Focus on Asia Track
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CHANGI airport singapore
Welcome Address

Mr. Lim Ching Kiat
Managing Director, Air Hub Development
Changi Airport Group
Asian Economies

Brian Pearce
Chief Economist
IATA
Backdrop to Asia air cargo markets

Brian Pearce
Chief Economist

13 March 2019
The rise of China’s economy...and fall of Japan

Share of world GDP, %, market exchange rates

Source: IATA Economics using data from Oxford Economics
The extraordinary rise in China’s trade share

Share of world trade, %

Source: IATA Economics using data from Oxford Economics
Rise of Asia-Pacific reflected in air cargo shares

Share of international FTKs by region of registration

Source: IATA Economics using data from IATA Statistics
So weakness in Asia matters

Source: IATA Economics using data from IATA Statistics
Asia-Pacific airlines FTKs flown down 5% over year

Source: IATA Economics using data from IATA Statistics
Export orders point to further decline in near term

Source: IATA Economics using data from Thompson Reuters Datastream, IATA Statistics
Chinese fiscal policy remains expansionary

Source: IATA Economics using data from IMF World Economic Outlook Database, October 2018
Real borrowing costs in China not excessive

Source: IATA Economics using data from Thompson Reuters Datastream
Regional outlook for economic growth is good

Forecast GDP growth

- **2019**
- **2019-2023**

% change year-on-year

- **India**
- **Vietnam**
- **China**
- **Indonesia**
- **Thailand**
- **S Korea**
- **Japan**

Source: IATA Economics using data from Oxford Economics
Trade outlook forecast to improve

Forecast growth in export volumes

% change year-on-year

Vietnam: 10% in 2019, 8% in 2019-2023
India: 5% in 2019, 4% in 2019-2023
Indonesia: 4% in 2019, 3% in 2019-2023
China: 4% in 2019, 3% in 2019-2023
Thailand: 3% in 2019, 2% in 2019-2023
S Korea: 2% in 2019, 1% in 2019-2023
Japan: 1% in 2019, 0% in 2019-2023

Source: IATA Economics using data from Oxford Economics
Thank you

Brian Pearce
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www.iata.org/economics
Trade Protectionism and Impact on Air Freight in Asia

Moderator:
- Marco Bloemen, Managing Director, Seabury Consulting

Panelists:
- Mr. Andrew Herdman, Director General, AAPA
- Mr. Yacoob Piperdi, Executive Vice President, Gateway Services, SATS
- Mr. Chin Yau Seng, Senior Vice President Cargo, Singapore Airlines
- Mr. Do Xuan Quang, Vice President Cargo, Vietjet Air
Networking Break
15:30 to 16:15 in Roselle Simpor Ballroom
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AirBridgeCargo
Changi Airport: Vision for the Future Air Cargo Hub

Ms. Jaisey Yip
Associate General Manager,
Cargo & Logistics Development
Changi Airport Group
The Belt & Road Initiative

Moderator:
• Dr. Carl-Stefan Neumann, Senior Advisor and Director Emeritus at McKinsey & Company

Panelists:
• Mr. Steven Lee, Chairman, Singapore Aircargo Agents Association (SAAA)
• Mr. Law Chung Ming, Group Director, Transport & Logistics, Enterprise Singapore
• Ms. Ho Ghim Siew, Head of Group Commercial Strategy & Cargo Solutions, PSA
• Prof. Dr. Zhu Qiuyuan, Shanghai Customs College
• Mr. Vladimir Zubkov, Secretary General, TIACA
“Belt and Road Initiative”: one of the world’s largest platforms for regional and intraregional collaboration

**BRI’s Economic Scale (2017)**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Amount</th>
<th>Percent of world total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population covered</td>
<td>4.4 Bn</td>
<td>63%</td>
</tr>
<tr>
<td>GDP of countries covered</td>
<td>USD 21 Tr</td>
<td>27%</td>
</tr>
<tr>
<td>Goods and services exported</td>
<td>USD 7 Tr</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Number of countries expressing interest**

> 65

**Total investment so far**

USD > 80 Bn

**The multiplier effect of infrastructure investment as estimated by China Development Research Center**

- Infrastructure investment: $1 Bn
- New jobs: 30-80k
- New GDP: $2.5 Bn

Development of six corridors with multiple individual projects under way
Intra-regional corridors of particular importance as priority of speed to market and proximity to customers makes trade more regional

**Reasons driving trade and growth**

- Labor-cost arbitrage
- Access to skilled labor
- Proximity to customers – Speed matters
- Access to natural resources
- Quality of infrastructure

**More than half of physical trade in EU-28 and Asia-Pacific is intra-regional**

**Intra-regional goods trade as % of cross-border total trade by region**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFTA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU-28 (EU28)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MENA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia-Pacific</td>
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</tbody>
</table>

World Bank expects an additional increase in trade of up to USD 66 bn between China and ASEAN, based on BRI infrastructure and collaboration.

Trade time reduction by scenario
Proportional decrease in shipment time, pre-BRI vs post-BRI, percent

- Infrastructure improvements only: 2.8-4.4%
- Infrastructure improvements and process improvements (less border delays): 7.4% - 10.9%

Correlation between transit time reduction and volume

1 day
 Trade increase
5.2%

Trade volume increase between China and ASEAN

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Trade volume increase between BRI countries by scenario (Percent)</th>
<th>Trade volume increase between China and ASEAN (billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure improvements</td>
<td>2.5 – 4.1</td>
<td>13 - 21</td>
</tr>
<tr>
<td>Infrastructure improvements and process improvements (less border delays)</td>
<td>4.6 – 7.2</td>
<td>24-37</td>
</tr>
<tr>
<td>Infrastructure improvements, process improvements (less border delays) and trade agreements</td>
<td>11.2 – 12.9</td>
<td>58-66</td>
</tr>
</tbody>
</table>

2017 Trade volume between China and ASEAN: 515 billion USD

For air cargo – an ambivalent picture

| + Trade volume grows | ▪ World trade forecasted to grow by ~4% p.a. until 2022  
                         ▪ Trade still expected to grow by >3% p.a. even in case of a US-China trade war |
|----------------------|--------------------------------------------------------------------------------------------------|
| + Open Skies Agreements | ▪ Open Skies Agreements reduce air transport costs by 9% and increase the share of imports arriving by air by 7%  
                          ▪ Strong momentum for further alignment across Africa region |
| + E-Commerce globalizing | ▪ Cross-border e-commerce growing at >20% p.a.  
                           ▪ Alibaba promise: 72h click-to-door delivery time for cross-border purchases (from an average 10 days today) |
| - More competitive modal alternatives | ▪ Rail EU – China time reduced to 15 days from 25  
                                      ▪ First truck completed Europe - China delivery in 12 days at the beginning of 2019 |
| - Better integration of intermodal alternatives | ▪ Increased intermodal connectivity through integration of truck/rail and sea ports |
| ⓓ ? | ▪ Highly dependent on how air cargo supply chains speed up |
Questions on BRI

Will it fully unfold?

Opportunity and risks for air cargo?

What does the air cargo ecosystem need to do?

Illustrative example: Southern Transport Corridor Chongqing-Singapore

- Chongqing airport terminal 3 and fourth runway start construction during 2019
- Chongqing-Beibu Gulf cold chain rail launched at the end of 2018
- Rail-sea intermodal freight via Beibu Gulf instead of Shenzhen, transit time will decrease from 17 days to 10 days, and cost saving up to 30% per TEU.
- 4200 kilometers cross-border road freight

4200 kilometers cross-border road freight
THE BELT & ROAD INITIATIVE

CHINA

ENABLING TRADE, AVIATION, FINANCIAL & DIGITAL FLOWS

SINGAPORE

SINGLE WINDOW CORRIDOR

WE WANT TO ANCHOR AVIATION AS PART OF BRI

BRI IS A STIMULUS FOR DIGITIZATION

TRADE FACILITATION

PAPERLESS ENVIRONMENT
Closing Remarks

Mr. Lim Ching Kiat
Managing Director, Air Hub Development
Changi Airport Group
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