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WORLD MARITIME UNIVERSITY

MALMO - SWEDEN

THE ECONOMIC SIGNIFICANCE OF SHIPPING
IN
THE ETHIOPIAN ECONOMY

BY

TILAHUN YIMER

ETHIOPIA

A paper submitted to the Faculty of the World
Maritime University in partial fulfilment of the
requirements for the award of a

MASTER OF SCIENCE DEGREE
IN
GENERAL MARITIME ADMINISTRATION

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

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Date: 27, November, 1986.

Supervised and assessed by professor Aage Os.
Co-assessed by Professor E.L.A. Georgandopolous.

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Tilahun Yimer

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CHAPTER I

INTRODUCTION

Transportation being a sector within an economy plays a vital role in the economic development of a country. It is clearly a factor of importance in all economic activities and for any pattern of economic development chosen, whether expanding of agricultural sector or any other types of industry and industrial related developments, transport is a key factor.

The relationship between transport and development is a subject of considerable theoretical interest and practical importance. The interaction between the level of and pattern of transport resources and the average level of living of population of an area is a critical factor affecting economic and social progress and must be taken into account at all stages of national and regional development planning /1.

A country requires a certain level of transport provision depending upon its economy involved and its level of development to maximize its potential. Thus there is an optimum transport capacity for any development level. The existence of unsatisfied demand for transport may overtime have a serious adverse effects on the economy of a country.

(1) Kraft,G The Role of Transportation In Regional Economic Development,(Charles River Associates Research Study, London, 1971.)p.8

The role it plays in promoting development is unquestionable and transport constitutes one element in a varied infrastructure necessary for economic growth.

The relationship between transport and growth is suggested in different aspects of economic theory, especially trade theory and regional economics. The major impetus for growth comes, at least in the short run, from the ability of a region to produce goods and services demanded by the national economy and to market these at a competitive advantage with respect to other regions. This propensity for export depends to some extent on the access that a region shows in assembling its factors of production and depends on the internal economic structure of the region /2.

At this point what ~~in~~ general should be mentioned is that transportation being an integral part of the production process and which has a direct bearing on a country's economic development is of vital concern. Therefore, at all stages of economic development of a country, the introduction and development of an appropriate modern transportation makes a wide range of new economic opportunities simultaneously and is therefore likely to promote growth. Thus it is evident that at present in developing countries better transport networks and facilities are seen as an essential element in their development process and special consideration is devoted to it in their short-term and long-term development plans.

(2) Kraft, Ibid. p.20

There is an important difference in the transportation industries and have many forms. The transport forms are mainly land, air and water. Although transport in general is very important for economic development of a country, the relative importance of each of these modes of transport may vary from one country to the other, depending upon the natural conditions and endowments. It depends on the interrelationship of different physical and economic factors, such as the geographical location, extent of navigable inland waterways, economic and technological advancement and direction of the main essential trade routes. But all these forms of transport industries because of the difference in their characteristics, each has its peculiar significance.

Maritime shipping which is an element in water transport system has an important role in this process of a country's economic development.

Since the earliest records of world history, peoples have ventured upon the waters. The development of ocean shipping practically coincides with the development of human race. Human ingenuity has contrived to improve the means of transporting of goods and people by waters, from the early age crafts to the modern super liner ships and without doubt the future will bring further improvements in design and operating efficiency will play a vital role in contributing to the future well-being of human societies in the world.

The Present Shipping scene

Efficient low cost transport by ocean shipping is the major important to all the partners in the inter-

national trade. This is particularly important for developing countries as they seek to raise the level of their production and consumption by opening up new markets and source of supply. World shipping is directly affected by two main trends prevailing at present and probably also in the future. These are the development of the trade and the technological and institutional developments in the industry.

The major technological developments which have taken place in the shipping industry are currently apparent in the following forms- such as container ships, lighter abroad ship(LASH) vessels, roll/on /roll/off, mammoth tankers,super bulk carriers, oil-bulk ore(OBO) carrier,- Specialize units such tankers for chemicals, untization. Nuclear propulsion, the gas turbine, automation on board and the use of computers in the operational sector of ship management, which actually reflects the dramatic change of shipping technology in recent years. A further development has the trend towards automation and reduced crews, which reduced or restrained increases in cost of transport and also which meant greatly increased acquisition cost of specialized vessels. All such developments has been seen particularly on the vessels of developed market economy countries which are owners and suppliers of the significant proportion of the world shipping tonnage.

The demand for ocean shipping being an integral and dependant part of international trade, has been affected by world economy. There has been a period for shipping industry of growth and dynamism and has also evolved serious threats.

In this era, we witness global problems facing man

kind, such as the problems of raw materials, energy, food and environment, etc. give rise to serious concern, each of which involves international shipping either as means of transportation and energy consumer or as a potential threat to the marine environment.

In the past few years due to the world economic depression, the shipping industry was found among the most seriously affected. In fact, shipping and international trade follow the general development of world economy and the world economic system has proved itself to be extremely unstable. The structural weakness- i.e., the prevailing complimentary system in the world economy, in particular the unfavourable balance of trade between the industrial products and raw materials added to the recession has affected world shipping. Furthermore, shipping as an international industry is especially susceptible to various imbalances in international political and economic processes. For these reasons a reduction in the growth of world commerce and the economy as a whole will affect international seaborne trade and shipping negatively. According to UNCTAD(3) during 1979-1983, world seaborne trade declined from 3.77 to 3.25 billion ton. As per GATT secretariat estimates, 1984 showed an increase in the volume of world commerce of about nine percent which brought an upswing in seaborne trade as well. But at the beginning of 1985, the laid up tonnage still stood at about 50 million deadweight.

Today, we find that there is market imbalances and disequilibrium in world shipping i.e., excess of ship-

(3) Avern, I. Maritime Transport In the World Economy,
(Article, Soviet Shipping, April, 1985)p.2

ping capacity over the demand for sea transport services. Various programmes for scrapping of the laid up tonnage have been tried, the freight market situation today is still depressed and bankruptcies of small and medium shipping enterprises became a common phenomenon. As a matter of fact, market mechanism which in theory should regulate the supply and demand for the shipping service has proved itself unstable to perform its function in this situation. In this regard, it would seem that the decline in demand for the sea transport services should have stopped the growth of world tonnage, But paradoxically, some shipbuilding yards in some countries have continued to supply new ships although there is a problem of employing them into operational activities.

For developing countries such complicated and paradoxical situation in the present arena of world shipping, has brought additional problems in establishing or expansion of their own national shipping industry.

As we know from the history of world maritime transport, until end of World War II, international shipping was controlled almost exclusively by a few maritime powers, an international trade was also dominated by these countries. Economic growth is vitally linked with an increasing share in the international trade since the significant proportion of the developing countries export is composed of mainly primary products, the price for their major exports have been generally stagnant or declining and on the other hand, the price of manufactured products have been rising. If we measure the impact of these divergent price trends on the economics of the developing countries, it has intensified their problem by increasing the demand for imported capital goods and

industrial impetus for their economic infrastructure, agriculture and industrial developments. The deterioration in the terms of trades of developing countries have been further aggravated by the heavy impact of rising freight rates that these countries have experienced as net buyers of shipping service.(4)

Therefore, developing countries in their deteriorating balance of payments situation, they have realized the adverse effect on their balance of payments of the outflow of foreign exchange in payment for invisible transactions. In which shipping transaction is the main among these invisibles.

The objectives of many developing countries for fleet acquisition are diverse economic and non-economic ones. To attain those objectives they should be enabled to develop their merchant shipping through the adoption of measures as might have been appropriate to permit their shipping to penetrate and compete in the international arena of shipping for the attainment of their economic objectives.

Actually world shipping as an integral component of the global system of international economic relations, the above mentioned situation have been discussed at various conferences and in some other international forums. The purpose of mentioning some points here is to give some notion about the present situation of world shipping in general and have insight into the maritime transport needs and significance in the economy of a developing country.

(4) Rajwar, L.M.S. Shipping and Developing Countries

(Geneve:International Conciliation,
published by Carnegie Endowment for
international Peace, March,1971) p.7

It is in the light of this that we see Ethiopia as one of the developing countries in the world has its own national shipping, sought necessary for its economic development in general.

In the writing of this paper, an attempt is made to see the economic significance of Ethiopian National Shipping in the economy of the country. Hence, for that purpose, an overall review of the Ethiopian economy and future growth prospects is described in chapter II, which summarizes the present general structural characteristics reviewing the past performance and the plan for future growth. The general considerations and objectives in establishing or expanding of a national shipping industry is dealt in chapter III. This describes some general issue of developing countries in their ambition of establishment or expansion of shipping industry to their perspective economic needs. Comprehensive description of the present Ethiopian shipping pattern is illustrated in chapter IV, which includes some challenging aspects of shipping with Ethiopian particular reference. Finally comprehensive evaluation is made in chapter V followed by conclusion.

CHAPTER II

REVIEW ON THE ETHIOPIAN ECONOMY, PRESENT STRUCTURAL CHARACTERISTICS AND GROWTH PROSPECTS

2.1 Geography, History and population

Ethiopia is located in the north eastern Africa between 4 and 18 degrees. It is a ruggedly mountainous country with a generally temperate climate through out the year, bordered by the Sudan, Kenya, Somalia and Djibouti. It has a coast line of 800 kilometers long on the Red Sea.

The country's land mass area extends to over 1.2 million square meters, which is the tenth largest in Africa. It is twice the size of France or of Texas of the neighbouring Kenya. These land area is broadly divided into two main geographical zones, namely the highland plateau of central Ethiopia and the surrounding low lands.

The total population is about 42 million according to 1985 census, which is the third in Africa, i.e., after Nigeria and Egypt. The capital city is Addis Ababa, located in the central high lands with a population of about 15 million.

The boundaries of Ethiopia embrace a wide diversity of culture and have contained a long lived history. Ethiopia may well be called the true 'cradle of mankind', since the fossilised remains of man's oldest known ancestor have been found here, dating 3.5 million years /5.

5) Ethiopian Tourism, Discovering Ethiopia, (H and L

Communications, London, 1978)p.30

By the first century A.D. Axum was the capital with a sizable empire controlling the northern highlands and in constant touch with the outside world through her main ports of Adulis (now lying buried some 40 kilometers south of the present day port of Massawa) in the north and some other ports in the Horn of Africa.

The middle ages were eventful with rise and fall of dynasties. And in its modern history, during the European colonial expansion period, the story of Italian attempt to conquest Ethiopia, out short at the battle of Adwa in 1886 and their second attempt after 40 years was also foiled.

The centuries of tradition have been taken and superseded by a fundamental social and political change in 1974.

2.2 Agriculture and Industry

Ethiopia is predominantly an agricultural country and agriculture is the mainstay of the economy. The vast majority of the population lives in the rural areas engaged primarily in subsistence economy. This sector provides about 85 percent of total employment in the country. In spite of the fact that it accounts for most of the employment, it accounts for a much lower share of the output. The agricultural product constitutes about 50 percent of the gross domestic product (GDP) and 80-90 percent of the total value of the exports /6.

(6) Document of the World Bank, Report on Proposed Credit to Ethiopia, (Report No. P.3942-ET, Washington: March, 26, 1985), p.1

The agricultural performance in Ethiopia shows that crops account for about 80 percent of the gross value of production which are the main sources of food and industrial raw materials supply as well as foreign exchange earnings. Livestock which is the largest in Africa, contributes limited amount to the national economy but in recent years the export of live animals has began to increase, the main food crops are 'teff' ie, locally consumed cereal, maize, barely, sorgum, wheat pulses and oil seeds. Coffee is the main export item which generates about 60 percent of the countries export earnings. The other export crops of Ethiopia includes, oilseeds, pulses, sugarcane, fruits and vegetables /7.

The relative importance of the agricultural sector, however, does not imply that the agricultural potentiality of the country is wholly used in the sector as productive it can be.

The land use analysis of the country shows that about 64 percent of the total land in the country could be defined as potentially or actually an agricultural area. But only 8-10 percent of this area is actually devoted to the production of annual crops and the bulk of the land, about 55% is pastoral land.

According to the land use analysis and description of the efficiency and productivity of the agricultural and live stock production is much more below the potential in two sense, that the bulk of the country's agricultural land has not yet been brought into cultivation and the agricultural productivity is much below than it can be.

(7) Ibid.

The potential seems enormous in that the national condition seems to allow almost any conceivable agricultural product, cultivation of new land will greatly contribute to an increase in production and techniques and modern inputs as well as improved crop management, soil and water preservation and other improvement of production practice will increase greatly the yield per hectare and agricultural output of the country.

The role of agricultural sector in the development of the country's economy is of vital importance for the fact that as a sector within the national economy can contribute to economic growth and development by increasing production within the sector to emerge and grow, by transferring or loaning resources to other sectors /8.

Agriculture is largely considered as one of the main potential source of development of Ethiopia. In fact the squeezing of resources from the agricultural sector would not be smooth unless there is a corresponding increase in the productivity of the sector through the introduction of improved technology in agricultural activity.

Ethiopia's known national resources are, gold platinum, copper and potash. None of these minerals has been ~~not~~ exploited, in most cases, the potential for commercial exploitation remains to be established on a large scale. Manufacturing industry accounts for about 10 percent of the GDP and it is dependent heavily on agriculture. Agro-based industry constitutes around 70 percent of

(8) Fasil G/Kiros, Rural Development, Addis Ababa, 1977.

large and medium-scale industry. Handicrafts and small scale industries are operated by the private owners /9. The structure of the industrial sector in this country is characterized by the light manufacturing industries producing consumption items. The future development of this country as a whole will depend on the balanced development of the present dominant agricultural sector and the modern industrial sector. And hence the present planned development effort could not do other than envisage the development of the industrial sector as to the need of the country's economy. In actual fact there are certain bottle-necks in the development effort of the country's economy as a whole and the industrial sector in particular. Financial resources, skilled manpower in all aspects and other infrastructural and superstructural problems are among the main problems facing this country. Hence the solution lies in alleviating these problems individually or on regional basis with the other developing countries.

Domestic trade, especially retail trade and road transport are largely in private hands. public sector controls and own all the Banking, Insurance, Shipping, Railway, Airways, Utilities, almost all of the large and medium scale manufacturing and a large proportion of construction /10.

The past historical circumstances (i.e., semi-feudal and semi-capitalistic land tenure system) were abolished following the 1974 revolution and the rural policy has been to organize the small agricultural producers into peasant association as basic social and administrative units in the rural areas.

(9) The World Bank, Op.cit. p1

(10) Ibid. p.2

The recent macro-economic developments of the country has been affected by the aftermath of the revolution marked by the internal political upheaval and armed conflicts. The economy therefore, had began to recover with GDP averaging 5.5 percent per annum development campaigns (or "Zemetchas" paved the setting and monitoring process, combined with budgetary allocations to agriculture and industry. The economy witnessed a set back during the following three-years i.e.,from 1980/81 to 1982/83,with GDP growth declining to an average rate of around 3.4 percent per annum /11.

This adverse trend became more pronounced during the past two years owing to the recent drought and calls for a pronounced urgent and appropriate measures to reverse these deteriorating trends. With a view of introducing a short-term focus, the primary goal of the Ten years Perspective Plan is the achievement of an average annual growth rate of 6.5 percent in real GDP at 1980/81 factor cost. This would raise the level of the real GDP at market price from 9,772.4 million birr in 1983/81 factor to 18,345 million in 1993/94. Since the country's population is growing at an estimated rate of 2.9 percent per year over the same period, is expected to increase from 34.6 million in 1983/94 to 46.1 million in 1993/94, real per capita GDP will grow at the annual rate of 3.5 percent rising from about 282 birr in 1983/84 to 397 birr in 1993/94. At this pace of growth the doubling of per capita GDP will take another ten years /12.

(11) Ibid. p.3

(12) Ethiopian Ten Years Perspective Plan, (Office of the National Committee for Central Planning, Addis Ababa, 1984/85), p.44

* Exchange rate: 1 USD = 207 Eth. Birr.

For such macro-economic development strategy and structural transformation of the economy, an established comprehensive saving and investment effort would be necessary. The Ethiopian Economy is characterized by very low domestic savings and investment for years and have turned even to negative in 1984/85, with total consumption exceeding output. The ratio of total investment to the GDP has remained for many years at about 11 percent due to largely to constraints in domestic as well as external resources /13. This low rates of investment has been among the setbacks in economic growth of the country.

In this respect the Ten Years Perspective plan aims at raising the gross investment GDP ratio from 11.3 percent in 1983/84 to 28.3 percent in 1993/94. This would require increasing the investment level over the period at the average annual rate of 16.8 percent. Gross domestic saving is also expected to grow at a very high annual rate of 23.6 percent, its share in GDP increasing from the very low ratio of 3.4 percent in 1983/84 to 15 percent in 1993/94 /14.

2.3 TRANSPORT WITHIN THE SERVICE SECTOR

Transport being a sector of fundamental importance in all economic activities, the relationship in transport system and development is a subject of practical importance. For this reason and purpose we should have a short account of the Ethiopian transport net-works.

(12) World Bank, Op.cit. p.3

(13) The Perspective plan, Op.cit. p.47

The Ethiopian transport system comprises four major sub-sectors, i.e., road, rail, sea, and air transport.

ROAD

The Ethiopian road transport network extends radially from Addis Ababa with a few interconnecting links. This transport system dominates the modern transport in the country and accounts for about 93 percent of freight and passenger transport. Very large areas of the country are still in a lack of an all weather link to the capital or other economic centers. The road transport system is generally inadequate to support an efficient production and distribution system in the country compared with the total area of the country. The adjacent regions often lack link between them, which hinders the development of a strong, integrated national economic development. In recent years there has been an expansion in the road transport network than in the previous years and various measures have been designed to make the road transport more effective.

The road transport industry in Ethiopia is dominated by the private motor vehicle owners, who own about 80 percent of the country's motor vehicle holdings (15). In 1976/77 the national Road Transport Corporation (NATRA-COR) was established, which is a parastatal transport company responsible for organizing, directing and controlling the operation of public and private vehicles both for the freight and passenger transport in the country and sets rules and regulations for their operation and tariffs.

(15) World Bank, Op.cit. p. 18

RAILWAY

Development is actually concerned with the transport sector as a whole but in some cases we see that much attention has been paid to specific modes of transport system. For example railways have often assumed a particular predominance in the transport system of some developing countries, because in many cases a railway has acted as a major initiator of development and modernization.

In Ethiopia, the only railway transport system that exists has been and is the Ethio-Djibouti railway, with a distance of 781 kilo meters. This railway is jointly owned by the two countries 50 percent each. The traffic of the Ethio-Djibouti railway reflects the pattern of economic activity in the region.

AIR TRANSPORT

Ethiopian air transport infrastructure is a relatively well organized and successful sub-sector, It has developed an extensive network of airports and airfields. The Ethiopian air lines has been operating successfully since 1946 and its present growing operational networks in both domestic and international services is carried by its own air crafts and jets. The air line provides scheduled services to a number of domestic airports and accounts for the major part of the international passenger movements in the country. Ethiopian airline works all the maintenance of aircrafts including engine and overhauls and it also carries out training programmes for staffs of other African air lines.

THE MARINE TRANSPORT SECTOR

The Ethiopian marine transport sub-sector activity is carried by three principal organizations:

Marine Transport Authority which is the governmental agency empowered and has the responsibilities to operate and regulate port services, register marine merchant ships, license personnel operating on ocean going vessels and regulate the maritime activities of the nation as a whole with the exception of fisheries which are under the ministry of agriculture.

Ethiopian Shipping Lines Corporation is also the governmental organization which transports the import, export trade of the country and coastal cargo service by using its own vessels and chartered ones.

Maritime Transit and Services Corporation is also established as governmental organization to promote shipping agency services to shipowners and cargo owners, clearing and forwarding activities on behalf of importers and exporters.

These organizations undertake the interrelated maritime affairs of the country in general and an essential attempt of achieving development in this sector is expressed in the Ten Years Perspective Plan.

Transport which is closely related to many aspects of a national development policy, the objectives and strategies of the Ethiopian transportation development as stated in the plan are: to expand transport and communi-

cation, expand and strength international transport services with the view to increase foreign exchange earnings, locally manufacture and/or assemble transport and communication equipment and improve management capacity /16.

Inorder to improve the above objectives, the strategies to be followed as stated in the plan are: enhancing efficient use of existing fleet and other transport equipment and acquiring replacements as well as additional fleet, Improving and expanding the present cargo handling capacity of the ports through major modification and repair work and construction of new berths, loading and unloading platforms, port warehouses and acquiring new and replacement machines and equipment required for marine transport /17.

The major targets planned for the various sub-sectors of the transport services are shown in the following table:

(16) The perspective Plan, Op.cit. p. 202

(17) Ibid. p. 203

DRY AND BULK FREIGHT TARGETS

	1983/84		1993/94	
	Tons/ Thousands	Tons/Kilo meters	Tons/ Thousands	Tons/Kilo meters
LAND TRANSPORT				
Dry freight	5461.8	1873.8	11265.5	4052.9
Bulk "	704.9	446.5	1660.6	1015.3
SEA TRANSPORT				
Dry Freight	465.0	998.3	915.0	3273.4
Bulk "	110.0	29.7	290.0	76.6
AIR TRANSPORT				
Dry freight	15.1	30.3	31.6	60.4

Source: Office of the National Committee for
Central Planning.

The total volume of investment in the transport and communication sector will amount to birr 33771.1 million for the whole plan period. The foreign exchange component of investment is projected to be birr 2538.5 million while the remaining sum is required in domestic currency /18. The maritime transport is among the one who has got the significant amount of investment in the plan.

(18) Ibid. p.205

2.4 FOREIGN TRADE REVIEW

Foreign trade plays a vital role in the development objective and effort of a country's national economy. For a variety of historical, geographical and economic reasons, developing countries are dependent on overseas trade and the expansion of foreign trade in the economy of a country is an essential prerequisite element for modern economic growth and development in general.

Developing countries face enormous challenges in their development efforts and the relation between trade and growth have been dealt by many earlier and contemporary economists.

All countries in the world have a stake in an international trading system. A healthy expansion of foreign trade constitutes to growth in many ways. Among them are the benefits of specialization, including economies of scale, the favourable effects of international competition on domestic economic efficiency the increased capacity to pay for the imports required for development, both directly by earning foreign exchange and indirectly by increasing a country's ability to borrow and service debt and more generally, the stimulus to investment, learning and entrepreneurship that comes with expanding markets and incomes and expenses to new products, new technology, new ideas and new standards /19.

(19) Donald, B. Keesing. Trade Policy for Developing countries, (World Bank, Paper No.353, Washington,D.C.) p.7

Recognition of the strong ties and awareness of the complex inter-relationship foreign trade has with other spheres of their development efforts, led developing countries to formulate and implement government policy measures geared towards expansion of their export trade. Policy measures so adopted had the primary objective of promoting their foreign exchange earnings potential, a determinant factor in the acquisition of the necessary development equipment from external sources /20. However, there were and are events which have made impacts on the Ethiopian foreign trade, which are common problems of all developing countries. External and internal factors contributed for the unfavourable environment in the foreign trade.

Constraints in the domestic environment include; quantitative insufficiencies in exportable products, qualitative inadequacy, undiversified composition of products for exports, exportation of products in their unprocessed state, low rate of investments, difficulties of aligning domestic production and prices with the demand and prices ruling in international markets due to lack of an expeditious information disseminating infrastructure among elements of the society, etc. External factors that are beyond the control of developing countries are: deterioration in their export earnings as a result of adverse economic conditions ruling in the countries of traditional markets, persistent foreign exchange shortages and insufficiencies in suitable storage facilities that lead developing countries to sales competitions finally forcing them to sell at comparatively low prices, quantitative

(20) The Perspective Plan, Op.cit. p.160

limitations imposed by international commodity agreements on some products that developing countries could, otherwise, produce on a large scale, unsustainable escalation in fuel prices, etc. Another factor is the inequitable terms of trade that resulted in widening the income gap between the rich industrial and developing countries, thus worsening conditions in the latter group /21. Experience confirms what economists already saw in the past in their theories that policies towards international trade and its enormously important role in economic growth and development. Actually much could be said about what does and what does not work successfully in the crucial area of trade policy, But it is not the main concern here.

In the Ethiopian foreign trade, the policy measures so adopted had the primary objective of promoting the foreign exchange earning potential which is a determinant factor in the acquisition of the necessary equipments from the external sources.

The foreign trade business is handled by the state corporations and the private sectors. The state corporations now command a share of 72 percent of the export and 80 percent of the import business by far the greater share of the foreign trade thus being brought under state control /22. The remaining portion is handled by the private sector.

In most instances, trade policy is concerned with different interconnected levels of policy making.

(21) Ibid. p.160

(22) Ibid. p.162

The strategic level concerns with broad choices of trade strategy. The trade policy interacts with the overall political-economic systems and social goals and there is a level of economy wide management involving exchange rate policy and the relationship between domestic and foreign costs. Specific measures to promote exports, setting incentives in detail by product and industry, the design of protection and related measures have been dealt in theoretical and in practical literature on trade and development and much has been written about the valid reasons for the above mentioned as to their treatments and impacts in the economy of a country.

In Ethiopia, the previous laissez-faire trade policy is superseded by a centrally planned system and hence the relevant regulations for the conduct of the trade, growth and strengthened institutional setup are established and it is commanding the significant proportion of the countries foreign trade as explained in the above.

Foreign trade returns indicate that export earnings rose from a level of birr 306.7 million in 1970/71 to birr 809.4 million in 1982/83, an annual growth of 8.4 percent on average, although the rise in income was due to the generalized global commodity price escalation that characterized the period and not on account of the negligible increase in the supply of main products to the foreign markets. In the same period, payments for imports grew about four-fold by rising from birr 448.5 million in 1970/71 to birr 1.8 billion in 1982/83. This phenomenal upsurge in the import payment is also on account of considerable price rises of imported goods rather than due to significant increase in the volume of goods

imported /23.

The Ethiopian foreign trade import-export balance shows a deficit as in for most developing countries. The purpose here is not actually to deal with the reasons and/or analyze as to how the balance of payments disequilibrium resulted, rather the intention is meant to give ideas on the foreign trade profile.

The past historical evidences show that "the GDP share of foreign trade that constituted only 17 percent in 1970/71 rose to 27 percent in 1982/83 evidencing the increasing role that the sector plays in the economy. As regards changes in trade directions, antecedent to the 1973/74 period, more than 75 percent of the export and 78 percent of the import trade were conducted with market economies, while after 1974, this share was reduced to 64 percent in export and 62 percent in imports, on average. Trade with the planned economy countries that had a share of 5 percent of the exports and 6 percent of the imports before 1974, grew to 16 percent average of imports, souring to 29.5 percent in the 1980/81 year on account of fuel importation, while growth on export trade attained peak of 10 percent /24.

Successful trade developments on practically all possible direction will be required to generate a high level of foreign earnings. Systematic development efforts alongside growth helps to widen demand to include a broad range of producer goods that are not necessarily be

(23) Ibid. p.163

(24) Ibid.

needed in a narrowly based process of economic growth as part of this demand creation, government programs often play a large role in areas of regional and sub-regional trade relation policies for enhancing the trade with them.

The Ethiopian "trade relations with developing countries that had a share of 20 percent of exports and 16 percent of the imports before 1974, grew to 26 percent of exports and 23 percent of the imports, on average, after 1974. In summation, despite the continued anticipation that within the Ten Year Plan the sector will accelerate its rate of growth and enhance its contribution to the overall economy /25.

According to the plan, the targets for the export and import trade within the plan period are explained as followings:

Export targets ...for the various export products in the perspective plan...aggregate export earnings are estimated to rise from birr 1.1 billion in 1984/85 to birr 2.9 billion in 1993/94 constant prices, export trade thus growing about 2.6 fold by the end of the perspective plan period. Traditional products like coffee, hides and skins, oil seeds and pulses have a share of birr 780.9 million or about 73.5 percent of the aggregate export earnings in the 1984/85 budgetary year, while their share in 1993/94 is planned to be birr 1.5 billion or 53.2 percent. While growth the volume of coffee exports during the plan period is to start with 100 thousand tons in 1984/85 and reach 170 thousand tons. Earnings are planned to commence with birr 570/million in

(25) Ibid. p.18

1984 /85 and attain a level of one billion birr in 1993/94. ...with a deliberate policy to raise the share of other low participating commodities exclusive of the three major group of products, the share of earnings from other export items is planned to raise from a level of birr 281.3 million or 26.5 percent in 1984/85 to birr 1.3 billion or 46.8 percent in 1993/94 (26).

Import targets ...within the broad assumption, imports of raw materials and semi processed goods, agriculture, industrial and transport, equipments, fuel, basic consumer goods necessary for the growth of domestic products are grouped separately according to their end-use categories, the share of each category and aggregate import payments for the perspective plan period being computed by application of linear model. Estimates for aggregate import payments at 1980/81 prices, start with birr 1525 million in 1984/85 and after growing by about three-fold reach a level of birr 3.3 billion in 1993/94 /27.

(26) Ibid. p.171

(27) Ibid. P.178

CHAPTER III

GENERAL CONSIDERATIONS IN ESTABLISHMENT OR EXPANSION OF A NATIONAL SHIPPING INDUSTRY

The objectives of establishing or expanding a national shipping industry are diverse and far reaching and very often include a number of economic and non economic factors. According to the UNCTAD Report "Establishment or expansion of merchant marine in developing countries" the most significant are:²⁸

- 1) The disruption of shipping services caused by the withdrawal of tonnage from commercial services during hostilities. This was particularly the case during the second world war.-
- 2) Balance of payments problem and the desire to conserve foreign exchange.
- 3) The desire of many newly independent nations to establish a national identity.
- 4) The use of shipping and related industries by nations with narrowly based economies as a basis for industrial diversification

(28) H.P. Drewry, (Shipping Consultants), Shipping in the Third World, (H.P.Drewry Ltd.,- London: 1976), P.64

It is convenient to classify the factors which have given rise to emergence of national shipping fleets by traditionally non-maritime countries, i.e., developing countries, into economic and noneconomic objectives. The dividing line between them being often very narrow and is sometimes indiscernible.

3.1 Economic objectives:

The hoped economic objectives and benefits underlying the desire of many developing countries to establish or expand their merchant shipping may be categorized as direct and indirect benefits.

The direct benefits are the influence and impact that shipping industry has on a nation's economy and development in terms of employment, national income, that results from foreign exchange earnings or saving of foreign exchange. Investment in shipping industry is not different from investment in any other economic activity, except that it is a very capital intensive industry with a much more higher capital/labour ratio than most other industries. Therefore, the creation of a shipping industry may not be the most preferable field of investment for a country whose primary need is the creation of employment for its citizens. Rather it provides employment mostly to the skilled personnel of both sea going and ashore.

The indirect influences are far more wide-spread and include such factors as the effects on the balance of payments and on the promotion of exports. Hence the motives for fleet acquisition by many developing countries being so diverse among which the prime objective is the

anticipated savings in foreign exchange. In this respect, "the task of the international community should be to promote the earnings of developing countries from maritime activities and also to minimize the net outflow of foreign exchange from developing countries caused by shipping transactions. To attain this objective developing countries should be enabled to develop their merchant marines through the adoption of such measures as might have been appropriate to permit their shipowners to penetrate and compete in the international freight markets"/29.

Besides, by introducing shipping industry, a developing country can easily add value to its exported goods which would be a gain to the terms of trade of that country. And establishing shipping industry will not consequently necessitate expenditures on infrastructure as for other industries. ... shipping has a wider flexibility than other industries, ...the ship can change its trade according to the best trade allocations, ... it also creates many other auxiliary activities connected with it, which may be looked as one of the fundamental requisites for building up an industrial society. Hence, the shipping needs of developing countries should be seen in relation to their overall economic development needs /30.

(29) Georgandopolous, E.L.A. Shipping in developing Countries-Problems and Prospects, (Institute of Shipping Economics, Bremen, 1978), p1

(30) Monsef, A.A. Lectures on the Establishing of a National shipping Industry in Developing Maritime Country, WMU, 1984), p.54

Among the diverse objectives in establishing or expanding a national shipping industry by developing countries, the main are:

3.4. EMPLOYMENT

Regarding employment of manpower in shipping industry, as it is a capital intensive industry, it may not be the most preferable field of investment in a country whose primary aim is the creation of employment opportunities. In fact there would be diversification of employment in regard to the consideration of the integration of shipping and shipbuilding facilities and other ancillary activities. The linkage effect of shipping to the other activities may create a strong cumulative positive effect on the economy and contributes to the expansion and diversification of manpower employment opportunities in the economy of a country. Infact, the employment opportunity that a shipping industry could create depends much on the impact the shipping industry has on the other economic sectors. Shipping development which can contribute to the diversification of the economy of a country and which needs a wide range of services and ancillary activities, through the forward and backward linkage effects it has on the economy may provide employment opportunities and this depends on the overall economic structure and marine sector development of a country.

3.4.2 BALANCE OF PAYMENTS

Among the main objectives of developing countries in establishing or expanding the national shipping industry, "the most important, perhaps, is their conviction that

national shipping has a considerable and favourable impact on their balance of payments (by earning foreign exchange or by reducing the outflow of foreign exchange for freight payments) ...considering the crucial importance of foreign seaborne trade to the economies of developing countries, it is only natural for these countries to try to reduce their dependence on foreign shipping for the transport of this trade"³¹. Thus the balance of payments deficits may be reduced by either decreasing expenditure on using foreign vessels or by earning foreign exchange through the utilization of national shipping services. Increasing receipts from shipping and /or reduced costs obtained through shipping would tend to correspondingly offset the negative effects on the balance of payments.

3.1.3 EXPORT PROMOTION

The foreign trade of developing countries is affected by the nature and value of their products due to the level of their industrial development. Their ambition of establishing or developing shipping in relation to the requirements of their trade can be best understood against of their participation in international seaborne trade and world shipping.

Several important problems are created by the heavy dependence of developing countries on foreign shipping to the detriment of their economic development. Developing countries are increasingly engaged in an effort to broaden and diversify their economies through industrialization to stimulate the rate of growth of their economies and to raise the welfare of their populations.

(31) Rajwar, Op.cit. p.9

Industrialization and diversification of production also raising the standards of living imply increased import demand for capital and consumer goods and the need for expanding and diversifying exports. And such possible developments, in turn, should create increased demand for liner services, corresponding, though to the particular requirements of the trade of the countries concerned i.e., shipping development in the liner sector, tends to promote the export trade of the country. The existence of a substantial national liner tonnage might further promote the trade of a country, by influencing the overall availability and adequacy of liner services linking that country with overseas markets and exerting a pressure upon the levels of freight rates at which the national trade is carried /32.

A nation may have possible export potential in a specific commodity, which because of the lack of a shipping service, or because of high rates, can not be exploited. The same argument may be extended to an existing market which cannot be expanded because the high freight content in the effective prices of the commodity out of the market. The use of promotional freight rates may be instrumental in helping to generate new markets. In order to expand an existing market it will normally be necessary to lower the prices of the commodity. This is often difficult because of the profit margin on the exports of many developing countries, which are essentially primary products, is small. The lower price must therefore be achieved by a decrease in the freight element which constitutes a large proportion of the aggregate c.i.f. price. A small reduction in transport

(32) Georgandopolous, ELA. Op.Cit. pp.3.4

costs may be instrumental in causing a large increase in exports. Securing of promotional low freight rates for non-traditional export items would enable a country to compete more effectively in the international market. Therefore, it is in the national interest to provide services on a new routes to promote exports. In this situation the aggregate income of the developing countries may be increased through the shipping services may show a deficit which will be covered by the state.

3.1.4 DIVERSIFICATION OF THE ECONOMIC ACTIVITY

The economies of many developing nations are often dependent on and influenced by conditions in a relatively few markets. This is noticeable from the unfavourable terms of trade prevailing in the world, whereby economic activity in relatively few of the major industrialized countries, may have wide spread repercussions on the income of many developing countries because of their dependence upon raw material exports. It may therefore be necessary to encourage domestic economic diversification, in order to spread the risk over a wide range of economic activity and for that reason, industrialization is vital. "Shipping industry may be an attractive line of approach, for developing countries, industrialization has proved extremely difficult, while starting a new shipping line is comparatively easier and faster /33. Besides the impact shipping industry has, and creates on the other economic sectors of an economy will have a contribution to the diversification of the economic activity in a country through a wide range of ancillary linkage effects.

(33) Monsef, Op.cit. p.57

INDUSTRIAL INTEGRATION

Shipping industry is one aspect of economic activity which is a very important service industry. Its establishment and development may have a positive effect in stimulating the growth of related industries. This is because of the backward and forward linkage effects that the shipping industry creates. Shipping needs a wide range of services and supporting activities. These include ship construction industries, shiprepairing yards, financing and banking services, insurance services, ships' classification, ships' suppliers and equipment etc. Shipping creates many other auxiliary activities connected with it which may be looked as one of the fundamental requisites for building up an industrial society.

ECONOMIC INTEGRATION

A national shipping industry may be an important in promoting economic integration within a country having long coast line or difficult internal communications in which coastal shipping may be the only major link between the economies of two or more regions. In such cases, a national merchant marine becomes an essential element in the integration of the national economy. And it is also an important instrument in promoting economic integration between neighbouring nations under favourable and wider type of economic cooperation and integration. This will be a point of consideration for developing countries in their present as well as their future development of industrialization and in which they can integrate their economic activities in all fields. The development of trade relations among developing countries at present and

in future, the attempt for industrialization by itself might not be possible for a developing country separately due to the lack of financial, skilled manpower and other resources. Regional cooperation is sought to be the mighty weapon in surmounting these problems and other impediments in their development process. Hence shipping industry could have a great role to play in the industrial integration and development of these countries and promoting their economic interest at large.

INFLUENCING CONFERENCES

A country can claim the right to participate in liner conferences affecting its trade with a position to influence conference decisions. Actually in the past some non-maritime nations have experienced difficulties in trying to influence the freight rates of foreign flag lines in conferences serving them in which the freight rate fixing policy of a liner operator is to keep the rates at high level to his interest. The element of monopoly power inherent in the conference system, which prevents free entry, together with the cost structure of liner shipping gives liner shipowners a considerable leverage in the rate policy they choose to follow. Hence, many countries consider that the only way to overcome this problem is to have national flag ships in the conference in order to influence decisions so that the discrimination element prevailing in conference decisions will be exercised in a more favourable manner or at least is not detrimental to their international seaborne trade.

ECONOMIC INDEPENDENCE

This is one of the main reasons that initiate deve-

veloping countries to develop their shipping industry, even at the expenses of diverting from the principle of comparative cost advantage. They feel that the present division of labour, in the world, is a result of historical background /34. A country which do not have a fleet of its own is entirely at the mercy of foreign shipowners for its foreign trade flow. Commercial profitability is a foreign shipowner's major criteria and if as such a service to a given country proves unprofitable enough for various reasons, there is always a possibility that the services might be withdrawn or rescheduled or reduced in frequency or the type and size of vessels may be changed or unsuitable vessels or only at a vey high price, thereby jeopardizing that country's foreign trade. Therefore, by acquiring and developing its own merchant fleet, a country would minimize these risks to its foreign seaborne trade, even if operating with old and unsuitable vessels with high costs.

COMPARATIVE ADVANTAGE

The theory of international trade indicates that it is advantageous to trade when difference exists in the real costs of production between nations, and also when the relative costs of production differ. This theory may also be applied to shipping in that some nations can provide shipping services more economically than others. According to the little emprical research which has been undertaken into the cost structure of shipping, it appears that none of the developing nations have a comparative cost advantage over the traditional maritime nations. The reason for this lies in historical factors,

(34) H.P. Drewry, Op.cit. p.55

such as the well developed shipping infrastructures which most traditional shipping nations possess, the economies of scale and the use of advanced shipping technology which is primarily only available (because of cost) to advanced industrialized nations. Therefore, shipping in developing nations may initially have very high costs and low earnings because of comparative disadvantage. However, given adequate protection, the industry may theoretically achieve an efficiency equal to the more traditional maritime nations. Many developing nations recognise this fact and therefore argue that the only way of exploiting the future potential comparative advantage is by protecting the shipping industry in its uneconomic infancy.(35)

3.2 NON-ECONOMIC OBJECTIVE

3.2.1 POLITICAL AND/OR NATIONAL SECURITY

In many developing countries, their political and national security has dicatated their shipping development and is often regarded as the most important motive for developing a national shipping. In essence, national security requires a sufficiently large fleet to meet the defense transport needs, to secure supplies from and their links with foreign countries in times of hostility and emergency. This has been seen in many countries where there was political chaos in domestic affrairs or some sort of revolution, the foreign ships giving a service for that country terminating their services endagering the economy of the country in question, for this fact no foreign shipping business is willing to make a loss for the interest of another country

(35) Ibid. P.68

taking risks in such unreliable business conditions . Hence, considering various aspects of political and national security, shipping industry was established and expanded by many countries without considering the economic viability of the industry. In many developing countries who have been under the yoke of colonialism for decade, after their independence, they sought that establishing a national shipping as a national identity.

Ethiopia as one of the developing countries, the main objectives of establishing and expanding its national shipping industry, is not other than those explained in the above. Actually from the view point of the country's objective in this venture and considering all the above objectives in establishing and expanding the shipping industry, it is based and should be based on sound economic criteria in which some of them do not constitute criteria of commercial profitability. Obviously, there is no doubt that economic considerations should be taken into account by the economic planners in the country.

At the micro level commercial profitability is the main concern of private shipping enterprises whose survival depends on the profits they earn in their commercial business effort. But, while considering the industry at the macro-level, economic planners may find shipping projects justifiable even when such projects do not meet purely commercial requirements, provided they are satisfied with their economic viability analysis that if they find it beneficial to the economic development of the country as a whole.

CHAPTER IV

THE PRESENT SHIPPING PATTERN IN ETHIOPIA

4.1 ORGANIZATION, MANAGEMENT AND OPERATIONS

Present shipping industry operates in an arena of sharp international rivalry and interest. Historically, national control of shipping services has been regarded as one of the keys to national power. Before going to the present shipping operations and management of Ethiopian shipping it will be necessary to review briefly its past situations.

Historically, this country was one of the greatest nations in the world of the time with her own fleets and constant touch with the outside world. The past history indicates that Ethiopia had trading contacts with the outside world for centuries except her modern history during the period of her anti-colonial war.

The present Ethiopian shipping in its modern form was established in 1964 and started its operation in 1966. Before this time, i.e. in its modern history, the country was totally dependent on foreign shipping services for its imports and exports of international sea-borne trade. When established in 1964, it was a parastatal share company autonomously operated. In 1974 the share company holding was abolished and appropriated by the government and the company became under the ministry of transport and communications.

Between 1966 and 1974 the corporation had therefore

lost nearly twenty four million birr, i.e. 54% of its total assets. During this period, however. as the corporation had never generated enough funds even to meet its recurring expenses, it was the government that was constantly setting the maturing installments untill they were all settled in 1973 when the accumulated losses of the corporation were written of and the corporation was made to start a new life as of january 1st 1974 with paid-up captial of 23 million birr. Consequent to the corrective measures taken as indicated above, the corporation started and never failed since 1974 to make profit /36.

Hence, since 1974, with a view of maintaining uninterrupted sea transport sevices during emergencies and unforeseen events, considering the balance of payments problem and desire to conserve foreign exchange, serving in promoting the country's foreign trade creating new opportunities for employment of science and technology and the use of shipping industry and other related industries as a basis for divesification of the economic activity, the government has adopted certain administrative measures to favour the national line in its activities and development.

When dealing with shipping operations from the view point of types of services and forms of organizations required to properly manage and administer each, there is no as such inflexible rule that can be followed.

(36) Report, Ministry of Transport and Communications
On Ethiopian Shipping Corporations, Addis
Ababa, May,1979. p.5

The type of the services and extent of the company's operation in such services are the principal factors determining the size and nature of the organization.

The organization of a liner company, depending on its size, may be of divisional or departmental structure. The organizational structure may include the corresponding element declining with particular types of operations.

Typically, the organization of a large liner company includes the following divisions and/ or departments: Secretariat, operation division, Technical division, Marine division, Administrative, Finance, conference division, Research and Development division and Personnel division. Certainly, in particular company's different terms may be used to identify the particular elements of the organizational structure of the company. Nonetheless, in almost every case there will be an operations, technical marine and administrative divisions irrespective of the names used to designate these /37.

The activities of shipping companies include two basic types of operations:/38

- 1) Technical operations consisting of the preparation of a ship for a voyage (seaworthiness) and its operations during the voyage, which includes fueling supplies of water, lubricants, food, equipment maintenance and repairs.

(37) Chrzanowski, Op.cit. p.

(38) Ibid.

- 2) Commercial operations including negotiations of contracts, canvassing for cargo and/ or passenger, conclusions of freight contracts, voyage estimates issue of documents, encashment of freight, insurance and claims, etc.,

Hence, the organizational structure of a shipping company includes therefore, the corresponding elements, dealing with particular types of operations.

In liner shipping operation which the services are regularly operating in a particular trade route on pre-determined schedules between the same ports or range of ports, routes may be served with ships specialized design for the trade requirement and in such services the frequency of sailings is determined by volume of traffic offering and is influenced by a variety of other considerations.

The organization of a tramp company is comparatively simpler than a liner company, in a sense that because of the size of a tramp company, some specialized divisions are not found in smaller or medium tramp shipping companies and they employ for less high qualifications than in liner shipping company. But the overall organization of a tramp company is similar to that of a liner except that the size of the divisions, departments is not equal in both cases. A tramp company will have less personnel than the liner and further as there is a change in tramp operation over time, their organization also change and even some departments disappear.

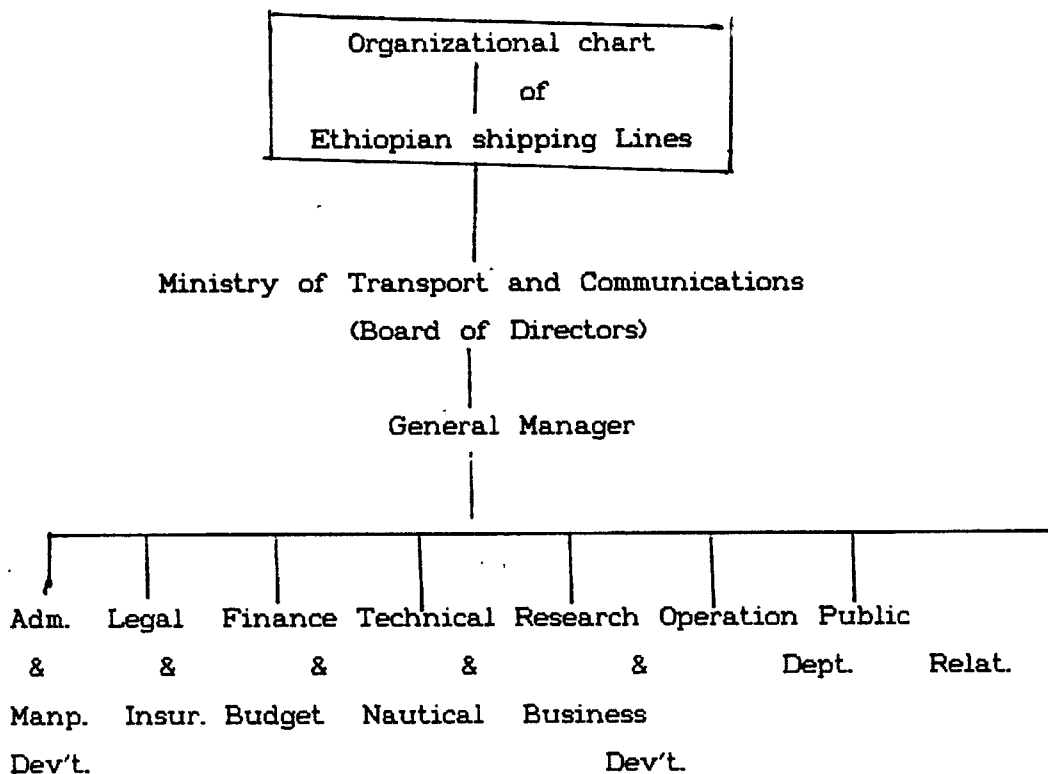
Operationally, tramp shipping which is not engaged in regular services, takes cargo as offered.

In such business, vessels engage in any trade where in profit is expected. Tramp shipping operation is actually the most difficult and complicated than the liner operations. In tramp shipping, the operator must be keenly alert to information and business trends in all over the world, they must have the knowledge of when and from where seasonal cargo flows are available, they must maintain connections at all principal trading centers, agents upon whom they can rely for accurate market reports, rate fluctuations and some other relevant matters in the business as necessary with excellent business judgement.

It is undeniable fact that it would not be possible to designate any fixed structure of organizational form to be applicable to all shipping companies operating in liner services. The organizational form depends upon the owners ideas and the objective realities governing a given circumstances.

With respect to the organizational structure of the Ethiopian Shipping as a liner company, it has its own distinct bearing upon its organizational set-up. Typically, the Ethiopian shipping company organizational set-up includes seven departments. These are: Administration and Manpower development, Legal and Insurance claims, Operations, technical and Nautical, Research and Business development, Budget and Finance and Public relations departments (see on diagram next page for the organizational structure of Ethiopian shipping lines corporation).

Certainly, as explained in the above, in different companies terms may be used to identify the particular elements of the organizational structure of the company. But in almost every case there will be the main ones as



operation, Technical, Administration, Legal and Finance departments irrespective of the names used to designate these.

The Ethiopian Shipping lines is headed by the Board of Directors, chaired by the minister of the ministry of transport and communications (MTC), who are responsible for the expansion of the shipping industry both in policy matters and investments. The general manager is responsible to the board of directors in planning and implementing of the company's policy, as may be directed by the board and the total operations of the company.

6

The daily operations are led and directed by the various department managers and the administration in the above cited departments. The head office is located in the capital, Addis Ababa, and the corporation has one domestic branch office at Assab and one Overseas Representative office for Europe at Rotterdam.

It runs its operation with a total of about 80,000 dead weight tonnage of its own 11 vessels, with occasional chartered vessels, employing 271 workers, with 83 shore based and 188 seagoing personnel (refer to the Appendix No.1 for detail). At present the Ethiopian shipping lines corporations is represented by approximately 34 local agents in 19 different countries of Europe and in the Red Sea region. Domestically and in Djibouti the governmentally owned corporation i.e., Maritime Transit and Services Corporation (MTSC), act as ESL port and commercial agent.

4.1.1 THE SHIPPING DEMAND ANALYSIS

The demand for shipping services is a collective and derived demand stemming from many sources, the primary main reason being economic one. "In general, demand for transport results from "derived demand" for without the demand for goods there would be no demand for transport which constitutes an important element of the production process"/39.

The demand for the Ethiopian ocean shipping is an integral and dependent part of its international trade. Nearly all the foreign trade and particularly the export trade, in terms of volume, is mainly transported by sea. Only a very insignificant percent of the export trade such as perishable and precious goods are transported by air.

To determine the demand for the general movements of cargo in the Ethiopian foreign trade, a reference is made to the trend from 1974 to 1982. When analyzing this foreign trade figures, as per enclosed Table No.1, it could be realized that the Ethiopian trade structure is highly imbalanced with a limited range of exports that derive mainly from agriculture and importation of highly varied capital and consumer goods.

Import traffic has risen steadily for the dry cargo shipments over the last decade, while there is a steadily decrease of export cargoes since 1974. The adverse climatic conditions in certain northern parts of the country in addition to other physical, social, economic and

(39) Ibid. P.52.

political problems in the country have had an impact on the total export trade expansions. Liquid cargo which is entirely composed of petroleum products are imported and partly re-exported to some countries. This trade constitutes between 55-60 percent of Ethiopia's total trade and has been steadily growing since 1979 with a slight drop in 1980.

The coastal traffic consists of mainly shipments between Assab and Massawa, with occasional transshipment to and from Djibouti. This shipment is exclusively protected to the national carriers. In 1984/85, 117,800 tons of dry cargo and about 70,000 tons of refined petroleum was transported in the coastal service.

Ethiopia's current trade situation shows a composition of export items such as coffee, oilseeds and cake, pulses and vegetables, animals and products, sugar, salt, minerals, petroleum and petroleum products. This composition of trade has not changed in the last decades. Coffee remained to be the first main important export commodity, which accounts for about 60 percent of the total export trade. The second largest item being hides and skins, oilseeds and pulses are also significant.

The imports are characterized by items such as food grains, fertilizer, chemicals, metals and products, industrial machinery, transportation equipment, petroleum and petroleum products, etc.

According to the Ten Years Perspective Plan, as explained earlier in chapter two, the export trade of these traditional products like coffee, hides and skins

and pulses had a share of 73.5 percent of the aggregate export earnings in the 1984/85 budgetary year. The growth in the volume of coffee exports during the plan period is to start with 100 thousand tons in the 1984/85 and raise to 170 thousand tons. The share of earnings from other export items is planned to raise from a level of 26.5 percent in 1984/85 to 46.8 percent in 1993/94.(40)

As regards the imports, the aggregate annual rates of payments are estimated to grow three-fold at the end of the plan period, estimated at 8.8 percent annual growth rate. Here in this connection it will be necessary to recite the average GDP growth rate, which is 6.5 percent within the plan period, with agriculture GDP planned to increase at an average annual rate of 4.3 percent, industrial GDP at an average annual rate of 10.8 percent services GDP at an average annual rate of 6.9 percent. This being the manifestation of the efforts in the macro economic development strategy and structural and transformation of the economy, such attainments were envisaged to take place with in the plan period.

Hence it is within this context that we shall see the future overall trade development and demand for the shipping services, as an requirement for the international sea-borne trade of the country.

The possible growth of the country's international trade will necessitate the maritime transport need of the country at all stages of its developmental effort, as the demand for ocean shipping is an integral and dependent part of its international sea-borne trade and the economy as a whole. To have a view on the future shipping demand,

(40) All the figures here are taken from the Perspective plan as indicated previously.

the external trade forecasts, and future imports/exports according to the medium and high scenarios are given in Table No.2. It shows comparative external trade forecasts from the Transport Sector Study (TSS), the Ethiopian Port Study (EPS), and the Road Transport Study (RTS).

Regarding the direction of the trade, western Europe is the largest trading partner with Ethiopia, the second being Asia including Middle East countries and Japan has emerged as the largest trading partner in those areas, which account for the very significant proportion of the trade. Actually more than 64 percent of the export and 62 percent of the import trade were conducted with the market economies while trade with the planning economies while trade with the planned economy countries had a share of 16 percent of imports and 10 percent of the exports /41.

The trade relations with developing countries, as stated earlier, is growing from a share of 20 percent of exports and 16 percent of the imports before 1974, grew to 26 percent of exports and 23 percent of the import on average.

According to the plan export-import targets, there is an anticipation of aggregate steady growth with the plan period which as a result will create and increase the demand for ocean shipping, which is also an integral and dependent part of international sea-borne trade of the country.

(41) Ibid. p.163

ETHIOPIAN EXTERNAL TRADE STATISTICS
(IN METRIC TONS)

Table No.1

Year	General Cargo			Petro- leum	Grand Total
	Export	Import	Total		
1974	479810	243076	722877	647283	1370160
1975	361613	192868	554481	854252	1208773
1976	329125	253357	582482	595612	1178094
1977	206006	239323	445238	853089	1098327
1978	157573	267608	425181	617480	1042661
1979	226708	439182	665890	850334	1516224
1980	229089	528567	757656	932551	1690207
1981	254853	382995	637848	920751	1558599
1982	247874	575450	823324	954459	1777783

Source: Ethiopian Shipping Lines Corporation (ESLC),
1985.

FORECASTS OF IMPORT AND EXPORT VOLUMES
MEDIUM SCENARIO (000 TONS)

Table No.2

	1988/89			1993/94			1998/99	
	TSS	EPS	RTS	TSS	EPS	RTS	TSS	EPS
Imports								
Foodgrains	250	20	-	180	20	-	40	20
Fertilizer	180	450	140	380	100	220	475	100
chemicals	78	190	120	104	330	200	152	700
Metal & Prod.	105	240	184	141	424	300	206	750
Industrl.mach.	31	70	62	46	106	100	61	160
Transport EQT.	55	60	43	79	60	70	116	60
others	207	210	191	260	290	264	353	400
Sub-Total	906	1240	740	1190	1330	1154	1403	2190
Petrol.& Prod.	807	1900	957	1160	2600	1313	1460	3500
Grand Total	1776	3140	1697	2350	3930	2467	2863	5690
Exports								
Coffee	107	120	123	120	200	150	133	260
oilseeds&Cakes	65	70	80	90	110	117	100	150
Pulses & Vegt.	51	110	140	86	145	200	145	180
Animals & Prod.	26	130	48	35	210	60	48	290
Sugar	50	40	55	64	50	60	81	60
Salt	18	140	160	20	140	168	46	140
Minerals	10	-	-	60	-	-	70	-
Others	28	100	42	44	170	63	72	310
Sub-Total	355	710	648	528	1025	818	896	1390
Petol.& Prod.	215	700	366	302	900	501	386	1100
Grand Total	570	1410	1014	830	1925	1319	1081	2490

Source: World Bank, 1986.

4.1.2 THE AVAILABLE SHIPPING SERVICE (SUPPLY)

There are several ways of classifying shipping services, it could be identified as coastal shipping services or as deep sea shipping services. Shipping and shipping markets are so differentiated in technology and development that individual markets have to be considered separately. It may also be distinguished further between transportation of cargoes and passengers.

Shipping services could be divided according to certain indicators associated to the business activity involved i.e., by the nature and quantity of cargo, the type of ship and the areas where the ship is serving the trade. According to the type of shipping activities, it could be divided into the following categories:

- . . Liner shipping
- . . Tramp shipping
- . . Tanker shipping and
- . . Passenger shipping

Furthermore, these main groups could be divided into specialized markets. But the purpose here is not to deal in detail to these shipping services, rather it is to cope with one aspect of the above mentioned, i.e., liner shipping in the Ethiopian context from the supply point of view.

The Ethiopian liner shipping which is engaged mostly in the general cargo shipping of the country's sea-borne trade, involves in a regular service in the two main European trade routes and in the coastal shipping operation of the country with a total loading capacity of about 80,000 dead weight, (for vessel particulars refer Appendix No.2).

In its two main routes, it calls at a serious of ports. The areas served by the Ethiopian shipping lines are identified as followings:

- 1) Red Sea/Mediterranean/Adriatic route, which includes the port of Djibouti and the home ports of Assab and Massawa in the Red Sea mainly covers Jeddah, Piraeus, Rejeika, Trieste, Leghorn, Barcelona and Marseilles in the Mediterranean/Adriatic.
- 2) Red Sea/UK/North continent/ Scandinavia Route, which covers the ports of lehavre, Antwerp, Bremen, Hamburg and Middlesbrough in the UK, calls regularly and in Gdynia (polish port) and other Scandinavian ports call irregularly or serves through transshipment as necessary.

The Ethiopian Shipping traffic in these two distinctly independent traffic ranges can be shown in Table No.3. Analysis of these trade direction will show that ESI's share has on an average basis increased from 75 percent in 1981 to 82 percent in 1984 and from 45.4 percent in 1981 to 47 percent 1984 for the exports and imports respectively, in the UK/NC trading route. While it increased from 46.4 percent in 1981 to 50.5 percent in 1984 and from 16 percent in 1981 to 28 percent in 1984 for the exports and imports and imports respectively in the mediterranean route. When referring to the total number of ships calling at the Ethiopian national ports, the ship traffic in the number of ships show that there has been a steadily decline in the number of ships calling at the ports since 1974, i.e., since the time the country was in a serious social, economic and political chaos and changed its social system.

Since 1976/77, the total number of dry cargo ships calling at Assab has steadily declined from 422 to 380 in 1983/84. The number of ocean going vessels carrying dry cargo actually increased by annual average rate of four percent per year. The number of ocean going tankers calling at Assab has also increased steadily through 1983/84, rising at nearly 25 percent per year from 1980 /42.

During 1983/84, ship traffic through the port of Massawa consisted of 127 offshore general cargo vessels, 157 tankers from offshore, 30 general cargo coasters and 1 coaster tanker.

Coastal traffic consists of mainly shipments between Assab and Massawa on ESLC ships with occasional transshipment to and from Djibouti. During 1984/85, there were 42 general cargo ships and 16 tankers carrying 117,800 tons of dry cargo and nearly 70,000 tons of refined petroleum /43.

In general, when referring to the share of Ethiopian national shipping (as per enclosed Table No.4), it can be realized that ESLC's share of liftings in the UK/North Continent and the Mediterranean/Adriatic routes is showing an increasing tendency. While considering the percentage proportion of the export and import trade in these regions leads to a conclusion that there is no room for expansion of the Ethiopian shipping especially in the UK/North Continent route.

(42) World Bank, East African Regional Transport Dept.
Survey on Ethiopian Port Development,
1986, p.13.

(43) Ibid.

Here it is worth considering the UNCTAD Code of Conduct for liner conferences in the context of these arguments, which states the provision of '40-40-20' ratio of cargo sharing and which the Ethiopian shipping in these regions is more than this figure (for detail information on the cargo flow, operations at the two national ports of Assab and Massawa and the composition of export/import cargo, refer to the appendixes No.3,4 & 5).

But generally speaking, the Ethiopian national shipping fulfils on average only 20-25 percent of the total shipping requirement of the country's international sea-borne trade, hence in this regard it could be said that for Ethiopian shipping lines there is still a room for expansion of its operational activities in line with its foreign trade development. The beneficiality this expansion to the economy of the country will depend on how the shipping industry is structured and performs. If the overall shipping performance is based on high productivity and efficiency competing with the foreign shipping service to the country, then it would be significant for the foreign trade development in particular and for the economic development of the country in general, otherwise it will be a cost to the economy of the country affecting the welfare of the society.

ESL'S CARGO LIFTING SHARE
IN
THE EUROPEAN TRADE ROUTES
(1981-84)

Table No.3

	1981	1982	1983	1984
UK/N.CONTINENT				
Export	69273	62358	71499	76293
ESL Lifting	52131	36503	45419	76293
ESL %age share	75.0	58.5	63.5	82.0
Import	288523	255259	339728	339208
ESL Lifting	130859	141951	119254	159728
ESL %age share	45.4	55.6	35.0	47.0
MED/ADRIATIC				
Export	42334	38107	43694	46623
ESL Lifting	19652	25566	23870	46573
ESL %age share	46.4	67.1	54.6	50.5
Import	131147	116027	154422	154198
ESL Lifting	20982	27353	33453	43176
ESL %age share	16.0	23.5	21.6	28.0

Source: ESLC, 1986.

VOLUME OF ETHIOPIAN GENERAL CARGO TRADE
&
SHARE OF ESLC.

Table No.4

(000' M.Tons.)

YEAR	VOLUME			ESL SHARE			ESL SHARE IN %AGE		
	Exp.	Imp.	Tot.	Exp.	Imp.	Tot.	Exp.	Imp.	Tot.
1977	209	239	448	35	57	92	17	24	21
1978	158	268	426	33	81	114	21	31	27
1979	227	439	666	48	118	166	22	27	25
1980	227	529	758	55	155	210	25	30	28
1981	255	383	638	62	156	218	25	41	35
1982	248	575	823	72	151	223	30	27	28

Source: ESLC, 1986.

THE STRUCTURE OF COST AND PROFITABILITY OF SHIPPING OPERATIONS

The subject of costs is crucial element of economic analysis. Despite some differences in definition, costs are seen as expenditure by the producers to generate goods or services. Cost of shipping may be regarded from two different points of view, a) as cost borne by the ship operator to produce his service and b) as a cost borne by the user of shipping services. These two costs are totally distinct from each other and constitute two separate economic categories /44. Here we shall deal with the cost borne by the shipping company as owner to produce the transport services. Costs involved in ship operations determines the price for shipping services in general in both the fixing of tariffs in the liner shipping and charter rates in the tramp shipping. Generally, shipping economists distinguish four groups of costs: overhead costs, operating cost or vessel overheads, voyage expenses and cargo or direct costs.

Company overheads- these are considered as fixed costs and include the following items:

- a) general costs: management of firm, accounting, banking costs, planning etc
- b) marketing and advertising: statistics, agency fees etc,
- c) marine overheads: nautical, technical control of marine stores.

(44) Chrzanowski, Op.cit. p.

Vessel operating costs (vessel overheads): are those are costs related to the maintenance of the ship in service. They are fixed costs independent of output. They typically include the following items:⁴⁵

- a) maintenance and repairs of hull and superstructures
main and auxiliary engines, propulsion gear,
equipment, docking, etc.,
- b) surveys of quadrennial and annual, collision
surveys,
- c) Insurance of hull and machinery, P & I
- d) Staff costs of salaries and bonuses for the crew,
leave pay, social security, travel expenses, etc.
- e) victualling, laundry, clothing, etc.,
- f) radio
- g) ship's stores of deck and engine

Voyage costs are those costs connected with running the shipping under normal operating conditions. they include the following items:

- a) fuel costs in transit and in port per day and per hour. Fuel consumption in port is approximately one fifth of consumption in transit.
- b) port dues and charges are harbour dues, wharfs dues, light house dues and pilotage and towage, port authorities(police, sanitary, customs).
- c) agency expenses are all costs connected with the services rendered to the ship by the ship's agent.

Cargo or direct costs are those costs which are typically variable as their amount varies with the quantity and nature of the cargo handled to and from the ship

(45) Ibid.

The following costs are included in direct costs:

- a) costs connected with loading and discharging of cargo, stevedoring, carriage to and from the ship, tallying, measuring, weighing and dunnage etc.,
- b) passenger costs are those expenses on board, stewards' wages, and other related costs etc.,

The costs enumerated above being the same in the Ethiopian shipping context the followings in the structure of costs are points of consideration.

- . Crew costs
- . Fuel costs
- . Insurance
- . Repair and maintenance
- . Depreciation and interest on capital
- . Cargo handling costs
- . overheads

The price of services which depend on the nature of these costs in the shipping industry. The most important characteristics is the very high proportion of fixed costs to the total cost and the structure of costs for a moderate typical cargo ship varies around the average, arising out of variations in the method of depreciation, the nationality of the crew, the insurance rates, etc.,

According to the 1983/84 and 1984/85, revenue and expenditure structure of the Ethiopian shipping lines corporation, (as per enclosed appendix No.6) the following could be realized:

Crew cost which is the main item in ships cost, constitutes 5-10 percent of the operating expenses and basically this crew cost depend on ship's size and man-

ning scales for particular type of ships, nationality of crew and pay conditions. Except very few number of expatriate officers, all the ships are manned by nationals and hence the crew cost is domestically controlled by the national social and labour office wage scales. Although this is the case, these costs are the most important factors influencing the efficiency of shipping operations in general.

Fuel Costs are determined by a number of factors, such as type of the engine, horse power, type of fuel used and the price. Costs of fuel and lubricants account for about 10- 20 percent of total costs and speed is very important in determining of fuel costs.

Repair and Maintenance cost includes several type of repairs: annual classification, repairs and surveys, collision repairs, current repairs, dry docking, paintings etc., These accounts for about 5-10 percent of total costs and depend on the ships size, the size of job, the ships' condition, labour costs in the yards, supplies etc. The maintenance by regular seagoing crews and a careful selection of a repair gives a considerable savings in this context. In the recent past due to the old type of ships maintained by the corporation these cost accounted for the major part of the total costs.

Depreciation which is one of the basic costs represents about 5- 20 percent of the total cost. This varies with the methods of depreciation used. There are certain rules in defining the annual amount of depreciation but in the Ethiopian shipping the straight line method of depreciation is used. In some countries the government allows the shipowners to write-off the

initial value of ships at factor rate in which such progressive depreciation enables owners to renew their fleets in order to avoid obsolescence and to keep pace with competition and technical progress in shipping.

Insurance Costs are those which could be affected by the actual value of the ship size and the scope of the coverage, the insurance rates (premium) will depend on such matters as the owners experience and record, the age and condition of the ship, the expertise of the crew and the number of ships involved. Furthermore, owners subscribe to a number of insurance policies to provide protection against a physical loss or damage to the ship, liability to the third parties or against the loss of earnings. Such cost of insurance totaly may account for 2-10 percent of ships fixed costs depending on a number of factors such as the values of insured, casualty record, scope of coverage etc.,

Port dues and charges are costs made against the ship for the use of harbour. It accounts for about 8-12 percent of the total costs and vary considerably according to the time spent in ports, ship size and rates paid in particular ports. It includes harbour and berth dues, towage, pilotage, lighthouse dues, wharf dues and many other costs related to arrival, port stay and departure of the ship. This costs could not be avoided by the owner, other than selecting, if possible, to use a competing port where charges are less and reduce the amount of these costs with careful scheduling of voyages to avoid unnecessary waiting time in ports.

Cargo handling costs are typically direct variable costs which depend on the quantity and nature of the

cargo and these costs vary considerably on each voyage. It includes operations such as: stowage, lashing and securing, weighing, transfer from warehouse to ships and vice-versa etc., Labour is the principal element of handling costs with varying degree from port to port and port handling rates depend on the type of cargo served which are higher for bulk cargoes handled with the use of mechanized handling equipment of high performance and cargo unitization led to considerably reduced unit costs due to the increase in productivity of labour.

Regarding its profitability, the Ethiopian shipping lines runs at a profit. The gross profit raised from birr 2.48 million in 1974 to 10.92 birr in 1984/85 (see appendix No.6,7 & 8). Its future to run at a profit depends on domestic and external factors that could challenge the general operational pattern of the shipping industry and its rationality in reacting to such external challenges and the domestic conducive atmosphere for its developmental effort.

4.2 VIEWS ON FUTURE MARKET DEVELOPMENTS AND POSSIBILITIES OF EXPANDING ETHIOPIA'S BULK SHIPPING

The future possible market developments for Ethiopian shipping in deep sea and coastal trades may fall within three major areas, i.e.,

- . Expansion based upon the national trade,
- . Expansion as international cross traders and
- . A combination of the two activities.

The future prospects of shipping within these areas depend on the national and international economic growth in general and international trade in particular and it also depends on world shipping patterns.

With regard to the economic growth of the country, the ten years Perspective plan primary goal is the achievement of 6.5 percent average annual growth rate. The foreign trade estimates shows that the export trade will grow by about 2.6 fold and the import by about 3 fold at the end of the plan period. The estimates will however continuously be influenced to a certain extent by the world trade recession or alternatively by general trade improvements, inflationary factors and by the domestic social, economic and political conditions.

The Ethiopian foreign trade could benefit for certain few years to come, as long as supply of ships and competition exists on highly competitive sea freights and dry cargo transports due to its strategic location in the Red Sea and numerous ships passing through the Red Sea.

It is however, a fact that considerable quanti-

ties of the trade particularly in the European route is secured to the national line with the administrative support of the government.

To develop activities of the Ethiopian shipping, the future general trend and direction of the foreign trade should be examined in this connection. The Ethiopian shipping European Northern traffic must be considered satisfactorily covered by the present liner involvement as we have seen the first part of this chapter.

While looking into the future expansion of the shipping activities it should be considered within the trade to and from the country. Here there are three vital fields of activities which can be discussed for development viz. the bulk trade, the liner trade and the coastal trade.

In considering the practical development of the Ethiopian liner trade there is still a wide field open for Ethiopian shipping to take a bigger share of the general cargo import/ export trade to and from Ethiopia. To determine what share of traffic should be the Ethiopian shipping long term policy, it would be possible to have a futuristic view and try to evaluate the cargo sharing system of the UNCTAD Code of conduct for liner conferences, the '40-40-20 %' ratio. The country's objective and achievements have been to ensure its own full participation in the carriage of its national liner cargoes. Ethiopian shipping line at present carries about 20-25 percent of the total country's foreign trade shipping demand. Hence in this regard in general we could have a futuristic positive view of expansion for the Ethiopian shipping industry in line to the trade requirements of the country.

Considering the available foreign trade statistics

there are certain traffic areas which seem suitable for future developments in the liner and cabotage trade. For the liner trade, the developments of the far east traffic has been a hope for lucrative shipping transports to and from the far east, mainly Japan. The expansion of trade relation with this region is also a hope for the shipping industry.

The possibilities of Ethiopian line to participate in the USA trade has been at present reduced due to economic and political factors. If we consider coffee, which is the major single export item to the USA, all coffee sales are on a FOB basis and the American importers decide upon the carrier, on the other hand, the terms of sale should be changed to CIF in which case the Ethiopian shippers (Coffee Board) could nominate carrier on this side. However this could be very difficult and the carriage of coffee to the USA is nowadays intimately integrated with the final delivery to the consignees, with newly introduced system of transports suiting these coffee importers and the system could be very difficult to change. The adoption of such a transport system to Ethiopian shipping would be difficult technically and administrative wise and besides so expensive under which the Ethiopian shipping could not enter into such a highly competitive venture. Hence, the future expansion to this area is pessimistic in the short run.

Coastal/Cabotage trade to and from Red Sea ports on the Arabian Peninsula and the Persian Gulf are suitable and seems feasible for immediate traffic development. This could cover the service to neighbouring African and middle east regions.

However, it should be noted that present as well as

future traffic expansion is a point to be considered on the basis of sound economic criteria within the national context.

Possibilities of expanding Bulk Shipping

Bulk shipping provides the following functions in the World economies:

- 1) Transporting raw materials from point of origin to point of need permitting optional location of industrial sites,
- 2) Transporting fuel supplies from areas of surplus to deficit areas (both crude and product movements),
- 3) Food supplies are similarly moved from surplus to deficit areas. In these trades, inexpensive bulk shipping allows movement of low value goods in large volumes.

World maritime trade in 1982 amounted to 3.21 billion metric tons. This figure is down from the highest trade level, 3.77 billion metric tons, achieved in 1977. The transportation of petroleum accounted for about one-half of the tonnage in world wide maritime trade. Major dry bulk commodities, including iron ore, coal and grains, accounted for another one quarter of the tonnage shipped. The remaining quarter came from the transportation of general cargo items /46.

(46) E.G. Frankel & J.Cooper, Bulk Shipping and Terminal Logistics (World Bank Technical Paper, No. 38. Washington:1985) p.12

Bulk shipping which is part of a much larger industrial process, the shipping service required depends on the size and location of processing facilities. In the sense that for bauxite, the type of shipping required depend on the relative cost of electricity since this cost determines where processing plants will be.

Shifting of raw materials, including fuel and other mineral products, most of which are supplied by developing countries gave rise of interest of these countries in the bulk shipping trade. Their interests in owning and operating bulk shipping is aimed at foreign exchange earning from the transportation of their international sea borne trade and the impact of domestic control.

Developing countries have major interests in ensuring that a bulk logistics system plan, before it is undertaken, is in accordance with their development goals. A country can improve its economic position, either by improving the continuous stream of real income resulting from trade, or by reducing the continuous real expenses. Investments in the bulk shipping can achieve both to some degree. However, such investments should be made in areas where the country has the greatest comparative advantage and this may or may not include bulk shipping /47.

The possibilities of expanding of Ethiopian bulk shipping is a point to be considered with the above mentioned considerations. The transport of dry and liquid cargo bulk shipments constitute a significant quantity in the country's general import/export trade. The major bulk commodities to be considered in the bulk traffic are crude oil and petroleum products, grains, fertilizer, sugar

(47) Ibid. pp.19-20

molasses, and cement. Consideration of the bulk shipments show that "between 55-60 % of Ethiopia's total trade is concerned with crude oil import and import/export of petroleum products. In this trade only a fragmental share is now covered by the time chartered coaster with coastal shuttling service with white oil products from the Assab port oil refinery to adjacent ports. Within the carriage of crude oil and petroleum products from the persian Gulf is included considerable freight amounts in foreign currency which seem natural if possible to preserve for the country in one way or the other /48.

The involvement in the dry bulk import/export trade will depend on the development of the country's economy. The imports mainly consists of grain and hence the future import or export of this trade depends on the country's economic development in general and of the agricultural sector in particular. The export of sugar molasses and the possible export of bulk cement from the expanded cement factories are the other traffic, where bulk transports will continuously involved in the Ethiopian bulk trade structure. The export of minerals are limited and are exported in bags, will not demand any bulk carrying ships. Generally, it is assumed that the volumes of major bulk commodities traded depend on the economic performance of the country's economy, relative energy demand, political stability and degree of freedom of international trade. Hence, we could realize that bulk trades are subject to major changes in the volume and direction of trade as it depends on these conditions.

(48) J.A. tornquist, The Ethiopian shipping lines,(-
Traffic Expansion and Constraints, Final
Report, Addis Ababa: February, 1977), p.75

- . world order book,
 - . long-term changes in the composition of the world fleet.
3. Ship Market conditions
 - . current spot and term charter rates,
 - . aggregate of past market behaviour,
 - . volume of market activity,
 - . volume of scrapping and laid-up vessels,
 4. Expectations and Forecasts
 - . forecasts of market level, operating costs and shipbuilding prices,
 - . availability of backhaul arrangements,
 5. Nature of commodity using transportation
 - . type, grade and quality,
 - . value per ton,
 - . seasonal or non-seasonality.
 6. Control over commodity source
 - . degree of outright control,
 - . ability to schedule production and shipment
 7. Control over commodity use
 - . nature of use (continuous or intermittent),
 - . ability to schedule use,
 - . volume of turnover,
 - . size of consignment acceptable.
 8. Availability of alternative forms of transport
 9. Cost related variables
 10. Impact of transportation costs on specific parties
 11. Expected cost of product shortages

The changes in one affects the other and finally the trade

Considering the short and medium range future of the major bulk trades, there is a possibility of bulk shipping, there is a possibility of bulk shipping operation for the country in which way the it could participate to reduce the considerable drain of currency. Especially the liquid bulk trade is a case to be considered and an increase in the number and fleet capacity of the existing vessels will be vital if it could operate under competitive market conditions of the trade.

However, with regard to future expansion of Ethiopian bulk shipping, certain condtions should be considered which could act as prons or cons to the bulk shipping venture.

Important considerations in organizing bulk shipping which must be studied before decisions are made on ship acquisition, chartering and various aspects of bulk shipping operations can be summerized as follows:/49

1. Strength of demand for transportation
 - . political and strategic considerations,
 - . seasonal considerations,
 - . demand for shipping of other commodities,
 - . demand for shipping of same commodities in other regions,
 - . long-term changes in production, consumption, and methods of distribution of commodities,
2. Supply of vessels
 - . utilization of the current fleets,

(49) Frankel & Frankel, Op.cit. pp.31-32-

4.3 MARITIME INFRASTRUCTURAL PROBLEMS OF THE ETHIOPIAN SHIPPING INDUSTRY

When a society is moving from a subsistence economy into a modern industrial society, a number of infrustructural problems are likely to appear.

Ethiopia in this respect has a very weak infrustructural system of all kinds and hence substantial improvement is essential for rapid economic development of the country.

It also faces severe difficulties and suffer from bottlenecks in the transport sector. The economic and social development of the country is seriously hampered by the absence of adequate infrastructure. The improvement of the physical infrastructure is very vital for the expansion of all productive sectors. Essential social services and increasing production requires increasing trade and the latter will require increasing and efficient transportation means.

Shipping as an element in the transportation system and which plays a significant role in the international sea-borne trade of a country, to be effected efficiently requires the improvement and development of infrustructural facilities and the availability of a great variety of services.

According to prof. Gergandopolous /50, definition the term infrustructure is meant the totality of organization, facilities and services needed by the shipping

(50) Georgandopolous, Op.cit. p.5

industry both at national and international levels. He further explains that to become able to develop and effectively produce its transport services, then it could be observed that such infrastructural services could be offered:

- a) by the economy of a country having a merchant marine, to the national merchant marines as well as to ships and/or firms of any other nationality.
- b) by the economy of any country not even having a significant merchant marine.

The development of an infrastructure system which covers these extensive spectrum of services needed by the shipping industry are also the most important factors in the development of Ethiopian shipping.

To-date the maritime infrastructural problems that face the shipping of developing countries in general and Ethiopian Shipping in particular could be categorized into the following headings:

- Maritime Administration
- Port developments
- Manpower training
- Finance and Banking Services
- Shiprepairing and other institutional services

4.3.1 MARITIME ADMINISTRATION

Maritime Administration issue is the most prominent topic among the problem specification, in the maritime sector development of developing countries.

Effective maritime development of developing countries is directly dependent on their respective capabilities created through establishment and performance of appropriate maritime administration. and (...) the following /51; are the basic problems as regards matters pertaining to the maritime administration i) Inadequate awareness of the basic problems themselves

- ii) Non-involvement in the evolution of international standards and the consequential problem of having to deal with them in isolation.
- iii) Out-dated maritime legislation
- iv) Inadequate infrastructure as regard organization and personnel, for ensuring:
 - a) proper standards of maritime safety on board ships, which cover not only the ships themselves but also the provisional manning them,
 - b) maritime development in general
 - c) attention to allied maritime matters
- v) Shortage of marine officers with the needed qualifications and experience
- vi) Lack of training facilities for marine officers

(51) Vanchiswar, P.S. Establishment/Administration of Maritime Affairs in Developing Countries, Volume 1, WMU, 1984, pp.21-22.

and seamen.

The above mentioned basic problems have continued to exist in the Ethiopian maritime context.

The general responsibilities for the Ethiopian maritime affairs are placed under the Ministry of Transport and communications with the responsibility of policy making and the general management in this fields.

The Maritime sub-sector which constitutes three public organizations:- i.e.,

The Marine Transport Authority

The Ethiopian Shipping Lines Corporation

The Maritime Transit and Services Corporation

The maritime transport authority which is empowered by legislation with the responsibilities to under-take the maritime administration of the country, is confined itself to some aspects of the maritime administration activities and particularly to port operations. Thus herein lies the major Ethiopian maritime administration problem in the sense that the vertical and horizontal organizational structures are some how distorted and lack an administrative set-up in the field.

The primary functions of the maritime administration being those maritime affairs within the country's maritime code, and the maritime code although it is not of recent origin, with some amendments by proclamations has been the guiding regulatory act upto the present time. The maritime transport authority which is empowered to exercise the regulatory functions of the maritime administration affairs, failed to regulate the orderly developments of the maritime sector of the country.

It is obvious that the authority which is supposed to be regulatory body under the ministry of transport and communications, to control the port activities, Shipping industry, maritime and transit services, inland waterways and development of other marine resources and activities, by confining itself only to port operations and to some extent to inland waterways affects both the developmental and regulatory functions of the maritime administration of the country and hence ultimately causing to inefficiency, ineffectiveness of operational activities in the sector and failer to develop desirable comprehensive goals and objectives.

Maritime transport authority as a national maritime administration unit should cover the important broad areas which such an administration is required to deal with.

These are as follows:

- . Development of National Maritime Regulations and General Shipping Policy
- . Registration of Ships
- . Tonnage Measurement of ships
- . Assignment of load lines to ships
- . Safety equipment surveys and issuance of certificates
- . Examination and certification of ships' officers.
- . Investigation into shipping casualties
- . plan approval and equipment approvals
- . Annual, intermediate and periodical survey
- . Survey for safety construction certificates and issuance of certificates
- . Crew accommodation regulations and approval
- . Grain carriage issuance of document authorization
- . Dangerous goods approval of stowage
- . Seamen welfare

- . marine pollution prevention, control and combating
- . Search and Rescue
- . Navigational aids
- . Hydrographic Surveys
- . Wreck and Salvage
- . Inspection of foreign ships in national ports in accordance with port state control regulations
- . Participation in international activities related to maritime safety, pollution prevention and other activities.
- . Implementation of international conventions and agreements.

Although the maritime administration of a country depends on the local conditions, stage of maritime development, availability of skilled manpower in the field, the quantum of sea-borne trade of the country and the total number of ships by the flag state, a proper maritime administration must necessarily cover those aspects of technical and administrative affairs of maritime activities in general. Regarding the maritime administration functions of a country, profess of Vanchiswar explains as followings: the primary functions of the maritime administration in a developing country would also have to be both developmental and regulatory. The developmental functions contribute directly to maritime development and the regulatory functions also contribute to such development and economic advantages consequentially (52).

The developmental functions can take the form of participation in the process of formulating the policy of

(52) Ibid. P.53

the government as regards maritime development and deciding upon the activities to be undertaken in connection with such functions are essentially contributing to the overall economic policy decisions to be taken by the government through the economic, trade and planning ministries and may include:/53.

- a) the appropriate analysis/ assessment of the most suitable types and number of ships required to meet the scale of development planned,
- b) development of the man-power needs of the shipping industry,
- c) development of shipbuilding and ship repair capabilities,
- d) development of (marine) ancillary industries,
- e) assessment of the suitability of national ports for the intended ships and proposals for required development /improvement,
- f) development of the (marine) man-power needs of ports and
- g) development of employment opportunities for national seafarers.

The regulatory functions are expected to ensure in the main,

- a) safety of lives, ships and property and
- b) protection of the marine environment.

These in turn are expected to ensure in the context of development and economy :/54

- a) maximum efficiency in the operation of ships,

(53) Ibid.

(54) Ibid. p.54

- with consequential economic advantage
- b) creation, development, protection and preservation of national maritime skills
 - c) conservation of national property
 - d) reduction in the maintenance costs of ships
 - e) conservation of foreign exchange
 - f) avoidance of disasters and consequential loss of (or damage to) lives, property, marine resources and heavy expenditure
 - g) maintenance of marine insurance premium at an advantageous level
 - h) provision of overall impetus to maritime development, and
 - i) projection of the image of the country in every favourable light in the maritime world .

Hence, these being vital points of consideration of a proper maritime administration, such developments in the maritime field will depend on the organization, structure, management effectiveness of the maritime administration of the country, and the government role in understanding and giving a due consideration to its development with priorities it deserve. The various roles of the government and functions to be undertaken in connection with the maritime affairs and the advantages of such maritime development in general should be apprehended fully in line with the contribution of the shipping industry to the national economy of the country. With regard to the shipping industry development, the existence of a well organized administrative apparatus looking after the problems of the merchant marine industry and the whole spectrum of maritime fields development is very vital.

4.3.2 PORT DEVELOPMENT

The critical role of the sea port in the development process of a country has received increased attention in recent years by many developing countries. Sea ports through which almost all the external trade of that country passes will act as a growth pole or as a restrictive influence upon development of the country. Lack of adequate port facilities can be a major deterrent to national and regional economic growth.

ports are transfer points in the flow of commerce and transportation having their own peculiarities. "The role of a port system in a developing economy is in many ways a crucial one. For most developing nations the port system sits astride the vast majority of the import-export flows. To the extent that the developing nation conforms to the pattern of producing raw materials for export and consuming imported finished goods, foreign trade is a critical component of its economy" /55.

The Ethiopian present two national sea-ports of Assab and Massaw being the vital links in the transport chain to the hinterland could make a significant contribution to the economic growth and development of the country.

When a modern proper port system is being considered, one thinks in terms of a series docks equipped with deep water quays, transit sheds, ware houses, cranes, dry docks and repair facilities for vessels, with

(55) Gary Fromm, Introduction: An Approach to Investment Decisions, Transport Investment and Economic Development. (Brookings Institutions, 1965) p.3

access to all these by a system of roads, railways and with whole of these facilities coordinated by an over-riding management seized with the one aim of speeding the flow of goods through the port.

These multiplicity of services provided to many users and the relationship or interaction that prevails between the users in the port system of operation and development can have profound effect on the economy of the country in general and on the shipping industry in particular, as being an important part of the system in the port net-work of the country.

To-date certain distinct types of port organizations are found in the world. Those are mainly,

- . private ports,
- . government owned ports and privately managed ones,
- . ports operated as a regular government, department or a part of a larger government department and . ports operated by an independent port authority either local or national.

In the Ethiopian case, the ports are owned and controlled by the predominance of government power, operated by the marine transport authority under the ministry of transport and communications supervision. The authority is directly responsible for operating the port, there are also many related organizations to port operations, such as barge operators, storage agencies, shippers and receivers of freight, export agents, ship brokers and agents, foreign consuls and financial institutions. Furthermore, there are many specialized types of services associated with ports, such as ship-repairing, oil and coal bunkering, ship-chandlers and others. Among which there is a sole shipping agent all

the operations with exception of few non-existent are monopolized by one authority which is the main cause for inefficiency in port operations.

The port management is actually responsive to the central government policy within the administrative-economic structure of the country. By the same token, the institutional-economic forces operating on the port reflects the same administrative-economic structure of the country.

The Ethiopian port authority is not a form of government corporation, doing business with the public as any other corporation, rather an administrative body of the maritime sector in the economy of the country. But it could be said that there is no proper administrative structure in this regard, in a sense that there is no isolation between port activities and the marine authority, i.e., to say marine transport authority confines itself to one aspect of the maritime sector -port operation and there is no separate organizational entity between port and marine transport authority. The marine authority is doing what the port authority was supposed to do in its existence.

The creation of port authority theoretically implies that the central government of the country has decided to treat of the ports as separate units from other governmental activities and the impracticality of such objective creates constraints in-efficient operation of shipping activities.

The practical approach which is commonly used is that a port authority is created to run as a business, in

a business like manner in the public interest. One of the most important necessary thing is to develop a high degree of administrative and managerial competence with skilled manpower at all level for an efficient management of port operation.

Hence, as to the administration, there should be an administrative line drawn between the port authority and the marine transport authority, which at present seems quite irrational in terms of organizational structure relationship. Furthermore, isolation of port activities as an organizational entity should be set up under the port authority. Although, the course chosen depends on the socio-economic circumstances of the country, alternative forms of organization (i.e., alienation of marine transport authority from port authority and isolation of port activities as organizational entity) should be set-up.

Shipping industry depends on an efficient port operation that can meet its requirements at all circumstances, the development of administrative qualities and the development of physical port infrastructures at present and for its future expansion should be considered from the broader context of national economic development as well as port developments.

When a modern port is being considered, the present Ethiopia's move for improving port conditions, mechanization is applied to port operations. Machines for lifting and lowering cargo such as quay, mobile, forklift, cranes, Machines for transporting cargo such as trucks, tractors, and machines suitable for piling and unloading up cargoes are available to a certain extent. (see appen-

dixes 10-15 for port size, capacity, port facilities and available mechanical appliances)

Economic analysis of port operations is complicated by a number of problems which most of them are common to the economic analysis of transportation in general. The existence of multiple users, the question of defining capacity, the time horizons and measurements are the most common problems in economic analysis of port operations. The fundamental questions of examining costs and operating phenomenon of a port system to be looked revolving different variables and their interactions, and the costs associated with the set of variables and flows.

Analysis of the economic implications of operating functions of ports shows a two-ways process. That is the functions undertaken by the port has implications for the surrounding economic area and for the economy of the country with which the port is located on one hand and a given operating function implies a particular combination of capital and operating expenses for the port which in turn will be influenced not only by the surrounding economy but also by international economic conditions and practices and other factors.

The development of port system has a critical role in the development process of a country. It has been claimed for transport that is "the formation power of economic growth and the differentiating process" and that a lack of transport facilities is a major deterrent to rapid economic growth and social progress. Transport difficulties have considerably related the exploitation of national resources, industrialization, expansion of trade and in some cases the achievements of national

unity. And these general statements of transport are also found to be true for seaports.

Hence for efficient port operations certain physical infrastructural developments and provision of port facilities and equipment have a necessary condition. Port are multi-functional and they tend to become growth poles at which economic development is concentrated in the sense that sea port extends to the industrial and commercial activities associated with the transfer of goods.

The relationship between port development and the economic and social advance of a country, the provision and improvement of port facilities must be a high priority concern within the sphere of national economic planning in line with the development requirement of the shipping industry.

4.2.3 Manpower Training

Shipping activity and its development is an integrated process. The development of human resources in this integrated process of a shipping industry is vital. There could not be a successful operation of shipping without the availability of skilled manpower both for the management purposes and for manning of vessels.

The development of human resources in such a field provides the means to maximize the national advantage in shipping industry of a country. The development of such human resources are bound to be affected by the prevailing economic, social and political condition of a given country positively or negatively.

For its positive effect, the assessment, ensure the availability and planning the future trained manpower needs in the maritime sub-sector in general and for the shipping industry in particular, both in quantity and quality for the optimum utilization of such trained manpower to the national advantage is very essential for a country in the context of its successful shipping operation.

The Ethiopian shipping future successful operation and development to a large extent depends on the availability of trained personnel in all ranks for the ships and managerial expertise. Such problems could not be solved adequately before a considerable period of time and hence well planned training at all levels is necessary to meet the skilled manpower demands and secure the future success of the shipping industry.

The present method of recruiting personnel for the shipping industry particularly within the level of rating just by taking on board vessel without any preliminary training needs review and pre-sea training will be necessary somehow.

In the absence of a training institute and which is not actually feasible to establish on individual basis, for maritime personnel training in the country, the only remedial option will be training of nationals in regional maritime institutions or academy. The establishment of regional maritime institutions in cooperation with other neighbouring countries will be vital instrument of alleviating the problem of scarcity of well trained seagoing personnel for the expansion of shipping industry.

4.2.4 Finance and Banking Services

The economies of developing countries are primarily agricultural products and of the subsistence type which yields little or no surplus. Hence developing countries face serious economic constraints to meet investment needs from domestic saving and out of export earnings. Capital shortage in these countries is considered to be the constraint in their economic development.

Establishment and expansion of merchant marine of developing countries in general with the exception of few have faced scarcity of investment of capital which is an impediment in shipping development of these countries.

Developing countries generally acquire vessels from foreign countries which need to be paid for in foreign currencies with many of the developing countries facing severe balance of payments difficulties and competing demands for capital from other sectors of their economies the availability of foreign finance, on favourable terms considered to be an important consideration in the expansion of their merchant fleets.

According to UNCTAD export report /56, it is stated that a number of developing countries identified the various sources of finance which had been available to finance ship acquisitions for their national fleets. These included:

(56) UNCTAD Report, "Merchant Fleet development Ship Financing for Developing countries" (TD/B/C.4/294 December 18, 1985) p.1

- a) Shipyard credits- official ship export credits and officially guaranteed private ship export credits financed by shipyards and banks,
- b) Foreign and local private commercial bank loans,
- c) Loans granted by international or regional, development banks or finance institutions ,
- d) Bilateral aid or government to government soft loans,
- e) Leasing arrangements,
- f) National funds set out for shipping of shipbuilding development and
- g) joint ventures of these sources, shipyard credits, commercial bank loans and government to government credits or bilateral aid, individually or their various combinations, were the most commonly mentioned, while the remaining sources appeared to be generally less common.

In the Ethiopian case, the existing banking system in the country more or less provides the necessary banking services related to the seaborne trade and the operation of the shipping industry. But the national Bank may not be able to satisfy the significant part of the shipping finance investments payment abroad rather it finances the shipping investments in a way by servicing loans- i.e., capital repayment plus interest.

There are also certain short term financial requirements of the shipping industry which are requirements of the shipping industry which provided by the local banking system such as supply of working capital to shipping and agency enterprises, credit facilities in relation to supplies received on board,

advance payments to sea going personnel, financing of repair works effected in national ports.

4.25 Shiprepairing and Other Institutional services

As explained earlier, the demand for shipping services and thence shipbuilding and shiprepairing is a function of growth of international sea-borne trade. The demand for individual or specific shiprepair yards is to a large extent dependent in the trade patterns and shipowners operational flexibility.

There are a number of reasons why shipowners repair and maintain vessels and although some such repairs and maintenance do not necessarily require the use of a shiprepair yard, others either have to be done, or are best done, in a repair yard dock.

The reasons for repairs and maintenance can be summerized as follows:

- . maintain safety standards,
- . statutory requirements,
- . classification requirements,
- . save money,
- . prevent break downs and improve effectiveness,
- . improve efficiency,
- . maintain asset value,
- . company image.

The survival of an adequate shiprepair industry is naturally vital to shipowners. Because of changes in repair/ maintenance technology, operating strategy and improvements in communications, owners have a far wider choice. The options open to an owner are dependent upon

the nature of the repair and maintenance task. These may be undertaken in the following situations:

- . at sea on passage,
- . in port,
- . sea going maintenance team,
- . main event (dry dock),
- . main event (afloat)
- . awaiting cargoes,
- . standing down, awaiting orders.

Shiprepair yards are primarily involved in item 5 and to a lesser extent item 4 and 6. The decision of when to repair/maintain is taken after assessing commercial and technical consideration but generally falls under the following main headings:

- . comply with survey requirements,
- . charterers' requirements,
- . survey extension to suit (2) above,
- . comply with special offers from contracts and repairyards,
- . comply with stand down periods,
- . break down,
- . Damage.

Many shipowners are increasingly finding themselves locked into required or route related repair centres, thus limiting to some extent their ability to shop around the international market place because of high cost deviation. The same holds true to the Ethiopian shipping case, in which the company locked itself into a route related repair centres. In the docking of any vessel there are costs which may be calculated and which results the outf-

low of foreign currency to the disadvantage of the national economy. Besides, the wide spread recession in the world yards intense pressure in maintaining work loads. The industry continues to shrink where current work loads are not enough to maintain capacity. This will have an effect on shipping industry of all the efforts pegging repair charges at higher level or there may be serious shortages of docks in certain location, due to the fact that the industry has been radially re-located in the far east during the past decade. Actually, some developing countries have invested in their own floating docks so that routine dockings can be accomplished and provide local employment.

Hence, the option for Ethiopia will not be different other than developing its own shiprepairing yards at least to its shipping industry requirements or developing the industry on regional basis with the neighbouring ship owning countries.

Classification Society

For numerous reasons (insurance, load lines,safety etc), it is normally incumbent upon the owner of a vessel to maintain its "class" through out the vessels life. A ship's class defines the condition of survey under which the vessel has been built, the types of cargo for which is considered suitable and gives an indication of particular arrangements on the vessel relating to her operation or safety. The class of Ethiopian vessel is granted by Det Norske Veritas classification society for a fixed period of time, but can be renewed by means of periodic surveys of the hull, machinery and other support systems which are intended to ensure that the vessel is

maintained to the necessary standards of strenght, seaworthiness and safety. Annual surveys and periodic suveys are normally carried by the Lloyd's Agent at the nationalports.

Marine Insurance

Most maritime countries have marine insurance facilities. The extent, nature and capacity of these markets naturally vary considerably. While major international markets exist in the UK, The USA, Japan and the continent of Europe. Many other countries cater almost exclusively for their own nationals and usually depend on the reinsurance facilities available in the international markets to generate the desired capacity.

In Ethiopia, the national insurance company, with whom all insurances must be placed, is the one which provides the insurance facilities and arranges reinsurance in the international markets all the necessary marine insurance services for the national shipping company.

Shipping Agents

A ships' agent is normally, the agent of the shipowner at the particular port and it is reasonable to suppose that he has the authority to do whatever the shipowner has to do at that port qualified by the instruction he receives from the principal. The fundamental obligations of the ship's agent operating under a liner as well as his duties have been assessed by the Federation of National Associations of ship brokers

and agents from about 23 maritime nations. This body has prepared a document known as the "Standard Liner Agency Agreement" which sets out the general conditions and duties of the ship's agent and also provides particulars in respect to the calculation of payment of his remuneration.

The agreement also defines the duties of the principal, i.e., the owner/ operator, and gives details connecting the duration and jurisdiction of the agreement. The liner ship's agent's duties, in this agreement are given as follows:

- . To represent the principals ... and undertake all activities ...while complying at all times with any specific instructions which the principal may reasonably give,
- . To recommend and / or appoint stevedores, watchman, tallyman, terminal operators, hauliers and all kinds of suppliers and/or sub agents if required,
- . To provide marketing and sales activities ...to canvas and book cargo, to publicise the services and to maintain contact with shippers, consignees, forwarding agents, port and other authorities and trade organizations,
- . To attend conference matters (if required) on principal accounts,
- . To issue on behalf of the principals, bills of lading and manifests and such documents as may be

required,

- . To provide for an efficient communication system.
This is most necessary as the agent must keep the principals informed continually on cargo bookings, space availability, conference matters, competition local conditions affecting the operation of vessels, etc.

- . To arrange for calling forward, reception and loading outward cargo and discharge and release of inward cargo, and to attend to the transshipment cargo of through cargo.

- . To provide for and administer, a proper system for the control and handling of container and Ro-Ro traffic, if necessary,

- . To prepare disbursements accounts in respect of the call each vessel, and to prepare periodicall financial statements as required,

- . To keep principals up to date with amendments to port tariffs and regulations and all other charges as they become known,

. The liner agent's responsibilities, contrary to those of the tramp ship's agent which related only to a particular purpose, are continuous. This arises, of course, by the nature of his principals' business, i.e., operating a ship service on a regular, definite and strict schedule.

The Ethiopian shipping is at present represented by approximately 34 local agents in 19 different countries

of Europe and in the Red Sea region. Domestically and Djibouti, the governmentally owned corporation i.e., Maritime Transit and Services corporation (MTSC), act as ESL port and commercial agent. The role of the agents within the maritime industry is quite vital in proper course of business in accordance with established usage and practice..

In fact, the fundamental changes in world policies and the world economy since the II World War have certainly affected international sea shipping and brought about far reaching changes in world shipping policies. ...freedom of the seas Vs. protectionism and discrimination, advances of the fleets of state economy countries, flight into convenience flags, liner conference code, bulk cargo sharing, the new international maritime order, the competition for subsidies, increasing governmental intervention in national and international shipping /59. Almost these phenomenon had occurred during the 1950s and resulted considerable controversies among traditional maritime nations and developing nations. The controversies within the contemporary shipping policies lies between those who advocate liberalism and protectionism.

LIBERALISM

Shipping liberalism consists in the recognition of the principle of free and fair competition in sea transport, irrespective of the flag the ship is flying. Under the policy of shipping liberalism shippers have the right of a free choice of carrier be it a home or a foreign flag vessel. The basic principle of shipping liberalism is that the merchant marines operate on the free market without any intervention of the public bodies/ governments or their agencies. Government non-intervention is thus the very essence of the concept of liberal policy in shipping . Consequently any form of shipping protectionism is contrary to this principle.

(59) Beth, H.L. 25 Years of shipping, (Fair play publications Ltd. London: 1984) p.175

PROTECTIONISM

Protectionism is a policy aimed at protecting the domestic industries from external competition. ...in shipping there exist numerous and diversified forms of protectionism. The objectives of a protectionist policy in shipping are of a two fold nature;

- i) to maintain the already established position of a country's merchant marine,
- ii) to expand the own merchant fleet to the size and structure desired and determined by the needs of the national economy of that country.

...and of many authors writing on shipping policy the classification of aims and methods of shipping protectionism given by S.G. Sturmeý deserves a particular mention. The objectives of a national shipping policy he suggested, may be the followings:⁶⁰

- i) to promote and protect a merchant marine for defence purposes,
- ii) to establish a merchant marine capable of transporting the country's trade in order to avoid the disruptions consequent upon wars in which the country is not participating;
- iii) to satisfy national prestige;
- iv) to enable an infant merchant marine, which will eventually be able to dispense with assistance, to become established;
- v) to foster trade and communication between the country concerned and other countries.

(60) Chrzanowski, Op.cit. p.118

- 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 counter actual or suspected discriminatory practices by conferences or national trade groups
- x) to improve the quality of the merchant fleets and increase its competitive strength,
- vi) to compensate national shipowners for an overvalued exchange rate maintained for other purposes, or for disadvantages imposed on shipping by the protection of industries.

In general those objectives cited above fall into two broad categories of economic and non-economic as discussed earlier in chapter three. These categories are interdependent, if we take for the political and or strategic reasons for the development of national merchant marines it may have a sort of economic repercussion and vice-versa.

The measures and forms of protectionist policy differ from country to country. According to chrzanowski /51, three basic forms of shipping protectionism are distinguished:

- 1) Direct or indirect financial assistance/subsidies by the state for private shipowners,

(61) Ibid. p.-

Direct subsidies are:

- . construction subsidies
- . postal subsidies or postal/mail contracts, .
scrap and build subsidies,
- . admiralty subsidies for special defense
equipment,
- . credit facilities,
- . gurantee of projects, share of loss etc.
- . subsidies of special marine insurance.
- . lease of ships belonging to the state to private
compnaies,
- . scale of ships belonging to the state & to pri-
vate companies

Indirect subsidies are:

- . subsidies to the shipbuilding industry,
- . customs reductions,
- . tax and depreciation allowances,
- . subsidies to immigrants fares or operators
transporting them,
- . reduction in port, canal & other charge,
- . subsidies for construction & operation of ports
and canals,
- . preferential railway tariffs to/from the country
sea ports.

- 2) Other forms of governmnet active support for shipping in the form of administrative and legal measures which, while bringing definite advantages for the shipowners, do not take form of financial assistance. Among these farms are preferential treatment of own ships in domestic ports in the form of;
- .cargo reservation
 - .control of foreign exchange

3) Shipping etatisme: This term means a government's direct involvement in shipping with various reasons of;

- . military and strategic purposes state controlled fleets are created and operated,
- . the state intervenes with its fleets in those trades which have a particular economic and political importance and where the private capitals do not engage because of profitability of such services,
- . the state bears the burden of a public service by maintaining trades which are important for the country's overall transport system.
- . private capital is generally weak and insufficient to create competitive shipping services and governments are obliged to bear the investment burden since they are aware of the importance of shipping for their national economies.

4.3.1 Ethiopian Shipping policy

The Ethiopian shipping policy is based on the foreign trade policy which is an element of the overall economic policy of the country. The country being under a centrally planned economic system with all resources and major key economic sectors owned, controlled and allocated by the central government which has the power to pursue policies and legislation to encourage the shipping development. The essential purpose of the policy being to conserve foreign exchange, regulate and control the shipping process, it attempts to alleviate the sharp competitive situation of shipping favouring the national shipping industry. In principle the Ethiopian shipping policy is based on free competition for the ocean shipping activities and protectionist policy for the coastal shipping operations. In fact, it favours the national carrier by applying certain administrative measures and there are quite numerous administrative means which act as pro or con to the shipping practice. In Ethiopia the measures used are:

- . Cargo reservation in terms of quantity a certain proportion of the export cargo is reserved to the capacity of the national line. Import and export of the government cargo is exclusively allocated for the national line.
- . banking mechanism of exchange control system is also used as a kind of pressure on shippers to direct their cargo towards the national line.
- . Commercial customs to sell CIF and to buy FOB is also used which is common in the economies of the centralized control system. The national government can select the ocean carrier that can be used for the imports or exports by controlling the

distribution of tonnage. Hence, the national carrier will be given the priority in the import and export trade of the country.

- . inducing the shippers to use national carriers and granting of import licenses in condition of using the national flag ships is also used.

The coastal cargo is exclusively protected to the national carriers, in which a protectionist policy is exercised to a certain extent.

Generally such policies are by no means new developments, many countries having their own merchant ships, state owned or privately owned, offered some form of assistance and have followed a policy of supporting their maritime industries by various means and in the Ethiopian case the adoption of such measures would have a rationality on the basis of the infant industry arguments to an extent that such policies could not result inefficiency and in competitiveness of the national shipping with the other lines.

It must also be understood that many of the measures in shipping policy may not be specifically designed to operate as forms of protective policy, but are part of the general economic strategy and policies of the nation concerned and hence the rationality or effectiveness of such a policy is a point to be considered within the general economic strategy and policies of the country.

4.3.2 REGULATIONS OF INTERNATIONAL SHIPPING AND THEIR IMPACT ON ETHIOPIAN SHIPPING

Shipping industry being international in character, it is highly responsive to international and national conditions and actions. Until the formation of Intergovernmental Maritime Consultative Organization (IMCO), which later evolved to International Maritime Organization (IMO), this industrial activity was subject to diverse national regulations which reflects their respective interests. Some countries used to have high standards and stringent rules and enforcement mechanism, while others were having few requirements and with little effort of enforcement had led to a number of serious disasters at sea with a tremendous loss of life. i.e., collisions, groundings, fire, oil pollution etc., all these heightened the concern of this industry in its international operational activities.

An international effort has been done for human common interest, that is the preservation of human life and property at sea and the massive environment protection. In this regard IMO's objective to promote cooperation between nations of the world which are in this venture particularly with reference to technical matters of ship design and construction is paramount in attempting to unify as far as possible, the different national regulations affecting ships and setting minimum requirements for technical, legal and operational activities of international shipping by adopting international conventions to regulate it.

IMO's main task in the formation of standards and

procedures for maritime safety and pollution prevention is aimed at eliminating the above cited maritime accidents and casualties.

Among the standards and procedures which are specified in IMO's objective are the followings:

- (a) Safety standards for the design, construction and equipment of merchant ships (including subdivision, stability, structural fire protection, machinery and electrical installations, life saving appliances and navigational equipment).
- (b) Standards and procedures for the safe handling and storage of dangerous goods and bulk cargoes.
- (c) Procedures for safe navigation of ships, such as routing schemes, navigational watchkeeping, radio communications system,
- (d) Standards for the qualification and certification of seafarers.

In order to achieve these objectives IMO has, in the last 27 years, promoted the adoption of over 30 conventions adopted a large number of codes and recommendations on various matters relating to maritime safety and prevention of pollution which directly or indirectly has to do with the shipping business.

Among the conventions, protocols and agreements adopted under the auspices of IMO which are international treaties and vital for ships to be constructed, equipped

and operate to the highest possible standards are the followings:

- . International Convention for the Safety of Life at Sea, 1969 (SOLAS)
- . International Convention for the Safety of Life at Sea, 1974 (SOLAS)
- . Load Lines, 1966 (LL)
- . International Convention on Tonnage Measurement of ships, 1969 (TM)
- . Special Trade Passenger Ships Agreement, 1971 (STP)
- . Convention on the International Regulations for preventing Collissions at sea, 1972 (COLREG)
- . International Convention for safe Containers, 1972 (CSC)
- . Convention on the International Maritime Satellite Organization (INMARSAT) and Operating Agreements, 1976
- . Torremolinos International Convention for the .Safety Fishing Vessels, (SFV), 1977.
- . International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 (STCW)
- . International Convention on Maritime Search and Rescue (SAR), 1971

- . Internatioal convention for the Prevention of Pollution of the sea by oil, 1954 (OILPOL).
- . International Convention relating to intervention on the high seas in cases of oil pollution casualties, (CSD), 1969.
- . Convention on the prevention of Marine Pollution by dumping of wastes and other matters,(LDC)
- . International Convention for the Prevention of Pollution from ships, 1973 as modified by the Protocol of 1978 (MARPOL 73/78)
- . International Convention on Civil Liability for oil Pollution Damage, 1969 (CLC).
- . Convention Relating to Civil Liability for in the field of Maritime Carriage of Neuclear Materials (LNM), 1971.
- . International Convention on the Establishment of an international Fund for Compensation for Oil Pollution Damages, (IFC),1971.
- . Athens Convention Relating to the Carriage of Passengers and their Luggage by sea, 1974, (PAL).
- . Convention on Limitation of liability for Maritime Claims, 1976, (LLMC).
- . Convention on Facilitation of International Maritime Traffic, 1965, (FAL).

Among these Ethiopia has acceded only few of the above. A listing of international rules and regulations adopted by Ethiopia are the followings:

- . IMO Convention
- . International convention on Load Lines, (LL),1966
- . International Convention on Tonnage measurement of ships,(TM), 1969.
- . Convention on International Regulations for preventing Collision at sea, (COLREG), 1972
- . International Convention for the safety of life at sea (SOLAS), 1960/74.
- . 1978 PROT. To SOLAS 74
- . International Convention on standards of Training, certification and watchkeeping for seafarers, (STCW) 1978.

The consideration here is not to deal the conventions which the country has ratified or not, rather the intention is to view the impact of these international regulations on the shipping industry.

For example, if we take the maritime safety conventions (SOLAS) 60/74 elaborated and adopted under the auspicious of IMO, fully cover the whole spectrum of all possible aspects of the three major sectors of ships, i.e.,

- 1) Construction- which includes design, construction and equipment of ships ,

- 2) Operational- which involves the human element and all those activities which are reasonably expected to be carried out in order to;
 - . ensure safety of navigation,
 - . prevent maritime accidents, thus protecting human life, property and the marine environment.

- 3) Carriage of Cargo- which comprises measures aimed at securing:-
 - . the safe stowage and carriage of bulk cargoes,
 - . the safe handling and carriage of dangerous goods (including, the packing marking and labelling, storage and handling in ports) and
 - . the safe handling and transport of containers.

Such conventions, specify internationally acceptable minimum safety standards for the above mentioned design, construction, equipment and operation of merchant ships.

Hence, the Ethiopian shipping in its international shipping business practice, it has to fully comply with the minimum standards prescribed in the safety and other conventions. Because such international comprehensive regulatory scheme over shipping has certain impact on the shipping operation of the country.

IMO's objective to encourage removal of discriminatory and unnecessary governmental restrictions on ship operations, which increases the efficiency of shipping activities and provides a forum for international consideration of unfair practices of shipping concerns and machinery for intergovernmental cooperation in technical matters of all kinds, encourage the adoption of the above cited highest practicable standards in matters concerning maritime safety and efficiency of navigation.

The existence of such multinational regulations of ocean shipping will tackle and solve the industry's basic economic problems. The industry in its international operation, should comply to these regulations.

4.3.3 ETHIOPIAN LINER SHIPPING IN THE CONFERENCE SYSTEM AND UNCTAD LINER CODE OF CONDUCT

Ships offering scheduled services along regular routes are usually organized into shipping conferences. These shipping conferences are groups of lines operating on routes with basic agreements to charge uniform rates.

The basic objectives of a conference are to control competition between the members of the conference and to eliminate outside competition on the route. The competition between the members of the conference is controlled by all the members agreeing to charge uniform rates. To effectively enforce the agreement on rates the members also agree to follow the same rules the members also agree to follow the same rules and regulations for calculating freight charges, payment of freight, acceptable packaging for different commodities, issue of bill of lading and uniform rates of commission to agents or brokers /62.

The main objective of the liner conference among the above mentioned being the provision of regular transport service at stable rates, displays a number of common characteristics to give a service on a particular trade route with regularity and frequency which the shippers need for transporting on their normal business and with ships of specialized design where required and also determine which ports shall be served, including 'out-ports' outside the normal itinerary that the conference will serve by transshipment.

(62) UNCTAD, On Conference Practice and Adequacy of Shipping Services, (TD/B/C.4/62 Jan.1970),p.21

The conference may effectively control the out put of its members by controlling the supply of shipping space, by restricting the number of sailings or the tonnage of shipping that operate in the route, or by the arrangements to pool the revenue of its members. One or more of these methods may be in use at given time.

Conferences may be open to new membership or closed and membership consists of two classes, i.e., ordinary or full membership with full rights as specified in the conference agreement and associate membership with restricted rights vis-a-vis full membership. Membership of the conference basically entitles a line to receive cargoes from shippers tied to the conference, i.e., all regular shippers of liner cargoes in the particular trade covered by the conference.

Ethiopian shipping lines are members of the following conferences/Rate Agreements/63

1. C.R.S.C (Continental Red Sea Conferences),
regulating the trade from the North
Continent of Europe to the Red Sea.

2. E.D.A.C.R.A. (Ethiopia, Djibouti and Aden
Continent Rates Agreement),
regulating the trade from Aden,
Djibouti, Assab and Massawa to the
North Continent.

63) Tornquist, Op.cit. pp.60-61.

3. A.A.M.R. (Accordo Agenti Mar Rosso), regulating the trade from the West Coast of Italy to the Red Sea.
4. "Red MAR" Rates Agreement, regulating the trade from the Red Sea to the Western Mediterranean.
5. UK.H.M.C (UK, Hodeidah and Mokka conference), regulating the trade from UK ports th Hodeidah.
6. S-UK.C.F.R.A. (Sudan-Uk and Continental Freight Rates Agreements), regulating the trade from Sudan to the UK and North Continent.
7. UK-M.L.A. (UK-Massawa Liner Agreement) and
8. UK-A.D.L.A. (UK-Assab and Djibouti Lines Agreement), but are accepted as outsiders and keeping agreement freights.

Generally speaking, all the above Conferences/Rates Agreements have been found to have very little power to control. The cargo is directed to the various conference members at agreed rates of freight and to stop outsiders. Furthermore, illoyal freight competition and rebates between the members have made some of these associations illusory. By the introduction of Ro/Ro ship, particularly on Jeddah, both from UK, Scandinavian, North Continent and Mediteranean ports, not much value will remain of these associations.

UNCTAD Liner Code of Conduct

The United Nations Conference on Trade and Development (UNCTAD), was established in 1964 as a permanent organ of the UN General Assembly. The goals of UNCTAD were the promotion of world trade and economy with special emphasis on the needs of developing countries. In the area of shipping, the conference adopted two recommendations. The first stated the objective to promote understanding and cooperation in the field of shipping. The second recommendation, a common measure of understanding on shipping questions dealt directly with shipping conferences and stated that the liner conference system is necessary in order to secure stable freight rates and regular services /64.

As an efficient maritime transport system is essential for the development of international trade, the economic, operational and commercial aspects of maritime transport, among other matters, are direct concern to UNCTAD. The objectives of UNCTAD'S work on maritime transports on the Code of Conduct for liner conferences are two fold: First, to increase the efficiency of maritime transport in international trade with particular attention to the trade of developing countries by improving the liner conference system and second, to increase the participation of the developing countries in the international shipping industry and/or taking into account the special need and problems of the developing countries with respect to the activities of the liner conferences serving their trade.

(64) Amos Herman, Shipping Conferences, (Lloyd's of London Press Ltd. London: 1983) p.167

The Code reflects the following fundamental objectives and basic principles:

- . to stimulate the development of regular and efficient liner services adequate to the requirements of the trade concerned,
- . to ensure a balance of interests between suppliers and users of liner shipping services,
- . the principle that conference practice should not involve any discrimination against the shipowners, shippers or the foreign trade of any country,
- . the principle that conferences hold meaningful consultation with shippers' organization, shippers representatives and shippers' on matters of common interest, with upon request, the participation of appropriate authorities,
- . the principle that conferences should make available to interested parties pertinent information about their activities which are relevant to these parties and should publish meaningful information on their activities.

The main provisions of the UNCTAD's Code stressed the need for cooperation and proposed to establish consultation machinery with adequate procedures for hearing and remedying complaints by the formation of shippers' councils or other suitable bodies on a national and regional basis.

It also suggested including in consultations the

following matters:

- . publication of conference tariffs and regulations,
- . prior notice on surcharges and rate increases, loyalty agreements,
- . conference representaion in developing countries,
- . adequacy of services,
- . improvement and promotion of developing countries trades and
- . rationalization of routes, sailings, and freight.

The common Measure also dealt with port improvements and acceptance of developing countries to conferences.

In the main provisions of the UNCTAD's Code, article one deals with the structure of conferences. It recognizes the existence of closed confernces by letting the members themselves decide whether to admit a new line or not, however, conferences are only open to national shipping lines which serve the trade of their country. They are defined as vessel operating carriers which have their head office of management and their effective control in that country and are recognized as such by an appropriate authority of that country of under the law of that country. Even the national shipping lines have to satisfy certain objective commercial criteria laid down in the article. Article two lays down the 40-40-20 cargo sharing formula which provides that the national lines of each country at the end of a route served by a conference shall have an equal share of the freight and volume of traffic generated by their mutual foreign trade. Third country shipping line will have the right to acquire only 20 percent share or the trade.

UNCTAD's work on some aspects of Protection of shippers interests guidelines for developing countries explains the followings:-

Shipping services have a critical effect on the flow of trade. The cost of shipping goods may determine whether on overseas buyer purchases from one source or from another or whether to use alterantive materials such as synthetics which may not need to be imported at all.

The price and quality of shipping services can also have a critical effect upon the industry of developing coutries, particularly on infant manufacturing industries established for the purpose of processing imported raw materials into manufactured or semi manufactured exports and of taking advantage of relatively low labour costs. Such insustries can only be viable so long s the costs and difficulties of transport do not outweigh the savings and convenience which derive from the use of local labour.

Quite apart from the effects of shipping costs on the competitive position of their products overseas, developing countries have a special interest in reducing freight levels to the minimum consistent with efficient service, beacuse the sums which are expanded on transport tend to reduce the net returns which the country's products receive for their export produce and reduce the quantity of goods which a country can import for a given sum. High freight levels have an adverse effect upon their balance of payments by causing a reduction in receipts and an increase in payments, and these adeverse effects are accentuated if a developing country relies heavily on the use of foreign vessels.

Because of the peculiar structure of the liner shipping industry, competition is severely limited both in extent and effect, and it is not possible for those concerned with the use of its services to remain inactive and to trust that competition will reduce the prices charged for those services to a reasonable margin above cost levels.

In the liner sector of shipping there is no price competition between shipping conferences and non-conference lines is likely to be diminished, if not eliminated entirely, by the prevailing systems of loyalty arrangements which bind shippers to utilize conference vessels. Furthermore, the major inefficiencies in conference liner services are often attributable, not to the mismanagement of individual liner companies, but to the lack of overall management in the conference operation. Although, individual carriers may be operating efficiently to their individual standards, the overall liner services in a trade may be operating inefficiently and uneconomically by reason of the failure of the lines to coordinate their operations and so rationalize the overall operation.

Hence, UNCTAD's work on these aspects has resulted in production of guidelines for developing countries on the question of what can be done to improve shipping services especially in the liner sector. These guidelines were based on the experiences of various developing countries in dealing with their maritime transport, and also on the experiences of some developed countries outside Europe which have similar problems.

It has been recommended that developing countries should endeavour to obtain more economical services

in the liner trades by:

- . establishing shippers' councils with the prime purpose of uniting shippers and strenghten their bargaining position to obtain adequate and efficient services at the minimum cost, in dealing with the liner or non-liner sector of shipping .

- . setting-up shipping investigation units to investigate the efficiency of existing services and the possibility of more economical alternatives. Its task being to uncover the facts and figures upon which sound policy decisions can be taken both by the government and by the shippers' council. It also co-ordinates the various actions which are taken to protect shipper interests, and it must assist the government to harmonize its policy in relation to shipper interests with its policies in relation to ports and national shipping lines.

4.4 The Impact of Technological Changes on Shipping

The effect of technological change on shipping in general and developing countries in particular is apparently a very significant issue of consideration.

Certain basic changes are currently taking place in the shipping world which will have an important bearing on the future development of the industry. Technological changes in shipping are currently apparent in the following forms: Container ships, Lighter-abroad-ship (LASH) vessels, Roll on-Roll-off, Mommouth tankers, Super bulk carriers, Oil-bulk-ore (OBO) carriers, Specialized Units such as tankers for chemicals, Unitization, Nuclear propulsion, the Gas turbine, Automation on board and use of computers in the operational sector of ship management, which actually reflects the dramatic change of shipping technology in recent years.

The consequences of technological change in shipping are significant for developing countries in several ways. In the long term, the international trade of these countries may be favourably influenced by the consequent lowering of the cost of transport, given certain conditions, containerization should lead to lower cost per unit for imports and exports of finished industrial goods. Export items of developing countries, permits increased use of large bulk carriers. In both of these modes of transport freight costs should in principle be lower than in conventional transport.

If a developing country is to benefit in this manner from technological change, it must, at the cost of considerable investment adapt itself to it and improve its transport infrastructure—roads, waterways, railways and ports. In taking a decision in this respect, a country should not lose sight of the social cost and benefits.

The adaptation of technological developments in Ethiopian shipping to the needs of the country is a problem to be considered at present and in the future development of the shipping industry. Present and future developments in the shipping technology will affect the industry intensively and this is actually an intricate problem which deserves special study.

In this regard, the country's option could be to react to the challenge of technological change in world shipping in participating in it with high investments, partially or wholly, individually or in a group on regional cooperation basis with other developing countries.

Furthermore, in seeking active participation in advanced shipping, the country would have to find a solution on the basis of creating or gaining access to a liner consortium. Possible solutions for the dramatic change of technology in world shipping to developing countries include a consortium created by a number of developing countries among themselves and with developed countries.

CHAPTER V

EVALUATION

Sea transport is an important factor in the economic growth and development of a country. It could be further said that the overall economic development of a country is dependent on shipping activities in general and own shipping development in particular.

Shipping transport as an integral part of the production process, has a direct bearing on the country's economic development. The very survival of a given country depends fundamentally on the movements of goods it produces and receives in exchange from other countries. This dependence is felt in different aspects that characterize a nation's life in its social, economic and political fields. In actual fact, there is an intimate relationship between economic and non-economic strategic objectives of establishing or expansion of shipping industry. The interrelationship of these two factors is considered in many cases to provide the precise focus and the proper prospective for analysis of the problem of shipping in all its intricate and multifold aspects.

The major social, economic and political bottlenecks in the field of shipping make it difficult to satisfy the basic transport requirements of society and to solve the economic underdevelopment of the majority of nations in the world. There has been significant changes in the structure of international shipping. The fleets registered in traditional maritime nations have been reduced although they are still with large fleets that often exceed the country's own transport requirements, while

new shipping nations have increased their fleets. These developments are due in part to the shipping crisis, which entails small profits and gives a competitive edge to countries having a low level of costs. At the same time, a wide range of global economic readjustment that is taking place, with new country's building up modern economies and emerging with a lower level of costs and greater competitive capacity than the others.

Developing countries with more or less in chronic shortage of foreign exchange earnings and in a deteriorating balance of payments situation consider shipping industry as a way of improving the adverse effect on their economies.

The establishment and/or expansion of the Ethiopian shipping does not have different objectives other than those discussed under the general considerations in investing in shipping industry.

The main benefits or potential benefits from investing in shipping as discussed earlier are:

- . Promotion of country's foreign trade and the economy through lowering freight rates and securing shipping service,
- . Foreign exchange savings,
- . Linkage effects on the rest of the economy which leads to economic diversification and development,
- . Economic integration and independence,
- . Industrial integration,
- . Employment and
- . National security.

In this part, an evaluation will be made with regard to the above mentioned considerations or objectives of maintaining a national shipping with the Ethiopian context and its significance to the economy.

The contribution of Shipping towards the promotion of the country's foreign trade is related to national economic growth generally through lowering freight rates and securing shipping services.

The Ethiopian trade position is handicapped by the nature and value of its export commodities, mononculture production, level of its industrial development, structure and evolution of the freight rates. The other factor in addition is that which increases the vulnerability of its exports in competitive foreign market and affects the total freight bill that it has to bear. This is the incidence of the cost of transport, the question on who bears the transportation cost in the trading transaction, which depends on the relative elasticities of supply and demand of the goods transported.

The supply elasticities of many agricultural products that are important in the export trade of Ethiopia are generally low, they are nevertheless higher relative to supply elasticities. Most primary commodities of Ethiopia are produced in a number of countries that compete with each other as suppliers in the world market, and hence the demand elasticities of these products are generally higher for an individual supplier country, because the buyer country can switch either to another supplier or to synthetic substitutes. In such a situation, the suppliers in developing countries have to bear the major part of transport costs and escalation of

these costs are in a decline in the f.o.b. value of goods exported. At the same time, the supply elasticities of manufactured goods, which comprise most of the imports to the country from the developed countries are generally higher than than the elasticities of demand for these products in Ethiopia. Although on a world wide basis the elasticity of demand for many manufactured goods may be relatively higher than the elasticity of supply, this situation does not necessarily apply in the case of developing countries since their manufactured imports may be financed largely by credits, grants, or loans, which have tended to restrict the choice of supplier to the aid-giving countries. As a result, a considerable part, perhaps a major portion of the transport costs of manufactured goods produced in developed countries is passed on to importers in developing countries. Thus the developing countries bear a major share of the costs of transporting both their exports and imports. This situation further increases their sensitivity to rising freight rates.

Some studies carried out show the adverse correlation between liner freight rates and price of commodities for developing countries. The price trends of primary commodities that are important in the export trade of developing countries, the unit values of commodity exports, have shown a declining trend, except for the few and freight rates for liner shipping in general have been rising steadily. The maritime freight rates in the foreign trade of a country has a very significant effect, hence, the Ethiopian shipping as a liner industry, among other things, its usefulness and contribution to the economy should be evaluated in the light of the services and overall performance to the foreign trade. In considering

the expansionary or contractionary effect on freight costs and foreign trade of a national shipping, it is necessary to distinguish once more between three types of shipping services.

- . Liner shipping within the conference system;
- . Liner shipping outside " "
- . Bulk shipping.

The Ethiopian national shipping which operates a regular general cargo liner services joining the existing conferences, is bound by the conference rules and hence charges the same rates as other conference members. Being a member to the conferences, it has one voting right in the freight rate determination policies of the conferences. But since it has only one route to Europe, it has only one vote among other well established liner owning companies and hence has no significance in the freight rate determination.

Actually, the voting power of a line in a conference depend on the organisation of conferences, the number of lines and their relative voting rights. But the one vote per line is fairly common although conferences tend towards consensus decisions rather than voting.

Even if a national line has costs below the average cost of the conference members, it is not necessarily clear wether its participation in the shipping conferences will have a downward effect on the general level of freight rates in the trade or result a higher profit for the line. On the other hand, a national line with higher cost, might encourage a conference to maintain or increase freight rates to protect the

national lines financial viability.

Generally, if we examine the conference system in which the Ethiopian shipping is a member, they have very little power to control the cargo which is directed to various conference members at agreed rates of freight and to stop outsiders. Furthermore, illoyal freight competition and rebates between the members have made some of these associations illusory and depressed the shipping market.

Although the economic significance of shipping is widely recognized, it is not easily quantifiable in the form of economic indices. In fact, there exists a number of indicators showing the role of shipping in the national economy but there are not readily available. The importance of shipping in the economy of a country could be seen in its contribution to the Gross national product and the balance of payments. There are two principal indicators which characterizes the economic performance of a given country, i.e., gross national product (GNP) and gross domestic product (GDP). Certain detail statistics of shipping and its contribution to GNP or GDP may not be readily available if available are not exhaustive. But it is also a fact that certain indices clearly show the importance of the merchant shipping for the national economy. Most of the factors influencing the balance of payments also affect national income and in addition shipping produces social benefit and social costs that are not accounted for an enterprise level. These should not be quantified in the form of economic indices.

Among the main objectives of developing countries in

port services showed on average an annual increment of about more than 20 percent, It raised from birr 6.5 million in 1978 to birr 20.5 million in 1983 in absolute magnitude. On the other hand, the invisible payments showed on the average an annual decline of more than 20 percent for the same years in the above except year 1982. This has declined from an amount of birr 10.7 million in 1978 to birr 0.7 million in 1983.

Although, the total freight paid to the national ships in the country's foreign trade is a gross foreign exchange saving, the net saving from the national point of view will be significantly less or more depending on a number of factors, such as:

- . Type of vessels, age, cost structure in the national and foreign vessels,
- . The operating efficiency and the level of profitability ,
- . The extent to which national resources are used in the operation, i.e., management, crew, repair facilities and other auxiliary activities etc.,
- . The condition under which the vessel is acquired from abroad and the financing arrangements,
- . The impact on freight rates and
- . The general conditions on the particular trade routes in question.

Hence, although the calculation to the net gain of the balance of payments from shipping is so complicated procedure due to numerous invisible transactions composed within its activities, the variations in the net savings depends on the above cited factors and some other related activities.

investing in shipping industry is the consideration of its favourable impact on the balance of payments either by earning foreign exchange or saving freight payments. The contribution of Ethiopian shipping could be demonstrated in considering the relative impact of invisible transactions on the balance payments, chief among these invisibles which is shipping.

Invisible exports make a very large positive contribution to the Ethiopian balance of payments. Although the balance of visible trade has been unfavourable since many years. The balance of invisible trade has been favourable and the main among these invisibles is shipping. The contribution and the relative importance of this service can be appreciated by comparing it with the total trade balance and net goods and services of the balance of payments account. This relationship could be assessed from the illustrations in the appendix No.15.

Since 1977, the trade balance of the country has been negative increasingly and the increment was actually a significant proportion, i.e., on the average by more than 22 percent, except year 1980. While the net services transaction in this trade balance has shown an increasing positive trend during these years with an increment of on the average more than 30 percent.

Furthermore, it could be apprehended more easily and clearly by comparing the transport services transaction in the invisible receipts and payments, as shown in the appendix No.16 & 17. It could be realized that the extent to which the transport services in the invisible exports among which shipping is the main, contribute to the balance of payments. Invisible receipts from the trans-

The relative savings might be greater if, apart from managment, crew cost and some other items could also be procured domestically.

The existence of a competitive shiprepairing industry could export its services, i.e., used by visiting foreign lines and results earnings of foreign exchange if not it could be used by the national shipping industry. The foreign cost elements, such as port, stevedoring, agency commoision fees and other miscellaneous expenses, which are beyond the control of the shipowner could affect shipping operation and ultimately its contribution to the balance of payments.

Regarding the economic effects on diversification of the economic activity, industrial and economic integration, employment creation from investing in shipping and its impact on other economic sectors or potential broader development effects of such investments, are likely to depend on the extent to which shipping is integrated with other wide range of services it needs and supporting activities which includes ship construction and shiprepairing industries, financing and banking services, marine insurance, ships' supplies and equipment, ships' classification, marine telecommunication services, marine training and marine research institutes, etc.

The extent to which these activities have developed provides the opportunity for the expansion of a great number of other industries and services. In the Ethiopian case, some of these are none existent and some such as ship constructions and ship classification might not be necessary at this stage of its development, while others are at their initial stage of development and some have

not yet started.

Investment in shipping may, in appropriate cases, create backward and forward linkage effects in related economic sectors. The extent of these linkages will depend largely on how far shipping is planned as integral part of the economy and the provision of services other sectors of the economy. Ideally, the existence or possible development of such related industries should be evaluated in connection with any consideration of major investments in shipping and the resources available in the country.

Concerning to the manpower employment, although investments in shipping may increase the employment opportunities both on board and on shore, it may not be the most preferable field of investment in a country whose primary objective is the creation of employment to its citizens. The Ethiopian shipping in creating employment opportunities for its citizens is inconsiderable due to the capital intensity of the industry. As explained earlier 271 seamen are employed in the Ethiopian shipping which is very insignificant compared with the country's population of 42 million. Hence, employment in shipping, even if limited overall importance, may have greater regional importance, if seamen are employed on overseas vessels. Further, employment in the national administration and related service industries increases the total employment opportunities and this employment opportunity depends much on the impact that shipping industry has on other economic sectors.

The question of national security service and non economic considerations of investing in shipping are

explained depending upon the interplay of a multiplicity of factors. During a time of certain crises and political unrest in a country, national shipping has in fact tremendous role to play in stabilizing the social, economic and political chaos prevailing in the country.

This stabilizing effect of shipping has been demonstrated in the Ethiopian case, when the country was at a time of serious crisis and political unrest, resulted from the national and international sources. The national shipping has enabled the country to be independent to a certain extent, by providing the necessary transportation services and in keeping the economic integration of the country, while the foreign shipping services were not available due to risk involvements in calling the Ethiopian national ports because of security reasons and uncertainty of political and economic relations. Hence, there would be a case where a national shipping is a crucial necessity regardless of its economic viability in the existing unity and essence of the country's life. without national security there could be no development and vice versa.

However, in developing shipping industry either for economic or non economic objective a number of infrastructural problems are likely to appear. In Ethiopia the shipping infrastructural facilities and other insitutional services are at their initial stage of development. In actual fact, shipping industry is directly dependent on capabilities created through active participation and performance of appropriate maritime administration. The basic problems as regards matters pertaining to the Ethiopian maritime administration are as explained in the earlier chapter is inadequate awareness

of the basic problems themselves, noninvolvement in the evolution of international standards, out dated maritime legislation, shortage of marine officers with the necessary qualification and experience, lack of training facilities for marine officers and inadequate infrastructure as regards organization and personnel, for securing proper standards of maritime safety on board ships, maritime development in general and attention to allied maritime affairs. Further, shipping industry depends on an efficient port operation that can meet its requirements at all circumstances. The development of administrative qualities and the development of physical port infrastructures and superstructures at present and for its future expansion should be considered from the broader context of national economic development. Hence for efficient port operations certain physical infrastructural developments and provision of port facilities and equipment are necessary conditions.

Hence, with regard to the shipping industrial development in Ethiopia, the existence of a well organized administrative apparatus looking after the problem of the shipping industry and the whole spectrum of maritime of activities development is vital.

External environments that influence shipping industry development and its operational activities, as discussed earlier, international challenges affecting shipping -i.e., the prevailing disquilibrium of shipping structure and distribution in the world, the vast technological developments that are taking place in the shipping industry, international rules and regulations affect shipping as a whole. Therefore, due considerations to those international and national factors that

influence shipping industry must be given at the national level to achieve certain objectives in this maritime economic field.

CHAPTER VI

CONCLUSIONS

The people of the world are from the stand point of material achievements divided into that of developed and developing countries. The latter are mainly found in Africa, Asia and Latin America and constitute about three-quarter of world's population. There is a strong aspiration of these countries to accelerate their economic development and improve their standard of life.

For this end, establishing and/or expansion of shipping industry in these countries was and is thought to have a great role to play in contributing to their economic development. The development of Ethiopian shipping industry is not different than this thought. The specific questions that could possibly arise in regard to a shipping industry in its belief of promoting economic development of the country is that its ultimate effect on the economy as whole - i.e., does it contribute to the national economy in accelerating or maintaining economic development in some way or not.

A country can improve its economic position, either by improving the continuous stream of real income resulting from trade or by reducing the continuous real expenses. Investment in shipping may achieve both to some extent. However, such investments should be made in areas where the country has the greatest comparative advantage.

Generally speaking, the Ethiopian shipping industry is at its initial stage of development and its partici-

pation in international shipping as carrier of its foreign trade is low. It fulfils on average 20-25 percent of the country's international sea-borne trade and yet although it is minimal it serves the foreign trade and contributes to a certain extent to the economic development of the country.

In this regard, it could be said that there is still a room for development and expansion for the Ethiopian shipping industry in its operational activities towards serving the promotion of the foreign trade of the country and its contribution to the economy at large. The beneficiality of this expansion to the economic development of the country depends on a number of the previously discussed interrelated maritime infrastructural and shipping institutional bodies development and efficiency within the economy of the country in general and the shipping operational efficiency in particular. Shipping operation based on high productivity and efficiency competing with the foreign shipping services would be significant for the foreign trade of the country and ultimately to economic development, otherwise it will be a cost to the economy of the country adversely affecting the interest of the community.

Frurthermore, shipping industry as an international activity is highly amenable to international and national challenges. Those concerned with international phenomenon are linked with the changing situation in the world, i.e. the existing structure and distribution of the shipping industry, the vast technological developments that are taking place in the shipping industry, international rules, regulations and policies in shipping affect shipping and other aspects of international trade. Domesti-

cally, it is assumed that the volumes of major bulk commodities traded depend on the economic performance of the country, relative energy demand, political stability and degree of freedom of international trade. Hence it could be realized that trades are subject to major changes in the volume and direction of trade as it depends on these conditions. The changes in one affects the other and finally the trade. Furthermore, maritime infrastructural problems prevailing in the country in such fields as the maritime administration, port facilities, skilled manpower, finance and banking services, shiprepairing and other related institutional services, the relative low level of developments in these areas tend to affect the efficient operation of the shipping industry.

Therefore, both national and international changing situations and factors involving in shipping industrial development and its operational activities deserves special attention and follow up with keen study. All those factors could be tackled with well organized body & appropriate administrative measures in the development and performance of the shipping industry at all stages.

The future development of the Ethiopian shipping industry could be seen also in line with the present and future changing situations of world shipping industry as a consequence of technological innovation which is expected to center on certain important factors such as the question of national versus multinational flags, the conference system, a code of principles for multinational consortia, the role of UNCTAD and world code of shipping principles. All these factors will play an important role in determining the future of shipping.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

UNITED NATIONS
CONFERENCE OF PLENIPOTENTIARIES
ON A CODE OF CONDUCT
FOR LINER CONFERENCES

Held at Geneva from 12 November to 15 December 1973 (first part)
and from 11 March to 6 April 1974 (second part)

Volume II

Final Act (including the Convention and resolutions)
and tonnage requirements



UNITED NATIONS
New York, 1975

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**FINAL ACT OF THE UNITED NATIONS CONFERENCE OF PLENIPOTENTIARIES ON A CODE
OF CONDUCT FOR LINER CONFERENCES, HELD AT THE UNITED NATIONS OFFICE AT GENEVA,
FROM 12 NOVEMBER TO 15 DECEMBER 1973 AND FROM 11 MARCH TO 6 APRIL 1974**

1. The General Assembly of the United Nations, by resolution 3035 (XXVII) of 19 December 1972, requested the Secretary-General of the United Nations to convene, as early as possible in 1973, under the auspices of the United Nations Conference on Trade and Development, a conference of plenipotentiaries to consider and adopt a convention or any other multilateral legally binding instrument code of conduct for liner conferences.

2. The United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences was convened at the United Nations Office at Geneva. The first part of the Conference was held from 12 November to 15 December 1973 and the second part from 11 March to 6 April 1974.

3. The Governments of the following 79 States members of UNCTAD participated in both parts of the Conference: Algeria, Argentina, Australia, Bangladesh, Belgium, Bolivia, Brazil, Bulgaria, Burundi, Canada, Chile, China, Colombia, Cuba, Czechoslovakia, Democratic Yemen, Denmark, Ecuador, Egypt, El Salvador, Finland, France, Gabon, German Democratic Republic, Germany, Federal Republic of, Ghana, Greece, Guatemala, Honduras, Hungary, India, Indonesia, Iraq, Italy, Ivory Coast, Jamaica, Japan, Khmer Republic, Liberia, Libyan Arab Republic, Madagascar, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Romania, Saudi Arabia, Senegal, Singapore, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syrian Arab Republic, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yugoslavia, Zaire.

4. The Governments of the following four States members of UNCTAD participated only in the first part of Conference: Afghanistan, Costa Rica, Ethiopia, Uganda.

5. The Governments of the following nine States members of UNCTAD participated only in the second part of the Conference: Bhutan, Chad, Guinea, Guyana, Iran, Kenya, Kuwait, United Republic of Cameroon, United Republic of Tanzania.

6. The Government of the following State member of UNCTAD was represented by an observer at both parts of the Conference: Austria.

7. The Governments of the following States members of UNCTAD were represented by observers at only the first part of the Conference: Iran, Kuwait.

8. The Economic Commission for Africa was represented at the first part of the Conference.

9. A representative of the following specialized agency participated in both parts of the Conference: International Monetary Fund.

10. A representative of the following specialized agency participated only in the first part of the Conference: Food and Agriculture Organization of the United Nations.

11. The following intergovernmental organizations participated in both parts of the Conference as observers: Commonwealth Secretariat, East African Community, European Economic Community, Organisation for Economic Co-operation and Development, Organization of African Unity, Organization of American States.

12. The following non-governmental organizations were represented by observers at both parts of the Conference: Baltic and International Maritime Conference, Council of European and Japanese National Shipowners' Associations (formerly Committee of European National Shipowners' Associations), International Air Transport Association, International Chamber of Commerce, International Federation of Forwarding Agents' Associations, International Shipowners' Association, National Shippers' Councils of Europe - Plenary.

13. The following non-governmental organizations were represented by observers at only the second part of the Conference: International Association of Ports and Harbours, International Cargo Handling Co-ordination Association.

14. The Conference, at its first part, elected Mr. C. P. Srivastava (India) as President of the Conference. On his assumption of the office of Secretary-General of the Inter-Governmental Maritime Consultative Organization on 1 January 1974 the Conference, at its second part, decided that Mr. Srivastava should continue to preside, as an independent President of the Conference.

15. The Conference, at its first part, elected the following Vice-Presidents of the Conference: Mr. I. Averis (Union of Soviet Socialist Republics), Mr. B. O. Awakoya (Nigeria), Mr. G. Bruwer (Federal Republic of Germany), Mr. P. Dum Valenzuela (Chile), Mr. J. de Groot (Netherlands), Mr. S. Kombukawa no Niiza (Zaire), Mr. G. Ngeah (Ethiopia), Mr. R. J. Polachek (New Zealand), Mr. M. Rood (Norway), Mr. R. E. Reynolds (Canada), Mr. J. Rábička (Czechoslovakia), Mr. M. Shanmuganathan (Sri Lanka), Mr. H. Umar (Indonesia), Mr. H. S. Walker (Jamaica).

16. The Conference, at its second part, elected Mr. K. W. McQueen (United Kingdom of Great Britain and Northern

ANNEXES

Annex I

CONVENTION ON A CODE OF CONDUCT FOR LINER CONFERENCES

OBJECTIVES AND PRINCIPLES

The Contracting Parties to the present Convention,

desiring to improve the liner conference system,

recognizing the need for a universally acceptable code of conduct for liner conferences,

Taking into account the special needs and problems of the developing countries with respect to the activities of liner conferences serving their foreign trade,

Agreeing to reflect in the Code the following fundamental objectives and basic principles:

(a) The objective to facilitate the orderly expansion of world sea-borne trade;

(b) The objective to stimulate the development of regular and efficient liner services adequate to the requirements of the trade concerned;

(c) The objective to ensure a balance of interests between suppliers and users of liner shipping services;

(d) The principle that conference practices should not involve any discrimination against the shipowners, shippers or the foreign trade of any country;

(e) The principle that conferences hold meaningful consultations with shippers' organizations, shippers' representatives and shippers on matters of common interest, with, upon request, the participation of appropriate authorities;

(f) The principle that conferences should make available to interested parties pertinent information about their activities which are relevant to those parties and should publish meaningful information on their activities.

Have agreed as follows:

Part one

Chapter I

DEFINITIONS

lin conference or conference

A group of two or more vessel-operating carriers which provides international liner services for the carriage of cargo on a particular route or routes within specified geographical limits and which has an agreement or arrangement, whatever its nature, within the framework of which they operate under uniform or common freight rates and any other agreed conditions with respect to the provision of liner services.

National shipping line

A national shipping line of any given country is a vessel-operating carrier which has its head office of management and its effective control in that country and is recognized as such by an appropriate authority of that country or under the law of that country.

Lines belonging to and operated by a joint venture involving two or more countries and in whose equity the national interests, public and/or private, of those countries have a substantial share and whose head office of management and whose effective control is in one of those countries can be recognized as a national line by the appropriate authorities of those countries.

Third-country shipping line

A vessel-operating carrier in its operations between two countries of which it is not a national shipping line.

Shipper

A person or entity who has entered into, or who demonstrates an intention to enter into, a contractual or other arrangement with a conference or shipping line for the shipment of goods in which he has a beneficial interest.

Shippers' organization

An association or equivalent body which promotes, represents and protects the interests of shippers and, if those authorities so desire, is recognized in that capacity by the appropriate authority or authorities of the country whose shippers it represents.

Goods carried by the conference

Cargo transported by shipping lines members of a conference in accordance with the conference agreement.

Appropriate authority

Either a government or a body designated by a government or by national legislation to perform any of the functions ascribed to such authority by the provisions of this Code.

Promotional freight rate

A rate instituted for promoting the carriage of non-traditional exports of the country concerned.

Special freight rate

A preferential freight rate, other than a promotional freight rate, which may be negotiated between the parties concerned.

their share of the trade which they do not carry shall be distributed among the individual member lines participating in the trade in proportion to their respective shares.

7. If the national shipping lines of the countries concerned do not participate in the trade between those countries covered by a conference, the shares of trade carried by the conference between those countries shall be allocated between the participating member lines of third countries by commercial negotiations between those lines.

8. The national shipping lines of a region, members of a conference, at one end of the trade covered by the conference, may redistribute among themselves by mutual agreement the shares in trades allocated to them, in accordance with article 2, paragraphs 4 to 7 inclusive.

9. Subject to the provisions of article 2, paragraphs 4 to 7 inclusive regarding shares of trade among individual shipping lines or groups of shipping lines, pooling or trade-sharing agreements shall be reviewed by the conference periodically, at intervals to be stipulated in those agreements and in accordance with criteria to be specified in the conference agreement.

10. The application of the present article shall commence as soon as possible after entry into force of the present Convention and shall be completed within a transition period which in no case shall be longer than two years, taking into account the specific situation in each of the trades concerned.

11. Shipping lines members of a conference shall be entitled to operate chartered ships to fulfil their conference obligations.

12. The criteria for sharing and the revision of shares as set out in article 2, paragraphs 1 to 11 inclusive shall apply when, in the absence of a pool, there exists berthing, sailing and/or any other form of cargo allocation agreement.

13. Where no pooling, berthing, sailing or other trade participation agreements exist in a conference, either group of national shipping lines, members of the conference, may require that pooling arrangements be introduced, in respect of the trade between their countries carried by the conference, in conformity with the provisions of article 2, paragraph 4; or alternatively they may require that the sailings be so adjusted as to provide an opportunity to these lines to enjoy substantially the same rights to participate in the trade between those two countries carried by the conference as they would have enjoyed under the provisions of article 2, paragraph 4. Any such request shall be considered and decided by the conference. If there is no agreement to institute such a pool or adjustment of sailings among the members of the conference, the groups of national shipping lines of the countries at both ends of the trade shall have a majority vote in deciding to establish such a pool or adjustment of sailings. The matter shall be

decided upon within a period not exceeding six months from the receipt of the request.

14. In the event of a disagreement between the national shipping lines of the countries at either end whose trade is served by the conference with regard to whether or not pooling shall be introduced, they may require that within the conference sailings be so adjusted as to provide an opportunity to these lines to enjoy substantially the same rights to participate in the trade between those two countries carried by the conference as they would have enjoyed under the provisions of article 2, paragraph 4. In the event that there are no national shipping lines in one of the countries whose trade is served by the conference, the national shipping line or lines of the other country may make the same request. The conference shall use its best endeavours to meet this request. If, however, this request is not met, the appropriate authorities of the countries at both ends of the trade may take up the matter if they so wish and make their views known to the parties concerned for their consideration. If no agreement is reached, the dispute shall be dealt with in accordance with the procedures established in this Code.

15. Other shipping lines, members of a conference, may also request that pooling or sailing agreements be introduced, and the request shall be considered by the conference in accordance with the relevant provisions of this Code.

16. A conference shall provide for appropriate measures in any conference pooling agreement to cover cases where the cargo has been shut out by a member line for any reason excepting late presentation by the shipper. Such agreement shall provide that a vessel with unbooked space, capable of being used, be allowed to lift the cargo, even in excess of the pool share of the line in the trade, if otherwise the cargo would be shut out and delayed beyond a period set by the conference.

17. The provisions of article 2, paragraphs 1 to 16 inclusive concern all goods regardless of their origin, their destination or the use for which they are intended, with the exception of military equipment for national defence purposes.

Article 3

DECISION-MAKING PROCEDURES

The decision-making procedures embodied in a conference agreement shall be based on the equality of all the full member lines; these procedures shall ensure that the voting rules do not hinder the proper work of the conference and the service of the trade and shall define the matters on which decisions will be made by unanimity. However, a decision shall not be taken in respect of matters defined in a conference agreement relating to the trade between two countries without the consent of the national shipping lines of those two countries.

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any event, the liquidated damages under the contract to be paid by the shipper shall not exceed the freight charges on the particular shipment, computed at the rate provided under the contract;

(c) The shipper shall be entitled to resume full loyalty status, subject to the fulfilment of conditions established by the conference which shall be specified in the loyalty arrangement;

(d) The loyalty arrangement shall set out:

- (i) A list of cargo, which may include bulk cargo shipped without mark or count, which is specifically excluded from the scope of the loyalty arrangement;
- (ii) A definition of the circumstances in which cargo other than cargo covered by (i) above is considered to be excluded from the scope of the loyalty arrangement;
- (iii) The method of settlement of disputes arising under the loyalty arrangement;
Provision for termination of the loyalty arrangement on request by either a shipper or a conference without penalty, after expiry of a stipulated period of notice, such notice to be given in writing; and
- (v) The terms for granting dispensation.

4. If there is a dispute between a conference and a shippers' organization, representatives of shippers and/or shippers about the form or terms of a proposed loyalty arrangement, either party may refer the matter for resolution under appropriate procedures as set out in this Code.

Article 8 المعافاة DISPENSATION المعافاة

1. Conferences shall provide, within the terms of the loyalty arrangements, that requests by shippers for dispensation shall be examined and a decision given quickly and, if requested, the reasons given in writing where dispensation is withheld. Should a conference fail to confirm, within a period specified in the loyalty arrangement, sufficient space to accommodate a shipper's cargo within a period also specified in the loyalty arrangement, the shipper shall have the right, without being penalized, to utilize any vessel for cargo in question.

2. In ports where conference services are arranged subject to the availability of a specified minimum of cargo (i.e. on inducement), but either the shipping line does not call, despite due notice by shippers, or the shipping line does not reply within an agreed time to the notice given by shippers, shippers shall automatically have the right, without prejudicing their loyalty status, to use any available vessel for the carriage of their cargo.

Article 9 AVAILABILITY OF TARIFFS AND RELATED CONDITIONS AND/OR REGULATIONS

Tariffs, related conditions, regulations, and any amendments thereto shall be made available on request to

shippers, shippers' organizations and other parties concerned at reasonable cost, and they shall be available for examination at offices of shipping lines and their agents. They shall spell out all conditions concerning the application of freight rates and the carriage of any cargo covered by them.

Article 10 ANNUAL REPORTS

Conferences shall provide annually to shipper' organizations, or to representatives of shippers, reports on their activities designed to provide general information of interest to them, including relevant information about consultations held with shippers and shippers' organizations, action taken regarding complaints, changes in membership, and significant changes in service, tariffs and conditions of carriage. Such annual reports shall be submitted, on request, to the appropriate authorities of the countries whose trade is served by the conference concerned.

Article 11 CONSULTATION MACHINERY

1. There shall be consultations on matters of common interest between a conference, shippers' organizations, representatives of shippers and, where practicable, shippers, which may be designated for that purpose by the appropriate authority if it so desires. These consultations shall take place whenever requested by any of the above-mentioned parties. Appropriate authorities shall have the right, upon request, to participate fully in the consultations, but this does not mean that they play a decision-making role.

2. The following matters, *inter alia*, may be the subject of consultation:

- (a) Changes in general tariff conditions and related regulations;
- (b) Changes in the general level of tariff rates and rates for major commodities;
- (c) Promotional and/or special freight rates;
- (d) Imposition of, and related changes in, surcharges;
- (e) Loyalty arrangements, their establishment or changes in their form and general conditions;
- (f) Changes in the tariff classification of ports;
- (g) Procedure for the supply of necessary information by shippers concerning the expected volume and nature of their cargoes; and
- (h) Presentation of cargo for shipment and the requirements regarding notice of cargo availability.

3. To the extent that they fall within the scope of activity of a conference, the following matters may also be the subject of consultation:

data regarding relevant costs and revenues which in the opinion of the conference necessitate an increase in freight rates.

4. If agreement is reached as a result of the consultations, the freight-rate increase shall take effect from the date indicated in the notice served in accordance with article 14, paragraph 1, unless a later date is agreed upon between the parties concerned.

5. If no agreement is reached within 30 days of the giving of notice in accordance with article 14, paragraph 1, subject to procedures prescribed in this Code, the matter shall be submitted immediately to international mandatory conciliation, in accordance with chapter VI. The recommendation of the conciliators, if accepted by the parties concerned, shall be binding upon them and shall be implemented, subject to the provisions of article 14, paragraph 9, with effect from the date mentioned in the conciliators' recommendation.

6. Subject to the provisions of article 14, paragraph 9, a general freight-rate increase may be implemented by a conference pending the conciliators' recommendation. When making their recommendation, the conciliators should take into account the extent of the above-mentioned increase made by the conference and the period for which it has been in force. In the event that the conference rejects the recommendation of the conciliators, shippers and/or shippers' organizations shall have the right to consider themselves not bound, after appropriate notice, by any arrangement or other contract with that conference which may prevent them from using non-conference shipping lines. Where a loyalty arrangement exists, shippers and/or shippers' organizations shall give notice within a period of 30 days to the effect that they no longer consider themselves bound by that arrangement, which notice shall apply from the date mentioned therein, and a period of not less than 30 days and not more than 90 days shall be provided in the loyalty arrangement for this purpose.

7. A deferred rebate which is due to the shipper and which has already been accumulated by the conference shall not be withheld by, or forfeited to, the conference as a result of action by the shipper under article 14, paragraph 6.

8. If the trade of a country carried by shipping lines members of a conference on a particular route consists largely of one or few basic commodities, any increase in the freight rate on one or more of those commodities shall be treated as a general freight-rate increase, and the appropriate provisions of this Code shall apply.

9. Conferences should institute any general freight-rate increase effective in accordance with this Code for a period of a stated minimum duration, subject always to the rules regarding surcharges and regarding adjustment in freight rates consequent upon fluctuations in foreign exchange rates. The period over which a general freight-rate increase is to apply is an appropriate matter to be considered during

consultations conducted in accordance with article 14, paragraph 2, but unless otherwise agreed between the parties concerned during the consultations, the minimum period of time between the date when one general freight-rate increase becomes effective and the date of notice for the next general freight-rate increase given in accordance with article 14, paragraph 1 shall not be less than 10 months.

Article 15

PROMOTIONAL FREIGHT RATES

1. Promotional freight rates for non-traditional exports should be instituted by conferences.

2. All necessary and reasonable information justifying the need for a promotional freight rate shall be submitted to a conference by the shippers, shippers' organizations or representatives of shippers concerned.

3. Special procedures shall be instituted providing for a decision within 30 days from the date of receipt of that information, unless mutually agreed otherwise, on applications for promotional freight rates. A clear distinction shall be made between these and general procedures for considering the possibility of reducing freight rates for other commodities or of exempting them from increases.

4. Information regarding the procedures for considering applications for promotional freight rates shall be made available by the conference to shippers and/or shippers' organizations and, on request, to the Governments and/or other appropriate authorities of the countries whose trade is served by the conference.

5. A promotional freight rate shall be established normally for a period of 12 months, unless otherwise mutually agreed between the parties concerned. Prior to the expiry of the period, the promotional freight rate shall be reviewed, on request by the shipper and/or shippers' organization concerned, when it shall be a matter for the shipper and/or shippers' organization, at the request of the conference, to show that the continuation of the rate is justified beyond the initial period.

6. When examining a request for a promotional freight rate, the conference may take into account that, while the rate should promote the export of the non-traditional product for which it is sought, it is not likely to create substantial competitive distortions in the export of a similar product from another country served by the conference.

7. Promotional freight rates are not excluded from the imposition of a surcharge or a currency adjustment factor in accordance with articles 16 and 17.

8. Each shipping line member of a conference serving the relevant ports of a conference trade shall accept, and not unreasonably refuse, a fair share of cargo for which a promotional freight rate has been established by the conference.

Chapter V
OTHER MATTERS

Article 18
FIGHTING SHIPS

Members of a conference shall not use fighting ships in the conference trade for the purpose of excluding, preventing or reducing competition by diverting a shipping line not a member of the conference out of the said trade.

Article 19
ADEQUACY OF SERVICE

1. Conferences should take necessary and appropriate measures to ensure that their member lines provide regular, adequate and efficient service of the required frequency on the routes they serve and shall arrange such services so as to be as far as possible bunching and gapping of sailings.

Conferences should also take into consideration any special measures necessary in arranging services to handle seasonal variations in cargo volumes.

2. Conferences and other parties prescribed in this Code are entitled to participate in consultations, including appropriate authorities if they so desire, should keep under review, and should maintain close co-operation regarding the demand for shipping space, the adequacy and suitability of service, and in particular the possibilities for rationalization and for increasing the efficiency of services. Benefits identified as accruing from rationalization of services shall be fairly reflected in the level of freight rates.

3. In respect of any port for which conference services are supplied only subject to the availability of a specified minimum of cargo, that minimum shall be specified in the tariff. Shippers should give adequate notice of the availability of such cargo.

Article 20
HEAD OFFICE OF A CONFERENCE

A conference shall as a rule establish its head office in a country whose trade is served by that conference, unless agreed otherwise by the shipping lines members of that conference.

Article 21
REPRESENTATION

Conferences shall establish local representation in all countries served, except that where there are practical reasons to the contrary the representation may be on a regional basis. The names and addresses of representatives shall be readily available, and these representatives shall ensure that the views of shippers and conferences are made

readily known to each other with a view to expediting prompt decisions. When a conference considers it suitable, it shall provide for adequate delegation of powers of decision to its representatives.

Article 22
**CONTENTS OF CONFERENCE AGREEMENTS,
TRADE PARTICIPATION AGREEMENTS
AND LOYALTY ARRANGEMENTS**

Conference agreements, trade participation agreements and loyalty arrangements shall conform to the applicable requirements of this Code and may include such other provisions as may be agreed which are not inconsistent with this Code.

Part two

Chapter VI
**PROVISIONS AND MACHINERY FOR SETTLEMENT
OF DISPUTES**

A. GENERAL PROVISIONS

Article 23

1. The provisions of this chapter shall apply whenever there is a dispute relating to the application or operation of the provisions of this Code between the following parties:

(a) A conference and a shipping line;

(b) The shipping lines members of a conference;

(c) A conference or a shipping line member thereof and a shippers' organization or representatives of shippers or shippers; and

(d) Two or more conferences.

For the purposes of this chapter the term "party" means the original parties to the dispute as well as third parties which have joined the proceedings in accordance with (a) of article 34.

2. Disputes between shipping lines of the same flag, as well as those between organizations belonging to the same country, shall be settled within the framework of the national jurisdiction of that country, unless this creates serious difficulties in the fulfillment of the provisions of this Code.

3. The parties to a dispute shall first attempt to settle it by an exchange of views or direct negotiations with the intention of finding a mutually satisfactory solution.

4. Disputes between the parties referred to in article 23, paragraph 1 relating to:

(a) Refusal of admission of a national shipping line to a conference serving the foreign trade of the country of that shipping line;

deemed to be a notification to such conference or organization.

2. Acceptance or rejection by a conference or shippers' organization of a recommendation by conciliators shall be deemed to be acceptance or rejection of such a recommendation by each member thereof.

Article 27

Unless the parties agree otherwise, the conciliators may decide to make a recommendation on the basis of written submissions without oral proceedings.

B. INTERNATIONAL MANDATORY CONCILIATION

Article 28

In international mandatory conciliation the appropriate authorities of a Contracting Party shall, if they so request, participate in the conciliation proceedings in support of a party being a national of that Contracting Party, or in support of a party having a dispute arising in the context of the foreign trade of that Contracting Party. The appropriate authority may alternatively act as an observer in such conciliation proceedings.

Article 29

1. In international mandatory conciliation the proceedings shall be held in the place unanimously agreed to by the parties or, failing such agreement, in the place decided upon by the conciliators.

2. In determining the place of conciliation proceedings the parties and the conciliators shall take into account, *inter alia*, countries which are closely connected with the dispute, bearing in mind the country of the shipping line concerned and, especially when the dispute is related to cargo, the country where the cargo originates.

Article 30

1. For the purposes of this chapter an international panel of conciliators shall be established, consisting of experts of high repute or experience in the fields of law, economics of sea transport, or foreign trade and finance, as determined by the Contracting Parties selecting them, who all serve in an independent capacity.

2. Each Contracting Party may at any time nominate members of the panel up to a total of 12, and shall communicate their names to the Registrar. The nominations shall be for periods of six years each and may be renewed. In the event of the death, incapacity or resignation of a member of the panel, the Contracting Party which nominated such person shall nominate a replacement

for the remainder of his term of office. A nomination takes effect from the date on which the communication of the nomination is received by the Registrar.

3. The Registrar shall maintain the panel list and shall regularly inform the Contracting Parties of the composition of the panel.

Article 31

1. The purpose of conciliation is to reach an amicable settlement of the dispute through recommendations formulated by independent conciliators.

2. The conciliators shall identify and clarify the issues in dispute, seek for this purpose any information from the parties, and on the basis thereof, submit to the parties a recommendation for the settlement of the dispute.

3. The parties shall co-operate in good faith with the conciliators in order to enable them to carry out their functions.

4. Subject to the provisions of article 25, paragraph 2, the parties to the dispute may at any time during the conciliation proceedings decide in agreement to have recourse to a different procedure for the settlement of their dispute. The parties to a dispute which has been made subject to proceedings other than those provided for in this chapter may decide by mutual agreement to have recourse to international mandatory conciliation.

Article 32

1. The conciliation proceedings shall be conducted either by one conciliator or by an uneven number of conciliators agreed upon or designated by the parties.

2. Where the parties cannot agree on the number or the appointment of the conciliators as provided in article 32, paragraph 1, the conciliation proceedings shall be conducted by three conciliators, one appointed by each party in the statement(s) of claim and reply respectively, and the third by the two conciliators thus appointed, who shall act as chairman.

3. If the reply does not name a conciliator to be appointed in cases where article 32, paragraph 2 would apply, the second conciliator shall, within 30 days following the receipt of the statement of claim, be chosen by lot by the conciliator appointed in the statement of claim from among the members of the panel nominated by the Contracting Party or Parties of which the respondent(s) is(are) a national(s).

4. Where the conciliators appointed in accordance with article 32, paragraphs 2 or 3 cannot agree on the appointment of the third conciliator within 15 days following the date of the appointment of the second

2. "Recommendation" includes an interpretation, clarification or revision of the recommendation made by the conciliators before the recommendation has been accepted.

Article 39

1. Each Contracting Party shall recognize a recommendation as binding between the parties which have accepted it and shall, subject to the provisions of article 39, paragraphs 2 and 3, enforce, at the request of any such party, all obligations imposed by the recommendation as if it were a final judgement of a court of that Contracting Party.

2. A recommendation shall not be recognized and enforced at the request of a party referred to in article 39, paragraph 1 only if the court or other competent authority of the country where recognition and enforcement is sought is satisfied that:

(a) Any party which accepted the recommendation was, under the law applicable to it, under some legal incapacity at the time of acceptance;

(b) Fraud or coercion has been used in the making of the recommendations;

(c) The recommendation is contrary to public policy (*ordre public*) in the country of enforcement; or

(d) The composition of the conciliators, or the conciliation procedure, was not in accordance with the provisions of this Code.

3. Any part of the recommendation shall not be enforced and recognized if the court or other competent authority is satisfied that such part comes within any of the subparagraphs of article 39, paragraph 2 and can be separated from other parts of the recommendation. If such part cannot be separated, the entire recommendation shall not be enforced and recognized.

Article 40

1. Where the recommendation has been accepted by all the parties, the recommendation and the reasons therefor may be published with the consent of all the parties.

2. Where the recommendation has been rejected by one or more of the parties but has been accepted by one or more of the parties:

(a) The party or parties rejecting the recommendation may publish its or their grounds for rejection, given pursuant to article 37, paragraph 3, and may at the same time publish the recommendation and the reasons therefor;

(b) A party which has accepted the recommendation may publish the recommendation and the reasons therefor; it may also publish the grounds for rejection given by any other party unless such other party has already published its rejection and the grounds therefor in accordance with article 40, paragraph 2 (a).

3. Where the recommendation has not been accepted by any of the parties, each party may publish the recommendation and the reasons therefor and also its own rejection and the grounds therefor.

Article 41

1. Documents and statements containing factual information supplied by any party to the conciliators shall be made public unless that party or a majority of the conciliators agrees otherwise.

2. Such documents and statements supplied by a party may be tendered by that party in support of its case in subsequent proceedings arising from the same dispute and between the same parties.

Article 42

Where the recommendation has not become binding upon the parties, no views expressed or reasons given by the conciliators, or concessions or offers made by the parties for the purpose of the conciliation procedure, shall affect the legal rights and obligations of any of the parties.

Article 43

1. (a) The costs of the conciliators and all costs of the administration of the conciliation proceedings shall be borne equally by the parties to the proceedings, unless they agree otherwise.

(b) When the conciliation proceedings have been initiated, the conciliators shall be entitled to require an advance or security for the costs referred to in article 43, paragraph 1 (a).

2. Each party shall bear all expenses it incurs in connexion with the proceedings, unless the parties agree otherwise.

3. Notwithstanding the provisions of article 43, paragraphs 1 and 2, the conciliators may, having decided unanimously that a party has brought a claim vexatiously or frivolously, assess against that party any or all of the costs of other parties to the proceedings. Such decision shall be final and binding on all the parties.

Article 44

1. Failure of a party to appear or to present its case at any stage of the proceedings shall not be deemed an admission of the other party's assertions. In that event, the other party may, at its choice, request the conciliators to close the proceedings or to deal with the questions presented to them and submit a recommendation in accordance with the provisions for making recommendations set out in this Code.

2. All States^a are entitled to become Contracting Parties to the present Convention by:

- (a) Signature subject to and followed by ratification, acceptance or approval; or
- (b) Signature without reservation as to ratification, acceptance or approval; or
- (c) Accession.

3. Ratification, acceptance, approval or accession shall be effected by the deposit of an instrument to this effect with the depositary.

Article 49 ENTRY INTO FORCE

1. The present Convention shall enter into force six months after the date on which not less than 24 States, the combined tonnage of which amounts to at least 25 per cent of world tonnage, have become Contracting Parties to it in accordance with article 48. For the purpose of the present article the tonnage shall be deemed to be that contained in *Lloyd's Register of Shipping - Statistical Tables 1973*, table 2 "World Fleets - Analysis by Principal Types", in respect to general cargo (including passenger/cargo) ships and container (fully cellular) ships, exclusive of the United States reserve fleet and the American and Canadian Great Lakes fleets.^b

2. For each State which thereafter ratifies, accepts, approves or accedes to it, the present Convention shall come into force six months after deposit by such State of the appropriate instrument.

3. Any State which becomes a Contracting Party to the present Convention after the entry into force of an amendment shall, failing an expression of a different intention by that State:

- (a) Be considered as a Party to the present Convention as amended; and
- (b) Be considered as a Party to the unamended Convention in relation to any Party to the present Convention not bound by the amendment.

^a At its 9th plenary meeting on 6 April 1974, the Conference adopted the following understanding recommended by its Third Main Committee:

"In accordance with its terms, the present Convention will be open for participation by all States, and the Secretary-General of the United Nations will act as depositary. It is the understanding of the Conference that the Secretary-General, in discharging his functions as depositary of a convention or other multilateral legally binding instrument with an "All States" clause, will follow the practice of the General Assembly of the United Nations in implementing such a clause and, whenever advisable, will request the opinion of the General Assembly before receiving a signature or an instrument of ratification, acceptance, approval or accession."

^b The tonnage requirements for the purpose of article 49, paragraph 1 are set out in part two below.

Article 50 DENUNCIATION

1. The present Convention may be denounced by any Contracting Party at any time after the expiration of a period of two years from the date on which the Convention has entered into force.

2. Denunciation shall be notified to the depositary in writing, and shall take effect one year, or such longer period as may be specified in the instrument of denunciation, after the date of receipt by the depositary.

Article 51 AMENDMENTS

1. Any Contracting Party may propose one or more amendments to the present Convention by communicating the amendments to the depositary. The depositary shall circulate such amendments among the Contracting Parties, for their acceptance, and among States entitled to become Contracting Parties to the present Convention which are not Contracting Parties, for their information.

2. Each proposed amendment circulated in accordance with article 51, paragraph 1 shall be deemed to have been accepted if no Contracting Party communicates an objection thereto to the depositary within 12 months following the date of its circulation by the depositary. If a Contracting Party communicates an objection to the proposed amendment, such amendment shall not be considered as accepted and shall not be put into effect.

3. If no objection has been communicated, the amendment shall enter into force for all Contracting Parties six months after the expiry date of the period of 12 months referred to in article 51, paragraph 2.

Article 52 REVIEW CONFERENCES

1. A Review Conference shall be convened by the depositary five years from the date on which the present Convention comes into force to review the working of the Convention, with particular reference to its implementation, and to consider and adopt appropriate amendments.

2. The depositary shall, four years from the date on which the present Convention comes into force, seek the views of all States entitled to attend the Review Conference and shall, on the basis of the views received, prepare and circulate a draft agenda as well as amendments proposed for consideration by the Conference.

3. Further review conferences shall be similarly convened every five years, or at any time after the first Review Conference, at the request of one-third of the

3. If participation in accordance with (b) of article 34 is desired, the request shall state the grounds therefor and which of the original parties would be supported.

4. Any objection to a request for joinder by such a party shall be sent by the objecting party, with a copy to the other party, within seven days of receipt of the request.

5. In the event that two or more proceedings are consolidated, subsequent requests for third-party participation shall be transmitted to all parties concerned, each of which may object in accordance with the present rule.

Rule 4

Agreement between the parties to a dispute, on motion by any party, and after affording the parties an opportunity of being heard, the conciliators may order the consolidation or separation of all or any claims then pending between the same parties.

Rule 5

1. Any party may challenge a conciliator where circumstances exist that cause justifiable doubts as to his independence.
2. Notice of challenge, stating reasons therefor, should be made prior to the date of the closing of the proceedings, before the conciliators have rendered their recommendation. Any such challenge shall be heard promptly and shall be determined by majority vote of the conciliators in the first instance, as a preliminary point, in cases where more than one conciliator has been appointed. The decision in such cases shall be final.
3. A conciliator who has died, resigned, become incapacitated or disqualified shall be replaced promptly.
4. Proceedings interrupted in this way shall continue from the point where they were interrupted, unless it is agreed by the parties or ordered by the conciliators that a review or rehearing of any oral testimony take place.

Rule 6

The conciliators shall be judges of their own jurisdiction and/or competence within the provisions of the Code.

Rule 7

1. The conciliators shall receive and consider all written statements, documents, affidavits, publications or any other evidence, including oral evidence, which may be submitted to them by or on behalf of any of the parties, and shall give such weight thereto as in judgment such evidence merits.
 - (a) Each party may submit to the conciliators any material it considers relevant, and at the time of such submission shall deliver certified copies to any other party to the proceedings, which party shall be given a reasonable opportunity to reply thereto;
 - (b) The conciliators shall be the sole judges of the relevance and materiality of the evidence submitted to them by the parties.The conciliators may ask the parties to produce such oral evidence as they may deem necessary to an understanding of the dispute, provided that, if such additional evidence is produced, the other parties to the proceedings shall have a reasonable opportunity to comment thereon.

Rule 8

1. Whenever a period of days for the doing of any act is provided for in the Code or in these rules, the day from which the period

begins to run shall not be counted, and the last day of the period shall be counted, except where that last day is a Saturday, Sunday or a public holiday at the place of conciliation, in which case the last day shall be the next business day.

2. When the time provided for is less than seven days, intermediate Saturdays, Sundays and public holidays shall be excluded from the computation.

Rule 9

Subject to the provisions relating to procedural time-limits in the Code, the conciliators may, on a motion by one of the parties or pursuant to agreement between them, extend any such time-limit which has been fixed by the conciliators.

Rule 10

1. The conciliators shall fix the order of business and, unless otherwise agreed, the date and hour of each session.
2. Unless the parties otherwise agree, the proceedings shall take place in private.
3. The conciliators shall specifically inquire of all the parties whether they have any further evidence to submit before declaring the proceedings closed, and a noting thereof shall be recorded.

Rule 11

Conciliators' recommendations shall be in writing and shall include

- (a) The precise designation and address of each party;
- (b) A description of the method of appointing conciliators, including their names;
- (c) The date and place of the conciliation proceedings;
- (d) A summary of the conciliation proceedings, as the conciliators deem appropriate;
- (e) A summary statement of the facts found by the conciliators;
- (f) A summary of the submissions of the parties;
- (g) Pronouncements on the issues in dispute, together with the reasons therefor;
- (h) The signatures of the conciliators and the date of each signature; and
- (i) An address for the communication of the acceptance or rejection of the recommendation.

Rule 12

The recommendation shall, so far as possible, contain a pronouncement on costs in accordance with the provisions of the Code. If the recommendation does not contain a full pronouncement on costs, the conciliators shall, as soon as possible after the recommendation, and in any event not later than 60 days thereafter, make a pronouncement in writing regarding costs as provided in the Code.

Rule 13

Conciliators' recommendations shall also take into account previous and similar cases whenever this would facilitate a more uniform implementation of the Code and observance of conciliators' recommendations.

ANNEX TO RESOLUTION 1

Adopted in regard to the settlement of some fundamental issues before the United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences

A. Role of Governments

1. Upon the request of Governments, requisite information is to be furnished by the conferences.

2. Government representatives are to have the right to be present during consultations, to participate in the discussions fully, to make suggestions, and to promote agreement between the parties, but shall have no vote of a decision-maker.

3. Governments are to have a similar right of participation in mediation proceedings.

B. Participation in trade

1. Equality of the rights of national lines at the two ends.

A share of 20 per cent is to be allocated to third-flag lines where they exist.

2. If national lines do not carry, or are unable to carry, their allocated share of the trade - and on that point they themselves shall make the decision - that portion of their share of the trade which they do not carry will revert to the pool to be shared *pro rata*.

3. National lines within a region at one end are to have the flexibility of adjustments among themselves in regard to their shares.

C. Implementation

1. Every effort is to be made by the parties to reach a settlement during consultations.

2. Where a matter is not settled by consultation and a dispute arises, it should be submitted to mandatory international conciliation, among such matters are questions relating to freight rates, surcharges, and currency adjustment factors.

3. Conciliators' recommendations, if accepted by the parties, shall be binding.

4. If conciliators' recommendations are rejected, reasons for their rejection are to be stated comprehensively in writing and published.

5. A review conference is to be convened after five years to review the working of the convention with particular reference to conciliation. Such review conferences are to be held every five years thereafter.

D. Criteria for the determination of freight rates

1. These criteria should be as contained in the proposal submitted by the socialist countries of Eastern Europe for paragraph 54 of the Code.⁹

⁹ For the text of this proposal, which was subsequently sponsored also by the Group of 77 and by France, see alternative 1 to paragraph 54 of the Code in *United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences, vol. 1, Reports and other documents* (United Nations publication, Sales No. E.76.JL.D.11), part four, sect. 1.

2. The time between the date when one general freight-rate increase becomes effective and the date of notice of the next general freight-rate increase should not be less than 12 months.

Note: Reference was made to the apprehensions among different groups in regard to the question of outside competition, but the hope was expressed that this problem would be satisfactorily resolved by mutual discussion in the Committee or drafting group concerned.

2. Non-conference shipping lines

The United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences,

Having prepared the Convention on a Code of Conduct for Liner Conferences with a view to improving the liner conference system,

Bearing in mind that the Convention is applicable to liner conferences and their external relations,

Resolves that:

1. Nothing in that Convention shall be construed so as to deny shippers an option in the choice between conference shipping lines and non-conference shipping lines subject to any loyalty arrangements where they exist.

2. Non-conference shipping lines competing with a conference should adhere to the principle of fair competition on a commercial basis.

3. In the interest of sound development of liner shipping service, non-conference shipping lines should not be prevented from operating as long as they comply with the requirements of paragraph 2 above.

9th plenary meeting
6 April 1974

3. Local conciliation

The United Nations Conference of Plenipotentiaries on a Code of Conduct for Liner Conferences,

Bearing in mind the importance of the consultation provisions and the dispute settlement procedures provided in the Convention on a Code of Conduct for Liner Conferences,

Noting that proposals were made to provide in the Code for submitting some disputes to local conciliation,

1. Requests the first Review Conference to be convened in accordance with article 52 of the Convention to give priority consideration to the subject of local conciliation, taking into account the views expressed by the Contracting Parties to the Convention on whether or not the absence of local conciliation has hampered the effective settlement of

Part two
TONNAGE REQUIREMENTS*

TONNAGE REQUIREMENTS FOR PURPOSES OF ARTICLE 49 (1)
OF THE CONVENTION ON A CODE OF CONDUCT FOR LINER CONFERENCES

*General cargo (including passenger cargo) ships and container (fully cellular) ships,
exclusive of the United States reserve fleet and the American and Canadian Great Lakes fleets
(Gross registered tons; steamships and motorships of 100 gross tons or more are included)*

	<i>General cargo (including passenger cargo)</i>	<i>Container ships (fully cellular)</i>	<i>Total</i>
Great Britain and Northern Ireland	5 231 668	1 344 805	6 576 473
Australia	252 672	83 123	335 795
Bahamas	56 125	-	56 125
Bangladesh	34 285	-	34 285
Barbados	696	-	696
Belize	620	-	620
Bermuda	52 085	-	52 085
Canada ^a	136 646	-	136 646
Cayman Islands	43 567	-	43 567
Cyprus	2 137 943	-	2 137 943
Falkland Islands	2 100	-	2 100
FiJI	3 954	-	3 954
Gambia	641	-	641
Ghana	115 152	-	115 152
Gibraltar	1 900	-	1 900
Gilbert and Ellice Islands	1 333	-	1 333
Grenada	226	-	226
Guyana	6 336	-	6 336
Hong Kong	199 845	-	199 845
India	1 314 740	-	1 314 740
Jamaica	12 253	-	12 253
Kenya	10 533	-	10 533
Malaysia	119 672	-	119 672
Maldives Islands	76 963	-	76 963
Malta	5 600	-	5 600
Mauritius	13 779	-	13 779
Montserrat	711	-	711
Nauru	26 940	-	26 940
New Guinea	22 074	-	22 074
New Hebrides	4 269	-	4 269
New Zealand	107 333	-	107 333
Nigeria	96 630	-	96 630
St. Kitts-Nevis	396	-	396
St. Lucia	804	-	804
St. Vincent	2 247	-	2 247
Seychelles	192	-	192
Sri Lanka	1 035	-	1 035
Singapore	1 029 662	55 681	1 085 343
Salomon Islands	629	-	629
Sol Lanka (Ceylon)	22 274	-	22 274
Tanzania	25 993	-	25 993
Togo	1 658	-	1 658
Tuvalu and Tokelau	5 555	-	5 555
Tuvalu Islands	1 323	-	1 323

* Originally issued as TD/CODE/10 (vol. II), annex 1.

	General cargo (including passenger/cargo)	Container ships (fully cellular)	Total
Pure	213 800	--	213 800
Philippines	646 829	--	646 829
Poland	1 058 771	--	1 058 771
Portugal	481 627	5 695	487 322
Qatar	--	--	--
Romania	129 503	--	129 503
Russia (USSR)	6 462 506	25 200	6 487 706
Saudi Arabia	36 992	--	36 992
Senegal	6 045	--	6 045
South Africa	1 180 015	--	1 180 015
South Africa	280 342	--	280 342
Spain	1 025 406	20 808	1 046 214
Sudan	37 158	--	37 158
Sweden	1 089 283	151 727	1 241 010
Switzerland	145 732	--	145 732
Syria	1 071	--	1 071
Thailand	65 380	--	65 380
Tunisia	14 763	--	14 763
Turkey	369 488	--	369 488
United Arab Emirates	6 876	--	6 876
United States of America ^b	2 188 907	1 723 755	3 912 662
Uruguay	42 477	--	42 477
Venezuela	119 980	--	119 980
Vietnam (North)	3 981	--	3 981
Vietnam (South)	30 980	--	30 980
Yemen Arab Republic	2 844	--	2 844
Yemen, People's Dem. Rep	713	--	713
Yugoslavia	982 639	--	982 639
Zaire	34 646	--	34 646
World Total	66 795 428	5 896 763	72 694 191

Source: Data are extracted from table 2 of *Lloyd's Register of Shipping - Statistical Tables 1973, "World Fleets - Analysis by Principal Types"*. They refer to the position at 1 July 1973.

NOTES: The tonnage of general cargo and container ships in the United States reserve fleet and the United States and Canadian Great Lakes fleets are included in the original table but are excluded here, in accordance with the provisions of article 49 (1) of the Convention, on the basis of information supplied to the UNCTAD secretariat by Lloyd's Register of Shipping in a letter dated 3 April 1974, which stated that there is no container ship tonnage in the excluded categories.

The nomenclature and listing of countries and territories are as in the original source.

References to China are to be understood in the light of General Assembly resolution 2758 (XXVI) of 25 October 1971. By that resolution, the General Assembly, *inter alia*, decided:

"... to restore all its rights to the People's Republic of China and to recognize the representatives of its Government as the only legitimate representatives of China to the United Nations, and to expel forthwith the representatives of Chiang Kai-shek from the place which they unlawfully occupy at the United Nations and in all the organizations related to it."

^a Total general cargo tonnage 295 073
Less Great Lakes general cargo tonnage 158 427
136 646

^b Total general cargo tonnage 4 740 935
Less Great Lakes general cargo tonnage 83 048
4 658 907

Reserve fleet general cargo tonnage
(excluded - see source, p. 3) 2 800 000
3 186 907

Fig. 22. Shore Based Personnels.

Place	ETHIOPIANS	EXPATRIATES	TOTAL
AA Head Office	71	-	71
Assab Br. Office	5	-	5
Rep. Office Rdam	3	3	6
Rep. Office Trieste	1	-	1
Total	80	3	83

Fig. 23. Sea Going Personnels.

Department	Officers	APP. OFFICERS	Ratings	Total
Deck	23	12	77	112
Engineers	30	1	63	94
Catering	5	-	60	65
	58	13	200	271

Fig. 24. Cadets Under Training

Countries	Nautical	Engineering	Total
India	10	15	25
Bulgaria	5	5	10
Poland	4	5	9
Greece	4	3	7
	23	28	51

Source: ESLC Personnel Department.

OPERATIONS AT THE PORT OF ASSAB

Year*	No. of Ships Entered	Net Registered Tonnage	Gross Registered Tonnage	C A R G O			PASSENGERS CARRIED		
				Loaded (Mt. Tons)	Unloaded (Mt. Tons)	Total	In	Out	Total
1977/78	486	1,744,214	2,915,697	372,200	1,027,579	1,399,779	156	342	498
1978/79	488	1,822,393	2,976,017	462,273	1,391,522	1,853,795	137	597	734
1979/80	477	1,936,105	3,176,709	482,971	1,502,313	1,985,284	1,300	1,297	2,597
1980/81	479	2,112,106	3,446,331	539,189	1,335,667	1,874,856	1,302	764	2,066
1981/82	497	2,272,565	3,739,004	551,013	1,371,020	1,922,033	275	333	608
1982/83	539	2,526,704	4,071,557	603,313	1,500,526	2,103,839	144	75	219

OPERATIONS OF THE PORT OF MASSAWA

Year*	No. of Ships Entered	Net Registered Tonnage	Gross Registered Tonnage	C A R G O			PASSENGERS CARRIED		
				Loaded (Mt. Tons)	Unloaded (Mt. Tons)	Total	In	Out	Total
1977/78	-	-	-	-	-	-	-	-	-
1978/79	83	140,977	255,357	19,010	106,864	125,874	202	95	297
1979/80**	164	328,785	597,116	35,329	192,902	228,231	690	588	1,278
1980/81	179	305,997	566,838	87,640	228,419	316,059	847	597	1,444
1981/82	221	408,865	757,578	74,100	364,465	438,568	360	615	975
1982/83	190	434,369	755,341	46,222	355,665	401,887	244	278	522

* Year Ending July 7

** For the second half of the year

Source: Marine Transport Authority

EXPORT - IMPORT VIA ASSAB

COMMODITY	1 9 8 0				1 9 8 1			
	EXPORT		IMPORT		EXPORT		IMPORT	
	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr
Food and live animals	111,827.4	591,568.9	133,916.3	78,248.5	126,705.3	496,899.8	137,488.8	93,582.1
Beverages and Tobacco	-	-	0.1	0.8	4.1	12.9	6.6	3.4
Crude materials, in- edible, except fuels	30,387.5	135,530.8	3,370.5	99,000.0	20,707.5	115,416.9	5,505.1	14,501.0
Mineral fuels, lubricants and related materials	195,026.9	65,192.6	726,537.0	347,195.6	183,003.1	84,420.0	753,639.5	344,648.5
Animal and vegetable oils and fats	422.9	4,192.1	2,451.4	8,006.7	278.4	2,582.5	3,643.2	7,593.7
Chemical elements and compounds	100.0	70.2	97,958.9	145,823.4	3.0	14.3	42,558.8	104,082.6
Manufactured goods, classi- fied by material	112.5	68.1	129,821.0	174,744.9	38.6	113.6	63,583.6	157,846.5
Machinery and transport equipment	-	-	30,695.5	250,539.4	75.0	397.0	25,899.4	306,143.3
Miscellaneous manufactured articles	8.5	301.1	4,184.0	34,248.6	-	-	3,582.6	30,163.7
Commodities n.e.s.	-	-	-	-	2,052.5	5,523.3	-	-
T O T A L	337,885.7	796,923.8	1,128,935.7	1,137,807.9	332,367.5	705,380.3	1,035,907.6	1,058,564.8

(CONT'D)

COMMODITY	1 9 8 2				1 9 8 3			
	EXPORT		IMPORT		EXPORT		IMPORT	
	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr
Food and live animals	137,100.1	548,201.0	111,887.9	79,979.4	151,364.4	538,057.6	222,330.5	116,442.3
Beverages and Tobacco	-	-	429.2	2,917.5	250.0	426.1	651.3	4,243.2
Crude materials, in- edible, except fuels	32,334.8	126,293.5	6,918.2	20,631.5	37,084.0	108,382.4	9,851.3	19,192.7
Mineral fuels, lubricants and related materials	201,324.3	63,915.7	767,101.7	385,479.9	207,616.1	68,624.6	746,115.7	340,157.9
Animal and vegetable oils and fats	210.1	1,758.2	5,220.1	10,453.4	405.1	2,961.7	9,747.9	20,177.4
Chemical elements and compounds	12.0	76.2	68,646.2	118,663.5	1.0	2.1	105,906.8	151,593.9
Manufactured goods, classi- fied by material	15.6	31.1	166,096.6	190,688.1	122.3	297.7	153,491.8	177,796.1
Machinery and transport equipment	-	-	26,062.3	302,514.4	21.9	193.9	51,201.7	386,108.5
Miscellaneous manufactured articles	2,705.2	1,190.4	3,879.7	31,544.9	16.1	280.3	3,812.2	24,582.6
Commodities n.e.s.	-	-	-	0.3	-	-	197.9	1,370.7
T O T A L	373,702.1	741,466.1	1,156,241.9	1,142,872.9	396,880.9	719,226.4	1,303,307.1	1,241,665.3

Source: Customs and Excise Tax Administration

EXPORT - IMPORT VIA MASSAWA

COMMODITY	1 9 8 0				1 9 8 1			
	EXPORT		IMPORT		EXPORT		IMPORT	
	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr
Food and live animals	661.4	628.7	3,982.3	4,933.1	10,312.4	13,230.0	2,109.2	3,858.4
Beverages and Tobacco	-	-	166.6	2,348.5	-	-	39.0	856.5
Crude materials, in- edible, except fuels	290.7	3,051.5	649.6	1,708.8	30,845.9	22,640.1	426.7	887.2
Mineral fuels, lubricants and related materials	-	-	4,505.5	4,024.6	-	-	1,776.2	3,713.6
Animal and vegetable oils and fats	-	-	979.8	1,927.0	-	-	1,451.0	2,050.0
Chemical elements and compounds	-	-	10,812.5	19,351.2	-	-	5,765.8	12,347.0
Manufactured goods, classi- fied by material	-	-	6,648.9	23,254.7	-	-	6,723.8	19,076.7
Machinery and transport equipment	-	-	662.8	8,465.9	-	-	498.7	8,018.0
Miscellaneous manufactured articles	-	-	99.6	1,327.5	-	-	115.7	882.9
Commodities n.e.s.	-	-	673.3	3,818.8	-	-	0.5	7.0
T O T A L	952.1	3,680.2	29,180.9	71,160.1	41,158.3	35,870.1	18,906.6	51,697.3

(CONT'D)

COMMODITY	1 9 8 2				1 9 8 3			
	EXPORT		IMPORT		EXPORT		IMPORT	
	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr	Quantity in Tons	Value in '000 Birr
Food and live animals	4,530.7	1,854.9	58,764.0	27,437.3	10,476.1	4,718.6	129,050.0	83,487.6
Beverages and Tobacco	612.0	627.2	87.4	2,826.5	-	-	40.9	1,167.2
Crude materials, in- edible, except fuels	14,609.8	6,151.0	1,500.0	1,860.0	10,113.8	11,956.1	68.8	226.7
Mineral fuels, lubricants and related materials	-	-	3,156.7	5,353.5	-	-	5,611.5	9,310.8
Animal and vegetable oils and fats	-	-	1,347.6	3,800.3	-	-	2,851.3	6,808.3
Chemical elements and compounds	-	-	7,113.9	14,088.0	-	-	6,933.1	12,813.6
Manufactured goods, classi- fied by material	-	-	7,878.3	19,752.7	30.0	62.6	9,251.6	21,295.2
Machinery and transport equipment	-	-	1,788.8	17,522.3	-	-	2,072.8	34,818.3
Miscellaneous manufactured articles	-	-	366.4	1,981.1	-	-	326.8	2,285.7
Commodities n.e.s.	-	-	-	0.7	-	-	5.5	52.0
T O T A L	19,752.5	8,633.1	82,003.1	94,622.4	20,619.9	16,737.3	156,212.3	172,265.4

Source: Customs and Excise Tax Administration

Ethiopian Shipping Lines Corporation
1976 & 1977 B.C. Revenue & Expenditure

600 kr

	1983/84 1976	1984/85 1977
<u>Revenue</u>		
<u>1. Liner service</u>		
1.1 Own ships	36755	50808
1.2 Charter	51450	34692
Sub total	88205	85500
<u>2. Coastal Service</u>		
2.1 Own ships	5648	6056
2.2 Charter	7714	4841
Sub total	13362	10897
Grand total	101567	96397

<u>Expenditure</u>	1983/84 1976	1984/85 1977
1. Salaries & Benefits	5021	4909
2. Fuel & oil	12885	13369
3. Maintenance	3814	2407
4. Loading & Discharging	19361	18449
5. Harbour & swiss canal Dues	7685	8720
6. Insurance	1892	2178
7. Agency commission	8125	9640
8. Ships charter	15946	11284
9. Depreciation	33558	5900
10. Administrative & other expense	7026	5148
11. Interest payment	-	3474
Total	85313	85478

Ethiopian Shipping Lines Corporation
Profit & Loss Appropriations Statement

	1982/83 1975	1983/84 1976	1984/85 1977
I <u>Operating Income</u>			
1. Gross sales/Revenue (freight Earning)	87641	97596	96397
2. Less: Sales Taxes	-	-	-
3. Less: Trade discounts Commissions & Sales Returns	-	-	-
4. Cost of Good sold	<u>87641</u>	<u>97596</u>	<u>96397</u>
II. <u>Selling, Administrative</u> <u>And General Expenses</u>			
<u>Selling & Distribution Expenses</u>			
5. Sales Salaries & wages	20293	24377	23358
6. Sales Employees Benefits	998	816	295
7. Sales promotion & Advertisement	-	-	250
8. Other Selling & Distribution Expenses	9210	19402	75
9. Total Selling & distribution "	<u>30501</u>	<u>44595</u>	<u>23978</u>
<u>Administrative & General Expenses</u>			
10. Salaries & wages Administrative service	929	858	860
11. Employees benefits " "	61	81	51
12. Office supplies used	590	121	122
13. Depreciation-office building machinery & equipment	4109	4553	5900
14. Interest expense-domestic Bank	-	-	280
15. " " -external Loan	-	-	3337
16. Capital charge	2270	2359	2411
17. Other miscellaneous expenses	39440	33643	50774
18. Total administrative & general expenses	<u>47399</u>	<u>41615</u>	<u>63735</u>
19. Total operating Expenses	<u>77900</u>	<u>86210</u>	<u>87713</u>
20. Netoperating Income/ (loss)	9741	11386	8684
21. Total Income before Income Tax	9741	11386	8684
22. Net Income after income Tax	9741	11386	8684
III. <u>Appro priations</u>			
23. General reserve (10% of Item 22)	974	1139	868
24. Residval surplus (22-23)	<u>8767</u>	<u>10248</u>	<u>7816</u>

Revenue and Expenditure1974 - 1982 G.C.

In '000 Birr

Year	Revenue	Expenditure	Gross Profit
1974	18,952	16,470	2,482
1975	19,090	17,852	1,238
1976	21,869	21,033	838
1977	26,386	24,509	1,877
1978	43,942	33,799	10,143
1979	61,700	54,600	7,100
1980	71,100	66,000	5,100
1981	85,000	77,300	7,700
1982	83,609	72,550	11,059
1983	86,177	77,497	8,680
1984	101,567	85,313	16,254

1985 96,397 85,478 10,919

Exchange rate = 1 USD = 2.07 Birr

ESLC,

**Current Daily Running Costs
of ESLC Vessels**

(in Birr)

Vessels	In Port	At Sea
1. Lion of Ethiopia	8,544	13,692
2. Queen of Sheeba	8,110	14,061
3. Abbay Wenz	12,568	19,939
4. Abyot	12,858	20,619
5. Andinet	16,610	24,563
6. Netsanet	15,824	23,541
7. Keiy Kokeb	6,695	12,304
8. Wolwol	6,522	11,503
9. Meskerem	8,189	16,749
10. Karamara	5,331	9,385
11. Nebelbal	3,967	7,766

INCL. DEPRECIATION

Tertic

Appendix 10

	ASSAB		MASSAWA		
Number of Berth	Length (Meter)	Depth (Meter)	Number of Berth	Length (Meter)	Depth (Meter)
1	180	11.0	1	176	4.9 to 6.7
2	170	11.0	2	150	7.5
3	140	11.0	3	137	8.7
8	140	5.8	4	137	8.2
9	135	8.8	5	137	8.2
10	128	11.0	6	170	9.1
11	127	10.0			

Storage

	Storage Space	Assab	Massawa	Total
a	Number of Covered Sheds	9	6	15
	Total Floor Area (m ²)	25,400	11,840	37,240
	Capacity (m ³)	171,070	75,921	246,991
b	Number of Open Sheds	5	3	8
	Total Floor Area (m ²)	17,502	4,311	21,813
	Capacity (m ³)	120,279	20,000	140,279
c	Intermediate Depot	200,000	33,100	233,100
d	Cold Storage			
	Number of chambers	15	-	15
	Total Capacity (m ³)	1,544	-	1,544

Appendix 11

Ser No.	Description	Assab	Nassava	Total
1.	<u>Eng Boats:-</u>			
	350 H.P	-	2	2
	600 H.P	1	-	1
	1000 H.P	-	1	1
	1200 H.P	1	-	1
	1400 H.P	1	-	1
	Total	3	3	6
2.	<u>Pilot Boats:-</u>			
	75 H.P.	-	1	1
	85 H.P	1	-	1
	120 H.P	1	-	1
	175 H.P	-	1	1
	Total	2	2	4

Cargo Handling Appliances

Ser No.	Type of Appliance	Assab	Nassava	Total
1	<u>Shore Crane</u>			
	5 Tons	-	6	6
	6.3 Tons	14	-	14
	10-20 Tons	4	-	4
	Total	18	6	24
2	<u>Mobile Cranes</u>			
	5 - 150 Tons	16	5	21
3	<u>Forklift Trucks</u>			
	3 - 24 Tons	64	16	80
4	<u>Tractors</u>			
	30 - 70 H.P	56	12	68
5	<u>Trailers</u>			
	5 - 40 tons	154	49	203

AVAILABLE MECHANICAL APPLIANCES FOR GENERAL CARGO
IN HASSAWA PORT

1. Shore cranes-of 5-6 tons number of it	6
2. Mobile cranes of 50 " " " "	2
3. Mobile cranes of 20 " " " "	1
4. Forklift of 30 tons for Containers	1
5. " " " 6 " " -	2
6. " " " 4 "	11
7. Tractors of 70 Horsepower	18
8. Trailers " 20 Tons	10
9. Trailers " 10 "	37

Marine Crafts:-

1. Tug boats- 300 Horse power	3
2. Motor boat 70 " " (12 Motors)	2

Vehicles

1. Bus	3
2. Automobile service cars	9

WAITING TIME & BERTH OCCUPANCYFORT OF ASSAB

YEAR	AVERAGE WAITING TIME AT ANCHORAGE IN HOURS				AVERAGE BERTH OCCUPANCY
	BULK CARRIER	GENERAL CARGO	TOTAL	AVERAGE	
1974	224	75	229	149 $\frac{1}{2}$	72.0%
1975	293	86	379	189 $\frac{1}{2}$	78.4%
1976	280	82	362	181	87.2%
1977	144	107	251 $\frac{1}{2}$	125 $\frac{1}{2}$	87.9%

- THE AVERAGE BERTH OCCUPANCY EXCLUDE THE OCCUPANCY FIGURE OF BERTH No. 8 i.e. OCCUPIED NOT WORKABLE.

**GANG HOUR PRODUCTIVITY FOR THE YEAR 1976 & 1977 BY
MAJOR COMMODITY TYPE:-**

PRODUCTIVITY FOR DISCHARGING CARGO

CARGO TYPE	GANG HOUR PRODUCTIVITY ON TON	
	1977	1976
WHEAT MANUAL	19.7	16.2
WHEAT BY TIPPER TRUCK	49.2	-
WHEAT BY BAGGING MACHINE	42.0	-
FERTILIZER BULK	-	29.5
FERTILIZER BAGGED	17.7	16.0
CEMENT	21.6	18.0
IRON & STEEL SHEET	29.0	28.3
GENERAL CARGO	10.3	10.0

PRODUCTIVITY FOR LOADING CARGO

CARGO TYPE	GANG HOUR PRODUCTIVITY ON TON	
	1977	1976
COFFEE	19.4	19.4
EXPELLER	22.2	21.0
HIDES & SKIN	7.6	6.7
BAGGED CARGO	23.0	21.5
SALT	-	27.6
GENERAL CARGO	13.0	14.0

TABLE 41
INVISIBLE RECEIPTS
(In Million Btrr)

	1978	1979	1980	1981	1982	1983					1984		
						I	II	III	IV	Total	I	II	III
1. Travel	7.3	12.0	14.8	22.1	15.1	5.0	4.6	3.6	3.9	17.1	2.5	4.4	3.8
2. Investment Income & Capital	51.0	113.7	78.8	44.3	41.1	25.6	17.5	20.0	9.9	73.1	27.7	13.3	24.7
a) Interest Pvt. Sector	1.3	2.9	10.3	2.4	6.8	8.3	3.4	2.8	—	14.5	1.3	0.7	—
b) Interest on Govt. Loans (NBE) deposits	12.6	18.1	19.0	4.9	34.2	0.9	9.6	17.3	7.0	34.8	—	—	—
c) Private Foreign Investment	—	—	—	—	—	—	—	—	—	—	—	—	—
d) Private loans	9.7	—	—	—	—	—	—	—	—	—	—	—	—
e) Gov't loans	25.7	90.9	49.3	35.2	—	16.4	—	—	—	16.4	26.4	12.6	22.6
f) Other	1.7	1.8	0.2	1.8	0.1	—	4.5	—	2.9	7.4	—	—	2.1
3. Other Gov't, Transactions	26.0	17.8	17.4	13.2	24.1	5.1	7.3	5.4	10.9	28.7	12.3	15.1	10.1
a) Contribution to Common Defence	—	0.4	—	—	—	—	—	—	—	—	—	—	—
b) Foreign Embassy & Diplomatic expenditures	25.2	17.0	17.2	11.7	21.3	4.4	5.7	4.4	9.8	24.3	10.8	13.7	8.3
c) Communication Settlements	0.8	0.4	0.2	1.5	2.8	0.7	1.6	1.0	1.1	4.4	1.5	1.4	1.8
4. Educational Receipts	—	—	0.6	—	—	—	—	—	—	—	—	0.1	—
5. International Institutions, Missions, etc.	80.2	72.3	72.4	97.7	100.1	22.1	25.1	18.1	33.0	98.3	35.3	30.5	45.5
a) International Institutions	40.5	41.1	31.1	48.0	45.8	8.1	11.1	9.2	16.4	44.8	15.8	18.0	23.9
b) Missionary Receipts	30.7	27.8	38.7	44.9	35.9	8.9	8.6	8.9	8.7	35.1	10.1	12.5	11.7
c) Benevolent Contributions	9.0	3.4	2.6	4.8	18.4	5.1	5.4	—	7.9	18.4	9.4	—	9.7
d) Other	—	—	—	—	—	—	—	—	—	—	—	—	0.2
6. Services	22.7	17.0	35.7	40.8	28.5	9.9	25.6	13.9	11.2	60.5	14.5	20.0	14.0
a) Agents' Fees and Commissions	11.0	9.1	25.1	25.9	7.9	3.5	10.9	0.4	2.1	16.9	1.7	0.2	0.2
b) Transport Services	6.5	7.8	10.6	13.9	18.8	6.3	6.2	5.1	2.9	20.5	5.2	10.6	4.5
c) Miscellaneous Rentals	5.0	0.1	—	1.0	1.7	—	8.5	—	—	8.5	—	—	—
d) Construction Activity	0.2	—	—	—	0.1	0.1	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	8.4	6.2	14.6	7.6	9.2	9.3
7. Other General Receipts	53.7	33.0	50.5	44.9	65.4	26.5	22.2	12.4	15.1	76.2	15.1	30.4	12.9
a) Migrants' Transfers	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Insurance Premiums	—	—	—	—	—	—	—	—	—	—	—	—	—
c) Insurance Claims	1.8	0.4	—	0.8	1.9	0.2	2.1	2.2	2.7	7.2	1.4	0.9	0.9
d) Family Maintenance Transfers	—	—	—	—	—	—	—	—	—	—	—	—	—
e) Salary Transfers	8.9	—	—	—	—	0.1	—	—	—	0.1	—	—	—
f) Other Pvt. Sector	20.0	24.7	26.0	20.7	20.0	8.6	—	7.2	4.7	20.5	—	—	—
g) Other Gov't Sector	22.9	6.8	23.6	20.0	21.4	10.5	—	3.0	—	13.5	—	10.0	—
h) Purchase of Foreign Shares	—	—	—	—	—	—	—	—	—	—	—	—	—
i) Other Services	0.1	1.1	0.9	3.4	22.1	7.1	20.1	—	7.7	34.9	13.7	19.5	12.0
GRAND TOTAL	240.9	265.8	270.2	263.0	274.3	94.2	102.3	73.5	84.0	353.9	107.4	113.8	111.0

TABLE 42
INVISIBLE PAYMENTS
(In Million Birr)

	1978	1979	1980	1981	1982	1983					1984		
						I	II	III	IV	Total	I	II	III
1. Travel	7.0	7.3	7.9	6.0	7.1	1.5	1.8	2.6	1.6	7.5	1.7	2.2	2.6
2. Investment Expenditure & Capital	58.6	52.8	59.1	54.7	59.2	15.2	18.3	11.8	15.5	60.6	17.6	17.3	18.6
a) Dividends and profits	—	0.5	2.2	0.1	1.7	—	—	—	—	—	—	0.4	—
b) Interest-Pvt. Sector	3.9	1.4	2.1	3.2	—	—	—	—	—	—	—	—	—
c) Invest on Govt. Loans	18.3	22.1	27.8	22.5	21.1	6.2	4.6	4.2	6.6	21.6	6.1	1.7	—
d) Govt. Loan Repayments	31.0	27.5	25.5	28.0	26.4	5.4	13.7	5.2	7.2	31.5	8.8	8.7	8.3
e) Private Loan Repayments	—	—	—	—	—	—	—	—	—	—	—	—	—
f) Private Loans	—	—	—	—	10.0	—	—	—	—	—	—	—	—
g) Other	5.4	1.3	1.5	0.9	3.8	3.6	—	2.4	1.7	7.7	2.7	6.5	10.3
3. Other Govt. Transactions	8.3	6.3	2.0	4.9	5.3	2.1	1.4	0.2	0.6	4.3	0.6	1.7	0.2
a) Embassy & Diplomatic Expenditure	7.0	5.9	1.4	4.8	3.5	1.6	0.7	—	—	2.3	—	1.7	—
b) Communication Settlements	1.3	0.4	0.6	0.1	1.8	0.5	0.7	0.2	0.6	2.0	0.6	—	0.2
4. Educational Payments	0.7	0.7	0.6	0.6	0.3	0.1	—	1.0	0.3	1.4	0.1	0.1	0.2
5. International Institutions, Missions etc.	2.6	1.3	0.4	0.2	0.8	0.2	0.3	0.4	0.1	1.0	—	—	—
a) International Institutions	1.8	1.2	0.2	0.1	0.8	0.2	0.3	0.2	0.1	0.8	—	—	—
b) Missions	—	—	—	—	—	—	—	—	—	—	—	—	—
c) Benevolent Contributions	0.2	0.1	0.2	0.1	—	—	—	—	—	0.2	—	—	—
d) Other	0.6	—	—	—	—	—	—	0.2	—	—	—	—	—
6. Services	12.7	11.5	37.8	8.9	24.5	4.5	13.4	3.7	15.1	36.7	4.9	5.3	3.7
a) Real Estate Rentals	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Agents' fees & Commissions	0.7	2.3	32.7	8.3	9.1	2.1	9.3	—	1.7	13.1	0.7	0.8	0.4
c) Management fees	0.6	0.5	—	0.5	2.7	2.0	—	1.2	—	3.2	1.2	2.3	1.3
d) Transport Services	10.7	8.7	5.1	0.1	12.2	0.2	—	0.1	0.4	0.7	0.3	—	0.1
f) Miscellaneous Rentals	0.7	—	—	—	0.5	0.2	4.1	0.2	—	4.5	—	0.2	—
f) Others	—	—	—	—	—	—	—	2.2	13.0	15.2	2.7	2.0	1.9
7. Other General Payments	38.7	44.1	57.7	50.0	40.0	10.6	8.2	4.6	1.1	25.1	11.7	18.6	12.9
a) Migrants Transfers	2.0	1.2	1.0	0.9	0.7	0.1	0.3	0.6	0.1	1.1	1.8	0.1	0.6
b) Insurance Premiums	8.3	10.3	8.7	5.9	2.4	2.1	1.6	0.1	—	3.8	—	—	—
c) Insurance Claims	1.6	0.6	0.1	0.3	—	—	—	—	—	—	—	—	—
d) Family Maintenance Transfers	—	—	—	—	—	—	—	—	—	—	—	—	—
e) Salary Transfers	1.3	2.1	1.2	2.2	2.9	2.1	1.6	—	0.1	3.8	0.1	0.3	0.6
f) Other Pvt. Sector	1.2	1.3	1.1	0.4	3.0	0.1	2.5	0.5	—	3.1	0.2	0.3	0.4
g) Other Govt. Sector	19.7	24.1	39.9	35.0	18.0	4.6	2.0	1.5	—	8.1	—	17.5	11.2
h) Purchase of Foreign Shares	—	—	—	—	5.5	—	—	—	—	—	—	—	—
i) Other Services	4.6	4.5	5.7	5.3	7.5	1.6	—	1.9	0.9	5.2	9.6	0.4	0.1
GRAND TOTAL	128.6	124.0	165.6	125.3	137.2	34.2	43.4	24.9	34.3	136.8	36.6	45.2	38.2