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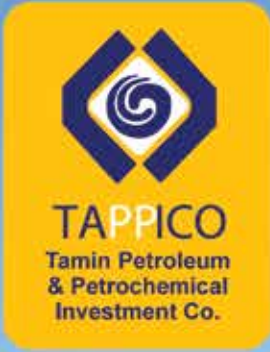
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# THE CONFINEMENT OF DEMOCRACY BY LAW

By: *Amir Fallah*  
Editor in Chief

Without a single tinge of doubt, November 8<sup>th</sup> 2016 is a special day in the 21<sup>st</sup> century history, when the world people, in full bewilderment, watched Donald J. Trump get elected as the 45<sup>th</sup> president of the United States of America. At the first glance, this election might look ordinary and routine, just like any other election worldwide; nonetheless, a closer look at the consequences of this election reveals something beyond a simple election. US People's choice in 2016 election was the final act of a play which started with the economic recession in 2008 and changed its course by Brexit (Britain's withdrawal from the European Union). However, the rise of Trump to power was far beyond any event that occurred after the recession.

The prominent German Philosopher, Hans-Georg Gadamer, proposed that every game has a set of rules, these rules are revealed only and only to the players in the game; hence, it is absolutely essential for one to be part of the game in order to be able to analyze it, comment of it, and express his/her input regarding it. Owing to this, this editorial intends to look into this election and its result from within, and delineate the rules that govern it.

After World War II ended, the fed-up-from-war-and-blood-shed people settled on an agreement that countries' interests are intermingled when it comes to establishing permanent and stable peace and security: a concept which was deemed as irrelevant and intangible earlier.

If we acknowledge that policies are products of collective perceptions and the least that people share to reach a powerful government (not an authoritarian One); then we can conclude that people's exhaustion with political leaders' bloodshed and greed drove the world of politic toward the sharing of interests. Indeed, this statement would be more tangible if we believe in the crucial 19<sup>th</sup>-century slogan that said "Economies build Policies". It is fair enough, hence,

to claim that more than bullets and mortars, it was the economy that put a full stop on the hostile and war-igniting policies.

Based on this, it was agreed on an assembly in Chicago that a currency is set as the global money, and countries bargain over their interests over this currency rather than over shooting bullets.

In the light of this, setting US dollars as the global currency brought the world together under a massive overlap and tightened up the ties that the end of war had already established. Even though this overlap was not economic or political, it had in its core the economy that officially recognized the nature and basis of freedom.

Economic interminglement along with economic growth created a new concept for countries to accomplish further profits: Globalization; and international thinkers and scholars attempted founding a brave new world under the shadow of this very concept.

The 20<sup>th</sup> century ended and a new Georgian millennium approached. Abstract Realism and Idealism had already moved away from the world, and whatever was built was the product of mankind's realistic view rotating around one single and united axis: A world for profit.

Profit was deemed as the basis of interests, and the idea of Liberalism had reached its triumph after years. Profit was the only and only angle through which globalization was viewed, and it was the profit that established relationships and ties. All the past ideas and paradigms were in isolation and in shadow.

As the basis of the new world order (usually referred to as globalization) was laid on money, all the friendships and enmities were, as well, formed around money and by the benefits it produced. Owing to these terms, when the World Trade Organization twin towers were demolished on September 11<sup>th</sup> 2001, it seemed as though the symbol of new world order had fallen.

Unlike the global trends up until that day, world governments refused to follow the policies and guidelines of the economists at International Monetary Fund (IMF) and the World Bank (WB); and for the first time after Bretton Woods Treaty, the administration that was running the United States chose militarist profiles over liberal profiles.

More than indicating signs of war against terrorism, President George W. Bush's frequent and attrition invasions drove the new world order principle to being forgotten. The once-deeply-believed-in principle of "economy and interminglement of the interests prevent war" began to gradually fade away. Violating this principle gives rise to crises. Indeed, devastating wars were the products of economy and likewise, treatments for them stemmed from economy as well. The same way that 1930s economic crisis ignited World War II, the wrong behavior and inadequate policies of President George W. Bush led to crises. Unlike the olden days when thinkers and scholars kept talking about peace and fostering it; in this period of time, word circulating around was all and all about the clash of civilizations.

Rise of President Obama in the United States and Chancellor Merkel, as symbols of two crucial points in the Western Block, placed the course toward globalization once again; yet, it was not a bright prospect that could rescue exhausted-from-crises people.

Frequent crises one after another and the fall of the governments in the west drove the economists to devise a solution to tackle this run-down situation, and relieve the people from the heavy pressure that burdened on them. People's wounds from economic hardship had gone away as a result of war, but it was not healed. War had practically devastated people.

The pressures on the lower classes were revealed more vividly when the 99-percent advent in the United States rose against the new world order. They criticized the order of capitalism, whose the basis was laid upon profit; but they failed to notice there is a difference between capitalism and economic liberalism; and what happened was the election of a capitalist by an advent that rose against capitalism.

Donald J. Trump is the final outcome of a process which started by the 2008 economic recession. In order to win, he opted for the exact same approach that his predecessors had adopted after crises: using demagoguery to heal the wounded-by-crisis nation.

Trump's taking office and his mottos of closing down the gates and cutting off ties with the surrounding

world inspired nothing but the sense of termination for the new world order. He broke it to the thinkers and scholars in every corner of the world that the today life of mankind is the product of this new order. Along with disrupting the economy, Trump made another history-proven mistake: Prohibiting several nations from entering the United States and building a wall on the US-Mexico border. Not only did this historical mistake revived the hope for the continuance of globalization, but it also faced the revolt and massive objections of the same people who had elected him the president via democracy. The same people now would wanted to confine democracy by means of law.

In his remarkable book "Democracy in America", Alexis de Tocqueville discusses the concept of racism, as it is raised by the white, and prognosticated that the most efficient means to eradicate racism is the separation of the white from other races.

He also asserts that the main factor which contributes to democracy's stability in the United States is the rule-bound freedom. This priority of law over democracy was the main driving force that led the Americans to object to their newly-taken-office president.

Americans' opposing against Trump was not a revolt against racism, but it was rather a means to protect and conserve the post-World-War-II accomplishments (i.e., globalization).

American people know it far more precisely than any other nation that what confers power to their country in the international arena is neither their military nor their authoritarianism; it is their economy. Admittedly, American economy is not confined to the borders of the United States; it has been established based on globalism, it will not flourish and thrive unless the interminglement of interests and the sharing of facilities and opportunities are taken into consideration.

The world is currently stuck in a purgatory state: on the one hand side of this purgatory are the radical rightists, who have risen to power after years of isolation, and they have done so using their classic methods. They aim at demolishing the structures. On the other side, however, lies the law that is supposed to confer peace, friendship and prosperity to the world people.

What could retrieve the hope to the world people seems to be abiding by the law: The law that has been composed not at the peace but after the war.



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# Bulletin

## Maritime Connection between Iran and Russia



## Amirabad Port's 2nd Phase Inaugurated



In the course of his one-day trip to Mazandaran Province, the Iranian president, Dr. Hassan Rouhani, officially inaugurated the 2nd phase of Amirabad port.

As a result of this inauguration, MANA reported,

the capacity of Amirabad port increased from its current 4.5 million tons to 7.5 million. Besides, the construction of 6 wharfs at the length of 1125 meters and dredging of 15 million cubic meters are the most eminent features of Amirabad Port organizing project, which has been put into practice thanks to the pertinacious attempts of Road and Urban Development Ministry.

Thanks to the hard endeavors of Hope and Prudence Government and in the light of executing Supreme Leader's guidelines regarding resistance economy and production and employment, Amirabad Port Project was finalized at the cost of 1,600 billion Rials and created 300 job opportunities in Mazandaran Province.

Amirabad Port is the only northern Iran port that is connected to nation-wide rail network.

## Connecting Amirabad Port to Railway Network Is of Great Significance

In one-day trip to Mazandaran province, President Hassan Rouhani counted the development of AmirAbad Port and connecting it to rail network as one of the paramount project in the country.

Stating that one of the projects that will be put to operation in this visit is the project of developing AmirAbad Port and connecting it to rail network, Dr Rouhani Emphasized : developing AmirAbad Port and connecting it to rail network, is of great significance for our activities in Caspian Sea as well as fostering ties and relations with neighboring countries", MANA correspondent reported.

Speaking to reporters at Sari Airport, Dr Rouhani remarked: "I am very pleased that I have the honour to be in Mazandaran province on the day of Imam Ali's (AS) birthday.

Referring to the great potentials in Mazandaran province in the field of tourism, agriculture, and



various industries, he proposed: expanding and promoting ties with Caspian sea countries through this province is one of the main purposes of the government.



## In Iranian and Russian Presidents' Press Conference: Iran and Russia Develop Commercial Ties through Connecting Moscow to Bandar Abbas

In a press conference, the Iranian President, Hassan Rouhani, and his Russian counterpart, Vladimir Putin, announced the decision to complete the North-South Transit line, which connects Moscow to Bandar Abbas and will bring about unique opportunities for merchants and entrepreneurs through expanding trade between the two nations. President Rouhani also revealed details regarding the trilateral talks among Iran, Russia and Azerbaijan.

Reporting from official website of the President of the Islamic Republic of Iran, MANA cited that President Rouhani commenced the press conference by extending his gratitude and appreciation to President Putin for his invitation and his administration's warm welcoming of Iranian delegation.

In the course of the public and private talks, Rouhani added, the progressive and growing ties of the two nations were discussed, and new agreements were made to further expand and foster the economic ties. The growth in the two nations' commercial ties as well as the expansion of Iranians and Russians' tourism interests in one another, President Rouhani asserted, could be regarded as a sign of promoting Iran-Russia ties in the course of the past year. The decisions made in the previous months and as well today, he added, indicate that Iran and Moscow are on a direct path to expand their relationships in all aspects of economy, culture and science via a strategic approach.

Later in this press conference, Dr. Rouhani pointed to the completion of North-South Transit line, which connects Moscow to Bandar Abbas, and stated that unparalleled opportunities will rise in the light of this line for both nations' tradesmen and entrepreneurs. President Rouhani also announced that the trilateral talks among Iran, Russia and Azerbaijan will continue.

He counted creating free trade zones among Iran and Eurasian nations as one of the key issues in negotiations with Russian authorities and proposed that once such zone is established, it could make noticeable contributions to the economic ties of Iran and other five Eurasian nations, creating a whole new productive commercial atmosphere in the region.



Caspian Sea's Legal Regime as well as the measures that must be taken in this regard and the documents that must be signed by the high-ranking authorities of the two countries was also another topic discussed in these negotiations, Dr. Rouhani added.

The Russian President, Vladimir Putin, also stated that the two nations managed to expand their interactions and exchanges in 2016, despite instabilities in international markets; and added that in meetings between Iranian and Russian authorities and economic institutions representatives, agreements were reached regarding promoting investments and exchanging new technologies.

President Putin added that a certain deadline was set for Iran-Russia economic panel to devise the missions, responsibilities and the road map for the two nations' economic and industrial collaboration. Moreover, negotiations were made concerning trading food and agricultural products, banking collaborations and creating a free trade zone between Eurasian Union and Iran. There were also talks as to promoting collaborations in the fields of aircraft manufacturing and exporting Russian Jets (e.g. Sukhoi) to Iran, President Putin added.

President Putin also announced the full support of his country for Iran's membership to Shanghai Organization, and stressed that this membership, in Russia's perspective, could lead to further economic stability in the region. He then hoped that negotiations on Caspian Sea's Legal Regime continue and reach a final verdict.

## IPMO Director: Iran's Maritime Transportation Sanctions Removed

The Managing Director of Iran's Ports and Maritime Organization stated: currently, we do not face any restrictions in the fields of maritime transportation and ports.

Referring to the main achievements of Joint Comprehensive Plan of Action (JCPOA) execution, Mohammad Saeednejad remarked: sanction-imposing countries were committed to paralyze Iran's economy by maritime transportation, MANA correspondent reported.

Stating that maritime transportation was specifically and unfairly targeted by foreign countries, he continued: thanks to the negotiation team's smartness and expert studies, immediately after the execution of JCPOA, we witnessed that all related sanctions had been removed.

### **17 Major World Shipping Lines Call at Iranian Ports:**

Emphasizing that Iranian maritime transportation faces no sanctions, Saeednejad further added: following the lifting of the sanctions and the execution of JCPOA, 17 international shipping lines call regularly at Iranian Ports, access to world's ports, on the other side, have been facilitated for Iranian ships. Iranian ships could easily sail to each and every corner of the world and call at major world ports weekly or monthly, he continued.

Deeming not receiving insurance services at the sanctions era as one of the major limitations in the field of maritime transportation, the managing director of Iran's ports and maritime organization proposed: international insurance corporations and Classification Societies have commenced their cooperation with Iranian corporations and all insurance issues have been solved completely.



### **Purchasing Ports Equipment**

Counting access to the competitive market in the field of purchasing ports equipment as a main achievement of JCPOA execution, Mohammad Saeednejad stated: one important shipment of required industrial equipment for ports has been purchased and transported to Chabahar port.

### **Absorbing Foreign Investment:**

This official further added: the ground has been paved for attracting foreign investments and the foreign investors have also shown keen interest in investment in Iranian port.

Nine major European corporations have so far announced their readiness and willingness for developing third phase of Shahid Rajeei port, he continued.

In the end, Saeednejad remarked: Given that all obstacles have been eliminated, very positive outlook and new horizons are ahead of Iran's transportation and shipping industry.

## KSSL Ship Inaugurates Caspian Port

Caspian Port Complex officially commenced its operation by the docking of a Khazar Sea Shipping Line (KSSL) ship, at the presence of President Rouhani.

MANA correspondent reported that Iranian President, Dr. Hassan Rouhani, witnessed the docking of a KSSL ship at Caspian Port Complex, which officially inaugurated this port.

As part of President Rouhan's itinerary in his visit to Iranian province of Guilan, two posts of Caspian Port Complex's wharfs located in Anzali Free Zone were inaugurated as the president watched a KSSL ship dock. The ship, called "Vista" is the property of Khazar Sea Shipping Lines, and it is capable of carrying 3600 tons of general dry cargo as well as 116 20-square-foot containers. Moreover, other KSSL ships – Nargoun, Nargol, and Nardis – have also docked at the basin of this harbor.

It should be asserted that each of the two inaugurated

wharfs are 175 meters long. One of the wharfs is a commercial one, and has been constructed by the direct investment of Anzali Free Zone Organization; whereas the other one, the Dolphin Oil Wharf, has been constructed via the investment of the private sector. The net investment of the former has been speculated around 7000 billion Rials, and for the latter, the figure has been worked out to be approximately 3000 billion Rials.

MANA reported added that Caspian Port Complex, located in Anzali Free Zone, is still under construction, and upon its completion, it is mean to encompass 22 wharf posts and two 5100-meter waver breakers. The completion and operation of Caspian Port wharfs could make valuable contributions to the commuting of the ships, cargo transportation, expansion of trade and hence a boost in the zone's economy.

## ACS Signs MOU with Poland

The ASIA Classification Society (ACS) and the Polish Register of Shipping (PRS) signed a memorandum of understanding

MANA correspondent reported the signing of a dual-class memorandum of understanding between ACS and PRS, which is one of the oldest and most credible European classification institutes and a member of International Association of Classification Societies (IACS). Based on this MOU, Iranian ships could receive insurance services with the dual class of ACS-PRS, and could hence travel to all the ports worldwide. Moreover, this MOU covers issues such as the training of the inspectors and holding training seminars for Iranian ship owners.

It is noteworthy that PRS is the 4<sup>th</sup> IACS member that has signed an MOU with ACS, after Det Norske Veritas (Norway) and Germanischer



Lloyd (Germany) (DNV-GL), Royal Institution of Naval Architects (RINA), and Bureau Veritas (BV).

## China Keen to Invest in Iranian Ports

The China Railway Engineering Corporation (CREC) expressed its interest in investment in Khuzestan Ports.

In a meeting with Kuzestan's governor general, the managers of CREC expressed their tendency to investment in Khuzestan ports, particularly in operations such as Wharf dredging and refloating, MANA correspondent reported.

Gholamreza Shariati stated: Khuzestan Province possesses high potentials and capabilities for investment and development, thanks to enjoying active ports like Imam Khomeini Port.

Arvand Free Trade Zone (AFZ) could be regarded as one of the paramount capabilities of investment for Chinese company, Shariati also added.

Referring to the constructive role of Chinese corporations at the sanctions era, he proposed:



tourism, ports and shipping sectors could be attractive and absorbing for Chinese corporations.

Kuzestan's governor general also remarked: with the lifting of sanctions and the execution of JCPOA, the way has been paved for investments of foreign companies.

## Iran , Italy Ink MOU for Transportation Cooperation

A memorandum of understanding (MOU) for cooperation was signed between Italian Todini Costruzioni Generali S.p.A company and Construction and Transportation Investment Company, a subsidiary of Social Security Investment Company (Shasta) at the headquarters of Shasta.

In a ceremony with the presence of Dr. Reza Norouzzadeh, Social Security Investment Company (Shasta) managing director, Dr. Mohammad Saeedi, the managing director and head of the board at Islamic republic of Iran Shipping Line (IRISL) and Italian Ambassador to Iran, a memorandum of understanding for cooperation was signed between the representative of Italian Todini Costruzioni Generali S.p.A company and Ramazan Alipour Mojib, Construction and Transportation Investment Company managing director, MANA correspondent reported.



Based on this MOU, the two parties have agreed to promote mutual cooperation in the fields of sea, rail and road transportation infrastructures.

## First Japanese Vessel Calls at Iranian Port

The first vessel of Japanese Shipping Company NYK called at Special Economic Zone of Imam Khomeini Port in Iran.

Referring to a boost in Iranian shipping activities subsequent to JCPOA-post era, Deputy of Khuzestan Province Ports and Maritime Organization remarked: thanks to an increasingly trend in Iranian commercial trades as well as world's leading shipping lines welcoming new opportunities in this country, the first vessel of Japanese Shipping Company NYK, is called "IWAMI", carrying wide iron sheets berthed and unloaded in special economic zone of Imam Khomeini port, MANA correspondent reported.

Gerayloo further stated : this vessel after loading

its cargo in one of the major ports of Japan, moved toward Imam Khomeini port complex, this act would pave the way for more and direct goods exchange between ports of the two countries, he added.

This official figure also hoped that in the light of an increase in the trips of world's major shipping lines to Iranian largest port complex, grounds for turning Imam Khomeini Port Special Economic Zone into a transit hub in Southern parts of Persian Gulf as well as boosting commercial activities in the west parts of Iran will be prepared more than ever.

It should not be left unmentioned that N.Y.K shipping of Japan holds 11<sup>th</sup> position among the top global shipping companies.

## France Keen to Invest in Shahid Rjaeei Port

The director of Hormozgan Province Ports and Maritime Organization stated: French corporations are interested in investment and cooperation with Iranian party for developing infrastructural projects in Shahid Rjaeei port.

French ambassador to Tehran and his accompanying delegation paid a visit to Shahid Rajaei port , MANA correspondent reported.

In a joint meeting which was held between French delegation and director of Hormozgan Province Ports and Maritime Organization and other senior authorities of this port, two sides discussed and exchanged idea over the relevant issues.

French delegation was also briefed on the existing potential and capabilities of Shahid Rajaei port. "We are so pleased to visit Shahid Rjaeei port as one of the most significant Iranian port". Said French ambassador to Tehran.

Referring to that French and Iranian authorities are strongly determined to develop political ties, Francois Senemaud further added: currently, the two countries have further deepened their ties in the fields of economic and industry, in addition, numerous projects are under in operation which will result in satisfying the benefits of the two sides. Counting being familiar with the capabilities, investment advantages as well as plans and projects



of Shahid Rjaeei port as the main purpose of the trip, Senemaud remarked: economic patterns which have been used for the construction and development of infrastructures in this port are of great significance for us.

Pointing out to the long-standing political, economic and commercial ties between Iran and French, The director of Hormozgan Province Ports and Maritime Organization also proposed: Shahad Rajaeiii port enjoys many potentials for mutual cooperation with foreign corporations, it is hoped that in a new round for cooperation, the two sides could make the best out of the existing potentials.

## Japanese Ro-Ro Ship Call at Iranian Port

The director managers of NYK Shipping company announced their long-term planning for Ro-Ro ships traffic in Shahid Rajeeei Port as well as creating a specialized terminal for transit vehicles in the port.

Several director managers of NYK shipping company along with their representative in Iran, paid a visit to Shahid Rajeeei Port, MANA correspondent reported, they also discussed and exchanged idea with the senior managers of this important and significant port.

In the joint meeting, The managing director of Hormozgan Province Ports and Maritime Organization announced that we are fully ready to offer best services to the international shipping companies, he further stated, thanks to being located at South-North corridor , Shahid Rajeeei Port is potential to provide many opportunities, particularly in the field of transit.

Allah Morad Afifipour continued: through Shahid Rajeeei Port, not only is Japanese shipping company able to access Iran's market, but it also could connect to Commonwealth of Independent States (CIS).



Meanwhile, the Japanese delegation was briefed on the technical and operational capabilities of the biggest Iranian commercial port.

The director managers of NYK company also announced their long-term planning for Ro-Ro ships traffic in Shahid Rajeeei Port as well as creating a specialized terminal for transit vehicles in the port. Japanese Ro-Ro ship, Atlas Leader, 200 m in length and 63000 tonnage, called at Shahid Rajeeei Port, according to this report.

It should not be left unmentioned that this port plays a very significant role in the economy of the region.

## The First Iranian Cultivated Caviar Shipment Exports to U.S

The Head of Iran's Fisheries Organization referred to the fact that Iran's Caviar has not been exported to US for many years and announced, Iran has recently exported its first cultivated caviar shipment to U.S.

On the sideline of the first specialized forum of cultivation caviar, the head of Iran Fisheries Organization announced that the first Iranian cultivated caviar shipment exported to U.S in the last week, MANA correspondent reported.

Dr. Hassan Salehi also remarked: given that U.S is a good target market, exporting caviar to this country could play a paramount role in boosting investments and encouraging the investors inside Iran.

This official further stated: in the light of measures which have been taken in the post-JCPOA era, Iran managed to produce approximately 2 tons of cultivated caviar in this year.

Iran is supposed to increase its annual production to 10 tons, this act would certainly inject foreign fund to country's economy, according to Salehi.

It is worthnoting that that Caviar is one of the world's most expensive foods and comes with an exquisite taste and aromatic scent. This brilliant food, which is extracted from the Sturgeon fishes, is rich in protein and various types of vitamins and minerals.

## In the post-JCPOA Era : Chabahar Free Zone to Show High Performance

The managing director of Chabahar Free Trade-Industrial Zone (CFZ) stated that in the course of one past year, exports growth and the remarkable participation of foreign corporations in Chabahar Free Zone could be regarded as the most important achievements in this region.

Pointing out to the remarkable performance of Chabahar Free Trade-Industrial Zone, Abdel-Rahim Kordi also remarked: goods export from this region has experienced a 30-percent rise, MANA correspondent reported.

He referred to a 25-percent increase in registering of foreign corporations in CFZ and added: in the post-JCPOA era, 63 foreign corporations have been registered in this region, a figure which highlights an outstanding growth in this regard.

This official also stated: in the course of the sanctions era, there was no continuous and regular commuting of foreign shipping lines to Chabahar port. Nonetheless, in the post-JCPOA era and in the light of constructive measures as well as continuous pursuing, foreign shipping lines call regularly at this port.

Referring to signing 15 memoranda of understanding for joint ventures with foreign corporations, he



proposed: all these MOUs have been signed in the post-JCPOA era.

With regards to holding international conference on investment opportunities and sustainable development in Makran Coasts in February 2017, Kordi clarified: in this conference, five MOUs with foreign investors have also been signed.

Another MOU with world's fourth biggest producer of crude steel (POSCO, in Pohang, South Korea) was also inked with Makran Steel (chabahar free zone) Company in the fields of investment and joint venture, according to Kordi.

## Strong Start for HHI in 2017

South Korea's Hyundai Heavy Industries (HHI) on Tuesday won an order to build two 320,000 dwt very large crude carriers (VLCCs) for a Greek customer, officials from the shipbuilder told Fairplay.

According to MANA, the VLCCs are expected to be built by the end of 2018, Fairplay was told.

Shipbroking sources estimate that a newbuilding VLCC costs about USD80 million currently.

The order comes just after HHI won a contract to build a floating storage regasification unit from a Turkish consortium comprising Kolin Construction and Kalyon Group.

After struggling to win orders in 2015 and 2016, HHI, the world's largest shipbuilder appears to have gotten off to a strong start for 2017, winning two VLCC orders from DHT Maritime and one



FSRU order from Hoegh LNG in January. HHI achieved a KRW682.3 billion (USD566.9 million) net profit for 2016.

## Clarksons: 2016 Busy Year for Scrapping

2016 was a busy year for global ship recycling, especially when it comes to boxships and bulkers. What is more, shipbreaking is expected to remain at elevated levels this year as well, bringing some ease to the shipping industry plagued by oversupply, according to Clarksons Research.

According to MANA, bulker and containership recycling activity was very strong in 2016 and accounted for 65% and 18% of total demolition respectively in terms of dwt. The 0.7 million TEU of boxships scrapped was 48% higher than the previous peak in 2013, while the 28.9 million dwt of bulkers scrapped in 2016 was the second highest yearly total on record.

Recycling volumes at Pakistani breaking yards were steady year-on-year in 2016, with 117 vessels of a combined 8.9 million dwt recycled. However, a number of fatal incidents at yards towards the end of the year caused temporary closures.

On the other hand, Bangladeshi breakers saw their share of world demolition decrease from 35% to 31% over the same period. However, taking into account dwt tonnage, they still represented the largest share of demolition activity, scrapping 199 vessels of a combined 13.6 million dwt in 2016.

Additionally, Chinese breakers recycled 111 ships of a combined 4.9 million dwt in 2016, 11% of the world total and a year-on-year decrease of



25% in dwt terms. Green recycling facilities in China have benefited from the domestic scrap subsidy introduced in 2013, with domestic owners accounting for 87% of tonnage recycled at Chinese yards. However, domestic scrapping fell 31% year-on-year in 2016 to 4 million dwt.

Turkey scrapped the most vessels of any other nation in 2016. A total of 84 ships totaling 0.9 million dwt were recycled at Turkish yards, representing 2% of global demolition.

Looking ahead, increased pressure to ensure safer and greener ship recycling may have a future impact on the breaker landscape, Clarkson predicts. However, with around 40 million dwt currently projected for demolition in 2017, scrapping activity is likely to remain high.

## EU to Show Green Light to Maersk Line

World No. 1 shipping company Maersk Line is set to win EU antitrust approval for its acquisition of Hamburg Sud after agreeing to pull the German company out from some trade routes, a person familiar with the matter said on Friday.

According to MANA, Maersk, part of A.P. Moller-Maersk, announced the bid last December, part of a wave of mergers in an industry struggling with

a glut of ships and slowing global trade which has forced at least one shipping line out of business.

The proposed acquisition will strengthen the Danish company's presence in global trade, in particular in Latin America where Hamburg Sud has been long established.

World No. 7 Hamburg Sud is part of the Oetker



## Alphaliner: Big Winner and Loser from Container Alliance Reshuffle

The Port of Singapore is set to be the big winner on the Asia – Europe trade following container shipping alliance reshuffles from 1 April according to Alphaliner.

According to MANA, both THE Alliance and the Ocean Alliance kicking off on 1 April, along with Hyundai Merchant Marine and Hamburg Sud cooperating with 2M the Asia – Europe trade is set for a major shake-up.

The “big winner” will be Singapore, with Rotterdam remaining the key port in Europe, while in Asia both Port Klang and Hong Kong will lose out.

Following the start of the new alliance Singapore is set to attract 34 weekly calls on Asia – Europe compared to 29 previously. This increase goes as the expense of Port Klang. This shift from Singapore to Port Klang is mostly the consequence of the purchase of Singapore-based APL by CMA CGM,” Alphaliner said in its weekly newsletter.

Following its acquisition of APL the French line has invested in a joint venture terminal CMA CGM-PSA Lion City Terminals at PSA in Singapore boosting its, and with it the Ocean Alliance,



presence in the city state. The big loser in this CMA CGM’s longstanding Southeast Asian hub Port Klang in neighbouring Malaysia with weekly calls on Asia – Europe reduced from 11 to just five. Meanwhile THE Alliance will only hub in Singapore for Southeast Asia.

The Port of Tanjung Pelepas will remain the key regional hub for 2M with it adding a 12th weekly call, while the Ocean Alliance will also call the Malaysian port four times a week.

On the European side Rotterdam will remain the most important port and while losing two weekly Asia – Europe calls due to the alliance reshuffle.

## Hanjin Shipping Bankruptcy Declares on Feb. 17

A South Korean court said that it decided to end Hanjin Shipping Co Ltd’s (117930.KS) court receivership process and expects to declare bankruptcy on February 17 after a two-week period for appeals.

According to MANA, the Seoul Central District Court said in a statement that it made the decision as the firm’s liquidation value would be worth more than its value as a going concern.

Hanjin Shipping, which had been the world’s seventh-largest container shipper, applied for court receivership in late August after its creditor banks halted further support.

Swiss shipping group MSC said on Wednesday its



unit has bought a stake in Hanjin Shipping’s U.S. port operator, the latest Hanjin asset to be sold.

## LNG Shipping Rates to Improve from 2018

Liquefied natural gas (LNG) shipowners are facing a tough period as rates are expected to remain under pressure during 2017, according to shipping consultancy Drewry.

This year has started on a positive note for LNG shipowners as spot rates have firmed up to the West of Suez because of seasonal demand for LNG, raising hopes that the momentum in rates will continue, MANA correspondent reported.

However, Drewry reiterates its outlook that the fundamentals of LNG shipping market “are not strong enough to sustain this recovery for long. Soon rates will come under pressure as seasonal demand wanes from April onwards.”

Moreover, this year the LNG fleet is forecast to grow at its fastest pace in five years at 13%, surpassing anticipated LNG trade growth of 7%. Therefore, the worst is not yet over for LNG shipowners as spot rates will remain under pressure at an average of around USD 36,000 per day East of Suez in 2017. “Although the short-term outlook for this year is weak, we remain bullish about the medium and



long-term outlook because of expanding worldwide LNG export capacity,” Shresth Sharma, Drewry’s lead LNG shipping analyst, said.

Sharma added that fleet growth will eventually start to slow from next year while tonne-mile vessel demand “will improve as US LNG exports pick up pace and Australian plants start operating at full capacity. We therefore expect rates to improve from next year.”

## Scientists Claim Existence of Drowned Pacific Ocean Continent

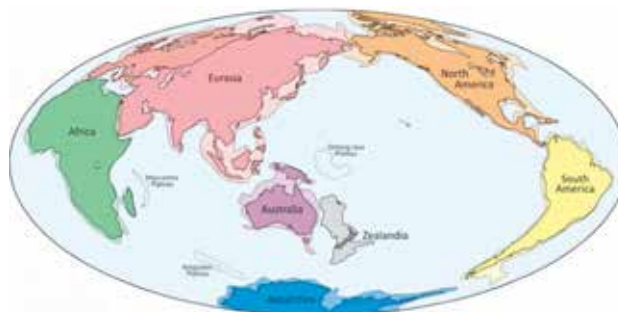
A continent two-thirds the size of Australia has been found beneath the south-west Pacific Ocean, scientists reported in the journal of the Geological Society of America.

According to MANA, the land mass of 4.5 million square kilometers (1.74 million square miles) is 94 percent underwater and only its highest points - New Zealand and New Caldeonia - poke above the surface.

“It’s rather frustrating for us geologists with the oceans being there,” said Nick Mortimer, a geologist at GNS Science in Dunedin, New Zealand.

“If we could pull the plug on the oceans it would be clear to everyone we have mountain chains and a big high-standing continent above the ocean crust.”

«Since about the 1920s, from time to time in geology papers people used the word <continental>

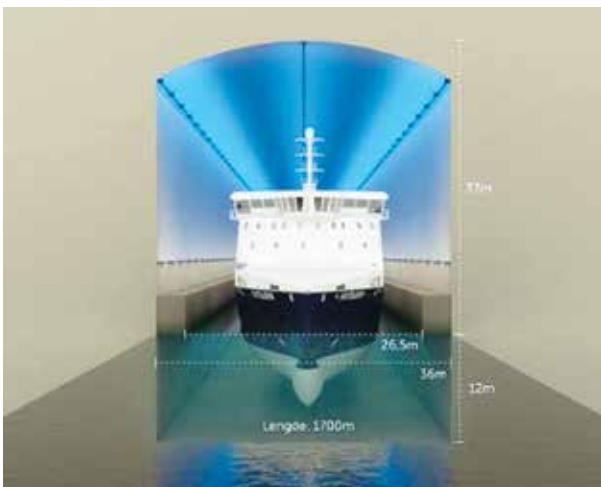


to describe various parts of New Zealand and the Catham Islands and New Caledonia,” Mortimer said.

## Norway Plans to Build World's First Ship Tunnel



The construction of the world's first full-scale ship tunnel in Norway could begin as early as next year as the country's Coastal Administration is in the finishing stages of the project's feasibility study. Stad Ship Tunnel is planned to span 1.7 kilometres in length, 37 metres in height and 26.5 metres in width, allowing ships the size of coastal steamers to navigate through.



The aim of the project is to allow ships to navigate more safely through Stadhavet Sea, which is the most exposed, most dangerous area along the coast of Norway. Namely, the combination of wind, currents and waves around this part of the coastline make this section a particularly demanding part of the Norwegian coast.

The project forms part of Norwegian national transportation plan that contains plans on large infrastructure investments which will take place for the next 12 years (2018 – 2030) and is fully funded according to Norwegian Coastal Administration. Specifically, the Storting – Norwegian Parliament has assigned NOK 1 billion (USD 117 million) for the project in the second half of the planning period. The entire cost of the project is estimated to be NOK 2.3 billion (USD 267 million).



However, the administration claims that there is still a way to go before the construction work can start. *“In best case this project will be financed by the Parliament in 2018, which means that earliest start of constructions work,”* the administration said in a statement.

When the feasibility study is completed in 2017, it will undergo external quality assurance, phase 2. Once the project is cleared, it will take up to four years before it can be completed.

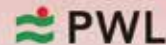




**Dear Dr. Saeedi**  
**IRISL Chairman and Managing Director**

**Here's wishing you & your staff a New Year filled with prosperity and abundance and may all your business endeavors be met with huge success! May the New Year also bring us more wonderful opportunities to work together.**

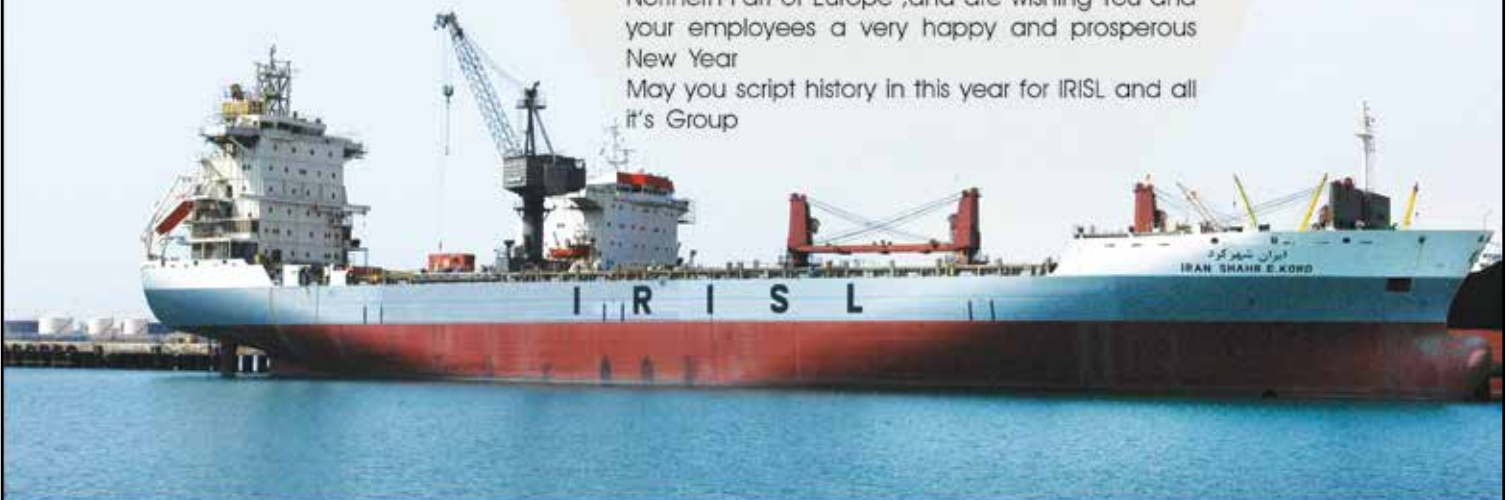
**Veritas Petroleum Services Group**



**PWL GROUP OF COMPANIES**

Dear Dr. Saeedi, IRISL chairman and managing director We in PWL and Irisl Agency North and it's entire team are proud representing IRISL In the Northern Part of Europe ,and are wishing You and your employees a very happy and prosperous New Year

May you script history in this year for IRISL and all it's Group



A man with short, graying hair, wearing a black suit jacket over a white collared shirt, stands with his arms crossed against a wood-paneled wall. He is wearing a watch on his left wrist. The background is a warm-toned wood paneling with horizontal lines. The entire image is framed by a red border.

**IRISL**

**IRISL CEO:**

**Rising to  
HeyDay**





# IRAN'S SHIPPING LINE: RISING TO HEYDAY

**T**he Director of Islamic Republic of Iran Shipping Line (IRISL) pronounced that the paralyzed maritime transportation of Iran is back on its feet again, and is breathing some fresh air these days.

*All along the sanctions era, IRISL fleet, as one of the main axes of Iranian economic with 155 ships, was specifically and unfairly targeted. Up until one and a half years ago, Iranian ships were able to dock at only 2 lines; yet these days, ships from 16 transcontinental lines commute to Iranian waters; and all out connections with Europe, East Asia and Latin America have been revived and reestablished. Moreover, by March 2018, new-generation cutting-edge Hyundai ultra-large ships will have joined and renewed IRISL fleet.*

*In an interview with Payam Darya, IRISL director and head of the board, Dr. Mohammad Saeedi, narrated the account of Iranian maritime story at the sanctions era and its revival and rejuvenation after the execution of JCPOA.*



**Could you please illustrate the picture of IRISL under sanctions?**

In the course of the sanctions era, sanction-enforcing countries were committed to paralyze Iran's economy by targeting maritime transportation. They worked restlessly to restrict our maritime transportation up to the point that our entire export and import route be disrupted. At that era, shipping lines from other countries refused to travel to Iranian ports, and IRISL was the sole transporter of imports to and exports from Iran. In other words, the burden of supplying foreign needs of Iranian people was only born by IRISL, as Iran's national fleet.

Our hard-working and sophisticated crew in IRISL worked tirelessly and pertinaciously to reduce the impacts of sanction up the maximum possible point. We were confined to merely two service lines: The line from East Asia (Shanghai Zone) to Jebel Ali and Bandar Abbas, which aimed at trading with Persian Gulf ports; and

the line from Persian Gulf ports to the eastern ports of African countries. Practically, we did our entire business through these two lines only and other routes were either blocked or extremely restricted for us.

The other challenge we were dealing with at the sanctions era was that international insurance corporations broke off their relationships with IRISL, which caused the major limitations for traveling to international ports. The third challenge was break-off of the ties between international classification societies and Iran. In order for Iranian ships to be able to travel in international waters, they were required to achieve valid and authentic certificates from classification societies, and unless their technical well-being was certified by these institutes, they were not licensed to go through these lines. It was unfortunate that we were deprived of receiving such certificates. Hence, I can conclude that limitations in the commuting of our fleet, not



receiving insurance services and classification institutes' not issuing certificates for our fleet were the three daunting challenges IRISL was confronting under the dense shadow of sanctions.

### **How did this trend change after the nuclear agreement and the execution of JCPOA?**

In view of the prospects created by the nuclear agreement, we commenced taking measures to remove our limitations and return to international lines two months before the execution of JCPOA. As the first step, we endeavored to retrieve the services that we had lost under sanctions. In the course of the past year, the first line that we reestablished was from Persian Gulf ports – specifically Bandar Abbas – to European ports, including Hamburg in Germany, Antwerp in Belgium and Genoa in Italy. Only 20 days after JCPOA execution, IRISL was the first company who benefited from JCPOA effects and managed to launch its lines to Europe immediately. The second line we established was to Latin America, which we had already lost under sanctions. Currently, IRISL fleet make routine trips to Brazil, Uruguay and Argentina with no limitations. As the third step, we defined African ports as our routine services. Moreover, we used to have limited travel destinations in South East Asia; yet now we do cover all ports in this region including Japan and South Korea. We have also defined and established a new routine service line to India – Mumbai ports – as well as to Iraqi Umm Qasr Port. At the moment, IRISL fleet travel to every corner of the world with no practical restrictions, except for two countries.

As far as insurance companies and classification institutes are concerned, we have signed contracts and agreements with the most prominent international organizations and have settled down all our issues successfully. Besides, in February 2017, IRISL director was admitted as a board member in Steamship Mutual P&I Club. This matter is yet another benefit of lifting the sanctions and IRISL's return to international arena.

### **How did the challenges and the problems that you just counted affect the costs of**

### **exports and imports? How different is the current costs?**

The challenges definitely affected the costs. At the sanctions era, the majority of the exported products, including petroleum products, were shipped to Turkey first, and then, it was transferred to Europe by Turkish vessels; and this trend imposed massive costs to Iran's exports. But now, thanks to the organized and systematic services of producer exporter companies, both at steel sector and at petro-chemistry, exports could be thoroughly done by IRISL, from source to destination. As a result, middle agents have been removed from the process by mineral and petrochemical corporations and the whole profit would be seized by the main producer rather than being shared by the middle agents.

### **Generally speaking, to what extent does Iranian trade depend on shipping?**

In the post-JCPOA era, when 16 international lines commute to Iran's ports, a total of 55 % of all exports to and imports from Iran depend on IRISL. Owing to this, we have set the development and renewal of our fleet as our top concern and priority. We are receiving complete and effective cooperation from the administration and respectable secretaries in this area so that we could revive our fleet at a rapid pace. This restless endeavor has promoted our international rank as much as 4 steps, and we have leapt forward from our 23<sup>rd</sup> rank last year to our current 19<sup>th</sup> rank in the classification of best shipping lines worldwide. It is absolutely essential for us to put all our domestic and foreign capacities into use and renew IRISL fleet within the next 5 years.

After 9 years of not having access to international funding, thanks to the execution of the JCPOA, we have now managed to supply our first foreign funding via this contract with Hyundai Corporation. We settled on an agreement with Hyundai, which led them to accept our previous payment as the deposit, and enabled us to obtain the remaining 80 % as finances from Korean banks. Up until then, no other international contract had been funded after the JCPOA execution.

IRISL CFO:

# ASIANS AND EUROPEANS FINANCIERS INTEREST IN FULLY FINANCING IRISL PROJECTS

By: Amir Fallah



January 2016 was not just a regular month for Iranians. In the course of this month, the agreement between 5+1 countries successfully settled down a conflict that had been going

on for years, and it managed to prosperously end negotiations over Iranian nuclear issue, finally after 13 years. The ending of these marathon-like negotiations was a triumph of diplomatic talks on the one hand, and it brought about the lifting of the sanctions on Iran on the other hand. Iran, who encountered a number of obstacles in its give and takes under the shadow of international sanctions, seized the opportunity of sanctions being lifted, and moved rapidly toward an economic retrieval and mending its relationships with other nations.

A closer glance at the nature and the scope of international sanctions on Iran reveals that transportation was a main target for them, and Islamic Republic of Iran Shipping Line (IRISL) was at the core of this target. Once the sanctions were lifted, nonetheless, IRISL managed to make its way back to the world markets in a rapid phase. Indeed, it was among the first Iranian companies that got involved in macro global give and takes immediately after the execution of JCPOA.

Moreover, the need for the renewal and restoration of its fleet drove IRISL to enter negotiations over absorbing financial resources; and given the special international status of IRISL, it was observed that international financiers show special interest in funding projects planned and proposed by this company. TO delve into the details of these financial matters, we sat down with IRISL chief financial officer, Ahmad Shahbazbeigi, and we had an in-depth discussion over the most recent financial activities of IRISL.

Below, we have laid out the transcript of Payam Darya interview with Shahbazbeigi.

### **What financial measures has IRISL taken since the lifting of the sanctions?**

At the era when Iran was under international sanctions, IRISL was going through a very hard time; however, this company stood up resiliently all along the way, and played a role in Iran's economy by preventing any crisis in the country's import and export affairs. Thanks to the smoothening of political conditions which JCPOA brought about, and the resulting facilitation of Iran's presence in international interactions and global markets, IRISL made brisk attempts at retrieving all its lost connections and recreate its lost opportunities. Among these attempts, one of the first actions was retrieving the contract for purchasing 10 vessels from the South Korean HIUNDAI Corporation, which prevented national economic losses in this regard.

### **If we consider the lifting of the sanctions a turning-point in Iran's as well as IRISL's economic forward movement, what would you count as the most paramount measures taken in the post-JCPOA era?**

Once the sanctions were lifted, IRISL conducted needs analysis, collected field data, performed market studies, and determined the technical, commercial and financial scope of all its intended projects in three independent phases.

1. Developing and renewing IRISL fleet, including vessels for carrying bulk products, fluids, petroleum and petrochemical material, and container goods at mega-size scale, as well as off-shore vessels

2. Completing the maritime transportation chain via developing and optimizing railway fleet, road fleet, and via connecting Iran's northern neighbors to the nation-wide railway network, which opens Iran to the capacities of Central Asian nations and turns Iran into a key access point in the transportation line between Central-Asia and South East Asia
3. Devising and developing logistic maritime transportation projects – namely bunkering in Qeshm Island, participation in the development and operation of southern and northern port terminals, construction of silos, and the like.

### **Given the plans you have devised in the course of this period, what measures has IRISL taken in absorbing foreign finance and monetary resources?**

Based on the licenses obtained from upper-hand authorities, and given the tendency and demands of foreign financiers for funding IRISL projects, we began negotiating with Iranian fund suppliers (particularly the banks) as well as with international financiers – mainly from Europe, China and Korea. In the light of these negotiations, initial constructive and fruitful agreements have been reached with the Chinese financiers, and negotiations with other finance suppliers are still on-going. Overall, IRISL's need to international finances, commercial deals' being made in international currencies, and the partial recession in international markets have all and all paved the way for IRISL to absorb 100-percent international funding for its projects.





By: Amir Fallah

**W**hen we talk about economy and trade, the element of transportation plays an important role in the process of its moving. Accordingly the behavior of economies directly affects transportation.

*The world that had been faced with the growing economy at the beginning of the new century will create a suitable result for trade and consequently transportation, especially in the maritime sector.*

*With the occurrence of the financial-economic crisis in 2008 and afterwards along with the decline in the growth rate in China, Europe and even America both the economy and trade have entered the recession while transportation has experienced an undesirable bad condition. We have organized an interview with the managing director of Bulk Division at Islamic Republic of Iran Shipping Line, Ali Akbar Ghonji, who is the analyst of maritime transportation industry in order to analyze the situation and explain the causes of the recession and examine this issue, accordingly.*

*Below is his interview with Payam Darya magazine:*

**How do you evaluate the status of the shipping industry, particularly, bulk transportation in the international dimension?**

The shipping industry is not in a good condition due to the global recession and there are no signs suggesting the improvements and recovery of the index of bulk shipping to 11-12 thousands. However, it should be noted that the current situation in bulk shipping is better than before. Given the current situation on the world market, we are trying to make a reasonable profit by controlling the costs.

When we are talking about the crisis in maritime transportation, we should note that a number of factors caused this condition. One of the most important reasons for the crisis is the excess surplus of floating vessels, because, at the time when the world market situation was clear and positive both politically and in terms of availability of the cargo, the companies had huge orders for shipbuilding and these orders exactly enter the market when the economic crisis began. On the one hand, companies had faced with the lack of portable cargos for these big vessels and

## THE “RESEARCH” STRATEGY:

# A BASIS FOR DEVELOPMENT AND PROFITABILITY

on the other hand, their costs had increased according to the same crisis, as at the time there is no dynamic economy, the costs are increased. For example, some service providers such as agencies and consumables have increased their costs based on the market situation and the companies including ourselves were forced to use this service while the incomes of the shipping lines were reduced and at the same time, the arising costs had increased. Consequently, we should observe the current state of the maritime transportation market from this perspective.

Although, we see changes in rates with the growing trend of the countries, we should say generally that achieving the indices of the time before the crisis of 2008 is very difficult and even impossible.

On the other hand, it must be admitted that today, the container lines have become a serious competitor for bulk carriers. We can state that the phase change to transportation of the general cargo via containers increases the container transportation index and also creates a serious competitor for bulk carriers to transport minerals and food. So in this context, it should be reminded that customer retention and marketing for new customers have now special conditions.

**If we want to carefully examine the transportation conditions in the bulk division, we will find out that along with the rapid growth of steel production in China and the demand of this country to the raw materials, such as Iron ore, the golden era before the economic crisis happens for the shipping industry. But with the decline in production in China due to some internal politics and also the surplus of steel production in the world, the bulk transportation enters a recession. Although once again China approaches to its heyday in steel production in the recent two years, we have not seen any sign of improvement in the transportation rates. What is your opinion regarding this issue.**

We have to carefully examine the policies and approaches of other countries. In this reason, I believe that China, as one of the most important countries with dense population has significant impact on the global market. Meanwhile, it should be noted that each country has two wings to grow, research and development, simultaneously.

On the other hand, it should be noted that during the

same period although China's growth rate is passing with a gentler slope, China's growth still is high, so we cannot easily say that this growth has stopped for a while.

However, we must admit China's macro policies' importances that are fairly accustomed to move with the lights off. But let us not forget that in the same period, some other important powers have also emerged which have a significant impact on the global economy.

Today, we should pay special attention to India as an emerging world power. Having a good and mass labor force, environmental features and global Business conditions, this country has a special position in the development and its profile represents the rise of another China.

We can see in these days that Russia's economy is also more stable and dynamic and this leads to a series of factors to be taken into account to scrutinize the situation.

On the other hand, it must be noted that the political situation in the world is not the same way as before. The conflicts in the world will result in changes in economic indicators. For example, we see that the oil price rose with the America's attack on the air base in Syria. Then, we have to follow a complete set of factors.

What is clear now is that we have no information about the strategic reserves of China's minerals in the steel sector and maybe this country is taking advantages from its reserves, instead of purchasing minerals. Although, I still believe that China considered an exact observation regarding reducing and increasing of the production at the time and put priority for what was explained earlier, i.e. following the research and development simultaneously in order to gain a more effective and huge profits.

Of course, we have to pay attention to other factors that affect steel production, such as scrap metal. Several thousand tons of scrap are derived from the ship scrapping yards annually. Meanwhile, we should see if there is any places to use these scrap metals.

**Anyway, we have to accept that the growth of steel production in China can and/or could affect the improvement of bulk carrier index.**

It could be one of the reasons but there are other reasons involved. Considering the domestic supplies of China to produce the vast volume of steel, it should also be noted that the index condition of the

bulk carrier now is better than before. Though it has not reached its level before the economic crisis, it has witnessed some positive changes.

There is another point to be referred to that the shipping companies have put priority to simultaneously pay attention to research and development and the type of their performances and strategies have also been varied.

So, bulk companies could not cooperate in dividing and taking advantage of profit's share of the market easily. Meanwhile, we observe that smaller companies are acquired by larger ones and some others are driven out by selling the bulk carriers.

In the bulk carrier, for example, we are not dealing with well-known companies, compared to the container lines, such as Maersk Co. However, perhaps it is due to the nature and type of the cargo because in container we are faced with identified transport unity. Moreover, some countries could operate even without having any vessel, but in the bulk carrier, the condition is totally different.

In any case, shipping companies must explain their own strategy in order to be able to monitor the market behavior along with the governments that consider the development with the taste of the research to be able to plan an appropriate behavior.

**Referring to the strategy, we could see those container companies are moving toward the integration so that they could employ the economies of scale and operational efficiency more than before. This behavior has also occurred in states. It can be seen that the Trans-Pacific Alliance was built to cope with the influx of China. Why do we not observe such a behavior in bulk carrier?**

I have already explained that the condition of bulk carrier is totally different from containers and the behavior of such companies also differs. Because in the container division you could find well-known companies each with its own market and they could move toward gaining more profit, accordingly. But in the bulk carrier, you may observe different behaviors; companies that are active in this type of product cannot move toward the integration or to have a shared interest in any way. Imagine that some percentage of the cargo of a small containership belongs to you. Meanwhile, the capacity of each vessel could be divided between a number of transportation companies and forwarders but the



most giant bulk carrier has only one cargo owner!

**The world economy witnessed an important event in the last year that is the rise of Trump. He has considered the theory of returning to domestic trade. Does this issue have any impact on maritime transportation?**

It must be admitted that any changes have some impacts. In this part we should note that the USA's new administration's approach is based on constructing the USA. This needs its own materials. So it's difficult to explicitly say that it will create a disruption of order in shipping conditions. We have to accept that if the USA wants to return to domestic trade; it still must sell the output of manufacturing. This would not disrupt the trade, on the other hand as I said they need raw materials for construction.

**But we can see that the new government of the USA has adopted some of their own behavior that has not been observed in any other governments such as denied entry to the US and/or the cancellation of some commercial contracts, what do you think in this regard?**

Yes, but we should note that the behavioral and democratic process of the governance in the USA is in a way that the head of government cannot decide

alone and you can see that judicial and legal entities have stood against some adventures.

As I said, care must be taken. We can no longer sum up the world in one dimension that is power. Today we can see some countries such as China, Russia and India that each has a specific penetrating power in the economy.

If we look at CIS area, we can see that each country has its own specific role. To exemplify this, we can refer to a country like Kazakhstan that has its own role in international treaties and meetings

Considering the geographical locations of the CIS countries for example, they could be more active if they have access to high seas. This is a golden opportunity for Iran to gain profit thoroughly.

Russia on the other side of the coin was an importer of grains such as wheat and barley in the past but today you see that the condition is such that this country has overproduction and hence an acceptable exports.

In general, we should homogeneously look at the world and bear in mind that the situation is in such a way that monolog in the economy cannot alone have an absolute effect. But if we look relatively it may have some effects. In my opinion due to the type of personal life of Trump as a businessman, it must be admitted that there are hopes for both the development and deepening of the trade.

THE DIRECTOR OF KHAZAR SEA SHIPPING LINES  
IN AN INTERVIEW WITH PAYAM DARYA:

# THE CASPIAN SEA HAS THE POTENTIAL TO BECOME A TRANSIT BRIDGE

By :Narges Ehsandar

**T**he signing of an agreement to establish a joint company between Kazakhstan and Islamic Republic of Iran Shipping Lines (IRISL) will bring the activity of Khazar Sea Shipping Lines into a new stage. On the other hand, implementation of development programs in order to increase the company's share in the transportation of the Caspian Sea will result in more capability and increased competition in the region.

In an interview with Payam Darya, the new Director of the Khazar Sea Shipping Lines, Captain Mehrdad Bagheri Nejad, explains the company's plans in 2017 and mentions the entrance to transporting petroleum products.







**Considering the recent agreement between the National Railway Company of Kazakhstan (KTZ EXPRESS) and IRISL, Khazar Sea Shipping Lines has played the main role. would you please explain the details and the objectives of this contract in the region?**

The signing ceremony of the final documents to establish a joint venture between KTZ EXPRESS and IRISL held in Tehran on January 2017 with the participation of the president of Kazakhstan's state-owned transportation company, the Ambassador of this country in Tehran, and the managing director of IRISL. This important economic event was achieved based on studies and examinations accomplished by the certified shipping experts as well as strategic decisions made by the director

of Shipping Groups and the former director of Khazar Sea Shipping Lines. Accordingly, the initial agreement had already been done on the sidelines of the visit of President of Kazakhstan in 2016.

Facilitating the trade with the countries of CIS; the access of these countries to the open waters through southern ports of Iran; development of the transit through the territory of Iran and the Caspian Sea; and also development and enlarging the dimensions and volume of the market in the Caspian Sea are among the main objectives outlined for the establishment of this joint venture. The national railway company of Kazakhstan with the establishment of joint terminals in ports of China and also connecting the railways of Kazakhstan and China can create a new gateway



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**KHAZAR SEA SHIPPING LINES IS CONSTRUCTING 45 THOUSAND TONS OF GRAIN SILOS IN BANDAR ANZALI PORT**

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for the exchange of goods through Kazakhstan between Iran and China. Moreover, shipments of goods to some parts of Iran through the Caspian Sea can be replaced by Incheh Borun railway. This will reduce competitiveness in time and price indicators. The operation of this joint venture will lead to a significant increase in market penetration rate along with volume expansion and dimensions of the transportation market in the Caspian Sea.

Considering the management guidance and leadership of terminals in the ports of both parties as well as restoration and strengthening of combined shipping between ports of CIS countries, China, the northern and southern ports of Iran and investment in the field of equipment and services in Iran and Kazakhstan, these can be resulted in facilitating of import, export and transit, together with reducing the cost price of transportation in the Caspian Sea and the required routes.

**What plans do you have to increase Khazar Sea Shipping Lines’ share in the Caspian Sea and develop the activities in 2017?**

By studying the internal and external factors and reviewing the goals, procedures, tools and services as well as the analysis of its target market and competitors in order for Khazar Sea Shipping Lines to sustain and increase the market share, the company has targeted its strategy with a view to maintain loyal customers and attract maximum new ones. In this regard, promoting the Khazar Sea Shipping Lines’ brand in order to accelerate the pace of growth of

the shipment is top of the agenda because we believe that the target market will always search for a reliable and famous brand and attract to it. Innovation and diversification in services and the field of activity, keeping pace with regional conditions, and creating interactive communication with organizations and internal organs are also among key factors to increase the market share.

Based on a strategic approach, this company has conducted continued efforts by increasing the efficiency of existing infrastructure and human capital. Meanwhile, the company tried to reduce the total cost and cost price while it is providing faster, broader and cheaper services. Today, the cost price of shipment and consequently the freight rates offered to customers are in a way that they lead to distinctive competencies and competitive advantage of the company among the competitors.

Khazar Sea Shipping Lines is constructing 45 thousand tons of grain silos in Bandar Anzali port aimed at developing infrastructure and diversification of services. The company has also taken some measures in the field of cargo container transportation which lead to the development and prosperity of this type of transportation in the Caspian Sea. The variety of services based on the types of imported, exported and transited goods in the region can also be among the effective factors in achieving the increased market share.

However, we believe that making the Caspian Sea a transit bridge in the combined shipping can increase the volume of the market. This increased share can be an exclusive authority of Khazar Sea Shipping

Lines for a long time. Exploiting, activating the International North–South Transport Corridor (INSTC) and achieving the common objectives of the joint venture between Iran and Kazakhstan are some of the main operational models of Khazar Sea Shipping Lines.

### **What achievements does Post-Sanctions era have for Khazar Sea Shipping Lines?**

Post-Sanctions have lifted some restrictions and sanctions against the national fleet. Facilitating the transfer of foreign currency and providing some critical parts for vessels are the key factors to be referred to during the post sanctions era. Moreover, post-sanctions era leads to an increase of about 15 percent of cargo and 45 percent of the company's share in the transportation share of ports of the north of the country and an increase of 50 percent in the import and export of Bandar Anzali port.

### **What programs do you have for fleet renewal?**

Having 23 ships under the flag of the Islamic Republic of Iran and carrying capacity of 95 tons, Khazar Sea Shipping Lines is the largest fleet of the north of Iran. Development of the Caspian Sea Shipping fleet

as one of the group companies of IRISL is among the strategic objectives of the company to increase the share and penetration rate in the transportation of Caspian Sea and to make the freight rates, actual and real. Fortunately, the feasibility and related analysis regarding the procurement and construction projects of some ships are completed. Meanwhile, we are financing for the implementation of a fleet development project. According to the drafted plan and based on the company's mission and vision, an increase of 25% in the nominal capacity of the fleet during a four-year period up to 100 percent of the current capacity, updating and reducing the age of the ships of the fleet to less than half of the present age will be achieved by entrance of the new vessels.

### **Have you planned to set foot in the transportation of oil shipment?**

Entering the shipments of oil cargo is one of the designated targets of Khazar Sea Shipping Lines Co. to diversify and expand its services. Based on the planning conducted, we will first enter this market by chartering a tanker ship and after stabilizing in the market, we will have our own tanker ship as our property.





**VALFAJR SHIPPING LINE:**

# PROMINENT IN PERSIAN GULF PASSENGER TRANSPORTATION

*By: Narges Ehsandar*



Valfajr Shipping Line is the most eminent passenger carrier line in the Persian Gulf region, and has been doing so far over 30 years. Currently, it holds the top-sitting rank in the region by owning 20 vessels in passenger, cargo, container and off-shore transportation vessels. This company is one of the main subsidiaries of Islamic Republic of Iran Shipping Line (IRISL); and since 1986, the committed sophisticated human resources and the well-equipped fleet of this line have played a valuable role in Iran's maritime industry in Persian Gulf.

In an interview with Payam Darya Magazine, Valfajr Shipping Line director, Captain Majid Sojdeh stated that his line is currently in possession of 20 vessels, including 4 high-speed passenger vessels (Catamaran), 2 cargo and passenger carrying vessels (ro-ro), 7 container-carrying vessels and 7 off-shore vessels. These vessels are employed, he added, to promote Iran's maritime industry prospects in the fields of cargo transportation and passenger carrying from Southern Iranian ports to different islands as well as to the countries in Southern Persian Gulf Coast. Moreover, the vessels provide support for oil and gas rigs in the Persian Gulf.

Valfajr Shipping Line has completed 30 years of glorious experience and offering solid continuous services to Iran's maritime industry, Captain Sojdeh added, and now, on verge of embarking on its 4th decade of services, it has devised a comprehensive and organized plan to develop its maritime tourism services. Since 1986, he further stated, Valfajr line has transported over 10 million maritime passengers in domestic and international routes in the blue Persian Gulf waters, thanks to operating standard and convenient vessels.

Captain Sojdeh, also, made a reference to the services this line offers in Iranian southern ports and islands – namely Khoramshahr Port, Abadan, Boushehr, and Kharg, Kish, Queshm and Abumoosa islands – for the purpose of establishing maritime package tours, and asserted that his line is currently collaborating with over 100 travel agencies nation-wide.

Regarding the domestic and international venture routes of Valfajr Line, Director Sojdeh expressed that currently, the line runs round-trip ventures in Boushehr-Kharg Island, Lengeh Port-Dubai, Bandar Abbas-Sharjah, Khoramshahr-Kuwait, and Khoramshahr-Basra. Lengeh Port-Kish Island and special New-Year maritime tours could also be added to the aforementioned routes.

Director Sojdeh also added that tourism is one of the key industries worldwide, and proper investment and systematic planning in this field could earn noticeable profit to replace other sources of income for the country such as petroleum. Maritime tourism, as a dynamic and catchy branch of mass tourism, shapes up a striking portion of tourism financial turnover. No doubt, he added, investment in promoting Iran's maritime tourism capacities and offering better services in this field could draw many tourists to Iranian maritime attractions and boost Iran's economy. The same way, many countries worldwide have now expanded their maritime transportation and maritime package tours, and have created on-shore and off-shore recreational facilities for this purpose.

According to Captain Sojdeh, Persian Gulf is one of the key potentials of Iran's maritime tourism, and given its extensive dimension and potentials for investment and tourist attraction, this matter requires a special economic vision.

In order to execute IRISL strategic plans and macro policies, in line with Iran's national interests, to promote maritime tourism culture and increase the national wealth, he added, Valfajr line is committed to purchase new cutting-edge vessels to offer services of higher standards and better quality. One thing that could help this tourism prospect, the captain further remarked, is a change in the current policies and shifting the target market from the shores to the densely-populated cities and province capitals. Nonetheless, due to the specific needs and wants of the people from these metropolitan areas, the quality of the services and procedures need to be upgraded.

In the end, Captain Sojdeh asserted that his line is in the pursuit of various objectives through expanding domestic maritime tourism – mainly making Iranian people familiar with Persian Gulf geography and Iranian ports, promoting unity and sense of patriotism among Iranians, boosting people's self-confidence and national consensus, stabilizing the disputed islands between Iran and other Persian Gulf counties, facilitating the transportation of people to the island, and domestic companies' taking control over managing Iranian trips over foreign agencies.





## IRISL, KTZ JV

# A PARAMOUNT STEP IN PROMOTING IRAN-KAZAKHSTAN TIES

*In a formal ceremony in the headquarters of the Islamic Republic of Iran's Shipping Line (IRISL) in Tehran, the final document for the establishment of a joint-venture between IRISL and Kazakhstan's KTZ Express – a subsidiary of the country's national railways company was signed. The Kazakhstan's ambassador in Tehran, the director of Kazakhstan Temir Zholy (KTZ), IRISL director, and a number of Iranian and Kazakhstani senior officials were present in this ceremony.*

*By: Fatemeh Moonesan*



MANA correspondent reported that the final document of founding a joint-venture was signed between IRISL and Kazakhstan's KTZ Express in the presence of Amreyev Bagdad Kultayecich, Kazakhstan's ambassador To Iran.

The document was signed by Dr. Mohammad Saeedi, IRISL director and head of the board, and Dias Iskakov, KTZ Express director.

In this ceremony, Dr. Saeedi referred to the official meetings of Iran and Kazakhstan presidents in Tehran and Astana, where the establishment of a joint venture between IRISL and KTZ was agreed upon.

Dr. Saeedi asserted that cooperation among the two parties commenced around one and a half years ago for preparing the preliminaries needed to establish this joint venture. In the light of the full and multi-faceted cooperation of KTZ new director, Dr. Saeedi added, the process of founding the joint venture culminated at a rapid pace, in a way that the documents are now finalized, ready and signed.

Later in this ceremony, KTZ director expressed his gratitude to IRISL for its collaboration and for accelerating the processes of founding the joint venture. He stated that KTZ is an excellent partner for IRISL in Middle Asia, and hoped that the new joint venture could be the starting point

of a new series of collaborations between the two organizations.

Iran enjoys large capabilities and limitless potentials, he added, and KTZ would endeavor to utilize Iranian southern ports, particularly Bandar Abbas, to enhance its goods transportation.

Kazakhstan's ambassador in Tehran, Amreyev Bagdad Kultayecich, also expressed his satisfaction and delight with the signing of the joint venture's final documents, and emphasized that establishing a company at such a large scale is a tremendous task, and such good results in such short period would not have yielded if it had not been for the pertinacious attempts of both parties. He added that the major goal of establishing this joint venture was expanding the scope of collaborations in the region.

Kultayecich further stated that Iran, Kazakhstan and Turkmenistan have taken valuable measures to facilitate Middle Asian nations' access to the Pacific Ocean.

Moreover, IRISL director, Dr. Mohammad Saeedi, extended his heartfelt gratitude and appreciation to Kazakhstan ambassador for his substantial and generous support in extending cooperation between the two nations and establishing the joint venture, and stressed that Mr. Kultayecich has a reputation in Iran for playing a key role in accelerating inter-countries projects in various fields. Dr. Saeedi also hoped that Mr. Ambassador's support for the joint venture remains as strong, and that the joint venture could attain a high turnover in the next year, making it acceptably presentable to the two nations' presidents. In order to control the processes, accelerating the operations and tackling any obstacles, Dr. Saeedi proposed that quarterly meetings be held by Mr. Ambassador and the joint venture's board members, either in Astana or Tehran. this proposal was warmly welcomed by Dias Iskakov, KTZ Express director, who expressed his willingness to closely supervise joint venture affairs and take actions to manage any probable problematic matter.

Among the issues incorporated in the final document of this joint venture, the most prominent ones include goods transportation from Far East to Iran's southern ports, and their transfer to Middle Asia through integrated transport, particularly through the Khazar Sea Shipping company; mutual collaborations in terminal management and terminal construction as well as investments in Iran's and Kazakhstan's equipment. The headquarters of the new joint venture is going to be established in Anzali Free zone; and IRISL and KTZ are going to hold 51 and 49 percent of the joint venture's shares, respectively.



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**Dear Dr Saedi, IRISL Chairman and Managing Director**

**HAPPY NEW YEAR**

**May you script history in this year for your company  
and make it as the most profitable year of all years**



**VALFAJR SHIPPING COMPANY**

**Pioneer at passenger movement by water, freight transport and related services to the offshore industry in the Persian Gulf and Oman Sea**

- Passenger movement by water and freight transport to inland Islands, countries in the vicinity of Persian Gulf and Oman Sea
- Providing Services related to oil rigs and offshore industry
- Transportation of perishable cargos such as food, fruits and vegetables with trailers and refrigerated containers
- Providing combined transport and transit services as complementary services to customers
- Providing cargo's transshipment and forwarding affairs





**Close Up**

# A window to the global economy



IRAN'S MERCANTILE EXCHANGE DIRECTOR:

# ENSURING INVESTMENT SECURITY VIA ESTABLISHING CURRENCY STOCK EXCHANGE

*By: Amir Falah*



**G**iven the special role of currency rates in macro economy, launching currency derivatives market in Iran's Mercantile Exchange could be deemed as a paramount issue in the Iranian economy, and this measure is hoped to initiate a boost in the currency market. Nevertheless, the implementation of the first currency futures in the international monetary market caused a major boost in financial markets in general and in stock derivatives contracts in particular.

After the collapse of Barton Woods International monetary system in the world, an increase in the instability of currencies paved the way for the rise of futures contracts in currency markets. Chicago Mercantile Exchange commenced currency futures (FX futures) with deals on 7 currencies. Following that, developing countries also began to create FX markets in their economies in order to diminish fluctuations in the currency market and to control financial intermediation risk more easily on international scale. Mexico (1998), Brazil (1991), South Korea (2005), Turkey (2005), South Africa (2007) and India (2008) are examples of such developing countries.

Naturally, these changes in currency rates had negative impact on the economy of the countries that had extensive trades across their borders. Manufacturers which needed to import raw materials from abroad or sought export opportunities on international markets were always exposed to the risk of fluctuation in currency rates. On the other hand, with the expansion of financial exchanges worldwide after the 1970s and the increasing interest of banks and financial institutions from the United States and other developed nations in investment abroad, giving and receiving loans in currencies other than local currencies turned to a convention in every corner of the world. This matter brought about the risk of currency rate fluctuations to any financial institution which has attempted to invest internationally.

The extreme need for economic activities to stabilize fluctuations in currency rates drove Chicago Mercantile Exchange to launch its first currency futures in 1972.

Iranian Currency Exchange is the country's most significant and most active financial market, which is dominantly considered a domestic cash market for US Dollar, Euro, Pound and other most frequently used currencies. The majority of the deals in this market are done between banks and customers. Alongside this market, there also exists a non-official currency market, where deals actively take place, and just like the official market, strict rules and regulations regarding currency transfers and quota apply. History has it that at times when Iran is faced with currency restrictions, the non-official market plays a more significant role in determining currency rates and leading the currency market.

Under such conditions, not only is the Central Bank unable to manage the currency market, but it is also not possible to allocate currency resources effectively to economic activities. An increase in risks and a decrease in investments are among the negative consequences of such conditions. To diminish risks and eradicating the impacts of currency rates instabilities on Iran's economy, the most adequate strategies are expanding financial markets by creating currency derivatives such as futures contracts and currency futures. Utilizing currency derivatives could also bring about other merits to Iranian currency market such as reducing the need for intervention in determining currency rates and establishing a touchstone for predicting currency rates' behavior.

Thus, Iranian authorities have decided to launch a currency derivatives market in Iranian Mercantile Exchange so that it could help Iran's economy grow and thrive in the post-JCPOA era. In order to delve into this issue further, Payam-E-Darya magazine has sat down with Dr. Hamed Soltaninejad, the director of Iran's Mercantile Exchange.

**Given the significant position and role of foreign currencies in Iran's economy, news about the launching of a currency derivatives market in Iranian Mercantile Exchange has turned into a hot headline in recent months. Practically, everyone is counting down for the launching of this market. Can you tell us when this count down will finally be over?**

Based upon out-of-recession Law, article 20, a directive must be devised and developed, and it has to be approved by the Cabinet. This directive is currently under preparation in the Securities and Exchange Organization (SEO), and once it is approved, the currency derivatives market will be launched.

**What advantages could the launching of currency derivatives market bring about for Iran's economy?**

The size of the financial markets is an indicator of economic development worldwide, and even economic theories have that countries' development is positively correlated with the development of their financial markets. Both experience and statistics vividly highlight that countries with developed financial markets enjoy more-equipped and better-allocated resources.

Our research as well as international experience demonstrate that the existence of a market which stabilizes currency rates fluctuations is a key piece of development's jigsaw puzzle. Sadly, we have been deprived of this puzzle piece in Iran so far. Nonetheless, by launching a currency derivatives market, we could create an opportunity for the synergy of other sectors of the financial market as well as for the equipping of the resources.

**How effective could currency derivatives market be in the absorption of foreign investment and the equipment of the resources?**

The majority of the experts acknowledge that in the current conditions, Iranian economy does need to absorb foreign investment. Indeed, in order to be able to reach its prospect of 8-percent growth rate, Iranian economy does need utilize foreign sources, as well.

On the other hand, certain infrastructures are required for the absorption of foreign investment, seeing that financial structure of the target country is among the first things foreign investors notice.

Besides, importers and exporters are in desperate need for a safe and secure atmosphere where currency rate fluctuations are stabilized. What we should bear in mind here is that we cannot simply impose Iranian-style economic structures on foreign investors; instead, what we need to do is to establish a market that is consistent with international patterns and principles so that we could earn the trust of any foreign investor. Here, currency derivatives market is potential to play a key role.

**One of the main criticisms extended to your plan is whether or not the single-product Iranian economy has the potential to accept and support currency derivatives market?**

Affirmative. I could refer to Brazil as an example. This country is practically the symbol of a single-product economy, which lays its basis on agricultural products. However, today, it owns one of the largest markets in the world. Hence, by establishing a prosperous financial market, Brazil managed to accelerate its economic growth and development to a great extent. We are well going to use the experiences of these countries in the establishment of currency derivatives market.

I should, nonetheless, point out that mercantile market was a valuable source of experience and knowledge for us in the field of derivatives market in the course of the past 8 years. Many experts also acknowledge that the mercantile market was a successful experience in the establishment of futures market for gold coins. Even though gold coins and currencies are two independent issues with a lot of differences, there is no denying that these two markets are positively correlated in terms of form and price, and the fluctuations in the prices of the two markets have many similarities.

**Overall, why is it necessary to establish a currency derivatives market?**

If we intend to move toward a market-oriented economy, establishing a currency derivatives market is one of the main and crucial steps.

**Is the formation of a currency derivatives market alongside gold coin's futures market intended to result in a transparent US Dollar market in the near future? Or is it intended to**

### **aid Iran's economy in the next 30 years?**

First of all, I must assert that for the time being, all countries are highly concerned with the formation of financial markets. In early 2016, an assembly was held in China regarding commodity-oriented securities on petrochemical products. China has focused all its attempts and policies upon strengthening its financial market, and has selected Hong Kong Trade Zone as its main window due to different reasons.

Very recently, a picture was released in social networks that had illustrated the size of each country based on the size of its financial market. The idea behind this picture was that if we set the size of each country's financial market as its area, what would the world map be like? One striking point about this map was that Hong Kong, Taiwan and Singapore were far bigger than countries like Russia and China. The countries that I just named have a lot to contribute to the world economy, because and only because they have strong and dynamic financial markets.

Now the question remains: What is a financial market? In the current Iranian context, people conventionally look at the financial market as

a place where there are economic activities and promissory note users who are looking only for pocketing profit. Thus, these people are looked upon with negative attitudes, they are called dealers, and they are removed from the market. But what is noteworthy here is that dealers in the financial markets are like energy: They never vanish, they just change from one form to the other. However, with the right management, these dealers can be channelized, and have them walk down a path where they can make contributions to the national economy. Currently, financial markets are growing on everything worldwide – even on essential commodities. In the assembly in China which I referred to earlier, a conflict could vividly be observed between Chinese and American economic approaches. The keynote speaker of the assembly was the board of the directors at Chicago Mercantile Exchange, where futures markets were invented. He was an 84-year-old man who was the mastermind behind the standard futures market. Why do you think China had invited this prominent figure as the keynote speaker?

The answer is simple: The Chinese have found out how they could capture the world of economy. They intend to establish a massive financial market



and all their strategies are moving toward this goal. The interesting point is that the United States is collaborating with and supporting China to accomplish this goal. Besides, when the decision to establish Asian Infrastructure Investment Bank was finalized and China was appointed as the main player in this establishment, the first country who expressed its interest in making investments in this bank was the United States. Other nations, including Iran, joined this bank later on. This, all and all, demonstrates the importance of the formation of financial markets.

As far as the currency market is concerned, extensive studies have taken place, and the main question here has been: Should the central bank intervene in the currency markets? To respond to this question, Bank for International Settlements (BIS) distributed a questionnaire among 19 central banks worldwide.

#### **What was the result of this survey?**

Of the 19 central bank directors, 11 stated that they never intervened in the currency market through derivatives markets or futures market. Two central bank directors reported that they usually utilize derivatives markets to reach their currency-related aims. Besides, all the 19 banks asserted that they merely follow their goals by intervening in financial cash markets. The study was conducted in 2013.

The conclusion that could be drawn from the ideas put forward by the developed nations' central bank directors is that they do not make any interventions in the currency markets since the private sectors in their nations have established such powerful and subtle financial market that central banks see no reason for any interventions. However, the central bank directors of the developing nations mostly stated that they play the key role in the currency market and private sector, hence, cannot play an effective role in this market.

If we deem Argentina as a developing country, the central bank follows its policies through direct exchange in the wholesale currency market, yet it does publicize the framework of its policies. In other words, they publicize the policies of delivering currency to the market. The same is the case in Brazil and many other countries.

Derivatives markets enjoy certain types of flexibilities that cash markets do not – namely delivering the currency at the due date. The currency we have in China is different from the currency we

have in South Korea, and their transfer is a vital matter in the face of sanctions.

However, in the derivatives market, currency deliveries do not necessarily result in delivery. In the South Korea exchange, futures deals are made with the default assumption that contracts do not intend to result in the delivery. South Korea is a perfect example for financial market and bonds. Through establishing various types of financial markets, including currency exchange, South Korea has managed to absorb sizeable financial resource. We have currently established a close contact with South Korean exchange, and we intend to utilize their experience in this field.

#### **What is the position of Iranian Central Bank in the currency market?**

As the main policy maker, Iranian Central bank has always managed the currency market, and has always been the custodian of this market. Meanwhile, based on its calculations and speculations, Central Bank has to release a timed schedule for its future conditions and plans so that economic activists make informed decisions about their deals in the currency market.

#### **Some experts believe that Central Bank is the key reason for currency ambiguities in Iran. Can the establishment of a currency derivatives market make clarification on the currency delivery situation? Is Central Bank willing to place itself within this framework?**

In many countries, central banks are bound to publicize their policies. And in some countries, central banks are placed in selling position for the purpose of marketing and policy making in currency exchange. Yet, central bank activities must be non-profit, since the whole purpose of central bank intervention is policy making and tuning up the market.

Developing countries have experienced this model, and it is observed that their central banks could intervene in their cash and futures market, and they publicize their policies. What is noteworthy here is that certain necessities are needed for the establishment of any market, including rules and regulations, conventional procedures, and appropriate hardware and software. The same are the needs of establishing cash markets.

In the capital market system, gold coin has



been enjoying proper dealing infrastructures and settlement procedures for a long time. Hence, if Iran's central bank intends to make a move toward the establishment of currency futures market or cash market, it could prepare the establishment via which it could manage the cash market or any other policy making procedures. Nonetheless, as far as secondary markets are concerned, infrastructures could only be prepared in the field of stock exchange.

**By this, you mean the infrastructures would be prepared for financial role players?**

Affirmative. Currency derivatives market is like a hot piece of iron that could be forged and turned to any shape. One side of currency derivatives market could be clarity, and other side could be risk management, risk stabilization, discovering prices, and meeting the needs of the dealers in the US Dollar market.

**Has a framework been determined for currency derivatives market? Have the macro and micro equities of this market been delineated?**

Currency derivatives market is a market of

conflicts for selling and purchasing. For example, in option deals, people insure themselves against rises and falls in the prices. Futures markets is place for the conflicts of ideas and perspectives about futures prices.

Hence, in this market, currencies are not exchanged and delivered unless the due dates arrive, whose regulations are determined in the contracts. Now, is it possible for any disruption to happen in the trends of demand and supply? Based on the experience gained in the futures deals of gold coin, certain maxima are set for different dealing codes to prevent such disruption. In other words, some restrictions could be set based on the determined policies. The same policies could be made for currency derivatives market.

**Is it mandatory for currency delivery institutions to enter the currency derivatives market? Or is it optional?**

There would be no obligation, and currency delivery institutions could enter the currency derivatives market based on their own decisions as well as on rules and regulations.

# INVESTMENT FUNDS, THE HIDDEN TREASURES OF THE IRANIAN STOCK MARKET

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The Iranian economy experienced a 7% growth rate in the year 2015 and according to the forecasts made by the International Monetary Fund (IMF) this rate will be 5% in the year 2017. On the other hand, given the political evolutions and the relative economic stability of Iran, the risk of investment in Iran has decreased and as a consequence the trend of investment is on the rise. Pundits are worried about security in the Middle East and consider the situation in the region as hay. In this midst however, Iran enjoys from a very high level of security. Based on what has been said about the economic, political and regional conditions, the business environment in Iran appears to be prospering. The country has always tried to improve this environment for entrepreneurs and economic activists, and over the last five years in particular effective measures were taken for indicators such as “setting up a business”, “facilitating the implementation of contracts”, “access to power”, “facilitating credit earning” and “facilitating overseas trade”.

In recent years’ the greatest obstacles for foreign investment in Iran have been the international







transfer of money and the foreign exchange risk. Following the international nuclear agreement these risks have been completely mitigated and at times completely removed and many foreigners have been active in the stock market in the fields of investment funds, private investment portfolios, production of consumer goods such as foodstuff and medicines, store management and sanitation.

The first foreign investor code in the Iranian Stock Exchange was given to a German Company in November 1994. Now investors from USA, UK, Russia, Germany, Switzerland, Sweden, Uzbekistan, China, the Netherlands, India, Turkey, Lebanon, South Africa, Japan, Cyprus, Italia, UAE, Norway, Greece, Indonesia, the Maldives, Hong Kong, Qatar, Iraq, Pakistan, Syria, Luxembourg, Kuwait, New Zealand, Malaysia and Afghanistan are active in the Iranian Market.

### **The process for foreign investors' involvement in Iran**

There are three ways for a foreign investor to

enter the Iranian market. In the first, the foreign investor directly applies for a transaction code and then proceeds to deal in units. In the second method, these investors enter the market through companies registered in Iran. Entry through investment funds registered with the Iranian Stock Exchange Organization is the third method available to foreign investors.

**Investment funds, the appropriate option for foreigners**

In the light of improved economic situation, political opening and increased international banking transactions, and given the low risk involved, investment funds appear to be the best option for investment in the stock exchange. Among the different types, the funds with fixed and combined returns seem to be the best choice for initial investment in the Iranian market due to their controlled risks and the relative stability of returns on investment in recent years.

**Investment funds in Iran**

Following the ratification of Stock Exchange Law in the year 2005 in Iran, the investment funds began their activities and they grew in number until 2009. Their structures are based on the two principles of management and monitoring, with the funds' executives managing the investment affairs and the auditors supervising the operations. The permit for establishment and operation of funds in Iran is issued by the Stock Exchange Organization, which also monitors their activities. The main executives are selected by the fund's assembly to deal with its day to day activities.

From the point of view of assets and structure, investment funds in Iran are classified as follows;

- 1- Stock investment funds,
- 2- Combined investment funds
- 3- Funds for investment in fixed-rate bonds
- 4- Index investment funds
- 5- Investment funds for tradable stocks
- 6- Land and property funds

Stock investment funds: The asset composition in these funds make up the minimum of 70% of the shares admitted in the stock exchange. Based on their permitted number of shares to be floated, these funds in Iran are divided into two categories of large

and small. In the small scale funds, the number of floatable shares is a minimum of five thousand and maximum of fifty thousand, while this number in the large scales varies between 50 and 500 thousand. The nominal price of each share is equivalent of one million Rials.

Combined investment funds: Funds are considered to be combined when they float a minimum of 40% and a maximum of 60% of their assets as fixed- rate bonds and their rest as stocks.

Funds for investment in fixed-rate bonds: These funds invest a minimum of 70% of their asset in participation bonds, bank deposits, bank deposit certificates and other fixed income securities and have a return similar to these bonds.

Investment funds for tradable stocks: Are investment funds whose shares are tradable throughout the day and which structurally resemble joint investment



funds. It is worth noting that these funds have the advantages of being highly cashable as compared to others as well as tax exemptions.

**Index investment funds:** The index investment funds are established with the objective of following a base index and for an investment portfolio composed of bonds of composition and weight as appropriate for the said index according to which its managers discharge their duties. The management role in these funds is a passive one and efforts are made solely in the context of conforming the composition and weight of the bonds to the base index.

**Land and property funds:** These funds are considered as an option for participation in the building industry even with a small investment. These funds collect the capital from the public to allocate it in the execution and sale of specific construction project. The estimated cost and the duration of the project are

mentioned on the fund's prospectus.

### The performance of investment funds in Iran

By mid-February 2017 the value of fixed income bonds, stock and combined funds reached to IRR 1,297,710 billion. Furthermore, based on the data published by the Secretariat of the International Stock Exchange Federation, at the end of 2016 the index value of Tehran Stock Exchange closed at 79,487 units. Compared with the value of index at the end of 2015, this figure represents a 29% growth. From this aspect, the Tehran Stock Exchange experienced the third highest growth rate in the region of Europe, Middle East and Africa after Egypt (76%) and Casablanca (30%) stock exchanges.



IRAN MERCANTILE EXCHANGE(IME)

# A WINDOW TO THE GLOBALECONOMY

By: *SATTAR MORADI*



**I**ran Mercantile Exchange(IME) established on 20 September 2007 from the merger of the Tehran Metal Exchange and the Iran Agricultural Exchange, IME trades in agricultural, metal and mineral, oil and petrochemical products in the *spot market* and gold coin in the *futures market*. The Exchange handles over 25 million tonnes of commodities on an annual basis worth in excess of 14 billion USD. IME caters to both the domestic and regional markets, bringing together a host of trade participants and market makers from the capital market community, trade and industrial sectors, hedgers, retail and institutional investors.

The Exchange uses advanced technology in providing trading infrastructure as well as facilitating other services. IME has global ambitions and currently provides price referencing for the regional market in main commodities and intermediaries.

### Services & Trading

IME provides a range of different services, allowing clients to maximise opportunity on the exchange. The scope of the services includes:

- Access to the initial offering of listed commodities
- Price discovery for over-the-counter and Side markets
- Representing governmental buyers and sellers of commodities
- Settlement services with certified third-party clearing house
- Risk management services
- Facilitating financing options
- Providing training and education for market end users and members of the public

**Risk management:** Competent risk management ensures market integrity and continuity. Two types of risk IME transactions are exposed to:

1. Spot market risk can occur if the seller defaults on delivery. This can be mitigated through collateral management and guarantee by the clearing house, the central depository, and settlement companies.
2. Volatility risk can occur from positions in the derivatives market. To mitigate this, the Exchange operates end-of-day and real-time margining systems



to identify risky client and broker accounts.

IME views risk from two standpoints; firstly, the risk management of exchange-traded contracts are administered by the clearing houses in the spot and derivatives markets using instruments including collaterals and margins. Secondly, the Exchange provides tools to manage the risk of price volatility as well as changes in production. The IME is active in the area of risk hedging tools, presenting a range of standardized derivatives contracts.

**Price discovery:** The IME plays its role of price ‘discovery’ efficiently in the commodity markets. A wide variety of commodities are listed and traded on the IME for which price discovery takes place at a national and international level. The IME spot market price ‘discovery’ mechanism is based on supply and demand as well as bids and offers posted into the trading platform (TTS). On IME’s derivatives market daily transactions commence with an initial price discovery through single price auctions for each contract month, followed by continuous auctions.

**Markets**

As an exchange that operates as the main platform for commodities trading, IME has developed suitable

solutions for efficient service delivery:

**1. Main Market:** For all listed commodities trade is implemented by registering all buyers (and their associated brokers) with an IME ID, this is used to place purchase orders on the Total Trading System (TTS). On the trade platform, transactions are performed as auctions and prices are discovered based on the supply and demand orders of participants. The international side of IME transactions are performed in the Persian Gulf for export-transactions.

**1.1. Spot Market:** Operates the cash, credit and forward physical trading of the listed commodities. For cash/credit (also called Naghdi), commodities are cleared and settled on T+0 and delivery of the product is made on T+3.

**1.2. Derivatives Market:** Comprises of futures and options trading. Futures are a contractual agreement to pay for a commodity at an agreed price on a future date and options provide the extra benefit of the buyer being able to choose to opt out of the futures



contract, at a premium. IME has launched various futures contracts on gold coins and is now developing new standalone and combination products for currency, agriculture and other commodities.

- 1.3. **Financial Market:** provides instruments for financing the industrial and production sectors. The exchange provides two transaction methods: Standard Parallel Salam (SPS) and Custodian Depository Receipts (CDR). Forwards (Salam) have T+45 deliveries.
2. **Side Market:** operates on the spot market mechanism to provide trading and price discovery opportunities for the non-exchange listed commodities, such as; real estate, aviation, land and property.
3. **Export Pit:** The export pit of the IME was launched in 2007 trading bitumen. However, based on the long term strategy of the Iranian

government to increase the export of crude oil and petrochemical products, the international trading floor is located on Kish Island aimed at:

- The trading of different oil by-products including bitumen of different grades, sulphur, chemicals
- The pricing of petrochemicals
- The development of the Exchange as a regional price setter
- Unrestricted access for traders and international participants to enable block trading

### Commodities

IME facilitates the trading of commodities and products through its main and side markets. The main market focuses on standardized industrial, petrochemical, and agricultural commodities as well as some oil by-products like bitumen. The trades are done in single open outcry auctions for each commodity which is cleared with different terms of settlement and delivery.

Main Market	Commodities of Market
Industrial	Ferrous and non-ferrous metals: steel, copper, aluminium, zinc, lead Precious metals: gold bar and bullion, rare metals concentrate
Petroleum	Bitumen, vacuum bottom, lube-cut oil
Petrochemical	PP, PE, LDPE, aromatics, SBR feed stocks, MS, PS
Agriculture	Maize, sugar, meat, eggs, rice, soybean, lentils, saffron
Side Market	Non-exchange commodities, land, property, real estate, automobiles, aeroplanes



**THE VALUE OF IME'S FINANCIAL MARKETS SURPASSED 446,000 BILLION RIALS**



### Types of Trading

Spot Trading Resulting in Physical Delivery

The Exchange has developed a solid infrastructure for transactions using various methods of sales including: physical cash; Credit and Forward contracts. IME employs Certificates of Deposit (CDR) as instruments facilitating the physical delivery of commodities.

1. **Cash Trades:** After matching the trade the buyer pays the full amount of the contract value. The clearing house issues the warehouse warrant (receipt) and the customer

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**THE EXCHANGE HAS PROVIDED THE OPPORTUNITY FOR SUPPLIERS AND PRODUCERS TO SELL THEIR COMMODITY IN THE SPOT MARKET IN THE FORM OF CASH FORWARD DELIVERY CONTRACTS**

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takes the delivery of the commodity within 72 hours as standard. This can be extended to a maximum of 10 days as per the offering notice on the delivery information.

2. **Forward:** The Exchange has provided the opportunity for suppliers and producers to sell their commodity in the spot market in the form of **cash forward delivery contracts**. Sellers are paid the full transaction discounted value by the clearing house at a discounted rate and to deliver the commodity to the buyer at contract maturity. This way the listed producers can raise the required capital for production. The exchange has facilitated the raising of 8 billion USD for the listed industries on the spot market since 2008.

In this type of trading, the buyer pays in advance the contract's effective value after matching the trade. The buyer is issued a warrant by the clearing house and receives the commodity within the period

specified in the offering notice. The seller receives the contract value within a standard 72 hours or within the time specified in the offering notice up to a maximum of 10 days. The offering details and delivery date are announced to the brokers by the trading floor supervisor before the trade.

3. **Credit:** In this type of transaction, the buyer receives the commodity in advance after matching the trade based on the warrant issued by the clearing house. The seller receives money from the clearing house within the period specified in the notice of offering.

Financial Market

4. **Futures Trading:** In futures trading clients place their orders with one of the brokers licensed for futures trading. The initial margins are paid by the clients to their own specific account code but the clearing house is the sole authority for transferring the margins between client accounts.





Bids and orders are placed electronically with clients able to adjust bids through their broker based on market movements. By matching the prices of bids against asks, open positions or open interests are formed which can remain open only up to the end of the trading session. At the end of the trading hour a daily settlement price is calculated and announced by the clearing house for the settlement of the contracts. The clearing house issues margin calls for the lower-than-the-maintenance-amount client accounts to bring the amounts of their accounts to the initial margin level. At the maturity date clients scheduled for physical delivery of underlying assets may perform their delivery subject to contract.

To become a customer of the futures market, one should:

- Open an account with IME clearing house via a broker
- Have an initial margin payment
- Place orders
- Match orders based on the price and order in the trading system (CDN)

- Deliver the underlying asset at sellers/ buyers option

5. **Standard Parallel Salam (SPS)** is another innovative solution launched for the first time by the exchange. The instrument consists of an initial offering and a daily secondary market within the contract period. The seller issues units of investment using volumes of an underlying asset. These units are able to make capital gains or accumulate interest for the owner; such that the underlying assets allocated only needs to be delivered at a specified maturity date. An investment bank pays the producer in advance with the expectation it will be delivered by a set maturity date.

Investors who would like to close out their investment can sell these units at a higher price and earn the interest for their investment. Investors that choose to keep the units up to maturity date would receive the physical delivery of the commodity/underlying asset from the issuer. IME has raised working capital for industries based on this solution worth 2 billion USD annually.

6. **Custodian Depository Receipts (CDRs)** are financial contracts based on commodities stored in the Exchanges licensed warehouses. The initial trade of the commodity is implemented through IME's platforms and the receipt is issued to the buyer. IME provides the opportunity for secondary trading of warehouse receipts through Tehran Securities Exchange Technology Management Company (TSETMC). These receipts could be accepted by banks as collateral for financing and obtaining loans.

## Trading Process

### Offer Announcement Procedure

To offer commodities on IME, the supplier's broker should fill in the order placement form and deliver it to the exchange along with the following documents by 12 a.m. at the latest on the working day before the offering day:

1. Product specifications
2. Quantity of product
3. Maximum increase in offering by supplier
4. Type of trade ( cash, SALAM or



- credit)
5. Base price
6. Offering date
7. Name of supplier and producer
8. Settlement information
9. Timing and place of delivery
10. Packaging
11. Other information

Offerings for commodities in the spot market are announced 24 hours before the trading takes place; this happens through the Exchange's website allowing clients to place orders with their brokers and ensure trades will be matched and cleared. Clients in the derivatives market perform trades in line with specifications covering futures contract, order type, validity and price.

### Preliminary Stages before Trading Floor

The buyers shall choose from the active brokers approved by IME to place their order. They will go through the following stages for their first purchase via IME:

1. Choosing a broker
2. Receiving trading identification code for the exchange (for the first purchase)

3. Receiving bank account (for the first purchase)
4. Placing the order through the broker

### The Clearing House

The Central Securities Depository of Iran (CSDI) acts as the clearing house for IME. CSDI acts as a central counterparty to every trade on the Exchange, and ensures; collateral management, settlements of trades, and fulfilment of the contractual commitments for all parties.

**Clearing Process:** In accordance with the instructions, regardless of type of contracts (cash, SALAM or credit) the clearing process is possible in one of two forms i.e. cash or credit settlement.

In cash settlements, the buyer is required to deposit the amount stated on the contract to the settlement account, within the deadline (maximum of three working days).

In the credit settlement method, the credit settlement document and other documents on official company format are rendered by the buyer to the clearing house, after getting confirmation of the seller, the buyer and buyer's broker.

**The Settlement Deadline:** The settlement deadline



**THE IME ASSURANCE IS SET TO BEST PRACTICES APPLICABLE TO IME'S RENOWNED QUALITY CONTROL CURRENTLY IMPLEMENTED FOR WAREHOUSING COMPANIES, WITH SEVERE PENALTIES FOR ANY DEVIATION** ”



is three working days after completion of trading. The timing of settlement would be determined based on the IME's Board of Directors resolution. Accordingly, the last time to deposit the amount stated on the contract is 1 p.m. of the third day. All receipt of deposit and contract documents should be submitted to the clearing house by brokers before 3 p.m. of each day through the system (TTS).

**Operating Account** is a banking account for the settlement based on the Clearing House instructions.

### **Branding and Warehouses**

IME seeks to contribute to the branding and benchmarking of Iranian commodities at an international level. It uses Custodian Depository Receipt (CDR) instruments and export warehouses to establish direct and long-term relations between Iranian manufacturers/producers and international buyers. This initiative will cover bitumen and petrochemicals for which Iran has a huge market share.

The warehousing standards will comply with global stipulations, providing quality and full conformity with analytical specifications. The IME assurance is set to best practices applicable to IME's

renowned quality control currently implemented for warehousing companies, with severe penalties for any deviation.

### **International Ties**

The strategic approach of the IME is to establish and increase constructive ties between regional and international exchanges. The membership of the Exchange in the Association of the Futures Markets (AFM) and its participation in regional and international conferences held by the International Commodities and Derivatives Association (ICDA), and other distinguished bodies are in line with this policy.

IME intends to be at the forefront of regional developments. A list of IME's recent involvements is given below.

- Full member of AFM (Association of Futures Markets) since 2007
- Memorandum of Understanding (MoU) signed with Belarusian Universal Commodity Exchange (BUCE) since 2012
- MoU signed with Kazakhstan Exchange (BEREKET) in 2012
- Holding on-site training courses for the

- Federation of Euro-Asian Stock Exchanges (FEAS)
- A member of Inter-Exchange Electronic Trading Union (IEU)
- Launching of joint Trading platform with Indonesian Capital Market
- Several other global partnerships are in discussion to be agreed upon, announcement will commence at a future date

**Members and Shareholders**

There are 80 listed brokerage companies in IME who are the members of the Exchange, licensed by the market regulator, the Securities and Exchange Organization. The brokers are authorized to trade, settle and clear contracts on behalf of registered clients who are vetted under IME regulatory requirements.

**Shareholder Composition**

#	Shareholders type	Number of Shareholders	Number of Shares	Shareholding (%)
1	Member Brokerages	33	43,834,500	9.74
2	Manufacturers, Suppliers and Other Exchange Participants	87	87,867,207	19.53
3	Financial Institutions Except for Member Brokerages	47	174,528,000	38.78
4	Other Corporate Bodies	4,324	143,770,293	31.95
<b>Total</b>		<b>4,491</b>	<b>450,000,000</b>	<b>100.00</b>

**Upcoming Plans**

**Derivatives Products Development:** launching new futures on foreign currency, bitumen and agriculture products

**CDR Product Development:** new underlying assets like vehicles on warehouse warrants trading platform

**Holding the Tenders of Governmental and Private Sectors:** IME is working on an initiative to hold national and international tenders using exchange-traded instruments and CSDI collateral management and clearing services mechanisms

**Transactions of Export-import Rights:** based on this innovation all trade licenses or permissions issued by the legal authorities for the export or import of commodities can be traded and transferred through the transparent infrastructure of the commodity exchange.

**ETC:** The launch of exchange-traded commodity funds

SHAREHOLDERS (%)



**IME’s Performance Report for 1395 Hijri year**

Over the last year, in excess of 33 million tonnes of commodities worth over 817,000 billion Rials were traded on physical markets of Iran Mercantile Exchange in cash and credit and on financial markets of the exchange within the framework of futures contracts, standard parallel SALAM contracts and certificate of depositary receipts (CDRs), experiencing a growth of 26% in terms of trade volume and a growth of 73% in terms of trade value compared to the same period of previous year.

**IME’s Financial Market Worth 446,000 billion Rials**

According to the report by the IME’s International Affairs and PR, over 2016, the value of IME’s financial markets including derivatives markets,

standard parallel SALAM contracts and certificate of depositary receipts (CDRs) surpassed 446,000 billion Rials and compared to the market value of 173,000 Rials in 1394 Hijri experienced a growth of 157%.

The derivatives market of IME, in 1395, played host to trading more than 3,245,000 gold coin futures contracts with over 390,000 billion Rials trade value and compared to the same period of the previous year experienced a growth of 91% and 134% in trade volume and value, respectively. Furthermore, 42,852 options contracts worth more than 503 billion Rials were traded on the same market.

billion Rials were traded on the physical market of IME. The volume and value of the market, compared to the previous year, witnessed 10% and 25% of growth, respectively.

### **A 21% Growth in Trade Value of Metal and Mineral Commodities**

Over this period, on metal and mineral trading floor, different groups of products including iron ore, aluminium, steel, zinc ingot, gold bullion, copper, cement, precious metals concentrates, molybdenum sulfur and metallurgical coke were traded.



Moreover, 7.1 million tonnes of commodities within the framework of standard parallel SALAM contracts and 453,000 of underlying assets were traded in certificate of depositary receipts (CDRs) out of which 10,082 gold coins were traded in CDRs. On this market, IME saw trade value of 55,000 billion Rials in trading standard parallel SALAM contracts and certificate of depositary receipts (CDRs) which, compared to the value of 7,000 billion Rials in 1394, has risen by over 596%.

### **IME's Physical Market Worth 371,000 billion Rials**

Based on the report, in excess of 25,472,000 tonnes of various commodities worth more than 371,000

The oil and petrochemical trading floor witnessed trading of bitumen products, polymer and chemical materials, slaps wax, insulation, argon, sulfur lumps and granulated sulfur, heavy and light lube-cut oil, and VB feed stock were traded on the export and domestic sectors. The agricultural trading floor played host to trading of commodities such as feed barley, maize, sugar, meals, frozen chicken, saffron, wheat and durum, rice, oilseed and crude vegetable oil.

The metal and mineral trading floor within the period witnessed trading of more than 9 million tonnes of commodities worth more than 155,000 billion Rials, compared to the same period last year, experiencing over 21.6% of growth in terms of trade value.



Out of the total transactions on this trading floor, approximately 6.8 million tonnes of commodities worth 116,000 billion Rials were traded in SALAM (physical forward). About 2.5 million tonnes of goods worth more than 40,000 billion Rials were traded in cash. Also, 5,740 tonnes worth 460 billion Rials were traded in credit.

On the steel group, more than 6,968,000 tonnes of commodities with over 117,000 billion Rials trade value were traded and compared to the same period of the previous year experienced growth of 4.2% and 27% in trade volume and value, respectively. Furthermore, on this trading floor, over 111,000 tonnes of aluminum, 1,490 tonnes zinc ingot, 261,000 tonnes of copper, 126 tonnes of precious metals concentrates, 6,040 tonnes of molybdenum

sulfur, 8,500 tonnes of metallurgical coke, 2,030,000 tonnes of iron ore and 5,500 tonnes cement were traded. 620 Kg of gold bullion were traded on the same trading floor which compared to 1394 Hijri experienced growth of 3% and 19% in trade volume and value, respectively.

### **A 229% Growth in Agricultural Commodities Trade Value**

Over 1395 Hijri, more than 2,509,000 tonnes of agricultural commodities were traded that compared to the same period of the previous year experienced growth of 229% and 199% in trade volume and value, respectively.

Out of the total transactions on this trading floor, approximately 2.215 million tonnes of commodities



worth 20,000 billion Rials were traded in cash. About 286,000 tonnes of goods worth more than 7,000 billion Rials were traded in SALAM (physical forward). Also, 7,260 tonnes worth 105 billion Rials were traded in credit.

On the feed barley group, more than 1,247,000 tonnes of commodities with over 8,000 billion Rials trade value were traded and compared to the same period of the previous year experienced a significant growth. Furthermore, on this trading floor, more than 342,000 tonnes of mазie, 11,360 tonnes of meals, 15,046 tonnes of frozen chicken, 12 Kg of saffron, 18,571 tonnes of rice, 50 tonnes of oilseed and 50,014 tonnes of crude vegetable oil were traded. Also, 400,698 tonnes of sugar valued at more than 9,000 billion Rials were traded on this trading floor.

### **Trading over 13 million tonnes of Oil and Petrochemical Products**

Over 1395 Hijri, in excess to 13 million tonnes of various commodities worth more than 184,000 billion Rials were traded on the oil and petrochemical trading floor that experienced growth of 7% and 16.32% in trade volume and value, respectively.

Polymers account for the highest transaction volume of petrochemicals so that 2,597,000 tonnes worth 96,000 billion Rials were traded that compared to the same period of the previous year experienced growth of 27% and 32% in trade volume and value, respectively.

On the chemical products group, trading of 961,000 tonnes of chemical products with over 17,000 billion Rials trade value was recorded and compared to the same period of 1394 Hijri experienced growth of 25% and 44% in trade volume and value, respectively.

On the oil products group, 5,227,000 tonnes of bitumen products worth over 40,000 billion Rials were traded and compared to the same period of 1394 Hijri experienced a growth of 20% in terms of trade volume. 350,000 tonnes of sulfur, 3.2 million tonnes of VB feed stock, 1,024,000 tonnes of lube-cut oil, 29,100 tonnes of slaps waxes as well as 44,527 tonnes of insulation are among the other commodities traded on this trading floor.

### **Trading over 30 billion Rials of Various Commodities on Export Ring of IME**

Over the last year, about 5 million and 748 thousand tonnes of different kinds of products worth more than 30 billion Rials were traded on export ring of IME. On this ring, two million and 30 thousand tonnes of iron ore worth more than 2 billion Rials for export to global markets were traded. Also, 3 million and 396 thousand tonnes of bitumen worth more than 26 billion Rials were traded on this ring. Moreover, 210 thousand tonnes of sulfur valued at more than 366 million Rials were traded. Other commodities traded on this ring include 44 thousand 527 tonnes of insulation, 31 thousand tonnes of agricultural products, 15 thousand 700 tonnes of lube-cut oil and 17 thousand 750 tonnes of VB feed stock.

#### **Side Market Performance**

Last but not least, on the side market of IME, over 1395 Hijri, 114 thousand 606 tonnes of goods in agricultural commodity groups, polymers, chemicals, scraps, metals and minerals, sulfate and lime, worth more than 1,472 billion Rials were traded.

# IRANIAN PARLIAMENT OPENS IRAN'S ECONOMY GATE TO THE WORLD

By Sepideh Yousefi

**F**ollowing the sanctions removal and opening of Iran's economic gates to foreign trade as well as Islamic Republic of Iran's policy on expanding economic-political ties with different countries around the world particularly those of long-lasting friendship and collaboration background, Iran government sought to improve prosperity and welfare in the region by establishment of peace, stability, and tranquility.

*The parliament of Islamic Republic of Iran passed relevant bills for expansion of such relations with other nations and establishing of legal foundation for inter-governmental activities, facilitating economic and commercial relations, and improving bilateral cooperation.*





Following the third visit of Czech economic delegation in two years ago and holding various expert meetings with economic entities of Iran, parliament passed an agreement between these two countries for strengthening bilateral relations and facilitating economic collaboration. It is stipulated that “the government of Islamic Republic of Iran and Czech Republic, willing to develop and intensify economic, industrial, technical, and technological relations aimed at satisfying mutual interests and conscious of the necessity of an appropriate legal

framework according to rules and regulations of the two countries, signed an economic cooperation agreement entailing six articles”.

This agreement seeks to encourage measures contributing to development of mutual economic cooperation, improving cooperation on mutually favorite areas, enhancing mutual economic and commercial relations, facilitating investment, identifying economic and investment opportunities, encouragement of closer industrial and commercial cooperation, and facilitating network activities of

entrepreneur institutions of the two countries”.

The agreement was issued on 18<sup>th</sup> of January 2016 in two original versions in English, Persian, and Czech and passed recently on 22<sup>th</sup> of November 2016 in parliament of Islamic Republic of Iran.

One year after Iran’s president visit with Croatia authorities and seven months after the country’s high-ranking officials’ trip to Iran and expressing their willingness to have extensive economic cooperation, the parliament of Islamic Republic of Iran showed positive legal signals to this willingness.

Economic cooperation agreement entailing 9 articles was signed between Iran-Croatia in anticipation of stronger intimate relations and in an attempt for expansion and development of economic relations.

Economic objectives of this agreement are development of economic cooperation in all economic areas based on mutual interests following Iran-Croatia regulations. Relying on economic potentials of the two nations, bilateral industrial, technical, and technological cooperation will be facilitated through this agreement. Implementation of projects such as; transportation (road, air, sea, rail), infrastructure and construction, energy and power industry, petroleum, gas, petrochemical and relevant industries, light and heavy industries, agriculture, tourism, industries, small and medium corporations, inter-company cooperation, and other areas of economic and industrial collaboration are all stipulated in this agreement.

In line with economic policies of Iran and enhancement of such relations, Iran and Lithuania as well signed economic cooperation agreement including 9 articles willing to strengthen and develop bilateral economic relations based on equal footing and mutual interest.

These two governments expected this agreement will facilitate various kinds of cooperation especially the economic one between the two nations.

Among different goals perused in this agreement, it is hoped that based on international obligations, governing rules, and other legal documents, an all-out attempt is made for reinforcement and diversification of beneficial economic cooperation in favorite areas. Besides, applying this agreement, rights and obligations of these two countries in the UN will not be overshadowed.

This agreement addresses cooperation areas such as industry, energy, transportation, science, technology and innovation, information technology and telecommunication, environment conservation, agriculture, tourism, education, and medical care.

Economic cooperation agreement between Islamic Republic of Iran and Republic of Lithuania was signed on 29<sup>th</sup> of May 2016 in two original versions in Persian,

English, and Lithuanian and its bill was passed later in Iran’s parliament.

Since customs significance can’t be ignored in trade development and economic satisfaction, constant cooperation and economic activities as well as improvement of relations necessitate discretionary measures which were of course taken by Iran. Accordingly, tax and customs agreements were signed with different countries among which tax agreements of Iran- Slovakia, and Iran-Hungary can be mentioned. Iran’s cooperation with Slovakia and Hungary is more seriously followed than other Eastern European countries.



Within last month, Iran and Slovakia signed an agreement entailing 28 articles to avoid tax and preventing tax evasion in case of income taxes.

This agreement includes income taxes that are set by a government or subsidiary political divisions or national authorities regardless of how they are demanded. In this agreement, income tax of Iran and Lithuania is considered. It also includes other taxes similar to extent ones added or replaced after signing this agreement. Accordingly, authorities must inform one another of important changes in tax regulations.

This agreement was arranged on 19<sup>th</sup> of January 2016 in two original versions in Persian, Slovakian, and

English and it was passed on 22<sup>th</sup> of November in Iran's parliament.

Parliament as well passed a similar agreement for reinforcement of Iran's cooperation with Hungary. It is worth mentioning that, Early Autumn this year, a 110-member economic and commercial delegation including the head of chamber of commerce, the president of export and import bank of Hungary and other private companies traveled to Iran. It is stipulated in this agreement that : “ regarding the necessity of developing economic ties between Iran and Hungary and the necessity of taking legal measures to avoid extra tax from natural and legal persons active in both countries, an agreement needs to be signed between the government of Islamic Republic of Iran and the government of Hungary”. To avoid demanding extra tax and preventing tax evasion regarding income and capital tax, the agreement was arranged in 29 articles and protocol additional.

This agreement addresses items such as income tax, real estate gains tax, agriculture, law, occupations of natural and legal persons, accidental incomes, and capital tax for Iran and income taxes such as personal income tax or capital income taxes such as land and building taxes for Hungary.

Additionally, the agreement also includes taxes similar to extant ones or those added after signing the agreement. Accordingly, authorities of the two countries shall inform one another of significant changes in their tax regulations.

This protocol consists of one introduction and two paragraphs arranged in two original versions in English, Persian, and Hungarian. It was set on 30<sup>th</sup> of November 2015 in Tehran and later on 20<sup>th</sup> of December 2015, it was passed in parliament.

In this regard, it is reported that other bills such as agreement on encouragement and advocating investments between Iran and Slovakia, Poland, Japan, Tanzania, and Russia have been passed.

Geostrategic significance of Iran influences upon political and economic relations of this country with others so that any step toward economic relations must as well takes into account the current political backgrounds. All agreements closed within the presidency period of Rouhani, bills and regulations passed in the 10<sup>th</sup> parliament, establishing free zones, etc. bode well of appropriate conditions for developing economic and political ties, since the most important obstacle impeding trade is unawareness of existing obstacles so they need to be identified and removed.



**“ IRAN'S  
COOPERATION  
WITH SLOVAKIA  
AND HUNGARY IS  
MORE SERIOUSLY  
FOLLOWED THAN  
OTHER EASTERN  
EUROPEAN  
COUNTRIES ”**

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*When the New Year arrives, it brings with it new ideas and ways to make our business good to better and ultimately better to best. Happy New Year.*

**HAPPY  
New  
Year**

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# Marine



**OutLook!**

# MAJORS SHAKE HANDS



By: *Leyla Beyranvand*  
*Mehri Azizi*

Hyundai Heavy Industries Co., Ltd. (HHI) is the world's largest shipbuilding company, headquartered in Ulsan, South Korea. It has seven business divisions: Shipbuilding, Offshore & Engineering, Industrial Plant & Engineering, Engine & Machinery, Electro & Electric Systems, Construction Equipment, and Green Energy. Hyundai Heavy Industries operates 10 drydocks equipped with 9 Goliath cranes and cutting-edge construction facilities in Ulsan and Gunsan. Each drydock and facility is specially designed to build ships the most efficiently for that ship type: Drydock No.1 is mainly assigned for drillships; Drydock No.3, with a capacity of 1 million DWT, can build containerships and tankers at the same time; Drydocks 6 and 7 build naval ships and special purpose vessels; and Drydock No. 8 is for LNG ships. The Gunsan Shipyard, built in 2009, features a 1.3 million DWT drydock, a 1,650 ton Goliath crane and state-of-the-art production facilities, in which 20 ships can be built annually.<sup>1</sup> Over the past 44 years of operation, HHI has

1- [http://english.hhi.co.kr/biz/ship\\_over](http://english.hhi.co.kr/biz/ship_over)

## Building Facilities

■ Area & Building Capacity / Building Docks

SITE: 9,300,000m <sup>2</sup>				WORKS: 5,000,000m <sup>2</sup>						Gunsan Dock
DOCK	NO. 1	NO. 2	NO. 3	NO. 4	NO. 5	NO. 6	NO. 7	NO. 8	NO. 9	
Length	390 m (165 m)	500 m	672 m	380 m	380 m	260 m	170 m	460 m	460 m	700 m
Width	80 m (47 m)	80 m	92 m	65 m	65 m	43 m	25 m	70 m	70 m	115 m
Depth	12.7 m	12.7 m	13.4 m	12.7 m	12 m	12 m	11 m	12.7 m	12.7 m	18 m
Crane	1×1,290T Goliath 2×450T Goliath 2×40T Jib 2×30T Jib	1×1,290T Goliath 2×450T Goliath 1×150T Jib 1×80T Jib 2×30T Jib 1×20T Jib	2×350T Jib 1×200T Jib 1×150T Jib 1×80T Jib	1×200T Jib 1×150T Jib 1×20T Jib		1×900T Goliath 1×900T Goliath 4×30T Jib 1×20T Jib		1×1,650T Goliath 2×40T Jib 1×30T Jib		
Max. Size DWT	700,000	700,000	1,000,000	400,000	400,000	150,000	15,000DWT 8,000Disp	500,000	500,000	1,300,000

Combined Length of Outfitting Quay: 7,400 m

delivered more than 1,961 ships, an aggregate of over 186 million dwt, to 298 ship owners from 50 countries.



Performance by Ship Type As of December 31, 2015

Ship Type	No.
Crude Oil Tankers	390
Product Carriers	131
Full Containerships	596
Bulk Carriers	376
LNG Carriers	52
LPG Carriers	145
Drillships	16
Car Carriers	52
OBO Carriers / VL00	46
Ro-Ro Passenger Ships	2
FPSO / Offshore Rigs	14
Chemical Tankers	12
Ro-Ro Ships	17
Multipurpose Cargo Carriers	44
PROBO Carriers	3
Refrigerated Cargo Vessels	5
Special Purpose Vessels	60
<b>Total</b>	<b>1,961</b>

As read in the news, IRISL placed order of 10 ships to renovate its fleet and retake its share in international market in post- JCPOA.

The following is an interview with Mr. Yeo, the vice president in Hyundai's ship/offshore division about the outlook of cooperating with IRISL and the plans forward.

**1- What is Hyundai's attitude toward working with Iranian shipping lines and how the cooperation will affect the development of relations between Iran and South Korea?**

**HHI Group's Reply**

HHI Group and IRISL have long been a close business partners since 1996 with 42 vessels Newbuilding orders for HHI and HMD in Ulsan.

Especially, in December 2016, HHI Group and IRISL resumed newbuilding activities and concluded a deal of contracting six(6) MR Product/Chemical carriers and four(4) 14K TEU Containerships, which is surely the fruit of mutual trust and cooperation established by both companies.

We believe this order will serve as an opportunity for both companies to foster closer relationships for years to come.

**2- The contract between IRISL and Hyundai includes a note which reads about the technology transfer from Hyundai to Iran. How is it going to be accomplished by Hyundai?**

**HHI Group's Reply**

Under the recent shipbuilding contracts signed between HHI Group and IRISL, both parties agreed to undertake cooperation mentioned below in general and details are under discussion.

1) Technical cooperation and assistance of Newbuilding at Iranian Shipyard

If ships are to be built at an Iranian shipyard, HHI Group agreed to provide basic design of ships, material procurement and technical assistance.

2) On the job Training for Iranian Experts/Apprentices

HHI Group also plans to provide a series of training program for Iranian shipbuilding experts and trainees.

3) Iranian Industrial products, materials and services

HHI Group agreed to investigate the possibility of using Iranian material for the current newbuilding project.

**3- As you are aware of, there are some representatives from the liners to observe the process of shipbuilding. How is Hyundai going to cooperate with the representatives from IRISL?**

**HHI Group's Reply**

Over the past 45 years, in a seamless cooperation with tens of thousands of supervisors dispatched by shipowners or classification societies, HHI Group has successfully delivered 3,000 plus quality ships on time for clients around the globe.

Likewise, IRISL and HHI Group will successfully build the vessels with joint cooperation through sharing their thoughts and culture each other as done the same for the past newbuilding projects.

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# REACH GROUP, IRISL ESTABLISH JOINT VENTURE



An Interview with the Reach Group Managing Director:

## 1. In the light of the lifting of the sanctions and the execution of JCPOA, where do you see the future of Iranian market?

Lifting of the sanctions and putting JCPOA into practice opened new horizons ahead of Iranian trade, and I can reassuringly paint an optimistic and bright economic future for Iran. In line with this trend, my company would like to seize the new opportunity, and extend our import and export exchanges with Iran. It is worth mentioning that my company never terminated its collaboration with Iran at the sanctions' era, and offered its cooperation in various fields. The principle fields in which we are involved are as follows:

- International logistics
- International trading
- Hotel management
- Research and development of science and technology
- Public bonded warehouse



and customer control stations

## 2. What are your future plans for promoting your ties with IRISL?

Collaborations between IRISL and Reach Group date back to long ago; however, we are taking a new step by establishing a joint venture between IRISL and Reach Group trade men. This joint venture will be established soon, and it will be a launch pad for further future collaboration. The headquarters of the joint venture is going to be on Kish Island.

# CONSOLIDATION THE TRUMP CARD IN SHIPBUILDING

*By: Mehri azizi*





More Chinese shipyards, in particular privately-owned enterprises, are expected to go bankrupt or shut down due to debts or simply having no new orders to sustain operations.

With more than 3,000 shipbuilding enterprises, mostly speculative yards, counted at the start of 2010, that number has drastically dwindled to only around 300 today, and only a little more than 100 yards have active day-to-day operations.

China's state-owned shipbuilders and China State Shipbuilding Corporation (CSSC), for instance, have responded to the declining new orders by consolidating its various yard subsidiaries so as to streamline operations and maximize facility utilization.

Therefore, PD managed an interview with a Chinese shipbuilding to evaluate the market through a shipbuilder's point of view. In this regard, Mr. Lin Wang, the, the general manager assistant at Penglai Zhongbai Jinglu Ship Industry Co. Ltd which is located in Penglai, Shandong, China which was established in April 2006 by Shandong Huiyang Group and engaged in shipbuilding and offshore projects. After 10 years' rapid development, the shipyard has become one of the leading private shipyards in China, vice president company of China association of the national shipbuilding industry, and one of key shipyards listed Chinese government's "white list" with over 3000 employees and the product range covers merchant ship such as bulk carrier, container ship and tanker etc, high-level fish vessels such as Chinese first saury/squid hybrid vessel and first Chinese tuna purse seiner etc, official vessels such as coast guard vessel, scientific expedite vessel and administration vessel, and passenger vessels etc , gave the comments on the prospects of shipbuilding industry, the effects of mega-sized vessels on the market and the future of these ships, merging the shipbuilders and the current encouragements made by shipbuilders to encourage the shipping companies.

### How do you see the shipbuilding industry worldwide and in China?

The world shipbuilding experienced its lowest point after 2009. In general, most of merchant ships are now built in Asia and only high-end yacht/cruise ships are built in Europe. Since 2009, almost every sector in this industry has felt the difficulties in ship\_ making. The first small shipyards are closed down and now after these years, the big ship yards such as HHI now also are seriously affected by the market. In China, this business has experienced a dramatic decline in the last few years due to the crisis in the world shipping and then the decline in oil prices. In this year, some big private shipyards such as Rongsheng and Pacific are also in trouble too. And lots of state-owned shipyards are in deficit and some of them have stopped working. In general, the Chinese market has entered a consolidation stage now. In China, perhaps 50% of shipyards have been wiped off the market in the last few years. If the situation persists, we believe that more private or even state shipyards are going to close down. What is, the difficult situation will phase out some shipyards with low efficiency but the ones which at this moment are surviving through this situation, will become stronger and will have a better future because of less supply. Currently, most predictions say market would get better in 3 to 5 years with more reduction in shipbuilding capacity because of the consolidation in the shipping industry and new regulations on the emissions. If these predictions are right, we believe that it is a good time to build new ships for owners in the next few years because this might be close to or bottom of orders for shipbuilding.

### What are the effects of mega-sized ships in shipping?

Mega-sized ships have been expected to bring about great cost savings. However, due to the recent shipping situation, it is difficult to see what could be expected. In addition, lots of infrastructure facilities need to improve to accommodate them efficiently in the ports and logistic chain otherwise it is also difficult to see the extent of efficiency brought by them. The effects of cycle of economics on mega-sized ships are more compared to smaller ones. With more investment made into mega-sized ships and related facilities, more ports will accept them and the cost-saving effects might become more obvious. In longer term, the ships for main trading route will certainly





become bigger and bigger. The main players who have already ordered or possessed them will have advantage when the trading volume starts growing again. Eventually, it is expected the market to be shared by the mega- sized ships and the feeder ships but the middle sized container ships will be laid off.

### **What is your idea about merging with other shipbuilding companies?**

Merger is not our priority at this moment. However, we do have some plans to look at the possibility of expanding our business in the new market. In general, if a merger or acquisition can bring us into a good market and presents a really good potential, we would like to consider it.

### **What is the normal profit for the shipbuilding and why have Europeans almost left this industry to East Asia players?**

The shipbuilding industry is a labor, capital and technical intensive industry. The profit varies due to the market fluctuation. At this moment, the profit is very low almost zero percent or even lower. Certainly, the labor cost in Europe might be the first reason to drive out the business to Asia. Also technical development in Asia especially Korea makes the efficiency another key point to make European players leave the merchant vessel market almost completely. However, European players still play a major part in yacht and luxury cruise business.

### **What are your strategies in encouraging shipping companies to order in the contracted market?**

In general, in this situation, we carefully balance our production level within our financial capacity and provide services with good added value to our customers.

Improving R&D and developing new products and improving the product quality, working closely with financial institutes and continuing investing in the hardware sector to improve our efficiency and increase our service values are three tactics to attract the shipping companies.

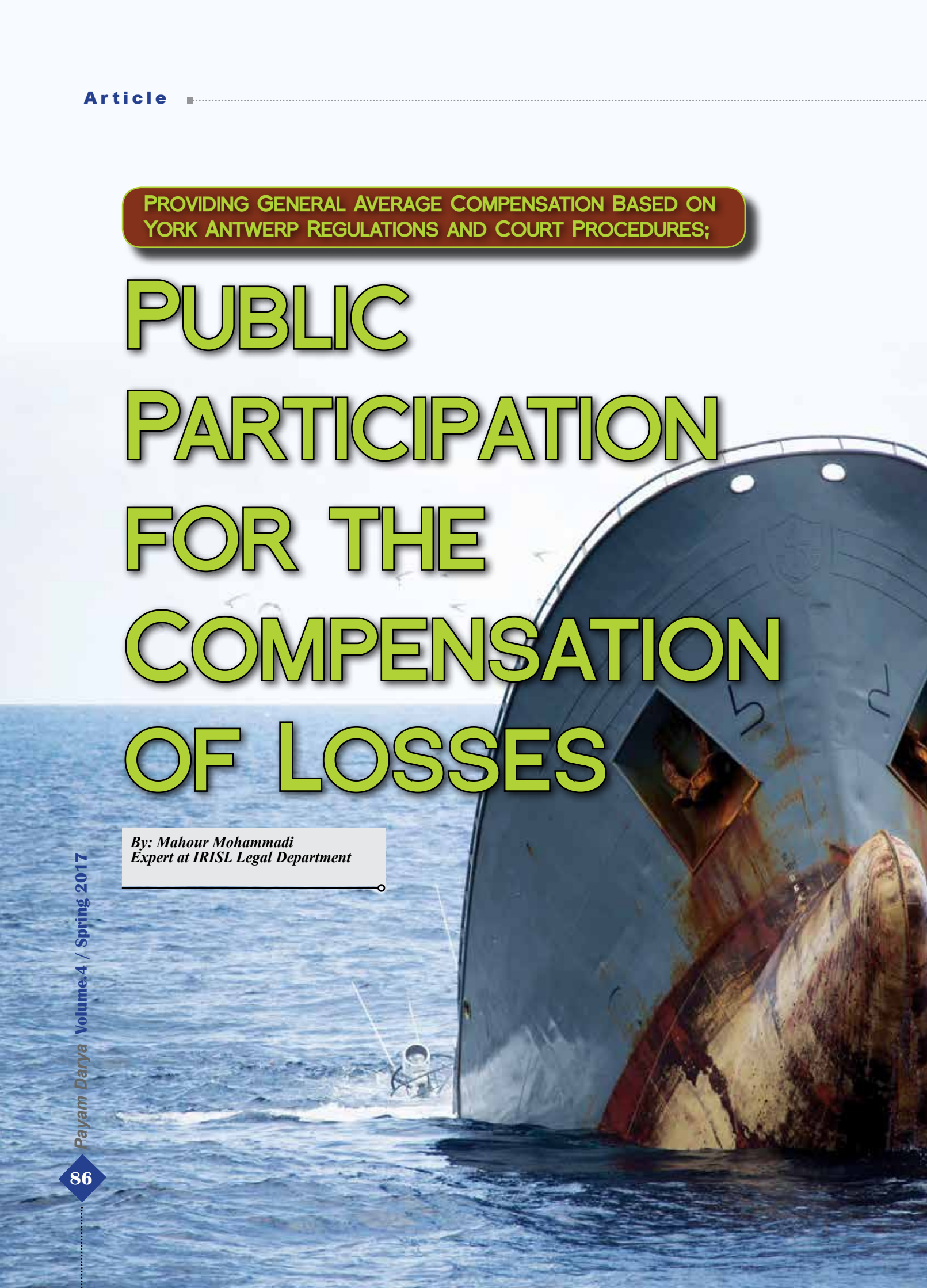
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PROVIDING GENERAL AVERAGE COMPENSATION BASED ON  
YORK ANTWERP REGULATIONS AND COURT PROCEDURES;

# PUBLIC PARTICIPATION FOR THE COMPENSATION OF LOSSES

*By: Mahour Mohammadi  
Expert at IRISL Legal Department*



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**T**he interminglement of concepts in the two fields of law and insurance, particularly when it comes to maritime issues, as well as the overly significance of some practical and frequently-occurring issues in this regard was the main motivation that drove me to paint a general picture of general average compensation in maritime transportation, and investigate this matter from the angles of York Antwerp Convention and court procedures.

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### General Average Principle

Prior to the emergence of maritime law and the establishment of maritime transportation insurance as academic major, many tribes and nations that resided in the coasts of the Mediterranean Sea had already set general average principle as a maritime precedent, and abided by this law in their maritime commercial relationships. The losses for what is dumped into the sea to rescue a ship and its loads, they believed, must be shared and compensated by

all the merchants involved.

The general average principle is based on the rationale that in a maritime venture, it is possible that the vessel runs into various troubles. For instance, it could run down or it could run into a tremendous storm and exposed to the risk of sinking. In such cases, inevitably, the captain might have to decide to dump a part of the cargo into water to lighten up the vessel and rescue the other portion of the cargo. Otherwise, the whole ship and cargo might be drown. Meanwhile, it has always been a controversial



decision, in such critical cases, as to which part of the cargo should be thrown overboard. Hence, in order to prevent any controversies and conflicts, maritime trade convention provides the captain with full authority to decide which cargo and how much of it must be thrown overboard, based on his experience and the current conditions. In compensation to the losses, the merchants whose their cargo has survived are then required to pay their share of the losses.

The general average compensation regulations have been in place since 3000 years ago, and history has it that the Phoenicians were the first nation to establish and execute these rules since the 8<sup>th</sup> century BC. The earliest written version of these rules date back to 6<sup>th</sup> century BC, and has been credited to Justinian. In the next 13 centuries, however, these rules have been developed and expanded in the maritime laws of different countries in different manners.

### York Antwerp Convention

The general average principle, which made it necessary for all the parties involved in a maritime venture to participate in compensating the losses, led to various conflicts since every country executed its own laws in this regard. In order to prevent such conflicts and devised a unified procedure for general average, an international conference was held in Glasgow in 1860,

which resulted in Glasgow Resolution. Four years later, in 1864, ship owners, insurance companies, insurance assessors and experts participated in another conference was held in York, which led to the approval of York Convention Regulations. The two resolutions of Glasgow and York were revisited and revised in the 1877 conference of Antwerp, and this way, the first York Antwerp regulations were delineated. Ultimately, after further revisions and additions in multiple conferences, York Antwerp regulations were finalized in 1974, and they are still being practiced and executed worldwide. Whereas York Antwerp regulations have not been approved by the legislative systems of all countries, its clauses have been incorporated in maritime cargo transportation contracts (maritime transportation lading bills and ship lease contracts) and are executed. In other words, trade conventions regard such regulations as a general principle and enforceable.

### Probing York Antwerp Regulations

York Antwerp Regulations are comprised of a Rule of Interpretation and 7 numbered rules (enumerated with letters from A to G), which encompass the general principles for compensation of losses. Besides, it encompasses 22 clauses related to specific rulings and complement to the numbered rules. Based on the







Rule of Interpretation, in the calculation of general average, the enumerated rules (both by numbers and letters) outweigh all the conventions, traditions, rules or regulates that contradict them. General average will be determined based on the letter-enumerated rules, other than the cases for which special regulations have been set by the Rule of Paramount or numbered rules.

Rule of Paramount has it that no sacrifice or expenditure is allowed unless it is made reasonably. Overall, based on these rules:

According to Rule A of 2004 York Antwerp which has been adopted with minor alterations from clause 66 of Great Britain's Maritime Insurance Law (passed in 1906), General Average compensation will be allowed when and only when the sacrifice or extra charges emerge as a result of logical action taken to maintain safety and to protect the cargo while being trapped in a joint maritime venture. However, the definition of general average in Clause D of Rule 185 of Iranian Maritime Law (passed in 1964) does not conform to the aforementioned Rule A definition. In Rule 185, Iranian law does not make any references to sacrifice, logical action or joint maritime venture. Given that each and every of these terms bear specific legal meanings and concepts, revisiting and revising Iranian law on this subject seems to be essential.

### **Determining General Average and some Examples**

Rules vividly delineate that general average only encompasses the losses and expenses that are directly the consequences of shared loss, and costs such as demurrage or market loss are not incorporated in it.

Proving the imposed general average falls on the shoulder of the pretender, and all the individuals who intend to claim their losses in this regard are legally required to submit their claims in written form to the general average assessor within 12 months from the ending point of the maritime venture. In case any pretender fails to submit its written claim, fails to submit his/her documents and evidences upon his claim within the 12 months period, or fails to determine the specifications and values of his/her general-average-included lost properties, the assessor has legal authority to determine the value of the lost properties based on the documents and evidences available to him. However, if a disproportion could be proven between assessor's speculation and the available facts, the case could be appealed.

Thus, it could be concluded that the general average compensation encompasses the costs and sacrifices as delineated in the following:

- The losses imposed to the machineries and mechanical parts as a result of general rescue or throwing the cargo overboard
- Lightening up the cargo on and under the deck to rescue the ship and other goods
- The costs of applying fire-fighting goods such as water and foam
- Costs related to embarking and disembarking the insured cargo in port of refuge, or when the ship runs down
- The costs of refloating vessel from running down
- The costs of entering port of refuge for necessary repairs
- Embarking and disembarking costs in the in port of refuge
- General average and salvage costs in the troubled vessel which is drowned, run down, is set on fire, or the losses imposed by fire, explosion, collision or colliding with any other maritime vehicle or floating object (e.g. an iceberg).
- Any other incident that causes the ship to call off the maritime venture in the port of refuge and disembarks the cargo, which is considered to be general average based on York Antwerp rules.

The company insuring the ship would be required to pay off the general average compensation, as determined and calculated by general average assessors. In case the incident is of general average nature, the insurance company is required to pay all the expenses related to the salvage of the ship.

# JOB SAFETY ANALYSIS (HUMAN & EQUIPMENT)

*MOHSEN MOHAMMADI ASL  
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### **Abstract**

*Risk assessment, the proactive and systematic assessment of risks, is a standard element of most offshore and maritime companies' safety management systems. Risk assessment is a powerful and flexible tool to identify and control potential undesirable events that can have safety, environmental, quality, or financial repercussions. The focus of these Guidance Notes (prolusion) is risk assessment applied to work tasks, commonly referred to as job safety analysis for human and equipment. This paper will discuss safety of seaman and equipment (JSAHA) before the start of any job. In this regard all safety and errors of any task will be checked and investigated. Moreover, the manner in which the equipment Fuctions is studied.*

Keywords: safety ,human , equipment, analysis

### **Introduction**

The marine and offshore industries have implemented job safety analysis at varying levels of maturity. The best practices and concepts contained within this document can be applied by any marine or offshore company wishing to initiate or improve their JSA (H&E) program.

What is JSA(H & E)?

A Job Safety Analysis is a task-oriented risk assessment used to review the hazards and errors associated with a particular work task, and to verify that adequate safeguards are in place to control those hazards and errors. The main goal of the analysis is to prevent harm to the individual(s) carrying out the task. JSA(H&E)are known by a variety of terms, including Job Hazard Analysis (JHA), Job Risk Assessment (JRA), Safe Job Analysis (SJA).

JSA(H&E)is the analytical process of:

- Identifying the basic job steps of the task,
- For every job step, reviewing associated potential safety and health hazards, and also safety of equipment
- Planning for effective controls or safeguarding mechanism to control (i.e., eliminate or mitigate) the effects the hazards and errors may pose.

JSA(H&E)s are primarily used for controlling risks to the safety and health of the workers and equipment. However, a JSA(H&E) can be used as a tool to identify how the task can pose hazards to the environment or to the asset. In addition to identifying the inherent hazards of a task, a well-conducted JSA(H&E)can uncover other subtle issues that pose risks to the individual, such as discrepancies between the way the procedures recommend a task to be carried out and the actual situation; problems with risk controls that supposedly act to reduce the risk but when brought to light during the JSA(H&E)are found to be deficient, missing, inoperable, or bypassed; or the hazards associated with personnel change during the tasks. The identification of these problems and the implementation of corrective actions before the task if performed can prevent undesirable incidents during the execution of the work task.

### **General**

Hazards and errors associated with all tasks should be identified and controlled. However, some tasks require a more detailed JSA(H&E)than others. Instead



**A JSA(H&E) FOCUSES ON IDENTIFYING THE TASKS NECESSARY TO PERFORM A SPECIFIC JOB**



of suggesting a JSA(H&E) program where certain tasks are left without the benefit of the JSA(H & E), or a program where all tasks are required to undergo a formal and comprehensive JSA(H & E), a tiered approach is recommended with two or more levels of JSA(H & E). Typically, two JSA(H&E) levels could be defined:

- i) An informal JSA(H&E) (mental or verbal)
- ii) A formal JSA(H&E) (comprehensive and documented)

The JSA(H & E)s can be carried out to varying degrees of detail, depending on the situation at hand. A tiered JSA(H&E) program necessitates criteria to decide what type of JSA(H&E) is needed for each particular task depending on factors such as the type of task, its complexity, its regularity, etc. These Guidance Notes describe these two types of JSA(H&E) along with guidance on when to use one versus the other, but ultimately, each company will develop their program and criteria according to their needs and goals.

**Terminology**

Several terms used throughout these Guidance Notes are defined below:

Consequence is the measure of the impact of an event occurrence in terms of people affected, property damaged, outage time, dollars lost, or any other chosen parameter. For purposes of a JSA(H & E), the focus is on impacts on safety and health of worker and equipment, but impacts on environment can also be considered and mitigated.

Controls are the measures taken to prevent hazards from causing undesirable events. Controls can be physical (e.g., safety shutdowns, redundant

controls, added conservatism in design), procedural (e.g., operating procedures, routine inspection requirements), and can also address human factors (employee selection, training, supervision).

Event is an occurrence that has an associated outcome. There are typically a number of potential outcomes from any one initial event that may range in severity from trivial to catastrophic, depending on other conditions and subsequent events. The terms Event and Incident are used interchangeably.

Hazards are conditions that exist that may potentially lead to an undesirable event.

Incident, same as Even, Both concepts may include near misses (unsafe conditions) and injuries.

Job Safety Analysis (H & E) is an analytical process that focuses on a means to identify and control hazards/errors inherent in job tasks before they can result in an accident. JSA(H&E) also refers to the formal document that is developed as a result of the analysis process.

Likelihood indicates the potential that a hazard/error could be realized.

Risk is defined as the product of the frequency with which an event is anticipated to occur and the consequence of the event's outcome.

Risk Assessment is the process of understanding (1) what undesirable things can happen, (2) how likely they are to happen, (3) how severe the effects can be and (4) evaluating what the risk of each undesirable event is.

**JSA(H&E) Process**

A JSA(H&E) focuses on identifying the tasks necessary to perform a specific job; the potential safety and health, and in some cases, environmental, hazards associated with each task; and the possible risk control measures needed to eliminate or reduce these hazards and errors. The JSA(H&E) process can be divided into a number of steps, the complexity of which can vary depending on the job being analyzed. As mentioned before, it can be used informally through a verbal discussion before performing a simple, routine job, or formally following a prescribed set of steps and a well-defined JSA(H&E) form for more complex, non-routine, or new jobs. The JSA(H&E) process presented in these Guidance Notes is a flexible approach that can accommodate any level of detail. A so-called informal JSA(H&E) process is described, as well as a formal JSA(H&E) process for more complex jobs. Even within the formal JSA(H & E), the process can be applied at different levels

of detail, depending on the complexity of the job. It can take minutes to several hours to complete. These Guidance Notes describe a range of options in terms of level of detail and complexity of each JSA(H&E) process step. Each company can modify and adapt this JSA(H&E) process to the appropriate level of detail for the different type of jobs applicable to them. Regardless of the type of JSA(H&E) to be performed, there are three basic parts that need to be completed:

- Understand the task to be performed
- Identify potential hazards/errors for the task
- Identify risk control measures for each hazard/errors

The following sections provide guidance on how to complete these basic parts, with varying levels of detail appropriate for each type of JSA(H&E) approach.

#### **Informal Job Safety Analysis**

Informal JSA(H & E)s are mental or verbal individual risk assessments carried out by the worker(s) before starting any job. They are the most basic, quickest and simplest of task risk assessment, which help promote a risk management culture through continual self-evaluation. They aid in the identification and control of immediate hazards as personnel conduct their

day-to-day work, and assist personnel in maintaining situational awareness of their environment at all times.

The informal JSA(H&E) described here is similar in nature to other planning tools that share the same intent: help workers perform even the most mundane tasks without getting hurt. These personal planning tools include techniques such as Stop and Think.

When to perform an Informal JSA(H & E)

The informal JSA(H & E)s are generally used for routine and simple tasks involving only one or two individuals and a small piece of equipment. The following tasks are examples for which an informal JSA(H&E) is appropriate:

- Routine materials and stores handling (e.g., moving dry stores from the storeroom to the galley, stocking storeroom shelves with received stores, etc.)

Routine maintenance tasks (e.g. painting and chipping in the open air, changing air conditioning filters, etc.)

- Routine housekeeping activities (e.g., mopping decks, cleaning up tank cleaning equipment, etc.).
- Routine and repetitive operations (e.g., tripping pipe in or out of the hole, connecting cargo hoses, applying securing devices to cargo or stores at deck





level, etc.).

Personnel should be made aware that any time there is uncertainty regarding the risks, or a suspicion of high risks associated with the performance of a task, a formal H E S A should be conducted.

How to do an Informal JSA(H & E)?

A typical informal JSA(H&E) involves taking a moment before starting the job to consider the following factors, trying to identify their inherent hazards/errors, or what can go wrong with each one of them:

- i) Task
- ii) Work area/environment
- iii) Equipment
- iv) People
- v) Controls

A) Task  
The identification of hazards leads to devising methods to manage the risks associated with the hazard. The JSA(H&E) should be repeated throughout the duration of the task to account for changing conditions or circumstances and prompt the worker to step back and think through emerging issues.

Personnel doing the work are responsible for carrying out the informal JSA(H&E) and supervisors are responsible for encouraging and communicating the process.

Mentally or verbally understand the steps that need to be accomplished:

- Are the job description and instructions clear?
- Do task participants have sufficient knowledge or experience to handle the job safely?
- Do task participants feel comfortable about job?
- Will completion of the task lead to the creation of

other hazards that need to be controlled

B) Work area

Identify hazards associated with work area and surroundings

For example. cleansing of work area, lighting, weather conditions

C) Equipment

What equipment is needed to safely complete the task

-Is equipment available and in working order?

Are the task participants familiar with its use?

-Is the personal protective equipment (PPE) to be used in good condition?

-Is the test /monitoring equipment available properly calibrated and in working order?

-Are electrical cable/leads in working order?

D) People

Is there a need to communicate with other personnel prior to conducting the task?

How will the task participants communicate with others who may inadvertently interact with the job?

Does this task require more people/equipment to carry it out safely?

E) Risk control

Examine the need for control to reduce or eliminate hazards, and evaluate existing control for adequacy

Can I eliminate the hazards from work task?

Can I do the job perfectly?

If not how can I control/do the job perfectly?

Am I satisfied that hazards in the job are controlled?

If so start the task

Formal JSA(H & E)

Like the informal JSA(H&E), a formal JSA(H&E) focuses on identifying hazards/errors associated with performing a specific job, the potential safety, health,



and in some cases environmental hazards associated with each step; and the recommended risk control measures needed to eliminate or reduce these hazards and errors.

The main difference between an informal and a formal JSA(H&E) is that the latter process has an expanded level of detail and is documented. A formal JSA(H&E) documents the job steps, the identified hazards, and the means by which the risk of these hazards is eliminated or mitigated. The documentation becomes a means of communicating information about the job. All personnel involved in the job and the assessment have access to the results and can provide additional input as appropriate. Formal JSA(H & E)s should be filed for future reference whenever the same, or similar, task arises. These JSA(H & E)s should be reviewed and adjustments made as necessary to fit the existing conditions at the later time (i.e., time of day, type of weather, experience level of task participants, time restraints, etc.).

**Timing and location of JSA(H & E)**

In close proximity to the task location, as well as shortly before commencing the task.

If a JSA(H&E) was performed well in advance of the task in order to allow time to install any recommended engineering controls, such JSA(H&E) must be reviewed again prior to commencing the task with all the personnel involved in the task.

Approval of the JSA(H&E) analysis is needed before starting the task. Approval process according to company procedures, usually by the relevant member of offshore facility management, Master, Offshore Installation Manager, HSE or shore-office.

### **Documentation and recordkeeping**

Yes, according to company procedures. Records stay on vessel and usually shoreside too.

When to do a Formal JSA(H & E)?

A formal JSA(H&E) shall be carried out for new major tasks or groups of tasks, or when the informal JSA(H&E) has been found not to suffice/ or when required by company procedure. A task involving one or more of the factors below should normally trigger a formal JSA(H & E):

- i) Non-routine tasks
- ii) Tasks with known potential for harming crew, equipment or environment, including near-misses, or tasks that have been associated with recurring HSE events
- iii) Complex/difficult tasks
- iv) Tasks requiring the interaction of many people or systems
- v) Routine tasks performed under unusual or unfavorable situations
- vi) Tasks involving a change from the norm, or something/someone new or different
- vii) Work on critical equipment

How to do a Formal JSA(H & E)?

The formal JSA(H&E) process is conducted in a series of sequential parts, all of which are to be documented, the formal JSA(H&E) will include all of the following parts:

- 1) Define the job specifically.
- 2) List steps of the job.
- 3) Identify hazards and errors for each job step.
- 4) Identify existing risk control measures for each hazard and error.
- 5) Verify implementation of the controls.

Some of parts of the JSA(H&E) process may be simplified or skipped for a simplified version of the formal JSA(H & E).

**Formal JSA(H&E): Define the job**

The first part of all JSA(H & E)s is to define and describe the job to be performed. It should answer the what, why, who, where, and the when of the job. It provides a clear understanding of the following aspects:

- Specific job to be performed and the scope
- Reason for the job
- Personnel that will be involved and their competence and experience
- Clear instruction, communication and understanding of the task with all those concerned, is in itself an important action to reduce the likelihood of incident occurrence.

- Types of tools and equipment and spare parts that will be used in the job
- Physical location of the job, work area, environment
- Time period for the job

JSA(H&E)Example: Defining the job

The fall cable on one of the lifeboats is chafed and needs to be replaced. Launching, retrieving and maintaining a lifeboat can be a high-risk activity leading to injury and death, and also causes damage to lifeboat when it will be operated, in particular while at sea. As a high risk activity, a formal JSA(H&E) should be conducted. The first step of the JSA(H&E) process is to clearly define the job by answering the what, where, why, who, and when.

What: Replace fall cable on davit-fall lifeboat No.1

Where: Muster area No. 1

Why: Fall cable shows visible signs of wire fraying

When: Morning shift

Who: 2nd Mate, and Deck Department

Reason of job

- Why: Fall cable shows visible signs of wire fraying
  - Read manual/instruction of maker
  - Tools and equipment/spare parts:
  - New wire must be original and has certificate and approved by class otherwise job must be postponed up to receipt of new wire with certificate
  - Two preventer wire strap pendants of the correct length and four safety shackles within the safety working capacity of each to hold each end of the lifeboat in place during the fall replacement;
- Supervised by Chief Mate, under the authority of the

Master with a permit to work

- A box of rags for clean-up, including degreasing liquid (Material Safety Data Sheet for the degreaser);
- PPE (leather gloves, safety goggles, steel-toed shoes/boots, Company coveralls or pants/shirt; hard hats with chin straps; fall-arrest gear when working at height);
- Wrenches necessary to disconnect the cable from the drum;
- Channel locks or other type of pliers for working with safety shackle cotter pins,
- Empty spool to coil the old fall to be removed,
- Power to the davit winch to turn the fall off the davit and take-up drum;
- Crane and rigging straps to hoist the new fall drum to the working area and to remove the old fall to the ship's disposal area;
- Walkie-talkies for communicating with each other and the bridge as necessary

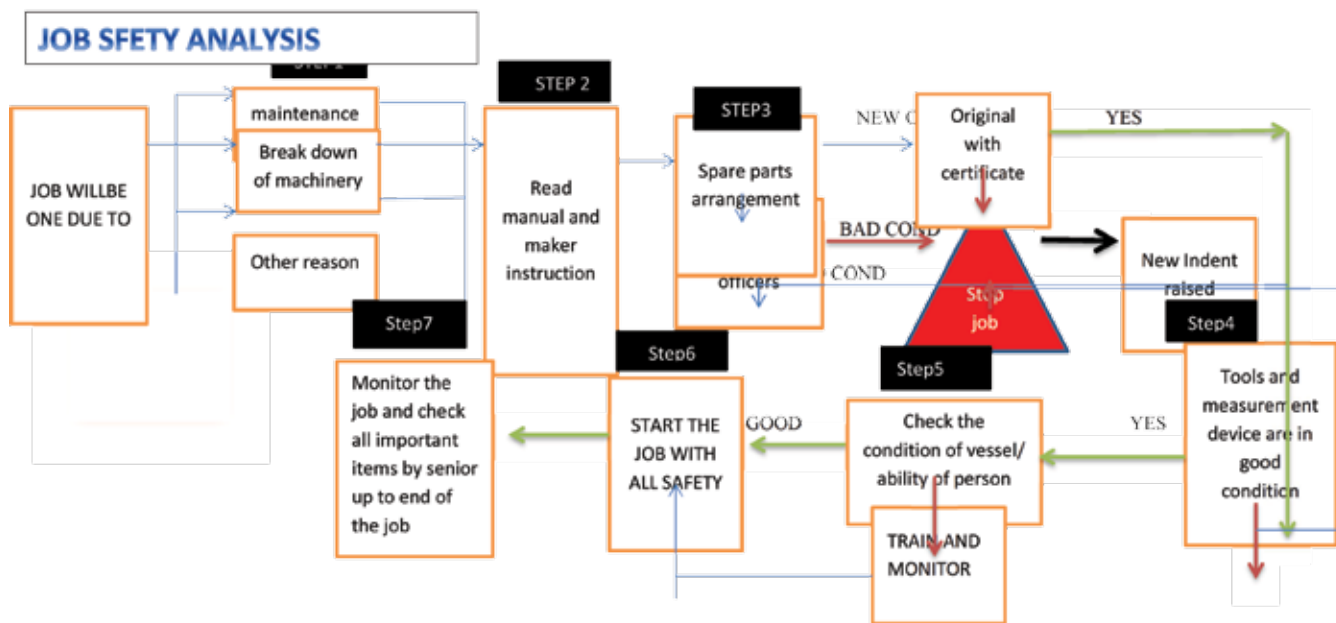
Formal JSA(H&E): Identify the hazards associated with each job step

Hazards for each job step need to be identified to determine if there are any potential risks which require control. Personnel should give consideration to the following information and resources in their quest for potential hazards:

- Crew skill/• Location/work area/environment/• Equipment/tools /materials/spare parts/• Process/materials used
- Past incidents/near misses/• Checklists of human error /hazard







**Example :engine staff decided to overhaul one generator at sea ,this job will be checked according of JSA(H&E) be done due to**

1-plane maintenance/2-breakdown/3-noise and vibration and leakage/4-office order/5-csm items/6-other reason

In this regard if needed must inform & call office/class survey /insurance survey/port authority in advance and make arrangement. for example immobilization letter,

**Step2)**Manual and instruction of maker must be read carefully and also any instruction and service report must be read and understood. For example opening/closing hyd pressure and also torque meter and also clearance and also time of service and change of parts.

Sometimes the makers due to some defects which are created in equipment because of duration of time change spare parts and quality of them which are mentioned in service report.

Items which are very important to underwrite after any incident and will be investigated must be done according to instruction of maker.

b) All job done through maker plane maintenance for example if any accident happens for generator in running hrs. 11000,they will check all maintenance which must be carried out before this time and any contradiction b/w maker instruction and ship staff

time maintenance causes the no pay any cost for this incident In this regard it is very important that ship staff become familiar with all instruction manual in detail.

Example: In one incident on irisl fleet, at the time of overhauling generator ship staff thought more tightening of the hyd.bolt is better, then they decided to tighten the bolt more than the limit. This action caused bottom bearing to turn when the generator was running and as a consequence damage was done to crankshaft of generator.

In another experience at the time of overhauling one generator 4/e one bottom bearing was not tightened and this caused the bolt to be cut and damage to the crankshaft was done.

### **Step3)Spare parts**

All spare parts must be checked for availability on board and condition.

Any fake spare parts cause injuries to ship staff and damage to machinery and brings about

wild goose chase and it can also cause to create damage to other equipment. Remember underwriter will not pay for any damages if spare parts are not original.

And some parts which were overhauled on board vessel or workshop must be checked by a senior officer for working normally . By considering these important items, if any out of arises about the condition of spare parts the office must be informed



and a new indent must be made.

**Step4)Tools and measurement devices**

All tools & measurement devices exm.(hyd.jack, torque meter, pressure and temp. calibrator and other devices ...) must be checked before the beginning of any job.It is important to start the job. Any malfunction of these devices can cause serious damages to machinery while these damages areS not covered by insurance if ther certificate of tools s is not valid

Shore calibration certificate/Overhead crane / Chine block derrick safety devices are apparently operational and regularly tested

**Step5)Vessel condition and ability of ship staff**

The vessel condition means the situation of sea and position of it .

It is better not start the job in rough sea and also in war zone are a because they cause ship staff not be able to work in appropriate condition. Senior officers must know about the ability and behavior of their staff as this can help them for better management. If there are doubt about the ability of staff then it is duty of senior officer to train and monitor the staff before starting the job and performing it.

**Step6) Job Safety**

It means to take care of safety of our self and equipment

Before starting the job it must be made sure that standby equipment is ready and in good condition (operational) ;then it must be isolated from other related machinery (power/valve/line,..) then a notice must be put on local and control room and bridge if needed.

All proper wear and proper tools must be used/Job

must be monitored by senior officers/Do not work alone after working time/Cleanness and clarity are always important/Remember nonuse of proper wear and tools, not only causes damage to yourself but it is also not covered by the underwriter.

**Step7)Monitor and complete job**

All parts must be checked carefully and defective parts must be ekaminal to find out the reason for (wear/tear or other reasons) and this is true for all measurements and pic if the need arises and when finishing the job all systems must be returned to normal condition and all safety items including alarm system must be tested before and when machinery is running . All this has to be recorded and when equipment is turned on all important items including press, temp. vibration, noise must be monitored.

**Result**

Hazards and errors exist all over the world. And they can take place at sea due to perils of sea But they can be deleted or reduced if are aware of them and they can be controlled before starting any task if we know about them .By training and studying we can control them and reduce the cost and save people and machinery.

**Selected Resources**

Occupational Safety and Health Agency (OSHA) Publication #3071, Job Hazard Analysis.

MCA Code of Safe Working Practices for Merchant Seamen

Canadian Centre for Occupational Health and Safety (CCOHS). Job Safety Analysis Made Simple

Tanker Management Self-Assessment (TMSA), a Best Practice Guide for Vessel Operators, OCIMF

API RP 75, Recommended Practice for Development of a Safety and Environmental Management Program for Offshore Operations and Facilities, American Petroleum Institute

United States 30 CFR Part 250, Oil and Gas and Sulphur Operations in the Outer Continental Shelf

– Safety and Environmental Management Systems (SEMS)

Ship Operations Cooperative Program. Project on Maritime Job Safety Analysis. <http://www.maritimejobsafety.com>

ABS Nautical Systems software. NS-5 Enterprise. <http://www.abs-ns.com>

ABS Nautical Systems software. NS-5 Enterprise. <http://www.abs-ns.com>

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# THE OUTLOOK OF SHIPPING INDUSTRY IN 2017 AND BEYOND

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**T**he maritime world eventually passed the 2016, a year that was full of colossal losses and huge harms. The year was full of surprises from the annihilation of giants like Hanjin in the industry, to imbibing of other giants in terms of mergers (NYK, MOL, and K Line), acquisitions (UASC, NOL, and Hamburg Süd), or even alliances (HMM). The freight rates fell historically to their lowest levels in some past decades. As expected, a formidable amount of overcapacity was built up that not only deteriorated the marketplace completely, but also led to unprecedented boost of ship breaking. The slowdown of global economic growth also worsened the conditions for shipping, weakening the revenue stream and incurring 3-billion dollars of loss for the industry.

The year 2017 began with slow recovery in the market, bringing some improvement to prices in main trade lanes. Yet as trends indicate, the slight improvements do not have the momentum to transform the current trends of the global markets. This is indeed an outcome of the socioeconomic and political factors that are influencing both the supply and demand in the shipping industry and its context in the realm of international trade. A brief review on some key trends can be useful.

## **The Demand for the Shipping industry**

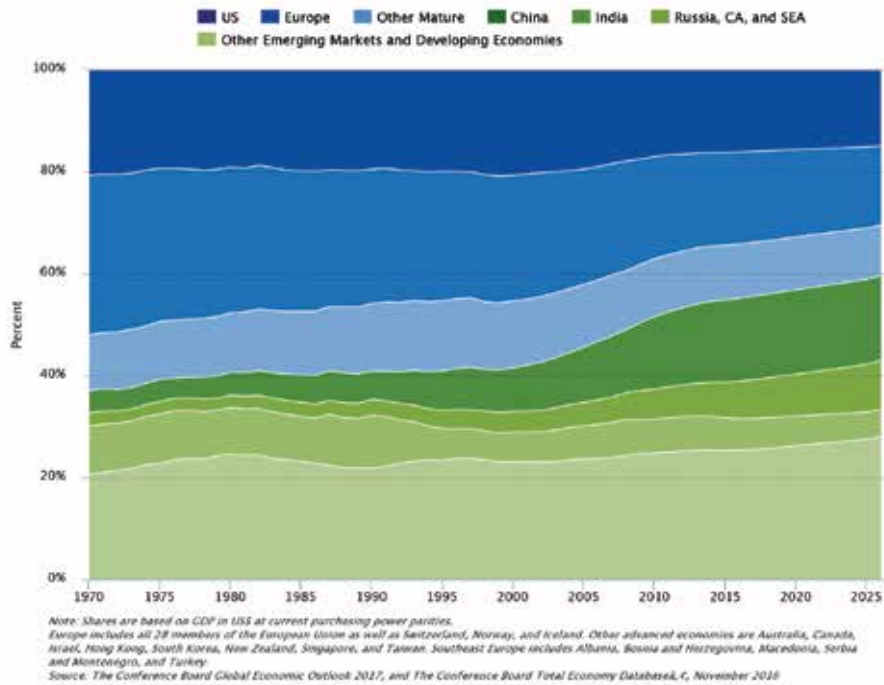
### *Global economy growth*

The world economic growth is experiencing a significant slowdown. According to the World Bank the global economy is estimated to grow around 2.7% this year, in comparison to the 2.3% growth in the past year (the lowest recorded figure since the global financial crisis). With projected growth rates that are under 1.8% in the coming four years, the advanced economies of the world in US, EU, and Japan are afflicted with an economic stagnation that is a result of lowered productivity growth, heightened policy uncertainties, tepid investments, and lack of external demand. On the contrary, the Emerging Markets and Developing Economies (EMDEs) are taking the momentum in the global economy context by average annual growth rates between 4.2 to 4.7% within the coming four years. Yet as EMDEs are encountering with problems in terms of subdued investments, their economic growth will continue to be sluggish in the coming decade. This trend will contribute to the worldwide lessening of international trade and investments in infrastructure developments. It will also strengthen the imbalance in trade between the developing and the developed countries.

This is happening in a world that is getting more populated day by day. By 2030, the population of the world is estimated to grow to 8.5 billion. Between 2015 and 2030, 2.1 billion people will be born, 2-billion children will be at school age, 1.9 billion people will enter their youth, 1.1 billion people will be added to the population of city dwellers in the world, and 1 billion people will enter into their old age. Although it may seem that more population in the world will imply a boost in the shipping businesses, by noticing the concentration of 85 percent of the world population in the developing and the Least Developed Countries along with the growing age of population in the developed countries, it can be envisaged that trend can faintly overcome the structural deficiencies of the global economy. Indeed it can be evidently seen that after the global

financial crisis, the globally average seaborne trade per capita has only grown 15% between 2007 and 2015. That is while the growth between years 2000 to 2007 has been 22.45%.

Regional Distribution of Gross Domestic Product, 1970-2026



One emerging trend that can act as a major driver of inequality gap in economic development of nations is protectionism. Protectionism directs the states away from the globalized economy and focuses on maximization of national interests of a state by adopting a zero-sum mindset. This approach can lead to reshoring and decline of shipping markets in short terms, and deterioration of prevailing economic sets in mid-terms. Apparent instances were BREXIT, and D.Trump’s election as the president of United States. The same discipline may also arise in states like France and Netherlands in near terms.

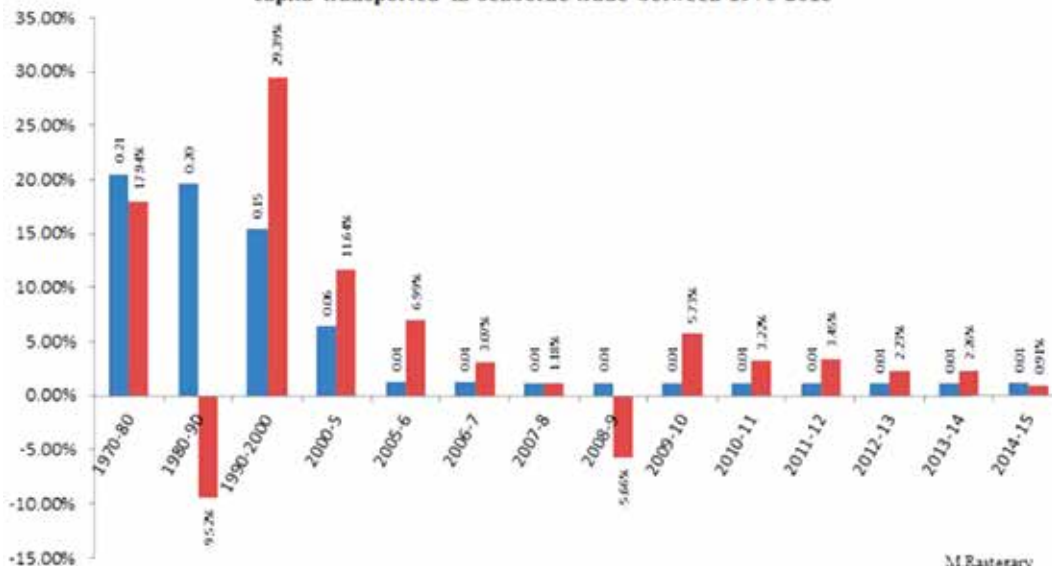
Population of the world and its regions according to the 2015 Revision (medium variant)								
	Population (in millions)				Percentage of the world population			
	2015	2030	2050	2100	2015	2030	2050	2100
World	7,349	8,501	9,725	11,213	100	100	100	100
Developed countries	1,251	1,284	1,286	1,277	17	15	13	11
Developing countries	5,144	5,891	6,542	6,769	70	69	67	60
Least developed countries	954	1,326	1,897	3,167	13	16	20	28
Africa	1,186	1,679	2,478	4,387	16	20	25	39
Asia	4,393	4,923	5,267	4,889	60	58	54	44
Latin America and the Caribbean	634	721	784	721	9	8	8	6
Northern America	358	396	433	500	5	5	4	4
Europe	738	734	707	646	10	9	7	6
Oceania	39	47	57	71	1	1	1	1

Data source: United Nations (2015). World Population Prospects: The 2015 Revision.



M.Rastegary

### Comparison of the Changes in the World Population and Average Tons of goods per capita transported in seaborne trade between 1970-2015



M.Rastegary

The anemic economic development of the developed countries is also weakened by politicized movements that act against the augmentation of an integrated global economy. Such actions ruin the global trade and the globalization context. One eminent instance can be found in the economic sanctions against nations (e.g. Islamic Republic of Iran, Russian Federation, etc.), warmongering in different parts of the world (e.g. Yemen, Syria, Libya, Iraq, Afghanistan, etc.), rescinding global trade treaties (e.g. NAFTA, or TPP), intentional obstructions to participation of other states in the global trade (e.g. membership of Islamic Republic of Iran in WTO), etc. Such harmful actions deteriorate the status of global economy and kill international trade as the main fosterer of the shipping industry.

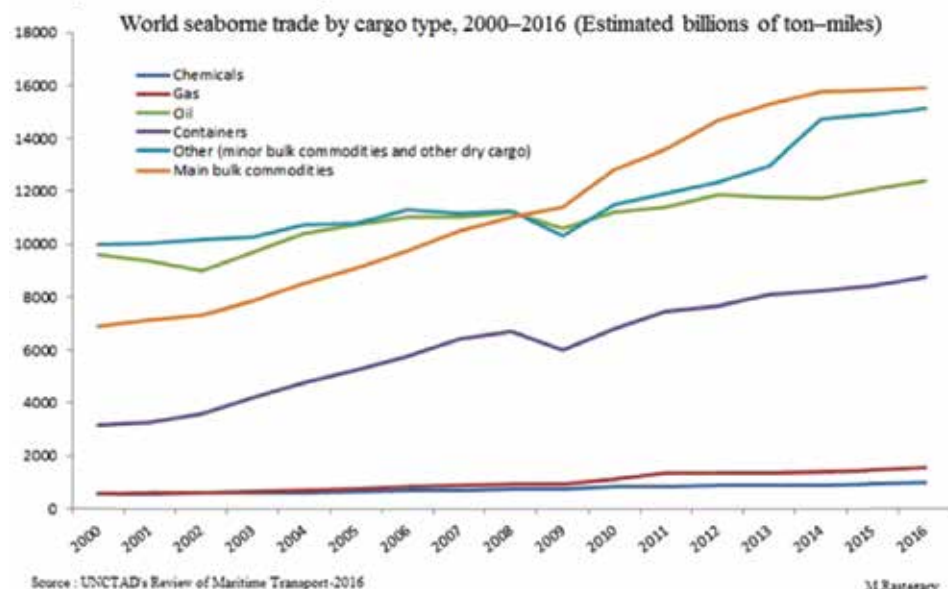


The other trend that can affect the shipping industry in the coming decade is the maturing of developing economies: as the economic development progresses in such states, the share of construction and manufacturing sectors in their GNP is reduced and the share of services in their GNP rises. This usually leads to the reduction of imports of raw materials and capital goods in them. China may be an instance of this trend in the coming years.

Finally, commitment to sustainability of economic development and the technological developments in this regard may transform some principal supply chains. For instance, use of clean and renewable resources of energy (e.g. Solar, wind, hydropower, geothermal, etc) can have significant effects on the prevailing demand for energy commodities. The implemented policies for power generation in EU are among the significant instances of this trend.

*Average haul and ton-miles*

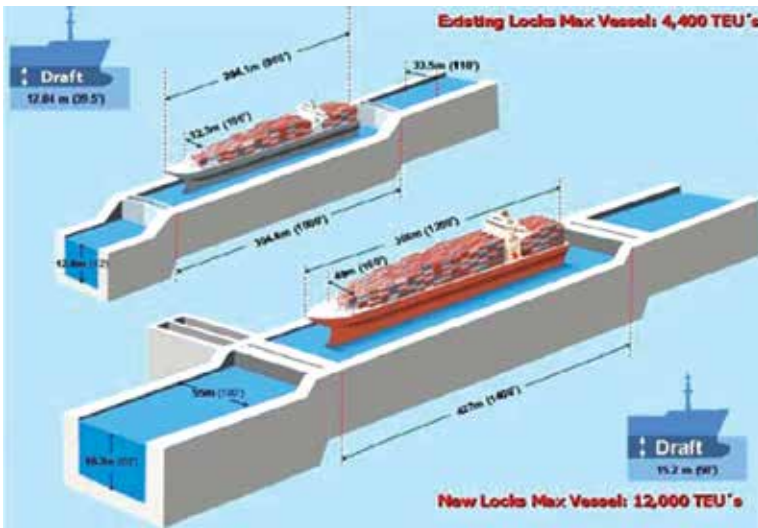
The established shipping routes in the main tradelanes have been unchanged for some decades and the average haul figures growth in these years have been mainly a product of growing tonnage of goods in constant mileage. Yet, in the recent years there have been some changes in the tradelanes that can change the average haul in the industry.



One of the most significant occurrences that can contribute to change in the average haul in the seaborne trade, are the recent expansions in Panama Canal. The Panama Canal expansion that was inaugurated in early 2016, practically took the seaborne trade to the next level. The new canal facilitates the passage of the New Panamax ships (120,000 DWT, with a capacity of 12800 TEU in the cellular vessels) between Atlas and Pacific oceans. As Panama Canal shortens the distances of American, European, and Far East ports, deployment of bigger ships can mean that the 144 trade routes that pass this canal can attract more trade, being seen as cost efficient alternatives for the competing longer East-West trade routes.

Moreover, the ship size growth and shipping market arrangements in the maritime container trade have pushed the supply chains towards extending the Hub and Spokes networks in ports. This implies that in most cases, the transshipment of goods between the ports will incur a larger needed mileage to deliver them in a gateway port. It should also be noted that the cascading of bigger ships to smaller ports will increase the need to transshipment, and is expected to increase the average haul.





Facilitation of the bigger ships by Panama Canal Expansion

The other influential factor is the competition from alternative modes of transport: a prominent instance is the 12000-Km Eurasian land bridge that connects Yi wu in the Eastern China to London in the Western end of Europe in terms of One Belt- One Road scheme. Although the new rail corridor cannot compete with the maritime transport in terms of costs, it has great advantages in terms of time and delivery. Such mode alternatives can take part of the shipping traffic away. For instance, the Eurasian Land Bridge is estimated to attract 100,000 TEU of the container trade between EU and Far East, which will affect the average haul of the maritime container trade in the East-West tradelane.



The Eurasian Landbridge was inaugurated in January 2017

The other trend that can affect the average haul in shipping arises from the possible security issues in shipping routes and their chokepoints. This includes the risks and perils of piracy, possible terroristic actions, military conflicts, and wars. The instances of such high security risks can be seen in Gulf of Aden, Indian Ocean, African side of Atlas Ocean, and Eastern bounds of Mediterranean Sea.

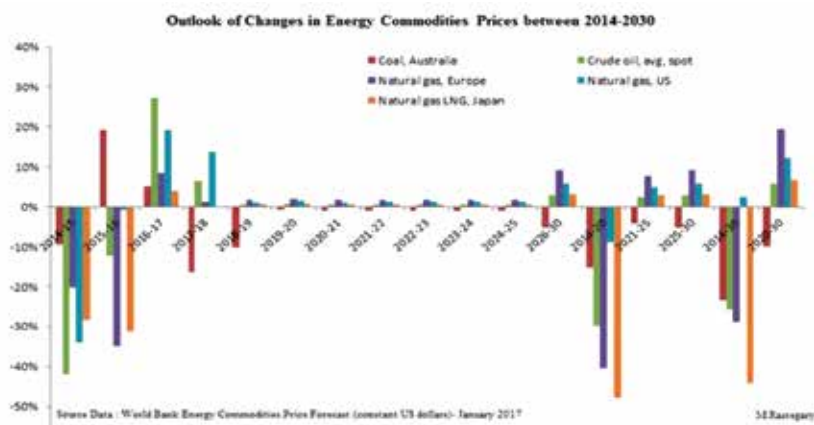
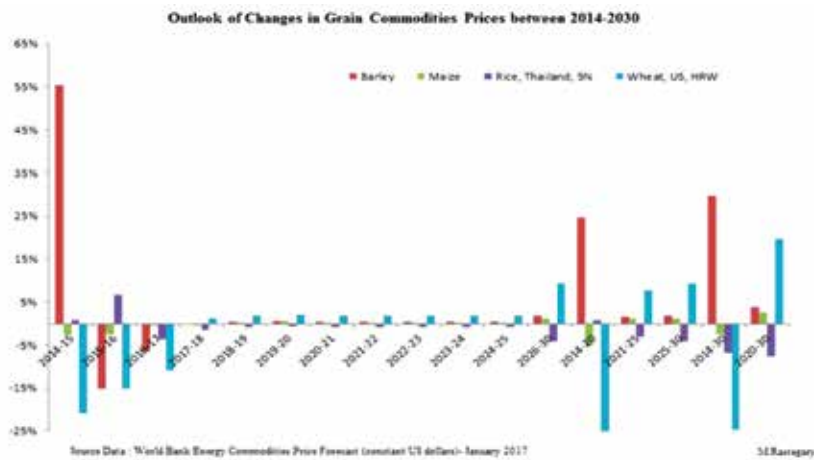
### Transport Costs

There are several trends that will affect the transport costs in the coming years. First of all, the ship size growth trend that has targeted economy of scale in the sea, practically has raised diseconomy in ports. This trend has caused essential needs for capacity development in ports which cannot keep pace with the developments of shipping in terms of time. This usually ends in shortage of port capacity in short terms

and added costs both in the short and long run. In container shipping which is the more competitive part of the industry, this trend also exacerbates the need for hub and spokes networks which involve the addition of the transshipment costs (and the costs of delay in delivery of goods) to the overall transport costs in the supply chains of the regional hinterlands.

Some shipping lines are also inclined to monopolistic behaviors in the markets. This will increase the dissatisfaction and resistance of the stakeholders in supply chains ( i.e. the governments, the consumers, the tax payers, the manufacturers, etc.) and motivate them to react to such measures and arrangements that can contribute towards higher transport prices or more concentration in the industry. Among the instances we can point to the measures of People’s Republic of China to proscribe the establishment of P3 alliance in 2014, and several anti-trust investigations and fines by FMC (US), PRC, and EU in the recent years.

On the other hand, after the sharp fall in 2014, the forecasted outlook of commodity prices in the coming decade indicates very modest growth rates. This is due to technological achievements in production, abundance of supply, and highly competitive commodity markets. Taken as a constituent of the commodity price, the transportation costs of them will have a little margin for growth in the coming decade. This is another implicit barrier to increase the revenue of shipping lines. This will happen in an industry that is already stuck in oversupply and is striving to maximize her revenue and cash flow.



The mentioned trends indicate that the rate of growth in the prevailing and future demand for the shipping industry is small, uncertain and volatile.  
*Random shocks*

According to G.Leonhard, human will see more changes in the two coming decades than the past 300 years. Some of these changes will be shocking to the societies and their industries. Shipping is no exception to this and it will be certainly susceptible to some shocks in the context of her business. These shocks have the capacity to disrupt the businesses and involve the firms and the industry in a number of unforeseen and unwanted consequences on both the demand and the supply hands. Among such unforeseen shocks, we can point to the following:

- **Political Shocks-** The rise of the inward protectionism in US, UK, and some other developed countries has been a shock that can affect trade and investment throughout the world. A vast series of disrupting consequences can be perceived in this context that can include reshoring or near-shoring of industries, significant changes in the trade balance of countries, rescinding of trade treaties, disrupting military conflicts, wars, etc. In this sense, the phenomenal election of D.Trump as the president of the United States and the unpredictability of his administration can be seen as the shock-generating machine for the industry.
- **Natural disasters-** natural disasters are seen as a main disrupting factor for supply chains in the 21<sup>st</sup> century. This is a trend that will be aggravated by furthering of climate change. The natural disasters can harm the production origins, affect the targeted markets, destroy the logistics infrastructure, and disrupt the flow of goods, information and cash in the supply chains. According to the Eventwach report, in 2016 all of top 5 significant disrupting events in supply chains have been among natural disasters ( specifically typhoons, and earthquakes) that have incurred an aggregate revenue loss of 37 billion USD in the global level.
- **Financial shocks-** the 21<sup>st</sup> century has been a new era for financial shocks. While the world is still recovering from the global financial credit crisis, the nations as well as international businesses are encountering an increasing number of financial shocks. Among the crucial financial shocks, we can point to the financial challenges of Greece as the leading ship owner state in the world. There are multitudes of micro-economic level financial shocks that can afflict the industry in the coming years. Insolvency of Hanjin shipping in 2016 was an instance of the possible ground breaking financial shocks in the industry and their acute consequences in the global supply chains.



- Piracy- this is another random shock that can risk the entire business of shipping in some tradelanes. According to ICC IMB Annual Report in spite of 35.7% reduction in a 5-year period, the shipping industry have encountered 191 actual and attempted attacks against merchant ships throughout the world. The majority of piracy actions have been taking place in South East Asia, Far East, Eastern and Western African Waters, and South America. The piracy not only involves in larceny of capital assets, liability to cargo interest , and responsibility towards the hostages for the firm, but also entails deterioration of marketplace on the tradelanes, general raise of costs (e.g. the maritime insurance), and ruining the face of shipping as a secure and profitable business in the industry level.

### The Supply in the Shipping Industry

In contrast to the vague and volatile demand, the industry is currently consisted of a solid and rigidly in place supply that has been established by heavy investment in the pass of years. In order to have a better understanding of the industry’s supply, let us have a look at some significant trends in it.

#### Commercial Vessel Fleet Development

According to Clarkson, at the end of 2016, the global shipping fleet capacity was 1257.4-million GT that indicated a 3.1% rise in comparison to 2015. However the asset value of the global fleet has reduced as much as 7.9%. That is while according to Danish Ship Finance by the end of 2016, 66% of the existing vessels in the global fleet were under 10 years of age, and only 9% of the fleet capacity was older than 20 years.

The Shipping industry is encountered with severe overcapacity. Since the early years of the 21<sup>st</sup> century, the shipping fleet has been growing much faster than the global sea trade growth. According to Dr.M. Stopford, between 2005 and 2016 the industry has been spending between 80-100 billion USD on newbuilds on the annual basis. This has led to buildup of 18 to 20% of oversupply in the global shipping fleet.



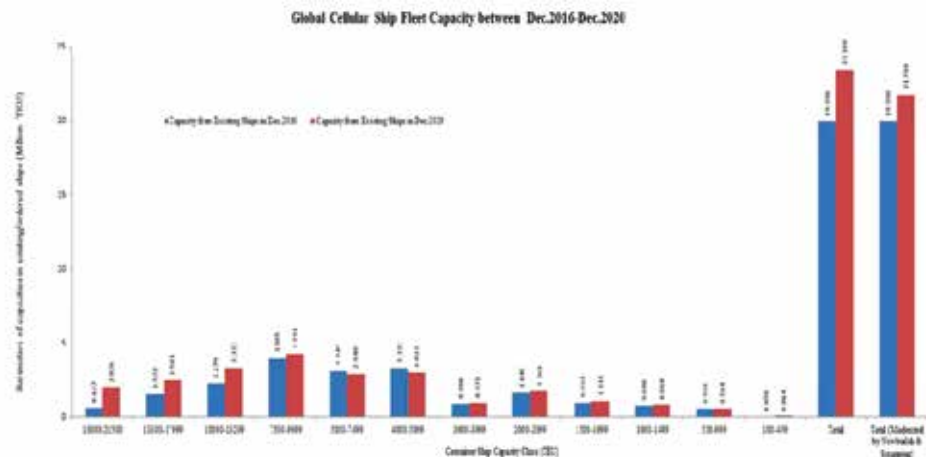


this share will rise to 31.3% and by the end of 2020 it will go further than 36 percent of global cellular fleet capacity.

### Shipping Fleet Productivity

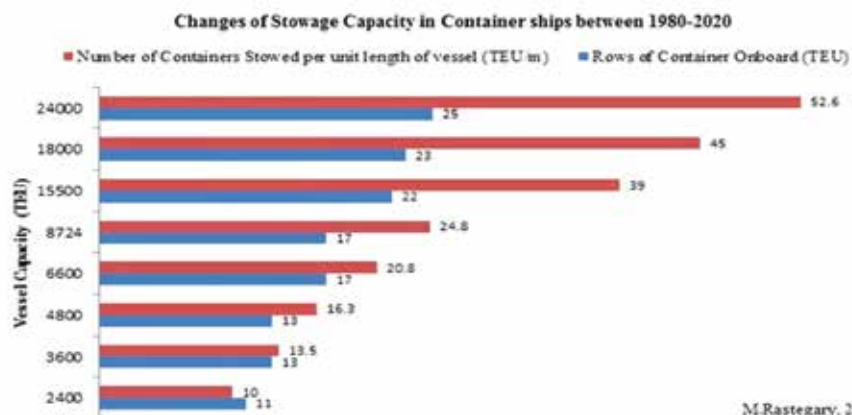
As the ship design and the trade routes have not been changing much in the recent years, we can assume that the fleet productivity has not changed much in most segments of the market (i.e. bulkers, oil tankers, general cargo ships, LNG carriers, etc.). Yet, this is not true about the container segment as the introduction of the ULCVs has transformed the market and ship design. Therefore herein, we focus more on the changes in the container fleet productivity in the recent years and the years ahead. In this sense, the fleet productivity has been changing in terms of following four main determining categories:

- **Deadweight Utilization** – The ULCV design has generated significant gains in terms of deadweight tonnage utilization. An 18000TEU-Malaccamax container ship provides the needed stow for 45 TEUs per meter of vessel, that is while the stowage capacities per meter length of a 15500TEU-New Post Panamax, an 8700TEU-Super Post Panamax, and a 6600-TEU Post Panamax Ship are 39, 24.8, and 20.8 TEUs respectively. This is a huge gain in terms of container ship design. However in the real world and in the shades of the rising oversupply and weakening ocean freight demand, the shipping



Source: Alphaliner Report March 2017

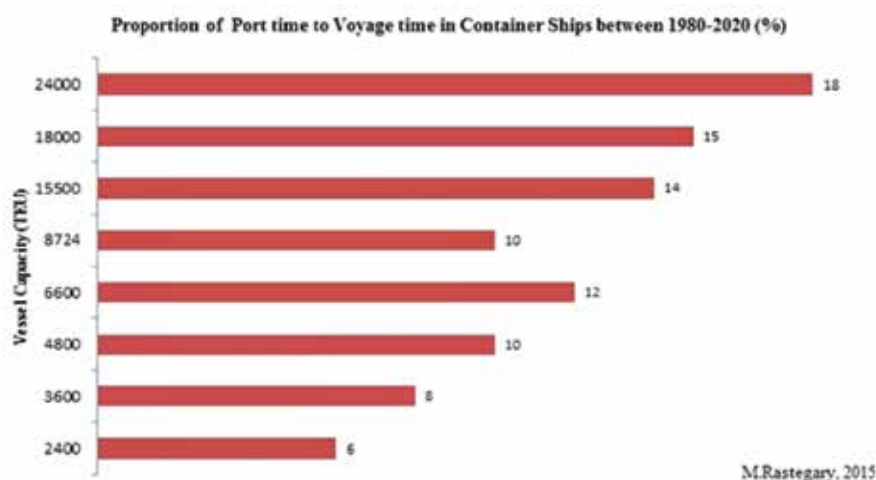
M.Rastegary



M.Rastegary, 2015

lines have grave problems in terms of filling their ULCVs in ports. In order to tackle this issue, the shipping lines have focused on establishing alliances and forming a more concentrated market.

- Speed – just like the other segments of shipping, the container vessels have been sailing at slow steaming speed (21 Knots) since the global financial crisis in 2007 and 2008. This has been a major saving measure as it cuts the fuel costs and also facilitates the utilization of otherwise oversupplied fleet in the segment.
- Port time – As the bigger ship brings a greater volume of cargo into the port, and it consequently needs a bigger port time. This can be seen in the figure below. Also as cited earlier, the economy of scale for larger ships is coupled with diseconomies in port. Indeed the introduction and proliferation of ULCVs have pushed the ports to their challenging limits. As indicated in the other exhibit, I have outlined these challenges in 23 main categories. The resultants of these forceful challenges act towards weaker productivity of the vessels in the ports. It is necessary to remind that as introduction of mega ships is accompanied by cascading effect, the smaller ports will also experience similar problems and the entering bigger ships will be affected by them.



- *Productive Days* – Entrance of bigger ships in smaller ports ( as a matter of proliferation of ULCVs and the cascading effect) will entail harder navigation and berthing issues, bigger volumes of operations, and ever increasing haste( and risk of mishaps). Obviously these factors reduce the productive days of ships. Furthermore, the highly possible delays in the window of operations in port will affect the window of operations in the next ports enroute, and deteriorate the service reliability of the shipping line.

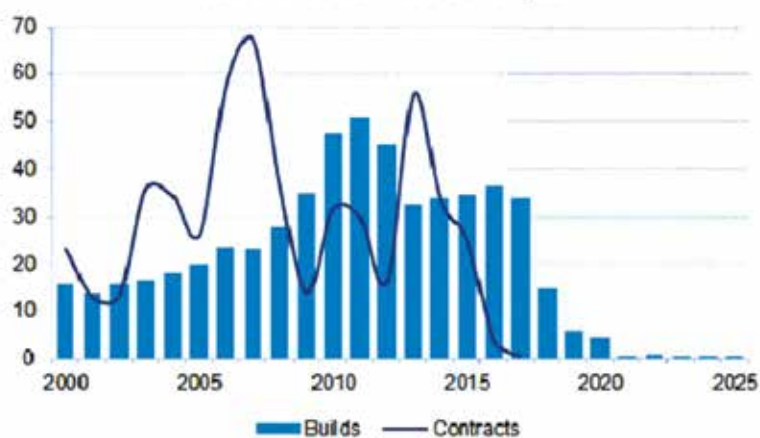
### **Balance of Shipbuilding, Scrapping and Losses,**

The newbuild frenzy in the past decade has had a very significant role in formation of the extra-oversupply in the shipping market. The prospect of ship-building demand in the coming years seems to be gloomy and as according to Clarkson Research will be near to zero. The trend is somewhat better in the tanker and LNG segment as the demand in global market is persistent. However the 5.53% capacity growth in 2016 and OPEC's recent cut on oil supply in the global markets may bring some recession in the tanker segment in the coming years. There are several reasons for this trend. The most important reason is the synergy of the buildup of a grave oversupply in the fleet and a

weakening demand in the supply chains. The losses incurred by ordering and building new ships (at the expectation of turn of business cycles and return of profitability) have been so huge and costly that has led to cancellation of many newbuild orders worldwide. The second reason can be the heavy and unpaid debts of the shipping lines: As a result, the ship finance is seen as a very risky business by the banks and investors and it is generally feared and avoided worldwide. The third reason is the addup of idle or laid-up ships to the oversupply in the market. One significant instance in 2016 was the toxication of the container business by the insolvency of Hanjin shipping that caused the entrance of 620-thousand TEU of idle capacity to the stagnant market.

#### **Builds, contracts, all vessel types\*, 2000-2025 (million gross tonnage)**

based on orderbook as of 1 January 2017



Source: Drewry Maritime Research, derived from Clarksons

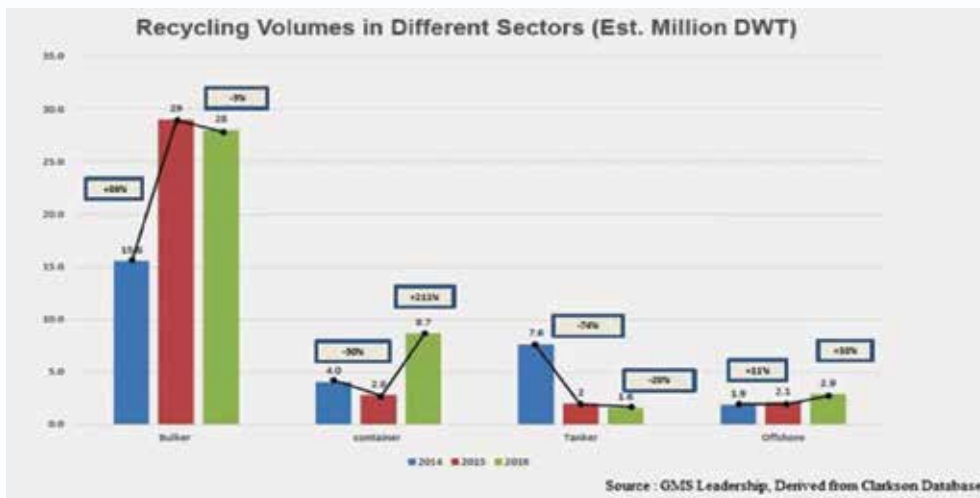
In this context, the ship building industry does not seem to have a bright future in the coming years. Most of the newbuild orders are being delivered and nearly no new order is made. According to Danish Ship Finance, the number of active shipyards have fell from 1140 in 2010 to 630 in 2016, and 290 other shipyards will be at the verge of closure after 2016.

In order to survive the destructive overcapacity trend, the industry took some measures. The classic solutions were slow steaming, and shipping alliances (in container shipping). Yet this solution could not apparently contain the troublesome situations in the middle of 2016. In this sense, the breakup of the ship and shipping companies (in terms of 'ship demolition' and 'Mergers & Acquisitions') were seen as a contingent solution. We review the ship demolition here and go back to M&A trend in continue.

The ship demolition in the 2016 rose significantly as a survival solution in the industry. It has been mainly fueled by:

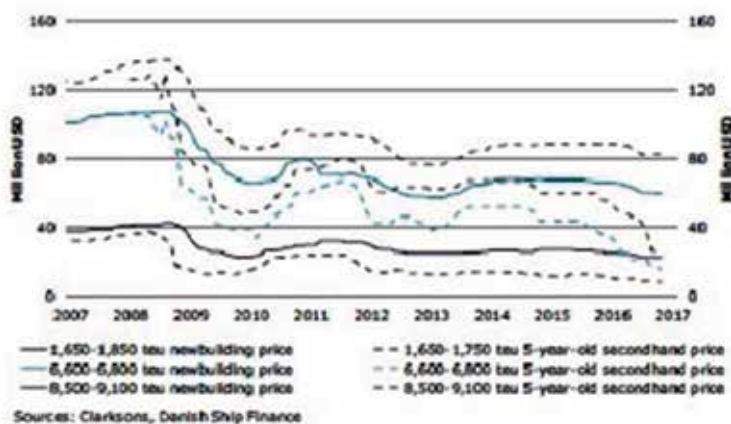
- The burden of idle fleet costs throughout the industry
- Fundamental changes in the industry infrastructure, especially by inauguration of Panama Canal Expansion project
- Shocking addup of extra-idle fleet as a matter of unexpected events (i.e. Hanjin Shipping Insolvency)
- Free fall of the asset value of secondhand vessels to the level of their residual value in the deteriorated markets





The greatest shock was seen in the container segment where in spite of the expectations for recovery, the ship demolition had a 211% rise. However as expected, most part of demolished deadweight tonnage was seen in the bulkers segment. According to Danish Ship Finance, 40 % of the ships that have been demolished in 2016 were younger than 20 years old. Even vessels with 7 to 10 years of age ((e.g. M/ Vs India Rickmers, Viktoria Wulff, and Hammonia Grenada in and early 2017) have been sold for demolition. Within the coming years, the ship demolition will continue as a balancing mechanism until the overcapacity in the fleet is lightened and the industry’s businesses return to profitability.

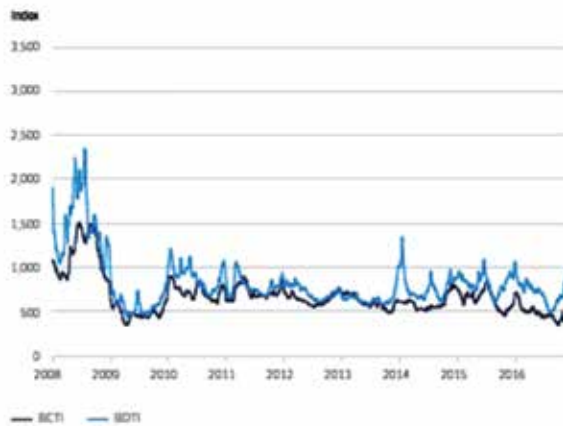
#### Changes in the Value of Newbuild vs. Second-hand Container Vessels



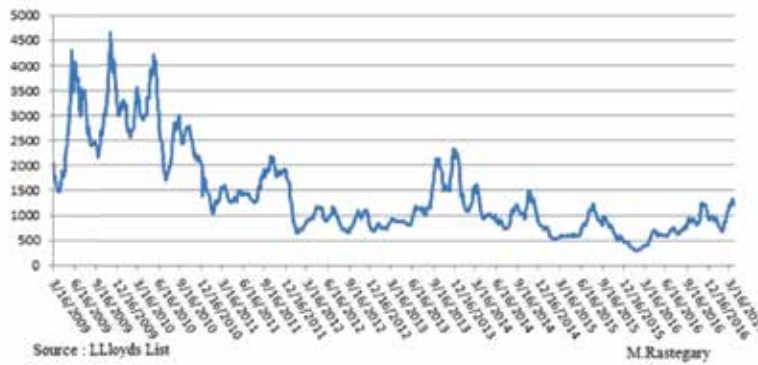
#### Freight revenue and profit for ship operators

In such a turbulent market, the freight rates in the industry experienced a free fall in 2016. Nearly in all of the industry’s segments, the freight rates hit their lowest record in decades. In the bulk segment, the BDI index fell to 290 in February 2016, which has not been seen since 1985. In the tanker segment, the BCTI and BDTI have shown steady fall of freight rates throughout the year although the fleet has been operating well above their operating costs.

**Baltic Clean Tanker Index & Baltic Dirty Tanker Index**



**Daily Reported Baltic Dry Index (3.16.2009-4.10.2016)**

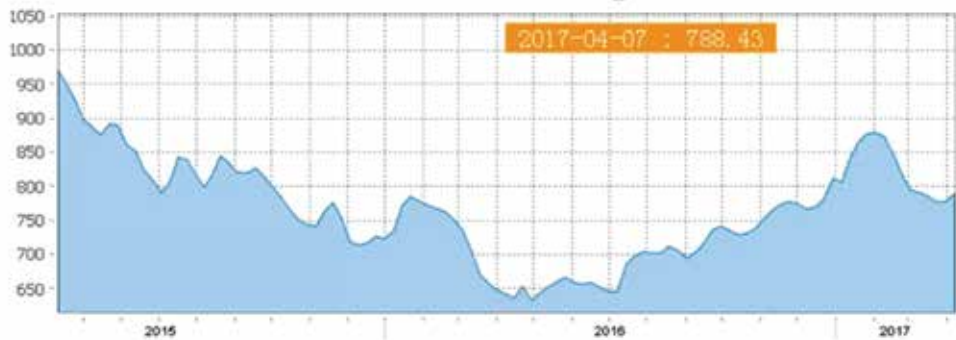


Source : L.Lloyd's List

M.Rastegary

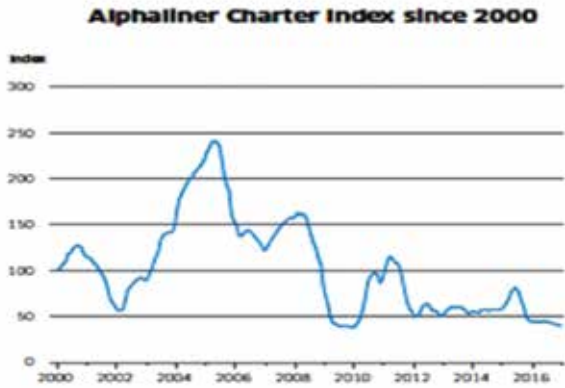
In the container segment, both the freight rates and charter rates were subject to historic downfalls. For instance, in April 2016 CCFI indicated a historic low at 632 points. Also the Alphaliner Charter Index indicates the bearish trend of the cellular vessel charter market at its historic lows.

**China Containerized Freight Index**



Source : Shanghai Shipping Exchange

The results of these downturns were catastrophic falls in the freight industry's revenues. The average earning of a ship in 2016 was estimated to be 9,441 USD which is 34.5% lower as compared to the 2015 figure. One eminent instance of dramatic



Source: BRS Group

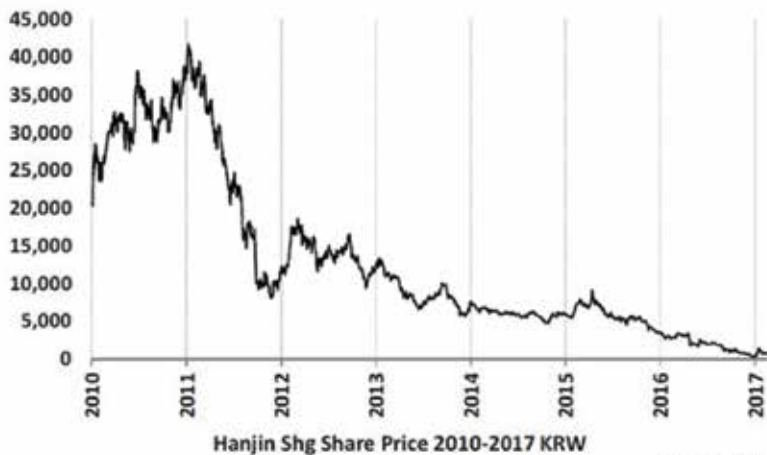
consequence of such trends can be seen in the disappointing falls in the operating margin of global container carriers after four consecutive years of losses in business.



Average of CMA CGM (incl APL to 2Q 2016), CSCL (to 1Q2016), EMC, Hanjin, Hapag-Lloyd (incl CSAV to 2014), HMM, KL, Maersk, MOL, NYK, WHL, YML, Zim

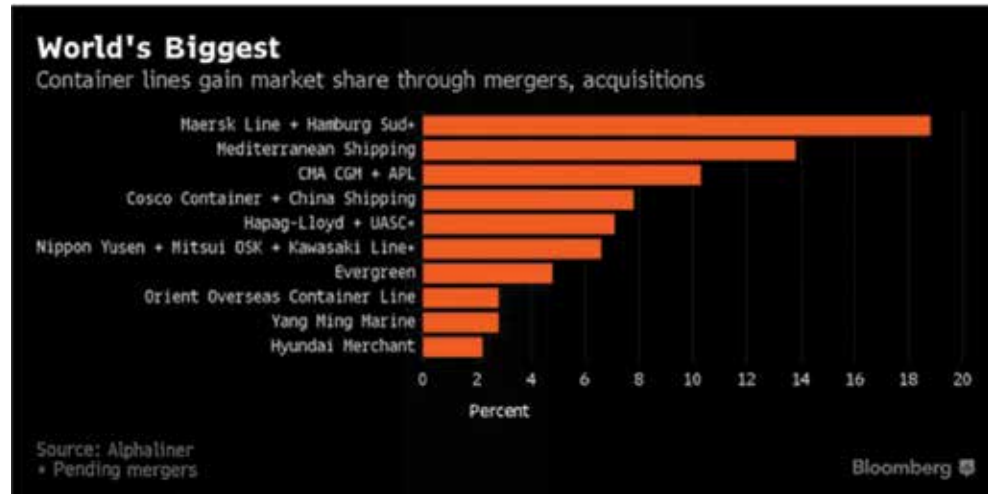
Source: Alphaliner, Dec. 2016

The most significant impact was the disastrous bankruptcy of Hanjin Shipping as the seventh great container carrier in the world which as discussed before, gave rise to several other forthcoming consequences in the industry. Nevertheless, the Hanjin Shipping's bankruptcy case will be always remembered in the industry's history as a prominent instance of a global carrier's demise, in spite of its colossal size and market share.

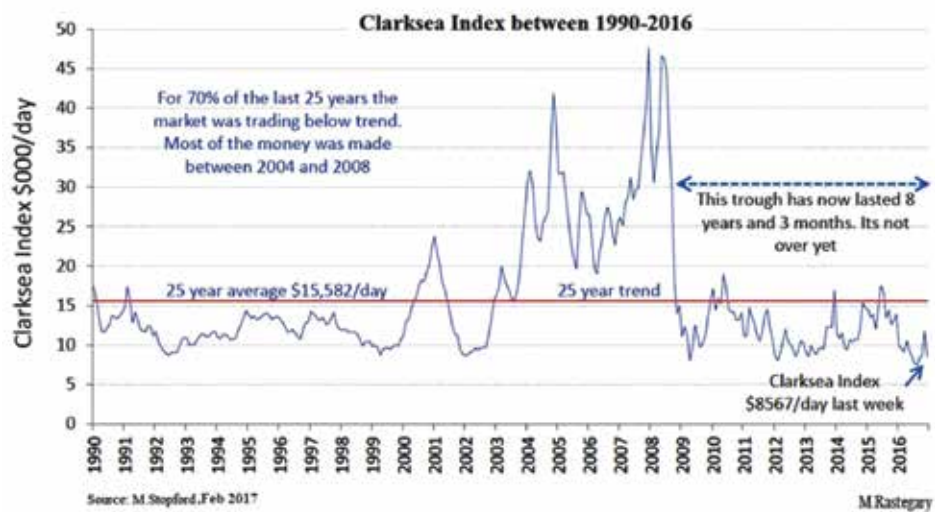


Source: Alphaliner

The industry is taking some measures to contain the situation. Along with other measures mentioned earlier, mergers and acquisitions among the carriers have been one of the conventional solutions. In 2016, six major mergers and acquisitions have taken place among the global container carriers. These measures have developed more power and price control in the marketplace through developing a high level of consolidation in the market.



Yet, along with the shipping alliances the organic growth of some shipping lines as a matter of the mergers and acquisitions can have implicit outcomes in the coming years: the global shipping market can transform into a highly concentrated oligopoly that is controlled by a few number of companies. This can have critical impacts on the future of international trade and its stakeholders (including businesses, and nations).



According to the cyclic nature of the shipping industry, the historical low freight and charter rates may imply that the recovery of the industry has begun. Yet the trends indicate that the road to the heights of a prosperous business will be long and bumpy. In this sense, the Clarksea Index can provide some useful insight to envisage the outlook of the industry in the coming years. According to Dr.M.Stopford, the Clarksea index shows that within 17 years of the past 25 years, the industry has been earning less than the average amount of earning in the period. As discussed, within the period the industry has been loaning great funds to invest on her fleet in spite of oversupply and weakening demand in the economic context. It is obvious that the industry needs to change, and the change comes with pain.

The changes are most essential in the business models, technologies, size of markets, market shares and penetration, interrelations of the industry's businesses (i.e. freight, ship building, Ship demolition, Sale and Purchase), and interrelation with other businesses and stakeholders (banks, insurance, ports, manufacturers, shippers, etc.). These changes are expected to emerge until early 2020s, and in order to survive and develop, the shipping companies shall invest and effort in terms of innovating and/or keeping pace with such changes.

#### *Technology and Regulations*

Technology and regulations are two other elements that can affect and shape the shipping industry's supply. These are the elements that can act towards meaningful change in the attitude, behavior, and performance of the industry.

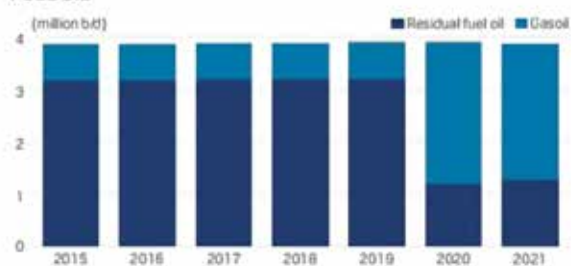
In the coming years, two sets of regulations will have significant impacts on the supply of the shipping industry. The first set is consisted of the national and international regulations on the business development and international trade. These include the regulations on anti-trust and competition policies, customs, and national and intentional security. The second set of influential regulations on the industry is those that focus on ship emissions and ballast water.

IMO's Ballast Water Management will come into force in September 2017. This convention enjoys the accession of 52 parties and involvement of 35 percent of the global merchant shipping tonnage. It requires all ships of 400 gross tonnage and above (including all existing vessels except floating platform, FSUs and FPSOs) to possess International Ballast Water Management Certificate (IBWMC). The time consumed in terms of ballasting and deballasting are considered as unproductive times for ships. Moreover, the installation, cleaning and maintenance of Ballast tanks will cost millions of Dollars per ship. Similar regulations are also mandated in some non-contracting states like US with some discrepancies in approval of BWM equipment. The discrepancies include the range of approved systems (currently more than 60 available types) and the approving authorities.

IMO's regulation for reduction of air pollution ( including SO<sub>x</sub>, NO<sub>x</sub>, Particulate Matter, and Green House Gases) is another influential trend that has the potential to develop restrictions and incur huge costs in the industry level. These regulations are mainly derived from chapter IV and Annex VI of MARPOL convention, and include:

- Reduction of SO<sub>x</sub>, and Particulate Matter in Ship Emissions- Reduction of SO<sub>x</sub>, and Particulate Matter are seen as harmful components in ship emissions and IMO is targeting their reduction in the industry. The trend can have significant influences on the maritime fuel production, bunkering, shipbuilding, and most importantly the freight industry. There are two general approaches in the industry: lowering the sulphur content in the maritime fuels, or using exhaust scrubbers to clean the gas emissions from the ship. According to IMO announcement in MEPC70 (Oct.2016) the 0.5% Sulphur cap in the marine fuels will take effect from 2020. This implies a necessary shift in the marine fuel supply from Heavy Fuel Oils to Marine Gas Oil.

**OIL-BASED MARINE FUEL CONSUMPTION, GASOIL vs RESIDUAL FUEL OIL**

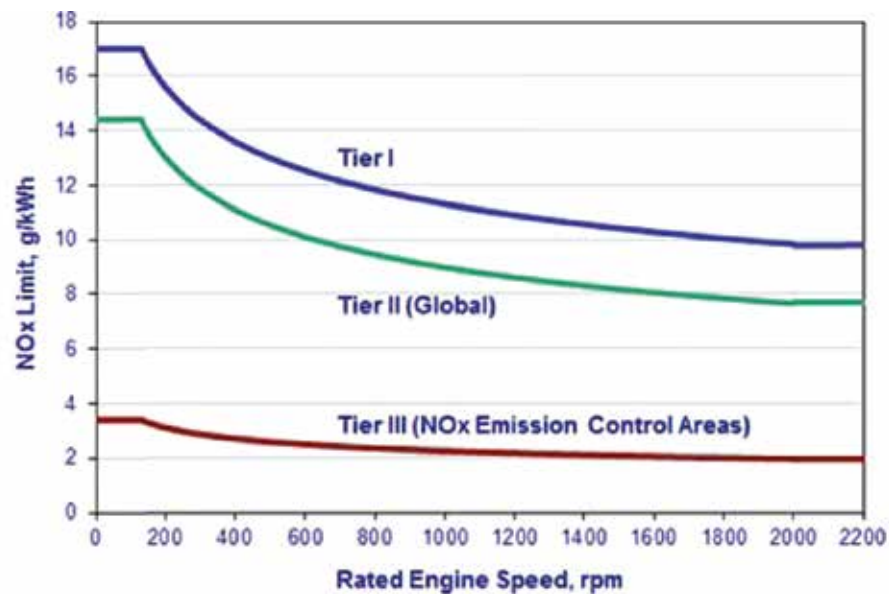


Source: IEA, Medium-Term Oil Market Report 2016

It is estimated that 19% of the ships will be equipped to scrubber systems (which will have some negative effects on GHG emission), and the rest will have to use MGO. The result will possibly be a sharp rise in MGO price (with high demand and insufficient supply) and a steep fall in the prices of the HFO (with a much lower demand and abundant supply). In the same context, the ships will be in need of higher credit levels for procurement of their fuel, and the bunker suppliers will need to involve more liquidity to stay in the course of business. The Sulphur cap is expected to cause dramatic cost increases in the costs of shipping companies. For instance, in 2016 International Transport Forum OECD has estimated that the implementation of the 0.5% sulphur cap can bring a cost burden of 5 to 30 billion USD to the container shipping.

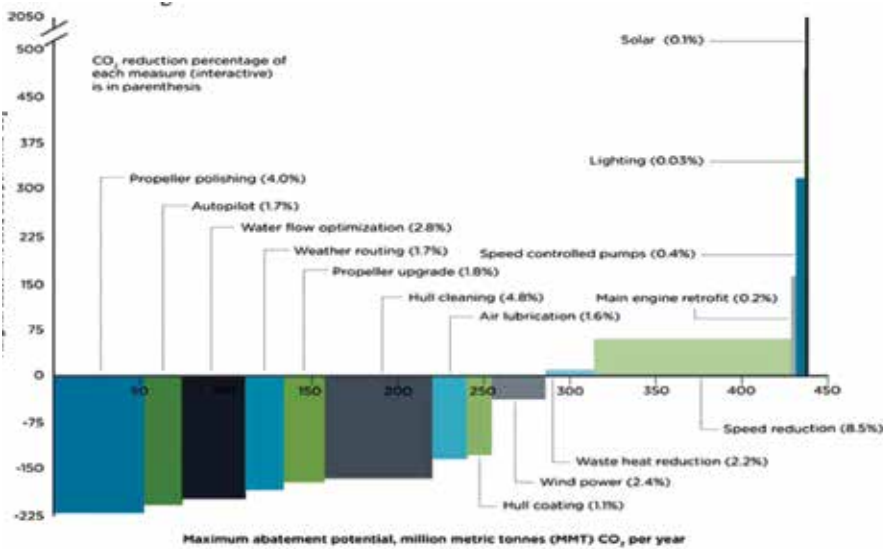
- Reduction of NOx in Ship Emissions- by increase of MGO, reduction of NOx emissions from ships will find more significance. The NOx emission control is based on a 3-tiers scheme that establishes the NOx emission limits in ships based on the date of the engine design. Tier I and Tier II limits are global, while the Tier III standards apply only in NOx Emission Control Areas.

Tier II standards are expected to be met by combustion process optimization while the Tier III standards are expected to require dedicated NOx emission control technologies such as various forms of water induction into the combustion process (with fuel, scavenging air, or in-cylinder), exhaust gas recirculation, or selective catalytic reduction.



NOx emission limits in Annex VI of MARPOL convention

- GHG Emission Abatement – The ‘Comprehensive IMO Strategy on Reduction of GHG Emissions from Ships’ is being developed between 2017 and 2022 and the needed GHG reduction requirements will be concluded for entering into force from 2023. The results will entail a number of capital-intensive modifications and/ or utilization of technologies in the ships. The figure below indicates a number of technologies that are considered as solutions for GHG abatement.



The following table provides a number of maritime technologies in the field of energy efficiency and environmental protection and their relevant regulations. As seen in this table, in many cases none of these technologies can provide complete compliance with the regulatory requirements, and therefore it is expected that appropriate mixes of them are utilized to fulfill the compliance.

TECHNICAL MEASURE	POSSIBLE FOR RETROFIT	MOTIVATING REGULATION						
		SECA 1% <sub>S</sub>	SECA 0.1% <sub>S</sub>	GLOBAL 0.5% <sub>S</sub>	NO <sub>x</sub> TIER III	EEDI	ENERGY EFFICIENCY	BALLAST WATER
Low sulphur heavy fuel oil								
SO <sub>x</sub> scrubber								
Distillate fuel								
Pure LNG engine						20 %		
Dual-fuel engine						20 %		
Exhaust gas recirculation								
Selective catalytic reduction								
Propulsion efficiency devices						2 %		
Waste heat recovery						4 %		
Shaft generators						0-1%		
Hull shape optimisation						5 %		
Contra-rotating propulsion						4 %		
Air cushion						6 %		
Wind power						2 %		
Smaller engine/de-rating (speed reduction)						10 %		
System efficiency improvement								
Hybrid propulsion system								
Ballast Water Treatment System								
Water injection								
Water in fuel								
Low NO <sub>x</sub> tuning								
Lightweight constructions								
Reduction of seawater ballast capacity								

Maritime technologies and relevant regulations.

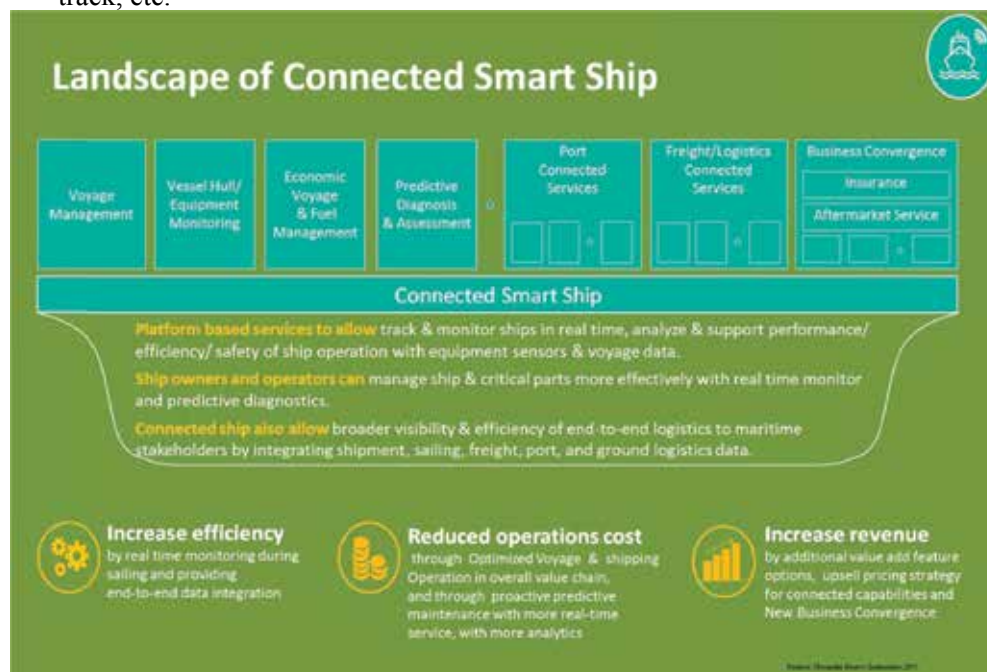
Source: DNV.

Although the environmental regulations are enforced globally, they are encountered by many political acts by some states, unions, and NGOs. Among these acts, we can point to new US government approach towards climate change and fossil fuels. For instance, one outcome of such an approach was the omission of the ‘climate change financing’ in the final statement of G-20 in 2017. Therefore, it is highly possible that international controversies emerge around sustainable development and environmental management policies in near future. This can affect the shipping industry by providing more time for adapting to the new conditions and requirements.

Aside from the technologies that serve the regulatory compliance purposes, the industry is also the scene of technological developments towards enhancements in the industry’s productivity. These developments are seen as the hopes of the industry to overcome the myriads of issues and challenges that are troubling her businesses. The Smart Ship concept is one of the prominent instances of such technological development.

Smart Ships incorporate Information and Communication Technology to develop intelligence in the ships that act as the Strategic Business Units of the shipping line. The intelligence is established by use and interplay of various technologies onboard, onshore, and satellite-wise. The spectrum of these technologies includes telematics, data storage, analytics, satellite communication, industrial automation, applications, and information systems. The synergistic interaction of such systems on a ship can provide:

- ✓ Automation of many processes onboard – This can encompass a wide range of functions and processes including navigation, preventive maintenance, engine and propeller control, trim optimization, collision monitoring, hull tension monitoring, etc.
- ✓ Standardization and digitalization of many outgoing and incoming information flows – documentations, regulatory reports, digital logs, environmental data, economic data, etc.
- ✓ Connectivity-enhanced processes and functions- weather monitoring, route optimization, remote engine monitoring, port sync navigation, cargo trace and track, etc.



Moreover, it is said that smart ship concept can revolutionize the business models of the shipping industry. For centuries, ships have been managed as discrete and remote business units with autonomous and independent management. But the smart ship is intelligent and connected. It can perform many of her functions automatically, and many of its functions can be managed, operated (or at least monitored) by teams thousands of miles away in an office or even another ship. This builds the capacity to move the



fleet management to the next level: Integrated fleet management. In this sense, the shipping company can manage both the fleet and the business more efficiently and seamlessly by reliance on the real-time data and direct connection with the personnel and even systems of the ships. This can lead to great efficiency improvements and savings in business planning, business leadership, Human Resources Management, engineering, maintenance and repair, customer relationship, safety and security, etc. This is especially important for the big shipping companies that are growing larger and larger in size and need to enhance their business administration in line with their organic growth.

The connectivity of smart ships can also be used to develop more integrated relations with stakeholders in the value chain of shipping. It can be used to connect the ship (and her operator) to the shipowner, shipbuilder, port authorities, terminal operators, shippers, cargo interests, etc. These integrated relations can provide many opportunities for engendering added value.

There are several other emerging concepts in the industry, among which we can point to the Low Energy Ship, the Arctic Ship, the Green-fuelled Ship, the Electric Ship, the Virtual Ship, and many more. Most of these concepts are oriented towards quality improvement, energy management, pollution control, safety, security, and cost savings.

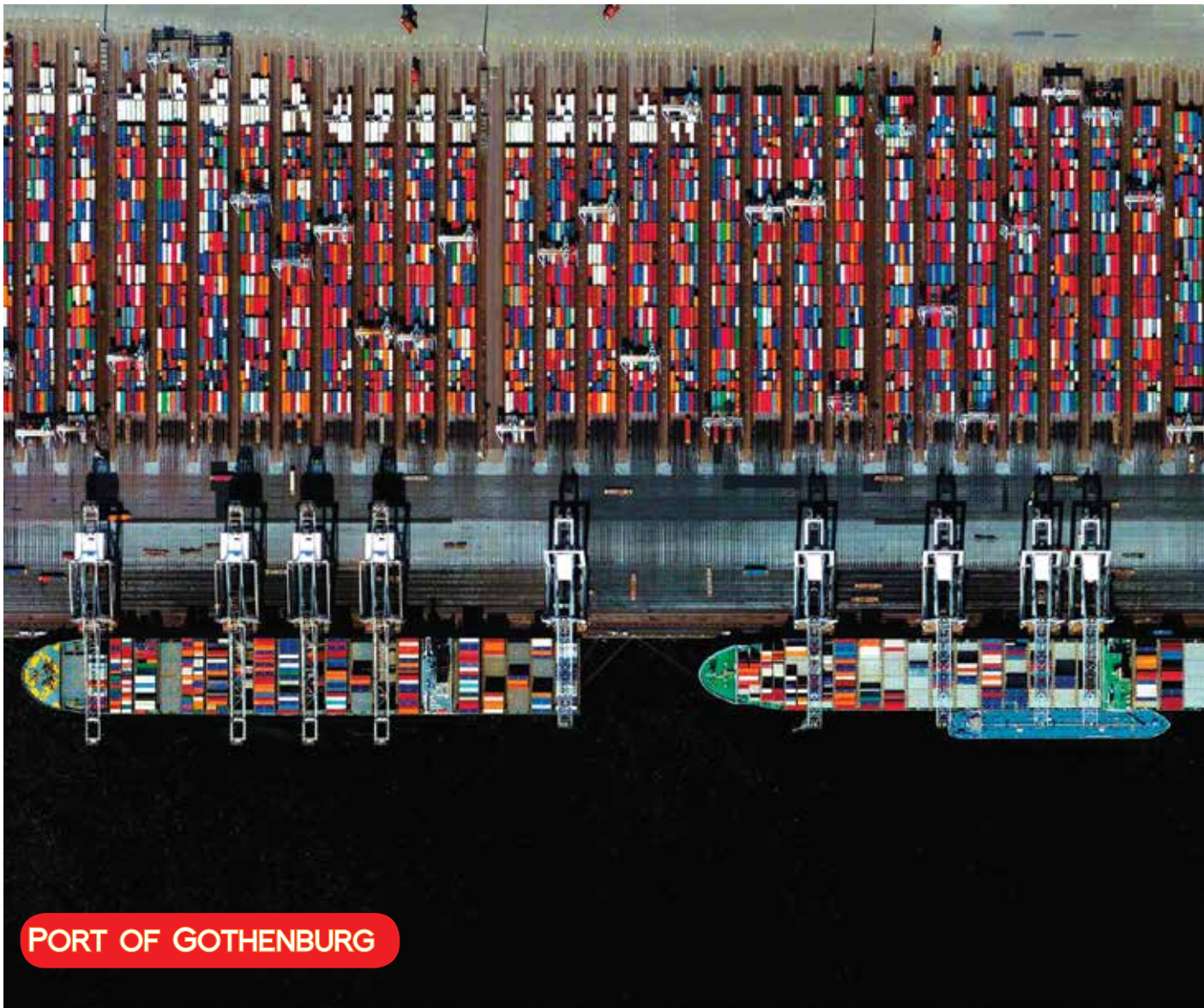
## **Conclusion**

The shipping industry has been moving in turbulent waters for years and in spite of some slight improvements, it seems that the harsh and tempestuous conditions will not change much in the near future. This situation is a result of strategic mistakes in terms of assessing the global demand and balancing the supplies of the industry with it for nearly two decades. In the recent years, the supply of the industry is getting right-sized automatically by the demand-driven market conditions.

According to the cyclic nature of the shipping industry and the groundbreaking low records of the industry in 2015 and 2016, it can be anticipated that the industry will pick up a slow recovery trend that can take the industry back to their peak in early 2020s. Yet, the costs of compliance with regulatory requirements for air pollution control and energy efficiency may be disruptive to the industry's recovery trend.

In these years, the markets of the industry will be more concentrated and under the control of much bigger and stronger firms. The new marketplace can turn into a perilous place for the interest of many stakeholders of global supply chain, including the nations and the states. Therefore specifically in the national level, it is essential to have a policy for shipping that can protect the national interests of the state. In terms of Islamic Republic of Iran's resistive economy, this should include renovation and empowerment of the national shipping fleet to maintain the state's international trade.

It is obvious that the yesterday's solutions are not usually appropriate for resolving the problems of tomorrow. This is the inappropriate attitude that has afflicted the shipping industry in the current state. Indeed the industry is in intense need of innovations to overcome her issues. Such innovations are most needed in management, business administration, and technologies. It is essential to understand that only a number of those shipping lines will survive and grow in the disruptive conditions of the current market that are able to learn to react, and innovate to proact in the face of all encountered challenges and issues.



PORT OF GOTHENBURG

# INCREASED TRAFFIC BETWEEN GOTHENBURG AND BELGIUM

*Shipping Line SOL now offer seven departures per week from Gothenburg Roro Terminal.*

*Belgium is Sweden's eighth largest export market. The Swedish shipping company SOL is about to expand its departure frequency between the Port of Gothenburg and the Belgian port of Zeebrugge. The change will offer greater scope for Swedish import and export companies to ship freight to and from Belgium.*



Gothenburg-based shipping company Swedish Orient Line, SOL, is about to expand its departure frequency between Gothenburg and the Belgian port of Zeebrugge. The company's vessels will now depart from Gothenburg seven times a week.

"We've seen an amazing increase in volumes during the past year and we've hit the ceiling in terms of capacity. To meet the increase in demand, we're planning to expand our capability to ensure we can continue to offer our customers an efficient system with a first-rate level of service," said Ragnar Johansson, Chief Executive of Swedish Orient Line. To handle the additional departures, the company

has brought a new vessel into service – Ark Forwarder. The 185-metre vessel will call at the Gothenburg Roro\* Terminal. The first departure will be this Thursday. The voyage to Zeebrugge takes approximately 36 hours.

#### **16 calls to and from Belgium each week**

The Port of Gothenburg now offers five ro-ro services to Belgium with a total of 16 calls each week. Apart from SOL, the ro-ro companies CLdN and DFDS Seaways also operate services to Belgium – to Zeebrugge and Ghent respectively.

"Zeebrugge is an important freight hub for many Swedish import and export companies that operate in Belgium and northern France," said Jacob Minnhagen, Senior Manager, Business Development at Gothenburg Port Authority. "Further options are now available for shipping goods to and from Belgium. We're extremely pleased that SOL is continuing to make operational investments at the Port of Gothenburg."

Belgium is Sweden's eighth largest export market with annual exports worth around 50 billion kronor, mainly engineering products, machinery and bearings. Many Swedish goods that are exported are transloaded in Belgium for onward movement to other markets. Imports from Belgium comprise foodstuffs, vehicles and components for Swedish industry. \* Ro-ro stands for roll-on/roll-off and refers to trailers and other wheeled cargo carried on ships that operate in regular liner traffic within Europe.

#### **Fact file: Port of Gothenburg**

The Port of Gothenburg is the largest port in the Nordic region. 30 per cent of Swedish foreign trade passes through the Port of Gothenburg as well as 60 per cent of all container traffic.

The Port of Gothenburg is the only port in Sweden with the capacity to receive the world's largest container vessels and has the broadest range of shipping routes within and outside Europe. The 25 rail shuttles that depart each day mean that companies throughout Sweden and Norway have a direct, environmentally smart link to the largest port in the Nordic region. The Port of Gothenburg has terminals for oil, cars, ro-ro, containers and passengers.

#### **About Port of Gothenburg**

Fact file: Port of Gothenburg

The Port of Gothenburg is the largest port in the Nordic region. One-third of Swedish foreign trade passes through the Port of Gothenburg as well as 60 per cent of all container traffic.



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The Directors of Steamship Mutual wish Dr Saeedi, IRISL Group Chairman and Managing Director and all at IRISL a successful and prosperous New Year.

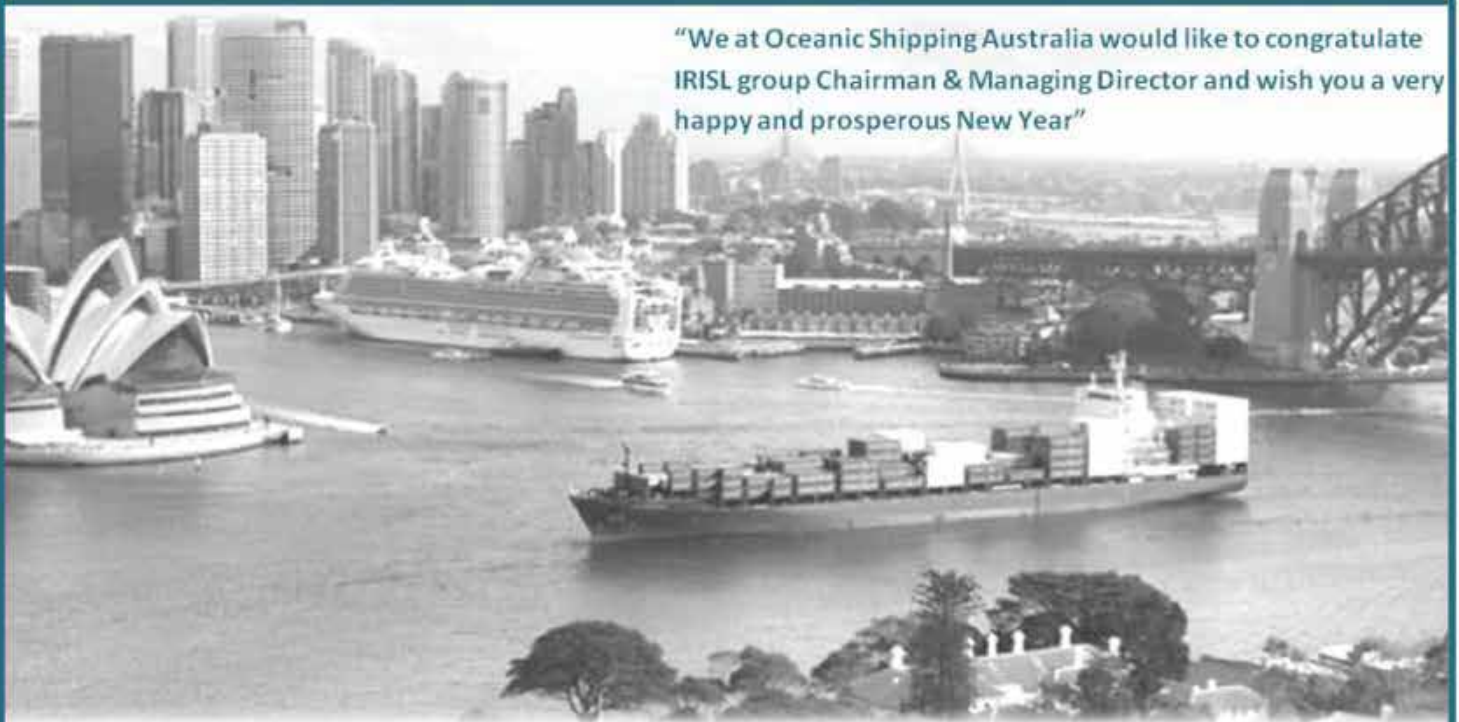


Steamship Mutual is delighted to be the preferred choice for IRISL's P&I insurance requirements. We look forward to being of service to IRISL for many years to come.



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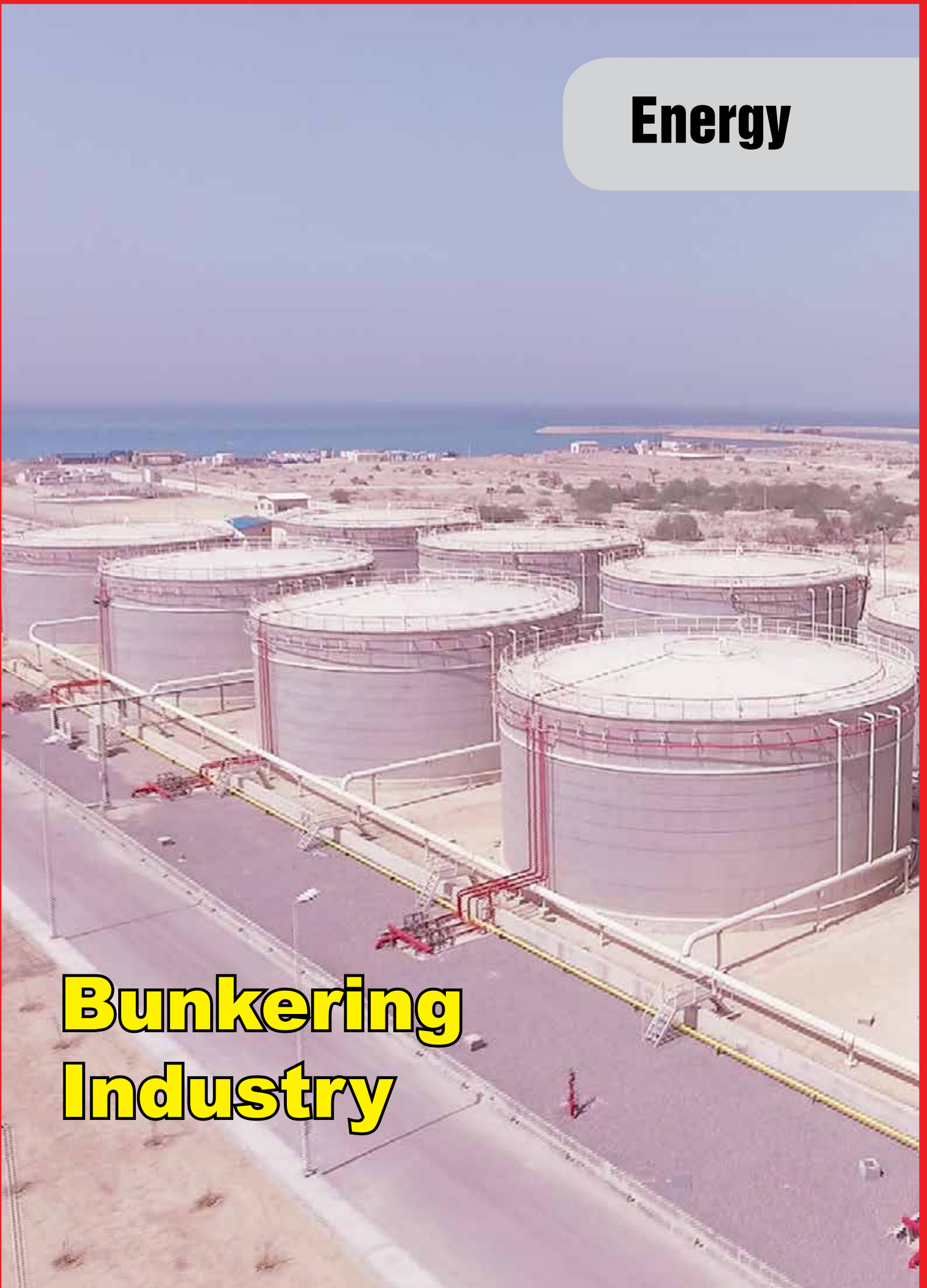


"We at Oceanic Shipping Australia would like to congratulate IRISL group Chairman & Managing Director and wish you a very happy and prosperous New Year"

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**Energy**

**Bunkering  
Industry**





# BITUMEN BUSINESS IN IRAN, FROM THE PAST TILL NOW

By : *Hoori Qasemi*

Iran knew the oil from the most ancient times. In the southwestern corner of this vast highlands that were extended from East to Sindh and Mesopotamia and from West to Sardis and Egypt, oil springs were flowing. The people in those areas learned the usage of bitumen about 5 thousand years ago and benefited from it in a variety of uses such as stone mortar and bricks in buildings, rowboat's exterior coating, making pottery and joining together the pieces of jewelry and ornaments.

Although oil and bitumen were known in Iran from the old days and its exploitation was also dated back to the exploitation of other earth's surface mines such as stone, gravel, gypsum and lime, this sector has also become industrial and had different dimensions with the discovery of oil in a hundred years ago.

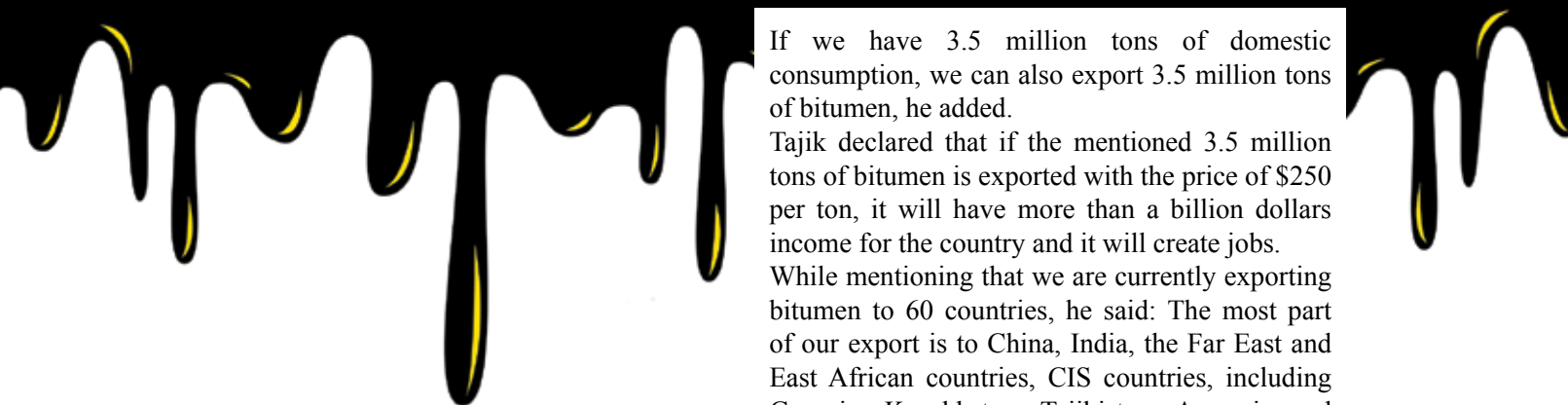
Coincided with the construction of the Middle East's first refinery in Abadan, bitumen production

began from the residues of the distillation towers of this refinery. The bitumen industry has rapidly boomed in Iran because the biggest part of Iran's oil is heavy crude oil and the bitumen derived from the heavy crude oil is of higher quality.

In addition to Iran's access to the heavy crude oil and setting the refineries of the country with this type of oil, the existence of several refineries in Iran and the increase in the number of refinery companies are other advantages that help the Iranian bitumen market to boom in the world.

On the other hand and according to the forecasts of the global institutions, the world bitumen demand in 2017 will reach to 121 million tons which is equivalent to 734 million barrels. This increased demand is mostly in Asia.

The predictions show that the growth in demand in China and developing countries will be more than elsewhere. Hence, the proximity of Iran to these



consumer markets has created a unique opportunity for this country besides the higher quality of the bitumen of Iran. Therefore we can say that the export of petroleum products including bitumen in an oil-rich country such as Iran is a routine and normal procedure, even if the Iran's refineries are designed in such a way that the share of its low-value production such as fuel oil, bitumen, and VB that are derived from the bottom of the distillation towers is abnormally high away from the current and former world standards, compared to valuable products such as gasoline, diesel, kerosene and LPG.

Iran produces more than 7 million tons of bitumen per year in the current situation and the domestic needs of the country are about 3.5 million tons annually.

Therefore, it can be concluded that Iran has the ability to export 3.5 million tons of bitumen to other countries per year. On the other hand, Iran is the hub of production and export of the bitumen in the world; the first producer of bitumen in the Middle East; the second producer of bitumen in Asia; the fourth producer of bitumen in the world and has the ability to export to 60 countries.

The chairman of the Commission of bitumen of Iran's Petroleum Products Exporters Association, Hassan Tajik said, the quality of the bitumen of the country is totally appropriate, but some loud proclamations made by ourselves is used against us in the world.

"According to the conditions of the refineries, 7 million tons of VB could be converted to the bitumen. The domestic consumption of bitumen for waterproofing and its consumption in the streets and roads are hardly reached to 3.5 million tons, so we can export the remaining produced bitumen." The chairman of the Commission of bitumen of Iran's Petroleum Products Exporters Association stated.

If we have 3.5 million tons of domestic consumption, we can also export 3.5 million tons of bitumen, he added.

Tajik declared that if the mentioned 3.5 million tons of bitumen is exported with the price of \$250 per ton, it will have more than a billion dollars income for the country and it will create jobs.

While mentioning that we are currently exporting bitumen to 60 countries, he said: The most part of our export is to China, India, the Far East and East African countries, CIS countries, including Georgia, Kazakhstan, Tajikistan, Armenia and Turkmenistan. We don't have any export to Europe due to the environmental-related excuses and costly shipping by vessels.

Iran knows its target market for the export of bitumen to East Asian countries. One of the most important factors was that the export to other countries was limited at the time of sanctions.

But now the possibility of marketing in the old markets and the definition of new markets are available for Iran with the lifting of the sanctions and implementation of JCPOA.

In this regard, the member of the Board of Iran's Petroleum Products Exporters Association, Seyyed Hamid Hosseini said that if we could resolve banking problems, we can hope to deal with the large companies of world regarding the bitumen trade.

He emphasized that the large corporations of the world are not willing to pay cash in advance, so, new partnerships will be hard until the time that the LC opening problems is not resolved.

The bitumen is one of the major export items of Iran in a way that more than 3 million tons of bitumen is exported per year. Meanwhile, it brings more than one billion and 200 millions of USD for the country, he said.

Referring to the good capacity for bitumen market development in West Asia and the Middle East, the member of the Board of Iran's Petroleum Products Exporters Association said that this fact has led many companies to enter the market.

In the end, it is necessary to note that the export of oil products has always been of great benefit to Iran. Considering the great advantages of the production of bitumen for Iran, the strong presence in global markets of this product is one of the requirements of Iran's today's economy: an economy that is looking for its reconstruction after the lifting of the sanctions.

FIRST BUNKERING PROJECT LAUNCHED IN QESHM;

# THE CORNERSTONE OF BUNKERING INDUSTRY

By: Narges Ehsandar

**C**onsidering the fact that Iran enjoys rich oil and gas reserves and is capable of producing high amount of fuel oil, the country has put establishing bunkering site for the ships in the region since many years ago so as to place within bunkering countries in the world and move forward with its economic targets.

In this regard, Islamic Republic of Iran Shipping Line (IRISL), took an active step in bunkering industry in line with Iran's resolutions with an eye to attract foreign investors. Iranian authorities also encouraged developing the bunkering site. The following is what they stated about the bunkering site which was launched by Islamic Republic of Iran Shipping Line (IRISL):







Minister of Cooperatives, Labour and Social Welfare stated: the inauguration of Qeshm Star Bunkering Project would play a significant part in promoting Iran's role in the geopolitics of the region.

In the inauguration ceremony of Qeshm Star Bunkering Project, Ali Rabiei stated: Iran's economy prosperity and flourishing has been the main purpose of the group which has attempted to develop this project.

Rabiei also stressed: our strategy moves towards turning Iran into the first power in the bunkering industry in the region along with making the activities of ministry of Cooperatives, Labour and Social Welfare as international as possible.

Emphasizing that Islamic Republic of Iran Shipping Line (IRISL) has been very successful in this regard, he continued: in December 2015, Dr. Mohammad Saeedi, publicly announced the future prospects of IRISL, and thanks to his rich experiences in managing international affairs, we were optimistic about his ability in making effective use of post-JCPOA opportunities and creating striking changes in this shipping line. He also expressed content for the Iranian ships which can operate in North America, Africa or South East Asia with limitation. He reminded of purchasing 10 ships to renovate National fleet in Iran and added that: buying the ships not only resulted in releasing the blocked finance we had in Korea, but also was considered the first finance which was provided in post-JCPOA. He also stated that the ships were purchased with 35% discount.

Currently, we are so pleased that Iranian Ships could easily sail to four corners of the world while flying Iran's holy flag, Rabiei continued.

Referring to the signing contract between IRISL and Korean major shipbuilding, Hyundai Merchant Marine, this official further stated: the contract was the first practical international finance in the post-JCPOA era.

Finally he emphasized that IRISL to diversify their activities other than sole shipping cargos and move toward other areas of shipping including bunkering, ports and logistics, etc.



**General Manager of Social Security Investment Co. (SSIC) in the opening ceremony stated that:**

### **Shipping chain secures job creation and sustainable development**

Catering and hoteling industries along with bunkering and providing shipping services make higher earnings.

Reza Noruzzadeh, general managing director of SSIC stated that: creating shipping chains including catering and hoteling guarantee creation of jobs, sustainable development and growing economy in Qeshm Island.

General Manager of SSIC continued: providing services to the customers and attracting them will complete the chain of shipping and brings about added values for the economy.

He added that production of 3m barrel per day in Iraq is a good opportunity for bunkering and shipping industry and continued: the opening of bunkering site in Qeshm Island and development of it in next phases, along with establishing huge tanks for restoring fuel, are the opportunities to take advantage of the capabilities of Iran.

Noruzzadeh emphasized that: there are many funds to support huge projects in Iran by taking advantage of funds and following resilience economy while create jobs.

He announced that according to the laws, governmental companies are not allowed to take part in different non-governmental projects and this makes a good opportunity for SSIC to take a big role in huge projects such as Qeshm Star Refinery and asserted that: we support the idea of private section to take roles but before they are strong enough, the investing companies can carry out the responsibilities.



**IRISL CEO:**

**Why to Export refinery products to Fujairah?**

The managing director of Islamic Republic of Iran Shipping Line (IRISL) stated: what happens by opening Qeshm Star Bunkering project is a beginning to obtain the value added existing in the bunkering stations of the vessels in the region.

In the inauguration ceremony of Qeshm Star Bunkering Project, Dr. Mohammad Saeedi asserted that currently, we are dwelling at a bright point in Iran’s history, thanks to the strategic management of the supreme leader and the president as well as the tactfulness of the executive system.

Making a reference to the post-JCPOA era , he continued: we must utilize this new opportunity for offering more effective and beneficial services.

The IRISL director also stated: what happens by opening this project is a beginning to obtain the value added existing in the bunkering stations of the vessels in the region. He expressed the concern that authorities held due to exporting refinery products to Fujairah to pass their final procedure before they are ready to be sold.

Proposing that the development of bunkering industry is a significant IRISL policy in the post-JCPOA era, Dr. Saeedi stressed that his organization is attempting to meet the needs of both Iran and the region, thanks to its coordination with Qeshm Free Zone

Saeedi pointed out to the capabilities of IRISL as the largest fleet in the region, and added: this national line could play a paramount role in improving and promoting country’s trade exchanges.

Counting selling goods at the most appropriate time and price as an indicator of smart goods transit management, this official continued: the necessity for the development of bunkering capacity in Qeshm has been stipulated in Sixth National Development Plan, hence, with the cooperation and participation of Qeshm Free Zone, IRISL makes all its attempts to increase the capacity of bunkering up to 500.000 tons in this region.

Saeedi further stated: thanks to the sanctions removal and the execution of JCPOA, 17 major world shipping lines are sailing to Iranian Ports regularly.

Considering the new conditions and inauguration of bunkering project in Qeshm, he added: a golden opportunity has been provided for Islamic Republic of Iran to supply the necessary fuel for the vessels which travel in the Persian Gulf. He added that 42% of the costs in IRISL refer to providing fuel for the ships and the bunkering site avoids ships to redirect as much as 130 miles to receive fuel in Fujairah.

Referring to post-JCPOA opportunities that have led Iran to thrive and experience a shining point of its history, head of the board at IRISL remarked: over 85 percent of Iran ‘s trade is currently being done through sea, as a result, IRISL could be regarded as a key player in this regard.

IRISL director also proposed: Right now, we do not face any restrictions in international transportation, and IRISL could continue its activities everywhere just like any other shipping line.

IRISL has expanded its direct lines from Persian Gulf to East Asian, and on the other hand, it has also revived the Persian Gulf-Europe line, which was terminated at the sanctions era, according to Saeedi.

Finally he added that there is no limitation for commuting in the ports all over the world and specified that there are five new services and which are managed to cover East Asia. He also mentioned that IRISL ships freely operate in Africa and strategic region of North America.



**Qeshm Free Zone General Manager:**

### **The Bunkering Project in Line with Macroeconomic Plans**

The countries such as Netherland, China and Switzerland have shown interest to invest on bunkering project in Qeshm Island and increase the capacity of production to 100m barrels.

Hamidreza Momeni, Qeshm free zone general manager stated that: today, Fujairah provides 86% of the necessary bunkering in the region and completing the first phase of Qeshm bunkering site will result in producing 50000 ton fuel for the ships.

He added that: IRISL will take even bigger role in the region through finalizing bunkering project in Qeshm Island especially when 5000 ships pass the region to reach Fujairah and receive fuel.

Hmidreza Momeni reminded that Government has planned to receive 8000 dollar from bunkering and stated that: the project requires collective efforts and taking advantage of foreign investors and proving the services in the realms of hoteling, catering, supermarkets, ship repair, and providing accessories for the ships along with bunkering site to optimize the project.

**Qeshm Star Bunkering Site's General Manager:**

### **Less Distance and Higher Quality, the Trump Card for the New Bunkering Site**

Qeshm Star Bunkering site's general manager in the inauguration ceremony of the site called it as one of the most strategic projects in Iran and stated that: the spot was recognized as a strategic area by Iranian authorities in past to establish a bunkering site and IRISL was the entity to start the project of Qeshm Star bunkering site in the area.

He emphasized that Persian Gulf and strait of Hurmuz is the waterway for passing mega ships as many as 55000 to 60000 and they require various needs including bunkering.

Ahmad Sarkandi continued that: the ships receive shipping services in Fujairah port in UAE and to do this, the ships need to redirect 130 miles before they enter Persian Gulf and turn back to their direction when they receive the services.

He added that today, over 95% of the phase including offshore, tanks, oil pipes, oil pumps (which transfer the oil) systems, electricity, control room, fire suppression system etc. are completed.

Sarkandi continued that Qeshm Star bunkering site enjoys 10 tanks with capacity of 5260 ton each which totally can store 52600 ton and the stoppage of ships at this site for bunkering can create 2m ton fuel for the passing ships per year.

Qeshm Star Bunkering site's general manager remarked high quality and less distance for the ships to get bunkering services as two major advantages of the Qeshm Star bunkering site and asserted that: the ships passing south of Qeshm Island can reach the berth for bunkering which is only four miles away and get into their direction after receiving bunkering services. This means it is not necessary for them to cover 130 miles to receive similar services in Fujairah and spend one more day on the voyage which is not a economic theory considering the high daily cost of the ships.



# DUTCH DISEASE OF IRANIAN ECONOMY CURED THROUGH PETROCHEMICAL INDUSTRY

By: Hoori Qasemi

**S**tates throughout the world attempt to capture considerable share in international markets with an eye on their advantages against other rivals so as to fortify their economy and political power as well.

In fact, capturing the markets and increasing exports let the states to define their place in international balance strongly and avoid being secluded.

In this regard, Iran aimed to increase its export advantages after JCPOA and earn foreign exchange from diversified sources other than oil.

The question is which section can replace oil as the source of foreign exchange earnings?

Iran holds 22% of producing petrochemical products in the Middle East and it can increase taking advantage of Iranian expertise and potentials. Holding huge gas resources as the petrochemical



feed is one of the biggest advantages in Iran. The other advantage lies in being close to the target markets for exporting the petrochemical products.

Although Iran stands at first rank regarding having oil and gas resources, its role in world 's petrochemical production does not exceed 2.3%. Hence, Iranian authorities have dedicated special focus on the petrochemical industry. Bijan Zanganeh as the Oil Minister of Iran announced that the Iranian petrochemical industry is developing fast and increasing production capacity let us mount the petrochemical export to 40b dollar in five years.

According to him, several petrochemical projects get into operation which along with those being operational in 2017, hike petrochemical exports. However, the petrochemical industry landed the

first in the list of non-oil exports in 2016. This is what immediately happened in the post sanctions era while the sanctions had weakened the Iranian petrochemical industry tremendously. JCPOA let Iran to expand its target markets for petrochemical products to Europe and Latin Americas.

Marzie Shahedayi, the general director of the National Petrochemical Company (NPC) believes that Iran lost the markets during the sanctions and JCPOA enabled us to remove any limitations regarding shipping and marine insurance. Furthermore, placing finance by the banks is easier while the end price for the production of petrochemical products decreased due to sanctions removals. She added that it is supposed to increase the production of petrochemical products to 23m ton with the value

of 11b in 2017.

Deputy of oil ministry announced that we see the fruits of JCPOA in petrochemical industry though the projects which will be operational and the resolutions that emphasize fortifying the economic resilience. He predicted that the petrochemical production in Iran reaches 72m ton per year.

He also continued that considering the international negotiations and moving forward after the sanctions removals, reaching the abovementioned goal is easily accessible.

Shahedayi added that the achievements in 2017 play a fundamental role in accomplishing 6<sup>th</sup> development plan in Iran. He continued that the new political atmosphere in 2017 paves the way for reappearing in international markets and recapture the lost share.

The statements above from the Iranian authorities indicate the importance of development of petrochemical industry in Iran and although the fruits of attempts to develop the industry are

going to show up in 2017, the efforts had started from last year.

Statistics show that Iran exported 43.9b dollar (129m ton) to other countries in 2016 while it was 42.4b dollar (93.9m ton) in 2015. The statistics also demonstrate that petrochemical products gained the first rank in the list of top exported products and in 2016 approximately 14.3m ton petrochemical products were exported to other countries. In fact, petrochemical exports amounted to 32.6%. The volume of petrochemical in 2015 was about 13.1b dollar which comprises 30.9% of total export of Iran.

Ali Mohammad Bosaghzade, manager of production control in NPC estimated that petrochemical exports grew 10% in 2016.

He continued that the improved logistics and facilities let the petrochemical firms to move forward with exporting smoothly and follow the plans in Iran. Fortunately the customers from all over the world especially the Europe have shown interest to purchase Iranian petrochemical





**DEPUTY OF OIL MINISTRY ANNOUNCED THAT WE SEE THE FRUITS OF JCPOA IN PETROCHEMICAL INDUSTRY THROUGH THE PROJECTS WHICH WILL BE OPERATIONAL AND THE RESOLUTIONS THAT EMPHASIZE FORTIFYING THE ECONOMIC RESILIENCE**

products.

Ali Mohammad Bosaghzade continued: 6<sup>th</sup> development plan emphasized a considerable development in petrochemical industry and hoped that considering the existing infrastructures, there is a bright future for this industry in Iran.

He also asserted the importance of coherence and cooperation between the petrochemical producers in Iran and stated that: exporting petrochemical products is possible if only the demand inside Iran is supplied properly and fortunately the production of petrochemical products jumped drastically in 2016 to feed internal and external demands.

Petrochemical exports are important mainly because they are considered the end products which enjoy higher value. In fact, petrochemical production stops the process of selling crude oil and follows economic resilience plans while earning foreign exchange and creating jobs.

Although petrochemical exports grew in 2016 in Iran regarding the volume, the lower oil price decreased the value it delivered to Iran's economy. However, it seems it will play bigger role in 2017 in Iran's economy when the oil price keeps increasing.

The value of petrochemical products is increasing worldwide and on the other hand, Iran increases these products according to its plans.

Finally, it is worth noting that petrochemical industry flourishes from 2017 on through spending the dollars it brings to Iran. The industry is a safe source to replaced crude oil as the source of foreign exchange earnings.





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Service scope:	
① Steel work	DNV, LR approved WPS certificate(D36/EH36; stainless steel & Aluminium material WPS)
② Machinery&Hydraulic	M/E, A/E Parts recondition/overhauling, Mooring winch/ windlass/ hatch cover/ deck crane/ valve repair, Hyd. test platform for Hyd.device repair& test/Senior Hyd.service engineer from Dalian Maritime University.
③ Automation&Electric	Electric/electronic/ pneumatic/hyd. control system repair, such as: ECR/CCR control system, M/E pneumatic control system, Valve remote control, temperature control valve, air-condition and refrigeration system etc.
④ Marine safety	10 Class approval certificates for the FFA.(DNV-GL/BV/KR/RINA/ABS/NK/LR/RS/IRS/CCS)
⑤ Underwater service	9 Class approval certificates .(CCS/DNV-GL/BV/KR/RINA/ABS/NK/LR/RS)
⑥ Calibration&testing	Temp.&pressure gauge/calibrator/gas detector/Hatch Cover UT Tightness Test.
⑦ Thickness measurement	6 Class approval( NK, LR, DNV-GL, IRS, CCS,KR) for Thickness measurement.Very strong service team movable all over Chinese port&Shipyard.
⑧ Store&spare supply	Separate division for supply item , with own warehouse for storage Authorized agent of Piston rings(DAROS) BNWAS/WIDS/Fire Detection System(B-I)
⑨ Overseas service and Service with ship at sea	Longkong marine can provide service not only in Mainland of China, but also overseas; Longkong marine can provide hull, machinery, electrics&electronics service on ship when sailing with our own seaman.
⑩ Engine Components Recondition	Longkong marine have cooperated with Polestar Marine Engineering Co., Ltd(Japan) and Polestar Marine Engineering Pte Ltd(Singapore) in Engine componetns recondition and Ballast Water Treatment System(BWTS), Alpha Lubricator Retrofitting business.

Dear Dr Saeedi,  
IRISL Chairman and Managing Director

*Happy New Year*

*May you script history in this year  
for your company  
and make it as the most profitable  
year of all years*

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*We all in Philtac Dalian Co., Ltd would like to congratulate IRISL group  
Chairman & Managing Director and wish a very happy and prosperous  
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**Iran**

# **Port-Land!**





**T**hanks to the improvements in Iran's international ties and the lifting of the sanctions, foreign shipping lines commenced their trips to Iranian ports, and currently, 14 active international shipping lines commute to Shahid Rajaei Port. Given Iran enjoys high degree of safety as well as proper commercial circumstances for maritime and ports collaborations, international shipping lines have been more than willing to extend their trips to Iranian ports, and this has paved the grounds for domestic and international investments. In this regard, the Iran's Ports and Maritime Organization (IPMO) intends to announce several massive-scale projects, which would serve absorbing to foreign investors. To delve into this issue more elaborately, Payam Darya sat down with IPMO Ports and Special Zones Deputy, Jalil Eslami. In the upcoming section, you will find the transcript of this interview.

By :Narges Ehsandar



IPMO PORTS AND SPECIAL ZONES DEPUTY:

# LARGE-SCALE PORT PROJECTS TO ATTRACT FOREIGN INVESTORS ARE SOON TO BE ANNOUNCED



**What are your current plans for attracting international investors to Iranian ports?**

We have proposed our investment opportunities both through official channels and in IMPO website, and this has made them accessible to corporations and holdings. I must also add that we will introduce several huge projects, which will be worth considering by those interested in macro-scale investment.

One of such projects is developing and expanding Shahid Rajaei Port’s off-shore at the area of at least 2400 hectares. This could be deemed as one of the largest logistics projects in Iran. I will not say the largest project just to be on the safe side, but I do emphasize that it is one of the largest projects as far as logistics is concerned. The preliminary measures for this project have been taken, and it will soon be officially announced.

Likewise but in smaller scales, we are hammering out the details of an offshore project in Imam Khomeini Port at the area of 700 to 800 hectares, which will be allocated to logistics and value added services.

There are several other projects in place, the most significant of which is the third phase of Shahid Rajaei Port Complex. The preliminary studies of this project have almost been completed and it will be officially publicized in the next upcoming months. Grains terminals in Imam Khomeini Port and Negin Island in Boushehr are examples of other projects that are being designed and executed.

**What points are to be considered for the attraction of international investors?**

It is important to select corporations that enjoy ample international-level experience and trade networks. Besides, it is important that the hand-picked companies, either foreign or domestic, possess sufficient knowledge and have access to advanced ports/terminal management software and hardware systems.

Upon the lifting of the sanctions and the execution of Joint Comprehensive Plan of Action (JCPOA), IRISL, as the main vessel of Iran’s trade, managed to grow out of its limitations rapidly, and this called further port-wise collaboration with other countries in the post-JCPOA era. Which countries were involved in these extended collaboration?

International shipping lines and transportation companies have restated their trips to Iranian ports and up until this moment, at least 18 companies have commenced their cooperation with Iran again. The regular and routine trips of 13 international shipping lines to Iranian ports, particularly Shahid Rajaei Port, have been retrieved.

Furthermore, nine credible international port operation contractors (from China, Singapore, Denmark, France, South Korea, Switzerland, Germany and the Philippines) have requested for investment opportunities in Iran.

As far as technical aspects are concerned, we have reached an agreement with Italian corporations for the transfer of technical information and mechanizing Iranian ports; and to this end, a joint-venture with 51 % Iranian shares has been in order.

Besides, in terms of support and insurance services, International Association of Classification Societies (IACS) institutes have restated issuing legal certificates for Iranian fleet again, and as well, the International Group of P&I Clubs have restarted covering Iranian ships by protection and compensation insurance.



### **How many international lines have restarted their trips to Iranian ports?**

Prior to sanctions, 22 international lines used to cooperate with Iran, and recent months we have witnessed 14 of them restarting their collaboration with Iran, and the other 8 lines, as well, have expressed their willingness and interest for working with Iran.

For the time being, 14 active international shipping lines harbor a special vision as to Shahid Rajaei and Bandar Abbas, among which are the most prominent and best-known world-class lines – namely MSC.

Active and frequent trips of international lines to Iranian ports provide importers and exporters with different options, and as well, assist them in transferring their goods at fair prices and competitive atmosphere. Moreover, direct trips of international lines to Iran will eliminate the need for transferring the goods to a third-party port in the neighboring countries, and will noticeably reduce the costs that were imposed on us under sanctions.

Moreover, collaborations with these lines will bring about crucial international credit and prestige for Iran, and will indicate that Iran is a safe country, where proper conditions for commercial collaborations are met. It should also be noted that promoting commercial capacities of Iranian ports as well as offering high-quality services would definitely encourage international lines to make more trips and transfer more goods to and from Iran.

### **Could you please fill us in on the investments on Chabahar's Shahid Beheshti Port?**

Based on the contract signed with IPMO, 210 hectares of land in Chabahar's Shahid Beheshti Port have been placed at the disposal of Arya Banader Iranian Company. The company has committed to equip the port and operate it based on a technical-economic plan for a 30-year period.

The activities of this company in Chabahar are meant to be carried out in two independent sections. The first section will encompass the development, equipment and operation of Shahid Beheshti Port's 1<sup>st</sup> phase at an area of 210 hectares with 403 million dollars' worth of investment. The 2<sup>nd</sup>

phase, however, involved the attraction of foreign investment for funding parts of container wharf in this port. For the second stage, negotiations have been made and a contract has been signed with the Indian company of IPJPL.

Based on this contract, the Indian company will supply the 85 million dollars of fund required for purchasing port equipment, and in return, it will be licensed to operate and benefit from the port in BOT style.

The fund needed to perform this project is 403 million dollars, 80 % of which has been borrowed as a loan from National Development Fund. This loan is extended to a period of 10 years: 2 years of purchase and 8 years of operation; and Toes'e Saderat Bank is supposed to supply the loan. The remaining 20 % of the project is supposed to be funded by Arya Banader-E-Iran itself. Given the large size of the project and the massive volume of its financial interactions, both domestic and foreign companies are welcomed to purchase some shares and collaborate with us in this project. Investment in Chabahar involves a large number and a wide variety of land equipment, including grain sucker, gantry crane, reach stacker, transtainer, as well as different types of maritime equipment such as two vessel, dredger, rescue vessel and other machineries and props which are on the purchase list. Arya Bandar Iranian company's approach in Shahid Beheshti Port is to meticulously hand pick props and machineries that are cutting-edge and of top-notch quality. To this end, the purchase of the aforementioned items are conducted via holding international tenders and asking reputable foreign and domestic industrial corporations to bid.

### **What particular privileges do you offer to the foreign corporations that make investments in Shahid Rajaei Port's 2nd and 3rd phases?**

In the light of the 6<sup>th</sup> national development plan, IPMO is licensed to operate the country's prominent ports terminal through establishing a joint venture co-owned by the Iranian party and the foreign investor. In line with this policy, we have held a public auction for T1 and T2 terminals, and we are currently in the middle of technical analysis.

# A GENERAL VIEW ON IRAN'S FREE TRADE ZONE

By: Meysam Gholami

**L**ying on the crossroad of four important world trade corridors, Iran's strategic location makes it an ideal place in and around which free trade zones can operate. The North-South, East-West, South Asia and Europe-Caucasus corridors all pass through Iran making the country an inevitable transit route both in the region and at the international level. The seven free trade zones and special economic zones make it possible include but not limited to Kish, Qeshm, Chabahar, and Arvand on the Persian Gulf coast and Aras, Anzali and Maku in the north. To complete the circle around Iran, seven other free zones are under construction. As an important country, Iran enjoys unique status at the international arena. This exceptional position is non-replaceable due to access to the domestic market of Iran with a population of 78 million individuals and quick access to the neighboring markets with a population of around 400 million people, Vast efficient, educated and economical workforce, advanced communication, energy, railway and road transportation infrastructures across all free zones, enormous energy resources and low cost of production as well as general services and existence of land linking points between the Persian Gulf and the Caspian Sea.



## **Legal Incentives for the Investment in the Free Zones**

There are some regulations regarding foreign investment, exemption from paying taxes, customs, visa-free residence, employment of workforce, company registration, insurance, monetary and banking in Iran's free zones which are explained in the detail.

### *Regulations on Foreign Investment in Free Zones*

Foreign investors can invest in economic activities in the Zone in any proportion. Their requests received in any Zone will be reviewed by the Organization of the same Zone and the investment license will be issued by the same Zone. Meanwhile, the owner of the investment is obliged to import the specific percentage of the capital to the Zone within a period of time set in the investment license to start the operations specified in the investment license.

Considering the activity stipulated in the investment license, its operation is subject to the issuance of operating license by the Free zones Organization. Accordingly, foreign investors in the Free Zones are entitled to enjoy the privileges of the Foreign Investment Encouragement and Protection Act in Islamic Republic of Iran. In this regard, the investor can insure the capital which was imported to the Zone. In case of any accident, if the insurance institute becomes the successor of the investor based on the regulations

of the insurance policy, this succession is known valid by indemnifying the insured for the damage; however, this is not considered as a capital transfer.

Taking specific profit and the money related to the origin and the benefits gaining from economic activities of the foreign capitals as well as the money gained from selling or assigning these capitals out of the Zone is permitted. Moreover, the investors are allowed to assign the shares or their own shares to other investors if the Free zones Organization agrees. In this case, the assignee will be the successor of the first investor in any respects.

### *Exemption from Paying Direct Taxes on Income and Property*

Any natural or legal persons engaged in various economic activities in the Trade-Industrial Free Zones are exempt from paying tax for 20 years on income and assets subject to the Direct Taxes Act since the operation day stipulated in the license for any economic activities in the Free Zone. In other words, investors are exempted from the payment of Value Added Tax on commodity and services within the limits of the Free Zones.

Moreover, transferring the commodity (purchasing and selling) as well as Running services within the territory of any Zone is exempted. In addition, exporting commodity and services from the Zone to abroad is exempted.



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**AS AN IMPORTANT  
COUNTRY, IRAN ENJOYS  
UNIQUE STATUS AT THE  
INTERNATIONAL ARENA**

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It should be noted that importing the commodity and giving services to the mainland are subjected to the rules and regulations of the Value-Added Tax.

***Regulations on Exports, imports, and customs in the Free Zones***

Overseas trade transactions of the Zones and/or transactions with other Free and Special Economic Zones, as well as transactions within the geographical territory of any Free Zone are subjected to the regulations on the Export, Imports, and Customs of the Free Zones and executed within the framework of the Law on Administration of the Free Zones. The order of the goods imported to the Free Zones, with the minimum formalities, is in compliance with the regulations designated by the Free zones Organization. In this regard, the importation of any good to the Free Zones is allowed with the exception of the goods that are forbidden or illegal as per the Islam orders, or under the rules of the state where the name of the Free Zones is stipulated in, or according to the special regulations of the Free Zone. Moreover, importation of the goods by the purpose of storage, distribution, re-exportation, transshipment, and foreign transit to the warehouses run under the control of the Organizations of the Free Zones is permitted within the specific deadlines.

The exportation of the goods manufactured in the Zone to foreign countries or other Free Zones of the country on the other side of the coin is authorized, regardless of





whether the raw materials used in their production are originated from inside the country, foreign countries or other Free Zones of the country.

Returning back of the very goods imported to the Zone from abroad, or returning back of the goods imported from other parts of the country into the Zone is permissible in accordance with the permit of the Zone Authority.

The importation of the goods manufactured or processed in the Free Trade-Industrial and Special Economic Zones is allowed without any limitations amounting to the permitted percentage of goods importation determined by Commission setting the added value based on the total added value, the used material and domestic parts to the total price of the produced good. Furthermore, there is no need to register the order or open any letters of credit and it is neither subjected to the unauthorized and limited authorized requirements.

#### ***Visa-Free Residence, Entry, and Departure for the Foreign Nationals***

For direct entry of foreign nationals into the authorized points of arrival and departure in the Free Zone, there is no requirement to obtain a visa beforehand. A residence permit is issued for the duration of two weeks and may be renewed, up to six months upon the proposal by the Authority.

However, to enter into the Free Zones adjacent to the

other parts of the country where direct entry is not possible, foreign nationals have to obtain an entry visa from the Islamic Republic of Iran legations abroad.

#### ***The regulations on Employment of Workforce in the Free Zones***

It is allowed to utilize the services, expertise, and the skills of the foreign national experts in the workplace located in the Free Zone. However, under any circumstances, the proportion of the foreign workers should not exceed more than ten percent of the total staff of the each Zone. The work permit for the foreign nationals is issued at the discretion and by the request of the Organizations of the Free Zones and by the Labor and Employment Services Office.

#### ***Company Registration in the Free Zones***

The registration of a company is permissible with 100 percent of foreign ownership in the Companies, and Industrial and Intellectual Property Rights Registry Office. In addition, the registration of any branch or agency for the foreign legal persons is permissible in the Companies, and Industrial and Intellectual Property Rights Registry Office. So, any company registered in the Zone and run its principal office in the same Zone is considered as Iranian registered company.

#### ***Regulations on Insurance***

Upon the proposal of the Organization, the insurance and reinsurance operations in the Free Zones are conducted by the institutions registered based on one of the following forms and acquired license from Bimeh Markazi (Central Insurance of IR Iran) of Iran in compliance with the regulations of this bylaw:

- ☐ The Iranian insurance joint stock or cooperative company cooperating with the Iranian and/or foreign natural or legal shareholders with all their shares in registered form.
- ☐ Institute and/or insurance agency

Upon the observance of the regulations on Establishment and Operation of Insurance Institute and the Regulations on the Registry in the Free Zones, the establishment of a branch by insurance institutes is permissible. In this regard, the registration of insurance institute subject to the submission of registration permit will be issued by the Bimeh Markazi (Central Insurance of IR Iran) of Iran.

Under the provisions of the Act on Establishment of Bimeh Markazi (Central Insurance of IR Iran) and Insurance Operation (including governmental and non-governmental), the insurance institutes are allowed to operate in the Free Zones as one of the following forms:

- ☐ Establishing a branch and creating an agency by the observance of the Act on Establishment of



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**THE INVESTOR CAN INSURE THE CAPITAL WHICH WAS IMPORTED TO THE ZONE**

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- Bimeh Markazi and Insurance Operation.
- The establishment of an insurance institute with the cooperation of domestic and foreign natural and legal persons is allowed within the respective regulations.

***Regulations on Monetary and banking***

The banks and institutes, either with Iranian or foreign capitals and/or with the Iranian and foreign cooperation, are allowed to be registered in the Zone. The establishment of a bank, an institute, and operating the branches of the Iranian or foreign banks and institutes in the Zone is subject to the proposal of the Zones Organization, the agreement of the Secretariat of the Supreme Council of the Free Zones, issuance of establishment permit by Central Bank of Iran and the registration of the company in the Company Registry Office of the Zones Organization. Moreover, the establishment of representative offices for Iranian or foreign banks and institutes is subject to the agreement of the Free Zone Organization and the Secretariat of the Supreme Council of the Free Zone, and obtaining the approval of the Central Bank of Iran pertaining to the responsible person in charge of the representative and registry office in the Zone.

Regarding the capitals of the banks and the institutes, it can be owned 100 percent by the foreign or Iranian national or the combination of the both.

Under the authorized license, the Zone banking units can perform overseas banking operations. The overseas banking units shall not be entitled to perform banking operations and transactions by Iranian Rial. They are acquired to do all their operations and transactions exclusively by foreign exchange.

The registration of a bank or an institute in the Zone is permitted in compliance with the regulations stipulated in the Trade Act through public or private joint company with the registered shares.

Under the proposal the Organization, the agreement of the Secretariat and the issuance of the license by the Central Bank, a currency exchange can be established. The establishment of a currency exchange in the Zone is subject to the proposal of the Organization and the issuance of the license by the Central Bank and is exclusively authorized in a form of general partnership.

**Considering the details about all legal incentives and possibilities of foreign investment in Iran’s Free Trade Zones, it is time to introduce them one by one.**

***Kish Free Trade Industrial Zone: Tourism pearl of the Persian Gulf***



Kish is originally known as a resort island and the number one tourist destination for Iranians. With an area of 91 square kilometers, this is the first Iranian free trade zone and the second largest island in the Persian Gulf.

Industries that have flourished in Kish since it turned into a free trade zone include electricity and electronics, garment, food and drugs, chemical and cellulose productions. Meanwhile, Kish is a hub for offshore drilling industries. This place can be transformed into an electronic city. However, tourism remains the main attraction of the Kish Free Trade Zone. That explains why most of the investment in the area is directed towards tourism and its related industries such as accommodation, recreation and cultural services. In addition to its access to mainland markets, Kish has access to expanded markets of states around the Persian Gulf, the Sea of Oman and the Indian Ocean. Counting on its cinematic complexes, amusement park, winter-sport stadium and skating rink, hotel hospitals and -last but not least- its hospitable and welcoming citizens, the Kish Free Trade Zone is offering new definition for cultural diversity and safe investment. Kish Free Trade Industrial Zone is known as a Marine drilling technology hub. In addition, Tourism industry, banking and financial services, electronic industries and extra-territorial medical services are the main fields which are open to foreign investment.

***Qeshm Free Trade Industrial Zone: Southern anchor for North-South corridor, large industries and oil logistic services***

Overlooking the Strait of Hormoz, the Qeshm Free Trade Zone sits at the entrance of the Persian Gulf and the Sea of Oman. It is 37 km south of the port city of Bandar-Abbas. With an area of 1430 square km, Qeshm is the biggest island in the Persian Gulf. An under-construction offshore bridge will soon connect Qeshm to the mainland. The Qeshm Free Trade Zone's main port is situated at the easternmost of the Island, accounting for the most of its marine ties with the outside world. Spanning the Persian Gulf and the Indian Ocean, Qeshm is the potential trade route between west Asia, the Arabian Peninsula and Africa's east coast. Due to its oil and gas reserves, Qeshm is home to petrochemical units and refineries as well as related offshore facilities such as bunkering. Considering the depth of its waterline and development, the Island enjoys port facilities for bulk carriers (Panamax) which plays a complementary and specialized role for Shahid Rajaei Port and a linkage point to the North-South corridor. Providing oils for transit vessels in the international waterway of the Persian Gulf together with the affiliated services is one of the matchless advantages of this Island. Its energy and biotechnology

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**TOURISM REMAINS THE MAIN ATTRACTION OF THE KISH FREE TRADE ZONE**

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parcs, meanwhile, have a global reputation. Qeshm can function as a procurement and distribution hub for goods in the Persian Gulf and as a gateway to re-export commodities to attract foreign investments in the fields of production and distribution. Some of the geo-economic advantages of Qeshm include being a hub of energy, offering oil logistic services, playing the complementary role for Shaheed Rajaei Port along the North-South corridor, trade hub for re-export, natural tourism, and marine-based economy products. In addition, Qeshm Free Zone is adjacent to the Persian Gulf states and can make use of the potentialities of these countries.

Main access of investment in Qeshm Free Trade Industrial Zone is dedicated to biotechnology. However, transit and transportation industry, trade and commercial services, energy-consuming industries, biotechnology and marine resource industries, tourism industry, fishery industries and industrial fishing, energy park and oil logistic services are other fields of the region which are worthy for foreign investors to invest.

***Chabahar Free Trade Industrial Zone: Transit corridor of East and a bridge to Central Asian states***

The beautiful port city of Chabahar is Iran’s easternmost free trade zone and is the only port city of Iran that is connected to the oceanic waters. The Bay of Chabahar is Iran’s largest one across the Sea of Oman and closest waterway to the Indian Ocean. One-sixth of Iranian marine borders in the south are located in Chabahar. Due to its natural cuts and suitable coasts, Chabahar is an ideal place for various vessels to dock. Presently, Shahid Beheshti Port has a capacity of handling around 2 million ton cargo with its 14 quickly-installed piers and Shahid Kalantari Port has a capacity of handling around 200,000 ton cargo with its 4 piers.

The Chabahar Free Trade Zone expands through 14 hectares, ten hectares of which are dedicated for industrial projects and the remaining space is designed to host commercial and tourism industries. The Chabahar Free Trade Zone has been designed for transit of goods, regional trade, loading and unloading heavy shipments and cargos, and transferring oil and gas products to neighboring states including Oman, India and Pakistan.

Because of its marine-port position, Chabahar Free Trade Zone can play very important role in trade, import and export. In addition, it can play a special role for transit of goods to Afghanistan and Central Asian republics. As the transit route of Turkey-Pakistan known as Cento, crosses this region, the Chabahar Free Trade Zone’s features become more perfect. Being



located at the entrance of the Sea of Oman and having access to the Indian Ocean, Chabahar Free Trade Zone enjoys unique pioneering status compared to other Iranian places.

Main access of investment in Chabahar Free Trade Industrial Zone is assigned to re-exporting. Meanwhile, energy hub, transit axis to Afghanistan and Central Asian Republics, trade hub of the eastern Iran, a site for maintenance and storage of strategic goods needed for the country, a cluster for food industries, the third pole of Iranian automobile industries, natural tourism and marine sports, products rooted in the sea-based economy and ITC services should be taken into consideration as the poles of the regions.

***Aras Free Trade Industrial Zone: A gateway to Caucasian sates***

The Aras Free Trade Zone lies on the strategic border point neighboring the republics of Armenia and Azerbaijan as well as the Nakhchivan Autonomous Region. Owing to its unique geo-economic position and access to international investment market and transit re-exporting facilities, Aras Free Trade Zone prepares grounds for linking Iran's national economy to the world economy in general and Central Asian markets in particular. Aras Free Trade Zone has also become an international tourist attraction due to its

protected natural reserves, its favorable climate, mineral water springs and of course its historical and cultural appeal. Due to its special geographical location in the northwestern borders of Iran, Aras Free Trade Zone enjoys great potentialities for economic activities and establishment of various manufacturing, industrial and agricultural enterprises.

Main access of investment in Aras Free Trade Industrial Zone is assigned to Cellulose Industries. Meanwhile, transportation and transit industries, touristic, recreational and sport activities, specialty Medical and health amenities, trade and trade services, clean industries, expansion of agricultural, animal husbandry and transformational industries and high-tech industries are worthy fields to be invested in by foreigners.

***Anzali Free Trade Industrial Zone: Northern anchor of North-South corridor and high-tech industries***

The Caspian port cities of Bandar Anzali and Rasht have in past three centuries served as Iran's most important gateways to the world above it, Russia in particular. Located at an equal distance from these historical cities, the Anzali Free Trade Zone is heir to this unique cultural and cultural heritage. Anzali Free Trade Zone is considered as the anchor for the North-South corridor and is the exit point of cargo and

goods transferred to the Europe from Southeastern Asian countries and the other way round. This corridor starts from Anzali and after crossing the Caspian Sea it gets to Astrakhan Port, Moscow, Saint Petersburg and finally leads to Helsinki to transfer commercial cargo to eastern and western Europe. This corridor is one of the most important trade corridors of the world which can be used for Iranian developmental objectives.

Anzali has always been an ideal tourist destination for Iranians particularly the upper-class citizens of the capital city of Tehran who need a three-hour drive to reach the area. The number of the international tourists from Russia and Central Asian republics including Kazakhstan and Kyrgyzstan has meanwhile risen steadily in the past ten years. Based on its comprehensive development plan, the Anzali Free Trade Zone will turn into a regional hub for producing electronic home appliances and software. It will also host 3 five-star hotels, a health village and an international convention center.

Main access of investment in Anzali Free Trade Industrial Zone is specified to Garment Industries. However, transportation and transit industries, agriculture and Fishery transformational industries,

tourism industries, trade and trade services and clean industries are significant fields for investors.

***Arvand Free Trade Industrial Zone :Supporter of oil-rich regions of Iran and Iraq***

The Arvand Free Trade Zone is perhaps Iran’s fastest growing economic zone. Just recently the two main oil-rich cities of Khoramshahr and Abadan have annexed to this free trade zone on the westernmost part of the Persian Gulf. It extends for 34000 hectares and is situated at the crossing point of Arvand and Karoon Rivers. What gives the Arvand an edge in economic activities is its access to various modes of transport including air, road, railway and water. Arvand is an ideal spot for infrastructural development due to its long history of interaction with oil drilling companies and most of the world’s energy giants. Its strategic transit routes, access to international waters and its proximity to Iraq’s second biggest province, Basra, makes the Arvand Free Trade Zone a potential paradise for international investors and entrepreneurs. The area meanwhile is a transit route for millions of Iranians and Iraqi pilgrims who pay regular visits to the two sides religious places and shrines throughout



the year.

Main access of investment in Arvand Free Trade Industrial Zone is assigned to refinery Industries and Offshore. Moreover, tourism industry, fishery industries and agricultural processing, logistics and downstream oil and petrochemical industries, trade services, heavy industries (steel production, rolling mill lines, etc.), clean industries and marine installation industries are worthy to attract foreign investors.

***Maku Free Trade Industrial Zone: A gateway for trade transaction between Iran and Europe***

Located in the West Azerbaijan province in the northwest of Iran, Maku Free Trade Zone is in Iran's westernmost area. Covering a 500,000 hectare area, Maku is also the world's second largest free trade zone. It has some 140-km long common borders with the Nakhchivan Autonomous Region (Azerbaijan) and some 130-km long sea and land border with Turkey. Maku Free Trade Zone is located on the crossroad of the important world trade corridors. Bazargan Customs as the main land border between Iran and Turkey is located in this zone and functions as the gateway for transit of goods to Europe and the other way round. This Zone is connected to the Nakhchivan

Autonomous Region at Poldasht Customs and to Turkey at Sari Customs. Approximately 1000 trucks commute through this border crossing point every day which transfer goods to destinations from their departures. Lots of rich metal and nonmetal ore mines exist in the region which are among other natural capacities of the region and can strengthen the economic development trend of the region. The great potentialities for creating large agricultural and industrial complexes, industrial development based on the supply chain of neighboring countries particularly strong desires of Turkish businessmen and artisans to participate in manufacturing and industrial activities of the Zone are among other geopolitical advantages of the region. Its ancient civilization, historical sites and various cultural and natural attractions meanwhile give Maku further international appeal.

Main access of investment in Maku Free Trade Industrial Zone: Transportation Industry and transit of goods. In addition, trade and trade services, tourism industry (ecotourism, health tourism, medical tourism, etc.), agricultural processing and transformational industries and large agricultural and industrial units should be taken into consideration by foreign investors.



*With the lifting of the sanctions and the creation of the new post-JCPOA atmosphere in Iran, the expansion of tourism industry on the one hand and the role of hoteling in making such expansion possible have been put into spotlight. President Hassan Rouhani's administration (AKA the Government of Prudence and Hope) has counted the increasing of foreign tourists, promoting tourism industry and hoteling as its top priorities. In order to collect more on these issues, learn further about the foreign tourists' visiting trend to post-JCPOA Iran, and delve into the ins and outs of the hoteling industry, MANA correspondent sat down in an exclusive interview with Massiholah Safa, the director of the board at Hotel Owner's Association and a Board member of the Association of Air Transport and Tourist Agencies of Iran (AATAI). The following literature delineates some extracts of this exclusive interview.*

*By: Fatemeh Moonesan*







# FOREIGN TOURISTS' RESPECT AND SECURITY: OUR TOP PRIORITY

## **1. In your perspective, what impact has the lifting of the sanctions exerted on the expansion of tourism and promotion of hoteling in Iran**

A wide variety of weathers in different seasons, unique and exquisite historic sites and ancient monuments, fine arts and old traditions all and all have turned Iran into one of the most attractive countries in the world, and it has the potential to host millions of international tourists every year.

After President Hassan Rouhani took office, specifically after the nuclear agreement with 5+1 countries and the execution of JCPOA, Iran witnessed a striking rise in the number of foreign tourists. Indeed, Dr. Rouhani's Government of Prudence and Hope has pursued worthwhile endeavors to revive the attraction of foreign tourists to Iran again, and fortunately, they have made notable achievements in this regard.

In line with the growth of tourism industry in Iran, hoteling industry has committed itself to offer services that match the highest world standards of the day to foreign tourists. So far, valuable measures have also been taken in this regard.

I must also add that the remarkable growth in the number of international flights and foreign tourists to Iran could be considered a turning point for Iranian tourism industry.

Kish Free zone, with 91 square kilometers of area, is one of the main touristy spots of Iran, and thanks to its matchless maritime attractions and over 50 hotels that measure up

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**DR. ROUHANI'S  
GOVERNMENT OF  
PRUDENCE AND HOPE HAS  
PURSUED WORTHWHILE  
ENDEAVORS TO REVIVE  
THE ATTRACTION OF  
FOREIGN TOURISTS TO  
IRAN AGAIN**

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to highest international standards of the day is host to a striking number of foreign tourists every year. Moreover, in the light of the plans to foster tourism and hoteling industries, 30 luxurious and world-class hotels are currently under construction, all of which are intended to offer top-notch services to foreign tourists. Admittedly, once these hotels are constructed, a new horizon will lie ahead of Iran's hoteling industry.

It is also noteworthy that once JCPOA was executed and Iran started to become a popular destination for foreign tourists, citizens of almost all countries were granted the permission to travel to Iran without visa, and this could be deemed as a major step taken by President Rouhani's administration to revive and foster Iranian tourism industry.

In addition, the managing director of Kish Free Zone, Ali Asghar Moonessan, possessed rich knowledge and experience in the field of tourism, and thanks to the international approach that he opted for, he managed to play a vital role in promoting Kish Island's tourism status as well as the quality and standards in construction of international hotels.





**ONE OF THE MOST OUTSTANDING MERITS OF KISH ISLAND HOTELS IS THEIR FAIR AND COMPETITIVE PRICES**

**2. What capabilities does Kish Island possess in attracting foreign tourists? How much foreign cash did it manage to earn last year?**

Kish Island offers a large number and a wide variety of attractions to foreign tourists including an aqua park which is matchless in the Middle East, a dolphinarium, historic sites such as Harireh Town belonging to Safavid Dynasty, fresh and clean air, unique coral waters, and most significant of all top safety and security. In the current year only, this island was host to approximately 2 million foreign tourists, and this figure has been prognosticated to reach 6 million in 1400, as we are witnessing an annual increase rate of 50 % in this figure.

I must also add that the tourists who travel to Kish Island come from diverse nations, with the French, Italians and Germans holding the lead.

One of the most outstanding merits of Kish Island hotels is their fair and competitive prices despite providing world-class premium services. Toraj Hotel, as an example, is located in the north west of the island, and is comprised of two complexes: land complex and water complex, which encompasses a number of terraced villas built on the water with glass floors. This hotel presents magnificent and picturesque views to foreign tourists.

In the recent years, Kish Island has collected a flow of foreign cash, but sadly owing to a fake attraction called visa change. Foreign professionals, such as doctors, engineers, and workers, who work in Arabic countries in the region were required by the rules of these countries to exit, obtain visa from another country, and return. Hence, over 3000 foreigners stayed in Kish Island for one or two weeks for this

reason. Nonetheless, real tourism has replaced the visa change phenomenon, and tourists usually enter Kish Island in cruise ships and for tourism purposes. The flow of foreign cash has remarkably grown, in a way that the island is predicted to earn almost 7 million dollars in the next year.

**3. What measures have been taken to attract investments to Kish Free Zone?**

Kish Free Zone has provided a wide range of facilities in order to attract investments – namely lifting taxes, eliminating official bureaucratic procedures and conserving time by accumulating administrating offices all in one region.

Currently, investment procedures are implemented at the shortest possible time; and survey results also assert that investors have expressed high satisfaction rates with Kish Free zone. It should not be left unmentioned that the execution of JCPOA has resulted in the return of the investors to Kish Island, up to 50 %.

In the end, I must add that handy crafts and souvenirs play a crucial role in attracting foreign tourists, and we need to encourage foreign visitors to purchase Iranian souvenirs by offering the finest products. Therefore, the government need to provide artists with more solid and substantial support, causing them to feel more secure, and focus all their energy and effort to produce creative and classy Iranian souvenirs and give them the love and art they deserve. Needless to mention is that valuing and respecting the investors and tourists in Kish Island, in any case and under any circumstances, is a top priority for us.

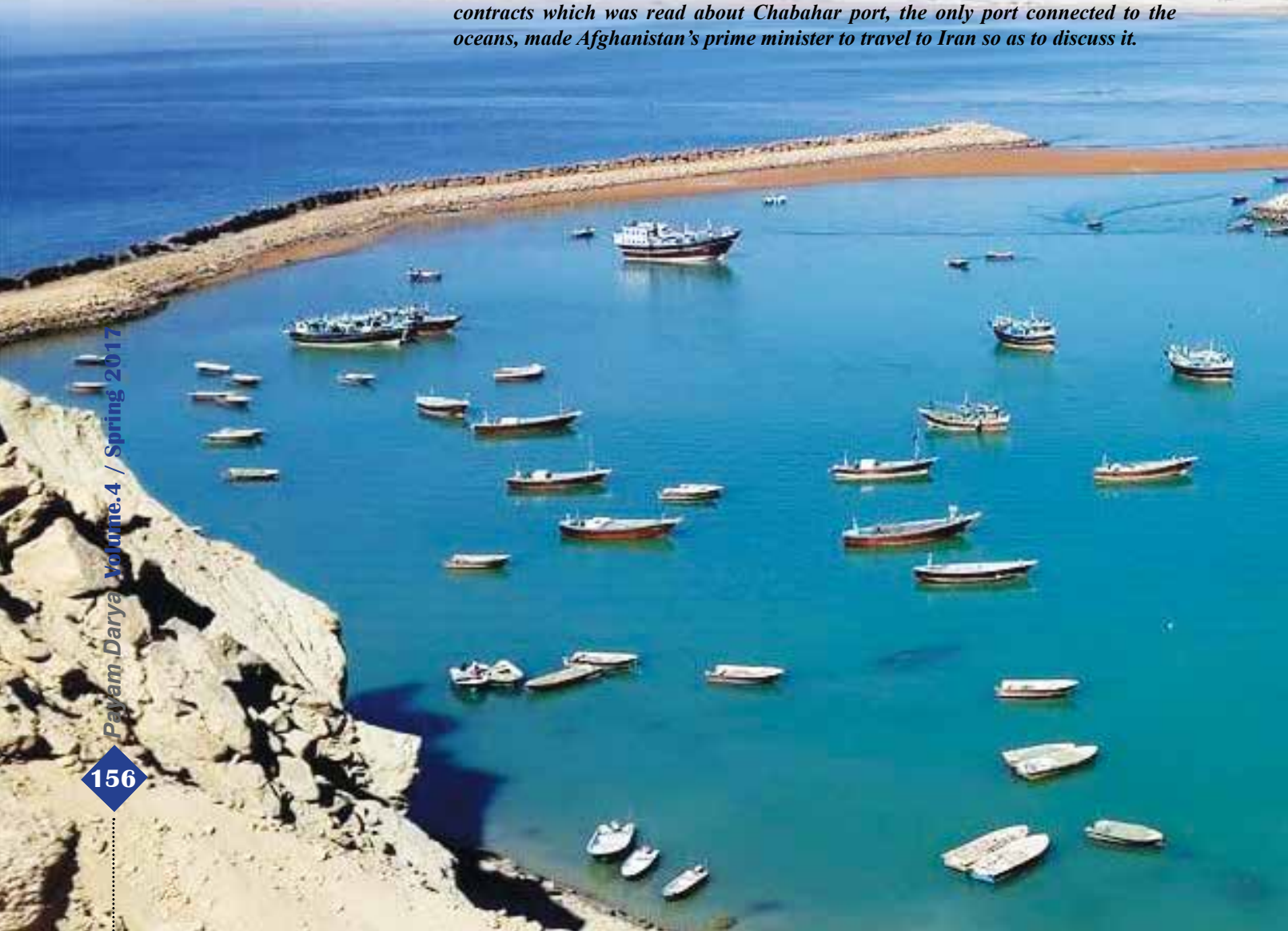
# CHABAHAH; FILED LINE BETWEEN CIS AND FREE WATERS

By: Amir Falah

**W**hen India's prime minister stepped in Tehran in August 2016 to enhance business development, one of the contracts caught eyes specifically which was the transit cooperation in Chabahar port.

The Indian prime minister entered Iran with senior staff, putting the economic development between Iran and India at the top of its agenda, and released the finance made of selling Iranian oil to India which was blocked in India during the sanction against Iran to show the interest for cooperation with Iran.

India inked many contracts with Iran in energy sector. However, one of these contracts which was read about Chabahar port, the only port connected to the oceans, made Afghanistan's prime minister to travel to Iran so as to discuss it.



### **Why is Chabahar port so important?**

According to the latest statistics of UN, Chabahar is located on the main waterway between north and south and enjoys the biggest advantage regarding transship. Furthermore, the features of this port regarding the berthing has put the port within top 100 ports in the world which gives it the opportunity to become a mega port and a hub in the region.

Chabahar port has been focused by the leaders in Iran since 1973. However, the port was neglected after war started between Iran and Iraq. The port again started to be the main focus in 1989 and it was announced as a free zone.

The port is far from Persian Gulf and all the political tensions. The advantage along with the proper depth in this port for the mega ships has made Chabahar port a very strategic and precious spot in east south of Iran.

One of the advantages of this port is that the port is located in Oman Sea and is connected to Indian Ocean. Chabahar's location makes costs and time to decrease if the liners start working with it.

Wide bank is another advantage in this port which makes the port suitable for railroad or air

transportation and consequently transporting cargo to landlocked countries especially CIS and ECO countries is accessible.

The advantages above made CIS countries to ink a contract in August 2016 to transit cargo in north-south corridor through Iran and Iranian railroad system along with the seas in the south of Iran.

The area is known as a virgin place with vast land in the bank which can be used to establish the necessary building and organizations and finally build a port city. This is not easy to accomplish it in Bandar Abbas or any other port in Iran and if done, the return of capital takes longer than it should.

Furthermore, China is attempting to develop economically the west side of the country as much as the eastern one. Hence, Chinese authorities have made many trips to Iran to discuss investment opportunities. However, they showed interest to invest on Gwadar port in Pakistan as the most similar option to work on more easily.

### **Gwadar, a rival or sister port!**

Gwadar port is located 200km away from Chabahar port and enjoys the access to the oceans. Chinese



authorities started to develop the port and answer to the demand of exporting cargo from China to western Asia, CIS and Africa.

Chinese authorities started to develop means of transportations in Pakistan including roads and railroads between Pakistan and China to feed CIS countries with their products through Gwadar port. They invested 400m dollar on the above-mentioned areas in 2002 and inked many MoUs with Pakistan. However, there were two hurdles; security and a rival called India!

Pakistan faced many problems due to its political structure and has suffered from the existence of Taliban which threatens security in this country. NATO forces also exist in Pakistan borders while Afghanistan and Pakistan led wars. Kashmir borders with India also suffer from security which are the most important element to attract investments.

On the other hand, India as the second most populated country in the world is growing fast through taking advantage of the Chinese theory of using cheap labor force. India is also one of the biggest allies of the U.S. and is considered an emerging power.

India has typically established good relations with the west and especially America and has managed to establish good relations with Russia too. The atmosphere created through suitable political situation for India has paved the way for this country to grow substantially.

India has moved forward to take advantage of west Asian markets through Chabahar port.

Chabahar port experienced some development projects in parallel with Gwadar port and gradually completed its first phase taking advantage of Iranian budget.

The stop made by Chinese to move forward in Gwadar port gave Chabahar port the opportunity to fill the time gap and compete with Gwadar.

After JCPOA, many negotiations and travels occurred in Iran and Chabahar port became the main focus for Japanese, Dutch, Korean and even Indian investors.

The above-mentioned advantages in Chabahar port along with rich gas and oil reserves and the projects to make it the petrochemical hub in the region counted more advantages that Gwadar port holds.

Furthermore, Gwadar port depends on Iran for electricity and the fuel necessary whether for transportation or bunkering while Chabahar port does not have such problems and enjoys the easy access to cheap fuel and electricity. Such factors have made Chinese to focus on Chabahar once again and invest on it in parallel with Gwadar to compete with Indians.

Because Indians had started sooner than their Chinese rivals to take active steps in Iran, Chinese could only invest on the bank of Chabahar and to clear the atmosphere of competition, they called Gwadar and Chabahar as “sisters” in the meeting of major





Chinese and Iranian businessmen. However, despite the overwhelming security in Iran and the advantages in Chabahar port, the process of development in this port is quite slow.



## Conditional development of Chabahar!

The development plan of Chabahar indicates that port, transit, transship, bunkering, the bank and finance are the priorities to develop while Chabahar is planned to become the port and finance hub in the region, similar to Dubai.

Therefore, accomplishing the following directives to align Chabahar region with international standards is a must:

- Establishing International airport of Chabahar
- Completing the project of gas line of Asaluye Iranshahr and Chabahar
- Establishing railroad Chabahar-Zahedan-Mashad-Sarakhs
- Removing problems with drinking water in the region and completing the related projects
- Increasing the capacity of the Chabahar mega port from 2m ton to 6m ton
- Joining Shahid Kalantari and Shahid Beheshti berths to Chabahar free zone

In fact, developing Chabahar free trade zone is lying on developments in air and land transportation along with marine shipping and providing drinking water and fuel. Furthermore, applying expertise is another factor to fulfill in this region so as to create jobs as well.

One should take it into consideration that considering the above-mentioned facts, Chabahar is capable of turning out to fortify the economy in the near future in Iran.

Today, ports are the main issues in any economy whether to earn foreign exchange or create jobs. In this regard, being located in Oman sea and enjoying virgin bank, Chabahar is considered a strategic and special spot to receive development.

Chabahar is the only port in Iran which enjoys proper depth and consequently is able to provide service for post panamax ships and while the sizes in the ships are changing in the new shipping world, Chabahar can provide the opportunity to receive mega ships.

Iran can develop Chabahar port in the areas of transit, transship, bunkering and finance so as to answer the demands in the region and present bright future for Iran.



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IRISL Chairman and Managing Director

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# THE SINGAPORE E C O N O M Y ; DESCENDING OR ASCENDING

By: Mehri azizi

**S**ince independence in 1965, the Singapore economy has experienced rapid economic development. Singapore's strong economic performance reflects the success of its open and outward-oriented development strategy. Over the years, the composition of Singapore's exports has evolved from labour-intensive to high value-added products, such as electronics, chemicals and biomedical. The importance of services to the Singapore economy also grew, as evidenced by the increasing share of the financial and business sectors of the economy.

As an illustration over the period from 2000 to 2010, the GDP nearly doubled, rising from S\$163 billion to S\$304 billion. Real GDP per capita also rose rapidly at a compounded rate of nearly 12% p.a., while inflation and unemployment rates averaged less than 2% p.a. and 3% p.a. respectively, during this period.



Of equal importance to Singapore's economic achievement is a set of sound macroeconomic policies aimed at maintaining a conducive environment for long-term investment in the economy. Fiscal policy is directed primarily at promoting long-term economic growth, rather than cyclical changes or distributing income. As a result of its healthy fiscal position and consistent budget surpluses over the years, Singapore has attained a high level of foreign reserves and the strongest sovereign credit rating for long-term foreign-currency debt in Asia.

Singapore's longer-term economic strategies and policies are constantly re-evaluated to adapt to changing challenges and priorities over time. Currently, there are focused measures in place to develop Singapore as a world-class financial center. For example, the MAS has liberalized the domestic banking and insurance industries to greater foreign participation. At the same time, the MAS has also adopted a more open and consultative approach in its supervision and development of the financial sector, and has shifted the emphasis from regulation to risk-focused supervision. Various initiatives have also been implemented to give fund managers greater access to domestic funds, develop the debt market and overhaul corporate governance.<sup>1</sup>

### **Singapore's Economy Expands More Than Economists Estimated**

Singapore's economic growth quickened to

1- <http://www.sgs.gov.sg/The-SGS-Market/The-Singapore-Economy.aspx>

the fastest pace in more than three years last quarter as manufacturing and services rebounded.

#### Key Points

- Gross domestic product rose an annualized 9.1 percent in the three months to December from the previous quarter, when it declined a revised 1.9 percent, the trade ministry said in a statement on Tuesday
- The median estimate of nine economists in a Bloomberg survey was for a 4 percent expansion
- GDP rose 1.8 percent in the fourth quarter from a year earlier, compared with the 0.3 percent median estimate in a Bloomberg survey
- The economy expanded 1.8 percent in 2016, the slowest pace since 2009

Singapore, among Asia's most-export dependent nations, is seeking new growth engines to boost incomes as its population ages and trade falters. With the global growth under pressure and the U.S. threatening to turn more protectionists under Donald Trump, the outlook remains cloudy. That will be a consideration for the central bank in its April policy review after it signaled in October it will stick to its neutral currency policy for an extended period of time. Market Reaction

- The Singapore dollar erased an earlier decline after the GDP report, trading little changed at 1.4503 against its U.S. counterpart as of 8:44 a.m.

Economist Takeaways

- “I still think Singapore is in a very challenging condition,” said Edward Lee, regional head of research at Standard Chartered Plc in Singapore, who expects 2017 growth to slow to 1.4 percent. “External conditions remain extremely challenging and we certainly have to be watchful for materialization of anti-globalization and anti-trade sentiment. Any materialization of that will further dampen the already very weak global trade conditions.” “For now, my forecast is that there will be no further easing in April,” he said, referring to monetary policy.
- “Prospects of a more protectionist trade policy would be negative for Singapore” which is wedded to the old export model and this will have a knock-on impact on domestic incomes, said Weiwen Ng, an economist at Australia & New Zealand Banking Group Ltd. in Singapore. “Domestic demand weakness should continue to weigh on an already subdued labor market.”<sup>1</sup>

**Singapore Workforce**

In 2000, Singapore had a workforce of about 2.2 million. The country has the largest proficiency of English language speakers in Asia, making it an attractive place for multinational corporations.<sup>2</sup>

The Employment Act offers little protection to white-collar workers due to an income threshold. The industrial arbitration court handles labour-management disputes that cannot be resolved informally through the Ministry of Manpower. The Singapore government has stressed the importance of co-operation between unions, management and government (tripartism), as well as the early resolution of disputes. There has been only one strike in the past 15 years.

Singapore has enjoyed virtually full employment for long periods of time. Amid an economic slump, the unemployment rate rose to 4.0% by the end of 2001, from 2.4% early in the year.

Unemployment has since declined and as of

1-<https://www.bloomberg.com/news/articles/2017-01-03/singapore-s-economy-expands-more-than-economists-estimated>  
 2- Singapore Company Registration Healy Consultants Retrieved 3 September 2013

2012 the unemployment rate stands at 1.9%.<sup>3</sup>

**Regulatory Efficiency**

The regulatory environment remains one of the world’s most efficient. With no minimum capital required, launching a business takes only three days. There is no statutory minimum wage, but wage adjustments are guided by the National Wage Council. Inflation is under control despite the challenging external environment. The government influences prices through state-linked enterprises and can impose price controls

3-<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1234476/1/.html>



as it deems necessary.<sup>4</sup>

Finally, slightly more local firms in the manufacturing sector are expecting things to improve but companies in the services line are more gloomy, going by separate recent surveys. Seventy-six percent of firms in the manufacturing sector expect business in the first half of 2017 to remain the same as the fourth quarter of last year, 13 per cent see improvement while 11 per cent foresee business slowing, a survey by the Economic Development Board (EDB) found.

Overall, a net weighted balance of two percent of manufacturers anticipate business to improve. The net weighted balance is the

<sup>4</sup> <http://www.heritage.org/index/country/singapore>

difference between the proportion of optimistic and pessimistic firms.

The outlook has deteriorated for Singapore's services sector. A net weighted balance of 14 per cent of firms expect business to slow down in the first six months of this year from the previous half-year, according to a quarterly survey by the Department of Statistics Singapore (Singstat). This is worse than the eight percent who felt this way three months ago, though better than the 18 per cent who thought so a year ago.

Only 10 per cent of services firms expect business to improve, while 24 per cent see conditions worsening. The majority - 66 per cent - see business staying the same. Within



“

**SINGAPORE HAS ENJOYED VIRTUALLY FULL EMPLOYMENT FOR LONG PERIODS OF TIME**

”



the services sector, transport and storage firms were among the most pessimistic, with 43 per cent expecting business to worsen. In particular, shipping lines foresee a slower global economy and weaker consumer demand continuing to hit cargo volume in the first half of this year, said Singstat.

are the most optimistic, with a net weighted balance of 26 percent anticipating business to improve. This optimism is largely led by the semiconductors segment, which expects the current improved market conditions to continue into 2017. In contrast, firms dealing with infocomms and consumer electronics expect

Service sector's business outlook for next 6 months





business to deteriorate compared to the previous quarter.<sup>5</sup>

### Singapore's Growth in 2017

Even as Singapore's economy seems to be picking itself up for the rest of 2016, the New Year may not be a good time to get one's hopes up too high.

This year's growth prospects will not deviate much from this year's as backlash against globalization is set to intensify, according to forecasts from the Ministry of Trade and Industry (MTI).

It sees 2017's growth at a "modest pace" of one to three percent, essentially the same parameters that were in the government's earliest forecast for 2016.

For one, the 2016 forecast range has been halved twice since the initial forecast. It now sits at between one to 1.5 per cent. The growth parameters for Singapore in 2017 were of cold comfort to economists, with some foreseeing that they will be lowered further. "We believe

<sup>5</sup> <http://www.straitstimes.com/business/economy/manufacturers-slightly-more-optimistic-for-first-half-of-2017-but-services-sector>

that this forecast range doesn't leave much room for the materialisation of downside risks to growth," said HSBC economist Joseph Incalcaterra.

"It's hard for us to share the government's optimism," said Nomura economist Brian Tan. "Our GDP growth forecast for 2017 is 1 per cent, which is at the low end of their forecast range. We suspect they will have to adjust this as we get into next year."

The modest 2017 outlook came even as Q3 2016's growth estimates were revised upwards, and as the government expects a better performance towards the end of 2016.

There's the increasing backlash against globalisation that has crept into MTI's view. This likely refers to "the incoming US president-elect Donald Trump who had made anti-globalisation, immigration and China-specific remarks during his campaign," said OCBC economist Selena Ling.<sup>6</sup>

Already, Mr Trump had made it clear that he would issue a note of intent to withdraw the US from the Trans-Pacific Partnership (TPP) on his first day in office. The mega trade pact effectively requires its ratification to come into effect.

Beyond Trump, prospects for free trade are still slim in 2017, adding more pressure on Singapore's economy.

### At a Glance<sup>7</sup>

- GDP Growth: **2%**
- GDP per Capita: **\$52,900**
- Trade Balance/GDP: **19.8%**
- Population: **5.8M**
- Public Debt/GDP: **105%**
- Unemployment: **1.9%**
- Inflation: **-0.5%**

<sup>6</sup> <http://www.businesstimes.com.sg/government-economy/singapores-growth-in-2017-set-to-mirror-2016s-as-globalisation-backlash>

<sup>7</sup> <http://www.forbes.com/places/singapore/>



# INDIA TO BE PIONEER IN THE NEAR FUTURE

By: *SARA ZEYNALZADE*

India has emerged as the fastest growing major economy in the world as the Central Statistics Organization (CSO) and International Monetary Fund (IMF) announced. The improvement in India's economic fundamentals has hastened in the year 2015 with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices.

Moreover, the Ministry of Shipping declared that around 95 percent of India's trading by volume and 70 per cent by value is done through maritime transport.





## THE IMPROVEMENT IN INDIA'S ECONOMIC FUNDAMENTALS HAS HASTENED IN THE YEAR 2015

### *Market Size*

Despite the uncertainties in the global market, IMF World Economic Outlook Update (January 2016) showed that Indian economy is expected to grow at 7-7.75 per cent during FY 2016-17. In this regard, The Economic Survey 2015-16 had predicted that the Indian economy will growing by more than seven per cent for the third successive year 2016-17 and can start growing at eight per cent or more in next two years.

According to Fitch Ratings Agency, India's Gross Domestic Product (GDP) will likely grow by 7.7 per cent in FY 2016-17 and slowly accelerate to 8 per cent by FY 2018-19, driven by the gradual implementation of structural reforms, higher disposable income and improvement in economic activity.

India's Gross Domestic Product (GDP), according to Fitch Ratings Agency will likely arise by 7.7 percent in FY 2016-17 and gradually improve 8 percent by FY 2018-19, driven by the progressive implementation of structural reforms, higher disposable income and advancement in economic affairs.

India's foreign exchange reserves stood at US\$ 360 billion by end of March 2016, as compared with US\$ 342 billion at same time last year, according to data from the Reserve Bank of India (RBI). Meanwhile, a report released by the rating agency ICRA Limited showed that the Indian securitization market increased by 45 percent year-on-year to Rs 25,000 crore (US\$ 3.7 billion) in FY 2016, primarily due to

the increased number of asset-backed securitisation (ABS) transactions.

In line with India's economic growth, this country has 12 major and 200 notified minor and intermediate ports. Cargo traffic, which recorded 1,052 Million Metric Tonnes (MMT) in 2015, is expected to reach 1,758 MMT by 2017. The Indian ports and shipping industry plays a vital role in sustaining growth in the country's trade and commerce. India is the sixteenth largest maritime country in the world, with a coastline of about 7,517 km.

The Indian Government plays a vital role in assisting the ports sector. It has allowed Foreign Direct Investment (FDI) of up to 100 percent under the automatic route for port and harbor construction as well as maintenance projects. Additionally, it has facilitated a 10-year tax holiday to enterprises that develop, support and operate ports, inland waterways and inland ports. In other words, the economic activities which witnessed significant growth were 'financing, insurance, real estate and business services' at 11.5 percent and 'trade, hotels, transport, communication services' at 10.7 percent.

As Goldman Sachs report signifies, , India could grow at a potential 8 percent on average during from fiscal 2016 to 2020 powered by greater access to banking, technology adoption, urbanization and other structural reforms.

Considering this country as one of the strongest performers in terms of deals related to M&A (Mergers and Acquisitions), Reuters stated that total M&A deals involving Indian companies grew by 82 percent to US\$27 billion during January to June 2016, which is the highest in the first six month in

any year since 2011.

It is worth mentioning that, India's Index of Industrial Production (IIP) arose by 2.1 percent year-on-year in June 2016, led by expansion in electricity and mining production as well as an increase in India's Consumer Price Index (CPI) inflation to 6.07 percent in July 2016 when compared to 5.77 percent in June 2016.

It should be taken into consideration that India recorded significant performance in marine transportation field in 2016. Cargo traffic handled by India's major ports increased 5.1 percent year-on-year to 315.4 million tonnes (MT) during April-September 2016. In terms of composition of cargo traffic, the largest commodity was P.O.L. (37.1 per cent), followed by coal (23.4 per cent), container traffic (19.6 per cent), other cargo (11.9 per cent), iron ore (5.66 per cent) and Fertilizer and FRM (2.5 percent).

The country's main ports managed a combined traffic volume of 586.29 million tonnes during April 2016-February 2017, up from 550.45 million tonnes during the same period last year, while containerized cargo tonnage rose 3.7 percent to 10.5 MT during August 2016. During April-June 2016, the ports had handled a combined volume of 2.12 million TEUs, which is roughly around 70 percent of the country's overall container trade.

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, announced that the Indian ports sector received FDI worth US\$ 1.64 billion

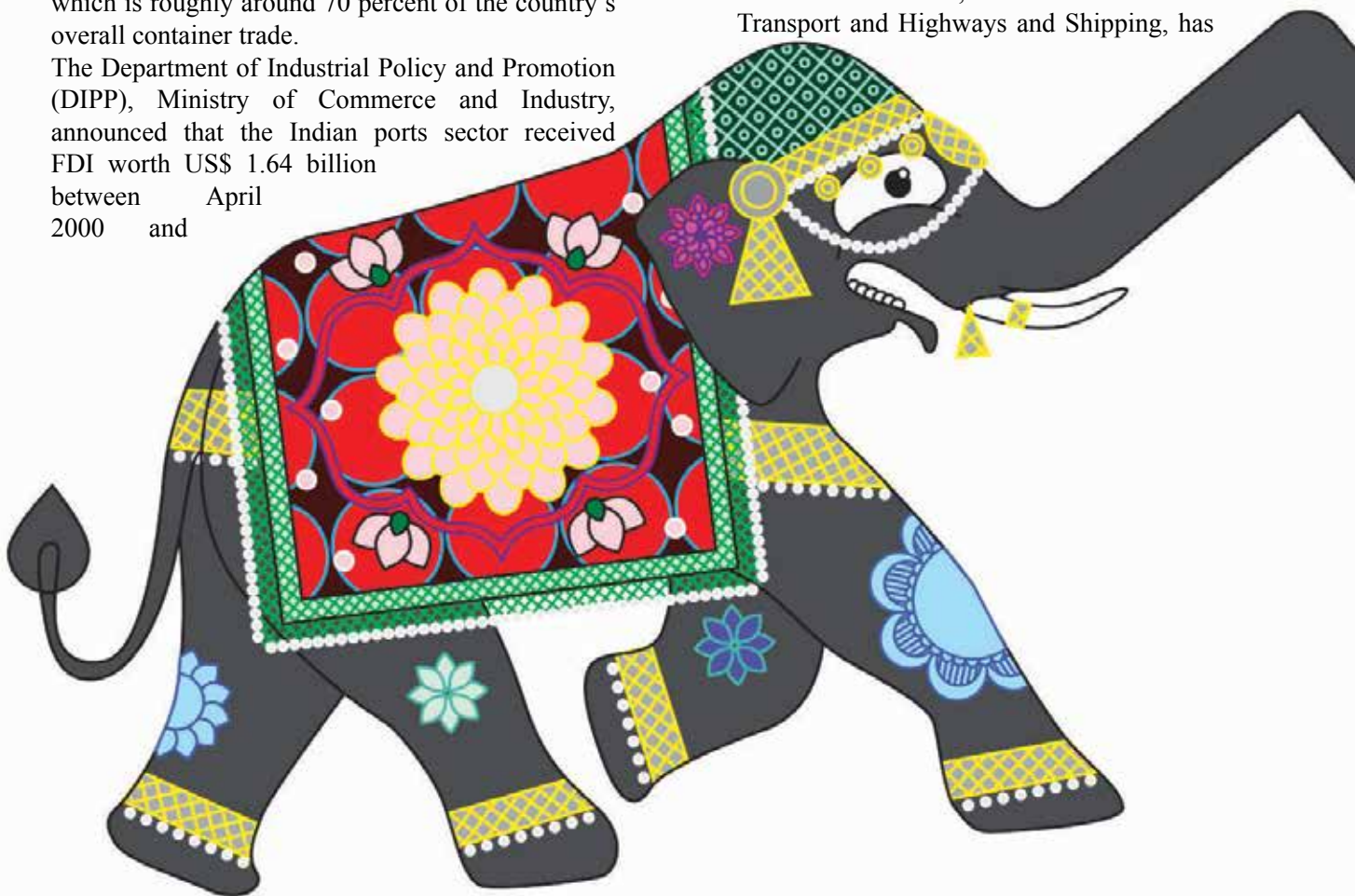
between April 2000 and

December 2016.

### Government Initiatives


Some of the significant initiatives taken by the government to develop the ports sector in India are as follows:

- The Union Cabinet has confirmed the proposal of Ministry of Shipping to replace the 'Major Port Trusts Act, 1963' by the 'Major Port Authorities Bill, 2016', which will empower main ports to play greater efficiency by having full independence in decision making and by modernizing the institutional structure of major ports.
- The Ministry of Shipping plans to undertake development of 37 national waterways (NWs), out of the 111 NWs declared under the National Waterways Act 2016, in the next three years, which would have positive impact on reduction of overall logistics cost.
- The Union Cabinet has approved a new productivity-linked reward (PLR) scheme for 37,870 Port and Dock workers in all the Major Port Trusts for the years 2015-16 to 2017-18 at an annual cost of Rs 49.58 crore (US\$ 7.4 million).
- Mr Nitin Gadkari, Minister for Road Transport and Highways and Shipping, has





## INDIA RECORDED SIGNIFICANT PERFORMANCE IN MARINE TRANSPORTATION FIELD IN 2016



stated that India would like to collaborate with Germany for projects worth Rs 1 trillion (US\$ 15 billion), aimed at enhancing port rail connectivity and identifying environment-friendly technology for scrapping of old vehicles.

- The Ministry of Road Transport and Highways and National Highways Authority of India (NHAI) plan to take up 82 highway development projects under the Bharatmala project, which would help in improving connectivity to both major as well as minor ports in the country.
- The Ministry of Shipping plans to install 160.64 megawatts (MW) of solar and

wind based power systems at all the major ports across the country by 2017, thereby promoting the use of renewable energy sources and giving a fillip to government's Green Port Initiative.

- Mr Nitin Gadkari, Minister of Road Transport and Highways and Shipping, Government of India expects investment proposals worth Rs 1.2 trillion (US\$ 18 billion) in the shipping sector to be finalised during the upcoming two-day Maritime India Summit (MIS), scheduled to be held in Mumbai.
- The Union Cabinet is planning to propose amendments to the Multi Modal Transportation of Goods Act, 1993, with a view to increase transparency in the shipping and logistics sectors and to discourage container freight stations from overcharging both importers and exporters.
- The Government of India plans to amend the current Model Concession Agreement (MCA), by providing a better allocation of risks between the government and private firms, thereby encouraging investments in the sector.
- The Government of India plans to introduce a new framework on renegotiation of Public Private Partnership (PPP) contracts, which will allow renegotiations based on sector-specific issues, especially for national highways and ports, and provide greater flexibility to the parties involved.
- Along the 720 km long coastline of the state, including development of creeks at Vasai, Jaigad and Rajapuri for integrated coastal shipping.



- The Union Minister stated that the Government of India has set an ambitious target to convert 101 rivers across the country into waterways to promote water transport and propel economic growth.
- The government plans to establish two new major ports, one at Sagar in West Bengal and the other at Dugarajapatnam in the Nellore district of Andhra Pradesh. Prime Minister Mr Narendra Modi has laid the foundation stone for the Fourth Container Terminal of Jawaharlal Nehru Port at Mumbai, which is expected to increase the existing capacity of the container terminal by more than twice.
- The Ministry of Shipping, in collaboration with Rajasthan government, has planned to develop an Inland Shipping Port at Jalore, Rajasthan.
- The Cabinet Committee on Economic Affairs (CCEA) has approved the Mechanisation of East Quay (EQ) Berths-1, 2 and 3 at Paradip Port on Build, Operate and Transfer (BOT) basis, under Public Private Partnership (PPP) mode, which will increase their coal handling capacity from existing 7.85 million tonnes to 30 million tonnes.
- The government is considering a proposal to set up an Integrated National Waterways Transport Grid (INWTG), which covers primarily five national waterways. The INWTG plan involves the development of these national waterways with at least

2.5 metres of least available depth (LAD), upgrade/setting up of priority terminals, and establishment of road connectivity (wherever feasible) and rail and port connectivity. The Central Government has approved amendments to 'The National Waterways Bill, 2015' which will provide for enacting a Central Legislation to declare 106 additional inland waterways, as the national waterways.

The Government is undertaking the following measures for the ports' capacity expansion:

- Up to 100 per cent FDI would be allowed under the automatic route for port development projects.
- Income tax incentives would be allowed as per the Income Tax Act, 1961.
- Bidding documents such as RFQ, RFP and Concession Agreement have been standardized.
- The Shipping Ministry's power to delegate finances has been enhanced to accord investment approval for PPP projects.
- Security clearance procedures have been streamlined.
- The major ports' developmental projects are being closely monitored.

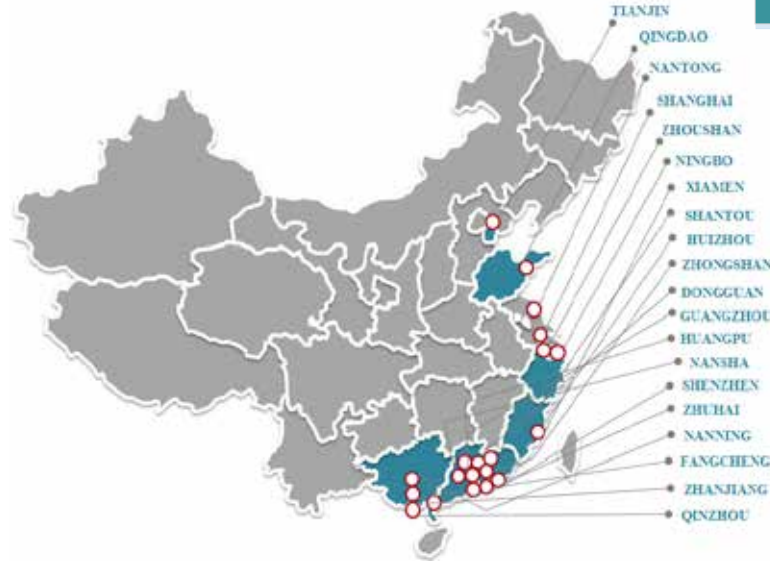
Considering the growing economy of India and the Government's supports in trade fields' particularly marine transportation and port facilities, it is expected to be witness of India as the economical pole of the region, i.e. Asia.



Sunisco & Unitrans Agency wishes IRISL a happy and prosperous New Year

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WILL THE SHADOW OF THE RECESSION DISAPPEAR FROM THE MINERALS?

# DOUBTS ABOUT THE STEEL MARKET

By: Amir Fallah

*“That economic interdependence of all men, which is now in everybody’s mouth and which tends to make all mankind One World, not only is the effect of the market order but could not have been brought about by any other means. What today connects the life of any European or American with what happens in Australia, Japan or Zaire are repercussions transmitted by the network of market relations.”*

“Friedrich von Hayek”

**T**he economy is an intertwined phenomenon that is now known as science and has always impacted the lives of human beings directly.

The human being who has entered the realm of progress through the discovery of fire has officially set foot in the cultural and social eras as the iron and the way of using it had been found. The increasing growth of economy and further development by resorting use of fossil fuels and steel have enabled the countries to determine the amount of power they have by considering the amount of industrialization or being industrialized. As the capacity of a country for reconstruction and development became larger, the consumption of minerals particularly the steel had been rose.

When the destructive and ruinous World Wars ended, the modern humans agreed this idea that they require cooperation and collaboration with other countries to be successful in life and to promote industry and development. Therefore multiple global systems were founded based on economic cooperation to share the benefits of profits among all countries and at the same time, to create a safer world with a global collaboration. As a result, by the end of World War II and then the collapse of the Berlin Wall as well as the Soviet Union, an era was started in the world that is known today as “Globalization”.

As quoted by Hayek in the beginning, such an intertwining of the economy and the market have led to the growth of opportunities all over the world. So, the new era was the era of development of the countries in East Asia, so that Japan, South Korea and China had been named as the most benefited countries after the integration of the world economy and China was quickly able to boast its economic strength to the world relying on the abundant labor force.

As the combination of economics caused the synchronous growth, any flaw and crisis were divided proportionally between all countries. So we can call the economic crisis of 2008 the most severe flaw on the theory of “Globalization”, which have affected the behavior of different people in different countries.

The most significant impact of this crisis that was originated from the economy was the return of

people which can be observed in the presidential election of the United States and the Britain leaving the European Union.

But whatever happened after the 2008 flaw in trade and economy, affected the economy more than politics. Meanwhile, two key elements of the development, i.e. oil and steel had most been affected by this event.

Although we recognize the process of oil collapse in the emergence and over distributing of Shale oil as unconventional oil that has now reached a relative calm after the 171st OPEC meeting, steel that is struggling with oversupply, is still faced with fluctuation. Therefore, we will discuss why did steel reach the point of collapse and where will the future of the steel industry go?

### **Steel; basis of the growth or the puddle of development?**

Many industrialized countries have passed the path of industrialization through the development of steel, but in the past few years, the numerous problems of this industry reduce the growth of the global well-known steelmakers. The steel sector was faced with several problems after a period of commodity boom and China’s penchant for establishing the position of top producer and consumer in the early 2000s. Consequently, bad effects continued until 2016; however according to the forecasts of international institutions, the prospect of this sector for this year and 2018 is positive.

Although the slowdown of the Chinese economy is presented as one of the main reasons for the crisis in the strategic steel industry, other factors such as the decline in economic activities of the rest of the world and the relationship between the price of steel and other non-renewable commodities (that are declining in the price) have influenced this issue. In contrast to this the gradual drop in demand, China’s steel production capacity increased from 660 million tons in 2008 to 12/1 billion tons in 2015. Due to the importance of protecting domestic industries by any country, China has faced the world with the flood of surplus steel production despite the risk of mutual tensions with other countries. Given the paucity of domestic demand and foreign

competition, the factories that were active in this sector and are amongst the industries with high debt and the least profitable in the world have dealt with lots of financial problems.

In the meantime, it seems that global steel demand is cyclical. On the other hand, it is affected by China's economic structure transfer. Considering the fact, China is still known as the world's biggest producer and consumer of the steel industry to keep its position in the next decade. The increase in demand in this country's construction sector will continue due to the middle-class need to live in the city and increased urbanization. Considering the increasing tendency of India's growth over the next decade which is mainly arises from the dynamic demographic structure of this country, it seems that the market situation of this country is very promising.

Coface institute in Paris has predicted that the steel consumption will regain its mobility from 2017. 78% of steel production at the global level is used in these three sectors: construction (52 percent); automobile manufacturing (12 percent); and mechanical industry (14 percent). In the light of the growth prospect of these three main sectors, it is expected that the steel consumption will continue its growth at 2018 with a growth rate of 2.5 percent.

Export Guarantee Fund of Iran examined the prospects of the steel sector in the world and China's influence in this strategic product in a research report. The results of this report suggested that the global economic recession which began in 2008, has also hindered the demand for steel. The weakening of consumption in China's industrial production has forced steel mills to look for growth factors outside their domestic markets. Therefore, China's steel exports significantly increased in 2012 and reached to about 94 million tons in 2014 with more than 50 percent increase.

China exported 112 million tons of steel in February 2016 and in a period of one year that represents 11.8 percent of growth rate. At the same time, China's Ministry of Industry mentioned that since the competitiveness of the price of exported steel has remained strong, the China's steel can serve as a drive to increase domestic production and as a result, the export



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of this product remained high at this year. In the meantime, the importance of perspectives for local iron and steel in many countries can be substantial. However, China is not the only country which increased its exports; the Europe Union exports from Russia, Ukraine, and South Korea have also enlarged.

On the other hand, the foreign trade of steel mills has also benefited from the reduction in the transportation costs. The Baltic index that measures the average freight rate of dry shipments has reached its minimum since its creation in 1985. For example, the shipping cost of 10 thousand tons of steel from China to Spain that was 30 USD in 2013, reduced to 18 USD in 2015. Although the global capacity of freight was never been at a very high level, according to UNCTAD, it has shown a twofold increase between 2004 and 2015.

### **Development at the expense of low profits or more debt?**

Studies have shown that during the drop in global demand after the crisis of 2008, the steel industry was not able to solve the problems of overcapacity. If we consider the competition from the imports of China's steel, the financial condition of companies will become very difficult in this sector. Of the 40 thousand and 368 registered companies around the world, the steel sector is amongst the companies with minimum profitability.

The ratio of Earnings Before Interest and Taxes

(EBIT) to sell that is an evaluation criterion of profitability, was equivalent to 2/6 percent at the end of the third quarter of 2015, that put the place of this industry in the rank of 90th between 94 industries. Sluggish demands of steel increase companies' debt. The financial liabilities of all metals sectors in China have reached 50.7 percent of equity; however, this figure is 46 percent in listed companies.

Taking into account all the companies in the metals' sector-including unlisted companies, China's Ministry of Industry announced that this ratio was 70% for 2015. Moreover, short-term debts of the steel mills have been rising and reached 44% worldwide. This represents the increase of the financing problems and the deterioration of financial conditions in this sector globally. Following the 2.5 percent reduction of the demand for steel in 2015 due to the influence of China and the paucity of demand in 2016, there are still glimpses of hope in the long term in a way that global steel demand will grow one percent during 2017 and on average, 2.5 percent over the next few years by giving thanks to the positive outlook of growth in the urban population of developing countries.

According to what has been said and as the global steel market profile is presented, it can be found that this year will be a gentle year for steel industry. However, a great bump could destroy this forecast.

The emergence of Donald Trump and his numerous slogans have created uncertainty in the essential global markets. When Trump stepped into the Oval Office, his first applicable law was the cancellation of Trans-Pacific Partnership and after coming to power, he repeatedly stressed the need to be separated from the global trading conditions.

If we accept that the same procedure is based on the new government of the USA and the wave of extremism is to win in Europe, then we should recognize the future of the trade as serious and crucial, at least for a period of two years. Given the progress of theory development of "Globalization", what is needed to be considered by steel activists is the fact that in ideal growing conditions the growth in the steel industry is expected in this year and in 2018.

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