

East is East and West is West: will the twain meet in global shipping?

Addendum to the article *Fair competition and climate neutrality: will the twain ever meet in the global shipping industry?**

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Global shipping poses global environmental threats. The European Union has adopted policies and implementation measures to deal with these threats. Some of the problems which may arise from the policies and measures have been discussed in my article 'Fair competition and climate neutrality: will the twain ever meet in the global shipping industry?'. However, apart from European responses, global responses are also required. On 7 July 2023 the International Maritime Organisation (IMO) adopted strategic policies to that effect.

The ever-widening gap between collectivistic and individualistic ideologies favoured by IMO Member States poses a risk to the uniform implementation of these policies. This article discusses some of the problems which may arise between China and EU Member States.

Global trade

The Parcae are the three goddesses of destiny. In societies they appear in the guise of trade, organisation and security. Interconnection, balance and stability amongst the Parcae constitute the basic requirements to be fulfilled by societies in order to achieve social cohesion and prosperity.

Ideologies are very much inherent in the system of eastern and western societies. Both kind of societies need to develop strategies for coping with changing circumstances. Broadly speaking, eastern societies found these strategies on collectivistic ideologies, unlike western societies, whose political founding ideologies are individualistic.

Collectivistic ideologies have a conceptual outlook. They favour prosperity in a pre-structured form and make use of progress for gradual expansion of influence. Individualistic ideologies have a pragmatic outlook. They favour prosperity in the form in which it evolves and make use of progress for instant exploitation of influence.

Globalisation of trade increases the gap between the ways in which societies pursue and shape collectivistic and individualistic ideologies.

Collectivistic societies, like China, make use of opportunities provided by globalisation of trade without allowing these to affect the foundations of their ideology. To that end, China has created two different entrepreneurial structures for achieving the desired pre-structured form of prosperity. State Owned Enterprises (SOEs) operate in support of the core values of China's collectivistic ideology, whereas private enterprises are primarily concerned with reaping the fruits of current or new markets. The two structures are closely interconnected both politically and economically. Modification of strictly drawn boundaries is reserved to the Chinese Communist Party.

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Individualistic societies, like EU Member States, have no boundaries behind which they can retreat in order to protect and defend core values of their ideology. They have no option but to accept fragmentation of national policies resulting from globalisation of trade. The ensuing affectation of interconnection, balance and stability amongst the Parcae confronts these societies with a constant pressure to provide new inroads into prosperity so as to maintain social cohesion. Provision of inroads and protection of the results determine the chances of survival of individualistic ideologies, particularly where innovative technologies are concerned.

Both in collectivistic and, to a lesser extent, individualistic societies, decision making processes on environmental and economic issues are hidden from the public eye. However, societies need popular support for the way in which the outcome of such processes is being put into practice. To that end they rely on social media. Social media blend genuine, delusional and fake impressions into subjective beliefs. Societies fashion these beliefs into popular perceptions of truth, in support of their ideology.

The ever increasing proportions of globalisation of trade affect the sustainability of current popular perceptions of truth. This is particularly true with regard to societies that are protecting or pursuing dominance. The more popular perceptions of truth are supported by dominance in global trade, the more societies will be inclined to use all means available to protect or pursue, as the case may be, prosperity in the form in which it is being advocated by their ideology. In themselves, such actions are not likely to lead to armed conflicts between societies with incumbent and rising dominance. However, they may induce other societies to nail their colours and ally with one of them. Such alliances not only broaden the gap between controversial ideologies but also increase the risk of armed conflicts amongst the allies. The Russo-Ukrainian war offers a telling example. History shows that there is a real danger of such armed conflicts spilling over from a regional to a global level. If only because of this danger, and irrespective of their ideology, societies should stay away from using combat of global disasters caused by external events outside their control as a tool for protecting or pursuing dominance in global trade.

Global shipping

The International Maritime Organisation provides the institutional structure for regulating shipping globally. Membership of the IMO is reserved to states. The USA and China are full members; the EU Commission has observer status. The EU itself is an outsider. All 27 EU Member States are full members however. They cannot assume any obligation that contradicts EU law and are urged to spread and represent EU interests. Thus, the voice of the Union is transferred from its Member States onto the discussion table. Last but not least, 88 non-governmental organisations have been granted consultative status with the IMO.

Policies adopted by the IMO must be implemented by its Member States. IMO Member States are founded upon, and adhere to, collectivistic or individualistic ideologies. This implies that member states with controversial ideologies are obliged to act in unison in implementing IMO policies.

On July 7, 2023, the IMO adopted strategic policies on achieving climate-neutrality in global shipping by 2050. The 175 Member States are committed to implementing these policies to that effect. The EU, too, has adopted policies on achieving climate-neutrality in global shipping by 2050. As from 2024, the 27 Member States are obliged to introduce implementing measures adopted to that effect.

The IMO focuses on achieving climate-neutrality in global shipping exclusively. The EU and its Member States focus on achieving climate-neutrality and fair competition in global shipping simultaneously.

Climate-neutrality and fair competition are the main drivers for achieving environmental and economic prosperity. However, the controversial ideologies on the basis of which China, on the one hand, and the EU and its Member States on the other deploy these drivers may well lead to collisions between China and EU Member States in implementing IMO policies.

The IMO has loosely formulated the obligations to be met by its Member States for achieving climate-neutrality in global shipping by 2050. Member States will take the position that this leeway allows them to respect and honour in full their respective ideologies in implementing IMO policies.

Pursuant to its collectivistic ideology, China regards climate- neutrality and fair competition as two out of several equivalent drivers at its disposal for achieving prosperity in the desired pre- structured form. All drivers are closely interconnected both politically and economically. This implies that China gives climate-neutrality and fair competition the weight deemed to be necessary in pursuing the overall objective of its ideology. COSCO and other major Chinese stakeholders in global shipping are SOEs. The entrepreneurial structure in which SOEs operate provides China fertile ground for benefitting from the leeway the IMO has provided for implementing its policies on achieving climate-neutrality in global shipping by 2050.

Pursuant to their individualistic ideology, the EU and its Member States regard climate-neutrality and fair competition as independent drivers which play an autonomous role based on their own principles. In implementing IMO policies EU and national law prohibit EU Member States from using the leeway to which they are entitled in their capacity as Member States of the IMO. Thus, legislative measures on achieving climate-neutrality cannot be adjusted to legislative measures on achieving fair competition. The very strict way in which these measures have been formulated implies that also in implementing IMO policies EU Member States must give climate- neutrality and fair competition the full weight to which each of these drivers is unilaterally entitled in the pursuance of prosperity in the form in which it evolves. Judicial supervision ensures that political preference for the one will not affect the relevance of the other.

Conclusion

The above reflections raise the question whether the IMO will succeed in persuading societies with collectivistic and individualistic ideologies such as China and the EU Member States, to act in unison in pursuing climate-neutrality in global shipping. I take the view that the legal and political tools currently at the disposal of the IMO are too fragile to adequately and timely prevent collisions between societies with controversial ideologies or, as the case may be, managing and finding solutions for such collisions. These, however, are likely to arise and will have serious repercussions. The importance of IMO Member States achieving climate-neutrality in global shipping by 2050 is too great to leave to the battlefield to decide whether the Parcae are better served by either collectivistic or individualistic ideologies. Ideally collisions should be prevented from the outset. In the lead up to a legal framework, common ground should be defined in order to create an equilibrium that permits peaceful cohabitation of measures with extra-territorial scope emanating from controversial ideologies and policies.

Considering the above, the IMO should provide a platform for negotiations between Member States with controversial ideologies in order to define such common ground. Negotiations and supervision of solutions to controversial issues should have a status in their own right. The scope of the definition of common ground is an indicator of the degree to which collectivistic and individualistic ideologies can be brought together in order to address in unison global threats to prosperity which cannot be removed unilaterally.