INTERVIEW

Shipping and the Third World

In the past years UNCTAD paid considerable attention to world shipping. Its Committee on Shipping is becoming more and more the forum for discussing controversial issues between industrial and developing countries. We asked the Director of the Division for Invisibles, UNCTAD, Mr W. R. Malinowski, some questions about the present and future work of this Committee.

In the past years UNCTAD's Committee on Shipping dealt with a variety of problems in the shipping field. What is the particular importance of this Committee for trade and development especially with regard to developing countries?

Through its Committee on Shipping, UNCTAD has devoted considerable time and resources over the last five years to work on shipping and ports. This work has the support of all countries. It is true that the initiative for the study of and action upon invisibles — like shipping, insurance, tourism and transfer of technology — came from the developing countries when the first Conference was held in 1964. Other groups at first tended to resist this initiative, but invisibles were finally placed on the programme of UNCTAD by the unanimous agreement of all participating countries.

One can perceive three main reasons why the developing countries took this initiative. First, the recognition of the foreign exchange bottleneck which frustrated the development plans of developing countries and of the persistent worsening of their terms of trade (meaning that a given unit of their imports was costing more and more in terms of units of their exports) focused the efforts of these countries on the alleviation of their chronic balance of payments deficits. Sooner or later they were bound to feel the pinch of the large amounts of foreign exchange that flowed annually to developed countries in payment for service items like shipping.

Although shipping is a very important element in the balance of payments of some maritime nations, I would not like to imply that shipping and other invisibles hold the key to balance of payments problems. I would say, however, that developing countries which have gone into shipping have on the whole found that this led to foreign exchange saving.

There is a second reason. An important sector of shipping — that which provides liner services — has been organised in conferences which are dominated by lines from traditional maritime countries and tend to have a highly restrictive attitude towards the participation of shipping lines from new maritime countries. Yet shipping is a service industry whose object should be to facilitate trade.
The inter-dependence between shipping and trade is very clear to the developing countries who provide the bulk of seaborne cargoes and at the same time are even more dependent than most developed countries on shipping services.

Shipping can either foster or hamper trade. Developing countries' products can be made competitive in foreign markets, or eliminated from them, as a result of the freight rate policies of conferences, which, as we have found through our enquiries, remain at best largely undefined and not subject to any clear criteria. Moreover, as a result of the relative elasticities of demand and supply of developing countries' imports and exports, the incidence of the chronically increasing liner freight costs falls heavily upon the developing countries. In general, a rise in freight rates on their exports is expressed not in higher c.i.f. prices but in lower prices obtained by producers in developing countries, while a rise of freight on imports is borne by the importer in a developing country in the form of a higher c.i.f. price. Developing countries have felt that entry into shipping would enable them to have some influence on these pricing policies which are crucial for the development of their trade.

The third reason is that in trying to build viable and diversified economies, the developing countries could hardly overlook their almost total dependence on shipping controlled by foreign interests. Such a situation could have disastrous consequences on a nation's foreign trade when shipping is in short supply, especially at times of international tension or war.

To sum up, developing countries have decided to enter shipping largely to lessen their balance of payments difficulties, to exert some influence on the freight rates affecting their trade and to diminish their almost total dependence on foreign shipowners. They have looked upon UNCTAD as the organ to help realise their aims and therein lies the importance of UNCTAD Committee on Shipping in the field of trade and development.

**Common Basis for Effective Work**

The sessions of the Committee on Shipping sometimes seem to demonstrate confrontation rather than co-operation between industrial and developing countries. Is there a common basis for effective work at all?

What is confrontation? It is, I think, a situation in which the interests of various groups are formulated either as demands or as a defence of the status quo: they are divergent and each group looks for ways and means to obtain total or at least partial satisfaction. Such a situation may lead to deadlock, to unilateral action or to the accommodation and reconciliation of interests through negotiations. Thus, confrontation often opens the road to progress and so has it been in the Committee on Shipping. The fact is that all parties discovered that there is a common basis for effective work. I would say that UNCTAD has been successful in some areas in persuading developed countries that enlightened self-interest is a more fruitful long run policy than narrow parochialism. Shipping is, I believe, one of these areas.

The atmosphere of suspicion surrounding the Committee on Shipping when it started its activities in 1965 was greater than for any other body of UNCTAD. Its terms of reference were entirely new to the international community. For the first time a representative international body was to study and deliberate upon the economic aspects of the well-established and tradition-bound maritime industry.

However, everyone felt the "wind of change". The initial atmosphere of general suspicion, if not outright hostility, has given way to one in which accommodation can be found between conflicting interests. The Committee has a comprehensive and fully agreed programme of work. While some countries initially resisted studies of freight rate determination (in the so-called route study) and maritime law, these objections disappeared in time. The general opinion of all groups in the Committee has been that the studies undertaken by the secretariat on shipping and ports have been competent, based on facts and above all impartial. The Committee has adopted a large number of resolutions mostly agreed upon by consensus; only one substantive resolution—that on assistance to shipping—went to a vote, owing to the fact that no common position emerged among the traditional shipping nations, although the other side appeared to be united and ready for a compromise.

The existence of common ground can be illustrated by the observation by the representative of a traditional maritime country at the last session of the Committee that all was not perfect in shipping. This prompted the Committee to state, in an unanimous resolution, "that further improvements in the liner conference system are necessary and would be in the common interests of shippers and shipowners".

The latest expression of this spirit of accommodation is to be found in the understanding on shipping and ports incorporated in the "World Strategy" just proclaimed by the United Nations General Assembly for the