CHAPTER I

ECONOMICS OF SHIPPING TRANSPORT
CHAPTER -1

"ECONOMICS OF SHIPPING TRANSPORT"

Since time immemorial the Sea has influenced the nations bordering it and the free use of the routes contributed in a large measure to the economy prosperity and Cultural relations of nations.\(^1\) All the ancient Civilisations of the world have developed alongside the waters, like Induse Valley Civilisations developed on the bank of Induse river.\(^2\) The Mesopotamian Civilisations developed on the bank of tirgis and Euphrates river,\(^3\) The Egyptian Civilisations developed on the bank of Nile river,\(^4\) The Chinese Civilisations developed on the bank of Hwango-Ho river,\(^5\) The Roman civilisation developed on the bank of Tiber river,\(^6\) and the Greek civilisation developed on the bank of Mediterranean sea.\(^7\) These Civilisations grew


3. Ibid., p.30.

4. Ibid., p.36.

5. Ibid., p.42.

6. Ibid., p.86.

7. Ibid., p.76.
alongside the waters because the ancient people got water for drinking and irrigation and floated over the water for fishing. In the ancient period when there was no concept of Roadways, Railways and Airways transport, there was only the water transport. Even today water transport plays a pivotal role to develop trade and commerce of a nation than other means of transport. This Chapter will, therefore, highlight. The Socio-economic significance of shipping transport. It will also examine the cost benefit relationship in the area of shipping transport. In particular the chapter will analyse the economics of shipping transport in India. It is believed that development and maintenance of a strong and adequate shipping transport is a must for the country not only for conserving and earning foreign exchange, servicing and promotion of national and international trade and smooth progress of economic development but also to strengthen the defence requirement of the nation.\textsuperscript{8} Water transport has unique importance in the field of the development of foreign trade as well as home trade. It has great carrying capacity. A boat can carry heavier load, usually six times more than its own weight. The modern ships are of giant carrying capacity and of moderately good speed. The trade

\textsuperscript{8} Indian Shipping, Bombay, Vol.37, No.12, 1985, p.7.
of a country depends upon the water transport of the country. Some countries have their geographical advantages and specialised in the field of a particular industry and agriculture. They have large scale production at minimum cost and export the surplus product to other scarce countries. Similarly, it also facilitates the import of raw materials and finished goods which are not produced in the home country. World’s three fourth trade is performed through the shipping. In the international means of transport, the ships are only the best means to carry bulk cargo from one country to another because of their large carrying capacity and cheap transport services. It is cheaper than other means of transport because waterways are gift of nature and the capital cost, operating cost and maintenance charges of water transport are lower than others. The Railways and Roadways links are not available to go in each and every country. The aircrafts have their limited carrying capacity and their charges are very high. Moreover they have limited number of flights. Therefore, they can only be used for passengers and suitable for carrying light and valuable cargoes.⁹

Shipping transport plays an important role in a nation’s economy. This has been particularly true in the

past. Before the advent of Roadways and Railways, shipping transport had paramount importance. The ancient cities of the world were situated on the bank of rivers because shipping transport was available to export and import goods from one country to another. This transport has some advantages over road and rail transport because God has provided the permanent way. The cost of operation, even in the case of artificially navigable canals, are comparatively low. The capital charges on barges are smaller than on engines and rolling stock, and on jetties considerably less than on station. The pay load is also better, while the tare of wagon generally accounts for one third of the total load, a barge only weighs about one fifth of total carrying capacity. With these advantages it is not surprising that shipping transport is considerably developed in many countries. Great Britain has about 2500 miles of navigable water ways fairly developed, and the U.S.A. has a highly developed river and canal system. In France, the state has spent large sums to develop the internal water transport. These countries developed their shipping transport because inevitable exchange of goods between nations the key to commercial prosperity lies conquest of the "blue water" trade. Back in history, the most powerful civilisations were developed around the sea. It is not a mere accident that two of the commercially most
prosperous and politically powerful nations both in the east and the west are the sea faring island kingdom of Japan and Britain. Many small nations in Europe like Norway, Sweden and Holland which considerable portion of the national incomes is derived from shipping services. With in fifty years Japan with an efficient mercantile marine has obtained for herself lion share in world trade. Indian shipping does not impart a good share in the national income but has its place in it. India has a coast line of over 4500 miles and her coastal shipping plays significance role to develop home trade and commerce.10

The shipping transport throughout its long history has acted as a potent instrument for the unification of the world. It is a very old adage that "Mountains divide but rivers unite."11 Beginning with the instinct of the pre-emptive man to catch fish, some of the noblest and also basest instincts of man have played their part in the development of shipping. The greed for plunder, the lure of conquest, some times combined with religious zeal, have been responsible for man taking great risks to make the trail of unknown. But their appears to be no doubt that the


shipping industry through centuries has increasingly added to the convenience and comforts of people all over the world, by enabling them to enjoy a better life and a higher standard of living by ensuring a proper exchange of goods and services.\textsuperscript{12} Shipping nations of the world from the ancient Phoenicians to the modern British were not altruists in any sense of the term. Portuguese cruelty has left its imprint in the orient, the draining of the riches from India made the British Industrial Revolution possible, the other colonial powers like Dutch also got enrich out of the unknown exploitation and known plunder and trade. But nevertheless all these explorers, navigators, merchants and traders were the unconscious instrument of history and contributed to the growth of wealth and civilisation of various countries among which they exchange their goods.\textsuperscript{13}

Shipping transport overcomes distances and physical barriers like and rivers between nations, trade and cultural intercourse increases. many countries like Japan, Poland, Holand, Nitherland etc. were cut off from rest of the world. Even the biggest continent South Africa which was known as black continent was also unknown for long


\textsuperscript{13} Ibid., p.27.
time. But event of shipping made them known and connected with the world. Shipping transport supplied all the essential commodities which were needed for an institutional life and aroused the standard of living and made them cultured. Mobility of persons stimulates the spread of information and ideas and the desire to take advantage of material progress which specialisation makes possible. The spread of religious and political ideologies and other cultural forms is directly dependent upon the development of transportations and communication facilities. Local dialects, customs, dress, and other distinctive characteristics of localities have given way to widespread by the mobility of men from one place to other and from one country to other.¹⁴ From the ancient, India has been a great centre of different cultures and religions. The Indian thoughts and cultures were spread over the greater part of the Asiatic Continent. In the ancient period Magadha was the great centre of religious study. Many Chinese pilgrims visited India time to time for their religious study. Jana-nabhodra, a Buddhist from Palyan of the Southern ocean come to China for the second time after having visited India from China by sea. Some very interesting facts regarding the maritime intercourse

between China and India are furnished by the famous Chinese traveller I-Tsing who visited India in 673 A.D. He has recorded the itineraries of about sixty Chinese pilgrims who visited India in 7th century A.D. from which it is clear that there was constant traffic across the sea between India and China. The whole coast farther India from Suvarnabhumi or Burma to China and also of islands which ocean liners regularly plying in the Eastern waters between India and China constantly used as convenient holding places. I-Tsing refers to more than ten such colonies where Indian manners, customs and religious practices prevailed together with Sanskrit learning. In these colonies passengers often changed their ships, though many would come direct to Bengal, like I-Tsing who disembarked at the Tamralipti, while others would halt at Ceylon that sacred place of Buddhism to reship themselves for Bengal like Fa-Hien. I-Tsing has also recorded the names of some of his contemporaries who like visited India by way of the sea. Japanese tradition records the names of Indian evangelists who visited Japan to propagate the Buddhist faith. Thus Buddhidharma, of South India, after working in China, come to Japan and had an interview with Prince Shotoku subhakara was another Indian, who working in China, privately visited

Japan and left a book of the MAHAVAIRO CHANABHISAMBODHI SUTRA, consisting of seven books, the fundamental doctrines of Buddhistics Tantrism at the Kumedera temple. The visit of the Indian missionary, Buddhisena to Japan in 736 A.D. is a historical fact. Bodhisena had originally gone to China and while staying in a temple there come in contact with a Japanese and was persuaded to visit Japan. He settled in Japan and taught Sanskrit to Japanese priests.16

India looks as if she had been meant by nature to remain aloof from the rest of the world and to develop her civilisation in isolation, untouched by the currents that stir humanity abroad. The geography of India points to her natural isolation, but the history of India reveals another facts. It has been well said none of the greatest movements in the world which have influenced the history of mankind have failed to touch India and contribute to the development and richness of her extraordinary varied culture and civilisation. India is a country where many religions were born like Hinduism, Jainism, Buddhism and Sikhism. Some of the inscriptions speak navigation and ship-commerce as forming part of the education of the princes of Kalinga. The great King Asoka had religious mission to propagate Buddhism in other countries. He send

16. Ibid., p.144.
his son and daughter to Japan, Java, Sumatra and many other countries to propagate Buddhism. The Shipping transport played a distinctive role to propagate Indian religion to abroad. These were the closing years of the age which witnessed the expansion of India and the spread of Indian thought and culture over the greater part of the Asiatic continent. Thus Indian religion and culture were spreaded in many countries with the help of Shipping transport.\textsuperscript{17}

Water transport is one of the oldest means of transport. The Rig Veda and the ancient Indian epics of Ramayana and Mahabharat refer to sea Voyages. The Sanchi sculpture belonging to second century B.C. contains representation of ships. The Ajanta cave temples dating back to the period between second century B.C. and 7th century A.D. contain representation of boats and ships. Manu’s code which had laid down the ancient Hindu law also laid down a fairly well developed code of maritime laws.\textsuperscript{18} Shipping transport played an important role since the inception of civilisation and continues to play its vital role in international trade in giving access of foodstuffs and sources of raw materials to many nations of the world and

\textsuperscript{17} Ram, M.S.: Shipping 1969 op.cit. p.173.

\textsuperscript{18} Mookerji, Radhakumud: Indian Shipping 1912 op. cit, p.188.
in enabling their finished product to marketing and consuming centres. Now exchange of goods and services is a part of our way of living. Very few nations of the world are self-sufficient and most of the nations of the world depend on others. Even developed countries like Britain depend for daily needs largely on imports.\textsuperscript{19}

Shipping is the only industry in India which is truly international in character. The India Shipping industry operates predominantly in the international arena against fierce international competition. Its fortunes are dependent on international economy and political developments and also on the international supply of shipping tonnage vis-a-vis demand. Shipping is a core industry due to the following factors.

-- It is vital for the country’s export import trade and for the coasted movement of cargoes.
-- It is an earner/saver of foreign exchange with the potential to increase its net surplus earnings for foreign exchange substantially.
-- It is a second line of defence to keep the supply lines open to transport troops, arms and other materials in case of war, internal and external rebellion and national revellion.

\textsuperscript{19} Ram, M.S.: Shipping 1969 op. cit, p.240.
emergencies.  

India is the vanguard of world navigation for several millennia. She is bounded on three sides by ocean and with mightily rivers flowing from the mountains into seas, with its vast coast line of about 6000 Km. studded with several big and small ports. This geographical location has ordained itself that India is a good seafaring nation. India has no option except shipping transport to export and import bulk commodities like coal, coke, iron, ore, semimanufactured iron and steel grain cement, fertilizer and petroleum products, because these bulk commodities fetch low average value and are not perishable.

It has now set forth at some length the available evidence bearing on the history of the shipping, sea borne trade and maritime activity of India from earliest time. The opening centuries of the cristian era which saw a remarkable growth of foreign trade with Rome that was shared equally by the north and the south. The chief items


of Indian export were the renowned art industrial fabrics. India had a good market for her superfluous manufactured luxuries goods in Rome and thereby suck out her wealth and drain her gold. India had commanded for more than a thousand years the markets of the East as well as West, and secured to her an easy and universally recognised pre-eminence among the nations of the world in export and manufactures.  

Besides the Roman trade and the trade with the West generally, there was developed along with it a trade with Ee The West alone could not absorb the entire maritime activity of India, which found another vent in a regular traffic in the Eastern waters between Bengal and ceylon, Kalinga and Subarnbhumi and a complete navigation in fact, of the Bay of Bengal and the Indian ocean. This Eastern maritime enterprise reached its climax in the age of Gupta to promote international trade and colonising activity and laid the foundation of greater India.  

India was a great trading centre and maintained trade relations with Phoenicians, Jews, Assyrians, Greeks and  

23. Ibid., p.182.
Egyptians in ancient times. In later times India traded with turks, venetians, Portuguese, French, Dutch and English. India provided Europe with wool, furs and precious stones in addition to spices and pepper in which she had monopoly. In return she imported lead, tin, glass and amber. India enjoyed a favourable balance of trade, which could be settled in those days only by physical transfer of gold. In the days of King Solomon, about 1015 B.C., India alone could supply ivory, peacocks and spices. The existence of Indian colonies in Malaya, Indonesia, Combodia and Champa for over 1400 years ago bear testimony to the intercourse between India and her neighbours from time immemorials. Indian ships Quilon, which was an ancient port in the south of India, made regular journeys to South China Coast. India produced only pepper and cardamon while clove, nutmegs and other spices come from Indonesia and passed on to Europe through Indian ports and Indian merchants along the Red Sea route. The rulers of the peninsulars and like the cholas and Zamorins of Calicut maintained powerful navies for protection of the coast and for putting down piracy. The Zamorin of Calicut was known as the lord of mountains and the sea.


The Chinese also had maritime traditions from earliest known period of history. Some of the trade between China and Europe passed through India. They were the first to discover silk, and Chinese Silk was imported into Europe through Indian ports from 3000 B.C. Besides the Indian Ocean the other great scene of maritime activity in the ancient world was Mediterranean. The small island of Crete situated on the Mediterranean developed as a maritime power from 3500 B.C. and traded with Egypt, Greece and Syria. The Greeks who learnt the art of navigation from the Phoenicians succeeded to the heritage of Carthage and Phoenicia. Greek civilization depended on trade. It produced only luxurious articles and required to import food. The first Greek city to attain the position of maritime pre-eminence was Miletus located in the coast of Asia Minor. Other Hellenic cities like Athens, Corinth, Antioch, Alexandria and Syracuse soon developed into maritime cities and were centres of sea transportations. Shipping transport played a distinctive role in the discovery of many countries and continents. The discovery of 15th century which brought Europe into direct contact with the old world and opened its eyes to the existence of

the new world were the result of the effort of our great Magellan and Don Henry. Before this Europe had no direct trade with India. There was universal demand of Spices, particularly in Europe and India was only country to export through Persia or Egypt in the absence of a direct trade route from India to Europe. Egyptians made a profit of 300 percent before the spices reached Europe and the European nations became aware of the gold mine of profits when they established a direct trade route to India. In fact, all the energy, enthusiasm and efforts were made because Europe was dominated by one desire to discover a direct sea route to India which was the land of spices and gold. The discovery of a direct route to India shifted the centre of gravity from Europe to Asia and established for the first time India's direct contact with the Western World by ocean route. The 17th century saw the Dutch rise of supremacy as a sea power and was a golden age of Dutch Shipping industry. Having rounded the cape of good hope the Dutch succeeded in expelling the Portuguese from Malaya and


29. Ibid., pp.13-14.
Ceylon. They supplanted the Portuguese in the spice trade of the East. They also cross the Atlantic and established colonies in Caribbean and North and South America. In the carrying trade of Europe from Baltic to Lievant, Dutch Ships participated. Dutch ships of the period combined maximum cargo carrying capacity with low freight costs. 30

Shipping transport plays a strategic role in the country's economy and foreign trade is an accepted fact. 31 All the developed maritime countries have long recognised the needs of this vital shipping transport and support it in its endeavours to maintain its competitive and strategic advancement in enhancing our national and international trade. In our country with its coast line of over 6000 KM. the national fleet performs the strategic role of maintaining lifelines of trade in vital commodities, such as petroleum, coal and other bulk cargoes. India continues to import a large proportion of its crude oil and petroleum product requirements. Fuel economy in transportation is therefore an important factor in our national economy. It is well established that transportation of goods by sea is

30. Ibid., p.16.
by far the most cost effective.\textsuperscript{32} It is one of the Cheapest means of transports because of the natural gift of sea. There is no permanent way, track, to construct for the ocean going vessels, no gangs of men are required to keep it in repair. Permanent way has proved one of the most expensive things to acquire, construct and maintain for the Railway companies and Road Transport. The shipping companies have no capital locked up in works of this kind. Another advantage is the large bulk of Cargo that can be moved in a single unit, larger than is practicable with any other form of transport.\textsuperscript{33}

The other advantage which contributes to bring about the cheapness of water transport as compared with other means of transport is the smaller cost, load for load of boats than others. The weight of railway Wagon is Stated to range between half and three quarters of the weight of the load it can carry, while a boat can carry a weight of good five or six times more than its own weight. This means, of course, that a railway engine has to haul a very much greater proportion of non paying load than that hauled on


\textsuperscript{33} \textbf{Kirkaldy, Adam W:} \textit{The History and Economics of Transport}, 1927. \textit{op.cit}, p.258.
the ships, and correspondingly the proportion of wear and tear due to non-paying and paying load is so much the greater in connection with the railways. For the same reasons the cost of construction in relation to carrying capacity is greatly in favour of the shipping. The next advantage urged is that the cost of motive power of shipping transport is lesser than other means of transport for the same load. The power required to move a given load on land or air will move five times that load on water. Due to all these advantages of shipping transport over all means of transport, it is admitted without dispute that water transport is cheaper than others.\textsuperscript{34}

Even the most advanced countries in Europe and far East utilise coastal shipping for movement of various types of commodities including sophisticated cargoes like speciality chemicals and liquid gases. This aspect of transportation is sadly neglected in our economy.\textsuperscript{35} The following lable shows the share of Indian Shipping in imports, exports and total overseas trade during the period 1960-61 to 1991-92.

\begin{table}
\centering
\begin{tabular}{|c|c|c|}
\hline
Year & Share in Imports & Share in Exports \\
\hline
1960-61 & 50\% & 60\% \\
1961-62 & 55\% & 65\% \\
1962-63 & 60\% & 70\% \\
1963-64 & 65\% & 75\% \\
1964-65 & 70\% & 80\% \\
1965-66 & 75\% & 85\% \\
1966-67 & 80\% & 90\% \\
1967-68 & 85\% & 95\% \\
1968-69 & 90\% & 100\% \\
1969-70 & 95\% & 105\% \\
1970-71 & 100\% & 110\% \\
1971-72 & 105\% & 115\% \\
1972-73 & 110\% & 120\% \\
1973-74 & 115\% & 125\% \\
1974-75 & 120\% & 130\% \\
1975-76 & 125\% & 135\% \\
1976-77 & 130\% & 140\% \\
1977-78 & 135\% & 145\% \\
1978-79 & 140\% & 150\% \\
1979-80 & 145\% & 155\% \\
1980-81 & 150\% & 160\% \\
1981-82 & 155\% & 165\% \\
1982-83 & 160\% & 170\% \\
1983-84 & 165\% & 175\% \\
1984-85 & 170\% & 180\% \\
1985-86 & 175\% & 185\% \\
1986-87 & 180\% & 190\% \\
1987-88 & 185\% & 195\% \\
1988-89 & 190\% & 200\% \\
1989-90 & 195\% & 205\% \\
1990-91 & 200\% & 210\% \\
1991-92 & 205\% & 215\% \\
\hline
\end{tabular}
\end{table}

34. Ibid., pp.261-262.
### TABLE - 1

Share of Indian Shipping in Imports, Exports and Total Overseas Trade During the Period 1960-61 to 1991-92

(000 tonnes)

<table>
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<th>Year</th>
<th>Total Imports carried by Indian flag vessels</th>
<th>Per-cent age</th>
<th>Total Exports carried by Indian flag vessels</th>
<th>Per-cent age</th>
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</table>

This table shows very meagre position of Indian Shipping yet now it shares only 38.72% of our total overseas trade.

Maritime economics, in developed and developing countries have over the years established powerful and effective national policy to protect the interest of their shipping industry. The more powerful of these exist in countries that profess the doctrine of free trade economics but at the same time zealously guard, and even subsidise the interest of their national shipping industry. In our enthusiasm for economic reform we should not lose perspective of these ground realities but must rather strive to develop national awareness of the strategic relevance of vibrant and healthy shipping industry and its indispensable role in a mature national economy.\textsuperscript{36}

Shipping Transport also plays a pivotal role in the field of production. As we know, Industrial Revolution brought a fundamental change in production. Unit production was converted into large scale production and large scale

\textsuperscript{36} Indian Shipping, Bombay, Vol.46, Nos. 2-3, 1994, p.9.
production required huge raw materials and labours. These materials and labours were brought to England from different Britisher's Colonies which was established in different countries through the shipping transport. At that time only shipping transport was developed at its zenith. India was the main colony for importing raw materials and labours and exporting finished goods to the Indian markets and other foreign markets. The demand of shipping was increased to transport slave labour from different English colonies to England.37

Historically, shipping transport has played an important role in developing the national and geographical division of labour, and in the development of the areas of the world producing raw materials and those in which goods are manufactured and distributed.38 The existing modern industrial nations which require to be supplied huge raw materials largely depend on the operation of tramps. Some industrial nations like Great Britain depend on tramps for

their food supply also. Apart from carrying cargo between the various ports of the world, small size coastal tramps run in inter coastal services within a country because water transportation being cheaper than rail transportation. Most of the world tramps fleet is engaged in carrying the following commodities in bulk grain, wheat, rice, corn, coal, ore mainly iron ore, fertilizers, timber sugar, heavy metals etc. The main movement of these commodities has been to and from United states, continent of Europe or Japan. It has been estimated that 85 percent of these bulk commodities are transported by Charter tramps and remaining by the liners. Special tramps have been built to move some of these bulk commodities like coal and iron ore. Both perform a very useful and economical service to transport commodities from one country to other.39

But when we put a glance on the performance of Indian bulk carriers, cut a sorry figure to see a little share of Indian flag vessels in bulk commodities. The following table shows the clear picture of Indian bulk carriers to export & import bulk commodities.

### TABLE - 2

**Quantity Carried and Percentage Share of Indian Flag Vessels in Major Commodities During 1989-90, 1990-91 and 1991-92**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PCL (Crude)</td>
<td></td>
<td>18789</td>
<td>18742</td>
<td>19204</td>
<td>96.80</td>
<td>87.47</td>
<td>81.56</td>
</tr>
<tr>
<td>2.</td>
<td>PCL (Product)</td>
<td></td>
<td>4597</td>
<td>4614</td>
<td>4799</td>
<td>41.80</td>
<td>35.79</td>
<td>31.27</td>
</tr>
<tr>
<td>3.</td>
<td>Edible oils</td>
<td></td>
<td>67</td>
<td>154</td>
<td>6</td>
<td>13.30</td>
<td>20.32</td>
<td>1.91</td>
</tr>
<tr>
<td>4.</td>
<td>Other liquid</td>
<td></td>
<td>247</td>
<td>319</td>
<td>648</td>
<td>8.60</td>
<td>10.57</td>
<td>14.84</td>
</tr>
<tr>
<td>5.</td>
<td>Iron ore</td>
<td></td>
<td>7187</td>
<td>6695</td>
<td>5621</td>
<td>21.70</td>
<td>21.20</td>
<td>18.66</td>
</tr>
<tr>
<td>6.</td>
<td>Other ore</td>
<td></td>
<td>315</td>
<td>358</td>
<td>475</td>
<td>17.50</td>
<td>18.42</td>
<td>22.45</td>
</tr>
<tr>
<td>7.</td>
<td>Fertilisers</td>
<td></td>
<td>1293</td>
<td>1518</td>
<td>1577</td>
<td>49.10</td>
<td>65.77</td>
<td>56.07</td>
</tr>
<tr>
<td>8.</td>
<td>Fert. raw materials</td>
<td></td>
<td>1436</td>
<td>1982</td>
<td>1741</td>
<td>42.60</td>
<td>56.29</td>
<td>55.71</td>
</tr>
<tr>
<td>9.</td>
<td>Foodgrains</td>
<td></td>
<td>31</td>
<td>121</td>
<td>340</td>
<td>2.90</td>
<td>11.68</td>
<td>27.89</td>
</tr>
<tr>
<td>10.</td>
<td>Coal</td>
<td></td>
<td>2623</td>
<td>3420</td>
<td>3448</td>
<td>51.00</td>
<td>55.88</td>
<td>52.79</td>
</tr>
<tr>
<td>11.</td>
<td>Iron &amp; steel</td>
<td></td>
<td>186</td>
<td>239</td>
<td>349</td>
<td>5.30</td>
<td>6.37</td>
<td>15.46</td>
</tr>
<tr>
<td>12.</td>
<td>Sugar</td>
<td></td>
<td>-</td>
<td>-</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>7.91</td>
</tr>
<tr>
<td>13.</td>
<td>Cement</td>
<td></td>
<td>33</td>
<td>-</td>
<td>2</td>
<td>29.20</td>
<td>-</td>
<td>1.82</td>
</tr>
<tr>
<td>14.</td>
<td>Salt</td>
<td></td>
<td>-</td>
<td>37</td>
<td>19</td>
<td>8.25</td>
<td>8.25</td>
<td>5.57</td>
</tr>
<tr>
<td>15.</td>
<td>Newsprint</td>
<td></td>
<td>11</td>
<td>25</td>
<td>28</td>
<td>30.60</td>
<td>58.14</td>
<td>40.0</td>
</tr>
<tr>
<td>16.</td>
<td>Containers</td>
<td></td>
<td>661</td>
<td>537</td>
<td>364</td>
<td>10.40</td>
<td>7.79</td>
<td>6.1</td>
</tr>
<tr>
<td>17.</td>
<td>Other cargo</td>
<td></td>
<td>1535</td>
<td>1558</td>
<td>1595</td>
<td>19.00</td>
<td>20.19</td>
<td>27.2</td>
</tr>
<tr>
<td>ALL</td>
<td>CARGO</td>
<td></td>
<td>39011</td>
<td>40319</td>
<td>40249</td>
<td>39.10</td>
<td>38.99</td>
<td>38.7</td>
</tr>
</tbody>
</table>

**Source:** Indian Shipping Industry Retrospect & Prospect, 1993, op.cit., p.123.
This table clearly depicts that there is only petroleum crude, at present 81.56% of total export and import is carried by the country's own fleet. This figure is also in decreasing order. In 1989-90, the Indian vessels carried 96.80% of total petroleum export and import but in 1990-91 it came to 87.47% and in 1991-92 it again came down to 81.56%. To see this decreasing order, the Government of India evolved a policy whereby the share of the Indian flag in handling this commodity could be brought to 100 percent.40

The shipping transport plays a strategic role in the price formulation of the commodity. The price which is paid for a commodity must in the long run cover all the costs involved in production. One of these costs is that of transporting the commodity once or several times before it reaches to the consumes. There is correlation between the price of commodity and the cost of transportation. If the cost of transportation is high, the cost of production as well as the price of commodity will be high. It follows

that the reduction of transportation costs in any given case will reduce the total cost of the commodity and result in lower prices to the consumer. ⁴¹

Today there is price war in the World markets due to the implementation of GATT and every country is making its strenuous attempt to reduce the cost of production for lowering down the price of commodity to survive in the world market. In this race the shipping transport is playing an important role to provide the cheapest means of transport to bring the raw material from distant countries to own country and send manufactured goods to the different markets of the different countries. ⁴²

Probably no better illustration of the economic significance of shipping transport can be found than in the role it played in the location of market centres. It is no accident that many of the world’s great commercial centres developed at or near points where navigable rivers entered the ocean or at the confluence of two rivers or other

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bodies of waters. London, Rotterdam, Hamburg, Constantinople, Cairo and Shanghai are a few of such old world points which are giant commercial centres of world and situated on the different banks of river or sea. In the United States this same relationship between shipping transport and the development of great commercial centres is evident. New York city established where the Hudson River enters the ocean and latter to be connected with the Great Lakes by way of the Eric Canal, became the nation’s foremost commercial centre. St. Louis located on the West bank of the Mississippi, north of the mouth of the Ohio and just below the mouths of the Missouri and the Illinois, became very early an outfitting and trading point and from these beginnings the city developed into one of the great commercial centres of the interior. Chicago, originally a frontier outpost at the head of navigation on Lake Michigan, became a focal point for the eastern seaboard. Hence Chicago became the greatest centre on earth and one of the world’s greatest commercial and industrial areas.\textsuperscript{43}

Transportation breaks all the barriers of movement particularly shipping transport to make the way on the horrible sea and oceans which were speeding two third on the earth. This shipping transport not only links the trade relations among the nations of the world but also raises the standard of living of the world to provide all essential and luxurious commodities to each and every nation of the world. As we know that all countries are not equally well equipped to produce all types of products or services. The plan fact is that the world is very diverse place in many respects. Some countries are inherently richer on the basis of what they have to work with than are others, in addition, the various countries tend to be relatively rich and poor in different things. Because of the foregoing environmental differences between countries, the costs involved in producing various types of products or services differ widely from country to country. It is precisely because there are differences in costs of production between the various countries that trade occurs between them. The crucial point is that some goods and services may be obtained more cheaply through the indirect
means of trade than through the direct means of production at home. The practice of trade, since it in essence allows the various countries to pool their strong and weak points, makes it possible for each country to devote more of its effort to the type of output in which its costs are relatively low and to avoid having devote as much of its effort to the type of output in which its costs are relatively high. The end result is to give the world's population a given array of goods and services at lower total cost than otherwise possible.\textsuperscript{44}

The consumer uses different variety of goods, produced in different parts of the world. Transportation makes available these cheaper goods with better quality to the every consumer through its prompt and safe services. Due to the efficient and sufficient means of transport the world market has became a local market. This, very briefly, is how shipping transport may serve to raise the standard of living of the people.\textsuperscript{45}


The effect of improve shipping transport in particular have been the subject of panegyric. Before this improved transport the lives of our predecessors were poor, nasty, brutish, short, that we are grateful superiority.\textsuperscript{46} Shipping today is not only a commercial asset but a powerful means of combat and defence of the country.\textsuperscript{47} The strategic considerations also make the possession of a merchant marine important for all the nations for the transport of troops and arms and supplementing their regular navy at the time of war. In the first two Wars of this centuries shipping played an important role in the ultimate victory of the Allies. A burning example is the Liberty ships of United States of America which played a vital role during the World War II to transport troops and arms through the Atlantic.\textsuperscript{48} Romance were the first European power to maintain a permanent fleet to look after and police the security of their large empire. The ancient Indian rulers had fleet to stamp out piracy in their coasts


but not in the high seas. With their large fleet and imperial power, the Roman succeeded in stamping out piracy from the seas and this world rank along with other great contribution of Roman Civilisation.\textsuperscript{49}

The coasted shipping has a definite importance in the entire transport system is obvious. It is strategically important enough to assist in the defence of the country both from internal and the external threat. It could be of an immense help—perhaps the only option in maintaining the supply lines during a national emergency and disaster like flood, tornadoes and strikes. It compare favourably in terms of over all cost to the national economy particularly in the context of security from the external rebellions.\textsuperscript{50}

The Merchant Navy of a country is a second line of defence. The history of the last four centuries is replete with illustrations of the Merchant Navy as a second line of defence. Three centuries prior to the middle of the 19th century, it was sea power not only of armed Navy but

\textsuperscript{49} Ibid., pp.8-9.

\textsuperscript{50} Indian Shipping, Bombay, Vol.38, No.3, 1986, p.22.
Merchant Ships which constituted spearhead for political domination and emerging industrial powers of the West established in far flung areas of the world. "Britania rules the waves" epitomised not only the Naval power of Great Britain but also the power of its Merchant Marine. It is said with great justification that the First World War was essentially won by the Merchant Navy of the Allied powers. The first Merchant Shipping Act of the U.S.A. enacted in 1916 in its preamble specifically recognises the importance of the Merchant Navy for the foreign sea borne, commerce of the United States in times of peace and War.\textsuperscript{51}

In the second World War, Great Britain suffered heavy losses in North Atlantic within the first few months of the war from the operations of German U. Boats. There can be no more suitable illustration of the role of the Merchant Navy as a second line of defence than the massive effort by the U.S.A. in constructing the Liberty Ship. As the war progressed, it was said that a ship was launched every day. The Ship was appropriately named Liberty as the history of the war showed that freedom was preserved by the

part played by Liberty in moving men and ammunitions. Coming nearer in recent history, the role of Indian Merchant Marine in the recent War with Pakistan, however small, compared to the brilliant exploits of the Navy was significant. It is recognised that sea power in its total concept embraces not only the control of the surface of the Sea but sea power is composed of all those elements which enable a nation to use the ocean advantageously both in peace and war.

The geo-political framework of the world is fast changing and new and unexpected political alliances are emerging. It is no longer possible to anticipate who, when hostilities break out, will be the friend or foe. The maintenance of security and stability may require for movement of materials on long and tenuous lines of communication across the sea. While a distant land may be a friend and a neighbour may be an enemy. In this changed framework, the role of the Navy is essential and gets enhanced.52

52. Ibid., pp.20-21.
Shipping transport developed and became more popular internationally after Industrial Revolution and now World's 75% trade takes place through shipping. The Indian Shipping industry has also been of fundamental importance to the growth of Indian economy. Even during the recessionary periods, the shipping industry has been a net earner/saver of much needed foreign exchange. It is an acknowledged fact that shipping earns/saves substantial foreign exchange for the country, even with its meagre share of participation in the shipment of country's trade. The earnings/savings of foreign exchange by Indian ships are estimated to have been over Rs.1,000 crores during 1990-91. It is to be noted that even during the period of recession in shipping, the net foreign exchange earnings/savings of Shipping have been positive. The following table depicts the clear picture of foreign exchange earnings/savings by the Indian Shipping.

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<table>
<thead>
<tr>
<th>Years</th>
<th>Foreign Exchange Earnings/Savings (Rs. in crores)</th>
<th>Foreign Exchange Expenses (Rs. in crores)</th>
<th>Surplus Earnings/Savings (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>971.80</td>
<td>747.56</td>
<td>224.24</td>
</tr>
<tr>
<td>1985-86</td>
<td>1231.36</td>
<td>963.43</td>
<td>267.93</td>
</tr>
<tr>
<td>1986-87</td>
<td>1261.59</td>
<td>896.41</td>
<td>365.18</td>
</tr>
<tr>
<td>1987-88</td>
<td>1217.40</td>
<td>739.45</td>
<td>477.95</td>
</tr>
<tr>
<td>1988-89</td>
<td>1334.56</td>
<td>662.41</td>
<td>672.15</td>
</tr>
<tr>
<td>1989-90</td>
<td>1986.72</td>
<td>827.60</td>
<td>1159.12</td>
</tr>
<tr>
<td>1990-91</td>
<td>2186.44</td>
<td>1015.67</td>
<td>1170.77</td>
</tr>
<tr>
<td>1991-92</td>
<td>2483.40</td>
<td>1070.83</td>
<td>1412.57</td>
</tr>
</tbody>
</table>

(Note: Earnings/savings include earnings from coastal and offshore sectors and Rs. earnings in overseas trade)


This table shows that there is considerable scope to increase these earnings and save the vast out go by way of freight being paid out and that would became payable to a much greater extent to foreign ships if Indian share is not increased. On the basis of estimated value of India's sea borne exports and imports for 1990-91 taking 10% of it as average freight cost, freight out go to foreign ships amounted to sum Rs.3,500 crores.55 This would go on

increasing and with depreciation in value of rupee announced recently to save this huge continuing drain of foreign exchange. It is necessary to increase Indian tonnage strength and the participation of Indian ships. It must be remembered here that investment in shipping is one of the most liquid means of utilising foreign exchange and as conclusively proved that ship acquisitions typically have a quick pay-back period of 4 to 6 years. The multiple of foreign exchange pay back ranges from 1.9 to 4.5. Since thus it is obvious that ships represent most reproductive utilisation of foreign exchange resources and from liquid floating foreign exchange assets, it would be in the interest of strengthening the country is foreign exchange earning potential as well as in the interest of development of the countries economy and trade that Government should make available necessary amount of foreign exchange resources for acquisition of ships in line with the requirements projected for the 8th Plan. Shipping should also be recognised as an export industry and requisite support measures adopted to encourage its speedy growth and
Shipping has been symbolic of our struggle for economic freedom for pre-independence days. It is not only an important aid to trade and commerce of the country but also very important earner and saver of foreign exchange for the country. It continued to enjoy special importance even in post independence era and the government recognised this by instituting a separate ministry exclusively to look after the interest of Indian Shipping. This helped growth of Indian Shipping considerably and the country's maritime industry made its mark in the international waters.57

Main object of the development of Indian Shipping is to save foreign exchange for the country by carrying its own cargo and to earn foreign exchange for the country by carrying other countries' cargo. The economic justification for investing in ships, has been analysed by computing the Internal Rate of Return on foreign exchange earning to the economy as a whole, by such investment. This would have

given on indication not only of the foreign exchange implication of Indian Ships plying in overseas trade as a whole but would also have enabled a detail analysis of the foreign implications of Indian Ships plying on individual routes as well as for different types of ships and trades. To know the true picture of the net foreign exchange earned by Indian Shipping, it is necessary to deduct from this the foreign exchange which the country would have earned from foreign ships, had the Indian cargo been carried by them instead by Indian ships. This has been estimated by first estimating the freight earnings of foreign ships from the Indian share of cargo by multiplying the cargo carried by Indian ships under different types of cargo from the average freight rates of foreign vessels for carrying such cargo.\textsuperscript{58} To earn a handful foreign exchange, an strenuous attempt should be made to develop the Indian Shipping. The world fleet is increasing rapidly to see the economic globalisation to earn handful foreign exchange. The following table shows the estimated world fleet in million dead weight tonnage.

### TABLE - 4

**ESTIMATED WORLD FLEET 1994 - 1997**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ist JAN.</th>
<th>OIL TANKERS</th>
<th>COMBINED CARRIERS</th>
<th>BULK CARRIERS</th>
<th>OTHERS CARRIERS</th>
<th>TOTAL (Million Wt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>265.4</td>
<td>28.8</td>
<td>220.8</td>
<td>146.9</td>
<td></td>
<td>661.9</td>
</tr>
<tr>
<td>1995</td>
<td>258.0</td>
<td>25.0</td>
<td>225.0</td>
<td>151.0</td>
<td></td>
<td>659.0</td>
</tr>
<tr>
<td>1996</td>
<td>258.0</td>
<td>22.0</td>
<td>229.0</td>
<td>156.0</td>
<td></td>
<td>665.0</td>
</tr>
<tr>
<td>1997</td>
<td>261.0</td>
<td>20.0</td>
<td>230.0</td>
<td>160.0</td>
<td></td>
<td>671.0</td>
</tr>
</tbody>
</table>

**NOTE** For each year the estimates are prepared by starting with the fleet at the beginning of the year, minus estimated demolition and losses, plus anticipated deliveries from the actual order book and possible new orders (not recorded) with anticipated delivery within the respective years.


Moreover, the development of shipping fleet can bring numerous benefits to a country such as, contributing to promotion of exports and imports of the country and to develop economic relations, saving foreign exchange for
country by carrying its own cargo, being a major earner of foreign for the country by carrying other cargo as well, act as second line of defence to protect country’s maritime interest and preserve the channels of communication, flying the flag around the world in peace time and serving a reserve fleets in times of war and providing certain countervailing power vis-a-vis the monopolistic liner conferences and there by act as a major force in bring down the freight rate for the country’s exports and imports.\(^{59}\)

The development of Indian Shipping fleet has contributed to the fulfilment of the above mentioned objectives but in varying degrees. As regards its role of protecting Indias maritime interest and strategic interest emphasis had been given in past to built up adequate national tonnage capable of holding essential supplies for the national economy. Indian depends to a large extent on import of crude oil and petroleum products and the Indian Shipping had played a major role in transporting this strategic commodity especially during the difficult times. When the Iran-Iraq war broke out in 1980, India was heavily

\(^{59}\) Indian Shipping, Bombay, Vol.46, No.5, 1994, pp.21-22.
dependent on the import of crude oil from West Asia Gulf. But no any country was ready to send its tankers to the war affected ports of the Gulf, the tankers of Indian Shipping ventured to berth at these ports for loading operations. At the time of the commencement of the war, India had a stock of only 21 days crude and about one million tonnes of crude was transported within three weeks. Throughout the Iran-Iraq conflict, Indian Shipping continued to load their vessels from the ports of Gulf and thus maintaining a continuous supply of crude oil. In this juncture if the Indian Shipping did not play a distinctive role to maintain the running wheels of all vehicles, the whole Indian economy system was paralysed.60

Shipping transport plays a very important and strategic role in maintaining the international relations among the countries themselves. In this case Indian Shipping has played a major role in Sri Lanka and Maldeep to send her troops to restore the power of Maldeep Government and to maintain law and order situation in Sri Lanka. A number of passenger vessels were used for carriage

of troops to Sri Lanka during the Indian Peace keeping Force operations. Apart from the passengers vessels, some cargo vessels were also taken on charter by the Indian Navy for these operations. The passenger vessels also helped in transporting Sri Lankan refugees from India to Sri Lanka.61

Again during the recent Iraq-Kuwait crisis, the tankers of the Indian Shipping paid a major role in maintaining a continuous and timely supply of crude oil to the Indian refineries despite the risk involved. Indian Shipping has also played a crucial role in evacuation of Indian citizens from Kuwait and Iraq during the Iraq-Kuwait crisis. Two passenger vessels were utilised for this purpose and they carried a total 7736 passengers from Kuwait and Iraq. A cargo vessel was used for transporting certain essential relief cargoes for Indian nationals stranded in Kuwait and Iraq. In this case the participation of Indian Shipping and role played by it to protect the international relations, nation and the life of nationals can in no way be overlooked.62

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61. Ibid., p.82.
62. Ibid., p.81.
The year 1991 came with a great comprehensive package of privatisation, liberalisation and globalisation. More and more nations of the world accepted the privatisation as an antidote to their economic ills. To see this world’s economic scenario, Dr. Manmohan Singh, Finance Minister of India, brought a new economic policy of stabilisation and structural reforms by way of divestiture of public sector assets opening up large areas for private sectors investment and strengthening commercial orientation. Now that the Indian economy has been reformed to a large extent and the country is no longer a closed economy. The main trust of the reforms is to give market orientation to the economy, promote competition and facilitate its integration in the global economic main stream.

A significant level of private sector involvement has always been an integral part of Indian economic policy. Wedded to the establishment of a mixed economy, the Industrial Policy Resolution of 1956. Charted out the scope


64. DATTATREYULU, M: Establishing Free Port in India, Indian Shipping, Bombay, Vol.46, No.1, 1994, p.16.
and the contribution of the private sector to the economic growth of the country. The new industrial policy of India has provided sufficient scope for opening up the economy and allowed private participation in major public sector. Undertaking with reasonably attractive packages has further brightened the chances of foreign investment in the country. Liberalised import/export policy adopted by the nation provided impetus for equity participation by the foreign investors. The opening of the economy resulting in increased foreign participation in the Indian market and industry is likely to bring a sea change in our export/import scenario embracing sea borne traffic. Thus globalisation of shipping industry will create competitiveness in the country. Shipping industry, being global in nature, is one of the first few to enjoy the fruits of privatisation. This will sweep many segments Shipping, Shipowning and Ship-operation, agency port handling etc. The impact of such move leads better productivity in ship building and greater competition especially among yards from the developing countries,

foreign investment in Shipping activities particularly by the developed world, liberalisation of state control in the form of delicencing desbanding state agency and permission to set up private agencies, diluting government investment in state run shipping companies by offering a share to the public, are some of the positive consequences.\textsuperscript{66}

Shipping as we know, is a fiercely competitive international business. It is also called a tradable commodity and there is need to unitedly embark on the national task of building up and efficiently managing a vibrant, profitable and internationally competitive national Shipping industry. The Shipping industry has been urging the government to take expeditious measures for improving the various deficiencies and facilities for shipping and cargo operations at Indian ports. Though several measures have been taken as per the planned programmes of the government for improvement of these facilities but ships continued to suffer inordinate delays and longer time taken for loading/unloading. These are the hindrance in their optimum utilisation of commercial

advantages. The delays are mainly due to inadequate facilities at ports to handle modern large size vessels, non-availability of requisite handling gear, lack of proper maintenance of handling gear, inadequate dredging of berth and channels, inadequate and outmoded storage facilities and low labour output. These inadequacies have a serious effect on the competitiveness and efficiency of Indian ships.  

The world's trade of main cargo sector is projected to increase by an average of 3.1 percent per annum and reaching 5.071 billion tonnes by 2003. Out of this Indian ports are poised to handle about 240 million tonnes of cargo by 1997. As against an estimated capacity requirement at the 11 major ports is 254 million tonnes but the existing capacity is hardly around 170 million tonnes. To achieve this projected figure, there is need to utilise full capacity existing ports and to start many other new ports. It is estimated that the outlay required


for achieving the projected target, there is need to modernise port and provide adequate facilities at ports to overcome on the existing problems. But for this about Rs.30,000 crores are needed. The government is not in position to invest that huge amount to restructure and modernise the ports because the government is running under heavy debt trap. In this juncture the government has no way except privatisation of ports. The privatisation process was launched in order to reduce a huge fiscal deficit at the time of hyperinflation to increase investment and to attract new technology, to improve management techniques, to provide a new framework for individual sectors of public utilities to increase productivity, to create manageable and efficient units and thus to improve the quality of services rendered.69

Now that the infrastructure sector has also come within the sweep of the liberalisation wave and the port sector has also to go in for large scale privatisation. Apart from the massive capital investment inputs, the ports require entrepreneurial know how and highly trained

professionals in certain activity areas to be able to compete in the market place. The private entrepreneurs would be required to provide equipment and system facilities. The port land was given out on long term lease so that the investor feels reassured that he can recoup his investment within a reasonable time. The operator will in turn, have to undertake full responsibility for regular repairs and maintenance of all facilities. Simultaneously, backup services for port operations would have to be brought under the purview of private managements various private entrepreneurs were invited to come forward for developing and operating new or existing container terminals and dry cargo handling facilities. 70

All ports have come within the sweep of the privatisation wave and Jawaharlal Nehru Port the first of them which enjoyed the fruits of privatisation. On the privatisation of port facilities, the private investors are invited for setting up of warehousing and storage facilities at all ports, multipurpose cargo berth at

70. Nalinaksham, K: Give Port a Free Hand to Fuel Investments, The Economic Times, New Delhi, Thursday 1, April 1993, pp.I-II (Sup).
Tuticorin, Kandala, Paradeep and Visakhapatnam and setting up container terminals at Cochin, Mormugoa, Visakhapatnam, Haldia, Calcutta, Tuticorin, New Mangalore and Kandala. In addition there are proposals for privatising the container terminal at Jawaharlal Nehru Port, a dedicated container at Cochin, coal Jetties at Tuticorin, oil Jetty and Chemical terminals at Kandala, Jawaharlal Nehru Port, Bombay, New Mangalore Cochin and Madras. Moreover, the ports are open to equipment leasing, terminal leasing and even management leasing. The port authorities have also taken step towards private entry into the port operation and invited private participation in the area of dry dock operation. Cochin one of the fast growing ports in the south lies in between Bombay and Colombo. It serves Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. The Cochin Port authority has also invited private parties for setting up running of container transhipment terminal at Vallpadam Island to handle 49 millions of cargo during the Eighth Plan period. New Mangalore, a rising port of Karnataka has a bright prospects of development in future. Its importance has increased after installation and commissioning of Kudremukh Iron ore company which exports about 6.5 million tonnes of
processed iron ore to various countries. Private investors are also invited to set up various infrastructure facilities at the port to handle 51 million tonnes cargo during Eighth Plan period. Mormugoa, though small but is an important port of Goa. The port has achieved significance and importance due to export of iron ore from the port and being a good tourist port with beautiful beaches. There is also proposal to invite private to invest in various type of infrastructure to use full capacity of port to achieve the target of 48 million tonnes of cargo during the Eighth Plan period. Kandala port situated at the Kandala creek has been developed into a major port after the loss of Karachi port due to its geographical position. The vast hinterland of the port extends over Gujarat, Rajasthan, Punjab, Kashmir and Western Uttar Pradesh. The privates are also invited for setting warehousing, oil berth to take oil tanker, a floating dry dock and many other facilities at the port to handle project cargo of 110 million tonnes during the Eighth Plan period. The Nhava-Sheva Port, renamed as Jawaharlal Nehru Port is equipped with must modern ship and

cargo handling equipment centrally controlled by the computers. It is the first port which enjoyed the fruits of privatisation. Its most important feature is sophisticated mechanised and computerised loading and unloading operation which totally eliminates manual labour. Apart from this, Jawaharlal Nehru Port Trust has also invited private investors to invest in constriction of port-side Five Star Hotel and a Golf Course within the port area as ancillary facilities for the port users. In addition to this Tata Iron and Steel Company which has taken on lease a dedicated berth at Haldia port. The government has approved leasing of two Netaji Subhas Dry Docks to Chokhani shipyard. The Chokhanis are already operating two floating dry docks at Madras. Privatisation of island vessel wharves, washing of sheds, maintenance of equipment etc., is also under consideration.

The Maharashtra State Government which is reported to have sanctioned 8 proposals to private parties for building


jetties at different ports in the state. There is also plan to offer 48 minor ports to private sector for development. The private operations will be allowed to use the facilities for captive purposes and also lease them out to other parties construction of Jetties is reported to have been completed at Revdanda by Vikram Ispat, at Rampar Pawas by Finolex and at Belapur by Gujarat Ambuja. The Government is encouraging privatisation of ports facilities in India, not only to invite to Indian investors but also to invite foreign investors. A Thai Shipping company, Gee Pee Shipping has been invited to set up a project for oil handling at New Mangalore.74

After 7 years of tough negotiations, a comprehensive agreement has been concluded on 15th December 1993 on the multilateral trade. The negotiations were held under the auspices of "General Agreement on Tariffs and Trade" (GATT) at the 8th Uruguay Round. The first negotiation was started in 1986 but final shape was given in 1993 in the form of GATT (General Agreement on Tariffs and Trade). The delegates of 117 countries approved a consensus treaty

aimed at opening up of international markets and spurring global economic growth into the 21st century. The agreement seeks mainly to establish consensus on market access tariffication and tariff reduction. Some heads like Shipping, financial services, telecommunications and insurance are not included in this GATT (General Agreement on Tariffs and Trade) treaty.

According to a study of the World Bank, the accord is estimated to increase more than $200 billion annually into the sluggish world economy by lowering import barriers and creating fairer trade standards. The negotiations provide one of the clearest perceptions of the emerging world economic order by substitution of complete free trade.75

In the GATT (General Agreement on Tariffs and Trade) treaty, Shipping, financial services, telecommunication and insurance were kept out of its purview and a separate General Agreement on Trade in Services (GATT) was created. It deals with trade barriers affecting maritime services. The GATS (General Agreement on Trade in Services) has however been approved only in concept but not yet in final

form. The draft agreement reads like a statement of principles expressing broad generalisations intended to be particularised in annexes and Schedules to be drafted by each member. Both GATT and GATS will be administered by the new World Trade organisation (WTO) within which there will be a council for Trade in Services Consisting of representatives of each member and Sub-councils for various services sectors and disputes will be taken by Governments to new World Trade Organisation (WTO) and heard by panels established by a Dispute Settlement Body.

Preliminary meeting of 18 countries and European Union was held under the banner of World Trade Organisation (WTO) in June 1994 to negotiate agreement of liberalisation of maritime services. These negotiations have achieved commitment in three sectors, services and access to and use of port facilities. But there was no outcome of negotiation and was extended for further round of talks. The negotiations are required to be concluded by June 1996. The immediately effective portion of GATS mandates "Most Favoured Nation Treatment" which authorises exclusion by members from the scope of its obligation under GATS marine
transport services supplied by a vessel registered in non-
GATS country and operated or used by a company from a non-
GATS country. 76

CONCLUSION

In conclusion it may be observed that shipping transport is one of the oldest and cheapest means of transports and it has been playing a significant role in a country's economic development since inception. In the ancient period the development of economy of a nation depended on the development of shipping transport of the country. Even today shipping transport plays a distinctive role in the development of trade and commerce of a nation, because two third of world trade and more than 75 percent of Indian export/import trade is performed by the shipping transport. For bulky goods like coal, iron ore, steal, petroleum products etc., this transport is the most suitable and in some case 100 percent of export/import trade is performed through this. It has giant carrying capacity. It can carry weight five times more than its own weight. It also plays a pivotal role in spreading the

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culture and civilisation and raises the standard of living of the people to provide all essential and luxurious commodities to each and every corner of the world at Cheap rate.

Shipping transport is a good earner of foreign exchange. It is believed that development and maintenance of a strong and adequate shipping transport is a must for the country not only for conserving and earning foreign exchange, servicing and promotion of nation and international trade and smooth progress of economic development but also to strengthen the defence requirement of a nation. It is also called a second line of defence.

In conclusion, it may be observed that the shipping transport is a significance sector of an economy. In the balanced developed & growth of this sector depends the capacity and capability of an economy. The export potentiabilities and foreign exchange earning capabilities of the nation.

In the next chapter an attempt will be made to examine the problem areas of the Shipping transport in India. The chapter will also set in objectives of the
study, conceptual framework and parameters of financial performance of the SCI. Further a critical review will also be made of a literature available on the subject.

The Chapter will also depict the research design and methodology to be adopted for this research project.