

#16 China's economic and political role in the Caribbean and Central America

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Key Takeaways

- China's growing presence in the Caribbean Basin provides alternative sources of loans and investment, allowing countries to counter-balance traditional US and European hegemony, though the US and EU remain dominant trading partners.
- The One China policy is a key driver of engagement, with several countries switching recognition from Taiwan, strengthening China's geopolitical clout.
- Chinese investments, primarily in infrastructure (airports, government buildings, hotels), have generally supported development without clear evidence of "debt traps," but are often characterized by low transparency and strict contractual safeguards.
- Concerns persist over institutional weakening, lack of transparency, and potential security implications, especially in digital and strategic infrastructure, within a context of intensifying US–China rivalry.

Policy Recommendations

- Strengthen institutions and transparency: Support independent media, democratic accountability, and clear governance frameworks for large-scale loans and projects.
- Enhance due diligence and regulatory standards: Develop and enforce rules for environmental, social, and governance (ESG) practices, including through regional platforms such as CARICOM.
- Promote equal partnerships: Reassess Europe's colonial legacy and engage Caribbean and Central American countries as equal partners in bilateral and multilateral cooperation.
- Adopt a coordinated KNL strategy: Facilitate dialogue among CAS islands, Suriname, and Dutch stakeholders to improve negotiation capacity, share lessons learned, and shape a coherent approach to Chinese investments.

Executive Summary

This report, the second in a three-part series, examines the economic and political influence of China in the Caribbean Basin, covering Central America, the Caribbean, and the Guyanas, and its implications for relations with the United States and Europe. The region's strategic location and its

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role as a diplomatic battleground over Taiwan recognition underscore its geopolitical importance. China's expanding role is driven not only by economic interests but also by its One China policy, which has significantly shaped diplomatic alignments.

China's engagement has provided Caribbean and Central American countries with alternative financing options, contributing to infrastructure development and offering a counterweight to longstanding US and European dominance. While the US remains the principal economic and political power, its influence has declined in relative terms, and European actors have also seen their position weaken amid anti-colonial sentiments. Despite these shifts, China's economic role is still more limited than in larger Latin American economies, with the US and EU retaining primacy in trade flows.

Chinese economic activity in the region is largely bilateral and market-driven, focused on infrastructure, resource access, and construction projects. Although some countries have received substantial loans and investments, others have experienced limited engagement. Overall, Chinese financing has enabled significant development projects without clear evidence of systemic "debt-trap" practices. However, contracts often include strict safeguards and are marked by limited transparency, raising concerns about accountability, governance, and fair competition. These dynamics contribute to perceptions of corruption and weaken public trust in institutions.

Diplomatically, the One China policy has been highly effective, with multiple countries shifting recognition from Taiwan to Beijing. This has enhanced China's influence in both regional and multilateral settings. China's cautious approach avoids directly challenging the regional geopolitical order, except in matters related to Taiwan. Nevertheless, its growing presence contributes to increased geopolitical competition, particularly with the US, as reflected in measures such as the 2020 TAIPEI Act.

Security implications remain limited but noteworthy. Chinese involvement in strategic and digital infrastructure may carry long-term risks, while relationships with countries such as Cuba and Nicaragua add a geopolitical dimension. In the Caribbean parts of the Kingdom of the Netherlands (CAS islands), similar dynamics exist, particularly regarding transparency and governance, although the One China issue is not directly relevant due to Dutch foreign policy alignment.

The report concludes that while China's role has brought tangible economic benefits, it also introduces governance, transparency, and geopolitical challenges. Addressing these issues requires proactive engagement by the EU and the Kingdom of the Netherlands (KNL), focusing on institutional strengthening, regulatory frameworks, and constructive partnerships to ensure that external investments, Chinese or otherwise, serve sustainable and inclusive development goals.