

The View from Europe
By David Jessop

A future Caribbean role for the BRICS ?

As this is being written a series of summits have been taking place in Brazil which may have a lasting effect on the way in which the Caribbean and other small indebted nations come to address their future.

The first and perhaps most significant of these meetings took place between Brazil, Russia, India, China and South Africa (the BRICS) on July 16 in La Fortaleza. The atmospherics surrounding the meeting, which brought together the Presidents of the five countries concerned, suggested that much of what was discussed and announced was intended to confirm the gradual emergence of a new world economic and possibly political order.

The message was that here were five relatively new world economic powers – there are of course others – that are beginning to put in place institutions that might determine an alternative economic order: that is to say one that does not necessarily embrace the way in which Washington, Europe and more generally the other members of the OECD see the world and its future.

For the Caribbean this has obvious attractions, not least because one of the new powers, China, has become a significant regional development partner, the major investor in infrastructure, and the funder of Chinese private sector led ventures across the region.

Of particular interest in Brazil was the announcement that the BRICS will establish a new development bank based in Shanghai to rival the IMF and the World Bank.

The objective of the group in setting this up is to establish a counterweight to Western-dominated financial institutions in the form of a new development body able to fund infrastructure projects, and a reserve fund to support economies facing currency and balance of payments crises.

The New Development Bank as it will be known will have capital of US\$50 billion with each country contributing US\$10 billion, while the reserve fund will have US\$100 billion at its disposal. Once established, it is likely to become a mini-IMF with China being the biggest overall contributor. The effect will be, through a form of geo-political competition, to gradually bring to an end the post-Cold War consensus on what constitutes economic orthodoxy and the present dominant approach taken by the US, Europe and Japan in existing international financial institutions.

As such, the establishment of the new bank and the thinking that goes with it attempts to reconstruct the post-Second World War global financial infrastructure and rebalance world power in a way that offers different assumptions about development, and a break with the type of conditionalities on economic development that have prevailed since the Bretton Woods agreement was signed in 1944.

In this context China took the unusual step before President Xi arrived in Brazil of releasing a document setting out its global development policy.

This China State Council policy paper makes clear that China's approach will be South-South in nature and that China will not impose any political conditions or interfere in the internal affairs of

the recipient countries, respecting, it says, 'their right to independently choose their own path and model of development'.

Unusually, the policy paper includes specific language on the Caribbean that makes clear that it has been actively implementing the assistance measures agreed at the 2011 Third China-Caribbean Economic and Trade Cooperation Forum.

By the end of 2012, the document notes, China within this framework provided the Caribbean with concessional loans totalling 3 billion Yuan (approximately US\$1.5bn) mainly for the construction of infrastructure projects. It also observes that it has trained over 500 officials and technical staff for the Caribbean and held courses on earthquake and tsunami early warning and monitoring systems. China said it had also built schools in Antigua and Dominica, sent medical teams to Dominica, trained local medical staff, and carried out technical cooperation in agriculture and fisheries with Dominica, Grenada and Cuba.

As to China's overall objectives, the document indicates that its longer term development goal is to endeavour to build moderately prosperous societies in 'an all-round way' and that it remains on a global basis 'committed to realizing the Chinese dream of national prosperity and renewal, and happiness of the people'.

Just as tellingly, given that the Chinese leadership only ever says what it means, President Xi made clear last week in an address to the Brazilian Senate that China intends through CELAC (the Comunidad de Estados Latinoamericanos y Caribeños) promoting a "strategic alliance" with the Latin America and Caribbean region. "Our objective is to strengthen and take a leap forward in China's relations with Latin America and the Caribbean," he said.

This is language that goes far beyond what China has said previously and paradoxically seems to place it in a BRICS-Caribbean context, as a first among equals.

These are all developments that were scarcely conceivable a decade ago.

However, away from the media excitement surrounding the emergence of the BRICS as a new global power bloc, less certain in practical terms is whether its members, and specifically China, will be prepared to make the compromises necessary for an effective multilateral approach, and whether the BRICS will be able to bury their political and military differences and jealousies.

While the developments in Brazil last week do not as yet do much more than herald the potential of a new world order, it does raise difficult questions for the OECD and the prescriptive economic approach its members have developed unchallenged since the collapse of the former Soviet Union.

For the Caribbean, it is yet another challenge in relation to future positioning. Governments will have to consider how and where to insert themselves into not just the expanding and overlapping relationships implied by the various meetings in Brazil, but also decide how to balance this with traditional relationships, the political potential of CELAC, the bilateral economic significance of China, the growing importance of more proximate neighbours in Latin America, and the smallness of much of the Anglophone part of the region.

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