



BRIDGING TRANSPORTATION GAPS IN LATIN AMERICA AND THE CARIBBEAN: PROSPECTS AND POTENTIAL FOR MARITIME TRANSPORTATION COOPERATION IN TRINIDAD AND TOBAGO AND VENEZUELA

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Abstract: Accounting for over 90% of goods traded globally, *Maritime Transport* is undeniably the main mode of international transport for goods throughout the world. Despite the global financial crisis in 2008, growth in international seaborne trade continued, albeit at a slower rate of 3.6% in 2008 as compared with 4.5% in 2007. The volume of global sea-borne trade for 2008 totaled 8.17 billion tons as estimated by UNCTAD (2009). Maritime transport is more critical to the development of the small Caribbean states than for most other regions because they exist as islands in the Caribbean Sea, and consequently are heavily reliant on foreign trade. However, despite the advancement in the area of maritime transport globally, Latin America and the Caribbean (LAC) continue to be plagued with high transport costs, inadequate port and transport infrastructure and a lack of coordinated maritime transport policies among others. It can, therefore, be widely appreciated that in order for LAC to achieve sustained economic development there is need for improved maritime transport cooperation in the region. This paper seeks to use the examples of Trinidad and Tobago from the Caribbean and Venezuela from Latin America to examine the ways in which Maritime Transport Cooperation can be enhanced in order to encourage development and growth in the Greater Caribbean region.

Keywords: *maritime transport cooperation; Latin America; Caribbean; Trinidad and Tobago; Venezuela.*

INTRODUCTION

In past decades, 'distant cousins' has often been the symbolic phrase used to describe the historical relationship between Latin

America and the Caribbean (LAC). This generic term has been generally accepted by many scholars across the region due to the 'stop-and-go' relationship which has

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characterised the interactions between these two sub-regions since the 1960s.

More contemporarily however, as we enter the second decade of the 21st century, the global economy is emerging with a different face. This phenomenon is not only reflected in the reconfiguration of the G8 to the G20, but also, one can observe that countries such as Brazil, Russia, India, China and South Africa commonly known as the BRICS in addition to the NEXT 11 Group of countries, and Asia and Venezuela are on the rise and can be seen as the most significant changes in the Global South.

Cognizant of this reality, leading officials of LAC are now entering into several new dimensions of cooperation including energy, food, environmental and physical infrastructure integration. This new thrust towards greater and more diverse areas of Latin America-Caribbean cooperation is reflected in several instances, most notably, the first ever Latin America-Caribbean Summit on Integration and Development in Bahia, Brazil in 2008, the Unity Summit in Cancun, Mexico in 2010 and more recently the first Brazil-CARICOM Summit in Brasilia, Brazil in April 2010. These meetings coupled with quite a few other developments taking place in the hemisphere such as the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), undoubtedly signal a 'new day' in Latin America-Caribbean relations.

While the new areas of cooperation (including but not limited to energy, infrastructure, environmental, security) identified by the leaders of LAC are indeed becoming more prominent, noticeably, the area of Maritime Transport has not received sufficient attention, especially

given its importance in the 21st century not only globally but to both sub-regions. The Caribbean Sea and other surrounding waters is one area which offers a unique prospect for the independent nations of the Caribbean and Latin America to engage in effective functional cooperation for the long term benefit of all.

THE IMPORTANCE OF MARITIME TRANSPORT GLOBALLY

Maritime transport accounts for over 90% of merchandise traded globally making it the main mode of international transport for goods throughout the world. According to recent estimates, international seaborne trade for 2007 stood at 8.02 billion tons, a volume that represents an increase in excess of 4% from 2006 (UNCTAD, 2008). Main bulks (which includes iron ore, grain, coal, bauxite/alumina and phosphate) in addition to other dry cargo accounted for the largest share of goods loaded (66%) in that year, while oil accounted for the remaining 34% (UNCTAD, 2008) See Table 1 below.

The importance of maritime transport to the world economy is not only demonstrated in its position as the main mode of transport for goods traded globally as indicated above, but more so, it is confirmed by its continued growth despite the global financial crisis. In 2008, growth in international seaborne trade continued, although at a slower rate of 3.6% as compared with 4.5% in 2007 (UNCTAD, 2009). The volume of global seaborne trade for 2008 totaled 8.17 billion tons according to UNCTAD estimates. The resilience of seaborne transport noted by its continuous growth in the face of economic and financial turmoil thus illustrates both the critical function and the great dependence of the world economy on its operation.

Table I Development of Seaborne Trade, selected years (Millions of Tons loaded)

Year	Oil	Main bulks ^a	Other dry cargo	Total
1970	1,442	448	676	2,566
1980	1,871	796	1,037	3,704
1990	1,755	968	1,285	4,008
2000	2,163	1,288	2,533	5,984
2006	2,595	1,876	3,181	7,652
2007 ^b	2,681	1,997	3,344	8,022

Source: UNCTAD (2008)

^aIron ore, grain, coal, bauxite/alumina and phosphate.

^bPreliminary.

THE IMPORTANCE OF MARITIME TRANSPORT TO THE CARIBBEAN AND LATIN AMERICA

It must be noted at this juncture that maritime transport is not only important for global trade in the international economy, but for the small island developing states of the Caribbean it is also of significant importance. This is attributed to the fact that

most of these territories exist as islands in the Caribbean Sea and therefore are heavily reliant on seaborne transport of goods both for imports and exports intra-regionally and extra-regionally. In fact, maritime transport is the main mode of transport for goods in the Caribbean surpassing that of air transport and road transport as illustrated in Figure 1.

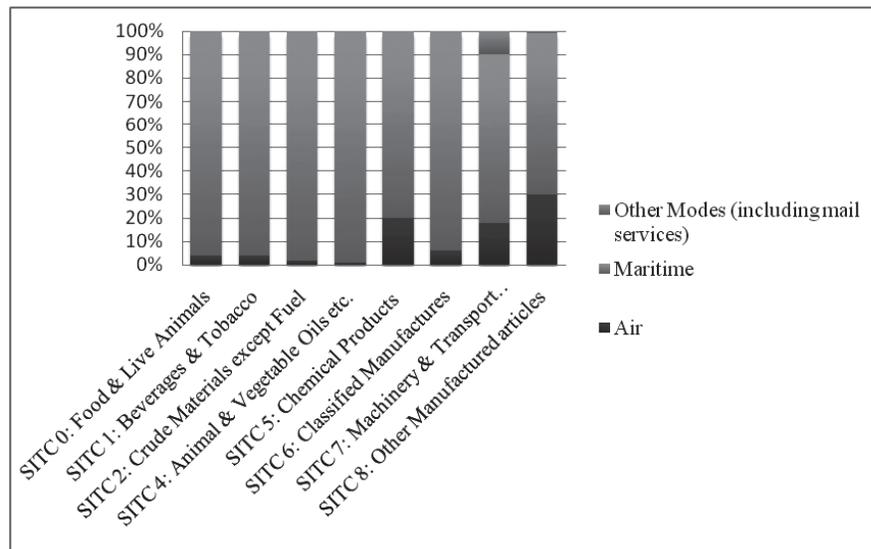


Figure 1 CARICOM Modal Split in Terms of Value by Product Group (2003)

Source: ECLAC (2009)

Table 2 Selected Latin American countries' imports volume in percentage proportion by means of transportation

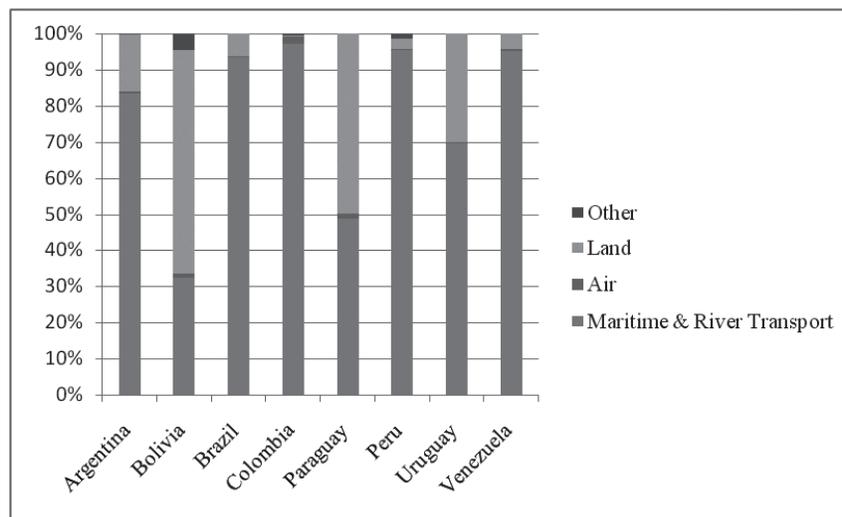
Country	Maritime and river transport	Air	Land	Other
Bolivia	32.31	1.03	62.11	4.54
Brazil	93.48	0.3	6.17	0.05
Colombia	97.25	1.91	0.22	0.62
Paraguay	48.92	1.34	49.74	0
Peru	95.47	0.26	2.95	1.32
Uruguay	69.85	0.31	29.84	0.01
Venezuela	95.26	0.5	4.24	0

Source: UNCTAD (1999)

This trend is not unique to the Caribbean as evidence also suggests that the countries of Latin America are also heavily dependent on the mode of maritime transport. Table 2 illustrates that all South American countries with the exception of Paraguay and Bolivia carry up to 70% to 100% of their imports via maritime and river transport (UNCTAD, 1999). These two countries differ significantly from other Latin

American countries because they are landlocked, hence their dependence on land transport which accounts for approximately 49% and 62% of their trade respectively.

Nonetheless, the other economies of Latin America are heavily reliant on maritime transport which is further articulated by way of column chart in Figure 2 below. The countries of Brazil, Colombia, Peru

**Figure 2** Modal split of selected Latin American countries imports (1997)

Source: UNCTAD (1999)

and Venezuela are illustrated as having the highest dependence on maritime transport.

It is therefore clear that the countries of LAC are heavily dependent on maritime transport and as a consequence it may be considered as the backbone of their economies, facilitating both imports and exports. It must be recognised however that despite the reality of the critical importance of maritime transport to LAC economies, transport costs have continued to plague the sector. In fact, both sub-regions pay significantly more for the transport of their imports, when compared with the countries of the Organization for Economic Co-operation and Development (OECD) and the world average of transport costs (See Figure 3 below).

The World Bank (1994) suggests that there is an inherent relationship between maritime transport, foreign trade and economic growth (Funchsluger, 2000).

When transport costs are low there is usually greater foreign trade, and simultaneously when there is greater trade there is a reduction in transport costs as a result of economies of scale. Therefore, the high transport costs that are prevalent in the LAC region are a major hindrance to intra-regional trade as well as extra-regional trade and by extension also hinders economic growth and development. As such, while attempting to enhance maritime transport the countries of LAC must also simultaneously find ways to address the challenge of high maritime transport costs.

PROSPECTS FOR MARITIME TRANSPORTATION BETWEEN TRINIDAD AND TOBAGO AND VENEZUELA

Traditionally, Trinidad and Tobago's relations with Venezuela have been to a large extent cordial despite issues relating to their maritime frontier. In this context, only two treaties have been made

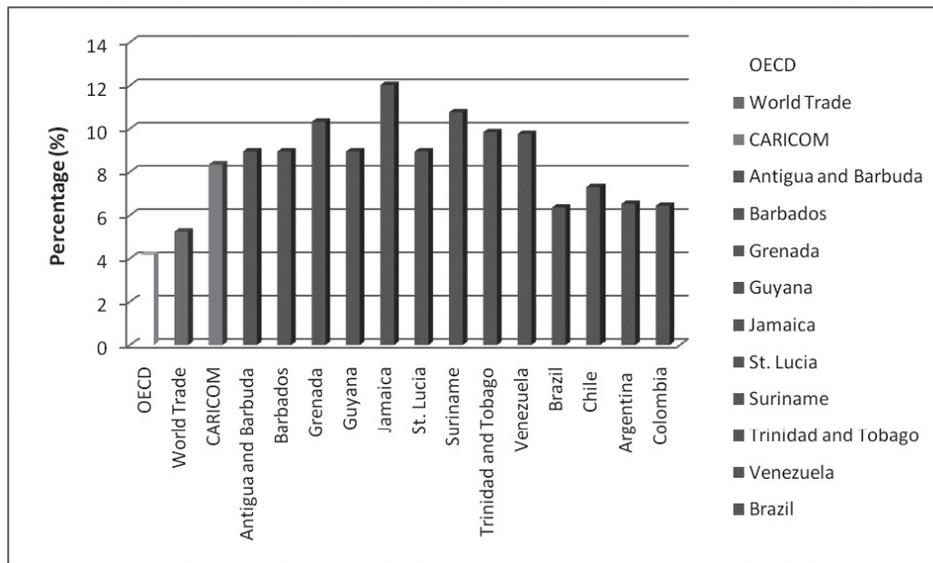


Figure 3 Costs of transport and insurance as a % of the value of the imports (1997)

Source: UNCTAD (1999)

to delimit the maritime spaces between Trinidad and Tobago and Venezuela. The first is the Treaty between the UK and the United States of Venezuela in 1942 which related to submarine areas extending from the respective territories. This treaty was later inherited by Trinidad and Tobago in 1962 in light of its transition to independence. The increase in energy exploitation by the two states thereafter led to a further delimitation of the existing boundaries in 1990, which extended the delimitation boundaries subscribed to in 1942.

This 1990 Treaty on the delimitation of marine and submarine areas between Trinidad and Tobago and Venezuela states in its preamble that both states will “resolve in a true spirit of cooperation and friendship to settle permanently as good neighbours the limits of the marine and submarine areas within which respective Governments exercise sovereignty, sovereign rights and jurisdiction through the establishment of a precise and equitable maritime boundary between the two countries” (United Nations, 1990). As such, it can be noted that maritime relations between the two states have been handled with great diplomacy throughout the years.

Trusted diplomatic activity between the two oil producing neighbours regarding their maritime frontier has been strengthened with the recent signing of the ‘unitization of reserves’ accord, a long awaited agreement to develop natural gas reserves on their maritime border. Not only will the signing of this accord develop natural gas reserves but it will also avoid future conflicts about what quantities should be afforded to each side. Trinidad and Tobago’s Minister of Energy, Mrs. Carolyn Seepersad-Bachan is reported as saying that, “it is the first of its kind in the region and speaks volumes

for how much we as nations and as an entire region have matured in our cross-border relations” (Energy-Pedia, 2010). In light of these developments one can therefore posit that relations between Trinidad and Tobago and Venezuela have entered into a new phase despite their traditional distant relations. Therefore, new areas of cooperation must be envisioned, and one of which seems to have great prospects is maritime transport cooperation.

Short Sea Shipping (SSS)

Trinidad is situated as the southernmost island of the Caribbean archipelago and thus sits just above the South American mainland. Venezuela is situated as the northernmost country on the South American mainland and thus sits just under the Caribbean archipelago of islands. In fact, to emphasise the close geographic proximity between Trinidad and Venezuela, it can be noted that both countries are washed by three oceans, namely, the Caribbean Sea, the Gulf of Paria and the Columbus Channel. At the closest point Trinidad is just 7 miles off the Venezuelan coast, which is actually closer than Tobago which is approximately 20 miles northeast of Trinidad (See Map 1 below).

It is in this context (close geographic proximity) that SSS must be considered as an option to enhance maritime transport relations between Trinidad and Tobago and Venezuela. SSS does not have a concise definition that is recognised internationally, however, for the purpose of this paper SSS shall refer to “commercial waterborne transportation that does not transit the wider ocean. It is an alternative form of commercial maritime transportation between the ports of a nation as well as between a nation’s ports and the ports of adjacent countries” (ECLAC, 2005).



Map I Trinidad and Tobago – Venezuela illustrating close geographic proximity

A total of 49 ports exist in Trinidad and Tobago and Venezuela of which 13 are in the vicinity of the Gulf of Paria and the Caribbean Sea. Port Puerto Cabello and Port La Guaira in Venezuela, and the Port of Port-of-Spain and Port of Point Lisas in Trinidad are the most modern in the vicinity. This provides great opportunities for an SSS to be implemented. An SSS service between Trinidad and Tobago and Venezuela has the potential to lower transportation costs which is indeed a major concern related to the maritime transport sector of both countries (See Figure 3 above). These high transportation costs are partly due to both countries dependence on foreign maritime transport services to trade with the world and each other. For this reason both Trinidad and Tobago and Venezuela cannot rely solely on foreign maritime services, which would take decisions not only about costing, but also about routes, schedules and financial performances according to the best interest of their owners and shareholders. In fact, if Trinidad and Tobago and Venezuela continue to rely on foreign maritime transport services, both countries run the risk of becoming hostage to external forces.

In order to maximise the full potential of SSS between Trinidad and Venezuela, however, the ports in the region will be required to expand their capacities to accommodate the estimated growth in throughput. The practice of SSS has already proved itself to be efficient in various parts of the world. For example, the opening of SSS among EU members has had a strong positive impact on overall cargo trades in that region as prices overall have decreased mainly because of increased competition (ECLAC, 2005).

Intra-Industry Trade (IIT I)

In order to assess the potential of maritime commerce between Trinidad and Tobago and Venezuela it is also important to analyse the trade flows between the two countries at a bilateral level. Figure 4 below illustrate that Trinidad and Tobago imports much more from Venezuela than it exports to Venezuela. As such, it can be noted that Trinidad and Tobago does not enjoy a very favourable terms of trade with Venezuela.

However, as one investigates bilateral trade between the countries at a product

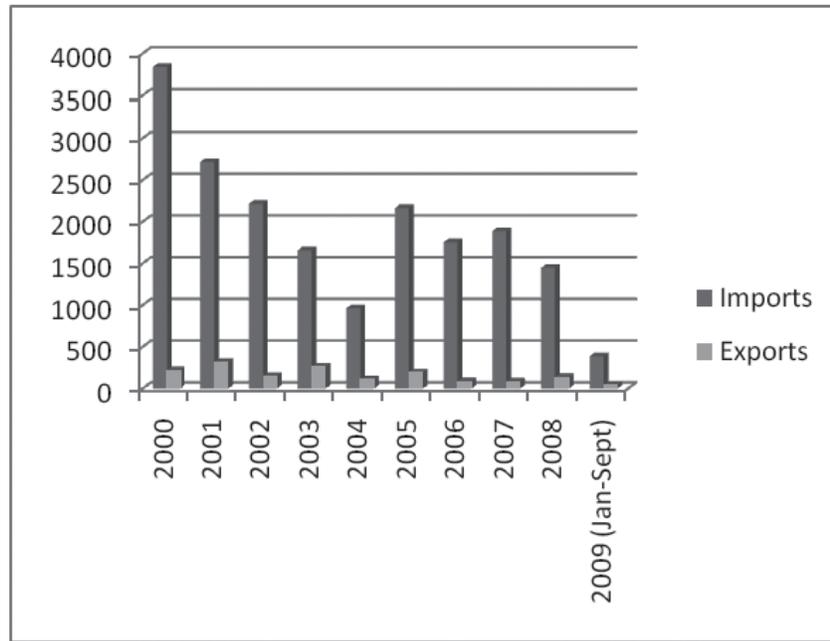


Figure 4 Trinidad and Tobago's imports from and exports to Venezuela 2000–2009

Source: CSO 2010

level one would appreciate that there is great potential for IIT 1. That is to say that Trinidad and Tobago and Venezuela can exchange products that belong to the same industry, in this case, the energy sector. This is as a result of both countries being oil producers.

In this context, it is therefore not surprising that Trinidad and Tobago main export to Venezuela is machinery which amounted for some 45% over the period 2007 to 2009 (See Figure 5 below). More specifically, the top commodities that are incorporated into this machinery include tubing and drilling pipes for oil and gas, tanks of iron and steel, petroleum reservoirs, boring and sinking machinery and overhead cranes, all of which furnish the Venezuelan energy sector. Similarly, Venezuela's second largest export

to Trinidad and Tobago is Machinery which accounted for approximately 18% over the period 2007 to 2009 (See Figure 6 below). The top commodities included in this machinery category that Venezuela exports to Trinidad and Tobago includes tanks of iron and steel and parts for boring and sinking machinery among others, again related to the energy sector.

Evidence from bilateral trade statistics therefore suggests that there are indeed possibilities for IIT 1 between the two oil producing countries. Thus, when enhancing maritime transportation between Trinidad and Tobago and Venezuela it will be functional to place emphasis on developing an intra-industry maritime trade strategy. After all, these products are traded pre-dominantly via seaborne transport.

Increased Intra-regional Trade (IIT 2)

As stated previously, Trinidad is the southernmost island of the Caribbean and Venezuela is the northernmost country on the South American mainland. In a broad sense, because of this geographic positioning, it can be noted that improved maritime relations between the two countries can be the ‘gateway’ to IIT 2 between LAC. Both

countries are therefore in a unique position to achieve, what has been an elusive goal for the regions leaders for over a decade.

Trinidad and Tobago can act as a trans-shipment point in trade relations between CARICOM and South America not only because of its geographic positioning but also because of its leadership role in terms of intraregional trade. In fact, Figure 7 below

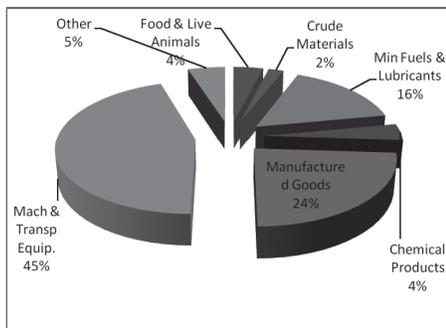


Figure 5 Trinidad and Tobago’s main exports to Venezuela 2007–2009

Source: Author’s calculation utilising CSO 2010 and UN Comtrade Database 2010 statistics

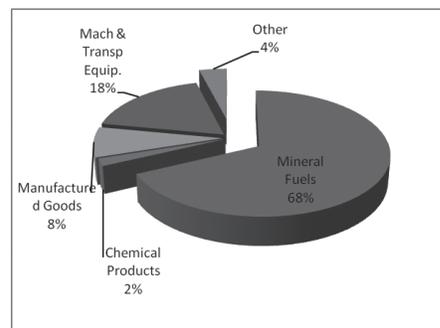


Figure 6 Venezuela’s main exports to Trinidad and Tobago 2007–2009

Source: Author’s calculation utilising CSO 2010 and UN Comtrade Database 2010 statistics

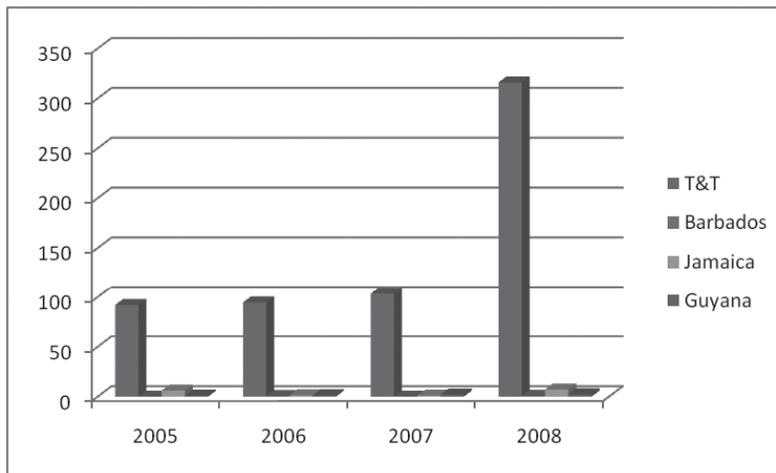


Figure 7 Selected CARICOM countries Exports to MERCOSUR and Chile 05–08 (US\$M)

Source: UN Comtrade Database 2010

illustrates that Trinidad and Tobago already exports to South America the greatest out of all CARICOM countries surpassing that of Barbados, Jamaica and Guyana.

Interestingly, Trinidad and Tobago's oldest bilateral trade partner is Venezuela. Signed in 1992, the CARICOM-Venezuela agreement on Trade and Investment is a one way preferential treatment agreement to promote CARICOM exports to Venezuela (CARICOM Secretariat, 2010). Consequently, goods such as spices, by-products of iron and steel and propane, proceeding from CARICOM countries including Trinidad and Tobago, now have duty-free access to the Venezuelan market of more than 25 million people.

Further, in light of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) prospects seems even greater. This is because once CARICOM goods reach into Venezuela, it will now be easy to transport to other South America countries. Effective maritime transport cooperation between Trinidad and Tobago and Venezuela therefore has the potential to unlock the door to other forms of collaboration and increase intra-regional trade between LAC.

CONCLUSION

This paper argues that there is potential for enhanced maritime transport cooperation between Trinidad and Tobago and Venezuela particularly in the area of a SSS service which can play an important role in creating the pathway towards increased ITT 1. It has also been argued that the implementation of SSS between the two countries may lead to a more economical and sustainable transport system that may be considered a suitable solution to bridge trade relations between the Caribbean and Latin America thereby also increasing intra-regional trade (ITT 2).

However, for these prospects to be realised there is a need for strong political support for bi-lateral and inter-regional cooperation with the encouragement of public-private partnerships among all stakeholders in the maritime industry (main stakeholders include ports, shipping agencies, businesses and governments). The cooperation of these stakeholders must be concentrated around key policy measures related to the development of maritime links including information sharing among ports and logistic centres.

In the final analysis, Trinidad and Tobago and Venezuela should attempt to shape a collaborative shipping service arrangement that would serve the interests and needs of both countries particularly with regards to products belonging to the energy sector. This collaborative shipping service should be to a large extent funded by the governments of both countries and invested in by the private sector locally, regionally and internationally. Authority of this shipping service arrangement should rest equally in the hands of both countries to ensure the continuity of cordial bi-lateral diplomatic relations.

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