

THE SOURCE

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WAR AND PEACE: TRUCKERS, TRADE AND A SYRIA DIVIDED

In the land-locked north of Syria, sandwiched between Turkey to the north, land under the control of the Islamic State to the south and west, and a swath of hard-to-reach no man's land directly south, lies a long, finger-like area controlled by the Kurds. In Al-Mabrokeh, just before reaching ISIS territory, there is a checkpoint manned by a couple of Kurdish security officers, whose job, as strange as it may sound, is to keep trade flowing with the enemy and ensure that customs tariffs have been paid.

The war has essentially created four regions in Syria, with territory controlled by the Assad regime, the Kurds, the Islamic State, and various rebel groups. Despite the state of conflict, all of them are interdependent upon each other for economic survival, even if trade means strengthening a foe's regional power.

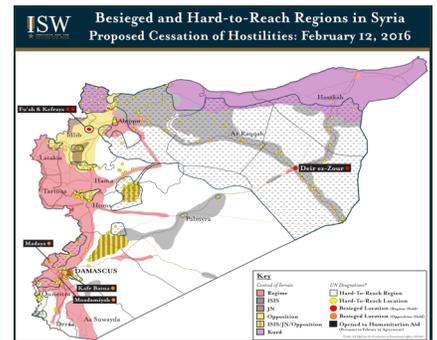
It is the courage and resourcefulness of truck drivers, braving exposure to airstrikes from Assad's regime and his Russian allies, and punishment from Islamic State militants for various infractions of ISIS' version of Islam or transporting contraband, such as alcohol or cigarettes, that is keeping commerce alive. They are the ones who risk their lives every time they traverse the dangerous battlefields in order to deliver food, oil, cars, appliances, and livestock to regions that need these goods and their ancillary revenue.

Tales of danger abound. One driver tells of the time he forgot to hide a bottle of whiskey before coming to a checkpoint run by ISIS. When the militants found it, he says he was jailed, whipped 90 times, and forced to atone. He says he is more careful now. But he is afraid because ISIS holds them accountable for everything they say, and he is worried that in a moment of frustration and emotion he might be incautious and lose his head. Literally.

War takes a toll on a nation's economy. Syria's GDP has decreased almost 62% since 2010, putting it on par with the island of Cyprus. Total economic losses since the beginning of the conflict are estimated at more than \$250 billion, according to the Beirut-based Syrian Center for Policy Research. The Syrian monetary unit has taken a 91% nose-dive, severely impacting purchasing power in the global market, and trade within Syria's borders has declined 28%. All of which points to how vital it has become for warring regions to continue to trade among themselves. They can't afford not to.

One Kurdish economic official said that the Islamic State "needs the money" it can get from trade "to continue their evil acts. So yes, we are benefitting them. But we also help our own population."

Besides sales of goods, one burgeoning revenue stream is to be found in the collection of customs and taxes on goods travelling through the regions, causing a sharp rise in the overall price of goods



Map: Institute for the Study of War

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PHOTO: Raja Abdulrahim

sold. Oil leaving the Kurdish territory is subject to a customs tariff of roughly \$13 per barrel. The Kurds collected \$40 million in tariffs in 2015, which helped fund a nascent government that has also relied on support by local donations and secret foreign aid.

Much of the oil exported by the Kurds is bought by the Islamic State, even though they control 10 oil fields, accounting for about 80% of Syria's oil. At peak, the Islamic State was making between \$40 million and \$50 million per month from sales of oil. But they have been forced to buy oil from the Kurdish state after the U.S.-led coalition launched an intensive air campaign late in 2015, targeting those oil facilities. Now that very same trade in oil is indirectly funding the same Kurdish militia fighting the ISIS extremists.

On the other side, half of the extremists' revenue now comes from taxation and confiscation. Rather than prevent the movement of goods, including prohibited items, they exploit it and profit by it. Truck drivers must produce documentation provided by the trader to prove that they have paid taxes on the goods—and the costs are steep. The group charges \$1,000 for a truck carrying 28 tons of produce, according to one trader.

Truck drivers also tell of having to pay bribes to fighters in order to continue on their way. One driver recalled an ISIS fighter demanding a \$100 bribe. The driver tried to pay him in the equivalent Syrian pounds, but was told that only American dollars were good, that the Syrian pounds were a failed currency.

Many drivers have also been subjected to punishments for violating the ISIS' strict interpretation of Islam—being jailed for possession of a cigarette, suffering 40 lashes for shaving off a beard. But increasingly the extremists are imposing fines ra-

ther than punishments.

The Assad regime also collects customs taxes, and there has been anecdotal evidence from drivers that soldiers at checkpoints have been known to demand bribes.

Transporting goods has become more and more difficult for truck drivers. Last year Kurdish and Arab fighters began an offensive against ISIS in eastern Syria, cutting off the main trade highway. As a result, drivers must now take back roads, some of them unpaved and subject to mud in the rainy winter months, miring down trucks for days.

In December, ISIS sent three suicide-bomb trucks disguised as shipments of sugar and produce into the Kurdish town of Tal Tamir, 35 miles east of Al-Mabrokeh, to target Kurdish militia bases. Simultaneous explosions killed 28 people. Now trucks crossing into Kurdish territory from Islamic State territory are held out of town, inspected, and forced to wait until nightfall to deliver in order to prevent a large-scale attack on crowds of people.

Despite the risk of potential attacks originating from faux deliveries, banning trucks is simply not an option. Commerce must continue between the warring groups, because in its own symbiotic way it is essential for the benefit of all.

And despite the dangers to truck drivers and the high cost of business, the truck drivers will keep on doing what they do. They need the work. As one truck driver who recently lost a friend to an airstrike at a checkpoint said, "We pay what they want and continue on our way. And just hope we get on our way peacefully and arrive safely."



PHOTO: Raja Abdulrahim

SOURCE: *Wall Street Journal*—5/24/16.



SMALL PLATES

PANAMA CANAL EXPANSION

The nine-year, \$5.4 billion Panama Canal expansion project, which more than doubles the canal's cargo capacity and allows the canal to accommodate Post Panamax ships holding 14,000 containers, is finally completed.

It is expected to shift about 10% of the Asia to US trade from West Coast to East Coast ports by 2020. It also makes the Panama Canal more competitive with the Suez Canal, shortening the trip from Asia to US East Coast ports by about five days and eliminating the need for a trip around Cape Horn to reach the Atlantic. In a responsive move aimed at competing more effectively, the Suez Canal recently cut its tolls by up to 65% for certain trades, including Asia to the US East Coast.

Meanwhile, thousands of miles away from Panama, East Coast ports are preparing to accommodate the larger ships. Some—Baltimore, Miami, and Norfolk, VA—are ready, but others aren't, although billions of dollars have already been poured into expansion and infrastructure projects up and down the East Coast.

Some less highly-developed areas have seen a construction boom in warehouses, industrial parks, and hotels and restaurants in anticipation of attracting manufacturing businesses, their suppliers, their suppliers' suppliers, and ultimately just more people.

For many East Coast ports and the surrounding communities there is still a lot to do. Unfortunately there is no guarantee that the price tag will pay off in the end.

SOURCE: Wall St Journal articles—6/20/16 & 6/23/16.

AND AWAY WE GO

It's July and SOLAS is here.

June saw a flurry of last-minute reports, instructions, and questions as the container industry, terminals, and shippers struggled to prepare to comply with the new regulations. Global insurer TT Club, in conjunction with the World Shipping Council, the International Cargo Handling Coordination Association, and the Global Shipper' Forum, released a [supplementary document](#) which addresses FAQ's about compliance.

The TT Club said in a statement that the container industry has come together well in preparing for the VGM rule, but was less impressed by the maritime agencies expected by the IMO to enforce the rules, calling them surprisingly reticent. About 80% of SOLAS signatory states have yet to publish any guidance on national implementation.

Early reports from India and major European ports, such as Rotterdam, Antwerp, Hamburg, and the UK's Felixstowe, indicate that there has been no disruption to service and that delays have been minimal. Days before implementation, the NY-NJ Ports Authority said that they do not expect any disruptions or delays either.

All in all, it has been the cooperation and collaboration between all shipping stakeholders that seems to be making a difference in the successful roll-out of SOLAS, with very little help from the various nations' governments.

SOURCE: Journal of Commerce—ongoing coverage; TT Club press release and FAQ document.

IF YOU BREXIT YOU BOUGHT IT

Amid the exultation of the Brits who voted to exit the EU, the regret of many who also cast their vote to exit, and the dismay and disbelief of those who wished to remain, came the certainty that the passage of Brexit would have a swift and severe effect in Britain and a ripple effect throughout the world, including in the US.

Stocks throughout the world plummeted in the aftermath, although gains posted the following week mitigated the losses. The US economy should be able to avoid a direct hit, although some economists expect growth to slow by ½ to 1 percentage point.

The same righting of the ship may not be true for Europe, though, and it certainly isn't true for Britain, who saw the pound sterling crash immediately to a 30-year low and their credit rating lowered, which will make it harder for them to borrow.

British freight forwarders say it's too soon to speculate on the impact on the UK's trade procedures. The government must set up a Free Trade Commission to begin the work of establishing new trade deals, but for now the UK is still a member of the EU, so it is precipitate to try to discern what the terrain will look like in a year or two.

Across the pond, US exporters are starting

to get a little nervous. A stronger U.S. dollar may be great for travel and for imports, but the strength of the dollar will make our goods less affordable for European trading partners, particularly the UK. This could have an impact on truck freight if there are fewer goods moving to US ports.

Complicating matters is the unknown fallout—the possibility of a "Frexit", or other EU countries deciding to leave the EU.

Almost everyone has an opinion about whether the UK should have left or remained, but no one quite knows what's next.

SOURCE: Various news outlets general info.

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TRIVIA

1. On July 6 the world celebrates what special (but somewhat obscure) event?
2. Which of these nations celebrates its birthday in July—Australia, India, Canada, or Fiji?
3. Since the inception of the modern Olympic Games in 1896, which country has garnered the most overall medals? Which country has the least?
4. You may have heard of a pride of lions or a gaggle of geese; what is a group of bears called—a sleuth, a clan, a peck, or a skulk?

[Click here for answers to Trivia questions.](#)