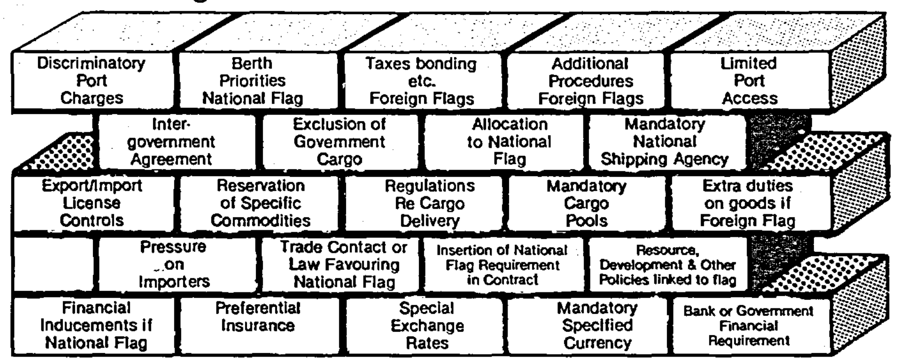
III

RESTRICTIONS AND DISCRIMINATION

There has been a deliberate push in many developing countries to build and expand the national merchant marine. Unfortunately, for the most part, such drives have been **unilaterally imposed** and are restrictive, discriminatory and anti-competitive in the eyes of the average Western businessman. Business suffers inconvenience, higher costs and ultimately reduced profits and lost markets due to measures dictated by foreign governments. These governments have shown considerable ingenuity and dedication in designing and imposing a diverse range of restrictive barriers to trade, some of which are obvious while others are hidden. These measures can conveniently be grouped under five general headings as follows:

- ACCESS TO PORTS
- CARGO SHARES
- ACCESS TO CARGO
- INDIRECT METHODS
- TRADE FINANCING



The last government report on shipping policy provided a synopsis of the economic costs of flag discrimination, and stated in part that

> "Additional costs attributable to flag discrimination arise from such diseconomies as lower standards of service, over-tonnage, and reduced competition. Balanced trade flows (where ships move between two ports with full loads in both directions) seldom occur at the best of times in world shipping. In the liner trades, ships often load and unload at several ports en route to maximize vessel use. Under conditions of flag discrimination, more runs in ballast are encountered because of limitations on third-country movements. Vessels are often under-utilized for want of sufficient cargo; the costs of voyages with little or no remunerative cargo must be recovered from rates imposed on the cargo that is carried. When competing carriers are excluded, monopoly situations develop, which can lead to less efficient service and higher rates. Where bilateral trade is apportioned on a 50/50 basis, there is little incentive for carriers to cut costs or to extend their market shares through better service".

and

> "Flag discrimination has no doubt added to the costs of international seaborne trade. Estimates of the cumulative impact in terms of extra freight paid on cargo affected have ranged as high as $500 million. These estimates must be treated with some caution, however, as it is difficult to identify the volumes and types of cargo affected by flag discrimination and even more difficult to quantify the premium attached to the freight bill because of it".*