

Florent
DESIREE



International Trade Operation

The Ocean Transport in France



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Introduction

Nowadays, maritime transport is the most important mode of transport for the carriage of goods all over the world. Maritime transport is about carrying goods mostly by sea. Shipping is international by nature, except sometimes in its functions of coastal shipping along the coast of a country.

Since the early 60's a new trend of shipping has been developed: the containers. With a standardized format: 20 or 40 feet, these "boxes" have skyrocketed, revolutionizing both the mode of transport but also the entire supply chain from supplier to customer. They are now considered as the safest and most convenient way for carrying goods and indeed are used throughout the world.

As the others developed countries, France uses mostly the kind of transport to import or export goods with other countries around the world. Having three shores (the Channel, the Atlantic Ocean and the Mediterranean Sea), the French companies can easily use the ocean transports to do business. As the member of the European Union and the Euro zone, this country is also a gate for some countries who cannot enjoy such a large openness to the sea world. That is why it would be interesting to know the specifications of the second exporter in the European Union.

To understand what are the specifications of the French ocean transport, I would like to start by presenting the different types of vessels mainly used in this country. Then I will focus more on the letter of credit and its influence on the ocean transport. Finally I will expose the regulations of inspection and environmental issues in a country which had known different catastrophes due to oil tankers these last years.

1. The different vessels

On 1 January 2010, the global shipping corresponds to 7.84 billion tons of freight. In France, the traffic of goods by sea of commercial ports represents 365 million tones. Six French independent ports (Dunkerque, Le Havre, Rouen, Nantes/Saint-Nazaire, Bordeaux et Marseille) deal more than 80% of seaborne goods. Le Havre's port allows the entry of larger container-ships and larger tankers. This is the first port in France for containers.

The French merchant fleet now includes 210 transport ships under the French flag and 150 third-flagged vessels. This places France in the 29th world rank today, after having been the fourth 25 years ago. Merchant ships can be divided into several categories, according to their purpose and/or size.

We should distinguish different types of cargo ships in function of the type of goods which are carried. The way to carry these goods will also affect our choice concerning which type of cargo ship we should use. We are going to see here-below some of the major types of cargo ships used for the ocean transport.

1.1. Dry cargo ships (bulk carrier, container ship)

The main distinction would be between the cargoes which carry «dry» goods such as cars, containers or crates; and the ones which carry liquids. For the latter, we should use a tanker to avoid any losses. Among the dry cargo ships there are also different types which can be used according to the reasons listed previously.

The increasing use of container in international trade has contributed to the specialization of the ships. This is why nowadays we use container ships. These vessels are specialized in the transport of containers, boxes in a predefined format. Thus, they are used to arrange the space optimally and spend less time in port.

Their sizes varies from a coaster carrying a hundred containers and a giant container ship which can carry tens of thousands. Among the subtypes, we can find the feeders (coastal container with a unique wedge design standard), the container hatchless (without hatch for faster loading), the container with innovative forms, etc.

They have known a tremendous growth during these last years, both for their total capacity and for their average size. The container ship is now the main mode of transport in sea freight (a growth of 6% per year since 2002). Nevertheless, their ever growing size creates many problems, especially architectural, to port authorities.

The first French container ships was fitted out in 1973 by the «*Compagnie des messageries Maritimes*»: they were the «*Kangourou*» and the «*Korrigan*». The latter used to be then the largest in the world (with a load capacity of 3,000 TEUs).

However, they are now absent of the main alliances between ship-owners and do not have none of the biggest container ships which make up the global fleet.

As for the bulk carriers, also known as "draft horses" of the seas, they carry dry bulk shipments such as aggregates, grain, coal, etc., in huge blocks. Some of them are specialized in the transportation of minerals (the ore), others for transporting powder (as cement). We can also find bulk petroleum.

Their route vary according to the shipment, which itself vary according to the period of the year. For instance, a carrier will be particularly solicited after grain harvest, once this period is over, they can carry other shipments or work on a different line. Bulk carriers spend more time in port than other ships because of the nature of the goods carried, which take time to be unloaded. Of course it affects the price of the freight.

In France, we can find the following owners: Agence maritime de l'Ouest Secam, Fret SA (Groupe LDA), MN-Compagnie maritime Nantes, and especially Louis Dreyfus Armateurs and its subsidiary Cetrappa. They run a sixty ships under different flags, especially with Belgian and French flags. Most of their traffic is concentrated on the smaller European cabotage.

1.2. Tankers

As we said before, if the dry cargo ships are mostly used to carry «dry» goods, the liquids should be transported by tankers. A tanker can be defined as a cargo ship converted to keep any liquids efficiently during the freight. Actually, due to the different types of liquids that can be carried throughout the world, we should use a special kind of tanker for each of them.

For instance, an oil tanker is a tanker used to transport oil and some of its derivatives (gasoline). The oil tanker is today an essential element of global trade in oil, some of them reaching gigantic sizes, which represents a challenge for engineers. These vessels are also known to be responsible for oil spills, for example the «*Erika*» in 1999 in France. Indeed, if the rate of maritime pollution due to oil spills remains below 5% of the pollution of the oceans, the media coverage is generally colossal in the country concerned.

We can also find other kinds of tankers such as chemical tanker, which is a tanker designed to transport chemicals. There is also the gas carrier, which is a ship used to transport liquefied natural gas (LNG). These ships are currently the most advanced, mainly because of the complexity of their loading or unloading process. Often smaller than the other tankers, they are subject to significant constraints in term of security and size, in particular to unload. Their shipments are often classified as dangerous or valuable.

1.3. Specialized ships

These kinds of ships are used for special goods or special mode of transport. In this category we can find the reefer ships and the ships for heavy lift goods.

Small and fast, often painted white, the reefer ships carry perishable foodstuffs such as bananas, fruit juices, meat, fish at low temperatures, thanks to specialized facilities. Currently, they carry more often refrigerated containers. There are also tankers for fruit juice, freezer ships for fish. Since the container ships can plug reefer containers, the reefer fleet tends to decrease.

Another kind of specialized ship is the Roll-on/Roll-off or «RoRo». It is mainly used for the vehicles and wheeled machinery. They have been designed to carry wheeled shipments such as cars or trucks that are driven on and off the ship on their own wheels. This is the main contrast with «LoLo» (lift-on/lift-off) vessels which use a crane to load and unload cargo.

We can see that many different ships can be used in the ocean transport according to the type of goods carried. Each situation required a specific ship which requires to be very careful while we choose the type of freight required. The world fleet evolves together with the international trade and technology. Some vessels are disappearing favor others, more practical and less expensive.

After presenting the different vessels used in sea transport in France, we are going to tackle a subject different but still a key point in international trade: the letter of credit.

2. The letter of credit

Because the letter of credit is complexed and have many different types for specific situations, we will here only focus on the main goal of this mode of payment and its influences regarding the development of international trade worldwide.

2.1. A convenient way of payment in international trade

Created since the Middle Ages and mainly developed due to the growth of international trade, the letter of credit is nowadays one of the most used mean of payment to do business worldwide.

First this is a convenient way for the seller or exporter to be paid by the buyer's bank, instead of asking his money directly to the buyer. Indeed it is a generally irrevocable commitment to pay signed by the banker's purchaser of goods or other commercial services to pay the seller. For that it must submit during the validity period of this engagement documents conforming to those specified in the letter of credit and are expected to demonstrate good performance by the seller of his obligations.

By requesting his bank to issue a letter of credit, the importer requires the exporter to specify the quantity and quality of the product. Once the letter issued, the exporter (or beneficiary) shall be informed that a letter of credit opened in his name.

To describe briefly how it works, we can say that the seller consigns the goods to a carrier according to the commercial contract between him and the buyer. In exchange the carrier will provide him a bill of lading. This document is crucial for the rest of the process.

Then the seller will send these documents such as the bill of lading (but also insurance, etc.) to his bank to be paid. His bank will ask for payment from the buyer's bank in exchange of the bill of lading.

Finally the buyer will pay his bank in order to get the bill of lading, which is necessary to recover his goods from the carrier.

By acting like this, banks issue letters of credit as a way to ensure sellers that they will get paid as long as they do what they have agreed to do in the contract previously signed with the buyer. Here the bank acts as a neutral party between the two protagonists. Of course the bank will only issue a letter of credit if they know the buyer will pay. It happens that some buyers have to deposit (or already have) enough money to cover the letter of credit, and some customers use a line of credit with the bank. Sellers must trust that the bank issuing the letter of credit is legitimate.

This way of payment is international so does not belong to any specific country. Even if the English name «credit» came at the beginning from the French «accréditation», we cannot say that this system was created by the French. Obviously in France letters of credit are commonly used by business companies every day.

There is another reason which explains why the letter of credit is so commonly used throughout the world. Indeed at a time where the international trade is constantly increasing, the companies want to find a safer way to deal with other countries. The answer they found to their request was provided by the mechanism of the letter of credit.

2.2. A document which secures foreign business relationships

The dilemma between buyer and seller is whether the buyer pays before or receipt of goods is highlighted by international trade. Indeed buying goods abroad for example involves many risk facing an adequate supply of time, quality, quantity, etc. This is why the letter of credit secures international purchases. Of course we know how it is important to have such kinds of insurance when using the ocean transport, which is longer and riskier for the goods than the air transport.

The exporter knows now that he must therefore meet the requirements of quantity and quality. It will ship the goods to the importer as intended. Only at this stage, it has not yet been paid. It must then retrieve all documents necessary to meet the demands of the importer (transport documents, insurance, inspections, certifications, etc.) and return it to the bank. The latter will ensure that these documents are authentic or without discrepancies and will give them to the importer's bank that will make its own checks and then upon payment return the documents to the importer.

By the way, it is a way for the seller to be paid even if the buyer fails to pay. In this case, that kind of risk is transferred to the buyer's bank (also called issuer). Thus we can say that it is a protection against financial and commercial (quality and quantity) risks. It can also solve the problems of communication created by thousands of miles or different time zones between the exporter and the importer.

Increasingly French companies had in the past this problem of buying abroad at lower costs which engages no certainty concerning the quantities and quality of the goods. The letter of credit is for them a way to ensure their trade with some countries, especially in the Third World. That is why we can say that this mode of payment encourages international trade even with countries which are known to be unreliable.

Consequently we can say that the letter of credit can be seen as the reason why the international trade is constantly increasing. By creating such a way of payment which guarantee security of transaction and convenience, the business world has provided the companies all over the world a reliable tool.

Nevertheless due to the growth of the international trade, the different countries now need to handle with difficult situations such as environmental issues. That is why after having secure the way to do business, they have to find a way to protect themselves against the consequences of it, and especially for the sea transport.

3. Inspection and environmental controls

The environment aspect has become a pressure that affects all areas of the economy. That is why even in international trade, and especially in the case of maritime transport, States and global institutions have implemented regulations to regulate commercial activities.

3.1. French regulations and environmental affects

In recent years, France has been hit by several oil spills. These disasters have severely affected the Atlantic coast, which caused considerable environmental and economic damage.

To avoid such ecological disasters recur, the government has decided to strengthen the control of oil tankers sailing along the French coast.

Indeed, France relies on its coastline for fishing but also for tourism, which may explain the desire to protect its coast effectively against defective vessels that could run off, rejecting oil into the sea.

Just to get an idea of the different damage oil spills have affected France, we can draw up a summary:

Date	Ship's name	Flag	Consequences
24/01/1976	Olympic Bravery	Liberia	- 1,200 tonnes of fuel - 4 km of coastline polluted
15/10/1976	Boehlen	Eastern Germany	- 7,000 tonnes of fuel - Coast of the Island of Sein and continental polluted
16/03/1978	Amoco Cadiz	Liberia	- 227,000 tonnes of fuel - 360 km of coast polluted with a deep environmental affect
28/04/1979	Gino Team Castor	Liberia Norway	- 41,000 tonnes - submarine pollution
07/03/1980	Tanio	Madagascar	- 19,000 tonnes - 200 km of coast polluted
29/03/1981	Cavo Cambanos	Greece	- 18,000 tonnes
12/12/1999	Erika	Malta	- 19,800 tonnes - 400 km of coast polluted

Date	Ship's name	Flag	Consequences
11/2002	Prestige	Bahamas	- 60,000 tonnes - French, Spanish and Portuguese coasts polluted

We can see that there are the foreign oil tankers which are causing these damage, not French ships. So the French government had strengthened its regulations to avoid hazardous tankers to sail along its coasts.

That is why, according to the «Memorandum of Paris», the control of ships is to check that foreign vessels calling at French ports are compliant from the international conventions for the protection of the marine environment, safeguarding human life at sea and living and working seafarers. During these inspections, port authorities is up to immobilize a foreign vessel to enforce the correction, before departure, of the most serious defects.

This Memorandum, has been established in 1982 by 14 countries at the initiative of France. It was the first interregional administrative agreement of this type, establishing a coordinated control of foreign ships calling at European ports, while avoiding possible distortions of competition between ports.

Now the Paris MoU (Memorandum Of Understanding) is composed of following countries:

- | | | |
|------------|-------------|--|
| - Germany | - Finland | - Norway |
| - Belgium | - France | - Netherlands |
| - Bulgaria | - Greece | - Poland |
| - Canada | - Iceland | - Portugal |
| - Croatia | - Ireland | - Romania |
| - Cyprus | - Italy | - United Kingdom of Great Britain and Northern Ireland |
| - Denmark | - Latvia | |
| - Estonia | - Lithuania | |
| - Russia | - Malta | - Slovenia |

Due to the evolution of ocean transport and of international trade this agreement is regularly reviewed, in particular to allow Member States to remain in concordance with their Community obligations. The last major change implements the new inspection regime from 1st January 2011.

Thus we can see that, driven by environmental catastrophes due to the traffic of oil tankers along its coasts, the French government try to improve the regulation of the ocean transport. The main goal is to have tankers increasingly safer. It will protect the goods and the environment. We can welcome his commitment and pioneering role in the European Union.

3.2. European laws and controls

Likewise, and because maritime security remains a Community competence, a European directive has been adopted on 19 June 1996, also under the French Presidency. It came strengthen the control of ships by the port State making it mandatory for member states of the European Union, and prohibiting access to European ports to ships which wanted to evade controls.

Following the sinking of the tanker Erika, this Directive (95/21/EC) was amended in 2001 to strengthen the control of ships at risk. She comes in to be a completely overhauled (new Directive 2009/16/EC) under the Erika III package, adopted under French presidency.

Safety inspections of ships calling at European ports are monitored through an information system called THETIS (The Hybrid European Targeting and Inspection System). This system is hosted by the European Maritime Safety Agency (EMSA). THETIS target ships and shipping companies. It is used by inspectors to select vessels which will be inspected. Then they compile statistics from inspection reports. By the way, an expanded inspection is also required for certain types of ships with a high risk profile such as gas carriers, chemical or oil tankers.

This system will enable to measure the quality of the pavilions. Indeed, publishing a black list of flags is thus an important incentive tool to improve the quality of the ships. On the other hand, the publication of the white list recognizes flags whose ships perform best with control. We must remember that these spills generate significant economic losses for the companies concerned. Not only do they lose a precious cargo, but their image suffers from the consequences. That is why they also have interest to comply with these safety regulations.

Concerning the quality of the French vessels, its seriousness is recognized throughout the world. The French flag is classified as high performance pavilion on the white list of the Paris Memorandum of Understanding, and fulfills all the conditions that allow the French ships to be classified low risk vessels.

The French Pavilion is also entering the small circle of flags benefiting the label "21th Century Ship Quality" awarded by the United States Coast Gard.

Briefly, France has always been a one of the pioneers in the ocean transport regulation. This country used his power during his presidency of the European Union to improve the controls and inspections on tankers. Now all we can hope is that more countries in the world will join these kinds of label and in the years to come the safety at sea will be strengthened.

Conclusion

As a conclusion we can say that France, mostly by its position in the European Union and its historical role in international trade, is one of the major actors of development in this area.

However, we can see a slight decline, mainly due to the loss of its influence and the rapid growth of developing countries. Indeed, countries like China and Brazil have completely overtaken France in terms of international trade. We have a perfect example with French ships and shipping groups. They are no longer part of the major players in the sea transport nor the biggest as before.

Yet there is still a field where France has an influence in international trade. Concerning the regulations and especially those against on environmental issues, the French have been one of the pioneers for several years by putting forward different laws and amendments which have been since taken over by the European Union. We can notice that this behavior may have been driven by the several disasters caused by oil tankers on its coasts during the past decades. Aware that they do not have the same power or influence as before in the global business, they now want to show their willingness to improve some aspects of the ocean transport.

That is why they focus more on the safety of their ships rather than the size or number of them. We may recognize their results and their ranking regarding inspection and safety of their ships. This can be seen as a good result in accordance with the objectives they are following.

Regarding the development of means of payment such as a letter of credit, France does not play a major role. It just take advantage of this tool to facilitate its business. This is even more true that this system permits secure transactions, thereby increasing trade with developing countries. This tool is ideal for to maritime trade and this is what largely explains its increasing use.

We cannot expect from the French to recover a preponderant place in the international trade landscape. However, they can still play a role along with the European Union to improve qualitative aspects of the ocean transport such as safety or reliability.

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