Director Larry Birns 1250 Connecticut Ave, N.W. Suite 1C Washington, D.C. 20036, USA T: (202) 223-4975

# A Rising Sun over the Antilles: Japan's New Era of Caribbean Investment

# By Andrew Lumsden, Research Associate at the Council on Hemispheric Affairs

In July 2014, Japanese Prime Minister Shinzo Abe embarked on a historic 11-day tour of five countries in Latin America and the Caribbean, culminating in the first-ever summit between Japan and the Caribbean Community (CARICOM). CARICOM is an organization of states and dependencies in the Caribbean, with a total of 28 members, associate members and observers. At the summit, held in the Trinidadian capital of Port of Spain, Abe affirmed Japan's commitment to "more proactively" contribute to "peace, stability and prosperity" in the region.<sup>1</sup>

He set forth "three pillars" upon which Japanese policy towards the Caribbean will be founded, the first being the development of the region's renewable energy sector and addressing environmental vulnerabilities. The second pillar is the development of cultural and educational exchanges, and the third is further cooperation between Japan and CARICOM in the global arena.<sup>2</sup>

Japan is not a newcomer to the Caribbean, having trade and investment relationships with a number of states in the region going back to the 1960s and 1970s. However, Japan's critical economic slump during the 1990s resulted in a more than a decade-long lapse in the country's economic engagement with the Caribbean community.<sup>3</sup> As Japan's own economic fortunes have improved in recent years, it has vigorously begun to re-engage with Caribbean nations. The renewable energy expertise, cutting-edge technology, and unique, bottom-up approach to investment that Japan brings to the table opens up new possibilities for growth and development in the region.

## A Renewable Energy Future: The First Pillar

Over the course of his premiership, Abe's government has strongly promoted and heavily invested in renewable energy, both in Japan and abroad.<sup>4</sup> In 2014, Tokyo announced that is investing \$15 million USD in eight Caribbean countries with the aim of mitigating the impact of climate change, reducing energy emissions, and ending overdependence on expensive imported fossil fuels.<sup>5</sup> Japan will be transferring advanced, low-emission technologies to participating countries to assist community-based pilot projects tackling issues such as water resource management, agricultural sustainability, the creation of resilient, environmentally friendly infrastructure, and the development of energy from renewable sources.<sup>6</sup>

Some of these Japanese investments include a commitment of over \$100,000 USD for the installation of solar panels on primary schools in Barbados, which is

estimated to reduce the schools' energy costs by between 10 and 30 percent.<sup>7</sup> Other investments also include training, equipment, and technical assistance to facilitate the creation of renewable energy infrastructure, such as solar farms, wind farms and geothermal plants in St. Kitts and Nevis, Jamaica, and Trinidad and Tobago.<sup>8</sup> If these planned renewable energy installations are completed, Caribbean nations could potentially profit from "infra-tourism", a practice gaining popularity in Japan, in which tourists are encouraged to visit and tour large-scale infrastructure utilities. Lastly, this past April, Japan announced an additional \$3 billion USD investment in renewable energy development and energy efficiency projects throughout Latin America and the Caribbean.<sup>9</sup>

This partnership is expected to create jobs and improve livelihoods for residents across the Caribbean. High energy costs, resulting from dependence on expensive imported fossil fuels, are having a seriously damaging impact on many Caribbean residents and is becoming a significant hindrance to economic growth. The World Bank has stated that energy costs pose "a daily hardship" for millions in the region, and the International Monetary Fund (IMF) reports that energy costs and fossil fuel dependence are "dampening Caribbean competitiveness and potential growth," even with the recent decline in global oil prices. <sup>10</sup> Both institutions have called on Caribbean countries to diversify their energy sectors, and Japanese cooperation will help them substantially in doing so.

Japan is also partnering with the Caribbean Disaster Emergency Management Agency (CDEMA)—a regional inter-governmental agency responsible for disaster management—to aid in the development of flood-hazard maps, disaster early warning systems, effective flood control measures, and effective climate change adaption methods through technology transfer and technical training. Caribbean states may also benefit from the example of Japanese-style construction codes. Described as "strict and well-enforced" by the Asian Insurance Review, structures built per modern Japanese codes are among the most resilient in the world to floods and typhoons, both of which occur with some frequency and can be very damaging in the region. <sup>12</sup>

#### A Roof Over More Heads

Though not specifically mentioned in Abe's CARICOM address, Japan has also made significant contributions to poverty reduction and improving the overall quality of life for millions in the Caribbean, especially in traditionally underserved communities.

It has invested close to \$9 million USD in upgrading regional healthcare services in rural parts of Southern Jamaica and the Samana Province in the Dominican Republic, significantly increasing access to reproductive health services and chronic lifestyle disease treatment and prevention education. Additionally, Japan has invested in increasing rice production and combating the problem of groundwater contamination in Cuba, expanding agricultural irrigation systems, teaching poor farmers in the Dominican Republic new agricultural techniques and how to substitute for some of the dangerous chemical fertilizers, providing rural fishers in Grenada and Trinidad with more advanced equipment, and in increasing employability and skills training programs for inner-city and disabled youth in Jamaica. 4

## Trans-Pacific Tomodachi: The Second Pillar

In addition to its investments in the energy sector and in rural development, Japan has pledged to "dramatically expand" cultural and educational exchanges with Caribbean countries to "further foster mutual understanding and respect." In his CARICOM summit address, Abe expressed his appreciation for Caribbean contributions and successes in the fields of academics, music, and sports, and his government has issued a grant of nearly \$200,000 USD to the University of the West Indies—a public university system serving 18 Caribbean countries—for the expansion of Japanese language education. <sup>16</sup>

In 2015, Japan nearly doubled the number of slots open to students and college graduates from the Caribbean in its state-sponsored Japan Exchange and Teaching (JET) Program. Participants in the JET program are brought to Japan and serve as assistant English language teachers or sports education advisors at schools there. <sup>17</sup> They are also paid salaries for their work. <sup>18</sup> More than 150 students from the Caribbean have taken part in the program so far this year. <sup>19</sup>

The vast majority of Caribbean JET participants are from Jamaica, and they are leaving a profoundly positive impression of the island and its culture on Japanese students and officials alike. In 2015, the Deputy Chief of Missions at the Japanese embassy in Kingston praised the "good work ethic, strong character, enthusiasm, and adaptability" of Jamaican JET participants. He explained that because they are beloved by the schools and students, the Japanese Ministry of Education and officials at local levels have been requesting more Jamaican teaching assistants.<sup>20</sup> One JET participant from Jamaica said of the Japanese, "there is just so much they don't know about us," but they are "eager to learn, and appreciative {of Jamaican culture}."<sup>21</sup>

In addition to the JET program, the Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT), is offering scholarships for students from ten Caribbean countries to study at universities in Japan. MEXT program participants are provided with round-trip airfare, tuition exemption, and a monthly stipend during the period of their study.<sup>22</sup>

As the Japanese government expands opportunities for Caribbean students to study and work in Japan, it is also making significant investments in improving the quality education within the region. In Haiti and the Dominican Republic, it has funded projects aimed at improving elementary school mathematics instruction by providing teachers with new materials and lesson plans. <sup>23</sup> In Jamaica, Japan funded the renovation and expansion of at least five aging school buildings between 2014 and 2015, and contributed to expanding educational opportunities for the island's special needs children.<sup>24</sup>

#### **Tourism**

To facilitate cultural exchange, Abe declared Japan's intention to promote tourism between Japan and Caribbean nations. He invited CARICOM members to participate in the "Tourism EXPO Japan," an event held annually in Tokyo in which travel agencies, embassies, airlines, tour operators, hotels, and theme parks from all



over the world are able to advertise directly to Japanese audiences, and to network with each other to boost Japanese tourism to their respective countries.<sup>25</sup>

Tourism is a bourgeoning area of mutually profitable cooperation between Japan and the Caribbean community. The Caribbean is often described as "the most tourism-dependent region in the world," with over 2.2 million jobs, and \$50 billion USD in the region linked to the industry. <sup>26</sup> Caribbean counties, quick to realize this opportunity, are engaging in their own efforts to attract Japanese tourists.

This past May, Jamaica's tourism minister, Edmund Bartlett, visited Japan to discuss ways to "increase visitor traffic" to the country. Jamaica currently receives only one-tenth the number of Japanese tourists it did 20 years ago. Bartlett attributes this to Japan's long period of economic downturn, and he is now looking to "re-engage Japan," which has over 17 million of its citizens travelling overseas each year.<sup>27</sup> Trinidad and Tobago is looking to do the same; its Tourism Development Company is in negotiations with the operators of *Asuka II*, Japan's largest luxury cruise liner, carrying about 500 passengers and 700 crew each voyage, to conduct more frequent and longer cruise calls at Port of Spain.<sup>28</sup>

# **Geopolitical Cooperation: The Third Pillar**

Despite their dynamic cultural presence, Caribbean nations are physically and economically small on the world stage. However, they are at their most powerful on the floor of the United Nations General Assembly.

In his address to CARICOM, Abe announced that Japan intends to strengthen cooperation with Caribbean countries at the United Nations to address issues such as climate change and "UN Security Council Reform."<sup>29</sup>The Caribbean community is an influential voting bloc, one that Japan needs in its efforts to reform the United Nations.

Japan has been a fervent critic of the current format of the United Nations Security Council. That body has only five permanent members—the United States, United Kingdom, France, Russia and China— all with the power to unilaterally veto any resolution. According to the Japanese Ministry of Foreign Affairs, their country has "demonstrated that it has the determination, willingness and capacity" to be made a permanent member of the Security Council. <sup>30</sup> In addition to its own permanent seat, Japan is also advocating for a permanent seat on the council representing the continent of Africa.<sup>31</sup>

At a meeting in Tokyo with CARICOM representatives in November 2014, Japanese foreign minister Fumio Kishida announced that CARICOM members have agreed to support Japan at the United Nations and he reaffirmed Prime Minister Abe's pledge to expand development assistance to the region.<sup>32</sup>

For their part, CARICOM's representatives called on Japan to represent their interests in international organizations such as the G7 and G20 to which Caribbean countries currently lack access. Additionally, CARICOM also seeks Japanese support in their calls for reform in the Organization for Economic Cooperation and Development (OECD). Some Caribbean countries are denied development aid and forced into burdensome levels of debt due to the organization's system of income-level



classification. Caribbean countries want Japan, as a powerful member of the OECD, to advocate for reforms which would help countries in the region get access to needed international development aid.<sup>33</sup>

## A Dragon's Shadow

In his appeal to CARICOM for closer geopolitical cooperation, Abe mentioned "the rule of law at sea" and the disuse of force or coercion in international dispute resolution as principles Japan will be pushing on the global stage. This discussion was very likely a thinly veiled jab at Japan's western neighbor, China, with which it has been in dispute over control of islands in the East China Sea. Tensions between the two powers have existed since before the Second World War, but have escalated in recent years.

China is expected to veto any attempt by Japan to gain a permanent seat on the UN Security Council, and it is believed that Abe hopes to garner a critical mass of support for Japan membership by engaging with countries in East Asia, Latin America, and the Caribbean to discourage Beijing from pursuing this course of action.<sup>34</sup> While Japan has been successful in winning the cooperation of Caribbean countries on other issues, it may face a steep uphill battle if it intends to rally them against opposition from China, which has also been dramatically expanding its own influence in the region over the past decade.

Chinese financial aid to Latin America and the Caribbean far exceeds that of Japan, averaging over \$10 billion USD annually between 2010 and 2013 compared with Japan's US\$7 billion USD.<sup>35</sup> Chinese trade with the region is also worth nearly four times that of Japan.<sup>36</sup> Chinese investments are primarily directed towards developing infrastructure and the construction of great public works. As Dr. Sanjay Badri-Maharaj—a Trinidadian defense analyst and former national security advisor—explains, Chinese works are popular in the region and especially appealing to Caribbean politicians, as these very visible projects help them in "maximizing electoral gains."<sup>37</sup> Despite these challenges however, Japan may have a political opening.

To begin with, five CARICOM countries—Belize, the Dominican Republic, Haiti, St Lucia, St Kitts and Nevis, and St Vincent and the Grenadines—do not recognize the Beijing government, opting instead to maintain relations with the Taiwan-based "Republic of China." 38

Also, Japanese engagement with the Caribbean community has been largely without controversy, while China's has been mired in it. According to the Inter-American Development Bank (IADB), Chinese state-run companies operating in the region hire very little local labor, use almost no locally sourced materials, do not follow local environmental regulations, are non-transparent about plans and activities and do not engage with communities affected by their work.<sup>39</sup> Badri-Maharaj details several instances of dangerously poor construction by Chinese firms in Trinidad and the Bahamas, and there have been reports of their bribery of state officials in Jamaica.<sup>40</sup> Furthermore, as Mikio Kuwayama, senior analyst for the Japan Association of Latin America and the Caribbean and Margaret Myers, director of the Inter-American Dialogue's China and Latin America Program explain, technology transfer from China is

very low and its cheap commodity exports are damaging to bourgeoning local industries in the region, as opposed to Japan's high-tech imports which strengthen them.<sup>41</sup>

The IADB concludes that, because of Chinese practices, the "development impact (of their Caribbean investment) may be reduced."<sup>42</sup> China offers the trappings of development, but Japan's investments in energy, education and communities are setting the Caribbean community on a course to social and economic growth, and a potential future as a leader in the global energy economy. However, it remains to be seen if that will be enough if Japan intends to counter China's geopolitical influence in the region.

## Conclusion

With its 21st century re-engagement with the Caribbean community, Japan is introducing a unique style of investment to the region, focusing on some of most pressing, yet often neglected, problems the region faces. With its investments in renewable energy, Japan is helping to put Caribbean countries on a path to lower energy costs and greater energy independence, and its funding for community-based healthcare and poverty reduction programs is helping to raise the quality of life for rural residents across the Caribbean. In contrast to many other foreign investors the region has seen, Japan has demonstrated an appreciation and respect for the Caribbean's rich cultures and works to share them with its own people, enriching the lives of the region's young scholars in the process. Caribbean governments have done well in taking advantage of Japan's engagement, working to attract Japanese tourists, and pursuing Japanese support in fighting for their interests in the halls of international power.

Not only has Japan's model for foreign investment been good for the Caribbean, it is one that other investors, both state and private, should take notice of. This is much of how foreign investment should look in the 21st century, with special focus on renewable energy, environmental protection, helping the underserved, and fostering mutual cultural understanding and respect.

## By Andrew Lumsden, Research Associate at the Council on Hemispheric Affairs

<sup>&</sup>lt;sup>7</sup>"Solar Systems For Four Primary Schools," Barbados Government Information Service, September 12, 2015, http://gisbarbados.gov.bb/blog/solar-systems-for-four-primary-schools/.



<sup>&</sup>lt;sup>1</sup>"Press Release: Japan– Caribbean Community (CARICOM) Summit Meeting: Japan's CARICOM Policy," Ministry of Foreign Affairs of Japan, July 28, 2014, http://www.mofa.go.jp/files/000047229.pdf. <sup>2</sup> Ibid..

<sup>&</sup>lt;sup>3</sup>Margaret Myers and Mikio Kuwayama, "A New Phase in Japan-Latin America and the Caribbean Relations," The Inter-American Dialogue, February 2016, accessed October 10, 2016, http://www.thedialogue.org/wp-content/uploads/2016/02/Dialogue-Japan-LAC-Relations-WEB.pdf. Andrew DeWitt, "Japan's Bid to Become a World Leader in Renewable Energy" The Asia-Pacific Journal 13, 39 no. 39 (2015): 1-20.

<sup>&</sup>lt;sup>5</sup> "Japan-Caribbean Climate Change Partnership," United Nations Division for Sustainable Development, accessed October 15, 2016, https://sustainabledevelopment.un.org/partnership/?p=12369.

http://www.cdema.org/cdmconference/presentations/2015/YNishimura\_JICA\_StrentheningCommunity Resilience. pdf.; "Typhoon Lionrock Makes Landfall in Japan, Bringing Landslides, Floods & Deaths," Asian Insurance Review, August 31, 2016,

http://www.insurancejournal.com/news/international/2016/08/31/424955.htm.

https://www.jica.go.jp/english/our\_work/evaluation/tech\_and\_grant/project/term/latin\_america/c8h0 vm000001rz7x-att/dom2009\_01.pdf; "Terminal Evaluation: The Project for Strengthening of Health Care in the Southern Region," Japan International Cooperation Agency, accessed October 20, 2016, https://www.jica.go.jp/english/our\_work/evaluation/tech\_and\_grant/project/term/latin\_america/jamai ca 2002.html.

<sup>14</sup>"Activities in Jamaica," Japan International Cooperation Agency, accessed October 20, 2016, https://www.jica.go.jp/jamaica/english/activities/index.html; "Rolling Plan for Grenada," Embassy of Japan in Trinidad and Tobago, April 2015, accessed October 22, 2016, http://www.tt.emb-japan.go.jp/Rolling%20Plan%20for%20Grenada%202015.pdf; "Japan funds project to improve lives of people with disabilities," Jamaica Observer, June 13, 2013,

http://www.jamaicaobserver.com/news/Japan-funds-project-to-improve-lives-of-people-with-disabilities. "Government of Japan," Jamaica Social Investment Fund, accessed October 21, 2016, http://www.jsif.org/content/government-japan.



<sup>&</sup>lt;sup>8</sup> "JICA technical team visits Nevis ahead of agreement to assist with energy efficiency," Nevis Island Administration, March 3, 2016, http://www.nia.gov.kn/index.php/news-4/news-articles-3/2598-jica-technical-team-visits-nevis-ahead-of-agreement-to-assist-with-energy-efficiency.

<sup>&</sup>lt;sup>9</sup> "JICA and the IDB to Fund Energy and Infrastructure, Expanding their Co-Financing Arrangement to \$3 Billion," Inter-American Development Bank, April 9, 2016, http://www.iadb.org/en/news/news-releases/2016-04-09/japan-idb-quality-infrastructure-and-energy-fund,11434.html.

<sup>&</sup>lt;sup>10</sup>Arnold McIntyre, Ahmed El-Ashram, Marcio Ronci, Julien Reynaud, Natasha Che, Ke Wang, Sebastian Acevedo, Mark Lutz, Francis Strodel, Anayo Osueke, and Hanlei Yun, "Caribbean Energy: Macro-Related Challenges," International Monetary Fund, March 2016, accessed October 13, 2016, https://www.imf.org/external/pubs/ft/wp/2016/wp1653.pdf.

<sup>&</sup>lt;sup>11</sup>http://www.cdema.org/cdmconference/presentations/2015/YNishimura\_JICA\_StrentheningCommunityResilience.pdf

<sup>&</sup>lt;sup>12</sup>Yoshiaki Nishimura, "JICA Contribution to the Strengthening of Community Resilience in the Caribbean Region," The Caribbean Disaster Emergency Management Agency, December 2015, accessed October 13, 2016,

<sup>&</sup>lt;sup>13</sup>"Summary of Evaluation Result: Samana Province Healthcare Service Improvement Project," Japan International Cooperation Agency, accessed October 20, 2016,

<sup>&</sup>lt;sup>15</sup>"Japan's CARICOM Policy," Ministry of Foreign Affairs of Japan.

<sup>&</sup>lt;sup>16</sup> "Activities in Jamaica," Japan International Cooperation Agency.

<sup>&</sup>lt;sup>17</sup> Kimone Thompson, "Japan Wants More Jamaicans," Jamaica Observer, October 1 2015, http://www.jamaicaobserver.com/news/Japan-wants-more-Jamaicans\_19231375.

<sup>&</sup>lt;sup>18</sup> "JET FAQ for Prospective Students," Consulate of Japan at Chicago, accessed October 18, 2016, http://www.chicago.us.emb-japan.go.jp/JIC/JET/jetfaq.html.

<sup>&</sup>lt;sup>19</sup> "The Japan Exchange and Teaching Programme," The Japan Exchange and Teaching Program, accessed October 20, 2016, http://jetprogramme.org/en/countries/.
<sup>20</sup> Ibid..

- <sup>21</sup> "Language teachers from Jamaica making a difference in Japan," Jamaica Observer, December 2, 2013, http://www.jamaicaobserver.com/latestnews/Language-teachers-from-Jamaica-making-a-difference-in-Japan.
- <sup>22</sup> "MONBUKAGAKUSHO (MEXT) SCHOLARSHIP PROGRAMME," Embassy of Japan in Trinidad and Tobago, accessed October 22, 2016, http://www.tt.emb-japan.go.jp/Culture 2.html.
- <sup>23</sup>"Activities in the Dominican Republic," Japan International Cooperation Agency, accessed October 22, 2016, https://www.jica.go.jp/dominicanrep/english/activities/education.html; "Activities in Haiti," Japan International Cooperation Agency, accessed October 22, 2016,

https://www.jica.go.jp/haiti/english/activities/index.html.

- <sup>24</sup> "Activities in Jamaica," Japan International Cooperation Agency
- <sup>25</sup>"Japan's CARICOM Policy," Ministry of Foreign Affairs of Japan; "JATA Tourism EXPO Japan 2014," Japan Association of Travel Agents, May 21, 2014, https://www.jatanet.or.jp/english/news/2014/pdf/140521\_top.pdf.

<sup>26</sup> Ibid,..

- <sup>27</sup>"Tourism Minister Seeks More Visitors From Japan," Jamaica Observer, May 30,2016, http://www.jamaicaobserver.com/news/Tourism-minister-seeks-more-visitors-from-Japan.
- <sup>28</sup> "Luxurious Japanese Cruise ship makes inaugural visit to Trinidad," Tourism Development Company, March 16, 2016, http://www.tdc.co.tt/index.php/news-and-media/press-releases/220-luxurious-japanese-cruise-ship-makes-inaugural-visit-to-trinidad.
- <sup>29</sup> Japan's CARICOM Policy," Ministry of Foreign Affairs of Japan.
- <sup>30</sup> "Japan's Position on the United Nations Security Council for the 21st Century," Ministry of Foreign Affairs of Japan, March 2011, accessed October 26, 2016,

http://www.mofa.go.jp/policy/un/sc/pdfs/pamph\_unsc21c\_en.pdf.

- 31 Ibid,.
- <sup>32</sup>"Japan and Caribbean nations agree to cooperate on UNSC reform," The Japan Times, November 15, 2014, http://www.japantimes.co.jp/news/2014/11/15/national/japan-and-caribbean-nations-agree-to-cooperate-on-unsc-reform/.
- <sup>33</sup> "CARICOM and Japan Further Strengthens Relationship," Caribbean Community (CARICOM), November 14, 2014, http://caricom.org/media-center/communications/press-releases/caricom-and-japan-further-strengthens-relationship/.
- <sup>34</sup> Julian Ryall, "Japan steps up campaign for full UN Security Council seat," Deutsche Welle, January 27, 2016, http://www.dw.com/en/japan-steps-up-campaign-for-full-un-security-council-seat/a-19007001.
- <sup>35</sup> Myers and Kuwayama, "A New Phase in Japan-Latin America and the Caribbean Relations."
- 36 Ibid.



<sup>&</sup>lt;sup>37</sup> Sanjay Badri-Maharaj, "China's Growing Influence in the Caribbean," Institute for Defense Studies and Analysis, August 3, 2016, http://www.idsa.in/idsacomments/china-growing-influence-in-the-caribbean\_sbmaharaj\_030816.

<sup>&</sup>lt;sup>38</sup> "Taiwan Country Brief," Government of Australia: Ministry of Foreign Affairs and Trade, accessed October 27, 2016, http://dfat.gov.au/geo/taiwan/pages/taiwan-country-brief.aspx.

Mark D. Wenner and Dillon Clarke, "Chinese Rise in the Caribbean: What Does It Mean for Caribbean Stakeholders?," Inter-American Development Bank, July 2016 accessed October 28, 2016, https://publications.iadb.org/bitstream/handle/11319/7777/Chinese-Rise-in-the-Caribbean-What-Does-It-Mean-for-Caribbean-Stakeholders.pdf; Badri-Maharaj, "China's Growing Influence in the Caribbean;" Debbie-Ann Wright, "Chinese Embassy Shocked By Allegations Contractors Paid PNP Bribes," Jamaica Gleaner, August 31, 2016,http://jamaica-gleaner.com/article/news/20160831/chinese-embassy-shocked-allegations-contractors-paid-pnp-bribes.

<sup>&</sup>lt;sup>41</sup> Myers and Kuwayama, "A New Phase in Japan-Latin America and the Caribbean Relations."

<sup>&</sup>lt;sup>42</sup> Wenner and Clarke, "Chinese Rise in the Caribbean."