

- (a) a Canadian exporter is not permitted to use ships operated by its subsidiary, but is forced by foreign law to use national flag vessels, notwithstanding greater cost and inconvenience;
- (b) a condition of obtaining foreign exchange for Canadian goods or a preferential rate of duty is to use national flag vessels of the trading partner even though service is infrequent;
- (c) after competitive bids are received from several carriers, a Canadian exporter is forced to use the higher cost national line that had sought and received its government's protection in implementing cargo reservation;
- (d) a Canadian exporter's production schedule is threatened because warehousing space is clogged due to the failure of a national line to honour arrival dates; waivers to use foreign Ships are virtually impossible to obtain expeditiously.

1. • Do you feel that these situations are manageable, or should Canada be more active in addressing such restrictions? (It is interesting to note that the President of Saguenay Shipping in 1982 forecast the increase of regulation on major general cargo routes by bilateral trading agreements. He observed at that time that "the fact the Government of Canada failed to recognize this inevitability was of no consequence, given the reality of the results in the rest of the world that protective attitudes and national aspirations were generating."

2. • Could our export competitiveness be enhanced by more active intervention?

3. • Have you been affected by any similar shipping or cargo restrictions, or have sales been lost or profits curtailed?

4. • Do you believe it likely that developing countries over time may change their policy priorities dedicated to the development of national fleets? (Bear in mind the latest OECD efforts within UNCTAD which are aimed at promoting acceptance within the developing world of efficiency orientated economic policies)

IF CHANGE IS NEEDED, WHAT SHOULD BE THE BASIS?

Issue 1:

World Practices: When other nations face shipping restrictions, several different responses have emerged. Some examples are:

- (a) the Federal Maritime Commission in the United States has the authority to investigate actions harmful to the commerce of the United States, and to impose punitive or corrective measures.
- (b) the United Kingdom's Merchant Shipping Act 1974 provides broad powers for the government to intervene if British shipping or trade interests suffer from discrimination.
- (c) Norway concluded an agreement with Korea whereby the parties shall grant the same treatment to the other's vessels as it affords to its own vessels engaged in international trade.
- (d) Many nations have concluded maritime agreements that include cargo sharing, for example the Federal Republic of Germany's agreement with Cote d'Ivoire and Italy's agreement with Morocco call for 40-40-20 percent cargo shares (i.e. exporting country-importing country-third party shares).

5. • Should certain practises adopted by other western countries be contemplated for adoption by Canada?

Canada's policy does **not** appear to offer solutions in international situations where there is a basic conflict between two national policies, one dedicated to competition, the other to cargo reservation.

6. • In such circumstances do you believe changes may be necessary to Canadian trade policy to ensure Canada trade interests are not jeopardized by these developments?

7. • Is free competition possible in some trades?