



IMPROVING TRADE AND TRANSPORT IN LANDLOCKED COUNTRIES



Creating niche industries

Air freight for alternative exports

A fresh look at exporting by air

With the right policies and favorable market forces

- Create niche industries
- Avoid difficult or costly border crossings
- Reduce risks in road and sea transport

Markets for perishables and industrials

- Cut flowers to the to the US from Colombia (\$1 billion), Kenya to EU (\$400 million in 2005 from \$120 million in 2002), Tanzania, Uganda, Ethiopia
- Seafood and fresh fish to the EU and US from Ecuador (\$95 million), Tanzania (\$70 million)
- Fresh fruit from Chile, Mali (mango), Kenya (avocado)
- Clothing to the EU from Mauritius (\$400 million)
- Electronics from Malaysia and the Philippines (\$70 million)

What favored textiles from Mauritius

- Excess freight capacity in passenger aircraft, so transport costs low
- Economic free zone added financial incentives, making textiles viable

What favored electronics from Malaysia and the Philippines

- Semiconductors made in the Philippines, final assembly in Malaysia, with Singapore as the link
- Air freight brings in raw materials to the Philippines, transports components to Malaysia, exports final goods to developed world
- Financial incentive of economic free zone in Malaysia made electronics viable

What favored fresh fish from Tanzania

- Single product: West Nile perch introduced to Lake Victoria (with ecological problems)
- Demand for chilled fresh fish in the EU and US
- Low capacity at Mwanza Airport forces many shipments by road to Nairobi (higher costs and spoilage risk)

What favored flowers from East Africa

- Favorable climate allows all-year open growth without fertilizer (right soil conditions, near Equator, moderate altitude)
- Proximity of flower-growing center around Lake Naivasha to Nairobi International
- Trade agreements
- (Rwanda and Tanzania could work together, sharing planes?)

Develop the right infrastructure but don't overbuild

- Air side: long runways, satellite navigation systems, weather
- Ground side: good road access for producers, apron space, ground handling

Find the right product

Analyze best prospects

- Shrimp, tuna, trout, perch
- Roses, chrysanthemums
- Mangoes, avocados, berries

Time sensitive, with value high enough to justify the cost of flying to market

Consider rising fuel costs

Air freight now 15 times sea freight: US 25 cents per ton/km v US 1.5 cents

CREATING NICHE INDUSTRIES

Look at existing cargo capacities

- Tourist market might mean excess cargo capacity
- Air freight imports leaving low-cost space for exports
- Airlines looking for ways to keep passenger service viable
- Freight-only air operators looking for combinations of markets to fill capacity
- So, opportunities exist, but need imaginative thinking to make viable

Develop the right framework

- Concerted effort by private firms and the government
- Financial incentives to get new industry started
- Minimize bureaucratic impediments (see Doing Business)

In sum

- Air freight could open new export markets for landlocked developing countries
- The right product
- The right geographic, environmental, and market conditions
- The right policies