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U.S. Fines Japanese Ship Lines

\$100,000 fees imposed after port talks fail

By David Tong, *San Francisco Chronicle*
Friday, September 5, 1997

In the start of a nasty trade dispute, the U.S. Federal Maritime Commission began yesterday imposing hefty fines on three major Japanese shipping lines that do business at U.S. ports.

Mitsui OSK Lines Ltd., Nippon Yusen KK and Kawasaki Kisen Kaisha Ltd. are being slapped with a fine of \$100,000 whenever any of their container cargo ships first calls on a U.S. port.

The penalties, which industry sources say could run more than \$40 million over 12 months, were levied after negotiators in Tokyo failed to reach an agreement on measures to satisfy American shipping lines at Japanese ports.

Talks are due to resume today in an effort to resolve the dispute.

Oakland-based American President Lines and other foreign carriers that do business in Japan have long complained about the discriminatory practices of the Japanese harbor industry.

Gil Roeder, a spokesman for APL, took special aim at the Japan Harbor Trade Association. ``Under the current monopolistic practices of the trade association, foreign carriers cannot select vendors to

work at the terminals. They are assigned to us for life. Furthermore, we have to go to the trade association for any changes for approval for vessel deployment or changes in terminal operations."

The U.S. companies want the flexibility to set up their own stevedoring operations in Japan in much the same way Japanese companies are free to do so in this country.

Although Japanese container ships come through the Port of Oakland, the fourth-largest port in the United States, the fines themselves will be levied in Los Angeles and Seattle, the first ports of call for the cargo ships.

Dan Westerlin, manager of strategic marketing for maritime operations at the Port of Oakland, said the first two Japanese cargo ships affected by the sanctions are due to arrive today at the port. On average, he said the three Japanese shipping lines move about three to four cargo ships through the port weekly.

"I've been here for 10 years, and I've never seen anything like this before," Westerlin noted. "It's a federal issue, but we are concerned about anything that upsets the delicate balance of trade."

A spokeswoman at Mitsui OSK's office in Concord said her company regretted the sanctions but noted her company's service will continue uninterrupted. "In view of the ongoing and extensive efforts of the parties in Japan, we feel optimistic that the issues in question will be resolved shortly," she said.

Officials for Kawasaki Kisen Kaisha and Nippon Yusen KK were unavailable for comment.

It is unclear whether the Japanese shipping lines will pass on the cost of the sanctions in the form of higher rates to their customers.

Industry and port sources doubt that will happen because the Japanese shipping lines must maintain the rates where they are now to remain competitive with other carriers in the Pacific trade.

They say the Japanese shipping lines have decided for now to pay the sanctions because they don't want to lose their customers or go through other ports outside this country.

The fines will not have to be paid until next month, and in past disputes the fines have sometimes been wiped out as part of an agreement.

Should the dispute continue, however, the Japanese shipping lines could decide to move their cargo with other foreign carriers with whom they have alliances, they said.

I.M. Desler, director of the Center for International and Securities Studies at the University of Maryland, said yesterday's trade sanction marks the first major U.S. sanctions against Japan since tariffs were imposed on Japanese calculators and other products made with Japanese semiconductors in 1986.

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Nautilus Institute
2342 Shattuck Ave. #300, Berkeley, CA 94704 | Phone: (510) 423-0372 | Email:
nautilus@nautilus.org