Global Maritime Weekly Digest

Publishing Director: Prof Minghua Zhao **Editor: Richard Scott**

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*The **Global Maritime Weekly Digest**, based at **SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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Editorial comments

- In the ***bulk carrier freight market*** trends in the demand for, and supply of, carrying capacity suggest that a recovery is still under way (item 1). Global dry bulk trade growth and demand for bulk carriers seems to be keeping ahead of fleet growth and tonnage supply.
- But shipping association BIMCO warns that ***potentially destabilising influences*** are clearly visible in this sector. Amid market improvement and rising sentiment, scrapping of existing bulk carriers has slowed to a low volume in recent months, while orders for new ships place at shipbuilding yards have picked up. If these patterns persist, the market balance may deteriorate.
- Expectations for the ***world economy's performance*** remain largely upbeat among forecasters despite anxieties about trade protectionism. Updated predictions by the OECD organisation suggest that global GDP growth in 2018 could still exceed last year's greatly improved outcome (item 3). China's growth rate is expected to decelerate, however.
- Possible benefits of introducing ***managed services in the cruise shipping sector*** are outlined in an article by a consultancy firm (item 5). It is argued that the complexities of crewing on these vessels point to greater efficiency from such arrangements.
- A recent report about ***investment in China's Belt and Road Initiative*** emphasised opportunities as well as risks (item 6). Although not specifically focused on the Maritime Silk Road routes, this analysis has implications for ports and seaborne trade, which potentially could be strengthened by a B&RI boost for economic activity in partner countries and additional trade movements.

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
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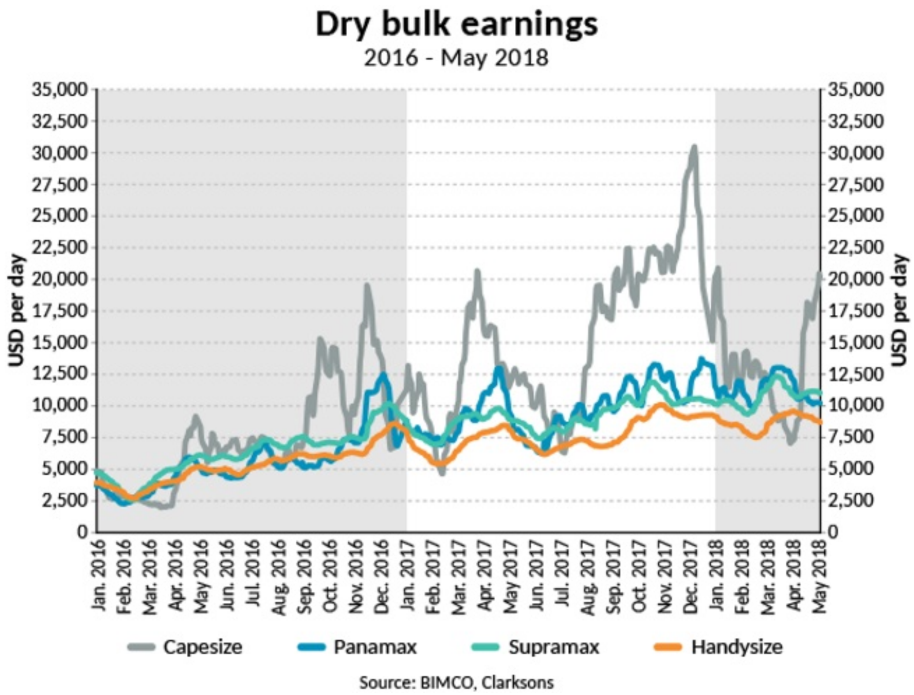
(1) BIMCO, 31 May 2018

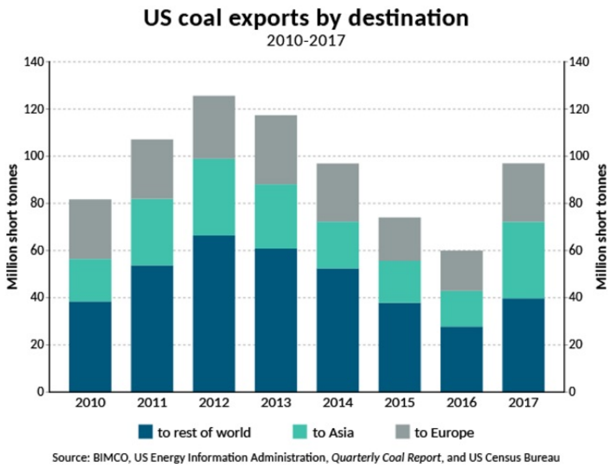
Dry Bulk Shipping: No More Room For Newbuilds

The dry bulk shipping industry remains on the road to recovery, as demand continues to keep its nose just ahead of fleet growth, while scrapping and ordering remains subdued.

Demand
The improved fundamentals during 2017 are clearly seen in the freight rate levels during the first four months of 2018. Freight rates for Handysize, Supramax and Panamax went up by 25-27% as compared to the same period of last year. All three sectors moved from loss-making average earnings in the full year of 2017 to a profitable level in first four months of 2018.
Meanwhile, capesize freight rates improved by only 5% as compared to the same period last year, and stayed within loss-making territory at USD 12,660 per day, needing at least USD 15,000 per day on industry average to cover all costs.



In many ways, shipped volumes during Q1 were seasonally stronger than expected. Except for iron ore. This was hurting the capesize sector. Reported sales from the world's top 3 iron ore mining companies were down 9% in Q1-2018 as compared to sales in Q4-2017. Total seaborne iron ore exports were estimated down by 11%, a weak level. That fact clearly affected the performance of capesize freight rates, that took a deep dive during March to hit USD 7,051 per day on 5 April, before bouncing back in the second half of April reaching USD 18,192 on the 25th.
2017 also delivered a comeback of US coal exports (steam and coking). Exporting 88 mill tonnes to at least 42 countries, according to EIA. Distributed with approx. 40% being steam coal and 60% being coking coal. Exports to Asia, which benefit the dry bulk shipping industry the most, more than doubled to reach 30 million tonnes in 2017 (+109% from 2016), most of it being steam coal to South Korea and Japan. Increasing electricity demand fuels imports of steam coal with no expansion of nuclear power production taking place in South Korea and Japan. India is the largest importer of US steam coal, as a large portion of its newer coal-fired power plants require higher quality and energy content than domestically mined coal.

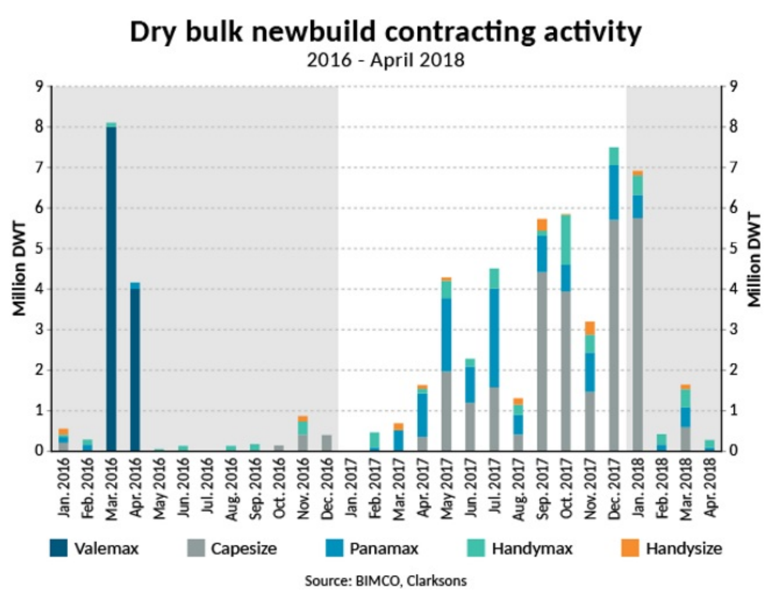


Nevertheless, the amount of US coal exports remains a pricing issue more than anything. Increased US coal production does not automatically mean that more is exported. US export prices are simply too high compared with those of its global competitors. This means that buyers go elsewhere when global prices are low. Since the middle of 2016 global coal prices started to lift and they stayed high during 2017. So far, they have kept up well in 2018 too, resulting in a continued interest in high quality US steam and coking coal.

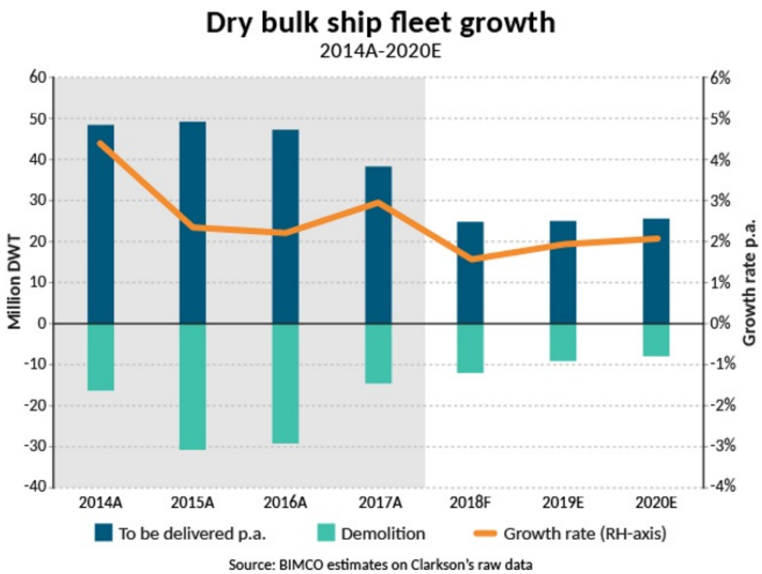
Supply

Four of the Valemax ships ordered in 2016 have entered the active fleet of “capesize” tonnage since the start of 2018. The remaining 26 are scheduled for delivery in the coming 24 months. All of them are heading for the Brazil-China iron ore trade on long term charters. They are set to increase the pressure already felt by standard capesize ships plying that trade. 30 Valemax can transport 48 million of cargo from Brazil to China a year, and as a result are likely to squeeze out 67 capesizes. Where are these standard capesize to go for other business?

For the first four and a half months of 2018, the dry bulk fleet grew by 10.2 million DWT net, equal to 1.2%. 12.1 million DWT was delivered while as little as 1.7 million DWT was sold for breaker’s yards. Newbuilt deliveries came in all sizes. 44% of the new capacity was added to the capesize, VLOC and Valemax segments at the top of the chart. 27 out of the 114 delivered newbuilds were Handysizes with a capacity less than 40,000 DWT.



Most interesting, only 9.2 million DWT of new capacity was ordered in the first four months. This is an extraordinary and positive development – and one that was not expected either. The improving freight market conditions that we saw in 2017, meant that a higher level of ordering returned, after a year and a half of very low activity. As the freight market continues to improve, a continuance of ordering is expected. Whereas the low level of newbuilding orders is consistent with being on the road to recovery, the low level of demolition activity is not. Dry bulk demolition during the first four months was down by 73% compared to last year. With these new orders coming in, its relevant to question whether they will derail the ongoing recovery. The reply to that is: they will not derail it – yet. All but a few of the new orders are set for delivery in 2020. But in turn this also mean that there is no more room left for new orders to be placed before the balance potentially tilts.



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2018-2020 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 35% of the remaining vessels on order are delayed/postponed.

As BIMCO sees 2% demand growth as the long run average, a fleet growth of 2% or less is required to avoid a worsening of the fundamental freight market conditions. Considering the current orderbook and our assumptions for actual delivery date – 2019 and 2020 are now "fully booked".

Outlook

In summary, the dry bulk shipping industry remains on the road to recovery, as demand continues to keep its nose just ahead of fleet growth, while scrapping and ordering remains subdued.

What could upset the recovery is the looming trade war between the US and China that has caused a lot of commotion already, including within the dry bulk shipping industry. Soya beans are at the centre of attention as also covered by BIMCO, here. Even though, it isn't officially a trade war yet – the uncertainty it creates amongst shipping industry participants is very real.

Will we see Chinese stockpiling of Brazilian soya beans, in order to reduce tariffed imports from the US later in the year? The coming months will tell us. Right now, we know that China is importing from anywhere but the US. But be aware that this is simply normal seasonality – almost no soya beans are exported from the US into China in second and third quarter of the year.

Beyond that, Q2 is expected to bring on more cargoes overall in need of transportation. Brazil and Australia will both grow its exports of iron ore, whereas soya bean exports will grow out of Brazil while slowing out of the US. All due to seasonality.

Coal, wheat and coarse grains are likely to stay flat from Q1. Looking into exports in Q3, grain trades are likely to grow, due to larger growing areas, good weather conditions and large harvests anticipated. Wheat from Russia and Ukraine and corn from Brazil will lift shipping demand.

In recent years, we have heard a lot about the closing of Chinese steel mills which in turn 'should' reduce production capacity. At the same time, we have seen an almost unchanged production level. The fact is

that the capacity that has been closed and currently is being closed comes from old and un-utilised facilities. Instead, China builds new, mills that are using higher quality imported iron ore.
In Q1-2018, China produced 5.4% more crude steel than in Q1-2017. Growing production by 10.8 million tonnes for the quarter. This three-months growth compares to one month of production by the world's second largest producer, India, at 9.3 million tonnes.
Source: Peter Sand, Chief Shipping Analyst, BIMCO
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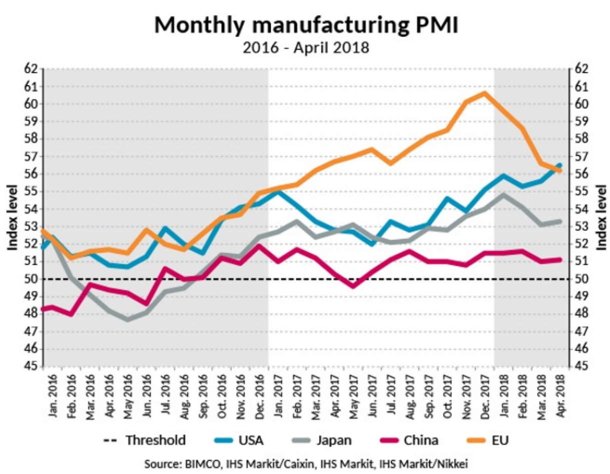
(2) BIMCO, 30 May 2018

Macroeconomics: Economic Growth Likely To Peak In 2018

Overview
GDP growth and high trade multipliers have benefitted the shipping industry through higher trade volumes, but this could be as good as it gets.
The current global economic growth (GDP) looks like it may be as good as it gets, with indicators across the globe signalling healthy expansion, but at a slower pace compared to the levels seen in the last half of 2017.

Global economic growth seems on track to reach its highest level since 2011, as the International Monetary Fund (IMF) maintain its projection for the world GDP at 3.9% and expects the global economic growth to be supported by a strong momentum, favourable market sentiment and accommodative financial conditions in 2018 and 2019. This is good news for all shipping sectors. Despite the status quo for the overall growth of the global economy, the IMF has lifted its projection for the advanced economies' output by 0.2 percentage points for 2018 to 2.5%, while maintaining its expectations for 2019 at 2.2%. The development is broad based and driven by the euro area, Japan and expected spill over effects from fiscal policies in the U.S. The continuous strengthening of the advanced economies is beneficial for the shipping industry, more notably the container shipping industry, as growth in advanced economies has the highest impact on trade. (trade-to-GDP multiplier).

The Manufacturing Purchasing Managers Index (PMI) has been highly discussed in the recent months. The PMI development is not only an important indicator for the global economy, but also for the shipping industry. The global Manufacturing PMI signalled a peak in the global business cycle in 2017.
The recent PMI-decline in 2018 – across regions – has already caused anxiety about the recovery's strength and thereby also introduced a question mark over the current strength of shipping demand. However, it must be emphasized that the current level of the PMI is still above the threshold level of 50, signalling an expansion in the underlying economics. It simply happens at a slightly slower rate compared to 2017.



Europe

Even though the EU Manufacturing PMI is not continuing at the same strong pace as in 2017, the IMF has increased its expectations for the euro area output by 0.2 percentage points for 2018, now amounting to a growth rate of 2.4%. This is primarily due to a stronger-than-expected domestic demand, supported by monetary policy and improved external demand. The expectations for 2019 remain unchanged at 2.0% for the euro area.

The Manufacturing PMI for Europe reached an eleven-year peak in December 2017 but has lost some tempo in 2018. The current level is however still robust by historic standards and is seen as a moderation of the growth pace, not a setback. The strong growth in 2017 has created short-term capacity constraint's limiting the economy's ability to grow at the same expansive rate for a long period and the slower 2018 growth speed can be considered ordinary.

Usually, when manufacturing speeds up, the imports of raw materials increase. However, over the last decade Europe's manufacturing industry has transformed towards higher value-added activities done through higher-skilled activities. The consequence is that more activity comes from the production of consumer goods and capital goods (goods used in the production of goods or services) and less activity comes from the production of intermediate goods (the production of semi-finished goods used in the production process of other goods). The capital goods and consumer goods are primarily transported via containers and the intermediate goods as bulk or general cargo are impacted accordingly by this development.

US

BIMCO's Market Analysis Team has in recent months focused on how shipping will be affected from a full blown trade war between US and China. With shipping being a demand derived activity, an escalating trade war with many more commodities involved, could trigger something bigger that would negatively impact global shipping in a much wider way including the transpacific container trade. The impact of the trade-restrictive measures enacted to "safeguard" the US steel and aluminium production is still unknown. The US imported 32 million tonnes of the specific tariffed aluminium and steel commodities via the sea in 2017 (Source: US Census Bureau).

For the shipping industry, shipments from Asia are more influential in terms of sailing distance and tonne miles than volumes alone, with 83% of all the tariffed aluminium and steel commodities being imported via the US East – and Gulf Coast.

The EU, Argentina, Australia, Brazil, Canada, Mexico and South Korea have been exempted from the tariffs imposed, and thereby half of US imports of steel and aluminium are exempted. The seven trading partners exported 16 million tonnes of the tariffed steel and aluminium by sea to the US in 2017.

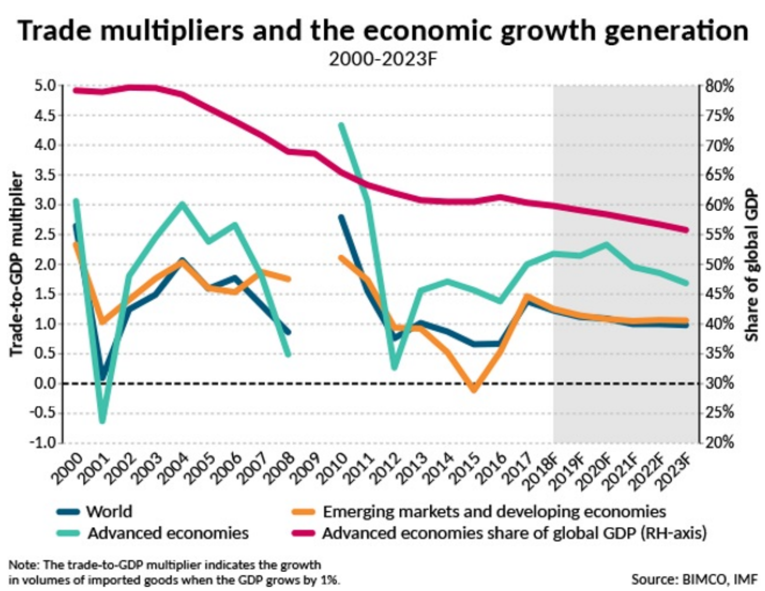
From a wider perspective, and if Chinese retaliations are imposed in response to the first US shot, they may weaken the current global upswing, with US soya bean exports
as the other main dry bulk trade that could be affected – for better, if longer sailing distances comes around, or for worse, if cargoes are simply lost.
The IMF published their most recent projections after the Chinese retaliations were introduced. However, they have still increased their expectations for the US output by 0.2 percentage points for 2018 and 2019, amounting to a growth rate of 2.9% in 2018 and 2.7% in 2018.

Asia

The IMF has maintained its expectation for the Chinese GDP for both 2018 and 2019. The expected growth is 6.6% in 2018 and 6.4% in 2019. The same picture is seen for Japan where projections for 2018 and 2019 are unchanged at 1.2% in 2018 and 0.9% in 2019.
The Chinese focus on credit tightening and a stronger push for limiting debt burdens is likely to reduce coming infrastructure investments in China (Source: 19th national congress, Reuters, Bloomberg etc). This will weigh on imports of iron ore and coal, as Chinese infrastructural investments are one of the main global dry bulk demand drivers.
After an unstable period in 2016, Japanese PM Shinzo Abe launched an economic stimulus package in August 2016, which stabilized the Japanese economy according to the economic indicators.
The Japanese Manufacturing PMI reached its highest level in 26 years in January 2018 and the industrial production growth has stayed in positive territory. The inflation rate seems finally to have released itself from its usual very marginal increase. Despite the increased inflation, The Bank of Japan has removed the timeframe for achieving its 2% inflation goal mainly due to headwinds from companies resisting raising prices and wages, due to uncertainty over the economic outlook. Higher inflation will spur higher consumer spending and benefit container shipping demand.

Outlook

Where to go next? With the IMF's medium-term growth outlook dropping gradually from 3.9% in 2019 to 3.7% in 2023, policymakers need to enact reforms and build fiscal buffers, which will generate robust and inclusive growth and build resilience to the hazards ahead.
The trade multiplier for advanced economies has again returned to a level above 2 and the world trade multiplier has increased to 1.4, indicating that global trade increases by 1.4, when the global economy grows by 1%. However, this is as good as it gets, as the IMF expect advanced economies' share of global GDP to continue its current decline and the world trade multiplier tracking back to 1.



In 2017 the trade multipliers reached their highest level since 2012 and combined with stronger GDP growth for both advanced economies and the world economy, higher volumes of trade benefitted the

shipping industry. The trade multiplier for advanced economies is expected to continue to surge towards 2.3 before dropping below 2 in 2021 and going forward.
However, going forward as advanced economies are expected to account for a smaller share of global GDP, the world multiplier will start to be more and more influenced by emerging markets and developing economies, which will pull the multiplier towards 1.
If this development materializes the container shipping industry will see slower growth going forward, with demand growing only at the same pace as global GDP, which is a reversal for the industry.
Source: Peter Sand, Chief Shipping Analyst, BIMCO
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(3) OECD, 30 May 2018

OECD sees stronger world economy, but risks loom large

The global economy is experiencing stronger growth, driven by a rebound in trade, higher investment and buoyant job creation, and supported by very accommodative monetary policy and fiscal easing, according to the OECD's latest Economic Outlook.

The pace of global expansion over the 2018-19 period is expected to hover near 4%, which is close to the long-term average. However, the Outlook also underlines that significant risks posed by trade tensions, financial market vulnerabilities and rising oil prices loom large, and more needs to be done to secure a strong and resilient medium-term improvement in living standards.

Low, albeit gradually rising interest rates coupled with fiscal easing in many countries will continue underpinning the expansion, which will see moderate rises in both wage growth and inflation. Unemployment in the OECD area is expected to drop to the lowest levels since 1980, but more can be done to bring more people into the workforce.

"The economic expansion is set to continue for the coming two years, and the short-term growth outlook is more favourable than it has been for many years," said OECD Secretary-General Angel Gurria. "However, the current recovery is still being supported by very accommodative monetary policy, and increasingly by fiscal easing. This suggests that strong, self-sustaining growth has not yet been attained." "Policymakers need to put greater focus on structural policies to boost skills and to improve productivity to achieve strong, sustainable and inclusive growth," Mr Gurria said.

The Outlook highlights a range of risks to the current expansion. Oil prices have risen significantly in the past year, and, if sustained, could add to inflation while softening real household income growth. The threat of trade restrictions has begun to adversely affect confidence, and, if such measures were implemented, they would negatively influence investment and jobs.

Risks also remain that the normalisation of interest rates in some economies, notably the United States, could expose financial vulnerabilities and tensions created by elevated risk-taking in financial markets and high debt, especially in emerging market economies with high levels of foreign currency debt. Procyclical fiscal easing exacerbates these risks.

The Outlook calls for reforms to be stepped up, against the background of favourable short-term conditions and the need to secure more robust and more inclusive growth. It urges countries to boost investment in education and skills, as part of improvements in the use of tax and spending policies to raise living standards across the income distribution. It recommends policies to boost job creation and business dynamism in the economy, including improvements to digital and physical infrastructure, enhanced R&D collaboration between universities and industry, reduced barriers to entry in professional services sectors and less red tape.
Source: OECD
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(4) Drewry, 24 April 2018

LNG: fuel of the future?

With less than two years before the sulphur cap comes into force, LNG is looking more plausible as the marine fuel of the 21st Century.
Many shipowners are still weighing up the dilemma of how to comply with the stringent new rules on sulphur emissions, due to come into force in January 2020. The options have been widely publicised: scrap older tonnage, fit sulphur scrubbers, switch to low-sulphur marine gasoil (LSMGO) or install power plants capable of burning LNG.

Scrubbers are increasingly seen as a messy answer. A scrubbing system will cost roughly $4 million to install, and users will still be faced with the problem of waste disposal. Owners will also feel vulnerable to later changes in regulations that might make their scrubbers non-compliant. Unlike the other two options, scrubbers will not reduce emissions of greenhouse gases, and this is an area that is likely to come under increasing regulatory scrutiny. A survey of owners by Drewry suggests that they see scrubbers as only a short-term solution.

LSMGO is less problematic on those criteria and is likely to be a popular alternative in the early years, especially as an IMO-appointed consultant has reported that fears of a possible shortage have been exaggerated. If the industry wants LSMGO, it can have it. Admittedly, Bimco's own study was less optimistic, and the owners of liquefaction plants are also less confident. But even if the IMO is right, Drewry reckons that about a million barrels a day will be needed, so operators will have to pay a premium in the early years.

A carbon-neutral industry?
The maritime industry used to be hostile to environmental pressure, but going green is increasingly being seen less as a burden and more as an opportunity, not just ethically but also commercially. Major owners are now talking about the possibility of a carbon-neutral maritime industry, and that makes LNG even more attractive – aside from the fact that it will be cheaper than LSMGO. The question is whether it will be practical.

Not many ships trading today can burn LNG – mostly cruise ships, passenger carriers and LNG tankers using boil-off gas for their auxiliary engines. Large container ships are next in line, while the technology is even making inroads into the bulk-carrier and tanker markets. Of the 93 LNG-capable vessels on order, eight are dry bulk carriers. Recently, Forward Maritime Group, an affiliate of Alexander Panagopulos-controlled Arista Group, signed a letter of intent with the Chinese yard, Jiangsu Yangzijiang to build 20 LNG powered Ultramax vessels between 2020 and 2023.
Growth in number of LNG fuelled vessels

For the existing fleet, retrofitting is a risky option. Retrofitting a dry bulk carrier would cost about $6 million, which is a considerable gamble for owners operating in such a volatile market. Even retrofitting LNG engines in small dry bulk and tankers is not possible due to space constraint. It will not be economical for vessels over 15 years old, and retrofits do not work well for tankers. So far, four 2011-built container vessels have gone for retrofitting.

It is likely that owners will opt for LSMGO in the early years, while newbuildings will increasingly be built with LNG-capable engines. That will also provide a breathing space while the necessary infrastructure is built.

At the moment, LNG bunkering is only possible in North America, North Europe and Northeast Asia, with facilities available in 60 ports. New sites are being prepared in Singapore, the Middle East, the Caribbean and Europe, and still more are being considered. The orders for LNG bunkering vessels are also picking up as they provide a flexible and cheaper option of providing fuel to LNG fuelled vessels. Mitsui OSK has recently ordered the largest such vessel ever, and the average size will triple from 5,000 dwt to 15,000 dwt in 2020.

More LNG projects to come live
The next big question is whether shipowners will order enough vessels, and whether there will be enough LNG to cope with demand if they do. In order to answer this question, Drewry has made a quantitative model to estimate total demand generated by LNG as bunker fuel in 2022. LNG fuel demand is estimated from total fuel consumption by major segments such as dry bulk, tankers and containers. We have assumed that some large vessels in these segments with age below 15 years will retrofit LNG engine. We have made three scenarios, low case assuming 5% of the identified fleet retrofits LNG engines, base case assumes 10%, and high case presumes 15% of the total fleet.

Adding the confirmed new LNG projects to the current capacity in the market, we estimate that annual supply will be about 72 million tonnes by 2022. Demand is lagging behind that figure, but the high case (15% of vessels retrofitting) will add an extra 10 million tonnes demand in 2022, and even the 10% base case will push demand beyond expected supply.

More LNG projects will need to come on-line and more bunkering facilities will need to be completed in a short period of time if the industry is to cope with demand for LNG bunkering.
Source: Drewry
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(5) Hellenic Shipping News, 30 May 2018/ Dynamar

Eight benefits of managed services in the maritime industry

Thriving in today's competitive cruise industry is tough so why go it alone? Be free to focus on the big picture while others worry about the everyday complexities of managing systems. Lee Clarke of Dynama presents the case for working with a specialist managed service provider (MSP) to support IT systems at sea.

You only have to watch the TV ads to grasp the popularity of cruise holidays. From large, luxury ocean-liners carrying whole cities of passengers to the more intimate surroundings of specialist small luxury ships – everyone appears to be enjoying a cruise adventure. It's a trend that is likely to continue, bringing with it increased competition to deliver an unparalleled guest experience. To achieve this level of customer satisfaction the most advanced technologies are required, however, finding the right people to support modern systems is a challenge across all industries.

The advent of cloud computing coupled with modern automated technology is already making lighter work of managing crew movements and rotation planning. The latest crewing solutions automate a wide range of activities from crew readiness, contracts, travel administration and crew rotation planning to managing budgets, payroll/benefits, communicating uniforms policies and facilitating appraisals and training. They provide a birds-eye view of resources to help organizations maximize their existing crew talents and provide a longer planning horizon which, in turn, helps keep staff happy and prevent them from straying to the competition. Along the way, they also keep crew members safe and aid compliance with important quality, safety, health and environment regulations.

From tactics to strategy – the art of making technology work for you
Every ship is unique and the technical challenges are even greater at sea, so it pays to have a technical team on hand that is capable, fully engaged, immensely experienced and exceptionally driven to meet the individual needs of your business. However, many cruise organizations' IT departments are often stretched to the hilt with a wide variety of specialist systems to manage at a distance and a limited budget that necessitates a 'do more with less' culture driven from the top. This is understandable but treating shipboard IT like any other back office operation can be a costly mistake as anyone who has attempted to support IT systems ship and shore, will tell you.

Maximizing the capabilities of today's crewing software requires careful planning, time and considerable expertise that can put extra pressure on IT departments already struggling to cope with the increasing number of IT systems required on new, more technically advanced cruise ships.

The benefits of managed services
It's time to expand your horizons and look outside for a partner with the bandwidth and know-how to make technology work for you in the following ways:
1) Focus on the big picture – frees up your own internal IT resources to play to their strengths for example, strategic infrastructure, data and systems security, general business and system improvements
2) Improve response times – resources assigned by a MSP are dedicated to you and should include a team of product experts who understand your products and system
3) Add certainty to budgeting requirements – because you no longer have to recruit, train and pay for internal resources to manage your technology you can work to a fixed budget and a known contract cycle therefore reducing uncertainty
4) Regular maintenance – no more dependence on internal resourcing to schedule maintenance checks around other activities. Using a managed service provider allows for regular maintenance of the system to ensure it is always at peak performance
5) Avoid expensive upgrade costs – your system is updated regularly through the provision of modifications, service packs or other improvements as part of the managed service contract. This avoids expensive upgrade costs because systems are out of date
6) Have a real say in future innovations – to support your business now and in the future. Opting for a managed service arrangement creates a direct path for facilitating product enhancements and suggestions to the vendor's Product Management team
7) Drive business efficiencies – a managed service provider understands business processes and can translate those into product requirements and change requests that can drive efficiencies within your business
8) Increased speed and agility – by developing changes required by the business as part of on-going improvement process and assist with testing. This helps recognise business benefits more swiftly.
Choose carefully
Whether you choose Software as a Service (SaaS) or a fully managed hosted environment, it pays to select your partner carefully. Look for a company with experience of providing support for both ship and shore side crewing solutions in the maritime industry. It will need a support team made up of highly skilled and knowledgeable individuals trained on the latest technologies and that understands the ramifications of deploying solutions in a mission critical environment that may only be accessible remotely.
The nature of the high seas means any managed service provider should offer follow-the-sun support through a dedicated telephone technical helpdesk during business working hours that span different countries, backed up with a secure customer portal to provide 24-hour access to self-service knowledgebase, regular scorecard reports and SLA monitoring.
Look for guaranteed confidentiality. Choose an ISO27000 certified MSP partner that will continuously respect your data and its security. Finally ensure transparency and that contracts are easy to understand, clearly state the number of resources and days provided and offer a clear breakdown of costs.
A carefully chosen managed service provider is a welcome addition to the team. It gives you freedom to act strategically and the power to stay in control. Why go it alone, when you can achieve so much more with the right partner? Give it try!
Source: Lee Clarke, Regional Director – Northern Hemisphere, Dynama
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(6) Nomura, April 2018

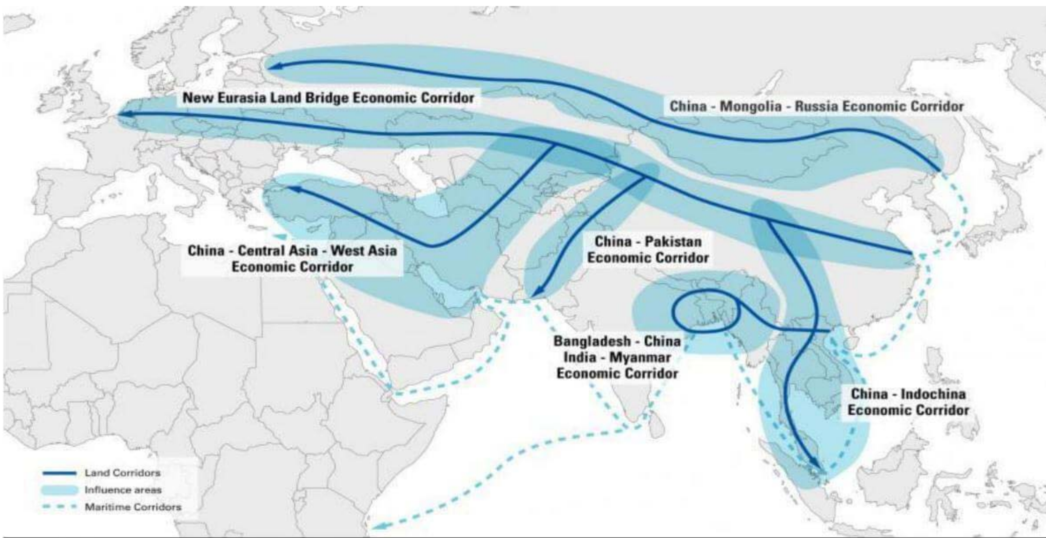
The Belt and Road Initiative: Globalization, China Style

- BRI should deliver an economic win-win for China and the countries it covers; China will also gain geopolitically
- Risks for China include its high leverage and the prospect of low BRI returns. BRI countries face potential problems such as increased debt, balance of payments vulnerability, execution delays and geopolitical and sovereignty tensions
- China and ASEAN infrastructure, financing and consumption equities are well placed to benefit. BRI should also support longer-term Renminbi appreciation

The Belt and Road Initiative (BRI), China's ambitious infrastructure and investment plan worth over $1.5 trillion over ten years, will have enormous economic, geopolitical and investment implications for China.

But its impact on the more than 80 countries it encompasses is likely to be greater still.
For investors, BRI presents significant opportunities. However, the sheer scale of the project – and its decades-long timespan – makes it important to prioritize certain countries and sectors. Our report puts the Initiative in perspective and offers valuable insights.

What is BRI?
The BRI combines land-based 'belt' projects, such as roads, bridge, rail links and pipelines, in six economic corridors with sea-based 'road' projects such as ports. It covers China's nearest neighbors as well as countries in South Asia, the Middle East, Africa and Central and Eastern Europe.



Source: Hong Kong Trade Development Council and Nomura Global Economics.
Six economic corridors (the belt) and the Maritime Silk Road (the road)

What will China get from BRI?
A GDP boost: It helps China address manufacturing overcapacity issues and increase exports. This should accelerate China's real GDP growth by at least 0.1 percentage point annually over the next decade.
A move up the global value chain: BRI makes it easier for China to relocate its low-cost manufacturing to other low-cost countries. At the same time, it can upgrade its production to high value-added products.
An extension of soft power: As the US turns more inward-looking, China is strengthening its credentials as a champion of free trade. BRI extends its foreign policy soft power and elevates its global status.
Stronger geo-strategic advantages: New economic corridors through Pakistan and Central Asia give China alternate routes to source commodities. This reduces its reliance on South China Sea routes for trade.

How will BRI countries benefit?
Accelerated development: Increases in investment, trade, tourism and integration are expected. Pakistan, Bangladesh, Malaysia and the Philippines are especially likely to make gains.
Regional trade integration and large foreign direct investment inflows: Chinese manufacturing may shift to low-cost economies, increasing investment inflows and integrating them into the global value chain.
Boost potential growth: Large-scale physical infrastructure investment should deliver faster economic growth and could potentially fast-track BRI countries towards digitization.

What are the risks?
Financial: China's financial sector is weak, with high domestic debt. Infrastructure projects may have long payback periods, uncertain returns and potential default risk due to regulatory or political risk in the recipient economy.
Debt sustainability: Large loans taken at a commercial rate could result in debt distress for smaller BRI economies if a project doesn't generate sufficient returns.
Public opinion: The benefit of projects to recipient economies may not be clear given the use of Chinese funding, construction materials and workers. This, combined with sovereignty concerns, could trigger a public backlash.
Balance-of-payment: There could be pressure on BRI countries' balance of payments due to a sharper rise in imports from China than exports to China (worsening trade deficits), debt repayments and repatriation of profit (capital outflows).
Geopolitical tensions: Tensions with India could escalate, threatening the Bangladesh-China-India-Myanmar (BCIM) trade corridor. Tensions in the South China Sea could resurface after Philippines President Duterte's term expires in 2022.
We believe these are manageable risks – China's own investment-led development has taught it valuable lessons. Its focus is on using new multilateral funding institutions to promote the role of market forces and best execution of public-private partnerships.

How to play BRI
Country focus
We think the biggest beneficiaries in South Asia are Pakistan and Bangladesh. Among major ASEAN countries, Malaysia and the Philippines stand to benefit the most.

Outside of Asia, industrialized countries could benefit from increased demand for their capital- and technology-intensive manufacturing goods. Infrastructure activity could benefit resource-rich economies, such as Australia and Indonesia.

Sector focus
Chinese infrastructure, financials and consumption equity proxies will benefit. We've identified a basket of 10 Hong Kong/China-listed stocks with meaningful BRI exposure. BRI also supports our longer-term view of Renminbi appreciation, as it benefits China's push towards renminbi internationalization. For ASEAN equites, BRI is positive for contractors, tourism, last-mile delivery and hospitals. However, strong competition from Chinese entrants into the domestic markets also means disruption of existing business models. This could be negative for the likes of Philippine telecommunications companies.
Source: Nomura
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(7) Lloyd's List, 28 May 2018

Shipowners push for Hong Kong Convention take up

ASA, BIMCO, ECSA, ICS and Intertanko has encouraged more states to ratify the international convention for green ship demolition, while asking EU to include more overseas facilities into its recycling list.

The entry into force of the convention is critical with the expected increase in demand for ship recycling this year, BIMCO and the others say.

A GROUP of shipowners' associations have reaffirmed their commitment to the Hong Kong International Convention for the Safe and Environmentally-Sound Recycling of Ships.

In a joint statement, Asian Shipowners' Association, BIMCO, ECSA, ICS and Intertanko reiterated the importance of a global solution to realise environmentally sustainable ship recycling.

The entry into force of Hong Kong Convention was critical, with the expected increase in demand for ship recycling—in particular in the tanker sector-- this year, and the need to expand the number of compliant ship recycling facilities around the world, the statement said.

"To be able to bring the [Hong Kong Convention] into force however, it is essential that the ship recycling States commit to improving the standards of ship recycling and ratify the HKC."

As a result, the five organisations have encouraged member associations to approach their respective governments to speed up the ratification by including it as an agenda item. They've also encouraged all ship recycling states to approve the convention.

Meanwhile, they have called for the International Maritime Organisation to establish a team for early enactment of the new regulations, which will serve as a focal point for concerned stakeholders including governments, recycling yards, workers, shipowners and observer organisations.

The Hong Kong Convention, adopted in May 2009, will be enforced 24 months after ratification by 15 states, which represent 40% of the world's merchant ships by gross tonnage and combined maximum annual ship recycling volume not less than 3% of their combined tonnage.

At last count, it was ratified by only six states representing 20.5% of the world's fleet.

In addition, ASA and the other four associations have reviewed the European Union Ship Recycling Regulation and the EU List of Recycling Facilities.

"It was noted that there is expected to be a lack of facilities on the EU List when the Regulation enters into force on 31 December 2018 as well as the fact that until now no non-EU ship recycling yard is included in the EU list." they said.

"In this respect, the shipowners associations urge the European Commission to increase the recycling capacity on the EU List with the inclusion of facilities outside of Europe."

Source: Lloyd's List

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