# Appendix B

# Maritime Cargo Policies of 64 Foreign Countries 1982-83[1]

## Algeria

Algeria requires a 50-percent clause in its export contracts for both oil and liquefied natural gas (LNG) that gives preference to Algerian-flag vessels.

Article 1 of Algerian Law No. 78-02 of February 11, 1978, gives the state a monopoly on foreign trade. It reads, "In accordance with the provisions of the national charter and applying Article 14 of the Constitution, the import and export of goods, supplies and services of all kinds are under the exclusive control of the state. "

Except for crude oil, traffic between metropolitan France and Algeria is reserved for Algerian- and French-flag vessels.

Algeria and Brazil have signed a maritime navigation and transport agreement to cover all traffic between the ports of the two countries except for petroleum and bulk-cargo shipments.

Algeria also has bilateral agreements with the U. S. S. R., Bulgaria, the German Democratic Republic, Guinea, the People's Republic of China (P. R. C.) and the Republic of Cape Verde that divide cargo on a 50/50 or 40/40/20 basis.

Transportation of LNG is provided for in the sales contracts and varies according to contract with the state-owned Campagnie National Algerienne de Navigation (CNAN) usually receiving at least one-third of the cargo generated.

## Angola

Imports in Angola pay 20 percent less import duty on cargoes carried by state-owned Angolan-flag lines. Preferential customs legislation and reduced port dues as well as handling priorities are given Angolan-flag vessels.

In March 1976, the Angolan Government decreed that priority be given to vessels flying the Angolan flag in the shipment of imports and exports. The use of foreign ships is allowed only when there are no national ships available or when expressly authorized in specific areas by the Merchant Navy Board. At present, only Angonave (Angolan Shipping Lines) is authorized to carry or delegate Angolan Government cargo. The trade is said to be served by Communist Bloc nonconference lines, and Western European lines cannot get access to cargoes.

## Argentina

According to its 1973 Merchant Marine Law, the government of Argentina must approve all freight conference agreements that involve Argentina's "right" to carry 50-percent of its waterborne foreign trade, Any freight conference agreement that appears to place limitations on Argentine ships or assign a smaller than 50 percent share to Argentine ships will not be recognized by the government. The government reserves the right to deny port facilities to foreign ships that do not operate under approved agreements. In actuality, the new legislation adds little to the previous legislation, but instead acts as enforcement legislation, reinforcing the 50 percent provision. The new legislation also clarifies the financial aspects of the domestic provisions while making known the internal promotion mechanisms.

All imports consigned to a government organization must be transported on Argentine-flag vessels. Argentine vessels must also be assigned the largest possible share of government exports.

Argentina has commercial agreements with Uruguay, Peru, Chile, the P. R. C., and the U.S.S.R. whereby the exchange of goods is to be divided in equal proportions between Argentine-flag ships and ships of these trading partners. In case of a shortage of such ships, it is necessary to obtain a waiver for transport in third-flag carriers.

In practice, a liner conference that gives Argentina at least 50 percent of the pool may carry cargo up to a maximum of 50 percent. The 50/50 agreements reserve trade to conference vessels of two parties. Second preference is given to national nonconference lines and then to other—preferably Latin American—third flags. Only a very small percentage of the trade is carried by nonconference lines, however, and an even smaller percentage is carried by cross-traders (primarily Brazil).

## Australia

Australia has no national laws, regulations, or administrative practices requiring international carriage to be

[1] U.S. Department of Transportation, "Maritime Subsidies, February 1983, Washington, D.C with update by the Office of Technology Assessment,

reserved either totally or in part for national flag carriers. No apparent flag discrimination has been reported.

Japan agreed to purchase 6.5 million tons per year from Australia's Northwest Shelf LNG project in early 1981. Shipping requirements are estimated to be seven, 125,000 $M^3$. vessels starting in 1986. Vessel ownership is to be divided between Australian and Japanese flags.

## Bolivia

Legislation provides for 50-percent reservation to the national flag, including general, reefer, and bulk cargo. The remaining 50 percent is open to associate foreign lines which have an agreement with the Bolivian national line. Implementation has not been possible, however, because of a lack of tonnage (fleet of only two ships).

## Brazil

Under Decree Law 666 of July 2, 1969, all imports and exports in which the government provides financial assistance must be carried on Brazilian ships when available. However, this law provides for the waiver of cargo preference in the following instances:

1: import or export cargoes obligatorily linked to transportation in Brazilian-flag ships can be liberated in favor of the flag of the exporting or importing country by weight up to 50 percent of the total as long as the legislation of the buying or selling country concedes at least equal treatment in relation to Brazilian-flag ships;
2. in case there is no Brazilian-flag ship or flag ship of the importing or exporting country in position to take on the cargo, the Brazilian Superintendent of Merchant Marine can, in his exclusive judgment, liberate the transportation (of the cargo) to a third-flag ship specifically designated; and
3. when the exportation or importation of merchandise subject ~o liberation is made to or from a country that is not served by ships of both the countries involved, the Brazilian Superintendency of Merchant Marine will effect prior liberation of the cargoes covered by this decree, designating the transporter.

Only a small percentage is allowed to be carried by nonconference lines. Foreign shipping companies cannot operate to Brazil unless they are comembers with a Brazilian line of a conference. Most agreements cover the whole trade and do not recognize third-flag rights.

The government has a monopoly on the transportation of petroleum and petroleum products, except for some small companies that were in operation when the monopoly law went into effect.

All imports of ordinary paper (excluding special paper and pulp) must be carried in Brazilian ships, but in trades where special arrangements are made, as in the case of the Equal Access Agreement between SUNAMAM and the U.S. Maritime Administration, the other national lines also can participate in this carriage.

Algeria and Brazil have signed a maritime navigation and transport agreement to cover all traffic between ports of the two countries except petroleum and bulk-cargo shipments.

Since 1967, Brazil's legislation has called for the establishment of cargo quotas through pooling agreements aimed at achieving a 40-percent share for Brazilian carriers, 40 percent for national-flag lines of its trading partners, and 20 percent for third flags. Between Brazil and Argentina, Chile, Ecuador, Mexico, Peru and Uruguay, however, the agreement is 50-50 unless national-flag ships are unavailable.

A protocol to the Brazil/West Germany maritime agreement provides for participation in equal rights in regards to tonnage and freight values for governmental cargo. Brazil also has signed maritime agreements with the U. S. S. R., Poland, Romania, and East Germany.

## Burma

In Burma, up-to-date information is not available, but earlier legislation reserves all cargo to the national line, except for certain regional trades where Burma operates in a conference.

## Cameroon

The Cameroon Shipping Lines is given exclusive right to transport all imports for the government, public collectives, or state-owned companies. All contracts for private imports and exports must give priority to or obtain a waiver from the company for any shipment it cannot handle.

## Chile

Decree Law No. 3059 reserves for Chilean-flag vessels 50 percent of international ocean transport except when reciprocity by foreign countries determines their individual participation above or below this **limit.**

Decree law signed December 23, 1975, provides that 50 percent of export cargoes may be carried on ships of flag of country of destination as long as that country recognizes an equal right for Chilean vessels.

Cargo moving between Chile and Argentina, Chile and Brazil, and Chile and Peru, must be carried in equal portions by ships of the two countries when available.

Chile and Israel have signed a convention according the two countries equal shipping access to cargo in bilateral trade and equal port facilities in their respective nations.

## People's Republic of China

A new maritime code is being drafted that is likely to contain protectionist measures. The Chinese lay down all conditions on which cargo moves in their trades. They discriminate by buying f.o. b. and exporting c.i. f. and by fixing freight rates. In practice, much cargo is carried in foreign ships because of their small fleet.

## Colombia

Legislation reserves a minimum of 50 percent of all national cargo to Colombian vessels on routes where a Colombian vessel operates. Import/export licenses only are given to approved lines, i.e. , lines in a conference with a pooling agreement that guarantees 50 percent of the trade to Colombian lines. These licensing procedures virtually preclude the operation of nonconference lines, except for a very small group of unstamped cargoes. Conference cross-traders are not necessarily excluded, provided they do not take away from the 50 percent Colombian share.

Decree No. 1208 of July 1969, states as follows:

> Article I.—In order to effect Article 1 of Legislative Decree No. 994 of 1966, a reserve is made for Colombian-flag ships of no less than 50 percent of the general cargo of imports and exports on routes served by Colombian vessels, providing that the requirements of Article 2 of the same Legislative Decree are met.
>
> The Colombian Government, after examining the capacity and speciality of the mentioned vessels through a study made by the Ministry of Development, the Merchant Fleet, and a representative of the Colombian Shipowners, will establish a reserve of no more than 50 percent of Colombian-flag ships transporting bulk, liquid and refrigerated cargoes of imports and exports.
>
> The reserved cargoes stipulated in this article will be applied only if they are not in conflict with previous Government obligations with regard to foreign loans.
>
> Article 2.—The reserved cargoes could be included in the transportation treaties between Colombian shipowners and foreign maritime companies, in order to enlarge, integrate, or consolidate the services and to reduce their costs.
>
> The Latin American shipowners registered in the Latin American Association of Shipowners could participate in the transportation of reserved cargoes under equal conditions as the Colombian ships, provided that equal treatment or its equivalent be given to Colombian ships in their respective countries.
>
> Decree 616 of 1972 states: "The Colombian reserve for Colombian flag vessels also operates for cargo with final destinations to Colombian trade zones. "

## Costa Rica

At present, 80 percent of all exports are reserved to a Caribbean line, but in response to complaints from foreign governments, Costa Rica has agreed to revise the law when the U. N. Liner Code comes into force.

## Cuba

All cargo is allocated to Cuban- or Soviet-flag ships.

## Denmark

Effective July 31, 1973, any sea transport of goods from Denmark to Greenland requires a permit from the Minister for Greenland. Exempt from this requirement are Danish Government and Government institution ships, and sea transport of goods required for the operation of the Danish-American defense areas. With the exception of this Greenland trade, Denmark has no other national laws or regulations on cargo preference.

## Dominican Republic

In the Dominican Republic, Law No. 180 of May 31, 1975, provides that 40 percent of commercial import and export cargo, 50 percent of "exonerate" cargo and 60 percent of government-controlled cargo be carried on Dominican Republic-flag ships. It is believed that this law is ineffective in practice.

## Ecuador

Ecuador reserves 100 percent of hydrocarbon cargoes exclusively for state companies or mixed companies in which the state has 51 percent interest and the right to carry 50 percent of all cargoes imported to or exported from Ecuador.

All imports and exports that are the property of the Government or its enterprises, or of public or private institutions that are intended for social or public purposes, as well as cargo belonging to companies in which the government owns more than 50 percent of the capital, are to be transported in vessels owned by national shipping companies or by those which the cargo reserve law considers as such. Fifty percent of the cargo may be transported on vessels of the importing or exporting country provided it is done on the basis of reciprocity.

A series of decrees reserve 100 percent of imports from Brazil, Argentina, and South Africa and 100 percent of all trade with Panama, to Ecuador flag vessels or to vessels of foreign companies associated with an Ecuadoran line.

Implementation is taking place route by route as Ecuadoran vessels become available. Associate status has been granted to a number of foreign lines in the direct trades to Europe.

## Egypt

In 1976, Egypt's Council of State issued a ruling through the Supreme Administrative Court in Cairo that in the future all seaborne shipments entering or leaving Egypt on the business of the Arab Republic of Egypt, her public institutions, organizations, and their affiliates must be arranged and supervised by the Egyptian Company for Maritime Transport or the foreign agents of this company.

Article 1 of Ministerial Decree 221 of 1974 requires all organizations in which the Government has 25 percent or more interest to give priority to Egyptian-flag companies. More recently, Government cargoes, plus 30 percent of all imports and exports, have been reserved for Egyptian-flag ships. The state cargo-allocation agency gives priority to the state line and second preference to major Egyptian private lines.

## Ethiopia

In Ethiopia, legislation is not known, but import licenses bear the words ' 'to be shipped in Ethiopian-flag vessels. " However, the fleet is very small and waivers are given automatically.

## France

According to a decree of April 1931, as amended in August 1970, two-thirds of the crude oil imported for internal consumption must be carried in French ships or in ships of which the charter parties have been approved by the Ministries concerned [i.e., Ministry of Fuel and Ministry of Transport (Merchant Marine)]. A 1935 French law specifies that 50 percent of France's coal imports be carried in French-flag vessels. Exceptions can be granted if needed ships cannot be supplied.

French-flag ships have a monopoly on coastal traffic in metropolitan France; they also have a de facto monopoly on traffic between ports of the French Departments of La Guyane, La Guadaloupe, and La Martinique, and between ports of the same overseas Departments. Trafiic between ports of metropolitan France and Tunisian ports is reserved jointly to French- and Tunisian-flag ships. It is the same for traffic between metropolitan France and Algerian ports according to recent agreements. Trafilc between France and former French colonies is not reserved to French-flag ships.

France has bilateral agreements with the Ivory Coast and with Senegal dividing cargo on a 40/40/20 basis.

A French/Morroccan agreement divides cargo either 40/40/20 or 50/50 on a case-by-case basis.

Concerning export credits, France imposes French-flag vessels if the transport is being financed as well as the goods being exported. This restriction relates only to those exports that are being undertaken on a c.i. f. basis. If, however, only the products are being financed and not the transport, a complete freedom-of-choice flag exists.

## Gabon

A government decree signed on September 7, 1978, confirms the division of cargo using the UNCTAD 40/40/20 formula, with the qualification that Government and quasi-Government cargo be expressly reserved for Gabonese-flag vessels.

Gabon's national merchant marine company, *Societe Natiomde de 7knsports Maritime* (SONATRAM), has signed agreements with both a West German and a Belgian company to divide cargoes on a 40/40/20 basis, which is similar to a French/Gabonese agreement. The agreements also provide for the Transportation of freight by the Belgian and West German companies, for the account of SONATRAM if no SONATRAM ships are available. A similar agreement has been negotiated with the Dutch line Nedlloyd.

## Federal Republic of Germany

There are no legislative provisions requiring the use of West German ships in the transportation of supplies for development assistance provided by the Federal Republic of Germany (FRG). Bilateral agreements on capital assistance provide that receiving countries shall allow free choice of transportation enterprises to passengers and suppliers of goods and shall abstain from any measures that might exclude or impair the participation by West German transportation enterprises.

Cargo may be reserved, however, to West German-flag vessels if the receiving countries preclude West German lines from participation in the carriage of such cargo. Furthermore, cargo may be reserved under existing agreements on sea transport concluded with the Republic of Ivory Coast and Brazil. West Germany has signed an agreement with the Ivory Coast to divide cargo on a 40/40/20 basis.

Cargo- and revenue-pooling agreements that involve nonresident shipping companies, and freight contracts and charters with carriers from countries that discriminate against West German vessels, must be approved by the government.

A supplementary protocol to the Brazil/FRG Maritime Agreement provides for participation on equal rights regarding freight values and tonnage for governmental cargoes.

## Ghana

Ghana favors f.o. b. purchasing as a means of discrimination, and all indications are that cargo control will be tight and effective. All cargoes ordered by the Ghana Supply Commission, the Government's purchasing organization, are handled by the Black Star Lines as shipping agents. However, cargo is moved by the first available conference vessel. Ghana has indicated that nonconference lines will be allowed to participate but only up to a certain share of trade (yet to be decided).

## Guatemala

Guatemala Congressional Decree No. 26/77 derogated the previous basic shipping laws and established a nondiscriminatory regime. A 6-percent surcharge, which must be paid by all national or foreign shipping lines that transport merchandise destined to the Republic of Guatemala, is levied on the value of maritime freight on all products or merchandise entering the country through national ports and customs houses. Until 1983, 30 percent of the revenue collected will go the National Maritime Co. (in which the state has a majority interest), with the rest going into a loan fund to assist the merchant marine.

## Honduras

In Honduras, no effective measures are yet in force. The 1970 legislation reserves imports of certain "privileged companies" to Honduran vessels. However, the fleet is too small for this legislation to be enforced.

## India

Government cargoes in India are reserved to the national-flag fleet. Further legislation is under consideration to reserve 40 percent of all export cargoes to Indian vessels.

India is exerting cargo preference pressure on her oil import trade The national refineries give preference to shipping under the Indian flag, which is to transport 90 percent of all crude oil imports.

India has agreements with Peru, Romania, Czechoslovakia, Hungary, Bulgaria, the U.S.S.R, Poland, East Germany, Iran, and Egypt to utilize as far as possible shipping of either party in the carriage of mutual trade. The agreements provide for the carriage of bilateral trade on the basis of suitability and equality in tonnage and earnings.

India has signed a bilateral agreement with Czechoslovakia that divides cargo on a 40/40/20 basis with the 20 percent share allocated to Polish and Yugoslav vessels.

Export-Import Bank cargoes that are not carried in U.S.-flag vessels must be carried on national-flag vessels.

Shipments for Government account must be carried on national flag ships.

## Indonesia

An instruction of November 27, 1964, orders that all requests for shipping space for export of Indonesian commodities be channeled through the Directorate for Shipping of the Directorate General of Sea Communications. This is designed to give national shipping companies priority in the transportation of Indonesian export goods.

The Minister of Sea Communications has ruled that trans-shipment of goods for Indonesia must be with Indonesian-owned ships using only Indonesian transshipment ports. It also was pointed out that as soon as possible, Indonesian-owned coasters will be used for tram-shipment from Bangkok, Thailand and Kompongsom, Cambodia. Licenses will be issued by the National Shipping Bureau. If national vessels are unavailable, foreign-flag ships can be licensed to carry transshipment. The Government has stipulated that national-flag ships carry 40 percent of all cargo moving between Indonesia and Europe.

Fifty percent of c.i. f. fertilizer imports (100 percent of f.o. b. fertilizer imports) must be carried on Indonesian-flag vessels. In late 1981, Indonesia and Korea negotiated an agreement to split the shipping of their bilateral trade 50/50.

Minister of Communications Decree No. KM/16/PR. 302/PHB-82 dated January 18, 1982, provides for a 50-percent reduction in port and bunkering charges for national oceangoing ships, including ships chartered by national oceangoing companies, loading nonoil and natural gas export products. The reduction is to be accounted by the shipping company as port charges relief to exporters.

Presidential Decree 18-82 dated April 12, 1982, states "the transportation of export and import commodities owned by the Government of Indonesia will be carried out by vessels operated by Indonesia shipping companies.

## Iran

Iranian Decree No. 35510 of August 23, 1976, created a bureau at the Ministry of Commerce for the purpose of planning and programing the importation and shipment of Government goods. All ministries and Government enterprises and organizations, as well as Government-afllliated organizations (excluding the War Ministry and the Armed Forces) are responsible for arranging for the shipment of their own goods, whether by sea or by air, through the Ministry of Commerce. The Ministry of Commerce arranges with the Iranian merchant marine for the shipment of such goods, and all Government cargoes are apparently reserved to the Iranian flag.

## Iraq

Preference in the carriage of cargo is given to Iraqi-flag vessels.

## Italy

Generally, Italy has no overall cargo-preference laws or regulations. Italy and the U.S.S.R. have signed a bilateral shipping pact that stipulates that Italian ships should carry all raw materials while Soviet ships should carry general cargo.

Italy and the Ivory Coast have signed an agreement to divide cargo on a 40/40/20 basis.

## Ivory Coast

An order of 1975 declares that cargoes of all types coming from or destined for the Ivory Coast are divided between Ivorian and foreign shipping following the 40/40/20 sharing formula of the UNCTAD Code of Conduct for Liner Conferences.

Cargo booking offices in most trades contribute to close control of cargoes. Preference for allocation is as follows:

- Ivory Coast-flag ships,
- trading partner-flag ships,
- conference cross-traders,
- Ivory Coast nonconference lines, and
- others.

The Ivory Coast has signed agreements with West Germany, France, and Italy which divide bilateral cargo on the above basis.

## Jamaica

The Cargo Preference Act of 1979 requires specified import and export cargo be carried by ships owned, chartered, or operated by the Jamaican Government. Those cargoes are: all bauxite, alumina, and such other natural resources of Jamaica and their byproducts as may be prescribed; such agricultural products to be exported from Jamaica as may be prescribed; and all Government-controlled cargoes. A waiver of 50 percent of cargoes can be based on reciprocity. The requirement can be completely waived if in the national interest. A strong directive has been issued to Government departments to use Jamaican-flag ships, but it has not been well-implemented.

## Japan

Japan has no generally applicable laws or regulations in support of cargo preference. However, utilization of Government financing or licensing services often result in the direction of commercial cargoes to Japanese-flag carriers. The shipment of tobacco from the United States to Japan is a case in point—such cargoes have been shipped exclusively on Japanese-flag vessels for years. The close Government-industry relationship in Japan necessarily results in a shipping policy that has the net effect of a "ship Japanese' program.

## Republic of Korea (South Korea)

A preferential interest rate for importing raw materials for export production is extended to cover freight costs when the imports are carried on Korean-flag ships.

The Marine Transportation Promotion Law of December 5, 1978, as supplemented by Presidential Enforcement Decree of June 8, 1979, reserves 100 percent of all liner cargoes for Korean-flag vessels.

The Shipping Promotion Law enacted by South Korea makes it mandatory for exporters and importers in that country to use only Korean-flag vessels for all their shipments.

The Government encourages the use of Korean-flag ships by awarding some Government procurement contracts on a f.o. b. rather than a c.i. f. basis, enabling these ships to compete on a more equal level. The extent to which this policy is successful is indicated by the relatively large ratio of cargoes carried by its oceangoing merchant fleet.

There is a waiver system designed to assure the utmost cargo for the national fleet. A waiver is allowed only when there is no Korean vessel available for carrying cargo.

A Transportation Ministry decree names five commodities, imported in foreign bottoms, which as soon as possible are to be carried in Korean-flag ships. These items are crude oil, iron ore, logs, grains, and fertilizers.

Korea has trade agreements for the carriage of cargo by ship with the United States, West Germany, Japan, and Denmark.

## *Kuwait*

Government of Kuwait crude oil sales contracts include terms that require that cargo preference be given first to Kuwait-flag tankers, and then to other Arab flags.

## *Libya*

A Libyan decree reserving all imports to domestically owned or chartered vessels was to have been issued, but, if issued, has never been implemented.

## *Malaysia*

Malaysian law requires all coastal trade be carried on Malaysian-flag vessels. All goods destined for East Malaysia must pass through Johore Baru, eliminating Singapore trans-shipment. The prime benefactor will be the Malaysian International Shipping Corporation (MISC), which is 51 percent owned by the Government.

Malaysia has adopted the UNCTAD Code of Conduct for Liner Conferences cargo carriage ratio of 40/40/20. Legislation and fiscal incentives reserving Government and quasi-Government cargoes to the national flag are ineffective at the moment, but Malaysia has ambitious plans for fleet expansion.

## *Malta*

The Maltese minister for ports may exclude from trade with Malta those lines not party to an agreement of which he approves. Legislation has led to a number of 50/50 commercial deals.

Sea Malta Co. Ltd. is to share in the carriage of freight on the routes between Malta and Belgium, West Germany, Holland, Italy, and the United States routes on a 50/50 basis as a result of an agreement reached between the island's national carrier and a number of foreign lines that operate on the Malta route.

Previous nonconference lines were accommodated in these agreements, but presumably there would be difficulties for new nonconference lines. Cross-traders also were accommodated but on a limited basis.

## *Mexico*

The constitution of the Caribbean Multinational Shipping Line (NAMUCAR) requires members to use that line for all shipments between member countries in which there is a Government interest, unless such cargo is reserved to national lines.

Preferential treatment is on the basis of administrative actions rather than laws. These actions have taken the following forms:

1. approval of applications for import licenses with the provision that the goods covered by the application be imported in Mexican-flag vessels;
2. in some cases where the importation of a given item is restricted by allocations of quotas in currency, the cost of sea transportation is not charged against the quota when the goods are imported in Mexican-flag vessels. The effect of such a "credit' is to increase the quota of the importer who chooses to utilize the services of Mexican-flag ships;
3. a decree ofJanuary 30, 1967, grants a 97.7-percent reduction of the export tax on cotton to cotton producers, The purpose of the decree is to encourage producers to seek foreign markets. It is stated in the decree that preferential treatment will be given to shippers who use Mexican-flag vessels or vessels chartered by a national shipping company;
4. a decree of January 18, 1963, established an export tax of 1 percent of the invoice value on bee honey if the shipment is made on a Mexican-flag ship. The tax applied on bee honey shipped on a foreign-flag vessel is 3 percent; and
5. a decree effective January 1, 1966, provides the following subsidies of products intended for export: 50 percent of the railroad freight rate for manufactured products not for end consumption. When such products are shipped by sea, the subsidy can only be given when either a Mexican-flag vessel or a foreign-flag vessel under charter to a Mexican shipping company is used.

A provision has been published under the Mexican Export Tax scheme which applies rebates on a progressive scale to exports if the exporter uses Mexican insurance and c:arriers.

Article 6 of the Mexican Decree on Fiscal Incentives to the National Merchant Marine provides a tax credit equivalent to 10 percent of the cost of transport and other costs associated with the transport of imports to those who contract with a Mexican-flag transport firm.

The Law of the Development of the Mexican Merchant Marine enables the Secretariat of Communications and Transport to reserve specific shipments of cargo for transport solely in ships of Mexican registry and to fix the Mexican-registered vessels' percentage shares of the transport of import and export cargoes that are the property of the Government or semi-public institutions. Under the law, import or export cargoes marketed with state financing, subsidy or guarantee, and duty exempt cargoes are preferably to be transported in ships of Mexican registry.

Regulations published on October 27, 1981, implementing Mexico's Law for the Development of the Mexican merchant marine reserves 50 percent of all general and bulk cargoes for the Mexican merchant marine.

Mexico's Multimodal Transport Decree requires equal participation of Mexican-flag carriers in the transport of containers. Despite legislation favoring conference shipping, a high proportion of trade continues to be nonconference.

## Morocco

State enterprises and mixed public-private activities and/or concessions or subsidiaries of such entities reserve all their cargo for Moroccan-flag carriers. Forty percent of imports and 30 percent of exports are required to move on Moroccan vessels. Morocco has agreed to divide cargo 40/40/20 or 50/50 on a case-by-case basis with France and Spain. Existing bilateral exceed the UNCTAD Code by implicitly covering bulk trades.

## Mozambique

All trade between Mozambique and Portugal is reserved for Portuguese-flag vessels. There is a 20-percent reduction in taxes on goods shipped via Portugal.

## Nicaragua

Decree Law No. 299 of March 24, 1972, provides that cargoes purchased or sold by the State shall be transported exclusively by Nicaraguan shipping enterprises. Fifty percent of commercial cargoes shall be carried by national flag ships, and 50 percent by ships of the other party. Should the other party not provide shipping services, the Nicaraguan share may go up to 80 percent.

A recently passed Government decree states that 40 percent of each shipment in or out of Nicaragua must be transported on the state shipping line, Naviera Nicaraguaense (NANICA). Forty percent of the shipment can be transported by a line from the trading partner and 20 percent by a shipping line of any Central American country. Recent legislation, not yet implemented, calls for Government approval of freight rates and increases.

## Nigeria

On December 29, 1981, Nigeria anounced its adoption of the UNCTAD 40/40/20 cargo-sharing formula with implementation to be effective January 1, 1982. It was also announced that bilateral agreements will be undertaken with friendly countries to promote shipping trade. A 50/50 agreement has been concluded with Brazil, and discussions with OECD trading partners are currently underway. A high proportion of current trade is carried by nonconference lines.

## Pakistan

Cargo preference is practiced among participants in international shipping conferences that reserve a portion of the conference trade to Pakistan ships.

Half of U.S. and World Bank aid cargo and most Government cargo is reserved to national-flag ships.

It is reported from Karachi that 40 percent of the country's imports and exports will be reserved to national-flag ships. Pakistan is believed to have had a 50/50 cargo sharing agreement with Poland dating from 1975.

## Paraguay

A decree reserving 100 percent of Paraguay's inbound cargo for Paraguayan ships was signed on August 21, 1981.

## Peru

For certain types of cargo (wheat, corn) Peru reserves 100 percent of cargo for Peruvian-flag vessels. For other cargoes, it reserves 50 percent, but since export cargo is normally sold full-lot, the effect is that Peruvian flag vessels end up with the entire cargo.

A decree, effective March 26, 1976, guarantees that Compania Peruana de Vapores, the state-flag line, shall receive preference in the carriage of all Government cargoes, whether national or local.

A Peruvian decree provides that all public bodies give preference to the transportation of import and export cargoes to vessels belonging to the Peruvian Shipping Company (CPV). Also, the organization will contract through CPV the transportation of cargoes which CPV vessels cannot carry.

A Peruvian Government decree established that up to 50 percent of Peruvian exports and imports (calculated on a monthly basis) must be reserved for Peruvian shipping lines. In practice this started at 30 percent and permitted a periodic increase to bring it up to 50 percent, to which it was raised by a decree of June 2, 1980.

Decree 22067 of January 11, 1978, obliges all public sector entities to contract Peruvian-flag shipping lines for the maritime transport of nonconference articles for import and export with priority to: 1) Corporation Peruana de Vapores (CPV); 2) Peruvian-flag vessels; 3) foreign-flag vessels chartered to Peruvian companies.

Supreme Decree No. 024-80-TC signed December 30, 1980, reserves cargo exclusively for Peruvian-flag vessels in cases where the trading partner does not have a representative line calling in Peru. Argentina and Brazil have similar agreements with Peru whereby the parties have an equal right to transport the cargoes and share the freight receipts derived from their bilateral trade. Peru has acceded to UNCTAD code with reservations.

## Philippines

In the Philippines, an original decree reserved all Government cargoes to the national flag. A subsequent decree (January 1982) reserves 40 percent of all liner trade to the national-flag vessels and 40 percent to the bilateral partner. Legislation on Government cargo is already in force, but implementing regulations for the general cargo reservation law have been issued only for the U.S. route so far. The combined effect of the two decrees will probably mean 60 percent of the trade is reserved for Philippine vessels.

Presidential Decree 806 states that the Government will take all steps necessary, including the provision of direct incentives to Philippine- flag vessels and national shipping lines, to enable them to carry a substantial and increasing share of the cargo generated by Philippine foreign trade. It also states that Philippine-flag vessels and those that are owned, controlled, or chartered by Philippine nationals shall carry at least an equal share of cargo as that carried by vessels of another country in trade between the two countries.

Exporters will be able to deduct from their taxable income an amount equivalent to 150 percent of overseas freight expenses and charges in Philippine ports incurred in shipping export products, provided they use Philippine-flag carriers. Enterprises registered with the Board of Investments also will be allowed to deduct from their taxable income 200 percent of shipment costs incurred in the transport of their products and raw materials to and from foreign ports, provided the shipments are on Philippine vessels.

Under a Philippine licensing regulation, import licenses will be issued for a Government cargo only when such import is to be transported on Philippine-flag ships. However, import licenses may be issued if no Philippine-flag vessel is available at the port of shipment. In actual practice, many shipments go to foreign liners due to the unavailability of Philippine ships.

Presidential Order No. 37 requires that all purchases of Philippine imports be made on an f.o. b. basis, that all freight payments be made in pesos in the Philippines, and that preference on the carriage of imports be given to Philippine-flag vessels.

Presidential Decree 917 of April 1, 1976, established the Freight Booking and Cargo Consolidation Center to: 1) encourage, facilitate, and assist Philippine shippers, and affect the consolidation of their cargoes, in order to achieve economy and efficiency in bulk shipments; 2) provide systematic vessel-chartering services or charter vessels for the benefit of Philippine shippers; 3) secure adequate shipping services for the carriage of Philippine overseas trade and book cargoes at reasonable freight rates; 4) serve as the central implementing authority for the utilization of Philippine shipping lines for the seaborne transport of Philippine export and lumber imports as prescribed under Presidential Decree No. 894; and 5) foster cooperation among, and enter into suitable arrangements with, appropriate private and public sectors in the Association of Southeast Asian Nations for these purposes and projects.

Decree No. 894 of February 26, 1976, requires Government offices, agencies, and instrumentalities, Government-owned or controlled corporations, and persons and entities enjoying tax exemption, incentive, or subsidy from the Government to utilize in international transportation the services of Philippine-flag shipping lines to the maximum extent service by such lines is available.

Presidential Decree 1466 narrowed the provisions of Presidential Decree 894 by requiring only those cargoes paid for with Government funds or with Government loans, credits, or guarantees to be carried on Philippine-flag vessels (waivers may be granted on the basis of reciprocity y).

All imports of U.S. agricultural commodities under section 402, of the U.S. Government Mutual Security Act and U.S. Public Law 480 that are in excess of the 50 percent required to be carried on U.S.-flag ships must be shipped in Philippine vessels when available.

Executive Order No. 769 signed onJanuary 19, 1982, orders the maritime industry authority to issue the necessary rules and regulations to reserve 80 percent of the Philippine export and import liner cargo trade not covered by Presidential Decree 1466 for flag carriers of the Philippines and those of the bilateral partner, with the reserved cargo to be shared equally.

## Portugal

Decree Law 75-U/77 prescribes that the maritime transportation of goods by any public administration or public enterprise must be on ships under Portuguese flag or on foreign ships chartered by the Portuguese ship owners. This regime must also be observed for c. i. f. exports made by any public administration or public enterprise.

The principles that govern the granting of a derogation are expressed in the Decree Law 75-U/77, in its Article 2:

> Up to 50 percent of the import or export consignments covered by the provisions of Article 1 may be freed for carriage in foreign ships, in particular those of the importing or exporting country, provided that the legislation of such countries grants equal treatment to Portuguese vessels.

In practice, Portuguese authorities intervene only when there is no agreement between carriers and shipowners, and even then only in cases in which there are no significant differences in transportation costs and there is no delay in the expedition or reception of goods.

In the other cases, waivers are automatically granted. At present, there is no record of any waiver being denied. If the laws of the importing or exporting country grant equal treatment to the vessels sailing under the Portuguese flag, then up to 50 percent of the import or export cargoes may be liberated in favor of ships flying that country's flag.

The maritime transport companies of Portugal and the U.S. S. R. are entitled to equal shares in the carriage of merchandise in the bilateral trade between their ports.

## Saudi Arabia

By royal decree, preference shall be given to Saudi companies whenever financial and other items are equal. Saudi legislation in 1975 reserved 5 percent of Saudi exports—mainly oil—for national vessels. This figure was supposed to increase to 50 percent by 1980. Saudi flag is also given first preference for defense and governmental cargoes.

## Singapore

The Singapore Shipping Association and the Indonesian Shipowners Association have an agreement dividing cargo between them on a 50/50 basis. Otherwise, Singapore has no cargo preference laws.

## South Africa

All goods shipped from the United Kingdom or Europe to South Africa for government use must be shipped in vessels operated by the South and South-East African Conference Lines of which SAFMARINE, Ltd. is a member. No other cargo preference laws are in effect.

## Spain

A ministerial order dated March 15, 1963, implies certain limitations on the freedom of shipping for imports of essential commodities, "the prices of which, due to their absolutely essential nature, are exposed to the very frequent changes of freight rates in the international market, and which being considered as governmental trade, do not contravene, therefore, to the rules of the international organizations of which Spain is a member.

In this connection, the freedom of trade and freight rates will be limited in the following cases:

- imports of governmental cargoes, which have to be carried in full shiploads and on Spanish-flag vessels; and
- the same conditions apply to the imports of those crude oil loads, which are assigned to be consumed within the area covered by the petroleum monopoly.

However, this regime is not entirely restrictive, in view of the fact that 45 percent of crude oil is moved in foreign-flag vessels, and waivers are granted when or where there are no Spanish flags for the cargoes.

Spanish exports enjoying some kind of official support are not subject to any restriction on the flag of the carrying vessels. If transportation is contracted with non-Spanish vessels, the freight value is considered as foreign content. Offlcia.1 support for foreign content normally is limited to 10 percent of total contract value. The above comment implies exports on a c.i. f. basis only. There is no restriction at all on a f.o. b. basis.

Spain restricts to national vessels, through Government monopolies, many imports such as petroleum, tobacco, and cotton. When Spanish-flag ships are subjected by another country to measures contrary to free competition, they shall have the right to apply similar measures in return.

A ministerial order of February 24, 1977, provides that imports of goods classified as "commerce of state' are reserved for national-flag ships.

## Sri Lanka

The state-operated Ceylon Shipping Corporation has a monopoly on all cargo imports for the Government and state-owned corporations. If that company is not ready to carry cargo within 14 days it can be diverted to other shipping companies. Law No. 26 of 1973 established the Central Freight Bureau of Sri Lanka to centralize the booking of freight from Sri Lanka to foreign ports. All export cargo is allocated by the Ceylon Freight Bureau since 1971, with first preference given to the state line.

## Sudan

Virtually all Government or quasi-Government cargo (about 75 precent of total) uses Sudan's national line.

## Taiwan

Government agencies and state-owned enterprises in Taiwan are required to consign their import cargoes to national-flag shipping lines with second priority to flag-of-convenience vessels. Liner operators may be licensed and may be restricted if overtonnaging is found on a route.

Other regulations require that imports of bulk commodities be shipped by national-flag vessels with second priority to flags of convenience.

The Joint Overseas Shipping Association (JOSA), a group formed by Taiwanese ship operators serving Taiwan, is responsible for ensuring Taiwanese vessels have a preference on cotton cargoes. Each cotton importer is required to approach JOSA before the issuance of the import license in order to verify the shipping schedule and intended Taiwanese vessels to be utilized for the shipment. (A waiver can be issued if no Taiwanese vessels are available. )

Additionally, the financing for cotton shipments to Taiwan is arranged through the Central Trust of China (CTC) or a bank named by CTC. The importer is attracted to this financing because of the low interest rate. within this financing there is a double check on JOSA approval, and letters of credit will not be opened without the proper import license approved by JOSA.

## Tanzania

Tanzania has imposed an income tax on gross receipts accrued from outbound shipping freight and passengers effective April 2, 1976. This tax applies only to foreign shipping lines. The tax does not apply to trans-shipment traffic.

The Tanzanian Government is establishing a central freight bureau to oversee implementation of UNCTAD Code of Conduct's 40/40/20 formula and to negotiate freight rates.

## Thailand

Government agencies are encouraged to use the Government-owned forwarding agent and vessels belonging to the Thai Maritime Navigation Co. Ltd. and the United Thai Shipping Corporation.

The Mercantile Marine Promotion Act B.E. 2521, passed in October 1978, aims at promoting Thai-flag vessels through fiscal and other measures, including cargo preference and the prevention of dumping by foreign-flag vessels. It empowers the Government to permit a deduction amounting to not more than 50 percent of the costs of carriage from the shippers net income prior to income tax calculation when using Thai-flag vessels for import and export cargoes. It also empowers the Government to make mandatory the use of Thai-flag vessels for the seaborne transportation of cargoes ordered by governmental agencies and enterprises.

The Communications Ministry has issued regulations requiring Government agencies, governmental organizations, and state enterprises to use Thai ships to transport their imported goods on five routes (Japan-Thailand, Korea-Thailand, Hong Kong-Thailand, Taiwan-Thailand, and Europe-Thailand). Goods purchased through loans by foreign governments and international financial institutes are exempt from the regulations. To date, most imports have fallen into the nonreserved category.

## Trinidad and Tobago

No legislation has been enacted to date, but discussions are underway concerning a proposed edict that would reserve all governmental or quasi-governmental cargoes (about 70 percent of all cargo) to the national line.

## Tunisia

Trade between Tunisia and metropolitan France is reserved for Tunisian- and French-flag vessels. The Government owns the Compagnie Tunisienne de Navigation (CTN) which aimed to carry 30 percent of the country's maritime trade by 1981.

## Turkey

All "public sector" cargoes must be carried in Turkish-flag ships. Furthermore, the Maritime Bank exerts pressure on Turkish exporters and importers to ship commercial cargo on Turkish ships when available.

The Turkish Government issued a decree in 1975 which directs that cargo for Turkish destinations should be carried by Turkish ships whenever possible. However, should there be no Turkish ship in port at the time the goods are ready to be taken on board, ships of any other flag are free to take the business after obtaining a Turkish nomination certificate.

## United Kingdom

The only cargoes required to be shipped in British vessels are sensitive stores and equipment of the armed forces for which security considerations require them to remain under national control.

In the United Kingdom, guaranteed finance is not available for the foreign element of the freight costs:

- where there is clause in the contract which discriminates against United Kingdom shipping or in favor of foreign ships; or
- for business with the CO MECON countries and P. R. C., where the United Kingdom recognizes that, even though there may be no overt flag discrimination clauses in the contract, the goods are to be carried in COMECON vessels or, in the case of P. R. C., in Chinese-registered vessels.

## Uruguay

Law No. 14650, the Uruguayan Merchant Marine Development Law, was enacted by Executive Power on May 12, 1977. It reserves 50 percent of all waterborne, (in particular, 100 percent of all imports) for Uruguayan-flag vessels; except where one is not available or is fully loaded. Prior authorization from the Ministry of Transportation and Public Works is needed to use a non-Uruguay an-flag vessel. Such vessel must fly the flag of a country which has an international convention with Uruguay, be in a conference approved by the Ministry of Transport and Public Works, or grant reciprocal treatment to Uruguay an-flag vessels.

The above reservations can be extended to exports that are tax exempt or are financed by the national banking system. Tax allowances are awarded to export freights carried on national-flag vessels. Uruguay has agreements with Brazil and Argentina that provide for an equal sharing of their bilateral trade.

## Venezuela

Legislation is in force reserving 50 percent of all cargo to national flag vessels, with all Government cargoes being reserved to the state line. In practice, the national line gets 50 percent of the conference trade. Nonconference lines have free access to nonreserxred cargoes but rarely to reserved cargoes.

The Law for the Protection and Development of the National Merchant Marine stipulates that ships should be 80 percent owned and 100 percent administered by Venezuelan nationals to qualify as Venezuelan flag, and on the general cargo side, the law requires 50 percent of the traffic of each shipper and importer to travel in Venezuelan-flag vessels; it also further excludes the Venezuelan private sector from much of this trade.

The National Executive shall initially reserve for Venezuelan-flag ships the transport of a percentage that is not less than 10 percent of the export and import of petroleum and its derivatives. This percentage shall increase gradually until 50 percent of the total is reached. In a like fashion, the transport of iron ore, wheat, and other free-flowing cargo shall be treated equally whether they are exports or imports.

Compania Anonima Venezalana de Novegacion (CAVN) maintains joint services with several "associated' * foreign-flag lines and under the agreements establishing the joint services imports partially or totally exempt from import duties (known as exonerated cargo), ** must move on CAVN or "associated' line ships. The ' 'exoneration " is at the discretion of the Government agencies concerned and amounts to about 15 percent of the value of Venezuelan imports. This assures a definite share of the cargo to CAVN in areas where it maintains a service.

## Yugoslavia

An export premium on ocean freight of 20 percent to U.S. North Atlantic ports and 30 percent to other ports is being given to Yugoslav exporters by the Yugoslavia National Bank when the following conditions are met: 1 ) shipment is made via a Yugoslav port on a Yugoslav vessel, and 2) if no Yugoslav vessel is available and shipment is made via a Yugoslav port, a foreign-flag vessel may be utilized; however, a certificate

*CAVN is associated with a number of lines in the Scandinavian countries, Europe, and Japan whereby joint services are maintained.

"*Government financed cargoes The Government of Venezuela points out the majority of ' 'exonerated cargo' IS bulk cargo that is not normally carried by CAVN ships.

25-417 0 - 83 - 15 QL 3

must be obtained from the Association of Yugoslav Shipowners stating that no Yugoslav-flag vessel is available.

## Zaire

Law 70-014 of July 10, 1974, gives Compagnie Maritime Zairoise the monopoly of transport by sea of exports from the Republic of Zaire and the monopoly on imports of all goods and products imported with the assistance of the Bank of Zaire. It may bestow a part of the operation on other companies of its choice.