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Global View on Logistics - Governments' Involvement

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Why do governments get involved in international trade and logistics?



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

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

Control 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)



Governments' 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