Lloyd’s List Intelligence

Monitoring Maritime Trade

The challenges of assessing cargo movement patterns

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Operating without visibility of shipping patterns and real-time operations reduces efficiency, increases risk exposure and prevents optimal business performance.

According to the latest report on global maritime trade from the United Nations Conference on Trade and Development (UNCTAD), total volumes recently reached a milestone, totalling 11 billion tons in a single year. The differentiator will be the ability to stay ahead (and indeed afloat) in an increasingly competitive and crowded market.

This ongoing state of expansion and evolution is both a positive and a negative, as it both accentuates the need for thorough and effective maritime trade monitoring and complicates the task.

The challenges associated with monitoring maritime trade

Standing firmly in the way of any maritime trade monitoring process is the lack of transparency in the industry. Oil and gas, as an example, operates in an extremely opaque market, which exists among traders in order to try and establish an edge over their competition, and among governments to try and counteract terrorism.

Which leads into the next challenge – tracking the cargo on any one vessel can mean dealing with multinational corporations and governments, though also traders and retailers of all sizes and even individuals, who might be moving overseas, for example. The sheer number of parties that can be involved in a single passage can be vast.

"Monitoring exactly what is on each and every ship on a global scale is an enormous and complicated task.", says Marie Bates.

To exacerbate this challenge, cargo can be traded at sea and therefore change ownership. Yet knowing the ownership and movements history of every piece of cargo from port to port is hugely important, as if any load is found to have been owned or handled by a sanctioned entity, those associated with it will be compromised.

These sanctions are government imposed but are by no means the only geopolitical factors that the monitoring of maritime trade has to contend with. The ever-changing supply landscape and constant shifts in world politics combine to create a complicated and constantly evolving picture. Keeping abreast of every development, every minute of every day and interpreting global data in real time is where trade monitoring experts really come to the fore.

The sheer volume of data needed to provide an accurate and thorough assessment of maritime trade is hard to quantify, but it's colossal.

The list of actors who need access to this data extends right through the industry and far beyond it

Who needs this information and how is it used?

Global shipping is a volatile market requiring both maritime and non-maritime players to optimise their operational, financial and freight strategies constantly to stay ahead of the market. In order to do this, all the appropriate data must be accessed and interpreted. But this process is constant and laborious – and could ultimately amount to a huge loss of productivity and subsequently revenue.

The list of actors who need access to this data extends right through the industry and far beyond it, but includes all the following:

Commodity traders, suppliers and buyers – Must: make trading decisions and identify new opportunities, markets and routes with confidence, based on real-time intelligence at production and cargo level, as well as import-export volumes and movements for all key countries. Also must: monitor global trade flows as they happen to facilitate short-term flow forecasts and inform trading decisions and strategies, must identify and pre-qualify prospective carriers and clients, as well as pinpoint and target new business in an area, as well as gain insights into the activities of existing clients.

Ship owners – Ships must always be placed on the most profitable routes, for example with oil, if demand for Middle Eastern oil is high in Asia, as a shipowner you need to be able to see that the freight rates are high on a particular route, and seize the opportunity to do business by undercutting those rates.

Risk managers - Must forecast and hedge risk exposure based on tangible facts. The identification and adjustment of risk mitigation strategies in line with actual market movements is reliant on the detection and interpretation of commodity movements, alongside live trading positions.

They also must identify potential risks and build situational awareness based on actionable insights. Both risk managers and trade finance teams must know the origin and destination of any given shipment, the price of the commodity and its volume. The ability to track its journey and ensure that all documentation surrounding the transaction meets agreed standards is crucial.

Trade finance teams - Completing due diligence and Know Your Customer checks to protect your organisation from the consequences of financing illicit maritime trade requires detailed insights. In order to make informed decisions, historic and real-time data on the world fleet, its movement, ownership and sanctions history is essential to spot potential risk.

For all parties, a comprehensive understanding of all the counterparties involved in any vessel, commodity, transaction or trade is essential in order to assess the level of risk involved, which matters to every player in the industry without exception.

As Marie Bates says: “It’s not only ship owners, operators and traders looking at risk – also banks, insurance companies, compliance teams, credit lenders, trade finance operations.

If you’ve insured a ship that breaks sanctions, you are complicit in that trade and you have also – by association – broken sanctions too. Which means no one can use your insurance company, because to do so would to be associated with a sanctioned entity. Sanctionable activity is like a butterfly effect – it radiates out a long way and in a huge number of directions, which is why effective monitoring of maritime trade is so vitally important.”

What information is tracked by maritime trade monitoring teams?

But successful investment plans, trade agreements and well-informed decisions depend on an absolute understanding of all these factors, so the task is a vital one. The following list is by no means exhaustive but gives an indication as to the scale and variety of information typically collected by trade monitoring teams.

- Bills of lading filed on behalf of importers and exporters.
- Shipping patterns for the day, week, month and year, including historical data.
- Ship identification of every propelled sea-going merchant ship of 100 GT and above. This extends to ships in service, are under construction and those that have been demolished.

  This includes each ship's International Maritime Organisation (IMO) number but also exact measurements, characteristics, photographs, communications, engines and auxiliaries.
- Real-time operations and live ship positions, including estimated port callings and arrival times, but also historical movement data.
- Global trade flows, currently but also over time, to establish developments and trends in both specific products and ports.
- All recorded casualties since records began in 1978.
- Current and historic berths in ports the world over, as well as service provision details of every terminal and port.
- Live Office of Foreign Assets Control (OFAC) sanctions listings and every current international guideline, policy and rule.
- Company information including operators, managers and ship owners (right through to the group beneficial owner) – their contact details, country of domicile and true nationality, IMO company numbers, sanction breaches, personnel and products.
- Shipbroker information including marine and safety equipment suppliers, class societies, shipyards, engine builders, repairers and dry docks.
- The latest details of LNG bunker and cold ironing facilities.
- Breaking international maritime news.

Players from across the industry need to stay ahead of changing markets, comply with the sanctions and regulatory environment and capitalise on trading opportunities

What does trade monitoring affect?

From individuals (such as ship and cargo owners) right through to governments, every player in the maritime trade industry needs to successfully navigate today's complex operating environment and position themselves ahead of their competitors.

To do this, they need to identify growth opportunities, reduce global supply chain risk, improve efficiency and place great emphasis on risk mitigation. Consequences of not ensuring that this is the case range from US financial lock-out in an industry that works in US dollars and bankruptcy to fines so large they could derail even the largest of operations.

Players from across the industry need to stay ahead of changing markets, comply with the sanctions and regulatory environment and capitalise on trading opportunities, using verified intelligence on movements and activities.

Trade monitoring also plays a role in environmental matters – for instance if there was an oil spill accident you could find out which ships had been in that area and what each had on board, so you could narrow down which ship it might have originated from. And in terms of safety it has proven completely invaluable, as in combination with AIS, which automatically sends out the ship's last-known position, it has been crucial for tracking what happened, when and how.

The mitigation of risk, and in particular the avoidance of any connection to sanctionable activity, and the ability to streamline operational workflows and make informed decisions to generate and maintain long-term, sustainable growth all requires the right data, in real time, all the time. Or as Marie Bates puts it: "Maritime trade monitoring is too complex and many-faceted – not to mention important – not to be handled by experts, with the right experience and training, but also with access to the right data.

The data changes moment to moment and it is imperative that the facts and figures upon which hugely important business decisions are being based are both accurate to the minute and watertight. In turn, precise and targeted interpretation of that essential data requires a vast wealth of experience – an innate knowledge of the industry and its history, patterns and trends – but also access to and knowledge of the very latest technologies and advancements."

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The future of shipping is both complex and uncertain, a mixture of opportunity and risk, but the ability to effectively monitor maritime trade has changed the world. Before global trade we were all reliant on what we produced as individual nations, whereas global open trade as we have at the moment has enabled burgeoning global technology and increased the fast and efficient movement of goods immeasurably, to the point that international trading is normal, rather than the exception. Effective monitoring has facilitated this global trade. It is no exaggeration to say that it has changed the way the world does business and, if handled by experts, will continue to do so in the future.

This guide was brought to you by the experts at Lloyd's List Intelligence, delivering transparent and actionable maritime data and analytics powering decisions that drive the safe, efficient, and lawful movement of seaborne trade.
To find out more, please get in touch.
Our details are on the final page.

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To find out more about any of the challenges mentioned, or how to resolve them, get in touch with a member of our team today.

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