The Toxicity of Maritime Overcapacity

Yan Giron

Proofread by Caroline Britz, maritime journalist

Abstract

Tackling overcapacity directly is impossible. However, tackling the effects of overcapacity is something we can do, where the operational means exist. Yet in order to act against the internationalized criminal agents, or to act before the threat reaches our territories, or before the external threat starts to support internal threats, we need to have international policing cooperation. The aim will then be to reach international criminal organizations by tackling economic and financial components, or even by taking action against individuals through police and legal action.

Keywords: Maritime, Overcapacity, Crime

La toxicidad del exceso de capacidad marítimo

Resumen

Abordar la sobrecapacidad directamente es imposible. Sin embargo, hacer frente a los efectos de la sobrecapacidad es algo que podemos hacer, donde existen los medios operativos. Sin embargo, para actuar contra los agentes criminales internacionalizados, o para actuar antes de que la amenaza llegue a nuestros territorios, o antes de que la amenaza externa comience a respaldar las amenazas internas, debemos tener una cooperación policial internacional. El objetivo será llegar a las organizaciones criminales internacionales al abordar los componentes económicos y financieros, o incluso al tomar medidas contra individuos a través de acciones policiales y legales.

Palabras clave: marítima, sobrecapacidad, crimen

doi: 10.18278/ijc.6.2.7

海事供给能力过剩的危害

摘要

直接应对供给能力过剩是不可能的。然而，应对其产生的效应是可行的，只要存在海事运作方式。然而，为打击犯罪团体国际化、在威胁抵达国土领域之前采取行动、或在外部威胁开始支持内部威胁之前，（我们）需要国际治安监督合作。目的则是通过应对经济或金融事务，或者甚至通过警方和法律行动打击个人犯罪，以回应国际犯罪机构。

关键词：海事，供给能力过剩，犯罪

Overcapacity is Criminogenic

Overcapacity is when there is an excess in productive capacity compared to the potential economic activity within that sector. In the maritime context, this is when there are too many ships in relation to traffic (trade) or to natural resources (fishing). In the first article of this special issue, it was noted that maritime overcapacity had become an important driver of criminal activity. Unfortunately, for some maritime sectors it is almost an externality because we have little grasp of it. This article describes the forms of this overcapacity in the sectors of the maritime industry that are most affected.

This overcapacity causes a deterioration of economic conditions for legal operators, which is in itself criminogenic. A combination of four factors relating to this deterioration lead to criminal activity. First, it is difficult for operators to fully abandon activity. A ship loses value more quickly in an economic sector in decline. Its resale value drops as a used ship or for parts, and the current owner's ability to dispose of it becomes diminished. The owner urgently needs to find a profitable solution. This solution can come through illegal revenue or through reselling the ship at a low cost to other maritime operators who will continue to use it, even when it no longer conforms to international standards.

Second, there is the presence of criminal alternatives that are low risk, at least at first. They make the shift easier and allow operators to become gradually involved in illegal activities. This takes place in a context where there is pressure—coming from the modes of investment—to make a profit, along with a need to avoid sending negative economic signals to investors. One could, for example, contract fictitious services for the ship (for example, tank decontamination) with

a hybrid maritime services company, produce a fake invoice at a lower price, and then carry out unauthorized degassing. If this fraudulent operation takes place in a country that has no maritime surveillance, there is almost no risk for the budding criminal entrepreneur.

Third, the global administrative context allows and facilitates opacity. This context includes matters of flag registration, of course, but this is not all. The Lloyd's Register provides for up to six types of relationships of responsibility to a ship (beneficial owner, commercial operator, designated beneficiary, technical manager, third-party operator, nominal beneficiary). This range of mechanisms, like nesting dolls, dilutes responsibility and traceability in such a way that these "responsible" operators of a ship could just as easily be revealed to be a company established in a tax haven, acting for the real owner, and only operating one ship. The single-ship shell company technique is a classic. It allows the connection between the real owner and the ship to be severed if any regulatory concerns are raised while keeping the rest of the fleet from being immobilized. There are countless cases of crews going unpaid or being prisoner to this type of ship.

Fourth, economic deterioration lowers the price of entry into the activity, allowing criminal actors and maritime opportunists to gain a foothold. Although they often lack competency, they are true professionals in crime, and focus on purchasing second, third, or fourth-hand ships. The "price of entry" is meant here as both the capital necessary for acquiring a means of shipping and as the ability to operate it in complete security. But for these criminal actors, it is not just about operating the vessel they own. They are also able to invest in service operations related to ships, ports, or maritime investment: loaders, crew suppliers, equipment suppliers, consigners, agents, cleaners, tax lawyers, or maritime classification companies. They create a criminal microcosm that facilitates the maritime transit of illegal freight, dangerous cargo, and traffic that is not safe from the risks of the sea, does not conform to human safety standards, and is harmful to seashore and marine environments. These actors are criminals by nature, or they corrupt legal actors by provoking hybrid white-collar crime.

What moderates these four factors that lead to crime is on the one hand the maritime sector's ability to exchange tools with other economic sectors (which is very limited as its tools are specific to it) and on the other hand the level of concentration of the activity (a disparate sector with small, weak actors is more susceptible to the mechanisms listed above than a concentrated, oligopolistic sector). Together, these four factors primarily reflect the issue of maritime capitalism and more specifically its capitalistic structure (the ability to organize and structure capital, the ability to generate and regenerate it, and the ability to organize actors along with their degree of concentration).

Overcapacity is an Unregulated Capitalistic Surge

Quite clearly, when we are talking about overcapacity we are talking about overinvestment and therefore investment decisions. If we suppose that overcapacity is not in itself the result of a criminal choice, it is nonetheless the result of a bad collective choice. Investors who are out of sync with the requirements of the market bring about two extreme situations. First, there is an involuntary accumulation of bad individual choices: investors do not receive the right messages, they are not in a position to interpret them well, or they simply show no interest in them. Second, there is a sum of deliberate individual choices that are either considered not to have an impact in the medium term (a situation seen as transitory with the possibility of a subsequent return to normal), or because they result in hope for individual gain in opportunity over the short term (game theory). Lastly, intermediate situations that mix these two possibilities exist between these two extremes.

In what cases could it be said that investors are unknowingly out of sync with market signals?

Two situations in the maritime context correspond to an involuntary bad choice made by the group. The first is when the signals followed do not account for the reality of the problem. In particular, this happens when the problem is a long-term one but decisions are made based on short-term indices (for example, variations in freight rates,[1] fuel costs, or the very volatile values of speculative cargo). In the maritime context, this happens with shipping as well as unmanaged fishing. The slowing of freight profitability and the indicators of overfishing are not perceived, and people get excited about the slightest improvement in prices without having a clear view of the specific market as a whole. This excitement triggers investment, which has a long life span.

The second situation is when signs of profitability are garbled by economic aid mechanisms that are disconnected from the management of overcapacity. For example, investment subsidies for fishing activities that do not take into account the state of fish stock use, or a naval construction market stimulated by aid for shipbuilding yards or by overabundant public military orders.

In what cases do investors make a deliberate choice to invest knowing that there is a collective situation of overcapacity? There are three cases in which this happens.

The first is when the economic segments concerned are highly concentrated, in an oligopolistic or even monopolistic situation. In this case, it is a situation with phases of strong confrontation between the poles. They pass through the search for profit by means of restructuring or reorganization, in particular

1 Freight rates are the fees charged for transported loads, in other words the price of maritime shipping services.

with a view to reducing costs. In the maritime context, this results in a race for giant ships, ports, and the creation of alliances between maritime operators. In a situation of oligopolistic concentration, however, it is in no one's interest to maintain this overcapacity for too long. And the oligopoly aspect makes it so that all the actors then fight to reduce this situation. They will have a sufficient financial base and will benefit from the certitude of a return on investment. This is therefore a transitory situation that temporarily immobilizes overcapacity (empty ships, at anchor for long periods), or finances the dismantling of ships, even if this at a loss and even if these ships are still relatively new.[2]

The next situation is the complete opposite and is when the actors are very disparate and there is no regulation of maximum capacity. In the maritime context, this situation is found in some segments that are subject to speculator investment at several levels of profitability, which are independent in terms of the choices of those involved, but which lead to the construction of new capacities. There is investment: in construction because the shipyards receive aid and the shipyard sector as such is presumed to be profitable; and/or in the ship because the ship in itself is presumed to be profitable; and/or because the ship can benefit from attractive seasonal loans[3]; and/or because the ship represents floating storage and allows for term financing of the cargo transported; and/or because attractive financial products exist for these four opportunities.

The third and final situation is when the actors conduct their activities in the hopes of a marginal gain in opportunity. This case is encountered for example in a disparate sector where several economic agents are suffering the effects of economic decline. They enter the phase of low-level opportunities, in particular in the used ship market, and are able to "bet" on the chance of slight gains, with an even smaller initial stake, and by employing these mechanisms over multiple operations. Here, the predominant logic is the same as the informal or even the underground economy. Collectively, everyone loses, but since the stakes are low, each individual only has a small amount of risk and minimal losses. And the probability of the appearance of gains is high. Even if these gains are small, they add up. In the maritime context, and when it comes to issues of capacity, there is a probability of gains in the reselling of used ships. Actors must simply avoid being the last one in the resale chain of the item. A sort of Ponzi loop of capacity is created, but one that is capitalistically reversed. For this reason, in the maritime context, there are some areas of the world with ships close to forty-five years old[4] that continue to be exchanged for

2 This trend has started to be observed in certain container shipping lines. In 2017, a seven-year-old ship was dismantled, making it the newest ship to have ever been dismantled.

3 Seasonal loans are an advance on travel expenses, in other words on liquid assets.

4 In other words, built in the 1970s and, as it should be obvious, due to investment decisions that are completely disconnected from the economic reality of 2017. These ships sail on secondary maritime routes and in particular on South-South lanes. They are in immediate proximity to various French overseas EEZs. Some also sail in the eastern Mediterranean and pass regularly through the Strait of Gibraltar.

next to nothing. And they continue to be loaded in unacceptable safety conditions. This maritime Ponzi loop is global, and an investor can always be found somewhere on the planet to finance a ship's "last voyage" with little risk. This cycle continues until the ship is dismantled at the shipyard, at best, and if not, until it becomes a shipwreck or an unscrupulous operator turns it into a criminal tool.

We can reconsider the changes in the evolution of the maritime sectors of fishing and trade using the following two frames of reference: the increase in crime in a situation of overcapacity and the mechanisms that create this overcapacity.

Overcapacity in Fishing Fleets

Overcapacity in fishing fleets is measured by an excess in fishing capacity compared to the potential sustainable production of fish stocks in the fishing zone. This measurement in itself is difficult because there is no scientific measurement of global fish stocks as a whole in terms of the state of use of this renewable natural resource. It would also be necessary to identify all the ships that work in an area, which is made harder by the mobility of flotillas, in particular those who practice distant-water fishing. It is also difficult because, given the economic potential of fishing, the countries that own the waters where this fishing activity takes place are not necessarily concerned about the impact of deterioration in fish stocks. This economic potential is brought about by the sale of fishing licenses, the welcoming of joint foreign/national companies to their waters, and overfishing, which is very profitable at first before the effects of deterioration are felt.

Another challenge here relates to the distant-water fishing activity of some overcapacity flotillas. These operate very far from the fiscal and financial environment that produced them in another decision-making system disconnected from the natural potential of the stock. It then becomes an issue of concerns on the geopolitical level of food policies (in a context of global population increases) encountering the concerns of investors whose wealth is created outside the national framework.

Given this natural economic potential, we should analyze the long-term history of the maritime capital of global fishing. It responds to Schumpeterian cycles fed by technological innovation, access to destination markets, access to increasingly distant fishing areas, financial assistance, and transfers of fishing capacity that have become obsolete between areas of the world. These cycles began at the end of the nineteenth century.

At the end of the Second World War, nearly all fish stocks in the world were known, but remained almost untouched due to six years of war having forced a global pause. The necessity of feeding a global population whose protein production systems had been wiped out by years of war and the need to create jobs led to

a first wave of public assistance for the development of fishing fleets. Europe and the USA in particular provided this assistance. In East and Southeast Asia, geopolitical concerns contributed to this aid being strengthened with foreign development aid from the 1950s to the 1970s, in the context of the domino theory and the Cold War conflict. This is why Taiwan,[5] Japan, South Korea, and Thailand were transformed into fishing superpowers. These developments in capacity were encouraged by free access to international fishing areas, at a time when the Exclusive Economic Zones (EEZ) of 200 nautical miles[6] did not yet exist. The international notion of the territorial sea then saw its distance from the coast gradually increase from six to twelve nautical miles. The framework of international maritime limits was consolidated in the United Nations Convention on the Law of the Sea that was signed in 1982 and ratified in 1994, in other words, after these waves of capacity.

These maritime investments became obsolete with each innovation, and reinvestment in the latest or most high-performing tool was required,[7] in particular as part of a race to resources that were still free to access: first there was the invention of onboard freezing, but then came trawling, drift netting, and different motorizations. Nevertheless, the fishing fleets that had become obsolete were not dismantled and were instead transferred to other areas of the world. Trawlers from Lorient found a place in Argentina or Africa. The economic decline of the sector (overfishing combined with the oil crisis of the 1970s) made it necessary to sell ships to reinvest in more economical vessels. On the global scale, fishing fleets progressively reached overcapacity by the 1980s.

The gradual nationalization of the seas[8] was accompanied by an improved awareness of the issues related to sustainable and renewable fishing. The most developed countries that had a better understanding of the balance between access to fishing zones, capacity, and investment began to reduce the size of their fishing fleets. However, this reduction took place over a long period and went through the imposition of a *numerus clausus* for capacity. To reach that point, regulations on the entry of new capacities and aid for dismantling or exporting overcapacity were needed. It is estimated today that in 2008/2010, fishing in European seas returned to the capacity level of the 1970s.

Aid in exporting capacity encouraged some sectors to make their activity international by creating joint companies and reregistering their ships to work in

5 One could also examine the consequences of this aid for economic operators who based their success on gaining political support from the Kuomintang, which was notoriously interconnected with the Triads.

6 Or 370 km from the baseline of a country, in other words, almost its coastline. 12 nautical or sea miles are equivalent to 22 km from the baseline.

7 This leads to the appearance of "Schumpeterian" cycles, named after the economist Joseph Alois Schumpeter, who theorized these relationships between innovation, obsolescence of the tools of production, and the need to reinvest in modernized tools.

8 In particular in the mid-1970s for Europe with the establishment of a European fishing zone, before signing the UN Convention on the Law of the Sea mentioned above.

the newly created EEZs. Other countries established autonomous operating systems in international waters, allowing resupply on the ocean and cargo transfers (Taiwan, former Soviet Union, Thailand). The capacity of ships flying the national flag in the national (or European) space was reduced, but the economic operators still owned that capacity and had transferred it elsewhere. In Europe, this situation was found in particular with Spanish operators in the distant-water fishing sector. Some activities could also be maintained in the framework of fishing agreements, but those developed by the EU with other countries now take the problems of overcapacity into account. Today, transfers reregistering under a new flag are encouraged over the accessing of fishing areas through licenses .

The current landscape of global overcapacity, through activities related to distant-water fishing under the national flag or other flags, is structured around very internationalized overcapacity countries and the areas that receive this overcapacity. The hubs of overcapacity are China (since the 1990s), Taiwan, Thailand, Russia, Spain, probably Iran and Cambodia, and very recently Vietnam[9] (due to a very ambitious modernization plan). These hubs of overcapacity take the form of economic interests and not necessarily country flags. The hubs that receive this overcapacity are the Central-West Pacific, the Indian Ocean, all the African coasts, and the South Atlantic. In these receiving zones, various mechanisms of crime are underway: obtaining fishing licenses through corruption, using workers in conditions of forced labor, not returning crews to port, illicit transshipment on the ocean, fishing protected species, exceeding fishing quotas, not respecting national technical regulations, and finally illegal fishing (operating in fishing zones without access rights). These sectors have seen the development of hybridizations, which are discussed in the first article of this special issue on maritime crime.

Overcapacity in Commercial Fleets

It is no easier to measure the overcapacity of commercial fleets. Theoretically, this measurement can be made by comparing transportation capacity with the volumes to be transported. Yet as a global measurement, the diversity of volumes to be transported and the levels of specialization by freight type make it a complex calculation. It is therefore necessary to combine objective measurements with the impressions of economic operators. The global data available for long time series is aggregated by UNCTAD.[10] For commercial fleets, three segments are individualized: ships transporting oil (tanks)[11]; bulk carriers, for dry bulk; and container ships. These three categories will therefore be examined in this analysis.

9 This modernization plan for Vietnam both relates to overuse of its coastal waters, justifying the development of a long-distance fleet, and serves as a statement of its sovereignty in the face of pressure from China and the Philippines in the South China Sea.

10 United Nations Conference on Trade and Development.

11 The sector calls them "tankers." This segment is made up of different types of ships that transport

To measure and therefore compare shipping capacity and freight, the growth rate of these two variables are taken as a basis. When the growth rate of fleets is higher than the growth rate of freight, there is instant overcapacity. And if this discrepancy is reversed the following year, then there is an adjustment that negates this instant overcapacity, facilitated by the growth in freight. True overcapacity is established when, over time, annual instant overcapacity accumulates. It is then called cumulative overcapacity. When the numbers show that there is cumulative overcapacity, we verify the impressions of the operators in the segment of ships concerned at that time.

In this way, three very different profiles are obtained depending on the fleets.

Container ship fleets are undergoing a phase of instant overcapacity that is currently being absorbed. The container shipping sector is an oligopoly that has chosen concentration and gigantism to reduce costs on the main shipping routes. This sector has also begun dismantling ships that are less than ten years old. The race to gigantism is striking, notably within the CMA CGM Group ,[12] which in 2017 introduced a very high-capacity ship to its fleet and ordered nine more.[13] This instant overcapacity came with a drop in transportation prices (freight rate), as supply exceeded demand. In 2017, however, there were weak signals that the sector was regaining strength.[14] The ongoing absorption of overcapacity can be explained by the concentration of operators (oligopolies) and the redistribution of fleets between main and secondary shipping lanes. On the main routes (Asia-Europe, Asia-North America, and Europe-North America), the situation is realistically no longer one of cumulative overcapacity. Nevertheless, it does not mean that there are no situations of overcapacity on the secondary shipping routes, which follow the same capitalistic trajectories as operators on the main routes.

With tanker ships, the situation is noticeably different. In this case, it is easier to see the structure of global fleets in strata of overcapacity resulting from different global surges on the market. The strata can be identified by looking at the age classes that appear the most often, which can be correlated to historical surges largely indexed to the price of a barrel of crude.[15] Generations of an excess number of ships propagate over time, and these are combined with phenomena of instant overcapacity linked to decisions made to build ships or to lower freight in a

---

crude oil, liquified natural gas (LNG), and refined petroleum products.

12 A large French container shipping company.

13 This ship has a transport capacity of 20,600 twenty-foot equivalent units (TEU), whereas two years ago the mega-capacity ships could transport around 18,000 TEU, the global average being approximately 6000 to 8000 TEU per ship. The main container ship operators are following this trend.

14 In fact, loaders (clients of the transporters) were concerned about the concentration of operators in container shipping and anticipated an increase in prices. This increase came about during the second half of 2017.

15 In 1993, 2002, 2005, 2009, and 2012, i.e. at times of chaotic movements of recovery in the markets of oil products following economic crises.

particular year. In 2017, for example, when the segment was less successful due to international rates and the lifting of the embargo on Iran, almost ten years of overcapacity accumulated, along with ships resulting from three waves of construction due to the peaks in 2005, 2009, and 2012.

Finally, for bulk carriers, the situation is radically different. They are still in a phase of uncontrolled fleet growth that outweighs freight growth. The discrepancy between these two growth rates was only rectified in 2016, despite cumulative overcapacity having begun with the 2008 financial crisis. However, new construction once again spiraled out of control in the second half of 2017. It is a typical sector of dispersed investors where the slightest short-term improvements, particularly in freight rates, lead to surges in investment. The overcapacity situation resulting from the difference between freight quantities and naval construction accumulated with the successive peaks in investment surges between 2009 and 2015.[16] For bulk carriers, a massive wave has been growing since the beginning of the 2010s, one unlike any mechanism ever before encountered in maritime history.

The international professional sector has little awareness of this loss of control, with the exception of a few voices, such as French businessman Philippe Louis-Dreyfus.[17] In addition, the wave has been sustained by growth prospects in the demand for infrastructure initiated by the agreements between BRICS countries[18] and the new maritime and land silk roads. These announcements tend to strengthen hopes of increases in bulk-related freight, although these increases have not materialized.

For tankers and bulk carriers, these mechanisms of overcapacity are even more worrying given that the oldest fleet segments have already been greatly reduced. In other words, this overcapacity concerns newer ships that still have a significant trade-in value and cannot be sold at a loss. The classic method of managing overcapacity by dismantling the oldest ships has almost no effect anymore.[19] The issue now involves ships that are less than twenty years old, which have a resale value that is necessarily an important factor for the owner. Ships are not incentivized to sail to the shipyards for dismantling, turning instead to shady, third-hand operators who still only offer a low price, albeit more than the shipyards. Public or collective action cannot be taken, as the amount needed to finance the dismantling

16 The growth rates had been higher than +20 % each year as opposed to +5 % to +7% in previous years.

17 See "Entretien avec Philippe Louis-Dreyfus, president du BIMCO." *Mer et Marine* (November 10, 2016), an interview with Philippe Louis-Dreyfus, President of BIMCO. Available here: https://www.meretmarine.com/fr/content/entretien-avec-philippe-louis-dreyfus-president-du-bimco.

18 Brazil, Russia, India, China, and South Africa, which may soon be joined by Indonesia, Pakistan, and Iran, and then countries in central Asia thanks to the China-Europe freight train service.

19 In 2002, ships that were more than twenty years old accounted for a third of the world's tanker transportation capacity. In 2017, they represented less than 5 percent. The situation was identical in the dry bulk sector.

of this overcapacity would be colossal. And it is simply impossible to impose ruin on the third or half of maritime operators in the world who own these now toxic assets; the opportunities to escape into zones of weak laws and international competition are too numerous.

Moreover, this mechanism is expected to gain further ground, for regulatory reasons in this case. The application of international standards to reduce levels of pollutant emissions by the International Maritime Organization will trigger a departure of ships from the first-hand sector, the sector subject to these standards, toward the second-hand and third-hand sectors. In these other sectors, the flag states are less restrictive in their application of standards.

There are currently not very many ships in the third-hand maritime sector (where used ships are reused), and they probably account for less than ten percent of global transportation capacity. This sector use secondary shipping routes, and its less-well maintained ships can bring harmful effects to these routes, since these vessels offer highly competitive transportation opportunities for questionable freight.[20] The sector also contributes to a deterioration of safety and security in maritime traffic. As a reminder, the most recent collisions between ships have in each case resulted in the deaths of a dozen sailors, making this threat a serious risk, and this is without even going into the environmental risks involved.

Secondary routes are also less monitored by way of international protocols on ship security. These routes will most likely be the site of the next growth in global freight shipping given the inter-BRICS cooperation. And they pass off the coast of French overseas territories.

Overcapacity is a Long-Term, Global Problem with Few Short-Term Individual Solutions

Cumulative maritime overcapacity is the result of a capitalistic surge that cannot be managed without effective, collective regulation. Either the actors are not receiving the right signals, or there are too many of them to organize, or they are continuing to benefit from marginal gains despite the economic decline. Regulation is difficult because it would mean public regulatory obligations, for example in terms of dismantling, which would lead to ships gravitating toward states whose legal regimes are less strict (both in terms of flags and commercial registry) and would involve a loss of competitiveness. On the international scale, this would require agreements by all nations capable of granting flags when in some cases their revenue is based on overcapacity in proportion to the number and capacity of the ships flying their flag. Once involved in a heavy investment,

20 For example, illegal timber trafficking. In the third trimester of 2017, one operation alone was able to capture more than 700 containers of illegal wood from Mozambique headed for China. Similar amounts of illegally trafficked hazardous waste were found, also transported by container ship.

actors in the sector are trapped by the logic of the minimum resale value and the fear of losses. Building a new ship means having a minimum level of funds that come from the sale of the former vessel.

Each surge in investment results in a wave of overcapacity with an average lifespan of fifteen to twenty-five years or more being introduced into the sector. This wave acts as a "capacity water hammer."[21] If the blows from this hammer are not repaired later by growth in freight, this instant overcapacity settles in for the duration, becomes cumulative overcapacity, and kickstarts economic decline. These generations of water hammers accumulate over time, independently of the yearly economic trends, which only affect the entry of new generations of ships.

Maritime Overcapacity is a Global Problem with Few Local Solutions

In the maritime sector, we are living a paradox. What sector better incarnates free exchange, liberalism, and the play of speculative investments? Despite being in overcapacity, it is a saturated, limit economy[22] where neoclassical liberal economic hypotheses no longer apply. In principle, the least performing actors should rationally disappear. However, the mechanisms for leaving the activity, in other words dismantlement, are very difficult to implement. The reason is simple. Shipyards for dismantling are saturated (because the level of overcapacity has grown too quickly) and are located in areas of great poverty, in other words where the dismantling costs (and standards) are minimized. The Ponzi loop of capacity in the maritime industry means that if you are the last one in the chain, you are the one who loses out. Dismantling must therefore not be done at a loss and must cost nothing in the hope that reselling recycled materials covers the operator's margins and the cost of purchasing the ship that is to be dismantled.

In a situation of overcapacity, financial support for dismantling through public assistance, without limiting investment, would in fact lead to accelerating the rotation of capital and would, in the end, encourage reinvestment. This type of action is therefore not viable. International standards are only partially effective, and then only on maritime routes that are effectively monitored by state organizations. Investment cannot be limited due to the internationalization of the sector and unregulated speculative market mechanisms, the real bosses in this sector.

We therefore find ourselves in a capitalistic, totally deregulated no man's land, witnessing the dark side of globalization. We have no other choice but to try and protect still healthy economic sectors from potential criminal activity or from the criminal activities taking place in other sectors, and must also protect our sea and

21 Borrowed from the world of plumbing, a "water hammer" is when there is excess pressure in pipes that leads to a deterioration of the equipment.

22 Also known as the economics of scarcity.

land territories from the effects of this mechanism. Tackling overcapacity directly is impossible, as we have found out. However, tackling the *effects* of overcapacity is something we can do in our EEZs, where the operational means exist. Yet in order to act against the internationalized criminal agents, or to act before the threat reaches our territories, or before the external threat starts to support internal threats, we need to have international policing cooperation, and through this develop tools for the early identification of these mechanisms. The aim will then be to reach international criminal organizations by tackling economic and financial components, or even by taking action against individuals through police and legal action.