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CHINA'S ROLE IN LATIN AMERICA AND THE CARIBBEAN:
REPORT 2 OF 3

September 2022

CHINA'S ECONOMIC AND POLITICAL ROLE IN THE CARIBBEAN AND CENTRAL AMERICA

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LIST OF ACRONYMS

BES	Bonaire, Sint Eustatius, Saba
BRI	Belt and Road Initiative
CARICOM	Caribbean Community and Common Market
CAS	Curaçao, Aruba, Sint Maarten
CCP	Chinese Communist Party
CDB	China Development Bank
CELAC	Community of Latin American and Caribbean States
CI	Confucius Institute
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Company
DSR	Digital Silk Road
EU	European Union
Ex-Im Bank	Export-Import Bank of China
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GZE	Guangdong Zhenrong Energy
IMF	International Monetary Fund
KNL	Kingdom of the Netherlands
LAC	Latin American and Caribbean
MoU	Memorandum of Understanding
OAS	Organization of American States
PLA	(Chinese) People's Liberation Army
PDVSA	<i>Petróleos de Venezuela, SA</i>
PRC	People's Republic of China
SEZ	Special Economic Zone
SGC	Shanghai Construction Group
SOE	State-Owned Enterprises
TAIPEI Act	Taiwan Allies International Protection and Enhancement Initiative Act
UN	United Nations
USD	US dollar (in the report we use \$ throughout)
WTO	World Trade Organization

EXECUTIVE SUMMARY

This is the second report in a series of three studies into the economic and political influence of China in Latin American and the Caribbean, and the implications for the region's relations with Europe and the US.¹ The report presents the findings of our research about the Chinese presence in the Caribbean Basin: the Caribbean and Central America, including the Caribbean coast of South America and the Guyanas. This region, strategically located between North and South America, has always held great geopolitical significance. Central America and the Caribbean are home to half of the fourteen countries that still hold official diplomatic relations with Taiwan, whereas seven other countries ended their ties with Taipei since the turn of the century. Besides the economic interests that the People's Republic of China has in the region, its One China policy has been an undisputed driver of the intensification of relations. Assessing the role of Chinese actors in the region therefore requires attention on the relationship between economic and political drivers. This report also pays attention to the Caribbean countries of the Kingdom of the Netherlands.

In Central America and the Caribbean, the increasing presence of Chinese state and non-state actors has provided the region's countries with alternative sources of loans and investments and thus allowing them to counter-balance traditional European and US hegemony. US political and military influence has been waning in recent decades. Although remaining the dominant power in the region, the US can no longer unilaterally impose its will. The same is true for the European colonial powers, which are still very present in the Caribbean but have seen their position gradually weakening because of the region's anti-colonialism. Some sectors in the US and Europe feel threatened by the increased presence of China in the Caribbean Basin, but they do not have a clear strategy, nor make available the resources to counter this presence (chapter 2).

The US and Europe continue to be the region's main trading partners and the Chinese presence is less important than in the larger countries in Latin America. The trade figures of the Caribbean Community and Common Market (CARICOM) show an ongoing dominance by the US, and to a lesser extent Europe. As an export destination, China in 2020 represented 10.6 per cent, compared to 13.8 per cent for the EU and 40.3 per cent for the US. Some countries – such as Jamaica (\$2,100 million), the Dominican Republic (\$600 million) and Suriname (\$580 million) – received large Chinese loans. In others, Chinese investments were significant: Guyana (\$1,670 million), Jamaica and Trinidad and Tobago (each \$1,170 million). Yet in other countries, Chinese economic presence was less important (chapter 3).

China's economic relations with Central America and the Caribbean have developed predominantly through bilateral and market channels. Access to resources continues to play an important role, traditionally focused on mineral resources, but agrarian commodities are also important. Today, Chinese investments mainly consist of infrastructural projects, building hotels, government buildings, airports and convention centres, etc. China's engagement in other sectors, such as electricity generation and distribution, energy transition, telecommunication and digital technologies, is less prominent. The small

¹ The three reports can be accessed at <https://www.cedla.nl/china-lac>.

size of many countries in the region means that one or two larger-scale Chinese projects can already have important consequences and visibility, both economic and politically. Chinese economic activities do not exclusively focus on countries that have signed onto China's Belt and Road Initiative (BRI) or on 'authoritarian' regimes. For example, China has a free trade agreement (FTA) with Costa Rica, making this country and Panama the most important economic partners in Central America.

Many countries in the Caribbean Basin have benefited from Chinese investments and loans in recent decades. These have enabled Caribbean and Central American countries to initiate or complete important works of construction and infrastructure, and they have done so generally without falling into a 'debt trap'. Only the future will tell how this debt relationship will work out and who is going to gain most. This general positive macroeconomic assessment of the Chinese presence in the Caribbean Basin should not, however, close our eyes to some serious problems with Chinese investments and loans. Existing research on Chinese loan contracts and practical experience on the implementation of such contracts debunk the myth of 'debt traps' designed to seize physical infrastructural assets. Nonetheless, Chinese creditors have grown wary of the risks of default and their contracts tend to contain strict safeguards to mitigate such risks. Often, they also try to reject the Paris Club as the negotiating body. The negotiations on Chinese loans and investments are notorious for lacking transparency and accountability. As such, they have negative consequences for institutional transparency, because they hardly allow monitoring from civil society and political groups. This is also an obstacle to a level playing field that allows other contenders to compete. Even when dealings seem to have been fair and honest, this situation creates constant narratives of corruption and nepotism within the involved societies.

With a large number of small nations that traditionally recognized Taiwan, China's One China agenda has been a very important driver in the region. Through assertive engagement, China succeeded in turning round the allegiance of seven countries during the period 2001–2021. This had consequences for the region's geopolitical relations, but also for multilateral politics. China's successful COVID-19 diplomacy during the first phase of the pandemic has supported China's reputation and influence in the region. National experiences with Chinese engagement differ greatly, however, and the One China policy clearly played an important role here. Countries like Panama and the Dominican Republic were generously rewarded for shifting their allegiance from Taiwan towards China (chapter 4). The latest country to shift allegiance is Nicaragua, which led to an intensification of relations with China, bolstering Nicaragua's autocratic regime (Box 2). China's success in shifting the region's allegiance away from Taiwan and in favour of the One China policy has considerably improved its clout in the region (and in multilateral fora). Regional reactions to China's presence are influenced by a history of European colonialism and US hegemony in the region. The US is without any doubt the dominant power in the region, but US policies have been inconsistent in recent decades and regional perceptions continue to be antagonistic to US dominance.

In one way or another, most of the issues mentioned above are also present in the CAS islands (chapter 5). The only real exception is the One China policy, which is not an issue because of the islands' foreign policy connection to the KNL. For the rest, debates around the benefits and risks of Chinese investments and loans, and about how to shape their set-up and conditions to better serve public needs, also refer to these islands. The same is true for the lack of transparency of negotiations between Chinese companies and the local authorities, which tend to provoke suspicion, distrust and resistance.

The US continues to be the economic and political superpower in the region. In this context, China's increasing presence is creating new and contentious relations with the US. China has acted quite cautiously in the Caribbean Basin. Despite being focused on crucial sectors such as infrastructure and energy, Chinese loans and investments have not been used to challenge openly the geopolitical status quo of the region. China only acts assertively (and with success) in its One China policy. This led to the Trump administration's push-back legislation in the form of the so-called TAIPEI Act (Taiwan Allies International Protection and Enhancement Initiative) in 2020, which aimed at defending Taiwan's few remaining allies from Beijing's advances by threatening punitive measures for diplomatic switching. This was a clear sign of the region's increasing geopolitical competition.

The Caribbean Basin is facing a number of security risks. Most of these risks are not directly caused or aggravated by the Chinese presence, but it may in some instances add an extra dimension to specific security issues. Some countries with explicitly anti-American regimes, like Cuba and Nicaragua, try to foster strong relations with China because they are cut off from traditional sources of finance and support. This situation is not very important in an economic respect, but presents new geopolitical and security challenges. More directly, Chinese construction of strategic infrastructure and digital infrastructure can have potential security risks and geopolitical consequences. Chinese military presence in the region is still very limited, but it will be important to monitor the potential military (geo)political consequences of this presence in the region.

The conclusions of the report are followed by ten recommendations for the EU and the KNL.

1 INTRODUCTION

There is no doubt that Chinese influence in the Caribbean Basin – the Caribbean and Central America, including the Caribbean coast of South America and the Guyanas – has been increasing in recent decades, but its expressions are quite different from those in the larger Latin American countries. In Report 1, we highlighted clear patterns of Chinese engagement in South America and Mexico, characterized by an overwhelmingly commercial rationale and a focus on natural resources (since the early 2000s) and infrastructures and connectivity (since 2013).² In contrast, this second report shows that China's relations with Central America and the Caribbean are more complex and variegated because of the region's extreme diversity. The varied historical colonial ties that linked (and continue to link) the region's twenty countries and fifteen dependent territories to Europe and the US have led to a diversity of languages, political regimes, ideological preferences, geopolitical alliances and economic structures.

The Caribbean Basin has always had great geopolitical significance. Historically, this was the region through which European incursions in South America took place. The slave-based plantation economies that were imposed in the Caribbean generated enormous wealth for European empires, becoming a crucial economic element of the development of capitalism in Europe.³ In the early twentieth century, Central America and the Caribbean became the linchpin of US imperialism, with several US military interventions and occupations in what the US considered its 'back yard'. When cracks appeared in this dominance, starting with the Cuban Revolution in 1959, the Caribbean became a region where different world powers tried to acquire a foothold through economic ties or support for politically friendly regimes. Connecting the Atlantic and Pacific Oceans, the region hosts one of the world's most crucial commercial routes: the Panama Canal. This has placed the region at the centre of geopolitical rivalries, a source of both opportunities and risks. Today, Central America and the Caribbean are also a bridge connecting the US with the larger countries in South America. Apart from becoming an attractive tourist destination, it has also become a battlefield for migration, as well as for human- and drugs-trafficking. The region is closely linked to two conflictive South American countries – Colombia and Venezuela – and has often become involved in their complex geopolitical dealings.

Crucially for this study, Central America and the Caribbean are home to half of the fourteen countries that still hold official diplomatic relations with Taiwan: Belize; Guatemala; Haiti; Honduras; St Kitts and Nevis; St Lucia; and St Vincent and the Grenadines. Meanwhile, the following have cut their ties with Taipei since the turn of the century: Dominica; Grenada; Costa Rica; Panama; the Dominican Republic; El Salvador; and, very recently, Nicaragua. Therefore, besides the various economic interests that the People's Republic of China has in the region, its One China policy has been an undisputed driver of the intensification of relations. In addition, the region's large number of nation-states gives Central America

² Hogenboom, B., Baud, M., Gonzalez-Vicente, R. and Steinhöfel, D. (2022), *China's Economic and Political Role in Latin America* (China's Role in Latin America and the Caribbean, No. 1), Amsterdam: CEDLA-UvA. The three reports in this series on China's role in LAC can be accessed at <https://www.cedla.nl/china-lac>.

³ Williams, E. (1944, repub. 1984), *From Columbus to Castro: The History of the Caribbean*, New York: Vintage Books.

and the Caribbean a relative prominence in the United Nations General Assembly that surpasses their otherwise limited economic and geopolitical standing in world politics, given how the one-country, one-vote system of representation benefits smaller countries. The way in which China's diplomacy taps into this capacity to influence and to gain diplomatic support in multilateral fora such as the UN General Assembly and various UN agencies, has been a source of concern for many governments in the West.⁴

While there are several unknowns about the extent, relative importance and nature of Chinese influence in the Caribbean Basin, a few things are clear:

1. We are faced with small and sometimes very small economies where even relatively limited or isolated Chinese projects or interventions can have large societal and economic impacts. The region's small and very small countries tend to have smaller bureaucracies with limited capabilities and therefore are potentially vulnerable to clientelist politics and economic or financial pressure.
2. Contrary to the case of continental Latin America, the massive export of mineral and agricultural commodities is not the most important driver for Chinese interests in the region. In a limited number of countries, mining and fishing are relatively important sectors, but the Chinese economic presence in the Caribbean Basin is mainly visible in the field of infrastructure and construction.
3. Because Central America and the Caribbean concentrate half of the countries worldwide that continue to hold diplomatic relations with Taiwan, the region has been at the epicentre of diplomatic competition between China and Taiwan. Bernal even writes: 'understanding the extent of China's economic presence in the Caribbean is inseparable from the rivalry between the two nations'.⁵
4. The region has historically been shaped by European and, especially, US economic and geopolitical interests. The increasing Chinese presence should therefore be analysed in close connection with the historical process of decreasing dominance of Western (neo-)colonialism and imperialism.
5. Several countries have historically established Chinese–Caribbean communities. These communities usually have little to no involvement with the new PRC-related economic or political activities, but in political and popular perceptions, they are sometimes connected to them.⁶

In the context of these general characteristics, great diversity exists. Central America and the Caribbean contain not only different economic models, ranging from the export of natural resources, through economies with a manufacturing base, to worldwide tourism destinations, but they also present a mix of high-, mid- and low-income economies. Some have traditional cordial relations with China, others

⁴ Feltman, J. (2020), *China's Expanding Influence at the United Nations – And How the United States Should React*, Global China series, Washington: Brookings Institution, September. Currently, Chinese officials head four of the UN's specialized agencies, p. 1.

⁵ Bernal, R.L. (2014, revised edition 2016), *Dragon in the Caribbean: China's Global Re-dimensioning – Challenges and Opportunities for the Caribbean*, Kingston: Ian Randle Publishers.

⁶ For Suriname: Tjon Sie Fat, P.B. (2009), *Chinese New Migrants in Suriname: The Inevitability of Ethnic Performing*, PhD dissertation, University of Amsterdam/Vossiuspers; and Tjon Sie Fat, P.B. (2014), 'Old and New Chinese Organizations in Suriname', in: Zhang, J. and Duncan, H. (eds), *Migration in China and Asia: Experience and Policy*, Dordrecht, Heidelberg, New York and London: Springer, pp. 189–206.

have very recent ties with China, while seven states do not even officially recognize the People's Republic of China. Relations with the imperial or post-colonial Western powers have also varied. Some French- and Dutch-speaking territories still hold formal political ties with France and the Netherlands; Puerto Rico has developed a similar position as a territory of the US. The English-speaking West Indian islands have maintained more or less close relations with the United Kingdom and the Commonwealth in general, but de-colonial tendencies continue, as is clear with the changes in the Dutch Caribbean in 2010 and Barbados's recent move towards becoming a republic (with Jamaica considering a similar move). Meanwhile, Cuba takes a separate position altogether, and, since the collapse of the Soviet Union in the 1990s, China has become Cuba's second largest trading partner (after Canada) and its single largest source of technical assistance.⁷ Recently, the autocratic Ortega regime in Nicaragua has also moved closer to China, potentially creating a new point of geopolitical tension in the region.

Although our reports stress the importance of separating the views and actions of the Chinese state and the economically driven actions of Chinese companies and banks, the Chinese state and the ruling Chinese Communist Party (CCP) have an important influence on the Chinese private sector. In the assessment of Chinese influence in Central America and the Caribbean region, it is therefore necessary to constantly question the interactions between economic and political drivers.

The so-called CAS islands – Curaçao, Aruba and Sint Maarten – hold a specific position. They became autonomous countries within the Kingdom of the Netherlands in 1986 (Aruba) and 2010 (Curaçao and Sint Maarten), but they have little room for autonomous foreign policies and continue to have strong relations with the Netherlands.

Purpose of the report

This report explains the specific forms of China's engagement with the diverse and in many ways fragmented region, departing from the main questions: *How has China's role in the Caribbean and Central America developed, and, especially, what is the nature and impact of recent economic and political relations between China and the smaller countries in the Caribbean?* In answering these questions, the report will show the concrete political and economic, but also societal, consequences of the increased Chinese presence in the region and its possible geopolitical elements. It will also pay attention to the Caribbean countries of the Kingdom of the Netherlands.

Interpreting the Chinese presence in the Caribbean Basin

Gonzalez-Vicente distinguishes three phases in the recent expansion of Chinese economic activity in the Caribbean.⁸ The first period runs up to 2007, with limited activity and almost everything connected to the PRC's battle for diplomatic recognition over Taiwan. In the second, short period, between 2007 and 2013, commercial relations were especially coloured by China's 'Go Out' strategy, in which Chinese enterprises actively looked for markets and resources. The current, third, period symbolically started

⁷ Griffith, R.J. and Murg, B.J. (2020), '[Sino-Cuban Relations: No 'New Cold War' in Havana](#)', *The Diplomat*, 24 December.

⁸ Gonzalez-Vicente, R. (2021), 'Over Hills and Valleys Too: China's Belt and Road Initiative in the Caribbean', in: F. Schneider (ed.), *Global Perspectives on China's Belt and Road Initiative: Asserting Agency through Regional Connectivity*, Amsterdam: Amsterdam University Press, pp. 171–194.

with Chinese President Xi Jinping meeting with several Caribbean leaders in the capital of Trinidad and Tobago, Port of Spain, in June 2013. This stage of the relationship stands out for the BRI, which serves as an umbrella for new Chinese investments in infrastructural projects involving the construction of government buildings, transportation infrastructure and tourist resorts. With these large-scale investments, Chinese banks have also entered the region, especially the Export–Import Bank of China and the China Development Bank, which together provided loans to a value of almost \$7 billion in the region by 2021.⁹ The China Harbour Engineering Company has a regional office in Kingston, Jamaica, from which it supervises projects in fourteen countries.

Often working with a mix of local and Chinese labour forces, Chinese firms became recognized as reliable and efficient partners in some countries, such as when 400 Chinese workers completed a cricket stadium in Antigua ahead of its deadline.¹⁰ This image has been called into question by the uneven performance of recent government-to-government projects financed by Chinese banks, some of which have been executed with extraordinary speed and efficiency, with others characterized by delays, stoppages and both political and labour conflicts.

The consequences of the increased Chinese presence in the Caribbean are subject of intense debate. In his 2014 study, Richard Bernal compares the Caribbean favourably with Latin America. He holds that increasing Chinese exports and China’s demand for commodities have impacted the Caribbean much less than Latin America.¹¹ In 2017, Bernal extended this analysis to geopolitical relations in the region. Contrary to what occurred in other regions, he sees a more or less complementary and mutually beneficial relationship between China and the US in the Central American and Caribbean region. Looking to the immediate future, his conclusions are optimistic: ‘[I]t appears that the Central America–Caribbean region is not going to be a region where US rivalry will become contentious, as security issues are not a primary concern. The US is likely to welcome Chinese development aid and loans as a form of burden-sharing’.¹²

It is no surprise that this optimistic view is rejected by other observers. US political analyst Evan Ellis may be taken as a representative of views that stress the economic and geopolitical challenges that the Chinese presence in the region presents. Ellis highlights the increasing Chinese presence in all of the Caribbean islands and warns about the risks for the countries involved. He stresses that the sheer size of the PRC, in combination with the style of its engagement, tend to deepen the region’s vulnerabilities and may produce very negative results.¹³ He also draws attention to the variety of risks that the Chinese presence presents for US hegemony (and, to a lesser extent, European) in the region. In the light of these risks, he strongly favours policies that contain Chinese influence in the Caribbean and warns that these activities may be jeopardized ‘should Caribbean governments continue ramping up their security relationship with China and their partnership with Beijing in sensitive areas, such as Huawei’s telecommunications hardware and Chinese “smart cities” initiatives, or should additional governments

⁹ Throughout the entire report, \$ stands for US dollar.

¹⁰ Bernal (2014, revised edition 2016), *Dragon in the Caribbean*, p. 90.

¹¹ *Ibid.*, pp. 88–89.

¹² Bernal, R.L. (2017), ‘Central America and the Caribbean’s Relations with China and the United States: Contrasting Experiences! Converging Prospects’, in: D.B.H. Denoon (ed.), *China, The United States, and the Future of Latin America: US–China Relations*, New York: New York University Press, pp. 232–267, at p. 258.

¹³ Ellis, R.E. (2022), *China Engages Latin America: Distorting Development and Democracy?*, Basingstoke: Palgrave MacMillan, p. 174.

in the region cut ties to Taiwan'.¹⁴ In his recent book, Ellis also warns that the Chinese presence may have negative social and political influence, because local elites benefit from their association with Chinese partners, while harming the interests of the general population, and the country in general.¹⁵

A third group of analysts tries to stay clear from these geopolitical rivalries and to assess the consequences of the growing Chinese influence in the Central American and Caribbean nations. This approach leads to more localized and varied assessments. They highlight that many of the Chinese promises do not materialize because loans or donations are delayed. Where in some countries the Chinese presence is widely felt, in other Caribbean islands it remains limited and only important in the form of potential influence. This demonstrates that grounded empirical evidence is vital to assess the Chinese impact on a region like the Caribbean Basin and to project scenarios for its future.

This leads to some initial conclusions. The increasing presence of Chinese state and non-state actors has provided the region's countries with alternative sources of loans and investments and allows them to counter-balance traditional European and US hegemonies, and in particular to circumvent International Monetary Fund (IMF) conditionalities, which are often seen in the region as a source of underdevelopment and undemocratic pressures. On the other hand, the influence of a large superpower like China may reproduce and exacerbate (neo-)colonial relations and dependency, while the lack of transparency and unfavourable contract conditions that characterize Chinese deals may pose threats to vulnerable democracies and states with limited resources and capabilities.

It is important to understand the conditions and implementation of Chinese-funded projects, and the ways they are embedded in local societies, to assess whether they are leading to a decreasing importance of social and human rights agendas.

In a larger geopolitical context, the entrance of a new superpower in the region will transform the existing order, both in the region and the world in general. While it may provide single countries in the region with new space to manoeuvre and possibilities for economic development, this new order will also provoke security risks and a military rebalancing. Because of the region's great number of countries, all of which have a vote in multilateral organizations, Central American and Caribbean allegiances and political orientations also have a wider multilateral importance.

¹⁴ Ellis, R.E (2020), *China's Advance in the Caribbean*, Washington: Wilson Center, Latin American Program, October.

¹⁵ Ellis (2022), [China Engages Latin America: Distorting Development and Democracy?](#), pp. 173–174.

2 US AND EUROPEAN INTERESTS FACING CHINA'S PRESENCE

After the geopolitical shock of the Cuban Revolution, the United States continued to view the Caribbean Basin as its strategic backyard. Military interventions in the Dominican Republic (1965), Nicaragua (the 1980s), Grenada (1983) and Panama (1989–90) were clear signs of this. Today, the United States refrains from direct military intervention (although the Trump administration momentarily hinted at direct intervention in the case of Venezuela in 2019), but the US remains active in the region to protect its economic and geopolitical interests. After 9/11, the US's geopolitical focus shifted to the Middle East. This allowed the emergence of democratic (left- and right-leaning) governments in the region, but also of left- and right-wing populist governments in countries like Venezuela, El Salvador and Nicaragua. In the process, this also created space for new global actors, like Russia and China. Most of today's analyses of the region's strategic situation address in one way or another this new, but still inconclusive, geopolitical order, in which the region's countries try to define their future, and old and new actors struggle for footholds in the region. This is certainly the case in the views on China's growing presence in the region.

Speaking to a US Senate panel in 2019, Admiral Craig Faller, commander of US Southern Command, repeatedly insisted about the dangers of the Chinese and Russian presence in the Americas.¹⁶ Recently, Faller hawkishly highlighted how China used the COVID-19 pandemic to expand rapidly its 'corrosive, insidious influence – from money laundering for transnational gangsters to using its own ships to fish protected waters illegally and to benefit from illegal logging and mining – in our neighborhood'.¹⁷ His argument is twofold. He stresses, on the one hand, Chinese soft-power activities – from building ports to sharing information on space and offering wireless 5G technologies – in the Western hemisphere, which hide the 'hard aims' of an upcoming superpower and its encroachment on US spheres of influence. On the other, he deplors the lack of interest and ambition among US politicians to increase US presence in the region in order to counter this process. He stresses the need for a more active US presence in the region, observing that 'security cooperation is our best [way] to change these challenges [from Russia and China] to opportunities'.

These arguments showcase the fact that sectors in the US military feel threatened by the increased presence of China in the Caribbean Basin. This seems a far cry from Bernal's 2014 observation that 'the Central America–Caribbean region is not going to be a region where US rivalry [with China] will become contentious'. Although opposed diametrically, both observations may have some logic. On the one hand, there is no doubt that US (and, to a lesser extent, European) hegemony is waning, but at the same time there are signs that where the US really pushes back, other actors move away, confirming basic US hegemony in the region. The effects of the TAIPEI Act are not yet clear, but the US's concerted

¹⁶ Grady, J. (2019), '[SOUTHCOM CO: China's Influence Growing in Western Hemisphere](#)', *USNI News*, 10 July.

¹⁷ Grady, J. (2021), '[SOUTHCOM's Faller: China Used Pandemic to Expand "Corrosive, Insidious Influence" in Central, South America, US Influence "Eroding"](#)', *USNI News*, 16 March.

assertive actions in El Salvador in 2018, as a response to what it saw as Chinese encroachment on its territory, had, according to Evan Ellis, a chilling effect on the rest of the region, which until that point 'hadn't realized how much Washington cared' about deepening ties with China.¹⁸ In June 2019, after the Panama Papers' scandal, the US Financial Action Task Force, for instance, added Panama to its 'grey list' of countries that were not sufficiently tackling money laundering. The following month, a new government took office in Panama and adopted a more distant position towards China. According to Margaret Myers, this led to a rejection of Chinese investments. At least five of the sixteen major Chinese infrastructure projects have since been annulled.¹⁹

On the other hand, there are real questions about 'how much the US cares'. Apart from its traditional economic and military presence, the US has somewhat disappeared as an important actor in Central America and the Caribbean, also because it has not found a clear new strategy for the region and is not responding to the needs of regional countries. The recent Summit of the Americas in Los Angeles in June 2022 proved a litmus test for the United States' prestige in the region. Some observers predicted an 'embarrassment', because of the incapacity of the Biden administration to heal existing wounds, re-establish relations and clearly define its goals and responsibilities,²⁰ and indeed heads of state of Mexico, Guatemala, Honduras, El Salvador, Bolivia and several Caribbean countries boycotted the summit in protest at the US's decision to exclude Cuba, Nicaragua and Venezuela.

China's presence in the region is still very small, and China appears to tread with caution, as we can see, for instance, in its limited relations with Cuba. However, there is no doubt that rivalry and competition between the two superpowers is increasing in the Caribbean Basin. The Chinese state has been immensely successful in shifting the allegiance of many small countries away from Taiwan. This may not have amounted to much in the concrete reality of everyday political economy, but it projects a clear geopolitical sign.

China's success in shifting the allegiance of Central America and the Caribbean region away from Taiwan and in favour of the One China policy has also considerably improved China's clout in the region (and, as we will see, in multilateral fora). This is important because, given the small size of many of the region's countries, one or two Chinese projects imply a drastic shift in the political economy of a specific country and an important symbolic shift away from the US or Europe. Chinese projects have been more profitable when driven by economic goals, as opposed to political ones. As long as Chinese loans or investments were driven by political rather than economic interests, they have encountered many problems. Report 1 presented the Venezuelan case, where the Venezuelan government has been repeatedly unable to meet its financial obligations to the PRC and its banks. This report will highlight cases in Central America where loans and investments were implemented in exchange for a shifting away from Taiwan and an acknowledgement of One China. These are less clear-cut, but appear not to have contributed much to the local economies in terms of developmental benefits. The clearest case of politically motivated investments that have fallen below expectations is presented by Cuba, where China is encountering the limits of politically motivated loans.

¹⁸ Cited in: Tweeten, L. (2021), '[The US and China are Battling for Influence in Latin America, and the Pandemic has Raised the Stakes](#)', *Time*, 15 February.

¹⁹ *Ibid.*

²⁰ Sabatini, C. (2022), '[Biden is Setting Himself Up for Embarrassment in Los Angeles](#)', *Foreign Policy*, 4 May.

Box 1: The Sino-Cuban friendship and its limits

Political cooperation between China and Cuba is based on their shared socialist tradition, geopolitical considerations *vis-à-vis* the United States and economic interests. China calls Cuba a 'good brother, good comrade, good friend', a unique way of describing relations with a foreign country. This friendship goes beyond rhetoric. In 2011, China agreed to cancel \$6 billion of Cuban debt, which was rather exceptional.²¹ In the wake of the economic crisis in Venezuela, another restructuring followed in 2015, with new lenient repayment terms.²² In exchange, Cuba actively expressed support for China in the United Nations Human Rights Council. Cuba repeatedly sent the Council letters of support about how China treats the Uyghurs in Xinjiang, in 2019, 2020 and 2021. It did the same regarding Hong Kong and China's introduction of the National Security Law in 2020. The countries also cooperate on artificial intelligence in Cuba.²³ In recent years, Chinese companies Huawei, ZTE and TP-Link have been involved in building Cuba's internet infrastructure. According to some authors, in doing so, China helped the Cuban regime to repress protests in 2021.²⁴

Furthermore, the countries cooperate on military matters. In 2011, Cuban President Raúl Castro and Vice-Chairman of China's Central Military Commission Guo Boxiong agreed to promote what they called 'friendly cooperation'. One year later, in 2012, China's Defence Minister Liang Guanglie announced at a meeting with the Vice-Minister of Cuba's Revolutionary Armed Forces, Joaquin Quintas, that 'military cooperation is conducive to the two countries' national security and development interests'.²⁵ However, little is known about how this military cooperation concretely takes shape. China maintains its engagement in Cuba on a low profile to reduce direct conflict with the US.²⁶ As Xianglin *et al.* point out clearly, 'China–Cuba relations will unfold not only in pursuit of 21st-century socialism, but also in the context of the two countries' relationships with the United States'.²⁷

Chinese enterprises are helping Cuba to build export capacities and develop its transport, manufacturing and resource sectors.²⁸ The main fields of cooperation between the two countries are renewable energy, (tourism) infrastructure, mining and medicine. In 2019, the Cuban government acquired 240 trains from CRRC Tangshan to a value of \$150 million. Modernization of the port in Santiago was realized in 2014 for \$120 million by two Chinese companies.²⁹ The fact that the port can now receive ships that are 232 metres long and weigh

²¹ Rapoza, K. (2019), '[China Has Forgiven Nearly \\$10 Billion In Debt. Cuba Accounts For Over Half](#)', *Forbes*, 29 May.

²² MacDonald, S. (2019), 'Sino-Caribbean Relations in a Changing Geopolitical Sea', *Journal of Chinese Political Science*, 24, pp. 665–684, at p. 671.

²³ *OnCuba* Editorial Staff (2019), '[Cuba and China Agree to Develop Artificial Intelligence on the Island](#)', *OnCuba News*, 29 October.

²⁴ Ellis, E. and Lazarus, L. (2021), '[How China Helps the Cuban Regime Stay Afloat and Shut Down Protests](#)', *The Diplomat*, 3 August.

²⁵ *Xinhua* (2012), '[China, Cuba to Further Military Cooperation](#)', *Xinhua*, 15 September.

²⁶ Paz, G.S. (2019), 'El Caribe en la geopolítica mundial y la presencia de China en el Caribe', in: É. Dubeset and C. Quenan (eds), *La Caraïbe dans le partenariat stratégique euro-latino-américain UE-CELAC*, Hamburg: EULAC Foundation, pp. 143–150.

²⁷ Xianglin, M., Hearn, A.H. and Liu, W. (2015), 'China and Cuba: 160 Years and Looking Ahead', *Latin American Perspectives*, 42:6, pp. 140–152, at p. 151, available at <https://doi.org/10.1177/0094582X15594395>.

²⁸ *Ibid.*, p. 150.

²⁹ Dussel Peters, E. (2020), 'Monitor of Chinese OFDI in Latin America and the Caribbean 2020', Red ALC-China, 23 March.

55,000 tonnes could – in theory – make Cuba a regional hub.³⁰ Other strategic projects are the ‘jointly produced, owned and commercialized pharmaceuticals’, such as anti-cancer or blood-disease drugs.³¹ Cuba’s major nickel reserves (the world’s fifth largest) and nickel exports to China are relevant for the production of electric vehicle batteries and stainless steel. At the end of 2021, Cuba joined the Global Energy Partnership of the BRI.³² Sino-Cuban connections do not necessarily go against the interests of the US or the EU. Both China and the United States favour more open markets in Cuba. Adrian Hearn suggests that China’s cooperation with Cuba has emphasized economic liberalization.³³ This has been a slow process and Scott MacDonald notes that the Chinese are frustrated by ‘Cuba’s slowness to reform its economy’.³⁴

Two recent developments could lead to intensifying China–Cuba relations, but could equally have the opposite effect. First, Cuba’s closest ally, Venezuela, is facing economic and social hardship. Venezuela cannot support the island with cheap oil as it used to, and trade between the two countries has decreased over 70 per cent since 2015. Second, Cuba struggles with harsh sanctions from the US, while the COVID-19 pandemic has worsened living conditions for its population. Cuba thus faces overlapping economic, political, health and energy crises. It remains to be seen whether Chinese economic and political actors are willing to engage deeper with this crisis-ridden country. Although China overtook Venezuela as Cuba’s most important trade partner in 2020, according to Cuba’s Statistical Office ONEI, total trade with China decreased 49 per cent from 2015–2020, while also its share of total trade decreased.³⁵ Some experts report problems over payment by Cuban importers and frustration from Chinese diplomats and businesspeople over the matter.³⁶ Simultaneously, Cuban trade with the Netherlands and Russia increased by almost 40 per cent and 74 per cent, respectively.

2.1 The security and military situation

Land borders in the Caribbean region and Central America are basically determined and generally accepted, albeit that some disputes remain ongoing between Belize and Guatemala, and the Amazon borders of the Guyanas are not completely enforced and illegal logging and small-scale mining take place in the border regions. As to the maritime territory, some conflicts and disputes remain between Central American nations and Colombia, which are presently being brought before the International Court in The Hague. In general, however, the delimitations of the sea territories are defined and accepted, although illegal fishing in territorial waters continues to be a problem.

³⁰ China–CELAC Forum (2018), ‘[Cooperación Cuba–China impulsa modernización de puerto santiaguero](#)’, 11 August.

³¹ Xianglin, Hearn and Liu (2015), ‘China and Cuba’, p. 147.

³² Devonshire-Ellis, C. (2021), ‘[Cuba Joins Belt and Road Initiative Energy Partnership](#)’, *Silk Road Briefing*, 2 November.

³³ Hearn, A.H. (2012), ‘China, Global Governance and the Future of Cuba’, *Journal of Current Chinese Affairs*, 41:1, pp. 155–179, at p. 157.

³⁴ MacDonald (2019), ‘Sino-Caribbean Relations in a Changing Geopolitical Sea’, p. 672.

³⁵ ONEI (2021), *Anuario Estadístico de Cuba 2020*, Havana: Oficina Nacional de Estadística de Cuba (ONEI).

³⁶ Frank, M. (2021), ‘Cuba importa un 40% menos desde China en 2020’, *Reuters*, 6 February.

All of the countries (except for Costa Rica) have defence and military forces, ranging from simple coast-guard vessels to more sophisticated military equipment. Central American and Caribbean armies are quite small, and they have not been used in real warfare in recent decades. They have repeatedly been used for internal use, however, against critical social movements and street protests. The latest example is the Nicaraguan state, which violently repressed civil protests from 2018 onwards. Similar domestic use of the military apparatus has occurred in countries as different as Venezuela, the Dominican Republic and Guatemala. The region has traditionally been the realm of the US Southern Command, which possesses numerous bases in the region and works through partnerships with friendly national armies. In 1984, the US Southern Command had to close the infamous School of the Americas in Panama, which was infamously connected to the dirty wars of South American military dictatorships in the 1970s and 1980s. The 'war on drugs' has also implied the presence of sophisticated maritime and air forces in the region, in which US forces play an important role. In the 21st century, the Southern Command has been less antagonistic towards the region and has emphasized partnerships and support,³⁷ partly as a result of the fact that the US military was shifting its attention to the Middle East. Under the Trump administration, a belligerent military rhetoric started to dominate the US attitude towards China, which has intensified under Biden due to growing tensions over Taiwan, but this does not seem to have significantly altered the relations of the US military with Central America and the Caribbean.

Chinese military engagement is certainly not the most significant aspect of China's activities in Central America and the Caribbean region.³⁸ The PRC has delivered some lighter military equipment to LAC countries in recent decades, but never in great quantities. This provisioning usually went to countries that also ideologically connected to the PRC and had problems accessing Western military equipment, but also a US-aligned country like Colombia received Chinese military support.³⁹ We do not know much about military provisioning in the Caribbean Basin. Cuba received some military assistance, but in modest quantities and always shrouded in secrecy. The China Shipbuilding Industry Corporation (CSIC) sold Trinidad and Tobago an offshore patrol vessel in 2014, which was the first of its kind. Recently, there has not been any known military provisioning from the Chinese in the Caribbean Basin.

Looking at the available information, China's military presence increased in the 2010s. The most visible and longest Chinese engagement in the region started in 2004, when the People's Liberation Army (PLA) military police participated in the UN's MINUSTAH peacekeeping mission in Haiti under command of the Brazilian army. The Chinese participation lasted until 2012 (the mission itself, until 2017) and involved a continuous, rotating presence of 100 to 200 Chinese military police. This was a symbolically important engagement, even more so because some of the Chinese died during the earthquake of 2010.⁴⁰ There were also some visits by the Chinese hospital ship *Daishan Dao* (Peace Ark) in 2011, 2015 and 2018/2019, and a warship belonging to the PLA's naval force visited Havana, Cuba, in 2015.

³⁷ Cf. Richardson, L. (2022), '[Prepared Remarks: Gen. Richardson Opening Remarks at 2022 Central American Security Conference \(CENTSEC\)](#)', Speech, US Southern Command, 2 February.

³⁸ Ellis (2022), *China Engages Latin America*, p. 227.

³⁹ For details see section 2.8 of our Report 1, *China's Economic and Political Role in Latin America* (2022).

⁴⁰ *Ibid.*, p. 234.

2.2 The multilateral connection

The large number of small countries in the region gives Central America and the Caribbean a relative prominence in the United Nations General Assembly that surpasses its otherwise limited economic and geopolitical standing in world politics, given how the one-country, one-vote system of representation benefits smaller nation-states. In a purely arithmetical fashion, it could be said that the region's weight in the UN General Assembly is twenty times larger than that of the PRC itself, while of course the PRC's capacity for influence is not in question. Moreover, it is precisely China's capacity to influence and to gain diplomatic support in multilateral fora, such as the UN General Assembly and various UN agencies, that has been the source of concern for many in the West.⁴¹ An example may be the behind-the-scenes negotiations, and the potential use of BRI investments as a tool of persuasion, that opened the path for Qu Dongyu to be elected Director General of the Food and Agriculture Organization ahead of the EU and US-supported candidates.⁴² Qu's candidacy received 108 out of 194 votes, and while the ballot was secret, news have surfaced that the Chinese candidate received support from Latin American countries such as Argentina, Brazil, Cuba and Uruguay.⁴³

PRC diplomats currently chair four out of fifteen UN agencies. These prominent roles, but also the fact of achieving these positions, point at China's substantial influence in this key multilateral umbrella organization. However, the overall voting patterns within the UN General Assembly during the 2000s and 2010s do not indicate growing convergence between the PRC and Central American and Caribbean positions, which may seem surprising considering the growing economic importance of China and its political ties with the region.⁴⁴ Still, these ties can play a role, especially in debates on Chinese internal affairs. Cuba, the Commonwealth of Dominica and Grenada (two of which endured US invasions in the last century) were, for instance, among the countries that signed a statement in support of China's Xinjiang policies after a group of 39 countries (including Haiti and Honduras) presented a statement calling upon China to respect human rights in Xinjiang.⁴⁵

⁴¹ Feltman (2020), '[China's Expanding Influence at the United Nations – And How the United States Should React](#)'.

⁴² *Nature* (2019), '[Pick a Leader with Vision for the Food and Agriculture Organization](#)', Editorial, *Nature*, 19 June, 570:7761, p. 275.

⁴³ Fortuna, G. (2019), '[China's Qu Dongyu Beats EU Candidate for FAO Leadership](#)', *EURACTIV.com*, 24 June.

⁴⁴ Xi, J. (2022), '[China Expands Influence in Central America](#)', China News, *Voice of America*, 23 February.

⁴⁵ Putz, C. (2020), '[2020 Edition: Which Countries Are For or Against China's Xinjiang Policies?](#)', *The Diplomat*, 9 October.

Box 2: A new friendship between Nicaragua and China?

Nicaragua is the latest nation in the Caribbean Basin to end relations with Taiwan in favour of recognizing China. It did so in December 2021. The decision to shift allegiance was announced on 10 December 2021 and was immediately followed by the retraction of Nicaragua's 2006 FTA with Taiwan. This took place shortly after a meeting of the China–CELAC Forum in which CELAC's 32 Latin American member states agreed to adopt a China–CELAC Joint Action Plan for Cooperation. This shift may not be surprising in light of Nicaragua's international isolation after the ruthless internal repression of dissenting voices since 2018 and the widely denounced re-election of President Daniel Ortega in November 2021. On 19 November, following Ortega's re-election, the Nicaraguan government announced its withdrawal from the US-dominated Organization of American States (OAS), pre-empting the growing threat of expulsion. Since 2018 Washington has increased pressure on the Ortega administration, excluding Nicaragua from certain funds and expanding the financial sanctions targeting the Ortega government and other high officials.

When Daniel Ortega was still heading the revolutionary Sandinista government, Nicaragua switched relations from Taiwan to the PRC for the first time in December 1985. The Nicaraguan government of Violeta Chamorro re-established relations with Taiwan following her 1990 election, and when the Sandinistas returned to power in 2007, surprisingly they stayed with Taiwan for many years. Evan Ellis suggests that Taiwan paid a high price for this, both to the Nicaraguan state and to the clique around Ortega.⁴⁶ From 2007–2020, Taiwan was the largest provider of foreign assistance to Nicaragua, accounting for over \$200 million, while the bilateral FTA generated \$120 million in annual bilateral exchanges.⁴⁷

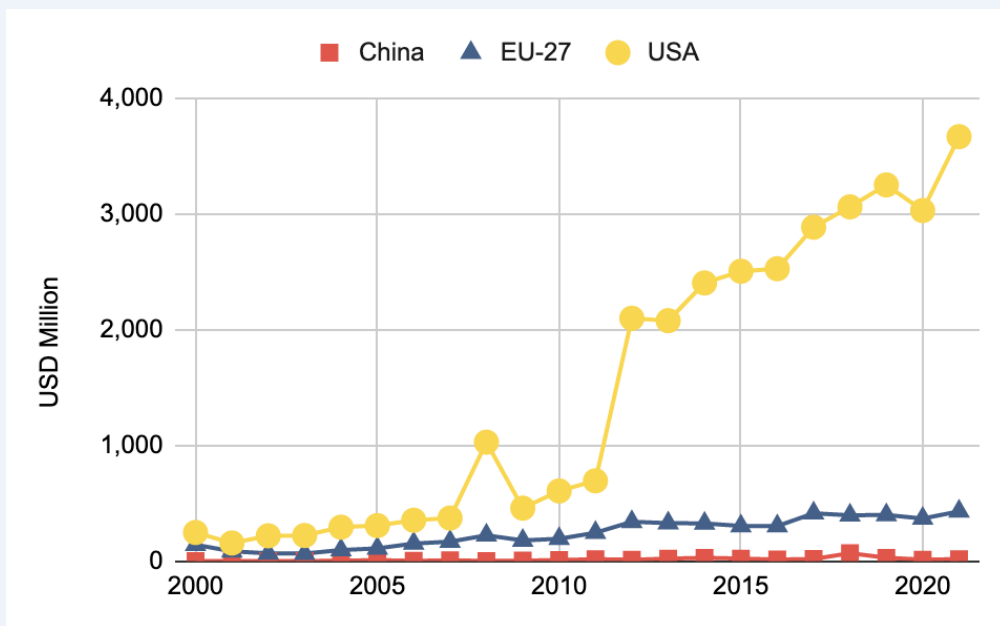
It is just as obvious that the PRC was prepared to pay an even better price. Less than one month after Nicaragua's shift away from Taiwan in 2021, the PRC opened its embassy in Nicaragua's capital, Managua. Taiwanese diplomats tried to donate their buildings to the Roman Catholic archdiocese of Managua, but this failed and China seized the buildings.⁴⁸ Already on 12 December 2021, a first shipment of 200,000 Sinopharm COVID-19 vaccines arrived in Nicaragua, the initial batch of a total of one million promised vaccines. In January 2022, four bilateral agreements were signed between Nicaragua and the PRC. Speculation was also reignited that the highly controversial Nicaraguan Grand Canal project, which was granted in 2013 to the now-dissolved Chinese firm Hong Kong Nicaragua Canal Development, could be restarted. Meanwhile, the US is still Nicaragua's dominant trade partner and by far its main export destination. In 2021, Nicaragua exported goods worth \$3.7 billion to the US (72.2 per cent of total exports), compared to \$430 million to the EU (8.4 per cent) and only \$16.5 million to China (0.3 per cent).

⁴⁶ Ellis, R.E. (2021), '[Nicaragua's Flip to China: What Does It Mean for the Region?](#)', *Diálogo Américas*, 15 December.

⁴⁷ EIU (2021), '[Understanding Nicaragua's Adoption of its One China Policy](#)', EIU Update, *Economist Intelligence Unit* (EIU), 15 December.

⁴⁸ *The Guardian* Staff and Agencies (2022), '[China Opens Embassy in Nicaragua for First Time Since 1990 After Taiwan Ties Cut](#)', Nicaragua Staff and Agencies, *The Guardian*, 1 January.

Figure 1: Nicaraguan exports to selected regions, 2000–2021 (millions of USD)



Source: UN Comtrade; authors' elaboration.

President Ortega's brutal repression in 2018 ignited three years of economic contraction, returning GDP per capita to 2014 levels. The economic recession has significantly affected Nicaragua's long-term growth prospects. Nicaragua remains the second-poorest country in the Western Hemisphere and is severely affected by US sanctions. The Ortega administration is desperately looking for alternative partners, including boosting its ties with Iran.⁴⁹ It is to be seen how far the PRC and Chinese investors are prepared to commit themselves to this autocratic regime on the US's doorstep. With the ongoing sanctions and Nicaragua's difficulties in accessing international financing, China might become an alternative source of loans in the coming years. Nonetheless, the overall slowdown of Chinese finance in the region in general, and the economic difficulties that Chinese entities are experiencing in Venezuela in particular, suggest that China is adopting a more cautious approach towards its troubled new partner.

⁴⁹ Latin News Intelligence Research, Regional Report: Caribbean and Central America (2022), 'Nicaragua: More Cooperation with Iran and China as US Sanctions Bite', London: Latin News Intelligence Research, June, pp. 8–9.

3 THE ECONOMICS OF CHINA'S PRESENCE

China's growing economic presence is a source of influence and power, especially in relations with relatively small(er) countries such as those in the Caribbean Basin. This is evident in the growing support for the One China policy, in response to the economic 'gifts' that come with China's 'chequebook diplomacy'. It also shows in multilateral institutions' attitudes, where certain economic benefits may be expected as compensation for supporting China's ambitions. Yet drawing links between the PRC's diplomatic objectives and Chinese investments and loans in Central America and the Caribbean region requires careful assessment of the often opaque processes.

Access to markets and resources is the main rationale behind Chinese economic policies. As we saw in Report 1, this is clearly visible with respect to the larger South American countries, but also in the case of Central American and Caribbean countries, access to resources plays an important role for China. The focus has traditionally been on mineral resources, gold, oil and nickel, etc., but agrarian commodities should not be overlooked. Today, Chinese investments mainly consist of infrastructural projects, building hotels, government buildings, airports and convention centres, etc. Chinese companies have also been investing in large, worldwide storage and transport facilities, which allows them to play a crucial role in worldwide agrarian supply chains. The agrarian exports of most countries in Central America and the Caribbean region are relatively modest, but together they present a considerable part of the region's exports to China. In terms of investments, China's growing interest in the tourism sector should also not be underestimated.

Chinese investments and finance in Central America and the Caribbean are carried out by market-oriented corporations, as even the state-owned corporations have expansion of their operations and revenues – and not political goals – as their bottom line (see Report 1). This may be exemplified by the least-likely case of Cuba. Despite the historically crucial relationship between the PRC and Cuba, and the supposed ideological proximity between the two countries (which is possibly limited to rhetoric, given the CCP's embrace of capitalism), Sino-Cuban economic relations remain rather limited (see Box 1). The underlying reason is that Cuba remains a relatively hostile or at least complex environment for profit-driven capitalist firms beyond a few sectors like tourism, which are dominated by European businesses.⁵⁰ In contrast, as we see in Boxes 3 and 4, countries like Trinidad and Tobago, and Jamaica, have received important Chinese investments, and Jamaica has also taken several large loans from Chinese development banks.

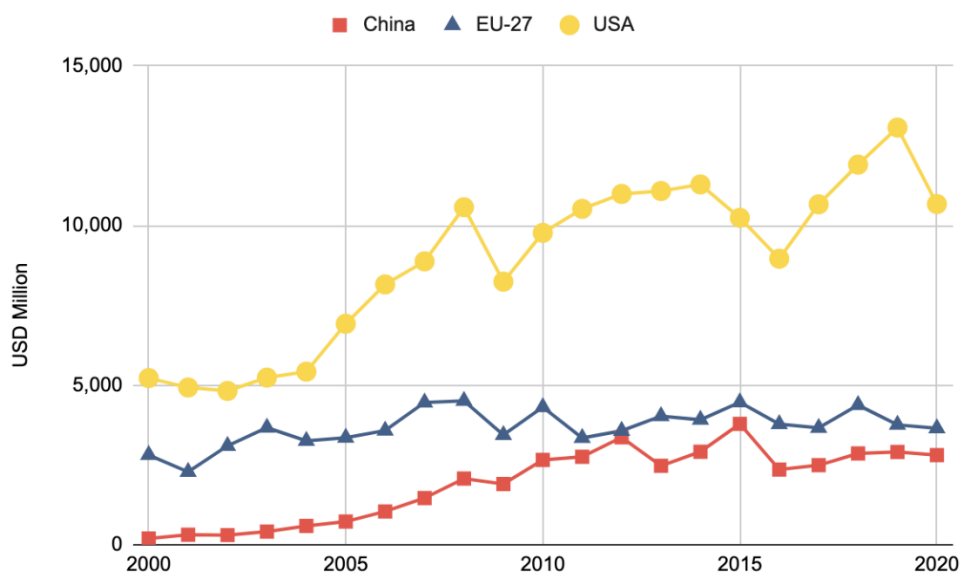
3.1 Trade relations

Since China's membership of the World Trade Organization (WTO) in 2001, many countries worldwide have seen a rapid growth of their trade with China. In South America, commodity exports surged and China has become the number one or number two export market for several countries. The Caribbean

⁵⁰ Figueras, M.A. (2019), '[La participación extranjera en el desarrollo del turismo cubano](#)', *Progreso Semanal*, 17 October.

Basin has also seen growing exports, but for most countries China is not a prominent export destination. For a general picture we can look at the Caribbean Community and Common Market (CARICOM), which operates as a single market between its fifteen member states and five associated members.⁵¹ CARICOM's trade figures show the US's ongoing dominance, and to a lesser extent Europe's, although the gaps between them have decreased (see Figure 2). As an export destination for Central America and the Caribbean region in 2020, China represented 10.6 per cent, compared to 13.8 per cent for the EU and 40.3 per cent for the US. Export products to China mainly consist of mineral fuels and oils, organic chemicals, wood/charcoal and ores.⁵² In theory, CARICOM could directly negotiate trade relations with China, but the fact that five CARICOM members have diplomatic relations with Taiwan forms a big obstacle.

Figure 2: CARICOM exports to China, the EU-27 and the US, 2000–2020 (millions of USD)



Source: UN Comtrade (SITC Revision 3, Total Trade), 2021; authors' elaboration.

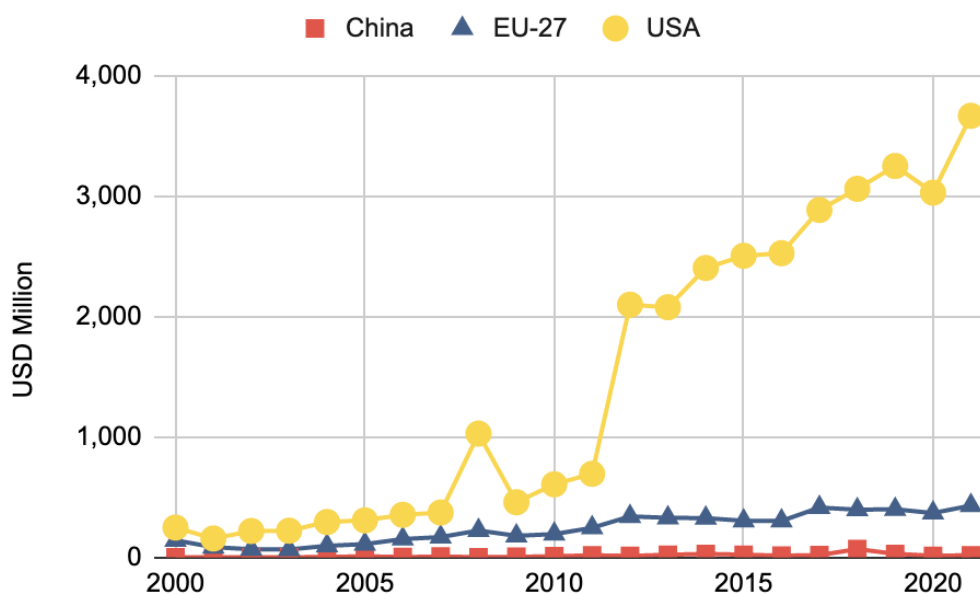
The picture is different for imports, where China has emerged as a relevant provider of a wider range of products and has significantly gained market share at the cost of the EU and the US (see Figure 3). Of CARICOM's total imports in 2020, China's share was 5.1 per cent, compared to 18.1 per cent from the EU and 32.6 per cent from the US. Products imported from China range from electrical machinery, iron and steel articles, plastics, ships and mineral fuels to nuclear reactors and machinery (the latter even topped the list in 2019).⁵³ Overall, however, trade with China is very unbalanced, with the value of CARICOM's imports from China being over three times as high as the value of its exports to China.

⁵¹ The fifteen CARICOM members (countries in bold have diplomatic ties with Taiwan): Antigua and Barbuda; **Belize**; the Commonwealth of Dominica; Grenada; **Haiti**; Montserrat; **St Kitts and Nevis**; **St Lucia**; **St Vincent and the Grenadines**; the Bahamas; Barbados; Guyana; Jamaica; Suriname; and Trinidad and Tobago. The five associated members are all British overseas territories, including the Cayman island and British Virgin Islands.

⁵² Zhu, H. (2021), 'Trade Relations between CARICOM and China: A Recap and Outlook', *Global Discourse: An Interdisciplinary Journal of Current Affairs*, 11:4, p. 577.

⁵³ Ibid.

Figure 3: CARICOM imports from China, the EU-27 and the US, 2000–2020 (millions of USD)



Source: UN Comtrade (SITC Revision 3, Total Trade), 2021; authors' elaboration.

Even Trinidad and Tobago, the Caribbean's main oil and gas producer, exports surprisingly little to China. Trinidad and Tobago's economy stands out as the region's most industrialized, although production levels of fossil fuels have declined in recent years.⁵⁴ Given this trend, oil and gas investment opportunities for a trans-national latecomer like China have remained limited to Chinese oil companies buying minority shares in mature projects controlled by international companies.⁵⁵ Partly because of the limited Chinese presence in the sector, China is not among the main destinations for Trinidad and Tobago's oil and gas exports. In 2019, only 6.0 per cent of its total exports were destined for China, which is comparable to its exports to Spain (6.2 per cent), but well below the United States (33.0 per cent).⁵⁶ In contrast, through construction and infrastructure projects, China does play a prominent role in Trinidad and Tobago, as shown in Box 3.

3.2 Chinese investments and loans

Not unlike other Chinese investments across Latin America (see Report 1), Chinese investments in Central America and the Caribbean region were characterized by a focus on natural resources until

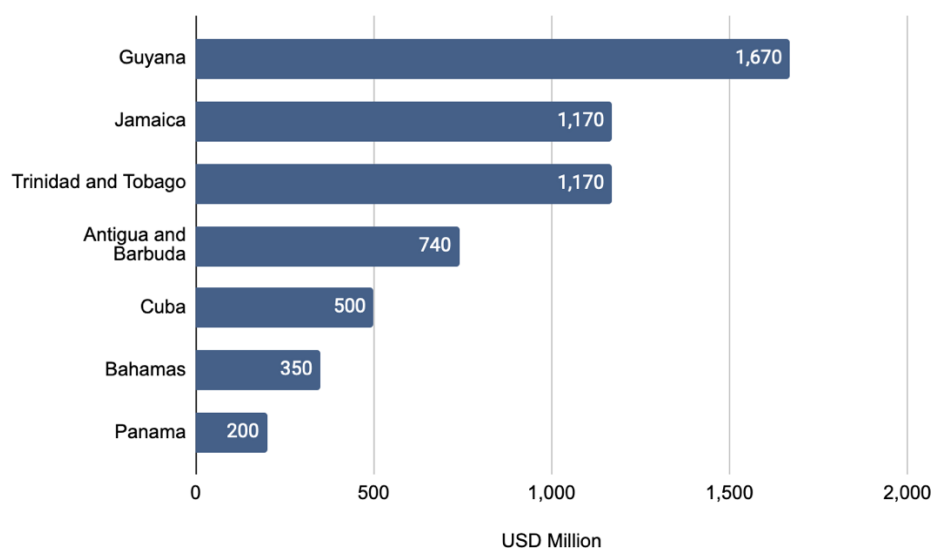
⁵⁴ Oxford Business Group (2017), '[Trinidad and Tobago's Energy Sector to Address Challenges and Reverse Production Declines](#)', Overview, Trinidad and Tobago, London: Oxford Business Group.

⁵⁵ Because of the capital-intensive nature of modern oil and gas operations, even such minority shares are very costly and stand out in the region's overview of Chinese investment (Figure 4). In 2009, CNOOC acquired minority working interests in two oil fields operated by BHP after a \$320 million investment. Two years later in 2011, the China Investment Corporation (CIC) acquired a 10 per cent interest by investing \$850 million in the Atlantic LNG liquefaction plant that is owned and operated by a holding company with BP, Shell and NGC; see <https://cnocointernational.com/operations/americas/other-opportunities-in-the-americas>.

⁵⁶ <https://oec.world/en/profile/country/tto>.

2013, and on infrastructure, natural resources and market access subsequently. The initial focus on commodities follows a market logic, given that regional economies are not particularly competitive in any other sectors – with the exceptions of tourism in the Caribbean, Panama and Costa Rica, and offshore banking in a few British Overseas Territories in the Caribbean, which are not the focus of this report, but which have hosted the fortunes of PRC elites⁵⁷ and channelled the investments of many Chinese corporations.⁵⁸ However, given the relatively smaller size of natural resource reserves in Central America and the Caribbean, Chinese investments in the region's mining and oil sectors have taken longer to materialize than those in South America, and are usually of a smaller size. These include, for example, an early investment by the Bosai Minerals Group (privately owned) to buy bauxite mines in Guyana in 2007, or the Chinese National Offshore Oil Corporation's (CNOOC) minority interests in BHP's oil operations in Trinidad and Tobago in 2009.

Figure 4: Chinese investments in the Caribbean, 2005–2020 (millions of USD)



Source: Gallagher, Kevin P. and Myers, M. (2022), 'China–Latin America Finance Database', Washington: Inter-American Dialogue; authors' elaboration.

Gradually, the majority of Chinese investments in the region have turned towards infrastructure projects. This even preceded the broader transformation in Chinese investments globally under the BRI in 2013. The PRC's early infrastructural engagement has to do again with China's particular agenda for this region, focused on the One China policy. Chinese enterprises have developed several infrastructural projects as 'gifts' for some of the region's nation-states that decided to switch their diplomatic allegiance from Taiwan to China. For example, a number of Chinese construction firms helped to build stadiums for the 2007 Cricket World Cup, which was hosted by the West Indies (Grenada, for example, switched ties in 2005). Similar investments followed the shifts of allegiance in Central America. After El Salvador's President Nayib Bukele's visit to China in 2019 and his signing onto the BRI, for instance, a \$40 million cultural centre was built with Chinese money in El Salvador's capital city, San Salvador, and in February

⁵⁷ Weaver, M. (2014), '[China's Cash Haven in the British Virgin Islands – the Key Points](#)', China, *The Guardian*, 1 February.

⁵⁸ Shaxson, N. (2011), '[Why Do So Many Chinese Companies Use the BVI?](#)', *financialtransparency.org*, Boston: Financial Transparency Coalition, 23 March.

2022, Chinese construction began of a national library, also in San Salvador.⁵⁹ These kinds of projects present opportunities for Chinese construction companies and, at the same time, are sources of soft power and visibility for China.

The natural resource sector has retained certain importance for the PRC too, as demonstrated by Chinese investments in sugar and bauxite in Jamaica,⁶⁰ or by further investments in Guyana's mining sector and a minority stake in an Exxon-operated block in Guyana's nascent oil sector.⁶¹ Interestingly, this modality of minority investments in collaboration with Western firms is seen rather frequently in the region. Another example is the PRC's first investment in the Dominican Republic, which is being directed at a joint venture of PowerChina, a Dominican Republic enterprise and a US investment fund (Unique Capital Management).⁶²

Box 3: Mixed results of Chinese construction activities: The case of Trinidad and Tobago

The PRC's footprint in Trinidad and Tobago is noticeable through the numerous construction projects contracted to the Shanghai Construction Group (SGC) and financed by Chinese policy-bank loans, for a total of at least \$491 million.⁶³ Trinidad and Tobago is a good example for assessing the pros and cons of Chinese investment in construction. Some of these projects have been successfully completed, such as the Ministry of Education's tower, the Port of Spain waterfront, the construction of the prime minister's official residence, and sports venues including the National Tennis Centre, the National Aquatic Centre and the National Cycling Velodrome.

Other projects have provoked controversies. The China Gezhouba Group's contract to build 5,000 low-cost apartments was revoked by Trinidad and Tobago's cabinet in 2019 after complaints that the total cost of \$800 million was 30 per cent above the rates that local contractors would charge.⁶⁴ Public outrage also focused on how the contract had been awarded, with little transparency and the agreement to grant 600 working visas to Chinese nationals.⁶⁵ The Couva Children's Hospital, developed by SGC, was repurposed as a 'multi-training facility' after shortcomings with the project's design and a lack of qualified personal made it unfit for its original purpose.⁶⁶ The construction of the National and South Academies for the Performing Arts presented serious cost overruns and design problems.⁶⁷ They also

⁵⁹ Xi (2022), 'China Expands Influence in Central America'.

⁶⁰ Gonzalez-Vicente (2021), 'Over Hills and Valleys Too', pp. 171–194.

⁶¹ Wilburg, K. (2021), '[Guyana's Oil Discoveries Reignite Environment versus Development Debate](#)', *Diálogo China*, 26 November.

⁶² DMK Abogados (2018), '[Anuncian primera inversión de empresa estatal China en RD](#)', *DMKlawyers.com*, 16 November.

⁶³ Gallagher, Kevin P. and Myers, M. (2022), 'China–Latin America Finance Database', Washington: Inter-American Dialogue.

⁶⁴ Afra Raymond (undated), '[Property Matters](#)'.

⁶⁵ Wilson, A. (2019), '[HDC Project Halted](#)', *Trinidad Express*, 5 September.

⁶⁶ Khan, R. (2020), '[Lee Pleased with COVID-19 Plans for Couva Hospital](#)', *CNC3*, 29 February.

⁶⁷ Oosterveld, W., Wilms, E. and Kertysova, K. (2018), *The Belt and Road Initiative Looks East: Political Implications of China's Economic Forays in the Caribbean and the South Pacific*, The Hague: The Hague Centre for Strategic Studies.

exemplified a trend of using Chinese loans to finance projects aimed at pleasing electoral constituencies, rather than at developmentally meaningful projects.⁶⁸

China's investments in Trinidad and Tobago thus exemplify how China's economic influence often produces a very mixed picture of (potentially) profitable and successful developmental partnerships and other poorly conceived projects. These latter projects are emblematic of the challenges presented by easy Chinese credit, combined with opaque lending practices by entities such as the China Development Bank and the Export and Import Bank of China. A recent agreement with the Beijing Construction and Engineering Group to develop the Phoenix Park Industrial Estate and a dry dock in La Brea, for a cost of \$600 million, could reveal the start of relations that are more focused on the productive capacity of Trinidad and Tobago.⁶⁹ However, as with other Chinese-financed projects, while Chinese companies in general have the capacity to deliver the promised infrastructure, questions often remain about the usefulness of the project for the host country and the conditions for paying back Chinese loans.

Since the BRI, Chinese construction companies, backed by Chinese banks, have been roaming the region in search of markets. They have developed impressive portfolios in some regional economies, although many other prospective Chinese projects have been delayed, cancelled or scaled back. Completed projects include the development of the largest resort in the Bahamas,⁷⁰ the rehabilitation of a hotel in Barbados,⁷¹ roadworks in Jamaica, ports in Panama, and convention centres in Trinidad and Tobago. Many regional economies have accessed Chinese development finance (at commercial rates) to develop these projects. The list is clearly topped by Jamaica, which received eleven loans totalling \$2.1 billion. As shown in Figure 5, other recipients of substantial loans were the Dominican Republic (with one loan of \$600 million), Suriname (four loans totalling \$580 million), Costa Rica (one loan of \$395 million) and Cuba (three loans totalling \$240 million). These loans are not designed by China to seize assets or politically control any of these countries, but instead to seek to make a commercial profit while facilitating the internationalization of Chinese businesses. Research on Chinese loan contracts and practical experience on the implementation of such contracts debunks the myth of 'debt traps' designed by China to seize physical infrastructural assets in the region and beyond.⁷² Chinese loans tend to have strict safeguards to minimize risks of default, including confidentiality and stabilization clauses. These safeguards could potentially allow Chinese creditors to seize liquid assets and to be prioritized over other creditors. In practice, Chinese creditors in places like Cuba and Venezuela (and elsewhere) have opted to defer, renegotiate and write off loans.

⁶⁸ Gonzalez-Vicente (2021), 'Over Hills and Valleys Too'.

⁶⁹ Ellis, R.E. (2019), 'China's Engagement with Trinidad and Tobago', *Global Americans*, 26 March, and <http://www.investt.co.tt/industries-and-opportunities/phoenix-park-industrial-e/>.

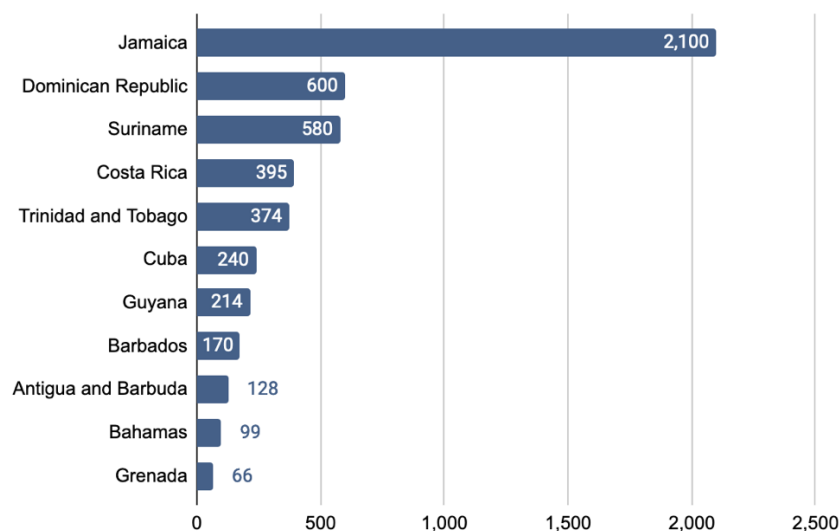
⁷⁰ Cohen, M. (2016), 'How China Rescued – Then Ruined – The Caribbean's Largest Resort Project', *Forbes*, 14 December.

⁷¹ Clarke, S. (2021), 'Complaints over Chinese Workers at Sam Lord's Site', *Nation News* (Barbados), 31 July.

⁷² Also see Gelpern, A. *et al.*, 'How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments', *SSRN Electronic Journal*, March; Malik, A.A. *et al.* (2021), *Banking on the Belt and Road: Insights from a New Global Dataset of 13,427 Chinese Development Projects*, Williamsburg, VA: AidData at William & Mary; Kratz, A., Feng, A. and Wright, L. (2019), 'New Data on the "Debt Trap" Question', *Rhodium Group*, 29 April; and Hille, K. and Pilling, D. (2022), 'China Applies Brakes to Africa Lending', *Financial Times*, 12 January.

Some of the projects financed with Chinese loans have provoked criticism and resistance (see also Box 3). This was, for instance, the case with the plans for a Chinese manufacturing hub in Antigua and Barbuda, which became the subject of controversy over environmental impacts. Another controversial case was the plan for a trans-oceanic Grand Canal in Nicaragua, which was granted in 2013 to a mysterious Chinese firm. It provoked fierce resistance and was never started.

Figure 5: Chinese loans to selected countries (Ex-Im Bank, CDB), 2005–2020 (millions of USD)



Source: Gallagher, Kevin P. and Myers, M. (2022), 'China–Latin America Finance Database', Washington: Inter-American Dialogue; authors' elaboration.

Box 4: China–Jamaica relations and the myth of the debt trap

China's relations with Jamaica have intensified during the last decade. Exports to China are only around 2 per cent, but Chinese direct investments in Jamaica's 'sunset industries' of sugar and alumina have attempted to revitalize these sectors, with varying degrees of success. Simultaneously, large Chinese loans have enabled an unprecedented degree of construction activity.⁷³ Jamaica has taken \$2.1 billion in loans from the China Development Bank and the Export–Import Bank of China to fund infrastructural development, especially roadworks.⁷⁴ The volume of these credits relative to Jamaica's GDP (\$13.8 billion in 2021) raised some alarms. The Caribbean Investigative Journalism Network showed concern about contractual clauses that include state guarantees of repayment, 'essentially making all publicly owned assets in

⁷³ Gonzalez-Vicente, R. (2021). "7 Over Hills and Valleys Too: China's Belt and Road Initiative in the Caribbean". *Global Perspectives on China's Belt and Road Initiative: Asserting Agency through Regional Connectivity*, edited by Florian Schneider, Amsterdam: Amsterdam University Press, 2021, pp. 171-194.

⁷⁴ Gallagher, K.P. and Myers, M. (2021), 'China–Latin America Finance Database', *The Dialogue*, Washington: Inter-American Dialogue.

Jamaica accessible to seizure'.⁷⁵ Donald Trump's diplomatic envoy to the island planted seeds of panic when publicly warning Jamaicans about 'horror stories of countries where they [the Chinese] have taken over ports because those countries could not pay for their investment'.⁷⁶ And a leading article in *The Times* claimed that China's 'debt diplomacy' in the Caribbean is designed to gain leverage and undermine the 'rules-based international order'.⁷⁷

There are good reasons to remain wary about Chinese finance – and indeed any type of finance – in a country that for decades ranked among the economies with a higher debt-to-GDP ratio. Important challenges related to the nature and modalities of Chinese loans, especially concerning their lack of transparency and how this undermines democratic oversight and the input of civil society. In Jamaica, questions arose about the prices paid for loans, the future economic return of loan-related projects, the limited economic opportunities for locals, and the projects' environmental and social impacts. The accusations of a 'debt diplomacy' that is devised to foster 'debt traps' and force asset seizures are nonetheless unwarranted. Jamaica's outstanding debt to China is only 3.9 per cent of its total debt and the Jamaican government has committed to repay 90 per cent of it in ten years.⁷⁸ To reduce the country's total debt further (94 per cent in 2019), Jamaica's Andrew Holness administration remains firm in its 2019 commitment not to take on more Chinese loans.⁷⁹

China's economic role in the Caribbean Basin is thus most visible in investments and loans, which are often connected and not always very successfully so. When Chinese loans are unsustainable this is invariably the result of a mix of poor conception by the Chinese entities, mismanagement by local elites and an inability or unwillingness to engage with civil society. Indeed, Chinese official finance overseas has been slowing since 2016, and has decreased very significantly since 2019/2020, as Chinese lenders re-evaluate the risks of default and debt sustainability in their partner countries.⁸⁰

At present there are two infrastructural projects involving Chinese companies that aim at constructing alternative connections between the Atlantic and Pacific Oceans. Neither has been realized or even formally initiated so far, but they should be mentioned because of their potential geopolitical implications. First, there is the *Gran Canal de Nicaragua*, which aims at creating an alternative to the Panama Canal. It caused some consternation when it was announced in 2013, but it has not made any progress since then. Similarly, Colombia's government of Juan Manuel Santos announced plans in 2011 for a Chinese-built railway connection in northern Colombia that would connect Cartagena, in the Caribbean, to

⁷⁵ Bridglal, C., Cairo, I., Campbell, S., Lewis, A. and Marks, N. (2019), '[China's Opaque Caribbean Trail: Dreams, Deals and Debt](#)', Caribbean Investigative Journalism Network (CIJN), *cijn.org*.

⁷⁶ *The Gleaner* Editorial Staff (2019), '[Call in Donald Tapia](#)', Editorial, *The Jamaica Gleaner*, 13 November.

⁷⁷ *The Times* (2020), '[The Times' View on China's Debt Diplomacy: Caribbean Takeaway](#)', Leading Article, *The Times*, 28 September.

⁷⁸ Bryan, C. (2018), '[90 Per Cent of Loans from China to be Repaid in 10 Years](#)', *Jamaica Information Service*, 2 November.

⁷⁹ Albert Han (2019), '[Why Jamaica Wants to Call Time on Chinese Borrowing](#)', *South China Morning Post*, 17 November. All in all, Jamaica's current debt situation is much better than in the 1980s and following decades, when the economic crisis and IMF and World Bank loans caused great social burdens, with maternal mortality, for example, doubling from 1990 to 2010; see [Jubilee Debt Campaign](#), 2013.

⁸⁰ Mingey, M. and Kratz, A. (2021), '[China's Belt and Road: Down but not Out](#)', *Rhodium Group*, 4 January.

Colombia's Pacific coast 450 kilometres away.⁸¹ While the project did not lead to any concrete elaboration, the plans for an inter-oceanic connection are certainly not forgotten.⁸²

The cases of Jamaica and Trinidad and Tobago indicate that the impact of Chinese finance and investments is largely dependent on whether the selected projects manage to produce sufficient economic returns that facilitate paying back the debt, or have a positive and yet affordable social impact – while avoiding environmental and social damages. Throughout Central America and the Caribbean region, we can find both cases of relative success (with swift delivery of a useful infrastructure) and others that have been more controversial or plainly unsuccessful. Some of the countries that recently established diplomatic relations with the PRC have witnessed a frenzy of announcements and negotiations for potential projects. However, the COVID-19 pandemic, together with hesitancy by both the investors and recipient communities, seems to have put a halt to many of these projects in places such as Panama⁸³ or the Dominican Republic.⁸⁴ While at this point the commercial and diplomatic rationales underwriting the wave of Chinese investments and loans in the region may be clear, the economic, social and environmental impacts of many of these recent projects will need to be revisited in the future once – and if – they materialize.

⁸¹ <https://www.theguardian.com/world/2011/feb/14/china-rail-link-challenge-panama-canal>.

⁸² https://www.researchgate.net/publication/346056008_Ferrocarril_Interoceano_Uraba-Cupica.

⁸³ Ellis, R.E. (2021), 'China's Advance in Panama: An Update', *Global Americans*, 14 April.

⁸⁴ Ellis, R.E. (2021), 'Chinese Engagement in the Dominican Republic: An Update', *Global Americans*, 7 May.

4 ONE CHINA: MOVING THE REGION AWAY FROM TAIWAN

The One China policy, which aims at ensuring that China and Taiwan are recognized as one country with its legitimate government in Beijing, has been a long-standing pillar of Chinese foreign policy. In bilateral relations between China and South American countries, the One China principle has not been much of an issue, but the One China policy has played a dominant role in Central America and the Caribbean. Seven countries have switched their diplomatic recognition from Taipei to Beijing in the past two decades: the Commonwealth of Dominica in 2004; Grenada in 2005; Costa Rica in 2007; Panama in 2017; the Dominican Republic in 2018; El Salvador in 2018; and Nicaragua in 2021 (the pause in such changes between 2008 and 2016 coincided with the presidency of pro-China *Kuomintang* leader Ma Ying-jeou in Taiwan). This should be considered a major success for Chinese diplomacy, with potentially important global geopolitical implications. According to Robert Portada and colleagues, '[f]or Taiwan, China's presence in Central America is an existential threat to its sovereignty, since it risks losing its final diplomatic frontier'.⁸⁵ The symbolic and political consequences of these shifting allegiances also play out in multilateral fora and have great symbolic power in favour of the One China policies. The shift in allegiance symbolizes the increased presence of China in the Central American and Caribbean region, and the decreased capacity of the United States to underwrite foreign policy agendas. As we will see, the US is actively trying to counter this new Chinese influence, but it remains to be seen how this will concretely play out.

4.1 Political shift with mixed gains

Nicaragua is the latest nation in the Caribbean Basin to end relations with Taiwan in favour of recognizing China in December 2021. This may not be surprising in the light of Nicaragua's conflictive relationship with the US and Europe, and the authoritarian and autocratic nature of Daniel Ortega's regime and its ruthless internal repression of dissenting voices. Approaching China seemed the logical answer to Nicaragua's increased international isolation. The decision to shift allegiance was announced on 10 December 2021, immediately followed by the negation of the 2006 free trade agreement with Taiwan. Already on 12 December 2021, an initial shipment of 200,000 Sinopharm COVID-19 vaccines arrived in Nicaragua, the first batch of a total of one million promised vaccines.⁸⁶ Then in January 2022, four bilateral agreements were signed between the two countries. There was also speculation that the highly controversial Nicaraguan Grand Canal project, which had been awarded in 2013 to the now-dissolved Chinese firm Hong Kong Nicaragua Canal Development, could be reinstated.

⁸⁵ Portada III, R.A., Lem, S.B. and Paudel, U. (2020), 'The Final Frontier: China, Taiwan, and the United States in Strategic Competition for Central America', *Journal of Chinese Political Science*, 25, pp. 551–573 at p. 567.

⁸⁶ Latin News Intelligence Research, Regional Report: Caribbean and Central America (2022), 'Nicaragua Joins Growing List of Nations Ditching Taiwan for China', London: Latin News Intelligence Research, January, pp. 7–8; and Ellis, R.E. (2021), 'Nicaragua's Flip to China: What Does It Mean for the Region?', *Global Americans*, 10 December.

The Nicaraguan case is a clear sign of the interrelationship between COVID diplomacy and the One China policy. However, more important is that it adds to a major shift by countries in Central America and the Caribbean region towards recognizing China: Costa Rica (2007); Panama (2017); the Dominican Republic (2018); El Salvador (2018); and now Nicaragua (2021). In addition, in Honduras, the recently elected government of Xiomara Castro had pledged during her campaign to shift Honduras's allegiance from Taiwan to China. This will leave Guatemala and Belize as the only Central American nations to recognize Taiwan.

In all these countries we see immediate rewards. Nicaragua and the Dominican Republic received large quantities of vaccines against COVID-19. Costa Rica was rewarded with new constructions, such as the national sports stadium, which opened in 2011. A similar symbolic investment was promised to El Salvador's President Bukele, construction of which is expected to be started during 2022. Costa Rica also received a \$50 million donation from China for highway improvement and an infrastructure programme, and signed an FTA with China. After Panama shifted to the PRC and became the first country in the region formally to join the BRI in 2017, Chinese President Xi Jinping visited Panama in 2018. This symbolized the importance of Panama as a global logistical hub. Most Chinese efforts in Panama focused on the Panama Canal. The Chinese Landbridge Group committed to a \$1 billion investment for a new container port known as the Panama-Colón Container Port (PCCP), but it was stalled in 2020 amid allegations of fraud and corruption. Chinese companies also built a four-kilometre-long bridge over the Panama Canal (valued at \$1.4 billion), connecting the city of Panama to the Panama Oeste province. Nevertheless, negotiations for a free trade agreement came to nothing, while, surprisingly, a free trade agreement between Panama and Taiwan remained in place.⁸⁷

Despite the recent success of the One China policy, questions remain about whether such success can be sustained in the near future. The Chinese economy has slowed and Chinese investments in Latin America are decreasing. Under the Trump administration, the so-called TAIPEI Act was signed in March 2020, aimed at defending Taiwan's few remaining allies from Beijing's advances, by threatening punitive measures for diplomatic switching.⁸⁸ US push-back diplomacy had already started earlier. For instance, after secret negotiations between Chinese officials and El Salvador's government, plans for a Special Economic Zone came to light in 2018. According to US officials, this would cover 14 per cent of El Salvador's territory and half of its coast, and would effectively exclude US companies. Alarmed US officials in El Salvador, including US Ambassador Jean Manes, began to speak out about what they described as China's predatory, coercive dealings with the region.⁸⁹ When anti-establishment candidate Nayib Bukele won El Salvador's February 2019 presidential election, he criticized his predecessor's deals with China and renegotiated a much smaller package, yet without obviously moving closer to the US. The real consequences of the TAIPEI Act remain to be seen. In the meantime, there are also signs that commercial relations between Costa Rica and China have not fulfilled the expectations of the Costa Rican government.⁹⁰ The experience of the Dominican Republic, which shifted allegiance in 2018, may provide a good example of the gains and losses of such a shift.

⁸⁷ Ellis (2021), 'China's Advance in Panama'.

⁸⁸ Portada III *et al.* (2020), 'The Final Frontier', pp. 558 and 568–569.

⁸⁹ Nugent C. and Campell, C. (2021), 'The US and China are Battling for Influence in Latin America, and the Pandemic has Raised the Stakes', *Time*, 4 February.

⁹⁰ Latin News Intelligence Research (2022), 'Nicaragua Joins Growing List of Nations Ditching Taiwan for China', pp. 7–8.

Box 5: The Dominican Republic, shifting from Taiwan to the PRC

The Dominican Republic (DR) was one of Taiwan's most trustworthy allies for almost seven decades. Various Dominican presidents had visited Taiwan and the DR had received millions of US dollars in assistance from Taiwan over the years. In January 2018, a spokesman of the Embassy of Taiwan in the Dominican Republic told a newspaper that Taiwan had more than \$165 million invested in the country.⁹¹ When the DR government of Danilo Medina decided to recognize the PRC in November 2018, this meant a brutal end to the DR's relationship with Taiwan: Medina's government gave the Taiwanese ambassador a mere 72 hours to leave the country, and the Taiwanese diplomatic corps 30 days to vacate its embassy!⁹²

The shift in allegiance towards China did not come as a complete surprise. The decision had been prepared during the second government of Medina's fellow party member Leonel Fernández (from 2008–2012). Some observers argued that this decision was made easier because of the decreasing US interest in the Caribbean and Latin America after 2001. As a country, the DR had always been closely integrated in the orbit of US geopolitics, but weakening US control allowed for more independent foreign policies. When the DR established diplomatic relations with the PRC in 2019, it already had commercial relations with China valued at \$2.0 billion. The shift in allegiance provided the DR with immediate benefits. Permission to sell Dominican rum and possibly tobacco on the Chinese market may principally have been a symbolic gesture, but highlighted the expanding Sino-Dominican trade. This trade had already been substantial before the shift in allegiance, but it increased very significantly after that decision. Chinese exports to the DR were valued at \$2.4 billion in 2019, which comprised large quantities of electronics and motorcycles (the principal means of public transport in the country). Dominican exports to China were valued at \$453 million.

Recently, some important Chinese investments in the Dominican Republic were announced for around \$3 billion, with additional promises going as high as \$10 billion. The most remarkable project – considering the historically tense relations between Haiti and the Dominican Republic – is the so-called *Proyecto de Ferrocarril Internacional Nordeste*, which aims to build a train connection between the DR and Haiti. It will be built by the China Civil Engineering Construction Corporation (CCECC) and its plans were presented to the Dominican government in March 2021.⁹³ At the same time, plans were submitted for hydroelectric plants and electricity infrastructure in general, for new water and sanitation systems and the renovation of ports. The Chinese government also explored possibilities for an FTA with the Dominican Republic and the establishment of Special Economic Zones (SEZs) that would allow Chinese companies to assemble goods in the country. China also applies soft power, such as the 2018 agreement by China's Tsinghua University to train personnel from

⁹¹ Castillo, V. (2019), 'República Dominicana y China: una alianza que pinta beneficiosa. La nación caribeña deja atrás su relación de más de 70 años con Taiwán', *Diálogo Chino*, 14 February.

⁹² Ellis (2021), 'Chinese Engagement in the Dominican Republic'.

⁹³ 'Entregan Proyecto del Ferrocarril en RD al Presidente Luis Abinader', *RC Noticias*, 31 March 2021.

the Dominican Ministry of External Relations, and to facilitate scholarships for Dominicans (ten per year) to study in China. Moreover, with China's support, the DR realized a long-standing wish: to obtain a non-permanent chair in the UN Security Council (for 2019–2020).

The Dominican Republic's new President Luis Abinader won the 2020 elections, among other reasons with a promise to form stronger economic and diplomatic ties with the United States, but his government continues the DR's approach to China. This results in interesting balancing acts. In March 2021, the Dominican government signed a second agreement on *Cooperación Económica y Técnica* with a value of 200 million renminbi (around \$30 million). This agreement was a logical sequel of the first, but this time the cooperation was strongly coloured by the COVID-19 pandemic. In his speech on the new agreement, the Dominican Minister of Economy Miguel Ceara Hatton explicitly mentioned the Chinese medical assistance.⁹⁴ While the DR had great problems receiving the ten million doses of the AstraZeneca COVID-19 vaccine that it ordered, by February 2021, 768,000 doses of the Chinese Sinovac vaccine had arrived in the Dominican Republic. By mid-March 2021, the Dominican government had received one million doses that it had purchased at a cost of \$19 million, plus an additional 50,000 doses donated by China.⁹⁵ This accounted for 90 per cent of all vaccines given in the Dominican Republic in 2021. The results of this COVID-19 diplomacy became visible in the strategic area of 5G infrastructure. In October 2020, the newly elected Abinader government had agreed to participate in the US-led 'Clean Network' initiative, which prevented the *Instituto Dominicano de Telecomunicaciones* (Indotel) from using Huawei technology. Yet following the Chinese sale of nearly one million doses of COVID-19 vaccines to the Dominican Republic, the Abinader government no longer prevented Huawei from participating in the auction for contracts for the construction of 5G infrastructure in the DR, scheduled for May 2021. As a result, Huawei could be installing 5G networks in the Dominican Republic before the end of 2022.

The majority of Chinese commitments in exchange for the Dominican Republic's May 2018 diplomatic recognition of the PRC have not (yet) been realized. This is mainly because of the effects of the COVID-19 pandemic. At the same time, the pandemic has strengthened the bonds between the two countries. Despite China's successful vaccine diplomacy in the Dominican recovery, the DR remains firmly linked to the US and US interests, if only because a large part of its population lives in the US. At the same time, the DR may become an interesting battle-ground for the competing interests of the two superpowers in the near future.

⁹⁴ Ministerio de Economía, Planificación y Desarrollo (2021), '[Gobierno Dominicano y la República Popular China firman segundo acuerdo de Cooperación Económica y Técnica](#)', 22 March.

⁹⁵ Ellis (2021), 'Chinese Engagement in the Dominican Republic'.

4.2 Colonial no more

The Caribbean has been an important region for European colonialism. Today, the region shows how European colonial powers are struggling with independence processes and their changing relations with former colonies, but also how decolonized states gradually distance themselves from their former colonial masters and are constructing their existence in a post-colonial world.⁹⁶ Nowadays, most of the Caribbean region is sovereign, but a (neo-)colonial umbrella often continues to be noticeable.⁹⁷ This makes the Caribbean a unique region in the Americas. Many European powers still have close links to their (former) colonies. As we saw, the Dutch Caribbean, although relatively small, also demonstrated different forms of emancipation. This slow process of independence influences the economic and geopolitical position of many Caribbean nations. The influence of former colonial powers is criticized in decolonial discourses, and many Caribbean countries are increasingly cutting their remaining colonial ties with Europe and the US. This is all taking place against a backdrop in which Caribbean governments try to diversify the political and economic linkages of their countries and often find alternative forms of investment, loans and medical support in Chinese actors.

The Barbadian case shows how this search for independence and new linkages can result in complex discussions and practices. Barbados fully broke its colonial ties when, on 1 December 2021, it became a republic, no longer swearing loyalty to the British Crown. This decision was the conclusion of a long process of decolonization, culminating in recent years in political debates on race, reparations for slavery and the broader colonial heritage among Barbadian intellectuals. Interestingly, some English journalists directly blamed the Chinese influence for this move. The small Caribbean country had received loans for more than \$500 million from China in the years before this transition and these analysts directly link the relations between Barbados and China to the Barbadian government's decision.⁹⁸ The online news platform *Felastory* bluntly stated: 'The sun setting on the British Empire thanks to billions of dollars the Chinese have poured into the island'.⁹⁹

These views, also articulated in some conservative political circles in the UK,¹⁰⁰ were vehemently rejected by the Barbadian government of Mia Amor Mottley and many civil society groups. Professor Avinash Persaud, Mottley's economic advisor, clarified that less than 3 per cent of Barbados' \$13.5 billion debt is owed to Chinese creditors. While Chinese companies still have only a limited number of investments in Barbados, there is no doubt that Chinese–Barbadian relations have intensified in the past two decades. In 2004, Barbados was added to China's list of officially approved tourist destinations. Then, in 2009, both countries moved to strengthen their military cooperation. Barbados expanded this military cooperation with the Chinese government in 2016, when the PRC gifted the government of Barbados with \$3 million worth of military equipment. In the regional context, an important feature of the new Chinese presence is its 5.6 per cent share as one of the non-borrowing members in the Barbados-

⁹⁶ The recent, March 2022, [Caribbean tour by the United Kingdom's Prince William and his wife Kate clearly showed the complexities and challenges of this process](#); see also [The Guardian](#).

⁹⁷ For an old, but still useful, overview, see Oostindie G. and Klinkers, I. (2003), *Decolonising the Caribbean: Dutch Policies in a Comparative Perspective*, Amsterdam: Amsterdam University Press.

⁹⁸ Mwai, J. and Ashmore, L. (2022), 'Barbados' New Republic: A Win for China?', *The Diplomat*, 27 January.

⁹⁹ *Felastory* (2021), '[China Buys Barbados](#)', *Felastory.com*, 30 November.

¹⁰⁰ Campbell, M. (2021), '[Little England? Not Any More — Barbados is Becoming Little China](#)', *The Times*, 20 November.

based Caribbean Development Bank, which lends money throughout the Caribbean region.¹⁰¹ More recently, in 2019, rapid steps were made: the two countries signed an MoU for Barbados officially to join the Belt and Road Initiative; the Association for Barbados–China Friendship (ABCF) was formed in Barbados; and several Barbadian graduate students were sponsored to study in China.

The accusations of having sold out Barbados to China may express the insecurity provoked by the process of decolonization and fears about China's encroachment in the Caribbean. However, *The Diplomat* has recently ventured an alternative explanation for the close relations between Barbados and China. It points at WTO statistics that show that while in 2000 the United Kingdom was Barbados's third most important export destination, a market worth \$35 billion, by 2019 that figure had fallen to just under \$9 billion. It suggests – without being able to identify the causal effects – that Brexit has also influenced the decreasing importance of the former mother country. The argument is not unproblematic. The sharp fall in British tourism to the island, which *The Diplomat* used to sustain its argument, was a result of the COVID-19 pandemic; the UK continues again today to be the main source of tourists to Barbados. However, the focus on the relation between political and economic transformations is useful for understanding how Chinese interests in the decolonized Caribbean world are interpreted. Both materially and ideologically, the Chinese presence allows the involved countries some extra political and economic space. The same pattern can be seen in Barbados's relationship with the US. In October 2006, the Barbadian government was sanctioned by US President George W. Bush for not signing an Article-98 agreement with the United States military, exempting US personnel from the International Criminal Court. Following the sanctions, the Chinese government provided Barbados with the financial assistance to overcome the situation.

The Diplomat suggests an interesting explanation for Barbados's decision to cut ties with the British Crown. It highlights the Caribbean region's decolonial sentiments, but also shows how the Chinese presence articulates the changing relations between Barbados and the UK: 'China's example gives a chance to reflect on why the UK (and perhaps others) seem so disinterested in strengthening economic relationships with countries like Barbados. The UK does, after all, have its 1949 version of the BRI – the Commonwealth, of which Barbados today remains a member'. This debate suggests that if European powers want to retain a role in the region, it is important that they reflect critically on their role in post-colonial legacies in the region and beyond.

Former colonial powers have thus come to understand that more autonomy for the ex-colonies is inevitable, but at the same time, for political and security reasons, they try to maintain some kind of control. This is a complex and sensitive process, because these relations are fraught with political, historical and racial sensitivities and ambiguities. There is a general perception in the Caribbean's former European colonies that the different consequences of the colonial heritage – economic, political and cultural – are not recognized sufficiently. This has hampered the establishment of new forms of more equal post-colonial relationships. In this context, relations with new partners that seem to show genuine interest in the region certainly have an appeal. This may be to the advantage of Chinese diplomats and companies. These kinds of perceptions may be stimulated by the fact that many European countries and companies have been withdrawing from the wider region in recent decades. The Netherlands, for

¹⁰¹ <https://www.caribank.org/countries-and-members/non-borrowing-members>; other external members include Canada and the UK (9.31 per cent share each), and Italy and Germany (5.58 per cent each).

instance, had an extensive and widely applauded human rights programme in Central America that endowed it with important soft-power influence, both in the region and in multilateral fora. The programme was abruptly ended in the 2010s, putting an end to much of the social and political capital that had been accumulated in the previous decades. Many European countries showed similar political moves away from Central America and the Caribbean region, and, so far, the European Union has not been able to substitute successfully the traditional presence of specific European countries in the region. An exception to this rule may again be presented by Cuba. Here, the European (and Dutch) presence remains very visible and influential, because these countries play an important intermediary role that the US is unable to play.

4.3 Suriname: A former Dutch colony and its relations with China

Economically, Sino-Surinamese relations revolve primarily around Suriname's many natural resources. After its independence from the Netherlands, Suriname remained an exporter of bauxite as its main source of income. Once the bauxite mining companies exited Suriname in the 2010s, resource extraction shifted to gold mining, forestry and fishing. Mining is associated with Canadian companies, while forestry and fishing are associated with Brazilian and, especially, with various Chinese companies. Moreover, large oil fields were recently discovered in Suriname's coastal region, which might become productive as soon as 2025. Politically, formal bilateral relations between Suriname and China go back to Suriname's independence from the Netherlands in 1975. The Netherlands had formally recognized the PRC in 1972, and so did Suriname when it became independent.

Although the PRC was one of the first states to recognize the Republic of Suriname and Suriname was the earliest Caribbean country to establish diplomatic relations with the PRC, relations remained low key. In practice, diplomatic efforts by the Chinese Embassy in Suriname appeared limited to the One China policy, with mild geopolitical posturing versus the US embassy. Surinamese party politics also made foreign policy of minor importance in successive Surinamese administrations. Preoccupied with securing its next term, a ruling coalition tends to focus on populist and clientelist measures and seldom values experience in a (long-term) vision for foreign relations. However, that is now changing rapidly. Especially because of the war in Ukraine, oil deposits in the Americas hold great geopolitical relevance. Moreover, the nascent Surinamese offshore oil industry is currently associated with US companies.

The cash-strapped populist NDP administrations (2010–2020) of former military strongman Desi Bouterse were distinctly more interested in bilateral ties with China than previous administrations. Bouterse met Xi Jinping four times, and under his tenure the (Chinese) Lunar New Year/Spring Festival was designated a national holiday, making Suriname the only country in the Western Hemisphere where that is the case. Speeches and statements by Surinamese presidents, cabinet ministers and senior civil servants remain close to the established script: the long-standing relationship between the two countries is praised, the One China policy is adhered to, there is no criticism of the PRC, and references to past and future financial support are common. The PRC's view of the Sino-Surinamese relationship contained in speeches and statements by PRC ambassadors and embassy spokespersons is no less stereotypical: the long-standing relationship is praised, bilateral ties are described as cooperation between equals, there is no criticism of Suriname in line with the PRC principle of non-interference, and until recently the two countries would be hailed as equally successful multi-ethnic societies.

US–PRC rivalries can seem petty on the ground. When the Chinese Embassy expanded its infrastructure in Suriname's capital city, Paramaribo, so did the Americans. Sino-American rivalries are more substantial in the broader regional context, with the PRC engaging actively in LAC countries via the China–CELAC Forum (in the areas of trade, investment, mining, finance, defence, strategic infrastructure, health and food security, education and cultural exchange). China's protagonist role comes at the expense of the OAS, and of CARICOM, which lacks a unified and comprehensive economic strategy regarding the PRC.

The PRC's initiatives in Suriname retain the basic pattern of prestige projects, donations and soft loans, which the Chinese Embassy is charged with implementing, but these are now less ad hoc and more in line with the PRC's policy for the Caribbean region. Recent initiatives cover:

- Defence: donations of material to Suriname's Ministry of Defence, scholarships and training;
- Finance: rating by Dagong Global Ratings and introduction of Union Pay prepaid credit cards (by China UnionPay International) in 2014;
- Investment: support for the Suriname–Chinese Business Alliance, established in January 2022;
- Strategic infrastructure: Huawei is involved in 5G broadband internet and Safe City in line with regional 'Smart City' initiatives, and ongoing road network rehabilitation by China Dalian;
- Health and food security: donations of agricultural material and know-how, an Agricultural Technology Cooperation Centre is planned, a traditional Chinese medicine team (still to be certified by the Surinamese Ministry of Health), Wanica Medical Centre, 100,000 doses of the Sinovac COVID-19 vaccine were donated in 2021;
- Education and cultural exchange: academic scholarships, a Confucius Institute (at Anton de Kom University), training of journalists, and five students selected for the Huawei 'Seeds for the Future' ICT programme as of October 2021;
- Housing: various low-income housing projects, most recently a plan to design and construct 3,350 houses (although none of the projects has been a clear success);
- Energy: a solar hybrid station is almost completed by SINOSOAR, funded by the Caribbean Development Bank, and two micro-grid solar stations to be constructed by China Power Construction.

The Chinese Embassy in Suriname would like to implement new aid projects, such as water supply for villages in the Surinamese interior and providing ambulances. The main problem it faces is popular distrust about Chinese intentions, the lack of a specifically local diplomatic capacity for implementation, and the institutional weakness of the Surinamese state. The PRC's initiatives are projects to be carried out by Chinese companies, often with Chinese labourers, through loans taken on by Suriname. The general public, politicians and commentators at a distance have tended to assume that the PRC is setting up Suriname for a 'debt trap', particularly as Suriname's current VHP–ABOP administration has inherited a major economic crisis from the NDP. However, an analysis of the loans from 2012–2019, compiled by Jim Koop, shows the loans to be neither particularly attractive nor particularly unfavourable

to Suriname.¹⁰² All of the current loans are government to government, and none involve collateral assets that would result in a 'Chinese debt trap'. Debt restructuring of these long-repayment-period and low-interest loans could conceivably seduce Suriname to less favourable loans or projects, but at the time of writing there is no indication of such renegotiation. In fact, the PRC cooperated with the Surinamese loan application with the IMF.

Under Desi Bouterse's populist administrations from 2010–2020, Suriname officially joined the PRC's Belt and Road initiative. This helped Bouterse to secure large loans with China's Ex-Im Bank totalling \$580 million. Infrastructure projects that were presented as part of the BRI included refurbishing the Johan Adolf Pengel International Airport, dredging the Suriname River for a container harbour and a national broadband network. The current administration pulled out of these loans, however, and the projects, although necessary, have been put on hold. Plans for a highway to connect Suriname with Brazil, although supported by the PRC, never materialized. In any case, at the moment Suriname holds no inherent strategic importance that would make existing or newly built infrastructure especially interesting to the PRC, with the possible exception of recent oil discoveries.

Total volumes of bilateral trade have increased steadily. In a 2021 statement, the Chinese Embassy in Paramibo quoted PRC customs' statistics on total bilateral trade between Suriname and the PRC: a year-on-year increase of 12.8 per cent reached \$280 million in 2020 and \$318 million in 2021, despite the economic downturn caused by the COVID-19 pandemic. Chinese exports to Suriname amounted to \$276 million in 2021, while imports to China from Suriname amounted to \$42 million, the lowest amount in the last four years. Most Surinamese exports are related to natural resources. However, resource extraction in Suriname by Chinese companies is faltering and most of these companies were probably never seriously interested in forestry or fishing. Indeed, some were mainly established solely for asset stripping and playing the Hong Kong stock exchange. For instance, the Greenheart Group lumber company presented itself as a major player in Surinamese lumber, but has been plagued by labour and production issues since at least 2015 and does not appear to be a major exporter or supplier of wood.

Given the current rapid shifts in the balance of global power and the grim reality of climate change, Sino-Surinamese relations might evolve towards a more calculated and strategic scenario. The main shift in Surinamese strategic importance would be related to the newly discovered offshore oil fields. On the one hand, fossil-fuel production must be curtailed to prevent the worst of now unavoidable consequences of global warming, which means that Suriname would not be able to profit greatly from oil production. On the other hand, the looming energy crisis caused by Russia's invasion of Ukraine will make Surinamese oil more interesting for the West. The Chinese Embassy in Suriname has already indicated that China has obvious experience in the oil industry and alternative energy technologies. Depending on how the PRC positions itself in a new Cold War, Suriname will need to determine a geopolitical vision.

¹⁰² Koop, J. (2020), *China's Suriname: A Case Study on China's Developing World Policy*, thesis for MA in History, Leiden University.

5 THE CARIBBEAN COUNTRIES OF THE KINGDOM OF THE NETHERLANDS

The Chinese economic and political presence in the Dutch Caribbean countries has been rather modest and small-scale compared with that of other Caribbean countries.¹⁰³ Curaçao, Aruba and Sint Maarten have attractive features, such as proximity to Venezuela, deep seaports, oil refineries and oil-storage capacity, etc., and this is also reflected in their history and role in the oil industry, as transit ports and financial hubs. This relatively low level of Chinese involvement is partly because the islands of Curaçao, Aruba and Sint Maarten (CAS), although autonomous, are part of the Kingdom of the Netherlands (KNL) and thus less interesting for the sake of generating diplomatic support.¹⁰⁴ The One China policy does not play much of a role in Chinese relations with the CAS islands.¹⁰⁵ Foreign policy and diplomacy are Kingdom affairs and the KNL has held diplomatic relations with the PRC since 1972. In 2014, the KNL and the PRC also established an open and pragmatic partnership for comprehensive cooperation. With the islands' strategic location – especially Aruba and Curaçao – in relation to Venezuela, we could expect Chinese companies to seek a bigger stake in the islands.¹⁰⁶

Representatives of the CAS governments have made several visits and trade missions to China, but without much effect. When in 2009 Aruba expressed its ambition to be CO₂-neutral by 2025, China offered to supply solar panels, and electric buses from the company Build Your Dreams (BYD), but this proposal has not materialized. In 2013, CAS government representatives travelled to China, together with Dutch Prime Minister Mark Rutte, in order to promote Curaçao as a logistics hub for Chinese companies to Latin America and to promote business locations, investment projects and financial services that Curaçao has to offer. So far, such ambitions have hardly materialized. Despite Chinese expressions of interest in trade and tourism infrastructure in Sint Maarten and the oil refineries in Aruba and Curaçao (see section 5.2), there are no major Chinese economic activities on the CAS islands. An exception is the Chinese investment in the Caribbean insurance group NAGICO based in Sint Maarten. In 2016, the Hong Kong-based global reinsurer Peak Reinsurance bought a 50 per cent stake of NAGICO and in 2021 it purchased the other 50 per cent.

The chance of the CAS islands attracting large Chinese investments or loans in the near future might even be lower. Although the former Dutch colonies are now independent island states and, in general,

¹⁰³ Because there are few systematic studies of recent Chinese economic and political influence in Curaçao, Aruba and Sint Maarten, and factual data is sometimes also hard to find, for this section we have interviewed and corresponded with a wide range of 25 knowledgeable people in the islands (including journalists, scholars, representatives of the Chinese community, politicians/officials involved with the negotiations and visits within the context of the mentioned BRI projects, specialists on crime, corruption, security cameras and fishing, etc.), about their understanding of this influence (October 2021–March 2022).

¹⁰⁴ Oosterveld, W., Wilms, E. and Kertysova, K. (2018), *The Belt and Road Initiative Looks East: Political Implications of China's Economic Forays in the Caribbean and the South Pacific*, The Hague: Centre for Strategic Studies.

¹⁰⁵ This does play out on a more social level: there is a Taiwanese Confucius Institute in Aruba that focuses on Taoism and is becoming very popular, and some Taiwanese sympathies arise from this. Simultaneously, in recent years there has been an increase in the possibilities to learn Mandarin in the islands. Besides the Chinese associations, also the universities of Aruba and Curaçao offer language courses, and Mandarin is offered as part of the curriculum at a secondary school in Curaçao.

¹⁰⁶ Oosterveld et al. (2018), *The Belt and Road Initiative Looks East*.

economic policies and relations are the responsibility of the autonomous islands' governments, their foreign policy is still determined by the KNL government. However, in its 2019 report *The Netherlands and China: A New Balance*, the Dutch Ministry of Foreign Affairs indicated that some things have changed. There is now greater Dutch awareness about security issues, undesirable Chinese influence, and the need to protect the rule of law and the open economy and society. The chapter on the KNL's Caribbean countries explicitly mentions that 'the separation of economics and foreign policy that exists within the Kingdom does not apply to China'.¹⁰⁷

Box 6: The islands of Curaçao, Aruba and Sint Maarten

The Caribbean part of the Kingdom of the Netherlands consists of six islands, known until 2010 as the Netherlands Antilles. It has a special position in the Caribbean region. Curaçao, Aruba and Sint Maarten (also called the CAS islands) are autonomous countries within the Kingdom, whereas Bonaire, Sint Eustatius and Saba (also called the BES islands) are special municipalities of The Netherlands. Aruba acquired a '*status aparte*' in 1986, and in 2010 the islands of Curaçao and Sint Maarten acquired a similar autonomous status under the KNL's ultimate control, especially in the fields of finance and foreign affairs. While Curaçao, Aruba and Sint Maarten compare favourably to other parts of the Caribbean region – with a relatively high level of prosperity, open economies, untapped economic potential and their protected position in the Kingdom – the CAS islands face various challenges. The three young countries with limited infrastructure, manpower and financial resources have to deal with major issues such as drug smuggling, large flows of refugees, international ports and airports, as well as the recent pandemic. The islands have a relatively large civil service and associated costs, which is coming under pressure because of budget reforms stimulated by the Netherlands. The Caribbean Body for Reform and Development (COHO) is an organization that, on behalf of the Dutch Ministry of the Interior and Kingdom Relations, has to support and monitor reforms in Curaçao, Aruba and Sint Maarten. In exchange for reforms, the Dutch Cabinet offers new liquidity assistance and support for the islands' development. In the context of the COVID-19 pandemic, the Netherlands donated food aid, medical facilities and vaccinations, and offered substantial additional (interest-free) loans. However, the conditions for these so-called country packages and the way in which they were organized has met with local resistance. Opponents state that the countries' autonomy is at risk because of Dutch 'recolonization'. These sentiments could potentially lead in the future to more support for engagement with countries such as China.

The status of the CAS islands, as autonomous countries within the Dutch Kingdom, does not always make access to financing and funding easier. The islands often have no claim to development funds, because they are part of the 'rich' Kingdom of the Netherlands. They are not EU countries and are therefore not always eligible for EU funds (although sometimes they are, from their status as Overseas Countries and Territories). Unlike their sister islands Bonaire, Sint Eustatius and Saba, they are not part of the Netherlands and thus often cannot

¹⁰⁷ Dutch Ministry of Foreign Affairs (2019), *The Netherlands and China: A new balance*, The Hague: Dutch Ministry of Foreign Affairs.

apply for funding in the Netherlands, although more funding programmes have recently expanded their scope from the Netherlands to the entire Dutch Kingdom, such as NWO and ZonMw, two scientific research funding programmes.

5.1 The CAS islands in a global context

The Dutch Caribbean territories consist of Curaçao, Aruba and Sint Maarten (CAS), which are autonomous countries within the Kingdom of the Netherlands, and the special municipalities Bonaire, Sint Eustatius and Saba (see Box 6). The geographic location of these islands has given them a historical role as transit ports: in the colonial era for the transatlantic slave trade, since the 1920s for oil refining (for example, providing the allied forces with oil during the Second World War), and in recent years for human trafficking and drug trafficking. Their deep-sea ports and waters are suitable for submarines and make these small islands possibly attractive to larger powers. Geographically, the islands are clustered in two widely separate parts of the Caribbean: Sint Maarten and Saba and Sint Eustatius are located in the north-eastern part of the Caribbean; and Curaçao, Aruba and Bonaire are located off the coast of Venezuela, part of the Lesser Antilles islands' chain. Venezuela and these latter islands historically have close economic, cultural and family ties. In the past century, Venezuelan oil was processed and transhipped from the oil refineries in Curaçao and Aruba. Until the closing of the border in February 2019, the vast majority of fruits and vegetables on islands came from Venezuela.

People of Venezuelan descent have always lived in the islands of Curaçao and Aruba, but this group increased dramatically in 2018 and 2019 when 30,000–50,000 Venezuelan refugees fled the humanitarian crisis in Venezuela to Curaçao and Aruba. The large influx of undocumented Venezuelans led to local fears of societal disruption and human rights issues. Currently, although the socio-economic situation for a vast part of the population in Venezuela is still poor, changes in the Venezuelan economy (dollarization and flexibilization of the economy) and the COVID-19 pandemic (resulting in Venezuelans losing jobs and opportunities in neighbouring states) have had some effect on reducing outward migration and even seeing a slow return of some Venezuelans back to home.

The economies of the CAS islands are traditionally strongly outward-oriented and are based on three pillars: tourism; oil; and financial services.¹⁰⁸ The financial sector includes the presence of foreign banks, trust offices and specialized financial, legal and accounting services. Although not as important as in the past, the financial sector is still relatively large in proportion to the size of the islands' economy, partly a heritage of being a flourishing offshore financial centre, facilitating tax avoidance. The influence and growth per sector vary from island to island. In the case of Curaçao, port activities have also been essential. Curaçao's capital, Willemstad, was the seventh largest port in the world for some time during the 20th century. However, Curaçao, Aruba and Sint Maarten are predominately dependent on tourism, although this sector has taken great hits over recent years. While Curaçao and Aruba are affected by the crisis in Venezuela, Sint Maarten suffered from the devastating Hurricane Irma in 2017. Moreover, tourism dwindled as a result of global travel restrictions and island policies to curtail the spread of

¹⁰⁸ While the CAS islands are not members of the EU, they are associated with it, which offers some trading advantages.

COVID-19. Because of the Caribbean's structural vulnerabilities and dependencies, the economic impact of this crisis was dramatic. To make things worse, the oil refinery in Curaçao came to a standstill in 2019 because of the absence of a new tenant after the termination of the contract with Venezuela's state oil company, *Petróleos de Venezuela SA* (PDVSA).¹⁰⁹ At the same time, its financial offshore regime (a so-called tax haven, offering a lower taxation rate for non-residents), which had attracted many foreign investors with its tax benefits, ended in January 2020. All in all, these crises and setbacks have made the problems of poverty, income inequality, high unemployment, financial shortages and crime more urgent.

Meanwhile, the small scale of the islands, combined with features of income inequality, high crime, brain drain and political instability, all contribute to weak governance, making them sensitive to corruption and a lack of accountability.¹¹⁰ Schotborgh-van der Ven concludes that the islands' political system and institutional weakness have a decisive influence on this situation: 'Often, it is clear that it is too demanding for small countries to comply with all capacity and quality requirements necessary for the investigation and prosecution of fraud and corruption. This results in a free pass for offenders'.¹¹¹

5.2 Abandoned proposals for Chinese investment

Belt and Road Initiative projects around the world are characterized by a focus on infrastructure and large construction projects. In theory, there were several options in the islands. After the loss of Venezuela as the operator of the oil refineries in Aruba and Curaçao, both islands frantically sought alternative parties to modernize the refineries, adapt them to modern environmental legislation and restart their operations. At the same time, Chinese state-owned companies are very interested in gaining a foothold in oil refining, storage and trade. This led in both Aruba and, especially, Curaçao to a lengthy process of negotiation with Chinese candidates. In 2012 in Aruba, PetroChina sought to acquire a refinery owned by US-based Valero Energy In Sint Maarten. Later, in 2016–2017 in Curaçao, China National Petroleum Company (CNPC) tried to take over the prominent Isla refinery belonging to Venezuela's PVDSA. Simultaneously, in 2016 in Sint Maarten, the Chinese investor New Life Town Investment Group showed interest in developing the project Pearl of China, a hotel and trade centre to make the island a 'hub for Chinese business people'. The company's president, Suiqiang Cui, claimed that the Chinese government would take a 50 per cent stake in the project Chinese investors tried to initiate the Pearl of China project, aimed at building a hotel and trade centre. All three projects were locally presented by China as part of the BRI.¹¹² During the negotiations, additional investment projects were also discussed, such as the Curaçao Hato airport, the deep-sea port of Willemstad, and high-speed internet and investments in schools.

¹⁰⁹ Ditzhuijzen van, J. (2021), '[Het doek valt voor "de grootste milieu-misdaad binnen het Koninkrijk der Nederlanden"](#)', *Trouw*, 12 August.

¹¹⁰ Meskell, Z. (2022), '[The Netherlands' Dutch Caribbean Problem](#)', *The Global Anticorruption Blog*, 17 January.

¹¹¹ Schotborgh-van de Ven, P.C.M. (2019), '[De wortels van publieke fraude en corruptie in het Caribisch deel van het Koninkrijk](#)', PhD dissertation for Vrije Universiteit Amsterdam. For an unprecedented insight into these processes in Guyana, see the recent documentary '[Undercover in Guyana: Exposing Chinese Business in South America, 2022](#)', *Vice News*.

¹¹² For example, the link with BRI was pointed out by the Consul-General for China in Willemstad, Weixin Zhang, during the ceremony for the [Pearl of China project in Sint Maarten](#) and by representatives of GZE during various stakeholder presentations for the acquisition of the refinery in Curacao (interview, 10 February 2022).

These investments would have been of great importance for the economy and infrastructure of the islands, but the investments never materialized. Negotiations were accompanied by various state visits, trade missions and the installation of the Chinese Consulate-General in Curaçao's capital, Willemstad. Yet despite clear interest from Chinese actors, ultimately none of these three large projects led to something tangible (see Box 7). Interviewees and observers offer various explanations for the failure of these projects. First, there is a commonly heard suspicion that the Netherlands, as the former motherland and decisive foreign policy leader of the KNL, steered the negotiations away from Chinese involvement. Possibly it was nudged by the US, which is a leading actor in, for instance, Aruba. These countries are wary of too much influence from China and would therefore have stalled the negotiations. Second, local politics may have played a role. In all three cases, negotiations took place in politically and economically challenging times. In some instances, they occurred in the run-up to local elections, when the islands' politicians have an interest in presenting promises in the media and offering solutions. After the elections and with other parties at the helm, any agreements made between local politicians and Chinese investors often evaporated. Specifically, Curaçao and Sint Maarten have a fairly unstable political situation, with frequent elections and changes of power. Since the 2010 autonomy of the islands, Curaçao and Sint Maarten each have had no fewer than ten different cabinets. One of the interviewees suggested that the Chinese may have had trouble negotiating with local politicians who are focused on their own interests and whose political position could quickly evaporate.

Box 7: Unrealized Chinese projects in the CAS islands

Refinery of Aruba and PetroChina

The first Chinese initiative to acquire a share in the islands' oil sector occurred in Aruba in 2012. The oil refinery in the city of San Nicolas had provided many Arubans with work since 1924 and had attracted migrants from more than 50 countries. Accounting for about one-third of Aruba's economy, the refinery made Aruba one of the most prosperous Caribbean islands after the Second World War. In 1986, its US owner Lago Oil (Exxon) departed, leaving behind an obsolete refinery. The refinery was reopened by the US corporation Coastal Oil Company in 1991, and in 2004 it was taken over by the Texas-based Valero Energy Corp.¹¹³ Valero closed the factory in 2009, opened it again briefly in 2011 and then closed it for good in 2012. After fervent attempts to find a new party, the Aruban government regained ownership of the crumbling refinery and heavily polluted environs.

In 2009, talks began between the Aruban government of Prime Minister Nelson Oduber and PetroChina. According to local media, negotiations stalled because of the rigid stance of the Oduber government, which introduced a sales tax on the exports of Valero, which was then still active in the island. In 2012, a new Aruban government stipulated the sales tax within a few months.¹¹⁴ In early 2012, when Valero told the Aruban government that it was planning on closing its local operations, Aruba's prime minister and the minister of energy were in talks

¹¹³ NU (2009), '[Oduber verwacht deal met PetroChina](#)', *Nu.nl*, 20 September.

¹¹⁴ *Genootschap Nederland Aruba* (2012), '[Koninkrijk en EU-relaties](#)', *Genootschap Nederland Aruba*, 12 May.

with representatives of different companies and their governments, including Colombia, Brazil and Venezuela, for a possible partnership or purchase. After the refinery had been idle for a few weeks, the Aruban government of Prime Minister Mike Eman and PetroChina's representatives signed a Memorandum of Understanding (MoU) on 26 April 2012, agreeing that PetroChina was seriously considering the purchase of the refinery on Aruba from Valero. However, the deal never saw the light of day.

Refinery of Curaçao and Guangdong Zhenrong

Shell established the Isla refinery in Curaçao in 1915 and sold the complex in 1985 for the symbolic sum of one guilder (less than 1 US dollar) to the Curaçao government. With that transaction, Shell could no longer be held responsible for any environmental damage caused by the refinery. The outdated complex was rented until 2019 by the Venezuelan state oil company PDVSA. Located close to the northern coast of Venezuela, Isla was an important strategic refinery for PDVSA, where Venezuelan heavy oil was diluted for export. However, PDVSA was not able to make the required investments in modernization, and pollution from the now very outdated refinery came under increased scrutiny. When the contract with PDVSA expired, Curaçao explored working with another party because of PDVSA's unstable financial position and tense relation between the KNL and Venezuela. Environmental organizations and residents also complained about the environmental damage and, in 2015, the University of South Florida found that concentrations of particulate matter and sulphur dioxide in Curaçao are among the highest in the world.¹¹⁵ However, closing the complex has not been an option for the government because of the refinery's large economic contribution and the employment it creates (11 to 13 per cent of GDP and 17 per cent of foreign exchange inflows).¹¹⁶

For the Curaçao government, it was important that the future and modernization of the refinery were secured. In 2016, Curaçao's Prime Minister Ben Whiteman surprised everyone with an MoU with the Chinese company Guangdong Zhenrong Energy (GZE) for the acquisition in 2019 of the refinery. GZE committed to modernizing the refinery and investing \$10 billion in the refinery, the storage terminal and the port. The Chinese company would also invest in the water and power plant and in the construction of a gas plant. The investments were intended to ensure that the refinery would be competitive for at least another twenty years from 2020 onwards. GZE presented itself as a company that falls directly under the Chinese central government, with sales of \$60 billion and 15,000 employees. A presentation that the company gave in Curaçao on 12 September 2016 shows that GZE wanted to start the project together with other Chinese partners, including the China Development Bank, Bank of China, Sinopec, State Grid and CNPC. GZE did not ask for guarantees from the government in Curaçao. According to Prime Minister Whiteman, the modernization would make the refinery far less polluting and would create thousands of jobs – GZE even estimated the total potential of local employment through the project at 10,000 jobs. Local employment opportunities would

¹¹⁵ Stichting SMOC (2016), '[University of South Florida: Curaçao in wereldtop milieuvuiling met kankerverwekkende stoffen](#)', Press Release, SMOC Foundation, 18 September.

¹¹⁶ Van Dijk, B. (2016), '[Chinezen azen op raffinaderij op Curaçao](#)', *Het Financieel Dagblad*, 20 September.

receive a boost, because it was agreed that no Chinese workers would take the jobs of the local population.¹¹⁷

Chinese actors were very active during the negotiation phase and engaged with all of the refinery's stakeholders in society. A stakeholder who was involved in the negotiations observed that the Chinese were also interested in the harbour, airport and other infrastructural projects. During this period, delegations of Curaçao academics and journalists were invited to China. Several interviewees attended the missions to China at the invitation of GZE. Many were impressed by the country and the sites visited, including a Chinese refinery, and describe the atmosphere as positive and optimistic about the future of Curaçao, with this solution for the Isla refinery. However, several interviewees who attended the visits described the plans as 'too good to be true'. They now look back at this experience with mixed feelings, because they still do not understand what caused the negotiations to fail, which for them remain shrouded in mystery. One could argue that if China truly wanted a foothold in the Dutch Caribbean, surely the government in Beijing could have ensured (even behind closed doors) that GZE's offer was not defeated? It is remarkable that the costs associated with the various delegations' trips were advanced by the Curaçao government but were never reimbursed by GZE.

In the end, nothing came of the acquisition plans. Whiteman's successor, Curaçao's Prime Minister Eugene Rhuggenaath, annulled the contracts at the end of 2017 because of doubts about the solvency of GZE and its capability to take on the refinery's modernization.¹¹⁸ Allegedly, GZE had proposed a \$1 million kickback (a form of bribe) to gain a contract, but after the Curaçao authorities found that the company had 'misled' them and that GZE would not be capable of running the plant, they cancelled the contract.¹¹⁹ In a press release, the Curaçao government explained that GZE had turned out not to be a company that could handle the responsibility to operate and modernize the refinery in the manner presented and agreed in the MoU. Unlike as portrayed in the MoU, GZE did not have the capability to undertake such a large project. GZE also did not have unconditional support from the Chinese government, as it had indicated in the MoU. The government stated that these were two cardinal points, based on which the Curaçao government had signed the MoU. In addition, GZE appeared to propose entering into an agreement with a consortium of unknown companies, because of its own financial situation and to realize the necessary modernization, while the Curaçao government had concluded an agreement with only GZE. In addition, GZE had mentioned several notable Chinese companies in the MoU with which it had joined forces in a consortium, but this turned out not to be the case and less-reputable companies were actually to provide the capital.¹²⁰

¹¹⁷ Ibid.

¹¹⁸ Leidel-Schenk, L. (2019), '[Einde tijdperk raffinaderij Isla op Curaçao nabij?](#)', *Caribisch Netwerk*, 1 April.

¹¹⁹ Oosterveld *et al.* (2018), *The Belt and Road Initiative Looks East*.

¹²⁰ Government of Curaçao (2017), '[Gobiernu di Korsou Ta Informa GZE Ku E Ta Nulifika e Akuerdo Ku Tin E Kompania](#)', News, 31 December.

The Pearl of China in Sint Maarten

A third plan for a large Chinese project was the Pearl of China in Sint Maarten. This massive project for a trade centre with 325 hotel rooms, a showroom and 450 executive apartments was announced by Sint Maarten's Finance Minister Richard Gibson Sr in September 2016. The project was presented by the Consul-General for China in Willemstad, Weixin Zhang, during a celebratory ceremony.¹²¹ While the Sint Maarten government and some others welcomed the project, it generated major protests about possible environmental damage and the lack of transparency and information provided by the government.¹²² Questions were asked about the due diligence of the investors and the impact on the economy, tourism, infrastructure, utilities and surrounding residential communities. Sint Maarten's population also accused politicians of a publicity stunt in the context of the upcoming elections.

The Chinese company behind the project proposal was not a fully state-owned firm but a 50/50 state-owned/private joint venture. The Pearl of China's local representative, Cengiz Kucuk, stressed: 'The developer is a China-based company, owned by a private Beijing businessman. This is not a China government to Sint Maarten government investment'.¹²³ Beijing businessman Trey Cui Shuqiang, of New Life Town Investment and Development Limited, was the driving force behind this idea for a global centre with showrooms, convention centre, business offices and units to be used by high-end Chinese corporations that would visit the island instead of going to China for business conventions and fairs. During the celebratory meeting in September 2016, an investment of approximately \$120 million was announced and construction would be completed in two years. The Chinese investors were reported to have already bought the land in Little Bay.¹²⁴ However, the project developers were then confronted by the deed restrictions, which had been passed down in every deed since the property was first sold. Subsequent negotiations between the developers and the original owner of the land about the height of the planned buildings did not succeed, and talks began about a different location. In January 2018, the Pearl of China project was said to be still on the horizon, albeit in a smaller form, but nothing has been heard about it since.

¹²¹ *St Maarten News*, The Publisher (2016), '[Pearl of China: \\$120 Million Investment; 400 Jobs](#)', *St Maarten News*, 19 September.

¹²² *St Maarten News*, The Publisher (2016), '[Port Chief Mingo Endorses Pearl of China Project](#)', *St Maarten News*, 19 September; and *St Maarten News*, The Publisher (2016), '[Author Leon Stubbs about Pearl of China Project](#)', *St Maarten News*, 13 September.

¹²³ Cegiz Kucuk, also founder of the [Caribbean-China People Foundation](#).

¹²⁴ *St Maarten News*, The Publisher (2016), '[Chinese Investors Bought Land in Little Bay from Nagiko](#)', *St Maarten News*, 12 October.

5.3 Security concerns

Some Chinese interests have been present in less-visible projects and proposals. The most important project, also from a security point of view, concerns the security cameras that the Chinese company Inspur installed in Willemstad. Only a few people in Curaçao are aware of the fact that in Chinese and international media Inspur presented this project as part of China's Digital Silk Road.¹²⁵ In 2014, a delegation of Curaçao's Minister of Justice Nelson Navarro, along with acting Police Chief Rudsel Martina and Sector Director Gerold Daantje of the Ministry of Justice, had travelled to the Chinese company Inspur on the advice of the Chinese Consul-General in Curaçao to talk about the placement of CCTV cameras in the fight against crime. Inspur was willing to help, and even offered their products and installation for free, if the company were supported in establishing itself in Curaçao. From Curaçao, Inspur would then do business in the rest of the Caribbean region, as well as Central and South America. The CCTV cameras in Curaçao could serve as models for the wider region.¹²⁶

While Inspur had offered to donate the costs of the cameras, the Curaçao government indicated that it could not accept such a large donation and that it would simply pay for it.¹²⁷ Still, Minister of Justice Nelson Navarro awarded the project to Inspur in March 2015 without a tender, for which he was reprimanded after an investigation by the General Audit Office.¹²⁸ The high cost of the 180 cameras, 7.2 million Netherlands Antillean guilders (some \$4 million), and the lack of a tender procedure, caused quite a stir in Curaçao, but there has been little public debate or discussion about the security risks or privacy issues that the advent of so many highly advanced cameras could bring. At present, only an estimated twenty cameras are actually installed. The remaining cameras have never been delivered and observers wonder where the money has gone. Meanwhile, Curaçao, Aruba and Sint Maarten are listed as Inspur overseas offices on the Inspur website,¹²⁹ showing the Dutch flag combined with the flag of each island and with an office address in Curaçao, although in reality no company under the name of Inspur is registered with the Chamber of Commerce of Curaçao.¹³⁰

Apart from the security cameras, there are a few issues that may form security concerns and/or affect the islanders' perception of Chinese influences or the local Chinese community. In this respect it needs mentioning that in general several activities in and around the islands occur under the radar in the form of (semi-)illegal practices. They may involve illegal activities such as unlawful fishing, human trafficking, money laundering and drugs trafficking. These practices highlight how the CAS countries are (literally and figuratively) small islands in a large sea that attract illegal flows of goods, people and capital. Weak institutions and insufficient surveillance are enabling factors for these illicit activities. Companies and individuals from many countries are involved and in general there is little information available to establish Chinese participation, and whether Chinese actors make up a more than average share in

¹²⁵ The Inspur CEO refers to the Curaçao Smart City Programme, see e.g. Jie, J. (2019), '[Chinese Companies Reach Out to the World for Digital Silk Road Construction under Belt and Road](#)', *People's Daily Online*, 26 April; and *Markets Insider* (2019), '[Peter Sun Speaks at Second Belt and Road Forum for International Cooperation: Build Smart Cities along the Digital Silk Road](#)', Press Release, *Markets Insider*, 26 April.

¹²⁶ *Curacao Business Magazine* (2014), '[Chinese IT Company May Bring CCTV to Curaçao](#)', News section, *Curacao Business Magazine*, 3, October/November, p. 29.

¹²⁷ *Antilliaans Dagblad* (undated), '[Veiligheid én zorgvuldigheid](#)', *Antilliaans Dagblad*.

¹²⁸ https://www.rekenkamercuracao.cw/files/rapport_afwijking_openbare_aanbestedingen_1567164522.pdf.

¹²⁹ https://en.inspur.com/en/contact_inspur/index.html; and <https://craft.co/inspur-group/locations>.

¹³⁰ <http://www.curacao-chamber.cw/services/registry/search-company>, search for 'Inspur' on 15 February 2022.

these activities. However, in the case of large-scale (illegal) fishing in intercontinental waters, Chinese companies are seen as playing a prominent role. The official role of the PRC is unclear in these activities.

Where international (illegal) fishing by Chinese companies previously mainly took place in the Pacific Ocean, so-called 'distant-water fleets' operating in the coastal waters of Latin American countries and the Caribbean Sea has increasingly become an issue.¹³¹ In recent years, the Chinese government has invested a lot of money in building up its fishing fleet. The size and operation of the fleet is hardly monitored, and China itself does not set strict rules.¹³² Recent reports warn of Chinese illegal fishing in intercontinental waters, which involves large quantities of fish and affects fish stocks, coral reefs, as well as nature and the environment.¹³³ Against international rules, most large fishing boats turn off their tracking device as soon as they are at sea. This problem transcends the Caribbean Sea, as many large trawlers use the Caribbean as their point of departure for the Atlantic Ocean, up to the West Coast of Africa. Although the islands in the KNL are not specifically mentioned in international reports, this practice is a challenge for the islands as well. Local fishing is done using small boats by local fishermen for the local market. If the national fishing quotas are not met, countries can resell part of them to external partners. Curaçao also enables the use of so-called Flags of Convenience. Although this system has become more restricted today,¹³⁴ it still allows ships from different countries, including China, to use Curaçao fishing quotas and sail under the Curaçao flag.¹³⁵ Various stakeholders warn about these practices and the harmful risk of overfishing,¹³⁶ yet surveillance of these and other irregular off-coast activities is challenging. In its multi-year plan, the Coast Guard for the Caribbean part of the KNL pays specific attention to overfishing and illegal fishing. The Coast Guard feels the need to intensify its supervisory tasks in this area, especially because it involves larger security risks.¹³⁷

Apart from the concerns about (illegal) fishing, which is a more general resource-oriented issue connected to official Chinese policies, we briefly mention here a few security-related issues that may have some kind of 'Chinese component' to it, but in which cases a direct involvement by the PRC is highly unlikely. We only mention them here because they may inform local or international perceptions and policies concerning Chinese engagement with the islands. For instance, in 2018, Curaçao was portrayed by the United States Department of State as a transit and destination country for foreign women and girls in unregulated prostitution, as well as migrant workers, among others from China, in the construction, landscaping, mini-market, retail and restaurant industries.¹³⁸ Then in 2021, the island was again rapped on the fingers for not meeting the minimum standards for tackling human trafficking.¹³⁹ As well as a lack of sufficient funding for surveillance, part of the problem is that many migrant visas are obtained by illicit means. The Bureau of Forensic Services Curaçao found that there is such a mismatch

¹³¹ Sanka, S. and VanGorder, A. (2021), '[Chinese IUU Fishing: A Global Security Threat Multiplier](#)', American Security Project (ASP), 17 March.

¹³² Urbina, I. (2020), '[De Chinese visserijvloot vist niet alleen, zij intimideert ook](#)', *Trouw*, 24 November.

¹³³ *IPS News* (2020), '[Chinese vissersvloot bedreigt visbestanden in ontwikkelingslanden](#)', *Inter Press Service News*, 23 June.

¹³⁴ https://www.cnrs-scrn.org/northern_mariner/vol19/tm_19_319-340.pdf; interview on 8 February 2022.

¹³⁵ Environmental Justice Foundation (2020), '[Off the Hook: How Flags of Convenience Let Illegal Fishing Go Unpunished](#)', London: Environmental Justice Foundation.

¹³⁶ [Knipselkrant Curaçao](#); [koninkrijk.nu](#); http://www.researchstationcarmabi.org/wp-content/uploads/2015/08/Amigoe-23-aug_-2014-pag.pdf.

¹³⁷ [Kustwacht voor het Koninkrijk der Nederlanden in het Caribisch gebied](#) (2019), 'Lange Termijn Plan 2019–2028'.

¹³⁸ US Department of State (2018), '[Trafficking in Persons Report, Country Narrative: Curaçao](#)'.

¹³⁹ Paradise FM (2021), '[Curaçao voldoet niet aan standaarden voor aanpak mensenhandel](#)', report by *Paradise FM*, 30 September.

between the number of permits issued and the actual demand for labour that there must have been fraud and corruption.¹⁴⁰ In this context, companies of local Chinese entrepreneurs are sometimes associated with money laundering and corrupting local authorities. In Aruba, for example, a recent lawsuit found an ex-minister of labour guilty of having illegally exempted and stopped company controls of Chinese and other companies.¹⁴¹ In 2019, the joint law enforcement officers of the KNL conducted a large-scale investigation into the phenomenon of 'underground banking' in Aruba. Police units, the Joint Criminal Investigation Team (known as RST, the *Recherche Samenwerkingsteam*), *Landsrecherche* (National Detectives), the fiscal investigation team FIOT (of the Tax Office, the *Departamento di Impuesto*) and soldiers of the Royal Netherlands Navy searched a number of commercial and residential buildings where administrations and large amounts of cash were seized. An investigation of underground banking under the name 'Avior', which started in 2017 in Curaçao, led to the conviction of a Chinese businessman in March 2020 for money laundering.¹⁴²

A final point is the KNL's vicinity to Venezuela and Colombia. Curaçao and Aruba became connected to the violence in Colombia and the struggle against drugs-trafficking from 2000 onwards, when the so-called Forward Operating Locations (FOLs) were placed in Curaçao and Aruba to help the US military to combat the production and trade of drugs in Colombia.¹⁴³ The programme involved the presence of US military personnel and equipment in the islands and was renewed in 2010. Critical voices warned against the programme, because it implied Dutch involvement in the so-called War on Drugs by the US. In addition, it created the risk of becoming involved in the conflictive situation in which the Venezuelan governments of Hugo Chávez and later Nicolás Maduro stood up against the US. Warnings of major regional risks were repeated when the political situation in Venezuela deteriorated in 2019. There were concerns in Curaçao about its role as a hub in US humanitarian aid to Venezuela, which exacerbated the political tensions between Curaçao and Venezuela.¹⁴⁴ Increasingly, Venezuela has become a cocaine-producing country and its involvement in drugs trafficking is rapidly becoming a regional problem.¹⁴⁵

Venezuela's instability is in itself a security risk for the neighbouring islands because of the intertwining of organized crime and the Venezuelan armed forces in the illegal trade in drugs, gold and weapons. While China is an important partner of Venezuela, Chinese interests in such activities do not surface prominently. However, Russian interests are increasingly visible, mainly associated with criminal activity and money laundering. Private planes from Russia, for example, carry Aruban airmail, which keeps them under the radar. The close ties of Venezuela's Maduro regime with Russia and China add complex layers

¹⁴⁰ Conversation with sources who provided input for the Forensic Services Curaçao research (the 2007 report has not been made public). Between 2003 and 2007, for example, hundreds of Chinese people applied for work permits to work in Curaçao as 'Chinese cook'. See also de Bruijn, J. and Groot, M. (2014), '[Regionale Migratie en Integratie op Curaçao](#)', Curaçao Ministry of Social Development, Labour and Welfare.

¹⁴¹ Henriquez, S. (2019), '[Geld, drank, eten, vrouwen – corruptie lijkt onderdeel van zakendoen op Aruba](#)', *Caribisch Netwerk*, 21 January.

¹⁴² News Agency Curaçao (2020), '[Curaçao.nu: OM sluit deal met Chinese crimineel](#)', Opinion, *Knipselkrant*, 11 March.

¹⁴³ *Diálogo Américas* (2019), '[FOL Curaçao/Aruba in Support of Counter Drug Operations](#)', digital military magazine, US Southern Command, 4 November.

¹⁴⁴ NRC (2019), '[Oorlog op Curaçao?](#)', Opinion, *NRC*, 19 February.

¹⁴⁵ See the website InSightCrime, for instance: '[Venezuela's Move to Cocaine Production: Crops, Chemists and Criminal Evolution](#)', 2 May 2022.

of risk.¹⁴⁶ Although it is unlikely that Venezuela would want to get involved in a military conflict with the KNL or its ally the US, there is a risk of unintended escalation through possible misinterpretations and incidents. Aruba, Curaçao and also the island of Bonaire are experiencing various consequences of this crisis, in which the geopolitical interests of major powers such as the US, Russia and China also play a role. The Russian attack and war in Ukraine in the past few months are producing major and ongoing changes in the global geopolitical outlook.

5.4 Chinese communities, clubs and the consulate

The island communities have traditionally attracted many migrant groups. Of Curaçao's population, for example, 42 per cent are migrants, including 160 different nationalities. Although the community of Chinese descendants in the islands is not large in number, the group holds a prominent and visible position in the local society and economy, especially as entrepreneurs in the retail and food sector (supermarkets, mini-markets, hardware stores, bars and restaurants, etc.). The Chinese community consists of 'old' Chinese groups that arrived in the nineteenth and early twentieth centuries, as well as 'new' Chinese migrants who have arrived in recent decades. The Chinese communities of the CAS islands are estimated to number around 4,000 in Curaçao (some 2.5 per cent of the total population), 4,000–5,000 in Aruba (around 4 per cent of the population) and 2,000 in Sint Maarten (around 5 per cent).¹⁴⁷ The Chinese community has been present in the islands for a long time. This started with the so-called 'koeli trade' after the end of slavery in the nineteenth century. Later on, in the 1940s, groups of ethnic Chinese came to work at the refineries in Curaçao.¹⁴⁸ Most members of the 'old' Chinese community came from a region referred to as the 'four villages' (Enping, Taishan, Xinhui and Kaiping), in the Siyi region in the Chinese province of Guangdong. More recently, the population of Chinese descent has been growing as a result of new immigration by Chinese families.

Legal immigration today requires a work permit, which is issued on the basis of an economic contribution test. Migration policy is within the jurisdiction of CAS countries, but legislation is very similar to that of the Netherlands. In addition, an admission permit is required that is issued on the basis of (future) financial independence. A resident's guarantee is often important here, and 'old' Chinese groups often act as patrons of the 'new' Chinese migrants. As a result, the newcomers adapt quickly and the various Chinese groups soon become interwoven. Within the islands, there is little criticism about this Chinese presence, but there is some historical anti-Chinese xenophobia and the Chinese community is often perceived as a closed group. However, interviewees find that the younger Chinese community members are increasingly better integrated, because they speak Papiamentu (the local Spanish/Portuguese Creole language), are politically active and are often involved in mixed-race relationships.

¹⁴⁶ Brown, A. (2020), '[An Enduring Relationship – From Russia, With Love](#)', Blog Post, Washington: Center for Strategic and International Studies, 24 September; Rouvinski, V. (2019), '[Russian–Venezuelan Relations at a Crossroads](#)', Latin American Program, Washington: Wilson Center, February; and Martinez-Gugerli, K. (2020), '[Taking Stock of Chinese and Russian Relations with Venezuela](#)', Venezuelan Politics and Human Rights blog, Washington Office on Latin America (WOLA), 10 August.

¹⁴⁷ [Curacao; Aruba; Sint Maarten](#). On the BES islands, the Chinese representation in the population is smaller: 322 of the 20,915 inhabitants of Bonaire; 40 of the 3,139 inhabitants of Sint Eustatius; and 13 of the 1,933 inhabitants of Saba; <https://longreads.cbs.nl/nederland-in-cijfers-2020/waar-zijn-de-inwoners-van-caribisch-nederland-geboren/>; <https://opendata.cbs.nl/statline/#/CBS/nl/dataset/84757NED/table?dl=3FF88>.

¹⁴⁸ See [De vooroorlogse Chinese migranten in Nederland](#).

The Chinese communities of the islands have organized themselves in active associations, known as clubs. These clubs mainly have a social function, but the club leaders also represent the communities to the government and in the public debate. The Curaçao Chinese Union Foundation has four daughter organizations: the Curaçao Chinese Women Organization; the Curaçao Chinese School Foundation; the Dutch Caribbean–China Cooperative Foundation; and the Curaçao Chinese Enterprises Foundation.¹⁴⁹ In Aruba, there is the New China Club Aruba Cooperative Association and, in Sint Maarten, the Chinese Community Foundation.¹⁵⁰ Clubs on the different islands have regular contact with each other and serve their members in times of need, such as after Hurricane Irma or with organizing COVID-19 vaccinations. In Curaçao, the Chinese community was, for instance, the first to be completely vaccinated (of the people who wanted the vaccine).¹⁵¹

In 2014, a Chinese Consulate for the CAS islands was installed in Willemstad, Curaçao. The Chinese consul is quite active and visits the islands every year, although the (travel) activities of the new consul-general, who took office in 2020, seem less frequent, possibly because of COVID-19. Over the years there were regular meetings between the Chinese consul and (new) prime ministers and other stakeholders of the islands. The Chinese Consulate also seeks contact with Chinese associations and tries to strengthen the process of (Chinese) culturalization, through language courses and cultural events. The relationship between the consul and the local Chinese community is not free of tensions, however. Just as happened in Suriname, ‘older’ groups of Chinese, often already established citizens of the islands, perceive their position as different than that of more recent Chinese immigrants. Some interviewees suggest that the establishment of the Chinese Consulate in Willemstad, and its relatively large delegation of Chinese officials, has caused unease among certain groups, especially among the early Chinese migrants, as they may not necessarily feel much connection with the PRC and its political and cultural agenda.

During the Second World War, on 20 April 1942, fifteen Chinese sailors who worked as stokers on oil tankers for the forerunner to Dutch oil giant Shell were shot dead on Curaçao after a two-month-long strike for protesting against poor work-safety provisions and low pay. For a long time, the Dutch government paid little attention to this event and no sympathy was expressed about the consequences of this tragedy. Finally, in April 2022, the Representative of the Netherlands, Erwin Arkenbout, on behalf of the Dutch state, publicly expressed regret about this tragedy during the annual commemoration of the April murders. To rectify the injustice, the Netherlands has made half a million euros available for the renovation of the monumental Chinese community building on Concordiastraat in the neighbourhood of Scharloo, Willemstad: ‘The gesture can be used to commemorate the tragically lost Chinese sailors, to mark history to prevent it from being forgotten, but above all, the gesture can be the basis for greater mutual understanding if it leads to closer ties between the inhabitants of the countries of the Kingdom of different origins – in short, a gesture that contributes to a common future’, as Arkenbout expressed in his speech.¹⁵²

¹⁴⁹ Email correspondence received on 8 February 2022.

¹⁵⁰ Email correspondence received on 10 February 2022.

¹⁵¹ Interview on 8 February 2022.

¹⁵² *Antillians Dagblad* (2022), ‘[Spijt NL geuit voor tragedie](#)’, *Antillians Dagblad*, 20 April.

6 CONCLUSIONS AND RECOMMENDATIONS

The Chinese presence in the Caribbean Basin has become much more visible in the past two decades. Economically, the region has attracted Chinese construction companies, in some cases supported by Chinese bank loans. Politically, the fact that several Caribbean and Central American countries replaced their diplomatic relations with Taiwan for those with the PRC indicates a successful strategy of closer ties between China and this region. These developments present opportunities and challenges for the Caribbean states. They also change the geopolitical and geo-economic playing field in the region and require new ways of thinking and acting, both from Europe and the US. As to the Chinese presence, it would be wrong to simply throw together the economic interests of Chinese companies and banks and the geopolitical agenda of the PRC. Sometimes they may collude, as shown in this report, but often they exist as (almost) separate fields of action.

Drawing conclusions on China's economic and political role in the Caribbean and Central America is difficult. Apart from consisting of relatively small economies and populations, these countries present widely different historical experiences, economic structures, political agendas and institutional capacities. Chinese engagements have been locally embedded in a great variety of ways, depending on the political and economic climate, national legal systems, or specific entrepreneurial and popular responses. To understand this variety, this report has taken a comparative point of departure, which has allowed to present the different regional experiences. In this last part, we will try to formulate some general conclusions on the development of China's role in the Caribbean Basin, and the nature and impact of the economic and political relations between China and the Caribbean and Central American countries. Despite the differences between these countries and their relations with Chinese actors, the comparative approach of this report suggests some overarching relevant issues of (future) concern.

Economic relations

Most countries in the Caribbean Basin have benefited from the Chinese investments and loans. Chinese construction companies' interest in expanding their markets has enabled Caribbean and Central American countries to initiate or complete important works of construction and infrastructure. They have generally done so without falling into a 'debt trap'. Cuba, with its seemingly unsurmountable general debt problem, received a major debt reduction as political 'friend' of China. Just as in the case of Venezuela, this political friendship has probably cost China more than the debtor country.

However, Chinese investments and loans in the Caribbean Basin also present some serious problems. We mention the most important:

- The negotiations for Chinese loans and investments are notorious for lacking established norms of transparency and accountability. They are often accompanied by collateral arrangements or formal or informal side-letters. Chinese lenders sometimes demand a 'No Paris Club' clause and other additional conditions. This situation precludes a level playing field and tends to have negative consequences for institutional transparency, hardly allowing any monitoring from civil

society and political groups. Even when dealings seem to have been fair, honest and productive, this situation creates constant narratives of corruption and nepotism within the involved societies. Apart from concrete cases of corruption, this narrative itself tends to undermine trust in the state and its representatives.

- Connected to the previous point, the logic of the selection of sectors and projects for Chinese investment is often shrouded in doubts and uncertainty. Because the choice of constructing certain highways or buildings is unclear and untransparent, the chosen projects become connected to accusations of fraud, electoral advantages or other benefits that are not necessarily gains for the population. This is a general problem of policy-making in the region, and not exclusive to projects with the Chinese,¹⁵³ but Chinese companies seem to have very little desire to remedy this situation.
- As a consequence of the two previous points, but also of the lack of technical supervision in the involved countries, quite a few of the Chinese construction works demonstrate technical or design problems. As a result, they are sometimes left unused or are used for other purposes, at the expense of the state and society of these countries.
- Chinese companies do not always adhere to local or international legislation. Complaints about social and environmental malpractices by Chinese companies abound, just like the worldwide accusations of illicit fishing practices by Chinese trawlers. The problem is that justice systems in Central America and the Caribbean region are too weak and vulnerable. Hardly any of these malpractices ever comes to court.
- While most Chinese companies are well established and sometimes even listed on the stock exchange, in some cases the status and expertise of Chinese companies remain obscure. We have called these companies ghost or rogue companies. Curaçao had its experience with Guangdong Zhenrong Energy, and the experience with the Grand Canal in Nicaragua is another example. Although these kinds of experiences may be considered exceptions, they reinforce existing suspicions against Chinese companies in general. It is thus very important for regional state institutions to have expert knowledge of the Chinese business world.
- The lack of clarity about the conditions of Chinese projects diminishes accountability in terms of labour conditions, environmental concerns and popular consultation. In most countries, this is remedied by active civil society activity. However, this lack of clarity poses clear risks in the more autocratic and repressive societies in the region, such as Cuba, Nicaragua and, earlier at least, Suriname.

One China policy

The Chinese presence in the Caribbean Basin is propelled by the One China policy and there is no doubt that China has been extremely successful in this political project. Many Western countries that deplore these recent decisions to recognize the PRC over Taiwan made similar shifts themselves many years ago. Still, this influence of the One China policy in the Caribbean Basin requires some extra attention for at least two reasons:

¹⁵³ For an understanding of Caribbean clientelist politics, see the classic book on the long Balaguer regime in the Dominican Republic: Hartlyn, J. (1998), *The Struggle for Democratic Politics in the Dominican Republic*, Chapel Hill and London: University of North Carolina Press.

- First, these recent shifts in allegiance concern small and sometimes relatively vulnerable countries that are not equal counterparts to the superpower, China. This creates room for new forms of power politics without much, or any, democratic and due process.
- A second point concerns the geopolitical context of this new political incursion of China in a number of Central American and Caribbean nations. The shifting of allegiance by these countries not only implies a choice for China, but also reflects a more independent posture away from the US and, to a lesser extent, from Europe and, as such, has important geopolitical consequences.

Just as in South America, the One China policy in Central America and the Caribbean region has been supported by COVID-19 diplomacy, which helped to form public opinion, but mainly had only short-term implications. Most countries in the region are by now successfully receiving medical supplies and vaccines from various supplying countries.

The (geo)political dimension of Chinese presence in the Caribbean Basin

The colonial heritage forms the background of the continuing European presence in the region, and this report demonstrates that this colonial legacy is complex. The contestation that led to independence in most countries has recently acquired a new tone. This is an ambiguous and at times contradictory process. Many colonial links remain relevant, including the colonial diaspora, economic and financial relations and education, to name just a few. At the same time, there is a growing demand in the region to discuss profoundly the colonial heritage and its consequences for inequality, racism and continuing exploitation. US hegemony came at a later date, but we can see very similar processes, where the imperialist past has linked the Caribbean and Central American societies with the US, while at the same time provoking strong contestation. The main difference is that the US continues to be the economic and political superpower in the region. In this context, the increasing presence of China in the region is creating new and contentious relations with the US.

- Although not yet fully developed, the competition between China and the US is a crucial geopolitical issue in the Caribbean Basin. China initially acted quite cautiously in the region. However, in recent years China has started to act more assertively, leading to the push-back legislation of the Trump administration and gradually resulting in a more open geopolitical competition in the region.
- In the case of Cuba, China has treaded carefully until now, but Cuba-China relations will remain a sensitive issue for the years to come. In this context, it is also important how the Dominican Republic will position itself and to what extent it will manage to find a balance between Chinese and US interests.
- An emerging issue is the Chinese push for Special Economic Zones in the region. Many countries have ample experience with such zones, and not always positive. There are no precedents yet of Chinese-controlled zones in Central America and the Caribbean. As the case of El Salvador shows, there is a growing US concern about the possibility of these zones being controlled by Chinese interests.
- Europe's position in the Caribbean is tainted by the colonial heritage. Discussions on racism, slavery and reparations permeate Caribbean societies in different ways, and determine the images of Europe. European powers that worry about the Chinese presence

in the region should be aware of these Caribbean debates and try to address them in convincing and responsible ways.

- Increasing Chinese influence in the region will also have multilateral consequences. The large number of nation-states in the Caribbean Basin gives the region prominence in the United Nations General Assembly. Depending on how China's diplomacy taps into this capacity to influence and gain diplomatic support in multilateral fora, such as the UN General Assembly and various UN agencies, this will affect attitudes regarding human rights issues in China itself, but also in international policy-making.

Military and security issues

The Central American and Caribbean region also presents a number of military and security risks that we have briefly addressed in this report. These risks are certainly not always caused or increased by the Chinese presence, but in some instances this presence may add an extra dimension to specific security issues. We mention in particular:

- Concrete Chinese military presence is limited in the region. It is largely confined to a single Chinese Navy visit to the region and participation in the MINUSTAH peacekeeping mission in Haiti, between 2004 and 2012. There is no doubt that Chinese investments and projects are connected to strategic elements of the PRC, which explains Chinese interests in Panama and Nicaragua, among others. At present, however, it is very difficult to link these activities to military ambitions, but this may become a more important issue in the future.
- The political and social instability in Venezuela and Nicaragua radiates into the Caribbean. The repressive nature of the regimes in these countries has mainly led to regional isolation and a focus on internal problems. However, political repression and economic hardship are creating social instability in the region. Just as the political repression in Nicaragua influences the rest of Central America, Venezuela's repressive regime has led to massive out-migration and political tensions around its land and maritime borders. Many countries in the region, including the CAS islands, have to deal with complex social and political issues as a result.
- This instability tends to exacerbate other regional problems, complicating the struggle against drug trafficking, smuggling and human trafficking. The security risks involved are aggravated by the fact that there is hardly any regional cooperation and many countries in the region lack the means to engage adequately in that struggle.
- China's presence does not play a direct role in these problems. Nevertheless, the lack of transparency that shrouds many Chinese projects does not help to solve them. First, the Chinese may no longer be enthusiastically supporting Venezuela's Maduro regime, but Chinese loans and investments are keeping it in the saddle. Second, the opaque negotiations that often precede Chinese projects harm the reputation of involved local elites and make them vulnerable to accusations of corruption.
- In the wake of its COVID-19 support, China has been assertively pushing Chinese digital technology. In some countries in the region, allowing Huawei technology was a condition for receiving medical support from China. There is a risk that more Digital Silk Road projects will be initiated in the Caribbean Basin without local societies being involved. This new

digital infrastructure can cause security issues and/or enable undemocratic surveillance of citizens by governments.¹⁵⁴

CAS islands

In this report we have paid special attention to China's role in the islands of Curaçao, Aruba and Sint Maarten, which belong to the Kingdom of the Netherlands. Most of the issues mentioned in this report in one way or another (also) affect the CAS islands, with the only real exception being that the pressure of the One China policy is not an issue in the CAS islands because of their foreign policy connection to the broader KNL. However, we found that in the CAS islands China's role has been far less prominent than in most other countries in the Caribbean Basin. Although in the past ten years a few large Chinese projects were proposed, they eventually did not materialize. The chance of the CAS islands attracting large Chinese investments or loans in strategic sectors in the near future might be inhibited by the increased policy concerns in the KNL regarding undesirable Chinese influence. Nevertheless, both in the islands and among Chinese companies there is clearly an interest to explore economic opportunities. In this respect, there are a few concerns that need to be addressed, in particular the lack of transparency in the negotiations of Chinese projects. More generally, the institutional weakness of the islands is a cause for concern. And a specific issue that requires more attention is the lack of information about (possible) Chinese involvement in overfishing and illegal fishing.

6.1 Recommendations for the EU and the KNL

While China's engagements have produced various benefits for Caribbean and Central American countries, there are also debates about the risks of Chinese investments and loans, and about how to shape their establishment and conditions to better serve public needs. The lack of transparency of negotiations between Chinese companies and local authorities is one of the key concerns. Untransparent arrangements tend to provoke suspicion, distrust and resistance. This may do damage to potentially beneficial projects and ultimately diminishes trust in democratic systems and institutions. It is important to note that this lack of transparency cannot be blamed only on Chinese parties; a crucial problem in some countries of the Caribbean Basin region (including the CAS islands) is the weakness of democratic institutions, both in terms of transparency and accountability and of technical and legal expertise. Considering Europe's extensive historical and contemporary relations with the region, it is of crucial importance that the EU and European actors actively support Caribbean and Central American countries to deal with such long-standing and new challenges.

Recommendations for the EU and other European actors

1. **Europe needs to support institution-building, and to reinforce independent media, multi-party democracy and transparency in the Caribbean Basin**, in order to help develop or sustain open and well-informed societies, democracy and human rights. As well as their general value, these

¹⁵⁴ *Latin News* (2022), 'China Capitalizing on Caribbean Vulnerability', Security and Strategic Review, London: Latin News Intelligence Research, June, pp. 10–12.

elements are indispensable for well-informed and transparent decision-making on large loans and projects.

2. In the Caribbean Basin region generally, but certainly also in small island nations, **it is of crucial importance that European actors help to strengthen the capability and accountability of state institutions and politicians** in order to better address the challenges presented in this report. Obvious fields of attention are the environmental consequences, social conditions and security concerns regarding large Chinese (as well as other foreign) projects.
3. In this respect, European actors can also offer much-needed **support to trade unions, NGOs and other civil society organizations promoting human rights, workers' rights and environmental protection** in the Caribbean and Central America.
4. European institutions can offer **valuable assistance in stimulating clear rules and regulations that define due diligence, and the ways that this due diligence is monitored and enforced**. These efforts could partly be undertaken and concretized in regional settings such as the CARICOM.
5. More generally, it will be important for European countries to re-evaluate their colonial past and to foster instruments and policies that will allow them to **deal with governments in Central America and the Caribbean region as equal partners**. These partnerships will also be important in multilateral fora.

Recommendations for the KNL

6. The relative isolation of the CAS islands within the region may weaken their negotiation position with large powers such as China. It would be helpful to **start a constructive dialogue within the KNL about this relative isolation of the CAS countries**. Organizing some form of open dialogue with other countries of the Caribbean Basin about their desired sustainable future, the geopolitical transformation in the region and the prospects for more cooperation and exchange could be the beginning of a solution.
7. In relation to the CAS islands, the abovementioned points of action (for European actors) also need to be included in the development of a broader **joint assessment, vision and agenda for the Kingdom of the Netherlands regarding relations with China and Chinese investors**. Dutch and Caribbean experiences could be shared and used to develop a strategy for future Chinese investment plans and loans in the KNL. Evaluating why the large Chinese project plans in the CAS islands did not materialize, and what lessons can be learned, should be part of the joint assessment.
8. The KNL has long historical ties with Suriname, which translate into continuous, strong, but not always easy, relations. Meanwhile, Chinese interests in Suriname are increasing, especially in the fields of natural resources and digital infrastructure. And despite its location, Suriname is economically and politically not well integrated with other South American countries. It may therefore be **beneficial to start an open dialogue between Suriname and the KNL about past**

experiences and future relations with China and Chinese interests (possibly in connection with the joint assessment with the CAS islands).

9. The KNL and Dutch corporate sectors can **cooperate with their partners in the Caribbean region to encourage Chinese enterprises (and other transnational investors) to work according to rules and legislation on due diligence** in the entire cycle of each project.

10. Finally, the Caribbean Basin is geopolitically a highly chequered region with a great variety of regional organizations and influential external actors, including the US, the EU, China and Russia. In effect, the (small) countries of the Caribbean Basin could be negatively affected by the increasing global tensions and US–China rivalry (see Report 3). The KNL holds good relations with many global and regional actors and organizations. Therefore, **the KNL can be more proactive in improving the dialogue between the actors that influence the Caribbean Basin**, preferably in cooperation with Caribbean, Central American and European partners.