



Flagging Options for Seasteading Projects

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Our Mission: To further the establishment and growth of permanent, autonomous ocean communities, enabling innovation with new political and social systems.

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Introduction

The Seasteading Institute seeks to enable the establishment of new political and social systems², a difficult task given that all of the world's territory has already been divided among internationally recognized nation states. International waters are the only area not already claimed by an existing entity, making them the only place left on earth to experiment with alternative forms of governance. While the long-term vision of The Seasteading Institute is to enable thriving cities on the ocean, competing with one another to attract citizens, the short-term strategy is to use ships as the early seasteading models, and incrementally scale up to larger communities. However, ships cannot simply enter international waters and claim independence. International and maritime law requires all ships to fly the flag of an existing nation, and those that do not are considered by existing nations to be acting outside of the law.³

Most countries place strict regulations on individuals or companies that wish to fly their flag. However, there are a number of countries that operate so-called open registries, offering ship owners from around the world the option to register their vessels under what are known as “flags of convenience” (FOCs). Open registry countries grant ships permission to fly their flags while imposing only minimal restrictions. While a number of international treaties regarding piracy, drug trafficking and slave trade apply to all vessels, regardless of their flag, countries operating open registries are often small and lack the capacity or willingness to exercise control over their fleet beyond enforcement of the basic treaties. Therefore, flying the flag of an open registry country seems to be the best option for early seasteading ventures, because it offers the highest possible degree of autonomy and independence without placing seasteads outside of the law.

This paper considers the merits of various open registry countries in terms of reputation, regulations, costs and requirements with the purposes of early seasteading ventures in mind. This paper should be seen as a framework for further research rather than a comprehensive analysis, since it will only consider a subset of the options. Furthermore, different seasteading ventures will have different needs that favor certain features associated with the various flagging options. The first section of this paper will cover the basic legal maritime framework, including some of the major treaties and conventions on the laws of the seas, and a number of

² The Seasteading Institute. Retrieved from: <http://www.seasteading.org/?intro=open>

³ Strauss, E.S. (1984) How to Start Your Own Country. *Breakout Productions*: Port Townsend. Page 24

organizations that have an interest in the issue of open registries, such as the International Transport Workers' Federation (ITF), the International Maritime Organization (IMO), and groups dealing with Port State Control. The second section of this paper will give a practical guide to flagging vessels, along with several case studies to examine which flag or flags are the best candidates for early seasteading ventures.

Legal Maritime Framework

IMO & UN Conventions

In 1948 the Inter-Governmental Maritime Consultative Organization (IMCO), which eventually became the International Maritime Organization (IMO), was established in Geneva and came into force ten years later as the body regulating safety standards for oceangoing vessels.⁴ Its initial task was to revise the International Convention for the Safety of Life at Sea (SOLAS), which was passed in 1914 in response to the sinking of the Titanic.⁵ Most member states of the United Nations are also members of the IMO, including those operating open registries, meaning countries operating open registries are just as bound by the general safety regulations promulgated by the IMO as countries operating closed registries.

The legal framework relating to international waters and vessel flagging can be traced back to 1958, when the United Nations Convention on the High Seas was set out as one of four treaties to be agreed upon by the newly established United Nations Convention on the Law of the Sea (UNCLOS).⁶ One of the most significant articles in this treaty from the perspective of seasteading is Article 5 (1), which asserts that there should be a “genuine link” between the state and the ship flying its flag, but also declares that each state can set the conditions for granting its nationality to ships. While many countries have embraced a strict interpretation of the “genuine link” principle, a number of so-called “open registries” or “flags of convenience,” have treated it more loosely and regularly grant their flag to foreign-owned ships.

⁴ Brief History of IMO. Retrieved from: <http://www.imo.org/About/HistoryOfIMO/Pages/Default.aspx>

⁵ SOLAS. Retrieved from: <http://www.imo.org/about/conventions/listofconventions/pages/international-convention-for-the-safety-of-life-at-sea-%28solas%29,-1974.aspx>

⁶ United Nations Convention on the Law of the Sea (UNCLOS), 1958. *United Nations Convention on the High Seas*. Available at: http://untreaty.un.org/ilc/texts/instruments/english/conventions/8_1_1958_high_seas.pdf

The third UNCLOS meeting resulted in the 1982 Convention on the Law of the Sea, which set the limits of states' jurisdiction over the seas.⁷ It asserted that states' territorial waters extend up to 12 nautical miles from their coastline, an area in which they possess exclusive jurisdiction. International waters begin immediately after the 12 nautical mile limit. However, some areas beyond territorial waters still fall under the scope of the coastal state. According to UNCLOS Part II, Section 4, Article 33, the area between 12 and 24 nautical miles from the coastline is designated as the "contiguous zone", in which the coastal state has jurisdiction to prevent the infringement within its territorial waters of customs, fiscal, immigration or sanitary laws and regulations, or to pursue infringement that has occurred within the territorial waters. This essentially mandates that the contiguous zone is a "hot pursuit" area. However, the lack of precedent may leave this issue open to interpretation in the direction of the coastal state asserting greater powers in the area. The last significant limit set by the Convention is the Exclusive Economic Zone (EEZ), which extends up to 200 nautical miles from the coastline, and is an area in which the coastal state has exclusive rights over the exploitation of natural resources. Therefore, seasteads will have to operate at least 24 nautical miles from the coastline if they wish to engage in tax-free activities, for example, but will need to locate at least 200 nautical miles off the coast if they wish to engage in activities that exploit natural resources, such as fishing or mineral extraction. In areas beyond 200 miles, where coastal states have no jurisdiction, a ship is subject to the laws of the country whose flag it is flying. In order to achieve the highest degree of independence, early seasteading projects should therefore aim to use the flags of states operating open registries that are willing to grant ships as much autonomy as possible.

In 1986, the UN Convention on Conditions for Registration of Ships made an attempt to put an end to the concept of open registries and reiterate and enforce the genuine link principle introduced by the 1958 UNCLOS convention. It would have come into effect if 40 states with a total of at least 25 percent of the world's shipping tonnage had become contracting parties to the Convention.⁸ However, only 14 countries signed the Convention, of which only the Ivory Coast, Egypt, Libya and Mexico ended up ratifying it. Subsequently, another 10 states acceded to the treaty, bringing the total number of states that ratified the Convention up to 14, but still well below the 40 necessary for it to come into effect. Barring ratification of this

⁷ United Nations Convention on the Law of the Sea (UNCLOS), 1982. *United Nations Convention on the High Seas*. Available at: http://www.un.org/depts/los/convention_agreements/texts/unclos/closindx.htm

⁸ United Nations Conference on Trade and Development (UNCTAD). 1986. *United Nations Convention on Conditions for Registration of Ships*. Available at: <http://r0.unctad.org/ttl/docs-legal/unc-cml/status/Registration%20of%20Ships%201986.pdf>

treaty, states operating open registries will be permitted to continue to do so. Given that the Convention has not been ratified in the 16 years since it was drafted, it is highly unlikely that it will ever come into effect.

International Transport Workers' Federation

Another important organization dealing with open registry countries is the International Transport Workers' Federation (ITF), a coalition of 690 transport workers' unions representing over 4.5 million workers.⁹ The ITF claims to be the sole trade union representing the interests of workers on ships flying FOCs. The relation between a ship owner and the nation whose flag it is flying is generally perceived by the ITF as the main criterion for determining which states are FOCs, indicated by its 1974 definition: "*Where beneficial ownership and control of a vessel is found to lie elsewhere than in the country of the flag the vessel is flying, the vessel is considered as sailing under a flag of convenience.*"¹⁰

The federation runs a campaign against countries operating open registries, with the hope of enforcing the genuine link principle. The ITF is therefore one of the major threats to the concept of FOCs, but so far it has not managed to prevent them from continuing to operate. The list of countries' flags that the ITF considers FOCs will be discussed later on in the case studies section.

Port State Control

Organizations dealing with Port State Control also have an interest in issues surrounding flagging and open registries. Following the 1978 Amoco-Cadiz oil spill, which involved a ship that flew the Liberian flag, 14 European countries signed the Paris Memorandum of Understanding (MOU) on Port State Control. The signing took place in January 1982 at a Ministerial Conference held in Paris, France, and it went into effect on July 1, 1982. The memorandum aimed to promote safety of life at sea, and to combat pollution and inappropriate working conditions.¹¹

⁹ About the ITF. Retrieved 20-01-2012 from <http://www.itfglobal.org/about-us/moreabout.cfm>

¹⁰ Flags of Convenience Campaign. Retrieved 20-01-2012 from <http://www.itfglobal.org/flags-convenience/index.cfm>

¹¹ A short history of the Paris MOU on PSC. Retrieved 19-01-2012 from http://www.parismou.org/Organization/About_us/2010.12.28/History.htm

Over the years the memorandum has expanded to 26 European member states as well as Canada, and has been amended several times to accommodate new safety and marine environment requirements stemming from the IMO, as well various new European Union (EU) directives addressing marine safety.

In 1993, a number of countries in the Asia-Pacific region signed the Tokyo MOU on Port State Control, with similar aims as the Paris MOU. While there have also been a number of memorandums established between countries of other regions in the world, such as the Caribbean, the Black Sea, the Gulf region and the Indian Ocean, to this day the Paris and Tokyo MOUs are considered the most important treaties dealing with port control. Annual reports are published in which countries are divided into black, grey and white lists, based on the number of inspections and detentions carried out by states that are signatories of the memorandums. Flags with high detention rates are placed on the black list, those with medium detention rates are placed on the grey list, and those with low detention rates are placed on the white list. The U.S. is not a signatory of any of the memorandums, but it carries out its own Port State Control and also develops a black list of countries based on their detention ratio, or the number of ships that have been detained in relation to the number of ships that have been inspected.

Because of the precariousness of open registries to begin with, it will be wise for early seasteads to pick a flag of a reputable country. Therefore, this paper uses the lists developed by port control authorities of Europe, Canada, the U.S.A. and the Asia-Pacific regions to determine some of the better options.

Practical Guide and Case Studies

The ITF’s Fair Practices Committee has declared the following 32 countries FOCs:

<ul style="list-style-type: none"> • Antigua & Barbuda • Bahamas • Barbados • Belize • Bermuda (UK) • Bolivia 	<ul style="list-style-type: none"> • Georgia • Gibraltar (UK) • Honduras • Jamaica • Lebanon • Liberia
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<ul style="list-style-type: none"> • Burma • Cambodia • Cayman Islands • Comoros • Curaçao (NL) • Cyprus • Equatorial Guinea • French International Ship Register (FIS) • German International Ship Register (GIS) • Vanuatu 	<ul style="list-style-type: none"> • Malta • Marshall Islands (U.S.A.) • Mauritius • Mongolia • North Korea • Panama • Sao Tome & Príncipe • St. Vincent & the Grenadines • Sri Lanka • Tonga
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Of these, Equatorial Guinea, Mauritius, Sao Tome & Principe and Sri Lanka seem to be somewhat insignificant, as none of these are included in the 2010 annual reports of either the Paris MOU¹² or Tokyo MOU¹³, suggesting they are not operating large-scale open registries. Additionally, the French and German International Ship Registers, as listed by the ITF, are considered as secondary registries, as these countries are generally not labeled as FOCs or as operating open registries. Of the remaining 26 FOCs listed by the ITF, Burma (Myanmar) and Tonga are only mentioned by the Tokyo MOU and are both featured on the grey list. Meanwhile, the Paris MOU only mentions Bolivia, Comoros, Lebanon, Honduras and Jamaica. Of these, the first three are featured on its black list and the last two are on its grey list. This means 19 of the countries listed by the ITF are among those that have had a significant number of inspections by the port authorities of signatory countries of both the Paris and Tokyo MOUs and are therefore not featured on either white list. Of these, the flags of Cambodia, Georgia and North Korea are featured on both black lists. Meanwhile, the flags of Belize, Mongolia and St. Vincent & the Grenadines are featured on the black list of one of the MOU's reports and on the grey list of another. Curacao's flag is listed on both grey lists while the flags of Barbados, Gibraltar, Malta and Vanuatu are on one of the grey lists and one of the white lists. There are thus eight countries left with open registries that are featured on the white lists of both the Paris and Tokyo MOUs from 2010. These are Antigua & Barbuda, The Bahamas, Bermuda, the Cayman Islands, Cyprus, Liberia, the Marshall Islands and Panama.

¹² Paris MOU (2010), Port State Control. Annual Report 2010

¹³ Tokyo MOU (2010), Annual Report on Port State Control in the Asia-Pacific Region 2010

The ITF's list, however, is seemingly outdated or incomplete, as there seem to be a number of countries missing and a number of countries that should no longer be on the list. Tonga, for example, suspended its open registry in 2002.¹⁴ Meanwhile the United Nations Conference on Trade & Development (UNCTAD) Review of Maritime Transport of 2009 suggests that countries such as Dominica, Philippines, St. Kitts & Nevis and Tuvalu are also some of the major open registries¹⁵, while countries such as Kiribati¹⁶ and the Cook Islands¹⁷ are also largely known to operate open registries. Of these additional examples, St. Kitts & Nevis are on both the Paris and Tokyo MOU's black lists, Tuvalu and Kiribati were on Tokyo's black list, the Cook Islands and Dominica were on both grey lists, while the Philippines were on both white lists (Paris MOU, 2010 & Tokyo MOU, 2010).

Since the U.S. is a signatory of neither the Paris nor Tokyo MOU, it carries out its own Port State Control independently. The U.S. Department of Homeland Security also has a Targeted Flag List, which includes flag administrations with a detention ratio higher than the overall average. Flag states with a detention ratio of two or more times the average detention rate are awarded seven points on the target list, while flag states with a detention ratio between the average and up to two times the average are awarded two points. For 2010, the overall detention ratio was 1.86 percent, so countries exceeding this rate were placed on the U.S. target list¹⁸. In the 2010 annual report, of the previously mentioned states with open registries (Bolivia, the Cook Islands, Dominica, Honduras, St. Kitts & Nevis, and St. Vincent & the Grenadines) were targeted on seven points, while Antigua & Barbuda, Belize, Malta, Gibraltar and Panama were targeted on two points.

The following table sums up how the major open registries are rated by the annual reports of the Paris and Tokyo MOUs and the U.S. Port State Control. Countries missing in the table are either not listed in the annual reports or have too low inspection rates to be of significance.

¹⁴ Tonga suspends Registry. Retrieved 11-01-2012 from <http://www.marinelog.com/DOCS/NEWSMMII/MMIIJan15b.html>

¹⁵ UNCTAD (2009) Review of Maritime Transport 2009. *Report by the UNCTAD secretariat.*

¹⁶ Kiribati Ship Registry. Retrieved 16-01-2012 from <http://www.kiribaship.com/about/benefit.aspx>

¹⁷ Maritime Cook Islands. Retrieved 16-01-2012 from <http://www.maritimcookislands.com/>

¹⁸ Department of Homeland Security (2011). *Port State Control in the United States*. Annual Report 2010

	Paris MOU 2010 Report	Tokyo MOU 2010 Report	U.S.A. Port State Control 2010 Detention Ratio-Points
Antigua and Barbuda	White list	White list	2.54% - 2 Points
Bahamas	White list	White list	1.34%
Barbados	White list	Grey list	0%
Belize	Grey list	Black list	2.63% - 2 Points
Bermuda (UK)	White list	White list	1.34%
Bolivia	Black list	-----	7 Points
Burma (Myanmar)	-----	Grey list	-----
Cambodia	Black list	Black list	
Cayman Islands (UK)	White list	White list	0.85%
Comoros	Black list	-----	-----
Cook Islands (NZ)	Grey list	Grey list	22.22% - 7 Points
Curaçao (NL)	Grey list	Grey list	1.82%
Cyprus	White list	White list	1.85%
Dominica	Grey list	Grey list	21.43% - 7 Points
Georgia	Black list	Black list	-----
Gibraltar (UK)	White list	Grey list	2.52% - 2 Points
Honduras	Grey list	-----	40% - 7 Points
Jamaica	Grey list	-----	0%
Kiribati	-----	Black list	-----
Lebanon	Black list	-----	-----
Liberia	White list	White list	0.73%
Malta	White list	Grey list	3.43% - 2 Points
Marshall Islands	White list	White list	0.86%
Mongolia	Grey list	Black list	-----
North Korea	Black list	Black list	-----
Panama	White list	White list	2.78% - 2 Points
St. Kitts & Nevis	Black list	Black list	16.67% - 7 Points
St. Vincent & the Grenadines	Black list	Grey list	15.61% - 7 Points
Tuvalu	Grey list	Black list	-----
Vanuatu	Grey list	White list	0.96%

A combination of the Paris and Tokyo MOUs' lists and the U.S. Targeted Flag list suggest that of the identified countries operating open registries, Bolivia, Cambodia, Georgia, North Korea, St. Kitts & Nevis, and St. Vincent & the Grenadines would be the among the worst options in terms of their reputations in Europe, Canada, the U.S. and Asia-Pacific. There are

only six countries left that operate open registries that are on both the Paris and Tokyo MOUs' white lists and are not targeted by the U.S. list with any points. These are The Bahamas, Bermuda, Cayman Islands, Cyprus, Liberia and the Marshall Islands. For practical purposes, five of these will be investigated in more depth, alongside Panama, which remains the classic example of an open registry and it continues to be the largest flag of registration in the world, in spite of being on the 2-point Target list of the U.S. in 2011.¹⁹ The Cayman Islands will be excluded from the case studies, as they are ranked the worst by the Paris MOU in 2010 among the six countries left. The other five case studies will therefore be Liberia (2nd largest flag of registration in the world), the Marshall Islands (3rd largest flag of registration), Bahamas (6th largest flag of registration in the world), Cyprus (10th largest flag of registration) and Bermuda (ranked highest by the Paris MOU, including countries with closed registries, and 22nd largest flag of registration).

Furthermore, of these six cases studies, Cyprus is the only one not mentioned by the UNCTAD as an open registry with an exceptionally young fleets, with the fleets of the other five countries having average ages between 9.6 and 13.6 years. When comparing the age profile of a registry's fleet and the likelihood of the flag being targeted by different Port State Controls, there is a high correlation.²⁰ Countries with considerably older fleets seem to be more likely to be featured on the black lists of the Paris and Tokyo MOUs, while those with younger fleets tend to be featured on the white lists more often. When deciding what flag an early seastead should fly, it is essential to choose one that has a decent reputation in terms of American, Canadian, European and Asian-Pacific Port State Controls. This suggests that the chosen case studies are among the best available options.

The six case studies will therefore be considered in more detail in terms of general advantages, costs (registration fees, annual fees and taxes) in euros for Cyprus and in U.S. dollars for all other cases, regulations related to flying the flag, including ownership nationality and required documents, and to a lesser extent, corporate and political stability. International Ship Registration Requirements (2008)²¹ and the websites of the registries are sources of data for the case studies below.

¹⁹ United Nations Conference on Trade & Development (2009) Review of Maritime Transport 2009. *Report by the UNCTAD Secretariat*

²⁰ United Nations Conference on Trade & Development (2009) Review of Maritime Transport 2009. *Report by the UNCTAD Secretariat*, pg. 52

²¹ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

*Panama*²²



The Panama Register of Ships is the largest in the world. It allows ships to engage in international trade without taxation, and is open to citizens of all nationalities. Panama claims to be one of the best places in the world to register ships. For one, ship owners who register with the Panama Register of Ships receive tax breaks associated with the Panama Maritime Authorities and Panamanian legislation.

Other advantages of the Panama Register include:

- No minimum tonnage requirement for vessel registration, allowing any size or type of vessel to use the Panama Register of Ships.
- Allowance of registration under a Panamanian corporation. Ship owners are able to use an asset protection structure (corporation plus foundation) to register and ensure that the vessel's income and ownership are safe and anonymous.

Costs²³

Initial Fees:

- With a Gross Register Tonnage (GRT)²⁴ of 0 - 2,000, the fee is \$500
- With GRT of 2,001 - 5,000, the fee is \$2,000
- With GRT of 5,001 - 15,000, the fee is \$3,000
- With GRT of 15,001 and upwards, the fee is \$3,000 plus \$0.1 for each additional GRT to a maximum of \$6,500
- Special registration costs \$40 per Net Register Tons (NRT)²⁵, with minimum cost of \$300.

²² Panama Register of Ships. Retrieved from <http://www.prlog.org/10074393-panama-register-of-ships.html>

²³ Consulate General of Panama in London. Retrieved from http://www.panamaconsul.co.uk/index.php?page=fees_taxes&hl=en_US

²⁴ Gross register tonnage is the total internal volume of a vessel. A register ton is equivalent to a volume of 100 cubic feet, which, if filled with fresh water, would weigh around 2.8 tons.

Annual Fees:

The annual tonnage tax is \$0.1 per Net Register Tons (NRT) plus an annual single rate (ASR) depending on the type and tonnage of the ship. The type of ship is divided into two groups, the first consisting of general cargo, passenger ships, fishing vessels, dredgers, ferries, tugboats, drilling units and tankers. The second group includes non-self-propelled vessels including scientific research, supply, and submarine vessels, crew boats, exploration, barges, floating dry docks, flat boats and other vessels engaged in stationary activities and in non-profitable and non-commercial activities.

For the first group, the ASR is as follows:

- \$1,200 for ships with GRT up to 1,000
- \$1,800 for ships with GRT of 1,001 to 3,000
- \$2,000 for ships with GRT of 3,001 to 5,000
- \$2,700 for ships with GRT of 5,001 to 15,000
- \$3,000 for ships with GRT above 15,000

For the second group, the ASR is as follows:

- \$850 for ships with GRT up to 500
- \$1,400 for ships with GRT of 501 to 1,000
- \$1,800 for ships with GRT above 1,000

There is also an annual inspection rate. For passenger vessels, for example, the rate is \$900 for ships up to 500 GRT and \$1,800 for ships above 1,600 GRT.

Ownership Requirements

Ships registered under the Panamanian flag do not need to be owned by a Panamanian corporation or individual, although a legal representative in Panama must be appointed.

Required Documents²⁶

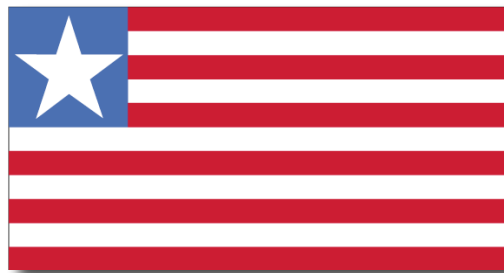
- Evidence of ownership
- Certificate of cancellation from previous registry

²⁵ Net register tonnage (NRT) is the total internal volume of a vessel can carry minus the volume of the spaces that do not hold cargo.

²⁶ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

- Notarized and legalized power of attorney appointing Panamanian legal representatives
- Measurement certificate issued by an approved classification society
- Certificate of survey for vessels over 20 years old
- Radio license and any agreement entered into with an approved radio accounting authority
- Various safety certificates

Liberia



The Liberian Registry, the second largest in the world, includes over 3,700 ships, representing 11 percent of the world's oceangoing fleet. Liberia claims to be the world's premier open registry, and attributes this to the quality, efficiency, safety and service it provides. Furthermore, as previously mentioned, the Liberian Registry is also recognized on the white lists of various Port State Control authorities such as the U.S. Coast Guard, as well as the Paris and Tokyo MOUs. Also, according to the U.S. Maritime Administration, Liberian-flagged vessels carry more than one-third of the oil imported into the United States.²⁷

The Liberian Registry is administered by the Liberian International Ship & Corporate Registry (LISCR, LLC), a U.S. owned and operated company that provides the day-to-day management for the Republic of Liberia's (ROL) ship and corporate registry. The LISCR advertises its registry in terms of its professionalism and commitment to safe and secure shipping, and also claims to be one of the most convenient, efficient, and tax-effective offshore corporate registries in the world.

The Liberian Registry is headquartered in Vienna, Virginia (just outside Washington, D.C.) and maintains offices around the world. Since the LISCR is a U.S.-based company, it may be an especially appealing registry option to American seasteading projects. Alternatively, this

²⁷ Liberian Registry. Retrieved from <http://www.liscr.com/liscr/AboutUs/AboutLiberianRegistry/tabid/206/Default.aspx>

may pose some complicating factors in terms of interference by the U.S. government. However, the significance of these concerns is beyond the scope of the present study.

Costs

All initial registration fees have been waived for any vessel entering the Liberian Registry during the period July 1, 2000 through December 31, 2012. Whether these fees will be waived after 2012 is unclear. Assuming the registration fees will no longer be waived, the costs will be as follows:

- Up to 14,000 NRT, a \$3,825 registration fee and annual fees depending on the NRT, e.g., \$5,100 for 5000 NRT
- For 25,000 NRT, a \$12,575 registration fee and annual fees depending on the NRT, e.g., \$10,800 for 25,000 NRT.

Ownership Requirements

Liberian citizens, national Liberian corporations, partnerships or activities registered in Liberia as Foreign Maritime Entities (FME) are eligible for registering under Liberia's flag. The allowance of FMEs is the ownership aspect that makes the Liberian Registry an open one, and enables foreigners to register the vessels under its flag.

Required Documents²⁸

For provisional registration, the following documents are required:

- Application for an official number
- Power of attorney (or certified corporate resolutions)
- Bill of sale, builder's certificate or other proof of ownership
- Confirmation of class and statement from class society
- Proof of cancellation or consent to cancellation from previous registry
- Proof that the vessel is free from recorded liens
- Evidence of payment of registration fees and tonnage taxes

Within 30 days of registration:

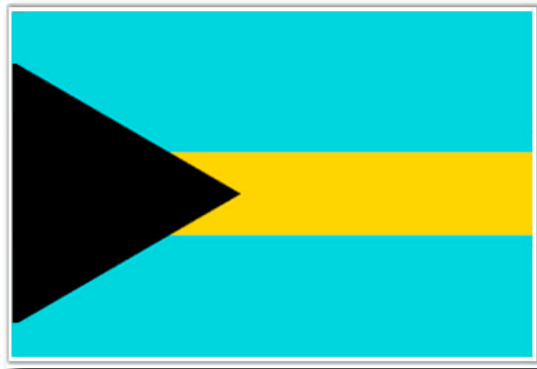
- Report on safety inspection
- Application for Liberian ship radio license

²⁸ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

- Proof of cancellation from previous registry

For permanent registration, all certificates required to comply with the relevant IMO conventions must have been issued by an authorized classification society.

*The Bahamas*²⁹



The Bahamas Maritime Authority ("the Authority") is a semi-autonomous statutory corporation that was formed in 1995 in order to establish what it claims to be an efficient and responsive administrative vehicle for registration of vessels, and for the enforcement of safety requirements. The Authority has offices in Nassau, London, New York, and Tokyo, and it represents The Bahamas at the IMO. The Authority aims to attract high quality tonnage, asserting that it maintains the highest international standards of safety and operation.

Ship registration is one of the newer industries in The Bahamas, but it is already ranked 6th when it comes to the world's largest fleet. Since the Merchant Shipping Act of 1976, more than 1,000 ships have registered and fly the Bahamian flag. Among the shipping companies who registered are Chevron, Teekay Shipping, Exxon Industries, and Maersk Line. Luxury cruise ship companies registered in The Bahamas include those run by the Holland America Line and the Norwegian Cruise Line.

Costs

Registration fees are \$1.20 per NRT for ships with NRT of 5,000 or less. For ships with more than 5,000 NRT, registration fees are \$1.10 per NRT. For example, it costs \$5,500 to register a ship with NRT of 5,000, and \$27,500 to register one with NRT of 25,000.

²⁹ The Bahamas Maritime Authority. Retrieved from <http://www.bahamasmaritime.com/>

Annual tonnage dues amount to 10 percent of the NRT (i.e., \$0.10 per NRT), with an additional \$1,500 for ships under 25,000 NRT. For ships above 25,000 NRT, the dues are \$0.11 per NRT plus \$1,500. For example, it costs \$1,660 to register a ship with 1,600 NRT, \$2,000 for 5,000 NRT, up to \$4,000 for 24,999 NRT, and \$4,250 for 25,000 NRT.

Ships flying the Bahamian flag pay no additional taxes to the government of The Bahamas. Foreign-owned ships of more than 150 GRT are also exempted from customs duties and documentary stamps fees.

Ownership Requirements

There is no requirement for local ownership of a Bahamian registered ship. The ship is required to be surveyed on first registration and inspected annually thereafter.

Foreigners may serve as officers and crewmembers in the registered ships provided that the officers hold professional certification from The Bahamas Maritime Authority and the crewmembers hold national certifications conforming to Standards of Training, Certification & Watching regulations.

Additional Requirements & Documents

The government of The Bahamas imposes fairly rigid standards to make its ship registration as responsible as possible. For a ship to be catalogued, it must be less than 12 years old, weigh more than 1,600 NRT, and be occupied in international trade. Some ships over 12 years old can be registered, but only under certain select conditions. Owners of smaller vessels are given special consideration such as reduced fees and tariffs.

Required Documents³⁰

- Evidence of ownership (e.g., bill of sale or builder's certificate)
- Declaration of ownership
- Certified copy of the certificate of incorporation
- Evidence of the cancellation of previous registry
- Evidence that no liens have been recorded against the ship or the applicant
- Certificate of tonnage measurement
- Particulars of radio and radio accounting authority details

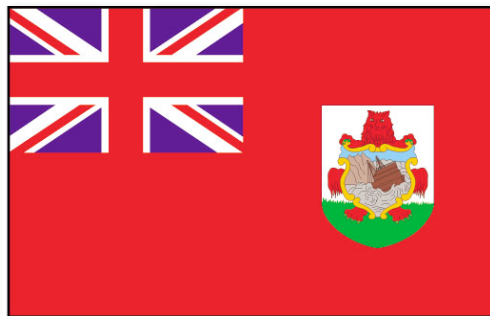
³⁰ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

- Name of managing owner or manager if vessel is owned by a company
- Carving and marking note duly completed
- Survey certificate
- Details of number of crew the vessel is certified to carry
- Application for signal letters and confirmation that radio transmitter set is installed on the vessel
- Application for safe manning certificates
- Application for Maritime Mobile Service Identity number
- SOLAS certificates
- Load line certificate

Additional Advantages

The success of ship registration in The Bahamas is attributed to several factors, such as political and judicial stability, a good business and financial environment, strategic location, popularity as a tourist destination, modern and well-equipped harbors, and the registries adherence to international standards and principles.

Bermuda



The Bermuda Department of Maritime Administration claims to be a high-quality shipping register and maritime administration, providing a high standard of service, information, and support to its customers and their businesses, while ensuring that Bermudan ships still meet all international safety and regulatory requirements. It states that it will continuously review its performance and seek to improve its services and support to achieve this.

The Bermuda Registry also claims the following advantages³¹:

- A strong and clear legal system based on U.K. maritime law
- A politically stable jurisdiction

³¹ Bermuda Ship Registry. Retrieved from <http://bermudashipping.bm/>

- Clear positions on the priority of mortgages
- A British flag – part of the Red Ensign Group
- A registry that is open 24 hours a day to suit all possible time zones
- A flag that is at the top of the Paris MOU white list for Port State Control

Costs³²

Registration Fee:

There is a registration fee of \$3,000 for ships weighing less than 10,000 NRT. For ships between 10,000 and 50,000 NRT, the fee is \$3,000 plus \$0.30 for each ton in excess of 10,000 NRT. The registration fee for ships exceeding 50,000 NRT is \$15,000.

For the transfer of a second ship in the same ownership or management within a 12-month period the above fees are reduced, and thereafter the third and subsequent ships are charged a \$1,000 registration fee.

Annual Fees:

For ships weighing less than 10,000 NRT, the annual fee is \$3,000. For ships between 10,000 NRT and 50,000 NRT the fee is \$3,000 with an additional fee of \$0.22 for each ton in excess of 10,000 NRT. For ships weighing more than 50,000 NRT, the fee is \$11,800 plus an additional fee of \$0.17 for each ton in excess of 50,000 NRT, with a maximum fee of \$30,000.

Ownership Requirements

Registering under the Bermuda flag entails comparably strict regulations with regard to the owner of the ship.

Ownership of Bermudan ships is divided into 64 indivisible shares. It is a requirement that a majority of the shares (at least 33) are owned by “qualified” persons. In general these are: British citizens, citizens of British dependent territories, body corporates registered in the U.K. or U.K. dependent territories, or body corporates registered in the European Union or the European Economic Area.³³

³² Dickinson, H (2008) International Ship Registration Requirements. *Shipping ‘At A Glance’ Guide 7*

³³ Bermuda Registry Requirements. Retrieved from <http://www.bermudashipping.bm/registry/registry-requirements/>

Required Documents³⁴

- Application for name approval
- Evidence of ownership (e.g., builder's certificate or bills of sale)
- The appointment of an authorized officer
- Declaration of ownership and a certificate of survey

Companies must also send a certified copy of their certificate of incorporation, as well as their memorandum and articles of association.

Cyprus



Registration Fees³⁵

Although Cyprus has much to offer in terms of infrastructure and maritime administration, the biggest advantages offered by the Cyprus Ship Registry are its low costs. Cyprus is considered to be among the most competitive shipping centers in the world, in terms of both registration and fees. For non-passenger vessels, the fees are:

- €0.170860 for each gross ton with GRT up to 5,000
- €0.136688 for each gross ton with GRT between 5,001-10,000
- €0.068344 for each gross ton with GRT over 10,000

The minimum fee is €213.58 and the maximum fee is €5,125.80.

For passenger ships, the fees are €0.256290 for each gross ton with a minimum fee of €427.15. Therefore, a passenger ship with GRT of 5,000 will have to pay €1,281.45 in registration fees while a ship with GRT of 25,000 would pay €6,407.25 in registration fees.

The annual tonnage taxes for vessels of average age (10 years) will be €2,716.67 for a vessel with 5,000 gross units, and up to €7,073.60 for a vessel with 25,000 gross units.

³⁴ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

³⁵ Registration Fees. Retrieved from http://www.mcw.gov.cy/mcw/dms/dms.nsf/feesship_en/feesship_en?OpenDocument

Ownership Requirements³⁶

More than half the ownership shares in the ship must be owned by a Cypriot national, a company established and having its registered office in Cyprus or, with specific authorization, by a company registered outside of Cyprus but controlled by Cypriots. Applications for registration of ships must be made through Cypriot lawyers. Additionally, the ship must be surveyed by an approved classification society at the time of registration.

These requirements show that Cyprus, like Bermuda, has stricter than average rules when it comes to owner nationality. However, since Cyprus is part of the European Union, citizens of other member states are given the same benefits in terms of flag registration as Cypriot nationals, as long as they appoint an authorized Cypriot representative. Still, these owner restrictions make the flag of Cyprus less desirable than the alternatives, and the registry might be better labeled as “semi-open” in terms of its requirements.

Additional Requirements & Documents

Vessels that are banned by any MOU or a port state on grounds of safety, pollution prevention or security concerns are not considered under Cyprus’ Ship Registry. Furthermore, vessels are not accepted for registration if Port State Control authorities have detained them for the above reasons three or more times in the two years prior to the date of application by the registry.

Required Documents³⁷

For provisional registration:

- Certificate of deletion or confirmation from the previous registry regarding ownership of the ship
- Notarized and legalized bill of sale
- Resolutions of the directors of the owning company plus any power of attorney executed pursuant thereto
- Declaration of ownership and appointment of ship's husband
- Application for a radio license
- Copy of the current tonnage certificate.

For permanent registration (within 9 months):

- Cypriot tonnage certificate and the certificate of survey

³⁶ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

³⁷ Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

- Certificate of deletion from the previous registry (unless already submitted)
- Copies of all statutory certificates
- Completed carving and marking note and a copy of the agreement with the radio accounting authority regarding payment of radio license fees

Additional Advantages³⁸

- Double Tax Treaties, which provide mechanisms for avoiding being taxed in multiple countries on the same activity, with 43 countries.
- No taxes on profits from the operation or management of a Cypriot-registered vessel or on dividends received from a ship owning company.
- No capital gains tax on the sale or transfer of a Cypriot-registered vessel or the shares of a ship owning company.
- No estate duty on the inheritance of shares in a ship-owning company.
- No income tax on the earnings of officers and crew.
- No stamp duty on ship mortgage deeds or other security documents.
- Signatory to numerous international maritime conventions.
- Bilateral agreements with 29 countries, through which ships registered in Cyprus receive either national or favored nation treatment in the ports of other countries.

Marshall Islands



The Marshall Islands Ship Registry, The Maritime Services Group of International Registries Inc., like many of the other registries examined in this paper, claims to provide the highest quality ship registry services and flag state administration found anywhere in the world, due to their “understanding of the need to balance timely and effective vessel registration and compliance under the provisions of the UN, UNCLOS, international regulations, procedures and practices contained in IMO instruments and other mandatory instruments to which the

³⁸ Why Cyprus. Retrieved from http://www.mcw.gov.cy/mcw/dms/dms.nsf/whycyp_en/whycyp_en?OpenDocument

Marshall Islands is a party, with the professional knowledge of, and pragmatic appreciation for, the complexities of conducting international trade without unnecessary interference”.³⁹

Furthermore, the Marshall Islands Maritime Registry claims the following advantages of registering with them:⁴⁰

- Over 60 years of experience administering vessel registries.
- Decentralized operations to provide customers with 24-hour service from their 23 worldwide offices in Asia, Europe and the United States.
- Active delegation and a permanent representative at the International Maritime Organization (IMO) who participates in all of the committee and subcommittee meetings.
- Confidence from International lending institutions and shipbuilders in its vessel registration, documentation and preferred ship mortgage recordation standards and procedures.
- Legislation that permits the registration of a vessel that is still subject to a recorded mortgage in its previous country of registry. Therefore, foreign mortgage liens can accompany the vessel into the Registry.
- A worldwide network of nautical inspectors who conduct in-port inspections and respond to ship owner and operator needs, in an effort to meet international standards.
- An information network of Marine Safety Advisories that gets distributed to ship owners and operators to explain changes to international shipping regulations, security bulletins and Port State Control activities to help avoid unnecessary delays and compliance problems.
- A Maritime Services Group that is ISO 9001:2008 certified. ISO (International Organization for Standardization) is a series of five international standards on quality management and assurances.

Costs

Besides the initial registration fees, the main annual fees are the tonnage fees, the Marshall Islands International Participation fee (MIIP) and the Marine Service Safety fees.⁴¹

³⁹ International Registries, Inc. Retrieved from <http://www.register-iri.com/index.cfm>

⁴⁰ International Registries, Inc. Retrieved from <http://www.register-iri.com/index.cfm>

Registration Fees

Initial Registration Fee per vessel (excluding yachts):

- For vessels of 2,500 NRT or less: \$2,500
- For vessels of 2,501 NRT to 15,000 NRT: \$5,000
- For vessels of 15,001 NRT to 35,000 NRT: \$10,000
- For vessels of 35,001 NRT to 50,000 NRT: \$15,000
- For vessels over 50,000 NRT: \$20,000

Annual Tonnage Taxes:

- For vessels of 2,500 NRT or less: \$500
- For vessels of 2,501 NRT to 5,000 NRT: \$0.20 per NRT
- For vessels of 5,001 NRT to 25,000 NRT: \$0.17 per NRT
- For vessels of 25,001 NRT to 50,000 NRT: \$0.15 per NRT
- For vessels over 50,000 NRT: \$0.125 per NRT

MIIP Fees:

- For vessels 5,000 NRT or less: \$2,000
- For vessels of 5,001 NRT to 25,000 NRT: \$1,750 plus \$0.04 per NRT
- For vessels of 25,001 NRT to 50,000 NRT: \$1,500 plus \$0.04 per NRT
- For vessels over 50,000 NRT: \$1,250 plus \$0.04 per NRT

Marine Service Safety Fees:

All vessels engaged in commerce, including fishing vessels and commercial yachts with GRT 400 or more, have to pay an additional annual fee of \$2,000.

According to these calculations, a vessel with NRT of 5,000 engaged in commercial activity would therefore pay \$5,000 for registration and an additional \$5,000 a year in taxes and additional fees. A vessel with NRT of 25,000 would pay a registration fee of \$10,000 and \$9,000 in annual fees.

⁴¹ IRI Fee Schedule. Retrieved from <http://www.register-iri.com/index.cfm?action=page&page=281&fromPage=10#VesselReg>

Ownership Requirements

Ships registered with the Marshall Islands registry must be owned by either Marshall Islands nationals, corporations, limited or general partnerships, Limited Liability Companies, trusts, or Foreign Maritime Entities qualified in the Marshall Islands. This makes the Marshallese Registry very similar to the Liberian one.

Additional Requirements & Documents

- Vessels should be under 20 years of age at time of registration. A waiver of the age requirement may be granted after an evaluation of the condition, seaworthiness and usage of the vessel

Required documents⁴²

- Application for official number, call sign and registration of vessel
- Bill of sale or builder's certificate transferring title to applicant
- Power of attorney or secretary's certificate of corporate resolution
- Certificate of confirmation of class issued by classification society dated no earlier than 10 days prior to registration
- Classification society statement
- Special survey on vessels 15 years or older from the classification society
- Application for minimum safe manning certificate (this is submitted to the seafarers' identification and certification division prior to registration)
- International Safety Management (ISM) code declaration of company and designated person
- Proof of liability insurance, including owner's repatriation obligations
- Permission to transfer or cancellation certificate issued by the registry from which the vessel is being transferred
- Proof that vessel is free of recorded liens and encumbrances
- Within 90 days of registration, an application for ship radio station license must be submitted

⁴² Dickinson, H (2008) International Ship Registration Requirements. *Shipping 'At A Glance' Guide 7*

Comparison and Concluding Remarks

The documents required to register with the countries in this study are reasonably similar when it comes to issues such as safety, as well as legal and bureaucratic matters to meet the standards set by international treaties and laws. However, the six countries examined do differ when it comes to costs, ownership requirements and specific advantages. The following table sums up some of the major points:

Country	Costs				Ownership Requirements	Particular Advantages
	5,000 NRT		25,000 NRT			
	Reg. Fee	Annual Fee	Reg. Fee	Annual Fee		
Panama	\$2,000	\$4,300	\$4,000	\$6,300	Legal Representative in Panama	No Taxation on the income of ships involved in international navigation or trade.
Liberia	\$3,825	\$5,100	\$12,575	\$10,800	Foreign Maritime Entity	US based company
Bahamas	\$5,500	\$2,000	\$27,500	\$4,250	Required certification for foreign officers and crew	Political and judicial stability, good business environment and banking services, strategic geographical position
Bermuda	\$3,000	\$3,000	\$7,500	\$6,300	Bermuda, UK or EU citizen	Reputable flag at top of Paris MOU White list
Cyprus	€1,281.45	€2,716.67	€6,407.25	€7,073.60	50% shares owned by Cypriot or EU citizens	Competitive rates
Marshall Islands	\$5,000	\$5,000	\$10,000	\$9,000	Foreign Maritime Entity	Reputable, experienced flag and 23 worldwide offices

Foreign influence was not previously mentioned as an important criterion, but it plays a significant role in some of the case study countries, and could potentially pose a threat to the autonomy of seasteads. For example, Bermuda is a British dependent territory, The Bahamas is part of the Commonwealth of Nations, Cyprus is an EU member state and the Marshall Islands has significant influence from the United States. Panama and Liberia, the two registries with the largest fleets, seem to be the most autonomous. However, the Liberian Registry is U.S.-based, meaning seasteads flying Liberia's flag might be subject to interference from the U.S. Government in one way or another.

The Bahamas and Panama seem to be the best options in terms of tax breaks and business opportunities. Given that Liberian vessels account for 30 percent of the oil brought into the US, this registry may also be a good option in terms of business.

Stricter ownership requirements in Cyprus and Bermuda suggest that these countries in fact operate "semi-open" registries, as they do have some rules regarding owner nationality. Theoretically, all EU citizens and companies should be able to take advantage of these registries, but the requirements pose a challenge for non-EU citizens. The Marshallese and Liberian registries accept any Foreign Maritime Entity, and foreign owners should register as such if they wish to fly the flags of these countries. Panama and The Bahamas also have minimal requirements when it comes to the nationality of ship owners.

Furthermore, in terms of registration costs, Panama and Cyprus are among the most competitive flags, even considering the latter country's exchange rate from euros to U.S. dollars (at the time of writing, the exchange rate between the currencies was roughly 1 euro = 1.33 dollars). For small net register tonnage (NRT), Cyprus' registration costs are the lowest, followed by Panama, Bermuda, Liberia, the Marshall Islands and The Bahamas. For larger NRT, the order is maintained except that Panama becomes cheaper than Cyprus. The Marshall Islands and especially The Bahamas have registration costs significantly higher than the others. It should be noted that the registration fee in Liberia is waived through 2012, and could potentially be extended past this year.

In terms of annual costs, the amount Panama charges is unknown, but it is probably similar to the amount charged by Cyprus, whose registration costs are most like Panama's. Here too, these two flags can be considered among the most competitive. However, The Bahamas makes up for its high registration costs with very low annual costs, the lowest among the six

case studies. Bermuda's annual costs are also average compared to the other countries, while the Marshall Islands and Liberian registries are the most costly on an annual basis.

In summary, for ships or seasteads seeking to fly one of these flags for an extended period of time, the Marshall Islands' registry appears to be the least appealing in terms of costs, while Cyprus' and Panama's registries appear the most appealing. However, the requirements and regulations in Cyprus (e.g., nationality requirements) are stricter than those in Panama, making the latter slightly more attractive. Bermuda, being a British dependent territory, also has significant complicating factors and requirements relating to potential British interference that make it less of an open registry, and less convenient than the other countries examined in this study. Liberia's high annual costs make it less appealing for long-term projects. This would suggest that Panama and The Bahamas remain as the best options for choosing a flag. Panama, however, is listed on the 2-point target list by the US, while The Bahamas has very high registration costs (which should not deter long-term projects, given the cheap annual costs). This study shows that there are a number of pros and cons associated with each flag, and no option stands out as ideal in all respects. Which factors are considered most important will depend on the seasteading venture in question. However, having examined the various countries' reputations, regulations and costs, this study provides a starting framework for seasteading entrepreneurs to make such decisions.

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