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Wednesday, 29<sup>th</sup> October

### **Political Impact on Shipping – The Asian viewpoint**

Ladies and Gentlemen, I am very grateful to BIMCO for inviting me here today to represent the industry in Asia. This will not be easy, for reasons that I will explain in my presentation, but I hope that my views, those of a European working in the most international and vibrant city in Asia, will be of interest to you all, as well as being perhaps sufficiently challenging to stir some lively debate.

We are asked to speak on the Political Impact on Shipping. Some would question whether politics, in the sense of this session, is exercised by unelected legislators, or whether pressure put on maritime administrations by the judiciary is politics, so I will keep away from using the word ‘politics’ as a catch-all explanation for some of the legislation presently being forced on our industry.

I intend to make this short presentation in three parts; I will quickly deal with the extent of Asia’s increasing role, then discuss Asian participation in global maritime affairs and last, but certainly not least, describe how the activities of the rest of the maritime world are seen from Asia.

First, the figures. The Asia-Pacific region, as represented by the Asian Shipowners Forum<sup>1</sup>, owns and operates more than 40 percent of the world cargo carrying fleet. This figure is necessarily vague, and includes ships under management as well as those beneficially owned in the region. A different, but perhaps less vague figure, is that by nationality of owner, the Asia-Pacific region represents, in gross tons, 33 percent of cargo carrying ships of over 1,000 gt<sup>2</sup>.

Over 86 percent, in gross tons, of the order book for new ships is with yards in the Asia-Pacific region. There is an interesting correlation with the ownership figures given previously, in that 32 percent of the order book is for owners in the region<sup>3</sup>.

Of the seafarers that are supplied to the world’s ships, about 40% come from the Asia Pacific region<sup>4</sup>. If the remaining countries of Asia (‘East of Suez’ definition) are added, this figure increases to about 50%<sup>5</sup>.

Asia is also the engine for world trade. There are many smiling faces amongst dry bulk owners these days, and I think it is fair to say that it is Asia’s role in the iron ore trades, the backbone of the capesize market, that is the core component of the current large bulkcarrier boom. China is expected to import 143.8 million tons of iron ore in

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<sup>1</sup> Australia, China, Chinese Taipei, Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

<sup>2</sup> Lloyd’s Register Fairplay World Fleet Statistics 2001.

<sup>3</sup> Lloyd’s Register Fairplay World Shipbuilding Statistics June 2003.

<sup>4</sup> BIMCO/ISF 2000 Manpower Update.

<sup>5</sup> Adding Bangladesh, India, North Korea, Myanmar, New Zealand, Pakistan, Papua New Guinea and Sri Lanka.

2003, incredibly 100 million tons more than in 1996, and these imports are expected to increase by another 29 percent in 2004. Asian total Iron Ore imports are more than two thirds of the world's total. In 2003, Asia is also expected to import about 58 percent and export about 65 percent of the world's steam and coking coal<sup>6</sup>.

For the container trade, Asia is expected to generate 140 million TEU lifts in 2003, more than 50 percent of world TEU lifts<sup>7</sup>. And Asian countries will import 12.8 million barrels per day (bpd) of crude oil, significantly more than North America at 8.4 million bpd and the European Union at 9.8 million bpd<sup>8</sup>.

So, with that rather long list of numbers, I hope I have been able to demonstrate Asia's large and quite essential role in, but also contribution to the present success of, the global maritime sector.

With such an important presence, why is Asia not seen to contribute more in global maritime debate? This is a question that seems to be increasingly asked in European conferences and seminars, in what seems to be a similar tone to the age-old comment made at seminars about sub-standard owners. "Of course, the people that should be here are those least likely to be here"!

As we well know, all of the International organisations are located in Europe. That they are all in close proximity makes good sense, but it does mean that those from other regions who would wish to attend at least some of the meetings have to spend an inordinate amount of time on aircraft. I have arrived at Heathrow at 5am, been in meeting from 9am to 5pm and then back on a plane at 9.30pm – 28 hours in the air for an 8 hour meeting. Expensive, tiring and two full days out of the office. I know of many people, my present Chairman for one, who regularly attend meetings in Europe with this kind of schedule – and he is over 70 years old!

Because of the sheer number of meetings in Europe, moving the occasional meeting to another part of the world cannot solve the problem. The usual attendees might not attend, you might have new 'local' attendees and some locals might not attend because they have no interest in attending one special meeting out of a whole series of meetings. So the decisions made might not logically flow from those made at previous meetings. Not an easy problem to solve.

There are other reasons, however, for the reluctance of Asians to take part in so-called 'international' debate. The longer I am in Hong Kong, the more I feel there is to find out about the differences of culture between the East and the West. So I hope you will forgive me if I lean on the research of others.

There are major cultural differences between East and West, most of which do not appear to be readily understood or appreciated by those in the West. There are also major cultural differences within Asia, to a far greater extent than the differences you might find across Europe. So, although I generalise for simplicity, I realise I am on sandy ground by doing so.

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<sup>6</sup> Dry Bulk Trade Outlook, Clarkson Research Studies, September 2003.

<sup>7</sup> Container Intelligence Monthly, Clarkson Research Studies, September 2003

<sup>8</sup> Oil & Tanker Trades Outlook, Clarkson Research Studies, September 2003

While I agree with Chris Patten<sup>9</sup> that in certain circumstances, especially in negotiation, the concept of different cultural values is used to an exaggeration, they cannot, and should never, be ignored.

There is the concept of 'face', a much more serious issue in Asia than in the West. In the West, people will like to be recognised for their position; in the East it is essential to recognise and defer to these senior figures. Some call this the difference between a Socratic and Confucian culture<sup>10</sup>, but the tradition of 'rote learning' does sometimes lead to a difficulty in independent and critical thinking. You will not find many Asians particularly outspoken, for the reason that they have respect for the other and would not wish to embarrass anyone. They would also not want to lose 'face' and embarrass themselves by asking what might turn out to be an obvious question, or show that they do not speak English perfectly.

Asians are more comfortable with consensual decision making. This might make for a slower process, but it results in decisions that are acceptable to all without that unfortunate Western trait of compromise by the use of unclear or very general wording that can mean many different things.

What I am trying to say is that perhaps the participation that is expected of those from Asia might be too much that of a Western stereotype. Your organisation has excelled in bringing into the discussion those from all parts of the world; perhaps this could be put down to a continuing and high respect for your members' divergent cultures and creeds. Other organisations, for whatever reasons, have not been so fortunate. If we can agree that global participation is essential, although it does seem that there might be some in the West who consider that dictatorial decree is a better way to go, then we need to approach the issue with humility as well as respect and understanding for the opinions and culture of the other participants.

Perhaps this leads me rather nicely into the third part of my presentation, that of how the global maritime scene is viewed from Asia.

What a mess! Regulations being adopted before standards have been developed and tested, or 'premature regulation', using the words of the Asian Shipowners Forum<sup>11</sup>. Unilateral regulation that flies in the face of international convention, regulations introduced with no, or deliberately wrongly interpreted, cost/benefit studies and a world where temporary although visually shocking damage to the environment takes very clear precedence over seafarer lives, especially when foreigners can be held hostage on trumped-up charges. I can give you distressing examples of all of these, and more, from countries that call themselves 'first world', but my time on the podium is limited.

What we see from Asia are the activities of the European Commission. This is a body that has the stated aim of protecting the European shipping industry while creating legislation that intends to regulate global shipping. Does this not strike you as an inherent conflict of interest? What we have now is one of the major trading areas

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<sup>9</sup> 'East and West', Chris Patten. First published by Macmillan in 1998.

<sup>10</sup> Ms. Bonnie Williams, Waterbridge International, during a speech given to the ISF Manning & Training Conference 3<sup>rd</sup> September 1997.

<sup>11</sup> 12<sup>th</sup> Asian Shipowners Forum, Hong Kong. 25<sup>th</sup> to 27<sup>th</sup> August 2003.

saying that single hull tankers are not permitted to carry heavy oils in their waters, but their single hull tankers can continue to trade heavy oils elsewhere. What message does that give the rest of the world? If European tankers are clearly superior, then they should be allowed to trade with such cargoes in European waters. If they are not, and if this is really such a threat, then they should be banned from trading these cargoes anywhere.

This is the same body, by the way, that has on its website that it will:

- Devise a global strategy to make the EU fleet competitive again, by means of ‘positive measures’,
- Improve on-board safety and environmental protection through strict enforcement of international standards within the EU.

I am not sure where it says that it will also create new regulation that is contrary to its member states’ ratification of international conventions, but perhaps I misread it.

From Asia we see the ‘leadership’ of the United States, a country that considers that active involvement in the production of legislation is essential but that actually ratifying or adopting that same legislation might be against its domestic interests. I realise that slow progress is presently being made, but many of my members ask why did we bother with the time and energy we poured into ILO 185, Seafarers’ ID, for example, if the United States decides not to follow the spirit of the new Convention? What message does this send the rest of the world? Certainly not true leadership, perhaps more ‘do what I say, not what I do’! A fine example of negotiating without authority, perhaps.

We are very pleased, by the way, with the progress of discussion within the United States to ratify the UN Law of the Sea Convention. But how long has this taken?

What we also see is impatience; an impatience that believes that new regulation is the only solution even when it is clearly shown that enforcement of present regulation would be more than adequate to do the job. Are the millions we are asked to spend on security really necessary? Where is the FSA study that shows that the new equipment and procedures are justified? What about the vast cost of fitting and maintaining permanent means of access – an FSA study might have shown that it would be better to add that weight of steel to the more stressed parts of the ship.

My Deputy Chairman, Robert A. Ho, in a recent speech<sup>12</sup>, spoke about the eternal debate between two Chinese philosophers, Mencius (Meng Zi) and Shun ze (Hsun Tzu, Xun Zi). Mencius declared that man was by nature good, that Government could not rule without the people’s tacit consent and that the penalty for unpopular, despotic rule would in effect marginalise the mandate to rule.

Shun ze, on the other hand, preached that man is innately selfish and evil and that goodness is attainable only through education and conduct befitting one’s status. He argued that the best Government was one based on authoritarian control, not ethical or moral persuasion.

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<sup>12</sup> Seatrade International Maritime Convention, 16<sup>th</sup> September 2003.

What we are presently experiencing is the Shun ze approach, of more regulation and penalty. Will it work? History tells us that it probably won't, because we all know that prescriptive rules inherently contain loopholes for the less desirable sector of society to exploit. The best approach has to be a combination of Mencius and Shun ze, self-regulation and regulation in a balanced system. Perhaps we need to study the detail of the Han Synthesis, developed more than 2,000 years ago to resolve the difference between the two approaches!

In the meantime, however, we are seeing more and more regulation, most of which is not sensible or justified and in which the industry (the vast majority of which is not sub-standard) not being given the proper opportunity to contribute. What is the Asian reaction? Probably similar to that elsewhere in the world; unenthusiastic resigned acceptance. "Tell me what I have to do, and I will do it." In this 'bully-boy', 'might is right' and legislative arrogant world that we presently live in, is there any other option?

We are presently seeing the marginalisation of 'good' owners, owners not asked to contribute but having silly and expensive regulation forced on them. If the legislators really wanted to improve the dark side of the industry (what industry does not have a dark side?) then development of global regulation in cooperation with the 'good' owners, owners from all over the world, might actually be the better way to go. It might take longer to produce regulation, but at least that regulation would be effective and efficient, and the world would be a safer and vastly more pleasant place.

Thank you for listening to me.

Arthur Bowring  
29<sup>th</sup> October 2003