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TRADE OF CHINA WITH THE CARRIBEAN COUNTRIES AND ITS ROLE IN THE DEVELOPMENT OF THE REGION

ТОРГОВЛЯ КИТАЯ СО СТРАНАМИ КАРИБСКОГО БАССЕЙНА И ЕГО РОЛЬ В РАЗВИТИИ РЕГИОНА

The research paper deals with the analysis of trade relations of China with the Caribbean countries. Based on statistical data, the structure of the trade balance of the countries is shown. It has been established that over the short period of time - over the past fifteen years – China has strengthened its representation in the economy of each country, becoming either the main, or one of the main trading partners for each of them. Mostly raw materials are exported to China from the region - metal ores and agricultural products. China is now the main supplier of the finished products for all countries. Given the dynamics of change and the scale of China's economic presence in the Caribbean countries, one can speak about its expansion.

Статья посвящена анализу торговых отношений Китая со странами Карибского бассейна. На основе статистических данных показано структуру торгового баланса стран. Установлено, что в течение короткого периода времени, - за последние пятнадцать лет, Китай усилил свое присутствие в экономике каждой страны, став или основным, или одним из основных торговых партнеров для каждой из них. В Китай из региона вывозится преимущественно сырье, – руды металлов и сельскохозяйственная продукция. Китай же теперь для всех стран основным поставщиком готовых изделий. Учитывая динамику изменений и масштабы экономического присутствия Китая в Карибском бассейне, можно говорить о его экспансию.

Keywords: Caribbean region, China's foreign policy, international trade

Ключевые слова: Карибский регион, внешняя политика Китая, международная торговля

The essence of this problem should be considered in the context of international trade relations. China's trade and investment activity attracts the attention of scholars, but its activities either in the global dimension or the Chinese activity in the United States and the EU – the world's largest markets – are mostly analyzed. The representation of China in the regions that are not the most significant in world politics remains outside the attention of scholars. By the way, it is in such regions as the Caribbean, during the last decade there have been radical changes in the organization of trade, investment, infrastructure development. The need for coverage of these changes, awareness of their implications determines the topicality of such studies.

Therefore, the research paper *aims at* identifying the nature and extent of China's influence in the Caribbean region; determining the directions of its policy. the mechanisms for its implementation and the roles now played by this country.

An analysis of scientific publications on this subject has shown that China's trade policy in the Caribbean has been paid little attention in the Ukrainian scientific sphere. In the framework of international studies, attention is focused either on studying foreign policy and trade activity in general (A. Honcharuk, B. Parakhonsky, 2011) [1], or on details of Ukrainian-Chinese relations (O. Oliy-nyk, 2015) [2].

In foreign scientific literature, these issues are covered much wider. Indeed, the study of the Caribbean is a separate area of the international economy and regional economy. This region has been studied for a long time and from the standpoint of many scientific disciplines. The borderline of the Caribbean region with the United States, the existence of a large number of economic, political and human ties causes the interest of the scientific community. In addition, this region played a significant role in the economic history of the western countries, being also reflected in the current attitude towards it. So, there are many complex studies devoted to the Caribbean region as a whole, history of its development and place in international politics and division of labour (S. Mintz. 1996) [7]. It is noted that despite the great economic importance in the past, the region has changed little since the late 1970's. There are many works devoted to the specific problems of the Caribbean region - the fight against the effects of natural disasters and climate change, the spread of epidemiological diseases, the lack of drinking water, and so on. Of course, the greatest attention is paid to the economic problems. Mass poverty, many countries' unsuccessful attempts to take the path of sustainable development draw scientists' attention, in particular, with regard to systemic obstacles that hinder them (J. Payne, 2008) [8]. A rather popular direction is the assessment of the role of the United States and their representation in the region, mechanisms for the

realization of their economic interests (T. Heron. 2017) [10]. Contribution to the study of the Caribbean region is made by researchers from other parts of the world, whose attention is drawn by its development, as well as local scholars, who publicize their findings for the international community. That is, in the English literature, the Caribbean region is not deprived of attention of the scientific community. Even though this topic has never been the most popular in the overall dimension (yielding to more significant regions), it has always got a picky attitude. It should be noted that in the Ukrainian scientific literature the coverage of the Caribbean region is fragmentary.

RESEARCH FINDINGS

The list of countries in the Caribbean region includes all countries with access to the Caribbean Sea, except the United States. The unity of the region is due to a common historical heritage (the colonization of the whole region by Europeans and the struggle for independence), the common language (in almost all the countries it is Spanish), geographical proximity (due to the traffic by sea), and the similarities of the features of economic development and political system. The region comprises nine continental countries (Mexico, Colombia, Venezuela, Nicaragua, Honduras, Guatemala, Panama, Costa Rica and Belize) and 26 island countries (the largest being the Dominican Republic).

The trade activity of companies from China in the Caribbean region has grown rapidly over the past 15

years from the volumes (for the entire region) of less than \$10 billion to more than \$110 billion. For some countries, China has become a major trading partner, and for all countries it is at least one of the main ones. Before, the major part of the turnover of each country in the region accounted for either the USA or the EU – with the exception of Cuba, which was oriented towards Russia, and several overseas territories of England and France, which are oriented towards the former parent states. The structure of the trade balance of China with the countries of the region is the following (Table 1). For China, trade with these countries is not a priority. Their exports are no more than 5%, the imports - no more than 6%. Moreover, almost all of its share belongs to continental countries. The weight of the island countries is scanty.

At present, Chinese exports to the region are made up of cars and electrical equipment, textiles, vehicles. The share of other categories is insignificant. Raw materials make up 70% of imports from the region; a considerable part is made up by wood, fuel and agricultural products (mainly represented by tropical crops). Strangely enough, the Caribbean countries are currently supplying metals and textiles to China, as well as some other products that were previously considered to be the prerogative of the Chinese manufacturers. This may indicate the difference between the levels of economic development of China and most of the Caribbean countries.

Table 1

Trade turnover between the People's Republic of China and the countries of Latin America and the Caribbean in 2016 (billion USD)

Category	Exports	Imports
Total	113.1	102.3
Machinery and electric equipment	40.4	5.7
Spare parts	12.7	20.0
Textile	13.9	0.4
Metals	9.4	10.8
Chemicals	9.0	1.0
Vehicles	8.8	2.8
Plastic and rubber	6.1	0.5
Footwear	3.0	17.3
Building materials	2.4	0.07
Coating	1.6	1.0
Wood	1.5	5.1
Fuel	1.4	14.7
Food	1.0	2.6
Raw materials	0.9	70.7
Vegetables	0.8	21.8
Animals	0.4	3.8

Source: composed based on [3]

The volumes of China's trade turnover are concentrated on the largest, continental countries. Island countries (with the population that does not exceed several hundred thousand) occupy a negligible share in the total volume (Table 2). Mexico, Venezuela and Colombia are the main countries of the region in terms of volume of trade with China. For comparison, the largest island country in the region, the Dominican Republic, is inferior to the leaders of this list.

The countries supplying either raw materials or agricultural products have the largest volume of exports to China. It is important that, as a sales market, China is not the largest partner for these countries: the United States

takes the lion's share of export revenues. For example, Mexico's exports to China are only 3 % of the US's exports. The same situation is observed in other countries in the region – with the exception of Venezuela, Cuba and overseas territories (colonies) of Great Britain and France.

The situation with imports is diametrically opposed. For almost all countries in the region China is the main importer supplying a very wide range of goods (Table 3). We can say that over the past 15 years, China has partially pushed the United States out of this region exactly in this capacity.

Table 2

The main trading partners of the PRC in the region of Latin America and the Caribbean by volume of imports and exports in 2016 (billion USD)

Country	Export to PRC	Country	Import from PRC
Mexico	10.3	Mexico	32.3
Venezuela	5.5	Colombia	6.7
Colombia	2.5	Panama	6.3
Panama	0.4	Venezuela	2.5
Dominican Republic	0.13	Dominican Republic	1.5

Source: composed based on [3]; * - the largest island country of the region

Table 3

The role of the PRC in foreign trade of the largest countries in the region of Latin America and the Caribbean in 2016 (share in imports and exports)

Country	PRC's share in exports	PRC's share in imports
Mexico	1.4%	17.9%
Colombia	3.8%	19.2%
Panama	0.3%	31.0%
Venezuela	0.3%	17.0%
Dominican Republic	1.3%	13.1%

Source: composed based on [3]; * - the largest island country of the region

For the Caribbean countries, China has a small share of exports; it (in large countries) does not exceed 5%. Exceptions are some island countries having deposits of minerals or developed agriculture, and, hence supply their products to China. The share in imports can be very high, even for the largest countries (may exceed 20%). Before, the foreign trade of the countries of this region was built according to the following model: they supplied minerals (if they had), agricultural products to the US, as well as made money with American tourists. The United States supplied ready-made products to these countries. Now, the model of foreign trade organization is as follows: the US is still the main market for them, but China became the supplier of finished products.

Strengthening of China's economic presence in the region has not been unnoticed by researchers (R. Jenkins, E. Peters, M. Moreira, 2008) [5]. It is seen that China will try to repeat the experience of the Soviet Union, and consolidate in this region which is close to the United States. Especially, it is here that the third state in the world which publicly announced the course towards building socialism – Cuba (along with the PRC and DPRK) is located. Another point of view is that, Chinese policy is aimed at finding hidden potential in the countries of the region, which success is no longer expected by their traditional partners. That is, to somehow repeat the success of its policy in African countries (E. Ellis, 2014) [5]. According to the "African model", China offers a number of "tied loans" to the countries of the region; that is, such loans funds from which should be directed specifically to cooperation with Chinese companies. Large-scale investments in the industrial infrastructure of the region are also being made. All this creates the basis for the penetration of Chinese companies into local markets, their consolidation, establishment of relations, creation of logistics and infrastructure for further cooperation.

Observers in the Caribbean countries themselves see the situation in a different perspective. Some (R. Gallagher, K. Lopez, A. Sanborn, 2015) [9] emphasize that Chinese policy which it has demonstrated in the region

over the last ten years is more productive than US's policy over the last century. Unlike the United States, China actively invests in the infrastructure of the region through state banks and state institutions of international cooperation. That is, Chinese companies do what the Americans frankly ignored. In addition, for Chinese companies working in the Caribbean it is a common practice to engage in, besides the main activity, also support of the social sphere.

It is seen that China can become a counterweight to the US in the Caribbean region. At the moment, this does not happen in the political sphere: all Caribbean countries are fully oriented towards the United States. But a rapid change in the balance in the trade sector gives reason to assume that in the future the change of the political system in the region is also possible. That model of the relationship which the US has built in the region and which is used as a model for the development of the region has already exhausted itself a long time ago. For a very long period, despite the close economic ties with the United States, the Caribbean states have not been able to make a "leap" in their economic development. They occupy the same niche in US foreign policy that many decades ago. Besides, each Caribbean country suffers from a range of economic problems varying from a trade deficit to a large public debt. The only scenario of economic round which has really been implemented in the Caribbean for the last decade is the development of tourism oriented to the United States and the efforts of the local population to get into this country at all costs.

The features of China's trade policy in this region are also that along with the promotion of their own commercial interests their companies also implement investment projects (T. Chen, M. PérezLudeña, 2014) [4]. Throughout the whole time, since the expansion of China's trade activities in the region, investment activity developed in parallel. The volumes of annual investment in the Caribbean region were about 10% of the trade turnover. Despite the fact that the first investment projects were not successful (due to the lack of knowledge of local conditions by Chinese entrepreneurs), the activity

itself did not decrease. The feature of Chinese investment is that they are being made mainly with the help of attraction of state loan funds. All major investment projects are under direct state operational control.

The main problem of the Caribbean countries, which prevents them from taking on the same significance in China's foreign economic policy, is their limited potential for growth. They cannot be compared with the continental countries of the region. Island countries are limited in resources and cannot provide themselves with everything necessary relying on delivery of goods. The vast majority of island states in this part of the world simply have nothing to offer to Chinese partners. It is these countries that are island states which, in the absence of minerals, are oriented either on agriculture or on the development of tourism. Some of these countries are successful. Some of these countries occupy the last positions in the rankings of human development. They suffer from mass poverty of the population, high level of unemployment and problems with the health system. Most of these countries do not have additional territories for settlement, so the population, especially young people, try to leave home and get to the United States. Unfortunately, during the last decades there was no other alternative.

CONCLUSIONS

For the Chinese economy, the importance of the Caribbean region is not greater than others. The economic interests of this country are concentrated on the two largest trading partners of the country – the United States and the European Union, as well as on the immediate surroundings - countries of the Asia-Pacific region. The Caribbean countries have a small share in the China's foreign trade to be objects of its foreign policy. Venezuela, Peru and the largest countries in the region are an exception. Panama has an exceptional significance due to the location of the channel which connects two oceans. Currently, 30% of all cargo carried through it is made in China. Venezuela is an important supplier of copper ore and crude oil.

This region is too far from the area of critical interests of the People's Republic of China, and in the short term it will not be a priority for its leadership. That is, it cannot get any preferences or exceptional financial and economic support. All major infrastructure projects in this region announced by the Chinese authorities gravitate towards the mainland.

As concerns the countries of the region themselves, they are keenly interested in the penetration of China and its development projects. In China, they see a potential alternative to the United States which have been completely dominant here for decades. At least, if China cannot start a military and political confrontation with its main competitor in this part of the world in the near future, then it is at least able to compete in development opportunities which this eastern country provides to its partners.

That is, as in other regions, the Caribbean countries draw attention of the leaders of Chinese trade and foreign policy proportionally to the size of their domestic markets. However, the countries – suppliers of raw materials for China and those countries which are located at the intersection of trade routes are of separate interest. There

are several estimates of what goals the Chinese leadership pursue in the region: consolidation in a potentially large market, extension of the zone of its own political influence, ensuring the reliability of the trading route which runs through the Panama Canal.

The expansion of China's representation in the region is now perceived by everyone in the context of its unofficial rivalry with the United States: for a very long time, the Caribbean has been the area of unconditional influence of the latter. Therefore, such a sharp change in the balance in the trade sector pushes for certain expectations on how the situation will develop in the future. If the China's economic expansion will continue, and its significance for each individual country in the region will intensify, it can finally lead to the transformation of the political system in the region and its reorganization.

Nowadays, Chinese entrepreneurial activity in this region demonstrates an alternative (American) model of cooperation with local governments and communities. This model, unlike the American approach, provides for investments in the development of local communities and infrastructure of the country. That is, what has been ignored by American companies for decades. So, the Chinese representation in the region and the prospects for its expansion are welcomed by the representatives of the Caribbean countries themselves. Occasionally, they even set hopes on such a representation for the progress in the development of the region.

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