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## Tariffs, uncertainties weigh on shipping in 1H25

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**KUALA LUMPUR:** Malaysia's shipping industry navigated cautiously in the first half of financial year 2025 (1H25), as industry players assessed market conditions and challenges, operating in a complex environment that demanded a measured and deliberate strategy.

Ongoing talks between Petrolam Nasional Bhd (PETRONAS) and Petroleum Sarawak Bhd (Petros), relatively stagnant freight rates, and geopolitical tensions affecting maritime routes dominated the sector.

However, it was encouraging to note that ports performed well, recording increased cargo volumes.

Malaysia Shipowners' Association (Masa) chairman Mohamed Safwan Othman said while the impact of the United States reciprocal tariff rate, set to take effect on Aug 1, is minimal on industry players, the sector continues to monitor potential medium-term consequences depending on decisions made after the 90-day pause.

He added that domestic activity remains slow, with close attention paid to the ongoing negotiations between PETRONAS and Petros, which had dragged on for more than two years.

"Prolonged issues have resulted in lower demand in the oil support vessel market in our domestic waters.

"However, PETRONAS and TNB Fuel Sdn Bhd have awarded long-term vessel provision and contract of affreightment contracts, respectively, this year.

"Malaysian shipowners were the majority recipients of both contracts," he told *Bernama* when contacted.

Mohamed Safwan said other shipping segments were broadly neutral, with freight rates remaining largely stagnant

over the past six months.

On geopolitical tensions affecting major maritime routes, Mohamed Safwan said apart from a few global players such as MISC Bhd, most Malaysian shipping operators are focused on the regional market, expanding east to China and west to India.

"In terms of cost, delays in key maritime routes such as the Suez Canal and the Strait of Hormuz have increased the dependence on Asean vessels operating within the region. This has led to an uptick in charter rates," he said.

He noted that South-East Asia remains relatively stable, with routing largely unaffected. However, delays are expected in the transshipment of cargo intended for Malaysian consumption.

On the International Maritime Organisation (IMO) decarbonisation targets, Mohamed Safwan said Masa members are well aware of the regulations, but the shift towards decarbonisation requires significant effort and substantial funding.

"Regarding the new targets outlined in the IMO net-zero greenhouse gas emissions Strategy 2050, Masa members are currently evaluating (their) options.

"The global maritime industry continues to debate current solutions at the IMO.

"For us, Malaysian shipowners are focusing on improving efficiency within existing regulations.

"This is also because most Malaysian vessels are ageing, and any re-fleeting must consider new alternatives such as alternative fuel or dual-fuel ships," he added.

On the outlook, he said instabilities arising from geopolitical tensions had prompted industry players to capture increased demand from re-routed cargo movements.

"Key risks remain, particularly the esca-

lating tensions between global powers closer to home, such as the rift between China and the United States, and Taiwan's position, which has heightened regional uncertainty.

"These issues affect freedom of movement and stability in South-East Asia."

Transport Minister Anthony Loke Siew Fook recently expressed hope that ongoing negotiations with the United States government, ahead of the potential imposition of a 25% tariff on Malaysia from Aug 1, would help mitigate the impact on the maritime industry and preserve its competitiveness.

He said the maritime sector is currently performing well, buoyed by increased trade volumes at ports operated by MMC Corp Bhd and Westports Holdings Bhd.

Maritime analyst Nazery Khalid said the sector, which facilitates the bulk of trade among Asean members and between Asean and other regions, plays a critical role.

"The goal of boosting regional connectivity and trade in South-East Asia to make it a global economic powerhouse cannot be achieved without adequate port infrastructure, efficient logistics, strong intra- and inter-regional connectivity, and robust shipping services," he added.

He also stressed the importance of a facilitative regulatory environment, investment incentives, digital and physical infrastructure, and alignment with international standards across the maritime supply chain.

"Sustainability, climate change, competition, intellectual property, consumer protection and taxation must be addressed to ensure cargo moves seamlessly, efficiently, securely and sustainably, while maintaining cost competitiveness and profitability for ports, shipping lines, logistics providers and other stakeholders," he said.