

MARITIME

'One belt one road', the new Silk Road How it will affect shipping.

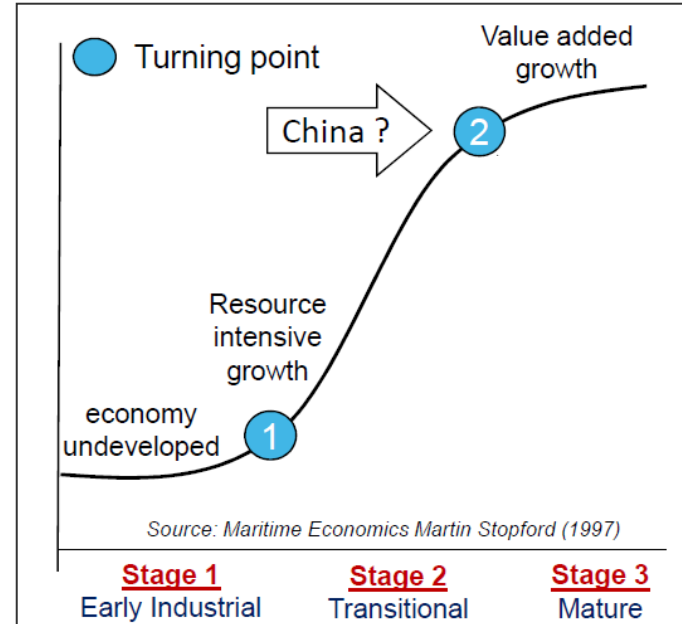
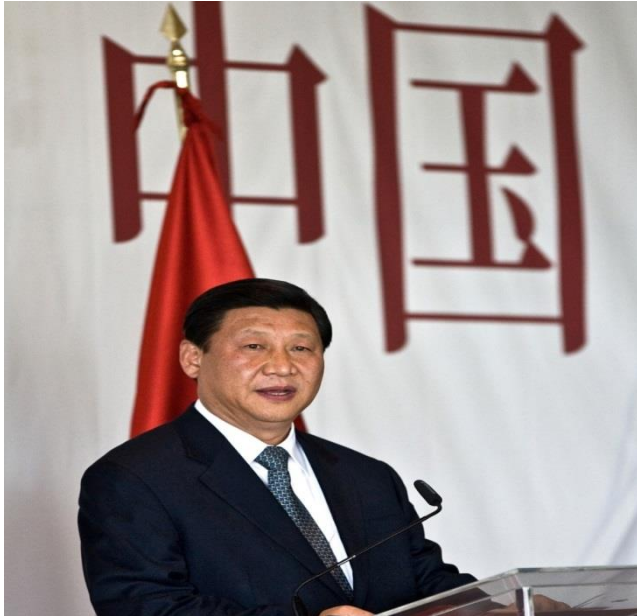
Capital Link Shipping Forum, 15th Feb 2017

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Background:

China's new five-year plan objectives

China in its 5th Generation of Leadership



China is at the crossroads with regard to its development. It is moving from resource intensive growth to value added growth, at a lower growth level, though.

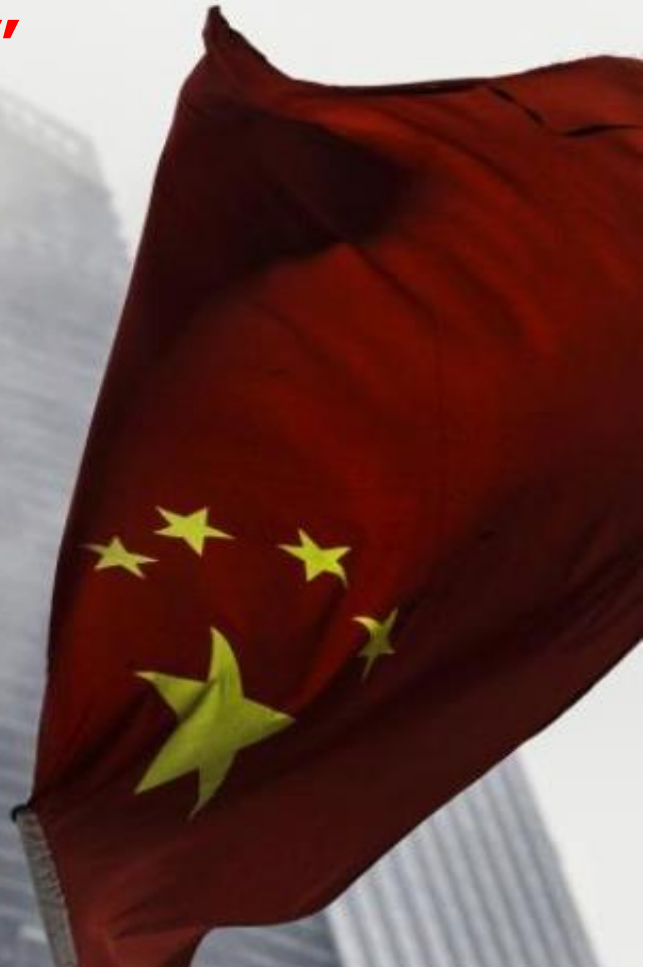
Towards new directions

From Exports & Infrastructure investments to a “New Normal”



Long-term social and economic development policies focus on

- **Environment**
- **Innovation**
- **Growth**
- **Social welfare**



Environmental protection high priority

- Stricter industrial damage control.
 - Goal: reduce energy / carbon intensity by 15% / 18% by 2020.
 - Shipping: ECA zones in China recently.
- High investments in renewables
 - Goal: non-fossil energy to account for 15% of total energy consumption in 2020, up from 12% in 2015.
- Economic growth
 - Goal: 6,5-7% yearly growth, adding a G20-sized economy, like Netherlands, to the world every year.

Further policy targets

- Supply-side reforms
 - cut overcapacity, improve efficiency, boost innovation.
- Lift 70 million people out of poverty to becoming a “moderately prosperous society” by 2021.
- Increase urbanization to 60% (today around 55%).
- State Owned Enterprises still at the core of economic development; restructuring and consolidation to continue.

The One Belt One Road China's strategic initiative

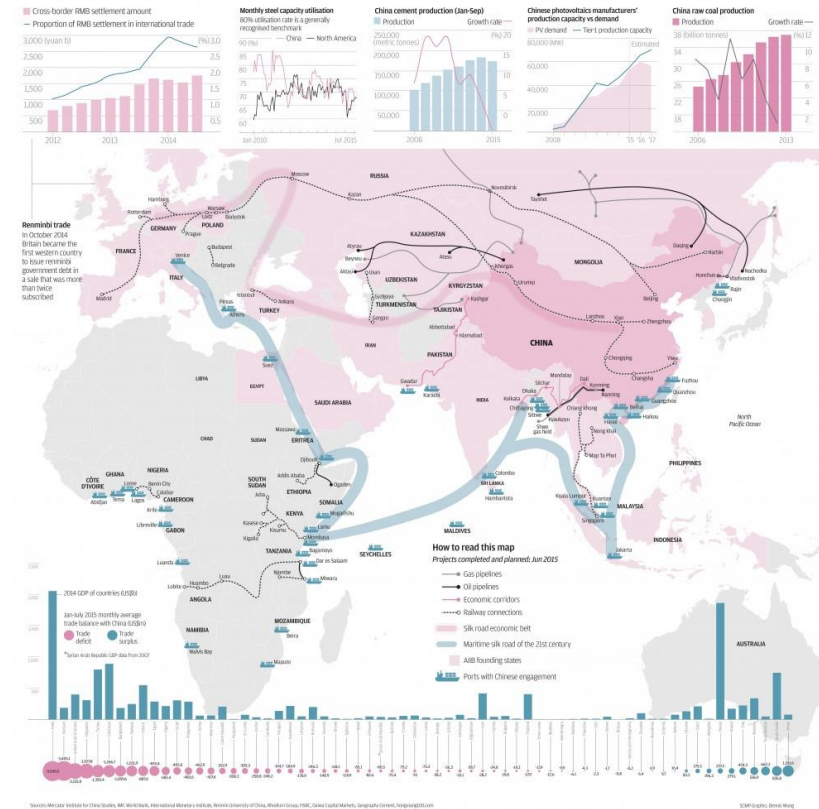
What is the one Belt one Road (OBOR)



The 'Belt' or Silk Road Economic Belt, and the 'Road' or Maritime Silk Road are designed to be complementary, aiming for **Better Infrastructure and Connectivity** to boost the growth of the countries along the belt and the road which OBOR covering about **65% of the world's population, about one-third of the world's GDP, and about a quarter of all the goods the world moves.**

OBOR: Drivers and ambitions

- Expanding the market: Easier access to **Chinese-made products**
- Creating **regional growth**
- Creating **land and maritime link** to developing neighbouring countries and beyond
- **Lower cost** of transportation
- Ensure Energy/resource **security**



South China Morning Post

OBOR: China's New Silk Road

- **Vital transport route for imports of oil, gas and other natural resources**
- Measures to improve performance include
 - upgrade ports;
 - improved logistics;
 - lower trade barriers;
 - infrastructure building as part of bilateral agreements: railways, nuclear plants, ports, ships etc.



Source: Gavekal/Dragonomics

Opportunities for maritime from OBOR

BETTER INFRASTRUCTURE AND CONNECTIVITY

- Significant investment plan (2 -3 trillion USD) in infrastructure development will create massive building materials, equipment and raw materials trading and transportation.
- Good infrastructure along the Belt and Road can promote international trade, which will in turn create shipping volumes.
- Improved connections between sea and land legs of trade movements can raise overall transport efficiency and reducing costs.

Opportunities for maritime from OBOR

■ Creating potential new shipping routes by the OBOR

Example:

- From Gwadar, the Middle East and Africa become more cost effective for transshipment to western China and central Asian.
- Shipment from China to Piraeus Port, via Indian Ocean and the Suez Canal, could possibly save around 10 days to enter Central or Eastern European (CEE) countries than the traditional routes in Europe .



The port at Gwadar has completed its first phase as one of the projects under the China Pakistan Economic Corridor funded up to \$46bn investment in progress

Opportunities for maritime from OBOR

- **Creating potential new demands and logistic hubs for container shipping**

Example:

The outflow of capital to the countries along OBOR will lead to higher living standard and more middle-classed consumers demanding container shipping/ logistic new routing and coverage.

- **Creating potential new trade flows from the import and export of materials/ equipment needed for the OBOR projects.**

Example: A few mega-coal fired power plants and steel mills in Pakistan would increase coal and iron ore imports.



Opportunities for maritime from OBOR

- **Port enterprises can seek Win-Win than just competition**

Chinese Ports, Ships Owners and Banks are strengthening their investment and cooperation with the European ports like the Piraeus Port (PPA), the port of Ambarli in Turkey and the ones in Hamburg, Antwerp and Rotterdam etc.

Example:

Since the operation by COSCO in 2008, the Piraeus Port has increased the handling capacity for container ship by 10 times close to 4 million TEUs, PPA's profits increased 24% in 2015.

New initiative: upgrade ship-repair zones in Piraeus area



OBOR financial support

■ OBOR's Financial Mechanisms

To integrate the maritime related to OBOR projects, including with the use RMB issued bonds etc.



Up to US\$240 billion fund for OBOR related projects:

- China's Silk Road infrastructure fund: US\$40 billion
- Asian Infrastructure Investment Bank (AIIB): US\$100 billion
- New Development Bank of the BRICS countries (NDB): US\$100 billion.

OBOR development projects in Asia

Some examples:

- ASEAN Free Trade Area: port facilities, transportation and communications, attract Foreign Direct Investments
- Pakistan: Infrastructure and energy agreement, USD 46 billion
- Australia: free-trade agreement, 95% of Australian exports to China tariff free. China accounts for a third of Australia's exports (LNG).
- Singapore: Continuing the development of Suzhou Industrial zone and Tianjin Eco-city, among numerous other cooperation areas
- Thailand: Railway, hydro power, energy and education.
- Indonesia: Infrastructure, agriculture, finance, energy, etc.

As a response: Chinese maritime and shipping development ambitions

- Port development
 - Structural changes making world hubs; Shanghai, Tianjin, Dalian, Xiamen, Shenzhen, Guangzhou, Qingdao and Ningbo-Zhoushan
 - Focus on smart ports: efficiency and automation.
- Ships and equipment; establish world-class ship design, ship-building and equipment manufacturing facilities. Greater control over design and production of ship engines. Strengthen R&D.
- Build more ice-breaking vessels to support polar expeditions
- Deepwater – becoming stronger on the global maritime arena; deployment of drillships, subsea geological research, “deepwater space station” introduced – a manned submersible for complex subsea research.
- Deepsea R&D focus to become a global maritime powerhouse; enhance understanding of oceans, helping environmental protection.

To conclude and stimulate further discussion...

OBOR is creating sought-after economic activity

Global geopolitics always an uncertainty

How the shipping industry will take advantage of the opportunities?

Thank you very much for your attention!

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