Developing Short Sea Shipping in South America: Looking beyond Traditional Perspectives

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Introduction

Short sea shipping, defined as maritime transport services that do not cross an ocean, continues to be underdeveloped in Latin America. The reasons for this are as many as the project proposals that have died on the grapevine. Extensive coastlines suggest that the market should be considerable for developing a truck-competitive maritime transport option if trade density is not too low for a commercially viable service.1 Furthermore, the absence of competing rail options in most corridors advances the concept that there should be a suitable market opportunity for the development of short sea shipping.2 Additionally, the existence of restrictive cabotage and bilateral trade regulations (e.g., flag restrictions for bilateral services) between Argentina and Brazil, Argentina and Chile, and Chile and Brazil, previously noted by Hoffmann and Sánchez,3

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3 J. Hoffmann, Concentración en los servicios de líneas regulares: causas del proceso y sus efectos sobre el funcionamiento de los puertos y de los servicios de transporte marítimo de las regiones en desarrollo, LC/L.1169/E (Santiago: ECLAC, 1999); R.J. Sánchez, Obstáculos a los Servicios de
coupled with entrenched views of what industry might accomplish, have likely limited past growth in maritime transport and encouraged cargo interests to use long distance road freight transport. Such a situation may indeed have encouraged international shipping lines to seek alternate solutions to access these restricted markets, as suggested by the takeover of national shipping companies with nationally-flagged ships, as illustrated by the takeovers of national carriers in the region by global players Hamburg Süd, Compañía Sudamericana de Vapores (CSAV) and Maersk.

This article addresses the potential for the development of short sea shipping on the East Coast of South America (ECSA) by examining the topic in a logical, step-wise fashion in three ECSA countries (Brazil, Uruguay and Argentina). The same detailed approach could just as easily be used to examine the West Coast of South America (WCSA), but in the interests of making the points succinctly, the authors have provided more detail on the three countries on the ECSA and less discussion of the next largest trade corridor (volume-wise), the West Coast of South America (namely Ecuador, Peru and Chile).

The article begins by examining the geographical context of trade, seeking to identify corridors where existing trade via truck might be induced to move to the maritime mode. It then explores the existing literature on short sea shipping in other markets to identify those variables that will influence the development of short sea shipping in South America. The article then discusses port restrictions and other variables to choose promising corridors for development. Next, it examines regulatory factors, ownership and other legal restrictions, and bilateral trade agreements for their influence on the development of short sea shipping in those corridors. Finally, the authors draw conclusions on the primary study corridor and then propose a study design to explore what would need to happen to induce modal switching in any South American potential short sea corridor. The central question is whether freight rate changes, regulatory changes, or other factors are acting as barriers to adopting short sea shipping and hindering its growth in the region.

South American Internal Trade and Existing Transport Patterns

The primary factor for the successful development of short sea shipping operations is the availability of trade on a short sea route, trade that can be