

Russian-Greek collusion

In this context of collapsing volumes of world trade, the role of the considerable Russian merchant fleet in undercutting Western shipping rates is substantial, by all informed accounts of people contacted in the industry. According to the Brussels-based Association of Shipowners of the European Community, the Soviet Union operates 23 million DWT of carrying ships for commercial trade in the West. By comparison, Norway, one of the major shipping countries in Europe, operates 27 million DWT. The United States operates 25 million DWT under its own flag. But, more significant than the absolute tonnage size of the Russian merchant fleet, is the leveraged deployment of that fleet to target and bankrupt vital Western ship lines. Reliable reports indicate that the Australian merchant fleet was one such victim of Soviet rate dumping several years ago.

Since 1980, the problem of Russian rate dumping has become so serious that the European Community in Brussels has launched official investigations. According to an EC spokesman, those reports remain "confidential." One reason why they should be considered sensitive, could be reports that one member country of the EC, Greece, has secretly (and illegally) entered into a series of cartel-type rate and market agreements with the Soviets. One such deal was reported last summer, in which Greek-Soviet trade would only be divided between the flag carriers of those two countries. Reliable sources close to the EC report that the agreements are probably actually far more substantial. If true, this would mean that Western Europe's largest flag carrier, Greece, with almost 60 million tons fleet capacity, would give the Russians a staggering advantage over Western competition.

"You have an industry rule-of-thumb today," one Oslo shipper said. "Fifty percent of your total cost is for financing the ship. Another 25% is for crew costs. The rest is food, insurance, parts, repairs. The Russians have no financing costs to cover and their labor costs are negligible. Their cost advantage is such that they can undercut anyone they choose." For several years, Greece has been the favored source for Soviet charter of bulk carriers to carry grain, according to one EC source, who declined to comment further on the reports of Russian-Greek collusion. The principal advantage the Russians have, is the fact that their entire merchant fleet is deployed out of their military fleet. The vessels and crew are all dual-purpose, ready for mobilization for military purposes. This is an advantage shared by no Western shipper.

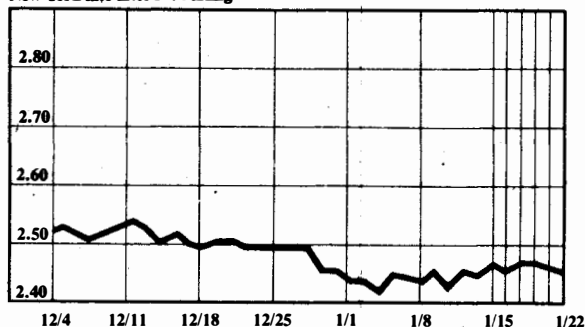
One source close to the debate raging within the European Community reports that an investigation into rate-dumping problems in the industry is presently being blocked by Greece. The reason reportedly involves the illegality of the Greek arrangements with Russia.

"Everybody now is scrapping for market share, the Japanese, Taiwanese, everybody. It's a real dog fight among shippers," a leading London observer related. "Other countries are involved in rate-dumping, but the Russians are clearly the worst abusers."

Currency Rates

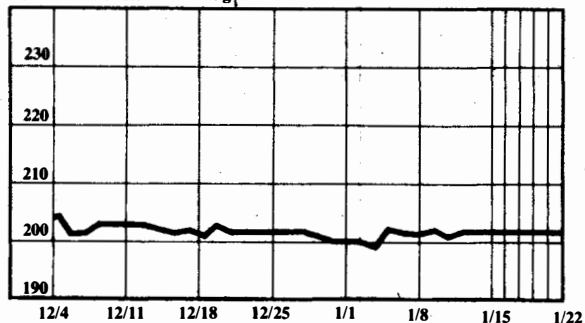
The dollar in deutschmarks

New York late afternoon fixing



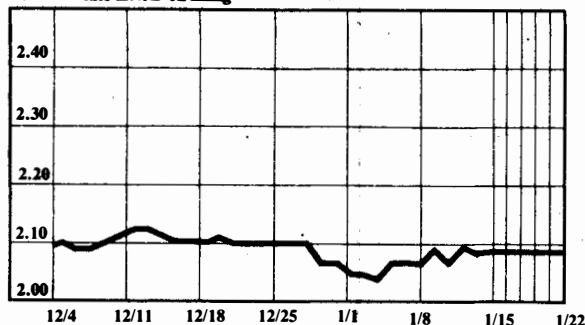
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

