Examiner's Report
NOVEMBER 2015
Economics of Sea Transport and International Trade

General comment
It is good to report that the November 2015 Economics of Sea Transport & International Transport examination produced some very well structured answers supported by good diagrams, maps and current shipping , practice, trends and news - building on the gains of recent years. Most essays had an introduction, main body consisting of distinct paragraphs and a brief conclusion. It was also heartening to note that an increasing number of candidates continue to jot down their main points at the start of their answers, a practice that has accompanied the continued improvement in quality, length and depth of essays in recent years . Again, the continued use of graphs and maps to support answers was evident even where there was no specific requirement to do so. Those candidates that understood the key words such as: analyse, discuss, identify and examine once again scored high marks. Students are encouraged to learn the meaning of these key words.

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INSTITUTE OF CHARTERED SHIPBROKERS

Question 1
Students were asked to choose a major port and to identify and comment on the factors which have been instrumental in it's development and evolution such as management philosophy, physical facilities and services which provide an interchange between sea, domestic and international transport including; port handling equipment, machinery and support services, warehousing facilities, information and communication technologies, industrial manufacturing facilities, marketing and sales support services, repairs and stock,Victualling, depth of water, port hinterland, ship size and growth trends, ease of construction of quayside, growth of local and world economy and population dynamics.

Question 2
This was a popular question. Students that gave equal weight to both the short and long term influences on shipping tonnage scored high marks. The best essays were supported by relevant industry practice and experience. The main factors included: tonnage supply, new deliveries and on order, being scrapped or billed for scrapping, choke points, bunker prices, port time, ship speed, world commodity demand and global levels of industrial production and demand, seasonal pressures and dynamics, market activity and speculation in both the short and long term.

Question 3

Another very popular question. This was a three part question and candidates were required to answer all parts. The essays that secured high marks were those that gave equal weight to all the parts.

- Grain: Five major exporters: USA, Canada, Australia, EU Argentina, year on year variations in production and movement, droughts, crop failures and climate change and disasters:
- Main importers China, Egypt, Sub Saharan Africa and Asia
- Comments on food shortages, crop failures and disasters in key production and consumption areas.
  Bauxite: Major exporters Guinea, Sierra Leone, Indonesia, Australia , India , Brazil Main importers: China, USA, Ukraine, Ireland onward shipment to UK, Iceland and Spain.
- Comments on the world economy and the increasing use of aluminium in the the telecom, ICT industries.
  Iron Ore: Major exporters: Brazil and Australia India, Chile, South Africa, Venezuela and Peru.
- Importers: Major steel producing countries: China, Japan, Germany, India, Belgium, South Korea, UK, Italy and Taiwan.
- Comments of the slowing of the Chinese economy and it's impact on global commodity movements.
- Coal: Thermal coal generation of electricity: main suppliers – Australia , South Africa, China, Indonesia, main importers: South Korea, Taiwan, UK , France .
- Comments: slowing global economy and the growth of the green energy generation industry and supply chain.

Question 4
Students were required to show how economists assess the condition of the shipping market with reference to the responsiveness of shipping tonnage to freight rate movements. Basic diagrams of elasticity, demand and supply were needed. There should be clear explanations to accompany graphs, definitions and what they mean. It was also important to define shipping as a Derived Demand. The owners decision was based on: potential profitability, commitments, next employment, cargo , freight rates, etc. Students who scored high marks used diagrams to support their arguments.

Question 5
This was a very popular questio. Students were required to identify and explain the five assumptions in the context of the tramp market ; numerous buyers and sellers, easy access/entry, homogenous product, suppliers wish to maximize profits and transparent market information.

Question 6
This question required students to explain with the aid of a diagram/s the effect of a tariff on an imported product or commodity. A good starting point would be the definition of a tariff:- a tax duty on an import imposed by the government of the importing country . Explanations were needed to accompany diagrams/ graphs. Effects of tariff are: increased domestic output, reduced imports and (hopefully) increased exports / foreign exchange.

Question 7
Students were required to advise a country suffering from a persistent balance of payment deficit with corrective actions. A good starting point would be the definition of 'balance of payment' deficit, explain how it comes about followed by corrective actions: Monetary policy, fiscal policy, devaluation to make exports attractive, exchange controls, increased value addition and establishment of export oriented free trade economic system. This was an opportunity to show that students understand the possible solutions for a country's economic development.

Question 8
Students who secured high marks provided detailed answers explaining how foreign exchange rates between countries are determined for example where demand for sterling comes from - purchase of UK goods and services from abroad/foreign investment flows into UK market . Exchange rate is the price of a nation's currency- the more competitive an economy, the more its products and currency are sought, thereby determining its strength and convertibility. Exchange rates between international currencies affects prices of exports impacting on international trade and shipping. Impact on Shipping: most inputs in shipping are USD denominated,so the adverse movements of dollar results in reduced profits in operating results of shipping companies. The costs directly affected by currency movements include: bunkers, lubricants, crew costs , canal dues, dock dues, victualling and shipbroking fees, dry docking and flag state commitments etc.