

SRC STUDENT WORKING PAPER

**Role of the Chinese BRI in Economic Development in Developing Countries:
A Case Study of Antigua and Barbuda**

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The Master of Science Degree in International Trade Policy**

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Preface

The Chinese Belt and Road Initiative is a new area of research. As such, very little has been published in the context of the Caribbean and how countries can strategically engage to achieve the best possible outcome. My interest in China began after first visiting in 2012 when the opportunity was presented to participate in a twenty-one-day seminar on Trade in Services for Developing Countries. My interest grew when I visited for a second time in 2013 to participate in a Chinese Culture and Economy Seminar. As a Senior Trade Policy Analyst within the Ministry of Trade in Antigua and Barbuda, my observation is such that very little in-depth researches of this nature are regularly undertaken. With the Deep-Water Port modernization and expansion project underway in Antigua and Barbuda, studies of this nature are incredibly relevant, allowing for even more evidence-based policy creation. For many, China remains a mystery; this is mainly due to the opaque nature of the information available around internal affairs (quite the opposite of the USA) and global projects such as the One Belt One Road Initiative. This is mainly attributed to the country's official media policy. China's constitution affords its citizens freedom of speech and press. Still, Chinese media regulations' opacity allows authorities to crack down on news stories by claiming that they expose state secrets and endanger the country. Such actions give rise to many speculations around China's engagement with other developing and least developed countries and its imminent rise to global dominance. Chinese officials share that OBOR provides a new platform for cooperation that promotes a more balanced benefit distribution worldwide and achievement of the 2030 sustainable development goals. In an era where the global south countries face a myriad of development challenges, these are reminded that their participation in such initiatives stands to complement their national development plans if engaged strategically. Although this research is narrow in scope, through the application of various qualitative and quantitative techniques, practical policy recommendations are provided.

Abstract

Trade can be a powerful engine for economic growth, poverty reduction, and development. However, harnessing the power of trade is often difficult for developing countries, particularly the least developed countries, because of domestic supply-side constraints such as the lack of trade-related infrastructure and limited capacity.¹ For many countries in the periphery, social and economic development remains the driving force behind how these countries choose to engage globally. As a result, more than 138 countries² have signed on to the Chinese Belt and Road Initiative; however, the potentially positive effects of the BRI contrast with a number of criticisms, imponderables and challenges. Throughout the literature, critics have coined the initiative a "debt trap" while questioning China motive for extending the initiative to small island developing states of the Caribbean. Since its launch in 2013, eight CARICOM Member States³ have signed MOUs with China on cooperation within the framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road. A content analysis of three signed BRI MOUs⁴ reveals that the main focus based on the content is friendship, win-win cooperation, mutual learning and inclusiveness in five areas⁵. Mutual benefit is a feature of the BRI which will also helps to develop markets for China's products in the long term and alleviate industrial excess capacity in the short term. Proponents of the initiative have highlighted its ability to close the longstanding infrastructure gap that plagues many developing countries. One of the main findings of a 2019 World Bank study of the BRI

¹ Hallaert, J. and L. Munro (2009), "Binding Constraints to Trade Expansion: Aid for Trade Objectives and Diagnostics Tools", *OECD Trade Policy Papers*, No. 94, OECD Publishing, Paris, <https://doi.org/10.1787/5kmlbl6glf5d-en>

² Thirty-eight countries are in Sub-Saharan Africa. 34 BRI countries are in Europe & Central Asia (including 18 countries of the European Union (E.U.) that are part of the BRI). 25 BRI countries are in East Asia & the Pacific. 17 BRI countries in the Middle East & North Africa. 18 BRI countries are in Latin America & the Caribbean. 6 countries are in South East Asia

³ Antigua and Barbuda (2018), Barbados (2019), Dominica (2018), Grenada (2018), Guyana (2018), Jamaica (2019), Suriname (2018) and Trinidad and Tobago (2018).

⁴ Antigua and Barbuda, State of Victoria of Australia and Italy

⁵ To enhance policy coordination; To improve infrastructure connectivity; To reinforce trade and investment cooperation; To move forward with financial integration, and support people-to-people collaboration

asserts that its projects can expand trade, increase foreign investment and reduce poverty by lowering trade cost. Nonetheless, for some countries, the cost of new infrastructure can outweigh the gains if complementary policy reforms are not undertaken. In Uzbekistan, for example, the average income gains from infrastructure improvements are estimated at less than 1 percent; however, when complementary measures reduce border times, income gains increase to nine percent. As previously mentioned, the BRI seeks cooperation in five areas; however, based on the research parameters, the infrastructure components, specifically seaport infrastructure, will be the central area of focus. Seaports offer a myriad of international trade benefits to businesses from the logistics standpoint; modern facilities stand to increase cargo throughput and therefore encourage greater economic activity. Through a series of quantitative and qualitative techniques, the most suitable recommendations for strategic engagement are provided. The Caribbean, in the context of this research, refers to CARICOM member states.

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List of Abbreviations

APA	Antigua Port Authority
BRI	Belt and Road Initiative
CARICOM	Caribbean Community
CBD	Caribbean Development Bank
CRT	Country Risk Tier
ERP	Economic Recovery Plan (Post-COVID-19)
EXIM Bank	China Export-Import Bank
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOAB	Government of Antigua and Barbuda
ICT	Information Communication Technology
IMF	International Monetary Fund
LDC	Least Developed Countries
MOU	Memorandum of Understanding
MTDMS	Medium-Term Debt Management Strategy
MTDS	Medium Term Development Strategy
OBOR	One Belt One Road
OECD	Organization for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States
PRC	People's Republic of China
SDD	Sustainable Development Dimension
TFA	Trade Facilitation Agreement
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade organization

Key words: Trade Expansion, National Development Goal, Chinese Belt and Road Initiative, Medium Term Development Strategy, Antigua and Barbuda Trade, Seaport Infrastructure, Economic Development

Chapter 1:

Introduction

Introduction

The One Belt One Road initiatives are a reflection of China's ascendance in the global arena, economically, politically, and strategically.⁶ Developing inter-connectivity of infrastructure development also forms a central part of China's OBOR initiatives. The initiative is spearheaded by the Asian Infrastructure Investment Bank (AIIB) and aims to accelerate infrastructure improvement by providing capital loans and technical services. In the strictest sense, the Belt and Road initiative is a global infrastructure development project aimed at improving connectivity and cooperation on a transcontinental scale. The introduction of the BRI in 2013 by Chinese President Xi Jinping has brought hope for many developing nations who face fiscal challenges, limited capacity and inadequate infrastructure by offering low-cost lending with flexible terms. To date, China has signed 197 BRI cooperation documents with 138 countries and 30 international organizations globally,⁷ which includes some counties of the Caribbean. According to Bernal (2016), China's deepening relationship with the Caribbean is an expression of political and economic motives reflected in its increased development assistance, technical assistance and continued expansion of trade, emerging foreign investments and involvement in construction projects. He highlights that the increase in Chinese engagement with the Caribbean is also directly related to the rivalry between China and Taiwan for diplomatic recognition from Caribbean governments and its global re-dimensioning. The CARICOM Countries that practice a "One China" policy⁸ have in the past signed a variety of

⁶ Yu, Hong. (, 2016). The motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank. *Journal of Contemporary China*. 26. 1-16. 10.1080/10670564.2016.1245894.

⁷ Dr Zhao Yongchen. "Starting a New Phase in China-Caribbean Cooperation on BRI Implementation". (2019). Retrieved from http://gd.china-embassy.org/eng/gywm_1/dsjhjwz/t1728758.htm

⁸ Diplomatic acknowledgement of China's position that there is only one Chinese Government. Under the policy, countries recognize and have formal ties with China rather than the island of Taiwan, which China sees as a breakaway province to be reunified with the mainland one day. Five of the 17 countries globally that currently recognize a sovereign 'Republic of China on Taiwan' (ROC) are member states of the Caribbean Community (CARICOM). They include Belize, Haiti, St Kitts and Nevis, St Vincent and the Grenadines, and Saint Lucia. While Antigua and Barbuda, Barbados, The Bahamas, Dominica, Grenada, The Cooperative Republic of Guyana, The Republic of Suriname, The

agreements aimed at enhancing economic cooperation, expanding trade and investment within the region. Within the last two years, eight of these countries, including Antigua and Barbuda, have signed on to the OBOR initiative. While this presents an opportunity to close the longstanding infrastructure gap that plagues many developing countries, there is limited literature and models available to support the assumption that the gains outweigh the cost for CARICOM under this arrangement. Research findings on the initiative's overall ability to aid economic development differ significantly among academics, economists and writers.

Debates on whether countries should join are active in the media; some argue that the negative connotations associated with the BRI are part of the USA's attempt to paint a negative picture of China's plans stemming from the ongoing feud between the two global superpowers. On one hand, this has resulted in the initiative being regarded as a form of colonialism, labelling it a "debt trap" for developing countries. On the other hand, others see it as an opportunity to close the longstanding global infrastructure gap that plagues many developing countries and fast track development efforts. These further opine that the Chinese BRI is another financing option with cheap and flexible loans with longer terms to repay. Additionally, it has been reported that Chinese lending is not accompanied by strict policy adjustments and interference in sovereign affairs, as seen with traditional Western lending institutions such as the World Bank and the IMF. These active debates have led writers such as Rehbock (2019) to conclude that even though the initiative has existed for over six years, it is too early to tell whether the BRI will create

Republic of Trinidad and Tobago, and Jamaica have diplomatic relations with the People's Republic of China, including Montserrat, which remains a U.K. colony.

regions characterized by vibrant trade and growth or by investment ruins and environmental degradation.

Trade can be a powerful engine for economic growth, poverty reduction, and development. However, harnessing the power of trade is often difficult for developing countries, particularly the least developed countries, because of domestic supply-side constraints such as the lack of trade-related infrastructure and limited capacity.⁹

Investing in enabling infrastructure for trade is crucial for boosting imports and exports. Inadequate infrastructure such as that of deep-water ports can be seen as obstacles to international trade transactions and can limit a country's physical connectivity to the World. Nonetheless, infrastructure comes at a cost that is beyond the means of many developing countries, and the ability to access these means from traditional western lenders is equally challenging. SIDS such as Antigua and Barbuda, having been ranked as high income, are unable to access concessionary funding in most instances. Moreover, the Country's high Debt to GDP ratio of over 60% deems it unfavourable to most lenders. In August 2020, A.M Best, Inc. published a Country Risk Report that rated Antigua and Barbuda a CRT-4; this means the country has moderate economic and political risk levels and a high level of financial system risk.¹⁰ A rating of this tier would not be favourable therefore presents a challenge for the dual island nation to borrow on the international market to fund much-needed infrastructure projects.

In the face of the rising national debt and fiscal challenges, slowed global economic growth due to geopolitical tensions and protectionist policies and most recently, the Covid-19 pandemic, developing countries such as Antigua and Barbuda are forced to

⁹ Hallaert, J. and L. Munro (2009), "Binding Constraints to Trade Expansion: Aid for Trade Objectives and Diagnostics Tools", *OECD Trade Policy Papers*, No. 94, OECD Publishing, Paris, <https://doi.org/10.1787/5kmlbl6glf5d-en>

¹⁰ A.M Best Country Risk Report (2020). Antigua and Barbuda. Retrieved from <http://www3.ambest.com/ratings/cr/reports/antiguaandbarbuda.pdf>

restructure their economies to decrease the over-reliance on the tourism sector. Considering that the dual island nation has limited natural resource endowments, it would be in its best efforts to pursue cooperation under this initiative that would aid economic diversification plans. On June 4, 2018, Antigua and Barbuda signed a Memorandum of Understanding with the People's Republic of China on cooperation within the framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative. Antigua and Barbuda's move aims to build on existing bilateral practical cooperation with China to further achieve social and economic development. Antigua and Barbuda's strategic interest in China stand to complement its "*Medium Term Development Strategy 2016-2020*", a set of strategies and actions to be undertaken over the Medium-Term in moving the country towards its long-term goals of becoming a developed country within fifteen to twenty years. The overarching goal is to improve the quality of life for Antiguan and Barbudans and their posterity to be attained based on four sustainable development dimensions. SDD1 speaks to the generation of national wealth that can be achieved through trade expansion and requires seven necessary conditions (N.C.) for this to be achieved.¹¹ For this research, we focus on NC1.6, which underscores the need for adequate infrastructure to facilitate trade expansion, leading to economic growth and further translating into economic development.

In the Caribbean context, more specifically CARICOM, limited studies exist as it relates to the BRI and Caribbean development. This research seeks to fill this gap by analyzing the role of the Chinese Belt and Road Initiative in economic development in developing

¹¹ NC1.1 Stable macroeconomic environment NC1.2 Penetrate export markets NC1.3 Attract foreign investments NC1.4 Effective industrial policy NC1.4.1 Strong tourism industry as an economic anchor NC1.4.2 Optimal economic transformation NC1.4.3 Improved competitiveness NC1.4.4 Improved access to development finance NC1.4.5 Technological adaptation and innovation (including green technology) NC1.4.6 Improved incentives regime NC1.4.7 Inclusive growth (growth with equity) NC1.5 Efficient markets and appropriate enabling business environment NC1.6 Adequate infrastructure (roads, ports, energy, water, telecommunications and transport) NC1.7 Adequate skills and capacity to support sustainable development

countries, focusing on Antigua and Barbuda. The BRI is broad in scope and has evolved to now cover five areas of cooperation,¹², the ability to cover all areas was limited by the parameters of the research. Hence, the researcher focused on the infrastructure component, specifically seaport infrastructure and its ability to deliver on its promise of economic growth and development through expanded trade.

Objective:

- To analyze the existing Trade and Economic Relations between Antigua and Barbuda and China.
- To determine the extent to which the MOU provisions compliment Antigua and Barbuda's National Medium-Term Development Strategy.
- Provide policy recommendations practical for further strategic engagement to achieve economic development goals.

Limitations:

- Existing studies have used a limited number of theories and models for BRI research.
- There is a need for more data and quantitative assessments and simulations on the welfare and growth effects of the BRI.
- Inability to gain access to the agreement signed for the port modernization and expansion project determines if the terms are favourable for Antigua and Barbuda.
- Recent data on global competitive indicators and logistics performance index (specifically for port infrastructure for the period 2006-2016) for Antigua and Barbuda was unavailable.

¹² Policy, infrastructure, trade, finance, and people-to-people connectivity

- Inability to gain access to a copy of the MOUs signed between China and the seven other CARICOM member states to carry out a content analysis.

Methodology

Research Topic: *“Role of the BRI in Economic Development In Developing Countries: A case study of Antigua and Barbuda”* adopted both qualitative and quantitative approaches.

Qualitative:

Interviews were held with several Ministries, Departments and Agencies of the Government of Antigua and Barbuda. Participants included Ministers, Policy Heads and Senior Technical Staff within Trade, Commerce, Foreign Affairs, Finance and Economic Planning. It also employed the use of Foresight Methodologies and a Content Analysis of the MOU between the Government of People’s Republic of China and the Government of Antigua and Barbuda, State of Victoria of Australia and Italy. Case studies were also carried out using the PEST Analysis tool to assess relations between the PRC and Antigua and Barbuda. This was followed by in depth analysis of secondary sources such as existing research papers on the broad topic, web sources, articles, journals and text of interval agreement.

Quantitative:

The quantitative component utilized descriptive statistics to capture a picture of the trade performance of both counties for the period 2009-2019 to determine trade volumes, import and export commodities and major trading partners.

Background

Trade is a fundamental economic concept involving the buying and selling of goods and services, with compensation paid by a buyer to a seller or the exchange of goods or services between parties.¹³ Trade has been a part of economic development for centuries. It has the potential to be a significant force for reducing global poverty by spurring economic growth, creating jobs, reducing prices, increasing the variety of goods for consumers, and helping countries acquire new technologies. The evolution of trading is one of the most significant factors in the journey of humankind. Humans have evolved throughout the centuries, and that would not have been possible if they were restricted to geographical boundaries.¹⁴ This leads to the classic question, "why do countries trade? The need for trade arises from the global and regional unequal distribution of natural resources. Countries developing and exploiting their scarce domestic resources can produce a surplus and trade this for the resources they need. This is justified by the theories of Absolute Advantage¹⁵ as developed by Adam Smith in his book "Wealth of Nations" and comparative advantage¹⁶ as put forward by David Ricardo.

Trade forms a fundamental part of history and dates back to the Stone Age, an era in which a barter system of trade was used. It was conducted on a relatively smaller scale, within small communities, and over a shorter distance, as long distances were considered risky, the silk route is an example of early trade connecting Rome to China. As years progressed, trading became more sophisticated; this meant trading across longer

¹³ Risbood, T.S. (2020) "International Trade and Transport". Orange Books Publication. Retrieved from https://books.google.com.ag/books?id=lpHKDwAAQBAJ&printsec=copyright&source=gbp_info_r#v=onepage&q&f=false

¹⁴ Thapar, Nitin. (2017). "The Evolution of Trading: Barter System to Algo Trading". Retrieved from <https://blog.quantinsti.com/evolution-trading-barter-system-algo-trading/>

¹⁵ Absolute advantage, economic concept that is used to refer to a party's superior production capability. Specifically, it refers to the ability to produce a certain good or service at lower cost (i.e., more efficiently) than another country.

¹⁶ The theory of comparative advantage which argued that countries can benefit from international trade by specializing in the production of goods for which they have a relatively lower opportunity cost in production even if they do not have an absolute advantage in the production of any particular good.

distances and the exchange in commodities in the form of livestock, salt, metal, tools, rare stones etc., until the introduction of currency. With unwritten rules, free trade was the order of the day until the late 17th century, where free trade became competitive and military disturbances were followed by the establishment of treaties between preferred trading partners. Post-World War II, during a meeting of 43 countries in Bretton Woods, New Hampshire USA in 1944, the World Bank and the International Monetary Fund (IMF) were created as the international institution for monetary policy, these became known as the Bretton Woods Institutions. These were established in an effort to rebuild the shattered post-war economy and promote international economic cooperation. The IMF's role would be to create a stable climate for international trade by harmonizing its members' monetary policies and maintaining exchange stability, and providing temporary financial assistance to countries encountering difficulties with their balance of payments. On the other hand, the World Bank would improve countries' capacity to trade by lending money to war-ravaged and impoverished countries for reconstruction and development projects. An institution that set out basic rules and disciplines for international trade and other international economic matters was required, although the International Trade Organization (ITO) was successfully negotiated, it was not fully adopted, which led to the creation of the General Agreement on Tariff and Trade (GATT) in 1947. Later the WTO was created, the intention was that trade disputes would be settled based on a set of rules instead of devastating wars that ended in millions worth of damage and loss of lives. In 1994 the Marrakesh Agreement was signed establishing the World Trade Organization (WTO), built on the principles of non-discrimination and reciprocity and promotes liberalized trade among members. As the WTO-agreements have effectively lifted international barriers to trade since the 1980s, global

manufacturers have vertically disintegrated their Fordist production systems ¹⁷ into geographically dispersed and flexibly organized supply chain systems. Today, International Trade is at the heart of the global economy and is responsible for much of the development and prosperity of the modern industrialized World. ¹⁸

According to Forde (2020), new models of development predicated on infrastructure investment and connectivity upgrades in key sectors may offer alternative solutions to Caribbean development challenges¹⁹. Adequate infrastructure accompanied by complementary policies are proven effective growth strategies as these usually result in lower cost and more efficient trade.

Antigua and Barbuda

To understand how modern seaport infrastructure can contribute to Antigua and Barbuda's economic growth and development, it is important to examine the location of the country, its brief history and the state of the various sectors of the economy. Antigua and Barbuda is a sovereign twin-island state geographically located in the Eastern Caribbean whose shores are washed by both the Atlantic and the Caribbean Sea. Its strategic location within the archipelago can facilitate distribution locally to the islands around, as well as supply fulfilment services. Commonly referred to as the heart of the Caribbean, Antigua and Barbuda has a combined estimated landmass of 171 square miles. According to World Bank Data, as of 2018, the population stood at 96,286 and demographics indicating that this group consist of over 90% African descent.

¹⁷ Fordism is the theory of Henry Ford stating that production efficiency is dependent on successful assembly-line methods.

¹⁸ Economics Online. Why do Countries Trade. www.Economicsonline.co.uk

¹⁹ Callender-Forde. M. (2020). "Infrastructure-Led Development: making the Belt and Road Initiative Work for the Caribbean". *UWI Global Belt and Road Research Bulletin, No.2*, Sir Arthur Lewis Institute of Social and Economic Studies, Barbados. Retrieved from <https://indd.adobe.com/view/59496f87-58ce-494d-89e6-5201893163bc>

The early years of trade in Antigua and Barbuda were among inhabitants of the island under a barter system; the most memorable component of trade had to do with the exchange of goods and services between the twin-island states. Sugar succeeded tobacco as the chief crop and led to the importation of enslaved Africans to work on the highly profitable estates.²⁰ Trade-in commodities such as cotton, sugar and rum were the major exports on the island; imports were in the form of food, garments, ships and other items that could have not been otherwise sourced domestically. The Deep-Water Harbor port facility was built between 1965 and 1968 and opened to commercial traffic in 1969. As the only Caribbean island under British rule to possess a good harbour, Antigua was the dockyard for the British West Indies, used by the Royal Navy from 1725 until 1854.²¹ In the years following the British's departure, upgrades to the port were financed through loans and grants from U.S., Italian and Canadian Governments. After 50-plus years of operation, the facility is outdated and slated for redevelopment.²²

According to established literature, seaports offer a myriad of international trade benefits to businesses from the logistics standpoint; modern facilities stand to increase cargo throughput and therefore encourage greater economic activity. For years, the twin island state has suffered an infrastructure deficit; the lack of modern infrastructure has impacted attracting FDI²³ and overall trade performance. The country is also highly vulnerable to meteorological disasters, which can cause extensive damage to infrastructure and reverse the gains made in capital accumulation.

²⁰ Knowledge Walk Institute. (2020). Brief Political History and Dynamics of Antigua and Barbuda. Retrieved from <http://www.caribbeanelections.com/ag/education/history.asp>

²¹ Knowledge Walk Institute. (2019). Independence Antigua and Barbuda. Retrieved from

²² Business View Caribbean. (2018) “ The Port Authority of Antigua and Barbuda”. Retrieved from <https://businessviewcaribbean.com/port-authority-antigua-barbuda-2/>

²³ In 2019, net FDI inflows for Antigua and Barbuda was 139 million U.S. dollars. Though Antigua and Barbuda net FDI inflows fluctuated substantially in recent years, it tended to decrease through the 2000 - 2019 period ending at 139 million U.S. dollars in 2019.

Like many other Caribbean territories, it was once a British colony and has a history of slavery. Emancipation from slavery was a victory as was the granting of independence, however, with a history of dependence on Great Britain, it has struggled with sustainability. Edmons (2012) argues that the Caribbean's problems are largely due to a lack of true autonomy and self-determination. He goes on to assert that while political independence might have come 50 years ago, it did not include a reorientation of economic relationships and a shattering of colonial mentalities.

Following the abolition of slavery and the gaining of independence, Antigua and Barbuda's level of trade openness²⁴ and number of trading partners increased, with the United States of America (USA) and Canada being the major source markets. For many years the dual island nation maintained close ties with the United States of America. The United States being its largest source market due to proximity has over the years provided the island with grant funding, concessionary loans and even set up a Military base (subsequently closed in 2014 after nearly 70 years). However, isolation is trending in the US, which means they are investing less and therefore losing influence around the World.²⁵ Since 2008 when the United States experienced the economic crisis (ultimately the Global Economic Crisis), it eventually took a step back from its involvement in the Caribbean. The vacuum left by the United States was swiftly filled by China, which shifted the balance of power in the region and provided China a strategic foothold.²⁶

It is globally acknowledged that investment in infrastructure is now beyond the reach of most national capital budgets, requiring governments to either take on more debt, reach

²⁴ Trade openness is one measure of the extent to which a country is engaged in the global trading system. Trade openness is usually measured by the ratio between the sum of exports and imports and gross domestic product (GDP) The latest value from 2018 is 141 percent. <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=AG>

²⁵ OECD (2020), Outward FDI flows by partner country (indicator). doi: 10.1787/408bbdcc-en. Retrieved from <https://data.oecd.org/fdi/outward-fdi-flows-by-partner-country.htm#indicator-chart>

²⁶ O'Boyle, Kellie, "The Dragon's Flight to the Tropics: China's Involvement in the Caribbean" (2017). *University Honors Program Theses*. 250. <https://digitalcommons.georgiasouthern.edu/honors-theses/250>

deals with external private sector entities, engage with governments outside the region, or access the increasingly limited support offered by international development agencies (Jessop, 2017).²⁷ For instance, accessing loans from Western lending Institutions such as the IMF involves lengthy processes, studies and consultations, extensive mitigation measure and mandatory public disclosures, during which time the projects are stalled. IMF loans are inflexible and requires countries to cede some level of sovereignty. Chinese lending on the other hand is not accompanied by strict policy adjustments and interference into Sovereign affairs, these are also accompanied by low interest rates and longer repayment terms.

Antigua and Barbuda's economy is service based with tourism service recognized as the largest contributor to GDP. The Observatory of Economic Complexity (OEC) reports that in 2018, Antigua and Barbuda exported \$1.11B worth of services. The top services exported by 2018 were Travel (\$881M), Transportation (\$134M), Other business services (\$53.6M), Insurance services (\$33.3M), and Computer and information services (\$8.97M).²⁸ In contrast, the top services imported by Antigua and Barbuda during the same period were other business services (\$207M), Transportation (\$109M), Travel (\$88.3M), Insurance services (\$38M), and Personal, cultural, and recreational services (\$21.6M).

With regards to goods, in 2018, Antigua and Barbuda exported \$192M and imported \$955M, resulting in a negative trade balance of -\$762M. During the last five reported years the exports of Antigua and Barbuda have changed by -\$116M from \$308M in 2013 to \$192M in 2018.²⁹

²⁷ Should it matter who pays for Caribbean Development <https://www.caribbean-council.org/matter-pays-caribbean-development/>

²⁸ Observatory of Economic Complexity (OEC). <https://oec.world/en/profile/country/atg>

²⁹ The Observatory of Economic Complexity (OEC). International trade data for Antigua and Barbuda. Retrieved from <https://oec.world/en/profile/country/atg>

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The **top five countries** to which Antigua and Barbuda exported 2018 along with the **partner share** in percentage are:

1. Antigua and Barbuda exports to **United Arab Emirates** worth US\$ 8 million, with a partner share of 31.33 percent.
2. Antigua and Barbuda exports to **United States** worth US\$ 5 million, with a partner share of 18.60 percent.
3. Antigua and Barbuda exports to **Netherlands** worth US\$ 3 million, with a partner share of 11.96 percent.
4. Antigua and Barbuda exports to **Saint Maarten** (Dutch part) worth US\$ 2 million, with a partner share of 6.89 percent.
5. Antigua and Barbuda exports to **Dominica** worth US\$ 1 million, with a partner share of 5.65 percent.

Source: World Bank Table 1: Top five export countries

The **top five countries** to which Antigua and Barbuda imported goods 2018 along with the share in percentage are

1. Antigua and Barbuda imports from **United States** worth US\$ 283 million, with a partner share of 49.77 percent.
2. Antigua and Barbuda imports from **China** worth US\$ 34 million, with a partner share of 5.92 percent.
3. Antigua and Barbuda imports from **Japan** worth US\$ 26 million, with a partner share of 4.59 percent.
4. Antigua and Barbuda imports from **Trinidad and Tobago** worth US\$ 22 million, with a partner share of 3.89 percent.
5. Antigua and Barbuda imports from **United Kingdom** worth US\$ 21 million, with a partner share of 3.70 percent.

Source: World Bank Table 1B: Top five import countries

Antigua and Barbuda, despite its many limitations, recorded a growth of 7.4% in 2018, which is an increase from the 3.14% recorded in 2017. GDP was recorded at 1.6 Billion in 2018, with tourism and construction being the major contributors; this can be

³⁰ The Observatory of Economic Complexity (OEC). International trade data for Antigua and Barbuda. Retrieved from <https://oec.world/en/profile/country/atg>

attributed to the divergence of cruise tourist resulting from the damage to neighbouring islands caused by hurricane Irma and the ongoing Government Housing Projects.

In August 2020 A.M Best, Inc. published a Country Risk report which rated Antigua and Barbuda as CRT-4, this means the country has moderate levels of economic and political risk and a high level of financial system risk³¹ A rating of this tier would not be favorable to most western international lending institutions and therefore presents a challenge for the dual island nation to borrow on the international market to fund much needed infrastructure projects. This holds as one of the major reasons developing countries have willingly engaged China and welcomed their favorable lending terms.

The Rise of China

The century of humiliation marks a period from 1842-1949 in which China was subject to repeated military defeats and economic exploitation at the hands of European, American, and Japanese forces. Significant brutality inflicted upon the Chinese people and their culture defined this period (Bullock and Garret, 2019). Two centuries ago, Napoleon Bonaparte compared China to a “sleeping lion” and observed that “when she wakes, she will shake the world.”³² Indeed, the world is witnessing a shift of the center of political and economic power from the United States to China. Some scholars conclude that this can be attributed to its extraordinary economic growth and active diplomacy. Some scholars draw on the work of Immanuel Wallerstein and the *World Systems Theory/Analysis* to explain China’s imminent rise and the global power shift. In summary, the theory asserts that development creates imbalances in the world system, put simply, one country rises at the expense of another. It goes on to state that it is characterized by

³¹ A.M Best Country Risk Report (2020). Antigua and Barbuda. Retrieved from <http://www3.ambest.com/ratings/cr/reports/antiguaandbarbuda.pdf>

³² Lee, J. (2007). The Rise of China: An Introduction. *Indian Journal of Asian Affairs*, 20(1/2), 1-4. Retrieved from <http://www.jstor.org/stable/41950479>

mechanisms which bring about a redistribution of resources from the periphery to the core.³³

Prior to the initiation of economic reforms and trade liberalization nearly 40 years ago, China maintained policies that kept the economy very poor, stagnant, centrally controlled, vastly inefficient, and relatively isolated from the global economy.³⁴ After half a century of establishing a strong international military presence, thriving economic growth, domestic/international political authority, and considerable cultural “soft power”, the PRC has emerged as a hegemon capable of competing in international geopolitics³⁵ In 1979 China began opening up to foreign trade and investment and implementing free-market reforms, the improved interactions with the global economy increased its average growth exponentially (Bernal, 2016B).³⁶ Trade liberalization was also a major key to China's economic success. Removing trade barriers encouraged greater competition and attracted FDI inflows. According to a study conducted by Wilson et al (2003), it was projected that China's economy would be larger than that of the USA by 2041 and larger than any other country by 2016; could overtake Germany by 2007, Japan by 2015 and the USA by 2039.³⁷

As stated previously, some scholars conclude that China owes its rise to the World's largest economy (USA) to an investment and export strategy it has pursued for many years. However, this has also created high overcapacity in China. Additionally, high

³³ Cosma, Sorinel. (2010). Immanuel Wallerstein's World Systems Theory. Annals of the University of Oradea : Economic Science. 1.

³⁴ Morrison, Wayne M.(2019). “China's Economic Rise: History, Trends, Challenges, and Implications for the United States. Retrieved from Congressional Research Services: https://www.everycrsreport.com/files/20190625_RL33534_088c5467dd11365dd4ab5f72133db289fa10030f.pdf

³⁵ Bullock, Garrett. (2019). "Becoming a Superpower: China's Rise and the Belt and Road Initiative in Latin America" .History Summer Fellows. 10. https://digitalcommons.ursinus.edu/history_sum/10

³⁶ Bernal, R. (2016B). “Dragon in the Caribbean: China's Global Re-dimensioning: Challenges and Opportunities for the Caribbean. Kingston: Ian Randle Publishers.

³⁷ Wilson, Dominic and Roopa Purushothaman. (2003).“Dreaming with the BRICS: The Path to 2050”. Retrieved from <https://www.goldmansachs.com/insights/archive/archive-pdfs/brics-dream.pdf>

domestic savings and high productivity of capital both contributed to China's rapid growth after 1978. Recently, however, the productivity of capital has begun to decline, and with it, China's growth rate, which means investment-led growth alone is no longer an option. The BRI is one of its continuing investment- and export-driven growth strategies by enabling continued use of this capacity through additional demand. China has the financial, physical and human resource capacity to realize the BRI. The realization of BRI in its full capacity would give a strategic advantage to China over other global powers. The Chinese Government has also made innovation a top priority in its economic planning through a number of high-profile initiatives, one such is the "Made in China 2025",³⁸ a plan announced in 2015 to upgrade and modernize China's manufacturing in 10 key sectors through extensive government assistance in order to make China a major global player in these sectors. Such measures have increasingly raised concerns that China intends to use industrial policies to decrease the country's reliance on foreign technology and eventually dominate global markets. Some might see this as protectionist and can cause some disruptions is the multilateral trading system.

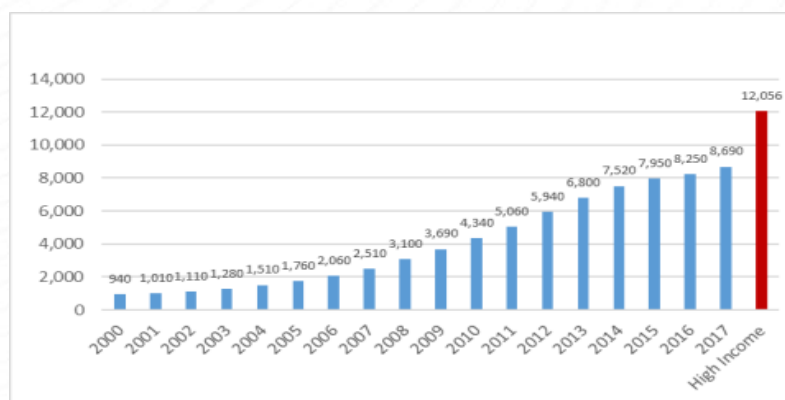


Table 2: China's Annual growth rate from 2000-2018

³⁸ Made in China 2025 is but one key piece of a complex architecture of plans and policies aimed at generating "innovation-driven development," was launch in 2015 under the leadership of President Xi Jinping. According to Chinese media, the initiative intends to "transform China from a manufacturing giant into a world manufacturing power" by 2049.

In 2018 China experienced real annual GDP growth of 9.8%, a pace described by the World Bank as “the fastest sustained expansion by a major economy in history.” As China managed to double its GDP on average every eight years, research finding suggests that this growth rate raised an estimated 800 million people out of poverty and expanded the middle class. In 2018 China was the number two economy in the World in terms of GDP, the number one in total exports, the number two in total imports, number 78 economy in terms of GDP per capita and the 30th most complex economy according to the Economic Complexity Index (ECI). In 2018 China imported \$1.61T, making it the number two trade destination in the World. During the last five reported years the imports of China changed from \$1.59T in 2013 to \$1.61T in 2018, a \$23.4B increase.

The most recent imports of China are led by Crude Petroleum (\$208B), Integrated Circuits (\$133B), Iron Ore (\$59.2B), Cars (\$45.2B), and Petroleum Gas (\$44.2B). The most common import partners for China are South Korea (\$160B), Japan (\$139B), United States (\$119B), Germany (\$109B), and Chinese Taipei (\$97.4B).

The phenomenal rise of China provides an attractive option to the Caribbean. In decades to come, the World will see even more of its powers and great influence though Global initiatives such as the OBOR and Made in China 2025.

CARICOM and China Relations

Trade and economic relation between the Caribbean and the People's Republic of China dates back to the early 1970s, however, since the beginning of the twenty-first century, China's economic relationship with the countries of the Caribbean has grown significantly. It is no secret that the increase in Chinese engagement with the Caribbean is directly related to the rivalry between China and Taiwan for diplomatic recognition from Caribbean Governments as well as its global re-dimensioning. As it relates to CARICOM, ten member states have diplomatic relations with the People's Republic of

China,³⁹ including Montserrat which remains a U.K. colony, while five have relations with the Republic of China on Taiwan⁴⁰. For this reason, the region has not taken a coordinated approach to engaging in the OBOR initiative. Some scholars argue that National enthusiasm for the BRI can turn out to be problematic for regional coordination in the absence of a CARICOM master plan for connectivity.

According to Bernal (2016), CARICOM countries are a crucial voting bloc which powerful countries deem necessary to court for voting support on critical hemispheric issues, particularly in the United Nations. He further asserts that China's deepening relationship with the Caribbean is an expression of political and economic motives that is reflected in its increased development assistance, technical assistance and continued expansion of trade, emerging foreign investments and involvement in construction projects. According to Montoute (2013), the Caribbean's main interest in China, lies in three areas, economic, as the voice of the south in the global arena and aid and development assistance that has over the years have become a challenge to access from development partners. The Caribbean views China as an important source of development aid, FDI, and trade to generate long-term growth and development in the region, which presents an opportunity to diversify the Caribbean's trade and economic relations. What is common, is that both China and CARICOM share economic development interest.

The Caribbean Counties that practice a "One China" policy have signed a variety of agreements aimed at enhancing economic cooperation, expanding trade and investment. The most recent is the Chinese Belt and Road Initiative; to date eight CARICOM member states (Antigua, Barbados, Dominica, Grenada, Guyana, Jamaica, Suriname and Trinidad and Tobago) have signed MOU with China under this initiative.

³⁹ Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Guyana, Jamaica, Montserrat, Suriname and Trinidad and Tobago.

⁴⁰ They include Belize, Haiti, St Kitts and Nevis, St Vincent and the Grenadines, and Saint Lucia.



The table below provides an illustration of the CARICOM member states that have signed on to the BRI since its launch in 2013 by President Xi Jinping and details of the signing of the MoUs.

May 2018	Trinidad and Tobago becomes the first Caribbean country to sign on to the Belt and Road Initiative. Premier Li Keqiang and Trinidad Prime Minister Keith Rowley sign a Memorandum of Understanding at the Great Hall of the People in Beijing. T&T is China's largest trade partner in the English Caribbean area.
June 2018	Prime Minister of Antigua and Barbuda Gaston Browne signs a Memorandum of Understanding with China, becoming the first country in the Organization of Eastern Caribbean States (OECS) to do so. Agreement was signed by Ambassador Wang Xianmin and Ambassador Brian Stuart-Young. The MoU mentions projects such as roads, bridges, civil aviation, ports, energy and telecommunications.

July-2018	Suriname signs on with a Memorandum of Understand on “enhanced cooperation in the fields of infrastructure construction, agriculture, forestry, fishing, law enforcement, human resources and public health.” The country has also adopted the Chinese Spring Festival as a national holiday.
July-2018	Dominica- The Memorandum of Understanding between China and Dominica. (Details on the signing and areas of cooperation could not be accessed up to the time of this research paper submission)
September 2018	Grenada signs on. Grenada’s Minister for Foreign Affairs, Peter David said the initiative is a strategy of the Chinese Government that focuses on connectivity and cooperation with different regions of the world. He said objectives would be met with a \$40 billion fund investment in infrastructure. The Belt and Road initiative he said facilitates the movement of goods and capital between developing areas of the world.
February 2019	Barbados signs on. He Lifeng, chairman of the National Development and Reform Commission (NDRC), and Jerome Walcott, minister of foreign affairs and foreign trade of Barbados, held talks in Beijing, and the two sides exchanged views on jointly building Belt and Road cooperation between China and Barbados.
April 2019	Jamaica signs a Memorandum of Understanding. The agreement is signed between Tian Qi, China’s ambassador to Jamaica, and Kamina Johnson-Smith, Jamaica’s minister of foreign affairs and

	foreign trade. Qi hoped that both parties can focus on development, improve the cooperation level and fulfil the sustainable development goals in the 2030 Agenda, better promoting connections between China and Caribbean countries in policy, infrastructure, trade, finance, and people-to-people exchanges.
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Table 3: CARICOM Member states who have signed MOU with China on areas of cooperation under the Chinese BRI.

Trade between China and CARICOM have expanded in recent years which has led to a large trade deficit because of the increase in exports to the Caribbean. Collectively, in 2019, CARICOM Member States imported US\$7.45 billion worth of goods from four Asian countries (China, Japan, India and South Korea). Most of which attract fairly high import duties, this is seen as beneficial as CARICOM countries are still quite dependent on revenue from import duties. On the other hand, CARICOM exports to these Asian countries were valued at US\$1.42 billion, resulting in a deficit of US\$6.03 billion for CARICOM. It is worthy to highlight that there exist no free trade agreements between CARICOM Member States and these Asian Countries. Trading is on the basis of World Trade Organization (WTO) Most Favored Nation (MFN) principles.⁴¹

Businesses within CARICOM however have been slow to export to the Chinese market, this largely due to capacity and transports constraint. The estimated growth prospects of the Chinese economy present robust opportunities for CARICOM countries for the export of mineral fuels, chemicals, alumina, wood articles, apparel and clothing, fish and crustaceans, coffee, cocoa, beverages and spirits, essential oils and services. However, exporting to China involves a learning process of how to do business in China, understanding government regulations and identifying strategic business partners.

⁴¹ Morgan. (2020). CARICOM's Trade with Asian Countries: Mainly about imports – CARICOM Today. Retrieved from <https://today.caricom.org/2020/09/23/caricoms-trade-with-asian-countries-mainly-about-imports/>

The largest imports from China in recent years have been Cargo vessels, tankers, and floating docks, building materials, footwear, tires, T-shirts and electronics.

Cooperation between Antigua and Barbuda and China

In 2018 Antigua and Barbuda signed a Memorandum of Understanding with the Peoples Republic of China on cooperation within the framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative. Antigua and Barbuda's engagement with China on the BRI is with the express purpose of attending to national infrastructural deficits and accessing development finance on more agreeable terms, in synchrony with their own growth and development objectives. Prior to the signing of the MOU, there existed cooperation between Antigua and Barbuda and China. Bilateral relations between Antigua and Barbuda and China dates back to January 1, 1983, less than two years after the Caribbean nation's independence, under Prime Minister Vere Bird Sr. The two nations have enjoyed relations that the current Prime Minister Hon. Gaston Brown has declared, "Could be an example for others."

Through Chinese Cooperation, Antigua and Barbuda have been a beneficiary of Chinese funding to support infrastructure development projects such as the 70-million-dollar modern V.C. Bird international Airport, 50 Million Dollar Wadadli Power Plant, 20 Million Dollar Mount St John's Medical Center and most recently the 90-million-dollar cargo port redevelopment and enhancement project, bringing Antigua and Barbuda's current debt to China to approximately 230 million USD. The island has also been the beneficiary of grants to fund other national development projects and scholarships for citizens to pursue higher learning.



Source: The Antigua Port Authority (Illustration of port redevelopment project in Antigua)

The Chinese BRI have sparked intense debates among academics, political leaders and citizens alike. With a mandate of connecting China to the world, it seems that China is on a mission to expand its influence and emerge as a global super power. . Debates on whether countries should join the ambitious BRI remain active in the media, some conclude that the negative connotations⁴² associated with the BRI is part of the United States of America's strategic attempt to paint a negative picture of China's plans, referring to it as a "debt trap" for developing countries. Speculations are that it might be related to ongoing tensions between two of the World's most influential economies. Others may argue that the Chinese BRI is another financing option, with cheap, flexible loans and longer terms to repay. Supporters of Chinese lending report that the loans are not accompanied by strict policy adjustments and the interference into Sovereign affairs as in the case of the International Monetary Fund. It is established that infrastructure comes at the cost of rising debt. The question remains, however, "can the cost of new infrastructure outweigh the gains?" According to Ceyla Pazarbasioglu (2019), "Achieving the ambitions of Belt and Road Initiative will require equally ambitious reforms from

⁴² Corruption, Colonialism, Project Overruns and Debt Sustainability

participating countries. These include Improvements in data reporting and transparency, especially around debt, open government procurement, and adherence to the highest social and environmental standards will help significantly."

Chapter 2:

Literature Review and Theoretical Orientation

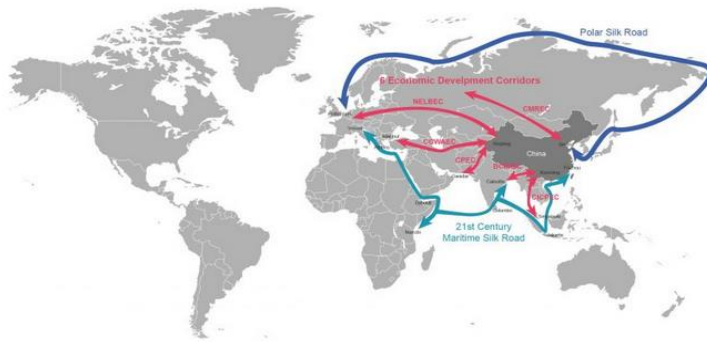
Review of Literature

China's Belt and Road Initiative

According to established literature, in 130 B.C during the Han Dynasty, China opened trade with the West and established a network of trade routes known as the "Silk Road". The name was coined in 1877 when German geographer and historian Ferdinand von Richthofen first used it to describe the trade routes.⁴³ This route connected China and the Far East with the Middle East and Europe trading spices, gunpowder, silk, paper, grains, precious metals as well as ideas and culture. The Silk Road routes remained in use until 1453 A.D., when the Ottoman Empire boycotted trade with China and closed them. Notwithstanding the fact that it has been nearly 600 years since the Silk Road was used for international trade, the routes had a lasting impact on commerce, culture and history that resonates even today. Reminiscent of the Silk Road Economic Belt and the benefits that it has afforded China, in 2013 President Xi Jinping announced the intention to undertake a global project worth over one trillion USD known as the China's Belt and Road Initiative (BRI), a modern version the ancient Silk Road. The BRI is a highly ambitious development project intended to reroute international trade; its effort would sew together infrastructure projects across more than 138 countries connecting land and sea routes promoting connectivity in the area of transportation and ICT. Under this project, China has sought to address the infrastructure gap that exist in trade. The term Belt refers to Silk Road Economic Belt, which covers land infrastructures to connect countries, and the Road refers to the 21st-Century Maritime Silk Road, which connects sea routes.⁴⁴ It also connects marine transportation and communications from China's East Coast to other countries across the South China Sea and the Indian Ocean.

⁴³ History.com Editors. (2017). "Silk Road". Retrieved from <https://www.history.com/topics/ancient-middle-east/silk-road>

⁴⁴ Kuo, Lily; Kommenda, Niko. (2018). "What is China's Belt and Road Initiative?". *The Guardian*. Retrieved From <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>



The Belt and Road Initiative

China's Belt and Road Initiative

surely qualifies as the most ambitious geopolitical plan of the 21st century. The extent of the one trillion USD external investment spans 138 countries, representing over 60% of the World's population, thus being considered the largest foreign investment strategy by any individual country in the world. Not surprisingly, comparisons with other ambitious geopolitical projects abound, in particular the Marshall Plan, launched by the United States to rebuild Western Europe after the Second World War. The BRI is generally understood as China's plan to finance and build infrastructure projects across Eurasia. Infrastructure development is in fact, only one of BRI's five components; the initiative was best summarised by President Xi in 2017. According to the Chinese President, "*China will actively promote international cooperation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international cooperation to create new drivers of shared development*".⁴⁵ Essentially, it has the potential to provide significant advantages to China in all of these areas.⁴⁶ Taken together, BRI serves Beijing's vision for regional integration under its helm. According to Ishnazarov (2020), the BRI is a

⁴⁵ OECD (2018), "The Belt and Road Initiative in the global trade, investment and finance landscape", in OECD Business and Finance Outlook 2018, OECD Publishing, Paris, https://doi.org/10.1787/bus_fin_out-2018-6-en

⁴⁶ shnazarov D. (2020) China's Development Objectives and Its Belt and Road Initiative in the OSCE Region. In: Mihr A. (eds) Transformation and Development. Springer, Cham. https://doi.org/10.1007/978-3-030-42775-7_5

multidimensional global initiative that pursues geostrategic goals, but economic development remains as its core objective.

The BRI prioritises hardware (infrastructure) and funding first.⁴⁷ Infrastructure development projects includes Gas pipelines, rail road, Ports, high speed train network, rail road, fiber optic networks, oil refinery, power plants, industrial parks and mines. Mutual benefit is a feature of the BRI which will also helps to develop markets for China's products in the long term and alleviate industrial excess capacity in the short term. A growing list of countries, including those in Latin America and the Caribbean (LAC) have signed on to the BRI as it is promoted as win-win for everyone. China has signed 197 BRI cooperation documents with 138 countries and 30 international organizations globally.

Objectives

There has been considerable debate over BRI's core objectives in recent years, whether it seeks economic benefits or if rather it pursues geopolitical and military goals.⁴⁸ According to Kireeva (2018), three interconnected groups of objectives define BRI: China's economic development goals, trade, investment policy and foreign policy. He argues that, the BRI is set to provide stimulus to China's development with new external and internal sources of economic growth amid ongoing China's economic transformation, deal with structural problems, foster high-quality production and transition to innovative development model while upgrading its involvement into regional and global value chains.⁴⁹ The BRI is geared towards encouraging greater connectivity, economic flow, the growth of job opportunities, investment, consumption, cultural exchange and the spirit

⁴⁷ OECD (2018), "The Belt and Road Initiative in the global trade, investment and finance landscape", in OECD Business and Finance Outlook 2018, OECD Publishing, Paris, https://doi.org/10.1787/bus_fin_out-2018-6-en

⁴⁸ Ishnazarov D. (2020) China's Development Objectives and Its Belt and Road Initiative in the OSCE Region. In: Mihr A. (eds) Transformation and Development. Springer, Cham. https://doi.org/10.1007/978-3-030-42775-7_5

⁴⁹ Kireeva A.A. (2018). BELT AND ROAD INITIATIVE: OVERVIEW, OBJECTIVES AND IMPLICATIONS. *Comparative Politics Russia*. Retrieved from. <https://doi.org/10.18611/2221-3279-2018-9-3-61-74>

of regional cooperation between Asia, Europe and Africa by creating jointly built trade routes emulating the ancient Silk Road.⁵⁰ It is expected that the hard component of the BRI will lead to better connectivity, reduction in trade costs and other economic benefits. On the other hand, the soft dimension considers the fostering of policy coordination, creating single economic windows, free trade agreements, socio-cultural integration and other factors to limit administrative obstacles for the easy movement of financial capital, people and products, as well as ideas and technologies.⁵¹ According to a World Bank study conducted in 2019, BRI transport projects are estimated to increase trade by between 2.8 and 9.7 percent for corridor economies and between 1.7 and 6.2 percent for the rest of the World. The study further states that not all countries in the world would see positive trade effects, but aggregate effects are positive since all countries would experience a decline in trade cost due to the BRI network effects.

Critiques of the BRI

According to the main findings of a World Bank 2016 Study, the BRI transport projects can expand trade, increase foreign investment, and reduce poverty by lowering trade costs. Yet, for some countries, the costs of new infrastructure could outweigh the gains. The BRI has been met with a myriad of criticism across the literature and in the media as it is frequently portrayed as a geopolitical strategy that ensnares countries in unsustainable debt and allows China undue influence (Hameiri, 2020). IMF reports have blatantly expressed concerns regarding the project's opaque nature, the accompanying loans, and the eligibility criteria. Critics have also highlighted that notwithstanding the existing proposal within the five areas of cooperation, the specific physical and

⁵⁰ Lu, Hui, Charlene Rohr, Marco Hafner, and Anna Knack, China Belt and Road Initiative: Measuring the impact of improving transportation connectivity on trade in the region. Santa Monica, CA: RAND Corporation, 2018. https://www.rand.org/pubs/research_reports/RR2625.html.

⁵¹ Ishnazarov D. (2020) China's Development Objectives and Its Belt and Road Initiative in the OSCE Region. In: Mihr A. (eds) Transformation and Development. Springer, Cham. https://doi.org/10.1007/978-3-030-42775-7_5

conceptual margins of the BRI remain ambiguous. They argue that there is no clear timeline for completion, and some projects that began prior to the official launch date are included retroactively.⁵² Of the many cited criticisms, the paper will focus on the “debt trap” narrative associated with Chinese lending.

China is often said to be pursuing ‘debt-trap diplomacy’ by luring poor, developing countries into agreeing to unsustainable loans to pursue infrastructure projects. The motive is such that when financial difficulty is experienced, Beijing can seize the asset, thereby extending its strategic or military reach (Hameiri, 2020). A commonly cited example is that of Pakistan. Under the infrastructure development cooperation component, Pakistan received a loan of over USD 50 Billion through the China-Pakistan Economic Corridor agreement. This significantly increased the debt burden with limited economic growth recorded.⁵³ In 2017, Pakistan faced repayment challenges, and as such, the port that was built in Gwadar as part of the China-Pakistan Economic Corridor agreement was leased to China for forty years. Pakistan has since engaged the IMF in discussions for a bailout to alleviate its USD 50 billion debt burden with China. While China's financial support of infrastructure projects in numerous countries could produce positive economic results, U.S. policymakers have expressed some concerns.⁵⁴ Firstly, they claim that China will use BRI to mainly benefit its firms, as seen in the case where Chinese lending to fund infrastructure projects, contracts are often awarded to Chinese firms. The projects oftentimes do not create the jobs, which infrastructure projects should be tremendous job creators in these economies. Still, too often, foreign workers are brought in to execute these infrastructure projects. Secondly, that the process of

⁵² Kazi Anwarul Masud. (2019). “Belt and Road Initiative- A critical Analysis”. Retrieved From <https://www.thefinancialexpress.com.bd/views/belt-and-road-initiative-a-critical-analysis-1566657440>

⁵³ Gul, A. (2019).” China: BRI Investment Boost Pakistan Economic Structure. Retrieved from Voice of America.

⁵⁴ Morrison, Wayne M.(2019). “China’s Economic Rise: History, Trends, Challenges, and Implications for the United States. Retrieved from Congressional Research Services: https://www.everycrsreport.com/files/20190625_RL33534_088c5467dd11365dd4ab5f72133db289fa10030f.pdf

implementation of projects are not transparent. The third concern is that BRI participation could saddle countries with large debts, this however remains a topic of debate (Morrison, 2019). Based on a study conducted by Hameiri (2020), in Sri Lanka and Malaysia, the two most widely cited ‘victims’ of China’s ‘debt-trap diplomacy’, the most controversial BRI projects were initiated by the recipient governments, which pursued their own domestic agendas. These assert that the debt problems arose mainly from the misconduct of local elites and Western-dominated financial markets. China has faced negative reactions and pushback in both countries, though to a lesser extent than is commonly believed, given the high-level interests at stake in the recipient countries.⁵⁵ Based on the various arguments presented in the literature, the provisions of the Belt and Road Initiative, particularly in the transport corridors, can substantially improve FDI, trade, and living standards of citizens in its participating countries. With China growth moderating as it rebalances sources of growth from exports and investment to greater consumption, the BRI can boost China’s trade relations and diversify exports. It could also contribute to a revival of trade and growth across Asia (James Villafuerte, 2016). However, Ceyla Pazarbasioglu (2019), Vice President for Equitable Growth, Finance, and Institutions at the World Bank Group asserts “Achieving the ambitions of the Belt and Road Initiative will require equally ambitious reforms from participating countries. Improvements in data reporting and transparency, especially around debt, open government procurement, and adherence to the highest social and environmental standards will help significantly.”

⁵⁵ Hameiri, L..J (2020). “Debunking the Myth of ‘Debt-trap Diplomacy’ How Recipient Countries Shape China’s Belt and Road Initiative”. Chatham House.

Role of Ports in Economic Development

Infrastructure is understood to be a critical factor in a country's health and wealth, enabling private businesses and individuals to produce goods and services more efficiently. Infrastructure development can contribute to economic growth and development through several channels, such as reducing transaction costs, increasing the durability of capital goods, fostering higher trade and investment, expanding demand and supply diversification and achieving economies of scale and scope.⁵⁶ The transportation sector is a strong factor in terms of economic and regional balanced development and has a great influence on national integration into the World economic market (Salim, 2015). Ports are one of the primary components of the general transportation sector and are nowadays linked to the expanding World economy. According to Tovar et al, ports are a key component of the logistics chain and, therefore, their operation has a direct effect on relevant economic variables such as export competitiveness and final import prices, thus affecting economic development⁵⁷. It has been estimated that around 90 per cent of the World's merchandise and commodity trade is transported by ships. This percentage has remained fairly constant over the last century, yet the volumes have increased enormously in the last two decades, this can be attributed to the lower cost and increased safety. It has been repeated throughout the literature that the growth of ports will unerringly boost the country's economy. The growth and development of ports leads to greater trade activity, increased supply, greater foreign reserves, employment, and reduced prices for commodities as a whole. The BRI initiatives could have a very

⁵⁶ UNCTAD. (2013). *Supporting infrastructure development to promote economic integration: the role of the public and private sector*. United Nations Conference on Trade and Development. Retrieved from <https://www.oecd.org/dac/aft/45620314.pdf>

⁵⁷ Beatriz Tovar, Sergio Jara-Diaz & Lourdes Trujillo, Econometric Estimation of Scale and Scope Economies within the Port Sector: A Review, CCRP Working Paper No 7, Centre for Competition and Regulatory Policy (CCRP), DAEA, Universidad de Las Palmas de Gran Canaria.

significant positive impact, as seen in the case of East Africa. For instance, reducing the export and imports trade margins by 10 per cent due to the BRI could result in increases in the GDP growth in East Africa ranging from 0.4 to 1.2 percentage points. It could also contribute to an increase in regional welfare of nearly USD\$ 1 billion (Mold, 2020). In Uzbekistan, for example, the average income gains from infrastructure improvements are estimated at less than 1 percent, however, when complementary measures reduce border times, income gains increase to nine percent. Seaport activity constitutes an important economic activity in terms of development and integration into the world economic market, strengthening economic growth.

Theoretical Orientation

Economic growth, which translates into economic development remains the main goal of the Belt and Road Initiative being pursued by China. To gain a better understanding of the initiative within the context of the interdisciplinary framework, this analysis draws on the work of Robert Solow and the *Solow Growth Model*. The Nobel Prize-winning economist Robert Solow developed the Solow growth model in 1959. His work was a major breakthrough for the field of economics because, for the first time it allowed economists to analyse the role capital, labour and technology play in the growth of an economy.⁵⁸ This neoclassical growth model was built upon the Keynesian Harrod-Domar model⁵⁹ and is the basis for the modern theory of economic growth.

The Solow model assumes that a sustained rise in capital investment increases the growth rate temporarily as the ratio of capital to labour increases. What eventually happens is that the marginal product of additional units of capital may decline; this is also known as the law of diminishing returns. At this point, an economy will move back to a long-term growth path, with real GDP growing at the same rate as the growth of the workforce, plus a factor to reflect improving productivity. Put simply, the Solow model tells us that an economy reaches an equilibrium where the rate of capital formation is equal to the population growth and capital depreciation rate.

China's rapid, but decelerating growth is broadly consistent with the implications of the classic Solow Growth Model. Once China was able to set up the proper environment for economic growth, the amount of development in its economy increased at record

⁵⁸ Halsmayer, Verena (2014) : From Long-Run Utopia to Technical Expertise: Solow's Growth Model as a Multipurpose Design, CHOPE Working Paper, No. 2014-09, Duke University, Center for the History of Political Economy (CHOPE), Durham, NC

⁵⁹ The Harrod-Domar economic growth model stresses the **importance of savings and investment** as key determinants of growth

rates.⁶⁰As the government invested heavily in infrastructure, machinery and ports, the Chinese economy grew at an impressive, on average 7.1%. Additionally, there was a considerable shift in the labor force from the rural to the urban areas, increasing the labor stock, which further accelerated growth and output. Since China was relatively far from its steady-state,⁶¹ the increase in its capital stock did a lot to increase the output per worker and thus output for the entire economy. This lifted approximately 800 million people out of poverty. In recent times, growth in the Chinese economy has been slowing dramatically, and the model helps to explain why this might be so. A diminishing marginal product of capital implies that the financial rewards to investing in a low income country should be vastly higher than in high-income countries. Typically developing economies have low amounts of capital stock and are farther away from their steady-states; thus, high amounts of investment in the capital stock produce higher rates of return when compared to more developed economies. Could this be the motive for China engaging with SIDS? In a World where people can invest across borders, this implies a huge incentive for financial flows from high-income to low-income countries. Some writers use these assumptions to justify China's current foreign policy, the Belt and Road Initiative and the Made in China 2025 policy.

⁶⁰ Knight, J., & Ding, S. (2008). Can the Augmented Solow Model Explain China's Economic Growth? A Cross-Country Panel Data Analysis.

⁶¹ A steady-state economy is an economy of stable or mildly fluctuating size.

Chapter 3:

Results and Discussion

Discussion and Findings

To test the theories presented in the previous chapter, a series of qualitative and quantitative methods were applied. The findings are given below.

Interview Findings:

Interviews were held with several ministries, departments and agencies of the Government of Antigua and Barbuda. Participants included Ministers, Policy Heads and senior technical staff within Trade, Commerce, Foreign Affairs, Finance and Economic Planning. Interviews were also held with the technical team and head of departments at the Port Authority. This was carried out to better understand the Island's strategic interest in China and the country's plans for engagement. An overall assessment of the findings during the interviews reveals that Antigua and Barbuda have not yet fully analyzed the BRI and how they intend to engage strategically.

What is the GOAB strategic interest in China?

- The respondents shared that the Island's strategic interest in China is directly related to its foreign policy, which states that "We are friends of all and enemies of none." They went on to share that the islands move are politically, economically, socially and technologically motivated. Considering the developmental challenges, the Regions faces; it would be in their best interest to engage with those who are willing to assist development efforts and achieve sustainable development goals.

The ability to deliver on the promise of economic development was interrogated. The literature suggests that policy reforms would require developing countries to yield greater benefits and escape the debt trap narrative that plagues the BRI. The findings were as follows:

What was the GOAB motive behind signing on to the BRI?

- When asked about the motive behind signing on to the BRI, the respondents shared that cooperation with China has been ongoing, and this is just one way to continue to support the long-standing friendship. These shared that the MOU is in no way legally binding, and the country is yet to formally undertake provisions in any of the five areas.

Have there been any projects identified that the GOAB intends to undertake in the immediate future?

- The respondents shared that past projects and those currently being undertaken are through the establish cooperation and the not the BRI specifically.

This response suggests that the GOAB sees the BRI as separate from the existing cooperation agreements, this validates the concerns in the literature regarding the ambiguity around what projects qualify as BRI related.

Kindly share any economic diversification plans that you might have considered? Can the BRI contribute to it?

- The respondent shared that Economic diversification has long been a talking point in Antigua and Barbuda. Along with Caribbean countries' many developmental challenges, Antigua and Barbuda have limited natural resources endowments such as raw materials. For this reason, the current Administration believe that the greatest potential exists in expanding trade in services. This would however, require faster and more reliable internet connectivity and updating telecommunications and ICT infrastructure. Fortunately, this is one of the areas of the agreed areas of cooperation under the BRI. With regards to trade in goods such as rum and seafood with China, the respondents shared that the distance between the two countries presents significant implications on cost, and therefore, little consideration will be given to trading goods with China at this time.

Based on a study by Troy et al. titled "Should the Caribbean look East"⁶¹ that assessed the export potential of East Asia for the Caribbean within the framework of a structural gravity model; the findings revealed that Export potential of 30% is estimated to be available to the Caribbean within East Asia. However, the challenge for the Caribbean is that without significant structural changes, the region will be unable to exploit East Asia's potential. Tremendous effort at the industry and policy levels will be critical for export expansion.

Modern ICT infrastructure presents an opportunity to expand trade in services. Has any consideration be given to engaging with the BRI in this area?

- The respondents shared that engagement with the Chinese in the area of telecoms remains a sensitive area. This is so because the USA, which is Antigua

and Barbuda's largest trading partner and main source market for tourism, has expressed concerns that China would have access to its citizen sensitive information. They shared that Antigua and Barbuda wishes to maintain the trust of its largest source market and trading partner; hence this will not be given much consideration at this time.

In 2018, Antigua and Barbuda imports from the United States worth US\$ 283 million, with a partner share of 49.77 per cent, while imports from China worth was worth US\$ 34 million, with a partner share of 5.92 percent. Imports from China were mainly in the form of building materials.

With the new port infrastructure underway, this presents an opportunity to increase trade with China, are your companies poised to do so?

- The respondents shared that most manufacturing companies in Antigua and Barbuda are Micro and possess limited capacity, therefore they will not be able to meet the demands of the Chinese market at this time. They share that they have recommended selling rights to companies in China to manufacture their goods. Additionally, they concluded that trade with China should be in the area of services, not just the traditional tourism services, as they cannot assume that the interest of Chinese's tourist would be sun, sea and sand. They shared that studies conducted conclude that Chinese tourist craves high-end merchandise (shopping) and experience.

One of the most cited criticism of the BRI is the "debt trap Narrative associated with Chinese lending, how GOAB intends for Antigua and Barbuda to not fall victim to this narrative and seen in the case of Sri Lanka and Pakistan.

- The respondents asserted that China does not just provide funds as a country demands, as with any bank, an assessment of financial standing to determine capacity to repay is carried out. They shared that China's initial request for the Port redevelopment project was 200 million; however, following the China EXIM bank's assessment of the Country's economic standing, Antigua and Barbuda would only qualify for USD \$90 million.

Kindly share any policy adjustments the GOAB intends to undertake in order to maximize the opportunities and mitigate the risk associated with participating in the BRI.

- The respondents shared that there is still some work to be done in that area so not much could be shared. Still, one thing was sure that retrenchment related to public servants would not be an option, they shared that it could lead to generations of hatred that they do would not wish the Administration to be on the receiving end of.

Interview with Antigua Port Authority Officials and Technical team:

How does the port intend to maximize the use of this facility to generate sufficient revenues to existing financial obligations and the loan repayment?

- The respondents shared that the intention is to utilize the port to its maximum potential by undertaking new services and investing in the human capital. It was also shared that of 20 individuals have been given scholarships to gain a degree at the maritime university in Jamaica to build capacity.

Are the provisions of the port redevelopment agreement in favour of developing countries like Antigua and Barbuda that face numerous development challenges?

- The respondents asserted that much could not be shared, but what was shared that the loan was for \$90 million and a five-year moratorium was granted. This was due to expire in 2020, which would then require payment of principal and sum. The COVID-19 pandemic would more than likely see the port asking for an extension on the moratorium because of the tremendous losses.

Are you able to share the status of implementation of the trade facilitation agreement?

- The respondent share that the lead role for implementation is with the Ministry of Trade; however, the port is compliant with most of the measure. Notifications have been sent of those category B and C measure, and these would require funding for technical assistance and capacity building from the relevant international development agencies

Content Analysis

A Content Analysis of the MOUs signed between China and Antigua and Barbuda, the Italian Republic and the State of Victoria of Australia.

<i>Contracted Area</i>	Antigua and Barbuda	Italy⁶²	State of Victoria of Australia ⁶³
Areas of Cooperation			
Transport, logistics and infrastructure	Present (Facilitate Connectivity)	Present	
Policy coordination	Present	Present	Present
People- People Bond	Present	Present	Present
Unimpeded Trade	Present	Present	Present
Financial Cooperation	Present (Financial Integration)	Present	Present
Green development cooperation		Present	Present
Other Areas		Present	Present
Mode of Cooperation			
The exchange of high-level visits	Present	Present	Present
Exploring the development of pilot programs in key areas, economic exchanges and cooperation, joint research, capacity building, personnel exchanges and training.	Present	Present	Present
explore mutually beneficial models of cooperation to	Present	Present	Present

⁶² MOU Between China and the Italian Republic. [http://www.governo.it/sites/governo.it/files/Memorandum Italia-Cina EN.pdf](http://www.governo.it/sites/governo.it/files/Memorandum%20Italia-Cina_EN.pdf)

⁶³ MOU Between China and the State of Victoria of Australia. <https://www.vic.gov.au/sites/default/files/2019-02/Belt-and-Road-Initiative-MOU.pdf>

support the implementation of major programs, under the Belt and Road Initiative.			
Explore opportunities of cooperation between both and third countries		Present	Present
Conclude arrangements for collaboration in specific sectorial fields	Present	Present	Present
Cooperation Mechanism			
Parties will make full use of existing bilateral mechanisms to develop cooperation in the framework of the BRI	Present	Present	
Settlement of Differences			
The Parties will settle amicably differences in the interpretation of this MOU through direct consultations.	Present (Friendly Consultations)	Present (Direct Consultations)	Present Friendly Consultations
Applicable Law			
MOU does not constitute an international agreement which may lead to rights and obligations under international law.		Present	Present
MOU takes effect on the date of Signature	Present	Present	Present
MOU will be in Effect for five years	Present (Three Years)	Present	Present
MOU valid for a period of five years.	Present (Three Years)	Present	Present
will be automatically extended for subsequent five-year periods and so forth unless terminated by either Party	(Present) Automatically renewed for 3 years	Present	Present

Based on the analysis of the BRI MOUS between the three countries and China, we observe that the intention is similar across all three, which is to foster bilateral and friendly cooperation. The principles which guide the MOU are respect for the interest of both parties, shared benefits, extensive consultations. The common objectives as identified are that the MOU promotes mutually beneficial cooperation, learning, inclusiveness and openness. The contacted five areas are common across all three MOU but vary slightly in the areas of green development and periods of validity. The content analysis was used to determine the purpose and effects to gauge these terms and concepts' intentions and semantic relations. Based on the content, the main focus is friendship, win-win cooperation, mutual learning, and inclusiveness.

P.E.S.T Analysis

A **P.E.S.T** analysis of the Antigua and Barbuda and China Trade and Economic Relations is summarized in the table below:

Area of Analysis	Findings
Political	<p>The increase in Chinese engagement with the Caribbean is directly related to the rivalry between China and Taiwan for diplomatic recognition from Caribbean Governments. Antigua and Barbuda along with 10 other CARICOM practice the one China policy. These countries are a crucial voting bloc which powerful countries deem necessary to court for voting support on critical hemispheric issues particularly in the United Nations</p> <p>Engagement with China however is on a bilateral basis which is Counter to regional integration efforts.</p>
Economic	<p>Prior to the signing of the MOU there existed cooperation between both countries. Through Chinese Cooperation, Antigua and Barbuda have been a beneficiary of Chinese funding to support infrastructure development projects such as the 70-million-dollar modern V.C Bird international Airport, 50 Million Dollar Wadadli Power Plant, 20 Million Dollar Mount St John's Medical Center and most recently the 90-million-dollar cargo port redevelopment and enhancement project. The Antigua and Barbuda government has</p>

	<p>already awarded a US\$90 million contract to CCECC to construct a cargo port and cruise ship harbour in the capital St. John's. The state-owned Export Import Bank of China (China EXIM Bank) is financing the development.</p> <p>In the wake of Irma's devastation, the Chinese government provided Antigua and Barbuda with a US\$16 million aid package. The aid followed the signing of an economic and technological cooperation agreement between the two countries.</p> <p>Yida International Investment Group's 1600 acre Special Economic Zone and tourist complex, investment was reported at 750 Million USD.</p>
Social	<p>Employment of Locals on Chinese Projects, establishment of Health and recreational facilities, Housing Projects, scholarships and Training opportunities</p> <p>Social development has been part of China's engagement, this can be seen through cooperation under the previous administration with the building of the five islands secondary school which today has been transformed into the fourth landed campus of the University of the west Indies. The Government of the people's republic of China, has committed to the establishment of a Confucius institute at the university campus. The public sector of Antigua and Barbuda has also benefited from various seminars and</p>

	<p>trainings in over fifty areas ranging from agriculture, military training, trade and development, culture and economies etc. under the auspices of the Government of the people's republic of China.</p> <p>The Confucius Institute will be launched in Antigua and Barbuda shortly, which will be the first Confucius Institute in the Eastern Caribbean region. It is expected that the cooperation teams of the two sides will work closely to jointly build the Confucius Institute as a platform for Chinese language learning and cultural exchanges that meet the needs of the people.⁶⁴ In the wake of Irma's devastation, the Chinese government provided Antigua and Barbuda with a US\$16 million aid package.</p>
Technological	<p>Technological cooperation between Antigua and China</p> <p>Implementation of the Agricultural Technology Cooperation Project between China and Antigua and Barbuda.⁶⁵</p> <p>China donated several pieces of equipment to the Government of Antigua and Barbuda to help improve security and efficiency at the nation's legal entry points. The equipment, which cost</p>

⁶⁴ Remarks by Ambassador Sun Ang at the Reception in Celebration of the 70th Anniversary of the Founding of the People's Republic of China. 2019/09/28. <http://ag.china-embassy.org/eng/xwdt/t1703152.htm>

⁶⁵ Government of Antigua and Barbuda. (2018). Ministry of Agriculture pushes ahead with agricultural project between China and Antigua and Barbuda. Retrieved from <http://agriculture.gov.ag/index.php/2018/09/07/ministry-of-agriculture-pushes-ahead-with-agricultural-project-between-china-and-antigua-and-barbuda/>

	<p>US\$5million, involves the donation of a Mobile Container and Vehicle Inspection System, X-ray Inspection System, Radioactive Material Monitoring System, X-ray CT Inspection System, 20 sets of Hand-held Metal Detectors and three sets of Portable Trace Explosives and Drug Detectors.⁶⁶</p> <p>The nature of Chinese investment in infrastructure that allows for employing mainly Chinese labour does not promote technology transfer.</p>
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A P.E.S.T analysis was carried out to determine the nature of the relationship between both parties and in which area the greatest interest was shared. The findings reveal that the economic relationship carried the most weight, as suggested in the literature. It validates the claims that China is seeking new markets and opportunities for their private companies. Spreading influence through social means can also be looked at as an opportunity for local companies to do business with China. Through local companies gaining a better understanding of the Chinese language and culture presents greater opportunities for these companies to tap into China growing middle class.

⁶⁶ Loop. (2019). China Donates New Scanners to Antigua and Barbuda. Retrieved From <http://www.loopslu.com/content/china-donates-new-scanners-antigua-and-barbuda-4>

Medium Term Development Strategy

Antigua and Barbuda's Medium-Term Development Strategy 2016-2020

In 2015, the GOAB published its medium-term development strategy that highlights four dimensions through which the overall goal to “improve the quality of life for all Antiguan and Barbuda’s and their posterity” will be achieved. The dimensions include optimal generation of national wealth (SDD 1), enhanced social cohesion (SDD 2), improved health of the natural environment and sustained historical and cultural assets (SDD 3), and enhanced citizen security (SDD 4). Under SSD 1, the document further highlights seven necessary conditions (NC) for this to be achieved,⁶⁷ for this research the focus will focus on NC1.6, which speaks to having adequate infrastructure such as seaport, roads, telecommunication infrastructure and so on. The intention is such that the action will be led by the Port Authority and involves efforts to restore the integrity of the physical infrastructure and reposition the port to improve trade facilitation, enhance transshipment and business activity, and improve its financial performance. Emphasis was placed on the fact that economic infrastructure is a foundational aspect of Antigua and Barbuda’s competitiveness. Policymakers realize that repositioning the country as a premier world-class destination for tourism will also require paying much attention to the aesthetics of the infrastructure as an important element of the tourism product offered. The strategy outlines that over the Medium-Term, the government will capitalize on financing from the following external sources listed in the order of priority: The Peoples Republic of China, The Government of Mexico, The Government of Turkey, The European Union, The Government of Canada, The CARICOM Development Fund, The World Bank, The Caribbean

Development Bank, The European Investment Bank and OPEC Fund for International Development. At the time of publication, there was no target date for completion provided.

A complimentary Medium-term Debt Management Strategy (MTDMS) was published during the same period and presents effective debt management strategies. The overall objective of the MTDS is to ensure that debt management policies provide support to the on-going Medium-Term Development Strategy of the government, while ensuring that Government's financing needs and obligations are met on a timely basis, in a cost-effective manner, with a prudent management of risk.⁶⁷

Countries are highly encouraged to undertake under the BRI that complement national development priorities. Project selection and appraisals in national development strategies is essential to avoid stranded infrastructure. The plan identified potential funding partners; however, little was mentioned of the reforms that would need to be undertaken in the area of complementary policies. Hence in Chapter 4, policy recommendations are provided.

⁶⁷ Government of Antigua and Barbuda. (2015) *Medium Term Debt Management Strategy For the period 2016-2020*. Retrieved from <https://www.eccb-centralbank.org/debt-portal/documents/open/25>

Chapter 4:

Conclusion and Recommendations

Policy Recommendations

Throughout this paper, the recommendations made by Ceyla Pazarbasioglu (2019) have been echoed repeatedly. As presented in the literature, we observe that complementary policies around infrastructure would allow countries to reap maximum benefits. It reinforces the need for strategic engagement for developing countries to yield the most suitable outcome. In this regard, the following policies are recommended:

- **Implementation of the Trade Facilitation Agreement**

The TFA stands to decrease trade and border delays, supported by adequate infrastructure, will only strengthen outcomes. Antigua and Barbuda, having ratified the TFA in November of 2017 and have to date created a road map for implementation, will allow the country to move further into compliance. Strengthening follow-up mechanisms at the national level and creating national enthusiasm through stakeholder buy-in and political will for full implementation stand to fast track implementation efforts. Measures that require technical assistance and capacity building have already notified to the WTO; however, regional efforts should also be prioritized. Antigua and Barbuda stand to receive more timely aid if the country engages in coordination at a regional level.

- **Strategic Alignment of the BRI to Medium Term Development Strategy**

One reason why some countries are not able to yield more significant benefit from the BRI is these lack a strategic approach. Across the media, instances have been shared where countries have undertaken massive projects that are underutilized due to overcapacity. As stated in the literature, China's assessments mainly focuses on the

country's ability to repay the loans based on basic fiscal assessments. Very little consideration is given to the rationale behind project choice and required policy reforms (none interference in sovereign affairs). As a result, the ownership remains with the country to ensure that what is undertaken serves to complement the national priorities and development objectives.

- **Enhance Public Dialogue**

Many misconceptions around the Chinese and their engagement in the region result from a lack of information. Chinese media is heavily controlled; hence this gives rise to speculations about the real intention of the Chinese. Governments have a responsibility to be more open about their engagements to build their citizens' trust as these are who trade. This would allow for greater cultural exchanges that can build trust, resulting in the private sectors' willingness to seek out business opportunities in China and build partnerships with the Chinese. Despite all the USA's concerns around China, US companies for years have invested in China, moved production facilities, and exploited Chinese labour. These interactions have greatly increased the profitability of their companies. Caribbean Countries are urged to formulate their own opinions based on what has been their experience.

- **Allow For More Open Procurement**

There is limited data available to validate the concern that Chinese firms account for the majority of BRI contracts. According to one estimate, more than 60% of Chinese funded BRI projects are allocated to Chinese Companies. Little seems to be known about the process for selecting a firm. As a result, a criticism that has risen in recent times within the region is the lack of transparency around the procurement process, especially as it

relates to the involvement of the Chinese in major projects. In Jamaica, for example, one prominent contractor shared that as the relations between Jamaica and China deepened, the more ambiguous the procurement process becomes. He shared that there are many development projects on the island however the Jamaican contractors are not being employed or informed in a timely manner that would allow them to bid. This can result in resentment towards the Chinese, which would stymie engagement efforts under the areas of cooperation as set out in the BRI agreements. One recommendation is to allow for centralized procurement, Reforms to Kazakhstan's public procurement system, for example has led to the introduction of a government e-procurement system in 2016 and the adoption of a Public Procurement Law (PPL) in 2015. These reforms have put Kazakhstan on a path towards more centralization, ensuring a higher level of standardization in the execution of contracts and greater transparency of the procurement process. Policymakers can consider utilizing the OECD recommendations on Public Procurement as a guide.⁶⁹

- **Build Stronger Institutions**

Authors such as James (2008) argue that the main determinants of differences in prosperity across countries are economic institutions' differences. Trade depends on institutional quality and exporter and importer access to well-developed transport and communications infrastructure. Institutions determine the costs of economic transactions: they spur development in contracts and contract enforcement, common commercial codes, and increased availability of information, all of which reduce the costs of transactions, risk, and uncertainty.⁷⁰ Low institutional and infrastructure quality in the global South, therefore, limit market access for exports from the North. Lack of institutions presents developmental challenges hence the reason for its importance.

Therefore, there is a need for Government to have strong economic institutions to support investments in order to reap the added benefits of international trade.

- **Adherence to the Highest Environmental Standards**

Chinese disregard for the environment, especially in the Caribbean, have created major concerns. Considering that Caribbean Countries are prone to effects of climate change, such policies and their enforcement should be given high priority. This would require a greater involvement of field experts in infrastructure development dialogue. It would also be useful to ensure that these have the adequate capacity in the form of knowledge and are equipped with the necessary tools to perform the required task. Equally as important is to have supporting legislation and regulations to increase compliance.

- **Continued Investment in Human Capital**

The cornerstone of any successful strategy is people; this should be undertaken through enhanced cooperation under the BRI. Competency should be strengthened in the areas of logistics and Value Chain Management, International Trade, Engineering for the maintenance and upkeep of the facility, Language and all other related areas that would enhance the ports intellectual capacity and economic productivity. This recommendation is supported by the “Human capital theory” as put forward by writers such as Schultz (1961), Becker (1993) and Mincer (1974).

- **Constant Review Debt Management Strategy**

According to the CDB Economic Performance Report, in 2020, fiscal performance worsened in Antigua and Barbuda. This was mainly due to the onset of the Covid-19 pandemic, the actions taken to contain the virus; such as travel restrictions, border

closures, lockdowns and social distancing; while critical to slowing the spread, adversely impacted the tourism-dependent economy. As a result, public sector debt increased marginally. The public debt-to-GDP ratio is estimated at 89.6% in 2020, compared with 74.4% in 2019. A study by the World Bank found that countries whose debt-to-GDP ratios exceeded 77% for prolonged periods experienced significant slowdowns in economic growth. Pointedly, every percentage point of debt above this level costs countries 1.7% in economic growth. Over the past five years in Antigua and Barbuda, debt servicing, specifically interest and amortization, has accounted for an average of 53% of revenue collected on an annual basis, with interest payments alone accounting for roughly 12%. Sound debt management is important because the government borrowing decisions can substantially impact the Government's budget and its financial standing. Situations where the cost of the debt increases when the primary deficit is high or rising could force the Government to cut expenditures and/or increase taxes, and in the worst cases, default on its obligations. The objectives for government debt management are often framed in terms of ensuring that the Government's financing needs and payment obligations are met on a timely basis and at the lowest possible cost in the medium term, consistent with a prudent degree of risk. A sound debt management strategy cannot be designed in isolation. Identifying constraints and options related to macroeconomic policies and the domestic financial markets is a precondition for strategy development. This would allow for the management of financial risk and help the country to escape the BRI debt trap narrative.

- **Multilateral Cooperation**

Take a regional approach to coordinate across BRI projects to , improve trade facilitation and border management, unify standards in building infrastructure , agree on legal standards on investor protections that would allow for further investment and Manage environmental risk. This would allow for more significant benefit from the spillovers of economic corridor development as well as complement regional integration efforts.

- **Creation of a Bilateral Investment Treaty Between Antigua and Barbuda and China**

The split between countries of CARICOM for diplomatic recognition creates challenges for CARICOM as a regional bloc to sign a BITS with China. For this reason, Jamaica signed a BITS with China and the benefits are well documented. Accelerating trade between Antigua and Barbuda and China can also be done through the creation of an Antigua and Barbuda – China Business Forum.

Conclusion

Trade has been a part of economic development for centuries. It has the potential to be a significant force for reducing global poverty by spurring economic growth, creating jobs, reducing prices, increasing the variety of goods for consumers, and helping countries acquire new technologies. Seaport activity constitutes an important economic activity in terms of development and integration into the world economic market and strengthening economic growth. Poor infrastructure such as that of deep-water ports can be seen as obstacles to international trade transactions and can limit a country's physical connectivity to the world, hence limiting trade and development opportunities. This research set out to fill the knowledge gap that exists as it relates to the limited existence of studies on the BRI and Caribbean development. As the literature provides, investing in enabling infrastructure for trade is crucial for boosting imports and exports. Based on the research finding, Antigua and Barbuda's engagement with China on the BRI is with the express purpose of attending to national infrastructural deficits and accessing development finance on more agreeable terms, in synchrony with their growth and development objectives. The findings also reveal that the BRI's strategic engagement can lead to expanded trade, greater inflows of FDI, and increased economic activity, which under normal circumstances should translate into economic development. Throughout the research process, it became even more apparent that seaport infrastructure in and of itself cannot bring about the level of economic impact that leads to economic development. It would require complementary policy reforms such as the full implementation of the TFA, improvements in data reporting and transparency, particularly around debt, open government procurement and adherence to the highest social and environmental standards. The findings also suggest that strategic engagement

would require the BRI's alignment to MTDS objectives and encourages cooperation in all five areas to increase economic development prospects.

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