East Med and Black Sea Overview 2010

Greece received emergency bailout of €110bn.

Greeks protest the government's austerity measures

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Greek News

Greek Economic Woes

Greek news has been dominated this year by the country's economic troubles. It started with the revelation by the new government shortly after it came into power at the end of last year that the country's budget deficit for 2009 was double what they had previously been led to believe. With the deficit at 13.6% and debt levels at €300bn the country's crisis began.

Discussions began early in the year on a rescue package culminating in Greece receiving an emergency bailout in early May of €110bn, the largest bailout ever assembled. The EU agreed to pay €80bn with the remainder coming from the IMF on the condition that the government take certain measures to curb spending and cut deficits.

Since then the government has embarked on a three-year austerity programme, including cutting government spending, reducing the size of the public sector, decreasing tax evasion, reforming the health care and pension systems and structural reforms to the labour and product markets. VAT was increased from 21% to 23% and taxes were raised on fuel, alcohol and tobacco.

The measures helped to cut the budget deficit by 45.4% in the first half of the year compared with the same period last year, which was more than the targeted 39.5%.

However, the economy continues to shrink and is not expected to recover during the next year. In the third quarter of the year GDP dropped by 4.6% and unemployment soared to 12.6%. Trade has also been affected, with exports for the third quarter dropping by 1.1% while imports plunged by 17.8% due to falling demand.

Greek Shipping Remains Stable

The Greek shipping industry has been relatively unaffected by the country's economic problems. According to the Bank of Greece income from transport activities, which are almost exclusively shipping-related, grew 15% in the first nine months of the year to €10.4bn. Greece is still number one on the list of ship owning nations controlling over 15% of the world's fleet.

Hellenic Shipyard Deal Finalised

A long awaited deal for the sale of Greece's largest shipyard was finalised at the end of October. UAE group Abu Dhabi Mar agreed to purchase 75% of Hellenic Shipyards, with current German owners Thyssenkrupp to retain 25%. Activity at the yard had slowed during the year due to delays in the sale. New owner ADM is involved in building naval vessels and superyachts, with yards in UAE, France and Germany.

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Turkish News

Government Support for Turkish Shipbuilders

Although the Turkish economy has survived the economic crisis relatively unharmed, with growth this year of around 7%, the country's shipbuilding industry has been less lucky. During the boom many yards rushed to build ships on spec and the downturn has now left them with half-built ships or unable to find a buyer for completed vessels.

Following intense lobbying the Turkish government has decided to implement a support package for the industry, which will allow yards to complete around one third of the 82 ships currently under construction.

The government's Credit Trust Fund will guarantee up to 60% of the finance required by yards or buyers to finish ships, offering an incentive to banks to provide finance.

Officially 67 Turkish yards are currently active and they are expected to deliver 11 ships this year and 51 in 2011.

In order to cope with the drop in newbuilding orders, many yards have turned their focus to ship repair work, including TGE/Gemak, Sedef and Cicek yards in Tuzla and Besiktas Shipyard in Yalova. At least one shipyard, Soli Shipyard in Kocaeli in the gulf of Izmit has sold up this year to Turkish construction group Enka. The yard, which was established in 2006 had built seven ships, two of which failed to be taken for delivery and these have since been managed by a Greek company for the yard's owners. Another Turkish Shipyard based in Eregli, Med Marine, has also set up a shipowning company to charter out three chemical tanker newbuildings which were cancelled.

New Licensing Requirement for Shipbrokers

A new law will require all shipbrokers in Turkey to be licensed. The move has been welcomed by the Turkish Shipbrokers Association as one which will improve standards in the field.

The Ministry of Transport will oversee the brokers and require new entrants to pass accreditation tests. A commission will be established to handle complaints and will have power to revoke licenses.

Turkish shipbuilders receive government support to complete newbuilding projects.

Greek News

Chinese Invest in Greece

A number of investments in Greece have been kick-started this year during a series of visits throughout the year by Chinese delegations. Last year Cosco was awarded a 35-year concession to develop and operate two of the three container piers in Piraeus. In a visit in May this year, Cosco Chairman Wei Jiafu promised to promote Piraeus as a regional transshipment hub and calls at the port have already increased substantially. Since then Cosco and Piraeus Port Authority have also been in discussions on a tender for a 30 year concession for a €750 new planned transshipment and logistics centre outside Piraeus.

In September Chinese Prime Minister Wen Jiabao committed to more than €5bn of direct investment, the majority of this in the form of large-scale shipping loans from Chinese banks to Greek shipowners to fund newbuildings at Chinese yards. The pledge came on a state visit, at which three loans were signed for Greek shipping companies. Exim Bank signed two deals in conjunction with DnB NOR, a $111m loan to Angelicoussis Shipping for the purchase of three mini-capesize bulkers and a $82.6m loan to Diana Shipping for two newcastle bulker newbuildings. China Development Bank signed a $72.4m loan facility for the purchase of a very large crude carrier by Cardiff Marine.

Agreements were also made in the freight and telecommunications and fields.

Turkish News

Turkish Company buys stake in CMA CGM

The Turkish Yildirim Group has provided a cash investment of $500m in return for 20% of the French shipping line CMA CGM. The French group had been looking for investment in order to restructure its large debts, mostly associated with its vast orderbook.

Under the deal, Yildirim will invest $500m by acquiring five year convertible bonds in CMA CGM, giving access to 20% of the company's share capital and three of the ten seats on the board of directors. There is speculation of a planned IPO at the end of the five-year period.

Yildirim is a private, family owned Turkish conglomerate with interests in shipping, shipbuilding, mining and port management, as well as fertiliser, chemical, coal and energy trades. The CMA CGM deal is the company's first venture in the international shipping market, but in Turkey the company has built a significant portfolio, with a fleet of bulk carriers and tankers set to reach 24 vessels by 2015.

Plans to Develop Turkish Ports

Plans have been announced this year for development of a number of Turkish ports. In excess of $280m will be spent on expanding the port of Izmir. The five-year programme includes improving and extending the cruise terminal to host five or six cruise ships at a time. A second phase involves construction of a new container terminal and a new docking channel allowing access by larger container vessels to the port.

Yildirim Group, the conglomerate behind the $500m cash injection into CMA CGM, is also developing Yilport, the country's most modern container port on the Asian side of Istanbul. This is a $500m investment plan spread over six years, which is half way to completion.

Turkish construction group Limak won a $372m tender earlier in the year for a 36-year concession to run the general purpose port at Iskenderun, close to the Syrian border. The port is in a strategic location, serving both south and south east Anatolia, and transit traffic to the Middle East. It caters for bulk, general cargo and ro-ro vessels, with intermodal connections to both rail and highway networks. Last year under ownership of the Turkish state railway it handled 2.4m tonnes.

Greek News

New Marine Ministry to Spearhead Development

Shipping is to take a key role in plans to revive the Greek economy. A number of government decisions made throughout the year have highlighted the importance of the shipping industry to the Greek economy. One of the most significant was the reversal of the decision late last year by the newly elected government to abolish the stand alone shipping ministry. Following that decision responsibility for shipping fell within the Ministry for Economy, Competitiveness and Shipping. The decision met with protest from the shipping industry and continued to attract criticism as the newly formed ministry struggled with the larger issues affecting the Greek economy throughout the year.

Following some re-shuffling throughout the year, in September the government succumbed to pressure and re-established a stand alone shipping ministry, officially known as the Ministry for Maritime Affairs headed by Yiannis Diamantides. The industry has welcomed the move as a sign of the national importance of Greek shipping.

Posidonia Draws Crowds

Amidst angst over the Greek economy, international shipping exhibition Posidonia was a reminder that Greek shipping remains relatively healthy. This year's exhibition was the largest so far, with 30,000sqm of floor space, over 1,850 companies from 86 countries taking place and 18,000 visitors.

Greece Liberalises Cruise Industry

The Greek government has abolished cabotage in the country's cruise sector, opening the industry to non-EU flagged vessels. The new legislation allows cruise vessels with non-EU flags to be based in Greek ports and offer round trip itineraries. Despite protest earlier in the year by seafarers unions there are no obligations on cruise operators to employ Greek crew.

The move is intended to promote visits by more cruiseships to Greek ports, with increased revenue as a result of sideline tourism. Cabotage restrictions had inhibited the Greek industry and led to an increase in cruise activity in rival countries like Italy. Studies suggest that abolishing cabotage in the cruise industry could result in additional earnings of around €1bn annually through associated tourism and could result in creation of 14,000 new jobs.

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Turkish News

Calls for Cut in Tanker Traffic

The Turkish government met with executives from the world's oil majors in July this year to urge them to cut tanker traffic through the Turkish straits. In 2009 18,866 tankers passed through the Bosphorus and Dardanelles and the government intends to reduce that number in an effort to prevent accidents.

As part of the measures Turkey is urging oil majors to use the Samsun-Ceyhan pipeline, which is nearing completion. It is also promoting the construction of the long awaited Bourgas-Alexandroupolis pipeline. Discussions have also included the possibility of creating a minimum fund of $20bn from oil company cash to cover potential accidents in the region.

Turkey Leads Ship Recycling Nations in Green Measures

Turkey is the only one of the five major ship-scrapping countries to have signed the Hong Kong Convention designed to improve the environmental aspects of ship recycling. The convention aims to introduce standards for the handling of hazardous substance such as asbestos. It requires that shipbuilders compile a list of hazardous material onboard vessels, to be maintained by shipowners and owners will be require to scrap vessels only at recycling facilities equipped to safely handle and dispose of the materials on board.

Implementation of the convention remains a long way off, as it requires signing by 15 states representing 40% of world merchant shipping. So far it has been signed by five nations, but not by any of the other major ship scrapping countries – India, Pakistan, Bangladesh and China.

Turkey has around 20 companies involved in ship scrapping and last year handled approximately 200 vessels of around 500,000ldt. It is already close to the standards outlined in the new convention.

Croatian News

Efforts to Privatise Shipyards Continue

Croatia is persisting with attempts to privatise six of its shipyards as part of a prerequisite to its bid to join the EU. Among the yards to be privatised are two repair yards, Krajlevica and Brodotrogir. After previous attempts to privatise Krajlevica had failed a further tender for sale of 99.5% of the yard was held in mid November resulting in three bids by Croatian companies and a letter of intent by Dutch Damen Shipyard Group. The result has not yet been announced.

Turkey calls for cut in tanker traffic

Bulgarian News

Navibulgar launches fleet renewal programme

Varna based shipping giant has embarked on a vast fleet renewal programme. Since the company was privatised just over two years ago it has spent around $230m acquiring new vessels. The latest deal involved the purchase of four handy-sized bulk carriers from China's Shanhaiguan yard at the end of November for $112m.

In August it purchased four handy-sized bulkers built in 2009 and 2010 for $115m from Canada and Greece.

Earlier in the year the company set a record by selling seven ships for demolition in just one week.

Navibulgar was privatised in 2008 and is now owned by a German-Bulgarian consortium

Danube Trade Routes Need Boost

An EU initiative to invest €2.1bn in developing the Danube recognises the potential of inland navigation on Europe's largest inland waterway. Conferences throughout the year have focused on a comprehensive structure for upgrading and developing the Danube waterways.

In Bulgaria, Danube trade collapsed this year, as major freight carrier Bulgarian River Shipping Co. saw revenues drop 49% in the first half of the year. Transportation of grain and ore dropped, with a slight increase in transport of metals. The company was privatised in 2006 and is majority owned by Bulgarian Chimimport Group.

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Romanian News

Container Traffic at Constantza Plummets

Figures released mid-year showed that container throughput at Constantza fell by 57% in 2009 compared to the previous year, marking the largest drop in terms of percentage of the world's top 100 container ports.

Before the economic crisis Constantza had been one of the fastest growing container ports. In 2008 Constantza was the eighty-first largest container port in the world with a throughput of 1.4, teu. However, last year that fell to just under 600,000 teu and Constantza dropped out of the list of top 100 box ports.

Part of the reason for the decline has been attributed to the huge drop in Russian consumer demand. Worldwide the 100 largest container ports handled 8.7% less containers in 2009 than in the previous year.

Romania Spearheads LNG Project

Romania is spearheading a project to diversify European gas supply through construction of a LNG terminal in Constantza. The AGRI interconnector project plans to transport Azeri gas by an existing pipeline to Georgia's Black Sea coast, where a LNG platform will liquefy the gas. Tankers will trsansport the liquefied gas across the Black Sea to Constantza where a second LNG terminal will re-gassify the product and deliver it by pipeline to Hungary and the EU

The bulk of the investment would be in construction of the terminals as much of the pipeline infrastructure is already in place. The project has the support of the EU, which is also backing the rival Nabucco project involving a planned 3,300km pipeline to connect the Caspian Sea with west Europe through Turkey, Bulgaria, Romania, Hungary and Austria.

Cypriot News

Cyprus Protests Turkish Ban on Ships

Protest over the Turkish ban on Cypriot ships has risen this year, culminating with an approach by Cyprus to the EU in early December. The EU has already shown its disapproval of the ban by putting on hold Turkey's bid to join the EU. However, Cyprus is now demanding that the EU implement counter measures against Turkey if it refuses to lift the ban.

The embargo imposed in 1987 prohibits entry to Turkish ports by around 3,000 vessels which are either Cypriot flagged or Cypriot owned or managed. It also prohibits ships calling in Turkey directly after a call in Cyprus.

New Tax Regime to Boost Cyprus Maritime Industry

A new tax regime introduced in Cyprus this year is aimed at attracting more foreign shipowners to the island. The new system gives shipowners the benefit of a net tonnage based tax system, rather than the standard corporate tax which is currently 10% of net income.

The regime is open to Cyprus-based shipowners and to owners and managers from all IMO recognised countries (except Turkey), which must apply to the Department of Merchant Shipping for assessment of their eligibility. Once part of the system it applies for a period of 10 years.