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MARITIME LOGISTICS AND THE WORLD TRADING SYSTEM

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ABSTRACT

This paper examines the relationship between maritime logistics and the world trading system. Maritime transportation is a crucial underpinning of world economic prosperity. In this system states recognize the strategic role of ports and manage them through unilateral reform, coordination of port management and cooperation in bodies such as the International Maritime Organization (IMO) and the Asia Pacific Economic Cooperation (APEC) forum. The attention on trade security is rooted in the events of September 11, the rise of piracy in Asian waters and the emerging energy issues in the region. A sustainable approach to trade security needs to go beyond border security and confidence in the supply chain to a broader confidence in the world trading system and national pursuit of the global ‘common interest’. The current efforts at constructing an East Asian Economic Community need to establish concrete cooperative arrangements in maritime logistics but also need to appreciate the different ways of ‘doing logistics’ in the Asian region. Asian countries are at different levels of development and the politics of prosperity influence the priorities of port and maritime reform. Through sharing experiences, Asian countries can appreciate the economics of regional adjustment in maritime logistics over time.

1. INTRODUCTION

The world has become more interconnected due to global communications and transportation and more interdependent due to the growth of international trade, investment and finance (UN, 2000). The transportation of cargo and containers by sea underpins the world trading system and global economic prosperity (OECD, 2003: 5; ASEAN, 2004a). Essential to maritime transportation has been efficiently run ports and confidence in sea-bound transportation. In the Asia Pacific region trade by sea is vital especially for island nations such as Japan, Taiwan, Australia and New Zealand. For example, 99.7% of all Japanese foreign trade enters and leave via ports and harbors and Hong Kong transports 80% of its cargo by sea (Ports and Harbor Bureau, 2006: 1; WTO, 2006b: 92).
In recent years, one way to understand transportation has been the evolving discipline of ‘logistics’. Logistics originally meant the ‘physical network for transportation and distribution’ but it has now come to include the ‘integrated management of supply and distribution chains’ (WTO, 2004). Logistics is “the procedure to optimize all activities to ensure the delivery of products through a transport chain from one end to the other” (WTO, 2001a). Logistics “deals with the supply chain process that plans, implements, and controls the efficient and effective point-to-point flow and storage of goods, services and related information, throughout the production, distribution and delivery stages, from the initial suppliers of inputs to final customers of products” (WTO, 2004). This paper considers the part of logistics that relates maritime transportation and port management. This includes shipping lines that transport containers and bulk shipping (such as oil, liquid gas, chemicals, ores or grain) (OECD, 2002: 10) as well as port management policies.

The importance of maritime logistics is also informed by economy-wide political, economic and technological developments. The introduction in 1966 of containers replacing ‘break-bulk’ transportation was a ‘revolution’ in marine transportation (Vigarie, 1999: 3). New and larger vessels, port technology and advances in navigation are other examples of technological change. The pressures for privatization in ports and logistics services reform grew in the 1980s informed by national self-interest as well as support for the formation of the General Agreement on Trade in Services (GATS). In the last decade the rise of China and growing competition between East Asian economies has greatly influenced maritime logistics. Since September 11, 2001, there has been considerable interest in ‘secure’ maritime trade related to terrorism, piracy and energy resources.

This paper first examines economic issues in maritime logistics and their relationship with the world trading system. An appreciation of the various dimensions of trade security follows with a discussion of ‘border’ security, ‘supply chain’ security and confidence-based security. The final part of the paper considers Asian logistics in the context of the East Asian Economic Community proposals.

2. LOGISTICS AND THE WORLD TRADING SYSTEM

2.1. Consequences of port privatization

Privatization of port management and national reorganization of ports is one of the driving forces for competition and one of the major features in the in the shipping and port management industries (USITC, 2005: 4:1- 4:4), a stark contrast to the previous conventional wisdom of state-funded port operations (ESCAP, 2005: 32). The attraction to privatization is fueled by past experience. Trade liberalization opened opportunities for logistics services (USITC, 2005: i) and the pursuit of efficiency reorganized the role of transport as countries realized its role in contributing to an increase in international trade (WTO, 2001b). The culprits for high logistics costs include “poor transport infrastructure, underdeveloped transport and logistics services and costly bureaucratic procedures in
freight transportation” (ASEAN, 2004a). Efficient logistics contributes to competitiveness between nations and between companies because it involves a reduction in ‘supply chain’ costs (WTO, 2004).

There are two important features in the privatization process. The first hands operational responsibility to companies provided certain standards are met and certain services are provided. Ports are not optional but are strategic to the national economy and therefore even in private hands private port management is filtered through official bureaucratic structures, regulations and policies. Privatization does not absolve governments of responsibility and the pressures for ensuring safe and reliable port services remain.

The second aspect of port privatization is that effective, competitive ports are underpinned by coordination within governments. This coordination takes different forms in different economies and a large part of the burden for states is the balancing of local and national interests in the formulation of port policy. In Hong Kong the private sector finances, constructs and builds container terminal facilities and the state focuses on infrastructure and planning for port development. China changed its port system in 2001, with the national government giving all responsibility to local government which in turn appoints port administration bodies. The national government is meanwhile responsible for national port policy and planning (WTO, 2006c: 245). In Taiwan, commercial ports are managed by the state. Four of Taiwan’s 6 major ports have become free trade zone harbors (WTO, 2006: 84). In Japan, port logistics and management is informed by the Port and Harbor Law (1950). Ports are administered by local public authorities, but the national government also administers the ports, providing subsidies and other assistance and pursing development plans. Regional Development Bureaus and local construction offices are responsible for port construction at major ports for public use. Planning and development and construction of public berths are performed by the state. Port terminal corporations can obtain interest-free loans from the state and private berths are paid for and constructed by the private sector (Ports and Harbor Bureau, 2006: 14).

2.2. The Role of Governments in Maritime Development

The strategic role of ports, the coordination between levels of government and the private/public cooperation is vital in understanding the position of maritime logistics. States regularly provide subsidies and assistance to various industries and sectors and industries from shipping to manufacturing press for ‘national’ competitiveness and rely upon state assistance. Even in a world of shipping conferences and alliances that cross continents, national shipping associations and national governments pursue national objectives. China wants a competitive market and maritime fleet (WTO, 2006c: 240) as does ASEAN (ASEAN, 2004b). The Japanese Shipping Association (JSA) seeks to ensure Japanese shipping exists on a level playing field with ‘advanced maritime countries’ (JSA, 2002: 3). The adoption of depreciation-related tax policies, a more ‘effective’ shipping system and ‘globally competitive ports’ are several objectives (JSA, 2002: 3). Most
governments especially in developed countries assist their shipping industries using special tax benefits or subsidies (Japan Shipping Association, 2004: 20). For example European and American ships receive assistance such as depreciation assistance, tonnage tax, reduction in corporate tax, and social security assistance. JSA points out that the Vessel Operation Subsidy of the United States benefited 47 vessels in 2003 at a cost of $100 million (JSA, 2004: 20).

Historically, the role of the government in port management evolves over time to meet changing circumstances. The case of Japan is pertinent. Due to the containerization of cargo in 1966, Japan was at a competitive disadvantage. In the 1970s the government created public wharf authorities in Tokyo and Osaka Bay. Using a combination of interest-free loans, low interest finance and private investment, container terminals were built that were made available to private enterprises. In the 1980s, the public authorities were abolished delegating authority to port terminal corporations. The local port authorities continued to provide additional facilities that could be used by private companies (Ports and Harbor Bureau, 2006: 14-15).

Developed countries also seek to strengthen the economic infrastructure of other states partly in recognition of the importance of international trade relations and trade security. Australia and Japan for example, provide technical training to Southeast Asian countries as part of ‘regional capacity building’ related to counter-terrorism (Carmody, 2006b: 6). In 2006, Japan initiated a “Grant Aid Program for Cooperation on Counter-Terrorism and Security Enhancement”. Amounting to 6 billion Yen, it would contribute to provision of patrol boats, capacity-building and maritime security in the Straits of Malacca. In addition, Japan committed 70 million US dollars in the December 2005 Japan-ASEAN Summit for ‘ASEAN Integration’ but expects some of this to be related to the security of the Straits (Ministry of Foreign Affairs, 2006).

Economies also must adjustment to shifts in regional competitive advantage. For example, the consequences of China’s market reforms are already having a major influence on regional maritime logistics. Much discussion has centered on the impact of the rise of mainland China on Hong Kong. In the 2006 Trade Policy Review of Hong Kong Special Administrative Region, the WTO Secretariat argued that in spite of competition from the mainland “most of the international transshipment in the region is still routed through Hong Kong port...traders continue to have confidence in the port of Hong Kong because of its superior productivity, a higher frequency of callings, and the highly developed logistics services” (WTO, 2006b: 93-4).

The Hong Kong authorities however recognize two threats to Hong Kong’s position. The first is the impact of transshipment cargo on the east coast exported through mainland Chinese ports such as Shanghai. The other is the competition to come from cheaper ports as a result of the expected liberalization between Chinese Taipei and the mainland. The WTO report notes that “Chinese Taipei-Mainland trade is largely routed via the HKSAR;
ocean transshipment related to this route accounts for around 7.7% of Hong Kong’s ocean transshipment: some of this transshipment is expected to switch to direct traffic when trade between Chinese Taipei and Mainland China is fully liberalized” (WTO, 2006b: 94-5). Hong Kong authorities are of the opinion that “strong expansion of the southern China cargo base will provide long-term growth of port traffic in HKSAR, despite some diversion of ocean-going transshipment cargo and the competition from new ports in southern China” (WTO, 2006b: 94).

ASEAN also recognizes the growing importance of efficient maritime logistics in paving the foundations for an ASEAN Economic Community. In the ASEAN Transport Action Plan 2005-2010, poor port-related road systems, port infrastructure and inadequate shipping networks “form an intractable problem: entry barriers and high operating costs discourage logistics companies from serving the region as a whole. The absence of regional logistics players in turn perpetuates fragmented transport services” (ASEAN, 2004a).

2.3 The World Trade Organization (WTO) and maritime transportation

In recent years there has been growing interest in some trading economies (such as Hong Kong, Taiwan, Australia and New Zealand) for the consolidation of port reform and incorporation of maritime logistics in WTO negotiations. It is argued that differences in “logistics costs could even be higher than tariffs and could easily undermine comparative advantage in production costs” (WTO, 2004: 2). Liberalization of trade has also highlighted the costs associated with the transportation of goods and the “share of transport costs in the final price of the product is steadily increasing” (WTO, 2001b). Despite the privatization trends, maritime transport has had a difficult relationship with the WTO since the 1980s. At the root of the problem is that disagreement exists on the nature of ‘best practice’, and the boundaries and limits of WTO trade law in maritime policy. The failure of maritime services in the WTO is in contrast to the relatively successful Information Technology Agreement (ITA) negotiated in 1996.

The interest in further reform is evident in the competitive pressures between trading economies. Shippers and exporters often find fault with various costly regulations or administrative rules that affect business operations. One approach is to take up such issues at the bilateral level and reach an agreement. The opportunities for further WTO-related reform of maritime logistics also has a basis in the trade law of the General Agreement on Trade in Services (GATS), the Government Procurement Code, the Subsidies Agreement and WTO discussions on competition policy and investment reform. Some complaints may be justified but they may also misunderstand the different ways of doing logistics or even different priorities due to the economic development policies of developing countries. Port services, the construction of ports, the procurement policies of states, the customs arrangements, the costs of licenses and administrative requirements, subsidies available to shipping companies are all trade-related and therefore subject to scrutiny by trading partners. The clarity of multilateral rules and the consensus rule of the WTO offers an alternative to resolution of maritime logistics in the bilateral context.
An example of the politics of maritime trade is found in the US relations with Japan and China. China and the US seem to have resolved many of their differences on maritime policy with the 2003 treaty that “helped open markets for American shipping by allowing US carriers to open full branches in China and operate without restrictions” (USTR, 2006: 18). Recent Chinese reforms have included compliance with WTO commitments, removal of regulations on domestic shipping operations and promotion of foreign investment in international shipping (WTO, 2006c: 240). For the United States, Japan is a different matter. The 2006 National Trade Estimates report argued “US carriers serving Japanese ports have long encountered a restrictive, inefficient and discriminatory system of port transportation services” (National Trade Estimates, 2006: 378). In October 1997, Japan agreed to reform its port system and to reduce the influence of the Japan Harbor Transport Association. A decade later, according to the United States, several of the grievances remain in licensing, joint venture requirements and discriminatory policies (National Trade Estimates, 2006: 378).

Maritime Services was taken up in the Uruguay Round (1986-1994) but became detached from the overall reciprocal-based negotiations with a deadline of June 1996 covering shipping, auxiliary services and port facilities. Only 42 members plus 16 observers participated in the discussions from 1994-1996. In June 1995, 24 offers were made, but the US was not one of them, holding the view that the offers were lacking substance. In June 1996, negotiations were suspended, to be taken up again in the services negotiations that were to begin in 2000. This suspension according to Hong Kong SAR was “a disappointing chapter in the history of multilateral liberalization of services trade” (WTO, 2001a).

One emerging model for future negotiations is for a comprehensive approach to the liberalization of logistics services in general, of which maritime transportation is but one component (WTO, 2001a; WTO, 2004). Another approach is to link maritime liberalization with competition policy (WTO, 2001c; OECD, 2002). In Australia for example, port services are subject to national competition policy legislation (WTO, 2001c). Key in this discussion is a possible distinction between core and non-core logistics. A distinction was proposed in WTO discussions on logistics services (WTO, 2004). Core logistics (cargo and container handling, storage and warehousing, transport agencies and auxiliary services) are ‘essential’ logistics requiring “substantive liberalization in market access and national treatment” (WTO, 2004). Maritime, air, road and rail services however require only “broadly liberal arrangements...crucial to the efficient supply of integrated logistics services as well as providing an enabling environment for third-party logistics services to flourish” (WTO, 2004). Given the slow progress of the Doha Round, the incorporation of logistics reform remains to be seen. This suggests a continued prominence to be given to bilateral solutions or reforms based in maritime bodies such as the IMO, WCO or even APEC and the East Asian Summit process.
2.4 Competition Policy and Liner Shipping

While attention in WTO circles might focus on port logistics and services, there seems to be much less interest in altering the present arrangements for cooperation in the shipping industry. The WTO argues that maritime services sector is "a very liberalized sector as compared to many other services sectors and in particular, to other transport sectors" (WTO, 1998: 2). Bulk shipping is a competitive and free market but liner shipping is not. This exemption however is "thought to constitute a factor of stability and a source of technical progress" (WTO, 1998: 2).

Unlike most industries, liner shipping has survived the ‘competition policy’ drive in developed countries and is a unique feature of the world shipping industry. Conferences, consortia, alliances and discussion agreements are the most common forms of collaboration in the shipping industry and there are about 150 liner conferences as conferences don’t exist in the dry bulk sector (OECD, 2002: 19, 23; ESCAP, 2005: 31). Capacity Stabilization and Discussion Agreements (agreements between conferences and non-conference shipping companies) in some countries must comply with national competition rules. Consortia (agreements between shipping companies for the purposes of technical cooperation and other services) are exempt from anti-trust laws in the US, Canada, Japan, New Zealand and Australia but not the EU. Strategic or global alliances are the most advanced form of cooperation and promote an ‘integrated’ participation (OECD, 2002: 26; WTO, 2001c).

The largest 20 container carriers are establishing alliances and partnerships and liner movements are now divided between ‘hub ports’ and regular ports (ESCAP, 2005: 32). As of 2002, 72% of world container capacity came from the world's top 20 liner operators and the five largest controlled 34% of container capacity (OECD, 2002: 15). Like most industries in the world economy, there is also a growing concentration of economic power in the shipping industry through mergers and acquisitions but also through the consolidation of conferences, alliances and consortia. These arrangements allow the “steady development of international trade” (JSA, 2002: 5). The establishment of strategic alliances and equity partnerships has been a major feature of the industry since the 1990s consistent with reforms in other sectors of the economy (Slack et al, 2002: 65). At the same time there has been a dramatic rise in the world shipping fleet capacity from 1.25 million TEU in 1991 to 4.99 million TEU in 2001. In 2001, 2-4000 TEU ships accounted for 41% of total capacity while 4,000 TEU ships comprised 22% (OECD, 2002: 15).

Globalization, competition and the creation of new carriers have pressured the global coverage of shipping operations and the need for substantial investment in new and larger vessels (Brooks, cited in Slack et al, 2003: 66). Pressures for economies of scale and the large investments necessary for expansion are likely to contribute to further concentration of economic power, including the focus of traffic on a smaller number of hub ports (OECD, 2002: 15). Ports are scrambling to build larger berths. The growth in larger ships will result in shipping lines visiting fewer ports (Freight Logistics Industry, 2002: 26).
The issue of price-fixing and capacity regulation among liner conferences however, is a very controversial issue (OECD, 2002: 2) because maritime shipping lines and their conferences are exempt from normal anti-competitive laws (OECD, 2002: 9). Due to ‘destructive’ competition between ships in the 1870s-1880s agreements were made to limit capacity and fix rates; the ‘conference’ system (OECD, 2002: 18). Conference advocates argue this exemption is essential to “ensure stable international shipping services” because their absence would return shipping to the destructive competition that characterized the industry in the 1880s (OECD, 2002: 18-19). Official government policy in many countries affirms that the shipping industry is a ‘special case’ (OECD, 2002: 10). Critics argue that the 1870s justifications are not longer valid, that the shipping industry (in light of competitive transportation elsewhere) is not ‘unique’, and the contention that destructive competition would emerge if the conferences were abolished is not convincing (OECD, 2002: 75). Despite the criticisms, the view that liner shipping is a ‘special’ case resonates in the policy of governments to maintain the status quo. Indeed, not all aspects of the world trading system are part of the formal trade law apparatus of the WTO. There remains continued contention in Europe and North America over the ‘special’ status of agriculture, multilateral investment laws as well as how to appropriately manage natural resources.

3. ASIAN LOGISTICS AND TRADE SECURITY

3.1. Trade Security

Unlike the shipping conference issue, most countries involved in international trade are giving considerable attention to maritime trade security in light of the September 11 terrorist attack. Trade security is also highly contentious because there is little consensus as to an appropriate definition. One definition that can be employed argues that trade security is the necessity for societies to be able to consume, obtain and send supplies of food, resources and products via international trade. This ability to trade can be threatened by piracy, terrorism, lack of supply or lack of confidence in the trading system itself.

3.2. Piracy

One issue that has raised the prospects of and challenges for cooperation in the region is the problem of piracy in South and East Asia which could undermine the regional economy (MOFA, 2001). In 2005, Japan, Singapore and Laos signed the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia. The 2005 Japan-ASEAN Summit proposed a ‘Counter-terrorism Dialogue’ and made maritime transportation security a priority area. Terrorism (and piracy) against maritime transport in the Straits of Malacca and Singapore greatly concerns East Asian capitals (MOFA, 2006; Final Report of the East Asia Study Group, 2002; ASEAN Regional Forum, 2003a).
3.3 Terrorism

Perhaps one of the most far reaching decisions in maritime security recently was “H.R. 4954, the ‘Security and Accountability for Every Port Act of 2006”, the SAFE Port Act, signed by President George W. Bush on October 13th 2006. H.R. 4954 builds on previous post-9/11 law such as the Maritime Transportation Security Act. H.R. 4954 mandates the use of high-technology screening and radiation detection of cargo at the world’s top 22 ports by the end of 2008. It also strengthens the Container Security Initiative (CSI), the Customs Trade Partnership against Terrorism (CTPAT) and the Domestic Nuclear Detection Office (Bush, 2006).

The CSI mandated the presence of US inspectors at foreign ports to check cargo before it leaves for the US. The CSI scheme seems to have relatively successful. According to US Customs and Border Protection, CSI is also reciprocal (US Customs and Border Protection, 2003). The CTPAT mandated self-regulation of shipping companies to increase security which is rewarded. In this scheme, US importers are required to ensure security throughout the supply chain and at every stage (Singapore, 2004: 5) The World Customs Council (WCO) in June 2004 adopted the ‘Integrated Supply Management Guidelines’ which requires 24 hour prior provision of manifests to customs officials in an attempt to secure the ‘supply chain’ (Singapore, 2004: 5). The International Maritime Organization proposed the International Maritime Organization (IMO) ’s International Ship and Port Facility ISPS Code which has become a vital point of reference for maritime discussions in Asia. The ‘secure border’ model is also popular in Australia with Australian ports equipped with high-tech X-ray technology to selectively screen cargo while most cargo entering Australia passes customs prior to entry (Carmody, 2006a). Recent US port policy has also influenced Australia’s decisions to rethink the relationship between facilitation and security, but the problem of illegal fishing in Australia’s northern waters is also a significant factor (Carmody, 2006a). The Australian view is that the customs authorities “primary responsibility to the community is encapsulated in the term ‘border security” (Carmody, 2006a). The ASEAN Regional Forum in 2003 also emphasized the border security perspective (ASEAN Regional Forum, 2003b).

The US CSI program caused some disquiet about the effect of security on efficiency but it is limited to investigating selected, suspicious containers (Singapore, 2004: 3). CSI however focuses only on ships and ports which are only one part of the overall supply chain. An alternative view is that ‘supply chain’ security is required “from point of origin to point of destination” (Singapore, 2004: 4). This approach would address ‘cargo security’ and confidence in the supply chain instead of “merely scrutinizing containers at one node in the supply chain” (Singapore, 2004: 4).

The ‘confidence model’ was adopted in the World Customs Organization (WCO). The WCO noted that “It is an unacceptable and an unnecessary burden to inspect every shipment. In fact, doing so, would bring global trade to a halt” (WCO, 2005: 6; Singapore, 2004: 3). In 2005, the WCO adopted the Framework of Standards to Secure and Facilitate
Global Trade. This harmonizes advance electronic cargo information requirement and risk management processes; based on comparable technology, the exporting nation will perform inspection of high-risk containers and cargo using detection equipment such as X-ray machines (WCO, 2005: 7). However, it also advocates the Authorized Economic Operator (AEO) who is an approved entity involved in the transportation of goods (WCO, 2005: 10; Carmody, 2006a). Australia for example is implementing a Customs Cargo Compliance Program, a voluntary system for private companies “who can demonstrate required levels of security along the supply chain” (Australian Customs Service, 2006: 6).

Trade security needs to go beyond confidence and border based notions to strengthening the broader cooperative frameworks that oversee the regional and world economy. Cooperation over time ranging from technical assistance and capacity building to trade facilitation, mutual recognition and promotion of trust complements any specific border security measure.

3. 4 APEC and Trade Security

APEC has examined cooperation in maritime transportation in the context of the Transportation Working Group, focusing on best practice, sharing experiences and technical cooperation. The overall focus has been the ‘transportation sector’ as a whole, but the unilateral reform measures in maritime policy are registered in the Individual Action Plans and the discussion of trade security has been taken up in the context of counter-terrorism cooperation in APEC.

The issue of counter-terrorism was also discussed in APEC in 2002 and the ‘Secure Trade in the APEC Region’ (STAR) was introduced. Thus far, the focus has been on promotion of ‘best practice’, sharing experiences and ideas, a Counter Terrorism Action Plan (CTAP) concept, capacity building and technical assistance and more recently, the concept of ‘total supply chain security’ (APEC, 2007). The initial concrete focus of STAR was promotion of compliance with ISPS, but since then, efforts have become more broadly connected with discussions related to trade and security (APEC, 2007).

3. 5. WTO and Trade Security

The issue of maritime trade security is also being discussed at the WTO including natural disasters as well as terrorist attacks and their economic impacts (WTO, 2006d). Specific measures are being left to the functional bodies such as IMO and WCO. To avoid conflicts over unilateral measures some relationship between WTO trade law and trade security may provide clear boundaries for legitimate action. It seems unusual that a sector with such vital importance to world prosperity have thus far managed to avoid direct entanglement with the GATT/WTO system.

3.6. Energy and Trade Security

The growth in energy security issues in East Asia might force matters in this direction. The 2007 East Asian Summit (EAS) focused on energy security resulting in the
“Cebu Declaration on East Asian Energy Security”, an Energy Cooperation Task Force and an Energy Ministerial Meeting in the context of EAS (East Asian Summit, 2007). The Cebu Declaration emphasized energy efficiency, environmental issues, alternative energy and affordable energy but neglected any mention directly of energy ‘security’ or terrorism in any sense. This was in contrast to the inaugural East Asian Summit that discussed maritime security and terrorism (East Asian Summit, 2005). The issue of energy security is gaining increasing attention in Japan in business and official circles (Keidanren, 2006).

In 2006, Japan’s Ministry of Economy, Trade and Industry focused much attention on energy policy. The Energy Security Study Group “Interim Report” and the New National Energy Strategy place great emphasis upon cooperative action alongside the pursuit of national interest in the securing of future energy supply for Japan (Energy Security Study Group, 2006: 12-15; New National Energy Strategy, 2006). The recognition of ‘mutual interest’ and stable markets need to be addressed in ASEAN+3 and EAS (Energy Security Study Group, 2005: 12-13). The New National Energy Strategy (2006) notes that “every country has been promoting the restructuring of national energy strategies to protect national interest” and secure energy resources overseas (National Energy Strategy, 2006: 9). At the same time, availability of oil is constrained by environmental considerations, growing state control and absence of adequate distribution facilities around the world. In this situation, Japan argues that countries should “be careful not to stir up national competitions for natural resources as a result of implementing our national energy security measures” (National Energy Strategy, 2006: 4, 11). The Study Group implies that in the advent of an oil crisis, China or India or other Asian developing nations might intervene to control energy resources or sea-lanes and these actions could “in turn develop into international problems that transcend energy concerns” (Energy Security Study Group, 2006: 21; National Energy Strategy, 2006: 8).

More concretely the report notes that natural disasters, accidents or terrorism in the Straits of Malacca “the bottleneck of the supply chain, could also seriously hinder the supply of energy” (Energy Security Study Group, 2006: 21). Regional cooperation including the US, China, Japan, Korea, Malaysia, Indonesia and Singapore is essential to ensure the Straits of Malacca remain open but in the long-term, according to Japan, a different route is required (Singapore, 2004: 2; Energy Security Study Group, 2006: 7, 22). This is bound to be a controversial issue for the future.

4. ASIAN LOGISTICS AND THE EAST ASIAN COMMUNITY

4.1. The Dream of an East Asian Economic Community

The issue of terrorism, piracy and especially energy will influence the discussions on the East Asian Community. The formation of an East Asian Group via ASEAN+3 or the East Asian Summit will also influence maritime logistics especially if the agreement includes liberalization of services and trade facilitation. The future development and consequences of an East Asian Group however remain ambiguous. The 2001 East Asian
Vision Group Report discussed the establishment of an East Asian Free Trade Agreement, investment and financial cooperation. Cooperation to reduce piracy was the only maritime issue addressed (East Asian Vision Group, 2001: 18). The report stressed the need for “a united voice to advance the region’s common interests” (2001: 7). The translation of Asia’s ‘common interests’ in maritime logistics into a practical work program was not considered. Even in the Final Report of the East Asia Study Group, nothing original was proposed for East Asian cooperation in maritime transportation. The report recalled the decision of the 4th Informal ASEAN Summit in 2000 to adopt the Initiative for ASEAN Integration.

4.2 ASEAN and Maritime Transportation

The 4th ASEAN Informal Summit agreed to the Initiative for ASEAN Integration to “narrow the divide within ASEAN and enhance ASEAN’s competitiveness as a region” (ASEAN, 2000). Singapore, China, Korea and Japan would provide training and education to the less developed countries in the group. Transportation was one of the ‘critical’ areas nominated (ASEAN, 2000). In 2001, infrastructure, human resource development, information technology and regional integration were chosen. Infrastructure in the proposal means the reinforcement of “transportation linkages through developing and implementing more extensive land, sea and air infrastructural projects in order to facilitate the flow of goods and people and to generate higher income for people in the region” (ASEAN, 2001). The ASEAN Transport Action Plan (2005-2010) proposed a ‘more efficient and competitive regional maritime transport sector’. Aspects of the Action Plan include identification of vital sea-lanes in ASEAN waters, liberalization of intra-ASEAN maritime transport services, promotion of the ASEAN shipping fleet and the promotion of competition in the vital sea-lanes through rationalization of the shipping fleet and coordination among the 47 regional and secondary ports (ASEAN, 2004b). In 2007, Japan and ASEAN agreed to a Declaration on Transport Security. The Declaration emphasized compliance with and support for existing international efforts in maritime security, the provision of assistance to less developed ASEAN members. In addition security and trade facilitation priorities need to be balanced (ASEAN-Japan, 2007).

4.3. Japan’s Position

Japan’s approach to the East Asian Group offers one possible way to address maritime logistics in the context of East Asian regionalism. Japan’s position is that ‘functional’ cooperation (in practical issues such as piracy) is a ‘unique characteristic of community building in East Asia’ and ‘accommodates the diversity of the region in which application of unified rules and establishment of region-wide mechanisms are less feasible in comparison to other regions” (Japan, 2004: 11/16-11/17). The Japanese position is that the “spread of regional cooperation networks in wide-ranging issues will facilitate closer interdependence among countries in the region” (13/17). Maritime transportation was not included as a priority issue for Japan (2004). The experience of APEC has shown over the last twenty years that functional cooperation need not be the basis for more sophisticated arrangements, provided that the functional cooperation continues to deliver practical and useful results, contributing to confidence building.
4.4. ESCAP and East Asian Community

An alternative approach was advocated by the Economic and Social Commission of the Asia Pacific (2005) which was for multilateral cooperation in North-East Asia in maritime transportation and port management (ESCAP, 2005: 37). North-East countries, ESCAP argued would benefit from greater sub-regional cooperation ‘to share costs, too pool resources and to reduce uncertainty….reducing the risks associated with large investments’ (ESCAP, 2005: 33). The challenge for the region is to reduce ‘destructive competition’ between North-East Asian countries in maritime transportation (ESCAP, 2005: 34). An “integrated shipping transport system needs to be established. North-East Asia has a high potential of complementary cooperation and of becoming one of the major economic blocs in the world” (ESCAP, 2005: 37). The report was incomplete not only for excluding Taiwan but also for ignoring the crucial role of Japan as a post-industrial power.

4.5. Japan, Economic Prosperity and Maritime Logistics

While the ESCAP report fills in some deficiencies of the East Asian Vision Group Report, it underestimates the influence of economic development upon the priorities and character of maritime logistics. The politics of post-industrial society and societal expectations is an important element in an appreciation of the role of maritime logistics as a ‘strategic sector’.

As countries become more prosperous their populations become increasingly concerned with ‘quality of life’ issues. Companies and communities are more relaxed with regard to new regulations on security, the environment, occupational health and safety and so on. The Japanese economy no longer occupies the same position in the region as it did in the 1960s. Japanese people are increasingly concerned about the environment, recycling and climate change. Ports such as Kobe and Yokohama have been reinvented as recreation centers and romantic night-spots. Despite the growth of China, Japanese are unlikely to reach a position where they feel that they must return to the days of 1960s ‘high growth’, all work and no play.

The evolution of societal expectations alters the way strategic sectors such as ports are viewed. As a post-industrial society, Japan is still buffeted by the growth of the regional economy, the growth of international trade and competitive pressures. The 1950 Ports and Harbor Law was changed in 2000 to lift the competitiveness of Japanese ports vis-à-vis the rest of the region (Ports and Harbor Bureau, 2006: 9). The Japanese Port and Harbor Law was changed in 2005 to provide interest-free loans and long-term leases to private companies to establish operations in the designated ‘super hub ports’: Keihin Port, Ise Bay (Port of Nagoya, Port of Yokkaichi) and Port of Kobe. The ‘super hub port’ concept is aimed at reducing port costs comparable to other ports in Asia. Perhaps the greatest flaw in the East Asian vision in a practical sense is that Japan is a post-industrial society and at a different level of development.
In Japan, the 1950 Port and Harbor Law reflected a period that oversaw the construction of foreign cargo wharves to manage the growth in trade. This fed into the next period until the end of high growth in the early 1970s and the purpose was “the development of large-scale industrial lands and wharves for large specialized bulk carriers designed to establish heavy chemical industrial belts” (Ports and Harbor Bureau, 2006: 15). Public corporations were responsible for foreign cargo container terminal construction. The next period until the middle of the 1980s oversaw a number of developments such as construction of container terminals, bulk carrier wharves, wharves for coal and gas in line with Japan’s increased resource diversification and consumption (Ports and Harbor Bureau, 2006: 15). This period also led into growing attention to the environment and the renovation of ports for community recreation.

5. FUTURE CHALLENGES FOR ASIAN LOGISTICS

In light of the politics of prosperity, the pressures for reform and trade security what are some important questions for the future of Asian logistics? This paper raises several. First, how could Asian countries manage a transition from ‘border’ based trade security to broader ‘confidence’-based trade security? In particular, how can the societal expectations of developed countries be reconciled with the economic priorities and challenges faced by developing economies? Second, how ought Taiwan, Hong Kong, South Korea and Japan, respond to the rise of China in terms of national port policies and planning? Is ESCAP right in insisting on a multilateral framework? Third, are multilateral disciplines in maritime transportation essential for the continued functioning of the global economy? Given the strategic role of shipping and ports, is it wise to treat logistics services as just another ‘service’ sector in the GATS? Fourth, how can Japan, India, China and Russia manage the energy resource conundrum with respect to issues such as piracy, stable supply and the pressures for national economic growth? In terms of concrete policy, what are the appropriate forums for these issues to be addressed? Is the establishment of special working groups in the Asia Pacific Economic Cooperation (APEC) forum or the East Asian Summit appropriate vehicles or is there the need for the creation of an intergovernmental forum on Asian maritime logistics?

If the practical construction of confidence is the objective, then cooperation in logistics needs to go beyond unilateral policies to practical areas of mutual interest. Piracy, terrorism, energy and port infrastructure are four vital issues that could be taken up in existing regional groups such as APEC or the East Asian Summit. The sharing of experiences in port reform, shipping policies and programs as well as the historical evolution of ports is also a useful basis for discussion in these groups. A WTO working group on trade security could examine the relations between trade security, efficiency and trade law.
6. CONCLUSION

This paper examined the role of logistics in the world trading system by examining economic, security and regional issues. These issues confronted the politics of cooperation and the consequences of competition as well as the pragmatic realities of adjustment to change. Despite a lack of consensus in WTO-based reforms, unilaterally driven privatization of services including ports is a major feature in the world economy. Ports and shipping, by virtue of their role in the world economy, remain ‘strategic’ and port management requires effective coordination by governments as well as various forms of state assistance. Disputes over port and customs related procedures continue to be taken up in existing bilateral frameworks but different approaches to ‘doing logistics’ can reflect not only ‘protectionism’ but also national characteristics and levels of development. Management of competition in liner shipping through conferences and alliances continues and while the WTO has taken up the issue of trade security recently, maritime logistics in trade law is not as prominent as its actual role in the world economy.

Trade security involves not only the security of ships and ports but also the sustainable supply of resources and cargo as well as the adequacy of national administrative infrastructure. This requires on one hand cooperative arrangements to understand transnational threats to security such as energy resources, piracy, terrorism, and on the other unilateral policies to reinforce confidence in the supply chain at home and abroad through technical assistance. The post-September 11 focus on the confidence of ‘border security’ is only one part of a broader trade security at the heart of which is confidence not only in the ‘supply chain’ but on the pragmatism of trading partners to pursue a regional and global ‘common interest’.

There are several problems with aspirations for an East Asian Community in light of maritime transportation. To date, the discussions have not highlighted the vital role of maritime transportation and port competition, nor practically resolved the ‘regional character’ of ports and maritime shipping in this ‘East Asian Group’. The rise of East Asian regionalism comes at a time to defuse the possible national tensions arising over the competitive search and exploitation of finite natural and economic resources. The other weakness is that Asia is not Europe and there are vastly different levels of economic development and societal expectations.

While trade ‘security’ is the keyword for a post-9/11 world, the concept of ‘confidence’ seems to better locate the current controversies. Confidence in the supply chain, confidence in the adequacy of natural resources, and confidence in the long-term aspirations of regional powers in the Asia region dominate. It is strange given the role of maritime transport that it is not very visible in the WTO, despite the pursuit of port privatization and liberalization of border barriers. The advice of the Japanese Energy Strategy is pertinent: in the pursuit of national interest, the impact of that interest on the
national interests of other countries needs to be carefully considered. In maritime transport logistics and security, national self-interest needs to be pursued with the awareness of growing economic interdependence between countries especially in the Asian region.

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海上物流と世界の貿易体制

この論文は海上物流と貿易体制との関係を考察している。海上交通は世界経済の繁栄にとって不可欠な基盤となっている。このような体制の下、各国は、港湾が有する戦略的な役割を認識し、独自に、或いは各国と調整し、または国際海事機関（IMO）やアジア太平洋経済協力機構（APEC）のような機関における協力を通じて、港湾運営の改善を行っている。貿易面での安全確保に関する関心は、9/11テロ事件、アジア海域における海賊行為の増加、アジア海域における新たなエネルギー問題の登場などに伴って高まりを見せている。貿易の安全確保に関する持続可能なアプローチとしては、国際警備やサプライ・チェーンに対する信頼から、より広い世界貿易体制への信頼の確保や世界的な「共通の利益」を国家的なレベルで追求することに求めなくてはならない。現在、東アジア経済共同体を構築しようとの努力が進められているが、海上物流の面における具体的な協力体制を構築することが求められるとともに、アジアの各地域毎に「物流を行うこと」について異なるやり方があることを認識しなくてはいけない。アジア諸国は異なる発展段階にあり、経済的繁栄を求める政策が港湾と海上物流の改革のあり方に影響を与えている。アジア諸国は、経験を共有することにより、やがて、海上物流の面における地域内調整により経済的な利益が得られることを認識できるであろう。

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