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The development dilemma

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SHIPPING POLICY

The development dilemma

Ignacy Chrzanowski* provides an objective analysis of the developing nation's shipping problems

AMONG the crucial problems facing today's maritime industry, the so called Third World issue occupies a prominent place, not only because the developing countries claim a greater share of ocean transport, correspondingly with their share in world seaborne trade, but also because traditional maritime countries are increasingly aware of the inevitability of structural changes in the existing international division of labour in maritime transport.

However, despite this apparent convergence of views the two groups of countries profoundly differ as to the means by which a more even distribution of resources in maritime transport might be obtained and a new maritime order erected. While ready to make concessions to their less developed counterparts, the traditional maritime countries invariably stand for the maintenance of the status quo in sea transport. The newly emerged nations, on the other hand, become increasingly impatient and dissatisfied by the lack of progress in the building of a new maritime order. The results of this state of affairs are well known and, whatever their evaluation in quantitative or monetary terms, they are extremely harmful for the industry.

It is difficult to write on this delicate problem without emotion and subjectivism. Both sides have plenty of argument to back up their respective positions. However, the issue is challenging and this article tries to throw some light on certain aspects of the developing countries' struggle.

The investment barrier is one of the most serious obstacles to the development of maritime transport in the countries concerned. With a capital input in shipping approaching one million dollars per man employed aboard a contemporary vessel, the developing countries have much more urgent priorities. The capital, which cannot be raised at home because it is scarce and potential investors are not maritime-motivated and prefer less risky sectors, has to be found on the open market. With current interest rates it is a heavy burden, particularly for those developing countries already unable to pay off their foreign debt.

For the majority of the developing nations the spending of, say, one hundred million dollars to procure a small fleet of modern vessels is often out of the question or, at best, means the abandonment of vital programmes of development. It is obvious that these nations will be long unable to solve the investment problem by their own means. Aid becomes of crucial importance in this respect.

Several options can be looked at in relation to the investment barrier. Despite their heavy foreign debt, developing countries should have access to low-interest loans against their exports. A loan-giving country would guarantee a purchase from a loan-taking nation of a definite quantity of its exports at a fixed price to protect it against a downward trend of prices. Such an option need not be an act of charity since quite often a reverse trend may be possible and prices for some basic products imported from developing countries may sharply rise. In a word, such a solution may be advantageous for both sides. Furthermore, good prospects of sales might encourage the developing countries to produce efficiency and programme their production over longer periods of time. Examples of such tied-in transactions can be found in the shipping sector and they prove satisfactory for both parties concerned.

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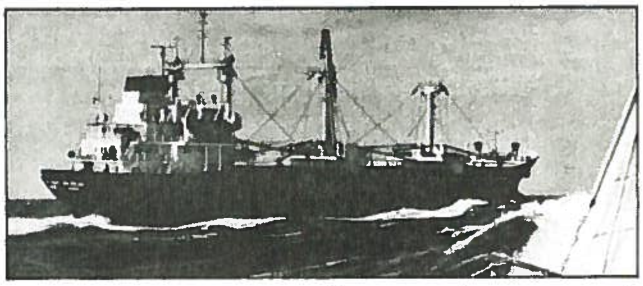

Well found and modern tonnage like the Algerian "Ibn Rochs" is not the lot of most developing countries.

Another option, increasingly popular in some areas, are joint-venturers with a capital input by a developed country and labour provided by a recipient country. West-German and Norwegian experiences provide a good illustration. One of the advantages of this solution is the fact that the recipient country has an opportunity to train its labour, both at sea and ashore, before starting operations of its own.

Still another solution to the investment problem may be the purchase of second-hand tonnage which can be abundantly found on the market. Quite often there are good bargains and second-hand ships which can hardly find employment in the developed countries' trades, could quite efficiently be operated by developing countries. However, the developing countries have very little, if any, experience in deals on the market of second-hand tonnage, concluded through specialised brokers, which increases the overall cost of a deal.

The problem of the investment barrier in maritime transport of developing countries cannot be readily solved. It must be left to shipping finance experts who would be able to find a suitable formula. One fact must be emphasised here, the inability of developing countries to solve this problem by themselves and that a more sympathetic attitude by the traditional maritime interests is indispensable.

Expertise

Ships must not only be purchased by developing countries; they also have to be manned and managed. The point is often rightly raised that the developing countries are, as a whole, unable to meet the manning requirements of their maritime industries. Schooling facilities are scarce, under-equipped both with hardware and modern training programmes, and not always properly run. However, even the existing facilities, if properly used, could satisfy a major part of needs in sea-going personnel were there more co-ordination among the countries concerned, many of which still send their students to European or North American maritime colleges instead of a neighbouring country.

The problem of the quality of training in maritime colleges in developing countries is very complex and requires a careful attention by all the parties involved. One should welcome the IMO's World Maritime University (WMU) in Malmoe which seems to be a good solution of the problem of the teaching staff for maritime schools in developing countries. However, WMU will not solve all the problems of this kind, at least in numerical terms, given the small intake of students and numerous colleges in developing countries will continue to recruit expatriate personnel from the traditional maritime countries. Apart from some extremely positive exceptions, the majority of expatriate teachers, mostly former seamen, are not well prepared to assume their highly responsible task. Furthermore, the existing recruitment system does not allow qualified teachers to stay long with the same school since there is a high rate of fluctuation among the staff, which does not help to keep the best men. It should be remembered that one needs 8-12 years to produce a skilled ship's officer; even more time is required to produce a highly qualified teacher.

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PEOPLE & PLACES

● Furness Withy Terminals Ltd

Mr R Tubbs at present financial director of Furness Withy (Terminals) Ltd, is to become responsible for the financial appraisal of new overseas projects.

● Camrex Ltd

Mr J Yeo has been appointed manager for the Singapore office of Camrex Ltd.

● Clark Industries

Mr N Hanson has been appointed contracts manager by water treatment equipment manufacturers, Clark Industries of Hull.

● International Petroleum Exchange

Mr J A Lesser has been elected chairman of the International Petroleum Exchange in succession to **R G Woodhead.**

● Vigina Port Authority

Mr M Wade Jones has been appointed mid-Atlantic regional manager in the marketing services dept by The Virginia Port Authority USA.

● Jardines Shipping

Mr D Barker has been appointed a regional manager of Jardines Hongkong and China region responsible for the Jardine shipping agency business throughout the Pacific Basin. **S Ko** has been appointed director and general manager and **V Wong** as director and depty general manager of Jardine Shipping agencies (Hong Kong) Ltd. **T King** has been appointed general manager of Jardine Shipping Division, Taiwan and **J Moore** has taken over as manager of Jardine Shipping Agencies in Singapore.

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What has been said above of the sea-going personnel is to a large extent true of the shore-side staff. There are two basic categories of this personnel in developing countries: 1) people trained on the job; 2) graduates from universities and/or from technical schools. The latter have basic theoretical background but lack maritime experience which they gain while in post.

Neither of the two categories is fully satisfactory from the industry's point of view. On-the-job training is an ad hoc solution to *current* labour problems. With a few exceptions the majority of the on-the-job trained people are unable to readily adapt themselves to the exigencies of modern maritime technology and organisation. On the opposite side one has young university graduates who have little, if any, professional experience. Some of them have had training in specialised schools abroad. However, upon their return home they find a completely different professional environment from that they used to deal with during their training.

The deficiencies of the training system for maritime transport in developing countries are recognised and the efforts of various organisations, and particularly the UN agencies: IMO, UNCTAD, LLO, FAO, UNDP, etc., aimed at rendering the system more efficient, are enormous and have already produced highly positive results. Of particular importance is the concept of Regional Maritime Academies (RMA) sponsored by IMO and UNCTAD, with the financial input by UNDP.

The concept of RMA's still requires further efforts before it becomes fully operational. That it is a workable formula it is proved by the Arab Maritime Transport Academy in Alexandria (Egypt) which has gained an internationally approved position.

Efficiency

It is often argued that developing countries might produce cheaper transport services than their developed counterparts were they allowed to do so. However, there are two serious doubts about this argument. *Firstly* the cheaper labour, which is the principal factor of lower transport costs, is not only a privilege of developing countries since a number of developed countries' fleets also take advantage of cheap labour comparing to their counterparts where the employment of foreign crews is either totally forbidden by the law or seriously restricted. *Secondly,* in certain developing countries national crews are seconded by expatriate officers whose wages, which are generally much higher than those paid in their respective countries of origin, considerably outweigh the gains obtained thanks to lower national wages. The result is that in these countries the overall crew costs are comparable to those borne by the owners from traditional maritime countries.

As far as the other cost elements in the fleets of developing countries are concerned, they are roughly the same as elsewhere: fuel (apart from some oil-exporting countries subsidising their fleets with cheap fuel), maintenance, insurance, cargo handling etc. are paid at approximately the same rates in developing and developed countries. Thus, the argument of lower operating costs in shipping of developing countries is not absolute. The fact is that there are developing countries whose fleets are fully competitive to those owned by traditional maritime countries, as there are a number of those who are as inefficient as are some developed nations who maintain their inefficient fleets. The theory of comparative costs finds its full confirmation in maritime transport, and it is quite natural that certain countries are more efficient in shipping operations than the others.

The argument of efficiency as a criterion of development of maritime transport is therefore double-edged. Were economics the sole criterion of involvement in maritime transport, some since-long-established merchant fleets would have long ago disappeared from sea lanes.