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Keynote address by Mr Efthimios E. Mitropoulos

President, distinguished guests, ladies and gentlemen,

It is great a pleasure for me to be with you here today and I should like to extend my thanks to the Organisers of this event, and in particular Professor Cerit, for inviting me to share some thoughts with you here today.

It is somewhat unusual these days for me to find myself speaking to an audience of maritime economists. IMO is primarily a technical body and, although the flavour of economic and, increasingly, political considerations can often be tasted in the work of the Organization, it is the technical ingredients that remain our staple diet.

However, from a personal point of view, this is something of a return to familiar ground. After graduating from the Aspropyrgos Merchant Marine Academy - more years ago than I would care to remember - and serving first in the Greek merchant marine and then in the Hellenic Coast Guard, I had the good fortune to win a scholarship to study shipping economics in Italy. I enjoyed the discipline immensely, and have subsequently written and lectured on the subject.

So, although technical issues are my prime concern today, I am very aware of how important it is to recognize that the decisions we make in this respect have a broader context. Safety, security and environmental concerns cannot be set apart from economic and political considerations and, while our mandate in IMO is to pursue the former, our search is always to find an acceptable balance. With the enormous advances in technology that have been made in recent years it might - just might - be possible to build a completely accident-proof ship. But, from an economic point of view, I have no doubt that such a concept would be completely out of the question.

So, we search for balance, and in doing so are always mindful of the fact that shipping is an international industry that delivers over 90 per cent of global trade. It underpins today's global economy, carrying millions of tons of raw materials, components, finished goods, fuels and foodstuffs cheaply, safely and efficiently to and from all the corners of our planet. IMO, a

specialized agency of the United Nations, is the prime forum for establishing the regulatory framework for international shipping with regard to safety, security and pollution prevention and is fully recognized as such by its 164 Member Governments and all segments of the industry alike. And, while sustaining an uninterrupted flow of maritime traffic is not specifically in our mandate, we are well aware of the responsibility that all of us involved in shipping share in this respect.

Indeed, in 2002, IMO Council members endorsed a new mission statement for the Organization, namely “Safe, secure and efficient shipping on clean oceans” to reflect the broader outlook that the Organization has embraced since its inception more than 50 years ago.

It is worth reflecting for just a moment on some of the enormous changes we have seen in shipping during the lifetime of IMO – changes which have largely been driven by economic concerns and made possible by technological advances. We have seen the relative demise of the all-purpose general cargo ship and the emergence of the specialist vessel. We have seen the phenomenon of unitised cargo and the containership, which has transformed the entire logistics industry. Economies of scale have seen ship sizes grow to what would have been unimaginable levels 50 years ago. Engineers and naval architects have seen to it that huge increases in the amount of cargo a ship can carry have been at the expense of only marginal increases in running costs and, as a result, the relative cost of the sea element in the global logistics chain is extremely low – even at a time such as this, when shipping is generally commanding good freight rates and generating reasonable returns for those who have invested in it.

One wonders how long and how far the trend for bigger ships will continue. There does still seem to be an appetite for larger containerships. The 8000 TEU barrier has been broken and it would seem that the only impediment to further growth is the ability of the shoreside infrastructure to handle such giants. A small number of ULCCs have been delivered in recent years but it seems that, for the moment, tankers of smaller size and perhaps greater flexibility are the preferred option. It will be interesting to see whether the emergence of “wide-bodied” tankers capable of carrying large volumes of oil on “Suezmax” drafts proves to be a significant new trend or just an interesting design cul-de-sac, and whether older, single-hull ULCCs, that reach the end of their service life under the MARPOL age restrictions, will be replaced like-for-like.

Indeed, the steps taken recently by IMO to accelerate the phase-out of single-hull oil tankers, in response to concerns raised by several Member states following a number of high-profile tanker accidents, provide a good example of IMO’s willingness to show its awareness of,

and concern for, the “bigger picture.” Prior to addressing the technical aspects of the matter in detail, the Organization initiated an impact study, with the support and co-operation of experts provided by the industry, OECD and the European Commission. This study looked at key issues such as how the proposed measures would affect the supply of oil, the availability of tonnage worldwide and the ability of the shipbuilding and recycling industries to cope with the likely surges in demand. So, while the substantive, technical decisions made by IMO were designed to enhance maritime safety and protect the marine environment, they were taken with the full understanding and appreciation of the far wider context in which they stood.

Another example of this approach came a couple of years ago with the 1 February 2002 implementation deadline for the revised Convention on Standards of Training, Certification and Watchkeeping for Seafarers. Recognizing the fact that, at the time of the deadline, many seafarers serving on board ships had not been able to obtain the necessary certification required by the Convention, IMO issued advice to port State control officers that, for a period of six months after the deadline, ships whose officers did not hold STCW 95 certificates or flag State endorsements should be issued with a warning only.

At the time, many IMO Members expressed their disappointment at the measure, but there was agreement that it in no way altered the implementation date of the Convention and was simply a pragmatic response to what had become a lengthy administrative process. The STCW Convention represented a very significant milestone in our quest to improve standards throughout the shipping industry, and its implementation was managed in such a way that any negative impact on the flow of global trade and the role of shipping in underpinning the global economy was avoided.

In both these cases IMO and its Member states were able to bring a balanced, pragmatic and above all common-sense approach to what were complex issues and, in doing so, have produced what I am convinced were the best solutions.

Practicality and realism are also going to be needed as the shipping world eases past the 1 July deadline for implementation of the maritime security measures adopted by IMO in December 2002. As members of the eclectic business that is today’s shipping industry, I do not think anyone in this room will need me to go into the details of those security measures, nor of how they were drawn up and what they represent for the industry. If you have read just a small fraction of the acres of newsprint and magazine coverage that has been devoted to the subject over the last 18 months, you will almost certainly be well aware of them.

I would, however, like to say a few words about what happens now – now that the deadline has passed - or at least will have passed in just a few hours. I am advised, and I receive this advice with great regret and disappointment, that reports indicate that the global maritime security net will not be completely in place. I am gravely concerned about the impact this may have on the international maritime transport sector and about the ways this may be exploited by terrorists. On the one side I find myself compelled to call for those who have put in place the necessary security measures on time, to exercise control and compliance measures in a pragmatic manner bearing in mind the need to keep world trade in motion. At the same time, I am confronted also with the need to call for zero tolerance in order to force the hand of those who have failed to take action so far. It is a difficult and unwanted dilemma.

The bottom line in all this is simple. After tomorrow, when the deadline is passed, all of us will have a problem. However, at this stage, no one can predict its magnitude nor its extent. It will only be some time after 1 July 2004 that we will be able to establish clearly the actual situation and then, if possible, start taking corrective actions. It is my intention to monitor developments closely during the initial period of implementation, throughout the coming summer and beyond, so that any appropriate action, including technical assistance for those governments that need and request it, can be taken.

The passing of the deadline does not mean that a port that was considered safe to trade with yesterday will be unsafe tomorrow. We have not flicked a switch. Indeed, even though the administrative processes may not all yet be completed – and that is of course a matter of regret – the overwhelming likelihood is that the level of preparedness, vigilance and awareness on the ground will still be higher than ever before.

The balance between the inevitably restrictive grasp of measures designed to protect shipping from terrorism and the more liberal approach that may be needed to facilitate trade and commerce will rarely be in equilibrium; indeed, there are situations when the greater good requires the scales to tip firmly in one direction or the other. And none of this comes without a significant cost. A report published by the Australian Foreign Affairs and Trade Department estimated the cost of implementation of the ISPS Code for the world shipping industry at \$1.5 billion a year on top of a one-off initial outlay of \$2.6 billion. Ship operators will pay \$1.3 billion of that with operating expenses of \$730 million a year. On the plus side, efficiency gains and reductions in theft and fraud are anticipated to exceed the expenses involved.

Another case where a balanced approach is needed is in ensuring the continued integrity, from a navigational point of view, of the world's most strategically important maritime trade arteries and shipping lanes, where both users and littoral States have legitimate interests. To this effect, the IMO Secretariat has undertaken research to identify those shipping lanes, straits used for international navigation and other sea areas that may be particularly vulnerable to terrorist attack and, with this in mind, we have said that we are prepared and eager to work with others to act pro-actively to protect the interests of safety, security, the environment, seaborne trade and the world economy as a whole.

As a final word on maritime security, I would like to offer you a quote from a recently issued OECD report entitled "Security in Maritime Transport – Risk Factors and Economic Impact." While acknowledging that the implementation of the IMO security measures comes at a cost, the report nevertheless also acknowledges that the maritime transport system is vulnerable to being targeted and/or exploited by terrorists. "A large attack," it says, "especially a well-coordinated one, could have the result of shutting down the entire system as governments scramble to put in place appropriate security measures. These may be drastic, such as the complete closure of ports, and inefficient, such as duplicative and lengthy cargo checks in both originating and receiving ports. The cost of such an attack would likely be measured in the tens of billions of dollars." Unquote. I think this just goes to re-enforce the point that technical measures adopted through IMO can also have a wide ranging and profound effect not just on the maritime economy but on the global economy, and that is something of which we are very much aware.

I mentioned earlier that we now live in a globalized economy and by this I mean an economy in which advances in technology, transport and communication have all but dismantled traditional patterns of manufacturing and trade, dictated as they have been in the past largely by proximity to natural resources and to markets: the same brands are recognized, understood and valued all over the world and goods have probably travelled vast distances, much of it by ship, before they reach the eventual consumer.

The high-flyers of the business world can cross oceans in just hours, communicating by email and telephone as they go, and the strategy and investment decisions they make can affect millions of people all over the world. But, thus far, the benefits of globalization have been spread unevenly, and the United Nations, of which IMO is a specialized agency, is working to ensure that globalization becomes a positive force for all the world's people, and not for just a privileged few.

Maritime activity has a key role to play in achieving this objective. It already provides an important source of invisible income to many developing countries. Indeed, developing countries now lead the world in some of shipping's most important ancillary businesses, including the registration of ships, the supply of sea-going manpower and ship recycling. They also play a significant part in shipowning and operating, shipbuilding and repair and port services, among others, and there have been massive changes in the supply side of the shipping industry's human resource in recent years, in particular a fundamental shift towards new labour markets concentrated in developing countries.

There can be no doubt that transport and communication are crucial for sustainable development in the global environment. If the benefits of globalization are to be evenly spread, the developing countries must be able to play a full and active part in the distribution system. Now that they have been embraced by the tide of globalization, the developing countries are acutely aware of the need to build strong transport infrastructures.

So shipping, and the wider maritime industry as a whole, clearly have a key role to play in spreading the benefits of globalization among the countries of developing world. But, seen in a wider context, shipping has an even more important role to play in underpinning the new global economy. Sea transport remains by far the most cost-effective way to move goods and raw materials in quantity around the world and the vast majority of global trade will continue to be carried in ships for the foreseeable future.

As marine economists, you are in a position to devise and implement the tools for informed analysis and intelligent decision-making. And I am confident that, just as we who are primarily concerned with technical issues understand that we do not act in isolation, so you too will develop and maintain your own awareness of the wider ramifications of your work.

Ladies and gentlemen, thank you once again for the opportunity to speak with you today. I wish your annual Conference every success, and I shall look forward with genuine personal interest, as well as a professional concern, to hearing the outcomes.

Thank you.

24 June

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