



BALANCING THE JAMAICA-CHINA BUSINESS RELATIONSHIPS:

ISSUES AND CHALLENGES

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The historical social, cultural, political, diplomatic and economic context of the Jamaica-China relationship provides a critical point of reference that gives texture to the current public discussion about balancing the relationship between both countries.



Collaboration between countries evolves over time and may pass through various phases. In the early phases people to people exchanges increase mutual understanding of each other; this expands gradually into more complex inter-relationships that may include political cooperation in international fora such as the United Nations and mutual trade exchanges. Later phases in the evolution of the relationship may include deeper economic cooperation such as financing and investments and mutual security cooperation.

In these arrangements, despite often well-intentioned efforts to achieve 'Win-Win' outcomes, the benefits often favour the partner with greater size, political and economic strength, competitive advantages resulting from economies of scale and the tacit or direct support provided to manufacturers and exporters and other companies in the form of cheap financing, subsidies and other institutional support by the state. ▶▶

This may result in large trade imbalances where the country with greater industry competitiveness is able to fully exploit markets and sell at prices lower than local production cost, and this may permanently damage local industries which are unable to compete. Trade and tariff arrangements between countries are highly influenced by the forces of globalisation and the role of the World Trade Organisation (WTO) in promoting removal of tariff and other barriers to world trade. This limits the defensive options available to the less competitive country to protect local industries.

EVOLUTION OF JAMAICA - CHINA RELATIONSHIP

In the case of China and Jamaica, the relationship began with the arrival of the first Chinese migrants over 150 years ago, followed by their assimilation into Jamaican society and presence in important sectors of distribution and finance in the economy. In the evolution of the relationship, Jamaica's foreign policy and international diplomatic initiatives have played a key role in establishing deeper bilateral political, social, cultural, trade and economic relationships with China since independence.

The singular event that stands out is then Prime Minister Michael Manley's support for the "One China Policy" more than 45 years ago. This was a time when Communist China was isolated and badly in need of international political support in order to achieve an objective to unite a fragmented nation. As a result, Hong Kong, Macau and Taiwan were recognised by the United Nations as provinces of the People's Republic of China and not separate Nation States. China, as a country with a 5,000-year history and long institutional memory and regard for relationships, has deep regard for Jamaica's role in global recognition of the 'One China Policy' and this has placed the Jamaica-China relationship on a unique plateau, that has resulted in deeper mutual understandings between a nation of less than three million citizens and a nation of 1.35 billion persons.

This relationship has evolved through different phases of social, political and cultural engagements that contributed to the growth of bilateral trade dominated by imports into Jamaica, new investments in agricultural production such as the sugar industry and more recent forays into bauxite mining, with the acquisition of Alpart

Alumina Partners by Chinese interests.

The construction of the North-South Highway by the Chinese, using a Build, Own and Transfer (BOT) arrangement, brought significant investment capital into Jamaica at a time when Jamaica's development was being slowed by high accumulation of the national debt to unsustainable levels. The Chinese investments in the North-South Highway afforded relief by providing significant Foreign Direct Investments (FDI), thereby

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facilitating the opening of an important artery to accelerate development without incurring additional debt burden for Jamaica.

EXPANDING ROLE IN CONSTRUCTION AND RETAILING

A by-product of this initiative though, has been the entry of Chinese contractors into the local construction industry on smaller projects, where they are perceived to have scale, capital and technological advantages and more advanced equipment that provides a competitive advantage relative to local contractors. This has become a somewhat controversial issue, accompanied by charges of unfair competition by the Chinese in the local construction industry

This issue is complicated by the high visibility of new entrants into the retailing sector that import and distribute goods from China into the Jamaican market. The phenomenon of small business migration to the region has come about because of the "opportunity seeking" propensity of Chinese small businesses that once shipped goods to our shores and have now entered markets directly to improve their margin and also private initiatives by some, to seek new markets and take advantage of the "China Go Abroad Policy" thus accelerating a trend of Chinese migration to the region that began over 150 years ago.

Notwithstanding the challenges presented, there are mechanisms and counter-measures that can be applied to this process which can result in 'Win-Win' outcomes for both countries as they seek to navigate the perils of successfully managing and balancing bilateral relationships without acrimony or long-term damage to the valuable relationship. This must begin with diplomatic and other initiatives to seek affirmative mechanisms that provide some protection for local industry participants, through deeper collaboration such as Joint Ventures and sub-contracting arrangements.

Importantly, new national policies that reserve some sectors for foreign investments and participation and some areas for local participation must be crafted. Non-tariff measures can also be utilised to offset some of the disadvantages and level the playing field of competition. These include regulatory compliance, standards, rules of origin, tax and other mechanisms and better control of issuance of work permits and enforcement.

Increased friendly dialogue can yield mutual understandings between both nations, that can be documented in Memoranda of

Understandings (MOU's) and Bilateral Agreements. These must be fully negotiated by competent and highly trained professionals with experience in dealing with the Chinese Government. Negotiators must understand cultural nuances and the policy environment that gives rise to the increasing presence of Chinese interests in Latin America and the Caribbean.

This has also been true for encounters with multinational companies from Europe and North America over the years that have gained greater

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NEGOTIATING A NEW POLICY FRAMEWORK

Broadly speaking, these negotiations should seek to develop a new policy framework that benefits both sides. It should seek to address certain issues that could negatively impact the relationship if not properly handled. These include:

- **Establish Joint Venture agreements with local participation**
- **Transfer of technology and access to Intellectual property (IP) to aid development**
- **Observance of workforce regulations including Occupational Safety and Health (OSHA) requirements**
- **Controls on employment levels and issuance of work permits**
- **Controls and limits on relative migration levels and trafficking-related migration if it is determined to exist**
- **Restrictions on sources of energy to power plants to exclude coal**
- **Environmental requirements to protect populations and the natural environment**

Some industries and companies in Jamaica are placed at a distinct disadvantage, when they come in competition with the Chinese or other foreign competitors. This situation is not unique to Jamaica and is due partly to deficiencies in capitalization, scale and business models and partly because of the wider forces of globalisation at play.

access to our markets through globalisation and decimated the local manufacturing sector over a period of many years.

The basic ingredients for continuance of a meaningful long-term relationship with China remains in place and any necessary rebalancing of the relationship can be achieved through continued goodwill, better understanding, communication, dialogue and adroit "diplomacy" that leverages "moral suasion" by the state actors on the commercial and other interests that are engaged in business-level interactions in Jamaica, while rapidly improving industry and national competitiveness. As other nations have done, retired diplomats with expertise should be engaged to aid the process. ■

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