2024 and Beyond: The Caribbean Trade Landscape in a Changing Global Economy

Prepared by Americas Market Intelligence
for the Caribbean Shipping Association

October 2024

Introduction

The **Caribbean Shipping Association (CSA)** has commissioned this report from **Americas Market Intelligence (AMI)** to provide critical insights for its members and stakeholders in the maritime industry.

This report explores the evolving Caribbean trade landscape, particularly considering major global developments such as nearshoring, the US-China-Europe trade dynamics, and the ongoing challenges with the Panama Canal.

With the goal of supporting informed decision-making, this report highlights both opportunities and risks in the region. It serves as a valuable resource for CSA members, offering strategic analysis across key areas such as economic growth, infrastructure, and geopolitical impacts.

The CSA is committed to equipping its stakeholders with the tools and information needed to navigate these complex changes effectively. We hope this report will foster further discussion and drive future progress within the Caribbean shipping industry.

Our sincere gratitude to our sponsors

Caribbean Shipping Association (CSA) is grateful for the generous support of our valued sponsors who have made this initiative possible.

Your support has not only contributed to the success of this report but also strengthened the resources available to our members and stakeholders across the maritime industry.

We deeply appreciate your commitment to fostering growth and collaboration in the Caribbean trade landscape.

AMI is the leading market intelligence firm for Latin America, with more than 30 years of experience providing market intelligence to leading corporations in the region.

Our mission is:

to demystify Latin American and Caribbean markets for our clients so that they can make the most informed business decisions.

Logistics Industry Advisory Group

30

years of experience in the industry

Full coverage in Latin America

Executed

More than **250** projects in the logistics industry since 2003

Context for this report

Summary of the study:

The Caribbean Shipping Association (CSA) commissioned Americas Market Intelligence (AMI) a detailed report showcasing the opportunities and challenges the Caribbean is facing from the impact of nearshoring, China, the US elections, the relationship with Europe, the Panama Canal, and more for its meeting in October in St Martin.

Approach:

AMI conducted interviews and research across five key areas:

1. Economic growth & trade
2. Infrastructure
3. Shipping industry dynamics
4. Geopolitics
5. Nearshoring

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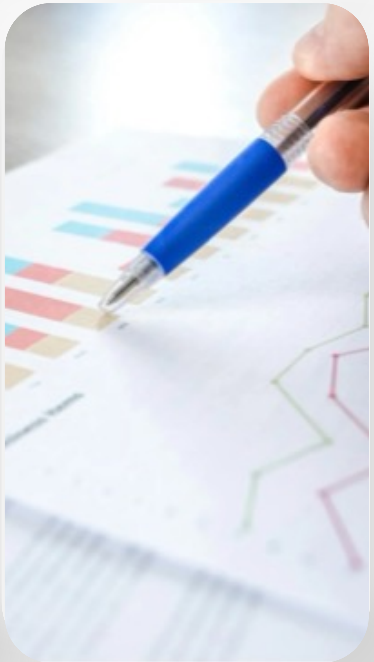
Contents of this report



A glance at the Caribbean

A snapshot of economic and shipping trends impacting the Caribbean basin

The Caribbean* will grow 8% in 2024 and 6% in 2025

2023 was a robust year for the Caribbean, and much of the same is expected for the remainder of 2024, but we need to dive deeper.

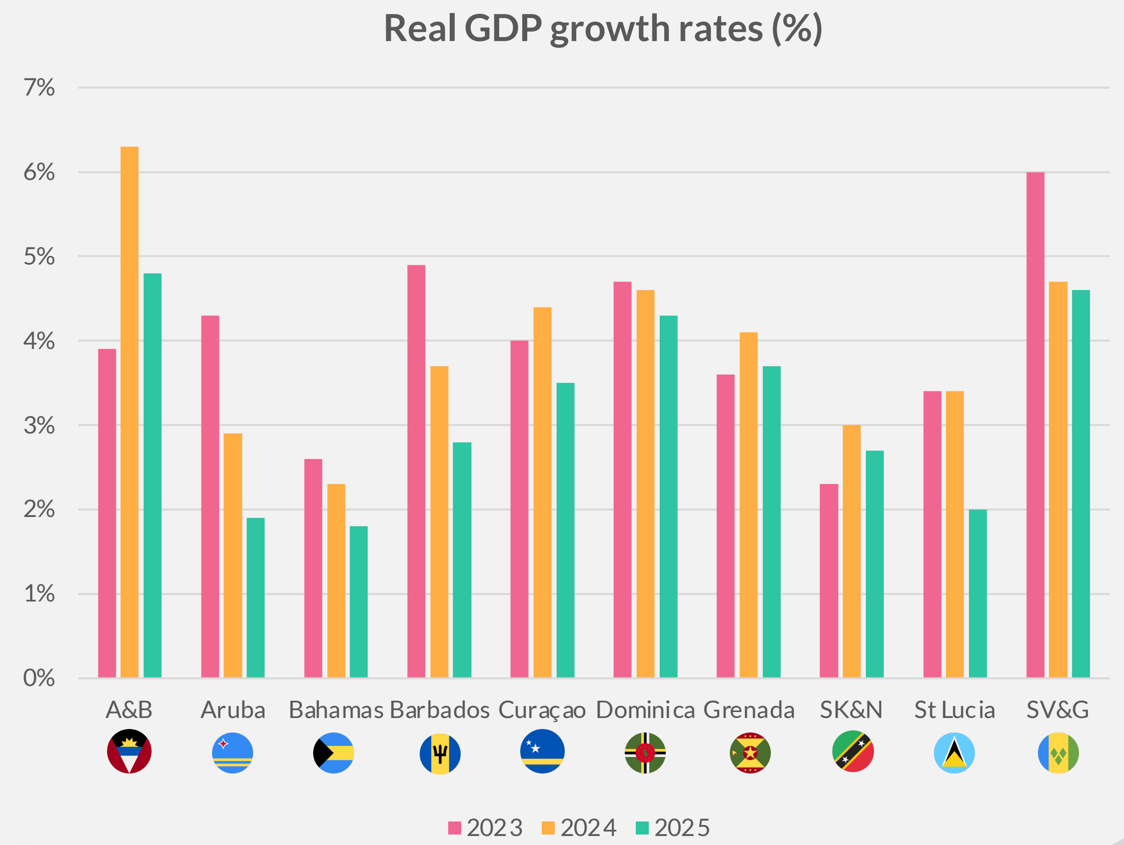
> 2023 was a very robust year for the shipping industry in the Caribbean, and we expect more of the same in 2024. We are experiencing similar growth levels. Shipping rates continue to grow due to capacity shortage. *NVOCC company*

*WorldBank estimate includes Dominican Republic, Guyana, Suriname and French Guiana

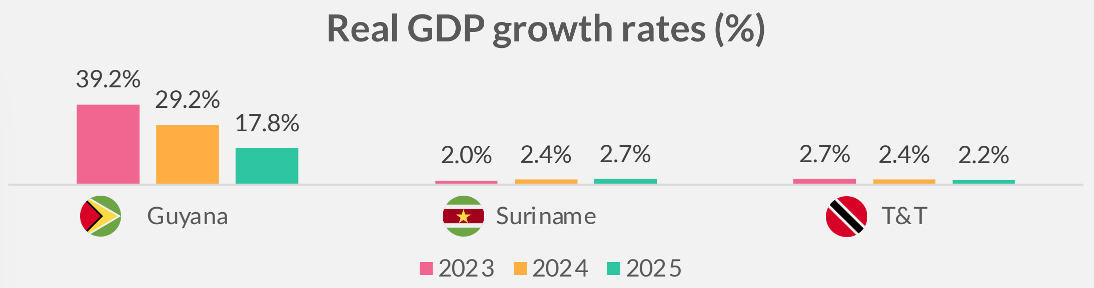
Guyana and DR will drive growth in the region

As oil production ramps up in Guyana, the pace of development will accelerate. In the DR, the re-election of pro-business Abinader bodes well for continued robust growth.

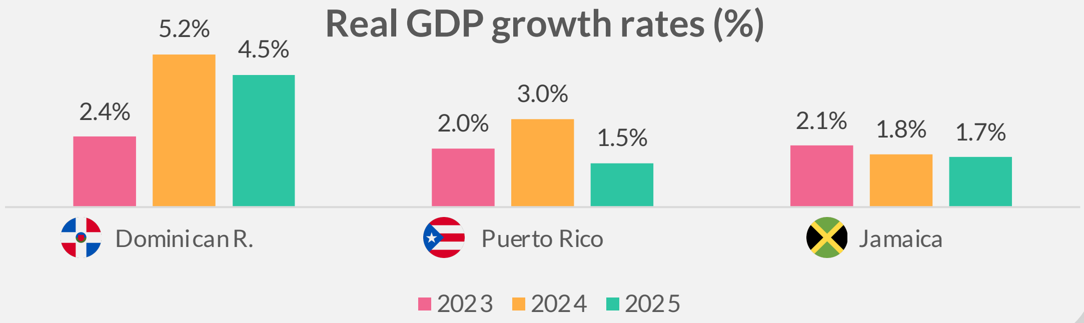
Tourism-dependent



Energy-centric



Diversified economies



Sources: Economist Intelligence Unit; IMF; Caribbean Economics Quarterly

Haiti's economy continues to shrink, albeit at a slower pace moving forward

Real GDP contraction was -1.9% in 2023 and is forecasted to be -3% in 2024 and -0.5% in 2025.

Key economic indicators

	2023	2024	2025
Real GDP growth	-1.9%	-3%	-0.5%
Exports growth ($)	-19%	+6%	+1.5%
Imports growth ($)	-12%	-6%	+8%
Private consumption growth	+1%	+0.5%	+1%
Inflation	36%	24%	8%

"

Political and security instability severely impact the economy. Growth may only resume if security improves, but gangs currently control much of the capital and have unleashed a wave of violence on citizens.

Economic and political analyst

Update by Crowley (August 2024)

- "Due to the ongoing civil unrest in Haiti, we are experiencing limited operations in Port-au-Prince, which will continue until the situation is deemed safe to resume."
- "While our vessel can offload cargo and reload any currently at the port, there is no gate access to allow for additional cargo drop-offs or pickups."

"

Exports, particularly in textiles, are unlikely to recover soon, while imports will rebound faster. The tourism sector will remain stagnant, except for the Labadee port. Agriculture will struggle due to poor infrastructure and competition from imports. Natural disasters, including potential hurricanes, pose additional risks to growth.

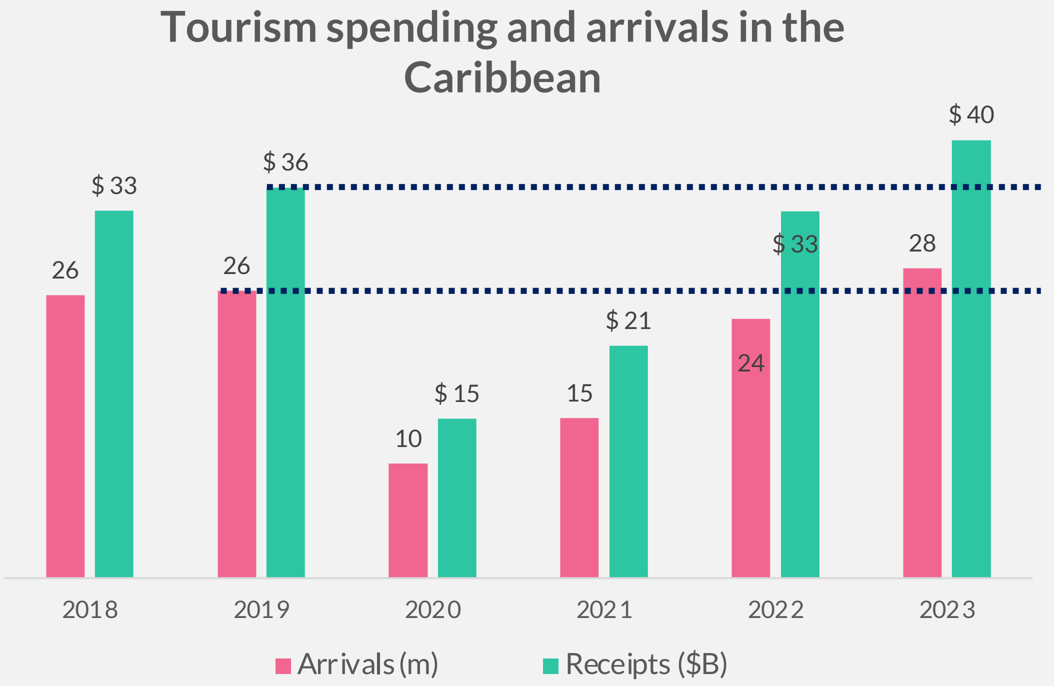
Economist Intelligence Unit

Sources: World Tourism Organization; interviews; Economist Intelligence Unit; IMF; Caribbean Economics Quarterly; Crowley

Tourism-dependent: slow but full recovery

Tourism activity has now surpassed pre-COVID levels, driving economic growth.

As the tourism and cruise sectors recover, tourism-dependent economies will see ancillary benefits



> 2023 was a very good year for us. A lot of the growth was driven by increased investment in leisure/hotel construction. We are seeing more of the same now.
> *NVOCC company*

	Strengths and key results	Weaknesses and challenges
 Barbados	• Economy and tourism at pre-COVID levels. • IMF program primary surplus target and other reforms met.	• Debt/GDP ratio (110%) among region's highest. • Inflation has eroded purchasing power.
 A&B	• Debt/GDP ratio down to 75% from 100% in 2020. • Economy near pre-COVID levels, driven by construction.	• Rising inflation at 6% (3% in 2023). • Non-performing loans, are just above the 5% (prudent) level.
 Bahamas	• Unemployment falls on the back of tourism/construction growth. • Medium-term opportunities in renewables/digitization.	• Tourism boom to level off and investment to stay weak. • Fiscal challenges persist, with new taxes planned.
 Aruba	• Tourism above pre-COVID levels and expanding capacity. • Strong Dutch institutional and financial support.	• A tight labor market could be a drag on growth. • Debt/GDP ratio (85%) well above pre-COVID (70%)

Sources: World Tourism Organization; interviews; Economist Intelligence Unit; IMF; Caribbean Economics Quarterly

Energy-centric economies: Guyana leads

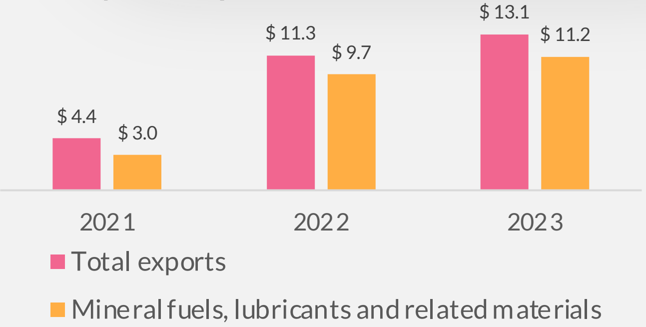
Guyana remains the fastest-growing economy in the world. Soon, Suriname's 'oil boom' will commence. T&T provides services to Guyana, benefiting from growth.

- Double-digit growth for six years.
- Exports are set to grow +10% in 2025.
- Oil production is expected to reach 800,000 barrels/day by the end of '25.
- Infrastructure investments are needed.
- Tensions with Venezuela will continue but US military support protects Guyana.

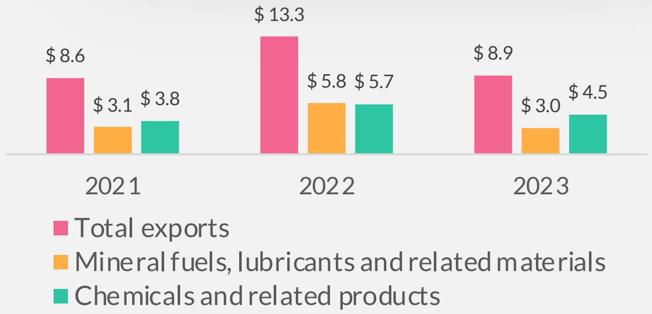
- Trinidad and Tobago is witnessing its first sustained economic recovery in a decade, driven by downstream industries and energy services.
- Waning oil/gas production dampens the outlook and challenges fiscal efforts.
- Available human and physical capital supports the diversification of the energy sector.

- Growth is driven by investment in oil production and high gold prices.
- Inflation to drop from 60% in '21 to 20% in '24.
- The IMF program appears to be restoring fiscal sustainability; governance reform; anticorruption.
- Offshore oil production to start in 2027.

Guyana: exports ($B): 2021 to 2023



T&T: exports ($B): 2021 to 2023



Suriname: exports ($B): 2021 to 2023

Sources: Economist Intelligence Unit; IMF; Caribbean Economics Quarterly; UNCTAD

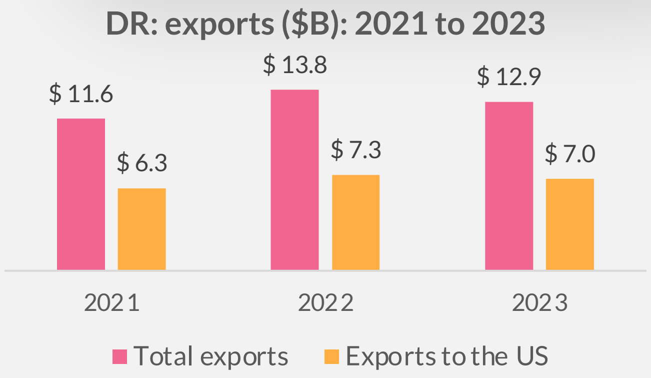
Diversified economies continue to do well

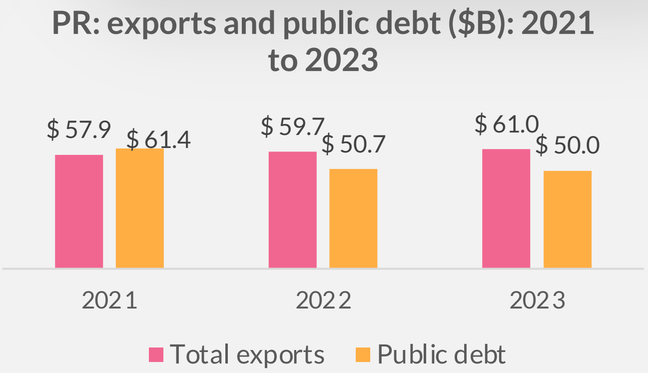
Dominican Republic continues to prosper. Puerto Rico grows moderately. Jamaica reaches pre-COVID tourism levels.

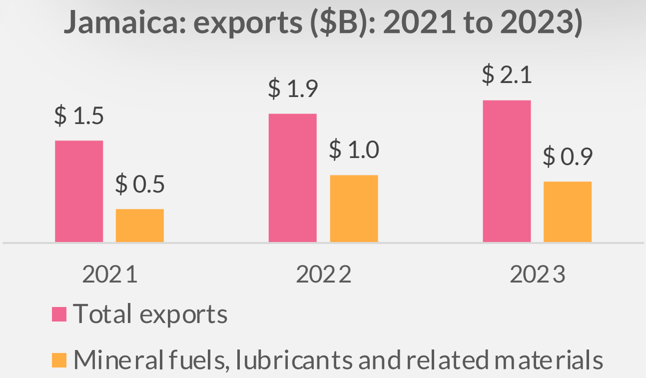
- GDP growth to average 4.5% per year through 2028 with 4% inflation.
- FDI inflows fully finance DR's current account deficit.
- Exports set to grow +4% consistently from improved trade with Haiti, though risks remain from the US slowdown.
- DR depends heavily on US trade, tourism and investment.

- Real GDP growth at +3% in '24 and +1.5% in '25, driven by delayed federal aid.
- Early COVID opening helped PR win tourism market share, now at 30% above pre-COVID levels.
- US monetary easing from late 2024 should offer support.
- Risks: federal funds delay, climate-related disasters, and a US slowdown.

- Solid progress in fiscal policy nearing debt target of 60% of GDP by '28.
- While the economy has stabilized, the focus on austerity and reliance on tourism and mining limits growth.
- Investment/demand for Jamaican goods will rise slowly.
- Private consumption should reach 2019 levels by 2028.







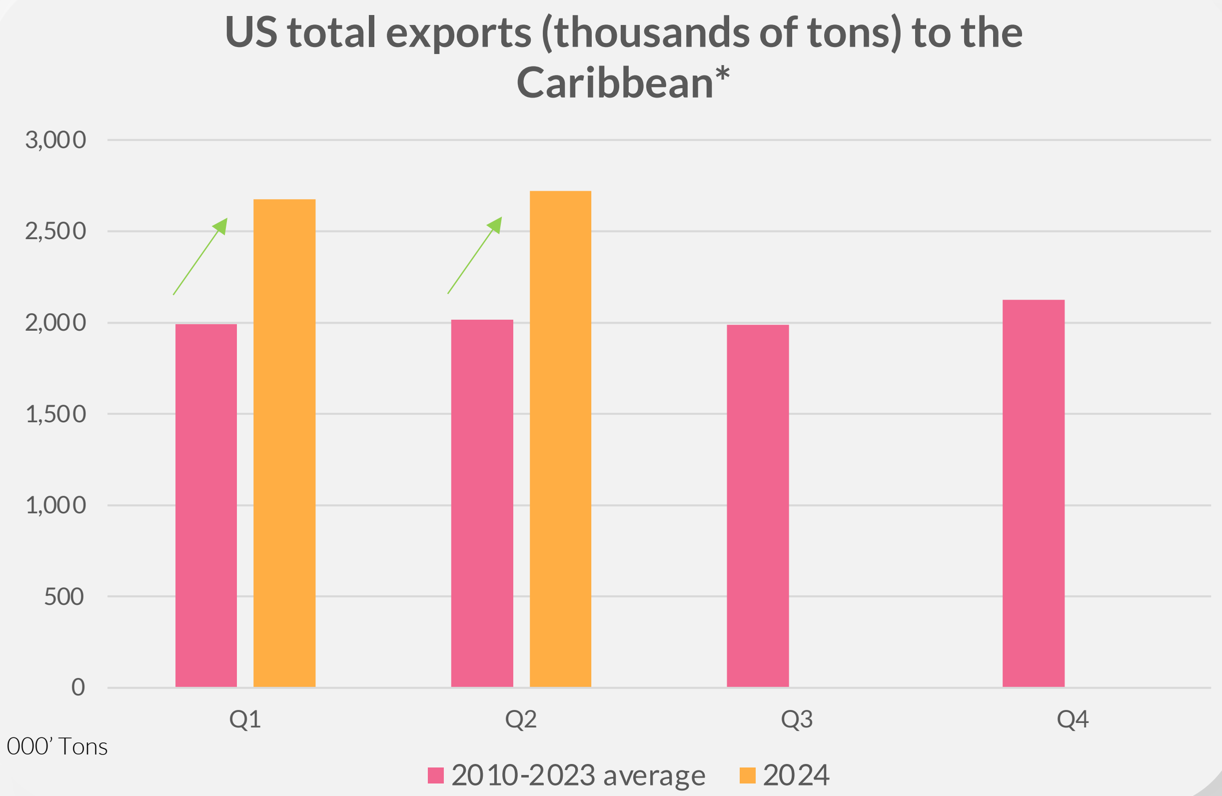
Sources: Economist Intelligence Unit; IMF; Caribbean Economics Quarterly; UNCTAD

3 key trends impacting the shipping industry

Interviews revealed three key trends in 2024.

#1 - Operators reported peak season starting as early as May with global conflicts and tariffs driving volumes and rates

Traditionally, cargo peaks towards the end of Q3 and during Q4, but the Caribbean also experienced an early peak season in May 2024.



*Major Caribbean economies

- The conflict in the Middle East and the Red Sea attacks caused a shift in the usual seasonal ocean supply chain patterns.
- Shippers and forwarders sought to prevent delays and high costs, learning from the pandemic disruptions.
- Importers in the US moved forward with their purchases before potential new tariffs on China kick-off in October '24.
- Large shipping volumes in May and June led to severe port congestion in Asia.
- This congestion caused a sharp increase in freight rates.

"As we all know, peak season is Q3-Q4, but we've started seeing it move from May, so the ships ran full May, June, July, and August. They're running flat, and there's a backlog in Caucedo, Jamaica, and Panama. People are trying to avoid the peak season surcharge, too. The rates have continued to climb as the space on the regional carriers becomes scarce." *Maritime agency*

"The early peak might be shippers trying to avoid a potential ILA worker disruption in the East and Gulf Coast. We might see less demand for H2, but we expect volumes to remain healthy." *Port operating company*

Sources: United States International Trade Commission; interviews; press releases

ILA strike: what to expect?

The White House may intervene as the economic and political implications intensify, especially with the election approaching

1

Background

- The current ILA-USMX contract expires on 30 September.
- The ILA seeks a new contract with wage increases of 77% over six years and protections against using automation to replace workers at 36 US ports.
- The union believes workers deserve a share of the recent multi-billion profits.

2

Current situation

- Negotiations stalled in June, and communication has been minimal.
- Workers are set to go on strike on October 1; it is uncertain for how long.
- The White House may intervene as the economic and political implications intensify, especially with the election approaching.

3

Impact on the Caribbean

- Congestion levels in transshipment hubs like Jamaica and DR will considerably increase, and East Coast ports will be omitted.
- A one-day strike could generate up to one week of backlogs, one week up to one month, and one month up to a year of disruptions.

Key insights

- The contract, which affects more than 40,000 workers, spans ports from Maine to Texas, including key hubs such as New York, Savannah, Houston, Miami, and New Orleans.
- The 36 ports handle 41% of US containerized port volume.
- If the strike lasts a week, it could disrupt 1.7% of global shipping capacity, further constricting the supply of equipment and vessels—similar to the impact of recent Red Sea diversions, which are estimated at 5-9%.
- Oil and gas terminals employ their own work crews, so they would remain unaffected by the strike.
- The union stated that the strike would not affect military cargo shipments or cruise ship operations.

Sources: CSA; Reuters; Financial Times; New York Times; HSBC research

#2 - A lack of capacity affected the region

The region has been exposed to global capacity constraints.

Several factors drive the container capacity crunch in the ocean shipping industry:

Redirection of shipping routes: Due to conflicts, ships avoid the Red Sea, leading to longer journeys. Also, large carriers are deselecting small, unprofitable Eastern Caribbean ports.

Port congestion: high volumes of shipments, particularly from Asia, have caused severe congestion at key ports, further straining available capacity. Today, approximately 8% of global capacity (or 2.3m TEU) is stalled due to port congestion. There is a backlog in Caucedo, Jamaica, and Panama.

Unbalanced container flows: Trade imbalances make repositioning containers challenging. 1/3 of all containers globally are shipped empty, leading to a shortage of export containers.

Demand surges: Unseasonal demand spikes, driven by restocking cycles and preemptive shipments, test capacities further.

> The capacity is becoming constrained because of the Suez and Red Sea crisis. We are at the same level compared to 2023, which was not a bad year. There is now more demand because of all the problems...we could do more if we had the capacity.
>
> *Container shipping company*

> We have seen more about the lack of capacity than the rate increase. You have a universe of containers, and now that the inventory of boxes is getting stretched thinner and thinner, that's a part of it.
>
> *Port operating company*

Sources: interviews; Metro Shipping; Xeneta

#3 Operational issues: Infrastructure

There are two Caribbeans when it comes to infrastructure: one with access to private investment and funding, the other made up of smaller regional ports.

1

Infrastructure issues

- There are two Caribbeans: one with access to private investment, such as JAM, PAN and DR; the other made up of state-owned ports that fail to attract capital.
- Some islands exhibit a mix of small and cramped harbors and berths, with designs and construction averaging around 60 to 70 years of age.
- Low economic growth has hindered investment in infrastructure, hindering productivity. Financing remains a big challenge.
- The region now focuses on maintenance, improving regulations, and preparing for climate change-related challenges.
- Natural disasters often damage vital infrastructure, complicating development.

2023 Logistics Performance Index (LPI): Infrastructure scores (out of 5) and global rank (out of 139)

	Global	LATAM	A&B	BAH	DR	GRE	GUY	HAI	JAM	T&T
Infrastructure score (out of 5)	2.9	2.7	2.7	2.5	2.7	2.5	2.4	1.8	2.4	2.4
Infrastructure rank	-	-	68	80	68	80	89	136	89	89

The LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their trade logistics performance and what they can do to improve it.

> Many ports in the English-speaking Caribbean are still under government control and have limited capital. So, they are not being developed to the extent of private investment in Kingston, DR, and Panama.
> *Port operating company*

> I see no major infrastructure works for more berths. What I see is more equipment. But that has a specific limit. You can add equipment and increase your productivity and efficiency, but it gets to a point when you need additional berths.
> *Port operating company*

> The challenge for ports in the Caribbean is that more and more shipping lines are requesting investment, but they're trying to drive down your rates.
> *Port operating company*

Sources: interviews; CEPAL; World Bank; Americas Quarterly

#3 Operational issues: Handling Capacity

Adding equipment and increasing productivity and efficiency at ports is key to attracting companies for potential nearshoring opportunities.

2

Handling capacity

- Many of the ports were built in the 1960s for break-bulk cargo, which did not fully support the rise of containerization.
- Consequently, trade facilitation remains inefficient, with limited streamlined processes.
- Cargo volumes are relatively low, and many incoming shipments are consolidated as Less-than-Container-Load (LCL), where multiple shipments share a single container.

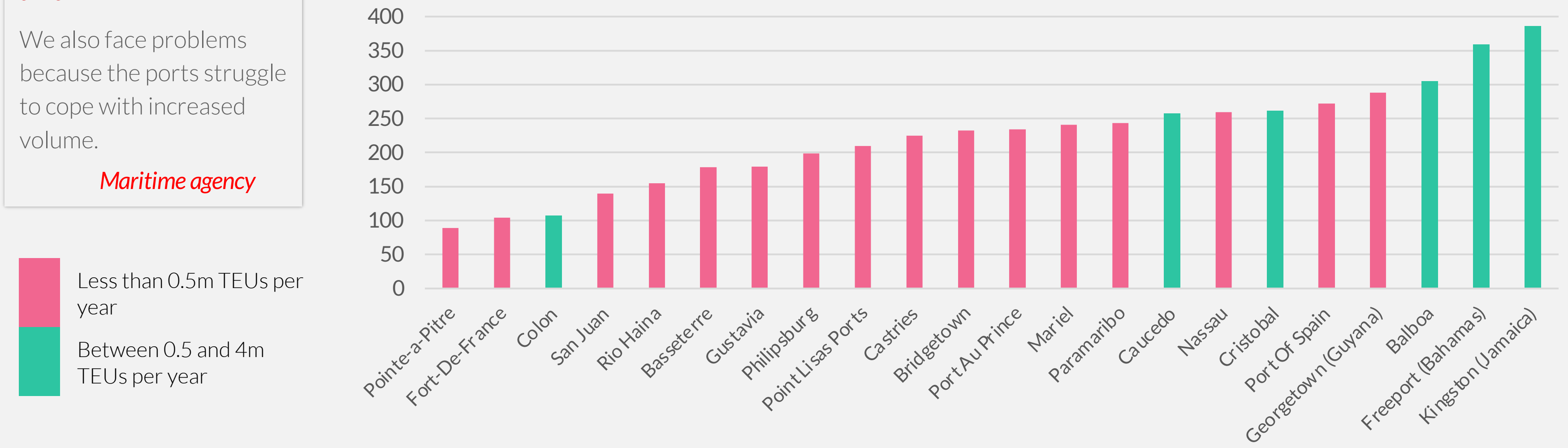
Handling equipment should be a key point for discussion because it doesn't take much money to kit out the second—or third-tier markets properly. The small ports don't have the handling equipment.

NVOCC company

We also face problems because the ports struggle to cope with increased volume.

Maritime agency

Container Port Performance Index 2023: global ranking (lower is better)



The (CPPI) is a ranking system developed by the World Bank and S&P to measure and compare the performance of container ports worldwide.

Its primary goal is to highlight the efficiency and productivity of container ports, focusing on how effectively these ports manage the movement of containers.

Sources: interviews; CEPAL; World Bank; Americas Quarterly

#3 Operational issues: Shipping rates

The limited connectivity between islands and poor short-sea shipping routes drive up rates, making them higher than other global regions.

3

Shipping rates

- In Caribbean regional trade, cargo ships typically sail southward fully loaded but return northward empty.
- The limited connectivity between islands and poor short-sea shipping routes drive up rates.
- This imbalance drives the cost of shipping goods to northern markets, putting the region at a significant disadvantage.
- Shipping rates in the Caribbean are estimated to be three times higher than the cost of moving a container across the Pacific.

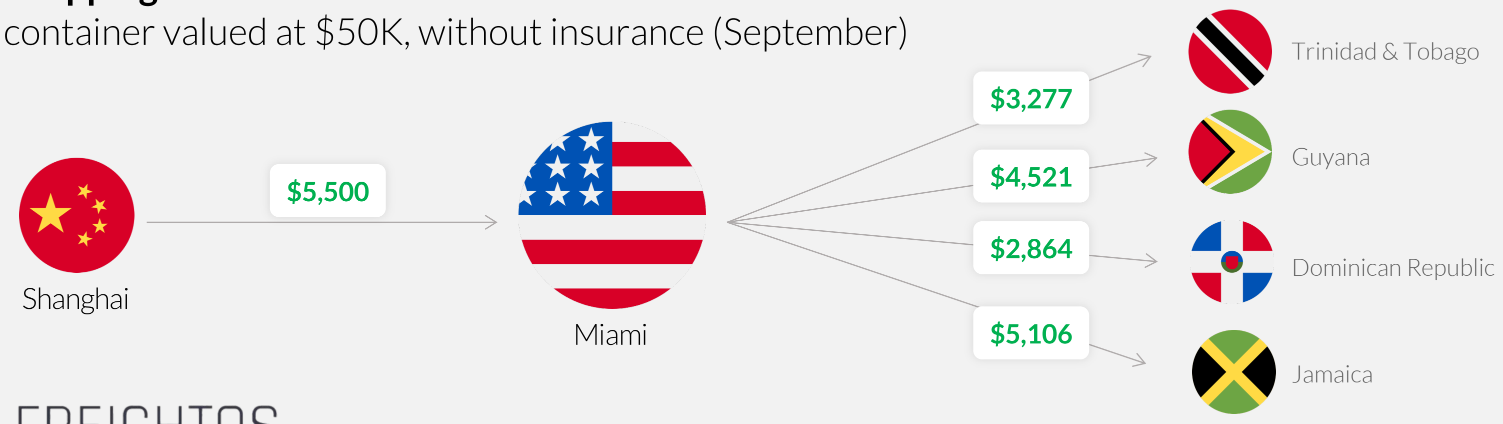
> Shipping lines from Florida are sometimes charging as much as shipping from China.
>
> *NVOCC company*

> Big importers and manufacturers will pay the increased shipping rates and pass on the cost to the consumer.
>
> *Port operating company*

> Typically, if large manufacturers or distributors need to move cargo from Kingston to the Eastern Caribbean, the cargo is shipped to Miami, and then redistributed from Miami into the region.
>
> *Port operating company*

Cost of shipping from China to the Caribbean:

1 x 40’ container valued at $50K, without insurance (September)



Sources: interviews; CEPAL; World Bank; Americas Quarterly; Freightos

The Panama Canal: update

The Canal is returning to normal operations and has announced expansion plans.

The Canal has rebounded from its drought crisis

Canal delays put pressure on Kingston and Freeport who hosted ships waiting clearance to enter the canal.

Timeline of the drought and recovery

Late 2022: low rainfall reported
- Below-average rainfall is reported

April 2023: max draft decreased to 47.5 feet

July 2023: capacity reductions begin

November 2023: capacity reductions stop

- Under normal circumstances, the Panama Canal allows 36 transits every day.
- It reduced the number of daily crossings first to 32, then 31.
- October was declared the driest month since 1950.
- Finally, in November 2023, only 22 crossings were allowed daily.

Jan-Apr 2024: transit capacity increased
- Capacity increased to 24, 27 and then 31 vessels per day

July 2024: new reservoir project announced
- Expected within six years

July 2024: transit capacity increased
- Capacity increased to 33 vessels per day

August 2024: max draft increased to 49 feet
- Up from 47ft in June and 45ft in May

2025: project discussions and normal operations
- New reservoir debates start; ops normalize

Researchers associated the 2023 drought with El Niño, which doubled the likelihood of low rainfall. Population growth also worsened water scarcity.

> The wait time was tremendous, and the cost was, too. It also put pressure on Kingston and Freeport because once all the ships came through, it was backing up. With the way the weather is going, I expect this for years to come…
> *Maritime agency*

> It is important that it is raining now; La Niña has arrived strongly. More water is available, increasing the number of slots available for transit and the maximum draft (its maximum is 50). Normalization of the channel is imminent. *Port operating company*

> With the drought, shipping lines charged a 'water usage' fee. As transit normalizes, the fee becomes variable, lowering costs. But higher freight costs may offset this. However, service should improve with more choice in the Canal.
> *Port operating company*

Panama is exploring long term solutions to safeguard the canal

The Rio Indio reservoir is the solution with the best cost-benefit ratio. The Canal authority and the government must still approve the project, which will take six years to complete.

The $1.6B Rio Indio project

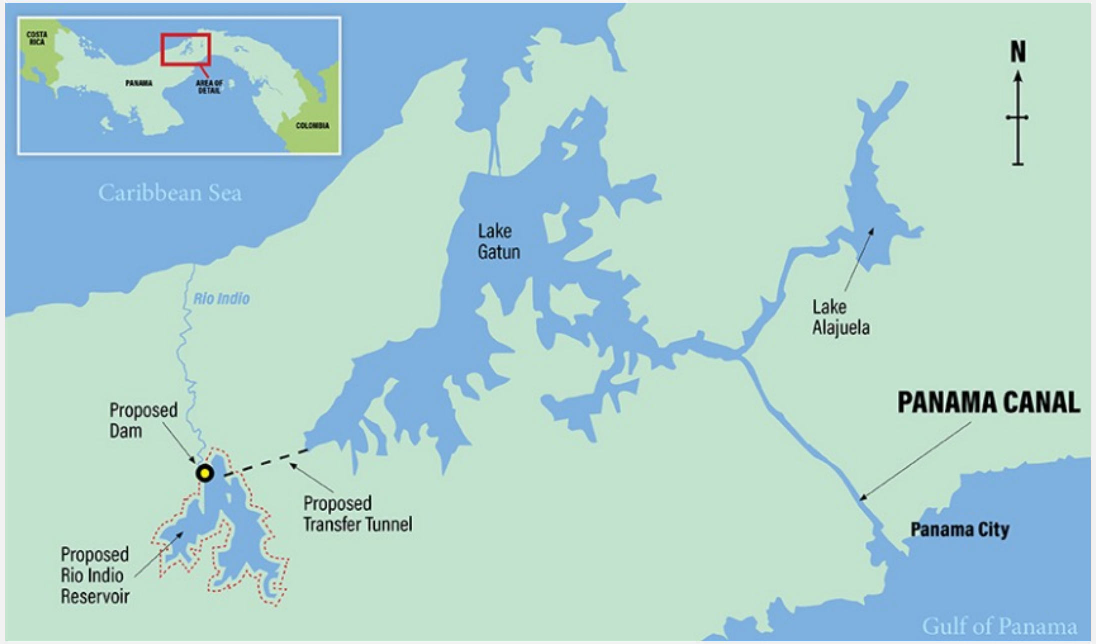
A 2006 regulation prohibited the waterway from expanding outside its traditional watershed.

The new 2024 Supreme Court ruling allows the boundaries to be reinterpreted, clearing the way for the Rio Indio project.

Authorities must consult and gain acceptance from the 4,000 families living in villages around the Rio Indio basin. This could take 18-24 months.

The new reservoir project requires six years and $1.2B, plus $400M earmarked for investments in neighboring communities.

Situated on the Río Indio, west of the canal and Gatun Lake, the new reservoir would connect to the canal via an 8.4 km concrete tunnel, moving some 1.5 billion cubic meters of water.



> There were two proposals. The Rio Indio proposal is the least expensive but takes longer. The 2nd option, on Rio Bayano is much further away, but there is already a reservoir created and thus requires less time to complete - but it costs three times more. Rio Indio is the solution with the best cost-benefit. We now wait for the Canal and the government to say definitively that we can proceed, and it will take about six years between the decision and the project being ready. *Port operating company*

Sources: interviews; Engineering News Record/Scott Hilling; ACP

Panama’s “dry canal” helps ward off competitive initiatives in Mexico and Colombia and boost Panama crossing capacity

The aim of the dry canal is to make the current setup more efficient

In April 2024, it was announced that a ‘Multimodal Dry Canal’ project would move cargo between the Pacific and Atlantic oceans to complement the Panama Canal.

It will consolidate the existing network of roads, railways, port facilities, airports, and free trade zones that move 1M TEUs annually into a new ‘special customs jurisdiction.’

The dry canal will expedite the movement of containerized goods through the isthmus and improve clearance times.

The Panamanian authorities estimate that 85% of the 8.5 million containers passing through the Panama Canal are destined for transshipment, and the dry canal seeks to lower transshipment's time and cost requirements.

Competitors might emerge

$2.8B plan to modernize a 300km railway across the south.

$6.5B plan to connect the Atlantic and Pacific coasts by rail.

However, it is unlikely that these projects will win much share, if they are completed at all.

> We have met with CAF, and the idea is to launch pilots to establish capacities and bottlenecks of the dry canal. Many actors are currently involved. The idea is to unify processes and provide a common front for that operation. The government has established a free zone for the movement of containers and cargo. The idea is to build on that to make government processes more efficient and for the companies working here to have greater certainty about what the country aims for.
>
> *Port operating company*

Sources: interviews; press releases

The US-China-Europe ‘influence web’

The Caribbean has links with all three economic ‘superpowers’, but China is winning the ‘long game’.

USA, EU and China all boast strong links with the Caribbean

However, the nature of said links differ by partner and the levers and levels of influence have changed through the years.

- Historic investment ties and geographic proximity.
- Major trade partner and #1 source of tourism.
- Significant US involvement in security and disaster response.

> The US has not realized that the Caribbean is its backdoor and must invest adequately in infrastructure. Florida is bound to the Caribbean through location, family, culture, and economy. That is very hard to change; it will never be broken. *Former diplomat*

- Growing influence through investments in infrastructure and bilateral lending.
- Part of China's strategic Belt and Road Initiative.
- Deepening dependency raises concerns over debt sustainability and ulterior strategic motives.

> Not everyone in CARICOM is aligned with the PRC, so there's a split on the one-China policy. Few countries have ideological reasons for aligning with the PRC. For most, it's a case of economic pragmatism more than anything else. The PRC is an economic lifeline. *Former diplomat*

- Historical connections through former colonial ties.
- Relationships now focus on development aid, trade agreements, and cultural exchanges.
- Supports economic development and regional integration.

> The EU and the UK do not see themselves directly competing with China. They would like to have more economic activity. Natural gas is essential to the EU, especially since the Ukraine conflict. Guyana's increasing reserves will become more critical as production is ramped up. *Former diplomat*

Sources: interviews

China has taken advantage of a passive US presence

China has deliberately planned to invest in the region, whereas the US has only maintained trade links without a cohesive regional plan.

1 'Benign neglect' from the West

- Most Caribbean countries would naturally align with the US, Canada, UK, and EU.
- Unfortunately, the attention paid to the CARICOM, particularly by the US, tends to be sporadic and Cuba-obsessive.
- Caribbean leaders have turned to China for economic support and soft loans for development projects.

> The global economic powers see CARICOM countries as relatively stable, prosperous, and too small to warrant concern, except when a vote at the UN is coming up.
>
> *Former diplomat*

> The Chinese invest in infrastructure to build relationships, while the West invest in hotels.
>
> *NVOCC company*

2 Playing the 'long game'

- China has exploited that subtly, presenting itself as a friendly partner willing to inject cash when needed.
- China's cheap currency policy generates excess dollars that the country is willing to lend each year.
- China's financial clout is evident in its membership in the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB), as well as its role as an observer in the Organization of American States (OAS). Their financial resources translate into influence.

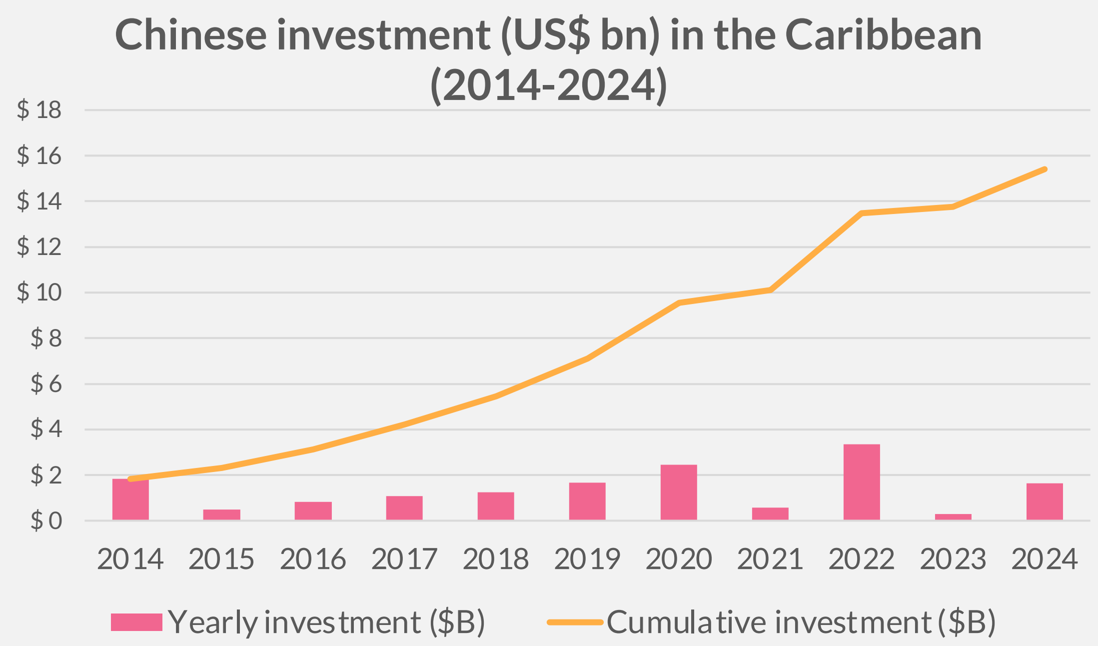
> The Chinese presence in the Caribbean is by no means charitable. It's chipping away at US and Taiwanese influence. The Chinese are experts at playing the long game.
>
> It's also the case of Guyana and Suriname, particularly, and to a certain extent, looking at our natural resources, as they are doing in other parts of South America. And they've got deep pockets and patience.
>
> *Former diplomat*

Sources: interviews

Chinese investment has focused on infrastructure

Including the Caribbean in its Belt and Road initiative serves China on several fronts: i) It keeps Chinese engineering firms employed; ii) The one-China policy gets a boost from Caribbean votes at the UN; iii) Better infrastructure facilitates Chinese trade.

China has invested consistently for 10+ years



China-backed ports in the Caribbean

- China has aimed to position itself as the region's primary trading partner and a global leader in the financing, construction, and operation of maritime ports across Latin America and the Caribbean.
- A study by the Center for a Secure Free Society (SFS), a US security and defense think tank, revealed that China has invested in nearly 40 ports across Latin America and the Caribbean over the past 15 years.

> Chinese investments fall into two categories: those linked to loans from Chinese policy banks and those made by individual companies operating outside of state-to-state financial frameworks. *Economic analyst*

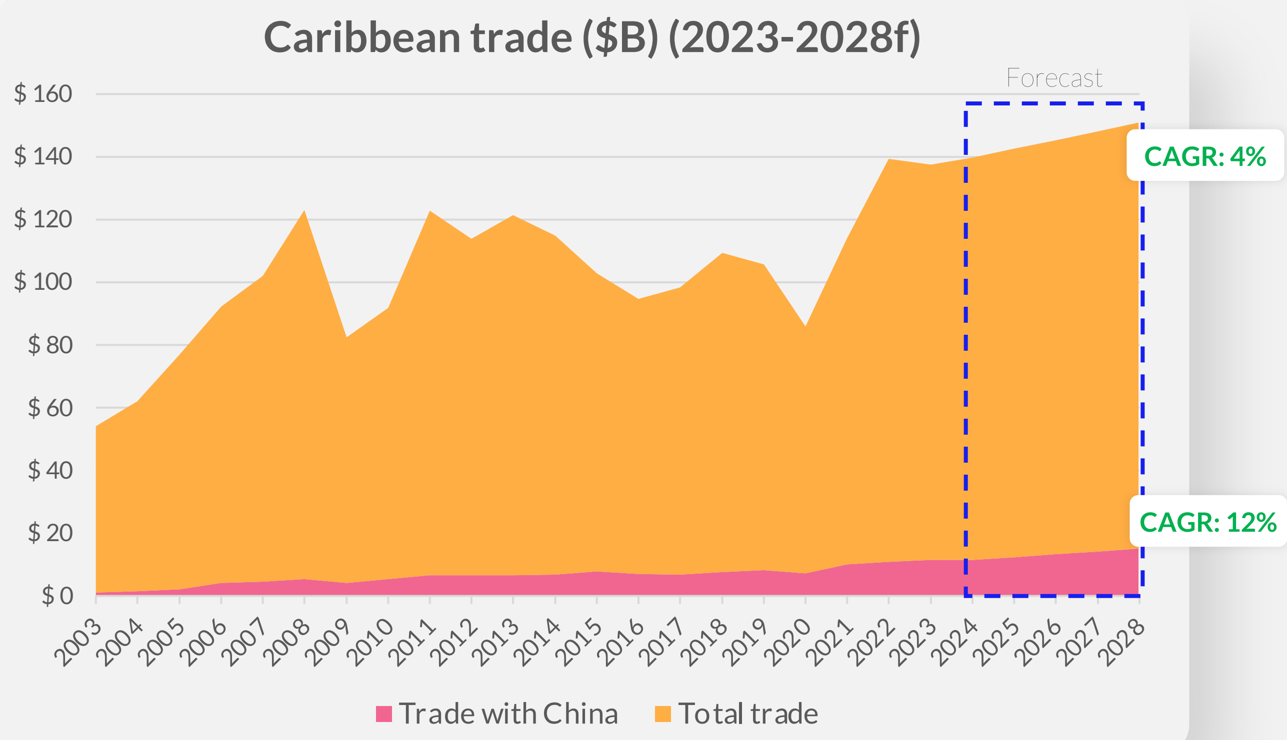
> Over the past two decades, US intervention in the Caribbean has reduced in terms of money. China has seized that opportunity. Chinese capital dominates new port investment in the Caribbean. *Port operating company*

Sources: interviews; Inter-American Dialogue; Diálogo Americas; Global China Investment Tracker (AEI); SFS

Diplomatic & financial investment helps boost Chinese trade

China is not the Caribbean's leading trade partner but is its fastest growing trade ally.

Over the past 20 years, trade with China has grown faster than total trade in the Caribbean to reach $11.4B



- While total trade (exports + imports) in the Caribbean has doubled in the past twenty years, trade with China has grown by x8.
- By 2023, trade with China had reached $11.4B (growing at 12% annually for 20 years).
- Since its establishment in 2004, the China-Caribbean Economic and Trade Cooperation Forum has been the platform for economic and trade dialogue between China and Caribbean nations.

> We have seen increased trade with China mainly because they are very price-competitive, especially given supply chain issues. In the region, we are constantly seeking to diversify, not just the composition of our trade but also our trading partners.
>
> *Economic analyst*

> This relationship has boosted trade with China, naturally. The price of Chinese goods is lower in the US and so they are shipped from there.
>
> *Economic analyst*

Sources: interviews; UNCTAD

US priorities are elsewhere, reflected by the lack of US investment in the Caribbean

Recent US administrations have focused their attention far away from the Caribbean, paving the way for Chinese influence.

1

Lack of directly US-led financed projects

- While the US supports multilateral financing for infrastructure projects across the region, the noticeable shortage of infrastructure projects directly financed and led by the US is palpable.
- Recently, the US has not pressured for stronger democratic institutions and economic development in the Caribbean.
- Both the Trump and Biden administrations have neglected the Caribbean versus previous US administrations.

> For years, Americans have not stepped up to the plate...there is always something else happening. However, in the Biden-Harris administration, you've got the partnership for action on climate change, 2030, which arose from the 2022 Summit of the Americas in Los Angeles.
>
> *Former diplomat*

2

'New wave' of Chinese investments

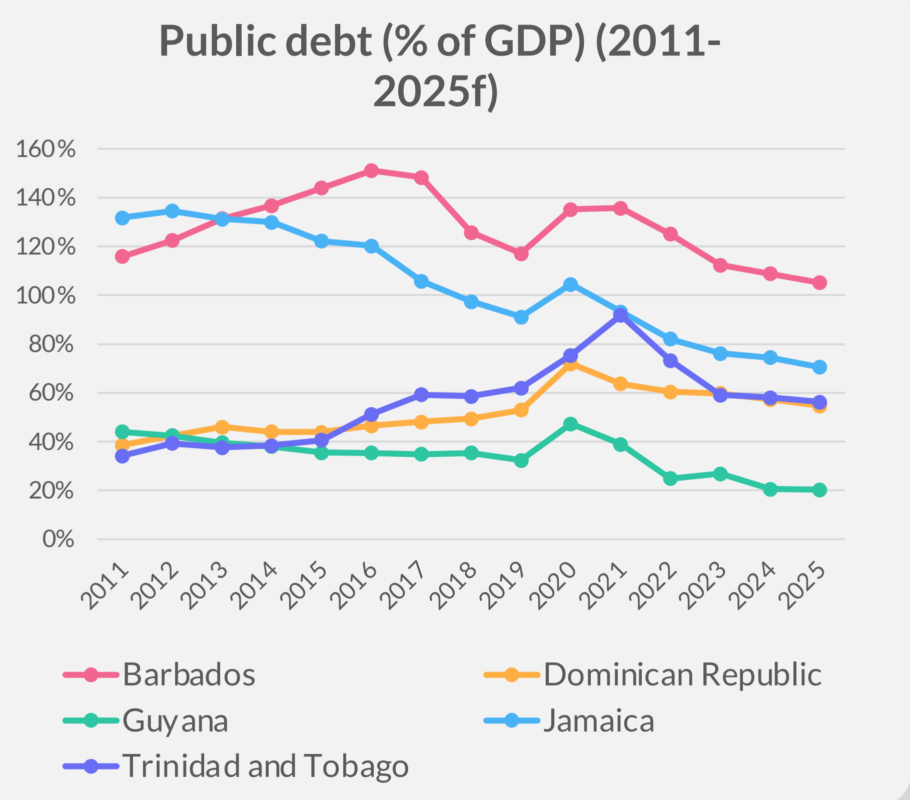
- Greater investment in infrastructure will not be enough for the US to regain its influence.
- Future Chinese investments in LAC will focus on "new infrastructure", which includes telecommunications, fintech, and energy transition.
- These industries, closely tied to innovation, are also key components of China's broader economic growth strategy.

> Unseen tension between the US and China is to be expected. China has financed projects in St Vincent...Antigua...and what we can expect is that they will continue to look for new opportunities.
>
> *Port operating company*

Sources: interviews; Inter American Dialogue

Improving debt ratios in the Caribbean enable governments to engage in long-term infrastructure financing (from the Chinese)

The US sees Chinese investment in its backdoor as a national security threat but has yet to mount a counter-offer.



- While Chinese investment in infrastructure aids economic growth and development, some fear that it is accompanied by surveillance activity.
- Some analysts also raise concern that loans from China are typically backed by collateral like lease rights or commodities rather than monetary repayment, further entrenching Chinese interests in the region.
- But as the only serious investor in infrastructure, the Caribbean needs Chinese capital and know-how to remain competitive.

> The governments in the region see the US as a preferred ally, but only China is prepared to lend money and invest in its infrastructure. Greater Chinese influence comes at a cost (like long-term debt obligations), but politics is a short-term contest, and the Caribbean needs support today.
>
> *Port operating company*

> We are seeing Chinese companies get involved in regional infrastructure setups, and the buy-in is tremendous. This means work for us…, but there is another story…the debt ratio dramatically increases.
>
> *Maritime agency*

Sources: Economist Intelligence Unit; interviews

For now, the Caribbean remains bound to the US

The geographical, economic, and cultural links between these two regions are profound, historic and unlikely to change.

Trade: the US is the region's #1 partner

- The US is the Caribbean region's largest trading partner and its leading source of untied aid.
- *"The US is our main trading partner and investor. I don't see this changing soon."* *Export agency*
- The Caribbean Basin Initiative (CBI) and the Caribbean Basin Trade Partnership Act (CBTPA) have provided participating Caribbean countries with preferential trade access to the US market.

Share of trade in the Caribbean

Family and culture: migration is key

- Before COVID, approximately 4.5 million Caribbean immigrants resided in the US, representing 10% of the 44.9 million foreign-born population.
- Close to 90% come from Cuba, the Dominican Republic, Jamaica, and Haiti.
- Caribbean people are major consumers of American media and other cultural content.
- The familial and cultural links generate massive remittance traffic.

Est. annual remittances from the US to the Caribbean ('23) **US$16bn**

Tourism: the US is the largest source market

- In 2023, 16.3 million stay-over arrivals came from the US, a 12.7% year-over-year increase and surpassing pre-pandemic levels by 4.2%.
- US-based airlines use Miami as their hub to service the Caribbean.

Yearly flights to and from the Caribbean by the top US-based airlines

- American Airlines 90,072
- jetBlue 81,795
- Delta 36,451
- Cape Air 32,257
- United 31,867

Geopolitics: the US 'backyard'

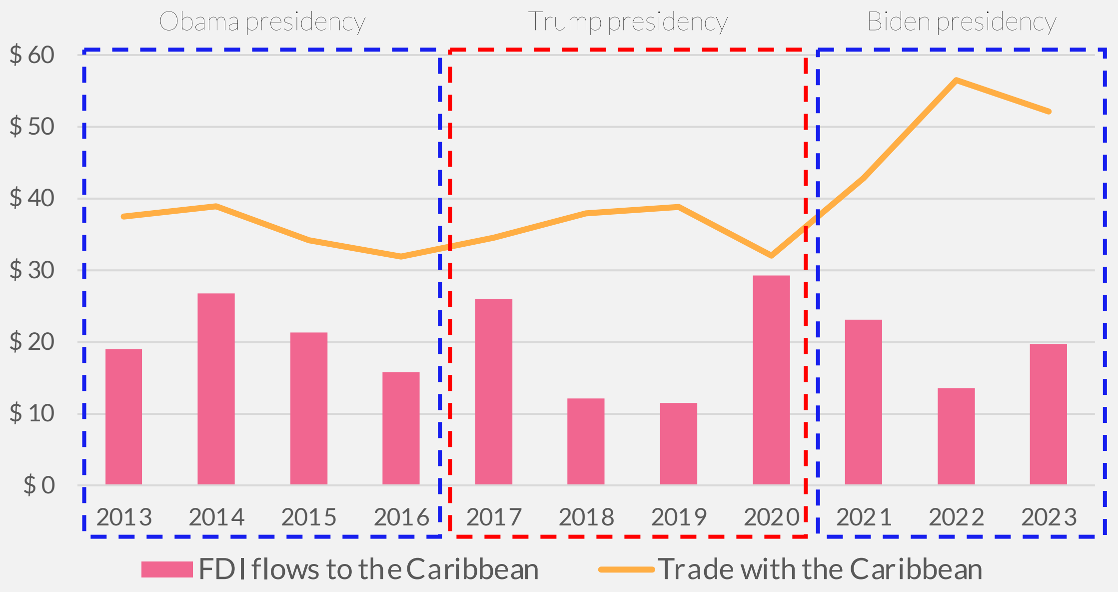
- Due to the Caribbean's proximity to the United States, regional security is a shared priority for both sides.
- As a result, the US frequently engages in security cooperation with Caribbean nations.
- While this collaboration is vital for ensuring the region's safety and stability, it also allows the US to influence local security policies.
- *"Amid the shifting global landscape, Latin America and the Caribbean will continue to be a region of strategic interest for the U.S., as it seeks to maintain influence and compete for dominance."* *Former diplomat*

Sources: UNCTAD; SimpleFlying; Caribbean Tourism Organization; Migration Policy; Caribbean Issues

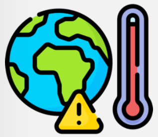
The US election results could impact the speed of tackling climate change, a priority regional issue

There should be no major short-term differences between a Harris or Trump presidency as there is enough bi-partisan support of the Caribbean. However, there are key differences between both candidates that do impact the region.

United States: trade with and investment ($B) in the Caribbean (2013-2023)*



*Please note that for some countries FDI figures have been suppressed to avoid disclosure of data of individual companies.

		
	• The US might not continue to support climate change initiatives in the region at the rate it has in the past.	• Labels the climate crisis as an "existential threat". • Has backed many of Biden's climate initiatives.
	• Threatens to impose large tariffs on countries that refuse to accept deported migrants. • A merging of immigration and trade policies.	• Likely to push the 'nearshoring' cause to control the flow of migrants.
	• Escalates trade war, forcing more companies to shift production. • Potential crackdown on Caribbean ports using Chinese equipment.	• Policy continuity in the US to decouple from China slowly.

The nature of the engagement will be a little different. A Trump presidency would mean more transactional relations and more demands from the US. A Harris administration would probably be more of the same, with more respectful engagement, genuine cooperation, and multilateral forums.

Former diplomat

Sources: interviews; Bloomberg; Council on Foreign Relations; Bureau of Economic Analysis; UNCTAD

The EU is pushing to have more Caribbean in their relationship with 'Latin America'

European influence in the Caribbean is growing again, albeit slowly.

Latin America integrating the Caribbean

I see a trend of having 'more' Caribbean in Latin America. The Caribbean was forgotten.

Now, much attention is being paid to Latin America and the Caribbean in our diplomatic conversations.

It is all about inserting the Caribbean into the already existing EU-LA cooperation.

There are some EU cooperation projects that may already exist, but they focus on the usual countries. Now, the idea is to include Caribbean countries in it.

Latin America and the Caribbean analyst

EU-CELAC relationship

Most things related to the EU Latin America and the Caribbean relations now go through the EU-CELAC framework.

After an eight-year hiatus, the third EU-CELAC conference was convened last year, with the next scheduled for 2025.

More importantly, St Vincent held the pro-Tempore presidency, which allowed the Caribbean's position on climate change and adaptation to be discussed.

The Caribbean Regional Resilience Building Facility is a good example.

Latin America and the Caribbean analyst

Global Gateway Initiative

The summit's most important outcome is the Global Gateway Strategy, an investment initiative tagged as Europe's response to China's BRI.

The EU has met with leaders and drawn up plans for the Caribbean. LAC will receive €45B in financing by 2027.

The initiatives are less abundant than those of China. However, European investments have fewer strings attached, greater transparency, and higher democratic standards.

Latin America and the Caribbean analyst

Sources: interviews; EU Commission

The Global Gateway Initiative is Europe's answer to the Belt and Road Initiative

The GGI focuses on supporting the Caribbean in energy transition, developing a green bond market and improving water management.

Global Gateway Initiative

The EU Global Gateway is designed to strengthen global connectivity through sustainable, high-quality infrastructure. It focuses on five key sectors:

Digital connectivity: Building digital infrastructure, promoting cybersecurity, and bridging the global digital divide.

Climate and energy: Investing in renewable energy, clean technologies, and sustainable energy infrastructure.

Transport: Developing smart and sustainable transport networks. There could be an opportunity to develop shore power in Caribbean ports.

Health: Strengthening healthcare systems and infrastructure, particularly in response to COVID-19 and global health challenges.

Education and research: Promoting global cooperation in education, science, and research.

EU and EU Member States will mobilize infrastructure development investments of up to €300B in the years 2021-2027. €45B is destined for LATAM & Caribbean.

Flagship Caribbean projects

- Energy transition through green hydrogen storage.
- Reduce chronic water shortages and improve wastewater systems.
- Develop vaccine production, health systems resilience, and digital transformation of health facilities.

- Support the development of the green bond market in LAC and access to financing.
- Integrated water and solid waste management.
- Expansion and upgrade of Santo Domingo's urban transport.

- Renewable energy production.
- Support the development of the green bond market.

- Implementation of the Forest Partnership and VPA FLEGT

- Decarbonizing the petrochemical industry through renewable energies.

Sources: EU Commission; European Union; interviews

Nearshoring: where are we?

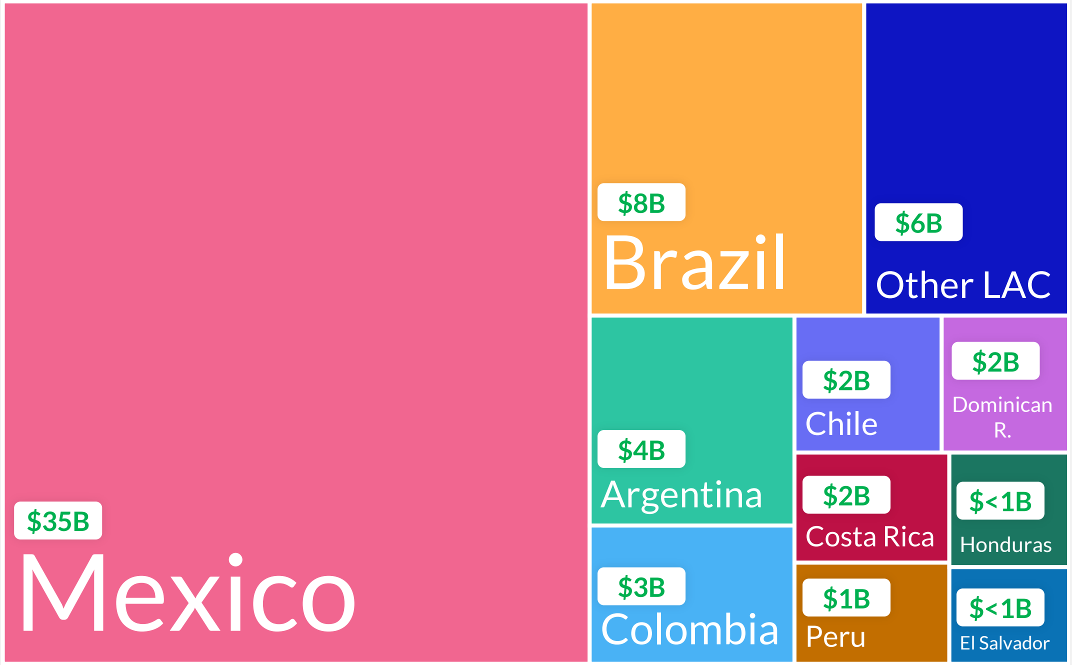
The nearshoring promise has not unfolded as expected.

Since COVID, nearshoring has led foreign direct investments

Higher global transportation costs and the trade war between the US and China fueled demand for nearshoring.

In 2022, the consensus was that the LAC region faced a $64B opportunity to increase its exports thanks to nearshoring…

The long-term nearshoring export opportunity ($B) faced by each LAC country (as estimated in 2022)



…but results have underwhelmed

- The nearshoring trend is not even close to 'dethroning' China as the world's dominant light manufacturing hub.
- The strategy is transitioning from reliance on China alone to a more diversified supplier network.
- Chinese firms have reacted quickly to Western belligerence by setting up operations closer to US and European markets.

- Political consensus is growing in the US to penalize the import of Chinese branded products assembled in Mexico.
- This could cause a shift in Chinese assembly to other nearshore jurisdictions, including the Caribbean.

- The anticipated influx of US and European manufacturing investment in Mexico has not materialized, hindered by:
    - Escalating labor costs in Mexico
    - A strong Mexican Peso, due to monetary policy
    - Electricity access and industrial space shortages
    - Security issues
    - A weakening rule of law (judicial reform)

Sources: interviews; IDB; BBC; Lazard Geopolitical Advisory; Reuters

While most nearshoring opportunities lie outside of the Caribbean, the interest is still there for the region

The Caribbean has yet to really seize the nearshoring opportunity available to them.

The region will continue to work towards attracting nearshoring investment, and global trends may yet favor the region

	Export opportunity size*	As a share of 2023 exports of goods	Main opportunity sector
	$1,581M	12%	Medical instruments
	$477M	5%	Fertilizers
	$400M	3%	Oils & lubricants
	$253M	28%	Textiles
	$177M	27%	Plastics
	$139M	7%	Oils & lubricants; fruits & vegetables
	$61M	13%	Optical goods & clocks
	$59M	3%	Specialized machinery

In 2022, the IDB estimated the potential impact of nearshoring based on 2019 data and defined the export opportunity size as the sum of the following: 1) Quick wins (exporting more of what is already exported to the US); 2) Medium-term (win new markets in the US); and 3) Intra-LAC (increased integration into value chains).

> I expect Harris to continue being predisposed to multilateralism and the WTO. I see Harris continuing with "friend-shoring" and "nearshoring."
>
> *Economic analyst*

> I think that another Trump presidency will restrict trade with China... For some companies, that will be the trigger point to make the decision..."Let's manufacture some in China, and let's bring the rest of our manufacturing close to our shores".
>
> *Port operating company*

> My point is that although it is happening slowly, I think the Caribbean has an opportunity if they do things right. All this investment coming to countries like Mexico is going to overwhelm them. Many investors are also looking for a regional strategy to diversify their nearshoring choices.
>
> *Public affairs consultant*

Sources: interviews; IDB

The DR has positioned itself well for nearshoring

The island has done the necessary work to attract nearshoring investments.

The Caribbean must work on three key attributes for nearshoring:

Infrastructure

Firms seeking manufacturing alternatives require access to efficient ports, low utility rates, ample warehousing space, and efficient "last mile" logistics.

> In line with increased economic activity, the government has been working on investing in all kinds of infrastructure. DR ports are regionally competitive.
>
> *Export agency*

Educated labor force

A talented and large under-utilized labor pool attracts multinationals.
Competitive labor costs are a must.

> According to the ILO, the percentage of DR's labor force with at least high school education is 81%.
>
> *Economic analyst*

Industry focus to complement each other

Medical devices, textiles, and low-value-added car parts, food and beverages tend to be the way forward with DR nearshoring.

> Your opportunity is stronger when you focus on specific needs and skill sets within industries, rather than trying to cater to everyone who comes in the door. This is where the real opportunities lie.
>
> *Export agency*

Sources: Interviews with regional experts

What the future might hold for the Caribbean shipping industry

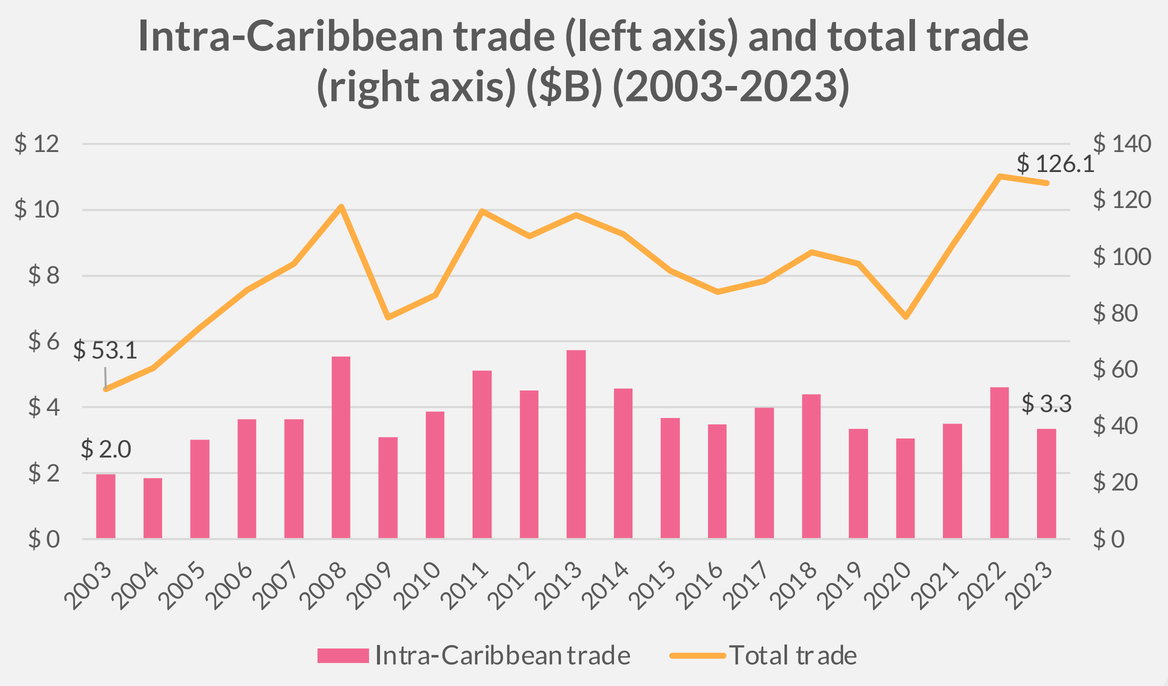
Opportunities and challenges

Intra-Caribbean trade is set to grow

Traditionally, trade between the islands is minimal. However, the explosive growth of Guyana is likely to change this.

Trade is low due to two barriers…

1. Transportation issues: high shipping rates and limited interconnectivity.
2. 'Limited product variety': many Caribbean economies manufacture/produce the same commodities.



…but this could change

- Guyana will see double-digit economic growth almost every year this decade. The country needs services, skills and products found in fellow Caribbean markets.
- Guyana trade with the Caribbean as well as its swelling trade with the rest of the world will boost demand for regional maritime transport and logistics.
- CARICOM plans to cut food imports by 25% by 2025 by growing more at home and reducing intra-Caribbean tariffs.

> There are conversations going on in the Eastern Caribbean about putting a ferry-style service between Guyana, Trinidad, and the Eastern Caribbean. The oil boom in Guyana is fueling this. Connectivity capacity between the Caribbean, especially the English-speaking Caribbean, is less than what is needed.
>
> *Port operating company*

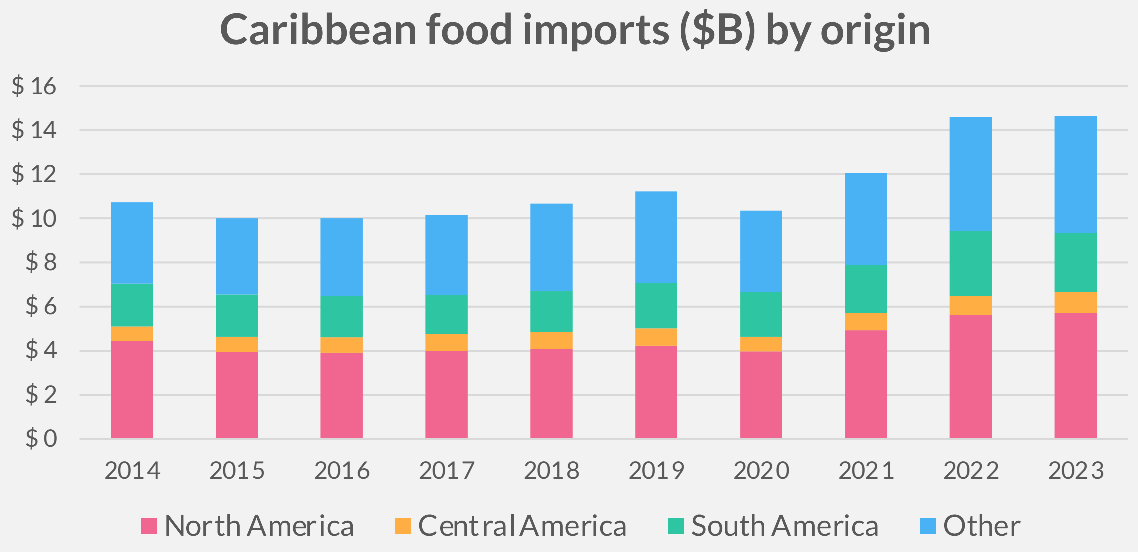
> I see the growth of Guyana driving intra-Caribbean trade. Many are setting up operations in Trinidad to service the Guyana market. The trade will happen; whether it is done in a structured approach …I don't know.
>
> *Maritime agency*

Sources: interviews; IDB; UNCTAD

Latin America could grow as a food supplier

Latin America sends 75% of its food exports outside of the region, making it a very cost competitive supplier to the Caribbean.

Throughout the years, North America has been the Caribbean's primary food supplier…



…however, a new study has identified opportunities for LATAM – Caribbean food trade.

- A 2024 study by the IDB showed that opportunities to increase bi-regional agrifood imports were identified in practically all countries.
- The Dominican Republic and Trinidad & Tobago show the greatest possibilities of diversifying their imports.
- In the meat sector, Uruguay, Mexico, and Brazil are best positioned to export to the Bahamas, Dominican Republic, Barbados, Jamaica, and T&T, where imports are diversified.
- The fats & oils (animal and vegetable origin) sector sees Paraguay, Brazil, and Argentina as the best equipped to sell their products to the Dominican Republic, T&T, and Barbados.
- Potential opportunities for logistics providers lie in value-added services, including re-packaging, re-labeling, cold storage, and processing.

> The bi-regional agrifood trade faces challenges due to limited cargo volumes, making it less appealing for transportation companies. Typically, shipping partial loads (LCL or less than container load) is more expensive per unit than shipping full container loads (FCL). In bi-regional trade, there often isn't enough volume to justify full container shipments. Additionally, fresh foods frequently cannot be consolidated into the same shipment due to sanitary and food safety regulations, complicating logistics and potentially increasing costs.
>
> *Logistics consultant*

Sources: interviews; IDB; UNCTAD

Smaller islands are unprofitable for most operators

Larger operators increasingly choose to avoid servicing smaller islands where they lose money.

Performance (best to worst)

Linear Shipping Connectivity Index: Q1 14 = 100	**LSCI Q1 2014**	**LSCI Q1 2019**	**LSCI Q3 2024**	**Throughput ('000 TEUs)***
Bahamas	100	126	126	1,215
Jamaica	100	93	123	1,995
Martinique	100	118	113	187
Barbados	100	97	111	101
Dominican Republic	100	111	110	1,973
Suriname	100	104	107	109
Guyana	100	103	102	58
Antigua & Barbuda	100	71	100	28
Guadeloupe	100	113	96	216
Curaçao	100	79	87	98
Saint Lucia	100	62	80	37
Aruba	100	91	79	65
Trinidad & Tobago	100	83	76	545
Haiti	100	86	75	200
Grenada	100	79	74	12.3
St. Vincent and the Grenadines	100	75	60	18.2
St Kitts and Nevis	100	123	41	1.4*

Smaller port underperformance is evident in the widely used liner shipping connectivity index

"

Global carriers are deselecting some of the smaller islands in the Eastern Caribbean. They often suddenly decide that a market is too small to service.

It has made it more difficult for those islands to purchase goods globally, from the Far East to Australia and the EU.

The regional carriers are picking up volumes abandoned by larger carriers.

Maritime agency

Sources: interviews; UNCTAD; CSA

Methanol is proving popular as alternative fuel

Methanol has gained popularity as a shipping fuel due to stricter IMO and European regulations. T&T is the leading regional provider.

Methanol seems to be winning the race

Methanol gained significant momentum in 2023, with **138 ships** ordered to run on it (it is the most popular alternative fuel based on yearly orders).

Methanol can be carbon neutral when produced from bio-feedstocks or renewable hydrogen. Current supplies are generally generated from fossil fuels with little decarbonization effect.

Caribbean nations are exploring opportunities to develop green hydrogen (GH2) and its derivatives, such as ammonia, methanol, and other green fuels.

Integrating the region's fragmented island energy markets is crucial for gaining stronger bargaining power with technology suppliers and achieving more cost-effective solutions.

Most Caribbean ports still need to be equipped to store, handle, or distribute methanol fuel. Significant investments in new infrastructure will be required.

Large shipping lines may switch to methanol to comply with IMO, but smaller regional operators find it difficult to justify the investment in transitioning to methanol-powered vessels.

T&T is well-positioned as a methanol provider

- T&T is currently the only Caribbean island with methanol bunkering facilities. It has produced methanol since the 1980s.
- Methanol producer and supplier Proman supplied 2,100 MT of methanol fuel to vessels in August 2024 alone and 12,500 MT over the past year in Trinidad and Tobago, highlighting the country's growing potential as a methanol bunkering hub.
- In August 2024, Waterfront Shipping, a subsidiary of Methanex, conducted its first ship-to-ship (STS) methanol bunkering demonstration in the Caribbean at the Port of Point Lisas.

> Trinidad is a large methanol producer and exports significant quantities of it. It's a logical location for establishing a refueling station, especially for ships designed to run on methanol or dual fuels. The ability to reach competitive economies of scale remains in question, but Trinidad is ahead of any other Caribbean port.
>
> *NVOCC company*

Sources: interviews; Longspur Research; S&P Global; New Energy Events; Methanol.org; press releases

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