

## Europe Exports to Asia Seen Surging in Deepening Crisis: Freight

When Swedish Trade Minister Ewa Bjoerling visited China in September, she took executives from fashion retailers Lindex AB and Gina Tricot AB to talk about selling more in China, a country better known for exporting clothing.

She's also promoted Swedish exports in trips to India, South Korea, India and Indonesia as the government predicts a one-third increase in sales to Asia in four years.

Beneficiaries of the shift may include the companies carrying the West-East shipments. Among them: container lines A.P. Moeller Maersk A/S (MAERSKB) and Hapag-Lloyd AG.

Shipping lines used to sail one full container to Asia from Europe for every three loaded with China-made goods that came back. Those "massive" imbalances are easing now as Europe consumes less and China more, according to BIMCO shipping analyst Peter Sand. Already, shipping lines send two containers to Asia for every three to Europe, he said.

"This trend is likely to continue as Asian imports grow faster than European imports," said Sand, based in Bagsvaerd, Denmark.

Sweden, which relies on exports by companies such as Volvo AB (VOLVB), Ikea Group and Electrolux AB (ELUXB) to generate half its economic output, estimates that the volume of goods shipped to Asia and Australia will soar 32 percent through 2016, according to a Dec. 6 prognosis by the Foreign Ministry. That's double the pace of export growth to the European Union.

"Asia, and especially southeast Asia, is a growth region with big future potential and it's therefore important for Sweden to have a presence in these markets," Bjoerling said in an e-mailed response to questions on Dec. 11. "In many of these countries there is strong demand, which of course is interesting for many of Sweden's competitive companies."

China-Bound

Other nations are also shifting their focus, global data indicate. Containerized trade to Europe from Asia will contract 3.3 percent this year, ship broker Clarkson Plc estimates. Imports to Asia from Europe will increase 5.5 percent, it said.

In Denmark, home to Maersk, exporters have been “hurt by the weak cyclical trends in many of our biggest markets in Europe,” Trade and Investment Minister Pia Olsen Dyhr said in a Dec. 10 statement on her ministry’s website.

Danish exports to Brazil, Russia, India and China rose 10.1 percent in the August-October quarter from the previous period, Statistics Denmark said Dec. 10. Exports to Europe fell 0.4 percent over the same period, it said.

“We must continue to focus on increasing exports to BRIC countries and other developing nations that will make up growing markets in the years to come,” Dyhr said. She plans to visit China twice a year and wants Denmark’s exporters to double shipments to the nation through 2016, she said.

‘Large Organization’

Maersk, based in Copenhagen, is investing in its China operations by “building up a large organization there so we can be ready to help customers who want to export to China,” Chief Executive Officer Nils Smedegaard Andersen said in an interview.

Hapag-Lloyd, Europe’s fourth-biggest shipping line, has built up its technology platforms to identify trade flows so it can react quickly to any shifts, according to Rainer Horn, a spokesman for the privately owned Hamburg-based company.

Raising capacity for the Europe to Asia route “shouldn’t be a problem,” Horn said in an e-mailed reply to questions. Empty containers on routes experiencing surplus capacity will be redeployed, he said.

“Every extra container filled with cargo heading from Europe to Asia will help to reduce the significant imbalance in this trade,” he said.

“Hapag-Lloyd has intelligent steering software in place to reduce imbalances and to raise utilization of its over 650,000 boxes globally.”

## Rising Shares

Shares in Maersk, which also comprises oil and retail units, have gained about 14 percent in the past 12 months. That compares with an 18 percent increase in the Stoxx Europe 600 Index. (SXXP) Hapag-Lloyd isn't publicly traded.

Companies that fail to make the shift will be left behind, said Kai Miller, Hamburg-based head of the container desk at London ship broker ICAP.

“China is turning into an import nation,” he said. “If you'd have a booming import cargo stream from the Far East to Europe, and you have to bring all the containers back empty, it'd be monkey business.”

As Europe struggles to emerge from recession, China is targeting more consumer-driven growth after Vice President Xi Jinping replaced President Hu Jintao as Communist Party head.

## Retail Sales

“It'll be very, very positive for us -- and probably also for the rest of the world -- if China succeeds in this development,” Maersk CEO Andersen said.

While China's gross domestic product slowed to 7.4 percent in the July-September period from a year earlier, gauges of manufacturing and retail sales have pointed to a recovery. China's economic expansion will accelerate to 7.7 percent this quarter and to 7.9 percent in the three months through March 2013, according to the median estimate of analysts surveyed by Bloomberg in October.

“A well-balanced import and export trade lane is the best thing a container line can have,” Miller said. “There are only big benefits with getting

more cargo attracted to China.”

The shift in export and import flows is likely to be long- term as Europe stays mired in sluggish growth for as long as a decade, according to Robert Bergqvist, chief economist at Stockholm-based bank SEB AB.

“The rucksack that Europe has to carry is still quite heavy and will continue to be pretty heavy for perhaps five to 10 years, and that will damp growth,” Bergqvist said in a Dec. 10 telephone interview. “At the same time we’re seeing that these are big potential markets in Asia and I think it’s incredibly important that we’re in the forefront there.”

Carriers need to acknowledge that they’re unlikely to find growth in Europe, according to Ken Bloom, the chief executive officer of U.S. e-commerce shipping platform INTTRA, which handles 525,000 shipments a week.

“The supply side of the equation is incredibly challenging,” he said by phone. “On the demand side, in the consumer-oriented European market there is no emergence of hope right now.”