



Shipping and Global Trade

Towards an EU external shipping policy



ECSCA

European Community Shipowners' Associations

Shipping needs global trade to exist and global trade cannot exist without an efficient shipping industry. Today, EU shipping companies face a rise in protectionism in many parts of the world. It puts their trade environment under pressure. The EU is called upon to ensure markets are open. The EU has a unique set of tools to secure and push a globalised, open trade agenda – to the benefit of EU shipping and beyond.

An EU external shipping policy should be based on the following principles:

- Keep global markets open
- Include shipping in any EU trade and development policy agenda
- Secure free and equal access to international maritime transport services via EU trade agreements
- Strengthen bilateral maritime dialogues with direct involvement of the EU shipping industry
- Stay flexible to seize new opportunities

The importance of global trade and the EU shipping sector's role

Global trade is under pressure

Today more than ever global trade and open markets are under pressure. Protectionism is on the rise and principles of global liberalised trade are put into question. Support for free and open trade can no longer be taken for granted. Nor can it be taken for granted that European shipping companies will be able to continue to experience a de facto largely open trade environment worldwide.

This is serious and a high concern for EU shipping companies. Their core environment to thrive is under pressure.

Shipping and global trade

Shipping is the backbone of global trade, around 80% of world trade in goods is carried by the international shipping industry. European shipowners control 40% of the world's merchant fleet and operate shipping services all over the world. This includes trade between non EU countries such as trade between the Far East and Latin America, so called "cross trades". For many shipping companies the majority of their trade activity actually happens outside of the EU.

European shipowners thus play a key role in European and international trade and business. Moreover, in recent years specialised shipping activities have developed in connection to the offshore industry, representing an important new maritime activity.

Shipping needs global trade to exist and global trade cannot exist without an efficient shipping industry. A flourishing shipping industry is a very important contributor to and facilitator of international trade and the global economy. Trade brings jobs, growth and improves the standard of living.

Global shipping and the new challenges

Shipping companies experience direct hindrance of protectionism, excluding them from access to markets or equal treatment. Almost every protectionist measure taken by a country will affect shipping. A product ban or increased import or export duties and licences mean that shipping the concerned products will either not be possible at all or much less competitive. Also internal policies that for instance restrict foreign access to public contracts will often result in shipping losing business.

Time to (re)act

Shipping today is a fairly liberalised industry. Even though EU shipowners are seeing a greater level of market hindrances and protectionist measures, free and fair access to international shipping is still prevalent across the world.

The time has come however to secure such free and equal international access. EU policy makers and global businesses such as the shipping industry will have to step up efforts to show the benefits of open markets and to ensure these remain open.

EU shipowners need – probably more than ever – continued and even increased support from the EU actors to maintain and boost the competitiveness of the EU shipping industry and to ensure EU shipping can continue to contribute to jobs and growth in the EU. The EU has a unique set of tools to secure and push a globalised, open trade agenda – to the benefit of EU shipping and beyond.

The US and its energy exports

With the goal of supporting U.S. shipbuilders and the employment of U.S. seafarers, there have been several efforts in recent years to promote cargo reservation measures for the transport of U.S. energy exports, particularly LNG, on U.S. flagged ships. A recent example were the proposed amendments by some lawmakers to incorporate these measures into the U.S. Coast Guard Authorization Act of 2015. More recent still, a number of Congressmen sought to reserve 30% of "strategic energy assets" (including U.S. crude oil exports) to travel on U.S.-flagged vessels, following the lifting of the 40 year export ban by the Obama Administration. Their reason being that U.S. flagged ships should be the principal beneficiaries of this new and growing trade.

No decisions on these proposals have been taken so far, but it illustrates today's climate where worldwide protectionism is accepted as a valid policy option.



CHAPTER 2

Tools to support an open trade environment for EU shipowners

Shipping to be part of any EU trade and development policy agenda

Barriers to shipping hamper the efficient flow of goods and thus overall trade and economic growth. Shipping in itself also represents a considerable source of jobs and growth and is the centre pillar of maritime clusters. The European shipping sector directly accounts for over 620 000 jobs (Oxford Economics, 2017).

The EU's unique voice is powerful outside the EU and will often impact much more than individual Member States' actions. By consequence it makes much sense to ensure that shipping forms part of any trade related discussion the EU has with third parties, be it at bilateral or multilateral level, or in the context of trade negotiations, economic partnership arrangements, development support and economic diplomatic encounters.

EU shipowners can see this very concretely in Africa where shipping and ports lag behind global trends and standards resulting in high trading costs. We want shipping to be an integral part of all future EU's Economic Partnership Agreements with African Caribbean and Pacific (ACP) states and development aid programmes. This will not only allow EU shipping companies to perform better in these regions, it will also support African partners to develop vibrant maritime clusters.



The example of the EU-Canada Comprehensive and Economic Trade Agreement (CETA):

CETA is a far reaching agreement that will benefit trade and EU shipping. CETA will ensure open markets for international maritime transport services and is one of the first agreements to conditionally open feeder services, transportation of empty containers and dredging services.

EU trade agreements should secure free and equal access to international maritime transport services

The EU's policy of establishing trade agreements with third countries is crucial and to be strengthened.

In today's context of rising protectionism, a clear legal framework is a very welcome re-assurance for business and the shipping sector in particular. While shipping can be considered as more liberalised than many other sectors, this is often the result of national legislation or just customary practice. It is not reflected in international binding agreements. The primary aim is therefore to codify the existing situation. The simple fact of inscribing commitments at existing levels brings already a desirable legal certainty for shipowners in many countries.

Unfortunately barriers still exist or are introduced. Therefore the EU should be ambitious when negotiating principles about shipping in its trade deals, and ensure that EU shipowners will face a more open and more efficient environment in the respective countries.

Barriers shipping companies face can be multiple and complex, often they relate to:

- discriminations regarding the free access to international markets, for instance through cargo-sharing arrangements between countries or cargo-preferences schemes,
- restrictions in the access to and use of port services,
- over-demanding administrative requirements,
- limitations regarding carrying out of ancillary services, for instance through equity ceilings and discriminatory requirements for on-shore establishment,
- restrictions on cabotage, offshore operations, feeder, movement of empty containers and international relay.

EU shipowners are encouraged by the ambition and the efforts undertaken by the EU in recent trade negotiations to ensure good commitments are made by the third countries. So far these efforts resulted in some good outcomes, for instance in the EU-Canada Comprehensive Economic and Trade Agreement and the Free Trade Agreement with Vietnam. Outcomes of other negotiations such as with Japan and the Trade in Services Agreement (TiSA) remain to be seen.

Economic fact finding is of key importance to determine what negotiations and regions should get priority, as well as to support the negotiations once they are on. This is a task to be carried out jointly by the European Commission and EU industry.

As the shipping sector is diverse, no trade-offs can be accepted between modes of supply, nor between tramp and liner / multimodal transport services to the detriment of the other. Beneficiaries of these commitments should be EU operated vessels, i.e. shipping companies established inside the EU or shipping companies established outside the EU and controlled by nationals of

The case of feeder and international relay

'The switch to larger vessels will reduce the number of port calls and increase the reliance on feeder transport as part of the transport chain. The importance of feeder, and negative impacts of cabotage restrictions which reduces the competitive conditions for this type of transport, will increase.'
University of Antwerp & maritime-insight, 2015.

International cargoes should be able to be freely transported until they reach their final destination, keeping their 'international' status until delivered. Currently many countries do not allow standalone 'feeder services' - the transportation of international cargo by a bespoke and dedicated foreign feeder vessel. Also the practice of 'international relay' whereby the pre- and/or onward transportation of international cargo is done by another foreign vessel engaged in international trade is often not open.

Enhanced flexibility of the feeder of international cargoes and international relay of cargo should be part of any trade discussion. They are an integral part of nowadays transport and logistics operations. Taking this reality into account and ensure it is not hampered will strongly stimulate efficient and sustainable transport services to the benefit of overall trade.

an EU Member State, if their vessels are registered in that Member State and carry its flag.

Bilateral maritime dialogues to be strengthened

In its 2016 publication on the implementation of the EU Maritime Transport Strategy 2009-2018 the European Commission mentions correctly what bilateral dialogues and annual meetings with third countries on maritime transport are about, and why they are very important. They 'have proven very useful in identifying areas for cooperation, seeking improved market conditions for industry and building alliances on issues of common interest at international level. These dialogues also allow the clarification of the permitted scope of operations in third countries, the correct application of national rules and requirements, the finding of the cooperative solutions to minor controversies, and better understanding of private sector needs.'

There is opportunity to strengthen these dialogues, new ones should be embarked upon and the industry should be given a strong role in them.

Such direct industry involvement is the case with the implementation meetings of the EU-China maritime transport agreement. It has definitely contributed to its success. It indeed ensures a dialogue that is much more embedded in business reality. It allows industry to raise matters through the European Union which are difficult for the industry to raise directly with non-EU governments. Industry is given the rare chance to establish contacts with high level policy makers from third countries and hear directly from them about policy orientations. Direct industry involvement is a common practice in all external aviation talks where industry can join even the entire negotiations, shipping should be allowed to have similar levels of involvement.

Additional / new dialogues should be set up with Australia, South Africa, Mercosur countries, Ghana and Kenya. The dialogue with India should be restarted. The dialogue with Brasil should be strengthened, upgraded and have stronger involvement of the industry. These dialogues offer also a unique opportunity to ensure that shipping can operate in a strengthened global regulatory environment, a crucial issue for a global business. Therefore

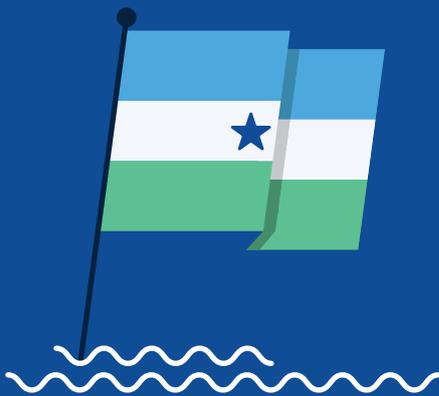
any bilateral or multilateral talks and agreements with third countries must be used to ensure ratification of international conventions, such as the United Nations Convention on Law of the Sea (UNCLOS) or the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, and to seek solutions to international challenges, such as security at sea.

Flexibility and openness to seize new opportunities or respond to challenges – the examples of Iran & Africa

New opportunities – the example of Iran

The shipping industry welcomes support from the policy makers when new opportunities arise such as the re-opening of Iran to global trade. The European Commission should seize this opening and create a context of business opportunities for EU companies.

Via an established maritime dialogue, the EU would be able to contribute to the Iranian knowledge and know-how building, and share information about EU standards and policies in domains like safety, sustainability and security. It would also offer a platform for the EU and its shipping business to learn about Iranian policies and the regulatory framework in place.

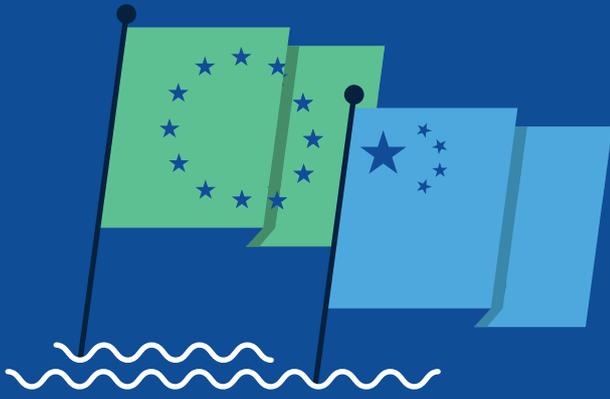


Ghana – an attractive market

- The International Monetary Fund (IMF) has projected Ghana's economy to expand by 3.5% in 2015 and by 6.4% in 2016.
- Container shipping industry analysts have estimated that the overall African containerized cargo handling has increased by 7.2% in 2014, as compared with an overall global growth rate of 5.4%.
- African port container volumes are forecast to continue to increase well above global market volumes.

Source: Paving the way to Ghana's growth, August 2015, Maersk





The EU-China maritime transport agreement

In 2002 the European Community and its Member States and the government of the People's Republic of China signed an agreement on maritime transport. This entered into force in 2008 and meant the launch of yearly meetings between the European Commission,

EU Members States, the Chinese government and industry representatives of both the EU and China. At these meetings the implementation of the agreement is discussed. Both sides raise challenges, as well as opportunities for further cooperation. It has allowed the EU and its industry to raise concerns on international relay, surcharges, scrap-and-build subsidies etc. Thanks to its regular nature the EU could set up and maintain a maritime trade agenda vis-à-vis China over time. It also allowed for closer technical cooperation. Given EU companies' presence on Chinese markets, they have a clear interest in China looking to the EU as the leader in maritime transport together with China. The EU and China are natural partners in this respect. A dialogue such as the EU-China dialogue is a necessary first step to creating a closer partnership.

New challenges – the example of Africa

EU shipowners observe today inconsistencies and reappearance of protectionism in several national maritime policies and global outlooks are not promising.

Unfortunately in Africa the protectionism is increasing and a concerted reaction from the EU side is needed. The 2009 African Union Maritime Transport Charter hints to the ambitions of African nations to reserve African cargoes for African ships and the 2016 Lomé charter on maritime security and blue development looks at reserving intra-African trade to African operators. Concrete examples of protectionism are seen in Ghana, South-Africa, Sierra Leone, Angola and other countries. The EU can play a bigger role to counter these tendencies and its policy on Africa should be about both trade and economic development. There is a need for more attention for business and the creation of an added value economy in Africa, this can only happen if also EU business concerns are recognised. The EU business case for Africa should be made in a much stronger way. Facts and figures about what they contribute locally should be published. Initiatives such as local EU business groups can be crucial in this and need stronger EU support.

A clear commitment between the EU and African States in the follow up to the so-called Cotonou agreement should be made. In the article 42 of the Cotonou agreement the EU and the ACP (African, Caribbean and Pacific Group of States) States support the liberalisation of maritime transport and inscribe basic principles on market access and non-discriminatory treatment. Unfortunately this text has remained "dead letter". Any future comprehensive partnership agreement between the EU and ACP countries should have a solid trade angle, and anchor the liberal principles of international maritime transport services in clear and strong commitments from all sides.



Conclusions

EU shipping companies will continue to be important players at the global level but need increased support from the EU to maintain and strengthen their trading opportunities and thereby their economic wellbeing and contribution to global economic growth and job creation.

Today global and open trade is put under pressure. As allies, the EU and the shipping sector should counter these trends and work very concretely with a number of third countries on an open, constructive trade environment.

For EU shipowners an EU external shipping policy is based on the following principles:

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Shipping and Africa – a political momentum to be seized

The African Union's Lomé summit on maritime security and development of October 2016, the upcoming EU-Africa summit end 2017, the revision of EU-Africa Cotonou agreement by 2020 and the European Shipping Year 2017 will create political momentum that should be seized and turned into concrete opportunities.



The European Community Shipowners' Associations (ECSA) was founded in 1965 and represents the interests of the national shipowners' associations of the EU and Norway. ECSA works to ensure that shipping industry can best serve European and international trade and commerce in a competitive and free business environment, to the benefit of both shippers and consumers. European shipowners control 40% of the global commercial fleet.