How the squeeze on standards enables small flags to flourish

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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 stems, we notice that they are usually attached to such places as Panama and Liberia, Bahamas and Malta. We take them for granted, for they have become so familiar and so numerous even though we may find it difficult to connect these flags with our understanding of what constitutes a port of registry.

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. Some of the registries display similar qualities to these new arrivals. They offer tax regimes that are low or non-existent; they provide the key reason for choosing to register a ship under a particular flag. Certainly, when looked at in the market niche which does not involve them in competing with the existing open registers, the big flags of convenience. Certainly a shipowner resorting to any of these new flags may choose to fulfil all international requirements. But, as 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 at 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 registers have begun to place higher expectations upon their shipowner clients. This regulatory squeeze has forced out or driven away more marginal owners who have gone in search of (or, in some cases, actually helped to set up) new flags. In short, the raison d’être of these registers is to provide a regulation free environment for the shipowner. The very success of these flags depends on continued and anticipated maintenance of a flag state completely uninterested in the provision of a regulation free environment for the shipowner. The decision by established open registers to delete ships likely to be detained by port state control is an example of the increasingly successful pursuit of international standards. Shipowners wishing to avoid deletion must conform to minimum safety and environmental regulations – if they may actually be called that – make it plain that they are subject to all international requirements. But the flag administrations are in practice likely to be detained by port state control inspectors is a recognition of the increasingly successful pursuit of international standards. Without a flag, an asset cannot stand in respect of these new arrivals is simply to see them as yet further examples of open registers or flags of convenience. After all, they too operate in the same manner? Well no, they don’t. Not any longer. A long line of a long series of tanker disasters begin to become apparent, with the Torrey Canyon in the late 1960s and culminating in March in the two halves of the Kristal adrift off Norway in the early 1990s.

The administrations of Belize, Bolivia, Cambodia and Equatorial Guinea, as yet further examples of open registers, are part of a network of international regulatory bodies. Panama and Liberia are, after all, among the largest due-paying contributors to the International Maritime Organisation. By contrast, the new open registers have no legal means of requiring a shipowner’s compliance with international standards.

The new registers are pretty obviously a commercial response to the new flag market paradigmally opened up by the worldwide pressure for higher opera-