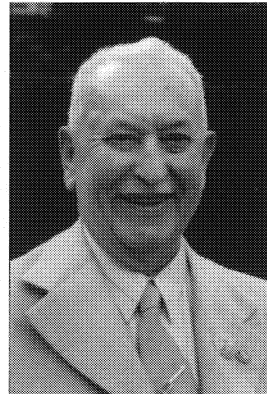


Chapter Fourteen

Flags of Convenience

Switching flags at the stern of a ship had always been a good ruse for shipowners anxious to disguise true ownership. Dutch and British merchants used Swedish neutrality during various skirmishes between the countries in the seventeenth century and many Irish shipowners preferred the French flag to the British before independence. British shipowners in the nineteenth century looked to Scandinavia for cheaper crews and Charles Lindley, one of the founders of the ITF in 1896, was a Swede who served in the British merchant fleet.

But it was not until the twentieth century that shipowners began to use the tactic to systematically cut costs, pay low wages and avoid safety regulations. The United America Line was the first to spot the opportunities of sailing outside the reach of domestic controls. Its fleet, the first under the Panamanian flag, was able to circumvent the 1920s US prohibition restrictions on the sale of alcohol and allowed rich Americans to drink, dance and gamble to their hearts' content. The decision was defended on the grounds that if the company did not reflag, it would not be able to compete with foreign shipowners.



Charles Lindley at the ITF's 21st congress in 1950 in Stuttgart, Germany. Lindley, who attended the ITF's foundation meeting in 1896, was active in the organisation throughout his life and was President of the ITF between 1933 and 1946.

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Although the spread of ships using first the Panamanian flag and then that of Honduras was quite modest before the Second World War, ITF affiliates had already seen the danger signs and demanded that the issue be discussed at the Joint Maritime Commission of the ILO in 1933. The ITF declared: 'Considerably lower social standards prevailed for seafarers on these ships, despite the fact that in practice, the ownership of vessels had not changed hands. These feigned transfers put at risk the employment and working conditions of seafarers, and created unfair competition for other shipowners in the country.'

By the outbreak of the Second World War 130 ships of around 1m tonnes were flying the Panamanian flag while the Honduran registry had a total of 27 vessels. Flagging out during the early stages of the war allowed US ships to avoid the impact of America's neutrality and its ban on vessels entering the European war zone. The pattern had been set for what would become a huge growth in trade when the war ended in 1945.

Panama was the main recipient for the increase in flagging-out and the ITF demanded that the ILO carried out an investigation of the registry. It knew that shipowners were using Panama to avoid safety regulations. They used the flag to pay lower wages with worse social conditions as the Panamanian fleet grew rapidly to become the fourth largest in the world after the US, Britain and Norway. As more and more affiliates began to be affected, calls grew for action to be taken.

At the ITF congress in Oslo in 1948, a boycott was announced. A strong statement said an international boycott was the only way of eliminating the threat from

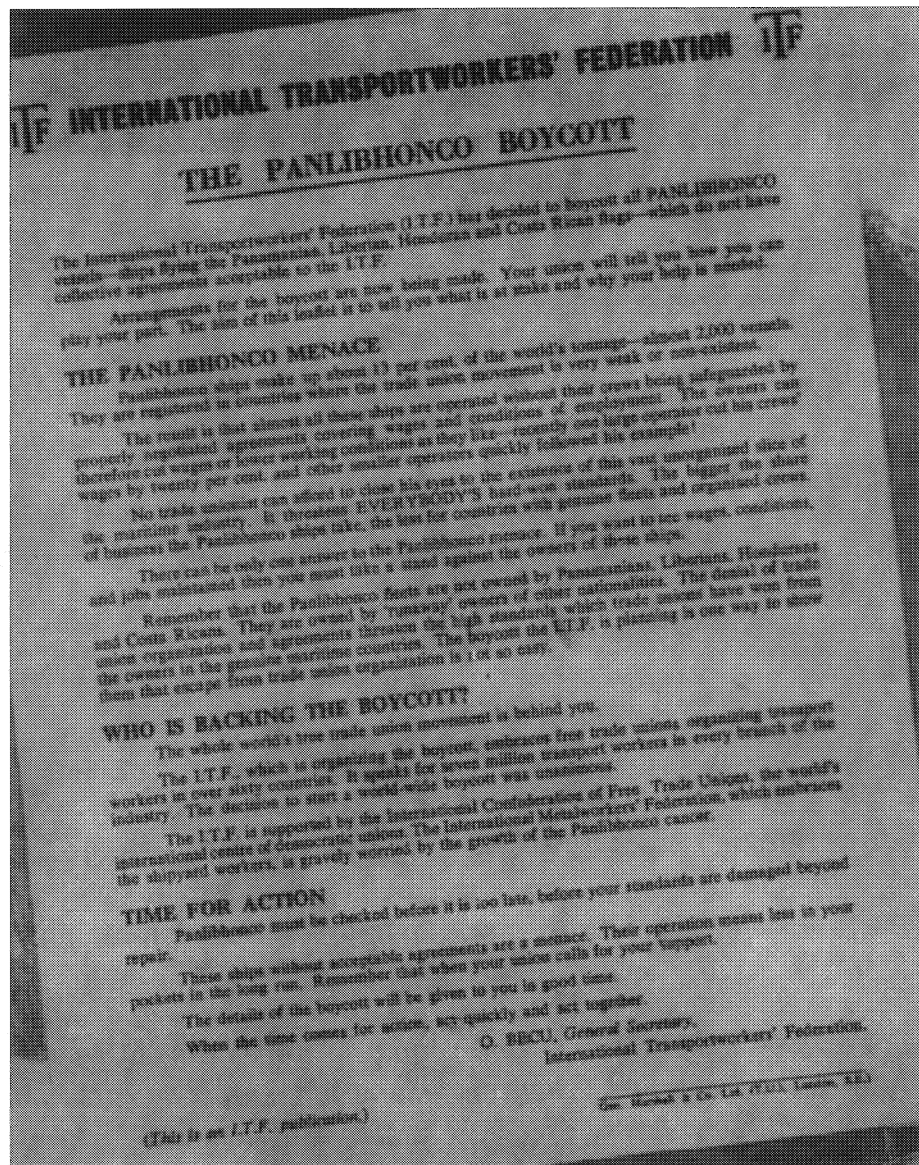
Flags of Convenience

the open registries of Panama and Honduras. The boycott was to take place from the date of the next seafarers' conference, 1 May 1949. A special joint seafarers' and dockers' committee, later to become the Fair Practices Committee, was formed to run the campaign. But a few weeks before the deadline, the Panamanian government asked for talks and the ITF postponed its action until after a special conference was held in Washington in July.

A succession of draft agreements, ILO interventions and a string of broken promises came to nothing and by 1950 all negotiations with Panama were halted. The ITF started work on defining a 'minimum standard' collective agreement and an international welfare fund was established to be financed through fees paid on agreements made with flag of convenience (FOC) shipowners. Selective boycotts began to take place in Europe and America, but the drive and enthusiasm seen at the Oslo conference had evaporated and the early actions failed to have a dramatic impact. Within two years about 50 FOC vessels were covered by acceptable agreements but the FOC fleet continued to grow, reaching nine million tonnes by 1956. Half of all new tankers being built were going to open registries. Although Panama continued to have the largest number of FOC ships, Liberia appeared on the scene in the late 1940s. The growth was phenomenal and by 1955 Liberia had outstripped Panama in tonnage terms and its fleet was larger than that of Japan and the Netherlands.

Seafarers and dockers decided to mount a second international boycott in 1958. The ITF congress of that year, meeting in Amsterdam, introduced the 'blue certificate', evidence given to the captain that the ship had

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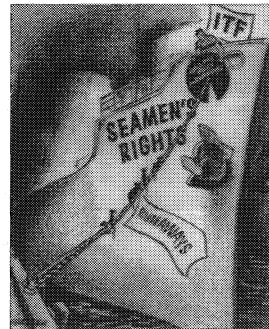
One of the ITF's leaflets distributed around the world during the international boycott of Flag of Convenience ships in 1958.

Flags of Convenience

an acceptable agreement and so would be exempt from action. Dates were set for four days of boycotts between 30 November and 4 December. Between 200 and 300 ships were stopped, including 160 in the US alone, and a huge impetus was given to the use of ITF collective agreements. But there was also a backlash from shipowners and a determined attempt to use the courts, particularly in the US, to declare ship boycotts unlawful.

The first use of Flags of Convenience after the Second World War was from North American and Greek shipowners. Greek shipowners were guarding against the possibility of a Communist victory in the Civil War and US and Canadian shipowners sought to make a quick profit from flagging out surplus wartime tonnage. The first crews on these early FOC vessels were in fact displaced and stateless Europeans. North American shipowners took advantage of the fact that European wages were substantially lower than North American rates.

The 1960s saw little activity in the FOC campaign and by the end of the decade ITF unions in Finland and Sweden (who were the only unions taking action in the campaign) presented the ITF congress in 1971 in Vienna with an ultimatum - either other unions should join in the campaign or all activities should be wound up. The 1971 congress was attended for the first time by the newly affiliated Waterside Workers' Federation (WWF) of Australia. This important dockers' union immediately took up the challenge presented by the Nordic unions and offered to actively participate in the campaign. They were joined by the British Transport and General Workers' Union and by a number of other important dockers' organisations. Effectively, the campaign was relaunched in 1971 - work



US cartoon in support of the 1958 worldwide Flag of Convenience boycott.

SOLIDARITY

was begun on an ITF standard agreement and the first ITF inspectors were appointed. The result was that the campaign took off in a major way - between 1971 and 1973 ITF unions signed 420 agreements and secured £2m in backpay. The congress also formally established the Seafarers' International Assistance, Welfare and Protection Fund (the Welfare Fund) financed by contributions paid by shipowners signing ITF Agreements.

The 1970s saw European shipowners utilise the FOC option more and more. They increasingly turned to Asian labour as a cheaper alternative (this is the way it goes: first Europeans were cheaper than Americans, then Asians were cheaper than Europeans, today some Asians and Eastern Europeans are cheaper than other Asians and so on).

The 1960s and 1970s were also a time of political optimism for the ITF campaign. A United Nations General Assembly condemnation of the FOC system in the mid-1960s which led to the convening of a special UN Conference held from 1984-6 adopted a Convention on Ship Registration defining what constitutes a 'genuine link' between the flag and ship. Despite the high hopes of the ITF and its allies that the Convention would spell an end to the FOC system, an unholy alliance of ultra conservative Western governments and some shipowner dominated developing country governments resulted in a text so watered down as effectively to legitimise the whole system. The following five years saw a massive expansion not only of the tonnage under FOCs but also the entry into the market of dozens of tiny states with no maritime background as well as the launch of the now infamous Norwegian International Ship Register and its emulators.

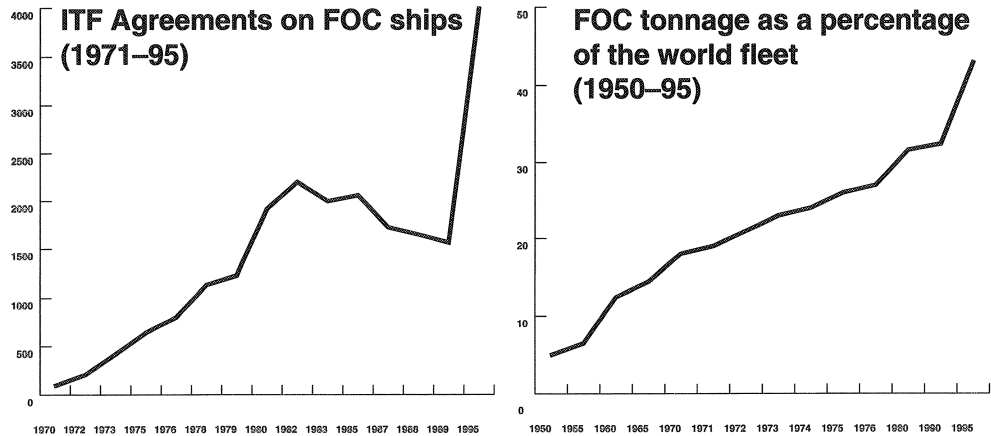
Flags of Convenience

There was, however, one very significant diplomatic victory for the ITF in the 1970s and that was the agreement by the International Labour Organisation (ILO) to create ILO Convention 147 on Minimum Standards for Merchant Shipping. ITF activists at the time of the 1976 meeting that adopted 147 specifically state that governments and shipowners were frightened by the growing presence of the ITF campaign and the fact that the ITF was the main player in many ports of the world in taking actions against substandard ships (there is often a linkage between underpayment of crews and bad maintenance of a ship).

ILO 147 is a unique international instrument that introduced for the first time ever the right of ratifying coastal administrations to intervene in favour of certain social and safety conditions on any vessel calling in their port, regardless of the flag of the ship and whether or not its country of registration has ratified ILO 147. ILO 147 is also known as the Port State Control Convention because it has been the inspiration for the establishment of many global regimes of ship safety inspection. ILO 147 also, most importantly, refers to the basic trade union and social rights of seafarers.

The 1980s saw a concerted worldwide attack on trade unions' rights which severely restricted the right of ITF unions to take boycott action. There has been a concerted attack on the rights of dockers, who have always been at the centre of the campaign. A co-ordinated campaign by hostile shipowners who challenged ITF unions' boycott actions in the courts was backed by many legal changes throughout the world.

SOLIDARITY



The ITF responded to these attacks by refining the principles of the campaign and developed a new approach which relies heavily on the active support of working FOC seafarers. The ITF has also sought to work with what it considers to be the good shipowners. One example of this strategy is the development of the Total Crew Cost Agreement (TCC). Originally developed to compensate for higher crewing levels in some fleets, the TCC concept has developed into a set of minimum standards, lower than the 'Standard Agreement' which is applied in cases where owners voluntarily approach the ITF or its affiliates for an agreement.



The crew of the *Bulk Topaz*, another Flag of Convenience crew, received help from the ITF in 1991.

The late 1980s also saw the launch of the *ITF Seafarers' Bulletin*. This magazine directed at the working crew on FOC vessels is now printed in thirteen languages and has a print-run of approximately 300,000 copies. The *Bulletin* is distributed directly to seafarers and is also available throughout the world in seafarers' missions and centres. The *Bulletin* and other publications directed at working FOC seafarers are not just a good read for crews, they also represent a significant development in the underpinning philosophy of the campaign. It is fair to say that ITF unions often took solidarity action in the 1970s without even

Flags of Convenience

explaining to the crew what they were doing. Today the campaign is much more transparent and people-oriented. The success of ITF campaign information also means that greater numbers of crew are willing to undertake such action, which makes sympathy action by the ITF much easier.

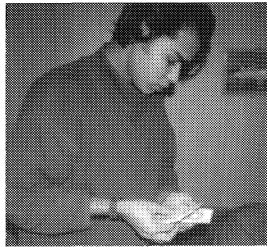
FOC shipowners thought that when the Berlin Wall came down in 1989 millions of Russian and Eastern European seafarers would come willingly to work for tiny wages. It is true that the currency distortions in these countries meant that low dollar wages seemed relatively high, but the ITF can claim credit for having recruited the vast majority of seafarers' unions in the former Soviet Union and ex-Warsaw Pact countries. The ITF membership in this region has blossomed and so too has ITF collective agreement coverage for these new crews. Thankfully for the maritime world and particularly for FOC seafarers, the expected deluge of seafarers came to the ITF before it approached the shipowners. The one area of the world that remains unorganised and poses a potential source of cheap labour is China.

In 1981, recognising the continuing deterioration in global funding of seafarers' welfare, the ITF Executive Board established the ITF Seafarers' Trust (a registered charity). The Trust, funded by the ITF Welfare Fund and its own investments has made over 1,000 grants to a total value of US\$80m since its foundation. The Trust is now one of the most important seafarers' welfare bodies in the world.

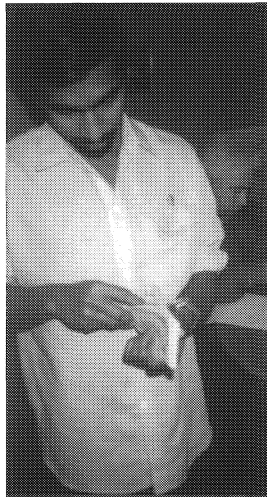
In 1996 the ITF FOC campaign is stronger than ever. ITF agreements on FOC ships have passed 4,000 and are continuing to rise at a remarkable pace. The ITF inspectorate continues to expand. Now there are nearly 90

SOLIDARITY

ITF inspectors all over the world and the number of ITF actions continues to increase. Politically, governments and many shipowners are now beginning to see things the same way as us and with the growth in coastguard and port state interventions against substandard ships and developments in the International Maritime Organization, which are designed to make flag states live up to their international commitments, it is reasonable to hope that the world may once again try to make the 1960s UN General Assembly vote against Flags of Convenience a reality.



The ultimate aim of the campaign remains the forcing back of FOCs to their domestic registers, but in the meantime our aim is to ensure, as stated by ITF General Secretary David Cockcroft in 1994, 'that no port in the world will be ITF-safe'.



The practical facts of the ITF's Flag of Convenience campaign. Crew on board the Panamanian flag *Ionian Jade* in February 1996 receive money thanks to the intervention of the ITF German inspectorate.