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US SHIPPING REGULATIONS ON CUBA HAVE LITTLE IMPACT

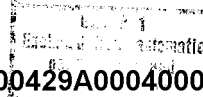
ON POLISH SHIPPING

Speculation has arisen concerning the effect on Polish shipping of US shipping regulations relating to the Cuban trade. It is believed that the prospective reorganization of Polish shipping companies is not a result, even partially, of such regulations, and that the regulations will have little impact on Polish steamship services.

On 20 December 1962 the Polish newspaper Trybuna Ludu carried the announcement that the two Polish merchant shipping companies, Polish Ocean Lines (PLO) and Polish Steamship Company (PZM), are to be replaced in the near future by four shipping companies, each of which will be allocated one geographic area. This move would not be surprising in view of the development of the two shipping companies in the recent past. There have already been moves to apportion services geographically between PLO and PZM. The service to the US, for example, was begun by PZM but was soon turned over to PLO which was already operating the South America line and which is now operating the Cuba line. In January 1962 most of PLO's West European coastal lines were turned over to PZM which already operated numerous lines in the Baltic and along the European coast.

It would make economic sense to establish a geographic grouping under separate shipping companies along the following order, utilizing the services already existing in those areas:

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North, Central and South America
Baltic, Eastern Europe and UK
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Africa, Mediterranean and Middle East
South and East Asia

This new grouping, if in fact set up geographically, would logically include the lines to the Americas under one company, and it is believed that in fact PLO has one operating director at present in charge of the three lines to the Western Hemisphere (plus the periodic passenger service to Canada). There is little likelihood, therefore, that the proposed Polish reorganization has any direct politico-economic implications connected with the publicity since October 1962 concerning US thinking in relation to shipping restrictions on lines serving Cuba.

Under the US policy announced on 5 February 1963, a denial of US government-financed cargoes for ships calling at Cuba after 1 January 1963 would be lifted if the persons controlling the ships involved promised that none of the shipping under their control would participate in the Cuban trade. The immediate regulation would have little or no impact on Polish shipping since only four Polish ships are involved in the Cuban trade and they do not call at US ports. The impact would still be slight if the regulations are expanded to include all shipping of a company with ships engaged in the Cuban trade. Polish ships operated by PLO (which also operates the Cuba line) have been carrying both US-Polish cargo and cargo to and from the US and Western Europe. In 1961 (1962 data are not yet available) only 39,500 tons of cargo were carried by Polish ships from the US to Poland. Of this, 30,830 tons were general cargo and only 7,900 tons were grain (presumably US government-financed cargo). The rest of the 696,410 tons of US grain imported into Poland were carried by Western ships.

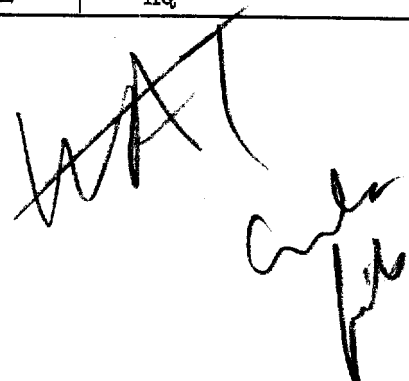
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If the US shipping regulations are extended to deny entry to US ports to any ships of a steamship company also serving Cuba, Poland could evade these sanctions by transferring its ships on the Cuban run to another company with the proposed joint Cuba-Satellite line. If Polish ships were denied entry to US ports under any circumstances, the results would be more serious but not disastrous. The four to five Polish ships now serving the US could easily be transferred elsewhere, particularly to the South America line which has been expanding rapidly and is expected to continue to expand as Poland acquires more ships. The principal loss would be foreign exchange earnings from the approximately 80,000 tons of non-Polish cargo carried on the US line. Presumably this loss eventually would be mitigated by increased solicitation of non-Polish cargoes on the South America and other lines.

[Redacted]

Analyst, I/IS

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