

Trade Policy Review 2022

Annual overview on
maritime trade policy
by the International
Chamber of Shipping



International
Chamber of Shipping

Shaping the Future of Shipping

Executive Summary



In 2020, COVID-19 lockdowns ushered in major unexpected changes, which pushed global maritime supply chain resilience to its limit.

More recently, the global economic effects of a potentially prolonged conflict in Ukraine are having a profound impact on shipping market basics. These global issues will continue to affect the maritime transport industry for years to come, and the rapid evolution of the shipping industry to deal with these and other significant external factors requires strengthened international co-operation between governments and industry.

Shipping will continue to play a vital role in helping national economies to chart a course towards economic recovery from the pandemic. This *Trade Policy Review* outlines some of the major strategic projects undertaken by the International Chamber of Shipping (ICS) on behalf of the global shipping industry, in promoting and advancing the principles of free trade, fair competition and market access, to ensure that policymakers are equipped with the most accurate and up-to-date industry information.

The latest work of ICS on trade policy, including the impact of the pandemic on seafarers, is intended to put into practice the lessons learned the COVID-19 crisis. From providing business recommendations to governments through our ICS [Shipping Policy Principles for Pandemic Recovery](#), to the development of key publications such as the [Seafarer Workforce Report](#) and [The Perfect Storm](#) report on the status of the global seafarer workforce and the impact of COVID-19 on seafarers; these issues continue to be at the forefront of the ICS trade policy agenda.

To promote and advance the industry's trade policy aims, ICS leverages its international platform to co-ordinate and create collective industry positions, for engagement with governments and intergovernmental bodies, to address issues of mutual interest impacting maritime transport. This report provides an overview of some of the [cross-industry engagements](#) in critical areas, including [maritime trade facilitation](#), [maritime security](#) and [competition regulation](#).

Striking a sustainable balance between the industry's environmental responsibilities and the need to remain commercially viable is also a key strategic priority for ICS. Concerning climate change, our industry continues to play a leading role in bringing together national governments and other external partners, to respond to what is arguably the biggest challenge of our era, alongside COVID-19. This presents both challenges and opportunities in other priority areas such as [international taxation](#) and [ship finance](#) – including both regulatory and private green finance and investment frameworks – as the industry continues to work towards greening the global fleet, to achieve its target of net zero CO₂ emissions by 2050.

The report also includes thoughts from ICS trade and business representatives, through a series of op-eds, providing unique insights into the key topics and trends impacting the world economy, which will have an impact on the global maritime trade outlook over the next few years.





Foreword

**Guy Platten, Secretary General,
International Chamber of Shipping**



This year marks the 100th anniversary of ICS, and as we navigate towards the next 100 years, it is fitting to highlight the tremendous work that we and our global network have been engaged in on shipping and trade policy.

Global trade has been the focus of greater media and public attention in the past few years as the world reeled from the impact of COVID-19. During this period, shipping faced its share of challenges, including the crew change crisis, yet our industry continued to supply indispensable goods and products, including medical supplies, as the global supply chain buckled under the immense pressure created by the pandemic. Our shipping community showcased its resilience and value to global trade, and shipping will continue to play a vital role in aiding the economic recovery from the pandemic.

Challenges will continue to arise, such as the ongoing conflict in Ukraine, which has had a considerable impact on seafarers and in particular Ukrainian and Russian seafarers who make up to 14% of our global workforce. Now, more than ever, we need strengthened industry-government co-operation to safeguard the rights and safety of our seafarers, and to ensure global trade can continue unhindered, based on those critical lessons we have learned from the pandemic.

Shipping is on a pathway of considerable transformation with plenty of opportunities, as we continue our decarbonisation journey. The scale and

pace of change needed to achieve our net zero carbon emission goals are unprecedented. Governments must give clear signals to shipping on global market-based measures, funding mechanisms for research and development, and infrastructure investments. Our industry has an even bigger role to play in global efforts to address climate change, transporting green fuels to all corners of the globe.

ICS will continue to build on its reinvigorated strategic engagement and co-operation with governments and other industry players, forged during the pandemic, to advance our guiding principles of sustainability, free trade and fair competition. I am looking forward to seeing what our centenary year and beyond have in store for a green and equitable global maritime trade agenda. There is still much work to do as ICS continues to shape the future of shipping.



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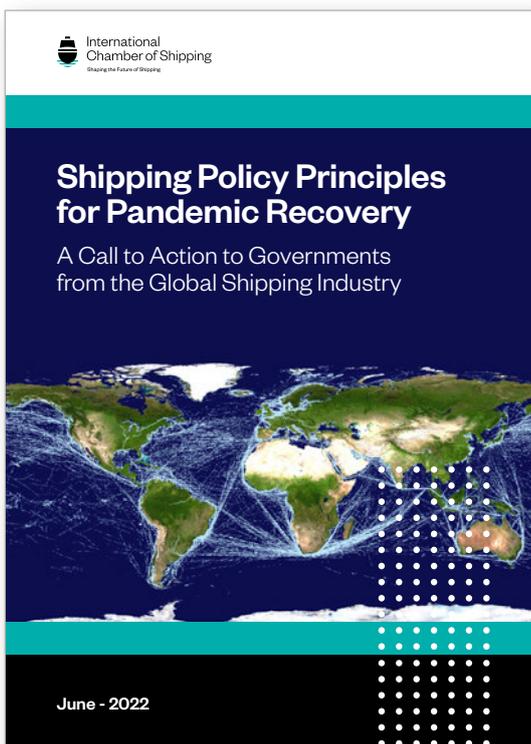
ICS Shipping Policy Assessments



ICS Shipping Policy Principles for Pandemic Recovery

ICS Policy Aims:

To provide practical shipping business recommendations for national governments and global regulators, which have a key role to play in ensuring maritime transport continues to build back better and to help bolster national economies, as they continue to recover from the effects of the pandemic. New *Shipping Policy Principles for Pandemic Recovery* were published in June 2022, during the World Trade Organization (WTO) Ministerial Conference (MC12) in Geneva, Switzerland.



Shipping Policy Principles (SPP) for the Pandemic Recovery

SPP 1	Global Rules for a Global Industry
SPP 2	Free and Fair Competition
SPP 3	Support for Multilateral Regulatory Initiatives over Unilateral Measures
SPP 4	Implementation and Enforcement of Global Maritime Regulations
SPP 5	Equitable Treatment in Shipping Agreements
SPP 6	Consultations Among Governments
SPP 7	Non-discriminatory Treatment for Maritime Auxiliary Services
SPP 8	Non-discriminatory Treatment for International Multimodal Transport
SPP 9	Equitable Com
SPP 10	Shipping Taxat

Calls to Action (CTA) for Pandemic Recovery

Governments are urged to:

CTA 1	STRIVE for a forward looking, rules-based multilateral trading system based on global co-operation
CTA 2	RESTART work at WTO towards full negotiations on maritime transport services
CTA 3	CO-OPERATE to halt proliferation of protectionist trade measures, so all national economies benefit from efficient maritime transport services
CTA 4	MAINTAIN the authority of IMO as the industry's global regulator, including development of further measures to eliminate environmental impacts
CTA 5	SUPPORT the ambitious revision of the IMO GHG Strategy for the decarbonisation of shipping, including a net zero target for 2050 and a global, levy-based carbon price to expedite the transition
CTA 6	ADHERE to established principles of international shipping policy, including proportionate use of subsidies in support of pandemic recovery
CTA 7	RESUME negotiations at the OECD on a global agreement to eliminate market distorting measures in shipbuilding
CTA 8	MEET obligations under the ILO Maritime Labour Convention
CTA 9	FACILITATE digital transformation and security against cyber attacks
CTA 10	PROMOTE effective national co-ordination between government shipping ministries and non-maritime agencies, and raise awareness of the critical strategic importance of international shipping



By all accounts, the impact of the pandemic on world trade and the global economy has been unprecedented. Like most, if not all, other industries, shipping is still charting a course through the COVID-19-related disruption and uncertainty, with many challenges still ahead in 2022 and beyond.

Throughout the pandemic – in the face of travel restrictions and the crew change crisis impacting trade – the industry kept supply chains moving, carrying energy, food and raw materials, as well as manufactured goods and products (including billions of vaccines and other critical medical supplies), on which 21st-century life depends.

The proliferation of inward-looking policies and trade protectionism (tariff and non-tariff restrictions), a weakened multilateral trading system, and the crew change crisis all combined with devastating effect during the pandemic, to prevent nations from leveraging the full benefits that this strategic industry has to offer, through the comprehensive suite of services it provides. These and other major policy and regulatory challenges – impacting trade and the environment, among others – need to be urgently addressed to improve safety, security and shipping's environmental performance.

As governments continue to map out the economic recovery, the successful re-emergence of a strengthened global economy depends on not only the duration of this defining global health crisis, but also the effectiveness of regulatory and policy responses. The new ICS [Shipping Policy Principles for Pandemic Recovery](#) outlines 10 'Policy Priorities' and 10 complementary 'Calls to Action' in critical areas, including those affecting the positive impact that maritime transport makes towards international trade growth, economies and societies.

In transporting 90% of world trade – more than 11 billion tonnes of cargo each year – the global maritime transport sector can be an invaluable strategic industry partner, as governments continue to steadily navigate towards recovery while contending with other pressing new challenges, such as the current 'global energy' and 'cost of living' crises, both of which have had a considerable impact globally with oil and gas costs spiking worldwide. This all-encompassing framework draws on the practical experience of the ICS global shipping business network, to provide clear business recommendations for governments, which have a key role to play in ensuring that shipping can build maritime trade back better in a post-COVID-19 context.

The shipping industry is calling on governments to analyse these important priorities as part of their long-term trade agenda. Throughout 2022, ICS will continue to engage with national governments and intergovernmental organisations, to outline how national economies can seize the opportunities identified in this strategic framework. With the right policies based on openness, transparency, and universally applicable rules and standards, international trade can once again provide opportunities, prosperity and stability for all regions across the world.



Credit: Marlow Technical Ship Management



ICS Global Report Outlines Benefits of Cutting Barriers to Maritime Trade

The maritime services sector is a critically important lifeline for many countries and it is especially vital in the carriage of staple goods that feed the world's people.

Competition and efficiency in this sector are affected by the wide array of measures that governments implement, yet after decades of progress towards more open markets, the direction of travel in recent years has been backward. Whether restrictions on trade are imposed for deliberately protectionist purposes, as weapons in a trade war, in response to a pandemic, or as inefficient means of promoting some other objective in public policy, they are damaging and proliferating.

In February 2021, ICS published a major trade report outlining how national economies around the world could boost their prospects of economic recovery from COVID-19 by reducing restrictive trade policies, to benefit from the value of global

ICS Policy Aim:

To provide policymakers with tools to navigate the economic impact of COVID-19 and identify tangible ways in which countries can boost growth in difficult economic times.

Four Scenarios for Potential Reform		Average GDP gains for national economies
Scenario 1 Highly Ambitious	All countries reduce or remove their tariff and non-tariff restrictions by 50% through across-the-board reform.	Scenario 1: Ranging from 0.3% to 3.4%
Scenario 2 Modest and Equal Ambition	All countries reduce or remove their tariff and non-tariff restrictions by 10% through both multilateral and domestic reforms, irrespective of income level.	Scenario 2: Ranging from 0.1% to 0.3% for most nations, and 0.4% to 0.6% for a few others
Scenario 3 Modest and Unequal Ambition	High-income countries reduce or remove their tariff and non-tariff restrictions by 10%, and all other countries by 5%.	Scenario 3: Gains would be smaller, especially for low- and middle-income economies.
Scenario 4 Tariffs and Trade Agreements Only	All countries reduce or remove only their traditional tariff restrictions by 10%, through improvements based on charges made to countries' commitments in trade agreements only.	Scenario 4: For the average national economy, gains are only about 25% of what they would achieve under the more ambitious Scenario 2

Source: ICS/Craig VanGrasstek (Harvard University): Study on 'Protectionism in Maritime Economies', February 2021

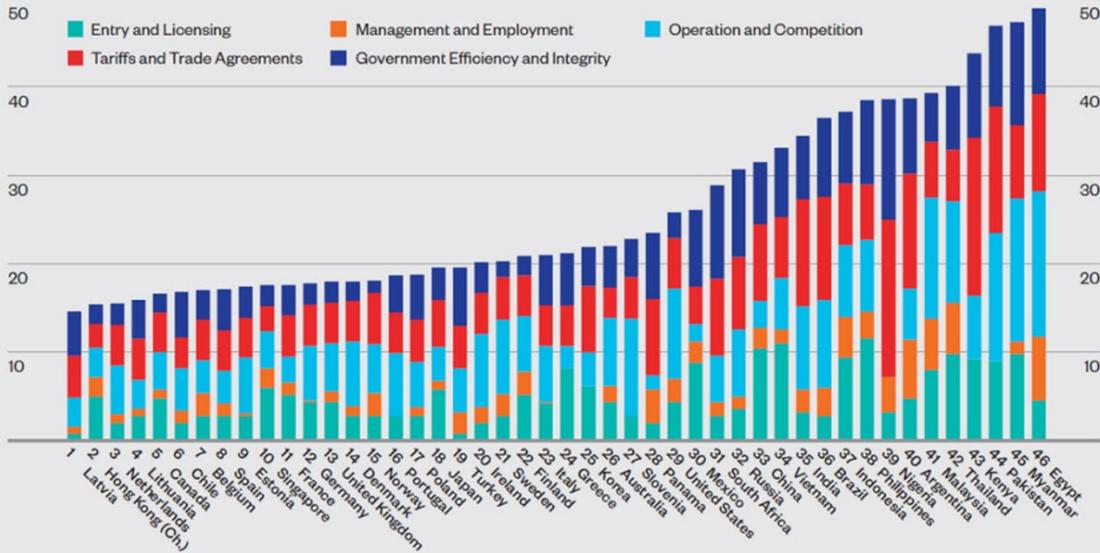
maritime trade, estimated at US\$14 trillion in 2019. These trade barriers are making it more difficult for national economies to recover from the effects of the COVID-19 pandemic. According to the WTO, US\$1.7 trillion of world imports have been affected by constraints like these since 2009.

Table 1: Study excerpt showing average changes by region and income level from 2015 baseline levels

	Regions				Income levels		All
	Africa & MidEast	Asia & Pacific	Latin America	Europe & Atlantic	High income	All other	
Scenario 2/Modest and Equal ambition							
Transport exports	6.84%	4.03%	4.41%	3.00%	3.24%	4.71%	3.81%
Goods exports	9.73%	5.59%	7.84%	4.18%	4.51%	7.27%	5.57%
Total exports	6.44%	3.95%	5.03%	3.16%	3.40%	4.76%	3.92%
Real GDP	0.18%	0.24%	0.16%	0.21%	0.22%	0.20%	0.21%



PRIME Index Global Ranking



Source: ICS/Craig Van Grastek, *Protectionism in Maritime Economies Study* (ICS, 2021)

The *Protectionism in Maritime Economies Study*, co-authored with Professor Craig VanGrastek of the Harvard Kennedy School of Government, lays out four scenarios for potential trade policy reform, ranging from ‘highly ambitious’ (where countries reduce tariff and non-tariff trade barriers by 50%), to ‘tariffs and trade agreements only’ (whereby all countries reduce by 10% the traditional trade tariffs and commitments made in trade agreements).

This comprehensive assessment shows that the removal of tariff and non-tariff barriers on maritime trade would not only benefit the shipping industry – national economies could also see their GDP rise by as much as 3.4%. The research also reveals that maritime trade barriers are as much as four times more restrictive than traditional tariffs, and it also assesses the economic gains that could be released by policy reforms. High-income economies could experience an average increase of 4.5% in their goods exports if they were to loosen tariff and non-tariff restrictions on trade. Developing economies would experience an even greater average GDP increase of 7% if they reduced their restrictions by 10% (under a Modest and Equal level of ambition, seen in Table 1).

The ICS study uses a global ranking system to demonstrate the impact of trade policies in 46 focus national economies, in a bid to incentivise reform. Each nation was analysed and given a Protectionism in Maritime Economies (PRIME) score, according to how restrictive their trade policies were, based on

factors such as management and licensing rules, government integrity, and tariffs.

Following its launch, the report was presented to the WTO’s Services Council and to the B20’s Taskforce on Trade & Investment. ICS also organised high-level discussions of the report’s findings among leading industry figures and government policymakers, through our *Leadership Insights* webinar series, with particular focus on Europe and Asia. A summary of the ICS study can be downloaded – or a full copy purchased – from from the ICS website: <https://www.ics-shipping.org/current-issue/protectionism-in-maritime-economies-study>.

The image shows a collage of promotional banners for ICS Leadership Insights Live webinars. The banners feature speakers, dates, and topics such as 'The Role of Maritime Transport Trade in the Post-COVID Recovery' and 'Leadership Insights on the Future of Shipping and International Trade'. The banners are for various events, including one on February 23rd, 24th, and 29th, 2021. The ICS logo and 'LEADERSHIP INSIGHTS LIVE' branding are prominent.



Shipping Industry Flag State Performance Table

With over 70,000 merchant ships transporting around 90% of world trade, the highest possible regulatory standards must be encouraged.

To keep global maritime transport trade moving safely, efficiently and in line with global standards, every single one of these ships must be registered with a flag State and adhere to the national policies set by the State in which they are registered, in line with universally agreed international standards. The flag State, in turn, must ensure that all ships flying its flag comply with vital international regulations, including those related to safety, the environment and decent working conditions.

Each year, ICS publishes the [Shipping Industry Flag State Performance Table](#), which brings together data about the performance of flag States against specific criteria, including Port State Control (PSC) records, ratification of international conventions, and levels of engagement and participation at the International Maritime Organization (IMO).

The Table is designed to ensure that shipowners have access to important information about the performance of flag States, and to encourage dialogue between shipowners and flag Administrations, which might lead to potential improvements in the interests of safety, the environment and decent working conditions. This also ensures that the ships engaged in global maritime trade are held to the highest possible standards.

The latest *Shipping Industry Flag State Performance Table (2021/2022)* was published in January 2022, and the level of performance of many of the largest flag States – including the

ICS Policy Aim:

To provide a practical framework to serve as a basis for discussion between shipowners and national governments (flag States), as a means of encouraging and incentivising compliance with the very high regulatory standards agreed globally for the world merchant fleet.

Marshall Islands, Singapore, Hong Kong (China), Greece and the Bahamas – continues to be very positive. This demonstrates that distinctions between ‘traditional’ flags (which require a form of residency for ships to register with them) and ‘open registers’ (which are available to any ship, regardless of country of origin) are no longer meaningful. Many open registers are found among the very top performers, alongside several European traditional registers and flags such as Japan, which are all recorded as performing well.



Seafarer Workforce Report: Data on the Unsung Heroes of Global Maritime Trade

Seafarers are central to the safe and efficient operation of the global maritime transportation system and the COVID-19 pandemic brought to the fore their indispensable role in facilitating world trade.

Charting the course of developments in the global seafarer workforce has never been more important. The [Seafarer Workforce Report](#) is prepared jointly by ICS and BIMCO every five years. The latest edition was published in 2021, providing a

ICS Policy Aims:

To provide an essential management tool for those tasked with crew-management issues and to provide labour market intelligence and insight that the industry needs to plan for the future.

comprehensive overview of the supply and demand balance for certified seafarers qualified to work on board ships in the global merchant fleet. Trusted by ship operators, agencies and governments, the *Seafarer Workforce Report* – formerly the *Manpower Report* – is an essential management tool for those tasked with developing crewing and training strategies, delivering the market intelligence that the industry needs to plan for the future.

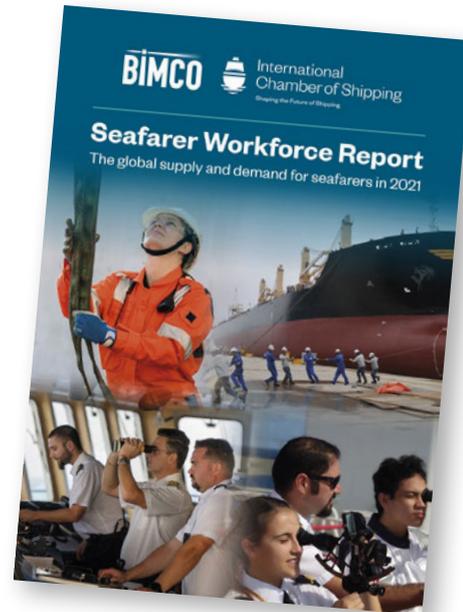


The *Seafarer Workforce Report* can be ordered through Witherbys: <https://shop.witherbys.com/seafarer-workforce-report>

Among other things, the report publishes estimates of:

- The balance between the global supply of qualified and competent seafarers available for service on ships trading internationally, and the industry's demand for seafarers to operate the world merchant fleet;
- The composition of the seafarer workforce that operates the world merchant fleet, including aggregated demographic information on nationality, rank/role, age profiles and gender; and
- The anticipated future growth of the world merchant fleet over the next five years, and the potential implications for the global supply of and demand for the seafarer workforce.

The 2021 report is laser-focused on topical issues, including diversity and inclusion within the seafarer workforce, while providing a bird's-eye view analysis on a range of demographic data, such as age, nationality and gender. The latest statistics reveal a positive trend in terms of gender balance, with



an estimated 24,059 women serving as seafarers, an increase of 45.8% compared with the previous 2015 report. The latest analysis also highlights a current shortfall of 26,240 STCW-certified officers, indicating that demand for seafarers in 2021 has outpaced supply. In addition, some officer categories are in especially short supply. There is a shortage of officers with technical experience,

“To meet the future demand for seafarers, it is vital that the industry actively promotes careers at sea and enhances maritime education and training worldwide, with a focus on the diverse skills needed for a greener and more digitally connected industry. This is especially important as we continue our recovery from the effects of the COVID-19 pandemic.”

Guy Platten,
Secretary General, ICS



Credit: Marlow Navigation

especially at management level, and in the tanker and offshore sectors there is a reported shortage of management-level Deck Officers. The ongoing conflict in Ukraine has compounded this shortfall. There are 198,123 Russian seafarers, representing 10.5% of the global total (71,652 officers and 126,471 ratings), while Ukraine accounts for 76,442 seafarers, equating to 4% of the global total (47,058 officers and 29,383 ratings). Combined, they represent 14.5% of the global seafarer workforce.

ICS previously expressed concerns about current supply chain disruptions being compounded by a lack of Ukrainian and Russian seafarers, publishing a [press release](#) on the issue.

Joint Maritime Just Transition Taskforce

In light of these challenges and those that lie ahead, ICS is taking the lead in ongoing initiatives and dialogue to ensure that the global seafarer workforce is equipped with the education and skills necessary to support the transition to a decarbonised shipping industry, in terms of training, retraining and reskilling for the future.

This includes the 'Maritime Just Transition Taskforce', a joint initiative launched during COP26 by ICS, UN Global Compact and the International Transport Workers' Federation (ITF), alongside UN agencies IMO and International Labour Organization (ILO). The task force will launch a report at COP27 in November 2022 on the skills needed for a just and equitable green transition in maritime. The report will quantify the number of seafarers that will need to be trained or upskilled to handle the green fuels of the future, and the findings will feed into the creation of policy development and provide clear steps for the shipping industry to take.

Knowledge about the supply, demand and composition of the world's seafarer population is invaluable when it comes to safeguarding the future workforce. Understanding, supporting and protecting our seafarers is vital if we are to safeguard the sustainability of world trade.



Credit: Centre for Maritime Education and Training



International
Chamber of Shipping



International
Labour
Organization



INTERNATIONAL
MARITIME
ORGANIZATION



International
Transport Workers'
Federation



United Nations
Global Compact



The Crew Change Crisis



A Humanitarian Emergency with Implications for Safety at Sea and World Trade

COVID-19 triggered a global health crisis with a deep impact on people's wellbeing and livelihoods.

This included the plight of the world's seafarers who have been among the unsung heroes of the pandemic. National policies restricting travel during the pandemic hindered the maritime transport sector's ability to repatriate seafarers to their countries of residence and to effect crew changes, with significant consequences. Being cut off from physical contact with their loved ones, seafarers' mental well-being was placed under intense pressure, posing both humanitarian and safety concerns to the continued operation of the world merchant fleet, which facilitates 90% of world trade.

ICS has worked tirelessly with industry partners and seafarers' unions to address the crew change crisis, including through the development of industry best practice and guidance on COVID-19. At the end of 2021, ICS issued a joint appeal to the UN General Assembly – alongside the road and aviation industries, and workers' unions – for transport workers to be prioritised for WHO-recognised vaccines after those who are most vulnerable and health workers. 'Vaccine nationalism' continues to undermine multilateral efforts to ensure equitable access to vaccines, including for seafarers. Creating a standardised process for seafarers to demonstrate their health credentials is equally important.

ICS Policy Aims:

To provide assistance, guidance and best practice to the industry, including shipowners and operators affected by the COVID-19 pandemic. To continue to play a leading role globally, between international organisations, governments and industry, to put into practice the lessons learned from COVID-19 and this crisis in particular.

In December 2021, shipowners, seafarers' unions and maritime employer groups created their own approved international network of quarantine facilities, to ensure seafarers could join ships safely, despite unpredictable changes to government border policies to contain the spread of COVID-19. The Crew Enhanced Quarantine International Programme (CrewEQUIP) is a partnership between ICS, the International Maritime Employers' Council (IMEC) and the ITF.

Due to the very poor treatment that millions of transport workers, including seafarers, have faced during the pandemic, all transport sectors are now experiencing notable shortages in their workforce and ICS expects this to increase, placing the supply chain under greater strain. National governments must step up to the challenge at the highest levels. Concrete policy actions in line with the [Neptune Declaration](#), (signed by over 800 organisations) are needed to address this humanitarian emergency and to keep maritime trade flowing safely, for the benefit of all national economies. This includes:





Credit: V Ships

- 1 The need for governments that have not yet done so to **formally designate seafarers and other marine personnel as 'key workers'**, so that crew changes can take place in a safe and timely manner
- 2 The need for governments to **safeguard air connectivity between key maritime hubs** for seafarers

a story to tell about the impact of this crisis. Counted among these unsung heroes is Captain Shaailsh Sakte from India, who agreed to share his very compelling story with ICS, in his own words. Later in this publication, Edward Liu, ICS Representative in China, also shares his thoughts on the crisis, from China's perspective.

As over two years' worth of strain and unrelenting pressure on transport workers take their toll, global supply chains are beginning – or have already begun – to buckle, making the crew change crisis not only a humanitarian emergency, but also a critical issue affecting safety at sea and world trade, as it continues to undermine the safe operation and flow of maritime supply chains throughout the world.

It is often too easy to focus on statistics and numbers, ignoring the fact that each number represents a real person living in the real world, with





SEAFARERS: THE REAL HEROES OF THE CREW CHANGE CRISIS

**Op-ed by Capt. Shailesh Sukte,
Ship Master, Seaspan Ship Management**

COVID-19 has been challenging for all of us worldwide. It has changed the standard work and business patterns. Life has changed drastically since the pandemic hit us in March 2020. No one was prepared for such a catastrophic event. The shipping industry played a vital role in the global response to the COVID-19 pandemic – delivering food, medical supplies, fuel and other essential goods, and helping keep global supply chains and commerce running. This is to a large extent due to the world's 1.9 million seafarers, who through these extraordinary times have demonstrated great professionalism and dedication.

Seafarers are doing their duties with professional ethics, risking their lives throughout the unprecedented challenges of the pandemic. In return, they deserve to be taken care of and supported by international organisations and national governments. While shipping companies have been supportive in their own ways to facilitate crew change, they are powerless to act in the face of government's rules and travel bans.

With the pandemic now in its third year, the ramifications of the crew change crisis are still very much with us, with some countries still imposing strict restrictions and logistical obstacles still obstructing the repatriation of seafarers. I myself have experienced the struggles of not being able to be relieved on time due to travel bans and restrictions, and one

should understand the mental state of the crew when they are away from family for so long a time.

Have you thought of the mental state of a crew on board with extended contracts? No shore leave for months and months? Forced vaccinations to comply with different countries' requirements as standard vaccination is not recognised in their country? In many cases, crew members are also facing family issues back home and they were helpless to be there at the time when they are most required to support their family. However, due to travel restrictions, the crew change was often not possible.

Those seafarers who are joining a ship to relieve the ship's crews are also subject to stress: complying with local regulations too often meant full quarantine requirements, with complete isolation in the country of origin for 8–10 days and then quarantining once again at the joining port. In practice, crew could often be stuck in a hotel for over 20–25 days before joining a ship, which means that 25% of their contract was spent in complying with quarantine rules. Additionally, as relief crews' contracts only start after they join a ship, the knock-on effect is that contracts are being extended, contributing to the crisis.

In this situation, it is vital to motivate the crew morale to ensure mental peace and harmony, listening to their problems and advising them about positive ways to overcome mental stresses. Organising and arranging events, get-togethers, games, or even Olympiads on board are good ways to keep the morale of the crew high. In the long term though, governments and industry should continue to work together, in collaboration with relevant international organisations, to resolve the long-term impact of the crew change crisis, in accordance with international standards and in line with public health considerations.

I hope, in the year 2022, there is a ray of light on the horizon for our Heroes at Sea.



Credit: Capt Shailesh Sukte



ICS Leads Global Shipping Community Efforts to Update ILO Maritime Labour Convention to Reflect Lessons Learned from Pandemic

Capt. Shaailesh Sukte wrote his op-ed on the impact of the pandemic on the world's seafarers, governments, shipowners (led by ICS) and unions agreed in May 2022 to a record number of Maritime Labour Convention (MLC) amendments in response to the COVID-19 pandemic and the crew change crisis.

At the ILO meeting that took place in Geneva, Switzerland, delegates agreed to implement amendments to bolster legal requirements for seafarers to be able to access medical care ashore; strengthen health and safety PPE policies on board ships to protect against accidents; and to help seafarers' communication with their loved ones ashore.

An ILO report, published in advance of the negotiations, highlighted governments' failure to comply with critical provisions of the MLC during the pandemic, resulting in preventable deaths and an enormous toll on seafarers' mental health. At the height of the pandemic, 400,000 seafarers were affected by the crew change crisis, unable to return to shore or to access ships because of draconian travel restrictions.

ICS is the longstanding representative of the global maritime employers' group at the ILO.



Co-Operation with International Organisations



ICS Leads Industry Representation at IMO Trade Facilitation Committee Meetings

Shipping is one of the great global industries and it cannot function efficiently if the rules governing it are not truly global.

National and regional requirements that differ from internationally agreed standards cause confusion and increased bureaucracy, hampering the raising of standards across the world's fleet. One of the shipping industry's main regulatory bodies is the UN IMO, the specialised agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships.

ICS Policy Aims:

To represent the voice of the global shipping industry at the highest levels of global governance, ensuring that international regulations agreed at the UN IMO and other regulatory fora are informed by pragmatic industry insights that promote the principles of free and fair trade, supported by harmonised systems for trade facilitation.

The IMO sets and regulates the global standards needed for such an international industry. Longstanding partnerships between governments and industry are indispensable for the IMO to function effectively, including in the facilitation of maritime transport trade. It requires both governments and industry to participate actively in meetings to create regulatory policies and best practice that are fit for the 21st century, while promoting harmonisation and standardisation across the globe.

As the first non-governmental organisation (NGO) to be granted consultative status at the IMO, ICS participates actively in all the IMO Committee and Sub-Committee meetings, making regular submissions on global industry positions (the second highest number of IMO submissions by an NGO). As it relates to trade facilitation, ICS is actively involved in the IMO Facilitation Committee (FAL), which meets annually to address matters related to the facilitation of international maritime

Credit: International Maritime Organization (IMO)





Credit: International Maritime Organization (IMO)

traffic, including the arrival, stay and departure of ships, people and cargo from ports.

Recent important work undertaken by ICS within the IMO FAL Committee has been in response to the impact of the COVID-19 pandemic on maritime trade facilitation. At the outset of the pandemic in March 2020, ICS co-ordinated the swift development of recommendations on facilitation of maritime trade during a pandemic, working alongside national governments and industry partners at IMO. ICS also led a joint-industry initiative to update the FAL Committee Convention

to incorporate trade facilitation provisions, requiring governments to allow prompt and effective disembarkation of seafarers ashore for medical attention, and ship-to-shore communication of any relevant public health concerns or restrictions that may impact maritime trade. The ICS-proposed amendments were then incorporated into the IMO FAL Committee Convention, a testament to the improved collaboration at IMO during that international public health emergency.



ICS Work on Maritime Single Windows

The IMO FAL Committee also addresses ongoing matters of trade facilitation, including the increased digitalisation of shipping company processes, and tries to strike a balance between regulation and facilitation of maritime trade.

Shipping companies engaged in international trade are regularly required to submit large volumes of information and documents to ports and governmental authorities, to comply with regulatory requirements. These requirements often pose an administrative burden both to governments and to industry, and form a major barrier to the development of international trade.

Creating a Single Window reporting framework is one means of addressing this problem, whereby a single digital data portal is developed, accessible by all vessels, into which all compliance documents can be inputted and accessed. Such a system would lead to greater harmonisation and better sharing of the relevant data across governmental systems,

bringing meaningful gains to all parties involved in cross-border trade.

ICS is fully supportive of the establishment of national Single Window environments, but, unfortunately, the lack of coherent approach to digitalisation by maritime administrations has resulted in the development of 'multiple windows', which in practice increases the bureaucratic burden felt by shipping companies. Pilot Single Window schemes have been developed in some countries, including the UK, Singapore and the European Union, each with varying structures and requirements.

Due to this divergence in approaches, ICS has been a vocal supporter of improving the data exchange between ships and ports, which will enable Single Windows to advance. Industry preference would be to replicate globally the interoperability of Single Window frameworks, as demonstrated by the Norwegian system 'SafeSeaNet', and ICS continues to advocate for such a framework at the IMO FAL Committee. In 2021, ICS co-sponsored a submission to FAL 45 on maintaining technical standards for the exchange of data, a Single Window work stream that goes hand in hand with the Port Call Optimisation (PCO) work undertaken by the International Taskforce set up by the IMO, of which ICS is a member. This vital work on trade facilitation is consistently supported through the ICS Radio and Nautical Sub-Committee.



ICS Peer Reviews UNCTAD's *Review of Maritime Transport* (2021)

In recent years, ICS has been invited to peer review the flagship *Review of Maritime Transport* (RMT), published annually by the United Nations Conference on Trade and Development (UNCTAD).

The UNCTAD Review of Maritime Transport is a flagship report widely recognised by the shipping industry as an authoritative source of maritime trade data, published annually since 1968. ICS is proud to have been invited to peer review this popular report, which provides an analysis of structural and cyclical changes affecting seaborne trade, ports and shipping, and includes an extensive collection of statistics. Each issue provides data and insights on: seaborne trade, emerging trends affecting maritime transport, fleet ownership and registration, shipbuilding and recycling, freight rates, liner shipping connectivity, port traffic, and legal aspects, as well as an overview of pertinent policy and regulatory developments.

This UNCTAD-ICS collaboration helps to safeguard the factual accuracy of the data and information contained in the report, particularly relating to Chapter 2 on 'Maritime Transport and Infrastructure'. This work forms part of a longstanding working relationship between ICS and UNCTAD, which has gone from strength to strength throughout the pandemic, given the significant number of issues of mutual interest over the past two years, including the ongoing crew change crisis, supply chain disruption, and the need to build resilience in maritime trade and transport. ICS has most recently been invited to peer review the UNCTAD RMT 2022, which is due to be published later this year.

ICS Policy Aim:

Collaborate with UNCTAD to ensure that maritime transport and trade data is as comprehensive and up to date as possible, providing both the shipping industry and external stakeholders with key insight into maritime trade trends and the structure of the shipping industry.



Addressing Supply Chain Fragility and Disruption



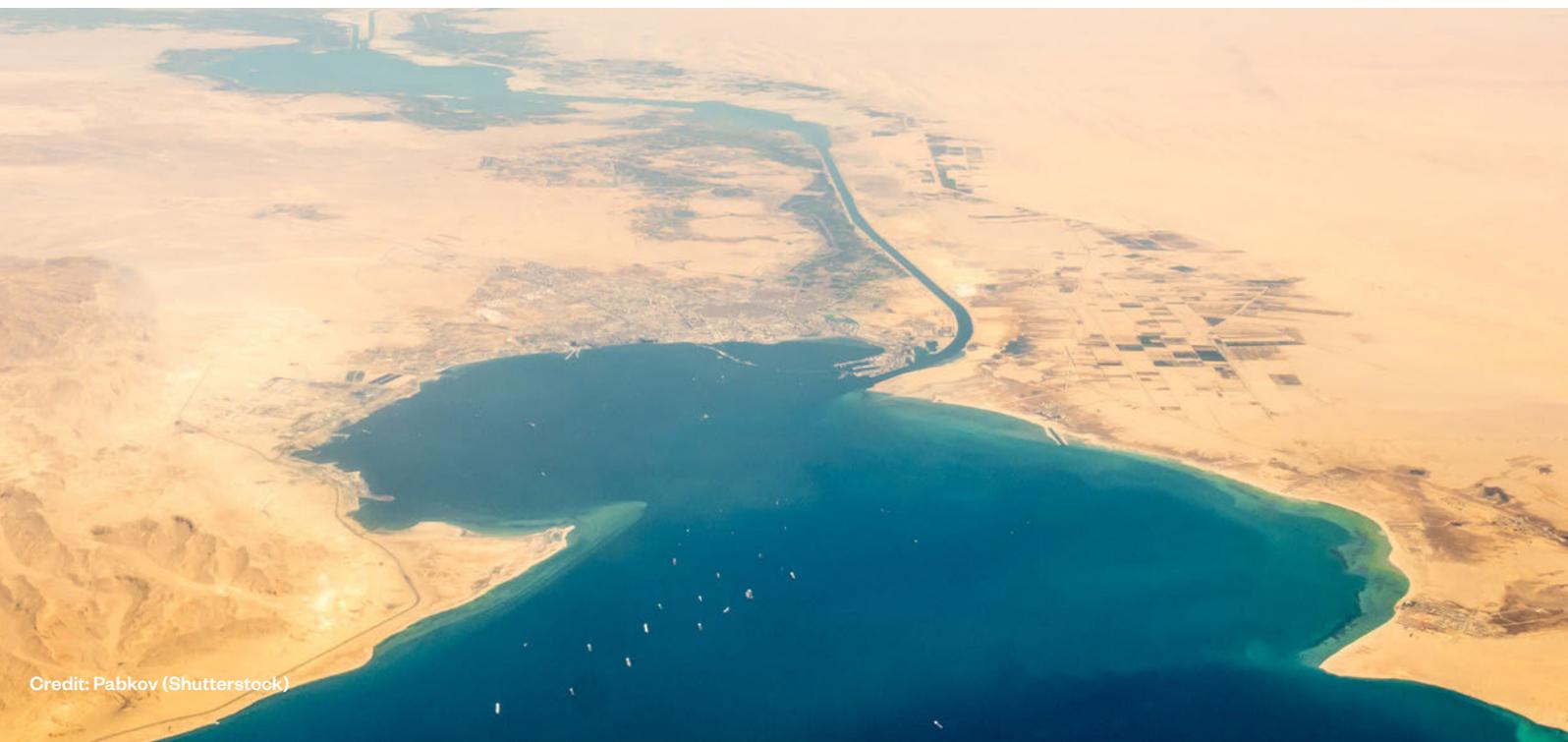
Ever Given Blockage of the Suez Canal

The shipping industry saw its fair share of headlines in 2021, both in the trade press and mainstream media in equal measure. But last year, one event in particular brought to centre stage the strategic importance of global maritime transport to daily life.

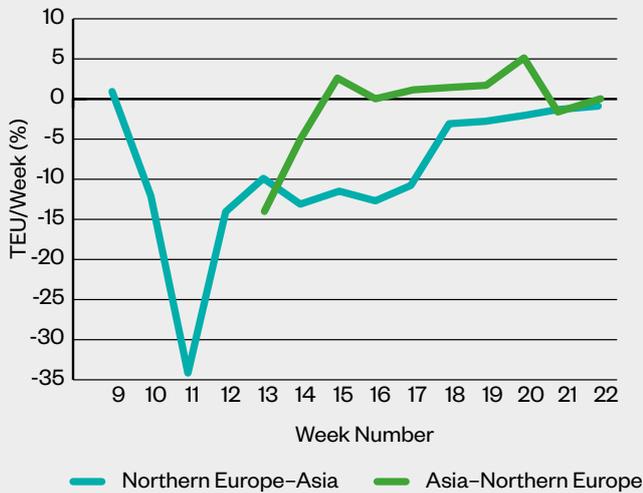
ICS Policy Aim:

To promote the need for better understanding of the COVID-19-related pressures leading to severe disruption to supply chains. This includes efforts to identify collective solutions to the perfect storm of unprecedented demand, congestion on land and container shortages, which resulted in considerable challenges across the entire supply chain.

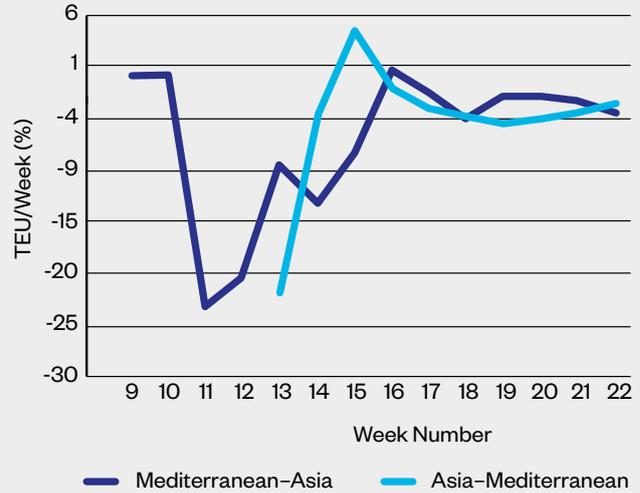
With an estimated one billion tonnes of goods passing through the Suez Canal each year, accounting for the majority of trade between Asia and Europe and around 12% of world trade,



Cumulative change in weekly capacity from before to after Suez blockage: Asia-Northern Europe

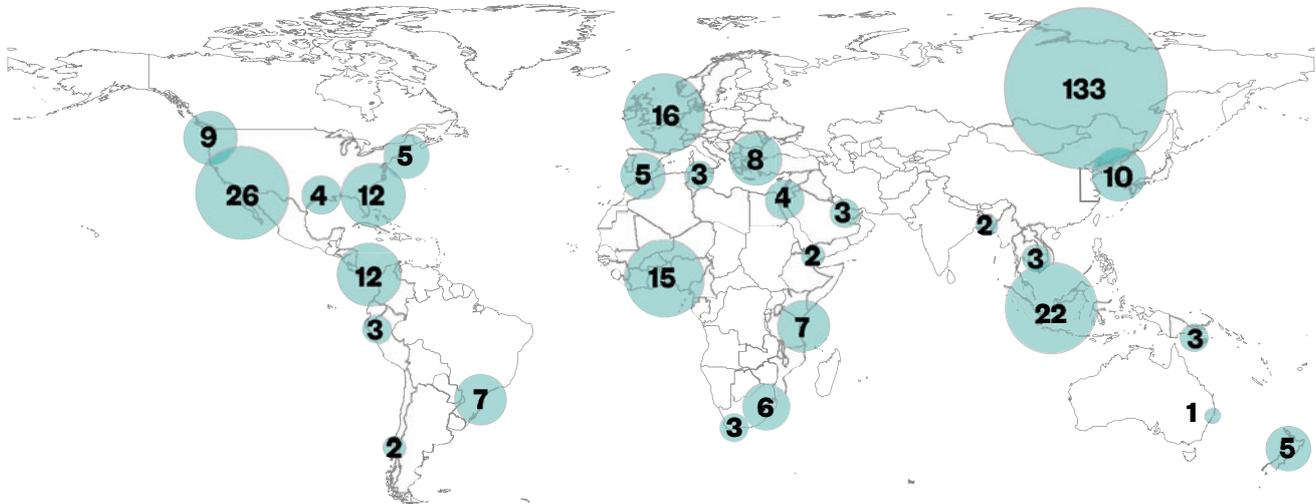


Cumulative change in weekly capacity from before to after Suez blockage: Asia-Mediterranean



Source: SeaIntelligence, Lloyds List

The number of ships waiting for berth at port, as of August 13, 2021



Source: Financial Times

the canal's blockage in March 2021 demonstrated how an unforeseen incident can unsettle the finely balanced maritime trade system that we all rely on, with many ships being forced to detour to the Cape of Good Hope, to avoid the gridlock.

The economic fallout of the incident was significant, with an estimated cost of just over US\$5 billion in world trade per day. ICS worked behind the scenes, bringing together the Suez Canal Authority (SCA) and the shipping company concerned, to reach a mutually agreeable settlement.

Following the resolution of the Ever Given incident, ICS and SCA signed an inaugural Memorandum of Understanding in May 2022, formalising engagement and dialogue through a framework for increased co-operation and communication between the two organisations. It provides for improved communication on matters of pricing, operation and management of the canal, and creates a framework for both parties to exchange relevant information on a systematic basis and hold an annual physical meeting.



Navigating Through the ‘Perfect Storm’: COVID-19-Related Congestion in the Global Supply Chain

The effects of the COVID-19 pandemic on global supply chains have been unprecedented, including in the US where the government has recently brought into law a new Ocean Shipping Reform Act.

This new regulation is seeking to address supply chain disruption by singling out the shipping industry, with US President Joe Biden suggesting recently that shipping is to blame for the global turmoil in supply chains and increased freight rates. This could not be further from the truth.

There are many variable factors that impact shipping’s economic fundamentals, which are beyond the industry’s control and are very difficult to predict. The performance of oil markets is one such example, since energy is a significant aspect of the operating costs of shipping companies and this is ultimately reflected in the market. The current ‘global energy’ and ‘cost of living’ crises, combined with the enduring aftershocks from COVID-19, have had a considerable impact globally, with oil and gas costs spiking worldwide. Ship operating costs also rose once again in 2021, having risen at their fastest pace in over a decade up to 2020.

Although the shipping industry has been navigating through uncharted waters since the outbreak of the pandemic, it has continued to play a critical role in keeping trade open and supply chains intact throughout. From the outset, everyone was prepared to confront a protracted global recession, which ultimately did not materialise to the extent that many had feared when the pandemic began to take hold. Initial analyses suggested that all shipping sectors would experience a considerable downturn, but COVID-19 lockdowns brought about major

unexpected changes that triggered an extraordinary expansion in e-commerce.

Then came the easing of COVID-19 containment measures in the second half of 2020. Government policies to stimulate the economic recovery and support consumer demand were instrumental to the increase in the flow of manufactured consumer goods – especially in the containerised trade – and a wide range of other cargo typically transported by sea. This chain of events ultimately heightened demand for shipping services to unprecedented levels. The perfect storm of exceptional demand, congestion on land and container shortages resulted in considerable challenges across the entire supply chain, including for shipping companies, port terminals, truckers, railroads and other supply chain participants. Unfortunately, political rhetoric seems to be winning over the practical realities that exposed an alarming lack of supply chain resilience globally, especially on the land side.

The demands of the global supply chain are ever-changing and shipping is constantly adapting to keep up with these changes, while navigating through external factors far beyond our industry’s control. COVID-19 and the ongoing conflict in Ukraine are perfect examples of this. What is needed now is a better understanding of the pressures caused by the perfect storm. The recent US regulatory measure represents an opportunity missed for the country to bring all supply chain participants around the table, to help put into practice those lessons we have learned from the pandemic. Global supply chains are very much beginning to buckle under the unrelenting pressure of these external factors.

Even so, our industry will continue to play a critical role in keeping trade open and maritime supply chains intact, by providing efficient transport and supply chain services to all corners of the globe. Shipping companies have done, and will also continue to do, their utmost to ensure that capacity is maximised, keeping customers and other supply chain partners abreast of developments,



while deploying more and more containers to cater for the rising demand to the best extent possible.

We are encouraged by all these continued efforts to improve the speed and efficiency of cargo movement, which are helping to alleviate the supply chain issues the industry is currently facing. ICS will continue to support the industry in identifying practical solutions to these disruptions, including at a meeting in Washington DC during September, between the shipping industry (led by ICS), the Consultative Shipping Group (CSG) of Maritime Administrations, and US lawmakers and national agencies.

The *Perfect Storm* Publication

With about 90% of world trade being transported by sea, the importance of supply chain resilience within the global shipping industry cannot be overstated. This is a key strategic consideration for the industry and, most importantly, for national economies that benefit from maritime trade. Since the start of the pandemic and the ensuing lockdowns, transport workers, and seafarers in particular, have experienced over two years' worth of strain and unrelenting pressure, which has taken its toll on their mental health and well-being, with a significant impact on the resilience of the global supply chain.

While the devastating impact of the pandemic was unforeseen, its potential effects were not entirely unexpected. The shipping industry had previously worked to highlight the importance of pandemic preparedness for supply chain resilience throughout the years leading up to the COVID-19 pandemic. This included submissions to UN fora, following challenges faced by outbreaks of Ebola, avian flu and SARS. All these efforts represented missed opportunities to create robust preparedness policies for pandemics and other health crises, to protect global society and industries, including global supply chains and transportation networks.

To better understand and provide insight into the ways in which pandemic preparedness is essential for protecting the health and well-being of seafarers, thereby safeguarding the global maritime supply chain, ICS partnered with the Hamburg School of Business Administration (HSBA) to conduct research into the macro- and micro-effects of the COVID-19 pandemic on the shipping industry. Read [The Perfect Storm](#) report.



In broad terms, among other issues, *The Perfect Storm* report assesses:

- The economic and regulatory responses to the pandemic, particularly those enacted by national governments;
- The impact of national public health policies, implemented to contain and mitigate COVID-19, on shipping labour markets and the supply chain; and
- The effects of national policies on the international logistics network and the shipping industry, as well as on shipping's longstanding commitment and contributions towards the UN Sustainable Development Goals (SDGs), including in the context of global shipping employment.

The research findings are outlined in the report, alongside a set of recommendations in the form of "calls to action" (CTAs). Based on key issues identified, the ICS report also draws the following conclusions:

- Stronger, long-term co-operation between industry and governments is required to address the increasing challenges and changes to maritime trade and labour markets, while national economies navigate towards recovery;
- Government–industry collaboration is essential to build back better;
- Competent national government ministries and agencies should work together with intergovernmental organisations and liaise more closely with industry, to improve the treatment of seafarers if there are travel restrictions; and
- Unless meaningful changes are carried out, the same issues will re-emerge.



Shipping Taxation Regimes



ICS and Industry Partners Co-Operate with the OECD to Ensure a Robust and Equitable Global Tax Architecture

In March 2019, the Organisation for Economic Co-operation and Development (OECD) launched a major public consultation on the development of a multilateral digital taxation framework for global application.

This ambitious project, which involves well over 140 countries and jurisdictions within the context of the 'OECD/G20 Inclusive Framework', will change the entire international tax system and has potentially serious implications for international shipping.

Initially, the main focus of the initiative was to reach a global agreement for taxing highly digitalised multinational companies, e.g. Amazon, Google and Apple. Divergent views among the countries involved led to the scope of the initiative being extended significantly, to now cover all internationally operating businesses. Countries and jurisdictions have always recognised the virtually universal practice that shipping companies (like aviation companies) engaged in international trade should be taxed in their country of residence, as enshrined in Articles 8 of both the OECD Model Tax Convention (MTC) and the United Nations MTC. This principle is currently in jeopardy.

ICS Policy Aims:

To ensure that shipping does not become collateral damage in what is an important update to the global rules governing taxation. To safeguard certainty and stability of the global taxation regimes applied to the shipping industry, in line with the objectives of the landmark global agreement facilitated by the OECD.

Between 2019 and 2021, alongside other partner industry associations, ICS has been leading discussions with the OECD, on behalf of the global shipping industry, making the case for an exemption or 'carve out' under both pillars of the OECD Framework. This included the submission of data and detailed information about how international shipping operates, to address various technical questions raised by the OECD in considering the prospect of an exemption for shipping.



Credit: UK Chamber of Shipping

Two distinct pillars serve as the basis for the new OECD agreement:

- **Pillar 1** aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest multinational enterprises (MNEs) and which will apply to all MNEs, including shipping companies, with global turnover greater than €20 billion and profitability above 10%, calculated using an averaging mechanism.
- **Pillar 2** aims to ensure that a minimum level of tax (set at 15%) is paid on profits of a multinational group of companies and will apply to MNEs with “revenue above €750 million”. Shipping has been granted an exemption under Pillar 2, but the scope and design of the exemption are still ‘work in progress’ to ensure that the exemption is practical and implementable.

After years of intense negotiations, on 8 October 2021, the countries and jurisdictions involved were able to finalise a historic political agreement, which received final approval at the G20 Leaders’ Summit in Rome that same month.

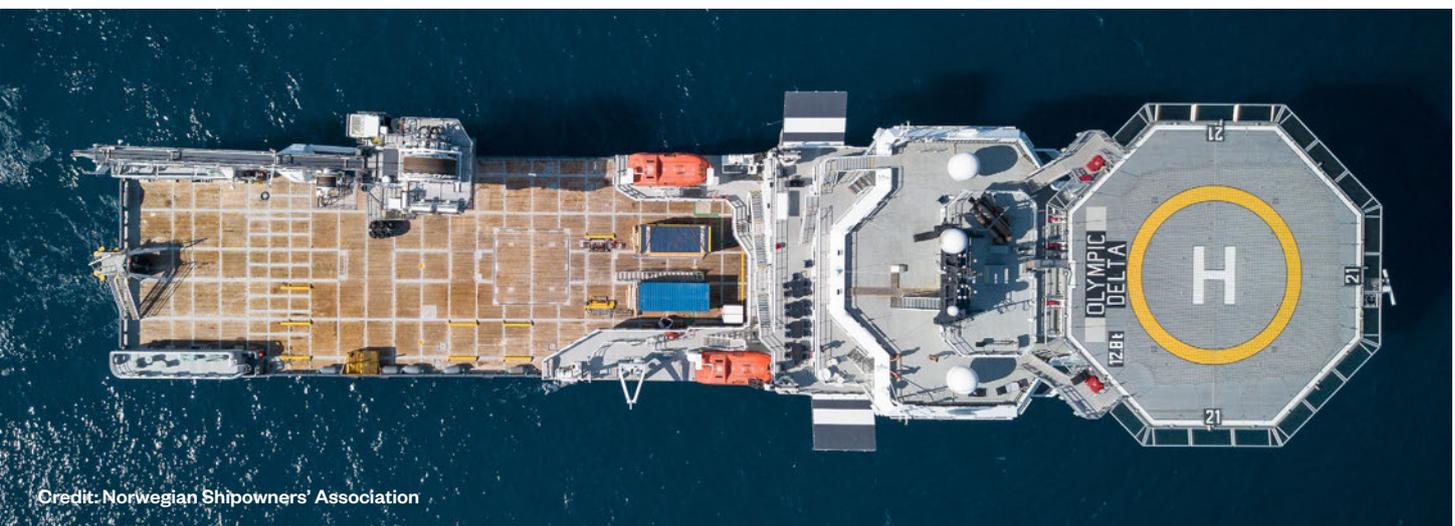
This unprecedented initiative represented a much-needed victory for multilateralism over unilateralism and is a crucial step for the international community to create a global tax architecture that is fit for purpose. But this agreement is by no means the end of the process. In addition to the need for further co-operation between the industry and the OECD on the design of the exemption for shipping under Pillar 2, there is also some significant technical work to be done under Pillar 1, with the industry currently in discussions with the OECD to address: (1) the framework for sourcing of shipping income; (2) the averaging mechanism to calculate MNE revenues in shipping; (3) elimination of freight tax double taxation in certain countries (tax credits); and (4) a proposal for administration of Pillar 1 by a single country.

ICS hopes that this work will safeguard certainty and stability of the tax regimes applied to the shipping



Credit: Confitarma

industry, in line with the objectives of the landmark global agreement. Ensuring that shipping does not become collateral damage in what is an important amendment to the global tax regime is crucial. ICS continues to work with the OECD and others, so that a robust and equitable global tax architecture can be achieved.



Credit: Norwegian Shipowners' Association



European Commission Proposal for Revised Energy Taxation Directive (ETD)

On 14 July 2021, the European Commission published its 'Fit For 55' package, comprising legislative proposals to revise and update EU regulations, complemented by a set of policies and initiatives intended to meet the EU climate goals.

Although not an official component of this 'Fit For 55' framework, on the same day the Commission also published proposals for revision of the EU ETD.

The Commission believes this Directive should play a central role in achieving the EU's climate targets (i.e. climate neutrality by 2050), by encouraging "a switch to cleaner energy, more sustainable industry and more environmentally friendly choices, as part of a socially fair green transition". For more details see the [Commission's Revision of the ETD: Questions and Answers](#). Therefore, the ETD is now intended to support and complement the 'Fit For 55' package. In this context, the Commission intends to remove previously applicable ETD "exemptions and incentives for the use of fossil fuels, for example in EU aviation and maritime transport, while promoting clean technologies".

This would mean that "heavy [fuel] oil used in the maritime industry will no longer be fully exempt from energy taxation for intra-EU voyages in the EU", to contribute to a fairer distribution of the environmental costs in the transport sector. If the

ICS Policy Aim:

To work together with ICS regional partners to advocate for a fit-for-purpose revision of the EU Energy Taxation Directive (ETD), providing a taxation exemption for all energy carriers (i.e. fuels and electricity) to close the cost gap between traditional marine fuels and alternative fuels and electricity.

revised ETD is approved, it is expected to introduce a minimum tax rate on bunker fuels and LNG, used for intra-European maritime voyages from 1 January 2023, while alternative fuels such as ammonia and biofuels (used as ship's fuel) would be exempted to encourage the use of sustainable alternatives.

The Commission's most recent public consultation on this matter closed in November 2021 and the results of this feedback will inform the structure of the revision ahead of the proposed timeline for implementation. Given the region-specific nature of this regulatory initiative, the European Community Shipowners' Associations (ECSA) – ICS's regional partner – is leading engagement with the Commission on behalf of the shipping industry.



Ship Finance



Assessing Environmental, Social and Governance (ESG) Criteria

The incorporation of sustainability criteria into the investment decision-making process of finance institutions – in the context of environmental, social and corporate governance (ESG) factors – has led to the proliferation of both regulatory and private green finance and investment frameworks in recent years.

In the context of the maritime transport sector, this presents both challenges and opportunities, with the sector's ability to 'green the global fleet' inextricably linked to its ability to secure sustainable finance.

To achieve the common goal of decarbonising the global shipping industry, investment in the world merchant fleet must be safeguarded to ensure that new and greener technologies can be developed and scaled, and that the existing fleet has access to the capital needed to increase the carbon efficiency of vessels currently serving world trade. Safeguarding the industry's access to sustainable finance for sustainable shipping is crucial to ensure that the world merchant fleet can continue to transport around 90% of world trade by sea.

ICS Policy Aims:

To monitor the development of national, regional and private sustainable finance frameworks that may impact the global shipping industry, and to engage appropriately with policymakers and stakeholders to ensure that these initiatives are fit for purpose.



Credit: Bahamas Shipping Association



Credit: Columbia

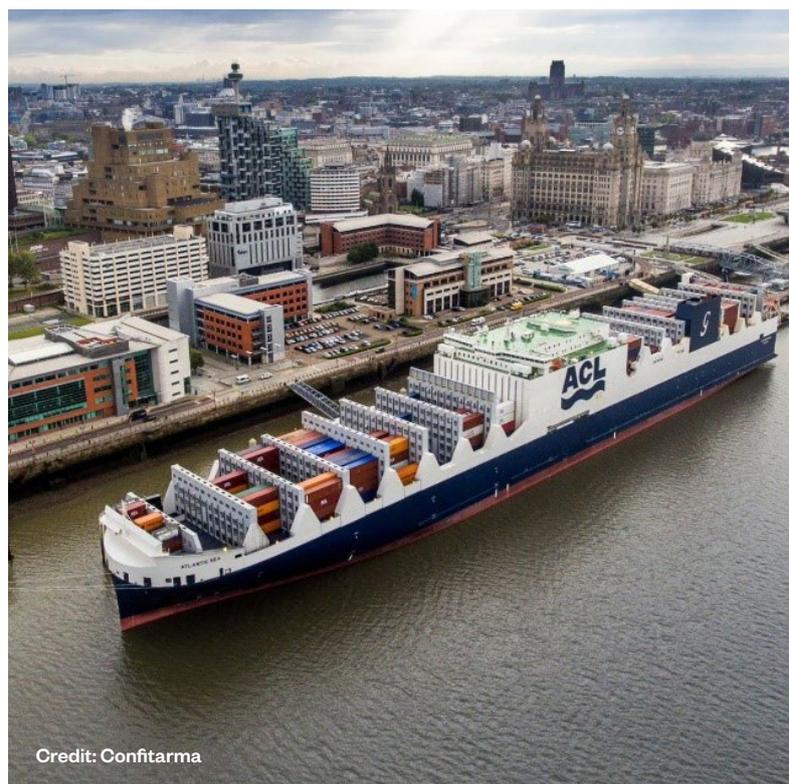
EU Taxonomy

One of the most important regulatory developments in the context of ESG criteria is the EU Taxonomy, currently being developed by the European Commission.

The European Commission aims to create a comprehensive and unified classification system detailing which activities will be considered environmentally sustainable for financial services. The purpose of this EU Taxonomy is to channel investments into economic activities that are considered 'green', and the impact of this regulation is already being felt by the international maritime transport sector.

The first tranche of EU regulation for the Taxonomy has defined shipping as a 'transitional economic activity'. The Commission defines these activities as having no technologically and economically feasible low-carbon alternatives, but that nonetheless support the transition to a climate-neutral economy in a way that is consistent with a pathway to limit the temperature increase to 1.5°C above pre-industrial levels.

The consideration of shipping under this new EU Taxonomy framework will be a crucial starting point for the development of other sustainable finance frameworks, and it is now providing a pathway for other national taxonomy frameworks beyond the EU, some of which are designed to include shipping. As an example, in May 2021 the Climate Bonds Initiative published a Taxonomy Roadmap for Chile, which uses the EU Taxonomy as a basis. This roadmap includes shipping as a 'pathway-to-zero' activity but the production of biofuels for shipping as an 'interim' activity.



Credit: Confitarma

The development of national taxonomy systems, and the potential lack of global alignment in their assessment of maritime transport activities and the shipping industry in general, have the potential to significantly impact ship finance opportunities globally. As the EU Taxonomy framework becomes more established, ICS will continue to monitor the development of national and regional taxonomy frameworks, and to engage with policymakers to ensure that these frameworks are fit for purpose.



The Poseidon Principles

Ship finance institutions have a key role to play in promoting responsible environmental stewardship throughout the global maritime value chain. The Poseidon Principles were launched in 2019 as a private initiative that brings together several signatory shipping banks. While not a substitute for a global regulatory framework, they are an example of a private initiative designed to drive decarbonisation by assessing and disclosing the climate alignment of banks' ship finance portfolios.

In line with the Poseidon Principles, signatory banks are obliged to make compliance with the principles a contractual requirement in their new business activities. It is therefore important that the reporting methodology used by private initiatives, like the Poseidon Principles, to assess a ship's energy efficiency is fully aligned with relevant regulations and efforts of the IMO. This includes the IMO target of reducing shipping's total annual greenhouse gas (GHG) emissions by at least 50% by 2050, compared with 2008 (a target that may increase in ambition when the initial IMO GHG Reduction Strategy is reviewed and agreed by Member States in 2023). Full alignment of the metrics of the Poseidon Principles to IMO standards of assessment will ensure that signatory banks' ship finance portfolios do not unduly suggest that shipowners are not meeting global regulatory requirements for decarbonisation.

In response to the need to promote global alignment of sustainable finance frameworks assessing the shipping industry, in December 2021 ICS produced a policy brief outlining the ways in which the alignment of Poseidon Principles to IMO standards of assessment could be achieved: (1) through adopting the vessel-sizing criteria used by the IMO; and (2) by aligning the decarbonisation trajectories of the Poseidon Principles to IMO trajectories.

Alignment with IMO's regulations in this way will avoid the incorrect suggestion to investors that a proportion of the vessels in a signatory bank's portfolio may not be meeting their regulatory

decarbonisation obligations under Annex VI of the MARPOL Convention. It will also safeguard access to finance for ships that are in full compliance with global IMO standards but whose owners are seeking investment to improve their carbon efficiency.

Sister private initiatives of the Poseidon Principles have also been developed by the Global Maritime Forum, with the Sea Cargo Charter providing a framework for assessing the climate efficiency of signatory Charterers, and the Poseidon Principles for Marine Insurance, released on 15 December 2021, designed to assess and disclose the climate alignment of marine insurers' portfolios. It is essential that the Poseidon Principles, and any other private initiatives governing investment into the international shipping industry, are correctly calibrated to avoid narrowing funding channels for shipping companies looking to transition to greener, more sustainable business practices.

Policy Brief on Poseidon Principles

Executive summary

Ship finance institutions have an important role to play in promoting responsible environmental stewardship throughout the global maritime value chain, and initiatives such as the Poseidon Principles are proposed to help the global shipping industry achieve its ambitious decarbonisation goals. Currently, however, the vessel-sizing criteria used by the Poseidon Principles to assess the climate alignment of banks' ship finance portfolios may not be meeting their regulatory decarbonisation obligations under Annex VI of the MARPOL Convention. It will also safeguard access to finance for ships which are in full compliance with global IMO standards but whose owners are seeking investment to further improve their carbon efficiency.

To ensure that the Poseidon Principles do not create additional burdens or perverse incentives, it is essential that they are fully aligned with the policies of the UN International Maritime Organization (IMO) which sets regulatory decarbonisation requirements for international shipping.

Alignment with IMO is especially important with regard to the vessel sizing categories and decarbonisation trajectories used by the Poseidon Principles to assess the climate alignment of banks' ship finance portfolios.

Alignment with IMO regulations will avoid the incorrect suggestion to investors that a proportion of the vessels within a signatory bank's portfolio may not be meeting their regulatory decarbonisation obligations under Annex VI of the MARPOL Convention. It will also safeguard access to finance for ships which are in full compliance with global IMO standards but whose owners are seeking investment to further improve their carbon efficiency.

1. Adoption of IMO CE vessel sizing criteria

The Poseidon Principles adopt vessel sizes to derive from the IMO's Greenhouse Gas studies to categorise the world merchant fleet and apply decarbonisation trajectories dependent on ship size. As shown in Figure 1, there is a sharp distinction between the decarbonisation trajectory required for 30-40k deadweight tonnage (DWT) dry bulk vessels, and 35-40k DWT dry bulk vessels. As such, while new, fuel efficient designs of 30k DWT dry bulk carriers typically have lower estimated carbon intensity values than the older, smaller 20k DWT vessels, the larger vessels are penalised under the Poseidon Principles by a steeper decarbonisation requirement, despite their comparatively increased fuel efficiency. Meanwhile, under the IMO Carbon Intensity Indicator (CII) Reference Line Guidelines, there are just two size categories for bulk carriers (above and below 70000 DWT), and hence all the vessels in Figure 1 fall within the same decarbonisation category.

As an example, an IMO through-Panama vessel that under the Poseidon Principles the dry bulk carrier fleet is divided into six size bands, with a specific decarbonisation trajectory assigned to each. As shown in Figure 1, there is a sharp distinction between the decarbonisation trajectory required for 30-40k deadweight tonnage (DWT) dry bulk vessels, and 35-40k DWT dry bulk vessels. As such, while new, fuel efficient designs of 30k DWT dry bulk carriers typically have lower estimated carbon intensity values than the older, smaller 20k DWT vessels, the larger vessels are penalised under the Poseidon Principles by a steeper decarbonisation requirement, despite their comparatively increased fuel efficiency. Meanwhile, under the IMO Carbon Intensity Indicator (CII) Reference Line Guidelines, there are just two size categories for bulk carriers (above and below 70000 DWT), and hence all the vessels in Figure 1 fall within the same decarbonisation category.

How can the Poseidon Principles help the industry to achieve its ambitious decarbonisation goals?

As the Poseidon Principles' 2019 development progressed, regarding compliance with the Poseidon Principles is made contractual in signatory banks' financing agreements. It is important that the Poseidon Principles are fully aligned with the regulations of the International Maritime Organization (IMO). These regulations include the requirement on the shipping industry to reduce shipping's total annual GHG emissions by at least 50% by 2050 compared to 2008. This target may increase in ambition when the initial IMO GHG Reduction Strategy is reviewed and agreed by Member States in 2023. It is only through full alignment with IMO standards of assessment that shipping banks can ensure that signatory banks' compliance with global regulatory requirements for decarbonisation is truly reflected in the Poseidon Principles' analysis of ship finance portfolios. This alignment can be achieved in two ways:

1. These requirements are non-mandatory during the implementation phase, and all vessels will be subject to review in addition, compliance factors are being developed to make the CE applicable to ships of special design or operation. Questions also remain about the application of operational efficiency values among coastal industry segments.

Figure 1: IMO Poseidon Data on Compliance of 30-40k deadweight tonnage dry bulk vessels with Poseidon Principles trajectory

Figure 2: IMO Forecast Data on 2023 Compliance Trajectory Values of the CE of Poseidon Principles (IMO CE)

Conclusion

Shipping banks are only being confirmed up to 2025. IMO's 2023 review in 2023 may be unlikely that the rate of decarbonisation required by the regulations will be lower. A 30% lower reduction in emissions from 2020 to 2050 may not make allowance for the advanced rate of decarbonisation as required by the IMO regulations, which will result in a higher carbon intensity for the shipping industry. The IMO's 2023 review will also consider the impact of the IMO's 2023 review on the shipping industry's decarbonisation trajectory. For example, if regulatory requirements are relaxed, the shipping industry may be able to meet its decarbonisation goals. However, if regulatory requirements are tightened, the shipping industry may be unable to meet its decarbonisation goals. Therefore, it is essential that the Poseidon Principles, and any other private initiatives governing investment into the international shipping industry, are correctly calibrated to avoid narrowing funding channels for shipping companies looking to transition to greener, more sustainable business practices.

Next steps

Further alignment in assisting the industry in its ambitious climate targets, supporting the global shipping industry in meeting the world merchant fleet's decarbonisation goals, and ensuring that the Poseidon Principles are fully aligned with IMO standards of assessment will ensure that signatory banks' ship finance portfolios do not unduly suggest that shipowners are not meeting global regulatory requirements for decarbonisation.

ICS Trade Policy Engagement



Engagement with G20 and B20

Last year, ICS was selected as a network partner for the 2021 'Business Twenty' (B20), alongside organisations including the World Economic Forum (WEF) and the International Chamber of Commerce (ICC).

This was the first time that an international shipping body had been invited to join the official global business community forum for engagement with the G20. With shipping vital to combatting the negative trade impacts of COVID-19 around the world, this move was helped by ICS member Confitarma (Italian Shipowners' Association), which is also a member of Confindustria, the Italian industry association that led the B20.

Throughout 2021, ICS joined three of the B20's high-level task forces, covering trade, energy, and finance and infrastructure. Key issues facing global trade, 90% of which is carried by sea, were discussed, including the findings of the ICS research report looking at the impact of trade protectionism in maritime economies, conducted by leading academics from Harvard University. As a B20 'Network Partner', ICS provided unique shipping industry insights to support the B20, in collaboration with other international business organisations and associations.



Credit: Union of Greek Shipowners



ICS Trade Study: Engagement with Policymakers

Since the publication of the ICS report on *Protectionism in Maritime Economies* in February 2021, the research has been presented and considered at global level.

Through events at the IMO, [UNCTAD](#), and the [WTO](#) and through engagement with the [B20 Group](#) (the official G20 platform for dialogue with the global business community).

During the second half of 2021, ICS shifted the focus from the global level to the regional level. This began with a regional webinar in Asia, where APEC Executive Director, Dr Rebecca Fatima Sta Maria and ASEAN Deputy Secretary General, Mr Satvinder Singh both participated, alongside other high-level speakers. Similarly, on the first anniversary of the ICS study's publication, in February 2022, ICS organised a Leadership Insights Series event focussing on Europe, with a strong line up of high-level speakers, including Mr Guy Platten (ICS Secretary General), Mr Bernd Lange (MEP and Chairman of the Committee on International Trade, INTA), Mr Philippos Philis (ECSCA President) and Mr Pascal Kerneis (Managing Director of the European Services Forum, ESF). Watch the webinar [The Role of Maritime Trade in the Post COVID Recovery – Europe Focus](#).



Credit: Union of Greek Shipowners



Engagement with the Consultative Shipping Group (CSG)

During May and November 2021, ICS met with the Consultative Shipping Group (CSG) of high-level policymakers from national maritime Administrations, to discuss the trends, challenges and opportunities the global shipping industry is currently facing.

The CSG consists of 18 leading maritime nations from most EU Member States, alongside Canada, Japan, The Republic of Korea, Norway and Singapore. At the very core of the CSG is its role

as gatekeeper of free trade in maritime transport throughout the world, in support of market access and liberalisation, and against trade protectionism.

These regular discussions underscore the many issues that unite the CSG and ICS, underpinned by shared values and principles of open and unimpeded access to international maritime markets. The discussions covered topical issues, including the ongoing crew change crisis, shipping and the environment, supply chain fragility and disruption, and shipping and trade policy.

The 2021 biennial Dialogue Meeting between the CSG and high-level government representatives and lawmakers from the US, in which the shipping industry participates, was postponed from 2021 until 2022. The industry (led by ICS) is set to meet with the same bodies in September this year, in Washington DC. The meeting is set to take place against the backdrop of unprecedented turmoil in global supply chains as a result of COVID-19, leading the US government to bring into law a controversial new Ocean Shipping Reform Act, which is expected to be on the meeting agenda.



Engagement with the World Trade Organization (WTO)

On 26 November 2021, ICS and other leading global business community representatives met with WTO Director General Dr Ngozi Okonjo-Iweala where ICS called on the Director General to prioritise maritime transport in WTO initiatives and negotiations.

Formal discussions on liberalisation of maritime transport services at the WTO have been halted for several years and national governments' commitments towards this liberalisation in previous negotiations lack legal certainty, leaving the industry in perpetual limbo.

In response to the request by ICS, Dr Okonjo-Iweala [acknowledged](#) that “with all the supply chain issues we experienced [in 2021], there is increasing interest in the maritime transport sector, including the underlying issues leading to supply chain bottlenecks. We already met with some of the major shipping companies and next year we plan to hold a comprehensive dialogue with the entire sector, to gain a better understanding of these issues, what their difficulties were and what can be done to address it. This could lead to the WTO exploring other issues impacting the sector.” Read the ICS press release about the briefing session: [ICS urges WTO Director General to prioritise maritime transport in multilateral trade negotiations](#).

Shipping does not work in silos. The international shipping sector is part of a much broader global business community and the WTO is the leading international body where the overarching trade interests of the different players in this wider



Credit: EQRoy (Shutterstock)

community intersect. In a shipping context, this includes those who ship the vast majority of their goods by sea (shippers) and those who carry out the shipments (e.g. shipping and aviation sectors), among many other industry interests.

During the WTO Ministerial Conference (MC12) in June 2022, ICS and other leading business organisations, representing the various branches of the global business community (from MSMEs to MNEs), met with WTO Ministers and their delegations from across the world for the first time since 2017, to deliver concrete results against the backdrop of a completely different set of facts and circumstances surrounding the status of world trade. This includes the ongoing conflict in Ukraine; a much more fractured global economic landscape; new complex challenges posed by the COVID-19 pandemic; and the alarming – ‘sometimes subtle, sometimes not so subtle’ – shift from globalisation to deglobalisation, with COVID-19 exposing protectionist instincts, laid bare by national policies enforcing pandemic-induced trade protectionism. One such example is ‘vaccine nationalism’, which severely undermined efforts to ensure an equitable global distribution of COVID-19 vaccines, including for the world’s seafarers. Food export restrictions were also on the MC12 agenda.



Engagement with National Governments



Some national regulatory developments can have a significant impact on global maritime trade. Engagement with relevant authorities about any such new regulation and its application to the shipping industry is a vital aspect of the work of the ICS Shipping Policy Committee.

United States: American Offshore Workers Fairness Act

Shipping is a global industry and as such requires global regulation to ensure that standards for the safe, secure and environmentally sound operation of ships can be maintained throughout the world. National regulation can sometimes conflict with this global standard, which has the potential to create a fragmented legislative system and ultimately undermine the global standards set by the IMO.

In February 2022, the American Offshore Workers Fairness Act (AOWFA) was introduced to the US Congress. The proposed legislation is designed to amend the US Outer Continental Shelf Lands Act, which currently governs the activities on the US Outer Continental Shelf (OCS) and would impose new citizenship-based restrictions on crews of non-US-flagged vessels working on offshore energy projects on the US OCS.

By requiring that foreign-flagged vessels are crewed by either US citizens or citizens of the vessel's flag of registration, the proposed legislation would lead to the abrupt loss of essential technical personnel

ICS Policy Aims:

To ensure that national and regional regulations are aligned to international best-practice standards applicable to the global shipping industry, and to encourage national regulation to comply with IMO standards and international legal frameworks governing the shipping industry.

required to work on specialised vessels in the US OCS, causing severe disruption to offshore projects. This in turn would risk lay-up and disruption to the US domestic OCS fleet of crucial Offshore Support Vessels (OSVs), which could no longer support the developers and foreign-flagged vessels performing OCS work. The legislation would therefore negatively impact both the interests of the global shipping industry and the US offshore energy sector, which directly benefits from the use and expertise of foreign-flagged construction vessels and specialised crew.

This proposed legislation not only represents an important market access issue – a key strategic consideration of ICS – but it also contravenes longstanding international customary law, consistent with the UN Convention on the Law of the Sea (UNCLOS). UNCLOS provides that the flag State has the sole authority to create crewing requirements for its vessels. Moreover, under international customary law, it is recognised that the citizenship of the foreign-flagged vessel's crew is not required to be the same as the flag State, unless that specific flag State mandates such a requirement.

Given the implications for the global shipping industry, particularly the offshore segment, if this proposed legislation were to pass, ICS has developed a global industry position on the matter, and advocacy with US Senate offices is ongoing to ensure that any national legislation affecting the global shipping industry complies with IMO standards and with international legal frameworks governing the maritime sector.





Credit: Anthony Veder

Sierra Leone: New IMO 2020 Sulphur Cap ‘Service Charge’

In July 2021, the government of the Republic of Sierra Leone issued a notification advising that a new ‘IMO 2020 Service Charge’ of up to US\$15 per metric ton of bunker fuel on board will be imposed (per visit) on all ships calling at certain ports in the country.

This was supposedly in relation to the IMO Sulphur Cap regulation, which was passed in January 2020, and warned that shipowners and operators could face a penalty of US\$15,000 from 1 September 2021 if found to be carrying fuel oil that was non-compliant with the 0.5% limit on sulphur content, irrespective of whether the vessel is fitted with an exhaust gas cleaning system. Despite its supposed relation to the global regulatory framework, this national legislation was not in keeping with the requirements found under the international convention of MARPOL Annex VI.

Such regulation can have a serious financial impact on shipping companies, and presents an issue whereby even the vessels that are compliant with the MARPOL Convention may unduly fall foul of the harsher restrictions imposed by the Sierra Leone national regulation on sulphur. In response to this national regulation, ICS has worked closely with IMO, the CSG of Maritime Administrations and the European Commission, to liaise with the Sierra Leone Maritime Authority and ensure that this regulation is not in contravention of global

regulations. Work is ongoing to ensure that this national legislation does not undermine the global framework developed at IMO to cap the sulphur content in marine fuel.

Nigeria: Maritime Security in the Gulf of Guinea

The actions of pirates continue to imperil the lives and liberty of seafarers in the Gulf of Guinea. These pirates also continue to be a destabilising force that undermines the regional economy and prevents local States from fully exploiting their resources. It is now high time to suppress this scourge.

Fortunately, action is being taken that could have a lasting impact. International attention is focussed on the problem in a way that has not previously been the case. IMO recognised the severity of the problem and the G7++ Friends of Gulf of Guinea group has created a framework to address it. Most significantly, the foundation of the Maritime Collaboration Forum – SHADE Gulf of Guinea (GoG) by Nigeria and ICC Yaoundé – brings the industry, interested nations and militaries together to co-operate and de-conflict their efforts against piracy.

A combined response by regional and non-regional forces is essential to achieve short-term suppression of piracy. Two recent incidents have highlighted the potential for this co-operation, as well as areas in which improvement is needed. In particular, the development of coherent





Maritime Situational Awareness will reduce the space in which pirates can operate with impunity by allowing for more effective deployment and response.

Pirate incidents are down on previous years, but pirate groups are still active and the threat remains. The best management practices in BMP West Africa must be applied by ships, and non-regional navies must continue to be deployed to complement the growing regional maritime law

enforcement capacity, strengthening bonds with regional States to ensure that arrested pirates can be prosecuted. Looking to the longer term, it is essential to consolidate an effective reporting and response architecture to ensure that pirates who attack merchant ships are swiftly interdicted and brought to justice. Read the [*BMP West Africa: Best Management Practices to Deter Piracy and Enhance Maritime Security off the Coast of West Africa including the Gulf of Guinea.*](#)



Engagement with National Competition Authorities



For over a century, liner shipping companies have entered into co-operative shipping agreements known as Vessel Sharing Agreements (VSAs), enabling companies to share vessel space to meet demand on specific trade lanes.

These agreements allow companies to increase their service offerings and maximise efficiency in terms of frequency, reliability, quality and price. In addition to cost efficiencies, these exemptions are also an important component of the liner shipping industry's efforts to reduce CO₂ emissions through the shared use of transport assets and infrastructure.

The majority of major trading nations continue to acknowledge the importance of containership operators being permitted to enter into such agreements, and it is therefore vital that regulatory frameworks governing competition for shipping are clearly defined. ICS has a longstanding commitment to promote the maintenance of the status quo for anti-trust exemptions throughout the world concerning co-operative agreements, including VSAs. General competition/anti-trust laws, which are becoming increasingly mature in Asian jurisdictions, have the potential to restrict these co-operative arrangements, but repeated and comprehensive assessments by many national competition authorities have continued to recognise that the substantial economic benefits of permitting exemptions to the shipping industry far outweigh any perceived disadvantages.

ICS Policy Aim:

To continue to highlight and promote the practical benefits of upholding competition law exemptions for liner companies, which ensures long-term reliability and quality services for customers, while also providing other tangible benefits, including for the environment.

ICS welcomed the European Commission's decision, in March 2020, to extend the EU Block Exemption Regulation until April 2024, following a lengthy consultation period, and will collaborate with ICS' regional partner ECSCA as well as the World Shipping Council to agree on industry positions for the next review of the regulation in October of 2022. Industry also welcomed the decision in 2019 by the Malaysia Competition Commission (MyCC) to issue its third Block Exemption Order (BEO) for liner shipping agreements. Recently, ICS also contributed to the public consultations on exemption renewals in Singapore and Hong Kong. Positively, Singapore has since extended the BEO for a period of three years, while the Hong Kong Competition Commission agreed to an extension of four years.



Engagement with Authorities of Major Shipping Canals



The great commercial shipping lanes of the Panama and Suez Canals are of vital importance to the shipping industry.

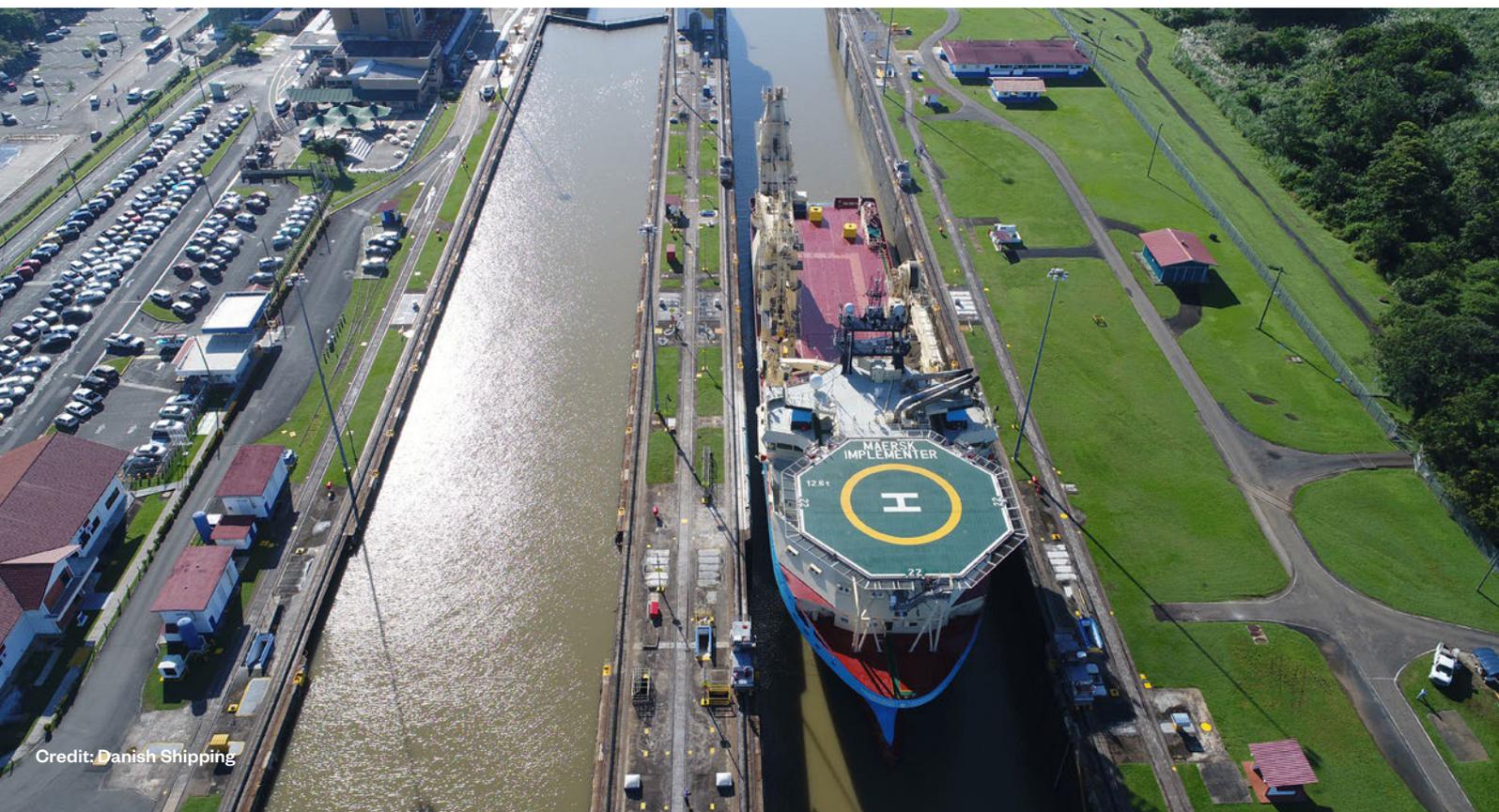
They are critical to reducing voyage times and fuel costs, and as a result help to reduce the sector's CO₂ emissions and increase the efficiency of maritime trade routes. ICS therefore places much importance on maintaining dialogue with both the Panama Canal Authority (ACP) and Suez Canal Authority (SCA), both of which are responsible for operating, maintaining and improving their respective shipping canals.

ICS Policy Aim:

To maintain and strengthen a close dialogue with the major shipping canal authorities on operational and governance policies, which will affect the global shipping industry as customers of the Panama and Suez canals.

Panama Canal

While ICS is pushing for IMO to adopt a target of net zero emissions for the industry by 2050, ACP is currently working to achieve climate neutrality for the Panama Canal by 2030. Achieving this target requires a significant amount of investment in the canal, and over the past year several toll-price changes have been brought into effect to try to recuperate this investment from the shipping companies that transit the canal to transport around 90% of world trade around the globe.



In December 2021, ACP announced the development of the Panama Canal Green Vessel Classification system. This system will, according to the ACP, include a GHG emissions fee to support investments to guarantee environmental performance standards and aid in making Canal operations carbon neutral. This development is the latest in a line of initiatives by ACP that aim to promote the transit of green vessels through the canal, including the launch of the [Emissions Calculator](#), the [Environmental Premium Ranking scheme](#) and the [Green Connection Award](#), each with the goal of carbon neutrality by 2030. While each of these initiatives incentivises green vessels by offering, for example, improvements in the customer rankings for eligible vessels (see the [Environmental Premium Ranking Scheme](#)), the recent announcement is the first measure to require additional payment based on the energy-efficiency rating of the vessel.

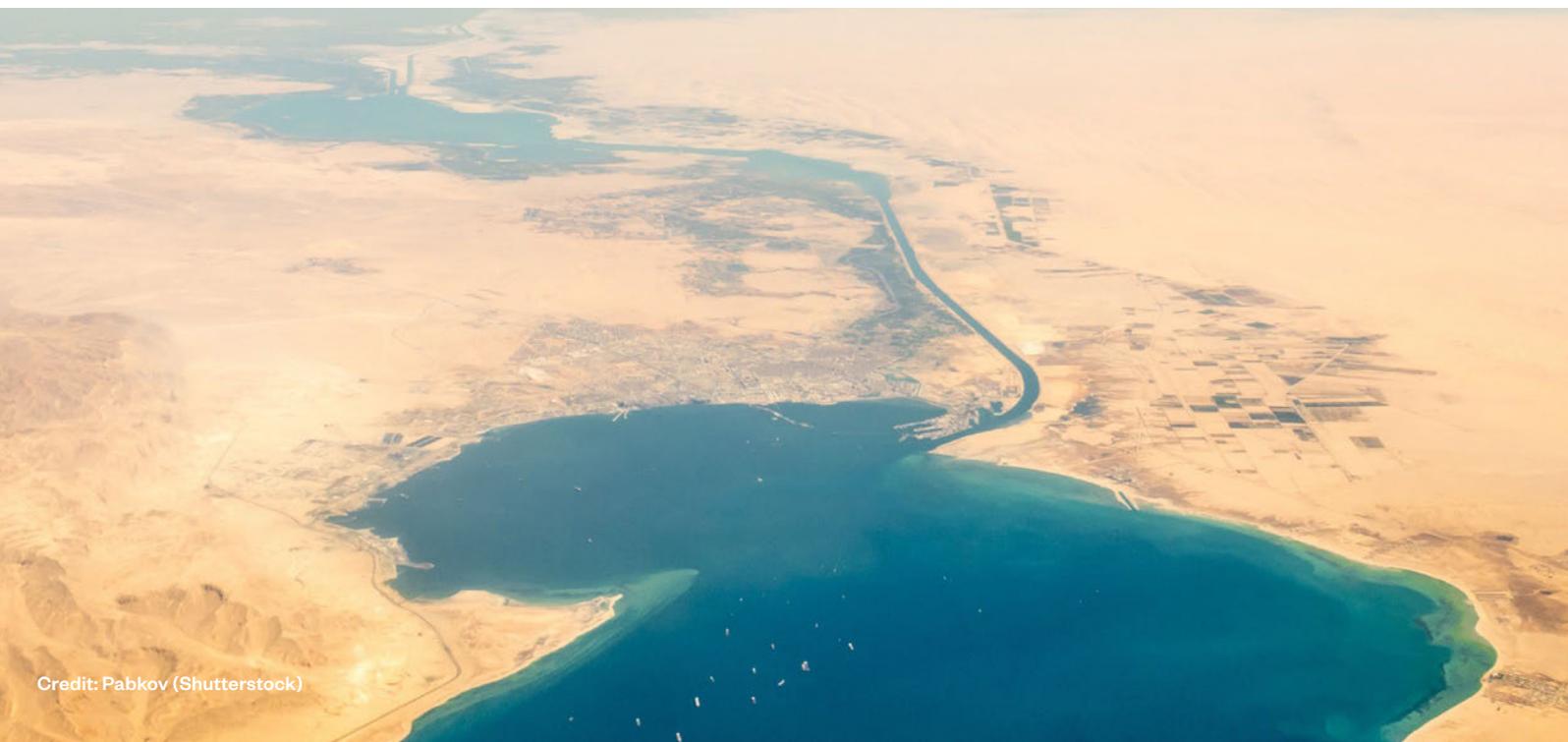
It remains essential that industry is consulted about these changes and ICS maintains a close dialogue with ACP throughout the consultation period for the implementation of the new toll prices, which affects all companies that use the canal.

Suez Canal

The blockage of the Suez Canal in March 2021 by the Ever Given containership was a stunning reminder of the fragility of global maritime supply chains, with the six-day blockage leading to an estimated cost of around US\$5 billion in world trade per day.

ICS worked hard behind the scenes to bring together SCA and the shipping company concerned to reach a mutually agreeable settlement and remove the blockage as swiftly as possible. This strong working relationship was strengthened in May 2022 as ICS and SCA signed an inaugural Memorandum of Understanding (MOU), formalising a dialogue of increased co-operation and communication between the two organisations.

The MOU creates a formal framework for discussions on all aspects of the canal, including operations, construction and safety, and governance, which may have an impact on the global shipping industry customers of the canal. ICS is pleased to be developing a partnership relationship with SCA ahead of the upcoming COP27 meeting due to be held in Egypt during November 2022, where ICS aims to facilitate important dialogue on the next steps needed to green the global fleet.



ICS Leadership Insights Series



The onset of the global pandemic and related economic and trade impacts left the global economy under significant stress.

ICS Policy Aims:

To bring together industry and government thought-leaders with key strategic insights, to discuss issues related to the status and future of maritime transport trade.



The future direction of national policies and corporate strategies will have a fundamental impact on the future of shipping and international trade. To better understand the evolution in the operating environment of maritime transport, ICS launched the digital Leadership Insights Series, to bring together industry leaders, policymakers and financiers to discuss the global shifts that have arisen in the wake of the pandemic and to help chart the path back to economic growth, stability and resilience.

In February 2021, the Leadership Insights Series platform played host to the launch of the ICS *Protectionism in Maritime Economies Study*, with a distinguished panel of speakers discussing the importance of shipping in the post-COVID-19 recovery, the vital role of domestic reforms and multilateral negotiations in reducing trade restrictions, and the impacts of removing tariff and non-tariff restrictions.

Following this insightful panel, which explored how the *Protectionism in Maritime Economies Study* quantifies the benefits, in terms of both exports and GDP, that countries can recuperate through a cut in trade-restrictive policies, speakers at the Leadership Insights Live event on 7 July 2021 came together to discuss the status of global trade and the health of the world economy, in the face of the ongoing pandemic. ICS Chair Esben Poulsen was joined by Guy Platten (ICS Secretary General), Senior Minister Chee Hong Tat (Singapore's Minister of Transport), Shamika Sirimanne (UNCTAD) and Randy Chen (Vice Chair, Wan Hai Lines).

The Leadership Insights Series platform provided discussants with a forum to identify some of the more pressing issues continuing to affect maritime transport trade, i.e. supply chain disruption because of ongoing bottlenecks and the enduring effects of the crew change crisis.



Thoughts from our Trade and Business Representatives



Members of the global business network of shipowners and operators, comprising ICS, have invaluable insights into the key topics and trends of international trade and business, which will impact the global maritime trade outlook over the next few years.

INSIGHTS FROM THE UNITED STATES: US SHIPPING AND TRADE POLICY IN THE BIDEN ADMINISTRATION

**By Kathy Metcalf, President and CEO,
Chamber of Shipping of America (CSA)**

Previously in mid-2021, CSA provided a perspective on US shipping and trade policy under the new Biden Administration. Regrettably, the Administration's policy has not become any clearer than previously reported. The Administration made high-level statements, with little programmatic detail, on promotion of free trade, but exactly how they intend that to happen is without clarity. The Administration has also made general statements on reducing the number of economic sanctions, although recent geopolitical developments suggest that position may change.



Credit: Royal Association of Netherlands Shipowners



While the supply chain disruption issues have received much attention in the US and international press, to date only a few changes have been instituted by the White House to resolve the existing problems, namely the urging by the White House for the key West Coast ports to conduct operations 24/7. According to reports, the container back-log has been reduced by 30%, but delays still continue.

A number of bills have been introduced to ostensibly address the supply chain crisis but most have little chance of passage due to the proposals actually having little to do with the supply chain crisis. For example, a bill was introduced to provide a more relaxed process to obtain Jones Act waivers, which from CSA's view has little or no connection to the current congestion problems, given that the disruption is not a result of vessel availabilities but rather the ability of the shore-side infrastructure to handle the vessels that are awaiting berths.

One bill that has seen action is the Ocean Shipping Reform Act. As noted in the [bill summary](#), it “revises provisions related to ocean shipping policies and is designed to support the growth and development of US exports and promote reciprocal trade in the foreign commerce of the United States”.

Among other provisions, the bill:

- Sets forth requirements for operating a shipping exchange involving ocean transportation in the foreign commerce of the US;
- Prohibits ocean common carriers and marine terminal operators from retaliating or discriminating against shippers because such shippers have patronized another carrier, or filed a complaint;
- Requires the Federal Maritime Commission (FMC) to publish and annually update all its findings of false certifications by ocean common carriers or marine terminal operators and all penalties assessed against such carriers or operators;
- Requires ocean common carriers to adhere to minimum service standards that meet the public interest;
- Directs the FMC to establish rules prohibiting ocean common carriers and marine terminal operators from adopting and applying unjust and unreasonable demurrage and detention fees;
- Requires ocean common carriers to report to the FMC each calendar quarter on total import and export tonnage and the total loaded and empty

20-foot equivalent units per vessel that makes port in the United States;

- Authorizes the FMC to initiate investigations of an ocean common carrier's fees or charges and apply enforcement measures, as appropriate; and
- Revises annual reporting requirements for the FMC on foreign laws and practices to include practices by ocean common carriers.

The problem is that the bill is not designed to fix the end-to-end supply chain congestion that the world is experiencing, and it will not and cannot fix that congestion.

THE IMPACT OF COVID-19 ON MARITIME TRADE – THE INDISPENSABLE ROLE OF SHIPPING

By Union of Greek Shipowners (UGS)

The unprecedented global outbreak of the COVID-19 pandemic has highlighted the importance of shipping as an essential sector for the continued delivery of critical supplies and uninterrupted global trade, especially in times of crisis, but also during the recovery stage and when resuming normality. During the pandemic, shipping faced serious problems due to port closures, reduced working hours at ports, and equipment and labour shortages. Travel restrictions created serious, even insurmountable, obstacles to crew changes, which further impeded trade flows.

These developments revealed that governments had no contingency plans in place to mitigate the adverse effects of a global pandemic on sea trade. Today, many of these challenges still remain. To address them and enhance shipping's resilience, governments should adopt and implement comprehensive and fit-for-purpose policies with regard to the facilitation of maritime trade. Access to ship finance giving the necessary liquidity for the continuation of the provision of essential maritime services is also critical to effectively address pressing matters and ensure the long-term sustainability of the sector.

Additionally, recognising the indispensable role of shipping and of seafarers in the post-pandemic recovery, governments should ensure facilitation of crew changes, which are now being put at greater risk due to the new COVID-19 variants, and promote acceleration of the roll-out of seafarers' vaccination programmes.



INSIGHTS FROM CHINA: CHINA IS EAGER TO ADDRESS THE CREW CHANGE CRISIS

By Edward Liu, Principal Representative, ICS (China) Liaison Office

The shipping industry has played a great, positive role in the global fight against the COVID-19 pandemic, promoting trade recovery and maintaining the stability of the industry's supply chain. However, since 2020, the protection of the basic rights of international crews, such as ensuring the right to disembarkation, leave, medical care and crew changes, has been hampered by the pandemic and grown to a serious global problem.

In response to the difficulties experienced with crew changes, the Chinese government has, across all levels, put in a substantial amount of effort and work under the premise of the [zero-COVID-19 policy](#). Over the past year, the Ministry of Transport, in collaboration with the Ministry of Foreign Affairs, the Ministry of Health, the Ministry of Customs, the Ministry of Immigration and other governmental departments, has issued a number of announcements and guidelines regarding crew changes and COVID-19 prevention and control, in an attempt to alleviate and resolve the difficulties of crew changes in ports. The China Maritime Safety Administration has also diligently reviewed and updated the *Guidelines on the Prevention and Control of the Novel Coronavirus Pandemic among Ship Crew*, now in its eighth version. The Guidelines have been endorsed by the IMO as a global guideline for the prevention and control of the pandemic among crews, significantly improving pandemic prevention on international vessels.

In addition, various major Chinese ports, including Shanghai, Guangzhou and Tianjin, have also been making tremendous efforts to manage crew changes. To date, China has completed over 310,000 crew changes in total for international vessels and rescued over 1,800 sick and injured seafarers. The prevention and control of the pandemic, crew changes, and medical assistance for Chinese ship crews have all achieved remarkable results.

However, there are still obstacles making crew changes difficult in some Chinese ports, which are yet to be overcome, for example:

1. There is still a lack of co-ordination and interface requirements between governmental departments;

2. There is a lack of uniform procedure for the division of responsibilities and for the co-ordination of operational contingency plans; and
3. Some places have yet to develop a scientific, systematic, accurate and effective mechanism for the prevention and control of the pandemic in ports, resulting in difficulties in berthing, crew changes, treating illnesses and crew being able to return to their home countries.

As the pandemic continues, we are all adapting and sailing into the new norm. ICS and its China Liaison Office, based in Hong Kong, will continue to join hands with the China Maritime Association, the China Shipowners' Association, and other Chinese authorities and shipping organisations to promote greater facilitation of crew changes in Chinese ports in the coming future.

MANAGING ESG ISSUES AT COMPANY LEVEL IS KEY TO SUSTAINABILITY OF THE SHIPPING INDUSTRY

By Karoline Böhler, Lawyer and Corporate Social Responsibility (CSR) Manager, Norwegian Shipowners' Association (NSA)

The last few years have brought with them an enormous shift in the focus on Environmental, Social and Governance (ESG) issues in the shipping industry. With sustainability as the new business imperative, shipping is now rethinking all parts of the business to meet the needs and expectations of the market and society. ESG performance shows how a company is addressing the sustainability challenges of our times and covers topics such as, greenhouse gas emissions, ecological impacts, recycling, employee health and safety, human rights risks in the supply chain, and business ethics. Managing these factors at company level is key to the sustainability of our industry. ESG reporting is an important part of verifying ESG performance to key stakeholders. It conveys that the company has policies, initiatives and strategies in place to manage the ESG risks and opportunities.

To support our member companies in navigating the existing jungle of reporting standards and initiatives, the NSA has developed and published the [ESG Reporting in the Shipping and Offshore Industries Guidelines](#). These guidelines serve as a tool in structuring the companies' ESG reporting.



They recommend the most relevant standards, as well as indicators and metrics, so that the disclosures become useful for all stakeholders and contribute to consistent reporting across the shipping companies. The guidelines will be updated regularly to meet new regulatory requirements for ESG information currently under development in the EU, US and other countries.

A 'BANK FOR SUSTAINABLE SETTLEMENTS' FOR SHIPPING?

By Marjolein van Noort, Brussels Representative (Economy and Finance), Royal Dutch Shipowners' Association (KVNR)

Sustainable finance includes investments in assets that adopt new technologies over the lifetime of the asset. In the case of shipping, the lifetime of a vessel can last over 20 years. How do we secure finance for such an asset throughout the energy transition?

Financiers have a sweet spot for a stable environment. However, catalysing the fourth propulsion revolution in the maritime sector demands a new definition of stability and the acknowledgement that sustainable finance is a team effort, relying on an international dialogue between the finance and shipping community and national governments that invest in innovation.

We need to design mechanisms that support transition solutions and provide finance for currently untested green technological innovations. The European Central Bank has mentioned a green capital markets union – let me pose an additional idea: a 'bank for sustainable settlements', inspired by the bank for international settlements, as an anchor in a changing finance environment. Our ambition is clear – a net zero carbon shipping sector by 2050 – and now is the time to shape sustainable finance and develop a global common language and metrics. Let's talk!

UK PERSPECTIVE: DEVELOPMENT OF THE UK-EU TRADE AND CO-OPERATION AGREEMENT

By Gavin Simmonds, Policy Director Commercial, UK Chamber of Shipping

The UK-EU Trade and Cooperation Agreement (TCA) was agreed on 24 December 2020 and passed into law just in time to take effect on 1 January 2021. In the last year, both parties have been adjusting to what is a fundamental change in our trading relationship. At a most basic level, the TCA was positive, in that it avoided the imposition of quotas and tariffs on trade, but the effect of the UK's departure from the EU's Single Market and the Union Customs Code required the reintroduction of new borders and customs reporting requirements. These have proved difficult to establish with a close neighbour with whom UK trade, business and shipping are highly integrated. Customs processes are administratively burdensome, add cost and reduce the fluidity of trade; most have had negative impacts on shipping services and on trade facilitation.

On the plus side, the UK's objective in leaving the Single Market was to allow greater freedom for the UK to strike new and innovative trade deals under WTO rules with new non-EU trading partners. The UK moved to capture the benefits of this new freedom by establishing rollover deals relatively quickly and easily with countries that the UK had previously traded under EU agreements. The UK then proceeded with a more ambitious programme of negotiations with other third-party countries. It is important to note that these new deals are more ambitious and, from a trade negotiation perspective, more challenging, introducing complex new trade issues on digital services and co-operation on climate change. International Maritime Transport Services (IMTS) have also returned to the shipping policy agenda having stalled many years ago after the WTO's Uruguay Round in 1996. IMTS have been dormant since then but need to evolve, and deserve attention now. The UK and EU continue to work positively to implement the TCA, but it is in the UK's new agreements with third countries that maritime interest will be focused in 2022.



EU PERSPECTIVE: DIALOGUE IS CRUCIAL FOR EFFECTIVE IMPLEMENTATION OF EU-UK TRADE AND CO-OPERATION AGREEMENT

By Luisa Puccio, Director Shipping & Trade Policy, European Community Shipowners' Association (ECSA)

The European shipping industry warmly welcomed the Trade and Cooperation Agreement (TCA) reached between the EU and the UK at the end of 2020. The EU and the UK have long been, and should remain, strong trading partners. The majority of this trade is, and should continue to be, carried by shipping companies.

The flexibility demonstrated by the sector has helped ensure connectivity in the first months of 2021, despite the challenges posed by the end of the transition period and the ongoing health crisis. The ambitious agreement reached is a good base for continued co-operation and supports a level playing field between EU and UK industry, but of course challenges remain. In the short term, maintaining the fluidity of EU-UK trade and free movement, be it for passengers, seafarers or personnel, remains a priority. In the medium and long terms, ECSA advocates for reciprocal market access to be preserved, as well as the maintenance of a level playing field in all relevant regulatory domains. Going forward in this new relationship between the EU and the UK, a constructive and open dialogue between maritime stakeholders on both sides on the Channel will be crucial to achieve these objectives.

ENCOURAGING SAFE AND WELL-REGULATED MARITIME TRADE: ICS FLAG STATE PERFORMANCE ASSESSMENTS

By Kierstin Del Valle Lachtman, Secretary General, Liberian Shipowners' Council (LSC)

Outside of our industry, there is a real lack of understanding about what shipping does, how it works and the great benefits we deliver to wider society. In a world where assumptions are easily made and misinformation can be spread by the click of a button online, it is of critical importance that all owners and operators adhere to the highest standards of safety, environmental stewardship and quality. There are two aspects to this: government

oversight through international and regional policy and inspection programs, and individual accountability towards one's peers.

One key tool that addresses misinformation is the ICS [Shipping Industry Flag State Performance Table](#). It acts not only as a report card for the various flag States but also for the ships that fly these flags. The Table can, and should, be a critical part of communicating best practice within the sector, to authorities and to the wider public.

As a shipowners' association representing a fleet that flies the flag of an open registry, safe, environmentally sound and regulated trade is of key importance to our member companies. We are fortunate that our flag Administration, Liberia, gives us the tools to perform at our best. This is not only the right thing to do, but it is also paramount to help elevate the profile of shipping worldwide as a safe, sustainable and responsible industry.

BLOCK EXEMPTION FOR VESSEL SHARING AGREEMENTS BENEFICIAL FOR HONG KONG AND GLOBAL TRADE

By Hong Kong Shipowners Association (HKSOA)

As the Hong Kong Competition Commission is reviewing its block exemption order for Vessel Sharing Agreements (VSAs), the Hong Kong Shipowners Association maintains the view that the block exemption is in the interest of both Hong Kong and the global community.

While VSAs are very common in many trades, it is also the consensus of the shipping industry that VSAs have contributed positively towards enhanced services, port efficiencies, environmental benefits and active competition in the industry, and that information sharing does not involve any commercial discussions that may give rise to any competition concerns.

From the perspective of the Hong Kong shipping community, in the past five years (since the block exemption order was given by the Hong Kong Competition Commission), VSAs have allowed shipping lines to use Hong Kong, a leading maritime centre in Asia Pacific, as a key port, providing operational efficiencies, transshipments via multiple service providers, and service option flexibility to



Hong Kong importers and exporters using multiple shipping lines. VSAs also allow for the flexible use of assets, so that shipping lines within their respective alliances can more efficiently utilise available vessels, containers, space and equipment.

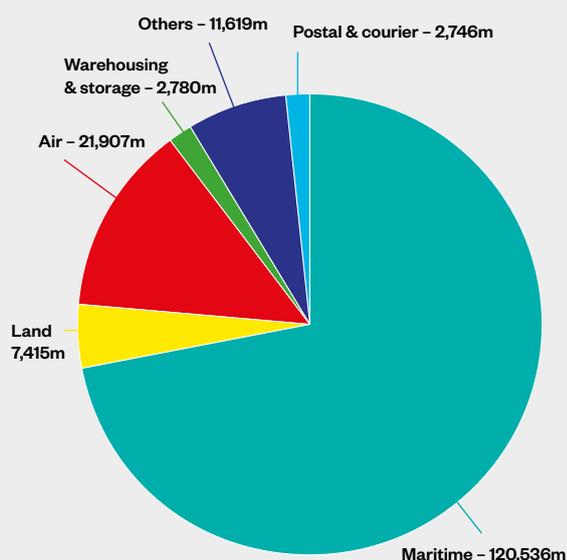
Global shipping keeps almost 90% of the world supply chains of all vital goods functioning smoothly. We cannot afford any disruption to these supply chains, especially during the pandemic – one of the most difficult times ever.

LEGAL CERTAINTY AND THE IMPORTANCE OF BLOCK EXEMPTIONS FOR SINGAPORE

By TC Quek, Assistant Manager, Singapore Shipowners' Association (SSA)

Freight transport is a sector of vital importance to Singapore's economy, which is heavily reliant on international trade, and maritime transport accounted for over 70% of operating receipts from the transportation sector in 2019.

Operating revenue in S\$million per sector in Singapore, 2019



Source: Singapore Department of Statistics, Singapore Transportation and Storage Industry (<https://www.singstat.gov.sg/modules/infographics/transport-and-storage>)

Also, Singapore's liner shipping connections continue to improve as the country is increasingly integrated into the global shipping network. Given the existence of liner shipping block exemptions in jurisdictions with

whom Singapore has strong bilateral connections, such as Australia, the European Union, Hong Kong, Japan, Korea and Malaysia, SSA maintains that the Singapore Block Exemption Order (BEO) will put in place a regulatory environment broadly aligned with that currently in place for major jurisdictions – this will provide certainty to the shipping industry.

Furthermore, whilst the liner industry may lose its present competition law immunity for conference-type activities in some jurisdictions that are currently reviewing their exemptions, it is important to recognise that even if the exemptions are removed in Europe and Australia, there are other trade routes through Singapore that will not be affected by the regulatory developments in these jurisdictions. In this regard, we were pleased that – a one-year extension to account for COVID-19 disruptions notwithstanding – Singapore has just extended the BEO for a three-year period until 31 December 2024.

THE PANAMA AND SUEZ CANALS: WHAT WE EXPECT FROM THESE ESSENTIAL GLOBAL INFRASTRUCTURES

By Keiji Tomoda, Japanese Shipowners' Association and Chair of ICS Canals Sub-Committee

The year 2021 was a huge year as the whole of the maritime industry struggled to mitigate the unprecedented impacts of COVID-19, such as the supply chain disruption all over the world. As Chairman of the Canals Sub-Committee, I greatly appreciate the tireless efforts by the authorities of the Panama Canal and the Suez Canal to ensure their safe and smooth operation in the midst of the pandemic. For the earliest recovery of the global economy from the COVID-19 catastrophe, the canals will undoubtedly play significant roles.

In late 2021, both the [Panama](#) and [Suez Canal](#) Authorities revealed their plans to change each toll structure over the coming year. As the canals are essential infrastructures that enable effective logistics supply chains in the world, from an economic perspective I have a deep conviction that stability and transparency are of the utmost importance in the canals' operation, including the tariff system. We have therefore urged both authorities to avoid any sudden and significant



change of the tariff and to allow us a sufficient preparation period.

ICS is currently proposing to establish a new framework of regular dialogues with both canal authorities in order to discuss common agendas between the industry and the canals, such as efficient transit, which gains importance in the situation where demand is growing under the pandemic. I look forward to meeting them in person in the near future.

DIGITALISATION LEADS THE MARITIME INDUSTRY'S TRANSITION WITHIN NORTH AMERICA'S HEARTLAND

By Bruce R. Burrows, CEO of the Chamber of Marine Commerce

The Great Lakes/St. Lawrence River shipping corridor – serving upwards of 150 million North Americans – is undergoing a digital transformation. Many of the Chamber of Marine Commerce's members have been early adopters, like [Algoma Central Corporation](#), which started with equipment monitoring for better maintenance and has since installed fully integrated systems into its Equinox class.

“Just two wires hooked up to a main console provide over 500 signals a minute,” shares David Belisle, Senior Manager, Vessel Performance. “All this data facilitates comparisons between similar vessels and voyages.” Navigational aids help captains to determine the best course and speed, optimising fuel use and reducing carbon.

The CSL Group has also integrated fully [digitalised systems](#) into its global fleet. “Leveraging this technology has vastly improved our ability to optimise ship performance,” says Nathalie Sykora, Chief Global Operations Officer.

At the Seaway, hands-free mooring has improved safety and reduced the time (and fuel) it takes to navigate the system. The Montreal Port Authority (MPA), at one of Canada's largest container ports, has also initiated [AI tools](#) for better rail and road co-ordination. These investments are important steps toward turbocharging the efficiency of this trade corridor, creating more resiliency against supply chain disruption, as well as reducing environmental impacts.

“Being part of Montreal's AI ecosystem permits us to implement technologies to which we would not have access elsewhere,” emphasises Martin Imbleau, the MPA's President and CEO. “These logistical tools allow us to strive for operational excellence but also to stay resilient by quickly adapting to unforeseen circumstances that can affect the supply chain.”

Moving forward, it will be critical for governments and their agencies to invest significantly in the digitalisation of their own services (Coast Guard, pilotage, waterways infrastructure) and partner with the private sector to ensure data sharing is as co-ordinated and connected as possible.

DANISH SHIPPING AND THE EU IMPLEMENTATION OF THE OECD TAXATION AGREEMENT

By Martin Helland Olesen, Danish Shipping

The OECD taxation agreement is a historical agreement of dimension, and changes have now taken place that have not been seen for over 100 years. ICS has, together with ECOSA, WSC and CLIA, been in close dialogue with the OECD from the very beginning.

According to the OECD, the agreement will enter into force from 2023. The European Commission has drafted a proposal on minimum taxation (Pillar 2) and a proposal on taxing rights (Pillar 1) is expected in late July.

From a Danish shipping perspective, it is vital to maintain a strong European competitiveness in the shipping industry by focusing on a level playing field with shipping nations outside the EU.

First, this requires no gold-plating by the EU when implementing. Second, the threshold on Pillar 1 and the regulations in general need to be as transparent as possible. Third, the carve-out for shipping in Pillar 2 needs to be aligned with the different European nations' tonnage tax systems. From a Danish perspective, we currently see issues with some of the offshore vessels not included in the shipping carve-out.





ICS Trade Policy Group Structure

The ICS global network of shipowners' associations meets through specialist committees that decide most of the detailed evolution of ICS positions on a range of issues, including trade. Altogether, 18 committees, sub-committees and panels support the policy set by the ICS Board and handle particular aspects of ICS work.

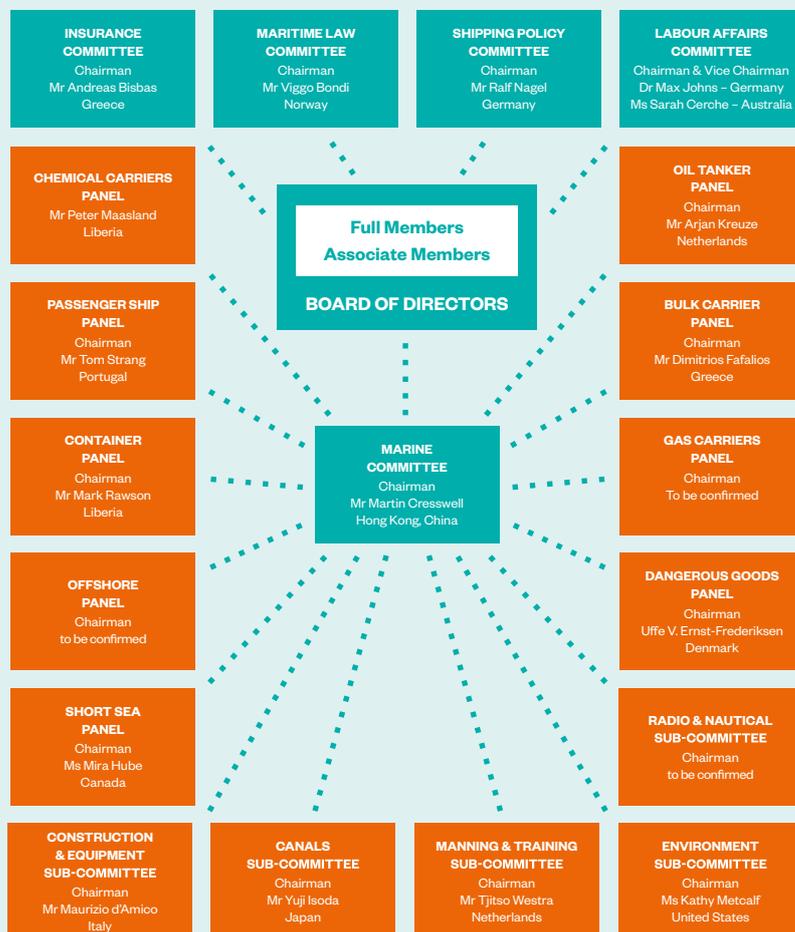
Each committee and panel is made up of representatives from ICS national associations, including experts from shipping company members. Each committee, sub-committee and panel elects one of their members as chair, who presides over meetings. The chairs of the five main committees are invited by the ICS Board to report at the ICS Board meeting.

SHIPPING POLICY COMMITTEE

The Shipping Policy Committee (SPC) holds an advisory role to the ICS Board. It provides a consultative forum for ICS members to discuss a range of shipping policy issues, helping to set and oversee the shipping industry's agenda and official positions on trade policy at national, regional and international levels.

CANALS SUB-COMMITTEE

The Canals Sub-Committee holds an advisory role to the SPC, which in turn reports to the ICS Board. The Sub-Committee provides a consultative framework for ICS members to discuss and help set the industry's agenda and official positions on matters related to the major international shipping canals, e.g. Panama and Suez, both of which have a significant impact on international shipping trade. An ICS secretariat member acts as secretary to the Sub-Committee, whose mandate is approved by the ICS SPC. Mr Keiji Tomoda of the Japanese Shipowners' Association is the current Chair of the Canals Sub-Committee.



SPC Secretariat



An ICS Secretariat member acts as Secretary to the SPC, whose terms of reference and mandate are approved by the Board.



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Secretary General



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Our Global Network



As the global trade association for shipowners and operators, our membership comprises the world's national shipowners' associations, who benefit from a global network of inter-industry co-operation on an array of issues.

ICS leverages its international platform to co-ordinate collective industry positions through

the ICS Board and specialist committees. This empowers both ICS and its national associations to create strategic relationships and meaningful dialogue with other global industry bodies beyond shipping, as well as national governments and intergovernmental organisations, including WTO, UNCTAD, IMO and ILO.

FULL MEMBERS

AUSTRALIA

Maritime Industry Australia Limited

BAHAMAS

Bahamas Shipowners' Association

BELGIUM

Royal Belgian Shipowners' Association

CANADA

Chamber of Marine Commerce, Canada

CYPRUS

Cyprus Shipping Chamber

DENMARK

Danish Shipping

FAROE ISLANDS

Shipowners of the Faroe Islands

FINLAND

Finnish Shipowners' Association

FRANCE

French Shipowners' Association

GERMANY

German Shipowners' Association

GREECE

Union of Greek Shipowners

HONG KONG, CHINA

Hong Kong Shipowners' Association

IRELAND

Irish Chamber of Shipping

ITALY

Italian Shipowners' Association

JAPAN

Japanese Shipowners' Association

KOREA

Korea Shipowners' Association

KUWAIT

Kuwait Oil Tanker Co.

LIBERIA

Liberian Shipowners' Council

MALAYSIA

Malaysian Shipowners' Association

MEXICO

Grupo TMM SAB

NETHERLANDS

Royal Association of Netherlands Shipowners

NIGERIA

Nigerian Chamber of Shipping

NORWAY

Norwegian Shipowners' Association

PHILIPPINES

Filipino Shipowners' Association

PORTUGAL

Portuguese Shipowners' Association



Our Global Network



FULL MEMBERS (Continued)

RUSSIA

Russian Chamber of Shipping

SINGAPORE

Singapore Shipping Association

SPAIN

Spanish Shipowners' Association

SWEDEN

Swedish Shipowners' Association[§]

Swedish Shipowners' Employer Association*

SWITZERLAND

Swiss Shipowners' Association

TURKEY

Turkish Chamber of Shipping

UNITED ARAB EMIRATES

UAE Shipping Association

UNITED KINGDOM

UK Chamber of Shipping

UNITED STATES

Chamber of Shipping of America

ASSOCIATE MEMBERS

Abu Dhabi National Tanker Co.[§]

Chamber of Shipping of British Columbia[§]

Cruise Lines International Association (CLIA)

European Dredging Association (EuDA)

Ghana Chamber of Shipping

Interferry[§]

International Maritime Employers' Council (IMEC)

Malta International Shipowners' Association

Monaco Chamber of Shipping (CMS)

New Zealand Shipping Federation

Shipping Australia Limited (SAL)[§]

World Shipping Council (WSC)[§]

REGIONAL PARTNERS

ICS, the Asian Shipowners' Association (ASA) and the European Community Shipowners' Associations (ECSA) have a longstanding history of co-operation on issues of mutual interest impacting the wider shipping industry, including on trade policy.

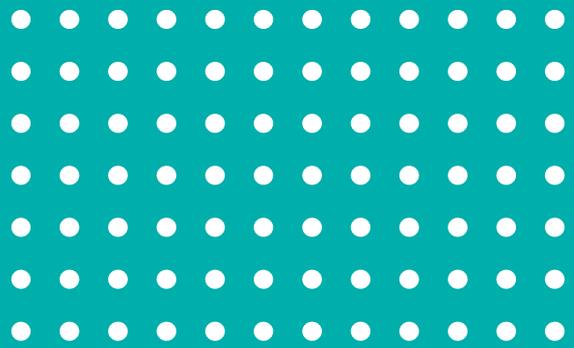
To formalise this collaborative alliance, in 2019 the three associations signed a Memorandum of Understanding, which serves as a basis for this longstanding co-operation.





International
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Shaping the Future of Shipping



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The International Chamber of Shipping (ICS) is the global trade association representing national shipowners' associations from Asia, the Americas and Europe and more than 80% of the world merchant fleet.

Established in 1921, ICS is concerned with all aspects of maritime affairs particularly maritime safety, environmental protection, maritime law and employment affairs.

ICS enjoys consultative status with the UN International Maritime Organization (IMO) and International Labour Organization (ILO).

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