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China's Economy – Driving the Global Air Cargo Market

30 years ago, In December 1978, the Central committee of the Communist Party held an historic meeting in Beijing, at which two important decisions were made. One was to open the door of China to the outside world, and the other - to reform the national economy. Since then, China has made a huge switch from the planned economy to the social market economy, has made remarkable achievements in all fields, became an important player integrated in to the world wide economy, became a largest industrial producer along with US, Japan, Germany and other world economy giants. So, today it allows us to talk about the influence of China's economy on the Global Air Cargo Market.

Globalization and the international division of labor generally can be considered as a steady driving developing force of the transport industry. Integration of trade from one side and disintegration of production from other side is a key word combination to understand the role and importance of the transport industry now days.

The questions of time, mobility and achievements of science with its hi-tech products predict an increasing demand for international air transportation service, taking all parties involved in the process such as airlines, airports, handling providers, logistic companies and other participants of the Global Air Cargo Market.

As the “world's workshop” China obviously is a very important part of the Global Air Cargo Market, where China plays a big part of its growth. Traditionally the routings between so-called “producing Asia” and “consuming West and America” are taking up the leading positions in the development of the international Air Cargo Market. At the same time, back to the topic of the conference, the development of China's economy and its integration Worldwide is not simply driving the Global Air Cargo Market, but driving it to the new directions and towards new potential markets.

As an example, one of the hot topics recently discussed between the specialists is the promising international and domestic air cargo market in Russia. Economic growth in Russia with its population of more than 140 million people, now exceeds the average economic growth in European countries. In 2007, Russia's GDP grew by 8.1%, the country's ninth straight year of growth, averaging 7% annually since economy crises in 1998. The growth of national welfare and

purchasing power in Russia are leading to high levels of foreign trade in both import and export. According to figures from Russian Federal State Statistic Service, the air cargo transportation in Russia in 2007 grew by 14.3 % and will keep rising at the same level over the next 15 year, which is above the average annual growth of World Air Cargo Market according to Boeing forecast, predicting that the average annual growth through 2025 will be about 6,1% (Particularly Europe-Asia - 6,9%, Asia-North America - 7,1% and Intra - Asia - 8,6%).

Of course China is deeply involved in this growth. Bilateral trade between Russia and China exceeded 40 billion US dollars in 2007, and according to specialists forecast it could reach 60 billion US dollars a year before 2010. The remarkable and important in terms of the air cargo is the increasing portion of hi-tech and electronic products in trade. In the last 3 years the volume of air cargo transportation from China to Russia (excluding the volume shipped via third countries) grew by 20 % a year. Facing such a demand a certain number of Russian and Chinese carriers are increasing their activity on the air cargo market between the countries, such as: Volga-Dnepr, Air Bridge Cargo, Aeroflot – Cargo, Polet, Tesis, Transaero, Air China, China Eastern, Hainan Airlines and others. Leading foreign airliners also set up a regular freighter service to Russia, such as KLM, Korean Air Cargo.

Here we come up to another fact that shows from the opposite side the impact of driving force of China's economy on the Global Air Cargo Market. Many of the airlines are trying their best to modernize their fleet and to increase the number of the aircrafts in order to meet the growing market needs. For example, Russia biggest carrier Aeroflot and its "daughter" Aeroflot-Cargo, has placed a sound order for new airplanes both passenger and cargo at biggest international and domestic producers. Aeroflot will spend a total of 5.81 billion US dollars on 22 Boeing-787 Dreamliner and 22 Airbus-350XWB and Aeroflot-Cargo will spend in total around of 400 million US dollars for 6 Russian made freighters IL-96-400T, while 3 of them will be delivered to carrier before the end of 2009 and the other 3 planes before 2010. Also Aeroflot-Cargo did modernize its cargo fleet with 3 leased MD-11 which started the operation this year. It appears that, one of the reasons of such a big investment and modernization is a positive forecast on China's economy development in the future, its further economic integration world wide, particularly with European countries and Russia. For sure Aeroflot and Aeroflot-Cargo are not only the companies working on both routing and fleet development. Certain examples of different airlines, freight forwarders and other participants of the Global Air Cargo Market clearly justify that the future development, business growth and expansion in a certain degree are linked with the positive expectations from China's economy performance in the future.

At the same time, as people say “we can expect better from the best, even when everything is going well, there is always something that could be better”. Here I would like to turn the topic of the conference in a different way like “China’s economy – not only driving but challenging the Global Air Cargo Market”. Economy growth predicts the increasing demand from one side as well as expanding supply from the other. Those two factors, together generate a business pressure on the market which continuously rises new questions or problems requesting to be corrected or solved in time. Here I am addressing a so-called “software” part of the Air Cargo Market that includes regulations, procedures, business solutions, operation tools and so on. We would like to see a wide range of organizations (already existing and new ones) representing the industry and playing more active role especially here in China in order to provide the modern and healthy environment on the market and making the whole process more easier for all participants of the market including the consumers of the airfreight service.

In this context its worth to mention the latest affords by IATA to implement the CASS system in China. CASS is one of the services and solutions of IATA, that was designed to simplify the billing and settling of accounts between airlines and freight forwarders. The first launch of CASS was in Japan in 1976. In China, first run of CASS was in year of 2000 and re-launch was in 2005. According to the statistic from IAIA, CASS-China is experiencing a boom with about 300% growth rates in volume each year from 2006 till now. Currently, there are 27 participating airlines and 164 cargo agents in CASS-China. Meanwhile around 50 other cargo agents are under application process.

It’s interesting to analyze the reasons why the first run of CASS in China in year of 2000 was not successful and it took more then 5 years for the air cargo market in China to welcome this instrument that have been implemented already in 63 countries and areas worldwide. For sure there are many objective reasons, it might not have been a right time for that. Any way now such a high level of activity of airlines and freight forwarders in China shows that domestic air cargo market particularly in its “software” part is ready for upgrade not only in terms of billing and accounting. Under the new circumstances, business environment, modernization of existing procedures implementation of new right tools and solutions had become an important question in context of the further development of the air cargo market in China.

Back to the topic of our conference, that's may be exactly what “China Economy is driving the Global Air Cargo Market to do in China”.

14.06.08