The COVID-19 Pandemic: An Opportunity for African States to Review their Shipping Industry Strategy

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Introduction

January 2020, the world witnessed a slowdown of economic activities in China due to the spread of the coronavirus. Two months later, March 2020, major business and economic activities worldwide were brought to a halt as the spread of the virus was declared a pandemic. Many countries imposed a national lockdown resulting in a drop in their financial and economic activities. While on land and by air measures are taken to stop or reduce commercial activities, at sea, the opposite is happening. The commercial shipping of goods worldwide is highly relied on and is one of the few economic activities which is still being done on a ‘business as usual’ basis.

Commercial shipping plays an important role during this covid-19 pandemic. It is one of the main ways through which necessary items such as: medical supply, basic commodities such as rice and flour, petroleum products and other manufactured products are being carried across the globe for national use. For the African continent, commercial shipping is an important mode of transportation and distribution of goods across the continent during this pandemic. By opening ports, regulating imports and exports of goods and facilitating internal and regional distribution of goods, coastal as well as landlocked countries of the continent can have access to food, medical supply and other related products for daily use.

This article aims at examining the significance of international commercial shipping for economic activities worldwide. It also purports to examine the current situation of this industry during the covid-19 pandemic. Furthermore, the article addresses the important role of commercial shipping for African landlocked and coastal States and the need for further developing this sector.

International Commercial Shipping

Commercial shipping, also known as maritime trade, is the carriage of goods by sea from a port of dispatch in a particular country to the port of destination in another. For centuries, the sea has been used as a mean to transport goods across the globe. Today, according to the International Chamber of Shipping, 90% of goods traded worldwide are carried by sea.

Each year witnesses a growth in the gross tonnage of the world's fleet. In 2018 for instance, the total volume of goods carried by sea reached the record number of 11 billion tons as reported by the United Nations Conference on Trade and Development Review of Maritime Transport Report 2019. The International Chamber of Shipping estimates that there are over 50,000 merchant ships which trades internationally.

Commercial shipping can be considered as the backbone of the world's economy. For centuries, goods have been transported by sea and this allowed for the economic development of many countries. Many commentators agree that sound maritime transportation facilities and services contribute to the

economic development of a country.Commenting on transportation facilities and services, Rodrigue and Notteboom (2020) state that the quality and quantity of transport infrastructure that a country has is related to the level of economic development of the country.

Countries having high level of transport infrastructure and high network connectivity, have high levels of human and capital development. According to Rodrigue and Notteboom (2020), '[w]hen transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multiplier effects, such as better accessibility to markets, employment and additional infrastructure'. However, when transportation systems lack efficiency, it can be argued that this can lead to economic and social costs such as lack of investment and downward multiplier effect.

The shipping industry, just like any transport industry, has played and continues to play a key role in building the infrastructural and human development of a country. Concerning the infrastructural development, the shipping industry motivates the improvement of existing infrastructures such as: road networks, transport systems and the manufacturing and service sectors in order to meet the demand and exigencies of international trade. With regards to human development, the shipping industry is the main mode through which people have access to commodities such as medicines, food and employment. Many studies are now showing that countries having sound and efficient shipping industries, have high level of human, economic and infrastructural development.

Current state of affairs of International Commercial Shipping during the Covid-19 pandemic

As the virus was spreading in China and the neighbouring countries in January, governmental measures were taken to reduce economic activities and lockdowns were imposed. These resulted in a drop in port activities as well as commercial shipping from Asia. Along with the commercial shipping sector, the cruise industry was also affected. Trips cancellations and missed trade opportunities lead to a reduction of the workforce which negatively affected this sector.

With the spread of the virus worldwide, economies were put on halt. This lead to a drop in the demand for crude oil and certain heavy and containerized products. This, significantly affected the shipping industry. For instance, the Shanghai Containerised Freight Index indicates a drastic drop in the demand for container vessels from China and container vessels departure from Shanghai is decreasing since January. This drop in container vessels departure is now a worldwide phenomenon as production and exports are decreasing in many countries. Kristalina Georgieva, the Managing Director of the International Monetary Fund, estimated a fall of $50 billion in exports as a consequence of the pandemic.

As all economic sectors are interrelated, a disruption in any particular sector affects all others. As there is a steep decline in the demand and production of goods globally, the demand in the shipment of these goods is declining as well. This is making the shipping industry a vulnerable sector during this pandemic.

Commercial Shipping in Africa

Bordered by two oceans and several seas, Africa is strategically located to have the world's most developed and active shipping industry. Most of the world's major sea routes pass through African waters. The ports along the coasts of the continent facilitates imports and exports to the world. Despite all these, the shipping industry in African remains underdeveloped. There are several factors which contribute to the low level of development of the shipping industry in Africa. They are:

1. Many African ports do not meet international shipping standards or cannot cope with the evolving trends in the shipping industry. Lack of investment in technology and low improvement in the service sectors linked to shipping sector, have lead African States to lag behind in terms of port infrastructure and development. In 2016, only four African ports were listed in the Top 100 container ports worldwide.
2. There is a lack of diversification of products being exported. In 2017, 40% of goods exported from Africa was crude oil. Lack of diversification of exports leads to a lack of will to improve port infrastructure and shipping services.

3. In-land road networks and connectivity also have an impact on shipping. With 38 coastal States and 16 landlocked States, African countries need to have good road networks among themselves in order to facilitate the carriage of goods by road. Goods transported from the landlocked States to the coastal States for export are usually delayed because of poor road network. This in turn delay the shipment of the goods.
4. Limited ownership of fleet by African States is also a setback for the shipping industry for the continent. As many African States do not own their own shipping fleet, they rely on foreign shipping service providers for the carriage of their goods. One drawback of this situation is that most of the foreign shipping service providers impose their own shipping rules which might be to the detriment of the African exporter.

With the outbreak of the Covid-19 and economic activities being on halt, it is time for African States to reflect on the economic strategies that they would like to set up post Covid-19. Improving the functioning of the shipping industry in Africa must be one strategy to be taken into consideration.

The following recommendations are proposed to boost the development of the shipping industry in Africa:

I. Improve port infrastructure and investing in technology

By improving existing port infrastructure and using new technology, this will give African States a comparative edge in order to become a key player in the shipping industry worldwide. Developing freight technology as well as using artificial intelligence to monitor shipping activities, will help in reducing delays in shipment of goods, track rates and shipping timings and will help in reducing costs associated with poor port management and infrastructure.

II. Creation of an African shipping fleet

Most of the carriers transporting goods across the continent and outside are owned by foreign service providers. It is recommended that, through the African Continental Free Trade Agreement and the African Union, a committee be set up to consider the creation of an African shipping fleet which will transport goods across the continent and abroad. By creating its own shipping

fleet, from a socio-economic perspective, this can be beneficial for the continent. The benefits range from: job creation, development of specialised sectors linked to the shipping industry across African countries, technological improvement, reduced costs and revenue generation.

III. Improve in-land road networks

For the shipping industry to function smoothly in Africa, the road networks on land should be improved. In many cases shipments are delayed because goods did not arrive on time due to bad road networks. Countries, whether landlocked or coastal, should ensure proper connectivity among themselves and improve their road networks.

IV. Emphasis on the development of an African Blue Economy

African States are, individually and collectively, encouraged to develop a blue economy strategy. This strategy will allow countries to adopt a holistic approach to the use of the sea. This will ensure that all sectors linked to maritime activities work closely together in order to benefit from the resources that the sea provides and at the same time maintaining a healthy marine ecosystem.

Conclusion

The Covid-19 pandemic is not only a threat to human health but is also a threat to the economic and financial health of the world. Many countries and international organisations are already thinking about the post Covid-19 strategies to be implemented. One sector which will play a key role in helping economies to rise is the shipping sector. Carriage of goods by sea will allow countries to gain access to commodities that they require in order to strengthen their economic, infrastructural and human development. Despite the darkness that the Covid-19 has spread around the world, African States now have the opportunity to think of new strategies that will help them shape their economies to their benefit. One of these strategies is to further the development of the shipping industry in Africa. Investment has to be made in the people, technology and geographical resources in order to make the shipping industry one of the African economic pillars post Covid-19.

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