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Guangxi Beibu Gulf Ports support trade growth

By Robert L. Wallack, AJOT from Beijiang, PRC

Nanning, the capital city of Guangxi Zhuang Autonomous Region in the southwest of China, was the host of their annual Pan Beibu Gulf Economic Forum in August and the ASEAN Business Expo and Investment Summit in October. Guangxi is a magnet for regional trade and investment, especially since January 1st of this year that opened the China-ASEAN Free Trade Area (CAFTA). The Guangxi Beibu Gulf International Port Group (GBGIPG) is investing in ports and logistics to build a hub for regional trade. In the first six months, China-ASEAN trade is up 55 percent over the same period last year for total trade of $136.5 billion and investment totaled $69.4 billion of which ASEAN invested $59.8 billion in China.

The CAFTA is the world's third largest free trade zone and the largest in the developing world. Now, most produced are tariff-free between China and the ASEAN member countries of Brunei, the Philippines, Indonesia, Malaysia, Thailand and Singapore. Guangxi will benefit since the entire market potential of 1.9 billion people and total trade volume of $4.5 trillion will need modern and efficient seaports, barge, land ports, road, rail and logistics services. In August, Guangxi improved their strategically important regional trade and transport location by a regional port investment agreement.

The Guangxi Beibu Gulf International Port Group agreed with Haikou Port, Guangzhou Port Group, China Shipping Container Lines, Co. Ltd., Singapore IMC Shipping Services, Yulang Port of Singapore, Thailand-listed Regional Container Lines (RCL) and Cambodia's Sihanoukville Port to construct a Pan Beibu Gulf logistics network with new routes and facilities, according to China Daily. The Guangxi government plans to invest $866 million for 26 port construction projects in the region.

The Port Group is comprised of Fancheng Port, Beihai Port and Qinzhou Port and is responsible for port construction and operations. The merging of these three ports under the GBGIPG began February 14, 2007 "because they are very close and in a common market, common navigation routes and they still have competition, but now can grow together," said Mr. Huang, official spokesperson, GBGIPG in an interview with the *American Journal of Transportation.* The final transaction of the merge was $324 million between Shenzhen-listed Beihai Port Company and the state owned GBGIPG.

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US, South Korea push for auto, beef deal to save pact

Top U.S. and South Korean trade officials plan more talks aimed at resolving auto and beef trade issues that have blocked congressional approval of a three-year-old free trade pact.

The push to bridge the remaining gaps comes just a few weeks after the two countries failed to meet a self-imposed deadline at the recent Group of 20 summit for solving problems with the deal they signed in June 2007.

It also comes against the backdrop of increased tensions on the Korean peninsula following a North Korean military strike last week on a South Korean island.

"The fact that both sides decided to proceed with the talks despite the current situation on the Korean peninsula demonstrates both sides' commitment to getting this done," said Troy Stangarone, director of congressional affairs and trade for the Korea Economic Institute.

"I'm inclined to think they will reach a deal," he said.

Asked about the outlook for the talks, USTR spokeswoman Carol Guthrie referred to remarks she made previously.

"Whether we reach agreement will depend on whether we can achieve our negotiating objectives," she said.

"To do that, we will need to see movement on the outstanding issues, particularly the opening up of the Korean market to American autos," Guthrie said.

Both Ford Motor Co. and Chrysler complain the pact negotiated by the administration of former President George W. Bush does not do enough to tear down tax and regulatory barriers that they blame for low sales in South Korea.

Imbalances in Auto Trade

The United States exported 7,663 cars and light trucks to South Korea in 2009 while it imported 476,857 from the Asian manufacturers there, according to U.S. Commerce Department figures.

Washington has pressed South Korea to accept U.S. car mileage and emission standards to remove an impediment to U.S. sales in the Korean market.

Guthrie has declined to say what changes the United States would be willing to make on its side to compensate South Korea for modifying the auto terms of the pact.

In an op-ed published in Politico, the outgoing chairman of the House of Representatives Ways and Means Committee accused South Korea of limiting foreign access to its auto market "to finance an aggressive push into the United States and other export markets."

"About 70 percent of South Korean auto production is exported -- creating lopsided, one-way trade," said Representative Sander Levin, a Michigan Democrat.

"Any successful agreement must ensure that Seoul allows U.S. automotive companies to secure a real, steady commercial presence. Ford Motor Company, a global producer with profitable operations around the world, now has only one dealership in South Korea, whereas Hyundai has 1,500 dealers in the United States," he said.

(PUSH – continued on page 4)

Canada's green power sector eyes rich US market

Canadian developers of renewable power are keen to tap into the large and lucrative U.S. market, but the road south is littered with obstacles, including complex state-by-state rules and inadequate transmission links.

If Canada's fledgling green power industry cannot crack the burgeoning U.S. market, which pays rich rates for electricity from renewable sources, their growth may be stunted by a much smaller home market.

As things stand, developers of power from wind, solar energy, biomass and water sources are heavily dependent on winning long-term electricity contracts from big provincial utilities like BC Hydro and Hydro-Quebec.

But with about 30 U.S. states implementing rules that require a set percentage of renewable power, new markets may be opening up for Canada's independent power producers (IPPs).

"The resolution of the export issue for IPPs over the next three or four years will determine whether this industry as a whole thrives, or merely survives," said Paul Manson, Chief Executive of Sea Breeze Power Corp, a small British Columbia-based clean power developer.

Long-Term Contracts Needed

Canadian provinces like British Columbia and Ontario have a long history of trading power across the border, much of it on short-term contracts aimed at making a quick profit.

When it comes to signing long-term contracts with the United States, however, Quebec, with its abundant hydroelectric power, is the province to emulate.

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the framework of economic integration by providing minimum standards for good governance. The charter included a detailed strategic plan that forces ASEAN members into achieving certain economic reforms within an established timeline.

However, there is great economic diversity and division in the membership, particularly among the newest member nations, that makes economic integration a challenge to accomplish in the fourteen year period remaining.

In October, Dr. Surin Pitsuwan, Secretary-General of ASEAN, at the 3rd Initiative for ASEAN Integration Development Cooperation Forum, addressed the problem of economic diversity, saying, "Although recovery in the region has been swift, the immediate challenge now is to sustain the growth and promote sustainable development. To sustain our recovery, each Member States must work steadfastly towards establishing the ASEAN Economic Community (AEC) to create a highly competitive single market that promotes equitable economic development and facilitates integration with the global economy. This will entail the integration of market diversity and the transitional economies of the CLMV [Cambodia-Laos-Myanmar-Vietnam] countries."

The differences between the CLMV and other ASEAN countries are clear in the economic disparity: CLMV's population and land area are about 28% of ASEAN. However, their economy size is only less than 9% that of ASEAN. The per capita GDP in CLMV is approximately US$813, which is a quarter that of ASEAN-6, which amounts to US$3,273. Of the CLMVs, only Vietnam has posted reasonable economic development with the GDP hitting US$1,000.

Another dynamic complicating ASEAN ambitions is the economic rise of China and the heightened role that China plays in Asian economics and politics. Nearly all ASEAN nations have seen staggering increases in trade and investment with China over the past decade.

In some ways, the current global recession may be looked back upon as a watershed moment, as ASEAN (as well as China and India) have weathered the downturn and are poised for growth. The GDP of the ASEAN nations is estimated to grow between 3%-8% individually in 2010. It is anticipated that double digit GDP growth in the region could return as early as 2011, depending on the scale of recovery in Europe and the US.

The emergence of China as the "factory to the world" also altered the US approach to Asia and Asian trade. US trade policies shifted to Sino-centric footing at the expense of other Asian countries. ASEAN nations, like India, perceived their roles as diminished, and a regular refrain from the region became "don't take our relationship for granted."

Equally, both India and ASEAN have in the last decade found China to be an increasingly important trade and investment partner. In fact, many analysts predicted that it was a forgone conclusion that Beijing's rising influence in the region would eclipse that of the US.

But contrary to the political pundits, the US has worked on re-engaging ASEAN both economically and politically, in what is often seen as a hedge against China's influence in the region. A good example of this happened last year, when the US used diplomatic leverage to push through a US$2.9 billion Asian Development Bank loan for India despite considerable opposition from China. A triangular set of relationships has emerged with China and the US trying to redefine their roles with each other and the ASEAN nations in a post recession global economy.

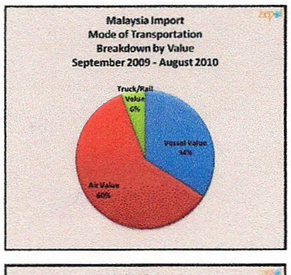
ASEAN-US Trade and Investment

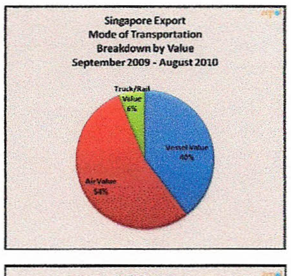
Back in 2005, prior to the recession, the US accounted for roughly 13% of the $1.2 trillion in ASEAN trade. In 2009, the percentage had fallen to 10% of $1.5 trillion in ASEAN trade. During the same period China's share had increased from 9% to 11%. Essentially, Chinese exports replaced US exports. This is a trend that the Obama administration wants to reverse as part of the doubling of exports drive. In a September meeting President Obama said, "Our trade with ASEAN countries is growing. In fact, American exports to ASEAN countries are growing twice as fast as they are to other regions, so Southeast Asia will be important to reaching my goal of doubling American exports."

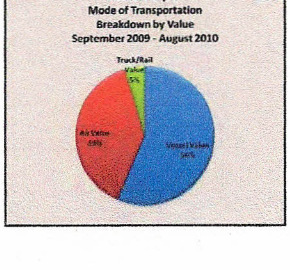
In May at a Seattle, Washington meeting with a delegation of Southeast Asian trade ministers, Muhtar Kent, Chairman & CEO of The Coca-Cola Company, and Chair of the US-ASEAN Business Council said, "There are significant and unique opportunities across all business sectors in ASEAN countries; from agriculture and infrastructure to fast moving consumer goods and high tech industries." Adding, "That's part of the reason ASEAN countries are the largest destination for US investment in Asia."

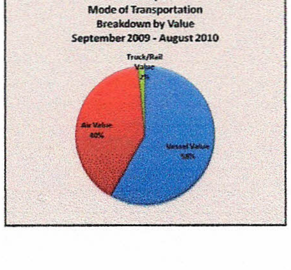
However, Kent's assessment is a bit deceiving as 50% of the total US investment in ASEAN is destined for Singapore.

US multinationals would like a more integrated ASEAN as an alternative destination for investment over China. Particularly since profits are often elusive in the China market. Most analysts feel that investment trade will flourish, because as Dr. Surin Pitsuwan so aptly pointed out, "They have to be able to sell their products and their services, and where else can they sell their product and services? EAST ASIA!"









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The investments in the ports' infrastructures are needed because by the end of 2012 the throughput of the three ports will exceed 300 million tons from the 2009 throughput of 94 million tons which was 16.3 percent over 2008. Container lines and port terminal operators are taking note of the growth in market demand. Mr. Jens Eskelund, Senior Director, Maersk China Ltd. told *AJOT*, "APMT is certainly following this growth market with great interest and are exploring several new development opportunities in the ASEAN area, yet we do not have any terminal projects in the Beibuwan area."

The Guangxi and China central governments' are constructing new road and rail routes to and from Fancheng Port and are improving interchanges for freight traffic around urban areas for the Port's new iron and steel industrial complexes. "Port capacity expansion depends on road and rail capacity expansion and enterprises cannot increase production until port capacity increases, therefore companies use port storage as expansion unfolds," said Mr. Zhou Wen Qiang, Manager, Fancheng Port to the *AJOT*. Zhou is also concerned with the constraints to regional trade from lack of capacity at the Southeast Asia ports. "We are now planning to build ports in ASEAN countries such as Thailand, Vietnam and Myanmar. We have not invested so far, and an agreement with Spain and with Hong Kong's Li Kai Shing did not go through, therefore we are going to list our group on the stock exchange," he said.

The FTA is impacting Fancheng Port as trade volume with ASEAN was 3.2 million tons last year and was 2.1 million tons in the first half of this year, according to Port statistics. Total throughput was 26.02 million tons in the first half of 2010 of which import and export volume was 20.92 million tons along with container throughput of 134,883 twenty equivalent unit (TEU) containers. This compares with total Port 2009 throughput of 45 million tons of which import and exports were 37.98 million tons and 203, 575 TEUs. The trade composition was of imports of metal ore, grain (soybeans), coal, chemicals and of exports of chemical fertilizers and non-metallic minerals.

"Maersk Line accepts cargo to/from all Beibu Gulf ports, but only currently serves the Beihai and Fancheng terminals, not Qinzhou. We serve these terminals through barges to Hong Kong and from there the cargo connects to all our major trade routes," said Eskelund. Fancheng port boasts container route service to all international markets: Southeast Asia, Northeast Asia, the Middle East, the United States, Western Europe and domestic routes to northeast China and north China.

The Beibu Gulf ports' growth and development are furthered by numerous central government policies to anchor Guangxi as a new growth pole for all of China. The Nanning-Singapore Economic Corridor will receive road and rail investments of over $200 billion so that the 2,500 kilometer corridor will transport goods to and from Nanning through Fancheng's nearby land port of Dongxing-Mong Cai, Vietnam to Hanoi, Ho Chi Minh city, Thailand and Singapore. The Beibu Gulf Economic Zone encompasses 42,500 square kilometers of Nanning, Qinzhou, Beihai and Fancheng to link western China trade to ASEAN and is bolstered by the government's Western Development strategy by investments to bring higher development and per capital incomes as compared to the more developed eastern coastal regions of the Yangze and Pearl river deltas.

Agriculture products are abundant across the landscape of Guangxi of sugar cane fields, banana plantations and of fruit trees lining city streets of Baise. These time sensitive products along with aqua-culture development are all perishables and part of constructing the logistics network will include refrigerated warehouses. "GBGIPG has four refrigerated warehouses in Nanning Bonded Logistics Center and we are going to build refrigerated warehouses in Fancheng Port, Qinzhou Port and Beihai Port," said Zhou.

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(*PUSH – continued from page 1*)
Some lawmakers and beef groups also want South Korea to commit to a process to remove remaining barriers to U.S. beef exports, consistent with international food safety guidelines. (Reuters)

South Korea has been adamant that its remaining beef import restrictions, which stem from the discovery of mad cow disease in the U.S. herd in 2003, are not up for negotiation at this time.

Tens of thousands of South Korean citizens took to the streets in protests in 2008, when President Lee Myung-bak gave into U.S. demands for a complete reopening.

To help stop the furor, U.S. industry agreed to ship beef only from cattle not older than 30 months, which is consider least likely to have disease. Under that voluntary pact, the United States has recovered much of its lost sales. (Reuters)