarily in Jamaica and Trinidad flourished as a result of the increased access to other Caribbean markets.87

In 1973 the Caribbean sought to deepen the attempt at integration as seen in CARIFTA. The main impetus for this deepening of the relationship stemmed from Britain’s entry into the European Economic Community (EEC). As noted before, Caribbean exports enjoyed duty-free access to the British market and they feared the loss of this access when Britain gained membership. The major problem stemmed from the common external tariff (CET) provision of the EEC. Britain could not unilaterally extend duty-free access to some countries without all of the other EEC members following suit. The Caribbean states therefore feared that Britain would end up being forced to eliminate its concessions to the Caribbean.88

87 See Kenneth Hall, ed., Integrate or Perish: Perspectives of Leaders of the Integration Movement (Georgetown, Guyana: UWI-CARICOM Project, 2000).

88 The Caribbean states decided to work with other former colonies of Britain to lobby for the maintenance of existing preferences. There was, however, some precedent for this. When France joined the EEC it also had a preferential arrangement with its colonies and France was able to maintain these preferences even after signing on to the EEC. France hinged its membership to the Community on an agreement that would accommodate the
The Caribbean Community (CARICOM) was therefore established in 1973 primarily as a result of international realities. The Caribbean states realized that they had to negotiate and lobby Britain with one collective voice and that the preferences that they depended on were heavily threatened. The CARICOM Agreement identifies three goals: first, the establishment of a common market (similar to the European attempts); second, functional cooperation; and third, the coordination of their foreign policies.

Functional cooperation involved collaboration on non-political issues. In the Caribbean case these included a common examination body for secondary schools (The Caribbean Examination Council), collaboration in running the University of the West Indies, and the establishment of the Caribbean News Agency. The rationale behind functional cooperation is quite simple; if countries have a history of cooperation on even non-combative issues, this can set the stage for further integration attempts such as an economic or political union.

needs of its colonies. The subsequent Yaoundé Agreements were non-reciprocal trade and development concessions given to the African colonies and dependencies of Community members under the Treaty of Rome. This system was based on France’s perception that it had a moral and economic obligation to its overseas dependents and colonies (Montana 2003). The first Yaoundé Agreement was signed in 1963 and the second in 1969. The six members of the European Community established a system whereby the exports of their dependencies would gain preferential access to their European markets and the newly established European Development Fund would provide other development assistance to these states in relation to their infrastructural development. The Caribbean and the wider ACP grouping used this as the template for the Lomé Agreements.
1980s: Re-Alignment with the West

Reagan’s election as president solidified the Caribbean perception that the region was now a part of the containment strategy of the US and highlights the importance of the US in foreign policy decision-making. During the 1970s, Jamaica and Grenada had socialist turns under Michael Manley and Maurice Bishop respectively. In 1980 Jamaica moved away from the socialist rhetoric of Manley with the election of Edward Seaga, but Grenada remained socialist. The intervention of the US in Grenada in 1983 signaled Reagan’s determination to halt the spread of communism in the US’ backyard.  

During the 1980s the Caribbean states, cognizant of the importance of appeasing the US declared their allegiance with the US and stated their repudiation of communist movements in the region. In fact, the invasion of Grenada by the US was sanctioned by other Caribbean states including Barbados and Jamaica. Across the region conservative governments were elected and the region sought to increase its trade relations with North America primarily through the Caribbean Basin Economic Recovery Act (CBERA) also referred to as the CBI, which was signed into law by Reagan and was envisioned as the Caribbean

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89 The case studies in subsequent chapters will deal with the socialist movements in the 1970s in more detail.


version of the Marshall Plan. The CBI provisions provided duty-free access for non-traditional Caribbean exports with the ultimate goal being a decrease in the economic motivations for an alignment with the Soviet Union.

1990s: Alignment Doesn’t Matter?

The end of the Cold War ushered in a new era for Caribbean states. Up to this point, they had become used to some superpower rivalry and concessions based on their perceived disadvantaged position in the international economic system. The end of the Cold War meant no superpower fighting for the Caribbean’s allegiance by providing economic aid and it also ushered in the era of reciprocity in international trade. The establishment of the WTO would also prove important to the economic prospects of the Caribbean states. As noted earlier, one of the major foreign policy successes of the Caribbean was the negotiation of the Lomé Convention. The WTO, however, ruled that the provisions vis-à-vis bananas were contrary to the rules of the GATT and as such the entire Lomé Agreement was called into question (see chapter 5 for more details).

In view of the loss of the European trade preferences and the decline in importance to the main regional hegemon—the US, the Caribbean states sought to cultivate new friendships. The relationship with Cuba deepened as Cuba joined the Caribbean as a founding member of the Association of Caribbean states (ACS) and other educational and cultural linkages were established. The
Caribbean states also began to engage Latin American countries more as is seen in the close relationship between the Caribbean and Venezuela and Mexico as seen in the PetroCaribe Agreement and the San Jose Accords respectively which both provide Caribbean states access to concessionary loans.\(^2\)

The more globalized international economic system that was based on neoliberal norms proved to be a big problem for the majority of Caribbean states. It no longer mattered whom they declared their allegiance to—the only thing that seemingly mattered was where their comparative advantage lie. The identification of comparative advantages has proven to be one of the major problems facing Caribbean states.\(^3\) It is in this vein that the Caribbean has chosen to engage China. The US and Russia had ended their Cold War and were no longer willing to compensate Caribbean states for their “ideological” support, but China was willing to provide the aid that they were unable to access in the existing international political and economic climate.

\(^2\) The PetroCaribe Agreement was signed in 2005 and it affords Caribbean states access to Venezuelan oil at preferential rates. Payment for the oil accessed under the agreement can be deferred for 25 years at an interest rate of 1% per year. The San Jose Accord is between Mexico, Venezuela, and Jamaica. Under this agreement Jamaica has access to both Mexican and Venezuelan oil and access to loans for sports and cultural activities that will enhance cross-cultural understanding in the Caribbean basin.

Current Economic Climate in the Caribbean

The Caribbean states have increasingly struggled to find a prosperous place in the international economic system given its current configuration. With the exception of Trinidad that has sizeable oil reserves, the Caribbean states have all struggled with economic downturns in recent years (see Table 6 below). One major source of this downturn is the demise of their agricultural sectors that have historically been a cornerstone of these economies.

Under British colonialism, the Caribbean states specialized in the production of sugar and bananas for export primarily to the European market. Even with the end of colonialism, these states remained heavily dependent on their agricultural sectors despite their lack of competitiveness vis-à-vis Central American agricultural producers and numerous attempts to diversify the economies.

The decimation of the agricultural industry in the Caribbean was a result of the more aggressive free trade nature of the international economic system. On April 7, 1997, the WTO issued its ruling on the banana case between the US and the EU, where the US challenged the legality of European preferences under the Lomé Convention.94 The ruling in favor of the US and against the EU had

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94 The details of the case will be discussed in more detail in Chapter 4.
significant ramifications for their preferential arrangement with the Caribbean states and other ACP countries, but at more concrete level, it affected the economic survival of Caribbean states dependent on banana exports to the EU.

Table 6 below highlights some key statistics relating to the Caribbean. What is important to note at this juncture is the high rate of unemployment across the region. Most of these states have double-digit unemployment rates and this indicates serious underlying problems in the economy. In addition, Official Development Assistance (ODA) has decreased significantly since 1990. For example in Dominica, ODA in 1990 was 11.8 percent of GDP, but by 2007 that figure had declined to 5.3 percent. As seen in Table 6 below, this decline in ODA is mirrored across the Caribbean.

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Barbados</td>
<td>9.8</td>
<td>0.2</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

Table 6. Unemployment and ODA Statistics for English-Speaking Caribbean Countries

95 The data contained in Table 6 will be discussed in more detail throughout the dissertation.

96 The figure for Barbados represents a net outflow of development assistance. In Barbados’ case they in fact issue aid to other countries (mainly other Caribbean states).
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Bahamas</td>
<td>10.2</td>
<td>0.1</td>
<td>---</td>
</tr>
<tr>
<td>St. Kitts/Nevis</td>
<td>5.1</td>
<td>5.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Antigua/Barbuda</td>
<td>---</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Trinidad/Tobago</td>
<td>10.8</td>
<td>0.4</td>
<td>0</td>
</tr>
<tr>
<td>Dominica</td>
<td>23</td>
<td>11.8</td>
<td>5.3</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>18.9</td>
<td>3.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Belize</td>
<td>12.0</td>
<td>7.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Grenada</td>
<td>23</td>
<td>6.2</td>
<td>9.5</td>
</tr>
<tr>
<td>St. Vincent</td>
<td>12.5</td>
<td>7.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Guyana</td>
<td>---</td>
<td>42.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Jamaica</td>
<td>10.9</td>
<td>5.9</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Sources: UNDP statistics; IMF Country Reports

The Caribbean’s decision to align with China can therefore be read as merely the defensive actions of governments that are facing domestic problems of unemployment stemming from the demise of the agricultural sector and the increasing reliance on a seasonal and volatile tourism sector. This explanation has prima facie appeal, but it ignores important political and prestige goals on the part of Caribbean states.
At a geopolitical level, Caribbean states have, consistent with Robert Jackson’s portrayal, been quite happy to tout their disadvantaged economic situation that essentially emanates from what Robert Jackson terms, their “negative sovereignty”.  

Jackson describes most decolonized states as possessing only negative sovereignty and not the traditional positive sovereignty. Building on libertarian theory (in particular the work of Isaiah Berlin), Jackson defines negative sovereignty as “a formal legal-condition” which simply means freedom from outside interference. Positive sovereignty, on the other hand, “Presupposes capabilities which enable governments to be their own masters,” and as such, it is more substantive in nature than simply a legal condition.

Negative sovereignty is therefore ‘freedom from’ whereas positive sovereignty is ‘freedom to.’ The sovereignty of developing states (quasi-states) is conferred on them without the possession of adequate political or economic development—a situation very different from for example the European states. Jackson points out that the doctrine of self-determination and the corollary process of decolonization,

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98 Ibid., 27.

99 Ibid., 29.
Justified the independence of every colony which desired it and thereby established a radically different basis of sovereign statehood on the ex-colonial peripheries of the world. It was now possible to possess juridical statehood while as yet disclosing little evidence of empirical statehood. It was also possible—as it never had been in the past—to make demands on international society for assistance to become developed.  

Jackson’s argument is that many of the decolonized countries were not really in a position to control their destiny, but instead were reliant on outside assistance. Jackson expands his argument to the activities of these states in the calls for a new international economic order and other calls for developmental assistance. He argues that the result of granting ill-equipped states legal sovereignty was the constant calls by these states for developmental assistance.

Jackson’s argument is in fact borne out in the Caribbean context. Caribbean states have devoted much of their foreign policy attention to attaining some economic preferences and this signals some dependence on outside assistance. For example, the Caribbean states were quite active and vocal in attempts to forge a NIEO in the 1970s and in gaining preferences from Britain and the wider European Union. During the Cold War period, the Caribbean states also negotiated the Caribbean Basin Initiative (CBI) with the US. The CBI was similar to the Lomé Agreement and provided Caribbean exports access to the US market at reduced tariff rates. In addition, the Caribbean states were the recipients of numerous aid flows from the US. But currently, in contrast to Jackson’s

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100 Ibid., 25.
discussion, the international system is not as accommodating of the cries of these sovereign Caribbean states as these states are increasingly required to provide reciprocity in terms of trade agreements. In addition, aid flows are now the exception rather than the norm.101

The economic situation is therefore quite precarious across the region and any attempt to understand the increasing attempts to lure Chinese aid and investments must take into account the current economic situation facing Caribbean states. This, however, does not mean that economic self-interest is the sole explanation as political motivations also play a role in explaining the increased relations between the Caribbean and China.

**The Caribbean Political System**

The Westminster political system in the Caribbean is very similar to that existing in Britain. In fact, the Parliamentary system existing in the Caribbean was patterned off the British system. Munroe provides two explanations for this patterning; first, it was the type of system that the leaders were accustomed to

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101 The latest ACP-EU Convention, quite interestingly, was called the ACP-EU **Partnership** Agreement. This change in name from simply Agreement to Partnership Agreement is highly symbolic of the changing tide: Lomé-type or non-reciprocal arrangements are no longer fashionable in the international economic system. In return for the market access given by the EU under the Cotonou Agreement, Caribbean recipients had to agree to improve market access for European products and even to commit to pursuing ‘good governance’ as defined by the EU.
during the process of decolonization, and second, the British were only willing to
grant independence if this was the type of political system adopted.\textsuperscript{102} Munroe
notes that, “If there had been a proposal for an American type of government, the
British would likely have been doubtful. There was no real consideration at the
time of a presidential type of democracy.”\textsuperscript{103} Currently, the British-modeled
parliamentary system is the prevailing political system used in all Caribbean
countries, with the exception of Guyana. It should be noted that Guyana did
initially adopt the British-model, but in 1980 decided to institute a US-style
Presidential system.

In the Westminster Parliamentary System there is no separation of powers
between the Executive and Legislative branches of government. The Executive
branch is dependent on the Legislative branch, as the Executive is directly
selected from the Legislative branch. In the ‘first past the post’ system, the
political party that captures the majority of the seats in the parliament will make
up the Executive. The Prime Minister is essentially the person that commands the
support of the majority of the members of the Parliament. This means, in essence,
that the Prime Minister is the leader of the political party with the most seats in

\textsuperscript{102} Trevor Munroe, \textit{An Introduction to Politics: Lectures for First-Year Students}
(Kingston: Canoe Press, 2002).

\textsuperscript{103} Ibid., 103.
the Parliament. The Executive is comprised of the Prime Minister and the Cabinet, and the Cabinet members are all members of the Legislature.

The fusion of the Executive and the Legislature has been identified as a potential problem for countries adhering to this system. Munroe points out that this political system concentrates significant power in the hands of the Prime Minister and the Cabinet.\textsuperscript{104} In fact, the Prime Minister controls the legislative agenda and can decide which laws are even considered. The opposition has no control over this and cannot introduce a law on its own.

This concentration of power in the Executive and especially the Prime Minister can, and often does result in a lack of transparency. The government Ministries are led by members of the Legislature that are from the ruling Party and decisions made in these Ministries are not usually debated in Parliament. For example, there has been no debate about any agreement signed between any of the three Caribbean governments and China in the Parliament. The Cabinet makes decisions, and the Minister of Foreign Affairs or the Minister of Finance will sign the subsequent agreement. This means that in many instances, members of the opposition are not aware of the agreements that have been signed by the government.

\textsuperscript{104} Ibid.
Of equal concern is the fact that the citizens of the Caribbean states are also not made aware of the substance of agreements entered into by the government. They may see a press release stating that the Chinese government has agreed to build a stadium, but they are not aware of the conditionalities or terms attached to the building of the stadium.\textsuperscript{105} This is an important factor explaining why countries across the Caribbean have signed agreements that are not necessarily favorable to all the citizens and nevertheless remain unchallenged.

**Caribbean Motivations: Sovereignty for Sale?**

The motivations of the Caribbean states are best gauged via an analysis of their current economic situation, which stems from both the configuration of the international economic system and the domestic structure of their economies. The previous section laid the groundwork for this by showing how precarious the economic situation is in several of these states. The economic motivations on the side of the Caribbean states are simply Chinese investments and/or aid. For Dominica, an island whose banana industry has been decimated by the WTO banana ruling and frequent hurricanes, exploiting China’s need for recognition

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\textsuperscript{105} In interviews conducted across the Caribbean, many influential members of the private sector were asking me whether or not I knew what were the terms of the agreements signed with China. It should also be noted that the Agreements signed are often classified, making it even harder to gain access to the exact conditions of these agreements.
was a plausible, and it could be argued, the best short-term fix for their economic woes.

The other major option would be to go to the IMF or World Bank, but the Chinese loans are provided sans explicit conditionalities. It is therefore understandable that if given a choice, a state would choose China over the IMF, particularly given previous experiences with the IMF in relation to the loss of sovereignty and policy autonomy.106 In addition, as mentioned before, the chances of the Caribbean states successfully hosting the Cricket World Cup without the vital assistance of Chinese loans and grants would be slim.

However tempting it is to lump all the motivations on the Caribbean side into the economic category, I will avoid doing so because the economic explanation elucidates a significant proportion of the motivations, but there are also other prestige goals on the Caribbean side that must be discussed. All states seek prestige to some extent or another. China’s interest in the region is welcomed not only because of the economic benefits it affords, but also because the Caribbean states can again play the geopolitical game and view themselves as important players to be wooed and courted as was the case in the Cold War era.

106 This may seem to be an oversimplification of the choice facing Dominica as the IMF conditionalities are so stringent that the loss of policy space and therefore loss of some sovereign rights is preferred to the costs in relation to China. Chapters 5 and 6 will, however, show that there are several implicit conditionalities attached to Chinese loans.
But there is also possibly more going on below the surface.\(^{107}\) The cartoon that opens this dissertation highlights a possible feeling in the Caribbean that ‘alignment’ with China is important because of China’s rise. It may very well be the case that Caribbean states are bandwagoning with respect to China in the expectation that China’s rise will confer benefits on them if they align now. This also has implications for the relationship between the Caribbean and the reigning hegemon.\(^{108}\)

This view of the Caribbean motivations is consistent with Braveboy-Wagner’s analysis of the foreign policies of English-speaking Caribbean states.\(^{109}\) In her work, she identifies a tripartite motivation matrix—development, territorial and political security, and prestige (in that order). This analysis, however, deviates from Braveboy-Wagner in terms of omitting the territorial and political security dimensions. This omission is due primarily to the fact that I do not

\(^{107}\) I say below the surface, because from my previous work on Caribbean international relations issues, regional leaders often appear indifferent to the geopolitical ramifications of their actions or to have a clear idea of their goals. In speaking to one high-ranking Foreign Ministry official in Jamaica I asked what were the implications of Jamaica’s relations with China for the relationship with the US. His response was a matter-of-fact “We haven’t thought about that.” The question therefore becomes, are small states only able to have reactive short-run strategies? It could be the case that given their lack of material capabilities and susceptibility to international forces that long-term strategic positioning is in most instances impossible. The small state literature is silent on this point, but it is a point that will be explored in some detail in subsequent chapters.

\(^{108}\) The implications for the relationship with the US will be discussed in Chapters 6 and 7.

believe that this is an important driver as these states are relatively secure in their sovereignty especially in relation to territorial integrity. One recent volume on small states pointed to the fact that for small states, “in most cases their physical security is ensured”.¹¹⁰ Jeanne Hey also argues that, “the turn of the century is probably the safest moment in history for small states”.¹¹¹ In a similar vein, one recent volume on Caribbean security issues focused on the issues of migration and the drug trade as the primary security considerations.¹¹² Omitting the security variable in this discussion is therefore consistent with other works on small states.

Sovereignty for Lease?

As noted before, the argument to be made in this dissertation is that the creative use of sovereignty is relatively more important as a strategy for weaker/small states as they traditionally have had fewer natural resources and suffer from other negative results of their lack of size and power. The use of the concept ‘sovereignty for sale’ is not a true representation of reality. Caribbean states are not selling their sovereign rights, but are instead using some of the rights accorded by their sovereign designation to improve their economic

¹¹⁰ Hey, "Introducing Small State Foreign Policy."

¹¹¹ Ibid.

prospects and to confer prestige upon themselves. This is not unique to Caribbean states or small states. In fact, many states do it.

A more accurate description of the situation is therefore sovereign rights for lease. Caribbean states are not selling their sovereignty. They are merely using some of their sovereign rights for economic gain. They have therefore not given their sovereignty permanently to China. They have simply afforded China votes and recognition and at any time they can choose not to support China. This decision would not be cost free especially in the short-run. Chapter 4 highlights some of the costs involved in this diplomatic game as was played out in the Grenada situation. In addition, these sovereign rights can be regarded as renewable resources in the sense that they do not run out and states can employ them over and over again.

The framework for this discussion of sovereignty as an economic variable gets its inspiration from Ronen Palan’s work on the increasing phenomenon of offshore financial centers and tax havens. Palan argues that the rise of tax havens is fundamentally linked to structural problems in the global economic system and represents a unique and vital developmental innovation for many

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113 Palan first discusses his ‘commercialization of sovereignty’ thesis in his 1996 book detailing the economic strategies that states have employed since World War II. The commercialization ideas are, however, most developed in Ronen Palan, The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires (Ithaca: Cornell University Press, 2003).
microstates. This fits neatly into the arguments already espoused that the rationale behind several Caribbean states intensifying their relations with China is linked to their position in the international economic system as well as the economic and developmental problems currently facing these Caribbean states.

But Palan’s analysis is most useful in addressing the question of what the Caribbean has to give China in return for its aid and investments. This dissertation will extend Palan’s discussion of the sale of sovereignty in relation to the establishment of tax havens as the current relations between Caribbean states and China can be seen as the employment of a development strategy that utilizes one of their most treasured resources—their sovereignty.

For Palan, the “commercialization of sovereignty” is a viable and understandable strategy. His study focuses on tax havens, which as an economic strategy, entails the use of a state’s sovereign rights for economic gain. Quite interestingly, several Caribbean states have employed this tax haven strategy and these notable Caribbean states include Barbados, the Bahamas, the Cayman Islands, the British Virgin Islands, Antigua, Belize, Dominica, Grenada, Montserrat, Puerto Rico and St. Kitts and Nevis. Two of these states (Dominica and Grenada) will be the subject of case studies in this dissertation. The phenomenon of the commercialization and parcelization of sovereign rights is not restricted to the use of tax havens, but also included in Palan’s analysis are export
processing zones (EPZs) and flags of convenience, and here again Caribbean states feature prominently.\textsuperscript{114} In relation to flags of convenience, Palan identifies 28 states in 2000 that are flags of convenience registries. Of the 28, 9 are in the Caribbean.\textsuperscript{115}

My own view is that the ‘commercialization of sovereignty’ does not accurately describe the current relations between the Caribbean and China. These states are not making sovereignty into a product to be traded. What is being traded is in fact aspects of the rights accorded by sovereignty.\textsuperscript{116} It is therefore not the ability to vote in international bodies that is being sold. Instead, the vote itself is being sold (in this case voting in China’s interest) is the ‘commodity’ being traded. I have therefore amended Palan’s analysis for use in this dissertation.

\textsuperscript{114} Ibid.

\textsuperscript{115} Ibid.

\textsuperscript{116} This may seem to be a subtle distinction of no real consequence, but it is actually quite important; see George DeMartino, “Global Economic Liberalism and the Fate of the State,” \textit{ISS Research Series} (2003). In the political economy literature is a common conflation of autonomy, capacity and sovereignty. These three concepts are however very distinct. For example, the argument is often made that globalization or the free movement of capital constrains state sovereignty. I, however credit George DeMartino for pointing out that what is in fact being constrained is not sovereignty (the right), but it is state autonomy that is being constrained. By definition, sovereignty is the “right” to control activities within a defined territorial space. The decision to go to the IMF and be subjected to their conditionalities does not indicate that a state has lost its sovereignty. The state actually exercised its right of sovereignty in going to the IMF and agreeing to the conditionalities. What the conditionalities do result in is a curtailment of state autonomy in the sense that it is forced to make policies that it would otherwise not have chosen.
In relation to the recent decision by Dominica and Grenada to recognize China in return for significant amounts of aid, *The Economist* argues that, “trading on their sovereignty is a well-established way for small states to make fast cash.”

Palan’s arguments can therefore be extended to a discussion of the Caribbean states providing China—in exchange for investments and aid—votes in international bodies and recognition of it as a sovereign state (and by extension the denial of Taiwan of sovereign status). This selling of votes is no different from the selling of flags of convenience and the establishment of EPZs as discussed by Palan.

Caribbean states have employed numerous strategies and have achieved inconsistent results. The first international economic strategy was their lobbying efforts to obtain preferential trade arrangements with the EU and to work with other developing states in the call for a NIEO. Geopolitical exploitation refers to the strategy during the Cold War to seek aid from the US in return for the alignment of Caribbean states with the West. Export processing zones and tax havens (which can both be depicted as strategies that utilize sovereign rights in innovative ways) are a feature of the 1980s and 1990s and all the English-speaking Caribbean states have pursued either one or both of these strategies.

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In the 1990s several Caribbean states, namely Jamaica and Guyana, undertook neoliberal reforms as a result of conditionalities attached to IMF and World Bank loans. Given the precarious economic position that many Caribbean states currently find themselves, it is obvious that these strategies have not been as successful as these states would have hoped.\(^{118}\) The trading of resources with China—both natural and sovereign—is simply the latest development strategy to be employed by Caribbean states.

The subsequent chapters will discuss the issue of adjustment in Caribbean states and the fact that China is undoubtedly a node of their current adjustment strategy. Across the Caribbean, leaders are lining up to gain as much financing from China as they can obtain. Leaders overwhelmingly argue that China is the most influential power outside of the US in the region and this power is largely derived from China’s provision of aid and foreign investment.

The next chapter shifts gears a bit and focuses on the Chinese motivations in the Caribbean. The Caribbean wants aid and China has been providing this aid and investment. In order to gauge the price of Chinese economic assistance it is important to look at China’s wider economic engagement with the developing

\(^{118}\) The failure of the structural adjustment programs will be discussed in Chapters 3 and 4.
world and China’s political and economic goals embedded in the push towards great power status.
CHAPTER 3

Chinese Motivations in the Caribbean: Economics, Recognition, and Great Power Influence

Up to this point the discussion has focused on the Caribbean. This is primarily due to the fact that the Caribbean is the primary subject of analysis, but an examination of Caribbean-China relations would be incomplete without a discussion of the motivations underpinning China’s interest in the region. China’s engagement in the Caribbean region is consistent with China’s wider Third World policy, with the exception being the relatively reduced importance of natural resource extraction as a motivation on China’s side. This chapter identifies and discusses the three key motivations driving China’s foreign policy in the Caribbean (namely economics, recognition and prestige) and will show that these are consistent with China’s foreign policy in other parts of the developing world.

China is increasingly becoming an important player in Latin America and the Caribbean. Trade between Latin America and China in 2005 stood at US$40 billion, up from US$200 million in 1975.119 China has committed to $100 billion of investments in the Latin America and Caribbean region over the next ten years,

but most of this figure is related to resource extraction and will be allocated to the Latin American economies and not the Caribbean.\footnote{120} In February 2005 the China-Caribbean Trade and Economic Forum held in Jamaica gained much attention and publicity and stimulated debate about China’s role in the region and the extent to which China was now openly challenging the US’ hegemony in the region.

Much of the discourse on China in the region relates to China’s search for natural resources in Latin America, and the Caribbean is included as an afterthought in many of these analyses.\footnote{121} This conflation of Latin America and the Caribbean serves to ostensibly indicate that China’s interests in both areas are the same. China, in fact, has somewhat different motivations in the Caribbean region, as the search for natural resources is not a major driving force for Chinese actions in the Caribbean as most of these smaller states lack traditional mineral resources that are of interest to China.

\footnote{120} When Hu made the speech that there would be $100 million in investments, he did not specify the amount that would accrue to the Caribbean specifically. What the speech did note was that the investments were geared towards extraction and given the Caribbean’s lack of extractive industries, it therefore stands to reason that the majority of these funds would go to Latin American industries.

Chapter Outline

The arguments in this chapter are organized into five sections. The first section argues that China’s Caribbean policy is consistent with China’s wider Third World policy that uses soft power to advance China’s economic and political rise. This section will also highlight the major difference between the Latin American and Caribbean regions as they pertain to Chinese foreign policy.

The next three sections will discuss the three different (though mutually reinforcing) motivations of Chinese foreign policy in the Caribbean—economics, recognition, and influence. This thesis argues that China has a tripartite motivation for its presence in the Caribbean—economics, recognition and influence. The economics motivation is related to the search for natural resources and markets. China is interested in the minerals found in Jamaica, and the oil and natural gas in Trinidad and Tobago. But more importantly, Chinese interests at the economic level relate to accessing the Caribbean markets as a destination for Chinese exports. Recognition, for the purposes of this discussion, is defined as support for China in its “One China Policy,” and it will be shown that this policy is one of the primary drivers of China’s relations with the Caribbean. The third motivation, and one of the leading determinants of Chinese Third World policy, relates to Chinese influence. I will show that this variable is a two-fold goal that
encompasses both the signaling of China’s rise, and the garnering of support for the Chinese agenda in multilateral forums.

Each section will treat one motivation and will incorporate a discussion of the specific strategies employed to advance it by China in the Caribbean. The concluding section aims to show that China is in fact a pragmatic power and its role in the Caribbean is solidly rooted in its calculations of its national interest. China is therefore trying to obtain the best deal that it can get and the limited net benefits that accrue to Caribbean states from this relationship must be understood within this framework.

**China in Latin America and the Caribbean: A Part of China’s Grand Strategy in the Third World**

**China’s Evolving Third World Policy**

China’s relations with the Third World have been an important component of the foreign policy of China since the forming of the PRC in 1949.\(^\text{122}\) China’s

\(^{122}\) One may question my use of the word Third World given the loss of currency in the post-Cold War era. Given the collapse of the Soviet Union and the unipolarity characteristic of the existing international system, one could argue that the concept has lost its political meaning (see Van Ness 1998 for a more detailed discussion of the problems associated with the continued use of this term). My decision to use this term instead of ‘developing countries’ is highly symbolic in nature, and is related to China’s seminal place in the coming and use of the Third World concept. Given this, I am aware that this term includes so many countries that it is hard to make generalizations across the board, but I still maintain the usefulness of the concept as it highlights China’s continued
relations with the Third World is quite multifaceted, ranging from support for liberation movements in Asia and Africa during the Cold War, to seeking the support of these countries in gaining its UN seat in the early 1970s. China’s embrace of the Third World was also evident in the post-Tiananmen period when China faced censure and sanctions in many international bodies. Today it is seen in China’s diplomacy aimed at garnering support for the isolation of Taiwan in international organizations.

The schizophrenic nature of Chinese foreign policy vis-à-vis the Third World is seen in the difference between the rhetoric of solidarity with the Third World on one hand, and its reluctance to join two of the most important Third World international organizations—the G77 and the Nonaligned Movement (NAM), on the other hand. This duality is linked to China’s sometimes conflicting view of itself. It is economically still largely underdeveloped, but

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view of itself as in some way aligned with the nebulous conception of a Third World. Third World is therefore used in the traditional Maoist sense of countries in Africa, Asia (excluding Japan) and Latin America and the Caribbean that were not advanced economies or a member of the Soviet bloc.

123 China does participate in each of these organizations but not as an official member. It is an observer in the NAM as well as in the G77. It is quite interesting to note that China preferred to attach its name to the G77 instead of becoming a full member of the group. The G77 is now referred to as the ‘G77 and China.’

124 IMF figures indicate that in terms of nominal GDP China ranks fourth in the world, but in terms of GDP per capita China ranks a mere 107th in the world. This is actually well below many Caribbean states.
given its military power, economic advancement, and permanent seat on the UN Security Council, it views itself also as a major power.

This contradiction is identified by Wu as “the dual-identity syndrome” in Chinese foreign policy.\textsuperscript{125} China aspires to be a great power and to have influence in the international system, but this quest for great power status is constrained by its material capabilities. The final section of this chapter will argue that this duality is reconciled in China by the pragmatic pursuit of its foreign policy. China consistently espouses Third World solidarity, but its actions can be read in both directions—solidarity with and against Third World interests.

China’s rhetoric regarding its place in the Third World, as argued by Samuel Kim, is based on three points: first, China is a socialist country that belongs to the Third World; second, Chinese support and solidarity with the Third World is an important foreign policy goal; and third, even if China enters the ranks of great power, it will still identify itself as such.\textsuperscript{126} As with many countries, Chinese rhetoric is not always consistent with the actual foreign policies pursued.


It is therefore imperative that attention be directed beyond official communist party rhetoric towards an examination of actual governmental actions.

China’s Third World policy in the post-Cold War era is to a large extent predicated on improving its international status. When China embarked on its economic reforms in 1978, the Third World was neglected as China abandoned the anti-establishment rhetoric of the NIEO and sought membership in the IMF and World Bank, two institutions that China had vociferously opposed as inimical to Third World development prior to 1978.\(^{127}\) It joined the IMF and World Bank in the 1980s and the WTO in 2001.\(^{128}\) In addition, China moved away from challenging the international economic system as it had done under the aegis of the NIEO and instead sought to integrate increasingly into the international economy. China’s espoused solidarity with the Third World in terms of both rhetoric and actual engagement therefore declined during the first decade of reforms.

China’s increasing re-engagement with the Third World beginning in the early 1990s is inextricably linked (at the political level) to the Tiananmen incident


in 1989 where the Chinese government violently suppressed student protests aimed at propelling democratic principles in the communist state. China suffered ostracism from many developed countries and in an attempt to regain some legitimacy, sought to cultivate to a larger extent their relations with Third World countries. Zhao argues that the reaction of the West to the Tiananmen incident resulted in “a major foreign policy adjustment.”

The US-EU arms embargo levied on China after the Tiananmen Incident meant that sales of weapons to the PRC were banned. In addition, China feared the threat of economic sanctions by the US and Western European states that would have had the potential to seriously thwart the economic gains that China had made up to that point. The intervention of Third World countries, especially Asian investors in the newly-industrialized countries, aided immensely in China’s ability to weather the storm as they expanded their investments in China despite the sanctions and negative reports emanating in Western states.

It is after the Tiananmen affair that we see China moving at a faster pace to solidify its relations with the Third World. This can be attributed to the threat that China felt in international fora such as the United Nations as it increasingly came under scrutiny for its human rights record. The increased interaction with

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the Third World at this point is also due to China’s continued economic growth. As China increasingly integrated into the international economic system it needed allies as there was a lingering distrust of the US and Western European states, and the Third World provided a large pool of potential supporters. In addition, as China’s economy improved, China was better positioned to employ a Third World diplomatic policy.

One of the greatest needs of many Third World countries is economic aid, and China was increasingly able to provide these concessions. It is therefore in the aftermath of Tiananmen that we see the take-off of China’s ‘yuan diplomacy’ across the Third World. It should however be noted that this diplomacy witnessed across the Third World is inextricably linked to China’s economic expansion and the attendant expansion in the demand for natural resources.

China’s Third World policy is therefore based on economics and politics. Economically, China needs natural resources and markets and this rationale is present especially in its relations with Africa, the Middle East and Latin

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130 The term ‘yuan diplomacy’ refers to the Chinese version of ‘dollar diplomacy.’ The aim of ‘yuan diplomacy’ is to provide aid in the form of grants and loans at a concessionary rate to Third World countries as a part of China’s efforts to win allies. It is interesting to note that the loans provided by China are not only provided at a relatively low interest rate, but also lack many of the explicit conditionalities attached to loans provided to developing countries by multilateral institutions and other developed countries. This seeming lack of conditionalities will be discussed in subsequent chapters.
Politically, China is very intent on cultivating allies and its aid and diplomatic endeavors around the globe are indicative of this fact.

China’s Use of Soft Power

China’s engagement with the Third World is reminiscent of the US’ use of soft power across the globe. This was especially seen in the importance placed on the use of public diplomacy during the Cold War. Joseph Nye coined the word soft power back in 1990. Building on the work of Robert Cox and the concept of great power legitimacy, Nye draws a stark distinction between traditional hard power and the mere co-optive soft power.

The soft power concept deviates significantly from the hard power often discussed in the international politics literature. Hard power is simply military and economic might and is manifested in either the use of inducements (carrots) or threats (sticks). Defining power in such a tangible manner, however, misses the important fact that, “power resources are not as fungible as money.” In fact, a

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131 China’s economy has grown at about 9 percent per annum since the start of reforms. China is now the second largest economy and one of the leading purchasers of resources internationally. China’s search for energy and minerals to sustain this growth trajectory are therefore important components of Chinese foreign policy in general. In this thesis I will not be dealing with this search in detail excepting in the Jamaican context vis-à-vis bauxite. There are many sources relating to China’s energy needs and its strategy to gain it internationally. For a good discussion, see Zweig and Bi, "China's Global Hunt for Energy."

state may be able to get others to do what it wants without as tangible a means as carrots or sticks. According to Nye, this indirect and seemingly ideational way to get others to do what you want,

has sometimes been called the ‘second face of power.’ A country may obtain the outcomes it wants in world politics because other countries—admiring its values, emulating its example, aspiring to its level of prosperity and openness—want to follow it.\textsuperscript{133}

Nye’s description of soft power is therefore very different from traditional notions of power. The inclusion of the idea of admiration—the emulation of Chinese values and economic success—is key in the Chinese context, especially in its interaction with developing countries. Its use of yuan diplomacy is relatively minute, but the Chinese economic miracle is admired by developing countries around the world. It is this admiration that gives China some of the economic influence that it has in the developing world.

Table 7 below recreates Nye’s diagram depicting the three types of power. Military and economic power are the traditional types of power that employ threats, the use of force, payments and sanctions.

Table 7. Nye’s Three Types of Power

<table>
<thead>
<tr>
<th></th>
<th>Behaviors</th>
<th>Primary Resources</th>
<th>Government Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military power</td>
<td>Coercion</td>
<td>Threats</td>
<td>Coercive diplomacy</td>
</tr>
<tr>
<td></td>
<td>Deterrence</td>
<td>Force</td>
<td>War</td>
</tr>
<tr>
<td></td>
<td>Protection</td>
<td></td>
<td>Alliance</td>
</tr>
<tr>
<td>Economic power</td>
<td>Inducement</td>
<td>Payments</td>
<td>Aid</td>
</tr>
<tr>
<td></td>
<td>Coercion</td>
<td>Sanctions</td>
<td>Bribes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sanctions</td>
</tr>
<tr>
<td>Soft power</td>
<td>Attraction</td>
<td>Values</td>
<td>Public diplomacy</td>
</tr>
<tr>
<td></td>
<td>Agenda setting</td>
<td>Cultures</td>
<td>Bilateral</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Policies</td>
<td>Multilateral diplomacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Institutions</td>
<td></td>
</tr>
</tbody>
</table>

*(New York: Basic Books, 1990).*

Soft power, on the other hand, involves getting others to want what you want without using “sticks” such as military might or economic inducements, but instead co-opts people rather than coerces them. Soft power is about the ability to attract, and it uses public diplomacy to achieve influence. This soft power concept
sounds somewhat similar to the notion of attractive power discussed in chapter 1. The major difference, however, is that attractive power is something that weaker states possess, while in Nye’s analysis soft power is employed by powerful countries as a means of interacting with weaker powers.

China’s meteoric economic rise is seen as an image of the possibilities available to other developing countries. Admiration of China runs very high across the developing world. In fact, Nye argues that the US—a long user of soft power—has declined in importance as it has stopped employing this dimension of power. Kurlantzick, extends this line of thinking and argues that as the US’ power wanes China has picked up the mantle of soft power to enormous success.\textsuperscript{134} He points out that in polls conducted across the globe, citizens in Africa and Latin America have more positive views of China than of the US.\textsuperscript{135}

Kurlantzick defines Chinese soft power as things outside of the military and security realms including the use of aid and investment and cultural and public diplomacy.\textsuperscript{136} This use of soft power as described by Kurlantzick is quite similar to that described by Nye in the US context. The public diplomacy and engagement in multilateral fora is precisely what is depicted in Table 5 above. In

\textsuperscript{134} Kurlantzick, *Charm Offensive: How China’s Soft Power Is Transforming the World.*

\textsuperscript{135} Ibid.

\textsuperscript{136} Ibid.
a similar vein, Sanusha Naidu describes China’s soft power strategies in Africa as one that,


The rhetoric of solidarity with the Third World is therefore another important component of Chinese soft power strategies. In addition to the rhetoric of solidarity and the use of public diplomacy, Chidaushe argues that China intentionally portrays itself as the opposite of the US by avoiding the intrusive political governance conditionalities associated with Western aid.\footnote{Moreblessings Chidaushe, "China's Grand Re-Entrance into Africa--Mirage or Oasis?," in \textit{African Perspectives on China in Africa}, ed. Firoze Manji and Stephen Marks (Nairobi: Fahamu, 2007).} China therefore describes itself as protecting the principle of non-interference by omitting the conditionalities that have been disliked across the Third World and that have been associated with Western multilateral institutions.

In their speeches Chinese officials often place emphasis on some key themes. These include, mutually beneficial cooperation, friendly relations,
sincerity, equality, mutual support, and common prosperity.\textsuperscript{139} This is in contrast to the perceived exploitation of Western countries and institutions.

Kurlantzick also points out that soft power can be directed towards the elites in a country (high soft power) or can be directed at the wider public (low soft power).\textsuperscript{140} China employs both high and low soft power. In addition, the use of cultural tools (public diplomacy in particular) is an important dimension of China’s low soft power strategy. In the Caribbean, this cultural exchange has included the provision of Chinese language teachers across the Caribbean, tours of Chinese cultural groups (for example acrobatic shows). One very interesting dimension of this public diplomacy is the provision of documentaries on aspects of Chinese culture to Caribbean television stations. These documentaries are routinely included in the television schedules across the Caribbean.

It should, however, be noted that the Chinese use of soft power is not a new phenomenon. Naidu argues that from as early as the Silk Road trade China’s foreign policy was in fact aimed at encouraging influence rather than the use of military conflict or colonization.\textsuperscript{141}

\begin{flushleft}
\textsuperscript{139} Ibid., 109.

\textsuperscript{140} Kurlantzick, \textit{Charm Offensive: How China's Soft Power Is Transforming the World}.

\textsuperscript{141} Naidu, "China-African Relations in the 21st Century: A 'Win-Win' Relationship."
\end{flushleft}
Kurlantzick correctly cautions that China’s use of soft power tools, “has developed significant influence, though it is still in a honeymoon period in which many nations have not recognized the downsides of Beijing’s new power.”\textsuperscript{142} The fact is, however, that several academics around the world are beginning to investigate the actions of China in its use of soft power especially in relation to its donations of aid in Africa. Chapter 7 will deal with this issue in relation to the Caribbean.

**China’s Motivations in the Caribbean**

The discussion will now move into highlighting the three motivations underpinning China’s interest in the Caribbean—economics, recognition and prestige. It should be noted that these motivations are consistent with China’s wider Third World policy, but the issue of recognition is more pronounced in the Caribbean context.

*Distinguishing Between Latin America and the Caribbean*

The motivations for China’s role in Latin America and the Caribbean are consistent with China’s wider grand strategy as it pertains to the Third World. Economics is important as is seen in China’s quest to acquire natural resources in

\textsuperscript{142} Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World*. 
especially the resource-rich Latin American countries. In addition, half of the 29 countries currently recognizing Taiwan are located in Latin America and the Caribbean.

There are, however, major differences between Latin America and the Caribbean. The Latin American economies are more natural resource-rich and are therefore more important in China’s quest for energy. The Caribbean, on the other hand, has fewer natural resources than Latin America, with the exception of Jamaica and Trinidad and Tobago. The natural resource-quest is therefore not as important in China’s foreign policy in the Caribbean region, but economics remains a motivation, as the Caribbean is the source of markets for Chinese goods and this is witnessed in the burgeoning volume of Chinese exports to the region.

Politically, China is interested in gaining allies across the Third World. This is also the case in Latin America and the Caribbean. In addition to the Taiwan issue, China’s aims are the harvesting of support in multilateral forums and status recognition. The region comprises many states that translate into many voices and votes to support China in many international bodies. Despite some similarities in China’s motivations in Latin America and the Caribbean, it is not very useful at an analytical level, to group the two together as we would miss some of the subtle differences in China’s strategies in the two areas.
China’s First Motivation: Economics

China’s national interest is inextricably linked to its domestic economic realities. Economic growth is a key interest of the Chinese Communist Party and it is the most important component of its foreign policy direction. China’s rise is predicated on its increasing integration into the international economic system and the capturing and exploiting of its comparative advantage.

Apart from the aim of every country to advance economically, the economic component of Chinese foreign policy is predicated on two important rationales—reversal of the “century of humiliation” and the survival of the Chinese Communist Party (CCP). The intention to reverse the “century of humiliation” is an underlying motivation of much of China’s domestic and foreign policies. During that infamous century, China saw a diminution of its position in the international system and vis-à-vis its neighbors which were traditionally seen as merely “barbarian” and tributary states. During that century

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143 The Century of Humiliation from 1839 to 1949 began with the first Opium War in 1839 between China and Britain due to China’s decision to suppress aspects of the British East India Company’s trading rights in China. Prior to this, China essentially viewed itself as the center of the universe and their contact with the West proved fatal to the Chinese economy, and even more importantly to the Chinese psyche. The Treaty of Nanjing (1842) signed after the British overwhelming victory resulted in China losing control of Hong Kong and being forced to open up some ports to British traders and to pay reparations for the war. In 1844 the United States and France also signed similar treaties with China.
China fell further and further behind some of its tributary neighbors and even more behind the world’s powers, losing its distinction as the great Middle Kingdom. China’s embrace of economic reforms and their subsequent success have done much to improve China’s image and sense of importance. Economic performance leads to wealth, power and influence—all of which China lost in its humiliation period.

The second important facet of economics in Chinese foreign policy relates to the maintenance of the legitimacy of the Chinese Communist Party. Wealth is one key driver of communist party policies because of their need to maintain the respect and admiration of the wider Chinese population. In the view of Chinese government officials, their legitimacy is inextricably related to their ability to facilitate the improved economic prospects of the population. As one of the few remaining communist states, the communist party is especially concerned with legitimacy and in view of this, the continued growth of the Chinese economy is vital to the survival of the communist party.\textsuperscript{144}

China’s foreign policy is in fact highly economically motivated. At the economic level, there is an increasing body of work relating to the increasing membership and involvement of China in international economic institutions such

as the WTO and IMF. But of critical importance, in addition to its involvement in these institutions, are two very important components—the search for markets and the simultaneous search for resources. These two motivations are important in this discussion of China’s activities in the Caribbean region.\(^\text{145}\)

**Resources**

The traditional discussion of China’s engagement with the Third World places much emphasis on China’s search for resources. This is, however, not an important source of motivation for China in the Caribbean region. The Caribbean lacks many of the resources that China seeks. Only one country has minerals (Jamaica),\(^\text{146}\) and only one (Trinidad and Tobago) has oil and natural gas. Jamaica has large bauxite reserves and government estimates indicate that the existing 1.5 billion tones of bauxite reserves could last for another 150 years. Jamaica is the 8\(^{th}\) largest producer of bauxite and the 7\(^{th}\) largest exporter of the commodity in the

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\(^{145}\) China’s increasing membership and activity in international economic organizations is also linked to its strategies in the Caribbean region as it needs states to support its initiatives in these bodies. This aspect of China’s economic motivations is discussed in the section on influence.

\(^{146}\) Cuba has the world’s third largest reserves of nickel and its export is the major revenue earner for Cuba. Cuba exports the majority of its nickel to China but China wants even more as nickel, like bauxite, is an important mineral for China’s industrialization as it is used in the production of a wide range of metal products, from automobiles and trains, to cans and windows. In November 2004 Chinese President, Hu Jintao visited Cuba and primary on the list of discussions was Cuba’s nickel. China wants to invest more directly in Cuban nickel extraction and is interested in acquiring a Soviet nickel mine that is unfinished. Hu Jintao, in that visit, also pledged to invest $500 million into the Cuban nickel industry. See "China, Cuba Seek Closer Ties," *BBC News, November 23 2004*. http://news.bbc.co.uk/2/hi/americas/4034149.stm.
The amount of oil off the coast of Trinidad is not known, but estimates indicate that in 2005 there was 34.86 trillion cubic feet (tcf) of oil, but estimates in 2006 put that figure at 30.88 tcf. It should, however, be noted that despite Trinidad’s possession of oil, China is currently not a player in the market as Trinidad’s reserves are relatively small and Trinidad already has agreements to supply oil to the US and other Latin American and Caribbean states and there is no excess production to export to China.

Where there are resources, China is actively working to exploit these resources. In Jamaica, for example, the Chinese are increasingly interested in the bauxite industry. Bauxite is the chief ore of aluminum and is an important mineral sought by the Chinese to facilitate the expansion of the industrial sector. In 2001, the Alumina Partners Company (ALPART) signed an agreement pledging to supply China with almost 450,000 tons of alumina to China’s Ming Metal Company over three years. This figure represented 30 percent of the production of ALPART. In 2005, while the Jamaican Prime Minister was on an official visit to China, a more important agreement was signed between the Bauxite Institute and the Jamaica Bauxite Mining Limited and China Min Metals Corporation to

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147 These bauxite figures were obtained from the United States Geological Survey.


establish both a bauxite extraction facility and alumina refining facility aimed at expanding the capacity of the bauxite industry.\textsuperscript{150}

\textit{Markets}

China’s economic growth necessitates markets for its exports. As China continues its rapid production pace it increasingly needs access to greater numbers of markets. The Caribbean states provide another market for Chinese products. There is, however, some underlying conflict. China has a trade surplus with every Caribbean country. The volume of trade between China and the Caribbean is increasing and China’s trade surplus with the region is also growing. The Caribbean represents a small portion of the Chinese market, but it is a market nonetheless.

In 2006, Guyana imported products worth approximately EC$40.2 million of Chinese products, while exporting only EC$36 million worth of goods to China. This picture is echoed across the region with Barbados importing over EC$129 million worth of goods from China in 2006 while exporting only EC$3.5 million. The disparity is even greater in the smaller Caribbean states. Grenada and Dominica exported no goods to China, but they imported a significant amount of Chinese exports.

Table 8. CARICOM Trade Deficit/Surplus with China 2006

<table>
<thead>
<tr>
<th>Country</th>
<th>Value of Exports to China (EC$)</th>
<th>Value of Imports from China (EC$)</th>
<th>Deficit/Surplus with China (EC$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua &amp; Barbuda</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Bahamas</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Barbados</td>
<td>3,547,445</td>
<td>129,811,314</td>
<td>-126,263,869</td>
</tr>
<tr>
<td>Dominica</td>
<td>0</td>
<td>17,561,259</td>
<td>-17,561,259</td>
</tr>
<tr>
<td>Grenada</td>
<td>0</td>
<td>42,362,714</td>
<td>-42,362,714</td>
</tr>
<tr>
<td>Guyana</td>
<td>36,042,574</td>
<td>40,240,533</td>
<td>-4,197,959</td>
</tr>
<tr>
<td>Jamaica</td>
<td>811,190,910</td>
<td>557,974,545</td>
<td>+253,216,365</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>0</td>
<td>27,678,311</td>
<td>-27,678,311</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>18,712,188</td>
<td>664,264,900</td>
<td>-645,552,712</td>
</tr>
</tbody>
</table>

Source: CARICOM Secretariat Database

The situation is however different in Jamaica. The gap between Chinese exports and imports in the Caribbean region is increasing in most Caribbean states, but it is narrowing and since 2003, Jamaica has recorded a trade surplus with China. This difference in trade performance is due to the reality that Jamaica as it is the only state with minerals (that is, bauxite) that China wants and is best placed to capture some of the benefits accruing to China-Caribbean trade. Chapter 5 will discuss Jamaica’s trade figures in more detail.
Many countries are eager to access Chinese markets, but Caribbean countries have little to gain from trading with China. The traditional exports of Caribbean countries include agricultural products and apparel. In fact, the Caribbean states traditionally engaged in apparel production have lost significant market share to China.\footnote{Mexico has spoken to many of these issues, arguing that its apparel industry is negatively affected by China’s ability to supply the market with cheaper products due to their lower labor costs. See Chapter 6 for a more detailed discussion of the competition between China and Mexico.} China has therefore in its diplomacy tried to make the surplus less a problem through the provision of aid and loans. All the countries in the Caribbean that currently recognize China have been rewarded with numerous aid and loan packages.\footnote{The large number of aid and low-interest loans are an important facet of Chinese engagement in the region and will be discussed in more detail in the section on Influence.} But, as will be shown in chapters 4 and 5, these aid packages do not compensate for the widening surplus. Why then do Caribbean states still seek closer ties to China, given the potentially low net benefits? This very important question will be taken up in chapters 4 and 5.

China’s Second Motivation: Recognition

China’s broad foreign policy is importantly centered on the Taiwan issue and the “One China policy” is an important foundation of China’s general international relations. This focus on Taiwan has been a feature of China’s foreign policy goals and objectives since the forming of the PRC in 1949. China’s foreign
policy in relation to Taiwan has waxed and waned since 1949, with the emphasis shifting from the threat of military force to the international isolation of Taiwan. As it became increasingly clear that China would not be able to retake Taiwan militarily, China began to incorporate the Taiwan issue into its general Third World policy. China used its relationship with the Third World to advance its agenda in the UN, which was in many instances aimed at the isolation of Taiwan.

As noted before, half of the countries in the world that continue to recognize Taiwan are located in Latin America and the Caribbean. And seven of those are in the Caribbean region under study. Given China’s increasing emphasis on isolating Taiwan internationally, China’s engagement with countries still recognizing Taiwan has become an important component of that strategy. Li points out that with respect to South America, despite strong economic motivations for China’s interest, the Taiwan issue is a strong motivation in China’s engagement in the region.153

At the beginning of 2003, the countries in the Caribbean not recognizing China included Belize, Dominican Republic, Grenada, Haiti, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. China’s engagement strategy has borne fruit in the region as the Bahamas and St. Lucia switched recognition from

Taiwan to China in May 1997 and September 1997, respectively. And two of the states that recognized Taiwan at the start of 2003—Dominica and Grenada—adopted China’s “One China Policy” and switched recognition by 2005. This switch in recognition policy will be explored below.

Dominica and Grenada Switch Recognition

Upon independence in 1983, the small island of Dominica with a population of 70,000 in an attempt to gain economic benefits, chose to recognize Taiwan instead of China. In return, Taiwan provided numerous grants of aid and other technical assistance. As China became more economically advanced and had more money to spend on diplomatic issues it shifted its attention to “yuan diplomacy” especially as it pertains to gaining the respect and support of poor countries. This strategy was especially adopted with respect to countries maintaining their recognition of Taiwan. It proved successful because as The Economist points out, for poor developing countries, “trading on their sovereignty is a well-established way for small states to make fast cash.”

154 Please note that the specifics of the decision to switch recognition to China will be discussed in greater detail in Chapters 4.

155 The Economist, "Easy Money: The Caribbean and Taiwan."
In return for recognizing China and supporting the “One China” principle, Dominica was rewarded in March 2004 with the promise of $122 million in aid packages. This figure represents over one third of the Dominican government’s revenue over 5 years. This aid package included money to build a new stadium, roads, schools and hospitals.


In December 2004, the Prime Minister of Grenada, Keith Mitchell, made an official trip to China. At that time Grenada still officially recognized Taiwan. Taiwan offered to give Grenada $47 million in aid and to rebuild their national stadium but Mitchell hoped for more, following the example of Dominica.\footnote{Chapter 4 will discuss the specifics of this policy change in greater detail.}

Diplomatic relations between China and Grenada resumed in January 2005 after Grenada publicly ended its relationship with Taiwan and recognized China. In return for this switch China provided Grenada with monetary assistance to expand the national stadium for the Cricket World Cup in 2007 and the
construction of 2000 housing units. In addition, China offered a $6 million grant to Grenada to compensate for the loss of support from Taiwan and a $1 million scholarship fund and a financial grant to the government worth $2.5 million.\textsuperscript{158}

In all their official statements with China, Caribbean leaders emphasize their commitment to the “One China Policy” and the Chinese officials in turn continually highlight their gratitude for the Caribbean’s support vis-à-vis the “One China policy”. The Jamaican Prime Minister’s speech at the opening ceremony of the “China-Caribbean Economic and Trade Forum” highlighted the fact that more and more Caribbean countries are committed to the “One China Policy,” and he reiterated Jamaica’s commitment. This line of speaking was a feature of all the speeches delivered at the opening ceremony by Caribbean government officials. The rhetoric of Caribbean and Chinese officials is an important indication of the importance of recognition as primary driver for China’s relation in the Caribbean.

China’s Third Motivation: Influence

As a rising power, China is cognizant of its place in the international system and the need to cultivate allies. As one of the last vestiges of communism, China is eager to cultivate friendships and to solidify its stature as a leading

\textsuperscript{158} "Whiteman Heading for Beijing," Grenada Today, April 2, 2005.
http://www.belgrafix.com/gtoday/2005news/Apr/Apr02/Whiteman%20heading%20for%20Beijing.htm
power. Given its new foray into multilateral fora, China is in uncharted territory. It prefers bilateral relations to multilateral relations, but China has increasingly joined international organizations that are economically, militarily and politically based. Not only is China joining an increasing number of multilateral institutions both regionally and internationally, but it is also becoming more active in institutions that it holds membership. As a result, China’s foreign policy is highly based on cultivating more friendly relations with states so as to get support in international bodies. As it pertains to the Third World, China is increasingly championing ‘Third World causes’ and pushing South-South Cooperation as an attempt to get developing countries on its side in important international institutions.

In addition to the need to cultivate friendships so as to get support in international bodies, China’s goals are prestige related. As a rising power, it wants to be perceived as such and this is also behind China positioning itself as the champion of Third World issues. There is therefore an important prestige component to China’s relations in the Caribbean region.

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159 This preference for bilateral relations over multilateral relations is due to the fact that in bilateral settings China would have more leverage.

160 For a discussion of China’s reluctance to participate in multilateral forums see, Wu, "Four Contradictions in China's Foreign Policy Behavior."

161 I will not be focusing on the US dynamic in this thesis, but it is worth noting that China’s embarking in the region is possibly also predicated on gaining a foothold in the US’ backyard so as to implicitly challenge the US’ dominance. The growing military ties
Deng points out that in understanding Chinese foreign policy behavior, emphasis must be placed on the concept of international status. He argues that in many instances, international status is cited as one of the most important values in China. This is somewhat of a deviation from (but not a rejection of) the traditional realist conceptions of hard power, which are merely economic and militarily based. The concept of legitimacy is also important in Chinese minds. This concept of legitimacy is also nevertheless linked to the concept of the national interest because China equates status with an ability to act in the international system in an influential manner.

Deng does not extend his analysis of the role of international status in Chinese interactions to the developing world, but it is an easy extension to make. As noted earlier, China is keen to have its issues raised in multilateral forums. One key issue relates to the issue of non-interference in the domestic affairs of other countries. China sees this as very important especially given that it is one of the last bastions of communism and it feels threatened by criticism of its human are important in this respect. Prestige is therefore limited to a discussion of ability to have the respect of countries in the region and to garner support on important international issues. Chapter 6 will, however, briefly discuss this issue in the context of Caribbean states.

rights record by developed countries. This focus on non-interference is seen in its veto of most UN measures aimed at sanctioning ‘rogue’ states.

In view of this, it is imperative that it has as much support as possible in these multilateral bodies. The majority of states in the international system are developing states and China hopes that its policy of aid towards these countries will translate into votes that are ultimately necessary for the country to attain international prestige. It is therefore evident that China’s quest for international prestige hinges on the support of developing countries around the globe.

China’s donations of aid, loans and private FDI are therefore a part of their attempt to gain international influence—whether by way of votes in international bodies or the simple recognition by the international community of China as an important world power. In view of this, China has been very keen to use soft power strategies to attain this influence.

As noted in the previous chapter, the Caribbean states have had a hard time in recent years adjusting to international economic integration. Most of the economies are heavily agricultural-based and labor costs are higher in the region.

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163 It should be noted that there are no available statistics detailing the amount of aid provided by China around the world. Attempts were made to ascertain the actual value of these loans and other aid, but no official in the Caribbean states studied were able to provide this data. What is known is that Chinese aid is expanding, but I cannot provide an estimate of the magnitude of this expansion.
than in Central and South America, for example. In addition, there is an erosion of traditional preferential markets as the international economic system has moved away from preferences to necessitating equal access to markets. The banana dispute in the WTO speaks volume to this phenomenon for Caribbean economies. As a result of the WTO’s ruling, Caribbean traditional agricultural exports have been on the decline with the loss of access to the European market. In addition, the end of the Cold War signaled the diminution of the Caribbean’s geopolitical importance vis-à-vis the US, and we therefore see a sharp decline in aid from the US. China is cognizant of these problems in the region and has positioned itself to take advantage of the Caribbean’s current situation. It has given the Caribbean countries precisely what they want to gain their support.

For example, the Caribbean states were very proud of the region’s selection to host the Cricket World Cup in 2007. One major component of hosting the Games relates to improving the cricket facilities in the region. All the Caribbean states that hosted games and recognize China have received grants or loans to build new cricket facilities or to renovate existing ones.164

Tourism is increasingly the driver of economies in the region given the decline of the agricultural sector across the Caribbean. Tourist expenditure as a

164 It is quite interesting that China is investing so much of its diplomatic resources in the region in a game that they know very little about, but China is quite aware of the significance of hosting the Cricket World Cup for the Caribbean and China’s funding for cricket should be seen in this respect.
percentage of GDP in 2006 was 35.8% in the Bahamas, 26.6% in Dominica, 44% in Grenada, and 18% in Jamaica.\textsuperscript{165} These countries all have large tourism industries with the exception of Haiti and Guyana. China has, in return for their recognition and support, provided these countries with Approved Destination Status (ADS). This means that Chinese tour groups can travel in the region without prior approval from the government. Countries not recognizing China have been kept out of this deal. China is an emerging market for tourists and it currently ranks in the top ten source countries for international tourists. The Caribbean islands, as highlighted in the economics section above, for the most part do not produce products that China wants and so have an expanding trade deficit with China. They all are however reliant on tourism and this export is one of the few avenues that Caribbean states can exploit. It will, however, be shown that the expected influx of Chinese tourists has not materialized. In fact, the number of Chinese visitors is so negligible that they are lumped into a category referred to as ‘visitors from the rest of the world’ that represents less than 5% of visitors to all Caribbean countries.

Congressman Dan Burton of the US is quick to point out that “there is a cost to pay for Chinese assistance and that cost is diplomatic and economic.”\textsuperscript{166}

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{165}] These statistics were obtained from the Caribbean Tourism Authority’s Database which can be accessed at, http://www.onecaribbean.org
\item[\textsuperscript{166}] Dan Burton, Chairman of the House Committee on the Western Hemisphere, in “China’s Influence in the Western Hemisphere,” \textit{Hearing Before The Subcommittee on}\
\end{itemize}
\end{footnotesize}
He points out that China’s aim is to get support in the United Nations and other international bodies especially on the Taiwan issue. These attempts have provided some results in for example the commitment of all the Caribbean countries recognizing China in blocking Japan from the Security Council and more recently, the blocking of Taiwan’s attempt to gain observer status in the World Health Assembly.\footnote{This information was obtained by the author from a review of documents highlighting the proceedings of meetings between Jamaica’s Prime Minister PJ Patterson and Chinese officials on his state visit to China in June 2005.}

In terms of China’s increasing influence on the international scene, China’s decision to send 155 police as a part of the peacekeeping effort in Haiti is indicative of its expanding foreign policy goal of joining the ranks of great powers. The Haiti mission was the first one in the Western hemisphere by China. In fact, China is currently the leading source of UN peacekeepers, having the most troops actively participating in UN peacekeeping missions of the five permanent members of the Security Council.\footnote{Kurlantzick, \textit{Charm Offensive: How China’s Soft Power Is Transforming the World}.} This is one of the more glaring examples of China’s move from its traditional disdain for multilateral fora and into an area that it traditionally was opposed to as peacekeeping efforts often entailed the subversion of the sovereignty of countries. The mission in Haiti is bearing some fruit. In fact, it is rumored that Haiti may switch from recognizing

\begin{flushright}
\textit{the Western Hemisphere of the Committee on International Relations, House of Representatives,} April 6, 2005.
\end{flushright}
China and this gives China more of an international presence that it so desires in its rise.

China’s presence in the Caribbean is therefore a function of China’s search for markets, natural resources, recognition, and international status. The next section will discuss the role of pragmatism in China’s foreign policy strategy in the Caribbean.

**China’s Pragmatic Rise**

China’s foreign policy is predicated on the pragmatic pursuit of its national interest. It has increasingly demoted ideology as a central motivation of its foreign policy. Communist ideology can less and less be employed as an explanatory variable in explaining communist party behavior both domestically and internationally. It is therefore more accurate to describe China’s foreign policy as being rooted in pragmatism and not ideology.

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169 The extent to which ideology has been an important consideration in Chinese foreign policy is increasingly being challenged. Lau points out that even in the early foreign policy decisions by China to enter the Korean War (see Scobell 2004) and not to pursue the reclaiming of Hong Kong from the British (see Lau 2004) were very pragmatic decisions.
This Chinese pragmatism, according to Van Ness, is also seen in China’s interaction with the developing world. Van Ness argues that, “despite Beijing’s rhetoric to the contrary, China is truly a ‘fair weather friend’ of the Third World.”\(^{170}\) I would probably refrain from this kind of analysis preferring to point to the pragmatic pursuance of China’s foreign policy. Zhao argues that Chinese pragmatic strategic behavior is “ideologically agnostic, having nothing, or very little, to do with either communist ideology or liberal ideals. It is a firmly goal-fulfilling and national-interest driven strategic behavior.”\(^{171}\)

By pragmatic I am therefore following the Zhao framework in pointing to the pursuit of strict national interest such as economic gains and political power. As pointed out earlier in this chapter, China has a dual perception vis-à-vis its interaction with the Third World. On one hand it espouses solidarity with the grouping, but on the other hand it sees itself as an emerging power and often has interests that contradict those of the wider Third World grouping. I would argue that in situations where principle and interest come into conflict, national interest will eventually win as this is an important element of China’s foreign policy pragmatism. This therefore indicates that the Chinese pragmatic approach to


foreign policy is very realist in its orientation. It also follows that the Chinese commitment to Third World solidarity is espoused and pursued to the extent that they fit China’s national interest.

China’s aid and loan policies are aimed at harnessing allies and supporters in international bodies and support for the “One China Policy.” China chooses to align with the Third World when such actions serve to further their national interests. As such, no policy on China’s part is purely benign or altruistic. This is consistent with Dan Burton’s claim that, “there is a cost to pay for Chinese assistance, and that cost is diplomatic and economic.”172 This view is also echoed in Van Ness’ analysis of China’s wider Third World Policy. He argues that given the focus on national interest, China’s Third World policy is subject to large and frequent fluctuations and this is due to Beijing’s focus on achieving wealth and power.173

Ian Taylor in his study of China’s relations with Africa concludes that the African experience highlights the fact that, “Chinese foreign policy in Africa and elsewhere is, like all other countries’ foreign policies, self-serving and based on

172 Dan Burton, Subcommittee on the Western Hemisphere Hearing.
173 Van Ness, "China and the Third World: Patterns of Engagement and Indifference." Also see Kim, The Third World in Chinese Foreign Policy.
economic and strategic considerations.” The relationship with China as described thus far and that will be discussed in chapters 4 and 5 will confirm Taylor’s argument.

China’s foreign policy in the Caribbean is therefore a part of China’s wider pragmatic foreign policy and the motivations are both economic and political. China in pursuing its interests in the region employs a mixture of ‘yuan diplomacy’ and pledges of solidarity with the region. Given the interesting dynamics of the countries in the Caribbean region, China has carefully adapted its policies so that it can pursue its wider foreign policy goals in the region.

The chapter so far has shown that there are three motivations for China in the Caribbean—economics, recognition, and influence. China’s engagement with the Caribbean is consistent with its wider Third World policy of resource extraction, trade expansion, the identification of new allies, and the isolation of China. The specific policy in the Caribbean is different from other regions, but the underlying foundation is the same across regions.

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Motivations Matrix: Two-Way Trade between China and the Caribbean

Having discussed both the Caribbean economic and political situation and the Chinese motivations it is now useful to tie the two sets of motivations together. The relationship between Caribbean states and China is best conceptualized as a two-way trade. The Caribbean states are currently on the international market with a kind of shopping list that has the attraction of aid and investments at the very top. Caribbean states have throughout their brief independent history tried several strategies to attract economic aid and investments and are again seeking a new avenue for attracting these economic goals.175

Table 9 below is a diagrammatic representation of this motivations matrix. China’s motivations are markets, natural resources, prestige and influence, while the Caribbean motivations are aid and investment flows. The interaction between the Caribbean and China is in fact a two-way trade. China is cognizant of the needs of the Caribbean states and is simply providing the items on the Caribbean shopping list in exchange for the Caribbean providing China with the things on China’s shopping list.

175 The various strategies that have been employed by Caribbean states to attracting investments will be discussed in more detail in Chapters 3 and 4.
Table 9. Motivation for Relations between the Caribbean and China

<table>
<thead>
<tr>
<th>CARIBBEAN MOTIVATIONS</th>
<th>PRICE PAID BY THE CARIBBEAN</th>
<th>CHINESE MOTIVATIONS</th>
<th>PRICE PAID BY CHINA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Aid and Foreign investment</td>
<td>• Votes in international fora</td>
<td>• Markets</td>
<td>• Aid, FDI, Preferential loans</td>
</tr>
<tr>
<td>• Infrastructure Development</td>
<td>• Trade opening to Chins</td>
<td>• Natural Resources</td>
<td>• Engagement/Identification with the Third World</td>
</tr>
<tr>
<td>• Prestige</td>
<td>• Recognition of ‘One China Policy’</td>
<td>• Recognition</td>
<td></td>
</tr>
<tr>
<td>• Tourism Revenue</td>
<td></td>
<td>• Great power influence</td>
<td></td>
</tr>
</tbody>
</table>

Where no natural resources exist, Caribbean states are trading another important, yet often overlooked resource—their sovereignty. As sovereign states, Caribbean states have as a right the ability to recognize other sovereigns and to vote in international bodies in which they hold membership. These happen to be two rights that China is very interested in and that China is willing to pay for. There is therefore a market value for the rights conferred by sovereignty.
China is simultaneously engaged in a much discussed drive for natural resources—especially oil and minerals, but less discussed items on its shopping list are recognition as a rising and important power and support for its policy of isolating Taiwan internationally. In view of this, the Caribbean states that have minerals and oil—namely, Cuba, Jamaica, and Trinidad and Tobago—are trading them for Chinese investments into their natural resource sectors along with receipts from the sale of these natural resources to China. They are also receiving aid, technical assistance and other investments.

The next chapter will move into the more detailed case studies of Dominica and Grenada. It will be shown that the rationale for closer relations with China relates to the loss of preferential access to European markets, the absence of natural resources that China is interested in, and the need to adjust to current globalization pressures.

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176 For a brief discussion of the prevailing view that a significant component of China’s relations with developing countries is related to its search for energy and minerals, see Zweig and Bi, "China's Global Hunt for Energy."
CHAPTER 4

Dominica and Grenada: Economic Adjustment and the Trade of ‘Sovereign Resources’ in Countries without Natural Resources

Dominica and Grenada are two microstates in the Caribbean. Both have populations significantly fewer than one million—Dominica 67,000 and Grenada 106,000—and both are members of the Organization of Eastern Caribbean States (OECS).¹⁷⁷ As highlighted in Chapter 1, Dominica and Grenada rank 71st and 82nd respectively on the UNDP’s Human Development Index out of almost 200 countries, with number 1 being the highest level of human development, and both countries have very similar economies. Both countries in 2004 and 2005 switched recognition from Taiwan to China and both did this after suffering from exogenous economic shocks, namely hurricanes and the loss of preferential access to the European market for their agricultural products following the WTO’s 1999 banana decision. Even more important for the purposes of this dissertation, both states lack any natural resources that are of strategic interest to China.

¹⁷⁷ The Organization of Eastern Caribbean States (OECS) was formed in 1981 and its members are Anguilla, Antigua and Barbuda, the British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines. The OECS is a monetary union and it also provides for the harmonization of the foreign policies of its members. The discussion of the Caribbean engagement with China highlights the fact that the foreign policy coordination mandate of the OECS is not pursued as Dominica and Grenada decided to switch recognition to China independent of each other and St. Kitts and Nevis still recognize China.
Since the mid-1990s both Dominica and Grenada suffered a number of economic setbacks. They lost their preferential access to the EU market, saw significant declines in their tourism sectors as a result of the September 11 attacks in the US,\(^{178}\) were blacklisted by the OECD due to money laundering concerns in their nascent offshore financial sectors, and were adversely affected by numerous hurricanes. In an attempt to reduce and counter their vulnerability to external shocks, both countries embarked upon diversification programs aimed at reducing their dependence on only one industry. The ultimate aim was economic adjustment based on reducing the economic vulnerability associated with their small size. This chapter will show that their engagement with China is an important component of their adjustment strategy.

Chapter Outline

This chapter explores in detail the decisions to switch recognition from Taiwan to China in 2004 and 2005. Both Dominica and Grenada cited economic downturns and the need to source alternative funding as the rationale for their engagement with China. This chapter will therefore explain the rationale behind the identification of China as an important component of Dominica and Grenada’s economic adjustment strategy.

\(^{178}\) For example, CARICOM statistical database shows that visitor arrivals to Dominica fell by 33.6 percent between 2000 and 2002. In Grenada, tourist arrivals also fell by 13.5 percent over the same period.
The use of sovereignty for economic gain will also be examined in this chapter. Both Dominica and Grenada are lacking in natural resources that are of strategic importance to China. The main export of Dominica is bananas and the main export for Grenada is spices. These are goods for which there are many producers in the global economy. Given that China’s economic ambitions do not hinge on access to bananas or spices, I will show that China’s interest is instead related to recognition in international fora and votes in support of these interests in international fora. It will also be shown that given their lack of natural resources, Dominica and Grenada are trading aspects of their sovereignty (which can be described as another resource), for Chinese aid and investments.

Another important question that will be explored in this chapter is, why do Dominica and Grenada seek increasing relations with China when doing so does not yield unambiguous benefits? For example, the trade deficit with China is widening and it is exacerbating their existing negative international trade balance. As China has been given increased market access there has been no corollary access to Chinese markets as neither country produces any products demanded by China. In addition to the widening trade deficit, the loans and aid provided by China come with implicit conditionalities such as the use of Chinese contractors and the importation of Chinese laborers. These negative points are largely ignored by the governments and it will be shown that this is largely due to the existing
political system that limits opposition and general public knowledge of agreements signed with China.

**DOMINICA**

Dominica’s Loss of Preferences

Dominica is heavily reliant on foreign assistance. Between 1979 and 1984, aid flows to Dominica represented 30 percent of government revenue each year. This was largely a result of geopolitical considerations and was consistent with general Cold War activity in the Caribbean. The Caribbean states were the recipients of significant amounts of aid, which was aimed at preventing them from embracing communism. This reliance on aid, however, began to erode as the Cold War came to an end and the Caribbean states were no longer attractive to external aid donors (especially the US) as was highlighted in Chapter 2.

Table 6 (provided in chapter 2) indicates that in 1990, at the end of the Cold War era, Dominica received official development assistance (ODA) totaling 11.3 percent of GDP. By 2005, ODA receipts were only equal to 5.3 percent of GDP. The decline in aid had a negative effect on the economy as the Dominican government was accustomed to using aid provisions to supplement their official

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179 St. Aimee, "Foreign Policy Dimensions of Very Small States in Their Quest for Economic Development".
tax receipts. In addition to the loss of ODA, Dominica was the Caribbean state most affected by the loss of preferences under the Lomé Agreements.

*Lomé’s Banana Protocol*

The Dominican economy was built around the production and export of bananas, which were termed “green gold.”¹⁸⁰ In fact, it was Britain that encouraged Dominica to enter into banana production. Prior to 1973, Dominica’s banana industry benefited from preferential access to the British market as a colony of Britain. As noted in chapter 2, in 1973 when Britain acceded to the EC a new agreement—the Lomé Convention—was negotiated.

The original Banana Protocol signed in 1975 allowed for the duty-free importation of bananas from the African, Caribbean and Pacific (ACP) countries into the European Community (EC). The rules governing the importation of bananas from other non-ACP countries, however, varied from state to state. During negotiations for the Single European Market it, however, became necessary to institute a uniform regime for the importation of bananas into the EU. In addition, there were numerous indications that Latin American banana exporting countries were unhappy with the European banana policy as it

discriminated against their exports and were contemplating challenging the Agreement when the WTO began operating in 1995.

In 1993, in anticipation of challenges from Latin American banana producers, the EU announced its ‘New Banana Regime.’ This regime mandated that bananas from Latin America (also referred to as ‘dollar bananas’) would be assessed a common external tariff of 20 percent;\textsuperscript{181} ACP bananas remained duty free. This rate was seen as a compromise as the rate for all other imports from Latin America was 170 percent. Several Central American countries did not see this compromise as going far enough, but decided to support it nevertheless. In 1994 at the Summit of the Americas, the US also assured Caribbean leaders that they would not challenge the EU’s new banana regime in the WTO.\textsuperscript{182}

\textit{The WTO Ruling}

On June 7, 1996, however, despite indications to the contrary, the governments of the US, Ecuador, Guatemala, Honduras and Mexico requested that the Dispute Settlement Board of the WTO set up a panel to assess whether or not the EU’s banana regime was contrary to GATT rules mandating non-discrimination in trade. One interesting point to be noted is that the complaining

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\textsuperscript{181} Michaeline Crichlow, "Neoliberalism, States, and Bananas in the Windward Islands," \textit{Latin American Perspectives} 30, no. 3 (2003).
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parties (the US and other Latin American countries) and the EU were invited to tender written submissions to the Panel. The Caribbean was not designated as an interested party because the WTO’s criteria for interest was that a country accounted for 10 percent of the EU’s imports of bananas. None of the Caribbean states produced that many bananas. The Caribbean states therefore had to initiate other legal proceedings in order for them to be considered a legitimate third party to the dispute. The WTO eventually reversed its initial ruling and allowed the Caribbean to be defined as a third party.

After the decision to define the Caribbean as a third party and therefore allowing the region to submit a submission, the WTO then ruled that the law firm hired by the Caribbean to represent it before the WTO was contrary to WTO rules. The WTO’s argument was that the legal counsel hired by the Caribbean group were not full-time employees of any of the Caribbean states. Again, the Caribbean legal team had to initiate legal proceedings challenging this view, pointing to the fact that the Caribbean states did not have the requisite legal counsel in their very small countries. The Caribbean was subsequently allowed to use the services of a legal team of their choosing. I should note here that the problems associated with funding missions to the WTO and the unavailability of technocrats with the requisite knowledge and training in trade law and other areas is another important concern facing small states especially in relation to their participation in international bodies.
The lobbying of American multinationals that wanted greater access to the EU market precipitated the WTO action on the US side. The US does not produce bananas for export to the EU, but United Brands (Chiquita), Standard Fruit (Dole) and Del Monte are American multinationals operating in Latin America that export bananas produced by Central American growers. The WTO is comprised of states; the US was not disadvantaged by the EU banana regime, but Dole, Chiquita and Del Monte (American firms) were disadvantaged. These multinationals could not bring a case against the EU in the WTO, and as such, their only redress was to lobby the US government to initiate a case.

Carl Lindner, the Chairman of American Financial Group (the company that controls Chiquita Brands), lobbied actively against the banana regime of the EU. Sutton points out that Lindner paid about US$430,000 to the Republican Party, US$525,000 to the Democratic Party, and US$55,000 to Newt Gingrich’s GOPAC. He also recruited US Senator Bob Dole to support their cause in the Senate. In September 1994 Chiquita and Hawaii Banana Association filed an application under Section 301 of the US Trade Act claiming that the EU’s banana regime was contrary to WTO rules and placed them at an unfair disadvantage. It is this action that eventually led to the official filing of a dispute in the WTO.

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The WTO ruled that the European banana regime did violate GATT rules and the European states would be required to bring their regime in line with the principles of the GATT. Charles Savarin, the Minister of Foreign Affairs, Trade and Labor in Dominica, stated that the WTO ruling,

Raises serious questions as to whether small countries can continue to compete and trade under the WTO system. It seems we have no place in the multilateral trading system, which is confining and consigning small, vulnerable developing countries to the dustbin, forcing them to be dependent on alms and handouts, rather than embracing them and enabling them to forge their own path to development. \(^{184}\)

Table 10 below shows that the decline in Dominica’s banana production began prior to the WTO’s ruling as the country struggled to competitively produce bananas especially given its small land area and relatively high wages in the sector. \(^{185}\) Between 1992 and 1997 banana production fell from 59,000 tons to 35,000 tons, a decrease of more than 20 percent. By 2001, only one out of every five growers in 1992 was still cultivating bananas. Banana revenues—critical to the Dominican economy—plummeted.


\(^{185}\) Bananas are produced at a much higher cost in the Caribbean than in Central America. There are three main reasons for this. Firstly, the small land area means that banana producers in the Caribbean are not able to benefit from economies of scale. Secondly, the banana industry in the Caribbean is not mechanized, and thirdly, labor costs are higher in the Caribbean as banana workers tend to be unionized. The only reason why Caribbean producers remained in the industry was the preferential access available to the European market.
Table 10. Dominica’s Banana Production Before and After the WTO Ruling of 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>1992/3</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (tons)</td>
<td>59,000</td>
<td>35,000</td>
<td>28,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Active Growers (#)</td>
<td>5,800</td>
<td>4,800</td>
<td>2,900</td>
<td>1,300</td>
</tr>
<tr>
<td>Real Exports (Eastern Caribbean $)</td>
<td>96 million</td>
<td>45 million</td>
<td>35 million</td>
<td>17 million</td>
</tr>
</tbody>
</table>


Subsequent to the WTO ruling, “the EU and the USA struck a deal over the heads of Caribbean leaders whereby a measure of protection would run on until 1 January 2006, after which time there would be no quotas, only a flat-rate tariff.”¹86 The Caribbean states were again left out of the meetings that ironed out this compromise.

Payne argues that despite the fact that it was technically the EU that lost the case, the Caribbean states were the real losers—not the European countries.¹87 It was indeed the Caribbean states that were most adversely affected because it was their exports that were threatened by the ruling, and Dominica would represent the Caribbean state that was most affected. The WTO ruling can be


¹87 Ibid.
described as an external shock to the Dominican economy and as will be shown below, this loss of preferences would be a major impetus for Dominica’s increased engagement with China.

Adjustment in Dominica

“Dominica faces big problems.” According to Anthony Payne, a look at the dramatic downturn in the Dominican economy is indicative of “the way in which small and vulnerable countries like Dominica experience the contemporary reality of neoliberal globalization.” Dominica’s experience with the loss of preferences due to the US challenge in the WTO precipitated a decline in the banana industry that was the lifeline of the Dominican economy. Payne argues that for Dominica and other small states:

The challenge is not about riding for a little longer the ebb and flow of a global political economy on which it has long been understood that the country experiences a high degree of dependence. It is in effect to find a new niche, or, more realistically and safely, a series of new niches, within the global economic order.

But where does this niche lie? Many Caribbean states rely on the tourism sector, but in the Dominican case, the potential of the tourism sector is constrained as the country lacks major hotels and the white sandy beaches that are

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188 Ibid.

189 Ibid.

the usual hallmarks of Caribbean tourist destination. In addition, Dominica lacks an international airport. There are two small airports on the island, but neither is equipped to deal with night flights and neither can accommodate jet landings.¹⁹¹

**The Sale of Economic Citizenship**

Chapter 2 discussed the idea of a creative use of sovereignty, whereby sovereign rights are used for economic gain. Dominica provides a compelling example of this use of sovereignty. One of the rights relating to sovereignty is the conferring of citizenship to both individuals and corporations. Dominica in the past used this provision to its economic advantage.

Beginning in the early 1990s, the Dominica government tabled legislation that would offer “economic citizenship” to nationals of Taiwan and Hong Kong in exchange for cash.¹⁹² Economic citizenship is simply where the government grants citizenship to individuals who have invested in the country. Many citizens saw this as the government essentially selling passports, but the government argued that there was precedence for this action and the move would allow the

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¹⁹¹ In recent years the Dominican government has tried to market Dominica as a nature island because of its lack of beaches and the relative lack of commercial development. One of the major successes with respect to this re-branding was the selection of Dominica for the filming of the movie “Pirates of the Caribbean.” The Dominican government is moving ahead with plans to market Dominica to other movie producers.

government to garner necessary investment flows. Honychurch in the sole
published history of Dominica explains how economic citizenship works,

Dominican passports would be granted to those persons and their families
who deposited US$35,000 in an escrow account that would be considered
to be an ‘investment’ in Dominica, thus classing the ‘economic citizen’ as
an ‘investor.’ The vast majority of these economic citizens had no interest
in Dominica but desired a passport which enabled them to travel more
easily than a Dominican one.\(^\text{193}\)

This attempt to gain investment was somewhat successful. By June 1993
approximately 466 Taiwanese and their dependents had successfully acquired
Dominican citizenship,\(^\text{194}\) and by 2000 there were 570 economic citizens.\(^\text{195}\) It
should, however, be noted that Dominica is not the only country involved in the
sale of economic citizenship. In the Caribbean, Belize and St. Kitts/Nevis have
also employed this strategy as well as other African countries, such as Ghana,
Nigeria and South Africa.

The popularity of this sale of citizenship relates to the need to have second
passports or to take advantage of lower tax rates. Dominica is a member of the
British Commonwealth and as such, Dominican citizens and holders of
Dominican passports can travel to any Commonwealth country without a visa. In

\(^\text{193}\) Ibid., 302.

\(^\text{194}\) Ibid., 204.

\(^\text{195}\) Esther Suss, Oral Wiliams, and Chandima Mendis, "Caribbean Offshore Financial
addition, these Dominican passports can be used to travel to the US where visas are routinely required. A second passport also provides a safety-net against potential social or political unrest in the original country of citizenship. As will be shown below, the sale of economic citizenship was seen as an important corollary to the development of Dominica as an offshore financial center. Offshore financial centers are known for their reduced tax rates and this feature would also serve as another factor rendering economic citizenship useful.

**Offshore Financial Centre**

The development of Dominica in 1996 as an offshore financial center was a direct corollary of the sale of economic citizenship. The services provided in the Dominican offshore sector included international business companies, offshore banks, international insurance, international trusts, economic citizenship, ship registration, and internet gaming companies. By 2000 the sector comprised 6596 international business corporations (IBCs), 7 offshore banks and 20 internet gaming companies. The sector seemed well on its way to providing Dominica with a new economic development strategy after the decline of the banana industry. The potential of the offshore sector was thwarted when Dominica was

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blacklisted by the OECD for having an inadequate regulatory framework in their financial sector

The Financial Action Task Force in its initial report in June 2000 named Dominica as one of the 15 offshore financial centers declared noncooperative. This declaration did not carry with it any explicit sanctions, but the financial sectors that were designated “non-cooperative” were under immense international pressure and they risked banks and other financial entities in other countries not doing business with them. The major reason for this distinction was the secrecy provisions in the laws governing offshore financial institutions. After reviews, the Bahamas and the Cayman Islands were removed from the Financial Action Task Force noncooperative list, but Dominica remained on the list because of continued problems relating to record keeping, information sharing and customer identification.198

The offshore banking sector prior to the OECD action seemed to be exactly what Dominica needed. The economic decline halted briefly and the country had ostensibly found the solution to their economic woes. The major feature of the offshore banking industry, as with most other offshore financial centers, was secrecy. After the blacklisting of Dominica by the OECD in 2000 the

198 Ibid.
Dominican government agreed to change its confidentiality laws to appease the OECD, but that action served to eliminate the initial attraction of Dominica and the value of offshore investments contribution to GDP declined by 5.3 percent between 2001 and 2002.\textsuperscript{199}

After losing its preferential access to the European market and the decline of the much-heralded offshore finance initiative, the Dominican government was unsure about what their next step should be. This situation was, however, exacerbated by the 9/11 attacks. The government would eventually decide that the only avenue available to them was to access IMF funds.

\textit{IMF Intervention in Dominica}

The decision to go to the IMF was primarily as a result of a severe decline of the economy after the 1999 WTO banana ruling. In 2000 the government faced a fiscal deficit of almost 11 percent of GDP. In August 2002 the IMF approved a one-year Stand-by credit for Dominica of SDR 3.28 million (US$ 4.3 million). The IMF confirmed that the two external factors that led to this economic decline were the loss of banana preferences and the global economic slowdown after the 9/11 attacks that led to a decline in export earnings.\textsuperscript{200}

\textsuperscript{199} This statistic was obtained from the CARICOM Statistical Database and was also endorsed by a Dominican financial official.

\textsuperscript{200} International Monetary Fund, \textit{IMF Approves US$4.3m. Stand-by Credit for Dominica}, Press Release No, 03/228 (August 28, 2002).
In return for the IMF facility and a World Bank Partial Risk Guarantee (PRG) provision, the Dominican government had to agree to enact several structural reforms. These reforms included fiscal tightening and an extensive privatization program. This privatization program involved the divestment of the Dominica Marketing Corporation, two state-owned banks, and the government shares in Cable and Wireless (the monopoly telecommunications company). Additionally, the government pledged to remove all existing price controls.

Payne correctly notes that after two years of IMF intervention, “the economy was doing no more than muddling along: it was not developing in any particular direction, and could not realistically be expected to do so just because the IMF had put the public finances in order.”²⁰¹ Dominica therefore desperately needed another solution.²⁰² China would become the new answer to Dominica’s economic woes.

²⁰¹ Payne, "After Bananas: The IMF and the Politics of Stabilisation and Diversification in Dominica."

²⁰² It is interesting to note that in Dominica there was no hostility to IMF conditionalities. The government argued that the IMF was in fact helping Dominica to get its finances right. The loss of policy autonomy was not subject to much discussion.
China as the Source of Adjustment

Almost immediately after gaining independence, the Dominican government chose to recognize Taiwan instead of China. The decision was based solely on Taiwan’s promise of aid. Between 1980 and 2004, Taiwan issued numerous loans and funded several infrastructural projects including the building of a hospital and road construction.

The decision to switch recognition from Taiwan to China was announced in a nationally televised address to the nation by Prime Minister Skerrit on March 29, 2004. In his comprehensive address he outlined the reasons for the diplomatic maneuvering. This speech is one of the best-articulated presentations of the importance of foreign policy for the development of small Caribbean states.

Skerrit very early in his address argues that there must be some congruence between domestic economic policy and foreign policy. Foreign policies must therefore, according to him, be geared towards the attainment of domestic economic goals. Skerrit notes that in the past this congruence was ignored, but he would work to realign Dominica’s foreign policy, which had become, “ineffective and often pursued in a manner that was irrelevant to the

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needs of our country.” Skerrit in his public address notes that this would entail an analysis and re-evaluation of all existing relationships in view of the nature of the current global environment.

This overhaul would begin with China, and Skerrit points out that this decision would bring “a new realism to our foreign policy . . . which puts our national interest, especially the developmental aspects of those interests, at its centre.” In view of this, Dominica’s engagement with China was seen an important component of attaining Dominica’s national interest.

Skerrit’s justification of his decision to recognize China was linked to Dominica’s need to adjust to international realities. He specifically highlights the fact that the banana industry was in decline due to the actions of the United States and the WTO ruling. Another factor necessitating development assistance was the OECD action against Dominica. The country was placed on the OECD blacklist because the country was seen as a potential haven for money launderers. The nascent offshore banking sector established to help the country recover from the

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204 Skerrit, Roosevelt, Address to the Nation by the Hon. Roosevelt Skerrit, Prime Minister and Minister of Finance, on the Establishment of Diplomatic Relations between the Commonwealth of Dominica and the People’s Republic of China, March 29, 2004.

205 It should be noted, however, that in numerous interviews with Dominican officials the foreign policy re-evaluation was more of a one-man evaluation, as the major stakeholders in the country were not consulted.
banana ruling and to find new industries that it was competitive in, was adversely affected by the OECD action.

In view of Dominica’s precarious economic position, Skerrit argues that it was absolutely necessary that Dominica realign itself. Traditionally, the major foreign influences were Britain and the United States, but the banana ruling served to displace Britain’s influence and importance, and the US action in initiating the WTO case indicated that the US was not a country that Dominica could rely on to support its economic development. It is in this vein that Skerrit states that,

Our friendship with the People’s Republic of China is valuable. They understand the reality of what Dominica is going through. They have a history of concern for and sensitivity towards the plight of small, developing states. They caught our vision, having lived our dream.  

The “Memorandum of Understanding between the Commonwealth of Dominica and the Government of the People’s Republic of China” had four pillars. The first dimension of the agreement related to the rehabilitation of the Windsor Park Sporting, Cultural and Recreational Stadium. This stadium was in need of numerous upgrades to make it ready for the 2007 Cricket World Cup. The Chinese government agreed to start the project within 90 days of the signing of the Memorandum and the Chinese government would also provide the technical

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team that would lead the rebuilding process. The stadium would cost US$17 million which represents about 3.6% of Dominica’s GDP in 2007.

The second pillar of the Memorandum of Understanding was an economic cooperation agreement. Under this agreement the major road from Roseau (the capital city) to Portsmouth would be upgraded and resurfaced. This would be a positive development as the road is important for international trade and commerce. Prime Minister Skerrit pointed out that, this project was envisioned from the 1970s, but there were never any government funds available to undertake the project. The Chinese government would facilitate this necessary and quite overdue infrastructural upgrade.

The third pillar related to the upgrading of the island’s major hospital. The Chinese government agreed to conduct a comprehensive upgrading of the Princess Margaret Hospital with new state of the art medical equipment. This upgrading would allow more persons to have access to the facility and would improve health care provision on the island.

The fourth pillar hinged on educational development. The Chinese government pledged to construct a new secondary school in Roseau. The school would be modern and equipped with cutting edge technology. In addition to the
construction of the school, China would furnish thirty full scholarships for Dominican students to study in Chinese universities.

In addition to the four pillars as described by Skerrit, the Dominican government would be given various grants. There would be an initial grant of US$6 million in cash, which represents 1.3% of GDP. Of this sum, US$4 million was deposited in a government account prior to the announcement to establish diplomatic relations with China and it was agreed that the Dominican government would receive US$1 million per year between 2005 and 2009. The Prime Minister stated that these projects and other initiatives pledged by China, “would not cost the taxpayers of Dominica one cent … not now nor in the future.”

China is therefore an important component of Dominica’s adjustment strategy. It should, however, be noted that China is not the only country that Dominica has targeted. Payne points out that Dominica has obtained aid from several countries. These include, inter alia, Japan (fisheries and harbor reconstruction), the EU (airport reconstruction) USA (private sector support), Libya (school building), Venezuela (concessionary oil), and Cuba (health sector assistance).207 This more active foreign policy on Dominica’s part serves to

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207 Payne, "After Bananas: The IMF and the Politics of Stabilisation and Diversification in Dominica."
further explain the importance of China as a component of their adjustment policy.

_Private Sector and Citizens Views_

Members of the opposition Dominican Freedom Party vehemently opposed the switch from Taiwan to China, but the nature of the political system meant that their cries would not be taken into account. As seen in Figure 5 below, the Prime Minister made a secret visit to China on March 16, 2004. Two confidential government officials that were interviewed pointed out that the visit was indeed secret as neither the opposition nor the general public was aware of the discussions with China. The decision to switch recognition was only known to those very close to the Prime Minister.

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 3, 1978</td>
<td>Dominica gains independence</td>
</tr>
<tr>
<td>1978</td>
<td>Dominica recognizes Taiwan</td>
</tr>
<tr>
<td>1983</td>
<td>Dominican troops participate in the invasion of Grenada</td>
</tr>
<tr>
<td>1988</td>
<td>Dominican government states its intention to develop an offshore financial center</td>
</tr>
<tr>
<td>DATE</td>
<td>EVENTS</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>March 16, 2004</td>
<td>Prime Minister Roosevelt Skerrit makes secret visit to China</td>
</tr>
<tr>
<td>March 21, 2004</td>
<td>MOU signed between Dominica and China</td>
</tr>
<tr>
<td>March 29, 2004</td>
<td>Dominica switches recognition from Taiwan to China</td>
</tr>
<tr>
<td>March 29, 2004</td>
<td>Dominican public made aware of the switch in a televised address by Skerrit</td>
</tr>
</tbody>
</table>

After being informed of the diplomatic switch, there was no consensus in the private sector as to the efficacy of this move. There were many members of the private sector who were friends of Taiwanese diplomats or who had previously worked on Taiwan-financed projects. Many of these individuals were not happy about the decision, but there were no channels available to object to the move or to block the move.\(^\text{208}\) It should, however, be noted that there were some in the private sector that argued that this switch could be something good for Dominica, and especially given China’s vast markets. Most of those in favor of

\(^{208}\) This point was made by two high-level private sector leaders in the interviews conducted in Dominica and this was also highlighted by one journalist.
the decision argued that China would provide the necessary aid that Dominica needed in their time of adjustment. As such, it was argued that it was in Dominica’s interest to align with China as soon as possible. This view was, however, a minority one as my confidential interviews and press accounts of the period demonstrate.

The general public echoed the ambivalence on the part of private sector members to the decision to switch recognition. There were both supporters and detractors, and in many instances this fell along political party lines. Those supporting the opposition party did not support the decision, while those supporting the ruling party were in support of the switch.\textsuperscript{209}

One frustrated Dominican in a letter to the editor signed ‘A disappointed and perturbed citizen of Dominica’ states,

The obvious question that arises is why the secrecy. The Labor Party promised openness in government. It now appears that the Prime Minister and the Permanent Representative to the United Nations are the only ones involved in the comprehensive review of Dominica’s foreign policy that the Prime Minister boasts of doing. The Cabinet appears to be virtually unaware or involved.\textsuperscript{210}

\textsuperscript{209} Interview with a Dominican journalist.

\textsuperscript{210} The Dominican, "Prime Minister Skerrit's Disturbing Approach to Dominica's Foreign Policy," \textit{The Dominican}, August 14 2006.
The decision to switch recognition from one state to another is an important one and this case shows that the decision was a closely guarded secret. There were no debates in the Parliament relating to the efficacy of such a move and there was no dialogue with the public prior to the decision being announced. This supports the general premise that the nature of the Westminster political system seen in the Caribbean states, grants enormous powers to the Prime Minister and his cabinet and limits the voice of other interest groups in the society.

Because of limits to debating this issue, decisions are sometimes made without all the facts being on the table. For example, the text of the agreements were not made public and opposition members, private sector officials, and the general public are still not aware of the terms of agreements signed with China.²¹¹ It is because of this ignorance and lack of any serious debate that we see the implementation of agreements that do not necessarily benefit the general population.

²¹¹ Most of the members of the private sector interviewed were still not sure about the details of the agreements signed with China. They are aware of the general initiatives to be funded by China, but they are not really aware of any conditions (explicit or implicit) that may be attached to these agreements.
The Net Benefits of Dominica’s Relationship With China: The Trade and Labor Data

One obvious negative aspect of the intensified relations between Dominica and China relates to the balance of trade. Since 2001, Dominica has had a trade deficit with China and this deficit is widening. This point should be viewed with the understanding that the general international trade deficit is widening in Dominica. Table 12 below provides the value of Dominican imports from China between 2001 and 2006. Since the establishment of diplomatic relations with China in 2005, Dominica saw an almost 100 percent increase in the value of imports in just one year. There is no column for exports to China precisely because Dominica does not export any goods to China. As noted earlier, Dominica’s main commodity exports are agricultural products (in particular bananas) and China does not import bananas that are Dominica’s leading export product. It is unlikely that this situation will change in the near future, as Dominica does not produce anything that China is willing to import.

Table 12. Dominica’s Import of Chinese Goods (in Eastern Caribbean $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Total Imports from China</th>
<th>Chinese Imports as a Percentage of Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2,762,757</td>
<td>8.0%</td>
</tr>
<tr>
<td>2002</td>
<td>2,223,102</td>
<td>7.0%</td>
</tr>
<tr>
<td>2003</td>
<td>3,382,067</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
### Table: Value of Total Imports from China and Chinese Imports as a Percentage of Total Imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Total Imports from China</th>
<th>Chinese Imports as a Percentage of Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5,006,292</td>
<td>13.0%</td>
</tr>
<tr>
<td>2005</td>
<td>9,654,155</td>
<td>19.0%</td>
</tr>
<tr>
<td>2006</td>
<td>17,561,259</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

Source: CARICOM Secretariat Database

*The Importation of Chinese Laborers in Dominica*

In Dominica, the stadium provided by China was to facilitate their hosting of the Cricket World Cup and this project was very important to the Dominican government and the Dominican people. This admiration for the Chinese was, however, strained when the Dominican populace witnessed the arrival of numerous Chinese workers for the sole purpose of constructing the stadium.\(^{212}\) The Dominican workers were therefore not the beneficiaries of much needed construction work,\(^{213}\) especially given the high unemployment rate in Dominica. This inflow of Chinese labor served to reduce the potential benefits to the Dominican economy accruing from the construction of the stadium.

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\(^{212}\) Payne, "After Bananas: The IMF and the Politics of Stabilisation and Diversification in Dominica."

\(^{213}\) Interview with Dominican journalist.
The Dominican example highlights the fact that the lack of natural resources means that the only thing attracting China to the tiny island is their sovereignty. Their small natural resource base also means that with increased trade between Dominica and China, there is no real advantage to expanding trade, as the only thing that will result is a widening of the trade deficit. In addition, the trend of Chinese firms importing Chinese laborers is a major concern as it thwarts the potential economic benefits accruing from the investments. These glaring disadvantages associated with closer engagement with China are, however, largely ignored and underemphasized as the political system suppresses opposition to decisions made by the Prime Minister given the lack of debate relating to the decisions made by the government. In addition, the secrecy involved in the decision-making process precludes any worthwhile discussion of the terms of agreements and the potential advantages and disadvantages associated with these agreements.

**GRENADA**

*Grenada’s Resource Base*

The Grenada story is very similar to the one just discussed in relation to Dominica. Grenada’s economy is currently structured around tourism and the offshore financial sector. Grenada, as a member of the ACP, was also provided
with duty-free access to the European market for exports under the Lomé Agreements. Grenada’s primary exports are spices—giving it the name of the Spice Island. Grenada produces 20 percent of the world’s nutmeg and also exports spices including, inter alia, allspice, cinnamon, ginger, and cloves. The government was, however, interested in diversifying the economy and decided that given the lack of other natural resources, they would embark on an initiative to develop Grenada as a potential offshore financial center.

**Offshore Financial Sector**

The government of Grenada set up the country as an offshore financial center in 1997 via the passing of several Acts between 1996 and 1997. Offshore services offered in Grenada include international business companies, offshore banks, international insurance, international trusts, economic citizenship, international betting, and companies management.\(^{214}\)

By 2004, registered companies totaled 3400 IBCs, 44 offshore banks and 11 trust companies.\(^{215}\) In late 2001 Grenada, like Dominica, was added to the non-cooperative list of the Financial Action Task Force. This action was partially due

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\(^{214}\) Bardouille, "The Offshore Services Industry in the Caribbean: A Conceptual and Sub-Regional Analysis."

to problems in the financial sector in 2000 when the First International Bank of Grenada (an offshore bank) collapsed. In recent years supervision has expanded and the Grenada Financial Services Authority withdrew the licenses of 17 banks, but the economic fallout from this blacklisting would adversely affect the economy and would be the first factor leading to Grenada’s eventual decision to switch recognition from Taiwan to China.

Grenada’s Decision to Switch Recognition to China in 2005

The economic meltdown in Grenada began with the OECD blacklisting in 2001. The economic downturn got even worse after Grenada was directly hit by Hurricane Ivan (a category 4 hurricane) in September 2004. The hurricane resulted in the deaths of 39 persons and 90 percent of Grenadian residential homes were seriously damaged. There was also widespread damage to schools, government buildings and hospitals. In the immediate aftermath of the hurricane, the Grenada government approached Taiwan for assistance.  

One major concern was the destruction of the cricket stadium that was originally built from proceeds from a Taiwanese concessionary loan of US$6 million in 1997. The damage to the stadium was a major concern because it came only a year and a half before the start of the Cricket World Cup and some cricket

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216 Ibid.

217 This information was received from both a Grenadian journalist and a Grenadian politician.
matches were scheduled in that stadium. If the stadium were not rebuilt, Grenada would have to surrender its co-hosting duties and would lose its share of the expected influx of tourists to the region. Figure 6 below provides some of the key dates relating to Grenada’s relations with China and Taiwan.

Table 13. Important Dates in Grenada’s Relationship with China

<table>
<thead>
<tr>
<th>DATES</th>
<th>EVENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 7, 1974</td>
<td>Grenada gains independence</td>
</tr>
<tr>
<td>1974</td>
<td>Grenada recognizes Taiwan</td>
</tr>
<tr>
<td>October 1, 1985</td>
<td>Grenada recognizes China</td>
</tr>
<tr>
<td>July 19, 1989</td>
<td>Diplomatic relations with Taiwan established</td>
</tr>
<tr>
<td>August 7, 1989</td>
<td>China severs diplomatic relations</td>
</tr>
<tr>
<td>2001</td>
<td>Grenada added to the OECD’s noncooperative list</td>
</tr>
<tr>
<td>September 7, 2004</td>
<td>Hurricane Ivan makes a direct hit</td>
</tr>
<tr>
<td>December 12-16, 2004</td>
<td>Prime Minister Keith Mitchell and Foreign Minister Melvin Nimrod visit China</td>
</tr>
<tr>
<td>January 20, 2005</td>
<td>Diplomatic relations established with China</td>
</tr>
<tr>
<td>December 2006</td>
<td>Taiwan sues the Grenadian government for US$59 million</td>
</tr>
</tbody>
</table>
The decision to recognize Taiwan was made in 1989. The political party in power at that time was the National Democratic Congress. The political party and the wider Grenadian populace benefited immensely from the relationship and close ties were forged between the two governments. In fact, the Taiwanese modus operandi in relation to developing countries that recognize it is similar to that discussed in chapter 2 with respect to China. The Taiwanese government wined and dined the government officials of these states and routinely invited them to Taiwan on official visits. At the same time, high-ranking Taiwanese officials routinely visited countries that recognized Taiwan.

Given the strong ties between members of the National Democratic Congress and the Taiwanese government, it was imperative that China establish a relationship with the opposition New National Party. China therefore embarked on a “charm offensive” aimed at the leadership of the opposition party.

The issue of political funding is very important in the Caribbean. This concern really emanates from the actions of Taiwan and China in financing election campaigns across the region. Both countries establish ties with rival political parties and finance their respective campaigns. The party that wins the election will inevitably choose to recognize the government that helped finance its election victory.
For example, this played out in Barbados in 2007. In the recent election campaign in Barbados, the Prime Minister Owen Arthur accused Taiwan of trying to influence the elections by funding the election campaign of the Democratic Labor Party, which is the main opposition. It should be noted, however, that Barbados has been consistent in its recognition of mainland China since May 1977.

*Third Country Contact*

Both Taiwan and China use third party supporting countries to court opposition parties to their side. In the Barbados case, the Prime Minister accused the opposition party of making contact with Taiwanese diplomats through the island of St. Kitts where Taiwan is recognized. This was similar in the case of St. Lucia. St. Lucia is another country in the Caribbean that lacks strategic natural resources and is very similar to Dominica and Grenada.

St. Lucia gained independence in February 1979 and under the leadership of the United Workers Party and Prime Minister John Compton made the decision to recognize to Taiwan. The United Workers Party lost power to the St. Lucia Labor Party in 1997 and switched recognition to China later that year. The next

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10 years ushered in some stability, but things began to unravel with the 2006 elections.

During the 2006 election campaign the opposition United Workers Party was accused of secretly meeting with the Taiwanese government. The United Workers Party while in government had recognized Taiwan and maintained very close relations with Taiwanese officials. Very soon after winning the election and moving from opposition to ruling party, John Compton (the Prime Minister) declared, “A foreign policy must look at the interest of the country. A country has no friends—particularly small countries, you have to look at where your interest lies.”

Only four months after winning the election, the United Workers Party government invited the Taiwanese foreign minister to St. Lucia—a move that angered the Chinese. The government did not sever the country’s relationship with China. Instead on April 30, 2007 it announced its decision to resume relations with Taiwan while indicating that it wanted to remain friends with China. China was therefore left with the task of actually severing diplomatic relations citing its non-acceptance of “double recognition.”


220 Interview with Chinese officials across the Caribbean. Also see, "St. Lucia - China Cuts All Diplomatic Ties," Jamaica Gleaner, May 7, 2007.
This frequent switching of recognition has become such a concern that Kenny Anthony, the former Prime Minister of St. Lucia, added the issue of campaign financing to the agenda of the CARICOM Heads of Government Summit in 2006.\textsuperscript{221} To date there has been no CARICOM-wide action relating to reforms of campaign financing, but individual governments are considering implementing legislative changes.

\textit{Taiwan Fights Back}

On December 1, 2006 Taiwan retaliated against the Grenadian decision to switch recognition to China. The Taiwanese Export-Import Bank filed a lawsuit against the Grenadian government (The Export Import Bank of the Republic of China (ROC) on Taiwan v. Grenada) seeking the repayment of US$ 21.6 million plus interest given to the Mitchell government. The lawsuit was filed in the United States District Court, Southern New York District and was aimed at the repayment of four loans provided to the Grenadian government while they still recognized Taiwan.\textsuperscript{222} These loans were issued for the construction of the


\textsuperscript{222} The decision to file the lawsuit in New York was in fact consistent with the loan agreements. All four agreements included a clause that established the choice of law and
Queen’s Park stadium, development of the agricultural industry, road construction and a ministerial complex at the Botanical Gardens.

The loans were issued to Grenada between 1990 and 2000. The loan agreements specified the rate of interest to be charged (between 2 and 4.5 percent) and the payment schedules. The government of Grenada failed to make payments on numerous occasions, but the government was only sued after the decision on January 20, 2005, to switch recognition to China, and after the Grenadian government failed to repay the loans in full immediately. On June 15, 2005, four months after Grenada’s diplomatic switch, the Taiwanese EX-IM bank issued a written notification of default in relation to all four loans. The initial defaults occurred in early 2004.

In January 2007, the high court judge that heard the case ruled that the Grenada government did in fact owe the Taiwanese government almost US$21 million. A well-respected law firm represented the Taiwanese government, whereas the Grenadian government defense was led by the Foreign Minister’s wife, Donzell Tucker (a lawyer with limited international legal experience). The Grenadian defense was quite simple. Their failure to repay the debt was due to the economic downturn caused by Hurricanes Ivan (2004) and Emily (2005).

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forum. This clause explicitly stated that the loan agreements were subject to the laws of the State of New York. See Grenada Today for more details of the lawsuit.

223 Interview conducted with a member of the Dominica Labor Party.
Needless to say, this explanation was not well received by the judge, as there was no clause in the agreements allowing for the suspension of payments in the event of a hurricane. Grenada was subsequently ordered to repay the loans in full. They are in the process of arranging repayment.

The Net Benefits of Grenada’s Relationship With China: The Trade and Labor Data

As discussed in the Dominica case, the disadvantages associated with the intensification of relations between Grenada and China relate to both the widening of the trade deficit and the tendency of Chinese contractors to import Chinese laborers. Table 14 below shows that between 2001 and 2006, the value of Chinese imports is consistently increasing in Grenada. As was the case with Dominica, no column for exports to China is included precisely because Grenada does not export any products to China. In 2002, according to both CARICOM and Grenada statistics, Grenada did export a mere US$ 344 worth of fruits and vegetables to China. The records show that there have been no other exports to China between 2001 and 2006.
Table 14. Grenada’s Import of Chinese Goods

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Value of Imports from China (EC$)</th>
<th>Chinese Imports as a Percentage of Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>4,185,218</td>
<td>7.0%</td>
</tr>
<tr>
<td>2002</td>
<td>6,233,022</td>
<td>11.6%</td>
</tr>
<tr>
<td>2003</td>
<td>8,790,958</td>
<td>12.8%</td>
</tr>
<tr>
<td>2004</td>
<td>11,258,274</td>
<td>16.5%</td>
</tr>
<tr>
<td>2005</td>
<td>29,271,407</td>
<td>22.5%</td>
</tr>
<tr>
<td>2006</td>
<td>42,362,714</td>
<td>31.5%</td>
</tr>
</tbody>
</table>

Source: CARICOM Secretariat Database

In terms of the actual decomposition of these imports of Chinese products, in 2006, the majority of products imported from China by Grenada were textiles and apparel and light manufacturing items. This was almost identical to that seen in the Dominican case. There was relatively little food imports, but there were large imports of plastic, rubber, iron and steel, and furniture products.

The Importation of Chinese Laborers

The labor concerns seen in the Dominican case are also evident in Grenada. The Chinese-financed stadium was built with the help of 500 imported
Chinese workers. The Chinese contractors argued that is was important to import foreign laborers because the project had to be completed in a short period of time and the Grenadian labor market could not provide the requisite laborers.

When the plans to build this stadium were announced there was no initial discussion of the need to import workers. This issue was again not discussed in Parliament and the public was not made aware of this aspect of the agreement. The importation of the 500 Chinese laborers only became public after they entered the country and began working on the stadium and Grenadians started to voice their displeasure with this development.224

It should be noted that unions tend to be strong in the Caribbean, but construction workers tend not to be unionized. They simply work on projects as they become available. There is therefore no coordinated union voice lobbying on behalf of these construction workers as one would see in the sugar industry, for example. As such, there is no coordinated union lobbying against the influx of Chinese of Chinese laborers.

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224 Interview conducted with one Grenadian journalist.
What Have We Learnt from these Two Cases?

The Grenada and Dominica cases elucidate the theoretical arguments made in chapters 1 and 2. The relationship with China and the creative use of their sovereign rights is an important component of their adjustment strategies. In recent years the economic and political environments facing both countries have changed significantly as both countries suffered significant economic decline as a result. Both states have struggled to find the correct adjustment strategy, but what is clear is that both states, in addition to domestic economic restructuring, have used their foreign policy as an avenue for stemming their economic decline. China has been viewed by both states as the key foreign entity that can provide necessary economic assistance.

Dominica’s experience with the EU demonstrates that small states are especially sensitive to changes in policies in states that they are dependent upon. The loss of EU preferences served to decimate the Dominican economy and the Dominican people have been struggling to place their economy on a more solid footing since that time.

The experience of Grenada points to the fact that this diplomatic game is a very delicate one. The case filed against the Grenada government by the Taiwanese reflects the major pitfall of changing allegiance for economic gains.
and also the reliance on external entities. This case shows that there is indeed a cost related to playing the game of diplomatic recognition.

Returning to the original motivations matrix in Table 9 (originally provided in chapter 3 and modified here) we see that in both Dominica and Grenada, their motivation is aid and investments. Because neither country has any natural resources that China is particularly interested in, they are only able to pay for this aid and investment with votes and recognition. Table 15 below depicts this scenario.

Table 15. Modified Motivations Matrix for Dominica and Grenada

<table>
<thead>
<tr>
<th>MOTIVATIONS OF DOMINICA AND GRENADA VIS-À-VIS CHINA</th>
<th>PRICE PAID BY DOMINICA AND GRENADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>√ Aid and Foreign investment</td>
<td>√ Votes in international for a</td>
</tr>
<tr>
<td>√ Infrastructure Development</td>
<td>√ Trade opening</td>
</tr>
<tr>
<td>o Prestige</td>
<td>√ Recognition of ‘One China</td>
</tr>
<tr>
<td>o Tourism Revenue</td>
<td>Policy’</td>
</tr>
<tr>
<td></td>
<td>o Sale of Natural Resources to</td>
</tr>
<tr>
<td></td>
<td>China</td>
</tr>
</tbody>
</table>
The Dominican and Grenadian cases show that their somewhat limited interaction with China is due to their lack of strategic natural resources. China’s provisions of aid and investment is linked to their sovereign resources which allow them to vote with China on international issues and to recognize China and not Taiwan. In addition, these two cases show that this use of sovereignty is not a new development in either country as they have both employed strategies related to offshore financial centers, flags of convenience and the sale of economic citizenship. The sale of votes and recognition to China are therefore the newest phase of the creative use of sovereignty.

The Dominican and Grenadian cases also highlight the importance of economic considerations on their foreign policy agendas. The major aim of their foreign policies is the attainment of economic growth. In addition, both have identified this economic growth as being to some extent dependent on the benevolence of external powers. In the past, this was Europe and the US. As they lost preferential access to the European market and they lost aid flows from the US, both countries sought another power that that would compensate for these losses. China therefore represents the newest great power providing aid and investment to these two states.

The next chapter will discuss the Jamaican case in some detail. One major difference between the Jamaican case and these two cases is the fact that Jamaica
does have a natural resource that China is interested in accessing. In addition, there is much more academic literature available on the foreign policy tradition in Jamaica. Jamaica has had a relatively active foreign policy and this is to some extent a result of the leaders and their access to more funds available for diplomatic endeavors.

The succeeding chapter will build on the existing literature to show that Jamaica with a wider resource base has been less dependent on the use of sovereignty in attracting aid and investment. There are, however, important similarities with Dominica and Grenada as the political system is the same and the problems associated with a lack of transparency are also evident in the Jamaican case.
CHAPTER 5

Jamaica: Trading Natural and ‘Sovereign’ Resources for Development and Prestige

China is currently Jamaica’s fifth largest trading partner,\(^{225}\) and Jamaica is China’s largest trading partner in the English-speaking Caribbean.\(^{226}\) Only ten years ago there were no official statistics on trade between Jamaica and China, but since that time the relationship has intensified and statistics are now available.

The relationship between China and Jamaica is, however, not new. In fact, Jamaica’s first contact with China came in the 1800s when slavery was abolished in the British Empire. As additional African slaves became unavailable due to the outlawing of the slave trade, the British planters in the Caribbean needed additional workers. This labor shortage was corrected by the importation of indentured laborers from China and India.\(^{227}\) In Jamaica, the majority of indentured laborers were Chinese and these laborers largely chose to remain in the

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country even after their term of service was completed. These Chinese indentured laborers eventually became an important group in Jamaican society.

Jamaica was decolonized in 1962 and, as discussed in chapter 2, the Bustamante government of the 1960s, consistent with other Caribbean states, declared Jamaica’s allegiance with the West upon gaining independence. The US recognized the government of Taiwan as the legitimate government for China and as such, the Caribbean governments in Barbados, Guyana, Jamaica, and Trinidad and Tobago all recognized the Chiang Kai-shek government in Taiwan as the legitimate Chinese government. This decision was aimed at showing solidarity with the US’ position on the Taiwan-China issue. The Caribbean’s solidarity with the US’ positions began to wane in the 1970s beginning in Guyana and Jamaica. Both Guyana and Jamaica elected socialist governments and based on ideological grounds, chose to rescind their recognition of Taiwan and to enter into diplomatic relations with mainland China.

Jamaica’s modern relationship with China dates back to 1972 with the election of socialist Michael Manley as Prime Minister. The relationship between China and Jamaica has evolved significantly since 1972. But, unlike the cases of Dominica and Grenada, Jamaica’s position vis-à-vis Chinese recognition has been consistent. The relationship in the Jamaican case is less about creatively using sovereignty and more about economic adjustment and the trade of a traditional
natural resource—bauxite. As such, the explanation for Jamaica’s intensified relationship with China is slightly different from that espoused in the previous chapter. Hence, using the matrix presented in chapter 3, the Jamaican case is one wherein both natural and sovereign resources are being traded.

Chapter Outline

This chapter will trace the development of the relationship between Jamaica and China, highlighting the consistency with China’s general Third World relations and locating the current relationship between Jamaica and China in Jamaica’s political and economic history. It makes the argument that in the Jamaican case, China does represent a source of economic adjustment, but another motivation behind the intensification of the relationship is the Jamaican government’s goal of enhancing the country’s international prestige.

The chapter begins with a brief overview of Jamaica’s foreign policy since 1962. This overview will show that Jamaica’s foreign policy stance has evolved over time, but that it has always been motivated by economic goals. The discussion will then show that the foreign policy goals in any period correlate with the specific economic development strategy being pursued by Jamaica at that time.
The discussion will then trace the development of the relationship with China. Since 1972 Jamaica has consistently recognized China and it will be shown that it is only in recent years that China has become an important trading partner. Prior to the 1990s, China was not a real source of aid for Jamaica and the decision to recognize China was solely based on the grounds of Third World solidarity in the 1970s and political expediency in the 1980s. In the mind of Jamaica’s governments since 1972, it made no sense to switch recognition to Taiwan as the international community had for the most part established that recognition should be given to China and not Taiwan.

The chapter will show that since the 1990s the relationship with China has intensified and Jamaica is benefiting from Chinese investments in the bauxite sector and the sale of bauxite to China. The argument to be made is that the possession of a strategic natural resource that is of interest to China means that Jamaica has nothing to gain from switching recognition between China and Taiwan for economic gain. In fact, as will be shown, the creative use of sovereignty has not been employed in Jamaica, as they have not seen a need to employ this strategy.
Overview of Jamaica’s Foreign Policy Since 1962

Jamaica gained independence in 1962 and the Bustamante government sought to re-align Jamaica’s foreign policy with the “shift of center of economic gravity and military power from Great Britain to the United States.” The governing economic and political ideology in Jamaica between 1962 and 1972 was therefore consistent with that seen across the Caribbean of alignment with the West. Jamaica joined the IMF and World Bank in 1962 and focused its foreign policy activities on attracting foreign investments to Jamaica.

Persaud notes that this re-alignment was based in concrete trade and investment statistics. Trade with Great Britain dropped from 55 percent in 1953 to 39 percent in 1962, whereas the percentage of imports from the United States increased from 33 percent in 1953 to 42 percent in 1962. The percentage of exports to Great Britain dropped from 62 percent to 30 percent and grew in the dollar area from 31 percent to 58 percent, over the same time period of 1953-1962.

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229 Ibid., 78.
During the 1960s the voice of the Third World began to be heard in multilateral settings. By the late 1960s most of the African, Asian and Caribbean countries had been decolonized and the balance between advanced and developing countries began to move in favor of developing countries at the UN and as part of calls for a new international economic order in the 1970s. But the voices of these developing states were largely absent from the academic literature. This silence began to erode with the development of dependency theory. This change signaled the beginning of what I termed in chapter 2 the ‘Alignment with the South’ thinking.

Smaller and weaker states were of the opinion that the best way to be heard was through strength in numbers. As such, alliance formation was a key component of this thrust for change and the elevation of development as a key international concern. This would undoubtedly necessitate challenging the existing international political and economic order.

Politicians and academics in Jamaica, Guyana and Trinidad, were the main advocates of the dependency framework in the Caribbean. Political leaders in these three countries, as well as in Grenada, made attempts to concretize and

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apply to economic and foreign policy the principles articulated by the dependency school. This involved, inter alia, these Third World countries adopting a more vocal and assertive stance in the international arena, and Jamaica and Guyana featured prominently here. Collective action also became an important feature of this more vocal foreign policy, as was seen in the calls for a new international economic order.

After gaining power in 1972, Michael Manley and his People’s National Party administration situated the issue of collective action along with the aim of altering the international system as the centerpiece of Jamaica’s foreign policy. Manley saw this collective strategy as not merely a Jamaican strategy, but a “Third World strategy.”

Throughout the 1970s the Jamaican government operated under an expressed ideology of “Democratic Socialism,” which was similar to that seen in Western Europe. This Democratic Socialism had both domestic and international dimensions and both dimensions were seen as inextricably linked. Persaud argues that Manley’s view was that “Jamaican foreign policy must be aimed at changing the world, for it is only thus that real changes can be accomplished at the domestic

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level.\textsuperscript{233} In short, it can be said that the aim of democratic socialism or the vision behind the ideology was the creation of a more economically and politically equitable country and indeed, world;\textsuperscript{234} and an important facet of this vision was opposing the existing international order.

By pinning the country’s foreign policy to the ideology of democratic socialism the newly elected government purposefully distanced itself from the close relations that had been established with the West and opened itself to new alliances with countries of the Third World. It is therefore in this light that Jamaica established relations with China in 1972, as will be discussed later in this chapter.

The PNP government adopted a high profile approach to participation in multilateral organizations, in many cases assuming a leadership role. For example, the country’s representative to the UN was selected by the Secretary-General in 1975 to serve as a member of a group of experts charged with the restructuring of the economic and social sectors of the organization. Along similar lines, the Jamaican representative to the UN Economic and Social Council

\textsuperscript{233} Persaud, Counter-Hegemony and Foreign Policy: The Dialectics of Marginalized and Global Forces in Jamaica, 169.

\textsuperscript{234} Payne and Sutton, Charting Caribbean Development, 71.
(ECOSOC) was elected president of that council in 1978. In relation to talks relation to the Law of the Sea Convention, Kenneth Rattray, a Jamaican, was appointed rapporteur for the UN conference held on this issue and Jamaica was eventually selected as the location of the International Seabed Authority.

In keeping with the government’s pursuit of Third World “solidarism,” emphasis was placed on working with other “Southern” countries. For example, Ambassador Don Mills, a high-level foreign policy official and academic, relates that Jamaica was one of a small number of developing countries invited to attend the Conference on International Economic Cooperation, held in Paris between 1976 and 1977, and a year later Prime Minister Manley presided over a meeting in Jamaica which was attended by a number of heads of state to discuss the situation regarding the New International Economic Order (NIEO) – this was in fact, “the very first North-South Summit”.

The Manley foreign policy approach also included participation in the Non-Aligned Movement, with Jamaica holding a seat on the Coordinating Bureau of the Non-Aligned Movement. Jamaica played an important role in the G77’s

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235 Mills, "Jamaica's Foreign Policy", 150.

236 Persaud, Counter-Hegemony and Foreign Policy: The Dialectics of Marginalized and Global Forces in Jamaica, 72.

237 Mills, "Jamaica's Foreign Policy", 146.
negotiations in UNCTAD and served as the chair or chief negotiator for the G77 countries.\textsuperscript{238}

The Manley government’s activism in international fora was met with some ambivalence. Mills notes that:

In many quarters outside of the country it brought, for the most part, very positive and favorable reactions. But at home the government was severely criticized by the JLP for some of its activities and policies and for its alleged neglect of domestic issues”.\textsuperscript{239}

This criticism of the government was widespread and the PNP ultimately lost the election in 1980, ushering in a new era in Jamaica’s foreign policy.

Anthony Payne argues that Edward Seaga was the first Prime Minister to explicitly acknowledge the importance of the United States in the Caribbean. As such, Seaga clearly saw the United States as the focal point of Jamaica’s foreign policy.\textsuperscript{240} Seaga’s “special relationship” with Reagan was so key that he was referred to as “Reagan’s man in the Caribbean” and “America’s man in the Caribbean”.\textsuperscript{241} In fact, Seaga was the first head of state to be invited to the White

\textsuperscript{238} Persaud, \textit{Counter-Hegemony and Foreign Policy: The Dialectics of Marginalized and Global Forces in Jamaica}, 155.

\textsuperscript{239} Mills, "Jamaica's Foreign Policy", 146.


\textsuperscript{241} Mills, "Jamaica's Foreign Policy", 158.
House by President Regan. Seaga was Harvard educated and Washington believed that he would embrace the neo-liberal approach to attaining economic growth and development and would therefore be a champion of structural adjustment programs prescribed by the key multilateral institutions.

The 1980s may have tempered Jamaica’s calls for a new international order, but the foreign policy perception was still one predicated on the idea that Jamaica was a leading voice in the Third World and in the Caribbean in particular. During the 1980s, after establishing a close relationship with Reagan, Seaga sought to lobby for a Caribbean-type Marshall Plan. The Reagan government agreed with the premise of Seaga’s call and enacted the Caribbean Basin Initiative (CBI). It did not go as far as Seaga wanted, but it did signal the fact that Jamaica was still a leading voice in the Caribbean and the Third World. Jamaica’s continued regional leadership was also witnessed in Seaga’s integral role in the Grenada invasion. He was one of the most vocal advocates of US action and sought to convince other Caribbean states to support the US invasion.

The re-election of the PNP in 1989 saw a return of Michael Manley, but his Third World solidarity had changed as the international economic system had changed. Manley and later Patterson embraced the ideas of free trade and general

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243 Ibid., 107.
economic liberalization, and they both continued along the general policy direction of the Seaga-led government of the 1980s especially in relation to the acknowledgement of the importance of the United States and an acceptance of the prevailing neo-liberal economic regime.\(^{244}\)

Despite Jamaica’s efforts to adhere to the discipline of the neoliberal free trade regime, Jamaica has, however, continued to make the case that small developing countries need to be accorded ‘special and differential treatment.’ As noted in chapters 1 and 2 before, Jamaica—and the Caribbean in general—have consistently argued that small states exhibit more vulnerability and this argument underpins the foreign policy goals of these states. The period from 1989 to the present is an important one for Jamaica as it has witnessed the elimination of many of the preferential agreements that it had relied on.

*Economic Development as the Foundation of Jamaica’s Foreign Policy*

In chapter 1, it was noted that small states tend to have a foreign policy geared towards attaining economic development. The brief outline of Jamaica’s foreign policy history suggests that this bias is also evident in the Jamaican case. The foreign policies used to attain this goal of economic development have varied over time, but it has always been the underlying goal of the government.

\(^{244}\) Payne and Sutton, *Modern Caribbean Politics*, 203.
Table 16 below incorporates the development stance of the various government administrations with the foreign policies pursued. This table therefore serves as a summary of Jamaica’s foreign policy history as it pertains to economic development.

Table 16. Jamaica’s Development-Foreign Policy Nexus

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEVELOPMENT POLICY</th>
<th>FOREIGN POLICY GOALS (VIS-À-VIS ECONOMIC DEVELOPMENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962-1972</td>
<td>FDI facilitation</td>
<td>• Alignment with the West&lt;br&gt;• FDI attraction</td>
</tr>
<tr>
<td>1972-1980</td>
<td>Self-reliance and Distributive Justice</td>
<td>• Attempts to challenge the existing international economic order&lt;br&gt;• Enhancement of relations with non-Western states (for example, Cuba and China)</td>
</tr>
<tr>
<td>1980-1989</td>
<td>State-directed Development</td>
<td>• Realignment with the West&lt;br&gt;• Negotiation of the CBI</td>
</tr>
<tr>
<td>1989-present</td>
<td>Neoliberal Reforms</td>
<td>• Lobbying to prevent the loss of preferences&lt;br&gt;• Engaging with new States&lt;br&gt;  ○ China&lt;br&gt;  ○ Venezuela</td>
</tr>
</tbody>
</table>
As noted in chapter 2, across the Caribbean the economic development framework in the 1960s was one of FDI facilitation, which was aimed at diversifying the economies away from the agricultural sector. In Barbados, Guyana, Jamaica, and Trinidad and Tobago plans were made to establish manufacturing industries that would facilitate this diversification. Because of the shortage of domestic capital, an important aspect of achieving diversification was through the attraction of FDI. As depicted in Table 16, the domestic goal of diversification of local economies was directly linked to the foreign policy goals of attracting foreign investors. The ‘We’re with the West’ declaration also indicated that potential investors need not worry about their investments in Jamaica, as the leaders were declaring their support for capitalism.

The 1972-1980 period as noted earlier, was a period of social change wherein the Manley government embarked on a program of self-reliance and distributive justice that was consistent with the ideals of democratic socialism. The broad economic objectives were an expansion in social programs and

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEVELOPMENT POLICY</th>
<th>FOREIGN POLICY GOALS (VIS-À-VIS ECONOMIC DEVELOPMENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brazil</td>
<td>o Brazil</td>
</tr>
</tbody>
</table>

ultimately a decline in the existing income inequality. The foreign policy direction of this period was therefore understandably one of closer relations with other Southern countries such as Cuba, and participation in the NIEO movement. All these actions resulted in a decrease in investor confidence as the government sought to reject some of the tenets of capitalism.

The 1980s saw a less explicit socialist policy, but social transformation remained at the heart of the Seaga administration. Seaga’s main goal was the restoration of investor confidence and as such, he worked to realign the country with the US and Western Europe. This realignment was seen in his leading the negotiations for the Caribbean Basin Initiative.

Since 1989, the Jamaican government has embarked on a program of neoliberal reforms primarily as a result of the conditions of loans from the IMF, World Bank and Inter-American Development Bank (IDB). These included the privatization of state entities and the decline of social programs. It is also during this period that Jamaica, like Dominic and Grenada, saw the decline of preferential access to the European markets. Jamaica exports mainly sugar and bananas under the Lomé Agreement and given the loss of these markets the foreign policy stance has been geared towards finding new markets, and this process to a large extent entails establishing relationships with new state actors.
The intensification of the relationship with China is in large part due to the changing nature of the international economic order where Jamaica cannot rely on preferential treatment. The official unemployment rate in Jamaica is 10.9 percent (see Table 6) and economic growth has been stagnant over the past 15 years. Given the need to identify new markets and to get out of the economic slump, Jamaica has embarked on a foreign policy that is aimed at attracting new investors to the country through increased contact with the governments such as China and Venezuela. Jamaica, like Dominica and Grenada, is also in a process of economic adjustment, and is using its deepened relationship with China to assist in attaining adjustment. The next section will examine the relationship between Jamaica and China in more detail.

A Brief Overview of Jamaica’s Modern Relations with China

1970s and 1980s

On November 21, 1972 Jamaica established diplomatic relations with China. This move had little to do with the rapprochement between the United States and China as seen in the Nixon visit to China, or with the fact that China was socialist. It was simply the decision of Michael Manley, who argued that it was imperative that he independently determine Jamaica’s international partners, and the decision was therefore a part of the general challenge of the West as seen
in his government’s active role in the NAM. Recall that in chapter 1 it was noted that 1972 is the date selected because it is really the time that China gains its seat in the UN and the Caribbean states start defining their own independent foreign policies away from those prescribed prior to decolonization. Table 17 below highlights some of the important agreements signed between the Jamaican and Chinese governments.

Table 17. Jamaica’s Relations with China, 1972-present

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 21, 1972</td>
<td>Jamaica recognizes China</td>
</tr>
<tr>
<td>September 1976</td>
<td>First official Jamaican visit to China</td>
</tr>
<tr>
<td>1990</td>
<td>Construction of the Cotton Polyester Mill</td>
</tr>
<tr>
<td>1991</td>
<td>Michael Manley visits China</td>
</tr>
<tr>
<td>October 1999</td>
<td>Agreement signed between Jamaica and China re the Avoidance of Double Taxation</td>
</tr>
<tr>
<td>February 2004</td>
<td>China agrees to build the Trelawny Cricket Stadium</td>
</tr>
<tr>
<td>February 2005</td>
<td>China contracts to rehabilitate the water system in Jamaica</td>
</tr>
<tr>
<td>DATE</td>
<td>EVENTS</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>February 2005</td>
<td>Jamaica granted Approved Destination Status</td>
</tr>
<tr>
<td>June 2005</td>
<td>China commits to assisting Jamaica in the rehabilitation of the railway system</td>
</tr>
<tr>
<td>December 2005</td>
<td>China agrees to build the Sligoville Stadium</td>
</tr>
</tbody>
</table>

The first official delegation to China was sent in September 1976. The major outcome of the visit was the Chinese government’s donation of 5,000 tons of rice. Jamaica was not experiencing a shortage of rice at that time, but this was the only form of aid that China could afford at that time. Despite, Jamaica’s Third World activism during the period, there were only a few other official visits during this decade. This is consistent with the discussion of China’s Third World policy presented in chapter 3. In the 1970s, not only was China limited in terms of the lack of diplomatic resources available to use in its Third World diplomacy, but also China was also more concerned about its own domestic economic development.
Contacts between Jamaica and China during the 1980s were also limited with only Hugh Shearer (former Prime Minister and Minister of Foreign Affairs) leading a delegation to China in 1985. As noted earlier, Edward Seaga, a seemingly neoliberal who was quite close to Ronald Reagan was elected Prime minister in 1980 and campaigned on a platform declaring an end to the misguided socialist policies of Manley and a move to more sound liberal principles. Seaga did not, however, switch recognition from China to Taiwan as by that time China had solidified its international standing and there was nothing to be gained from switching back to Taiwan.

It is not until the 1990s that government-to-government contacts between Jamaica and China become significant. During the 1990s the first joint venture between China and Jamaica was the launching of the Polyester Cotton Mill in 1990. In 1991 Michael Manley (who had been re-elected Prime Minister in 1989) became the first Prime Minister to visit China. During this visit the Chinese government provided a donation of general goods to the Jamaican people. There were also numerous other high-level visits with even Edward Seaga (the leader of the opposition party at that time) visiting in 1996. In 1998 the Vice-Premier of China visited Jamaica and signed an agreement for the first grant from the
Chinese government to Jamaica and in that same year PJ Patterson visited China and signed a preferential loan agreement.\textsuperscript{245}

It is in the new century that Jamaica’s relations with China mushrooms. China’s economic growth allowed China the opportunity to significantly increase its offering of loans, foreign direct investment, and other aid. Since the year 2000, China has granted numerous loans to the Jamaican government. These include loans for importing container cranes, expansion of Jamaica’s bauxite mining capacity, rehabilitating the railway system, building two new stadiums, the provision of audiovisual equipment to the National Archives, and the construction of a parking complex at the University of the West Indies, among others.

One of the more controversial aspects of the relationship with China was the decision of the Jamaican government to open an embassy in Beijing. The Chinese government opened its embassy in Jamaica in 1973, but the Jamaican government, lacking diplomatic resources, chose not to open an independent embassy at that time, opting instead to have the Ambassador to Japan act as its diplomatic representative in China. As China’s international role expanded and China’s interest in the Caribbean became obvious it was deemed necessary to open an embassy in China. However, the same problem of a lack of resources

\textsuperscript{245} Interviews conducted with Chinese and Jamaican Foreign Ministry officials.
obtained and the government decided that it would eventually open an embassy, but not immediately.

This conundrum was solved by China, with the Chinese government offering to provide a building for the Jamaican embassy to be set up in China at no cost to the Jamaican government. In addition, the government would not need to pay any utility bills and the Chinese government would also provide some of the necessary staff. The only thing that the Jamaican government had to provide was an Ambassador. On July 18, 2005 Jamaica opened its Chinese-financed embassy with Wayne McCook as the Ambassador.

The opposition Jamaica Labor Party objected to this three year rent free embassy, as they viewed it as representing some loss of Jamaican sovereignty as the government was essentially transferring some of its international diplomatic responsibility to China. In fact, Bruce Golding (the leader of the opposition party at that time) declared the arrangement to be “an unacceptable national embarrassment.”\textsuperscript{246} This view also outraged many other citizens, but the government insisted that it was the economically expedient thing to do. In fact, the government pointed out that China had established similar arrangements with other countries including South Africa.

\textsuperscript{246} Charmaine Clarke, "Jamaica's Arrangement with China Not Unique," \textit{Sunday Observer}, April 23 2006.
This brief discussion of Jamaica’s relationship with China is consistent with that presented in chapter 3. China’s use of its “soft power” and yuan diplomacy really only start in the late 1990s. The intensified relationship is motivated on the Jamaican side by the need for economic restructuring, developmental assistance and the search for new markets. As noted earlier, Jamaica is the only Caribbean state that has a trade surplus with China and this has been consistently the case since 2003. The next section will briefly examine the importance of a natural resource in the Caribbean’s relations with China.

The Bauxite Trade

As noted earlier, Jamaica represents one of the few resource-rich countries in the Caribbean. Chapter 3 pointed out that Jamaica is the 8th largest producer of bauxite and the 7th largest exporter of the commodity in the world, and China is especially interested in accessing Jamaica’s bauxite. Jamaica has been exporting bauxite to China since the 1990s, but the level of exports has increased significantly since 2000. On June 20, 2005 an agreement was signed between the Chinese government, Jamaica Bauxite Institute, Jamaica Bauxite Mining Limited and China Minmetals Corporation aimed at the establishment of a bauxite refinery in Jamaica that is projected to produce 1.4 million tons of bauxite per year.
Given that Jamaica does have a resource that is of interest to China, it is expected that the trade statistics would be much better than those seen in Dominica and Grenada. Recall that Dominica did not export anything to China and between 2001 and 2006 Grenada exported only US$344 worth of fruits and vegetables to China in 2002. Jamaica on the other hand, has a trade surplus with China. As shown in Table 18 below, this surplus has been expanding since 2003. The major export to China is bauxite, but Jamaica also exports coffee and tobacco to China.

Table 18. Jamaica’s Trade with China

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Imports from China (EC$)</th>
<th>Value of Exports to China (EC$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>167,975,515</td>
<td>94,158,658</td>
</tr>
<tr>
<td>2002</td>
<td>163,322,004</td>
<td>117,014,450</td>
</tr>
<tr>
<td>2003</td>
<td>224,642,205</td>
<td>260,519,913</td>
</tr>
<tr>
<td>2004</td>
<td>311,606,490</td>
<td>448,659,180</td>
</tr>
<tr>
<td>2005</td>
<td>382,735,277</td>
<td>289,996,490</td>
</tr>
<tr>
<td>2006</td>
<td>557,974,545</td>
<td>811,190,131</td>
</tr>
</tbody>
</table>

Source: CARICOM Statistical Database
Like Dominica and Grenada, the main imports from China to Jamaica are manufactured products, textile and fabrics, iron and steel, apparel and clothing accessories, and footwear.

It should be noted at this point that there does exist a local clothing industry, but members of the industry argue that the influx of cheap Chinese products has undermined the development of the industry. The products imported from China are much cheaper than those produced in Jamaica, primarily due to the reality that labor costs in China are significantly lower than those in Jamaica. As will be shown below, these considerations are not debated prior to embarking on a closer trading relationship with China and form the foundation of the disadvantages seen in Jamaica’s closer relations with China.

The Net Benefits Accruing from Jamaica’s Relationship with China

Whenever China provides a loan for use on a particular project it invariably results in the contracting of a Chinese and the contractor often imports Chinese laborers to the Caribbean. Chapter 6 will discuss the implicit conditions of Chinese loans in more detail, but it is worth noting at this point that there have been some expressions of dissatisfaction with the importation of Chinese laborers.

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247 Interview conducted with a clothing manufacturer in Jamaica.
Jamaica, like Dominica and Grenada, obtained a loan from China for the construction of a cricket stadium for the World Cup. Jamaica already had a cricket stadium in Kingston, but the government decided to build another stadium in Trelawny (referred to as the Greenfield Stadium) to host both the opening ceremony of the Cricket World Cup and some practice matches.

While the Greenfield Stadium was under construction in Jamaica, there was actually one demonstration that was orchestrated by Jamaican workers on the construction site. The Jamaican workers were protesting what they perceived to be an influx of too many Chinese workers.\textsuperscript{248} Several Chinese laborers were seen working on the project without any notice given to the local workers or any indications given to the wider public that they were short of the requisite number of construction workers. The project manager, however, argued that the workers were only brought in when work fell behind schedule.\textsuperscript{249} The workers eventually returned to work and there were no further protests, but this situation again points to the reality that Chinese laborers are often imported to work on Chinese-financed projects. The building of the Sligoville Stadium in Jamaica would again uncover other problems associated with Chinese loans.


\textsuperscript{249} Ibid.
The Role of Political Considerations in the Building of the Sligoville Stadium

In 2003 the Minister of Foreign Affairs and Foreign Trade, K. D. Knight, approached the Chinese with the idea to build a stadium in Sligoville, Jamaica. Sligoville is a rural area that is largely underdeveloped. The Minister argued that a multi-sport facility would boost employment in the area and would provide a livelihood for the residents. The only problem was that Sligoville was a part of the Minister’s constituency and it could easily have been read as political maneuvering. Recall that the Chinese government had just provided a loan to Jamaica for the construction of the Greenfield Cricket Stadium in Trelawny. This stadium was built solely for the purposes of the Cricket World Cup and since its use in the event it has stood idle. In addition, there was already a National Stadium facility in Kingston and smaller sporting facilities dispersed across the island. The building of another stadium was therefore not a pressing developmental priority.

In addition to the dubious developmental potential of building another stadium was the fact that this project was not debated in the Parliament. The building of the stadium did proceed and was completed in June 2007, but nine months after completion Chinese officials publicly expressed dismay at the fact that the stadium had not been used. The former Minister of Foreign Affairs, when
asked about whether or not the project was a white elephant, responded, “You can’t move it. It is there, and that milk is spilt if you think so.”

This issue again highlights the fact that the existing political system thwarts transparency and debate of agreements prior to their implementation. The Sligoville stadium was built in a remote, hilly area that is not easily accessed. In fact, there were many other more populous areas where a stadium could be more useful. In fact, one resident of Sligoville argued that the money would have been better spent on a skills-training centre.

Both the Sligoville stadium and the Trelawny stadiums were financed with Chinese loans with interest rates of 3 percent. This interest rate is quite reasonable, but the questions raised by the opposition relating to the efficacy of building stadiums that would not be used is valid and these questions are never raised or answered prior to the start of building because of the lack of transparency fostered by the existing Westminster political model.

The rise of China as an important economic partner provides a window into the political economy of small states such as Jamaica. The Chinese loans and

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251 Ibid.

252 It should be noted that the Jamaican government in 2008 had to pay an interest rate of 16.9 percent on treasury bills issued.
aid are seen as crucial for the continued development of Jamaica. One high-level official at the Ministry of Finance noted that the only real foreign government investors in Jamaica are China and Venezuela. In numerous interviews across various sectors (namely the manufacturing and construction sectors) of the country there is admiration for the Chinese investments and there is very little discussion of the potential pitfalls or conditionalities attached to Chinese loans.

The Jamaican relationship with China, in addition to being much longer in duration than Dominica and Grenada, points to the fact that where natural resources exist China will have a more intensive policy of engagement. China has expressed its interest in Jamaican bauxite and is working to exploit these resources, but China is also investing in numerous areas such as irrigation systems, the railway system and other construction projects.

While Jamaica does engage in a policy of voting with China in international bodies, it is less dependent on this aspect of the relationship. The sale of bauxite to China is much more important than the sale of votes or recognition. It is also important to note that Jamaica has a consistent policy of recognizing China, and its decision to recognize China in 1972 has not changed since that time. This consistency can be partially explained by the lack of a reliance on the trade of sovereign resources as Jamaica has a more diversified resource base than Dominica and Grenada.
Jamaica’s foreign policy is not solely based on economic gains. As highlighted in the decision to recognize China in 1972, Jamaica’s foreign policy is also prestige and ideologically based. Government officials routinely argue that the relationship is not solely about economic gains, but it is also about principle, and Jamaica is unwilling to engage in the policy of switching recognition between Taiwan and China simply for economic gains.\footnote{253 Interviews conducted with government officials in the Foreign and Finance Ministries.}

This chapter has demonstrated, however, that despite the underlying prestige and ideological foundations of Jamaica’s foreign policy, the primary motivation has always been an economic one. In the 1970s, as Jamaica pursued the most ideologically-based foreign policy seen in its history, the economic motivation was still the most dominant motivator for the country’s foreign policy. This is also true for Jamaica’s relationship with China. The goal of the Jamaican government is to export as much bauxite to China while facilitating Chinese investments into the country.

Returning to the motivations matrix presented in chapter 3, Jamaica has the most complex relationship with China. Table 19 below depicts a modified motivations matrix for Jamaica. In addition to the goals of aid and foreign investment and infrastructure development, Jamaica’s relations with China are
also guided by a search for prestige especially in relation to it being regarded as
an important player and voice in the Third World and in multilateral bodies. In
terms of the price of this relationship, Jamaica in addition to opening up trade and
voting with China in international bodies, also sells its bauxite to China. This
relationship is therefore more elaborate than that seen in Dominica and Grenada.

Table 19. Modified Motivations Matrix for Jamaica

<table>
<thead>
<tr>
<th>MOTIVATIONS OF JAMAICA VIS-À-VIS CHINA</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>√ Aid and Foreign investment</td>
<td>√ Votes in international for a</td>
</tr>
<tr>
<td>√ Infrastructure Development</td>
<td>√ Trade opening</td>
</tr>
<tr>
<td>√ Prestige</td>
<td>√ Recognition of ‘One China</td>
</tr>
<tr>
<td>o Tourism Revenue</td>
<td>Policy’</td>
</tr>
<tr>
<td></td>
<td>√ Sale of Natural Resources to</td>
</tr>
<tr>
<td></td>
<td>China</td>
</tr>
</tbody>
</table>

The next chapter will use the case studies presented to examine the
research questions and hypotheses posed in chapter 1. The theoretical
implications of the three case studies will also be discussed in detail.
CHAPTER 6

THE THEORETICAL IMPLICATIONS OF THE CARIBBEAN’S RELATIONSHIP WITH CHINA FOR THE STUDY OF SMALL STATE FOREIGN POLICIES

The discussions of Dominica, Grenada and Jamaica yielded some useful information about not only their relationship with China, but also the nature of small state behavior. This chapter will return to the four research questions posed in chapter 1:

a. Why is there variation in the strategies employed by different Caribbean states vis-à-vis China?

b. What motives China’s interest in the Caribbean?

c. Why do Caribbean states engage with China when doing so does not yield unambiguous economic benefits?

d. What are the implications of the Caribbean’s strategy towards China for the study of small states in international relations?

This chapter will be organized around answering these four research questions based on the information garnered from the three case studies. The three hypotheses presented in chapter 1 will also be examined. These were:
1. If a state has natural resources that are of strategic importance to China, then it will have a consistent foreign policy vis-à-vis China;

2. If a state has no natural resources that are of strategic importance to China, then their foreign policy vis-à-vis China will be inconsistent; and

3. If a state has no natural resources that are of strategic importance to China, then they will creatively sell rights accorded by sovereignty.

Chapter Outline

The chapter will begin with the first research question: Why is there variation in the strategies employed by different Caribbean states vis-à-vis China? The discussion will show that the case studies demonstrate that resource endowment is the key variable explaining this variation in policy towards China. In view of this, it will therefore be argued that the three case studies presented do in fact accept the main hypotheses presented at the start of the study.

The discussion will then move to the second research question: What motives China’s interest in the Caribbean? It will again be demonstrated that there are three motivations driving China’s interest in the region. These are economics, recognition, and prestige. It will also be argued that China’s actions in the Caribbean are consistent with their general policy towards the Third World.
Why do Caribbean states engage with China when doing so does not yield unambiguous economic benefits? This chapter will pull from the evidence presented in the case studies and will again show that the answer to this third research question is primarily the nature of the Westminster political systems in the Caribbean. This is, however, not the sole reason for signing these less than positive agreements. The chapter will also discuss other factors such as the fact that China often does not follow through on its promises and as such Caribbean states expected to receive more aid than they in fact obtained. Another reason for signing these agreements with China relate to the time inconsistency problem wherein politicians are more concerned with the short term goal of attracting aid and capital flows and are less interested in the long run consequences of their decisions.

The fourth research question will dominate the rest of the chapter. What are the implications of the Caribbean’s strategy towards China for the study of small states in international relations? This dissertation had one primary thing in this area, and that was to show that small state foreign policy behavior cannot be solely understood by focusing on system level explanations. This dissertation has shown that in the three case studies the domestic and individual levels were more important determinants of the foreign policy direction of these Caribbean states.
The chapter closes with a brief analysis of alternative explanations for the Caribbean’s foreign policy towards China. It will be shown that explanations of balancing and bandwagoning do not really fit this analysis. In addition, analyses that focus on the attainment of economic power are problematic and do not readily fit the Caribbean scenario that is presented. The dissertation concludes that the Caribbean’s embrace of China and their divergent policy towards China is therefore mainly about the need for economic adjustment.

**Question 1: Why is there variation in the strategies employed by different Caribbean states vis-à-vis China?**

*Resource Endowment and Caribbean Foreign Policy vis-à-vis China*

One of the primary arguments in this thesis revolves around the use of sovereignty for economic gain. It should be noted that for the purposes of this dissertation sovereignty is conceptualized as a resource endowment. As highlighted in chapter 4, both Grenada and Dominica prior to their recent engagement with China had used sovereignty as a means of attaining economic adjustment. This is primarily seen in their establishment of offshore financial centers that were characterized by low tax rates and secrecy. In addition, Dominica’s use of sovereignty was even more overt in their institution of a very unique strategy of selling economic citizenship to foreign nationals.
As demonstrated by Palan, these strategies have been seen primarily in the microstates with populations well under one million. This may indicate that these are the states more prone to using this strategy given their lack of other natural resources. This reality is borne out across the Caribbean. The three states that have not tried establishing offshore financial centers are Guyana, Jamaica, and Trinidad and Tobago. These are in fact the three most resource rich countries of the English-speaking Caribbean. Guyana has vast quantities of timber and fish, Jamaica has bauxite, and Trinidad has oil and these resources are demanded by China and other large states.

The smaller Eastern Caribbean countries are not endowed with any of these more attractive and strategic natural resources. It is therefore this lack of natural resources that leads smaller states in the Caribbean to be more creative. As noted before, this creative use of sovereignty includes the sale of economic citizenship and flags of convenience, and the setting up of offshore financial centers. This thesis argues that the creative use of sovereignty witnessed since the 1990s is therefore a direct function of both the lack of other natural resources and the loss of trade preferences. In Dominica and Grenada’s current interactions with China, the creative use of sovereignty entails the selling of votes and recognition as we have seen in chapter 4.

It should be highlighted that this creative use of sovereignty is not unanimously supported across the Caribbean. In many instances citizens in states without strategic natural resources have complained about this sale of sovereignty. High-level officials across the Caribbean have also expressed some concern about this strategy. Owen Arthur, the Prime Minister of Barbados, echoes much of this sentiment when he accused Caribbean states that recognized Taiwan of being,

Countries that have been making themselves available to be purchased lock, stock and barrel. There are some countries that have no pride in policy and they are waiting there to be taken to by the highest bidder.\footnote{Cited in, "Taiwan Meddling in Bajan Polls - Arthur."}

The fact is, however, that this strategy has been providing much needed aid and investment, despite the fact that the long-run net benefits may be small. In the absence of alternatives, it is quite possible that this activity will continue especially in the smaller Caribbean states that are desperately trying to find an avenue for achieving economic adjustment.

Chapter 5 highlighted the Jamaican experience with China and one of the conclusions of that discussion was that the creative use of sovereignty was not as important in their context. Jamaica does indeed vote with China on various initiatives and does recognize China, but these are not the primary bases for
increased engagement with China. In fact, as it pertains to recognition, Jamaica recognized China in 1972 when there were no economic benefits to be gained by doing so and Jamaica has remained consistent in its recognition of China.

The reason for the reduced emphasis placed on the creative use of sovereignty in the Jamaican context is the fact the country has natural resources that are of interest to China. Jamaica exports its bauxite and coffee to China and the country has been engaged in the expansion of the manufacturing and tourism sectors of the economy for export to other states. This wider resource base means that it is less dependent on the sale of its sovereign resources.

This, however, does not mean that Jamaica does not in any way trade its sovereign resources. The policy of supporting China in international bodies is inextricably linked to Chinese aid and investment. The voting position of Jamaica is therefore influenced by China’s aid. This is, however, not the sole resource that Jamaica trades with China as Jamaica does export significant quantities of bauxite to China.

Tables 20 and 21 below attempt to synthesize the major empirical findings emanating from this discussion vis-à-vis natural resource endowment and the creative use of sovereignty. Table 20 highlights the fact that all three countries have sovereignty as a resource desired by China, but Jamaica also has bauxite and
given its international activism and stature in CARICOM also has some international influence. It is this fact that leads to divergent foreign policies between Dominica, Grenada, and Jamaica. Jamaica’s stance on Chinese recognition has been consistent, but this has not been the case in Dominica and Grenada.

Table 20. The Relationship between Resource Endowment and the Consistency of Foreign Policy towards China in the Caribbean

<table>
<thead>
<tr>
<th>Country</th>
<th>Resource Endowment (of interest to China)</th>
<th>Consistent Foreign Policy (vis-à-vis China)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominica</td>
<td>o Sovereignty (votes, recognition)</td>
<td>NO</td>
</tr>
<tr>
<td>Grenada</td>
<td>o Sovereignty (votes, recognition)</td>
<td>NO</td>
</tr>
<tr>
<td>Jamaica</td>
<td>o Sovereignty</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>o Bauxite</td>
<td></td>
</tr>
</tbody>
</table>

What this discussion suggests is that the creative use of sovereignty is a strategy for smaller resource scarce countries that previously used sovereignty creatively. This use of sovereignty for economic gain results in an inconsistent foreign policy vis-à-vis China, as these states, in their interactions with China, are more focused on short-term economic gains and not long-term strategic considerations. Table 20 below shows that the countries that are more dependent on their sovereignty are indeed the ones with limited strategic natural resources.
Table 21. The Relationship between Resource Endowment and the Creative Use of Sovereignty in the Caribbean

<table>
<thead>
<tr>
<th>Country</th>
<th>Resource Endowment (of interest to China)</th>
<th>Creative Use of Sovereignty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominica</td>
<td>o Sovereignty (votes and recognition)</td>
<td>YES</td>
</tr>
<tr>
<td>Grenada</td>
<td>o Sovereignty (votes and recognition)</td>
<td>YES</td>
</tr>
<tr>
<td>Jamaica</td>
<td>o Sovereignty</td>
<td>In Some Cases</td>
</tr>
<tr>
<td></td>
<td>o Bauxite</td>
<td></td>
</tr>
</tbody>
</table>

The dissertation therefore demonstrated that the variation in strategies employed by Caribbean states vis-à-vis China is explained by their resource-endowment, and more specifically, the possession of resources that are of strategic importance to China.

**Question 2: What Motivates China’s Interest in the Caribbean?**

This dissertation focuses on the Caribbean states, but the analysis would be incomplete without an analysis of the Chinese motivations in the region. China has showed a renewed interest in developing countries around the world. This interest is often framed in relation to China’s quest for resources. This is indeed a primary motivation for China’s policies in the Middle East and Africa, as well as
Latin America. As was shown in chapter 3, this not a primary motivation for China in the Caribbean region. As highlighted throughout this dissertation, the Caribbean is quite an eclectic array of countries, comprising independent, semi-independent and colonies of industrialized countries. Even in terms of the former British colonies, there are major differences in culture, political systems and natural resource endowments. With the exception of Guyana, the major resource similarity between Caribbean states is their sun, sand and beaches. Given the vast differences between Caribbean states, especially vis-à-vis natural resources, it is obvious that China’s interest in the region is motivated by factors other than the resource-search motivation.

The dissertation demonstrated that China has a tripartite motivation for its presence in the Caribbean—economics, recognition and influence. The economics motivation is related to the search for resources and markets. China is interested in the minerals found in Jamaica and Guyana, and the oil and natural gas in Trinidad and Tobago. But more importantly, Chinese interests at the economic level relate to accessing the Caribbean markets as a destination for Chinese exports. As was demonstrated in chapter 3, this has proved successful as demonstrated by the increase in the import of Chinese goods and the subsequent widening trade surplus that China has with the Caribbean. Recognition, for the purposes of this paper, is defined as support for China in its “One China Policy,” and it was shown that this policy is one of the primary drivers of China’s relations
with the Caribbean. The third motivation, and one of the leading determinants of Chinese Third World policy, relates to Chinese Influence. I conceptualized this variable as a two-fold goal—the signaling of China’s rise and support for the China agenda in multilateral forums.

China’s actions in the Caribbean are consistent with China’s general modus operandi with respect to aid in developing countries wherein China employs diplomatic strategies aimed at facilitating its economic and political rise. Third World leaders often see China as a benign power, but as was identified in the Caribbean case studies, and in Latin American and African context, China’s goal is solidly related to achieving its national interest, however defined. China’s aim is therefore its economic development and not necessarily the development of these developing countries.

Hu Jintao’s multi-country visit to Latin America in 2005 was met with much enthusiasm and publicity. At every stop Hu signed various economic aid agreements and agreements for various investment projects. But the lingering question on the mind of pundits was, how much of the promises would really materialize? Miguel Broda of the Estudio Broda think tank highlights an important, yet often overlooked point,

The ultimate loans are unlikely to take the form of direct capital outlays by Chinese companies…[i]nstead, China may offer a ‘tied loan’, at very low interest rates, for projects whose execution is then assigned to Chinese
state enterprises. Some way would have to be found to bypass an Argentinean law that mandates open bidding for state contracts.”

Peter Hakim shows that after Hu’s visit to Argentina and Brazil in November 2004, both countries anticipated significant increases in investments from China. But officials in both countries indicated that these expected investments had not materialized.

In addition to a lack of actual investment projects in Latin America, those that are embarked upon are characterized by an influx of Chinese workers after an agreement has been signed for a particular project. The Chinese project managers prefer to import workers rather than to access the available pool of domestic workers.

Kurlantzick argues that China employs a “maxi-mini” strategy as it relates to its provision of aid. In a quite rational manner, China aims to get the maximum return for the minimum cost. Furthermore, China often opts to provide aid for high-profile projects such as stadiums or parliamentary buildings. This was

256 "Magic or Realism?," The Economist, December 29, 2004.
258 Dreyer, "From China with Love: P.R.C. Overtures in Latin America."
mirrored in the Caribbean. The major contribution that China has made to the Caribbean relates to the building of stadiums that are less costly than infrastructure projects such as roads and schools. Relatively little funds have been provided for infrastructural development or assistance in the provision of health or educational services as promised in the agreements signed with Dominica, Grenada and Jamaica. The next section will more closely examine why Caribbean states have sought closer engagement with China when the net benefits are so limited.

**Question 3: Why do Caribbean states engage with China when doing so does not yield unambiguous economic benefits?**

The three case studies showed that the net benefits accruing from the three states’ interaction with China may in fact be quite low. Table 22 below presents the expected benefits from the increased engagement with China and also highlights the actual costs that have been associated with the Caribbean’s relationship with China.
Table 22. The Costs and Benefits Associated With the Caribbean’s Relationship with China

<table>
<thead>
<tr>
<th>EXPECTED BENEFITS</th>
<th>ACTUAL COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Explicit Neoliberal</td>
<td>Inflow of Chinese Laborers</td>
</tr>
<tr>
<td>Conditionalities</td>
<td></td>
</tr>
<tr>
<td>Speedy Pay-out of Chinese Aid</td>
<td>Widening Trade Deficit with China</td>
</tr>
<tr>
<td>Labor Absorption</td>
<td></td>
</tr>
<tr>
<td>Infrastructural Development</td>
<td></td>
</tr>
</tbody>
</table>

The Expected Benefits Associated with Chinese Aid

The benefits of an intensified relationship with China, as articulated by the interviewees across the three states, were similar. Four key benefits were highlighted: a lack of conditionalities; speedy pay-out of Chinese aid; labor absorption; and infrastructure development.\(^{260}\) I will briefly discuss each point.

*Lack of Explicit Conditionalities*

In relation to the lack of explicit neoliberal conditions, the argument made is that Chinese aid lacks the traditional conditionalities attached to World Bank and IMF loans. This dissertation will, however, argue later in this chapter that the

\(^{260}\) Other benefits were put forward by the interviewees, but the four that are highlighted here are the ones that were consistently provided by almost all the interviewees in Dominica, Grenada, and Jamaica.
lack of conditionalities is really a lack of traditional neoliberal conditionalities and does not imply a lack of all conditionalities.

Taylor argues that after the civil war in Angola, the Angolan government started negotiating a loan with the IMF aimed at placing Angola back on track for economic growth and development. The IMF insisted on the inclusion of transparency and good governance clauses that were aimed at stemming the rampant corruption existing in the Luande government. The Angolan government, however, decided to suspend its negotiations with the IMF after receiving a $2 billion loan from the EXIM Bank of China. The Chinese loans ostensibly lack the onerous conditionalities of the IMF and World Bank. This scenario is also witnessed in the Caribbean as there are no conditionality clauses attached to agreements signed between Chinese and Caribbean government officials.

*Speedy Pay-out of Chinese Aid*

Another advantage of Chinese aid is also that the Chinese government starts construction or pays over funds to the government in a very short period of time. For example, Stephen Marks argues that one positive outcome of China’s explicit omission of conditions is that it can “move faster to produce visible

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261 Taylor, "Unpacking China's Resource Diplomacy in Africa."

262 Ibid.
results on the ground.” Recall that in Dominica, work on the cricket stadium began only 90 days after the signing of the agreement with China. This lack of institutional bureaucracy is a far cry from what obtains with loans from multilateral agencies such as the IMF and World Bank as there is very little bureaucracy and explicit conditionalities to overcome in China’s case.

**Labor Absorption**

As China promises to invest more into these countries, the expected outcome is one of labor absorption wherein the new infrastructural projects would necessitate the employment of workers (both skilled and unskilled) in the production or building process. In the three case studies there was in fact significant employment of Caribbean nationals in the construction of cricket stadiums and roads, but as will be discussed later in this chapter, the labor absorptive potential of Chinese-funded projects was thwarted as there was an influx of Chinese workers employed on these sites.

**Infrastructure Development**

The final benefit that was discussed by interviewees in all three states related to China’s commitment to assist in infrastructural development especially vis-à-vis the building of roads, hospitals, and schools. China has made

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commitments to these states, but these projects have been few. If China does honor its commitment then the Caribbean will be in a better position both economically and socially. The fact is, however, that as with the other three benefits, this benefit has not really accrued as China has made commitments that it has failed to follow through on.

The Actual Costs Associated with Chinese Aid

*Inflow of Chinese Laborers*

One of the primary criticisms of China in Africa relates to Chinese firms importing Chinese laborers. Despite the more favorable agreement, Taylor further points out that this Chinese loan angered many members of the business community in Angola as one condition of the loan was that only 30 percent of the work would be contracted to Angolan firms. The other 70 percent would go to Chinese firms.\(^{264}\) This reality is mirrored across Africa and indeed, across the Caribbean as we have seen in the discussion of Dominica, Grenada, and Jamaica.

While there are no explicit 30-70 provisions, the Chinese companies awarded contracts in the Caribbean region have in all instances imported a high percentage of Chinese laborers.\(^{265}\) In the case of the cricket stadiums in Jamaica,

\(^{264}\) Taylor, "Unpacking China's Resource Diplomacy in Africa."

\(^{265}\) Interviews conducted with Jamaican and Dominican officials.
an Israeli company was hired along with the Chinese company to build the Trelawny stadium and to refurbish the stadium in Kingston. Both companies imported workers and as a result, the employment-creating potential of these projects were thwarted.

The unemployment rate in Jamaica is 10.9 percent, in Dominica it is 23 percent, and in Grenada it is 12.5 percent (see Table 6 in chapter 2). These countries are therefore not short of unskilled construction workers. In fact, in Jamaica construction workers are encouraged to seek work abroad due to the surplus of these workers. As noted in chapter 5, there was one protest involving Jamaican construction workers expressing their displeasure at the influx of Chinese workers and in both Dominica and Grenada, there was public outrage expressed in the press at the use of imported Chinese laborers.

In the Caribbean context, the major explicit conditionalities seen in relation to Chinese loan agreements relate to the awarding of contracts to Chinese companies and the importation of Chinese laborers. These two realities are,

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266 Interview with a member of the Kingston Cricket Club. This individual reported visiting the Sabina Park cricket stadium while it was under renovation and he saw the Israelis in hardhats and the Chinese in straw hats working side by side to build a stadium for a game that neither country played. There are no official statistics available on the number of foreign laborers working on the construction of cricket stadiums across the Caribbean.
however, compounded by the widening trade deficit between the Caribbean and China.

_The Caribbean’s Widening Trade Deficit with China_

Table 23 below highlights the value of imports from China and exports to China between 2001 and 2006. The statistics show that the Caribbean’s trade deficit with China is widening. As these states search for new markets after the loss of preferential access to the EU, China does not represent a real alternative. In fact, Jamaican exports of bauxite represent the majority of the exports to China. As noted in Chapter 4, Grenada and Dominica do not export any products to China, but the imports of Chinese goods is rising at an exponential rate each year. As shown in Table 23 below, the 2006 deficit represents an almost 270 percent increase from the deficit in 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ Value of Exports to China</th>
<th>US$ Value of Imports from China</th>
<th>Percentage Change in Trade Deficit from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$36,351,201</td>
<td>$200,553,703</td>
<td>--</td>
</tr>
</tbody>
</table>

Table 23. CARICOM-China Trade, 2001-2006
<table>
<thead>
<tr>
<th>Year</th>
<th>US$ Value of Exports to China</th>
<th>US$ Value of Imports from China</th>
<th>Percentage Change in Trade Deficit from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$46,824,661</td>
<td>$205,162,059</td>
<td>-3.6%</td>
</tr>
<tr>
<td>2003</td>
<td>$101,341,039</td>
<td>$275,159,800</td>
<td>9.78%</td>
</tr>
<tr>
<td>2004</td>
<td>$169,481,594</td>
<td>$367,764,280</td>
<td>14.07%</td>
</tr>
<tr>
<td>2005</td>
<td>$116,964,490</td>
<td>$492,693,537</td>
<td>89.49%</td>
</tr>
<tr>
<td>2006</td>
<td>$321,964,490</td>
<td>$761,733,016</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: CARICOM Secretariat Database

Given that countries such as Dominica and Grenada do not have any resources that are of vital interest to China, the one area that would serve to close the trade deficit and contribute to improvements in trade performance would be tourism. One much discussed aspect of the China relationship with countries in the Caribbean relates to the granting of Approved Destination Status (ADS). Chinese tour groups must obtain government approval when traveling outside of China and as a result, are only allowed to conduct tours in countries that have been given ADS by the Chinese government. China agreed to grant all states in
the Caribbean that recognized the One China policy and argued that this would be economically beneficial to the Caribbean.

Most Caribbean states are heavily reliant on their tourism sector. This is the case for all the countries under study. The large Chinese population is quite attractive to leaders of these Caribbean states as the Chinese market represents a potentially lucrative source of tourists as over 19 million Chinese tourists travel overseas annually.\footnote{Ingrid Brown, \textit{Jamaica Preparing for Chinese Visitors} (Jamaica Information Service, 2006 [cited April 10 2006]); available from http://www.jis.gov.jm/foreign_affairs/html/20060205T150000-0500_7972_JIS_JAMAICA_PREPARING_FOR_CHINESE_VISITORS.asp.} In fact, the Chinese government lists Approved Destination Status (ADS) as one of the primary advantages of supporting China and the governments across the Caribbean have bought into this thinking.

The reality, however, is that this influx of tourists may not materialize. At present, the Caribbean is not a prime destination for Chinese tourists. In addition, the costs involved in traveling from China to the Caribbean are out of the reach of ordinary Chinese nationals. In order for the expected increase in tourist arrivals from China to accrue, China must continue on its current path of development so that an increased number of Chinese citizens are able to improve their standard of living and to therefore be able to afford Caribbean vacations. The commitment of more Chinese tourists is therefore highly contingent on the continued growth of the Chinese economy, a decrease in the cost and inconvenience of traveling from
China to the Caribbean, and importantly, the successful marketing of the Caribbean to the Chinese populace. It is therefore clear that China’s granting of Approved Destination Status to the Caribbean will not reduce the Caribbean’s existing trade deficit with China.

Why then do Caribbean states engage with China when doing so does not yield unambiguous benefits?

One criticism often espoused in relation to Chinese projects in the Caribbean relates to the lack of transparency in the awarding of contracts and the terms of the agreements signed with the Chinese government and Chinese firms. In an interview with one executive member of the Chamber of Commerce in one of the countries under study, it was revealed that they do not really know the terms of the actual agreements signed between their government and the Chinese government. This sentiment was echoed in interviews conducted across the three Caribbean states.

This would seem surprising in such small insular countries, but this lack of transparency has been a feature of the foreign policies of these small Caribbean states since decolonization. This lack of transparency is in large part a function of the prevailing political system. The Westminster system of government concentrates significant amounts of power into the hands of the ruling political
party and especially the Prime Minister, and this concentration of power results in non-transparent decision-making processes.

The ability of the Prime Minister to control foreign policy has been demonstrated across the Caribbean and this is evident in this exploration of the Caribbean’s relations with China. Skerrit, the Dominican Prime Minister has been accused on numerous occasions of being too secretive. As discussed in chapter 4, the decision to switch recognition from Taiwan to China in 2004 was essentially made by one individual—the Prime Minister. There were no parliamentary discussions and no assessments made by the Ministry of Foreign Affairs. Skerrit made the decision by himself and the members of his own government and the wider population had little power over the decision.

In St. Lucia, after John Compton’s United Workers Party (UWP) indicated that they were considering switching recognition to China the opposition St. Lucia Labor Party tried to get the issue debated in parliament, but the ruling government refused to do so. Given the government’s control of the parliamentary agenda, the opposition party had no way of placing its concerns on the agenda.

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269 Ischyron, *Is It China or Taiwan?*
The details of recent loan agreements signed between Jamaica and China are also not publicly known. As noted in chapter 5, not only are the terms of agreements not debated, but also the projects embarked on are proving to be of limited benefit to the Jamaican people. The construction of the Sligoville and Trelawny stadiums, for example, highlight the fact that the loans are not being channeled to their most productive ends. The nature of the Westminster political system is therefore one important explanation for the Caribbean’s continued interaction with China despite the low net benefits.

There are, however, other possible explanations that also explain the Caribbean states’ seeming pursuit of bad deals with China. One possible alternative explanation relates to the fact that was previously highlighted that China often does not follow through on its promises. The Caribbean states therefore expect more benefits that actually accrue. This was seen in both Dominica and Grenada where promises of hospitals and schools did not materialize.

Another possible explanation for the signing of these less than promising agreements with China relates to a simple time inconsistency dilemma wherein politicians are more concerned about short-run gains and therefore pay scant regard to long run implications that may or may not materialize. Caribbean politicians, and politicians across the world, are often accused of being primarily
concerned with getting re-elected. As such, the short-run political interests of politicians do not necessarily coincide with the long-run interests of the country. This fact is expressly seen in the Caribbean context. The Jamaican example of the Sligoville stadium is one prime example of this. The agreement to build the stadium was primarily aimed at political ends and not the long-run economic development of Jamaica.

Another reason for signing the less than favorable agreements with China is the fact that the Caribbean states have become so dependent on some form of external assistance, whether in the form of direct aid or preferential trade agreements. With the deterioration of both ODA and the general international trading environment, these states are desperate for some external entity to assist in their process of economic adjustment. China is in fact one of only a few countries that is willing to provide developmental assistance to these Caribbean states. It is therefore for this reason that these states do not scrutinize the agreements that they have signed with China.
Question 4: What are the implications of the Caribbean’s strategy towards China for the study of small states in international relations?

Small States and the Levels of Analysis Question

What does the preceding discussion suggest for our general study of small states? Chapters 1 and 2 highlighted the fact that in the political economy literature, small states are often understudied and misunderstood. This discussion has so far pointed to two important features of small states. First, small states are not homogenous. The Caribbean cases highlight this fact quite convincingly as there is some variation in the foreign policy approach depending on the resource endowment of the small state. Second, this study has shown that economic goals are the main drivers of small state foreign policies. There is, however, a third important facet of the small state academic discourse that this dissertation points to, and that is the perennial levels of analysis question.270

Small states have been analyzed at all three of the traditional levels of analysis—system, domestic and individual levels. It was pointed out in chapter 1 that all three levels of analysis are useful in understanding Caribbean foreign policy. The case studies have also made this point clear.

270 For a detailed discussion of the levels of analysis question in international relations see, Singer, "The Levels of Analysis Problem in International Relations." Also see, Barry Buzan, "The Level of Analysis Problem Reconsidered in International Relations Theory," in International Relations Theory Today, ed. Ken Booth and Steve Smith (Pennsylvania: Pennsylvania State University Press, 1995).
Analyses of small states at the system level focus on the extent to which the prevailing international system affects behavior. The argument is that small states because of their lack of power are more affected by systemic realities that are often outside of their control. Changes in the structure of the economic system have had direct effects on the economies of all the Caribbean states and this is precisely the rationale behind their need to adjust. This is also the root of the notion that the foreign policies of small states tend to be reactive in nature. Because of a lack of power and therefore lack of influence in the determination of rules and general power and economic configuration, small states can only adjust to the prevailing order because, for the most part, they cannot exercise control over their international reality.\(^{271}\)

The case studies in this dissertation also point to the importance of state level variables in explaining foreign policy behavior. In particular, this thesis highlights the dimension of the political system. The countries studied have all adopted the Westminster parliamentary style of government and this system leads

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\(^{271}\) Small states at various points have actually pursued foreign policies based on trying to determine the international environment that they must work in. The Jamaican example discussed in Chapter 4 highlights one small country that has tried to alter the prevailing international system. This was the case for numerous small countries during the 1970s and calls for a new international economic order. In more recent years small states have moved towards more emphasis on niche diplomacy where they try to influence international discussions and action in a given issue area that directly affects them. For a more detailed discussion of niche diplomacy see, Andrew F. Cooper, *Niche Diplomacy: Middle Powers after the Cold War* (Basingstoke: MacMillan, 1997).
to some interesting findings vis-à-vis foreign policy formulation. One of the major points highlighted was the lack of transparency in the decision-making process given the fact that the ruling political party had complete control over the legislative agenda.

The Prime Ministers in all three cases were integral to foreign policy decision-making. The only other individuals having any control over the process are members of the Cabinet who are also selected by the Prime Minister. This points to the importance of the individual level of analysis in studies of Caribbean foreign policy. But as might already be clear, the importance of the individual level of analysis really rests on the domestic level of analysis (the political system in this case). It is because the countries being studied adopted a Parliamentary system that the Prime Minister and the Cabinet wield such an inordinate amount of power in such systems.

These case studies therefore indicate that all three levels of analysis give useful insight into Caribbean foreign policy decision-making and their current adjustment strategies. The system level is useful in explaining the constraints facing the Caribbean states. The constraints and need for adjustment come from the reorientation in the international trading system away from non-reciprocal preferences to one where reciprocity and non-discrimination predominate. At the individual level, or level of the actual leaders, this study shows that leaders are
crucial in choosing the adjustment strategy to be pursued. The domestic level or the state level in this discussion related to the political system in the Caribbean. It was demonstrated that the domestic level (political system) allows us to understanding how decisions of leaders are translated into actual polices. This study therefore built on the framework of Katzenstein in employing a multi-level analysis of small state foreign policy behavior.

**ALTERNATIVE EXPLANATIONS**

This dissertation has argued that the prime explanation for the Caribbean’s increased relationship with China is the need for economic adjustment. It was shown in chapter 2 that the Caribbean states have traditionally been dependent on both aid and non-reciprocal trade agreements with developed countries. With the decline in ODA and the loss of preferential access to the European market, Caribbean states are engaged in a process of economic adjustment and their foreign policy is a key tool used in this process. China should therefore be seen as simply one aspect of the Caribbean’s adjustment strategy.

It should, however, be noted that the dissertation not only aimed to provide an explanation for the Caribbean’s increased engagement with China, but it also aimed to explain why we witness foreign policy variation across a seemingly homogenous set of countries. As noted in previous chapters, some
Caribbean states such as Barbados, Guyana and Jamaica have consistently recognized China, while others such as Dominica, Grenada, and St. Lucia have moved back and forth between recognition of Taiwan and China.

The arguments presented in this dissertation can be challenged from several directions, but one possible challenge would be a realist one. Waltz argues that great powers balance and weak states bandwagon. The concepts of balancing—teaming up against a rising power and bandwagoning—jumping on the side of the rising power, are important concepts in international relations, but they do not fit neatly into this analysis. Realists see the increased relationship with China as merely the Caribbean states bandwagoning with the new rising power—China.

This explanation is somewhat valid as the Caribbean states are indeed looking for an alternative to the US’ hegemony in the region and this is seen in their current embrace of Venezuela’s Hugo Chavez and China. The search for an alternative hegemonic power is, however, not the prime motivator in the Caribbean case. In interviews conducted specifically with foreign service officials in the three case studies they consistently noted that their countries had not considered the implications of their intensified relationship with China for their current relationship with the US. They admitted that challenging the US’

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hegemonic dominance in the region is one underlying motivator, but the primary goal especially in Dominica and Grenada was to get developmental assistance and not to challenge the US.

The bandwagoning argument predicts a similar outcome as the explanation proffered in this dissertation. Both arguments would predict that Caribbean states would increasingly engage with China. The difference, however, is that the bandwagoning argument cannot really explain why some Caribbean states would choose to recognize Taiwan and not China. China is the rising superpower—not Taiwan. As noted before, some states in the Caribbean recognize Taiwan and many actually switch between recognizing China and recognizing Taiwan. The bandwagoning argument cannot explain why this foreign policy variation is seen.

In a similar realist vein, critics could also argue that the argument presented in this dissertation is simply one where the Caribbean states are merely seeking more power in the international system. Small states do not have the capabilities to alter the existing international order and are therefore seen as mere pawns. In their international economic relations, realists argue that they will, much like every other state, pursue a strategy of relative gains.
Krasner in fact sees the weak developing countries’ attempt at establishing a NIEO in the 1970s as a relative gains strategy aimed at catching up with the stronger, more developed states.\textsuperscript{273} In fact, Krasner argues that the concept of sovereign equality where each state, regardless of size, power, or wealth has a vote equal to all other countries, serves to magnify the power of small states. China is indeed aware of the idea of sovereign equality and, as was demonstrated in chapter 3, a key goal of China is to garner Caribbean votes in international bodies. Krasner is correct in arguing that sovereign equality increases the power of small states, but his analysis does not adequately explain the variation seen in foreign policy behavior across different Caribbean states. In the Caribbean context, traditional power-seeking behavior is largely absent from their foreign policies.

Along similar lines, Lake argues that the NIEO was a “part of a larger class of mercantilist strategies employed by various countries at particular moments in history to redress politically important economic imbalances.”\textsuperscript{274} He argues that the NIEO was not a challenge to capitalism, but instead was a movement aimed at allocating more of the benefits of the existing international trading and economic system to developing countries. Lake further concludes

\begin{itemize}
\end{itemize}
that, state goals should be equated with the pursuit of economic power.\textsuperscript{275} Lake therefore argues that a key aim of the NIEO was the facilitation of more capital inflows into developing countries and this would prove useful in diversifying these economies and would ultimately result in a mitigation of their economic vulnerabilities. Extending this argument to the Caribbean states seems quite plausible as attracting aid and capital inflows from China can be seen as an attempt to not only close the gap with developed states, but also to reduce the vulnerabilities accruing from their small size.

Again, the problem with this argument is that the actions of the Caribbean states and the interviews conducted do not show this as a motivator in the Caribbean case. The Caribbean states are indeed seeking economic gains, but they are not thinking in terms of relative gains. As has been demonstrated throughout this dissertation, the Caribbean states are primarily engaged in a policy of economic survival and their foreign policy is one that is geared towards surviving and not maximizing economic power. The game that Caribbean states are engaged in is therefore not a relative gains or zero-sum one, but is simply about absolute gains and the achievement of economic prosperity.

Another alternative explanation could be that the increasing engagement with China is linked to a lack of interest on the part of Western industrialized

\begin{footnotesize}
\footnote{\textsuperscript{275} Ibid., 228.}
\end{footnotesize}
countries since the end of the Cold War. This argument actually fits into the analysis provided. The decline in ODA to Caribbean states means that they have to find new donors. China represents one such donor. This explanation could also explain why Taiwan is also engaged with as it could be argued that Caribbean states are simply trying to gain as much assistance as they can and they choose between China and Taiwan based on an evaluation of which country would provide the most assistance. This seemingly strong argument relating to the lack of interest of the West cannot, however, explain why some of these states do not vacillate between recognition of Taiwan and China. Guyana is just as in need of assistance as Dominica, but Guyana has remained consistent in its recognition of China and Dominica has not.

There are therefore several possible competing explanations for the Caribbean’s increasing engagement with China, but they all exhibit some problems. This dissertation was aimed at showing both the reason for the increased engagement and the reason for the variation in foreign policies seen. The alternative explanations presented here are more useful in explaining the increased engagement, but they cannot adequately explain why the approach to China varies across these Caribbean states.
This chapter has demonstrated that natural resource endowment is the key variable explaining the variation in foreign policies seen in the Caribbean vis-à-vis China. Dominica and Grenada are both lacking natural resources that are of interest to China and this results in their focusing on their sovereign resources and the concomitant rights of voting and recognizing other states. This focus on using their sovereignty means that their foreign policy is more based on economic gains and the primary way to gain economically from the relationship with China is to sell their votes and their recognition. The discussions in chapter 4 showed that in both cases it is therefore evident that they will continue to play the diplomatic game of switching recognition between China and Taiwan with a view to gaining the maximum level of aid and investment that is available.

In terms of the limited net benefits, it was shown that the implicit conditionalities attached to Chinese aid are the major reason for these low net benefits. This situation is exacerbated by the nature of the domestic political systems in the Caribbean. The argument presented is therefore that the intensified relationship with China is pursued (despite these low net benefits) because of the nature of the domestic political system which results in a non-transparent pursuit of agreements with China and the lack of both Parliamentary and public debate relating to the details of the agreements signed with China. Other factors such as time inconsistency wherein the short-run benefits are privileged and the fact that
China is one of only a few countries that are providing aid to the region are also contributors to the signing of agreements that provide limited net benefits.

The cases discussed therefore highlighted some interesting aspects of the foreign policies of a group of small states. The discussion shows that analyses of small states are in fact much more complex than a cursory evaluation would reveal. The next chapter will point to some important extensions of the discussion provided in this dissertation.
CHAPTER 7
CONCLUSIONS

The aim of this concluding chapter is to enunciate the major findings emanating from this study and to point to possible extensions of this work. As highlighted in the introduction, one of the primary aims of the dissertation was to explain the variation seen in the three Caribbean states’ approach to China. The three Caribbean states selected are seemingly homogeneous entities with similar political systems, history, geographic location, and vulnerabilities. Dominica and Grenada have both switched recognition between China and Taiwan, but Jamaica has remained consistent in its recognition of China since 1972. This dissertation posits the argument that in order to understand this foreign policy divergence, one must focus on the resource endowment of these countries.

Jamaica has a significantly wider natural resource base than Dominica and Grenada, and in addition, Jamaica has bauxite, which is of strategic importance to China. This dissertation, however, did not limit the discussion of resources to merely natural resources. The idea of sovereign resources was introduced primarily because the states that are less endowed with natural resources can use their sovereignty for some economic gain.
In addition to highlighting the importance of resource endowment for foreign policy decision-making, this dissertation provides important insight into the nature of small state foreign policies. All the Caribbean states are small, and all have identified their small size as an important impediment to the attainment of economic growth and development. This argument is linked to the vulnerabilities that are associated with small size. Chapter 1 showed that the empirical evidence does not support the premise that small states are inherently disadvantaged, as they tend to perform quite well across a broad range of economic indicators. In addition, Table 3 (provided in chapter 2) showed that most of the Caribbean states have a higher HDI rank than China and in fact perform better than many other developing countries. Despite evidence to the contrary, these states have a foreign policy based on the underlying premise that their survival rests on access to trade concessions and aid from other countries.276

The relatively high HDI rank does not, however, in any way detract from the basic argument that the Caribbean economies are currently facing potential economic crises as they have lost access to the preferences previously available under the Lomé Conventions and are trying to adjust to the changing international economic realities. Having lost their guaranteed market, they are vociferously

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276 The existence and implications of this ‘small state mindset’ is a crucial topic that should be discussed in future small state analyses.
trying to find new industries to enter and new partners to trade with. The increasing engagement with China is therefore in large part a component of their repositioning strategy.

Caribbean Repositioning and the Role of China

As noted in chapter 1, the economic situation in the Caribbean has changed significantly over the last ten years. In the past, Caribbean states were accustomed to significant allocations of aid,\textsuperscript{277} preferential access to European and US markets, and a general acceptance that small size brought unique challenges that necessitated some concessions from developed states. In addition, there was general consensus--and an international acceptance—that small island developing states (SIDs) faced even more vulnerabilities, in large part due to their susceptibility to natural disasters and ecological changes.

Consistent with Jackson’s depiction of quasi-states’ dependence on external assistance and aid, the economic performance and survival of Caribbean states have always been linked to access to external assistance. As this external assistance started to diminish and the international trading system became one

\textsuperscript{277} Jackson, \textit{Quasi-States: Sovereignty, International Relations and the Third World}. 
more solidly predicated on the principle of reciprocity in trade, the 1990s became a period of rethinking the Caribbean’s place in the prevailing international economic and political system.

Richard Bernal, CARICOM’s lead negotiator, argues that in view of pressures from globalization and the dictates of neoliberal institutions such as the IMF and World Bank, Caribbean states must embark on a strategy of “strategic global repositioning.” For Caribbean states this strategic global repositioning is,

The process of repositioning a country in the global economy by implementing a strategic plan. Such a plan is designed to consolidate and improve existing production while reorienting the economy by creating new types of economic activities. In most small developing countries, this means structural transformation, not structural adjustment.”

Bernal’s argument for a transformation or the need for some type of repositioning is accepted across the Caribbean. All the Caribbean states studied in detail in this dissertation have embarked upon economic diversification projects aimed at moving away from the heavy dependence on agricultural exports and the fragile tourism industry. In addition, all three countries have commissioned studies aimed at evaluating the usefulness of their foreign policy with respect to gaining economic development.


279 Ibid.
For Bernal, the process of strategic global repositioning includes envisioning new development perspectives, macroeconomic stability, improving competitiveness and productivity, modernizing international marketing, and forging strategic corporate alliances. These points are all relevant, but I would also add to Bernal’s list the importance of the strategic restructuring of the foreign policies of Caribbean states. This has in fact been one key area where strategic repositioning is most evident and as has been documented throughout the thesis, the increasing relationship with China is in fact a key aspect of the foreign policy repositioning of Caribbean states.

China is Primarily Seen as a Possible Agent of Aid and Thus Adjustment

China, in the view of the countries studied, is not simply seen as another country with which to have diplomatic relations or merely another trading partner. As highlighted especially in the cases of Dominica and Grenada, both states lack natural resources that are of interest to China. Both Dominica and Grenada are seeking a new source of aid to compensate for the shortfall witnessed since the end of the Cold War.
As highlighted earlier, the Jamaican case is a bit more complex. Jamaica does in fact possess a traditional natural resource that is of interest to China and the country is quite willing to supply China with this commodity. The expansion in bauxite mining will have a positive effect on the economy and is contributing significant amounts to the GDP of the country. This increase in mining exports is actually compensating for the sharp decline in agricultural exports emanating from the loss of preferential access to the EU market.280

Discussions with numerous Jamaican officials interviewed point to the fact that the island is engrossed in what is popularly known as “China-mania.” The government is in constant dialogue with the Chinese representatives on the island and several government agencies are using Chinese assistance to fund numerous development projects (See Chapter 3). The relationship with China is thus seen as an important component of the development strategy of the Jamaican government.

Extensions of this Analysis

Table 2 presented in the Introduction pointed to the most obvious extension of this analysis—an extension to all English-speaking Caribbean states. As noted at that point, a cursory look at the other Caribbean states reveals that the

280 Interview conducted with a Jamaican economist.
pattern of their relationship with China is similar to that of the three case studies. It would therefore be useful to extend this framework to these additional countries. This dissertation, however, also points to other important areas of extension. Two possible extensions of this work relate to first, the nature of the conditionalities attached to Chinese loans and aid and secondly, to the implications of Caribbean’s increased engagement with the China for the Caribbean’s relationship with the US.

Chinese Conditionalities

The preceding chapter demonstrated that there are implicit conditionalities attached to Chinese aid and loans and other chapters provided evidence of this as well. In most instances these are not explicitly placed into the contracts, but there does exist an implicit assumption that Chinese firms will be contracted and that in many instances, Chinese laborers will also be imported. This importation of workers when there is already a stark unemployment problem serves to thwart the real benefits emanating from these signed agreements. This realization is not restricted to the Caribbean and this discussion has highlighted the importance of examining the true nature of Chinese developmental assistance across the developing world.

As such, an important extension of this discussion would be both deeper analysis of the nature of these implicit conditionalities and a more in-depth
examination of the actual spillover effects of these loans. This type of analysis would have to address the importance of the political system in determining foreign policy objectives. This dissertation has shown that the nature of the political system in the Caribbean is to a large extent non-transparent and anti-democratic with the opposition leaders and the general public being unaware of the details of Chinese loan agreements. This analysis of the domestic foundations of foreign policy behavior can be extended to other small states in other regions to better assess whether or not China’s engagement actually produces net benefits in developing countries.

The reality is that these lack of spillovers are evident in Latin America and parts of Africa—areas that do not have the Westminster political system. Further research is therefore necessary to identify the specific political and economic structures and institutional framework that allows for a similar result in these countries.

In a similar vein, additional research is necessary in relation to the notion of implicit conditionalities. As noted in chapters 3 and 6, China often describes itself as an aid donor that is fundamentally different from the IMF or World Bank. China argues that their aid comes sans conditionalities such as fiscal austerity and economic liberalization. But this dissertation has demonstrated that there are indeed implicit conditions attached to Chinese aid and loans such as the
importation of Chinese laborers. Further research across the developing world is necessary to identify the range of implicit conditionalities that are attached to Chinese aid.

The other pertinent extension relates to the idea of great power rivalry in the Caribbean. The US is the leading power in the region, both at the economic and military levels. The rise of China as an aid donor and trading partner can possibly result in a return to the great power rivalry witnessed during the Cold War. The extent to which this possibility exists is of importance to the Caribbean and will have implications for the Caribbean’s relations with the US.

*Great Power Rivalry in the Caribbean*

The implications of the evolving relationship between Caribbean states and China for the Caribbean’s relations with the world superpower and neighbor—the United States must be addressed. In 2005 the construction of the largest port in the Americas was completed in the Bahamas. The port construction was contracted to Hutchison Whampoa (a Chinese company), which is the same company that is currently controlling the Panama Canal. Hutchison Whampoa not only built the Bahamas port, but is also currently managing it, and the company also owns one of the main airports in the Bahamas. The port is important as it is close to the US east coast and has the capacity to handle more freight than any
other port in the region. The expected traffic through this port will provide the Bahamas with significant amounts of revenue.

The Bahamas’ relations with China is very interesting and is a good point to start future discussions of the implications of the Caribbean relationship with China for the US. The US has in numerous fora shown its displeasure at a Chinese company operating the Panama Canal. In addition, the US government believes that the Company has ties with the Chinese military and is in fact a front for the military.\(^{281}\)

In spite of the US’ concerns about the Chinese company, in early 2006 the US awarded Hutchison Whampoa a no-bid contract to operate a US radiation detector used to scan freight destined for the US. This action set off a mini-firestorm in the US because of the company’s ties with the Chinese military and the fact that this particular company had important interests so close to the US.\(^{282}\) The fear was that the company could engineer the shipment of dangerous weapons and chemicals into the US that could then be used by terrorists.

This incident is the first time that the US has shown much interest in relation to a Caribbean state’s increasing relations with China. It is quite possible


\(^{282}\) Ibid.
that as the relationship deepens, the US will become an important consideration when discussing Caribbean-China relations.

In fact, David Jessop, the director of the Caribbean Council in Britain, argues that China’s emergence in the region is a direct result of a vacuum left by the US and Europe. Jessop argues that,

In taking forward an Americas policy, China has stepped into a near vacuum. Both North America and Europe through disinterest, benign neglect and more recently as a result of newer global priorities have marginalized the Caribbean and, to an extent, even Latin America from their strategic thinking. Both Europe and the United States remain curiously silent about developments that suggest that the long-term strategic balance of power in the Americas is changing, if, as seems likely, Brazil continues to prosper and China emerges as a super power to rival the Unites States.**283**

Jessop’s discussion of the neglect of the region and China’s role in filling that void is also seen in Peter Hakim’s discussion of the new alliance formation developing in Latin America and the Caribbean with respect to China. He argues that since 9/11, the US has lost interest in the region and the little attention shown to the area, “has been sporadic and narrowly targeted at particularly troubling or urgent situations.”**284**

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284 Hakim, "Is Washington Losing Latin America?"
Hakim further notes that in recent years the region’s support for the US has diminished significantly. In fact, of the 34 countries in Latin America and the Caribbean, only seven supported the ongoing War in Iraq. In addition, the US is a bit perturbed by the fact that no government has been willing to join in the US’ denouncement of Chavez.\footnote{Ibid.}

It is therefore evident that the increased engagement between China and countries in the US’ backyard have become an area of concern for some in the US government. Charles Shapiro, the Principal Deputy Assistant Secretary of State for Western Hemisphere Affairs in a presentation to the US Senate outlines much of the prevailing negative perception of China in the US. Shapiro, however, in effect dispels the China threat thesis pointing out that Chinese investments to Latin America and the Caribbean only totaled US$8.3 billion, arguing essentially that China’s role is actually quite limited.\footnote{Statement by Charles S. Shapiro before the Senate Subcommittee on the Western Hemisphere, Peace Corps, and Narcotics Affairs, September 20, 2005.} The major area of concern related to military contacts. Military officials from China are increasingly visiting Latin America and military personnel in Latin America are increasingly viewing China as an alternative training site. Shapiro notes that the US is closely following the military exchanges and will try to ensure that the contacts do not undermine
democracy in Latin America and do not facilitate the flow of arms to rebel groups that may threaten security in the Americas.²⁸⁷

What Shapiro fails to point out is that the move towards closer military contact between China and Latin American and Caribbean states was a direct offshoot of US actions. In 2002 the US passed the American Service Members Protection Act. This Act resulted in an end to US military aid to 12 Latin American countries because of their refusal to sign an exemption for US military personnel from the jurisdiction of the International Criminal Court.²⁸⁸ Latin America and the Caribbean’s courting of China for military support is therefore directly a result of US actions.

Shapiro, however, concludes with an optimistic outlook of Chinese engagement with Latin America and the Caribbean. He argues that there can be positive results from China’s engagement with the region, as it will result in China becoming a stakeholder in the prevention of terrorism, transnational crime, and counternarcotics.²⁸⁹

²⁸⁷ Ibid. For another discussion of military contacts between Latin American and China see, Dreyer, "From China with Love: P.R.C. Overtures in Latin America." Also see, Florencia Jubany and Daniel Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective," (FOCAL, 2006).

²⁸⁸ Jubany and Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective."

²⁸⁹ Ibid.
In the Caribbean, the countries studied are not really using China as a foil against the US. In fact, in interviews conducted across the Caribbean officials made it clear that their actions were based on economic expedience and in no way reflected a desire to alter the prevailing geopolitical reality. There is, however, some danger to this increased relationship with China, and this must be studied in greater detail.

**FINAL SUMMATION**

This dissertation has shown that the foreign policies of small states are not unproblematic. Small state foreign policies are diverse, complex, dynamic and active. There are in fact differences in the approaches to and actual foreign policies pursued by even an ostensibly economically and politically homogenous group such as the Caribbean states. The decision to increasingly engage with China is not simply about bandwagoning with China or following the lead of other Caribbean states; the decision is actually rooted in the economic adjustment of Caribbean states.

The case studies have also pointed to significant disadvantages or limited benefits associated with Chinese loans and investments. The identified disadvantages relate to the widening trade deficit, the awarding of contracts to Chinese firms, and the importation of Chinese workers. These disadvantages are
not addressed because of the secrecy involved in the signing of agreements and the power wielded by the Prime Minister and his Cabinet in making these decisions.

Vaughan Lewis makes the case that, “Caribbean policy makers have tended to depend on the empathy of ‘external others’ for supporting the means of riding out structural economic shocks, seeking to an extraordinary extent goodwill or ‘bankable assurances from others.”290 This dependence on external assistance is a consistent component of Caribbean existence and China represents the newest stage in this process.

It is imperative that Caribbean states use the benefits accruing from this intensified relationship with China to their advantage. The problem is that their adjustment strategies and foreign polices—consistent with other small states—is highly ad hoc and reactive. Across the Caribbean, regional leaders have not assessed the potential benefits and costs associated with this interaction with China and as a result, they have been unable to develop strategies to mitigate against some of the costs relating to the relationship.

In order for the relationship with China to be of more benefit to the Caribbean states, each country must spend more time analyzing the substantive gains that have already accrued and the factors that have limited the attainment of other potential benefits. The relationship with China must therefore be better managed and closer attention must be paid to the net benefits of this engagement with China, if it is to truly benefit these small Caribbean states.
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CARIBBEAN-CHINA RELATIONS: FOREIGN POLICY AND SMALL STATE ECONOMIC ADJUSTMENT

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Doctor of Philosophy

by
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In recent years the relationship between Caribbean states and China has intensified. This dissertation argues that the Caribbean’s increased engagement with China is an important component of their economic adjustment strategy that was necessitated after changes in the orientation of the international economic system that they must operate within, particularly in relation to the loss of trade preferences and the sharp decline in official development assistance.

Despite the seemingly homogenous nature of these Caribbean states there is in fact significant foreign policy variation seen vis-à-vis engagement with China. Some Caribbean states have consistently recognized China, while others have vacillated between recognition of China and Taiwan. The source of this variation lies in differences in endowment of resources that are of strategic importance to China. The more resource-endowed countries demonstrate more foreign policy consistency while the resource-poor countries have exhibited a less consistent foreign policy towards China.

The dissertation also explores the extent to which the relationship with China is beneficial for these states. It will be shown that despite the lack of explicit conditionalities accompanying Chinese aid and loans, there are important implicit conditionalities such as the awarding of contracts to Chinese firms and
the importation of Chinese laborers that thwart the potential benefits accruing to Caribbean states from this relationship with China.