It's such a great honor to be invited to speak at this WISTA event. In fact I stand in awe and admiration before all of you, distinguished and knowledgeable guests and WISTA members.

I've been asked to talk about the impact of Japan's recent double whammy tragedy of the Tohoku earthquake and tsunami. How this, together with the added challenge of the Fukushima nuclear power plant crisis, will affect the shipping market. Well, I guess if this is not exactly singing for my lunch, I'll need to talk for it ! What I would like to do today is to try to put this subject in context of the bigger overall 21st Century shipping market picture.

But before I start. For the record. I'm no crystal ball….

First off, some rather sad facts and figures which I'm sure most of you here are more than familiar with. The Tohuku Earthquake was the largest quake in recorded history and one of the five biggest earthquakes of last Century. Three prefectures Miyagi, Iwate and Fukushima were affected. The resulting tsunami of 25 meters in height surged inland wiping out ports, villages and infrastructure. The tsunami of course also crippled the six nuclear power plants in the Fukushima Daiichi Plant causing substantial economic impact resulting from loss of electricity generating capacity leading to rolling blackouts and a near total freeze of the supply chain.

The affected region generates 6-7% of Japan's overall economy. The industry structure of the Tohoku region of Northern Honshu is similar to that of the Hyogo Prefecture in Western Japan. Economic output of this area is apportioned with manufacturing at 25%, retail/wholesale at 11% while services is 21%. Another hard-hit economic sector in the Tohoku area is the farming and livestock industry.

But enough of the statistics. No figures can possibly fathom the mental anguish and trauma that the Tohoku earthquake and resulting tsunami brought. Therefore, I would like to ask that we bow our heads briefly in remembrance of the many people whom have suffered so much from this tragedy.

Thank you.

Does the Tohoku Earthquake set the scene and becomes that proverbial springboard for the shipping market to bounce back from its present doldrums ?

My answer is "No".

And I will take yourselves through the range of reasons for why this rather strong conviction which will touch on everything from the commercial constant of supply and demand to the China factor and then back to Japan itself.

The first and foremost reason : Unprecedented overtonnage.

This is not new. We've seen so many cycles of this phenomenon. Only this time, it came so explosively. It starts off with two words : "China" and "Iron Ore".

Now just what does China have to do with the subject at hand ? Please bear with me as I turn back the clock slightly to set the scene.

The unprecedented boom years the shipping industry enjoyed from 2005 to 2008 was a "Perfect Storm" of everything from port congestion, mining logistics set-backs to the euphoria of the 2008 Beijing Olympics and the 2010 Shanghai World Expo, to the advent of investment banks' entry into the freight derivatives market. All swept along by the mother-of-all economic fundamentals – China.

China was the name of the dry bulk game as we wound up the first 5 years of the New Millennium. And the figures backed it up, total iron ore import to China was well on its way to breaking the half billion tons benchmark. The tail end of the 11th Five Year plan, which emphasized exponential economic growth and expansion, combined with the huge infrastructure projects to facilitate the Olympics and the World Expo underscored China's all

out efforts to expand the economy at unprecedented speeds. This unprecedented economic growth was the fairy godmother that turned the pumpkin into a coach, the mice into horses and our formerly rather drab "Cinderella" of a shipping industry suddenly turned into a princess. Yes, shipping suddenly became "sexy".

The dry bulk market gave both shipping and non-shipping players that provocative glimpse of things to come when, perhaps its biggest barometer, the 4 major timecharter routes of the Baltic Capesize Index (BCI) catapulted from a 2002 low of a shade below $12,000/day to a sudden spike of over $100,000/day by December of 2004. By early 2008, the 4 T/C average BCI has became King Midas as they rocketed up over 90% (yes, Nine-Oh Percent) to around two hundred thousand U.S. dollars per day while values of new and second hand bulkers from Panamaxes to Capesize doubled or sometimes even tripled !

With such dizzying freight rates and earnings, the Forward Freight Agreement (FFA) markets exploded with daily turnover exceeding even some major stock market bourses. Sexy ? Yeah !!! Investors, both seasoned and new-kids-on-the-block were panting and salivating to get their hands on this "voluptuous" beauty ! And with that, shipping has become almost totally commoditized as shipping funds and IPO's bloomed in all major financial centres of the world.

The result of all this ? A massive, unprecedented and frantic ordering of new vessels reflected in a massive and unprecedentedly swollen newbuilding orderbook. And this is a major reason I feel will mute the impact of demand for seaborne transport to service a rebuilding Post-Tohoku Quake Japan.

More numbers to mull over: The capesize bulk carrier newbuilding orderbook stands today at 600-plus units out of which 114 are in the 200,000 to 260,000 dwt range and almost 70 are in the 300,000 dwt or over range (including the Vale Chinamax types) with the rest being the conventional 180,000 dwt Dunkirk-maxes. And let's not forget the 100 or plus units of VLCC conversions which are progressively being introduced into the front haul Brazil to Far East trade. OK, so we may play that eternal optimist and say, "Hey, but these capes were mainly ordered for the Brazil to China trade". In a way, yes, but don't forget that at last count, about a quarter of these aforementioned newbuilding orders were actually placed directly by the big Japanese operators and/or independent domestic Japanese owners at Japanese shipyards mostly for Japan steel mills and power stations contract cargoes. This means that, for the

most part, any additional raw material shipping requirement a rebuilding Japan will require are already factored in several times over basis the present newbuilding fleet of capesize bulk carriers ordered. And we haven't even mentioned the Nine Hundred-plus post-panamaxes, kamsarmaxes and panamaxes that are still on order !!!!

Another scary figure, the present combineddry bulk newbuilding orderbook probably amounts to over 60% of the existing bulker fleet with latest scrapping figures for such type vessels being so miniscule that it's hardly worth a mention. Why no scrapping ? Because until the end of last year, freight rates, being driven by FFA's , actually were attractive for older vessels and also because many owners of older tonnage who bought at unprecedented high values simply cannot afford to scrap their vessels. We are looking at an unprecedented glut of dry bulk capacity for the next 3 to 5 years.

A mention of the tankers sector is worthwhile given Japan's substantial refining industry. This sector was also enjoying a similar unprecedented revival as VLCC's earnings peaked in 2008 to average earnings of almost one hundred thousand U.S. dollars per day owing to, not China, but to soaring demand for crude and upstream refined products in the U.S. and the EU.

On the tanker order book, if we use VLCC's as a benchmark, a more tame figure of 174 units are on order but that's against an existing fleet of around 500-odd units. Considering the fact that the VLCC trade is still limited predominantly dependent on Arabian Gulf to points east and west, this represents quite a daunting over-tonnage statistic ! Unlike the mineral trades, the barometer dictating demand for crude oil still tilts towards the Western (especially the U.S.) economies. And with our American friends and their EU and British counterparts still mired in a severe economic and financial crisis, the tanker trades will similarly be depressed for quite some time to come.

The second reason, also China related, is the 12th Five Year Plan announced by the Beijing Central Government which basically heralded the end of China's breakneck economic growth as our Motherland takes heed to the many-headed monstrosity of inflation-related issues rearing their ugly heads and seeks a more realistic and sustainable rate of economic growth instead. Four major decisions underpins the 12th Five Year Plan : Firstly, cooling measures to China's bubble of a real estate market . Secondly, the decision to focus on affordable housing

(36 million units) means less steel requirements than what those gleaming office towers require. Thirdly, China's urbanization rate is slowing down and possibly reversing. Fourthly and finally, I believe the discrepancy in the interpretation of economic growth between the city and provincial levels in China will come increasingly in line with the Central Government. Therefore, I believe the 12th Five Year Plan will demonstrate a stronger focus on lower-end economic development in order to raise the living standards of farmers and other low income bracket citizens while a more unified consistency will also be reflected in the cooling down of China's economic growth. What this all means is a smaller increment of raw materials imports into China. Now what do we do with that glut of newbuildings still primed for the "promised land" of China trade ?

The third reason brings us back to our topic of today : Japan. If shipping pundits are looking for a rebuilding Post-Tohoku quake Japan to jumpstart and restore badly needed shipping sentiment. I'm afraid these folks will be in for a major disappointment. Firstly, there most certainly will be a downside impact for the short term domestic demand for iron ore, coking and thermal coal, animal feed and corn. A lot of this short term slowdown will be due to energy rationing probably for the rest of this year and perhaps even into part of next year. This will mean a negative effect on industrial production, consumption and disruption of supply chain logistics of Japan's export-driven economy. Secondly, despite as much as 26.4 Giga Watts or 52% of Japan's nuclear capacity off line some of which are not for quake related reasons. The hope for replacement with thermal electricity generation may not be so fast in coming. This can be reflected in the anticipated rolling blackouts affecting industrial output and supply chain. Also nuclear power plants weren't the only electricity generation casualties from the Tohoku quake. 17% of Japan's coal ports were damaged during the quake which represented over 16 million tons of Japan's steaming coal imports in 2010. As a result, 10.8 Giga Watts or 26 % of Japan's total installed thermal electricity generation capacity were knocked out. About half of this coal fired power capacity will be brought back on-line by end of July while the balance capacity may not be restored for another 6 months to one year. Also, at the end of the day, will the Japanese government's policy on shoring up the nuclear-generated electricity shortfall be to refocus on thermal electrical plants or concentrate on alternative power generation for environmental protection purposes ? This has yet to be clarified.

On a separate note, the livestock reared in the Tohoku area of Japan, which represents 20% of Japan's livestock production, has been either killed or euthanized due to radiation threat. Animal feed, which represents a sizeable chunk of Japan's grain products imports will also, at least for the short to medium term, be negatively affected. This translates to a short term decline of about 1.3 million tons of yellow corn imports from which Japan is the single biggest market for the U.S..

Many people are automatically making parallels between the Tohoku earthquake and the 1995 Hanshin-Awaji earthquake and assuming rebuilding based upon the scale of the latter disaster. This parallel, in my opinion, is rather difficult to substantiate. To begin with, the 1995 Hanshin quake did not involve the cut-off of electricity generation and secondly, there was no threat of radiation. My meager knowledge on the radiation issue seems to point to the jury still being out on the potential of portions of the Tohoku region uninhabitable, much less undevelopable, in the medium term. The '95 quake affected the industrialized Kobe area which meant rebuilding utilities, infrastructure together with commercial and residential housing was more straightforward. Despite the amount of factories in the three prefectures affected by the Tohoku earthquake, a substantial swathe of land are dedicated to agriculture and livestock rearing. Therefore, there is a school of thought pointing to the possibility of infrastructure-related rebuilding may not require the sheer amount of steel products that similar rebuilding of metropolitan and industrial areas such as Kobe will demand.

Hmmm, at this point, maybe my talk is weighing down on our moods as much as the delicious food in our stomachs ! But….there is a silver lining and that rests with Japan's present status as the second biggest importer of iron ore, over 120 million tons annually, and the biggest exporter of steel products, over 45 million tons annually. It seems that the major steel mills in the general vicinity of the earthquake and tsunami such as Sumitomo Metal's Kashima Works and Nippon Steel's Kimitsu and Kamaishi Works have all resumed full production while iron ore miners maintain shipments to Japan will be uninterrupted. Nomura estimates about 3 million tons of steel will be required for reconstruction of the quake and tsunami damaged Tohoku region and because local Japanese construction companies still prefer JIS certified steel over lower grade foreign imports, we will expect to see possible restocking of the estimated 2 million tons of iron ore and 1 million tons coking coal damaged during the earthquake and tsunami together with a possible recovery in iron ore imports by 2012.

On the refining side, yes, 25% of Japan's refining capacity has been knocked out as a result of the Tohoku quake. But since the 1st Quarter of 2008, crude and fuel consumption has actually increased 30% from a 2007 low of 850,000 barrels per day. I expect Japanese refineries will certainly recover operational efficiency and capacity much faster than the nuclear power plants and, as mentioned earlier, longstanding environmental concerns in thermal energy may mean an increase instead in imported fuel oil, LNG and diesel oil. Another short term gain for the tanker market may be an increased clean and dirty products movements to Japan as regional refineries take up the production slack.

Japan will rebuild. I believe Japan will rise out of this crisis stronger and better. But will Japan play the role of yet another savior to pluck the shipping market out of its present morass of problems. I repeat my conviction – "No".

In addition to my aforementioned three reasons or factors which will dampen Japan's Post-quake rebuilding effect on the shipping market, I hope that I've also been able to deliver a message on just how far the shipping market has overshot its own rosy preconceptions (circa the second half of this past decade) of a seemingly invulnerable market that will always thrive on insatiable demand for raw materials whether it be from China or India or Japan. Well, the clock has struck 12 and, the coach has turned back into a pumpkin, the horses back to mice and shipping is back to slogging in a depressed freight market.

Yes, somehow, we have to come to terms with fundamental realities that stand out like the proverbial sore thumb. One, we are facing unprecedented levels of overtonnage. Two, shipping has lost touch with reality. The market has entered its own little bubble world built more and more on sentiment while since the end of 2008, most of the developed countries have come crashing down with all sorts of serious economic ailments which still remain unsolved and, even as we speak, freight rates for both dry bulk and tanker trades have collapsed since the end of 2010. And yet, money is still being poured into ships, albeit at a less frenzied rate. Nevertheless, something is fundamentally wrong. Three, shipping has disengaged from ships. Just because as owners, we have become more investors and indeed no longer need to manage our own fleets in-house. This doesn't mean these ships, our invested assets, are out of sight and out of mind. The huge operational risks of our seaborne transport business, the literal insurmountable regulatory statutes that our fleets must comply with and the unlimited liability ship owners are exposed to are all as real as the outfitted and welded steel hulls that are put into the water everytime a splashy

(ugh….forgive the pun) deal is signed. And as if that's not enough, we are also managing and owning ships in an increasingly volatile environment where criminal acts (piracy…especially the rampant ones that are now scouring the Indian Ocean unchecked) and criminal liability (on every little misstep in managing and owning) lurks around the proverbial corner. These are all realities of the "physical side of shipping" that will all come back to haunt us. The barriers to our industry have come toppling down because of, what I feel is, an over-commoditization of the business of shipping. Our industry's barriers to entry must be, once again, raised in order that shipping regain its deserved stature as an accountable and responsible business based upon the highest standards of excellence.

These are all fundamentals of shipping and the shipping market. We can hide from it but we can never run away from it.

Thank you.