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Ο ΔΙΕΥΘΥΝΤΗΣ ΣΧΟΛΗΣ:

**Flag of convenience : Major supplies/ The Development
and the effect of flags of convenience**

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Abstract

A flag of convenience is the name given to a ship when it is to be made and if the ship is registered in an alien country meant reduce the working costs and to circumvent the administrative regulations. This term is being used since 1950s and is referred to the flag which a ship is under, in the process to show its registration from its respective country. This country of registration will decide the regulation under which this ship is mandatory to function and that to the only applied in that specific admiralty case. Today, the flags of convenience registers more than percentage of the world's merchant vessel transport which is measured by unit tonnage, which were officially known as the open registries. The cause for preferring an open register are directly connected to tax protection. Globalization do have a considerably influence over the mechanics of the world-wide trade and is affecting the working structures of the merchant vessels and the possession. The old days are gone where the majority shipping companies had a single operating base, nationalized shareholding and operated below a sole flag. The vessels are more normally possessed by cosmopolitan companies although the extensive confidential family-controlled fleets are still characteristically powerful. And For every type of distributions around it there is a general for diverse aspects of this vessel operation like example given, the crew management or the technical, the marketing and chartering, are to be found in a company that respects he work. Though the rivals disputes over the fact that these flags of convenience does not imposes least communal standards for the seafarers and required safety standards. Flags are here to create standards on life at sea to create and organize rights and obligations of seafarers .US's ITF (International Transport Workers' Federation) believes "The aptitude and the enthusiasm of a flag state is to implement to an internationally lowest societal values on its boats and the amount of enforcement and authorization of the ILO Recommendations and Conventions" and "its protection and its environmental evidence.". (Flag_of_convenience)

Chapter I:

INTRODUCTION

1.1 Aim.

Relevant, dynamic and highly adaptable ship registration must be to the need of international maritime and global trading. The rapid development of different open registers create a global competition, cost reduction, and ship innovation and adaptable offers for different needs. All registers reacted quickly by offering economic initiatives and organize international registers to stay on top and stay competitive

The aim of this thesis is to establish a basis idea of ship's flag convenience. To relay info in major suppliers and in the general development plus the effects of flags in global maritime community. To provide insight for the development in the future and analyze the importance of them. Provide information to highlight the growth of open registers in the twentieth century and in the past. This paper is meant to broaden the discussion by offering the facts and create topics to further develop the future of ship registration

1.2 Background

The background of this thesis will focus on the historical developments of flag of convenience and specifically on major suppliers that have taken place since the start of deployment and enforcement of flags of convenience in the 19th century until the 21st century. From practices used by pirates to evade warships by using false flags until today. Geneva convention, the United Nations of Law of the Seas and the development of International Maritime Organization (IMO). All the above are crucial to give context to the today's status of shipping and provide information to highlight the future trajectory.

1.3 Discussion

The first thing for this critical thesis of ships flags is to show the necessity of flags of convenience and the law behind it. It is key for everyone in the maritime community to understand the concept of nationality, flag, and documentation to support the law. The basic concept of the existence of flags is to show the clear evidence of a vessel's flag, to clarify further in the nationality and the major suppliers affecting the industry. On further chapters we will continue through the historic principles that gradually show the development of flags of convenience.

1.4 Limitations

This thesis explores the subject of major suppliers and the development of flags of convenience in the terms of depth. The greater the depth of the information and facts the greater extend of knowledge can occur. Although this thesis will not allow for extremely deep exploration in those issues it will stay in a form in general scope of the actual status of the shipping industry through the prism of flags of convenience.

1.5 Reasons to pick a flag.

The main reason for a company to vary on picking a flag is tax avoidance. Though there are many reasons and variety of flags, in this thesis we will discuss them and analyze the pros and cons. Through the time regulations and mandatory rules are exponentially increasing, options on flags creates opportunities to avoid national labor and environmental regulations. The ability to hire crews from lower-wage countries. Furthermore, National or closed registries typically require a ship be owned and constructed by national interests, and at least partially crewed by its citizens.

Chapter II: Amoco Cadiz

accident

2.1 The accident

In 1978 MV Amoco Cadiz, under Liberian flag created after an accident a huge environmental disaster, created the need for a new type of maritime enforcement. In Europe after this disaster in 1982 Paris memorandum of understanding or Paris MOU for quick reference. Under port state control, ships in international trade became subject to inspection by the states they visit. In addition to shipboard living and working conditions, these inspections cover items concerning the safety of life at sea and the prevention of pollution by ships. The beginning of usage of flags trace back in 1958 when article 5(1) of the Geneva Convention on the High Seas required that "the state must effectively exercise its jurisdiction and control in administrative, technical and social matters over ships flying its flag." The principle was repeated in Article 91 of the 1982 treaty called the United Nations Convention on the Law of the Sea and often referred to as UNCLOS. "United Nations Conference on Trade and Development attempted to solidify the genuine link concept in the United Nations Convention on Conditions for Registration of Ships. The Convention for Registration of Ships would require that a flag state be linked to its ships either by having an economic stake in the ownership of its ships or by providing mariners to crew the ships to come into force the 1986 treaty requires 40 signatories whose combined tonnage exceeds 25% of the world total as of 2017, only 14 countries have signed the treaty.

2.2. Flags as a combat tactic.

False flags usage was a common tactic by merchant ships to evade warships and control points as early as Roman era through middle ages. Using a powerful country's flag was a tactic to protect ships from barbary attacks or from pirates such flags was Great Britain or United States flag. This tactic was abused almost every decade. During the mid-19th century, slave ships flew various flags to avoid being searched by British anti-slavery fleets. The *Belen Quezada*, in August 1919, was the first foreign ship to be re-registered in the Panamanian registry, and was employed in running illegal alcohol between Canada and the

United States during Prohibition. The modern practice of registering ships in foreign countries to gain economic advantage originated in the United States in the era of World War I, though the term "flag of convenience" did not come into use until the 1950s. Lastly this tactic was used In the early phase of World War II the transfer of American-owned ships to the Panama registry was sanctioned by the United States government so that they could be used to deliver materials to Britain without dragging the United States, as a neutral, unintentionally into war.

Chapter III: Major suppliers

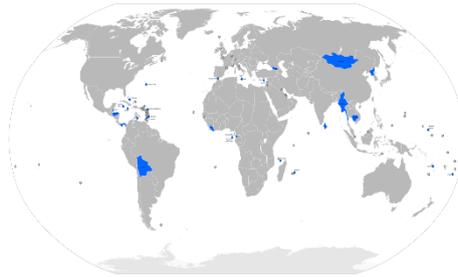


Table of flags of convenience and statistics of registered ships
(2019 data)

Country ^[35]	Ships registered ^[38]	Bulk carriers ^[38]	Container ships ^[38]	General cargo ^[38]	Oil tankers ^[38]	Other ^[38]
Antigua and Barbuda	780	32	151	534	2	61
Bahamas	1,401	333	49	78	268	673
Barbados	132	25	0	90	0	17
Belize	786	56	4	398	65	263
Bermuda	148	2	11	0	18	117
Bolivia	43	0	0	27	2	14
Cambodia	268	2	0	176	19	71
Cayman Islands	170	32	0	4	22	112
Comoros	230	7	5	109	27	82
Curaçao	74	0	0	9	1	64
Cyprus	1,039	304	190	183	42	320
Equatorial Guinea	38	1	0	7	6	24
Faroe Islands	107	6	0	46	1	54
France	552	25	0	53	29	445
Georgia	82	3	0	22	2	55
Germany	609	1	87	83	36	402
Gibraltar	232	10	24	71	24	103
Honduras	527	0	0	247	83	197
Jamaica	39	1	8	6	0	24
Lebanon	55	2	1	39	1	12
Liberia	3,496	1,161	854	145	761	575
Madeira	624	65	249	99	21	190
Malta	2,172	637	268	253	412	602
Marshall Islands	3,537	1,537	257	66	856	821
Mauritius	28	0	0	1	4	23
Moldova	142	4	4	98	8	28
Mongolia	271	2	3	100	72	94
Myanmar	95	1	0	39	6	49
North Korea	264	9	5	188	33	29
Panama	7,860	2,567	609	1,325	798	2,561
Saint Vincent and the Grenadines	810	19	12	172	16	591
São Tomé and Príncipe	15	0	0	11	0	4
Sri Lanka	97	8	1	17	13	58
Tonga	36	4	0	14	1	17
Vanuatu	369	26	1	45	0	297

“Ability and willingness of the flag state to enforce international minimum social standards on its vessels,” The international transport workers Federation (ITF) states. The list mentioned above is the list of all registries are in effect to this day.

According to Lloyd’s List Intelligence (november 1,2019) we can see the top 10 list used by the maritime community

Top 10 flag states

		Gross tonnage	Deadweight tonnage	Vessel count
	Panama	225,002,749	333,442,374	9,367
	Liberia	171,472,522	270,181,504	4,027
	Marshall Islands	162,694,278	261,236,163	4,163
	Hong Kong	128,080,233	202,679,275	2,707
	Singapore	97,816,315	145,871,414	4,962
	Malta	80,706,544	115,614,647	2,637
	Bahamas	65,445,388	80,190,369	1,512
	China	58,261,571	87,463,456	4,881
	Greece	40,320,446	70,047,642	1,545
	Japan	29,697,186	44,799,445	3,846

Source: Lloyd's List Intelligence (November 1, 2019)

Chapter IV: Development of flags

The shipping industry changes and grows as the time progresses. Dramatic changes are seen in the management style, since the twentieth century all the technological and financial innovations are shaping the law framework and as a result a swift and ongoing change in development in ship registries and developments of flags. Ioannis Tsamourgelis believes that the maritime industry is in a “gradual decline of the labor force consisting of national seafarers and an extensive replacement of the former by seamen originating from less developed or developing countries,” this is a state of shipping caused by internationalization of fleet registry. Ship owners choose open registries over national registries to gain benefits. One major benefit is the low wages putting seafarer in a lower bargaining power, which applied to an already lowered wages create a less encouragement for a seafarers idea working conditions. Different flags can be used as a tool for lowering rates by gaining favorable labor and tax status. Important to keep in mind as we begin a discussion of flag development is the contrast between an open registry and a closed registry. The closed registry, as discussed earlier, restricts registration to citizens of its own country (a Chinese ship owner could not register his vessel in the United States, for example). In contrast, an open registry is a flag state that allows any nationality to register vessels in the country, often with ease and relatively little labor on the part of the ship owner. Once registered in the new state, the ship owner gains access to that country’s laws and regulations and no longer needs to abide by the laws of his country, including tax and labor regulations. As Bonacich states companies can use this tool to “escape U.S. regulation and strong seafaring unions” and select countries with “weak to nonexistent” laws on the books.

1 Ioannis Tsamourgelis, "Selective Replacement of National by Non-National Seafarers in OECD Countries and Employment Function in Maritime Sector," *Maritime Policy & Management* (October 2009)

3 Edna Bonacich and Jake B Wilson, *Getting the Goods* (New York: Cornell University Press, 2008)

4.1

How flags went international

International law states that ships are “regarded as part of the territory of the flag state—an extension of the [registering] country, “ with the vessel registration serving as “a bridge between the ship and the mainland” and the source of vessel “nationality.”⁶ International maritime law is careful to ensure an equal right for both landlocked states and coastal states to sail and register ships: all states, notes Ademun Odeke, possess a “right to sail ships,” and by default have a right to grant nationality to oceangoing vessels.

The first case of registration was first seen in 1905 and the first registry was England in 1660. European flags are dating to 1900s Referred to as “Freedom of the Seas doctrine,” the simple declaration that every country can trade with every other country has been the basis of practice for selective registry since the beginning of ocean trade. Each state maintains a right to determine those admitted to the national register. The registries we know today was accepted by maritime law made in 1958 Geneva High Seas convention which states “ships shall sail under the flag of only one state and save in exceptional cases expressly provided for in international treaties . . . shall be subject to its exclusive jurisdiction,” This topic passed in 1958 and Article 6 of the convention came into effect and started the acceptance of open registries. In 1998 was seen a staggering increase on open registries with 51,3 % of global fleet. While the global freight doubled from 1985 to 2002. A huge increase in shipping industries.

The modern flag of convenience despite the fact that it was designed to provide maximum economical to the ship owner also provides a certain level of protection. The state in which the flag is registered has a high level of responsibility and over the years the tighter the

regulations they become the more responsibility the state has towards its vessel. To understand this concept below we will examine

4.2

The Development of the flag of convenience historically

Below it is helpful to examine some historical development of Panama, Liberia, and Singapore, three incredibly important registries on global economic stability. Each with unique characteristics perks , pros and cons.

- **Panama**

Panama has a history of open access and it is been blessed by the united states for the pass of time through history. Easy registration laws, giving access to quickly transfer any owner wishing to reflag his vessel. These conviniences were possibly due to a unique section of the registry policy: “a ship owner could choose to re-register his vessel at any of the Panamanian consulates across the globe without ever setting foot inside of Panama, allowing access not just to American ship owners in New York and Washington but also to European and Asian ship owners in their respective countries”^{26*}. This policy created an opportunity for ship owners to register their ships to Panama and create a corproration there and manage his vessels by creating a different corporation for every vessel. As a result Panama flag having the blessing of US became very popular due to panama canal and its open registry, popularity exponentially increased over time and became the flag it is today.

- **Liberia**

The main difference for Liberia flag is the fact that it was build from scratch , from the beggining untill the fully deployment of this registry. It was made by an American buissness man and the retired secretary of state Edward Stettinius. Furthermore, Liberia flag

was made by a direct assistance from USA. Liberia flag was never ment to be a perfect design of economic development and prosper but it was created to provide options to massive storage of goods while adding low cost of trasportation and lower limits of salary to seafarers.Currently Liberia is a bright example of a registry that is is under pressure by other countries to be open for foreign vessel owners and it is rapidly growing to become a major factor of registries worldwide in maritime system.It proves and demonstrates the willing of ship owners who seek to avoid the restrictive policies of other registries,they seek to control more like hire ,treat and remove shipboard labor as they choose while paying very low tax in return.

- **Singapore**

Singapore registry approaches the same problems very differently and is very different from Panama and Liberia. It is indeed an open registry but the idea behind was focused to develop a system on national prosperity and growth. To keep control on trading and shipping industry. Instead of creating a heaven for ship owners and to create a place for them to firthr increase the margin of profit on their behalf, it was created to increase to develop governement.

As a result Singapore wasnt fully implemented until 1070s, the registry was open only for Singaporean citizens and companies while giving opportunities on others to support the singapore development. For most singapore was a tool for economic development for example as a bargaining card to apply pressure and dominate economy. Its important to mention that this flag was enforcing employment and throttling the amount of exchange used in shipping and creat a national shipping line to support domestic goods. To conclude Singapore as an open registry its aimed to improve standard limit foreign currency to implement transparency for the registry and allow ship owners to hire cheaper international crew, while boosting and improving domestic economy and be national oriented registry. The most important thing is that singapore's strategy succeded to complete goals with out affecting or lower standards in quality of life for the seafarer and in the contrary it the life on board while boosting vessels specifications and national labor standards. The examples showcases

the main advantages and disadvantages of different registries we can categorize them to the following points: tax avoidance, reduced expenses on manning the ships, avoiding national payment and labor standards. . . “the position of passive wage-takers as opposed to the wider bargaining margin granted to nationals.” The idea of a seafaring wage-taker being the outcome of a decision by the owner is intriguing, as it presents a new view on the move to avoid labor law. By seeking to create a wage-taker in place of a wage maker, a ship owner is declaring that he and only he will determine how much labor is worth on his vessel. The owner effectively eliminates any upward mobility across the industry, not just in his company. If a ship owner in company X flags out to lower labor costs, then his freight rates will be lower, and the rate-driven customer will leave a higher cost vessel and come to company X. This will cause company Z to do everything possible to lower freight rates and remain competitive, so company Z will have to flag out and lower labor rates to ensure their rates are in line with the rest of the industry. Immediately freight rates drop and customer pressure ensures ship owners will not be able to significantly increase wages for the laborers, as doing so will dramatically increase their operating costs and effectively reduce operating margin. This dilemma is compounded by the incredible ease with which it can be done. Unlike in a traditional business such as manufacturing, where outsourcing can take months or years, an entire shipping company can be outsourced in a matter of minutes. What is to prevent an owner from choosing lowest operating cost over highest safety? An owner must determine that safety and labor conditions are more important than overall operating cost. Unfortunately, trends in the industry do not show this to be happening. Ruggunna notes that in order for a vessel reregistration to be successful, “there has to be a substantive impact on labour costs.” These costs, according to Ruggunna, include everything from wages to benefits, food quantity, and quality. A dramatic reduction in the percentage of operating costs consumed by crewing demonstrates clearly that the average owner chooses lower rates over any other concern: in 1973, crew costs were between 40 and 50% of a vessel’s operating costs, whereas today 30% would “often [be] considered too high.” Such a reduction in a short period of time is at once both remarkable and alarming.

The “tax heavens”

A **tax haven** is a country or place with very low "effective" rates of taxation for foreign investors ("headline" rates may be higher: In some traditional definitions, a tax haven also offers financial secrecy. However, while countries with high levels of secrecy but also high rates of taxation (e.g. the United States and Germany in the Financial Secrecy Index ("FSI"))

rankings) can feature in some tax haven lists, they are not universally considered as tax havens. In contrast, countries with lower levels of secrecy but also low "effective" rates of taxation (e.g. Ireland in the FSI rankings), appear in most § Tax haven lists.¹ The consensus around *effective tax rates* has led academics to note that the term "tax haven" and "offshore financial centre" are almost synonymous

Traditional tax havens, like Jersey, are open about zero rates of taxation, but as a consequence have limited bilateral tax treaties. Modern corporate tax havens have non-zero "headline" rates of taxation and high levels of OECD-compliance, and thus have large networks of bilateral tax treaties. However, their base erosion and profit shifting ("BEPS") tools enable corporates to achieve "effective" tax rates closer to zero, not just in the haven but in all countries with which the haven has tax treaties; putting them on tax haven lists. According to modern studies, the § Top 10 tax havens include corporate-focused havens like the Netherlands, Singapore, Ireland and the U.K., while Luxembourg, Hong Kong, the Caribbean (the Caymans, Bermuda, and the British Virgin Islands) and Switzerland feature as both major traditional tax havens and major corporate tax havens. Corporate tax havens often serve as "conduits" to traditional tax havens.

Use of tax havens results in a loss of tax revenues to countries which are not tax havens. Estimates of the Financial scale of taxes avoided vary, but the most credible have a range of US\$100–250 billion per annum. In addition, capital held in tax havens can permanently leave the tax base (base erosion). Estimates of capital held in tax havens also vary: the most credible estimates are between US\$7–10 trillion (up to 10% of global assets). The harm of traditional and corporate tax havens has been particularly noted in developing nations, where the tax revenues are needed to build infrastructure.

Over 15% of countries are sometimes labelled tax havens. Tax havens are mostly successful and well-governed economies, and being a haven has brought prosperity. The top 10–15 GDP-per-capita countries, excluding oil and gas exporters, are tax havens. Because of § Inflated GDP-per-capita (due to accounting BEPS flows), havens are prone to over-leverage (international capital misprice the artificial debt-to-GDP). This can lead to severe credit cycles and/or property/banking crises when international capital flows are repriced.

Ireland's Celtic Tiger, and the subsequent financial crisis in 2009–13, is an example. is another. Research shows U.S. as the largest beneficiary, and use of tax havens by U.S corporates maximised long-term U.S. exchequer receipts.

Historical focus on combating tax havens (e.g. OECD–IMF projects) had been on common standards, transparency and data sharing. The rise of OECD-compliant corporate tax havens, whose BEPS tools were responsible for most of the lost taxes, led to criticism of this approach, versus actual taxes paid. Higher-tax jurisdictions, such as the United States and many member states of the European Union, departed from the OECD BEPS Project in 2017–18, to introduce anti-BEPS tax regimes, targeted raising net taxes paid by corporations in corporate tax havens (e.g. the U.S. Tax Cuts and Jobs Act of 2017 ("TCJA") GILTI–BEAT–FDII tax regimes and move to a hybrid "territorial" tax system, and proposed EU Digital Services Tax regime, and EU Common Consolidated Corporate Tax Base).

Avoiding taxes

This includes tax upon income, selling or deleting ships from registries, these actions are taxable from governments around the world and reduce the margin of profits of ship owners

Reduced expenses

Reduced costs manning the ships. A convenient registry gives the option of unabstracted choice of crew of the international market. Give the power to the ship owner to choose the number and organize the crew , adapt it to his needs. After the nationality of the registry dictates the above and it creates inconveniences for example limitations to hire crew due to unavailability of professionals. Additionally it gives the option to hire the most capable people with a more convenient agreement in case there is a lack of supply of professional so the rule of thumb the hire services the more expensive they are does not apply. As a result the ship owner will increase the margin of profits.

Avoiding national payment and labor standards.

There are cases of shipowners being under a heavy national payment standards by a national laws , while we all understand that some of national implementations does affect them it is worth to mention that some payments occur internationally in different currencies and this in

extremely important in cases that national currency has higher or less value in the international market. Furthermore, bureaucracy control can be enforced and this gives the company the tools necessary manage their company more efficiently and investments. Additional pros are anonymity. The option that every vessel is its own company keeps the capital of companies hidden and the manager or the ship owner is not always obvious and in some cases the real shipowner couldnt never been found due to the large number of lawyers and managers in the company. This tactic is extremely beneficial to the owner because in case of an emergency or accident the rest of the ships and company are to be remained safe and cant be threaten by others.

To conclude it is clear that the choice of ships flag is directly connected for margin of profit to be increased for shipowners.

4.3

Today's development

International regulations for the maritime industry are led by agencies of the United Nations, particularly the International Maritime Organization and International Labour Organization. Flag states adopt these regulations for their ships by ratifying individual treaties. One common criticism against flag of convenience countries is that they allow shipowners to avoid these regulations by not ratifying important treaties or by failing to enforce them.

The Safety of Life at Sea (SOLAS) and Load Line (LL 66) conventions focus on shipboard safety issues. Originally developed in response to the sinking of RMS *Titanic*, SOLAS sets regulations on lifeboats, emergency equipment and safety procedures, including continuous radio watches. It has been updated to include regulations on ship construction, fire protection systems, life-saving appliances, radio communications, safety of navigation, management for the safe operation of ships, and other safety and security concerns. LL 66 sets standards for minimum buoyancy, hull stress, and ship's fittings, as well as establishing navigational zones where extra precautions must be taken.

The International Labour Organization Maritime Labour Convention, 2006 provides comprehensive rights and protection at work for seafarers, including requirements for minimum age, qualifications, hours of work and rest, medical care, complaint procedures, wage payments, and onboard living arrangements.^[64] The MLC replaced a number of earlier ILO Conventions including ILO147.

MARPOL and CLC/FUND92 relate to pollution.

The International Convention for the Prevention of Pollution from Ships, 1973 (MARPOL), as modified by the Protocol of 1978, including Annexes I–VI" regulates pollution by ships, including oil and air pollution, shipboard sewage and garbage. The Civil Liability for Oil Pollution Damage (CLC) and International Fund for Compensation for Oil Pollution Damage (FUND92) together provide mechanisms to ensure compensation for victims of oil spills.

CHAPTER V

The effects of flags of convenience

Shipping industry affects all consumers all around the world, if we take a good in our houses, garages and the cabinets in our kitchens you will easily find out that most of the items there are from a foreign country. It is well known that 80 % of the global good trade is going through shipping. Today we live in a different age than before, today our age is characterized by hyperconsumerism due to the low cost of products modern world is motivated shop owners and shops to sell in competitive prices products created very far from production sites. These huge demand exists today and big network of vessels and workers from different countries to transport and cover this demand. When we enter a local market or hypermarket that exist today the only thing that comes to our mind while purchasing good is price we don't think anything else. Our selection of products is solely based on the price and we don't think what happened to travel and reach the store.

All consumers want in all sectors of products and demand goods being made in factories with high quality and very high standard for labor right fair and equal wages and last but not least safety during work. If we look closely these qualities can be found not only in global companies you can find the same qualities in smaller factories. The chain from creating the product, transportation, and delivery is crucial because it affects the price; the only thing that matters the most for the end user is the consumers, changing or not caring for this chain can create a reaction to the supply and affect the whole economy. It is crucial to understand that seafarers a very important step in the chain of supply and it is yet forgotten or just neglected when as the consumers we do our purchasing decisions today. Flags dictate labor rights and working conditions therefore a decision of flag is very important choice that executives have to make in order to control tax law and labor cost. Make the wrong decision about a flag and you can have tremendous consequences in products prices therefore in the market and of course reduce the margin of profits for all parties. Labor condition is a strange thing a Nike factory in which workers work 65 hours will find a better coverage from media to increase their rights but seafarers will work 65 hours a week and will not get any attention at all. It is important to mention that long hours of continuous working can become dangerous on board and many accidents were revealed that fatigue was one of the most important factor. Fatigue increase reaction times until becomes a significant delay.

5.1 The environmental factor

One of the most important effects of flags of convenience and it is worth of mention in the environmental effects. Flags had an important role and a high involvement in some great oil spills that happened in the past such as the Maltese-flagged MV *Erika*, the Bahamian-flagged MV *Prestige*, the Marshallese-flagged *Deepwater Horizon*,¹ and the Liberian-flagged SS *Torrey Canyon*, MV *Amoco Cadiz* and MV *Sea Empress*). One more environmental aspect worth mentioning is illegal fishing. A lot of criticism is around flags of convenience because many people argue using a certain flag can avoid fishing regulations and controls although flags have reduced the operation costs of such vessels. So it is clear that flags have a very big impact and footprint on the environment.

Flag of convenience ships have long been linked to crime on the high seas. For example, in 1982, Honduras shut down its open registry operations because it had enabled "illegal traffic of all kinds and had given Honduras a bad name".

Ships registered by the Cambodia Shipping Corporation (CSC) were found smuggling drugs and cigarettes in Europe, breaking the Iraq oil embargo, and engaging in human trafficking and prostitution in Europe and Asia. In response to these activities, in 2000, Ahmad Yahya of the Cambodian Ministry of Public Works and Transport told industry publication *Fairplay* "We don't know or care who owns the ships or whether they're doing 'white' or 'black' business ... it is not our concern."^[15] Less than two years later, French forces seized the Cambodian-flagged, Greek-owned MV *Winner* for cocaine smuggling.^[15] Shortly after the seizure, Cambodian Prime Minister Hun Sen closed the registry to foreign ships, and Cambodia canceled its contract with CSC shortly thereafter.

The North Korean flag of convenience has also garnered significant scrutiny. In 2003, the North Korean freighter *Pong Su* reflagged to Tuvalu in the middle of a voyage shortly before being seized by Australian authorities for smuggling heroin into that country. That year, thirteen nations began monitoring vessels under the North Korean flag for "illicit cargos like drugs, missiles or nuclear weapon fuel".

Table of list of all flags of convenience and the number of registered vessels.

Registry	Ships Registered	Foreign-owned ships	Percent Foreign	Foreign-owned ship profile	Remarks
 Antigua and Barbuda International Shipping Register[3]	1,257[4]	1,215[4]	97%	Germany 1094, Denmark 20, Netherlands 17, Latvia 16, Estonia 10, Iceland 10, Norway 9, Switzerland 7, Turkey 7, US 7, Greece 4, Lithuania 3, Russia 3, New Zealand 2, Poland 2, Albania 1, Colombia 1, Mexico 1, UK 1[4]	
 Bahamas Maritime Authority	1,160[5]	1,069[5]	92%	Greece 225, Norway 186, US 109, Canada 96, Japan 88, Denmark 69, Poland 34, Germany 30, Cyprus 23, Netherlands 23, UAE 23, UK 18, Saudi Arabia 16, Bermuda 15, France 15, Malaysia 13, Sweden 11, Finland 8, Monaco 8, Singapore 7, Angola 6, Belgium 6, Guernsey 6, Spain 6, Thailand 4, Hong Kong 3, Ireland 3, Turkey 3, Indonesia 2, Jordan 2, Montenegro 2, Nigeria 2, Australia 1, Brazil 1, Croatia 1, Italy 1, Kuwait 1, South Korea 1, Switzerland 1[5][6]	
 Barbados Maritime Ship Registry	109[7]	83[7]	76%	Norway 38, Greece 14, Canada 11, UK 6, Iran 5, Sweden 4, Lebanon 2, Syria 1, Turkey 1, UAE 1[7]	
 International	247[8]	152[8]	62%	China 61, Russia 30, Turkey 16, Latvia 9, Ukraine 6,	

Merchant Marine Registry of Belize				Singapore 4, Syria 4, UK 4, Italy 3, UAE 3, Greece 2, Norway 2, Bulgaria 1, Croatia 1, Estonia 1, Iceland 1, Lithuania 1, Netherlands 1, Switzerland 1, Thailand 1[8]	
 Bermuda Department of Maritime Administration[9]	139[10]	105[10]	76%	US 26, Germany 14, Sweden 14, UK 14, Nigeria 11, Greece 8, Norway 5, Hong Kong 4, Israel 3, Japan 2, Monaco 2, France 1, Ireland 1[10]	
 Bolivia	18[11]	5[11]	28%	Syria 4, UK 1[11]	Bolivia is a landlocked nation
 International Ship Registry of Cambodia	544[12]	352[12]	65%	China 177, Russia 50, Ukraine 35, Syria 22, Turkey 15, Hong Kong 10, South Korea 10, Lebanon 5, Cyprus 4, Egypt 4, Singapore 3, Canada 2, Greece 2, Indonesia 2, UAE 2, Belgium 1, Estonia 1, French Polynesia 1, Gabon 1, Ireland 1, Japan 1, Taiwan 1, UK 1, Vietnam 1[12]	
 Cayman Islands Shipping Registry[13]	116[14]	102[14]	88%	US 57, Japan 23, Greece 9, Italy 7, Germany 3, UK 2, Switzerland 1[14]	
 Maritime Administration of the Union of Comoros	149[15]	73[15]	49%	Russia 12, Ukraine 10, Turkey 8, UAE 8, Pakistan 5, Syria 5, Bulgaria 4, Greece 4, Cyprus 2, Kenya 2, Latvia 2, Lebanon 2, US 2, Bangladesh 1, China 1, Kuwait 1, Lithuania 1, Nigeria 1, Norway 1, UK 1[15]	
 Curaçao Directorate of Shipping and Maritime Affairs	n/a	n/a	n/a	n/a	Curaçao was a part of Netherlands Antilles until 10 October 2010
 Republic of Cyprus Department of Merchant Shipping	838[16]	622[16]	74%	Greece 201, Germany 192, Russia 46, Poland 24, Netherlands 23, France 16, Japan 16, Norway 14, Iran	

 Jamaica Ship Registry[25]	14[26]	14[26]	100%	Germany 10, Greece 3, Denmark 1[26]
 Lebanese Bureau of Shipping	29[27]	2[27]	7%	Syria 2[27]
 Liberian International Ship & Corporate Registry	2,771[28]	2,581[28]	93%	Germany 1185, Greece 505, Russia 109, Japan 110, Taiwan 94, US 53, Hong Kong 48, Italy 47, Norway 38, UAE 37, Israel 34, UK 32, Netherlands 31, Switzerland 25, Singapore 22, UK 22, Brazil 20, Saudi Arabia 20, Turkey 16, Poland 13, Sweden 12, Ukraine 10, Chile 9, Cyprus 9, Denmark 8, India 8, Monaco 8, Slovenia 7, Gibraltar 5, Latvia 5, Qatar 5, Bermuda 4, China 4, Indonesia 4, Nigeria 4, Egypt 3, Romania 3, Canada 2, South Korea 2, Angola 1, Argentina 1, Australia 1, Belgium 1, Croatia 1, Lebanon 1, Syria 1, Uruguay 1[28]
 Transport Malta	1,650[29]	1,437[29]	87%	Greece 469, Turkey 233, Germany 135, Norway 96, Iran 48, Italy 45, Russia 45, Denmark 34, US 34, Cyprus 32, Ukraine 29, Poland 21, UK 21, Switzerland 20, Estonia 16, Bermuda 15, Bulgaria 8, France 8, Latvia 8, Spain 8, Angola 7, Belgium 7, Romania 7, China 6, Croatia 6, Lebanon 6, Canada 5, Japan 5, Libya 5, Oman 5, Hong Kong 4, Ireland 4, Singapore 4, Slovenia 4, Syria 4, Finland 3, India 3, Israel 3, Kuwait 3, Luxembourg 3, Monaco 3, Netherlands 3, Portugal 3, Saudi Arabia 2, South Korea 2, Azerbaijan 1, Egypt 1, Malaysia 1, Sweden 1, UAE 1[29]
 International Registries, Inc. (Marshall Islands)	1,593[30]	1,465[30]	92%	Greece 408, Germany 248, US 200, Norway 75, Turkey 70, Japan 59, South Korea 41, Cyprus 40, Bermuda 35, Monaco 30, Singapore 30,

				Qatar 29, Netherlands 21, Latvia 19, China 14, Croatia 12, Switzerland 12, UAE 12, UK 12, Jersey 11, Malaysia 11, India 10, Canada 8, Taiwan 8, Denmark 7, France 7, Ireland 6, Slovenia 6, Russia 5, Hong Kong 3, Iraq 2, Kuwait 2, Mexico 2, Romania 2, Belgium 1, Brazil 1, Egypt 1, Indonesia 1, Italy 1, Pakistan 1, Sweden 1, Ukraine 1[30]	
 Ministry of Public Infrastructure, National Development Unit, Land Transport, & Shipping (Mauritius)	4[31]	0[31]	0%		
 Moldova Ship Registration	121[32]	63[32]	52%	Turkey 18, Ukraine 14, Egypt 5, Russia 5, Syria 5, Yemen 4, UK 3, Israel 2, Romania 2, Bulgaria 1, Denmark 1, Greece 1, Lebanon 1, Pakistan 1[32]	Moldova is a landlocked nation.
 Mongolia Ship Registry	57[33]	44[33]	77%	Vietnam 33, Singapore 3, Indonesia 2, Japan 2, Russia 2, North Korea 1, Ukraine 1[33]	Mongolia is a landlocked nation
 Department of Marine Administration (Myanmar)	29[34]	2[34]	7%	Germany 1, Japan 1[34]	
 North Korea	158[35]	13[35]	8%	Syria 4, China 3, UAE 2, Belgium 1, Nigeria 1, Singapore 1, South Korea 1[35]	
 Autoridad Marítima de Panamá	6,413[36]	5,157[36]	80%	Japan 2372, China 534, Greece 379, South Korea 373, Taiwan 328, Hong Kong 144, Singapore 92, US 90, UAE 83, Norway 81, Turkey 62, Russia 49, Vietnam 43, Denmark 41, UK 37, Syria 34, Spain 30, Bermuda 27, Italy 25, Germany 24, India 24, Switzerland 15, Chile 14, Venezuela 13, Kuwait 12,	

				Qatar 29, Netherlands 21, Latvia 19, China 14, Croatia 12, Switzerland 12, UAE 12, UK 12, Jersey 11, Malaysia 11, India 10, Canada 8, Taiwan 8, Denmark 7, France 7, Ireland 6, Slovenia 6, Russia 5, Hong Kong 3, Iraq 2, Kuwait 2, Mexico 2, Romania 2, Belgium 1, Brazil 1, Egypt 1, Indonesia 1, Italy 1, Pakistan 1, Sweden 1, Ukraine 1[30]	
 Ministry of Public Infrastructure, National Development Unit, Land Transport, & Shipping (Mauritius)	4[31]	0[31]	0%		
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 Autoridad Marítima de Panamá	6,413[36]	5,157[36]	80%	Japan 2372, China 534, Greece 379, South Korea 373, Taiwan 328, Hong Kong 144, Singapore 92, US 90, UAE 83, Norway 81, Turkey 62, Russia 49, Vietnam 43, Denmark 41, UK 37, Syria 34, Spain 30, Bermuda 27, Italy 25, Germany 24, India 24, Switzerland 15, Chile 14, Venezuela 13, Kuwait 12,	

				Malaysia 12, Egypt 11, Jordan 11, Monaco 11, Saudi Arabia 11, Indonesia 10, Oman 10, Portugal 10, Peru 9, Ukraine 8, France 7, Bahamas 6, Bulgaria 6, Canada 6, Netherlands 6, Nigeria 6, Thailand 6, Argentina 5, Bangladesh 5, Mexico 5, Cyprus 5, Iran 5, Philippines 5, Albania 4, Australia 4, Yemen 4, Brazil 3, Burma 3, Ecuador 3, Lithuania 3, Pakistan 3, Romania 3, Colombia 2, Croatia 2, Cuba 2, Finland 2, Lebanon 2, Maldives 2, Malta 2, Sweden 2, Tanzania 2, Belgium 1, Gabon 1, Gibraltar 1, Ireland 1, Israel 1, Luxembourg 1, Qatar 1[36]	
 São Tomé and Príncipe	3[37]	2[37]	67%	China 1, Greece 1[37]	
 SVG Maritime Administration (Saint Vincent and the Grenadines)[38]	412[39]	325[39]	79%	China 65, Greece 42, US 18, Latvia 15, Norway 13, Turkey 13, Ukraine 12, Russia 11, Sweden 10, Bulgaria 9, Denmark 9, Lithuania 9, Syria 9, Croatia 8, Estonia 8, Switzerland 7, Belgium 7, UK 6, Hong Kong 5, Singapore 5, Italy 4, Cyprus 3, Germany 3, Israel 3, Japan 3, Poland 3, UAE 3, Egypt 2, France 2, Guyana 2, Kenya 2, Lebanon 2, Monaco 2, Austria 1, Azerbaijan 1, Bangladesh 1, Bermuda 1, Czech Republic 1, Dominica 1, Netherlands 1, Romania 1, Slovenia 1, Venezuela 1[39]	
 Merchant Shipping Division (Sri Lanka)	21[40]	8[40]	38%	Germany 8[40]	
 Tonga	7[41]	2[41]	29%	Australia 1, UK 1[41]	International registry suspended in 2002.[42]

 Vanuatu Maritime Services Limited	77[43]	72[43]	94%	Japan 39, Poland 9, Russia 7, Canada 5, Greece 3, Singapore 2, US 2, Belgium 1, China 1, Norway 1, Taiwan 1, UAE 1[43]
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Flag of convenience registries and statistics (of ships of 1,000 GRT and greater)

FUTURE OF FLAGS OF CONVENIENCE.

The main goal in shipping industry is for the traditional flag states to keep their economic power and as it comes natural the control and influence that comes with it ,to keep being relevant as the time flies. On the other hand non-traditional flag states struggle to acquire power and make a defining impact on this growing industry. The ever increasing international competition drives shipowner to seek reduced cost of shipping operation and acquire more benefits.

This competition wasn't affecting only flag states or registries but it had a high cost to the seafarers as well. They found their way into a highly competitive situation from the emerging maritime powers. A great challenge for them to maintain a position in the industry. This challenge created some negative aspects in crew safety standards onboard ship security standards. On the contrary this challenge had some positive effects as well ; innovation trying to improve the above mentioned quality and safety with new ways to approach and effectively improving the shipping industry.

The shipping industries have some common enemies are needed to be faced some from the perspective of the seafarer and some from the point of view of the shipowner. Security safety standards. Quality of life on board and crewing are the main goals of the seafarer while taxes, operational costs and registration process for the shipowners.

The "enemies"

1. SECURITY

Security on board is a high priority in the shipping industry since the last decades not for the beginning of the progress. This late realization was due to the fact that shipowners were prioritizing everything on maximizing their profits. The tragic event of september 11.2001 led to the mandatory enforcement of security on board. The International convention for the *Safety of life at sea* commonly knew as SOLAS was amended almost a year after the event in December 2002 and fought terrorism by adopting the *International Ship and Port Security* (ISPS) Code. Many initiatives were developed specially in USA to reduce and completely eliminate the likely hood of vessels as a mean of terrorism.

2. SAFETY STANDARDS

In some flag states the safety standards werent the top priority for them due to the fact they were unable or unwilling to monitor vessels under their fleet as a result safety was on a decline. This situation led for the creation of Port State Control (PSC) to monitor certain aspects on board that flag states were unable to keep up with.

Furthermore, port states have found innovative way to improve safety increase power and stack influence over flag states, they achieved this by enforcing Memoranda of understanding or for short (MOU). MOU coordinates highly capable and high number of inspections to ensure that the requirements are being met and international standards are being maintained. Some downside of this system is the pressure to inspect certain ships and the fact that is not evenly distributed to all fleets. When this system was originally implemented there was no discrimination against owners or flags, but in 1993 with the implementation of Paris MOU certain ships were targeted directly ,shipowners as well. These behavior led to delays and other implication that had an serious economic cost to shipowners forcing their hand to respond with changing their fleet's flag to a more efficient one. To understand how big the impact was some flags for smaller open registries they were eliminated completely.

3. Crewing

It is well known that the shipping industry is a highly competitive place. A worldwide market with global impact. Seafarers and people working in this market are from all over the world. This fact leads to bigger problems. Countries with smaller amounts of seafarer origins are the best for shipowners to register their fleets. This is due to the fact that traditional flags, well known and well developed, they have luxuries on wages, conditions, and rights, while the above-mentioned small ones do not. Crews have a significant impact on the operational cost of the ship. In many accident and serious environmental pollution cases, it was unveiled that fatigue was a very important factor of the accident. Fatigue is a product of poor physical working conditions, for example, high noise, vibration, or even heat, mixed with the above with long working hours, sleeping is poor, and constantly changing sleeping hours and work patterns. Therefore, companies are required to have a human resource aspect – department to create a minimum standard before it is too late or more accidents occur.

It is clear that seafarers have no protection against injustices being forced to them, and they can see their career end in so many ways: illness, physical injury, and mental instability, and many other reasons. According to Marine Insight: "It is important to note that Flag of convenience is not necessarily a bad thing. But it invariably leads to outcomes that have not so good implications. Seafarers, no doubt, always run all these risks, no matter where they work. But in cases like these, risks are augmented and securities diminished. This is when it's important to weigh both sides. Being aware of dangers of working on such a vessel is the only way mariners can comprehend the real risk they face".

CHAPTER VI

1.1 Economics of Registration

Labor rates are the single greatest operating cost a ship owner retains some control over during the course of normal vessel operations. The owner is able to change the hiring structure to include bonuses, offer his employees incentives when they do a good job or perhaps implement a profit sharing program with the officers of the ship. Now, due to their acceptance by international law, a ship owner in a major maritime state is also able to significantly lower his operating costs by simply re-registering his vessel to an open registry and immediately lower his operating costs significantly through the outsourcing of shipboard labor.

Should a vessel owner re-flag to lower his costs simply because he can? Many owners from developed countries refer to the flag of convenience somewhat mockingly as a “flag of necessity,” declaring that the high costs of labor and tax structure found in western closed maritime registries are what drives them away and into the arms of the various open registries. According to several sources, there is some level of hard truth to this. DeSombre, one of the few authors covering this topic, has noted that “from the beginning, the modern FOC phenomenon was partly driven by the desire of the shipowners to avoid the costs and restrictions associated with ships registered in the major maritime states,” continuing to declare that ship owners interviewed discussing Panamanian registration often cite the immediate relief from frequent inspections and regulations on crew quarters and sustenance, a costly piece of ship owning.¹⁷ Empirical data about the wage rates of seafarers demonstrates the impact internationalization of shipboard labor can have on a ship’s operating cost. Owners “from developed countries are more likely to choose a foreign flag than those from countries with a lower GDP per capita” as higher wage rates “scare away” the owners. According to data compiled by Tsamourgelis, seafarers from the OECD states are “paid well above the minimum rates, whereas their non-OECD colleagues” make substantially less, which coupled with low bargaining power creates for them. “the position of passive wage-takers as opposed to the wider bargaining margin granted to nationals.” The idea of a seafaring wage-taker being the outcome of a decision by the owner is intriguing, as it presents a new view on the move to avoid labor law. By seeking to create a wage-taker in

place of a wage maker, a ship owner is declaring that he and only he will determine how much labor is worth on his vessel. The owner effectively eliminates any upward mobility across the industry, not just in his company. If a ship owner in company X flags out to lower labor costs, then his freight rates will be lower, and the rate-driven customer will leave a higher cost vessel and come to company X. This will cause company Z to do everything possible to lower freight rates and remain competitive, so company Z will have to flag out and lower labor rates to ensure their rates are in line with the rest of the industry. Immediately freight rates drop and customer pressure ensures ship owners will not be able to significantly increase wages for the laborers, as doing so will dramatically increase their operating costs and effectively reduce operating margin. This dilemma is compounded by the incredible ease with which it can be done.

Unlike in a traditional business such as manufacturing, where outsourcing can take months or years, an entire shipping company can be outsourced in a matter of minutes. What is to prevent an owner from choosing lowest operating cost over highest safety? An owner must determine that safety and labor conditions are more important than overall operating cost. Unfortunately, trends in the industry do not show this to be happening. Ruggunna notes that in order for a vessel reregistration to be successful, “there has to be a substantive impact on labour costs.” These costs, according to Ruggunna, include everything from wages to benefits, food quantity, and quality.²⁰ A dramatic reduction in the percentage of operating costs consumed by crewing demonstrates clearly that the average owner chooses lower rates over any other concern: in 1973, crew costs were between 40 and 50% of a vessel’s operating costs, whereas today 30% would “often [be] considered too high.”²¹ Such a reduction in a short period of time is at once both remarkable and alarming.

1.2 The Importance of international unions at sea.

Nathan Lillie notes that ship owners flying flags of convenience are seeking to break free from the restrictions of their home states, and that most “no longer crew their vessels with the highly unionized seafarers of the traditional maritime countries,” choosing instead to seek low-wage non-union workers from developing countries, a decision which will directly

impact the owner's national labor force.³⁸ This confirms earlier discussions that relate to an owner's focus on lowering his freight rates, but it also opens an ethical discussion on the very existence of a right to collectively bargain. Do owners step too hard on the rights of workers when they seek to flag out? Should an owner be allowed to choose the individual labor law he wishes to follow, and if he does, what does this say about his own ethics? An owner seeking to avoid taxes by registering in Panama is certainly entertaining an ethical dilemma as well, but when that same owner seeks to break the backs of organized labor on his vessels; he is crossing a line he may not even realize exists. Without the protection of a union at sea, the seafarers aboard his vessel are not only devoid of protection from his own low wages, but they are also without a voice to speak against abusive masters, unsafe working environments or poor health conditions. Depriving them of the privilege to associate freely and bargain as a unified body makes any upward mobility highly unlikely and creates an environment in which the worker will potentially always lose, and the owner always wins, in labor negotiations. The problem for the seafarer is compounded by the difficulty to strike aboard flag of convenience vessels: even if a seafarer is on a ship where collective bargaining is permitted, he is most likely forbidden from striking for any of the reasons discussed earlier, rendering the union powerless in the face of management. With global maritime union density at approximately 27%, a wide majority of seafarers are not able to enjoy protection by a union.³⁹ These union members mostly belong to the ITF, and while they have been able to influence some unionfree owners to pay respectable wages in order to "avoid problems" with other members, it is not a guarantee and many outsourcing owners are unlikely to be influenced by such a small percentage of owners paying living wages to their imported labor. Global seafarers have an interesting claim to history. Contrary to assertions by Henry Meyerson in 2005 that the Union Network International was the first truly global union, seafarers in fact lay claim to the first multi-national network of laborers and environment of global labor competition.

The 1990s were not the first period of international business interests threatening the bargaining power of employees, as declared by Meyerson, and despite comments by Andy Stern, president of the Service Employees International Union at the time, the concept of international solidarity was not new.⁴⁰ The first truly global network of labor unions was the

International Federation of Ship, Dock, and River Workers, founded in 1896, which eventually evolved into today's International Transport Workers' Federation (ITF).⁴¹ The ITF is one of the most important bodies in the global maritime labor rights arena, and often is the only organization working for the seafarer when situations with owners become tense. The ITF's importance cannot be understated: it is the body all seafarers can count on to assist them in times of crisis, even if no one else will. Additionally, the ITF is likely responsible for global seafarer wages not completely collapsing: much as unions have done in other trades around the globe, a union wage on one ship can influence a non-union owner to raise his wages so as not to lose quality laborers. Regrettably, ITF pressure does not seem to have a major impact on a right to strike though, and this is an area (through their flag of convenience campaigns) where resources must be focused in the future if the ITF wishes to affect real change.

1.3 Economic Benefits for the Future

Not only is the Merchant Marine important for the seafarers who work aboard American-flagged ships, but it is also vitally important to the communities in which it operates. Major shipping cities such as Baltimore and New York have already been shown to benefit from the secondary services associated with being a port town (recall the earlier discussion on the impacts of innovations in stevedoring resulting from the introduction of the container, and the impact on New York City). Associated industries such as trucking and repair work tied to the port cities are just as essential to the American economy. If we remember that in order to fly an American flag a vessel must have been built or received major reconditioning in an American shipyard, any observer would see the large number of skilled labor careers that are supported by American shipping and shipbuilding: welders, steamfitters, electricians, and sheet metal fabricators, to name only the obvious. Owners choosing to fly a foreign flag on their ships are also choosing to have their ship built, and most likely serviced, overseas, and as a result are choosing shorebased skilled laborers from developing countries just as they are choosing outsourced shipboard labor, whether they are immediately aware of it or not. The wages rates, touched on in an earlier chapter, are very important to the American economy. Shipping wages provide a living wage to all those involved: from unskilled shipboard laborer

all the way up to officer. A ship flying an American flag receives much higher charter rates when hired by a customer: according to Maritime Administration data, in 2009 an American-flagged tanker would earn a gross revenue of \$34,900 per day, compared to an international-flag average of \$2,700 per day.⁷ Compare this with the average crew costs for each: an American crew costs on average \$13,655 per day and an international crew requires an average of \$2,590 per day.⁸ This means an American crew is over five times the cost of an outsourced crew, and that crewing costs represent well over 50% of the daily operating cost. It is clear that the American-flagged vessels return more money to the U.S. economy both in terms of seafarer labor and the secondary industries the fleet supports, but it also cannot be ignored that from a business standpoint they are priced extremely high. A very interesting piece of data tracked by the Maritime Administration is the average age of vessels calling American ports, and when separated by flag state is telling of the overall competitiveness of American seafarers internationally. Despite the higher daily rates earned by American ship owners, the American-owned and American-flagged

vessels are typically much older than their international counterparts. In 2010, the average age of U.S.-flag ships was 16.7 years, compared to an average age of foreign-flagged ships of 9 years. Recall from chapter one Martin Stopford's shipping cycle and a theory emerges. If an American shipping executive feels he may not be able to support his vessel fleet with the market rates, he will not likely purchase new vessels. Given that adding new tonnage to a fleet is required to reduce the average age, we can see that the foreign-flagged fleets are adding new ships quicker than the American-flagged fleets, a statement as to their strength in global trade

1.4 Abandonment of Seafarers and Refused Repatriation

Repatriation, a globally recognized right of seafarers to be returned to the port where they joined their ship, is to be done at the ship owner's expense. The need for repatriation can arise for diverse reasons, including anything from termination of employment contract to poor health. Unfortunately repatriation privileges are sometimes simply ignored by owners employing international, lowcost crews, and often the high costs of international travel can be prohibitive for the seafarer. A seafarer left in a port he did not choose would have little recourse but to seek help from charity or his consulate, if one is nearby, and hope they are able to return him. Abandonment is an issue across all substandard owners seeking to employ low cost crew. An owner bound by the liberal laws of most open registries will not feel as threatened by legal enforcement, and as such there are many horror stories of entire crews being left in a foreign port where they may not speak the language or possess the proper papers for entry into the country.

Without enough currency to return to their homelands but almost certainly possessing a large receivable account with their employer, they are rendered instantly destitute.³ The ILO notes that "abandoned crews and substandard ships tend to travel together," pointing out that owners not willing to fix smaller things aboard the vessel are unlikely to provide funds for the crew to be returned when a voyage is complete.⁴ The largest and most public example of seafarer abandonment occurred during the collapse of Adriatic Tankers, a Greek-owned and internationally flagged tanker company. Adriatic Tankers went bankrupt and shut down in the mid-1990s. Hundreds of seafarers were left without recourse, some being stuck at ports for over two months before the International Transport Workers Federation was able to intervene on their behalf with Adriatic to ensure passage back to their homeports.⁵ Any reasonable observer would conclude a seafarer would have a clear right to repatriation if a vessel is arrested or a company closes, but what about a seafarer who decides he wishes to leave of his own accord? A ship is "not a prison," so a laborer should feel free to leave as he chooses, but due to the nature of shipping this is not always possible.

In many cases, a seafarer is taken advantage of due to the sailing pattern of a ship, with an owner using the schedule and difficulty of replacing the particular crewmember as an excuse for not promptly releasing him from the vessel. The owner may create “difficulties with money transfers and communication,” to convince a seafarer to remain on board.⁶ Typically, a contract will be for a fixed length, but even for sickness or deaths of family members a crewmember will not be granted early termination without sacrificing a portion of his wages (and, unofficially, the chance to return to that company in the future).

An alternative to creating difficulties for the crew is to flat out ignore them, and forget them. This is the fate met by crew of the Rhone, a Turkish-owned and flagged vessel that had been neglected by her owners physically and financially for some time. The vessel, in severe disrepair, managed to arrive at the Spanish administered port of Ceuta in Africa, off the coast of Morocco, in September of 2009. When she arrived there was a crew of 14 on board and barely any provisions, as she had sailed under-stocked from Russia. In bad need of repair, the Spanish port authority detained Rhone pending sufficient repair of her hull and other aspects of the ship deemed as serious safety violations and risks to laborer health. The shipping company who owned the vessel, stressed that the issue would be resolved and tried to calm an anxious crew and captain. They never provided any assistance, despite repeated promises to do so. At this point, the crew was “penniless and forced to rely primarily on the handouts from the Ceuta port authority and local charities,” despite a small cash advance from the vessel’s mortgage holder. Rhone’s crew spent the next five months in this state, lonely, abandoned, and without cash, trapped on board a dilapidated vessel with little to no attention from the owner. Worrying about their families, they complained often to the ITF representative who visited them regarding wages (the ITF agent was the only sign of any “human element” during the ordeal, aside from the generosity of the local charities). The crewmembers were owed a combined \$233,817 by this point.

In December of the same year, the vessel was arrested by a Spanish court and held for crew’s wages. Some crewmembers had personal funds for repatriation, but many had to rely on generosity again where the vessel owner failed them: the Spanish authorities paid repatriation costs for the seafarers not able to afford it. Amazingly after almost three years the case is still not resolved; the crew are still awaiting their pay while the courts in Spain work through the varying legal aspects of the case.

Regrettably, seafarer abandonment happens far too often. According to data compiled by Seafarers' Rights International, an affiliate of the ILO, 1,612 seafarers were abandoned on 136 ships between 2001 and 2010, with a staggering 647 mariners aboard 57 vessels neglected in 2009 alone. The ILO is careful to note that the numbers are likely much larger, as they typically only receive word of crew abandoned when a vessel is "officially abandoned."

This means that seafarers left at port because of unfair employment termination, neglect or abuse will likely never be counted as they are unlikely to report their case to the ILO. Abandoned seafarers suffer psychological and financial abuse when left at a port, and they are often subjected to horrific conditions. There is no reason at all for abandonment to occur today, and even one abandoned seafarer is far too many. Abandonment is the height of irresponsibility and unethical behavior by an owner focused on dollars and not people. Failure to guarantee right of return with full wages to seafarers making reasonable requests is tantamount to forced labor, and the withholding of wages is akin to extortion. Forcing a crewmember to stay aboard a vessel or abandoning him at a foreign port to avoid paying costs associated with repatriation does indeed, however, keep a company's freight rates down. This makes all of those shopping for bottom-dollar shipping services accessories in these disgraceful acts.

Interestingly, there is a surprising lack of attention paid to this cause by the popular labor rights movements in the West. Perhaps a group of 14 men locked in a sub-standard ship for five months is less attractive on a protest sign than a child forced to work 10 hours a day for a week in a hot factory. It is unreasonable to think that an owner flying an American or British ensign would even remotely consider the notion of prohibiting his laborers from leaving when they would like to, using methods such as withholding of payment to force them into agreement.

Most seafarers aboard internationally registered vessels have families to support and go to great lengths to achieve gainful employment; this makes the fallout from such abandonment or refusal to repatriate much more serious. Such blatant disregard for their personal reasons to leave a ship is disgraceful. Wholesale abandonment of a crew by an owner to avoid paying repatriation costs, perhaps the blackest of stains on the industry, is unconscionable and worthy of greater attention from the labor activist and business communities.

CONCLUSION

Flag of convenience, has a major role in shipping industry from the perspective of an outside view it like a game with players all around the world and is a game of economic power and create new ways to manage the huge demand of goods. Major suppliers will always continue to emerge as long as the need demand is high and there are some political and economical factors as well affecting the flags.

Development and implimentation of the them took em decades to be completed on their final form as they are today. They were as a tactic to avoid war and to increase the benefit of some strong countries in the 17th century until the 20th. Some might believe that flags have the same value in their core but only their face changes of the years. Many wars, political power shifting, more countries entering the shipping industries ,demands changing and terrorism contributed for flags to become what they are today. it is a recent achievement of the modern era that creatly improved life on board for all seafares and all of the flags today create a minimum standards for all seafarers. Improving safety, security by carring out inspections and after many decade stabilizes the fact that seafarers have rights. The effect is worldwide and directly affects workers in this industries. Flags directly control , operational costs, labor conditions and taxes. The future of flag is bright because this industry is like a living organism demand and supply always changes so are the need they will be always a new flag or rules to support new ways to manage companies. Registration and flags always changed and adapted to past demands ,will always change to todays demands and will always change for future demands

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