



ASF SERC

ASF Shipping Economics Review Committee

c/o Japanese Shipowners' Association
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11 March 2015, Kuala Lumpur

NOTE OF UNDERSTANDING

adopted

at the 27th Interim Meeting of the Asian Shipowners' Forum (ASF)
Shipping Economics Review Committee (SERC)

The 27th Interim Meeting of the ASF SERC was held in Kuala Lumpur, Malaysia on 11 March 2015. The meeting was attended by delegates from the ASF member associations of ASEAN, China, Chinese Taipei, Hong Kong, Japan and Korea. The attendance list is attached. The SERC members were firmly committed to ensure full compliance with all applicable competition laws throughout the entire programme under the careful observation of their counsel, as in previous meetings. The delegates exchanged the following information and opinions.

1. World Economy

The recovery in the U.S. has remained steady, supported by a highly accommodative monetary policy coupled with improvement in the unemployment ratio and consumer sentiment. It was expected that this upward economic trend would be maintained in 2015. In Europe, the UK and Germany have demonstrated steady growth in 2014, whilst some other EU countries have been suffering from a dull economy on account of weak investment and low inflation. It was hoped that low oil prices would continue to stimulate the European economy in 2015, but there was concern that high unemployment and political uncertainty in some countries might dampen the recovery. The situation in Asia, steady growth has been maintained and China remains in the heart of Asian economic growth although it is gradually moving from a high-growth era to medium-growth. India and the ASEAN countries will also maintain steady growth, supported by improved export momentum in line with rising demand from the U.S. Overall, the meeting shared the general view that the global economy would maintain its trend towards moderate growth in 2015. In addition, the global economy will benefit if oil prices stay at a lower level.

2. Dry Bulk and Tanker Shipping

1) Dry Bulk

The meeting recognised that the struggle had continued in the dry bulk market since 2011 and that market conditions remained challenging for all sized vessels in 2014 due to the supply and demand imbalance, even though the demand for dry bulk cargo has been

growing steadily in general. It was anticipated that although the over-tonnage situation would still continue in 2015, in the near future, the supply-demand situation in the dry bulk market would be gradually balanced, in consideration of the following prospects:

- new building rush was over, fleet expansion peaks out,
- a reduced number of order books and a normal rate of demolition will keep fleet growth moderate,
- the demand will continue to be robust, mainly supported by the constant global economic growth.

2) Tanker

The meeting noted that the tanker market, especially crude oil tanker, had been favourable from the late autumn of 2014 due to the fall in oil prices coupled with an increase in oil demand in the winter season, and it gains an improved supply/demand balance. It is anticipated that this favourable trend would be likely to remain in 2015, supported by low oil prices. However, the delegates shared some concerns on the uncertainty of future crude oil demand and unexpected new orders in the next few years.

3. Liner Shipping

The delegates exchanged their views on macroeconomic trends in the U.S. trans-Pacific and intra-Asia trades.

With regard to the U.S. trans-Pacific trade, the meeting recognised that demand was increasing steadily, thanks to the favourable economy in the U.S., and the market condition remained comparatively firm. Although it seems that this favourable trend would continue in 2015, the delegates shared the concern that a possible deployment of a larger capacity cascaded from other trade might impact shipping market conditions. The delegates renewed their view that it is important for the Asian shipping companies to take independent rational economic actions for ensuring a sustainable business environment.

Concerning this trade, it was noted that the FMC has been tackling the problem of persistent congestion in the U.S. ports, especially on the West Coast, as its top priority issue in 2015. In this connection, the delegates appreciated the U.S. government's efforts to mediate the prolonged labour disagreement between the ILWU and PMA, which has seriously impeded smooth cargo flows to/from the U.S. West Coast ports. It was hoped that the port situations will return to normal in the near future.

Turning to the intra-Asia trade, it was noted that the container cargo volume continued to grow steadily due to the constant economic growth in Asia, especially China, Indonesia and Singapore. On the other hand, the delegates shared their deep concern over persistent port congestion, especially in Manila, Ho Chi Minh, Hong Kong and Singapore, which has been a serious obstacle to smooth and effective intra-Asia trade. The meeting paid special attention to the possible impact on the market conditions of the trade caused by redeployed larger vessels cascading from other trades and lower fuel prices resulting in further competition with increased services.

4. Antitrust Immunity

Recent developments in a number of jurisdictions were reported. The meeting reconfirmed the ASF's long-standing policy that the anti-trust immunity system for all types of cooperative shipping agreements was absolutely indispensable for the healthy development of the shipping industry and the whole trading industry.

5. Other Issues

1) Canal Issue

The recent developments in the Suez and Panama Canal were reported. The delegates reaffirmed the importance of establishing the regular dialogue mechanism between those Canal Authorities and Canal users at the earliest opportunity in order to prevent a recurrence of unilateral, sudden and irrational Canal toll increases in a non-transparent manner and to ensure a safe transit environment. Therefore, it was agreed that the ASF should continue its utmost efforts, in collaboration with international shipping organisations such as ICS, towards the early establishment of the dialogue mechanism.

2) US LNG Exports

The recent developments in the U.S. Congress concerning the promotion of utilising U.S. flag LNG ships for the export of LNG from the U.S. were reported. It was agreed that the ASF, in collaboration with international shipping organisations such as ICS, should continue to urge the U.S. government to refrain from taking this kind of protectionist approach on U.S. flag ships.

3) EU Regulation on CO₂ Reporting

It was noted that the EU recently adopted a unilateral and regional regulation on the reporting of ships' CO₂ emissions, which might be a step for establishing some kind of financially penalising scheme for ships' CO₂ emissions in EU. In response, the delegates renewed their belief that any regulation on air emissions from ships should be pursued through the IMO, which is the sole international platform to be able to comprehensively and appropriately address this issue. In this connection, the delegates expressed its serious concern that the UNFCCC still maintained the idea to force the international shipping and aviation industry to provide a huge financial support for the Green Climate Fund.

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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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11 March 2015

The 27th Interim Meeting of
the ASF Shipping Economics Review Committee (SERC)
in Kuala Lumpur on 11 March 2015

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 Seock Dong Lee (CEO, Hyundai Merchant Marine Co., Ltd.)

MEMBERS

< China Shipowners' Association >

Mr Shen Yiping (Vice President, China Shipping Regional Holdings Pte LTD.)
Mr Henry Tian (General Manager, COSCO Container Lines Malaysia Co Ltd.)

< Federation of ASEAN Shipowners' Association >

< Indonesian National Shipowners' Association >

Mr Bani M. Mulia (Managing Director, Samudera Indonesia)

< Malaysia Shipowners' Association >

Capt. Johari Mohd Noh (Managing Director, Gagasan Carriers Sdn Bhd.)
Mr Faizul Ismail (Vice President, LNG, MISC Bhd.)
Mr Son Yong Loo (Managing Director, Lunar Shipping Sdn Bhd.)
Mr James Ong (Director of Commercial and Operation, Perkapalan Dai Zhun Sdn Bhd.)

< Thai Shipowners' Association >

Mr Sumate Tanthuanit (Managing Director, Ngow Hock Co Ltd.)
Mr Bhumindr Harinsuit (Managing Director, Harinsuit Transport Co Ltd.)

< Vietnam Shipowners' Association >

Mr Bui Viet Hoai (Deputy General Director, Vietnam National Shipping Lines)

< Hong Kong Shipowners Association >

Mr Andy Tung (CEO, Orient Overseas Container Line Ltd.)

< Japanese Shipowners' Association >

Mr Takafumi Kido (Executive Officer, Kawasaki Kisen Kaisha, Ltd.)
Mr Toshiyuki Sonobe (Executive Officer, Mistui O.S.K. Lines, Ltd.)
Mr Ryuji Iwasa (Manager, Research Office, Mistui O.S.K. Lines, Ltd.)
Mr Hiroyuki Kitagaki (General Manager, Mistui O.S.K. Bulk Shipping (Asia Oceania)Pte Ltd.)
Mr Hiroki Harada (Corporate Officer, Nippon Yusen Kabushiki Kaisha)
Mr Ryoichi Oda (Deputy General Manager, Corporate Planning Division,
Nippon Yusen Kabushiki Kaisha)
Mr Hiroyuki Noma (Executive Secretary to the President,
Nippon Yusen Kabushiki Kaisha)

< Korea Shipowners' Association >

Mr Cheong Hee Ha (Senior Vice President, Hyundai Merchant Marine Co., Ltd.)

< National Association of Chinese Shipowners >

Mr C K Ong (President, U-Ming Marine Transport Corporation)
Mr Randy Chen (Director, Wan Hai Lines Ltd.)

GUEST SPEAKER

Dr. Ervina Alfan (Senior Lecturer, University of Malaya)
Dr. Mohd Zulkhairi (Lecturer, University of Malaya)

ICS SECRETARY

Mr Simon Bennett (Director Policy and External Relations, International Chamber of Shipping)

ASF SECRETARY

Mr Kwang Ho Shin (Secretary General, Asian Shipowners' Forum)

LEGAL COUNSEL

Mr Jeffrey F Lawrence (Cozen O'Connor)

SECRETARIAT

Mr Takashi Ishikawa (General Manager, Japanese Shipowners' Association)
Mr Kengo Nakamura (Manager, Planning Division, Japanese Shipowners' Association)
Mr Takuya Horaguchi (Planning Division, Japanese Shipowners' Association)
