

THE INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2007 EXAMINATIONS

TUESDAY 17 APRIL – MORNING

ECONOMICS OF SEA TRANSPORT & INTERNATIONAL TRADE

Time allowed – Three hours

Answer any FIVE questions – All questions carry equal marks

1. Currency exchange rate movements play a pivotal role in the balance of trade position of countries as well as the operating results of the shipping industry. Discuss.
2. Fully explain why relatively low profits are achieved in liner trades. Consider the competitive pressures faced by liner companies taking into account the significant concentration of power among relatively few operators.
3. In the context of ship building, fully explain what you understand by ‘dumping ’ and ‘subsidies’.
4. ‘Ship sizes vary for different ship types’ explain why bigger may not always be better despite the conventions of economies of scales theory?
5. ‘The rising popularity of port privatisation has led many observers to raise the question of the link between ownership and economic efficiency’. Taking ports of your choice evaluate this statement.
6. The supply of shipping tonnage at any given time is determined by a variety of factors. Discuss how these factors influence the freight market in both the short and long term .
7. Since mid 2003 dry bulk freight rates have remained at high record levels. This is attributable to sustained and continuous growth in the demand for iron ore, coal, steel and other basic raw materials by China and India, this against a limited supply of tonnage to move these cargoes. Use diagrams to explain this situation making reference to elasticity.
8. Economists often refer to Tankers and Dry Bulk Markets as ‘Perfectly Competitive ’. Discuss the validity of this statement.