International
Chamber of Shipping
Shaping the Future of Shipping

Key Issues

Shipping Policy

Shipping policy requires ICS engagement in 'behind-the-scenes' diplomatic activity, in order to help ensure the maintenance of free trade principles and market access for international ships. ICS works closely in this area with the Consultative Shipping Group (CSG), which comprises maritime administrations from Europe and Canada, as well as Japan, Korea and Singapore, which are particularly committed to free trade and the preservation of the multilateral regulatory framework for international shipping.

In September 2017, the ICS Board had a high level meeting with representatives of the CSG in London to review current threats of protectionism, particularly from the United States, as well the possibilities for market distortion that could be created by new environmental regulations. In November 2017, ICS also met with CSG representatives of the Cotton Club, which comprises transport attachés based in Washington DC. A further meeting with the CSG is scheduled to take place in Halifax, Canada, in autumn 2018.

At the top of the shipping policy agenda is the announcement by President Trump, in March 2018, of his intention to impose tariffs on steel and aluminium imports, and – in response to immediate threats by China and the EU to apply retaliatory measures – his suggestion that these might be extended to automobile imports too.

Whether this war of words will develop into a genuine trade war, which could have damaging impacts on shipping markets, remains to be seen. Hopefully the view that trade is a zero sum game will turn out to be political rhetoric and saner voices will prevail in the U.S. Administration and Congress. What is disturbing is that regardless of whether U.S. complaints about the low cost of Chinese steel are justified, President Trump now appears to want to launch a trade war with all of the United States' trading partners. Rather than using normal World Trade Organization (WTO) procedures, the U.S. has also invoked national security as the justification for imposing tariffs, even against its military allies.

Without full U.S. commitment to WTO, any possibility of making progress on a long awaited multilateral trade deal as part of the 23 year old Doha Round is on hold for the foreseeable future. This also applies to the related Trade in Services Agreement (TiSA), which a smaller group of governments has been trying to negotiate in Geneva. While this is a setback for global trade in general terms, this also makes shipping especially vulnerable because it means that the specific trade commitments that governments have made with respect to maritime services at the WTO still remain uncodified at the global level. The free trade practices which shipping enjoys are therefore dependent upon the survival of bilateral agreements.

More positively, despite the withdrawal of the United States from the Trans Pacific Partnership (TPP), the other participating nations signed a new agreement in Chile in March 2018 (which the United Kingdom, preparing for Brexit, has also indicated an interest in joining).

Meanwhile, the industry faces a number of threats to market access. In the U.S. there is still talk in Congress of introducing some kind of cargo reservation for energy exports, both for LNG and crude exports. In 2017, Democrat Congressman John Garamendi introduced 'The Energizing American Maritime Act' proposing new legislation which would require 30% of exports of crude oil and LNG to be transported on U.S. flag vessels by the year 2025, with 15% to be carried on U.S. flag ships by 2020.

Energy security is a very sensitive political issue in the United States, and there are vested interests, especially in the shipbuilding industry, as well as the seafarers' unions, which are seeking to link concerns about jobs and defence to the growth in energy exports being carried on non-U.S. ships, especially in view of concerns about the decline of the U.S. flag fleet engaged in international trades, which is now very small.

Similar proposals have been made in recent years but these were usually watered down following interventions by the State Department and the office of the U.S. Trade Representative, which were conscious of U.S. free trade commitments in the context of ongoing negotiations at WTO about maritime services. However, in view of President Trump's recent pursuit of tariffs, if security is used as a pretext this latest attempt at cargo reservation could possibly gain more traction. The very unpredictability of the Trump Administration means that anything is potentially possible.

Elsewhere, in January 2018, the Russian Parliament adopted changes to its cabotage regulations applicable to the Northern Sea Route. This includes provisions for oil, natural gas and coal produced in Russian territory to be transported exclusively by Russian flag ships to the 'first point of unloading or transhipment', although these particular provisions will not come into force until 2019.

It is understood that first 'point of unloading or transhipment' means a point within Russian territory – although this is still to be confirmed. If this is indeed the case, the measure would not appear to impact directly on international voyages. It is also understood that the measure is principally aimed at encouraging Russian owned ships to return from open registers to the Russian flag, which lost large numbers of ships following the collapse of the Soviet Union. However, there is potentially a protectionist undercurrent to the new Russian regulations which hints of a new atmosphere when it comes to the automatic acceptance of the concept that all free trade is good.

Meanwhile, in December 2017, the Indonesian Government proposed a decree that would reserve the carriage of coal exports, palm oil exports and rice imports to Indonesian controlled vessels, which would appear to be an instance of blatant protectionism. ICS has therefore written to the Indonesian Government to express the global industry's concerns, as has the Consultative Shipping Group of maritime administrations. It is currently understood that Indonesia is planning to postpone implementation of the new law, which is also opposed by many Indonesian exporters.

In conjunction with the World Shipping Council and ECSA, ICS is preparing for a European Commission consultation on the renewal of its current block exemption for liner consortia which expires in 2020, something which it undertakes every 5 years and which ICS supports. However, the indications are that maintaining the block exemption may be more difficult this time, and shippers' organisations are keen to oppose any renewal, arguing that recent mergers between shipping lines may have changed the situation.

Meanwhile, the United Nations Conference on Trade and Development (UNCTAD) – whose mandate is to serve the interests of developing nations – has also become involved in competition issues, claiming that recent mergers in liner trades may have reduced the access to shipping services enjoyed by developing nations.

In particular, analysis which UNCTAD has conducted into 'port pairs' suggests a possible decline in the number of direct services between individual ports, particularly in 'north-south' trades, and a reduction of competition on routes between individual ports, which may be restricted to one alliance or even to a single carrier. ICS has serious questions about this analysis. Controversially, UNCTAD has suggested that maritime competition authorities may need to review the regulatory regimes which currently apply to liner shipping. UNCTAD will be holding a meeting on these issues in Geneva in July 2018, at which ICS will participate.

On a positive note, the OECD Working Party on Shipbuilding (at whose workshop ICS participated in Paris in November 2017) has now decided in principle to have another attempt at negotiating a new agreement on shipbuilding, in order to remove subsidies and market distorting measures. However, much will depend on whether China will be willing to participate in these talks. National state subsidies to encourage early ship recycling might have superficial attractions but they risk distorting global markets, and can be counterproductive if they are conditional on the recipients ordering more tonnage at national yards.