



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

Increased Risks at Sea? Global Shipping Downturn and Maritime Security

Sam Bateman

9 October 2009

International shipping has been severely affected by the global economic recession. Cost-cutting in the industry could affect maritime security with some diminution of the maritime security measures introduced post 9/11 when the industry was booming.

THE GLOBAL economic recession has led to a major downturn in international maritime transportation, including shipping, ports and ancillary services, as well as in shipbuilding. Cargoes have declined; freight and charter rates have fallen; surplus shipping capacity has soared; ships are being laid up; crews paid off; ports are suffering from reduced shipping traffic; shipbuilding orders are being cancelled; and some ship-builders are even closing down. Singapore has been particularly hard hit by the downturn with ship-owners reporting lower profits, container volumes down, reduced shipbuilding orders, and less repair and maintenance work for the shipyards.

The decline in shipping comes after about a decade of booming growth. This booming growth, with excess demand for shipping services running ahead of supply, led ship-owners to expand their capacity and order new ships to meet the demand. In a classic manifestation of the economist's "cobweb cycle", this expansion has led now to marked over-supply of shipping and reduced the prices of shipping services. Due to ships already under construction being completed, the global super-tanker fleet is expected to show a net increase in 2009 of about 11%, adding to the glut of vessels available and the numbers of ships laid up.

Implications for Maritime Security

The implications for maritime security are both direct and indirect. Direct implications flow from increased numbers of unemployed seafarers and larger numbers of laid up ships, possibly in anchorages that are prone to acts of armed robbery against ships, as well as the possibility that ship-owners may take “short cuts” with safety and security measures as they try to reduce operating costs. Indirect implications include possibly increased criminal activity at sea and risks of environmental pollution arising from various sources, such as more ships being broken up, and the possibility that ships may become less well maintained and operated.

Many new security measures were introduced in international shipping following 9/11, notably as part of the International Shipping and Port Facility Security (ISPS) Code. Maritime industry now has a vastly different security culture and regulatory environment to what it had prior to 9/11.

Considerable costs were involved in implementing these new measures, but the industry was booming at the time, and ship-owners and port operators accepted these costs as part of doing business. Their operating environment is now very different, and they may become less willing to absorb these costs and try to cut back on some measures.

Laid Up Ships in Asian Ports

Shipping companies have been withdrawing ships from service, and placing them at anchor indefinitely. Many of these ships are anchored off Hong Kong, Singapore and other Southeast Asian ports, where they are at risk of being boarded and robbed by opportunistic sea robbers. The risks of collision are also higher, particularly at night, as ships seek to anchor or navigate their way through crowded anchorages.

Laid up ships are major problems for marine authorities, including with providing additional security. Singapore has denied that any ships are lying idle in Singapore waters. However, many ships are laid up in nearby Malaysian and Indonesian waters where security may not be as tight. The anchorage in the eastern part of the Singapore Strait is outside Singaporean territorial waters and is the preferred location for ship-owners to lay up their ships or take on bunkers as they do not have to pay anchorage fees.

Ships are at greater risk of being attacked while they are at anchor or in port, where their vulnerability is not a function of their size or type. Any may be attacked at anchor if proper precautions are not taken and the waters not well patrolled. As a consequence of greater numbers of ships at anchor,

increased incidents of armed robbery on ships at anchor have occurred in Malaysian waters in the eastern anchorage of Singapore Strait off Tanjung Ayam in neighbouring Johor, Malaysia.

Unemployed Seafarers

Cut-backs in the international shipping industry could lead to increased numbers of unemployed seafarers in Indonesia and the Philippines; both are countries that supply large numbers of seafarers to international shipping. An associated problem is that those who are employed may have had their wages reduced as labour market forces set in, or have experienced a cut in their conditions of service.

The marginalisation of maritime-oriented people, such as fishermen and seafarers, has been identified by researchers before as one of the causes of piracy in Southeast Asia.

Increased Safety and Security Risks

Some ship-owners may be tempted to cut corners by employing cheaper crews, reducing crew numbers, and lowering maintenance standards. Det Norske Veritas, the Norwegian ship classification society, found recently that some owners are skimping on maintenance budgets. This cost-cutting could increase the risks of accidents at sea, including groundings, collisions and ship losses, with a greater possibility of marine pollution.

While there are some indications that the slump in international shipping may have bottomed out, the shipping recession has changed the maritime security environment. Some changes are a good thing as they may have tempered possible over-reactions to the threat of maritime terrorism evident post 9/11. A rather more rational risk assessment approach to maritime security is evident with higher risk ships and port facilities still receiving attention, while lower risk ones are less affected.

The most serious implications of the shipping recession for maritime security are associated with the impact on seafarers. Underpaid and overworked seafarers are not conducive to maritime security. There are indications that the shipping recession has led to a reduction both in the size of crews and in crew wages and conditions of service. Reversing these trends poses a great challenge for flag States, ship-owners, ship-owning associations, seafarer unions, and the International Maritime Organization (IMO).

Sam Bateman is Senior Fellow in the Maritime Security Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. He is a former Australian naval officer who recently observed first hand the practical problems of maritime security when he travelled from Hong Kong to Europe by container ship.