

exemption of offshore earnings for income tax purposes.

Concluding his presentation Mr. Morrison admitted that **many exporters could improve their competitive position by taking the time and effort necessary to negotiate CIF sales whenever possible.**

Panel 2

Canadian Shippers and Carriers — Is There a Commonality of Interest?

Dr. William Winegard, Chairman of the House of Commons Standing Committee on External Affairs and Trade opened the panel proceedings with the introduction of the first speaker. Mr. Conrad Robitaille, Executive Vice-President for South America and the Middle East, Gillespie-Munro Freight Forwarders.

Opening his presentation Mr. Robitaille provided a simple generic example of the type of problems Gillespie-Munro and their clients have often encountered in doing business in trades where flag and cargo restrictions are imposed. A client manufactures a product and his FOB Canadian post price is \$350.00/tonne. The national line servicing the country of destination, which has cargo restrictions in place with Canada, is quoting freight at \$140.00 for a C&F price of \$490.00/tonne. The client's competition in country Y offers the buyer comparable product at the same FOB price. However, the trade lane between country Y and the destination customer is not subject to cargo reservation laws, and as a result the open and competitive shipping market renders a freight rate of \$110.00 yielding a delivered C&F price to the customer of \$460.00/tonne. The Canadian client pursues his desire for a sale only to find out from the purchaser that he is at a \$30.00/tonne disadvantage. The client points out to the purchaser that he has no shipping alternative, and through the importer, approaches the national carrier for tariff relief. All to no avail. The client is unable to reduce his FOB price further or he will lose money on the sale, and the contract is lost to his competition in country Y. In discussing this example, Mr. Robitaille questioned whether the

“fault” lay with the Canadian exporter, the Canadian government for complacency in the face of this situation, or whether it was arrogance on the part of the national line, perhaps coupled with anti-Canadian discrimination by the foreign government in the imposition of its cargo reservation laws. In his opinion, it is a combination of all of the foregoing, creating a situation which we cannot allow to continue, or Canada will face greater erosion of our trade with countries which promote their national lines through cargo reservation practices.

Reviewing the history of the development of cargo reservation legislation, Mr. Robitaille acknowledged that some countries, such as in South America, had been exploited by the shipping conference when they did not have their own national fleets. He recognized that our trading partners have a legal right under their legislation to import their own goods on their own ships. However, these countries must also recognize that Canada deserves nothing less than equal treatment. While protection from conference exploitation may have been the original intent of cargo reservation, exploitation of the shipper by national lines has become a prominent feature of the new regime.

Noting that our trading partners often insist they would not object to Canada shipping cargo **if shipped on our own Canadian flag ships**, Mr. Robitaille dismissed this as a “purist point of view” and pointed out that these same countries (that espouse cargo reservation on behalf of their national lines) charter tonnage under flags-of-convenience whenever it suits them to do so. Consequently, it has to be made clear to these trading partners that **Canada**, as the source country of these imports, **is entitled to no less than equivalent rights.**

Addressing the role that government can play in dispute settlement involving cargo reservation and national flag regulations, Mr. Robitaille cited **the effectiveness of the Government's recent intervention** in the case of **Peru** where Canadian carriers were now able to obtain rights to an equitable share of the trade. While the policy today in Canadian domestic transportation favours deregulation, in the case of maritime transportation, faced with foreign flag restrictions,