

Wagner, Wolfgang

Article — Digitized Version

Discrimination by shipping conferences?

Intereconomics

Suggested Citation: Wagner, Wolfgang (1972) : Discrimination by shipping conferences?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 8, pp. 234-236, <https://doi.org/10.1007/BF02929583>

This Version is available at:

<https://hdl.handle.net/10419/138681>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Discrimination by Shipping Conferences?

by Wolfgang Wagner, Hamburg

Shipping conferences have for years been under heavy attacks from developing countries. It was with a view to finding out whether there was any justification for these grievances that the HWWA-Institut für Wirtschaftsforschung — Hamburg (The Hamburg Institute for International Economics) prepared a wide-ranging inquiry for the Federal Ministry of Transport, the most important results of which are summarised in the following article.

International shipping policy reflects the increasingly strained relations between the Western industrial states, the socialist nations with their trade monopolies, and the developing countries. The existing maritime shipping order, based as it is on the interdependence of freely functioning markets, is being increasingly challenged. Shipping is more and more regarded as a means of achieving pre-determined superior economic objectives.

Developing countries (LDCs) are in this respect particularly active. Because of their geographical position and the small extent of their commercial exchanges with each other, these states are vitally dependent on their trade with industrial countries. In addition, exports from LDCs consist predominantly of one or two raw materials which are either exposed to the risk of being substituted by synthetic products or are in competition with the raw materials of other countries. In both cases their competitiveness depends not only on their quality and the particular country's ability to deliver them, but also on the price they fetch in the consumer markets.

Seen against the background provided by the special trade situation of the LDCs, the massive attacks that have been directed for years by the "Third

World" against foreign shipping companies must be given considerable weight. Particularly exposed to such reproaches are the (frequently international) cartels of shipping lines, the conferences, which in the case of some raw materials carry an essential part of the exports from developing countries and in which the fleets of the "classical" maritime countries play a dominant role. Broadly speaking, the LDCs do not dispute the importance of these conferences as a means of organising and coordinating international shipping lines; what they object to in particular is their price-fixing policy. This policy, it is maintained, is dominated by national interests of foreign countries, the rates being frequently manipulated to the detriment of foreign trade and to the disadvantage of developing countries.

These accusations have been the subject of a comprehensive study which was completed on behalf of the Federal Ministry of Transport early in April. The principal objective of the inquiry

¹ H. Sanmann, D. Kebschull (heads of the research team), K. Fasbender, W. Wagner with the cooperation of J. V. Bethke and H. Dornbusch: "Das Argument der Diskriminierung von Exportländern, insbesondere Entwicklungsländern, durch die Frachtratenpolitik der Linienschiffahrtskonferenzen" (The argument that the freight-rate policy of shipping-conferences is discriminating against exporting, and particularly developing, countries). — HWWA — Institut für Wirtschaftsforschung, Hamburg 1972.

was to look into numerous conference tariffs for export products of LDCs with a view to finding out whether any discriminations do in fact occur. Apart from this, discussions extended to the basic preconditions for a discriminatory policy on rates, and the effects of unequal rates on the development of the export trade of specially selected LDCs were also examined. The following remarks are based on the findings of this study.

Discriminatory Rates

Shipping conferences can reasonably be accused of discrimination only where they charge different rates for goods that are at least similar. And even in such cases differences in freight rates are not necessarily discriminatory. They may be objectively justifiable (and thus non-discriminatory), if they are due to corresponding differences in costs. It follows therefore that shipping conferences can rightly be blamed for discriminating against individual countries only, if differences in freight rates for the shipment of like or similar goods have not been caused by corresponding variations in costs.

Discrimination against individual and particularly developing countries cannot be excluded in principle, and this for the following reasons: On the one hand, the shipping space owned

by the Third World will not be sufficiently large in the foreseeable future to enable them to dispense with the services of the traditional shipping nations. On the other hand, the export structures of developing countries force them to a large extent to rely on liner traffic and thus on the conferences. The only exceptions are the states whose exports consist largely of bulk goods like, for instance, oil, iron ore, bauxite or aluminium. One final point to be taken into consideration is the fact that the freight-rate policy of the conferences is directed towards maximising profits in the long run. The correlation between "profit-maximising" and freight-rate policy is therefore a direct one: the rates charged for individual goods determine

in part the degree of success to be achieved and are to this extent an action parameter of decisive importance.

In reality, however, the scope within which a discriminatory rate policy can be pursued is rather narrow everywhere. It is true that conferences, working according to commercial principles, are pursuing an objective according to the dictates of private enterprise, i. e. profit maximisation, and yet *deliberate* discrimination against certain countries or groups of countries would be alien to these conferences inasmuch as such discrimination would be against their international character. On the contrary, these very conferences, because of their commercial objectives as well as their

international character, have so far been largely instrumental in levelling out diverging national interests in the shipping business in the face of growing state participation in maritime traffic. For these reasons the minority of national lines belonging to, say, the developing countries or lines that are not members of any conferences need not of necessity be regarded as constituting any threat.

Moreover, there is plenty of evidence to show that the monopoly position of the conferences is anything but strong, for it can safely be assumed that the potential or actual competition with outsiders (i. e. lines that are not bound by conference-rates) as well as with tramp shipping is on average keen enough to

Net Freight-rates for Selected Goods and States Wishing to Ship Them to the Hamburg-Antwerp Range

(Position as per 1. 12. 1971 in US-\$ and DM, respectively)

Product	Exporting Countries	Net rate	Export - Ports	Distance between Port of Loading and Hamburg in nautical miles.	Net rate per 100 nautical miles in US-\$ / DM	Product	Exporting Countries	Net rate	Export - Ports	Distance between Port of Loading and Hamburg in nautical miles.	Net rate per 100 nautical miles in US-\$ / DM
Concentrated Juices 1)	Greece	(1000 kg) 69.93 DM	Salonica	3,360	2.08	Cocoa	Dominican Republic	(1000 kg) 50.67 \$	Santo Domingo	4,340	1.17
	Israel	(1000 kg) 100.00 DM	Haifa Ashdod	3,694	2.71		Ecuador	(1000 kg) 53.10 \$	Guayaquil	5,940	0.89
Cotton	USA	(1000 kg) 60.63 \$	New Orleans/Galveston	5,225	1.16	Wood (Sawn-Timber)	Ivory Coast	(m ³) 27.86 \$	Abidjan	3,983	0.70
	UAR-Egypt	(1000 kg) 26.87 \$	Alexandria	3,444	0.78		Tanzania	(m ³) 24.93 \$	Dar-es-Salaam	8,773	0.28
Raw tobacco	Brazil	(1000 kg) 274.55 DM	Salvador Porto Alegre	4,837 6,398	4.89	Tea	Ceylon	(40 cu. ft) 31.41 \$	Colombo	10,937	0.29
	Greece	(1000 kg) 155.50 DM	Salonica	3,360	4.63		India	(40 cu. ft) 29.06 \$	Calcutta	12,187	0.24
Coffee	Brazil	(1000 kg) 54.03 \$	Santos	5,705	0.95	Jute	East-Pakistan	(40 cu. ft) 25.74 \$	Chittagong	12,187	0.21
	Guatemala	(1000 kg) 47.60 \$	Santo Tomas de Castilla	5,295	0.91		Thailand 2)	(40 cu. ft) 23.22 \$	Bangkok	12,891	0.18
Beef (frozen)	Argentina	153.00 DM (Boneless) (1000 kg) 170.00 DM (Bone In)	Buenos Aires	6,619	2.31	Rice	Thailand	(40 cu. ft) 31.31 \$	Bangkok	12,891	0.24
					2.57		Chinese Peoples' Republic	(40 cu. ft) 19.89 \$	Shanghai	14,274	0.14
	Brazil	160.00 DM (Boneless) (1000 kg) 180.00 DM (Bone In)	Santos	5,705	2.80						
					3.16						

¹ Average rate without quantity discount. ² For outward shipments from Hamburg to Thailand and the Chinese Peoples' Republic the net freight-rates for machines are 56.63 US-\$ per 1,000 kg and 50.89 US-\$ per m³, respectively (Thailand), and 31.59 US-\$ and 28.13 US-\$, respectively (Chinese Peoples' Republic).

Source: German shipping companies upon inquiry.

ensure that tariffs are on the whole relatively close to costs. The power of the conferences over the freight market is therefore by no means unlimited; in fact, looked at from the global point of view of the world's maritime trade, these monopolistic powers are just about sufficient to fix rates. On the other hand, it is by no means impossible that the monopoly position, relatively weak though it is on average, may yet be strong enough to realise respectable monopoly profits from individual rates or particular routes.

Analysis of Rate Disparities

Although complaints by LDCs about rate-discrimination are frequent, these complaints are rarely substantiated by concrete evidence. On the rare occasions when such evidence is produced it is confined to a mere comparison of freight rates. There are however several reasons why the mere existence of rate disparities is in itself no adequate proof that discrimination is in fact practised. For

☐ such comparisons frequently make no allowance for the fact that the classification of goods in the conference tariffs makes straight comparisons between different groups well nigh impossible. So great is the variety of the goods to be shipped that the groups into which they are lumped together for tariff purposes are by no means always uniform. A straight comparison between individual tariff items ignores this fact and thus frequently does not compare like with like;

☐ where freight charges are calculated according to weight, size or value, the tariff itself does not indicate which method of calculating the freight for a certain product or group of products has in fact been applied;

☐ lastly there are numerous cost factors that may well cause differences in rates.

The above-mentioned study has examined eleven cases which, for a variety of reasons, but mainly because of the great rate disparities they revealed, looked suspiciously like rate-discrimination (see Table).

Because of the predominant part raw materials play in the export of LDCs, the cases selected for examination refer almost exclusively to goods of this category. As a rule what was analysed was the disparity in the rates charged for each product originating from two different states — preferably LDCs — for shipment to the Hamburg-Antwerp range². The purpose of the examination was to find out whether the disparities in the rates which could not be accounted for by differences in the distances could be justified by some other cost-factor such as length of journey, harbour dues, cost of lading, size and quality of the ships employed, and the degree the ships' capacity was used.

This analysis failed to produce any convincing proof of discrimination; nearly all rate disparities could be fully or largely explained by one or the other of the above-mentioned cost-factors. It must be pointed out, however, that the inquiry was made with reference to a specific date (1. 12. 1971) and was confined to the Hamburg-Antwerp range. Caution is therefore indicated in drawing any general conclusions from these results in regard to traffic between third countries and other dates of reference.

Freight Charges and Exports

The fact nevertheless remains that more or less pronounced disparities exist between the

rates charged different countries for comparable goods. As in individual enterprises freight charges are a determining factor in calculating the price of goods, large differences in freight rates may well be decisive for the sales chances of the goods in question. Whether the differential rate is justified or not in no way alters its potential influence on the product's marketability, always provided, of course, that the goods concerned are truly comparable and that the supply-and-demand situation is highly sensitive to even small price changes.

It is frequently open to question whether differences in freight charges per se are sufficient to produce a lasting effect on supply and demand or bring about a change in producer and consumer attitudes. It must never be forgotten that the demand for a product does not depend on its price alone; other determining factors are: the consumers' requirements as to quality, the influence of fashion and taste, increasing competition by substitutes in the raw-material sector, political influences and/or traditional links between the exporting and the importing country.

It must moreover be borne in mind that export-products of developing countries — and this applies equally to raw materials and other basic goods — are by no means always burdened with high freight costs.

The question, therefore, of whether, and if so to what extent, freight charges adversely affect the competitiveness of certain goods and of certain countries in individual markets can be answered only in each individual case, and the answer may vary from product to product and from market to market.

² The most important ports the Hamburg-Antwerp range comprises are: Hamburg, Bremen, Amsterdam, Rotterdam and Antwerp.