

CEO Newsletter

Insights. Informative. Thought Leadership.

MARCH 2018

Trade Wars and A Digital Revolution – How will Global Trends Impact Emerging Markets in 2018?

Written by Bushra Ali
Business Intelligence Specialist, Logistics Executive Group



While the most qualified soothsayers anticipated a relatively smooth-sailing 2018 for global markets, recent signs of a 'trade war' between the US and China has rolled back some of the cautious optimism that started off the year, especially for emerging economies.

As global stock markets take a foreboding plunge and capital flight seeks safer pastures, emerging market assets have taken the largest tumble. Unsurprisingly, Asian manufacturers have been worst hit, with mainland Chinese equities dwindling 3% in the past week since the impending (but temporary) US tariffs will directly hit China's annual \$60 billion exports to the US. The Turkish lira has also gotten caught in the cross-fire, tumbling to record lows against the dollar and euro this week.

NEWS

KIZAD, Go Global launch Abu Dhabi Logistics City

Khalifa Industrial Zone Abu Dhabi (KIZAD) has recently announced the first ever 'on-demand' warehouse in the Middle East in partnership with Get Go Global, the leading online booking system for a whole host of business needs from an initial 10,000 square feet (1,000 square meters). The announcement was made at the launch of KIZAD Logistics City, which offers a breakthrough pay-per-use model for warehousing services enabling prospective customers to negate a capital expenditure.

Hands Up Kenya partners with Youth & Success Association for 'Youth in Leadership' Conference

Hands Up Kenya has partnered with the Youth & Success Association (YASA) to host its conference series in 2018. Co-founded and led by Sheila Atieno, a former Mandela Fellow and Africa Representative in the WHO, YASA is one of the largest youth organisations in Kenya with a growing presence across Africa. YASA organises a range of youth leadership, mentorship and training programs to prepare combat youth unemployment, foster entrepreneurship, and prepare African youth for leadership and innovation as African countries emerge on the horizon as dominant emerging economies. Hands Up Kenya and YASA will host their first event – the 'Youth in Leadership' Conference on May 26 at the Kenyatta University Amphitheatre in the Kenyan capital of Nairobi. For regular updates on the initiative's progress, follow their Facebook page.

While it may be too early to anticipate where the war of words between two economic superpowers will lead this time, it is tempting to believe that the threat of 'deglobalisation' is here to stay and unravel the decades-long boom that has benefited many rising tigers, especially in Asia. The resurgence of populism and its protectionist agenda in the US and Europe inspires pessimism in rising economies that have long banked on the developed world as their biggest export markets.

In such unpredictable times, what is one to make of the relatively sundry forecasts that started the year, particularly for the logistics and supply chain industry? In order to reconcile these with current circumstances, it is important to consider the evolving position of emerging markets in the context of the global economy.

Developing economies have long been the rising stars of the global logistics and transport industry. This is by no means a coincidence. The supply chain industry is an important component of the economic growth and maturity of a country, facilitating domestic and international trade, the development of competitive advantage in key industries, and the opportunity to diversify and foster capability in new industries.

This decade, we have already witnessed important milestones that indicate the rising significance of logistics and supply chain activity – both cross-border and domestic – in the developing world. One example is Asia becoming the largest 3PL market in the world (by annual revenue), outgrowing both Europe and North America. Another is Africa's lead in global air freight demand growth for the past several quarters.

The growing significance of the logistics and supply chain industry in developing regions that are home to the majority of the world's population indicates an opportunity that has so far mostly been tapped by dominant global players. However, as governments realize the strategic value of the sector and seek to play a greater role, the playing field has evolved and made way for domestic players that are not only competing with global leaders, but also forming strategic partnerships to capitalize on pooled competencies and resources. Public and private investments in logistics and supply chain continue to grow, and governments are also taking an increasingly active role in amending regulations and legislation to boost this further. The most recent example of the latter is India's implementation of a nation-wide Goods & Services Tax (GST) that has ironed out inconsistencies and confusion caused by state-to-state variation in legislation.

Consequently, emerging markets are increasingly able to diversify their risks and dependencies, particularly in the logistics and transportation sector which is being recognized for its ability to support the development of other sectors. As noted in the 2018 edition of the Agility Global Emerging Markets Index, developing markets are buying a larger share of each other's exports and integrating their production. This is especially true in Asia, where China's neighbours have significantly benefited from setting up ancillary industries to supply and facilitate China's manufacturing boom.

While much of manufacturing activity in the developing world continues to serve the export market, there are still signs of rising domestic consumer appetite. The emergence of e-commerce and development of domestic logistics infrastructure have been key factors propelling these consumer markets, while the development of new urban centres across China's long-neglected Western region creates opportunity to multiply economic activity across new hubs.

Many emerging markets have adopted similar strategies to foster investment opportunities and diversify their economies, with Saudi Arabia announcing its largest public budget among a series of other socio-political and economic reforms this year and even Africa stepping up its game with the development of new e-commerce-oriented logistics infrastructure across key economies. Furthermore, the progress of China's Belt and Road Initiative offers the promise of creating new avenues for trade and stronger regional economic ties in the Global South.

One especially interesting and relevant trend is the opportunities digital disruption is

LogiSYM Singapore 2018 returns on May 16 & 17 2018

LogiSYM Singapore 2018 returns for the fourth time this year on May 16 and 17. The 2018 edition will be hosted at the prestigious NUSS Kent Ridge Guild House and focus on 'Supply Chain Resilience and Innovation'. As Asia's premier logistics & supply chain event, LogiSYM Singapore 2018 will bring together 300+ shippers, manufacturers, 3PLs, forwarders, logistics professionals, educators and technology solutions providers from around Asia.

UPCOMING EVENTS

Hands Up Kenya

26 May 2018

Kenyatta University Amphitheatre
Nairobi, Kenya

Hands Up Kenya has partnered with Kenyatta University to launch the first event in its conference series on May 26, at the prestigious Kenyatta University Amphitheatre. The event will provide an opportunity to over 1500 youth to connect with and be inspired by successful entrepreneurs, community leaders, and world-renowned artists from Kenya and around the world. The initiative has also recently announced Gilad, former deputy Israeli ambassador turned Kenyan singing sensation as a Hands Up Kenya Ambassador, alongside Sheila Atieno, Founder and CEO of the Youth And Success Association.

www.handsupkenya.com

LogiSYM Singapore

15 - 16 May 2018

NUSS Kent Ridge Guild House
Singapore

LogiSYM Singapore 2018 will look at how Innovation is necessary for the Supply Chains of TODAY and how Resilience in supply chain design, policy and approach is needed in the face of growing uncertainties and developments in the global strategic landscape.

www.logisym.org

creating for emerging economies. By playing an increasingly important role in pioneering technologies that shall likely define the future of logistics, developing markets are not only enhancing their own competitive advantage through the optimisation of supply chain activities, but also adding more value and creating new, complementary industries. "For many years, emerging markets have aspired to move up the value chain and reduce their dependence on the West," John Manners Bell, CEO of Transport Intelligence and Lead Researcher for the report notes, adding, "It seems that this is now starting to happen."

These developments clearly indicate a shifting dynamic between emerging markets and developed economies. However, it would be naïve to assume that this assures the former's immunity to potential friction and trade battles that loom on the horizon. Perhaps the most important signifier of their true robustness will become clear in the wake of short-term shocks that have already begun to ripple through emerging equity and asset markets.

Nonetheless, it would still be reasonable to allow the uncertainty to foster more hope than fear that, in the long term, the re-negotiated terms of trade between the developed and developing world will foster a dynamic that is better for all. After all, the issue at the heart of the current dispute – lack of adequate protection for intellectual property – is pertinent to the continued success of developing economies as well, particularly as innovation becomes an increasingly strategic part of their competitive advantage in global markets.

In the meantime, what can you – as an organization dealing local, regional and global economies – do to ensure you are well-equipped for the bumpy road ahead? The first place to start would be a thorough health check to ensure that your supply chain is performing to best practice standards and that you have a detailed understanding of where further efficiencies can be realised and/or leverage obtained to capitalise on new market opportunities.

Indeed, there couldn't be a better time to conduct a supply chain audit to review processes and understand where the next cost driver is going to come from in the wake of ongoing transformations. For more information on how you can undertake this assessment with our team of qualified and experienced international experts, feel free to reach me at bushraa@logisticsexecutive.com.

Sources:

Agility Global Emerging Markets Index

<http://slideplayer.com/slide/1619715/>

<https://www.reuters.com/article/emerging-markets/emerging-markets-emerging-assets-tumble-as-trade-war-fears-balloon-idUSL8N1R51KJ>

<https://www.forbes.com/sites/kenrapoza/2018/03/23/hawkish-fed-probably-worse-for-market-than-china-trade-war/#114daf155014>



BUSHRA ALI
Business Intelligence
Specialist,
Logistics Executive Group

bushraa@logisticsexecutive.com

Bushra Ali is a business intelligence specialist at Logistics Executive Group in the Middle East. She has a degree in Economics and Chinese from Williams College, Massachusetts, USA. She specializes in market research and economic analysis using qualitative and quantitative tools including STATA, R and Python. Her past research spans topics including behavioural economics, consumer behaviour, renewable energy markets, education and social entrepreneurship. Her research has been published by the London-based Overseas Development Institute (ODI). In addition to English, she is fluent in Mandarin, Arabic and Urdu/Hindi.

Home Delivery World 2018

18 – 19 April 2018

AmericasMart Center, Atlanta, GA, USA

The annual retail logistics conference & exhibition. Warehousing to the customer doorstep. We cover the entire delivery cycle. Addressing the topics that matter most – New Business Models, Customer Loyalty, Smart Technology and Warehousing. Walk away with actionable insights to apply to your business to drive efficiencies and revenue.

www.terrapinn.com/conference/home-delivery-world/index.stm

GPCA Research & Innovation Conference

6 – 8 May 2018

InterContinental Festival City Hotel, Dubai

The conference will showcase best regional learnings across the chemical and petrochemical sector and define the future direction of Responsible Care companies in the region.

<http://gpcaresponsiblecare.com/>

ABOUT US

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

CONTACT US

Sydney: +61 282629800

Melbourne: +61 396078263

Perth: +61 892881774

Singapore: +65 66929202

Hong Kong: +852 39582313

Shanghai: +86 2161037078

Dubai: +971 43616275

Mumbai: +91 2266089532

New Delhi: +91 1244696680

Chennai: +91 444202 4819

London: +44 2032397624

Bangalore: +91 9940059232