Every Silver Lining Has a Cloud

China Will Be Global Trade Linchpin for Forseeable Future... page 12

Project Cargo Again Dominates Seaway Traffic... Page 9
EVERY SILVER LINING HAS A CLOUD

The Economist Staff

UNTIL this week, the world had not seen a big multilateral trade pact for over 20 years. The deal that has broken the drought—the Trans-Pacific Partnership (TPP), which comprises 12 countries in Asia and the Americas, including the United States and Japan—is welcome. But those who believe in free trade, and the benefits it brings, ought not to miss the bigger picture. The backdrop to this week’s deal is a bleak one.

First, the pact itself. It has flaws—what compromise doesn’t?—but the advantages are greater (see article). The negotiators who brokered the agreement in Atlanta did not just lower tariffs in coddled sectors such as agriculture, but also drew up shared rules on everything from visas for business travellers to competition policy. The deal limits veiled forms of protectionism, such as special treatment of state-owned firms and arbitrary import bans after safety scares. The benefits of such steps are hard to quantify, especially as the fine print of the deal has not yet been released, but the most comprehensive assessment thus far reckons they could boost the GDP of its members by 1% by 2025. The impact on emerging-market signatories to the deal is likely to be by far the biggest.

AWAY FROM THE BRIGHT SPOT

Viewed from a different angle, however, the tale of TPP tells a different story. First, there is the fact that the agreement has been so hard to sell in America. It took months, and several legislative setbacks, before Barack Obama won the authority to fast-track a congressional vote on TPP. The deal may still be voted down, in America or elsewhere. Those who would succeed Mr Obama as president know that TPP holds few votes. This week Hillary Clinton, the Democratic front-runner and once a promoter of TPP, came out against it. The beneficiaries of TPP—consumers, as well as exporters—are numerous, but their potential gains diffuse. By contrast, inefficient firms and farms, about to be exposed to greater foreign competition, are obvious and vocal. Canada, for example, limited the threat to its dairy farmers and doled out a big new subsidy. The saga is a reminder of how hard free trade is to champion.

Second, the TPP deal underscores the shift away from global agreements. The World Trade Organisation, which is responsible for global deals, has been trying, and largely failing, to negotiate one since 2001. Reaching agreement among its 161 members, especially now that average tariffs around the world are relatively low and talks are focused on more contentious obstacles to trade, has proved almost impossible. Regional deals are the next best thing, but, by definition, they exclude some countries, and so may steer custom away from the most efficient producer. In the case of TPP, the glaring outcast is China, the linchpin of most global supply chains.

Third, good news on TPP stands in contrast to bad news elsewhere. Cross-border trade today is as much about the exchange of data as it is the flow of goods and services: this week saw the annulment by a European court of a deal that had enabled American firms to transfer customer data across the Atlantic (see article). Conventional trade faces even stronger headwinds. The volume of goods shipped in the first half of this year was just 1.9% higher than in the same period of 2014, far below its long-term average growth of 5%. This reflects not only China’s soggy demand for imports—a threat to the developing economies that supply it—but also the accumulation of minor measures that silt up global trade.

Deals like TPP are the most effective way to reverse this sorry trend, by reducing tariffs and other obstacles to trade. Optimists hope it can now be expanded, to include China and others. Sadly, experience suggests that will be hard.
DONALD TRUMP, an American presidential candidate, denounced it as “a terrible deal”. Another, Hillary Clinton, does not think it meets “the high bar” that should be applied to trade pacts. Yet proponents of the Trans-Pacific Partnership (TPP), which encompasses 12 countries in Asia and the Americas, including America and Japan, herald it as the biggest multilateral trade deal in 20 years, which will “define the rules of the road” for international commerce. Which is it?

TPP will apply to 40% of the world’s economy. For American exporters alone, 18,000 individual tariffs will be reduced to zero. Much the same will be true for firms in the other 11 members. Even agricultural barriers, usually among the most heavily defended, will start to come down. Foreigners will gain a toehold in Canada’s dairy sector and a bigger share of Japan’s beef market, for example. Some of these reductions will be phased in lamentably slowly, however: American tariffs on Japanese lorries will last another 30 years.

Tariffs in the region were not that high to begin with, though. More important is TPP’s effort to free trade in services. These are not usually subject to the same impediments as, say, agricultural or automotive imports; instead they get tangled up in beyond-the-border rules, such as customs, visas and licensing. TPP promises greater access to markets for more service providers, which over time should provide a boost to productivity.

In spite of scaremongering on the left, the deal does not obviously exalt the interests of big business over those of lowly consumers. For instance, under pressure from Australia, Chile and Peru, America shelved its demand that certain drugs be protected from generic competition for at least 12 years, settling for five instead. In the same vein, TPP’s dispute-settlement mechanism explicitly bars tobacco firms from claiming compensation for public-health rules that harm their business.

To mollify unions and other likely opponents in richer countries, several of TPP’s 30 chapters are devoted to protections for workers and environmental safeguards. There are clauses that attempt to slow deforestation and overfishing. All parties will also be compelled to follow the International Labour Organisation’s basic principles on workers’ rights. They will be required to set a minimum wage and regulate working hours. Vietnam will have to allow unions independent of the Communist Party. Such commitments will be enforceable under the treaty’s dispute-settlement mechanism.

TPP also attempts to limit the extent to which governments can favour state-owned enterprises. Although there are lots of exceptions, this is quite a concession for the likes of Malaysia and Vietnam. According to Matthew Goodman of the Centre for Strategic and International Studies, a think-tank, “The White House feels this is a big one. It validates their definition of TPP as a 21st-century agreement.”

Since the fine print of the deal has not yet been published, and since tariff reductions form so small a part of its measures, it is very difficult to estimate how big a boost TPP will provide its members. The Peterson Institute for International Economics, another think-tank, estimated that it would boost the world economy by $223 billion by 2025. The greatest impact will be felt not in America, but in the less developed members. The study estimates that Vietnamese GDP could rise by as much as an additional 10% over the same period.

In the long run, TPP’s impact will depend on whether or not its membership expands, as it in theory might once the deal is up and running. South Korea, not one of the original 12, is pressing for swift accession. The crucial question is China. Many think America only pushed TPP forward in order to bolster its influence in Asia and counter China’s. But TPP’s economic significance will be severely curtailed if it does not include the country that lies at the heart of almost all Asia’s supply chains. China may now step up its push for a broader regional free-trade deal, built in part on TPP, says Jeffrey Schott, a former American trade negotiator.

Until TPP is ratified by its 12 original members, such talk is premature. This process should be straightforward in places like Japan and Singapore, where the ruling parties have commanding majorities. But Canada faces a knife-edge election on 19th October. One of the three main parties is campaigning against the agreement, arguing that it will kill farm jobs.
Why countries are so keen to agree new trade deals
The biggest row will be in America, where Congress has 90 days to review the deal before putting it to an up-or-down vote, with no amendments. This “fast-track” procedure was narrowly approved earlier this year, despite opposition on both left and right. But Republicans like Mr Trump are already complaining that the deal grants too many concessions to America’s commercial adversaries. Democrats like Mrs Clinton, meanwhile, say they are worried it will cost America jobs. Republicans, traditionally advocates of free trade, have a majority in both houses of Congress. But trade deals are often unpopular with voters. It does not help that the presidential campaign will be in full swing when Congress votes, or that the deal is seen as part of the legacy of Barack Obama, a toxic figure for Republicans.

Any foot-dragging would be foolish. The slowing of the Chinese economy and a tepid global recovery from the financial crisis have led to a long-term slowdown in world trade. The value of goods shipped around the globe has been shrinking on and off since early 2009. In the first half of the year it slumped by 13% in dollar terms compared to the same period in 2014. In terms of volume, trade is still growing, but by a fraction of the rates that prevailed before the financial crisis.

The problem is not just cyclical: the ever-broader range of goods manufactured within China, among other structural changes, seems to have slowed trade growth permanently. This is worrying because trade remains the most reliable way for poor countries to become richer. TPP would undoubtedly help spur it.

---

**AIR CARGO IS IN CRISIS - ITS BUSINESS MODEL NEEDS RADICAL RE-THINK, SAYS ESC ADVISER**

Alex Lennane  

The air cargo industry needs fundamental change in its business model if it wants to remain relevant to its customers, according to Joost van Doesburg, air freight policy advisor for the European Shippers’ Council.

In a parting shot as he leaves the industry this month, Mr van Doesburg said the current business model was not sustainable and that the industry needed a radical re-think.

“When you look at the current situation – overcapacity, ocean freight becoming cheaper and cheaper and now rail between Asia and Europe, I can only conclude that air freight is in a structural crisis,” he told The Loadstar.

“And the industry is not focusing on innovation, but on the optimisation of existing systems. We need to change things more fundamentally.”

He argued that shippers effectively “take the airlines and freight forwarders hostage”.

“Yes, the customer is always right, but what they are doing is really simple – it’s a complete focus on price. But they will pay four times as much for a door-to-door integrator service.

“Shippers want the air cargo industry, but the only role they have is as a purchaser. I’d like to see airlines and forwarders helping to change the role of the shipper in this process.”

Mr van Doesburg claimed that the focus on price depressed quality and that greater tripartite discussions – and partnerships – could help transform traditional air cargo into a more seamless service which would compare with integrators. He also called for handlers to be included in any discussion.

“Freight forwarders divide their service into verticals. But this is created by the marketing department, not operations. Airlines and handlers don’t have the same vertical model – everything arrives the same way into the handler’s care, with the same treatment. So organising in verticals is pointless unless the handler and airline are involved too. Verticals should be created from consignment to consignee.”

Mr van Doesburg said one possible solution would be a true cargo partnership on certain key tradelanes for particular products whereby a forwarder, airline, airport/handler and trucking service partner offer a seamless delivery for a certain product – something that is on the verge of appearing for pharmaceuticals.

“Everyone needs to work together as a team, with tripartite agreements, for a perhaps a year, which would bring more stability to the industry.”
He also said that shippers were “not disciplined” with traditional air freight.

“It’s still common to book one shipment with three different airlines. It makes it difficult for carriers and also makes the service unpredictable.”

He urged the industry as a whole to work on a “complete new business model” for air cargo. “It should stop focusing on tomorrow, take a clean sheet of paper and think five to 10 years ahead.”

He suggested IATA should begin the process with a White Paper. “TIACA would be ideal, but it lacks financial power and it’s too small. IATA is the one with the money.”

“Otherwise, I don’t think air cargo will grow, and it will continue to lose volumes to the integrators and other modes.”

Dubai Customs has launched the Authorized Economic Operator (AEO), which contributes drastically to the establishing of strategic partnerships that ensure better security and facilitation of global supply chains via Mutual Recognition Agreements, as per the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework).

The move is in line with Dubai Customs’ vision to be “The leading customs administration in the world supporting legitimate trade.”

Dubai Customs Director H.E. Ahmed Mahboob Musabih, Dubai Customs Director stated, “The AEO program shall accommodate all parties concerned with the global supply chain such as ports, airports and customs clearance agencies as well as local companies working in the field of international trade; providing them with more facilitated customs procedures and the added value of a more secure supply chain.”

His Excellency Ahmed Mahboob also reaffirmed that the AEO program will provide an added value to the superior customs services and facilitations already being delivered, in the preparation of Expo 2020.

On this regard, H.E. Sultan Ahmed bin Sulayem, Chairman of DP World and Chairman of Ports, Customs and Free Zone Corporation, commented, “We are adopting continuous development as a core methodology in utilizing the best strategies and practices in advancing our services. We proceed from the vision of and directives of H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, in developing services that bring happiness to people.”

His Excellency also added, “The Authorized Economic Operator (AEO) will grant us a bundle benefits, including a higher predictability of the global supply chain, which aids in better planning and management of the chain logistics. It will also reduce physical and documentary controls, ultimately leading to the simplification of procedures and smooth trading.”

H.E. Ahmed Mahboob Musabih, Dubai Customs Director stated, “The AEO program shall accommodate all parties concerned with the global supply chain such of ports, airports and customs clearance agencies as well as local companies working in the field of international trade; providing them with more facilitated customs procedures and the added value of a more secure supply chain.”

His Excellency Ahmed Mahboob also reaffirmed that the AEO program will provide an added value to the superior customs services and facilitations already being delivered, in the preparation of Expo 2020.

He also added, “The implementation of this program will increase mutual recognition, build trust and scale ties with customs administrations and authorities in the region and the world, which is to be achieved via the Mutual Recognition Agreements (MRAs), as well as increasing voluntary compliance in global trade.”

In respect to the advantages of being recognized as an AEO for supply chain partners, Musabih elaborated that reliable and compliant partners will benefit from simplifications in the customs procedures and from facilitation with regard to customs controls relating to safety and security. Some of these facilitations include pre-arrival shipment clearance, joining MRAs, a preferential customs treatment and offering customs advice upon request. Such benefits require the
COURT ADVISER DEALS MAJOR BLOW TO EU-U.S. DATA SHARE DEAL

Julia Fioretti

A deal easing the transfer of data between the United States and the EU is invalid, an adviser to the European Union’s top court said on Wednesday, dealing a blow to a system used by Facebook, Google and thousands of other companies.

The Safe Harbour agreement did not do enough to protect EU citizen’s private information when it reached the United States and should have been suspended, Yves Bot, Advocate General at the European Court of Justice (ECJ), said.

While Bot’s opinions are not binding, they tend to be followed by the court’s judges, who are considering a complaint about the system in the wake of revelations from ex-National Security Agency contractor Edward Snowden of mass U.S. government surveillance.

In a trenchant legal opinion which will do little to heal frayed transatlantic relations following the spying leaks, Bot also said national data protection authorities could suspend data transfers to third countries if they felt EU citizens’ privacy was compromised.

That would cause a headache for U.S. companies operating in the EU as well as open up the risk of a patchwork of national approaches, lawyers said.

DATA DISRUPTION

Many companies, particularly tech companies, have hailed the 2000 Safe Harbour deal, saying it helps them get round cumbersome checks to transfer vital data, including payroll and human resources information, but also that used for online advertising worth billions of dollars, between offices on both sides of the Atlantic.

“We are concerned about the potential disruption to international data flows if the Court follows today’s opinion,” said John Higgins, Director General of DIGITALEUROPE, whose members include Apple, Cisco, Ericsson and Google.

Lawyers said a negative ruling from the court would have an impact on all data transfers between the EU and the United States, not just those conducted through Safe Harbour.

“If you question overall the validity of U.S. law then what about these other legal mechanisms?” said Wim Nauwelaerts, partner at law firm Hunton & Williams.

That could lead to calls from privacy advocates for more data centers in Europe, something the industry has long resisted on the grounds that it constitutes protectionism.

Some European companies, however, such as Germany’s Deutsche Telekom, have said they would route all email traffic through domestic servers to avoid U.S. snooping.

FACEBOOK NOT A “BACKDOOR” FOR NSA

The case stems from a complaint filed by 27-year-old Austrian law student Max Schrems against Facebook, alleging the company was helping the U.S. National Security Agency (NSA) harvest email and other private data by forwarding European customer’s data to servers in the United States.

Facebook rejects the claim that it provided the NSA with “backdoor” access to its servers and would wait for the full judgment, a spokeswoman said on Wednesday.
The Irish Data Protection Commissioner, who watches over major tech companies’ compliance with privacy laws since they are headquartered in Ireland, rejected the complaint, saying such transfers were allowed under the Safe Harbour framework.

But the case was referred to the European Court of Justice (ECJ) after Schrems appealed.

“It is apparent from the findings of the High Court of Ireland and of the (European) Commission itself that the law and practice of the United States allow the large-scale collection of the personal data of citizens of the EU which is transferred, without those citizens benefiting from effective judicial protection,” Bot said.

The United States and the Commission have been in talks for two years to strengthen the Safe Harbour framework amid calls for its suspension.

Herwig Hofmann, a lawyer for Max Schrems, said he was “delighted” about the Advocate General’s opinion.

“If the United States doesn’t change its laws in order to guarantee a minimum of data protection to European citizens, U.S. companies will have to process their data in the EU,” he told reporters at the court in Luxembourg.

The Foreign-Trade Zones Board has received from Port Freeport, grantee of FTZ 149, a request for authority to expand this zone under the alternative site framework. FTZ 149 was approved in June 1988 and reorganized under the ASF in August 2012 and currently has a service area that includes Brazoria and Fort Bend counties in Texas. The applicant is now requesting authority to expand existing site 1 to include an additional 40 acres at the Port Freeport Primary Facility. Comments on this request are due no later than Nov. 30.
PROJECT CARGO AGAIN DOMINATES SEAWAY TRAFFIC

AJOT Staff

With three months left in the shipping season, U.S. ports were busy moving project cargo in September.

Washington, D.C. - “Cargo shipments into the Great Lakes St. Lawrence Seaway System remained solid during the month of September,” said Betty Sutton, Administrator for the Saint Lawrence Seaway Development Corporation. “September was the second busiest month on record this navigation season with ocean going vessels arriving at U.S. Great Lakes ports with increased tonnage of project cargo, dry bulk commodities and general cargo. Aluminum shipments to auto manufacturing states of Michigan, Ohio and New York were once again on the rise as were containerized goods arriving on the Cleveland Europe Express liner service. Many of the ships that arrived with high value cargo departed the Seaway System with wheat and soybeans bound for Canada, Europe, Central America, North Africa and Scandinavia.”

At the Port of Indiana-Burns Harbor, the bulk carrier HHL Nile delivered a shipment of 16 beer fermentation tanks for Lagunitas Brewery in Chicago in September. “The Great Lakes-St. Lawrence Seaway allows companies to ship large tanks and project cargos right into the heart of the Midwest, which greatly reduces the cost and complications of trying to move dimensional cargo across the country by land,” said Port Director Rick Heimann. “This was the second delivery for Lagunitas this season following the 29 beer tanks the port handled for the brewery last year. With the popularity of craft breweries, more beer tanks are being shipped bringing the port’s total so far in 2015 to 36, including 12 tanks in June for Bell’s Brewery in Michigan and four to Revolution Brewing in Chicago.”

In September, aluminum, pig iron and project cargo shipments remained steady at the Port of Toledo. “Construction of a new gas fired electricity plant in Oregon, Ohio has led to a series of project cargo shipments through Toledo,” said Joe Cappel, Vice President of Business Development for the Port Authority. “These project cargo shipments help the port stay busy and the port helps the project by providing a location where shipments can be discharged and stored in close proximity to the final destination.”

Other cargoes handled by U.S. ports in September included 47,000 metric tons of ethanol shipped from the Port of Green Bay to Montreal to be used as a fuel additive. According to Dean Haen, Port Director, “There is an East Coast shortage of ethanol this year and the Port has seen a 14 percent increase in ethanol shipments to meet that demand.”

Zelko Kirincich, Executive Director of the Port of Oswego stated that, “In September the Port Authority received 19,000 metric tons of aluminum via McKeil Marine barges from Sept-Iles, Quebec for use in the automotive manufacturing sector. We are seeing another record year in aluminum shipments through the Seaway.”

The St. Lawrence Seaway reported that year-to-date total cargo shipments for the period April 2 to September 30 were 22 million metric tons, down 12 percent over the same period in 2014. U.S. grain shipments were up by 60 percent in September over last year. The dry bulk category was up by 8 percent over 2014 with potash, stone, gypsum, and pig iron in the positive column, at 32, 27, 68 and 288 percent respectively. The general cargo category was down 13 percent. Iron ore and coal remained down in September by 15 and 40 percent respectively. The liquid bulk category posted a downturn of 11 percent.
U.S. FREIGHT VOLUMES, SHIPPER SPEND REVERSE DECLINE IN SEPTEMBER

William B. Cassidy

U.S. freight volumes rose in September after declining for two months, as shipments increased 1.7 percent from August, according to the latest Cass Freight Index. Shipper spending on transportation in September also increased, rising 2.4 percent on a month-to-month basis.

The increase in both measures likely reflects pre-holiday shipping and, perhaps, the reduction of inventories amassed since last fall by retailers, wholesalers and manufacturers. Year-over-year, shipment volumes were down 1.5 percent, and shipper expenditures dropped 6.6 percent.

The decreases from September 2014 likely reflect a slower paced economy, more muted rate increases and the dramatic plunge in diesel prices, which has slashed fuel surcharges paid by shippers. Diesel prices are now at levels last seen at the end of the recession in 2009.

Shipments slipped sequentially from May through August, rising 0.2 percent in June before declining 1.6 percent in July and 1.2 percent August. The summer’s shipping drums were reflected in a 4.5 percent decrease in shipper spending in July and a 2 percent drop in August.

The increases in freight volume and spending last month should relieve those who feared the 2015 peak shipping season in the U.S. would be flatter than a pancake. “This is a traditional month for a rise because shippers are receiving goods for the holiday season,” Rosalyn Wilson, senior business analyst with Parsons, said in her analysis of the September Cass Freight Index.

“The strong U.S. dollar and a sluggish global economy are continuing to make imports very attractive,” Wilson said. In July and August, when Cass’s landside shipping volumes were down, U.S. containerized imports rose 4.9 percent year-over-year, according to JOC.com Economist Mario O. Moreno. More of those goods moved to inland distribution centers last month.

This year’s peak will be neither sharp nor high, industry executives said last week at the JOC Inland Distribution Conference. “I think we have seen the peak, so what you see now is what you’ve got for the rest of the fall season,” David Congdon, vice chairman and CEO of Old Dominion Freight Line, said during a panel discussion at the event in Memphis.

“I’m about decided that there’s not going to be any more peaks,” said David Wedaman, founder and CEO of Re Transportation, now a Kuehne + Nagel subsidiary. “You now have a plateau.”

This year transport operators and shippers in the U.S. are struggling with a different sort of peak: A mountain of inventory. Shippers received a flood of cargo before, during and after the U.S. West Coast port labor dispute this past fall, winter and spring, resulting in high inventories.

In the first half of 2015, retail inventories rose 2.9 percent, compared to only 2.3 percent for all of 2014, Wilson pointed out. Manufacturing inventories increased 3 percent, compared to a decline of 0.25 percent in 2014. Wholesale inventories are up 2.3 percent this year, compared to 3.9 percent in all of 2014. Low interest rates and inventory carrying costs fueled the buildup.

Businesses are struggling to “de-stock,” and pressure to reduce inventory will grow. If the Federal Reserve raises interest rates before the end of the year, keeping that inventory on hand would become much more expensive. “Even a one percent rise in interest rates could fuel a 2.3 percent rise in total logistics costs at current inventory levels,” Wilson said.
WHY CHINA SLOWDOWN ISN’T ALL BAD FOR SHIPPING INDUSTRY

Christine Tan

Weaker demand from a slower-growing Chinese economy is putting the global freight industry through rough waters, but for Singapore-based IMC Pan Asia Alliance Group, there’s a bright side to this downturn.

“Actually, [the slowdown] is good because such cycles can clean up those crazy people who do not belong to the industry,” Chavalit Frederick Tsao, chairman of the privately-owned conglomerate with its roots in shipping, told CNBC’s “Managing Asia.”

“They will realize there’s no easy money to make and they will stay away. The more educated [industry] players [become], the more stable the industry will be [but] with more opportunistic people, the industry is going to be [worse off],” he added.

According to the 58-year-old, the company’s shipping and logistics business in China is still holding up despite mounting concerns about the world’s second-biggest economy amid wild gyrations in its stock markets.

“China is actually doing better than anywhere else. Our ports, shipyards, logistics are all doing well and [remain] profitable,” said the fourth-generation leader who took over the helm of the family business 20 years ago.

China’s gross domestic product (GDP) grew at 7 percent in the second quarter, unchanged from the first three months of 2015. While this figure remains in line with Beijing’s annual growth target of “around 7 percent,” the recent slew of disappointing data, such as factory output which fell to a three-year low in August, suggests that Beijing’s policies to jump-start its economy have yet to take hold.

Apart from China, the freight market is also plagued by a chronic overcapacity of ships ordered during the heydays of the industry. The Baltic Dry Index (BDI) – which tracks global freight rates for ships carrying dry-bulk commodities such as coal – finished 9.3 percent higher on Thursday, but remained at its lowest level in two months. On a year-on-year basis, the index has declined 28.5 percent.

When asked about his take on the sector’s oversupply woes, Tsao believes that the situation “can’t get any worse” but a recovery will need time.
China will remain the driving force in global container trades for years to come with scant possibility of an alternative region emerging to challenge its dominant position.

“There is no doubt that China is slowing down, but Asia is responsible for 50 percent of all containerized ocean exports and China’s exports are larger than the rest of Asia Pacific combined, and it remains central to any rebound in global container trades,” said Michel Looten, director of maritime with Seabury Group, a consultancy.

Within China, the sources of containerized export and imports are still the traditional locations, with Guangdong province leading the charge with 6.3 million TEUs in exports and 2 million TEUs in imports expected to be generated in 2015, followed by Zhejiang and Jiangsu provinces adjacent to Shanghai. Inland provinces combined currently account for just 3.3 million TEUs in exports and 0.9 million TEUs in imports.

“Although China’s fastest growing provinces are located inland, the great majority of growth in absolute numbers still comes from the coastal provinces. If you are doing business in China, these are the provinces where you should focus your strategy as it is still where most new business is generated,” said Looten.

In terms of commodities, raw materials are taking a more dominant position in China’s containerized exports. According to Seabury, the share of raw materials — already China’s largest export industry — has increased by 1.4 percent over the past four years, while the share of consumer goods declined by 1.5 percent over the same period.

Consumer goods and raw materials exports both originate near Shanghai, but raw materials exporters are concentrated more in China’s northeastern provinces, while consumer goods tend to come from the south. “This may be an important reason why trades in the north are growing faster,” said Looten.

On the import side, while perishables and consumer goods have substantially outgrown other import industries in recent years, these categories still account for just a fraction of overall imports, which is still dominated by raw materials.

Most perishables are imported through northern China while raw materials importers are spread throughout the country.

Southeast Asia is China’s largest source of containerized imports while North America — comprising the U.S. and Canada — remains the largest export destination for containerized goods from China.
EUROPEAN AIRLINES SEE CARGO VOLUMES FALL IN SEPTEMBER

AirCargoNews Staff

Major European airlines had another tough month in September as IAG Cargo, Lufthansa and Finnair all recorded cargo volume declines, although Air France KLM did see a strike-related increase.

The busiest of the four carrier groups, Lufthansa, continues to have a tough year as volumes continue track behind last year’s levels.

In September, it carried 816m revenue cargo tonne km (RCTK), a 5.2% decline on the same month a year earlier.

The airline that reported the largest percentage demand decline during the month was Finnair, which saw volumes decline by 15.1% on a year earlier to 66.4m RTK.

This is largely down to the fact Finnair has had year-on-year comparisons affected by its withdrawal from the use of leased NGA freighter aircraft capacity in Asian traffic.

There was also a nationwide strike in mid-September, although the airline said it didn’t expect cargo operations to be affected.

IAG, meanwhile, saw its figures decline by 3.4% in September against a year earlier to 424m CTK. Its volumes have also been tracking below the levels recorded since 2011 for all but one month of the year.

In contrast, Air France KLM recorded its first year-on-year increase in September as volumes jumped by 8.1% on a year earlier to 746m RTK.

However, the Franco-Dutch airline group said this was the result of a strike last year. It is also adjusting its offering; reducing freighter capacity in favour of bellyhold space.

The strike related industrial action also affected capacity comparisons, with an increase in September’s available tonne km of 11.3% year on year.

As a result of capacity increasing ahead of demand, its load factor slipped to 59.9% this September compared with 61.6% last year.

Load factor was also down at Lufthansa where levels slid to 63% from 67.8% a year ago. The volume decline experienced by the German airline group was compounded by a 2% increase in capacity to 1,296 ATK.

Finnair’s load factor was also down a year earlier. It recorded a 8.7 percentage point decline to 55.9% as its volume decrease was higher than its capacity decrease of 1.9% to 118.9m ATK.
Rotterdam's container volume increased just 1 percent in the first nine months of the year due to lower Chinese exports, the deteriorating Russian economy and slowing growth in emerging economies such as Brazil.

Europe's top container hub handled 9.3 million twenty-foot-equivalent units in the period compared with 9.2 million TEUs in the first three quarters of 2014.

The sluggish performance was also due to the fact that the two new terminals on Maasvlakte 2, land reclaimed from the North Sea, are not yet operating at sufficient speed to handle large volumes, the Port Authority said.

The older terminals on Maasvlakte 1 are operating close to capacity which is limiting growth, it added.

Rotterdam’s slow growth contrasts with an 8 percent increase at Antwerp, its closest rival, to 7.23 million TEUs in the first three quarters of the year.

The higher nine month figure masked a slight decrease in Rotterdam’s third quarter traffic to 3.06 million TEUs from 3.2 million TEUs a year earlier. Antwerp’s growth almost stalled in the third quarter, rising to 2.42 million TEUs from 2.31 million TEUs.

Total throughput grew by 5.4 percent to 387 million tons, driven by sharply higher crude oil shipments, just short of Antwerp’s 5.5 percent increase to 173 million tons.

Roll-on, roll-off traffic jumped 11.4 percent to 18 million tons from 16 million tons, helped by strikes by ferry workers at the French port of Calais and disruption of rail freight traffic through the Channel Tunnel caused by migrants seeking to enter the U.K.

The decline in conventional general cargo accelerated with traffic slumping by over 12 percent to 1.5 million tons.

Providing high-touch, high-service, high-value supply chain solutions in 110 offices in 24 countries.
Contact Your Local Sales Person Today For More Information Regarding Crane Worldwide Logistics.

www.craneww.com         1-888-870-2726