Iran struggles to find enough ships for oil exports

REUTERS, *London*

IRAN faces a struggle to increase oil exports because many of its tankers are tied up storing crude, some are not seaworthy, and foreign shipowners remain reluctant to carry its cargoes.

Tehran is seeking to make up for lost trade to Europe following the lifting of EU sanctions imposed in 2011 and 2012, which deprived it of a market that accounted for over a third of its exports and left it relying completely on Asian buyers.

Iran has 55-60 oil tankers in its fleet, a senior Iranian government official told Reuters. He declined to say how many were being used to store unsold cargoes, but industry sources said 25-27 tankers were parked in sea lanes close to terminals including Assaluyeh and Kharg Island for this purpose.

Asked how many tankers were not seaworthy and needed to go to dry docks for refits to meet international shipping standards, the senior official said: "Around 20 large tankers ... need to be modernised."

A further 11 Iranian tankers from the fleet were carrying oil to Asian buyers on Tuesday, according to Reuters shipping data and a source who tracks tanker movements. That was broadly in line with the number consistently committed to Asian runs since sanctions were lifted in January, putting more strain on the remaining available fleet.

This means foreign ships are needed for a big export push to Europe and elsewhere, said the industry sources, as Iran looks to meet its target of reaching pre-sanctions sales levels this year. But many owners, who are not short of business in a booming tanker market, are unwilling to take Iranian cargoes.

The main reason is that some US restrictions on Tehran remain in place and prohibit any trade in dollars or the involvement of US firms including banks - a major hurdle for the oil and tanker trades, which are priced in dollars.

Eight foreign tankers, carrying a total of around 8 million barrels of oil, have shipped Iranian crude to European destinations since sanctions were lifted in January, according to data from the tanker-tracking source and ship brokers.

That equates to only around 10 days' worth of sales at the levels of pre-2012, when European buyers were purchasing as much as 800,000 barrels per day (bpd) from the Opec producer.

So far no Iranian tankers have made deliveries to Europe, according to data from the tanker-tracking source.

Paddy Rodgers, chief executive of leading international oil tanker company Euronav, said at present there was "no great urgency to do business in Iran".

"There is not a premium to do business in Iran and there is plenty of other business - the markets are busy, rates are good. So there is no stress on wanting to do it," he told Reuters.

"I don't really want to set up a euro bank account in Dubai in order to trade with Iran - that would crazy."

Michele White, general counsel with Intertanko, an association which represents the majority of the world's tanker fleet, said: "We have witnessed a reluctance by our members generally to return to Iranian trade given the prohibition on use of the US financial system - essentially no US dollars."

The senior Iranian government official, who declined to be named due to the sensitivity of the matter, acknowledged his country was finding it difficult to hire foreign tankers.

"We are working on the problems. There are various issues involved, financial, banking and even insurance. It has improved a little bit since the lifting of sanctions but we still face serious problems."

Asked if this and the need to modernise some of the domestic fleet was holding back exports, he said: "Of course it does."

The strain on Iran's fleet is partly because it has struggled to gain access to land storage sites around the world, as sanctions shut it out of the international financial network, making it more reliant on floating storage than many oil-producing rivals including Saudi Arabia.

The problem has been compounded by a global oversupply of oil, and the industry sources estimated Iranian tankers were storing 45-50 million barrels of unsold crude.

Two other sources with other leading oil tanker operators echoed the concerns of Rodgers and White, and said they were not doing Iran deals at the moment.

One of the two sources said with a new US president to take office in January, tanker owners were unsure whether there could be any change to the nuclear deal Washington and other world powers agreed with Iran which led to the end of sanctions.

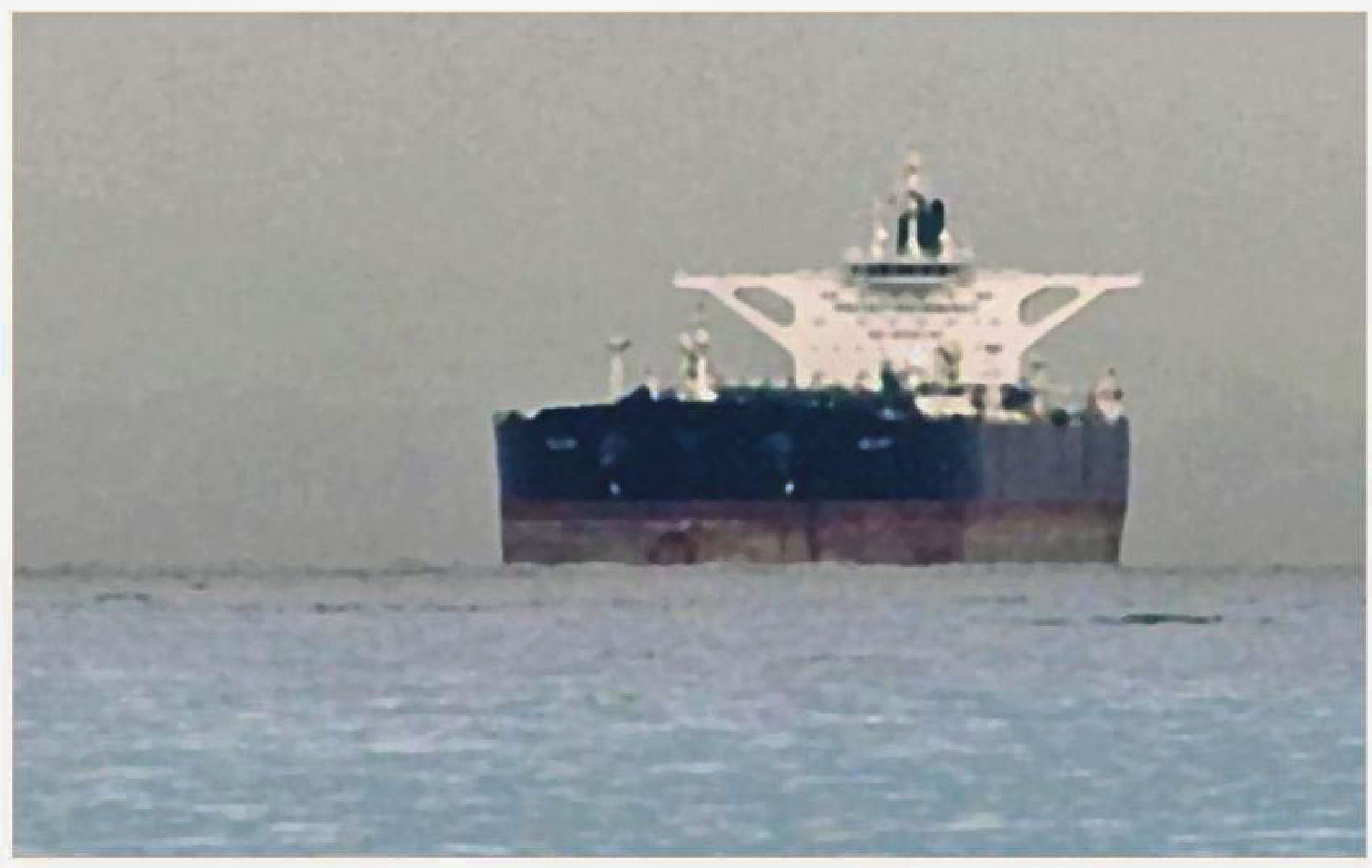
"It does not appeal to them to take on the risk and the uncertainty of the US connection and future US political policy that would come into play," said the source, who declined to be named, citing sensitivity over potential Iranian trade.

Gavin Simmonds, of the UK Chamber of Shipping trade association, said of the US presidential timing and the global oil oversupply: "Iran is rejoining the market at the worst possible time."

Before 2012 Iran exported around 2 million bpd, with more than half going to Asia, mainly China, South Korea, India and Japan. Tehran has been banned from selling oil to the United States for decades.

The tanker industry has cited other problems posed by Iranian business. Ship insurers have plugged a shortfall in cover that had been caused by US reinsurers being restrained by Washington's sanctions, although tanker owners say it comes with risks and it could also be withdrawn if, for instance, wider sanctions are reimposed.

"Shipping insurance is still a problem. We see many buyers in the market still avoid buying from Iran," Fereidun Fesharaki, founder of energy consultancy FGE, wrote in a note.



REUTERS/FILE

Malta-flagged Iranian crude oil supertanker "Delvar" is seen anchored off Singapore.

Rajan's mantra: be pragmatic, not euphoric over growth

REUTERS

India should find ways to support higher economic growth on a sustainable basis and not fritter away gains as it did in the past, the country's central bank Governor Raghuram Rajan said on Wednesday.

Prime Minister Narendra Modi's two-year old government is seeking to bolster an economy which grew 7.3 percent, among the fastest growth rates in large economies, but below the 8 percent growth needed to generate jobs for millions of Indians joining the workforce every year.

Rajan said the government had created a platform "for strong sustainable growth," but said it would need to ensure it stays on that path.

The Reserve Bank of India governor has cut interest rates by 150 basis points since the start of 2015 to a more than five-year low, but is under pressure to ease further.

"As a central banker who has to be pragmatic, I cannot get euphoric if India is the fastest-growing large economy," Rajan said in a speech to banking and finance students in the western city of Pune.

"Our current growth certainly reflects the hard work of the government and the people of the country, but we have to repeat this performance for the next 20 years."

Without citing specific instances, Rajan said previous governments had become too complacent by periods of high growth, saying India still remained a relatively poor country.

"We cannot get carried away by our current superiority in growth, for as soon as we believe in our own superiority and start distributing future wealth as if we already have it, we stop doing all that is required to continue growing," he added.

"This movie has played too many times in India's past for us to not know how it ends."

Rajan also defended a comment widely cited by local media last week in which he compared India's fast-growing economy to being a one-eyed king in the land of the blind - which was seen by some government officials as denigrating India's success.

Finance Minister Arun Jaitley was quoted by CNBC-TV 18 as saying "any other country in the world would be celebrating" with the rate of growth being posted by India.

Rajan noted his intent was to signal that India's "outperformance was accentuated because world growth was weak," while also chastising those who stir controversy by misinterpreting his comments.

"Speakers have to be more careful with words and not be gratuitously offensive. At the same time, listeners should not look for insults everywhere, and should place words in context so as to understand intent," he said.

International call to curb steel overproduction

REUTERS/FILE

A worker walks past a pile of steel pipe products at a plant in China.

BBC NEWS

A group of international steel producing countries has called for urgent action to curb overproduction. The call comes days after international talks to find measures to tackle the industry crisis failed.

The joint statement comes from the US, Canada, the EU, Japan, Mexico, South Korea, Switzerland and Turkey.

Record production in China has in the past months led to criticism that it was distorting international markets by selling steel at a loss.

The statement calls for "ongoing international dialogue" to remove "market-distorting policies" and promote greater transparency in the global industry.

On Monday, representatives from more than 30 countries met in Belgium but concluded only that overcapacity had to be dealt with in a swift and structural way.

The US explicitly pointed the finger at China, saying the country would face possible trade action if it didn't cut overcapacity.

But China rejected suggestions that it subsidised its loss-making steel companies, and the meeting ended without any formal agreement.

Chinese steel production has expanded hugely. Over the past 25 years, output has grown to more than 12 times the size. By comparison, the EU's output fell by 12% while the US's remained largely flat.

The drive behind that stellar increase has been China's double-digit growth over the past decades - but the current slowdown has severely hit domestic demand.

Chinese steel is therefore sold on the international market at extremely low prices, critics say it's sold at a loss. As a consequence, other country's steel plants find it increasingly hard to compete.

China dismisses claims that its steel is sold at a loss and says it has done what it can to curb overproduction.

Beijing's official news agency said that blaming the country for the global steel industry's problems was a "lame and lazy excuse for protectionism".

In a commentary piece, Xinhua warned of protective import tariffs, saying that "blaming other countries is always an easy, sure-fire way for politicians to whip up a storm over domestic economic woes, but finger-pointing and protectionism are counter-productive."

Very little. While other countries complain that cheaper Chinese steel is forcing their producers out of business, China is itself faced with severe problems in the industry.

The boom of past years means any substantial output cuts will lead to huge job losses, potentially leading to social instability.

It's unlikely that China will cut output by a lot and unless domestic demand picks up, cheap exports will continue to affect global markets.

China is the world's biggest steel producer, accounting for around 822 million tonnes a year.

On Tuesday, the country said its production hit a record high last month as rising profits had encouraged more output.

With China's domestic market slowing, their producers have been looking for export markets, such as the EU.

This has led to accusations of unfair competition, that Chinese producers are "dumping" steel products on overseas markets - that is not just selling them cheaply, taking advantage of their lower production costs, but actually selling them at a loss.

Ethiopia banks on mobile money for financial growth

AFP, *Doni, Ethiopia*

OUTSIDE a small store on a dirt track in the remote Ethiopian town of Doni, long queues wait for government cash handouts by the most modern of methods: mobile phone.

Ethiopia, Africa's second most populous country and one of its fastest growing economies, is pushing a new electronic payment service by phone -- called M-Birr, or "mobile-money" -- in a bid to bring millions into the banking system and financial services.

Here in Doni, a remote town of some 5,000 people, 130 kilometres (85 miles) southeast of the capital Addis Ababa, signs displayed for M-Birr testify to the popularity of this new service.

Government "safety net" social security payments to some of the poorest people are now transferred with a few key strokes.

The service cuts out cumbersome bureaucracy, that previously forced customers to travel long distances and spend time waiting for requests to be processed, sometimes having to return the following day to collect the cash.

"M-Birr is more convenient for beneficiaries," said the system's local manager in Doni, Adane Hirpho.

"We have five agents in the city. People come into one of these stores and get their money immediately."

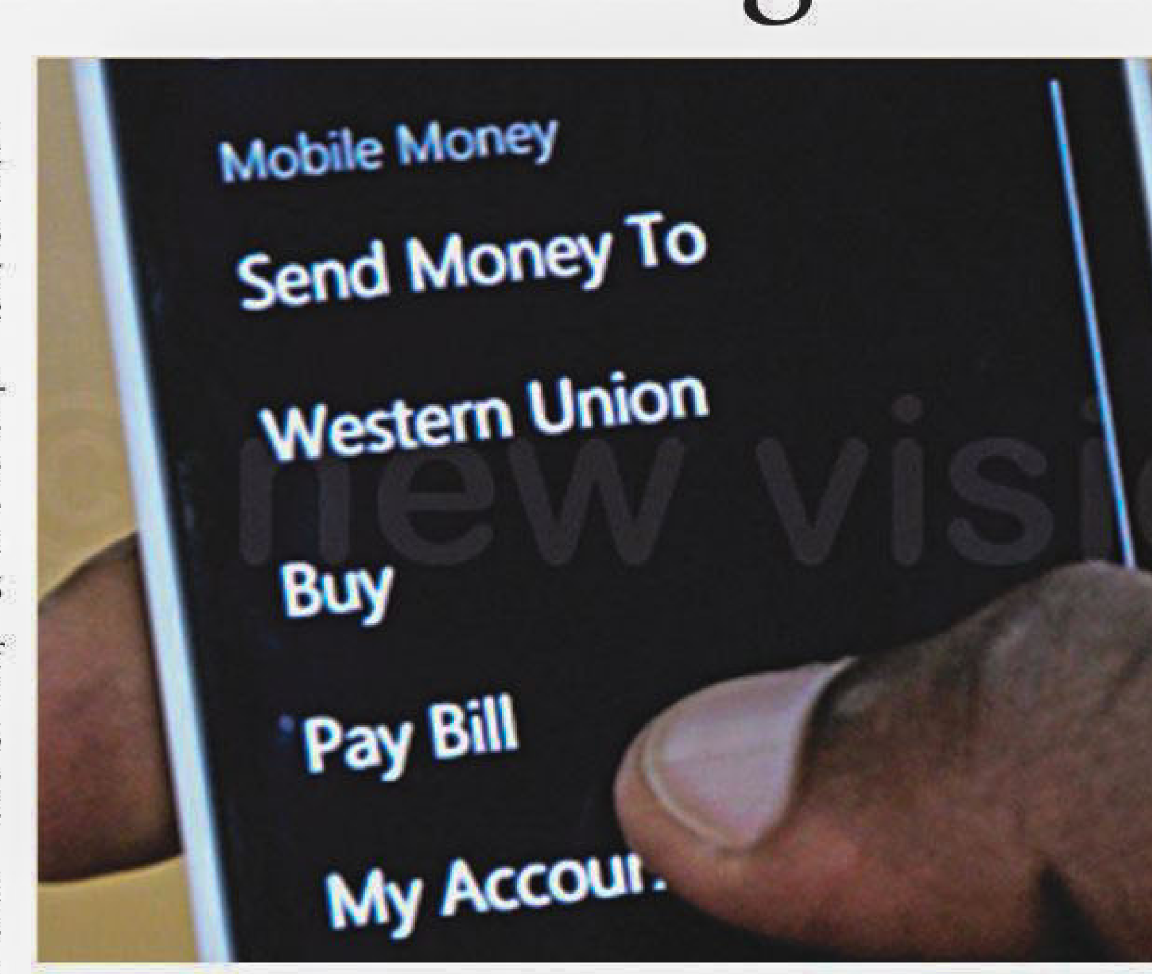
Created by Irish company MOSS ICT, the service was launched in Ethiopia early 2015, in collaboration with several banks and five Ethiopian micro-finance institutions.

Authorities have quickly realised the potential of the technology to simplify the distribution of social benefits.

More effective and less restrictive, operators say the mobile payment system is also safer than old payment systems.

"People have a PIN number, and they must show their beneficiary card, so there is no risk of fraud," said Yves Dublin, from the UN children's fund Unicef, which provides technical support.

"This technology avoids cases of 'ghost' beneficiaries that we see with other programmes."



AFP

Ethiopia is pushing a new electronic payment service by phone.

It follows in the footsteps of neighbouring Kenya, whose M-Pesa service run by British telecom giant Vodafone's subsidiary Safaricom has become a leading force in the sector.

Users are encouraged to create a bank account to avoid losing up to a fifth of the monthly allowance offered - an average of 137 birr ($6) a month -- in transport costs to collect the cash.

In Ethiopia, M-Birr has some 150,000 users, with 2,000 of those in Doni.

The innovation therefore not only improves the distribution of social security benefits, but also paves the way to opening up a potential market of tens of millions.

"Working in social projects also helps us to develop our network of agents," said Thierry Artaud, the M-Birr manager.

"It's a way to get people to use bank accounts, to understand what are savings, what are interest rates."

That's key for the country's economy, for the banking system is as yet hugely underdeveloped.

Less than a fifth of Ethiopians had a bank account in 2014, against three-quarters in neighbouring Kenya, according to the World Bank.

But Ethiopia is experiencing strong economic growth, estimated by the IMF and the World Bank at nearly 10 percent annually over the past decade.

Since the overthrow of a Marxist junta in 1991, Ethiopia's political and economic situation has stabilised, although rights groups have criticised the government for suppressing opposition.

The economy is still heavily dependent on agriculture, especially coffee, with the vast majority of the country's workers involved in the sector.

But the government has set a target of increasing the number of bank account holders to 80 percent by 2020 and to double the number of bank branches in the country.

Officials look south to Kenya for an example of the potential -- the mobile money system there has nearly 18 million users.

But the development of the banking sector still faces challenges within Ethiopia's tightly controlled economy.

"Ethiopia is a highly regulated country. The two most controlled sectors are telecommunications and financial services, exactly the two sectors we touch," said Artaud. "It's very sensitive."