

# **EUROPEAN BACKGROUND INFORMATION COMMUNITY**

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BACKGROUND NOTE

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## **COMMUNIST BLOC THREATENS EC CARGO LINER SHIPPING**

The European Community's cargo-carrying trade is threatened by increasing Eastern European competition that is seriously undermining the activities of the Community's carriers.

Richard Burke, European Commissioner for Transport, says that the countries of the Comecon group now have a virtual monopoly of shipping in their bilateral trade with Community countries and have already obtained about 20 per cent of the shipping trade on other lucrative routes, such as the North Atlantic and Mediterranean.

As the first step toward a resolution of this problem, the Transport Council of the nine EC nations decided this week--with a week's reservation from one nation--to set up procedures to monitor the Comecon liner operators using Community ports, collecting data on the services offered, the nature, the volume, the value, the origin and/or destination of cargo.

United States cargo carriers also find the competition from state-controlled carriers worrisome, and legislation is now being discussed in both the House of Representatives and the Senate to allow the U.S. Federal Maritime Commission to combat predatory rate practices. The Commission, the Community's executive/administrative branch, is proposing similar steps in Europe.

Further Commission proposals for action were discussed by the transport ministers this week. If adopted, these would:

- provide a framework in which efficient Community shipping companies could compete with the Communist fleets;

- enable restrictions to be placed on cargoes carried to and from Community ports in state-trading country vessels.

### The Shipping Problem

The Community accepts that the state-trading countries have every right to compete for the cargo-carrying trade, but Community cargo shippers protest that the competition is unfair. The non-market economies of Comecon countries protect their liner shipping trade practices from reflecting the true costs (including profit) of the market economy, according to the Commission studies, hence making it impossible for even the most efficient of the Community shipping lines to compete with them.

In addition, the Soviet Union and other Comecon countries impose administrative and trade barriers that prevent member state shipping lines from establishing agencies in their countries, although the state-trading countries are free to establish such agencies in the Community.

The result has been substantial undercutting of freight rates in trade between member states and third countries and between third countries, allowing Comecon operators to cream off the most profitable traffic and put member states' shipowners under constant financial pressure.

Since the early 1970s the Soviet Union has been swiftly expanding its cargo liner fleet and it has plans to expand still further. It now carries 95 per cent of its own bilateral trade with Community countries, and is becoming increasingly successful in cross-trades between third countries.

### Areas of Comecon Operations

Operating outside the international liner conferences, Comecon countries - mainly the Soviet Union, Poland and East Germany - are reported to have captured 18 per cent of the eastbound and 22 per cent of the westbound liner conferences' North Atlantic cargo traffic.

Their fleets carry between a fifth and a quarter of traffic between Northern Europe and the west coast of South America, between Gulf of Mexico ports and the Mediterranean, and the Europe-East African route.

They now also carry 12 per cent of traffic between Japan and the west coast of the United States. While these proportions are less alarming than the bilateral carrying figures, the Commission points out that they are likely to increase unless corrective action is taken.

This can only be done by governments, since Community liner companies have no effective way of competing successfully with the state-trading countries' fleets at commercial level.

Proposals for Action

Briefly the Commission's proposals for further action are:

- that the nine member states and the Commission should regularly examine developments;
- that the Council of Ministers, in certain circumstances and on a proposal from the Commission, should be empowered to place quantitative restrictions on cargo carried to and from Community ports in Communist vessels. These restrictions could be applied generally, by certain member states only, or in a specific area or trading range.

EEC Liner Fleets  
(source: UNCTAD)

BRITAIN	6.5 m tons
GERMANY	3.6 m tons
NETHERLANDS	2.1 m tons
FRANCE	1.6 m tons
DENMARK	1.4 m tons
ITALY	1.3 m tons
BELGIUM	0.3 m tons
IRELAND	0.04 m tons
LUXEMBOURG	-
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	17.2 m tons

(world total 73 m tons; USSR 6.5 m tons; USA 4.0 m tons)

London Times, April 21, 1978