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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on the community's relations with non-members countries in shipping matters.

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on

THE COMMUNITY'S RELATIONS WITH NON-MEMBER COUNTRIES IN

SHIPPING MATTERS

1. INTRODUCTION

1.1. The Community is facing increasing problems in its relations with non-member countries in shipping matters. The aim of this Communication is to :

- (i) underline the importance of shipping to the Community ;
- (ii) outline the main problems affecting shipping in the Community's relations with non-member countries ;
- (iii) suggest Community measures to meet these problems.

1.2. The Communication deals only with measures to be adopted in the context of the Community's relations with non-member countries. It deals with matters of substance rather than legal forms, and proposes broad lines of future action. When the time comes the Commission will, in the light of the particular circumstances of a given situation, convert these into proposals for formal Council decisions. For the time being, the basic requirement is to reach agreement on the substance of the measures to be taken, leaving the legal framework to be determined in the light of each particular situation.

2. IMPORTANCE OF SHIPPING TO THE COMMUNITY

2.1. Shipping is vitally important to the Community's internal and external trade. Since the accession of the three new Member States, some 25 % of trade within the Community and 90 % of trade with non-member countries is carried by sea. A cheap and efficient sea transport system is a basic prerequisite for expansion of our trade, especially with non-member countries.

2.2. Irrespective of its function as an intermediary in Community trade, sea transport has a very important part to play in the Community's economy as an industry :

- Community shipping companies own approximately one quarter of the world fleet ;

- the revenue from these companies was nearly 13,000 million u.a. in 1974, of which approximately 11,000 million u.a. was accounted for by trade outside the Community and the transport of goods for non-member countries. This sum of 11,000 million u.a. represents the gross contribution of the sea transport sector to the Community's balance of payments ; it consists of a direct contribution (revenue from the carriage of Community exports and transport on behalf of non-member countries) and an indirect contribution (a saving in foreign exchange on Community imports) ;
- the value of Community trade carried by sea was some 150,000 million u.a. in 1973 ; Community shipping companies carried about half of this.
- investment by Community shipping concerns totalled 20,000 million u.a. in 1972 ; annual investment increased from 1,500 million u.a. in 1969 to 3,300 million u.a. in 1973. Approximately 65 % of new vessels in 1973 were built in Community shipyards ;
- Community shipping lines directly employ some 250,000 persons on board ship and 60,000 on land. Jobs in the shipbuilding and repair sector and in auxiliary trades should be added to these figures.

2.3. The importance of sea transport to the Community has increased following the accession of the three new Member States, since two of these States (the United Kingdom and Denmark) have very large merchant marine fleets (more than half the Community total) which make an important contribution to their balance of payments. Furthermore, the bulk of trade between these countries and the rest of the Community is carried by sea, so that 25 % of trade within the Community now goes by sea, compared with 8 % in the six-nation Community.

3. RECENT DEVELOPMENTS IN COMMUNITY SHIPPING ACTIVITIES

3.1. The undoubted efficiency resulting from long experience and great individual adaptability has enabled the Community's shipping activities to remain among the most important in the world, despite the fact that wages and social costs are among the highest.

3.2. However, various factors, particularly of an external nature, have led to a reduction in the relative importance of the Community's merchant fleet.

3.3. In 1959 the merchant marine of the nine Community countries represented 40 % of the world total ; in 1975 this proportion amounted to only 25 % (see Table 1).

3.4. In 1959 the share of other developed market economy countries totalled 33 %, compared with 38 % in 1975. The rapid increase in fleets sailing under flags of convenience has led to a rise in the share held by these countries to 24 % in 1975 as against 17 % in 1959. There have been comparable rates of expansion in the fleets of developing countries and socialist countries (in 1959 the developing countries held 5.6 % of the world total and the socialist countries 4.2 % ; in 1975 the figures were 7.1 % and 7.2 % respectively) (see Table 1).

3.5. This relative loss of ground has taken place in a period of unprecedented expansion in the world shipping fleet, which has tripled since 1959. However, while the fleets of the socialist countries increased by 400 %, those of countries flying flags of convenience by 330 %, those of developing nations by 280 % and those of other developed countries by 240 %, the rate of expansion of the Community's merchant marine was a mere 80 %. It should be remembered that the Community's external trade has increased by approximately 400 % over the same period. The loss of supremacy by the merchant fleets of the European Community has thus occurred simultaneously with the rapid growth of the fleets of all the other categories of country and this phenomenon cannot be explained by differences between the respective growth rates in foreign trade.

3.6. During this period the merchant marine of the other "large maritime countries" developed as follows :

	<u>1959</u>	<u>1975</u>
	(percentage of world total)	(percentage of world total)
Liberia	11,3	17,3
Japan	5,6	12,5
Norway	9,7	8,0
Greece	1,8	7,6 (1)
USSR	3,2	4,5
USA (excluding reserve fleet)	7,9	3,5 (1)
Panama	4,6	3,7
Sweden	3,3	2,2

3.7. The relative decline in Community shipping is particularly striking when compared with the increase in the relative share of the fleets of Liberia, Japan, Greece and the USSR. On the other hand, the drop in the relative share of the US merchant marine is even greater than in the case of the Community.

3.8. The seriousness of this situation does not result from the decline of the Community's "rating" as such. The important point is to note that various factors have led to a reduction in a vital Community activity which has always demonstrated its competitive abilities at an international level and has also allowed a considerable expansion in our external trade on a competitive basis. The gravity of the situation consists rather of the fact that this reduction, largely the result of steps taken by the governments of certain non-member countries, jeopardizes not only this branch of activity but also the Community's external trade. This phenomenon is already evident in trade relations

(1) Excluding the flag of convenience fleet controlled by these countries, which represents a comparable tonnage to that registered in the countries themselves.

with the countries which practise flag discrimination the most and where the inefficiency arising from the discriminatory measures introduced mainly on regular transport routes causes freight charges to rise and or involves a drop in the quality of the service, e.g. by creating excess transport capacity and by the inefficient use of such capacity.

3.9. It should also be stressed that, even though the rapid drop in the relative importance of the Community's merchant fleets has left the Community with a substantial proportion of world shipping (approximately one quarter), an analysis of the composition of these fleets reveals certain weaknesses. The most "productive" vessels from the point of view of value added (per tonne) are indisputably the dearest and most sophisticated (notably cargo-liners and container-ships) while the value added by oil tankers or bulk carriers is far lower. It is particularly in the "conventional" cargo-liner sector that the Community's share has dropped to 20 % of the world total. On the other hand, the developing nations and the socialist countries each hold approximately 15 % of this total, which is a far higher proportion than their share of total shipping (7 %). The Community does however possess 41 % of the world total of container ships, but this is a sector where the Eastern countries have just launched very substantial investment programmes. The Community holds no more than 20 % of the world total of bulk carriers and 11 % of lighter-carriers. Leaving aside container ships, it is only in the oil tanker sector (currently facing a very serious crisis) that the Community's share amounts to 25 % of the world total. (See Table 2 ; Table 3 analyses the composition of the merchant marine of the Community's Member States).

3.10. Nevertheless, qualitatively the Community's merchant fleets are, despite their relative decline, among the most advanced in the world and the average age of Community vessels is also among the lowest.

3.11. The shipping companies based in the Community operate in the following three areas :

1. The transport of Member States' foreign trade
 - a) within the Community
 - b) outside the Community
2. National coastal trade
3. Cross trades.

3.12. As regards the first category, the Community's merchant fleets carry approximately 42 % of imports and 54 % of exports. The share of vessels sailing under the flags of non-member countries is particularly high in the case of oil tankers, where only some 35 % of imports are carried aboard ships sailing under the flag of one of the Member States. As regards dry cargo (general goods, bulk cargoes), the share borne by Community vessels totals 51 % for imports and 61 % for exports (see Table 4).

3.13. This might not be a bad thing in itself, were it not for the fact that this trend does not result from the operation of truly economic factors (relative costs of the various merchant fleets) but from the political choice of certain non-member countries. Nevertheless, any further substantial drop would cause very serious problems as regards the security of supplies in times of crisis or conflict.

3.14. As regards the second category (national coastal trade), ships sailing under national flags generally carry more than 75 % of such trade, a proportion which rises to 100 % for France and Italy which give preference to the national flag. Yet in terms of volume of trade national coastal trade is of secondary importance compared with international trade.

3.15. The last category (cross trade) is an important area of activity for Community shipping concerns. Despite the rapid increase in discriminatory measures, a significant part of world maritime trade still goes by ships flying a flag other than that of the exporting or importing country. The share of vessels sailing under such flags in total world trade in general goods (excluding the Community's external trade) has been estimated at 40 %, with ships sailing under Community flags accounting for 40 % of this. As regards the other categories of vessel (tankers, bulk carriers), the Community fleets are also very active.

Conclusions

3.16. The Community's merchant fleets represent a very important sector of activity in relation to turnover, balance of payments, investment and employment. Over the last fifteen years, however, the share of these merchant fleets has fallen from 40 % of the world total to the present level of 24 %. Community shipping companies are still responsible for nearly 50 % of our external trade, the bulk of national coastal trade and a significant proportion of cross trade. However, for various reasons, mainly of an external nature, these activities are also in relative decline. This decline has adverse effects on extra-Community trade in so far as sea transport runs the risk, if present trends are not checked by appropriate measures, of becoming ever more costly and less efficient. This threat is particularly serious in the case of liner services, a sector in which most of the discriminatory measures have been taken.

4. DIFFICULTIES ENCOUNTERED IN EXTERNAL MARITIME TRADE

4.1. The Community shipping companies are experiencing serious problems at two levels: at the cyclical level because of the effects of the economic crisis on these companies, especially in the oil transport sector, and on the political level because of the increasingly restrictive practices adopted by the governments of certain non-member countries in the field of international shipping relations. This communication deals only with the political aspects.

4.2. The political difficulties are due to the determination of some foreign governments to gain a larger share of international maritime trade, by recourse to measures which create distortions in respect of the free supply of services on the market. They consist, in particular, of measures of flag discrimination, state financing of the deficits of national shipping companies, and dumping practices. Other difficulties are created by tax exemptions and the disregard of safety measures.

Flag discrimination

4.3. The trend towards increased government intervention has often taken the form of flag discrimination, especially since the mid-sixties, and particularly in the liner trades. This usually means that countries reserve sometimes more than 50% of cargoes for vessels flying the national flag. The Latin American and certain Asian countries are particularly prone to this practice (1). Such measures have helped to enable developing countries to obtain a very high growth rate for their merchant fleets and to increase their share of the world cargo liner fleet to 15%.

4.4. The desire of some developing - and of some developed - countries to secure for their own vessels a large share of their sea-borne transport found institutional expression in April 1974 in the adoption of a Convention on a Code of Conduct for Liner Conferences. The text represents the result of negotiations initiated in 1973 at the request of the General Assembly of the United Nations and under the auspices of UNCTAD, and in which virtually all the countries with a merchant fleet participated. These negotiations, the objective of which was to improve the system of liner conferences, were explicitly approached with the aim of taking particular account of the special needs and problems of developing countries in this field.

(1) The same objective can be achieved indirectly, e.g. by the application of a system of sales cif and purchases fob, leaving the choice of vessel to the exporter and importer respectively.

4.5. This spirit was not respected, since the final text provides for the general application of national cargo reservation to all countries, irrespective of their level of development or their economic system.

4.6. Consequently, in practice the application of the Convention in its present form results in the generalised institutionalisation of discrimination in favour of national flags by allowing "cargo-generating countries" at each end of a shipping route to reserve up to some 40% of their cargoes for vessels flying their own flags, leaving 20% for shippers from third countries.

4.7. In view of the incompatibility between this Convention and the EEC Treaty, and its economic and political disadvantages, the Commission has proposed on several occasions to the Member States that a common approach be adopted with regard to the Convention (1). The latest proposal presented by the Commission (Doc. COM(75)302 final) is currently being examined by the Council. The Commission considers it extremely important that the examination should be completed soon so that the Community can adopt a position on this matter, as even if the date for the ultimate entry into force of the Convention on the Code of Conduct in its present form is not yet clear (2), the principles of the Code, and in particular the "40 - 40 - 20" rule, will probably be invoked and applied by certain countries in the form of national measures to secure additional protection for their maritime trade, even without actual notification of the Convention.

4.8. Finally, it should be recalled that discriminatory measures applied on a unilateral basis are not resorted to exclusively by developing countries, but that the practices of certain developed market economy countries create, or threaten to create, serious damage. This is especially the case with certain discriminatory measures applied, or possibly to be applied in the future, by the United States. For example, the US Administration interprets the "Jones Act", reserving national US coastal trade to vessels flying the American flag, in such a way as to refuse foreign shipping companies the right to trans-ship containers arriving from abroad in an American port and consigned to another port in that country. European container vessel operators are thus put in a very unfavourable competitive position on the world's most important shipping route, the North Atlantic. Furthermore, a draft bill has just been laid before Congress to reserve to US flag vessels 30% of oil imported into the United States. The direct impact of the adoption of such legislation on European shipowners would probably be more important than most of the individual measures applied by other foreign governments (not to speak of the risk of an even more serious snowball effect). Work in Congress in this matter is likely to be speeded up as from the beginning of 1977.

(1) See Doc. COM(74)1112 final, COM(75)112 final and COM(75)302 final.

(2) Twenty-four countries owning at least 25% of the world fleet must ratify the Convention before it can come into force. So far only 15 countries owning 2.54% of the world fleet have actually ratified it (Ghana, Togo, Chile, Pakistan, Sri Lanka, Gambia, Venezuela, Bangladesh, Nigeria, Tanzania, Benin, Niger, Philippines, Guatemala, Mexico).

4.9. As for state-trading countries, their system of state commerce allows them to pursue a determined trading policy under which their purchases are systematically made on a fob basis and their sales on a cif basis. This allows the state agencies of these countries to choose the means of transport which suits them (normally their own ships) and thus to apply indirectly flag discrimination, which has had the effect of permitting them to reserve to their own ships 70% or more of their bilateral trade with the Community.

Subsidies

4.10. Most countries with merchant fleets grant them subsidies - some small, some large - either by direct grants or by tax relief measures. It should also be noted that distortions in operating conditions are created by the existence of flags of convenience which grant almost total tax exemption and do not necessarily require the observance of certain safety standards or rules governing working conditions.

4.11. It does seem, however, that it is the conditions of operation of the merchant fleets of certain state-trading countries which cause most of the problems in this area, since the economic system of these countries allows their shipping companies to operate on international routes without taking account of the "real" costs (particularly capital costs). The effects of these activities of these countries in the maritime trade sector can, however, be more easily reviewed in the following section on "under-quoting".

Under-quoting by the East Bloc countries (1)

4.12. The merchant fleets of the state-trading countries have grown more rapidly than those of any other category of country since the fifties and have become particularly important in the cargo liner sector. This extremely rapid expansion - 400% in fifteen years - was made possible by the economic system of these countries which allowed their shipping companies to compete on the international market without paying the same attention as the market economy countries to capital costs, which form a large part of the total costs of this highly capital-intensive industry. Furthermore, insurance premiums, which are very important in this sector, are covered by the state and bunker fuel is delivered (at least in the USSR ports) at prices much lower than the Western level. All these factors taken together enable the state-trading countries to apply freight rates which on average are about 30% below the market level. The system of selling cif and ing fob used by these countries (see para. 4.9. above) permits them to exercise a further control over the cargoes involved in their own foreign trade.

(1) It has become current practice to use the word "dumping" in the maritime field as a synonym of "underquoting" in the sense of "price cutting". It therefore does not necessarily imply a difference between the price on the domestic market and that on foreign markets.

4.13. Although the international trade of CMEA (COMECON) member countries only represents about 5% of international trade in general cargo, their share of the world fleet of general cargo vessels is already 16%, and 20% of the vessels on order. Of the total trade between the USA and the Federal Republic of Germany, the fleets of state-trading countries already transport about 13%. In the Dutch ports, they already lift nearly as much cargo as Dutch shipowners, and their share of trade in the German ports amounts to half of that of German shipowners. Another specific example concerns the route W. Europe- E.Africa which currently employs between 30 and 40 vessels (most of which are European). In September 1975, the USSR announced its intention of putting 12 Russian vessels on this route, which in itself does not represent a commercial interest for that country. More than 70% of the bilateral sea-borne trade between the EEC and the USSR is carried by vessels belonging to the USSR.

4.14. This expansion was of course motivated by political and military reasons, but also by a desire to secure convertible currency revenue in a sector which, despite the large number of flag discrimination practices, is still almost completely open as far as traffic between developed countries is concerned.

4.15. This variety of practices is creating increasing problems for Community shipping companies on routes between the Community and non-Community countries (the fleets of socialist countries can load and unload goods in Community ports freely although the fleets of the Community countries cannot do likewise in the ports of the state-trading countries), and on the routes between non-Community countries where Community companies operate as cross-traders.

4.16. Dumping practices have had particularly damaging effects on some of these routes between non-Community countries and have, in particular, caused serious disturbances in the Pacific (e.g. USA-Japan route). There is a possibility that the United States, faced with the risk of upheaval in the sea-borne transport system, will take safeguarding measures by introducing a control on freight rates (which should cover "normal" operating costs). This danger is also present on routes which directly concern the Community, and may even be exacerbated by the introduction of large numbers of container ships and lighter-carriers which are now being built for certain Eastern bloc countries on the North Atlantic routes in two to three years' time.

4.17. This development represents a serious danger for Community shipping companies which are already suffering from the negative effects of the economic recession. The practices of these fleets will entail an ever-growing loss of revenue and will reduce the returns on investments in shipping. The outcome can only be a further relative decline of the European merchant

fleet, a worsening of the employment situation and, in the long run, a dominating position for the fleets of the State-trading countries which would permit them to impose their conditions on the trade of the market economy countries.

4.18. It seems clear that the economic and political consequences of this development are unacceptable (1).

4.19. Conclusions

Difficulties of political origin are increasingly affecting the Community's shipping companies. Flag discrimination measures are on the increase. In addition, the form in which the Convention on the Code of Conduct has recently been adopted (although the Convention has not yet entered into force) creates a serious risk of such measures being generally applied by the developing - and certain developed countries. The dumping practices of certain state-trading countries, and the use they make of the practice of buying fob and selling cif, greater problems. All these measures taken together have enabled developing and socialist countries to increase their cargo liner fleets very rapidly and partly explain the relative decline of Community companies in this sector. Subsidies and tax exemptions granted by some foreign countries have also had an important effect.

5. INITIATIVES TAKEN AND MEASURES INTRODUCED AT COMMUNITY LEVEL

5.1. Initiatives taken by the Commission in the field of maritime transport have usually met with unwillingness by some Member States to recognize the Community's rôle in this field, or to grant the Community such a rôle. Basing themselves on their interpretation of the Treaty, these Member States have opposed the action proposed by the Commission in the shipping sector, and in particular the inclusion of shipping clauses in trading agreements concluded with non-Community countries. Very slight satisfaction has been obtained by raising shipping questions in an exchange of letters between the Community and the countries concerned (Brazil, Uruguay and, more recently, Mexico) or by the raising of these matters in a unilateral declaration by a non-member country (Argentine).

5.2. Community action in other spheres has been even more limited. On a multilateral level the only action has been to include the general question of flag discrimination in the GATT list of non-tariff barriers.

5.3. It can be seen therefore that Community action in the shipping sector has made no effective contribution to solving the sector's problems.

(1) The military consequences, which are equally important, are outside the scope of this Communication.

5.4. The Commission welcomes the recent initiative by the French Government which, in a memorandum to the Council on the subject of Community action in the field of sea transport, stresses the need to "... coordinate the shipping policies of Community States, in order to facilitate the development of a Community economy and to protect it" (Doc. R/2980/75 (Trans 127) of 4 December 1975). The present Communication from the Commission chiefly concerns opportunities for joint action in one of the three priority areas listed in this memorandum, namely protecting the economic interests of Member States against discrimination in shipping matters and against dumping.

6. MEASURES TO BE ADOPTED WITH A VIEW TO SEEKING SOLUTIONS TO THE PROBLEMS ARISING

6.1. The problems raised in the preceding paragraphs all originate in government, i.e. political, action. It would seem clear that the Community, using its commercial negotiating power, rather than Member States acting individually, should be able to negotiate agreements with the non-Community countries involved. To begin with Community action could be taken on the following fronts :

- (i) bilateral agreements
- (ii) multilateral agreements
- (iii) countermeasures in shipping.

(i) Bilateral agreements

6.2. To begin with it would be useful to examine to what extent agreements covering shipping only, and concluded on a bilateral basis by most of the Member States with many non-member countries, have made a contribution towards counteracting the proliferation of discriminatory measures. It would also be possible to envisage bilateral agreements between the Community and its Member States on the one hand and certain non-Community countries on the other, covering sea transport matters only. While awaiting the conclusion of such agreements, and without prejudice to the evolution of Community competence, it should be possible to protect common interests by a concertation at Community level of action within the framework of existing bilateral agreements between Member States and certain non-Community countries.

6.3. It is in the general interest of the Community that appropriate shipping clauses should be inserted in any bilateral agreements due to be concluded or renegotiated between the Community and non-member countries. Such clauses should be an integral part of the agreements concerned and should not be relegated to an exchange of letters, this being difficult for the non-member country concerned to accept and not very effective in itself. The aim of such clauses should be to enable the Community to limit any discriminatory measures in the field of sea transport adopted by the non-member country in question.

6.4. It would be highly desirable to use future trade or other negotiations with the statetrading nations to come to arrangements in shipping matters with regard to the dumping practised by some of these countries, and their trading procedures (cif sales, fob purchases) which make it possible for them to discriminate at will in favour of their own flag. Where it becomes evident that such agreements would take too long to finalize (or it is unlikely that effective shipping clauses will be included), the Community should consider adopting measures to counteract the discriminatory and disruptive practices of some of these countries ; for instance, one could envisage bilateral action followed, where such action is ineffective, by limiting the share of those countries in Community traffic, levying equalizing taxes and adopting any other appropriate measures.

6.5. It would also be highly desirable for these matters to be raised bilaterally with the non-member countries, even outside any trading or co-operation agreements. With regard to the developed countries, it would thus be desirable to raise the matter of the considerable degree of discrimination practised by the United States in respect of container transport, and of the possible legislation concerning imports of oil products.

6.6. Where the developing countries are concerned, it would be appropriate to raise these questions (bilaterally, but if necessary also multilaterally ; cf. "Code of Conduct") with the aim of improving the functioning of international transport while also taking account of the particular needs of these countries. It is therefore evident that the Community should not limit its action to the mere search for a solution in respect of flag discrimination but that it should make positive proposals, using the tools available to it under the cooperation and development agreements (particularly in the field of technical assistance). In this connection one should, as a matter of course, give due weight to the undertakings entered into by the Community and its Member States, especially in the United Nations, aiming among other things at increased participation by the developing countries in international sea transport. This participation should be facilitated by the introduction of measures which would permit their shipping companies to compete on the international freight market, thus contributing to a healthy and efficient evolution of this form of transport.

6.7. For various reasons (mainly of negotiating tactics) the Commission has always proposed very general references to sea transport in the context of trading negotiations with non-member countries. However, at present the main objective of the Community's action should be to obtain commitments by the non-member countries concerned on the subject of the flag discrimination practised by them. It should be possible to obtain such commitments by including a precise and specific non-discrimination clause ; the wording would be decided separately for each individual agreement.

6.8. It would appear that, having noted how little importance the Community had attached to sea transport in previous negotiations with other countries, the non-member countries have realised that this is one field where they can successfully resist making any concessions whatever. To the extent that any references to sea transport in agreements under negotiation are removed fairly quickly because no precedents exist (and thus are not created), this has probably been responsible for creating a sort of "vicious circle".

6.9. From now on therefore, whenever for general reasons it is desirable to include a shipping clause in a trading agreement, the Commission will propose that the Council include precise and specific non-discriminatory clauses. The Commission proposes that the Council approve the general aim of including such clauses in Community agreements, it being understood that these clauses will be negotiated within the general framework of Article 113 of the Treaty.

(ii) Multilateral agreements

6.10. Where the Code of Conduct is concerned, the Commission feels that the search for ways and means of joint action should be continued. Should it prove appropriate to call a conference for the purpose of revising the code, a proposal to this effect could be put forward by the Community and the Member States following the lines of the Commission's Communication of 17 June 1975 (doc. COM(75)302 final).

6.11. In other areas it would be appropriate to begin the systematic coordination of positions of the Member States in order to select joint activities to be carried out under the auspices of international economic organizations such as UNCTAD and, as appropriate, the ILO, IMCO and the OECD, as well as in the context of other multilateral discussions. Within the ILO in connection with substandard ships, and in the course of the work of the Conference for International Economic Cooperation, a beginning has already been made on this subject.

6.12. There is one other form of multilateral action which might take place at present in the context of the GATT multilateral trade negotiations. As a result of a Community initiative, the matter of flag discrimination is already listed as one of the non-tariff barriers. It may be desirable to revert to this in the course of negotiations.

6.13. It might also be worth considering whether it is appropriate to raise these questions within the Economic Commission for Europe or in other suitable contexts (for example, if the Community decides to participate and the occasion arises, at the planned Pan-European conference on transport which has been proposed by the USSR).

(iii) Countermeasures (shipping) to be applied in cases of flag discrimination

6.14. The effectiveness of bilateral or multilateral agreements with non-member countries as regards sea transport will always be limited since no penalties for non-observance of the agreement are provided. In addition, the absence of an agreement with a given non-member country would prevent the Community from undertaking any action in cases where no means of applying penalties were available.

6.15. Yet it would seem politically difficult to apply penalties in the form of measures to counteract discriminatory action of a commercial or general economic nature taken by non-member countries.

6.16. Hence several Member States have adopted legislation which enables them to impose penalties in the sea transport sector in cases of discrimination. It might be useful to coordinate the application of these national instruments at Community level (which would mean creating the appropriate instruments for action in those Member States where they are not yet available). The question of whether or not it is opportune to adopt such means of action at Community level might also be examined. At this stage the Commission does not wish to submit to the Council specific proposals on this point, but it intends to arrange meetings with experts from the Member States to examine in greater depth the implications of such measures. It would, however, be useful if the Council stated its position on the question of seeking to create instruments for action in this field.

7. CONCLUSIONS

7.1. The Commission feels that the present situation in shipping requires the adoption of measures at Community level.

In particular the Commission feels that :

- (a) common interests should be protected ; the aim should be to devise a common policy including, as appropriate, the negotiation of agreements between the Community and non-Community countries covering sea transport only. Until this aim is achieved, a concertation at Community level of action to be taken within the framework of bilateral agreements concluded between the Member States and certain non-member countries is necessary ;
- (b) the Member States and the Commission should ensure close co-ordination of positions within the international organizations concerned with shipping, as well as during other multilateral discussions, so as to be able to undertake Community or common action as the case might be ;
- (c) where appropriate, shipping clauses should be included in the directives covering the negotiation of agreements between the Community and non-Community countries ;
- (d) where appropriate, and even in connection with subjects other than trading or other agreements with the country in question, shipping questions should be raised in the course of contacts between the Community and non-Community countries ;
- (e) with the help of the Member States, the Commission should examine the appropriateness of adopting other measures, including countermeasures.

7.2. The Commission proposes that the Council should approve these principles. As need arises, the Commission will submit proposals to the Council for specific decisions related to the measures outlined above.

TABLE 1

Distribution and growth of the world fleet by category of countries, 1959-75

Country	1959		1975		percentage growth 1959-75
	tonnage (mgt)	percentage of world total	tonnage (mgt)	percentage of world total	
World ¹	100.5	100	300.7	100	199
OECD ¹	73.5	73.1	184.2	61.3	151
EEC	40.1	39.9	71.3	23.7	78
Developing countries ²	5.7	5.6	21.4	7.1	278
Flags of convenience ³	17.1	17.0	73.4	24.4	330
Socialist countries ⁴	4.3	4.2	21.7	7.2	410

Source : Lloyd's Register of Shipping; Weltschiffahrts-Archiv

¹ Excluding the United States' reserve fleet.

² Excluding flag-of-convenience countries.

³ Liberia, Panama, Honduras, Costa Rica, Lebanon, Hong Kong, Singapore, Cyprus, Somalia, Bermuda.

⁴ Eastern Europe, USSR, China, North Korea, North Vietnam, Cuba.

mgt = million gross register tons.

NB: all the figures exclude fishing, passenger and ferry-boats and auxiliary vessels

TABLE 2

Distribution of world fleet by category of vessel and country, 1974

Country	Total ⁵		Tankers		Bulk carriers		General cargo ships		Container ships		Lighter-carrying ships	
	mgrt	% of world total for category	mgrt	% of world total for category	mgrt	% of world total for category	mgrt	% of world total for category	mgrt	% of world total for category	mgrt	% of world total for category
World	286.8 ¹	100	132.8	100	79.4	100	67.6 ¹	100	6.3	100	0.7	100
OECD	173.3 ¹	60.4	81.0	61.0	51.8	65.2	34.0 ¹	50.0	5.8	92.8	0.7	100
EEC	64.4	22.5	32.7	24.6	15.5	19.6	13.5	20.0	2.6	41.1	0.08	11.3
Developing countries ²	20.4	7.1	5.7	4.3	4.2	5.3	10.3	15.2	0.1	1.9	0	
Flags of convenience ³	75.3	26.3	41.3	31.1	21.2	26.7	12.5	18.5	0.3	4.5	0	
Socialist countries ⁴	17.7	6.2	4.7	3.5	2.2	2.8	10.8	16.0	0.05	0.8	0	

Source : Lloyd's Register of Shipping

¹ Excluding the United States' reserve fleet

^{2,3,4} See the relevant footnotes to Table 1 for the definition of these categories of country.

⁵ Excluding categories other than those indicated in the table.

NB: mgrt = million gross register tons.

TABLE 3

Distribution of the Member States' merchant fleet by category of vessel, 1974

Country	Total ²		Tankers		Bulk carriers		General cargo ships		Container ships		Lighter-carrying ships	
	tgrt	% of world total for category	tgrt	% of world total for category	tgrt	% of world total for category	tgrt	% of world total for category	tgrt	% of world total for category	tgrt	% of world total for category
World ¹	286,780.0	100	132,776.8	100	79,438.0	100	67,607.8	100	6,291.4	100	666.4	100
EEC	64,443.3	22.5	32,696.7	24.6	15,531.6	19.6	13,546.2	20.0	2,586.2	41.1	75.5	11.3
United Kingdom	29,784.7	10.4	15,835.9	11.9	7,564.7	9.5	5,032.1	7.4	1,352.0	21.5	0	-
Italy	8,255.7	2.9	3,851.0	2.9	3,142.7	4.0	1,164.8	1.7	97.2	1.5	0	-
France	8,332.3	2.9	5,697.4	4.3	1,169.0	1.5	1,327.1	2.0	138.8	2.2	0	-
Germany	7,555.9	2.6	2,167.5	1.6	2,066.8	2.6	2,658.8	3.9	625.7	9.9	37.1	5.6
Netherlands	5,119.2	1.8	2,581.1	1.9	468.0	0.6	1,880.0	2.8	153.1	2.4	37.0	5.6
Denmark	4,116.5	1.4	2,233.1	1.7	537.1	0.7	1,166.2	1.7	178.7	2.8	1.4	0.2
Belgium	1,110.8	0.4	333.5	0.3	442.0	0.6	304.3	0.5	31.0	0.5	0	-
Ireland	171.0	0.1	4.8	-	148.3	0.2	13.0	0.02	9.2	0.2	0	-

Source : Lloyd's Register of Shipping

¹ Excluding the United States' reserve fleet.² Excluding categories other than those indicated in the table.

NB: tgrt - thousand gross register tons.

T A B L E A U 4
CARRYINGS IN NATIONAL TRADES (1) (BY WEIGHT)

	<u>Imports</u>				<u>ALL CARGO</u>				<u>EEC TOTAL</u>
	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags	
1968	777,304	23.8	20.9	55.3	191,972	26.6	30.4	43.0	
1969	853,709	23.8	21.8	54.4	209,197	26.2	31.3	42.5	
1970	957,447	21.7	22.5	55.8	229,985	24.7	33.1	42.2	
1971	971,804	19.7	23.1	57.2	232,761	23.3	33.7	43.0	
1972	1,021,498	19.4	22.2	58.4	255,448	20.3	33.5	46.2	

TANKER

	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags
1968	466,827	20.7	16.6	62.7	64,181	21.4	24.6	54.0
1969	522,367	21.3	19.0	59.7	76,998	21.3	28.1	50.6
1970	592,024	19.8	20.0	60.2	95,079	19.1	29.4	51.5
1971	619,930	16.9	19.7	63.4	95,209	18.5	28.0	53.5
1972	655,426	17.1	19.4	63.5	105,118	13.6	30.4	56.0

DRY CARGO

	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags	Weight 1000MT	% nat. flag (2)	% other EEC flags	% non- EEC flags
1968	310,477	28.4	27.4	44.2	127,791	29.2	33.4	37.4
1969	331,342	27.7	26.3	46.0	132,199	29.0	33.3	37.7
1970	365,423	24.6	26.3	49.1	134,906	28.7	35.7	35.6
1971	351,874	24.7	29.0	46.3	137,552	26.8	37.6	35.6
1972	366,072	23.5	27.3	49.2	150,330	25.1	35.6	39.3

1) These tables portray the total carryings by sea in international trade (imports/exports) of individual Member States and thus also include intra-Community carryings.

2) National-flag percentages represent the sum of own carryings by individual fleets, whereas other EEC flags figures represent the sum of carryings by the other Member States in the individual trades.

SOURCE : Comité des Associations d'armateurs des Communautés européennes (CAACE)