Southampton SOLENT University

Global Maritime Weekly Digest

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30 January 2018 **issue 106**

*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.

Contents

Editorial comments

- The global ***shipbuilding industry*** remained subdued last year but a pickup was seen based on some metrics (item 1). Measured by the number of incoming orders for new ships, their carrying capacity and the work content for shipbuilders, there was positive progress, but output measured in these ways declined.
- During the past twelve months ***oil spills from tankers*** around the world remained low (item 3). But two sizeable incidents occurred in 2017, and early this year a serious accident causing leakage was a reminder that it is difficult to entirely eliminate pollution.
- China's plans to boost development of a ***polar maritime silk road*** across the Arctic have been revealed. These include encouraging infrastructure building and commercial trial voyages, as well as other activities including oil, gas and mineral resources, fishing and tourism (item 5).
- Insights into ***shipping finance*** arrangements are provided by statistics showing annual global values of transactions and how deals were funded (item 2). There was a further sharp downturn in the recorded value of shipping deals last year based on these figures, and the proportion funded by traditional bank debt fell steeply again, while leasing gained market share.
- In the past few years ***Greek shipowners*** have reinforced their number one position among the world's leading owner nationalities. What is the recipe for this success? Observations, coupled with academic research, reveals and confirms various features and traits which have ensured that the remarkable prominence of the Greek-owned merchant ship fleet prevails (item 7).

Richard Scott MA MCIT FICS
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(1) Clarksons Research, 19 January 2018

Shipbuilding In 2017: Any Signs Of Improvement?

Despite an uptick in ordering, 2017 was another difficult year for the shipbuilding industry, with contracting remaining well below trend and most shipyards continuing to feel the pressure. Some sectors saw improved contracting activity, while deliveries remained relatively firm, but shipbuilders will be looking to see more positive changes before predicting a return to better times.

Feeling The Heat

Although contracting began to pick up last year from record lows in 2016, when only 604 vessels were ordered, shipbuilders continued to face difficult conditions in 2017. Just 902 orders of 72.8m dwt were reported globally, only the third year in the past twenty in which less than 1,000 new orders were reported. Of the major sectors, bulkcarrier orders saw the biggest uptick, with 286 vessels contracted last year, although this remained subdued compared to historical levels. Driven by large crude units, tanker contracting increased to 271 vessels, but fell well below the level of ordering in 2015. Meanwhile, the boxship newbuilding market showed fewer signs of improvement and just 108 units were ordered. Gas carrier and ‘ship-shaped’ offshore ordering was also limited, with just 39 and 37 contracts reported respectively in 2017.

Fighting For The Spoils

Chinese builders won the largest share of orders last year, picking up the majority of bulker orders and taking 9.2m CGT in total. Ordering at Korean yards improved on record low 2016 levels, but remained limited at 6.4m CGT, while reported contracting reached 2.0m CGT at Japanese yards. The strength of cruise newbuilding continued to benefit European shipbuilders, which accounted for 38% of global estimated contract investment in 2017 in value terms, though many yards operating outside of the cruise sector struggled.

Orderbook On The Slide

While it began to stabilise towards the end of 2017, the size of the orderbook declined 13% in dwt terms in the full year, to reach 3,158 units of 196.9m dwt. This is the first time the orderbook has fallen below 200m dwt since 2004, accompanied by a decline in the number of ‘active’ yards (those with at least one vessel of 1,000+ GT on order) from 440 at the start of 2017 to 360 as of start 2018.

World Fleet Still On The Up

Although contracting remained limited in 2017, shipbuilders continued to deliver a steady volume of tonnage. Total shipyard output reached 97.0m dwt, although ‘non-delivery’ of the scheduled start year orderbook was still significant at 30% in dwt terms. However, given the smaller orderbook, deliveries are currently projected to decline by around 20% in tonnage terms in 2018. After a strong start to the year, total demolition activity in 2017 declined by 21% in tonnage terms to total 35.2m dwt. This left overall fleet growth relatively steady at 3.3%, slightly faster than the previous year but well below pre-2015 levels. The total world fleet stood at 1,924.0m dwt at the end of the year, with fleet growth remaining firm in the gas carrier and tanker sectors.

Hope On The Horizon?

With output set to decline following multiple years of weak contracting, shipbuilders will be hoping that the moderate upward trend in orders last year accelerates in 2018. Capacity reductions remain ongoing, but many shipyards are still hungry for new orders. Although contracting activity has picked up slightly, conditions remain difficult, and shipbuilders will be hoping for further signs of market improvement in the coming year.

Source: Clarkson

(detailed table on next page)

2017 At A Glance

	2016	2017	+/- %
1. Contracting, No.			
Tankers	188	271	44.1%
Bulkers	54	286	429.6%
Containerships	98	108	10.2%
Gas Carriers	26	39	50.0%
Offshore	58	37	-36.2%
Other	180	161	-10.6%
Total (No.)	604	902	49.3%
Total ($bn, estimated)	37.2	58.7	57.8%
2. Contracting by Builder Country, m CGT			
China	4.9	9.2	85.9%
South Korea	2.2	6.4	199.2%
Japan	1.7	2.0	14.1%
Europe	3.5	3.8	8.6%
*Global Total**	13.0	23.3	78.6%
3. Deliveries, m dwt			
Tankers	33.3	38.3	15.2%
Bulkers	47.2	38.2	-19.2%
Containerships	10.1	12.4	22.7%
Gas Carriers	6.0	4.7	-20.8%
Other	3.9	3.4	-14.2%
Total	100.5	97.0	-3.5%
4. Orderbook, m dwt, end year			
Tankers	78.1	68.9	-11.8%
Bulkers	85.9	76.0	-11.5%
Containerships	36.7	30.6	-16.6%
Gas Carriers	14.9	12.1	-18.3%
Other	11.7	9.2	-21.1%
Total	227.3	196.9	-13.4%
5. Demolition, m dwt			
Tankers	2.5	11.2	340.9%
Bulkers	29.2	14.5	-50.3%
Containerships	8.7	5.3	-39.0%
Gas Carriers	0.4	0.4	-2.2%
Other	3.6	3.7	3.6%
Total	44.5	35.2	-21.0%
6. Fleet, m dwt, end year			
Tankers	578.8	605.7	4.7%
Bulkers	793.9	817.2	2.9%
Containerships	245.8	252.8	2.9%
Gas Carriers	60.1	64.3	7.1%
Total Cargo Fleet	1,781.6	1,842.7	3.4%
Total World Fleet	1,862.3	1,924.0	3.3%
7. Fleet by Owner Country/Region, m dwt, end year			
Greece	345.4	367.4	6.4%
Germany	111.2	107.3	-3.6%
*Total Europe**	815.0	850.5	4.4%
China	224.3	243.6	8.6%
Japan	247.3	247.5	0.1%
*Total Asia**	772.4	798.1	3.3%
8. Price Trends (end year), Sale & Purchase Market			
Newbuilding Price Index	123	125	1.6%
Secondhand Price Index	75	94	25.7%
No. of Sales	1,276	1,688	32.3%
Reported Sales Value ($bn)	12.3	19.5	58.5%
India Scrap Price, Bulker ($/ldt)	290	430	48.3%

Vessel size limits as per World Shipyard Monitor.
Figures subject to revision including late reporting of contracts.
**Includes other countries.*

(2) Hellenic Shipping News, 25 January 2018/ McQuilling Partners

Shipping Finance Deals at 11-year low

The fall in shipping deals witnessed since 2014 continued into 2017 as reported deals were valued at an 11-year low of US $28.9 billion. Investor sentiment remains weak as the total value of shipping deals in 2016 fell 40% year-on-year. Institutions continue to exit the shipping space as market fundamentals pressure the earnings environment, reducing investor returns. However, we do note that the emergence of leasing companies has increased the allocation of capital by “other debt” participants to 36%.

Table – Allocation of Capital to Shipping Market
2007-2017 YTD

Year	Value of Shipping Deals (US $ mil)	Public Equity	Private Equity	Bank Debt	Other Debt
2007	179,895	18%	0%	68%	14%
2008	113,910	6%	1%	84%	9%
2009	48,421	12%	1%	70%	17%
2010	83,042	12%	1%	70%	17%
2011	94,071	17%	5%	57%	21%
2012	74,116	6%	4%	57%	33%
2013	94,826	12%	8%	63%	17%
2014	87,528	7%	4%	71%	18%
2015	87,109	4%	1%	83%	12%
2016	47,895	11%	8%	68%	13%
2017	28,929	25%	6%	33%	36%

Source: Marine Money, McQuilling Services
**2017 includes data up to December 1st*

The year 2017 represented the lowest value of Initial Public Offerings (IPO) in the last 11 years with just one reported at a value of US $91 million (Figure). Perhaps, more surprising, was the dramatic decline of traditional bank debt captured in recorded shipping deals last year. According to data compiled by Marine Money Deal Database, bank loans totaled US $7.9 billion in 2017, with leasing companies, primarily from the Asian markets adding US $1.8 billion in financing to the marketplace. We expect leasing companies to continue remaining active and taking market share from other lending sources

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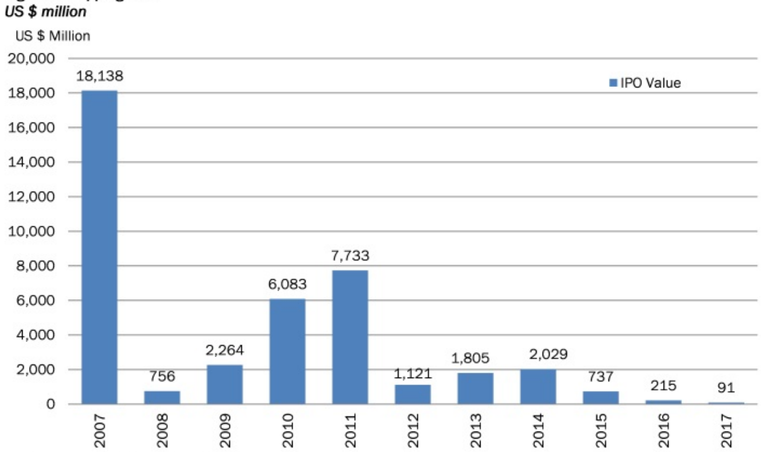
Figure – Shipping IPOs
US $ million



Source: Marine Money, McQuilling Services

In 2017, the tanker markets saw consolidation, in a pre-cursor or what is to come this year. Euronav merged, but really acquired Gener8 in a US $493 million all-stock deal, a premium of 35% over Gener8’s previous closing price. Euronav shareholders would retain 72% of the combined entity. A secondary portion to the deal was the immediate acquisition of 5x 2016-built and 1x 2015-built VLCCs from Euronav

by International Seaways, including the assumption of a US $311 million credit facility. Two additional deals this past year were the acquisition of Navig8 Product Tankers by Scorpio Tankers, whereby a total of 27 Long-Range vessels were added to Scorpio's fleet in a deal totaling US $273.2 million and the re-merging of TIL with Teekay.
Source: McQuilling Partners, Inc.
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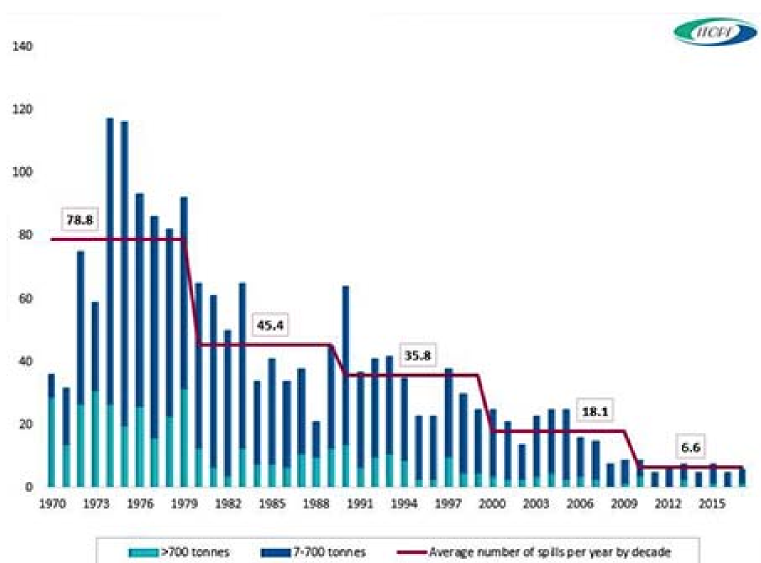
(3) ITOPF, 24 January 2018

2017 Tanker Oil Spill Statistics: Positive downward trend continues

Statistics for oil spills from tankers for close to five decades show a progressive downward trend. The average number of spills greater than, or equal to, 7 tonnes in size has continuously reduced and, since 2010, averages around 7 per year. When we look at large spills, i.e. greater than 700 tonnes, the yearly average, which was around 25 in the 1970s has reduced dramatically to less than 2 since 2010.
In 2017, two tanker incidents resulting in spills of over 700 tonnes were reported. The first occurred in the Indian Ocean and the second, which ITOPF attended on site, occurred in the Aegean Sea. Four medium sized spills (7-700 tonnes) were also recorded in 2017.
The estimated total amount of oil lost to the environment through tanker incidents in 2017 was approximately 7,000 tonnes, the majority of which can be attributed to the two large incidents mentioned above.
Despite an overall increase in oil trading over the past few decades, it is reassuring to note that oil spills involving tankers have decreased significantly meaning that some 99.99% of oil transported by sea arrives safely at its destination. However, accidents still happen, as demonstrated on 6th January by the tragic incident that occurred off the coast of China involving the oil tanker SANCHI. Learning lessons from incidents such as these will assist tanker owners and governments to continue to work together to reach the highest level of safety and environmental stewardship.



Background
ITOPF maintains a database of oil spills from tank vessels, including combined carriers, FPSOs and barges. This contains information on accidental spillages of persistent and non-persistent oil since 1970, except those resulting from acts of war. The data held includes the location and cause of the incident, the vessel involved, the type of oil spilt and the spill amount. For historical reasons, spills are generally categorised by size, <7 tonnes, 7-700 tonnes and >700 tonnes (<50 bbls, 50-5,000 bbls, >5,000 bbls), although the actual amount spilt is also recorded. Information is now held on over 10,000 incidents, the

vast majority of which fall into the smallest category i.e. <7 tonnes. Information is gathered from published sources, such as the shipping press and other specialist publications, as well as from vessel owners, their insurers and from ITOPF's own experience at incidents. Unsurprisingly, information from published sources generally relates to large spills, often resulting from collisions, groundings, structural damage, fires or explosions. Number of oil spills in 2017 For 2017, we recorded two large spills (>700 tonnes) and four medium spills (7-700 tonnes).

The first large spill occurred in June when a tanker sank in the Indian Ocean with over 5000 tonnes of oil on board. The second incident involved a tanker which sank off the coast of Greece in September spilling about 700 tonnes of oil.

Of the four medium sized spills two were recorded in January 2017 in South Asia and Southeast Asia; both resulted from collisions and involved the release of bunker fuel. A third spill was reported in East Asia in August. This also involved bunker fuel and resulted from a vessel grounding in bad weather. The fourth medium-sized spill occurred in October in the USA.

Quantity of oil spilt in 2017

The total volume of oil lost to the environment recorded in 2017 was approximately 7,000 tonnes, the majority of which can be attributed to the large spill (>700 tonnes) that occurred in the Indian Ocean in June.

Global oil spill trend

Over the last 48 years, statistics for spills greater than 7 tonnes from tankers show a marked downward trend as illustrated below.

Tanker spills from 1970 to 2017

The number of large spills (>700 tonnes) has decreased significantly over the last few decades and since 2010 averages 1.8 per year.

It is interesting to note that the progressive reduction in the number of large spills is significant when data is analysed per decade rather than annually. Data recorded from 1970 to 2017 illustrate fluctuations in the yearly values within a decade.

A decline can also be observed with medium sized spills (7-700 tonnes). Here, the average number of spills per year in the 1990s was 28.1, reducing to 14.9 in the 2000s and is currently 4.9 for the 2010s (not a complete decade).

While increased tanker movements might imply increased risk, it is encouraging to observe that the downward trend in oil spills continues despite an overall increase in oil trading over the period (figure below right).

Large oil spills

When looking at the frequency and quantities of oil spilt, it should be noted that a few very large spills are responsible for a high percentage of the oil spilt. For example, in more recent decades the following can be seen:

• In the 1990s there were 358 spills of 7 tonnes and over, resulting in 1,134,000 tonnes of oil lost; 73% of this amount was spilt in just 10 incidents.

• In the 2000s there were 181 spills of 7 tonnes and over, resulting in 196,000 tonnes of oil lost; 75% of this amount was spilt in just 10 incidents.

• In the eight year period 2010-2017 there have been 53 spills of 7 tonnes and over, resulting in 47,000 tonnes of oil lost; 80% of this amount was spilt in just 10 incidents.

In terms of the volume of oil spilt the figures for a particular year may be severely distorted by a single large incident. This is clearly illustrated by incidents such as ATLANTIC EMPRESS (1979), 287,000 tonnes spilt; CASTILLO DE BELLVER (1983), 252,000 tonnes spilt and ABT SUMMER (1991), 260,000 tonnes spilt (Figure 7).

Causes of large oil spills

In the period 1970 to 2017, 50% of large spills occurred while the vessels were underway in open water; allisions, collisions and groundings accounted for 59% of the causes of these spills. Perhaps unsurprisingly, these same causes account for an even higher percentage of incidents when the vessel was underway in inland or restricted waters, being linked to some 99% of spills.

Major Oil Spills

A summary of the top 20 major spills that have occurred since the TORREY CANYON in 1967 is given below. It is of note that 19 of the 20 largest spills recorded occurred before the year 2000. A number of these incidents, despite their large size, necessitated little or no response as the oil was spilt some distance offshore and did not impact coastlines. For this reason some of the names listed may be

unfamiliar. EXXON VALDEZ and HEBEI SPIRIT are included for comparison although these incidents are further down the list.
Source: ITOPF
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(4) IMF, 22 January 2018

The Current Economic Sweet Spot Is Not the "New Normal"

As the year 2018 begins, the world economy is gathering speed. The new World Economic Outlook Update revises our forecast for the world economy's growth in both 2018 and 2019 to 3.9 percent. For both years, that is 0.2 percentage points higher than last October's forecast, and 0.2 percentage points higher than our current estimate of last year's global growth.

This is good news. But political leaders and policymakers must stay mindful that the present economic momentum reflects a confluence of factors that is unlikely to last for long. The global financial crisis may seem firmly behind us, but without prompt action to address structural growth impediments, enhance the inclusiveness of growth, and build policy buffers and resilience, the next downturn will come sooner and be harder to fight.

Every government should be asking itself three questions today. First, how can we raise economic efficiency and output levels over the longer term? Second, how can we support resilience and inclusiveness while reducing the likelihood that the current upswing ends in an abrupt slowdown or even a new crisis? Third, how can we be sure to have the policy tools we will need to counter the next downturn?

Near-term prospects

Looking first at where we are now, how do we see the world economy in the near term?

The primary sources of GDP acceleration so far have been in Europe and Asia, with improved performance also in the United States, Canada, and some large emerging markets, notably Brazil and Russia, both of which shrank in 2016, and Turkey. Much of this momentum will carry through into the near term. The recent U.S. tax legislation will contribute noticeably to U.S. growth over the next few years, largely because of the temporary exceptional investment incentives that it offers. This short-term growth boost will have positive, albeit short-lived, output spillovers for U.S. trade partners, but will also likely widen the U.S. current account deficit, strengthen the dollar, and affect international investment flows.

Trade is again growing faster than global income, driven in part by higher global investment, and commodity prices have moved up, benefiting those countries that depend on commodity exports.

Even as economies return to full employment, inflation pressures remain contained and nominal wage growth is subdued. Financial conditions are quite easy, with booming equity markets, low long-term government borrowing costs, compressed corporate spreads, and attractive borrowing terms for emerging market and developing economies.

Explaining the upturn

The current upturn did not arise by chance. It began to take hold in mid-2016 and owes much to accommodative macroeconomic policies, which supported market sentiment and hastened natural healing processes.

Monetary policy has long been and remains accommodative in the largest countries, underpinning the current easy global financial conditions. Even though the United States Federal Reserve continues to raise interest rates gradually, it has been cautious, having wisely responded to the turbulence of early 2016 by postponing previously expected rate increases. The European Central Bank has started to taper its large-scale asset purchases, which have played a critical role in reviving euro area growth, but has also signaled that interest-rate increases are a more distant prospect.

Moreover, fiscal policy in advanced economies has, on balance, shifted from contractionary to roughly neutral over the past few years, while China has provided considerable fiscal support since its growth slowed at mid-decade, with important positive spillovers to its trade partners. In the U.S., of course, fiscal policy is about to take a markedly expansionary turn, with complex effects on the world economy.

Not the "new normal"

Our view is that the current upturn, however welcome, is unlikely to become a "new normal" and faces medium-term downside hazards that likely will grow over time. We see several reasons—to some extent reflected in our medium-term growth projections—to doubt the durability of the current momentum:

- Advanced economies are leading the upswing, but once their output gaps close, they will return to longer-term growth rates that we still expect to be well below pre-crisis rates. While we project advanced-economy growth of 2.3 percent in 2018, our assessment of the group's longer-term potential growth is only about two-thirds as high. Demographic change and lower productivity growth pose obvious challenges that call for major investments in people and research. Fuel exporters face especially bleak prospects and must find ways to diversify their economies.
- The two biggest national economies driving current and near-term future growth are predictably headed for slower growth. China will both cut back the fiscal stimulus of the last couple of years and, in line with the stated intentions of its authorities, rein in credit growth to strengthen its overextended financial system. Consistent with these plans, the country's ongoing and necessary rebalancing process implies lower future growth. As for the United States, whatever output impact its tax cut will have on an economy so close to full employment will be paid back partially later in the form of lower growth, as temporary spending incentives (notably for investment) expire, and as increasing federal debt takes a toll over time.
- As important as they have been to the recovery, easy financial conditions and fiscal support have also left a legacy of debt – government, and in some cases, corporate and household – in advanced and emerging economies alike. Inflation and interest rates remain low for now, but a sudden rise from current levels, perhaps due to procyclical policy developments, would tighten financial conditions globally and prompt markets to re-evaluate debt sustainability in some cases. Elevated equity prices would also be vulnerable, raising the risk of disruptive price adjustments.
- Despite rising growth in Europe, Asia, and North America, there is less good news in the Middle East and Sub-Saharan Africa; the latter area weighed down by the weakness of its larger economies. Low growth, driven in part by adverse weather events and sometimes combined with civil strife, has sparked significant outward migrations. Improvements in some large Latin American economies are notable but aggregate growth in the region will be weighed down this year by continuing economic collapse in Venezuela.
- Even though the recovery has lifted employment and aggregate income from crisis lows, voters in many advanced economies have soured on political establishments, doubting their ability to deliver broadly shared growth in the face of tepid real wage gains, reduced labor shares in national income, and rising job polarization. A turn to more nationalistic or authoritarian governance models, however, could result in stalled economic reforms at home and a withdrawal from cross-border economic integration. Both developments would harm longer-term growth prospects, to the detriment of those who have already fallen behind over the past few decades. Levels of inequality are high in emerging market and low-income economies, and carry the seeds of eventual future disruptions unless growth can be made more inclusive.

Policymakers must face the challenges

Perhaps the over-arching risk is complacency. While the current conjuncture might appear to be a sweet spot for the global economy, prudent policymakers must look beyond the near term.

No matter how tempting it is to sit back and enjoy the sunshine, policy can and should move to strengthen the recovery. Now is the time to build policy buffers, reinforce defenses against financial instability, and invest in structural reforms, productive infrastructure, and people. The next recession may be closer than we think, and the ammunition with which to combat it is much more limited than a decade ago, notably because public debts are so much higher.

An upswing so broad also furnishes an ideal moment to act on a range of multilateral challenges. These include countering global financial stability threats, including cyber-threats; strengthening the multilateral trading system; cooperation on international tax policy, including the fight against money laundering; and promoting sustainable development in low-income countries. Of especially urgent importance is to fight irreversible environmental damage, notably from climate change.

Latest projections
Brighter economic prospects
(percent change)

	Estimate	Projections	
	2017	2018	2019
World Output	**3.7**	**3.9**	**3.9**
Advanced Economies	**2.3**	**2.3**	**2.2**
United States	2.3	2.7	2.5
Euro Area	2.4	2.2	2.0
Germany	2.5	2.3	2.0
France	1.8	1.9	1.9
Italy	1.6	1.4	1.1
Spain	3.1	2.4	2.1
Japan	1.8	1.2	0.9
United Kingdom	1.7	1.5	1.5
Canada	3.0	2.3	2.0
Other Advanced Economies	2.7	2.6	2.6
Emerging Market and Developing Economies	**4.7**	**4.9**	**5.0**
Commonwealth of Independent States	2.2	2.2	2.1
Russia	1.8	1.7	1.5
Excluding Russia	3.1	3.4	3.5
Emerging and Developing Asia	6.5	6.5	6.6
China	6.8	6.6	6.4
India	6.7	7.4	7.8
ASEAN-5	5.3	5.3	5.3
Emerging and Developing Europe	5.2	4.0	3.8
Latin America and the Caribbean	1.3	1.9	2.6
Brazil	1.1	1.9	2.1
Mexico	2.0	2.3	3.0
Middle East, North Africa, Afghanistan, and Pakistan	2.5	3.6	3.5
Saudi Arabia	–0.7	1.6	2.2
Sub-Saharan Africa	2.7	3.3	3.5
Nigeria	0.8	2.1	1.9
South Africa	0.9	0.9	0.9
Low-Income Developing Countries	4.7	5.2	5.3

Source: IMF, *World Economic Outlook Update*, January 2018.

INTERNATIONAL MONETARY FUND

Source: IMF
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(5) Hellenic Shipping News, 26 January 2018/ Reuters

China unveils vision for 'Polar Silk Road' across Arctic

China on Friday outlined its ambitions to extend President Xi Jinping's signature Belt and Road Initiative to the Arctic by developing shipping lanes opened up by global warming.
Releasing its first official Arctic policy white paper, China said it would encourage enterprises to build infrastructure and conduct commercial trial voyages, paving the way for Arctic shipping routes that would form a "Polar Silk Road".
"China hopes to work with all parties to build a 'Polar Silk Road' through developing the Arctic shipping routes," the paper, issued by the State Council Information Office, said.
China, despite being a non-Arctic state, is increasingly active in the polar region and became an observer member of the Arctic Council in 2013.

Among its increasing interests in the region is its major stake in Russia's Yamal liquefied natural gas project which is expected to supply China with four million tonnes of LNG a year, according to the state-run China Daily.
Shipping through the Northern Sea Route would shave almost 20 days off the regular time using the traditional route through the Suez Canal, the newspaper reported last month. COSCO Shipping has also previously sailed vessels through the Arctic's northeast passage.
China's increasing prominence in the region has prompted concerns from Arctic states over its long-term strategic objectives, including possible military deployment.
"Some people may have misgivings over our participation in the development of the Arctic, worried we may have other intentions, or that we may plunder resources or damage the environment," Vice-Foreign Minister Kong Xuanyou said at a briefing.
"I believe these kinds of concerns are absolutely unnecessary."
The white paper said China also eyes development of oil, gas, mineral resources and other non-fossil energies, fishing and tourism in the region. It said it would do so "jointly with Arctic States, while respecting traditions and cultures of the Arctic residents including the indigenous peoples and conserving natural environment".
China's Belt and Road initiative aims to connect China to Europe, the Middle East and beyond via massive infrastructure projects across dozens of countries, reflecting Xi's desire for China to take on a more prominent global leadership role.
Source: Reuters (Reporting by Philip Wen; Editing by Nick Macfie)
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(6) Clarksons Research, 26 January 2018

Shake-Up On The Supply Side? The Crude Exports Outlook

In 2017, global crude trade is estimated to have grown by 2.6%, reaching 40.1m bpd. Looking to 2018, as always there are a wide range of factors shaping the outlook. Whilst there do exist some risks on the demand side, this year there appear to be particularly prominent and numerous supply-side factors that have the potential to notably alter crude trade patterns. So, what are the factors to look out for?

How Low Will They Go?

Firstly, there are risks to the outlook for Venezuelan exports. Venezuela's crude exports are estimated to have fallen almost 10% to 1.4m bpd in 2017 as their worsening financial situation led to state-owned PDVSA unable to pay debts and fund operations. The ongoing difficulties the country faces fuel the current expectation that Venezuelan crude exports will again fall notably, by over 20%, in 2018. However, the possibility remains of the country entering into full default, and exports dropping even more significantly.

Unrest In Africa?

There is also uncertainty in the outlook for exports from Nigeria and Libya. In 2017, these countries helped to boost global crude trade growth, with their combined exports rising by 26% to 2.4m bpd as Nigeria recovered from attacks in late 2016 and Libya bounced back from disruption following the outbreak of civil war. Current expectations are for another year of growth, with the two countries' combined crude exports expected to expand by 6% in 2018. In Libya, if there is less disruption than currently anticipated, exports could grow by more than predicted. However, with militant groups historically targeting oil infrastructure in both Libya and Nigeria, a return to more significant violence in either country could result in a more negative outlook.

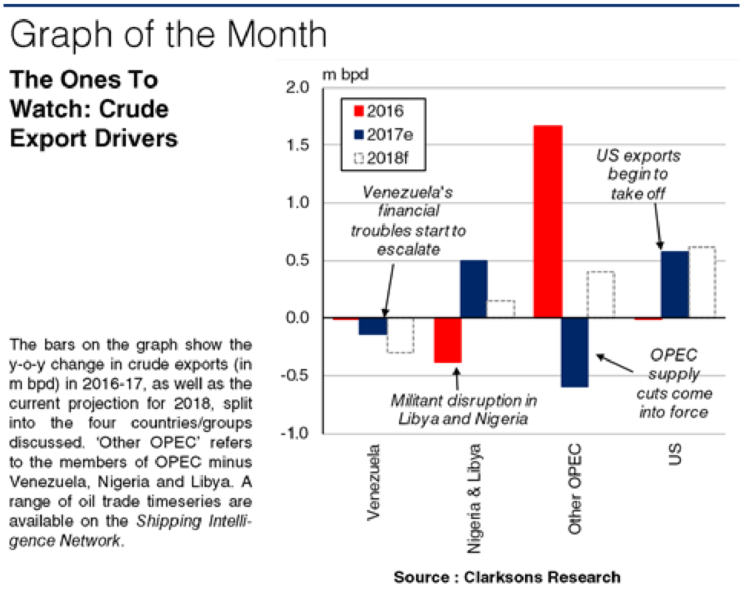
Cuts And Compliance

Thirdly, there is uncertainty over the timing and execution of the exit strategy from OPEC's deal to cut production. OPEC crude exports (excluding Venezuela, Nigeria and Libya) are currently projected to rise by 2% y#o#y in 2018 to reach 20.3m bpd, on the back of rising Iraqi and Iranian exports, after falling 3% in 2017. However, there is upside risk if compliance wanes or the pact ends early.

Sensitive Shale

Meanwhile, the extent of potential growth in US exports is also subject to debate. Rising shale production

is expected to support another year of firm growth in US crude exports, currently expected to expand by 70% to 1.5m bpd in 2018 after more than doubling last year. However, the sensitivity of US shale output to the oil price, which is dependent on supply factors elsewhere, introduces uncertainty. Even with notable declines in crude exports from other suppliers, the US could help to fill the gap (especially with a sustained higher oil price) and buffer the downside risk to the global outlook.
So, whilst 2018 is currently anticipated to be another year of fairly healthy crude trade growth of c.3%, several prominent supply-side risks could affect crude trade patterns, and as ever, a myriad of currently unknown risks could also present themselves during the year. It certainly looks like all of these trends will require close monitoring in the year ahead.



Source: Clarkson
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(7) Article for Solent GMWD by Richard Scott, GMWD editor, 26 January 2018

Notable recent achievements of Greek shipowners

Among remarkable maritime trends, one of the most remarkable is the continued success of Greek shipping. Today, the Greek-owned merchant ship fleet is still in top position, remaining by far the world's largest capacity fleet by owner nationality, with one-sixth of the global total.

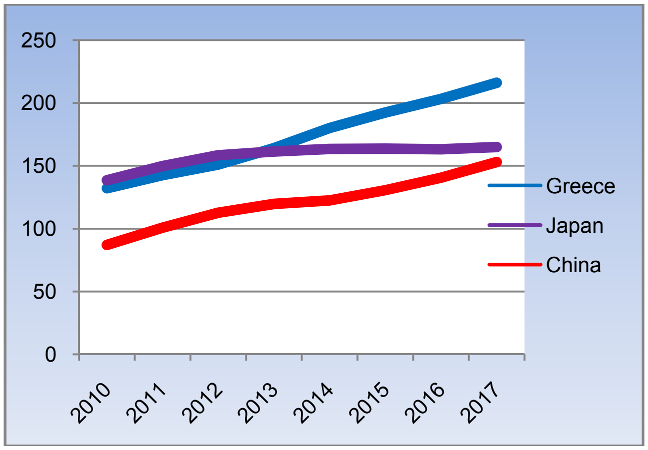
Greece stands out as a small economy with an exceptionally large maritime involvement. The other two largest shipowning countries - Japan and China - are much bigger economies. At the beginning of 2017 the Greek-owned fleet comprised 16.7 percent of the world fleet's deadweight capacity, according to *UNCTAD* data.[1] This proportion was over four percentage points higher than number two Japan, with 12.1 percent of the total, followed by China with 9.0 percent. The next two largest, Germany and Singapore had 6.1 percent and 5.7 percent shares respectively.

Amid the struggle for economic stability in Greece in recent years, the Greek-owned fleet's upwards trend has continued unabated. The chart emphasises growth measured in gross tonnes. Using deadweight capacity, all seagoing vessels[2] reached 309 million deadweight tonnes on 1st January 2017, 85m dwt

[1] UNCTAD (2017), *Review of Maritime Transport, 2017* (Geneva: UNCTAD), 28
[2] statistics include seagoing vessels of 1000 gross tonnes and above, as compiled for UNCTAD by Clarksons Research

higher than Japan's 224m dwt and 143m dwt above China's 165m dwt. These comparisons emphasise the powerful position of Greek merchant shipping.

World's 3 largest merchant ship fleets, by owner nationality
million gross tonnes, at year end, Clarksons Research figures



Valuable detail has been added to this outline by statistical research, published in mid-January this year, prepared by consultants *Petrofin Research*.[3] These statistics reveal the composition of the Greek-owned fleet, together with a close analysis of companies involved. Accompanying comments emphasise the changes taking place and what has influenced shipowning decisions. The latest 2017 figures are based on the position at year-end.

An expanding fleet, getting younger

Based on Petrofin's calculations, at the end of 2017 the Greek-owned fleet totalled 387m dwt, representing growth of 7 percent compared with twelve months earlier. In the preceding year, 2016, growth of 10.3 percent was recorded, following a 7.5 percent increase in 2015. The calculated capacity figures differ from those of other sources, probably due to the method of identifying Greek tonnage.[4] Fleet expansion therefore totalled 28 percent over three years.

The average age of vessels in the entire fleet decreased to 11.8 years in 2017, down slightly from 12.2 years twelve months earlier. Over five years the fall was much larger, from a 14.7 years average in 2012, an age reduction of thirty five months. This movement towards younger vessels has been seen in all the main sectors – bulk carriers, tankers, container ships and gas carriers. Moreover, the so-called 'overage' fleet element, elderly vessels of 30 years age and older, continued declining last year to about a minimal one quarter of one percentage point.

How were these results (expanding fleet, reducing average age) achieved? In 2017 there was what Petrofin describes as "a concerted effort, on a wide scale, to renew the fleet".[5] Purchasing secondhand vessels from foreign owners was the preferred option. The economics of replacing older tonnage with younger good-quality secondhand ships at attractive market prices proved persuasive. Ordering new vessels from shipbuilding yards was not seen as so beneficial.

Acquisition of second-hand vessels increased greatly last year, by almost one-third, raising the number bought by Greek owners to 260, from 200 in the preceding twelve months. Among other opportunities,

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[3] Petropoulos, T (2017), *Research and Analysis: Greek Shipping Companies* (1st part) and *Greek Fleet Statistics* (2nd part), Petrofin Research

[4] Statistics compiled by Petrofin include "groups that operate abroad, provided they have an office in Greece" and also include "US and UK listed companies initiated/promoted/managed by Greek interests, which also hold a Greek presence". These inclusions appear to result in larger totals for Greek ownership than identified by other statistics providers.

[5] Petropoulos, T (2017), *Research and Analysis: Greek Shipping Companies,* Petrofin Research, 12

buying modern ships in bank-promoted deals was exploited, partly reflecting financial pressures being experienced by German owners and banks.

Consolidation: declining number of companies
Another aspect highlighted by the Petrofin statistical analysis is the continued downwards trend in the number of Greek shipowning companies. By the end of last year there was a net loss of 41 companies over the twelve months period, reducing the number to 597. Eight years earlier, at end-2009, there were 773.

Since the overall fleet was growing strongly over that period, individual company size became larger, further emphasising the consolidation process. The proportion of the entire Greek-owned fleet's deadweight capacity represented by companies owning large individual company fleets, comprising twenty five or more ships, rose to 67 percent at the end of 2017. This proportion compares with a 42 percent fleet share at end-2010.

Small companies (those defined as owning just one or two ships) saw an especially rapid attrition during the past twelve months, declining to 233 at end-2017, from 265. That reduction comprised most of the entire fleet's fall in company numbers last year.

Whether this trend will persist, and for how long, is not entirely clear. The Petrofin report expresses expectations of future growth in the Greek-owned fleet. It suggests that a market improvement in most sectors would be expected to slow the decline in the number of owning companies, and the decline might be at least partly reversed with a modest market recovery unfolding. Even small owners, it is contended, could benefit from better returns and remain operating in the market.

Box 1 **Greek shipowners' superior performance: how do they do it?**

The foregoing, largely statistical, outline of the Greek-owned fleet's recent evolution does not reveal the reasons for its impressive performance. For an explanation of the ongoing success of Greek shipowners, two sources provide valuable insights. [6] First, what can be deduced from extended observation of Greek shipowners' activities and operational mode in the marketplace. Second, a range of academic studies which confirms and elaborates upon traits and trends.

Greek owners function within a paradigm which in principle is replicable elsewhere but, in practice, is hard to replicate. It is a paradigm reflecting a unique combination of circumstances and characteristics, a particular mindset and attitude to organising and financing shipping business activities and assessing risk taking.

What are the explanations for success as the leading player in global shipping? A stylised list includes several ingredients, in varying combinations.[7] Private capital is a major contributor to finances. Greek owners are entrepreneurs and professionals, maintaining absolute control of strategy and operations. A typical family structure facilitates entrepreneurial flexibility and quick responses. Island and kinship ties are features.

Fragmentation of business units is a phenomenon. Family members form new companies separate from the existing arrangements. A low-cost objective accompanies innovation and distinctive investment schemes often include counter-cyclical strategies.[8]

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[6] Scott, Richard (2012), *Greek Shipping's Success: Fame and Fortune for Shipowners, Second Half 20th and Early 21st Centuries*, unpublished slides and notes for Greenwich Maritime Institute postgraduate students' seminar
[7] Theotokas, Ioannis & Harlaftis, Gelina (2009), *Leadership in World Shipping – Greek Family Firms in International Business* (Basingstoke: Palgrave Macmillan), 11, 38, 44, 46, 53, 64
[8] Kapetanakis, Panos (2013), *Greek Shipping 1945-2010:a success story of tradition, innovation and modernisation*, Greenwich Maritime Institute blog, 21 October

Emphasis also has been placed on the aspect of shipowning as a lifestyle choice for Greek owners in many instances.[9] Ownership is combined with management not just in broad terms but in detailed supervision and decision-making on operational matters, taking a personal interest in these activities.

Some of these features are visible elsewhere, among other shipowning nationalities. But the precise combination and proportions displayed by Greek shipowners are a unique formula, based on a distinctive business philosophy, culture and strategy. While there are many variations of the theme among individual owners, the basic principles endure.

The characteristics listed provide clues to why activity within the bulk charter markets has been favoured by Greek owners. In these markets there is great potential for a type of decision-making which aligns with an entrepreneurial ownership and management style. By contrast, setting up and running international liner services in the container shipping sector has generally not been an appealing option. That activity requires a larger business scale than many Greek owners have operated in the past, involves micro-management, and necessitates a long-term commitment to an activity which may prove 'unexciting' given its history of often mediocre or poor returns.

During the extended adjustment period for global shipping markets, since the especially severe world recession of late 2008 and 2009, Greek shipping as well as that of other nationalities has been adversely affected. Yet fleet expansion and renewal continues. One characteristic previously highlighted, the "legendary flexibility and market 'feel'" of the Greeks[10] has prevailed. In addition to the crucial underpinnings of traditions and networks, the sensitive market-feel and bold initiatives of executives and entrepreneurs persisted.

Source: Richard Scott

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[9] Goulielmos, Alexandros M (2017), 'The Great Achievement of Greek-Owned Shipping (1946-2017) and Keynes' Animal Spirits', *Modern Economy*, number 8, 1190
[10] Thanopoulou, Helen A (2007), 'A Fleet for the 21st Century: Modern Greek Shipping' in Pallis, Athanasios A (ed) *Maritime Transport: The Greek Paradigm* (Oxford: Elsevier), 23, 50,