

European Communities

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DOCUMENT 1-203/82

REPORT

drawn up on behalf of the Committee on Transport

on relations between the EEC and the COMECON  
countries in the field of transport policy

Rapporteur: Mr K.-H. HOFFMANN



On 17 January 1980 Mr Moreland and 26 co-signatories tabled a motion for a resolution pursuant to Rule 25 of the Rules of Procedure on the use of transport from the Comecon countries (Doc. 1-685/79).

On 18 January 1980 the motion for a resolution was referred to the Committee on Transport as the committee responsible.

On 28 February 1980 the Committee on Transport appointed Mr Karl-Heinz Hoffmann rapporteur.

The committee considered the motion for a resolution and the report at its meetings of 30 March and 30 April 1982.

The motion for a resolution was adopted unanimously on 30 April 1982.

Took part in the vote: Mr Seefeld, chairman; Dame Shelagh Roberts and Mr Kaloyannis, vice-chairmen; Mr Hoffmann, rapporteur; Mrs von Alemann, Mr Buttafuoco, Mr Cottrell, Mr Gabert, Mr Klinkenborg, Mr Moorhouse and Mr Moreland (deputizing for Mr Marshall).

Contents

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	8
I. General remarks	8
II. Rail	11
III. Road	12
IV. Inland waterways	14
V. Shipping	19
VI. Air	23
VII. Conclusions	24
Annex: Motion for a resolution tabled by Mr Moreland and others (Doc. 1-685/79)	26

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The Committee on Transport hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on

relations between the EEC and the COMECON countries in the field of  
transport policy

The European Parliament,

- A. having regard to the motion for a resolution by Mr Moreland and others (Doc. 1-685/79),
- B. having regard to the report of the Committee on Transport (Doc. 1-203/82),
- C. having regard to the earlier reports of its appropriate committees, in particular Docs. 89/78 and 51/79 and the resolutions adopted on the basis of these reports<sup>1</sup>,
- D. having regard to the opinion of the Economic and Social Committee on problems of transport between the European Community and Eastern Europe of 23/24 November 1977,
- E. in the hope of contributing to further détente and further improvements in East-West European trade,
- F. concerned at the increasing use of transport modes from the COMECON countries both in East-West European trade and in world trade in general,
- G. concerned at the emergence of an imbalance which operates increasingly to the disadvantage of Community transport undertakings because the Comecon countries actively exploit the advantages of free world trade while not granting the same advantages to Western transport undertakings under their centrally controlled state-trading system and centrally controlled transport system,
- H. concerned also at the fact that the lower prices, thanks to which the COMECON transport undertakings penetrate world transport outside the COMECON area, are not based on lower costs but on hidden subsidies from general public funds and therefore adversely affect the standard of supplies to the inhabitants of the COMECON countries,

<sup>1</sup> OJ No. C 163, 10 July 1978, p.49

<sup>2</sup> OJ No. C 140, 5 June 1979, p.171

1. Believes that only by concerted action on the part of the European Communities can the continued penetration of COMECON countries in the field of transport be halted and consequently calls on the Commission to devise and propose to the Council of Ministers Community measures to improve cooperation with the COMECON countries in the field of transport; in this connection a consultation procedure should be established and Community powers created in all the relevant fields of transport policy;
2. Regrets that the transport provisions of the Helsinki Final Act have not yet been implemented and that no progress was made in the follow-up conferences;
3. Calls on the Commission to examine ways of improving the situation by joint negotiations or ways in which the Community may support the Member States in bilateral and multilateral negotiations;
4. Calls on the Commission and the Member States to ensure that adequate attention is paid in all trade agreements to the Community's transport interests so that these do not take second place behind trade interests as has usually been the case in the past;
5. Insists that the principle of reciprocity be applied in relations with the COMECON countries as this is the only basis for the coexistence of the trade and transport policies of groups of countries with different economic structures;
6. Calls on the Commission to create as a preventive measure a set of instruments for Community counter-measures which can be implemented effectively if negotiations do not lead to the application of the principle of reciprocity;
7. Demands also that the Commission further expand the market observation system in the transport sector in order to create a real basis for negotiations and possible counter-measures; the system should also include combined transport undertakings such as the Trans-Siberian Container Line; overall, however, there is a need for concrete action rather than mere observation;
8. Stresses that under the principle of reciprocity Community transport undertakings must have an adequate share of bilateral transport and that they must not be excluded from transport between or with third countries as a result of various restrictions, artificial price cutting etc.;
9. Urges that an attempt be made through negotiations to ensure that the COMECON state-trading organizations also associate Community undertakings in their transport, even if they sell all the goods under the cif clause and buy them under the fob clause, which gives them the right to decide on the transport undertaking to be used;
10. Calls on the Commission to investigate the extent to which charges or taxes are imposed on Community transport undertakings in COMECON countries which the COMECON undertakings do not need to pay within the Community;

11. Points out that the administrative formalities at the COMECON borders are most time-consuming and expensive and that attempts must therefore be made to make progress through negotiations in this area too;
12. Calls on the Commission to examine without delay what Community measures can be taken to protect the employees of Community transport undertakings in COMECON countries and in particular to ensure their freedom of movement in ports and to repatriate them in cases of illness or when they are relieved of their duties for other reasons and when they are held in custody pending inquiries following road accidents;
13. Requests that the Community should also assert the principle of reciprocity in relation to the freedom to canvass for cargoes and the right of establishment, to ensure that COMECON transport agencies may only establish themselves or be associated in Community agencies and other transport undertakings in return for the same rights in the COMECON countries; here one might consider setting up agencies with representatives from transport associations and public authorities which could then negotiate with the COMECON transport authorities;
14. Points out that in the long term the real interests of transport users are no different from those of the transport undertakings in the Community and calls on the transport users not to work against transport interests for the sake of short-term advantages;
15. Notes that the problems created by COMECON in the field of transport are shared by many non-Community countries and, consequently, urges the Commission and Council to utilize European and International forums such as the European Conference of Transport Ministers for the purpose of achieving a strong international approach to the issue;
16. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission.

EXPLANATORY STATEMENTI. General remarks

1. Trade between the EEC and the COMECON (Council for Mutual Economic Aid) countries is expanding in the long term, a trend which is welcomed and desired by both sides. Unfortunately, however, there are still a number of imbalances and differences in this trade. Most COMECON countries find it difficult to balance their trade with the West, which is why they are always raising large loans and trying to save foreign exchange by linked transactions or to force out Western undertakings by applying control measures in service transactions as a means of making up for their trade balance deficit in this sector.
2. Unfortunately, this policy of the COMECON countries has a very damaging effect on Western undertakings in the transport sector.
3. In fact the EEC countries adopt a rather conciliatory attitude in government negotiations because they accept the argument that the Eastern European countries need foreign exchange in order to equalize their balance of payments. Export interests usually predominate, during such negotiations to the detriment of the Western countries' transport interests. In future this trend should be reversed and negotiations on trade agreements, whether conducted by the Member States or the Community, should be used to promote the transport interests of the Community.
4. In the long run this situation should not be accepted, since foreign exchange is not the only problem involved. There are other reasons why the COMECON countries want to prevent Western undertakings from participating in goods transport where possible. Among others they are aiming at the peaceful infiltration of Western countries and markets, to which there could be no objection if in return they allowed free economic contacts in their own countries. In fact, however, they firmly protect their territory from Western trading and transport activities. They can do so because both trade in state monopolies and transport, under their integrated territorial transport planning system, are centrally controlled.
5. Central planning often introduces an element of uncertainty into transport arrangements with the COMECON countries because mistakes in planning cannot be corrected as readily as in a free economy. The periodic shortages in COMECON countries are partly due to transport problems. Western undertakings can hardly ever help out because of the protectionism in the transport sector.
6. The COMECON countries on the other hand exploit the freedom that exists in world trade and world transport.

Given the centrally controlled structure of their economy and transport system, the COMECON countries are able to squeeze competitors out of the market by setting unprofitably low rates which they can maintain for years. There is no doubt that once the Western competitors have disappeared from the market, the state-economy countries will raise the transport tariffs charged to Western freight companies sharply, and will eventually push them up to excessive levels. This will be done with as little regard for cost as ever. In that sense the state monopoly can conduct itself in a way which would only be possible in the West in extreme monopoly situations, which, however, are no longer permitted in any Western European country under the legislation on cartels.

7. Those West European freight companies which initially welcome the low rates of COMECON transport undertakings are therefore being very short-sighted.
8. There is another consideration. The state-economy countries have to pay a price for charging such low rates while at the same time forcibly expanding the transport sector in international trade. By charging below cost, they are wasting factors of production.
9. They do so for the sake of expanding their external economic power with a view to economic penetration of the West and in particular the Third World. Obviously this is at the expense of supplies to their own people: in the West we would say at the taxpayer's expense. Production factors which are used without economic profit do nothing to improve the standard of living and consumption in state-economy countries.
10. Since these countries do not permit the democratic expression of opinion and since the unions merely prop up the power of the state, there is no way of combatting this disregard for consumer interests. So the consumer goods sector and even the food sector are neglected, which leads to the necessity of subsidized imports even of such foods as butter and cereals from the West.
11. If one looks at the whole vicious circle, one can see that the West is giving the state-trading countries a hand in undercutting, undermining and damaging the Western economy by always being willing to bridge the gaps resulting from wrong planning and from the attempted expansion of external economic and political power beyond actual economic resources and in many cases even to avert disasters.
12. Eastern European competition cannot be combatted by market-economy methods. Even if the rates charged by Western transporters were subsidized down to the Eastern European level, Western undertakings

would not obtain any freight, since the allocation of charters is as much in the hands of centrally-controlled state bodies as the transport sector. In the absence of the freedom to canvass for cargoes, the freight would also go to Eastern European transport firms even if the West could lower not only its costs but also its prices thanks to improved organization.

13. Since the state-trading companies systematically buy fob and sell cif, they can take over the control and transport not only of their own exports but also of imports from the West.
14. The West cannot embark on a subsidy race with the COMECON countries. Nor can it start organizing its trade with Eastern Europe on the same state-monopoly lines as Eastern Europe's Western trade. Yet it is not difficult to find a formula to resolve these difficulties, and as a rule this formula is also accepted by the state-trading countries. It is called reciprocity.
15. If the West applied the reciprocity formula strictly in all areas of the transport sector, this would resolve most of the difficulties.
16. All it requires in the West is for everyone to realize that there is no point in exploiting the short-term advantages which the COMECON countries offer for political reasons at the expense of their own citizens.
17. The long-term aim must be fair play based on reciprocal advantages. That means the state-economy countries can only be given freedom to advertise for freight in the West if they in return are prepared to allow Western firms a share in the allocation of Eastern exports and to apply prices adapted to costs.
18. The various types of transport are affected by these problems to varying degrees.  
  
Rail transport suffers least from this situation, since it is state controlled in the West too, so that there can be no excessive penetration by exploiting the advantages of a free market. Moreover, the railways are organized in regional monopolies.
19. In air transport, scheduled services are less severely affected than charter services, because unequivocal bilateral arrangements usually prevent the COMECON airlines from dominating scheduled services. Community airlines are at a clear disadvantage in charter traffic, particularly to tourist destinations in the COMECON countries.
20. In road haulage and inland navigation the problem is confined to bilateral and transit transport since these inland modes of transport are significant only between neighbouring countries.

21. Maritime shipping, however, is faced with all the problems which only arise in part in the case of the other modes of transport: EEC fleets are at a severe disadvantage and may even be driven out of bilateral transport by not being allowed to bid for freight in COMECON countries and by the total state control of cargo acquisition in the West; Western fleets are undercut in cross-trade by the setting of uneconomic rates for as long as the Western shipping companies or conferences can keep up the competition.
22. In spite of these different effects on the different modes of transport, the problem is a single one which must be solved by a coordinated approach to its various aspects.
23. There is no doubt that the EEC has the major responsibility and important task here of taking the initiative to ensure that the Member States employ their joint negotiating power to assert the principle of reciprocity vis-à-vis the COMECON countries.
24. Where their negotiating power proves inadequate, counter-measures will have to be taken; and here too it would be better for them to be decided upon and implemented jointly by the EEC countries, even where they only relate to transport in individual Member States.

## II. Rail

25. The East-West European problems assume a rather different complexion in the field of rail transport than in that of other modes of transport. Since each state has a monopoly over its own railways participation by the railways of countries involved in cross-frontier transport is normally on the basis of the distance covered on their territory; each railway company calculates its own domestic rates and in the case of rates calculated on an international basis the earnings from freight are divided up according to contractual rules.
26. An aggressive COMECON transport policy can take the following forms: Firstly, the COMECON state traffic control authorities may decide on a route which will keep the transport on their own railway network as long as possible, even if this means a detour. By undercutting the tariffs they can then ensure that the overall transport price is no higher although the distance may be greater, and that the COMECON railways' share of the revenue is increased.

A second possibility is for the COMECON countries to charge very low rates on their railways in order to make overland transport through their territory more economic than transport by sea or road along other routes. Examples are transport from central Europe via the Soviet Union to the Middle East and, in particular, transport to the Far East by the Trans-Siberian Railway for which, as we know a second, more northerly track is now being laid which may increase the competition with shipping even further in the future. This competition between various routes also occurs in transport from south-east Europe to northern Europe where the route may run either through the GDR or through the FRG.

As regards the Trans-Siberian railway, the Commission is currently in the process of preparing a study. The Committee on Transport would like to point out that transport via the Canadian land bridge also competes with the Trans-Siberian railway.

27. While the volume of this competition between various railway routes must not be overestimated at this stage, the forecast made in the ESC 1977 report (p. 156) has proved accurate. The ESC thought the share of rail traffic in East-West European trade would fall even further because since Western railways are state-run too the COMECON countries want to eliminate a mode of transport that does not enable them to assert their own modes of transport sufficiently in the West.
28. Since 1977, i.e. fairly recently, the distribution of revenue from transport has shifted considerably against the railways. The railways remain the most important means of transport in trade with the COMECON countries, but their predominance is being challenged by the sharp rise in inland navigation and shipping. Hitherto the rise in the price of energy has not led to a shift from road to rail either.
29. The Community might seek to obtain further standardization of transport legislation and transport operations through the governments represented in the OCTI. This however only applies to transport to the Soviet Union and the countries beyond. Unlike the other European States, the Soviet Union is not a member of OCTI in Berne but belongs to the OSZD (Organizatsiya Sodruchestva Zheleznikh Dorog) together with other Eastern European and Asian countries. As a result CIM freight law also does not apply to transport with the USSR. The goods train and passenger service timetable conferences function smoothly.
30. Some of the problems could presumably be solved by closer cooperation between EEC railway companies.
31. The problems in the railway sector are not as serious as in some other transport sectors, although the situation may worsen in the future if the COMECON countries improve their infrastructure and when the Rhine-Main-Danube canal is completed, which will make it easier for them to transport their former rail freight to the West by other means of transport.

### III. Road

32. No improvements have occurred in road transport with the COMECON countries in recent years. EEC undertakings still have a very unsatisfactory share of road transport although their share of transport with individual countries and in various directions varies widely. The situation is worst with respect to the Soviet Union, where Western undertakings play virtually no part in spite of the increase in traffic.

Up to now the bilateral agreements seem to have made no difference, since the EEC quotas are often not filled.

33. Although it looks as though the discussion which has arisen within the Community on its inadequate participation in East-West European road transport is having some effect in the COMECON countries, there can be no question of Community aid for Western European road transport undertakings. The catalogue of demands drafted in the 1977 ESC report therefore remains unchanged:

- agreements on equal access to the market by a system of licenses for bilateral and transit traffic;
- agreements on access to loads by ensuring freedom of establishment coupled with possibilities for securing loads, if necessary by traffic-sharing agreements;
- ban on exorbitant road tolls and transit levies by the COMECON countries;
- rules governing the picking-up of return loads or additional loads in transit;
- reduction of the high visa fees charged by COMECON countries and introduction of permanent visas for lorry crews;
- recognition by all COMECON countries of the 'green insurance card' thus putting an end to the need for separate insurances for vehicles;
- simplification and acceleration of customs procedures;
- guarantee of adequate stop-overs for lorry crews;
- legal protection for lorry crews, involved in accidents.

On 14 January 1982 the Commission submitted to the Council a proposal for a decision on the collection of information concerning the activities of road hauliers participating in the carriage of goods to and from certain non-member countries (Doc. COM(81) 716 final - Doc. 1-994/81). The Committee will be drafting a separate report on this.

34. Social provisions for drivers should also include improving overnight accommodation and catering facilities. In many COMECON countries there is no 'social infrastructure' for long-distance drivers; the Community could urge that such facilities should be created, at least on the main routes. When accidents occur, drivers from Western countries are often held in custody for unduly long periods even when it has become clear that they were not responsible for the accident. We must of course also insist that drivers from COMECON countries should not be unjustifiably detained following accidents in the West. In addition to the duration of custody, the transport negotiations should also cover the issues of bail, visits by relatives, legal counsel, information to relatives and prison conditions.

35. The Community could involve itself in all these issues and exert pressure on the COMECON countries. In the case of Yugoslavia, the situation in the transport sector seems to have improved as a result of the trade talks. The same should be possible in the case of the COMECON countries.
36. A fairly recent attempt made by the transport undertakings to improve the situation which has some prospect of success is the formation of 'cooperative companies' including COMECON transport undertakings. The Community ought to support this initiative where possible.

IV. Inland waterways

37. Inland waterway shipping between the COMECON countries and the Community is negligible compared to the volume of Community shipping as a whole. It has also fallen slightly since 1977.
38. The bulk of the traffic flows between the Federal Republic of Germany and the COMECON countries. This is followed by the much lesser traffic between the Netherlands and Belgium and these countries, while the traffic between other EEC states and the COMECON countries is insignificant. The traffic for 1979 can be broken down as follows:

Inland waterway shipping between the EEC and  
the COMECON countries by country  
1979

Countries	Tonnes
Federal Republic of Germany - GDR	4,326,640
Federal Republic of Germany - Poland	860,000
Federal Republic of Germany - Czechoslovakia (of which on the Danube)	761,000 (29,700)
Belgium- GDR	112,414
Netherlands - GDR	86,809
Other EEC countries - GDR	3,088
Belgium- Poland	72,464
Netherlands - Poland	30,871
Other EEC countries - Poland	2,422

Source: UINF

Traffic along the Elbe between Czechoslovakia and the Federal Republic is confined almost entirely to transit traffic via the port of Hamburg - where Czechoslovakia has free port rights - overseas or vice versa.

39. The volume of traffic in 1979 on the Danube between the Federal Republic of Germany and the COMECON countries at the Passau frontier crossing-point was as follows:

Danube traffic between the Federal Republic of Germany  
and Eastern Europe  
1979

Countries	Tonnes
Federal Republic of Germany - Bulgaria	131,772
"                  "      - Czechoslovakia	29,380
"                  "      - Yugoslavia	45,979
"                  "      - Rumania	160,493
"                  "      - Soviet Union	117,836
"                  "      - Hungary	551,385
<b>Total</b>	<b>1,036,845</b>
Source: UINF	

Federal German shipping has an approximately 16% share of this traffic.

40. The Federal Ministry of Transport has formally authorized some Polish inland waterway vessels to carry freight between the Federal Republic and other EEC countries and Switzerland (third country traffic) and within the Federal Republic (cabotage) during the winter months. This authorization was granted to 20 Polish ships in the winter of 1980/81.
41. The following observations can be made as regards transport prices: The freight rates for Community traffic with Poland are unsatisfactory. They have been raised since 1977 but still do not fully cover costs.
42. On the Danube, freight rates for traffic with the Eastern Danube states remained static between 1956 and 1977. Since 1978 various annual adjustments have been made to the cost trend. But in spite of intensive rationalization and improvements in their fleet structure, Western shipping companies are still not fully covering their costs. That is why the Bavarian Lloyd AG in Regensburg receives cost-equalizing subsidies from public funds.
43. Inland shipping between Eastern Europe and the Community follows the waterways connecting the Oder, Elbe and Rhine with each other, and especially the Elbe and the Mittelland Canal, and the Danube in the south.

On the northern waterways, the traffic flows between the People's Republic of Poland and the German Democratic Republic and the Federal Republic of Germany, and also other EEC Member States.

The traffic with the Republic of Czechoslovakia is one-sided... It occurs mainly along the Elbe between Czechoslovakia and Hamburg and is operated only by Czech vessels. Exceptionally these vessels may also use the Mittelland Canal as far as Brunswick and the Elbe-Lübeck Canal as far as Lübeck. Community vessels do not at present sail to Czechoslovakia.

44. Danube traffic involves only the Eastern Danube states, Austria and the Federal Republic of Germany. Vessels from other EEC Member States are free to carry goods on the Danube under the Belgrade Act but do not do so at present.
45. The Main-Danube Canal which will link the Danube with the central and western European waterways and will therefore permit transport between the eastern Danube states and the Community is under construction. Investment is restricted at present, however, because of budgetary difficulties and the date of completion is uncertain.
46. One important measure taken since 1977 to regulate East-West European inland navigation was the signing on 17 October 1979 of Additional Protocol No. 2 to the revised Convention of Mannheim on the Navigation of the Rhine by the Central Commission for the Navigation of the Rhine.

This additional protocol amends Article 2(3) and Article 4 of the Mannheim Convention with a view to clarifying the criteria for belonging to Rhine navigation and to authorizing only Rhine navigation vessels which can show the appropriate certificate to carry goods and passengers on the Rhine and its tributaries without special authorization. Other vessels may only navigate the Rhine subject to certain conditions laid down by the Central Commission. Moreover, the conditions for the carriage of goods and passengers between the above waterways and third countries by vessels not belonging to Rhine navigation are to be laid down bilaterally between the two parties concerned (two-way traffic between a riparian Rhine state and a COMECON state).

47. By decision of 24 July 1979 the Council of the EEC approved the additional protocol. To prevent any discrimination between vessels from EEC countries which are not signatories to the Mannheim Convention and those that are, the latter undertake to treat vessels entitled to fly the flag of an EEC Member State in the same way as Rhine navigation vessels. This means that vessels from all EEC countries will remain entitled to carry freight on the Rhine without special authorization.

48. It was also agreed in an outline protocol to Additional Protocol No. 2 that the certificate of membership of Rhine navigation could be granted only to a vessel which had a genuine connection with the country concerned. The actual evidence required must be agreed by the contracting states.
49. The outline protocol also covers the question of freedom of establishment. The proposed measure is designed to prevent shipping companies from COMECON from establishing branches in riparian Rhine countries or EEC Member States and flying their flags.
50. When the required evidence of a genuine connection between state and vessel is specified, it is important to ensure that both the owners of a shipping company and the managers of a capital investment company who directly or indirectly hold a decisive majority of the shares or the votes are citizens of an EEC Member State and the capital originates in the Community.
51. The additional protocol is subject to ratification. The Federal Republic of Germany has already completed the ratification procedure.
52. Additional Protocol No. 2 is an effective means of preventing unbridled and possibly ruinous competition from COMECON shipping companies which might threaten the very survival of Rhine navigation. By itself, however, it cannot do this effectively. It is equally important for the outline protocol to be filled out, for the additional protocol will be useless unless the question of freedom of establishment is settled.
53. The new Article 4 of the Mannheim Convention lays down the conditions for the carriage of goods and passengers between the Rhine area and third countries on the basis of agreements between the two parties. The Federal Republic has already made some such agreements. In 1971 the Federal Ministry of Transport signed an agreement with the Polish Ministry of Transport on inland navigation between the two countries which is still in force. Yet the terms of the agreement have still not been implemented satisfactorily since the agreed 50:50 traffic-sharing ratio has not yet been achieved. On average, Federal German navigation still only accounts for about 10% of traffic between the two countries.
54. A transport agreement which also covers inland navigation was signed by the GDR and the Federal Republic in 1972. Again Federal vessels only have a 10-15% share of the traffic. However, this agreement does not contain a clause specifying the distribution of traffic between the two countries.

55. Because of the unsatisfactory results of these two agreements, the Federal Government decided to aim at clearer and more binding provisions in similar bilateral agreements. It initialled an agreement of this type with Austria on 18 September 1980. Austria is not a COMECON state and is part of the Western economic system; it is, however, a Danube state. The agreement with Austria is to serve as a model for all further agreements on inland navigation to be signed with COMECON countries.

56. A draft agreement is already under discussion with Czechoslovakia. Talks have also been held with Bulgaria, Romania, Hungary and the Soviet Union on relations in inland navigation.

57. It has been suggested that the Community might also conclude such agreements with the COMECON countries. At present, inland navigation undertakings tend to prefer bilateral agreements, for which the additional protocol to the Mannheim Convention makes formal provision. The other Community Member States should therefore also aim at such agreements at the appropriate time. The approval by the Council of Ministers of the additional protocol to the Mannheim Convention means that bilateral agreements are recognized as compatible with EEC legislation.

58. Nevertheless, the Commission should consider whether the Community could not assume an active role here.

59. The Community has also approved the additional protocol to the Mannheim Convention in the field of inland navigation.

It has not taken any further measures. What is needed now is for the additional protocol to the Mannheim Convention to be ratified and for the outline protocol to be completed by the Rhine Central Commission.

60. Above all, the Community must make rapid progress with its own inland navigation policy so that once the Main-Danube Canal is completed it can negotiate with the COMECON countries, which will press vigorously for a share in Rhine traffic, from a position of strength.

61. What is liable to happen unless the Community has agreed on a common position on inland navigation policy by then can be seen in the case of Danube navigation, where Austrian and German shipping companies have been almost entirely ousted by COMECON vessels which compete uneconomically.

62. A common inland navigation policy should include measures aimed at social, fiscal and technical harmonization, and the question of compensation for infrastructure costs would best be solved if the Community had to negotiate with the COMECON countries on their share in Rhine navigation after the completion of the Main-Danube Canal. The same applies to a common price and capacity policy.

63. There are also special social problems involved in inland navigation with the COMECON countries which need to be raised in the transport negotiations. The main problem is the freedom of movement of workers during lay-days in COMECON ports but adequate solutions have also not yet been found to the problems of the 'social infrastructure' in the ports and legal protection.

#### V. Shipping

64. Organization of shipping in COMECON countries. All shipping operations in COMECON countries are controlled by the state. Legally, the shipping companies are regarded as independent units responsible for their internal administration, but in practice they are strictly subject to state economic planning and organization. The international shipping lines of the COMECON states are operated by state-owned companies. In the Soviet Union, merchant shipping is coordinated by the Ministry for the Merchant Fleet and freight contracts are handled by the 'Sovinflot' agency, which controls the agencies' activities in foreign ports and has a monopoly over the representation of foreign shipping companies in Soviet ports.

65. This system of organizing shipping lines has a number of advantages:

(1) Low capital costs, because the state as ship owner can assume them directly (reserves for depreciations, expenditure on research and investigations, insurance, repairs and interest on loans).

(2) Low wage costs (wages and social security contributions) since wages are far lower than in the West and many seamen often do their military service on merchant ships.

(3) Low energy costs because the shipping companies buy fuel at subsidized prices.

(4) Preferential tariffs, especially for bunkering and port charges in the various sovereign areas<sup>1</sup>.

66. COMECON shipping aims. Unlike the Western liner services, the COMECON shipping companies do not pursue purely commercial aims, but rather long-term economic, political and strategic aims.

67. Firstly, there is the aim of ousting Western traffic, which is a political aim. The West is heavily dependent on sea trade because it is necessary for its survival in the event of a crisis. (The COMECON countries, on the other hand, in particular the Soviet Union, are hardly dependent on sea trade at all because of their much higher degree of self-sufficiency.) Ousting a large number of Western shipping lines would greatly strengthen the political influence of the COMECON states in the Third World and weaken the political influence of the West.

<sup>1</sup>cf. EEC Economic and Social Committee, 'Transport Problems in Eastern Europe - EEC relations', Brussels, November 1977, pp. 45, 46 and Anna E. Bredimas, 'The Common Shipping Policy of the EEC' in Common Market Law Review, 18, 1 February 1981, pp. 24-25.

68. The second aim concerns the balance of payments. By obtaining as much Western foreign exchange as possible, the Eastern European states may manage to make up for the substantial deficits in their balance of payments in relation to that of the Western industrialized states.
69. The third aim is military and strategic. The Merchant Navy is seen as a factor of national defence. Through its shipping, Eastern Europe obtains a general view of the structure of Western trade, western ships, port facilities, working methods, etc. and creates a large potential workforce of qualified seamen.
70. Unequal conditions of competition. In their bilateral transport relations the COMECON states aim at obtaining a monopoly for their liner service shipping and of traffic from and to their ports. Moreover, restrictions are placed on ships other than Soviet vessels taking on cargo for a third country in Soviet ports. Yet Soviet ships are quite free to load or unload cargo in all EEC ports as 'cross traders'.
71. These restrictions on the operation of liner services from the Soviet Union to third countries by Western shipping companies are based either on bilateral agreements between the Soviet Union and third countries which provide for a 50:50 distribution of cargo, or on unilateral freight restrictions imposed on non-Soviet ships.
72. Western shipping companies have no rights of establishment in COMECON countries, nor can they set up any independent agencies there (unlike the companies of COMECON countries which can establish themselves in the West and build up a network of agencies there).
73. The state companies can also buy or acquire majority shares in transit, consignment or shipping companies in the West, while the Western companies cannot do this in COMECON countries because all the companies are state-owned.
74. Recent developments in shipping: The Soviet merchant fleet continued to expand between 1976 and 1980, from 13.0 million grt in 1976 to 15.9 grt in 1980, i.e. by 22%. This included 220 vessels with a capacity of 2 million tonnes engaged in national liner traffic. The Russians declare that their merchant fleet has merely expanded in line with the increase in their foreign trade. But their own statistics refute this assertion, for Soviet foreign trade rose from 185 million tonnes in 1976 to 201 million tonnes in 1979, i.e. by 9% (due mainly to the increase in grain imports) compared to the 22% expansion of the merchant fleet over the same period 1976-1980.<sup>1</sup>

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<sup>1</sup> These figures have been taken from a study by the Swedish Broströms group 'Soviet Liner Services in International Trade', January-June 1980, pp. 1-4

75. The Soviet companies behave as outsiders in liner traffic. Their prices have always been far below Western prices. For example, the freight rates of the Baltic Orient Line, e.g. for its container service between Hong Kong, Singapore, Malaysia and Community ports, have always been 30% lower than the corresponding Western conference freight rates.
76. During the 1976-1980 period the competition from the Trans-Siberian Railway (Trans-Siberian Container Line, TSCL) also increased. The TSCL carries transit goods via a network of rail, road and sea routes and is controlled by a state organization which is responsible to the Soviet Ministry of Trade.
- The increased importance of the TSCL can be seen from the following table:

Carriage of goods by the Far Eastern Freight Conference  
FEFC<sup>1</sup> and the TSCL

Year	to the West <sup>2</sup>			to the East		TSCL % of TSCL + FEFC
	TSCL	FEFC	TSCL % of TSCL + FEFC	TSCL	FEFC	
1972	270	3,162	7.9	59	1,279	4.4
1973	404	3,447	10.5	187	2,124	8.1
1974	601	3,471	14.8	342	2,181	13.6
1975	791	2,883	21.5	250	1,370	15.4
1976	720	3,263	18.1	443	1,410	23.9
1977	889	3,671	19.5	428	1,404	23.4
1978	1,086	3,387	24.3	534	1,749	23.4
1979	1,215	3,258	27.2	661	2,016	24.6
1980	1,322	4,249	23.7	529	1,567	25.2
first half 1981	576	2,153	21.1	240	828	22.5

Source: CAACE

The rate of TCSL growth seems to have eased off somewhat recently, partly as a result of the situation in Afghanistan and partly due to the general recession.

77. The TSCL rates are lower than the corresponding liner freight rates of the Western conferences although as a rule sea transport costs less. This suggests that the rates applied by the TSCL do not cover costs, i.e. that we are dealing here with a case of dumping. This supposition is supported by the following comparison of TSCL rates with the rates of four Western railway lines:<sup>3</sup>

- TSCL	US \$ 0.12 TEU/mile
- Freemantle/Sydney	US \$ 0.27 " "
- Winnipeg/Montreal	US \$ 0.43 " "
- US West Coast/US Gulf	US \$ 0.26 " "
- US West Coast/US East Coast	US \$ 0.24 " "

<sup>1</sup> The FEFC includes 29 companies from 19 countries with a total tonnage of over 3 million grt

<sup>2</sup> COMECON freights are not included in the figures 'to the West'

<sup>3</sup> Source: CAACE

The pressure of competition will become even stronger with the construction of the second, more northerly Trans-Siberian Railway ('BAM').

78. Passenger services are also being severely affected, particularly by Soviet cruises. This is especially true of Mediterranean cruises which were once largely operated by Italian lines but are now dominated by the Soviet Union.
79. The reason why the growing strength of COMECON fleets, which are perhaps still relatively small, poses such a major threat to Community shipping as a whole is that this comes on top of a number of other problems. For example it has not proved possible to prevent 50:50 agreements being concluded in a large number of countries and there is increasing competition from 'flags of convenience' which firstly undercut vessels which maintain normal technical safety standards and secondly represent a drain on capital, as a result of changes in the countries of registration. Although this report only deals with competition from COMECON, it is important to see these issues in context.
80. Present Community policy. Since the Council decision of 19 December 1978 the European Community has introduced a system of obligatory notification for Soviet vessels docking in Community ports. In December 1980 the 'observation system' was extended for a further two years to the end of 1983 and expanded to include far Eastern routes.

Where necessary the Community should constantly seek to improve the notification system. It would also be useful if the volume of trade between the Community and the Far East via the Trans-Siberian Container Line were monitored.

No further measures have yet been taken at Community level. We must not arrive at a stage where the Community simply observes and takes no action!

81. Proposals for a future Community policy. The 'observation system' is really only an information system and gives no protection against the dumping practices of the Soviet merchant fleet and the TSCL. Yet a number of measures can be added to the observation system if necessary.

By their nature such measures should be flexible and be introduced before the expiry of the extended observation system.

82. Protective measures could take the following forms:

1. Introduction of a system of quotas for the chartering of Soviet ships in Community ports if these ships operate in liner traffic. This system should also cover shipments both ways between EEC countries and the Far East made by the Trans-Siberian Container Line which is a multi-modal transport undertaking.
2. Sanctions, e.g. taxes, if quotas are exceeded.
3. An equalization tax on ships engaged in 'non-commercial' competition in order to align their rates with those of the Western liner conferences. Here too the Trans-Siberian Container Line should be included.

Obviously, such measures could be successful only if they were implemented on a Community basis.

83. As in inland navigation, there are a number of social problems relating to workers in shipping to which no solution has been found. The seamen should have freedom of movement in the ports. General improvements are needed for social facilities and legal protection. We cannot call for an expansion of transport links between Western shipping lines and the COMECON countries if the seamen are exposed to intolerable conditions in COMECON ports.

#### VI. Air

84. The situation is not as serious in air transport as for the other modes of transport. This is partly because scheduled services in particular are state run in the West too and normally adhere strictly to the principle of reciprocity embodied in bilateral agreements based on a standard agreement for all states involved in world air transport.

Western airlines can only be ousted from scheduled services if the West refuses to share profits under a pooling agreement, because the state organizations in the COMECON countries can specify on which lines commercial outbound cargo is transported. Pooling agreements have usually succeeded in allocating profits to allow even the Western airlines to provide satisfactory services.

The COMECON airlines are increasingly applying the tariffs agreed under the IATA multilateral tariff negotiations (although not all of them belong to IATA).

These tariff arrangements are normally incorporated into bilateral agreements. In cases where the volume of traffic is not sufficient to cover costs, the Western airlines usually cease to operate while the COMECON airlines continue to fly even at a loss.

85. The basis for calculating the cost of charter services is quite different for COMECON airlines than Western airlines because there are usually no minimum tariff regulations or these can be circumvented by the state airlines.
86. In air transport the COMECON countries clearly also pursue a vigorous expansionist policy without regard for profit or for the level of consumer supplies. It is well known that the rate of utilization of Eastern European aircraft, measured in flight hours per day, is only half that of the Western airlines. Cost factors are obviously not taken into account at all and, as presumably also applies to the crews, the cost is not borne by the companies but by the national budget, possibly the defence budget. At times this is also the case in the West, in that many advances in aircraft equipment occur as spin-offs of military developments, as a result of which material costs are lower, although all other costs must be borne in full by the airline companies.

87. As regards air freight Western companies are even less at risk from COMECON competition because the COMECON airlines use mainly Soviet aircraft; because of the backwardness of Soviet aircraft engineering there is much less capacity to carry freight in passenger aircraft. Moreover, much less air freight goes in an East-West direction in bilateral traffic than the reverse, since as a rule processed Western products are still traded for Eastern European raw materials and agricultural products. The proportion of processed products in the exports of the state-trading countries is only rising slowly.
88. For that reason, the question of rights of establishment is not as important in air transport as in road transport or shipping, although the presence of Western companies in COMECON capitals still leaves something to be desired and this question could become more important in the future if COMECON exports become more diversified.
89. Rights of establishment could also assume some importance in charter transport. At present the situation here seems to be that Western charter companies cannot compete anyway for cost reasons (i.e. because of the undercutting regardless of cost practised by the COMECON countries). It might be possible for the Community to make progress here by coordinating Western policies.

#### VII. Conclusions

90. The various modes of transport are affected in various ways by the competition from the state-trading countries, but whether the competition is strong or weak, the principle remains the same: on the basis of political decisions which pay no regard to the level of supplies to the people, the COMECON countries can exploit the freedom of the Western market to embark on expansion irrespective of cost.
91. The West can only defend itself against the resulting drawbacks by state action, and here the adoption of a joint position is often more likely to be successful than bilateral negotiations; the Community thus has a challenge to face here.
92. It is important to state quite clearly once again that we are not proposing a policy of containment: on the contrary, East-West European trade must be encouraged. If the COMECON countries can offer cheaper and better transport, Western shippers should have the opportunity to exploit this supply as long as this does not jeopardize the existence of Western transport undertakings. Nor can one object to the fact that the COMECON countries want to make up for their negative trade balance by a positive services balance.

93. Yet it is not acceptable that Western transport interests should be entirely subordinated to trade interests, even in cases where the competition from the COMECON countries is clearly uneconomic.
94. What is being proposed here is not economic warfare either, but merely protection against the expansionism of the state economy of countries by applying appropriate state transport policy measures.
95. Hitherto our trading and negotiating partners in the COMECON countries have usually showed some understanding when the West has told them that they cannot keep all the transport to themselves. But one cannot blame them for trying to do so if the West does not take any counter-measures.
96. In spite of all the differences between the Eastern and Western European economic systems, there are fortunately also some principles which also make peaceful coexistence possible in the field of trade and transport policy, including primarily the principle of reciprocal advantage, which the COMECON countries have always recognized.
97. In any case the Commission should carefully follow developments in all modes of transport and in port systems and devise defensive instruments which can be used rapidly and flexibly where appropriate. The West should not only observe but also act. When the Main-Danube canal is finished these defences must be ready; although it is now not expected to be completed as soon as was once thought, it will nevertheless be ready before the end of the decade.
98. In the long term, the interests of the COMECON and the Community countries run parallel: both want to expand their trade, and in the long run they can achieve this only if the transport situation offers advantages to both sides.
99. There is also an area of transport policy where the two sides have identical interests, that of infrastructure policy for routes from the COMECON countries to the Community countries. A study by the United Nations<sup>1</sup> found that if East-West European trade continues to grow, bottlenecks could already appear in transport infrastructure in this decade. Joint transport infrastructure planning could build up some trust between the COMECON countries and the Community.
100. The Committee on Transport accordingly requests the European Parliament to adopt its motion for a resolution.

<sup>1</sup>United Nations/Economic Commission for Europe: 'Study on East-West European Goods Traffic Flows', Doc. ECE/TRANS 39, Geneva, New York 1979

MOTION FOR A RESOLUTION (Doc. 1-685/79)

tabled by Mr MORELAND, Mr JAKOBSEN, Mr MOORHOUSE, Mr COTTRELL, Lord HARMAR-NICHOLLS, Sir Peter VANNECK, Mr KIRK, Mr PROUT, Mr Christopher JACKSON, Sir David NICOLSON, Mr de COURCY LING, Mr HORD, Dame Shelagh ROBERTS, Mr HUTTON, Mr CURRY, Mr SELIGMAN, Mr TURNER, Mr HARRIS, Mrs KELLETT-BOWMAN, Mr John David TAYLOR, Mr SHERLOCK, Mr TYRRELL, Miss HOOPER, Mr BATTERSBY, Mr PRICE, Mr HOWELL and Mr SIMMONS

pursuant to Rule 25 of the Rules of Procedure

on the use of transport from the COMECON countries

The European Parliament,

- Is concerned at the increase in the use of transport modes which originate in COMECON countries, believing that charges made to users of these modes of transport are artificially low,
- Is concerned that the effect of such competition is damaging to the shipping, road haulage and other transport industries of the Community.

Calls on the Commission

1. To produce proposals for the regulation of Comecon-owned transport as it affects the Community,
2. To ensure that charges applied to users of Comecon-transport modes are realistic and fair and not a reflection of hidden subsidies,
3. To encourage the maximum use of Community owned modes of transport both within the Community and between the Community and the rest of the world,
4. To ensure that any rights given by Member States to allow the transport of people and goods between the Community and the COMECON countries are reciprocal.