



*Geo-economic changes and emergent players in  
maritime economy and logistics:  
impact on SMEs strategies*

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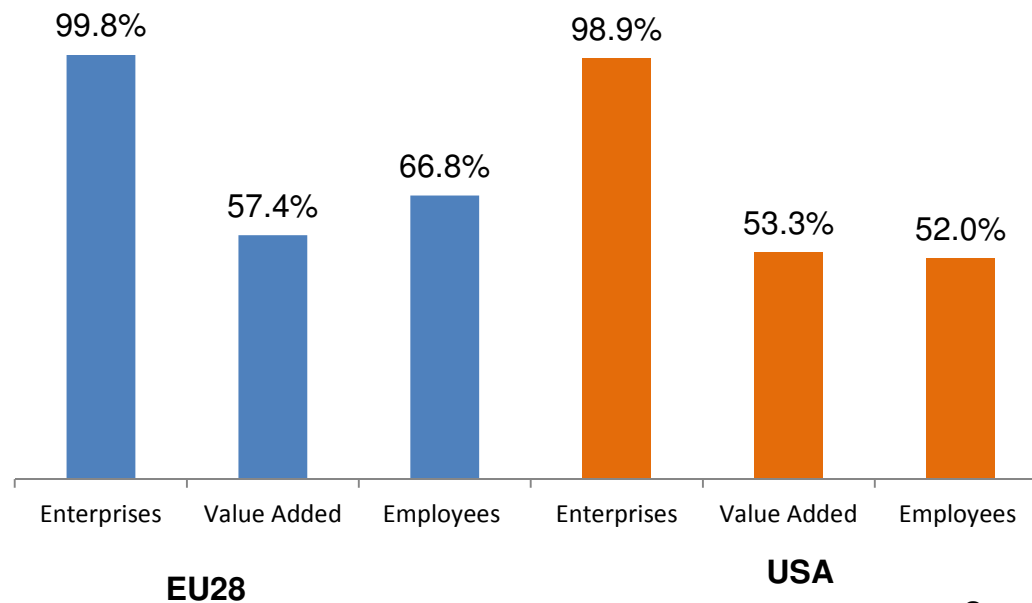
# Agenda

- SMEs contribution to international trade
- The importance of transport and logistics efficiency for SMEs and the new phenomena emerging in Maritime economy
- SMEs opportunities arising from China's investment along the Silk Road
- New opportunities for SMEs in Free Zones
- Investing in Italy: Why?

# SMEs Performance & Business Environment

- Across the EU28 and the US, the contribution of **SMEs** is considerable. They form the **backbone** of both economies.
- SMEs make up **99.8%** of all **enterprises**, **57.4%** of **value added**, and **66.8%** of **employment** in Europe. Also in the US, their contribution is relevant.
- 23 million SMEs in the non-financial business sector in Europe generated **€3.9 trillion of value added** and employed **90 million people**. The 28 million small businesses in the USA accounted for 54% of all U.S. sales; a value 3 times as big as that of their EU28 counterparts.

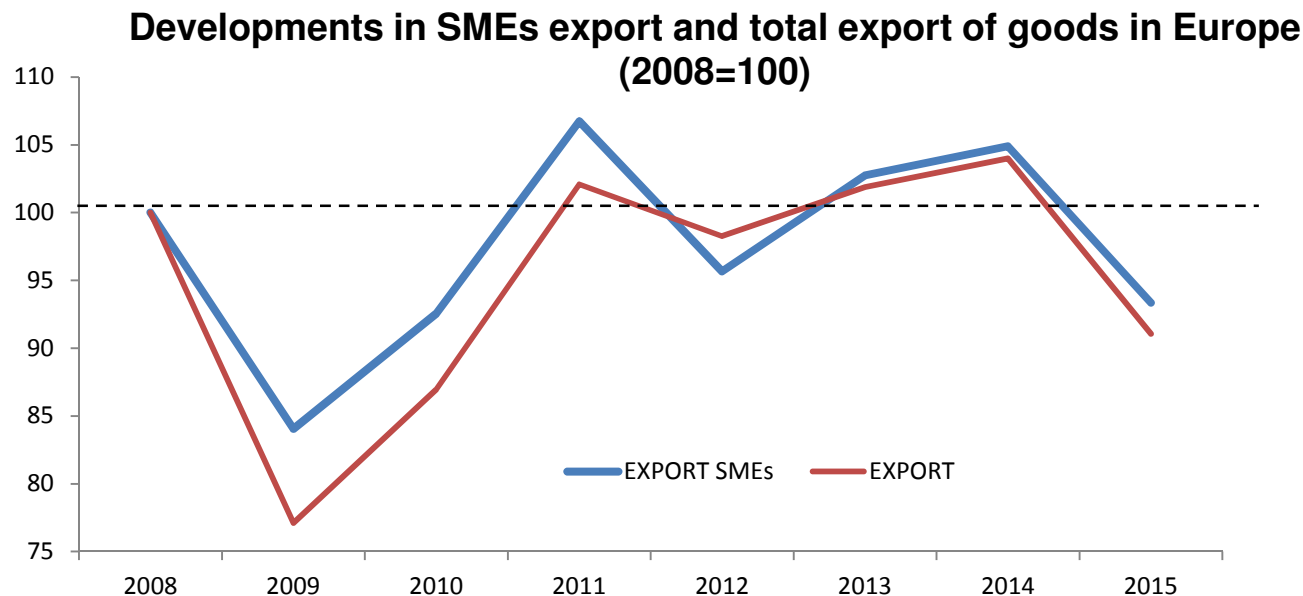
**Importance of SMEs in the EU28 and in the US**



Source: European Commission 2016

## SMEs and Internationalization: a Winning Combination

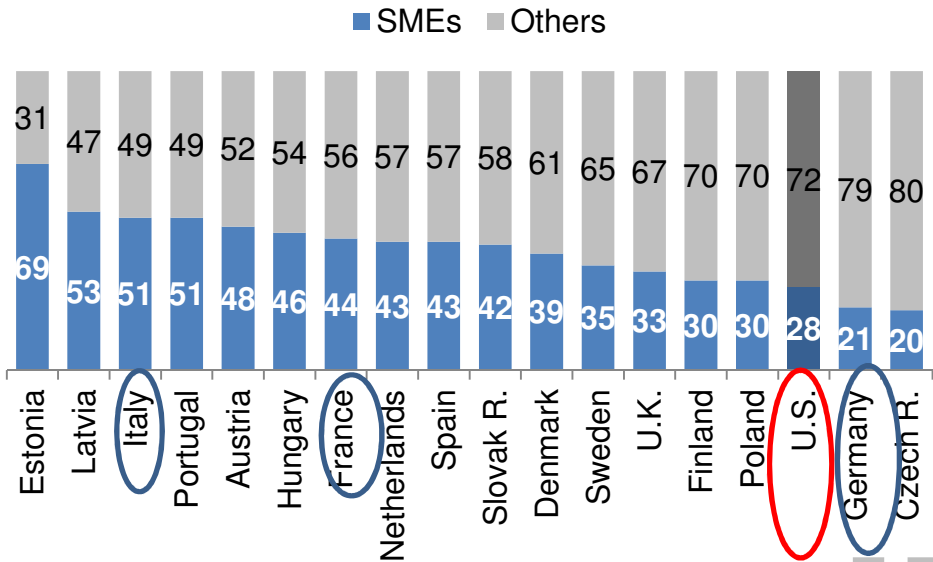
- Today's increasingly interconnected global economy is transforming not only **what** is traded and **how** it is traded, but also **who** is trading.
- Thanks to the Internet and the increasing openness of the global economy, **many SMEs** now have the potential to become successful and important **global traders** as well.
- **Trade** is the most common form of internationalization for **SMEs**. Between 2008 and 2015 they performed generally better than all enterprises.



SOURCE SRM on OECD

# SMEs and Internationalization: the Behaviour Changes significantly according to Direction and Country

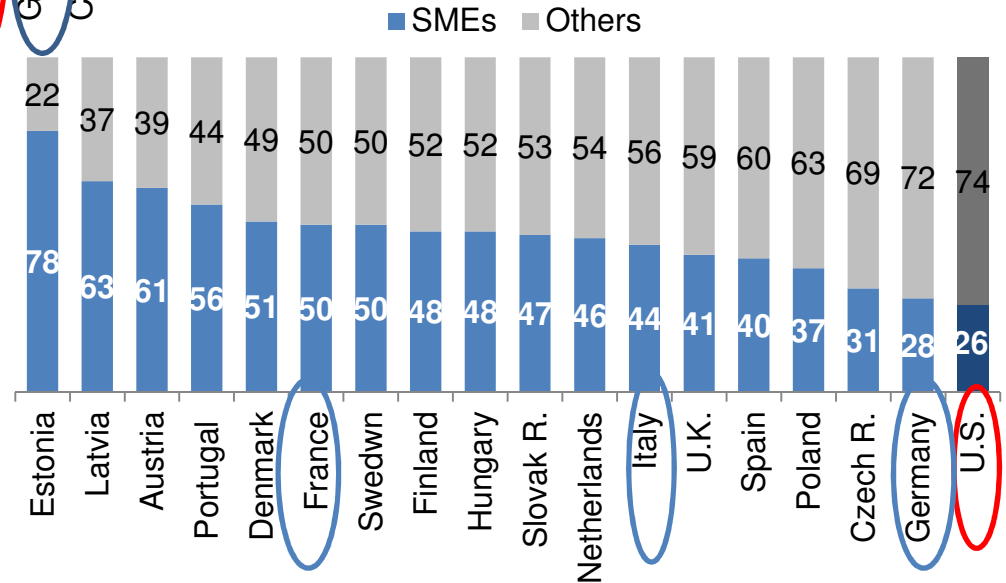
Exports in % - European selected Countries & US



In developed Countries, SMEs account for 34% of exports...

...and 38% of import on average.

Imports in % - European selected Countries & US



Source: SRM on WTO 2016

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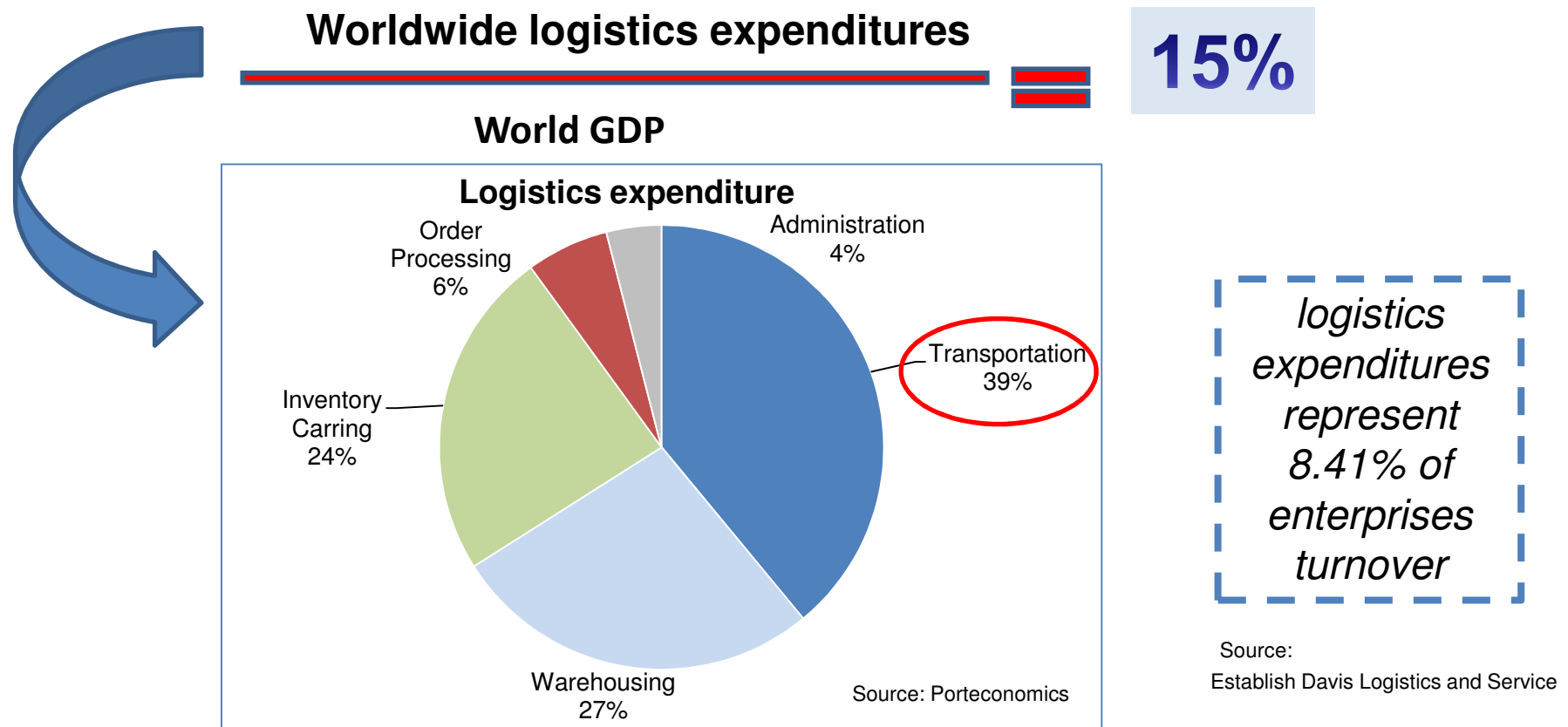
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# Why care about Transport & Logistics?

# The Incidence of Logistics Expenditure

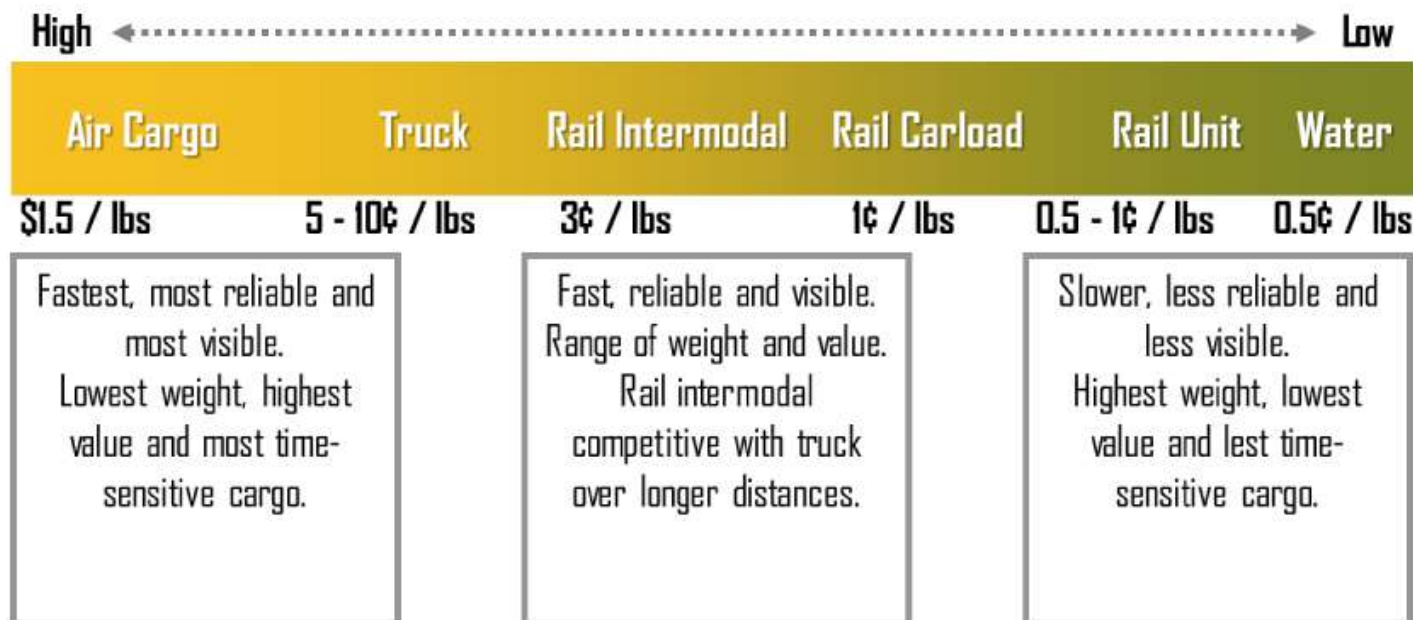
**Transport and Logistics** play a **crucial role** in the **growth of SMEs**, especially when they decide to reach out to markets outside of their country.

In fact, the **optimization of supply chain** management within a firm is an element that **will determine the success or failure** of its internationalization process.



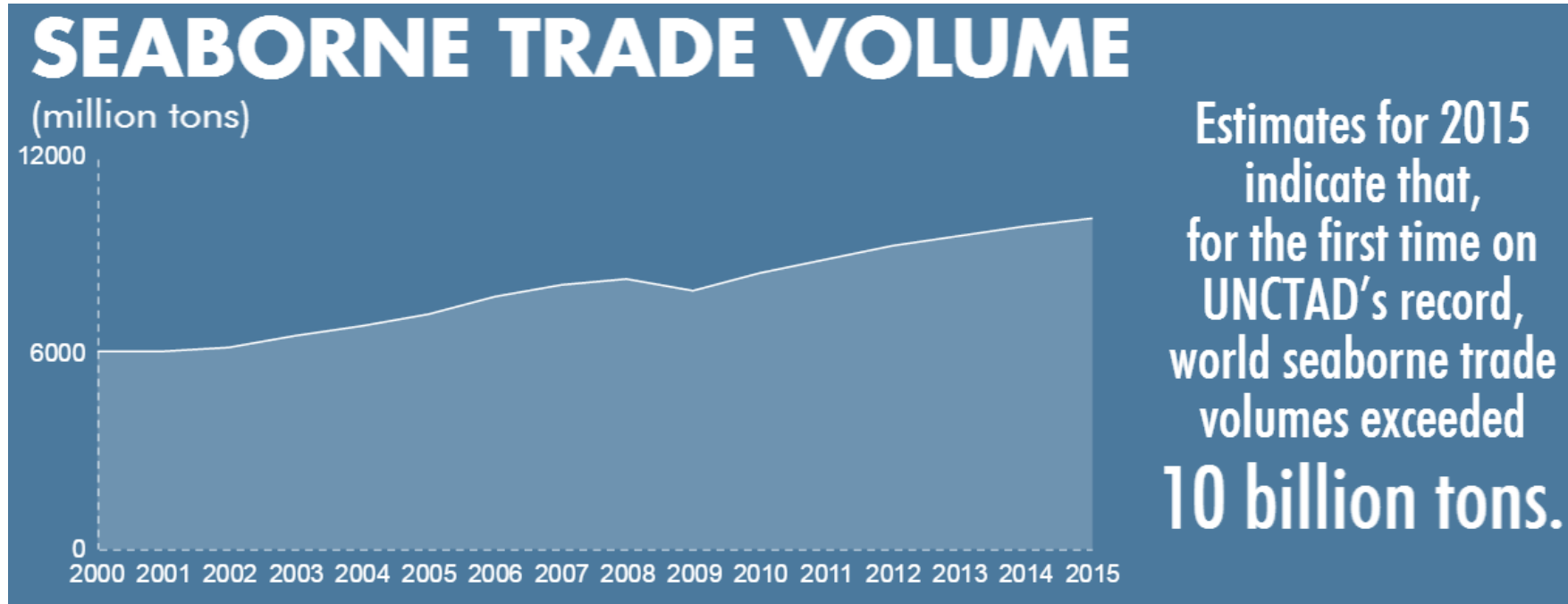
# The most Relevant Way of Transport: Maritime

- The choice of a transportation mode depends on a number of factors such as the nature of the goods, the availability of infrastructures, origins and destinations, technology, and especially distances.
- **Maritime transport offers low costs and high capacity**, but low speeds. While this is suitable for bulk trades (e.g. oil and raw materials), containerized shipping is makes for low speeds by offering high service frequency.
- Around **80% of global trade by volume and over 70% of global trade by value are carried by sea** and are handled by ports worldwide.



SRM on Porteconomics

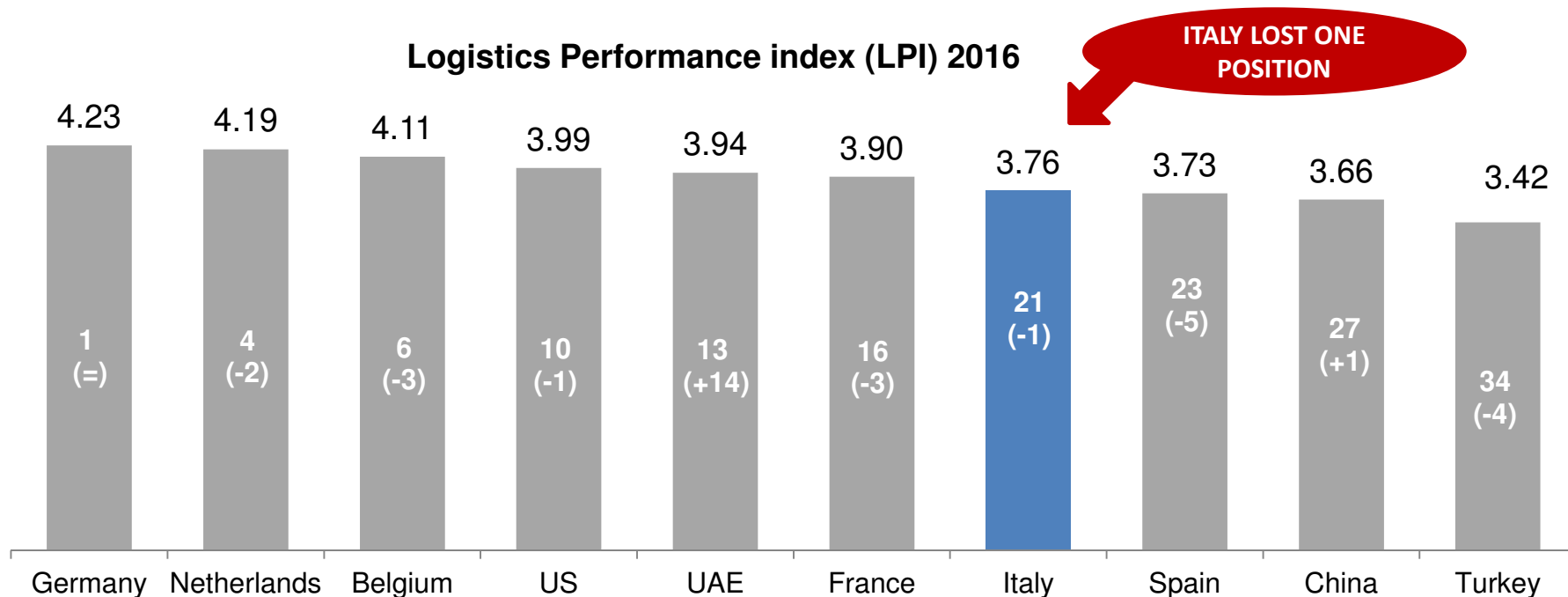
# World Maritime Trade Reaches a Record



Source: UNCTAD 2016

## Competitiveness in Logistics and the Incidence of Logistics Costs

- Supply **chain bottlenecks** are the primary cause of friction in trade (trade costs). **Reducing** them **by half** would **raise trade by 15%** and production by **5%** globally (*World Bank*).



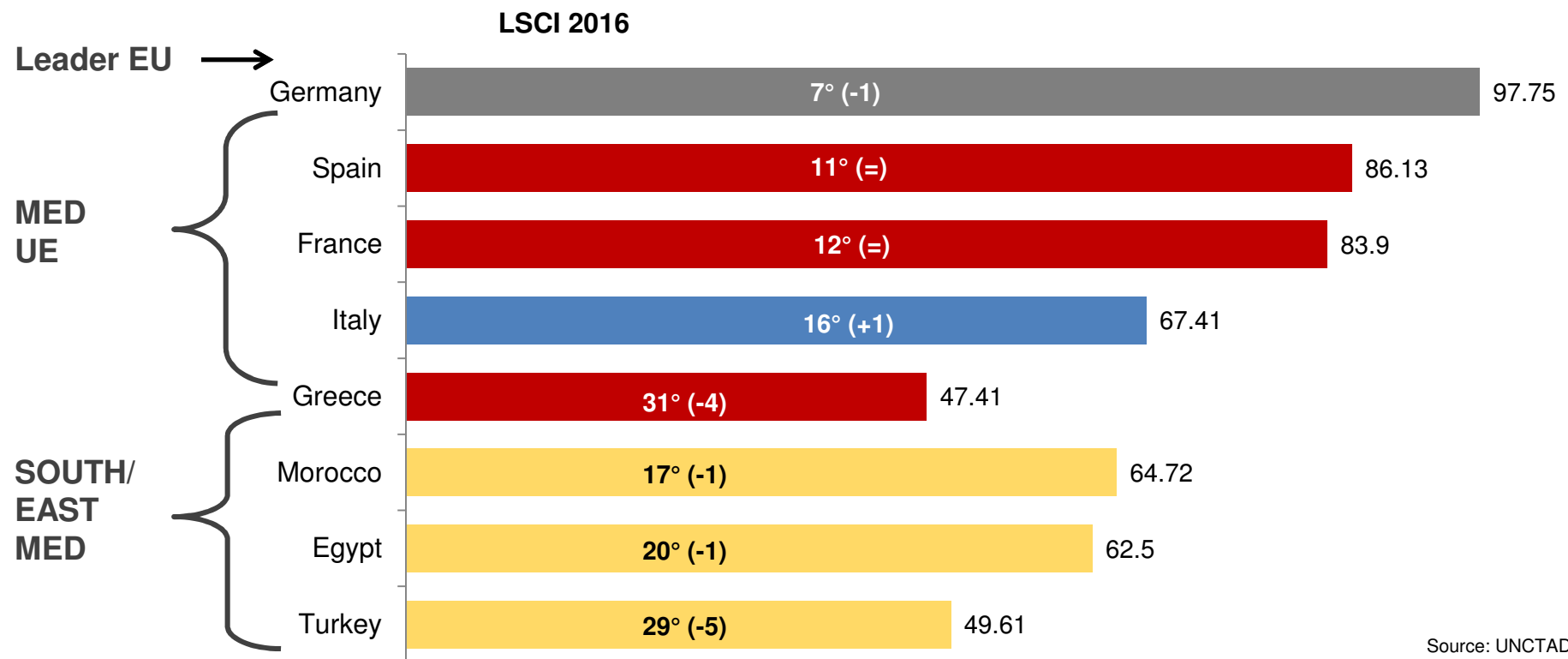
Source: SRM on WB 2016

- The Logistics Performance Index (LPI) indicates a country's level of competitiveness in logistics. **Italy is 21<sup>st</sup> in the LPI world ranking.**
- Among Italy's main competitors there are **Germany and the Netherlands**, but also new entrants such as Turkey. **The UAE showed a significant increase and gained 14 positions** on 2014.

# Competitiveness in Shipping Connectivity: Italy among Countries Analysed

- The **Liner Shipping Connectivity Index** (LSCI), elaborated by UNCTAD, shows the level of competitiveness in ports and shipping system of 157 countries.
- Among main competitors, **Italy ranks 16<sup>th</sup>** gaining one position on 2015 and surpassing Morocco. **China** is the best in the world.

China 2004=100

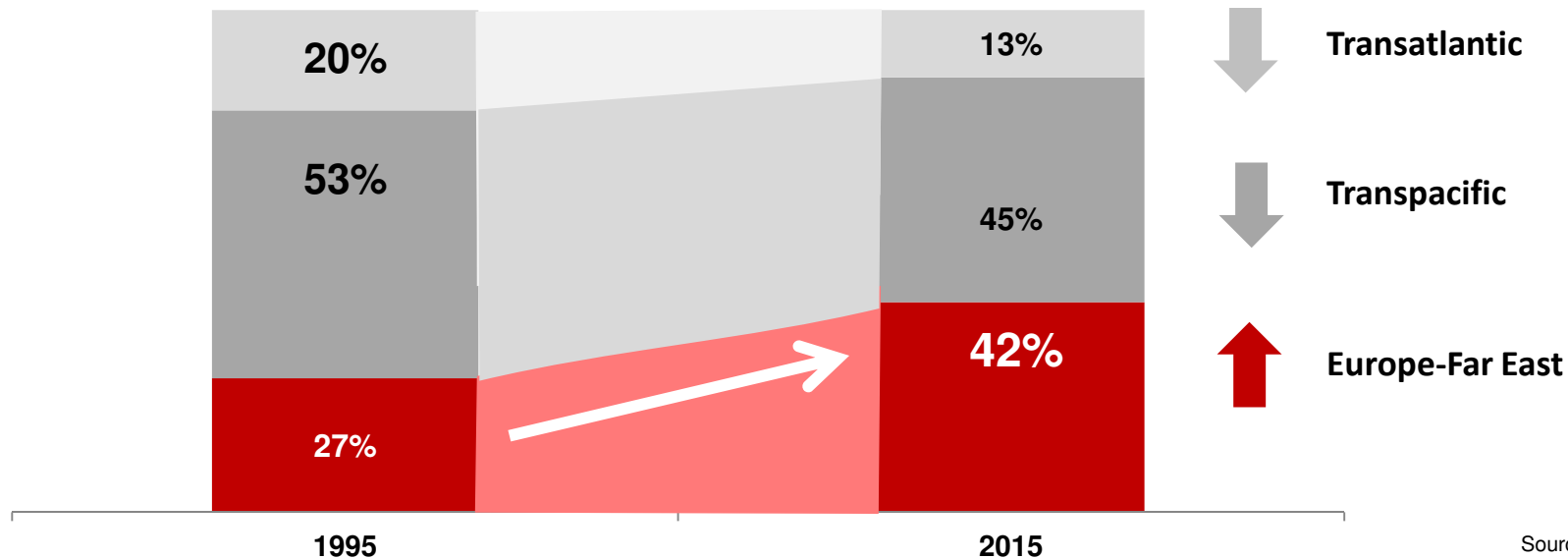


A platform for  
international trade:  
the Mediterranean sea

# New Centrality of the Mediterranean: The Emergency of the Europe-Far East Route

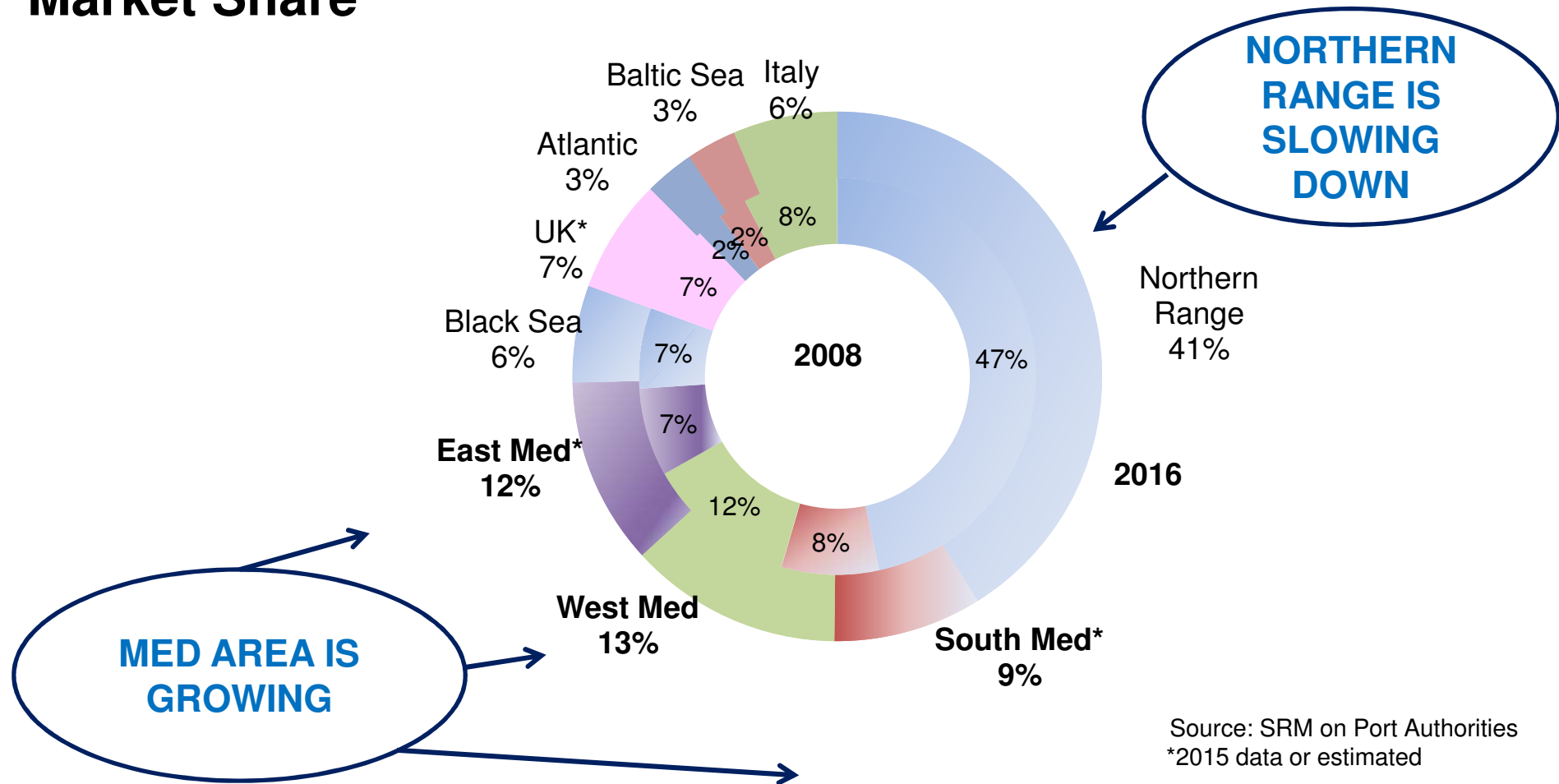
- Within the three main deep sea East-West shipping services the **Europe-Far East progressively gained traffic** raising its share **from 27% in 1995 to 42% in 2015**.
- In 2015, the Europe-Far East and the Transpacific were by far the two biggest trade routes, accounting to **22 and 24 mln TEUs of traffic** respectively. As a result of this growth, the Mediterranean basin and its ports recovered their own centrality, thanks to the transit of (almost) all mother vessels via the Suez route.
- The Europe-Far East route is the way for **Chinese products** to enter Europe.

Estimated containerized cargo flows on major East–West container trade routes, 1995–2015 (% TEU)



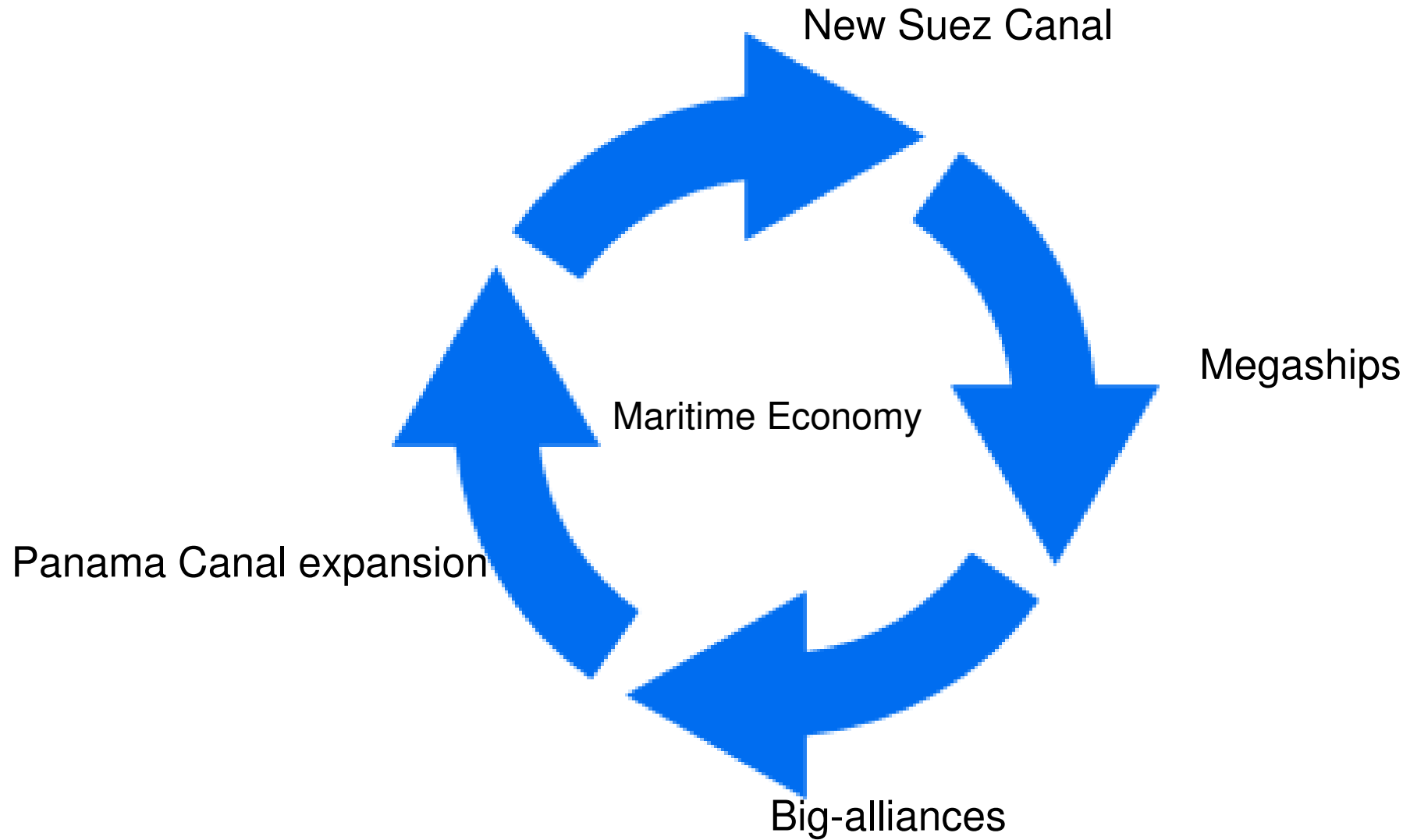
Source: SRM on Unctad, 2016

# The analysis of container ports by geographic area: the Market Share



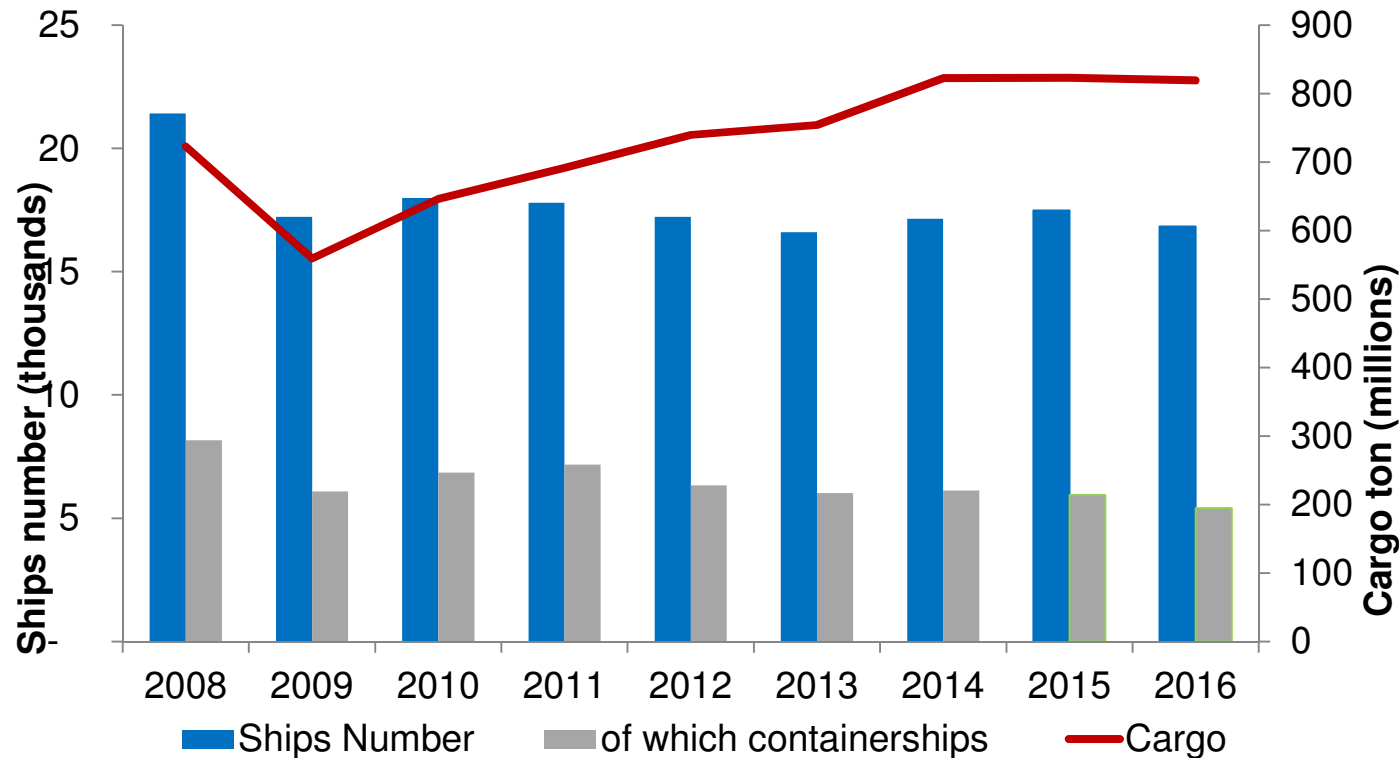
- The **MED Area** can be a **great opportunity**; between 2008 and 2016 the ports of **MED Area** **increased** their **market share** from **27% to 34%**. Northern Range decreased its market share.

# There are 'Four' Phenomena that are Influencing Maritime Economy



# Traffic in the Suez Canal: Ships and Cargo

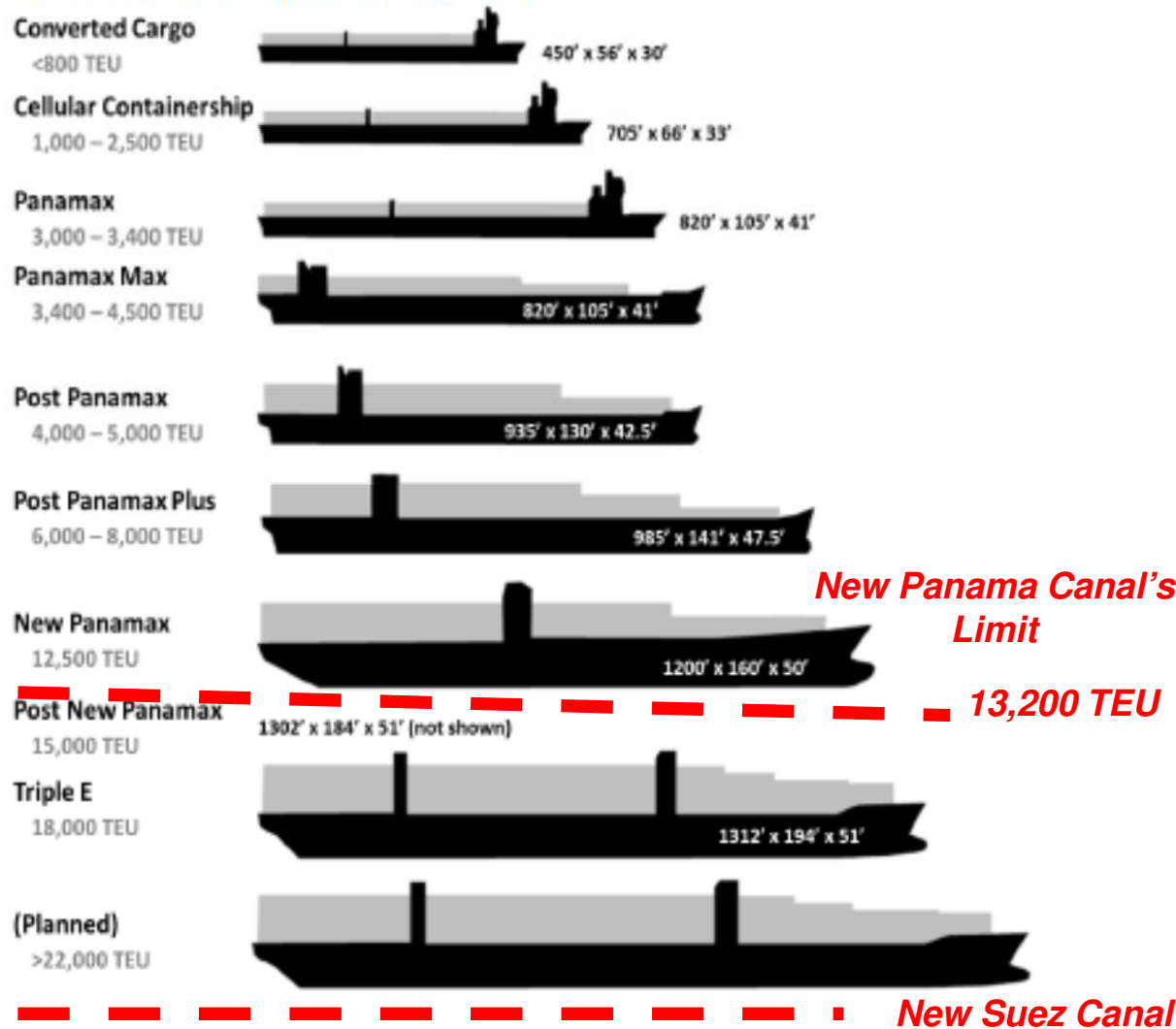
- Transit goods account for 8-10% of the entire globe. In 2016, almost 820 million tonnes of goods passed through the Canal.
- Freight traffic in the Med region increased: the total amount of goods passing through the Suez Canal grew by 120% between 2001 and 2016. It remained substantially stable in 2016 (-0.5%).
- The Mediterranean holds 19% of global freight traffic, 30% of oil traffic and 25% of container routes.



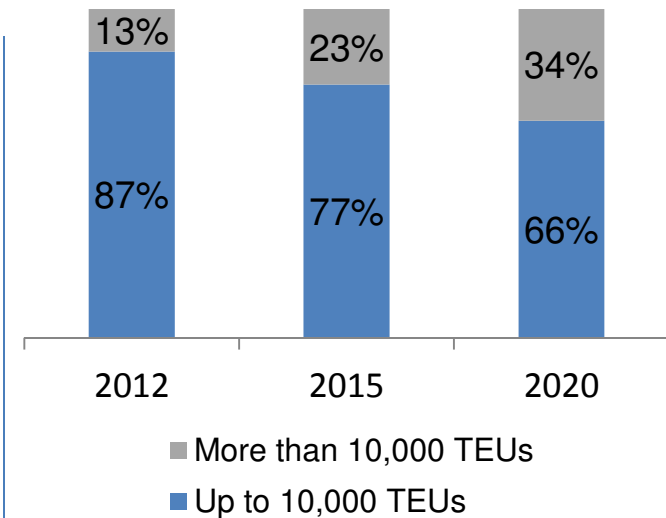
Source: SRM on Suez Port Authority, 2016

# The Naval Gigantism phenomenon: the World Fleet will change in the Future

## EVOLUTION OF CONTAINERSHIP SIZE



## Containership fleet capacity

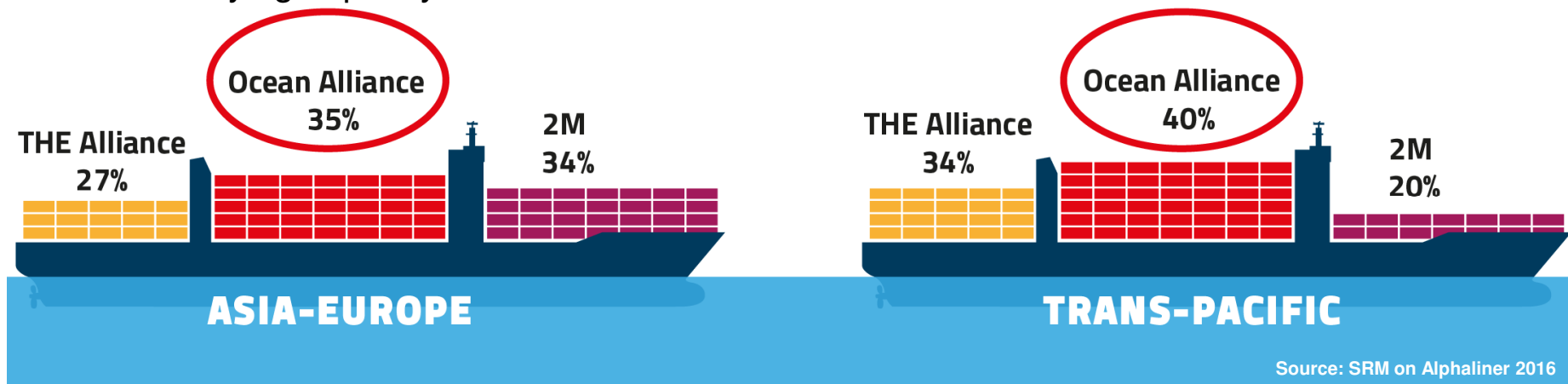


173 ships will be delivered between 2017 and 2019 in the 10-21.000 TEU class (of which 58 in 18-21.000 TEU).

Source: Alphaliner, Panama Canal Authority

# Mega Alliances between Carriers are changing the Container Market

- The recent **process of mergers and takeovers continues**; the **top 5 ocean carriers control approximately 54%** of the world's containership fleet (in 2005, this percentage was around 36%).
- **The Ocean alliance** intends to deploy around **330 container vessels** with an estimated total carrying capacity of **3.5 million TEUs**.



The Ocean Alliance:	
Company	Country
CMA-CGM	France
Cosco Shipping	China
Evergreen	Taiwan
OOCL	Hong Kong

# The Panama Canal Expansion: Three Main Effects

The inauguration: June 26<sup>th</sup>, 2016

The three main effects following the expansion of the Canal:

- **The new Canal allows the passage of larger vessels.**
- **A new type of vessel will also be able to pass.** A new market segment will be created: it consists of LNG and LPG.
- **The number of transits in the medium to long term will increase.** The new Canal will potentially allow the **simultaneous transit of 3 ships**: a potential total maximum of **50 transits per day**.



+large vessels



New traffic



More transits



**ECONOMIES OF SCALE**

# Panama becomes Americas' Hub

- The expansion of the Panama Canal is linked to a series of projects for enlargement of **Atlantic ports** of the United States to facilitate the landing of megaships: e.g. New York, Savannah, Charleston. (\$ 320 mn to improve its ports).
- The expansion will become a connectivity **driver** with Latin America.
- Many bridges and docks on the **West and East coasts** are **too low or too narrow to accommodate megaships**.



# Comparison between Suez and Panama

- The graph shows 4 examples of routes and the impact of the New Suez Canal

Case studies on a panel of strings before the expansion of both canals

		Suez	Panama
Trade route	Distance (Nautical miles)	Days of sailing	Days of sailing
Shanghai-Rotterdam	10,525	29	37
Hong Kong-New York	11,593	32	31
Shanghai-New York	12,370	34	30
Shanghai-Houston	13,932	39	28



Route where Suez is already more convenient



Route where Suez will be much more potentially convenient than Panama



Route where Suez will be more potentially convenient than Panama



Route where there are no significant effects

# Fees Competition between Panama and Suez Canals Intensifies

- The Suez Canal Authority recently approved (6th June 2016 and renewed in January 2017) the **launch of a tariff line that provides a discount of up to 65%** on some container routes coming from the American ports on the East Coast and bound toward the ports of **South and South East Asia**.
- This decision may be a strong **incentive to intensify the passages through Suez**, increase their competitiveness **against Panama** (which will probably be urged to review its tariff strategies).

## An example of competition on toll tariffs

### Suez: sales

Container ships coming from port of Norfolk (US) and its southern ports heading to the ports of Port Kelang (Malaysia) (and its eastern Ports) shall be granted a **reduction of 65%** of the Suez Canal regular tolls.

### Panama: new loyalty program

**Loyalty program** for full container vessels applies a preferential tariff system. it is applicable to all customers with a registered TEU annual capacity of over **1.5 mil. TEU**: if this capacity is reached, the price will be reduced by **\$ 3** per TEU.

Source: SRM on Panama Canal Authority and Suez Canal Authority

The centrality of the  
Mediterranean increases  
thanks to the expansion  
of new Canals

# Agenda

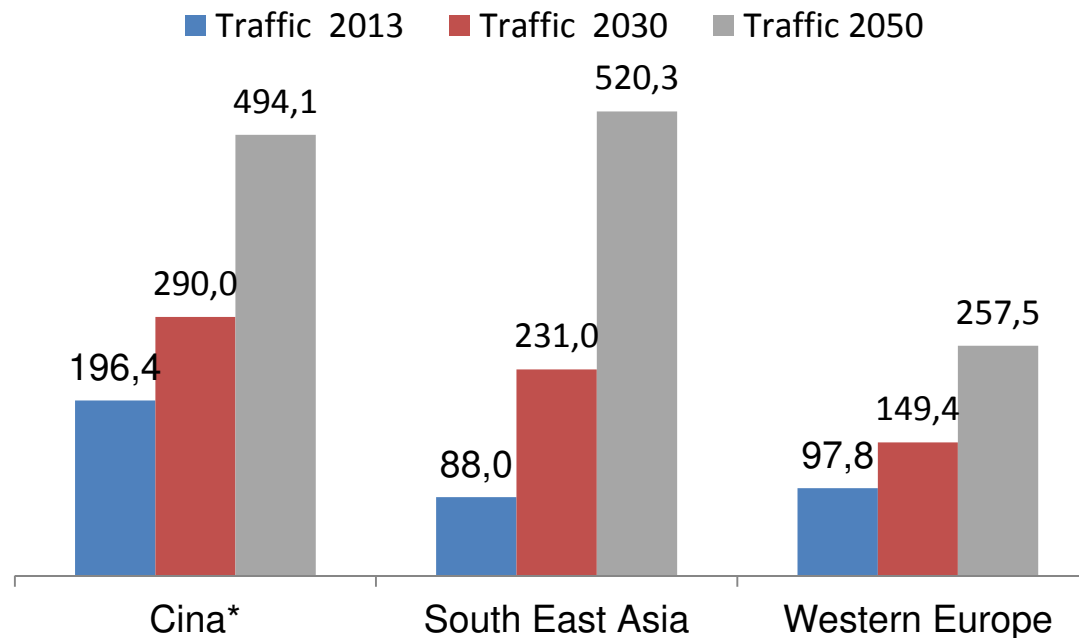
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# China is a Key Player

- **China** moves almost **200 million Teus**: about **31% of goods** moving by sea on a **global scale**.
- China will see an **increase** of its trade **by 2030, reaching 290 million Teus (+48% growth compared to 2013)**, achieving, **by 2050, 494 million** (151% growth, compared to 2013).

**In Cina Maritime economy has a value of 970 billion dollar (9.4% of GDP)**

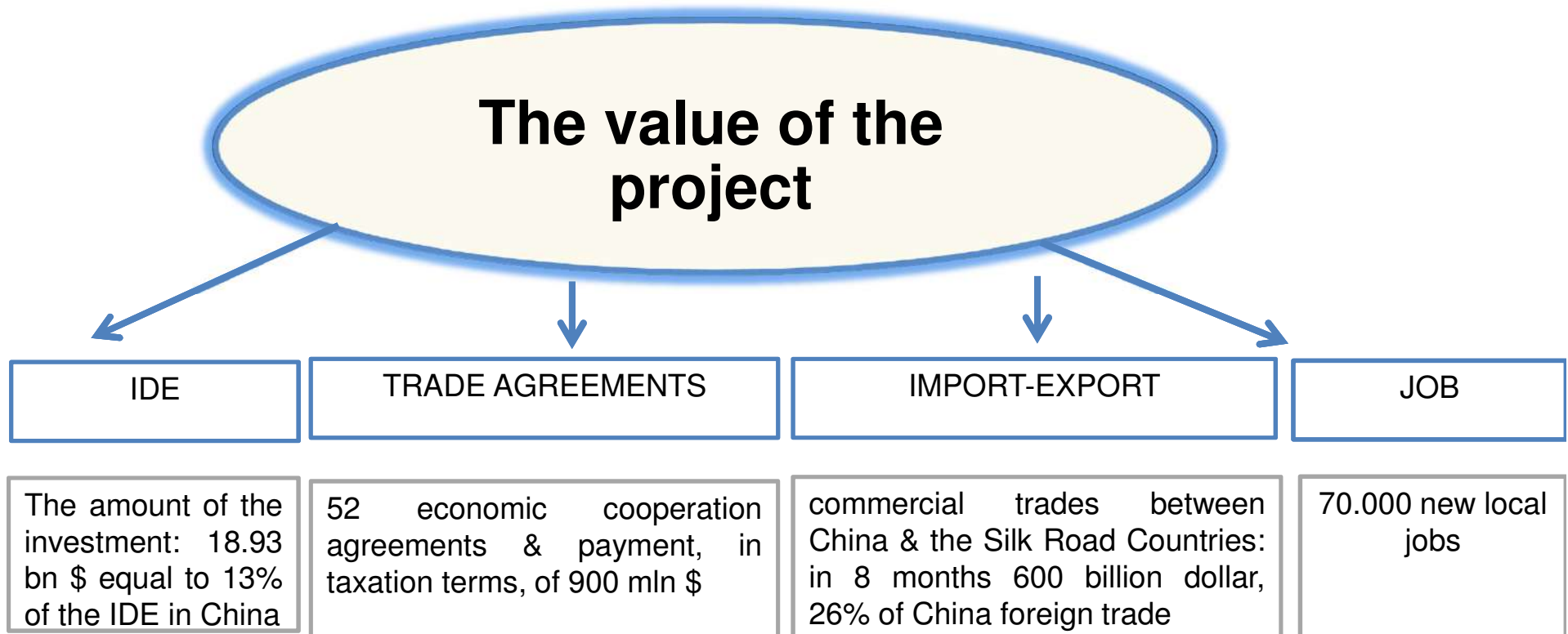
ContainerTraffic in the three main areas of the World (Million Teus)



Source: SRM on OECD 2016

\*Data referred to Greater China

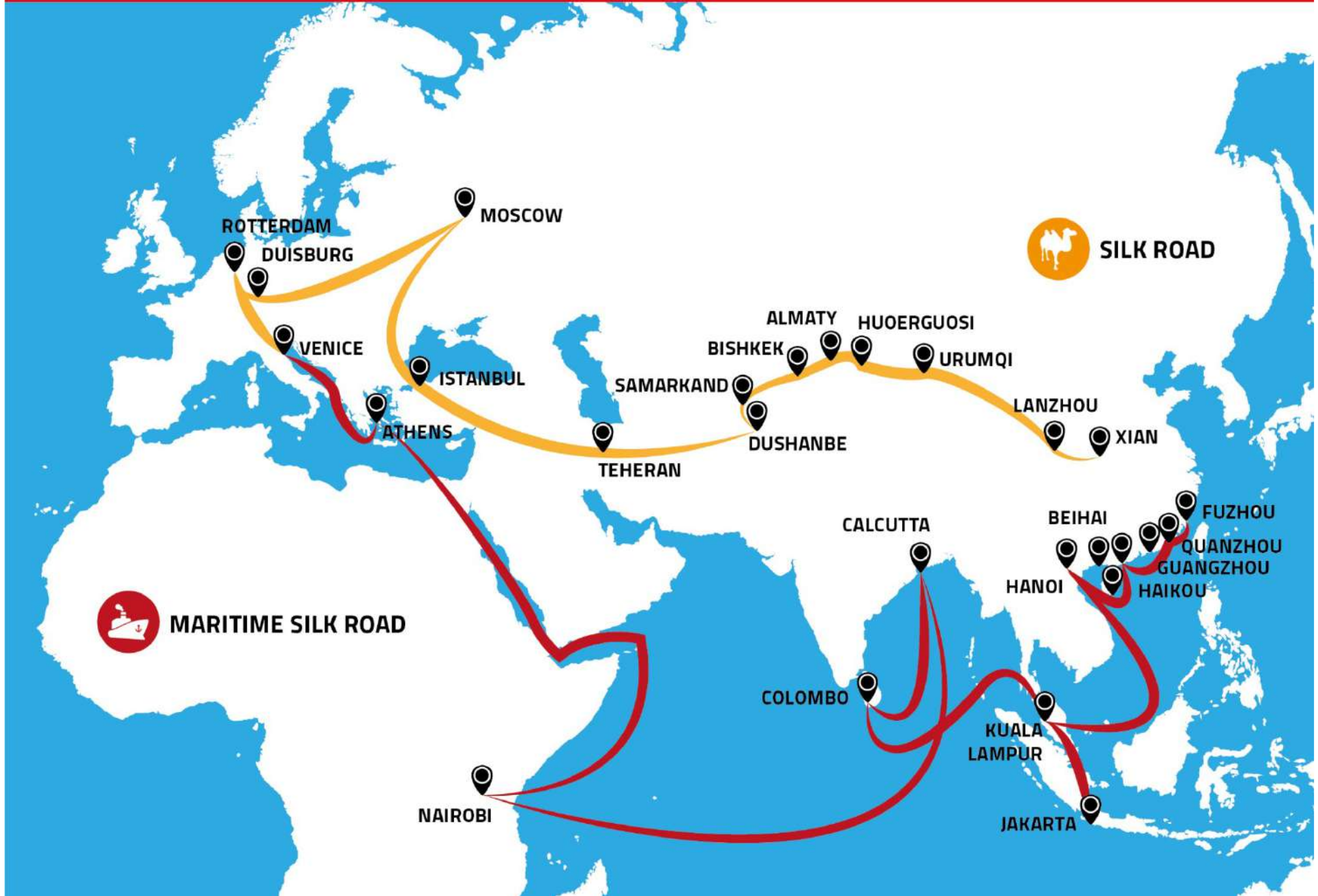
# The Silk Road Investments: **a New Opportunity for SMEs**



## Forecasts 2020:

China will export in the Countries and the regions along the Silk Road goods and services for about **780 billion \$**, with an import of **573.6 billion \$**.

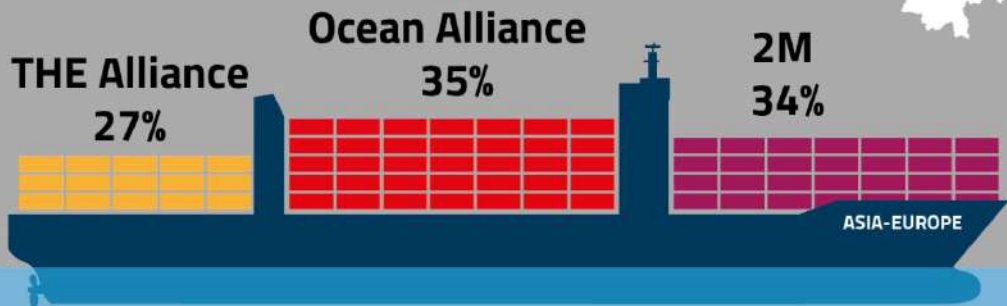
# One Belt One Road



# China's presence in the Mediterranean, Europe and the Gulf



-  Control centre intra-European services
-  Investment in terminals
-  Ports acquisition



# China is Exploring this New Centrality of the Mediterranean

1. There are **four phenomena** that are **influencing** maritime economy: **Suez, Megaships, Big-Alliances** and the **New Panama Canal**.
2. China is a **Key Player** in each of these four phenomena and has a growing geo-economic role **in the Mediterranean**
3. The geo-economic role of China in the Mediterranean is **coherent with the One Belt One Road strategy**”

.....it is reasonable to think that...

4. Shipping companies will choose to **better exploit sea-routes that assure multiple stops**, where to **unload containers and load others**.
5. Shipping companies will have to assure the **highest average load level possible** for their cargoes all along the route in order to obtain a better exploitation of **economies of scale**. This is true especially for **megaships**.
6. **new opportunities will arise for companies and SMEs too.**

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# Free Zones could be a New Opportunity for SMEs

- Reducing/exemptioning from private and corporate income **taxes**
- reducing **costs** and **customs barriers**
- Giving **incentives** for investment
- Activating contractual **deregulation processes**

New jobs

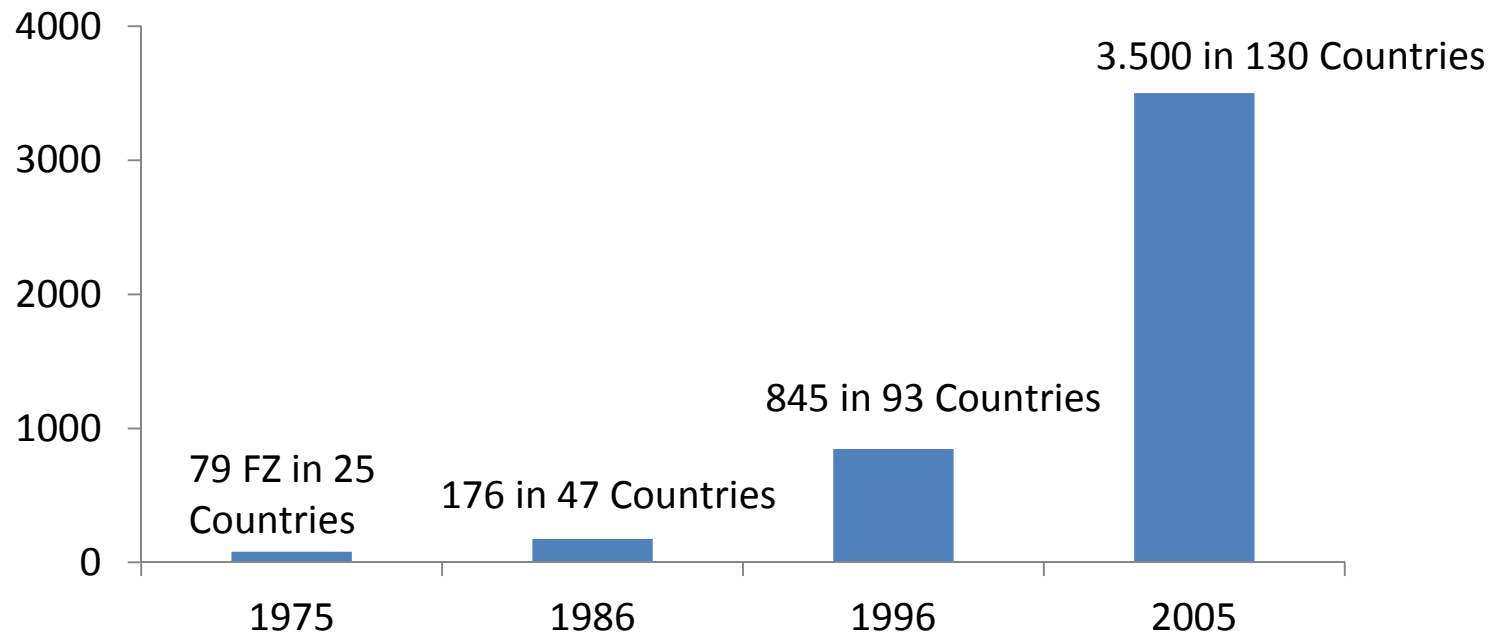
New export

More professional  
qualification

**new opportunities for SMEs**

# Free Zones in the World: Economic Impact /1

- Free Zones in the World grown dramatically



- **On 3,500 World Free Zones, 2,301 were born in developing countries. 60% of these are privately operated by special purpose companies.**
- **In Europe there are 50 (mainly in Central and Eastern Europe)**
- **In Mena Region there are 73 Free Zones and 17 countries have a free-zone in place or under development.**

## Free Zones in the World: Economic Impact /2

**15**

European Free zones are among the top 50 in the world for Economic Impact on territory (1 in Lithuania, 2 U.K., 2 in Latvia, 10 in Poland)

**65-70  
mln**

new jobs (40 million in China)

**40-80%  
of total**

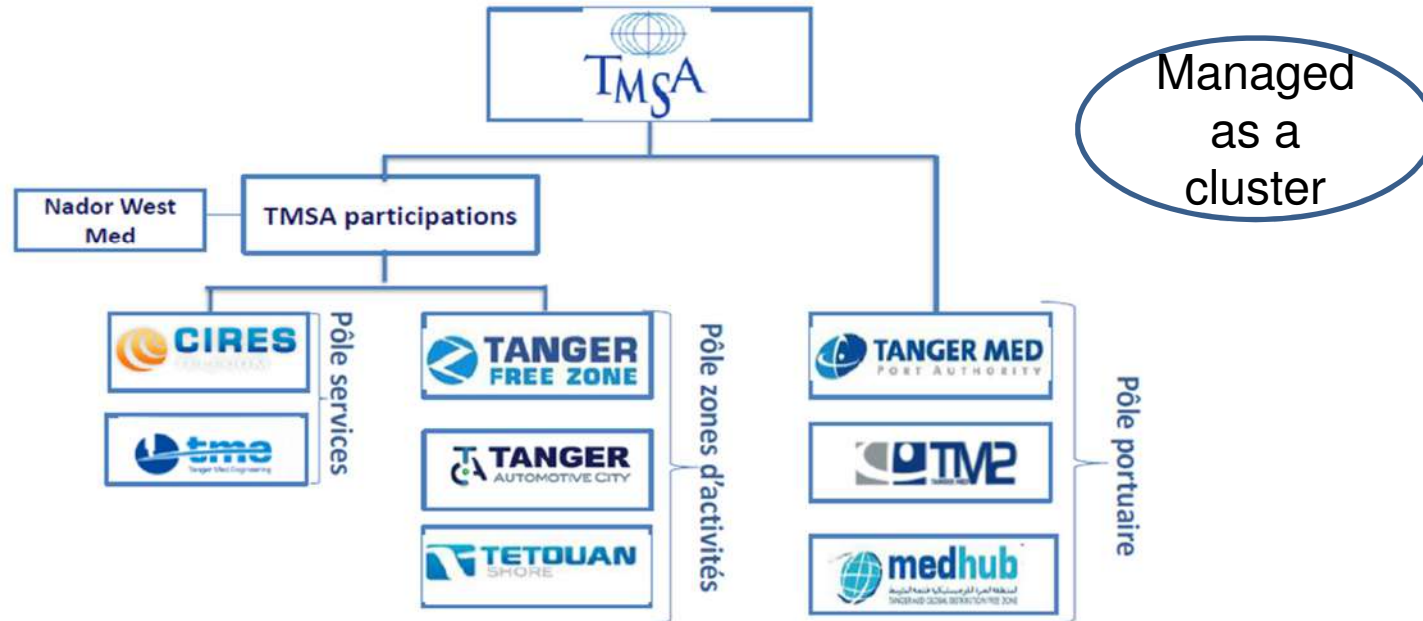
the incidence (on average) of the total Free Zone on exports in a country

.... Free trade zones are generally organized around major seaports...

# A Success Story: Tanger Med

TANGER MED – A UNIQUE MODEL OF MANAGEMENT

## TANGER MED GROUP



- In 2016, **Tanger Med in Morocco** won both the African regional category and north African sub-regional category of “Free Zone of the year”.
- Tanger Med Zone is home to hundreds of multinational companies, including Siemens, Renault and Yazaki.
- Located near the **Strait of Gibraltar**, the zone offers investors good access to maritime shipping routes only **14 kilometres from European markets**.
- Investors in the **automotive and textile** sectors in particular can **benefit** from a subsidy of **30% of total capital expenditure**.

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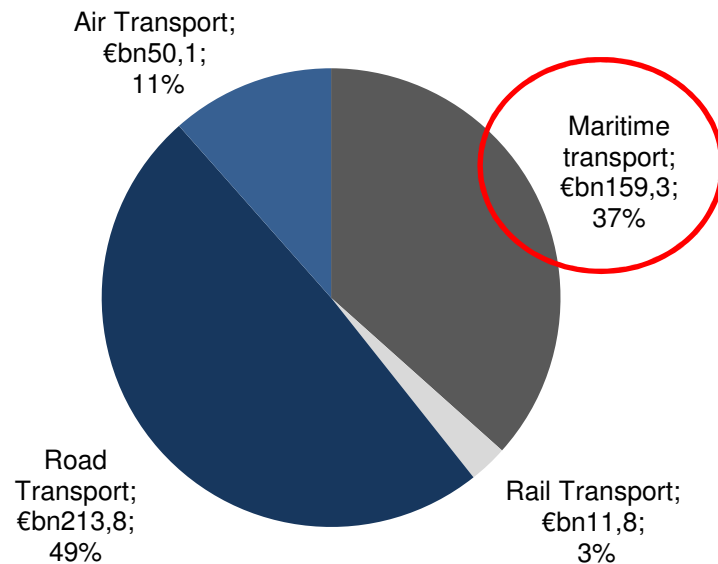
# Italy: Maritime Performance & Business Environment

- **Italy** ranks **third** in Europe for the **traffic handled** (473 mn tonnes of goods).
- Italy is **leader** in Europe in **Short Sea Shipping** transport of goods in the Mediterranean (219 mn tonnes of goods) and in the Black sea (35 mn tonnes of goods).
- **Seaborne import-export** in our country **is worth € 226 bn**; over a third of Italy's Import-Export is carried out by ship.
- **The Italian port system handles 10.2 mn. TEUs** and has a great specialisation on **RO-RO market** with approximately 90 mn tonnes of goods handled.
- Italy boasts **great shipowners** such as **D'Aponte (MSC), Grimaldi, Messina, Martinoli (GNV), levoli (Marnavi), Bottiglieri, D'Amico and D'Amato.**
- Big operators like **Cosco Shipping, PSA, CONTSHIP, APM (Maersk Group)** have **invested** in Italian container terminals.

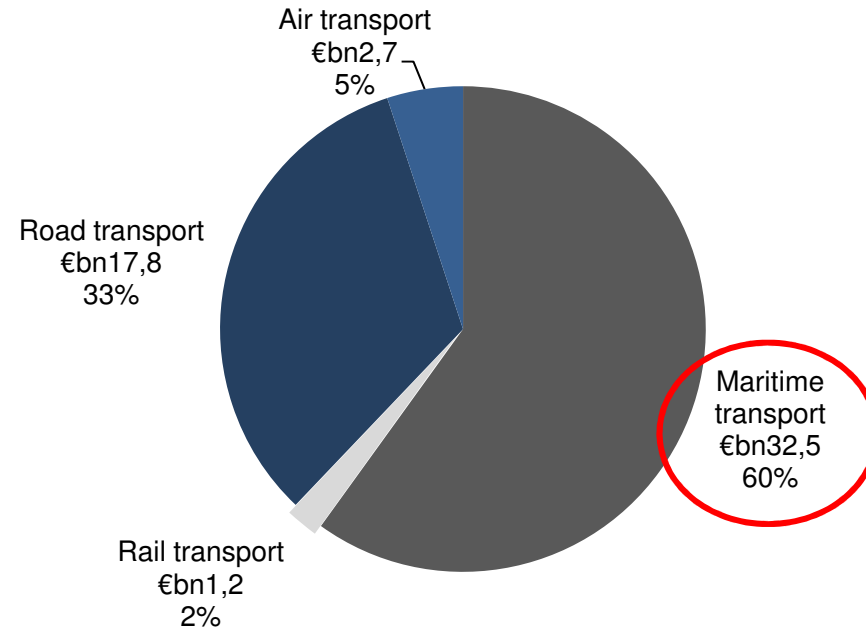
# Italy is an Important Player in Maritime Economy

In Italy, around 40 % of trade by value is carried by sea, in Southern Italy this percentage reaches 60%.

**Import-export in Italy by way of transport  
Jan – Sept 2016**



**Import-export in Southern Italy by way of transport  
Jan – Sept 2016**



Source: SRM on Coeweb

# Italian Ports chosen by Alliances



- The port of **Venice** will be interested by the Silk Road. As well as other Italian ports are that are implementing improvements to join this project.
- In Italy, the **Ocean Alliance** will touch 5 ports: **Genoa, La Spezia, Livorno, Trieste and Venice.**

# Maritime Economy and Logistics: Impact on SMEs

**The Four Phenomena** (New Suez Canal, Panama Canal expansion, Megaships and big-alliances) **will impact on SMEs reducing logistics costs.**

It is estimated that

Using the Suez (and Panama) route, a shipping company may have an average saving of **5-10%** of total operating costs.



A Megaship (and big-alliance), may have an average saving of **33%** of total operating costs.

**If only a small portion of these reduction of costs is devoted to reducing shipping costs, the SMEs will benefit from that the most.**

## Maritime Economy and Logistics: Impact on Italian GDP

*If Italy Logistic Performance Index (LPI) reached today the level of **Germany...***

*...Italy's value added would have an increase of almost **2.8%**, that is **42 billion euro higher.***

## Strategic Conclusions



There are **four phenomena** that are influencing maritime economy: **Suez, Megaships, Big-Alliances and the New Panama Canal.**



**China** is a Key Player in each of these four phenomena and has a growing geo-economic role in the Mediterranean



The geo-economic role of China in the **Mediterranean** is coherent with the “One Belt One Road strategy”



Is the Mediterranean becoming a strategic hub for China not only to reach Europe but also to serve North American Atlantic Ports?



**There are many new opportunities for SMEs also in Free Zones.**

## Italy: a Pivotal Country in the Mediterranean



Italy has many **excellent players in the Maritime sector** such as shipowners and terminal operators.



Italy could be considered a **logistics platform** in the Mediterranean region.

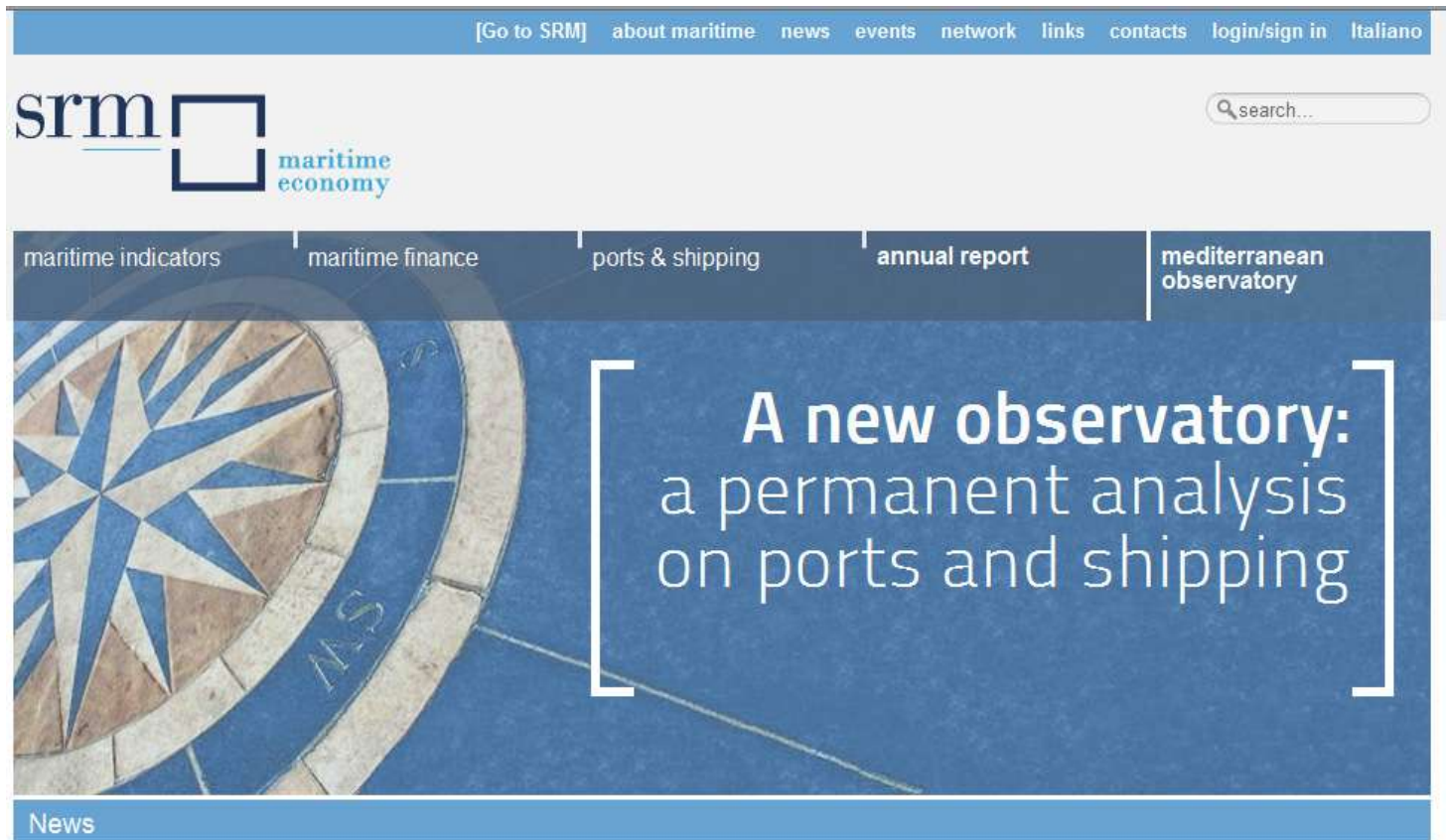


Italy's government is revising the governance of **Port Authorities** in order to cut bureaucracy and gain efficiency.



**Italy** can be an **opportunity for China** and **China** may be an **opportunity for Italy**.

# SRM Maritime Observatory



Thanks for your attention

**Website:** [srm-maritimeeconomy.com](http://srm-maritimeeconomy.com)