

Words: Colum Murphy

DIMITRIS Belbas loves coffee. Not surprising, then, that the managing director and head of ship finance for Seafin describes his Singapore-based company as a "masterful blend of east and west".

However, the global financial crisis is changing ship finance, bringing with it a stronger Asian taste. As Europe's economic fortunes deteriorate, more shipowners from the old continent are looking to Asia for financing opportunities.

Less affected by the crisis, Asia is cash rich. Yet, for a host of reasons, the region has yet to become a centre of true global ship finance. Seafin, which was established in Singapore in 2007 as a joint venture between the Eurofin Group and Japanese shipbroker Seven Oceans, hopes to spur Asian financial institutions to look further afield and ramp up the scale and ambition of their maritime lending activities.

Most Asian financial institutions are relatively inexperienced in the more sophisticated aspects of ship finance. In many countries, financiers equate prudent credit policies with lending to prominent, home-grown companies. Mr Belbas says this is understandable. "Asian lenders have good opportunities locally and regionally. They may be able to charge European clients higher margins, but would that allow them to sleep better at night?" he asks.

At the core, it's a question of trust. How can Asian institutions be convinced to fund shipping clients with whom they are not familiar or who are located continents away?

One notable exception is Japan, which has a long history of ship finance. Yet apart from a handful of institutions such as Mitsubishi UFJ, Sumitomo Mitsui and Mizuho, most Japanese banks have limited ship financing transactions with non-Japanese clients.

Yet even in Japan, there is a growing realisation that funding is an extremely important part of the package to shipowners. The Japan Bank of International Cooperation's deal with Yasa was a first for the Japanese government-affiliated bank. JBIC provided \$109m in export credit supports to assist the Turkish shipowner in acquiring a supramax bulk carrier.

South Korea has been more aggressive. "They have put their money where their mouths are," says Mr Belbas. Between 2002 and 2008, Korea Export Import Bank and Korea Export Insurance Corp provided more than \$40bn to support shipbuilding contracts at Korean yards, while Korea Development Bank last year established a \$1.6bn facility for shipping investment.

There has been much talk about how China could help more Europeans finance their shipbuilding orders, in particular those vessels they have on order with Chinese shipyards. With a top Chinese shipbuilding

official predicting 100 cancellations this year, or almost the same level as the disastrous 2009, increased finance from Chinese institutions for current and potential customers would seem to make good sense.

Yet there are barriers to the rapid expansion of Chinese lending to foreign shipowners. "The Chinese have not developed the tools to assess clients from other countries," says Mr Belbas.

China will become a more important player in ship finance in the future, but whether it will become the dominant player in the global industry remains in question, he says. For now, Chinese banks are encouraged by the government to step in to support domestic players. As such, their deals will have to have a Chinese element. Yet having a China component is not enough to receive Chinese loans. Foreigners looking to China for funds had better be well-known, top-tier players. "The mere fact that you are building your ship in China doesn't mean that you can tap into funds in China," he says.



← Dimitris Belbas, managing director of Seafin

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Such leading players tend already to have good access to funds, says Mr Belbas. Further, they tend to be the ones that remain strongly loyal to South Korean and Japanese yards. Instead, the vast majority of orders to China have been placed by small- and medium-sized shipowners.

"The bulk of people that support your shipbuilding industry are the ones that own the majority of ships and are being clearly affected by the financial crisis," says Mr Belbas. The challenge is to persuade Chinese lenders to go beyond their comfort level and reach out to such players, he says.

According to Mr Belbas, Chinese banks are trying to accelerate their learning curves. To expedite this, Seafin conducts regular seminars and lectures in China to boost understanding of ship finance. "We are more than happy to share our knowledge and expertise with them," he says.

An important message is to stress the fundamentally universal nature of the industry. "International shipping is the same everywhere. On any given day you can see how much your ship is worth, you can find out similar rates, the market is transparent. It is not fundamentally more complicated," says Mr Belbas.

All of which would suggest ample opportunities for the region's aspiring maritime hubs. "Singapore is trying and doing a great job in promoting itself as a ship finance hub," says Mr Belbas. However, local banks continue to take a conservative approach to maritime lending. "For Singapore's banks, shipping is part of their portfolio. It is not a dominant part of their portfolios."

Instead, they prefer to be selective with clients, going mainly for blue chip lending and having limited international exposure that is usually confined to southeast Asia. True multinational ship finance has been left mainly in the hands of foreign banks that have been encouraged to set up their regional operations in the city state. Yet with the crisis in Europe, several European banks have been restrained in their lending activities, including in Asia.

In the absence of expanded lending from Singaporean banks, Australian banks could come in to fill some of the funding needs. Mr Belbas says many of the big Australian banks are targeting Asia, such as ANZ, Commonwealth, National Australia Bank. Their healthy financials and the fact they have close ties with Australian commodity exporters means they are well positioned to take advantage of the lending shortfall, provided they can forge close ties with the Asian yards, he says.

The future holds both challenge and promise. To prepare for that, Seafin is in expansion mode. "It is time to reposition Asia and transform it into the epicentre of truly global ship finance," says Mr Belbas. **LL**