

Government Involvement in International Logistics

Chapter 2



Learning Objectives

1. General Review of Logistics
2. Current Trends
3. Roles of Gov't in Transportation
4. Student Presentation



Discussion Questions

- ◆ **Why are governments involved in intl. transportation and logistics?**
 - ◆ What are their issues and interests?
- ◆ **How can governments support their int'l carriers & transportation system?**
 - ◆ What rules and regulations do they use?
- ◆ **How can countries work together on intl. transportation, logistics, and trade issues?**

Importance of International Trade

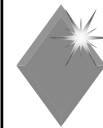
- ◆ **Impacts a nation's wealth**
- ◆ **Influences a nation's balance of trade**
- ◆ **Impacts a nation's industrial base**
- ◆ **Influences a nation's options & decisions**





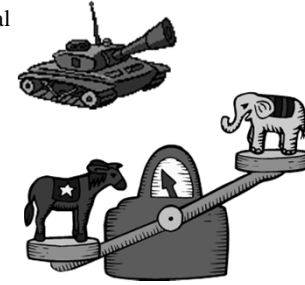
Reasons for Govt. Involvement in Logistics

- ◆ **Influence of international trade on a nation's wealth and image**
- ◆ **Economic impact of logistics**
 - ◆ potential revenue generator
 - ◆ influences balance of trade
 - ◆ cross trading opportunities
 - ◆ rate equalization activities



Reasons for Govt. Involvement in Logistics

- ◆ **National defense issues**
 - ◆ dependence on commercial carriers
- ◆ **Control of strategic materials**
 - ◆ manage export activities
- ◆ **Implement political agendas**
 - ◆ control/provide access
- ◆ **Prestige**

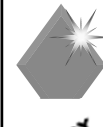


Some Regulatory Agencies



Exports Regulated by:

- ◆ Department of Commerce
- ◆ Bureau of Export Administration (BXA)
- ◆ Department of State
- ◆ Federal Maritime Commission (FMC)
- ◆ Department of Transportation (DOT)
- ◆ Surface Transportation Board (Surf Board)
- ◆ And a whole lot more...



Methods of Govt. Support



- ◆ **Use of purchasing power**
 - ◆ cargo preferences
- ◆ **Ownership**
 - ◆ ex. national airlines
- ◆ **Subsidies**
 - ◆ equipment building
- ◆ **Regulation**





National Sovereignty

- ◆ **The world of “Nation States”**
- ◆ **Sovereignty = the absolute right and power of the sovereign to rule over and govern its population and various activities that occur within its territory.**
 - ◆ **Independence**
 - ◆ **An effective government**
 - ◆ **A permanent population**
 - ◆ **An economy**
 - ◆ **Capacity to conduct foreign relations**




Territory

- ◆ **Territory = the geographic/physical boundaries of a nation.**
 - ◆ **Land and internal waters**
 - ◆ **Law of the Sea (UNCLOS 1983)**
 - ◆ **Territorial Waters: 12 miles**
 - ◆ **Air Space (Freedoms of the Air)**
- ◆ **Control = ability of the ruler to exercise sovereignty.**



Privileges

- 
- ◆ **Transit Privilege**
 - ◆ The right granted to a carrier by a nation to cross the territory of that nation in the pursuit of its business activity, but not necessarily to stop in that country.
 - ◆ **Service Privilege**
 - ◆ The right granted to a carrier by a nation to enter the territory of that nation in order to provide transport service to, from, or within the country.



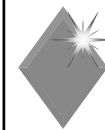
Transit Privilege - Water

- ◆ **Mare Liberum = Freedom of the Seas**
- ◆ **The right of free passage through non-territorial waters.**
- ◆ **Special Cases: straits, canals, etc.**
- ◆ **Interference with shipping in international waters: piracy, verify flag of registry, self defense, time of war, drug and immigration interdiction**

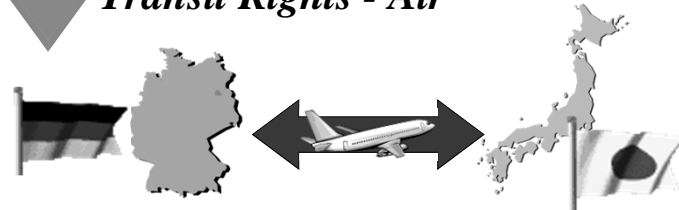


Service Rights - Water

- ◆ **Treaties of Friendship, Commerce and Navigation**
- ◆ **Open Port Policy**
- ◆ **Open Market Policy**
- ◆ **Cross Trades: access of third-party nations to the trade route.**



Transit Rights - Air

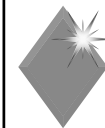


- ◆ **Bilateral Air Treaties: narrow reciprocal agreements**
- ◆ **“Technical Freedoms”**
 - ◆ the right to over-fly the territory
 - ◆ the right to land in a country for fuel, repairs, and the safety of life and property



Service Rights - Air

- ◆ **Typical Negotiated Terms**
 - ◆ Limits on locations for landing
 - ◆ Limits on equipment used
 - ◆ Limits on the number of flights
- ◆ **Air Commercial Freedoms**
 - ◆ Differences based on where traffic originates and is destined based on relation to carrier’s home



Serving Domestic Markets

- ◆ **The right of a foreign carrier, any mode to service the internal territory of a nation.**
- ◆ **Usually this right is severely restricted in all modes of transport.**
- ◆ **“Cabotage” laws**
 - ◆ reservation of domestic traffic for national flag carriers
- ◆ **Ownership:**
 - ◆ limited to a non-controlling interest

Equipment Registration Policy

- ◆ Under international law, every piece of transport equipment must be properly registered under the laws of some nation.
 - ◆ Is considered to be a part of the territory of the country.
 - ◆ Each nation decides its own requirements for registration.

National Flag Interest

- ◆ Transport's basic commercial role and importance
- ◆ Transport's military role and importance
- ◆ Other economic and political roles:
 - ◆ Diplomacy
 - ◆ Jobs
 - ◆ Balance of Payments
 - ◆ Taxes
 - ◆ Promotion of national flag carriers



Firm Interest in Flag Requirements

- ◆ Protection of assets against seizure, without due cause.
- ◆ Low cost operating conditions:
 - ◆ Labor
 - ◆ Taxes
 - ◆ Safety & Environmental Laws
- ◆ Subsidies and operating advantages
- ◆ Market entry restrictions

U.S. Import Customs Laws

- ◆ All goods brought into the U.S. are subject to U.S. tariff laws.
- ◆ Over 180 tariff and trade bills approved
- ◆ U.S. Customs Service enforces the laws.
- ◆ Other agencies may require compliance such as the EPA, Dept. of Agriculture
- ◆ Import Licenses



Multi-Government Cooperation

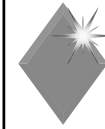
◆ **Multi-government programs**

- ◆ World Trade Organization
- ◆ United Nations
- ◆ World Bank



◆ **Industry driven cooperation**

- ◆ IATA
- ◆ ICAO
- ◆ Intl. Tribunal for the Law of the Sea



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