IMPROVING SHIP REGISTER: TRADITIONAL REGISTRY VERSUS
FLAG OF CONVENIENCE

SYED KHAWAR ALI SHAH¹, KANWAR MUHAMMAD JAVED IQBAL²,*

¹Vice Admiral retired and former Director General / Honorary Fellow, National Institute of Maritime Affairs, Bahria University, Islamabad, Pakistan
² *National Institute of Maritime Affairs, Bahria University, Islamabad, Pakistan (Corresponding author, E-mail: kanwar.javediqbal@gmail.com)

Abstract: The contemporary period of worldwide Shipping industry has observed fluctuating movements in ship registration procedures previously traditional and now to open registries, a substitute option for the business as usual practices. Afterwards the 20th century, the Flag of Conveniences (FOCs) have moulded a huge economic footprint worldwide with their increasing tonnage, hence influenced the traditional registry within the two processes. The shipping sector of Pakistan has not lived upon its full potential. The global share of Pakistani shipping market has shrunk during last three decades and there are several reasons including registration procedures of ships which is now a significant and major problem. Pakistan’s Ship registry procedure, though in compliance with international obligations, is an influential problem due to the close registry, and lengthy as well as burdensome process. The MSO 2001 ship’s registration rule, Merchant Marine Policy (MMP) of Pakistan 2001, and Ship Registration Rules 2002 govern the registry of ships. However, based on analysis, the current study argues that Pakistan requires revamping of its registry as well as legal/institutional/policy framework by reformulation and promulgation of fresh new version of MMP as the recent amendments have not curtailed the real issues so far outstanding vis-a-vis matter related to the ship registry procedure, in order to harness the real potential of shipping sector. It needs to formulate policies within the context of modern practices of FOCs as well as domestic registration, and at the same moment addressing the requirements to come across the responsibilities internationally.

Keywords: Flag of Convenience, Open Registries, Close Register, Merchant Marine Policy, MSO 2001, and Registration Rules

INTRODUCTION
Shipping is a highly capital intensive business with cyclical nature and sensitive to global events, thus regarded as a high risk and high reward industry. There is an immense growth potential in this industry which is essential to be harnessed through enabling policies, procedures and regulatory frameworks. Ship registry plays a significant role in shipping business across the world. Shifting trends have been witnessed in the contemporary global shipping sector from traditional to open registry processes while offering a substitute option to the possessor for suitability of flag overcoming the business as usual practices. In worldwide shipping industry, open registry of a Flag of Convenience (FOC) is a distinct phenomenon. FOC is a specific business activity involving the registration of a seller’s vessel in a nation other than native country. Such a ship flies the flag of country where it is registered. Open registry is the most suitable term that has been used for FOC to describe a firm which will permit ship held by foreign nationals (Chen et al., 2017). In last 30 years, the FOC tonnage is at a steadily rising trend. The FOC fleet would keep on increasing till the time FOC device is donating substantial cost dropping while revenue maximizing features to the maritime domain. There is sufficient historic proof which
supports the conversion of flag to another for economic and regulatory purposes in different countries (Metaxas, 1981).

Amidst 20th century, FOC have created a large economic footprint and brought benefits for the economic operators as well as the open registries globally. In such a case, open registries impacted the old registries as they were converging the two procedures (Mitroussi & Marlow, 2010). There are various conflicts concerning different checks for being a member of open registries like labour and safety regulations. The importance of outstanding issues has been realized by the open registries like Panama which approved the ILO’s Maritime Labour Convention 2006 by highlighting the requirements for improvement in the criteria of safety in February 2009 (Ahmad et al., 2019). Moreover, they succeeded in supporting and refining their repute by endorsement of the agreements (Piniella et al., 2017). Therefore, convergence is the necessity to abide by the global conventions by the FOCs and need of the national flag to enhance commercial competitiveness (Kyriaki Mitroussi & Arghyrou, 2016).

The shipping sector of Pakistan has not subsisted up to the mark which can largely upkeep the national economy. Procedure of the ship registration in Pakistan is in-line with international obligations. However, reality cannot be neglected that country’s universal contribution in the shipping sector has minimized with the passage of time. There is minute share by the private sector because of various factors, so registration of ship is a major challenge. “Pakistan Merchant Marine Policy (MMP) 2001”, “Ship’s registration clause under MSO 2001 and Ship Registration Rules 2002” govern the ship’s registry along-with other essential matters pertaining to the sector of shipping. The provisions of MMP 2001 were made till the year 2020 that is why the policy document was amended (GoP, 2019) during November 2019 by the Federal Government, extending it till the year 2030. Government of Pakistan launched the same amended version of MMP 2001 in August 2020. Efforts were made to promote home shipping under Pakistani flag through some amendments. But, still there are prevailing outstanding problems concerning the procedure of registering ships which are still required to be addressed. The current version of MMP is regarded as an amended policy rather than a new one. Only 4 out of these 12 paras of the policy have been amended. The few changes are primarily the changes of 2020 to 2030 while figures of trade, freight etc. have not been updated as continued with the old text vide para 1.

Based on analysis, the current study argues that Pakistan requires reformulating and promulgating a fresh new version of “Pakistan Merchant Marine Policy 2001” as the recent amendments have not curtailed the real issues so far outstanding viz-a-viz matter related to the ship registry procedure, in order to harness the real potential of shipping sector. It needs to formulate policies within the context of modern practices of FOCs as well as domestic registration, and at the same moment addressing the requirements to come across the responsibilities internationally, such as ILO’s and MLC’s ratification of Panama.

METHODOLOGY

This research paper is an offshoot of a flagship study of National Institutional of Maritime Affairs (NIMA) on Pakistan’s Shipping Sector; by the authors of this paper. Within the policy framework, aim of this paper was in-depth examination of the topic of immense importance i.e. FOC practices and comparison for policy choices and procedures for the country. This paper has employed qualitative method. In the initial stage, a range of relevant opinions and analysis have been taken into account generated by experts and relevant documents at domestic and international level from different peer reviewed publications. At the second stage, the paper has listed down the key issues based on thematic and content analysis. At third stage, this paper draws inferences by employing “Problem Tree Analysis” and proposes policy recommendations for implementation of ships registry.

The last stage was to publish the outcome of this study as part of NIMA’s flagship report and subsequently in peer review journal and also in the form of newspaper articles so that maximum advocacy can be achieved of this important issue of applied policy research. Since the topic is very unique and very limited peer reviewed literature available, so it was a very challenging task to take into account the latest critical aspects. However; the most relevant national documents i.e. MMP 2001 and its revised version 7 issued by the Government of Pakistan vide “SRO No. 2(5)/2017.Estt. dated 15 November 2019”, MSO 2001 and Ship Registry rules 2002 were scrutinized in-depth by means of content analysis and having expert opinion on them through key informant interviews and focus talk sessions.
HISTORICAL EVOLUTION OF FLAG OF CONVENIENCE

In early eighteenth century, ships which were sailed under a flag became formalized. According to universal law a ship of more than specific tonnage needs to be registered under the State’s flag. Flags are being given to their national ships by some states, for the sake of ratification of the power over these ships and declared that the decree and jurisdiction of the state applies to that Ship. Nationality is given by the countries to their Ships (Piniella et al., 2017) and a country where non-national’s ship is registered is known to offer open register, alternatively the ship is held to have Flag of Convenience (FOC). In the beginning of 1900s the United States congress stated that their ships could not stay in competition with Shipping Line Conference participants who entered an alliance or cartel and gained power to indulge in predatory pricing so that outsiders can be eliminated from shipping trade. Later on in 1920 after realizing this situation, United States congress legislated the act of Merchant Marine that is called as Jones Act. This acts states that the goods concerning two ports of USA would be transported by the vessels with American flag; that are being crewed and built-up in US Shipyards by the American Nationals. Resultantly, US ship owners got frustrated by augmented regulations as well as rising costs of labour costs and started to register ships in Panama (Sani, 2017). In 1992, first ship under FOC was registered in Panama and the attraction of FOC was because of relaxed rules about age of the ship and its state, anonymous possession, cheap crew and tax exemption.

After the 2nd world war, flag of convenience increased exponentially but numerous ships significantly remained low under Panama and Liberian flags. In 1948, the Liberian registry of ships was opened and the head office was in Virginia. In such a case, the registry of ships had become a source of income for Panama and Liberia and open registry started in these countries. The ship building and Ship operations in USA have greatly subsidized since 1936 and onwards in order to make the American shipping industry competitive although US owned ships’ share of FOC sustained to increase. US became an extremely high cost ship operator by the 1950s; resultantly its Merchant Marine went through a rapid decline. As per the examples of Liberia and Panama, number of nations also started an open registry procedure; one of them was the Lebanese flag that has increased promptly in the 1960s. Due to limit on life and state of ships, this has led to the deterioration of the Lebanese registry. In 1960, the Somali flagged ships were not in positive control of the country and a small number of their vessels as well as ships departed to Vietnam amid US and Vietnam’s war. As a result, US ended up financial aid to Somalia. An additional gloomy angle of FOCs is South Africa when Israel has exploited them expansively.

In 1960s, FOCs attained increased popularity and in the mid of this century Liberia surpassed UK as having biggest major Ship Registry. During 1970s, a UK commissioned study was conducted to explore the reasons behind deterioration in United Kingdom’s registry. Following reasons were identified for growth of FOCs by the UK committee led by Lord Rochdale (TOH & PHANG, 1993):

a. The registration of non-citizen’s owned vessels to be allowed by the country’s registry.

b. The accessibility to registry would be easy.

c. Tax on income received from ships is not imposed locally. Only registry and an annual fee are to be paid.

d. The country had a least power without national obligations and requirements to acquire ships during insurgency or in the time of war and emergency.

e. Shipping management by foreign countries is freely permitted.

In 1970 many nations’ open registries were neither based on administrative mechanism nor did they have power in implementing any effective regulations nationally or internationally regarding regulation of ships flying their flag. At the same time, flag of convenience has continued to be deliberated as poor quality registry in comparison to closed registries due to relaxed requirements and the leverage given to ship owners for employing seamen from any country. To resolve this issue relating to the shipping sectors, leading FOC countries started to delegate their numerous obligations, rules, and inspection’s roles for their ships to standardize the classifications of societies internationally with nautical surveyors. It has not only been allowed as per Maritime Laws but also it relieves the position of its special shipping accountability as imposed according to the UNCLOS’s article 94(1). Various FOCs increased rapidly because of tax havens, where unknown owners were able to work, trade ships under FOCs simply and sometimes these possessors used to behave unethically (Hamad, 2016). The sailing of substandard ships, marine pollution, fishing illegally, and misuse of Seafarers and non-governed ships are the...
major violations. Since 1971, the countries with flag of convenience were increased from early three countries namely Liberia, Panama, and Honduras to 13 more countries including; Singapore, Somalia, Malta, Morocco, Greece, Sri Lanka, Costa Rica, Cyprus, Maldives, Vanuatu, Dominican Republic, Lebanon, and Nicaragua. However, Singapore was uncommon for FOC countries being capable of adopting International conventions as well as ship registration and regulation. Later, this was called as quasi open registry.

FOC AND INTERNATIONAL OBLIGATIONS

In response to nonconformity of FOCs to sustain ships adequately and treat the Seafarers managing them equitably, it was agreed by the European countries to examine FOC ships coming to their ports, this was named as Port State Control (PSC). It is an examination rule to review country’s ships other than owned by the natives of the flag country. The examinations were to administer Ships visiting the European ports were in complying with SOLAS; International conventions of International Labour Organization (ILO); training standards, watch keeping, and certification for Seafarers (STCW) and Marine Pollution (MARPOL). Later, some non-European countries were included and this emerged as Paris MOU. Inspections included the competency of the master and the crew, state of Machinery, Hull and Equipment. The Paris MoU started categorization of the FOC Ships into three lists White, Grey and Black based on the PSC Inspections. Ships under Black list were not allowed in Paris MoU countries or were detained till deficiencies could be removed. Modelled on Paris MoU, more regional MoUs were signed including Tokyo (Pacific), Riyadh (Persian Gulf), Central and South America, Mediterranean, Abuja (West Central Atlantic Africa), Indian Ocean, Caribbean and the Black Sea MoU. This led to improvements in FOC ships and registries.

Another issue which still persists is Illegal fishing under FOC (Miller & Sumaila, 2014). Illegal, Unreported and Unregulated (IUU) or private fishing is plundering fish stocks, devastating Marine Environments and stealing from some of the poorest people of the world. Globally private fishing as per estimates accounts for $10-28 Billion a year, representing 11-26 M tons of fish. Many deliberately target poor countries. FOCs reduce the operating costs in absence of any taxes. Vessels can re-flag and change names many times in a season. This practice is known as flag hopping. The owners remain hidden and offshore shell companies operate these fishing vessels. Such type of fishing vessels are supported by large Refrigerated transport Vessels (Reefers), who have been implicated in Illegal Fishing. Virtually all Reefers fly FOCs. These vessels allow fishing vessels in an area to trans-ship their cargoes and re-crew; without the need of the fishing vessel to return to a port and re-fuel (Hamad, 2016).

United Nations recognizing the need to promote the orderly growth of world shipping promulgated Convention on the Law of the Sea (UNCLOS) 1958 and later UNCTAD 1986 further elaborated that there must be a genuine link between the Ship and the State. The Flag State must have adequate maritime administration. The Flag State should ensure its responsibility to manage and operate the ships and their registry to those who would work voluntarily and they should be accountable. The Nations would have to fix the grants and circumstances to its people. Every nation either it is land based or coastal based area would have its own right for sailing their ships flying its flag. In addition, the land based nations are 48 and out of them numerous have initiated their registers; noticeable amongst them are Austria, Ethiopia, Luxemburg, and Mongolia where aflag cannot be changed excluding real transfers. The state of flag would implement an appropriate international rule and regulation with its standards. The Flag country will have to guarantee safety measures for its ships as well as for individuals on-board and deterrence of public. In addition, permitted documents should be carried by ships on-board. In such a case, ships must be occasionally surveyed by its sanctioned evaluators and surveyors. According to Flag state article no 10, it should be verifying the accountability of individual and owner for payments of ship’s liabilities and its financial management in case of repatriation to other parties. On the other hand, according to article no.12 it is allowed to bareboat charterer to fly the flag. Ship’s regime examination was called as Port State Control in which all ships fulfilling compulsory inspection after IMO’s resolution of A.1052 (27) (Dickie, 2014).

FOC VS NATIONAL LINES

Subsequently with the development of flag of convenience, it can be understand in a good way if the concept will be associated with the conventional one within the National Shipping Industry. What exactly National Shipping company constitutes varies because of distinct evolution and economies of countries.
Broadly, the capital and resources of the shipping line within a country are National Lines. In 1960s, United Nations intimated workforce to provide poorer nations with better trade facilities in global market (Song & Panayides, 2015) and in 1986 UNCTAD further stated that there is to be a direct link between Shipping sector and the trading capability of a country. Developing nations having smaller number of ships are monopolistically charged in most of the developed countries. In 1974, UN developed a liner code which emphasized on the implementation of the rule 40/40/20; where 45% of traded cargo would be allowed to every business partners and independent shippers around 20%. Notwithstanding, the FOC cannot be directly compared with national line due to its competitiveness, zerotaxation, and ease of transferring and mortgage of shipping could be done with much more comfort. Though, following motives for national lines have been developed:

a. To reach-out the mandate of UN i.e. 40% cargo would be carried.
b. If the delivery of services would be inefficient for economic activities, then the commercial standards would be fulfilling with requirement for the purpose of economic development.
c. If war prevails or while transferring delicate cargo; possessed ships could be requisitioned.
d. Respect of the Nation.
e. Foreign exchange intends to save to the Balance of payment.
f. Defence of home-based shipping would be ensured alongside competing with lesser cost international firms.
g. Continuous trade in the time of war would be ensured by the companies.

FOC STRENGTHS

The development of FOC noticeably demonstrates that it has continued to expand in last couple of years. Another worthy point to mention is that of Malta and Cyprus. The Cyprus registration was opened in 1963 while Malta opened up in 1973. European Union was joined by both countries in 2004, this is known as integrated and most regulated system and it has created a dilemma when both countries joined FOCs. This was tolerated in the beginning but later because of numerous litigations on shipping in EU courts, FOCs were at last legitimized. The European Union Commission tried to link the Shipping sector and the State. In addition, the court has decided in EU that it is not essential to have any link between owner and the country to carry the ships and its management from that country (Dilday, 2015). Initially, Germany and France had the traditional system of registry; later on they opened International registry system. In addition, saving has increased from 14% to 17% due to the competitiveness of Flag of convenience to the owners of ship, which is quite substantial (Carleen O’Loughlin, 1969). The majority of taxes which were linked with closed registry, the profits fell within shipping lines it has depreciated and increased cost of capital of ships. Ship owners cannot replace their ships until and unless an adequate profit can be retained to counteract the prices when they become outmoded and old. Though, majority of Maritime states have made allowances in addressing taxation issues but they are not sufficient to offset the benefits in the virtually tax free profits of the Flag of convenience. Current reality considers vessels owned by foreign being registered not only in an open registers but also in quasi open registers belonging to old-fashioned national flags, as the relaxation of fiscal regimes and employment related requirements like operating have developed a universal character (Kyriaki Mitroussi & Arghyrou, 2016). FOCs were 71% of the world shipping in 2015 and top open registry system including Panama, the Marshall Islands and Liberia, at the beginning of 2015 accounted for more than 41.5% of world shipping, which is over 1.7 billion Dwt (UNCTAD, 2015). In 2017, the world Merchant Fleet of 100 gross tonnage or more numbered 90,715 ships (Equasis, 2017).

A contemporary top FOC registry provides 24/7 services. A ship can be registered or deleted in few hours and all formalities completed. All services are web based with a worldwide network of offices. Liberia has Ecorp; the world’s premier electronic corporate registry which is confidential, no audit or annual reporting, exempt from Liberian income and tax laws and it is in OECD white list. The Liberian Maritime law allows waivers for sea going vessels less than 500 tons and also age of the ship can be waived off even if it is more than 20 years old. Scott Berenson of Liberian International corporate registry defends the FOCs by saying that in 2012, Liberia was one of 13 Flags which have been given a clean bill of health by the International Chamber of Shipping (ICS) in its Flag State Performance Table. The criteria is based on conventions ratified, age of vessels, IMO attendance and completion of standards of training.
World’s top registry as of 2015 is Panama with 8351 ships registered. Currently, access to Panama registry is very easy; ship owners choose a ship register for the convenience of shipping operations, with minimal interference from a flag state (Piniella et al., 2017). A registry fee based on tonnage is the only charge made and the manning of ships is freely permitted. The Panamanian ship registry has more than 64 maritime private consulates and 9 technical offices worldwide, operating on 24/7 basis. The registration process is automated and takes a maximum of four hours. Panama is also a tax haven where the capital and owner remains unidentified. Other incentive for the owner of the ships is the Panama’s ratification of the conventions connected to shipping which were the Paris’ white list as well as the Memorandum of understanding of Tokyo. In addition, crucial decision was the selection of flag with regards to the operations of the ship. This has played asignificant role in maritime policies nationally and internationally. The secretary general of IMO, Koji Sekimizu in 2015 has remarked the Flag of Convenience as global registry (Commonwealth of Australia, 2016). In addition, the similarity of the flag of convenience and state of flag authenticate low quality of vessel because of traditional operations and affairs of maritime sector with low quality flag ships with an open registry (Luo et al., 2013). However, the reason for low quality flagging in shipping sector by flag of convenience is now an essential tool to evade imminent into PSC’s black and greylist (C. A. Shah, 2017). Moreover, in this competitive contemporary era it is necessary to reduce the shipping cost of maritime sector. It is determined that flag of convenience have enhanced and some of them are even improved than traditional registries of ships while becoming a true global phenomenon in maritime sector.

THE SITUATION OF PAKISTAN

The merchant marine policy 2001 administers the Ship’s registry along with other essential matters pertaining to the sector of shipping and its flexible policies would bear per international registry. Originally, MMP was first introduced in the year 2001 and its provisions were made till the year 2020. However, the original arrangements were extended till 2030 during November 2019 with some additional amendments vide S.R.O No.2(5)/2017.Estt. dated 15th November 2019.

The policy document available on the website of MoMA shows that Government of Pakistan (GoP) launched (Ali, 2020) the amended version of MMP (GoP, 2019) during August 2020 rather than a fresh new document. Only 4 out of these 12 paras of the policy have been amended and there is no change in the name and year of the policy that’s why the current version of MMP is regarded as an amended policy rather than a new one.

GoP made efforts to promote home shipping under Pakistani flag. But, still there are prevailing outstanding problems concerning the procedure of registering ships which are still required to be addressed. There was no improvement done so far to the issue of close ship registry as the relevant clause of MMP remained same.

Review of Merchant Marine Policy 2001 - Background and Amendment

Considering the potentiality of maritime sector, a policy known as “Pakistan Merchant Marine Policy 2001” was formulated by the Government of Pakistan to create a workable and an investor friendly environment. This policy provided an enabling atmosphere, which through deregulation, streamlined procedures, assurances and inducements aided in creating the desired settings. However, it remained a challenge to appeal the engagement of private sector for investment to establish and ensure high visibility of Pakistan’s shipping industry; behind which were various factors including the mistrust of the stakeholders on continuation of the policies and cumbersome dominating procedures under the prevailing legal arrangements in the form of “Merchant Shipping Ordinance (MSO) 2001”. Actually, the provisions of the Policy were made till the year 2020, ultimately the policy document was revised by the Federal Government vide “SRO No. 2(5)/2017.Estt. dated 15 November 2019” and prolonged till the year 2030. It is a good thing that the present setup has made this amendment and it comprises of good aspects in it which should be appreciated. On the other hand, there are aspects which probably could have been addressed in a better way. Those shortcomings must be critically analysed so that improvement can be made.

Strengths of MMP: Pakistan’s 1st MMP was issued in August 2001 which was a good thing to happen at that time. Since then things have changed tremendously as seaborne trade is almost doubled and its freight is also increased substantially i.e. above 3 Billion US$ per annum (S. K. A. Shah et al., 2019). The salient provisions of
amended policy show some significant modifications like the application of FOB mechanism in real letter and spirit, extension of tax breaks till 2030, 0.75$ tonnage tax based on Gross Registered Tonnage (GRT) per annum for new Pakistani resident owning-ships companies for the initial five years, no direct and indirect taxes, decreased taxes for private bodies, providing cargo preference to nationally held and operated vessels, provision of 40% of cargo related to G2G oil import contracts for PNSC and G2G contracts mainly for the LNG import to be dealt on FOB basis and the consignments to me sent through national flag carrier, and PNSC’s first right of refusal on hydrocarbon cargoes imported on the basis of FOB with the payments in Pakistani Rupees. Hopefully this will help significantly in saving the foreign exchange. Especially after 2001 policy, it was a brave and a good policy for that time. People did not come to commercial aspect of shipping especially after 2006 when two ships were inducted and one by omega shipping, pure commercial poor performance of the ship was the only reason for not surviving and only after year or two they sort of went to Ship Graveyard at Gadani. FOB instrument is the most significant amendment which would help-out Pakistan from the problem of Foreign exchange savings as there are numerous government examples. They have already tried to assist the shipping of their own by necessitating the exports be shipped CIF and imports on FOB basis. However, it was crucial for implementation because many freedom restrictions for choices of carrying were likely to discourage the trade. With the help of affirmative actions, many governments supported their shipping. USA was the top capitalist country to protect its marine merchant policy with the help of jones’ Act which directed all merchant ships employed in indigenous trade under the Flag of USA and built ships with crews of America. Tax breaks have also given to its shipping sector by Japan, US$ 5.7B has been provided by Korea, 1.7B by Taiwan, and 1.3B by China to their shipping sectors. In this case, there are many success stories such as Ethiopia that is landlocked nation which has now bigger fleet than Pakistan. National Bank of Ethiopia issued some directives of FOB in May 2000 explaining that imports by transported through sea should be made by country’s carrier. As a result, now in Ethiopia freights are charged by buyers and directives are applying FE paid imports and this has led to save the Ethiopian’s FOB.

**Weaknesses of MMP:** Policy is regarded as an amended policy rather than a new one. Only 4 out of these 12 paras of the policy have been amended, few changes are primarily the changes of 2020 to 2030 while figures of trade, freight etc. have not been updated. They still talk about monitoring reports etc. to the Ministry of Communications and it does not even mention MoMA. It mentions of a standing committee under the Secretary Ministry of Communications for review and update of the policy meeting and report to them in July of every year. The Pakistan’s MMP also provides various taxation benefits on the purchase of vessels and on the income earned from their operations. However, these incentives were withdrawn through the practices of Finance Bill as well as ECC’s decisions from time to time and reinstated thus, rendering them inconsistent for long term planning purpose. The policies based on FOB and intensives should require to be safeguarded. No doubt, some of intensives were re-adjusted by the government of Pakistan in 2013 and it affected adversely the new ships even by PNSC also. As whole, this alteration in duties has assured enticements for twenty years for industries such as capital intensive. This is the reason, where no induction of updated policy for tonnage in the maritime policy of Pakistan fleeted by the private sector. Numerous attributes of stakeholders, which lacks the private sector’s interest, while changing maritime policies it was hardly ever materialized in all the context and whole-hearted manner, that is an indicative for SRO being the weak instrument. The small companies having limited annual operation, the GRT bases taxation policy is being considered irrational.

There are a number of challenges coming up within the shipping industry including digitalization, internationalization and regulation of the shipping sector. The procedure of ships registry is a still a crucial issue of close register and cumbersome process. Pakistan needs to put in place an open registry on modern trends of FOC which would be critically important for the attraction of private sector and foreign investment. As according to the policy, there are three registries in including; Temporary, Permanent, and a Second Registry. In such a case, Pakistan has a “closed register” and it was consisting of two parts, one is used for those vessels going to foreign countries, while another for Inland Ships/Boats. The owner must to be a Pakistani citizen or the “ship’s company” must be registered in Pakistan and its management and operations have to be controlled inside Pakistan. The registration processes is prolonged and cumbersome e.g., the permission of the ship’s name has to be taken from the establishments before its registration, then new name would be advertised in a reputable
paper. In addition, in front of shipping registrar the registration form has to be signed. The requirement has to be original bill of sale accordingly attested as well as original deletion certificate from the Flag State. The ship’s procedure for the location of a ship outside Pakistan involves sending the registration form to the most nearest Pakistani consulate / or embassy for delivery to the ports, while someone should be sent from the Embassy to check, verify and report about the ship to be registered. This is certainly a crucial process where dissimilar tiers of bureaucracy have involved and could not be done without losing huge amount of money for the owners of ships. The registrar’s Office would be accountable for numerous inspections for which it does not have requisite qualified staff. In addition, Pakistan registry procedure is not much competitive to maintain the transactions within time due to lack of staff, their skills, inefficient capabilities of labour force, and lack of automation (Iqbal, 2019).

One of the main interruption for investors is their deletion from registry procedure as in the last couple of decades due to the obligation of an NOC from customs resulted in lengthy process due to which the owners of ship suffered greater economic losses. The former owners of shipping sector frequently laid the blame on federal board of revenue (Iqbal, 2020) and its customs policies the owners are in doubt about the mechanism of government that made them risky to invest in shipping sector. In addition, other difficulties are importantly required to address them for the registry of crew in Pakistan that makes this procedure difficult for the provision of crews in foreign countries. In nutshell, it is a good thing that the policy has been amended but surely there is a need to do much more to have real impact and accrue maximum benefits for the national economy for exploitation of all elements of blue economy in a planned and synergetic way. It has been emphasized that even this policy is being amended, but the Merchant Marine Ordinance has not been amended or revised which is much more important. Just few amendments on that to basically change the years from 2020 to 2030 and declaring this shipping industry as a strategic industry is not a workable solution. The current modifications are acceptable to some extent and mainly effective for shipping operators owned by the government. However, for privately owned ships would be significant step by Pakistan’s government if it formulates and promulgates fresh new versions of MMP 2001 amended 2019, the “Merchant Shipping Rule 2002 (Registration of Ships) vide S.R.O. 30 (KE)/2003” and “MSO-LII of 2001” by considering all the aspects and unresolved problems. Furthermore, twenty years of policy have not produced results and extending their period for 10 years is only asking for another disaster. The present policy does not encourage private ship owner to come. The changes that have been made are irrelevant in drawing a businessman into the shipping sector. However, these changes are ‘fine’ because some tariffs are being reduced but these are not the things wanted by the ship owners. It has been identified that private investors want no interference of the government, want to operate ships coming to harbour and move their money freely. As shipping is a highly capital intensive industry, long-term planning is critical for ensuring that projects move forward. Consistent long term policies and a focus on ease of doing business with developing the culture of efficiency will attract people to invest their money in the shipping sector. It is also understood that the policies need to be dynamic in nature rather than being static.

CONCLUSION
In conclusion, if Pakistan desires to compete in shipping globally then it must ensure the registration policy is in accordance with International requirements. Registration of ships in Pakistan was unable to appeal to the shipping sector; because of problems in the implementation of the provisions of the policy and registration rules under MSO 2001. Having the availability of cheapest trained community of seafarers; it is the lack of capability of MMD for the coordination of customsof shipping sector and federal board of revenue which discouraged the potential of the owners of shipping sector. There is also inappropriate effort and insufficient skills to adequately utilize the provision under MMP 2001 and boosting the sizeof shipping sector. The suspicion of investors, bureaucracy and the vagueness regarding extension of the policy was a challenging factor preventing in achieving the maritime objectives in Shipping Sector of Pakistan. The “Mercantile Marine Department” is the back-bone of Pakistan’s shipping sector but lacks capacity. For this purpose, a “comprehensive manpower audit”, and research based survey are required immediately to indicate the upcoming potentials and capacities of the authorities. To fulfil its functions, there is a need to bring computerization and automation. Moreover, the MMP has promulgated in 2001 and subsequently amended in 2019 without addressing the issues of ship
registry guiding clause. Numerous recent international agreements have been ratified that require more investigation and incorporation into the rules of the business. Because of the inefficient capacity, complexities in its procedures, administrative red tape; the “Federal Board of Revenue” or “Customs” not ensuing the essence of the policy; its purpose has not been attained by a long degree regardless of excessive and substantial incentives provided. Pakistan requires revamping of its registry as well as legal/institutional/policy framework by reformulation and promulgation of fresh new version of MMP as the recent amendments have not curtailed the real issues so far outstanding viz-a-viz matter related to the ship registry procedure, in order to harness the real potential of shipping sector. It needs to formulate policies within the context of modern practices of FOCs as well as domestic registration, and at the same moment addressing the requirements to come across the responsibilities internationally.

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