



JOURNEY THROUGH CHINA

THE NORTHEAST PASSAGE



Introduction

The Shipping industry is of the utmost importance to the strength and progression of the global economy. Transporting 90% of all goods around the world, secure and efficient trade routes are required to facilitate this trade and ensure that the global economy can grow and flourish. The Pacific Tycoon Journey Through China reports have been developed to examine the most important shipping and trade routes around the world and analyse the impact of developments to these routes. This report is the first in the series and explores the Northeast Passage – a stretch of ocean which allows ships to travel through the Arctic Circle. This newly uncovered trade route has the potential to offer unprecedented benefits to the shipping transportation industry and to global trade. China, the number one trading nation in the world, is set to benefit from improved access to the European Union and North American markets in particular.

The Northeast Passage

The maiden voyage was made in the last year by a Chinese ship which travelled to Europe via the Northeast Passage. This Arctic Ocean trade route has been made possible by the effects of global warming which has melted arctic ice to the extent that ships can now pass through this passageway to the north of Russia. The Yong Sheng – a 19,000 TEU capacity ship operated by COSCO – reached its destination, the Port of Rotterdam, in 21 days. This new link between China and mainland Europe is a 3,380 mile (5,400 kilometres) voyage.

This route is far shorter than the journey which takes shipping vessels between Asia and Europe and through the Suez Canal, reducing journeys by thousands of miles. This shorter journey could save on shipping times by up to two weeks. The benefits of the use of this passage will be numerous and far-reaching. Shipping firms will be able to deliver goods to clients far more efficiently whilst benefitting from reduced fuel and operational costs. Manufacturing firms around the world will experience shorter lead times as orders for inputs are completed in record time.

By the middle of 2013, 372 permits had been granted to ship through the passage. This is more than eight times as many journeys made in 2012 (46) whilst the route was only completed four times in 2010. These statistics highlight the rapid growth in the use of the Northeast Passage. As more firms look to take advantage of the benefits outlined above, in the coming years, it is likely that the Northeast Passage will become a key trading route.



Impact for World Trade and China

Sam Chambers, editor of SinoShip magazine believes that the use of this passage by Chinese shipping firms is “potentially going to change the face of world trade”. China is the number one trading nation in the world with overall trade of more than \$4 trillion in 2013, broken down to exports of \$2.21 trillion and imports of \$1.95 trillion. The European Union and the United States of America are China’s two most significant trading partners with combined trade of over \$1 trillion in 2011.

According to Dalian Maritime University professor **Qi Shaobin**, the use of this route will “shorten the maritime distance significantly among the Chinese, European and North American markets”. The improved efficiency of access to such substantial markets will drive greater global trade flows whilst also reinforcing China’s position as the most key player in future global growth and trade.

The importance of the Northeast Passage to China can be seen in the government’s determination to shape the future of the Arctic region. China has gained observer status in the Arctic Council; a group of nations with interests in the region which is believed could hold rich mineral and energy resources. This involvement in the Arctic Council will help China ensure its continued access to the trade route, thus protecting its global economic ambitions.

Whilst the route requires development of its infrastructure and is only open for approximately one third of the year (during the Arctic summer), some Chinese estimates claim that up to 15% of the country’s international trade could use the Northeast Passage within only seven years.

Conclusion

The Northeast Passage has drastically reduced the time and resources required to transport goods around the world. In particular, trade between China and the USA – the two largest trade routes in the world. Trade between China and the EU will also become significantly more efficient, the impact of which could be immense. As well as reducing operational costs for shipping firms, this Arctic passage will boost global economic relations. The result of which will be the growth of trade and the reinforcement of China’s position at the heart of the world economy.

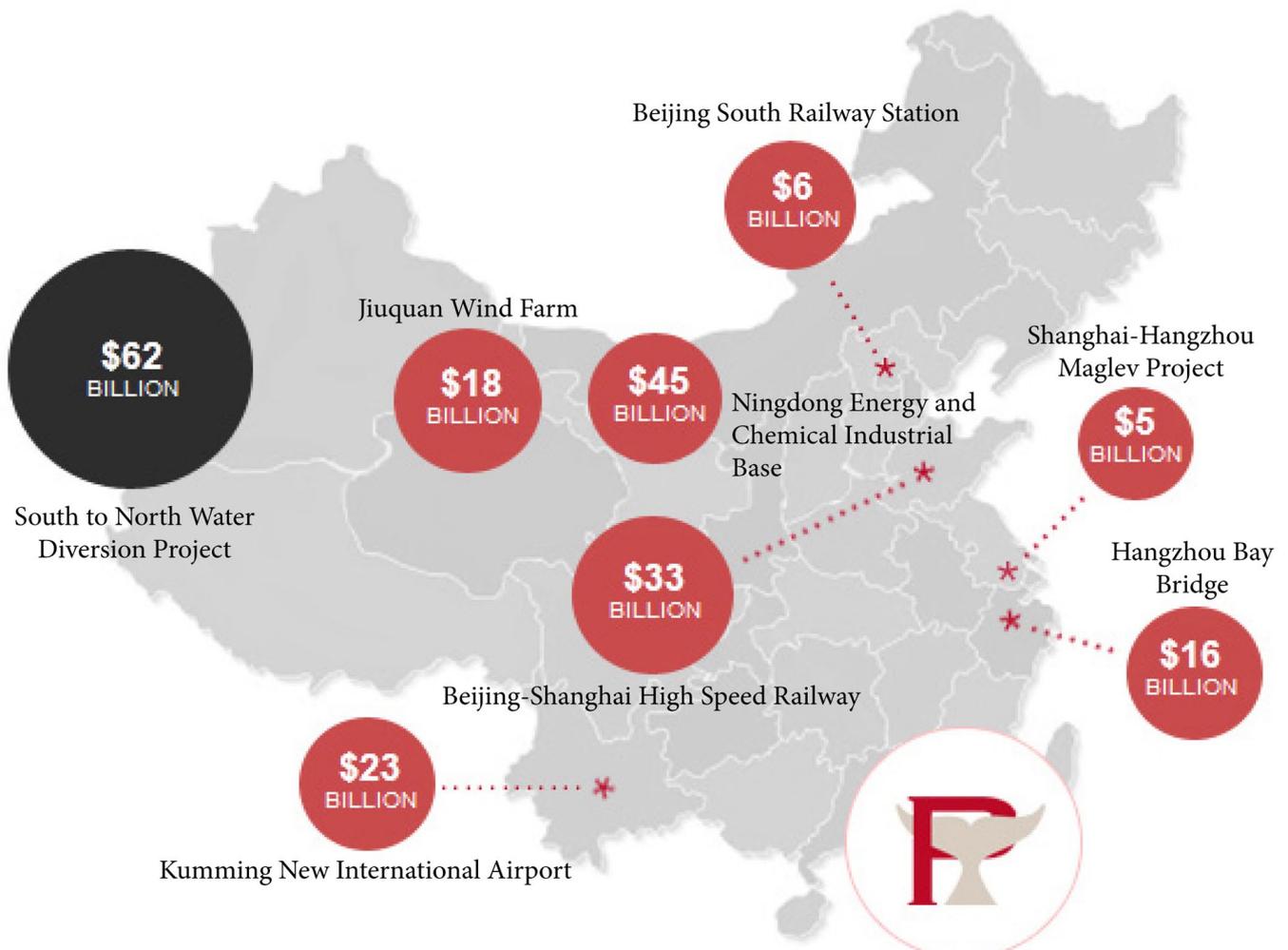
The impact of the Northeast Passage will be far-reaching, benefitting global trade, individual economies and the entire shipping industry. As shipping firms increasingly utilise this route, they will benefit from reduced costs and the increased flexibility to meet the needs of a fast paced and rapidly changing shipping industry. Moreover, these shorter lead times will benefit suppliers and manufacturers around the world.

However the biggest change will affect global economic relationships. The use of the Northeast Passage will help to facilitate increased interconnectivity between key trading partners and facilitate the rise of global trade. Between 2014 and 2017, it is expected that China’s trade (including imports and exports) will rise by at least **7% per annum**. As the US and Europe are two of the economy’s key partners, the Northeast Passage will be vital for supporting this growth in trade and reinforcing China’s position at the heart of the world economy.



Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website:

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