

Effects of Corruption and Logistics Performance Inefficiencies on Container Throughput: The Latin America Case

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Abstract : Trade liberalizations measures, as import tariff cuts, are not a sufficient trigger for trade growth. Given that price margins are narrow, traders and cargo operators tend to opt out of markets where the process of goods clearance is slow and costly. Excess paperwork and slow customs dispatch not only lead to institutional breakdowns and corruption but also to increasing transaction cost and trade constraints. The objective of this paper is, therefore, two-fold: First, to evaluate the relationship between institutional and infrastructural performance indexes and trade growth in container throughput; and, second, to investigate the causes for differences in container demurrage and detention fees in Latin American countries (using other emerging countries as benchmarking). The analysis is focused on manufactured goods, typically transported by containers. Institutional and infrastructure bottlenecks and, therefore, the country logistics efficiency – measured by the Logistics Performance Index (LPI, World Bank-WB) – are compared with other indexes, such as the Doing Business index (WB) and the Corruption Perception Index (Transparency International). The main results based on the comparison between Latin American countries and the others emerging countries point out in that the growth in containers trade is directly related to LPI performance. It has also been found that the main hypothesis is valid as aspects that more specifically identify trade facilitation and corruption are significant drivers of logistics performance. The exam of port efficiency (demurrage and detention fees) has demonstrated that not necessarily higher level of efficiency is related to lower charges; however, reductions in fees have been more significant within non-Latin American emerging countries.

Keywords : corruption, logistics performance index, container throughput, Latin America

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