



Shifting Economic Power, Rising New Middle Class and Impact On Global Seafood Demand

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Prior to joining Khazanah, Zeufack was the World Bank's acting lead economist and head of the Poverty Reduction and Economic Management Cluster for Southeast Asia based in Bangkok, Thailand.

He has worked extensively on microfoundations of growth and competitiveness, and is the author of books and numerous articles.

Outline

- Are we out of the “Great Recession”? Yes! Really? No!
- The shifting of the World’s Economic center of gravity and the upcoming billion middle-class Asian urbanites
- Impact on seafood consumption
- Turning the “Tragedy of the Commons” into global happYness



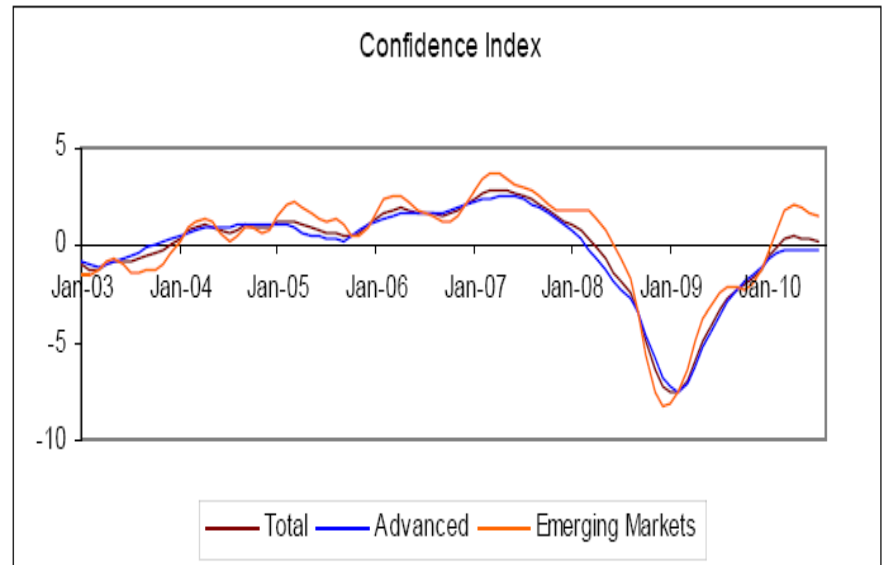
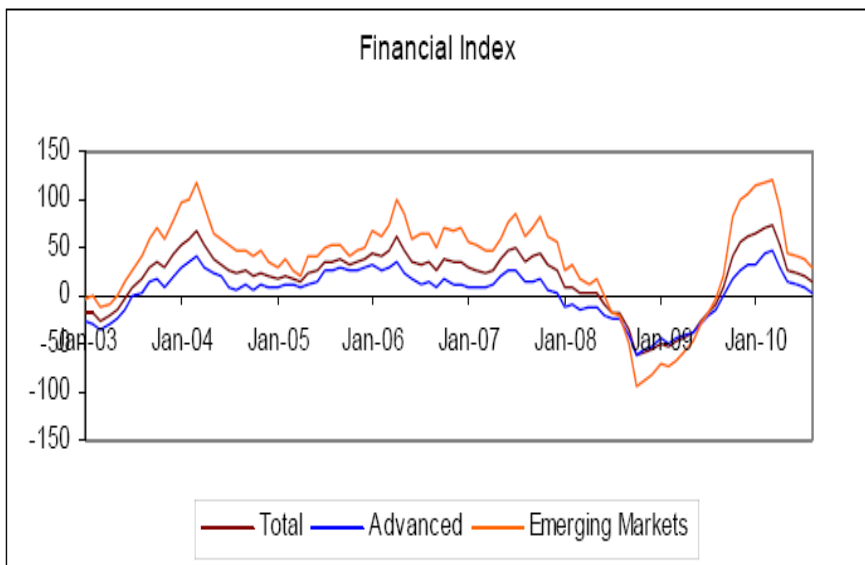
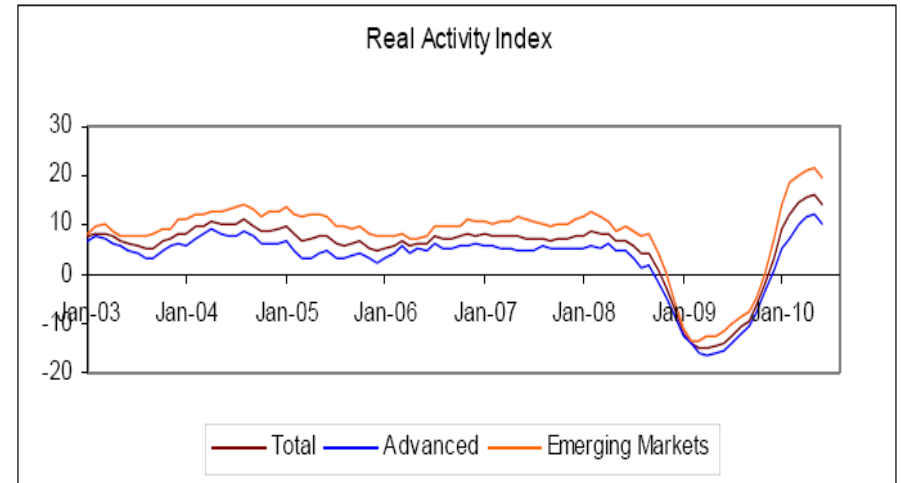
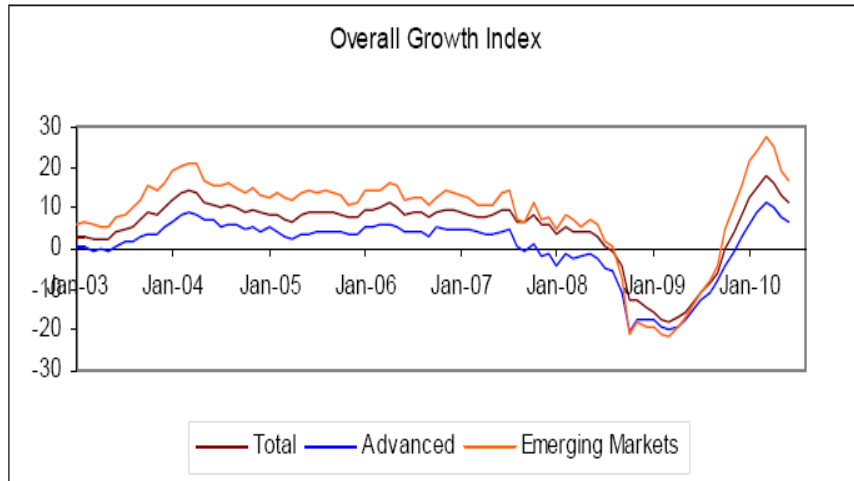
Exiting The “Great Recession”: Are We There Yet? Yes! Really? NO!

- Despite a sharp rebound from the 2008 global financial crisis, full economic recovery is not in view.
 - Unemployment is highest in USA in decades
 - The housing market, American households’ ATM, is still broken
 - Deleveraging will take many years to complete in the West
 - Global growth will be protracted in the next few years
 - The potential trade war between the USA and China does not bode well for global re-balancing
 - Decoupling seems unlikely



The Business Cycles Are Still Synchronized: No Real De-Coupling!

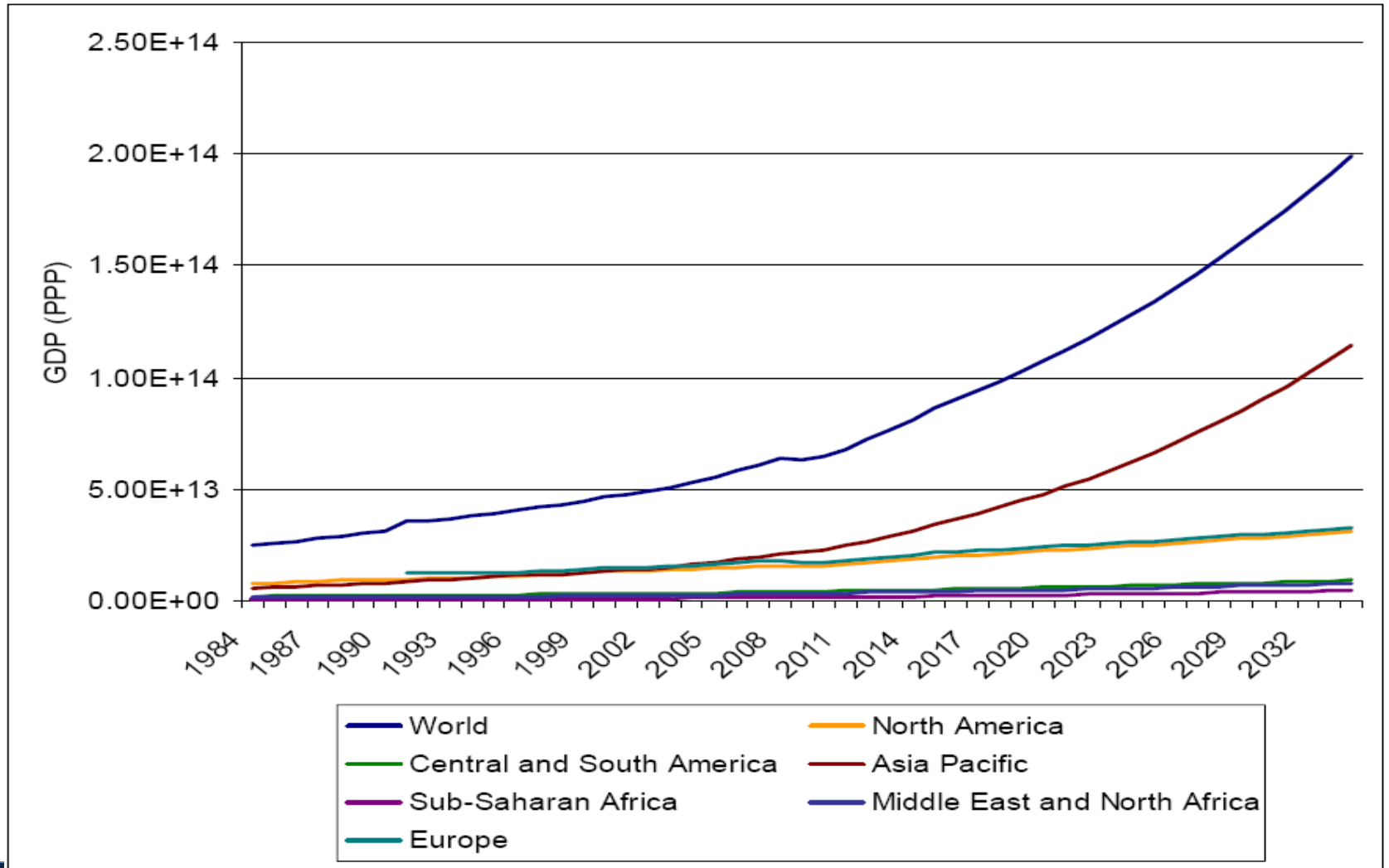
January 2003 – August 2010



The Shifting of the World's Economic Center of Gravity And The Upcoming Billion Middle-Class Asian Urbanites



World Economic Output Over 50 Years, 1984-2034 (2005 PPP dollars)



Source: Homi Kharas, *The Emerging Middle Class in Developing Countries*, OECD 2010.

The world's economic centre of gravity, 1980–2007 (black) and extrapolated (in red), at 3-year intervals.



Source: Danny Quah, “The global economy's shifting centre of gravity”, LSE 2010



Growing Economic Power, Growing Middle Class: By 2030, Sixty Six percent (66%) of The World's Middle Class Will Live in Asia Pacific

Numbers (millions) and Share (percent) of the Global Middle Class

	2009		2020		2030	
North America	338	18%	333	10%	322	7%
Europe	664	36%	703	22%	680	14%
Central and South America	181	10%	251	8%	313	6%
Asia Pacific	525	28%	1740	54%	3228	66%
Sub-Saharan Africa	32	2%	57	2%	107	2%
Middle East and North Africa	105	6%	165	5%	234	5%
World	1845	100%	3249	100%	4884	100%



These Three Billion Asian Middle Class People Will Account For Fifty Nine Percent (59%) of The Global Middle Class Spending By 2030

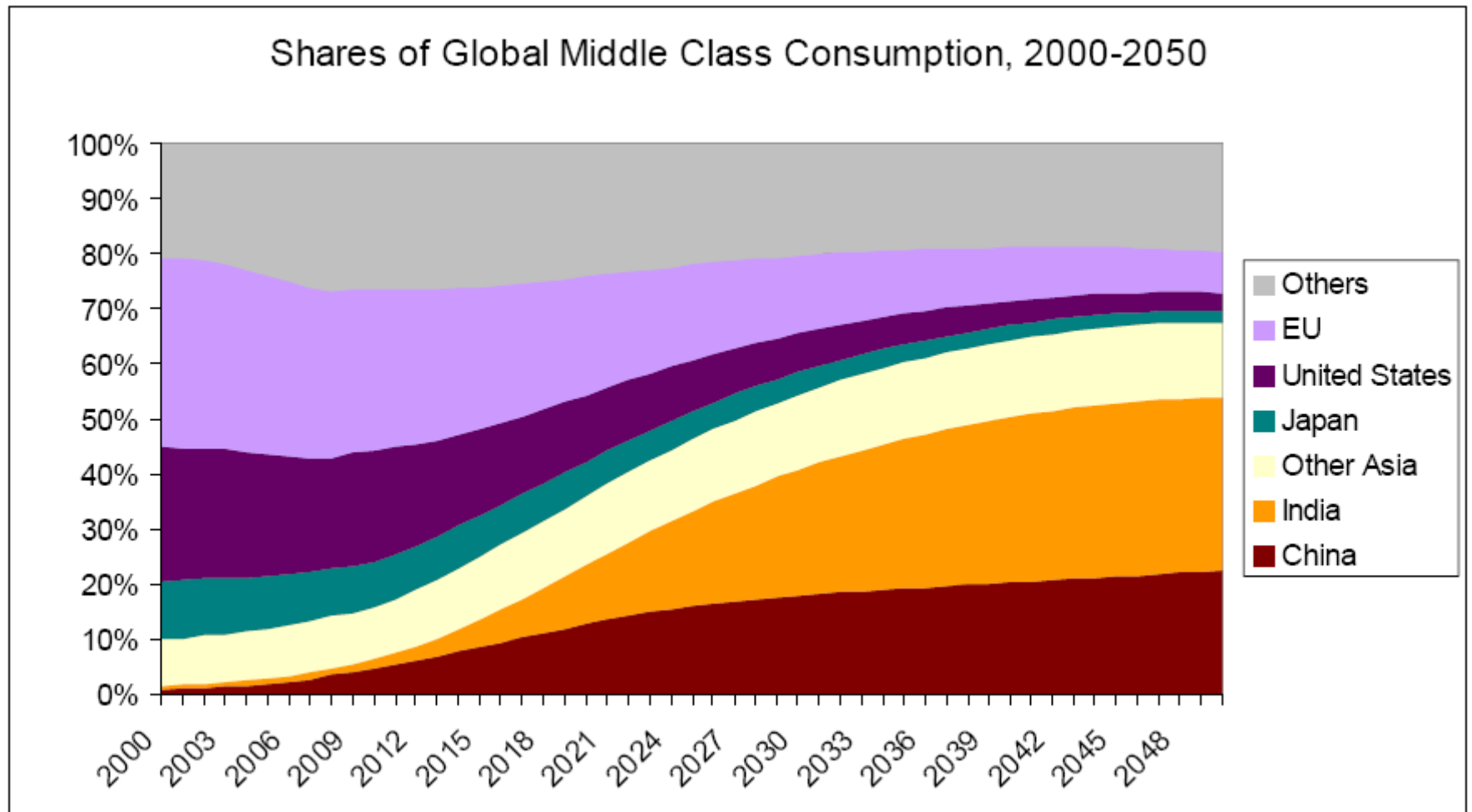
	2009		2020		2030	
North America	5602	26%	5863	17%	5837	10%
Europe	8138	38%	10301	29%	11337	20%
Central and South America	1534	7%	2315	7%	3117	6%
Asia Pacific	4952	23%	14798	42%	32596	59%
Sub-Saharan Africa	256	1%	448	1%	827	1%
Middle East and North Africa	796	4%	1321	4%	1966	4%
World	21278	100%	35045	100%	55680	100%

Figures in Millions of 2005 PPP dollars)



Source: *The Emerging Middle Class in Developing Countries*, OECD 2010.

India and China Drive the Growth in the Global Middle Class

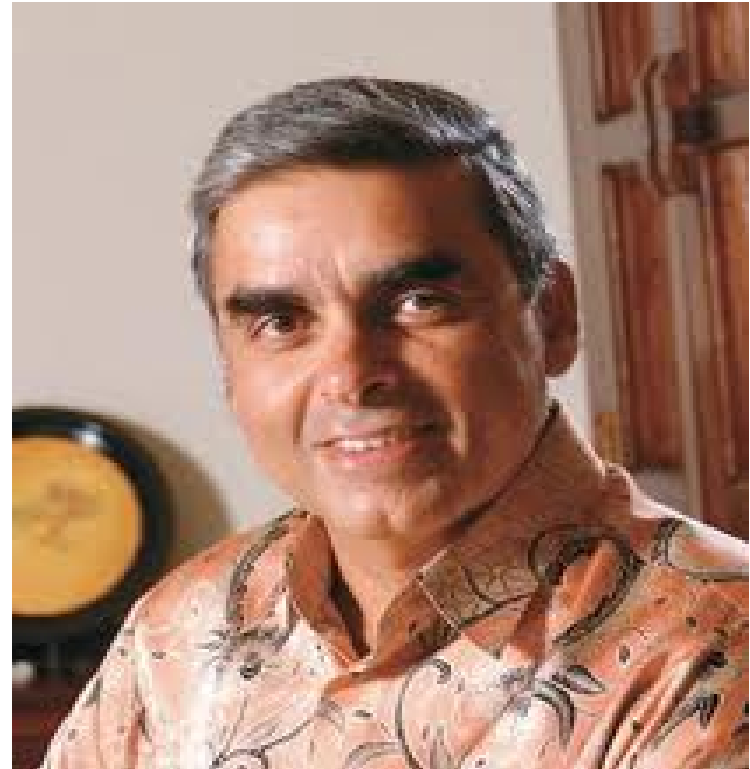


So, Is Asia's The Future Of The World?

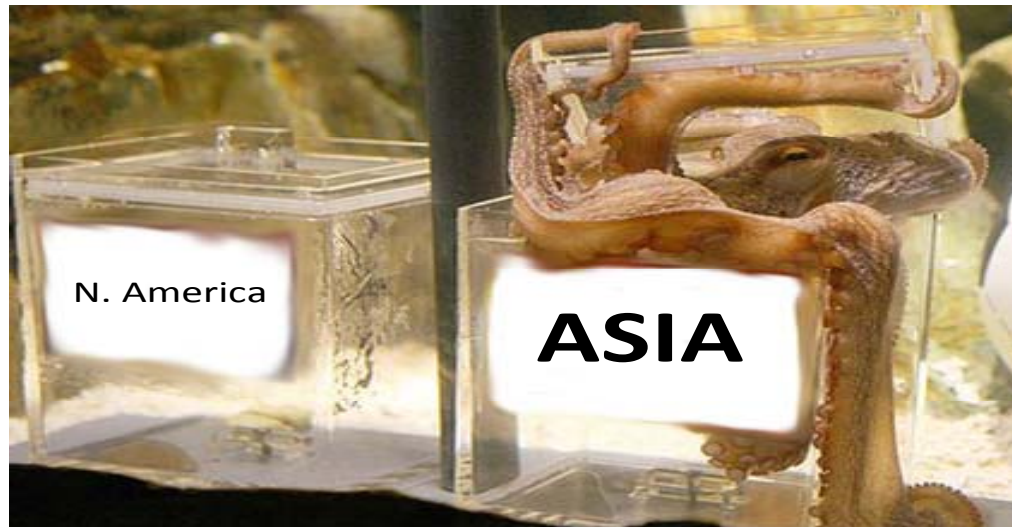
- *“If you want to see the past, go to Europe.*
- *If you want to see the Present go to north America.*
- *If you want to see the future, come to Asia.”*

Kishore Mabubhani

Dean of the LKY School of
Government, Singapore



Where's The Future Paul?



Emerging New Geographies: Africa-Asia-Middle-East

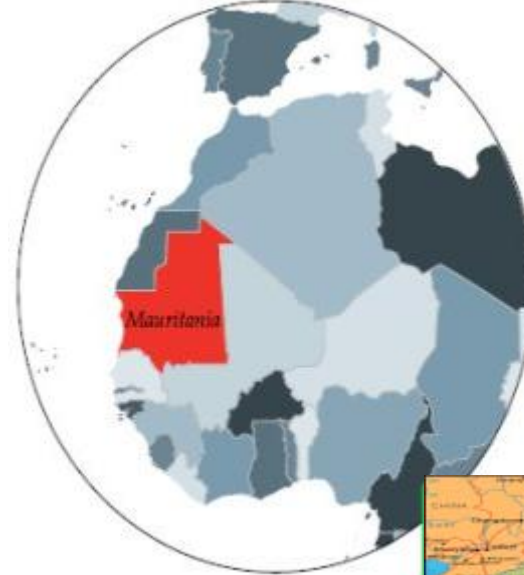
- Mauritania currently supplies around 40 percent of Japan's imports of octopus (tako), and demand has been increasing steadily.
- **Seafood Diplomacy?** Mauritania's capital, Nouakchott, is Japan's next new embassy in Africa.
- *"In the future, Africa will become a powerful engine driving the growth of the world."*

Yasuo Fukuda

Former Japanese Prime Minister

- Mauritania's Atlantic coastline is one of the richest fishing grounds in the world, with more than 15 species including tuna, squid and octopus.

Example: Mauritania-Japan Octopus Trade



Forward-Looking Logistics Companies Have Already Anticipated The Shifting Trade Patterns!

- DHL to set up logistics facility near Chennai (05/31/2010)
- DHL Introduces India-Dubai Service (12/09/2009)
- DHL to invest US\$8.8 million in a state-of-the-art building in Westney Industry Park, adjacent to the Auckland International Airport (NZ) 07/14/2009
- The Forwarding Services for Africa of DHL are now managed from Singapore
- A CEO for Global Forwarding South Asia Pacific, **and Angola**, was appointed a couple of years ago, working from Singapore

From left: **Amadou Diallo, CEO, DHL Global Forwarding South Asia Pacific and Angola**, Hon John Banks, Brian Broom (MD, DHL Global Forwarding), New Zealand, Anton Peter Boll (CEO South Pacific).



Impact of A Growing Middle Class On Seafood Consumption



Why Is The Middle Class An Opportunity For The Sustainable Seafood Industry?

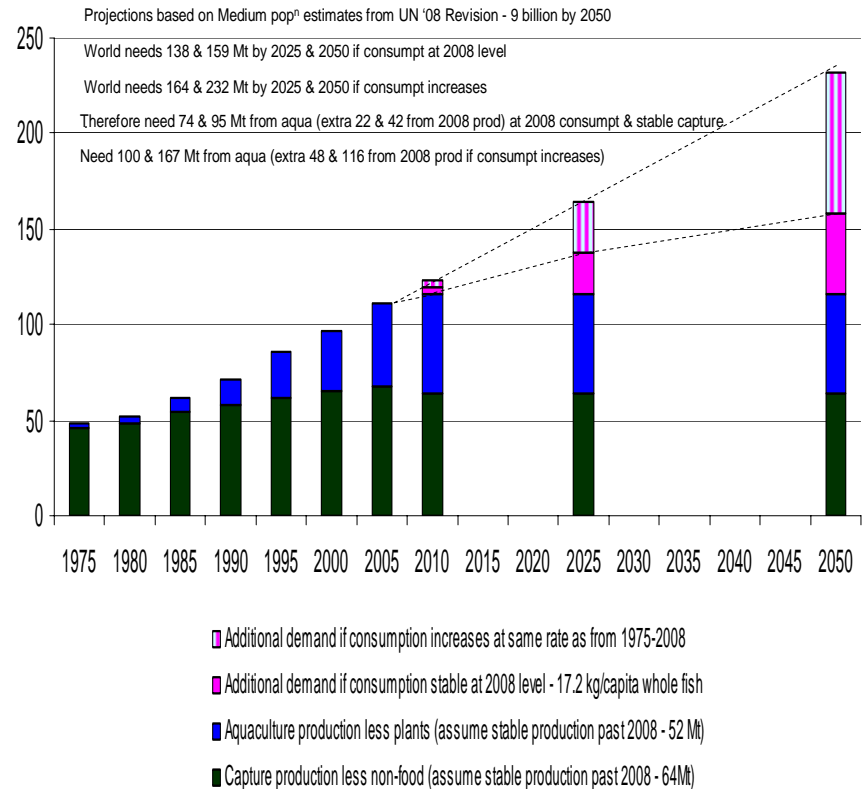
- Income Elasticity Effect
- The Middle Class has:
 - Interesting **demographics** with more women on the labor market
 - Higher standards for **food security and quality**
 - Higher levels of **environmental consciousness**
 - Greater openness to the “new food economy” and **globalization of the market for food.**



Projections of Global Demand For Seafood

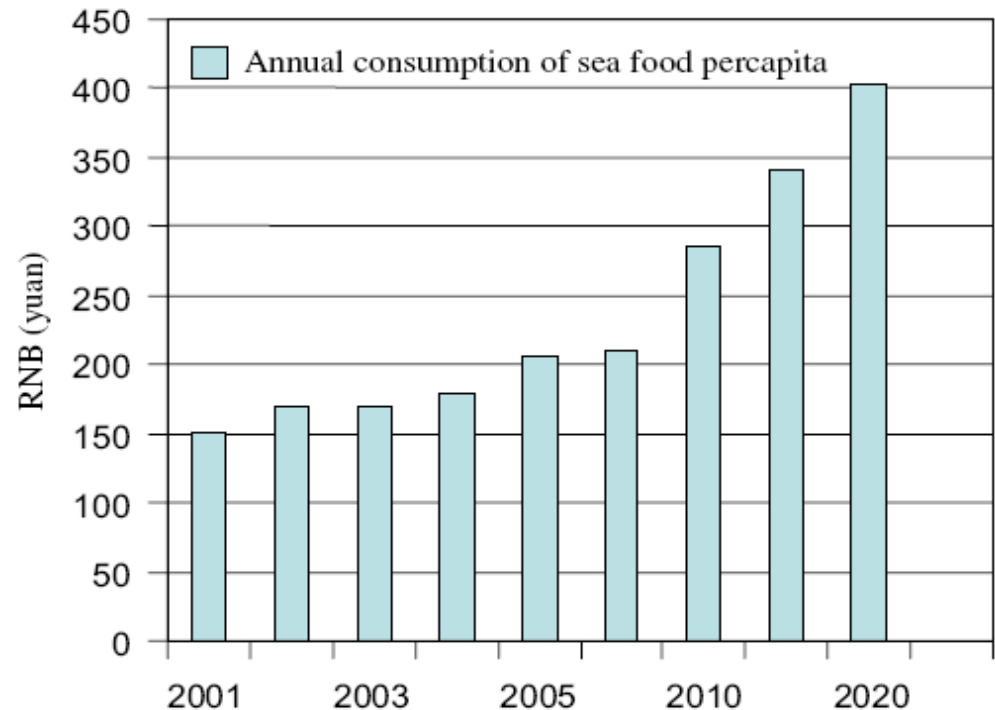
- Depending on assumptions, projected global demand for seafood is between 138 and 159 Million Tons (MT) by 2025.
- Aquaculture production would then need to be between 74 and 100 MT by 2025, an increase of 22 or 42 MT from 2008 levels

Global Seafood Requirements (million tonnes)

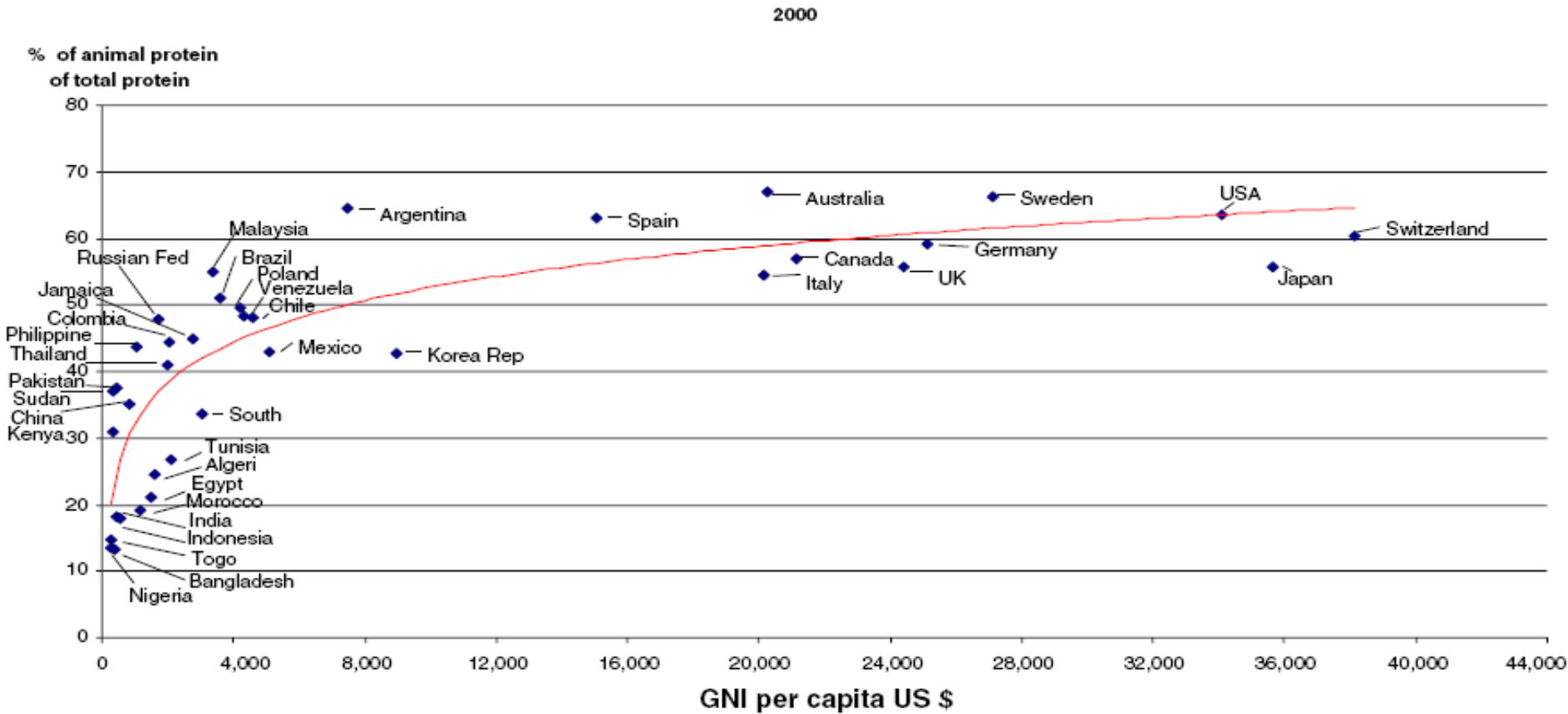


The Boom in Chinese Consumption of Seafood

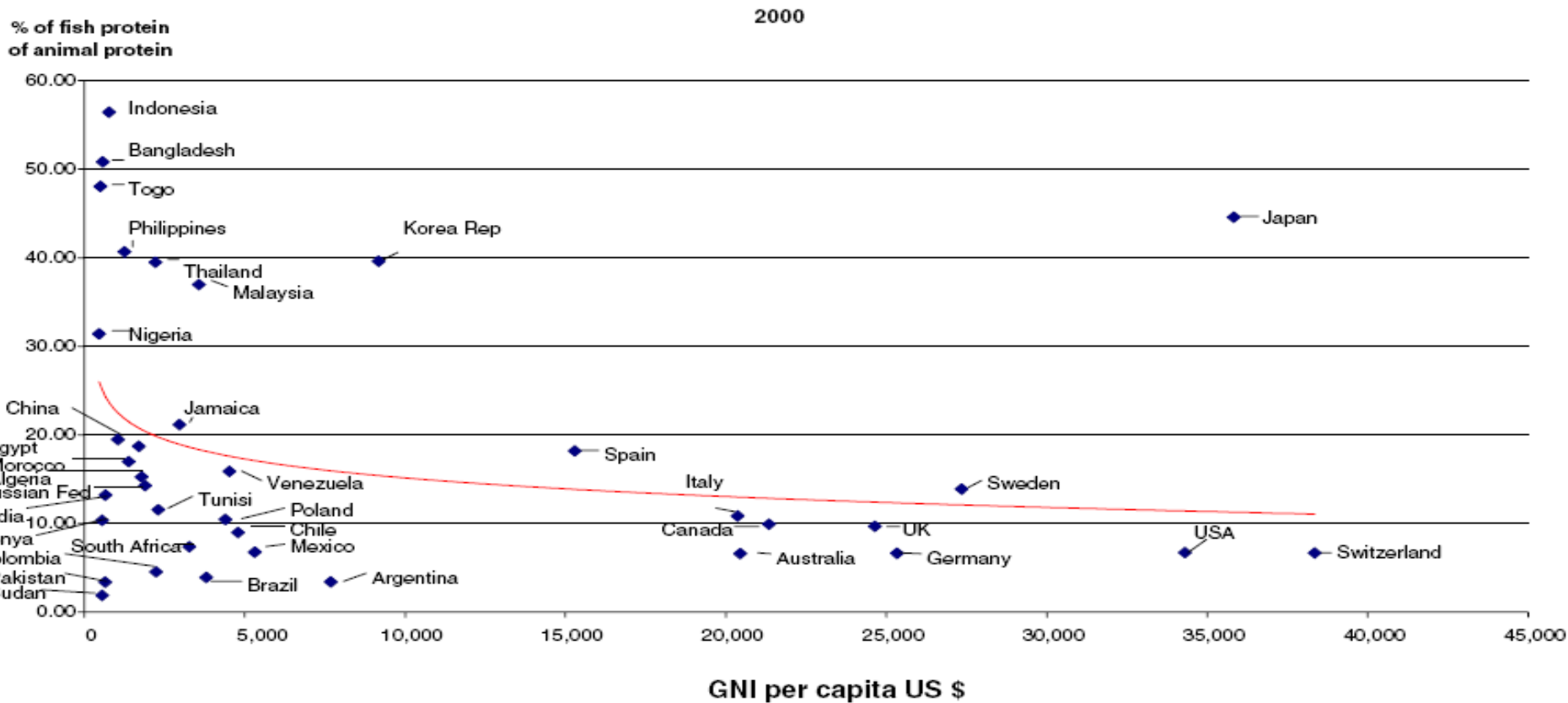
- Domestic demand for seafood in China has increased from 7kg consumption per person in 1985 to about 25kg in 2005.
- Income Elasticity for seafood products in China is around 0.98 (Lidkvist et al, 2008).
- The same source estimates that China will double its per capita spending on seafood products between 2008 and 2020 (in Yuan terms) .



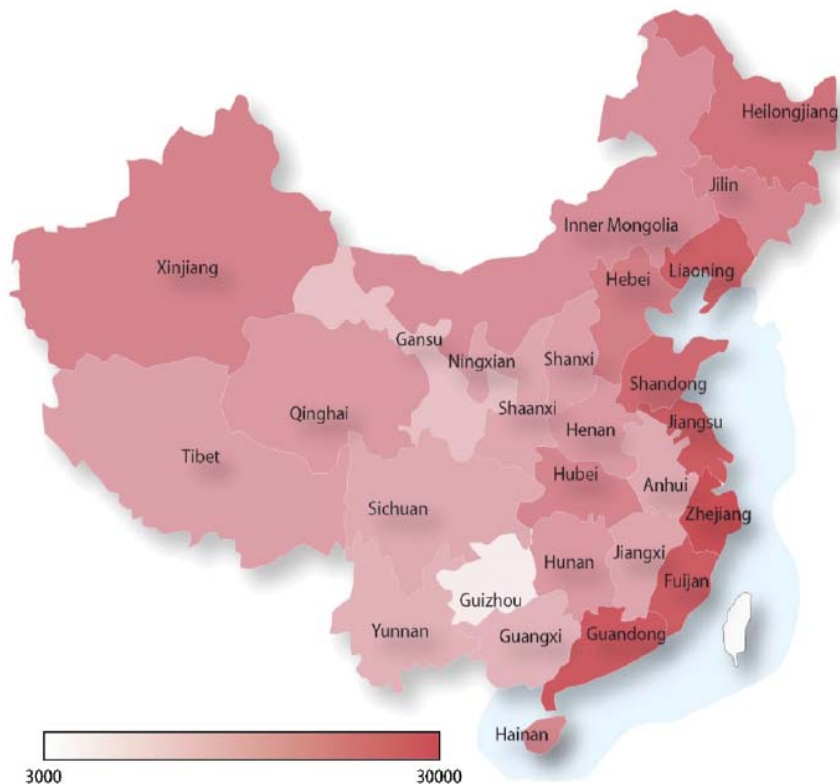
The Proportion of Animal Protein In the Diet Increases With Income Per Capita



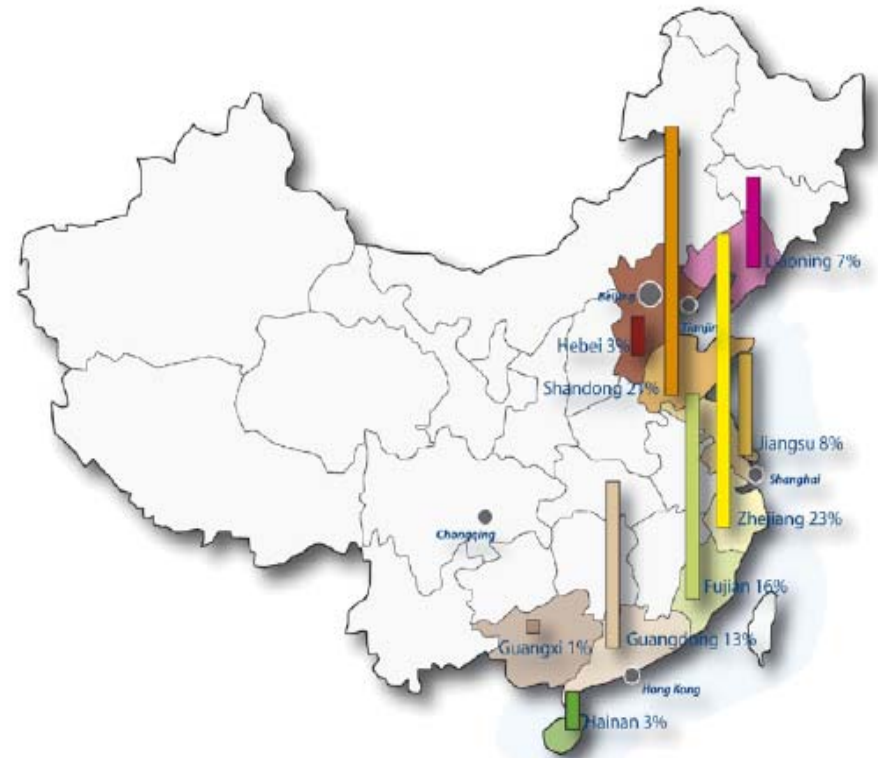
However, The Share of Fish Protein in Total Animal Protein Does not Necessarily Increase With Income: Culture and Natural Resources Endowment Matter



But, Geography Matters: Rising Income On The Chinese Eastern Coastal Line



GDP Per Capita Mainland China (2002 - yuan)



Location of Chinese seafood companies



Demand for Seafood Will Increase In Emerging South-East Asia

With rising income, Indonesia, Thailand, Malaysia, Philippines, and Bangladesh are very likely to see a significant increase in their domestic market consumption of seafood.



In Summary:

Seafood Is A Growing Business

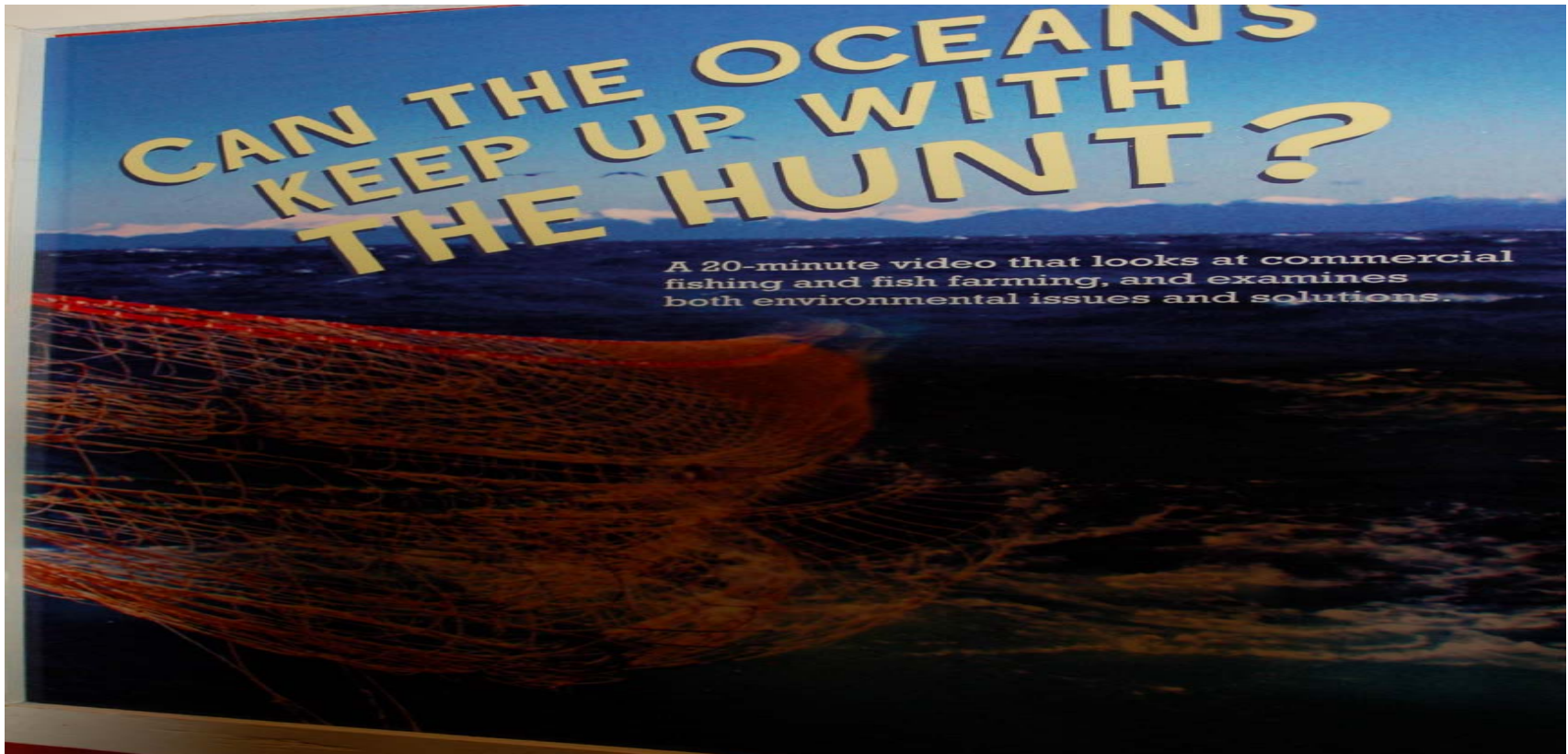
- Demand for top-grade aquatic products can be expected to continue to increase over the next 20 years or so.
- This growth will be driven by:
 - The 3 billion middle-income consumers in Asia-Pacific and
 - Rapid Urbanization
- However, in refining projections for future demand, it is critical to take into account:
 - Growth of the Middle Class (not only population growth);
 - Geography
 - Culture, and
 - The fact that consumption is not infinitely elastic to income.



Turning the “Tragedy of The Commons” Into Global Happiness



Aquaculture Is Born From The “Tragedy of The Commons”



The commons is a general term for resources that are owned collectively by a defined group of people.



But The Aquaculture Industry Can Turn The Tragedy Into Happiness

- For generation Y (the upcoming middle-income class), healthy food and preserving the environment are key to happiness!
- Generation Y has a strong focus on the relationship between health and diet.



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The GAA Holds A Solution To The Global Environmental Commons!

- Collaborating constructively within the GAA to ensure a sustainable and safe aquaculture is the beginning of the solution.
- I Challenge you to solve this problem, not only because you care about the planet and future generations, but also because it makes perfect business sense.
- The GAA work would then make this quote from Elinor Ostrom even more meaningful!

“We are not “helpless individuals caught in an inexorable process of destroying our own resources.”

Elinor Ostrom

Nobel Laureate 2009 in Economic Sciences

