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THE ATLANTIC OCEAN AT THE END OF THE TWENTIETH CENTURY CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE

What spectacular changes have taken place since Giovanni Caboto set sail into uncharted waters across the Atlantic Ocean 500 years ago! The Old World from which he set out is largely unrecognisable from the modern Europe of today; and of course his contact with that «New Found Land» helped produce a social, economic, military and political development on the other side of the ocean that no one could have possibly envisaged in 1497. At this conference we have examined some of these changes that have shaped both shores of the Atlantic. And while each continent has pursued its own trajectory of development, each with its own distinctive attributes, the bridging of the ocean that Caboto achieved led to an expansion of fundamental values and attitudes that are at the heart of what we may call Western culture and civilisation.

Trade was Caboto's prime purpose in undertaking that hazardous voyage in 1497. While his own rewards might have been less than spectacular, Caboto's legacy is remarkable, with the North Atlantic becoming the major world focus of international trade and economic development for 500 years. The goal of my paper is to look at trade on the North Atlantic from a largely contemporary perspective. Changes have taken place over the last 30 years that are probably more significant than those of the previous 470. Patterns and the nature of trade is shifting in ways that are signalling a break with the past. The focus of my paper is the trade in goods by ship across the ocean, but one cannot ignore the new role of air transport in passenger flows, and of the «invisible» flows of services and information that are accounting for an increasing amount of international exchanges. I shall begin by examining the broad characteristics of the trade flows that were established by Caboto, before going on to discuss the nature of the changes that are occurring, their causes and possible consequences.

1. *The Past*

As we have seen in this conference, Caboto helped begin the process of making the North Atlantic a bridge between continents rather than a barrier. Trade was key. As a continent with a large population poised for economic arid social growth, Europe was propelled into development by the opportunities for exploitation of the New World. The resources of the Americas became a magnet for adventurers, exploiters, and ordinary folk seeking self-betterment. From the earliest days a pattern of development in North America was established that was to be maintained well into the 20th Century.

Raw material exploitation provided the basis for European development of North America. A succession of staples were exploited: fish, furs, timber, grain, cotton, minerals, and these raw materials were exported back across the Atlantic to serve European markets, many to help establish industrial development in the countries of Northern Europe. So important was the exploitation of these primary products to the economic growth of the Americas that Canadian historians have developed the so-called *Staple Theory* to explain how a hinterland economy develops. A persistent feature of trade across the North Atlantic therefore has been the export of raw materials to Europe for consumption and processing.

The hinterland economies were dependent upon those of the European heartland for people and manufactured goods. As we have seen in this conference Caboto's contacts led to colonisation and the eventual migration of millions from Europe to North America. Countless immigrants have been drawn to the western shores of the North Atlantic, representing a very important component of maritime trade across the Atlantic. But it was largely a one-directional traffic. I well remember my own first crossing of the ocean on a Canadian Pacific passenger liner, full to overflowing with 1,500 fellow searchers of a better life on the other side, and of my return to Britain two years later for a trip back home on the same ship with fewer than 100 passengers.

The growing population of the US and Canada required consumer goods and machinery that European manufacturers supplied. Thus, not only did North America serve as a safety valve for displaced rural Europeans and disenchanted urban dwellers, but trade was an impetus to the early industrialisation of Europe.

Changes in the two-way trade were evolutionary. One staple was replaced by another (although never completely). In this way furs were replaced in the 18th Century by timber and then by wheat in the 19th. New types of manufactures were shipped from Europe. The westward flow of immigrants changed over time in numbers and by country of origin. By the 20th Century, industrialisation of the US and Canada resulted in the trade across the Atlantic becoming increasingly an exchange of manufactures and semi-processed goods.

Attention may be drawn to several features of the trade on the North Atlantic that persisted until after the end of World War Two:

– the trade was imbalanced. Overall, the value of shipments eastbound exceeded shipments from Europe to North America by a considerable margin (see data for 1899, 1929 and 1957 in Tab. 1);

	1899	**1929**	**1957**	**1992**
Eur - N. Am	326	1075	3284	21243
N. Am. - Eur	966	2402	6055	24470
TOTAL	1292	3477	9339	45713
Intra Eur	2074	4634	14852	206727
Intra N. Am	125	1395	6795	36641
%UK Eur - N. Am	38%	36%	37%	27%

Tab. 1 - North Atlantic Trade, 1899-1992 (in millions of 1957 $).
Source: MAIZELS, 1968, UN *Direction of Trade Statistics*, 1993.

– the trade grew vigorously (Tab. 1). This growth was achieved despite the inevitable perturbations caused by wars and cyclical economic downturns;

– the trade of North Atlantic dominated global trade routes, accounting for 60 per cent of all maritime trade the world in 1960. This is clearly shown in figures 1 and 2. Global trade was markedly less developed elsewhere, a function of the traditional economic strength of North America and Western Europe;

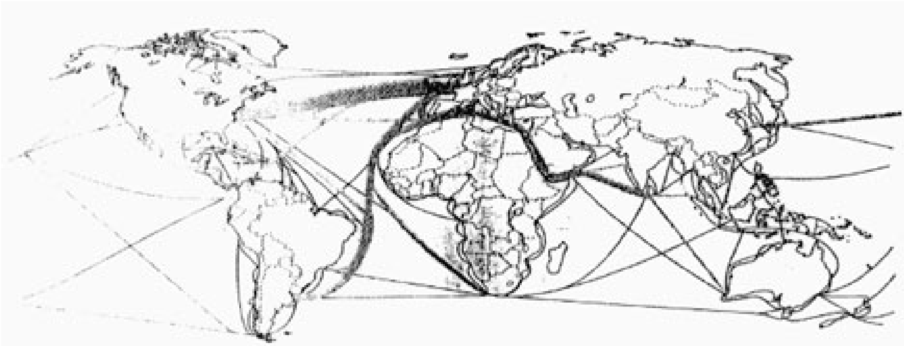

Fig. 1 - Primary Ocean Trading Routes of the World. Width of lines suggest intensity of commodity movement (*Flat Polar Quartic Equal-Area Projection* adapted by Arthur H. Robinson).

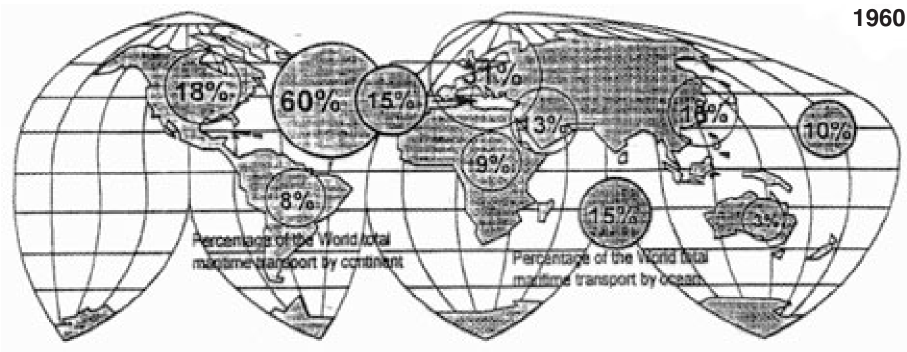

Fig. 2 - World Maritime Trade, 1960.

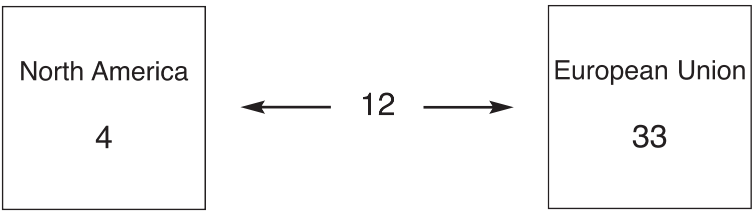

Fig. 3 - International Air Traffic 1995, % share of World Total.
Source: IATA.

– European trade was dominated by Britain. Over one third of the trade flow was accounted for by one country. This reflected the traditional role of Britain as a colonial power, with imperial protectionist policies and a strong presence in North America, aswell as its head start over other European powers in industrialisation.

A further qualifying note needs to be discussed. As great as the North Atlantic trade was, it carried differential weight in the overall trade structure of the two regions, North America and Western Europe. For the former the trans-Atlantic trade was very much larger than the intracontinental international trade, especially in 1899 (Tab. 1). For Europe, on the other hand, the oceanic trade represented only 62 per cent of internal trade between European states. This in part reflected the less developed state of the US and Canadian economies, but it must be remembered that international trade in North America involves the crossing of only one border, whereas in Europe 14 nations are counted.

2. *The Present*

1960, or thereabouts, marked a break with the past regarding trade across the North Atlantic. Some of the changes were evolutionary developments, others represent striking departures.

Data for 1992 indicate an accelerated trade growth. Even when measured in constant dollars trade increased nearly five-fold between 1957 and 1992 (Tab. 1). However, the previous imbalances of trade were narrowing, with west-bound values climbing to almost match eastbound totals. Europe experience a very significant improvement in its trade balance with Canada and the US. A further feature was the declining dominance of Britain in the North Atlantic trade. By 1992, Germany had replaced it as leading trading partner with North America, and the relative positions of several other countries, such as Italy improved. What this indicates is that the improvement in Europe's share of the trade was based upon a broadening of the trade partnership throughout western Europe.

The composition of the North Atlantic trade has evolved still further towards exchanges of manufactured goods. Many of the traditional staples, such as wheat exports from Canada to Europe have ended, as the EC itself has become a net exporter of cereals. Even more remarkable has been the virtual disappearance of passenger flows by sea. From 1960, in the space of less than a decade, air transport completely replaced shipping as a people carrier. Although there are still many thousands of immigrants still making their way across the Atlantic by air, the market is made up largely of business travellers and tourists. The patterns of traffic are somewhat similar to the maritime flows (Fig 3). Fourteen per cent of the world's international passengers flew across the Atlantic in 1995. This is a larger share than US-Canada traffic (4%), but much smaller than infra EC traffic (33%). It may be noted that infra-US traffic was one third larger than the world total international air passenger total.

An important new type of trade has emerged over the last 30-40 years. Trade in services and information has become a very significant element in trade across the North Atlantic. In both Europe and North America, a dominant service economy has emerged, and trade in areas such as finance, insurance and entertainment is very extensive. In the absence of detailed data it is hard to provide precise details of the geography of this trade, but an estimate of this trade in the world in the mid-1990s placed it a $960 billion, or twice the world trade in agricultural products.

As great as was the increase in trans-Atlantic trade, even larger growth was recorded within the continental blocs themselves. Infra-European trade literally exploded, resulting in the share of Atlantic trade shrinking to one fifth of infra EC exchanges (Tab. 1). Trade between Canada and the US also grew significantly, but at a lesser pace. These figures reflect the changes wrought by closer continental cooperation, especially with the creation and expansion of the EEC. Infra-Community trade has prospered to a greater relative degree than external trade. Similarly, Canada and the US have moved closer together, initially with links such as the 1962 Auto-Pact, and more recently with the Free Trade Agreement (1987).

These changes are products of substantial underlying changes in international trade conditions and the economy. As much as there has been a great liberalisation of trade across the world through the efforts of the GATT and the World Trade Organisation, regional economic groupings have been instrumental in tearing down trade barriers at a regional level. The EC is the best example, but there are many others around the world such as ASEAN, as well as NAFTA in North America.

Enhanced International trade has also been brought about by important changes in the economy. Globalisation is a generic term applied to a number of processes that are re-shaping the world's economy. Of particular significance is the diffusion and dispersion of manufacturing production. In advanced economies the concept of flexible production is leading to ever wider production systems. Instead of having all manufacturing processes being concentrated in a few major factories, very extensive production chains are being established, in which parts are produced in many different locations that are linked by efficient transport systems that operate «Just in Time». Such extensive chains ignore national boundaries and are thus contributing to international trade.

Corporations are relocating their production sites where economies can be achieved. For many labour-intensive manufactures, the result has been a massive relocation of factories from Europe and North America to Asia and South America. This in turn, has re-focused international trade. Despite the remarkable growth of North Atlantic trade between 1957 and 1992 (Tab. 1), it has experienced a relative decline (Fig. 4). Compared with its 60 per cent share of the G 3 world's maritime trade in 1960, trade between North America and the EC had fallen to 40 per cent of the world total.

Without diminishing the importance and scale of the trans-Atlantic exchanges, as maritime flows they are being challenged by the growth of trade in South and East Asia. It is projected that these areas will generate twice as much trade by the year 2020 than the countries on either side of the North Atlantic. In addition, the maritime flows are being overshadowed to a greater degree that ever before by the land-based international exchanges between the trade blocs themselves. For the first time since the consolidation of North Atlantic trade after Caboto's pioneer voyages, it appears to becoming overshadowed by developments elsewhere.

Some of the most profound changes in maritime trade across the North Atlantic have come about because of a transformation of the carriers. Since the voyage of the Matthew, shipping technology has obviously made great strides, but until the last 30 years, several long-standing characteristics prevailed in the types of ships and their organisation. As with Caboto himself, most ships that were involved in the trade were owned by small-scale entre-

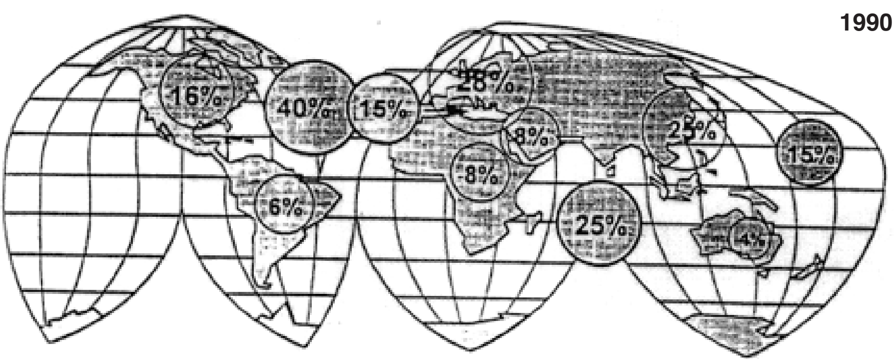

Fig. 4 - World Maritime Trade, 1990.

preneurs. A few large shipping lines emerged, but the industry as a whole was extremely competitive. Although major technological changes were made in ship material and propulsion, the characteristic feature of most ships was versatility, capable of handling passengers and freight of all kinds. Rarely were vessels engaged in one line of business only. In the 19th Century a modification appeared: the mail ship that sailed on regular schedules between ports, which evolved into the large passenger liners of the 20th Century. Even they carried large amounts of freight, however. While a class of specialised ocean-going liquid bulk carriers emerged in the 1920's it was not represented to a great degree on the North Atlantic.

All this has changed since the 1960s. The specialised passenger liners have all but disappeared on the North Atlantic. So have the 5-10,000 ton general purpose ship carrying general cargo and dry bulk commodities. They have been replaced to some degree by very large ore and coal vessels (up to 150,000 deadweight tons). Most notable, however, has been the containerisation of trade. Appearing for the first time on the North Atlantic in 1965, the whole of the industry has been transformed with more than 75 per cent of the non-bulk North Atlantic trade being shipped in containers. Since their introd-uction, container ship size has increased greatly, and the latest vessels are now as large as the biggest passenger liners of the middle part of the Century. They are over 1000 times the size of Giovanni Caboto's ship of 1497.

Containerisation represents a capital intensive business, and the result has been that the organisation of maritime trade has changed abruptly. Small entrepreneurs can no longer compete. It has become the domain of a number of giant corporations, and with the deepening of capital requirements in ever larger ships that cost over $100 million each, the industry is becoming something of an oligopoly with the recent formation of three mega strategic alliances. Not only are these consortia dominating maritime flows but also are extending their control over land shipments, as they each try to establish logistical chains that provide a service door-to-door. These developments are having major impacts on the direction of trade, with the diversion of trade from central and southern European areas to northern range ports such as Rotterdam, and the viability of individual ports each seeking to attract or retain the mega carriers.

3. *Prospects*

As we commemorate the anniversary of Caboto's pioneering voyage across the North Atlantic, one cannot be but struck by the changes that have occurred since 1497. In this paper, however, I suggest that a new phase has been entered since 1960, a phase that represents a sharp break with the past, and one that will establish the challenges for the future. There is no doubt that the North Atlantic will continue to be a major focus of international trade, and the countries bordering it will remain at the forefront of exchanges of people, goods, services and information. Those exchanges will be more balanced than before, and be represented by trade in semi and fmished goods, people and services. The spotlight in merchandise trade is inexorably switching elsewhere, however, to South America, South and East Asia. These new trade opportunities will lead to a relative decline in North America - EC merchandise trade and passenger traffic.

The growing concentration of ownership in the container shipping industry is a very recent phenomenon, and thus it is rather premature to determine the impacts. Clearly, the concentration represents a challenge to individual ports, as they strive to attract or retain the major consortia, but it might be seen also as a threat to national interests, particularly in Europe, where there are many coastal nations with important maritime interests. This appears likely if the shipping alliances concentrate their services at one or two ports only. It is interesting to note that the airline industry is going along the same route as well. A number of strategic alliances have been formed between national carriers, such as Air Canada, United, Thai and Lufthansa.

Liberalisation of trade has not brought an end to trade disputes. The establishment of two separate blocs on either shore of the North Atlantic has seen a number of trade conflicts. Interestingly for Canada, these have been in the oldest staples in the North Atlantic trades: fish, furs and lumber. In future, however, the disputes are most likely to occur in the non-merchandise trade areas. The US is very astute in using trade issues to promote its own interests. Because international air travel is still regulated at the national level, and treaties are established bilaterally, the US has been aggressive in renewing and extending these accords with different countries. As the treaties come up for renewal, smaller European countries are caught in unbalanced negotiating relationships. In addition, the US has been very forthright in seeking to extend its own interests in non-merchandise trade relations with the EC. This is the likely basis of future conflicts. The US is trying to provide freer access to European markets for the culture and information industry that it dominates. European countries, on the other hand, wish to protect their culture from the American juggernaut.

Conclusion

We live in interesting times. The world we inherited from our forbears owes much to the processes of economic, social and political development that came out of Caboto's voyages. It is appropriate indeed for both Europeans and North Americans to recognise the achievements of one of the pioneers of western culture and economy. In this paper several of the threads of continuity have been identified: the importance of trade, making the North Atlantic a bridge rather than a barrier, promoting development that benefits both shores of the North Atlantic. On the other hand, this paper has argued that the fundamental details changed very recently. New modes, new organisational structures, new types of trade, and new relationships are transforming our world. The 21st Century will be as different again from the post-Caboto world, as the preCaboto was from that which evolved after 1497.

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