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## About YPSN

The YPSN monthly newsletter aims to provide you with the latest developments affecting our members in shipping in Hong Kong and broader China.

If you are interested in registering as a member, sponsoring an event or suggesting activities for YPSN to organize, please feel free to get in touch with us on [youngprofessionals.shipping@gmail.com](mailto:youngprofessionals.shipping@gmail.com)

# Shipping and the Credit it Deserves

**F**ar too often, shipping is referred to as a 'hidden' industry.

Few outside the realms of the industry have heard of its merits and its qualities. Whereas in the past great Empires were built on maritime might, great cities were often built aside major maritime trading posts and ships of all shapes and sizes were the primary means of intercontinental transport, in the last fifty years the shipping industry and its activities have, in many parts of the world, been sidelined in the public's perception with the rise of the aviation and automobile industries. Nowadays, ports have moved out of city centers, people travel the world on jet planes and Empires are built on the strength of a nation's air force or economic clout more than anything else.

Those of us who are in shipping know that without it the modern world would effectively cease to function and are often bemused by the public's ignorance when we are aware that everything from our hats to our shoes, to our fridges and furniture have arrived at our homes as a direct result of the ships that transported them. Let alone the coal that burns to give us power and the oil that is consumed in engines and factories, cars and planes. When shipping stories do hit the headlines, they often spell disaster for the industry as they magnify the undesirable effects of oil spills, collisions, wreckages, piracy and sometimes even human fatalities. Indeed, since most people take it for granted, it is hard to assess really what is

good publicity for the shipping industry. As a result, shipping companies have for many years purposely remained out of the spotlight, adding to the secrecy of the industry and preventing, among other things, the exposure of its merits and its qualities.

This popular position taken by a majority of shipping companies has had a detrimental impact on the industry as well as on the long term players who have pursued it for decades and generations, not least

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because the lack of transparency has admitted both space and license for media speculation, especially in the event of accidents or crises. It may sound paradoxical at first, but the most effective way of eliminating the risks to defamation and raising awareness and appreciation of the benefits of shipping is to be in control of your own storytelling, and this can only happen with openness.

In the last ten years, technological innovation particularly in the area of communication has been rampant. New online markets have been established

and entire industries have had to change the way they operate in the face of new opportunities and competition. It is not only the communication mediums that have been impacted by technological advancement but also the number of communication channels and points-of-contact that have increased. Today, it is common for people to receive vast amounts of information daily from various platforms including the press, television, email, social networks, through apps and the internet. In addition, communication is increasingly becoming a two-way process centered around the development of relationships, and although this creates unparalleled opportunities for businesses to connect with their customers, the shipping industry, as a traditional B2B industry, has viewed such opportunities with skepticism and fear.

Certain companies have seen the opportunities and seized them. In the last two years, first-movers such as Maersk Line have set up a broad social media presence which currently boasts nearly two million Facebook likes, over 20,000 followers on Twitter and over 26,000 followers on Instagram. It may seem like greater brand awareness as well as the ability to better expose the merits and qualities of the shipping industry to a broader public which consequently leads to a more respected and accepted industry in the public's mind.

Parallel to a growing trend of start-up enterprises, particularly in the tech sector in recent years, the

shipping industry also has its share of online start-ups that attempt to increase transparency and social interconnectivity online. Examples such as seafolks.com, aboutcrew.com and Se@menow are all new online platforms that aim to increase communication between seafarers and their families, shipping professionals onshore as well as providing useful information about ports and facilities available for seafarers to utilize. Although innovation in this area is still in its infancy and enterprises such as the ones mentioned have experienced challenges in growing their networks, it remains an extremely exciting untapped market that has the capacity to make seamanship a more attractive career proposition and draw much needed labour into the industry. In addition, technological progress being made in maritime hardware, especially in the field of satellite communications, is also increasing transparency in the industry. Improvements in satellite communication technology makes it easier for the industry and the general public to track vessel positions worldwide in real-time and enables internet connectivity via satellite operators in the deep oceans permitting seafarers to publicly share unfiltered news of events as they happen, amongst other benefits. This may sound daunting to shipowners and ship managers (in case inclement news is spread by social media unknowingly to the company) but in an industry where 200 out of every 3000 new cadets reject seagoing careers on the basis that ships do not often have internet or Facebook, this development may come as a blessing to shipowners and managers who implement it.

However, technological advances are not the only way to push for greater transparency and awareness in the shipping industry. Wah Kwong Shipping of Hong Kong, to name only one, has in recent years taken a more conventional approach to education and transparency by offering a glance behind the company's internal practices as well as publishing an illustrated book titled 'A Tale of Two Ventures' which has been distributed throughout schools in Hong Kong and is planned to be exhibited in maritime museums around the world to showcase what is positive about the industry. The book highlights the life of a ship: from the iron ore mined in Brazil used for the steel plates which make the hull of the ship through to the finished vessel loading iron ore bound for China. A true circle of life, if ever there was one.

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But although many shipowners are supportive of greater transparency and awareness in the industry, either willingly or forcefully through market flotations and shareholder pressure, still many view it skeptically. Many in the industry fear the impact that crew and employees' Facebook comments or tweets can have on a company's reputation, especially in times of crises. They fear that if internet connectivity existed onboard as it does on shore, that seafarers would

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be distracted from their duties and responsibilities. Some even consider modern technology and greater transparency as irrelevant and unnecessary in a B2B operation that does not seek business from end consumers. Although these concerns are partially valid and should be considered, their effects are more like bottlenecks than progressive suggestions. Frankly, the need for greater communication and the technological advances that aid its progression is a powerful phenomenon that shipping is unlikely to hide from or succeed in suppressing. It is therefore a wise act for the industry to exploit this technology and drive towards greater communication in order to maximize its benefits and opportunities.

Another exemplary shipping company that has endeavored to utilize modern communication technology internally has been Teekay Shipping. Teekay has understood that by improving employee welfare consideration through the implementation of enhanced communication technology, the company increases employee motivation and productivity and harnesses it for commercial benefit. That is why the

company recently developed an internal communications network where its 7,000+ staff onshore and at sea can communicate to each other in either closed and harnesses it for commercial benefit. That is why the company recently developed an internal communications network where its 7,000+ staff onshore and at sea can communicate to each other in either closed or open forums, have access to videos from senior management and mark out the stories they like. Apart from uniting employees internationally and creating a platform where corporate culture can more easily be streamlined, the technology also allows for information to be distributed and shared faster and more efficiently. This in turn assists in the process of getting news and views to company HQ and senior management before it reaches media channels and the broader world thus allowing the company leeway in preparing an appropriate response in a crisis situation should any case merit such attention.

Those of us who are in shipping know that not only do ships make global trade possible, not only are ninety percent of goods worldwide carried by sea but that shipping is also the "greenest" and safest form of mass transportation. We know its merits and qualities and its significance to public welfare is unmeasurable. However, that is a vision that the great global public often fail to appreciate. And as long as the shipping industry remains virtually invisible to the public domain, either intentionally or through a general lack of news, knowledge or education, the more will it fail to re-establish a public reputation and appeal in the 21st century. Conversely, the more the public can appreciate the role of shipping the easier it will be for shipowners, charterers, managers and financiers and everyone else involved in the industry to stand up and rebuke the periodical bad publicity that comes along and rather sing the praises of an industry upon which the world relies. Put simply, the time has come for the shipping industry, with an inherently traditional approach to life, to embrace the power of communication and modern technology and utilize it effectively to receive the credit it deserves.

- Andrew Oates, Marketing Associate,  
Wah Kwong Shipping  
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[www.marinemoney.com](http://www.marinemoney.com)

## The Increasing Significance of Sanctions

Economic sanctions have increasingly been used by 'the West' against so-called 'rogue states' and certain nationals from those states as a means to further their political interests.

This has been well illustrated by the Ukraine crisis this year. The USA opposes the assertion of Russian governmental authority in the Crimean region without the authorisation of the Government of Ukraine. As a consequence, in March, the USA issued a series of Executive Orders, which place sanctions on individuals and entities responsible for violating the sovereignty and territorial integrity of Ukraine, as well as blocking the property of certain persons contributing to the situation. The sanctions were designed to increase the diplomatic and financial costs on Russia and those responsible for the situation in Crimea.

Practical implications of such sanctions are, among other things, to limit certain financing to six of Russia's largest banks and four energy companies. Financing for economic development projects in Russia is also affected as there now exists a prohibition on credit financing and the exportation of goods and technology in support of certain energy projects in Russian territory.

The EU has also imposed sanctions against:

- *the import of all goods originating from Crimea;*
- *the export of 'key equipment and technology' related to the creation, acquisition or development of infrastructure in Crimea and Sevastopol;*
- *the export and sale of dual use goods and technology to any person, body or entity in Russia, or for use in Russia, if those items are intended for military use or for the military end-user; and*
- *the investment in key sectors such as transport, telecommunications, energy and the exploitation of mineral resources.*

As of September 2014, the USA and the EU have continued to impose further sanctions to tighten restrictions on Russia's state finances, energy and arms sectors.

Russia has also retaliated with its own set of sanctions banning the import of a wide range of agricultural products from the EU, US, Australia, Canada and Norway, which took effect immediately resulting in many goods becoming 'banned' mid-transit.

### Who will be affected?

The Ukraine and Russian sanctions potentially have wide ranging effects and in the context of the maritime industry, have the potential to affect all parties in the supply or contractual chain. For instance, the USA's Executive Orders apply to "United

States persons", which is defined by the Office of Foreign Assets Control (OFAC) to mean "any citizen, permanent resident alien, entity organised under the laws of the United States (including foreign branches), or any person (i.e. individual or entity) in the United States."

European sanctions apply within the EU, to any person who is a national of an EU member state, to any company incorporated in an EU member state and to any person or entity in respect of any business conducted in whole or in part within the EU.

However, this does not mean that non-US or EU citizens will not be affected. With the US dollar being the dominant currency of international trade, companies that trade with sanctioned companies or individuals in US dollars could find their USD transactions frozen by US banks or, that their counterparts renege on payment obligations under contracts due to sanctions imposed against them.

### What can businesses do to avoid sanctions-related problems?

The sanctions arising out of the Ukraine crisis are just one example of sanctions that have been imposed by 'the West' on 'rogue' countries. Just look at the US Office of Foreign Assets Control (OFAC) website and you will realise that there are more sanctions in place than one would have imagined. The types of sanctions range from sectorial sanctions which target specific industries (e.g. the financial industry or deep sea mining industry), country specific sanctions, sanctions against individuals or sanctions banning the trade in specific types of cargo. What is apparent is that economic sanctions are here to stay. Businesses will therefore need to keep abreast of sanctions updates and adapt their operations to avoid sanctions-related fines or issues.

Due diligence is key.

Business should put in place a compliance programme, which could entail the following measures:

- *the inclusion of sanction clauses in contracts;*
- *the conducting of due diligence exercises on customers;*
- *the monitoring of goods being shipped to check whether they comprise restricted items; and*
- *the periodic auditing of compliance procedures.*

Ince & Co has considerable experience in advising on sanctions. If you have any question in relation to sanctions, please contact Suyin Anand (suyin.anand@incelaw.com), Ronald Wan (ronald.wan@incelaw.com) or your usual Ince contact.

- Suyin Anand, Partner, Ince & Co

# The Development of ICS, Hong Kong



# ICS

## Institute of Chartered Shipbrokers

The Institute of Chartered Shipbrokers (ICS) was founded in 1911 ([www.ics.org.uk](http://www.ics.org.uk)). After it had set the standards for professional education and qualifications amongst practicing shipbrokers to satisfy His Majesty's Privy Council, a Royal Charter was granted in 1984. Membership of ICS is internationally recognized as a mark of professionalism in the shipping business worldwide. Only Fellows of the ICS may receive 'Chartered Shipbroker' status. With 25 branches and 17 Institute Teaching Centres around the world, the members of ICS are part of an internationally recognised network of shipping professionals who not only work towards high professional ethical standards of trust, but who also have proven knowledge, competence and understanding of the broad spectrum of shipping business.

The Institute of Chartered Shipbrokers, Hong Kong branch ([www.ics.org.hk](http://www.ics.org.hk)) was established in 1963. We celebrated its golden jubilee last year. We wish to mention that our Branch members comprise not only of shipbrokers but also accountants, lawyers, marine surveyors, marine insurance brokers, seafarers, academics and other professionals working for shipowning, ship management and ship agency companies. To echo the Hong Kong SAR Government's support to strengthen Hong Kong as an international maritime centre, our mission is to promote maritime education and enhance the knowledge of young practitioners to face the challenges in the industry.



- ICSHK Golden Jubilee

We have been giving scholarships to the Department of Logistics and Maritime Studies of The Hong Kong Polytechnic University (PolyU) and Hong Kong Community College of PolyU in past years as a gesture of encouragement to young talents as our successors.

We assign our members to teach the diploma/certificate course(s) organized by the Institute of Seatransport with School of Continuing and Professional Education ("SCOPE") of City University of Hong Kong.



- ICSHK Study Group

We conduct our ICS Study Group course with the support of the Institute of Seatransport, Hong Kong Logistics Management Staff Association, Hong Kong Seamen's Union and CY Tung International Centre for Maritime Studies of PolyU. The purpose of the course is not only to guide practitioner-students preparing for the ICS Professional Qualifying Examination through tutorials and group discussions, but also to offer those interested parties a platform for broadening their shipping knowledge. The ICS annual examination is held in April every year. However, ICS is introducing an additional examination this year to be held on 24-27 November 2014 but only for 8 popular subjects.

We organize evening talks and also collaborate with other institutes/associations for joint functions. This year we invited Mr. Jonathan Silver of Howse Williams Bowers to give us a presentation on "Ship Lease Finance" on 28 February 2014 and Prof. Anselmo Reyes on "Some Thoughts on Making Arbitration More Affordable" on 10 June 2014. Prof. Reyes' talk was co-organized by the Asia Pacific Regional

Office of the Hague Conference on Private International Law and the Hong Kong Institute of Arbitrators (HKI Arb). During July-Sept, we co-organized with HKI Arb a presentation on "Judicial Support of Arbitration" given by The Hon Madam Justice Mimmie Chan and also for a series of talks on maritime law, namely "An Introduction to Maritime Arbitration" by Mr. Matthew Lam of Clyde & Co.; "Interim Measures and Awards in Default of Appearance" by Prof. Anselmo Reyes; "Arresting Ships to Enforce a Maritime Arbitration Award: A Back-door? Recent Developments in Hong Kong" by Mr. TANG Chong Jun of Hill Dickinson; "Sharing of Maritime Cases" by Mr. Philip Yang and "Marine Casualties" by Mr. Mike Mallin of Hill Dickinson. We treat these as a continuation of our professional development programme. Our aim is to provide the opportunity to our members for sharing knowledge, exchanging views on topical issues and networking among different disciplines. We would like to do more as far as our resources allow.

Furthermore, we have successfully developed the ICS training programme in Taipei with Taiwan International Ports Corp. Ltd in March this year. We also supported the ICS Training Centre in Shanghai by giving occasional lectures.

We sponsor and support Noble Group for its annual event of "Noble Cricket Sixes". We have a young member soccer team to participate in the "Pacific Basin Sixes" tournament every year. We also participate in other events arranged by the Nautical Institute Hong Kong and the Young Professionals in Shipping Network.

With the support and recommendation of Hong Kong Shipowners' Association, the ICS examination fee and course fee would be considered under the refund scheme of the 'Maritime and Aviation Training Fund' initiated by the Hong Kong Maritime Industry Council. We hope that it will generate more interest from young practitioners to acquire the ICS internationally recognized qualification in shipping industry.

- Y.K. Chan, Chairman, Institute of Chartered Shipbrokers, Hong Kong Branch



YPSN EVENTS

NOVEMBER, 2014



**Asia Logistics and Maritime Conference 2014**  
 Tuesday 18 - Wednesday 19, November 2014  
 Hong Kong Convention & Exhibition Centre  
 almc@hktc.org

INDUSTRY EVENTS

OCTOBER, NOVEMBER, 2014



**SCLP Networking Mixer**  
 Thursday, 16 October 2014 (18:00 - 20:00)  
 Insiders Bar, 1/FUp, Kan Chung Building, 17 Fenwick Street, Wan Chai  
 mark@markmillar.com



**SCLP Networking Mixer**  
 Wednesday, 19 November 2014  
 Venue TBA  
 mark@markmillar.com



**2nd Iron Ore and Coal Shipping Summit Hong Kong 2014**  
 Monday, 17 November 2014  
 InterContinental Grand Stanford Hotel  
 global@mareforum.com