



Revitalising the UK domestic shipping industry

THE CASE FOR MARITIME CABOTAGE



NAUTILUS
INTERNATIONAL

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1. Foreword

As the maritime world adapts to shifting global dynamics, the United Kingdom faces a crucial decision: whether to support our domestic shipping industries by adopting robust cabotage legislation or to risk our national resilience on foreign-owned and -controlled supply chains.

The choice is one of safeguarding the lifeblood of our economy through quality employment, the development of vital maritime skills, and the maintenance of high labour standards for our maritime and shipping professionals or outsourcing this to parties over which the UK has limited influence.

More than 100 nations – including many of our major trading partners – now recognise the value of cabotage, ensuring that domestic maritime trade is conducted by national operators, vessels and crews. Their experience provides compelling evidence that cabotage is a modern policy instrument securing national resilience and delivering tangible benefits for workers and industry.

Cabotage supports the creation and retention of high-quality, stable jobs in the maritime sector. When domestic trade is entrusted to national ships with qualified resident seafarers, the benefits are felt not only by individuals, but across entire communities. These are well-paid, skilled positions – each one representing a real boost to local economies.

By contrast, the absence of cabotage exposes our nation to unfair international competition, driving down employment and standards.

Such policies are essential for sustaining our national maritime skills base. The maritime

industry requires a steady pipeline of well-trained professionals, able to respond to national challenges and crises, as evident throughout history, and most recently during the Covid-19 pandemic. Without opportunities in domestic trade, our ability to nurture and retain this talent is fundamentally undermined.

Crucially, cabotage legislation also delivers better working conditions for maritime professionals. It sets clear expectations for pay, working hours and safety, ensuring that the highest standards prevail within domestic waters. This provides seafarers with the security and dignity they deserve, while helping employers recruit and retain skilled staff in a fiercely competitive labour market.

Some may argue that existing measures adopted in the UK are sufficient – such as the Tonnage Tax, subsidised training, and improvements to minimum wage legislation. However, evidence shows these measures have not halted the decline in national-flagged ships or protected our jobs and maritime skills base.

The time has come to learn from the global experience and act in the best interests of the UK. Cabotage deserves our attention.

I urge policymakers and industry leaders alike: let us adopt meaningful cabotage legislation. By prioritising our people, we invest in strong, resilient shipping for the decades to come – delivering economic, social and strategic benefits to our nation.

Mark Dickinson
General Secretary
Nautilus International

2. The case for cabotage

The global order is shifting. Long-established political and economic alliances are being reshaped, trade patterns are in flux, and geopolitical tensions are redefining what security means for island nations. For the United Kingdom, these transitions demand a fundamental reassessment of our maritime capabilities – as a matter of national security, resilience and economic sustainability.

The challenges facing the UK's shipping industry have reached a critical point. Our Merchant Navy continues its decades-long decline, marked most starkly by historic lows in both UK-resident seafarers¹ and UK-registered vessels². In an era of increasing uncertainty, this erosion of maritime capacity is not simply an economic concern, it is a strategic vulnerability that the nation can no longer afford to ignore.

The UK was once a proud maritime nation, but the state of our Merchant Navy is dire. This is a direct result of the rise of flags of convenience (FOCs)³, which provide deregulated regimes with little capacity for effective control and thus enforcement of any national or international regulatory requirements and obligations.

While the UK is not alone in facing the consequences of the proliferation of FOCs, our failure to create a legal framework to protect our domestic maritime industry has set us apart. This has not only led to the loss of good quality, skilled jobs but, as presented in this report, is a national strategic failure.

The decline of our Merchant Navy must not be viewed simply as industrial decline but a threat to our national security and resilience by our dependence on merchant fleets and seafarers from other countries to keep the UK supplied.

*'A healthy merchant marine and secure sea lines of communication are essential for national security in peace and war.'*⁴

Professor Geoffrey Till, former head of Defence Studies at King's College London

The purpose of this report is to consider how other similar countries to the UK have dealt with the pervasive impact of FOCs to their maritime industries through domestic legislation, referred to as 'cabotage', and to recommend a maritime cabotage system for the UK.

Maritime cabotage regulations represent national policies governing the transportation of goods and passengers within a country's domestic maritime waters, typically characterised by restrictions on foreign-flagged vessels. These laws are strategically designed to protect and prioritise a nation's maritime interests and national security considerations. By limiting coastal shipping operations to domestic vessels, countries aim to safeguard their maritime infrastructure, support local shipping industries, maintain economic sovereignty, and ensure strategic control over their territorial waters.

While the specific implementation varies considerably across jurisdictions, the fundamental objective remains consistent: to preserve and promote national maritime capabilities through carefully crafted legal frameworks that balance international maritime principles with domestic economic and strategic imperatives.

According to a 2025 Seafarers Rights International (SRI) report, maritime cabotage now exists along the coastlines of approximately 85% of the world and extends into more offshore zones⁵. In the last decade, cabotage has spread to 105 states and increased in several

¹ Seafarers in the UK Shipping Industry 2024: www.gov.uk/government/statistics/seafarers-in-the-uk-shipping-industry-2024

² Shipping Fleet Statistics, September 2025: www.gov.uk/government/statistical-data-sets/shipping-fleet-statistics#uk-ship-register-statistics

³ ITF Current Registries Listed as FOCs, December 2025: www.itfseafarers.org/en/issues/flags-of-convenience/current-registries-listed-focs

⁴ Seapower: A guide for the 21st Century, 2009, Professor Geoffrey Till, former Head of Defence Studies at King's College London

⁵ Cabotage Laws of the World, 2nd ed 2025, Seafarers Rights International

regions, including West Africa, East Africa, the Horn of Africa, the Middle East, Central America, the Pacific Ocean and the Caribbean Sea.

The UK is one of the few maritime nations without any substantial maritime cabotage law reserving domestic shipping to nationally registered vessels employing local seafarers.

The Seafarers' Wages Act 2023, which extended the UK national minimum wage to all seafarers on vessels entering UK ports more than 120 times per year, may be considered a step towards establishing maritime cabotage in the UK. In isolation regulating minimum wages is not sufficient, however.

The UK government has also vowed to implement a mandatory 'seafarers' charter' as part of the Employment Rights Act, which received Royal Assent in December 2025. Maritime unions are pressing for this charter to enforce employment conditions reflective of domestic standards, not international minimums. If this comes to pass, it would be another step towards a limited form of cabotage in the UK, specifically designed to enhance seafarer welfare standards in the ferry sector, on routes to neighbouring countries.

We must be clear from the outset that a mandatory seafarers' charter alone will not reverse Merchant Navy decline in the UK, but it can be the foundation of a coherent and transformative maritime strategy including cabotage and bilateral arrangements to tackle 'social dumping'. Social dumping is when companies gain an unfair competitive edge by exploiting differences in labour costs and social standards, often by moving operations or hiring workers from countries with lower wages, weaker regulations, and less worker protection, leading to depressed wages and conditions in higher-standard countries⁶.

The last great innovation in UK maritime policy was in 2000, with the introduction of the Tonnage Tax regime, a package of measures to help reverse the decline in the UK shipping industry by increasing the direct ownership of shipping by companies within the UK and also increasing the UK's merchant marine workforce.

UK Tonnage Tax is an alternative method of calculating corporation tax for qualifying shipping companies. Instead of paying tax on commercial profits and losses, companies pay tax based on a deemed daily profit calculated by reference to the net tonnage of ships they operate⁷, creating a close to zero tax environment. Shipping companies in the Tonnage Tax system must commit to a Minimum Training Obligation, typically recruiting and training one UK cadet per year for every 15 officer posts, and their ships must be strategically and commercially managed in the UK.

Nautilus International is clear that a review of Tonnage Tax – coupled with increases to the government's Support for Maritime Training (SMaT)⁸ funding scheme – is urgently required to encourage growth in Merchant Navy capacity. This can and should be linked to a transformative maritime strategy that includes maritime cabotage for UK coastal shipping and improved fiscal support for the nation's internationally trading fleet.

The evidence is clear. If the UK is serious about protecting its national security, economic resilience and maritime heritage, it must act decisively to rebuild sovereign maritime capability. This report makes the case that a modern system of maritime cabotage, aligned with a reformed Tonnage Tax and renewed investment in UK seafarers, offers a credible and practical route forward. The choice now facing government is stark: continue to preside over managed decline, or take the strategic decisions required to restore a strong, skilled and nationally anchored Merchant Navy fit for an uncertain world.

⁶ **Understanding social dumping in the European Union**, European Parliament: [www.europarl.europa.eu/RegData/etudes/BRIE/2017/599353/EPRS_BRI\(2017\)599353_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599353/EPRS_BRI(2017)599353_EN.pdf)

⁷ **Maritime 2050: Where are we now?** maritimeuk.org/priorities/2050/

⁸ **UK Ship Register:** ukshipregister.co.uk/about-us/tonnage-tax-and-smart-funding

3. Cabotage across the world

Most countries that engage in domestic coastline trading retain some form of maritime cabotage law, as identified in the 2025 SRI report.

This section will look at examples of cabotage across the world. We have specifically chosen countries which are natural allies to the UK, proponents of freedom of navigation, and both in the Group of Seven (G7) and Group of Twenty (G20) policy forums. We have also considered China as a major maritime nation with an expansionist maritime strategy. All these countries are also members of the Council of the International Maritime Organization (IMO)⁹, the United Nations body that regulates the global maritime industry.

United States

The most globally recognised example of cabotage exists in the US, where legislation emanates from the Merchant Marine Act 1920 – commonly referred to as the ‘Jones Act’. The stated purpose of the Act is to develop a merchant marine ‘necessary for the national defense and for the proper growth of its foreign and domestic commerce’¹⁰. The Passenger Vessel Services Act 1886 is also relevant, as it pertains to the transport of people.

The two Acts together require any vessel engaged in the carriage of goods or passengers between ports in the United States (including Hawaii, Alaska, Puerto Rico and certain territories) to be US owned, US built, US flagged and US crewed. Jones Act activities do not attract any subsidies from the national government.

One of the main drivers of US cabotage is the preservation of maritime skills and a fleet that can be readily deployed in the event of a crisis. The legislation states:

It is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine:

- (1) *sufficient to carry the waterborne domestic commerce and a substantial part of the waterborne export and import foreign commerce of the United States and to provide shipping service essential for maintaining the flow of the waterborne domestic and foreign commerce at all times;*
- (2) *capable of serving as a naval and military auxiliary in time of war or national emergency;*
- (3) *owned and operated as vessels of the United States by citizens of the United States;*
- (4) *composed of the best equipped, safest and most suitable types of vessels constructed in the United States and manned with a trained and efficient citizen personnel;*
- (5) *supplemented by efficient facilities for building and repairing vessels.*¹¹

Much like the rest of the world, the US has been struggling to keep up with the rapid growth in China’s merchant fleet since the early 2000s, with China now the world leader in terms of ships registered to the national flag. In 2024 China had 10,305 ships compared with the US’s 3,513 ships.¹²

A 2015 paper, **Sea Strangulation: How the United States Has Become Vulnerable to Chinese Maritime Coercion**,¹³ highlighted the defence risks of a reduced US merchant fleet and the need to improve its capability. It noted that, in future conflicts, the US could find itself outnumbered and outmanoeuvred on the high seas.

In 2021, President Trump’s former national security

⁹ International Maritime Organization Council Members 2025: www.imo.org/en/ourwork/ero/pages/council-members.aspx

¹⁰ Merchant Marine Act 1920 preamble

¹¹ US Code 50101- objectives and policy (pub. l. 109-304, 8(b), Oct. 6. 2006, 120 Stat. 1556

¹² United Nations Trade and Development (UNCTAD) 2024 Maritime profile | Data Hub

¹³ Sea Strangulation: How the United States Has Become Vulnerable to Chinese Maritime Coercion: [SeaStrangulation11_171.pdf](#)

advisor Robert C O'Brien opined that, with a growing threat from China, the Jones Act is essential to protecting US strategic interests: 'In addition to maintaining our military advantage in the emerging great-power competitions of the twenty-first century, America must nurture a robust and resilient industrial base connected by our critical maritime arteries. The Jones Act is a critical tool in that effort and must be preserved and strengthened for the decades ahead.'¹⁴

The policy continues to enjoy strong bipartisan support in Congress. Recent executive actions, such as the April 2025 executive order **Restoring America's Maritime Dominance** signed by President Trump¹⁵, have focused on revitalising the domestic maritime industry and workforce to ensure American control over its waterways and reduce dependence on foreign entities.

Canada

Canada, like many other nations, views its cabotage policies as vital to safeguarding national security, ensuring supply chain autonomy, retaining a qualified national workforce, and promoting fair market competition.

In Canada, cabotage is governed by the Coasting Trade Act 1992 under Regulation of Foreign Ships and Non-Duty Paid Ships 3 (1):

'No foreign ship or non-duty paid ship shall, except in accordance with a licence, engage in the coasting trade.'

The Library of Parliament legislative summaries published on 4 August 2017 recall that the Coasting Trade Act is

designed to protect Canadian ship owners from 'unfair competition from countries that have lower wages or standards of safety'.¹⁶

Under the Act, coastal trade is reserved for Canadian registered vessels, except in cases where there are no suitable and/or available Canadian ships to carry out the activity. The use of foreign ships in coastal trade may be permitted with an application to the Canada Border Services Agency and the Canadian Transportation Agency to obtain a licence.¹⁷

Under the Canada Shipping Act 2001, crews of Canadian flagged vessels must be composed exclusively of Canadian citizens or permanent residents. However, in 2023 Canada signed agreements with Georgia, the Philippines and the UK to allow certified seafarers to work onboard Canadian vessels to resolve a seafarer shortage in the country's domestic fleet.¹⁸

According to the SRI report, Canada's 2025 Maritime Security Strategic Framework may have implications for coastal trading. The document points out that 'Canada is a maritime nation with one of the world's longest coastlines, relying on the secure use of the oceans for national security and economic prosperity', and states that 'this Framework integrates measures to safeguard the maritime supply chain against a range of threats, including natural disasters, cyberattacks and geo-political risks. ... Supply chain resilience and sustainability are central to the Framework's strategic outcomes.'

Australia

Australia operates a form of licensing regime governed by The Coastal Trading (Revitalising Australian Shipping) Act 2012, which regulates coastal trade by granting licences to authorise vessels to carry passengers or cargo between ports in Australia.¹⁹

¹⁴ **The Jones Act is Essential for U.S. National Security**, Robert C. O'Brien, American Maritime Partnership, June 2021

¹⁵ **Restoring America's Maritime Dominance**, April 2025: www.whitehouse.gov/presidential-actions/2025/04/restoring-americas-maritime-dominance/

¹⁶ **Library of Parliament** (2017) 42nd Parliament, 1st Session, Legislative Summary of Bill C-49

¹⁷ **Marine legislation**, Canadian Transport Agency

¹⁸ **Canada Opens Canadian Ships to More International Seafarers**, Mike Schuler, 2023

¹⁹ **Coastal Trading**, Australian Department for Infrastructure, Transport, Regional Development, Communications and the Arts

The Act creates three types of licences for coastal trading: general licences, temporary licences and emergency licences.

A vessel registered with the Australian General Shipping Register may obtain a general licence, which provides unrestricted access to engage in coastal trading in Australian waters for five years. The application for a general licence requires evidence that each seafarer working on the vessel is, or will be, an Australian citizen; holds a permanent visa; or holds a temporary visa that does not prohibit the seafarer from performing the work on the vessel.

The Act does not prevent foreign-flagged vessels from carrying cargo from one port in the country to another, but they must obtain a temporary licence. A temporary licence is valid for 12 months and is limited to the voyages authorised by the licence.

An emergency licence provides access to engage in coastal trading in identified emergency situations for up to 30 days.

In 2022 Australia set up a taskforce to establish a Maritime Strategic Fleet, to strengthen its economic sovereignty and improve national security.²⁰ The maritime strategic fleet was born out of the government's commitment to improve Australia's resilience and maritime capability.²¹ The fleet will consist of up to 12 privately owned and commercially operated Australian-flagged and -crewed vessels. These vessels will be available for requisition by the government in times of need.

Japan

Japan first introduced its maritime cabotage regime in 2008 under its **Basic Plan on Ocean**

Policy, which seeks to secure stable maritime transportation, to enhance the business base of coastal shipping, and to secure and train Japanese seafarers effectively and stably and maintain cabotage.²²

Article 3 of the Ships Act reserves the right of cabotage for Japanese vessels, except for vessels from a limited number of countries granted limited access pursuant to treaties of friendship, commerce and navigation²³.

This covers transportation of goods and services between ports located in Japan. Article 1 of the Ships Act specifies two-thirds of executive officers onboard Japanese registered vessels must be Japanese nationals.

In 2017 the **Coastal Shipping Future Creation Plan** ensured that 44% of domestic freight transport (per tonne-kilometre) and approximately 80% of the transport of basic industrial materials such as iron and steel, petroleum products, cement, and petrochemical products would use domestic shipping, according to SRI.

China

China has historically operated a strict form of cabotage, with only Chinese-flagged vessels permitted to carry cargo between ports in the country. Article 4 of China's Maritime Law stipulates: 'Maritime transportation and towing between ports of China shall be operated by ships flying the Chinese flag.' To fly the Chinese flag, the owner of the ship must be a Chinese national or enterprise; and in cases of enterprise owners, the proportion of registered capital contributed by Chinese investors shall not be less than 50%²⁴.

²⁰ **Cabotage Laws of the World, 2nd ed 2025**, Seafarers Rights International

²¹ www.infrastructure.gov.au/infrastructure-transport-vehicles/maritime/maritime-strategic-fleet

²² **Cabotage Laws of the World, 2nd ed 2025**, Seafarers Rights International

²³ **Sectoral Study: Analysis of the provisions of maritime cabotage services in Japan**, EU Commission, October 2022

²⁴ **The opening of cabotage: China's trials and challenges**. Xingguo Cao and Yen-Chiang Chang: www.sciencedirect.com/science/article/abs/pii/S0308597X22002214

Non-compliance came with harsh fines of up to five times the unlawful gains made by ship operators, and a suspension of their operations.

However, in 2019, the China State Council adopted a plan to boost the development of the international shipping centre in Shanghai. This led to China's Ministry of Transport announcing an international cargo relay trial period until the end of 2024, with Danish-owned AP Moller-Maersk becoming the first foreign company to implement international cargo relay in China. This represents a liberalisation of China's cabotage regime.

Under the trial pilot programme, non-Chinese-flagged carriers were permitted to implement international relay based on reciprocity conditions and several other criteria. It removed the need for carriers to tranship via Singapore and improved transit times, according to Maersk.²⁵

China enforces strict crewing requirements on China-flagged vessels for both domestic and international trades, stipulating that the master must be a Chinese national. Employers are punishable by fines if they hire a non-Chinese seafarer to act as master onboard a China-flagged ship. Foreign vessels with permission to perform cabotage in China have no restriction on the nationality of crew members, including the master.²⁶

The pilot programme has been extended to December 2027.

European Union

European Union cabotage rules (regulation 3577/92) ensure that maritime transport

services within a member state, i.e. purely national connections, can be offered by companies of other member states.²⁷ The EU rules also consider the issue of public service obligations, in view of ensuring that islands and far distant maritime regions have adequate connections with the mainland territories.

EU regulations allow member states to set crewing rules for ships under 650GT and island cabotage.

Maritime cabotage was liberalised on 1 January 1993. In the case of France, Italy, Greece, Portugal and Spain, mainland cabotage was gradually liberalised according to a specific timetable for each type of transport service. Mainland-to-island and inter-island cabotage for these countries was liberalised in 1999. This exemption was prolonged until 2004 for scheduled passenger and lighter services and services involving vessels of less than 650GT in the case of Greece.

EU cabotage rules include safeguards to prevent unfair practices and ensure compliance with EU policies. For example, vessels must adhere to the ILO Maritime Labour Convention (MLC) and EU social legislation to protect the rights of seafarers. Non-compliance can result in penalties or the revocation of cabotage rights. Furthermore, the EU monitors the implementation of these rules to prevent distortions in the internal market, such as the use of FOCs to circumvent labour or environmental standards.²⁸

²⁵ **Maersk marks opening of China cabotage market**, Seatrade Maritime News: www.seatrade-maritime.com/containers/maersk-marks-opening-of-china-cabotage-market

²⁶ **Cabotage Laws of the World, 2nd ed 2025**, Seafarers Rights International

²⁷ **Internal Market – Services (cabotage)**: transport.ec.europa.eu/transport-modes/maritime/internal-market/internal-market-services-cabotage_en

²⁸ **LawShun**: lawshun.com/article/what-countries-have-cabotage-laws

France

While France historically restricted cabotage to French-flagged vessels only, EU Council Regulation 3577/92 now requires the country to allow vessels from any EU/EEA member state to provide domestic maritime transport services between French ports. Under Article 257 of the French Customs Code, therefore, maritime cabotage is restricted to French and European Economic Area nationals who operate vessels registered in and flying the flag of an EU or EEA member state.²⁹

French regulations require 100% EU/EEA crews, with knowledge of the French language required for the captain and first mate.³⁰

Non-EU vessels are still generally excluded from French cabotage operations unless they meet specific EU requirements.

Germany

Like France, Germany operates under EU Regulation 3577/92, which establishes freedom to provide maritime cabotage services among EU member states.

Germany removed its cabotage restrictions as of 14 December 2024, no longer requiring cabotage approval for operating non-EU-flagged ships within German coastal waters due to a 'bureaucracy relief ordinance' (*Bürokratieentlastungsverordnung*).³¹ Previously, shipping companies needed approval from the Generaldirektion Wasserstraßen und Schifffahrt (GDWS) for

cabotage voyages of ships that did not fly an EU flag (Norway excluded).

Germany does not apply a 'one size fits all' approach to crew supply which would stipulate minimum numbers aboard according to ship size. Instead it applies a ship safety ordinance (*Schiffssicherheitsverordnung*) for smaller vessels of less than 650 gross tonnes, requiring shipowners to submit safe crewing proposals for approval by state authorities.³²

Italy

Italy operates maritime cabotage restrictions for both ships and seafarers, implementing the EU framework with additional national requirements. Trading between Italian ports is reserved for shipowners who employ vessels that are registered in a member state whose flag they fly and comply with the requirements of that member state in relation to cabotage.³³

There are limitations on the number of cabotage voyages for ro/ro vessels registered in the Italian International Register. Ships can perform either a maximum of six cabotage journeys, or alternatively, unlimited cabotage journeys provided they exceed 100 nautical miles.

Italy maintains strict crew nationality requirements. If the vessel is engaged in cabotage trade, 100% of the crew members must be from the EU.³⁴

For Italian-flagged ships generally, Article 318 of the Italian Code of Navigation requires crew members to be Italian or from EU states, though waivers can be granted.

²⁹ **The Shipping Law Review, tenth edition.** Editors Andrew Chamberlain, Holly Colaco and Richard Neylon: www.hfw.com/app/uploads/2024/04/SLR10_France.pdf

³⁰ **ANNEX 1. Legislative developments in respect to maritime cabotage:** bit.ly/4jx16mT

³¹ **Deutsche Flagge:** bit.ly/4jB8j2l

³² **Deutsche Flagge:** bit.ly/48ZEDZs

³³ **LawShun:** lawshun.com/article/what-countries-have-cabotage-laws

³⁴ **ANNEX 1. Legislative developments in respect to maritime cabotage:** bit.ly/3KTCOUQ

4. National security and resilience

Merchant fleets are the lifeblood of global trade, with approximately 90% of goods transported by sea. Beyond their economic significance, these fleets play a pivotal role in national security and resilience. During wartime or emergencies, civilian merchant vessels are indispensable for military logistics, troop transport, and humanitarian missions. Their versatility allows them to be repurposed as hospital ships, munitions carriers, or even aircraft transporters.

FOCs pose significant risks to our maritime security. By allowing shipowners to obscure vessel ownership and accountability, FOCs facilitate illegal activities such as smuggling, human trafficking, and environmental violations. They also dilute regulatory authority, making it difficult for flag states to enforce safety, labour, and environmental standards.³⁵

The use of FOCs to evade regulation has been prominently used by Russian interests following Russia's unprovoked invasion of Ukraine in February 2022. The EU, G7, and allied partners imposed extensive sanctions targeting Russia's economy to curb the revenues which finance its war effort. Key measures include an embargo on Russian seaborne oil and a price cap on oil and oil products that restricts profits while still allowing sales below a certain price. Enforcement mechanisms prevent Russia from chartering or insuring oil tankers unless they comply with these limits. In response, Russia has sought new markets and established a 'shadow fleet' to evade these restrictions.³⁶

According to the European Parliament, to evade sanctions, the Russian shadow fleet makes use of FOCs and intricate ownership and management structures while employing

a variety of tactics to conceal the origins of its cargo, including: ship-to-ship transfers; automatic identification system blackouts; falsified positions; transmission of false data; and other deceptive or even illegal techniques.³⁷ In addition to bolstering its war chest, Russia's shadow fleet – which consists of a growing number of ageing and poorly-maintained vessels that operate with minimal regard to regulations – poses significant environmental, maritime safety, and security risks.

The case of the *Eagle S*, a vessel linked to Russia's shadow fleet and accused of severing undersea cables between Finland and Estonia, highlights the vulnerabilities inherent in FOC practices. The ship's opaque ownership and frequent reflagging allowed it to evade scrutiny, underscoring the systemic risks posed by FOCs. Such incidents demonstrate how FOCs can be exploited for hybrid warfare, threatening national infrastructure and collective security.

As the central nervous system of the global economy, shipping continues to be at the centre of geopolitics, with nation states competing for access to key ports and waterways. To paraphrase the English writer and explorer Sir Walter Raleigh: 'Whoever controls the oceans, runs the world'. China, the world's newest superpower, has recognised this fact and repeatedly expressed its intention to dominate the high seas.³⁸

Throughout 2025, the global landscape was shaped by the dynamics of volatility, uncertainty, complexity, and ambiguity particularly in international security and defence. NATO member countries face increasing pressure to raise defence expenditures beyond the current target of 2%

³⁵ **NATO Member States' National Merchant Fleet and Seafarers**, MM&P and Nautilus International: www.nautilusint.org/en/news-insight/resources/

³⁶ **Russia's shadow fleet: Bringing the threat to light**, European Parliament: [www.europarl.europa.eu/RegData/etudes/BRIE/2024/766242/EPRS_BRI\(2024\)766242_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2024/766242/EPRS_BRI(2024)766242_EN.pdf)

³⁷ **Russia's shadow fleet: Bringing the threat to light**, European Parliament: [www.europarl.europa.eu/RegData/etudes/BRIE/2024/766242/EPRS_BRI\(2024\)766242_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2024/766242/EPRS_BRI(2024)766242_EN.pdf)

³⁸ **China's PLAN: Maritime dominion beyond the South China Sea**, Emma Salisbury, 2024

³⁹ **NATO Member States' National Merchant Fleet and Seafarers**, MM&P and Nautilus International: www.nautilusint.org/en/news-insight/resources/

of GDP, with some proposing a rise to 5%.³⁹ This money would be wasted without a strategic UK-flagged fleet and UK seafarers to support both military and civilian supply chains.

The UK's history of warfare is a testament to the country's reliance on the Merchant Navy. Some 54,000 merchant seafarers have paid the ultimate sacrifice across two world wars and other conflicts to defend and support the nation.

The Merchant Navy has often been described as the fourth pillar of our armed forces. During the 1982 Falklands War, the Ministry of Defence (MoD) chartered 30 vessels and requisitioned 22 UK merchant ships.

The civilian-crewed tonnage in the Falklands task force played a crucial, yet largely unsung, role. The duties they performed varied from minesweeping to aircraft carrying, amphibious operations, logistic landings and the supply of troops, equipment, fuel and supplies. They provided hospital facilities and accommodation, and carried prisoners, survivors and mail.

Some foreign ships had to be chartered even then, due to a shortfall in suitable UK-flagged tonnage.

A lack of UK-flagged vessels leaves Britain exposed to geo-political upheavals. During the 1990-1991 Gulf War, for example, the MoD chartered 143 ships, but only eight flew the British Red Ensign. The MoD was forced to pay exorbitant vessel charter fees and experienced delays in military operations due to its reliance on foreign-flagged vessels.⁴⁰

In 2002, the Nautilus predecessor union NUMAST highlighted that Britain lacked the ships to repeat the Gulf War or Falklands task force operation.⁴¹ The situation is even more dire now.

In 2024, the decline in UK merchant shipping and trained seafarers hit a 15-year low with 286 UK flagged trading ships⁴² and 14,550 certified UK resident seafarers. Britain must face the stark reality that it may struggle to support military operations at sea in future.

The lack of protection for the UK's domestic industry, leaving us vulnerable to unfair competition, is responsible for the decline in the number of UK-registered vessels and an overreliance on foreign-flagged vessels to deliver consumer goods, energy and medical supplies. This is a liability that will be exposed in a crisis that could seriously inhibit the UK's national resilience.

A system of cabotage that allows the UK to steadily grow both our maritime skills base and strategic assets is critical to strengthening our nation's national security and resilience.

The RFA

The severe extent of the decline of both the UK merchant fleet and the level of UK seafarer employment has increased the value of the role played by the Royal Fleet Auxiliary (RFA), a civilian crewed fleet owned and operated by the Ministry of Defence.

Traditionally, the prime role of the RFA was viewed as being the supply to Royal Navy (RN) warships of fuel, food, stores and ammunition, as well as aviation support for

⁴⁰ UK Parliament, **Select Committee on Defence** Written Evidence: bit.ly/44SYg2R

⁴¹ **Whither the Fourth Arm?**, NUMAST, 2002

⁴² **Shipping Fleet Statistics 2024** www.gov.uk/government/statistical-data-sets/shipping-fleet-statistics#uk-ship-register-statistics

the RN and amphibious support and sea transport for the military.

In recent years, the RFA's role has become increasingly diversified, with its ships involved in such operations as troop and tank transport, forward repair, duties, hospital ship service, and extremely successful relief, rescue and humanitarian duties – most notably in Africa and the Caribbean. This vital work provides a solid endorsement of the case for strengthening the RFA's resources at a time of reductions in RN fleet strength.

The RFA is a vital defence resource for the UK. Crewed by highly skilled and committed British Merchant Navy seafarers, it provides a cost-effective, efficient and economic operation. With the decline in the UK merchant fleet – and the ever-growing likelihood of specialised 'out of area' operations and conflicts – the RFA has an ever-increasing role. The MoD should be investing in this resource, which is a vital and secure source of British ships and merchant seafarers to support our armed forces. As the single biggest employer of British merchant seafarers, it is essential that the RFA is given the resources to consolidate its increasingly important role in recruitment and training.

A cabotage regime that includes a licensing scheme for international carriers could introduce a new revenue stream for the UK government which could be used to bolster the RFA and other defence services at a time when NATO member states are being urged to spend more on national security.

What's more, a cabotage system would ensure that critical maritime infrastructure

and skills remain under British control rather than being outsourced to foreign-flagged vessels. This matters for national security. In a crisis, nations want assured access to ships, crews, and maritime expertise.

Learning from the pandemic

During the Covid-19 pandemic, the true nature of the ship registration business and the predominant practice of registering vessels in FOCs was revealed.

FOCs were shown to be powerless when transportation hubs and port states locked down. With no one enforcing their rights under international law – including the Maritime Labour Convention – seafarers were denied repatriation at the expiry of their contracts, tantamount to forced labour.

Seafarers were denied medical care ashore, even for non-Covid-related illnesses such as strokes, broken bones, tumours and dental care. Deceased seafarers were kept in the ship's cold storage alongside food because port authorities refused to allow their bodies to be repatriated for burial.

Shipowners using FOCs turned to their home countries demanding bailouts, state subsidies and diplomatic interventions.⁴³ When the open market failed them, they relied on the largesse of the state, with taxpayer funds being used to support foreign-flagged vessels and overseas crews.

To ensure seafarers are not left exposed like this again, we believe that the UK must enforce a genuine link between flag and shipowner and ensure that flag states effectively exercise jurisdiction and control

⁴³ Shipping's inconvenient truths, Nautilus International: www.nautilusint.org/en/news-insight/telegraph/shippings-inconvenient-truths/

over their ships under Articles 91 (Nationality of Ships) and Article 94 (Duties of Flag States) of the United Nations Convention on the Law of the Sea (UNCLOS).

Doing so would underpin the UK's right to enforce cabotage rules for its own carriers and control others.

Cabotage vs competition

The main criticism of cabotage is that it allegedly creates a lack of competition, thereby increasing prices. Much of the available analysis on maritime cabotage is focused on the US and the Jones Act. The World Economic Forum (WEF), whose membership is mostly publicly-listed businesses, describes the Jones Act as the most restrictive example of global cabotage laws.⁴⁴

The WEF argues that the barriers created by cabotage in the US (and China) reduce competition and leave businesses forced to use high-cost logistics suppliers thus pushing up consumer prices.

However, a 2018 report by economists from Boston-based Reeve & Associates and San Juan-based Estudios Técnicos found that the Jones Act has no impact on either retail prices or the cost of living in Puerto Rico,⁴⁵ which alongside Alaska and Hawaii are considered non-contiguous states under the Jones Act. John Reeve, the principal in Reeve & Associates and the lead economist on the study, said: 'The findings of our analysis show that reliable, efficient, and regular Jones Act services benefit consumers and businesses on the island,

and no evidence suggests that exempting Puerto Rico from the Jones Act would reduce consumer prices in Puerto Rico. On the contrary, such an action may well increase prices.'

Some argue that the Jones Act in the US has lowered demand for sea or waterborne trade, resulting in less demand for shipping and therefore ships and mariners.

However, annual data from UNCTAD from 2007 to 2025 points to geo-political instability and supply/demand imbalance as the main drivers of freight rate volatility, with significant sustained periods of low freight rates interspersed with rate hikes across container, dry bulk and tanker markets.⁴⁶

The decline in qualified mariners and maritime skills is not a distinctly US phenomenon, nor is it the result of cabotage. In fact, most western developed nations, those with and without cabotage, have experienced a decline in maritime skills.

This is largely a result of other complex factors, including globalisation and economic shifts. Many shipping companies have moved their operations, including recruitment and training, to developing nations with lower labour costs. Alongside this, the use of FOCs has enabled shipping companies to avoid tougher regulatory oversight and hire seafarers from the global south on weaker terms and conditions of employment. Together, this has led to a decline in domestic maritime industries and training infrastructure in many developed countries.

⁴⁴ NATO Member States' National Merchant Fleet and Seafarers, MM&P and Nautilus International: <https://www.nautilusint.org/en/news-insight/resources/>

⁴⁵ American Maritime Partnership, *the Jones Act and Puerto Rico*, 2018

⁴⁶ 2025 review of maritime transport, UNCTAD: bit.ly/49iuLsK

5. UK maritime cabotage recommendations

1 Implement UK cabotage legislation with the express intention of growing the UK Ship Register and the number of UK-resident seafarers

Considering the evidence presented in this report, we recommend the implementation of a UK cabotage system with the express intention of growing the UK Ship Register and the number of UK-resident seafarers, thereby growing our domestic shipping industry and protecting our strategic national maritime assets and capabilities, critical to our national security and resilience.

We recognise that the introduction of a system of maritime cabotage would be a significant change to the UK shipping industry, which is currently heavily reliant on foreign-flagged vessels. For that reason, we do not believe that a complete ban on all foreign-flagged vessels from engaging in coastal trading would be in the interests of the UK, at least initially.

However, the status quo that allows foreign-flagged vessels to engage in coastal trading without any restrictions, undermining the UK Ship Register and jobs of UK seafarers cannot continue. The minimum standards of the mandatory Seafarers' Charter applied to all UK coastwise shipping, alongside other measures such as sectoral collective bargaining, could eradicate social dumping on the UK coast.

2 Introduce a licensing scheme to allow foreign-flagged vessels to apply for a temporary licence to engage in UK coastal trading

We propose a licensing scheme, as exists in Australia and Canada, that would allow foreign-flagged vessels to apply

for a temporary licence to engage in UK coastal trading. This licence would require shipowners to comply with UK conditions and be granted by the Department for Transport (DfT) and the Maritime & Coastguard Agency (MCA) where there is clear demonstrable evidence that trading cannot be conducted by UK flagged vessels with UK resident crew.

This licence would allow the DfT/MCA to retain data on the number of foreign-flagged vessels involved in UK coastal trading, which currently does not exist. The DfT and MCA would thus be able to track the exact areas where the UK remains vulnerable and allow for targeted support to grow the UK Ship Register and UK maritime skills. The DfT/MCA could also introduce a levy for the application of a temporary licence, which could support additional resource required to implement this system.

3 Introduce a crewing requirement for vessels operating under the UK flag within UK waters

We would also recommend that the government legislate to introduce a crewing requirement for vessels operating under the UK flag within UK waters, to ensure the UK Ship Register supports jobs for UK resident seafarers.

These measures could be achieved as part of a wider review and modernisation of the Merchant Shipping Act, which has not been updated since 1995.

4 Reform Tonnage Tax laws and increase the Support for Maritime Training (SMaT) funding scheme

Nautilus recommends 100% SMaT funding and a minimum training allowance to support

trainee maritime professionals. Currently, the scheme does not fully cover cadet training costs and it has never achieved the annual targets for numbers of students in training set by the Department for Transport (DfT).

Nautilus is calling for a comprehensive review and reform of the UK Tonnage Tax to incentivise shipowners to register vessels with the UK flag and provide quality onboard training and subsequent employment to British seafarers.

Alongside these two specific demands, we also recommend the establishment of a single national maritime training provider, accountable to the Maritime & Coastguard Agency (MCA) and Department for Transport (DfT), to ensure consistent, high-quality training provision.

5 Prioritise public contracts for companies committed to the UK flag and UK resident crew

In the meantime, as a cabotage system is being established, we believe the UK government should change public procurement rules to prioritise public contracts for companies committed to the UK flag and UK resident crew, particularly for the offshore energy and renewables sector. This would ensure public investment to grow our renewable energy capabilities, will support jobs for UK seafarers and build our strategic maritime assets.

6 Stipulate that public contracts are only awarded to employers that negotiate with trade unions and whose workers are covered by collective agreements

The government should also ensure that public contracts are only awarded to employers

that negotiate with trade unions and whose workers are covered by collective agreements. The respect and promotion of these key conditions must be an integral part of any public procurement process, from planning to award and performance of contracts, including through preferential treatment for companies whose workers are covered by collective agreements.

A significant mandatory award criterion connected with collective bargaining must be included, including giving an advantage to tenderers whose workers (and subcontractors' workers) are covered by collective agreements; economic operators that have violated workers' and trade union rights should be excluded from public procurement processes.

It is essential to ensure the full respect of ILO Freedom of Association and the Protection of the Right to Organise Convention No 87 (1948)⁴⁷ and ILO Right to Organise and Collective Bargaining Convention No 98 (1949)⁴⁸ in the public procurement processes. Respect for collective agreements must be ensured throughout the subcontracting chain and circumvention through agreements by so-called yellow unions or less favourable agreements must be prevented.

These measures could be achieved through modernisation of the Procurement Act 2023⁴⁹, which aligns with EU procurement directives which are under review as announced in the Political Guidelines for the next European Commission 2024-2029⁵⁰ and the 2026 Commission Work Programme⁵¹.

⁴⁷ Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) | OHCHR

⁴⁸ Convention C098 – Right to Organise and Collective Bargaining Convention, 1949 (No. 98)

⁴⁹ Guidance. Public procurement policy – GOV.UK

⁵⁰ Political Guidelines for the Next European Commission 2024–2029, European Commission

⁵¹ Secretariat-General, 2026 Commission Work Programme and Annexes, European Commission, 21 October 2025

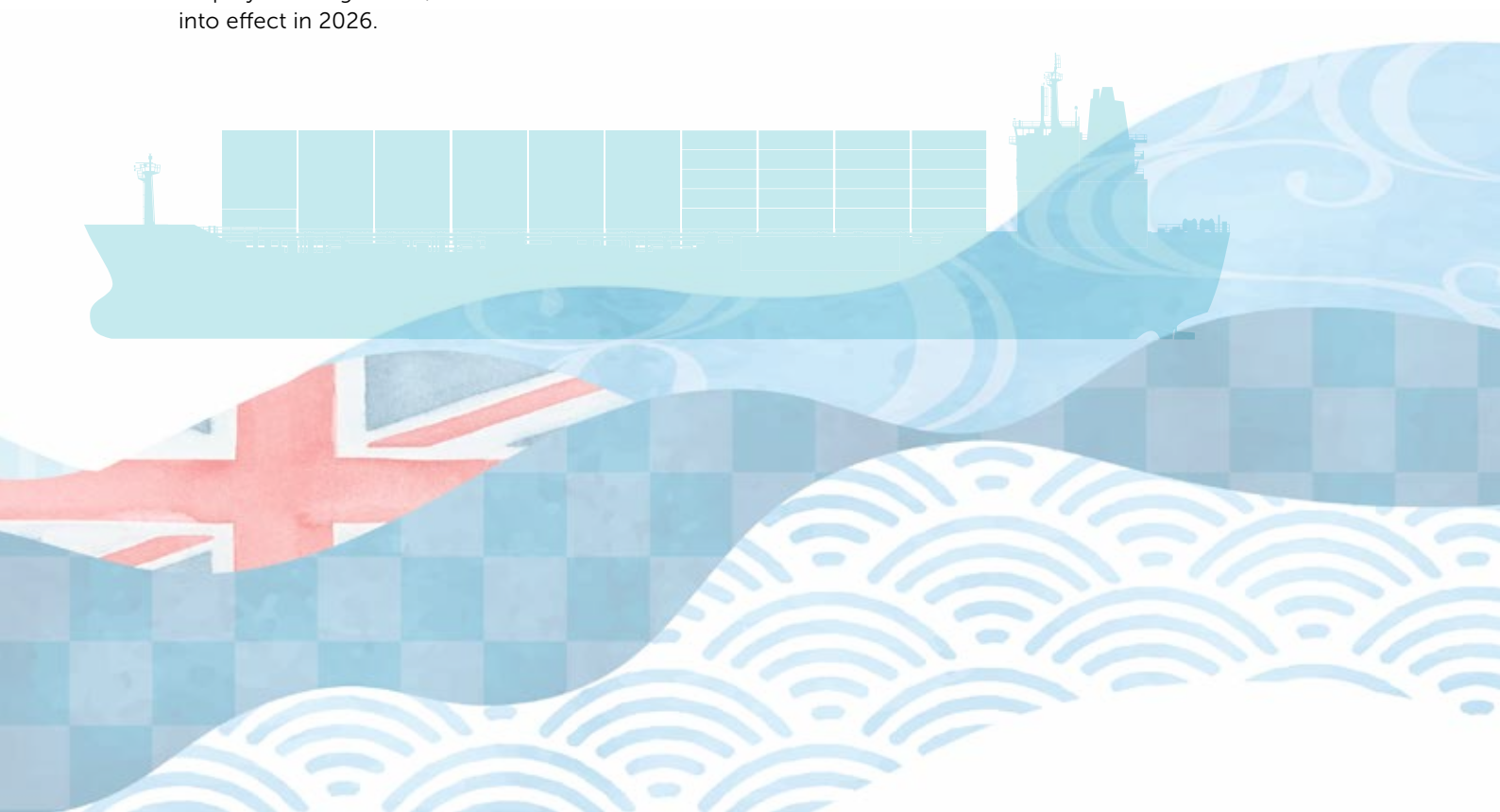
6. Conclusion

Nautilus International believes a licensing model like those used in Australia or Canada would allow the UK to prioritise and strengthen the UK Ship Register and our maritime skills base. This would introduce temporary licences to foreign-flagged vessels allowing them to engage in coastal trading, bringing in revenue to the Exchequer, and data collection on demand. Employment of local UK resident seafarers must be a requirement of these licences.

Such a system of maritime cabotage could be transformative for the UK shipping industry, particularly alongside other state support for maritime in the government's Employment Rights Act, which will come into effect in 2026.

With the right interventions from government, we can return our industry to supporting coastal communities and providing quality jobs and employment, while protecting our national interests, and support our resilience and security.

March 2026





About Nautilus International

Nautilus International is an independent, influential, global trade union and professional organisation, committed to delivering high quality, cost-effective services to members, and welfare support to necessitous seafarers, their dependants and other maritime professionals.

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