



Seduction in the Caribbean

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“Who controls the past controls the future. Who controls the present controls the past”. That was George Orwell’s view and in last month’s column (The Cuban Muscle Crisis – Issue 227) it was clear that the United States of America still dictates the present as far as the guest list goes at every Summit of the Americas meeting, held every three years when North and South come together; over the protests of Latin Americans, the island of Cuba continues to be excluded. Canada may have backed the US in banning Cuba from the April Summit, but otherwise its support, from a commercial standpoint, leaks like a sieve.

What would Emily Hahn have said? The American author and journalist arrived in China in 1935 and travelled the country extensively, rubbing shoulders with the influential, including Madame Chiang Kai-Shek whose husband was head of state of the Chinese Nationalist government between 1928 and 1949. As a member of the Chinese press corps she had a broad cross-section of contacts and so the attitude towards some Chinese issues of American General Joseph Stilwell, leader of American forces in China in the Second World War, made her describe him as being “incapable – surely to an abnormal degree? – of appreciating that there are more points of view than one’s own, and that the world is appreciably larger than America?” It will be in this century, of course, that General Stilwell’s descendants will find this to be true and just as its predecessor in world power, the United Kingdom, saw its own views relegated, so will the US. Understanding this in advance, and adjusting to it, enables a country to adapt and protect itself to a much greater degree.

Recently eating my Weetabix breakfast, one which I have enjoyed since childhood, it began to sink in, like the milk on my biscuits, that this British cereal maker is now 60% owned by a Chinese company. Such is the steady progress of China’s international investment strategy, a country which John Paton Davies, born in China in 1908 and a US Foreign Service Officer, once described as “a huge and seductive practical joke, which defeated the Westerners who tried to modernise it, the Japanese who tried to conquer it, the Americans who tried to democratise and unify it”. He was born at a time when the US was becoming a force to be reckoned with while Europe, mired in conflict, would soon enmesh Britain not in one but two wars with Germany that together would be the slippery slope leading to financial ruin for the UK. It was also a time when US President William Taft inspired the term “dollar diplomacy” as his country sought new markets because it was now producing more goods than Americans themselves could consume.

When Henry Kissinger asked the Chinese Premier Zhou En Lai for his views on the consequences of the French Revolution he memorably said that “it was too early to tell”. It is natural that China takes the long view, having lived through centuries of turmoil, notably, more recently, its calamitous Cultural Revolution. With the passage of time the Cuba of today, where Christopher Columbus introduced sugar cane to the Americas in 1493, will evolve too. And while China itself is most certainly huge and seductive, it is no longer a practical joke, any more than it is “an impressive but improbable, high-wire act, unified by ambition, bluff, pomp and pragmatism”, as it was described during the 1838 Chinese empire by Julia Lovell, a sinologist and author of three books on China.

An old tourist slogan promised that it was “better in the Bahamas” and certainly China, the pragmatic, growing global behemoth, is contributing to that, making its mark not only in Latin America. With the aid of Chinese bankers, who provided a USD2.4 billion loan, plus the assistance of around 5,000 Chinese workers, a tourist resort to rival anything the Bahamas has seen, is expected to be ready in 2014. There will be 3,800 rooms at the resort and the casino will be the largest in the Caribbean. Another project involves

Nassau's international airport for which tens of millions of US dollars are being provided by Chinese state banks. China's government is sitting on over USD3 trillion in reserves and some of it is being used throughout the Caribbean (Cuba, of course, not being an exception) despite the fact that none of the islands could be regarded as an important export market.

Depending on the definition applied, there are 39 main islands in the Caribbean, and this brings to mind John Buchan's book, *The Thirty-Nine Steps*. But rather than spies at the time of the First-World War, China's presence in the Caribbean is not clandestine and can be seen as a further step in the spread of its influence. The Beijing government, and Chinese companies, are spending billions in investment which is manna from heaven for those Caribbean governments starved of cash. Between 2004 and 2009 alone Chinese direct investment there jumped from USD1.7 billion to almost USD7 billion according to China's Ministry of Commerce. China uses its state banks, such as Export-Import Bank of China (behind the Nassau resort project) in the same way as institutions in the West, like the International Monetary Fund, are used. The amounts on offer are substantial and the China Development Bank, for example, frequently makes available loan parcels of USD10 billion or more. Meanwhile, aid from the US to members of the Caribbean Community and Common Market, a bloc of 15 Caribbean states and five associate Caribbean countries (all of which are British overseas territories), has been falling since the 1980s, according to Richard Bernal, former Jamaican ambassador to the US, and presently the director for the Caribbean at the Inter-American Development Bank in Washington.

US Senator Albert Beveridge, after his country's success in the 1898 Spanish-American war which put Cuba in US hands until 1902, referred to "the divine law of human society which makes us our brother's keeper. God has been preparing the English-speaking and Teutonic peoples to bring order out of chaos..." If God was lending a hand then, today Brazil's President Dilma Rousseff believes "that God is Brazilian", referring to her country's vast potential oil wealth. An old French saying assures us, however, that God lives in

France, and whether or not the Caribbean islanders are confused by it all, their respective governments will be more focused at present on the Middle Kingdom rather than the Kingdom of Heaven.

Offshore Investment has already held three conferences in Shanghai, a very prescient move because China's National Development and Reform Commission, in conjunction with the Shanghai Municipal Government, plan on turning Shanghai (where Emily Hahn lived in the 1930s) into an international financial centre by 2020. Part of the drive is to encourage foreign financial institutions to establish bases there; Chinese estimates suggest that a successful drive could result in over 300,000 financial sector professionals living in the city by 2015.

Chinese ambitions will be helped to a large extent by both the gradual emergence of the Renminbi as a global currency and the gravitational pull towards the East that world economies are experiencing. The intention, however, is not to eclipse Hong Kong as an IFC; ways are being looked at that will complement each centre, including training and exchange of financial talents and already a memorandum of understanding has been signed.

At the moment several Latin American countries have vowed not to be at the next Summit of the Americas if Cuba is excluded. That Summit will be held in Panama in 2015 by which time the country will have a new government and a wider canal; perhaps, by then, Cuba's course may have changed in material ways too such that the existing schism it has caused between countries in the Americas might be resolved. Any thing is possible, and after all, China overcame its so-called "century of humiliation" which began when Western powers during the nineteenth century invaded it in the pursuit of more markets and profit.

Today it's Adam Smith rather than Karl Marx that is influencing China's economy more, which only goes to show that dialogue between opposing sides, however tortuous, is better than slamming doors shut, whether or not you believe that the French revolution is over.

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