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tion, a useful guideline for the aims to be achieved. But most people do not remember that the recommendation adopted in 1964 neither described the One Per Cent Guideline as the ceiling beyond which development aid should not rise, nor did it believe this rule to be suitable for comparing development aid granted by individual countries either by quantity or by quality. Nations that are still linked with dependent or formerly dependent territories generally, and for very easily understandable reasons, register, under the usual statistical breakdown, higher outgoings on development aid account, and the same is true of countries owning relatively big foreign interests in development areas, e.g. through the oil industry. Thus it is not uninteresting to learn from the returns prepared by OECD that of all the net private aid of the last three years, on average, France had been spending over one third, the UK¹ 28%, the US 21%, but Western Germany only 11% in the form of profits ploughed back into direct investments. For a fair and just assessment of the aid given by individual countries, these and other facts will certainly have to be taken into account.

By the end of 1966, the cumulative total of all development aid granted by the Federal Republic will have reached DM 31,000 million or even more. This is a far higher amount than the currency reserves which Germany was able to accumulate in the same period (DM 28,400 million), and it is by about DM 3,500 million more than the total amount of capital German joint stock companies were able to raise through share issues since the time of the 1948 currency reform. The countries belonging to the DAC (Development Aid Corporation) have given aid through credits, in-

vestments in capital goods, and in other ways of a total equivalent to \$ 53,400 million, from 1960. This is almost four times the amount that had flown to Europe after the Second World War in the form of Marshall Aid. Such figures give no grounds for smug self-satisfaction but they may also prove that western aid, taken as a whole, does not at all deserve the adverse judgments that are sometimes passed on it. Of the mentioned total of \$ 53,400 million, more than half come from the United States, Europe contributed over 40%, and the balance was provided by Australia, Canada, and Japan.

Finally, it is not only outright aid but also aid by trade which should be taken account of. Western Germany, during recent years, has bought from developing countries much more than it could ever hope to sell there of its own products. During the last four full calendar years, the cumulative imports surplus of the Federal Republic in its trade with non-European developing countries amounted to more than DM 10,000 million. The European Common Market, too, imported much more than it exported to all developing countries; its adverse balance of trade towards all developing countries came to \$ 10,400 million during the same four years. From 1958, when the European Economic Community was formed, EEC exports to those development areas have grown by 22%, but imports from there rose by no less than 54%. In 1958, imports of the Common Market from developing countries were of about the same order as those of the US, but in 1965, the same imports of the EEC were by more than about one third larger than those of the US. This has made the "Six" far and wide the best customers for buying products of the developing countries.

Developing Countries v. Shipping Conferences

By Wolfgang Reisener, Hamburg

Wherever several shipping lines ply the same route they have linked together in so-called "conferences". There the national and/or international shipping companies jointly fix freight rates and all members are bound to certain rules of organisation and working conditions for each route. The conferences range from loose associations to well organised institutions with their own standing secretariats.

Rate policy and all the practices connected with it have been subject to controversy ever since the conference system was established almost a hundred years ago. They are still a bone of contention in the arguments between the suppliers and the users of shipping services. At present the developing countries

are the attacking side. They contend that shipping conferences should only continue to exist if they are subject to regulation from outside.

Distrust of Conferences

There is an obvious reason for this attitude of the developing countries. In liner services it is on the whole the privilege of the suppliers to fix rates in mutual agreement under the cloak of conference secrecy. The users of shipping services are forced to play the passive partner who has to adjust his demand for services to rates on the determination of which he has basically no influence. Such a system causes distrust and the users criticise it for being unjust and unfair. This is all the more the case if the users—e.g. the developing countries—have no, or not a sufficiently large merchant fleet of their own to

¹ In the case of UK, no breakdown of the figures for 1965 was available, so that comparative figures have been used only from 1963 and 1964.

carry overseas shipments in their foreign trade and thus exercise some influence on rate policy and the other conference practices.

On the one hand the developing countries' overseas trade is tied to the conferences by arrangements such as deferred rebates or dual rate contracts. On the other hand the developing countries are unaware of secret tariffs and have no access to conference meetings. They therefore feel their interests are being passed over by, as they allege, arbitrary increases in rates. They picture the conferences as a kind of secret society where malpractices and abuses flourish. They also frequently take the view that in the conferences, run under foreign flags, the rate policy is determined not only without them but also against them since foreign countries use their shipping services for discriminating in favour of their own external trade. In addition they say that the developing countries' foreign trade the economic targets of which are anyhow of no importance to foreign shipping is linked up with the conferences merely by the latter's profit motif.

In the Committee on Shipping, established by UNCTAD, the developing countries have in fact seriously made the allegation that the present structure of freight rates of the liner services which are mainly fixed by the conferences is designed to promote the exports of finished goods from industrialised countries and to place the exports from developing countries at a disadvantage. They therefore insist on a global inquiry into rates which should help to lift the barriers in inter-regional and intra-regional trade. Such an inquiry, supplemented by full disclosure of the shipping conferences' methods of work, is to create the basis for later measures to standardise freight rates and to establish an international supervision of the conferences by UNCTAD.

Information Instead of Regulation

The traditional shipping countries which over decades have developed and kept up the wide net of liner services and the conference system are now finding themselves in the paradoxical position of being the accused. They are to render account to the international Committee on Shipping about their practices and have perhaps to submit to international regulation of liner shipping.

The shipping conferences have no doubt to blame themselves partly for the threat to the conferences system which has arisen under the developing countries' pressure. Criticism of the conferences has been largely due to the lack of knowledge about their working methods. Much too long they have hidden their activities behind a cloak of strict secrecy, and they have done too little to develop relations with their market partners. Now they try to repair the damage done by publishing their tariffs; by explaining to their customers the reasons for any increase

in rates; and by discussing their rate policy with them. Again and again it has been shown that frank disclosure of information has turned even the strongest critics of the conference system into its supporters.

Just as much as the customers in other economic fields with oligopolistic or monopolistic price fixing, the users of shipping services believe that the conferences are unduly exploiting their market position for making excessive profits at the users' cost. The fact that freight rates are one of the last costing factors to be taken into account by the exporter in determining his delivered price leads too easily to the opinion that the shipping conferences alone—particularly where they are dominated by foreign lines—are responsible for all export difficulties.

Altogether there is an inclination to overrate the conferences' market power. Most shippers want stability of freight rates to plan production and business in advance and to avoid speculation about cost of transport. They also demand equal treatment vis-à-vis their competitors and want to be sure that these competitors cannot undercut them with the help of lower freight rates. The unstable conditions of some shipping routes—rate-cutting, hidden rebates on rates, preferential treatment of certain users—make it quite clear, however, that some conferences do not even possess that minimum of market power which is needed for safeguarding the desired stability of tariffs.

Dealings in accordance with the principle of securing the highest possible profit, such as has been established in economic text books, have hardly been proved in the shipping conferences' practice. Such an approach would, theoretically, secure for them the highest possible rates, but this without receiving cargoes and therefore without any yields. Rather is it in the interest of the conferences if freight rates, provided they are economical for the shipowner, enable the shippers to carry out their export business.

The future of the conferences will much depend on removing the prevailing distrust by giving information freely to the public. The conferences have already evolved consultative procedures to deal with users' complaints and demands in an unbiased manner. Such understanding on a voluntary basis between the two parties which are directly involved will also be possible in the developing countries if the relations between users and conferences are not regarded as a clash of interests but as a co-operation based on mutual interests. The traditional shipping countries have it in their hands to convince the developing countries that official regulation of shipping, for instance under the supervision of UNCTAD, is not the right way to support their economies.

The multitude and diversity that exist among the interests engaged in shipping also prevent the development in UNCTAD of that institutional confidence which an international organisation needs for carrying out the desired regulation.