

# Transportation challenges for South East Asia: Between the the Dragon and the Elephant



**3<sup>rd</sup> Annual Thai Ports and Shipping Conference**

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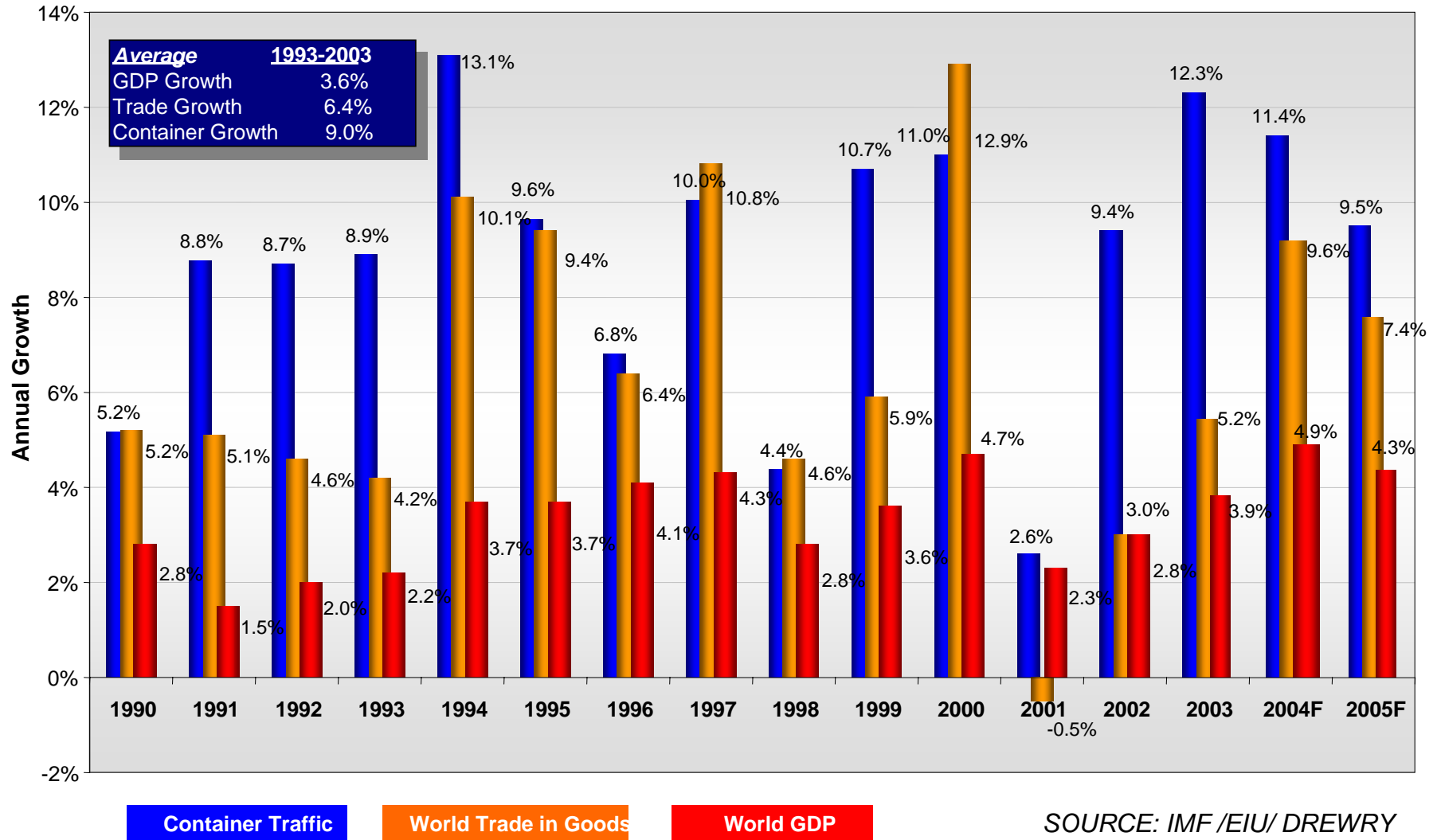
# Today's presentation



- Global drivers of trade
- Regional trends in trade
- The Dragon and Elephant
- Impacts on transportation



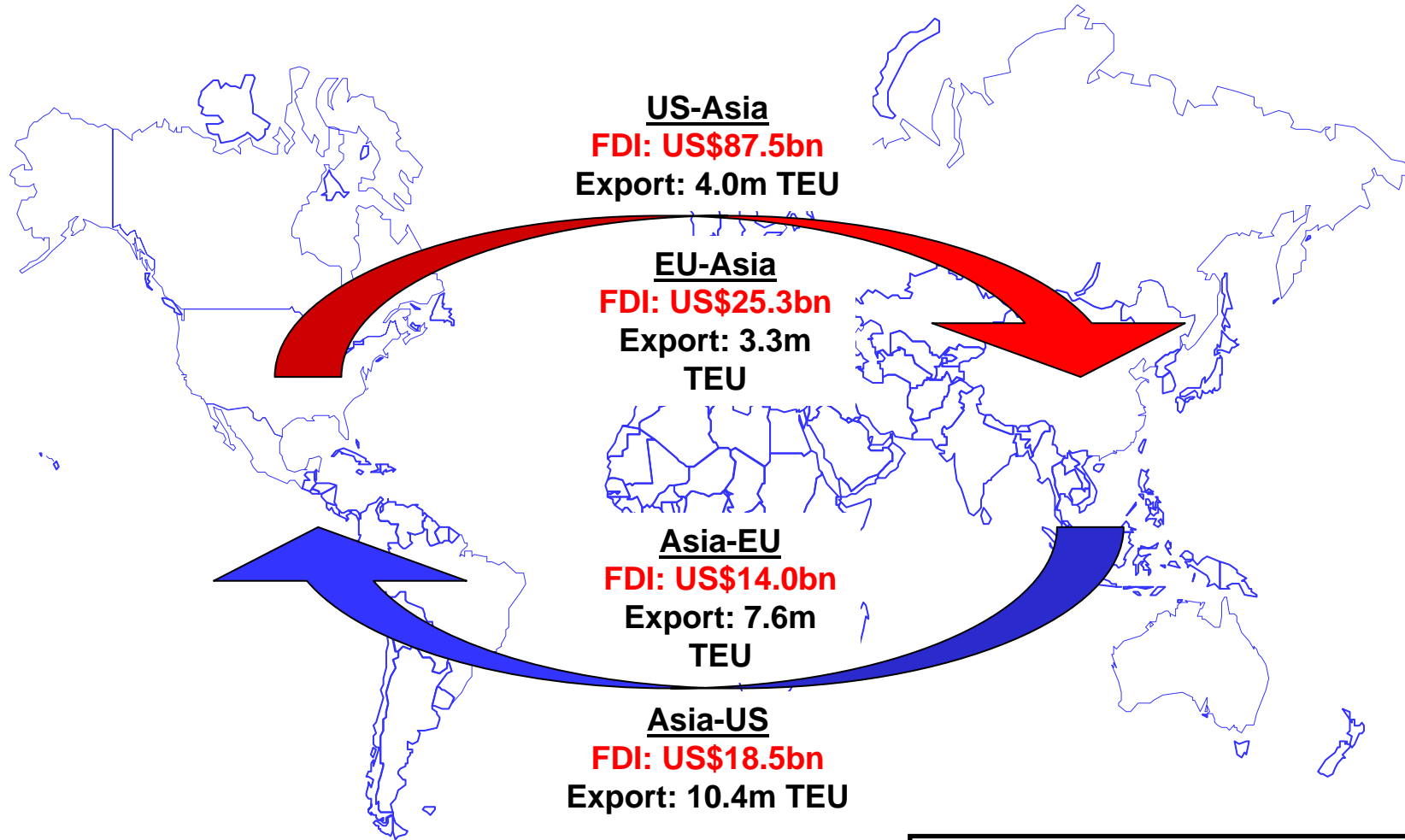
# Global drivers



SOURCE: IMF /EIU/ DREWRY

# Asia/global interdependence

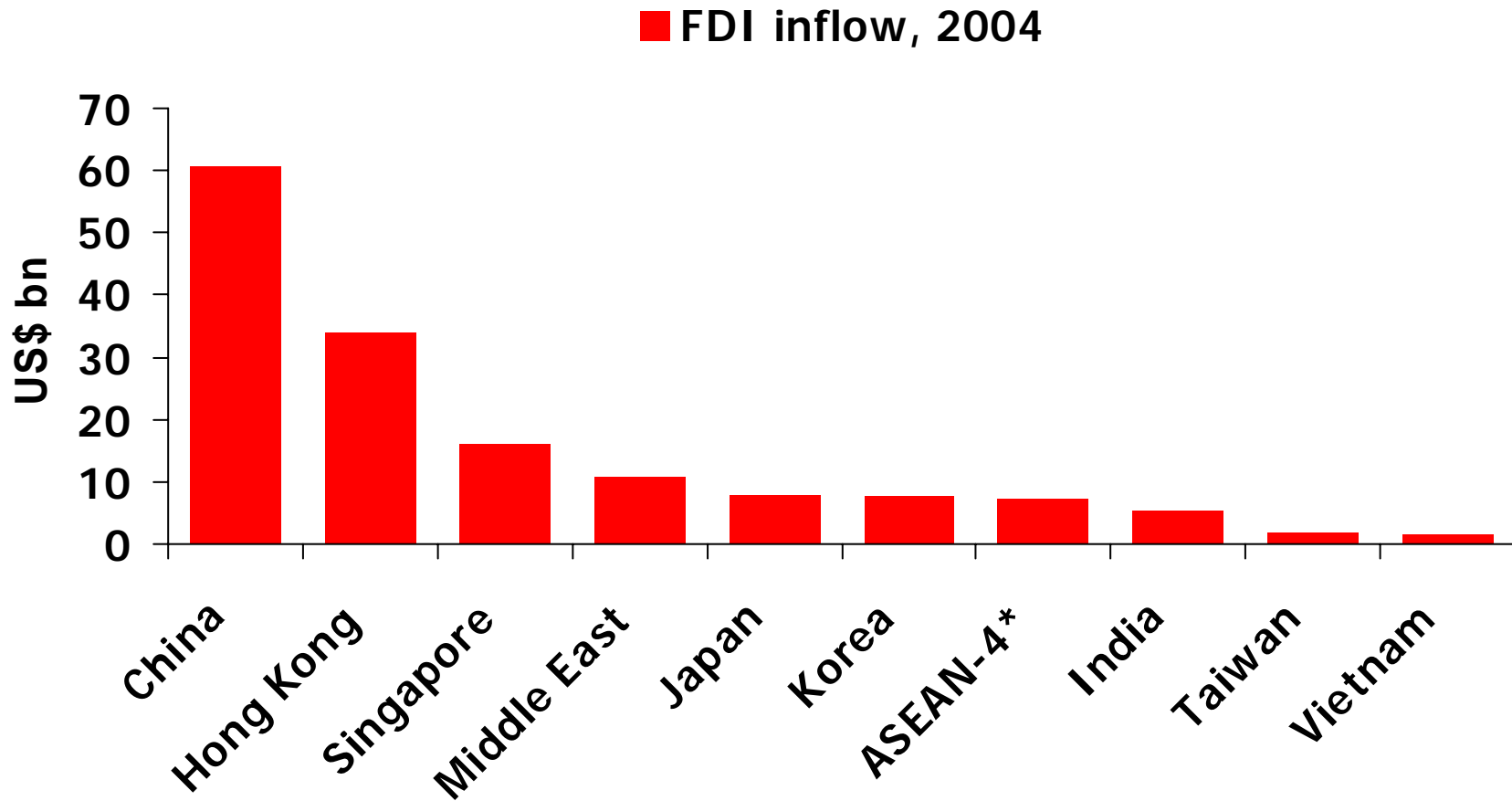
Between dragon and elephant



Data Source: CEIC, US Government Export Portal, European Newswire, Global Insight

2004 FDI estimates  
and Export Figures

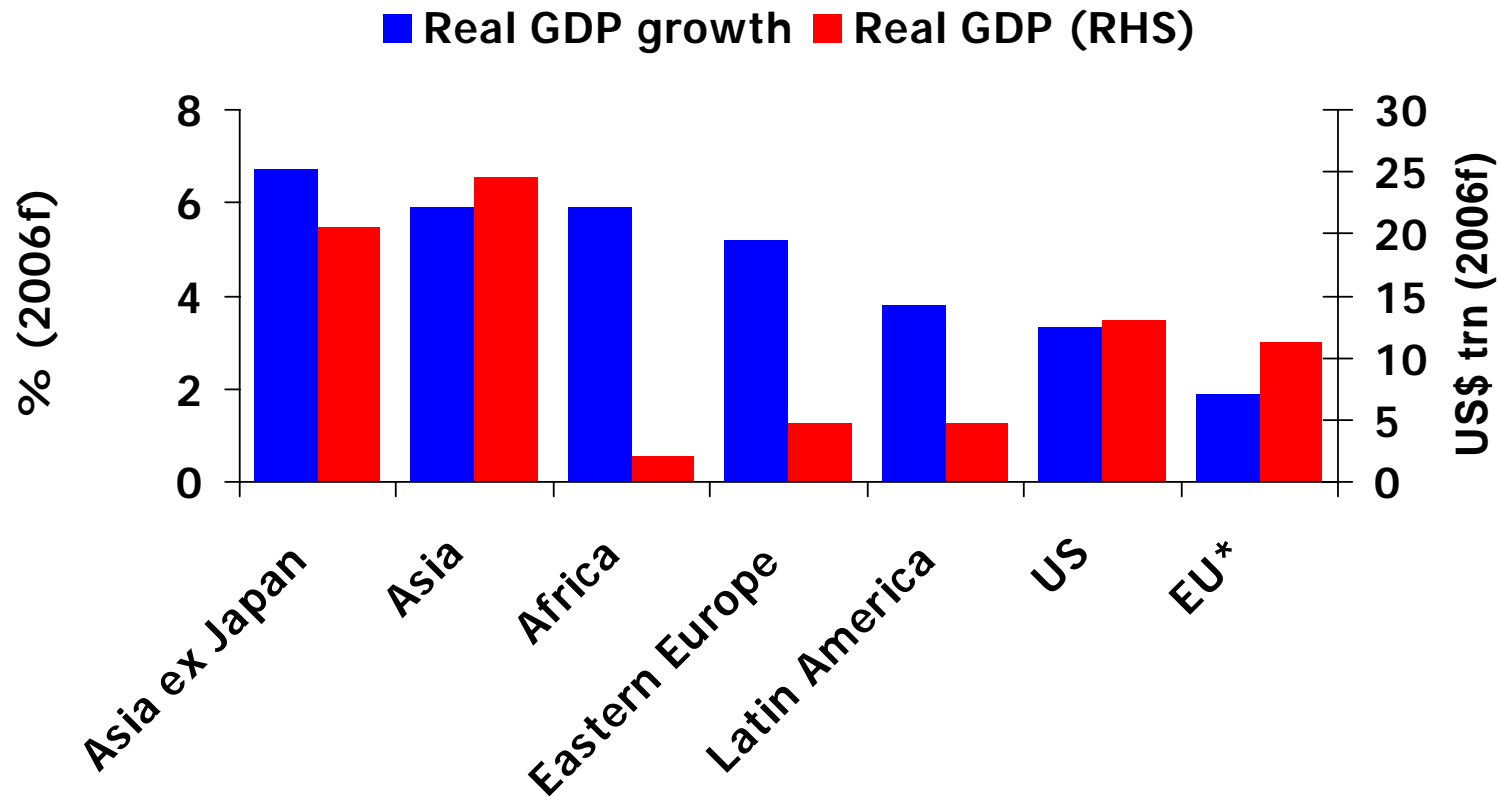
# FDI will drive Asian exports



Source: UNCTAD

\* ASEAN-4 refers to Indonesia, Malaysia, Philippines and Thailand

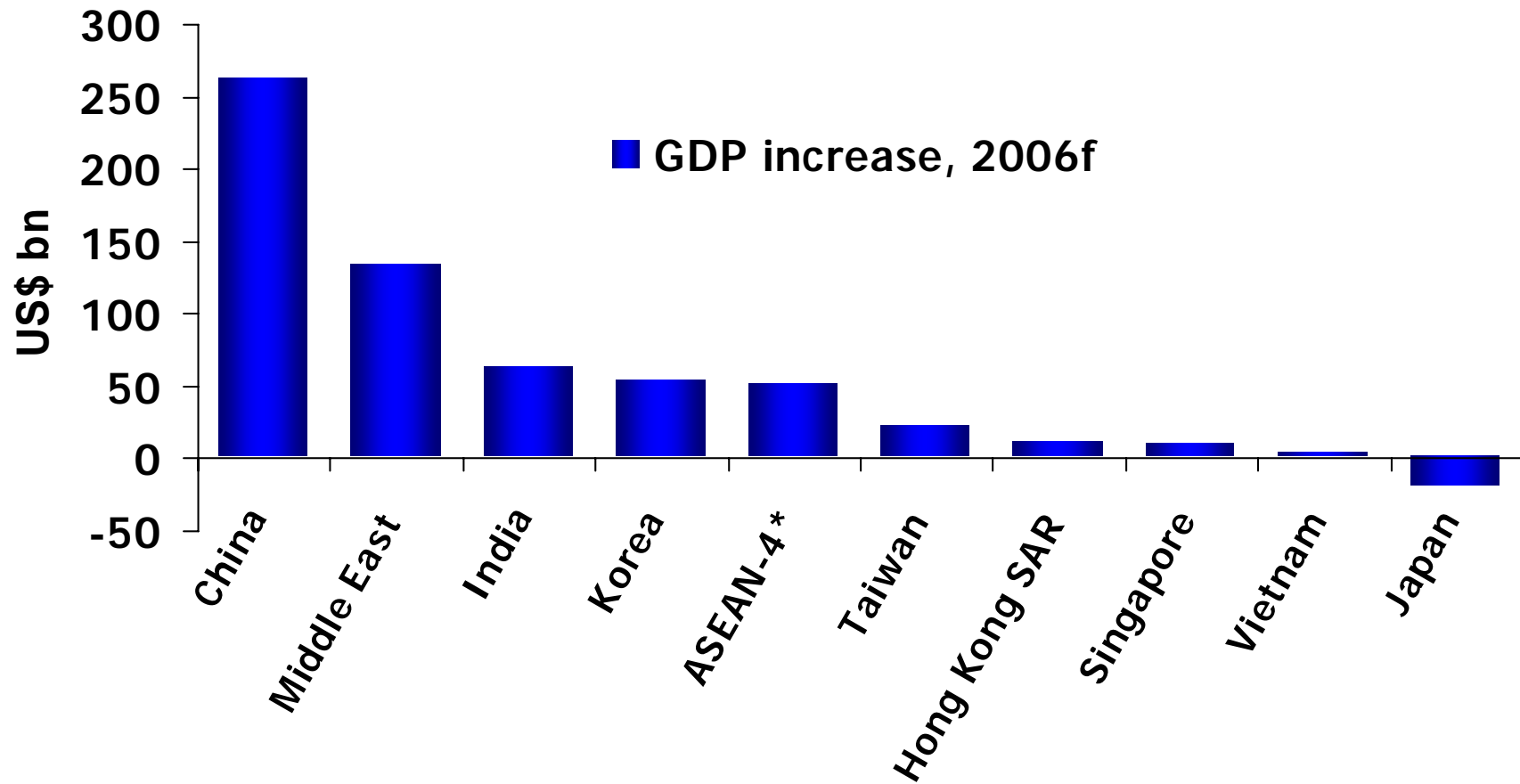
# Asia region to grow fastest



Source: IMF

\* EU refers to Euro Area and UK

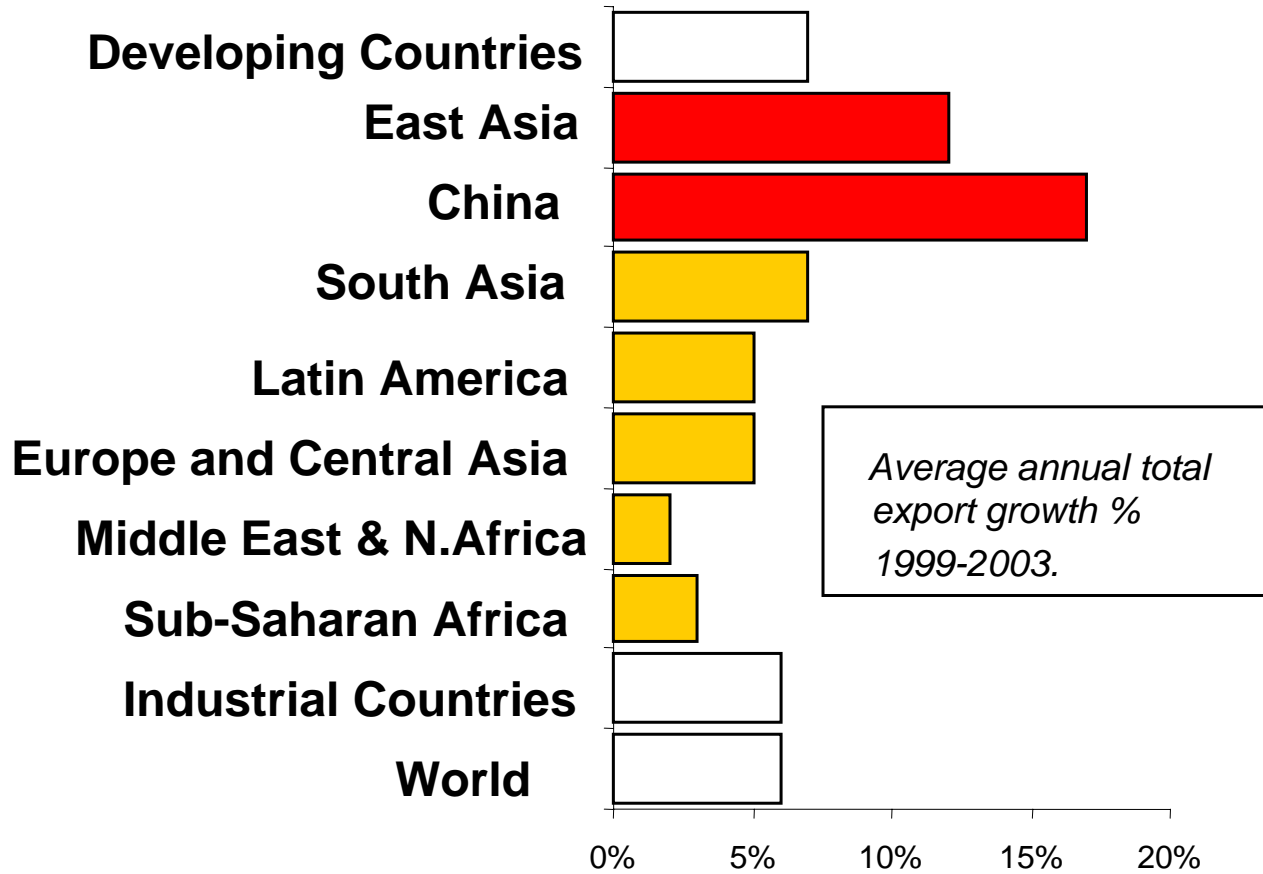
# China, M.E., India lead growth



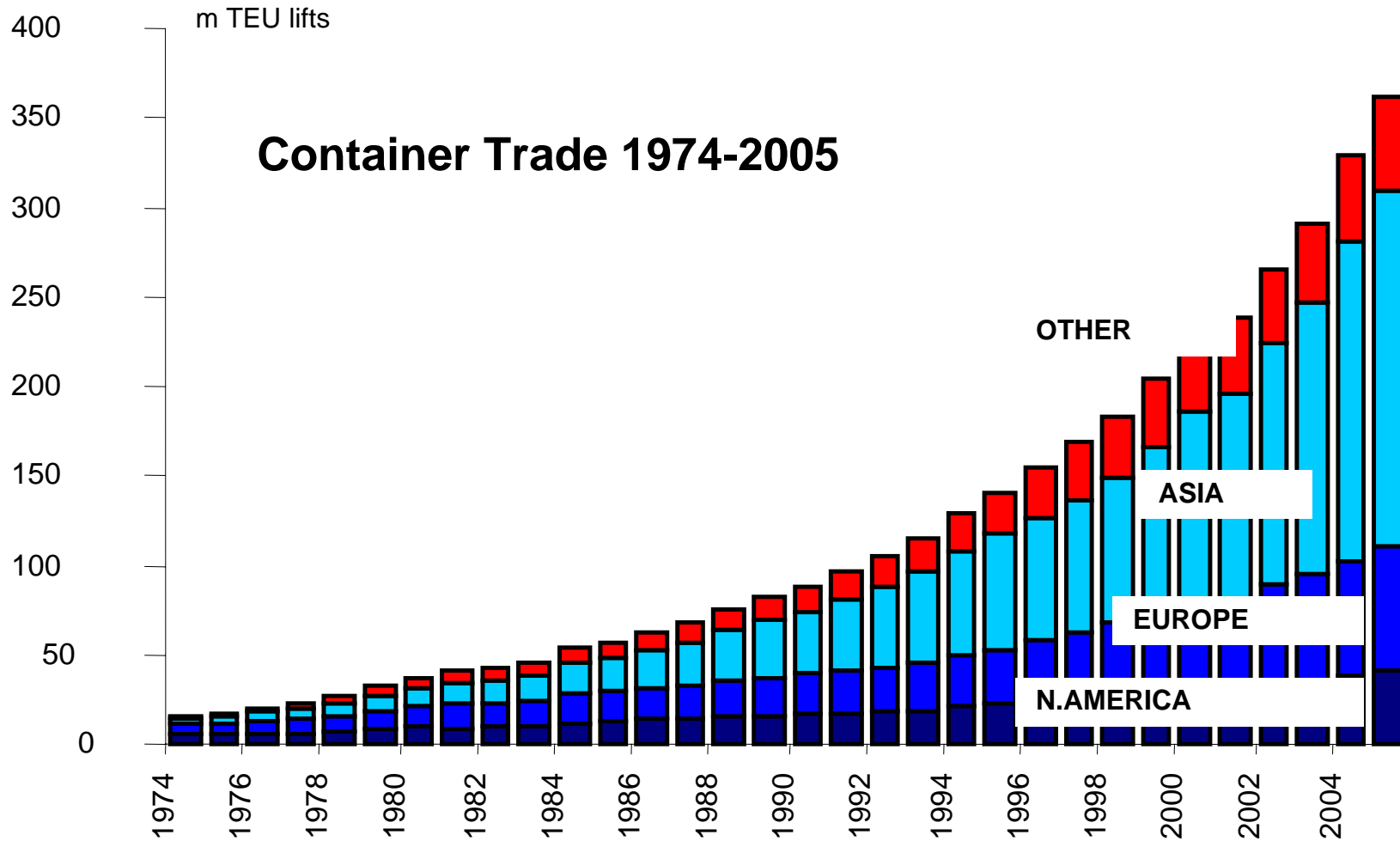
Source: IMF

\* ASEAN-4 refers to Indonesia, Malaysia, Philippines and Thailand

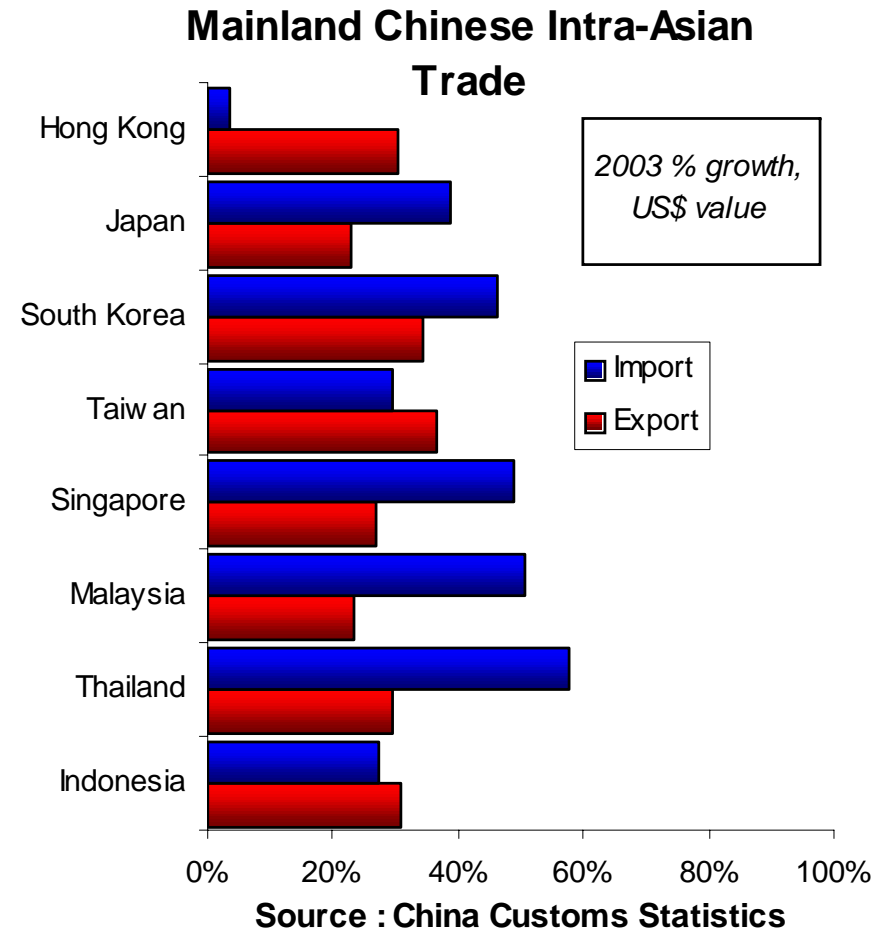
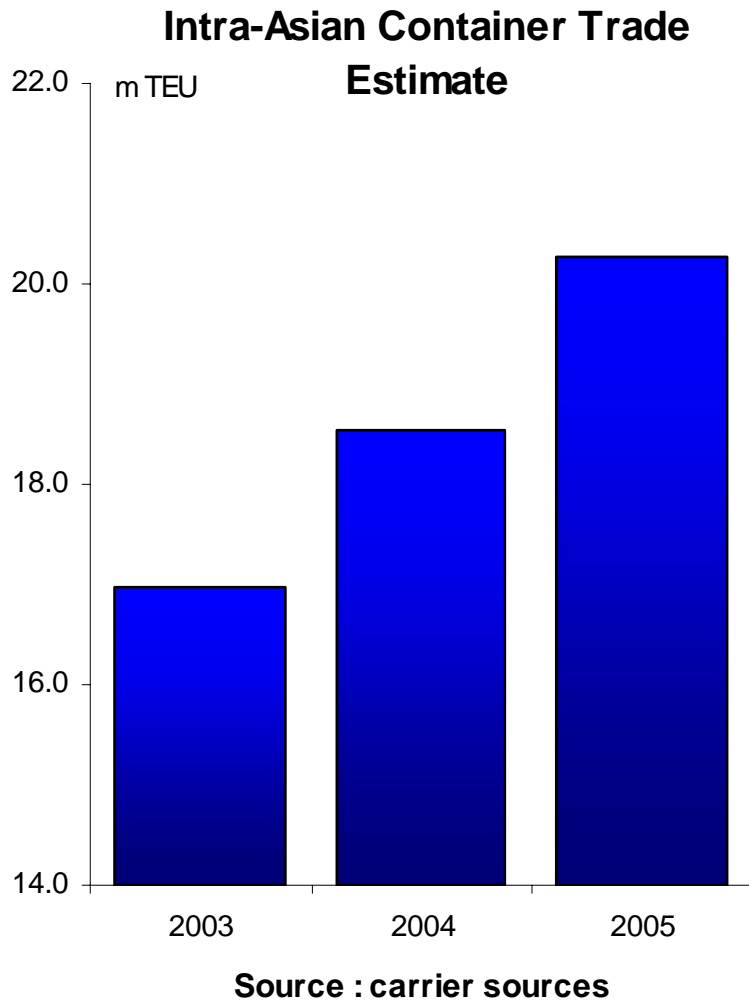
# Export growth by region



# Container trade growth



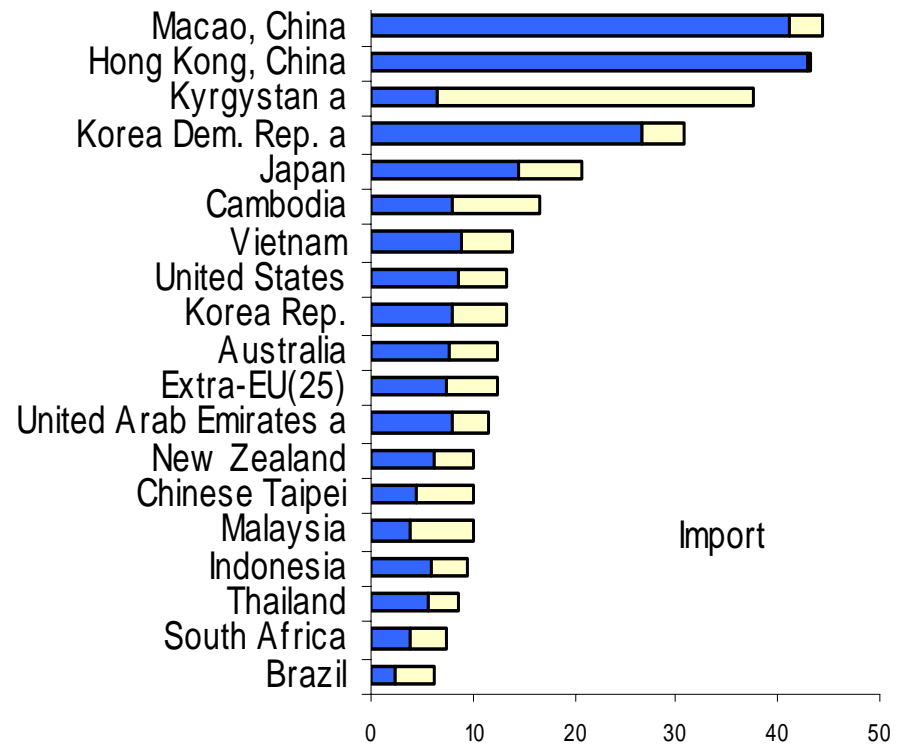
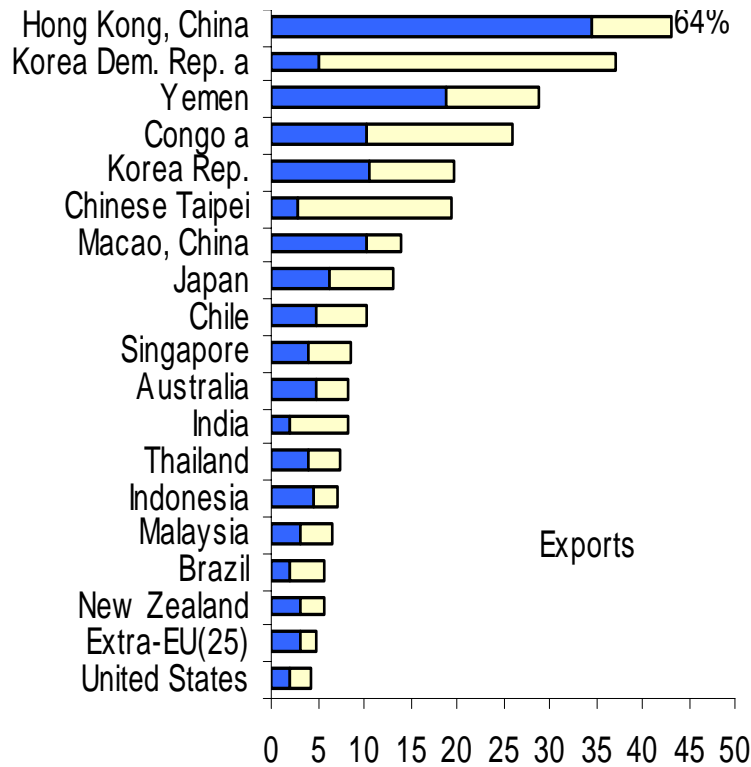
# Intra-Asia Trade



# China's share of imports/exports



*Between dragon and elephant*



2000 2004

# FTAs within Asia

*Between dragon and elephant*

## In Force

### *Regional*

- ASEAN Free Trade Agreement
- South Asia Free Trade Agreement (SAFTA)

### *Bilateral*

- China-Hong Kong
- India – Sri Lanka
- China-Macao
- Singapore-Australia
- Singapore-Japan
- Singapore- Korea
- Singapore-New Zealand
- Singapore-India
- China-Thailand (Agri. produce)

## Under Negotiation/ Coming into Force

### *Regional*

- ASEAN-China
- ASEAN-Other Asia countries (e.g. Korea, Singapore, India, Aus, NZ)

### *Bilateral*

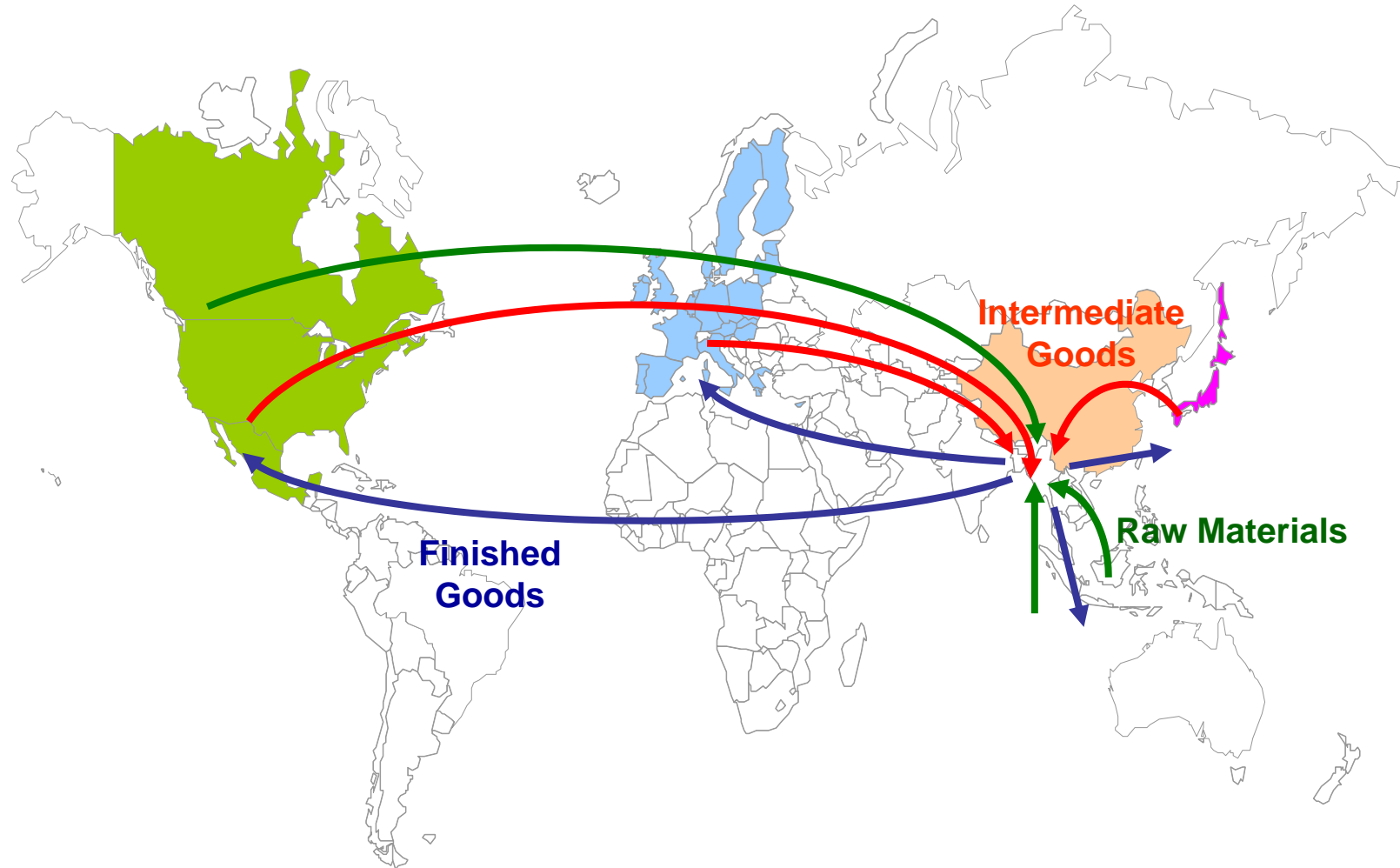
- Hong Kong-New Zealand
- Korea-Japan
- Laos-Thailand
- Singapore-Sri Lanka
- Thailand-Australia
- Thailand-India
- Thailand-Japan
- Thailand-New Zealand
- China – New Zealand
- Australia – China
- Japan –Indonesia + Philippines

# ASEAN-China FTA



- Commitment to establish an ASEAN-China Free Trade Area (ACFTA)
- Import tariffs to be eliminated for:
  - o Agricultural produce: 0% tariff by 2005 for ASEAN 6 and by 2009 for the newer ASEAN member states
  - o Other goods: 0% tariff by 2010 for ASEAN 6 and by 2015 for the newer ASEAN member states

# Key producers and consumers

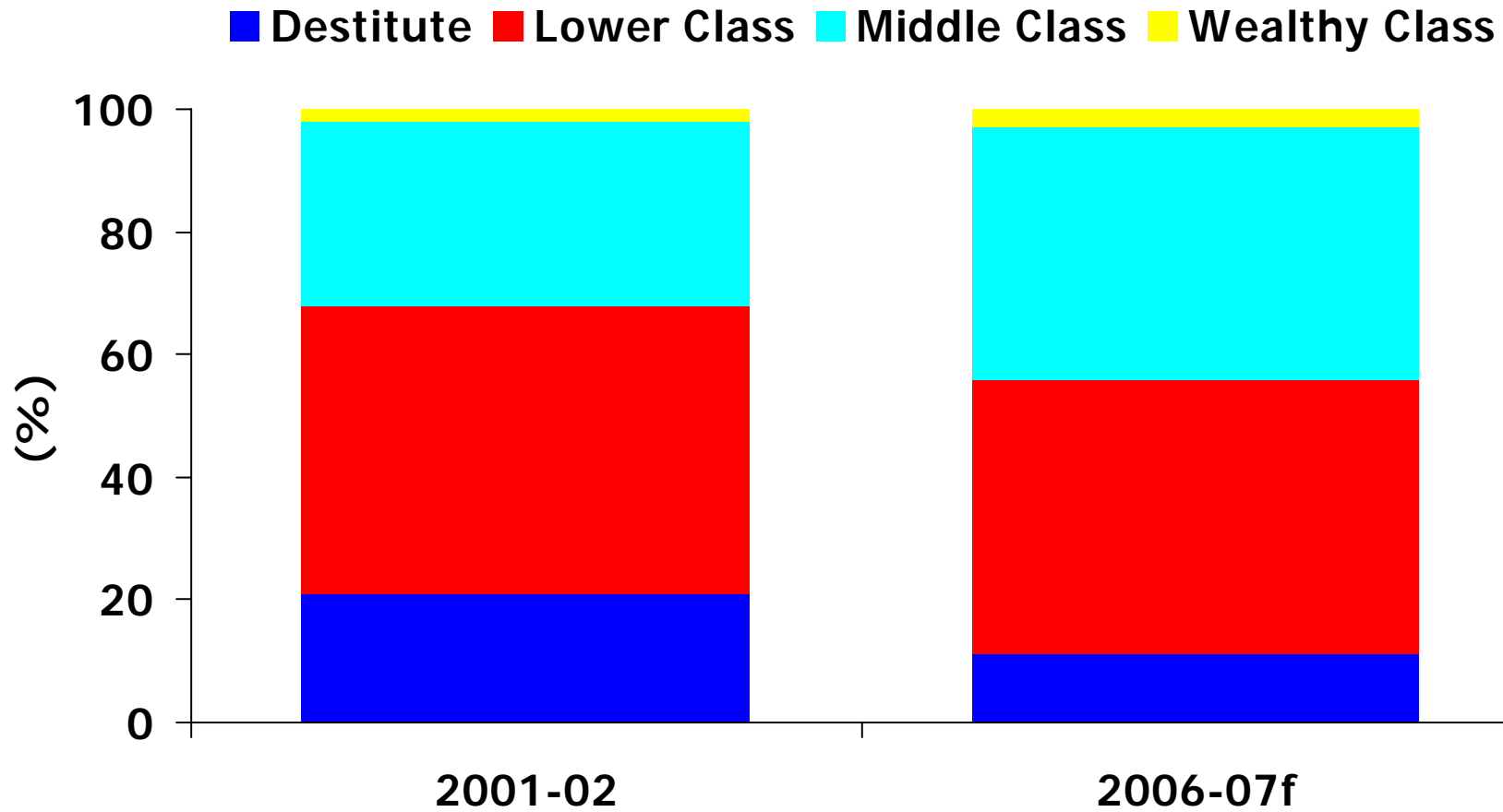


# Rise of Asian consumption



- Growing demand from domestic Asian markets – (China first, followed by India) will balance slowing demand from the West.
- China starting to import high end goods
- CSFB estimates that by 2014, China will be the world's 2nd largest consumer market after the USA.

# India's middle class on the rise

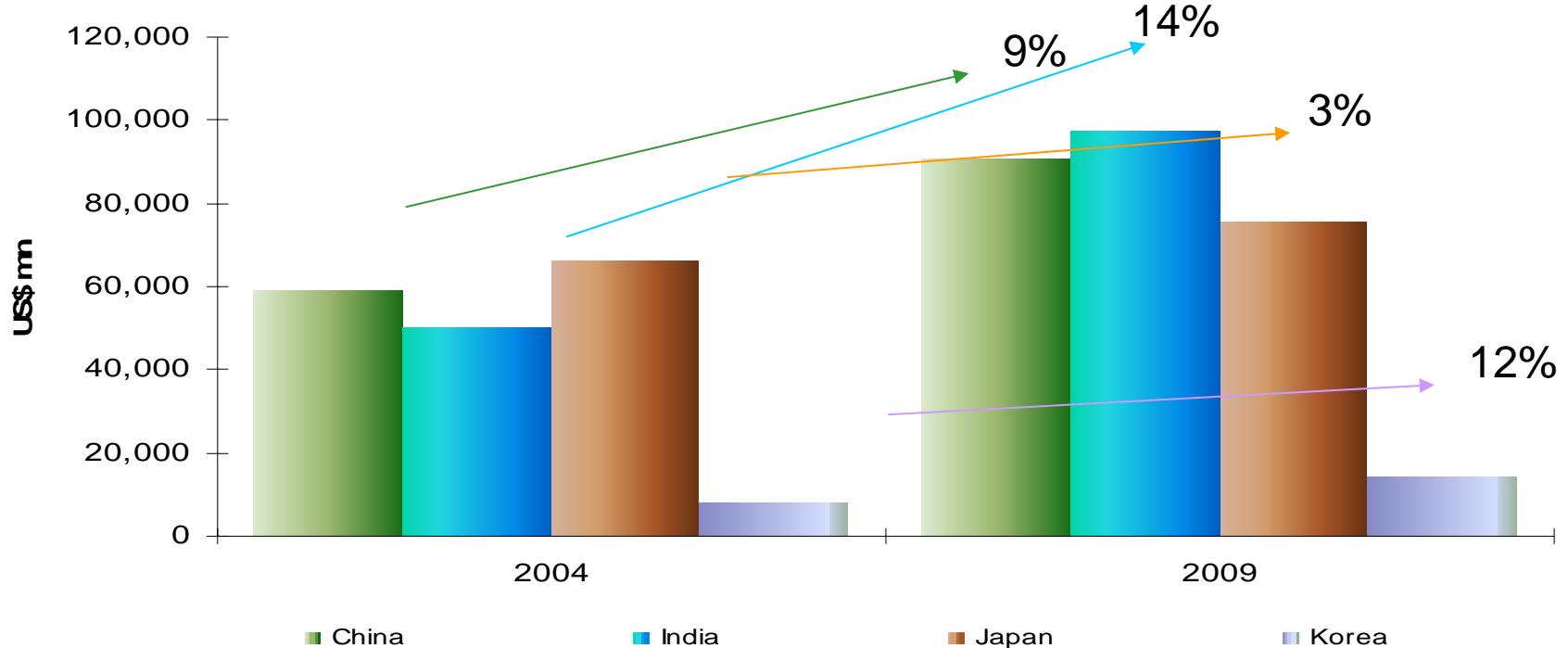


# Growth of Asian apparel market



## Asia Apparel Sales (US\$ million)

CAGR of Asia 2004-2009  
forecast to be 8.3%



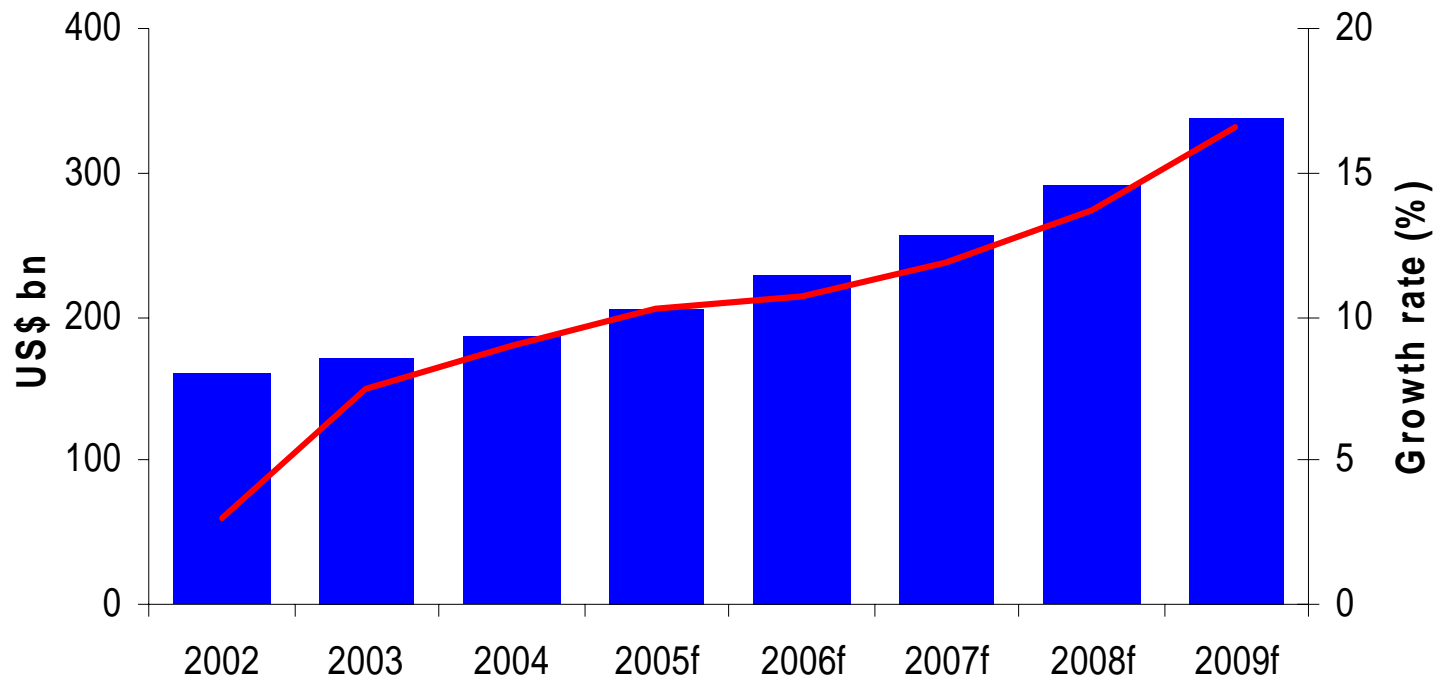
Source: EIU

Note: % are CAGR numbers

# Impact on regional transport



Asia logistics market Value Forecast: US\$ billion

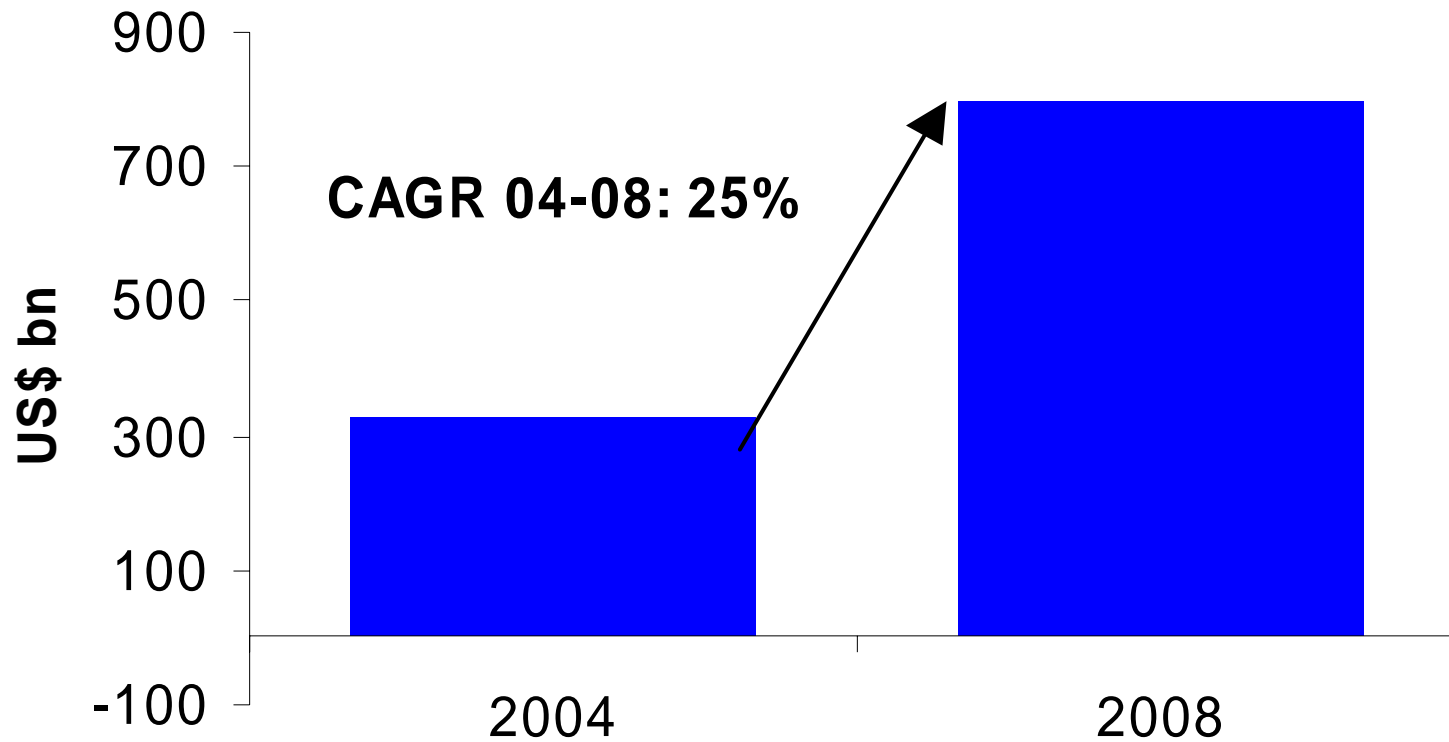


Source: Datamonitor

# China transport market to double



### China Transport and Logistics Market Size and Potential

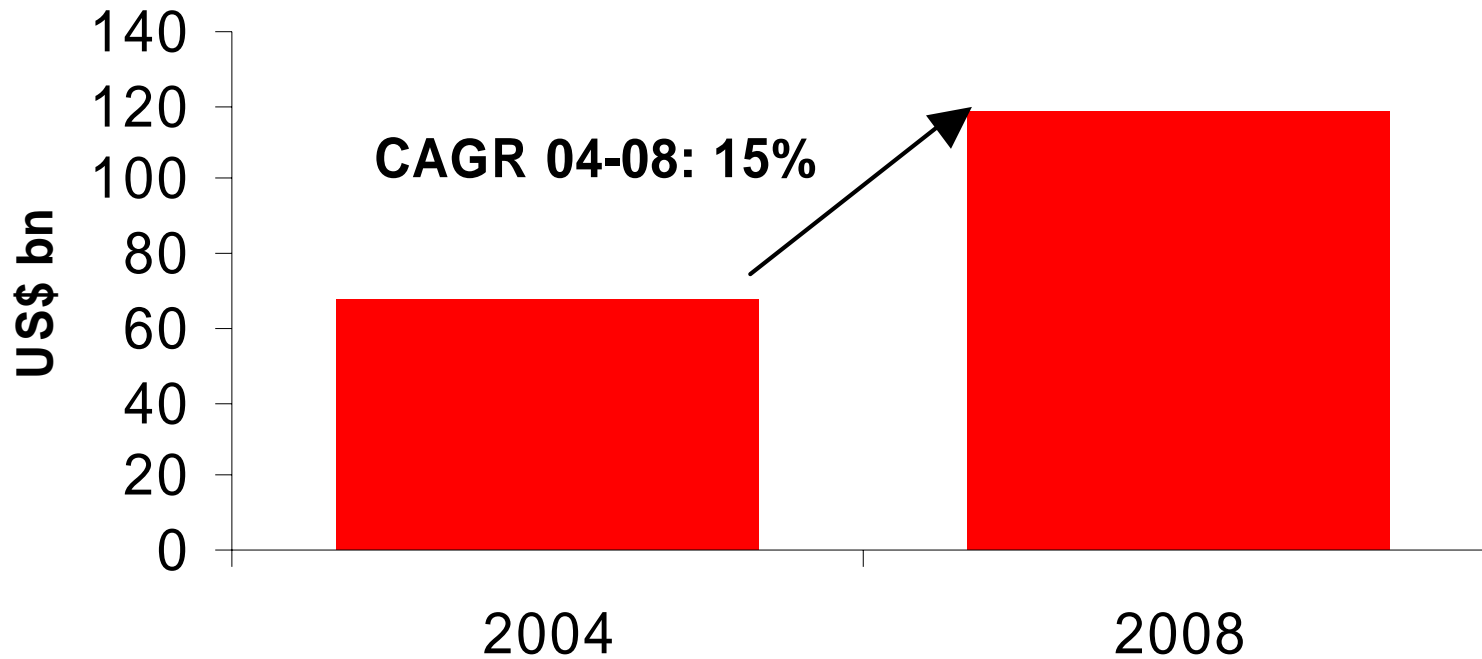


Source: Transport Intelligence

# India – the elephant steps up



**India Transport & Logistics Market Size and Potential**



Source: Transport Intelligence

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# Key trades in Asia/M.E. region



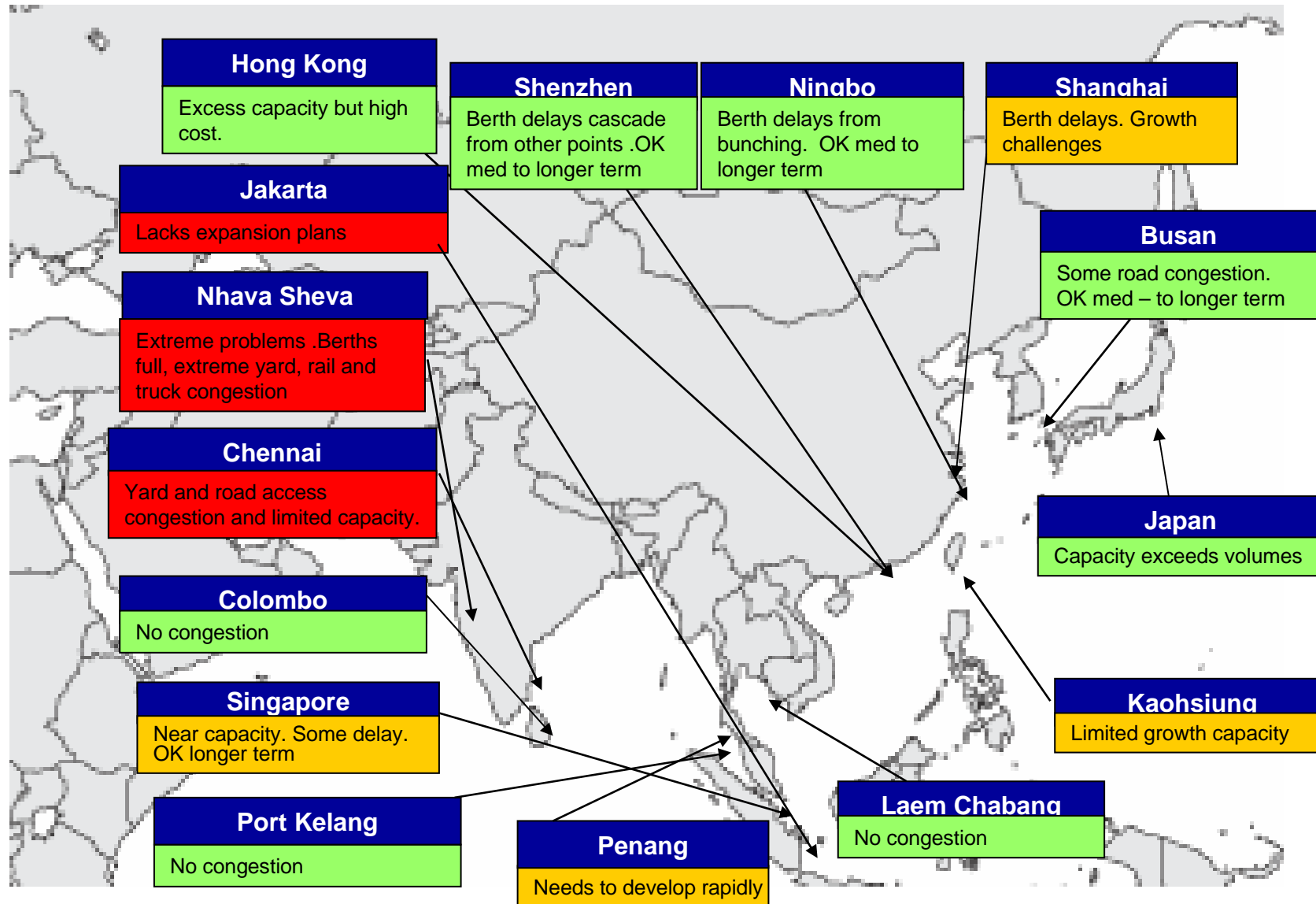
# Short-haul challenges



- Many shorthaul routes – very competitive market segments, fragmented customer and carrier base
- Traditional overcapacity on Intra-Asia routes
  - Low entry costs for new operators
  - Cascading of tonnage from main East/West trades
  - Allocation of line-haul slots on Intra-Asia (
- Supply-demand imbalance creates pressure on freight rates
- Carriers chasing volume to support revenues
- Significant increase in size of vessels

# Ports infrastructural challenges

*Between dragon and elephant*



# Acknowledging the risks

- Mutual dependence
- Political instability
- Oil and energy costs
- New protectionism (eg China Apparel)
- Extreme events – terrorism/SARS/bird flu pandemic

# Conclusion

- Fears not realised
- Synergies from proximity
- A fascinating future



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