

Panama: Lending the Flag to Most Destructive Fishing Ships

When the Chinese fishing fleet was discovered near Ecuador's Galapagos Islands, home to some of the world's most endangered species, its 250-odd vessels were not all flagged to China. Some flew [Panama's](#) flag.

They did so under an old seafaring practice known as flags of convenience. Once primarily a way to dodge taxes, flags of convenience now [provide cover](#) and facilitate illegal, unreported and unregulated (IUU) fishing practices, such as transshipments and [laundering](#) the catch of boats that have turned off their transponders.

The Ecuadorian navy [announced](#) that it had spotted the Chinese fleet on July 16, 2020. The boats flying Panama's flags were shuttling catches to ports and hauling back [fuel and supplies](#). Known as "reefers," these refrigerated cargo vessels receive tons of fish and often process and package it onboard, making it easy to mix illegal catch with legal fish, according to Global Fishing Watch.

The fishing system used by the Chinese fleet -- called transshipment -- allows boats to stay out to sea [for months](#) and even years, plundering waters. Operating far from law enforcement, fleets that depend on transshipments also have some of the [worst labor abuses](#).

Flag of Convenience

The small Central American nation of Panama has the largest fleet of merchant ships globally. In 2021, the country's registry had 7,980 vessels, equating to about eight percent of the global fleet, according to a [United Nations report](#) on maritime transport.

Panama is attractive to ship owners due to its [open registry](#), which is low cost, allows people of all nationalities to join and imposes few barriers on the ship's age. Income from Panama-flagged ships is not taxed.

Ships can also be registered under Panamanian companies, offering shipowners anonymity. This can help them evade sanctions, since fleets can be registered under multiple companies, a practice known as "associated vessels."

The registry is lucrative for Panama, bringing between [\\$125 to \\$150 million a year](#) in services and taxes. Registrations alone earned the country some [\\$87.3 million](#) in 2021.

The Transport Workers Union has in the past accused Panama's flag policies of providing cover for ships that commit [labor abuses](#). Panamanian-flagged ships have also been linked to environmental disasters, such as a Greek-owned cargo ship with [a massive oil leak](#). The March [sinking](#) of a Panamanian flagged ship carrying thousands of luxury cars and tons of fuel raised concerns about [pollutants](#) that could harm marine life and leak into the ocean.

The European Union (EU) [gave](#) Panama a "yellow card" – or warning – in 2019, identifying it as a non-cooperative country in the fight against IUU fishing.

The commission responsible for issuing the warning said in a statement that it had detected “serious deficiencies in the mechanisms established by the country to ensure compliance with its international obligations as a flag State.”

The small country lacks the ability to supervise its massive number of flagged ships, said José María Lezcano, an expert in maritime law.

“We have limited resources, and we don’t have that inspection capacity,” he told InSight Crime.

There is little political will for creating extra roadblocks in the system, given that shipowners may look to other countries, such as the West African nation of Liberia, which has even laxer regulations.

Rampant [corruption](#) also has been discovered within The Panama Maritime Authority (Autoridad Marítima de Panamá -AMP), the government agency that issues ship licenses.

The Silk Road

A century ago, when the United States controlled the Panama Canal, US-owned vessels were the first foreign ships to register under Panama’s flag. More recently, ships from Asia have predominated.

According to a 2018 [study](#), nearly half of the ships in Panama’s registry were Japanese owned. About nine percent were Chinese owned.

In 2018, Panama [reached a maritime agreement](#) with China, which granted it favored nation status and provided advantages to shipowners registered under Panama’s flag. Last year, Panama and China signed [a new agreement that](#) included a provision granting “free and unhindered access for Panamanian-flagged vessels for cargo traffic to and from China.”

InSight Crime queried the AMP as to whether an increase in Chinese registrations had been reported since these agreements went into effect but received no answer.

The Chinese distant water fishing fleet has long been cloaked in secrecy.

China is the world’s largest consumer of fish. A report by the University of Stockholm found that by 2030, [the country will need between six to 18 million tons](#) of additional fish per year to meet growing demand.

China also leads the world by far in [fish exports and wild catch](#), according to the United Nations Food and Agricultural Organization. In 2018, China’s wild catch was 12.7 million tons, about 15 percent of the global total.

Researchers with the Overseas Development Institute, a London-based think tank, recently estimated the Chinese distant water fishing fleet’s size at nearly 17,000 vessels. According to

[their study](#), which analyzed large transponder data sets and was published in June 2020, about 1,000 vessels operating with the fleet are flagged to other countries.

Fifty-two were flagged to Panama, the most of any Latin American country, and eight of those have been suspected of involvement in IUU fishing.

“In this subgroup of ships that were on blacklists, we saw the proportion of flags of convenience go up a lot,” Miren Gutiérrez, one of the report’s authors, told InSight Crime.

On the Lookout in the Pacific

When Ecuadorean officials announced that [Panamanian-flagged vessels](#) were among the [giant fleet near the Galapagos](#), Panama’s Aquatic Resources Authority (Autoridad de Recursos Acuáticos de Panamá – ARAP), the agency responsible for overseeing the Panamanian fleet, issued a memo reiterating its "rejection of IUU fishing."

The agency also stated that it [was monitoring](#) the fleet to ensure that it complied with international regulations and agreements.

InSight Crime sent a series of questions to the agency, asking, among other things, whether it took any further actions after the Galapagos incident.

Flor Torrijos, director of ARAP, replied in an email that “Ecuador did not formalize in Panama a notification or investigation into Panamanian-flagged vessels that may have engaged in activities to the detriment of regional, national or international measures.”

Last year, Panama [announced](#) that it would bar 169 boats on an international blacklist of vessels from docking at its ports. The country also said it would prohibit vessels allegedly engaged in IUU fishing from receiving licenses.

Transshipment -- which enables bad actors and facilitates overfishing -- is not illegal. However, it would not be possible without support vessels like refrigerated cargo ships, which Panama continues to license.

A [study](#) by Global Fishing Watch of the Chinese distant water fleet’s operations in the Southeast Pacific identified 59 such support vessels: 41 for transport and 18 bunkers. More than half were flagged to Panama.

Western Hemisphere Regional Illegal, Unreported, and Unregulated Fishing Assessment



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