MTO/ carrier is responsible for stripping.
FEU : Forty feet equivalent unit.
Flat Rock Container : A container with no roof and side walls so as to facilitate loading from any side for convenient handling of long and heavy cargo.

Inland Container Depot (ICD) : A dry port where containerised cargo is consolidated with stuffing and de-stuffing of containers. It is a customs declared area for facilitation of import/ export.
Inter-modalism : Movement of international containersed freight from a shipper's premises to consignee's warehouse using differrent modes of transport enroute.

LCL : Less than container load
LCL/FCL : A container service where MTO/ carrier is responsible for stuffing and the merchant is responsible for stripping.
LCL/LCL : A container service where the MTO/ carrier is responsible for both stuffing and tripping.

MTO : Multi-modal Transport Operator who acts as the principal for the performance of the transport contract and provides for the different modes of transport and offer services required for expeditious and safe transportation of goods to its destination.
Multi-modalism : Carriage of goods by at least two different modes of transport.

NVOMTO : Non-vessel Operating Multi-modal Transport Operator, not having their own ships.

TEU : Twenty feet equivalent unit.

Unitisation : Increasing the size of unit load to reduce the handling and transportation cost.

VOMTO : Vessel Operating Multi-modal Transport Operator having their own ships

8.9 ANSWERS TO CHECK YOUR PROGRESS

A 4 (i) False (ii) True (iii) True (iv) False (v) True (vi) False

B 4 (i) at least two (ii) single rate (iii) dry port (iv) hub centre ICD (v) land transport

8.10 TERMINAL QUESTIONS

1 Enumerate the limitations of conventional ships and discuss how containerisation has helped in overcoming these constraints.

2 Describe the advantages of containerisation to the shippers and the ship-owners. Also state its disadvantages, if any.

3 (a) What are the various types of marine containers? Describe the salient features of any two of them.

(b) You have 40 MT wheat in bags and 20 MT wheat in bulk. Indicate the type and number of containers you would require.

4 Distinguish between:

(a) Inter-modalism and Multi-modalism

(b) Inland container Depots and Container Freight Stations.

(c) Flat Pack Containers and Open Top Containers

5 "During the last three decades Multi-modal Transportation has made rapid progress". While commenting on the statement explain how has the multi-modal transportation benefitted the movement of merchandise through Hinterland.

6 Explain the concept of land bridging and state its advantages in the Indian context.

7 Your factory is located at Hapur. You have received an order of full container load from your buyer in Los Angeles and the order is to be executed through the port of Mumbai. Detail off the routing and prepare a formal communication to your buyer justifying the selection of routes made by you.

UNIT 9 WORLD SEABORNE TRADE AND WORLD SHIPPING

Structure

9.0 Objectives
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9.2 World Economic Situation and World Trade
- 9.2.1 World Output
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- 9.2.3 OECD Countries' Industrial Production

9.3 World Seaborne Trade
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- 9.4.4 Age Distribution of World Fleet
- 9.4.5 Ownership Distribution of the World Fleet
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9.5 Issues of Concern to Developing Countries
9.6 Negotiations in Maritime Transport
9.7 Let Us Sum Up
9.8 Key Words
9.9 Answers to Check Your Progress
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9.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the relationship of world economic development and seaborne trade
- describe the trends in world seaborne trade by types of cargo and by country groups
- explain the composition of world shipping and its distribution by groups of countries
- explain why developed countries register their ships in open registry countries
- outline the issues confronted by developing countries in the development of their fleet
- identify the problems of land-locked countries in the shipment of their cartgo.

9.1 INTRODUCTION

In Unit 2, you learnt about the significance of ocean transport and the development of commercial shipping. It is a fact that about 75% of the international goods traffic moves through sea route, accounting for almost two-thirds of the value of world trade. This implies that any fluctuations in international trade is bound to have impact on the volume of world seaborne trade which, in turn, shall influence the fortunes of world shipping. In this unit, you will learn about how changes in economic scenario have influenced the growth and composition of world seaborne trade and the world shipping scenario.

9.2 WORLD ECONOMIC SITUATION AND WORLD TRADE

The world economic situation and the world trade are very closely related and consequently whatever developments, whether positive or negative, take place in the former have a direct impact on the latter. Hence, with the changing economic trends, it is very likely that the movement of trade will also be affected. This results in the creation of cyclical fluctuation in the demand and supply for goods in the world trade. Since the ships carry a sizeable quantity of goods traffic in world trade, the fluctuations will have an impact on the movement of seaborne trade. Therefore, before making any study of the world seaborne trade, it becomes necessary to make an analysis of the recent developments that have taken place in the world economy covering world output, merchandise trade and OECD countries industrial production.

9.2.1 World Output

The global economic recovery that began in 1993 continued till 1996, when the world output grew by 2.8% over 1995. However, growth belied the hopes that the world economy would enter a new era of sustained growth not in excess of 3% which was expected to be achieved by 1997. Growth in the developed market economies of the world, as a whole, was slower than what had been expected. Expansion in the United States was more sustained than most forecasts had predicted, and Japan finally reaped the benefits of its fiscal packages and recovered faster than expected. But the widely expected recovery in the Western Europe could not materialise.

Developing countries (including China) recorded an average increase of 5.6% in 1996. Latin America had recovered from the depressed conditions of the post - Mexican crisis, but its growth remained a modest 3.3%. East Asia continued to be the brightest area of the world economy, but the growth slowed down with the weakening of exports. Hence policies in some countries have been re-oriented towards curbing growing external deficit and price levels, and in some cases, towards coping with difficulties in the financial sector. Growth in both regions continued to be heavily dependent on capital inflows from developed economies.

Economic recovery in Africa, which began in 1994, gathered further momentum in 1996 as the growth of regional output accelerated to 3.9% from 2.8% from the previous year, reversing the decline in the real per capita income that had persisted for almost a decade. Furthermore, the expansion in output was widespread among all the sub-regions. Factors such as favourable commodity prices and revised domestic policies played an important role in the recovery of their economics. However, sustained growth in Africa, as happened in most poor countries elsewhere, ultimately depends upon combining the policy efforts with adequate external financing. In Central and Eastern Europe, as a whole, the output declined by 2.8% in 1996. However, divergence in economic performance continued to widen. A number of countries in Central Europe sustained strong growth But, in case of many others, there were further economic set-backs leading to further falls in their output.

9.2.2 Merchandise Trade

The growth of world merchandise trade slowed down sharply in 1996, it was 4.6% as against 10% in the preceding two years, falling more than what had been expected at the beginning of the year. The divergence between trade and output growth, which had been increasing since 1990, was greatly reduced in 1996.

An important factor leasing to a slow down in the world trade was a sharp deceleration of import growth in developed countries, which account for about two-thirds of the world import demand from 11.0% in 1994 to only 5.2% in 1996. Particularly noticeable has been the drastic decline in imports by United States and Japan. In Western Europe imports remained sluggish because of slower GDP growth. In Japan, slower growth coincided with a depreciation of the Yen. While in the United States, the increase in the imports of capital goods, especially computers and related equipments, which had manifested itself in earlier years, slowed dramatically in 1996.

In East Asia export growth declined significantly. It was mainly due to drastic fall in the prices of certain electronics and information equipment, particularly semi-conductors, largely on account of marked situation. In china, as well, a drastic reduction in exports took place during 1996. In case of Latin America, particularly among the members of MERCOSUR, the rate of acceleration of exports achieved in 1995 was somehow maintained in 1996.

9.2.3 OECD Countries' Industrial Production

The industrial production of the OECD countries is also a fundamental indicator for the global maritime transport sector. The diverging growth rates in OECD countries industrial production and world seaborne trade in the period 1991-93 was mainly attributed to the decrease in production of crude steel, iron ore, cooking coal, petroleum products, non-ferrous metals and fertilizer, and to the decline in the prices of these commodities. However, increasing trade in other manufacturers, specifically by North America, Latin America and Asia, including China, maintained the growth of world seaborne trade.

9.3 WORLD SEABORNE TRADE

The world seaborne trade continued to expand in 1996, making the eleventh consecutive annual increase. Total cargo tonnage recorded a new high of 4.76 billion tons. The annual growth rate, however, turned downward registering 2.3% which was the lowest since 1987, the average annual rate being 3.3% over the period 1987-95. Tanker shipments represented 44.7% of the total 1996 seaborne trade, increasing by 3.8% to 2,127 million tons.

The volume of the total dry bulk seaborne commodities registered only an increase of 1.1 per cent to 2,631 million tons in 1996 as against 5.0 per cent in 1995. Details of the development of world seaborne trade are given in Table 9.1.

Table 9.1: Development of World Seaborne Trade (Goods Loaded)

(In Million Tons)

Year	Tanker Cargo	Total	Dry Cargo of which main bulk commodities*	Total (All Goods)	Percentage Annual Change
1970	1440	1165	448	2605	13.1
1975	1644	1428	635	3072	-4.0
1980	1871	1833	796	3704	-2.0
1985	1459	1923	857	3382	-0.8
1990	1755	2253	968	4008	3.0
1991	1790	2330	1005	4120	2.8
1992	1860	2360	990	4220	2.4
1993	1945	2385	993	4330	2.6
1994	2007	2487	1028	4485	3.6
1995	2049	2602	1082	4651	3.7
1996	2127	2631	1092	4758	2.3

*Iron ore, grain, cola, bauxite/alumina and Phosphate

The world Sea Trade Service (WSTS) forecasts that the world seaborne trade which was estimated at 4,088 million tons for 1996, will expand by an average of 3.9% per year over the decade, reaching 5,675 million tons by 2006. Dry bulk cargo and oil tanker cargo are projected to increase at a rate of 4.9% and 1.6% per year to 1,955 million tons and 2,080 million tons respectively by 2006. The combined containerised and other general cargos, whose average annual growth rate is estimated at 6.6% are likely to reach 1,640 million tons by 2006.

9.3.1 Demand for Shipping Services in Ton Miles

The total demand for shipping services expressed in ton miles as given in Table 9.2 indicates that the total shipping activities measured in ton miles in 1996 increased marginally by only 1% to 20,545 billion ton miles. In the case of crude oil, ton miles increased marginally (1%) to 7,400 billion ton miles. This is mainly due to the shift to closer none-OPEC sources resulting in geographical changes of trade routes resulting in decreased average trasport distance. In the case of oil products, however the overall ton miles shipments increased by 3.1% to 2,500 billion ton miles. Transport services for three major dry bulk shipments declined by 1.3% in 1996. Of these, shipment coal was up by 1.8% to 2,215 billion ton miles while the shipping

demand of iron ore and grain trades declined by 3.0% and 4.1% respectively.

Table 9.2 : Growth of World Searborne Trade by Types of Cargo

(In Billion Ton Miles)

Year	Oil Crude	Oil Products	Iron Ore	Coal	Grain	Other Cargo	Total Trade
1970	5597	890	1093	481	475	2118	10654
1980	8385	1020	1613	952	1087	3720	16777
1985	4007	1150	1675	1479	1004	3750	13065
1990	6261	1560	1978	1849	1073	4440	17161
1991	6757	1530	2008	1999	1069	4510	17873
1992	6970	1620	1896	2001	1091	4650	18228
1993	7391	1775	2001	1949	1038	4840	18994
1994	7469	1860	2165	2014	992	5100	19600
1995	7375	1945	2287	2176	1160	5395	20338
1996	7400	2005	2220	2215	1115	5590	20545

9.3.2 World Seaborne Trade by Country Groups

A comparative statement indicating the share of different country groups in world seaborne trade is given in Table 9.3.

Table 9.3 : Share of World Seaborne Trade by Country Groups

Country Group	Year	Per centage Share of Trade
1 Developed market-economy countries	1980	37.0
	1990	43.0
	1995	43.5
	1996	42.8
	1997	43.5
2 Countries of Central and Eastern Europe (including the former USSR and Socialist Countries of Asia	1980	6.4
	1990	7.0
	1995	6.0
	1996	5.8
	1997	5.9
3 Developing Countries	1980	56.3
	1990	49.2
	1995	50.6
	1996	51.3
	1997	50.7

Note : Percentage of tanker cargo in the total goods loaded was 50.5 in 1980 and the same has been ranging between 44.7 to 44.8 in the subsequent years.

Check Your Progress A

1 How do fluctuations in world economic situation affect sea-borne trade?

.....

.....

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.....

2 What is it that led to a slow down in world trade in 1995 and 1996?

.....

.....

.....

.....

3 State which of the following statements are True or False.

i) The growth rate in world seaborne trade 1996 was higher than 1995.

ii) About 75 per cent of the total international goods traffic moves by ocean transport.

iii) Growth in East Asia and Latin America continues to be dependent on capital inflows from developed economies.

iv) Developing countries accounted for 40% of the goods loaded in world seaborne trade.

v) Industrial production of OECD countries is not an indicator for the global marine transport sector.

9.4 WORLD SHIPPING SCENARIO

With a view to understanding the world shipping industry, it is important to know its composition and the distribution and ownership of world fleet by various group countries. As carrier of the world trade, the world shipping has undergone through a period of important structural changes during the last two and a half decades. The developments that have taken place in the world shipping in the recent years can be summarised as follows:

9.4.1 Composition of World Fleet

Table 9.4 gives a comparative data of the world shipping fleet for 1994, 1995 and 1996.

Table 9.4: World Fleet Size by Principal Types of Vessels During 1994-1996

Principals Types	1994	1995	1996	Percentage Change in 1996 over 1995
1 Oil Tankers	270 997	267 651	271 454	1.4
	37.7	36.4	35.8	
2 Bulk Carriers	250 294	261 268	272 564	4.2
	34.8	35.6	36.0	
3 General Cargo Ships	103 731	104 145	104 643	0.5
	14.4	14.2	13.8	
4 Container Ships	39 005	43 849	48 766	11.2
	5.4	6.0	6.4	
5 Other types of ships-liquified gas carriers, chemical carriers, misc. tankers, ferries and passenger ships, and others	55 778	57 644	60 745	5.4
	7.8	7.8	8.0	
World Total	**719 805**	**734 557**	**758 172**	**3.2**

Note : Percentage shares are shown below the fleet size of the vessels

It may be observed from Table 9.4 that world shipping fleet has witnessed a continuous increase during these years. The world merchant fleet in 1996 was 3.2 per cent more than in 1995. The higher rate of fleet expansion was primarily due to newbuilding deliveries.

When we look at it vessel type-wise, it is observed that carriers continued to dominate the world fleet, representing 71.8% of total tonnage in 1996 (72.0% in 1995). The former account for 35.8% of 1996 world total tonnage as compared with 36.4% in 1995, and the latter 36.0% (35.6% in 1995). General cargo ships and container ships shared 13.8% and 6.4% respectively. Comparative data on ship-type structure indicate that the shares of ore/bulk carriers and container ships continue to expand, whilst those of oil tankers, ore/bulk/oil and general cargo ships have been on a downward trend since 1993.

9.4.2 Distribution of World Fleet

As per the details give in Table 9.5 the share of developed market economy countries in all types of vessels declined in 1996. In case of major open registry countries barring a fall in case of oil tankers, there has been an increase in their share in 1996 in all types of vessels. In case of the developing countries also, with the exception of bulk carriers, there has been an improvement in their share in all types of vessels in 1996.

Table 9.5: Percentage Shares of World Tonnage by Types of Vessel and Country Groups, 1980 (as on 1 July), 1995 and 1996 (as on 31 December) (In terms of dwt)

Country Group	Year	Oil Tankers	Bulk Carrier	General Cargo Ships	Container Ships	Other Ships
					Percentage Share by vessel type	
1 Developed market economy countries	1980	52.5	52.7	43.4	74.3	50.4
	1995	31.5	22.4	19.7	37.6	41.8
	1996	31.3	20.2	19.3	36.6	41.3
2 Major open-registry countries	1980	36.2	31.7	20.8	13.5	17.0
	1995	50.2	45.6	33.4	33.8	30.2
	1996	49.8	48.3	34.8	35.1	31.4
3 Countries of Central and Eastern Europe and Socialist Countries of Asia	1980	3.4	5.8	17.0	3.0	20.5
	1995	13.7	8.0	20.8	5.1	9.9
	1996	3.1	7.5	18.9	4.5	8.7
4. Developing Countries	1980	7.7	9.2	17.6	7.6	12.0
	1995	13.7	22.2	24.4	17.2	17.1
	1996	15.0	22.1	25.8	18.1	18.0
5 World Total	1980	49.7	27.2	17.0	1.6	4.5
	1995	36.4	35.6	14.2	6.0	7.8
	1996	35.8	36.0	6.4	6.4	8.0

9.4.3 Distribution of Fully Cellular Container Ships

Continued expansion took place in the fleet of fully cellular container ships both in terms of number of ships and their TEU capacity, reaching 1954 ships of 30,90,000 TEU's by the end of 1996. The distribution of world fleet and TEU capacity of fully cellular containership by groups of countries appear in Table 9.6.

Table 9.6 : Distribution of the World Fleet and TEU Capacity of Fully Cellular Container ship by Country Groups in 1995 and 1996

Flags of Registration by Country Groups	Number of Ships		TEU Capacity and Percentage Shares	
	1995	1996	1995	1996
1 Developed market economy countries	441	592	827 618	1170879
			30.4	37.9
2. Major open-registry countries	609	683	898 270	166261
			33.0	34.5
3. Countries of Central and Eastern Europe (including the former USSR and Socialist Countries of Asia)	117	144	124 675	123 002
			4.6	4.0
4. Developing Countries	384	441	453 478	549 555
			16.7	17.8
5 World Total	1771	1954	2720 092	3089 261

It is observed from the above that the containership fleet continued to expand in open-registry countries in 1996 to 34.5% of the world TEU capacity as compared with 33.0% in 1995. The share of developed market-economy countries also expanded to 37.9% after four consecutive years of decline in the group's share. Thus, the combined share of the two groups dramatically increased to 72.4% from 63.5% in 1995. The share of developing countries in the TEU capacity of the world fleet continued to increase marginally, reaching 17.8% in 1996 from 16.7% in 1995.

9.4.4 Age Distribution of World Fleet

The age distribution of the world merchant fleet by types of vessel and by groups countries and territories, according to UNCTAD's Review of Maritime Transport, indicate that for the third consecutive year the average age of the world total fleet imporved very slightly in 1996 to 14.94 years from 14.96 years in 1995. By type of vessel, the average age of tankers was 14.88 years, dry bulk carriers slightly down to 14.56 years and containerships represented the youngest fleet in 1966.

By country grouping, major open-registry countries had the lowest average age of all ships (14.72 years) followed by developing countries (14.81), socialist countries of Asia 16.76 years and countries of central and Eastern Europe to have the oldest fleet.

9.4.5 Ownership Distribution of the World Fleet

The distribution of world fleet ownership continues to be highly imbalanced between the developed market economy countries (including open registry countries) and the developing countries, as the former accounted for a combined tonnage of 542.5 million dwt in 1996, representing 71.6% of the world total tonnage. As against this, the developing countries owned 147.4 shows ownership distribution of world fleet by groups of countries for the years 1980, 1995 and 1996.

Table 9.7 : Distribution of World Tonnage (grt and dwt) by Groups of Countries of Registration 1980, 1995 and 1996

Flags of Registration by Group of Countries	Tonnage and Percentage Share					
	In grt (millions)			In dwt (millions)		
	1980	1995	1996	1980	1995	1996
1 Developed market economy countries	214.3	141.5	142.5	350.1	203.9	203.9
	51.7	28.8	27.9	51.3	27.8	26.8
2 Major open-registry Countries	114.2	203.5	216.4	212.6	321.3	339.5
	27.6	41.4	42.5	31.1	43.7	44.8
3 Countries of Central and Eastern Europe (including the former USSR and Socialist Countries of Asia)	39.3	47.6	45.1	48.7	60.0	56.1
	9.5	9.6	8.8	7.1	8.2	7.4
4 Developing Countries	44.7	90.5	97.4	68.4	137.5	147.4
	10.8	18.4	19.1	10.0	18.7	19.4
5 World Total	414.5	491.5	509.4	682.8	734.9	758.1

On going through the data given in Table 6, You will observe that, while there has been a decline in the share of developed market economy countries (including the open registry countries) both in 1995 and 1996, major Portion of the world fleet was still owned and registered in those countries. In the case of developing countries, however, the share in terms of dwt increased from 10% in 1980 to 19.4% in 1996, But, this group has been unable to increase their tonnage adequately despite the efforts being made from mid 1970s.

9.4.6 Most Important Maritime Countries and Territories

35 most important maritime countries and territories control 93.5% of the world merchant fleet. Out of these, 16 countries belong to the developed world. However, in the developed countries again, the leading maritime countries are Greece, Japan, USA, Norway, United Kingdom, Germany and Sweden. Among the developing countries the leading ones are China, Hong Kong, Republic of Koria, Taiwan and Singapore

9.4.7 Foreign Flag Registry And The Major Open Registeries

There has been an increasing trend towards foreign flag registry in recent years. Consequently, total tonnage registered under foreign flags in 1996 reached 357.9 million dwt, representing 56.3% of the 35 countries total fleet, as against 54.3% in 1995. Though registry under foreign flags has been a long standing practice by owners in the developed countries due to the types of freedom and facilities available with regard to operation and manning of

vessels. The same is now becoming a common practice even in other country groups, particularly in developing countries.

Seven major open registry countries of the world are Panama, Liberia, Cyprus, Bahamas, Malta, Bermuda and Vanuatu. The total tonnage registered in these countries in 1996 increased by 3.9% to 304.4 million dwt. Panama with 108.9 million dwt ranks first followed by Liberia, Cyprus, Bahamas, Malta, Bermuda and Vanuatu.

9.4.8 Distribution of Total Freight Cost in World Trade (Imports)

The estimates of the total freight cost in world trade (imports) and its percentage of total import value by groups of countries for the year 1980 and 1995 are given in Table 9.8.

Table 9.8 : Estimates of Total Freight Costs in World Trade (Imports) by Country Groups (Millions of US Dollars)

Year		Country Group	Estimate of Total Freight Cost of Imports		Value of Imports (cif)		Freight Costs as % of Import Value
1980	1	Developed market economy countries	78	286	1 425	979	5.49
	2	Developing countries	45	978	430	855	10.44
		World Total	123	1264	1 855	834	6.61
1995	1	Developed market economy countries	145	040	3 457	009	4.20
	2	Developing countries	102	285	1 231	628	8.30
		World Total	247	325	4 688	637	5.27

The world total freight payment as a proportion of import value has shown a downtrend from as high as 6.64% in 1980 to 5.27% in 1995. It is further observed that the relative level of freight costs incurred by developed market economy countries continue to be almost half that of developing countries both in 1980 and 1995. Another glaring discrimination observed in respect of the freight costs in world trade has been that the developing countries, for their share of merely 23% of the value of imports, they had to bear as much as 36% of the total freight costs in 1980 and the same increased further in 1995 as this group, for a share of 26% of the value of imports, shared 41% of the total freight costs.

Check Your Progress B

1 Fill in the blanks

i) In 1996 container ships constituted only ..... per cent of the world fleet.

ii) Major open registry countries had the ..... average age of all ships

iii) The combined tonnage of oil tankers and dry bulk carriers continued to ..... the world fleet.

iv) The containership continued to expand in ..... countries in 1996.

v) The distribution of world fleet continues to be highly ..... between the developed market economy countries and the developing countries.

vi) The relative level of freight costs incurred by developed market economy countries continues to be almost ..... that of the developing countries.

2 List five leading maritime nations among the developing countries.

.....

.....

.....

3 List five major open registry countries in the world.

.....

.....

.....

9.5 ISSUES OF CONCERN TO DEVELOPING COUNTRIES

It is quite evident that developing countries despite having a major share (50.7%) in the total goods loaded and an overwhelming share in the crude and oil products (82.5 and 54% respectively) own merely 19.4% of the world shipping tonnage. As against that, the developed market economy countries (including the open registry countries) have been continuing to maintain an overwhelming share (71.6%) of the world shipping tonnage which, in the case of tanker tonnage, is rather too high (81.1%). Thus, the major concern of the developing countries lies in their inability to increase shipping tonnage both in respect of bulk cargo carriers and break-bulk general cargo carriers. This is due to a host of factors. However, more pressing among them are (1) death and denial of opportunity to carry cargo to the ships owned by developing countries due primarily to the existence of very effective barries particularly, inadequacy/lack of access to carry even their own bulk/general cargoes, and (2) protectionist policies and practices of the developed countries by way of operational and construction subsidies, concessional credits, registration of ships in open registry countries, vertical integration policies of multinational/transnational corporations and retention of terms of shipment in their favour by the traders of developed countries for having the right of nominating the vessels of their choice, which invariably goes in favour of 'open registry countries' ships. Besides these, the developing countries face a resource crunch to take care of their mercantile fleet expansion and modernisation programme. In any case, the developing countries are making frantic efforts to build up their national tonnage through financial support of their respective governments along with assured cargo base. In order to held the developing countries in expanding their merchant fleet commensurate with their share, a historical mile stone was reached through an International Convention of the code of conduct of liner services under the gambit of United Nations which was adopted in 1974 and became operational in 1983. The Convention provides the right of entries by national shipping companies in the liner conference. It also provides equal sharing in the cargo movement between the trading partners countreis by the ships operating from either side, leaving atleast 20% share for the ships of non-trading countries. Logically, therefore, it provides atleast 40% share for most developing maritime countries in their respective liner trade for the national bottom. The rationale being that selling and buying countries can equivalently share the carraige of trade for employment of their national tonnage.

There are countries who are rigidly following the above Convention. But, in most developing countries such as India, this Convention cannot be adopted as long as the liberalisation process continues. It is difficult for any third world countries to enforce this Convention while trading with developed countries. In the present highly charged competitive atmosphere, it is best to leave the decision of shipping to the exporters/ importers without any stipulation of Convention.

Another problem relates to the fact that, among the developing and least developed countries of the world there are as many as 29 land-locked countries. Out of these, 15 countries are in Africa alone and of the remaining, five are in Asia, seven are in CIS states and two are in Latin America. The land-locked countries have varying geographical and developmental features in terms of size, population and resource endowment. However, they suffer major disadvantage of having no sovereign territorial access to the sea. As a result, the transit modalities are quite complex and cumbersome. The other problems encountered by them relate to port congestion, lots of documentation requirements, delays due to slow movement of goods along the corridors linking the land-locked countries to the ocean ports non-availability of equipment and railway wagons trashipment and other indirect costs which not only increase the cost of their imports and that of production but also erode the competitive edge of their exports which affect their overall development performance.

9.6 NEGOTIATIONS IN MARITIME TRANSPORT

Negotiation or consultation in maritime transport refers to an organised system of

discussions between the representatives of shipping conferences and shippers' bodies - associations/councils. The governments in various countries seek the representation of their shippers in such types of bodies. Even Article 11 (1) of the UN Convention on the code of conduct for liner shipping conferences, popularly known as UN liner code, provides that there shall be consultations on matters of common interest between a conference, shippers organisation etc. Actually any conference decision affecting shippers interest on matters like adequacy of shipping space and quality of services, changes in freight rates or surcharges, general rate increase, changes in the tariff classification of ports, rules and conditions of carriage etc. appears to be subject to consultation.

The United Nations Convention on Code of Conduct for Liner Conferences was adopted in April 1974. The objectives of the code include:

1 the facilitation of orderly expansion of world sea-borne trade;

2 stimulation of the development of regular and efficient liner services adequate to the requirements of the trade concerned; and

3 ensuring balance of interest between suppliers and users if liner shipping services.

The Code also embodies certain principles which should be followed by the conferences from the standpoint of non-discrimination and transparency in their freighting practices, The salient provisions of the code include:

1 recognition of equal rights of participation by the group of national shipping lines of each countries in conference trades and leaving 20% of the conference traffic for carriage by third country shipping lines, i.e. traffic sharing on the principles of 40:40:20;

2 consent of the national shipping lines of participating countries in conference decision making;

3 stability of freight rates for at least 15 months;

4 150 days notice for any general rate increase;

5 promotional freight rates for non-traditional exports;

6 orientation of loyalty agreements based on princples of parity of obligations and rights; and

7 meaningful consultation between conferences and shippers organisations/ representatives on matters of common interest, e.g. tariff conditions/regulations, changes in freight rates, promotional/special freight rates, surcharges, loyalty agreements etc.

The Convention came into force in October 1983, practically one decade after its adoption. Great hopes have been pinned by the developing countries on the Code for correction of the imbalance in international liner shipping dominated by the developed countries. The implementation of the provisions of UN Liner Code alone will ensure the orderly expansion of the world sea-brone trade and the development of regular and efficient liner services adequate to the requirements of trade concerned.

9.7 LET US SUM UP

Ocean transport has pre-dominance over others modes in the international transportation system due to ships' capability of carrying a larger volume over longer distances at comparatively cheaper freight rates. The fact that about three-fourths of the total goods traffic, accounting for almost two-thirds of the total value of international trade, moves by sea establishes the importance of shipping in physical movement of goods traffic.The developments in the world economy covering world output merchandise trade and industrial production in OECD countries greatly influence the world seaborne trade. During the period 1990 to 1996, there has been continuous expansion in the world seaborne trade which increases from 4.01 billion tons to 4.76 billion tons. The tanker cargo accounted for about 44.7% of the total seaborne trade in 1996. According to the forecast made by the World Sea Trade Services, the seaborne will expand by 3.9% during the next decade and will be of the order of 5.7 billion tons. The developing countries share in world seaborne trade is over 50% while the developed countries account for about 43% only.

A study of world fleet structure in 1996 indicates that oil tankers and bulk carriers account for about 36% each, while general cargo ships and container ships account for about 14% and 6% respectively. The number of cellular container ships has been increasing over the years obviously due to increasing demand for movement of containerised cargo.

The distribution of world fleet is highly imbalanced as the developed market economy countries along with open registry countries accounted for over 70% of the total world tonnage both in 1995 and 1996. As against that the developing countries despite their best efforts have been enable to build a respectable shipping tonnage of their own and their share in the world tonnage was less than 20% both in 1995 and 1996. Similarly, in the fleet distribution by vessel types, again the group of countries belonging to developed world and open registry countries have an overwhelming share in all types of ships. Out of 35 most important maritime countries controlling over 93.5% the world merchant fleet, 16 countries belong to developed world. Among the developing countries, China, Hong Kong, Republic of Korea, Taiwan and Singapore are the leading maritime nations.

There has been an increasing trend towards foreign flag registry due to certain inherent advantages, e.g., more freedom with regard to operation and manning of vessels by owners. The major open registry countries are Panama, Liberia, Cyprus, Bahamas, Malta, Bermuda and Vanuatu.The major concern of the developing countries has been their inability to increase the shipping tonnage. This can be attributed to the existance of certain barriers like inadequacy of resources, lack of access to carry even their own cargo, and the protectionist policies and practices of the developed countries. Though the UN Liners Code provides that there have to be negotiations and consultations on shipping matters of common interest to shippers and shipowners, the experience has shown that the developing countries have been unable to derive much benefit from such Convention.

9.8 KEY WORDS

G. R. T: Gross Registration Tonnage (grt) of a ship is a measure not of weight but of the cubic capacity of permanently enclosed space in a ship measured at 100 cubic feet.

N.R.T: Net Registration Tonnage (nrt) of a ship is gross tonnage minus the space for crew accommodation, certain water blast tanks and propelling machinery. It represents true revenue earning capacity of a ship.

Open Registry Countries: Countries where ships of other countries can be registered. These are also known as flag of convenience countries.

Sea-borne Trade: Import and export of goods by use of ocean transport.

Ton Mile : One ton of cargo moving over one nautical mile.

9.9 ANSWERS TO CHECK YOUR PROGRESS

A 3	(i) False	(ii) True	(iii) True	(iv) False	(v) False
B 1	(i) 6.4	(ii) lowest	(iii) dominate	(iv) open registry	(v) imbalanced
	(vi) half				

9.10 TERMINAL QUESTIONS

1 "The world economic situation and the world trade are very closely related." Discuss.

2 The developing countries, despite having a share of over 50% of the goods load in world sea-borne trade, have been unable to build their shipping capacity. Discuss and able Table 9.5: Percentage Shares of World Tonnage by Types of Vessel and Country state the problems faced by them in this regard.

3 Describe the trend in growth of world sea-borne trade, and analyse the composition of the world fleet size and its ownership distribution by group countries.