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INTERNATIONAL TRADE AND MARITIME TRANSPORT IN THE CARIBBEAN

For the countries of the Caribbean, the international trade and transport of goods are more important than for many others in the region (see [FAL Bulletin No. 136](#) Maritime transport in the Caribbean), and the subregion is strongly affected by structural changes in maritime transport (see [FAL Bulletin No. 142](#) The impact of structural changes in liner shipping on Caribbean ports).

For these reasons ECLAC's Transport Unit and the Commissions' sub-headquarters in the Caribbean, jointly organized a Meeting of Experts which took place in Port-of-Spain, Trinidad and Tobago, from 14 to 15 September 2000. Twenty-six participants took part, representing different academic, intergovernmental, financial and industrial institutions and organizations.

This edition of the FAL Bulletin presents some of the results of this meeting. A full report of the meeting has been published as document ECLAC LC/CAR/G.621; to request it in electronic or printed form, please contact Lance Busby, Lbusby@ECLACPOS.org. For more information on maritime transport in the Caribbean, please contact Jan Hoffmann, JHoffmann@ECLAC.cl.

International trade and transport

Most Caribbean countries trade mainly with the countries of Europe and North America. Intra-subregional trade only amounts to five per cent of imports and 10 per cent of exports. See Figure 1.

Figure 1: International trade in the Caribbean countries, millions of US\$, 1998



Source: Kavazeua Katjomuise : Recent Trade Performance of Caribbean Countries, Port-of-Spain, September 2000, available from <http://www.trainmar-caribbean.org/pubs.htm>

Note: This includes data from Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, the Netherlands Antilles, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Table 1 shows the volumes traded between the countries of the Caribbean. Could this intra-subregional trade be increased by having better or more maritime transport services? This question is

rather like the one about "the chicken or the egg". Which comes first - trade or transport? Certain Caribbean organizations have taken various initiatives to promote subregional integration through creating additional transport services. One example is a service offered by the Venezuelan Navy which aims to promote trade between Venezuela

and various island countries of the Caribbean. Another initiative in the same nature was the attempt of the Association of Caribbean States (ACS) to set up a Non-Vessel Operating Common Carrier company (NVOCC) in the Caribbean.

Table 1

Intrasubregional trade, metric tons, 1999 or last available year

Importing country:	Antigua and Barbuda*	Barbados	Belize*	Cuba*	Dominica	El Salvador*	Grenada*	Guyana*	Haiti*	Jamaica*	Dominican Republic**	St. Kittis and Nevis*	St. Lucia	St. Vincent and Grenadines*	Trinidad and Tobago
Antigua and Barbuda*		421	3	nd	564	nd	80	nd	nd	7	nd	772	3,245	36	27
Barbados**	5,502		281	1	11,906	1	6,113	2,814	64	12,053	210	10,519	25,618	6,999	213,548
Belize*	54	556		15	123	4	1	678	nd	7,508	nd	22	39	45	2368
Cuba*	nd	101	1		nd	106	7	nd	nd	16,525	nd	nd	1,050	1	12
Dominica	20,113	3,217	15	nd		nd	117	2,274	17	9,138	212	3,201	21,791	766	1,877
El Salvador*	nd	23	2,180		1		1	4	91	96	2,321	1	1	1	10,290
Grenada*	5,522	1,311	nd	nd	2,183	nd		38	nd	160	18	104	3,169	275	2,914
Guyana*	nd	10,466	29		1,648	nd	1,341		nd	41,471	nd	442	13,954	4,293	66,457
Haiti*	nd	46	nd		1	382	1	nd		23	nd	1	2	2	46
Jamaica*	1,005	6,795	2248	7,701	960	20	364	18,331	4,618		7,079	580	1,140	226	13,807
Dominican Republic**	nd	2,896	2	nd	2,310	3,671	170	nd	nd	2,507		1,860	579	3,396	7,167
St. Kittis and Nevis*	245	17	nd	nd	285	nd	19	64	-	4	18		1,649	758	129
St. Lucia	2,197	4,888	117	1	22,867	nd	769	335	nd	6	32	358		701	2,299
St. Vincent and Grenadines*	4,938	5,775	18	1	5,116	nd	811	265	1	1,723	nd	3,563	8,899		9,099
Trinidad and Tobago	95,616	523,537	2,328	256,726	35,828	84,920	231,569	372,377	25,429	1,427,147	124,546	41,418	151,601	75,496	

Source : BADECEL (ECLAC) and information directly from the countries. nd indicates no data available; *data from 1988 ; **data from 1997. The figure given is always from the last available year. The data provided by the importing country are included when they are from the same year as the data from the exporting country. The value "1" indicates that the trade flow was positive, between zero and 1 ton.

Bilateral trade between most of the countries is less than 10 thousand tons per year. The main bilateral flow occurs between Trinidad and Tobago and Jamaica, which amounts to 1.4 million tons.

Clearly, any improvement in transport services will always be beneficial for any form of bilateral trade. But there is a much stronger effect in the other direction: more trade automatically generates a greater demand for transport services. While bilateral trade depends on many different factors (especially the production and consumption patterns of each country), the demand for freight transport services is almost solely derived from such trade. Table 2 shows the direct services connecting the Caribbean countries and islands with markets in Europe and the United States. The data reflect the fact that the political and economic ties of each country also determine its maritime connections: for example, Cuba and Cayenne trade more with Europe than with the United States, while many small English-speaking islands are linked

to all markets via trans-shipment services in Miami.

Whether by direct lines, with trans-shipment services or tramp (charter), each port in the Caribbean is connected in some way with every other port in the world. Thanks to the high level of competition in the sector and the variety of different trans-shipment services available, in the vast majority of cases the user has more than one option for transporting his import or export goods.

Almost all interregional services call at more than one port in the Caribbean, thereby also providing services within the subregion.

Transport between the islands is also being provided by an unpublicized informal sector. For example, there are about 200 boats with less than 150 gross tons offering transport between the islands of the eastern Caribbean. (Goeff Boerne, Cardiff University, 1999 : *Filling the Gap : Small Inter-Island Caribbean Trading Ships and their Crews*, available <http://www.eclac.cl/transporte/perfil/indexe.html>).

Although increasing the supply of transport services is not the best tool for promoting trade, it is even more important for countries to reduce their transport costs. In the final price of a product, the transport component is increasing as a result of the globalization of production - not only is the final product or consumer item transported from its place of origin to its destination, but more and more component parts are being transported from other countries, thus increasing the world demand for transport services. Any economy in the transport cost is of especial importance to the relatively small and open Caribbean economies.

Table 2

Liner services out of the sub-region, June 2000

Country or Island	Number of liners		Country or Island	Number of liners	
	Europe	North America		Europe	North America
Antigua	-	6	Jamaica	4	20
Anguila	-	2	Martinique	4	3
Aruba	1	3	Montserrat	-	1
Bahamas	-	2	Nevis	-	2
Barbados	2	8	Nicaragua	-	2
Belize	-	1	Panama	11	27
Bermuda	-	4	St. Barthelemy	-	2
Bonaire	-	1	St. Croix (Virgin Islands)	-	4
Cayenne	3	-	St. Eustatius	-	1
Cayman Island	-	5	St. John (Virgin Islands)	-	2
Colombia	13	14	St. Kitts	-	3

Costa Rica	8	11		St. Lucia	-	6
Cuba	2	-		St. Maarten	-	5
Curaçao	2	4		St. Thomas (Virgin Islands)	-	4
Dominica	-	3		St. Vicente	-	4
Dominican Republic	6	18		Surinam	3	2
Grenada	-	2		Tortola (Virgin Islands)		2
Guadeloupe	4	3		Trinidad	4	13
Guatemala	2	26		Turk Islands		2
Guyana	3	4		Venezuela	7	20
Haiti	-	8		Virginia Gorda (Virgin Islands)		2
Honduras	2	22				

Source: Figures based on CompairData, <http://www.compairdata.com>, 16 June 2000. Note : almost all services to North America are weekly. Most of the services to Europe are weekly or fortnightly. "North America" includes Mexico.

Costs of maritime transport in the Caribbean

The Caribbean countries pay more for the transport of their imports than most other countries in the world. Measured as a percentage of the value of the merchandise, freight and insurance costs of countries of the Caribbean Community (CARICOM) are double the world average. Table 3 shows the maritime freight charges for imports shipped in twenty-foot containers over 19 different routes. One can observe that the main differences cannot be explained simply by the distance covered.

Table 3

Maritime freight rates, imports, 20'container, August 2000. US\$

	Miami	Hamburg	Singapore	Cartagena
Barbados	1 900	2 300	3 600	1 700
Guyana	1 455	1 900	3 400	1 815
Jamaica	900	1 500	1 200	2 300
Suriname	2 000	2 100	3 300	n.a.
Trinidad and Tobago	1 400	1 700	3 000	1 100

Source: Joachim Fuchsluger : *An analysis of maritime transport and its costs for the Caribbean*, ECLAC, LC/CAR/G.625, November 2000, based on information from national shipping agencies. Note: the figures are indicative values that vary in time and according to the specific service required. They refer to FAK containers (Freight All Kind).

Table 4 compares import and export freight charges for Trinidad and Tobago. Over the same distance, the freight charges can be 2.5 times greater for imports than for exports, the freight charges from and to Singapore are affected by the trade imbalance between the United States and Asia, which increases the transport costs of Asian exports to the American continent.

Table 4**Maritime freight rates, Trinidad and Tobago, 20' container, August 2000, in US\$**

	Miami	Hamburg	Singapore	Cartagena
Export	750	1 200	1 200	1 100
Import	1 400	1 700	3 000	1 100

Source: Joachim Fuchsluger : *An analysis of maritime transport and its costs for the Caribbean*, ECLAC, LC/CAR/G.625, November 2000, based on information from national shipping agencies. Note: the figures are indicative values that vary in time and according to the specific service required. They refer to FAK containers (Freight All Kind).

On what do the transport costs depend?

In general, the main factors determining the cost of maritime transport are the type of cargo (for example, bulk, containerized or refrigerated), the volume (economies of scale), and the value of the merchandise (the insurance premium and the quality of service increase with the value of the goods transported). These factors, applied to the Caribbean, explain to a large extent the high cost of transport in this region: low volumes of containerized cargo of consumer goods with a high unitary value are imported.

In the case of the Caribbean countries, trade imbalances also directly affect freight charges. Concerning containerized trade in particular, import volumes are on average three times export volumes. Table 5 shows the imbalances in the case of trade with the United States

Table 5**Trade between the Caribbean and the United States, TEU, 1998, according to the shipping company**

Shipping company	Exports from the Caribbean	Imports from the Caribbean	Imbalance
Antillean Lines	14,377	31,757	55%
Bemuth Marine Shipping	288	10,205	97%
Cagema	754	10,307	93%
Crowley American Transport	9,750	46,699	79%
Evergreen Line	1,862	10,206	82%
Maersk	3,218	11,066	71%
Marine Express Inc	5,996	6,450	7%
Navieras de Puerto Rico	15,729	18,354	14%
Seaboard Marine Ltd	9,234	50,138	82%
Sea-Land Service	17,182	26,940	36%
Tecmarine Line	6,707	24,308	72%
Thompson Shipping Co	425	9,715	96%

Tropical Shipping	18,083	75,233	76%
Zim Container	912	4,761	81%
Others	11,726	74,561	85%
Total	116,243	410,700	72%

Source: PIERS, *US Global Container Report, 1999*.

Finally, costs and efficiency at the ports also have an effect on costs. The majority of Caribbean ports do not have specialized equipment, and the public sector administrations are responsible for operations and investments, with little participation from the private sector. The labour regimes in many ports need to be modernized, and the customs, immigration, health and security procedures are in many cases more time consuming than they should be. Two or three days usually elapse between the arrival of a vessel and the release of the imported merchandise, whereas in more modern ports and administrations the entry can be immediate. One basic way of achieving greater efficiency would be the introduction of vertical portals with computer and communication systems, a task that is pending in almost all Caribbean ports.

For containerized cargo freight rates for exports from the Caribbean countries, are much lower than import freight rates. The ships almost always leave the Caribbean port with spare capacity. Exports of other, non-containerized cargo, such as bauxite, petroleum, natural gas, or construction materials (stone), are usually transported in specialized charter vessels.

What can the public sector do to reduce transport costs?

In the scenario portrayed above, it is clear that the public sector is unable to do much either to reduce maritime freight charges or to create additional transport services. In many cases, the market in maritime transport works well enough to preclude the need for more government intervention. One exception may be islands with a very small population, where the State may for political reasons wish to subsidize minimal transport services, including passenger transport, that would not otherwise be financially sustainable.

There is significant potential for cost reduction and improvement of services at the national level in ports. They are significant sources of employment, and the workers operating in a monopolistic environment can use their influence to ensure that labour reform does not happen at least without being watered down. The public administrations would not necessarily be in favour of privatizing port investments or operations. Introducing new technologies might initially be costly in terms of scarce financial resources, but in the long term, it should be seen as a worthwhile investment.

At the subregional level, the participants in the ECLAC Meeting of Experts considered the following five areas to be priorities for international organizations that are helping to improve maritime and port transport services:

1. **Creation of a database on trade flows and transport in the Caribbean:** Such a database already exists for other areas and countries of the Latin American Integration Association (LAIA), and is considered necessary for forecasts and investment planning in port infrastructure;
2. **Creation of a database for commercial transactions:** This database would contain more detailed information of interest to the private sector. At present, this type of information exists only for some countries, for example, as provided by an industrial service such as PIERS, or is obtained illegally from individual customs officials.
3. **Creation of a port data base:** In order to make it easier for users and for ports operators themselves to compare freight rates and productivity indicators, a sub-regional and impartial entity should estimate and publish such port statistics on a regular basis for Caribbean ports.
4. **Training and seminars:** Whilst individual countries do not have sufficient capacity or interest to organize seminars or prepare training courses on a number of subjects, there should be a sufficient common interest at the sub-regional level in subjects such as telematics, port privatization, and other technical areas.
5. **Research:** Each country, through its ministry for transport and its port authority, should be analyzing topics such as cargo flow forecasts, the possible impact of expansion of the Panama canal, or the location of future hub ports. There is a role for sub-regional organizations to carry out such research on subjects of common interest for the benefit of their member countries.

Conclusions

International trade in goods is more significant, as a percentage of the national product, in the Caribbean than in other parts of the world. This trade takes place principally with maritime transport, and the Caribbean countries pay more than the world average for port shipping services.

The public sector can do little to reduce maritime freight rates. They are high in the Caribbean because of the type of products transported, the lack of economies of scale, and trade imbalances. There is a high level of competition between shipping companies; nevertheless, at the international level, it is important to monitor the tendency towards concentration in this sector in order to avoid monopoly abuses in the future.

The situation is different in the case of the ports. Above all, it is the countries themselves that need to make more progress towards labour reform, promoting private participation, and promoting the use of new technologies in the fields of telecommunications and informatics. Modernization is difficult partly because of the monopolistic situation enjoyed by the ports on the majority of the islands.

Sub-regional organizations should cooperate with the member governments, by providing services such as data bases, research, and sponsoring events and courses. Although such proposals may appear small in view of the challenges faced, lead to concrete results and thus be preferable to more ambitious plans with lower probabilities of being applied in practice.
