

# Second World Shipping Law Forum, Athens

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# Sustainability beyond 2020 - Missing the Woods for the trees

Helio(s) Vicente

Senior Adviser (Policy), ICS

# About ICS

- **Principal international trade association for merchant shipowners and operators**
- **38 Member National Shipowner Associations**
- **Representing all sectors and trades (Bulk carriers, Pax ships, oil tankers, etc.)**
- **Over 80% of the world merchant fleet**

Tankers



Bulk Carriers



Passenger Ships



Container Ships



Offshore Vessels



# Why We Are Here...(Kind of)

**US\$19.5 trillion**

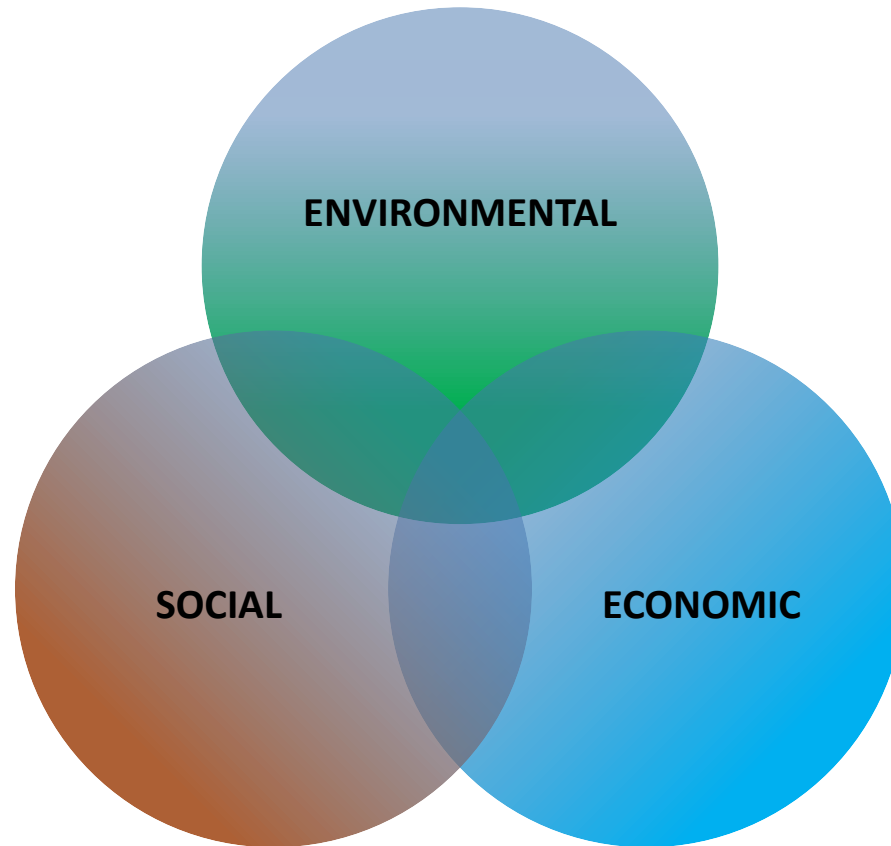


# Why We Are Really Here

**US\$17.5 trillion**



# Sustainability



# Sustainable Shipping: The Environmental Aspect

Industry taking the lead on Greenhouse Gas Emissions:

- ➔ Mandatory **US 2 dollar mandatory 'R&D Contribution'** per tonne of fuel (about **US\$5 billion over 10 years**) direct to **International Maritime GHG R&D Board (IMRB)** – non-governmental body with IMO oversight
- ➔ To **accelerate R&D** of zero-carbon technologies and help meet IMO target of total GHG 50% reduction by 2050
- ➔ Details set out in detailed submission to IMO on 18 December 2019
- ➔ Governments to consider industry proposal at IMO MEPC 75 (March 2020) for further discussion at MEPC 76 (October 2020)



# Sustainable Shipping: The Environmental Aspect

- ➔ Accelerated R&D is vital to achieve 2050 IMO target – regardless of trade growth –as carbon efficiency would need to improve by around 90%
- ➔ Commercially viable zero-carbon ships therefore need to appear by 2030s – a real challenge for large ships in transoceanic trades. Billions of dollars will be required
- ➔ US\$2 contribution needs to be **mandatory** to ensure that all companies globally would contribute on fair and equal basis, or that necessary funds would be generated
- ➔ R&D Fund could be up and running by 2023 if adopted through MARPOL amendments
- ➔ **Political will** is the only requirement



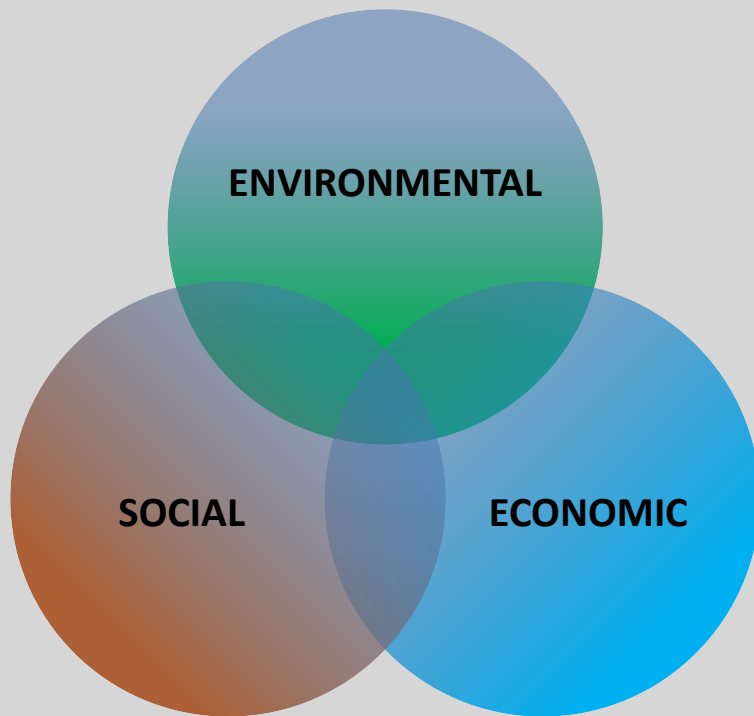
# Sustainable Shipping: The Economic Aspect

- ➔ Smarter regulations
- ➔ Proliferation of protectionist and restrictive trade measures
- ➔ Trade wars
- ➔ Impact on trade confidence
- ➔ Consequences for the world economy





# Sustainable Shipping



- 60% of maritime trade serves developing countries
- Need to keep shipping cost-effective
- Industry needs to be economically sustainable to achieve social and environmental objectives



## In Support of World Trade and a Rules Based Multilateral Trading System

### Shipping is indispensable to the world

The global shipping sector transports about 90% of world trade, making it an essential driver for sustainable development. The sector also embraces the United Nations Sustainable Development Goals as a guideline for responsible business practices, including in particular: SDG 8 (Decent Work and Economic Growth); SDG 13 (Climate Action); and SDG 14 (Life Below Water).

The efficiency of the shipping sector, as the service and key facilitator of global trade, is dependent on a rules based global trading system. This requires the negotiation of, and strict adherence to, multilateral trade agreements under the auspices of the World Trade Organization (WTO), utilizing the mechanisms for monitoring and dispute resolution which have been successfully overseen by WTO and its predecessors for the past 70 years.

### The WTO multilateral trading system

In recent months, the WTO and its rules based multilateral trading regime have been subjected to criticism from certain governments, potentially undermining its role as the regulator of international trade between nations. The WTO can only play its role effectively if it has the full support of all governments worldwide.

The global shipping sector therefore calls on the global community and WTO Member States to continue to support the WTO and its various functions, which help to govern and maintain the efficient operation of global trade in the best interests of all nations.

It is recognised that the WTO and the current multilateral trading system are in need of enhancement and reform to fully reflect the current and future needs of trade. To achieve meaningful and mutually beneficial improvements, which the shipping sector supports, all WTO Member States should co-operate and participate constructively in any such reform process.

In this context, the global shipping sector wishes to make the following observations:

1. The sector strongly supports any initiatives by the WTO and its Member States to resume full negotiations on trade in services including maritime transport services, as well as resuming multilateral negotiations as a whole.
2. Maritime transport services were not concluded at the end of the Uruguay Round in the 1990s, and the commitments so far made by governments with regard to maritime transport services under the Doha Round are not definitive and therefore lack legal certainty. The shipping sector particularly wishes to see progress being made under the General Agreement on Trade in Services (GATS), including bringing legal certainty to maritime transport services.



WTO Headquarters, Geneva

3. Bilateral and regional trade agreements, including those which cover maritime transport services, are an important complement to multilateral agreements concluded under the auspices of the WTO. In the longer term and at the global level, however, particularly in the event of a serious economic downturn, WTO agreements will provide a greater degree of legal certainty and security against the danger of new protectionist and trade-restrictive measures being adopted by individual nations around the world.
4. WTO Member States are encouraged to ensure that bilateral agreements, regional agreements, as well as national and regional trade regulations and policies – including those which relate to maritime transport services – do not deviate from or conflict with their current national schedules of commitments, as agreed within the framework of the WTO.
5. The shipping sector is supportive of other worldwide plurilateral trade negotiations, including the WTO e-commerce negotiations, which also aim to maintain and develop a well-functioning rules based trading system. Participation in such negotiations should be open to all WTO Member States that wish to be involved, and the goal should be to ensure that the product of such negotiations is incorporated into the WTO framework.
6. ICSG, ASA and ECSCA encourages initiatives by the WTO and its Member States to engage with and take advantage of the experience and expertise which resides within the international business community, including the global shipping sector.
7. The global shipping sector is fully supportive of the WTO as the principal forum for resolving trade related issues between nations. The dispute settlement process of the WTO, in particular, should continue to play its role as the world's leading international trade dispute settlement mechanism.

## In Support of Free Trade Principles and Sustainable Development

### Global shipping sector and world trade

Around 90% of world trade is transported by ships, including raw materials, energy, food, as well as manufactured goods and products. As the main facilitator of international trade, shipping is of vital importance to the global economy.

In order to continue to facilitate global trade effectively the shipping sector – as represented by ICSG, ASA and ECSCA – remains fully committed to the preservation and promotion of free trade policies and principles around the world.

### Negative impact: Trade-restrictive measures

The proliferation of trade-restrictive measures leads to uncertainty and undermines the efficiency of global trade and the sustainable development of nations.

In recent years, the global shipping sector has observed an upsurge of support by governments for different types of tariff and non-tariff trade-restrictive measures worldwide, including but not limited to:

1. Import restrictions and quotas;
2. Administrative obstacles;
3. Cargo reservation measures restricting carriage of certain cargoes to ships of a particular flag or flags. This also includes broad interpretations of government cargo, intended to restrict transportation of certain portions of government cargo to national flag ships;
4. Discriminatory measures related to services in ports; and
5. Restrictions with regard to the nationality of seafarers employed on board ships engaged in certain trades.

A recent WTO report<sup>1</sup> on Trade-Related Developments revealed that its members adopted 137 new trade-restrictive measures between 2017 and 2018. The report also found that during that period the trade coverage of import-restrictive measures was worth USD 686.3 billion, a more than seven fold (54-74%) increase over the USD 79 billion recorded between 2016 and 2017.

### Policy recommendations

Trade-restrictive measures jeopardise economic recovery and their proliferation introduces considerable risks for global trade, economic growth, jobs and consumer prices worldwide. In this respect, governments are recommended to:

1. Avoid the adoption of any trade-restrictive measures in general, as these have an adverse effect not only on the sustainable development and connectivity of national economies of the implementing countries, but also on the sustainable development of the global economy.
2. Oppose national or regional cargo reservation measures that might be proposed (including those proposed by other nations) with regard to the transport by sea, on international voyages, of energy products, raw materials, food, as well as manufactured goods and products.
3. Give due consideration to the removal of any maritime transport cargo reservation measures and other similar trade-restrictive measures, which are already in effect, so as to enhance the competitiveness of their national economies and the access of local importers and exporters to efficient maritime transport services.
4. Fully commit to and support the above mentioned principles, which are vital to safeguard trade and investments that are needed for national economies to thrive.

### Increase in Import-Restrictive Trade Measures – US\$ Billions



Source: WTO

<sup>1</sup> WTO, Overview of Developments in the International Trading Environment, November 2018

# THANK YOU



International  
Chamber of Shipping

Shaping the Future of Shipping

**Helio Vicente**  
**Senior Adviser (Policy)**  
**[www.ics-shipping.org](http://www.ics-shipping.org)**



**@icsshipping**