

An Examination of the Effects of COVID-19 on the Transportation Sector in the Greater Caribbean - The Case of Panama & Jamaica



Introduction

The first positive case of COVID-19 reported in Brazil on 26th February was the beginning of the latest waves of global infection that infiltrated the Latin American and Caribbean region. The contagious nature of the virus forced government leaders to act swiftly and decisively in implementing strict measures to curb the spread of infection among populations. Among these methods were travel restrictions and outright bans on the free movement of peoples. With airports indefinitely closed, international flights grounded, and state borders shut, the pandemic continues to have an unprecedented impact on the transportation sector. In a region where connectivity is already limited, such measures have halted entire industries in some instances, in turn presenting further challenges and implications.

Based on the aforementioned, this paper aims to explore these implications on the two main modes of transport of two countries in the region. A case study approach was adopted that examines the responses of Panama and Jamaica and the effect on their transport sectors, as well as the subsequent impact at the national and regional levels. The paper also looks at the response of the Association of Caribbean States (ACS) in coining a regional strategy that would coordinate actions to bolster the transportation sector in the Greater Caribbean[1] post-COVID-19.

Managing economic loss in the “Hub of the Americas”

In recent times, Panama has established itself as the transportation hub of the Americas, connecting countries of the region by air through its largest airline, Copa Airlines, which facilitates travel among eighty (80) destinations in thirty-three (33) countries internationally. Copa Airlines Holdings published that it serves destinations in very small Caribbean island states like St. Maarten and

Curaçao, as well as major Latin American and North American cities, a business which yielded USD 2.7 million in the last quarter of 2019 alone. Moreover, Tocumen International Airport regularly serves as a connection point between destinations. In 2019, a Reuters report estimated that 16 million people traversed the airport. Panama also manages two airlines geared towards domestic and internal travel: Wingo, a subsidiary of Copa Airlines, and Air Panama.

In response to the pandemic, the Panamanian government was quick to implement mitigation measures, and on March 13 and 14, halted flights from Europe and Asia. Subsequently, announcements were made on restrictions of non-nationals and non-residents into Panama, with all international flights suspended for thirty (30) days starting from March 16. It was also decreed that Panamanians or residents returning to the country would be subjected to a fourteen-day mandatory home quarantine.

In the first instance, the paralysis of the three main local airlines has translated into financial losses. An official report from the Panamanian Ministry of Finance detailed a 72% reduction in the value of shares held by Copa Holdings S.A. – owner of Copa Airlines and its subsidiary– between January 20 and March 19, 2020. Secondly, unemployment levels have risen as a result of these restrictions. The International Air Transport Association (IATA) estimates that the aviation industry in Panama sustains almost 240,000 employees directly and indirectly, who are now unable to work due to stalled operations.

The short to medium term picture looks bleak. In major source markets, the pandemic is still rampant which signals a longer recovery period. This coupled with the need for national containment through physical distancing, means that the demand for air transport is just not there. In one instance, the CEO of Copa Airlines confirmed that the airline has been thrust into an unsustainable financial situation, owing to the lack of demand since the middle of March. He foresaw that the post-pandemic version of the airline would be akin to its previous incarnation from thirty years ago. The longer restrictions remain in place, the more likely that there will be a magnification of the aforementioned negative effects. Yet, it would seem that the novel coronavirus leaves the Panamanian government little choice: it has already declared a further 30-day extension to the ban on international flights, starting from April 22nd, 2020. There is much uncertainty surrounding COVID-19. Only time will tell if we will bear collective witness to the collapse of a global giant in the air transport industry.

Maintaining the flow of goods through the Panama Canal

Although Panamanian air transport is frozen in the wake of the COVID-19 outbreak, the Panama Canal, which represents another major component of the country's transportation system, remains operational. This is a largely positive development for Panama, given that revenue derived from the Canal constitutes a significant source of the national GDP; by the end of the 2019 fiscal year, total economic contributions accounted for USD 2.89 billion. Likewise, maintaining the functionality of the interoceanic waterway is vital to the Greater Caribbean region, as well as to the international community, as it is a transit hub that handles 5% of the global movement of cargo. A Reuters report revealed a record 14,000 ships from 160 countries transiting through the hub in 2019.

To put things into perspective, the fundamental nature of the shipping and logistics industry makes it vulnerable to external fluctuations, such as oil prices and the global supply and demand of goods. Consequently, the arrival of the COVID-19 contagion represents another exogenous shock to the sector. One of the earliest recorded effects was the cancellation of shipping lines coming out of China, the second largest user, where the virus originated. The cruise industry has also been

virtually decimated because of physical distancing measures that have halted the movement of people. In this sense, Panama has had to adapt. The Panama Maritime Authority indicated that there was an increased focus on providing ancillary services to cruise vessels and others that are no longer operating at previous capacities.

Notwithstanding the above, cargo vessels transiting the Canal continue to do so at a steady pace, bringing food and medical supplies, as signalled from preliminary analyses by the Panama Canal Authority and the Panama Maritime Authority. Initially, there was a reported increase in traffic, because of cargo ships being re-routed through different non-traditional shipping lines from countries with closed maritime borders. However, as data sets continue to be analysed for March and April 2020 - the two months in which all infections were recorded nationally - the picture is being altered to show a decline in container volumes, with further decreases projected in the coming months.

Nonetheless, the continuous operations of the Canal during the pandemic can be attributed to two factors. Firstly, the Panama Canal Authority has reduced the workforce to essential staff members involved in carrying out transit operations. Secondly, the Authority engages in a risk management process using the technological platform of the Panama Maritime Single Window (known as VUMPA), a virtual system that records and transmits information on the health status of crew members, vessels' last ports of call, and changes in personnel on-board ships due to suspected viral symptoms.

In adopting these methods, Panama has proven its commitment to maintaining the efficient functioning and business of the Canal twenty-four (24) hours a day, seven days a week. The importance of this commitment cannot be understated. At a time when nation states worldwide are facing uncertainties, the provision and unhindered movement of medical supplies, equipment, and food items becomes crucial.

Safeguarding Jamaica's shipping industry in times of COVID-19

This section will focus on the well-established and extensive shipping industry in Jamaica, since analyses of the consequences of the novel coronavirus on the island's aviation sector coincide with those advanced prior for Panama. Jamaica joined the rest of the world in enforcing lockdown measures to protect its population against the deadly virus with a two-week closure of its international airports, Norman Manley International Airport, Sangster International Airport and the Ian Fleming International Airport, effective from March 22nd, 2020. As a result, there was no passenger traffic or demand for commercial flights. Regional carriers like Caribbean Airlines and LIAT kept only essential workers operating, implementing teleworking measures and paid vacations where possible.

On the other hand, Jamaica's shipping industry still moves cargo through Port Kingston, described as a multipurpose port given the number of services offered. It was observed by the Director General of the Maritime Authority of Jamaica that 93% of the country's trade transits through seaports, a product of recent strategic investments. However, Jamaica also serves as a connection point to the rest of the Caribbean and the Americas[2]. Together with the port at Montego Bay, Kingston is a hub through which cargo transits to other smaller nations in the Eastern and Southern Caribbean, as well as countries in South, Central and North America. This underscores the significance on the national and regional levels, meaning that the operations of Jamaican ports will have knock-on effects for the rest of the Greater Caribbean nations that are dependent on Jamaica for essential goods during the pandemic.

Therefore, to protect its maritime sector, Jamaica's response to the COVID-19 infection has been swift, measured and coordinated. On March 22nd, at the highest level of leadership, the Jamaican government closed seaports to incoming passenger traffic, but kept operations going to accommodate the entry of cargo. In addition, an extension of licences and postponement of official document renewals for seafarers was granted to give respite to those working to keep supply chains going. Almost immediately following the government's announcement, key stakeholders in the industry - the Shipping Association of Jamaica, Kingston Wharves Limited, Seaboard Marine Jamaica - pronounced their own measures, including the retention and rotation of essential staff members whilst others work from home, increased sanitisation of work spaces, and physical distancing. It is noted that Jamaica relied on technology primarily through these automated processes that helped with avoiding physical contact and therefore, slowing the spread of the virus.

The actions detailed previously have permitted work to continue almost unimpeded in the island's shipping sector, which has translated into no major disruptions in the supply chain thus far. Using business continuity plans, Seaboard Marine in Jamaica maintains its weekly provisions from the USA, supplying local manufacturers with the necessary raw material to produce sanitisers, bleach, among other cleaning agents. According to an article published in the Jamaica Gleaner, there have been no reported delays in the arrival of imported food items coming through the Port of Kingston; Friday shipments usually arrive in time for Monday distributions to local supermarkets. On the western side of the country, similar reports have surfaced from Montego Bay.

Keeping the wheels of the island's maritime sector turning is good news for countries of the Greater Caribbean, which rely on Jamaica for goods coming into the region. Nonetheless, the skeletal structure required to grease the gears of the shipping industry has led to a loss of income for some companies. A survey conducted by the Shipping Association of Jamaica among its members revealed that 80% of respondents - corresponding to 50 of the 79 ordinary and associate members - experienced reduction in revenue during the last week of March 2020, following the governmental decrees.

Coordinating efforts on a regional level

In proffering solutions to the highlighted challenges, it is important to underscore two interlinked ideas: the omnipresent nature of the pandemic, and the need to respond in a timely manner in order to lessen the economic impacts on the transportation sector in the short, medium and long term. As the uncertainty around the virus swirls, leading to localised extensions of already damaging mitigation measures, action should be taken from a regional standpoint, to ensure that ports continue to operate in a safe and sanitary way. If we consider Panama and Jamaica as major players in the regional supply chain, their robust and developed transportation systems are providing the critical support to regional neighbours needed at this time. It is further posited that, using Panama and Jamaica as a proxy, the other countries of the Greater Caribbean will likely be facing similar, if not even more grave, obstacles to their connectivity at this time. Therefore, fractured national responses can only be effective in the short-term. Whilst it is evident that governments must step in and take decisive action, this is a call for collaboration and cooperation to build a strengthened collective response that would bolster the transportation sector regionally.

At this juncture, it is instructive to examine some of the policy recommendations posited by various economic experts in the field of transportation, as well as the efforts being undertaken by international and regional bodies that treat with these areas. The United Nations Conference on Trade and Development (UNCTAD) put forward a 10 Point Advisory[3] related to how government intervention can assist in the short-term. Among the suggestions are: the implementation of health

measures in a manner that would not greatly affect traffic and trade; expedite the clearance and distribution of goods; encourage paperless transactions, implementing digitised systems where possible. Similarly, the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC) sees the pandemic as an opportunity for countries in the region to think long-term by reinforcing digital infrastructure crucial to keeping the trade and transport sectors of the economy operating. Underpinning all these recommendations is the idea that there should be close communication among leaders and those in the industry to stay informed and updated on new and relevant developments.

The role of the ACS

The Association of Caribbean States (ACS) is aptly positioned to assist with the mitigation and recovery of its twenty-five (25) Member States and ten (10) Associate Members post-pandemic. As governments in the Greater Caribbean apply the policies detailed previously, success stories, challenges, and lessons learnt will become apparent. The ACS can complement national efforts through promoting the sharing of best practices in a way that is targeted and meaningful to all sectors under its purview, thereby arming Member States with specific actions to deal with the negative consequences of the novel coronavirus in the short, medium, and long-term.

Consequently, the ACS Directorate for Trade and Sustainable Development has identified priority actions for the transportation sector. The primary focus will be to strengthen the supply chain through existing logistics platforms. The Maps of Maritime Routes Platform[4] has been pinpointed as the tool through which Greater Caribbean countries can explore different transportation options and alternate shipping routes that do not rely heavily on traditional source markets for supplies. This proposal goes hand in hand with the findings of the research which has indicated that only essential cargo is being moved at this time. A reorientation of the Platform, which primarily shows routes across the region, is beneficial to aiding the transportation process of these goods.

The research has shown that, in both Panama and Jamaica, electronic systems have served as the basis business continuity. This can be expanded regionally through the work of the ACS as a method of mitigation and recovery to the transportation sector. The ACS Advanced Customs Information Exchange System[5] can be repurposed and reoriented to explore and enhance interconnectivity by facilitating early information and easy transfers. As the Secretary General of the Integration System of Central America (SICA) pointed out, COVID-19 is “the first pandemic of the digital era”. Therefore, the ACS recognises that technology will underpin all recovery efforts in the Greater Caribbean.

Furthermore, the ACS can serve to coordinate the efforts of governments in the region. By providing the space for government officials to exchange ideas, there is the opportunity to identify gaps in policy implementation, which can then be bolstered to the benefit of all Members. Cognisant of its role in this regard, the ACS has leveraged its Membership[6] and engaged partners at all levels - the national, regional, hemispheric, and international - to facilitate information sharing and gathering. The compilation and analysis of information can prove a good resource to Member States, to gain a better appreciation of the existing synergies among different focal areas and sectors.

Conclusion

The fragility of the transport sector and its vulnerability to exogenous shocks means that COVID-19

has the potential for long-term implications in the region that is already plagued with connectivity and logistical obstacles. The case studies of Panama and Jamaica illustrate the economic and financial fallout in the aviation industry and, to a lesser extent, in the maritime industry due to the virus.

It is posited that the Association of Caribbean States is uniquely poised to facilitate the economic mitigation and recovery of countries in the Greater Caribbean in terms of transportation. Because transportation has formed part of the mandate and work of the ACS since 1994, the organisation has the advantage of understanding the inherent challenges that the region faces. As the region is forced to adapt to a new normal, it is not recommended that each country apply stop-gap methods to unilaterally deal with the threat to their maritime and air industries. Thus, there is an opportunity for the ACS to lead the way in constructing a new order post-pandemic that would better serve the more than 250 million+ people in the Greater Caribbean.

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[1] “The Greater Caribbean” is a political concept used by the ACS to refer to all those countries washed by the Caribbean Sea. Therefore, these include as full Member States: Antigua and Barbuda, the Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela

[2] As shown on the Maps of Maritime Routes in the Greater Caribbean at:
<http://www.cocatram.org.ni/rutas>

[3] See https://unctad.org/en/PublicationsLibrary/presspb2020d3_en.pdf

[4] See <http://www.cocatram.org.ni/rutas>

[5] Objective of the ACIES project is to harmonise early information related to customs processes among ACS Member States

[6] In addition to its 25 Member States, the ACS also has 10 Associate Members, 6 Founding Observer Organisations, 30 Observer Countries and a growing number of Social Actors.