How the squeeze on standards enables small flags to flourish

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The SIRC column

How the squeeze on standards enables small flags to flourish

Nik Winchester of the Seafarers’ International Research Centre looks at the difference between the established open registers and some of the new arrivals on the scene.

When we see the flags flown by ships, and the ports of registry painted on their sterns, we notice that they are attached to such places as Panama and Liberia, Bahamas and Malta. We take them for granted, because they have become so familiar and so numerous even though we may find difficult to connect these flags with our understanding of what constitutes a proper maritime nation.

In recent years a number of other flags have arrived on the scene from countries that are not so familiar, such as Belize, Bolivia, Cambodia, and Equatorial Guinea. The registration of ships attached to these flags shows extremely rapid growth rates over their short lifespans, it is reasonable to wonder why this growth has occurred and what the consequences might be.

The initial response to these new arrivals is simply to see them as yet further examples of open registers or flags of convenience. After all, as we saw last year, it is possible to operate in the same manner. Well no, they don’t. Not any longer, as a result of a large set of tanker disasters beginning, perhaps, with the Torrey Canyon in the late 1960s and culminating in March in the two halves of the Kristal Canyon in the late 1960s and culminating in March in the two halves of the Kristal adrift off Nigeria. Two accidents that developed a regulatory system aimed at chasing ships complying with the established giants in the flag industry.

Now, of course, we like to cite cost as the key reason for choosing to register a ship under a particular flag. Certainly, when looked at in simple cost terms, these new registers display similar qualities to those much bigger brothers and sisters.

Essentially, it makes it possible for ships to be procured from anywhere in the world; they offer tax regimes which are low or non-existent; and there are no extensive regulatory requirements placed upon the ships’ owners. But there are several ways in which these new registers differ from their distinguished peers. The most immediately obvious difference is that they have far fewer regulatory restrictions than those required by the big flags of convenience. Certainly a shipowner resorting to any of these new flags may choose to fulfil all international requirements. But the flag administrations – if they may actually be called that – make it plain that this is a matter for the shipowners themselves and that they, the ‘administrators’, are in practice responsible for the different levels of compliance with international conventions.

This practice of passing responsibility for regulatory compliance has, or course, been common among open registers but, as we have seen, the larger registries have begun to place higher expectations upon their shipowner clients. This regulatory squeeze has, or course, been more marginal owners who have gone in search of (or, in some cases, actively looking for) new flag registries. In short, the raison d’être of these registries is the provision of a regulation free environment for the shipowner.

The very success of these flags depends on the continued anticipated maintenance of a flag state completely uninterested in regulatory enforcement. It is also worth noting that, where the large flag of convenience registries are anxious to demonstrate their regulatory credentials, the registration requirements for these new registries are organised in such a way as to shield the shipowner from any enforcement procedures which other regulation may seek to apply. Thus is it to the flag state neither attempts to impinge upon the autonomy of the shipowner, nor specifies any link between the flag and the state. In other words, and in the cases of the new registries, the state as regulator is absent. The administrations of Belize, Bolivia, Cambodia and Equatorial Guinea have no legal means of requiring a shipowner’s compliance with international standards. The new registries are pretty obviously a commercial response to the further deregulation of a shipping market. This, in turn, has had a negative effect on the quality of shipping and rights of seafarers.