

FEDERAL MARITIME COMMISSION

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DOCKET NO. 91-24

ACTIONS TO ADJUST OR MEET CONDITIONS  
UNFAVORABLE TO SHIPPING IN THE  
UNITED STATES/KOREA TRADE

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ORDER TO SHOW CAUSE

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By separate document issued this date, the Federal Maritime Commission ("Commission" or "FMC") has promulgated a final rule in the above-captioned proceeding under section 19(1)(b) of the Merchant Marine Act, 1920, 46 U.S.C. app. § 876(1)(b) ("Section 19"), to address unfavorable conditions in the oceanborne trade ("Trade") between the United States and Korea. The Commission concluded that, despite an ongoing liberalization process undertaken by the Government of the Republic of Korea ("ROK"), unfavorable conditions within the meaning of Section 19 exist in the Trade. The ROK intends to continue to restrict, until March 31, 1994, U.S.-flag carriers in the Trade from engaging in full, nationwide trucking operations in Korea..

The final rule fully adopted the sanctions set forth in a proposed rule issued in this proceeding on June 7, 1991. In response to the unfavorable conditions, a \$100,000 per voyage fee will be assessed on transportation of cargo aboard vessels in the Trade of two Korean-flag carriers -- Hanjin Shipping Company, Ltd. ("Hanjin") and Hyundai Merchant Marine Co., Ltd. ("Hyundai"). In the event that fees assessed are not paid, the final rule would

suspend the FMC tariffs of the involved carrier. In recognition of the commitment to remove fully the trucking restrictions by March 1994, however, the sanctions provisions of the final rule will not become effective until June 1, 1994. That date may be advanced by further amendment by the Commission if circumstances so require. The Commission also imposed reporting requirements on U.S. and Korean-flag carriers, so that the Commission may remain apprised of developments and conditions in the Trade.

Since the issuance of the proposed rule, a third Korean-flag carrier, Cho Yang Line, has emerged as a prominent participant in the Trade. Journal of Commerce PIERS data, reported in the Journal of Commerce on September 11, 1992, page 5B, indicates that Cho Yang Line is now the 22nd largest carrier of TEUs moving through U.S. ports, with a 136% increase in cargoes in the past year alone. As a major Korean-flag carrier, active in the U.S./Korea Trade, there would appear to be no reason why Cho Yang Line should not be subject to the same potential sanctions as Hanjin and Hyundai. These two carriers have been designated for sanctions, consistent with the intent of Section 19, on the basis of their status as carriers flying the flag of a country found to be imposing discriminatory restrictions on U.S. carriers in the Trade, and without facing similar obstacles in their operations in the United States. The Commission will therefore direct Cho Yang Line to show cause why it should not be made subject to the same reporting requirements and potential sanctions as Hanjin and Hyundai.

THEREFORE, IT IS ORDERED, That pursuant to sections 19(1)(b), (6), (9)(a) and (9)(d) of the Merchant Marine Act, 1920, Cho Yang Line show cause why the final rule in this proceeding should not be amended to make the sanctions and the reporting requirements contained in 46 C.F.R. § 586.5 applicable to Cho Yang Line;

IT IS FURTHER ORDERED, That the response of Cho Yang Line shall be provided in writing and filed with the Secretary of the Commission within 30 days of the service date of this Order; and

IT IS FURTHER ORDERED, That in the event that no timely response to this Order is received, the Commission's rules at 46 C.F.R. § 586.5 will be amended as indicated above.

By the Commission.



Ronald D. Murphy  
Assistant Secretary