

Silk Road Study of the Swedish and Danish Market

SOUTH BALTIC TRANSPORT LOOPS
Work Package 3, Activity 3.1 and
Work Package 4, Activity 4.1

Introduction - findings

- Timing extremely unlucky!
- Very hard to get hold of people
- People very secretive about their volumes to/from China
- Exporters more willing to talk
- Most volume to/from China shipped by ocean vessels via Gothenburg, Helsingborg etc. 2M have cost competitive direct service
- Price is very important
- Volatile sea freight might enable an opening
- Will be easier to sell a product

Trade between Sweden, Denmark and China

Industrial



- Shanghai Municipality (32)
- Beijing Municipality (23)
- Jiangsu Province (22)
- Guangdong Province (16)

Consumer



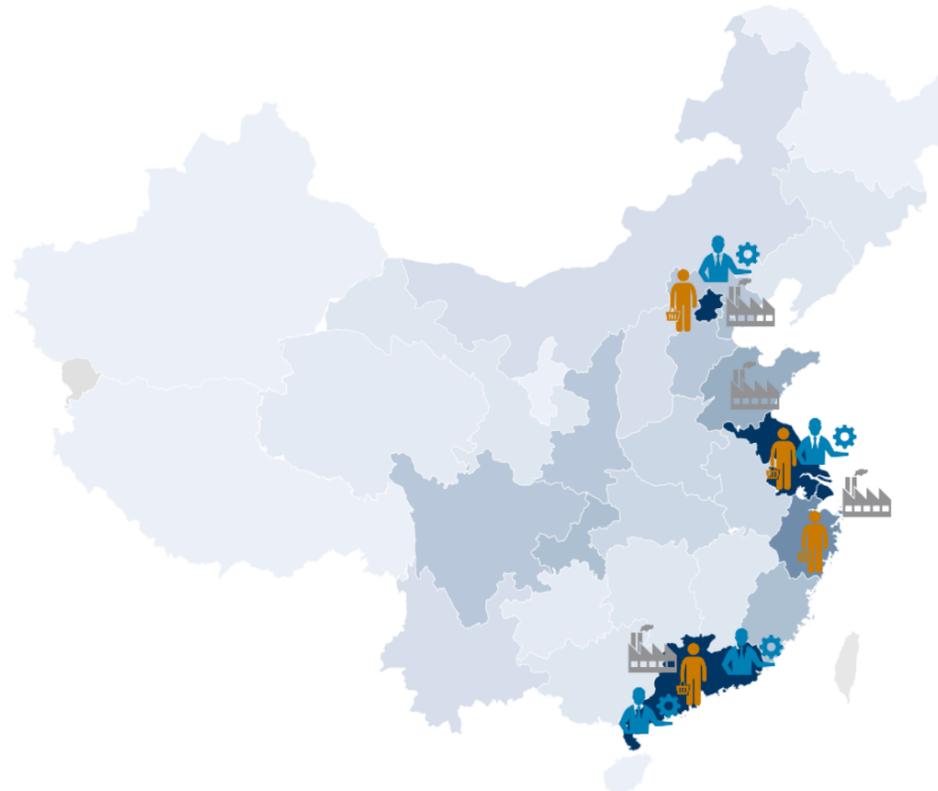
- Shanghai Municipality (13)
- Guangdong Province (4)
- Zhejiang Province (4)
- Beijing Municipality (2)

Professional services



- Shanghai Municipality (22)
- Beijing Municipality (12)
- Guangdong Province (5)
- Hong Kong SAR (5)

In which province(s) is your company currently present? (N=92)
(Data reported in count of responses)



Trade between Sweden, Denmark and China

Expansion plans – new provinces

Industrial



- Jiangsu Province (5)
- Sichuan Province (4)
- Shandong Province (4)
- Shaanxi Province (3)

Consumer

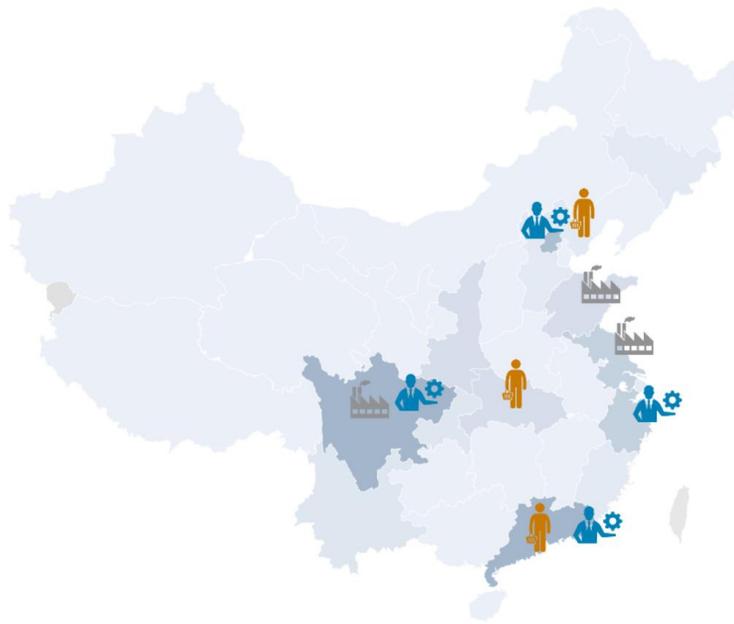


- Guangdong Province (2)
- Beijing Municipality (2)
- Hubei Province (2)
- Sichuan Province (1)

Professional services



- Guangdong Province (5)
- Municipality (4)
- Sichuan Province (4)
- Zhejiang (4)



Firms contemplate expansion to Sichuan & Guangdong

When asked about which provinces the firms consider to enter, the responses vary across sector and size groups; however, most contemplate expanding to Sichuan province, Guangdong province, and Beijing. In 2017, roughly one-third of firms with expansion plans considered Guangdong province, followed by Chongqing and Beijing, whereas Sichuan was the eight most popular province to expand into. While more data is needed to confirm any definite trend, it is clear from this year's survey

that the firms with expansion plans in China are not only cementing their current operations in coastal regions but are in fact looking westward. It is not surprising to see that Sichuan province comes out as a top destination for the surveyed firms as the region is becoming a key hub for the economy given its geostrategic importance as a key junction in the Belt and Road Initiative (BRI) and convenient distance from several provincial capitals (e.g. Kunming, Xi'an, and Guiyang).

Trade between Sweden and China

- China is Sweden's 8th largest trading partner
- Swedish bilateral trade in goods with China is at an all-time high, amounting to approximately 130 billion SEK on an annual basis –this makes China Sweden's largest trading partner in Asia.
- Swedish trade with China is more or less balanced
- Swedish companies produce in China for the local and regional market, rather than for exports to Europe.

Trade between Denmark and China

- China is Denmark's 6th largest trading partner
- Danish bilateral trade in goods with China amounts to approximately 65 billion DKK on an annual basis.
- Trade with China has tripled since 2005.
- Danish production focused to Jutland
- Main commodities exported from Denmark to China,
 - Food products – Arla = dairy, AAK = fat and Danish Crown = pork
 - Medicine - Leo, Lundbeck and Novo Nordisk
 - Fur – Copenhagen Fur

Present Silk Road products SE/DK

- Most forwarders in Sweden and Denmark are promoting Silk Road rail products.
- Global forwarders such as DHL, DB Schenker, Kuhne & Nagel, DSV are promoting the product actively.
- Even smaller forwarders such as Green Carrier, APC Logistics etc are promoting "own" products.

Feedback from Shippers and Receivers

- Quite a few have large volumes to and from China
- Smaller volumes transported via Silk Road so far
- Most companies see the product as a back up option
- The product is not seen to be competitive
- Sea freight prioritised
- Shippers and receivers are mainly in the hands of forwarders

Feedback from Shippers and Receivers

- Shippers and Receivers make the following priority choosing Silk Road
 - 1) Price
 - 2) Lead time
 - 3) Punctuality

- 91 % of all shipments are transported on a weekly basis
- 89% of all goods is transported in 40' HQ containers.
- 65% of shippers and receivers budgeted a 5 -10% growth the coming 5 years prior to Covid-19.

1.520 mm connection points

- Małaszewicze is seen to be a bottle neck
- Most Silk Road cargo to Sweden and Denmark is routed via Małaszewicze to Hamburg or Duisburg
- Frequent rail connections between Duisburg and Katrineholm/Norrköping.
- DB Shenker Eurasia's solution via Kaliningrad and Rostock is promoted as a solution to avoid Małaszewicze / 1.520 mm gauge connection points. A connection via TT-Line to Trelleborg is offered

Covid-19 effect?

- Indications show that at least export volumes from China have recovered rapidly despite the effects of Covid-19.
- One example is that Duisburg during April in average has received about 50 trains/week, i.e. 4 - 500 containers. This volume is even larger than pre-Covid-19.
- This indicates a large need of above all components which also accounts for Swedish receivers.
- No validated volumes available regarding exports to China yet.
- Extremely hard to get hold of clients!

Conclusion

- China an important trading partner for Denmark and Sweden
- Silk Road rail product expected to grow
- A number of large shippers are using Silk Road, although very limited volumes
- Need to dig deeper – sell a product!
- Competition!
- Bench mark in place

Developments since study

- Port of Mukran has launched a successful product!
- Swedish / Danish Silk Road connection?
- Extreme demand and imbalance disrupting global trade
- Equipment limitations
- Geopolitical complications and Covid-19

Thank you!