



From the Secretary of State

The Rt Hon Francis Pym MC MP  
 Secretary of State for  
 Foreign and Commonwealth Affairs  
 Foreign and Commonwealth Office  
 Downing Street  
 London  
 SW1

Prime Minister

For information at this  
 stage.

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23 March 1983

*New Francis*

THE UNITED NATIONS CONVENTION ON A CODE OF CONDUCT FOR LINER CONFERENCES

As you know we are coming under EC pressure to accede to this Convention before UNCTAD VI, which starts on 6 June. I am concerned to ensure that when we do so we avoid weakening our ability to resist the increasing protectionist pressures to be found in international shipping.

BACKGROUND

The Government agreed to accede to this Convention within days of taking office. Our predecessors had carried matters too far to give us any real alternative to accepting the compromise that had been reached in the Community, now embodied in EC Regulation No 954/79.

This aims to concede the benefit of the Convention's protectionist cargo-sharing provisions to the developing countries' conference shipping lines, while preventing those provisions from restricting competition between conference lines from developed countries.





*From the Secretary of State*

We have now obtained the necessary domestic powers to implement the Convention, in the Merchant Shipping (Liner Conferences) Act 1982. But we are still without a solution to the crucial problem of how to prevent a foreign country continuing to enjoy the benefits of the Convention while forcing monopoly conditions on the liner shipping route between itself and the UK.

There are of course inherent policy difficulties in permitting shipping lines to form cartels (or "conferences"), but successive British governments have been content to exempt them from the Restrictive Trade Practices Acts, provided there is an unfettered opportunity for non-conference lines to offer alternative services.

#### THE PROBLEM

The difficulty that we face, more clearly now than in 1979, is that a number of developing countries are hostile towards competition in their liner trades and wish to deny non-conference lines the right to trade. This would have the effect of imposing a monopoly upon the conference carrying British exports and imports to and from those countries. We cannot accept this, our own shipping lines do not want it, and we clearly need to keep our hands free for any countermeasures that may be needed to deter it. However it is now clear that some developing countries' governments will seek to use the Convention itself as a pretext to exclude non-conference lines unilaterally from our trades. Indeed I think we must take it that most will do so if they see others getting away with it. Although the Convention does not endorse this, it does not prevent it either, and it could even restrict our ability to defend our interests.

Before we accede to the Convention we therefore have to find a way of effectively denying a developing country government the ability to impose a monopoly on the shipping of our trade while continuing to enjoy the benefit we extend to them under the Convention; and above all of ensuring that our own accession does not inhibit us in defending our interests if they seek to do so.

#### THE NEXT STEPS

Officials have been considering a number of possible solutions, but the position in international law is exceedingly complex, and the problem is now becoming pressing.





*From the Secretary of State*

I believe we now need urgent advice on the best way in which HMG can strengthen its hand in this matter and I would welcome your agreement to our commissioning an early joint report from our department's officials and legal advisers, with positive recommendations on the best way of securing our interests against the dangers I have described. I suggest this report should be made to us jointly by the middle of April.

I am copying this letter to the Prime Minister, our colleagues on E Committee, and to Sir Robert Armstrong.

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ms  
Arthur

LORD COCKFIELD



20 MAR 1964

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Non-Tariff  
Barriers*

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*N. B. P. R.*

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*AR 31/3*

SECRETARY OF STATE FOR TRADE

UN Convention as a Code of Conduct for Liner Conferences

1. Thank you for your letter of 23 March.
  
2. I agree that we need to consider carefully the dangers to our shipping interests you describe. This is a complex issue and we shall need to look both at the likely gains from the action open to us and at the implications for our relations with other countries. These are all aspects on which we need advice, and I agree that we should ask our officials and legal advisers to produce an early report.
  
3. I am copying this minute to the Prime Minister, members of 'E' Committee and to Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office  
31 March 1983

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Non-Tariff  
Barriers, p. 7

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