

Christiansen, Uwe

Article — Digitized Version

## Questions of shipping policy

Intereconomics

*Suggested Citation:* Christiansen, Uwe (1979) : Questions of shipping policy, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 2, pp. 65-67, <https://doi.org/10.1007/BF02930198>

This Version is available at:

<https://hdl.handle.net/10419/139595>

**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.*

# Questions of Shipping Policy

by Uwe Christiansen, Hamburg \*

**The states of the Third World will reassert their many known demands for improved integration in the international economic exchanges at UNCTAD V to be held in Manila in May and add new ones to their list of requests. It is clear from the first discussion papers prepared for the conference by the UNCTAD Secretariat that the sea-borne traffic will receive more attention in this catalogue of demands in future.**

A study of the UNCTAD Secretariat on the participation of the developing countries in world trade and the world's mercantile marine<sup>1</sup> notes that Third World countries export 61 volume % of all cargoes moved across the seas but own only 8 % of the shipping space available in the world. The disparity was most marked in vessels for liquid and dry bulk goods; 90 % of all tanker cargoes and more than a third of the major dry bulk traffic consisted of goods exported from developing countries but less than 6 % of the tonnage employed on such voyages was theirs.

Ship-owners and multinational enterprises of a few industrial nations are held responsible for this situation; they are said to control the sea-going traffic in all its sections to the detriment of the Third World. Their dominant position was unjustified, not only because they could dispose of more shipping space than was actually needed to handle the trade generated by their countries, but above all because the vessels plying under their own national flags were less and less competitive; high internal wage costs were compelling them to resort increasingly to the employment of "cheap" labour of the developing countries while availing themselves at the same time of flags of convenience which offered protection from taxes and operated on generally more advantageous terms.

A reorientation of the international relations in the field of shipping was therefore to be aimed at in conformity with the principle of international division of labour. A concept, applicable equally to liner and bulk shipping, should be evolved which was conducive to expediting the implementation of the decisions taken at UNCTAD III in Santiago de Chile already, namely, to secure a

growing and substantial proportion of the sea-borne transports for the developing countries.

The authors of the study do not however confine themselves to this demand alone but present a whole list of measures which does indeed amount to a comprehensive concept.

1. In continuation of the efforts for participation which previously focused on liner shipping — the UN code of conduct for liner conferences may be regarded as a first response to the Santiago resolutions — two objectives are singled out for simultaneous realization. One consists of suitable action to force the existing shipping conferences to adopt cost-cutting procedures so as to lower the freight rate level which is considered "unduly high". There could be less frequent services operated with vessels of smaller carrying capacity — possibly through cooperation arrangements — to match more closely the actual requirements of the developing countries. Secondly, it was imperative that self-determined principles and guidelines should be formulated at the same time for the shipping policy to provide liner services in accordance with national interests and free from foreign control because participation in conferences which were dominated by the traditional shipping countries had been largely proved to be inappropriate if not actually harmful to the establishment of merchant fleets by the developing countries.
2. Seeing that the efforts for adequate participation in liner shipping have up to now been relatively unsuccessful, the Secretariat believes that in future priority should be given to the "neglected" area of dry and liquid bulk goods. Such a shift of emphasis would offer better short- and medium-term chances to the developing countries because of the composition of their export trade and because this market

\* Chamber of Commerce.

<sup>1</sup> Merchant Fleet Development, Report by the UNCTAD Secretariat, Oct. 23, 1978, UNCTAD/Ship/127 (Prepublication text of a document TD/222 prepared for the 5th Session of UNCTAD).

was easier to enter than the liner shipping. Moreover, it gave the Third World states an important opportunity to abandon the passive role of mere raw material suppliers and to exert an active influence on what happened in the markets.

In this connection the developing countries are advised to seek, for a start, entry into the international bulk market in the raw material sections in which regular shipments from certain ports to others ensure continual employment for vessels plying under their national flags. For this purpose it would be necessary to transfer the power to make arrangements concerning transports of this kind, which had hitherto been usually reserved to foreign concessionaries, at least as to 50% to the developing countries. The freight assured to them in this way would however be insufficient to give them a larger share as claimed in the long term. Shuttle services should therefore be employed in addition for raw materials which were hitherto carried by tramp ships at irregular intervals. Finally, consideration should be given to the transfer to developing countries of the major part of the cargo-carrying rights existing between two partners if the industrial trading partner was no longer able to carry out his transports "economically" under his own flag.

3. In anticipation of possible reactions to these repartition proposals on the part of the traditional shipping countries the authors of the study assume that the set of instruments which they propose for liner and bulk shipping will need supplementing by flanking measures to contend with counteracting initiatives of the industrial nations. Suitable steps should be taken in particular against the existence of the "open registers" conceded by some countries because they gave to western shipping enterprises an opportunity, especially through their tax advantages, of continuing under foreign flags activities which would otherwise no lon-

ger be competitive without ceding their powers of disposition to the register countries or at least giving them an appropriate share in such rights.

As a short- to medium-term objective the study recommends to slow down or stop the further expansion of the tonnage operating under this regime — at present about one-third of the world merchant fleet — by imposition of stricter preconditions on the removal of ships from national registers and their use under different flags. In the long term the aim should be to do away with the open registers altogether because this alone could guarantee that the western ship-owners subject to abiding cost pressures would feel constrained when building up shipping enterprises in developing countries to give consideration to the demand for participation of these states.

4. Recognizing that the establishment and expansion of national merchant fleets by this route will probably be a relatively slow process, the authors of the study urge improved access to the international financial markets for Third World states so as to enable them in the short term, in the framework of development aid not only to indent upon new ship-building programmes as carried out by the industrial nations in support of their national shipyards, but to draw besides on adequate credit lines for the purchase of second-hand ships at advantageous prices. Finally, they do not fail to refer to the potential opportunities arising from the existence of a national ship-building industry.

The claims and demands in the sphere of shipping policy as formulated by the UNCTAD Secretariat are the most comprehensive initiative to date for a new order in the international shipping markets. They are at the same time an effective complement to the strategic concept on which the states of the Third World have been acting for some time in order to bring about a thorough

## **WELTKONJUNKTUR DIENST**

Annual subscription rate  
DM 60.—  
ISSN 0342-6335

This quarterly report — compiled by the Department on Business Cycles and Statistics of the Hamburg Institute for International Economics — analyses and forecasts the economic development of the most important Western Industrial nations and on the international raw material markets.

**V E R L A G   W E L T A R C H I V   G M B H   -   H A M B U R G**

change in the world economy. With the perfectly legitimate aim of advancing the social and economic development of their countries and to assure themselves of the support of the "rich" industrial nations in this endeavour, they confine their demands no longer to a New International Economic Order permeated with ideas associated with planned economies and to access on equal terms to the seas and the raw materials supposedly to be found at the bottom of the seas. In future they are likely to extend these basic claims to integration with the world economy to the sphere of the sea-borne transports induced by the exchanges of goods.

This looming challenge is no cause for deep pessimism in the traditional shipping countries. In appraising these claims it has to be noted first of all that they are only a basis for discussion and rest on an analysis of the situation which must still be proved to be realistic in the light of the effective market conditions. There is in any case some reason to doubt that the proposed measures will ever be made official. The developing countries ceased long ago to be a homogeneous community united by a feeling of solidarity. That there are "haves and have nots" with different and in part diverging interests is not a new discovery and the sea-borne traffic does not enjoy an exceptional position in this regard. If the developing countries in their entirety adopt the theses of the UNCTAD Secretariat, not all of them will therefore be winners. This being the case, an appeal to the potential losers amongst them to take a joint stand against these latest dangers threatening the international shipping industry should have some chance of success.

The chances for such a common stand will presumably be the greater the more successful the industrial nations will be in convincing these developing countries of the harmful consequences to them of dirigiste repartition measures. The planned actions for "increasing the efficiency" of the liner conferences for instance could easily have the opposite of the desired effect, and whether the freight control measures intended for application to bulk shipping to secure cargoes will not raise freight rates in the long run is also at least open to question. Many questions have also been left unanswered in regard to the problems of flag transfers: why for instance do even some Third World states avail themselves of the advantages of the "open registers" for their own flags? Moreover, since there exists excess tonnage in all sections of the shipping market and this is not likely to be wiped out in the medium term, it may be doubted whether financial assistance for developing countries setting up national merchant fleets is at present really in their inter-

est, for there is a risk that the ships may not find employment.

Detailed and extensive studies will obviously be required to elucidate the market situations in liner and bulk shipping before thought can be given to measures for changes in the sea transport structures and ownership relations. There is no denying on the other hand that the western shipping nations will not be able to resist on principle the wish of the developing countries for their own merchant fleets and adequate participation in the carriage of their "own" cargoes. There would be no rational grounds for the adoption of such a negotiating position because the industrial states themselves have time and again voiced such demands and taken measures for their enforcement. One need only recall the obligatory notifications recently introduced by the EC and the USA.

In other words, the western shipping nations can hardly avoid recognizing the demands of the Third World, insofar as they are aimed at improving the economic position of the developing countries, as in principle justified; otherwise they will again be in the dock as far as the developing countries are concerned. Omissions are the tractors of revolution, according to a Russian saying. Any show of reluctance by the industrial nations to have talks and make concessions could have this effect and lead to fresh North-South clashes. This must not happen.

The industrial states will presumably be the more willing to make concessions and agree to structural changes if the adjustment charges to be shouldered by them as a result are kept within limits and an abrupt and radical transformation of the currently prevailing "power relations" can be avoided. Not only must all shipping countries be allowed time and opportunities for adjustments and a way be found around decisions which involve transport quotas in individual raw material sections and the creation of government bureaucracies for freight control and surveillance, but there is another indispensable prerequisite, namely, observance of the principle that the new order of the shipping markets desired by the developing countries must be capable of evolving on a basis of self-regulation, and this means under market-economic conditions.

It will be one of the primary tasks of the industrial nations in Manila to make sure of this. The traditional shipping countries must act in unison with this aim in view so as not to afford support to the current trend towards a relapse into bilateralism. Any move in the direction of dirigisme would tend to impair the as yet free choice of transport carriers.