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Pragmatic outlook for the impact of Brexit on shipping

Namrata Nadkarni | 14 September 2017



The relevance of London as a maritime hub has been in decline for a number of years. Photo credit: LISW17

Although the tone adopted at [London International Shipping Week 2017](#) has been understandably ebullient, with speakers at most events talking about the growth potential of the various sectors, debates and conversations on the side-lines have indicated a far more pragmatic view of how the UK shipping industry will fare in the post-Brexit era. In particular, many acknowledged the fact that the relevance of London as a maritime hub had been in decline for a number of years prior to this point.

Michael P Elwert, CEO of the Elektrans Group, pointed out that London has been losing ground to competitors when it came to cultivating the right combination of trade, brokers, ship finance and ship yards to maintain its reputation as a global maritime hub. “A successful maritime hub uses a business strategy, and there has not been a strong ambition in London for a while,” he told attendees at the Standard Club's LISW breakfast debate on the topic 'London, global shipping service centre post Brexit?'.

His opinion was echoed by Nicholas Fairfax, Sovcomflot UK director, who said that Singapore has snapping at London's heels to be the leading maritime hub and that the Asian nation had been competing hard, especially with regard to ports and operators.

While London continues to reap the rewards of its well established reputation in the insurance and legal sectors – with the latter serving as a major draw for operators, the protracted decline in ship-finance offerings has rung a warning bell for some. Philipp Wuenschmann, head of shipping, Berenberg Bank argued that the sector had been a primary appeal of the UK for the past few years, and so the thinning of the ship-finance herd was far more of a threat to the country's status than Brexit. He also highlighted that changes to the non-domicile tax status earlier this year may affect shipowners' decision to use the country as a base.

Like most other panellists at the debate, Wuenschmann agreed that the UK was likely to negotiate a trade agreement with the EU as it was in both countries' best interests – although his outlook was far more cautious. Speaking to *Fairplay* on the side-lines of the event, the German ship-finance expert said, "It makes sense for the EU to agree to a deal with the UK to keep a rational partner at the table for future negotiations. But not at any price!"

He was openly scathing about the UK's internal politics around the subject, saying "The continent can see the intense debate happening on this island" – a comment that is indicative of the power dynamic as seen by the EU trade block and does not bode well for the UK.

Euripides L Evriviades, high commissioner for the Republic of Cyprus, was perhaps the most outspoken about the negative impacts of the political separation. He reminded attendees that the EU's position that those outside of the union could not have the same benefits of those in the trading block threatened the daily business of the shipping community. "At present 90% of the UK trade is handled by ports and the EU is the UK's largest trading partner," he said, stating that impending checks and controls under the new Customs Union and the Community Customs Code will have a negative effect on trade. This is a view shared by others in the industry including Charlie Elphicke, the MP for Dover and Deal in Kent and Nicola Sykes, the head of EU negotiations for the Confederation of British Industry (CBI), [both of whom have voiced concerns](#).

Pointing out that UK shipping companies may lose the right to offer cabotage services throughout the EU and that the potential loss of 'passporting' rights by UK based Insurance firms will impact the sector, Evriviades also warned attendees that the UK may lose access to the Surveillance Information Systems provided by European Maritime Safety Agency (EMSA), which may cause delays. Ships trading with the EU will still have to abide by EU regulations.

That said, the high commissioner was not wholly pessimistic, pointing out that there was potential for a harmonious arrangement to be eked out, provided that it was handled correctly – describing the unfolding events as "a divorce and a re-marriage of sorts".

Although the most positive outlook for the post-brexit economy came from UK's MP for Spelthorne, Kwasi Kwarteng, who believed that the split from the EU would bring positives for the UK – based on the argument that London's long history and demand for trade across the globe would keep the economy ticking along – Sovcomflot UK's Fairfax was also very upbeat about the economic possibilities. In particular, the director felt that the ability for the UK to redesign its trade structures could prove favourable to the maritime

sector, particularly in terms of recruiting skilled talent from non-EU countries. “We can rediscover ourselves and trade with the world, unconstrained by the EU,” he said.

However, a London-based lawyer told *Fairplay* on condition of anonymity that they suspected that the EU would be very loath to make concessions to the UK as it would destabilise the unity of the block, and would impose at least a few harsh conditions in order to prevent this scenario occurring in other countries.

Contact: [Namrata Nadkarni](#) and follow her on twitter [@nadkarninamrata](#)