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*The **Global Maritime Weekly Digest**, based at **Southampton 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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- Discussion of difficulties ahead for the ***main global shipping sectors*** tends to focus on the supply side – a need to restrain growth in fleet capacity – as the principal means of improving market imbalances (item 1).
- Varying ***market performances*** last year, in this review by international shipping organisation BIMCO, are characterised as 'worst year on record' (bulk carrier), 'reversal of fortune' (tankers) and 'fundamental market balance improved as demolition went through the roof' (container).
- Possible future difficulties for parts of ***China's One Belt One Road*** (OBOR) grand scheme of maritime and land-based infrastructure are examined in item 3. As well as economic risks, which typically accompany large-scale capital intensive projects of this type, significant political risks are also apparent in a number of the countries where developments are located.
- As the inauguration of a new US president approaches, ***global political risk*** is emphasised as one of the great uncertainties facing the maritime industries (item 5). Will there be a reversal of the globalisation trend or more trade disputes under the new American administration, and how will shipping be affected?
- Indicative of the ***negative pressures on the shipbuilding industry***, China's yards are being encouraged to concentrate on high value-added activities such as marine equipment (item 7).

Richard Scott MA MCIT FICS
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(1) BIMCO, 3 January 2017

The shipping market in 2016 and looking forward

Overview

The shipping industry has its work cut out going forward in 2017 as the International Monetary Fund (IMF) forecast the lowest level of global GDP growth since 2009. 2017 will see another year of die-hard competition, which now includes tankers. In 2016, the container shipping industry bit the bullet in terms of demolition and consolidation to help the market to recover. The dry bulk sector needs to copy that approach.

Global economy: not lending shipping a hand

The longer global economic growth remains weak and lacks investment, the lower future growth potential for shipping. For eight years, the world has struggled to cope with huge changes and challenges brought around by the crash of the financial market in 2008. The resulting issues have not always been dealt with in the best way, leaving many large economies still in 'recovery' mode. The full restoration of shipping markets will need several years of solid improvements to lift fleet utilisation rates. Sector overcapacity almost everywhere must be reduced. Government support for any industry – including shipping – which is feeling the heat of global competition might seem like a good thing.

But direct subsidies from governments in fact have a negative impact on the global shipping industry as they affect free trade and undermine the level playing field for businesses. In pure economic terms, 2016 has seen Europe improving, the US stagnating and Japan at a standstill. So, we have not seen much global change aside from some interregional trade flows and there has been no real growth of demand on a broader scale. In shipping, we rely on global imbalances in raw materials, energy and manufacturing facilities.

Regardless of reported statistics of economic growth being right or wrong, China remained at the centre of shipping imports and exports in 2016. Will the world grow its GDP in 2017 in a way that will benefit shipping? Probably not, as global GDP growth is currently driven by service sectors and developing/emerging economies which result in a lower "GDP-to-trade multiplier", and thus generate a lower level of shipping demand than we have been accustomed to in the past.

Dry bulk: worst year on record – heavy demolition activity needed to relieve the pain

2016 has been a horrible year for the dry bulk shipping industry. After the Baltic Dry Index (BDI) reached an all-time-low of 290 on 10 February, it improved steadily throughout the year to peak in mid-November at 1,261. This was driven by and benefitted mainly the capesize ships as they transported the key commodities of iron ore into China. As the year progressed, the situation eased as demand growth outstripped the impact of the net supply growth of the fleet. Chinese steel mills grew production and kept on substituting domestically mined ore with imported ore.

Additionally, the reduction in operational days at Chinese coal mines reversed the declining trend for coal imports, adding much needed tonne-miles to the demand side. In May, BIMCO provided industry leadership with some new and unique market analysis on the "Road to Recovery" for dry bulk. This analysis identified what the shipowners must do to return to profitability in 2019. Scrapping ships and refraining from building new ships is essential as we can't expect the same levels of demand growth as we have experienced in the past. For 2017, it is vitally important that shipowners handle the supply side of the market with great care.

A continuance of the alarmingly low level of demolition activity in the second half of 2016 simply will not deliver the needed zero fleet growth. A significant number of new ships are on order for 2017 and 2018. The only way to neutralise the impact of this influx of new ships will be to scrap 30 million DWT annually. This is not a tall order in theory, but the slowdown in scrapping seen since June 2016 causes alarm bells to ring. BIMCO expects the supply-side to grow by around 1.6% in 2017 (2.2% in 2016E)

Tanker: reversal of fortune after a perfect year

In the wake of a very strong 2015, fortune faded as expected for crude oil and oil product tankers. A strong freight market was created by an increased throughput at global refineries causing upfront oil demand to run ahead of end-consumption and a moderate supply side growth for crude oil tankers. In

2016 the fleet grew by 6% for both tanker segments. This unbalanced the market because demand growth eased off. BIMCO suggests that in coming years the end-consumption of oil will need to catch up – and bloated oil stocks must be drawn on – before the market can be rebalanced. Global oil supply continued to grow in 2016 despite many disruptions to production in key exporting countries.
The re-entry of Iran into international oil stood as the single-most disruptive event to an established oil market and it had a knock-on effect into the tanker market. Whether the changes to trade patterns end up benefitting the tanker market remains to be seen and depends on the West African exporters' ability to defend their market shares in Asia, particularly in India. Tanker demand growth in 2017 is expected to come predominantly from the greater Asian region led by China and India.
BIMCO expects the crude oil tanker segment to see a net fleet growth of around 3% in 2017 (6.0% in 2016E). We estimate the supply side growth rate of the oil product tanker fleet to be around 2.5% (6.1% in 2016E). We foresee demolition of tanker capacity to reach a five-year high, but not enough to prevent the onset of a loss-making freight market. Showing leadership to the global shipping industry, in 2017 BIMCO will continue its unique series of analysis on the "Road to Recovery" for the crude oil tanker market, following the analysis published in 2016 on what is needed for the dry bulk sector to recover.

Container: fundamental market balance improved as demolition went through the roof
After deteriorating market conditions in 2015, with a very high fleet growth and a sensationally high number of new orders for future delivery, 2016 got off to a bad start. The need to match the supply of container shipping capacity with global demand for containerised goods became even more urgent. How did the container shipping industry act in this "self-inflicted" shipping market crisis? By using some tools that had seemingly been forgotten. Many operational tools have been successfully applied in the market already (slow-steaming and idling), leaving the non-operational tools to be put into action in 2016 (limiting new orders, scrapping and consolidation).
2016 stands out in terms of consolidation, both in the form of outright mergers but also in the newer and larger alliances being forged to cut cost. We also saw the unprecedented event of a government-sponsored shipowner filing for court protection. Additionally, the very low number of newbuilding orders was backed up by an all-time high of demolition capacity reducing the harmful effects of new ships being delivered. Panamax ships went out of fashion, resulting in further value erosion of the ship size that turned out to be the one which was squeezed out between the feeders and the very large ships.
Generally, the container shipping industry has found it difficult to adapt to the new normal where demand grows by a multiple of global GDP growth of one or even below, unlike the multiplier of two or more experienced year on year in the past.
Nevertheless, market conditions ended up improving in 2016 as fleet growth was lower than demand growth, the first time since 2010. BIMCO expects the container shipping segment to see a net fleet growth of around 3.1% in 2017 (1.1% in 2016E). If the multiplier gets back to one, and the IMF forecast of 3.4% becomes reality, the market will neither improve or worsen in 2017.
Source: Peter Sand, Chief Shipping Analyst; BIMCO
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(2) Clarksons Research, 13 January 2016

2016 Liner Market Review: Battles And Building Blocks…

After another year of extremely difficult market conditions, many would forgive liner sector players for an air of resignation. However, despite a challenging freight market, charter rates remaining firmly in the doldrums and a major corporate casualty, looking back 2016 may well be seen as the year in which the container shipping sector really started to tackle its problems head on.

(detailed table on next page)

2016 At A Glance

Type	Size	2015	2016	+/- %
1. Global Container Trade, m. TEU				
Mainlane		51.5	52.8	2.6%
Non-Mainlane East/West		22.8	23.5	3.0%
North/South		30.6	30.8	0.4%
Intra-Regional/Other		70.1	73.5	4.9%
Global Trade		175.0	180.6	3.2%
2. Tonnage Supply				
Fleet, '000 teu, end year				
Feeder	100-2,999 teu	4,014.6	3,942.9	-1.8%
Intermediate	3-5,999 teu	5,533.5	5,109.1	-7.7%
Intermediate	6-7,999 teu	1,935.5	1,871.4	-3.3%
Neo-P'max	8-11,999 teu	4,796.9	5,124.7	6.8%
Neo-P'max	12-14,999 teu	2,449.4	2,677.3	9.3%
Post-P'max	15,000 &+ teu	1,014.0	1,259.4	24.2%
Total Containership		19,743.9	19,984.8	1.2%
MPPs	000' teu	1,544.8	1,539.5	-0.3%
Other Liner	000' teu	650.0	612.6	-5.8%
Total Liner	000' teu	21,938.7	22,137.0	0.9%
Orderbook, '000 teu, end year				
Feeder	100-2,999 teu	412.2	391.2	-5.1%
Intermediate	3-5,999 teu	142.1	143.8	1.2%
Intermediate	6-7,999 teu	6.9	6.9	0.0%
Neo-P'max	8-11,999 teu	941.1	570.2	-39.4%
Neo-P'max	12-14,999 teu	996.8	839.0	-15.8%
Post-P'max	15,000 &+ teu	1470.3	1224.9	-16.7%
Total Containership		3969.3	3176.0	-20.0%
Deliveries	000' teu	1,677.9	903.7	-46.1%
Demolition	000' teu	193.3	659.4	241.2%
Ordering	000' teu	2,287.4	190.9	-91.7%
3. Freight Revenue, Average SCFI, ex-Shanghai				
to Europe	$/TEU	620	690	11.3%
to USWC	$/FEU	1,482	1,272	-14.2%
SCFI Composite Index		872	712	-18.3%
4. Charter Revenue, Average Earnings, $/day				
Fully Cellular Containerships, annual average				
Feeder 1 yr	1,700 teu grd	8,842	6,804	-23.0%
Feeder 1 yr	2,500 teu grd	8,871	5,842	-34.1%
Feeder 1 yr	2,750 teu gls	9,563	6,000	-37.3%
'Old Panamax' 1yr	4,400 teu gls	11,817	4,979	-57.9%
Intermediate 3yr	6,800 teu gls	22,750	13,208	-41.9%
Neo-P'max 3yr	9,000 teu gls	36,708	24,792	-32.5%
Weighted Average Index		53	41	-23.4%
5. Asset Values, end period				
Newbuilding Prices $m				
Feeder	1,700 teu grd	25.0	21.8	-13.0%
Feeder	2,750 teu gls	29.5	27.0	-8.5%
Neo-P'max	8,800 teu gls	89.0	83.0	-6.7%
Post-P'max	18,500 teu gls	154.0	145.5	-5.5%
Weighted Average Index		77	69	-10.4%
10 year old Price $m				
Feeder	1,700 teu grd	8.5	5.5	-35.3%
Feeder	2,750 teu gls	11.0	5.8	-47.7%
'Old Panamax'	4,400 teu gls	12.0	5.5	-54.2%
Intermediate	6,600 teu gls	20.0	9.5	-52.5%
Weighted Average Index		36	25	-30.5%
6. Turnover, Secondhand Sales Volume ,000 teu				
Containerships		612.6	433.9	-29.2%
MPPs		26.4	22.6	-14.5%
Other Liner		6.1	4.1	-32.8%
Total Liner		645.1	460.6	-28.6%

Figures subject to revision.

Sustained Struggles
The container shipping sector has spent much of the post-financial crisis era under severe pressure and, as many expected, 2016 proved no real exception. Box freight rates in general remained weak, and the SCFI Composite Index averaged 18% lower in 2016 than in 2015. However, by late in the year it did appear that spot freight rates might be bottoming out on some trade lanes.
Against this backdrop, charter market vessel earnings remained extremely challenged, at bottom of the cycle levels. The one year rate for a 2750 TEU ship averaged $6,000/day in 2016, 37% lower than in 2015. 'Old Panamax' types fared even worse, averaging $4,979/day in 2016, 58% down on 2015, with the opening of the new locks at the Panama Canal impacting vessel deployment patterns.

Fundamental Traction?
Nevertheless, sector fundamentals did appear a little more positive in 2016. Demand conditions improved, with global volumes expanding by an estimated 3% in the full year to 181m TEU. Volumes on the key Far East-Europe trade returned to positive growth and the rate of expansion on intra-Asian trades accelerated back to more robust levels. However North-South volumes and trade into the Middle East remained under severe pressure from the impact of diminished commodity prices, though volumes into the Indian Sub-Continent grew strongly.
Meanwhile, containership capacity growth slowed significantly in 2016, reaching just 1.2% in the full year. Deliveries fell dramatically to 0.9m TEU (from 1.7m in 2015) and demolition accelerated rapidly to a new record of 0.7m TEU.
Still A Surplus
However, given the level of surplus built up in the post-Lehman years, and in particular the impact of the delivery of substantial capacity, much of it in the form of new 'megaships', the improved supply-demand balance seen last year was not enough to generate any significant improvement in market conditions. At the end of 2016, around 7% of total fleet capacity stood idle. The financial collapse of major Korean operator Hanjin was a further illustration of the acute distress facing both operators and owners.
Getting To Grips?
So, further recalibration still appears to be necessary to generate better markets. However, 2016 might also be seen as the year in which the sector finally started to lay real foundations for a better future. Demolition hit a new record, and financial distress and regulatory requirements are expected to drive further recycling. The ordering of newbuild capacity dropped to just 0.2m TEU in 2016, a dramatic halt. Meanwhile, further significant steps in the consolidation of the sector were taken in the form of merger and acquisition activity involving major operators; the top 10 now deploy 70% of all boxship capacity, a figure set to rise to around 80%. Building blocks only these factors may be, but many will hope that at last container shipping is starting to build towards something more positive than the gloomy conditions that perpetuated in 2016.
Source: Clarksons
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(3) Hellenic Shipping News, 11 January 2016/ Chicago Tribune

China's new Silk Road is getting muddy

With the future of U.S.-China relations an open question for the incoming Donald Trump administration, many have focused on whether the president-elect's promise to withdraw from negotiations over the Trans-Pacific Partnership (TPP) will enhance Beijing's growing influence in East Asia. But rather than hand-wringing over TPP's ignominious failure, Asia watchers should turn their attention to China's unprecedented $1 trillion strategic gambit: the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, aka "One Belt, One Road" (OBOR). Launched in 2013 as President Xi Jinping's signature initiative, OBOR holds great promise, as well as potential pitfalls, for both China and its neighbors.

OBOR is a game-changing plan to bring about the next stage of globalization, a Sinocentric vision that harks back to the ancient Silk Roads — but this time on Beijing's terms. The goal is to create a new economic "belt" of connective infrastructure westward into Eurasia and a new maritime "road" connecting China to Southeast Asia, South Asia, the Middle East, and Africa. Examples of OBOR projects include a railway linking China to Laos and another one through Mongolia and Kazakhstan; gas and oil pipelines through Turkmenistan and Myanmar; road and port development in Sri Lanka; and the cornerstone $46 billion China-Pakistan Economic Corridor (CPEC), which encompasses highways, pipelines, coal-based electricity generation, and the Chinese-operated Gwadar port.

OBOR is primarily a “build it and they will come” initiative. Rather than improving the host country’s industrial or productive capacity, it expands and strengthens transportation and energy arteries, including ports, rails, communications, electricity, and pipelines. It promises to stimulate the ailing Chinese economy in the short and medium terms through construction and telecoms contracts and capital goods provision while in the long term opening new trade routes so Chinese products can fill store shelves in OBOR countries for decades to come.

Lending to your neighbors to finance infrastructure projects that you build for them is a shrewd way to make friends while generating business for Chinese firms and earning better returns than U.S. Treasury bills. But the approach does carry significant economic and political risks for China, as well as for recipient countries and local communities. Under OBOR, China is loaning hundreds of billions of dollars to fund infrastructure construction in foreign countries during an economic slowdown at home — a recipe that could spell disaster if it fails to stimulate the Chinese economy or leaves poor countries hopelessly in hock to Beijing.

For two decades, China has promoted an increasingly expansionist “going-out” policy among its state-owned enterprises that includes strong financial and political support for construction and telecoms companies to penetrate Asian and African markets. OBOR takes this approach to a new, and far riskier, level. Beijing has set aside nearly $1 trillion to make concessionary loans to about 60 developing countries via its policy banks — principally the China Development Bank and Silk Road Fund — to underwrite the construction of approximately 900 infrastructure projects. After terms are reached with a host country, funds are transferred directly into the Beijing-based bank accounts of China’s state-owned enterprises, which build the project often with Chinese materials. This is a model Beijing has employed extensively in Africa. Once Beijing’s political blessing for a project is communicated via funding from its policy banks, China’s national- or provincial-level state-owned enterprises build it, often with little or no political or financial risk assessment or market research.

China’s sluggish domestic economy and fears of a U.S.-China trade war have increased the pressure on officials to approve OBOR projects and move them forward expeditiously. Policymakers are hoping OBOR can help mitigate falling demand and deploy excess capacity in Chinese construction firms and their suppliers. In China, it seems everyone is banking on the Silk Road revival; provincial and local officials, along with suppliers from around the region, have been attending massive Silk Road-themed product forums like the China-Eurasia Expo held in Urumqi last September. Even Maotai, China’s most famous brand of baijiu, a distilled Chinese liquor, is hoping to hitch a ride on OBOR to expand sales and international distribution networks.

The problem is due diligence. OBOR involves risking hundreds of billions of dollars on the assumption that poor countries either can or will pay China back. The lending program’s sheer size has already required the Chinese government and party organs to detail hundreds if not thousands of staff to vet scores of projects across a myriad of regulatory, linguistic, and cultural environments. This effort demands intragovernmental coordination across dozens of agencies and state-owned enterprises, many of which have little or no understanding of political or financial risk analysis. With such little experience in Beijing, much OBOR planning has been farmed out to provincial-level officials who are equally unqualified to vet the future profitability of investments in numerous uncertain political, economic, and regulatory environments. Religion is another consideration for the atheist Chinese, since OBOR traverses large swaths of the Muslim world.

OBOR represents a massive and unprecedented expansion of connected lending to international borrowers that enmeshes the already deeply indebted Chinese banking system in some of the world’s most precarious economic and political environments. Many poor countries are happy to take cheap Chinese loans now and let future leaders and citizens pay them back. Indeed, China’s existing loans to friendly governments in Zimbabwe, Venezuela, and Sri Lanka already portend tens of billions of dollars in potential losses. China's response, especially in Africa, has often been to grant loan forgiveness and then make more loans, which has, in turn, created serious moral hazard. Many governments are banking on China's continued largesse and are thus happy to get as much as they can while they can. Still, even Beijing, which is sitting on $3 trillion in reserves, can't write off bad loans ad infinitum.

Another looming problem is graft. Amid Xi's historic crackdown on corruption at home, OBOR could open new international opportunities for Chinese firms to collaborate with each other and their foreign hosts to engage in waste, fraud, and embezzlement. China, which itself ranks an unimpressive 83 on Transparency International's 2015 corruption index, is preparing to build hundreds of projects in some of the least accountable countries in the world, such as Turkmenistan (154), Kyrgyzstan (123), Cambodia (150), and Myanmar (147).

Although most of the cash will never leave China, the sheer quantity of equipment and materials, such as steel, concrete, and timber, needed to produce so many projects will provide ample opportunity for pilferage and other types of on-site malfeasance. Indeed, Chinese firms operating in systemically corrupt business and regulatory environments may find it impossible to gain the necessary local support without greasing palms. Corruption could also come via kickbacks or bribes to loan officers from self-interested firms or officials, padding purchase orders, or cut-rate building materials. Such misconduct remains a problem in China itself, and it seems likely the weaker regulatory environments in some OBOR host countries would only exacerbate it. Xi himself seemed to recognize the problem last August when he called for a "stable, sustainable and risk-controllable financial security system" to supervise the OBOR initiative.

China's business practices are already facing local pushback in several countries where its state-owned enterprises have built energy and infrastructure projects. Some firms have been accused of cutting corners, ignoring safety standards, using secondhand or low-quality materials and equipment, and building environmentally destructive projects, such as hydroelectric dams or coal-fired power plants. Complaints have come from Laos, Vietnam, and Cambodia regarding environmental damage and droughts from Chinese hydropower projects along the Mekong River; from Indonesia regarding an ill-fated, over-budget coal power plant and a failed high-speed rail project; and from Myanmar regarding Chinese firms clear-cutting forests.

Last month, dock workers at Hambantota port in Sri Lanka held the massive Japanese vehicle carrier Hyperion Highway and its crew hostage for several days after they were cut out of a 99-year lease agreement with the state-owned China Merchants Port Holdings Co. Meanwhile, in Venezuela's Bolívar state rioters looted hundreds of Chinese-owned businesses including shops, supermarkets, and warehouses. In Pakistan, workers on Chinese mining and construction projects have been attacked by Baloch rebels embroiled in separatist struggles with the government. Extensive squabbling among Pakistan's political parties, the military, and local community leaders continues to delay the implementation of numerous CPEC projects.

In response, at a rare public address last month in Islamabad, Zheng Xiaosong, the vice minister of the Chinese Communist Party's International Department, called for Pakistan's political parties to "work together to resolve their differences and make CPEC a success." China has also enhanced security. Beijing will soon be deploying navy vessels to help secure Gwadar port, and the China Shipbuilding Trade Co. has turned over two new patrol boats to the Pakistan Maritime Security Agency.
But diplomatic platitudes and enhanced security alone cannot protect every OBOR project and may further embroil China in the domestic politics of its neighbors. Without on-site accountability, environmental degradation and community displacement, which have already become problems with China's projects in Southeast Asia, are likely to fuel local resistance.

OBOR presents significant domestic economic and political risks for China. There is real tension between the Chinese government's drive to invest in riskier developing countries via OBOR and private capital's flight to safety amid a domestic economic slowdown and growing protectionist fears. Just as Beijing is pushing OBOR on its state-owned enterprises, private Chinese investors are finding ever more ingenious ways to offshore their resources in safer assets, particularly U.S. real estate. Beijing has responded with increasingly pervasive capital controls, but technology has made these difficult to enforce.

More than a decade ago, the United States called on China to be a “responsible stakeholder,” both in its neighborhood and beyond. The years since have seen the rise of a new, and increasingly assertive, Chinese foreign policy. OBOR is a big part of Beijing’s new approach and a potential harbinger for a new stage of Sinocentric globalization. It is a grand vision with wide-reaching political consequences both at home and abroad. If it succeeds, China will become the unquestioned Eurasian hegemon. But Beijing’s efforts likewise carry enormous economic and political risks that Chinese policymakers know they must mitigate if President Xi’s initiative is to live up to its billing. The question is whether OBOR can overcome the logistical, political, security, and financial challenges identified above — or be thwarted by them, losing hundreds of billions of dollars and creating a slew of disgruntled debtor neighbors with landscapes scared by white-elephant projects. Only time will tell.
Source: Chicago Tribune
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(4) Hellenic Shipping News, 9 January 2016/ Straits Times

New Silk Road’s impact on shipping will be limited

China’s ambitious plans to create a modern-day Silk Road by way of building roads and railways abroad are unlikely to change the face of global shipping, said industry observers. This means Singapore’s position as a key hub port, in turn, will be little affected as well.
China made further headway in its drive to connect with the rest of the world by high-speed rail when it launched its first rail freight service to Britain on Sunday.
China Railway Corporation announced on Monday that the train, carrying clothes, bags and other items, departed from Yiwu in the eastern Zhejiang province, said a Bloomberg report. It will travel more than 12,000km over 18 days – passing through places such as Kazakhstan, Russia and Germany – before arriving in London.
London is the 15th European city to now have direct trains from China as part of President Xi Jinping’s “One Belt, One Road” initiative, which is aimed at boosting trade ties with markets across Asia, Africa, the Middle East and Europe.
Mr Turloch Mooney, senior editor for Asia at IHS Maritime & Trade, expects rail freight services between China and Europe to grow strongly. But he added that the impact on shipping will be “minimal” because of the limited capacity that block trains offer. The London-bound train, for example, is carrying about 200 TEUs (twenty-foot equivalent units) of goods, while a large container vessel can carry as many as 20,000 TEUs.
“Rail does offer certain advantages over sea freight and air freight,” Mr Mooney told The Straits Times, noting that rail journeys from China to Europe can take about 15 to 19 days – about half the time taken by sea (33 to 38 days), though slower than by air (three to five days).
“However, the capacity limitation means volumes are unlikely to ever amount to more than a few per cent share of total Europe- bound volumes,” he said.
He added that while transporting a container by rail can be 20 times less expensive than by air, it is still three to five times more costly than shipping by sea.
Mr Victor Wai, lead analyst for ports at Drewry Financial Research Services, said that all of this means that shipping is not likely to be replaced by rail freight services.
“The cost advantage of sea freight over rail freight remains significant, especially when container ships come with economies of scale. High-value or time-sensitive goods will benefit from the shorter transit time, but not general merchandise goods,” he said.
Mr Wai added that where Singapore is concerned, the impact, if any, will be negligible. Even the East Coast Rail Line project – a RM55 billion (S$17.6 billion) railway link financed by China that will connect ports on the east and west coasts of Peninsular Malaysia – is unlikely to pose a threat to the Republic as a transshipment hub.
Ocean Shipping Consultants director Jason Chiang said: “The time savings from using the East Coast Rail Line project is likely to be minimal, and it would be difficult to see how it could be commercially viable,

given that a shipper would need to pay for multiple port and rail handling fees instead of shipping directly."
Source: Straits Times
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(5) Lloyd's List, 5 January 2016

'Independent America' is foremost risk for global markets in 2017, says Eurasia Group

- by Eric Yep

In 2017 we enter a period of geopolitical recession, say consultants

THIS year global markets face the most volatile political risk environment since the Second World War, of which the single biggest risk is "Independent America" under Donald Trump, geopolitical risk consultancy Eurasia Group said in its report for 2017.

Trump's independent America is one that proposes to abdicate its role as a global leader, and whose actions are solely driven by US nationalist interest, with no free lunches at the cost of American wellbeing.

As political commentators increasingly view 2017 as a turning point for globalisation under Trump, shipping will be among the sectors most heavily exposed to uncertainties as it is inextricably linked to global trade.

Shipping is both an enabler and beneficiary of globalisation.

The shock election of Donald Trump as US president means that "America first" will be the primary driver of foreign policy in the world's only superpower, marking a break from decades of US leadership and resulting in a world with no true global leader.

"With it ends a 70-year geopolitical era of Pax Americana, one in which globalisation and Americanisation were tightly linked, and American hegemony in security, trade, and promotion of values provided guardrails for the global economy," Eurasia Group said.

It added that the world enters a period of "geopolitical recession" this year, which will be as important to global markets as the economic recession of 2008.

While the world may not devolve into total chaos or major military conflict, such an outcome is now thinkable due to "the weakening of international security and economic architecture and deepening mistrust among the world's most powerful governments", Eurasia Group said.

This means that the shipping industry can expect to face disruptions ranging from the obstruction of trade lanes due to regional power struggles to foreign policy reversals that could trigger trade wars and imbalances.

Already, trade agreements such as the North American Free Trade Agreement and the Trans-Pacific Partnership have been practically scrapped, dashing prospects of countries such as Japan and Singapore that were pegging future economic growth on the back of expanding trade.

Mr Trump has a fundamental mistrust of existing free trade relationships and of globalist multinational corporations that have no regard for the wellbeing of American workers, Eurasia Group noted.

"Independent America speeds the fragmentation of global trade and capital flows, a global internet, and a co-ordinated response on climate change," it said.

The fragmentation of global trade does not just threaten shipping in its current form, but also puts the future of maritime commerce and development at risk.

Maritime economist Martin Stopford has written that globalisation is far from complete, and at its current pace the shipping industry would have to move three times more cargo than it already does within half a century.

This pace may slow to a crawl if the US decides to become the absent superpower in 2017.

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(6) Hellenic Shipping News, 11 January 2017

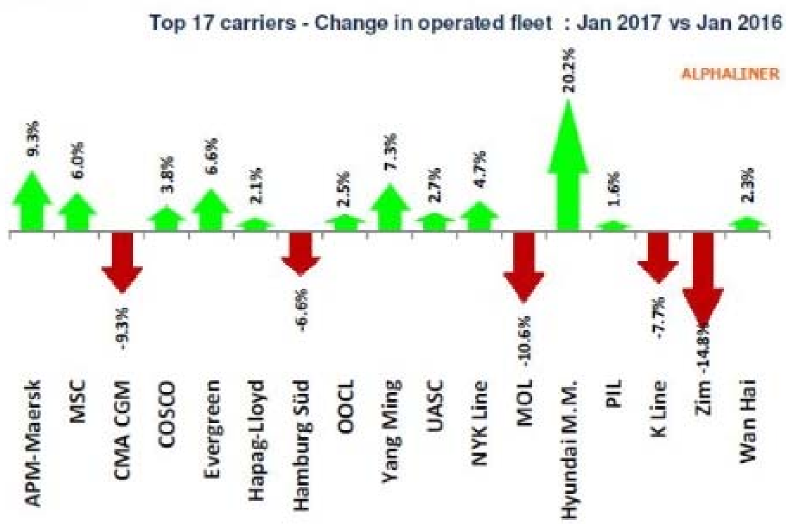
Review of main carriers operated capacity in 2016

Only 17 large scale international carriers remain as at January 2017, down from 20 a year ago. The reduction results from the acquisition of APL by CMA CGM and from the integration of CSCL within COSCO, while Hanjin Shipping made an abrupt exit from the container shipping market in September 2016.

This number will shrink further in 2017 with the pending conclusion of the Hapag-Lloyd and UASC merger, the acquisition of Hamburg Süd by Maersk and the merger of K Line, MOL and NYK's liner shipping businesses. The overall capacity operated by the 17 main carriers shrank by 1.3% over the last 12 months, after taking into account the removal of Hanjin's tonnage. Collectively, these carriers control 81.2% of the global liner capacity as at 1 January 2017, compared to 83.7% controlled by the 20 main carriers a year ago.

Capacity operated in	Jan-16	Jan-17	Gain/ (Loss)
APM-Maersk	2,995,836	3,273,314	277,478
MSC	2,678,779	2,838,719	159,940
CMA CGM	2,355,828	2,136,511	(219,317)
COSCO Shg	1,556,014	1,615,649	59,635
Evergreen	931,849	992,905	61,056
Hapag-Lloyd	930,398	950,212	19,814
Hamburg Süd	645,889	603,508	(42,381)
OOCL	561,522	575,561	14,039
Yang Ming	531,310	570,018	38,708
UASC	512,785	526,858	14,073
NYK	495,723	518,897	23,174
MOL	554,425	495,383	(59,042)
Hyundai M.M.	379,392	455,859	76,467
PIL	360,401	366,330	5,929
K Line	380,273	350,937	(29,336)
Zim	358,264	305,211	(53,053)
Wan Hai	213,394	218,252	4,858

CMA CGM includes APL & COSCO includes CSCL in 2016 as well as 2017



Apart from Hanjin Shipping, five other carriers logged capacity reductions, with Zim recording the largest loss as its operated capacity shrank by 14.8%. MOL and K Line also recorded significant capacity reductions of 10.6% and 7.7% respectively ahead of the planned merger with NYK to form the J-3 partnership. Although CMA CGM Group's operated capacity grew by 17.3% thanks to the APL purchase, the aggregated capacity of both carriers fell by 9.3%, due mainly to the outsourcing of a substantial part of CMA CGM's feedering activities. Hamburg Süd was also forced to rationalise its operated capacity due to the very weak trading conditions on its core South America routes. The carrier's operated fleet shrunk by 6.6% last year.
Source: Alphaliner
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(7) Hellenic Shipping News, 13 January 2016/ Reuters

China pledges support for shipbuilding industry, targets high-end market

China aims to capture up to 40 percent of the global high-end marine equipment market over the years through 2020 while reforming and supporting its money-losing shipbuilding industry, the government said on Thursday.

The pledges were laid out in a statement published by six ministries on the website of the Ministry of Industry and Information Technology. The statement broadly outlined their plans for Chinese shipbuilding over 2016-2020.

The global shipping industry is suffering from a severe downturn that has sapped demand for new vessels. Many shipyards in China, which build mainly mid-to-low-end vessels such as dry bulk carriers, have shut down as a result.

In December, the China Association of the National Shipbuilding Industry said new orders for ships at Chinese yards fell 14 percent in January-November from the same period a year earlier.

“Our shipbuilding industry is facing its most difficult challenge since financial crisis, making the task to restructure and upgrade the industry urgent and arduous,” the government said in the statement.

The government said it would encourage the industry to increase spending on research and focus on building more high-end products such as offshore equipment with the aim of cornering 35-40 percent of that market by 2020. It did not disclose its current market share.

It also said it would improve the branding of its shipbuilding companies, encourage financial institutions to support the sector with loans and financing, and attract more private capital into the industry.

Source: Reuters (Reporting by Brenda Goh; Editing by Christopher Cushing)

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