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Maritime affairs in landlocked countries

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MARITIME AFFAIRS IN LAND-LOCKED COUNTRIES

by

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The contents of this paper reflect my own personal views and are not necessarily endorsed by the UNIVERSITY.

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"To my parents memory"

PREFACE

As a lawyer, my thesis should be written about legal aspects to make my task easier, because it is a field in which I am educated. But, I have to refer to what oblidged me to change the subjet of my thesis.

Since I started to work for the government in my country , at the Under Secretary of Maritime Interest, Rivers and Lacustrines of the Ministry of Defense of the Republic of Bolivia, whenever I mention ed my job, I have been asked why we are involved in maritime activities if we are a landlocked country. At the begining I thought it was because of our absence of maritime tradition and because the people are neither related with maritime activities or connected to a coastline. But once I started to study at the World Maritime University, most of the students still continued asking the same question, despite the fact that they are related with maritime and shipping activities.

For that reasons I believe that it was necessary to know if it was not a mistake that a landlocked state could be involved in maritime affairs or shipping activities.

Although I consider if to be of great importance that the maritime activities nowadays represent a specilised area of knowledge and fountain of resourses, since its importance id increasingly growing provided that, from the sea it is possible to obtain benefits such as: food, fresh water, a way of comunications, minerals, energy, knowledge, aid for metereological purposes, human settlements and earth interface.

But this fountain of maritime resources is handled only by a few people who are related to maritime activities directly or indirectly, even in countries with a long maritime tradition. This may be so because the other people do not live close to the sea and ignore how benefical the explotation of those resources is for his country, and also for his own wellfare (due to the benefits that maritime activities report to its national balance of payments, which is reflected in its income per capita).

Then it is easy to deduce, that if the maritime activity is not fully understood in countries with long maritime tradition , it is worse in landlocked countries, which do not have that experience. Therefore, everybody would agree, how much more is needed to be done in maritime activities to give the importance that it really has.

Also, the purpose of this thesis is to show what more should be tried for landlocked countries in maritime activities irrespective of analysing the most significant and complex aspects of the shipping business to diminish the risky and capital intensive aspects of the interprise.

Finally, in writing this thesis I am very indebted to so many people, but I am not going mention all of them here, as I am afraid of omiting somebody. Although I would like to thank specially my course pofessor of GMA 85, the permanent professors and visiting professors of the World Maritime University from whom I obtained the knowledge. Also my gratitude to the Language Faculty of WMU, mainly the lady asigned to help me and my class mates whose help made this thesis understandable.

INTRODUCTION

The objetive of this thesis is to give insight to the feasibility of landlocked states to participate in maritime activities, specifically the shipping business, by reducing its risky and costly characteristics. Also looking at the possibility of building up shipping activities without taking into account the prerequisits such as large own fleet a and great amount of national cargo.

In fact this thesis as was mentioned, there is no any magic fomula, it just constitutes a study of the possiblity for landlocked countries to come into maritime affairs, mainly shipping activities, looking at the possibility to diminish its risky and costly characteristics by establishing it as a shipping company of service to other countries (which can not or do not want to carry its national cargo), with vessels acquired on the second-hand market or by chartering.

First of all, a general overview is described as to why the importance of maritime affairs in the world, what can

be obtained from its exploitation and to point out the sea transport as the important one. To later on refer to the benefits of being a coastal country and the handicaps of being a landlocked state.

Secondly, it is time to establish that maritime activities are not reserved only for coastal countries, the right of landlocked states to participate in maritime activities is justified (shipping, fishing and Off-shore. Brokering as related), by discussing the main characteristics of the shipping business, by looking at the posibility to diminish two of those characteristics, by making the shipping business more accessible for landlocked countries.

Lately, once embarked within the shipping business, the pre-requisits to build up the enterprise such as a large national fleet and a great amount of national cargo are dealt with, to conclude that they are not too imperative because other possiblities and alternatives exist.

Finally, it is mentioned that these activities must be backed up by the development of colateral activities and other facilities to be done within the landlocked state and negociations with other states, to make it easier the enterprise, which otherwise could not be reached without the international cooperation.

HYPOTHESIS

One of the great number of differences that exist among countries is, the division of coastal countries and landlocked countries, by which reason it was believed, that londlocked countries could neither enjoy the benefits of shipping activities, nor to be involved in other important maritime affairs (ie.fishing, brokering and off-shore activities)

Nowadays, some countries have already proved the fallacy of that statement.

Therefore landlocked countries at the time of diminishing or avoiding the high risk characteristic and the high capital intensive industry characteristic of the maritime activity,should now atempt to enter shipping activities even: a) without having a great amount of national cargo, and/or b) Without owning a large national fleet

In that way, plus certain colateral facilities to be reached, could be a possible way to obtain benefits, also in favor of the national balance of payments of landlocked countries.

MARITIME AFFAIRS IN LANDLOCKED COUNTRIES

I.-Importance of maritime affairs in the world

A.- Importance of the sea transport.

1.- Transport and trade.

B.- Coastal countries.

C.- Landlocked countries.

II.-Right of landlocked countries to participate in maritime activities.

III.- Maritime activities in landlocked countries

A.- Shipping.

1.- High Risk = Economic Cycles.

2.- High Cost = New Vessels Vs. Second Hand.

B.- Fishing.

C.- Off-Shore Activities.

D.- Brokering.

IV.- Shipping activities in landlocked countries.

A.- Fleet.

B.- Cargo.

V.- Development of colateral facilities.

A.- Free use or reduced canals and port dues.

B.- Free ports in coastal countries.

C.- National cargo in foreign ports.

D.- Use of international rivers,lakes and sea conextion.

E.- Multimodal transport.

F.- Inland dry ports and terminals.

G.- Protections and subsidies.

VI.- Economic advantages.

VII.- The need of international cooperation.

VIII.- Conclusions.

IX.- Recomendations.

CHAPTER I

IMPORTANCE OF MARITIME AFFAIRS IN THE WORLD

Despite the fact that our planet is called earth, the largest part of it is the sea. This may be the reason why at the begining the sea looked as an other world, since it was considered as a barrier for the species of mankind.

Later on, once the sea was studied and its characteristics and principles known by early men, it is not an obstacle any more, on the contrary it has became a never ending fountain of various resources such as energy, minerals, living resources and others to be exploited to partly solve if not all, the lack of resources that mankind faces today .

This exploitation must be well administrated to distribute its benefits to all countries on equal terms, otherwise it will serve to empower some countries or organizations even more. In other words, they would use those facilities to oppress the less advantaged countries.

Up to now the sea has been providing animal and vegetable food (fish, seaweed), energy resources (petroleum, natural gas, minerals); also it can be used as a way of transport (maritime transportation), or to lay pipelines for various uses and finally as a field of research to know something more about itself or what has sunk to its botton (maybe rests of ancient civilizations) to solve some questions which have not yet been answered clearly.

From all these aspects, and since the sea has been left considered as a barrier against international communication, the sea transport became important all over the world (this will be dealt with in the next chapters). But irrespective of that field , one which has also received a great deal of attention is the exploitation of crude oil from the bottom of the sea with new type of huge vessels, the off-shore units with a capacity to accommodate a complete system of oil production and refinery.

"With 1983,s the global economy has been characterised by stable energy prices and oil productions quotas and the resurgence of growth in most industrialised countries, ...saw growth the off shore activities in the North Sea , S.E. Asia, the Midle East and also the US West Coast."(1) "... by necessity to satisfy the need of crude oil as the cheapest energy resourse with mobile off-shore drilling unit or vessels which are capable of engaging in drilling operations for the explo-

ration or for the exploitation of resources beneath the sea-- bed such as liquid or gaseous hydrocarbons, sulphur o salt"(2)

Equally important as those mentioned before, but with less capital intensity is, the fishing activity. Fishing has been the earliest food industry, providing food for mankind not only for consumption locally but also for export.

The development of those three fields was accompanied by the development of special ships (as main unit, which made those industries grow) such as: 1.-fishing boats and fishing production ships for fishing purposes; 2.-jack up, semi submersibles and other off shore constructions for the exploitation of the sea, and specialised vessels for carrying goods (liquid or dry) and/or comfortable passanger ships (cruisers).

But the use of the sea has been more than that, even to the extent of solving housing problems by the construction of huge floating hotels at sea with all commodities as a floating colony.

Finally there is another field which is the Freigth Market Operations or commonly called Shipbrokering related to the sea but operated at shore, where most of the maritime transactions are developed. Almost all requirements of merchants and shipowners or others related with the field, are gathered in these spots to satisfy the parties concerned,

whether definitive or temporal agreements over ships , cargo and routes or markets.

As it is seen, the importance of maritime affairs necessa rily has its influence on trade and transport in the world taking into account that this exploitation must take care of the marine enviroment to maintain a good balance of the living resources of the sea to be shared by all mankind and preserve it for future generations.

But among those possibilities the one which has received a great deal of importance is the "sea transport", therefore for the purpose of this thesis, emphasis will be laid on, its start, evolution and importance of the shipping.

A.- IMPORTANCE OF THE SEA TRANSPORT.-

1.- Scaning the earliest form of a city, which is the tribe; it is possible to see how human groups, such as nomads had to walk through different places enclosed within certain areas limited by natural barriers. The members of the tribe had to help each other (without having contact with other tribes), to survive the salvage nature by their own account, resist extreme weather conditions, overflowing rivers, wild animals or face illness etc. etc.

Once the tribes found a place where to stay, the agricultural tasks were developed. While some of them cared for the safety of the tribe or hard tasks, only a small group of them -the

hunters- went to get food for everybody. For that purpose, without realizing themselves, in their anxiety for reaching and seizing the prey, they ingeniously saved some barriers upon which the tribes expanded their dominion and enlarged their area, until they got in contact with other tribes and felt the necessity of solving bigger natural barriers which limited their world.

They gradually drew advantges from natural resources such as the streams of the rivers (to go more quickly or with heavy loads), the narrow spots to reach the oposite side (shortened long distances)

instead of turning around the bays or lakes. For those considerations and perhaps without making any mistake, possibly the transport by water was the first way of transportation, not only to go from one house to another house, but also as today to reach distant places.

This activity was done mainly to interchange products with tribes fron other aereas, therefore it was at that very moment when the means of transport appeared to save time and effort, and the important economic activitiy called "trade" was born.

For a while on land, the transport of certain animals expanded from the simple use of pulling cart loads or wagons to carry small quantities of cargo or a few passengers, gradually tur-

ning paths into roads as they are today, facing many problems in case of large distances.

Almost parallel to the car development, the train appears as a solution , capable of transporting large quantities of cargo and passengers.

Later on, the airplane appeared within air transportation, very fast in comparison with othes means of transport. This mode of transportation was able to substitute the former ways of transport, but not economical regarding fuel costs. In this field, it is necessary to take into consideration something old but now from a new point of view, such as the the "Ballons" (Non Conventional Means of Transport) which are taking advantage of wind energy (eolic). In the future,they could become an economical way of transport in order to save fuel and money.

"In the field of passenger transportation, competition from the air took over almost entirely the trade from sea carriers. In general cargo, the situation is different. Physical conditions and cost disparities make the competition limited in scope and the list of commodities subject to competition very short. The two modes of transportation concentrate on different kinds and volumes of cargo. However, on given routes and in certain circumstances the table of products which air carriers and sea carriers fight for can be quite long.

Air transportation concentrates on the carriage of high value, low volume goods."(3)

Each of these means of transportation has its own particularities involved within the most important aspect that was mentioned: time -money. Playing with these two premises and combining each other, for conveniency reasons (as has been considered) the sea transportation must be the choice for being the economical one.

2.- In the same manner nowadays the result of the tribe on their high level are the cities; whose necessities are expressed and satisfied by themselves or obtaining from foreign countries, using various means of transport. Since the ancient or simple up the actual sophisticated artefacts, over which is layed the practice of the "international trade" in its different ways; by water (high seas or inland waters),by road, by rail or by air.

3.- The means of sea transport in general underwent many changes in its feature since the boat or ship was the only way to transport merchandise and people to distant continents or countries, until today when the passenger ships became simple tourist cruiser ships, which attract people only by the amenities on board.

On the other hand, the cargo ship or water transport is continuously growing up through the specialization, carrying all

kinds of cargoes and calling all kinds of ports of commercial cities, small cities such as markets and other strategical or political key ports; irrespectively of being used as interconextion with other ways of transport (rail road and air).

4.- During the process of changes that the shipping activities suffered, the routes were also afected. Therefore shipping activities have been shifted to other areas, pulled mainly as a cosecuence of the change of location of new row materials produ cing countries to new industrialised countries, or in economic terms: the routes of the trade go through the importation and exportation of raw materials from developing countries, and manufactured with technology from industrialized countries, as a result of new techniques applied or price competition reasons.

"In the start of the period raw material was in general totally manufactured and consumed within a limited gegraphical area. Now the way from raw material to final demand often passes through several geographical regions and industrial sectors, and therefore gives rise to a still more important international transit traffic.

This development is far away from the clasical localisation theories which required that localization took place where the primary production factors were found. There is, however, still a localisation pattern because localisation is now dependent on the communication structure of the immediate

higer and lower level in the highly differentiated production process.

The value of the final product of the high ranked industrial process is composed of the price for raw material and the single "value added" elements in the differentiated production process. Because of the advantages of economics of scale and specialisation transportation become a still more important production factor.

The role of transportation in the manufacturing process is highly dependent on the cost of transportation and the economics of scale and specialisation. The growth in the transportation sector and the related infrastructural capacity problems is therefore to a high degree explained by the decrease in transportation costs". (4)

Notwithstanding, what has been mentioned above, does no matter if referring it is located in its own country or not, the important is if it cam be obtained elsewhere, at any rate, if there is no other alternative even at a high price because after being proceseed, the final price will recover not only the initial cost,but also other costs plus expenses and gain good profits.

5.- Well, why is sea trade so important? As it is know the water by itself, is an adequate media to transport heavy loads. Once the optimal point of buayancy it is found,-

the density of the water keep control of the weight, making vessels float without any aid; then propulsion is added in order to get the displacement from one point to another with the linked speed and safety marging. From these results "shipping" became the best way of transportation, that is why between 75% to 80% of all cargoes exported in the world are sea borne.

"The main function of the world fleet of merchant ships is to close the physical gap of marine space between production and consumption in the world economy. There is a vast amount of movement on the world's seas; on any one day there may be 10,000 to 15,000 ships crossing the oceans. This movement generally passes unobserved. Only at points of convergence, as in the Strait of Dover through which 800 vessels pass in a day, can the functions of shipping as an important integrating factor in the world be appreciated; although when shipping is disrupted by military activities or strikes the significance of these services for food supply and industry is made more apparent" (5)

6.- Considering the ways and the distances and the movement of the total world trade, it is easy to deduce that the continents are separated by sea water, which constitute the bigger part of the world and ipso facto it does mean, that two means of transport are excluded:1.the road, and 2.-the railway; by its natural limitations and remainig yet the air transportation as the other competitor of the sea transport.

Therefore, the comparison must be made looking at the advantages or disadvantage of each one, under "time /money" point of view; and it is well known that the maritime transportation is the cheapest one, despite the fast delivery and hand over reached by air transportation in case of long distances.

In this case, because of urgency reasons it might be necessary for time reasons to use air transportation whereby the economical aspect would take second place to use expensive means of cargo transportation, which in this case replacing and leading the situation of the economy of transport. But this occurs only with special cargo or in exceptional cases, when something falls out of the planification and without breaking the rules and customs for the transportation of goods on the cheapest way, such as maritime transportation.

Otherwise, in the long run that spot of production must be substituted by others, which necessarily should be cheaper in comparison to other centres of production.

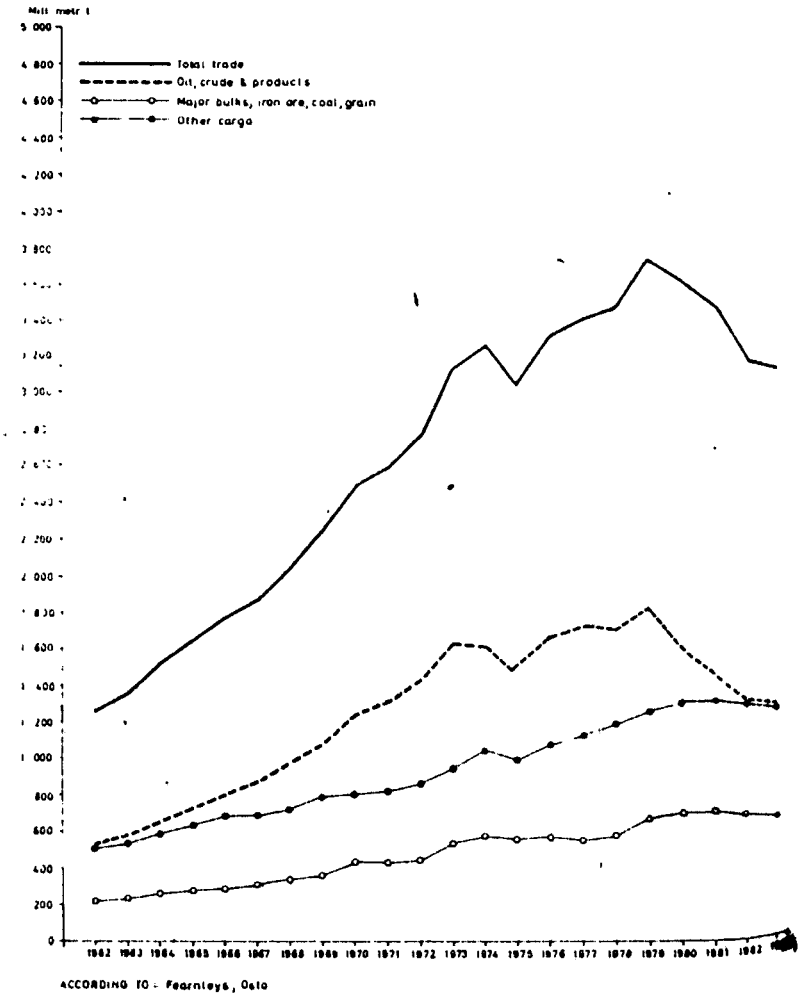
7.- Then after having seen the comparison, the choice of sea transportation is recomended by it self, because that is the reason why the greatest part of the world trade is carried by sea.(6)

Ratifying the former, here is one comment made by Schwimer and Amuusen in his book Management of the Sea Transport, p. 1,

"Maritime Transportation has been the life blood of the world trade from time inmemorial. Commerce between the nations of the world has always depended on ships, and ships in turn have always depended on the ports from which they operate and to which they sailed. Despite the enormous growth of new transportation modes, the economy of the sea transportation asures that ships will continue to be the chief carriers of world trade in the foreseeable future." (7)

As justification of the growth of maritime transport annexes 1 to 7 show how it go up in the last years, since 1962.

WORLD SEABORNE TRADE 1962 - 1983



ACCORDING TO : Fearnleys, Oslo

8.- According to how the trade is growing, it chooses its suitable way of transportation. Therefore this means of transportation must arrange its interior in the most convenient way possible, to store in and carry suitably all the goods that they are sending by that way, at the cheapest cost possible.

That is the reason why (when the shipping is fitting its performance on what the technology and safety cover) the new kind of trade namely, the ship building industry is forced to produce new kind of ships applying high technology, to transport special kinds of cargo (from general goods to special and dangerous cargo). Because, once the cargo is shipped, the carrier is responsible for it, and therefore the cargo should be well fitted, located in acordance with safety regulations and maintaining the temperature that it requires not only at the time of departure, but also through different kinds of water (cold or tropical) and weather conditions to the port of destination, with the cargo in good conditions as it was loaded at the port of origin.

1.- TRADE AND TRANSPORT.-

As much as the countries and civilizations could develop the trade, this was identified with transport, because both terms are closely related, and to say the truth it is not more possible to know which one gives more importance to the other, if the transport to trade or the trade to transport.

Yet it is possible to deduce, that even without trade the transport can exist. Consequently according to how the trade is growing, also the transport is climbing up or shifting routes, where the trade and markets are. That is the rason why one is inherent in the other.

"Maritime transport serves world trade. Any changes in this trade have direct repercussion on shipping and ports" (8)

B.- COASTAL COUNTRIES.-

The coastal country through their ports play an important role in the development of a country by the facilities or advantages that they offer to shipping services.

1.- "Ports are integral links in world transportation system. In addition they tend to generate increased production, consuption, employement, trade and commerce in their immediate areas and thus they contribute to the prosperity and development of their regions and ultimately, the nation. Major commercial ports have certain physical and economic atributes in common, though each tend to evolve differently according to its own unique location and governmental characteristics. (9)

The advantages of ports are wider, not only in the service of shipping as was mentioned, but also by the facilities offered to the industry in general, such as the place or area where its activities are easier, to make its importations and exportations within free ports. That is the case of The Nether-

lands, as they called themselves "A free port within the freedom", where the industries or factories installed there, do not have to pay any dues to the government unless their products want to come out of the free area, solely in that case they have to pay taxes for inwarding the goods in the city.

But on the other hand, the government despite of the fact that they do not collect taxes from them, get other social advantages because the factories employ national labor force, partly solving the unemployment and contributing in maken the city an international commercial centre.

2.- Within the shipping business, national ships have the right to call national ports at always available berths, and use the equipment and facilities offered by the port, in order to get advantage of being a local company. By their side the country get the benefits of easy importation of goods or at least free of transit dues.

3.- The coastal country as such, enjoys all means of transport (air, road, rail and water), taking advantage of its use in the different possible ways they can, to satisfay the needs of its inhabitants, making distribution of trade the easier, within the national country whether the goods were produced locally or bringing all kinds of goods from abroad the country.

4.- In a coastal country, some cities have their own

beaches to give social satisfaction not only to their own citizens, but also to international tourist.

5.- In their exclusive economic zones, the coastal country enjoys and encourages fishing activities as a way to satisfay their internal food necessities and to sell the rest abroad. Furthermore, when foreign flag vessels want to fish within that area, the national country receives certain dues for issuing licences.

6.- Other main industries such as off-shore activities could be exploited with similar privileges in view to find minerals, crude oil or natural gas, whereby the dimension of this complex business could give employment to a lot of people.
Consequently the economic movement that the country exercises by that way is really in terms of national performance.

7.- All these aspects mentioned should not have any importance if they do not have, inherent within themselves, the economic aspects, from which they would obtain benefits to the balance of payments and the earnings obtained in business with other countries. Because as it is known while the national exportations is higher and the importations lower, this is more benefical for the national country.

C.- LANDLOCKED COUNTRIES.

One could say that a landlocked country is the reverse side of a coin in relation to coastal countries when they are compared within the field of maritime activities, because the landlocked countries do not have all those positive aspects and incomes enjoyed by the coastal countries. However it does not mean that this paragraph about landlocked countries will be described as a luck of laments, full of disadvantages for not having coastline; definitly not. Because not all landlocked countries are developing countries, nor the word "landlocked" is synonimous of developing country.

Trade made progress because of technology in different ways of transportation, viz water-, rail-, road- or airtransport. Based on that advancement, countries satisfy their different re quirements using and exploiting those ways of transportation, in order to reach their goals, as every developed or developing countrie does. At this stage the difference appears when a country does not have all ways of transport to carry out its own trade and feeling the necessity of it. That is the case of landlocked countries, which do not enjoyed one of the most important ways of transport, which is the sea trade .

Although it is true that this deficiency could be replaced, by exploiting the other three ways of transport or the non conventional systems. However, the other ways of transport has their own natural restrictions or economical disadvantages over the sea transport, because the maritime transport can not

be susbstituted by the road, neither by rail, in case of intercontinental transportation (natural restrictions). Then, the only way which can be used in that case is the air transportation, which has involved therein the economical disadvantages. Therefore the sea trade or shipping must be practiced anyway for landlocked countries in spite the fact that they do not have their own ports.

The countries which do not have a coastline, face some problems in order to find a solution to compensate that deficiency, developing other means of transport and make and effort in order to develop a maritime company and fishing activities, in its neighbouring and other coastal countries. When the sea transportation is ultimately exploted the country gets a lot of advantages,not only to satisfy its own requirements but also to transport goods to other countries, and to keep more advantages to its national balance of payments.

These considerations should conduce the landlocked country to exert its willingness to go -anyway- into maritime activities in order to find solutions for its less priviledged situation, inspite of the high risk and capital intensive industry characteristics that they are, within an international context.

Eventhough, this effort still constitutes a small part of the total solution or develpment of the country, because therein is involved all the fields that can cover the socio-economic development of one country.

FOOT NOTES

1.- Det Norske Veritas, Annual Report 1983, p. 14

2.- IMO, " Code for the construction and equipment of mobile Off-shore Drillings Units.

3.- Amos Herman, LL.B. , S.J.D. LLoyds of London Press Ltda. "Shipping Conferences" 1983. p.97

4.- Europen Conference of Ministers of Transport."Report of the 45th Round table on transport Economics", Infraestructural capacity Problems raised by International Transit. Paris February 1979, Economic Research Centre.

5.- Couper A.D. "The Gegraphy of Sea Transport",
Hutchinson University Lybrary
London
1972

6.- Irrespective of the price showed in the table, there is also another criteria expresed for the wine producers, whose said that the movement of the ship at sea during the tip and the time expended on it, make the wine more tasty. (text book of GMA studies.

7.- Schwimmer and Amuusen, Management of Sea Transport, p.

...)

8.- Chrzanowski Ignacy," An introduction to Shipping Economics" Edited By S.J. Wiater City of London Polytechnic. Published by Fairplay Publications Ltda.
1985

9.- Schwimmer Martin J. and Amudsen Paul A , Managenent and Sea Port. p. 24.

CHAPTER II

RIGHTS OF LANDLOCKED COUNTRIES TO PARTICIPATE IN MARITIME ACTIVITIES.-

Everything in this world have its justification, whether by natural right (law)or based on international conventional laws, to claim any right.

In this case the landlocked countries have not natural and originating right to sea side (unless they loose it), therefore they must find their rights on international conventional laws. Then "that is not forbidden, it is allowed", is the juridicial principle which backs up the right of landlocked countries to maritime activities, based on other recognised principles as the "freedom of navigation on high seas", "right to innocent passage on jurisdictional waters" and others derived from them.

In fact, in the early days, the freedom of navigation was broadly wide, also for fishing. Some countries had the custom to transit or fish in seas far away from their own country.

Actually based on historic rights, and because "the custom make's law" they still conserved their right to fish in thhose areas.

Other international conventional laws, which encourage and recognise these principles and rights are namely:

1.- United Nations Chart.- This chart which embraces world wide, starts with expressing "We the people of the united nations termined:... reafirm faith in fundamental human rights, ... in the iqual rights of nations large and small"

Chapter I. Purposes and Principles. Art. 1.- The purposes of the United nations are: inc. 2) To develop friendly relations among nations based on respect for the principles of iqual rights"

Inc. 3) To achive international co-operation in ..., and promoting and encouraging respect for the fundamental freedoms for all without distinctions.

Had this chart been signed and ratified by all countries, they must recognise the freedom of high seas, iqual rights for all countries, because there is not distinction among nations (art. 2, inc.2), because the high seas are a res nullius, thereby qualified as a heritage of mankind.

After this general international conventional law, there is the Law of the Sea, which is more related and concrete in maritime aspects.

2.- Law of the Sea.- Despite the Law of the Sea, it is not in force yet, it is hoped that in the near future the necessary ratifications are going to confirm the general desire for the enforcement of these rules, in case the countries are really in pro of the general benefit.

The most important articles related with the subjet discussed in this thesis, which involves the interest of landlocked countries are:

- Art. 69.- Right of Landlocked States.
- Part VII, High Seas, Sections 1, General provisions. Article 86.-

- Section 2. Conservation and Management of the Living Resources of the High Seas. Article: 116.- Right to Fish on the high seas.

- Part X, Right of Access of Landlocked States to and from the Sea and Freedom of Transit. Article 124.--

- Part XI. The Area, Section 1: General Provisions. Article 133.about the resources (solid, liquid or gaseous) of the sea-bed.

3.- United Nations Conference on Trade and Development (UNCTAD).-In "Common Measure of Understanding on Shipping Questions" paragraph 3, adopted with out dissent at its first session "...considered that the development of merchant marines in developing countries, as well as their participation in Liner Conferences as full members on equitable terms, is to be welcomed. The question of development of merchant marines by developing countries should be decided by such countries on the basis of sound economic criteria" (1)

There are also some other important laws, related with landlocked countries about transit to and from the sea through coastal countries, but because they have not direct relation with the subjet of this thesis they are no going to be included here.

Irrespective of international laws, on the other hand there are also some subjetive reasons for landlocked countries, which could choose their maritime development upon the advantages of one of the maritime industries or base the development of maritime activities according the local necessities, which are almost the same as other coastal developing countries.

Within those advantages it is possible to mention: 1) the economic aspect in favor of the national balance of payments; 2) a way to create new fountains to generate international reve-

nues, or as diversification of the existence of existing inductries, 3) limiting of imports of shipping services (saving of foreign exchange), 4) Export of shipping services (inflow of foreign exchange); which is going to help the national capacity to give employment to its citizens, with positive consequent repercussions on the national national income per capita.

Not only that, there are also additional reasons to consider concerning maritime activities as: 3) a way to practice, prolong or enlarge the national dominion on high seas, within the rights of freedom of navigation on high seas. Even more, 4) also exploit the resources from the bottom of the sea, to benefit and alliviate the lack of resources that their country is suffering, also as a prevention of disruptions of services during wartime, mainly when they are not themselves involved in the hostilities.

"An important feature of shipping as an activity is that it does not require any specific resource endowment on the part of ship owning nations. An idustrial base to provide shipbuilding and repair possibilities is desirable, but not necessary. The experience of other countries, for example, Norway, shows that a country can be successful at shipowning without an extensive national trade.(2)

For that reason, considering the hard work to be done, the young countries must challenge the opprtunity and start to

make the people aware that it is not a problem for a landlocked country to go into maritime affairs. The steps which must be obtained and which are the important ones are: working in the field, acquiring the know how and obtaining the needed experience, as factors to get and utilize the hermeneutics of small fleets, up to handle larger fleets of varying kinds of ships and cargo, to later on compete with traditional maritime countries.

Despite the affirmation above, there are actually some developed and developing countries involved in maritime activities such as Switzerland, Czechoslovakia, Hungary, Bolivia and Paraguay.

By the former statement it is possible to prove that many couuntries, depite being landlocked , they are involved in shipping activities, therefore they could also come into the off-shore activities, fishing activities and brokering activities, in the same way as other coastal countries which have their own ports but with the exception, that obviously the landlocked countries can not percieve certain incomes from port dues that the coastal countries receive (for various uses, when vessels call national ports).

They should not be worried by problems related with contingency plans against oil spills, sea pollution and contamination, which demand large amounts of money, nor get troubles from national security to control the territorial sea, neither

problems with foreign fishing vessels within the exclusive economic zone.

In this way the best use of the means of transport of the country make the products cheaper, eventhough the goods were transported from one side of the country to another , or much more if they are obtained from foreign countries. Because in that case irrespective of no increase as to the cost of the product, charge of the cost of transport, or in case of exportation of goods, at the same time that that they are exporting the goods, they are exporting transport service.

That is the reason why some national products are not exportable because the cost of transport make them non competitive on the international market, therefore the raw materials from developing countries are cheaper (or must be) in order to be sold. There is also a contradicting reason, as to why manufactured goods, which necessarily need to be acquired from industrialised countries, are more expensive, because the goods are produced to satisfy first, the national necessities and then the international requirements with which cost serve to pay its investments and there from, get its earnings.

FOOT NOTES

1.- Proceedings of the United Nations Conference on trade and Development, vol.I: Final Act and Report, (United Nations Publications, sales No.:64. II.B.11), annex A.IV.22,p.54.

2.- UNCTAD, "Establishment or Expansion of Merchant Marines in Developing Countries". p.2

CHAPTER III

MARITIME ACTIVITIES IN LANDLOCKED COUNTRIES

Because the word "maritime" comes from the latin word "mare", which in the English language means sea, maritime activities were for many years identified only with coastal countries and consequently excluded the landlocked countries from those activities .

But, the following could be one argument used for landlocked countries to justify their activities in maritime affairs: as most of the developed countries do not have prime materials (raw materials) to become industralized countries; neither to enter maritime activities it is indispensable to have the prime factor or own "sea side" (which to be usefull, need to be joined with shore by another complementary component which is the "port", for having better utilization of the maritime activities).

When the interchange of goods at an intercontinental level around the world was increased, maritime activities became

important, main ly because sea transportation was the cheapest way of transport, without the possibility to find substitution of that above mentioned media. The other reason for the importance of the sea, was the availability of resources from the bottom of the sea for some developed countries, who did not want to depend on other countries to get that kind of resourses.

To avoid the dependence on other countries and the possibility of getting some benefits from the exploitation of shipping, there were also reasons why some landlocked countries became interested in maritime affairs.

Eventhought it happened many years ago, it is still strange to hear or say "maritime landlocked countries", and maybe it seems funny for people who do not understand much about the theme, which of course is ignorance about the subjet.

From 30 landlocked states in the world, depending on whether one counts such entities as Andorra and the Vatican City as "states". Of them, 14 (almost half) are in Africa, 5 in Asia, 2 in South America, and the rest in Europe. Five of them are involved in shipping activities.

With that statement, it is possible to assume that the objections connected with maritime activities in landlocked countries are saved by the former and demonstrated for developed and developing countries such as Switzerland, Czechoslovakia,

Hungary, Bolivia and Paraguay, which sail around the world, as active members of many conferences, pools or working as tramps; backing up the interchange of goods at an intercontinental level.

Despite the fact that those recommendations are referred to as shipping activities, it must not be forgotten that the maritime activities (as was mentioned) also involve other fields, therefore before any step, the important aspect to take into account shoud be to check, on which of the maritime activities is better to invest in; whether in shipping, fishing, off-shore or brokering.

Therefore the countries which want to come and form part of the international maritime community have the right to fly their flag on high seas, according to the international principle of "freedom of navigation on high seas". That atitute make them, part of the international agreements, in favor of a shared development of countries; and if it is possible for them, give them further assistance needed in other areas.

To come into the maritime business as such , is no question which belongs entirely to the economic field, it is also a way to remenber and prove that the high seas are no property of the coastal countries or larger fleets of the world, as well as a common dominion of the world, where every country, it does not matter how small or large it is, has the natural right to use it in frank competition with other fleets.

A.- SHIPPING.-

Being the sea the common denominator for maritime affairs, upon which all related activities should be planned, "Shipping is the business of transporting trade (ie. commodities and /or passengers by sea, from a required port of origin to a required port of destination at a required time". (1)

From this definition it is possible to understand the main characteristics of sea transport: A link in the chain of cargo transport, an international industry at the service of the trade, high capital intensive industry and a complex of activities influenced from many factors, involved within the highly risky.

Therefore, in the case of i.e. the shipping company, it is better to check again the kind of cargo to be carried and the kind of vessels needed for that purpose. The period in which it is best to start (because there are fluctuations from time to time); if the price market is not lower, to find the feasibility of the business to diminish the risks to minimum. All these possibilities should be performed till get the propitious occassion to come into the maritime activities.

At the begining, that characteristics are more latent , just because the business need certain level of experience, therefore it is not necessary to jeopardize the success of the enterprise without reason if it is possible to avoid the

problems of market fluctuations (going up and down cycles) of the shipping ecomony, strongly influenced by the international environmental.

1.- Those aspects must not make the enterprise impossible, because there is the possibility to enter into the maritime activities by reducing two factors namely as: the high cost business and the high risk of the enterprise, caused by violent fluctuations that the shipping activity has by itself.

In fact, those two negative trends are reflected in the use of time or money to be applied, in the implementation of any maritime project, mainly in shipping.

But it will not be an easy question, because it is treating a new field which needs a special attention from the planning stage to implementation. In order to realize the goals, based on flexible parameters, experience must be obtained from other countries, or perhaps adapting from other models from abroad, according to the national customs and concordance with international regulations.

The goal to build up a shipping company could be reached by going over sure steps, and not getting everything immediatly, because in the same manner maybe for being in a hurry, luck of destiny, may suddenly sink everything which was built up with great effort, time and money.

1.HIGH RISK = ECONOMIC CYCLES.

The economic movement of any enterprise is judged from the climbing up (boom period), or falls (crisis) (2) registered in its activities, which in case of maritime activities that flow is reflected by the freight levels, "the level of prices for ... shipping services, is commonly considered as the basic criterion in determinig the different stages of each fluctuations.

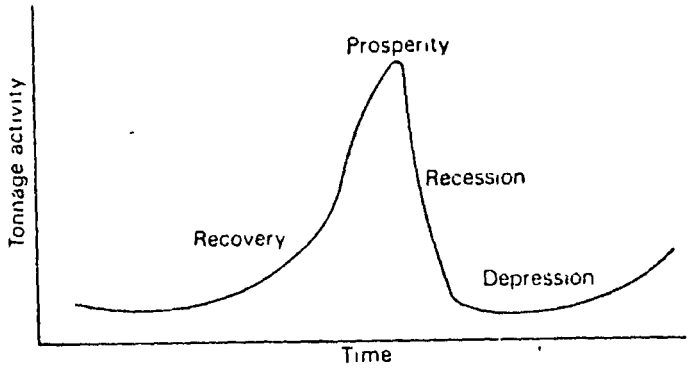


Fig. 8. Stages in fluctuations

... the prosperity stage is, as a rule, longer than the stages of recession or recovey and lasts for several months. The duration of the depression stage is usually measured in terms of years.

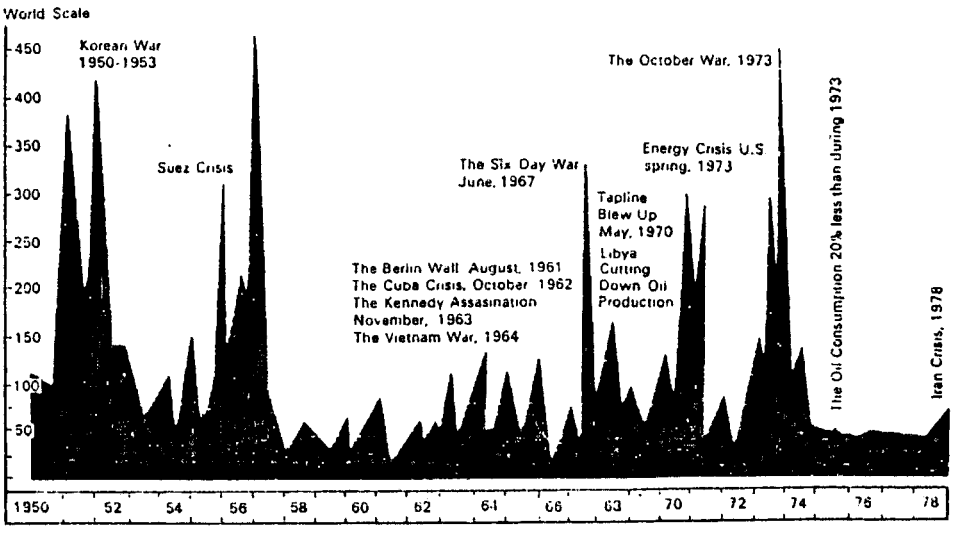
There is no grownd for assuming that the stages of future fluctuations will or will not conform to the time periods brodaly indicate."(3)

The above mentioned fluctuations can be shown in the following diagram of the tanker market. In the same way, but with different fluctuations, the diagram could be about other ship markets. It is possible that while one market of a certain kind

of ships is climbing up, enjoying a profitable long period of boom, the other kind of ships is passing through a long period of crisis, or just starting to climb up and so on. The ship markets are not comparable, neither completely predictable.

Irrespective of the suply and demand in the open market, the changes of level of the economic cycles, could be produced also for many other reasons (see diagram 3) as for example, low intechange of merchandises reflected in less trade, change of routes, stricks or wars, economical inflation or deflation etc.

"The open market is influenced by the law of suply and demand, but it would be an over simplification to state that the market is generated and direct by this. The variations in freight levels are very large and this is easily seen in the diagram showing the tanker market fluctuations during a quarter of a century. The diagram would largely be the same if notations are made for one of the important dry cargo commodities, e.g, coal.



(4)

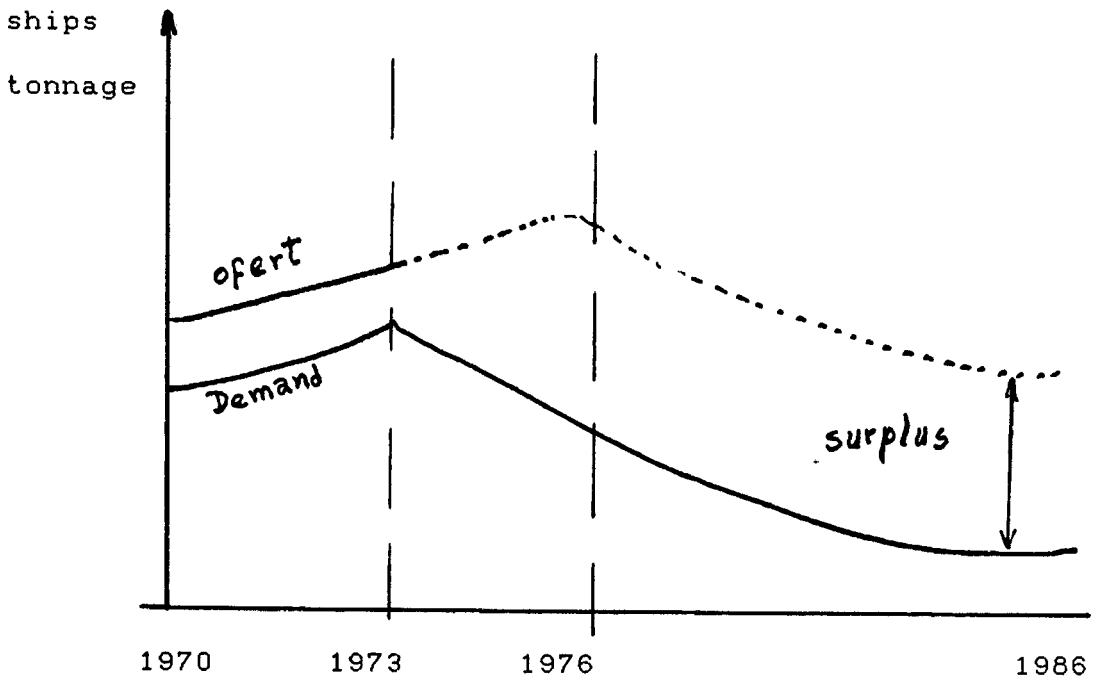
Various events of world-wide importance often have a great influence on freight levels.

As a reason for the present period of depression in the oil tanker market, professor Pierre Houssin said : "The drastic increase in the price of price oil, resulted in attempts to conserve energy, on the part of consumers and further resulted in a reduction in the amount of oil carried.

On the other hand bulk carriers were also affected by an economic depression caused by the increase in the price of oil with less cargo to carry, carriers were forced to reduce transport expenses and to seek shorter haul cargo.

Finally, the other reason is the surplus of ships. Too many ships were ordered and built in view of assume long distasnces and capacity, but as a consecuence of the crisis the demand of tonnage decreased and the capacity incresed.

DIAGRAM 4



(5)

By other side, Professor Sandevarn said : "While some shipping companies are going to be declared in bankrupt, others are looking for more ships, or does not want to sell its ships because they are very occupied. Which make the business more interesting".(6)

Therefore, the risky aspect could be less in certain areas, for certain kind of goods (therefore for certain kind of ships) and mainly in case of shorter periods, because according to how the cycles were given up to now,it starts from the low level up to reaches its boom. Between both opposite points there is a certain period in the midle (recovery), which would be the best time to enter in the business. While shorter the period is in which the ship must be ready to come into business, there are more possibilities to get the propitious opportunity and less possibilities to fail.

To say the same from a different point of view, spreading the answer, it is possible to say :

- The high risk characterictic of shipping could be diminished by coming into the business when presumably the crisis period is finishing. Thereby it is also important to foresee the possible future trends of the goods production and its commerce, thus in the national behaviour or international trend. In case, the climbing up of the business started already, the question is to enter, as soon as possible, to be part of the benefits of this boom.

But this "coming into or entering the business" is the complex key, because therein, various previous phases which are included as ie: 1) decision to invest in maritime activities, 2) choose the shipping as the field, 3) Within the shipping select the branch, 4) select the type of ship, 5) order the acquisition of the vessel 6) get the ship ready for that very moment. Therefore, it might be preferrable to start at the end of a relative crisis or stable season in order to be ready in the boom period.

Then, more probabilities exist to succeed when you get the ship as soon as possible. Consequently, the answer that requirement is a second hand vessel, because the time needed to get it, is reduced to only the negociation period plus the handing over period (depends on where the ship is located and if there is any charter party involved). At least it prevents the new ship from going straigh to be scraped, unless you came into the business the last minute of the propitous opportunity, exactly when the boom period is finished (then your market forecast was wrong).

This game of alternatives given by the interchange of goods, needs a kind of luck to foresee the new possibilities and their consequences in the market of transportation by sea, its chances stadied and based on past statistics. This is very much related to the international and social policy, from which the transportation market could suffer serious conse-

quences , which in the case of a small shipping companies could dictate its sentence of death,because of the repercussions (strikes, clausure of canals or war).

Although, the risky still is latent, maybe not to find work for the ship, in which case, the vessel could be condenned to be laid down, shortly thereafter which by itself it is not good for experienced companies which procure to avoid -anyhow- a laydown.

The reason is explained by the common principle used in the field as "once laydown,always laydown". Consequently the new--comers, whether landlocked or a small country, they must care about that aspect to avoid it, even hiring the ship at a lower price than its real cost,in order to lose more money in the long run. In that forecast, even the scrap value of the ship is taken into account, to avoid more unnecessary expenses, or diverse its use in other shipping branches, based on past experience.

"The prosperity stage is characterized by a relatively high degree of utilization of capital resources whilst, on the other hand, one of the main features of the depression stage is the existence of idle capital.
Supply tends to be inelastic during the downward trend of the freight market, that is to say during the beginning of the recession stage. This is due to the fact that shipowners endeavour to keep their vesses trading as long as the losses

incurred are no greater than the cost of idleness. Moreover, at the beginning of a recession period some of the industry's entrepreneurs may take the short-run decision to keep part of their tonnage trading even though losses are expected to be higher than the cost of idleness. Such short-run decisions are taken if it is expected that competitors will soon proceed with the laying-up of their tonnage and , therefore, "the market will improve". (7)

2.- HIGH COST= NEW VESSELS VS SECOND HAND AND CHARTERING.

Those resources used in the former part to avoid or diminish risks, could be useful also to diminish the high cost characteristics of the shipping business, because while less is the demand of ships, also the prices come down, and on the contrary, while more is the demand, also the prices growing up.

Being the second hand market the quick and easiest way to get a ship, it is at same time the most cheapest in comparison with the new vessels price, or finally resort the last other alternative, which is through the chartering vessels market.

At this stage of desition, the high capital intensity of the business could be diminished through the second hand vessels, instead of purchasing new ships, which are more expensive.

"One of the serious problems facing developing countries is that shipping is a capital intensive ...(8). As justification of that statement, here is another point of view about the high capital intensive of the shipping "The costs over the last century are used as it is from about 1870 that shipping as we know it today really started and an apreciation as to how the costs have developed and evolve over this period and the lessons that can be learnt from analysing them will help to form the all important judgements as regard what will happen to these costs in the future.

Where possible the variables on which the costs depend are indicated so that the causes of the change can be better understood, also in the tables comparing the costs, an index of costs based on 1870 money values is included which gives a better indication of the real changes in cost over the period, which inflation tend to distort in the actual cost comparisos. These costs are usually divided into three groups: Administration and depreciation; stores and repairs, crew, insurance; and propulsion, cargo handling and other port costs"(9), as it is seen in annexes 8 to 13. and 26 down.

" One of the solutions to overcome the great capital requirements so as to establish a fleet or expand it, a developing country may think in terms of purchasing second hand ships of up to five years in age. The main difficulty meeting a developing country in buying a second-hand ships is the

financial facilities which will be granted. For a new ship, it will be easier to find loans with better terms. Usually ship-building yards and their governments would help in financing the building of new ships." (10)

As an example of the cost of ships (from Fairplay Magazine), here is a comparison of prices about 3 hypothetical standat ships, comparing the prices with previous years. The calculation consider four important variables, the steel work, the main and auxiliary machinery, labor and yard overheads with small profits margin cost-estimates is obtained from sources in the U.K., Scandinavia, Japan and Europe.

No 1 ship is of 11,000/13.000 dwt cargo vessel. The vessel is assumed to have accomodation for crew of 35 and it is also assumed that the vessel's engine room is not designed for unmaned operation although the main engine can be controled from the bridge. The estimated cost of this vessel can be shown in table ..(1)from december 1971 to december 1981.

The No. 2 ship is of 25,000 dwt a bulk carrier. The price of this ship was estimate in years from december 1974 to december 1981 as in the table .(.2)

The No.3 ship is a container ship of dwt of 25.000 dwt with capacity of 1200 TEU's (twenty Foot Equivalents) of which 400 are of the reefer type and the remainder dry freight contai-

ner. The estimated price is shown in table 3 for the period from 1970 to december 1981.

Table (1)
The "Fairplay" 11,000/13,000 tonner

	Price
30th June, 1971	1,600,000
31st Dec., 1971	1,800,000
30th June, 1972	1,900,000
31st Dec., 1972	2,000,000
30th June, 1973	2,250,000
31st Dec., 1973	2,800,000
30th June, 1974	3,500,000
31st Dec., 1974	3,700,000
30th June, 1975	3,950,000
31st Dec., 1975	4,150,000
30th June, 1976	4,200,000
31st Dec., 1976	4,400,000
30th June, 1977	4,600,000
31st Dec., 1977	4,700,000
30th June, 1978	4,950,000
31st Dec., 1978	5,000,000
30th June, 1979	5,200,000
31st Dec., 1979	5,500,000
30th June, 1980	5,750,000
31st Dec., 1980	5,850,000
30th June 1981	6,000,000
31st Dec., 1981	6,300,000

Table (2)
The 25,000 d.w.t.
Bulk Carrier

	Price £
31st Dec., 1974	5,000,000
30th June, 1975	5,300,000
31st Dec., 1975	5,500,000
30th June, 1976	6,000,000
31st Dec., 1976	6,300,000
30th June, 1977	6,600,000
31st Dec., 1977	6,800,000
30th June, 1978	7,000,000
31st Dec., 1978	7,250,000
30th June, 1979	7,600,000
31st Dec., 1979	7,900,000
30th June, 1980	8,200,000
31st Dec., 1980	8,250,000
30th June, 1981	8,500,000
31st Dec., 1981	8,700,000

Table (3)
The Container Ship
Size 25,000 tons d.w. Speed 22 knots
Container Dry 800, Reefer 400

Year	Price £
1970	5,000,000
1971	6,800,000
1972	8,200,000
1973	10,000,000
1974 (June)	20,000,000
1974 (Dec.)	22,000,000
1975 (June)	23,000,000
1975 (Dec.)	25,000,000
1976 (June)	25,000,000
1976 (Dec.)	26,000,000
1977 (June)	27,000,000
1977 (Dec.)	27,500,000
1978 (June)	28,000,000
1979 (June)	28,500,000
1979 (Dec.)	28,700,000
1980 (Dec.)	29,000,000
1980 (Dec.)	29,200,000
1981 (June)	29,000,000
1981 (Dec.)	30,100,000

The UNCTAD Review of Maritime Transport of 1982 gives the prices of new buildings based mainly on japanese Yard prices. This is shown in the following table.

Table No.

Representative New Building prices, 1980 - 1982

(prices in $ million)

Type & size of vessel	1980	1981	1982
30 000 dwt. bulk	16.7	19.8	19.2
32 000 dwt. tanker	18.7	22.7	27.7
70 000 dwt. bulk	23.6	30.0	29.9
80 000 dwt. tanker	28.3	31.0	34.1
120 000 dwt. bulk	32.2	37.0	41.3
250 000 dwt. tanker	75.0	75.0	75.0
125 000 cu.m. LPG	200.0	260.0	249.0
75 000 cu.m. LPG	77.0	78.3	70.0
1 200 TEU ro/ro	43.7	45.0	43.7
15 000 dwt General Cargo Ship	13.9	14.0	14.0
1 600 TEU Full containership	31.5	34.5	34.7

* Source:Lloyd's Shipping Economist, various isues.

Because of the large amount of capital invested in a ship wich has heavy annual depreciation charges, it is of great importance that the ships should be fully employed. The periods when ships is idle or sailing with low rates of utilization must kept to the minimum.

Nevertheless at this stage, the essential is to decide if the new ship to be bought, which is going to increase the size of the fleet or constitute the fleet, will be obtained from the

shipyard, brand new and just built, or from the second hand vessel market.

The selection of second hand vessel, does not mean the acquisition of obsolete machinery, because on the second hand market there is ships which can be used as new ones for good condition and maintenace received . The following table will make this statement about trade of second hand ships clearer.

TABLE

Vessels sold for further trading, January-December 1966

Type of vessel[a]	*0-10 years*	*11-15 years*	*16-20 years*	*21-30 years*	*Over 30 years*	*Total*
Passenger liners...	2	7	2		10	21
Cargo liners	15	19	27	34	4	99
Tramps	9	11	8	61	4	93
Bulk carriers.....	11		5	4	1	21
Tankers	21	45	26	8	2	102
Refrigerated.....	2	4	7	6	1	20
Total	60	86	75	113	22	356

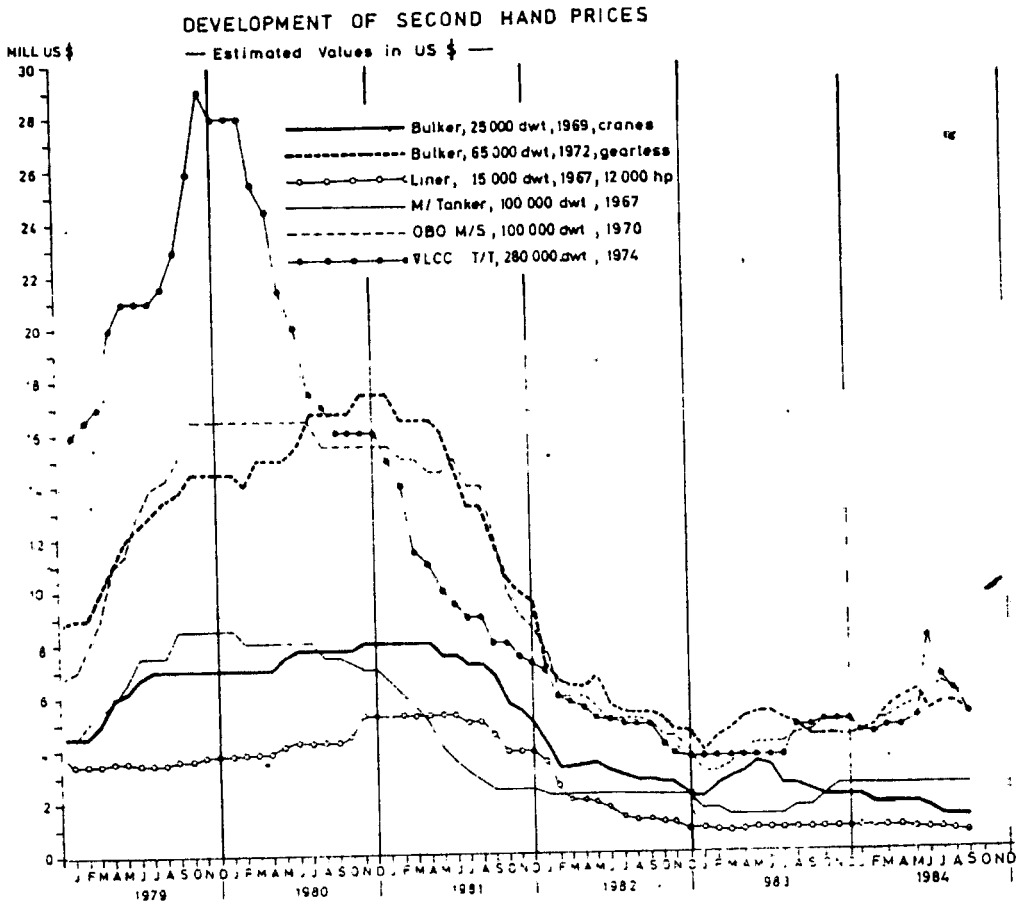
Source: Fairplay, January to December, 1966 (London, Fairplay Publications Ltd.)

[a] Vessels of 1,000 GRT and under not included.

"One point needs to be noted. The figures in the former table cover vessels sold, but do not include vessels transferred from one line to another. In fact, such transfers without sale are quite important and usually concern relatively young tonnage. Within the large shipping groups, particularly those in the United Kindom, there is some switching of tonnage between the constituent lines of the group. Further, there is great deal of long-term time chartering of tonnage. There is also time chartering between liner companies, although this is smaller in volume.

Two conclusions can be drawn from the data. The first is that

the market in second-hand ships is extensive, in fact over 1.5% (356 ships out of a total of 21,697 at 31 december 1966) of the world's ships in service changed hands in 1966. The second is that ships of all types and all ages are traded on the market, making it clear that second-hand tonnage does not necessarily mean either old tonnage or inferior tonnage". (11)



Let see which one is the best way for a landlocked country (or not) which does not want to run any risks concerning money. If it is possible it would be preferrable to invest in a safe business, with the purpose to increase the capital. Therefore, it would be wise to analyse the advantages or disadvantages of getting a new vessel, whether brand new or second hand. Both

of them have their own peculiarities, depending on, from which point of view the problem is watched.

In general it is appropriate to say that the characteristics of land locked countries are either within the characteristics of developed countries and also within the charactistics of developing countries, because as was said before, the word landlocked is neither a synonimous of developing nor are all landlocked countries developig. With this reasoning each case should be considered according to the circunstances.

1.- Brand new ships are usually built with new technology and must meet the international standards on its field,to satisfy specialised cargo requiremnts. Consequently this ship becomes a specilised ship for carrying the cargo more suitable . Irrespective of that, the ship also need, if not a specialised port with facilities at shore to recive that kind of ship, at least some facilities for both of them (the ship and the cargo).

Certainly, those charateristics involve a great amount of money investment, which is a characteristic of most developed countries and some of developing countries .

Where developed countries really got an advantage of that situation is by the technology utilised to design new types of less manned vessels, fully automatic to load and discharge certain cargoes, in order to avoid and save problems of scarcity or high cost of the crew and man labor; also to diminish

the ship's time at port.(considering always the geographical area where the ship is going to serve and have its main way of traffic).

In fact time needed to get a brand new ship, depend on the season, adding over that period some monthes for negociation with the shipyard. Then šumming both periods there is considerable time, in which the market fluctuations could suffer many changes or go up and down, which is very risky for the new-comers.(12)

2.-On the contrary some other countries do not suffer from that situation, because they have more than enough labor force at the cheapest cost.

Yet, even if developing landlocked countries select a type of vessel, based on its cargo neccessities, it should not be really highly sophisticated, because it could cause unemployement.Therefore it is not recommendable for them, because of the cheap labor force (at same time they are compeled to give jobs to their workers).

The automation chosen must be foreseeing the problems that the ship could face when it is passing the port state control of the surrounding countries, in a way to satisfy the requiremnts in the places where they expect to have the main trafic.

Consequently, high technology is not needed in the ship, neither many machineries or equipment at shore, because they do

not need it while the cargo is not specialised , it is just raw material and general cargo, which can be loaded easily by many cheaper ways on bord of non specialised vessel.
In this manner,the scarcity of capital could be dimished in case a shipping company is established in a landlocked developing country.

3.- Yet, remains another possiblity to diminish the capital intensive of the shipping business, which rest over the possibility to build up the shipping company or enlarge it, not only with a large quantity of their own vessels. On the contrary, it should be better if the new shipping company could get over one or at least a few own vessels, enlarged with other chartered vessels, according to the requirements and the kind of cargo on the market.

The advantages of chartering are more or less the same as the advantages of acquiring second hand vessels for the time needed to hand over the vessel. In this case, it is important to point out that the contracts must be arranged before hand , otherwise the competitors will get advantages of that chance and at the time when the new-comer or small company need to charter ships there is no one, or the cost is very high, which makes it impossible to tie the ship.

"It is some times suggested that it may be a more economical proposition for developing countries to charter than to purchase ships.

With a time charter the shipowner provides the crew and maintains the ship, leaving the charterer to pay fuel costs, cargo and port costs and some crew overtime". (13)

The practice to get vessels by chartering in certain periods, is showing an other possibility of business as to re-hire the vessel by sub-contracts when the rate market of that kind of vessels is high, to earn the difference from the cheap initial contracts to the second or other ulterior sub-contracts at higher rate.

In order to get more lights about chartering vessels, it is necesary to differenciate what period of time must be understood by short time chartering or long time chartering. Almost any statistics exist about chartering vessels for a short time, and there is litle statistics about the long time chartered vessels. Here, certain statistics of chartering vessels separated by time chater or trip charter of dry cargo vessels.

TRAMP FREIGHT RATES IN THE YEARS 1978-1982

	Dry cargo tramp time charter 1976 = 100					Dry cargo tramp trip charter July 1965, June 1966 = 100				
Months	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
January						134	144	194	225	165
February	87	118	254	264	117	133	146	210	220	166
March						134	158	209	215	169
April						135	156	217	204	177
May	115	194	297	221	129	148	168	221	200	173
June						137	196	226	202	159
July						137	196	203	201	147
August	112	206	252	174	84	139	190	207	177	145
September						141	201	201	179	150
October						142	203	204	177	151
November	133	237	261	142	84	149	206	227	178	153
December						150	203	241	169	152
Annual average	112	194	226	200	103	140	179	213	195	159

Source: UNCTAD Review of Maritime Transport 1980 and 1982
The index is compiled and published by the General Council of British Shipping

The statistics made over past facts, shows that chartering is a useful tool even for large companies. The system hase the same advantages such as getting some benefits within a short period of time, which does not justify the acquisition of a new vessel, because the period involved till the time of deliver of the new ship, make its use more risky in the long run.

B.- FISHING.

Here again, another aspect which for conservative people or not well instructed people, is that fishing or fishing activities, is a field only reserved to be worked by coastal countries, which is a real injudicious thinking. As a consecuence of this missunderstanding, they ignore that the fishing activities can be carried out on inland waters in rivers or lakes as well.

Despite this position, it is true that every country has their own right over the coastal water and exclusive economic zone, beyond which is the high seas, where nobody is the owner. Not without reason is qualified as a heritage of mankind. Consequently all nations, big or small have the right to fishing in this waters, but they should take precautions not to destroy or exterminate certain kind of living resources from the sea.

Despite of that, actually if the coastal country allows its neighbouring landlocked country by any agreement, there is no problem for the landlocked country to go into the fishing activities in areas limited and marked for the coastal country

where the landlocked country can fish, whenever it has fishing ships or fishing processing ships.

Concerning international legislation which can back up the international right to fish, there is The Law of the Sea, which will be approved in the near future (once it has enough ratifications to come in force).
The referred Law of the Sea in Section 2. Conservation and Managemet of the Living Resources of the High Seas; article number 116. Right to fish on the high seas, concordant whith article 69, where irrespective of giving various recommendations about cooperations with other states, some rights and obligations are foreseen for the coastal countries, sharing a system of the resources from the sea with other countries and the rights and some advantages in favor of the landlocked countries.

As it is possible to see through article number 69, which should be applied according to articles 61, 62 and concordant with article number 116 of the same law of the sea, which recognises rights which should be practised by the nations within the reasonable terms. Therefore, a landlocked country could come into the fishing activities without any troubles.

When the riht to fish has been established, the next step is to look for fishing vessels (one of the possibilities mentioned in former chapters about shipping could be used), which according the IMO Code of Safety for fishermen and fishing

vessels in the port, the fishing vessel is "a vessel used commercially for catching fish, whales, seals walrus or other living resources of the sea...which also may be applied to vessels used for the processing and cold storage of the cath".(14)

The major technical explanations about how to do it, it is not going to be considered here,because it needs special consideration and requires a separate analysis. For the moment this paper is limited to give only the general aspects or legal reference which support this possibilty for landloched countries.

C.- OFF-SHORE.-

The off-shore activity is carried-on at the sea, off from the shore-line of any any state, seawards for the exploration and exploitation of mineral and sub sea soil and gas.

The main field touched by the off-shore maritime activities are:

- Hotels (coastels)
- Semi submersibles (drilling rigs)
- Floating Production Vessel
- Jack up (drilling rigs)
- Platforms with or without accomodation
- Multipurpose support vessels
- Diving and constructions support vessels

However if the law of the sea enters into force then any nation under the common heritage principle, can exploit the resources of the sea (ie. oil,gas, and minerals on the sea bed

or ocean floor or sub soil), beyond the limits of exclusive economic zones for peaceful purposes.

If the maritime activity is characterised by the use of high capital in its business, the branch called off-shore activity is in fact the costliest one by way of the vessels (ie. platforms,semi-submersibles, jack-up and others) which really are bigger (around 100 x 100 metres) with a capability to receive hundreds of people working on it, plus heavy capital required for operating all the machineries and equipment fitted on bord these units. This makes this business really the most expensive one within the maritime activities, where the landlocked countries if they desire to participate could also involve themselves in this kind of business.

The table below shows how costly those units have been since 19772. This has lead to an increase in cost and capacity:

COST OF THE UNITS

(U.S.millions dollar)

year	Jack-ups		Semi Sumersibles		Drill Ship	
	Shallow	Deep water	Shallow	Deep water	Moored	D.P.
1972	7 > 8	9.5 > 10.5	20 > 25	---	10 > 12	20>22
1975	18 > 22	20.0 > 25.0	30 > 42	---	25 > 30	40>45
1980	20 > 25	35.0 > 45.0	63 > 75	120	90	---
1982	27 > 30	68.0 > 75.0	100 > 135	180	75 >130	160>180

..... (15)

Also in the annexes 15 and 16 it is show the development of this units, since 1947 up to now when reach larger sizes (could be biger tomorrow)

D.- BROKERING.

Brokering is a specialised medium activity between the seller and the buyer or between the owner and the charterer,engaged to satisfy the business requirements of both parties and to reach a happy conclusion throught out the contacts that they have in different markets a within certain field at national, regional, or world level. People concerned with brokering are well aware of the business whether it is about sale / purchase of ships or of cargo markets.

That is the reason why they have the possibility to foresee (in a sense) the future fluctuations in the shipping market.

In order to have good bussiness in favor of their principal, they must give honest and earnet advice and be loyal to them. They should also try to get the best possible advantages in their favor.

The documentation filed orderly at the broker's office could be an important asset in case of dispute.

"The shortest way of describing shipbrokers and shipbroking is to say that the term "shipbroker" includes any person, firm or company carrying on business on an agency basis in relation to

the operation and employment of ships, including sale and purchase thereof, and the carriage of merchandise and passengers by water and the negociation of freight by water and the term "shipbroking" includes all business of that nature."(16)

Thereby, the importance of the brokering activity is reflected in the former description which shows, what is possible to get from intermediate business if somebody wants to have safe steps at the time of any transaction. Of course it is not compulsory to make the transactions through them.

In case someone tries to avoid the comission (percentage) against which the broker works, any deal could be settled without them, but in case any mistake, it could be much more expensive than the comission.

In order to make some diferenciations of the aspects involved within the brokering activity clear, here is the meaning of some concepts:

Broker.- A person who transacts the business of negociating between merchants and shipowners respecting cargoes and clearances.He also affects insurances with underwritters. Brokerage.- Comission charged for securing and transacting bussines for vessels etc.

Shipbroker.- A mercantile agent who transacts busines for a ship when it is in port, and usually combines the business of insurance.

Then, another important aspect which is necessary to know in order to identify the areas of the brokering activities, are about its principal branches :

- Chartering
- Sell and purchase of shipping property
- Agents

The brokers as such are identified in:

- Owners broker
- Chartering agent
- Cable (or cabling) Broker
- Tanker Broker
- Loading Broker
- S & P Broker.

Also these activities recognise special and general agents, exclusive and competitive brokers and ship agents as a function of a broker and not as a kind of them.

Having known by the above, the concepts and division of the brokering business, correspondingly it is now possible to analyise the possiblity to build up this activity in a landlocked country. Deducing, it looks as, the broker should be placed on the one hand in the port area to give full attention to the ship; but on the other hand they must be placed in centres where the mercantile activity is being developed, in order to find and stay in contact with the people who need him to carryout their cargo by sea to other places.

In fact he should stay in close contact with the disposable cargo and ships, maintaining almost the perfect circle of communication (telephone, telex. etc.) as a key to carry out the business.

Keep concordance with this position the following point of view :

"1.- With the improvements in modern communication the location of a shipbroking office is no longer so important as it was.

2.- One of the main aspects of a successful shipbroking company is an extensive network of international contacts.

3.- It is easier to build up local contacts in an area of shipping activitie.

4.- It is easier to build up international contacts from one of the large centres of international shipbroking like London, New York, Tokyo etc. because your contacts will then visit you and you will not have to do all the travelling yourself.

In conclusion it may well be possible to operate as a shipbroker from Bolivia but you would need to identify a)your clientele b)What service you would offer them and c)what the cost of the operation would be, bearing in mind the lack of a local market base and the need for international communication for almost any transsaction." (17)

Apparently, there is no problem to implement the brokering

system in a landlocked country, but the hardest part of this is to get the connexions to build up a company with a certain hierarchy , fame and good reputation within that environment. Years of experience is needed to get it,because that is really the costly part, irrespective of the money involved in it.

Consequently, there is not any problem for a landlocked country if they want to enter the brokering business. A good system of communications, contacts such as forwarders or agents at port (the Customs Offices of landlocked countries have already these functions),could aid in the formation of the enterprise in order to be well managed.

With regard to this aspect, part of the brokering activity -the agents- they are implemented everywhere to consolidate international cargo. In Bolivia there is the " Agencia Naviera Boliviana (ANABOL)" which has this functions.

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FOOT NOTES

1.- Text book of shipping Economics, by Proff.AA Mosefff. WMU 1984) p.

2.- Profesor Pierre Houssin, identify the crisis periods in: V, when there is almost a climbing down and almost inmediatly climbing up to reach again a boom period.
The crisis period in U, is characterised when the crisis has certain period of duration, to climbing up again.
Then there is is the crisis period in L, when there is a fall
which period has long duration. (personal interview).

3.- METAXAS B.N. "The Economy of Tramp Shipping", page 200 and 201.

4.- See foot note No. 2. personal interview on 1 of november 1985, 14,15 hours.

5.- SANDEVARN,Visitor Professor of the WMU, Lecture on chartering

6.- Gorton, Ihre, Sandevarn, "Shipping and Chartering Practices".

7.- Op. Cit. N. 3, p. 201

8.- Op. Cit. N. 1, p.

9.- ALDERTON, P.M. "SEA TRANSPORT" Operations and Economics. p.111.

10.- See foot note No. 1 ;page 9.

11.- UNCTAD,"Establishment or expansion of merchant marines in developing countries" New york 1968
p.30.

12.- Here is a quotation of time needed during a boom period; "Where new ships are concerned after an order is placed and deposit paid, there is normally a waiting period of up to two years before the ship is delivered" (UNCTAD, "Establishment or expansion of Merchant Marines in Developing Copuntries", N.Y. 1968). But nowadays of crisis period, to build a ship take between 3 t 6 monthes.

13.- Id. Ob cit. 11. p38.

*.- "For a country wishing to enter shipping in order to improve its balance of payments, time chartering is clearly not an acceptable short-run proposition. As a long-run proposition, time chartering is much more viable becauce it enables esperience of ship management to be obtained, some nationals can usually be included in the crews and thus receive training, while the profits of the enterprise remain with the charterer. Chartering is also useful where there is difficulty in raising purchase loans."

- Op. cit. No. 11, p.37

14.- Code of Safety for Fisherman and Fishing Vessels. IMO.

15.- Development of the modern Semi-Submersibles Drilling Units" by: Mr. T.V. Rodnight, RINA 83.

16.- Dieter Griebel, Managing Director of Shipbroking Co. in Germany. Text of its lecture in his visit in 19 Aug 85

17.- Manager Director of the Edgar Forrester Limited (broke-ring Co.(personal interview)

CHAPTER IV

SHIPPING ACTIVITIES IN LANDLOCKED COUNTRIES

Narrowing the wide field of the maritime activities, it is now possible to elaborate something more specific for land-locked countries, by choosing the development of shipping activities to be implemented for landlocked countries.

In earlir chapters it was possible to learn, that many countries, despite of the fact that they are landlocked, they are involved in shipping activities, therefore they can go into the off-shore activities as well as fishing activities as other coastal countries which have their own ports , or sea coast.

In other words, just to make this paragraph clearer it should be good to compare for instance a landlocked country pursuing to have a shipping company, with the intention of one person who wants to have a car.

If the person wants, and can afford it, it does not matter if

he has his own garage or expects to rent a garage or pay parking dues elsewhere. The same as that person, if a country wants to have a shipping company, it is not necessary to have her own port, because it can pay port dues for berthing and other services.

Then considering the fact that ships spend less time in port, it is not very essential tthat the landlocked country has its own port, to carry out this field of business once the fleet is obtained. Nor that the port must be necessarily placed in another country, because some times, perhaps the strategical nearest port is located in the neighbouring country (depending the country's geography). Therefore, the basic infrastructure (the ports) can be obtained against certain fees in favor of the coastal country.

Also, it is much more useful for the business to reduced the ship's time at port, in this case for one or more reasons, because the landlocked countries do not their own ports where their ships could berth (and pay in national currency). Consequently for these reasons mentioned, the ships of a landlocked country must reduce its stay at port at the very miminum.

Once the port requirements are partly solved, the main aspects to be dealing with in this thesis, is to break other traditional aspects considered up to now, as unavoidable premises used for some conservative shipowners in case somebody want to be

engaged in maritime activities (whether a coastal country or a landlocked country), to descourage the new countries. They argument that it is almost impossible, in maritime transport, to start a shipping company if the country 1) does not have enough national cargo to carry in its fleet and of course, 2) the size of the fleet must be large enough to do it. But if somebody wants to establish a maritime company without taking care of these recomendations he will have to face all the problems that exist in this highly risky business.

The landlocked countries can not react as in the fable, when the fox could not get the grapes as satisfaccion to go he expressed: "they are not ripe yet". No, absolutely not, because the last statement shows that it is possible for landlocked countries whether developed or developing, to go into shipping activities, therefore now could be good to analyse that possibility, even without owning a large fleet or great quantities of cargo.

How can it be possible, to have a company without the basic elements of shipping? Statistics to be shown later on, will refer to both statements, that even the successful big companies have many chartered vessels within their fleets. Further more no country has the capacity to transport their own total national cargo. Due to those optimistic tables, the possibility is given to landlocked countries, to come into maritime activities.

1.-Irrespective of planning the development of shipping activities in a country, it is also necessary to have another not less important factor to accompany it, which is the assignation of sufficient economic resources (to buy ships and other expenses), not precisely in great amounts as to do entirely everything at once, not at all. Just to go step by step, to reach the main target as it is going to be paid off.

Having considered both aspects (planning and economic resources), then comes the building of the shipping company judging from where the money is coming, one can learn the kind of body to be constituted to manage the future company, wheather governmental , semiguvernmental or private. In each case there are some common methods within the variety, based mainly upon those three classes, irrespective of many other varieties which were derived from them.

1.1) Starting from the national or governmental effort, where the state provides the money and works on the plan according to the national needs, without external or managerial assistence. The state establishes the elementary infrustructure and offices in the national territory, the branches, forwarders , agents and other contacts abroad, just for the advantages that they can get in the future from building up a shipping company in the country.

At the same time the national government, in the purpose to

oriented enought money to build up a shipping company, they must sacrifice and squeeze from other sectors of the public administration (plus the inconvenience and controversy for do, or do not pursuit within this highly risk enterprise).

1.2) Taking into account the prior considerations and for avoiding those problems in building up a shipping company, most of the new businesses are built up on the joint venture bases, for gather in once the experience and part of the economic resources from the counterpart. In the majority of cases, they are foreign or international organizations who are looking for new places where to invest because in their own countries there is a lot of competition (plagued market) and no opportunity of growing up. This is the reason why they must reach other areas where they can make new investments.

If they ask for joint ventures with other non exprienced countries, they are certainly not going to lose anoything , specially if they are big companies because of their experience they know before any negotiation (prior studies that they already have). They are not going to run risks for nothing, unless there is an opportunity to obtain new/more profits on new markets or for escaping from the imposition of taxes in their own countries, even in this case the economical aspect prevail.

The joint venture could happen from state to state or from

foreign company to a governamental body (depending on the percentage of sharing distribution to so called private or semi--governmental) and finally it should even been possible that this agreement could happen with other national private companies in which case it comes entirely under the rules of the private sector, by giving permission to a foreign company to build up the maritime company under national flag , with the main office in the national state and under certain governmental control regulations.

1.3) In respect of (the latter case, or) private shipping companies, it is rare to find such companies, thus for the economical aspects or for the subsidies that they can get if it is a semi-governmental body , which will not happen quickly within the private sectors, so everything depends on the national policy in general; how the government is driving it, especially in the field of maritime activities.

2.- Upon these considerations, in respect to who gave the money to build up the shipping company once the business is working, its management can assume other juridical entities such as a governmental body, mixed (public and private share) or entirely as a private business, in which case the national state is only the rule maker according to its own customs and international regulations, caring only for its compliance with the ships which fly the national flag.

One of those methods could be applicable also to start not only: . Shipping co.,but also to a Fishing co. (1), Off-Shore activities and Brokering.

3.- Then comes the greatest problem in reference to what kind of fleet or which branch of the shipping activities should be the future undertaking. Should the fleet obtain new vessels, or second hand vessels, or just chartered vessels?. Should the fleet trade in liner markets or tramp markets ?

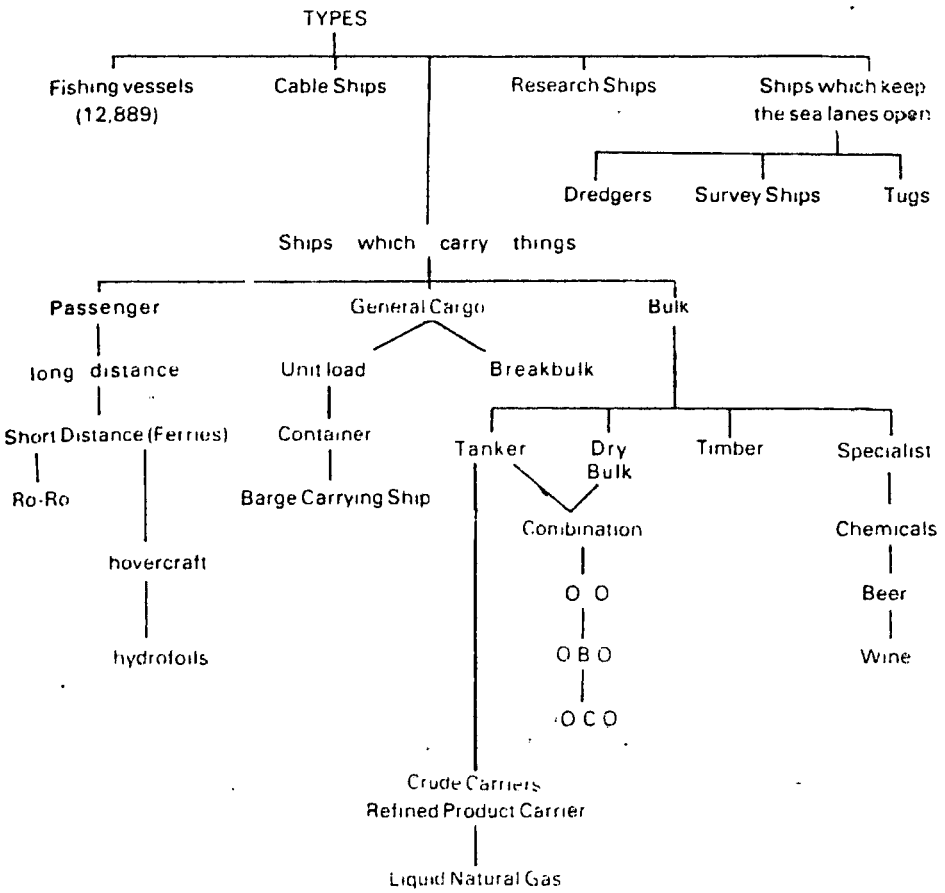
These are the problems to be solved before starting to work the shipping company, in order to find out the influence played for each one of those aspects in the management and growing up of the shipping company.

Playing with some figures , tables and statistics it will be possible to show that there are no barriers if a country, developed or in process really wants to come into maritime activities, even if it is a landlocked country, worse if it is a coastal country; where there really is no excuse for not promoting their maritime activities, well planned and over safe steps; upon the experiences from other maritime countries.

A.- FLEET.

Under this term shall be understand one ship or more (one kind or various kinds) engaged in the same business (in this case by sea) and operated under unified control. Therefore, attention must be payed to "quantity and kind" of vessels to be chosen.

Types of Ships



From this most common division of types of vessels only some of them will be considered in this chapter , including the subdivision that each one of these types has plus some comments about the combinations that are becoming more common with the purpose of making the ship more useful and the business more profitable.

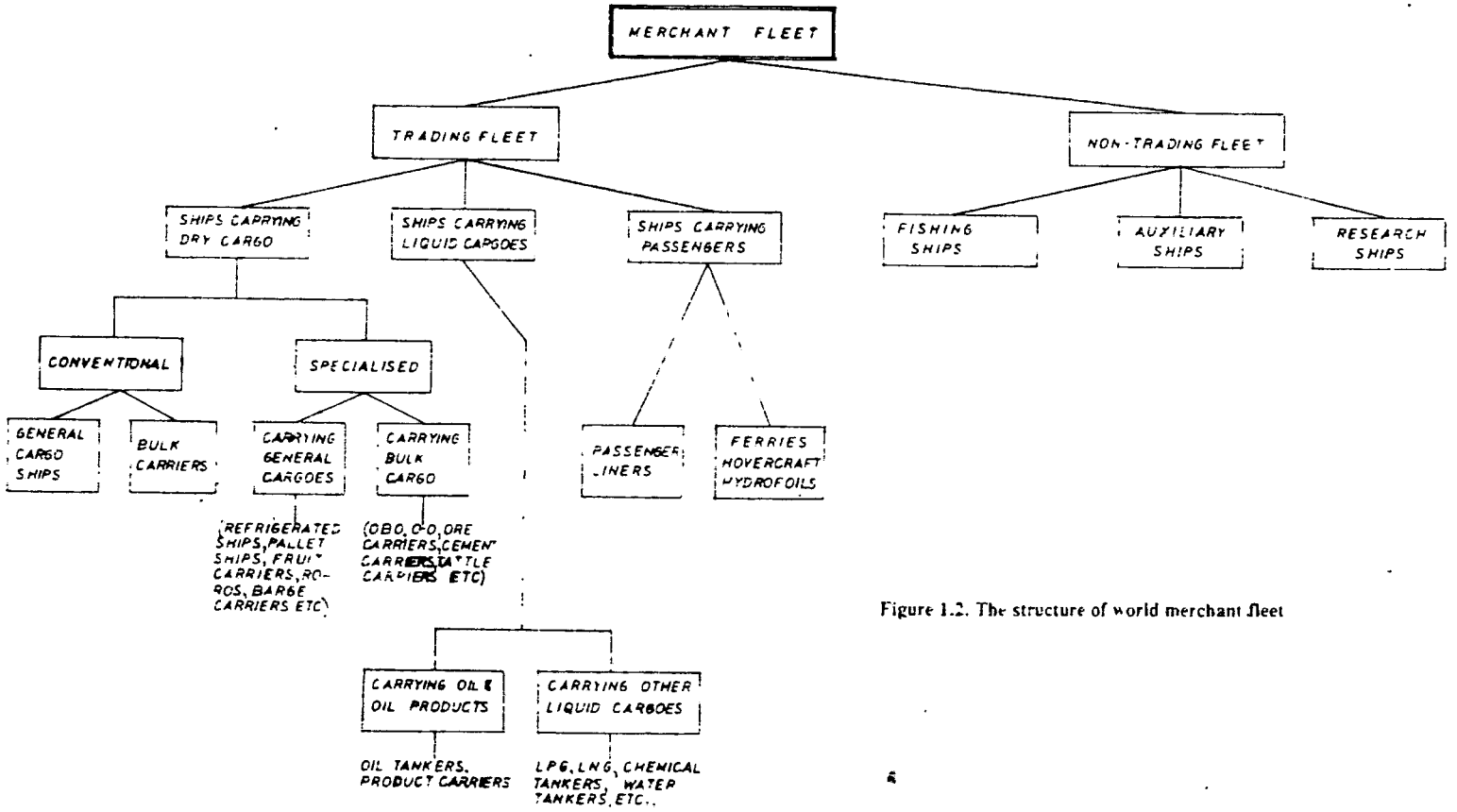


Figure 1.2. The structure of world merchant fleet

Other identified clasifications also exist i.e. by the way how the cargo is loaded /unloaded (ro-ro,lo-lo), by the systems of propulsion that the ships use (steam,motor,gas turbine and nuclear), by the distance that they cover, etc. etc.

The previous table looks as it is showen all kinds of ships and combinations, but many more come into existence day by day. As many kind of goods to be transported exist, as many types of vessels will exist. This could give an idea about how many branches of the shipping activities could exist, from where to choose, according to the national requirements and the local circumstances, to get experience in managing small fleets (at the beginig), to study the problems related with them, to later on coming into the circle of cross traders.

1.-First of all it is essential to know what will be transported in that fleet, whether passengers or cargo. In the first case, the demand of the service for passengers should be studied, and the existing competency of other means of transport. Alternatively there may be a combined system to carry cargo at the same time. In case of cargo ships, its selection must be based on the main "kind" of cargo that the national country has or expect to develop his fleet, to define the type of vessel to be selected. Then, the "quantity" of the cargo ie. import/export, national or regional etc, of cargo to be transported by the fleet will determine the size of the fleet.

The type of vessel, must be related with the kind of cargo to

be carried, even before ordering its acquisition, and the quantity of cargo to be carried must be related with the extension of the fleet. Defining if the fleet should be built up only over the total or partial national volume of cargo or also adding some percentage of cargo from the surrounding area. But nevertheless, both aspects -fleet and cargo- looking at each other (does not matter if they are foreign cargo and foreign vessels), because here is when the tricky aspects come afloat as a consequence of cross traders and why no country carries its total national cargo by itself.

2.- Yet, once the elecction of the branch on which they are going to work is made, it is necessary to think about a new ship for the fleet.To acquire a new vessel (whose planification started a long time before), will be possible on cash (with their own money saved) or credits, with money obtained from the revenues, or the scrap value of an old ship in addition to some loans. A new ship, does not nessesarily mean a brand new one, on the contrary it does mean that the ship is going to be new in this particular fleet; so it does not matter if the vessel is second hand.

3.- Continuing in the same way , other important aspects to think about is the kind of service in which the ship is going to serve; if the characteristics are suitable for that purpose , as liner or as a tramp, on coastal voyages or high seas trips.

4.-Finally, but no the least, in which geographical area and the kind of water and weather on which the ship will have its main trade and traffic course. Is important to take into consideration as well as that there is not too much competency as to drive to the new comer to give up the field.

If it is true that there are many plagued markets and plagued routes, there are also at the same time some routes where by the circumstances the bigger shipping companies do not call at all, whether by being further away from its main traffic or maybe because there is not enough cargo for them (large ships). That appreciation is only from his point of view (of bigger companies), which prefer to carry great amounts of cargo or valuable cargoes as to compensate its expenses.

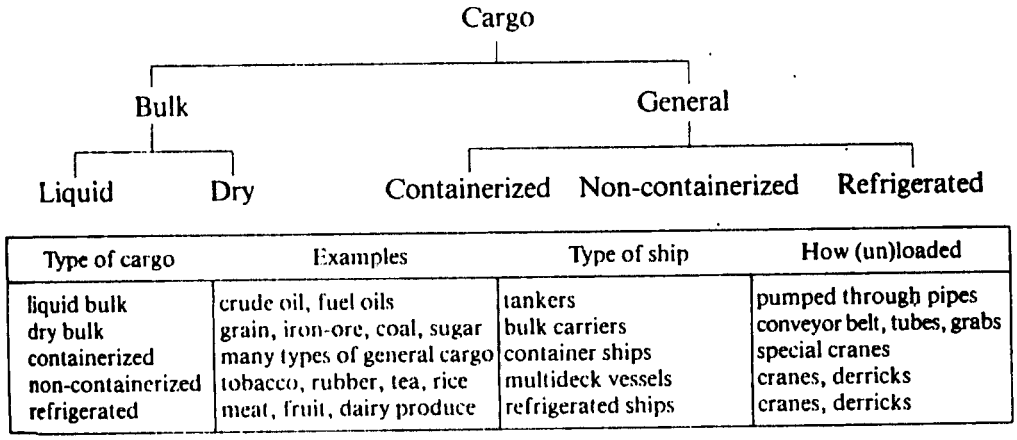
That it is not the case of a new comer company, because it is not bigger at all, on the contrary it is small, which requires small quantities of cargo and it is also possible that the route is not far from his main traffic and port, which gives an advantage for them; free of competition from the largest shipping companies.

Thereby, those aspects, as many developed countries did, the land locked countries or non maritime countries, can complement the undertaking getting advantage of the circumstances experienced by other developping countries and recruit experinced labor force from other countries, and later on try to make his own people attend training courses.

Nevertheless, the shipping business is really a complex one, because some countries even being developing countries have all the facilities and technology required for bigger ports and some times much bigger than some ports located in developed counties, which ratify that the frontiers between developed and developing country are not clearly defined in maritime activities either.

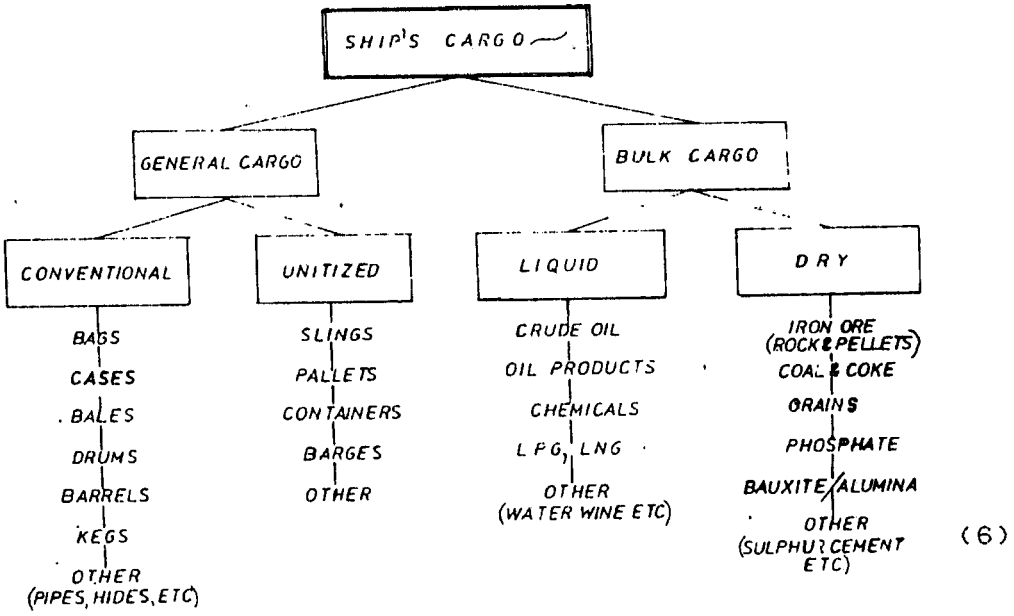
CARGO.-

As the cargo is "the only reason for the ships"(4), it can be classified as it is in the following table:



Type of cargo	Examples	Type of ship	How (un)loaded
liquid bulk	crude oil, fuel oils	tankers	pumped through pipes
dry bulk	grain, iron-ore, coal, sugar	bulk carriers	conveyor belt, tubes, grabs
containerized	many types of general cargo	container ships	special cranes
non-containerized	tobacco, rubber, tea, rice	multideck vessels	cranes, derricks
refrigerated	meat, fruit, dairy produce	refrigerated ships	cranes, derricks

(5)



(6)

Figure . Classification of cargoes in ocean transport

This classification shows the basic differences of cargo. In the same maner it is possible to find many of them, depending on from which point of view it is made. At the same time, the types of cargo mentioned at the botton of the diagram, could be sub divided in many other kinds, and then this last kind could suffer other modifications and so on, up to the point where a incomprehensible network is found.

This is because certain kinds of cargo could be included or separated from the traditional commodities, within the non--traditional goods or new inventions. This is becoming increasingly complicated. Consequently, the classifications must be changed according to that development.

1.- Now talking about the cargo as such, the kind (of cargo), in most cases has great influence over the ship's evolution, mainly to define the type of vessel; despite the influence that the technology and other aspects, have over it.

In general, the trend of the new ships is that they are designed for making the transportation of the cargo more suitable ,efficient and profitable, for instance: liquid or chemical cargo which can be transported in barrels on board of general cargo vessels, but it is prefereble to trasnsport them either for the quantity or the quality, on tanker or chemical carriers. In this way its transportation is safer and more profitable.

That is also the case of the transportation of cars, which can be carried on conventional vessels , but since the PCC (pure car carriers) was designed, the damages of transporting cars diminished to 90%, making its business more profitable as a consecuence of less damage which the cars received while they were transported and of course for the quantity of cars transported at once.

There is a lot of examples like this on which we can see, the influence that exists from the cargo over the ships design to avoid the ballast journeys, based on the kind of cargo to be transported, as is the case of combined ships ie. OBO and others(ore,bulk and oil).

Anyhow it is not possible to disown the influence of the cargo over the ship design, as a major factor.

2.- For those considerationas, it certainly seems that the cargo is one of the prerequisites to get a shipping company and it depends on how large the national cargo is, in order to know how large the national fleet will be. And if there is not enough cargo in one country, they should rent services from other countries and do the same as the people who made a comparison, "if you have a lot to transport constantly, buy something on which to carry it, but on the contrary if what you have to transport is not great and frequent, just rent a mean of transport, otherwise there will be problems for you to maintain it" (in this this case the ship).

Of course,that reason is perfectly logic if they are talking in terms of a horizontal and vertical industry, and not in terms of a service company, where irrespective of carrying their own cargo it is possible to carry the cargo for those countries which do not have sea transportation at all, or do not have enough ships to carry the total cargo, or need extra ships (to carry) at that very moment.

3.- Then the problem is to enter the maritime transport anyhow, mainly bacause no country has the capability to carry its own total national cargo. The percentage of national cargo carried by own flags varying from country to country, from kind of comodity to another, etc. For example, USA transport around 3 % of their general cargo, while one of the countries which transport most of their cargo is Norway with 40 % (see annex 26). At same time this, justifies the existance of cross traders, which rarely call their home ports and always are serving foreign ports, as service shipping company.

Consequently in this case, to come into the shipping business the importance it is not precisely the existence of cargo in their own cuntry, but rather the existence all over the world, because the national cargo is only the minimum or part of the total to be carried.

Therefore, the quantity of the national cargo that each country carried by themselves is small in comparison with the cargo which remained and left to be carried by others, which in

this case are the cross traders, who transport the remaining cargo of the world to be transported by sea.(7)

4.- But the question is, why do the national countries not transport their own total cargo? Many answers could be given to that question, depending on of the national reality each case, whether for uncapability(infrastructural or technical) or for economical advantages that they get, in case they leave the transport of the remaining national cargo to others.

In any case where a country can not carry its total national cargo it could be because, it is not in his route,for being far from his country, for lack of ships or finally perhaps for the kind of cargo which needs special type of vessel. Anyhow, for the goal of this thesis, it is important to ratify that there are amounts of extranational cargo to be carried for other flags.

5.- Here is the main point or narrow aspect of this demonstration, in order to get advantage of that situation, seeking some cargo which is enjoyed by the cross traders (which sometimes are national lines registered under a flag of convenience country).

Nevertheless the importance is that, there is still some cargo remaining which can be shared by new comers, together with the traditional cross traders. Therefore, before the possibility

to have a national fleet in the future, it is not very necessary to have enought national cargo, because a shipping company can be built up, to serve to others countries which need that service as well.

6.- The existence of extranational cargo is also stated by the approved Code of Conduct for Liners Conferences, of the United Nations for Trade and Development (UNCTAD), in force since October 9th. 1983.
The referred article, art. 2, inc. 4, part a) and followings, by one side (theoretically) said "the shipping lines shall have iqual rights to participate in the freight and volume of traffic generated by their mutual foreign trade and carried by the conference;

b) Third-country shippng lines, if any shall have the right to acquire a significant part, such as 20% in the freight and volume of traffic generated by that trade."

Following that rule it is understood that the right to carry at least 40% of the national cargo, and on the other hand the posibility to have the reminig 20%, is given in various cases named in inc.5,6,7 and followings.(This is independent of national resolutions, given up to now for each country about cargo transport reservations and protection).

FOOT NOTES

1.- Not only at sea even in lakes or rivers.

2.- ALDERTON,"Sea Transport", p.

3.- CHRZANOWSKY Ignacy, Introduction to Shipping Economics" p.12.

4.- ALDERTON, "Sea Transport" as Mr. Alderton call in his book Sea Transport, p.

5.- English for Maritime Estudies, p.

6.- CHRZANOWKY, Ignacy. Intriduction to Shipping Economics, p. 7

7.- "It is worthwhile noting that the developing countries generate some 60 % of all cargoes loaded in the world, while they receive only 22 % of all imports.

The developing countries possess 12.5 por cent of the world tonnage. They doubled their share in the last ten years. However, their tonnage remains insufficient compa-

red to their transport needs.

Over three quarters of the world tonnage remanin controlled by the shipping interest of the traditional maritime nations.

The ambitions of developing countries to increse their tonnage face considerable difficulties, while the fleets of socialist countries have mostly an instrumental character with only a part of their carrying potencial being involved in cross traders"Ignacy Chrzanowski Ob. cit.

*.- :Of course the port could be able not to serve only national ships, also other ships from foreign countries because the port is a public service that the national country must support and maintain (even if it is not profitable); with equipment, facilities and many other things which involve great amounts of money. Therefore it is sometimes cheaper to pay port dues in the neighbouring country (even a coastal country), of course this is according to the geographical position of some countries and in relation to the country that you are trying to serve (from the principal producer or market countries, or strategical ports near by.).

CHAPTER V

DEVELOPMENT OF COLLATERAL FACILITIES

Former chapters were devoted to analizing posibilities to diminish the high cost and risk characteristics of the different branches of maritime activity with reference to a country which newly enters into the business, particulary when it is landlocked and lacks maritime tradition. It also dealt with the problems related to entering into shipping activities without having large amounts of national cargo and without owning a large fleet. It would be necessary to discuss some parallel and complementary supporting activities to the above which need to be build up within the country or with other countries.

The collateral activities to be developed for the landlocked country in question are the following :

a.- Port, channels and transit dues.

b.- Free ports.

c.- National cargo in foreign ports.

d.- International rivers and lakes.

e.- Multimodal transport.

f.- Inland dry ports or terminals.

g.- Subsidies.

a.- Nowadays every landlocked country has agreements for the use of ports in adjoining coastal countries, including passage through canals or transiting overland. These agreements may be direct or indirect. It is direct when there is a formal protocol signed by both countries specifying one of this special aspect with reciprocal obligations. It is indirect when there is no formal document of the type mentioned above, but there exists a unilateral expression by a country to allow the use of these services against a monetary consideration (dues). Both types may apply to: a) use of ports, b) pasage through canals or c) through its territory. Depending upon the type of agreement it is possible to identify sporadic or permanent services.

The problem is to reach or revise an agreement in the most favorable way possible for the landlocked country. In many situations the least that can be attempted is to equalise the terms of the agreement because almost always landlocked country's are at disadvatage in imposing their propositions. Most often they do not have any alternative but to accept.

Despite the fact that coastal countries have established

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Despite the fact that coastal countries have established

tariffs for port uses, crossing through canals or transit through their territory, the landlocked countries and some developing countries, should seek to obtain special treatment for their national fleets, with facilities for easy berthing, warehousing, prompt passage through the canals at reduced dues and with payment in national currency. This special treatment should prevail for such period as to enable them to acquire enough experience in managing their new shipping company.

b.- The landlocked countries should look for a free port in coastal countries, to be built or managed by themself as in the case of Bolivia which has a free port in Rosario - Argentina. The strategy should be to have more than one port, in different countries, or at least a berth and warehouses.

c.- Having obtained the warehouse,it is iquelly important to ensure prompt despatch of the national cargo destined to a landlocked country. Therefore, an efective mechanisme must be given to have a prompt despatch and transit of the cargo to a landlocked country. The transit dues for the cargo should not be so high as to be a burden for the landlocked country (because it has no choice but to accept it). Coastal countries do need those dues to support and maintain this infrastructure but the rates must be fair and cost based. The intention must not be to overcharge and transfer the burden to the economy of other countries. Infrastructure has to be supplied by them and this does result in more facilities to this country. It has an internarional obligation too to provide

such services.

d.- The use of international rivers and lakes shall be allowed for landlocked countries (on an equitable basis) in order to gain economic advantage from fishing activities and cargo transport (on a minor scale). This will allows these countries to gain basic experience from which to progress into maritime activities (at sea) with larger investments. If rivers are navigable, its exploitation is more important, as it may be able to receive ships with special design (shallow draft), and with high capacity capable of sailing on both, inland and coastal waters. This kind of navigation is also important, as it will allow feedering of cargo from larger ships, to smaller vesseös which will distribute cargo on inland waters.

e.- A landlocked country has to develop all possible fields complementary to the chain of international transport such as the multimodal transport system. If the system is found to be economical for the country, the multimodal transport system could be applied with its philosophy of a door to door system and containerization. A feasibility study for such an infrastructure should be done in order to ensure unnecessary expenses.

f.-Atention must be given to improve the cargo terminals or dry ports, in order to get better distribution of the cargo through the country. A well interconnected network of

all means of transport should be built according to the actual importance of new cities or industrialized places. These terminals should have facilities as banks, warehouses,various systems of comunication, customs offices,and space available for cargo , container operations, refrigerated cargo, special and liquid cargo. They should be situated preferably close to centres of production and consumption.

"Provision of adequate terminal facilities represents a major element in total investment requirements... and ensure that close cooperation with institutions reponsible for the other modes of transport is exercised to safeguard the integration of terminals in the nationwide transport network. The vital questions to be considered in the planning of terminals relate to the following: location of terminals, planing of the modal mix, size and type of terminals, and equipment of terminals.

Once the regional allocation of terminals has been decided, the specific location must be chosen according to the following criterias, which are essentially identical with decision-making criteria for terminals for other modes of transport. These are:

Existing road or rail connections, and costs of providing such connections; qualitative factors, such as capacity of roads and railways, density of traffic, etc.

This must also take into account;

Average distance of road and rail haulage;

Possibilities for extending facilities;

Necessary infrastructure and suprastructure investment;

Availability of public utilities;

Dredging requirements." (1)

All transportation networks must terminate/begin at dry ports or inland terminals from which strategical point (within one country or city) the cargo should be distributed in different directions. Only with this policy, on a country efficiently undertake international trade and thereby plan movement of its cargo at foreign ports. This will allow the landlocked state to be able to negotiate more favourable tarifs or dues fer the transit of its cargo through foreign countries.

Planning and building up of cargo reception and distributions centres with differents modes of transport and capacity's must be given important consideration.

The development of the above facilities, depend upon the policy of landlocked countries. These facilities are important even if maritime affairs are excluded, because the infrastructure is useful for national comunication. It will help them to better manage the national or international connections and increase the knowledge and expertise in the country such as, whether to provide facilities for special cargo or to charter ship for national purposes.

This strategy, irrespective of national considerations should be amplified at the international level among countries (at

least among neighboring lands), and must be coordinated for mutual benefits. UNCTAD in its publications indicated "In view of the fact that large container vessels will call only at a restricted number of ports and that many developing countries will not be served directly by such vessels, international inland transport by road , rail and inland waters can be expeted to increase in importance . Similarily, the participation of landlocked country in multimodal transport calls for international transport connections of quality required for the transport of containers. The introduction of containerization and multimodal transport requires not only the adaptation of the physical transport infrastructure but also, closely linked to this, a reconsideration and possibly revision of transport policies, taking into account the characteristics of multimodal transport operations . Such policy reconsideration is essential to avoid uncoordinated investment and sub optimum use of capital resources" (2)

g.- Governmental subsidies play an important role in encouraging the above mentioned activities. Subsidies should encourage investment by institutions and private citizens, giving them licences and oportunities to facilititate initiative in activities related to the maritime field and other connected modes of transport. Such subsidies should be limited for certain periods. It would enable the company to eventually grow to work without any subsidy from the government. There is also the possibility of having some form of protection "in shipping there exist numerous and diversified forms of protec-

tionism. The objectives of protectionist policy are in shipping are of twofold nature; i) to maintain the already established position od a countryés merchant marine, and ii) to expand the own merchant fleet to the size and structure desired and determines by the needs of the national economy of that country.

The classification of aims and methods of shipping protectionism given by S G Sturmey deserves a particular mention. The objetives of a national shipping policy he suggested, may be the following:

i) To promote and protect a merchant marine for defence purposes;

ii) To establish a merchant marine capable of transporting the country's essential trade in order to avoid the disruptions consequent upon wars in which the country is not participating;

iii) To satify national prestige;

iv) to enable an infant merchant marine, which will eventually be able to dispense assistance, to become established;

v) ...(3)

vi) To save foreign exchange otherwise used in freight payments;

vii) To provide or maintain employment for national seafarers;

viii) To protect the merchant marine in times of severe competition;

ix) To counteractual or suspected discriminatory practices

by conferences or national trade groups;

x) To improve the quality of merchant fleet and increase its competitive strength;

xi) To compensate national shipowners for an overvalued exchange rate maintained for other purposes, or for disadvantages imposed on shipping by the protection of industries.

As part of that protectionism policy, there is the financial assistance for shipping. This mainly takes form of "subsidies".

Direct subsidies may take form of:

i) construction subsidies,
ii) postal subsidies or postal mail contract,
iii) operating subsidies,
iv) scrap-and-build subsidies,
v) admiralty subsidies for special defence equipment,
vi) credit facilities,
vii) guarantee of profits, share of loss, etc.,
viii) subsidies of special marine insurance,
ix) lease of ships belonging to the State to private companies.

Among indirect subsidies one may indicate:

i) Subsidies to the shipbuilding industry,
ii) Customs reductions,
iii) tax and depreciation allowances,

iv) subsidies to immigrantés fares or operators transporting them,

v) reductions in port, canal and other charges,

vi) subsidies for construction and operation of ports and canals,

vii) preferencial railway tariffs to/from the country seaports." (4)

FOOT NOTES

1.- UNCTAD, Multimodal transport and Containerization,(Inland waters terminal requirement) p.47 document TD/B/C.4/238 rev.1

2.- (UNCTAD,TD/B/C.4/238/Rev.1.- Guidelines on the introduction of containerization and multimodal transport and the modernization and improvement of the infrastructure of developing countries, p. 10 and 11)

3.- It is no included (vi), because referes to trade with colonies.

4.- Ignacy Chrzanowski. An Introduction to Shipping Economics) p. 116.

CHAPTER VI

ECONOMIC ADVANTAGES

So far it was possible to identify the enormous economic implications of maritime activities. One of its characteristics,(1) which makes the business a little daunting is the high risks under which it operates, created by political, social, or natural causes (or act of god as it is called).

Despite these characteristics, when the business is well managed, it can also give great economical benefits. The benefits arise not only for the company or shipowners, but also the society where the company operates such as by creating more jobs, diversification of industries, impulse to other industries, attracting new activities, increasing the commerce and imposing greater dynamism to the city. In general it may improve the social environment in the country.

The economic advantage of this business at the national level is reflected in the balance of payments. (2) It is possible to measure the economic situation of a country through the balance of payments which act as a thermometer.

Despite the capital intensive of the shipping business, and a low percentage of national cargo being carried in national flags, the industry nevertheless still produces benefits for the country. A governmental maritime company may realise benefits to a nations balance of payments. It may be able to meet at least a little of the country's necessities, and reduce dependency on other countries.

It is possible to see how beneficial it could be to have or create maritime activities in a landlocked country through the following tables . It shows countries with balance of payments or gross national product (3) which are influenced by maritime activities.

Table

UK SHIPPING CONTRIBUTION TO BALANCE OF PAYMENTS 1969

Credits	£m
Freight on exports	196
Freight on cross trades	501
Time charter receipts	61
Passenger receipts	64
Disbursements by overseas ships in UK	137
	Total credits 959
Debits	
Time charter payments to overseas shipowners	210
Disbursements by British ships abroad	371
Freight on imports by foreign ships	318
Passenger fares on foreign ships	15
	Total debits 914
Net gain to balance of payments	£45 million

Source: *United Kingdom Balance of Payments 1969* (HMSO 1970), p. 68.(4)

Therefore, it is posible to deduce that the same impact (not exactly, but at least in possitive figures), may be reflected in the balance of payments of landlocked countries involved in maritime affairs. Although if there is no a national shipping company, anyhow the country have to disbursement in foreign

exchange (outgo) due to national cargo carried by foreign ships.

Despite of that, "the economic role of shipping, and sea transport in general, cannot be overestimated. In time of crisis or political unrest the merchant marine plays a stabilising role. It enables the country to be an independent of import of shipping services which can be unavailable , or can be obtained at the price of political concessions. Sea transport has been and still is an important factor of their economic growth. The newly emerged nations see in maritime transport a prerequisite for their political and economic independence. They are making a considerable financial effort to establish their own merchant marines and acquire necessary expertise in maritime operations.

To show a relative importance of the merchant marine for a country's economy the ratio of GRT per capita is sometimes used .Annex 18.1 shows this ratio for some selected countries. Furthermore, the share of national marine in the transport of international trade of a country is also used. Figures illustrating this share for EEC countries are shown in annex 18.2. It can be seen from this data that apart from Greece and the UK the coverage in the remaining countries is low, and they are all importers of shipping services. In fact some of these countries ,e.g.Belgium or the Netherlands are cross-traders. In Norway nearly 90 % of the country's tonnage is employed for the foreign account. These figures show how difficult it is to

properly measure the economic role of shipping . The economic indicators used have only a relative value.

In summing up the considerations in this chapter it should be emp hasized that the actual role of the shipping industry for a country's national economy is much more complex than it seems from the analysis of key economic indictors. Direct and indirect economic consequence of the existence of national merchant marines are not easily quantifiable. Furthermore, economic and political aspects are closely related to each other in shipping which renders a sound economic analysis more difficult.(5)

"Two specific advantages of investment in shipping.- Quite apart from the question of internalities and externalities discussed in the preceding section , shipping as an industry has certain advantages over other industries as a channel for investment.

First, the assets in shipping, namely the ships are generally more easily transferable physically than are the assets in the manufacturing industry. If one trade declines, they can be switched to another trade, whereas if the demand for the product of a factory declines it is less easy to switch the plant to diferent use . Alternatively, the vessel can be sold to an operator in other country without necessarily any great loss, unless thére is a widespread depression in shipping. If a factory cannot be made to pay in a country, the machinery can

be dismantled, moved and reassembled elsewhere but this is an expensive operation and the building and service connexions remaining are likely to be unusable. This transferability of the assets in shipping reduces substantially, but does not eliminate, the risk of heavy capital loss following an investment decision which subsequent events show to have been mistaken. When there is a general depression in shipping, or a ship is specialized to a particular type of trade, the possibility of transfer without loss is very much reduced. Further, if the ship has been allowed to deteriorate through inexperience in vessel management the chance of finding a buyer at a price much above scrap value may be slight. Finally, if the shipowner has been granted aid to enable him to purchase the ship, there may be restrictions on its sale for several years after the initial purchase.

Another result of asset transferability is an active market in second-hand tonnage of all ages. In other industries equipment available in the second-hand market is often obsolete and inferior and inferior to the equipment in use in the most progressive parts of industry. This is not the case in shipping. While much obsolete tonnage is traded in the second-hand market, there is also a significant supply of modern tonnage, fully comparable with the best in use. Shipping is thus a special case in that the use of second hand equipment may be considered, without this necessarily implying the use of inferior equipment. This does not apply to all branches of shipping. In the field of tankers and bulk carriers the opportu-

nities open to a buyer to acquire first-class second-hand vessel of the larger sizes are somewhat limited, whereas in the case of tramps,cargo liners and passengers vessels the market in first-class tonnage is much more extensive , with leading shipping companies entering both as buyers and as sellers.(6)

FOOT NOTES

1.- In fact the various aspects which involve maritime affairs also require huge ammount of money (cost of the ship plus maintenance cost, buildings, workshops, vehicles, crew's salary at least in comparison with international rules, infrastructure at shore and salaries of the employees, etc) This gives an idea of great number of economical aspects that are involved and must be considered. At same time the profits may be high.

2.- "Balance of payments is an account which includes a systematic recording of all the economic transactions made during a definitive period of time (usually a year), between the residents of one territory and the residents of other territories" Definition given by Professor M. Bye (Op cit. Ignacy Chrzanowski)

3.- There are two indicators which characterise the economic performance of a given country: ie: Gross National Product(GNP) and Gross Domestic Product (GDP). The World Bank's definition of GNP reads: Gross National Product(GNP) measures the total domestic and foreign out-

put claimed by the residents. It comprises GDP and factor incomes(such as investments income and worker's remittances) accruing to residents abroad , less the income earned in the domestic economy accruing to persons abroad" (Op. cit. Ignacy Chrzanowski)

4.- A.D. COUPER,Professor of Maritime Studies University of Wales Institute of Sciency and Technology " Geography of Sea Transport." 1972, Hutchinson University Library, London.

5.- P. 98 and 111, op. cit. Ignacy Chrzanowki.

6.- UNCTAD "Establishment or Expansion of Merchant Marines in Developing Countries.

CHAPTER VII

NEED FOR INTERNATIONAL COOPERATION

International cooperation is one effort that the inter national community must practice leaving aside unnecessary suspicions and selfishness. A country must stop viewing the other country with which it is cooperating as a possible danger in the future. Without such cooperation the gap between countries may never be diminished.

There is a strong urgency to do something more concret at the international level than making simple declarations intergovernmental bodies such as the UUNN or others. These declarations must be put in practice international cooperation giving one step ahead in the field of maritime activities and relations.

Looking at human institutions , only those who cooperate are distinguished by being successfull. Such cooperation may vary from the very top at national level(1) or lower down between per sons or companies.

As prove of such success, some countries integrate to accelerate their development througt regional cooperation. In these regional groups each member maintains its identity but the benefits reach all as it in the case of the European Economic Community (EEC). The success of the latter can not be ignored. It set out, to help or cooperate with each other. The purpose was not to establish hegemony over other countries, or to obtain individual advantages over some items. The lack of co-operation was one of the reasons why similar systems could not be developed completely in Latin America (ALALC).

Therefore, countries must become conscious of the situation and bear in mind that cooperation is unification of efforts for a better world. This may appear theoritical and something utopian because it rarely accurs in real life. It is always preached but is never reached.

"Even though cooperation is rare, and inspite of politics, differences of religion, language and technologycal that separate the countries, it is necessary to overcome the divergences. There is recognised the necessity that countries have to share certain guideliness for their own wellfare, without being confined by such differences or territorial disputes. After all every nation's real desire is to coexist as independent and sovereign countries, with right to be heard in the world consensus.

If these differences between countries can be ended, it also will be the end of mutual suspicion by nations. General development could be regulated through protocols or agreements. Countries may between themselves, share any succes as contributions to their own benefit and for posterity. At which stage all countries -technologicaly speaking- will not see each other as competitors, from whom certain things are hiden, but some times to take advantage of for common benefit. Each country must view the other as a cooperator, with whose help it may be possible to carry on the development of mankind in general. The problem of underdevelopment may thus be globally approached through a better aplication of various technically planned methods (economics, social and political).

Development can be achieved through international technical cooperation, as one of the principle awarnes to be exerted in each country. It must be done on the basis of experiences gained in other places. It does not mean, there will be wholesale transplanta tion of systems. On the contrary, the experiences of other countries need to be taken into account for adaptation of application in the local environment and to reach our own objetives. Such development may eventually reach the point to share and cooperate with others for the progress of humanity". (2).

These efforts are based on the concepts enshrined in Chapter IX International Economic and Social Co-operation, Article 55 of the United Nations Charter. They are exerted at internatio-

nal level through the specialized agencies of United Nations such as UNDP, IMO, UNCTAD and others. Also multilateral, bilateral co-operation must be practiced not only with experienced countries but also with between developing countries (south - south co-operation).

FOOT NOTES

1.- The workers of some far east countries, before the actuall economic depress of shipbuilding market, by themselves, they agree to reduces their salaries in order to retain the shipbuilding market.

2.- Cooperacion Tecnica Internacional y Bolivia.

CHAPTER VIII

CONCLUSIONS

1.- The importance of the sea is growing more and more every day. Ulike early times, the sea today is a fountain of resources such as food, fresh water, way of comunications, minerals, energy,knowledge, aids for metereology purposes, human settlements and interface.

2.- The most important resources nowdays are fishing, shipping and off-shore activities.

3.- Sea transport remains the largest mode of transportation mainly for being the cheapest despite the air transportation in case of urgent delivery.

4.- The coastal countries enjoy the benfits of having an ocean front, in comparison with the handicaped situation of landlocked states.

5.- Despite this handicap, landlocked states have the right to participate in maritime activities. This right is bestowed by many international laws and principles. Nowadays

some landlocked countries such as Switzerland, Tzechoslovakia, Hungary, Bolivia, Paraguay and others are involved in shipping activities. It is therefore also possible for landlocked countries to enter into fishing activities, off-shore activities and even in brokering.

6.- The main characteristics of sea transport: are it is a link in the transport chain of cargo, an international industry at the service of the trade, highly complex and capital intensive industry with a high risk of business. Of these characteristics two of them (high cost and risk) make the business difficult to enter.

7.- The high risk characteristic of shipping is a consequence of economic cycles caused by many factors such as recession of international trade, international competition, depression of the national industry and other factors. By studing the characteristics, causes and consequences of these fluctuations it is possible to reduce the risky element involved and thereby avoid or reduce adverse economic consequences for the comers in the business.

8.- The high cost of the shipping business can be reduced by the acquisition of second hand vessels or chartering them, according to economic considerations and necessities.

9.- It is possible to build up a shipping company

even without owning large fleets or having great amount of national cargo. For example, within the shipping company, instead of owning a large fleet, this may be substituted by some vessels acquired fron the second hand market or throuh chartering.

10.- The types of ships to be selected must be based on the kind of cargo to be carried, taking into account the geographical area it is going to serve as its main trafic, kind of water, weathers and other factors.

11.- The expansion of the fleet need not necessarily be in strict co-relation with the amount of national cargo, because the fleet can provide shipping services to other countries, which are not able transport their total national cargo.

12.- A large amount of national cargo it is not a prerequisite to own a fleet because a great pecentage of national cargo of most countries are carried by third flags. Therefore, the lack of national cargo may be subtituted by the existence of international cargo.

13.- Landlocked countries parallel to building up a shipping company (as new comers in maritime activities), should also ne gotiate with coastal countries to obtain:

- Free use or reduced port dues;
- Free ports in coastal countries;

- Fast despatch of national cargo to landlocked country.

Also they must encourage:

- Navigation on international rivers and lakes;
- The building of infrastructure for maritime activities, also useful for its own benefit and to interconnect with multimodal transport.

Finally:

- The governments should protect the initiatives of mariti me activities, enable them to be established. It must be done at least at the begining.

14.- The participation of landlocked states in shipping activities is benefical also for the diversification of the economy and its industries, the creation of new jobs and also for the national balance of payments. This ultimately may be reflected in better per capita income of its citizens.

15.- Efforts to build up and achieve the enumerated points, irrespective of the need or willingness of the landlocked state in building up maritime activities, can only be accelerated through international cooperation on a regional, multilateral and bilateral basis. Such cooperation must include intergovernmental bodies, experienced countries and also developing countries (south -south co-operation).

.....

RECOMENDATIONS

* Landlocked countries which are not presently involved in maritime activities, must try to enter these activities in order to solve partly the handicap of being landlocked. Such states should endeavour to enjoy the benefits of the sea, given that the sea is considered as a heritige of mankind, and not merely the property of a coastal state.

  Although it is nowadays not the right season to enter the maritime or shipping business due to the many bankruptcies that exist in the shipping field, it must be taken with optimism. In some sense that is better for the new--comers, because there willbe less competitors in the future.

* Coastal countries, intergovernmental bodies must sincerely attempt to help in solve the great gap between developed and developing countries. Particulary it is time to buttress the attempts of landlocked countries to build up their maritime activities by allowing them the use of facilities that they need, particulary for new companies

to strengthen themselves. They must not block the desire to progress.

For example reducing highly canal or port dues for a certain period, may cost negible loss to the enormous and well organised port or chanal administrations. On the other hand, this small saving may help greatly the new entrant to shipping activities to help establish themselves.

Similary conceding an unused area in coastal countries (beside the sea), in favor of a landlocked country will inmenselly benefical to the new maritime country. It is also good for the coastal state, because a new centre of activities will be created on land which was empty before.

For their own, the landlocked countries must regard the advantages received, with due considerations, to obtain maximun experience.

The coastal experienced countries should share its experience, by giving training to people of landlocked countries. This should include practical training through local institutions, including being employed as a regular employee to have experience on the job.

Part of this training may undertaken at the WMU which

must be maintained and used as a sorce of high knowledge. Irrespective of the subjet, the student also learns to share and coexist with people of different latitudes, customs, language and religions, as a great desire to join the world in one.

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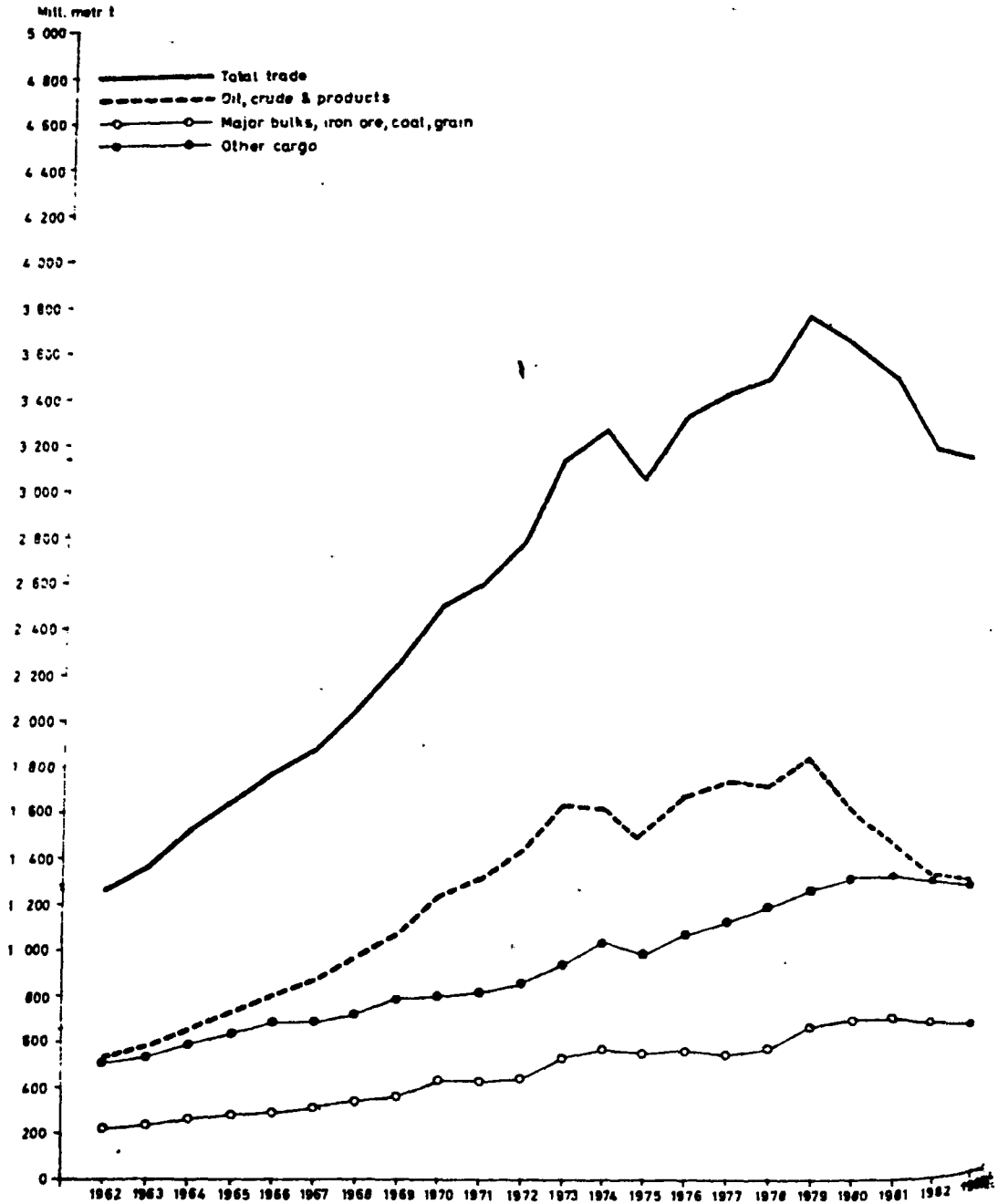
A N N E X E S

WORLD SEABORNE TRADE 1962 – 1983



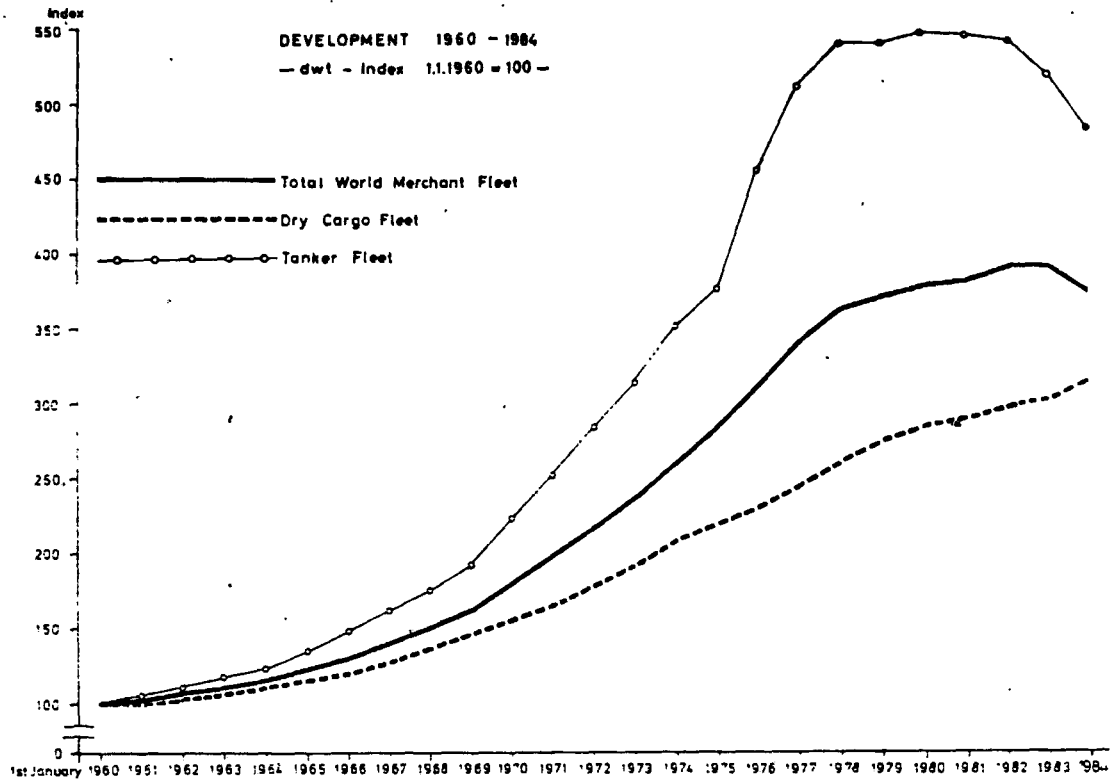
THE GROWTH IN SEABORNE TRADE 1965 - 1983

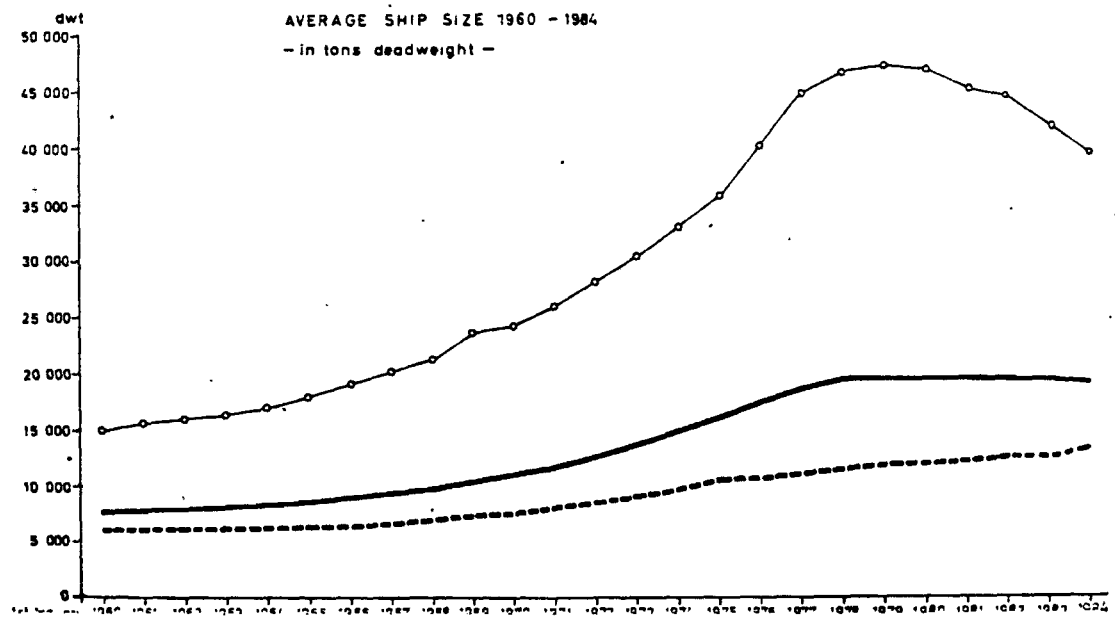
per cent variation per annum

	TONNAGE SHIPMENTS			TON-MILE TRANSPORT PERFORMANCE		
	OIL	DRY CARGO	TOTAL	OIL	DRY CARGO	TOTAL
5 - 1966	+10	+6	+8	+7	+7	+7
6 - 1967	+8	+3	+5	+24	+7	+16
7 - 1968	+13	+7	+10	+20	+7	+16
8 - 1969	+11	+9	+10	+13	+10	+12
9 - 1970	+15	+7	+11	+15	+11	+14
0 - 1971	+6	+5	+7	+16	+4	+11
1 - 1972	+10	+4	+4	+4	+11	+6
2 - 1973	+13	+12	+13	+18	+16	+17
3 - 1974	-1	+10	+4	+4	+11	+6
4 - 1975	-8	-4	-6	-8	-3	6
rage 5 - 1975	+7	+5	+6	+12	+8	+10
5 - 1976	+12	+6	+9	+15	+4	+11
6 - 1977	+4	+1	+3	+2	+2	+2
7 - 1978	- 2	+5	+2	-7	+5	-3
8 - 1979	+5	+9	+8	0	+10	+4
9 - 1980	-9	+4	-3	-12	+5	-5
0 - 1981	-10	+1	-4	-11	+1	-6
- 1982	-10	-5	-7	-23	-3	-14
2 - 1983	-3	-2	-2	-4	-4	-4
age 5 - 1983	-2	+3	+1	-6	+3	-2

CE: Calculated from "Review 1983", Fearnleys, Oslo January 1984 and earlier Reviews.

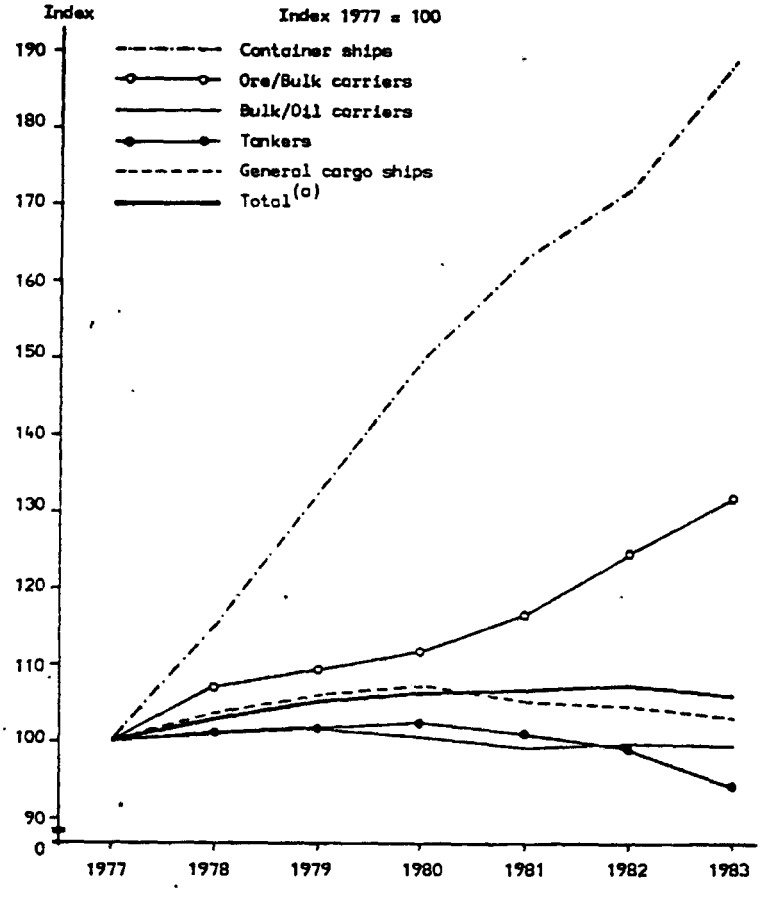
WORLD MERCHANT FLEET





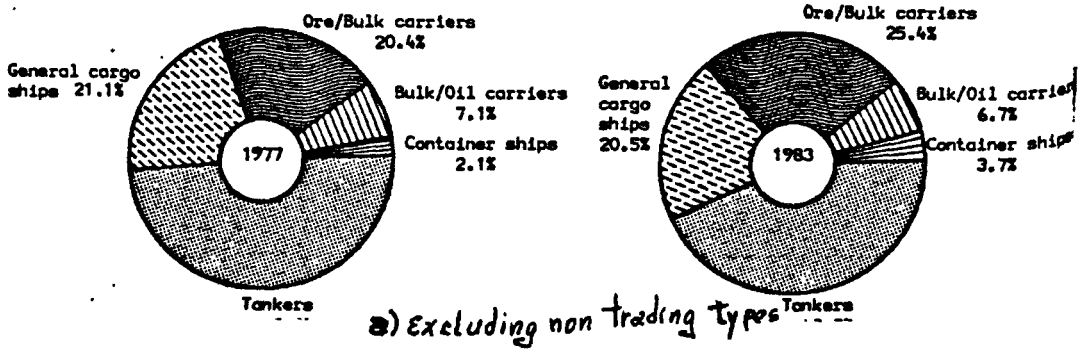
WORLD MERCHANT FLEET

a) Development of ship type 1977-1983
- Ships of 100 GRT and over -



Source: According to Lloyd Register of shipping statistical tables

b) Fleet type profiles(a) 1977 and 1983



a) Excluding non trading types

Table 1.1

WORLD SEABORNE TRADE 1971-1982
(in million metric tons)

	Total cargo		Tanker cargo		Dry cargo		Main bulk cargoes[a]	
Year	Mln tons	1971 = 100	Mln tons	1971 = 100	Mln tons	1971 = 100	Mln tons	1971 = 100
1971	2,577	100	1,317	100	1,260	100	435	100
1972	2,763	108	1,446	110	1,317	104	451	104
1973	3,121	121	1,640	124	1,481	117	541	124
1974	3,248	126	1,625	123	1,623	129	578	133
1975	3,047	118	1,496	114	1,551	123	556	128
1976	3,324	129	1,682	128	1,642	130	567	130
1977	3,423	133	1,748	133	1,675	105	555	128
1978	3,491	135	1,727	131	1,764	140	574	132
1979	3,755	146	1,817	138	1,938	154	668	154
1980	3,648	142	1,638	124	2,010	159	700	161
1981	3,506	136	1,482	112	2,024	161	719	165
1982	3,213	125	1,287	98	1,926	153	676	155

[a] Iron ore, coal and grain

Source: Shipping Statistics, Institute of Shipping Economics, Bremen March 1983, p. 51.

DEVELOPMENT OF WORLD INTERNATIONAL SEABORNE TRADE

YEAR	DRY CARGO		OIL		TOTAL	
	MILLION METRIC TONS	PER CENT INCREASE/ DECREASE OVER PREVIOUS YEAR	MILLION METRIC TONS	PER CENT INCREASE/ DECREASE OVER PREVIOUS YEAR	MILLION METRIC TONS	PER CENT INCREASE/ DECREASE OVER PREVIOUS YEAR
1960	540	10	540	13	1 080	11
1961	570	6	580	7	1 150	6
1962	600	5	650	12	1 250	9
1963	640	7	710	9	1 350	8
1964	720	13	790	11	1 510	12
1965	780	8	860	9	1 640	9
1966	830	6	940	9	1 760	7
1967	860	4	1 010	7	1 870	6
1968	930	8	1 130	12	2 060	10
1969	990	6	1 260	11	2 250	9
1970	1 125	14	1 422	13	2 545	13
1971	1 140	1	1 516	7	2 656	4
1972	1 216	7	1 648	9	2 864	8
1973	1 346	11	1 868	13	3 014	12
1974	1 440	7	1 810	- 3	3 250	11
1975	1 373	- 5	1 652	- 9	3 025	- 7
1976	1 471	7	1 838	11	3 309	9
1977	1 515	3	1 898	3	3 413	3
1978	1 602	6	1 949	3	3 551	4
1979	1 731	8	2 038	5	3 769	6
1980	1 829	6	1 847	- 9	3 676	- 2
1981	*	*	*	*	*	*
1982	*	*	*	*	*	*

* Data not available.

NOTE : Excluding international cargoes loaded at ports of the Great Lakes and St. Lawrence system for unloading at ports of the same system. Including imports into Netherlands Antilles and Trinidad for refining and re-port. Figures are the average of loaded and unloaded quantities. Comparable figures for the period 1950-59 can be found in 'Maritime Transport, 1978', Table I.

SOURCE : United Nations Monthly Bulletin of Statistics.

Table 1.2

WORLD SEABORNE TRADE 1971-1982
(in billion ton-miles)

Year	Total cargo		Tanker cargo		Dry cargo		Main bulk cargoes[a]	
	Billion ton-miles	1971 = 100	Billion ton-miles	1971 = 100	Billion ton-miles	1971 = 100	Billion ton-miles	1971 = 100
1971	11,730	100	7,455	100	4,275	100	2,106	100
1972	13,104	112	8,650	116	4,454	104	2,148	102
1973	15,404	131	10,217	137	5,187	121	2,625	125
1974	16,387	140	10,621	142	5,766	135	2,831	134
1975	15,366	131	9,730	130	5,636	132	2,826	134
1976	17,057	145	11,183	150	5,874	137	2,839	135
1977	17,517	149	11,467	154	6,050	141	2,830	134
1978	17,034	145	10,646	143	6,388	149	2,933	139
1979	17,675	151	10,659	143	7,016	164	3,411	162
1980	16,777	143	9,405	126	7,372	172	3,652	173
1981	15,840	135	8,371	112	7,469	175	3,759	178
1982	14,190	121	6,965	93	7,225	169	3,635	173

[a] Iron ore, coal and grain
Source: Shipping Statistics, Institute of Shipping Economics, Bremen, March 1983, p. 51.

T.2.B.

WORLD SEABORNE TRADE, 1970-1983

In million tonnes

	TOTAL TRADE ESTIMATE	CRUDE OIL	OIL PRODUCTS	IRON ORE	COAL	GRAIN ESTIMATE	OTHERS
1970	2 482	996	245	247	101	89	804
1971	2 577	1 070	247	250	94	91	825
1972	2 763	1 185	261	247	96	108	866
1973	3 121	1 366	274	298	104	139	940
1974	3 248	1 361	264	329	119	130	1 045
1975	3 047	1 263	233	292	127	137	995
1976	3 324	1 422	260	294	127	146	1 075
1977	3 423	1 475	273	276	132	147	1 120
1978	3 491	1 457	270	278	127	169	1 190
1979	3 755	1 538	279	327	159	182	1 270
1980	3 648	1 362	276	314	188	198	1 310
1981	3 506	1 215	267	303	210	206	1 305
1982	3 249	1 043	285	273	208	200	1 240
1983 (est)	3 168	1 020	272	268	192	193	1 220

In thousand million tonne-miles

	TOTAL TRADE ESTIMATE	CRUDE OIL	OIL PRODUCTS	IRON ORE	COAL	GRAIN	OTHERS ESTIMATE
1970	10 655	5 598	890	1 093	481	475	2 118
1971	11 730	6 555	900	1 185	434	487	2 169
1972	13 104	7 720	930	1 156	444	548	2 306
1973	15 404	9 207	1 010	1 398	467	760	2 562
1974	16 387	9 661	960	1 578	558	695	2 935
1975	15 366	8 885	845	1 471	621	734	2 810
1976	17 057	10 233	950	1 469	591	779	3 035
1977	17 517	10 472	995	1 386	643	801	3 220
1978	17 034	9 661	985	1 384	604	945	3 455
1979	17 675	9 614	1 045	1 599	786	1 026	3 605
1980	16 777	8 385	1 020	1 613	952	1 087	3 720
1981	15 840	7 371	1 000	1 508	1 120	1 131	3 710
1982	13 699	5 412	1 070	1 443	1 094	1 120	3 560
1983 (est)	13 180	5 200	1 050	1 400	960	1 080	3 490

NOTE : Attention is drawn to the figures for grain which include sorghum and soya beans (in addition to wheat, maize, barley, oats and rye) for the entire period.

SOURCE : Fearnleys, Review 1983, Oslo 1984

Cost per Day for Stores and Repairs per 1,000 GRT*

Year	*Cost per Day* £	*Actual Value Index*	*Value in 1870 Terms Index*
1870	1.00	100	100
1875	1.00	100	97
1880	1.00	100	105
1885	1.00	100	126
1890	1.00	100	131
1895	1.00	100	149
1900	1.00	100	135
1905	1.00	100	138
1910	1.00	100	125
1915	2.20	219	209
1920	2.20	219	81
1925	2.20	219	157
1930	2.20	219	207
1935	2.20	219	234
1940	2.50	250	206
1945	3.10	310	203
1950	4.30	430	182
1955	6.10	610	184
1960	6.50	650	172
1965	8.40	840	188
1970	9.20	919	164
1975	16.00	1,600	95
1977	27.00	2,700	

* For large ships i.e. those over say 50,000 DWT use these values per 1,000 Light Displacement tons.

Crew Wages—Rates in £ per Month

	1870—1910	*1920*	*1930*	*1940*
	min—good	*min—good*	*min—good*	*min—good*
Master	20–25 + % of Fr.	30+	26+	35+
Mate	8.5–12	18–23	17–22	22.8–27
2 Mate	6–8.5	15.5–18	13.5–16	17.8–19.5
3rd Mate	4–6.50	13–14	11.5–12	15–16
Premium £20 Cadets Outfit £25 (1870–1910)	Only received back their premium			Premiums gradually stopped during 40s.
Sailmaker	4.75–5	10–12	10–11	
Bosun	4.50–5.25	11.10	10.5	12.5
Carpenter	5.7–6	12.10	11.5	13.75
ABs	2.50–3.50	10	9	10.6
OSs	1	5	4.5	6
Boys	1	2	2	2
1 Eng.	16.50–18.50	26.5–33	25–31	29–35.5
2 Eng.	10.30–13.5	20.5–25	19–23	22.7–27
Elect 3rd Eng.	7.50	15–18	14–16	17.4–19.5
4th Eng.		13–14	11.5–12.5	15–16
5th Eng.				
Donkeyman	5–5.5	11.50	10.5	12.1
Fireman	4.5–5	10.50	9.5	11.5
Trimmers	4–4.5	10	9	10.6
Ch. (or only) Steward	6	15.50–16.50	14.50–15.5	16–18
Cook	5–6.3	12	10.5	11.15
Asst. Stewards	5	8.50	7.5–11.5	9–12
Boy	1	2	2	5
Radio Officers				16.5–21.5
Overtime and leave factor expressed as a % of above				+30%
Victualling per man per day	9p–6p	12p	8p	12p

Cost of a Basic New Ship per Light Displacement Ton

Year	*£s per Light Displ. Ton*	*Actual Value Index*	*K. Maywald Index based on GRT*	*Real 1870 Value Index*
1870	29.00	100	100	100
1875	37.00	127	122	123
1880	28.00	96	95	101
1885	20.00	68	86	87
1890	22.00	75	82	99
1895	19.00	65	56	97
1900	21.00	72	62	97
1905	19.00	65	66	90
1910	18.00	62	66	77
1915	40.00	137	99	131
1920	61.00	210	223	77
1925	27.00	93	145	66
1930	24.00	82	123	78
1935	27.00	93	126	99
1940	40.00	137	166	113
1945	74.00	255		167
1950	118.00	406		173
1955	163.00	562		170
1960	208.00	717		190
1965	212.00	731		163
1970.	276.00	951		170
1975	790.00	2,724		162

Comparative Costs (New ships) 1977

	Coaster	*SD 14*	*"Handy Size" Bulk Carrier*	*Container 1500 TEU*	*VLCC*
GRT	1,599	9,000	17,000	32,000	94,000
DWT	3,000	15,000	26,000	24,000	220,000
Draft	5.8 m	8.8 m	10.2 m	9.6 m	21.2 m
Daily Fuel Cons	10	25	27	134	140
			Costs in Pounds Sterling		
Capital Cost (millions)	1	4.9	7.4	25	28
Daily Fuel Cost	460	1,150	1,242	6,164	6,440
Daily Running Costs					
Crew Cost	230	800	700	920	920
Stores & Repairs	43	243	190	341	940
Hull Ins	23	106	178	336	1,260
P & I	8	45	85	161	468
Off Hire Ins	3	11	11	17	34
Total D.R.C.	308	1,205	1,158	1,808	3,627

Insurance Costs

Year	*Hull & Machinery Insurance* *Insured Value* *A fraction of ships value*	*Index*	*P & I Insurance* *Cost per GRT per day (pence)*	*Index*
1870	.075	100	.03	100
1875	.07	93	.03	100
1880	.09	120	.04	80
1885	.07	93	.019	63
1890	.07	93	.015	50
1895	.06	80	.012	40
1900	.06	80	.013	43
1905	.06	80	.013	43
1910	.06	80	.015	50
1915	.16	213	.016	53
1920	.03	40	.018	60
1925	.03	40	.023	77
1930	.04	53	.022	73
1935	.04	53	.023	77
1940	.04	53	.023	77
1945	.03	40	.034	113
1950	.02	27	.054	180
1955	.017	23	.082	273
1960	.015	20	.13	433
1965	.015	20	.17	567
1970	.015	20	.34	1,133
1975	.013	17	.43	1,433

Bunker Price in £s per ton FOB at London

Year	*Coal*	*FO*	*DO*	*Remarks*
1870	0.8			
75	1.11			
80	0.75			
85	0.83			
90	0.90			
95	0.83			
1900	1.4(1.1)			1.4 is a peak figure, 1.1 a 3 yr running average
05	0.88			
10	0.97			
14	0.9			
15	2.0			From 1914–19 price in UK fixed at £2.0
20	(5.6)2.7*	5*	6.7*	5.6 is a peak figure. *a 3 yr running average
25	1.3	3.0	3.5	
30	1.3	3.6	4.4	
35	1.3	3.4	4.1	
(39)				
1940	1.5	4.4	5.7	
45	3.4	8.2	7.2	
50	4.9	7.0	9.9	
55		6.95	11.18	
60		6.0	10.5	
65		5.2	9.25	
1970		5.2	10.2	
73		20.2	41.0	October 1973 Arab Israeli War
75		33.8	51.6	
77		46.1	69.4	

Administrative Costs Per Ship

Year	*Cost per Day £*	*Actual Value Index*	*Value in 1870 Terms Index*
1870	0.48	100	100
1875	0.48	100	97
1880	0.48	100	105
1885	0.58	120	152
1890	0.58	120	158
1895	0.58	120	180
1900	0.58	120	163
1905	0.58	120	167
1910	0.58	120	151
1915	0.58	120	115
1920	0.82	170	63
1925	1.34	279	199
1930	1.90	395	373
1935	2.16	450	478
1940	2.60	541	447
1945	4.20	875	575
1950	5.60	1,166	496
1955	7.90	1,645	498
1960	10.80	2,249	598
1965	16.40	3,416	766
1970	24.70	5,145	922
1975	55.00	11,458	684
1977	79.00	16,458	

Comparisons of Shipowners' Port and Cargo Handling Costs expressed as an Index

The assumption is that a ship enters a port to load 1,000 Bill of Lading tons incurring Owner's costs in respect of port dues, towage. etc and cargo handling charges. The information is based on the annual experience extracting the average unit cost per ton and the average cost per port call and expressed as a comparative index where the cheapest port is seen to have an index of 100 and other ports are related thereto.

Melbourne	808	Southampton	219
Sydney	671	Middlesbrough	218
Birkenhead	413	Swansea	206
Liverpool	372	Marseilles	205
Antwerp	367	Calcutta	204
London	277	Genoa	169
Hamburg	276	Mombasa	145
Glasgow	275	Cape Town	102
Rotterdam	264	Durban	100

Estimate of Port Costs for a "typical" ship visiting London

Port Costs (other than cargo handling costs) in Pounds per NRT per visit

Year	*File Value*	*Actual Index Values*	*Index (1870 Values)*
1870	0.20	100	100
1880	0.20	100	105
1890	0.20	100	131
1900	0.20	100	135
1910	0.25	125	156
1920	0.37	185	68
1930	0.46	230	216
1940	0.46	230	190
1950	0.50	250	106
1960	0.64	320	85
1970	1.42	710	127
1975	3.78	1,890	112

As can be seen in real value terms, costs have not increased very much as regards their expressed value in pounds per NRT. However, as the size of ships has greatly increased the actual amount paid by the shipowner per ship visit has increased considerably.

CARGO HANDLING COSTS

Loading Costs in London in Pounds per ton DWT

Year	*Value*	*Actual Index Values*	*Index (1870 Values)*
1870	0.03	100	100
1880	0.03	110	115
1890	0.03	110	144
1900	0.04	123	166
1910	0.05	166	208
1920	0.19	578	208
1930	0.09	300	283
1940	0.17	566	468
1950	0.52	1,733	737
1960	0.73	2,433	647
1970	3.33	11,100	1,989
1975	8.03	26,766	1,598

Note the effect on costs of the wartime (1940–45) "regularisation" of dockers and the very large increase in costs caused by decasualisation in 1967 (Devlin stage one). The high costs in 1920 seem to be due partly to very high costs prevalent at the time and the considerable port congestion that came with the post war boom in trade.

COST ANALYSIS FOR S D 14 TYPE SHIP CARRYING BULK SUGAR FROM AUSTRALIA TO U K.
(All costs in pounds sterling)

DISTANCE 12,620 2 Days loading—19 days discharging

SHIPS DATA
YEAR = 1977
GRT 9,000 NRT 5,865 LT.DISPL. 4,655
DWT 14,000 LENGTH 473(FT) DRAFT 29.0(FT)
DAILY FUEL CONSUMPTION IN TONS AT 15 KNOTS FOR ENGINE BUILT IN 1977
DIESEL 25.
TIME FOR VOYAGE IS 56 DAYS OF WHICH 62.5% IS SPENT AT SEA

COST ANALYSIS
ADMINISTRATION cost per day = 79.0 WHICH IS 2% OF THE TOTAL COST
NEW COST OF SHIP BUILT IN 1977 IS 4,942,000
DEPRECIATION COST PER DAY = 812.4 WHICH IS 24% OF THE TOTAL COST
Note the actual capital repayments could be twice the above depreciation figure

DAILY RUNNING COSTS—DRC
CREW COST PER DAY = 708.0 WHICH IS 21% OF THE TOTAL COST
VICTUALLING COST PER DAY = 91.2 WHICH IS 2% OF THE TOTAL COST
STORE & REPAIR COST PER DAY = 243.0 WHICH IS 7% OF THE TOTAL COST
INSURANCE COST PER DAY = 106.2 WHICH IS 3% OF THE TOTAL COST
OFF HIRE INS COST PER DAY = 11.4 WHICH IS 0% OF THE TOTAL COST
P&I COST PER DAY = 45.0 WHICH IS 1% OF THE TOTAL COST
TOTAL DRC COST PER DAY = 1,204.8 WHICH IS 36% OF THE TOTAL COST
DRC PER TON DWT PER MONTH = 2.58
COST PER TON MILE = 0.0004

FIXED COSTS (DRC + ADMIN + DEP.)
FIXED COSTS COST PER DAY = 2,096.3 WHICH IS 63% OF THE TOTAL COST
COST PER TON DWT PER MONTH = 4.492
COST PER TON MILE = 0.0007

VOYAGE COSTS
COST OF BUNKERS USED AT SEA = 41449.8
COST OF BUNKERS USED IN PORT = 2,914.8
BUNKER COST FOR THE VOYAGE = 44,364.6 WHICH IS 24% OF TOTAL
CARGO HANDLING COSTS FOR VOYAGE = 0 WHICH IS 0% OF TOTAL (F10)
PORT DUES FOR THE VOYAGE = 22,347.9 WHICH IS 12% OF TOTAL

SUMMARY OF OPERATING COSTS (OP COSTS = DRC + VOY COSTS)
OPERATING COST PER DAY = 2,394.96
COST PER TON DWT PER MONTH = 5.132
COST PER TON MILE = 0.0008

SUMMARY OF TOTAL COST
TOTAL COST OF THE VOYAGE = 184,219
TOTAL DAILY COST = 3,286.37
COST PER TON DWT PER MONTH = 7.042
COST PER TON MILE = 0.0010

Costs on the London to Sydney Run

To illustrate the change in costs for a specific route the remaining section of this chapter considers, as an example, a ship—typical for the year concerned—running between London and Sydney.

The route taken for these costs is that via the Cape of Good Hope. True if the Suez Canal is used the resultant total cost on average is about 5% less but the extra port and canal dues tend to distort the relative significance of these figures in the general context.

Crew Wages—Rates in £ per Month

	1950	*1955*	*1960*	*1965*	*1970*	*1975*	*1977*
	min—good	*min—good*	*min—good*	*min—good*	*min—good*	*min—good*	
Master			89.6–104.4	128–153	183–208	660–900	719
Mate	38–46	48.5–62.6	66.6–88	96–126.5	134–169	540	656
2nd Mate	32–36	40–52.5	53.6–70	77.8–101.5	108–135	471	570
3rd Mate	26.5–27	33.6–40	43.8–53.2	64–77	93–123	319	386
Cadets	6.5	8.5	11	18.7	25.5		124
Bosun	23	28.75	40.6	60	89	131	215
Carpenter	25	33.4.	43.5	64	95	138	223
ABs	20	27.5	35.75	52.8	67	110	182
OSs	14	19	25	37	51.4	85	121
Boys	7	14.4	14.8	23	32		85
Ch. Eng.	53–58	84–75.3	89.6–104.4	128.1–153.6	183–208	660–900	719
2nd Eng.	38–44	48.5	66.6–88.1	96–126	135–172	540	617
Elect/3rd Eng.	32–34	38.3–50	50.1–67	56–97	103–135	388	483
4th Eng.	26.5–27	28–41	44–53	64–79.6	93–111	285	236
5th Eng.	24.	25	40	48	84	258	231
Donkeyman	23	30	39.3	58	73	117.5	215
Fireman	20	38.5	35.2	54	68	110.8	179
Ch. Steward	27–29	36.7–40	47–49.5	72–78	94–97	350	400
Cook	243	32	42.3	66.5	80.75	132	202
Asst. Steward	17	23	30	45	57	94	175
Boy	7	11	13.6	23	32		
Radio Officer	29–37	26–33	34–47	42–101	75–132	309–502	273–550
Overtime and Leave factor expressed as a % of above	34%	37%	40%	50%	55%	60%	124%
Victualling per man per day	25p	30p	34p	47p	57p	140p	240p

In Actual and Real 1870 Values (A = Actual Costs, R = Costs in 1870 values)
Daily Running Costs in £s per Day for a typical Vessel for each period

Year	Admin.		Depreciation		Ins & P&I		Crew & Vict.		Propulsion (At Sea)	
	A	R	A	R	A	R	A	R	A	R
1870	.5	.5	5.5	5.5	7.4	7.4	9.6	9.6	14	14
1880	.5	.53	5.3	5.6	8.4	8.8	9.4	9.9	15	16
1890	.6	.79	5.8	7.6	7.2	9.5	9.2	12.0	21	27
1900	.6	.81	7.4	10.0	7.9	10.6	8.6	11.6	35	48
1910	.6	.75	9.5	11.9	10.3	12.9	8.4	10.5	39	49
1920	.8	.3	32.3	11.9	17.1	6.3	19.0	7.0	86	32
1930	1.9	1.8	15.5	14.6	11.8	11.1	15.4	14.5	40	38
1940	2.6	2.2	25.8	21.3	18.8	15.5	27.6	22.8	73	60
1950	5.6	2.3	90.1	38.3	34.3	14.6	51.5	21.9	190	80
1960	10.8	2.9	183.7	48.9	47.6	12 6	91.5	24.3	168	45
1970	24.7	4.4	243.7	43.7	91.5	16.4	200.7	36.0	140	25
1975	55	3.3	605	36	168.7	10	543	32	845	51

A summary of the cost changes in real 1870 values for a "typical" ship are given below

Cargo handling has increased 106 times per ton
Administration has increased 9 times per "typical ship"
Depreciation has increased 8 times per "typical ship"
Port Dues has increased 7.4 times only 1.4 until 1973
Propulsion has increased 4 times per "typical" ship
Crew has increased 3.8 times per "typical" ship
Insurance has increased 2.2 times per "typical" ship

The most significant cost change which the preceding tables make clear is that of cargo handling which from being one of the shipowner's minimum costs (3%) in 1870 rose fairly steadily until by 1970 it represented 64% of his total and it must be remembered that this is a long distance route where one would assume this cost to assume less importance.

The costs expressed as a percentage
Explanation of abbreviations:—

GRT = Gross Registered Tonnage. *(See table opposite)*

SRC = Steam Reciprocating Coal Burning, STC = Steam Turbine Coal Burning
A = Administration. D = Depreciation, SR = Store & Repairs, I = Insurance, C = Crew, V = Victualling, E = Bunker costs, CH = Cargo Handling, DD = Port costs (except CH) CNRT = cost per 100 cubic feet, CNRTR = same as CNRT but in real 1870 values.

	Year	A	D	SR	I	P	C	V	E	CH	DD	Total in £	CNRT in £	CNRTR
Speed 7 GRT 1500 Eng. type SRC	1870	1	15	4	18	1	18	8	24	3	4	8,836.9	6.34	6.34
Speed 7 GRT 1500 Eng. type SRC	1880	1	14	4	21	0	18	8	23	3	4	8,333.0	5.94	6.25
Speed 8 GRT 2000 Eng. type SRC	1890	1	14	6	16	0	17	7	23	4	6	10,492.4	4.16	5.47
Speed 9 GRT 3000 Eng. type SRC	1900	1	14	6	14	0	14	4	29	6	6	12.980.2	3.63	4.91
Speed 10 GRT 4500 Eng. type SRC	1910	0	14	8	14	1	11	3	23	12	10	16,402.7	2.76	3.45
Speed 11 GRT 5500 Eng. type STC	1920	0	20	7	10	0	11	2	22	16	6	37,497.1	6.11	2.26
Speed 11 GRT 6300 Eng. type STC	1930	1	13	13	8	1	14	1	13	16	15	26,866.0	3.32	3.13
Speed 12 GRT 7000 Eng. type Diesel	1940	1	14	9	9	0	13	2	16	20	9	41,194.2	4.84	4.00
Speed 12 GRT 7000 Eng. type Diesel	1950	1	19	7	6	0	8	2	15	33	5	103,207.2	10.23	4.35
Speed 15 GRT 9000 Eng. type Diesel	1960	-1	23	7	5	1	10	1	7	36	4	167,688.5	14.28	3.80
Speed 15 GRT 10000 Eng. type Diesel	1970	1	11	3	2	1	7	0	2	64	3	496,422.5	39.54	7.09
Speed 15 GRT 10000 Eng. type Diesel	1975	0	11	2	2	0	8	0	4	63	4	1.255,106	106	6.40

OCTOBER 1985

Sale and Purchase Activity/Prices

Table 37. REPORTED SALE AND PURCHASE ACTIVITY
(M. DWT)

TYPE	SEP 84	OCT 84	MAY 85	JUN 85	JUL 85	AUG 85	SEP 85 NO.	SEP 85 DWT
Tankers	1,142	1,438	2,321	2,143	2,623	2,021	16	1,365
Bulk Carriers	801	825	994	1,247	1,278	516	20	856
Combis	495	332	684	583	-	-	1	75
TOTAL	2,438	2,594	3,999	3,973	3,901	2,537	37	2,296

ACTIVITY/PRICES

Early September saw the S & P market in a quiet mood which commentators seemed to be attributing to either a general holding-off from the market in order to observe the extent to which freights move upwards, or total despondency. However, late in September the market appeared to gain a little momentum, with broking sources talking of the tempo of business increasing and the variety of sales expanding. On the tanker side, market sources suggested that purchasing activity centred very firmly on Greek buyers, many of which were said not to be traditional tanker owners. In the bulk carrier sector, there were reports of a 'steady flow' of modern smaller bulkers plus a number of older 'bargains' being offered on the market, but despite growing interest sales were not being completed with any great urgency. For 'tweendeckers there were said to be few serious buyers.

Perhaps the month's most curious purchase centred on the acquisition of Utah's 1976-built 127,800-tonner 'Oroo Trader' by Japan Line for $10.5 MM, a figure seemingly well below the market norm. Moreover, the buyers are reported to have no use for the vessel and are said to be interested in offers of around $6.5 MM. The key to the deal, however, lies with a COA which has been sold along with the vessel which will give Japan Line access to 400,000 tonnes/year of coal for Australia-Europe shipment. Moving down in size, interest in the Panamax bulker sector arose aound the compulsory sale of the 1984-built ex-Wheelock 64,000-tonner "Annalock", reliably rumoured to have been finalised at around $8.6 MM. For older Panamaxes - and also ageing handy units - the trend in prices was much more disappointing, as Table 38 illustrates. Furthermore, in many cases the prices available for dry cargo tonnage over 10 years old now look so perilously close to scrap values that the option to sell for further trading owes a lot to the vessel's geographical position.

Looking to reported tanker sales, modern units traded included a 1980-built 81,500-tonner (Shell paying $8.5 MM) and a 1980-built 64,487 dwt unit - the IGS/COW/SBT-fitted "Eastern Venture" - at prices reported variously between $5.75 MM and $6 MM. However, also rumoured traded was a Polish (1984) built 47,000-tonner with Greek buyers agreeing around $9.8 MM.

Also of interest was the sale by Mavrakis of the 1975-built 124,000-tonner "Gracious Fountain" for $6 MM - the vessel having been acquired as part of speculative buying spree at mid-year for only $4 MM.

Table 38. DEVELOPMENT OF SECONDHAND PRICES

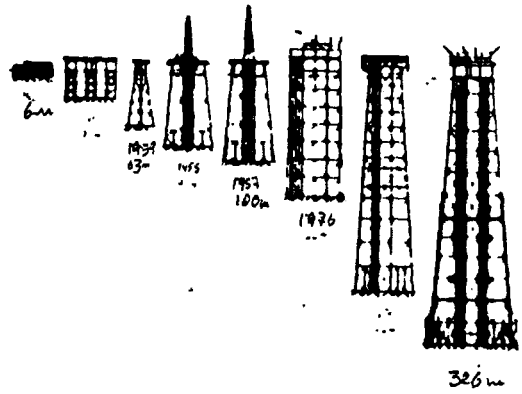
TYPE	SEP 84	OCT 84	MAY 85	JUN 85	JUL 85	AUG 85	SEP 85
Tankers							
1(a)	-	3.6	-	6.0	4.2	-	-
1(b)	-	111	-	176	129	-	-
2(a)	-	-	-	-	-	-	-
2(b)	-	-	-	-	-	-	-
Bulk Carriers							
3(a)	-	4.3	2.8	3.1	2.4	2.3	2.3
3(b)	-	155	110	112	97	84	79
4(a)	7.0	5.7	4.9	-	3.3	-	2.6
4(b)	111	94	75	-	51	-	41

1. 30,000 ± DWT, 9-12 years old.
2. 250,000 ± DWT, 5- 7 years old.
3. 25,000 ± DWT, 6-10 years old.
4. 65,000 ± DWT, 8-12 years old.

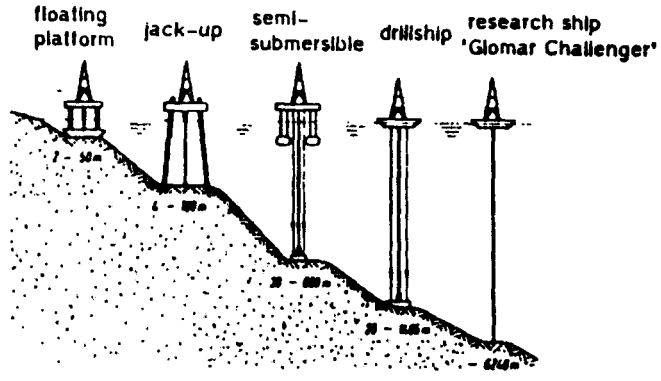
(a) $ MM Lumpsum
(b) $/DWT

Source: SSE Magazzine

Stationary Steel Platforms - Development of Water Depth



Mobile Offshore Rig Types



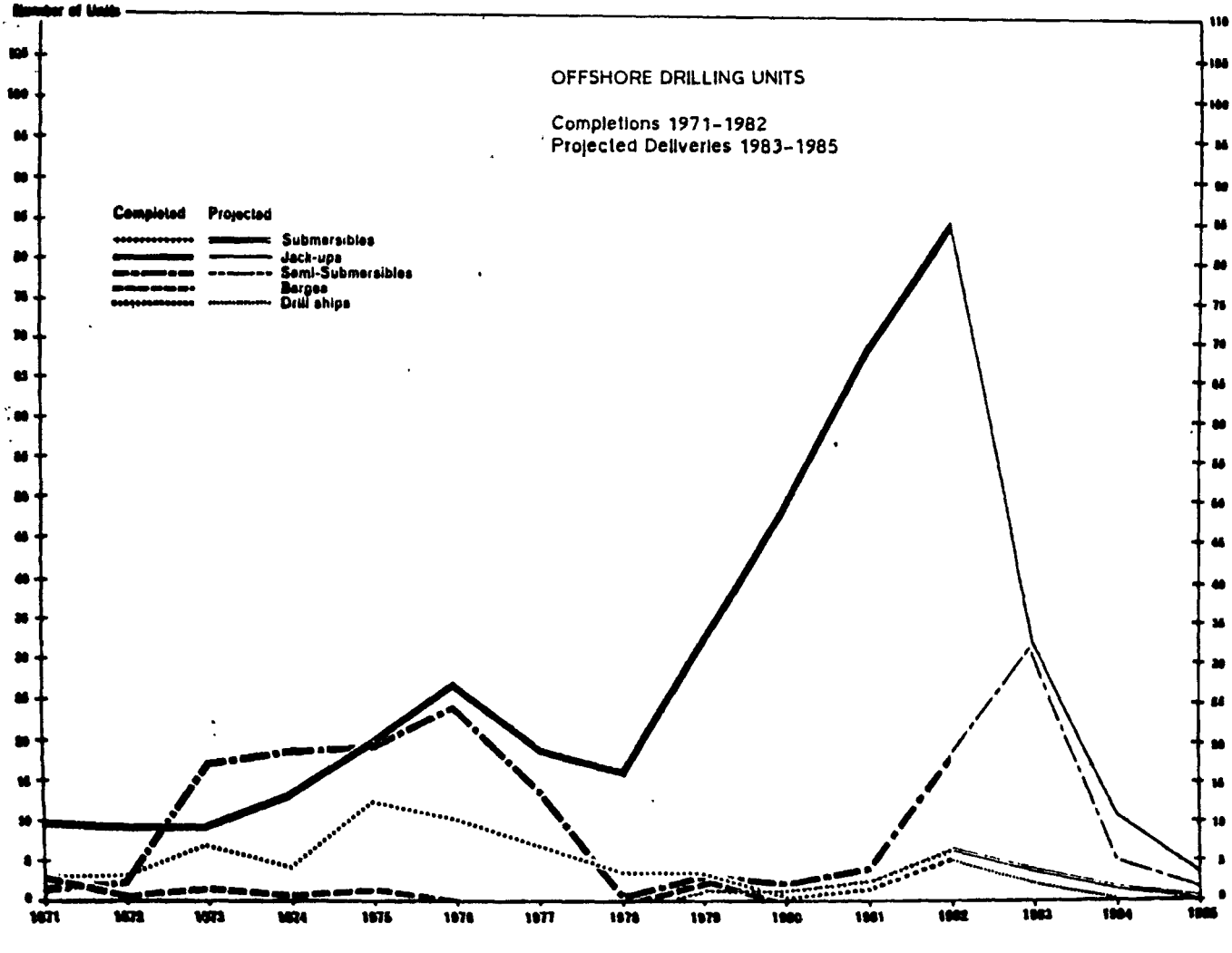


Table 16

Selected Information on Profitability of Shipping Companies

Country	Company	Period	Net working surplus as % of fixed assets at acquisition value	Net working surplus as % of net fixed assets	Net operating surplus as % of net fixed assets	Net income before taxes as % of net worth /or capital employed/
United Kingdom	Rochdale Commission Sample	1958-1969	6.2	11.2	4.4	/3.6/
	Economist:Shipping Companies Sample	1950-1969	n.a.	n.a.	n.a.	/6.2/
	Economist:Shipping Companies Sample	1950-1957	n.a	n.a.	n.a.	/10.3/
	Economist:Shipping Companies Sample	1958-1969	n.a.	n.a.	n.a.	/3.5/
United States	Subsidized shipping companies	1970-1976	n.a.	12.0	7.5	5.6
	Unsubsidized dry cargo shipping companies	1970-1976	n.a.	17.3	9.9	6.3
	Unsubsidized tanker shipping companies	1970-1976	n.a.	18.1	12.1	13.7
	Combined	1970-1976	n.a.	14.0	8.8	6.8
	Combined	1976	n.a.	19.9	14.0	13.7
Norway	Ship owning joint stock companies	1945-1965		n.a.	n.a.	7.5
	Ship owning joint stock companies	1945-1957		n.a.	n.a.	10.2
	Ship owning joint stock companies	1958-1965		n.a.	n.a.	3.2
	International shipping	1970-1974	11.1	n.a.	n.a.	n.a.
	International shipping	1975-1976	5.6	n.a.	n.a.	(23.5)
India	Aggregate of 10 large companies	1970/71-1972/73	10.5	14.3	8.2	13.0
	Aggregate of 13 companies	1974/75	n.a.	n.a.	n.a.	30.7
	" " "	1975/76	n.a.	n.a.	n.a.	11.5
	SCI	1967/68-1976/77	n.a.	n.a.	n.a.	12.9
Sri Lanka	Ceylon Shipping Corp.	1975-1976	38.9	48.3	39.2	35.2
Chile	Empresa Maritima del Estado	1975	12.1	15.5	10.3	11.0
	Empresa Maritima del Estado	1976	5.1	6.3	1.2	1.2
Bangladesh	Bangladesh Shipping Corp.	1971/72-1975/76	10.5	11.9	5.1	12.1
	" " "	1976/77	3.0	2.6	(2.9)	(21.1)
Morocco	COMANAV	1969/70-1971/72	21.3	68.9	35.6	10.6
	COMANAV	1975/76-1976/77	6.6	10.4	4.7	(1.3)
Germany (F.R.)	Hapag Lloyd AG	1970-1976	n.a.	n.a.	n.a.	/3.9/

Sources: Compiled on the basis of various sources. Value of fixed assets or net worth as at end of year, not mid year:

Table.16

Selected Information on Profitability of Shipping Companies—
Average Profitability of a Sample of Shipping Lines in 1975 and 1976
(in percent)

	Net Working Surplus[a] as Percent of Book Value	Net Operating Profit[b] as Percent of Book Value	Net Income Before Tax as Percent of Equity	
			as Derived[c]	as Reported[d]
yd Triestino, Italy	62.0	48.8	220.8	(7.3)
itui O.L.K. Line, Japan	47.6	32.6	41.6	6.5
ska Amerika-Lijne, Norway	39.0	17.1	51.6	5.1
pon Yusen Kaisha, Japan	35.2	19.7	12.2	4.8
asaki Kisen Kaisha, Japan	31.9	21.5	26.4	.1
ashita Shinnihon Steamship, Japan	31.6	21.4	31.5	5.6
iete Navale Dalmas-Vialjeux, France	30.9	(2.1)	(14.3)	8.3
.D.S., Denmark	28.6	21.0	22.4	17.5
.S.M.Group, the Netherlands	28.5	12.6	11.4	7.0
. Auxiliaire de Navigation, France	27.2	6.9	.5	1.6
wa Line, Japan	25.5	14.9	21.2	4.0
an Line, Japan	20.5	5.3	(2.1)	4.3
an Transport and Trading, U.K.	19.3	9.8	2.1	13.0
lloyd Group (N.S.U.), the Netherlands	19.1	7.4	6.6	8.6
ko Steamship, Japan	18.7	8.4	(1.2)	4.0
rseas Shipholding Group, U.S.A.	18.4	13.0	20.4	23.9
land-Amerika-Lijn Holding, the Netherlands	16.0	1.5	.2	9.6
lia di Navigazione, Italy	15.7	8.9	(176.4)	(18.5)
rican President Line, U.S.A.	13.0	2.8	(2.7)	3.9
strom Group, Sweden	8.1	(.9)	(11.2)	(.7)
. des Mess. Maritimes, France	7.2	(.2)	(9.9)	(7.5)
. Maritime des Chargeurs Reunis, France	6.9	(22.2)	(21.3)	(6.5)
ckholms Rederi AB., SVEA, Sweden	5.5	2.1	(11.0)	(5.2)
. Generale Transatl, France	3.5	(7.7)	(15.3)	(9.6)
rican Export Lines, U.S.A.	.5	(6.9)	(12.7)	(1.7)
. Generale Maritime	(7.4)	(20.1)	(38.9)	(25.6)
iete Navale Caennaise	(26.5)	(42.6)	(153.6)	(46.5)
bined	23.0	11.2	5.8	5.1

Operating revenues less operating costs, less personnel costs.
Net working surplus less depreciation.
Net operating profit less interests.
Net profit/loss plus allowance for taxes.

a: It is assumed that the differences between net income before tax as derived under methods c and d are due to the inclusions of net non-operating profits or losses in the latter.

ce: Compiled on the basis of summary profit and loss data as well as balance data for some 41 major shipping lines obtained from Institute fur Bilanzanalysen, Frankfurt, Germany. Companies for which a breakdown of costs was not available have been omitted for this comparison.

CONTRIBUTION OF SHIPPING TO GROSS NATIONAL PRODUCT OF SELECTED COUNTRIES

Country	GNP (million $) 1980	Gross freight revenue (million $) 1980	Share of freight revenues in GNP %
Denmark	61,520	1,637	2.7
Finland	46,360	928	2.0
Federal Republic of Germany	758,480	4,433	0.6
India	153,390	999[a]	0.6
Japan	1,053,930	11,959	1.1
Netherlands	155,740	1,710[a]	1.1
Norway	52,410	4,058	7.7
Sweden	114,150	2,600	2.3
United Kingdom	476,880	6,408	1.3

[a] 1979

Source: World Bank Atlas 1983, p. 16-26; UNCTAD: Etude sur les transports maritimes 1982, p. 44.

POPULATION, GNP AND MERCHANT FLEETS OF SELECTED COUNTRIES

Country	Population (million) Mid-1981	Gnp per capita (Dollars) 1981	Merchant fleet (000 grt) Mid-1981	Grt per 1,000 inhabitants
Brazil	120.5	2,220	5,133.2	42.6
Canada	24.2	11,400	1,168.9	48.3
China, People's Rep. of	991.3	300	7,653.2	7.7
Denmark	5.1	13,120	5,047.8	989.8
Ethiopia	32.0	140	25.3	0.8
France	54.0	12,190	11,455.0	212.1
Germany, Fed. Rep. of	61.7	13,450	7,708.2	124.9
Greece	9.7	4,420	42,005.0	4,330.4
India	690.2	260	6,019.9	8.7
Italy	56.2	6,960	10,641.2	189.3
Japan	117.6	10,080	40,835.7	347.2
Liberia	1.9	520	74,906.4	39,424.4
Netherlands	14.2	11,790	5,467.5	385.0
Norway	4.1	14,060	21,674.9	5,286.6
Panama	1.9	1,910	27,656.7	14,556.1
Saudi Arabia	9.3	12,600	3,121.8	335.7
Switzerland	6.4	17,430	315.3	49.3
Turkey	45.5	1,540	1,663.7	36.6
USSR	268.0	—	23,492.9	91.4
United Kingdom	56.0	9,110	25,419.4	453.9
United States	229.8	12,820	15,232.0	66.3

Source: World Development Report 1983. The World Bank, p. 148-149.
Lloyd's Register of Shipping Statistical Tables 1981.

TABLE A-3 (*cont.*)

(*b*) Developed countries

($ U.S. million)

	Italy					*Japan*					*United Kingdom*					*United States of America*				
	1961	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*
Gains																				
A. Freight on imports	151	159	183	191	230	442	456	563	676	758	700	680	675	661	672	290	339	340	380	375
B. Freight on exports	51	54	66	74	88	167	191	196	252	285	414	378	395	409	451	425	479	538	599	524
C. Cross-trade freights	202	201	232	260	284	51	49	52	52	69	955	974	994	1 047	1 095	155	177	154	158	155
D. Passenger fares	156	172	178	183	201	18 [a]	41 [a]	35 [a]	43 [a]	56 [a]	204	224	230	232	246	89	100	120	110	89
Total	560	586	659	708	803	678	737	846	1 023	1 168	2 273	2 256	2 294	2 349	2 464	959	1 095	1 152	1 247	1 143
Losses																				
E. Foreign exchange receipts forgone	40	47	50	53	57	43	45	91	158	188	178	180	171	171	191	336	393	439	470	432
F. Port disbursements abroad	174	178	190	205	218	200	232	262	303	323	860	868	860	868	907	420	449	488	535	527
G. Import content of local expenses	27	29	34	36	43	34	36	41	52	62	91	89	93	97	102	[b]				
Total	241	254	274	294	318	277	313	394	513	573	1 129	1 137	1 124	1 136	1 200	756	842	927	1 005	959
Net gain	319	332	385	414	485	401	424	452	510	595	1 144	1 119	1 170	1 213	1 264	203	253	225	242	184

Sources: IMF, *Balance of Payments Yearbook*, vols. 14 to 18, for Italy, Japan and the United States of America. Chamber of Shipping of the United Kingdom, *Annual Report 1966-67* (London, Witherby & Co. Ltd.), tables 31 (*a*) and 31(*b*), for the United Kingdom. (Exchange rate used: £1 = $U.S. 2.80).

Losses items E and G—see table A-3 (*b*).

[a] May include air fares, and excludes passenger fares revenue of Japanese companies from residents.

[b] See table A-4 (*b*), note *c*.

C. TABLE A-4

Derivation of losses E and G

(*a*) Developing countries

($ U.S. million)

	Argentina			*India*			*Israel* [a]				
	1963	*1964*	*1965*	*1961*	*1962*	*1963*	*1961*	*1962*	*1963*	*1964*	*1965*
E. *Foreign exchange receipts forgone* [b]											
1. Total estimated earnings of foreign ships on exports and imports [c]	166.4	182.7	189.7	206.3	175.2	200.2					
2. Net port disbursements by foreign ships [d]	21.3	25.4	26.0	51.6	45.2	50.0					
3. Net port disbursements by foreign ships as percentage of total estimated earnings of foreign ships on exports and imports	13	14	14	25	26	25					
4. Freight earnings by national ships on exports and imports [e]	49.4	49.2	59.9	52.3	61.3	66.6					
5. Estimated foreign exchange receipts forgone (3 × 4)	6.4	6.9	8.4	13.1	15.9	16.7					
G. *Import content of local expenses*											
1. Gross earnings of national ships	62.7	61.8	73.7	65.1	69.3	81.3	74.5	94.5	98.5	110.3	130.3
2. Of which operating expenses (70 per cent) [f]	43.9	43.3	51.6	45.6	48.5	56.9	52.2	66.2	69.0	77.2	91.2
3. Less port disbursements abroad	20.0	20.0	25.7	19.5	20.8	24.4	17.1	22.2	25.1	35.4	35.5
4. Local operating expenses (2 — 3)	23.9	23.3	25.9	26.1	27.7	32.5	35.1	44.0	43.9	41.8	55.7
5. Import content of local expenses (12 ½ per cent) [g]	3.0	2.9	3.2	3.3	3.5	4.1	4.4	5.5	5.5	5.2	7.0

Sources: As for table A-3 (*a*).

NOTE: T. K. Sarangan in his *Liner Shipping in India's Overseas Trade*, chap VII, table 36, arrives at the following figures for freight revenue on exports paid to foreign shipping lines.

1961: 562 million rupees ($118.0 million)
1962. 481 million rupees ($101.1 million)
1963. 618 million rupees ($129 8 million)

The resulting "Foreign exchange receipts forgone" would compare with the preceding calculations as follows:

	Sarangan	*Table above*
	($U.S. million)	
1961.....	9.4	13.1
1962.....	11.0	15.9
1963.....	11.3	16.7

Sarangan's estimates of "freight revenue on exports paid to foreign shipping lines" are arrived at by "applying the percentage freight to value of imports to the value of exports and deducting the actual freight earnings of Indian shipping companies on exports" (Sarangan, op. cit., table 36, foot-note).

The official Government of India estimate for freight revenue on exports to foreign shipping companies is a residual arrived at after deducting the reported figures of Indian shipping companies from the total estimated freight on exports. The estimate is based on the survey of GR Export Forms which gave a figure of 3.771 per cent for freight (see *The Merchant Marine Directory*, New Delhi, 1966).

[a] As detailed figures were not available, an assumed 5 per cent of gross earnings is deducted as foreign exchange receipts forgone. See table A-3 (*a*), foot-note *e*.

[b] No allowance could be made for the existence of passenger fares, with the result that the foreign exchange earnings forgone may be slightly understated.

[c] In this item, the import element is based on balance-of-payments accounts (see sources above). The export element in the case of Argentina is calculated by deducting domestic lines' earnings on exports from 10 per cent of the total f.o.b. value of all exports. (This percentage can vary widely, probably between 7 and 15 per cent.) In the case of India, the figures are derived from the sources mentioned in table A-3 (*a*) (Exchange rate of $U.S.1. = rupees 4.76) (see note *g* below).

[d] A 12 ½ per cent allowance is made from the gross disbursements to allow for the import content in the disbursements. (Assumed: this is approximately the percentage found to have obtained in Israel in 1958-1959, Bank of Israel Research Department, *The Israel Merchant Marine: An Economic Appraisal* (Jerusalem, 1962), p. 102).

[e] Table A-3 (*a*); sum of "Gains" items A and B.

[f] Assumed: based on Israel study and scattered data for other countries.

[g] See note *c* above. Also, implicitly includes allowance for crew wages spent or remitted abroad of 12 ½ per cent; actual figures unknown, but believed to be about 10 per cent for developed countries (but note that Norwegian figure is about 30 per cent); allowance needs to be very much higher when foreign crews are employed.

B. TABLE A-3

Contribution of national merchant marines to balances of payments (before allowing for capital charges)

(*a*) Developing countries

($ U.S. million)

	Argentina			*India* [a]			*Israel*				
	1963	*1964*	*1965*	*1961*	*1962*	*1963*	*1961*	*1962*	*1963*	*1964*	*1965*
Gains											
A. Freight on imports	25.8	23.6	31.6	31.3	36.3	38.9	24.5	28.3	28.3	33.8	35.2
B. Freight on exports	23.6	25.6	28.3	21.0	25.0	27.7	5.7	7.4	7.2	7.1	2.7
C. Cross-trade freight	5.5	5.7	7.1	12.8 [b]	8.0 [b]	14.7 [b]	14.0	18.0	26.9	28.8	33.5
D. Passenger fares	7.8	6.9	6.7				20.4	26.3	24.3	11.1	13.6
Total	62.7	61.8	73.7	65.1	69.3	81.3	64.6	80.0	86.7	80.8	85.0
Losses											
E. Foreign exchange receipts forgone	6.4	6.9	8.4	13.1	15.9	16.7	3.7 [d]	4.7 [d]	4.9 [d]	5.5 [d]	6.5 [d]
F. Port disbursements abroad	20.0	20.0	25.7	19.5 [c]	20.8 [c]	24.4 [c]	17.1	16.8	20.0	28.2	29.3
G. Import content of local expenses	3.0	2.9	3.2	3.3	3.5	4.1	4.4	5.5	5.5	5.2	7.0
Total	29.4	29.8	37.3	35.9	40.2	45.2	25.2	27.0	30.4	38.9	42.8
Net gain	33.3	32.0	36.4	29.2	29.1	36.1	39.4	53.0	56.3	41.9	42.2

Sources: Argentina Information supplied by A. Gonzalez Clement. *India:* (*a*) Transport Secretary, Government of India *The Merchant Marine Directory 1966*, New Delhi, 1966, pages xxii and lxxxii. (*b*) T. K. Sarangan, *Liner Shipping in India's Overseas Trade*, tables 34 and 35. *Israel* Data from Israel balance of payments report adjusted to exclude receipts and disbursements by air carriers. Actual figures supplied by Israel delegation to the second session of the United Nations Conference on Trade and Development.

Lower limits E and G—see table A-4 (*a*).

[a] Conversion rate used: 1 U.S.$ = rupees 4.76.

[b] Residual after deducting A and B from gross earnings.

[c] Level not known. The voyage account of tramps and bulk carriers presented by S. N. Sanklecha, *Tramp Shipping in India* (Bombay, University of Bombay, 1966) shows a figure of 30 per cent. These are not all overseas disbursements; on the other hand, disbursements for liners are higher. Since India has proportionately more tramps than in the world fleet (15 per cent as against 15 per cent), the relatively low figure of 30 per cent is assumed.

[d] Since no detailed figures for freight revenue on exports are available, 5 per cent of gross gains is assumed.

TABLE A-4 (*cont.*)

(*b*) Developed countries

(*$ U.S. million*)

	Italy					Japan					United Kingdom					United States of America				
	1961	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*	*1961*	*1962*	*1963*	*1964*	*1965*
E. *Foreign exchange receipts forgone* [a]																				
1. Total estimated earnings of foreign ships on exports and imports [b]	503	532	635	693	846	737	731	791	953	1 192	1 166	1 213	1 331	1 481	1 525	1 945	2 026	2 147	2 399	2 655
2. Net port disbursements by foreign ships [c]	103	115	130	136	155	55	54	98	166	213	181	201	218	238	257	905	973	1 064	1 153	1 264
3. Net port disbursements by foreign ships as percentage of total estimated earnings of foreign ships on exports and imports...	20	22	20	20	18	7	7	12	17	18	16	17	16	16	17	47	48	50	48	48
4. Freight earnings by national ships on national exports and imports [d]	202	213	249	265	318	609	647	759	928	1 043	1 114	1 058	1 070	1 070	1 123	715	818	878	979	899
5. Estimated foreign exchange receipts forgone (3 × 4).....	40	47	50	53	57	43	45	91	158	188	178	180	171	171	191	336	393	439	470	432
G. *Import content of local expenses*																				
1. Gross earnings of national ships	560	586	659	708	803	678	737	846	1 023	1 168	2 273	2 256	2 294	2 349	2 464	[e]				
2. Of which operating expenses (70 per cent) [e]	392	410	461	496	562	475	516	592	716	818	1 591	1 579	1 606	1 644	1 725					
3. Less port disbursements abroad.	174	178	190	205	218	200	232	262	303	323	860	868	860	868	907					
4. Local operating expenses (2 — 3)	218	232	271	291	344	275	284	330	413	495	731	711	746	776	818					
5. Import content of local expenses (12.5 per cent) [f]	27	29	34	36	43	34	36	41	52	62	91	89	93	97	102					

Sources: As for table A-3 (*b*).

[a] No allowance could be made for the existence of passenger fares, with the result that the foreign exchange earnings forgone may be slightly understated.

[b] In this item, the import element is based on balance-of-payments accounts (see sources above). The export element is calculated by deducting domestic lines' earnings on exports from 10 per cent of the total f.o.b. value of all exports. (This percentage can vary widely, probably between 7 and 15 per cent.) In the case of Italy, exports to States members of the European Economic Community are excluded, and in the case of the United States of America, exports to Canada are excluded, in both cases to allow for exports transported by land.

[c] A 12 ½ per cent allowance is made from the gross disbursements to allow for the import content in the disbursements. (Assumed: This is approximately the percentage found to have obtained in Israel in 1958-59; Bank of Israel, op. cit., p. 102.) This is not done in the case of the United States of America on the grounds that it is a non-import-orientated economy, and therefore the import content must be negligible.

[d] Table A-3 (*b*); sum of "Gains" items A and B.

[e] Assumed: based on Israel study and scattered data for other countries.

[f] See note *c* above. Also, implicitly includes allowance for crews wages spent or remitted abroad of 12 ½ per cent; actual figures unknown but believed to be about 10 per cent for developed countries (but note that Norwegian figure is 30 per cent); allowance needs to be very much higher when foreign crews are employed.

[g] See note *c* above.

TABLE 7

Contribution of national merchant marines to balances of payments, excluding capital charges (averages of years shown)

($ U.S. million)

	Argentina	India	Israel	Italy	Japan	United Kingdom of Great Britain and Northern Ireland	United States of America
	1963-1965	1961-1963	1961-1965	1961-1965	1961-1965	1961-1965	1961-1965
Gains							
A. Freight on imports	27.0	35.5	30.0	183	579	678	345
B. Freight on exports	25.8	24.6	6.0	67	218	409	513
C. Cross trade freight	6.1	11.8	24.2	236	55	1 913	160
D. Passenger fares	7.1		19.2	178	39	227	102
Total	66.0	71.9	79.4	664	891	2 327	1 120
Losses							
E. Foreign exchange receipts forgone	7.2	15.2	5.1	49	105	178	414
F. Disbursements overseas	21.9	21.6	22.3	193	264	873	484
G. Import content of local expenses	3.0	3.6	5.5	34	45	94	a
Total	32.1	40.4	32.9	276	414	1 145	898
Net gain	33.9	31.5	46.5	388	477	1 182	222
As percentage of total gross gains	51	44	59	58	54	51	20

Source: See annex tables A-3 (a), A-3 (b), A-4 (a) and A-4 (b).

a Not computed for the United States of America on the grounds that it is a post-import-orientated economy, and therefore the import content must be negligible.

TABLE 11

Net foreign exchange contribution of merchant marines as a percentage of gross earnings

	Percentage contribution Minimum	Maximum	Comment
Fleet studies			
(i) [a]	20	63	Foreign exchange costs of buying ships *not* included. The United States of America is included in (i), excluded in (ii)
(ii) [a]	44	63	
(iii) [a]	0	43	Capital charges assumed to absorb 20 per cent of gross earnings and to be payable in foreign currency. The United States of America is included in (iii), excluded in (iv)
(iv) [a]	24	43	
			Specific figures [b] relate to Israel for:
	14		1959
	16		1958
	25		Latin America, 1950 [c]
	47		United Kingdom, 1952 [d]
	34		United Kingdom, 1958 [d]
	28		United Kingdom, 1960 [d]
	27		United Kingdom, 1961 [d]
Single-ship studies			
	53		7,000 ton cargo ship constructed in France [e]
	34		As above, constructed and financed abroad [e]
	60		13,500 ton petroleum carrier constructed in France [e]
	37		As above, constructed and financed abroad [e]
5		35	Semi-hypothetical but realistic example, liners only [f]
25		35	Australia, 1967, ship built wholly in Australia [g]
5		19	Australia, 1967, ship built wholly abroad [g]
	55		Bulk carrier, India, 1963; actual data [h]
	73		Bulk carrier, India, 1966; actual data; capital charges not included [i]
	51		Tramp-cum-liner, India, 1966; actual data; capital charges not included [i]

Source and notes:

[a] The first line is derived from table 7 above. For the second line the grounds for excluding the United States of America are explained in paragraph 173 above. In the third and fourth lines the figures are shown after making allowances for capital charges as explained in paragraph 193 above.

[b] Data from Bank of Israel Research Department, *The Israel Merchant Marine: An Economic Appraisal* (Jerusalem, 1962). An approach close in formation to that used here was adopted by the Bank of Israel in its economic appraisal of the Israel merchant marine. A careful and detailed analysis of the accounts of the three major Israel shipping companies suggested a net contribution to the balance of payments of Israel equal to 16.3 per cent of the gross earnings of the national merchant marine in 1958 and 14.0 per cent in 1959.

[c] R. T. Brown, *Transport and the Economic Integration of South America* (Washington, D.C., The Brookings Institution, 1966), pp. 100 and 101. Brown's calculations are largely based on figures given by P. Garoche, "The Importance of Handling Charges on a Ship's Operating Costs", United Nations *Transport and Communications Review*, vol. 3 (April-June 1950). The figures are general in the sense that they do not refer to any particular country. It is assumed that the ship is built overseas, but capital charges to the balance of payments are only 7 per cent of total costs, which is very low.

[d] Studies relating to British shipping in the years 1952, 1958, 1960 and 1961 yielded the following results:

Year	Gross earnings	Net foreign exchange gain of British shipping	Foreign exchange gain as per cent of gross earnings
	(Pounds sterling millions)		(Percentages)
1952.....	755	360	47.7
1958.....	833	288	34.6
1960.....	864	249	28.8
1961.....	860	232	27.0

The figures for 1952, 1958 and 1960 have been calculated from those appearing in *British Shipping and World Competition* by S. G. Sturmey, (London, Athlone Press), p. 417; 1961 calculated from "British Shipping and Balance of Payments," by S. G. Sturmey, in *Bankers Magazine*, London, October 1962, p. 264. The downward trend in the British figures is not significant to the argument in chapter v. The trend arises from factors specific to British shipping.

[e] Comité Central des Armateurs de France, *Effets de l'investissement maritime sur la balance des paiements* (Paris 1967), pp. 10, 24, 32 and 36.

[f] R. O. Goss, data from "Investment in Shipping and the Balance of Payments: A Case Study of Import Substitution Policy", *Journal of Industrial Economics*, March 1965 (Oxford, Basil Blackwell), p. 115. Goss approached the question of the balance of payments effects of establishing a national merchant marine through a hypothetical example which yielded the result that "the ratio of improvement in the balance of payments to gross earnings of the fleet varies from 5.4 per cent to 35.2 per cent". The higher figure is for a ship completely built at home and operating at a time when freight rates are "profitable". The lower figure is for a ship purchased abroad and operating when rates are "unprofitable". Even these results may be optimistic. Goss assumes 80 per cent capacity utilization which may seldom be exceeded in good periods, whereas in bad periods it will seldom be attained; however, the method of work used probably means that similar results would have been obtained from different load factors. Further, Goss assumes that all wages are a domestic cost to the ship-owning country, whereas one effect of establishing a national merchant marine is to lose the remittances formerly made by seamen working on foreign ships and to incur balance-of-payments costs for remittances home of foreign seamen employed in national ships.

[g] A. Hunter, "Some Notes on National Shipping Lines: the Australian Case", *The Economic Record*, Australia, March 1967 (Journal of the Economic Society of Australia and New Zealand, Australian National University), pp. 26-27. Hunter generally follows Goss's method of work. The minimum figure relate to an unprofitable situation and the maximum figures to a profitable situation. He also makes an intermediate calculation for a ship built 85 per cent in Australia and obtains a minimum figure of 22 per cent and a maximum of 33 per cent. The capital cost of the ship is £1.25 million sterling and annual capital charges to the balance of payments are made up of straight line depreciation over twenty-five years, plus interest at 6 per cent on the average capital employed over the life of the ship, giving annual capital charges of £89,000 sterling to the balance of payments for a ship built wholly abroad. Using the annuity method for calculating annual capital charges would raise these to £98,000 per annum, which would reduce by 2 per cent the figures shown in the table for the gain when the ship is built overseas.

[h] Calculated from figures presented by S. N. Sankhecha *Tramp Shipping in India* (Bombay, University of Bombay, 1966), p. 122. Data derived from two studies presented to the fifteenth meeting of the National Shipping Board of India on 30 October 1964 related to a bulk carrier engaged in the India-Europe ore trade and the United States-India grain trade. These both showed foreign exchange earnings of 55 per cent of gross freights, with the ship bought overseas.

[i] Calculated from data presented by S. N. Sankhecha, "Development of Indian Shipping and Foreign Trade Earnings" in *Foreign Trade Review*, July-September 1967, New Delhi (Indian Institute of Foreign Trade). No allowance appears to be made for the imported content of fuel, stores, etc., taken in home ports, nor for foreign exchange receipts forgone by using Indian rather than foreign ships. Capital charges not included. The two ships were paid for over eight years and during this period the capital charges absorbed on average 73 per cent of the net foreign exchange earnings of the bulk carrier and 63 per cent in the case of the tramp-cum-liner.

Table 24

Balance of Payments Effects of a National Shipping Line in an Average Year
(000 units of national currency)

3 ST14 vessels owned by the line		
Cooperation with the Conference		
Carriage of sugar and general cargo in sugar season and otherwise general cargo from East Africa		
Fully national crew		
Management in the country		
An average annual interest charge (at 8 percent) of 5.67 million units per annum		
A straight line depreciation charge of 9.6 million units		
51 percent national held equity		
An average annual taxation of 20.3 percent of net profits throughout the 11-year period		
gs	62,111	credit
	3,604	debit
	2,628	debit
	3,611	debit
	11,497	debit
	1,435	debit
ion	6,978	debit
& and repairs	2,236	debit
ment costs	377	debit
s	1,207	debit
costs	1,357	debit
	9,600	debit
	6,144	debit
ofits	1,455	debit
ents effect if interest paid percent of gross receipts)	7,982	credit
ents effect if interest paid 1 percent of gross receipts)	13,742	credit

asibility study for a developing country made available to on a confidential basis.

Table 25

Indian Shipping's Earnings/Savings in Overseas Trade
(In Crores of Rs.)

	1973-74	1974-75	1975-76
1. Total Freight Bill (Freight on imports and exports)	756.4	1280.0	958.9
2. Earnings/Savings of Indian Ships			
(a) Freight on exports	156.1	212.7	214.1
(b) Freight in cross trades	24.4	37.1	6.3
(c) Freight on Imports	116.5	206.8	212.0
(d) Time charter hire received by Indian Ships from foreign parties	37.4	69.3	32.2
Total	334.4	525.9	464.7
3. Disbursements of Indian ships at foreign ports a/	148.5	228.3	216.2
4. Net earnings and savings of Indian ships (2-3)	185.9	297.6	248.5
5. Earnings of foreign ships on national trade:			
(a) Freight on exports carried by foreign ships	262.7	401.7	263.4
(b) Freight on Imports carried by foreign ships	221.1	458.8	269.4
Total earnings of foreign ships in national trade	483.8	860.5	532.8
6. Disbursements in India by foreign ships a	121.0	215.1	133.2
7. Net foreign exchange outgo due to national cargo carried by foreign ships (5-6)	362.8	645.4	399.6
8. Net out flow of foreign exchange on shipping A/c in Overseas trade (4-7)	-176.9	-347.8	-151.1

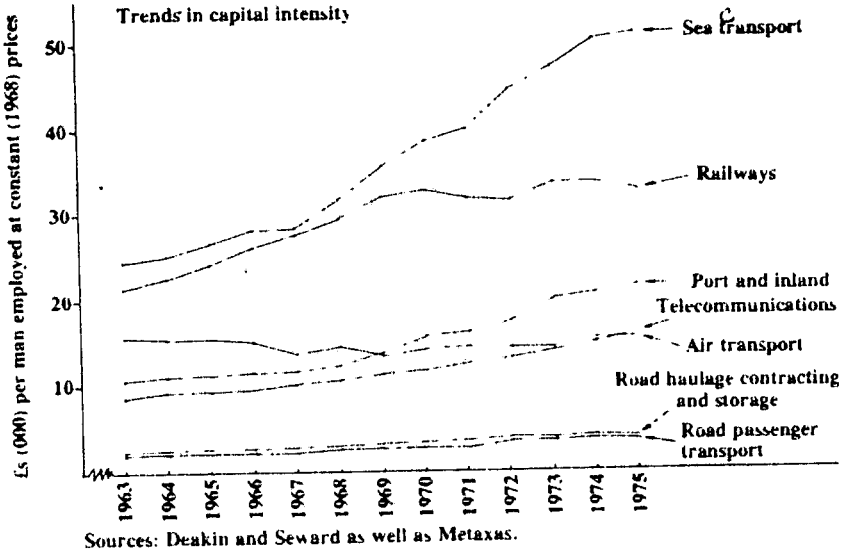
Source: Indian Shipping, p. 28 Vol. 29-No. 3/1977

a/ Excluding capital costs.

source: "Shipping- How it Works"
Th. Rinmman. R. Lindén , p.148

Proportions of various countries' foreign trade in tons transported by own national merchant navies.

Third World countries	%	Industrialised countries	%
Argentina	18	Australia	2
Brazil	8	Belgium	5
Chile	28	Canada	34
Ghana	45	Denmark	13
India	21	Finland	49
Indonesia	37	France	38
Kuwait	1	Germany (Federal Republic)	29
Mexico	15	Greece	40
Peru	20	Ireland	10
Phillipines	22	Italy	23
South Korea	24	Japan	47
Taiwan	37	Netherlands	7
Thailand	1	Norway	43
Uruguay	26	South Africa	23
Venezuela	10	Spain	37
		Sweden	18
		United Kingdom	35
		United States of America	6



Sources: Deakin and Seward as well as Metaxas.

TABLE OF CONTENTS

MARITIME AFFAIRS IN LANDLOCKED COUNTRIES

Preface. ii
Itroduction. v
Hypothesis and frame work. vii

I.-Importance of maritime affairs in the world 1
A.- Importance of the sea transport. 4
1.- Transport and trade. 13
B.- Coastal countries. 14
C.- Landlocked countries. 17

II.-Right of landlocked countries to participate in maritime activities. 21

III.- Maritime activities in landlocked countries 29
A.- Shipping. 32
1.- High Risk = Economic Cycles. 34
2.- High Cost = New Vessels Vs. Second Hand. 40
B.- Fishing. 51
C.- Off-Shore Activities. 53
D.- Brokering. 55

IV.- Shipping activities in landlocked countries. 63
A.- Fleet. 70
B.- Cargo. 74

V.- Development of colateral facilities. 82
A.- Free use or reduced canals and port dues. 83
B.- Free ports in coastal countries. 84
C.- National cargo in foreign, ports. 84
D.- Use of international rivers, lakes and sea conextion. 85
E.- Multimodal transport. 85
F.- Inland dry ports and terminals. 85
G.- Protections and subsidies. 88

VI.- Economic advantages. 93

VII.- The need of international cooperation. 101

VIII.- Conclusions. 105

IX.- Recomendations. 109

X.- Bibliography. 112

XI.- Annexes. 115