

**Prof. Ernst FRANKEL**

## **Opening Session President's Remarks**

Friends and Colleagues:

I am immensely proud of the large number of people who joined us at this important conference and at a critical time in world affairs, logistics and our own Association. I cannot adequately express my and our thanks to Professor Guldem CERIT and the President of Dokuz Eylul University Professor Emin ALICI for the most wonderful arrangements for the conference and the true Turkish hospitality extended to all of us.

Izmir is a crossroad of both ancient and modern civilizations and has been a cradle for some of the most important cultural and economic developments of mankind. It was already a thriving commercial center when northern Europe was still a wild, largely forested area. Today it is an important commercial hub, a busy modern port, serving Turkey's heartland. The large-scale economic developments in the Caucasus, Caspian region, and the Middle East offer new opportunities for Turkey and the rest of the Eastern Mediterranean to become the strategic gateway for energy and other products of these most important regions.

We now experience many critical and often disruptive events that hamper mankind from reaping the fruits of a more open, cooperative, peaceful, and globalized world in which all benefit from technological, economic, social, and environmental advances.

Terrorism and concerns for security in trade and transport has become an important and often costly issue, which affects particularly shipping and ports. At the same time, globalization has made our world smaller yet more independent and efficient to the benefit of all that participate.

Globalization and outsourcing has caused some albeit temporary dislocations but in general has allowed people to advance economically and socially much more rapidly. It has also more than doubled the rate of growth of demand for shipping and logistic services. In addition the need for balancing ever changing demands now requires supply chains to be managed and operated more dynamically so as to assure timely response to ever changing logistic needs.

Today world trade comprises nearly 38% of the world's gross output and will continue to grow to well over 50% within the next 15 years. As a result, the world economy is increasingly dependent on trade and effective logistics, particularly shipping services. Yet there are many parts of the world, such as much of Africa and some parts of South Asia and South America, that do not effectively participate in this new globalized world, which do not have effective access to modern, efficient logistic services and which as a result stagnate in their social and economic development.

Much of the unrest and terrorism we experience today is due largely to poverty, frustration, lack of opportunity, and hopelessness. Though there are many reasons for these conditions and their origin varies from place to place, efficient access to world markets does play an important role and if provided may go a long way in helping people in these countries to advance their condition. Today, for example, the costs of shipping a container from West Africa to Northern Europe is over three times that of shipping a similar container from the U.S. to Northern Europe. Not only does this prevent effective export competitiveness and make imports unaffordable but it also causes a decline in the service quality and frequency, resulting in an ever-steeper decline in relative living standards.

Another important concern is today the reemergence of piracy and other attacks on legitimate trade and shipping. This problem is becoming a broader issue now when terrorists and pirates often cooperate or coordinate their attacks. Though the number of vessels successfully attacked is still small, the impact on trade and shipping is large in cost and operational terms. The new security measures introduced by nations like the U.S. or international organizations such as the IMO add significant ship operating costs and also make it much harder to find and maintain effective operating staff. This problem will continue to escalate as security measures are tightened. Similarly, conditions for cargo acceptance and release are greatly affected by these new security requirements.

To cope with this new environment will require much closer coordination among maritime nations, better crew training and background checks, as well as improved surveillance and international cooperation.

Another important issue is the rapid advance of information, communication, positioning, material handling, propulsion, and control technology that could make "unmanned ships" and port equipment a reality. At the same time, there are new opportunities for major improvements in the nearly 50 year old container shipping technology. Larger ships require more transshipment, the cost of which erases the advantages of scale. There is an increasing gap between the systems and technology used in advanced and those used in poorer or underdeveloped countries that must be closed to assure their equitable access to world trade that drives development.

As maritime economists, we build and provide the tools for effective analysis and intelligent decisionmaking. It is of increasing importance for us to assume a more proactive approach to show the way for a more inclusive participation of disadvantaged countries in shipping and international trade.

On another issue, I think that we must make greater efforts in communicating with and involving logistics, shipping, and port operators and their management so as to assure not only greater relevance of our work but also its effective use. I would therefore recommend to the membership to make an effort to better communicate with the logistics and maritime industries at large and involve it in identifying relevant issues and problems for analysis, as well as making it a combined effort.

As one who has been deeply involved in shipping and port operations for over 50 years, I feel an urgent need to assure effective cooperation between the practitioners and analysts to solve our increasingly more complex problems. I would also hope that we could mobilize our colleagues in the field to join us and make IAME a true forum that leads the maritime and logistics industries towards ever better performance. We cannot afford to slumber in an academic atmosphere when the world needs real solutions at this critical time in history.

We are fortunate to have the benefit of a new highly dedicated Secretariat organized by our most distinguished Secretary, Professor Sophia Everett, and a new Internet newsletter that Dr. Jan Hoffman so ably wrote and edited.

Our conferences have grown in stature and our two preceding conferences in Panama chaired by Dr. Jan Hoffman and in Busan chaired by Professor Moon were both outstanding successes. Looking at the attendance here, Izmir will mark a new high in attendance as well as contributions. We are really on the way to making IAME an important force in the global logistics and maritime industries. We plan to expand our activities and will hold next year's IAME annual conference in Cyprus, a new member of the EU, but will extend our newsletter, Secretariat services, and our industry-wide coordination to make our Association more inclusive and more relevant.

I would encourage participants who are as yet not members of IAME to fill out a membership form and join us in advancing our industry. Your conference dues cover the 2004 membership fees.

In conclusion, let me again express IAME's and my sincere gratitude to the organizers, the City of Izmir, and the government of Turkey for their hospitality and superb organization.

Thank you.