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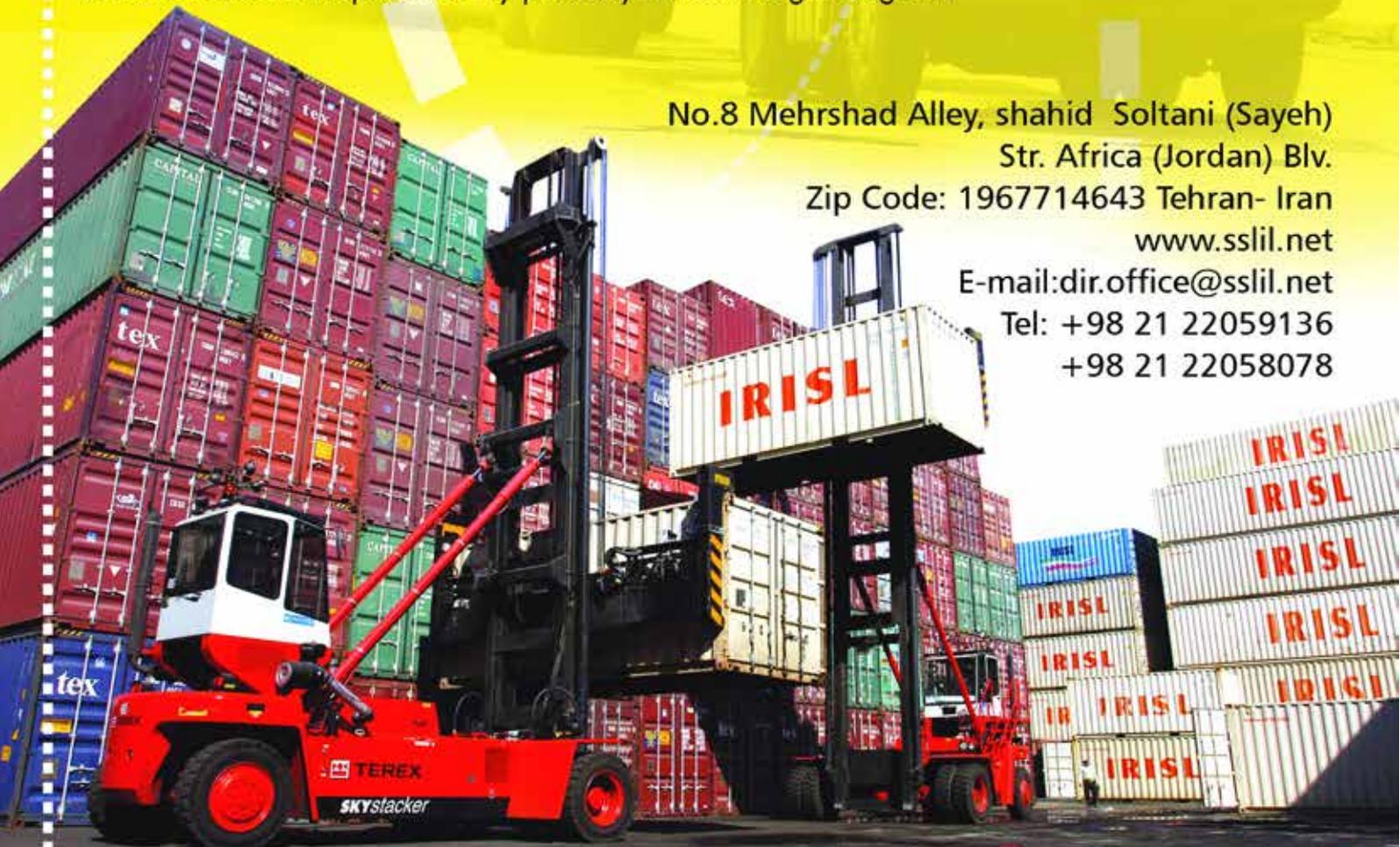
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Will JCPOA be Consistent after the U.S Pulled Out?

He Who Says **Yes,**

*By: Amir Falah
Editor in Chief*

Ultimately, the U.S. presidency announced his decision prior to the determined time concerning the countries' unilateral withdrawal from JCPOA (Joint Comprehensive Plan of Action).

The comprehensive nuclear deal between Iran and P5+1 that reached conclusion in summer, 2015 and entered into implementation since the first month of 2016, was an international agreement which was formed on the basis of a common goal, i.e. achieving an agreement on Iran's peaceful nuclear program between the six world powers.

This agreement was authorized during signing in Geneva as a legal document and approved less than a month at the United Nations Security Council. Meanwhile, it revoked all of the global imposed sanctions against Iran that was one of the most significant achievements of the last decade in diplomacy just as it was called "The Century's Agreement".

JCPOA was of great importance from several perspectives. Initially, it was for the first time that a country has been supported through session 7th of the Security Council without any guns and the conflicts and challenges among parties would be solved based on diplomacy rules. Secondly, it was for the first time after Iran's Revolution that the two countries of Iran and the U.S. negotiated about a specific matter directly at the level of foreign affairs' ministers. Tackling conflicts without exploiting guns that was one of the most important dreams of the world after the World War II achieved finally. This event

He Who Says **No**

will turn the point if we become aware of the fact that imposing sanctions against Iran due to nuclear programs was one of the worse unprecedented economic constraints. This agreement was considered as a victory from the point of views of all parties. As Hasan Rouhani announced at the beginning of his presidency, this agreement would be a fruitful one that is formed on the basis of deal's rules and is a so-called win-win agreement.

JCPOA was the result of a marathon that was warmly welcomed by Iran and P5+1 and called by Obama as one of the achievements of his government according to which considered a significant victory in the history of diplomacy. It aimed at verifying Iran's nuclear program on the one hand and eliminating the cruel sanctions on Iran's economy on the other hand.

The IAEA was well placed to implement this agreement, and since the present US government avoided converting this agreement to law in the congressional chamber, Obama and his government ensured that presidential office would suspend the sanctions imposed on Iran for every 120 days on the basis of the rules of authority.

Although this event from a political perspective reached an important conclusion, Iran's main goal was economy and considered as the fruit of JCPOA. Consequently, economical leaders came to Iran to monitor the situations and analyze capacities of each section with the purpose of exploiting them in their relations.

Implementation of JCPOA led to Iran's oil sales with more than 2 million barrels per day after six months since 2012 that was less than a million barrels per day. Considering the sanctions' removal in insurance and classification societies, the country's ship activities began in international waters without any conflicts.

This was not the whole story when an exceptional event happened during the forty years passed from the Islamic Revolution i.e. signing the contract with Airbus to purchase one hundred of variety of airplanes according to which 3 of them entered the country. Moreover, Iran oil industry's required turbines in plants' section that were remained idle in the warehouses during the sanction era had been delivered to the country through a revival in Siemens contract.

According to statistics revealed by Plan and Budget Organization as well as announcements of the government's spokesman, Iran attracted more than \$40 billion of foreign investment after the JCPOA in various sectors along with a number of important financing lines that were defined by Chinese, Korean and European parties to give a hand in the projects. Revival of building ships and changing it to mega-sizes, return of European carmakers, signing the contact with ATR and Boeing as well as partnership agreement with Total in phase 11 of the South Pars worth \$5 billion were all just a part of JCPOA's accomplishments that become effective after two years of negotiations. However, considering

Hegel's idea concerning the world as a two-sided coin, there is a tragedy and a comedy. During the implementation of the JCPOA, the comedy side of the coin comes into play when a person who was not aware of international ties as well as the rules of global regularity and thought the country is such an estate agent under his control had been elected as the president of the U.S.

Donald Trump's election as the 45th president of the U.S. faced the world with indescribable horror regarding the lack of a large sustainability. He who won the election through populist slogans and the fact that the U.S. is in the priority, entered the White House not to make things better but to destroy all the achievements of the human beings. As the time of his arrival with the accompanying of managers, they never had had a practical program to handle the government and the only choice was pulling down all the structures that have already been reached in the previous government. Moreover, he made the global economy to encounter a large ambiguity whenever he tweeted.

After inauguration, Donald Trump initially pulled out from the commercial contract of transpacific that came to people's surprise and in the second step abandoned Paris climate deal.

Considering his victory through gaining support from Israel and Arab countries adjacent to the Persian Gulf, Trump announced one of his programs to put an end to JCPOA.

Iran's commitment to the agreement on the basis of 11th approval of IAEA as well as the full support of the European and world countries were of utmost importance. However, Trump did not care about these views and Secretary of State -Mike Pompeo- in a severe manner threatened Iran in an unusual representation which was far from a diplomatic behavior. Perhaps the reason behind North Korean authorities' trust to reach an agreement with the U.S. lied behind the mentioned reason as if the ghost of slept understanding and logic in the world of politics that has been written for several years in the history was forgotten at the end of the Second World War, has once again come to the scene.

However, over the past two weeks, the EU, especially the five remaining nuclear negotiators, has repeatedly stressed the continuation of the deal even without the U.S., and issued a statement on the 1996 to support European companies against the

U.S. sanctions but the leaders of countries such as Germany and France, as well as the foreign minister of Iran, faced reality, and reported that the EU has no ability to stand against the U.S. sanctions. This is the neglected point in Trump's strategic team, i.e., the understanding of reality in today's diverse world!

Trump and his associates, who have been frozen through history and now woke up in warmth of the earth after a long winter sleep are following the track based on their imagination, which its result is instability in the world.

What makes today the basis of modern rationality is not bluffing over the poker table (which is Trump's family profession), but also appropriate behaving with the reality based on available facilities.

If we consider the rationale modernism, the critique of Kant's pure reason, he believes that critique means counting the possibilities, and if, on the basis of this proposition, we are determined to decide on the possibility of these days of the world, not on the basis of force- then it is formed on the basis of business based communication.

fundamentally, the post-war world is the world of trade since the founding of global organizations such as the EU and WTO are based on the sharing of interests and justice in the economy (not equals), and now that the world and even the former U.S. statesmen have been reporting that we are no longer capable of synchronization, that is, the behavioral distortion of this country has been able to create another front to save the world.

If we accept that the trade balance of the countries is indicative of the circumstances after the departure of the U.S. from JCPOA, and if we look at the Europeans with some optimism and consider the unprecedented sanctions of Trump and his strategic team, three points should be discussed. First, the sanctions on Iran's oil as a defining factor for the country, which, according to the congressional reception, should be reviewed by the president of the U.S. every 120 days in 2013, whether oil prices have affected the interests of the country or not. However, this time there is a big "BUT" in front of Iran's oil sanctions.

If during the previous period, Saudi Arabia guaranteed that it would compensate the lack of

Iran's presence on the market in the case of its exit, Iran would seek cheap oil (Zangeneh's reasonable and acceptable oil price is about \$60). There are two reasons for Saudi Arabia to be interested in expensive oil; oil more than \$100. First, it faces a budget deficit of over \$100 billion, and on the other hand, it seeks to concede the predetermined share of Aramco Corporation and accordingly, in order to make the company's share more valuable, it needs to increase the price of oil. So it can be understood with a simple argument: Why is Saudi Arabia no longer interested in seizing the Iranian oil market? Of course, it should be noted that according to the oil freeze MOU, which was implemented two years ago, the level of strategic reserves of the world is also significantly controlled so that this could be one of the pillars where the EU is aligned with Saudi Arabia to prevent Iran's oil embargo.

The second factor is maritime shipping sanctions, in which on the basis of pre-World War II theory if a country gets a week ahead of its ships, it will die. Although the world today is not seventy years old and this phrase has also been put into history, the terms of this predicate can also be concluded with an important initiative in favor of the EU and Iran. In the context of maritime shipping, senior experts believe that the three categories of insurance, classification and port facilities can provide shipping conditions, that is, if the European insurers and classification societies cooperate with the Iranian shipping companies and ports of such countries do moor with Iran flag there not prevent Iran's ship to would not be any problem. However, it's a matter for insurers that American shareholders face with. This is not the first time that such a situation is being formed for the European countries to cooperate with Iran over the category of maritime transportation. After JCPOA and its implementation, the American shareholders of the international clubs created a bump in the increase in the coverage of European insurers to the level of one billion dollars, which, of course, has led companies to restrain American companies. In such a circumstances the American insurers inevitably have been forced to accompany. It is one of those parts that the economy can say and bring to the conclusion, therefore, this seems to be due to the fact that European companies in the field of transportation maritime, insurance, and classification have lots of experiences.

The third factor is the banking boycott. If we assume

that oil is the main source of revenues and shipping the major source of imports as well as exports, then the central bank as a custodian regulates the relations of the two other factors, and basically there is no activity in the absence of money.

With the help of the dollar, the U.S. wants to curtail Iran's business through the initiative that every dollar passes through its financial system cause restrictions. Although this is one of the most important factors in the bump, if we accept that after the collapse The Bretton Woods treaty, the emergence of the euro, and the power of China, other currencies are also tradable on the market. If we remind the Secretary of State of the UK after the departure of Trump that Europe can use the euro in its exchanges, a new solution to this problem has been achieved, although this is a tough option, and it's basically the U.S. to face many challenges with Europe, but in the economic world any action can be realized if there is a "possibility".

What can be shown by these three factors is that if we look at the theory of rational modernism mentioned above and consider the basis of international rules, there is a "possibility" of continuation of JCPOA. However, as it referred to decisions must not be taken on the basis of imaginations. One has to accept the reality of today's world and the fact that trade is the first word, and countries operate based on their interests, even if these interests are destroyer of international law.

This will be a great test for the world whether JCPOA continues or not to demonstrate that to what extent the international agreements can be assured and it must not be forgotten that the foundation of the United Nations was to reach out to a message of peace and share the benefits.

Now, if any changes are made to the leaders, the obligations of the abolition of the conditions will return to the pre-World War II, where the treaty of Versailles was violated by one of the parties, and what should not be done, happened.

The world is now watching the behavior of the European states that will save the dignity of rights based on the modern reality, or will judge themselves in history because, as the former president of the U.S. did not remain, Trump would never have the power and history in the modern world is no longer written by victors but by the wise; and the greatest trial of human reason is history.



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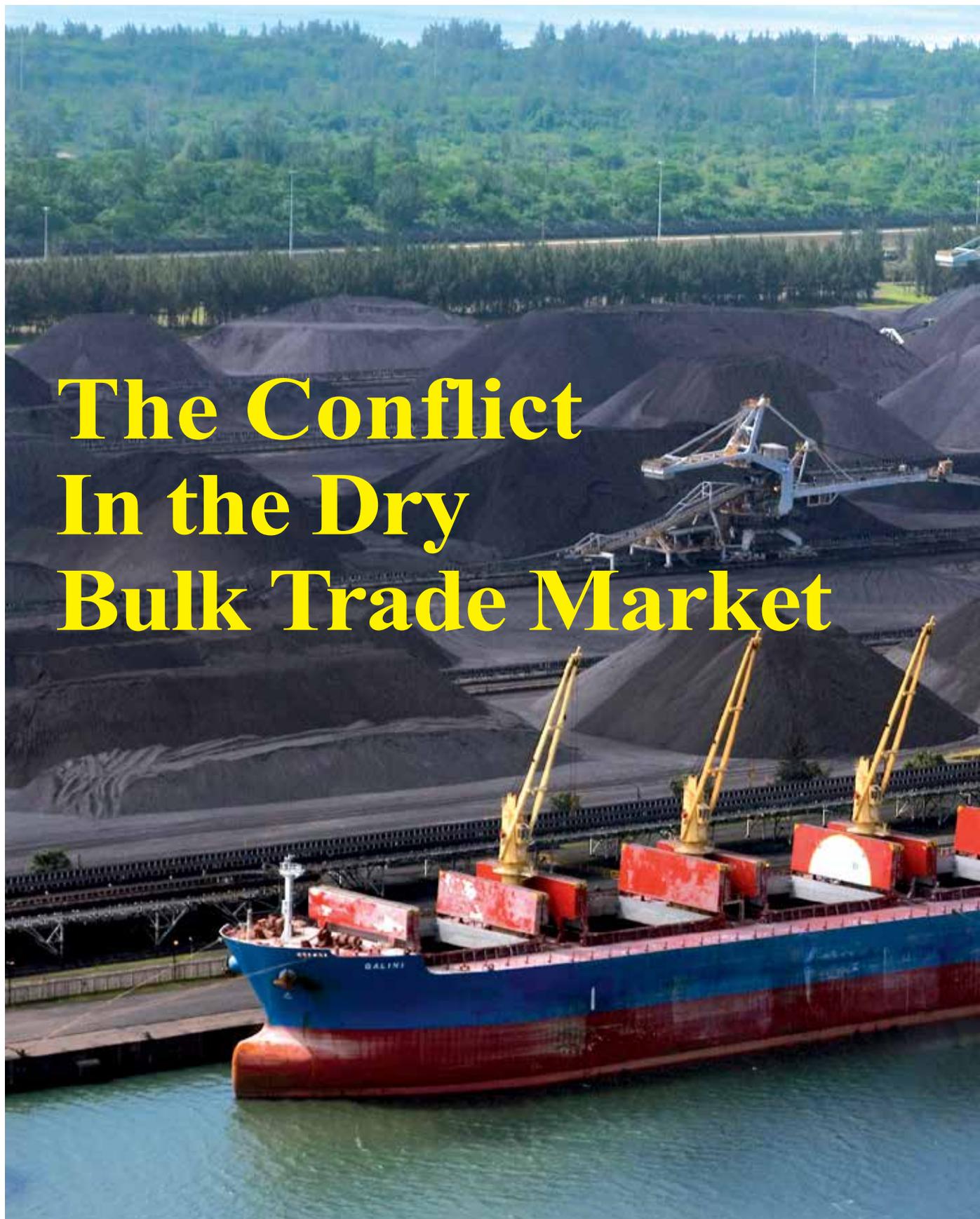
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The Conflict In the Dry Bulk Trade Market



Analysts in their reports announced that by imposing customs duties on the imports of steel and aluminum from China by the US government and in turn imposing tariffs on soybeans from China, the dry bulk market will experience turbulences. This will occur because of the possibility of compensate not only from China but from other countries in Europe as well as Asia. At present, these conflicts keep the level of trade at the lowest levels.

No doubt, China has an important and significant role in the dry bulk trade market, so any changes in its policies and between it and other countries, or any program and law within the country, directly or indirectly, will affect the trade of dry bulk. The Chinese government's decision to apply a 25% tariff on the import of soybeans from the USA will change the trade route of importing this product into Brazil and Argentina. By this way, demand of tonne-mile for Panamax, Supramaxes and Handysizes will increase. On the other hand, the USA decision to impose tariffs on imports of Chinese industrial goods to encourage domestic production will damage the tonnage demand for major raw materials.

In a report, Banchemo Costa researching group noticed that in 2017, China imported 5 million tons of sorghum from the USA, but the import will drop substantially by 2018, as much of the demand for sorghum will be supplied from the eastern coasts of South America, the Mediterranean and the Black Sea regions. Trump's government signed an agreement of imposing new tariffs on imported goods from China which valued \$60 billion. These tariffs will intensify uncertainty in dry bulk market. The positive and negative effects of this act will reveal in the medium term, but the share of Losers and winners seem to be equal. In the following lines, the various parts of the dry bulk market will be reviewed.



➤ **Coal and iron ore**

China's Belt and Road Initiative (BRI) which was previously called "One Belt, One Road" can flourish dry bulk sector in the long term. The Chinese government is planning to invest in infrastructure development to build the 16th-century Silk Road which connects China to Central Asia and the Middle East to Europe, creating a maritime link between China and Southeast Asia to East Africa. BRI will consist of constructing new structures such as ports, roads, railways, power plants and pipelines. Up to now, estimated cost of the project has been \$

8 trillion by 2020. Restricting the activity of coal and iron ore mines in China, along with its efforts to reduce environmental pollution, will require the country to meet its needs of this sector by import. In this regard, Brazil and Australia are the main exporters of iron ore to China, and so far, high quality coal is imported to China from Australia, USA, South Africa, Colombia and other exporters around the world, which according to China's policies, these imports will increase, and in turn it will increase the tonne-mile index and make a boom in the bulk shipping market. In 2017, aggregated coal

exports of USA was 97 million tons, which has 61% growth compare to 2016. Exports to Asia have been more than doubled from 15.7 million tons in 2016 to 32.8 million tons in 2017, although European countries remain the largest destination for exports from the USA. If other countries cope with the policies of USA about imposing tariffs on foreign goods in support of domestic production, its coal exports will surely be on the downward trend like the five-year period previous to 2017. Clarksons predicts that in 2018, coke coal trading will increase by 4%, and iron ore trading

will increase by 3%, compare to 2017. By considering that iron ore trade concentrates on long-term contracts of Capesize carriers on Brazilian and Australian routes to China, and its revenues are increasingly unstable, ship owners are always seeking to diversify their services to achieve their goals and sustainability. In the whole, despite the challenging environment, iron ore and coal trade market will not have a gloomy future, as there is always a huge demand for them from a country like China.

➤ **Grain**

It is predicted that global grain trade will continue to grow steadily over the next decade. After a decade of sustainable growth, due to environmental changes, as a bright spot in dry bulk perspective, grain trade has attracted the attention of many ship owners. Although iron ore and coal are the main areas of bulk trade, the booming trade of grains in the

past has been a major source of revenue for ship owners and operators, especially for Panamax vessels on long trade lanes and for ships with cranes in regional cargoes. The increase of demand for grains in the African and Asian countries will also boost the grain market. According to the Clarksons, the compound annual growth rate¹ (CAGR) of grain trade (including soybean, wheat and coarse grains) over the last decade amounted to 5.3%, which was the second largest in all dry bulk trades after iron ore. In recent years, Pan Ocean and Bahri have announced that they have a plan for expanding the grain trade through the intermediaries, while Star Bulk has established a logistic center in Genoa to get closer to grain charterers. These measures suggest an annual growth rate of 3 to 4 percent over the next five years, according to Cargill. IGC² has predicted the grain

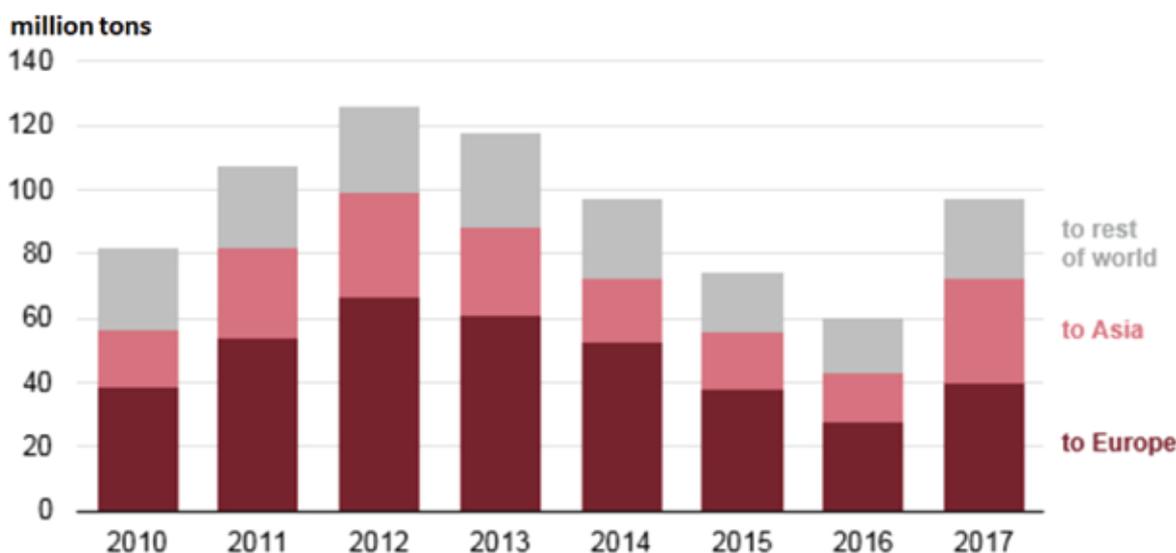
1 CAGR

2 International Grains Council

trade in the 2022-23 to reach 555 million tons. These data take into account some of the hypotheses, such as population growth, trade and agricultural policies, and forecasts for the global economy, but do not consider weather-related disruptions. This council also added in its recent report that soybeans play an important role in this increase: “Given the increasing demand in Asia and Africa, global trade is expected to peak in all four cereal sectors.”

In addition, the IGC expects the trade of grains reach to 172 million tons in the 2022-23 from 145 million tons in the 2016-17. The Council, pointing out that Brazil will be the largest grain exporter, added: “Given that China’s imports will account for two-thirds of the total grain trade volumes in 2022-23, the growing demand of Asia will continue to increase trade volume over the next five years.”

According to the experts in



US coal exports by destination 2010-2017

this area, the impact of tons-miles will be even greater as the volume of supplies from the South of the USA is still rising. So, the trade of grains can be analyzed separately in two main parts as follows:

➤ Soybeans

Clarksons has predicted that soybeans will have a very good 5% growth compare to 2017 and reach to 155 million tons in 2018. This is the largest growth rate among all major dry bulk cargoes. According to CEO of Pacific Basin, soybeans will have the most grow. During the last decade, growth in this sector was 7% - 8% compare to wheat and coarse grains which had 4% increase during the same period. The motivator of this growth is the change in food habits and the consumption of more meat, especially pork, in the world. This leads to the massive transport of soybeans as feed from South America to China and other parts of Asia.

➤ Wheat and coarse grains

With regard to the steady growth in imports of Europe and the

Middle East, especially in Saudi Arabia and Iran, Clarksons predicted that global trade of wheat and coarse grains would increase by 2% in the 2017-18 to reach around 359 million tons. It has also estimated that imports to the Middle East will increase by 9% to 60 million tons, and it will account for 85% of the global grain trade growth.

Reduced wheat production in the United States and Australia will be offset by Russian suppliers. Through favorable weather conditions in Russia, exports from this country will increase by 17% to 42 million tons, but the infrastructure constraints will limit this growth in the future. Some media have announced Russia's decision to increase exports to the Middle East and Latin America. This country currently exports to Turkey and Egypt.

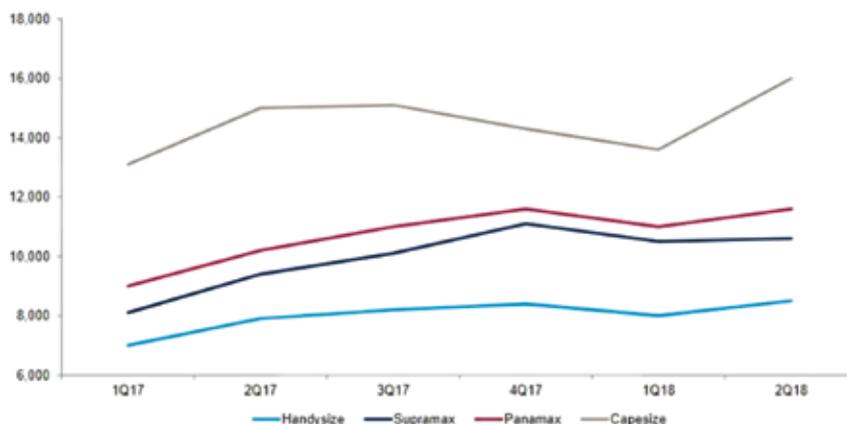
Clarksons predicts that in the next year, South American wheat and coarse grains production is also very good, with more than 50% increase over the previous year, it will

reach to 60 million tons. This is due to more competitive prices than the USA.

The Effects of Draught and Global Warming on Bulk Trade

Experts believe that the global climate phenomenon will diminish the supply of food and water globally and will affect the global economy as well. Colombia, Pakistan, Somalia, Australia, Guatemala, China and Kenya are just some of the countries that suffer from severe drought conditions.

When talking about water as food and drink, its sources of supply are unlimited in the world and should only be managed globally. Now the global drought has had a profound impact on the economy. In fact, water scarcity affects the location of business, and as a result, the more water resources, the more production and agriculture. So, such countries will overcome the nations that are in shortage. This leads to limited economic growth. The drought has been



1-year dry bulk time charter rates (quarterly, \$ per day)

hurting earth for centuries, but some believe that this time the drought is different from the past, and because of this, we will see more floods and droughts in the decade ahead. The global warming leads to changes in location, time and quantity of rainfall, and these changes mean the supply of agricultural products from some parts of the world to the other parts are different.

So, droughts impose huge costs on world economies. The World Economic Forum (WEF) has estimated annually drought costs around the world at \$6 to \$8 billion due to losses in agriculture and related businesses.

The trade can help to solve the drought problem. There are plenty of arable land and enough water worldwide to produce demanded foods. The drought in some countries of the world will make profit for farmers in countries that do not deal with the water crisis. As a result, countries such as Argentina, Canada, Brazil and the United States will benefit more from exporting their agricultural products to countries suffering from water scarcity. Therefore, weather conditions will lead to weaken of the economy, but will generally contribute to the prosperity of bulk trade globally.

Bulk Carriers' revenue: Something Better than Nothing!

Drewry had anticipated that bulk carriers' rates would improve from the second quarter of 2018, because of increasing iron ore demand in



Given the increasing demand in Asia and Africa, global trade is expected to peak in all four cereal sectors

Asia. In the medium to long term, it had provided a similar perspective in its previous research. With the widespread construction activities of China in the “One Belt, One Road” project, steel consumption will definitely increase. At the same time, the Chinese government has stopped unproductive mines with high contamination levels, so it will pave the way for more efficient mines to produce steel with better quality and will increase the demand for high quality imported iron ore.

Compared to the Capesize section, the smaller carriers sector will have more chance for making more money in

2018. After 2 years being in peak, Panamax and Supramax revenues reached to around \$14,000 per day in March 2018, compensating for more than 70 of the drop from average in early 2016. The Handysize division also had a major improvement, and the average of daily earnings reached to \$ 10,882 in March 2018, and offsetting 80% of the reduction of the average before the recession. Totally, smaller carriers section has taken benefit of the growth of coal, grain and minor bulk trade during 2017.

Therefore, even though the Capesize market has suffered a seasonal breakdown, the average revenues in the bulk sector have offset more than half of the historical drop in the average level. Although there is still fluctuation in the way of market rebalancing, it looks as if since 2016 (the year of the most declines in bulk shipping rates), this sector has been improving. Lloydslist predicted in its analysis that the freight rates of bulk carriers will continue to increase in 2018, while fleet growth will be at its lowest level in the last ten years.

A decade has passed since when dry bulk rates began to decline in 2008. The long recession, which coincided with the financial crisis, peaked in January 2016. While many withdrew in the harsh market situation, a quick look at the BDI shows how drastic was the price fall and how moderate is this improvement. The dry bulk market has never returned to pre-recession conditions. In 1999, the average BDI was 1338



units. While in late 2017, by the comprehensive management, it reached the level of 1,500 units, and at many periods of time in 2017, it was lower than the levels in 1999.

Confusion in Dry Bulk Carrier Shipping

Now nobody is looking for a return to the past, and owners and dry-bulk activists are only happy to manage their business without loss. Now, how the bulk section in 2018 relates to

the 1999 situation is an issue that is apparent when looking at numbers and figures. While the global fleet capacity has got to more than 3 times bigger than its size in 1999 which was 264 million DWT, and reached to 817 million DWT in the first quarter of 2018, bulk carriers are less efficient and carry less. In the period from 1999 to 2008, in average approximately 8 - 9 tons of freight had been carried by per DWT but since 2009 this average has dropped to 6

- 8 tons per DWT. Of course, the demand for bulk cargo transportation has increased from 2,155 million tons in 1999 to 5096 million tons in 2017, but this increase has not been as much as the growth of fleet capacity.

Clarksons in its recent analysis predicted that dry bulk freight rates will increase sharply over the next three years, as demand will surpass supply over this period. The new orders for Handysize,



Handymax and Supramax, in particular the order for 40,000 – 45,000 DWT vessels, are at a low level. This particularly affects the transportation of shipments such as aluminum, bauxite, copper concentrate, manganese, chrome rock, zinc concentrate, sugar, cement, compact fertilizers and cereals. The supply of these ships will be limited over the next three years. While freight rates were at the lowest levels in 2016, they have increased by more

than 200% over the past two years, but it has not yet returned to the flourish period before the 2008 crisis.

Dry bulk products have been increasing since 2000, with the exception of 2009 and 2015, it remained stable in 2015 compared to 2014 and did not increase. By 2017, seaborne trade of dry bulk was at the level of 5 million tons, but the freight rates rises were not impressive. Since 2005, dry bulk shipments have grown 66%, while fleet capacity has increased by 86%. As a result, there is a surplus of capacity in the bulk sector, but the situation is expected to improve.

During 2017, new building orders for dry bulk carriers, especially smaller ones, were reduced, and so far, the shipyards have often delivered previous orders. The capacity of shipyards has declined for bulk vessels, especially in China. . In some cases, the yards have started to build tanker or other vessels.

Over the past six months, the new orders for bulk carriers have grown a bit, but if the trend of rising freight rates continues, then orders may increase and the improvement will not resume. In fact, if the owners have not learned from previous experiences, they can seed for the next recession.

Given the fact that politicians and governments often tend to support domestic products, they can have a huge impact on grain trade. Therefore, the US President's inclination to support domestic production could be considered the biggest risk in 2018. In analyzing the fleet, major issues are analyzed in following paragraphs.

Significant progress has been made in the field of efficient technologies, and at the same time China has much slower economy reveal only one fact: much of the capacity needs to be reduced! In fact, about 200 million DWTs, which include 30% of the active fleet capacity (equivalent to 5,000 ships with a capacity of 40,000 dwt), should be scrapped so that we can see the same rates as before 2008. Given the new orders, equivalent to 10% of the present fleet, large volumes of scrapping may be the easiest way to reduce capacity surpluses.

Owners should also cope with additional fuel costs. Fuel prices have risen from \$100 per metric ton in 1999 to \$380 per metric ton at present. Some other factors can greatly increase freight rates. 2020 sulphur cap will force ships to use low sulphur fuel. Although the shipping industry is not ready for the deadline (January 1, 2020), but if the owners of the ships have difficulty in providing low-sulfur fuel, they should choose alternatives such as installing scrubbers to subtilize exhaust gases. Some experts predict that the use of low-sulphur fuel would cost twofold compared to previous fuels. The largest share of the vessel's operating costs is related to the cost of the fuel, and the owner of the vessel will not be able to bear these costs, except to increase the freight rate. Consequently, the improvement in rates at the present should not be considered as a boom, and the situation would get worse by ordering new vessels.

The implementation of the International Maritime Organization's (IMO) 2020 sulphur cap is becoming increasingly important. Certainly there are constraints in the field of scrapping. The average age of the dry bulk carriers in the world has dropped from about 14.2 years in 1999 to about 8.8 years. However, owners who are facing the issue of lowering return on investment must upgrade their fleet.

The dry bulk market is also very fragmented, with many different partners from small independent companies to large government organizations. This leads to different views on market balance.

Overall, while the dry bulk market in 2017 saw a positive move forward, if the excess capacity problem is not resolved in this section, it will not be in the way of improvement. For years, we will not see a return to levels prior to 2008.

International Regulation: Solution or Problem?!

Owners have to comply with a set of laws and regulations such as the reduction of emissions and water balance management applied by the International Maritime Organization (IMO) and some governmental organizations. So, for fulfilling these requirements will require investment.

At the Singapore Shipping Forum 2018, which was held in cooperation with the Moore Stephens Institute and the BNP Paribas on April 26, it was stated that there is now much support for implementing low sulphur fuels rather than using scrubbers. Changing the fuel



Lloydslist predicted in its analysis that the freight rates of bulk carriers will continue to increase in 2018

to low sulphur ones is not only a good work, it can also be positive for the market.

The simplest way to tackle the sulphur cap is to reduce speed. By reducing speed from 12 knots to 10 knots, it would effectively remove 17% of dry bulk shipping supply.

In general, ships of over 15 years of age, carrying a total of 142 million tons of cargo in the world, or 17% of the existing fleet, have the most potential for scrapping. Owners of such ships have to make a decision, as their older engines cannot burn low sulphur fuel oil and in addition, they would have to invest in ballast water treatments systems for such old ships which have their own problems.

Conclusion

Although weather conditions and policies in some countries, such as China, help boost trade, the shipping industry still faces a surplus supply. The relative prosperity of the market and the improvement of the freight rates are a dissuasive factor in scrapping, while international regulations, such as the 2020 0.5% sulphur cap and ballast water management, are a good incentive for scrapping of older ships. But we have to wait and see which of these two factors will be more powerful. If shipping companies act smartly and compare the rates with the years before the recession, they will not repeat the same mistake and know that this improvement is so fragile that it will make the situation worse with a small error. The solution at this time is just scrapping, while in March 2018 the amount of scrapping is estimated to be one fifth compared to March 2017.

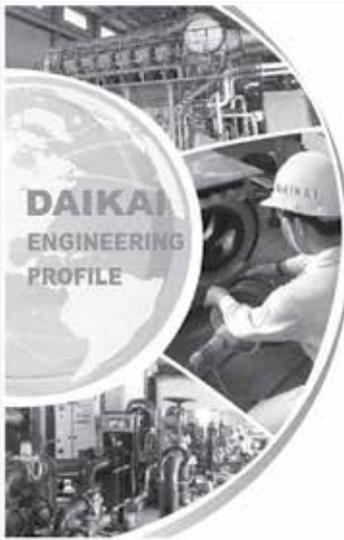
In short, a positive outlook for dry bulk market is a deterrent factor that discourages owners from scrapping, but if it has led to new orders, it will definitely make the supply side even stronger, and this time the high fuel costs will help to make other recession.

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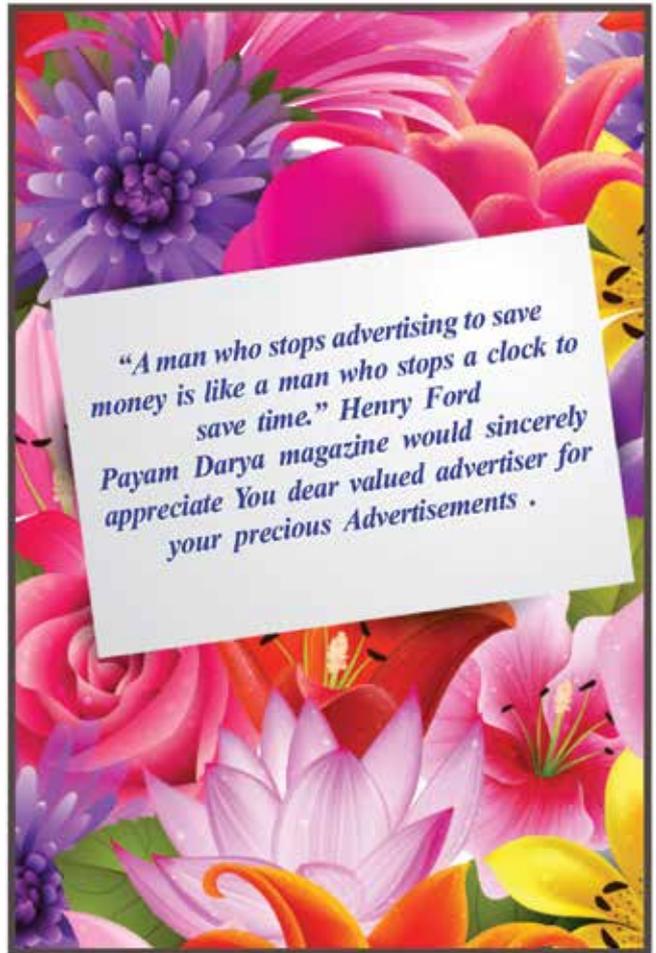
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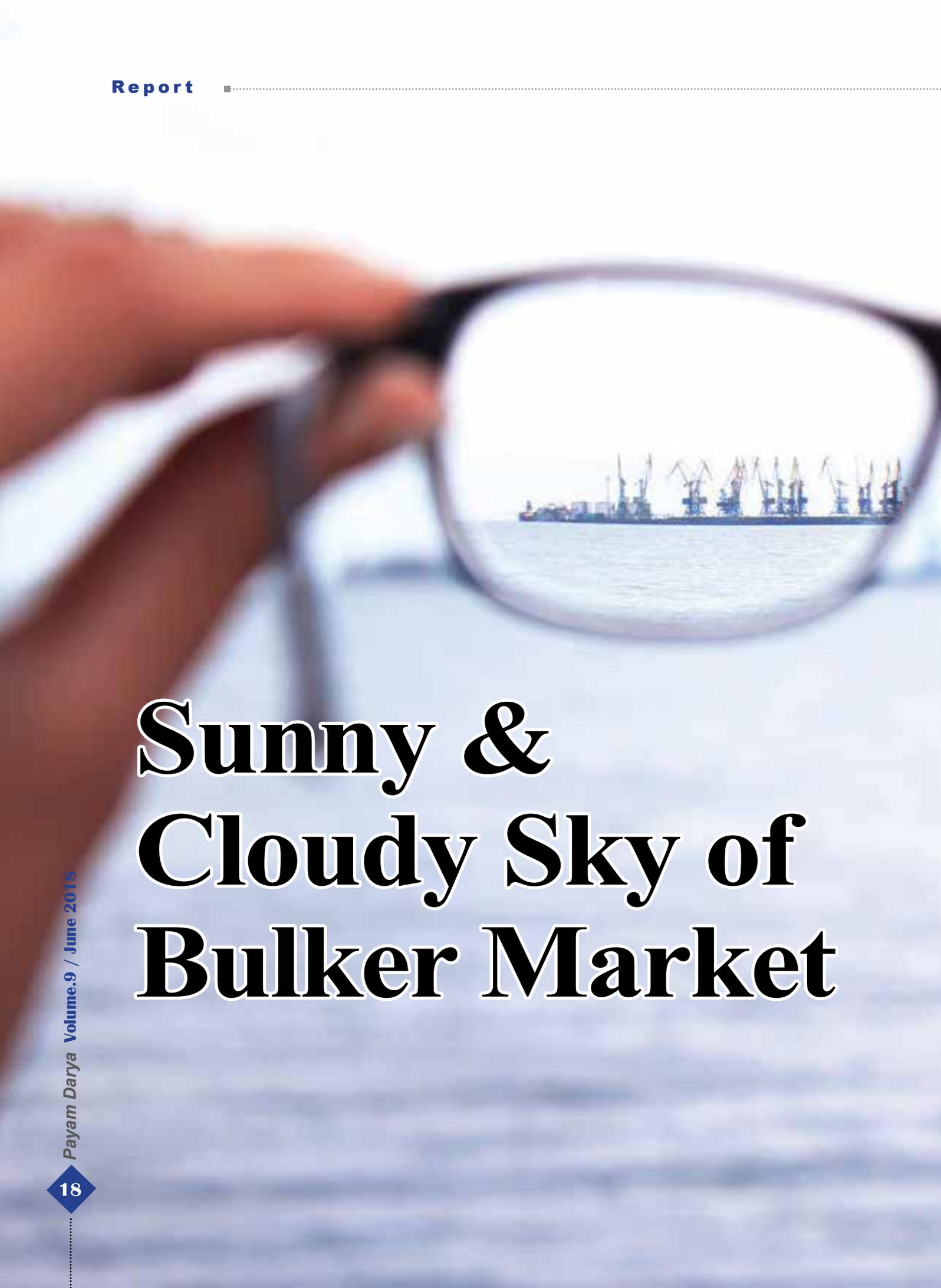
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Sunny & Cloudy Sky of Bulkier Market



It is predicted that global seaborne dry bulk trade will witness around 2.6% growth in this year, Moreover, the ton-mile growth will be 3.4 %.

During the recent years, the dry bulk market has experienced a tremendous forward leap. The strong iron ore and grain trade has brought about a growth in time charter rates.

Due to the economic development in European and Asian countries, the steel production will be increased. Therefore, a firmer iron ore trade will be predicted.

On one hand, strong industrial production and the other hand the desirable weather for construction activities will result in an increase for steel

demand as well. Based on this, the demand for iron ore and coke coal will strengthen.

As we approach to summer season, the demand for electricity in Asia will increased. High electricity consumption will be a main driver for importing thermal coal in China, South Korea and India.

According to Clarksons , Global seaborne coking coal trade is currently projected to grow 3% to 265mt in 2018, against a backdrop of improved global economic trends and industrial production in a number of key regions.

Chinese seaborne steam coal imports are currently projected to expand by around 1% to around 176mt in full year 2018.

In the first three months of this year, importing iron ore reached 271 million tons, which showed a stable trend in comparison with the same period in the last year.

In 2018, China's seaborne imports of iron ore are expected to amount to around 1.095 billion tons, which will indicate a 4-percent rise compared to the last year.

In total, it is predicted that global seaborne iron ore trade will reach 1.520 billion tons in this year, which shows 3-percent ascent in comparison with the last year.

In Q1-2018, China produced 5.4% more crude steel than in Q1-2017. Growing production by 10.8 million tonnes for the

quarter. This three-months growth compares to one month of production by the world's second largest producer, India, at 9.3 million tonnes.

There is also a positive and bright outlook towards the minor bulk trade commodities. Clarksons predicted that Global seaborne minor bulk trade is currently to expand by 3% to around 1,975mt in 2018.

In March 2018, the delivery market remained relatively stable. It is prognosticated that lower level of newbuilt deliveries will continue.

The released statistics also show that the demolition market was not active. So that, just five vessels were sold for demolition in March. A figure which was one fifth in comparison with the same period in the last year.

A positive outlook of the dry bulk charter market kept scrapping activity scarce in April as well. In this month only one was Superamax was sold for scrapping. However, on the delivery side, total 20 vessels were joined the fleet in April.

In the first quarter of this year, the average demolition age of bulkers has increased from 25 years in 2017 to 29 years. Supramax market witnessed the highest increase of average demolition age. So that, the average demolition age reached to 31 years in the first quarter, while the average was 22 years in the last year. In addition, the average demolition age of Panamax bulkers represented a five-years increase.

On one hand, the delivery was low and on the other hand, the fleet growth experienced a

moderate trend.

In a nutshell, it is expected that we will witness a positive outlook for dry bulk trade in the coming months.

This positive outlook for dry bulk market has resulted in a downward trend in the demolition market, in other words, the ship owners are optimistic about an increase in freight rate, so, they prefer to be patient and do not send their vessels to the yards.

In the first three months of this year, 16 Capesize vessels with a combined capacity of 3.6Mdwt were joined to the global fleet. In the mention period, the newbuilding order of seven vessels and the demolition of 24 Capesize vessels were also recorded.

From January–March 2018, 17 Panamax vessels with a combined capacity of 1.4Mdwt were delivered. Moreover, the newbuilding order of nine vessels and the demolition of two Panamax vessels were reported in the mentioned period. In the first three months of this year, 35 Handymax vessels with a combined capacity of 2.1 Mdwt and 20 handysize vessels with a combined capacity of 0.7 Mdwt were joined to the global fleet. In the mentioned period, the newbuilding order of six and the demolition of five Handysize vessels were reported, moreover, the newbuilding order of five and the demolition of five Handymax vessels were reported.

Time charter rates

Despite the end of Chinese New Year holiday and lifting the sanctions on steel production

in many provinces in China, capsize time charter market continued a downward trend in March 2018, Baltic Capesize Index (BCI) fallen to 2.100, which was the lowest level since August 2017. However, it reached 2,251 by end-April. This rally continued in May too. Firm iron ore and coal trades will provide ample employment opportunities for these vessels. In April 2018, Panamax charter rates moved in an opposite direction to Capesizes and remained under pressure throughout the month. The BPI (Baltic Panamax Index) declined by 15% in comparison with March.

The strong grains trade will strengthen employment opportunities for Panamax vessels. Importing grains from Asian countries such as Indonesia and Bangladesh and Middle East countries such as Saudi Arabia will be remained in high level.

Strong wheat harvest in Russia will increase employment opportunities for Panamax vessels as well.

Clarksons suggested that based on the initial studies the global wheat and coarse grain trade to grow by 1% to around 366mt in the 2018/19 crop year, following projected growth of 2% in 2017/18.

While the market of minor bulk commodities and grains is favorable, it is expected that Panamax time charter rate will be remained strong.

Supramax bulkers represented a stable market in April 2018. The BSI (Baltic Supramax Index) moving in between 1,013 and 1,067 points. Moreover in May,

charter rates experienced a modest increase.

It is worth noting that High aluminium consumption in China will provide an impetus to bauxite trade. Increasing Chinese imports of barley and bauxite will increase employment opportunities for Supramaxes. In addition, strong Brazilian soybean supply will also benefit Supramaxes.

On the supply side, it is expected that Supramax fleet to continue expanding moderately because of weak demolition activity.

Due to a positive charter rate outlook, it is not predicted demolitions to increase much over the next couple of months.

Fleet Continues to expanded

In April, the dry bulk fleet reached 826 mdwt which indicated 0.3% increase compared to March. Inactive demolition market and relatively higher deliveries will increase the supply further. However, supply growth will still be below growth in demand.

Alongside the fleet, the orderbook also expanded moderately as newbuild activity improved.

For the first four and a half months of 2018, the dry bulk fleet grew by 10.2 million DWT net, equal to 1.2%. 12.1 million DWT was delivered while as little as 1.7 million DWT was sold for breaker's yards.

As the outlook for dry bulk charter rates is optimistic, the second-hand market remained interesting for ship owners. In April 2018, total 63 vessels exchanged hands, which is almost double the number



The strong iron ore and grain trade has brought about a growth in time charter rates

compared with March 2018.

Peter Sand, Chief Shipping Analyst at BIMCO says: the improved fundamentals during 2017 are clearly seen in the freight rate levels during the first four months of 2018. Freight rates for Handysize, Supramax and Panamax went up by 25-27% as compared to the same period of last year. All three sectors moved from loss-making average earnings in the full year of 2017 to a profitable level in first four months of 2018. Meanwhile, capesize freight rates improved by only 5% as compared to the same period last year, and stayed within loss-making territory at USD 12,660 per day, needing at least USD 15,000 per day on industry average to cover all costs.

Total seaborne iron ore exports were estimated down by 11%, a weak level. That fact clearly affected the performance of

capsize freight rates, that took a deep dive during March to hit USD 7,051 per day on 5 April, before bouncing back in the second half of April reaching USD 18,192 on the 25th.

He added: Most interesting, only 9.2 million DWT of new capacity was ordered in the first four months. This is an extraordinary and positive development – and one that was not expected either. The improving freight market conditions that we saw in 2017, meant that a higher level of ordering returned, after a year and a half of very low activity.

As the freight market continues to improve, a continuance of ordering is expected. Whereas the low level of newbuilding orders is consistent with being on the road to recovery, the low level of demolition activity is not. Dry bulk demolition during the first four months was down by 73% compared to last year. Peter Sand also predicted: the dry bulk shipping industry remains on the road to recovery, as demand continues to keep its nose just ahead of fleet growth, while scrapping and ordering remains subdued.

What could upset the recovery is the looming trade war between the US and China that has caused a lot of commotion already, including within the dry bulk shipping industry. Soya beans are at the centre of attention as also covered by BIMCO, here. Even though, it isn't officially a trade war yet – the uncertainty it creates amongst shipping industry participants is very real.

Iran Has a Valuable Contribution to Realization IMO Goals

By: *Fatemeh Moonesan*

The initial strategy on reduction of Greenhouse Gas (GHG) Emissions adopted at the meeting of the International Maritime Organization's (IMO) Marine Environment Protection Committee (MEPC 72). Reducing GHG from shipping is crucial to tackling climate change. In order to collect more on this issue and other important issues in the shipping industry, Payam Darya magazine conducted an exclusive interview with IMO Secretary-General Kitack Lim, You will browse the transcript of this interview in the upcoming section.





Iran Has a Valuable Contribution to Realization IMO goals?

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In this year, Our Heritage – Better Shipping for a Better Future is a theme which has been selected by IMO for World Maritime Day, what is your prediction about the future of shipping industry?

It is of course impossible to fully predict the future. But we can say with certainty that shipping will continue to be needed to transport commodities and goods around the world, as it has done for centuries. We have seen trade by ship rise considerably in recent decades and the world saw trade by ship increase to 10.6 billion tons in 2017. So in my view, shipping will continue to be the backbone of world trade.

We know that there is an increasing pressure for shipping to be greener and more sustainable. So the industry needs to consider how

it can support the Sustainable Development Goals and help achieve the targets under those Goals. The Initial IMO GHG Strategy, for example, sets a clear vision for reducing GHG emissions, so the industry should be considering how it might invest in low carbon fuels and ships in the future.

There will also be challenges, such as dealing with increased automation, digitalization and cyber security.

I am convinced that IMO will remain the right global forum where all issues related to global shipping, that come under IMO's remit, should be discussed. The challenges and opportunities will become clear.

Nations meeting at the International Maritime Organization adopted an initial strategy for the reduction of greenhouse gas emissions from ships. In order to achieve this goal, what stringent measures should be put into place?

The Initial IMO Strategy on the reduction of greenhouse gas emissions from ships, adopted in April 2018, sets out the vision to reduce GHG emissions from international shipping and, as a matter of urgency, to phase them out, as soon as possible in this century.

The Initial Strategy represents a framework for action by IMO for the coming years and includes a list of candidate short, medium and long-term measures that may be needed to achieve the levels of ambition, with possible timelines. These will be discussed and considered

for possible adoption. It's impossible to say at this stage which of them will be adopted.

Possible short-term measures (2018-2023) include further improvement of the already-adopted mandatory framework for energy efficiency of ships, including the ship Energy Efficiency Design Index (EEDI) for new ships (built since 2013) and the Ship Energy Efficiency Management Plan (SEEMP) for existing ships.

Analysis of the use of speed optimization and speed reduction as a measure is included in the list of candidate short-term measures; along with research and development activities addressing marine propulsion, alternative low-carbon and zero-carbon fuels, and innovative technologies to further enhance the energy efficiency of ships.

Ports are also mentioned as important stakeholders that can facilitate the reduction of GHG emissions from shipping, such as through the provision of ship and onshore power supply from renewable sources, infrastructure to support supply of alternative low and zero-carbon fuels and the optimization of logistics chain planning.

Possible mid-term measures (2023-2030) include an implementation programme for the effective uptake of alternative low-carbon and zero-carbon fuels; new/innovative emission reduction mechanism(s), possibly including market-based measures (MBMs), as well as further continuing and enhancing technical



the Islamic Republic of Iran was one of six developing countries in the first phase of the IMO

cooperation and capacity-building activities.

Possible long-term measures (beyond 2030) are identified as pursuing the development and provision of zero-carbon or fossil-free fuels to enable the shipping sector to assess and consider decarbonization in the second half of the century; and encouraging and facilitating the general adoption of other possible new and innovative emission reduction mechanism(s).

The Initial Strategy also identifies barriers and supportive measures including capacity building, technical cooperation and research and development (R&D).

The next step is that an intersessional working group meets later in 2018 to develop a programme of follow-up actions to the Initial Strategy and to further consider how to progress the reduction of GHG emissions from ships. The outcome of this intersessional working group will be reported to the Marine Environment Protection Committee's next session in October 2018 (MEPC 73).

What measures will be taken by IMO for fighting against pirates?

Piracy and armed robbery against ships have been on IMO's agenda since the early 1980s. Initially the focus was on West Africa, then the South China Sea and the Straits of Malacca and Singapore. More recently, since 2005, has IMO focused on piracy off the coast of Somalia as well as the ongoing situation in the Gulf of

Guinea.

Civil and military operations in waters off the coast of Somalia have been major factors in containing piracy and I commend the contribution of countries, including the Islamic Republic of Iran, in providing naval assets in the region.

IMO is currently helping Member States to develop and implement national and regional measures to address the threat of piracy, armed robbery against ships and other illicit maritime activities, thus enhancing maritime security in both the Gulf of Aden and western Indian Ocean area – through the 2009 Djibouti Code of Conduct as amended by the Jeddah Amendments of 2017; and, in West and Central Africa, through the 2013 Yaoundé Code of Conduct.

With support and cooperation from the shipping industry, IMO

has developed and adopted a number of anti-piracy measures and practices for use on ships which have helped mitigate the impact of piracy, worldwide. These include guidelines for armed security teams and for the investigation of offences.

To what extent can Iran contribute to successful realization of IMO goals?

As an IMO Member State, the Islamic Republic of Iran has a valuable contribution to make. First by participating at IMO meetings and contributing to the debates and technical discussion at the IMO fora, such as the technical meetings of the committees and sub-committees as well as other events and meetings.

Like a number of other countries, the Islamic Republic of Iran has shown its commitment to be an active

participant in capacitybuilding projects. For example, the Islamic Republic of Iran was one of six developing countries in the first phase of the IMO-executed Global Ballast Water Management Programme (or GloBallast for short), leading to the adoption of the International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004.

The Islamic Republic of Iran has also hosted national and regional workshops to train participants in implementing IMO measures and has nominated its officials to attend courses and workshops elsewhere.

So these are all good examples of how a country actively participates in IMO - and also benefits from being part of the IMO family.



Tanker Market Review in 2018

By: Elham Ghorbani

Future predictions in most industries provide vague and inaccurate results. Nevertheless, companies need to create infrastructure to plan for the future of their businesses. This is a very important issue in the tanker shipping sector, where maritime logistics is a key part of the supply chain, and ships are considered as investing assets. To analyze the business of a tanker, several factors should be considered such as economic growth rates, oil prices, oil demand, and growth rates of fleet.

Therefore, the study of trends in other parts of the market and different regions can provide useful information for better prediction of the future. In this study, by considering different procedures and diverse analysis of experts, we summarize the forecasts and the trend of the tanker market in 2018.

The start of 2018 was coincident with the flood of mergers and alliances in tanker sector which was inspired by the container sector. Though merger and acquisition activities in this sector have never been commonplace, tanker companies provide a sustainable financial ratio by selling their vessels and creating a balance in their liquidity. In early February 2018, Euronav announced that with the acquisition of all the shares of Gener8, the largest independent fleet of VLCCs in the world has been formed. According to the CEOs of both companies, this acquisition will create a bright future for both companies' shareholders. The new merged company has 75 giant tankers including 44 VLCCs, 28 Supermaxes with a total tonnage of 18 million DWT. But such an event is an alarm for all the activists in this field, because this shows the market will go towards consolidating in near future.



are summarized in Figures 1 and 2.

Experts believe that the challenging demands condition and the over-supply of tankers in 2018 will bring a hard time for tanker owners. The Gibson consulting group reported with the arrival of new tankers in this sector in 2018, the tanker market situation will be painful. . In 2017, 51 tankers with a total capacity of 3 million DWT were ordered, which represents a 111% increase compared to 2016.

According to the report, it is expected that 40 million DWT crude oil and its products tankers will be delivered to owners in 2018, which represents a 12.7% increase compare to the same period of last year which was 35.5 million DWT. So, it will be the busiest year since 2010 for tanker market. The good news in this dark atmosphere is the likelihood of delay in the delivery of new ships due to global restrictions and international laws, which can partly reduce the supply of new buildings that will enter the market this year.

In the tanker section, with the exception of MR1 tankers, there was a salient increase in scrapping in 2017. In total, there was a capacity of 2 million DWT scrapped which shows 126% increase compare to 2016. Following the changing rules of the WBTS¹ and limiting the content of sulphur in the fuel, it is expected to see an increasing trend in

The Past Year

If we want to look at the tanker fleet in 2017, we can use the comprehensive report of Banchemo Costa in the analysis of the global tanker market, which reported that the tanker market experienced a fall in delivering of newbuilding and on the other hand, a dramatic increase in the order books; besides, the market of scrapping was flourishing. In 2017, 138 tankers with a capacity of 10.2 million DWT were delivered, which shows 12% decrease compared to 2016. In 2017, LR2 tankers accounted for about 45% of the total tonnage capacity, and MR2 tankers accounted for 33% of the total. In this way, statistics and information of tanker fleets in January 2018

1 Water Ballast Treatment Systems

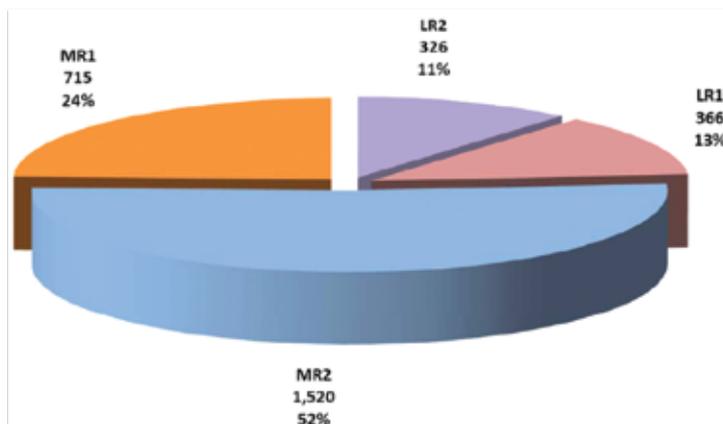


Fig1. Product tanker fleet by size sector, in number of units

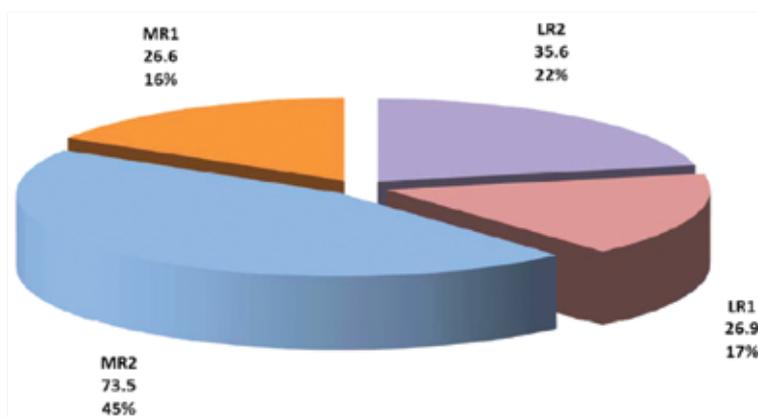


Fig2. Product tanker fleet by size sector, in DWT

of crude oil in the world, and this dependency on foreign countries will not be reduced in the near future. While China’s domestic crude oil demand is still rising, its domestic production has declined. This decline is due to the rising age of the country’s huge oil fields and the time span for investment and development of new fields. In 2008, China’s dependence on crude oil imports was 50%. In 2017, 64.4% of China’s crude oil demand was fulfilled through imports. In 2018, it is predicted that China’s oil imports to meet domestic demand will reach to 69%. In the 2017 World Energy Outlook, which was published by the IEA, it was also mentioned that by 2040 the China’s dependence on oil imports will increase to 80%. This prediction means that in 2040, 13 million barrels of crude oil would import daily by tanker vessels (roughly equivalent to the capacity of five VLCCs).

The only negative point of China’s oil demand in 2018 is that the country’s crude oil reserves are declining, according to Drewry’s report. “We expect crude oil storage from 0.75 million bpd in 2017 to be 0.25 million bpd in 2018,” said senior analyst at Tanker Shipping Section. “This decline in oil storage in China, along with the slowdown of world oil demand, maintains global crude oil trade at relatively low levels. Of course, with the slowdown of the global fleet growth, downward pressure to freight rates will be lift.”

It was also observed in recent news that China’s crude imports

scrapping activities. The trends of scrapping in the past as well as future predictions have been shown in Fig 3, according to the Banchemo Costa.

By considering the number of new ships which has grown dramatically, the increase of capacity has been at a faster pace than demand growth, and the imbalance has led to a significant drop in freight rates. How this year will be and whether it will recover or still remain in recession will require a review of the key factors affecting supply and demand in 2018.

Demand

The International Energy

Agency (IEA) predicts that the crude oil demand will grow by 1.3% in 2018, but observations and data show that the demand for crude oil tankers will be more than this, as the countries which depend on importing oil always stimulate global demand growth. In 2018, among non-OECD countries, the demand of China and India will have significant growth. In the following, we look at these economies and show how the growth in demand in these countries will lead to an increase in demand for crude oil tankers.

China

China is the largest importer

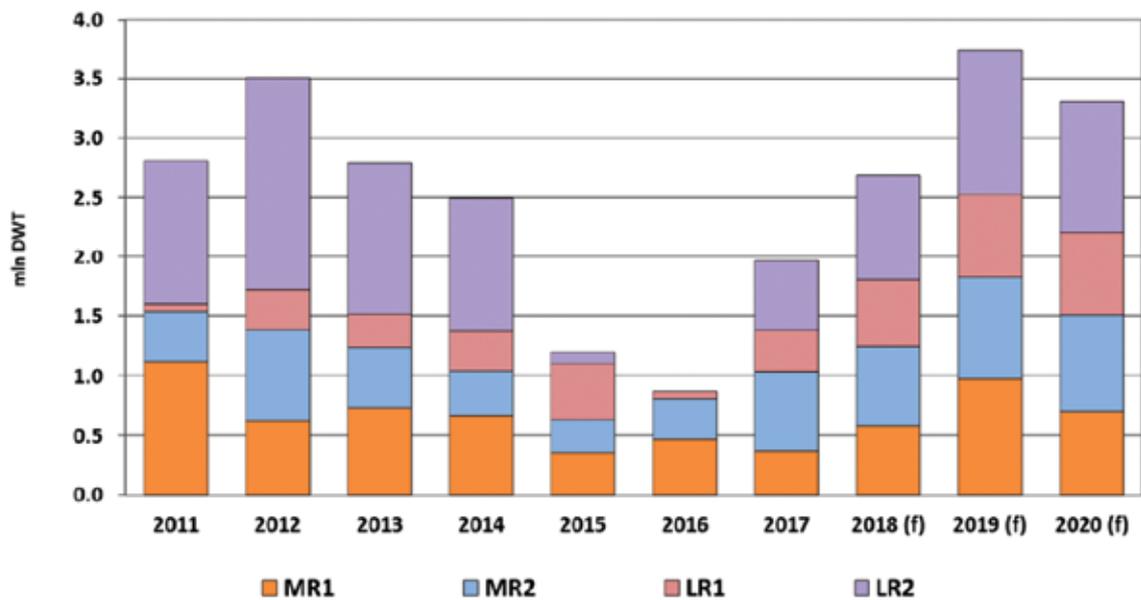


Fig3. Product tanker Demolition in million DWT

reached their highest levels, and even surpassed the reported levels throughout 2017. This is good news for the tanker sector. According to Bimco, in sum, China's crude imports have led to an impressive increase in the volume and distance of demand. In 2017, the country's crude oil imports grew 10% year-on-year to 7.8 million bpd. China provides 93% of its crude oil imports from the sea, and the largest oil exporters to China are Russia, Saudi Arabia and Angola.

Bimco's Chief of the Department of Shipping Analysis said: "The distances between the origins and destinations have also increased so that in 2017, the average travel distance was 7,600 nautical miles, but in 2016 it was 7,100 nautical miles." He added: "While the crude oil tanker industry is experiencing the strongest demand growth due to China's strong demand; USA, Brazil and Angola as exporter also take advantage

of it. Considering the import growth of far-east and export growth from the USA, demand for the tanker sector in 2018 is expected to continue to increase as 2017. It is predicted that the VLCC ships will benefit most from this"

India

India's crude oil production remained almost constant at 21,000 metric tons in the first seven months of the fiscal year 2017-18, and it has shown 0.24% decrease compare to the same period last year. However, demand for crude oil has risen sharply and its dependence on oil imports has reached 82%.

During the period from April to October 2017, the share of crude oil imports from OPEC countries to India dropped to 83.6%, down 4.2% from the same period in 2016. At the same time, imports from non-OPEC countries such as the USA, Canada, Russia, Kazakhstan and Sudan increased.

Increasing the role of USA's ex-

ports to India is very important. By 2015, USA crude exports to India were not significant, but since Washington cut sharp export restrictions, exports have also flourished as production has increased. As a result, in 2017, imports of crude oil from the United States to India increased steadily, and according to statistics, in October 2017, the share of US from total Indian imports of oil reached 3%. In this way, India will remain one of the most influential markets in the growth of demand for crude oil. Over the past ten years, Indian energy consumption has been growing at around 6% annually, and so far this trend has not been reduced, according to the Petroleum Economist.

With the continuous growth of its GDP, which has been around 7% over the past few years, predictions suggest that energy demand of India will continue to increase over the next few decades. BP has predicted that by 2035, the growth of oil in

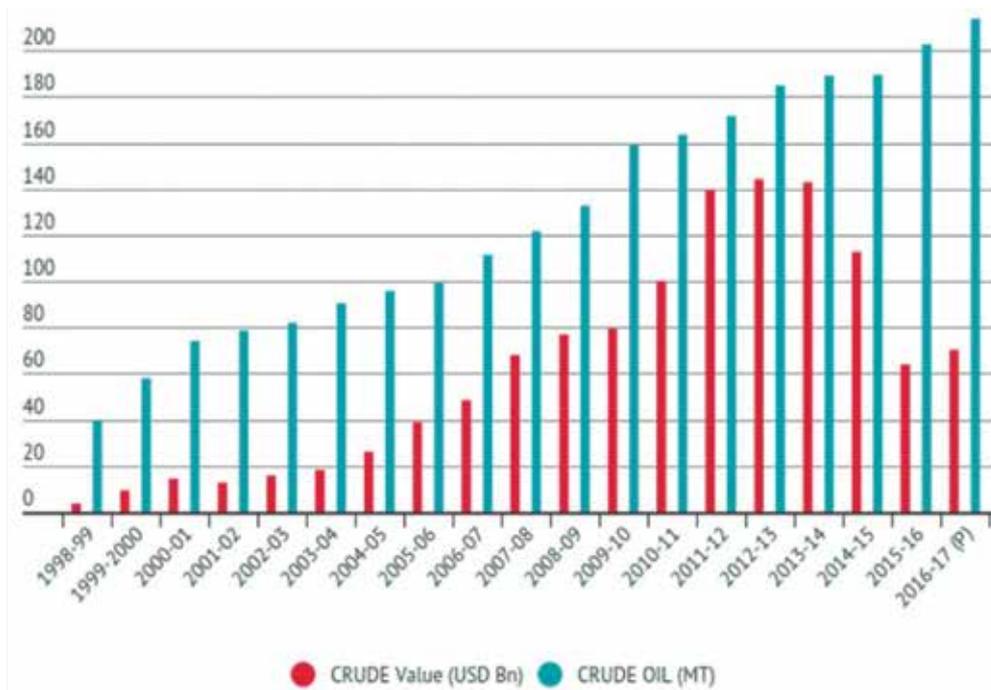


Fig4. India's oil import – value & volume

Indian energy section will be more than other big economies of the world, and it will have 128% growth in this period. IEA has predicted that by 2020, the demand of oil in India will increase more than other countries and will reach to 9.8 million bpd from 6 million bpd at present.

Supply Index

The most important factor affecting the trading of crude oil tankers in 2018 will be the entrance of new ships which will make surplus issue worse. Banhero Costa reported in November 2017 that the harsh problem of the tanker fleet sector is “supply crisis”, but some factors can make this dark perspective a bit clear.

One important factor is the price of scrapping which according to fig 3 had an increasing trend in 2017, and it is predicted that in 2018, it has a positive growth. In 2017, the deference between

the value of 15 years

In 2017, the difference between the value of the 15-year VLCC ships and their scrapping price was reduced, which encourage tanker owners to more scrapping. Clarksons said in a report that since the beginning of 2017, a total of 11 VLCC class vessels had been scrapped. With this trend, it can be concluded that VLCC ships are less attractive due to their shorter life span than smaller size tankers, and growth of scrapping them is even more significant. Only for this class of tankers, although the value of second-hand ships with a life span of 15 years remained almost constant in the last two months of 2017, their scrapping price increased by 6 to 8 percent, and in total it was 10% higher than the average price of last 5 years. Therefore, it is predicted that the trend of scrapping more fleets will continue to increase

in 2018.

Another important factor is the schedule of delivery new tanker vessels, while 2018 will be a relatively busy year, 2019 will not be so bad. It is possible that the owners want shipyards to postpone the delivery of the ships, so that the market conditions get a bit better, and they will be able to keep the value of their property for one year more.

In some predictions, if both the above factors (the price of scrapping and the schedule for delivery of new ships) are favorable, the net growth rate of the tanker fleet could be estimated at 3.5% in 2018, which is not a very bad rate. Of course, if the above factors move in a favorable direction!

Tonne Mile Index

In the case of tanker market analysis, in addition to checking the type of shipments, we must

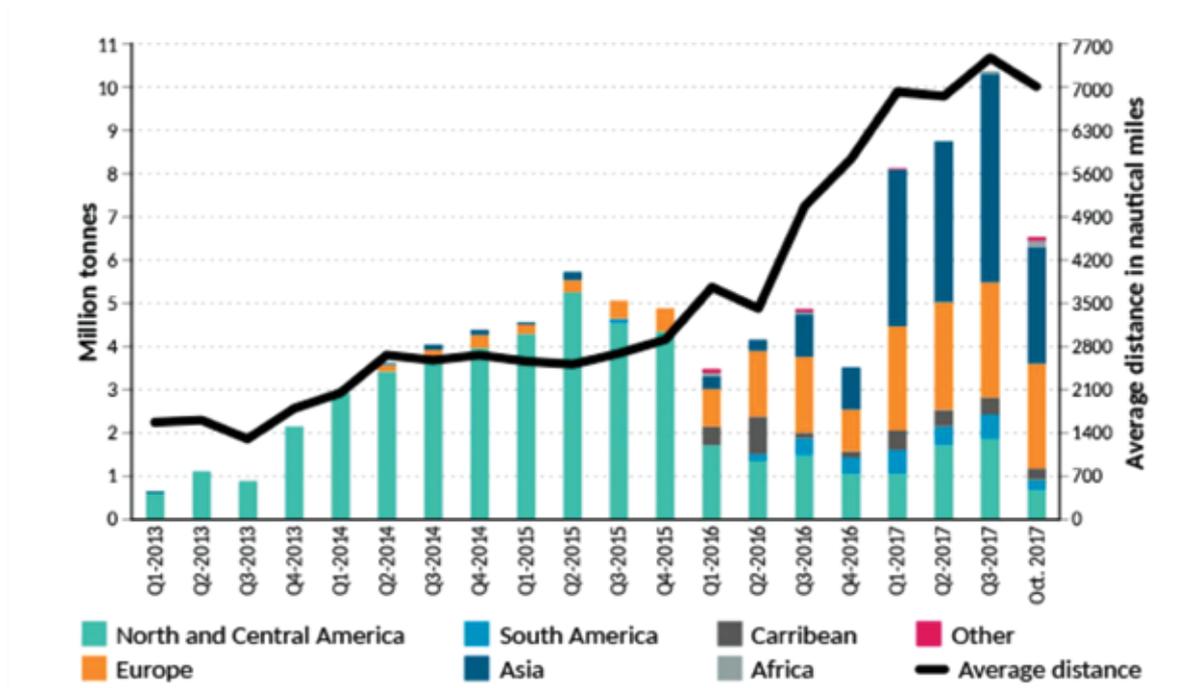


Fig5. US seaborne crude oil exports in volumes and average sailing distance

also take into account the origin and destination, as increasing tonne mile index will boost the tanker market, a phenomenon that reveals in increasing the export of crude oil from the USA to Europe and Asia. As in previous parts the demand increase of China and India and the dependence of them to import have been explained, in following paragraphs another factor which will have an important impact on increasing the activity of tanker vessels is explained.

USA

The US government removed the export constraints of crude oil in December 2015. In September and October 2017, rising demand in Asia and Europe led to a significant increase of tonne mile index for crude oil exports from USA, and it was significantly more than its oil products export. This was

due to the fact that US crude exports pass doubled distance compare to oil products. In October 2017, its crude exports were 46 billion tons, while exports of petroleum products were 43 billion tons.

Given the fact that in October US exports of crude oil were about half the volume of its maritime exports, the importance of this issue for the tanker sector gets even more evident; as the average nautical miles per tonne of crude oil exports was more than twice of the same indicator in oil products.

Conclusion

As explained, the year of 2017, with all the challenges, ups and downs passed, and this year would be promising for various sections of the shipping industry. However, in the tank sector, continuing of the imbalance between supply and

demand discourages everyone. On the other hand, the distance between the oil suppliers and its customers is encouraging the owners. If we compare positive and negative factors with each other, there will be null point. But in 2018, as by tightening of finance, the more serious environmental issue, and the rules which will soon become mandatory, for this year there will be some hopes in tanker sector.

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Initial GHG Strategy, A Landmark in Shipping Industry

By : *Fatemeh moonesan*

The enforcement of the 2020 sulfur cap and seek to find the best solution for carries to comply with this new regulation, China-US trade war and digitalization are among the most significant issues in the shipping industry. In order to collect more on this issue, Payam Darya magazine has conducted an exclusive interview with Peter Sand, Chief Shipping Analyst at BIMCO.

Peter Sand joined BIMCO in 2009 and holds the position of Chief Shipping Analyst. In this position, he is responsible for analysing the commercial markets for dry bulkers, tankers and containerships. Taking the offset in global economics as the analytical starting point for all seaborne trade, he assists managements, members and



clients with insight into many different aspects of the global shipping industry.

Peter's regular reports, focused analytical articles and insightful comments on the shipping market are widely read and have often been referenced in global mainstream media.

Teacher of Maritime Economics at the Danish

Shipping Academy as well as guest lecturer at Copenhagen Business School - Blue MBA and Shipping bachelor.

During the rise and fall of the shipping markets Peter gained experience in the fields of shipping analysis, executive assistance, caretaking of investors and the art of transforming data and statistics

into overviews and forecasts. Prior to his career in BIMCO, he worked for the dry bulk and product tanker company D/S NORDEN. Peter holds a Master's Degree in economics from the University of Copenhagen

Nations meeting at the International Maritime

Organization adopted an strategy for initial five- year the reduction of greenhouse gas emissions from ships, how do you evaluate the outcome of this meeting?

It is a landmark in the effort to reduce GHG emissions from the global shipping industry, and something that every other industry could look to for inspiration. The agreement is a very ambitious one, but still in our view not impossible.

Investments in research and technology are required too to pursue effort beyond the current target – phasing GHG emission out.

BIMCO will engage in the work with a view to ensure a level playing field and measures which are practical and workable in the industry.

Given that the enforcement of the 2020 sulfur cap will be associated with higher costs for ship owners and carriers, what do you think about the impact of this regulation on shipping industry, human health and environment? Moreover, in your opinion, what will be the best solution for carriers to complying with this regulation?

I think that 2020 Sulfur Cap is one of the most important events in the near future for both shipping industry and the whole world. Moreover, it's a significant cost item that all shipping companies must consider how to deal with.

This regulation is one of the most expensive one to implement ever. The phase out of single skin tankers may be the only other regulation

that invoked huge cost on the industry.

BIMCO and other industry organizations, proposed a prohibition to the MEPC 72, on the carriage of fuel oil exceeding 0.50% m/m sulphur, which is intended for use as bunker. MEPC 72 agreed on it, and thus largely improved the possibility of Port States to provide a robust enforcement of the 2020 sulphur cap regulation. As sulphur is a 'local irritant' the regulation is likely to improve the sulphur-related air pollution in largely populated area along the main shipping areas. In the high seas, the sulphur content of the fuel does not make much difference. This is significantly different to GHG emission, which are 'global irritants', meaning the impact is felt everywhere regardless of where it is emitted.

Well, you must comply with trade. What will be the best solution depends on what kind of ships you have, their trading patterns and the way they are deployed (i.e. who pays for the bunkers?). Some owners have decided to invest in scrubbers, others have decided to shift fuel type to MGO or LSHFO (compliant fuels). A few others have opted to go for LNG as bunkers.

With regards to installing scrubbers, when we look at the economic aspects behind of installing scrubber and the potential increase of bunker fuel price difference (spread) specially for HFO vs. MGO.in 2020, it seems that installing scrubber is viable economic solution, However, we see that many companies are moving

toward non-scrubber solution, deciding that MGO or a low-sulfur fuel oil is going to be their solution to the requirements.

Do you think that the ships are required to be equipped with some new facilities?

Only in the case that you go for LNG and/or scrubbers – will you be in a need to equip your existing or new built ships with some new facility.

What is the impact of Trump trade war with China on different sectors of market including, tanker, container and bulk, particularly in the maritime transportation of Persian Gulf region?

Any trade war that limits globalization will hit the shipping industry, there is no doubt that no one is winner, regardless of the political level, in other words, both parties will be loser, because what they will achieved from this kind of trade will be higher prices, lower quality, and less diversity in products. From a shipping perspective, we hope that it will end soon.

However, Currently, we can see just limited effect on oil tanker market.

The shipping of soya beans from the US to China is one of the most significant 'one commodity' cargoes that may become affected by the trade war between the US and China. Soya bean trade lanes will be affected if the Chinese buyers shy away their traditional suppliers because of the extra cost from the proposed tariff on US soya beans. A move that may favor Brazilian ones



BIMCO will engage in the work with a view to ensure a level playing field and measures which are practical and workable in the industry.

further, which also holds a higher protein content.

As US soya bean exports are currently out of season, the first indication of the effect will be an indirect one, as the Brazilian soya bean exports' season is just about to lift off, peaking in May-July.

The uncertainty in the shipping market has already been felt. Anecdotal evidence of fewer US gulf cargoes heading for China is an indicator of this. Change in pricing of soya beans is another effect already seen.

In terms of volume, the coming months will show us exactly how much Brazil can further ramp up its exports to China. Brazil is already the leading provider of soya beans to China, but unable to become a full substitute for US exports this year."

What do you think about the impacts of JCPOA on international shipping? And what is your prediction, if this deal can not be saved?

The Iranian maritime transportation market has been largely affected by the sanctions

seen for many years. In contrast to that, the JCPOA is a huge step in the right direction. It benefits local shipping interest and involves global shipping interests too. Bringing Iran closer to the rest of the world, by promoting trade.

The global shipping industry provides prosperity to any nation involved in trading. Exporting cargoes where you hold a comparative advantage and importing cargoes where other nations have it, benefits both.

The latest development where US sanctions are potentially re-imposed on Iran can affect ports and shipping from November 2018 – but will likely do so even before that. The impact may bring back some difficulties for Iran and its business partners. Hopefully, the positive effects of the JCPOA on Iran and global shipping will not become fully rolled back. But only time will tell and hopefully diplomacy and pro-trade interest will prevail.

What elements are necessary

for a digitalized shipping industry? Is it considered as a threat to workforce?

As BIMCO President Papagiannopoulos puts it "I think we are now at a stage where we, as ship owners, have to spend money on technology". Above all you need to know your purpose – what is it that you are going to 'solve' by digitizing or applying a technology. You will only get poorer and more confused if you do not have a clear picture of what you want to achieve by digitalizing your individual company.

A clear example of what the industry wants to achieve by applying technology – is the BIMCO (and partners) project that can reduce the administrative workload for ship masters by 80% in connection with port calls.

Another digital industry target that BIMCO is putting a lot of efforts into, is standardisation of a ships data. In partnership with SHIPDEX, we link data from Original Equipment Manufacturers, shipyards, owners and onboard the ship to ensure that a ships'

documentation is current, specific and available.

All of this will naturally require new skills / updated skill from seafarers. At BIMCO we believe in lifelong learning – at sea as well as onshore.

Much talk about autonomous/unmanned ships has also contributed to some worries in the industry and amongst seafarers. Will there be no need for having a responsible crew onboard in the future? Yes, there will. But it will most likely be differently composed from today, requiring another skill set and potentially also fewer members. Right now, the IMO legislation does not allow for unmanned ships at high seas – that may change somewhat along the way.

Do remember take Cyber Security seriously. Three years ago, BIMOC lead a cyber security initiative on behalf of industry associations, and we are quite proud of that. Cyber Security is now firm on the industry agenda. ‘Guidelines for Cyber Security Onboard Ships’ can be downloaded for free from BIMCOs website.

What do you think about the outlook of bulker, container and bulk sector? What do you think about the impact of global economic growth on improving market?

For 2018, BIMCO expects the amount of capacity leaving the fleet for demolition to go down slightly. This is due to a lower level of newbuilt deliveries and expectations of slightly improved demand growth in the second half of 2018.

We are now expecting the crude



he positive effects of the JCPOA on Iran and global shipping will not become fully rolled back.

oil tanker fleet, as well as the oil product tanker fleet, to grow by 2.5%.

In bulk sector, 2018 is the year of opportunity. The fleet at the slowest pace is growing since 1999, and solid growth in demand means that the dry bulk shipping industry should be facing another year of improvement to the fundamental balance.

Our forecast for overall demand growth in 2018 is around 2-3%,. One of the minor bulks that may see a rebound in 2018 is cement. Following a decline in 2017, 110m tonnes of bulk cement and cement clinkers are expected to be shipped in 2018, growing by 3% (source: CRSL).

New orders are also being

placed at an increasing pace. The break in ordering from December 2015 through August 2017 was one to cherish.

The idle containership fleet has almost disappeared. Alphaliner counts only 65 ships on their list with a combined capacity of 191,441 TEU as of 5 February 2018. In real terms, this means that nominal fleet growth will have a bigger effect on the market balance, as the temporary idling and re-activation of ships becomes negligible.

Overall demand growth is expected to be lower than in 2017, but still high enough to potentially improve the fundamental market balance. BIMCO forecasts demand to grow by 4.0-4.5% against a fleet growth of 3.9% in 2018.

The IMF January update of its World Economic Outlook, significantly lifted expected GDP growth in advanced economies for 2018 and 2019, and growth in advanced economies is generally good for container shipping demand.

The IMF now expects the GDP for advanced economies to grow by 2.3% in 2018 and 2.2% in 2019, which is an upward revision of 0.3 percentage points for 2018 and 0.4 for 2019. This is the highest upward cumulative revision for advanced economies since January 2010, when we saw a false dawn for an improvement in the global economy. If this growth materialises, it will be highly beneficial for the container shipping industry, as growth in advanced economies generates the highest trade-to-GDP multiplier.

A photograph of Donald Trump in a blue suit and red striped tie, pointing his right index finger directly at the camera with an open-mouthed, shouting expression. He is surrounded by other people in suits, some of whom are blurred in the background. The entire image is framed by a thick red border.

Economy

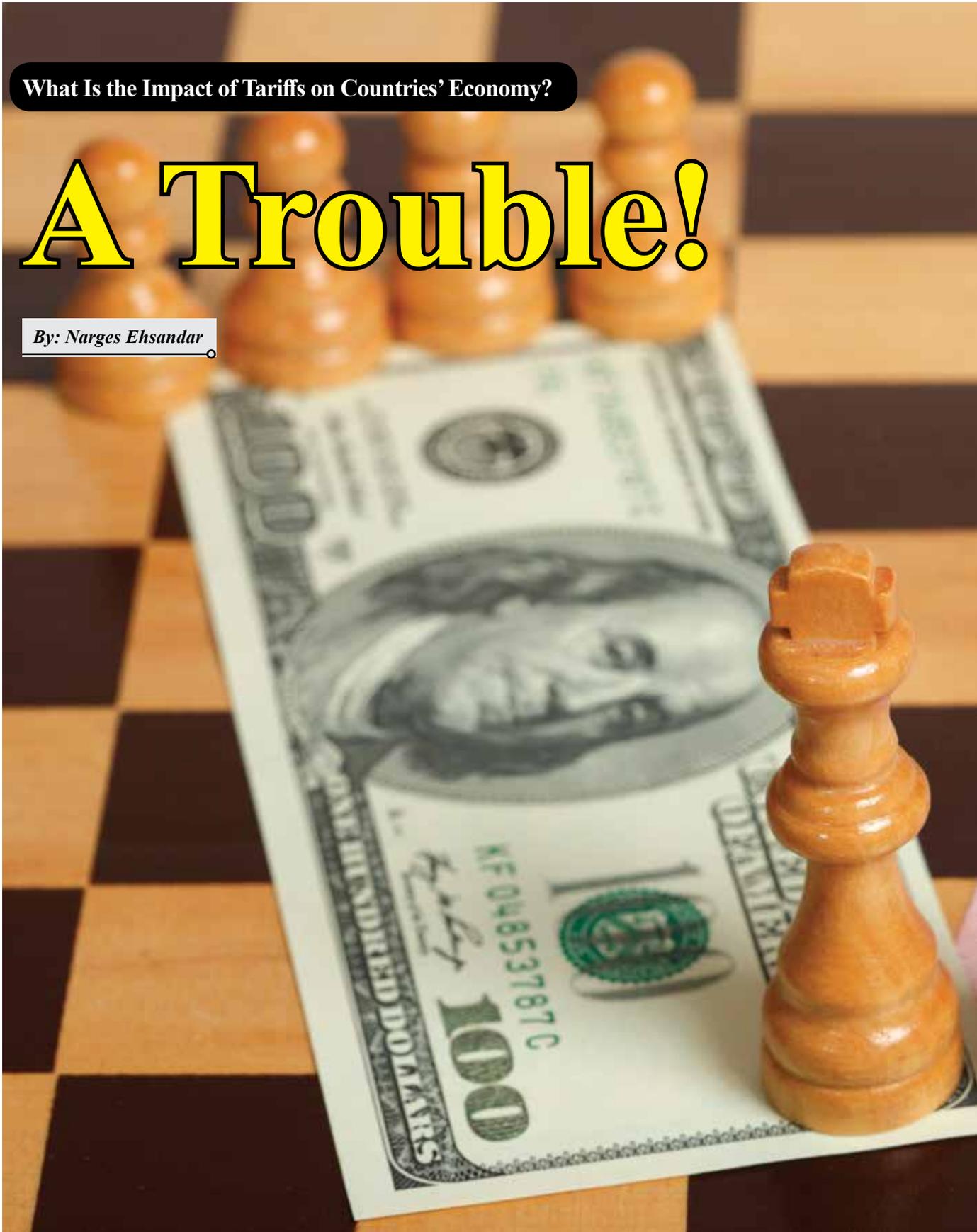
**Do Imposing Tariffs Bring about
Consequences in the Global Economy?**

Against WTO!

What Is the Impact of Tariffs on Countries' Economy?

A Trouble!

By: Narges Ehsandar



Customs tariffs in international trade and marine transportation are formed based on many variables as well as factors including inner and outer ones. For instance, automotive industry of a country may be leading and strong but there is a probability of a variant in investment trend and financing which can easily encourage international investors to transfer their capitals and therefore adopting heavy tariffs far from the internationally determined amount on foreign commodities. These tariffs are common in economies' of the world and to some extent acceptable, but an important point is the amount and the manner in which tariffs are implemented.

In fact, tariff is a kind of tax on imports to make the imported commodity expensive in order to reduce the amount of purchases and somehow encourage people to exploit domestic products. Naturally, tariff does not remain stable for a long time and its tool could be changed due to the situation to create balance. If tariff's tool used as a legal politic, it would bring about advertisements. In other words, if a country settle tariff, the competitor would set another one. Consequently, a trade war would be commenced that is not beneficiary for none of the countries. Therefore, the best approach is the countries reach an understanding and announce that the process would be temporary and with the purpose of tackling the issue for a short while. Meanwhile, the main politic in this situation is defined in terms of having mutual commercial relations and free trade since the basis is economy's domination in the society and giving benefit to the public so that no one could experience difficulties in relation to trade.



Tariff; Tool of Balance of Trade

Historically, countries have attempted to provide their need through transactions. Considering natural resources that are not being divided equally and countries, which are not capable of producing all types of products, government and producers, rely on other countries to meet their needs and therefore all of countries would gain profit. However, countries have the ability to produce some goods frequently but did not produce for variety of reasons and imported them from foreign countries. Anyway, import is not free and for each commodity that enters a country, something has to be exported in order to provide

the required currency to meet the imports. Considering countries' exporting capacity that is not high, countries try to limit their imports. It could not be ignored that some policies play a pivotal role in trade in a way that some countries follow the imports/ exports limitation. Naturally, this policy may not be beneficiary for the domestic customer because it has to answer this question: if a country can export more goods, why this would not happen or if a shortage is clearly felt in a country, why supply should not be higher. In most cases, the problem started when countries exploited quantitative tools due to the political disagreements or presence of firms with high

economic power. A country may try to cease imports from other country in order to oblige the seller to sell his goods cheaper or in other ways to support domestic products. Experiments have shown that whenever countries tried to be dependent on their policies to cease imports from other countries and support domestic products, they failed. Experts believe that the best way is taking a measure to attract foreign companies' investments in order for them to produce their desired goods in other countries. Put in other words, foreign exporter produce its goods in another country or join to the producers of private section in order to both provide the domestic need and export

them to countries abroad. Sometimes countries faced with the shortage of currency and they are not capable of importing goods or in other ways, they intend to support domestic products then they guide imports toward the most demanded ones. Therefore, they use tariff's tool and establish tariff on some commodities to change the trend toward their desired ones. In other words, countries exploit tariff's tool to create balance in foreign trade because there are some interest that would never gained in the absence of those tools. Commercial relations with other countries cause their economical interests to be dependent on one another so that countries would not come to disagreement and conflicts and wherever trade of goods is reordered, there is not any war. In line with this, Mahmoud Beheshtian, Senior Advisor to the Director of the Iranian Customs said that tariff is a tool in which countries exploit it to create a competitive environment for domestic industries. Other classification of tariff is formed based on commodities categorization that is international code and explanation of the commodities. Finally, customs duties that presented in the form of entrance to WTO as tariff and non-tariff barriers are appointed. He added that tariff and non-tariff barriers are government's tools aiming at supporting domestic businesses against free entrance of other economical business from other countries. Therefore, governments settle tariff or exploit non-tariff



some policies play a pivotal role in trade in a way that some countries follow the imports/ exports limitation.

barriers to control imports and the market, gain revenue, increase competitiveness of domestic industries, maintain employment and protect domestic business from being bankrupt.

Referring to global trade improvement and moving toward restricting tariffs on imports, Behrouz Fathi, port and logistics expert said that a new customs tariff has been formed which aimed at developing transactions between countries without any geographical and political limitations. He further added that in this new system, British labor goes to Germany and starts working there. Chinese merchant exports its commodities without any limitations to America. This economical and commercial system has been formed in the world in a way that trends in capitals movement, money, commodity and human resources are existed among the two leading economies i.e. china and America. Moreover, financial turnover, human resources and commodities that were considered in a lower level have been formed between European countries and finally changed the modern structure of the world.

He further continued: on the basis of tariff, capitals are mostly moved from America to Europe and East Asia because it has more cost production and marginal profit for the investors. In addition, commodities' movement from china and Far East Asia as well as Europe to America was recorded in a way that it formed the structure of global economy and trade in the

present century.

Another expert in customs affairs, Abdolreza Gholami asserted that considering the economical and commercial policies each country has along with the trend of protectionism, some countries settle tariff's tools in exporting and importing in order to make a balance between supply and demand markets as well as relative advantage of producing goods.

The Role of Tariff in Countries' Economy

Considering the difficulty in quantitative and physical control of imported commodities, such controls are not admitted in an international level and accordingly it is tried in different meetings of WTO to minimize it. However, the point is that how much tariffs on imports could be effective in economical balance of the countries. At present, are tariffs determined appropriately? For instance, china reduced the tariffs on importing luxury cars which is preferred by the wealth from 100 to 80 and gradually decreased it until it reached 25. At the same time china increased surplus taxes on these cars. Therefore, total imported automobiles to china are now one percent and 99 percent are produced in this country.

He continued: trade wars are not just specified to two countries and they directly affect others. Today, we encounter a global village according to which different countries have commercial relations with. Besides, oil exports, raw material imports,



consumed, finalized and capital commodity lead countries with their advantage in economy, production and technology to cooperate with each other. In other words, supply and demand cycle or trade cycle is affective in economical and commercial ties of all countries of the world.

Policy of Tariff Settlement and the Contrast with Free Trade

Free trade or WTO has its own specific frame and regulations. Countries who become a member of WTO are committed to some fixed rules which brings about regularity to the organization. The countries that invested truly and divided their duties to manage the determined plans would be successful.

In the system of free trade, freedom of trade is dominated. So, WTO could preserve quantitative controls. Although there is a possibility of settling tariffs in free trade as well, this measure should be taken into account base on some logical reasons and negotiations with commercial partners. However, in the case countries exploit tariffs to be against one another trade war will be commenced and trade volume to other countries decreased which causes difficulties and loses to both countries.

Commercial History of China and the U.S.

Commercial relations of china and the U.S. was defined as china had an urgent need to America 25 years ago. After



evolutions in 1987 Chinese gradually began attracting foreign investors particularly American ones but it was not an advantage for the U.S. due to the fact that china's exports had been prospered through adopting programs to increase production. In line with this, China granted a 20-year of exemption to producers who exported 50% to 60% commodities as well as devoting a 15-year of payment. This trend had continued for 10 years but after that china's exports to other countries enhanced in a way that at the time the U.S. imports about \$500 billion of Chinese commodities. China recorded a total of \$2,350 billion for exports and \$2,100 billion for imports in 2016 and 2017, respectively. China's

exports now exceed \$250 billion in imports. It is the creditor of the world's banks, and the Chinese economy has affected most economies in Africa, Latin America, the Middle East, and even Europe. Besides, china has created a Chinese town in large cities and sold its produced top and cheap commodities. Along with this, china could affect the U.S. markets in Indonesia, South Korea, Japan and Australia. The U.S. financial and economic policy is currently based on bailment, and it owes so much to the people of the world who exploit these resources for their livelihood. In addition, the U.S. imports exceed its exports but as American banks have a good relationship with the world, people's wandering money is being left in these banks and then Americans exploited. On the other hand, the U.S. owes \$7 billion to the whole world. This debt includes the money that most of the world's oil-rich countries have put in the banks.

Trade War between China and the U.S.

European countries and the U.S. entered recession after 2008 and brought about great impacts on their economy. Considering economical difficulties the U.S. and Europe faces with, Trump started working to create more job opportunities.

Economical experts believe that existing wars in the Middle East is due to selling more weapons to Arabian countries in order for America to gain more. Despite this process is now new and it was one of the constant

policies of the U.S., the country tries to take advantages from competitors. China and the U.S. trade war commenced through imposing tariffs and customs duties on China's steel and aluminum. Donald Trump announced the list of commodities that were imposed tariffs upon.

The second largest economy of the world described the country's measurements against the U.S. severely. China's ambassador emphasized that we definitely are not eager to enter war with any countries. However, people have to know who started the war. Beijing in response to Washington's decision imposed a 25-percent tariff worth \$50 billion on 106 exported commodities of the U.S. in turn, Trump increased tariffs and order that it should reach to \$100 billion.

Trump said: we have problem with China and in this regard, both my commercial representatives and ex-presidents are faulty. Our trade balance with China is negative by \$500 billion and cannot be continued.

China in response to such claim said: China does not intend to enter into a trade war with any country. Nevertheless, if the U.S. takes harsh measures against China, Beijing will take decisive and reciprocal measures to protect its legal interests.

In the course of the campaign, Trump had accused exporters of other countries, in particular China, of unfair trade relations with the U.S., which was the cause of the recession in



the industries and caused the elimination of job opportunities. However, over the past decade, growth rate of the U.S. exports to China and china to the U.S. has been around 100 and 55 percent, respectively. Moreover, China's exports to the U.S. amounted to \$526 billion in 2017, which is four times that of the U.S. exports to China at \$130 billion. As a result, the U.S. faces a trade deficit of \$400 billion, accounting for about half of the total trade balance of the country.

Referring to the impacts tariff war has on many existed businesses in the world including marine transportation of goods because it is disadvantageous for the regularity of global trade, Behrouz Fathi said: the U.S. believe that the present system has been developed inappropriately and it hurts

the domestic economy of the country to disturb people's routine and daily lives. On the basis of this perspective, production should be done in the U.S. and then the American work force should be employed. Other side of the coin demonstrates that china has played the role of a global factory since 20th century and up to now. China supposes that based on the regularity on global trade and global word division, production should be done in a place with high levels of relative advantages as cheaper work force and Technology in china led the country to be top in the world's economies. Confronting these two kinds of beliefs in the global economic scene is so crucial to the extent that if it happens and persists, it essentially changes the shape of the global business scene,

movement of global flows of capital, goods, and labor. He further added: the impact of this war is extended in a way that it can change the traffic of global cargo terminals, which are mainly the main ports of the countries, and will change the volume of their unloading and loading. This war makes it impossible for global trade laws to be ruled out and regional markets to be replaced by global markets. The reason behind this is rooted in the need to replace the Chinese goods markets from the U.S. to other areas, which will tend to be towards the markets of the continent and, ultimately, of Europe. As well, the U.S. will continue to be a major exporter of such industries as the automotive and IT industry including mobile phones and computers, which will be

transported from the U.S. to destination ports. Naturally, the two economies will try to attract and absorb the countries of the world in their economic camp. For instance, the U.S. strategic partners such as Japan and South Korea may well be importers of some American products. On the other hand, raw materials such as steel and aluminum that imported from china will also be supplied from other countries. Therefore, the flow of specialized goods in the steel, aluminum and energy world will change.

Ata Bahrami, an economics expert on the subject, said: “Americans believe that China has been growing over the past four decades, and has put the market at the forefront of the Chinese. In this way, Chinese have exported goods in whatever ways they wished. In contrast, this is the U.S. caused china to be leading and experience such a growth through transfer of technology. China has grown so far and it actually threatens the U.S., and if the Americans are still watching, they will be in place for another eight years. He continued: former U.S. governments have tried to curb the value of money by shifting the value of Yuan and ending the dumping of the Chinese currency against Chinese exports. However, given the interest of American companies, they effectively prevented lobbying the congress, and the pressure from the U.S. government did not succeed. Nevertheless, the Trump government has put an end to it and it has come into



Economical experts believe that existing wars in the Middle East is due to selling more weapons to Arabian countries in order for America to gain more.

action personally. By doing so, it is definitely a loss for both sides, and American and Chinese businesspersons are complaining about the situation, because their interests are endangered. American leaders only think of maintaining a great American position.

Mohamad Gholi Yousefi, an economist, says the U.S. plans to shift China’s balance of payments to its advantage and increase its exports to China. As the U.S. usually exports heavy industry and sophisticated technology to China, it imports China’s simple consumer goods.

China cannot easily reduce its imports from the U.S., but the U.S. can reduce its imports from China. Therefore, it can save its currency revenues and reduce its debt to China and make its balance of payments positive.

He declared that China, of course, is trying to keep the U.S., Europe and other countries in the market. Now, with some credits, china may increase their purchasing power so that they can buy more Chinese goods. Therefore, these policies usually occur in commercial bargaining.

Dimensions of Trade War

Now, it is clearly approved that the trade war between the two leading economies of the word is not common because it has been for a long time that global economy has been formed on the basis of competitions and cooperation. America, china and other important countries including the members of the EU would not achieve their



goals without supports and economical transactions with other countries. Moreover, fundamentals of free economy has advertised the American's behaviors for many years and defined the relative advantages of that based on a real competition.

Mohamad Gholi Yousefi believes that if the trade war is going to be continued for any reason, china could handle other markets once more because it has more revenues come from the currency transactions. Besides, it has more financial renounces in the U.S. that could exert them and then transfer to other countries. In this way, the U.S. will face difficulties and then it seems improbable for the U.S. to admit this situation. Other side of the coin, the

U.S. may restrict its exports to china. However, China could easily provide its needs from other countries or even produce them itself. Therefore, the U.S. will loss more in this regard in comparison to China.

It does not seem that other countries experience loss because in the case the war trade continues, the U.S. and china would even enjoy the situation in a way that they must export their goods and commodities to other countries and start a new trade with them.

Another economist says that at present, the world is directly a witness of a habit in economical relations that has started since Trump began his presidency and now it has reached its peak. He continued: it should be considered that china's

economy is a leading one based on production. China can be assumed as the world's factory who exports many commodities to countries worldwide. China is the primary commercial partner of world's countries and this is not amazing that china has gained an extensive amount of imports and exports to/from other countries.

Pointing out the economical situation of the U.S., he further declared that it has been a long time that the U.S. foreign trade balance is negative in a way goods are entered there but not exited. The current situation cause the U.S. to be known as vulnerable against economical changes. However, the U.S. except for some main markets has always maintained a relative secure environment for

itself. At the meantime, china defined an acceptable capability due to high level of exports volume. Considering china as the largest exporter of finalized commodities to the U.S., the simplest way for the U.S. to support domestic industries is taking sever measures against china. Naturally, it is not clear that what will happen in the future in the case it continues.

Referring to the U.S economy that is based on services, Mohammad Hosein Babalo, another economical expert said that the most important part of services is defined in term of financial, military, counseling and diplomatic services. However, the U.S. express its concerns regarding the future because withdrawal if the first economical, political and military power of the world would result in the lack of security and then everything may happen.

He continued: it is not improbable that china relying on its economical capability on the basis of production could play as the first one instead of the U.S. If economical growth of china and the U.S. stands at 6 and 2.5 percent during the 25 years later, respectively, then china's economy would catch the U.S. Moreover, the U.S would stand in the second place in terms of economical power and this is enough for the U.S. economy to collapse because degrading with exert it from the first place and then the money will goes away with. Moreover, five countries with emerging economies called BRICS including Brazil, India,



over the past decade, growth rate of the U.S. exports to China and china to the U.S. has been around 100 and 55 percent, respectively.

South Africa, China, Russia would enter a competition and a friendly economy, and then great influences could be recorded. Nevertheless, America remains the first top economical power of the world and never let competitors to become close or show their strengths.

He declared at the end of this report that the EU now is the second largest economical power of the world but never changed to be a rival for the U.S. Therefore, in such circumstances that the U.S. announced china as the initial political, economical and security threat, it would never easily let china to maintain its 6.5% growth. Meanwhile, china is not silent; the change in the phase of Communist Party and the lifespan of Shi Jin Ping's presidency could signal a long-term economic war with the U.S.

Final Words

Inetnational Monetry Fund in its recent reports warned that consistency of tariff war between China and the U.S. as two leading economies of the world could directly affect the present growing global economy. IMF predicted the growth of global economy to remain unchanged for 2018/19 at 3.9 percent annually. Therefore, the U.S. new initiatives in international trade as well as its one-way pulling out from regional, multilateral and international agreements would finally weaken the global trade's rules, norms and international traditions.

The Impacts of Economic Protectionism and Political Chauvinism on the Maritime Transport

By : Mehdi Rastegary
Head of Research and Development
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By the populist wake of extreme right-wing politics in some Western countries, the world is witnessing a strong tendency towards political chauvinism and economic protectionism. This is definitely contrary to the concepts and conducts of globalization in terms of economic development of nations within the past four decades.

The first signs of this emerging disorder was seen in BREXIT in 2016, which thrilled the solidarity of European Union with new doubts. A year after, the world was also shocked by the rise of Donald Trump to power as the president of United States. These were strong signs that the prevailing norms and orders in the politics and economy will not last long.

The consequences of these events turned up soon: while the European Union was involved in the political mistrust and economic impacts of BREXIT, and the UK was degraded from its position among the top-five economic powers in the world. Afterwards in an awkward action, D.Trump announced United States leaves the Paris Agreement on Climate Change Control. Furthermore, he iteratively spoke of rescinding the NAFTA, Trans Pacific, and Trans Atlantic Trade and Investment pacts to bring more turmoil to the globalized economic ties. He also returned the US sanctions against Cuba, and emphatically campaigned for building a (physically constructed) wall on the US-Mexico border at the expense of Mexican government. These were all in continuum to his electoral vows to ‘ Make America Great’ .

In the First half of 2018, D. Trump’s Administration took another dramatic step towards the so-called economic protectionism: In order to recover US trade deficit with its top trade partners (which totaled to 734 Billion USD in 2017), Trump decided to place heavy tariffs (between 15 to 25 percent) on their major imports. The tariff placements stimulated some heavy reactions from China, EU, and NAFTA partners: all these partners expressed their dissatisfaction and threatened to identical countermeasures against US trade. The escalating aggressions in actions and reactions in this field is unleashing unprecedented trade wars around the globe.

Yet this has not been an end to Trump’s phenomenal endeavor to deteriorate the global economy and trade. It is completely evident that Trump’s administration is performing actively in terms of ruining international diplomacy, and risking global security, which are also detrimental to trade development in the global economy. These may be reckoned as the emblems of an emerging disorder in the world that can contribute towards havoc in the international level.



Figure 1- Trade Dedicite with top United States Trade Partner , 2017

In tandem with the economic protectionism, US is also spoiling the international relation in the world by several erroneous diplomatic and military acts. The defaults and disrespect of US to its accepted obligations in the political, military, environmental, and economic treaties and agreements has raised an air of mistrust and pessimism in the world. Instances can be seen in the demands of US on NATO spending, its abandoning of Paris Agreement, and its scrapping of the TPP, TTIP and NAFTA. In addition the world is witnessing several other strategic blunders from US that ranges from the transfer of its embassy from Tel Aviv to Jeruslam, explicit support of terrorist forces in Middle East, plain support of illegal military intervention of her allies in many states (including Yemen, Syria, Iraq, Lebanon, Palestine, etc.), political interventions in the internal affairs of other states with admitted intents of overthrowing governments in them, inserting economic pressures on other nations (e.g. Russia, Cuba, and Islamic Republic of Iran) , derogatory statements and demeanors in addressing nations and races, and many more. Most shockingly in May 2018, Trump announced the unilateral withdrawal of United States from Iran Nuclear deal in spite of full compliance of Islamic Republic of Iran to JCPOA under the regulation of IAEA, and commitment of all other signatory states to this agreement. All these political perfidies, economic disruptions, diplomatic discredits, and military oppression is done while US is relieving itself from its traditional role as the champion of liberalism in the world. Indeed, the chauvinism of Trump administration has shown the bare and unmasked intents of US government in these years that is most repelling even to US allies.

The political chauvinism and the economic protectionism of global powers will not only harm the interrelation of their mutual interest in terms of global economy, but will also disintegrate the processes and mechanisms that perform to realize such interests. In this sense these phenomena may have significant impacts on the maritime transport as one of the main enablers of international trade in the global economy. Let us have a review on some significant, possible impacts of economic protectionism on maritime transport:

- The economic trends in the past five years imply the acceleration of emergence of new economic powers. This seems to be specifically true in case of China. By a fast pace, China is approaching US and is expected to become the top global economic power in very near future. In this regard, China has already made colossal investment in her ports and merchant shipping, both inside and outside of her borders. Indeed, maritime transport is one of the pillars of China's economic power, and has helped this country to extend her supply chains to the entire globe. China has the third container ship fleet in the world (considering the aggregate capacity of COSCO , OOCL, SITC, SINOTRANS, and Zhonggu Logistics Corp. that adds up to 2,985,000 TEU). Four Chinese Global Terminal Operators have handled 102 million TEUs in 2015 that establishes 15% of the global market share in the terminals industry. The top-100 container ports list in 2017 contains 20 Chinese port with a total throughput of 208,938,379 TEU that constitutes a 28.23% share in the world container ports throughput. Eventually China is implementing the Belt and Road Initiative for economic development of Eurasian landmass that includes more than 68 countries in Asia and Europe, and accounting for 65% of the world's population and 40% of the global GDP as of 2017. The BRI initiative has been compared with US Marshal Plan in the end of WWII and has raised many concerns among the global powers and made them to prompt competing initiatives, including Transatlantic Trade and Investment Partnership, Transpacific Partnership, and the Mausam project. There is no doubt that China's economic development is transforming the geography of transport and imbalancing the equations of global powers. The emergence of China and other powers from Asia, Latin America, and Africa will transform the geo-economic maps in the coming decades. The economic protectionism and political chauvinism of some global powers (who have been benefiting from the globalization process to the day) are strategically oriented to hesitate and hinder the shift of powers in the future world.



Source: PwC analysis based on UN population projections

Figure 2- Projected average real GDP growth per annum, 2016-50

- The political chauvinism can lead to several important issues in development of international trade. One good instance is the delusional attitude of United States that considers itself as an upper-handed and independent power in the world that can bully every other state to follow its orders. Other instances are Israel and some Arab states in the Middle East. These states discredit the protocols of international relations and their actions is bringing instability and insecurity to the world. The instant result of such action is ruining the needed context for establishing the markets and their supply chains in the regions under tension. The evidence can be found in the total economic destructions in Syria, Iraq, Yemen, and Palestine as a matter of military raids and/or invasion of them. Consequently, the demand for maritime transport in such markets has vanished, both as a matter of infliction of their economies and destruction of the needed infrastructures in them.

- The chauvinist states also exert political and economic pressures on other states to force them to comply with them. The best instance of this can be seen in the sanctions they have imposed on some states throughout the world. For instance, Islamic Republic of Iran has suffered many sanctions proposed and implemented by US and other countries in the past four decades. The United States and the European Union have also imposed sanctions on Russia since 2014, and extending sanctions against this country in the current year. Other examples are sanctions imposed on Qatar by the Persian Gulf Council states and Egypt, and sanctions on Cuba and North Korea by United States and other countries. The main outcome of these sanctions is underdevelopment of trade in different parts of the world. For example according to Drewry, the container throughput of Iranian and Russian ports have been dramatically underdeveloped in the past 8 years, as a main outcome of the imposed sanctions. This has been a great loss to these countries and their trade partners in the world. By unilateral breakout of US from JCPOA in 2018, the other global powers are becoming aware of the nature of the toxic intents behind these sanctions, as they did not follow US in upkeep of the sanctions against Iran.

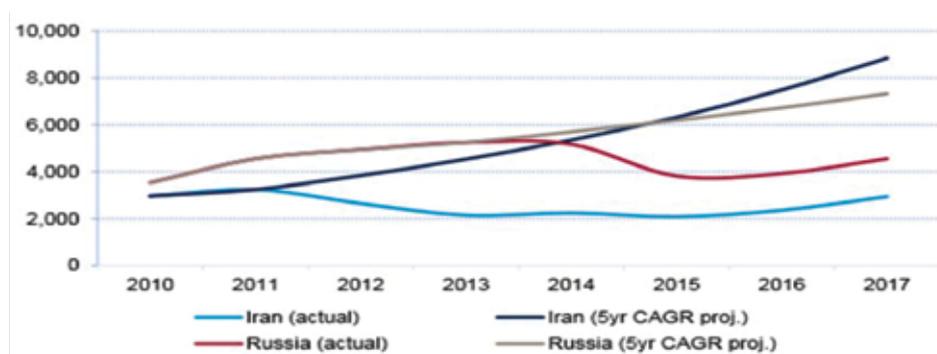


Figure 3- Iranian and Russian container port throughput between 2010 and 2017('000 teu): actual and 5-year CAGR projected figures - (Drewry-2018)

- Other major impacts from the sanctions will be seen in the global oil and natural gas trades. Although the Russian sanctions are generally designed to prevent any harms to energy supply to European Union, the unilateral sanctions of US against Islamic Republic of Iran can be harmful for global energy sector. According to S&P Global Platts, the reimposing of US oil sanctions against Iran will remove 0.2 mb/d of Iranian oil from the global market; and if the global powers comply with the US government, the Iranian supply cut can rise to 0.5 mb/d. In spite of IEA and OPEC announcement to relieve the expected shortage in global oil markets, the shortfall of supplies from Iran and Venezuela, will increase the global prices of oil. Within the scope of the shipping, this will also affect bunker prices in the coming months. Moreover, compliance with the US sanctions may deprive the bunkering industry from access to VLCC tankers of National Iranian Tanker Company (the second top tanker operator in the world). This may cause major disruptions in the bunker trade between the two bunkering hubs of the world, i.e. Rotterdam and Singapore, causing major issues in terms of maritime fuel supply and pricing in the most significant maritime trade lanes. This issue will be added to the burdensome heap of industry issues at the advent of implementing the sulphur cap requirements in the coming years. Moreover, the supply of LNG both as a commodity and as a complying marine fuel is disrupted due to the sanctions against Iran and Qatar. It seems that the sanctions are incurring huge losses and opportunity costs to the global economy and maritime trade. The time has reached for the world to contemplate on the true risks, costs, and purposes of such sanctions that relies behind their supporting rhetoric and propaganda.

- Economic protectionism of global powers is in continuum of their political chauvinism, and relies on the same attitude. This attitude drags the economic relations of the countries into a zero-sum state and raises serious conflicts among them. One evident example is the US government's tariff placement on import from its major trade partners: the instant result is pushing the world into trade wars that will depress international trade throughout the world. For instance in reply to the 25% tariff on import of more than 1,300 Chinese exports, China retaliated by placing the same level of tariffs on imports of American goods, including aluminum scrap, soybean, meat from US. EU and Canada also condemned the initiation of tariff placement on their exports and threatened US to strike back. Although the tariffs were later waived by US to avoid an eminent trade wars, there is no doubt that the provocative actions of US government has moved the global economic powers away from a trade peace. The weakening of grounds for trade development, compromises the perspectives of the shipping industry. Indeed as the demand for shipping is largely a product of trade, the trade wars are highly destructive to the revenue making of shipping firms.

- In comparison to the globalized economies that support free trade, the trade facilitation process in the protectionist economies will require much time, work, and cost. The protectionist states place tariffs on trade, requires more checks and controls on it, and mandates a more extensive paperwork. This will need great investment

and preparation in the ports, and will raise the costs and delivery time of goods in the supply chain. This can also increase the residence time of maritime cargoes in ports, which will oblige the ports to choose between area development and heading towards congestion. The ports will also encounter real problems in terms of storage and delivery of special cargoes (e.g. perishables, dangerous goods, etc.). The case is already happening in British ports and the EU ports that are involved in maritime trade with them. The United Kingdom has decided to leave the EU customs union in terms of BREXIT, and this will require severe changes in the operations system of both British and European ports. While the European ports are seriously concerned on the needed investments and arrangements for cargo flow in the advent of BREXIT, the British ports are far less prepared for the forthcoming changes.

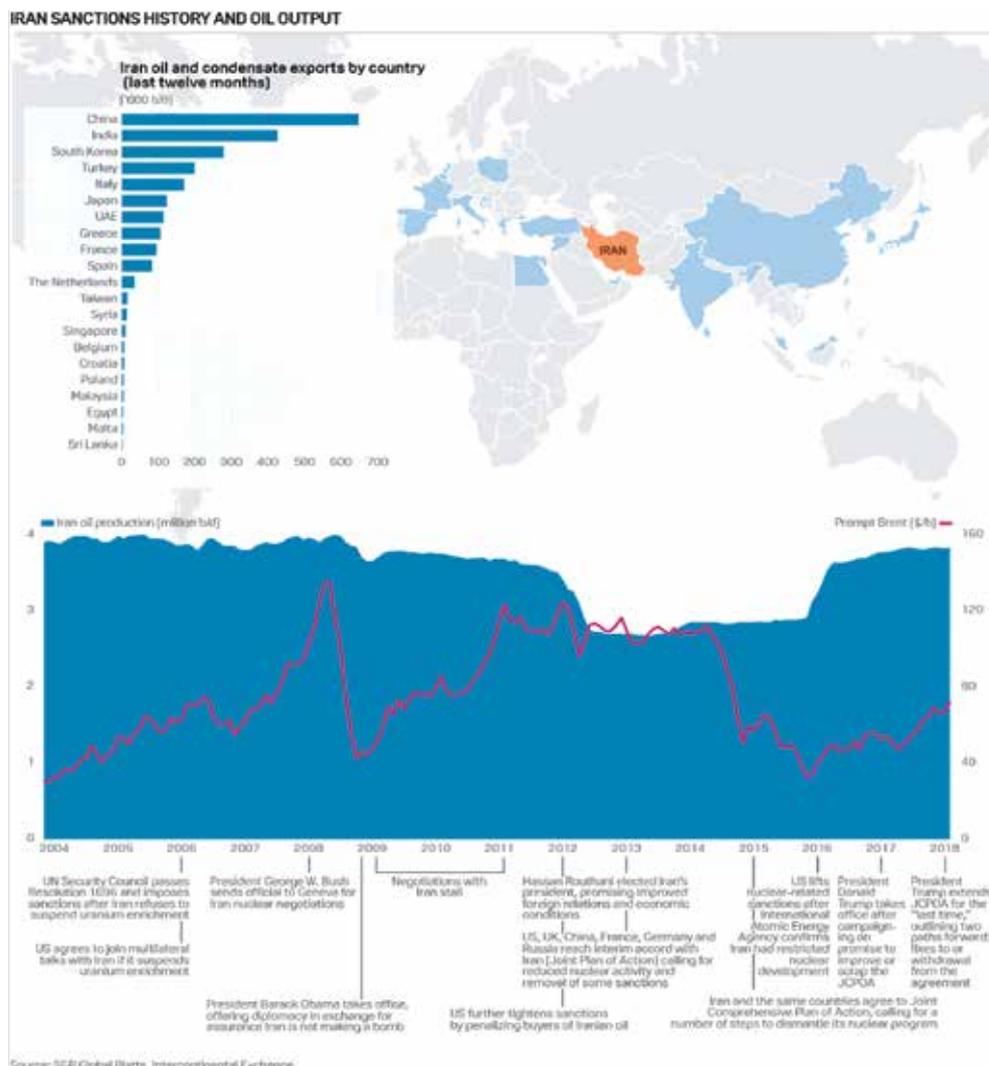


Figure 4- Iran sanction history and oil output

- The emerging economic protectionism may reverse the setup of the prevailing order in the global economy: in order to return jobs and revenues into them, the states will try to relocate the supply-side markets inside their borders and

near to their consumption markets. This implies suppressing all the functions of globalized maritime transport (especially the containerized transport) and closing the eyes on all gained advantages through it. On this basis, a number of futurists believe that containerized transport will have negative growth: They say that reshoring and nearshoring of industries, in conjunction with new customized production technologies (e.g. 3D printing) will shift the demand from finished and semi-finished goods to raw materials. In the global level, this can shift the demand growth dramatically from the container trade to the bulk trade in the maritime transport, and render the Bulk shipping to the dominant design of shipping in the coming decades.

In a nutshell, we can say that the economic protectionism and political chauvinism of some global powers are the two sides of the same coin. They are structured to postpone the decline of the dominant existing powers and emergence of the new global powers. They realize their intents by exerting economic pressures, inaugurating military wars, inducing diplomatic tensions, and depressing trade. All of these engender toxic trends in the political and economic context of maritime transport systems. These trends are emerging in times where the maritime transport is challenged by many other issues in terms of finance, surplus in supply, shortage in demand, commodification and need to innovation, pricing, revenue making, regulatory compliance, and so on. As maritime transport is one of the basic elements in the underpinning of our modern, globalized world, it is essential to consider the impacts of political chauvinism and economic protectionism of global powers on this sector and endeavor to inform the interested parties (and especially the decision makers) of the consequential harms that is developing in the context of maritime transport industries.





Consequences of US-China Trade War on the World Economy

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Today we are faced with two phenomena: production power and consumption power. If we look at this issue in the context of the global political economy, we find that the trade war between the United States and China is not limited solely to the conflict between these two countries, because globally China is the largest manufacturer, and USA is the largest consumer.



It is natural that for peace in the world and economic stability, there must be balance between these two powers. If there is no balance between them, it is obvious that not only trade, but also economic security will be damaged, and when the economic security is in danger of crisis, the political and physical security of the world will also be challenged. For example, we saw that since the early 2000s, when the financial crisis and the US recession began, the Federal Reserve Bank of Dallas hid this issue. But in 2008 and 2009, the economic recession and the monetary problem got obvious and then spread throughout the world. At the same time, when US power of consumption deteriorated, many companies were closed and lost in China. Therefore, a balance should be created between these two countries.

It has always been suggested

that for the establishment of economic stability and security in the world, different monetary regimes should be created in the world. For this reason, after the Second World War, the IMF, the Dollar, the GATT, the WTO, and the World Bank were established to maintain economic and commercial stability.

The problem now is that the United States has been sticking to its principles over the past decades. One of the principles that the US adhered, despite the change of Democratic or Republican presidents, is that the United States must maintain a liberal economy. Because, according to the liberal doctrine of the international trade regime in the world, it should be such as to promote free economies.

After the new doctrine was applied for a while, global governance undertook some sort of contradiction and conflict

to inject liberal economies, and Treasury and US business and commercial institutions put obstacles to other countries through sanctions imposed.

So, in the heart of liberal doctrines, they put barriers to a number of countries that had some political problem with the United States. These barriers formed in the heart of US economic, financial and monetary institutions.

For example, the Office of Foreign Assets Control (OFAC) regulated the world in terms of discrimination and injustice, with the rules it imposed. Consequently, USA believed that they should adhere to liberal economy and even based on the theory of stability based on domination, it was believed if a country has the slogan of economic nationalism but impose import substitution policies, that country will be prevented. Even in a period of

time, they pushed Japan to open their markets to US products.

As global governance was based on discriminatory practices, the liberal economy failed to meet the public's satisfaction of the world's actors. As a result, the world economy was gradually facing a crisis.

There was a world-governing economy in the liberal framework in two American and European models. In the American model, injustice has been severely occurred even in the USA. By 2008, the situation was somewhat favorable, but then it had problem even in employment issue. On the other hand, European model economy saw less injustice but more unemployment.

As a result, two models in the liberal economy failed to satisfy the expectations of the countries of the world. The European economy faced a huge problem, so they tried to create a third way in the social and economic dimension. Even in social criteria in the UK some experts suggest that the third model is obligatory.

On the other hand, other countries were forced against this economy to pursue the policies of supporting domestic production, and despite the pressures on Japan and China, these countries were not satisfied to create a third model with the West.

Therefore, the liberal economy was challenged in the world and even within the USA. As we have seen, in the liberal economy of America, the Reagan economy and Obama economy was proposed.

The Reagan economy was



US power of consumption deteriorated, many companies were closed and lost in China.

the economic policy of the Republican Party of America, and emphasized on freedom of the multinational corporations, so that companies could make fortune as much as possible, and as a result, money flows into the economy and people of different states The United States will benefit from the capital accumulation of multinational corporations.

Obama economy was in contrast to the Reagan economy and believed that multinational corporations not only should not be free, but also should make limit by put hard taxes. Obama economy believed that enrichment was extremely bad and that the accumulation of capital at the hands of the multinationals should be prevented.

But when Trump came to power, Obama economy was put aside.

By his doctrine, Trump attacks

not only his enemies but also his friends. We see this very well in the security scene of NATO (North Atlantic Treaty Organization), so that Trump calls on NATO members to pay more.

We also see in the economic aspect that it proposes a policy of support for national production. Also, by saying that "First America", it emphasizes that there should be policies to support national production, and set tariff and customs for all products.

A country like Burkina Faso has no export and no product that the United States will raise against it. Therefore, it has to put tariffs against the world's largest producer of goods, China and set policies to support national production. So there is a kind of business dispute between the United States and China. As a result, other countries in the world are turning to US policy on protecting national commodities. In fact, the export-oriented economy will be a substitute for import-oriented economy policies.

For example, the Islamic Republic of Iran poses the issue of supporting Iranian goods, because the structure of the international system has changed, this transformation will affect the individual units of this system.

Michael Hintze as a writer states: "the emergence, growth and development of internal institutions is not possible except through the interaction of these institutions with external institutions and the structure of the international system". On the other word, as advocates

of structuralism believe, the structure of the international system has always effect on units, and each unit, despite of its power, is affected by these structures. Even the United States, which has the largest structure in the international system, is also affected by the structure of the international system. The structure of the international system is compounded by the interaction of units, but individual units are also affected by this structure. Therefore, the US-China trade war will take place between not only these two countries, but also all the global economies. So mercantilism and nationalist economic policy are growing in the world.

A theory which states that economies must be merged is becoming a challenge. The European Union (EU) now faces the challenge of applying the liberal pattern in the world. The EU is like an uncooked soup which will be never cooked. It is now apparent with withdrawal of the United Kingdom (UK) from the EU, this union and people's tendency to the values and type of economy and patterns of the union has been challenged. So the trade war between USA and China shows its signs. The European Union tried to get a positive outlook on the constitution with a referendum, but people did not vote, and as a result, the EU was forced to vote artificially from the parliaments of these countries. But it's important that people are happy. Until the nations of Europe do not want to form a convergence in this union, the



creation of artificial structures will not be beneficial. Therefore, the consequences of the US-China trade war will affect in world governance. As a result, the two countries of the United States and China, as the world's two producing and consuming powers, strengthen their respective institutions with supportive strategies. The role of the US Treasury Department is highlighted as well as the role of multinational corporations that support different regimes. China, with its Confucian culture, is by no means losing its global liberalization. Since 1979, reptilian capitalism

has been conducted in China. But China has never implemented liberal doctrines, but with its Confucian culture, China's economic model has established the "china model". In the future, the "china model" will be deployed with all its power, primarily in the Far East, then in the Middle East and Africa, so China will be serious on this. With the conservatism of the United States, China also has its strategy in return. As a result, the goods of the origin of the war will be rare, and the relevant institutions of these commodities will be in crisis.



In this trade war of transferring the goods, the transfer of services and capital are severely affected. In other words, millions of dollars of money and capital in dollars or other currencies are being transferred to developing countries, and it will go out overnight and it will have its effects. As a result, we will see positive or negative aspects of it every day. Tradewar includes commodities, capital and services, and part of services includes currency war. Therefore, the currency war is at the heart of the trade war. Therefore, the production of goods, services and capital,

which plays a major role both in China and in the United States, will enter into small countries due to the trade war between those two countries. Countries that have not built up strong commercial, monetary, and currency facilities will be damaged. For example, goods, services and capital are imported into countries, and those who have good information and communication with the manufacturing companies and institutions could get monopolize for some commodities and would grow rapidly. So it's seen that a young person grows overnight, and a person who has been working on the market for years is bankrupt. In this way, some get very wealthy and some get very poor, because the balance of economic layers is mixed up. In consequence of the collapse of economic layers, the social layers will be mixed up, because some people have gotten wealthy over a night and some have been bankrupt. Then this problem would appear in political layers. By this way, the crisis of weak countries will start. Countries that suffer from the trade war tend to radicalize. Radicalism manifests itself as an expression of national ideals, and countries tend towards nationalism. As the conflict of people over the goods, services and capital rises, the pressure on nations will increase. Extremist nationalism causes the reborn of ethnicity, and dissatisfaction is formed in the base of the pyramid. In this way, weak countries are subject to collapse and disintegration, and the

world faces severe crises. In this way, we will witness the emergence of autonomous territories, which gradually transform into autonomous countries, and eventually, after decades, the international system consists of 500 countries. Then again countries which are leader in field of goods, services and capital will try to establish a kind of economic confederation. As a result, it should not be expected that in the US-China trade war they eliminate each other. But the adverse consequences of the trade wars between the powers are ultimately affected the weak countries. In the future, many people in the African continent face drought and inevitably migrate to the continents of Asia, Europe and Australia. The term goods are not just luxury goods but also gradually water will be considered as a kind of strategic commodity. It was once thought that the abundance or shortage of strategic metals could cause war, but today the problem of water is very important. Both oil abundance and water shortages in the Middle East can cause war. It seems that the United States and China will eventually agree between themselves. Therefore, countries like Iran should seek more self-help and consciously keep track of trade wars. All goods, services and capital must be examined, along with the development of technology. Trade war must be analyzed from a macro and micro dimension.

A Commercial Agreement or Start to A Big Play!

At the beginning of 2018, Trump commenced a trade war against china by imposing a 25-percent and a 10-percent tariff on steel imports and aluminum, respectively. In response to such a decision, Chinese settled to set an increase in 128 domestically produced commodities of America. Consequently, Trump announced that import tariff of 1300 Chinese goods would be increased. Then, China again imposed a \$50 billion on America's imported products. In response to this, the U.S. presented his suggestion regarding a rise of tariff on more than \$100 billion of Chinese imported commodities to America's commercial representative.



Considering the existed situation and concerns about the occurrence of a trade war between two leading economies of the world, China and America's representatives finally aiming to put an end to this argument announced on May 20, 2018 that imposing tariffs on imported products will be ceased and suspended. Given the present situation as well as decreasing tariffs on many Chinese products, United States Secretary of the Treasury in an interview with FOX News said that we suspended the trade war. While we attempt to implement a framework, we cease imposing tariffs on our

commercial commodities.

This settlement is achieved following the board travel of Chinese negotiators led by China's deputy prime minister to America.

China has described this agreement as a win-win one. Meanwhile, the U.S. government believed that such a decision would compensate the U.S. trade deficit to a significant amount of \$335 billion annually.

On the basis of the new agreement, the amount of exported agricultural goods and energy to china will be increased to affect the U.S. \$335 billion-trade war. Founded upon Donald Trump's economical counselors, the purpose behind expanding America's exports to china is solving trade imbalances in future in order for china to adopt a more open politics of its market, decrease economical tariffs and demolish the non-tariffs barriers.

However, on the other side of the coin, experts believe that an agreement between the two leading economies of the world to put an end to the trade war is reached just to appease public opinion and would not come true due to the strong conflicts exist among them which are not specified to trade. In fact, china pretended to admit the situation in order to calm down the U.S. but it is clearly a start to a sever play that will affect the world and then the declaration will be ignored.

Although Trump's senior economical counselor

announced that Chinese agreed to decrease the U.S. trade deficit at the minimum of \$200 billion, Beijing in response to such declarations refused it quickly and said that the country will decrease the majority of Washington trade deficit.

After publishing the declaration, managing director of U.S. Steel Company who is one of the advocacies of imposing high levels of tariffs on steel and aluminum's imports said the agreement is not enough good and suggested the cancelation of this due to the fact that Chinese and their allied supporters are the winner.

Considering china as having one of the fastest growing economies in the world and the need to more energy by factories as well as the country's urgent need to feed because of the population growth, Chinese authorities are in fond of purchasing the U.S. energy and agricultural products. Statistics demonstrates that china import approximately \$20 and 7 billion of agricultural as well as oil and gas products per year, respectively. Even if china doubles or triples its purchases, it would not be equal to the U.S. trade deficit and consequently it seems that the winner of this agreement is china. Besides, commercial tensions between the U.S. and its partners such as the EU and India has been increased in a way that there would not be any hope for this agreement to continue.

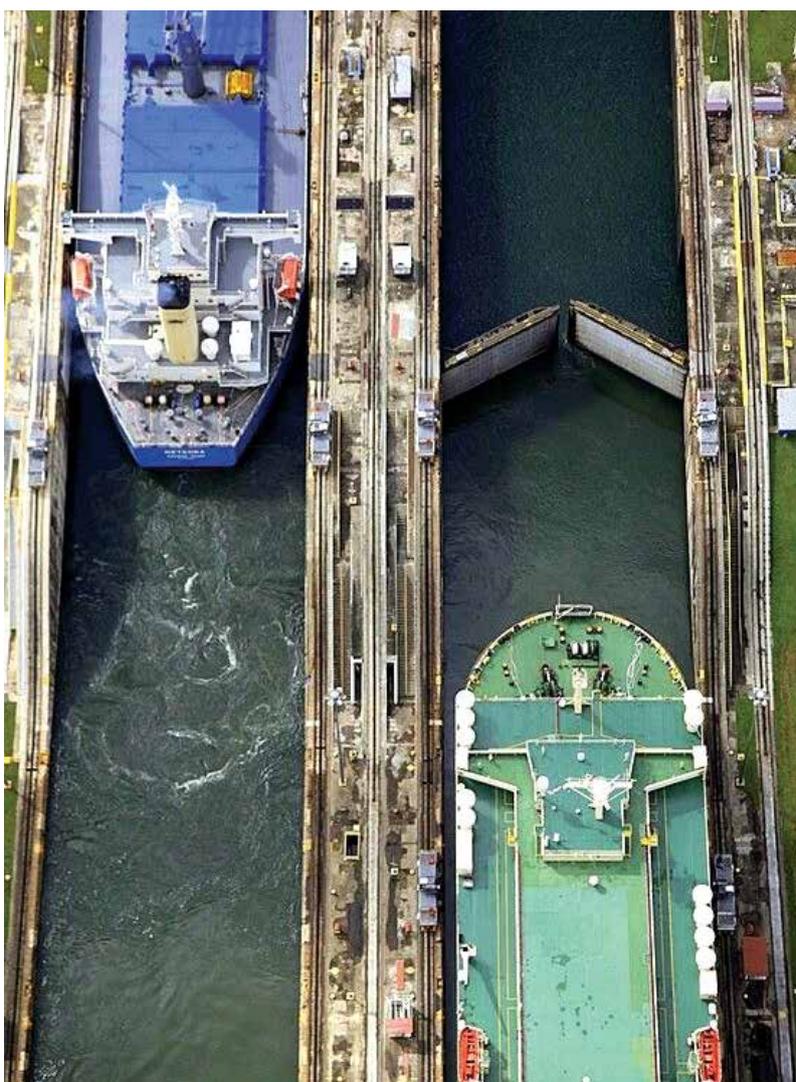


The Panama Canal Container Shipping;

The Largest Sector Influenced by Trade War

By: Sara Zeinalzadeh

Panama Canal locates in the narrowest part of the American continent and it was constructed by the United States of America from 1904 to 1914 and is still one of the most amazing engineering marvels of the world. The Canal makes a possibility of easy and trustworthy crossings from the Atlantic to the Pacific. Ships throughout the world are built to fit the locks that are part of this 80 Km (50 mi) long waterway, which can be visited any time.



As inauguration of the newest Panama Canal in 2016, interest from logistics and trade professionals has reached a state of extreme excitement. The over \$5bn project increased ship capacity upwards of 50% with the largest ships now carrying up to 13,000 shipping containers, larger volumes of electronics, grains and other commodities to bring Eastern and Western markets closer together.

In line with this, the Panama Canal has set a new monthly tonnage record, handling 38.1 million tons of cargo in 2018. This demonstrates the third time the Canal registered a new monthly record since its expansion in 2016 as it facilitated the transit of 1,231 ships last month.

The previous record was set in January 2017, when 1,260 ships with the capacity of cargo of 36.1 million tons transited through the Canal, just a month after setting the record with 35.4 million tons transited by

1,166 ships in December 2016. The largest segment in tonnage was devoted to container ships made up at 36%, breaking its segment record with 13.8 million tons transited by 229 ships. Since the development of the new locks capable of accommodating larger ships, the waterway has received about 3,800 Neo-panamax. Now, there is time to turn to another point of discussion that focuses on the trade war between the two leading economies of the world, i.e. the U.S. and China. Concern over a trade war flared afresh as Washington said it still held the threat of imposing tariffs on \$50 billion of imports from China.

American port operators to guarantee that goods get to the U.S. stores with relative speed have rooted one reason for China's success in dominating the market share in the U.S. in investment. If there is a reduction, in trade activity at U.S. ports, dockworkers, truckers and others could be hit hard. The West Coast ports are significant for agricultural products worth billions of dollars annually, including nuts, fruit and meats.

The U.S. ports and shipping sector have lots of concerns for potential impacts from the ongoing trade dispute with [China](#) that some economists warn could lead to layoffs and a drop in container traffic in general and in the Panama Canal in particular.

In line with this, one of the most outstanding issues to be considered is the circumstances created by imposing heavy

tariffs on container segment. Moreover, the influence could be felt especially hard in agriculture-related cargo since it is worth billions of dollars annually to major West Coast ports.

On the other side of the coin, barge operators that haul bulk targeted by China and railroads could be affected as well and bring about difficulties in Panama waterways.

China in turn imposed a 25 percent tariff on the U.S. along with a new 15 percent duty on other kinds of agricultural products, including fresh fruit, almonds, dried fruit and wine. Overall, the U.S. agricultural exports to China represent almost \$20 billion annually for American farmers.

The report aims to state that the West Coast ports are the most exposed areas of the trade war especially in the Panama Canal waterway. However, widening of the Canal and the West Coast ports labor disputes in previous years also has led to more cargo going through the East Coast ports so the impact could be less than it might have otherwise been.

At the meantime, some high value U.S. fruits such as berries use airfreight so that sector also could see some shipments curtailed.

Data published from IHS Markit demonstrates that approximately 7 percent of the U.S. container trade with China is at risk. Besides, the first round of tariffs that went into effect has already affected around 3.1 percent of containerized U.S. exports.

The top agricultural

commodities transited from the Los Angeles and Long Beach ports to China include oilseeds such as soybeans, various grains, nuts, fruits, dairy products and meats.

Harbor channels at Atlantic ports in the southern U.S., are being deepened to operate bigger ships moving through a widened Panama Canal. Cranes are being heightened to unpack the larger stacks of containers; new ship berths and expanded rail hubs are opening the door wider for the imported goods demanded by American consumers and businesses but unfortunately, all of them are affected by the imposed tariffs and would directly cause the traffic volume to reach its lowest levels.

Exports on the other hand are on the rise too, and could be improved if Donald Trump strikes deals to export tens of billions of dollars in commodities and energy to China in an effort to cut America's \$375 billion trade deficit with the world's second largest economy.

"China is where the growth is," said South Carolina Ports Authority chief executive Jim Newsome. "I don't think the world can function without free trade ... The global supply chain is based on trade and I don't think you can walk that back." Interviews with officials at key southeastern ports as well as federal employment data demonstrate a piece of the U.S. trade puzzle often lost in the back and forth among national policymakers amid talk of tariffs and import restrictions.

Sources: Reuters, CNBC



Leaders' Summit

What is Going on in West?



The leaders of seven world's major industrialized countries including US, Germany, the UK, and Japan, Italy, France and Canada which is called G7 convened in Quebec, Canada. The aim of this summit was resolving issues such as implementing steel and aluminum tariffs on the European Union by U.S, US exit from the 2015 Iran nuclear deal and U.S. Opposition to Paris Agreement.

In this summit, EU member countries expressed their severe criticism over US sanction policies against Iran, due to sacrificing the interest of European companies. Moreover, those countries criticized US for imposing tariffs on steel and aluminum. After two days of tense negotiations, finally G7 leaders issued

a typical statement which puts emphasis on the continuation of Iran's peaceful nuclear program.

In this statement which was endorsed by all the leaders, the leaders said »we are committed to permanently ensuring that Iran's nuclear programme remains peaceful, in line with its international obligations and commitments to never develop or acquire a nuclear weapon.« The statement added; »we condemn all financial support of terrorism by the countries. We also call upon Iran to play a constructive role by contributing to efforts to counter terrorism and achieve political solutions, reconciliation and peace in the region.«

In other parts of this statement has also come; »the global leaders demanded that Russia stop what they described as attempts to undermine democracy as well as its support of the Syrian regime.«

The leaders also acknowledged that they have failed to reach an agreement with US on the issue of climate change.

Referring to US government decision on imposing tariffs on importing steel and aluminum, G7 leaders condemned

protectionism which is the opposite point of free trade and pledged to combat this policy.

The unilateral and Trump's unilateral and controversial decisions were surprising and finally he left the G7 meeting before it ended.

While trump had left the G7 meeting before issuing a statement, in response to the remarks of PM Justin Trudeau of Canada, he declared on Twitter that he backed out of the joint statement on fair trade.

US president also accused PM Justin Trudeau of making false statements and said on Twitter that Canada is charging massive Tariffs to our US farmers, workers and companies, I have instructed our US Reps not to endorse the Communique .

He added that PM Justin Trudeau acted so meek and mild in our meetings, but after I left Quebec, he went to news conference and said it is "kind of insulting" that the U.S. implemented steel and num tariffs against Canada and I will not be pushed around. This is very dishonest and weak remark.

Trump added "Our Tariffs are in response to his of 270% on dairy!"

US president referred to the German companies and said we look at Tariffs on automobiles flooding the US Market.

Trudeau has warned US that his country would impose retaliatory and heavy tariff on US goods from July 1. This decision was made in response to Trump's decision to slap tariffs on steel and aluminium imports from Canada, Mexico and the European Union.

The other important issue of this summit was that Europe leaders reject Trump's call to Russia's return to G7.

Kremlin spokesman Dmitry Peskov said that Russia is not interested in membership in this summit. Russia is focused on other formats, apart from the G7.

Previously, Russia was a member of industrialized countries which was called G8 group. But this country announced plan to permanently leave G8 group of industrialized nations after suspension for Crimea annexation.

President of the European Council Donald Tusk expressed his concern over undermining the global order and said; we should strengthen G7 act as a guarantor of world order.

Jean-Claude Juncker, the president of the European Commission emphasized that EU will endeavor to negotiate with US about steel and aluminum tariffs.

Norbert Röttgen, the chairman of the German parliament's

foreign affairs committee asserted that German Chancellor, Angela Merkel Expressed regret about president Donald Trump's surprise decisions. She believes Trump with his decisions is acting against the European interests.

After Trump said in Twitter that he had instructed US Reps not to endorse the Communique, one of the authorities in European Commission announced: we will commit to this statement which has been endorsed by all the participants.

Following the end of the summit, the photo of last moments of G7 summit with the presence of Trump disclosed the behind-the-scenes disputes between the leaders of industrialized countries.

In this photo, Donald Trump surrounded by the leaders of other G7 leaders.

A picture which is interpreted as global political turmoil by many experts.

A photo which says that in addition to the economic, political and security turmoil, a global economic war is on the way. It says also that these diplomatic tensions aren't going away anytime soon.

In other words, the image of the world diplomacy, took a hit by this picture.

It has also showed that economic crisis and trade wars between Trump and Europe have created a serious tension between both sides.

Hamid Aboutalebi, an advisor to the Iranian President in analysis of the iconic photo which was taken by German government

photographer Jesco Denzel and released by the spokesman for the chancellor Angela Merkel Steffen Seibe said: US with emphasizing on the necessity of formation of G8 group, created some challenges for Europe's security. On the other hand, Europe with emphasizing on the necessity of saving Iran nuclear deal and JCPOA, created some challenges for us trade. On the way of reaching challenges to the equilibrium point, a weak element is always more fragile. We should be cautious about protection and stability of elements of power.

Hamid Baeidinejad, the Iranian Ambassador to the United Kingdom described in his Twitter G7 summit as an unsuccessful summit and noted: All against 1. Trump arrived late and left early the summit. Trump remained isolated and no country supported his perspectives and decisions.

A released photo tells many facts about the real nature of US relationships with its allies.

US national security adviser John Bolton said in its twitter that Just another G7; where other countries expect America will always be their bank, the president clarified the matter. From now, not.

German Chancellor, Angela Merkel in an interview said: Trump's rejection of G7 communique was 'sobering' and 'depressing'.

Calling this meeting as a disappointing meeting, Merkel said: we want to commit to this statement. Meanwhile, we should continue our negotiations with Russia and



close cooperation with Canada, India and China.

Voicing regret about Trump's abrupt decision to withdraw support for a G7 communique German Chancellor, Angela Merkel called Trump's decision as depressing action.

German Chancellor emphasized that Europe is determined to overtake counter-measures against US decisions and remarked: Europe will implement counter-measures against US tariffs on steel and aluminium.

She also rejected Trump's call to Russia's return to G7 and added: I have not been convinced by US president's reasoning.

Merkel also criticized Trump's policies regardless of international coalitions and agreements and asserted that I believe in win-win situations.

German Chancellor also said: I sometimes imagine that US president believes that one is

winner and others are loser.

German Foreign Minister Heiko Maas sharply criticized US president's conduct and policies and emphasized "incredible amount of trust can be destroyed very quickly in a tweet".

He said: all the more important is that Europe stands together and defends its interests.

A united Europe is a response to Trump's America First idea.

It refers to a foreign policy in the United States that emphasizes American nationalism and anti-interventionism which is the current policy of the administration of President Donald Trump.

On June 8-9, 2018, the 44th G7 summit was held in La Malbaie (Quebec, Canada).

Six countries of the G7 (i.e. all except the US) released a draft statement, expressing their

discontent with the introduction of steel and aluminium import duties.

It was one of the most controversial Leaders' Summit, due to the U.S. punitive tariffs against other members of G7, the dispute escalated between the most powerful economies in the world.

It was also the second consecutive year that Trump attended the G7 summit, it was also the fourth summit which was held without the presence of Russia.

It is worth mentioning that in the previous summit which was held in Italy, although there were some signs of disagreement between the leaders of six countries with Trump's protectionist policy, but the disagreements were not so much obvious.



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Energy

Is the future of Iran's oil
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Iran's Petrochemicals to Complete Value Chain!

Shining More than Black Gold

By: *Houri Ghasemi*



Oil outburst in the morning of 26 May, 2018 has created evolution on politics, economy and even Iranian culture to the extent that it is said living in the first oil country of the Middle East is accompanied by black gold in all sections. At the meantime, impressive impact of oil on people's life along with gas resources has turned Iran to be one of the key players of global oil market.

However, this is not the whole story; Iran is not the only one to extract and sell oil and gas. Approximately half of a 110-year of history is woven through an industry that despite it receives feed from oil and gas; it creates a value chain which is even more extensive.

Iran's petrochemical with a 50-year background is accounted for the most important non-oil exports of the country. The industry that initially started its activity as a complementary one beside oil and gas, now has access to the most complicated products as well as technologies and created the highest levels of revenues through non-oil currency transactions.

Emphasizing on development of petrochemicals industry not specified to urea, ammonia, methanol, ethylene, light and heavy polyethylene, Iran's Oil Minister, Bijan Zangeneh said: we aiming at completion of value chains attempt to achieve the second pounce in Iran's petrochemicals industry during the period of 12th government.

Therefore, petrochemicals could be named as the most advantageous industry in Iran. Moreover, those days Iran faced restrictions to gain the revenue of oil sale, the money comes out from petrochemicals export could balance the currency market of the country to highest extent in order to prevent more fluctuations. Besides, following the implementation of JCPOA during recent years, this industry could extend its relations with the world and execute new patterns through achieving the updated technologies and optimizing their previous productions in which some of them have been operated and others will enter the production circuit during the next two years.

Among the most important operations, inauguration of a few petrochemicals patterns in Asaluyeh at the beginning of last year and commencement of commercial production in Kordestan Petrochemical, third phase of Pardis Petrochemical development, TJPAPC, second phase of Kavian Petrochemical and Morvaridpc have provided the grounds to show a new record in an increase of petrochemicals production.

The production of Iranian petrochemical and polymeric products in 2017, as compared to 2016, shows an increase of approximate 3 million tons. This amounts demonstrate a new record during the 50 years of activity that such productions could break through the boundary of 53 million ton annually. Besides, an increase in oil prices in the global markets during the last year that leads the petrochemicals production's price to rise, creates more profitability and currency transactions for Iran.

It is expected that Iran's capacity in petrochemical industry's production would be enhanced through exploitation of PetroKaveh, first phase of Bushehr Petrochemical development, second phase of Ilam Petrochemical development, Lordegan Urea/Ammonia, Marjan methanol and a few small developmental plans in Nouri and Amir-Kabir petrochemical companies.

Continuous Narrative of Feed Shortage

Despite the last year's production of petrochemicals and polymer in Iran's petrochemicals complexes to around 53,629 tons, the installed capacity was recorded 62 million tons in which will be increased by exploitation of new plans and programs in 2018. One of the most important problem in achieving production on the basis of nominative capacity of petrochemicals complexes is supplying feed. Moreover, supplying utility is one of the require material of petrochemical industry that will result in more petrochemicals production.

In the case Iran's petrochemicals production could demonstrate a new record last year, if more feed supplying from South Pars phases had been occurred and Mobin Petrochemical Co. as a utility supplier of the second phase of Asaluyeh reached the production circle, it would definitely be claimed that the market witnessed higher records. In this regard, a longer time to main repair process in the South Pars phases was announced as the main reason in decreasing the feed supplying in petrochemicals complexes.

However, it is expected that exploitation of new five phases of the South Pars up to next year as well as launching new LNG programs would result in an increase of surplus capacity of gas production. This new capacity is a trusted feed to build and use new sections of petrochemicals industry with the priority in value chain completion.

Filling the Production Chain Gap

Supplying trusted feed for petrochemicals not only could help producing more products, but also it provides grounds for attracting foreign investors. In line with this, some negotiations has been done with international companies to be present in Iran's petrochemicals industry to provide value chain completion through transfer in technology.

Therefore, value chain completions and production of new grades petrochemicals and polymers are the two main topics of NIPC's negotiations with international companies such as Total, Technip, Air Liquide, BASF, Germany's

Linde, Japan Mitsui and Sojitz and Denmark Haldor Topsoe that were achieved during the post sanctions era.

On the basis of a general policy, exploiting new innovations, technical knowledge and emerging license in the world all have provided the main ground of creating production basket various. In this way, the gap existed between upstream and downstream industries will be filled and then the possibility to supply more feed in the petrochemicals industry achieved.

One of the main approaches to make various planning of Iran's petrochemicals product basket is the completion of value chain of Propane and Butane. The country experienced a new surplus capacity in gas production section such as propane and butane after the increase in LNG production capacity and launching new phases of South Pars that directly will provide more opportunities to produce more propylene.

Localization of Updated Technologies of the World

As propylene family is one of the most important polymers in the world ,it is necessary for Iran to localize this technology as soon as possible .In line with this, negotiations have been done with leading companies o produce this kind of polymer and also in the country there have been lots of efforts to localize the production chain and the require catalyst are being conducted.

Managing director of



Domestic production will be reached when we could achieve the considered technology.



Petrochemical Research and Technology Company announced that during the current year producing two catalysts is in the program that includes Polyethylene with a grade of pe100 and polypropylene in Arak petrochemical company.

Esmail Ghanbari, MD of Petrochemical Research and Technology Company, in an interview with PD said that: about 10 to 20 percent of required catalysts of petrochemical industry is domestic and to produce more we need a 3-year program.

He continued that the missionary of the company is the localization of updated technologies of the world and supporting domestic products. In line with this, the company is ready to cooperate with petrochemicals complexes in all sections.

He then declared that domestic production could be defined in various scales and different topics in petrochemicals industry. Exploiting domestic capacities both in supplying technical knowledge in petrochemicals processing and producing technical knowledge to build catalysts and chemical materials are the main tasks of the company.

Referring to the slogan of the company, he added: achieving to our slogan “supporting the domestic production” is one of the main responsibilities and tasks of the company not just for a short time but for a long period of time during our activity. Domestic production will be reached when we could achieve the considered technology. If we want to have a deep and an appropriate approach of domestic production, we would initially follow the knowledge

of localization.

He further continued: to achieve our goal besides providing the required knowledge of the country’s petrochemicals including the production of propylene from ethanol, methanol from gas, polypropylene from propylene and ammonia, we aim to achieve the technical knowledge and produce domestic catalysts.

In conclusion, it seems that Iran could be considered as the petrochemicals pole in the region relying on its domestic capabilities and cooperation with international companies. However, this situation is dependent to political circumstances and maintaining good relations of Iran with the world in order to create a prosperous cooperation with leading companies.



Shadow of International

Affairs on Petrochemicals Investment

Rate for attracting foreign investors in each country shows its political and economical relations with other countries around the world. Put in other words, the country that can attract more investment from foreign borders could easily guarantee to the foreign partners regarding the political and economical security. In line with this, Iran is not an exception, however, it has to follow a more difficult track in comparison with other countries because it faced sanctions during the past years and money transactions as well as money transference to the country accompanied by some hard procedures.

Despite the facilities achieved behind these problems during the JCPOA, attracting investor countries would take a long time to happen. In this regard, Iran Deputy of Oil Minister-Marzieh Shahdaei- pointed out the number of advantages of Iran's petrochemicals industry including inexpensive oil feed, having access to international markets and adjacency to free waters and said that attracting foreign investors in this realm is much dependent on international conditions.

She further in an interview with PD added that if we can create desired situation in our international relations, we would be hopeful to be witness of a proper growth in foreign investment in the petrochemicals industry.

In fact, Petrochemicals industry is dependent to the political situation of the country in a way that an investor needs to participate in the market while the security is being provided. In this regard, we had made all our attempts and approved some rules concerning supporting the foreign investors. Moreover, some negotiations has not yet been reached to conclusion in order for contracts to be signed but a few of MOUs has been

confirmed.

Referring to the negotiations with the foreign partner, she said that some of the approved MOUs and pre-contracts are being analyzed technically. Meanwhile, large foreign investors such as Total and Shell are invited to invest in Iran's petrochemicals industry. Emphasizing on the necessity of utilization of domestic investments in petrochemicals industry, Iran Deputy of Oil Minister continued that oil industry, oil ministry and NIPC always welcome the presence of domestic investors. However, the main issue regarding investment attraction is that the required trust should be formed



Total and Shell are invited to invest in Iran's petrochemicals industry.

so that investments, which are kept in the form of foreign currency or discursive capitals used by people, could find their ways toward petrochemicals industry.

Considering the sessions and seminars that are hold, the Oil Ministry attempted in both domestic and international levels in order to invite Iranians to invest in this industry.

Pointing out the existed petrochemicals programs that need investment and the identified required investment for each one, she said that we tried to exploit some incentive to encourage investors to take steps in this regard.

She further continued that a few number of these investors have been received justifications to progress and unfortunately faced some problems.

At the end of her representation, she concluded that those section relating to finance and financial resources are accompanied by some difficulties and we are trying to solve them. I guarantee that we will be witness of a prospering future due to the fact that petrochemicals industry is a revenue-making industry and following this, investments will find their way and improvements in this section.



Revenue of Oil Sale in Iran's Hand;

Market War in the Territory of Black Gold

The JCPOA is valid in the oil industry until Iran would sell its oil, preserve its market, receive revenues without any problem

Considering the possibility of Iran's oil sale that was achieved by the means of JCPOA and the country's capabilities that increased oil exports to the amount it exported before the sanctions in a short period, there remained a question focusing on the fact that does Iran faces difficulties in accessing the revenue came out from the oil sale?

To provide a clear response to the mentioned question, Iranian Deputy Oil Minister in international and commercial affairs Amir Hossein Zamaninia in an interview with PD said that we do not have an oil debtor and all the revenues of oil sale is at our disposal.

Referring to the sanctions that were imposed during the past, he said: As the U.S. pulled out from JCPOA and in the case of sanctions return, in the worst situation, Iran's oil industry would be the same as in 2013. However, NIOC presented an excellent performance during

those sever and hard days.

Given variety of problems that the country had to face during the 110 years of its history, he further added that Trump's decision owing to the exit from the Joint Comprehensive Plan of Action is one of the issues in which Iran have learned how to tackle with in a proper manner. He continued that NIOC's international affairs Division could obtain effective mechanism to sale oil and at the same time to maintain it creatively.

The JCPOA is valid in the oil industry until Iran would sell its oil, preserve its market, receive revenues without any problem, purchase required oil equipment of the industry and finance the define projects. In line with this, he emphasized that in the absence of any of the mentioned conditions, JCPOA would no more being meaningful in the oil industry. Considering the present condition of oil market as a

war to take over the market, Zamaninia said: Today, each country that has higher capacity in oil production will consequently access to more power. Then, in the case Arabia and America focus on putting more pressure on Iran to gain more business, some problems in Iran's oil market would be created due to their oil production capacities. However, Iran managed to achieve some useful and practical mechanisms to preserve its markets.

Pointing out the next summit that will be held between OPEC members and considering the present situation of the oil market, he concluded that most probably, a balance price of oil will be discussed during the following summit of OPEC and so we have to wait. We would support OPEC decisions in normal conditions but we would always give priority to our oil sale not others.



Attracting Foreign Capital by Petrochemical Holdings

The Petrochemical industry has always been one of the most important and critical industries in the world, which is referred to as the mother industry. Therefore, given the high linkage of this industry with other industries, expanding the capacities of the petrochemical industry through attracting foreign investment can play an important role in the economic growth and development of the countries.

In this way, however, factors such as the international conditions of the country, along with the possibility of providing an external investor guarantee, have a direct impact on this issue.

Although Iran's petrochemical industry can grow rapidly by relying on cheap and affordable food, proximity to target markets, access to free waters for export, etc., but in recent years, due to extensive privatization in this industry and the dispersion of funds, the attraction of foreign capital has been slowed down.

Indeed, the weakening of Iran's petrochemical brand, following the privatization of petrochemicals along with the sanctions imposed on Iran's nuclear issue, have made major problems in obtaining foreign investment in the country.

In this regard, the chairman of the oil, gas and petrochemical investment corporation (TAPPICO¹) considers the solution of this problem to be the creation of a single management unit among the holdings and strengthening the Iranian petrochemical brand in the international arena.

He, who ranked 20th in the list of 40 influential persons in the world's petrochemical industry in 2015, believes that in Iran petrochemical holdings can provide a path to attract foreign investments by convergence and mutual interests to witness a development in this industry in our country.

In addition to this, Mohammad Hasan Peivandi, chairman of the board of directors of TAPPICO, in the interview with Payam Darya has mentioned that some other factors such as revival regulating, the government confidence in the private sector, and the latest state of Iran's largest project (Persian Gulf Star Oil Refinery Co.), etc., are important. In the following paragraphs this interview has been presented.

1 Tamin Petroleum & Petrochemical Investment Co.

Mr. Peivandi! In the past years, before privatization, the process of investment and foreign investment in the petrochemical industry was made with more desirable speed. But now foreign investment in this sector has some problems. What is your idea about the reasons of these problems?

Before the privatization of petrochemical complexes and the transfer of these units to different organizations, the total resources of the National Petrochemical Company and the NPC products were accepted as a support for finance, hence to receive finances and attract other foreign investments, there was no need for a guarantee from the Central Bank and the Ministry of Economy, and only the signature of the oil minister and the CEO of the NPC was sufficient to get the finance.

Now that investments are separated, decisions are not easy to develop, and as the financial supports of the companies have been weakened, the financing of the projects has also some difficulty.

What do you think is the solution of this problem in the current situation?

Changing the approach in petrochemical holdings from managing a firm to stockholding can lead to close-ups of holdings, which as a result, will accelerate the development process, because the sources will get strengthen and could be the support for attracting finance, and surely the foreign investor will call for investing in such environment.

The strategy of Social Security Investment Co. (SSIC) is to seek the merger of petrochemical companies to create a mix of shareholding in petrochemicals by holdings. By this way, companies get free from absolute management and ownership, and because of overlapping interests of holdings, there will be a unified private management that can help to made more investments. We have to reach that stage to re-expand the petrochemical development.

Of course, apart from these barriers to attracting foreign investment, the issue of the Joint Comprehensive Plan of Action (JCPOA) and international approach to this issue will also be very important. On this issue, we should see the outcome of the negotiation of Ministry of foreign Affairs (Iran) with EU in the deadline set by Iran, which we hope to be a positive outcome.

By considering the international conditions and the problems of providing foreign investment, what are some of the ways in which you can finance your projects?

At the moment, the completion of the Persian Gulf Star Oil Refinery is a priority of TAPPICO that requires financial resources, so an attempt to establish and sell of 300 billion Tomans bonds of its first phase was carried out with the same approach.

Although it was supposed to repay the bonds by selling the product, fact was that the product of refinery was not ready in time, and repayment was made through another way.

In sum, I believe that the National Development Fund must do some actions to aid the projects. Although the resources of the National Development Fund are considered for the private sector and the government should not have more than 20% of the shares in projects funded by it, projects such as the Persian Gulf Star Oil Refinery have to be prioritized because it is a national project.

Paying attention to financing through the National Development Fund is important, as getting loan from banks imposes a large amount of costs on companies that cannot continue to operate.

Also, the government's debt to the Social Security Organization is also a major contributor to which parliamentary assistance will also be helpful.

One of the problems that came about with privatization was the vacancy of the regulatory body for more legislation and coordination. Now, after some times, the need to revive this institution is felt more. Which section do you consider the primary priority of creating a regulator?

The vacancy of the regulator was felt from the first day. However, after some time and the occurrence of various incidents in the petrochemical industry, attention to safety issues in setting up regulators was prioritized.

As the private sector still does not have enough safety experience and is trying to get more from its investment in the production unit, in safety field no one thinks about benefits,

but about protecting the lives of humans, maintaining equipment and national resources.

Consequently, the regulator in the petrochemicals and refineries that were privatized is a national issue because the dimensions of these issues and events are large in the case of occurrence and will be damaging for the whole economy. Hence, the HSE must be under the control of the government and have a well-defined and full-monitored organization.

The second task for the regulator can be to monitor market issues, which should not be confused with interference, but where there is a dealership and the feed does not reach the actual producer, control must be done.

In recent years, we have seen privatization in most Iranian industries, including petrochemicals, but there are still uncertainties about the relationship between the government and these units. In your opinion, how should privatization be done to achieve its goal?

The private sector is rationale to increase its capital, so the government should not restrict the production and sale of products. In fact, the government should not worry about selling products and marketing.

Privatization also means that companies can produce and sell the product by themselves, otherwise, only the sale of complexes cannot be privatized. In privatization, the private sector should be liberated, not more restrictive.

In fact, when the government gives feed to the complexes



for free price, it can no longer bet on production and sales. Hence, the private sector can turn its commodity into another commodity and it should not be expected to be response. However, it should be noted that job creation can be achieved in addition to its added value, even if its economy is on an exactly balance point of benefit and lost.

Some companies believe that there is a need for secure investment by the government to provide adequate food supplies. What do you think is the solution to ensure the supply of feed?

If an organization wants to work 20 to 25 years, it will not be logical to guarantee feed for 10 years. The best solution is to provide a guarantee for feed, taking into account the depreciation period of projects that are usually 15 to 20 years in Iran. In fact, there must be a two-way guarantee in the feed contract.

Iran is on the sea of gas, so there is no concern for supplying gas in the long term, but if the number is to be mentioned, it should not be out of time.

The major shareholder in the country's largest project, the Persian Gulf Star Oil Refinery, is Tamin Petroleum & Petrochemical Investment Co. The first phase of this refinery has been put into operation. What time is your prediction of the remaining two phases of this refinery?

The 49% stake in the refinery belongs to TAPPICO, which has done a lot of work as a holding whose funds are used to pay salaries and insurance premiums to the social security organization, with 41 million beneficiaries in the country.

Although the project's implementation has been somewhat long, according to the plans the remaining two phases will be established by the end of the year with new management. Since I consider this project as a national project, according to Articles 12 and 13 of the Removal of Barriers to Restrictions of Production Act, I believe that for products from condensate, it is possible to reduce the price of condensate products by more than 5%.

The discount is possible because

the Persian Gulf Star Oil Refinery is a national project not only owned by the shareholders, but also will cure the country's problem of supplying and importing petrol. By starting up this refinery, petrol will not be imported. On the other hand, by the production of Euro 4 petrol, its quality will increase, which is important due to the air pollution of Tehran and metropolitan areas.

Thus, for a limited period of five years, with a national perspective, given the necessity of stopping petrol imports, and creating job in the country, this discount can be given because it is a kind of investment within the national economy.

If this happens in the government and a bill submitted by the Ministry of Petroleum and the Ministry of Cooperatives, Labour, and Social Welfare to the parliament, in the case of shortage in legislation, these barriers can be eliminated in order to eventually strengthen the country's economy.

What is your suggestion for the amount of this discount?

These days the feed is supplied at a fob-5 price, as refineries and processors at the time of starting up calculate the feed as other investments and consider it as cost because at this stage the product is not produced, but the units enter the production stages respectively, and most of the feed sent to the system is also flared and burned.

Hence, there will be a high cost of feed at the launch stage, so for a long time, the debt for feedstock will be created for the refinery.



Therefore, one thing that can be helpful is to offer a higher discount, instead of %fob-5, the condensate with a price of %fob-10 is given to the Persian Gulf Star Oil Refinery. This offer is to offset startup costs for a limited time.

We are now a condensate exporter, and if agreed, this discount will be given to the country, but there is still no agreement on this, this discount is an internal finance.

What is the production rate of the petrol at the Persian Gulf Star Oil Refinery?

Around 20 to 24 million liters of petrol have been produced daily at the end of May 2018, and second phase has begun production by early June, and the official opening of this phase will be done soon. In the current condition, the focus is on launching third phase of the refinery.

What is the export status of the company and how much can it make revenue?

Exports of TAPPICO are in several sectors, most of which

include methanol exports, exports of urea from Khorasan Petrochemicals, export of tire from Barez Industrial Group, export of motor oil from Iranol Co., as well as export of bitumen from Pasargad Oil Company.

The total of these activities will provide annual revenue of \$ 500-600 million to the oil, gas and petrochemical investment corporation.

Increased production of propene is accepted by all players in the petrochemical industry in the country. Why is propene production so important?

The Ministry of Petroleum, the National Petrochemical Company of Iran and all holdings should know that the future is for propene, so if we do not try to produce propylene and polypropylene, it will be late every day.

Now about 6 million tons of ethylene is produced in Iran, and a lot of polyethylene and glycol are produced in the country, but we have less than one million tons of propylene production.

In fact, the downstream industries of ethylene are

saturated in Iran, so that at the Iran Plast exhibition, you can see a lot of polyethylene and fewer polypropylene, while propylene, with its three carbon compounds, has a large amount of chemical interfaces, such as phenol, acetone, propylene oxide, and etc. which is the raw material of downstream industries. Therefore, given the need of downstream industries to propylene, the production of this product should be prioritized.

Currently there are two methods for producing propylene. In one method, methanol is produced from natural gas, followed by the conversion of methanol to propylene, which is used more in the country.

Another way is to convert propane to propylene, but it does slowly in the country. While each phase of the South Pars generates 500,000 tons of propane, propane is being exported instead of converting to more valuable products.

Of course, the most important reason for the lack of propylene production is propane that the required technology for it is not available in Iran.

What has been the performance of the oil, gas, and petrochemical investment company in recent years, and what do you consider as the distinction of this holding with other petrochemical holdings in the country?

According to a report presented at the last year's Social Security Investment Co. annual meeting, TAPPICO recorded 55% of net profit growth in the six months of the year 1396 compared to the six months of 1395, , while

in winter it was partially facing the problem of gas shortages in Khuzestan.

This year, according to the plans, this year we will have 20% increase in profits from the hydrocarbon industry.

TAPPICO has critical difference with other holdings. The difference is that it has the role of a shareholder more than having the role of managing the firm.

Therefore, in order to strengthen its stock status it is present in all the petrochemicals companies of Iran, except in the Persian Gas and Oil Company. The reason for this lack of presence in Persian Gas and Oil Company is that it owns units of urea and methanol (Fanavaran Petrochemical Co. and Khorasan Petrochemical Co.) that it manages.

In fact, it is the only holding that holds stock in all the petrochemicals of the country, which is a very big point and means that it achieves the most productivity with the lowest management energy.

Accordingly, 60 to 65 percent of the profit of TAPPICO in the hydrocarbon sector is derived from the companies in which it is shareholder. Even in the west pipeline, it has 4.5% of the total project. A pipeline that has 2 million tons of ethylene and now produces 1.2 million tons of polyethylene in this line. In the Persian Gulf holding, it also holds 8.5 percent of the total stock, while it also holds 17 percent of Borzuya Petrochemical Co. Also in other complexes, TAPPICO has a share of the total stock.

Of course, it also has industries that have nothing to do with strategic activities of holding.

For example, cellulose industry such as Chouka, Hariri facial tissues, Caspian wood and paper, which are not related to hydrocarbon industry, but they came to TAPPICO, as companies are looking to sell their shares in order to pay their loans. Also, if there is an applicant for the shares of the refineries, we agree to assign.

What is the status of petrochemical feeds in the units where TAPPICO is shareholder?

The status of feed in the petrochemical complexes of TAPPICO does not have any problem because the majority revenue of TAPPICO and Shasta come from the shareholding corporation, and we are shareholders of good companies such as Jam, Marun, Khark, and Arak Petrochemical Company, and so on. In this section, we do not have any problem with the feed.

Furthermore, it does not have liquid feed-in petrochemicals in its management companies, which is an important point because most of the challenges are for liquid feed.

In the case of gas feed, the current price is 13 cents, because for urea ammonia and methanol the feed and fuel are natural gas, and depending on the technology, up to 30% of gas consumption may be spent on fuel. Therefore, given the average price of feed and fuel, the price of gas for these units is rational and there is no challenge for feed.



Mahmoud Makhdoomi; Managing Director of TAPPICO:

Convergence in Oil Industry Cripples the Sanctions



In an interview with Payam Darya correspondent, the managing director of Tamin Petroleum and Petrochemical Investment Co. (TAPPICO) Mahmoud Makhdoomi referred to the sanctions that may return to Iran's oil industry in the light of US withdrawal from JCPOA, and stated that Iran has undergone worse conditions in the past, and in order to pass through this stage, the only remedy is stronger convergence.

Makhdoomi announced that Tamin oil, gas and petrochemical holding intends to make a set of changes in its stock basket to raise its profitability. In line with these alterations, Makhdoomi added, we will execute future projects only on condition that they guarantee sufficient profit for our shareholders. Our current projects, however, will continue as planned. The petrochemical project of Marjan and Ilam Petrochemistry, for instance, will carry on their progress. According to Makhdoomi, the big picture of TAPPICO for the future is to avoid embarking on new projects, get out of micro-scale, low-return and loss-making companies through selling their stocks. A list of these companies could be accessed in TAPPICO website. This series of actions are follow-ups to the

policies made by the organizing committee of Iran's Department of Cooperatives, Labor and Social Welfare for the purpose of increasing shareholders and beneficiaries' profit. Referring to the launching of the first phase of Setare Khalije Fars Gas Condensate Refinery, Makhdoomi emphasized that the second phase of this refinery will have been inaugurated by the end of November 2018. The third phase of this project, also, has been prognosticated to be launched by April 2019. The completion of this refinery is paramount for the country, given that once it operates at full capacity, it is capable of producing 20 million liters of gas at Euro-4 quality. Only then will Iran be self-sufficient in the production of gas, and no longer will Iran's government be concerned with gas-related

issues.

TAPPICO's investments in the financial solar year 1396 (March 2017 to March 2018) managed to earn the profit that had been speculated in full amount, Makhdoomi asserted. We are tuning up our budget for the March 2018-March 2019 year at the moment, he added, and since TAPPICO is a holding in its structure, the payment of profits will occur once the congregation of companies for the previous financial year is held.

Makhdoomi also stressed with high certainty that in the upcoming year, we will utilize the minimum speculated budget and our investment profit will not have negative adjustment. Based on the performance of our subsidiary companies, we even hope to have some degrees of favorable deviations as well.

100-Billion-Dollar Opportunity ahead of Iran's Petrochemistry

In the light of launching diverse projects in the recent years, Iran's Petrochemistry industry has witnessed a tremendous forward leap both in production and in the variety of products. Not only has this development expanded Iran's export to other countries and gained foreign exchange for the country, but it also has led the country to complete the value chain of petrochemical products.

These two factors have made Iran a self-sufficient country in the production of petrochemical material and have also made country needless of importing intermediate products. Moreover, relying on domestic capabilities and access to abundant feed has brought about more profit for the country. Owing to an increase in the production of petrochemical industries, foreign exchange has flooded into Iran's economy, and this has made a valuable contribution to controlling the recent fluctuations in foreign exchange markets.

Despite launching multiple petrochemical projects in recent years, Iranian petrochemical industry still witnesses various other projects in its agenda, which could noticeably boost the production rate and as well, could add new products to Iran's petrochemical production basket.

In order to learn further about the latest production projects of this industry, Payam Darya arranged an interview with the director of quality control at National Petrochemical Company (NPC), Ali Mohammad Bosaghzadeh. You will browse the transcript of this interview in the upcoming section.



As the first question, I would like to seek your input on the role of holdings in moving petrochemical prospects forward, give the current conditions of oil and petrochemical industry of Iran?

The division of petrochemical complexes among petrochemical holdings has created efficient conditions for them. Besides, other than production, holdings currently have other projects in their agenda. Hence, supplying financial resources by petrochemical holdings has been facilitated and smoothened.

As a case in point, Persian Gulf Holding has 15 subsidiary complexes, and thanks to these support sources, it managed to advance desirably in Bidboland 2. Bidboland 2 is a massive project, which needs over 2 billion Dollars of investment. Even though it failed to progress well in the past few years and it had not witnessed any noticeable physical advancement prior to being delegated to Persian Gulf Holding, it experienced a tremendous move toward its completion last year and up until now, it has reached the progress rate of 75%. Does it keep its current advancement trend, Bidboland 2 is speculated to be inaugurated by the end of this year.

Another instance I could refer to is Ilam Petrochemistry, which is one of the most crucial Olefin projects in the country. The project has advanced up to 95% and we are hoping to see its inauguration this year.

Other holdings are also under desirable conditions. Parsian

Investment Co. managed to launch a urea unit in Shiraz. Its Urea/Ammonia project is also under construction in Phase III of Pardis. Moreover, it is completing Kermanshah Urea/Ammonia project, which has advanced up to 35%.

In the light of expanding the activities, it has created a healthy competition between holdings for carrying out the projects.

It is hoped that by relying on financial resources which are resulted from an increase in production, supplying more shares in stock exchange market and taking loans from holdings, we will witness an improvement in the conditions of plans and projects. In addition, in terms of financial supply, a section which is called supportive holding has been formed. This kind of holding was also used for first financial supply in MAPNA Group and currently it is used in petrochemical industry and oil ministry as well.

It is worth mentioning that launching project fund is a suitable and appropriate strategy which promotes trust and participation of people for investment in stock exchange market. In this circumstance, not only will people play a big role in financial supply of projects, but also those can be shareholder of the project once it is completed, this trend will make a big contribution to the progress of the project.

What measures have been taken for absorbing foreign investment, which countries are forerunner in this regard?

Given the current situation and the efforts by European countries to save the Iran nuclear as well as receiving the full support from Russia and China, it is hoped that we can absorb more investment from abroad.

On the other hand, during the last two years ago, two or three-year loans have been taken from countries such as South Korea and Japan. In the light of negotiations, it is also hoped that we can increase loans amount which will accelerate the completion process of the projects.

Could you please brief us on the current projects of Iran's Petrochemistry industry?

The costs of projects which have been proposed so far will reach 100 Billion Dollars, Currently, the projects with the value of 50 billion dollars are under construction and other 50 billion dollars is related to the projects which have been introduced in Sixth Development Plan.

A considerable part of these projects are related to propylene projects.

The production of propylene will be done in two ways; it will be produced from propylene gas or propane.

To compensate the shortage of propane, which is used to produce propylene, we had taken some big steps. In the last year, we had a noticeable progress in Salman Farsi projects, which persuaded us to propose some new projects.

In order to produce propylene from extra propane, we have considered also some plans in Asalouyeh as well. Now, we



have received the land, and are engaged in equipping it. Generally, the efficient condition has been created.

In a nutshell, it seems that we will witness a noticeable growth in the production of propane and propylene in this year.

While Iran has recorded an acceptable figure in the production of various products, however, the production of propylene and poly propylene has received a serious attention in the recent years, why the production of propylene is of great important for Iran's Petrochemistry industry?

Considering the global per

capita consumption of polymer, the amount of consumption in polymer family in comparison with polyethylene is growing at a rapid pace. Thus, the production of propylene will result in absorbing market and increasing Iran's share in production of polymers of propylene. Because up until now, the production of propylene and poly propylene could just meet domestic needs, even sometime we suffer from the lack of them. Therefore, with the implementation of this project, Iran can become an exporter of these products.

For an increase in the production of propylene in Iran, the projects of GTX and GTP have been proposed. However, since an

investment up to 1.5 billion dollars is necessary for these plans, we need to supply liquidity from foreign financiers or stakeholders. So, these projects are progressing at very slow pace, but both government and oil ministry have decided to allocate more privilege in this regard to activate the projects. Now, two of Asian companies have expressed their willingness to invest in GTX projects, the initial studies in this regards have been done.

Given that Iran's Petrochemistry industry is contantly moving forward, what plans have been considered to accelerate the current trend?

For the time being, in Asalouyeh and in the first phase of petrochemistry, all unites are under service, moreover, all plans in this section will be limited to complementary and optimized projects.

Half of complementary projects are related to Persian Gulf Holding and the other 50 % is related to launch new plans in Parsian zone. All extra gas which was usually burned in feller, would be gathered to produce products with higher added value.

With the implementation of this project, over 1.5 million tons of urea will be produced which not only creates added value but also makes a significant contribution to the environment.

In the second phase of Asalouyeh, some complexes have launched production and some other like Marjan Petrochemical Plant and first phase of Busher Petrochemical Plant are

scheduled to launching their production in this year.

It is projected that the completion process of other projects will be accelerated.

Kian Petrochemical Co. which can be regarded as the heart of the second phase of Asalouyeh, will be able to complete a proper chain of integrity in the second phase and the chain of other products like monostyrene, which may face supply shortage. However, since the capacity in the two phases of Petrochemical Special Economic Zone in Asalouyeh has been completed, we had reached an agreement with Pars Special Economic Energy Zone (PSEEZ), in a case that some projects need to use the feed of this zone like propane and butan. In addition to existing capacity in the zone and complete implementation of petrochemical material chain, the launching of third site of Asaloooyeh was also put on the agenda.

This site is largely responsible for production of petrochemical lower-hand materials, considering the feeds which are available in PSEEZ, we have employed foreign consultant to help us in selecting the best production chain which creates the highest value- added.

Parsian special Economic Energy Zone which faces the lack of land in Asaloooyeh will be used for petrochemical upper-hand and middle-hand projects. Now, the investors have been selected and the infrastructural facilities are being constructed. In addition, the first phase of deck in this region will be inaugurated in August 2018,

which would be responsible for transferring the raw materials.

Once the launching of these projects are completed, how much capacity will be added to the production of petrochemical products in Asalooyeh?

In the light of launching the new projects, the production capacity in Asalooyeh will increase more than double than the existing one. Thus, we are endeavoring to expand the capacity of the decks in the region.

Could you please explain about the latest condition of Makran Special Zone and its role in developing Iran's Petrochemistry industry?

Since Makran Special Zone is located on the margin of Persian Gulf and one the other hand, the infrastructures which have been created so far in this region will include four projects of GTX which will take their feed from Iran Sahar, therefore, it is necessary to accelerate the process both in terms of quality and specialty.

Based on this, a contract was signed between Makran Special Zone and The National Iranian Gas Company (NIGC), given the prioritizing this contract in three sections, it is hoped that we will witness speed up the progress of plans.

It must be also added that utility of this region will be supplied by MAPNA Group. This process has begun since last year and has reached the progress rate of 30%.



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A large white cylindrical container is being lifted by a red crane in a blue industrial facility. The container is suspended in the air, and the crane's structure is visible. The background shows a complex network of blue pipes and red structural elements.

Bulletin

How container index is evaluated?

Growth!

BIMCO Moves to Cut Port Clearance Paperwork



BIMCO, the world's largest shipping association, has piloted a project that it claims can cut a master's administrative workload per port call by as much as 80%.

According to MANA, The Maritime Reporting Model, a digital initiative developed with a number of partners, including the port of Rotterdam—led by the Danish Maritime Authority—aims to reduce the level of paperwork required during port clearance, a common bugbear throughout the shipping industry. “Reducing the administrative burden of port call is a major problem,” Aron Frank Sørensen, BIMCO'S head of maritime technology and regulation, told Lloyd's List. “The ship's master should not be bogged down in paperwork, but rather focused on the operation and safety of the ship.”

The vision for MRM is to standardise communication between ship and shore, using a global standard for tagging information, such as the ship's name or the number of crew on board.

Essentially, MRM is “a harmonisation of data models used by maritime stakeholders”, according to BIMCO.

The Copenhagen-based association tested the

technology on a trial voyage last month from the Polish port of Gdansk to Rotterdam via Aarhus, Denmark, and Bremerhaven, Germany.

During the journey, BIMCO calculated that the average time to manually complete all 32 of the reports required during each port call was between 16 and 64 minutes. However, MRM offers the potential to reduce the time of these individual processes as a whole by as much as 80%.

Having piloted the scheme in Europe, the next phase will be to implement the system globally.

Before rolling it out commercially, however, BIMCO is looking for approval from the International Maritime Organization, which is already working on the harmonisation of data.

MRM will be put before the IMO's Facilitation Committee in June, but has already received the backing of a number of IMO member states, including Liberia, Turkey and the Marshall Islands.

“We want the IMO to manage a kind of phone book, where we have tagged the information and data in a central IMO database that everybody can use for digital communication,” said Mr Sørensen.

HHI Targets USD 65 Bn in Revenues by 2022



South Korean shipbuilder Hyundai Heavy Industries has set a target of KRW 70 trillion (USD 65.2 billion) in revenues by 2022, according to The Korea Times.

According to MANA, The target represents a big jump compared to KRW 37 trillion earned in 2017. The shipbuilder expects a revenue of KRW 37 trillion this year as well.

HHI plans to achieve the new goal by focusing on technologies to sell value-added ships, such as liquefied natural gas and LPG carriers, and launching new businesses, Kwon Oh-gap, HHI's Chairman and Chief Executive, said during a press

conference on April 16.

The company would establish a research and development center in Pangyo, Gyeonggi Province, which would help drive the company's future success. The center, to be established by 2021, is expected to house up to 7,000 researchers and experts.

Furthermore, HHI is to unveil a new business initiative as early as next month, the chairman said, hinting that the company's refinery unit Hyundai Oilbank could form a joint venture.

CMA CGM Suffers on Higher Bunker Costs



The world's third-largest box carrier dips to a net loss of \$77m in January-March despite higher revenue and transported volume. The results were hit by sharp increases in bunker prices, says chairman and chief executive Rodolphe Saadé

According to MANA, CMA CGM, the world's third-largest box carrier, slipped into the red in the first quarter on higher bunker costs despite increases in revenue and volumes transported.

The French carrier recorded a net loss of \$77m in January-March, compared with a net profit of \$86m in the year-earlier period.

"The shipping industry is experiencing sustained growth but was hit in the first quarter by the sharp increase in bunker prices," the company's chief executive Rodolphe Saadé said in a quarterly report. "In this environment, CMA CGM succeeded

in recording a strong increase both in volumes transported and in revenue, while maintaining a positive core EBIT [earnings before interest and tax] margin. Volumes should remain high throughout the year."

CMA CGM's revenue rose 17.1% on year to \$5.4bn in the first quarter, while transported volume increased by 15% to 4.3m teu.

CMA CGM said it would maintain operational discipline and cost reduction measures aimed at strengthening its performance. These included actions to optimise container fleet management and improve energy efficiency.

Moreover, it is following other carriers in dealing with increasing bunker costs by implementing emergency bunker recovery measures to offset the rise in fuel prices not factored into the freight rates.

Results Show Dimming Prospects for Container Trade Growth

After a year of recovery in 2017, initial results from box carriers indicate that the bright outlook held for 2018 may need to be toned down.

According to MANA, reports from the first batch of container carriers to announce first-quarter results show that, despite hopes of a turnaround in the sector's fortunes, the market is proving tougher than expected this year.

Maersk, a bellwether container line, announced a net loss of \$239m for the first quarter of 2018, despite rising volumes and revenues across its four operating units.

Its ocean segment, which includes its container line and gateway terminals, reported volume growth of 23%, but the headline figure was boosted by the inclusion of volumes from Hamburg Süd. With these stripped out, Maersk volumes were up just 2.2%, below the estimated global market growth of 3%-4%.

The impact on the bottom line was visible.

While Maersk no longer breaks out its carrier's profit and loss, earnings before interest, tax, depreciation and amortisation were \$492m. That is not much more than the \$484m it made in the corresponding quarter of 2017, when container shipping was going through its darkest hour, just six months on from the collapse of Hanjin Shipping.

Things were supposed to be better now.

Last year, nearly all major container lines managed to turn a profit, many for the first time in several years.

As those annual results were released, chief executives the world over were painting a picture of recovery, stability and growth.

To date, however, Maersk, Hapag-Lloyd, Hyundai Merchant Marine and Yang Ming have all posted negative results for the first quarter.

First-quarter results are often poor, as they include the post-Christmas slump and the closure of

Chinese manufacturing during the Lunar New Year celebrations.

But Maersk's results put paid to one of the main reasons carriers were optimistic that a recovery would come this year.

Despite an increasing amount of tonnage being delivered, lines claimed that global demand growth of 5%-6% would be greater than global supply growth.

That calculation is now called into question. While deliveries will tail off in the second half of the year, it will not be long before another set of orders comes out of the shipyards of South Korea and China to add more capacity to the fleet.

Moreover, global instability is rising, and with it, oil prices.

That means higher bunker costs for carriers, and higher prices for consumers, who will have to choose between paying for petrol or buying imported goods.

Speaking at the Global Liner Shipping conference in Hamburg this week, Ocean Network Express chief executive added his voice to the concerns. ONE only launched in April and has not reported any financial figures, but Jeremy Nixon said that while he expected the line to make money this year, it might not be easy.

"Clearly we had a difficult first quarter in volumes, the spot market and the fuel prices, which has picked up in the last few weeks," he told the conference. "We didn't budget for these levels. If it continues through rest of the year, it will put significant pressure on all carriers."

The jury was still out, he added.

"A lot of work will have to be done to make a good profitable year that we expected in 2018."

Five Facts About Sustainable Ship Recycling



Despite recycling a majority of tonnage annually, South Asian countries have been repeatedly questioned about the environmental viability of such activity. This is despite the fact that almost everything on an end-of-life and the ship itself is recycled and reused, which adds to the sustainability of our natural resources.

Below, five facts are shared which exemplify the meaningful contribution of the ship recycling industry towards the environment and the society, MANA correspondent reported.

1. Boost to Local Economy

The ship recycling industry in South Asia is associated with a huge downstream market for second-hand goods such as furniture, machinery, joinery, electrical equipment, household appliances, home décor, paints, hardware items,

etc. This supports the concept of industrial ecology or industrial symbiosis as the outputs from ship recycling yards are utilized as inputs to small-scale industries working to refurbish items which are eventually traded in the second-hand market.

All this is in addition to the steel re-rolling mills and steel melting mills which utilize ferrous scrap from end-of-life ships to produce steel goods such as bars, ingots, pipes, plates, etc. The entire localized industry developed due to ship recycling yards is a major boost to the local economy, as it assists in flourishing of trade of second-hand goods, ferrous scrap and non-ferrous scrap. At the same time, a large number of jobs are also created.

2. Creation of Jobs

The nexus of ship recycling yards, refurbishing shops, re-rolling mills, steel mills and second-hand

shops creates a localized industry which employs hundreds of thousands of people from marginalized segments of the society. These jobs include both semi-skilled and unskilled workforce working at ship recycling yards dismantling and cutting end-of-life ships and at other downstream industries discussed above. According to the World Bank estimates, “the work force in each country varies with the volume of ship breaking but may range from 8,000–22,000 workers in the ship recycling yards to 200,000 in the supply chain, shops, and re-rolling mills.”

3. Recovery of Metal Scrap

The metal scrap obtained from end-of-life ships includes both the ferrous scrap and non-ferrous scrap. The ferrous scrap is generally classified in two ways – re-rollable scrap and melting scrap. In South Asian ship recycling yards, about 60 percent of the total weight of the ship’s steel is obtained in the form of re-rollable scrap. This comprises of plates, beams, girders and angle bars.

The re-rollable scrap is sold at a premium compared to the remaining 40 percent which is comprised of the irregular pieces of steel earmarked as melting scrap. The re-rollable products are generally used in the construction industry of these countries whereas the melting scrap is used to form finished steel products in a foundry.

In South Asia, the recovery of re-rollable and melting scrap steel by the ship recycling industry and its eventual supply for the iron and steel industries is critical because more than half of Bangladesh’s steel supply is fulfilled via this route. Similarly, for Pakistan and to some extent to India as well, the importance of the ship recycling industry for supplying scrap to the iron and steel industry is immense.

For example, in 2011 about 688,000 tons and 2.7 million tons of ferrous scrap was supplied by the ship recycling industry to the steel making industry in Pakistan and India, respectively. On a global basis, since 2011, every year at least seven million tons of metal scrap is produced by the ship recycling industry. This figure touched the 11 million ton mark in the year 2012 when a record number of ships were dismantled globally.

4. Reduced Greenhouse Gas (GHG) Emissions

The positive effect of using scrap metal to produce

finished products instead of using metal ore is seen in terms of reduced GHG emissions. The emissions reduction is due to the reduced energy consumption by up to 70 percent in steel making using scrap steel as compared to using iron ore. Moreover, the need for metal mining is also diminished, which adds to the reduction of the GHG emissions.

This is an important contribution of the ship recycling industry towards sustainability because the world needs to find ways to decarbonize the atmosphere in the wake of the issues such as global warming, depletion of the ozone layer and climate change.

5. Reduced Pollution

The recycling of steel scrap obtained from end-of-life ships also helps reduce air and water pollution. At the same time, it helps reduce water consumption. These reductions are due to fact that fewer resources are required to manufacture products from metal scrap as compared to metal ore. Scientifically published estimates suggest 86 percent less air pollution, 76 percent less water pollution, 40 percent reduction in water usage while making steel from scrap than from iron-ore.

The above aspects of the global ship recycling industry corroborate the fact that generally the industry is beneficial for the environment and the society. However, doubts have been raised by some on the manner in which ships are dismantled on some yards in the Indian sub-continent. The way ships are dismantled can definitely have consequences on environment and health and safety of the workers. Therefore, the need to improve the substandard facilities cannot be refuted.

At the same time, labeling yards HSE friendly or not on the basis of their geographical area cannot be justified: especially when almost half of the active yards in India have voluntarily upgraded their facilities to obtain the statements of compliance with the Hong Kong Convention from IACS member classification societies.

IRISL India's Completes One Year of Operation in India



Mahmoud Pishbin, the managing director of IRISL India announced that IRISL India completed its first year of independent operation in India.

He continued: I wish to thank all loyal customers, vendors, stake holders, including principals & colleagues.

During the year IRISL India has built great working relationships with all its vendors and stakeholders at Nhava, Mundra/Kandla and various ICDs all

over India. Chartering division of IRISL India has succeeded in spreading its wing and gaining the confidence of the trade by generating business beyond the expectation, he added.

IRISL India wishes to assure the trade of its long term presence in India and will continue in its endeavor to introduce new trade links for the benefit for the customers and trade.

Port of Rotterdam Wants to Be the Smartest

Ports are major hubs in the supply chain. In Rotterdam, Europe's largest port, countless proceedings are happening every day. In the optimal supply chain, each link seamlessly connects to the next. That is why the Port of Rotterdam is looking into new developments to make the port services more efficient.

A collaboration was recently announced in order to make Rotterdam a smart port of the future. The Port of Rotterdam Authority and IBM teamed up for a multi-year digitization initiative to transform the port's operational environment using Internet of Things (IoT) technologies in the cloud to benefit the port and those who use it. The initiative will also prepare the Port of Rotterdam's entire 42 km site to host connected ships in the future.

It begins with the development of a centralized dashboard application that will collect and process real-time water (hydro), weather (meteo) sensor data and communications data, analysed through the IBM IoT platform. This will enable a new wave of safer and more efficient traffic management at the port.

Tides and currents

"Here in Rotterdam, we are taking action to become the smartest port in the world," says Paul Smits, chief financial officer of the Port of Rotterdam Authority.

"Speed and efficiency is essential to our business, and requires us to use all of the data available to us. Thanks to real-time information about infrastructure, water, air, etc., we can enormously improve the service we provide to everyone who uses the port, and prepare to embrace the connected, autonomous shipping of the future."

Previously the port relied on traditional radio and radar communication between captains, pilots, terminal operators, tugboats and more to make key decision on port operations. Now, as the Port of Rotterdam begins its digital transformation, sensors are being installed across 42 km of land and sea – spanning from the City of Rotterdam into the North Sea – along the Port's quay walls, mooring posts and roads. These sensors will gather multiple data streams including water (hydro) and weather (meteo) data about tides and currents, temperature, wind speed and direction, water

Maximum amount of cargo

This data will be analysed by IBM's cloud-based IoT technologies and turned into information that the Port

of Rotterdam can use to make decisions that reduce wait times, determine optimal times for ships to dock, load and unload, and enable more ships into the available space. For example, the Port of Rotterdam will now be able to predict the best time based on water level, to have a ship arrive and depart Rotterdam, ensuring that the maximum amount of cargo is loaded on board.

The Port of Rotterdam's digital transformation project is enabled by IBM's cloud-based IoT technologies and will see the Port of Rotterdam and IBM are working together long-term to uncover other innovative applications of IoT and artificial intelligence. Cisco and Axians are also involved in the project.

With the new initiative, Port of Rotterdam operators will also be able to view the operations of all the different parties at the same time, making that process more efficient. In fact, shipping companies and the port stand to save up to one hour in berthing time which can amount to about USD 80,000 in savings.

Blockchain

The Port of Rotterdam is also looking at other new technologies that can make the logistics process more efficient. Take containers.

"Of the 40 days that containers travel from central China to central Europe, they spend around 24 days actually on the move, and 16 going nowhere," says Tim de Knecht of the Port of Rotterdam.

"One factor is the extensive paperwork, with the consignment note as the main registration and control document. But it is primarily due to the fact that the parties involved do not share information in real time. If a ship enters the port half an hour earlier or later, the lorry driver is unable to alter his own process."

Blockchain appears to be a suitable solution, but most relevant parties are still unfamiliar with the technology. Using a case study, TNO and the TKI Dinalog Blockchain Consortium highlight the real opportunities for the container transport that blockchain can bring. The Port of Rotterdam will be the party that supplies information and facilitates the logistics process.

"A transport operation involves at least 20 to 25 parties: customs, port authorities, stevedore, freight forwarder, road carrier, shipper, consignee, bank, and so on," says TNO senior advisor Wout Hofman. Among the areas he focuses on is that of blockchain for logistics.

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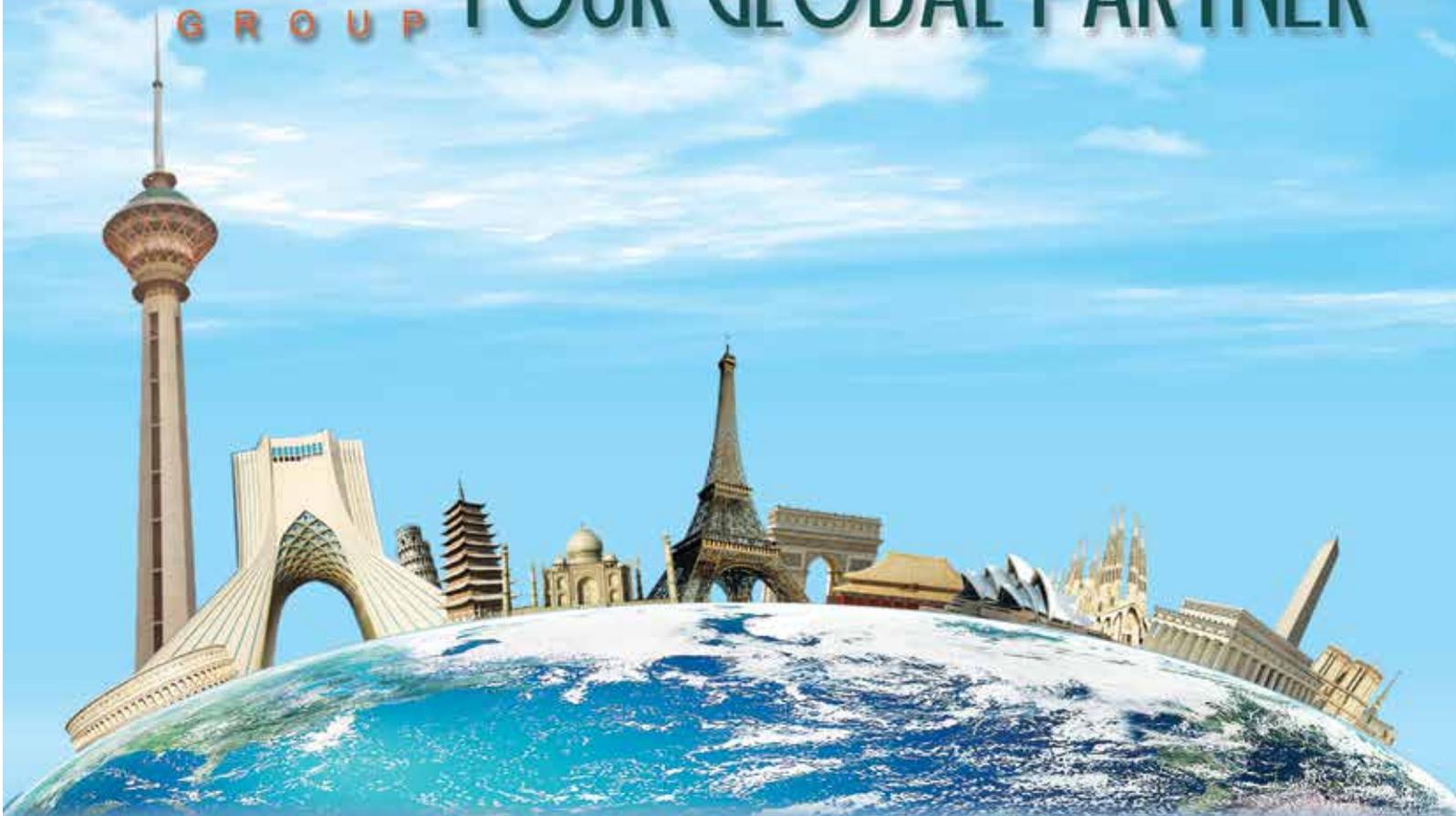
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