



ASF SERC

ASF Shipping Economics Review Committee

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

30 November 2010, Okinawa

NOTE OF UNDERSTANDING

adopted

at the 23rd Interim Meeting of the Asian Shipowners' Forum (ASF)
Shipping Economics Review Committee (SERC)

The 23rd Interim Meeting of the ASF SERC was held in Okinawa on 30 November 2010. The meeting was attended by 24 delegates from the ASF member associations of ASEAN, China, Chinese Taipei, Japan and Korea. The attendance list is attached.

1. World Economy

The global economy has passed through its worst economic period, which featured a negative growth of the world's real GDP, coupled with a considerable decline in cargo volume in 2009. The current economy has recovered at a gradual pace, but there are still downside risks, due to factors such as the sluggish housing market in the US and the spectre of sovereign debt default in the Eurozone. Under these circumstances, we noted that emerging Asian countries, such as China, India, Vietnam and so on, will continue to play key roles as the engine of global growth through a strong export recovery and robust private demand.

2. Dry Bulk and Tanker Shipping

1) As for the dry bulk sector, the Capesize market has struggled until the summer of 2010, partly due to iron ore price hikes and slower steel demand in China, but afterwards, the market improved, despite turbulent swings, due to an increase in shipments of lower priced iron ore to China. It was also noted that introduction of the quarterly pricing system for iron ore in 2010 would lead to further fluctuation of the market. As for the prospect of the market, it was reported that the demand for dry bulk could likely will grow over the next 5 to 10 years and that the supply side, which is facing a glut of new vessel deliveries, may reach a more balanced level from 2013 onwards based on factors such as the postponement of new deliveries and the cancellation of new orders.

2) With regard to the tanker sector, the meeting noted that the seaborne cargo volume

of both crude oil and petroleum products remains stagnant, partly due to the sluggish oil demand in developed countries.

However, there is the potential that the short-term market could improve on the basis of various anticipated factors such as the recovery of the global economy, the accelerated withdrawal of single-hull tankers, as well as an increase in long-haul trade and off shore storage.

At the same time, it is possible that the market could continue to be sluggish for a few years because the withdrawal and retrofitting of single-hull tankers and a steady recovery in oil demand mainly in non-OECD countries might not alleviate the supply-demand gap, taking into account the resumption of the operation of tankers previously used for floating storage and the prospect of huge new vessel deliveries.

3. Liner Shipping

1) In connection with the container business worldwide, it was noted that the overall container market has returned to a period of relative stability from a huge loss of more than 15 billion US dollars in 2009, owing largely to an unexpected rapid recovery in cargo movements, as well as more balanced supply and demand conditions.

2) Looking at the US Transpacific and the Intra-Asia trades, delegates noted the report that the projected capacity increase is likely to slightly exceed the forecast for demand growth in 2011. While carrier response to supply and demand conditions in these trades in light of recent years' experience remains to be seen, the meeting recognised the importance of ongoing development and investment by the liner industry in order to meet the growing needs of the global economy in these trades. In order to ensure a healthy liner industry, it is a prudent practice for liner company senior management to base decisions on a complete and rational assessment of relevant historical and current trade data, rather than on emotion or insufficient data.

3) While the Intra-Asia trade volumes in 2009 contracted by 2 - 3% on a year-on-year basis, the market continues a steady recovery in volume for the first nine months of 2010, showing growth of 11.3% compared to the same period in the previous year. With the common view that the market continues to grow in light of increased trade liberalisation in the ASEAN countries and transport infrastructure investment in emerging Asian countries, the accelerated entry of new additional services into the dedicated market during 2010 could impact the supply and demand balance.

4) The US Trans-Pacific trade recorded double digit volume growth in the first eight months of this year in comparison with the same period in 2009, but the lower consumer confidence in the US was expected to continue due to the depreciation of asset values and current high unemployment rates. In addition, it was reported that the trade, although not showing a significant increase, would see a steady cargo flow throughout the year, which is against past trends, due to some changes in the pattern of consumer spending in the US.

4. Antitrust Immunity

With regard to the antitrust immunity system for ocean carrier agreements, reports were made on the recent developments, including the US and Singapore, and the meeting expressed its full support for proposed extension of the current system in Singapore through the end of 2015. The delegates reaffirmed the ASF's long-standing view that the antitrust immunity system is indispensable for the healthy development of the international shipping industry as well as the whole international trading industry, and requested the national associations to keep in touch with their governments for better understanding of the necessity of the antitrust immunity. Furthermore, in order to avoid repeat occurrences of the container space and equipment shortages that happened earlier in 2010, the members recognised the necessity of various forms of close communication with shippers to facilitate mutual understanding and a better estimation of future cargo flows.

5. International Financial Reporting Standards (IFRS)

A report was made on the proposed changes of accounting standards on leases under the IFRS. The delegates shared their concern over the proposals which will create loose definitions on leases. It would cause uncertainties on a treatment of time charter contracts of vessels. It was therefore agreed to bring this issue back to each association to consider necessary steps respectively including submissions to the International Accounting Standards Board (IASB) in order to make our stance clear that practices of time charter contracts should not be accounted for as leases.

6. Others

1) The meeting noted the EU advance cargo declaration regime (so-called EU 24 hour rules) will be implemented from 1 January 2011, which applies to all goods being imported to and exported from the EU.

2) The delegates also exchanged their views on recent topics surrounding the shipping industry, such as Rotterdam Rules.

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



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As of 30 November 2010

The 23rd Interim Meeting of
the ASF Shipping Economics Review Committee (SERC)
in Okinawa on 30 November 2010

Attendance List

CHAIRMAN

< Japanese Shipowners' Association >

Mr Yasumi Kudo Executive Director, Japanese Shipowners' Association
(President, Nippon Yusen Kaisha)

VICE CHAIRMAN

< Korea Shipowners' Association >

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

MEMBERS

< China Shipowners' Association >

Mr Zhang Guofa (Vice President, China Shipping (Group) Company)
Mr Li Zhen (Assistant President, SINOTRANS & CSC Holdings Co., Ltd.)
Mr Zhang Shouguo (Executive Vice Chairman & Secretary General,
China Shipowners' Association)
Mr Li Cunyin (Deputy Secretary General, China Shipowners' Association)
Mr Mu Yunan (Secretary, General Sect. General Affairs Dept.
China Shipping Container Japan Co., Ltd.)

< Federation of ASEAN Shipowners' Association >

< Indonesian National Shipowners' Association >

Mr Djoni Sutji (President Director, PT. Indonesia Bulk Carrier)
Mr Paulis A. Djohan (Managing Director, PT. Pelayaran Era Indoasia Fortune)

< Malaysian Shipowners' Association >

Mr Zulkafli M Amin (General Manager, MISC AGENCIES SDN BHD)

< Singapore Shipping Association >

Mr Kenneth A Glenn (President, North Asia, APL Limited)

< Thai Shipowners' Association >

Mr Teoh Tee Hien (Executive Vice President (Business),
Regional Container Lines Group)

< Federation of ASEAN Shipowners' Association >

< Vietnam Shipowners' Association >

Mr Vu Huu Chinh (Chairman, Vietnam Ocean Shipping Joint Stock Company)

Mr Ngo Xuan Hong (General Director(CEO),
Transport and Chartering Joint Stock Corp.(Vietfracht))

*As an observer of VSA

*Mr Pham Dang Khoa (Deputy Manager, Sea-Transport Dept.,
Transport and Chartering Joint Stock Corp.(Vietfracht))

< Japanese Shipowners' Association >

Mr Takatake Naraoka (President, NYK Container Line Ltd.)

Mr Toshiyuki Suzuki (Executive Officer, Kawasaki Kisen Kaisha, Ltd.)

Mr Junichiro Ikeda (Managing Executive Officer, Mitsui O.S.K. Lines, Ltd.)

Mr Shogo Terajima (Executive Secretary to the President, Corporate Planning Group,
Nippon Yusen Kabushiki Kaisha)

< Korea Shipowners' Association >

Mr S D Lee (Senior Vice President, Head of Liner Unit,
Hyundai Merchant Marine Co., Ltd.)

< National Association of Chinese Shipowners >

Mr Wilson Yeh (Executive Vice President,
Evergreen Shipping Agency (Japan) Corporation)

Mr C K Ong (President, U-Ming Marine Transport Corp.)

Mr Randy Chen (Director, Wan Hai Lines Ltd.)

Mr J G Lin (President, Yang Ming (Japan) Co., LTD)

ASF SECRETARIAT

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

LEGAL COUNSEL

Mr Jeffrey F Lawrence (Cozen O'Connor)

SECRETARIAT

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

Daijiro Mizushima (Planning Division, Japanese Shipowners' Association)

Eiko Kasahara (Planning Division, Japanese Shipowners' Association)
