



CARIBBEAN LOGISTICS: THE REGION'S POOR PERFORMANCE

BY

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A recent publication by the World Bank, titled *"Connecting to Compete: Trade Logistics in the Global Economy,"* provides a useful analysis of logistics performance for 150 countries worldwide. Based on a survey of freight forwarders and carriers operating across the globe and within particular countries, the Logistics Performance Index (LPI) ranks each country according to the efficiency and quality of their customs and logistics operations. Of these 150 countries that participated in the survey, the Caribbean ranked poorly. Three countries, Guyana, Haiti and Jamaica were ranked at 141, 123 and 118 respectively. Some of our Central American neighbors scored higher with El Salvador and Costa Rica noticeably having the two highest scores in the region, ranking 66 and 72 respectively. The report also ranked countries based on other indicators such as efficiency of customs operations, infrastructure, logistics competence, tracking and tracing among and timeliness, among others. As with the LPI, Caribbean countries in general were ranked very low. The report highlights the fact that the region is failing in its efforts to develop a competitive supply chain framework.

One of the most important reasons noted for the low performance of the region is the lack of efficient customs practices in the region. According to the World Bank's, *"Doing Business 2008" publication,* though Guyana has one of the lowest costs to import a twenty-foot container, compared to other countries within and outside of the region, it still takes 35 days to clear customs and 11 documents were necessary to complete a transaction in 2007. In the same report, Jamaica has one of the highest costs to import a container of similar size despite the country's recent upgrade in customs technology and developing its infrastructure. Although the number of documents necessary for imports were almost half that of Guyana, it still took at least 22 days before the shipment can be released from Jamaica's customs. More troubling, the amount of documents needed and the length of time it takes to export goods from the region are similar to that for imports and in the case of Jamaica, it is more expensive to export goods than to import.

The number of days it takes for a shipment to clear customs may also be one of the major factors that contribute to the region's unreliability in ensuring that goods get to their destinations on time. According to the report on logistics performance in the global economy, Jamaica, Haiti and Guyana rank 119, 125 and 129 respectively out of 150 countries in terms of timeliness. This of course is costly as it forces businesses to hold larger than necessary stock as insurance against delays.

The slow clearing process and various lengths of time for a container to clear customs also demonstrate the lack of standardization of customs practices across the Caribbean, making it costly and time-consuming for carriers to upload and offload at regional ports. This in turn increases the costs of doing business thereby making it prohibitive for businesses operating in more than one Caribbean country. Not only does this indicate the inefficiency in the region's customs operations, but it also signals the major limitations to trade caused by government regulations. The general lack of uniformity in our customs operations also indicates a lack of transparency with importers subjected to widely varied tariff rates and side payments in order for the prompt release of goods.

The high cost associated with an over-regulated economy, inefficient customs practices, corruption and the lack of transparency ultimately makes the region less competitive than economies of similar status in the global marketplace and can create a hostile business environment in which to operate. For Guyana and Jamaica in particular, the World Economic Forum's "Global Competitiveness Report 2007-2008" cites crime and theft as top complaints by businesses operating in these countries, especially for the latter. For Barbados, inefficiency in the government's bureaucracy and poor work ethic are the most notable complaints in conducting business in that country. Specific to work ethic, it has been noted by those involved in trade that this is an issue common to most Caribbean countries. In customs operations, it is claimed that one sees an increase in productivity only when overtime rates apply. This has unfortunately contributed to the high cost of doing business in the region.

WHY FOCUS ON LOGISTICS PERFORMANCE? Logistics performance is critically important to the attraction of foreign direct investments and maintaining business and product competitiveness in the global economy. Given that there are several other developing countries competing with each other for the same capital investments, it is imperative that Caribbean leaders regard the information provided by these indicators as crucial to the economic growth and development of their respective countries.

Though the report on logistics performance highlights the fact that countries ranked higher on the LPI are likely to be those more dependent on the export of manufactured goods, and the Caribbean economies have evolved to become more dependent on services, merchandise trade is still important to region, especially with the United

States- the region's largest trading partner. The vulnerability of the tourism industry also makes it necessary for the region to continue to conduct trade in goods with its global partners. Given this importance of international trade for economic development of the region, it is today more than ever critical to the competitiveness of the region that customs operations become more efficient so as facilitate trade and reduce the costs of doing business in the Caribbean.

RECOMMENDATIONS: Ultimately, for Caribbean countries not to be marginalized in the global economy, regional governments must begin to treat these indicators with the importance that they deserve and implement reforms in the area in which they are deficient. Although we recognize that shortage of capital contributes to the low performance of Caribbean countries on these indicators, we acknowledge that there are organizational impediments that can be modified using available resources. These include improving the inadequate communications for intra-agency control, increasing adoption of e-business practices, addressing regulatory shortcomings and insufficient training. Competitiveness in the international marketplace necessitates that these issues be addressed immediately so as to ensure that the Caribbean can fully exploit the benefits of trade for growth and development.

In order to grasp a deeper understanding of the implications of the region's rankings on the LPI and other similar indicators, a time released survey of Caribbean countries must be conducted to highlight the specific areas where there are needed improvements. The region as a whole must adopt the standards of and develop regional training frameworks in conjunction with the World Customs Organization (WCO).

In an era where speed to market is key, recognition by government that reduced time for clearance of goods, transparency and increased communications between the private and public sectors is important. Logistics performance is of critical importance to the Caribbean in maintaining competitiveness, attracting foreign direct investments and promoting economic growth. Political leaders have to begin to treat indicators like this one with the utmost importance that they deserve. These rankings should be one of the top priorities of governments in making the Caribbean more competitive as the cost of ignoring this issue will continue to be detrimental to the economies of the region.

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