



## **A Revitalization Plan for U.S. Maritime Trade, Commerce and Strategic Competition**

*Frequently Asked Questions*  
*Updated August 2022*

### **USVI International Ship Registry**

#### **What are the benefits to mariners?**

This registry will protect all mariners sailing on USVI Flagged vessels. This includes legal, physical, and human rights. This flag will allow mariners from countries not sanctioned by the US Department of Treasury's Office of Foreign Asset Control to participate and find employment. However, we also want to excite US Mariners to work on USVI vessels by providing the right working conditions, competitive wage scales and realistic health and welfare standards to ensure long-term commitment across the board. The vision is to provide additional job opportunities and therefore help expand the US maritime labor pool, not to compete in any manner with mariners holding existing US jobs and their respective industry.

We anticipate there are academy and maritime institute graduates who will be attracted to diversity and the increased opportunities by increasing the number of SOLAS vessels engaged in the international trade of a USVI fleet. Sailing on internationally trading vessels increases capacity of a diverse labor pool, is positive for mariners traveling around the world to better understand the importance of international trade and creates a larger reserve labor pool in case of a national security need. It is our view that Americans would rather work on internationally trading vessels under a US domicile as averse to another country's open registry.

Maritime Economic Residency (MER's) – There will be a concerted effort to create a maritime economic tax status for US citizens working on both, US flagged vessels and USVI



flagged vessels. MER's will be available to those working 90-days or more on a US flag or USVI flag vessel annually. The income tax of these mariners will be taxed at the corporate income tax rate in the USVI. The MER would lower income taxes for American mariners, helping to create wage parity between US mariners and foreign mariners. One of the impediments to investment in the US flag and the US maritime industry at large has been the cost of labor. This is a tremendous opportunity to create a more even playing field and incentivize the hiring of American mariners, as well as excite fresh talent to enter our quickly aging and diminishing merchant marine. This will have a direct benefit to the US-flag fleet.

### **Why is there reticence from the AFL-CIO maritime trades department?**

The unions are an ABSOLUTE must, but traditional attitudes by most maritime unions need to evolve. We need to put country and values first. Everybody needs to start working together. Competing against each-other for a small number of ships isn't helping anyone, not even the shipowners, which is why the industry continues to decline. Our maritime policies today are very clearly not working to help the US compete in international shipping.

The lack of interest in boosting US competition in international shipping at a time when great power competition is alive and well is confusing. We are yet to hear any significant apprehension or concerns for the USVI proposal that can't be easily addressed. Thus far it has been a lot of hyperbole we've heard for 50 years as our industry has rapidly declined. Simply put, the US has not harmonized itself with international practices and we have declined to engage competitively in the global industry.

The domestic trades, the Jones Act, the Maritime Security Program ("MSP"), and other existing programs are not in conflict with what is proposed under the USVI registry, nor do we believe they should be challenged. The USVI International Registry is an entirely new concept being proposed that would allow the United States to challenge the dominance of foreign registries and recapture influence over international trade. For decades the maritime unions have been critical of foreign registries. This is an opportunity for the unions to bring American values and ideals into the international trades in a competitive manner.

The AFL-CIO Maritime Trades Department issued a scathing letter declaring opposition to the project, while being invited to the table to discuss. They declined through Jim Patti, President of the Maritime Institute for Industrial Research and Development, and even declined to participate in a debate through the Maritime Executive magazine's podcast series, stating that they did not know enough about the plan. Taking such a public and guttural stance, without making an effort to understand the facts or engage in dialogue, is



quite frankly appalling given the state of our maritime industry. We need the AFL-CIO Maritime Trades Department to read the plan and join the team to help with developing a strong and reasonable USVI Maritime Act so that the US maritime industry can become relevant in international trade once again.

### **What is strategically competitive about a second US registry?**

Because our industry has become so small, we have lost sight of the bigger picture and are failing to appreciate the opportunities to create overall maritime capacity for the United States. China and other nations—including our allies like the United Kingdom! – have created broad maritime strategies that include participation in the open registry system through closely aligned territories. That is why China now has some form of control over roughly 67% of international trade. China, Hong Kong, and Macau flags combine to create the third (3<sup>rd</sup>) largest registry in the world, for example. The UK has thirteen (13) open international ship registries under its Red Ensign fleet, which combined, create the ninth (9<sup>th</sup>) largest registry in the world. The irony is that the US created open international ship registries and we don't participate in the system whatsoever.

The decision by policy makers in Washington to decouple from China is rapidly accelerating the timeline for a likely Taiwan invasion and paired with the Russian invasion of Ukraine has precipitated a new Cold War environment. The current behaviors of our adversaries challenging the rules-based international order are the potential tip of an iceberg, and the United States must be prepared to maintain the free trade of goods across our oceans. The USVI International Registry would aid in providing the US with shipping capacity for American imports and exports in times of great uncertainty. A shift towards supply chains of resilience rather than cheap and expedient, will necessitate some form of control by the US over those supply chains. As it stands today, American control of the maritime supply chain is virtually non-existent.

### **Why do we need a larger US commercial fleet?**

The lack of US flagged ships also means there is very little slack in the system. Currently, the US only represents only .0004% of the world merchant fleet with just 28 vessels of 74,000. Graduating classes at our maritime academies can see 100% employment one year and zero opportunities the next due to small fluctuations in the market. There are lots of **opportunities** aboard foreign-flagged ships, but many are reluctant to take them because doing so requires you to forfeit all the legal rights and protections US flag mariners enjoy. Registering international vessels under a US domicile will expand opportunities for US



mariners and will provide enhanced human rights at sea through a strong USVI Maritime Act.

With a larger commercial fleet, the US will carry more of its imports and exports and lessen its reliance on foreign flagged vessels. Stimulating an economically viable and competitive international fleet has been one of the key policy failures in the US maritime industry over the past several decades. Creating the USVI flag will help increase the overall size of the US commercial fleet without sacrificing or conflicting with existing programs and policies to engage in a segment of the shipping industry that we are failing to engage in today.

### **How does the United Nations system, and specifically the United Nations Convention on the Law of the Sea, impact the US maritime industry?**

Maritime law governing the international maritime industry allows for any nation, including those that are landlocked, to register vessels and operate a national flag registry. This includes the registration of vessels that are foreign owned and operated. The United States has benefitted greatly from this system, as it has facilitated globalization and created global wealth through maritime commerce and free international trade. However, it has also negatively impacted the capacity for some nations like the United States to compete in international trade through their domestic registries. Domestic registry rules and policies applying to cabotage do not translate to international trade in a competitive manner like they did 100 years ago when the Merchant Marine Act was passed, though they are critical for maintaining a domestic fleet to manage coastal trade and sealift capacity.

UNCLOS Article 91 provides that any nation may register ships, including landlocked nations, so that they may participate in free trade on the high seas. This, combined with the efforts by the United States to create the Panamanian Flag, Liberian Flag, Marshall Islands Flag and the Dominica Flag, decidedly accepted a system that evolved into “Flags of Convenience.” The exception is that Dominica created strong enough legislation via its Maritime Act to not be considered by the International Transport Workers’ Federation as a “Flag of Convenience.”

Recognizing that the United States is not harmonized with international shipping practices is the first step towards addressing our lack of capacity. From 1984 until 2022 when the US Congress passed the Ocean Shipping Reform Act, one of the policy objectives of the Shipping Act of 1984 and its subsequent amendments was to “provide an efficient and economic transportation system in the ocean commerce of the United States that is, insofar as possible, in harmony with, and responsive to, international shipping practices.”



While the US certainly benefitted from the international shipping industry to provide for import and export, the US failed miserably to maintain its own commercial fleet that was competitive and in harmony with and responsive to international shipping practices, the impacts of which were felt greatly during the COVID-19 pandemic supply shortages, maritime bottlenecks, and inflation.

**Let's examine US policy, as recently updated in the Ocean Shipping Reform Act of 2022. Here are the stated policy objectives:**

- (1) Establish a nondiscriminatory regulatory process for the common carriage of goods by water in the foreign commerce of the United States with a minimum of government intervention and regulatory costs;
- (2) Ensure an efficient, competitive, and economical transportation system in the ocean commerce of the United States;
- (3) Encourage the development of an economically sound and efficient liner fleet of vessels of the United States capable of meeting national security needs and supporting commerce; and,
- (4) Promote the growth and development of United States exports through competitive and efficient ocean transportation and by placing a greater reliance on the marketplace.

**How relevant are these policy objectives to the USVI proposal?**

There are several significant keywords and phrases in these policy objectives that stand out, such as: "minimum of government intervention," "efficient, competitive, and economical," "growth and development...by placing a greater reliance on the marketplace."

The reality is that reliance on the marketplace is what has led to the decline of US ocean shipping capacity, as our policies have not been adapted to compete in the marketplace. If the US truly seeks a reliance on the marketplace and efficient, competitive, and economical ocean commerce, it must create a policy and regulatory environment that stimulates US participation in international shipping in an efficient, competitive, and economical way. Creating the USVI flag will help harmonize the US with international shipping and expand the US commercial fleet in a way that is competitive and economical without billions of dollars in subsidies.

**Why do we need a new registry?**

The current trends are not serving US strategic and commercial interests within the maritime domain. A USVI registry seeks Best Management Practices and best in class. Shipping is a service, and we want to provide the opportunity for safe, reliable, efficient, and dependable marine transportation system that respects compliance with all relevant maritime regulatory



instruments as a way of creating profit for shipping companies – mainly through realizing operational efficiencies.

The Maritime industry is a waning profession in United States and that trend **MUST** reverse itself. We want to change that and want the youth to aspire to participate in this industry by giving a safe working place, opportunities, and career development.

### **Is this another Flag of Convenience and offshoring? What would be different about a USVI registry.**

These terms, while applicable to most foreign open registries, would not be even remotely accurate to describe a USVI registry. The intent and purpose of the USVI registry is to create a system that promotes high standards, transparency, and which meets the regulatory needs of the United States to ensure our national and economic security. In addition, the registry allows for ‘on-shoring’ of investment into the US as averse to owners investing in foreign domiciles which serve as tax havens and are hard to legally pursue due to lack of transparency.

Foreign owners would be required to create entities within the US, therefore becoming required to follow US laws. In essence, a USVI registry is being designed to help the US escape the grasp of a murky open registry system and create its own standards. Creating transparency and providing a home for responsible ship owners is central to the USVI flag concept. Owners will be required to provide proof of Ultimate Beneficial Ownership (“UBO”).

### **How would the USVI flag be governed?**

The USVI Flag will be operated as a non-profit organization. The administration and Board of Trustees of Northeast Maritime Institute will work with all stakeholders to ultimately decide who will sit on the board and select a world-class management team. The Board will include, but will not be limited to industry, labor, and other relevant stakeholders. The intention is to create a self-funding not-for-profit dedicated to the success of the United States and not to the bottom-line.

### **Will the laws be the same as the US-flag?**

The laws will be in line with the strongest maritime laws recognized by IMO and an advisory group made up of relevant stakeholders. This has perhaps been one of the single greatest failures of the US, is that we have not aligned ourselves with the international system in



many respects. This means from a regulatory and compliance standpoint, as well as from a financial standpoint. We need to provide certain financial incentives for people to invest in US shipping capacity for international trade.

The maritime laws applying to the USVI flag would be enacted by the Legislature of the Virgin Islands but will ideally be crafted by a group of stakeholders in the US maritime industry and the USVI to ensure that we are being competitive whilst also serving the best interests of everyone. This is an exciting opportunity for maritime interests here in the US to have a voice and to be part of the solutions.

### **Could this plan hurt the US mariner?**

The revitalization plan is designed to SUPPORT all mariners, including US mariners, by developing and enforcing maritime regulations that will exceed current standards including the underachieving Maritime Labour Convention.

The USVI flag could easily stimulate well-paying deep ocean jobs for US mariners. The legislation, as indicated above, would be crafted by various stakeholders, with an underpinning of “Honor the Mariner” to ensure that mariners are taken care of and at the forefront of everything we do.

Countless studies have proven the importance of a well-rested, healthy, educated, and happy workforce yet many mariners today are overworked and underappreciated. One example includes 6-month employment articles. Sailors cannot be expected to sail for 11 months or longer as is currently allowed under the Maritime Labour Convention. This would be one way that the USVI flag differentiates itself and looks after the mariner.

### **How is the USVI registry going to be better than existing registries?**

Because we are starting from the beginning, we can BUILD BETTER in terms of maritime law which reflects the challenges of today, not 50 years ago. We have the opportunity to utilize current technology to create a platform which is transparent and efficient—two characteristics that the public, charterers and many governments are demanding today. The flag will work tirelessly with its various stakeholders to be progressive and to ensure a fair and balanced approach for all.

By maintaining itself as a ‘Flag of Responsibility’ and promoting values such as sustainability, transparency, justice, innovation, and integrity, the USVI flag will serve the



best interests of the United States and work towards bringing strong American values to the international shipping community in a competitive and democratic manner.

### **How does the Plan improve national security?**

Currently the US flagged international fleet is small. By creating an open US registry, we will have the opportunity to have oversight and management of assets deployed around the globe, as well as servicing our domestic needs for goods and energy. This includes improving supply-chain resilience and continuity and working more closely with the trading mechanisms that support the US economy. Should there be a conflict involving the US, these vessels could be deployed to support US interests, if absolutely necessary.

The flag will work to harmonize itself with port state initiatives to create more secure cargo transparency programs and ensure the safe and efficient movement of goods in and out of the United States.

### **How will you improve fleet compliance and enforcement?**

We will develop a digital platform which will tie together all the operational aspects of the ship in one transparent and identifiable format for easy confirmation by owners, flag, and port state authorities, as well as charterers and classification societies. Lack of harmonization between these aspects is a current shortcoming of flag state and will help improve security, safety, and efficiency.

The platform will provide tools for compliance AND performance to promote best practices. The successful deployment of a digital flag and transparency will help the flag provide shippers and charterers with the tools they need to improve economic performance.

### **How expensive is this flag going to be compared to other registries?**

We anticipate it will be comparable or less than the existing flags which offer a reputation for quality in terms of fees. We are also excited at the opportunity to develop Green incentive programs that are truly progressive and developed in cooperation with ship owners and charterers.

### **What level of interest have you received from ship owners for a US open registry?**

We are in conversation with many owners domestically and around the world who have indicated high interest as they share our commitment to transparency and values-based



excellence in operation. We have received verbal interest from several hundred vessels in just a few months. Shipowners are keen to better integrate themselves with the United States and to align with our values and desire for a rules-based and peaceful global economy.

### **What is your timeline for launch of the registry?**

There are several steps that we are taking towards the development of the registry. Some require technological development and some legislative action. What is most important right now is to gather the most informed minds on these issues to gain their insight—such as we are doing today. We launched the idea on February 1, 2022 in order to create public interest, solicit feedback, and build out a framework that serves the interest of all stakeholders, as the intent and purpose of the registry is to support the best interests of the United States and not any special interest groups, though we do want this to be a win for everyone.

### **Primary Observations**

- Need for strong regulatory framework AND enforcement
  - Goals for new registry that meets needs of 21<sup>st</sup> century
  - Strategy for accomplishing change in registry engagement
1. Business pressures on open registries invite lower, rather than higher quality processes. The US has an opportunity to have an open registry that could reverse this trend. The US has a strong flag state framework and USCG enforcement, but hardly any ships trading internationally. Hence, it's not a peer competitor to promote stronger flag registries world-wide. (Analogy: If you don't own one of the companies in the business, you can't affect the level of service of the companies in that business)
  2. Currently there are many more Port State detentions than Flag State detentions. Flag State enforcement is more useful and effective than Port State enforcement if properly implemented. The international standards are perfectly acceptable for ships in international trade – as long as the Flag state implements them as intended.
  3. United States is the largest trading country in the world, but we are almost entirely dependent upon foreign flagged ships. The global supply chain we depend on for our economy and national security is a fact of life in the 21<sup>st</sup> century. Major challenges including automation, cyber security, decarbonization, congestion, and seafarer well-being are a fact of life in the 21<sup>st</sup> century. International registries are a fact of life in the 21<sup>st</sup> century. US should have an international registry to set the example, and a



significant fleet trading internationally to call our own.

4. A much larger portion of global fleet businesses should be registered “on-shore” rather than “off-shore”. The US Navy, USCG, and numerous other US agencies must guard against disruption of global trade and protection of the marine environment even though almost all global shipping is foreign flagged. (For example: US Navy piracy and FON patrols, USCG Arctic and International Ice patrols, US GPS, etc.)
5. Increasing the number and tonnage of US flagged vessels trading internationally will positively affect US-favoured outcomes at IMO since numbers count for implementation dates of most conventions. (ie, several conventions have been greatly delayed due to holdout nations with larger fleets than the US)
6. Loyalty, pride and national support will be evident among the owners and crews of US flagged ships and US credentials. Many of the most accomplished people in the world want to be associated with the US, even though they will never become citizens. Owning or crewing a US flagged ship provides an alternative form of belonging and an opportunity to participate in the US economy.
7. A 21<sup>st</sup> century flag administration must begin with **integrity and transparency**. Its goal must be to ensure safety and security. Each ship it registers must be managed to achieve these goals with the assistance of the flag administration. A breach of trust or repeated lapses of safety or security must not be tolerated. 21<sup>st</sup> century challenges and technology will require the flag administration to routinely exchange data with its fleet and vice versa to achieve these mutual commitments. This strategy will not rely solely on periodic physical boardings. Instead its underpinning will include digital technology, analytics, and collective process improvement.