

US threat to Chinese shipping could hike regional costs by 50%



Chairman of Caricom Private Sector Organisation Gervase Warner



Caricom Private Sector Organisation CEO and technical director Dr Patrick Antoine



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FILE: An overhead view of the Port of Port-of-Spain.

The world is in a whirlwind of trade wars due to tariffs that have been threatened to be imposed by United States President Donald Trump. Still, Caricom countries are hoping to avoid severe economic fallout as a result of another US policy.

Last month, the US Trade Representative's office proposed charging up to US\$1.5 million per port visit for Chinese-built vessels entering US ports as part of its investigation into China's growing domination of the global shipbuilding, maritime and logistics sectors.

The Caricom Private Sector Organisation has said the measure if implemented, would be worse than COVID-19's impact on the Caribbean shipping and the supply chain.

"There is a comparison being made to COVID and the impact on the supply chain and this issue,"

said Darwin Telemaque, CEO of the Antigua and Barbuda Port Authority during a virtual meeting hosted by the CPSO. The meeting discussed the implications for the 50 to 60 per cent increases in shipping costs to and from the Caribbean.

“During COVID, we had a massive impact on the supply chain, rates went up significantly but mostly out of the Far East, the Mediterranean and Europe. What we found were that regional lines, for the most part, there were minimal increases. They held the line, regional carriers were not following the path of bringing on those astronomical freight rates that we saw out of China from Miami. So that’s the first thing that we noticed in the midst of this oncoming challenge that we are faced with,” said Telemaque.

“This would make what happened out of China look like child’s play if it is actually implemented,” he said, “It is going to be way more drastic.”

Telemaque noted that there would likely be a significant reduction in port calls, as it had been in COVID, with the stock being affected as a result.

He said, “It is easy to see that if the freight rates go up, if the cost of going into ports becomes as onerous as it seems that vessels are going to start consolidating as they did with COVID. And as they do that, we are going to have reduced vessel calls. Reduced vessel calls mean less calls into ports. Ports depend on calls for revenue so there is going to be an impact on our ports in terms of revenue generation,” Telemaque said.

CPSO chairman Gervase Warner also explained the ramifications of these measures on Caribbean trade, as it signalled significant increases in port charges.

He said, “The implications for that, according to at least our initial estimates, is a 50 to 60 per cent increase in per TCU charge for shipping goods into and out of the Caribbean. As many of our shipping lanes do traverse through the United States, this could have a significant and deleterious impact on trade for our region.”

As such, Warner felt the meeting was important for various private sector stakeholders to discuss and galvanise initiatives to respond to these measures.

He said, “We did want to make sure that as we advance certain positions, we really do feel that we had the weight of the full private sector throughout Caricom on our side. We will also be engaging, of course, with the Caricom Secretariat and those conversations have begun.”

Warner said the CPSO has engaged with current Caricom chair Barbados Prime Minister Mia Mottley in a bid to prevent the implementation of these measures.

However, Warner said the situation is unpredictable as the President Trump administration has made many stances which may be unfavourable.

He said, “As you well know, the United States is, under this administration, pursuing a number of different initiatives to kind of establish itself in the position in which they think that United States will be great again.

“So we’ve seen tariffs against strong trading partners, or traditional trading partners like Mexico and Canada, where they’ve had a free trade agreement. We’ve seen threats to take over the Panama Canal. We’ve seen all sorts of interesting announcements. Some of them go into effect. Some of them get stayed so we’re dealing with great uncertainty here.”

While there have been instances under the President Trump administration where certain policies have been put on hold, Warner encouraged the meeting not to leave it to chance.

He urged, “We cannot take for granted that this is going to pass. And I think that if we are not very clear, and we don’t do our best to avoid this being implemented with impact to us, it will likely just happen, and we will be the victims of it all. So it’s really important for us this afternoon to come together and have a discussion, and leave this meeting with a joint perspective.”

CPSO’s chief executive officer Dr Patrick Antoine said Tuesday’s meeting, which attracted more than 300 participants, was meant to inform Caricom’s written response, due by March 24.

He said this was crucial given the US’s influence on shipping in the region.

He said, “The important thing here is that in terms of imports, our community, the Caricom states, we import 43.7 per cent from the United States. So that’s our total imports. And it’s important because there is a view by many of you who are in the know, that if we’re going to respond, we have to respond to this, basically recognising that we need to demonstrate that there’s sort of meat in what we’re going to request for the United States and for its traders.”

He continued, “The US is our largest trading partner. We’ve given you data for agriculture and non-agriculture. So this is significant as you start looking at the products, at the bulk products, at the final products, at the intermediate products, at the raw materials that we import from the US and that we export to the United States. And all of this shows is that it builds on what was said by Mr Telemaque, which is that we are highly integrated.”

Arima Mayor Balliram Maharaj acknowledged the situation required a delicate approach given the trade relationship the region shared with the United States. He said while it was important for Caricom to be firm, it also needed to be measured in its approach and consider the possibility of making a deal with the Trump administration.