

AsianLo

Neighbours seek a slice of China-driven prosperity

But the picture is not all rosy with some Asian countries struggling to stem a loss of trade, writes **Keith Wallis**



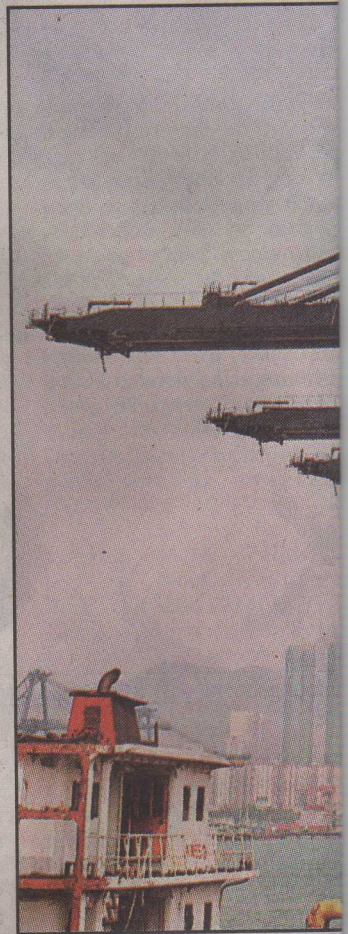
South Korea plans links with Qinhuangdao port, China.

ASIA'S logistics industry is naturally turning its eyes to China as companies seek opportunities in that country's \$470bn logistics market and organisations in neighbouring countries worry about the impact the so-called China effect will have on their own sector.

International companies including Kuehne+Nagel, DHL and Menlo have been joined by regional operators such as Kerry Logistics and Baltrans in beating a path to China's door.

While the investment levels have been impressive, with Kerry Logistics alone opening offices in 121 Chinese cities, not one third party logistics provider has more than 2% of the market.

With the industry highly fragmented — one estimate puts the number of logistics companies operating in the country at more than 18,000



Slice of the action: A logistics

— there is scope for the consolidation which is expected in the coming years.

While China's export boom is leading the demand for both port development and commensurate logistics services, neighbouring areas are also seeing increased demand for logistics.

In Hong Kong there are moves to build a dedicated logistics park covering 112 ha close to the international airport and Kwai Chung container port to help in meeting demand for space.

The airport authority last month announced plans to develop a specialist gold and precious metals depository that will create specialist logistics services.

Report

Logistics



park is planned at the port of Kwai Chung, Hong Kong.

Taiwan has opened its ports to companies wanting to develop logistics services as an adjunct to their maritime activities.

Companies involved include Orient Overseas Container Line and APL.

Vietnam is seen as a potential logistics market with significant scope as foreign investors make use of the country's young, motivated workforce.

Further afield, logistics companies are excited about prospects in India where the relatively large middle class of 300m people creates demand for imported goods while output from Indian industry fuels export growth.

As one logistics expert

points out, the balance of trade for his company is equally split between imports and exports, unlike China where the imbalance is 70% in favour of exports and 30% imports.

Expansion is also going on in Japan, Singapore, Malaysia and Australia.

But the picture is not all rosy. South Korea, faced with a slowdown in foreign investment and increased competition from China, has been re-inventing its logistics and ports sector almost constantly over the past year as it seeks to stem the tide of trade leaving its shores.

In the latest move outlined by the Finance and Economy Ministry in early February,

the government plans to seek co-operative agreements between its ports and those in China and Japan.

"We plan to initiate affiliations with Chinese ports in Tangshan, Qinhuangdao, Lianyungang and Nanjiang, as well as the port of Niigata in Japan," the ministry said.

The government hoped the alliances would generate an extra 2m teu in freight contracts by 2011.

But other initiatives including tax breaks, free trade zones and investment incentives launched last year have failed to generate any significant increase in cargo to help the logistics sector. Cargo interests and logistics companies are largely bypassing

South Korea. Alarm bells have also been sounded in Thailand by the Thai National Shippers' Council, which has been concerned by the lack of a national logistics strategy to co-ordinate development and measures that would help the sector.

Council chairman Suchat Chantranakrat said representatives from the group, together with exporters, would meet officials from the Commerce Ministry this month to discuss that and other subjects.

"There we will raise many issues with the government," he said.

"One of them will be about the logistics strategy."