



Indian Shipping and Maritime Development: A Historical and Economic Analysis

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ABSTRACT

India possesses one of the world's oldest maritime traditions, with a history of seaborne trade, shipbuilding, and navigation extending from the Indus Valley Civilization to the modern era. This study examines the historical evolution and economic development of Indian shipping, highlighting its significance in trade, commerce, national security, and economic growth. The paper traces the development of shipbuilding techniques and maritime activities from ancient and medieval periods through colonial rule and post-independence expansion. It analyses the challenges faced by indigenous shipping enterprises during the colonial period, particularly the dominance of foreign shipping companies and the resulting decline of Indian participation in maritime trade. The study further explores the principles of shipping economics, including capital investment, operating costs, economies of scale, freight operations, and the role of shipping conferences in regulating competition. Particular attention is given to government intervention and state aid policies adopted by countries such as the United States, France, and Japan, demonstrating the importance of public support in developing national merchant fleets. The paper concludes that a strong and efficient merchant marine is essential for India's economic prosperity, strategic autonomy, and maritime security. Strengthening

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indigenous shipping, shipbuilding, insurance, and related maritime institutions remains crucial for sustaining India's position as a major maritime nation.

1. Introduction

India has a rich maritime heritage. Since the dawn of history, our people have participated in international seaborne commerce, and our products and culture have spread to many countries. The advent of the Europeans in the Indian Ocean thwarted our peaceful maritime enterprise and opened our coastal regions to trade and commerce, eventually leading to foreign domination. With the attainment of Independence, Indian shipping has progressed at a rapid pace. The Indian Navy, which is charged with the duty of guarding the country's shores and protecting our shipping in times of war, has also expanded considerably. Indian shipping has a vital role to play in increasing our trade and commerce, and the Indian Navy must continue to develop and strengthen into an effective force alongside our expanding sea lanes.

With the growth of the world's population, the sea will be used increasingly for harnessing its limitless resources available to mankind—resources of food, minerals, metals, and energy. Our economic growth will inevitably involve greater trade, both in imports and exports, for which sea transportation is an absolute necessity. The Indian Ocean covers nearly 28 million square miles, and all our shipping, carrying its precious cargoes, must cross the waters of this vast ocean safely and securely.

From the time man ventured out to sea in search of food in the form of fish, there has been evidence in India of human ingenuity in discovering methods to keep himself afloat. Logs of wood and rafts formed the basic contrivances that floated on rivers in the initial stages, with nature's currents providing propulsion and the destination being left largely to chance. Later, man discovered how to propel himself through the still waters of lakes by using a long pole thrust against the bed at the bottom, a method that can still be seen in certain parts of the country where the waters are not deep. Then came the use of paddles for propulsion. The first known oceanic voyage was that of the Negritos of the Palaeolithic Age, who crossed the sea from the mainland of India to the Andaman Islands in small dugouts made by hollowing out the trunks of trees and propelled by paddles. Admittedly, the Negritos may not have aimed at reaching the Andamans, as they were probably unaware of their existence, and may have arrived there by chance. Nevertheless, the fact remains that they propelled themselves across the surface of the sea for over 700 miles in a contrivance that they had devised during the Old Stone Age.

2. Shipbuilding

The period of the Indus Valley Civilization, about 3,000 years before Christ, provides evidence from the excavations at Mohenjo-daro and Harappa that representations of vessels were certainly river craft and, in some cases, most probably sea-going vessels. A representation on a potsherd painting shows a mast, yard, and helm, and it is logical to conclude that by that time India was familiar with the use of sails and steering oars. During the Vedic Age, although we know that ocean-going vessels did exist, unfortunately there is only meagre material describing, in detail, the boats and ships of the time. Some passages in the Rigveda indicate that there were multi-oared vessels of sturdy construction that rode the seas well. They were broad-beamed and equipped with strong steering oars. We have seen that the Aryan states were well versed in the art of constructing vessels.

Pali literature throws some light on the size of vessels built during the pre-Mauryan era. *Rajavallia*, a Pali work, mentions vessels capable of accommodating as many as 700 passengers. The *Sankha Jataka* refers to vessels with three masts, 800 cubits long, 600 cubits wide, and 20 fathoms deep. This gives us an idea of the enormous size of the ships that were built in India during those days. During the age of the Nandas and the Mauryas, we learn from Strabo that shipbuilding flourished as an imperial undertaking. As noted earlier, the Ksatri tribe in the Punjab built a flotilla of river craft, some of which were 30-oared vessels, for the use of Admiral Nearchus. The shipbuilding industry of the Mauryan age possessed all the materials and expertise necessary for the construction of hardy, seaworthy, ocean-going vessels.

From the *Yukti Kalpataru* of medieval times, a wealth of information can be gathered about shipbuilding in general and about the various classes of ships and materials used in particular during the Gupta and post-Gupta eras. According to this work, ships were classified into two broad categories: the ordinary type (*Samanya*) and the special type (*Vishesha*). Regarding the use of metals in ship construction, the work recommends gold, silver, and copper, or alloys of two or more of these metals, but forbids the use of iron, particularly for joining the ship's sides and bottom. "*The iron will inevitably expose them to the influence of magnetic rocks in the sea, or bring them within a magnetic field and so lead them to risk. Hence the planks of bottoms are to be fitted together or mortised by means of substances other than iron.*"

In the seventeenth century, the Indian shipbuilding industry received fresh impetus under the Marathas. Maratha naval power developed Vijayadrug as a shipbuilding centre that produced grabs, gallivats, and smaller craft. When the British set foot on Indian soil, the shipbuilding industry in India was already in a flourishing state. In 1735, the entire shipbuilding establishment was transferred from Surat to Bombay, and during the years 1750–54, a dry dock was constructed at Bombay under the British regime. In the

succeeding years, wet docks as well as the second and third dry docks were also completed during the eighteenth and nineteenth centuries under the supervision of a long line of Wadia Master Builders. As many as 352 vessels, both large and small—including ships of the line, warships, and yard craft—were constructed by Indian workers. In the Calcutta docks, over 35 vessels were built between 1781 and 1800, aggregating a total tonnage of 17,020.

The Industrial Revolution ushered in major changes in ship construction, replacing wood with iron and sail with steam. In 1830, the first steamship, *Hugh Lindsay*, was built at the Bombay Dockyard. Within a decade, the first iron ship, *Planet*, was also constructed and launched in Bombay. Between the two World Wars, however, there was hardly any progress worth recording except for the bold venture of the Scindia Company to establish a shipbuilding yard in the country. The Calcutta Port Commissioners were not keen on providing a site, and in 1940 the Government offered a site at Vizagapatam, now Visakhapatnam. The company accepted the offer despite the attendant disadvantages, with the primary objective of initiating a shipbuilding industry in India that could truly become a national undertaking. Despite the advice of Admiral Fitzherbert, the Flag Officer Commanding of the Royal Indian Navy, regarding the imperative need to develop the shipbuilding industry in India, the Government remained lukewarm in its efforts.

The second ship, *Jalprabha*, was launched on November 24, 1948, by the late Sardar Patel, Deputy Prime Minister, who stated on the occasion: “Our shipping industry is still in its infancy. The geographical position makes it inevitable for India to have a shipping industry adequate to its requirements and a strong Navy to guard its long coastline. We are spending crores of rupees on shipping freight for the import of our essential requirements. We are severely handicapped in the transport of these commodities at the right time or in the right quantity because of our dependence on foreign shipping. In an emergency, we are at the mercy of other countries. Just as civil aviation is the foundation of air power, the mercantile marine constitutes the backbone of the Navy. Without the backing of a mercantile marine, a Navy of reasonable dimensions is impossible.”

Hindustan Shipyard Ltd. was subsequently formed, with two-thirds of the paid-up capital held by the Government and the remaining one-third by the Scindias, thereby retaining their knowledge and experience in the industry. The target of launching 100,000 gross tons was achieved by Hindustan Shipyard on July 5, 1958, when *Jalaveera*, the twenty-third ship built by the yard, was completed. The progress achieved can be gauged from the record of ships built at Visakhapatnam. The value of the ships constructed there has steadily increased over time.

3. Present Condition of the Shipping Industry in India

As regards the present condition of the shipping industry in India, one witness informed us that less than 12 per cent of the coastal trade and less than 2 per cent of the international trade is carried in Indian-owned vessels. Another witness went so far as to state that approximately 90 per cent of India's coastal trade is served by ships owned by non-Indian companies.

"We have not been able to ascertain how these figures have been arrived at and cannot therefore express any opinion as to their accuracy, but we think it is generally admitted that the proportion of the trade on the coast which is carried in ships owned by Indians is comparatively small, while the number of Indian ships which take part in the overseas trade is practically negligible."

In any case, it is certain that, with the exception of one or two companies that are owned and managed by Indians and possess small fleets, there are no other Indian companies with modern steam vessels capable of competing in India's seaborne trade with the well-established British shipping lines.

In our endeavour to determine the conditions that have hindered the development of shipping enterprises by the people of this country, we were informed by a large majority of the witnesses who appeared before us that the absence of Indians from the shipping trade is largely due to the strong position occupied by the existing British-owned shipping lines. According to these witnesses, this dominant position enabled such companies to suppress competition successfully through rate wars, the deferred rebate system, and other methods.

These witnesses pointed to the many attempts made by Indians in recent years to enter the coastal trade and argued that their failures were due not so much to trade slumps or other unforeseen circumstances as to the factors mentioned above. Other witnesses, however, maintained that the failure of Indian shipping ventures was attributable not to competition from the established lines but rather to inexperience in the shipping trade and mismanagement on the part of the promoters. We find that, in the case of at least one company launched in recent years, the directors themselves admitted in their reports that its failure resulted from poor business management on the part of the original promoters.

4. Principles of Shipping Economics

The shipping industry, though controlled to a large extent by private agencies, has this much in common with the public exchequer: like the Finance Minister of a government, the traffic manager of a shipping company must think primarily of expenditure, leaving the question of revenue for later consideration.

However, the similarity between the exchequer and the shipping industry of a country ends there. Economical or extravagant, a government can always raise the revenues it requires, whereas the income of the mercantile marine depends upon factors that the traffic manager cannot control.

The manager of a modern shipping company, which has invested substantial capital in up-to-date vessels, must, even in times of normal trade, carefully coordinate the interests of shareholders on the one hand and those of shippers on the other. Only through such a balance can a reasonable return on invested capital be earned while also providing the facilities necessary to meet the requirements of commerce. Furthermore, the economic considerations that determine the destiny of the industry are so distinctive that too much attention can never be paid to them in the daily routine of a shipowner's office.

When this principle is applied to the carriage of goods, various contrasts emerge between the production of transport services and the production of commodities. These differences may be illustrated through a comparison between the operations of an oil refinery in Burma, simultaneously producing kerosene, gasoline, lubricating oils, greases, and various chemicals, and the carriage along the coast of India of hundreds of different commodities in every direction and under varying conditions of size, speed, and stowage. Shipping is, by its very nature, an enterprise tending toward large-scale organization, the abuses of which may affect the country as a whole. America provides a notable illustration of political corruption and social tyranny resulting from concentrated commercialism. Contemporary American terminology has already created "oil kings" and "timber kings" who rival political leaders in influence and certainly surpass them in material wealth. Even in England, political thinkers have, particularly during and after the experience of war, recognized the possibility of large-scale journalism establishing itself in conflict with the state.

Theoretically, at least, the danger arising from syndicated shipping is no less—and perhaps much greater—because the mercantile marine constitutes the second line of a nation's defence. Modern transport presents some of the most familiar examples of citizens controlling resources that could potentially be employed for anti-social purposes. For example, a few shipping magnates control a very large proportion of the available British tonnage. Patriotic individuals proved themselves to be of great service to the state during the First World War, and the importance of that service may be measured by the serious consequences that might have resulted from negligence on their part.

Reference has already been made to the fact that shipping organizations in India are expensive. They are so in more than one sense. Their superior staff, both at sea and in their offices, is non-Indian and highly paid.

Their net income represents a drain on national resources. Moreover, as will be seen later, their activities have given a wrong direction to the commercial and industrial life of the country.

Fortunately, in other countries, such anti-national tendencies are not commonly recorded in the history of trade and commerce. Unfortunately for India, the economic history of the country, even up to recent times, contains many examples of the subordination of Indian interests to imperial and foreign requirements. This situation arose because trade and transport agencies were largely controlled by non-Indians residing outside the country. The exploitation of natural resources under such circumstances cannot bring substantial economic benefit to the nation. Raw materials are exported on the cheapest possible terms. Out of the limited receipts thus obtained, a considerable proportion is spent on importing expensive manufactured goods produced from those very raw materials. The result is a chain of transactions that leaves a country rich in natural resources poor in material possessions.

The shipping industry, under normal conditions, provides an excellent illustration of the Economic Law of Increasing Returns. In other words, it is an industry in which, beyond a certain stage, the cost of operation increases less rapidly than the volume of business conducted. Each additional ton of freight added to existing traffic contributes relatively less to the total haulage cost. Consequently, net returns increase more than proportionately with the growth and expansion of traffic.

The rapid and often sudden changes in the profitability of the shipping industry may be further understood through an examination of the Laws of Increasing and Diminishing Returns from the standpoint of the long-term and short-term production of transport services “manufactured” by shipping companies. The distinction between long-term and short-term production is well known in the economics of manufacturing industries, but its application to sea transport is equally significant.

Professor Ripley observes: “*The limit of full working capacity in a factory is illustrated by reason of the fact that under the ‘peak of load’ in a busy season it may prolong operations beyond the daylight hours or, at worst, work all night by double shifts.*”

5. Shipping Capital

Capital expenditure in shipping primarily depends upon the type and size of the vessels selected, the nature of the trade served, and the time at which the purchase is made. Considering the last factor, shipping values over the past quarter of a century demonstrate that wide fluctuations are the rule rather than the exception in the tonnage market. The history of these fluctuations during the last twenty-five years offers many lessons that a purchaser of new tonnage would be ill-advised to ignore.

Capital expenditure in shipping is required mainly for the acquisition of ships. Once a vessel leaves the slipway, the sea and the voyage are provided by nature free of cost. The oceans constitute the great highways of international trade and, from port entrance to port entrance, remain free and open to all who observe the international rules of navigation. Although ocean traffic generally follows certain established routes, no nation, and certainly no company, can convert any route into an exclusive right of way comparable to that possessed by a railway corporation. A few short sections of some heavily frequented routes—the Panama, Suez, Corinth, and Kiel Canals—are artificial waterways and subject to tolls, but their use is normally open to all on equal terms. This simple yet fundamental fact—that the sea is an open highway—causes ocean transportation to be governed by laws different from those controlling railway services. Consequently, the principal issues of transportation economics, including competition, freight rates and fares, and government regulation, are profoundly affected by the distinction between railway and ocean highways.

Shipping expenditure, as we have seen, precedes shipping income. The two are not always directly correlated. In the extreme, though not uncommon, circumstance in which no cargo is available, a large proportion of a shipping company's expenditure must nevertheless continue in the hope that cargo will become available at a later stage. There is no practical alternative to this characteristic optimism except the completely ruinous course of closing the line and thereby losing a substantial portion of the capital invested.

Day by day, therefore, whether cargo is available or not, provision must be made for the operating expenses of the shipping industry. These expenses may be divided into two principal categories. Attention may also be drawn to the discrimination faced by Indian shipowners. Ships holding Lloyd's 100 A-1 certificates—the hallmark of excellence in the shipping world—are often regarded as second-class as soon as they come under Indian management. Consequently, Indian shipowners and their shippers are compelled to pay higher insurance premiums, since rates for second-class owners are significantly greater than those applicable to owners enjoying first-class status.

To remedy this and other disadvantages, it is essential to direct Indian enterprise towards marine insurance. It is no longer necessary to emphasize the fact that the commercial development of a country is closely linked with the growth of its banking, shipping, and insurance interests. The importance of this relationship is highlighted in the following observation: "Appreciating the numerous property and credit connections that radiate from the leading shipping, banking and insurance interests at practically every centre of foreign trade, British commercial interests, for example, have long realised the advantages of co-operation between these three complementary factors, since each can be made to serve and hasten the growth of the others."

The existence and cooperation of these three factors constitute the keynote of commercial greatness. Recent American efforts to develop their merchant shipping have been accompanied by equally vigorous measures in the field of marine insurance. The Shipping Act of 1916 provided, in Clause 12, that the Shipping Board was authorized “to ascertain what steps may be necessary to develop an ample marine insurance system as an aid to the development of an American merchant marine.”

The Merchant Marine Act of 1920 went a step further by providing, in Section 10, that the Shipping Board should create and maintain, from the net revenues derived from the operation and sale of its steamers, an insurance fund to cover vessels, plants, and materials belonging to the United States of America. Through the establishment of large shipping and insurance companies, supported by strong banking organizations, the Americans hoped to dominate international trade in the same manner that the British and Germans had done before them. India would do well to follow the American example. A well-managed shipping company should therefore possess, in addition to a necessary fleet of large steamers, a number of smaller vessels. Large vessels are economical and highly profitable during busy seasons, whereas reliance solely upon a fleet of small steamers may necessitate the frequent rejection or postponement of shippers’ cargo—a practice that a prudent traffic manager seeks to avoid whenever possible. Smaller steamers, on the other hand, are well suited to meeting the requirements of minor ports and periods of slack trade. A balanced fleet comprising both large and small vessels thus enables a shipping company to operate efficiently under varying commercial conditions.

6. Shipping Conferences

A peculiarly characteristic feature of the shipping industry is the “shipping ring” or “conference,” which is a combination, more or less close, of shipping companies formed for the purpose of regulating or restricting competition in the carrying trade along a particular trade route or routes. The vessels employed by these companies are usually of the class known as liners, that is, vessels of high quality and speed that sail and arrive on fixed dates advertised in advance. In addition to mail and passenger steamers, they include vessels that carry cargo only and are known as cargo liners. In some instances, vessels that operate elsewhere and at other times as tramps are also employed by conference lines.

The operations of a conference are confined to a particular trade route. In other words, the agreements entered into by the participating companies apply only to trade within certain defined areas or between specified ports. A steamship company may belong to several conferences, but its obligations in one conference are independent of those in another. The alliance is therefore not one of steamship companies for all purposes, but only with respect to their operations within a specified area.

A notable feature of conference operations is the system of deferred rebates, through which shipping conferences have transformed themselves into organizations that are practically monopolistic and, in many cases, socially undesirable in their effects.

Competition in the shipping trade was not confined merely to that between tramp steamers on the one hand and liners on the other; it also existed among the various liner companies themselves. The suppression and prevention of such competition therefore became the principal objective of the shipping conferences. With this aim in view, the first shipping ring, known as the Calcutta Conference, was formed in 1875. It consisted of the Peninsular and Oriental Company, the British India Company, and one or two other London-based lines; Geo. Smith & Sons and the City Line of Glasgow; and Rathbone Bros. & Co. and T. & J. Harrison of Liverpool. In this regard, it has been observed that: “After experimenting with various forms of contract between the shippers and the shipowners, the system of deferred rebates was introduced in 1877 and first applied to the shipment of Manchester piece-goods.”

Having benefited from the system, the shipping companies lost no time in extending it to other trades and routes. It was introduced into the China trade in 1879, the Australian trade in 1884, the South African trade in 1886, the West African trade in 1895, the River Plate and South Brazil trades in 1896, the North Brazil trade in 1895, and the trade to the west coast of South America in 1904. Thus, with the exception of the Atlantic trade, which is served largely by spacious passenger liners, the system, so far as England is concerned, came to apply to almost all outward-bound cargo, excluding only coal and certain special shipments.

Before the First World War, a conference existed between India, China, and Japan comprising the Peninsular and Oriental Company (P. & O.), Austrian Lloyd, Navigazione Generale Italiana, and Nippon Yusen Kaisha. With the exception of opium, which was carried exclusively by the mail steamers of the P. & O. Company, all other cargo was pooled among the participating companies according to an agreed schedule of sailings. The Australian Outward Conference was controlled in a manner entirely different from that of the India and China Conferences. It was managed by a combination of shipowners and brokers popularly known as “Davis.” The term “Davis” is believed to have originated from the name of the house or office where this combination first came into existence many years ago, during the period when the Australian trade was conducted primarily by sailing vessels.

Strong in its monopolistic position, the shipping ring frequently succeeds in securing the support of merchants themselves in furthering its objectives. In this regard, it has been observed that: “Not a few merchants are interested in the conference either directly as principals or indirectly as agents.” For example,

the British India Steam Navigation Company Ltd. was represented at Rangoon and the Malabar ports by highly influential commercial houses, thereby strengthening its position within the trade network.

7. State Aid to Shipping

Shipping is so closely identified with the national life of a maritime country that large sums of money are annually spent on its development by governments throughout the world. The extent and significance of such state aid to shipping may be readily understood from the following statement:

Annual Public Expenditure in Aid of National Shipping

Country	Dollar Amount (\$)	Rupees (Rs.)	A.	P.
France	13,423,737	4,19,49,178	0	0
Great Britain & Colonies	9,698,384	3,20,79,235	0	0
Japan	5,413,700	1,69,17,812	8	0
Italy	3,872,917	1,21,02,865	10	0
Spain	3,150,012	98,43,787	8	0
Austria-Hungary	2,984,530	93,26,656	4	0
United States	2,695,287	84,22,771	14	0
Germany	2,301,029	71,90,715	10	0
Russia	1,878,328	58,69,775	0	0
Brazil	1,300,000	40,62,500	0	0
Norway	1,102,143	34,44,196	14	0
Netherlands	880,011	27,50,034	6	0
Sweden	277,752	8,67,975	0	0
Chile	253,195	7,91,234	6	0
Denmark	145,000	4,53,125	0	0
Mexico	75,000	2,34,375	0	0
Belgium	55,870	1,74,593	12	0
Egypt	54,512	1,70,350	0	0
Portugal	50,000	1,56,250	0	0
Total	49,602,407	15,50,07,521	12	0

Exchange rate: Rs. 3-2-0 per US \$1.

The above table indicates the scale of assistance provided by various governments for the development of their respective merchant fleets. For purposes of comparison, it has been necessary to use figures from more than a decade earlier. It may, however, be noted that even today the relative scale of government assistance remains broadly similar, the actual amounts in most cases having increased during and after the Great War. It may come as a surprise to many readers that Great Britain and its Dominions spend annually from the public treasury an amount equal to approximately one-fifth of the total expenditure incurred by all the other countries of the world combined in support of their merchant marines.

In view of these facts, the opinions expressed by the Special Committee of the British Shipping Industry in its statement prepared for the Imperial Economic Conference of 1923—namely, that “*shipping should be left alone to develop along its own lines*” and that “*we know no methods by which Governments can foster shipping, but there have been many examples of the damage done by Government intervention*”—can only be attributed to a limited outlook and an indifference to the lessons of shipping history. The historical record, briefly indicated by the measures adopted in several representative maritime nations, clearly demonstrates that governments have long played an active role in fostering and strengthening their national merchant marines. Far from being left entirely to market forces, shipping industries throughout the world have frequently benefited from public support, financial assistance, and protective measures designed to promote national maritime interests.

Indian Subventions

In the absence of a national Indian shipping fleet capable of handling mail traffic, payments made under mail contracts naturally serve to enrich and develop the British companies engaged in the carriage of mails. As is well known, the British India Steam Navigation Company enjoys an almost complete monopoly over the carriage of mails along the Indian coast. During 1921–1922, it received Rs. 10,12,000 out of a total of approximately Rs. 13.5 lakhs paid annually from the Indian public treasury for the carriage of His Majesty’s mails by sea. Moreover, the contract was subsequently renewed for a further period of ten years at an annual payment of Rs. 15 lakhs. In the absence of Indian-owned vessels, the Government had little choice but to accept the high terms demanded by the monopolistic shipowner. In addition, the Peninsular and Oriental Steam Navigation Company, an allied organization, receives annually from the Indian exchequer amounts ranging between Rs. 6,00,000 and Rs. 7,50,000 as India’s contribution towards payments for the carriage of mails from Marseilles to Bombay, Shanghai, and Adelaide. If these substantial sums could be diverted to national shipping enterprises, an efficient Indian merchant marine could be developed much more rapidly.

United States of America

The United States of America has, since as early as 1817, reserved its coastal trade exclusively for ships flying the national flag. Even before that date, the higher tonnage taxes imposed under the Act of 1789 had the practical effect of excluding foreign shipping from American coastal traffic. Stretching along both the Atlantic and Pacific Oceans, the extensive coastlines of the United States contain a greater number of important ports than those of any other country in the world. New York, Boston, Baltimore, Philadelphia, Norfolk, New Orleans, Galveston, San Francisco, Seattle, and Tacoma, to name only a few, possess facilities for berthing steamers and handling cargo that are unsurpassed elsewhere.

A second indirect method successfully adopted by the United States Government to promote shipping was the encouragement of domestic shipbuilding. To achieve this objective, materials used in ship construction were generally exempted from import duties. Under Section 19 of the United States Tariff Act of 1909, all materials of foreign origin intended for the construction of vessels in the United States could be imported free of customs duty. At the same time, measures were adopted to encourage the use of domestically manufactured materials in the shipbuilding industry. American policy toward shipping, however, underwent a significant transformation following the First World War. No longer satisfied with a highly developed coastal trade, American opinion demanded a similarly strong position in ocean-going shipping. The vast shipping and shipbuilding organization created during the war was therefore made permanent in response to public demand, resulting in the enactment of the Merchant Marine Act of 1920. This legislation established the United States Shipping Board and vested it with the various powers and responsibilities previously exercised by wartime agencies. The Board was to consist of seven Commissioners appointed by the President with the advice and consent of the Senate. The President was empowered to designate one member as Chairman, while the Board itself could elect one of its members to serve as Vice-Chairman.

France

State assistance to shipping in France has traditionally been direct, comprehensive, and generous. As indicated in the preceding table, the French Government annually provides substantial sums in the form of specific subventions and general subsidies. The principal effect of this policy can be observed in the growth of French shipping tonnage during recent years. According to Lloyd's Register, France possesses more than 1,700 steamships of 100 tons and above, with an aggregate tonnage of 3,537,382 gross tons. This figure represents remarkable expansion since the Armistice, demonstrating that France not only replaced the vessels lost during the war but also increased its merchant fleet by more than one million tons compared with 1914. Before the war, France's merchant marine, excluding vessels under 100 tons, amounted to

2,319,000 tons. Even this pre-war figure represented an increase of approximately seven per cent over French tonnage in 1900. These statistics provide compelling evidence of the effectiveness of France's policy

Year	No. of Cos	Paid up Capital	Vessels No.	Tons Gross	Earnings	Miscellaneous receipts	Shipping subsidies Boundaries	Net earning	Amt brought over the preceding year	Reserve	Bonus	Amt. of dividend
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of direct state assistance in developing the national merchant marine.

Official support to French shipping takes the following forms:

- Construction bounties
- Navigation bounties
- Equipment bounties known as *Compensation d'Armement*
- Fishing bounties
- Mail subventions
- Payment of Suez Canal dues
- Construction loans
- Preferential railway rates
- Reservation of the coastwise trade

Japan

The history of Japanese navigation legislation during the last thirty years presents an interesting parallel to similar developments in France. A chronological examination is particularly instructive, as it illustrates how successive measures were adopted to achieve the common objective of developing a strong and efficient Japanese merchant marine. Following the conclusion of the war with China, Japan resolved to create and strengthen a powerful merchant fleet. Consequently, a new policy of granting construction and navigation bounties was inaugurated in 1896. Prior to this initiative, Japanese support for ocean navigation had largely taken the form of annual mail subsidies amounting to Rs. 15,62,500 for the carriage of mails.

Summary of fourteen years' working of shipping companies in Japan

1906	13	£ 4,316,700	344	491,255	£ 3,209,96 5	£ 388,394	£ 492,728	£ 162,055	£ 401,517	£ 33,315	£ 67,870	£ 398,741
1907	16	5,713,157	537	527,760	3,858,27 2	387,149	435,503	441,415	85,428	41,785	21944	455,455
1908	18	5,927,150	543	564,179	3,877,34 7	209,695	862,339	384,113	50,860	40,864	23,498	426,050
1909	20	6,005,018	538	575,872	3,745,77 0	187,796	1,106,430	428,075	48,064	37,115	21,525	377,366
1910	20	6,144,257	535	600,842	4,080,84 0	205,509	1,161,066	771,009	44,217	179,901	25,680	395,338
1911	25	6,163,630	454	649,866	4,489,43 0	222,272	1,221,554	864,944	123,390	236,885	29,133	485,446
1912	19	6,065,101	419	702,758	5,190,05 0	263,978	1,185,160	1,033,97 7	214,252	515,096	31,294	556,697
1913	23	6,245,400	582	785,190	5,636,04 2	324,213	1,152,195	1,370,58 2	141,282	866,516	42,566	589,473
1914	24	6,525,800	578	841,931	5,796,57 3	336,269	1,023,054	1,259,08 2	212,757	698,669	45,477	525,652
1915	24	6,579,650	608	895,615	7,574,54 1	588,963	840,645	2,145,08 5	178,648	1,184,9 54	83,905	862,159
1916	28	8,047,500	603	980,793	15,150,4 36	567,480	724,849	6,511,01 7	217,732	1,580,3 21	206,285	2,336,03 5
1917	52	17,420,00 0	803	1,127,48 3	29,513,1 79	2,392,11 0	681,933	14,314,3 07	2,497,728	7,908,0 31	594,094	7,200,46 4
1918	65	26,988,25 0	149 6	1,386,64 2	63,845,1 95	2,631,40 8	607,283	21,844,3 80	1,064,267	9,803,2 65	533,116	9,717,45 6
1919	56	26,934,82 7	154 2	1,397,81 3	56,457,5 00	3,308,67 1	555,825	10,185,9 58	1,565,778	4,765,1 87	325,952	7,530,93 2

Direct Aids to Shipping

The principal forms of direct state assistance to shipping may be classified as follows:

- Bounties or Subsidies:** These are generally divided into construction bounties and navigation bounties and are provided in countries such as France, Italy, Austria, Spain, and Japan.
- Postal Subventions:** Postal subventions preceded the introduction of the bounty system and are often combined with financial assistance in return for services rendered. They are now employed in various

forms throughout the world and provide the shipping industry with a substantial and assured annual income.

- c) **Admiralty Subventions:** These are particularly prevalent in Great Britain, where the Admiralty makes annual payments to the owners of certain vessels in consideration of their potential utility for national defence and related purposes.
- d) **Fishing Bounties:** Fishing bounties are granted in countries such as Japan and France to encourage and support the fishing industry and related maritime activities.

8. Conclusion

The need for India to possess a modern and efficient national mercantile marine has in recent years been strongly felt by the Indian commercial community. One manifestation of this growing awareness has been the effort to revive the country's historic shipbuilding and ship-owning industries. It is now widely recognised that India loses a highly profitable source of national wealth because coastal shipping is, for the most part, monopolised by foreign capitalists. The profits derived from this trade amount annually to many lakhs of rupees. The absence of an indigenous mercantile fleet has been felt so keenly that the Government of India found it necessary to appoint a special committee to consider what measures could usefully be adopted for the development of an Indian mercantile marine.

A scientific examination of the economic problems involved in the management of the shipping industry is therefore essential. Questions relating to shipping capital, expenditure, and freight rates must be considered in the light of the general principles governing transportation economics. In the absence of adequate studies devoted specifically to shipping, it becomes necessary to draw upon the general theories relating to railway economics, which have been extensively analysed by experts in various countries, and from them derive principles of broader application to sea transport. It is an encouraging sign that the Government of India, recognising the importance of establishing a national mercantile marine, appointed the Indian Mercantile Marine Committee to investigate the various problems associated with Indian shipping. Such initiatives reflect an increasing awareness of the strategic and economic significance of a strong merchant fleet and the necessity of fostering the conditions required for its growth and development.

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