North East Asia Trade Facilitation:
A Logistics Perspective
North-East Asia Forum on Trade and Transport Facilitation
UNESCAP and GTI, S. Korea

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DHL Express Asia Pacific
About the Express Industry

- US$155 billion in global revenues
- Over 30 million shipments daily
- 1,200,000 employees
- 170,000 vehicles
- 1,700 aircraft
- Operations in over 220 countries
- Continuous 20% annual growth between 1996 and 2005
- By 2017, Air Express industry is expected to represent almost 36% of global air cargo with an average growth rate of 18%

The Air Express Industry is a global facilitator of trade and economic growth
DHL Express: Most International Logistics Co

- Service Countries: 220
- Destinations: 120,000
- Employees: > 100,000
- Shipments: > 950 Million shipments per year
- Customers: 8 million customers
- Aircraft: 350 aircraft
- Vehicles: 62,000
- Facilities: 4,500
- Air Hub: 6 Main Hubs (Bahrain, Hong Kong, Lagos, Leipzig, Cincinnati, Miami, Shanghai)
Why Customers Use Us?

- Overnight service across AP and 1-2 day service into other international markets
- Tight time window:
  - Production cycle closes at 7 pm
  - Pickup at about 8 pm
  - Export processing complete by about 9 pm and take off
  - Overnight processing
  - Import processing
  - Delivery in the morning
High Value-added, Time-guaranteed

- Reduced need for inventories and warehouse costs
- Faster (24-48 hours) and time-definite delivery
- Samples for designs
- SMEs leverage air express economies of scale
- After sales-service with replacement parts
- Secure deliveries
- End-to-end supply chain management
Hub-and-Spoke – What And Why?

- Many origins and destinations with less flight sectors
- Allows consolidation on the in-bound sectors
- Smooths traffic imbalances
- Maximizes efficiency and optimises costs
- Allows new sectors to become viable sooner
Why North East Asia?

- Shifting economic gravity in Asia Pacific to North East Asia
- China, Japan & South Korea = 16% of Global GDP (2008)
- Intra-East Asian trade significant
- China is Japan and Korea’s largest trade partner.
- China’s phenomenal growth
- Shanghai export could equal rest of Asia by 2015
- YRD accounts for 35% of China’s total import and export value.
- Growing North East Asia catchment
Economic Center Will Move to North East Asia

Source: DHL Global Connectedness Index, 2011
DHL Responds to North East Asia’s Potential

- Multi-hub and aviation strategy
- Time savings
- Dedicated network
- Leadership position in connections, convenience and cost-effectiveness
- Platform for air network expansion
## North Asia Hub Fact Sheet

### Some key facts:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Initial investment of ~US$ 100m rising to US$175m over the lifetime of the facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Expected 500 to 550</td>
</tr>
<tr>
<td>Land area</td>
<td>88,000 m²</td>
</tr>
<tr>
<td>Total floor space</td>
<td>55,000 m²</td>
</tr>
<tr>
<td>Peak throughput per hour</td>
<td>Automated conveyable (parcel) and flyer (envelope) sorts, both with capacities of 20,000 pieces per hour</td>
</tr>
<tr>
<td>Truck docks</td>
<td>50 truck docks</td>
</tr>
</tbody>
</table>
DHL’s Global Customs Policy

- Customs compliance
- Internal controls
- Stringent security
- Technology
- Commitment to Customs
- End-to-end supply chain visibility
What Regulatory Environment Do We Need?

- Speed and reliability
- Nothing stands still
- Fully integrated, door-to-door
- Efficiency at the lowest cost
- Global reach
- 24/7 operations
- Optimal capacity utilization

We Want:

- International standards (WTO, WCO)
- Trade facilitation mindset
- Transparent and consistent laws
- 24/7 clearance, Onsite Customs
- Simplified transshipment
- Simplified clearance for low values
- Electronic Data Interchange
- Deminimis and Low customs fees
- Cross-Agency approvals
- Legal recourse
- Pre-arrival clearance
- Risk management

At least 80% of shipments cleared on arrival
Shipments kept in bond for less than 1.51 days
GTI Countries Trade Patterns Are Mixed

North East Asia Countries trade significantly with ASEAN and US/EU

Intra-North East Asia trade is important, though not the whole story

Russia’s ties with Europe are stronger

Any policy response needs to take into account this dynamic

Source: DHL Global Connectedness Index, 2011
What Impacts “Global Connectedness” of a Country?

- GDP per capita
- Population*
- Landlocked
- Remoteness*
- Violent Conflict*
- Regional Integration
- Visa Openness
- Financial freedom*
- Business environment*
- Transport Infrastructure*
- Trade Policy*
- Linguistic Commonality*

Source: DHL Global Connectedness Index, 2011
Some Thoughts on GTI

- **Multilateral policies**
  - International best practice customs and trade framework
  - Business Openness

- **Regional policies: participating in a larger regional grouping**

- **Boost sub-regional policies**
  - Transport infrastructure for all modes
  - Remove cross-border multi-modal transportation restrictions
  - Establish procedures for goods in transit
  - Remove border crossings bottlenecks
  - Enhanced security
  - Common EDI system
  - Cultural exchanges
Low Hanging Fruit: A Common Deminimis?

- Imports < a specified value can receive
  - More streamlined customs clearance
  - Exemption from customs duty
  - Exemption from other indirect taxes

- Tax exemption: recognition of where revenue collected < cost of collection

- Reduces Transactions Costs
- International Best Practice
Higher Deminimis Has Net Benefits

Source: Deminimis Thresholds in APEC, ITS Global, 201
# Net Economic Benefits of a Higher Deminimis

<table>
<thead>
<tr>
<th>Country</th>
<th>Deminimis Threshold (US$)</th>
<th>Net Economic Benefit (USD) (US$200 Deminimis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>125</td>
<td>243m</td>
</tr>
<tr>
<td>Korea</td>
<td>100</td>
<td>NA</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
<td>558m</td>
</tr>
<tr>
<td>Russia</td>
<td>200</td>
<td>NA</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>48</td>
<td>11.2m</td>
</tr>
<tr>
<td>ASEAN-5</td>
<td>NA</td>
<td>109.2m</td>
</tr>
<tr>
<td>APEC 12</td>
<td>NA</td>
<td>5.6b</td>
</tr>
</tbody>
</table>

Source: Deminimis Thresholds in APEC, ITS Global, 2012

NEB = [resource savings in: govt admin. + business compliance + goods transit time] less [tax revenue foregone estimated with & without GST/VAT loss] + [max. loss = nominal GST/VAT rate x total value of LV consignments]
Conclusions

- Express is speed and efficiency
- Express serves complex global supply chains
- Economic significance of North East Asia
- DHL responds via its North Asia Hub in Shanghai
- Express relies on best practice customs reforms
- GTI integration needs to take into account complex trade flows
- Higher deminimis is a possible low hanging fruit
Thank you