

## UNCTAD contribution to Part II of the Report of the Secretary-General on Oceans and the Law of the Sea 2015

### I. Developments relating to international shipping activities

Maritime transport is the backbone of international trade and the global economy. Around 80 per cent of global trade by volume and over 70 per cent of global trade by value are carried by sea and are handled by ports worldwide. These shares are even higher in the case of most developing countries. As noted in UNCTAD's *Review of Maritime Transport 2014*,<sup>1</sup> reflecting a stumbling growth in the world economy (2.3 per cent growth in world gross domestic product (GDP)), world merchandise trade volumes expanded, albeit at the modest rate of 2.2 per cent. In tandem, growth in world seaborne shipments decelerated and averaged 3.8 per cent, taking total volumes to nearly 9.6 billion tons. In line with recent trends, much of the expansion was driven by growth in dry-cargo flows, in particular bulk commodities that grew by 5.5 per cent.

Following an annual growth of 4.1 per cent in 2013, the world fleet reached a total of 1.69 billion dwt in January 2014. Bulk carriers accounted for 42.9 per cent of the total tonnage, followed by oil tankers (28.5 per cent) and container ships (12.8 per cent). The 2013 annual growth was lower than that observed during any of the previous 10 years and the trend in early 2014 suggests an even lower growth rate for the current year. The slowdown reflects the turn of the largest historical shipbuilding cycle that had peaked in 2012. As regards future vessel deliveries, during 2013, for the first time since the economic and financial crisis the order book stopped its downward trend and increased slightly for most vessel types. After the previous significant decline, it will take time for those resuming vessel orders to lead to the start of a new shipbuilding cycle. The largest fleets by flag of registration in 2014 are those of Panama, followed by Liberia, the Marshall Islands, Hong Kong (China) and Singapore. Together, these top five registries account for 56.5 per cent of the world tonnage.

The year 2013 was marked by another gloomy and volatile maritime freight rates market: all shipping segments suffered substantially, with freight rates in dry-bulk and tanker markets reaching a 10-year low in 2013 and similarly low levels in the liner market. The general causes of freight rates low performance were mainly attributable to the poor world economic development, weak or hesitant demand and persistent supply overcapacity in global shipping markets.

World container port throughput increased by an estimated 5.1 per cent to 651.1 million 20-foot equivalent units (TEUs) in 2013. This increase was in line with a similar increase for 2012. The share of port throughput for developing countries increased by an estimated 7.2 per cent in 2013, higher than the 5.2 per cent increase estimated for the previous year. Asian ports continue to dominate the league table for port throughput and terminal efficiency.

UNCTAD has produced the country-level Liner Shipping Connectivity Index annually since 2004.<sup>2</sup> The Index provides an indicator of a country's access to the global liner shipping network and thus to overseas markets for containerizable merchandise, i.e. most manufactured goods. Many of the countries with the lowest LSCI are LDCs, who may be confronted with a vicious cycle, where low transport connectivity leads to low trade competitiveness, which in turn makes the countries less attractive for international shipping lines to include in their vessel itineraries.

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<sup>1</sup> Available at <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1068>

<sup>2</sup> See <http://stats.unctad.org/lsci>

## II. Small island developing States

In line with UNCTAD's mandate, including in particular the Doha Mandate, which directs UNCTAD to "advise SIDS on the design and implementation of policies addressing their specific trade and trade logistics challenges linked to their remoteness and geographical isolation" (para. 56(j)), and against a background of the International Year of the SIDS, UNCTAD carried out a number of initiatives with a special focus on small island developing States.

Thus, an Ad Hoc Expert Meeting on "*Addressing the Transport and Trade Logistics Challenges of the Small Island Developing States: Samoa Conference and Beyond*" was held on 11 July 2014. The meeting provided a first opportunity for expert discussions on transport-related challenges facing SIDS and on how to best address these challenges, in the run-up to the Samoa SIDS Conference.<sup>3</sup> A high-level side event was convened during the Third International Conference on Small Island Developing States (Samoa Conference), on 1-4 September 2014, on the theme "*Harnessing the oceanic wealth of small island developing States through sound trade specialization and sustainable and resilient maritime transport*". Further building on insights gained as a result of the Ad Hoc Expert Meeting and the 2014 SIDS Conference, UNCTAD prepared a report entitled "*Closing the Distance: Partnerships for sustainable and resilient transport systems in SIDS*"<sup>4</sup> and included a special Chapter on SIDS in the 2014 edition of the UNCTAD Review of Maritime Transport.

In November 2014, UNCTAD convened the third session of the Multiyear Expert Meeting on Transport, Trade Logistics and Trade Facilitation: "*Small Island Developing States: Transport and Trade Logistics Challenges*" (24-26 November 2014). The Expert Meeting provided a forum for more in-depth consideration of some of the particular transport and trade logistics challenges that SIDS face, including those arising from the impacts of climate variability and change on transport infrastructure and services. Improved access to global markets and enhanced trade competitiveness is particularly important for these countries, as is ensuring the resilience of critical transport infrastructure. With SIDS being completely dependent on ports and airports, climate change risks such as rising sea levels, increasing temperatures and more frequent and/or intense storms pose serious threats to vital transport infrastructure, services and operations. Understanding the underlying risk and vulnerabilities and developing adequate adaptation measures is, therefore, of the essence.<sup>5</sup>

Technical assistance activities aimed at building the capacity of developing countries and LDCs, and in particular SIDS, to understand, design and implement more sustainable transport systems that are resilient to the effects of climate change, include a project on "*Climate change impacts on coastal transport infrastructure in the Caribbean: enhancing the adaptive capacity of small island developing States*". The aim of the project, due to be completed in 2017 and building on UNCTAD's related research and consensus building activities, is to enhance the understanding/technical knowledge among policy makers, transport planners and transport infrastructure managers in SIDS of climate change impacts on coastal transport infrastructure, services and operations and to strengthen their capacity to take effective adaptation response measures. Also worth noting is a project on "*Building*

<sup>3</sup> Key outcomes and a summary of the discussions are presented in document UNCTAD/DTL/TLB/2014/3. <http://unctad.org/en/pages/MeetingDetails.aspx?meetingid=586>.

<sup>4</sup> [http://unctad.org/en/PublicationsLibrary/dtl/tlb2014d2\\_en.pdf](http://unctad.org/en/PublicationsLibrary/dtl/tlb2014d2_en.pdf)

<sup>5</sup> Documentation relating to the meeting, including a background note, the report of the meeting, as well as presentations are available on the meeting website <http://unctad.org/en/pages/MeetingDetails.aspx?meetingid=500>.

*capacities of developing countries to shift towards sustainable freight transport*". This three-year project, which will be implemented in Africa and the Caribbean, aims at building capacities and providing advisory services to developing countries to enable a reorientation towards sustainable freight transport through sound transport policy measures and financing mechanisms.

### III. Climate change impacts and adaptation for coastal transport infrastructure

UNCTAD, as part of its work on transport policy and legislation, has been working, 'ahead of the curve', on the implications of climate change for maritime transportation, since 2008. The particular focus of this work is on impacts and adaptation needs of seaports and other coastal transport infrastructure. To this end, UNCTAD carried out a port industry survey on climate variability and change to improve the understanding of weather and climate-related impacts on seaports and assess data needs, as well as current levels of resilience and preparedness among ports. A report presenting the results of the survey is currently in preparation. Ports are likely to be affected directly and indirectly by climatic changes, such as rising sea levels, extreme weather events and rising temperatures, with broader implications for international trade and for the development prospects of the most vulnerable nations, in particular least developed countries (LDCs) and Small Island Developing States (SIDS). Given their strategic role as part of the globalized trading system, adapting ports in different parts of the world to the impacts of climate change/enhancing their climate-resilience is of considerable importance. UNCTAD's research and analytical work in the field as well as relevant consensus-building activities have significantly helped to raise awareness and advance the international debate<sup>6</sup>. Important synergies are created through excellent inter-agency cooperation and through the establishment of a committed multidisciplinary network of experts.

UNCTAD has also furthered its collaboration with relevant intergovernmental and non-governmental organizations, with a view to ensuring that the special needs and capacity requirements of developing countries are taken into consideration. In this respect, UNCTAD continued its collaboration with the UNECE and its "*Expert Group on Climate Change Impacts and Adaptation for International Transport Networks*", which had been established following a 2010 joint UNECE-UNCTAD workshop on the subject, and published its findings in 2014.<sup>7</sup> In addition, in 2014, UNCTAD joined the PIANC *Working Group on Climate Change Adaptation for Maritime and Inland Port and Navigation Infrastructure*, as well as the *Advisory Panel for the Peer Review of the Regional Framework for Adaptation to Climate Change in Coastal and Marine Areas in the Mediterranean*, under the auspices of the UNEP Mediterranean Action Plan secretariat.

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<sup>6</sup> For further information, see <http://unctad.org/tti/legal>. Most recently, UNCTAD's work was referred to in several chapters of the 5<sup>th</sup> Assessment Report of the IPCC WG II on Impacts and Adaptation (2014).

<sup>7</sup> See Economic Commission for Europe (ECE), 2013, *Climate Change Impacts and Adaptation for International Transport Networks*, Expert Group Report, Inland Transport Committee, (ECE/TRANS/238), available at [http://www.unece.org/fileadmin/DAM/trans/main/wp5/publications/climate\\_change\\_2014.pdf](http://www.unece.org/fileadmin/DAM/trans/main/wp5/publications/climate_change_2014.pdf)