

SPEECH
OF THE SECRETARY GENERAL
OF THE HELLENIC MINISTRY OF MERCANTILE MARINE,
AEGEAN & ISLAND POLICY
Prof. John TZOANNOS
At the MARE FORUM CONFERENCE:
“SHIPPING CHINA ENERGY 2008”
(Shanghai 24-25.04.2008)

Mr Chairman,q
Distinguished Guests,
Ladies and Gentlemen,

I would like to express my warm thanks to the organisers of today's event and to stress that is a great pleasure and honour for me to be addressing once again such a distinguished international audience.

Moreover, it gives me great pleasure to be here in China, a country which is one of the main centers of shipping activities and has a dominant position in today's maritime world.

The **modern economy** is based on the constantly increasing consumption of natural resources resulting in a need to secure sufficient and cheap energy on a long-term basis. At the same time, energy is a fundamental pillar for quality of life and growing opportunities for developed and developing nations. Therefore, ensuring sufficient, reliable and environmentally responsible supplies of energy at prices reflecting market fundamentals is a challenge for all countries and for mankind as a whole.

In this context, **shipping has a good track record** and a good story to tell. The shipping industry is considered to be the “vehicle” that carries commodities from production areas to the consumption

markets. The above indicated transportation of world trade commodities, including the energy ones (crude oil and products, gas and coal), is actually implemented safely, securely, efficiently and at a fraction of the environmental impact and cost compared to any other mode of bulk transportation.

Seaborne oil trade (mainly crude oil and oil products) is estimated to have further increased by 2.3 per cent to 2.35 million tonnes in 2006. Hence, seaborne oil trade increased at a slightly slower rate compared to 2.9 per cent in 2005.

At the same time, particular emphasis should be attributed to the significant increase of tonnage capacity in the world merchant fleet development. To name but a few characteristic examples in terms of percentage increase as to the previous year: 6% increase for oil tankers and 4.7% increase for liquid gas tanker market segment¹.

At this point, I would like to underline the fact that the Greek shipping industry which controls approximately 1000 tanker vessels with transport capacity of nearly 80 million total DWT², is a key provider of services that support the sustainable and secure distribution of energy products around the world.

Against this background it is worth noting the high degree of complementarity between China and Greece in the maritime sector: Greek shipowners provide maritime services in the seaborne trade of energy products to China and at the same time are important customers to Chinese shipyards.

Moving westwards it is also worth mentioning that Greece nowadays serves as the eastern gateway of the Mediterranean and trans-shipment center to the EU. The recent signing (2007) of the Burgas/ Alexandroupolis pipeline and the Turkey/ Greece/ Italy natural gas pipeline enhanced the strategic importance of Greece as an energy hub moving oil and gas to Europe. Thus, Greece is serving the emerging markets of the Balkans and the Black Sea and maritime

¹ ISL. 2007. Shipping Statistics and Market Review.

² ISL. 2008. Shipping Statistics and Market Review. Vol. 52. No ½.

transport allows the energy sector to fulfil its essential role for the world economy. The Greek commercial fleet is instrumental in this process.

It is well known that trade in merchandise and unfinished goods increases faster than the world's GDP, and so does the demand for maritime transport services. During the recent years the global economy expanded strongly, with gross domestic product (GDP) growing at 4 per cent. Respectively, in 2006, world merchandise trade recorded a robust growth of 8 per cent. This is double the growth rate of world GDP, and highlights the effect of globalization and the deepening of economic integration.³

This boost on world merchandise trade is primarily due to China's industrialization, growing import demand for raw materials and energy commodities and increasing integration into the global economy. The economic growth in China has been extremely rapid since the start of economic reforms just over 25 years ago. In particular, the economic growth has averaged 9½ per cent over the past two decades and seems likely to continue at that pace for some time.

With this steady growth in mind, it is obvious that China will continue to rank among the major energy commodities importers, while it is possible that China could become the largest exporter in the world by the beginning of the next decade. To this extent, **international trade remains a key driver behind China's impressive economic growth and it is critical to its future development.**

As China's import and export trade is forecast to expand at exceptional high rates, no industry will be more affected than shipping, particularly as the rising volumes will be accompanied by a sharp increase in competition when overseas companies swarm in for a share of the Chinese market.

³ UNCTAD. Maritime Review. 2007.

Ladies and Gentlemen,

We are entering into a new era where **the new patterns of world-trade** will completely change the business as we know it today. There are a number of challenges ahead and we have to be ready to deal with them. As a result in order for someone to do successful business in shipping in an efficient manner within the current commercial context he must be aware of the exact rules of the game and how to play by the rules.

Considering the above, there is an imperative need to continue to secure free access and fair competitive conditions throughout the global shipping market. It is for this reason that Greece steadily supports the application of free and fair competition and firmly opposes any form of unilateral protective measures and practices which may hamper the flow of sea trade.

The **regulatory environment** is also of crucial importance for the success of any shipping activity. All stake-holders should know exactly where they stand as far as rules and regulation are concerned. Obviously, the regulatory environment should not remain unchanged for ever, but whenever there is a real need for new measures to be introduced, this should only be done after an exhaustive dialogue with the interested parties so as to avoid any “hasty” reactions which could lead to measures of doubtful results. Moreover, any new measures taken should enjoy global acceptance and application to the greatest extent possible. It is for this reason that Greece has always recognized and supported the role of IMO with regard to the development of legislation relating to maritime safety, marine environment protection, and last but certainly not least maritime security.

Taking into account that **governments ship-owners charterers, insurers etc are becoming more and more quality oriented** and that ships are designed according to more enhanced standards than ever before, our emphasis now should focus upon ensuring that respective standards of seafarers training, and of the labour force working in shipyards are equally high.

In such an unprecedented climate of euphoria for the shipping sector internationally, due to the substantial markets developments, inevitably our thoughts turn to the **human element** and specifically to the officers needed to man the global fleet. International shipping requires properly educated professionals to be employed at sea and eventually later on shore. We would welcome a potential radical review of the existing maritime education system, in order to achieve the level of training required to serve onboard modern sophisticated vessels.

In the same context it should be stressed out that it is now ten years since the **radical STCW amendments** entered into force, imposing additional responsibilities on employers, flag states and most critically, those labour supplying nations responsible for the quality of seafarer's training. Greece fully shares the IMO objectives in respect to the IMO detailed review of the STCW Convention to identify potential areas of improvement, including those related to further refinements to the "white list" process and to the need to greater emphasis to be attributed to training in environmental management.

At this point, I would like to turn to two additional elements related to the smooth operation of international seaborne trade within the current global shipping policy context: Firstly the aspect of securing smooth operation of vital international shipping lanes, and secondly policy considerations linked with the environmental challenge.

In this context, emphasis should be attributed to the **increasing threat of piracy around the world**, including the Straits of Malacca and Singapore in south-east Asia.

During the 25th Assembly of IMO, the Greek Minister of Mercantile Marine, Mr. Georges Voulgarakis, announced its decision to donate one million dollars to support projects aimed at enhancing further the safety, security and environmental protection of the vital shipping route through the Straits of Malacca and Singapore which serve some 30% of world sea borne trade.

In respect to the second element related to the environmental challenge allow me to underline that Greece fully shares the increased awareness of the extremely serious issue of “global warming”. In this respect, **the contribution of international shipping to air pollution and climate change** should be examined very consciously. Reliable and safe conclusions should be drawn based on scientific research and proper studies with facts and accompanied statistics, illustrating the environmental, technical and financial dimensions of the issue.

In this respect we welcome the agreement reached recently at the IMO Marine Environment Protection Committee on new sulphur emission limits in maritime transport. Our country played an active role in reaching this agreement.

Furthermore, proposals submitted to the IMO for countering the issue of Green House Gas emissions, especially CO₂, and identifying potential solutions within a set of common approved set of principles, are warmly supported by Greece.

The necessity to reach, effective and realistic measures within the framework of the IMO, which is the competent regulatory body for international shipping, is imperative.

Ladies and Gentlemen,

With **economic globalization being order of the day**, we all face the necessity to develop friendly relations and cooperation with other nations. Taking into account that the EU shipping companies control more than 40% of the world fleet and that China is the EU's second largest trading partner, allow me to mention the issue of current EU-China relations at bilateral and at multilateral level, as well as the future perspectives of these relations.

The **EU and China enjoy excellent maritime relations**, which are based on the 2002 signed bilateral maritime agreement, between the European Communities and its Member States and the People's

Republic of China. The agreement apart from traditional commercial clauses -like market access, supply of services and commercial presence- which improve the conditions under which maritime cargo transport operations are carried out, covers also general co-operation clauses on all important issues of maritime relevance such as safety, training and security. In particular, the agreement is based on the principles of freedom to provide maritime transport services, free access to cargoes and cross trades, unrestricted access to and non discriminatory treatment in the use of ports and auxiliary services as well as regarding commercial presence. It covers all aspects of door-to-door services. It also deals with maritime transport cooperation notably in international organisations such as the IMO, ILO and WTO.

Taking into account that this agreement entered into force on 1 March 2008, I strongly believe that the economic development of the EU and China will further boost for the benefit of world trade in general and maritime transport operators in particular. Furthermore, I am pleased to note that our maritime cooperation in such important areas as maritime safety has also been strengthened on the basis of this agreement.

At multilateral level, China has been an active participant in international economic cooperation. After years of unremitting efforts, **at the end of 2001 China became a member of the WTO.** Nowadays, China stands for equal participation by all countries in the making of decisions and rules concerning the world economy, and is ready to step up cooperation with other WTO members to push for the new round of multilateral trade negotiations. Given the current global economic situation, the continued opening-up of China's market and improvement in its investment climate will provide new opportunities for foreign investors. It is also an important contribution made by China to a speedy recovery of the world economy, since the extremely high growth in the country's exports and imports helped stimulate the world economy and the maritime markets in particular.

In addition, since China represents a reliable partner within the WTO/GATS context on maritime transport services, a potential close EU-China co-operation within the GATS "Friends of Maritime" group

could significantly contribute towards liberalising maritime transport services in the GATS framework.

Furthermore, co-operation within the context of maritime safety / security / training and certification should be pursued more actively given :

(a) China's emerging position as a significant maritime transport services provider (including its position as major labour supplying country provider) and

(b) China's leading position in international organisations with maritime significance, namely the IMO -elected for IMO's 1st Council category, representing countries with strong maritime interests and the ILO.

Ladies and Gentlemen,

I wish to close my speech with a message to all the decision makers and those who shape maritime policies at national and international level.

I think it is a common perception that shipping does not need regional measures and restrictive practices. On the contrary it needs rules of global acceptance and policies of wide acceptance aiming at the promotion of a free trade environment. Otherwise we might create unnecessary impediments to the smooth supply of energy to consumers.

We should always bear in mind Goethe's assertion that "free sea creates free people" and this freedom maximizes the wealth of the people and serves the true purpose of merchant shipping.

Thank you for your attention.