

# Threats and Opportunities of Container Trade

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# Welcome to Drewry

**Drewry** is a leading provider of research and consulting services to the maritime and shipping industry. The company has unrivalled experience and expertise across all market sectors from containers and ports to tankers and dry bulk.

From our origins in 1970 in London to a 21st century maritime and shipping consultancy, **Drewry** has established itself as one of the most widely used and respected sources of impartial market insight and industry analysis. This in-depth understanding and objectivity provides our clients with actionable advice and recommendations they need to achieve their ambitions and stay ahead of the market.

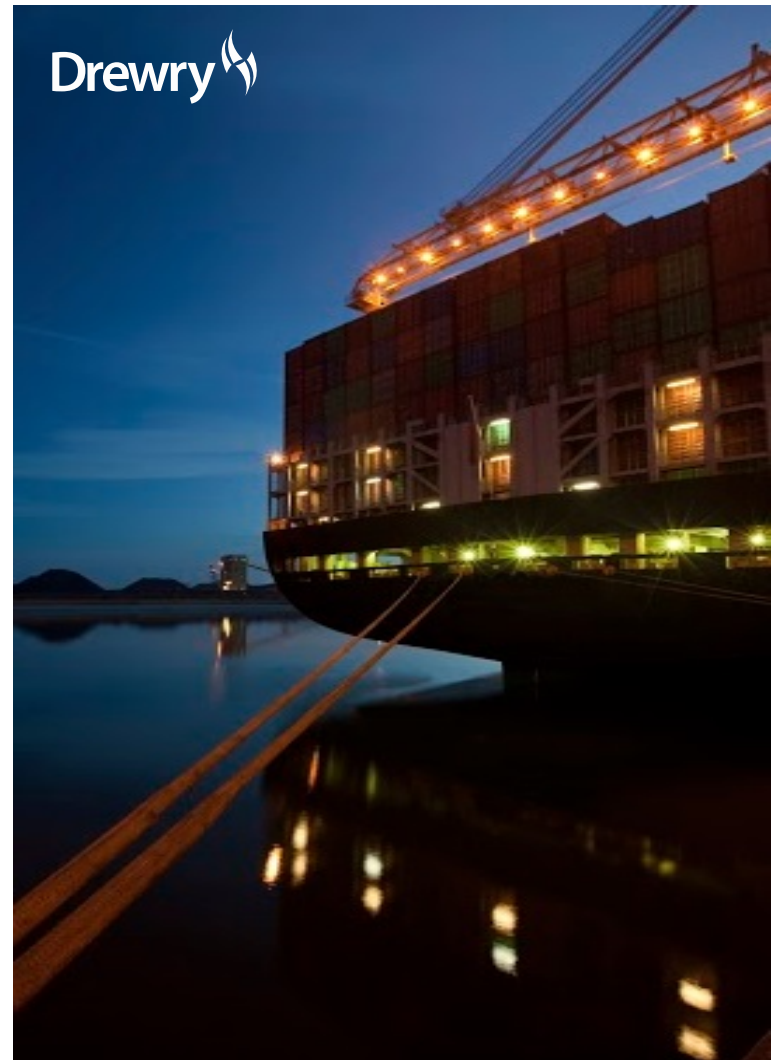
We provide our services through four business units: **Drewry Maritime Advisors** supports the needs of shipping and financial institutions; **Drewry Supply Chain Advisors** provides sea freight procurement support to retailers and manufacturers; **Drewry Maritime Research** publishes market-leading research on every key maritime sector; and **Drewry Maritime Financial Research** delivers investment research services on listed companies operating in the industry.

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# Our four business units

## Maritime Research



Our research provides robust analysis and balanced opinion for those within shipping, finance and logistics who need to make informed business decisions.

The range of titles and reports we publish keeps our clients up to date on every key maritime sector, from dry bulk to chemicals and from LPG to ferries, with detailed analysis and insightful commentaries on past, present and future sector performance.

## Maritime Advisors



**Our Maritime Advisors** offer a wealth of experience across maritime sectors and lead the industry in their respective areas of specialisation. Our sector expertise covers ports, bulk shipping, liner shipping, shipyards, ferry and RoRo, and technical ship management. Our combination of deep sector understanding, technical expertise and market-leading insight increases our confidence in our actions and ability to deliver the right results for our clients.

## Supply Chain Advisors



We focus on advising users of international multi-modal transport services, taking our extensive understanding of the industry and applying it to all stages of the supply chain.

Through our supply chain research catalogue and industry knowledge, we offer a range of procurement support services that empower importers and exporters. Our services provide them with the tools, resources and tailored advice they need to more effectively manage their transport service provider and international supply chains.

## Maritime Financial Research



Combining our market-leading resources with seasoned sector expertise and commercial awareness, we are now able to offer highly differentiated and comprehensive investment research service to prospective investors in publicly listed maritime and shipping companies. Our services cover a range of report formats, supporting resources and sector-orientated webinars aimed at providing our clients with a complete picture of the organisations under our coverage.

# Agenda

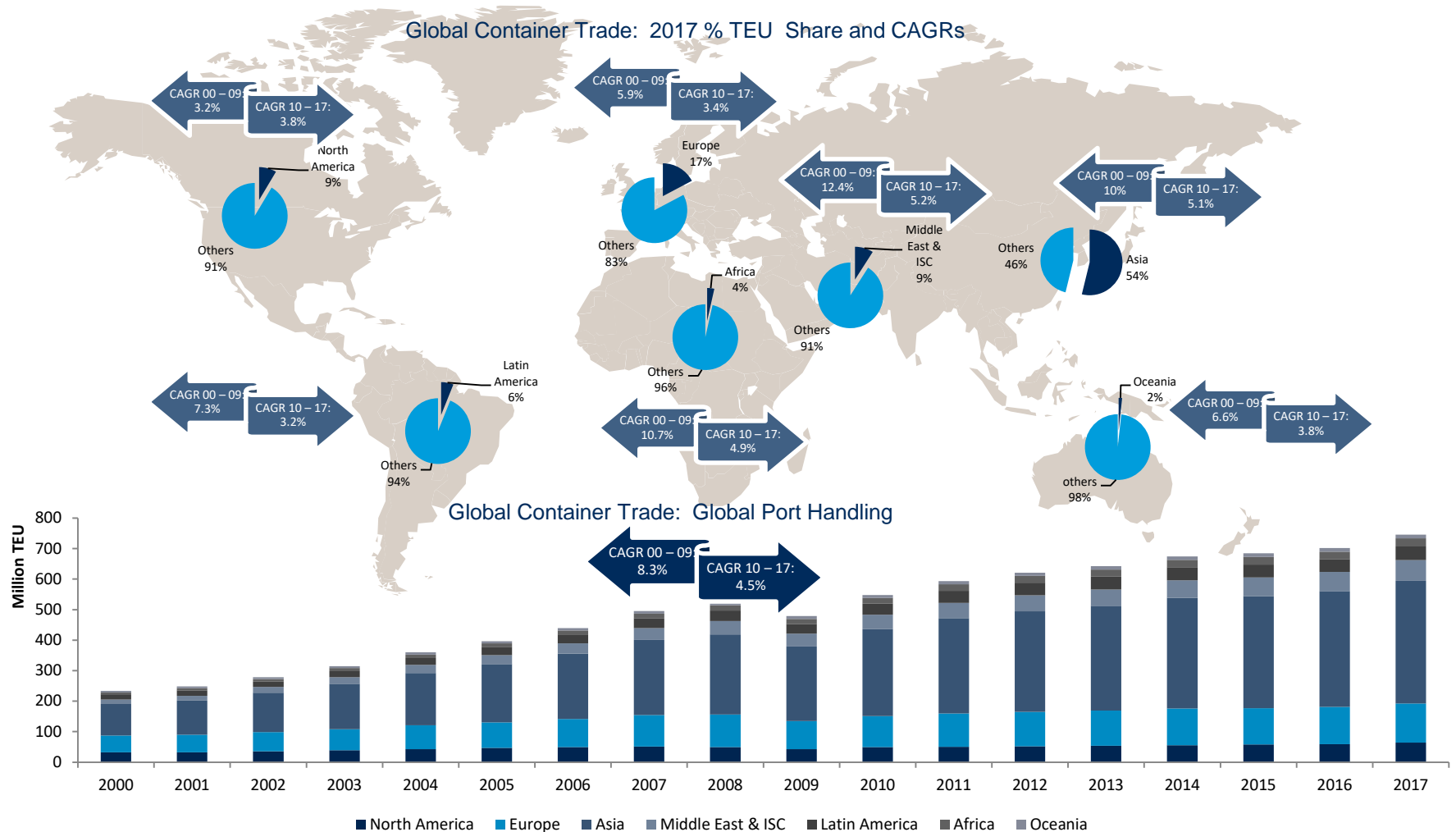
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- Threats of Container Trade
- US-China Trade War
- Impact on Container Trade
- Who is the winner



# Global container trade: Slower growth

The global container trade has grown at a CAGR of 4.5% between 2010 – 2017, down from CAGR 8.3% 2000-09.



# Drivers of trade deceleration

Big uncertainty is US-China trade war.



# US – China Trade War

# US-China goods trade imbalance

In 2017, US trade deficit equated to a negative \$571.6 billion of which \$375.2 billion (67%) was due to China.

## US - China Goods Trade (2017)



Trade Direction	Value (\$ Bn)
US export to China	187
China export to US	524

**\$ 187 Bn**

**US export to China**

**\$ 524 Bn**

**China export to US**

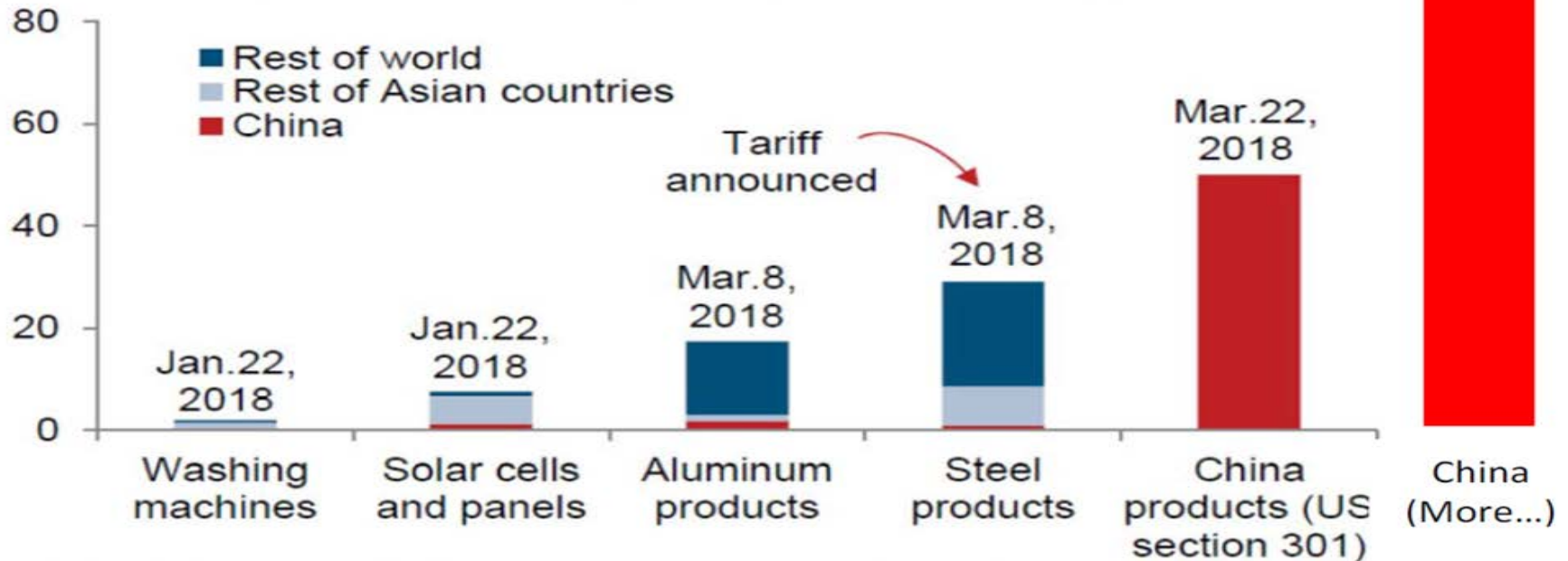


# How it started and escalated?



## China in the crosshairs

2017 US imports of goods targeted by recent tariffs\*, \$bn



\*Figures do not account for recent steel/aluminum exemptions.

Source: Dept. of Commerce, Haver, Goldman Sachs Global Investment Research, and Chinn

Source: Bloomberg, Alec Phillips and Andrew Tilton, "Assessing US-China trade tensions," *Top of Mind: Trade War 2.0*, Goldman Sachs, March 28, 2018.

# The trade war storm

- On Apr 3rd, The US side proposes a 25% tax on about \$50 billion worth of Chinese goods exports.
- China products on US list include **aerospace, IT, and machinery industries**, including components for **new-energy vehicles** and **other high-tech products**, broadly mirrors the “Made in China 2025” initiative.
- China fires back: 25% on \$50 bn US products too.
- The US products on China's list include **aircraft and automobiles** as well as **soybeans and chemicals**.

**High tech  
rather than  
big volume**

**Aircraft,  
automobile,  
agriculture and  
energy**

## What is the impact? Who would be the winner(s)?

**Working out what the Trump intends on trade is hard enough. Working out what effects it will have is even tougher.**

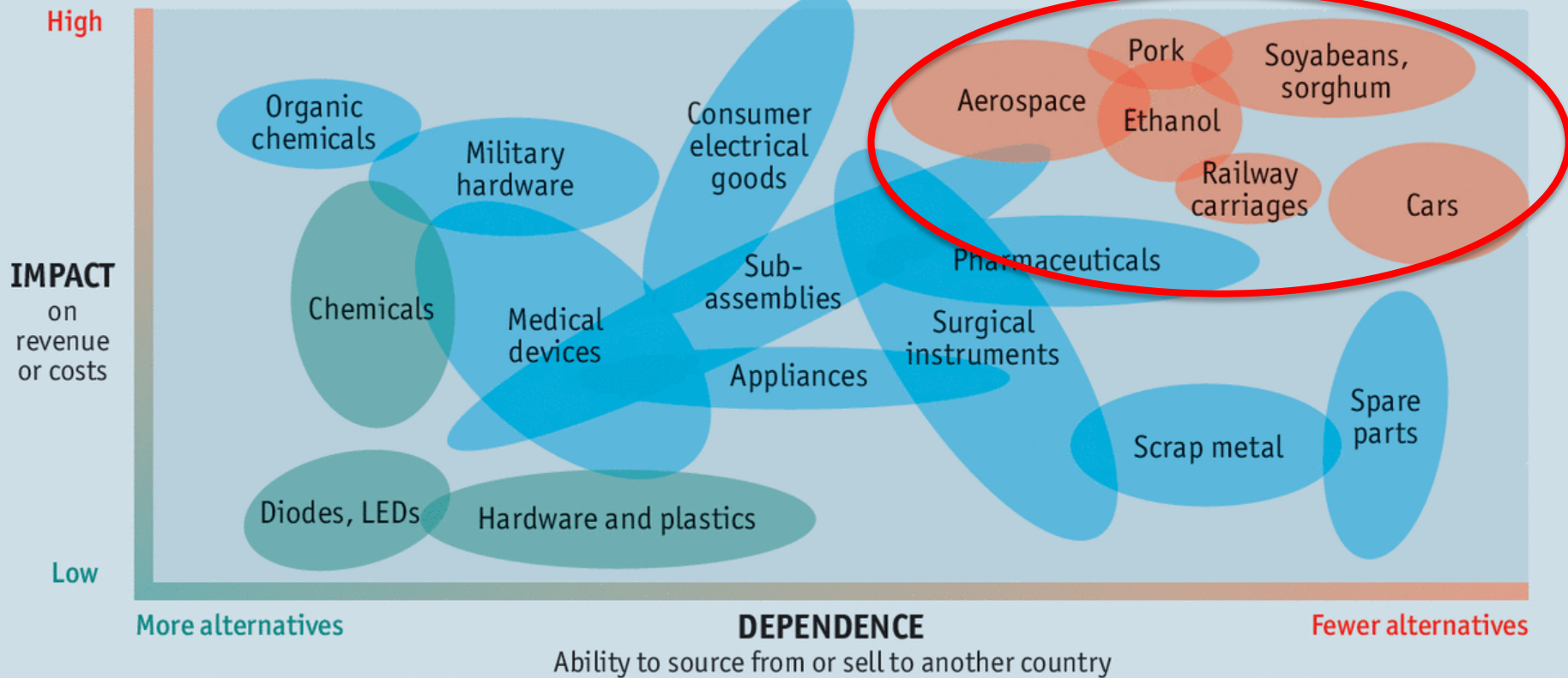


# Impacts on Container Trade

# Impact on American firms would vary

## Collateral damage

United States, impact of \$50bn of proposed Chinese tariffs, by product



Source: Resilinc

Economist.com



# Impact on global container trade and supply chain

Challenges and opportunities: Ability of economies to resolve their own issues and minimise the cost or pain.



- China exporter: **No business and shutdown.**
- US consumer: **Higher cost and hiking price.**
- World trade: **Structural change**
- Global supply chain: **Relocate their factories or distribution centres, at considerable social and financial cost.**



- Knock-on effect on global trade and supply chain.

# Impact on US-China seaborne trade

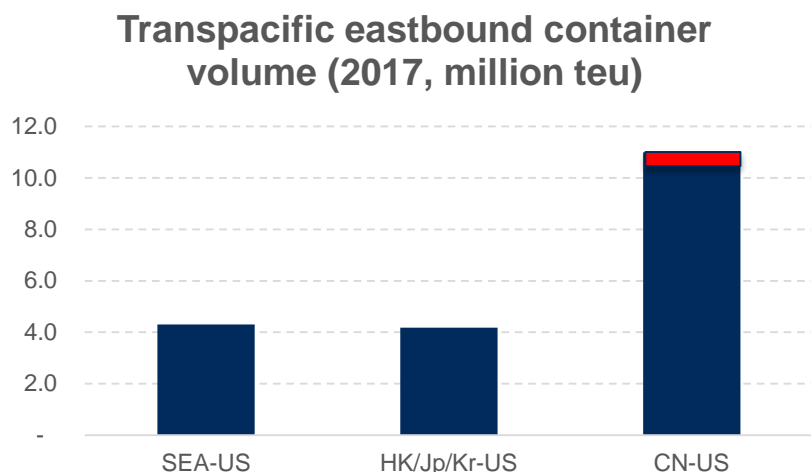
## China - US Seaborne Trade 2017

	Commodity	US export to CN (mn ton)	% of China import	US Import fm CN (mn ton)	% US import	Total (mn ton)	China-US out of Global
Container	Container	23.3	6.4%	62.2	37.4%	1834.5	4.7%
	Iron Ore	0.7	0.1%	0	0.0%	1472.7	0.0%
Drybulk	Coal	3.2	1.4%	0	0.0%	1208.5	0.3%
	Grain	39.9	34.4%	0	0.0%	515.1	7.8%
	Minibulk	4.2	1.3%	4.1	4.2%	1916.5	0.4%
	Crude Oil	16.1	4.2%	0	0.0%	2004.1	0.8%
Oil & Gas	Product Oil	0.7	2.4%	0.9	1.3%	1095.8	0.1%
	Chemical	2.1	3.7%	0.5	2.6%	301.9	0.9%
	LPG	3.5	19.4%	0	0.7%	89.3	3.9%
Gas	LNG	1.5	3.8%	0	0.0%	293.8	0.5%
	<b>Total</b>	<b>106.6</b>	<b>4%</b>	<b>97.8</b>	<b>15.0%</b>	<b>11614.3</b>	<b>2.0%</b>

Source: Clarksons, 浙商证券研究所 联系人: 浙商证券 研究员 韩军  
18817566082

# Impact on container shipping – Transpacific trade

Next question is, if Trump doesn't import from China, where could it import from?



Source: Drewry Maritime Advisors

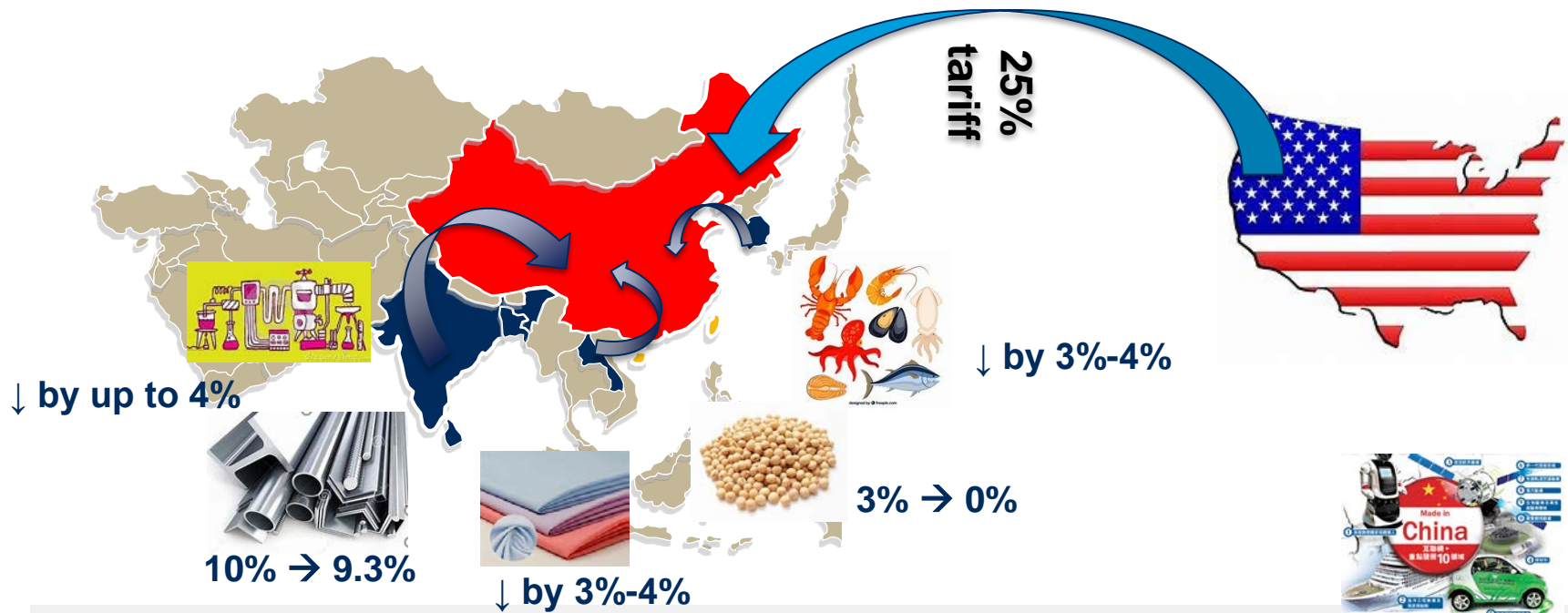
If not China,  
Where could I  
import from?

- Assuming **50 bn usd high-tech** cargos exposed to higher tariff, **0.4 mil teu** cargos will be affected. This is about **4% of CN-US** export of container cargo, and **2.3% of transpacific eastbound** container trade.
- If trade war escalated to low-value cargos, effect will be more than double.



# China actions taken - Reduce Tariff On Import Of Over 8,500 Goods From India And Other Asian Countries

**Tariff reduction:** Tariff reduced for products from *Bangladesh, India, Laos, South Korea and Sri Lanka*, parties of Asia Pacific Trade Agreement. The list of products cover soybean, foods (vegetables, fruits, seafoods, poultry, beef, pork), and other agriculture products (for livestock), pharmacy; textile; chemicals, ore & coal, oil and gas.

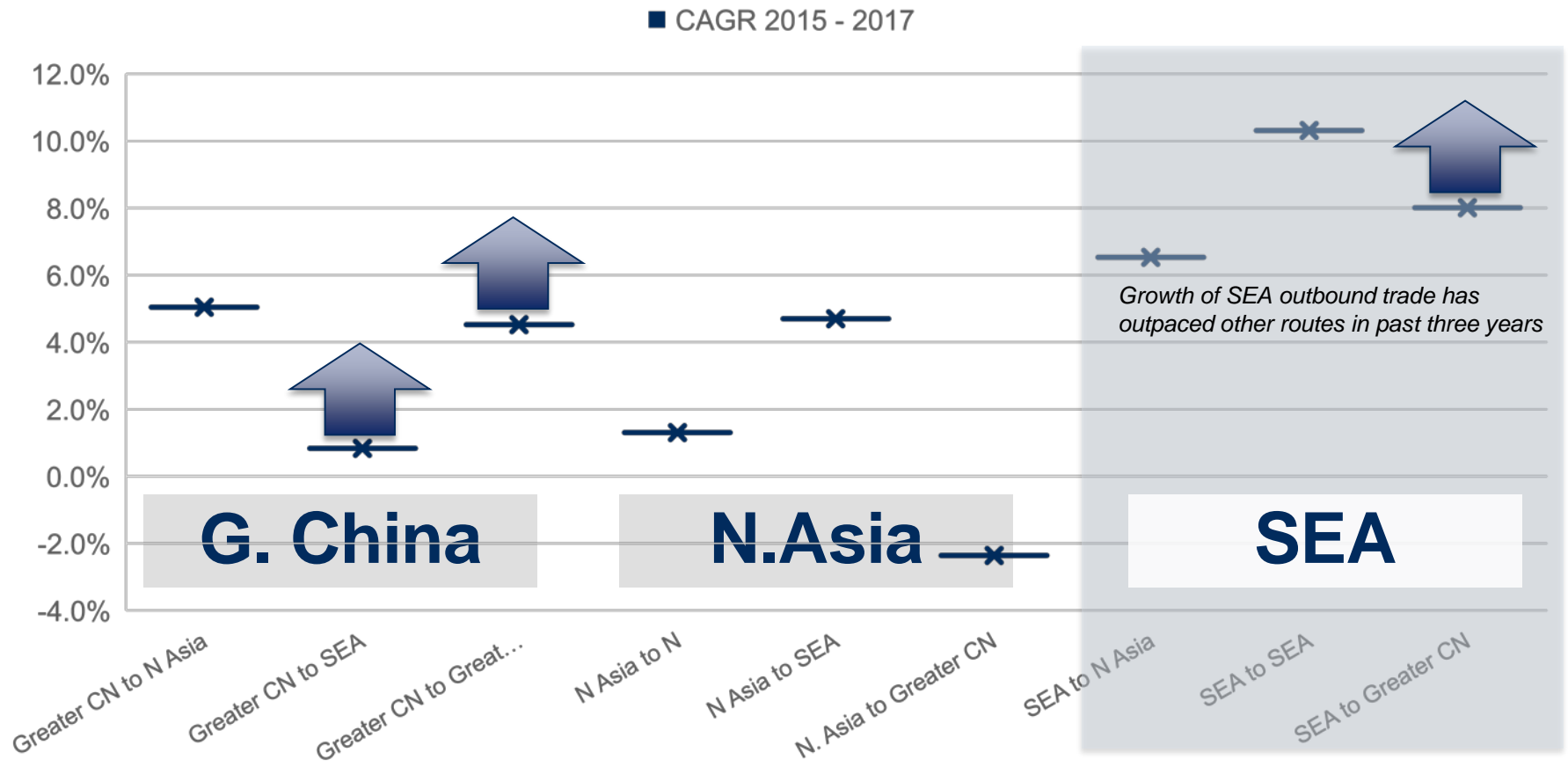


**Tax rebate:** China has announced tax rebate to ten key industries including IT, high-end CNC machines and robots, marine engineering and high-tech vessels, biomedical, green vehicle, agricultural machinery etc.

# Impact on container shipping – Intra-Asia trade

Both sides will seek replacement in Asia and SEA market!

## 2015 - 2017 CAGR by routes





# Who is the winner?

**US-China trade war is unavoidable.  
If there is any winners,  
that is more likely from India and SEA!**

Are you ready?

## Thank you!



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