



Chinese Renminbi in the Caribbean – Opportunities for Trade, Aid and Investment

Dr. Stephan Maier, Economist, Caribbean
Development Bank

Hilton Hotel Barbados

10 July 2017

AGENDA

Background on China and the Caribbean

Potential benefits from use of RMB

Recent macro-economic developments
limiting use of RMB



A LITTLE BIT OF BACKGROUND

- Historically China has engaged relatively little with the Region, but this changed with the “Going out” policy in 1999
- The first Chinese official policy paper on LAC in 2008 has brought engagement to another level



GOODS TRADE ROSE STRONGLY

- Trade increases
- Still, effects on employment levels, wage levels, income distribution in BMCs need monitoring
- Reduced income inequality for Central and Southern American commodities exporters in 2000s (IDB, 2017)

USD mn	CDB BMCs Exports	CDB BMCs Imports
2000	9	158
2014	168	1,563
Annual change	22.9%	17.8%

Source: UN COMTRADE (2017)



FDI LEVELS STILL MODEST

- FDI rose tenfold from 2005, remaining still low however
- Main sectors targeted were agriculture, tourism, mining, energy
- Are Infrastructure, ICT and renewable energy the future?

USD mn	2005	2013
Guyana	6	225
Suriname	13	112
Cuba	34	111
Jamaica	0	80
Caribbean	81	605

Source: IDB (2016)



WHAT'S IN STORE FOR THE FUTURE?

- Geopolitical picture: “US retreat, China lead”. Example: US has abandoned TPP* and China is pushing RCEP^
- Caribbean targets services sector growth: tourism, ICT, financial services
- Tourism: Miami-Dade investor trip to China, Jamaica at Shanghai trade show

* Trans-Pacific Partnership

^ Regional Comprehensive Economic Partnership



TRADE FACILITATION WITH RMB

- Chinese exporters could give discounts of up to 3% (PBC survey)
- Small states are very open economies, should benefit in goods and services trade from RMB, if it becomes a success



ACCESS TO GLOBAL FINANCIAL SERVICES

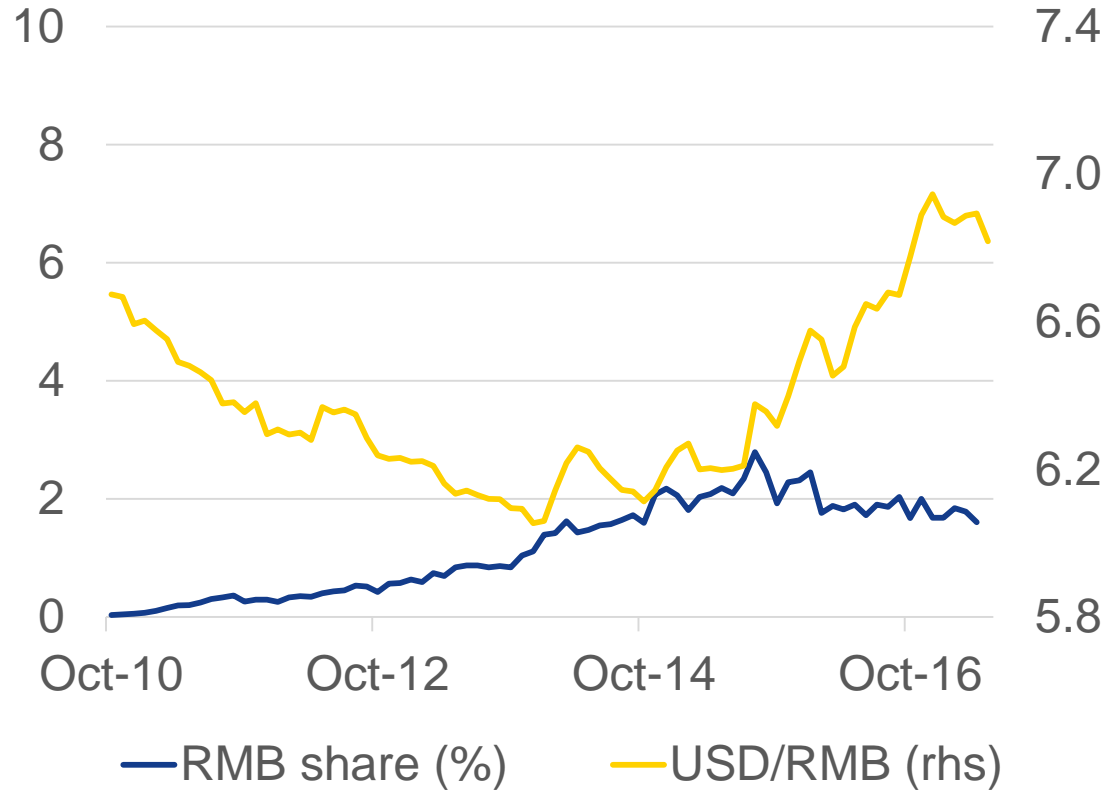
- Number of CBR's of Chinese banks increasing strongly
- Chinese banks subject to same AML/CFT standards as Western banks
- Literature suggests though they were fined less by global regulators
- Chinese payment systems became more efficient

No. CBRs	China	Europe
2009	65	123,056
2016	2,246	70,292
change	+2,181	-52,764

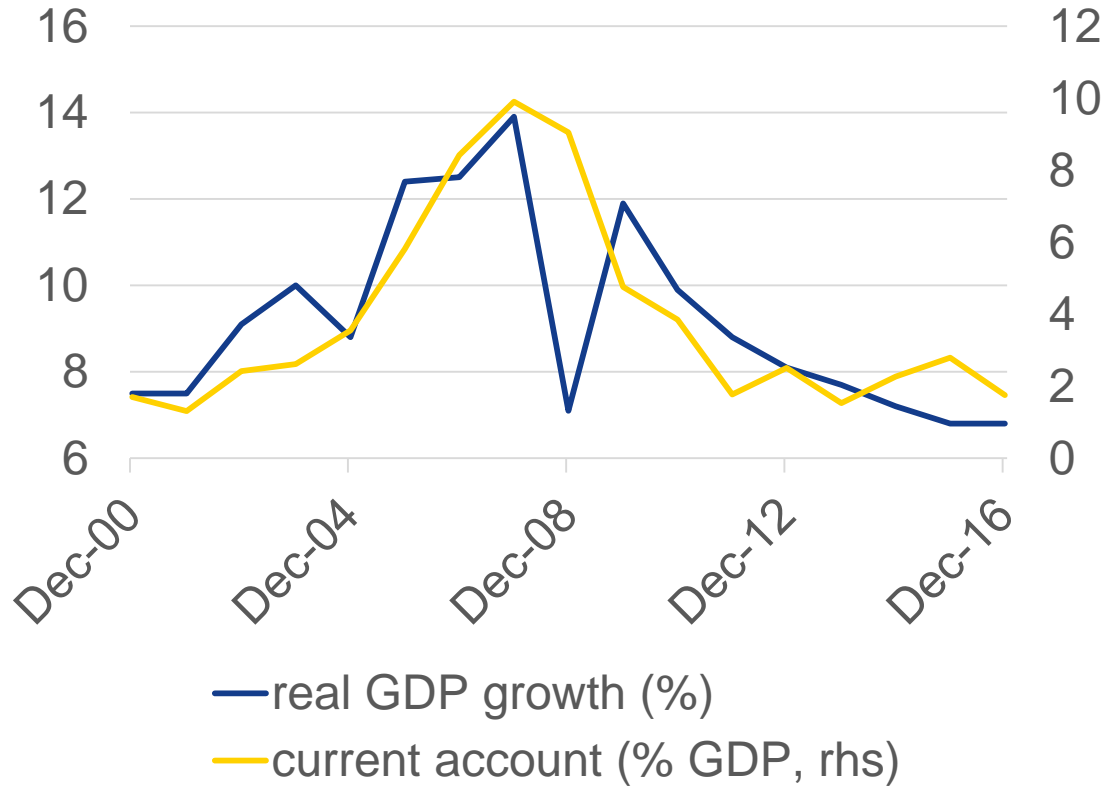
Source: Accuity (2016)



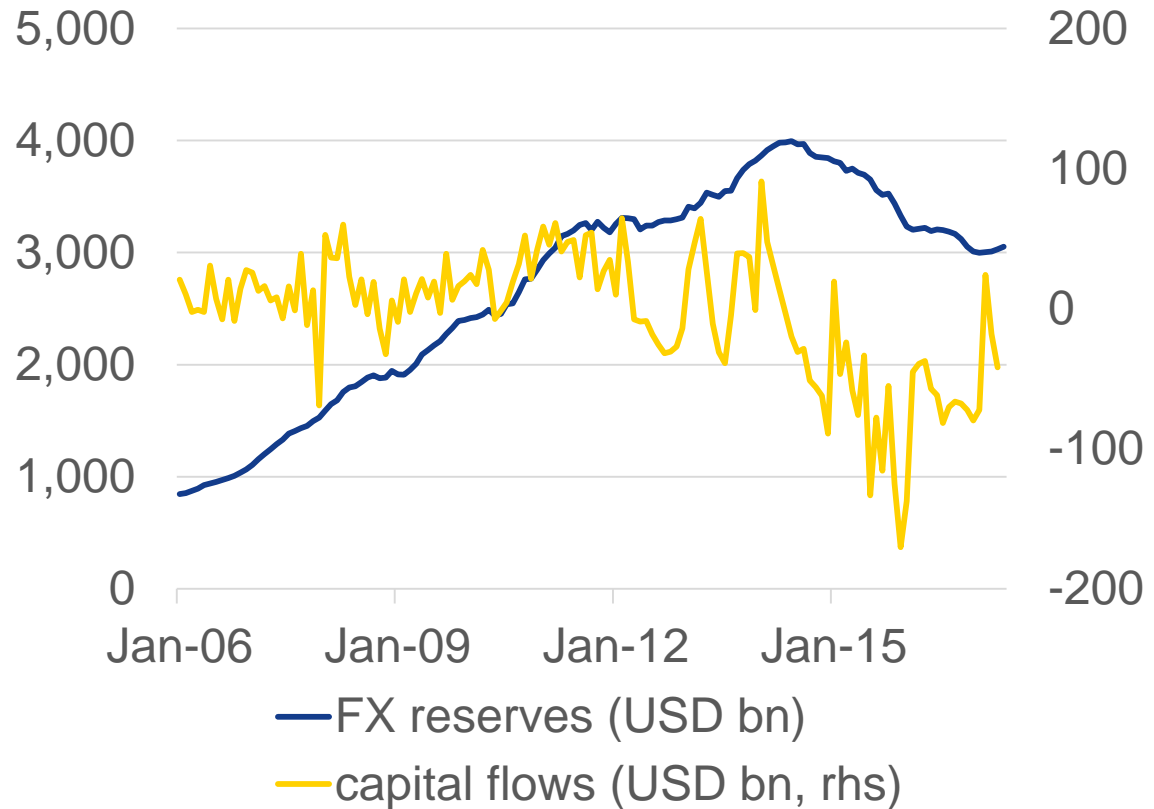
RMB SHARE IN GLOBAL PAYMENTS



CHINESE GDP SLOWING, CURRENT ACCOUNT LOWER

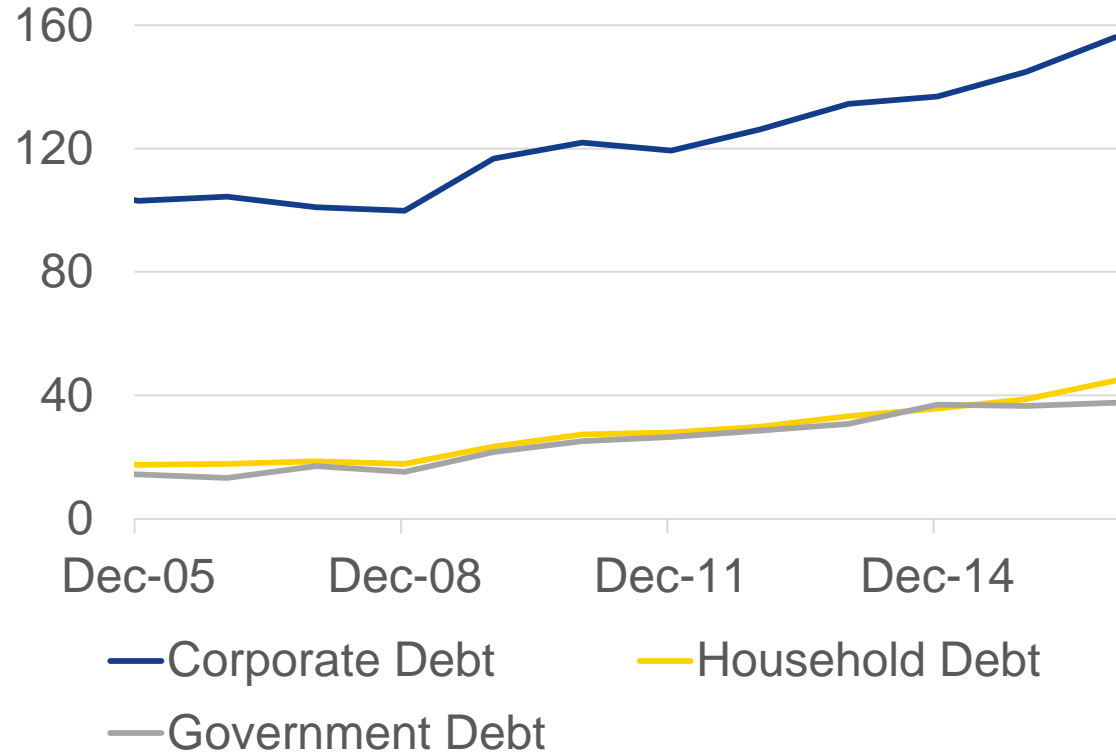


CHINESE RESERVES FALL AMID CAPITAL OUTFLOWS

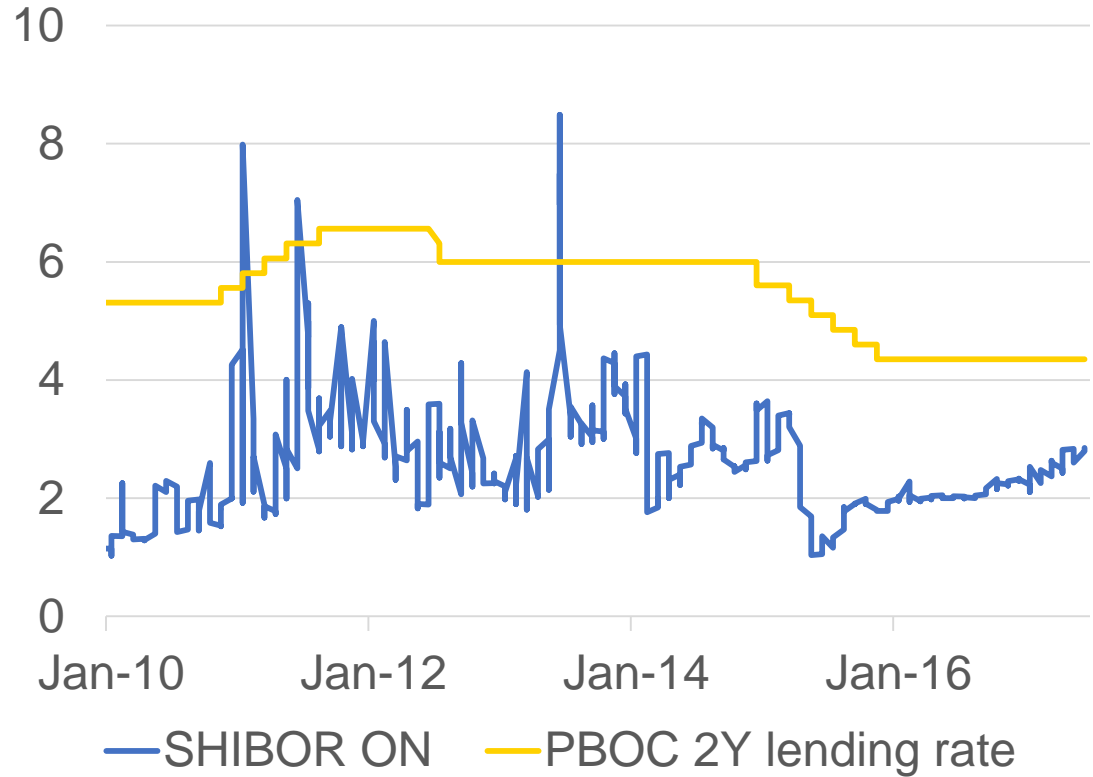


LEVERAGING IN THE ECONOMY CONTINUES

percentage of GDP



INTERBANK LENDING RATES RISE STRONGLY



CONCLUSION

- RMB could help to boost trade, tourism, access to global financial services
- However, business environment and financial architecture in our Region need improvement to reap the benefits
- Systemic risks and liquidity risks inherent to RMB need monitoring also
- Up to Caribbean business community to decide whether RMB will play broader role

