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Global View on Logistics - Governments' Involvement

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Why do governments get involved in international trade and logistics?

- Economical reasons
- National defense
- Environmental issues
- International standards

Economical reasons

US trade figures for 2000, billions of dollars

Export of goods, services and income receipts	1,418
- Merchandise	772
- Travel	82
- Passenger fares	20
- Other transportation	30
Imports of goods, services and income	-1,809
- Merchandise	-1,441
- Travel	-64
- Passenger fares	-24
- Other transportation	-41



National defense

- More important than it looks like even today
- 1. Railroads
- 2. Highway systems
- 3. Aircraft



National defense

- 4. Ocean ships
 - 1. Shipbuilding
 - 2. Ports
 - 3. Cargo carriers' capacity
 - 1. War time (to charter/to requisition)
 - 2. Peace time
 - 4. Strategic reserves



Export controls

allies x hostile countries

- Potentionally dangerous: Hi-tech, know-how
- Other: grain, food, oil, ...

Controll enforced by governments via licenses:

- 1. General license
- 2. Individual validated license
- 3. Project license
- 4. Distribution license
- 5. Service and supply license



Controls on imports

- 1. tariff duty (tariff barrier)
- 2. outright quotas (non-tariff barrier)
- 3. requirements (non-tariff barrier)
- 4. full ban (mad-cow disease)



Govenments' support

Examples:

- 1. military stuff transported only by domestic carriers
- 2. domestic lines served only by domestic operators
- 3. food or other support delivered only by domestic shippers
- 4. Soviet and Chinese dumping prices
- 5. Japanese port policies
- 6. Airbus and Boeing



Flags of Convenience

Flag state control => Flags of Convenience

Reasons:

Labour costs

Taxes

Safety conditions

Works not only for ships, but for trucks as well

Controls on Aviation

- Freedom 1. To fly over foreign territory with advance permission.
- **Freedom 2.** To stop in foreign nation for fuel and repairs.
- Freedom 3. To carry passengers and cargo from an airline's home country to a foreign country.
- Freedom 4. To carry passengers and cargo from another country to the airline's home country
- **Freedom 5.** To carry passengers and cargo from an airline's home country to one foreign nation and to pick up passengers and cargo going to another foreign nation.
- Freedom 6. The sixth freedom comes from a three-nation arrangement: X, Y, and Z using third and fourth freedoms between X and Y, and third and fourth freedoms between Y and Z.
- **Freedom 7.** allows an airline to carry traffic between two points, neither of which is the airline's home.



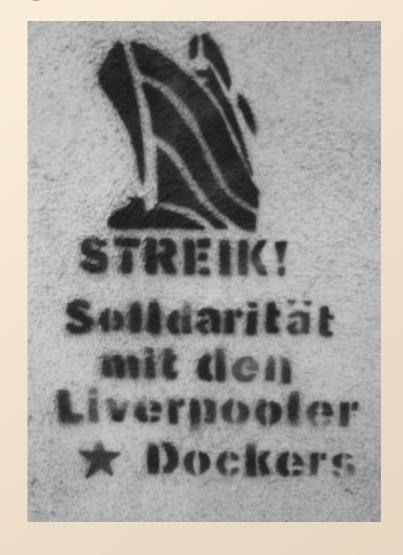
Controls on Aviation

- ICAO: International Civil Aviation Organization
- IATA: International Air Transport Association

Types of routes:

- Business travel—say, to Zurich, Tokyo, Hong Kong;
- Personal travel—as tourists, or for ethnic or religious reasons;
- Gateway—between major areas, an example being London and New York;
- Diplomatic—to Brasilia or Washington, D.C.;
- Poor surface accessibility—Berlin (prior to 1990);
- Strategic policy—U.S. to Latin America before World War II or Aeroflot to Africa or Cuba;
- Prestige—Concorde;
- Military—PanAm routes to Saigon in the 1960s, or Aeroflot flights to Hanoi;
- Colonial—maintain ties

Labor Unions



Environmental issues

Can affect:

- 1. Mode of transport
- 2. Package type
- 3. Time restrictions:

Friday 3 – 6 PM, Sunday 0 AM – 10 PM, all year round

Applies to trucks above 7,5 tons

Losses estimated to be max. 1,5 bil. CZK yearly

Reasoning: rush hours between 2 – 6 PM

Friday +15 % of traffic volume

=> +20% of accidents

40% among personal motor cars

+45% of fatal accidents





Multigovernment programs

- 1. Conventions
- 2. Safety and protection standards
- 3. Navigation practices standards
- 4. Interconnectivity of networks



Boycotts and Antiboycotts

- 1. public vs. companies
- 2. public vs. own or foreign government
- 3. governments vs. governments

Also multiple parties, Arab states against Israel...

Sources for the course:

- http://www.econ.muni.cz/library/
- http://www.springerlink.com/
- http://site.ebrary.com/lib/masaryk/

Sources for the "Governments' involvement"

■ International Logistics (2nd Edition)
Wood, Donald F. Barone, Anthony Murphy, Paul

Pages: 456, Publisher: AMACOM Books

ISBN: 9780814426739