

THE IMPACT OF COVID-19 ON GLOBAL SHIPPING AND MARITIME INDUSTRY IN INDONESIA AND HOW TO COPE WITH THE CORONAVIRUS OUTBREAK BASED ON RECOMMENDATIONS WHO AND IMO

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ABSTRACT

The global share of Chinese container shipments grew from 10% in 2003 to 14% in 2019. Meanwhile, the share of dry bulk commodity imports to world volume has jumped sharply from only 11% to 34% in the same period. Based on the total dry bulk commodity, China's share in the global market is very dominant and is the main player in this industry. The rapid spread of the coronavirus has had a major impact on the global shipping market, with falling demand for goods from China impacting everything from container ships to oil tankers. Freight rates for global container lines generally fall sharply by between 10% -15%. The radical drop in demand for Chinese crude oil tankers from an average of 3.4 billion tonnes of miles per day in 2019 to almost zero. This is just the beginning of what will become a global crisis for all sectors including shipping. Therefore, this study aims to analyze the impact of the Coronavirus COVID-19 on the maritime industry, especially in Indonesia, as well as how to deal with the Coronavirus outbreak based on the recommendations of the World Health Organization (WHO) and the International Maritime Organization (IMO). The research method used in this research is a literature study with a descriptive analysis approach using the Content Analysis method as well as how to deal with the Coronavirus outbreak based on the recommendations of the World Health Organization (WHO) and the International Maritime Organization (IMO). The research method used in this research is a literature study with a descriptive analysis approach using the Content Analysis method as well as how to deal with the Coronavirus outbreak based on the recommendations of the World Health Organization (WHO) and the International Maritime Organization (IMO). The research method used in this research is a literature study with a descriptive analysis approach using the Content Analysis Method.

Keywords: COVID-19, Maritime Industry, Global Shipping Market, Global Crisis, WHO and IMO

1. INTRODUCTION

“International Baltic and Maritime Council (BIMCO) warned of a more serious impact from the an outbreak of the Coronavirus in China on the shipping and trade industry if the disaster continues and is not resolved soon. BIMCO explained, from January to February 26, the volume had lost to a point of 1.7 million TEUs ”(BIMCO, 2020). This figure is based on the number of shipping cancellations starting in the Chinese New Year (Imlek) and the low level of loading (load factor) of a number of costs during the outbreak of the virus due to a lack of volume of goods. This decrease is also the result of a decrease in landside trucking, which

has resulted in a decrease in the movement of containers from ports in China. BIMCO explained that nearly 2/3 of the truck drivers in several parts of China has not yet arrived at work. BIMCO analyst Peter Sand describes three possibilities that will occur with different impacts on the activity of delivery. First, if China manages to exercise control shortly, Chinese factory activity will return to normal in March. The second possibility, normalization does not occur until April; and third (predictable) viruses continue to spread in ways that are impossible to predict or analyze. If it is the first possibility, then the impact on global supply chain activities are relatively small. If the second possibility

occurs, let alone the third possibility, the impact will be more serious for manufacturing, transportation, and sports activities. Currently, the cessation of production activities has resulted in a decline in container volumes. However, if this continues, it will disrupt the supply chain to retail activities. The outbreak of the Coronavirus has proven that the level of dependence of the shipping industry on the Chinese economy is so high. If industrial activities in

operating, the shipping industry would come to a standstill

As the first country to be hit by Covid-19, now China is the only country with a recovering economy and a resurgent population. It can be seen that the spread of the pandemic is increasing day by day. A total of 212 countries were infected with COVID-19, with a total of 3,646,225 cases as of May 5, 2020, 252,408 deaths, and 1,200,203 cases of recovery as shown in Figure 1. below:



Figure 1A, Statistical Data *Coronavirus Infection 2019*

Figure 1B, Statistical Data *Coronavirus Infection 2019*

The causal relationship between the COVID-19 pandemic that occurred in Wuhan, China, and the global economy, encouraged the author to further analyze the impact on global shipping conditions and the maritime industry, especially in Indonesia. As well, analyzing the pattern of handling by the Indonesian government on monitoring and

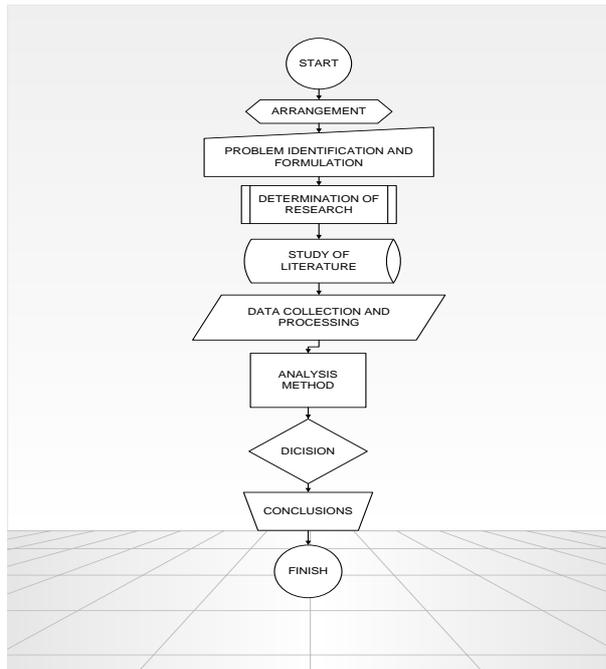
preventing the entry of COVID-19 into Indonesian territory through the maritime sector based on recommendations from the World Health Organization (WHO) and the International Maritime Organization (IMO) and other related parties.

2. RESEARCH METHODS

The method used in this research is the Content Analysis Method with a focus on literature study, namely all efforts made by the researcher to gather information relevant to the topic or problem that will be or is being researched. Information that can be obtained from scientific books, research reports, scientific essays, theses and dissertations, regulations, statutes, yearbooks, encyclopedias, and other written sources both printed and electronic, "or in other words another, literature study is a study whose research object is in the form of literature works in the form of journals, book articles in the mass media, and statistical data" (Dana Riska Buana, 2020). This literary will be used to answer the investigative problems proposed by the author, which in this case is the impact of the Coronavirus COVID-19 on global shipping and the maritime industry in Indonesia as well as prevention and handling efforts by the Indonesian government based on WHO and IMO recommendations. "The nature of the study carried out is descriptive analysis, namely research that seeks to describe a symptom, event and incident that occurs at present, where the

researcher tries to photograph the events and incidents that are the center of attention and then describe them" (Nana Sudjana and Ibrahim, 1989). The aim is to provide education and understanding to readers of the phenomena that occur.

As for this research design, the author provides a visualization picture into the flowchart as follows:



3. DISCUSSION

3.1 Impact of the Coronavirus COVID-19 on Global Shipping

When the Coronavirus was just entering its initial phase, when the outbreak was still raging, Wuhan and China, the impact of the logistics sector and the economy, in general, was already very much felt. Wuhan is on the Yangtze river route which is quite busy with the flow of goods. More than 80% of China's river traffic travels through the Yangtze River, that is, there is a cargo volume of about 1.5 million containers from Wuhan alone. The surrounding area is home to important commodities such as coal, steel, crude oil, and fertilizer. The implication is that the distortion of economic activity in this city is enough to disrupt the supply chain which affects China's economy. Furthermore, with China's very strong dominance in the global

economy, the impact on the world economy will be felt very quickly.

Since entering the World Trade Organization (WTO) in 2001, global news of China's container shipments has grown from only 10% in 2003 to 14% in 2019. Meanwhile, the important portion of dry bulk commodities to world volume has jumped very sharply from only 11 % to 34% over the same period. Dry bulk commodities are raw materials used in the subsequent production process including grains, metals, and energy. Of the total dry bulk commodities, China's portion in the global market is very dominant. China shipped 20% chemicals, 18% gas, and 16% crude oil in 2019. It can be implemented that the turmoil that occurs in China will have an impact on the upstream and downstream parts of the global production chain.

3.1.1 Decrease in Container Demand

The transportation sector is one of the leading sectors affected by this economy's economy. The delays from logistical activities in the past two months have reduced the volume of container cargoes at China's regional ports, including Hong Kong by more than 6 million Twenty Equivalent Units (TEUs). As a result, up to the third week of January, the number of ship calls at China's main ports had decreased by 20%. This sluggishness is thought to erode the acceptance of global container companies by sailing empty due to a lack of cargo. Assuming a cargo reduction of US \$ 1.7 million and an average tariff of US \$ 1,000 per TEUS, the losses of global container companies were assessed to range from the US \$ 1.7 billion to the first quarter of 2020. (HIS Markit, Caixin, China Customs) It can be seen that the PMI slumped to the lowest position in 2020 after previously being at the lowest position in 2009. This significant drop in PMI is an indication of a decline in activity in the manufacturing sector as a whole which has an impact on economic conditions in China and affects global economic conditions.

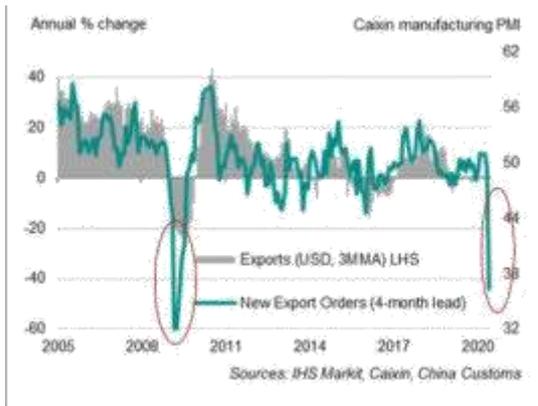


Figure 3.1.1A, Caixin China PMI and Export Growth



Figure 3.1.1B, Correlation Between Left and Right

The additional time to deliver raw materials as a result of the Coronavirus, it has disrupted the supply chain. As a result, purchasing activity has also declined sharply.

3.1.2 Decreasing Demand for BDI Dry Bulk Cargo

The indicator depicted from the Baltic Dry Index (BDI) also implies the same sluggishness. BDI describes the market balance between the demand and supply of commodities. This indicator can be used to explain the level of the global economy because it acts as a proxy for the volume of trade in coal, nickel, bauxite and other metals. These commodities are generally shipped by dry bulk cargo (Capesize, Panamax, and Supramax types).

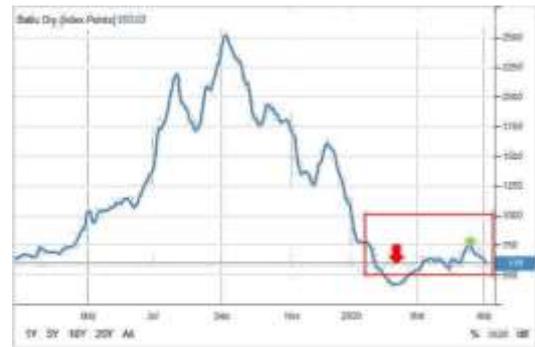


Figure 3.1.2, Baltic Dry Index (BDI)

Based on the Trade Economy, it is known that there has been a decrease of around 635 points due to the influence of COVID-19. However, there was an increase again for the first time after the last three months, namely, in April, there was an increase of 700 points. This is because activity in China has gradually improved after the pandemic.

As we know, China is the largest contributor, about 40% of the total global dry sea trade. This has had a significant impact on global economic conditions as a whole.

3.1.3 Decrease in Demand for BDI Dirty Tanker

All BDI indicators are based on ship types, which experienced a drastic decline in the third week of February 2020. These findings indicate that the global manufacturing industry sector continues to decline. BDI for all types of bulk carriers and commodities fell sharply by 60% from 1090 at the end of December 2019 to only 465 in the third week of February 2020. Likewise, BDI dirty tankers (oil) and clean tankers (Liquid Natural Gas / LNG) decreased. by 45% and 25%. The global economic slowdown is being seen by ordering cargoes based largely on the sluggishness in the manufacturing and construction sectors.

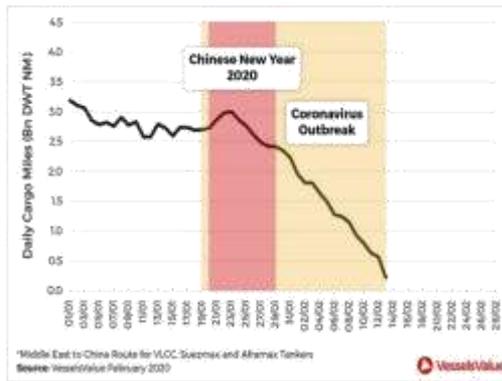


Figure 3.1.3A, China Crude Oil Tanker Demand 2020

The outbreak of the Coronavirus has proven that the level of dependence of the shipping industry on the Chinese economy is so high. If industrial activities in China stop operating, the sailing industry will stall, not only in the global supply chain sector but will also have a good impact on manufacturing, transportation, or seaport activities. Based on data from the sustainable world port, it reports several impacts that have occurred in several ports due to the Covid-19 pandemic as shown in the Figure below:

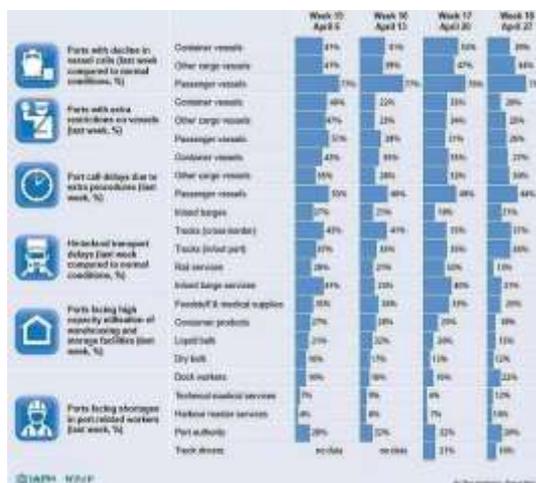


Figure 3.1.3B , World Ports Sustainability Program Dashboard (WSPS) Barometer of the Economic Impact of the WSPS COVID19 Port

The data above shows a barometer of the economic impact of the ports of 76 ports in the world due to the pandemic. It was reported that seventy-six ports surveyed in this WSPS Port Economic Impact Barometer World Report, reported a relatively stable situation compared to previous

weeks, with a mention of improvements in some areas of port continuity.

3.2 The Impact of the Coronavirus COVID-19 on the Maritime Industry in Indonesia

3.2.1 National Shipping Sector

The national service sector is facing tough challenges with the outbreak of the Covid-19 pandemic. At least 4 aspects were affected in the sailing business sector due to the Coronavirus outbreak, namely (INSA, 2020):

- a. Decrease in Export and Import Cargo Volume

The decline in cargo volume, both on the affected exports and imports, such as to China, decreased by 14-18 percent and had an impact on other destination countries, such as Singapore and South Korea. Likewise, domestic cargoes, especially cargoes that support export-import and national distribution, fell by 5-10 percent.

- b. Clearance Process At The Port

The clearance process at the port took longer due to the spraying of ship disinfectants, health checks of ship crews, and inspection of ship travel history. This has an impact on the addition of ship operating costs.

- c. Decreased Performance as a Result of Physical Distance and Work from Home (WFH)

The physical distance and work from home policies also have an impact on the performance of agencies because many limits working hours including operational personnel within the Directorate General of Transportation in sub-districts related to shipping certificate management and portability.

- d. Ship Docking Issues
- National shipping has also experienced boat docking. This is because many shipyards have reduced the number of workers in the field to minimize the spread of Covid-19.

As a result, maintenance work for ships that are docked is hampered for how long, and other ships have had to queue for a long time to dock in the last two months. In addition, important ship spare parts from China are constrained so that they take longer and are more expensive. Conditions that are hitting the national conflict sector at this time will also have an impact on the decline in the performance of other related industries, such as the performance of logistics, insurance, shipbuilding, the ship spare part industry to the seafarers' HR education agency.

3.2.2 Shipyard Sector Ship

The condition of the shipyard industry in the last few months has been dire. This is because most ship components still depend on imports, while the rupiah exchange rate against the United States dollar continues to decline¹³. Shipyard productivity also decreases with directions to work from home (WFH) or physical distance from the government. Apart from productivity, it also corrects the flow of logistics which makes it transmitted to the ship's demand cycle.

3.2.3 Port Sector

The impacts that have an impact on the sports sector due to the Covid-19 pandemic in Indonesia, namely:

a. Termination of Port Operations

PT Pelabuhan Indonesia II (IPC) to stop the operation of 3 of the 5 passenger terminals it manages. The closure was carried out because the ships serving passengers in the three ports were temporarily serving to reduce the spread of the Coronavirus (Covid-19). The three passenger terminals that are temporarily closed are the passenger terminal at Tanjung Pandan Belitung Port and Pangkal Balam Bangka Port, as well as the Boom Baru Port passenger terminal in Palembang, South Sumatra. Meanwhile, the other 2 passenger terminals are still operating at Tanjung Priok Port and

Pontianak Port. This decision was taken by the ship manager as an effort to support the Regional & Provincial Government programs in preventing the spread/prevention of Covid-19. b. Delays in Port Strategic Projects

"Strategic projects in the port sector that are currently being worked on or undertaken to be carried out by BUMN PT. It is also feared that Pelabuhan Indonesia II / IPC will not be completed according to target"(ISP, 2020). As is known, currently PT Pelindo II is completing several projects, including the construction of the Kijing Terminal (West Kalimantan), the completion of the Cilincing-Cibitung toll road project, as well as the follow-up to the New Priok project, both the completion of the 57- meter area project NPCT1 and CT2. and CT3. With the current massive effect of the Coronavirus Covid-19, the completion of these projects may be delayed. Based on the above discussion, it can be seen that there is a national level of sluggishness in the maritime sector in Indonesia. This is also supported by empirical data from Samudera Indonesia operations (SMDR). Data for January and February show a downward trend in trading volume. "Preliminary figures show that the SMDR port in Tanjung Priok recorded a 10% reduction in cargo volume when calculated on a year-on-year (YoY) basis compared to the same month in 2019" (Harya S. Dillon, 2020).

In terms of ship operations, the volume of outgoing cargo (outgoing cargo) was 17% less while the volume of incoming cargo (incoming cargo) was 14% less until the fourth week of January 2020 compared to the same period in 2019. Some things that must be anticipated are:

- a. Preparing for the delay in the manufacturing supply chain in the coming months.
- b. Some of the trade contracts to and from China were canceled or to the second semester

of 2020. This phenomenon affects the demand and offer of bids given China's share as a producer and a consumer.

Based on the explanation aside, it can be concluded that the Covid-19 pandemic has had a real impact, both on global shipments which affect supply chain conditions in general, as well as the maritime industry in Indonesia in particular. To ensure the sustainability of activities in the Indonesian maritime industry which is as difficult as it is today, efforts are needed to prevent and handle the spread of the 2019 Coronavirus in Indonesia by international safety standards.

3.3 World Health Organization (WHO) recommendations

The World Health Organization or the World Health Organization (WHO) has provided eight important recommendations to the Indonesian government in the context of handling cases of the spread of Covid-19. WHO gave recommendations for handling the Coronavirus to the Indonesian government. Based on the report on the results of the WHO team meeting with the government team, WHO gave considerations to Indonesia in making preventive policies. Discussion with WHO Jakarta Monitoring Covid-19, "The World Health Organization gives three considerations to the Indonesian government" (Barly Halim, 2020)

- a. The health of the population is a top priority for government policy, but the current efforts are still not maximal.
- b. Efforts to reduce the economic impact so as not to be directed at stimuli that encourage the spread of infection. Such as opening the tap for foreign tourists, but the stimulus for social protection such as the impact on companies, provision of basic goods, and others.
- c. Increasing surveillance can capture more suspected cases, but in the medium term, it

is more in mitigating economic impacts and international confidence.

In addition, the Indonesian government also provides specific recommendations from WHO:

- a. Activate national emergencies and form a Special Team that has the authority to make evidence-based decisions.
- b. Extending intensive case detection and contact to see exactly which areas of Indonesia are active transmission;
- c. Encouraging the decentralization of Laboratory the capacity, especially in laboratories that have capacity and increase the capacity of existing laboratories. According to Bappenas notes, currently, only the laboratory at Litbangkes is conducting tests. Meanwhile, the Provincial Government of DKI Jakarta, which already has a Covid-19 Test Lab, has not yet the authority to carry out lab tests for cases of virus infection.
- d. Announce confirmed cases and submit an immediate contact statement to WHO for analysis and provide advice to the government.
- e. Detention options include: dismissing schools; cancel large meetings; travel to public places;
- f. Promoting and maintaining distance when socializing, not shaking hands, kissing, or applying other basic protective measures (washing hands and masks).
- g. Advise people showing respiratory symptoms to stay at home, isolate themselves, and immediately go to a health care facility.
- h. Facilities and infrastructure are needed in large numbers at 132 referral hospitals. These facilities and infrastructure include stocks of Personal Protective Equipment, ventilators, respirators, and materials

other medical facilities. In addition, it needs body bags and safe burial procedures for everyone who dies from respiratory infections.

3.4 Recommendations of the International Maritime Organization (IMO)

"The International Maritime Organization (IMO) issued a number of recommendations, following the World Health Organization's (WHO) Global Emergency "declaration of the Coronavirus (2019-nCoV) outbreak. WHO on January 30, 2020, declared the outbreak of the Coronavirus (2019-nCoV) a global emergency situation or Public Health Emergency of International Concern (PHEIC) (Maritime Journal, 2020)

The Global Emergency Situation WHO refers to is an extraordinary event that risks threatening the public health of other countries through cross-border disease transmission, thus requiring a coordinated international response. However WHO does not guarantee travel or trade between countries, based on the most current available information. IMO then issues recommendations to all IMO Member States, seafarers, and sailing companies in two circular letters. IMO recommendations are prepared with reference to recommendations developed by (WHO) and the Division of Health and Safety and Occupational Health Management (DHMOOSH) of the United Nations. IMO's recommendations include:

- a. "Circular No.4203 Novel Coronavirus (2019-nCoV) Contains information and guidance on precautionary measures that must be taken for the risks for delegates holding meetings at IMO after the recent coronavirus outbreak(IMO, 2020)
- b. "Circular No.4204 Novel Coronavirus (2019-nCoV) Contains information and guidance on precautions to be taken for the risks fired by sailors, passengers and others on board "(Additional IMO, 2020)

IMO also recommends following other additional suggestions, including:

- o *International Maritime Health Association (IMHA) advice for shipping companies*
- o *Novel Coronavirus US Cost Guard (USCG) Preventive measure*

Recommendations by IMO to the Member States, seafarers and shipments in detail are as follows:

Table 1. International Maritime Organization Circular (IMO)

No	Surat Edaran IMO	Tanggal Rilis	Isi Surat
1	Surat Edaran No.4203 / Add.1	12 Februari 2020	Informasi dan panduan (su) tindakan pencegahan yang harus diambil untuk meminimalkan risiko kepada delegasi
2	Surat Edaran No.4204 / Add.1	19 Februari 2020	Implementasi dan Pelaksanaan dari ketentuan IMO yang relevan
3	Surat Edaran No.4204 / Add.2	21 Februari 2020	Pernyataan Bersama IMO-WHO tentang Tanggapan terhadap Wabah COVID-19
4	Surat Edaran No.4204 / Add.3	2 Maret 2020	Perubahan operasional untuk mengatasi kasus COVID-19 terkait di kapal
5	Surat Edaran No.4204 / Add.4	5 Maret 2020	Panduan bagi operator kapal untuk meningkatkan keselamatan kapal
6	Surat Edaran No.4204 / Add.5	2 April 2020	Panduan terkait sertifikasi kapal dan personel kapal perangnya dan
7	Surat Edaran No.4204 / Add.6	27 Maret 2020	Daftar rekomendasi awal untuk Pemerintah dan layanan kesehatan di fasilitas maritim perhubungan udara pandemi COVID-19
8	Surat Edaran No.4204 / Add.7	9 April 2020	Panduan tentang pemantauan tak terduga dalam program kapal
9	Surat Edaran No.4204 / Add.8	14 April 2020	Video meeting dengan negara Port State (PSC)
10	Surat Edaran No.4204 / Add.9	16 April 2020	Pernyataan Bersama IMO-WHO tentang rangkapan dari narasi pandemi global selama Pandemi covid-19
11	Surat Edaran No.4204 / Add.10	22 April 2020	Pernyataan Bersama IMO-WHO & ILO tentang risiko terkait kapal, sanitasi kapal, sertifikat dan pemetaan risiko terkait dalam konteks pandemi COVID-19
12	Surat Edaran No.4204 / Add.11	24 April 2020	Coronavirus (COVID-19) - Pertemuan EC akan pertukaran informasi, pemantauan dan pelaporan mengenai situasi kesehatan dan keselamatan awak kapal dan penumpang serta orang lain di dalam pesawat kapal
13	Surat Edaran No.4204 / Add.12	27 April 2020	Coronavirus (COVID-19) - Deklarasi oleh Pihak Pihak (PAP) dan beresap Map Bunder (PAR) anggota dalam penanganan COVID-19 global Situasi

IMO Member States requests for the closeness of all stakeholders in their countries (companies, managers, crew agents, etc.) to disseminate the above IMO circular. IMO wants to ensure that the entire global maritime community receives accurate and relevant information about the Coronavirus Covid-19 outbreak and measures to reduce the risk of exposure to the virus, especially those on ships sailing between ports in countries that are affected by the Coronavirus. The attitude of the Indonesian Government is to take action to limit the risk of spreading Coronavirus, without risking international

traffic of goods which is in line with the recommendations of the IMO and WHO.

The consequence is that the Ministry of Transportation, in this case, the Directorate General of Sea Transportation (DJPL), is ready to serve IMO and WHO recommendations regarding monitoring and prevention of the entry of the Covid-19 Coronavirus into the country, especially the spread via international shipping routes and ship transportation. Other efforts that were also made were implementing social distancing and working from home (WFH) recommendations.

4. CONCLUSION

The outbreak of Covid-19 has proven how highly dependent seabed trade and global shipping are on China's economy. This is because China has become a role-playing player, which contributes more than 40% of the global dry sea trade. If industrial activities in China stop operating, the industry will become trapped, global supply chains will be affected, and will have a serious impact on the manufacturing, transportation, or sports activities. The real impact of the Coronavirus pandemic on the maritime industry in Indonesia occurs in 3 main sectors, namely, the national shipping sector, the shipbuilding sector, and the ports sector. Meanwhile, to maintain the sustainability of maritime activities and prevent Covid-19,

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