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**Transport and logistics in the Arab region****Maritime transport in the Arab region****Summary**

The present document was prepared following the fifteenth session of the ESCWA Committee on Transport, held in Rabat on 27 and 28 January 2015, in which ESCWA was requested to develop a blueprint of navigation lines for maritime and pluvial connectivity between Arab countries. This document also complements a presentation given on the subject at the sixteenth session of the Committee on Transport, held in Cairo on 23 and 24 November 2015.

It reviews the role of maritime transport in international trade and the significant contribution of container shipping lines that intensified along a key axis from Asian ports eastward to Northern European ports westward, through selected Arab ports and in close proximity to some others, yet without boosting Arab intraregional trade.

This document provides suggestions to develop the Arab maritime transport by integrating the roles of Governments, the private sector and public-private partnerships that have proven their expertise in this area.

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## I. INTRODUCTION

1. The present document was prepared following the fifteenth session of the ESCWA Committee on Transport, held in Rabat on 27 and 28 January 2015, in which ESCWA was requested to develop a blueprint of navigation lines for maritime and pluvial connectivity between Arab countries. This document also complements a presentation given on the subject at the sixteenth session of the Committee on Transport, held in Cairo on 23 and 24 November 2015.
2. This document initially reviews the evolution of international trade in recent decades and the urgent changes that reshuffled the order of international trade flows among key geographic regions between 1990 and 2011. It explores the key role of maritime transport in international trade, particularly with the significant evolution of regular container shipping lines. Furthermore, it tackles the main line of international container transport stretching from Far Eastern ports to Northern European ports, through several Arab ports located in the Arab Gulf, the Arabian Sea and the Red Sea.
3. It then highlights the significant role of some Arab seaports in international container transport and the key role of the United Arab Shipping Company (UASC) in the main east-west line of international container transport.
4. It concludes with suggestions to strengthen the role of Arab seaports in regular container shipping at the intraregional and interregional levels.

## II. EVOLUTION OF INTERNATIONAL TRADE

5. Following the Second World War, the international trade value of globally exchanged goods exponentially grew from around \$58 billion in 1948 to \$2 trillion in 1986, and to more than \$6 trillion in 2000. The first decade of the twenty-first century witnessed a peak growth, despite a sharp decline in 2009 owing to the international financial crisis that began in 2008. However, the crisis was immediately contained at the level of international trade in 2010 and 2011, but international trade growth plummeted again to \$19 trillion in 2014 (figure 1).
6. International trade following the Second World War thrived as a result of three structural factors, namely:<sup>1</sup>
  - (a) The strengthened role of global maritime transport, which accounts for 70 per cent of the value of exchanged goods and 80 per cent of the volume of such goods, particularly with container transport emerging in the 1950s and steadily growing for five decades until reaching maturity today;
  - (b) The emergence and widespread use of information and communication technologies that promoted faster communication among economic actors and facilitated access to new investment opportunities;
  - (c) The progressive removal of tariff barriers on imported manufactured goods following the General Agreement on Tariffs and Trade (GATT) as of 1947 and the World Trade Organization (WTO) agreements as of 1995. As a result, customs duties fell from 40 per cent shortly after the Second World War to only 3.9 per cent today. These alleviated barriers played a crucial role in stimulating international trade in some developing countries, such as Brazil, China and India, which represent a reservoir of human resources, notably given their changing consumption patterns.

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<sup>1</sup> Bost, 2014, p. 74.

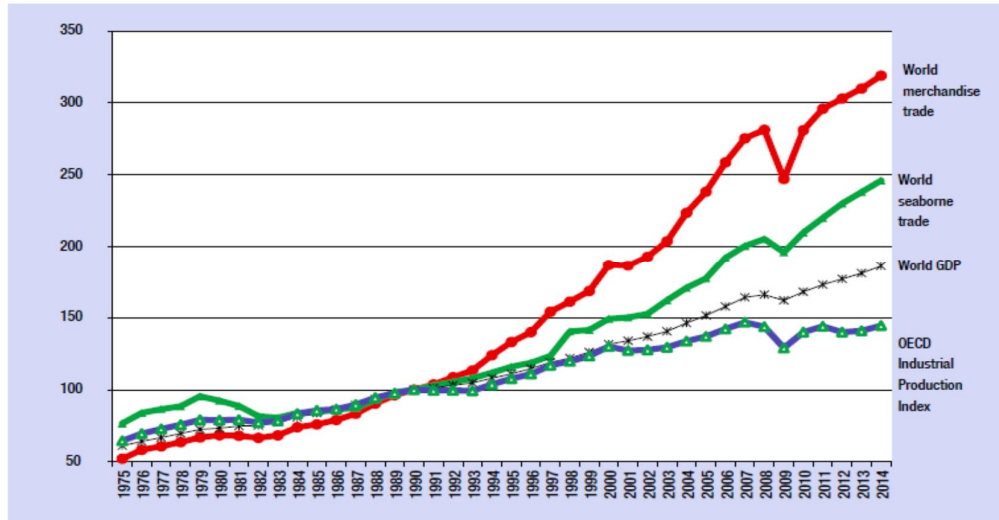
**Figure 1. Growth in international trade value during the period 1948-2014**  
(Billions of United States dollars)



Source: Based on UNCTAD data. Available from <http://unctad.org/en/Pages/Statistics.aspx>.

7. Global economic growth dwindled in 2012 with a global gross domestic product (GDP) growth of 2.3 per cent,<sup>2</sup> while global trade grew by 2.2 per cent in the same year.<sup>3</sup> That year was viewed as modest because, since the 1990s, global trade has grown twice as fast as global GDP. This similar global growth of GDP and trade questioned the usual GDP to trade ratio.<sup>4</sup> Figure 2 shows the nexus between global economic growth and international trade during the period 1975-2014.

**Figure 2. Industrial production index, GDP, international trade, and maritime trade indices according to the Organization for Economic Cooperation and Development, 1975-2014, base year 1990=100.**



Source: UNCTAD, 2015, p. 5.

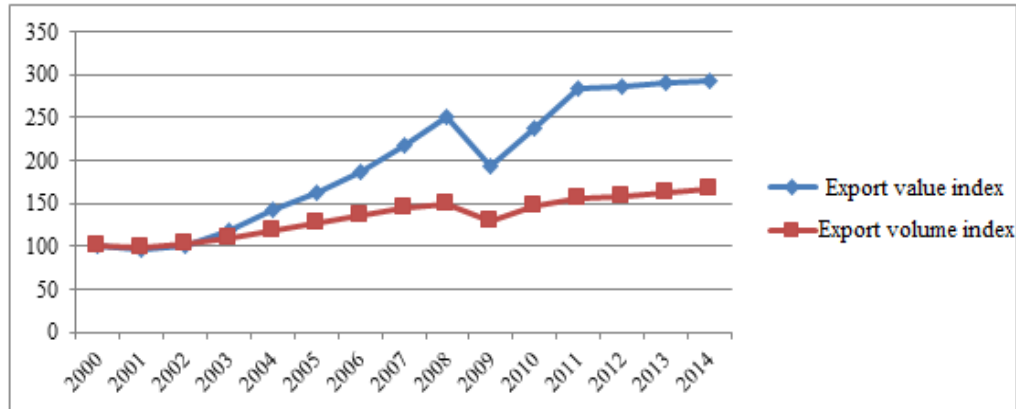
<sup>2</sup> UNCTAD, 2014, p. 1

<sup>3</sup> Growth in global trade following its adjustment to account for inflation and exchange rate movements.

<sup>4</sup> UNCTAD, 2014, p. 3.

8. The considerable increase in the value of international exports early in the twenty-first century was not coupled with an equal growth in the volume of such exports. According to the United Nations Conference on Trade and Development (UNCTAD), the value of international exports grew by 13.9 per cent between 2000 and 2014. Yet, the total volume of international exports during the same period grew more slowly at 4.7 per cent. Figure 3 shows the difference in international export growth in terms of value and volume, with 2000 as base year.

**Figure 3. Difference in international export growth between 2000 and 2014 in terms of value and volume**

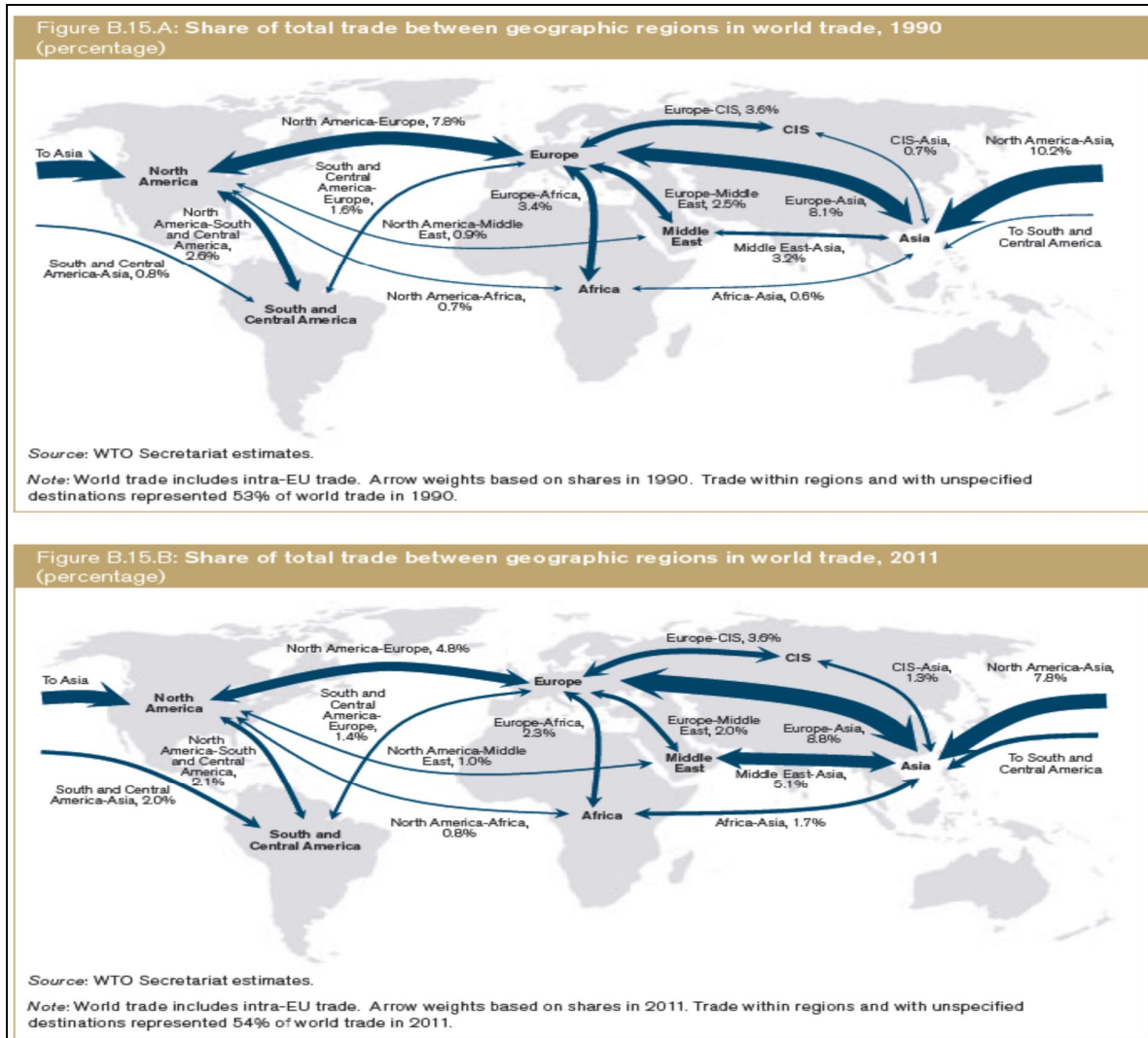


Source: Based on UNCTAD data. Available from <http://unctad.org/en/Pages/Statistics.aspx>.

9. Such discrepancies may be attributed to several factors, including global inflation, the resulting decline in the dollar purchase value, and successive increases in various raw material prices, such as oil and its derivatives. The significant growth in international trade value reflects an upward trend towards a globalized production of goods, thus resulting in various transfers of commodity parts and components all over the world before the end product is finalized. With rising production costs in the Far East, owing to higher wages and higher local currency value compared to foreign currencies, the trend of relocating production from Asia to Africa, Europe, Mexico, and the United States will grow, thus narrowing global distances between production and consumption areas.<sup>5</sup>

<sup>5</sup> BRS, 2015, p. 88.

**Figure 4. Share of total trade among geographic regions in world trade between 1990 and 2011 (%)**



*Source: WTO, 2013, p. 77.*

10. The period 1990-2011 witnessed a clear change in the order of global trade flows, as shown in figure 4. The top figure illustrates the value of international trade flows between key geographic regions as a percentage of the total value of international trade in 1990, while the bottom figure shows their value in 2011. It should be noted that trade flows do not include intraregional trade (within geographic regions), which amounted to 53 per cent and 54 per cent of total international trade in 1990 and 2011, respectively.<sup>6</sup>

11. Table 1 provides a summary of the changing order of international trade flows among various geographic regions between 1990 and 2011.

<sup>6</sup> WTO, 2013, p. 77.

TABLE 1. CHANGING INTERNATIONAL TRADE FLOWS AMONG VARIOUS GEOGRAPHIC REGIONS  
BETWEEN 1990 AND 2011

1990			2011		
Order	Trade flow	Percentage	Order	Trade flow	Percentage
1	Asia - North America	10.2	1	Asia - Europe	8.8
2	Asia - Europe	8.1	2	Asia - North America	7.8
3	North America - Europe	7.8	3	Asia - Middle East	5.1
4	Europe - Commonwealth of Independent States	3.6	4	North America - Europe	4.8
5	Europe - Africa	3.4	5	Europe - Commonwealth of Independent States	3.6
6	Asia - Middle East	3.2	6	Europe - Africa	2.3

Source: WTO, 2013, pp. 75-78.

12. Table 1 shows a downgrade in the 1990-2011 trade flows between Asia and Northern America from the first to the second order, compared to an upgrade of trade flows between Asia and Europe to the first order. Trade flows between Asia and the Middle East ranked sixth in 1990, with a 3.2 per cent share in global trade, but moved up to third place in 2011 with a share of 5.1 per cent in global trade, thereby exceeding North America-Europe, Europe-Commonwealth Independent States, and Europe-Africa trade flows.

13. Moreover, a high degree of uncertainty lies in the forecasts of key international trade flows. This uncertainty derives from the following four basic factors:<sup>7</sup>

(a) Economic recessions in Europe, Japan and the United States. All indicators predict a long period of feeble growth, which can strongly affect growth in other parts of the world;

(b) Emerging economies focusing on their domestic markets and on their neighbouring countries;

(c) Difficulties facing landlocked countries in accessing maritime transport, thereby reducing the export competitiveness of these countries, particularly developing ones;

(d) Natural hazards affecting international transport lines, such as the Fukushima nuclear disaster that brought to light the fragility of multinational production systems, as it affected the automotive and electronic industries that had been stricken by the Thai floods.

### III. IMPORTANCE OF MARITIME TRANSPORT FOR GLOBAL TRADE

14. Maritime transport is the main carrier of global trade. It is estimated to account for 70 per cent of the total global trade value and 80 per cent of global trade volume.<sup>8</sup> The maritime transport of goods can be divided into the following five categories, depending on the shipment:

- (a) Transport of liquid goods, such as oil and its derivatives;
- (b) Transport of dry bulk goods, such as seeds, fertilizers, coal, metals and phosphate;
- (c) Transport of general cargo, such as timber and iron;
- (d) Transport of various goods in containers;
- (e) Truck and vehicle transport via roll-on roll-off ferries.

15. Maritime trade grew in volume by 3.8 per cent in 2013, thus raising the total volume of seaborne goods to around 9.6 billion tons, including 70.2 per cent of various dry goods, equivalent to 6.7 billion tons (of dry

<sup>7</sup> Guerrero, 2014, p. 83.

<sup>8</sup> Guerrero, 2014, p. 81.

bulk goods, general cargo, and containers) and 29.8 per cent of various liquid goods (crude oil, petroleum and gas products). In 2013, trade flows of dry goods played the greatest role in generating maritime trade growth, as they grew by 5.5 per cent.<sup>9</sup>

16. Table 2 sets out the total volume of seaborne goods in 2013, as per the type of goods.

17. Dry bulk goods had the largest share in the total volume of seaborne dry goods in 2013, namely 2.92 billion tons, equivalent to 30.58 per cent, followed by oil and gas, dry general cargo, and container transport at around 16 per cent. Yet, these ratios change when the value of seaborne goods is considered rather than their volume, as discussed later. The first three types of goods, namely dry bulk goods, oil derivatives and general cargo, are usually transferred upon request and change accordingly. Vessels carrying these goods move from one seaport to another, as per relevant transport orders and pursuant to international trade contracts. Transport prices of orders are influenced by competition, correlation between orders, and the availability of vessels. Transport sizes and prices may strongly vary according to lines, destinations and seasons. All these dynamics are primarily influenced by global trade changes. As for containers, they are carried by vessels navigating on specific lines, according to specific day and hour schedules. Container vessels dock at seaports at specific times, similar to the schedule of train stations within a network. Container vessels follow weekly timetables. They dock at the seaport at a specific hour and, are loaded and unloaded within hours, then immediately head to the next seaport on their predefined schedule. Hence, container goods are globally traded via a network of regular lines, similar to regular airlines carrying passengers to various airports.

TABLE 2. 2013 GLOBAL MARITIME TRANSPORT VOLUME BY MAIN TYPES OF MARITIME TRANSPORT

Type	Volume of 2013 seaborne goods (million tons)	% of total
Main bulk goods <sup>a</sup>	2920	30.58
Oil and gas	2844	29.79
Other dry goods <sup>b</sup>	2260	23.67
Container goods	1524	15.96
<b>Total</b>	<b>9548</b>	<b>100.00</b>

Source: UNCTAD, 2014, pp. 1-26.

<sup>a</sup> Including the following five main dry bulk goods: iron ore, coal, seeds, bauxite, alumina, and phosphate rocks.

<sup>b</sup> Including general cargo and ancillary bulk goods, such as forest products and others.

18. According to the last UNCTAD report on maritime transport, shipping costs are generally affected by several factors, including the following:<sup>10</sup>

(a) Seaports:

- (i) Infrastructure and installations;
- (ii) Seaport productivity;
- (iii) Seaport operational model;
- (iv) Seaport tariffs.

(b) Trade flows:

- (i) Balance or imbalance of trade flows;
- (ii) Trade volumes;
- (iii) Trade integration.

<sup>9</sup> UNCTAD, 2014, p. 4.

<sup>10</sup> UNCTAD, 2015, p. 48.



- (c) Structure of the maritime transport sector:
  - (i) Competition;
  - (ii) Availability of regular maritime transport services;
  - (iii) Maritime transport regulations.
- (d) The location for the global shipping network:
  - (i) Linkages with the network;
  - (ii) Proximity to the network hub;
  - (iii) Distance.
- (e) Operational costs of vessels:
  - (i) Vessel crew costs;
  - (ii) Fuel;
  - (iii) Ship registration.
- (f) Facilities:
  - (i) Trade facilities;
  - (ii) Transport facilities.
- (g) Type of seaborne goods:
  - (i) Cargo volumes;
  - (ii) Value of goods;
  - (iii) Types of goods.

19. According to the last UNCTAD report issued in 2015, developing countries pay 40-70 per cent more than developed countries for the maritime transport of their imports.<sup>11</sup> Yet, the report reveals that developing countries pay less for the transport of their exports than for the transfer of their imports. According to the report, the higher costs paid by developing countries for the transport of their imports compared to developed countries are attributed to the following factors:

- (a) Foreign trade imbalance in developing countries: vessels loaded with goods, particularly manufactured ones, navigate towards developing countries through various shipping methods but return empty;
- (b) Delayed reforms pertaining to seaports and trade facilitation and the continued non-tariff barriers on imports and exports in developing countries;
- (c) Low trade exchange volumes, narrowing the margins of reducing transport costs associated with a peaceful economy;
- (d) Low maritime connectivity for developing countries, particularly the Linear Shipping Connectivity Index (LSCI).

20. Seaport efficiency is one of the most important factors influencing maritime transport costs and access of goods to foreign markets. The report of the Inter-American Development Bank showed that upgrading seaport efficiency from 25 per cent to 75 per cent would reduce shipping costs by 12 per cent. Poor seaports in an average-performing country pull the country away from markets by 60 per cent.<sup>12</sup> The report addresses factors that reduce the efficiency of some seaports in Latin American countries, such as stringent regulations,

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<sup>11</sup> UNCTAD, 2015. P. XI.

<sup>12</sup> Micco and Perez 2002.

the high prevalence of organized crime, and the overall condition of infrastructure. The report also highlights that the success stories of Latin America in upgrading seaport efficiency were mainly associated with private sector involvement in seaport management, which yielded cost reduction, especially when the labour market was reformed and monopolies were mitigated either through regulation or competition.

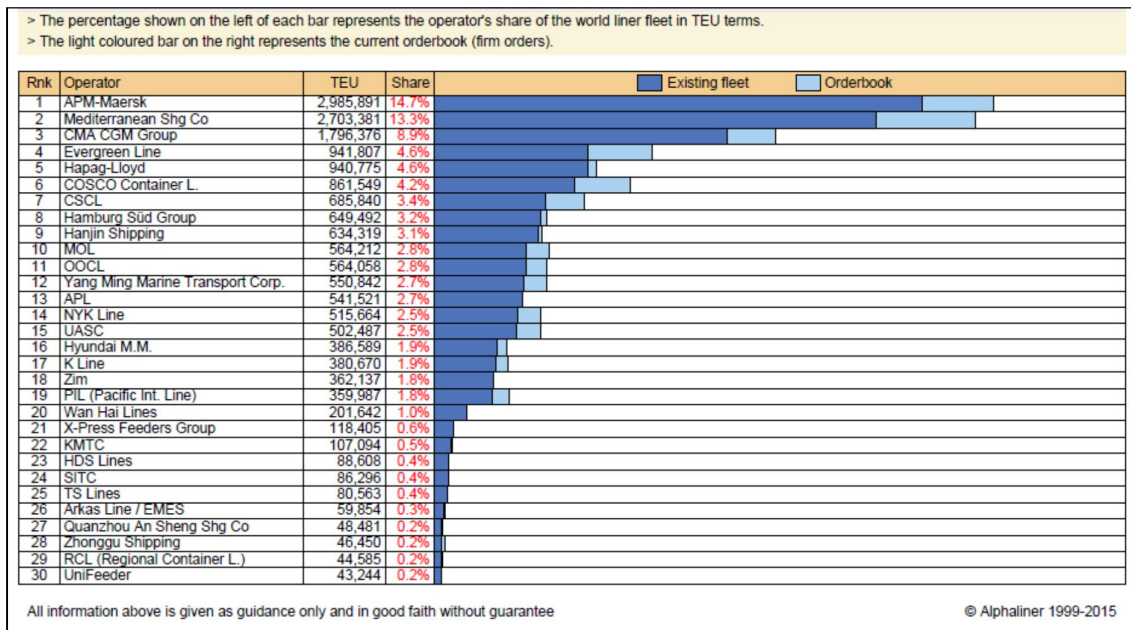
**IV. REGULAR CONTAINER SHIPPING LINES**

21. Containers currently account for 16 per cent of the total volume of seaborne goods, as shown in table 2. Yet, this ratio increases when measured in terms of the value and not the volume of seaborne goods. Some sources estimate that the value of container goods account for 60 per cent of the value of globally seaborne goods.<sup>13</sup>

22. Container shipping of various types of dry goods, particularly finished and semi-finished products, is thriving owing to the attributes of this transport mode, namely the protection of goods from damage and loss, the reduced loading and unloading time and costs at upstream, intermediate and downstream seaports, and the flexibility of transporting goods via multimodal transport to their final destination, including by land using truck or railway transport.

23. Containerized transport is mainly handled by global transport companies. By the end of 2015, the total capacity of container vessels in the market reached 19.94 million standard containers (twenty-foot equivalent units).<sup>14</sup> The containerized transport sector involves a high capital concentration and the top 20 container shipping companies continued to control the global market share in 2014. According to Alphaliner, a company specialized in maritime transport, this global share reached 86.2 per cent of the total capacity of container transport in January 2015.<sup>15</sup> Figure 5 shows the share of the top 30 container shipping companies in the world in terms of container fleet size as at November 2015.

**Figure 5. Shares of the top 30 container shipping companies in the world as at November 2015**



Source: [www.alphaliner.com/top100](http://www.alphaliner.com/top100).

<sup>13</sup> See [www.statista.com/topics/1367/container-shipping](http://www.statista.com/topics/1367/container-shipping).

<sup>14</sup> See <https://worldmaritimeneews.com/archives/180237/>.

<sup>15</sup> BRS, 2015, p. 93.

24. Figure 5 shows that Danish operator Maersk ranks first, with a total capacity of 3 million standard containers, followed by Swiss operator MSC with a capacity of 2.7 million standard containers and French operator CMA with a capacity of 1.80 million standard containers.

25. The UASC ranks fifteenth among global companies and operates a fleet with a capacity of 502.487 standard containers. The company is currently based in Dubai. It was co-founded in 1976 by six Arab countries, namely Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates.<sup>16</sup> Most of its vessels are large and it primarily operates on the main east-west lines.<sup>17</sup>

26. The ranking of global container transport operators remains stable, yet sometimes fast changes hit the market, such as the rapid growth in 2013 of PIL Company that leapfrogged three positions to rank fourteenth among global container carriers, but reverted back to nineteenth position in 2015, as shown in figure 5.<sup>18</sup> However, some companies have exited the market, such as STX Pan Ocean in 2013 after it had ranked thirtieth early that year. Two other companies also exited the market in 2013, namely Grand China and Hainan POS after operating for five and four years, respectively. Likewise, Maestra Navegacao e Logistica exited the market after operating for less than three years along Brazilian coasts, owing to fierce competition with other local companies operating larger and more fuel-efficient vessels.<sup>19</sup>

27. The 2013 market of container carriers saw large operators still pushing for the construction of mega vessels with a capacity of 13 thousand to 19 thousand standard containers, to rapidly cut operational costs per transported container on the east-west maritime lines. This race leading to a surplus in container shipping supply conflicts with the negative global economic outlook. Some observers point to the critical and reckless trend of building mega vessels to cut down on fuel consumption in lieu of reaching similar outcomes by technically upgrading existing vessels and operating them at slower speeds than their designed speeds, namely 21 or 22 knots instead of 24.<sup>20</sup>

28. Some technical reports also raise questions about the feasibility of building mega container vessels in the future, as this will entail further investments in seaports, such as building docks and bringing the necessary installations, particularly cranes, to accommodate such vessels.<sup>21</sup> Building vessels with a 22800-24000 standard container capacity implies that vessels will be 64 meters wide and 487 meters long, thereby affecting the length and depth of seaport docks and cranes. According to maritime transport experts, it is unlikely for future vessels to exceed 400-450 meters in length.<sup>22</sup>

29. Some studies show that operational costs of standard container transport are cut in half when vessels with a capacity of 5,000 containers are used in lieu of small vessels with a capacity of less than 2,500 containers,<sup>23</sup> provided that large vessels are fully loaded. Operational costs are reduced to 20 per cent when using vessels with a capacity of 4,000 containers. This explains the trend towards building mega ships to reduce operational costs in view of the competitiveness of the container shipping sector, particularly when demand for transport falls and when fuel prices go below a certain threshold, thus shrinking the margin of profits resulting from reduced fuel consumption compared with the other transport cost components, as shown in figure 6.

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<sup>16</sup> See [www.uasc.net/en/company-profile](http://www.uasc.net/en/company-profile).

<sup>17</sup> UNCTAD, 2014, p. 41.

<sup>18</sup> BRS, 2014, p. 89.

<sup>19</sup> Ibid.

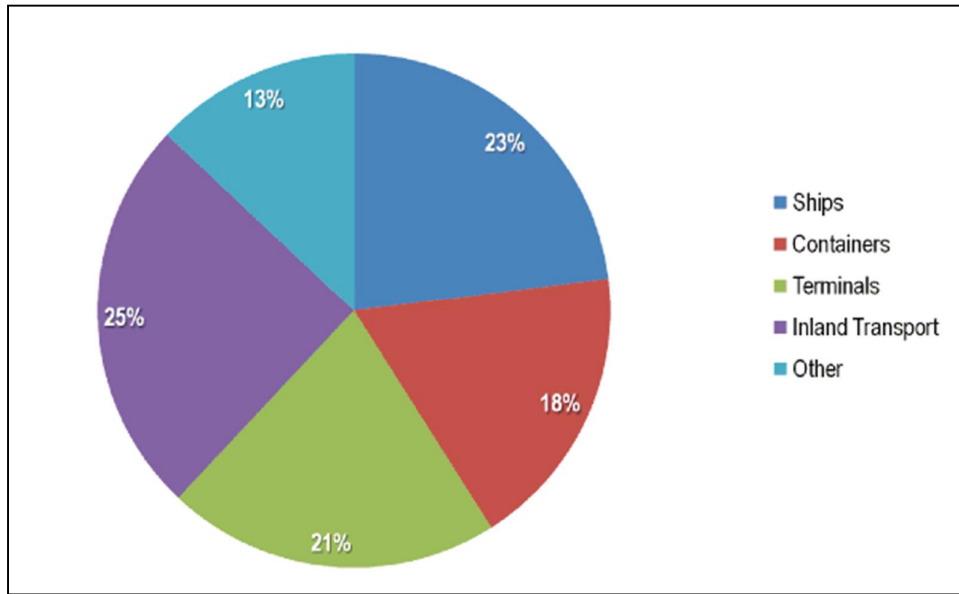
<sup>20</sup> BRS, 2014, p. 86.

<sup>21</sup> OECD/ITF, 2015, p. 10.

<sup>22</sup> UNCTAD, 2014, p. 71.

<sup>23</sup> Rodrigue, 2013. Available from <http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c6en.html>.

**Figure 6. Ratios of cost components to the total container shipping cost**



Source: Rodrigue, 2013.

30. Figure 6 sets out the ratios of cost components to the total container shipping cost. Ships account for 23 per cent of total shipping costs, including fixed assets, operation and fuel, while containers account for 18 per cent, including container rental and maintenance fees. Seaport handling and land transport account for 46 per cent of the final cost (including 21 per cent for terminals and 25 per cent for inland transport), therefore exceeding maritime transport costs that account for 41 per cent of the final cost (including 23 per cent for ships and 18 per cent for containers).

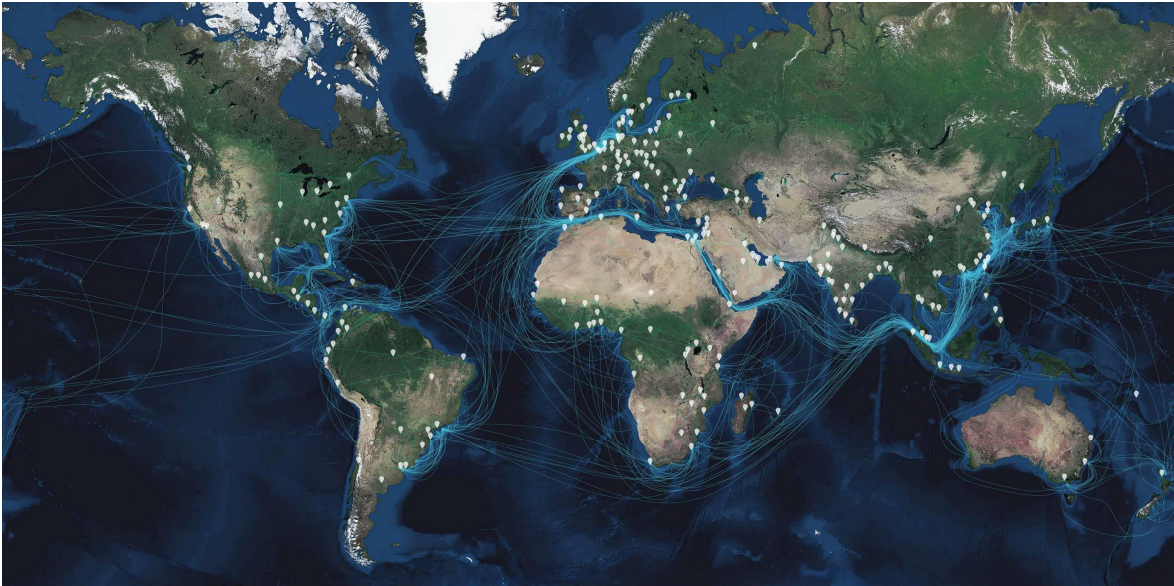
31. Maritime lines between Southeast Asia and Europe westwards account for 85 per cent of container traffic worldwide, and encompass most economies of scale and the best quality of maritime transport services.<sup>24</sup>

32. Figure 7 outlines the global shipping line network of Maersk, which ranks first in the world in terms of the total available capacity for container transport.

33. Figure 7 clearly shows the dense container shipping lines between Southeast Asia and the Arab Gulf and the Red Sea westwards. This dense line then crosses the Mediterranean Sea and the Strait of Gibraltar and becomes denser near Northern European seaports. The figure also shows dense container shipping lines near the east coast of the United States of America and between this coast and the northern coast of South American countries. High density is also apparent near some seaports off the east coast of South America.

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<sup>24</sup> UNCTAD, 2014, p. 107.

**Figure 7. Maersk's shipping line network**

Source: [www.maersk.com/en/markets](http://www.maersk.com/en/markets).

34. In 2015, major alliances were forged by most container shipping companies operating on the main east-west line, namely four key alliances as shown in table 3.

TABLE 3. MAJOR ALLIANCES AMONG CONTAINER SHIPPING COMPANIES IN 2015

Alliance name	Member companies
2M	Maersk, MSC
Ocean 3	CMA-CGM, CSCL, UASC
CKYHE	COSCON, K Line, Yang Ming, Hanjin, Evergreen
G6	Hapag-Lloyd, NYK, OOCL, APL, MOL, HMM

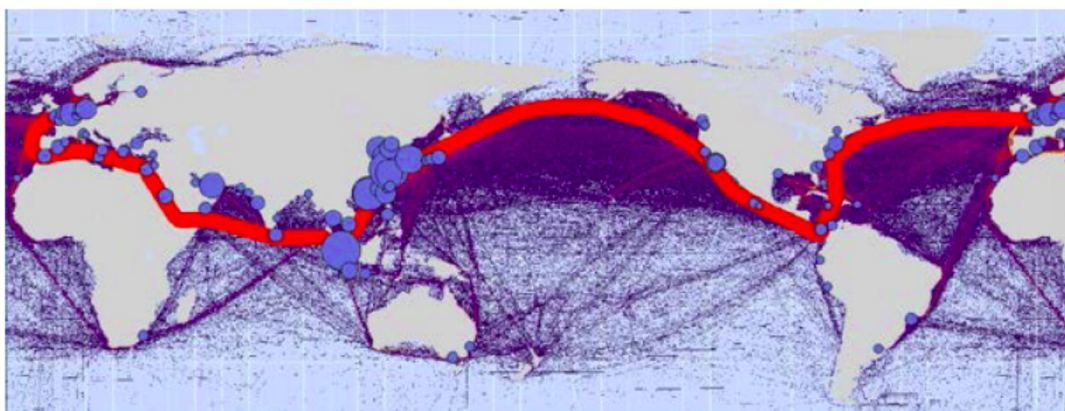
Source: BRS, 2015, p. 92.

35. These alliances are not fully integrated and involve competition among carriers, as each carrier within each alliance separately handles marketing, operation and financial affairs. Moreover, alliances are limited to maritime transport services and do not include handling or terminal operations. They are aimed at providing more extensive transport services and more frequent navigation by coordinating ship arrivals and departures and assigning specific services to each vessel. One of the setbacks of alliances is their inertness, as every service modification requires the approval of all partners in the alliance.<sup>25</sup>

36. Figure 8 sets out the main east-west shipping line, which is located entirely in the northern hemisphere. This line includes or is surrounded by the largest container ports in the world, offering shipment services (namely trans-shipment) between large vessels operating on the main line and vessels of small subsidiary lines.

37. Large container carriers placed their largest vessels, such as 3E vessel with a capacity of 18,000 containers, on this line to directly operate them between Chinese and Northern European seaports. These carriers are also gradually shifting their small vessels operating on the main line to small subsidiary lines through the cascaded delivery of goods.

<sup>25</sup> BRS, 2015, p. 92.

**Figure 8. Main east-west shipping line and locations of the largest container ports**

Source: UNCTAD, 2014, p. 107.

## V. RELATIVE IMPORTANCE OF ARAB CONTAINER PORTS

38. Table 4 ranks the top 50 container ports in the world in 2013.<sup>26</sup> It clearly shows Asian ports, notably the Chinese ones, ranking high in terms of the annual volume of containers. The most important ports in Arab countries, highlighted in yellow, include Jebel Ali Port in Dubai, ranking ninth with an operating volume of 13.64 million standard containers. It tops Arab ports and comes after the world's largest eight ports that are all located in Asia (China, Korea, and Singapore). It ranks higher than the Dutch port of Rotterdam, which tops European ports, and is followed by Jeddah port, among Arab ports, ranking thirtieth in the world with an operational capacity of 4.56 million standard containers; Sharjah port in the United Arab Emirates, ranking thirty-fifth; the port of Salalah in Oman ranking forty-first with an operational capacity of 3.34 million containers; and East Port Said port ranking forty-third with an operational capacity of 3.12 million containers.

TABLE 4. RANKING OF THE WORLD'S TOP 50 CONTAINER PORTS

Rank	Port and country	2013 volume (million TEU)	Rank	Port and country	2013 volume (million TEU)
1	Shanghai, China	33.62	26	Laem Chabang, Thailand	5.49
2	Singapore	32.6	27	New York - New Jersey, United States	5.47
3	Shenzhen, China	23.28	28	Hanshin Ports, Japan	5.32
4	Hong Kong, China	22.35	29	Yingkou, China	5.30
5	Busan, South Korea	17.69	30	Jeddah, Saudi Arabia	4.56
6	Ningbo-Zhoushan, China	17.33	31	Algeciras Bay, Spain	4.50
7	Qingdao, China	15.52	32	Valencia, Spain	4.33
8	Guangzhou Harbor, China	15.31	33	Colombo, Sri Lanka	4.31
9	Jebel Ali, Dubai, United Arab Emirates	13.64	34	Jawaharlal Nehru, India	4.12
10	Tianjin, China	13.01	35	Sharjah, United Arab Emirates	4.12
11	Rotterdam	11.62	36	Manila, Philippines	3.77
12	Dalian, China	10.86	37	Felixstowe, United Kingdom	3.74
13	Port Klang, Malaysia	10.35	38	Santos, Brazil	3.45
14	Kaohsiung, Taiwan	9.94	39	Ambarli, Turkey	3.38
15	Hamburg, Germany	9.30	40	Colon, Panama	3.36
16	Antwerp, Belgium	8.59	41	Salalah, Oman	3.34

<sup>26</sup> See [www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports](http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports).

TABLE 4 (continued)

Rank	Port and country	2013 volume (million TEU)	Rank	Port and country	2013 volume (million TEU)
17	Keihin Ports, Japan	8.37	42	Balboa, Panama	3.19
18	Xiamen, China	8.01	43	East Port Said Port, Egypt	3.12
19	Los Angeles, United States	7.87	44	Gioia Tauro, Italy	3.09
20	Tanjung Pelepas, Malaysia	7.63	45	Georgia Ports, United States	3.03
21	Long Beach, United States	6.73	46	Tanjung Perak, Surabaya, Indonesia	3.02
22	Tanjung Priok, Jakarta, Indonesia	6.59	47	Metro Vancouver, Canada	2.83
23	Laem Chabang, Thailand	6.04	48	Marsaxlokk, Malta	2.75
24	Ho Chi Minh, Vietnam	5.96	49	Nagoya, Japan	2.71
25	Bremen/Bremerhaven, Germany	5.84	50	Durban, South Africa	2.63

Source: [www.worldshipping.org](http://www.worldshipping.org).

39. Ports highlighted in blue are based in countries neighbouring Arab countries, namely the Turkish port of Ambarli located at the Bosphorus exit towards the Black Sea and ranking thirty-ninth, and the Malta Mediterranean port ranking forty-eighth, with an operational capacity of 3.38 million containers and 2.75 million containers, respectively.

40. Hence, five ports located in four Arab countries among the world's top 50 container ports, namely Jebel Ali port in Dubai, Sharjah port in the United Arab Emirates, Jeddah port in Saudi Arabia, the port of Salalah in Oman, and East Port Said in Egypt.

41. As for the top 100 container ports in 2013, table 5 sets out the ranking of Arab ports compared with others located in neighbouring countries (highlighted in grey).

TABLE 5. RANKING OF ARAB AND NEIGHBOURING PORTS AMONG THE TOP 100 CONTAINER PORTS

Local ranking	Global ranking	Port	Country	Container traffic (TEU)
1	9	Dubai Ports	United Arab Emirates	13,600,000
2	29	Jeddah	Saudi Arabia	4,561,364
3	34	Khorfakkan	United Arab Emirates	4,000,000
4	41	Mina Raysut (Salalah)	Oman	3,340,000
5	42	Ambarli	Turkey	3,318,235
6	45	East Port Said Port	Egypt	2,946,560
7	48	Marsaxlokk	Malta	2,700,000
8	49	Bandar Abbas	Iran	2,688,605
9	56	Tangier	Morocco	2,492,977
10	77	Dammam	Saudi Arabia	1,694,282
11	81	Alexandria and Dakhila	Egypt	1,519,193
12	88	Icel (Mersin)	Turkey	1,366,498
13	89	Haifa	Israel	1,356,989
14	95	Ashdod	Israel	1,181,668
15	98	Beirut	Lebanon	1,117,334

Source: [www.worldshipping.org](http://www.worldshipping.org).

42. As shown in table 5, Arab ports rank relatively well in the list of the world's top 100 container ports,<sup>27</sup> as nine of them are located in six Arab countries, namely: Jebel Ali port (Dubai) and Khorfakkan port (Sharjah)

<sup>27</sup> It is worth noting that tables 4 and 5 show some data discrepancies, although they are derived from the same source ([www.worldshipping.org](http://www.worldshipping.org)).

in the United Arab Emirates, Jeddah and Dammam ports in Saudi Arabia, East Port Said and Alexandria port in Egypt, Salalah port in Oman, Tangier port in Morocco, and Beirut port in Lebanon. Most of these ports are located on or near the main east-west container shipping line.

43. The general attributes of Arab container ports that are advanced in container handling can be summarized as follows:

(a) The port is located in a country bearing a significant economic status, either in terms of high population size (Egypt and Morocco) or high GDP per capita (United Arab Emirates), or both (Saudi Arabia);

(b) The port provides services for significant neighbouring markets with land and maritime connections to it at the local and regional levels (Beirut);

(c) The port is located on or near the main east-west container shipping line, which is mostly the case of the nine Arab ports listed among the world's top 100 container ports, as mentioned above;

(d) The port docks are appropriately located to manoeuvre container vessels at 16 to 18 meter depth (Salalah);

(e) The port provides outstanding services in terms of speed in handling containers, the electronic monitoring of vessel and container traffic, and fast completion of relevant transactions and clearance.

44. Table 6 ranks Arab countries on the Linear Shipping Connectivity Index (LSCI).

45. Table 6 reveals that the six Arab countries with high container volumes at their seaports are all among the top 40 countries on LSCI, with the United Arab Emirates ranking high (fourteenth position), surpassing Italy and Japan. Four Arab countries are also among the top 20 countries on LSCI, namely Egypt, Morocco, Saudi Arabia and the United Arab Emirates. As for the remaining Arab countries, the situation is different as none of their ports are among the top 100 container ports, therefore highlighting inter-Arab discrepancies in terms of container volume. This also applies to the order of Arab countries on LSCI, as mentioned above. Four Arab countries rank high among the world's top 20 countries, while the remaining Arab countries score low on LSCI and therefore rank low compared with all other countries.

TABLE 6. 2015 LINEAR SHIPPING CONNECTIVITY INDEX

Rank	Country	The 2015 LSCI	Rank	Country	The 2015 LSCI
1	China	167	21	Malta	55
2	Singapore	117	22	Sri Lanka	54
3	China and Honk Kong	117	23	Denmark	52
4	Republic of Korea	113	24	Turkey	52
5	Malaysia	111	25	Poland	51
6	Germany	98	26	Oman	48
7	United States	97	27	Greece	47
8	Netherlands	96	28	Vietnam	46
9	United Kingdom	95	29	India	46
10	Belgium	87	30	Portugal	46
11	Spain	85	31	Panama	46
12	France	77	32	Thailand	44
13	China and Taiwan Area	76	33	Russian Federation	43
14	United Arab Emirates	70	34	Mexico	43
15	Japan	69	35	Canada	43
16	Morocco	68	36	Colombia	42
17	Italy	67	37	Lebanon	42
18	Saudi Arabia	65	38	South Africa	41
19	Egypt	61	39	Brazil	41
20	Sweden	56	40	Peru	37

Source: UNCTAD data. Available from <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>.



## VI. ANALYTICAL SUMMARY

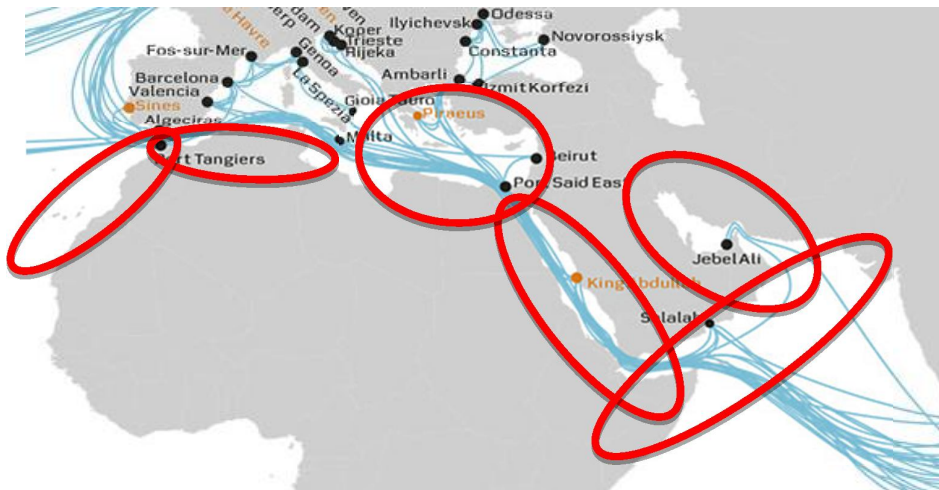
46. Based on the above, two points can be inferred. The first pertains to the position of Arab seaports on the map of international container shipping, which is playing a greater role in shaping international trade. The second point is related to the role of regular maritime transport in Arab intraregional trade exchange.

47. As for the first point, it is clear that nine ports in six Arab countries rank high in terms of their container volume; thus, some of them have the potential to become container transport hubs in the Arab region (figure 9), including the following:

- (a) Jebel Ali port in Dubai, a hub in the Arabian Gulf region;
- (b) Port of Salalah in Oman, a hub in the Arabian Sea area;
- (c) Jeddah in Saudi Arabia, a hub in the Red Sea region;
- (d) East Port Said in Egypt, a hub in the eastern and central Mediterranean area;
- (e) Tangier port in Morocco, a hub in the west of the Mediterranean Sea servicing eastern Atlantic coasts.

48. With respect to the remaining Arab ports, including the four Arab seaports listed among the top 100 container ports, they logically operate as secondary hubs or subsidiary ports connected to the primary ports via subsidiary lines that serve container shipping companies through small and medium vessels (containing between 2,000 and 5,000 standard containers). These vessels regularly navigate to connect Arab and neighbouring container ports in the aforementioned geographic regions.

**Figure 9. Arab primary and secondary ports**



49. The capacity surplus of container shipping lines offers a technical and commercial opportunity to establish connections between large operators, which were forced by this surplus to forge key alliances aimed at optimizing shipping lines and reducing operational costs, and small operators that put their small and medium vessels at the service of subsidiary shipping lines to connect primary and secondary ports.

50. It is worth noting the importance of UASC, which ranks fifteenth among the world's largest container operators and operates more than a half million containers in mega vessels that navigate on the main east-west line.

51. The private sector involved in regular maritime transport is adequately flexible to fulfil operating demands, provided that critical volume limits for economic feasibility are observed. Private companies adapt to changes in demand and conduct the necessary merges to maintain their labour market position. Recently, they have forged the aforementioned large alliances to upgrade their performance and fill gaps in container

vessel traffic, namely Ocean 3 alliance formed by UASC, the French company CMA-CGM, and the Chinese company CSCL.

52. It has also become customary to see private companies managing container terminals at seaports, pursuant to partnership contracts with the port management authorities in the context of public-private partnership. These contracts vary from one country to another in terms of their form and content, depending on the position of container terminals on the international map and their advancement level. Private companies have proven to be more efficient than public institutions in this respect, not to mention the role of specialized international companies that are well experienced in dealing with container terminals and their operational requirements, as they have operated a large number of terminals in various global seaports. Figure 10 sets out the shares of the top five container-handling companies.

**Figure 10. Shares of the world’s top five container-handling companies in 2013**



Source: [www.drewry.co.uk/news.php?id 293](http://www.drewry.co.uk/news.php?id 293).

53. Figure 10 reveals that 29.4 per cent of the container-handling market at global seaports in 2013 was shared by the top five companies, as per their respective real shares of container handling. This ratio is different from the number of container terminals that are co-managed by these companies along with other various partners, as per ratios that vary depending on geographic regions and time.<sup>28</sup> Figure 10 clearly shows the relative importance of Dubai Ports World of the United Arab Emirates that ranks fourth, following PSA of Singapore,<sup>29</sup> HPH of Honk Kong port<sup>30</sup> and APM Danish company.<sup>31</sup> The Chinese company CMHI ranks fifth in terms of market share.<sup>32</sup>

54. It seems inconvenient for Arab Governments to invest in operating container shipping lines or managing container terminals at seaports. The specialized private sector is fulfilling this task with the required efficiency and flexibility to resist the market fragility and volatility. The most plausible solution is to increase UASC share capital to promote container shipping through shareholding by Governments and Arab financial institutions that are willing to invest in this sector. Such expansion of UASC can materialize by acquiring appropriate vessels for the subsidiary lines connecting the Arab central ports, thereby boosting the competitiveness of this key company that stands at the forefront of global container shipping companies.

<sup>28</sup> Notteboom and Rodrigue, 2012.

<sup>29</sup> Port of Singapore Authority.

<sup>30</sup> Hutchinson Port Holding.

<sup>31</sup> AP Moller Group affiliated to Maersk Group operating container shipping lines.

<sup>32</sup> Renamed in 2016 as China Merchant Port Holdings Company Limited.

However, new stakeholders should bear, in real commercial terms, any potential losses arising from the alarming situation that the sector is facing owing to steady increases in capacity surplus compared to demand.

55. Conversely, it will be more convenient for Arab countries to focus on upgrading seaport services and reducing some cost components pertaining to container clearance and inland transport to the final destination. The good connectivity of seaports to land transport networks, such as roads and railways, plays a crucial role in strengthening seaport efficiency and attracting further transport volumes. As shown above, costs of maritime transport, ships and containers account for 41 per cent of total costs, compared with 46 per cent for seaport handling and inland transport of goods from their original to their final destination (figure 6).

56. Land transport is no less important than transparent and automated administrative transactions in mitigating the prevailing seaport disorder and corruption and improving the reputation and credibility of successful seaports. This will eventually attract further transport volumes.

57. The second point relates to the role of Arab container ports and connecting shipping lines in stimulating Arab intraregional trade. This point has raised and is still raising considerable controversy.

58. The weak ratio of Arab intraregional trade to Arab foreign trade is commonly known, and the Arab region is viewed as the least commercially integrated region of the world. Intraregional exports did not exceed 5.2 per cent of the total regional exports in 2010. Although they reached 18 per cent, excluding oil and oil derivatives from Arab exports, they remain very modest compared to 65 per cent in the European Union, 49 per cent in the North American Free Trade Agreement (NAFTA) zone, or even compared with other developing regions, such as the Association of Southeast Asian Nations (ASEAN) where inter-country trade reached 24.8 per cent and Africa with a 12.4 per cent ratio.<sup>33</sup>

59. In many instances, transport, particularly the weak regular and direct shipping lines connecting Arab seaports, are blamed and viewed as an impediment to promoting Arab intraregional trade. Currently, however, increasing capacity surplus in container shipping supply is causing a steady decline of shipping prices on the main lines. As a result, container companies are competing to attract any demand that fills container space on their vessels at prices that barely cover operational costs, such as wages, fuel and communications. Although the main east-west shipping lines are close to several largest Arab seaports, they do not find adequate container transport demand between these Arab ports.

60. This analysis reveals that weak Arab intraregional trade is not attributed to low regular shipping supply among Arab countries but to other deeper factors, such as weak Arab economic integration, limited Arab products that can be exchanged among Arab countries, and Arab import and export policy that is geared to Western markets.

61. When an Arab country's products can be exported to other Arab countries, it is mostly handled by small and medium enterprises that produce small quantities at long and seasonal intervals. This production is conventionally transported or exported among Arab countries via truck transport, which is convenient for small, occasional and light-weight cargo that cannot wait for shipping and cannot bear the required administrative and contractual shipping charges. Instead, this production is easily delivered through door-to-door truck transport, involving simple administrative relations with a land carrier.

## VII. PROPOSALS AND RECOMMENDATIONS

62. In view of the continued vulnerability of the maritime transport market, owing to fierce competition and steady increases in the capacity surplus of supply versus demand, which clearly emerged in 2009 in the aftermath of the 2008-2009 global financial crisis, and in view of the risk-averse nature of Governments, Arab Governments are not recommended to directly invest in maritime transport by purchasing vessels and operating

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<sup>33</sup> ESCWA, 2014, p. 50.

new regular shipping lines in addition to existing lines that already face continuous challenges to achieve adequate profit margins for their sustainability. Instead, a study should be conducted on ways to increase the market share of UASC by boosting its share capital to acquire and operate appropriate vessels on the subsidiary lines connecting Arab countries, while bearing related commercial losses.

63. Governments can play an effective role in facilitating and developing maritime transport by regulating the harmonization of standards and the simplification and reduction of container clearance costs, and by investing in seaport infrastructure and installations in partnership with the private sector.

64. Governments can also proceed with the liberalization of maritime transport services at their seaports to promote fair competition between economic actors, and can impose and monitor compliance with safety and environmental protection controls. This includes promulgating laws and regulations on various maritime transport occupations, such as carriers, freighters and suppliers of multimodal transport services, and promoting and facilitating the establishment of relevant trade unions and associations.

65. Moreover, it is imperative to enhance seaport services and efficiency by relying on UNCTAD guidelines that assist seaport authorities in collecting and using operational and financial key performance indicators for various seaport components. The guidelines help to upgrade seaport performance and medium-term planning and control (UNCTAD, 1976). It is important to analyse the actual performance of various port capacity components to explore the existing potential that can be radically unleashed through regulatory measures, such as increasing working hours using shifts, optimizing the use of installations, particularly cranes for container loading and unloading, increasing container tiers in storage facilities, and other low-cost regulatory or technical measures.<sup>34</sup> These measures can be summarized as follows:

(a) Upgrading the skills of seaport workers through training, and promoting the use of appropriate information and communication technologies;

(b) Facilitating customs inspection and clearance procedures;

(c) Promulgating laws and regulations that promote private sector participation in building, equipping, operating and managing seaports, particularly docks and container terminals;

(d) Joining and monitoring the optimal implementation of international agreements relating to various transport activities.

66. It may not be necessary to build docks that are longer than 450 meters at seaports, unless several vessels are to be handled at once. Yet, it is necessary to equip ports with deeper entrance channels, broader turning basins and stronger vessel piloting facilities, more solid docks, broader storage areas, and more developed systems to operate container terminals at seaports. Every port authority should decide whether to receive larger vessels or accommodate regular vessels at a higher frequency, as may be required to serve the port's interests. If larger vessels are accommodated, the port authority will have to build deeper docks and acquire installations commensurate with large vessels. If regular vessels are accommodated at a higher frequency, the existing infrastructure and installations must be strengthened and the available potential upgraded through regulatory measures related to increasing working hours and boosting the productivity of installations and personnel.

67. Furthermore, ports should be connected on land via railway and road networks that can accommodate larger cargo sizes and mitigate the environmental impact of increased toxic gas emissions driven by increased land transport from and to seaports.

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<sup>34</sup> CHCP, 2010.

## VIII. FINAL CONCLUSIONS

68. The review and analysis of maritime transport in the Arab region presented in this report leads to the following conclusions:

(a) Container shipping is the backbone of international trade. Container shipping lines have grown from Asian ports eastward to Northern European ports westward across the Indian Ocean, the Arabian Sea, the Red Sea and the Mediterranean Sea. Mega container carriers are operated on these lines by the largest container shipping companies that have forged key alliances to maintain their profit margins and market shares, despite the capacity surplus resulting from the growing numbers and sizes of container vessels in conjunction with the slowdown of global demand on maritime transport;

(b) The main east-west container shipping line passes through several Arab central ports that play a key role in distributing goods from Asian ports. Yet, this does not help address the chronic weakness of Arab intraregional trade resulting from root causes that go beyond the conventional interpretation of weak maritime transport modes;

(c) Arab countries are called upon to enhance maritime transport services by upgrading, simplifying and reducing clearance time and costs at seaports and enhancing seaport connection to inland networks, rather than to invest in operating container vessels or terminals that are efficiently managed by specialized and experienced companies through public-private partnership;

(d) If Arab countries are willing to incur losses resulting from investment in regular container shipping lines, it is recommended to increase UASC share capital to expand the company's global market share and strengthen its role in container shipping along the subsidiary lines connecting Arab ports to central ones. This requires a comprehensive economic feasibility study of this issue and of the risks and solutions it entails.

## Annex

### **Key activities of the League of Arab States to operationalize Arab maritime connectivity**

At the 23<sup>rd</sup> regular session of the Council of Arab ministers of Transport, held on 27 October 2010, and upon perusal of the preliminary proposal of the maritime connections between Arab countries that was prepared by the Arab Academy for Science, Technology and Maritime Transport, in coordination with Arab maritime transport unions, the Council decided to undertake the following actions, as per item 4 of its agenda:<sup>1</sup>

1. Agree to submit the project on Arab maritime connections between Arab countries to the Arab Economic and Social Development Summit, to be held in Sharm El-Sheikh, Egypt, in January 2011.
2. Request Arab maritime transport unions to finalize the necessary studies and annotations related to the aforementioned project, and assign a coordination role to the Arab Academy for Science, Technology and Maritime Transport; prepare a draft project document including the observations of the Executive Office members on the preliminary project paper and distribute it, through the secretariat, to Arab countries for discussion at the special meeting of the Technical Committee for Maritime Transport, that will convene to that end in the first half of December 2010.
3. Hold a special session of the Council of Arab Ministers of Transport to approve the project and submit it to the Economic and Social Council, which will prepare the agenda for the Arab Economic and Social Development Summit; and welcome the proposal of Jordan to host the special session from 12 to 14 December 2010 in parallel with the second conference and exhibition on transport in the Middle East;

At the second meeting of the Arab Economic and Social Development Summit, held in Sharm El-Sheikh, Egypt, on 19 January 2011, resolution 19 was issued on the maritime connections project between Arab countries and provided for the following:

1. Strengthening Arab maritime connectivity through the following actions:
  - (a) Arab countries should identify and develop their main ports in line with internationally applied rules and standards of security, safety and environmental protection, and connect their seaports to various transport modes and logistic areas;
  - (b) Support and operate Arab shipping lines between the main Arab seaports on an economic basis, provide all facilities for Arab maritime carriers to operate these lines, and implement the Motorways of the Sea and the Short Sea Shipping systems on some of these lines in compliance with international rules and conventions related to maritime safety, marine environmental protection and maritime security.
2. Calling upon Arab and regional funds and financial institutions to finance the necessary studies and consultations for the implementation of the aforementioned resolution, in coordination with the Council of Arab Ministers of Transport.

The Technical Committee for Maritime Transport of the Council of Arab Ministers of Transport held its thirteenth meeting on 26 and 27 January 2011. Item 5 of its agenda requested the secretariat to suggest specific actions in implementation of resolution 19, issued at the second Arab Economic and Social Development Summit on maritime connections between Arab countries and distribute them to Arab countries for discussion at a special meeting of the Technical Committee for Maritime Transport, convened on 13 and

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<sup>1</sup> See pages 5 and 6 of resolutions adopted by the Council of Arab Ministers of Transport at its session, held in Alexandria, Egypt, on 27 and 28 October 2010, and posted on the website of the League of Arab States ([www.lasportal.org/ar/councils/ministerialcouncil/Pages/MCouncilCycle.aspx?RID 3](http://www.lasportal.org/ar/councils/ministerialcouncil/Pages/MCouncilCycle.aspx?RID 3)).

14 March 2011. Furthermore, the secretariat was requested to distribute a working paper on developing the Arab maritime transport system, presented by the United Arab Emirates at the second Arab Economic and Social Development Summit, to allow Arab countries to build upon the recommendations contained therein.

The forty-sixth regular session of the Executive Office of the Council of Arab Ministers of Transport was convened on 26 and 27 April 2011. Item 1(b) of its agenda called for the following:

1. Approving the recommendation issued by the Technical Committee for Maritime Transport at its special session, held on 13 and 14 March 2011, with regard to the secretariat's views on the specific actions to be undertaken in implementation of resolution 19 issued at the second Arab Economic and Social Development Summit on maritime connections between Arab countries, and reaffirming that:
  - (a) Arab countries should immediately provide the Arab Sea Ports Federation with the main ports for Arab maritime connections on the date set by the Committee;
  - (b) Arab countries and the Arab maritime unions should focus studies on operating navigation lines between identified ports;
  - (c) A meeting of the Technical Committee for Maritime Transport should be convened to examine these outcomes (namely ports and navigation lines), and the best connection lines between identified ports should be explored in preliminary feasibility studies that would be submitted to consultants to identify priorities and conduct detailed feasibility studies.
2. Requesting the secretariat to disseminate a study on creating Arab maritime databases, prepared by the Arab Sea Ports Federation, to Arab countries for feedback and submit it for discussion at the upcoming meeting of the Technical Committee for Maritime Transport (September 2011).

The twenty-fourth session of the Council of Arab Ministers of Transport, held at the headquarters of the secretariat of the League of Arab States on 26 and 27 October 2011, did not include in its agenda an item related to Arab maritime connections. Yet, item 12 of its agenda emphasized the implementation of transport issues approved by former Arab development summits, namely the road connectivity plan; the railway connectivity plan; and maritime connections between Arab countries. All relevant developments should then be submitted at the third Arab Economic and Social Development Summit, to be held in Riyadh in January 2013.

Moreover, the twenty-fifth session of the Council of Arab Ministers of Transport, held in Alexandria on 7 and 8 November 2012, did not tackle maritime connections between Arab countries.

The Arab Federation of Chambers of Shipping began conducting a preliminary feasibility study on operating some parts of navigation lines between Arab seaports, as requested by the Technical Committee for Maritime Transport of the Council of Arab Ministers of Transport following its special meeting held on 13 and 14 March 2011. This preliminary study was submitted and discussed at a conference held in Beirut on 25 April 2012<sup>2</sup> to review the possibilities of establishing Arab maritime connections using the Motorways of the Sea or the Short Sea Shipping systems. The following presentations were given at the said conference:

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<sup>2</sup> The conference was held at Bristol Hotel in Beirut under the joint auspices of the Lebanese Minister of Transport, Mr. Ghazi Aridi, and the Egyptian Minister of Transport, Mr. Jalal Saeed. The conference sessions were chaired by the former Egyptian Minister of Transport, Mr. Ibrahim El-Dumairi, with the participation of the former Egyptian Prime Minister, Mr. Essam Sharaf; the former Egyptian Minister of Economy, Mr. Sultan Abu Ali; the former Egyptian Minister of Planning, Mr. Ahmad Al-Darash; the Secretary-General of the Council of Arab Economic Unity and Ambassador, Mr. Mohammad Al-Rabih; the Ambassador of the Arab Republic of Egypt to Lebanon, Mr. Mohammad Tawfik; the President of the Arab Maritime Transport Academy, Mr. Ismail Abdel Ghafar; and the Director of Transport and Tourism Administration at the secretariat of the League of Arab States, Ms. Dina Hussein el-Zaher, in addition to around 150 experts and stakeholders in the Arab maritime transport sector.

- A presentation by Rear Admiral Hatem al-Qadi, President of the Arab Federation of Chambers of Shipping, setting out the preliminary outcomes of the economic feasibility study of the Arab maritime connections at the intraregional level and at the interregional level, i.e., with neighbouring economic regions in Africa, Central Asia and Europe, with a focus on the Motorways of the Sea and the Short Sea Shipping systems. This presentation also tackled RoRo transport viewed as the optimal mode for Arab maritime connections.<sup>3</sup> He noted potential losses to be incurred in the first three years of operating the RoRo transport mode on the northern line of the Mediterranean Sea. To avert these losses, it was suggested that export councils or executive authorities in the relevant countries partly cover these losses by subsidizing freight charges for exporters or importers using this line, to sustain services on this navigation line until its marketing system was finalized;
- A presentation by engineer and deputy chairman of the board of directors of the United Arab Shipping Company (UASC), Mr. Mohammad el-Sayed, on the evolution of UASC that now ranks among the world's top 20 container transport companies, as it mainly operates container feeder vessels in the Arab region;
- A presentation by engineer and general director of Beirut port, Mr. Hassan Koraytem, on the evolution of container movement, which currently exceeds 1 million standard containers per year; the new foreseeable expansions of the container terminal and its installations; and the project of creating free trade zone logistic hubs under 20 year leasing contracts for storage areas;
- A presentation by the associate dean of the faculty of international transport and logistics at the Arab Academy for Science, Technology and Maritime Transport, Mr. Mostafa Rashid, on the lease financing of vessels and maritime transport services and its importance in subsidizing the Arab maritime connectivity project.

Following a debate on presentations, the conference concluded with eight recommendations, summarized as follows:

1. Harness the necessary political will to successfully develop Arab intraregional trade and promote Arab maritime transport as a mainstay of this intraregional trade.
2. Promote cooperation between Arab maritime carriers and Arab port authorities to leverage and expand the scope of the Arab maritime transport fleet.
3. Adopt the feasibility study submitted by Rear Admiral Mahmoud Hatem al-Kadi on maritime connections between Arab countries using the RoRo transport mode, and promote joint Arab ventures to implement the first phase of the study between Arab ports of the Mediterranean and Red seas.
4. Upgrade Arab ports' performance to fulfil the implementation requirements of this phase.
5. Coordinate, develop and harmonize regulations, legislations and terminology to successfully implement this study.

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<sup>3</sup> The opening session of the conference addressed the experience of operating RoRo vessels between Turkish ports and the Saudi port of Dhiba, by facilitating truck transport via Egypt. It also covered, in this regard, the agreement signed between Egypt and Turkey as an example supporting the maritime connectivity project suggested by the Arab Federation of Chambers of Shipping. The said project was initiated in April 2012 as an alternative to the conventional route of Turkish trucks heading to the Arab Gulf via Jordan and the Syrian Arab Republic, following the disruption of land transport lines in the latter, for safety reasons in view of the armed conflict. This line was first subsidized by the Turkish Government, which used to pay Egyptian sovereign fees in lieu of transit fees via the Suez Canal (around \$1,000 per truck). The line ceased to operate early in 2015 and is currently substituted by the direct transport of Turkish goods from Mersin port to the Saudi port of Dhiba via the Suez Canal.



6. Expand the use of electronic transactions within and between Arab shipping companies to expedite information exchange.
7. Develop the concept of multimodal transport in Arab countries, conjugate efforts aimed at overcoming related challenges, and strengthen the role of multimodal transport operators in Arab countries.
8. Standardize border and seaport procedures among Arab countries to facilitate inter-country exchange, provided that these procedures are clear and harmonized.

On 14 November 2012, the Arab Federation of Chambers of Shipping held another conference in Cairo, under the auspices of the secretariat of the Council of Arab Economic Unity, on the implementation hurdles of the first phase of maritime connectivity between Arab countries.<sup>4</sup> This conference, chaired by former Egyptian prime minister, Mr. Essam Sharaf, concluded with several recommendations that emphasized the need to facilitate land transport by truck on the RoRo connection line, such as facilitating the issuance of visas for truck drivers holding international driving licenses accredited by the International Road Transport Union (IRU); adopting truck x-ray scanning at sea and land entry points and a truck e-tracking system using the Global Positioning System (GPS); expediting the issuance of international standard specifications for Arab trucks to facilitate their global market access; and upgrading services provided for drivers at Egyptian ports, in addition to other recommendations on facilitating truck movement, upgrading the skills of Arab truck drivers, and encouraging Arab countries to join the Convention on International Transport of Goods under Cover of TIR Carnets (TIR Convention).<sup>5</sup>

The Technical Committee for Maritime Transport of the Council of Arab Ministers of Transport held its sixteenth meeting, from 19 to 21 February 2013, at the headquarters of the secretariat of the League of Arab States in Cairo. Item 1 of its agenda addressed the project of maritime connections among Arab countries and reviewed the preliminary feasibility study on operating some parts of navigation lines between Arab seaports, which was submitted by the Arab Federation of Chambers of Shipping. The Federation argued for the practical implementation of the study by operating RoRo connection lines between the Turkish ports of Marsin and Iskenderun and the Egyptian port of Port Said, then transporting trucks by land to the Egyptian ports of Port Said and Adabiya on the Red Sea, and transporting trucks via RoRo ferries from these two ports to the Saudi port of Dhiba on the Red Sea. A summary was also presented on the recommendations reached at the Beirut conference held on 25 April 2012 and the Cairo conference held on 14 November 2012.

The fiftieth session of the Executive Office of the Council of Arab Ministers of Transport was held in Amman, on 14 and 15 June 2013. Item 5 of its agenda tackled a project on maritime connections among Arab countries (feasibility study on operating some parts of navigation lines between Arab seaports). The Council examined the recommendations of the sixteenth meeting of the Technical Committee for Maritime Transport, held from 19 to 21 February 2013, and the recommendations of the joint meeting of technical transport committees, held from 7 to 9 May 2013. Following a debate, the Council decided on the following:

I. To extend thanks to the Islamic Development Bank (IDB) for its readiness to support the implementation of the resolution issued by the Arab Economic and Social Development Summit on maritime connections between Arab countries, and for its readiness to contribute to the overhauling of Arab seaport infrastructure through various funding modalities.

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<sup>4</sup> The first phase involves the creation of a RoRo connection line between Turkish and Egyptian ports on the Mediterranean Sea. Part of the cargo is then transported by land to Egyptian ports on the Red Sea and is reloaded via RoRo ferries to the Saudi port of Dhiba and transported by land again to the inland regions of Saudi Arabia and the rest of the Arab Gulf.

<sup>5</sup> These recommendations reveal that efforts are focused on proposing facilities for the return trip, to promote truck loading of Egyptian goods for export to Turkey and then to European countries.

II. To request the secretariat of the League of Arab States to convene a meeting for representatives of Arab countries and of IDB to explore the available avenues of support by IDB to develop Arab seaports; support a study of the project on maritime connections between Arab countries; and present the meeting outcomes at the upcoming session of the Council of Arab Ministers of Transport.

III. To report the following recommendations to the Council of Arab Ministers of Transport for adoption:<sup>6</sup>

- (1) Call upon Arab countries to develop their seaports to keep pace with the expected development of container vessels, and encourage Arab shipping companies to own and operate feeder vessels to contribute to Arab intraregional foreign trade growth.
- (2) Call upon Arab countries to promulgate the necessary legislation for the lease financing of vessels and for raising the Arab flag thereon; and encourage the Arab private sector to invest in vessel ownership by removing legislative impediments to vessel ownership and operation, thereby increasing the number of vessels raising the Arab flag.
- (3) Urge banks and funding institutions to grant soft loans to private companies and public-private partnerships to encourage investment in vessel ownership.
- (4) Promote the extensive use of electronic transactions within and between Arab shipping companies to expedite information exchange.
- (5) Encourage Arab countries to build vessel refuelling stations (with liquid and liquefied gas) in the Mediterranean Sea and the Red Sea to refuel mega container vessels that are currently under construction (18,000 standard containers), so as to meet expected high demand in the future.
- (6) Develop multimodal transport and strengthen the role of multimodal transport operators in Arab countries.
- (7) Promote the use of e-tracking system (GPS) for trucks to track their road movements in Arab countries.
- (8) Standardize the specifications of Arab trucks in line with international specifications.
- (9) Build vehicle service and repair stations on roads.

The twenty-sixth regular session of the Council of Arab Ministers of Transport was held in Alexandria, on 23 and 24 October 2013. Item 3 of its agenda tackled the project on maritime connections between Arab countries (feasibility study on operating some parts of navigation lines between Arab seaports). The session endorsed the following recommendations:

1. Call upon Arab countries to develop their seaports to keep pace with the expected development of container vessels, and encourage Arab shipping companies to own and operate feeder vessels to contribute to Arab intraregional foreign trade growth.
2. Call upon Arab countries to promulgate the necessary legislation for the lease financing of vessels and for raising the Arab flag thereon; encourage the Arab private sector to invest in vessel

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<sup>6</sup> Most of these recommendations were reached at the joint meeting of technical committees of the Council of Arab Ministers of Transport (including maritime, land, and multimodal transport), held from 7 to 9 May 2013 at the headquarters of the secretariat of the League of Arab States in Cairo.

- ownership by removing legislative impediments to vessel ownership and operation, thereby increasing the number of vessels raising the Arab flag.
3. Urge banks and funding institutions to grant soft loans to private companies and public-private partnerships to encourage investment in vessel ownership.
  4. Promote the extensive use of electronic transactions within and between Arab shipping companies to expedite information exchange.
  5. Encourage Arab countries to build vessel refuelling stations (with liquid and liquefied gas) in the Mediterranean Sea and the Red Sea to refuel mega container vessels that are currently under construction (18,000 standard containers), so as to meet the expected high demand in the future.
  6. Refer the project of maritime connections between the seaports of Arab countries, proposed by the Arab Federation of Shipping, to the Technical Committee for Maritime Transport to examine it and issue a recommendation on it for the upcoming session of the Executive Office.

The Technical Committee for Maritime Transport of the Council of Arab Ministers of Transport held its seventeenth periodic meeting on 19 October 2014 at the headquarters of the Arab Academy for Science, Technology and Maritime Transport in Alexandria, Egypt. Item 2 of its agenda reviewed the updated preliminary feasibility study on operating some parts of navigation lines between Arab seaports, submitted by the Arab Federation of Chambers of Shipping. The Committee decided to grant more time for Arab countries to express their feedback on the overall framework and terms of reference for conducting the comprehensive feasibility study on operating some parts of navigation lines between Arab seaports.

The Council of Arab Ministers of Transport held its twenty-seventh periodic meeting on 22 and 23 October 2014 in Alexandria. Item 7 of its agenda considered the updated preliminary feasibility study on operating some parts of navigation lines between Arab seaports. In this regard, the Council issued the following recommendations:

1. Grant more time for Arab countries to express their feedback on the action framework and terms of reference for conducting the comprehensive feasibility study on operating some parts of navigation lines between Arab seaports.
2. Request the secretariat of the League of Arab States to explore funding channels for the comprehensive feasibility study on operating some parts of navigation lines between Arab seaports, through Arab and regional funds and financial institutions pursuant to resolution 19 of the Arab Economic and Social Development Summit (Sharm El-Sheikh, 2011).
3. Establish a specialized advisory office to conduct the aforementioned comprehensive feasibility study in the light of the overall framework and terms of reference mentioned in paragraph 1.
4. Urge Arab countries to continue providing the secretariat of the League of Arab States with the data requested by the Arab Federation of Chambers of Shipping, for submission to the advisory office for the finalization of the aforementioned study.
5. Rely on the aforementioned study without the need for a similar study to be conducted by the Arab Federation of Shipping.

A joint meeting of technical committees for land, maritime, and multimodal transport of the Council of Arab Ministers of Transport was held in Alexandria, from 19 to 21 April 2015. Item 5 of its agenda reviewed the proposed action framework and terms of reference submitted by the Arab Federation of Chambers of Shipping to conduct the economic feasibility study on operating some parts of navigation lines between Arab

seaports. It was decided to request the Arab Academy for Science, Technology and Maritime Transport to conduct an economic feasibility study on operating some parts of navigation lines between Arab countries and present the relevant outcomes at the upcoming meeting of the Technical Committee for Maritime Transport.

The study of the Arab Federation of Chambers of Shipping consists of the following five chapters:

Chapter I. Arab intraregional trade and its trends.

Chapter II. Foreign trade of Egypt.

Chapter III. Freight charges of contravening lines operating in the Mediterranean basin and Jeddah.

Chapter IV. Volume and impact of global trade on Far East trade and other countries.

Chapter V. Competitive opportunities for Arab main and subsidiary shipping lines.

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