

The View from Europe
By David Jessop

Canals, Central America and the Caribbean

On August 15 Panama celebrated one hundred years of the operation of its canal. It did so against a background of new canal developments both on the Central American isthmus and in the Middle East that likely will have both positive and negative implications for the Caribbean Basin.

For some countries in the region what is now being proposed may raise questions in the short to medium term about the viability of the numerous projects being planned, underway or completed, that aim to take advantage of the widening of the Panama Canal; but in the longer term seem to suggest that the region will be uniquely placed to become a global centre for transshipment, assembly and manufacturing, requiring a much closer relationship with Central and South America.

As is now well understood, the Caribbean commands access to the widened Panama Canal and has deep water ports at a north-south, east-west intersection for international shipping. This provides the region with multiple opportunities for the creation of transshipment ports linked to development zones for the manufacturing and assembly of finished items. It also offers new prospects for nations like China and Brazil, which are seeking new low cost tariff-free ways to access markets in the Americas and Europe; and provides the opportunity to develop a wide range of other maritime facilities as deep sea and continental shelf exploration for oil and gas starts to take place across the region.

What some international investors in the Caribbean are now seeing are not individual nations as attractive investment destinations in their own right, but as the possessors of a location that offers opportunity, in a global context, for facilitating trade with much larger wealthy markets. Put another way, the region is coming to be regarded as a platform that offers strategic economic advantage.

This is why Dubai Ports, the owners of the US\$400m Caucedo Multimodal Port in the Dominican Republic is already attracting shipping lines to tranship there. It explains why the Brazilian conglomerate Odebrecht, with Cuban and other partners including Singapore's PSA International, has invested around US\$1bn in creating a major new port, transshipment and logistics centre and economic development zone in Cuba, just ninety miles from Miami, at Mariel. It is also why Hong Kong's Hutchison Wamphoa has constructed the Freeport Container Port on Grand Bahama; and why other ports from Kingston, to Fort de France and Port of Spain, to say nothing of US East coast locations and Panama itself, are all in the process of rapidly developing their port and associated facilities.

Not only is this a very different way of thinking about the region to the way that most Caribbean citizens see the future, but what is now happening takes the opportunity one step further.

In the last week there has been growing speculation that the present US\$5.3bn doubling of Panama's capacity to handle post-Panamax container vessels by the end of 2015 may mark the start of a further expansion of the canal. China Harbour Engineering has visited Panama to consider whether there might be a new locks project that would enable the canal to accommodate the newest generation of post-Panamax plus mega ships now being built to carry LNG, or ships carrying even larger numbers of containers.

A rival canal across Nicaragua may also be taking shape. This environmentally controversial, lock-free, 172 mile, US\$60bn project is now being given serious consideration by the Chinese businessman Wang Jing, who has close connections to the Chinese leadership. His HKND Group, together with the Nicaraguan government, is suggesting the construction of a new canal, deepwater ports, a free trade zone, international airport, a new road network and tourism facilities that would not only catapult forward Nicaragua's economy, but change the strategic and economic balance in Central America and the Caribbean Basin.

As if this was not enough, a challenge has emerged. Egypt's President has announced that it is his country's intention to develop the Suez Canal so that it will have two lanes and the possibility of accommodating most of the biggest vessels transiting westwards from China and the east, possibly raising questions about some aspects of the economic viability of the further enlargement of the Panama Canal and the proposed Nicaragua canal.

Panama itself has also made clear that it intends becoming the hub for Caribbean and Latin American port and air services. Its private sector and external investors are busy constructing according to Jones Lang LaSalle, the global real estate company, seven free trade zones, up to eight industrial and logistics parks, and road and rail infrastructure around Tocumen International Airport.

What all this economic activity suggests is that the Caribbean will find itself uniquely placed if it can break out of its introspection and parochialism, move forward rapidly with planned investments in deep water port and related facilities – assuming environmental and social concerns are addressed – and deepen its dialogue and economic integration with the countries of Central America and the Hispanic Caribbean.

Until recently, one big disincentive to this has been the absence of any significant direct air service with the only option being to fly to Miami to be subjected to delay, irritation, idiosyncratic security and unnecessary expense.

However, what is now happening is that the privately owned and profitable Panamanian airline, Copa, is rapidly developing air services into the Caribbean from Panama City which provide for rapid transfers to virtually everywhere in Latin America as well as to Caribbean destinations including Guyana, Jamaica, the Bahamas, Haiti, Aruba, Trinidad, the Dominican Republic, Cuba, Puerto Rico, and St Maarten, with Barbados and other points to be added soon.

All of these developments offer unique opportunity. They require planning and a different vision of the Caribbean and the economic possibilities that its location offers to play a role in the global economy.

In a scarcely noticed ceremony last month, Britain's Foreign Office Minister for Latin America, Hugo Swire, unveiled a plaque at the Panama Canal's Miraflores Locks to commemorate the tens of thousands of men from the Caribbean – Barbados and Jamaica in particular – who built it. He also met some of the direct descendants of those involved.

Taking advantage of the economic opportunity that an enlarged Panama Canal offers would be a just and fitting tribute to those who laboured under often appalling conditions and for little gain to see it completed.

David Jessop is the Director of the Caribbean Council and can be contacted at david.jessop@caribbean-council.org

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