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TOWARDS A SHIPPING POLICY FOR THE EEC

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Introduction

Mr. Chairman, Ladies and Gentlemen:

I am pleased and honoured to have been invited to make some introductory remarks at this Seatrade Seminar. The Commission congratulates "Seatrade" on organising a seminar on the subject of Community shipping policy. At the risk of demonstrating unseemly professional distortion, may I say that the subject seems to me an excellent one and that the organisation of a seminar on it at the present moment is most timely. It gives me the opportunity, for which I am grateful, of offering some I hope reasonably connected remarks on the question of Community shipping policy as a whole; this is indeed the first time that a Member of the Commission has attempted to treat this subject in an overall way in a public address.

2. The seminar should provide scope for discussing in some detail specific shipping policy problem areas which it might be sensible to tackle at Community level. I shall I hope be forgiven therefore if, initially at least, I confine myself to more general issues relating to the possible rôle of the Community in shipping affairs ; proceeding then, I hope, to illustrate how the Commission's approach to specific issues fits into that general framework.

Why should the Community interest itself in Shipping Policy?

3. Perhaps, therefore, I might begin by asking why the Community should interest itself in shipping policy at all. A few years ago the right answer might well have been "Why indeed?", and I think the question is still a fair one, which it is particularly appropriate to put to oneself at the end of a holiday period during which events may have been seen in a truer perspective and the tendency to overrate the importance of one's own work and institution may have sunk to a minimum. Objectively, then, it seems to the Commission that there are now indeed a number of reasons why not only the Commission - which might be accused of having a special interest in the matter - but also I think the Member State Governments and both sides of the shipping industry of the Nine correctly believe that Community shipping is today in a situation in which it is right to explore very seriously the possible role of the Community in tackling a number of the problems which beset it.

4. First, the enlargement of the Community in 1973 brought in two countries, Denmark and the United Kingdom, with a major interest in shipping, including a particular interest in carrying other nations' trade as cross-traders. With enlargement, Community owners controlled almost a quarter of world shipping. At the same time, shipping became much more important for the carriage of trade between the Member States themselves. The further enlargement of the Community - Greek and Spanish entry in particular - will considerably increase once more the interest of the Community in the creation or maintenance of conditions in which its shipping can operate efficiently and profitably.

5. Second, the Court of Justice's Judgment of April 1974 that the general rules of the Treaty of Rome apply to shipping and air transport just as much as to land transport and indeed to the rest of the economy settled a long-standing difference of view between the Commission and a number of Member States about the extent to which shipping can be said to fall within the scope of the Treaty. Shipping is, indeed, not to be regarded as a special area kept outside the Community's integration process. The specific articles of the "transport" section of the Treaty are not exceptions from but additions to the general rules.

6. Third, the Community's shipping industry finds itself faced with a number of problems caused by the policies and activities of certain third countries - problems in respect of which it seems profitable to examine whether the Community might be able to act more effectively than Member States individually or supplement Member States' own activity.

7. Against this background the Commission started the ball rolling in 1974 by proposing to the Council of Ministers that any action in respect of the UNCTAD Code of Conduct for Liner Conferences, then just adopted, should be common action taken on the basis of Community agreement rather than unilateral action by Member States individually. That particular issue remains on the table and I will say more about it shortly. The point I want to make at the moment is that discussion of it by the Member States and the Commission together, notably in the Transport Question Group of the Council of Ministers, and similar discussions since then of many other issues, have created a firm habit of

working together in Brussels in search of a Community approach to problems of mutual interest in the field of shipping policy. Member State officials now find it natural and, I hope, to some degree profitable to discuss problems of mutual interest at Community level and in particular to consider seriously specific action proposals put forward by the Commission. At the same time the shipowners, shippers and seafarers of the Community have organised themselves at Community level in order to be able to present to the Commission and to Member State Governments a collective view at the level of the Nine. This shows that discussion of shipping problems within the specific framework of the Nine is also regarded as relevant by both sides of the shipping industry and by its customers.

8. Moreover, it seems that elsewhere in the world too, the Community is regarded as a relevant grouping for shipping policy purposes and that there are hopes that it will succeed in giving a lead to others by reaching a common approach to a number of pressing shipping policy problems - in particular, perhaps, the future of world liner shipping.

What shipping policy should we go for?

9. The current search for a Community approach to major shipping policy problems is, therefore, sensible and relevant. But what sort of policy approach are we looking for? I do not find it at all easy to offer a general answer to this question. Part of the difficulty arises from the fact that the Member States of the Community are a very mixed bunch in shipping terms. Some are major shipping nations which, in addition to carrying much of their own trade, also carry large volumes of other people's trade as cross-traders and naturally want to go on doing so. In other Member States shipping has in the past been much less important, but some of these strongly desire to increase their participation in shipping, particularly in the carriage of their own liner trade. These differences of interest have been specially apparent in the course of the Community's attempt to reach a common approach to the Liner Code of Conduct problem.

10. Few might disagree, however, with the proposition that it is in the Community's interest that the Member States, taken together, should continue to play a mjaor rôle in world shipping. There are many reasons for this. First, shipping is a significant industry in its own right, a sizeable employer of labour and a very important contributor to the balance of payments. Second, the possession of shipping resources has obvious strategic value in a number of ways. Third, the trade argument. The Community is the largest trading partner in the world. It accounts for 40% of world trade. External trade accounts for a quarter of its GDP. 90% of its trade with third countries goes by sea. So the Community has a fundamental interest

in the efficient movement of international seaborne trade and it is important that its own fleets, which have proved their efficiency, should continue to be able to make a major contribution to the cost-effective movement of this trade, including, of course, trade among the Member States themselves.

11. So we need, as a Community, to retain a large and efficient shipping industry. Unfortunately, this is exceedingly difficult to achieve in present circumstances, characterised as they are by two kinds of adverse factors. The first of these is naturally the gross and prolonged imbalance of supply and demand in many branches of shipping, which is making it very difficult for many operators to keep going until better times come. The second problem is that the shipping policies of many third countries are clearly inimical to Member State shipping interests to the extent that they restrict the scope for our fleets to compete for cargo on a commercial basis. These restrictions take the form, depending on the point of the compass to which one turns, of flag preference, non-commercial competition, and the prevention of cost-effective organisation in liner shipping.

12. In the Commission's view Community shipping, and, at least as important, Community seaborne trade, which is what the ships are there to carry, stand to gain from the preservation, so far as possible, of a liberal approach to the organisation of shipping services, an approach under which commercial efficiency, and not flag or subsidy, determines

who carries what. This attitude is of course entirely consonant with the belief, reflected in the Treaty of Rome, that a liberal organisation of our economies and our trade in general tends to promote the economic welfare of the Community and of its trading partners. The Commission believes that the adoption of the same approach in the shipping field produces the most efficient shipping services at the lowest resource cost, and it will argue for this approach both within the Community and outside it. In addition to this general argument in favour of the liberal organisation of shipping resources, there is the specific argument that, within the OECD area, and in the field of liner shipping, our ships carry more trade than they would probably carry if their entitlement were based on the cargo generated by the Nine. In other words, we carry efficiently a lot of the trade of the rest of the developed world and we want to go on doing so. Why should not the international division of labour, and its benefits for the general enrichment, apply to the provision of transport services just as much as to other economic activities - provided, of course, the basic economic régime and commercial disciplines involved are comparable?

13. Unfortunately, when a country, or a Community, says "We believe in the freedom of the seas", another country can at once reply: "Well, I don't", or, slightly more subtly, "So do I, but on my own terms". And it is of course the case that today the conditions in which our shipowners could operate efficiently and profitably are frequently either removed at a stroke, by flag discrimination measures, or abused by operators taking unfair advantage of the freedom which remains.

14. So it is obviously not enough to press for a liberal approach to shipping. Nations which stand to gain from such an approach need also to equip themselves with instruments for reacting effectively to the policies of nations with other interests and convictions. Most of our Member States have in fact equipped themselves with various means of defending their own shipping interests and it is pretty clear that action at Community level could increase the effectiveness of these instruments.

15. In broad terms, therefore, the general approach to shipping policy to which the Commission inclines is one involving the maintenance so far as possible of a liberal approach to the provision of shipping services, backed up by the capacity to protect, where appropriate by action at Community level, our essential shipping and trading interests in circumstances where other countries are no longer willing to play the game our way. I stress that in such cases we are searching not for confrontation with such countries but for a modus vivendi with them. We want to cooperate with non-Member countries in a constructive way and we attach great importance to maintaining good relations in shipping with the rest of the OECD and with the developing countries.

16. It has been suggested, Mr. Chairman, that the Commission should, against some such general policy background, work out and propose to the Council a "global shipping policy" of a comprehensive kind, covering the whole range of policy problems presented by the activities of certain third countries, as well as the whole field of the inter-relationships between our fleets, for

within the Community. In the Commission's view, however, there would not be much point politically in evolving proposals for a global shipping policy, as it is hardly conceivable that the Council of Ministers should accept such proposals en bloc. No, the Commission needs to be more modest and pragmatic - which still leaves the scope and the need to be bold. In my view the Commission's role is rather to explore with the Member States, the shipping industry and shippers, against the background of the general policy aims which I have mentioned, the scope for useful Community - level action in specific problems areas; taking full account, naturally, of Treaty possibilities and requirements but striving all the time to make proposals which are economically and politically relevant and realistic. We are not pressing for a series of Community actions in the field of shipping policy simply because the Community and the Commission exist and have to justify their existence; but because it seems to us that there are areas where Community-level action can be of objective assistance to Member State shipping and trade.

Specific Policy Areas

17. Mr. Chairman, I have spent perhaps too much time on generalities, but I felt that it was necessary to give some indication of the Commission's general approach to the subject of Community shipping policy before describing briefly, as I shall now attempt to do, the specific areas in which there is currently activity at Community level in shipping. The rest of the seminar will, of course, provide ample opportunity for more detailed discussion of these specific topics.

a) The Consultation Procedure

18. The first concrete legislative action by the Council of Ministers in shipping was taken just a year ago, in September 1977, when it adopted a Decision setting up a consultation procedure designed to facilitate confidential discussion, by the Member States and the Commission together, of the relationships in shipping matters between Member States and third countries. This procedure, which supplements the normal facility for discussion provided by the regular meetings of the Transport Questions Group of the Council, has already been used several times, both in order to discuss the relationships between particular Member States and particular third countries, and in order to allow the prior preparation of the line to be taken by the Nine in wider international organisations concerned with shipping, such as the OECD and UNCTAD.

b) Liner Shipping Organisation

19. Liner shipping organisation, and in particular the question of the line to be taken by the Community on the UNCTAD Code of Conduct for Liner Conferences, has been at the centre of discussion of shipping matters within the Community ever since the text of the Code was adopted in 1974. This is an area where apparent differences of interest between the Member States are particularly evident, but where the Council of Ministers has specifically recognised the need for a common approach to be developed within the Community. In the Commission's view the right common approach would involve the ratification of the Code convention by the Member States, but with the adoption of a wider definition within the Community than the Code envisages of the concept of "national shipping line", and while preserving within the Community, and in as much as possible of the rest of the OECD, a commercial approach, subject to certain criteria, to the allocation of cargo to EEC and other OECD lines within conferences. The Commission's proposal to the Council along these lines was made last December in the form of a proposed Regulation.

20. Ratification of the Code by the Member States would bring it into force, and it seems likely that a number of other important shipping countries, several of which may currently be awaiting a lead from the Community,

would ratify also. In the Commission's view this development would have the advantages of bringing into force a potentially world wide system for liner shipping and thereby reducing the scope for unilateral and bilateral arrangements which are often contrary to our shipowners' interests. Developing countries would be able to carry a certain guaranteed share of their liner trade; the carriage of intra-OECD trade by OECD shipowners would continue to be organised on a liberal basis; and the provisions of the Code could be usefully applied to state-trading country owners where these operate within liner conferences.

21. I do not think it is any secret that the great majority of Member States is ready in principle to accept a common approach to the Code of Conduct along these lines, while one Member State is anxious to proceed further than the Commission has proposed in the direction of disapplying the provisions of the Code in intra-OECD trades. My hope is that this difference of approach will prove more apparent than real and that the November meeting of the Council of Transport Ministers will be statesmanlike enough to agree on the lines of a Community solution. There is no doubt that the only possible common approach involves modified endorsement of the Code of Conduct; the only question remaining is just what those modifications should be, including how to keep the trades between developed market economy countries on as much of a free and normal commercial basis as possible. I hope

that this question will be illuminated by the discussion which we shall have later in this seminar on liner conferences.

c) Shipping Relations with the State-trading countries

22. Next to the Code of Conduct problem, the question of relations with the state-trading countries, and in particular the Soviet Union, in the field of liner shipping has been the principal subject of discussion at Community level in the last two years. May I say here how pleased I am that Mr. Igor AVERIN has been able to come to the seminar and will be taking the floor later today.

23. Sufficient for me to make the point at the present time that the expansion of the Soviet general cargo fleet in recent years, particularly in the cross-trades, presents our shipowners with competition which they cannot meet on a commercial basis and which I have to describe as unfair from the Western point of view. In their cross-trades Soviet shipowners are able, by means not available in free enterprise economies, to offer on a long-term basis freight rates which our own shipowners cannot match except perhaps in the short term. Similarly, Soviet shipping is enabled, again by means which do not correspond to commercial practice as we know it, to carry the bulk of the bilateral general cargo trade between the Soviet Union and Member States. This amounts to abuse of the freedom of the seas, and in

the Commission's view the Community should equip itself to say to the Soviet Union "Thus far but no further" as soon as it judges that the Soviet presence in its liner trades has reached the acceptable limit.

In order to be able to say this meaningfully, as the first step in reaching a modus vivendi with the Soviet Union, the Community needs to be in a position to apply counter-measures affecting the activities of the Soviet fleet in our trades.

24. That is why the Commission sent to the Council in April this year a proposal for a Decision under which the Council would have required each Member State to monitor the liner shipping activites of State-trading countries, and would have taken the power to organise the concerted use of Member States' existing national counter-measure powers in relation to state-trading country shipping if and when it judged that the time had come for doing this.

25. The Council of Transport Ministers at its meeting last June decided in fact to adopt a more generalised Decision, related not specifically to state-trading country shipping but to the shipping of <u>any</u> third country whose shipping practices prejudice Member State maritime interests.

Under this Council Decision each Member State is required to set up, by January next year, the means of monitoring

third country shipping activities. The Decision also provides for the Council to decide subsequently to which shipping and to which countries the monitoring procedure should be applied, and to decide also on the concerted application of national counter-measures. The June Council also asked for proposals to be prepared for its November meeting for the actual application of the monitoring system, and work on this is now going forward within the Council framework.

26. In the Commission's view the Council's Decision of June represents a significant first step along the road of Community-level action in relation to third countries whose shipping policies harm our interests. The Decision was taken, incidentally, under Article 84, paragraph 2 of the Treaty, a provision which has been surrounded by controversy in the past but which is now, I think, quietly taking up its rightful place in the scheme of things.

d) Shipping safety and pollution prevention

27. The "Amoco Cadiz" disaster greatly increased pressure for action at Community level in the field of substandard ships, shipping safety and pollution prevention. This topic had already been brought forward at Community level by the French Government, and it had been in mind to give a Community dimension to the work on substandard ships which was then going on among a group of eight North Sea countries, including six Member States.

28. Since "Amoco Cadiz" the European Council has twice, in April and again in July, called for Commmunity-level action in the field of shipping safety and pollution prevention. The Commission has made several proposals and is preparing others, and the Council has taken a number of concrete decisions.

29. Briefly:

- the June Council of Ministers adopted a formal Recommendation to Member States that they should ratify by specified dates a number of key IMCO and ILO Conventions in the field of shipping safety;

- the Council also adopted a Declaration to the effect that the enforcement in Community ports of the safety standards laid down in the international Conventions should be improved. The Commission will make proposals in this field shortly;

30. Here I want to emphasise in particular that the Commission has no intention - or capability - of duplicating the work of IMCO, a succesful organisation for which the Commission and the Member States have the highest respect. Our aim is rather to identify areas where either:

- IMCO is acting, and concerted action by the Member States within IMCO might speed the achievement of its objectives;

- IMCO is not acting and the Community could usefully act.

e) Application of the competition rules of the Treaty to shipping

31. The problem areas which I have described so far, Mr Chairman, are areas where the Member States are collectively faced with problems arising from the actions of third countries. And it is in fact the case that relatively little attention has been paid so far in Community circles to intra-Community shipping relationships, in other words to the relationships between our fleets. There are, I think, excellent reasons for concentrating at the present time on the range of external problems which we face. Nevertheless, certain "internal" questions have got to be tackled, and the most urgent of these is no doubt the question of the application to shipping of the competition rules of the Treaty. It is well known that shipping and air transport are the only sectors of the economy for which no Council Regulation putting into effect the competition rules has been adopted; and it is the duty of the Commission to forward a draft Regulation to the Council as soon as it can. The Commission has a draft in preparation, and it hopes to send it to the Council in the autumn after further informal consultations with shippers, shipowners and Government experts.

32. I sometimes sense a degree of apprehension in Community shipping circles about the possible content of this proposal; so may I say that my aim will be that the proposal, while, obviously, satisfying Treaty requirements, should be regarded as positive and sensible by shipowners, by shippers and by Member State Governments alike. The Commission certainly recognises the stabilising role of liner conferences in ensuring reliable services in a volatile transport market, and it is not therefore in principle opposed to conferences.

f) Enlargement of the Community

33. Mr Chairman, before I close this account of specific issues from which elements of a Community shipping policy are emerging, perhaps I might say a word about the shipping implications of further enlargement of the Community, with special reference to Greek entry. My message is a simple one:

in the Commission's view the addition of the very large Greek fleet to the Community's shipping resources is greatly to be welcomed. The Community of Ten will have some 30 % of world shipping under its flags. We are also very anxious to welcome into the Community the spirit of Greek shipping enterprise. The spirit of commercial flair, enterprise and successful risk-taking which characterises Greek shipping activity is in my view sorely needed in the Community. At the same time - and I am sure that it is right to bring out this aspect - the Community also has a strong interest in welcoming into its midst a Greek fleet which is thoroughly up to the best international standards as regards safety and pollution prevention. The "Amoco Cadiz" tragedy has emphasised this requirement and I am sure that the Greek shipping authorities have the same interest as those of the Nine in improving shipping safety.

Concluding remarks

34. Mr Chairman, my remarks have already been too long; but I have now covered the main items which are currently under discussion in Community shipping circles as matters for potential Community action. It will not escape notice that these items constitute only a small proportion of the current major problem areas of shipping, as recorded in, for instance, a typical issue of "Seatrade". Indeed, they constitute only a small proportion of that smaller range of topics on which specific action at Community level might be desirable. What, for instance, about open register shipping? Apart from the "substandard ship" aspect, on which action is already in hand, is there a "flag of convenience" problem as such?

What about the problem of the tanker and bulk carrier surplus, of the differing organisation of coastal shipping from one Member State to another, of the differences between Member States as regards aid policy, conditions for the grant

of the flag and so on? What about the scope for linking shipping policy with the common commercial policy of the Community? What about the problem of United States shipping policy, an important topic to be considered later during this conference, but one on which the Commission has not, so far, taken the view that there is as yet a clear role for specific action at Community level? The Commission has, however, on occasion invited the United States authorities' attention to particular features causing concern; and it may be that Community action in some of the other areas already under consideration would increase the scope for Community action in the United States context.

35. Mr Chairman, it is clear that many other matters, in addition to those already under examination, might some day be ripe for tackling at Community level. But the Commission is not interested in proposing Community action where it would bring no benefit and where it is not a clear Treaty requirement. In all the areas currently being dealt with at Community level, the Commission believes either - as in the case of the competition rules of the Treaty - that action is juridically necessary; or - as in the other cases - that action at Community level could help to support the interests of Community shipping and trade. The Commission believes that this is a sensible approach given the very modest resources which are available within its Departments for developing shipping policy and given the pointlessness of making proposals for whose acceptance there is, both at present and potentially, inadequate political will in the Member States.

36. Mr Chairman, my confident hope is that this seminar will be a great success and will in particular stimulate the reflections of the Commission and those with whom it deals on this important subject of what should be the Community's shipping policy.

Brussels, 11 September 1978