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CHANGING THE AIR CARGO LANDSCAPE

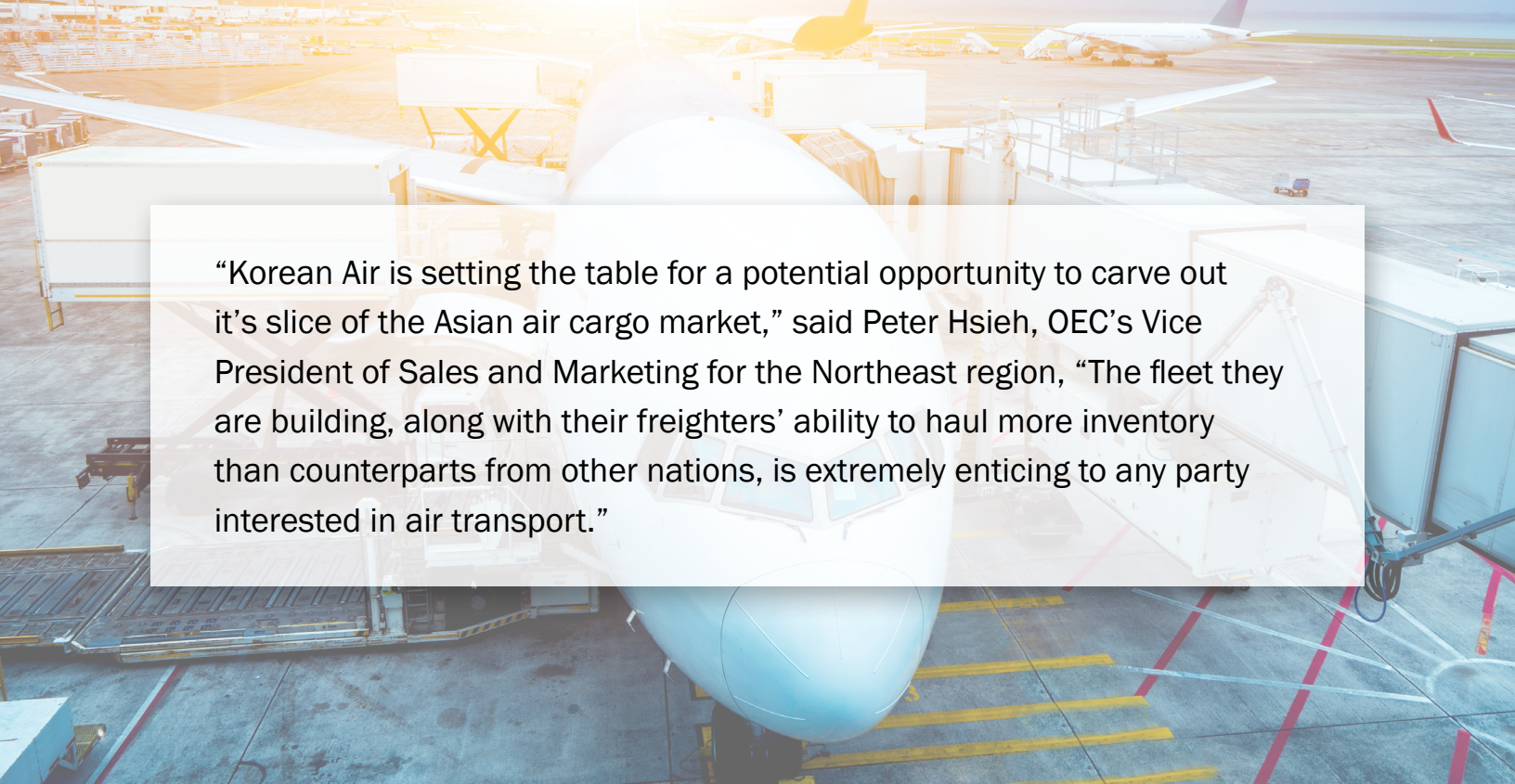


Nataliya Hora - stock.adobe.com

Korean Air's potential \$1.6-billion acquisition of Asiana has the capability to alter the eastern air cargo landscape.

The possible purchase will result in the Korean Air becoming the tenth largest airline in the world and number one in the Asia-Pacific region. Additionally, the acquisition will make Korean Air the third largest cargo airline in the world, behind only Qatar Airways and Emirates.

This expansion is coming at a time when estimates for the Asian air cargo market have never been more positive. The East Asia – North America, Europe – East Asia, and intra-East Asia air freight lanes are global leaders in projected growth percentages and total cargo volumes.



“Korean Air is setting the table for a potential opportunity to carve out its slice of the Asian air cargo market,” said Peter Hsieh, OEC’s Vice President of Sales and Marketing for the Northeast region, “The fleet they are building, along with their freighters’ ability to haul more inventory than counterparts from other nations, is extremely enticing to any party interested in air transport.”

Once the deal is complete, Korean Air will hold 40-percent of passenger and cargo slots at Incheon Airport, giving it a commanding majority of all air traffic at South Korea’s main airport. This position of strength will establish the airline as the dominant player in East Asia.

“Once this merger is finalized, Korean Air will have more than 250 planes and boast a valuation of around \$36 billion,” said Alan Dong, OEC’s Regional Air Freight Manager. “This will allow the airline to have more influence in air freight and create a different dynamic in the region.”



MATT HAFFNER
OEC's VP Customs Brokerage

INTERVIEW WITH AN EXPERT

Matt Haffner, OEC's President Customs Brokerage, answers questions about how the United States may change its approach to trade in 2021.

What do you think US trade strategy will be in 2021?

As a very sweeping view of trade in the coming year, I don't foresee any major changes in our approach. What I've heard and what we expect, is the current situation or relationship over trade with respect to China, will not be a priority for the coming administration during the first year. We will still see Section 232 and 301 Tariffs that range from 10 – 25%. You may see a real focus of attention toward rebuilding relationships with longstanding trading partners like the EU, UK, Japan, and Singapore, which were strained over the last four years. The purpose behind that is to create a bloc, which would eventually be used to, in unison, work toward approaching China for trade relations that are more favorable to our global allies.

Are there any areas primed for growth?

That's going to be determined by a couple things. Generally, the consumer will continue driving trade priorities on what we see moving in and out of the country. It's really a wild card at this point because we are engaged in a pandemic. Over the course of the next year, with a vaccine, we will see a more normalized pattern of trade. From an administrative prospective, there'll be a shift toward green technologies that have been neglected in recent years. Toward the second half of the year, an increase in trade related to renewable energy sourcing is expected.

You spoke about green technology and this multi-lateral approach to China. In the past, those ideas have had a lot to do with US partners across the Pacific. Do you have any thoughts on the Trans-Pacific Partnership and whether it will be revisited in the New Year?

It will be revisited in the next year or two. It won't be a top priority anytime soon. Eventually, there will be negotiations to further enhance the benefits to the United States. The focus will mirror the USMCA (United States – Mexico – Canada Agreement), which we saw come out of the NAFTA agreements. Attention toward agricultural tariffs, auto industry tariffs that are more beneficial to the US, and even labor negotiations where parties that were involved with the trade negotiations would have to agree to labor unions and a minimum salary associated with certain industries are going to take center stage. I see us going back to it when the time is right, but I don't see it as a top priority.

You just alluded to some of the more unique terms of the USMCA and how that may play into a new TPP in the future. Do you think they might use the USMCA as a template moving forward, or will they go back to more traditional arrangements?

No, the USMCA framework is marketable to Congress, which is paramount in the ratification process. I see it as a foundation for future trade negotiations which are more favorable to US industry than others that have been negotiated in the past, so I do foresee that being the framework for future negotiations.

Do you have any thoughts on how the renewal of the Generalized System of Preferences might play out?

The GSP, Generalized System of Preferences, is a system of US trade preferences provided decades ago to third world and developing countries to help improve their economies. It is not bilateral, it is unilateral, where the US agreed to do this without any negotiations. I expect we'll do what we've done before, which is to retroactively apply any trade preference that may be lost on December 31, 2020. I don't see any major impact. I suspect that Congress will follow the same path it has taken in the past and pass a bill in the coming weeks or months.

Last Mile Delivery

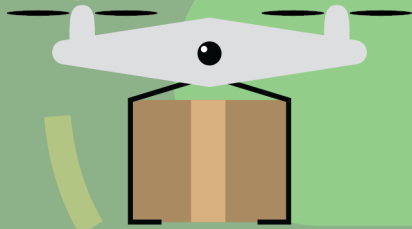
FUN FACTS



ONE MILE TO GO



48% of consumers are demanding next-day delivery and 23% are demanding same-day delivery.



60% of American consumers would accept deliveries by drone.

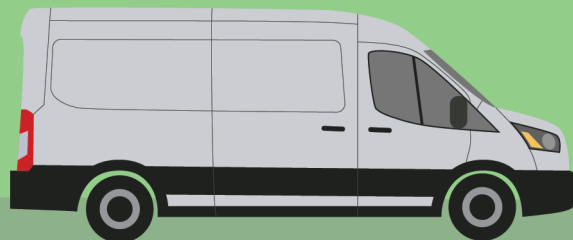


25% of shoppers say they are comfortable paying significant shipping costs for same-day delivery and other features like in-home delivery.

To create a faster last-mile delivery, many online retailers have invested in more warehouse space, with demand for warehouse space expected to reach 1-billion square feet by 2025!



Home delivery has grown to be the most preferred package delivery method, especially among millennials.



The Ford Transit is the most popular cargo van in the US and Canada.

FINISH

ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.