

**Section 3**  
**Summary**

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The current trend worldwide is toward more and more government involvement in trade and cargo policies. These policies have taken various forms, including unilateral declarations as well as both bilateral and multilateral agreements or treaties. The United States is unusual among major maritime and trading nations in its advocacy of a completely free trading environment and its reluctance to accept any form of bilateral or multilateral cargo-allocation regime. Many other nations have much more direct government involvement in their trading and shipping industries.

OTA's *Assessment of Maritime Trade and Technology*, published in 1983, stated that there was at that time no generally accepted U.S. cargo policy, and that the lack of such a policy has been detrimental to U.S. trading and shipping interests.

## U.S. CARGO PREFERENCE

The debate about cargo preference for agricultural commodities is especially intense as this Background Paper is being published. Many current legislative proposals seek to eliminate cargo-preference requirements for certain export programs. In addition, maritime interests have called for better enforcement of existing cargo-preference laws. OTA's investigation has identified three possible initiatives for consideration:

- A directive requiring more specific evaluation of cargo-preference costs (by program

## MULTILATERAL CARGO SHARING

The most significant international (multilateral) agreement on cargo sharing, the United Nations Conference on Trade and Development (UNCTAD) Code of Conduct for Liner Conferences (or UNCTAD Liner Code), has been in effect since October 1983. The United States has re-

This 1985 review of cargo policies has found little changed from 1983 except for a decided increase in the intensity of the debate, especially as it concerns U.S. cargo preference.

The OTA cargo policy workshop, together with an analysis of the key questions raised by the workshop and other sources, has identified four issue areas that appear to be important not only to the health and vitality of the U.S. shipping industry, but also to other vital national interests involving U.S. participation in world trade:

- U.S. cargo preference;
- multilateral cargo sharing;
- bilateral cargo sharing; and
- national defense needs that affect cargo policy.

and agency), as well as a clear allocation of those costs (e. g., for defense-related requirements).

- Development of comprehensive interagency guidelines for cargo-preference compliance and reporting.
- A requirement to evaluate all Government subsidies offered each firm, both direct and indirect, in order to gain more equity and balance among promotional programs.

fused to accept this treaty, although many of our trading partners have either signed it or announced their intention of signing. It is too early to measure any major impacts of the Liner Code on the shipping industry. However, UNCTAD is now pursuing other initiatives such as a code for

bulk cargo and an effort to phase out open registries (flags of convenience).

While the U.S. Government has consistently resisted attempts to institute cargo-sharing agreements, strategies to achieve such a goal have not been clearly defined or widely debated in the

## BILATERAL CARGO SHARING

Some observers have advocated a strategy of selective bilateral agreements on cargo policy, in lieu of a more general (or multilateral) approach involving many trading nations. The rationale is, first, that the United States would have a stronger negotiating position and, second, that a minimum number of nations would have to be accommodated.

The United States now operates under bilateral cargo-sharing agreements with Brazil and Argentina, and has had such agreements with the Soviet Union and China in the past. While the present Administration has resisted further at-

tempts at bilateral cargo sharing, it is likely that other nations will continue to seek forms of cargo allocation for the benefit of their own shipping industry. OTA has identified two possible approaches for consideration:

tempts at bilateral cargo sharing, it is likely that other nations will continue to seek forms of cargo allocation for the benefit of their own shipping industry. OTA has identified two possible approaches for consideration:

- Develop a bilateral strategy for future guidance in responding to other nations' cargo-sharing initiatives, to be prepared by an interagency group.
- Develop a legislative framework for cargo sharing, including strategies for future bilateral agreements.

## NATIONAL DEFENSE AND CARGO POLICY

National defense is the overriding justification used for most forms of Federal support of the U.S. merchant marine, including those of funding cargo-preference costs or taking actions in the international arena that would serve to strengthen the U.S. shipping industry. There is little debate about the need for some defense mobilization base, but there is considerable debate about specific definition of shipping needs, the cost of providing them, and the various approaches toward Government support of the industry. OTA's investigation revealed three initiatives for consideration:

- Analyze the desirability of allocating the direct costs of cargo preference to the defense budget.
- Evaluate the long-term desirability and costs of direct support for a national fleet to meet defense needs vs. indirect support for a commercial fleet, including the question of an adequate pool of merchant seamen for the future.
- Evaluate the long-term viability of the merchant fleets of our allies as they contend with difficult competition from the Soviets and other controlled carriers.