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Association of Southeast Asia Nations (ASEAN) already ranks as the world's seventh-largest economy and may rise as high as No. 4 within three decades.

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IMPERFECT STORM

By John Powers

WITH A LOOMING economic slowdown and the prospect of a prolonged US-China trade war, the last two quarters of 2019 were already rife with trade uncertainty. Enter coronavirus disease 2019 (COVID-19), and the outlook went from troubling to traumatic. Port operators, carriers, and beneficial cargo owners (BCOs) found themselves coping with dramatic changes in demand, sourcing, supply, inventories, manpower, and capacity.

The full economic impact of the COVID-19 pandemic is yet to be determined. Meanwhile, ports and logistics providers serving the Asian trade are responding with resilience and long-term vision. Infrastructure initiatives currently underway and abiding confidence in an eventual return to some form of balance continue to drive development.

Shifting supply chain configurations and the growth of consumerism throughout Asia are fueling these investments. Association of Southeast Asian Nations (ASEAN) member nations — which include Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei Darussalam, Cambodia, the Lao People's Democratic Republic (PDR), Myanmar, and Vietnam — are capturing market share by offering latest-generation facilities, lower congestion, and proximity to emergent markets. Nevertheless, China remains the leader in manufacturing origin locations.

Port of Nansha in Guangzhou provides a fitting case study in ongoing development. Located on the west bank of the Pearl River Delta, it is the fastest-growing seaport in South China; the hub handled nearly 17 million twenty-foot-equivalent units (TEU) last year across its 16 container berths, measuring a total of more than 18,700 feet. Its channel is already mega-ship capable, and the port offers weekly sailings to Europe, America, the Middle East, and the Mediterranean.

John Painter, president of Guangzhou Port America, enumerated Nansha's competitive advantages, including the ongoing migration of manufacturing to the west side of the Pearl River Delta and the port's proximity to manufacturers and shippers that benefit from lower transportation costs, more consistent deliveries, and less congestion. "Land-space allows placement of many value-added services, warehousing, distribution centers, and storage space for empties and loads," Painter said, adding that the port is in a strategic position to offer strong competitive operational and pricing advantages to the carrier community such as lower labor and land costs, as well as an abundant labor pool. The Port of Nansha has proximity to 17 million consumers.

The COVID-19 pandemic has interrupted manufacturing and, simultaneously, sailing schedules to and from China. Isolation protocols have included mandatory factory closures as well as port and carrier employees required to remain at home. Worried ocean carriers reduced calls at Chinese ports by one-third during the first quarter. Their estimates for capacity surrendered to blank sailings this year already top 1 million TEU.

In mid-March, logistics sources initially reported that outbound cargo levels from Asia were rallying, attributable to the backlog of unfilled orders as well as resumption of activity after the extended Lunar New Year pause. Chinese manufacturing has now resumed, but as businesses across Europe are shuttered in an attempt to prevent the spread of COVID-19, carrier bookings have dropped and a dramatic fall in volume is anticipated.

Many US ports are still preparing for a surge in traffic as outstanding orders are filled, raising concern over potential congestion issues at some destination ports, especially if warehousing and distribution center operations have reduced operating hours or are shut down in the domestic attempt to slow the virus' spread. The impact of the increasing closure of non-essential US businesses on volume is yet to play out.

As a major US hub for Asian cargo, Florida's Port Tampa Bay is experiencing these effects firsthand. "Some of our breakbulk and container customers have been impacted by the US-China trade dispute, so we were pleased to see the recent Phase I agreement and are hopeful for additional progress in future negotiations," Wade Elliott, vice president of business development, Port Tampa Bay, said. "Regarding the COVID-19 pandemic, like all ports, we have experienced some blank sailings. However, our overall volumes are up so far year to date."

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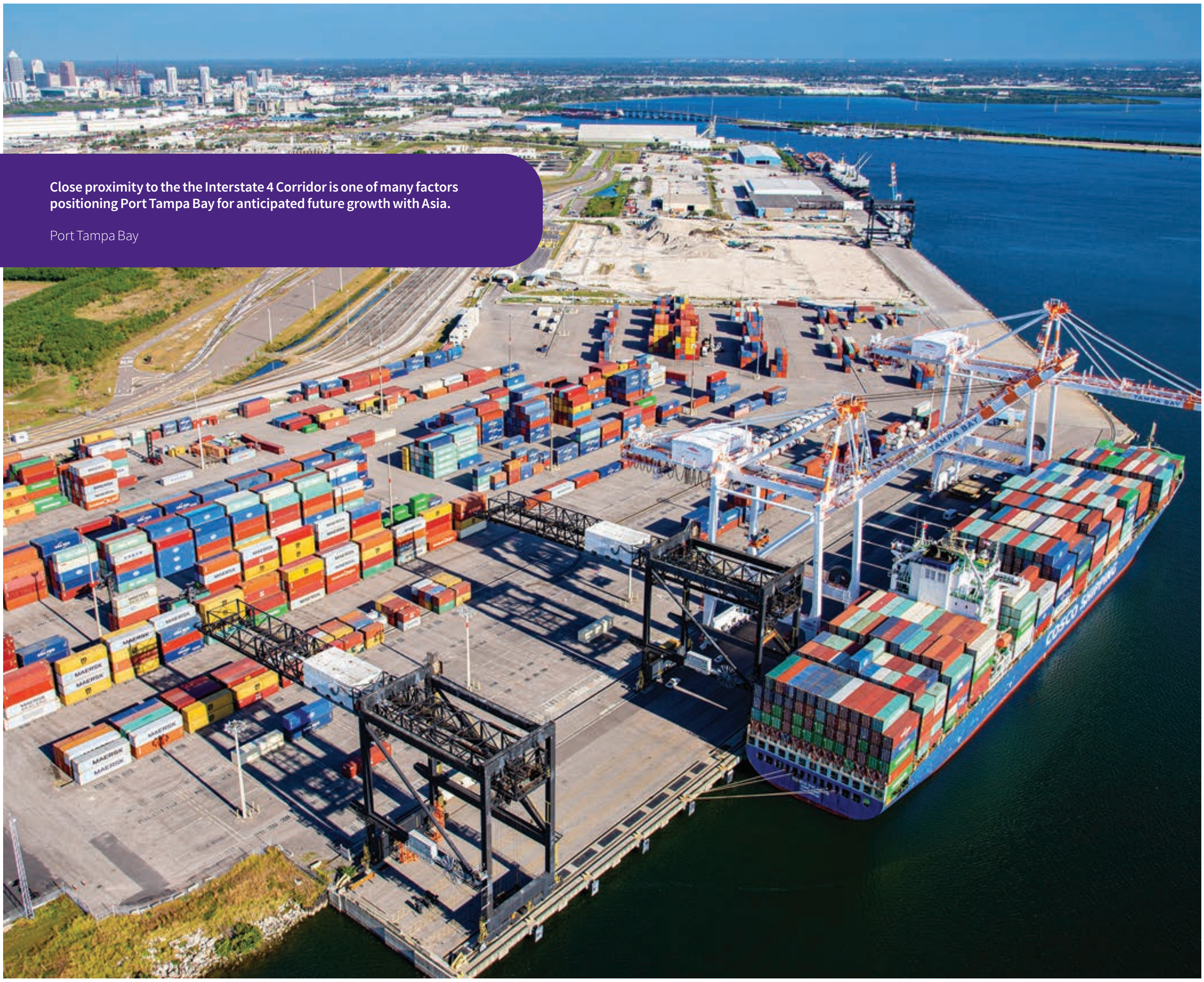

Close proximity to the the Interstate 4 Corridor is one of many factors positioning Port Tampa Bay for anticipated future growth with Asia.

Port Tampa Bay

Despite projections for declining trade levels, the industry's time-honored penchant for building its way through any slump is the order of the day for many ports.

At Nansha, the infrastructure game plan reflects its emergence as volume leader on the western Pearl River Delta. Currently, its Lingding Channel has a total length of 35 nautical miles and can accommodate two-way traffic for 150,000-deadweight-ton vessels from anchorage to 30.6 nautical miles. As a result, more than 85 percent of the whole channel has no limitation for two-way sailing, and waiting time is shortened from three hours to less than one hour. The remaining 4.4 nautical miles to Nansha terminals will be widened this year.

Painter listed other development projects planned. "We have several key infrastructure projects underway to keep up with demand. We are completing our fourth terminal, which will be fully automated. We are implementing on-dock rail, providing the marketplace with the only true such capability connecting the port with the hinterlands and Europe. We are constructing a state-of-the-art cold logistics facility comprising nine floors with storage capacity of 640,000 tons, making it the largest such operation in South China. We will also be doing a further expansion of our logistics park."

Capitalizing on its public-private partnership options, Nansha has announced that Maersk has made a strategic decision to capitalize on growing volumes and opportunities near Nansha by providing a consolidation program with value-added services, driven by the traffic growth related to e-commerce business. Both parties have agreed to join forces in cementing Nansha's position as a dominant South China distribution hub.

In Taiwan, the Port of Kaohsiung Intercontinental Container Terminal project, a significant land-reclamation undertaking, will add acreage sufficient to accommodate a massive container transshipment terminal. Phase 2 was completed in December 2019. The incremental capacity will have a ripple effect on productivity at the port's existing terminals and will accelerate the building of additional berthing capable of handling mega-ships. It will also incorporate sites for logistics support activities and manufacturing operations.

Project specifics include a 22,343-foot outer breakwater, 22,051 feet of new quay length, and a 1,044-acre footprint. Nineteen new wharves will include five new container berths, the largest of which will handle ships up to 22,000 TEU; 10 deep-water petrochemical berths maintained to 52-to-54-foot depths; and four 52-foot-deep berths for bulk cargo vessels. Total construction cost will exceed \$3.7 billion split between a government share of \$0.9 billion and private sector investment for the balance of just over \$2.8 billion.

Sri Lanka has embarked on a study to determine the feasibility of increasing overall container capacity at the Port of Colombo to

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35 million TEU. Currently, the completion of the West Container Terminal expansion brought port-wide throughput potential to 15 million TEU. The new undertaking, Colombo North Port, would not only dramatically increase the port's container throughput capability, the new multipurpose complex would also serve the liquid bulk, dry bulk, and roll-on, roll-off sectors.

For some time, China has been facing the growth of alternative Asian manufacturing sources, and the COVID-19 disruption has further complicated its position. In November, the Chinese government unveiled a detailed road map for nationwide port development through the mid-century. Aimed at protecting market share, enhancing accessibility to key manufacturing locales, and minimizing delivered costs to consignees, the guidelines incorporate a number of key milestones. Breakthroughs in green and smart developments at major ports are goals for 2025. By 2035, major ports should achieve world-leading performance. At mid-century, several new port clusters will been formed, which will serve to develop technology and best practices for the industry at large.

Major initiatives within the plan include improving overall service levels, minimizing carbon footprint, enhancing communications, enhancing the development and use of leading-edge technology, and streamlining the business environment.

Prime beneficiaries of the decentralization of manufacturing in Asia have been the member nations of ASEAN. The combined GDP of this regional trading and economic bloc is nearly $3 trillion and has grown at a rate of just over 5 percent in the last five years, a trend that is projected to continue. The group already ranks as the world's seventh-largest economy and may rise as high as No. 4 within three decades. A total population of 650 million among the member nations provides a ready workforce for manufacturing and assembly operations, as well as a massive consumer base.

In addition to a surge in manufacturing capabilities, other factors catalyzing recent and projected growth include population increases, urbanization, improvements in interior transportation infrastructure, and diversification of sailing and flight schedules. ASEAN members have recognized that to sustain momentum and reach economic goals, infrastructure investment must be a recurring component of national budgets. Estimates for investment needed in this decade alone top $3 trillion.

Notwithstanding the COVID-19 pandemic and its economic impact, US ports are proceeding undeterred in efforts to participate in the anticipated revitalization of Asian trade. Port Tampa Bay epitomizes the trend. "We are currently in the middle of a multiphased expansion of our container terminal, from the current 40 acres to 66 acres, with the addition of another 22 acres to the north, which should be completed by July," Elliot said. The next phase will include expansion of an additional 30 acres and berth-length extension from 2,800 linear feet to 3,800 linear feet. The port is also building an additional on-dock transload warehouse adjacent to the container terminal that is served by 17,000 linear feet of rail track.

For some other ports, current economic conditions have resulted in adjustments to development timelines. There are multiple factors influencing decisions to push back target dates for new facilities. Fewer sailings with lighter loaded vessels are cutting revenues for port operators. Terminal productivity has been compromised by labor-rule adjustments driven by COVID-19 adjustments, which

FLORIDA'S LARGEST AND MOST DIVERSIFIED PORT

PORT TAMPA BAY, Florida's largest and most diversified port, saw several significant developments last year and is very well positioned going forward given its diversification of multiple lines of business and its central location serving the entire state. The addition of three new direct Asia container services in 2019 provided a major step forward in serving Florida's largest and fastest-growing market – the Tampa Bay/Orlando Interstate 4 Corridor. This is not surprising since the region is also one of the hottest industrial real estate markets in the country and Florida's hub for distribution, logistics, and manufacturing. Home to close to half of Florida's population of 21 million residents — and welcoming a majority of the more than 126 million tourists who visit every year — the I-4 Corridor has the largest concentration of distribution centers in the state.

This exploding market is fueling demand for everything from retail, e-commerce, and food and beverage, to energy products and construction and building materials. To keep pace with this rapid growth, we are busy expanding terminal capacity with additional paved storage, extended berths, cranes and equipment, and new transload warehouse facilities.

Port Tampa Bay is excited to have welcomed CMA CGM, Cosco Shipping, Evergreen, APL, OOCL, Maersk, and Sealand to its family of carriers offering new services last year, joining established carrier partners ZIM, MSC, and Seacat. For the beneficial cargo owners in our immediate backyard, this was especially good news. These companies are seeing significant savings in their supply chain distribution costs as truckers can now make as many as three to four round-trip deliveries per day from Port Tampa Bay to their distribution centers, which then service the entire state and reach into markets throughout the Southeast and beyond.

Together with partners like container terminal operator Ports America and cold storage specialist Port Logistics Refrigerated Services, Port Tampa Bay is expanding infrastructure and capacity to ensure we are well positioned for continued strong growth. In keeping with our master plan Port Vision 2030, we continue to align our capital investment to sustain and grow our core lines of business, while also capturing new business through strategic diversification into additional new markets and commodities. ■

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have also made availability of construction crews problematic. As well, timely sourcing of construction materials and terminal-handling equipment is no longer a given.

In Singapore, the crown jewel of its infrastructure agenda, the Tuas Terminal mega-port, was scheduled to begin Phase 1 operations next year but may be delayed. Construction commenced in April 2016. Full build-out of all four phases is currently on the calendar for 2040.

For the future, no undertaking will alter the Asian trade landscape more dramatically than China's Belt and Road Initiative (BRI). Announced in 2013, the multitiered project will ultimately create a transportation network linking 65 countries in Asia, Europe, and Africa. It will reach 65 percent of the world's population in nations responsible for one-third of global GDP and 40 percent of international trade. Both ocean and land routes are included in the master plan, which will bring access to and from Asian markets to unprecedented levels. China has already begun spending $23 billion on a rail link through Lao PDR to Vietnam. Negotiations are underway to connect it with existing service into Thailand. Work is also underway on a $13 billion rail link to Malaysia, with further plans to extend reach to Singapore.

Forecasting, often an imprecise science in the world of trade and logistics, may never have been more challenging as estimates of the pandemic's longevity range dramatically. However there are two things we can anticipate: the global economy will be facing a recession, and recovery is going to be a long-term challenge. At the same time, we can also assume that the logistics sector fully expects to demonstrate its historic resiliency in emerging from the situation.

Port Tampa Bay is poised to parlay its strategic location into a significant share of rebounding east-west trade. "We believe we are very well-positioned for anticipated future growth of trade with Asia, primarily due to our close proximity to Florida's largest and fastest-growing market, the Interstate 4 Corridor, which continues to be a very active industrial real estate market with more than 10 million square feet of additional warehouse and distribution capacity currently under development," Elliott said.

The Port of Nansha is forecasting an annual throughput increase of 1 million TEU, on average, in the coming five years, Painter noted. "That means by the end of 2023, Nansha's throughput volume could exceed 20 million TEU, (with) international trade over 10 million TEU. The intra-Asia market, especially Southeast Asia, will yield steady growth. Additionally, we have seen a strong increase in demand from America, and Europe BCOs and ocean services," he said.

Despite current trade tensions, Nansha continues to take advantage of many shippers sourcing from the western Pearl River Delta, where lower costs help offset tariffs. "We're hoping the marketplace realizes tariffs are not the answer, and we find other ways to move forward," Painter said.

The current trade environment is a curious blend of optimism and uncertainty. "Today, we are almost back to normal with factories, freight forwarders, consolidators, and carriers all very busy and accelerating our efforts with open orders, equipment, and loads," he said. "We believe by the end of March, 100 percent we'll be back to normalcy, yet the demand side is now experiencing a lot of challenges, and this might impact our projections." ■

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