



45th Session of the INSMEAcademy

"Geo-economic changes and emergent players in maritime economy and logistics: impact on SMEs strategies" 22nd of February 2017

During the 45th session of the INSMEAcademy, Mr. Massimo Deandreis, General Manager at SRM – Economic Research Center related with Intesa Sanpaolo Banking Group (*INSME Sustaining Member*) & President of the Italian Society of Business Economists – GEI, explored emerging megatrends in the trade sector impacting and determining the success or failure of SMEs internationalization processes.

Transport and Logistics are a key factor in the growth of SMEs especially when they decide to go international: as a matter of fact worldwide logistics expenditure accounts for 15% of the world GDP and transportation represents the biggest share with 39%. The maritime transport is the most relevant way of transport as it offers low costs and high capacity: 80% of global trade by volume and over 70% of global trade by value are carried out by sea and are managed by ports worldwide. These numbers demonstrate that competitiveness in logistics is fundamental in the supply chain of a country.

In this frame, Mr. Deandreis shed light on four main phenomena influencing maritime economy and impacting on SMEs to reduce their logistics costs:

- I. **The New Suez Canal** that is increasing the freight traffic in the Mediterranean Region. As reported during the presentation, the total amount of goods passing through the Suez Canal grew by 120% between 2001 and 2016 while it remained stable in 2016;
- II. **Naval Gigantism:** the percentage of megaships of more than 10,000 TEUs (Twenty Foot Equivalent Unit) increased considerably lately. Megaships of this kind were 13% of the world fleet capacity in 2012 and are expected to reach 34% by 2020;
- III. **Mega Alliances between carriers:** the trend of merges and takeovers has been consolidating. As of today the top 5 ocean carriers control approximately 54% of the world's containership fleet;
- IV. **The Panama Canal Expansion** - inaugurated in June 2016 - will have positive effects on trade as it will enable the passage of larger vessels, allow new types of vessels to pass through and increase the number of transits in the medium to long term.

These phenomena are assigning a crucial position to the Mediterranean and are strictly related to China's increasingly important geo-economic role. The Mediterranean has a new centrality that makes it a strategic hub for China to reach Europe, to serve the MENA region which is a fundamental partner for the country in key sectors such as energy, as well as to reach the east coast of the United States. SMEs will benefit from China's investments in the Silk Road: it is forecasted that China will export in the countries and regions along the Silk Road goods and services for about 780 billion dollars, with an import of 573.6 billion dollars by 2020.

In addition, SMEs can take advantage of free zones. Generally organized around major seaports, free zones usually generate opportunities in terms of:

1. reducing/exemptioning from private and corporate income taxes;
2. reducing costs and customs barriers;
3. giving incentives for investment;
4. activating contractual deregulation processes.

The presentation has been concluded by stating that it is reasonable to think that shipping companies will select routes that guarantee diverse stops, where to unload containers and load others. Furthermore in order to load their cargos at the maximum, shipping companies will have to assure the highest average load level possible that will be achievable through megaships. It is evident that new opportunities for SMEs are emerging and being aware of these trends is fundamental to exploit fully their potential.