



ASF SERC

ASF Shipping Economics Review Committee

c/o Japanese Shipowners' Association
Kaiun-Building, 6-4 Hirakawa-cho 2-chome
Chiyoda-ku Tokyo Japan 102-8603
E-mail : int@jsanet.or.jp
Tel:+81-3-3264-7180 Fax:+81-3-5226-9166

23 October 2012, Taipei

NOTE OF UNDERSTANDING

adopted

at the 25th Interim Meeting of the Asian Shipowners' Forum (ASF)
Shipping Economics Review Committee (SERC)

The 25th Interim Meeting of the ASF SERC was held in Taipei on 23 October 2012. The meeting was attended by 21 delegates from the ASF member associations of ASEAN, China, Chinese Taipei, Hong Kong, Japan and Korea. The attendance list is attached.

1. World Economy

The global economy faces increasing uncertainty due to clear signs of weaker momentum in major emerging market economies in Asia, which still remain global growth leaders, in addition to a slow and protracted recovery in advanced economies that are suffering a downward pressure linked with the Euro area crisis. In light of the interdependent global economy facing continued great uncertainty, partially due to the coming fiscal cliff in the US, SERC delegates reaffirmed the significance of basing decisions on reliable economic data and taking rational fact-based actions, given the backdrop of uncertain and challenging times lying ahead and the important continuing role that will need to be played by Asian shipowners in supplying needed shipping services to international markets.

2. Dry Bulk and Tanker Shipping

1) Dry Bulk

The meeting shared the view that all segments of dry bulk markets were forecast to continue deteriorating for the next two years due to an overwhelming fleet growth and with a softer demand growth at a single-digit rate, a shift in Chinese iron ore imports away from Brazil to Australia, a decrease in grain exports from the US as a result of the worst drought in more than half a century, as well as a significant decrease in port congestion levels. Amidst the accumulated difficulties, the delegates noted, with hope, that a trillion yuans' worth of infrastructure projects approved in China in September 2012, coupled with world quantitative easing programs, the recently accelerated pace of scrapping vessels and sharp drop of raw material prices, could contribute to an uptrend to some extent in the current stagnant market.

2) Tanker

The VLCC market has been stuck at bottom levels since late April 2012 when oil refineries in multiple Asian countries underwent periodic maintenance, which triggered a renewed awareness of the impact on supply being exerted on the market by deliveries of new vessels in addition to minimal activity in demolishing older vessels. Some delegates expressed the view that the market could not achieve real recovery until 2014 due to slower tanker demand growth during 2013 than was previously expected based on the worsening outlook for global oil demand, a part of which could be offset by a simultaneous slowdown in tanker supply growth.

3. Liner Shipping

The delegates considered macroeconomic trends in the trans-Pacific and intra-Asia trades.

Looking to the trans-Pacific trade, the meeting noted that freight rates in the trans-Pacific trade recovered to some extent as a result of rationalised operations and adjustments of service patterns to better match actual demand. However, the containership market faces a difficult recovery together with significant downside risks, having returned to the situation of several years ago with carrier operating losses of over 6 billion US dollars in total in 2011.

In this regard, recent US economic indicators suggest an underlying upward trend of consumer confidence in US to its highest level in five years, which shows US consumer optimism that the overall US economy has improved. This is also reflected in the forecast for November-December holiday retail sales of a 4.1% increase in 2012 in comparison with 3.5% increases on average in the last 10 years.

However, capacity growth with new vessels entering the trade will likely exceed cargo growth during 2012-2013. The current condition will likely present a challenge to the Asian shipping lines with respect to how to deal with the following year when the amount of new tonnage, including large-size container vessels, is expected to reach a peak. It was noted that carriers could again be adversely affected by market actions, typical of past overcapacity conditions, which are inconsistent with long term supply of service in shipping markets.

Turning to the intra-Asia trade, the market continues to grow in light of more free trade agreements and rising foreign direct investment. In spite of the fact that container traffic in the trade remains relatively brisk at 5% cargo growths to approximately 9.71 million TEU for the first eight months of 2012, compared to the same period in 2011, the accelerated entry of new additional services, as well as an upward trend of vessel size to 3000 TEU in the market, which are replaced from other trades, could adversely impact the supply and demand balance.

4. Antitrust Immunity

Recent developments in a number of Asian and other jurisdictions were reported on. . The meeting reconfirmed the ASF's long-standing policy that the anti-trust immunity system for commercial, operational and cooperative agreements was absolutely indispensable for the shipping industry and the whole trading industry.

5. Other Issues

With regard to the Panama Canal issue, the delegates shared much concern over the unilaterally frequent and sharp cost increases of the Canal toll amidst difficulties surrounding the shipping industry. SERC delegates agreed that the ASF should urge the Panama Canal Authority to reconsider the toll increase scheduled in October 2013 in light of the developments in shipping markets and also engage in active participation in new dialogues to be held between the Authority and the shipping industry in order for Asian voices to be reflected accordingly in the policy-making process of the Panama Canal management. The members also noted with concern the possible change of policy in certain countries regarding the taxation of shipping income under bi-national tax treaties.

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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. The SERC members remain firmly committed to continue to ensure full compliance with all applicable competition laws throughout the entire programme and follow strict legal guidelines and conduct discussions under the observation of legal counsel.



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23 October 2012, Taipei

The 25th Interim Meeting of
the ASF Shipping Economics Review Committee (SERC)
in Taipei on 23 October 2012

Attendance List

CHAIRMAN

< Japanese Shipowners' Association >

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

MEMBERS

< China Shipowners' Association >

Mr Li Zhen (Assistant President, Sinotrans & CSC Holding Co., Ltd.)
Mr Zhang Zuyue (Deputy General Manager of Business Development &
Management Dept., Sinotrans & CSC Holding Co., Ltd.)
Mr Ning Dewei (Executive Deputy Secretary General,
China Shipowners' Association)

< Federation of ASEAN Shipowners' Association >

< Filipino Shipowners' Association >

Mr Roberto A Umali (COO, Magsaysay Transport and Logistics Corp.)

< Indonesian National Shipowners' Association >

Mr Bani M Mulia (Managing Director, PT. Samudera Indonesia Tbk)
Mr Jovan Patriot (Manager, PT. Indo Mega Maritim)

< Singapore Shipping Association >

Mr Jason Wong (President, South Asia Region, APL Co. Pte Ltd)

< Vietnam Shipowners' Association >

Mr Duong Ngoc Tu (Assistant CEO, VINASHIP Shipping Co)

< Hong Kong Shipowners Association >

Mr Michael Kwok (COO, Orient Overseas Container Line Ltd. (OOCL))

< Japanese Shipowners' Association >

Mr Tadaaki Naito (Senior Managing Corporate Officer,
Nippon Yusen Kabushiki Kaisha)
Mr Takuji Nakai (President, NYK Container Line Ltd.)
Mr Yukikazu Myochin (Executive Officer, Kawasaki Kisen Kaisha, Ltd.)
Mr Junichiro Ikeda (Managing Executive Officer, Mitsui O.S.K. Lines, Ltd.)
Mr Keiji Ushiyama (General Manager, Taipei Branch, Nippon Yusen Kabushiki Kaisha)
Mr Tsutomu Yokoyama (Executive Secretary to the President,
Nippon Yusen Kabushiki Kaisha)

< Korea Shipowners' Association >

Mr Dae-Hyoun Baek (Managing Director of Bulk BU, Hanjin Shipping Co., Ltd.)
Mr Soo Ho Kim (Executive Vice President & Head of Liner Unit,
Hyundai Merchant Marine Co, Ltd.)

< National Association of Chinese Shipowners >

Mr Bronson Hsieh (Vice Group Chairman, Evergreen Group)
Mr Robert Ho (President, Yang Ming Marine Transport Corp.)
Mr Randy Chen (Director, Wan Hai Lines Ltd.)

GUEST SPEAKER

Mr Louis Kuijs (Chief China Economist, the Royal Bank of Scotland)

ASF SECRETARIAT

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

LEGAL COUNSEL

Mr Jeffrey F Lawrence (Cozen O'Connor)

SECRETARIAT

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