



ASF SERC

ASF Shipping Economics Review Committee

c/o Japanese Shipowners' Association
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NOTE OF UNDERSTANDING

adopted

at the 24th Interim Meeting of the Asian Shipowners' Forum (ASF)
Shipping Economics Review Committee (SERC)

The 24th Interim Meeting of the ASF SERC was held in Seoul on 2 November 2011. The meeting was attended by 21 delegates from the ASF member associations of ASEAN, China, Chinese Taipei, Hong Kong, India, Japan and Korea. The attendance list is attached. At the beginning of the meeting, the delegates expressed their deepest sympathies to the victims of the flood in Thailand and agreed to make their maximum possible efforts to give their support and contribution for the relief of the victims.

1. World Economy

In light of overall economic outlook emanating from the sovereign debt crisis, straining global financial markets, weak economic growth and unacceptably high unemployment in advanced economies, as well as elevating inflationary pressures on emerging economies, SERC delegates recognised that the global economy was close to plunging into a double-dip recession, unless all necessary actions are taken by policymakers. Under these circumstances, the meeting noted the importance of senior executives of shipping companies making their individual business decisions based on evaluation of accurate market and trade data to support smooth flows of global trade, coupled with considering the recent experience of the industry during the difficult period since the collapse of Lehman Brothers in 2009.

2. Dry Bulk and Tanker Shipping

1) Dry Bulk

Delegates heard a report on recent upward trends in the Capesize market since the summer of 2011 mainly in the wake of accelerated charter of vessels due to typhoons occurring in the Asia region in the summer and recovering demand for iron ore shipped to China against a backdrop of relatively lower global prices. It was reported that although stable seaborne growth is expected to continue partly due to firm demands for urbanisation in the emerging countries, the current recovery was unlikely to be sustainable in the long-term and the market would be difficult over at least the next few years as a direct result of the continued introduction of new vessel capacity and the sluggish global economy. In the meantime, some positive impact on prospects of the

market was also noted resulting from accelerated scrapping of obsolete vessels and expected further consolidation in Chinese shipyards.

2) Tanker

It was reported that the overall tanker market still remains sluggish, mainly due to factors such as overcapacity coupled with slower demolitions and slower than expected phasing out of single-hull vessels. In addition, other factors are higher prices for crude oil and gasoline triggered by disruptions in the Middle East that are undercutting recovery in petroleum demand in advanced nations, reduced number of vessels used for floating storage as well as negative economic sentiments present in the market, despite firm demand in emerging countries that have exceeded the level of the previous year. The delegates noted the view that the market does not look good for 2012 and beyond. Supply will still outpace demand, hampering market recovery until 2016. The challenge to the industry participants will be how to respond to the supply and demand gap.

3. Liner Shipping

1) Overall

Container business is now facing new challenges which are structurally different from the 2009 downturn, followed by a sharp decline in cargo volumes. The meeting recognised that liner shipping could be at risk of falling into a prolonged slump, owing to the current supply-demand trends. Delegates shared a sense of concern that the market could encounter further deterioration, given that it is estimated that new capacity of 2 million TEU has been ordered since the middle of 2010.

2) Transpacific trade

As for the transpacific trade, it was reported that US containerised imports had faltered with the third consecutive monthly drop in year-over-year volume from June 2011 due to the sluggish US economy suffering a slow improvement in the unemployment rate and poor performance in the housing market which has depressed consumer spending. As for volume growth in coming years, it was reported that total volume in the eastbound trade is forecasted to be down to 2.7% this year and 4% to 5% in 2012 on a year-on-year basis, but others had other perspectives for trade growth. Amid the difficult time facing the liner industry, shipping companies are urged to make efforts to provide views to customers to help them recognise the characteristics of the liner business, especially the close correlation between the quality of liner services and the scale of investment implemented by the shipping companies, in order to achieve a sustainable liner business in the long term.

3) Intra-Asia Trade

In connection with the intra-Asia trade, container traffic in the trade remained relatively brisk, with a steady growth of 5.6% to approximately 9.23 million TEU for the first eight months in comparison with the same period in 2010. The delegates shared some concerns over supply and demand trends, as well as steadily escalating costs and the impact of port congestion. The delegates also noted that the market would continue to

be relatively firm owing to increased trade liberalisation in the Asian region and strong demand in emerging countries. With regard to the flood in Thailand, the delegates expressed their expectation for the earliest possible normalisation of economic activities from current disruptions.

4. Antitrust Immunity

Reports were made on recent developments on the antitrust immunity systems for ocean carrier agreements around the world. The delegates welcomed recent decisions by the Singapore and Japanese governments that their antitrust immunity systems should be maintained. It was also noted positively that APEC formally adopted a set of guidelines related to liner shipping in June 2011, which recommends APEC member economies continue to exempt non-ratemaking agreements between ocean carriers from their respective competition laws. The delegates reaffirmed the ASF's long-standing position that the antitrust immunity system for all liner agreements is indispensable for the healthy development of the shipping industry as well as the whole trading industry.

5. Other Issues

1) A report was made on recent developments on Greenhouse Gas (GHG) emissions and the delegates expressed concern about the possible risk of the entire shipping market being covered by an emission trade scheme introduced by the EU. The members expressed a concern about the risk that the shipping industry will become a major source of funding for non-shipping sectors, initiated by the High-level Advisory Group on Climate Change Financing (AGF). The delegates fully agreed that realistic and effective measures to reduce GHG emissions should be dealt with in the IMO.

2) Reports were made regarding the accelerated increase in piracy attacks off the Coast of Somalia and in the Indian Ocean, and delegates expressed grave concern about this situation. It was recognised that all possible countermeasures should be taken by governments and international organisations in order to ensure the safe navigation of vessels transiting high risk area.

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The ASF Shipping Economics Review Committee (SERC) is a forum for senior executives of Asian shipping lines to review macroeconomic trade information and developments, as they relate to shipping and trade. The objective of the SERC is to improve the quality of executive decision-making by the review of available macroeconomic data and the sharing of perspectives on major trade and shipping policy issues.



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2 November 2011

The 24th Interim Meeting of
the ASF Shipping Economics Review Committee (SERC)
in Seoul on 2 November 2011

Attendance List

CHAIRMAN

< Japanese Shipowners' Association >

Mr Yasumi Kudo Vice President, Japanese Shipowners' Association
(President, Nippon Yusen Kabushiki Kaisha)

VICE CHAIRMAN

< Korea Shipowners' Association >

Mr Young Min Kim (President & CEO, Hanjin Shipping Co., Ltd.)

MEMBERS

< China Shipowners' Association >

Mr Zhu Changyu (Deputy Manager, Research Department
China Shipping (Group) Co.)

< Federation of ASEAN Shipowners' Association >

< Indonesian National Shipowners' Association >

Mr Djoni Sutji (President Director, PT Indonesia Bulk Carrier)
Capt Witono Suprpto (Director, PT Andhika Lines)
Mr Bani M Mulia (Managing Director, Samudera Indonesia)

< Malaysian Shipowners' Association >

Mr Zulkafli M Amin (General Manager, Commercial Liner Business, MISC BHD)

< Singapore Shipping Association >

Mr Goh Teik Poh (President, South Asia Region, APL Co. Pte Ltd.)

< Vietnam Shipowners' Association >

Mr Ngo Xuan Hong (CEO, Transport and Chartering Corp., (VIETFRACHT))
Mr Le Van Thanh (Vice CEO, Transport and Chartering Corp., (VIETFRACHT))

< Hong Kong Shipowners Association >

Mr Allan T S Wong (Managing Director, Corporate Sales,
Orient Overseas Container Line Ltd. (OOCL))

< Indian National Shipowners' Association >

Mr Haider Nawaz (Vice President Business Development,
Varun Shipping Company Ltd.)

< Japanese Shipowners' Association >

Mr Takuji Nakai (President, NYK Container Line Ltd.)
Mr Yukikazu Myochin (Executive Officer, Kawasaki Kisen Kaisha, Ltd.)
Mr Masafumi Yasuoka (Director, Senior Managing Executive Officer,
Mitsui O.S.K. Lines, Ltd.)
Mr Junichiro Ikeda (Managing Executive Officer, Mitsui O.S.K. Lines, Ltd.)
Mr Shogo Terajima (Executive Secretary to the President, Corporate Planning Group,
Nippon Yusen Kabushiki Kaisha)

< Korea Shipowners' Association >

Mr Seock-Dong Lee (Senior Vice President, Head of Liner Unit,
Hyundai Merchant Marine Co., Ltd.)
Mr Dae-Hyoun Baek (Managing Director, Bulk BU, Hanjin Shipping Co., Ltd.)

< National Association of Chinese Shipowners >

Mr Huang Chun-Wei (President, Evergreen Shipping Agency (Korea) Corp.)
Mr Randy Chen (Director, Wan Hai Lines Ltd.)

ASF SECRETARIAT

Mr Yuichi Sonoda (Secretary General, Asian Shipowners' Forum)

LEGAL COUNSEL

Mr Jeffrey F Lawrence (Cozen O'Connor)

SECRETARIAT

Takashi Ishikawa (General Manager, Planning Division,
Japanese Shipowners' Association)
Daijiro Mizushima (Assistant Manager, Planning Division,
Japanese Shipowners' Association)
