

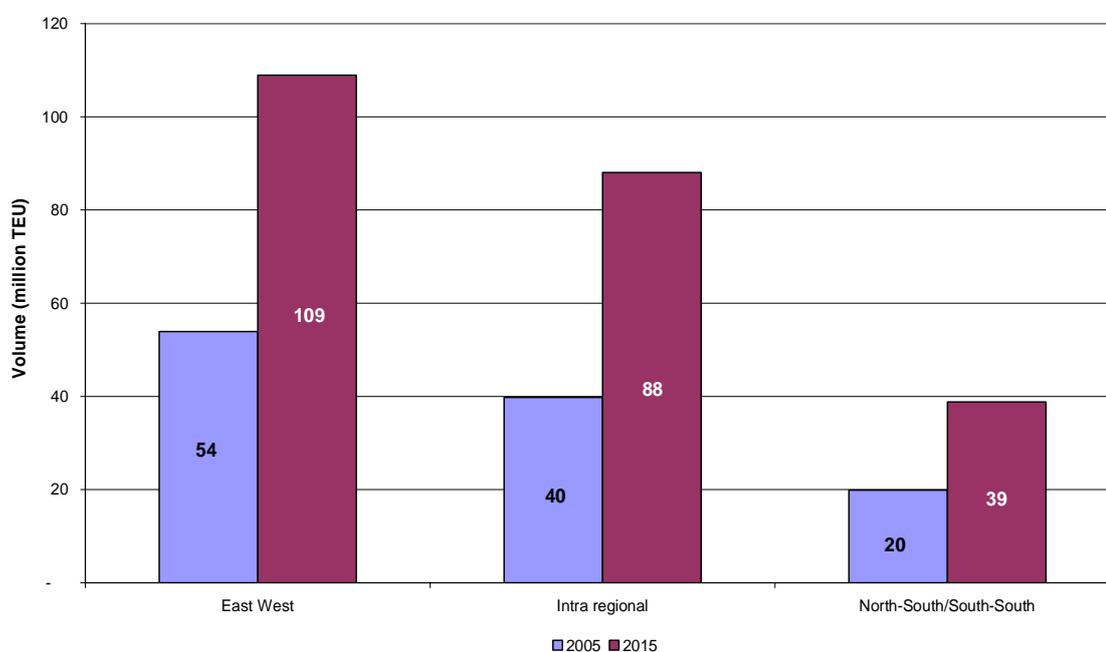
## 5. TRADE STRUCTURE

### 5.1 Changing nature of global container trade

Container shipping routes can be divided into three main groups: (1) East-West trades, which circle the globe in the Northern Hemisphere linking the major industrial centres of North America, Western Europe and Asia; (2) North-South trades articulating around major production and consumption centres of Europe, Asia and North America, and linking these centres with developing countries in the Southern Hemisphere; and (3) intraregional trades operating in shorter hauls and with smaller ships.

Figure 5-1 shows study estimates of the container trade volumes (full containers only) in 2005 and 2015 of each of trade groups. Container trade volumes on the East-West routes will increase from 54 million TEU in 2005 to 109 million TEU by 2015, representing a 7.3 per cent annual growth rate. The study forecasts suggest that the intraregional trades will show solid growth from 40 million TEU to 88 million TEU with a compound average growth rate of 8.3 per cent over the same period. The North-South and South-South trade is also expected to grow to 39 million TEU at a rate of 6.9 per cent per annum on average.

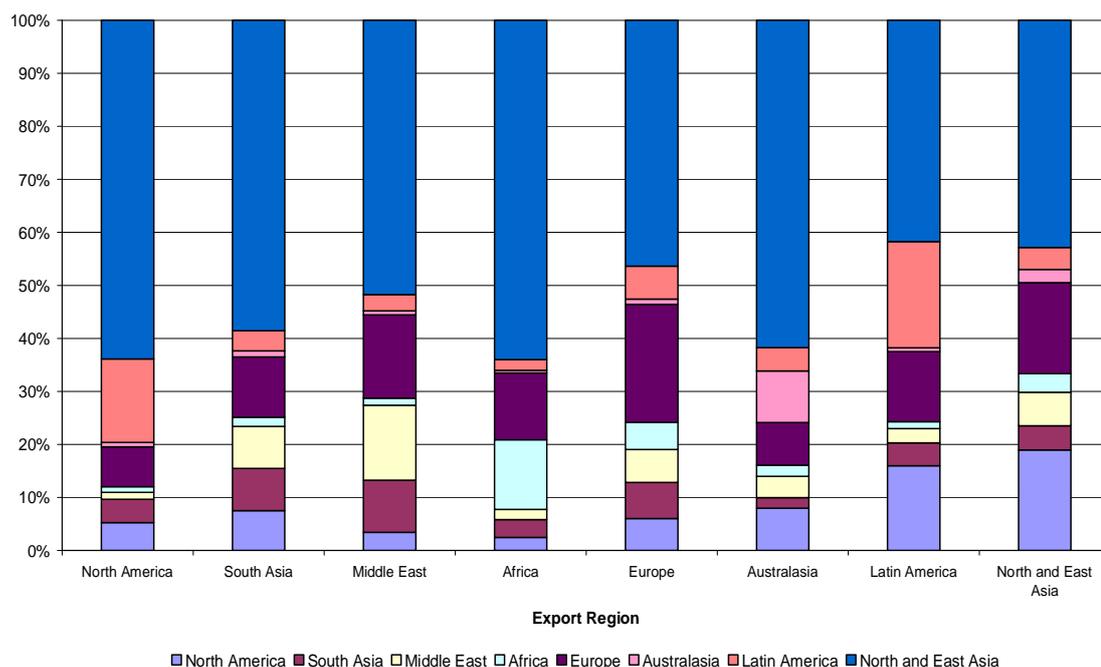
FIGURE 5-1: CONTAINER TRADE BY TRADE GROUP (2005 AND 2015)



(Source: Study estimates)

Global container trade in 2015 will be dominated by trade with and within Asia. Figure 5-2 shows the importance of trade with Asia for all of the partner regions — including Asia itself (intra-Asian trade).

FIGURE 5-2: INTER REGIONAL CONTAINER TRADE - 2015



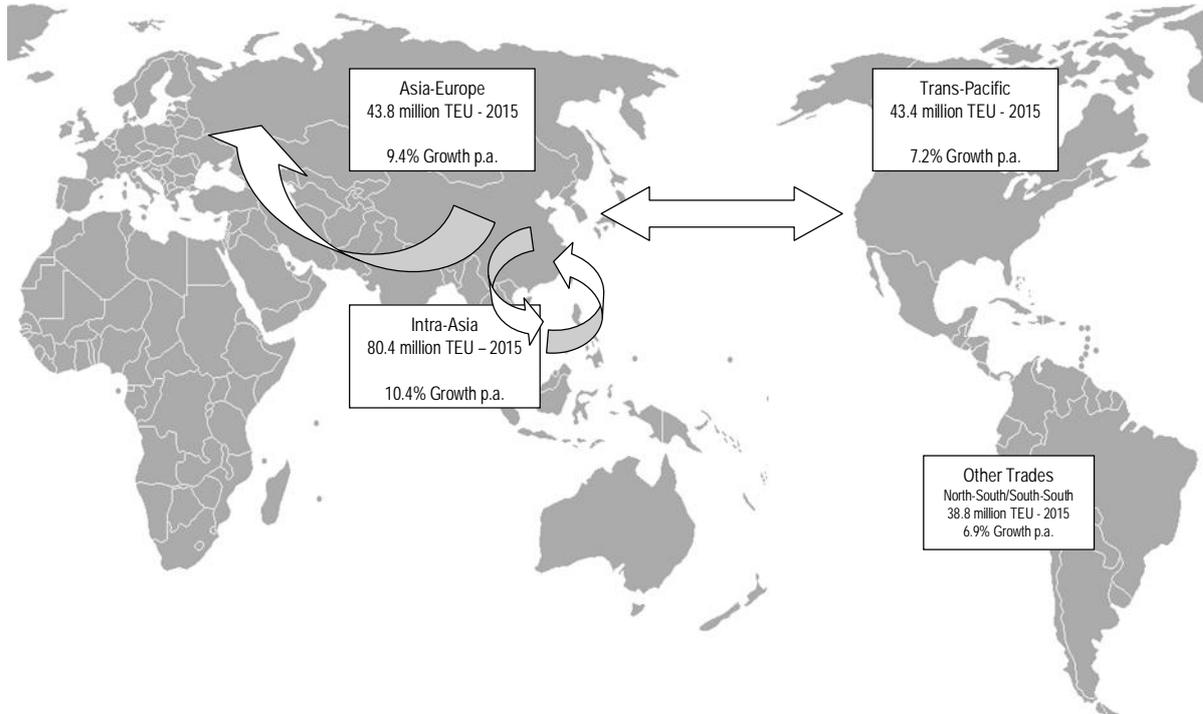
(Source: Study estimates)

## 5.2 Asia - North America

The biggest deep sea liner route is the trans-Pacific trade between Asia and North America, representing 21.7 million TEU in 2005, equivalent to 40 per cent of the total East-West trade and 19 per cent of the world total. These services operate between the North American ports on the East Coast, the Gulf and the West Coast and the industrial centres of Asian countries, with some services extending to the Middle East.

As shown in Figure 5-3, it is expected that the trans-Pacific trade will show an annual growth rate of 7.2 per cent per annum. The trans-Pacific trade is no longer expected to remain the largest of the East-West trades being overtaken by the Asia Europe trade despite reaching 43.4 million TEU in 2015.

FIGURE 5-3: TRADE LANE GROWTH ( 2005-2015)

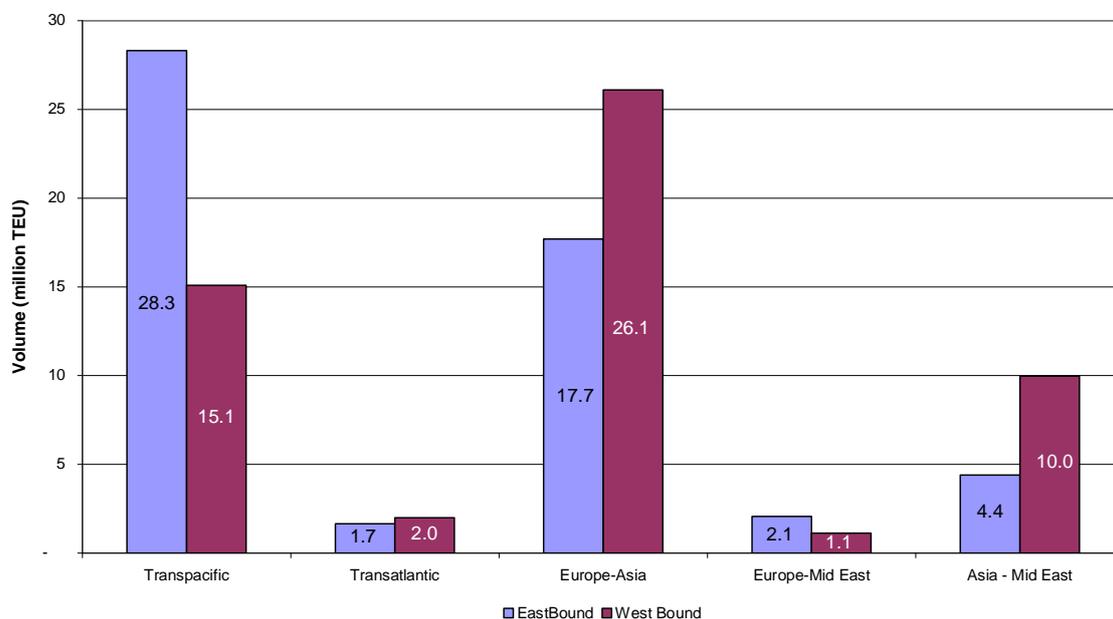


(Source: Study estimates)

Since the Asian crisis the trans-Pacific trade growth has been very unbalanced, with strong growth in the eastbound trade coinciding with a deep and protracted slump in westbound volumes. Container flows on the dominant leg, Asia to North America, reached 13.6 million TEU in 2005, while in the opposite westbound direction the flow stood at 8.1 million TEU.

The study forecasts suggest that the current trade imbalance is likely to be a long-term feature of the trans-Pacific trade, as shown in Figure 5-4. An average growth rate of 6.5 per cent per annum until 2015 is forecast for the westbound trade, compared with a growth rate of 7.6 per cent per annum in the eastbound trade. It is expected that in 2015 the container volume of westbound trade on the trans-Pacific route will be around 15.1 million TEU, which is a little greater than half of the eastbound trade, 28.3 million TEU. As the imbalance of container flows is expected to continue, repositioning of empty containers will remain a major concern for carriers, in particular those operating on the trans-Pacific trade route.

FIGURE 5-4: TRADE IMBALANCE ON EAST-WEST ROUTES – 2015



(Source: Study estimates)

### 5.3 Asia - Europe

The prospects for the growth of Asia-Europe trade appear stronger than trans-Pacific trade, growing at an average rate of 9.4 per cent per annum until 2015 (Figure 4-3). It should be noted however that this growth rate covers the whole of the Asia-Europe trade, including some very mature markets such as Northern Europe–Japan, which are expected to grow only slowly. Some other components — for instance, trade between East Asia and the Mediterranean, and between India and all parts of Europe, are expected to grow more rapidly than the rate quoted above.

Like the trans-Pacific trade, this Asia-Europe trade has also become unbalanced since the 1997 Asian currency crises. In the early 1990s, the volume of cargo carried in each direction in this trade lane was relatively even: although westbound TEU numbers exceeded eastbound by around 10 per cent, this was offset by the fact that eastbound containers were, on average, significantly heavier.

By 2005, this had changed greatly, particularly with respect to Asian trade with Northern Europe. According to the study forecasts, the trade imbalance on the Asia-Europe route will, like the imbalance on the trans-Pacific route, continue through to 2015. Westbound volumes are expected to increase from 10.5 million TEU to 26.1 million TEU at an average of 9.5 per cent per annum over the forecast period, compared to the estimated rate of growth of 9.2 per cent for eastbound volumes from 7.4 million TEU to 17.7 million TEU during the same period.

### 5.4 Intra-ESCAP

In the growth model for almost all of the principal Asian economies trade, and particularly exports, plays a pivotal role. Trade growth has occurred at the same time as a burgeoning of FDI in manufacturing plants located in lower labour cost countries by the more wealthy Asian economies: initially Japan, but subsequently the Republic of Korea; Taiwan Province of China; Hong Kong, China; and Singapore. This, together with trends in manufacturing processes that have favoured the two-way trade in components and sub-assemblies, led to spectacular levels of growth in the intra-Asian container trades during the early and mid-1990s, until the Asian economies were hit by the 1997 crisis.

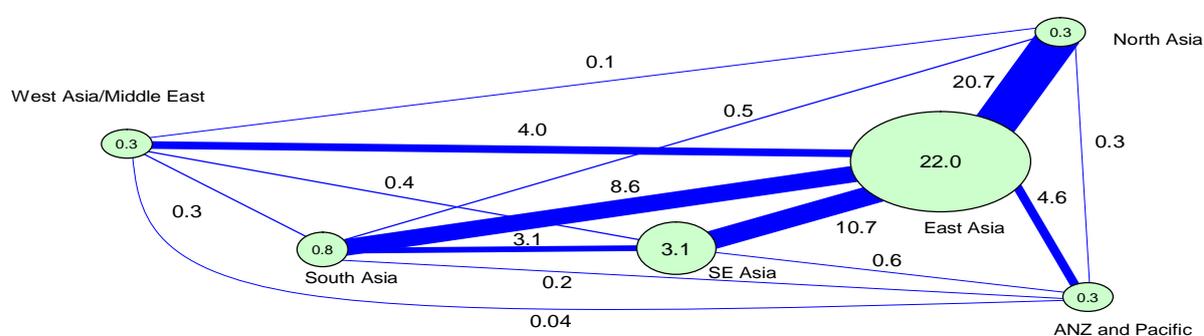
It seems however that regionalisation and the lessons learned from the crisis have since assisted a rebound Asian trade. A number of factors suggest that long-term growth prospects for the intra-Asian trade remain strong:

- Sound medium to long term growth prospects for most Asian economies;
- Close proximity of a number of economies at very different levels of economic development;
- The continued importance of more economically advanced Asian economies as sources of FDI for the less developed economies of the region;
- Regional free trade agreements such as ASEAN's Common Effective Preferential Tariff Scheme (CEPT).

Model estimates in this study suggest that the intra-Asian trades are set for sustained solid growth, with a compound average growth rate of 10.4 per cent per annum over the period 2005-2015.

Within the intra-Asian trades, growth of trade to and from East Asia, South Asia and North Asia hold out great promise for the future. China, including Hong Kong, China and Taiwan Province of China, will continue to dominate intra-Asian trade with an expected growth rate of 11.4 per cent per annum from 2005 to 2015.

FIGURE 5-5: INTRA ESCAP TRADE FLOW - 2015 (MILLION TEU)



(Source: Study estimates)

### **5.5 Minor routes**

North-South routes are articulated around the major production and consumption centres of Europe, Asia and North America, and link these centres with developing countries. It is estimated that in 2005, the container trade volume carried on the North-South and South-South routes was around 19.9 million TEU. Through to 2015, study estimates show an increase of approximately 6.9 per cent to 38.8 million TEU (Figure 5-3).

Asia's container trade with Africa and Latin America and Australia is expected to grow at rates well in excess of the world average throughout the forecast period, averaging 12.7 and 15.6 per cent per annum respectively per cent per annum. This reflects improved economic performance and a greater acceptance of containerization in these partner regions.