



WEEK 8 // FEBRUARY 24 2021

APERTURE & *FOCUS*

A Global Network Advisory Series by Kintetsu World Express, Inc.

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GLOBAL APERTURE

Two engine failures of a Boeing 777 and a Boeing 747 in transit over the weekend have moved some airlines to ground or idle older plane models, while some governments have outright banned the plane models from taking off; specifically, only 777-200 and 777-300 models are affected. Luckily, such older models have largely been phased out by carriers and should have minimal impact on cargo capacity. Boeing publicly requested the suspension of the 777 models on February 22 until further investigation by regulatory agencies.

In response to recent news over China's potential export controls on rare earth metals—used for a variety of essential and luxury electronics and automotive goods—some countries are working to create alternative supply chains in places like Canada and Uganda.

The recent chillwave is taking a toll on vessel movements in Atlantic waters, but container rates have not cooled off—multiple carriers have published new FAK (Freight All-Kinds) rates for the coming month. Shipping line CMA CGM also announced its foray into the air cargo market with the help of Air Belgium—the first service route offered will connect Liege to Chicago. More shipping disasters bubbled up this week: a Vietnamese feeder vessel crashed and destroyed a tower crane; a cargo ship off the coast of Japan collides with a commercial fishing boat; and another vessel en route to Los Angeles loses some 260 containers after a temporary engine failure while navigating through a heavy storm.

REGIONAL FOCUS

BANGLADESH



On February 19, the commerce ministry announced the expedited implementation of customs digitization for all per the World Trade Organization's Trade Facilitation Agreement, which Bangladesh had ratified in late-2016. After significant measures had been taken to improve Bangladesh's cargo security measures, Australia has lifted its five-year ban on direct cargo flights from the country.

CAMBODIA



Following previous years' allegations of substandard factory conditions, the ministries of commerce and labor now require textiles, garment, luggage, and handbag manufacturers to obtain certification of working conditions to export goods under the Generalized System of Preferences (GSP) trade bloc.

BRAZIL



The year's first springtime harvest means crunch time for ocean exporters as freight indices show climbing Panamax and Supramax rates—a consequence of lowered vessel availability. As stated in earlier weeks, the heavy delays associated with bulk soybean exports are cause for growing concern in agricultural trade. Leaders are working to approve a new cabotage bill by March, which may reduce ocean freight costs by about 15%.

CHINA



The central government has increased production output of rare earth metals by 30% for the first half of 2021 as part of its measures to increase domestic semiconductor manufacturing in the next five years. These moves also play into the country's currently simmering trade conflict with countries like Australia and the US, as well as the global computer chip shortage.

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E.U. REGION

Rates
Demand



Rates
Demand



A Boeing 747 cargo plane departing Maastricht Airport suffered engine failure shortly after take-off, resulting in a small mid-air explosion that expelled parts over a Dutch town.

Germany's road border closures have expanded to Austria and Slovakia without exception for commercial truckers, and now multiple industry groups are pressing state officials for action, warning that sustained closures may lead to production stoppages. The Port of Rotterdam begins renovations of its harbor basin to expand handling capacity, which authorities estimate will be completed by mid-2024.

KWE's EMEA region has formed a new project division specializing in Out of Gauge (OOG) and breakbulk cargo associated with capital industries including Oil & Gas, Energy, Mining and Metals, and Construction.

INDIA

Capacity



No Change



The Trade Minister announces renewed effort in negotiating a trade deal with the new US Trade Representative. The nation's upcoming maritime industry summit is set to take place between March 2-4, where major port trusts are scheduled to ink 217 Memorandums of Understanding with relevant industry groups and stakeholders. A new transshipment port with a prospective handling capacity of 6.5 million TEUs is slated for construction in the state of Tamil Nadu, estimated to complete in 2030.

INDONESIA

Capacity



Rates
Demand



Recent flooding in parts of West Jakarta has stalled trucking movement heading from industrial areas to the Port of Tanjung Priok. In anticipation of the ensuing bottleneck, a Floating Storage Regasification Unit (FSRU) transporting LNG diverted to Patimban Port—it is expected to return mid-March when sources estimate the consequent vessel congestion will recede.

JAPAN

Capacity



Rates
Demand



In response to the recent engine failure of a United Airlines Boeing 777, the government has ordered global carriers Japan Air Lines and Nippon Air to ground similar models—a combined total of 32 planes. Airline officials said other aircraft will be substituted to mitigate flight cancellations from February 22 onward.

Total exports in Japan increased 6.4% year-on-year in January, attributed to a second consecutive month of strong demand from China. In contrast, exports to the EU and US decreased modestly year-on-year by 1.6% and 4.8%, respectively.

KOREA

No Change



Demand



Asiana Airlines announced two more Airbus A350 plane conversions for cargo operations on February 22. In response to the engine failure of a Boeing 777 last week, the transport ministry now requires all airlines to conduct regular inspections of aircraft fan blades every 1,000 cycles—roughly once every ten months.

Trade data shows that total exports have continued their consecutive gains in February, attributed to strong demand for semiconductors and cars in China and the US. However, port cargo volumes dipped by 1% year-on-year in January—attributed to a decrease in bulk cargo while containerized cargo rose 3.8% year-on-year.

MALAYSIA

Rates
Demand



Rates
Demand



Space and vessel shortages remain an issue for goods destined to ports in Australia, Europe, the US, and Japan, and now some shippers are concerned that these deficits will be amplified after Lunar New Year celebrations. As a result, cargo demand is overflowing from sea freight markets to air, in turn hiking rates.

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MEXICO

No Change



Capacity Demand



A new sea freight route now connects the Port of Lázaro Cárdenas to China's Port of Huangye in the hopes of boosting transit efficiencies for fertilizer and other agricultural commodities.

Automotive factories temporarily suspended operations over the weekend after Texas imposed an emergency export ban on natural gas; much of the US state faced disruption to its output after a winter storm froze pipes and caused energy blackouts to both Mexican and American communities.

SINGAPORE

Demand



Capacity

Rates Demand



The star of Southeast Asia continues talks with officials in Hong Kong and Malaysia to restart travel bubble schemes, while India's budget carrier SpiceJet launches one dedicated freighter route to the Changi Airport—to operate twice a week.

SRI LANKA

Capacity



Rates Demand



Sri Lanka has extended a waiver of parking and landing fees for charter operators at two airports in the country until July 2021 to encourage flights. Air Arabia will start flights from Sarjah-Colombo from March 2 onward.

PAKISTAN

Rates Demand



Capacity

Rates Demand



Officials have taken significant steps over the past week to increase cooperation with neighboring Sri Lanka: both the Prime Minister and the Foreign Minister met with Lankan officials to develop a prospective Free Trade Agreement between the two nations. The news underscores a larger cooperative strategy by Pakistan and other Central/South Asia countries to increase regional trade, as Pakistan officials met with Afghani and Uzbekistani peers earlier in the month to develop cross-border infrastructure.

TAIWAN

Rates Demand



Rates Demand



Air freight fuel surcharges will reportedly increase in March following reduced output from global oil producers. Outbound demand to US and EU destinations have increased over the previous week, attributed to sustained demand for semiconductors and other electronics commodities.

PHILIPPINES

Demand



Rates Demand



Capacity improvements to the Cebu International Container Port are scheduled to begin in the second half of 2021. India and the Philippines have begun negotiations toward a Preferential Trade Agreement. Some flights were cancelled through the weekend at Ninoy Aquino International Airport due to the onset of a tropical depression; thousands of passengers remain stranded and 860 cargo containers have reportedly been rolled over at the ports of Eastern Visayas.

THAILAND

Capacity Demand



Rates Demand



Officials have signed a cooperative agreement with China to promote fruit trade between the two countries. Local KWE sources report that cargo terminal congestion at Bangkok's Suvarnabhumi Airport has extended trucking queues for outbound shipments.

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U. KINGDOM

Rates
Demand



Rates
Demand



A trade envoy sent to Cambodia, Laos, and Vietnam on February 18 has concluded talks with country officials to boost bilateral trade in the coming years.

Outbound cargo movement is changing directions—more and more shippers confess that the strain of post-Brexit costs has made non-EU buyers, especially those in China, more preferable to do business with.

UNITED STATES

Rates
Demand



Capacity

Rates
Demand



Capacity

After grounding two dozen Boeing 777s in its fleet following the weekend's engine failure incident, United Airlines says its March flight schedule will reduce cargo capacity as some planes are used to assist with passenger services. The FAA ordered immediate inspections of all 777 models equipped with the engine in question on February 22.

The northwestern Sea-Tac Port Complex is now the least congested major port in the US as wait times to berth the Ports of Los Angeles and Long Beach have increased to as many as eight days. The resulting supply chain disruptions are likely to cost shippers extra, which consumers will ultimately pay for—analysts have observed significant spikes in commodity prices over the past weeks.

VIETNAM

Rates
Demand
Capacity



No Change



Agricultural producers are facing export difficulties at the Port of Haiphong due to the port city's strict covid-19 screening requirements, which have consequently turned away a significant number of cargo trucks. Officials met with Cambodian lawmakers on February 19 to continue cross-border trade discussions, while the Ministry of Trade and Investment imposed anti-dumping tariffs on Thai sugar imports after reviewing a sharp increase of purchases in 2020.

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