

# **-The economic role of the shipping industry -Rowan Ismail Mohamed -Date:29/9/2019**

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## **The Economic Role of the Shipping Industry**

### **The economic importance of shipping**

The shipping industry is one of our oldest industries and still plays an important role in our modern society. Today, over 55000 cargo ships are active in international trade. The fleet is represented in over 150 countries, crewed with over 1.5 million sailors working around the world. The different types of cargo being transported are goods for consumers, food, raw material, cars and fuel.

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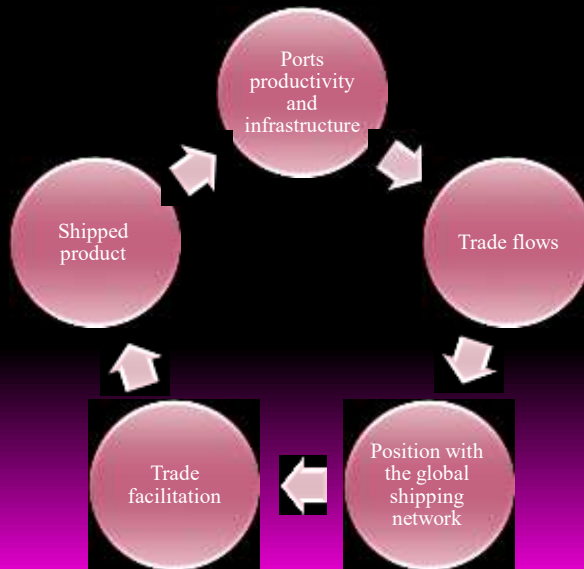
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## The role of seaborne trade In economic development

Adam Smith, often regarded as the father of modern economics, saw shipping as one of the determinants of economic growth. Adam Smith saw shipping as the source of cheap transport which promote access to products at competitive prices compared to other transportation means. As the world's population grows rapidly, particularly in developing countries, low-cost and efficient maritime transport has a fundamental role to play in growth and sustainable development.

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## Determinants of maritime transport costs



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## The demand and supply for sea transport

The interplay between supply and demand in shipping industry determines the freight rate. Shipper and ship owners negotiate to establish a freight rate which reflects the balance of ships and cargoes available in the market. As supply of tonnage in the market increases demand falls and so does the freight rates and vice versa. The supply of shipping services shifts very slowly to a response to changes in demand. Ships take several years to be built and moreover, have a lifespan between 15 to 30 years.

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**Table 1. Leadership in the global shipbuilding**

Duration of the leadership	country	Stages of business cycle	causes
1860's – 1950'	G. Britain	Lost leadership	Failed to coop with the modernization
mid1950's – mid1990's	Japan	weakening of competitive power	High cost of human resources
From mid1990's	S. Korea	Lack of growth maintenance	The gap between steel demand and supply prices and ever-rising prices of imported materials
Since 2010	china	Acceleration of growth	The lowest labor cost. Ambitious State programs for the development

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## Shipping industry in Egypt

Egypt is a maritime nation that has a remarkable geographical location on the intersection of three continents and has coasts up to 2000km on the Mediterranean and the Red Sea which allowed its connection with the foreign world since ancient ages. The seaborne trade volume of Egypt represents about 90% of the Egyptian trade, In Egypt there're 82 ports. Shipping industry creates many jobs for the Egyptian labor force which improve the business environment.

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## Constraints Facing Maritime transport in Egypt

Limitations on shipping industry	Proposed sustainable solutions
The inefficiency of the national shipping fleet	Working to increase the efficiency of development and management of ports to become pivotal ports
Weak ports infrastructure	
Ineffective implementation of regulations	Entering the electronic control systems to attract more transit trade and containers.
Inadequate institutional setup	
Rigidity in prices	Establishing new ports as part of transport development plan, The ports will serve national projects and logistics areas
Over-staffing and lack of trained personnel	
Setting of port fees and services dues	