Effects of Discrimination of Canadian Trade

Although it is extremely difficult to quantify the toll in added costs, and reduced efficiency and competitiveness which LDC shipping restrictions and discrimination have on Canadian exporters, the impacts are real and tangible. A few brief examples drawn from the 1985 survey for the Department of External Affairs will serve to graphically illustrate the barriers to trade that discriminatory shipping policies have imposed:

An eastern Canada company shipping to South America had arrangements under which shipments were first to be offered to the national line, and if no ship was available they were then free to go to an independent carrier. In this case no national flag ship was available, and they therefore went to an independent line for shipping. While in the process of loading the independent line vessel, a call was received from the south American customer ordering one-half the shipment to be reserved to await the arrival of a national line vessel. (A further condition of the "normal arrangements" also called for the reservation of a minimum one-half of cargo to the South American national line on demand.) As more than half the cargo had already been loaded on the independent line vessel, part of it had to be disembarked, and one-half of the shipment held and warehoused at the dock for a week before the South American national line vessel arrived.

In another case a Canadian engineering firm manages projects in the LDC's including the shipping of all project equipment and materials. In a project they cited, in a South Asian country, the contract terms specified the use of the national flag carrier — unless none were available. However, in order to use another carrier, a waiver is required, which in practical terms is virtually impossible to obtain. To make connection with a national flag vessel for a particular shipment, the Canadian project managers were ordered to ship the cargo to the US west coast for pickup. They did so after considerable delay, they found the shipment had never been picked up, and subsequently they were ordered to ship the cargo overland back across the US for eventual pickup at New York — all the project manager's expense.

An eastern Canadian company producing woven yarn products for industrial and commercial applications reported such extensive difficulties in doing business with LDC countries in South America and the Caribbean that they decided to forego the market entirely. Although the problems were not exclusively with transportation, this was a major factor and they cited lack of service to Canadian ports, national line requirements, excessive documentation, lack of alternative shipping competition, and high freight rates as the difficulties in exporting to LDC markets.

A western Canadian company producing linerboard and sack kraft exports to a wide range of LDC countries. The company reported that as a direct result of lack of adequate and economical service due to national flag restrictions and other anti-competitive policies of a LDC trading partner, they have lost sales to that market. Operation on tight margins made it economically impossible to ship via alternative US ports. Furthermore, faced with a monopoly by the national flag carrier in the bilateral trade from Canada, poor service and high rates, the company has lost sales to more advantageously situated suppliers with more competitive shipping alternatives.

Cargo reservation/national line requirements have also forced some companies to become involved directly in the maritime transportation industry solely to overcome difficulties in getting their product to market, efficiently and at a competitive price. In order to secure adequate ocean transport services one company interviewed went so far as to purchase a shipping line which in its fleet has a single national flag vessel of one of its principal LDC customers. Through the purchase of this shipping line the Canadian exporter was able to gain access for this fleet to the bilateral shipping trade with its LDC partner, and thus maintain competitive rates in this particular shipping market. This extreme response was determined to be necessary only after all previous attempts to obtain waivers to use competitively prices alternatives to the LDC national lines had proved futile.