Overview
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**MACAU – LATIN AMERICA: A NEW AIR BRIDGE
BETWEEN HIGH-GROWTH MARKETS**

In the first half of October, 2015, MAPEAL (Macau Association for the Promotion of Exchange between Asia-Pacific and Latin America) hired Latin America’s leading independent market intelligence firm, AMI, to conduct preliminary research on the potential market for a more direct air route between Macau and Latin America. Though a deeper viability study is still required, the initial results are very encouraging.

Chinese-Latin American trade and investment flows are some of the fastest growing in the world, expanding at more than 20% per year over the last fifteen years. It is these business links that have fostered a mutual curiosity in two regions that brim with cultural and natural jewels that attract worldwide travellers. This year, over 200,000 Chinese will visit Latin America and more than 300,000 Latin Americans will visit the middle kingdom. Though growing at formidable rates, tourism flows between these world-class destinations are yet to realize even a fraction of their potential. Last year, Latin Americans spent over \$70 bn USD travelling outside their home countries. Less than 0.6% of that was spent visiting greater China markets.

* Americas Market Intelligence (Miami, Mexico City, Sao Paulo and San Francisco)

One of the impediments to tourism flows is the circuitous path that travellers must take, most frequently via a US airport, which obliges them to obtain a C-1 visa in order to transit. This is particularly an obstacle to outbound Latin American travellers, because less than 4% of the region possess a US travel visa. A more direct path to China, via Macau and a non-US transit point, would help carriers tap into a vast demand. Latin Americans are fascinated by China, understanding full well the strategic importance of their large new economic partner. It comes as no coincidence that Chinese is the fastest growing foreign language taught to Latin American children and professionals alike.

For Chinese travellers who have already visited Europe, the US, and East Asia, the natural wonders of Latin America are an inviting next step, as the world's fastest growing, and soon to be largest, outbound traveller market strives to satisfy its worldly curiosity. What is lacking still for the Chinese market is a compelling Latin American - Caribbean tour package that is designed specifically for the particular tastes and preferences of upper-middle class Chinese travellers.

In order to create a competitively priced air bridge between Macau and Latin America, commercial airlines will look to fill inline capacity with high value air cargo. China-Lat. Am. is one of the fastest growing air cargo corridors in the world, growing at close to 10% per year over the last decade. High tech, medical and specialized equipment is most commonly shipped by air from China to the Americas while fresh fruits, vegetables, flowers and fish are increasingly exported from western South America (Chile, Ecuador, Peru, Colombia) to China. Fresh fish exports from Chile to China grew 63 fold from 2010-2013. Recent depreciations to Chile, Colombian, Brazilian and Mexican currencies enables suppliers in those countries to under-price traditional competitors found closer to China in SE Asia and Europe.

Pharmaceutical exports from China to Latin America as well as horticulture, fish and meat exports from South America to China will all benefit from avoiding US airports where onerous US regulations are enforced upon even transiting air cargo. The heavy burdens of US food and drug import regulations not only add compliance costs to suppliers, they help create distribution bottlenecks, driving up pricing. For example, 70% of Colombian flower production capacity is owned by US flower importer-distributors. As a result, US consumers pay elevated prices for flowers. Those same importers control much of the re-exported flowers that go onto other markets. A more direct air cargo link that avoids any US hub will deliver cost savings and speed to a price sensitive market.

Growing links between China and Latin America will continue to underpin high growth in demand for air passenger and cargo capacity. HKG, the traditional gateway for this traffic, is reaching saturation. Macau's airport, by contrast, is underutilized. For both demand and supply reasons, a Macau-Lat Am air bridge is worth exploring in greater detail. What is needed next are viability studies to explore the potential for both passenger and cargo business models run through Macau's international airport.

For this ambitious project to work, support will be needed from several key players from the Macau airport to leading air carriers to travel agencies who recognize the potential. MAPEAL and its supporters in the Macau government are proud to take the first step in the lengthy planning process ahead. It is projects like this one that are vital to delivering diversity and growth to the Macau economy.