Strategic Development of Ship Building Sector: Institutional Support System and Policy Framework in India and Select Countries

Working Paper Series
Paper No. 32

एक्ज़िम बैंक
EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

About Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

Previous Working Papers brought out by Exim Bank

Paper No. 1	Snap Market Survey for Pharmaceutical Products in South Africa, July 2002
Paper No. 2	Health Insurance Portability and Accountability Act (USA) - An Opportunity for Indian IT Companies, August 2002
Paper No. 3	Indian Cement Industry: Perspective and Export Potential, October 2002
Paper No. 4	Transaction Costs of Indian Exports: A Review, March 2003
Paper No. 5	Strategy for Quantum Jump in Exports: Focus on Africa, Latin America and China, May 2003
Paper No. 6	Export Potential of Indian Steel, February 2004
Paper No. 7	Export Potential of Indian Jute Industry, March 2004
Paper No. 8	Southern African Customs Union (SACU): A Study of India's Trade and Investment Potential, February 2005
Paper No. 9	Textile Exports: Post MFA Scenario: Opportunities and Challenges, February 2005
Paper No. 10	Indian Ceramic Industry: Perspective and Export Potential, February 2005
Paper No. 11	Central Asian Republics, Afghanistan & Pakistan: A Study of India's Trade and Investment Potential, March 2005
Paper No. 12	Vanilla and its Potential in India, September 2005
Paper No. 13	Export Performance of Small and Medium Scale Enterprises in India, October 2005
Paper No. 14	Prospects for Exports of Handicrafts from North Eastern Region (NER), October 2005
Paper No. 15	FDI Flows and Investment Policies in India and Select Asian Countries: A Comparative Analysis, October 2005
Paper No. 16	Indian Construction Industry: Opportunities Abroad, February 2007
Paper No. 17	Potential for Enhancing India's Trade with Myanmar: A Brief Analysis, April 2012
Paper No. 18	Potential for Enhancing India's Trade with Iran: A Brief Analysis, July 2012
Paper No. 19	Potential for Enhancing India's Trade with Pakistan: A Brief Analysis, August 2012
Paper No. 20	Potential for Enhancing India's Trade with China: A Brief Analysis, January 2013
Paper No. 21	Enhancing India's Trade Relations with Africa: Focus on Select Countries, May 2013
Paper No. 22	Enhancing India's Trade Relations with LAC: Focus on Select Countries, August 2013
Paper No. 23	Enhancing India - Myanmar Trade and Investment Relations: A Brief Analysis, August 2013
Paper No. 24	Potential for Enhancing India's Trade with Russia: A Brief Analysis, September, 2013
Paper No. 25	Indian Ceramic Industry: Scenario, Challenges & Strategies, September, 2013
Paper No. 26	Potential for Enhancing India's Trade with France: A Brief Analysis, October, 2013
Paper No. 27	Potential for Enhancing India's Trade with United Kingdom: A Brief Analysis, November, 2013
Paper No. 28	Potential for Enhancing India's Trade with Germany: A Brief Analysis February, 2014
Paper No. 29	Enhancing India's Trade Relations with Southern African Development Community (SADC): A Brief Analysis, March 2014
Paper No. 30	Potential for Enhancing India's Trade with Australia: A Brief Analysis, April 2014
Paper No. 31	Potential for Enhancing India-SAARC Trade: A Brief Analysis, June 2014

EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 32

STRATEGIC DEVELOPMENT OF SHIP BUILDING SECTOR: INSTITUTIONAL SUPPORT SYSTEM AND POLICY FRAMEWORK IN INDIA AND SELECT COUNTRIES

July 2014

CONTENTS

	Page No.
List of Figures	5
List of Tables	5
List of Annexure Tables	7
Executive Summary	9
1. Recent Trends in Global Shipbuilding Industry	14
2. Ship Building and Ship Repair in India – Targets, Strategy & Status	19
3. Trends in India's Exports of Ships and India's Global Ranking	22
4. Institutional Support Systems and Policy Framework in India and Select Countries	26
i) Merchant Marine Fund in Brazil	27
ii) Priority Status to Shipbuilding in Philippines	30
iii) Marine Financing Scheme of the Bank Pembangunan Malaysia Berhad	31
5. Broad Strategies and Recommendations	33
Annexures	
1. Indian Shipbuilding Sector – Shipbuilding Subsidy Scheme	35
2. Brazil – Institutional Support Systems and Policy Measures	37
3. Philippines – Policies and Incentives to the Shipping & Shipbuilding Industry	45
4. Malaysia – Marine Financing Scheme of the Bank Pembangunan Malaysia Berhad (BPMP)	50
5. Vietnam – Government Support Measures and Incentives	51
6. Potential for Enhancing India's Exports of Ships to Africa	53
Box Item - Highlights of China Exim Bank's Credit Lines for Shipbuilding	65

Project Team:
Mr. David Sinate, Chief General Manager, Research & Analysis Group
Mr. Viswanath Jandhyala, Chief Manager, Research & Analysis Group
Ms. Sara Joy, Manager, Research & Analysis Group

LIST OF FIGURES

Figure No.	Title	Page No.
1.1	Trends in Global Shipbuilding - Orderbook Position at year-end, 2006-2013 (mn Gross Tonnage – GT)	14
1.2	Global Shipbuilding - Orderbook at Year-End, 2006-2013 (mn Gross Tonnage) (World Total, China, South Korea and Japan)	17
1.3	Global Shipbuilding - Orderbook at Year-End, 2006-2013 (mn Gross Tonnage) (Select Countries)	17

LIST OF TABLES

Table No.	Title	Page No.
1.1	Global Shipbuilding - Orderbook at Year-End, 2006-2013 (mn Gross Tonnage - GT)	15
1.2	Global Shipbuilding - Orderbook at Year-End, 2006-2013 (% share)	16
1.3	Global Shipbuilding - Orderbook at Year-End, 2006-2013 (Ranking and % share in world GT)	18
3.1	Trends in India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn)	22
3.2	Global Exporters of Ships and Boats (HS-89), 2005-2013 (US$ billion) and India's Ranking	23
3.3	India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Markets	24
3.4	India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Items	25

LIST OF ANNEXURE TABLES

Table No.	Title	Page No.
A1	Major Global Exporters of Ships and Boats (HS-89), 2002-2013 (US$ mn)	53
A2	Global Exporters of Ships and Boats (HS-89), 2005-2013 (US$ billion) and India's Ranking	54
A3	India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Markets	55
A4	India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Items	56
A5	India's Exports of Ships and Boats (HS-89) to Africa, 2002-2013 (US$ mn)	57
A6	Africa's Imports of Ships and Boats (HS-89), 2010-2013 - Major Importers	59
A7	India's Potential of Exports of Ships and Boats (HS-89) to Africa	60
A8	Potential Items of India's Exports of Ships and Boats (HS-89) to Select African Countries (at HS-6 digit level)	61

Executive Summary

In line with the trends in global trade, the global shipbuilding industry witnessed a continued contraction during the period 2008 to 2012, with global shipbuilding orderbook position declining from 368 mn gross tonnage (GT) in 2008 to touch a nadir of 160 mn GT in 2012. The industry in major shipbuilding nations, such as China, Korea, Japan, Philippines, Vietnam and India witnessed this contraction.

The Big-3, viz. China, Korea, Japan, dominate the global shipbuilding industry, together accounting for as much as 87% of the global industry in 2013. Other countries, such as Philippines, Brazil and Vietnam, in recent years, have also emerged as important shipbuilding nations, reflecting the strong institutional and policy support mechanism by respective governments. In 2013, Philippines emerged as the 4th largest shipbuilder (up from the 8th position in 2006), Brazil is now the 5th largest shipbuilder (up from the 12th position in 2006), and Vietnam is now the 7th largest shipbuilding nation.

Signs of a Rebound after a Prolonged Contraction

However, reflecting the recent pickup in global trade witnessed in 2013, the global shipbuilding industry has also witnessed a rebound to touch 182.9 mn GT in 2013, up from 160 mn GT in 2012. All the major shipbuilding nations, except India, have also registered turnaround in the industry.

As per IMF's latest World Economic Outlook (April 2014), global trade which picked up from a marginal growth of 2.6% in 2012 to 2.7% in 2013, is projected to pick up further to 4.3% in 2014, and to 5.3% in 2015, which is also expected to have a positive impact on the global shipbuilding industry.

Indian Shipbuilding Industry & Global Ranking

India's shipbuilding witnessed a rise from 0.8 mn GT in 2006 to reach 3.5 mn GT in 2008, which was maintained at 3.4 mn GT in 2009. However, the industry witnessed a steady decline thereafter to 1.1 mn GT in 2013. As a result, the share of India in global shipbuilding rose from a marginal 0.4% in 2006 to touch 1.1% in 2009, but has declined steadily thereafter to 0.6% in 2013.

Reflecting the sharp rise in India's orderbook position during 2006 to 2009, India's ranking amongst the major shipbuilders rose from the 10th position (0.4% share) in 2006, to the 6th position in 2008, and further to the 5th position in 2009. Thereafter, however, India's ranking has steadily declined, and in 2013 India ranked at the 11th position.

India's Global Capability in Exports of Ships

India ranks amongst the major global exporters of ships and boats. Reflecting India's potential, India's exports have witnessed a steady and sharp rise during the period 2002 to 2011, significantly increasing from a marginal US$ 56 mn to US$ 7 billion during the period. Consequently, India's global ranking has also witnessed a sharp rise from the 22nd position in 2005, to the 10th position in 2008, and further to the 5th position in 2009. Reflecting its global export capability, India ranked as the 4th largest global exporter, accounting for 3.7% of global exports during 2011. However, with the slump in global demand India's exports too moderated to US$ 4.1 billion in 2012, and further to US$ 3.6 billion in 2013, with India's ranking also slipping to the 5th position in 2012, and further to the 7th position in 2013.

Shipbuilding and Economic Development

The development of a successful shipbuilding sector has been pivotal to the rapid and robust economic development in most countries in the world with long coastal boundaries. Shipbuilding has the potential to increase the contribution of the industry and the services sector to national GDP. The sector has an immense direct and indirect positive impact on most other leading industries such as steel, aluminum, electrical machinery and equipments etc., besides its huge dependence on infrastructure and services sectors in an economy. As a result of its multiplier effect on most manufacturing ancillary industries and on account of its large scale employment generation capability, the shipbuilding industry is also known as a mother industry. Most countries have laid immense emphasis on development of their shipbuilding sectors which has in a way also contributed to national economic development in such countries.

Institutional Support Systems and Policy Framework

In **India**, the major policy support mechanism for the shipbuilding industry has been the Ship-building Subsidy Scheme 2002, which provided a 30% subsidy and extended to also cover private shipyards. However, the subsidy scheme was withdrawn in August 2007. Apart from the subsidy scheme, the Indian shipbuilding sector is subject to taxes and duties such as excise duty, customs duty, as well as value added tax.

Recently, the Union Budget 2014-15 has highlighted that a comprehensive policy for promoting Indian shipbuilding would be announced in the current financial year.

In **Brazil**, the government has a special programme for financing of the shipbuilding industry, which is funded by the Merchant Marine Fund (FMM) and operated by the Brazilian Development Bank (BNDES), as the main agent and lender. The FMM is mainly sustained by a tax on import and cabotage freight, called Freight Additional for Merchant Marine Renewal (AFRMM). Through FMM, Ship owners finance shipyard production and could also avail highly favourable financing provided they place their orders in domestic shipyards. Development of the ship building sector in Brazil is essentially driven by the expansion plans of Petrobras, the state - owned oil company and its maritime transportation arm - Transpetro.

In the **Philippines**, the government actively supports the industry, under the Domestic Shipping Development Act 2004, through various incentives including tax exemption on imports of shipyard equipment and other capital equipment and spares, required for construction, expansion, upgrading, modernization of shipyards and facilities. Further, the industry has been accorded a “Priority Status”, thereby giving the industry several investment incentives by the Board of Investment.

In **Malaysia**, the “Malaysian Shipbuilding and Ship Repair – Industry Strategic Plan (SBSR) 2020,” announced in December 2011, has earmarked the milestones for the industry which include: capturing 2% of the global shipbuilding market, as also capturing 80% of the South China Sea offshore repair market. The incentives extended to the shipping and shipbuilding industry in Malaysia include: 70% income tax exemption of shipping company, as well as income tax exemption of persons working on board a Malaysian ship; and income tax exemption for 5 years for shipbuilding and ship repair. Bank Pembangunan Malaysia Berhad (BPMB), wholly owned by the government through the Ministry of Finance, is mandated as a development financial institution providing

medium to long term financing to the maritime sector, along with infrastructure, technology, and oil & gas. Further, the government has also set up the Global Maritime Ventures Berhad (GMVB), as a subsidiary of BPMB, to accelerate the development of the country's maritime industry, and to develop the national shipping business sector through building strategic alliances with local partners.

In **Vietnam**, the shipbuilding industry is one of the priority sectors. Accordingly, the Government has extended a number of incentives to the industry in terms of: retention of corporate income tax and capital-use tax for re-investment; preferential corporate income tax; special incentives in industrial zones; protection to domestic shipbuilding industry; import tax exemption; and promoting joint ventures to facilitate technology transfer. The latest Master Plan has stressed on the imperatives of developing the country's shipbuilding industry, and the need to access modern technologies to enhance the efficiency of shipyards and supporting industries. Further, the Restructuring Scheme of 2010 has identified 3 major areas for the Vietnam Shipbuilding Industry Group (VINASHIN) to become the core of the shipbuilding and repair industry in Vietnam.

Broad Strategies and Recommendations

Reflecting the potential of the shipbuilding industry, and the support extended by the government, India had achieved the 5th position in 2009 among the global shipbuilding nations. Further, India had achieved the 4th position in 2011 among major global exporters of ships reflecting India's global export capability. However, the period thereafter had witnessed decline in India's global ranking, both in terms of shipbuilding as also as a global exporter.

Reflecting the pickup in global trade witnessed in recent years, and expected further growth in subsequent years, the global shipbuilding industry is witnessing signs of a turn around, with a 14% growth in 2013 (in terms of orderbook position), in sharp contrast to the continued contraction witnessed during the period 2008 to 2012.

With the potential India possesses as a ship-building nation, and economic benefits of a robust shipbuilding industry, conducive policy framework and institutional support systems would go a long way in India's endeavours to emerge as a vibrant shipbuilding nation. Towards this end, countries such as Brazil, Philippines and Vietnam, among others, have put in place strong policy framework and support systems that have contributed significantly to these countries' emergence as vibrant and growing shipbuilding nations.

Learnings from such country experiences would prove to be beneficial in development and expansion of India's own shipbuilding industry. Accordingly, broad strategy and recommendations in this direction could include, among others:

- **Setting up of a Marine Fund and Support to Domestic Shipbuilding**

  The Merchant Marine Fund (FMM) put in place by Brazil has often been highlighted as the success behind Brazil's emergence as a major shipbuilding nation. Brazil now ranks as the 5th largest shipbuilding nation in 2013 up from the 12th position in 2006. Financial support to the shipping and shipbuilding sector, under this fund, can be assessed from the rising trend in disbursements, which have risen from around US$ 130 mn equivalent in 2001 to reach US$ 1.26 bn in 2011. Besides, support to domestic shipyards under Petrobras' expansion programmes, such as PROREFAM, EBN and PROMEF, with focus on shipbuilding by domestic shipyards have provided much need impetus to the industry in Brazil.

- **According Strategic Industry Status**

  In the Philippines, which has now emerged as the world's 4th largest shipbuilding nation, the Domestic Shipping Development Act 2004 has put in place supporting fiscal measures to the shipping and shipbuilding industry. Further, the government's thrust to the shipbuilding industry can be assessed from the country's Executive Order of 2006, which has extended "pioneer industry" status to the domestic shipbuilding industry, providing investment incentives under the Board of Investment's Investment Priority Plans (IIPs).

- **Technology Upgradation through Joint Ventures**

  An important measure to upgrade technology in the shipbuilding industry could be joint ventures with major shipbuilding companies/ shipyards. For instance, the Hyundai-Vinashin shipyard, a joint venture between VINASHIN of Vietnam and Hyundai Mipo Dockyard, is now rated among the most modern, as also one of the largest ship repairing yard in South East Asia.

- **Specialized Marine Financing Institution and Marine Finance Scheme**

  Setting up of a specialized financing institution / marine finance scheme could also provide the much needed boost to the shipbuilding industry. In Malaysia, in line with the country's Strategic Plan 2020 for the shipbuilding and ship repair industry, Bank Pembangunan Malaysia Berhad (BPMB) actively supports the shipbuilding industry through a marine finance scheme providing medium and long term financial support to domestic shipyards.

- **Exploring Potential Demand from Overseas Markets**

  An important strategy to provide a boost to India's shipbuilding activities as also India's exports could be matching India's export capability with demand existing for ships in emerging markets. A case in point would be exploring specific markets in Africa, which are major importers.

  India's exports to Africa had witnessed a sharp rise from US$ 11 mn in 2002 to touch US$ 951 mn in 2010, accounting for as much as 23% of India's global ship exports. However, despite rise in Africa's global ship imports from US$ 16.5 billion in 2012 to US$ 18.5 billion in 2013, India's exports to the region has witnessed a contraction during the period. In light of this, a brief analysis of the potential for enhancing India's exports of ships and boats to major markets in Africa, in line with demand in major importing countries in the region has been undertaken in the study[1].

  In this direction, an important strategy could be putting in place credit lines to identified potential markets in Africa, which would serve to enable such countries to increase imports from India, while also generating much needed assured orders for Indian shipyards. For instance, in the case of China, China Exim Bank has extended credit lines to shipping companies in Ethiopia, Brazil and Iran, to help generate construction and export orders for domestic shipyards in China.

[1] Refer Annexure 6

Highlights of China Exim Bank's Credit Lines for Shipbuilding[2]

The China Exim Bank, with a view to support local shipbuilding industry and generate orders for local shipyards, has extended credit lines to foreign shipping companies. Select instances include:

1. Financing an African company known as Ethiopian Shipping Lines in securing 80% financing from China Exim Bank for the financing of 7 multipurpose vehicles and two product tankers, ordered at China Taizhou Kouan Shipbuilding. (Deal Size US$ 235 mn).

2. Financing a Brazilian company "Vale" in securing a 13 year loan from China Exim Bank and Bank of China to finance 80% of the construction cost of 12 'Very Large Ore Carriers' (VLOCs) ordered at Jiangsu Rongsheng Heavy Indusries. The vessels would be owned by Vale Shipping and flagged in Singapore. (Deal Size US$ 1,230 mn).

3. Financing the National Iranian Tanker Company in securing 90% financing from a consortium of Chinese banks including China Exim Bank for the financing of 12 Chinese built 'Very Large Crude Carriers' (VLCCs). (Deal Size US$ 1,112 mn).

[2] Sourced from presentation titled "China and Ship Finance: The Degree of Difficulty Increases", 14th Annual Greek Ship Finance Forum, October 2012, Marine Money Asia

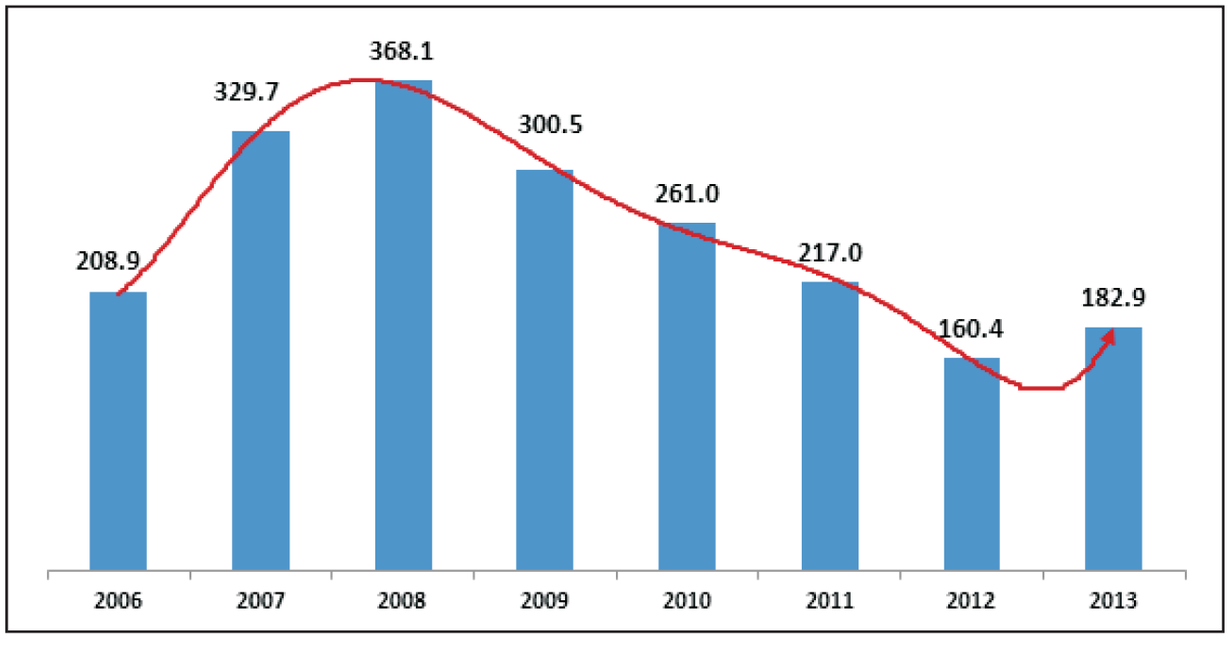
1. RECENT TRENDS IN GLOBAL SHIPBUILDING INDUSTRY

Global shipbuilding, after registering a steady rise up to the year 2008, has witnessed a steady contraction thereafter, in line with the trend in global trade. **Figure 1.1** presents the trend in global shipbuilding industry, by orderbook position, during the period 2006 to 2013. In line with the sharp contraction in global trade since 2008, global shipbuilding industry has witnessed a sharp and continued down trend, from 368.1 mn Gross Tonnage (GT) in 2008 to 160.4 mn GT in 2012.

However, reflecting the recent pickup in global trade witnessed in 2013, the global shipbuilding industry has also witnessed a rebound to touch 182.9 mn GT in 2013. As per IMF's latest World Economic Outlook, April 2014, global trade picked up from a marginal growth of 2.6% in 2012 to 2.7% in 2013, and is projected to pick up further to 4.3% in 2014, and to 5.3% in 2015, which would have a positive impact on the global shipbuilding industry.

Underlying the declining trend in global shipbuilding has been the contraction in activity in all the major shipbuilders around the world **(Table 1.1).**

Figure 1.1: Trends in Global Shipbuilding - Orderbook Position at year-end, 2006-2013
(mn Gross Tonnage – GT)



Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics

Table 1.1: Global Shipbuilding - Orderbook at Year-End, 2006-2013
(mn Gross Tonnage - GT)

	2006	2007	2008	2009	2010	2011	2012	2013
World Total	**208.9**	**329.7**	**368.1**	**300.5**	**261.0**	**217.0**	**160.4**	**182.9**
China	44.8	97.8	124.0	111.1	103.0	84.0	63.5	73.0
South Korea	77.3	126.5	137.6	104.3	89.6	75.9	52.1	60.6
Japan	56.9	63.8	63.6	52.0	42.5	34.3	25.8	26.1
Philippines	1.9	5.2	5.9	6.7	7.1	4.7	2.5	4.7
Brazil	0.2	2.0	2.4	2.1	2.2	2.7	4.0	4.2
Taiwan	2.4	2.8	2.6	2.2	1.9	2.2	1.6	2.0
Vietnam	2.1	3.2	4.3	3.1	2.5	2.3	1.4	1.9
Romania	1.7	3.0	3.2	1.9	1.1	1.1	0.8	1.7
US	0.7	0.7	0.7	0.5	0.2	0.6	0.8	1.3
India	0.8	2.6	3.5	3.4	2.4	2.0	1.3	1.1
Germany	4.2	4.2	3.6	2.0	1.5	1.3	1.2	1.1
Italy	2.2	2.6	1.7	2.0	1.3	1.1	0.9	1.2
Total of above	195.1	314.3	353.2	291.3	255.3	212.1	155.8	178.9
% share in world total	93.4	95.3	96.0	96.9	97.8	97.8	97.1	97.8

Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics
Note: Ship size - 100 Gross Tonnage (GT) & above

China, South Korea & Japan – The Big Three

Having overtaken South Korea in 2009, China has emerged as the largest shipbuilding nation in the world, currently accounting for as much as 40% of global shipbuilding orderbook, followed by South Korea (33%) and Japan (14%) in 2013. These three nations together account for around 87% of global shipbuilding **(Table 1.2).**

Philippines & Brazil – Emerging Shipbuilding Nations

In recent years, countries such as Philippines and Brazil have given strong boost to their domestic shipbuilding sectors. As a result, Philippines has emerged as the 4th largest shipbuilder, while Brazil has also emerged as the 5th largest shipbuilder, accounting for 2.6% and 2.3%, respectively, of global shipbuilding order in 2013.

Table 1.2 : Global Shipbuilding - Orderbook at Year-End, 2006-2013 (% share)

	2006	2007	2008	2009	2010	2011	2012	2013
China	21.4	29.6	33.7	37.0	39.5	38.7	39.6	39.9
S Korea	37.0	38.4	37.4	34.7	34.3	35.0	32.5	33.2
Japan	27.3	19.4	17.3	17.3	16.3	15.8	16.1	14.2
Philippines	0.9	1.6	1.6	2.2	2.7	2.2	1.5	2.6
Brazil	0.1	0.6	0.7	0.7	0.9	1.2	2.5	2.3
Taiwan	1.1	0.9	0.7	0.7	0.7	1.0	1.0	1.1
Vietnam	1.0	1.0	1.2	1.0	0.9	1.0	0.8	1.1
Romania	0.8	0.9	0.9	0.6	0.4	0.5	0.5	0.9
US	0.3	0.2	0.2	0.2	0.1	0.3	0.5	0.7
India	0.4	0.8	1.0	1.1	0.9	0.9	0.8	0.6
Germany	2.0	1.3	1.0	0.7	0.6	0.6	0.8	0.6
Italy	1.0	0.8	0.5	0.7	0.5	0.5	0.5	0.6
Total of above	**93.3**	**95.5**	**96.2**	**96.9**	**97.8**	**97.7**	**97.1**	**97.8**
World Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics
Note: Ship size - 100 Gross Tonnage (GT) & above

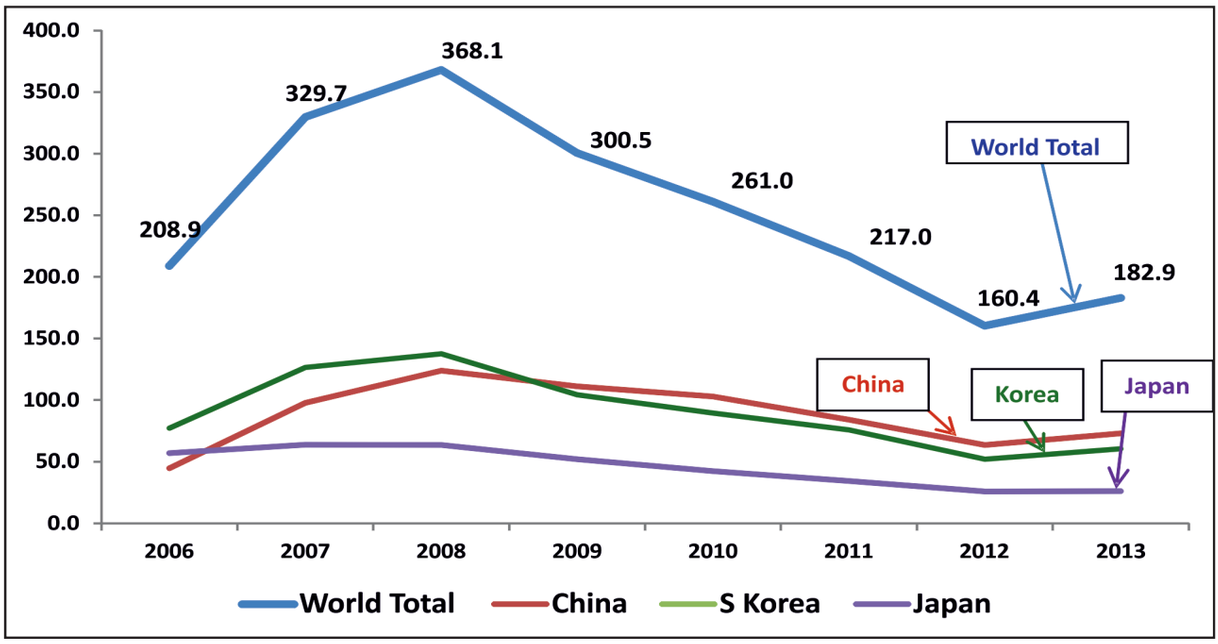
In the case of Philippines, the country's share in global shipbuilding orderbook has witnessed a steady rise from 0.9% in 2006 to 2.6% in 2013. Brazil has witnessed a significant rise in its share, from a marginal 0.1% to 2.3% during the same period.

Global Shipbuilding – Signs of a Rebound

As highlighted above, reflecting the pickup in global trade in 2013, global shipbuilding has also witnessed a rebound during 2013. After reaching a low of 160.6 mn GT in 2012, global shipbuilding, in terms of orderbook, has registered a rise of 14% to touch 182.9 mn GT in 2013. Furthermore, the gradual pick up in global trade expected in the following years would have a positive impact on the trend in global shipbuilding.

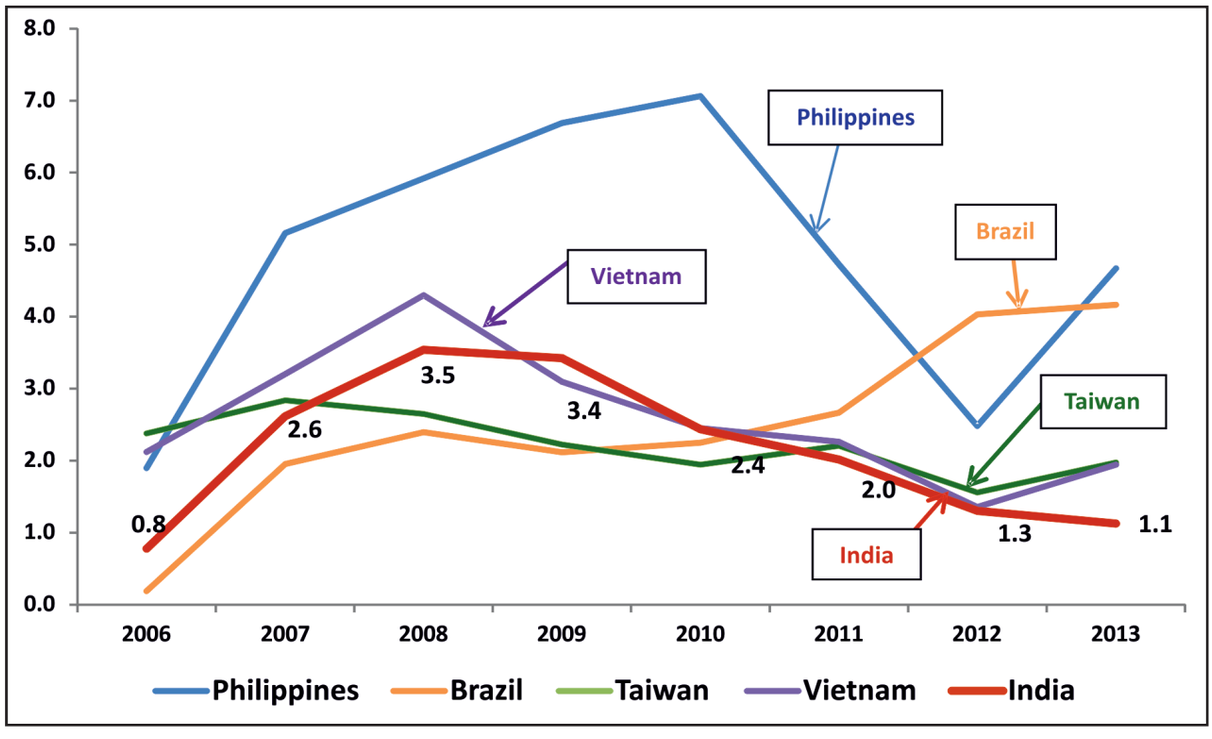
Figures 1.2 & 1.3 would show that while the recent pick up in global shipbuilding orderbook position during 2013 has been underlined by the rebound in the big-three nations, viz. China, South Korea and Japan, sharp pickup in Philippines and steady rise in orderbook position in Brazil have also contributed to the upward trend. Other countries such as Taiwan and Vietnam, have also witnessed a rebound in shipbuilding orderbook during 2013. In the case of India, in contrast, shipbuilding orderbook position has registered a continued decline (from 1.3 mn GT in 2012 to 1.1 mn GT in 2013).

Figure 1.2: Global Shipbuilding - Orderbook at Year-End, 2006-2013 (mn Gross Tonnage) (World Total, China, South Korea and Japan)



Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics

Figure 1.3: Global Shipbuilding - Orderbook at Year-End, 2006-2013 (mn Gross Tonnage) (Select Countries)



Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics

Indian Shipbuilding Industry & Global Ranking

India's shipbuilding witnessed a rise from 0.8 mn GT in 2006 to reach 3.5 mn GT in 2008, which was maintained at 3.4 mn GT in 2009. However, the industry witnessed a steady decline thereafter to 1.1 mn GT in 2013.

Reflecting this, the share of India in global shipbuilding rose from a marginal 0.4% in 2006 to touch 1.1% in 2009, but has declined steadily thereafter to 0.6% in 2013 **(Table 1.2)**.

Reflecting the sharp rise in India's orderbook position during 2006 to 2009, India's ranking amongst the major shipbuilders also rose from the 10th position (0.4% share) in 2006, to the 6th position in 2008 (1.0%), and further to the 5th position (1.1%) in 2009. Thereafter, however, India's ranking has steadily declined, and in 2013 India ranked at the 11th position (0.6%) **(Table 1.3).**

Table 1.3: Global Shipbuilding - Orderbook at Year-End, 2006-2013 (Ranking and % share in world GT)

Rank		2006		2008		2009		2010		2013
	World Total	**100.0**	**World Total**	**100.0**	**World Total**	**100.0**	**World Total**	**100.0**	**World Total**	**100.0**
1	S Korea	37.0	S Korea	37.4	China	37.0	China	39.5	China	39.9
2	Japan	27.3	China	33.7	S Korea	34.7	S Korea	34.3	S Korea	33.2
3	China	21.4	Japan	17.3	Japan	17.3	Japan	16.3	Japan	14.3
4	Germany	2.0	Philippines	1.6	Philippines	2.2	Philippines	2.7	Philippines	2.6
5	Taiwan	1.1	Vietnam	1.2	**India**	**1.1**	Brazil	0.9	Brazil	2.3
6	Vietnam	1.0	**India**	**1.0**	Vietnam	1.0	Vietnam	0.9	Taiwan	1.1
7	Italy	1.0	Germany	1.0	Brazil	0.7	**India**	**0.9**	Vietnam	1.1
8	Philippines	0.9	Romania	0.9	Taiwan	0.7	Taiwan	0.7	Romania	0.9
9	Romania	0.8	Brazil	0.7	Germany	0.7	Germany	0.6	US	0.7
10	**India**	**0.4**	Taiwan	0.7	Italy	0.7	Italy	0.5	Italy	0.6
11	US	0.3	Italy	0.5	Romania	0.6	Romania	0.4	**India**	**0.6**
12	Brazil	0.1	US	0.2	US	0.2	US	0.1	Germany	0.6

Source: Shipbuilding Statistics, 2014, by The Shipbuilders' Association of Japan, based on IHS Shipbuilding Statistics
Note: Ship size - 100 Gross Tonnage (GT) & above

2. SHIPBUILDING AND SHIP REPAIR IN INDIA – TARGETS, STRATEGY & STATUS

According to the Planning Commission[3], nearly 95% of India's foreign trade in terms of volume and more than 65% in terms of value is through sea routes. Currently, about 10% of India's foreign trade is carried by ships with an Indian flag, while the ships manufactured in India carry even less cargo.

While the Indian seaborne trade has been growing rapidly, Indian shipping and shipbuilding sector has been lagging behind despite their development potential. Indian registered ships form just about 1.1% of the global shipping stock. India's foreign trade is being increasingly serviced by foreign flagged vessels whose share in the Indian shipping market has increased from 60% in 1980s to about 92% by 2009–2010. This is both a cause of concern and a huge opportunity for India's shipping and shipbuilding sector.

Accordingly, the Manufacturing Plan has identified medium and long term goals for the Indian shipbuilding and ship repair industry. These are:

- To achieve 5% share of the global shipbuilding market and 10% share in the global ship repair industry by 2020;
- To be self-sufficient in ship repair requirements of the country and to emerge as a dominant ship repair centre displacing Colombo, Dubai, Singapore and Bahrain;
- To develop a strong ancillary base for shipbuilding / ship repair in the country by 2020;
- To generate additional employment for 2.5 mn persons (0.5 mn direct and 2.0 mn indirect) by 2020 in the core shipbuilding as well as the ancillary and supporting industry sector; and
- To develop strong R&D facilities and design capabilities for commercial shipbuilding.

The key policy measures to enable the ship building and ship repair sector to meet its medium and long term goals are:

- A **policy statement** in clear terms should be pronounced conveying the commitment of the Government to undertake various priority measures in the sector.
- In 2002, the Government introduced a Shipbuilding Subsidy Scheme that provided 30% subsidy applicable to ocean going vessels, for shipyards both in public and private sector. The scheme came to an end after five years in August 2007. **Some form of adequate financial / fiscal incentive would need to be considered in order to facilitate the industries to achieve critical mass.**
- Purchase preference for Indian built, Indian flagged vessels from Indian Shipyards in Government / defence purchase. Globally, countries have aggressively promoted the use of locally built vessels by domestic shipping companies. The National Manufacturing Competitiveness Council (NMCC) has also recommended facilitating greater

[3] *The Manufacturing Plan: Strategies for Accelerating Growth of Manufacturing in India in the 12th Five Year Plan and Beyond,* Planning Commission, Government of India, 2012.

carriage of Indian trade by Indian built ships, and consequently developing domestic shipbuilding capabilities.

- **Offset scheme for Government procurement:** The ancillary industry in India is neither developed nor matured as compared to other shipbuilding markets in the world primarily because of low volumes of the Indian shipbuilding industry. This has, in turn, severely impacted the cost structure of home-grown companies, rendering them un-competitive in international markets. It should be mandated that during the purchase of any ship from a foreign yard, the foreign yard would have to source a certain amount of marine engineering goods from India. This can create a steady stream of orders for domestic marine engineering companies and help develop capabilities in the sector. The offset policy in defence sector should insist on systems and sub-systems as units for consideration for meeting offset requirements. Defence procurement from foreign suppliers should be conditional on greater domestic manufacturing content as well as on technology transfer.

- **Need for State Maritime Policies:** In order for the efforts to boost Indian shipbuilding to be successful, the industry also needs to get adequate support from the maritime states of the country. It is the states that would have to help implement these policies to support and develop the industry. In this context, development of state maritime policies and state maritime boards is extremely important. Gujarat Maritime Board (GMB) has come up with its own shipbuilding policy (Shipbuilding Policy 2010). The policy aims to develop Marine Shipbuilding Parks (MSP) and clusters to create ancillary base for the industry and help reduce costs to the shipbuilders by sharing costs such as common infrastructure, logistics etc. Other states should also be encouraged to have similar enabling policies so as to help develop shipbuilding industry. Such policies would provide clear directions to the shipbuilding industry and confirm the commitment of State governments on long-term basis.

- To **examine the issue of incidence of taxes** that disadvantages the domestic ship building industry.

- A **renewed thrust is required to develop education and training facilities, and R&D infrastructure.** This would also include promoting applied R&D to facilitate the development of basic design as well as standardization to encourage series production. For this purpose, government's financial support would be required.

Status & Challenges of the Shipbuilding Industry in India

- The average annual deliveries over the period of 2010 to 2020 are expected to be in the range of 80-100 mn dead weight tonnage (DWT). Hence, Indian shipbuilders would have to achieve delivery capacity of approximately 4-5 mn DWT by 2020 in order to achieve the 5% market share by 2020. As against this, current deliveries of the Indian Shipyards stand at 0.25 mn DWT.

- The ship repair industry worldwide is estimated to be around US$ 12 billion (approximately ₹ 55,000 crores) but currently India has less than 1-2% share with revenue of approximately US$ 170 mn in 2009-10 (₹ 734 crores).

- India is currently heavily dependent on import of critical ancillaries for its shipbuilding sector. On an average 65% of the value of the ship is derived from ancillaries, of which Indian shipyards import almost two thirds.

- In 2010, Indian shipyards employed approximately 31,800 people with an employment multiplier of over 6.

- India currently lacks design capabilities and most of the concept designs are being sourced from a pool of global designs. Many Indian shipyards have set up their small design centres and some independent design centres have also been established, but broadly, the country is purchasing conceptual design from foreign firms and doing detailed engineering within the country.

Shipbuilding essentially involves the assembly, construction and modification of ships in a specialized facility known as shipyards. These shipyards build ships for commercial as well as for defence purposes.

The shipbuilding industry has two main sub-sectors: ship building and ship repair. Shipbuilding industry is a significant consumer of raw material and generates substantial employment opportunities. It relies heavily on supplies from key elements of industrial infrastructure such as steel, forging & casting, marine machinery, machine tools, construction equipments, control gears, etc. The supply industry/ ancillaries to the shipyards are extremely important in the whole value chain, and with technological advances, their role has increased significantly.

The development of the shipbuilding industry typically has a positive multiplier effect on the economy by triggering growth in other manufacturing / services sectors. Countries such as Japan, South Korea and China have all focused on a strong and vibrant shipbuilding industry. Other countries such as Vietnam, Brazil, Turkey and Malaysia are in the process of building strong capabilities as well.

Maritime Agenda – 2010-2020

The Maritime Agenda – 2010-2020 has highlighted several issues and focus areas for promotion of the Indian shipping and shipbuilding industry in the country. These issues and focus areas include:

a) For Shipping sector – Enhancing Indian tonnage; legislative updations for adoption of various maritime IMO/ILO conventions; formulation of coastal shipping policies; human resource development.

b) For Shipbuilding sector - Introduction of new shipbuilding subsidy scheme; grant of infrastructure status; provision of capital subsidy; purchase preference for Indian shipyards; offset scheme for Government procurement; formulation of policy to promote/facilitate Maritime clusters; centres of shipbuilding education and training; encourage major ports to set up ship repair and maintenance hubs; and liberalization of scheme for registration of ship repair units.

3. TRENDS IN INDIA'S EXPORTS OF SHIPS AND INDIA'S GLOBAL RANKING

India ranks amongst the major global exporters of ships and boats. Reflecting India's potential, India's exports have witnessed steady and sharp rise during the period 2002 to 2011. From a marginal US$ 56 mn in 2002, India's exports have risen significantly to touch US$ 7 bn in 2011. However, subsequently, India's exports have witnessed a decline to US$ 4.1 bn in 2012, and further to US$ 3.6 bn in 2013 **(Table 3.1)**.

India's Global Ranking

The steady rise in India's exports during the period 2002 to 2011 has resulted in a sharp rise in India's global ranking. From the 22nd position in 2005 (with a marginal share of 0.9% of global exports), India's ranking rose to the 10th position (1.8%) in 2008, and further to the 5th position (2.6%) in 2009.

During 2011, India ranked as the 4th largest global exporter, accounting for 3.7% of global exports. However, subsequently, reflecting India's declining exports, India's ranking also slipped to the 5th position in 2012 (2.6%), and further to the 7th position (2.5%) in 2013 **(Table 3.2)**.

Table 3.1: Trends in India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn)

	2002	2005	2006	2007	2008	2009	2010	2011	2012	2013
World Exports	**47,662**	**72,609**	**91,541**	**108,927**	**147,628**	**147,448**	**174,138**	**192,622**	**160,824**	**145,821**
India Exports	**56**	**649**	**783**	**1,290**	**2,619**	**3,763**	**4,223**	**7,048**	**4,125**	**3,597**
India's share (%)	***0.1***	***0.9***	***0.9***	***1.2***	***1.8***	***2.6***	***2.4***	***3.7***	***2.6***	***2.5***

Source: ITC Geneva, based on UN COMTRADE Database

Table 3.2: Global Exporters of Ships and Boats (HS-89), 2005-2013 (US$ billion) and India's Ranking

Rank		2005		2008		2009		2011		2012		2013
	World	**72.6**	**World**	147.6	**World**	147.4	**World**	192.6	**World**	160.8	**World**	145.8
1	Korea	17.2	Korea	41.0	Korea	42.5	Korea	54.1	China	38.8	Korea	35.9
2	Japan	11.8	Japan	19.8	China	28.4	China	43.6	Korea	37.8	China	29.0
3	China	4.7	China	19.6	Japan	22.2	Japan	26.1	Japan	22.2	Japan	15.4
4	Italy	3.9	Germany	6.4	Italy	5.8	**India**	**7.0**	Germany	5.1	Brazil	7.9
5	Spain	3.6	Italy	6.3	**India**	**3.8**	Singapore	5.7	**India**	**4.1**	Poland	5.4
6	Poland	3.0	Poland	3.9	Poland	3.5	Italy	5.2	Poland	4.0	Germany	4.7
7	Germany	2.0	France	3.6	Germany	3.1	Poland	5.0	USA	3.5	**India**	**3.6**
8	USA	2.0	USA	3.2	Netherlands	2.5	Germany	4.2	Italy	3.4	Italy	3.4
9	France	1.9	Turkey	2.6	Singapore	2.4	Congo	3.0	Singapore	3.3	USA	2.7
10	Norway	1.6	**India**	**2.6**	Finland	2.2	USA	2.5	Russia	2.2	Singapore	2.5
22	**India**	**0.7**	Russia	1.3	Indonesia	1.1	Saudi Arabia	1.2	Romania	1.1	Angola	1.2

Source: ITC Geneva, based on UN COMTRADE Database

India's Global Exports of Ships - Major Export Markets

As highlighted in the previous section, India's global exports of ships and boats witnessed a sharp rise during the period 2002-2011. From US$ 56 mn in 2002, India's exports touched a high of US$ 7 billion in 2011, due primarily to sharp rise in exports to Singapore, UAE, Sri Lanka, Oman, and Indonesia, among others.

However, India's exports, thereafter, have witnessed a contraction to US$ 4 billion in 2012, and further to US$ 3.6 billion in 2013. Sharp contraction in exports to Singapore, Indonesia and Thailand, have underlined the declining trend in India's global exports **(Table 3.3)**. However, exports to other countries such as UAE, Sri Lanka, Oman, Netherlands, Italy, and Belgium have been sustained.

Table 3.3: India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) – Major Markets

	2002	2005	2010	2011	2012	2013
World	**56.4**	**648.9**	**4,223.3**	**7,048.3**	**4,124.6**	**3,597.5**
Singapore	0.3	241.7	768.9	3,101.5	1,417.6	1,706.5
United Arab Emirates	3.7	101.7	328.9	1,094.6	719.8	1,062.5
Sri Lanka	4.3	0.9	117.6	232.8	255.7	232.6
Oman	0.03	0.1	1.5	79.8	190.0	152.3
Indonesia	-	10.2	7.0	228.7	608.8	125.0
Netherlands	0.2	58.1	25.9	95.5	288.2	110.0
Italy	0.02	-	16.8	0.3	0.1	65.3
Belgium	0.01	-	-	0.01	0.01	35.2
Brazil	0.1	0.01	17.9	-	28.8	24.4
South Africa	0.02	-	948.3	0.1	0.05	20.1
Thailand	-	-	0.2	36.8	3.2	16.0
Sierra Leone	-	-	-	-	-	15.1

Source: ITC Geneva, based on UN COMTRADE Database

Composition of India's Exports of Ships and Boats

Table 3.4 highlights the composition of India's exports during the period 2002 to 2013, at the 6-digit HS-code classification. Tugs and pusher crafts (HS-890400) are the largest export items, accounting for a significant 31% of India's global exports in 2013. Other major items of exports are floating docks and vessels (18%), vessels including lifeboats (14%), cargo vessels (13%), and dredgers (11%). The decline in India's exports since 2012 has been due primarily to the sharp contraction in exports of floating docks and vessels, and drilling or production platforms.

Table 3.4: India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Items

HS 6-Digit Code	Product label	2002	2005	2010	2011	2012	2013
890400	Tugs and pusher crafts	15.5	25.3	521.9	1,251.9	968.0	1,109.7
890590	Floating docks and vessels which perform special functions	0.02	159.2	1,569.6	1,851.6	1,617.3	642.3
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels)	-	136.8	338.0	285.4	227.1	514.1
890190	Cargo vessels & other vessels for the transport of both persons & goods	20.3	92.0	444.4	431.0	342.7	461.6
890510	Dredgers	18.4	119.8	79.3	377.2	90.1	403.0
890520	Floating or submersible drilling or production platforms	-	0.1	1,072.9	2,511.0	622.0	281.4
890110	Cruise ships, excursion boats, principally designed for transporting persons	0.8	102.4	68.8	255.7	229.0	164.3
890790	Buoys, beacons, coffer-dams, pontoons and other floating structures	0.04	0.1	2.9	1.1	1.7	13.1
890120	Tankers	0.01	0.1	7.1	24.5	25.3	6.5

Source: ITC Geneva, based on UN COMTRADE Database

Note: "-" denotes nil or negligible

4. INSTITUTIONAL SUPPORT SYSTEMS AND POLICY FRAMEWORK IN INDIA AND SELECT COUNTRIES

With a view to support the domestic shipbuilding industries, countries such as India, Philippines, Brazil, Malaysia, and Vietnam have put in place policy measures and institutional support mechanisms. Highlights of these measures/ support mechanisms are presented below.

INDIA

Ship Building Subsidy Scheme 2002 - With a view to support the Indian shipbuilding sector, the Government of India put in place the Ship Building Subsidy Scheme in 2002, for both export and domestic orders, to all Indian shipyards. As per the Ship Building Subsidy Scheme, 2002, subsidy was calculated on the price at which the yard won the global tender, based on which 30% subsidy on the contract price was payable for all the export orders, irrespective of size and type but limited to sea going merchant vessels of and over 80 meters in length for domestic vessels. In October 2005, the Ship Building Subsidy Scheme was extended to all the shipyards, including private shipyards as well. The Scheme was valid till August 14, 2007. Salient features of the Shipbuilding Subsidy Scheme 2002 are presented in **Annexure 1.**

Apart from the Shipbuilding Subsidy Scheme, the Indian shipbuilding sector is subject to taxes and duties such as excise duty plus cess, customs duty, as well as value added tax. The level of these duties / taxes are also listed in **Annexure 1.**

However, in the Union Budget 2013-14, full exemption from excise duty has been provided on ships and other vessels. Consequently, there will be no countervailing duty (CVD) on these ships and vessels when imported. Further, time limit for consumption of imported goods by ship repair units is being extended from 3 months to 1 year.

With a view to encouraging the shipping and ship building sectors in India, the Union Budget 2014-15 states that a policy for encouraging the growth of Indian controlled tonnage would be formulated to ensure increase in employment of the Indian seafarers. The government also stated in its Budget that a comprehensive policy would soon be announced to promote Indian shipbuilding industry in the current financial year. Further, given the importance of development of ports for boosting trade, the government announced that sixteen new port projects are proposed to be awarded during 2014-15 with a focus on port connectivity, while developing SEZs in Kandla and JNPT.

BRAZIL

Brazil's shipbuilding industry has re-emerged mainly due to the major shipbuilding programmes of Petrobras, the state owned oil company and its maritime transportation arm - Transpetro, together with financial incentives from BNDES the National Development Bank of Brazil[4].

[4] The Brazilian ship building industry witnessed revitalization especially from the late 1990s, with the proclamation of Law 9,478 of 1997, known as the Petroleum Law, which made the exploration and production of Brazilian oil flexible. The development of new technologies for the exploitation of water depths, and ultra-deepwater contract through Petrobras resulted in large scale orders being generated for national shipyards.

With a view to support the national ship building sector, the government of Brazil has developed a special programme for financing of the national shipbuilding industry. The programme is funded by the Merchant Marine Fund (FMM), which is operated mainly by the Brazilian Development Bank (BNDES), as the main agent and lender[5].

Merchant Marine Fund (FMM)- Salient Features

- The main source of funding for the shipbuilding and shipping industries in Brazil is the Merchant Marine Fund (FMM), managed by the Brazilian Development Bank (BNDES). Through this unique mechanism of FMM, shipowners finance shipyard production and could also avail highly favourable financing by placing their orders in domestic shipyards.

Purpose of the Fund

- The resources of the fund would be available[6] in the following priority order to:
  - Brazilian shipping companies for the financing of up to 90% of the value of construction of vessels, and modernization, and repair of Brazilian flagged vessels in Brazilian shipyards;
  - Shipping companies and shipyards for the training and development of skilled manpower; and
  - Brazilian shipyards construction, expansion and modernization and vessel exportation.

- Brazilian shipowners engaged in merchant activities (i.e, the transportation of goods from abroad to Brazilian territory or between Brazilian ports) are the beneficiaries of such credits. The account is controlled by the Merchant Marine Fund and the credits are available to shipowners exclusively for the purposes of:
  - acquiring new vessels built at Brazilian shipyards;
  - upgrading, converting, repairing or drydocking at Brazilian shipyards; and
  - repayment to the BNDES of loans relating to the construction, upgrade or repair of Brazilian vessels.

Sustenance of FMM through AFRMM

- The FMM is mainly sustained by a tax on import and cabotage freight, called Freight Additional for Merchant Marine Renewal (AFRMM)[7]. The AFRMM is a tax on freight payable by importers and cargo interests, which is due on the discharge of the freight at any Brazilian port. The tax is levied on freight carried by foreign shipping companies, Brazilian flag merchant vessels and foreign vessels chartered by Brazilian shipping companies.

Financing Mechanism under FMM

- Current financing terms under FMM (introduced in 2000):
  - 20-year amortisation period;
  - fixed interest rate between 4% and 6% per annum; and
  - loans of up to 90% of the total cost of the project.
  - Disbursements under FMM have substantially increased from US$ 130 mn in 2001 to US$ 1,265 mn in 2011[8].

[5] The role of the Merchant Marine Fund's financial agent is to make credit available, after evaluation of the viability of the project. The financial agent is responsible for the project's financing based on the economic and financial feasibility of the project presented by the Brazilian shipping company or shipyard. The financial agent could thus also refuse to grant the request for financing.

[6] in accordance with Article 26 of Law 10.839/ 2004

[7] The other sources of the FMM are: Treasury – obtained from Financial Surplus; and directly collected – from amortizations, loan interest, bank deposits remuneration, fines and penalities levied by the FMM. The FMM resources are set forth in article 25 of Law 10.893/2004.

[8] Source: National Union of Construction, Ship Repair and Offshore Industry (SINAVAL)

Brazilian Navigation Company (EBN)

- Petrobras created this programme to reduce dependence on foreign charter vessels. In this programme, Petrobras contracts ship owner, who is responsible for choosing the shipyard in Brazil where the vessel would be built.

PROREFAM (Maritime Support Fleet Renovation and Expansion Programme)

- The government through this programme, mainly for construction of Offshore Support Vessels (OSVs) for Petrobras, implemented in three phases, supports large scale fleet renovation and expansion with due focus on local content requirements which serves as a much needed boost in generating orders for national shipyards.

Tax Incentives for Financing Shipbuilders[9]

- Brazilian shipyards are entitled to important tax benefits, such as exemptions of the Import Tax (II[10]) and Tax on Manufactured Products (IPI[11]), and reduction of tax rates to zero in case of social contributions (PIS and COFINS) whenever they purchase parts and components destined to conservation, modernisation, refurbishment and conversion of vessels that own a REB registration with the Maritime Court. The same benefit can be extended to vessels under construction if they own a Pré-REB registration[12]. Details of these tax incentives are presented in **Annexure 2.**

Local Content Requirement

- Brazilian law requires that oil companies purchase goods and services domestically to stimulate Brazil's industrial sector. Under government rules, local content must comprise 60% of the Platform Support Vessels (PSV) and Oil Spill Recovery Vessels (OSRV) work, while Anchor Handling Tug Supply (AHTS) units require 50%. Operation of the vessels must be 70% locally sourced[13]. The average local content in Petrobras' exploration and production operations today is between 55% and 65%.

- The National Agency of Petroleum, Natural Gas, and Biofuels (ANP) is the official government agency responsible for implementation and regulation of the local content certification system[14].

PROGREDIR

- Petrobras launched the programme, PROGREDIR in June 2011, in partnership with the Program for Mobilization of the National Oil and Natural Gas Industry (PROMINP), with an aim to facilitate competitive supply credit to companies in the Petrobras whole supply chain, to obtain loans from participating banks, while defining the rules and relationships between suppliers and borrowers to minimize risks.

[9] Sourced from Shipping and Ports in Brazil, International Financial Law Review (IFLR) (article published May 20, 2013)
[10] in Portuguese acronym
[11] in Portuguese acronym
[12] For shipbuilding in Brazil, one of the required registrations is the Construction License, to be requested before an entity especially accredited before the Maritime Court, an organ linked to the Navy Command. In order to enjoy tax benefits for the operation of the ship, another registration before the same Maritime Court is required, called Special Brazilian Register (REB). The REB, in turn, has a previous and optional version allowing the shipyard to derive tax benefits during the construction of a vessel, called Previous Special Brazilian Register (Pré-REB).
[13] Petrobras launches call for bids on Prorefam program (March 19, 2014), Innovation Norway (http://innovationhouserio.wordpress.com/2014/03/19/petrobras-prorefam/)
[14] Resolution ANP No. 36, 11.13.2007

- PROGREDIR is run by nine banks including Caixa Economica Federal (CEF) and the Bank of Brazil. Through the fund, participating banks provide credit at very competitive terms for direct and indirect suppliers of Petrobras. This backs the services to be rendered or equipment to be delivered to Petrobras, thereby contributing to the sustainability of the supply chain. The initiative is part of the strategic plan for strengthening and expanding Petrobras' production chain.

Maritime Transport: Restrictions to Foreign Companies[15]

- The national legal regime of maritime transport in Brazil[16] mainly regulates the activity of carriage of goods by the Sea in Brazil. The Law encompasses protective measures concerning foreign vessels operating in Brazilian territorial waters, with a view to augment the national shipping industry[17].

- As per the Brazilian legislation, for cabotage trade, coastal navigation, domestic in-land navigation, and port and maritime support navigation, goods could be carried only by national ships or foreign vessels chartered by national Brazilian shipping companies[18] with due authorization from Government and meeting certain requirements.

Salient features of the financing mechanism for development of shipbuilding industry and incentives in Brazil are presented in **Annexure 2.**

PHILIPPINES

The Domestic Shipping Development Act 2004, and subsequent amendments, provides several incentives to the domestic shipping and shipbuilding industry in Philippines, while also encouraging investment in the sector. These include:

a) For Shipping Industry –

- VAT exemption for importation and local purchase of passenger ships and/ or cargo ships;

- VAT exemption for importation of life-saving equipment, communication equipment, steel plates and other metal plates required;

- net operating loss carry over; and

- appreciated depreciation of fixed assets.

b) For Shipbuilding & Ship Repair Industry (including 100% foreign owned) –

- VAT exemption for importation of shipyard equipment including its major components and capital equipment, machinery, spare parts, life-saving, navigational equipment, steel plates;

- Items covered by the exemptions shall be used either for the expansion, upgrading, modernization, etc. of shipyards and facilities and their operations, or for the construction, repair, renovation, alteration, etc;

[15] Sourced from Legal Guide: Business in Brazil, Observador Legal Editora Ltda, 2011
[16] Established by the Law 9.432 of January 2007
[17] Article 8-10 of Law 9.432/ 97
[18] Article 7 of Law 9.432/ 97

- net operating loss carry over; and
- accelerated depreciation of fixed assets.

Priority Status to Shipbuilding - To encourage investment in the shipbuilding and ship repair sector, shipbuilding (which covers construction and repair of vessels, ship breaking and ship recycling) has been listed as one of the preferred activities under both Investment Priority Plan (IPP) 2012 and IPP 2013, and accordingly given a "Priority Status" to avail of several investment incentives by the Board of Investment (BOI).

These incentives include:

a) Fiscal incentives –

- income tax holiday for 6 years for new projects, plus a bonus year;
- exemption from taxes and duties on imported spare parts;
- exemption from wharfage dues and export tax, duty, impost and fees;
- reduction of the rates of duty on import of machinery, equipment, spare parts and accessories.

b) Non-fiscal incentives –

- employment of foreign nationals;
- simplication of customs procedures for importation of equipment, spare parts, raw materials and supplies.

Salient features of the incentives in Philippines are presented in **Annexure 3.**

MALAYSIA

In Malaysia, the incentives extended to the shipping and ship repair industry include:

a) For Shipping Industry-

- The income of a shipping company derived from the operation of Malaysian ships is 70% exempted from tax. A "Malaysian Ship" is defined as a sea-going ship registered under the Merchant Shipping Ordinance 1952;

- The income of any person derived from exercising an employment on board a "Malaysian Ship" is exempted from tax.

b) For Shipbuilding and Ship Repair –

- Full exemption from income tax for 5 years; or
- Investment Tax Allowance of 100% on qualifying capital expenditure for 5 years – can be offset against 100% of income.

Malaysian Shipbuilding and Ship Repair: Industry Strategic Plan 2020

With a view to give a boost to the country's shipbuilding and ship repair industry and to emerge as a major player with focus on small and medium sized shipbuilding industry, Malaysia has launched the Malaysian Shipbuilding and Ship Repair – Industry Strategic Plan 2020 (SBSR 2020) in December 2011. The main objectives and targets of the SBSR 2020 are:

- capture 80% of the local new build market;
- capture 2% of the global new build market;
- capture 3% of the Strait of Malacca repair market;
- capture 80% the South China Sea offshore repair market;
- focus development initiatives on niche markets involving <120m vessels;

- it is estimated that by 2020, the shipbuilding and ship repair industry would contribute US$ 2 bn to the GDP, and provide more that 55,000 jobs.

One of the major milestones recorded since the launch of the Plan is the acceptance of SBSR as an Entry Point Project (EPP) No. 6 of the Business Services, the National Key Economic Area (NKEA) in March 2012. This milestone has brought SBSR industry back into the mainstream national agenda and demonstrates the government's commitment in harnessing the SBSR sector as one of the key drivers of high income economy. The EPP named **"Emerging Malaysia as Shipbuilding Ship Repair Hub"** aimed to accelerate the development of the SBSR sector so that it can provide more high income job opportunities.

Institutional and Financial Support

Marine Financing Scheme of Bank Pembangunan Malaysia Berhad - In Malaysia, financial support to the shipping and shipbuilding industry is primarily through the Bank Pembangunan Malaysia Berhad (BPMB). Bank Pembangunan Malaysia Berhad (BPMB) is wholly owned by the Malaysian Government through the Ministry of Finance. BPMB is mandated as a development financial institution providing medium to long term financing to the following sectors: Maritime, Infrastructure, Technology and Oil & Gas. Accordingly, BPMB has put in place a special marine financing scheme to finance shipping and shipyard companies, and companies involved in maritime activities. Salient features of BPMB marine financing scheme is given in **Annexure 4.**

Global Maritime Ventures Berhad (GMVB) – GMVB was incorporated in May 1993 as a vehicle to manage the RM500 mn fund under the Government's Shipping Venture Fund. GMVB is a subsidiary of Bank Pembangunan Malaysia Berhad. GMVB is a marine venture capital investment holding company incorporated to accelerate the development of the country's maritime industry. As the country's principal venture capital provider in the maritime industry, GMVB's mandated role is to develop the national shipping business sector through building strategic alliances with local partners to jointly acquire vessels for domestic as well as international operations. Apart from continuing to pursue acquisitions of diversified range of vessel types to enhance yields while improving versatility and adaptability in meeting varying shipping demands, GMVB plans to achieve this through portfolio diversification to include 3 new business segments i.e. shipyards (ship repair), commercial and technical maritime consultancy and maritime training (training berths and smart partnerships).

VIETNAM

The shipbuilding industry is one of the priority sectors in Vietnam. Key organizations such as VINASHIN (Vietnam Shipbuilding Industry Group), covering about 70-80% of the country's shipyard capacity, and VINALINES, shipping company with more than 150 vessels in operation, are state-owned, and play critical role in the development of the shipping and shipbuilding industry in the country. The shipbuilding industry is an important sector from the point of view of employment, directly employing about 100,000 jobs, and indirectly upto 1 mn.

Vietnam has developed around 150 shipyards. VINASHIN is the largest shipbuilder in Vietnam, with about 160 subsidiaries, including 39 shipyards. The organization also has joint ventures with foreign companies, such as Hyundai, Baikal Shipping and Shell Gas.

In line with the priority accorded to the shipbuilding industry, the government has extended a number of incentives to the industry. Key features of the government support include:

- Retention of corporate income tax and capital-use tax for re-investment;
- Preferential corporate income tax;
- Special incentives in industrial zones;
- Protection to domestic shipbuilding industry;
- Import tax exemption for equipment and transportation facilities; and
- Promoting joint ventures to facilitate technology transfer.

Master Plan – With a view to providing support to the shipping and shipbuilding industry, the latest master plan for the shipping and shipbuilding sector, which is based on the Prime Minister's decision[19], has identified, among others, the objectives of :

- raising the quality of ocean shipping services; to increase the market share of shipping of imports and exports to 27-30%; and
- developing the country's shipbuilding industry, and to speedily access modern technologies for promoting the efficiency of existing shipbuilding and repair yards, even supporting industries.

Restructuring Scheme for the Vietnam Shipbuilding Industry Group (VINASHIN) – in November 2010, the Prime Minister's decision[20], which approved the scheme for restructuring VINASHIN, has underlined the objectives of concentrating on 3 main areas, viz. building and repairing seagoing ships; allied industries for shipbuilding and repair; and training to raise professional skills for employees and workers in the shipbuilding industry; and VINASHIN group to become the core of the shipbuilding and repair industry.

Key features of Government's support / incentives, Master Plan and Restructuring Scheme in Vietnam are presented in **Annexure 5.**

[19] Decision of the Prime Minister No. 1601/QD-TTg, approving the Master Plan on Development of Vietnam's Ocean shipping upto 2020, and orientation towards 2030, October 2009.
[20] Decision of the Prime Minister No. 2108/QD-TTg, approving the Scheme on Restructuring the Vietnam Shipbuilding Industry Group, November 2010.

5. BROAD STRATEGIES AND RECOMMENDATIONS

Reflecting the potential of the shipbuilding industry, and the support extended by the government, India had achieved the 5th position in 2009 among the global shipbuilding nations. Further, India had achieved the 4th position in 2011 among major global exporters of ships reflecting India's global export capability. However, the period thereafter had witnessed decline in India's global ranking, both in terms of shipbuilding as also as a global exporter.

Reflecting the pickup in global trade witnessed in recent years, and expected further growth in subsequent years, the global shipbuilding industry is witnessing signs of a turn around, with a 14% growth in 2013 (in terms of orderbook position), in sharp contrast to the continued contraction witnessed during the period 2008 to 2012.

With the potential India possesses as a shipbuilding nation, and economic benefits of a robust shipbuilding industry, conducive policy framework and institutional support systems would go a long way in India's endeavours to emerge as a vibrant shipbuilding nation. Towards this end, countries such as Brazil, Philippines and Vietnam, among others, have put in place strong policy framework and support systems that have contributed significantly to these countries' emergence as vibrant and growing shipbuilding nations.

Learnings from such country experiences would prove to be beneficial in development and expansion of India's own shipbuilding industry. Accordingly, broad strategy and recommendations in this direction could include, among others:

- **Setting up of a Marine Fund and Support to Domestic Shipbuilding**

  The Merchant Marine Fund (FMM) put in place by Brazil has often been highlighted as the success behind Brazil's emergence as a major shipbuilding nation. Brazil now ranks as the 5th largest shipbuilding nation in 2013 up from the 12th position in 2006. Financial support to the shipping and shipbuilding sector, under this fund, can be assessed from the rising trend in disbursements, which have risen from around US$ 130 mn equivalent in 2001 to reach US$ 1.26 billion in 2011. Besides, support to domestic shipyards under Petrobras' expansion programmes, such as PROREFAM, EBN and PROMEF, with focus on shipbuilding by domestic shipyards have provided much need impetus to the industry in Brazil.

- **According Strategic Industry Status**

  In the Philippines, which has now emerged as the world's 4th largest shipbuilding nation, the Domestic Shipping Development Act 2004 has put in place supporting fiscal measures to the shipping and shipbuilding industry. Further, the government's thrust to the shipbuilding industry can be assessed from the country's Executive Order of 2006, which has extended "pioneer industry" status to the domestic shipbuilding industry, providing investment incentives under the Board of Investment's Investment Priority Plans (IIPs).

- **Technology Upgradation through Joint Ventures**

  An important measure to upgrade technology in the shipbuilding industry could be joint ventures with major shipbuilding companies/ shipyards. For instance, the Hyundai-Vinashin shipyard, a joint venture between VINASHIN of Vietnam and Hyundai Mipo Dockyard, is now rated among the most modern, as also one of the largest ship repairing yards in South East Asia.

- **Specialized Marine Financing Institution and Marine Finance Scheme**

  Setting up of a specialized financing institution/ marine finance scheme could also provide the much needed boost to the shipbuilding industry. In Malaysia, in line with the country's Strategic Plan 2020 for the shipbuilding and ship repair industry, Bank Pembangunan Malaysia Berhad (BPMB) actively supports the shipbuilding industry through a marine finance scheme providing medium and long term financial support to domestic shipyards.

- **Exploring Potential Demand from Overseas Markets**

  An important strategy to provide a boost to India's shipbuilding activities as also India's exports could be matching India's export capability with demand existing for ships in emerging markets. A case in point would be exploring specific markets in Africa, which are major importers.

India's exports of ships and boats to Africa had witnessed a sharp rise from US$ 11 mn in 2002 to touch US$ 951 mn in 2010, accounting for as much as 23% of India's global ship exports. However, despite rise in Africa's global ship imports from US$ 16.5 billion in 2012 to US$ 18.5 billion in 2013, India's exports to the region has witnessed a contraction during the period. In light of this, **Annexure 6** provides a brief analysis of the potential for enhancing India's exports of ship to major markets in Africa, in line with demand in major importing countries in the region.

In this direction, an important strategy could be putting in place credit lines to identified potential markets in Africa, which would serve to enable such countries to increase imports from India, while also generating much needed assured orders for Indian shipyards. For instance, in the case of China, China Exim Bank has extended credit lines to shipping companies in Ethiopia, Brazil and Iran, to help generate construction and exports orders for domestic shipyards in China[21].

[21] Highlights of China Exim Bank's Credit Lines for Shipbuilding are presented in Box item on page 65

ANNEXURE - 1

INDIAN SHIPBUILDING SECTOR – SHIPBUILDING SUBSIDY SCHEME

With a view to support the Indian shipbuilding sector, the Government of India put in place the Ship Building Subsidy Scheme in 2002[22] for both export and domestic orders to all Indian shipyards. As per the Ship Building Subsidy Scheme, 2002, subsidy was calculated on the price at which the yard won the global tender, and in case of price negotiation a "Price Reasonableness Certificate" would have to be obtained from Director General (DG) Shipping, based on which 30% subsidy on the contract price was payable for all the export orders, irrespective of size and type but limited to sea going merchant vessels of and over 80 meters in length for domestic vessels. In October 2005, the Ship Building Subsidy Scheme was extended to all the shipyards, including private shipyards as well. The Scheme was valid till August 14, 2007.

Salient features[23]

A. Shipbuilding Subsidy on Domestic Order

Shipbuilding subsidy of 30% on domestic order was admissible subject to the following conditions:

(i) Shipbuilding subsidy will be payable for domestic orders obtained on global tender basis only.

(ii) Subsidy will be payable only for ocean going vessel as defined in Section 3(41) of Merchant Shipping Act, 1958. The Vessel would be a merchant vessel of minimum 80 meters in length.

(iii) Subsidy will be calculated on the price at which the Indian Shipyard has won a global tender. Fixation of price for domestic order will be in terms of relevant foreign currency and payment at each stage will be made in installments to the Central and non-Central Public Sector Shipyards at market determined parity rate of foreign exchange prevailing on the date of actual payment. Release of subsidy will be as per stage payments agreed in the contract. Subsidy will be payable on the price at which the tender was won and will not take into account any subsequent escalation.

(iv) In the case of private sector shipyards, the principle followed will be the same except that the subsidy will be released only after delivery of the vessel.

B. Shipbuilding Subsidy on Export Order

Shipbuilding subsidy of 30% on export order under the scheme would be admissible on each export order, irrespective of type and size of vessel. It will be admissible for orders obtained whether on tender or negotiated basis and admissible subject to the following conditions:

---

[22] Prior to introduction of the Ship Building Subsidy Scheme, a "Pricing Policy" was in vogue since 1971 till 1981. In 1981 Government of India ushered in a major change in the policy wherein a subsidy equivalent to 20% of the International Parity Price was payable directly to the shipyards. The ship owners paid an additional 10% of the international parity price towards partial cost of import substitution. The scheme was amended twice, once in 1997 and then in 2002.

[23] Sourced from "Statistics on India's Shipbuilding and Ship Repairing Industry 2012-13", Government of India, Ministry of Road Transport and Highways, 2014.

(i) Subsidy will be calculated on the price at which the Indian Shipyard has won a global tender.

(ii) Where the price of the vessel is negotiated, the reasonableness of price would be determined by the Director General (Shipping), Mumbai, according to the procedure laid down. The subsidy would be admissible on the contracted price or the price as certified to be reasonable, whichever is less.

India – Taxes on Shipbuilding Industry[24]

The details of taxes and duties imposed on shipbuilding industry are given below:

(i) Excise duty @ 5% plus 3% cess totaling 5.15% on domestic sale of ships;

(ii) Value Added Tax (State VAT) on indigenous sale of ships as applicable in the states; and

(iii) Customs duty @ 10% (Basic Duty) plus Additional Duty, Countervailing Duty and Cess totaling 26.85% is applicable on the capital items imported for shipbuilding works.

Union Budget 2013-14 - Taxes on Shipbuilding Industry

- Full exemption from excise duty is being provided on ships and other vessels. Consequently, there will be no CVD on these ships and vessels when imported.

- Time limit for consumption of imported goods by ship repair units is being extended from 3 months to 1 year.

[24] Sourced from Press Information Bureau, Government of India, Ministry of Shipping, May 10, 2012

ANNEXURE - 2

BRAZIL - INSTITUTIONAL SUPPORT SYSTEMS AND POLICY MEASURES

Brazil has experienced a strong increase in its share of global vessel orders, largely due to the major shipbuilding programmes of Petrobras, the state-owned oil company and its maritime transportation arm - Transpetro, together with financial incentives from BNDES, the National Development Bank of Brazil[25].

Merchant Marine Fund (FMM)- Salient Features

- The main source of funding for the shipbuilding and shipping industries in Brazil is the Merchant Marine Fund (FMM), managed by the Brazilian Development Bank (BNDES). Through this unique mechanism of FMM, shipowners finance shipyard production and could also avail highly favourable financing by placing their orders in domestic shipyards.

Sustenance of FMM through AFRMM

- The FMM is mainly sustained by a tax on import and cabotage freight, called Freight Additional for Merchant Marine Renewal (AFRMM)[26]. The AFRMM is a tax on freight payable by importers and cargo interests, which is due on the discharge of the freight at any Brazilian port. The tax is levied on freight carried by foreign shipping companies, Brazilian flag merchant vessels and foreign vessels chartered by Brazilian shipping companies.

- **AFRMM rates:**
  As per Article 6 of Law 10,893/ 2004, AFRMM rates are fixed at:
  - 25% of import freight;
  - 10% of cabotage freight; and
  - 40% in case of liquid bulk transportation on rivers or lakes in the north and north-eastern region of Brazil.

Financing Mechanism under FMM

- Current financing terms under FMM (introduced in 2000):
  - 20-year amortisation period;
  - fixed interest rate between 4% and 6% per annum; and
  - loans of up to 90% of the total cost of the project.

- The guarantees required by the BNDES are equivalent to 120% of the financed amount and usually include:

[25] The Brazilian ship building industry witnessed revitalization especially from the late 1990s, with the proclamation of Law 9,478 of 1997, known as the Petroleum Law, which made the exploration and production of Brazilian oil flexible. The development of new technologies for the exploitation of water depths, and ultra-deepwater contract through Petrobras resulted in large scale orders being generated for national shipyards.

[26] The other sources of the FMM are: Treasury – obtained from Financial Surplus; and directly collected – from amortizations, loan interest, bank deposits remuneration, fines and penalities levied by the FMM. The FMM resources are set forth in article 25 of Law 10.893/2004.

Trend in Disbursements under FMM

Year	R$ mn	Equivalent US$ mn
2001	305	130
2002	338	116
2003	591	192
2004	721	246
2005	465	191
2006	658	301
2007	1,100	564
2008	1,300	710
2009	2,600	1,300
2010	2,019	1,147
2011	2,113	1,265

Source: National Union of Construction, Ship Repair and Offshore Industry (SINAVAL)

- a mortgage or fiduciary property on the financed vessel;
- corporate collateral;
- bank guarantees; or
- assignment of earnings.

- The loan installments are in Brazilian Reals or US dollars on a pro rata basis according to the revenues generated by the financed project.

- Disbursements under FMM have substantially increased from US$ 130 mn in 2001 to US$ 1265 mn in 2011[27].

- On December 31, 2012, total assets of the Merchant Maritime Fund (FMM) at the BNDES reached R$ 12.6 billion (approximately US$ 6.5 billion), earmarked for development of the shipping sector[28].

Brazilian Navigation Company (EBN)

- Petrobras created this programme to reduce dependence on foreign charter vessels. In this programme, Petrobras contracts ship owner, who is responsible for choosing the shipyard in Brazil where the vessel would be built.
  - Under EBN-1 programme, 19 vessels contracted for delivery between 2011-2014.
  - Under EBN-2 programme, 20 vessels scheduled for delivery between 2013-2017.

[27] Source: National Union of Construction, Ship Repair and Offshore Industry (SINAVAL)
[28] BNDES Annual Report 2012

FMM – Loan Conditions[29]

Purpose	Grace period	Repayment Period	Maximum Share	BNDES Interest rates (% p.y.)
Brazilian Shipping Company				
Construction of vessel	Up to 4 years	Up to 20 years	Up to 90%	2.5 to 5
Jumborization, conversion or modernization of own vessel	Up to 4 years	Up to 15 years	Up to 90%	3 to 6
Acquisition and installation of equipment	Up to 2 years	Up to 5 years	Up to 90%	3 to 6 if domestic content is over 60%
Repair of own vessel	Up to 1 year	Up to 2 years	Up to 90%	3 to 6
Projects for research and scientific or technological development and formation and improvement of human resources directed to Merchant Marine, construction or naval repair sectors	Up to 2 years	Up to 10 years	Up to 90%	1 to 3
Other Brazilian Companies				
Repair of own vessel for commercial, industrial or extractive application in Brazilian shipyard	Up to 1 year	Up to 2 years	Up to 90%	3 to 6
Construction, jumborization, conversion or modernization of any type of own vessel, of commercial, industrial or extractive application	Up to 4 years	Up to 15 years	Up to 90%	3 to 6
Projects for research and scientific or technological development and formation and improvement of human resources directed to Merchant Marine, construction or naval repair sectors	Up to 2 years	Up to 10 years	Up to 90%	1 to 3
Shipping Company				
Construction or production of vessel destined to fluvial transport of passengers, of high social interest	Up to 4 years	Up to 20 years	Up to100%	1 to 3
Brazilian Shipyards				
Repair of vessel	Up to 1 year	Up to 2 years	Up to 90%	3 to 6
Production of vessel destined to a Brazilian navigation company or to export	-	Until the 5th business day following the foreign exchange closing related to the payment of the vessel price or at the maturity date established in the Production Financing Agreement, whichever takes place first	Up to 90%	3 to 5

[29] Sourced from presentation titled "Maritime Infrastructure and Investment Opportunities in Brazil, Brazilian-American Chamber of Commerce, New York - November, 2008; Law Offices Carl Kincaid, Mendes Vianna Advogados Associados.

Expansion and modernization of shipyard installations	Up to 2 years	Up to 10 years	Up to 90%	3 to 5
Construction of new shipyard installations	Up to 2 years	Up to 20 years	Up to 90%	3 to 5
Construction or production of vessel destined to fluvial transport of passengers, of high social interest	Up to 4 years	Up to 20 years	Up to100%	1 to 3
Projects for research and scientific or technological development and formation and improvement of human resources directed to Merchant Marine, construction or naval repair sectors	Up to 2 years	Up to 10 years	Up to 90%	1 to 3
Public entities, research institutions and other agencies, including the class representatives of merchant marine and naval construction sectors				
Construction of auxiliary, hydrographic and oceanographic vessels, in Brazilian shipyard	Up to 4 years	Up to 15 years	Up to100%	3 to 5
Projects for research and scientific or technological development and formation and improvement of human resources directed to Merchant Marine, construction or naval repair sectors (inclusive of Brazilian private entities, including the class representatives of merchant marine and naval construction sectors)	Up to 2 years	Up to 10 years	Up to 90%	1 to 3
Fishing				
Individual or legal entity exploring artisanal fishing	Up to 4 years	Up to 20 years	Up to 90%	1 to 3
Vessels Registered or Pre-Registered in the REB (Special Brazilian Registry)				
Purpose	**Grace period**	**Amortization Period**	**Maximum Participation**	**BNDES Interest (% p.y.)**
Construction of vessels	Up to 4 years	Up to 20 years	Up to 90%	3 to5
Jumborization, conversion or modernization of vessel	Up to 4 years	Up to 15 years	Up to 90%	3 to 6
Repair of vessels	Up to 2 years	Up to 5 years	Up to 90%	3 to 6

Source: http://www.bndes.gov.br/programas/outros/naval.asp

Note: In case of financing projects with domestic contents over 60%, there will be a 0.5% per year reduction in interest rate. Computation of local contents should follow the BNDES System's standards in force.

PROREFAM (Maritime Support Fleet Renovation and Expansion Program)

- The government through this programme, mainly for construction of Offshore Support Vessels (OSVs) for Petrobras, implemented in three phases, supports large scale fleet renovation and expansion with due focus on local content requirements which serves as a much needed boost in generating orders for national shipyards.

- Phases of PROREFAM:

  - PROREFAM I - commencing in 2001 with an investment of US$ 411 mn (19 new builds and 20 refits);
  - PROREFAM II – commencing in 2004 with an investment of US$ 695 mn (58 new builds, 22 under shipowners initiative);

    - established the percentage of local content (Brazilian equipment and services) with a minimum of 80% for Platform Support Vessels (PSVs); and
    - 75% for Anchor Handling Tug Supply (AHTS), Tug Supply (TS) and Oil Spill Recovery Vessels (OSRVs).

  - PROREFAM III – commencing in 2008 with investment of US$ 1.29 billion (134 new builds).

    - divided into 7 bid rounds, with 56 contracts still to be delivered by 2014.
    - Between 2013-18, there is provision for 90 additional new builds.

  - The marine support fleet has increased by 87% over the last five years, driven primarily by the number of OSVs under PROREFAM[30].

Tax Incentives for Financing Shipbuilders

Selected Federal Tax Breaks and Incentives[31]

- ❖ Tax on Industrialized Products- IPI
- ❖ COFINS and PIS/ PASEP
- ❖ Fictitious Draw Back (draw back "embarcação")
- ❖ Import Duty Reduction (Ex- Tarifários)
- ❖ REPETRO

Tax on Industrialized Products - IPI

- ❖ Ships pre-registered (when under construction) or registered in the REB will benefit of a total suspension and subsequent 0 tax regime in what regards the IPI Tax, this treatment is granted to:

  - ❖ the acquisition by a Brazilian shipyards of materials and equipment, including parts, spare-parts and components to be used in shipbuilding and repair.

(Article 10, of the Law 9.493/97 and Decree 6.704/08)

COFINS and PIS/ PASEP

- ❖ Ships pre-registered (when under construction) or registered in the REB will benefit of a 0 tax regime in what regards the COFINS (seller) and COFINS - Importação and PIS/

[30] Sourced from National Agency for Waterway Transportation - ANTAQ

[31] Sourced from presentation titled Brazilian Shipbuilding, -Repair and Offshore Industry Financing, Tax Breaks and Incentives -A General Overview, Vinhas e Pessôa Advogados, 2011 (paper prepared for the occasion of the visit of the Governor of the State of Rio Grande do Sul, to the Republic of Korea)

PASEP (seller) and PIS/ PASEP- Importação, this treatment is granted to:

- ❖ the sale or import of materials and equipment, including parts, spare - parts and components to be used in shipbuilding and repair (Law 11.774/08).

Fictitious Draw Back

- ❖ The internal / national sale or repair of a vessel is deemed to be an export operation (fiction), for the purpose of the Brazilian draw back legislation. This leads to the suspension of import duties for materials, equipments, including parts, spare- parts and components incorporated in a vessel under construction, modernization, jumborization or repair in a Brazilian yard.

(Article 1, Paragraph 2, of the Law Nr. 8.402/92, articles 59 and following, of the Administrative Order Nr. 10/10)

Import Duty Reduction

- ❖ Showing proof that there is no "similar national" product available on the market there is the possibility to have an import duty reduction granted by the Ministry of Industry and Commerce.

(These procedures are governed by CAMEX Resolution 35/06)

REPETRO

- ❖ This is a special customs regime that allows a suspension of federal taxes like II- Import Tax, IPI, PIS/ PASEP, COFINS and AFRMM, for the temporary importation of certain equipments to be used in the exploration and production of oil and gas.

- ❖ This customs regime is admissible for the equipments to be used in the exploration and production of oil and gas, as listed in the Normative Instruction RF 844/08, such as:
  - ❖ machines, equipment, instruments, tools and
  - ❖ exploration and production, storage and supply vessels as well as drill and production platforms, etc.

Local Content Requirement

- ■ The term local content refers to the use of domestic goods and services. Brazilian law requires that oil companies purchase goods and services domestically to stimulate Brazil's industrial sector. Under government rules, local content must comprise 60% of the Platform Support Vessels (PSV) and Oil Spill Recovery Vessels (OSRV) work, while Anchor Handling Tug Supply (AHTS) units require 50%. Operation of the vessels must be 70% locally sourced[32]. Such rules are an attempt by the government to strengthen the local industry, increase the number of companies locally established, create jobs and develop technology and qualified labour force in Brazil. The average local content in Petrobras' exploration and production operations today is between 55% and 65%.

- ■ The National Agency of Petroleum, Natural Gas, and Biofuels (ANP) is the official government agency responsible for

[32] Petrobras launches call for bids on PROREFAM program (March 19, 2014), Innovation Norway (http://innovationhouse-rio.wordpress.com/2014/03/19/petrobras-prorefam/)

implementation and regulation of the local content certification system (Resolution ANP No. 36, 11.13.2007). The Local Content Primer is the official measurement methodology used by certifiers to issue certificates as ANP Resolution No. 19/2013. The "Local Content Certificate" is a document issued by a "certifier" that is pre-registered with ANP. The most important certifier is ONIP[33], which is also the one appointed by Petrobras in almost all their contracts. Local content policies are defined by ANP through its "LC Primer," and are supported by Petrobras and ONIP, with the objective of strengthening of the Brazilian economy. However, the requirement for a minimum percentage of 65% of Brazilian materials and services to be used in the manufacturing of vessels, rigs and platforms, is in practice limited by local capability - manpower, industrial facilities and technology[34].

Local Content Requirements

Type	Local	Import
Tanker	70.80%	29.20%
OSV	61%	39%
FPSO	64.20%	35.80%

Source: SINAVAL

- To avoid the Dutch Disease[35], Petrobras's contracts contain increasing minimum local content requirements that are expected to even go as high as 95% for some equipment by the year 2020[36]. In order to trim prices of equipment, while pushing for the gradual escalation of local content requirement in its projects, Petrobras is breaking up large EPC, service and supply contracts into smaller packages, emphasizing greater detail and standardization of orders.

- Since its inception, PROMINP, a government programme that aims to maximise local industry content on a competitive and sustainable basis, has significantly raised the participation of local industry in investments in the oil and gas sector from 57% in 2003 to 75% in the first half of 2009. Investment in PROMINP significantly increased local participation from US$ 35 billion in the years 2003-2007 to US$ 190 billion expected for the years 2009-2013.

- Transpetro has also successfully used in its ship-building programs a strategy of direct procurement with key suppliers of plates, profiles and pipes, which are then delivered to the shipyard for construction. This approach has ensured objectives of quality, price and time are met, while also avoiding interruptions, additional costs and/or contract disputes. The contracted shipyards call-off supplies of plates pre-ordered by Transpetro from the supplier, with specified quality, delivery and price terms. With this policy, Transpetro has avoided additional 30% to 50% steel imports[37].

- With this new scenario, Petrobras and other oil & gas players operating in Brazil would demand locally produced goods and services in increasingly larger amounts. This offers a great opportunity for local companies.

[33] ONIP has 2,000 companies registered as members, all of them in the supply chain for the offshore petroleum industry.
[34] The Re-birth of Brazilian Ship-building, OFSCap (March 18, 2013)
[35] The discovery of massive oil reservoirs could cause the so-called "Dutch Disease" as experienced in Holland, when big petroleum finds triggered massive outside investment and currency exchange escalation that disrupted other industrial sectors as the country's economy became more dependent on hydrocarbons.
[36] Local Content in Brazilian Oil Industry, T&B Petroleum # 28
(http://www.nocal.com.lr/pdf/Resource_Library/International/Local_Content_In_Brazil_Oil_Industry.pdf)
[37] The Re-birth of Brazilian Ship-building, OFSCap (March 18, 2013)

- The availability of locally manufactured ship components in the Brazilian market, i.e. about 40% to 60% of the final costs in the construction of vessels, is a major challenge. However, with the requirements of Local Content foreign equipment suppliers are already planning to set up factories in Brazil.

Maritime Transport: Restrictions to Foreign Companies[38]

- The national legal regime of maritime transport in Brazil is established by the Law 9.432 of January 2007, which mainly regulates the activity of carriage of goods by the Sea in Brazil.

- The Law encompasses protective measures concerning foreign vessels operating in Brazilian territorial waters, with a view to augment the national shipping industry[39].

- According to the Brazilian legislation, the international carriage of goods by sea, as also in the country's inland waters, is allowed to be carried out by shipping companies, shipowners and and vessels from foreign countries[40]. Nevertheless, in cabotage trade, coastal navigation, domestic in-land navigation, and port and maritime support navigation, goods may only be carried by national ships or foreign vessels chartered by national Brazilian shipping companies[41] with due authorization from Government and meeting following requirements:

  - absence or unavailability of Brazilian flagged vessels, with the same characteristics for the shipping activity indended;
  - in case of public interest, duly reasoned; and
  - when in replacement of a vessel being built in a Brazilian shipyard (for more than 36 months)

- Article 3 of ANTAQ Resolution 843/ 2007 allows foreign shipowner/ companies, to operate in international maritime transport (from Brazilian ports to foreign ports), in cabotage, and in maritime and port support navigation if only the company is duly constituted in accordance to Brazilian Law, and also having its headquarters in the country. Such an enterprise is considered as a Brazilian shipping company.

[38] Sourced from Legal Guide: Business in Brazil, Observador Legal Editora Ltda, 2011
[39] Article 8-10 of Law 9.432/ 97
[40] Article 5-6 of Law 9.432/ 97
[41] Article 7 of Law 9.432/ 97

ANNEXURE - 3

PHILIPPINES – POLICIES AND INCENTIVES TO THE SHIPPING & SHIPBUILDING INDUSTRY

The Domestic Shipping Development Act of 2004 (promulgated under Republic Act No. 9295 as "An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding, Ship Repair Policies and Ship Breaking, Ordaining Reforms in Government Policies towards Shipping in the Philippines and for Other Purposes"), and subsequent amendments[42], is the primary Act in the Philippines governing the nation's shipping, shipbuilding, ship repair and ship breaking industry.

I. Incentives to Domestic Shipping Industry

Rule II, Section 4 (2014 Amendments) provides several incentives to support the domestic shipping industry and also to encourage investment in the domestic shipping industry. These incentives include:

A. Value-Added Tax (VAT) Exemption (Sec. 4.1) – All MARINA[43]-registered domestic shipowners / operators[44] shall be exempt from payment of VAT for:

i) Importation and local purchase of passenger and / or cargo ships 150 GT and above, including engine and spare parts imported or locally purchased; provided the ship to be imported comply with the following requirements:

Type	Maximum Age from original date of launching
Passenger/cargo	15 yrs old
Tanker	10 yrs old
High Speed Passenger	5 yrs old

ii) Importation of life-saving equipment, fire fighting equipments, safety and rescue equipment, communication and navigational safety equipment, steel plates, and other metal plates including marine-grade aluminium plates, used for transport operations.

iii) Sale, Transfer or Disposition of above mentioned articles. However, in case of local purchase, if the exemption from the payment of VAT is availed of by the domestic shipowners/ operators, the shipbuilder shall no longer be entitled to avail of such incentives.

B. Importation of Articles (Sec. 4.2) – The importation of the articles to be used by the registered shipowner/operator shall be granted exemption from VAT, subject to compliance with certain condition, including:

- Said articles are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable

[42] The Domestic Shipping Development Act of 2004 was promulgated on May 03, 2004 by Republic Act (RA) No. 9295, followed by amendments on November 30, 2004 (IRR of RA No. 9295), on October 26, 2009 (Revised IRR of RA No. 9295), and on January 28, 2014 (2014 Amendments to Revised IRR of RA No. 9295).

[43] MARINA – Maritime Industry Authority, Philippines.

[44] As per the Act (7.2), domestic shipowner/operator would be: i) citizens of the Philippines; or ii) commercial partnership wholly owned by Filipinos; or iii) corporation with at least 60% of the capital owned by Filipinos.

prices, as certified by MARINA; said articles are reasonably needed and will be used exclusively by the MARINA-registered domestic shipowner/operator in its transport operations;

- Said articles are directly imported by the registered domestic shipowner / operator; approval of MARINA was obtained prior to importation;

- Exemption from VAT on the importation of said articles shall be granted within a period of 10 years from the effective date of the Act.

C. Limitations/Restrictions on Sale, Transfer or Disposition of Ships and Imported Articles (Sec. 4.3) – Any sale, transfer of disposition of ships and imported articles are subject to contains limitations / restrictions, including:

- Prior approval of MARINA for any sale, transfer or disposition of ships and articles within 10 years from the effective date of the Act, to another MARINA-registered domestic shipowner / operator enjoying similar incentive;

- Any sale, transfer or disposition made to non-exempt entity or to a party other than a MARINA-registered domestic shipowner/ operator, within 10 years from the effective date of the Act, both vendor and the transferee or assignee shall be solidarily liable to pay twice the amount of VAT waived.

D. Net Operating Loss Carry Over (Sec. 4.4) – A net operating loss in any taxable year immediately preceding the current taxable year, which had not been previously offset as a deduction from gross income shall be carried over for the next 3 consecutive taxable years immediately following the year of such loss.

E. Accelerated Depreciation (Sec. 4.5) – Fixed assets may be depreciated as follows:

- To the extent of not more than twice as fast as the normal rate of depreciation or depreciated at a normal rate of depreciation if the expected life is 10 years or less; or

- Depreciation over any number of years between 5 years and the expected life, if the latter is more than 10 years, and the depreciation thereon allowed as deduction from taxable income.

II. Incentives to Shipbuilding and Ship Repair

Rule VIII, Section 19 (2014 Amendments) provides several incentives to encourage investments and to ensure the development of a viable shipbuilding and ship repair industry. These incentives include:

A. Value-Added Tax (VAT) Exemption (Sec. 19.1) – All MARINA-registered shipbuilders and/or ship repairers[45], and ship breakers shall be exempt from payment of VAT for:

- The importation of shipyard equipment including its major components and capital equipment, machinery, spare parts, life-saving, navigational equipment, steel plates and other metal plates including marine-grade aluminium used and installed in the construction, repair, renovation, or alteration

[45] Including registered shipbuilders/ ship repairers which are 100% foreign owned.

of any merchant marine ships operated or to be operated in the domestic trade.

- Availment of exemption from VAT shall include MARINA-registered boatbuilders/repairers, afloat repairers and ship breakers.

- Items covered by the exemptions shall be used either for the expansion, upgrading, modernization, etc. of shipyards and facilities and their operations, or for the construction, repair, renovation, alteration, etc. of merchant marine ships operated or to be operated in the domestic trade.

B. Net Operating Loss Carry Over (Sec. 19.2) – The net operating loss in any taxable year immediately preceding the current taxable year, which has not been previously offset as a deduction from gross income shall be carried over as a deduction from gross income for the next 3 consecutive years immediately following the year of such loss.

C. Accelerated Depreciation (Sec. 19.3) - Fixed assets may be depreciated as follows:

- To the extent of not more than twice as fast as the normal rate of depreciation or depreciated at a normal rate of depreciation if the expected life is 10 years or less; or

- Depreciation over any number of years between 5 years and the expected life, if the latter is more than 10 years, and the depreciation thereon allowed as deduction from taxable income.

D. Conditions of Availment of VAT Exemption (Sec. 19.5) – The importation of articles covered shall be granted VAT exemption subject to the certain conditions, including:

- Said articles are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;

- Said articles are imported directly by a MARINA-registered Shipbuilder and ship repairer; boat builders/repairers/afloat repairers and ship breakers (ship-re-cycling); prior approval of MARINA before importation;

- Said articles are reasonably needed and will be used exclusively by the registered shipbuilder and ship repairer; boat builders/ repairers/afloat repairers and ship breakers (ship-re-cycling);

- Stockpile for a projected 6 months to 1 year consumption/utilization of basic construction materials like steel and metal plates, angle bars, including marine-grade aluminium is allowed for importation by a MARINA-registered entity to minimize time delay in the construction or repair of marine vessels;

- The shipbuilders and ship repairers/boat builders/repairers/afloat repairers and ship breakers (ship-recycling) may avail of the exemption from VAT within a period of 10 years from the approval of the Act;

- In cases where a domestic ship owner avails of the services of a local shipyard for new construction / alteration / renovation, exemption from VAT can be availed of by either the Shipbuilder or the Ship owner, but not applicable for both the parties at the same instance.

E. Limitations/ Restrictions on Sale, Transfer or Disposition of Imported Articles (Sec. 19.6) – Any sale, transfer or disposition of articles shall be subject to the following limitations/ restrictions:

- Any sale, transfer or disposition of articles within ten (10) years from its effectivity to another MARINA-registered shipbuilder or repairer, boatbuilders / repairers / afloat repairers, and shipbreakers (ship re-cycling) enjoying similar incentive, shall require prior approval of MARINA; and subject for assessment and inspection.

- Any sale, transfer or disposition made to non-exempt entity or to a party other than a MARINA-registered shipbuilder or repairer, boatbuilders / repairers / afloat repairers and shipbreakers (ship re-cycling) within ten (10) years from the effectivity of the Act, both the vendor and the transferee or assignee shall be solidarily liable to pay twice the amount of VAT waived; and subject for assessment and inspection prior to MARINA approval.

Policy Thrust on Shipbuilding and Ship Repair in Philippines

The Philippines Executive Order (EO) No. 588 ***"Strengthening the Philippine Shipbuilding and Ship Repair Sector and Instituting Measures to Promote its Growth and Development",*** issued on December 08, 2006, has accorded thrust to the Shipbuilding and Ship Repair industry as under:

- **Sec. 1** - The growth and development of the Philippine shipbuilding and ship repair sector shall be a key component of the government's continuing industrial development programme, and that the entry and maintenance of foreign and local investment in the Philippine shipbuilding and ship repair sector shall enjoy the government's full support in view of its capability to generate employment opportunities, modernize the country's industrial sector, and improve productivity levels through the use of new technological and managerial know-how.

- **Sec. 2** - The training, development and continued employment of Filipino citizens in duly registered entities engaged in shipbuilding and ship repair within the country shall form part of the government's effort to promote investment in the country.

- **Sec. 5** - Extends the **"pioneer industry"** status under the Board of Investment (BOI) to duly registered entities engaged in ship building and ship repair in the Philippines.

Incentives to Shipbuilding under Board of Investment, Philippines

The Board of Investment (BOI), an agency under the Department of Trade and Industry, is the lead investment promotion agency, and is mandated through the Omnibus Investments of 1987 Code (or Executive Order 226) to encourage investments through tax exemption and other benefits in preferred areas of economic activities specified by the BOI in the Investments Priority Plans (IPPs)[46].

The thrust accorded to shipbuilding can be assessed from the fact that shipbuilding (which covers construction and repair of vessels, ship breaking and ship recycling) has been listed as one of the preferred activities under both IPP 2012 and IPP 2013 (while the draft IIP 2014 also lists shipbuilding parts and components, with focus on exports).

Under shipbuilding, the following activities are the qualifications for registration with BOI:

- For shipbuilding, vessels to be built must be at least 500 GT; and

[46] The IPP is formulated annually by the BOI, through an inter-agency committee, and approved by the President, lists the priority activities for investments.

- For shipbreaking/ ship recycling, facilities must have a dry-docking or dismantling slipway with a minimum capacity of 1,500 DWT.

Any of the following activities may qualify for **pioneer status**:

- Shipbuilding or ship repair facilities with a minimum lifting capacity of 20,000 DWT;
- Shipbuilding or ship repair facilities with a minimum berthing capacity of 7,500 DWT.

Incentives to Pioneer Status Activities

These pioneer status activities are accorded various incentives which include:

Fiscal Incentives

A. **Income Tax Holiday (ITH)** – BOI registered enterprises shall be exempt from payment of income taxes, reckoned from the scheduled start of commercial operations, for 6 years for new projects with a pioneer status;

- **Bonus Year** - New registered pioneer enterprises may avail of a bonus year, in each of the following cases:

i) The indigenous raw material used in the manufacture of the registered product must be at least 50% of the total cost of raw materials for the preceding years prior to the extension; or

ii) The ratio of total imported and domestic capital equipment to the number of workers for the project does not exceed US$ 10,000 per 1 worker; or

iii) The net foreign exchange savings or earnings amount to at least US$ 500,000 annually during the first 3 years of operation;

iv) In no case shall a registered pioneer firm avail of this incentive for a period exceeding eight (8) years.

B. **Exemption from Taxes and Duties on Imported Spare Parts** – A registered enterprises with a bonded manufacturing warehouse shall be exempt from customs duties and national internal revenue taxes on its importation of required supplies/spare parts for consigned equipment or those imported with incentives.

C. **Exemption from Wharfage Dues and Export Tax, Duty, Impost and Fees** - All enterprises registered under the IPP will be given a ten (10) year period from date of registration to avail of the exemption from wharfage dues and any export tax, impost and fees on its non-traditional export products.

D. **Reduction of the Rates of Duty on Capital Equipment, Spare Parts and Accessories** - BOI-registered enterprises of good standing, with project registered as new or expanding under Executive Order 226, otherwise known as the Omnibus Investments Code of 1987, may import machinery, equipment, spare parts and accessories subject to zero percent (0%) duty for BOI-registered enterprises.

Non-fiscal Incentives

A. Employment of Foreign Nationals - A registered enterprise may be allowed to employ foreign nationals in supervisory, technical or advisory positions for five (5) years from date of registration, extendible for limited periods at the discretion of the BOI.

B. Simplification of customs procedures - For the importation of equipment, spare parts, raw materials and supplies and exports of processed products.

C. Importation of consigned equipment - For a period of 10 years from date of registration, subject to posting of a re-export bond equivalent to 100% of the estimated taxes and duties.

ANNEXURE - 4

MALAYSIA- MARINE FINANCING SCHEME OF THE BANK PEMBANGUNAN MALAYSIA BERHAD (BPMB)

Purpose of financing

- To finance the acquisition of all types of brand new / second hand vessels;
- To finance the acquisition of land, construction of shipyard infrastructure and its related machinery and equipment;
- To finance the acquisition of land, construction of building, plant and machinery of port, bonded warehouse, port yard and haulage for the maritime activities; and
- To part finance the working capital requirement.
- Loan refinancing is not allowed.

Type of Financing

- Conventional: Term Loan, Revolving Credit, Working Capital, Guarantee
- Islamic: Bai Bithman Ajil, Bai Istisna', Bai Inah, Murabahah Al Dayn, Ijarah, Kafalah

Margin of financing

- Up to 90% of financing

Tenure of Financing

- Maximum 10 years excluding 2 years grace period.
- For secondhand vessel, age of vessel must not exceed 20 years at the end of repayment period.

Lending Rate

- 4.0% - 6.0% on monthly/quarterly/semi-annual rest depending on the applicant's cashflow sustainability[47].

Target Group

- Shipping & Shipyard companies
- Companies that involve in maritime related activities

Financing Amount

- Minimum: RM1.0 mn (working capital)
- RM5.0 mn (acquisition of fixed assets)
- Maximum: RM500.0 mn (Single Customer Limits)

Eligibility

- Private Limited, Public Company and Co-operatives
- Wholly owned by Malaysians and registered in Malaysia

(Source: Bank Pembangunan Malaysia Berhad, http://www.bpmb.com.my/financing/maritimeFund.asp)

[47] Average lending rates of banks in Malaysia is around 6.6%

ANNEXURE - 5

VIETNAM –GOVERNMENT SUPPORT MEASURES AND INCENTIVES

Key features of the government support to the shipbuilding sector include:

Corporate Tax

- Retention of total corporate income tax and capital-use tax for the period 2002 to 2010 for re-investment in capital;
- Currently, investment projects in shipbuilding may enjoy preferential Corporate Income Tax (CIT) of 20% (instead of the standard 28%) for the period of 10 years from commencement of business operations;
- In addition, CIT exemption is given to these projects for 2 years from the first profit-making year and 50% CIT reduction for the subsequent 3 years. After the tax incentive period, the standard CIT rate of 28% will apply;
- If located in an industrial zone, the shipbuilding company, like other manufacturing company, can enjoy 3 years tax holiday and 7 years of tax reduction of 50%.

Restricting imports of second-hand ships

- Protecting the domestic shipbuilding industry with 15% import tariff on fishing ships and small cargo ships;
- For big cargo ships (over 5000T), import tariff is 7.5%.

Exemption from Export and Import Tax

- Shipbuilding establishments are exempted from export tax on exported seagoing vessels;
- Import tax on machinery and equipment imported to create fixed assets; means of transport included in technological lines imported to create fixed assets; and raw materials, supplies and semi-finished products in service of shipbuilding activities, which cannot be produced at home.

Joint Ventures

- To foster technology upgradation, VINASHIN has set up joint ventures with foreign companies such as Hyundai, Baikal Shipping and Shell Gas.
- The Hyundai-Vinashin shipyard, a joint venture between VINASHIN and Hyundai Mipo Dockyard, is now rated among the most modern, as also the largest ship repairing yards in Southeast Asia.

Master Plan

According to the latest master plan for the shipping and shipbuilding sector, which is based on the Prime Minister's decision[48], some of the key objectives include:

[48] Decision of the Prime Minister No. 1601/QD-TTg, approving the Master Plan on Development of Vietnam's Ocean shipping upto 2020, and orientation towards 2030, October 2009.

- **Ocean Shipping**
  - o to raise the quality of ocean shipping services to meet domestic ocean shipping needs;
  - o to increase the market share of shipping of imports and exports to 27-30%.
- **Shipbuilding industry**
  - o to develop the country's shipbuilding industry to the advanced level in the region by 2020;
  - o to develop in a balanced manner both shipbuilding and ship repair, and to speedily access modern technologies for promoting the efficiency of existing shipbuilding and repair yards, and supporting industries;
  - o to develop supporting industries for the ship building and repair industry with a view to forming a synchronous and complete shipbuilding industry.

Restructuring Scheme for the Vietnam Shipbuilding Industry Group (VINASHIN)

In November 2010, the Prime Minister's decision[49], approved the restructuring scheme for the VINASHIN Group, with a view to stabilize the Group's production and activities. Under the scheme, the following objectives have been earmarked:

- To concentrate on 3 major areas, viz. building and repairing seagoing ships; allied industries for shipbuilding and repair; and training to raise professional skills for employees and workers in the shipbuilding industry;
- To develop the VINASHIN group as the core of the shipbuilding and repair industry which will be a spearhead in the development of the maritime economy and the implementation of Vietnam's marine strategy through 2020 and afterward;
- VINASHIN group to become a consortium of enterprises in the shipbuilding and repair industry, allied industries and training activities to serve the shipbuilding and repair industry, and having close and long-term relations with one another in terms of economic interests, technology and market.

[49] Decision of the Prime Minister No. 2108/QD-TTg, approving the Scheme on Restructuring the Vietnam Shipbuilding Industry Group, November 2010.

ANNEXURE - 6

POTENTIAL FOR ENHANCING INDIA'S EXPORTS OF SHIPS TO AFRICA

A. TRENDS IN GLOBAL EXPORTS OF SHIPS AND BOATS (HS-89) & INDIA'S RANKING

Global exports of ships and boats witnessed a steady rise during the period 2002-2008. From US$ 47.7 billion in 2002, global exports rose steadily to US$ 147.6 billion in 2008. However, reflecting the contraction in global trade in the aftermath of the crisis, global exports of ships and boats witnessed a slow down in 2009, before picking up to US$ 174 billion in 2010 and further to US$ 192.6 billion in 2011. Subsequently, global exports have witnessed a decline to US$ 145.8 billion in 2013, due primarily to decreased exports from Korea, China and Japan, the world's largest exporters. These three countries accounted for as much as 55% of global exports in 2013.

India ranks amongst the major global exporters of ships and boats. Reflecting India's potential, India's exports have witnessed a steady and sharp rise during the period 2002 to 2011. From a marginal US$ 56 mn in 2002, India's exports have risen significantly to touch US$ 7 billion in 2011. However, subsequently, India's exports have witnessed a decline to US$ 4.1 billion in 2012, and further to US$ 3.6 billion in 2013 **(Table A1)**. In 2013, India ranked as the 7th largest global exporter, accounting for around 2.5% of global exports.

Table A1: Major Global Exporters of Ships and Boats (HS-89), 2002-2013 (US$ mn)

	2002	2005	2006	2007	2008	2009	2010	2011	2012	2013
World	**47,662**	**72,609**	**91,541**	**108,927**	**147,628**	**147,448**	**174,138**	**192,622**	**160,824**	**145,821**
Korea, Rep.	10,672	17,231	21,493	26,632	40,968	42,483	46,735	54,133	37,828	35,870
China	1,925	4,663	8,110	12,220	19,571	28,364	40,296	43,625	38,820	29,016
Japan	9,214	11,802	14,057	15,523	19,824	22,191	26,037	26,055	22,229	15,384
Brazil	9	194	30	724	1,541	119	176	1,153	1,549	7,934
Poland	2,322	3,046	3,168	3,593	3,925	3,471	3,209	5,040	3,992	5,438
Germany	3,597	2,035	3,726	4,915	6,398	3,141	6,864	4,243	5,118	4,690
India	**56**	**649**	**783**	**1,290**	**2,619**	**3,763**	**4,223**	**7,048**	**4,125**	**3,597**
Italy	2,640	3,855	3,970	6,087	6,279	5,847	5,538	5,156	3,378	3,356
US	1,239	1,994	2,700	3,160	3,243	2,042	2,618	2,533	3,529	2,673
Singapore	323	1,009	849	1,118	2,017	2,360	2,312	5,683	3,281	2,485

Source: ITC Geneva, based on UN COMTRADE Database

India's Ranking in Global Exports of Ships and Boats (HS-89)

The steady and sharp rise in India's exports during the period 2002 to 2011 has resulted in a sharp rise in India's global ranking. From the 22nd position in 2005 (with a marginal share of 0.9% of global exports), India's ranking rose to the 10th position (1.8%) in 2008, and further to the 5th position (2.6%) in 2009. During 2011, India ranked as the 4th largest global exporter, accounting for 3.7% of global exports. However, subsequently, reflecting India's declining exports, India's ranking also slipped to the 5th position in 2012 (2.6%), and further to the 7th position (2.5%) in 2013 **(Table A2).**

Table A2: Global Exporters of Ships and Boats (HS-89), 2005-2013 (US$ billion) and India's Ranking

Rank		2005		2008		2009		2011		2012		2013
	World	**72.6**	**World**	**147.6**	**World**	**147.4**	**World**	**192.6**	**World**	**160.8**	**World**	**145.8**
1	Korea	17.2	Korea	41.0	Korea	42.5	Korea	54.1	China	38.8	Korea	35.9
2	Japan	11.8	Japan	19.8	China	28.4	China	43.6	Korea	37.8	China	29.0
3	China	4.7	China	19.6	Japan	22.2	Japan	26.1	Japan	22.2	Japan	15.4
4	Italy	3.9	Germany	6.4	Italy	5.8	**India**	**7.0**	Germany	5.1	Brazil	7.9
5	Spain	3.6	Italy	6.3	**India**	**3.8**	Singapore	5.7	**India**	**4.1**	Poland	5.4
6	Poland	3.0	Poland	3.9	Poland	3.5	Italy	5.2	Poland	4.0	Germany	4.7
7	Germany	2.0	France	3.6	Germany	3.1	Poland	5.0	USA	3.5	**India**	**3.6**
8	USA	2.0	USA	3.2	Netherlands	2.5	Germany	4.2	Italy	3.4	Italy	3.4
9	France	1.9	Turkey	2.6	Singapore	2.4	Congo	3.0	Singapore	3.3	USA	2.7
10	Norway	1.6	**India**	**2.6**	Finland	2.2	USA	2.5	Russia	2.2	Singapore	2.5
22	**India**	**0.7**	Russia	1.3	Indonesia	1.1	Saudi Arabia	1.2	Romania	1.1	Angola	1.2

Source: ITC Geneva, based on UN COMTRADE Database

B. TRENDS IN INDIA'S GLOBAL EXPORTS OF SHIPS AND BOATS

As highlighted in the previous section, India's global exports of ships and boats (HS-89) witnessed a sharp rise during the period 2002-2011. From US$ 56 mn in 2002, India's exports touched a high of US$ 7 billion in 2011, due primarily to sharp rise in exports to Singapore, UAE, Sri Lanka, Oman, and Indonesia, among others.

However, India's exports, thereafter, have witnessed a contraction to US$ 4 billion in 2012, and further to US$ 3.6 billion in 2013. Sharp contraction in exports to Singapore, Indonesia and Thailand, have underlined the declining trend in India's global exports. In the African region, South Africa, Sierra Leone and Malawi are amongst the major markets for India's exports **(Table A3).**

Table A3: India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Markets

	2002	2005	2010	2011	2012	2013
World	**56.4**	**648.9**	**4,223.3**	**7,048.3**	**4,124.6**	**3,597.5**
Singapore	0.3	241.7	768.9	3,101.5	1,417.6	1,706.5
United Arab Emirates	3.7	101.7	328.9	1,094.6	719.8	1,062.5
Sri Lanka	4.3	0.9	117.6	232.8	255.7	232.6
Oman	0.03	0.1	1.5	79.8	190.0	152.3
Indonesia	-	10.2	7.0	228.7	608.8	125.0
Netherlands	0.2	58.1	25.9	95.5	288.2	110.0
Italy	0.02	-	16.8	0.3	0.1	65.3
Belgium	0.01	-	-	0.01	0.01	35.2
Brazil	0.1	0.01	17.9	-	28.8	24.4
South Africa	**0.02**	**-**	**948.3**	**0.1**	**0.05**	**20.1**
Thailand	-	-	0.2	36.8	3.2	16.0
Sierra Leone	**-**	**-**	**-**	**-**	**-**	**15.1**
France	0.02	209.5	2.0	40.9	2.9	8.0
Bahrain	0.01	12.5	113.3	34.5	2.3	8.0
Malawi	**-**	**-**	**-**	**-**	**-**	**5.3**

Source: ITC Geneva, based on UN COMTRADE Database

Composition of India's Exports of Ships and Boats

Table A4 highlights the composition of India's exports during the period 2002 to 2013, at the 6-digit HS-code classification. Tugs and pusher crafts (HS-890400) are the largest export items, accounting for a significant 31% of India's global exports in 2013. Other major items of exports are floating docks and vessels (18%), vessels including lifeboats (14%), cargo vessels (13%), and dredgers (11%). The decline in India's exports since 2012 has been due primarily to the sharp contraction in exports of floating docks and vessels, and drilling or production platforms.

Table A4 : India's Exports of Ships and Boats (HS-89), 2002-2013 (US$ mn) - Major Items

HS 6-Digit Code	Product label	2002	2005	2010	2011	2012	2013
890400	Tugs and pusher crafts	15.5	25.3	521.9	1,251.9	968.0	1,109.7
890590	Floating docks and vessels which perform special functions	0.02	159.2	1,569.6	1,851.6	1,617.3	642.3
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels)	-	136.8	338.0	285.4	227.1	514.1
890190	Cargo vessels & other vessels for the transport of both persons & goods	20.3	92.0	444.4	431.0	342.7	461.6
890510	Dredgers	18.4	119.8	79.3	377.2	90.1	403.0
890520	Floating or submersible drilling or production platforms	-	0.1	1,072.9	2,511.0	622.0	281.4
890110	Cruise ships, excursion boats, principally designed for transporting persons	0.8	102.4	68.8	255.7	229.0	164.3
890790	Buoys, beacons, coffer-dams, pontoons and other floating structures	0.04	0.1	2.9	1.1	1.7	13.1
890120	Tankers	0.01	0.1	7.1	24.5	25.3	6.5

Source: ITC Geneva, based on UN COMTRADE Database

C. TRENDS IN INDIA'S EXPORTS OF SHIPS AND BOATS (HS-89) TO AFRICA

The African region is an important market for India's exports, with exports to the region having risen from US$ 11 mn in 2002 to US$ 339 mn in 2007 (accounting for 26% of India's global exports), due to sharp rise in exports to Ghana and Egypt. India's exports to Africa rose further to US$ 951 mn in 2010 (accounting for 23% of India's global exports), primarily due to sharp rise in exports to South Africa **(Table A5).**

India's exports to Africa, thereafter, contracted to US$ 230 mn in 2012, with a share of 5.6% of India's global imports, sustained by exports to Egypt. However, in 2013, India's exports to Africa contracted sharply to US$ 41 mn, with a marginal 1.1% share in India's global exports.

Table A5: India's Exports of Ships and Boats (HS-89) to Africa, 2002-2013 (US$ mn)

	2002	2005	2007	2008	2010	2011	2012	2013
India's Total Exports	**56.4**	**648.9**	**1,290.0**	**2,619.0**	**4,223.3**	**7,048.3**	**4,124.6**	**3,597.5**
India's Exports to Africa	**11.0**	**0.1**	**339.2**	**145.6**	**951.3**	**113.4**	**229.7**	**40.8**
% share of Africa	**19.6**	**0.0**	**26.3**	**5.6**	**22.5**	**1.6**	**5.6**	**1.1**
South Africa	0.02	-	8.9	9.8	**948.3**	0.1	0.05	20.1
Sierra Leone	-	-	-	-	-	-	-	15.1
Malawi	-	-	0.1	-	-	-	-	5.3
Sudan (North + South)	0.1	0.004	-	0.3	0.001	-	-	0.2
Kenya	0.01	-	0.001	0.001	-	-	-	0.1
Nigeria	-	0.1	-	0.1	0.004	0.01	0.01	0.1
Ethiopia	-	-	-	-	-	-	0.001	0.031
Seychelles	-	-	-	**69.5**	-	0.02	0.05	0.01
Egypt	0.02	0.002	**50.9**	0.1	-	8.7	**228.3**	0.004
Angola	-	-	-	**56.7**	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-	1.3	-
Liberia	10.9	-	-	-	-	-	-	-
Somalia	-	0.004	-	-	-	-	-	-
Cameroon	-	-	-	-	-	-	0.004	-
Congo	-	-	-	-	0.002	**104.6**	-	-
Djibouti	-	-	-	6.4	-	-	-	-
Ghana	-	-	**279.2**	-	0.02	0.01	-	-

Source: ITC Geneva, based on UN COMTRADE Database

Note: "-" denotes nil or negligible

Major Items of India's Exports to Africa

Among the major countries of India's exports in Africa, the important items which India has exported to these countries include:

- drilling or production platforms (HS-890520); tugs and pusher crafts (HS-890400); and floating docks and vessels (HS-890590) for South Africa;
- floating docks and vessels (HS-890590); and vessels including lifeboats (HS-890690) for Seychelles and Egypt;
- floating docks and vessels (HS-890590) for Angola and Ghana; and
- drilling or production platforms (HS-890520) for Congo.

D. POTENTIAL FOR ENHANCING INDIA'S EXPORTS TO AFRICA

Despite the recent declining trend in India's exports to the African region, potential exists to enhance India's exports to select countries in the region, in line with demand trend in these countries, as also India's global export capability.

Trends in Africa's Imports of Ships and Boats (HS-89)

Table A6 highlights the recent trends in Africa's global imports of ships and boats (HS-89), and the major importing countries.

As can be analysed from the table, Africa's total imports, after contracting in 2012 to US$ 16.5 billion, picked up thereafter to US$ 18.5 billion in 2013. Rising imports by major importers such as Congo, Angola, Nigeria, and Benin, among others, have underlined the pickup in Africa's total imports in 2013.

Potential for India's Exports

An analysis of recent trend in Africa's global imports and India's exports to Africa would reveal the following:

- While Africa's global imports witnessed a rise from US$ 16.5 billion in 2012 to US$ 18.5 billion in 2013, India's exports to Africa, in contrast, registered a sharp decline from US$ 230 mn to US$ 41 mn during the same period;
- Of the top 10 major importers in Africa, India has exported only to four countries in recent years, viz. Nigeria, Equatorial Guinea, Ethiopia and Cameroon, with negligible share in these countries' import baskets;
- India has not explored the market potential of the other major importers, which in turn would serve to highlight the potential in these markets.

Table A7 would serve to highlight these observations, while also delineating the scope to enhance exports to the major markets in Africa, which have shown rising demand in recent years. As can be discerned from the table, India's share in the import baskets of the major importers in Africa is still marginal or nil, despite India possessing global export capabilities.

With a view, therefore, to penetrate / enhance India's exports to the major markets, a detailed analysis has been undertaken to identify potential items of India's exports to these markets, based on 6-digit HS code, and in line with India's global export capability.

Tables A8 presents the potential items of India's exports to the top 10 major importers in Africa, based on 6-digit HS code, based on import demand in these identified countries, and in line with India's global export capability.

Table A6: Africa's Imports of Ships and Boats (HS-89), 2010-2013 - Major Importers

Sl. No.	Importers	Global Imports of Africa - Countrywise (US$ mn)				% share	
		2010	2011	2012	2013	2012	2013
	Africa Total	**18,608**	**24,498**	**16,527**	**18,539**	**100.0**	**100.0**
1	Liberia	1,963	15,332	8,890	7,349	53.8	39.6
2	**Congo**	**2,668**	**5,277**	**4,561**	**5,403**	**27.6**	**29.1**
3	**Angola**	**976**	**1,492**	**529**	**1,513**	**3.2**	**8.2**
4	**Nigeria**	**152**	**780**	**252**	**1,126**	**1.5**	**6.1**
5	**Benin**	**0.15**	**0.25**	**0.12**	**955**	**-**	**5.2**
6	**Namibia**	**41**	**15**	**298**	**487**	**1.8**	**2.6**
7	Equatorial Guinea	172	116	55	293	0.3	1.6
8	Gabon	457	618	226	196	1.4	1.1
9	Ethiopia	0.2	3.0	0.1	195	-	1.1
10	Cameroon	67	188	16	184	0.1	1.0
11	Tanzania	33	50	163	83	1.0	0.4
12	Libya	113	1	65	77	0.4	0.4
13	Côte d'Ivoire	845	2	401	76	2.4	0.4
14	Seychelles	31	34	26	68	0.2	0.4
15	Mauritius	9	8	6	67	-	0.4
16	Senegal	3	9	57	64	0.3	0.3
17	Sierra Leone	20	40	32	3	0.2	0.3
18	Egypt	98	180	123	57	0.7	0.3
19	Morocco	82	55	61	57	0.4	0.3
20	Ghana	163	8	11	48	0.1	0.3
21	Togo	1	0.4	91	37	0.6	0.2
22	South Africa	98	30	184	28	1.1	0.1

Source: ITC Geneva, based on UN COMTRADE Database

Table A7: India's Potential of Exports of Ships and Boats (HS-89) to Africa

Rank	Importers	Global Imports of Africa - Countrywise (US$ mn)				India's Exports to Africa (US$ mn)		
		2010	2011	2012	2013	2012	2013	Share of India in Africa's Imports (%) (2013)
	Africa Total	**18,608**	**24,498**	**16,527**	**18,539**	**229.7**	**40.8**	**0.22**
1	Liberia	11,963	15,332	8,890	7,349	-	-	-
2	Congo	2,668	5,277	4,561	5,403	-	-	-
3	Angola	976	1,492	529	1,513	-	-	-
4	**Nigeria**	**152**	**780**	**252**	**1,126**	**0.01**	**0.07**	**0.01**
5	Benin	0.15	0.25	0.12	955	-	-	-
6	Namibia	41	15	298	487	-	-	-
7	**Equatorial Guinea**	**172**	**116**	**55**	**293**	**1.3**	**-**	**-**
8	Gabon	457	618	226	196	-	-	-
9	**Ethiopia**	**0.2**	**3.0**	**0.1**	**195**	**0.001**	**0.03**	**0.02**
10	Cameroon	67	188	16	184	0.004	-	-
11	Tanzania	33	50	163	83	0.004	-	-
12	Libya	113	1	65	77	-	-	-
13	Côte d'Ivoire	845	2	401	76	-	-	-
14	**Seychelles**	**31**	**34**	**26**	**68**	**0.05**	**0.01**	**0.01**
15	Mauritius	9	8	6	67	-	-	-
16	Senegal	3	9	57	64	-	-	-
17	**Sierra Leone**	**20**	**40**	**32**	**63**	**-**	**15.06**	**24.00**
18	**Egypt**	**98**	**180**	**123**	**57**	**228.3**	**0.004**	**0.01**
19	Morocco	82	55	61	57	-	-	-
20	Ghana	163	8	11	48	-	-	-
21	Togo	1	-	91	37	-	-	-
22	**South Africa**	**98**	**30**	**184**	**28**	**0.05**	**20.06**	**72.53**
29	**Malawi**	**2**	**0.3**	**3**	**7**	**-**	**5.26**	**70.53**
30	**Kenya**	**23**	**12**	**36**	**7**	**-**	**0.11**	**1.54**

Source: ITC Geneva, based on UN COMTRADE Database & Exim Bank Analysis

Note: "-" denotes nil or negligible

Table A8: Potential Items of India's Exports of Ships and Boats(HS-89) to Select African Countries (at HS-6 digit level)

LIBERIA

HS-Code	Products	Liberia's Imports from World, 2013	Liberia's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	India's Share in Liberia's Imports (%)	US$ mn
890190	Cargo vessels & other vessels for the transport of both persons & goods	4302.6	-	-	461.6
890590	Floating docks and vessels which perform special functions	1024.0	-	-	642.3
890110	Cruise ships, excursion boats principally designed for transporting persons	71.0	-	-	164.3
890520	Floating or submersible drilling or production platforms	45.8	-	-	281.4

REPUBLIC OF CONGO

HS-Code	Products	Congo's Imports from World, 2013	Congo's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Congo's Imports (%)	US$ mn
890190	Cargo vessels & other vessels for the transport of both persons & goods	2195.3	-	-	461.6
890520	Floating or submersible drilling or production platforms	1942.7	-	-	281.4
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	447.1	-	-	514.1
890400	Tugs and pusher craft	379.6	-	-	1109.7
890590	Floating docks and vessels which perform special functions	199.4	-	-	642.3
890110	Cruise ships, excursion boats principally designed for transporting persons	119.6	-	-	164.3
890510	Dredgers	27.4	-	-	403.0

ANGOLA

HS-Code	Products	Angola's Imports from World, 2013	Angola's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Angola's Imports (%)	US$ mn
890520	Floating or submersible drilling or production platforms	1030.7	-	-	281.4
890190	Cargo vessels & other vessels for the transport of both persons & goods	252.6	-	-	461.6
890400	Tugs and pusher craft	65.0	-	-	1109.7
890590	Floating docks and vessels which perform special functions	59.5	-	-	642.3
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	31.7	-	-	514.1

NIGERIA

HS-Code	Products	Nigeria's Imports from World, 2013	Nigeria's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Nigeria's Imports (%)	US$ mn
890520	Floating or submersible drilling or production platforms	853.6	-	-	281.4
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	90.9	-	-	514.1
890190	Cargo vessels & other vessels for the transport of both persons & goods	56.1	-	-	461.6
890510	Dredgers	40.8	-	-	403.0
890400	Tugs and pusher craft	23.6	-	-	1109.7
890110	Cruise ships, excursion boats principally designed for transporting persons	18.3	-	-	164.3
890590	Floating docks and vessels which perform special functions	13.7	-	-	642.3

BENIN

HS-Code	Products	Benin's Imports from World, 2013	Benin's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Benin's Imports (%)	US$ mn
890520	Floating or submersible drilling or production platforms	908.0	-	-	281.4

NAMIBIA

HS-Code	Products	Namibia's Imports from World, 2013	Namibia's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Namibia's Imports (%)	US$ mn
890520	Floating or submersible drilling or production platforms	334.0	-	-	281.4
890400	Tugs and pusher craft	141.9	-	-	1109.7

EQUATORIAL GUINEA

HS-Code	Products	Equatorial Guinea's Imports from World, 2013	Equatorial Guinea's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Equatorial Guinea's Imports (%)	US$ mn
890520	Floating or submersible drilling or production platforms	200.0	-	-	281.4
890190	Cargo vessels & other vessels for the transport of both persons & goods	60.3	-	-	461.6
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	30.1	-	-	514.1

GABON

HS-Code	Products	Gabon's Imports from World, 2013	Gabon's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Gabon's Imports (%)	US$ mn
890190	Cargo vessels & other vessels for the transport of both persons & goods	129.8	-	-	461.6
890590	Floating docks and vessels which perform special functions	41.8	-	-	642.3

ETHIOPIA

HS-Code	Products	Ethiopia's Imports from World, 2013	Ethiopia's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Ethiopia's Imports (%)	US$ mn
890190	Cargo vessels & other vessels for the transport of both persons & goods	155.6	-	-	461.6

CAMEROON

HS-Code	Products	Cameroon's Imports from World, 2013	Cameroon's Imports from India, 2013		India's Exports to World, 2013
		US$ mn	US$ mn	Share in Cameroon's Imports (%)	US$ mn
890190	Cargo vessels & other vessels for the transport of both persons & goods	111.6	-	-	461.6
890520	Floating or submersible drilling or production platforms	41.3	-	-	281.4
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	21.7	-	-	514.1

Source: ITC Geneva, based on UN COMTRADE Database & Exim Bank Analysis

Note: "-" denotes nil or negligible

Box Item - Highlights of China Exim Bank's Credit Lines for Shipbuilding[50]

The China Exim Bank, with a view to support local shipbuilding industry and generate orders for local shipyards, has extended credit lines to foreign shipping companies. Select instances include:

1. Financing an African company known as Ethiopian Shipping Lines in securing 80% financing from China Exim Bank for the financing of 7 multipurpose vehicles and two product tankers, ordered at China Taizhou Kouan Shipbuilding. (Deal Size US$ 235 mn).

2. Financing a Brazilian company "Vale" in securing a 13 year loan from China Exim Bank and Bank of China to finance 80% of the construction cost of 12 'Very Large Ore Carriers' (VLOCs) ordered at Jiangsu Rongsheng Heavy Indusries. The vessels would be owned by Vale Shipping and flagged in Singapore. (Deal Size US$ 1,230 mn).

3. Financing the National Iranian Tanker Company in securing 90% financing from a consortium of Chinese banks including China Exim Bank for the financing of 12 Chinese built 'Very Large Crude Carriers' (VLCCs). (Deal Size US$ 1,112 mn).

[50] Sourced from presentation titled "China and Ship Finance: The Degree of Difficulty Increases", 14th Annual Greek Ship Finance Forum, October 2012, Marine Money Asia.

EXPORT-IMPORT BANK OF INDIA

HEAD OFFICE

Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.
Phone : (91 22) 22172600 Fax : (91 22) 22182572
E-mail : ccg@eximbankindia.in Website : www.eximbankindia.in

LONDON BRANCH

5th Floor, 35, King Street, London - EC2V 8BB, United Kingdom.
Phone: (44) 20 77969040 Fax: (44) 20 76000936 E-mail: eximlondon@eximbankindia.in

DOMESTIC OFFICES

AHMEDABAD

Sakar II, Floor 1,
Next to Ellisbridge Shopping Centre,
Ellisbridge P. O.,
Ahmedabad 380 006.
Phone : (91 79) 26576852/26576843
Fax : (91 79) 26577696
E-mail : eximahro@eximbankindia.in

BANGALORE

Ramanashree Arcade,
Floor 4, 18, M. G. Road,
Bangalore 560 001.
Phone : (91 80) 25585755/25589101-04
Fax : (91 80) 25589107
E-mail : eximbro@eximbankindia.in

CHANDIGARH

PHD House, Floor 1,
Sector 31-A, Dakshin Marg,
Chandigarh 160 031.
Phone : (91 172) 2641910/12/39/49
Fax : (91 172) 2641915
E-mail : eximcro@eximbankindia.in

CHENNAI

Overseas Towers, Floors 4 & 5,
No. 756-L, Anna Salai (Opp. TVS),
Chennai - 600 002.
Phone : (91 44) 28522830, 28522831
Fax : (91 44) 25522832
E-mail : eximchro@eximbankindia.in,

GUWAHATI

NEDFI House, Floor 4,
G. S. Road, Dispur,
Guwahati - 781 006
Phone: (91 361) 2237607/2237609/2237760
Fax : (91 361) 2237701
E-mail:eximgro@eximbankindia.in

HYDERABAD

Golden Edifice, Floor 2,
6-3-639/640, Raj Bhavan Road,
Khairatabad Circle,
Hyderabad 500 004.
Phone : (91 40) 23307816-21
Fax : (91 40) 23317843
E-mail : eximhro@eximbankindia.in

KOLKATA

Vanijya Bhawan, Floor 4,
(International Trade Facilitation Centre),
1/1 Wood Street, Kolkata 700 016.
Phone : (91 33) 22833419/22833420
Fax : (91 33) 22891727
E-mail : eximkro@eximbankindia.in

NEW DELHI

Statesman House, Ground Floor,
148, Barakhamba Road,
New Delhi 110 001.
Phone : (91 11) 23474800
Fax : (91 11) 23322758/23321719
E-mail : eximndro@eximbankindia.in

PUNE

44, Shankarseth Road, Pune 411 037.
Phone : (91 20) 26403000
Fax : (91 20) 26458846
E-mail : eximpro@eximbankindia.in

OVERSEAS OFFICES

ADDIS ABABA

Bole Kifle Ketema, Kebele - 19, (03/05)
House No. 015-B,
Addis Ababa, Ethiopia.
Phone : (251 116) 630079
Fax : (251 116) 610170
Email : aaro@eximbankindia.in

DUBAI

Level 5, Tenancy 1B,
Gate Precinct Building No. 3,
Dubai International Financial Centre,
PO Box No. 506541, Dubai, UAE.
Phone : (971 4) 3637462
Fax : (971 4) 3637461
E-mail : eximdubai@eximbankindia.in

JOHANNESBURG

Floor 2, Sandton City Twin Towers East,
Sandhurst Ext. 3, Sandton 2196,
Johannesburg, South Africa.
Phone : (27 11) 3265103/13
Fax : (27 11) 7844511
E-mail : eximjro@eximbankindia.in

SINGAPORE

20, Collyer Quay,
10-02, Tung Centre,
Singapore 049319.
Phone : (65) 65326464
Fax : (65) 65352131
E-mail : eximsingapore@eximbankindia.in

WASHINGTON D.C.

1750 Pennsylvania Avenue NW, Suite 1202,
Washington D.C. 20006,
United States of America.
Phone : (1 202) 223 3238
Fax : (1 202) 785 8487
E-mail : eximwashington@eximbankindia.in

YANGON

House No. 54/A, Ground Floor,
Boyarnyunt Street,
Dagon Township,
Yangon, Myanmar.
Phone : (95) 1389520
Email : eximyangon@eximbankindia.in