

TRADE, TRANSPORT AND THE DILEMMA OF A NEW WORLD ORDER: GLOBALIZATION OR PROTECTIONISM?

Robert West
Chief Senior Consultant



Bob.West@DUAGA.com

+1 617 309 0521



Buenaventura



Clients & Collaborators



JHConsultants

Commonwealth Trading Partners



SAAB



Unidad de Planeación Minero Energética



Over 25 Years of industry experience...



Specialized consulting for infrastructure with an emphasis in ports and harbors.



Processing Big Data to provide international trade business intelligence to increase your market share, with two successful products, DuPort Data for ports DuTrade Data for enterprises



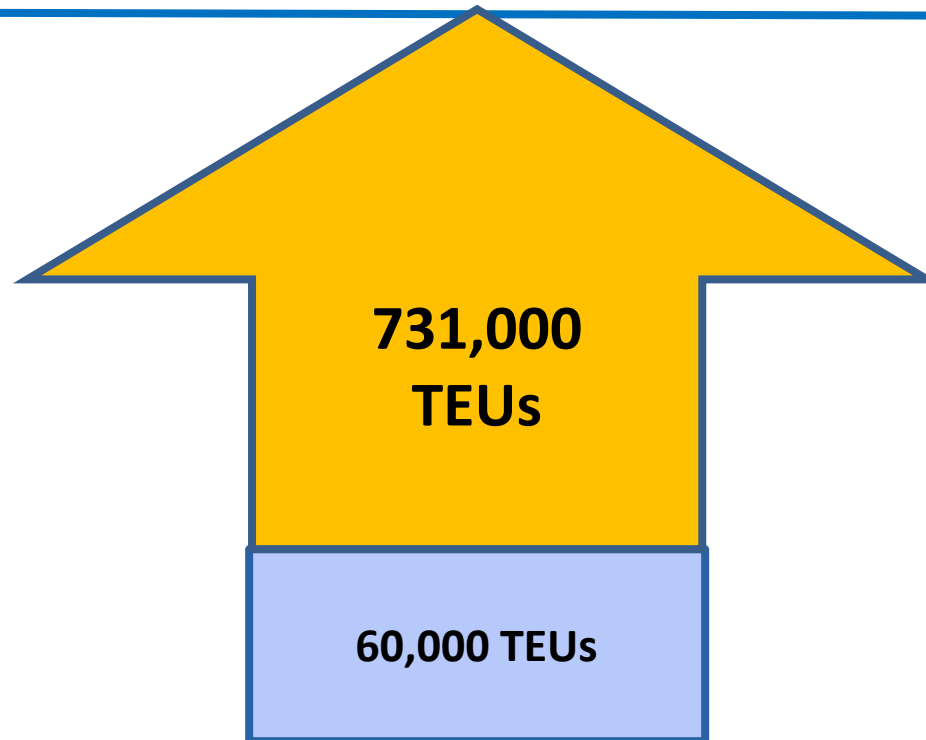
Outsourcing of labor intensive engineering services at hourly rates 45 % - 65 % lower than U.S commercial rates.



Buenaventura Challenge



Transshipment



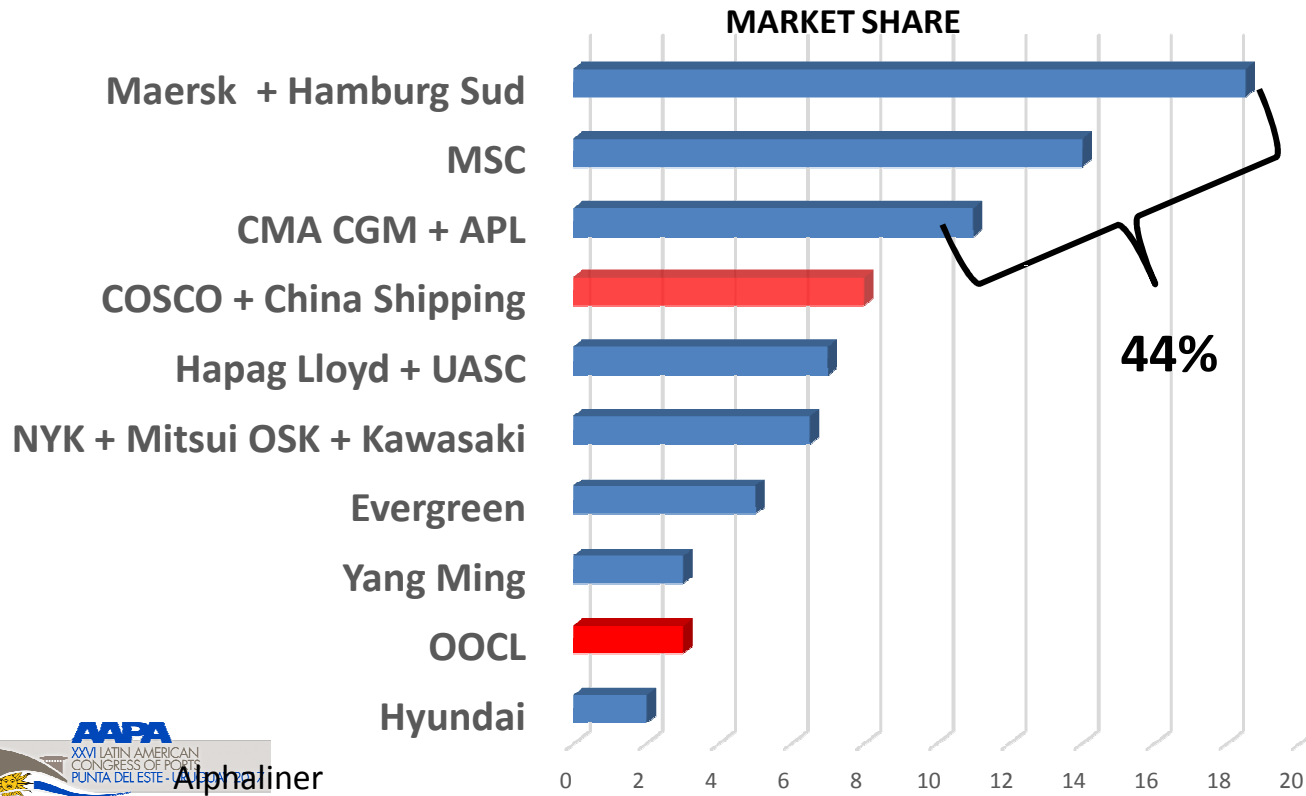
Agenda



- We are certainly uncertain!
- The economic and trade outlook
 - Globalization?
 - Protectionism?
- Key points

Who would have thought?

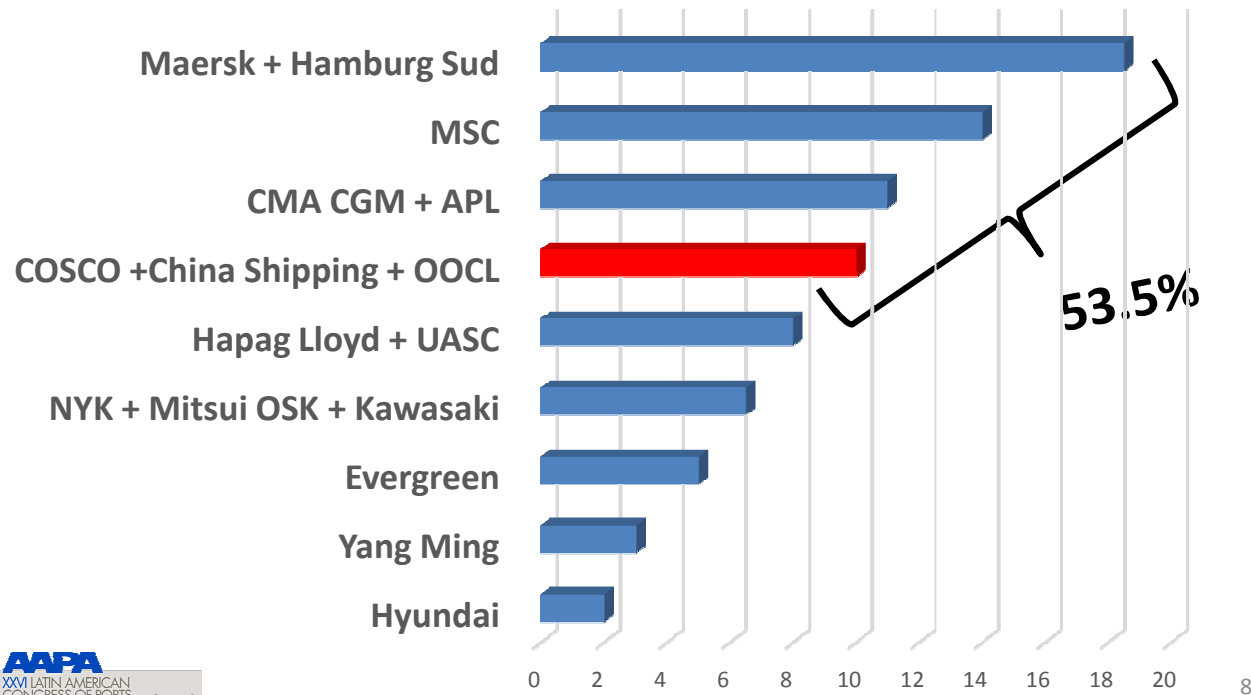
WORLD'S BIGGEST SHIPPING LINES



Who would have thought?

WORLD'S BIGGEST SHIPPING LINES

MARKET SHARE



Who would have thought?

Venezuela boils over. Thousands are moving to Colombia and Brazil.



Who would have thought?

**We elected a new head of
the free world.**

USA now consid

- **Arrogant**
- **Intolerant**
- **Dangerous**

What is ahead?



Washington Uncertainties

- **US trade policy – unclear at best**
 - Only if the USA has a trade surplus?
 - Retaliation, but for the wrong reasons
- **Port infrastructure funding?**
 - Perhaps a big boost – smoother supply chains
 - Washington can help, but . . .

These 8 guys have the same wealth as
the bottom half of the world's population –
3.5 billion people



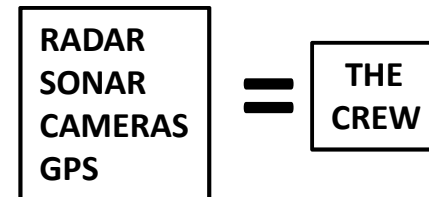
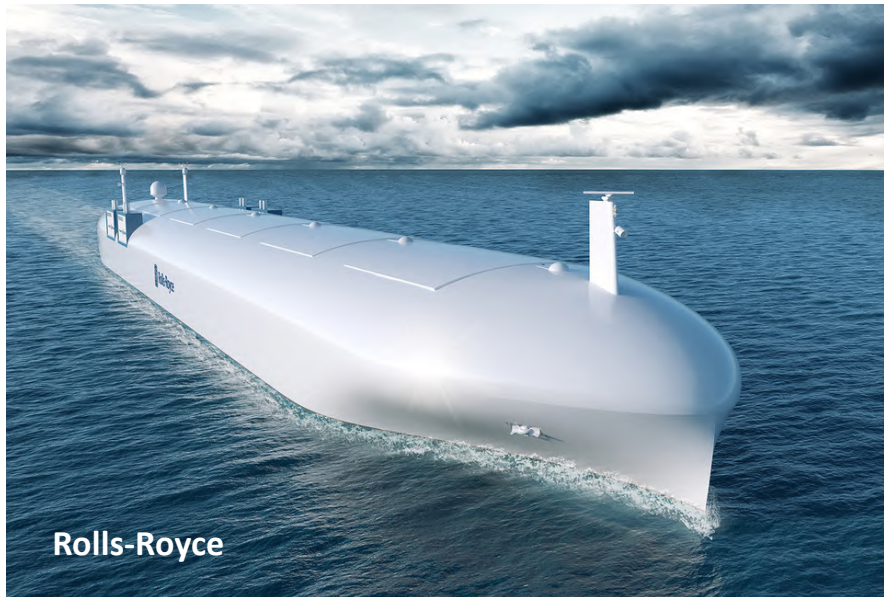
Who would have thought?

The TPP was torpedoed!



Who would have thought?

Autonomous ships without crews



Agenda



- We are certainly uncertain!
- The economic and trade outlook
 - Globalization?
 - Protectionism?
- Key points

The world outlook is . . .

Mild acceleration . . .

	2015	2016	2017	2018
Real GDP (%)	3.1	3.2	3.6	3.7

Inflation

Not an issue in general

Europe

More stable, but still a museum

China

Continued strength

USA

2.3% but ??????

*Source: Economist Intelligence Unit, &
IMF's World Economic Outlook Oct 2017*

In the short term, the economic outlooks are fairly positive, but slow



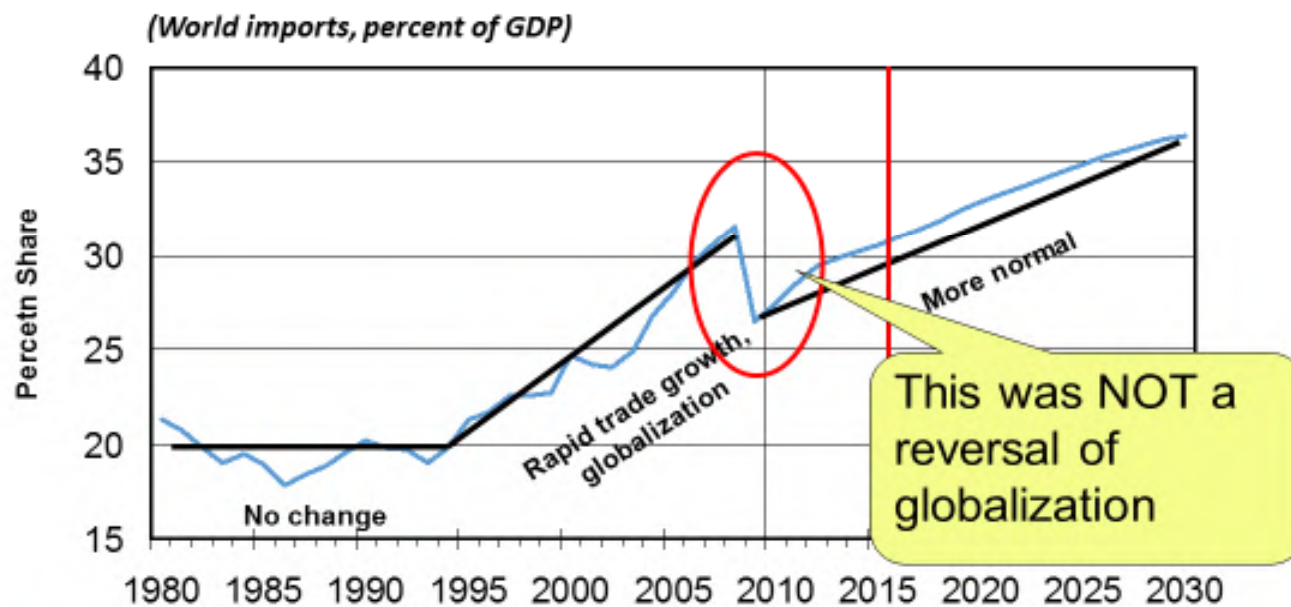
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
	Colombia	3.1%	2.0%	1.8%	2.7%
	Chile	2.1%	1.7%	1.5%	2.7%
	Costa Rica	3.7%	3.8%	3.8%	3.8%
	Mexico	2.5%	2.1%	2.1%	2.2%
	Panamá	5.8%	5.7%	5.5%	5.6%
	Peru	3.3%	3.9%	2.7%	3.9%
	USA	2.5%	1.6%	2.1%	2.3%
	Nicaragua	4.9%	4.7%	4.5%	4.3%
	Argentina	2.1%	-1.3%	+2.6%	+2.9%
	Brazil	-3.8%	-3.2%	+0.6%	+2.2%
	Venezuela	-5.7%	-18.6%	-17.0%	-2.7%



Sources: IMF July 2017, LatinFocus, TradingEconomics, BBVA, FocusEconomics. DUAGA
The Economist Intelligence Unit, OECD, The World Bank, The Balance, Bureau of Economic

Trade's share of the global economy is still climbing.

Globalization trend is *long-term* and has not reversed or stopped



Source: IHS Global Insight

The outlook – big picture

- North America and Europe are *slowly* pulling the train
- China exports moving
- Hence, exports slowed
- Asia's incomes are still very low and not big enough to fill the shoes of a slowing NA and EU
- And, the US Government's new trade policies are still not clear

2017	Q1	Q2
USA	1.2%	3.1%
Europe	0.5%	0.6%

U are slow-

China have

- Maybe it's "Friends Only"

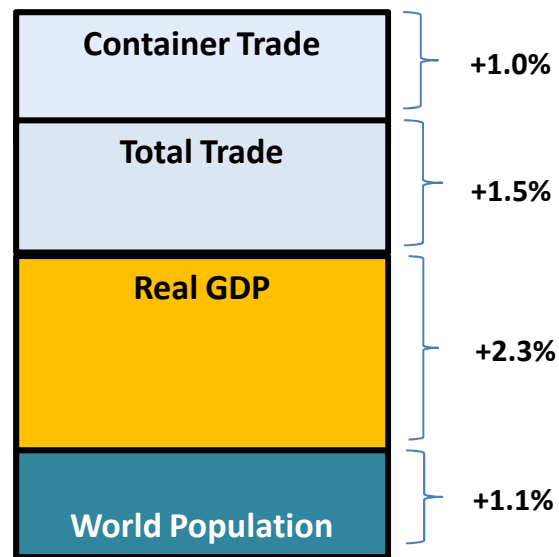


The opportunity to expand in trade was opened by the USA

TEU trade will continue to grow – but slower than before



5.9% = long term potential



But

$$\Delta\text{TEU}/\Delta\text{GDP} \neq 3X$$

The new ratio is closer to 1, depending on the port's size, location, market share, willingness to invest

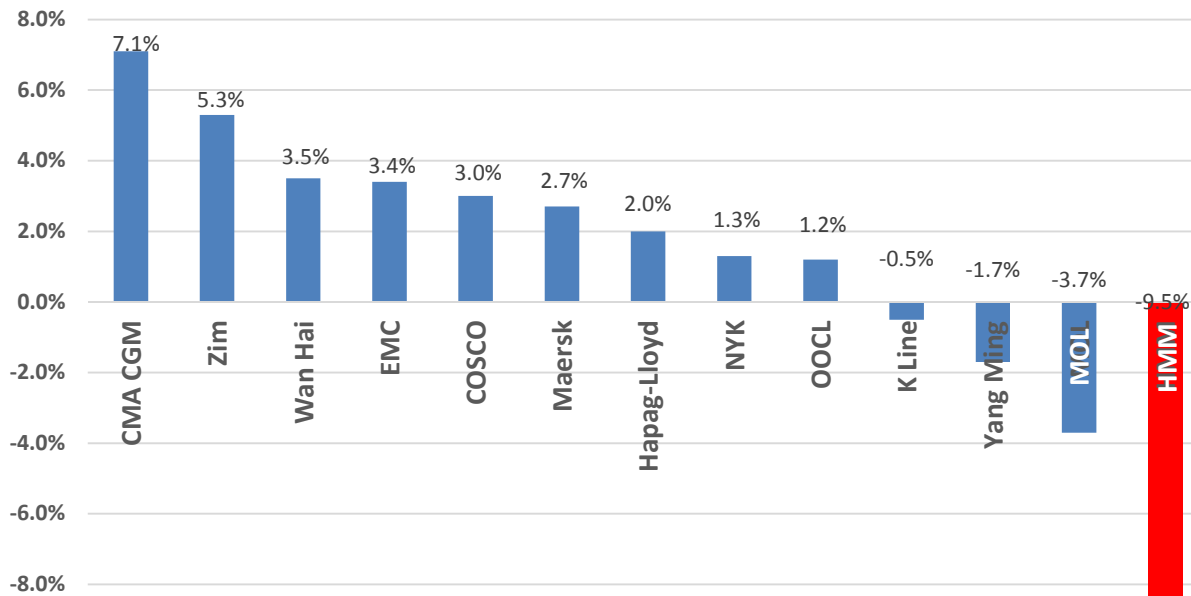
Sources: DUAGA

<http://www.census.gov/population/international/data/idb/worldpopgraph.php>



Carrier profits, finally, but ...

Carriers' Profit Margins
Jan-Jun 2017



Source: Alphaliner Newsletter 38 - 2017



\$5 billion in profit, 2017 (Drewry)

Who would have thought that . . .

Some carriers didn't learn their lesson?

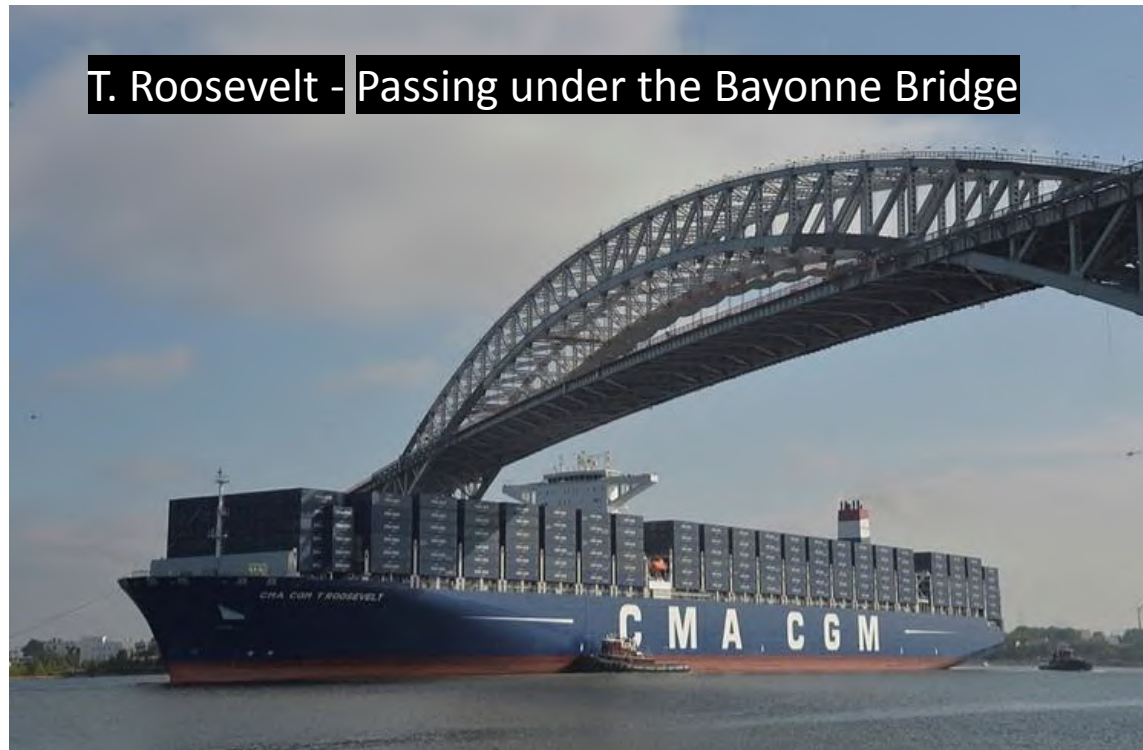
MSC and CMA CGM have ordered 17 new ships of 22,000 TEU each

Line	Number	Size (TEU)
CMA CGM	6	22000
MSC	11	22000

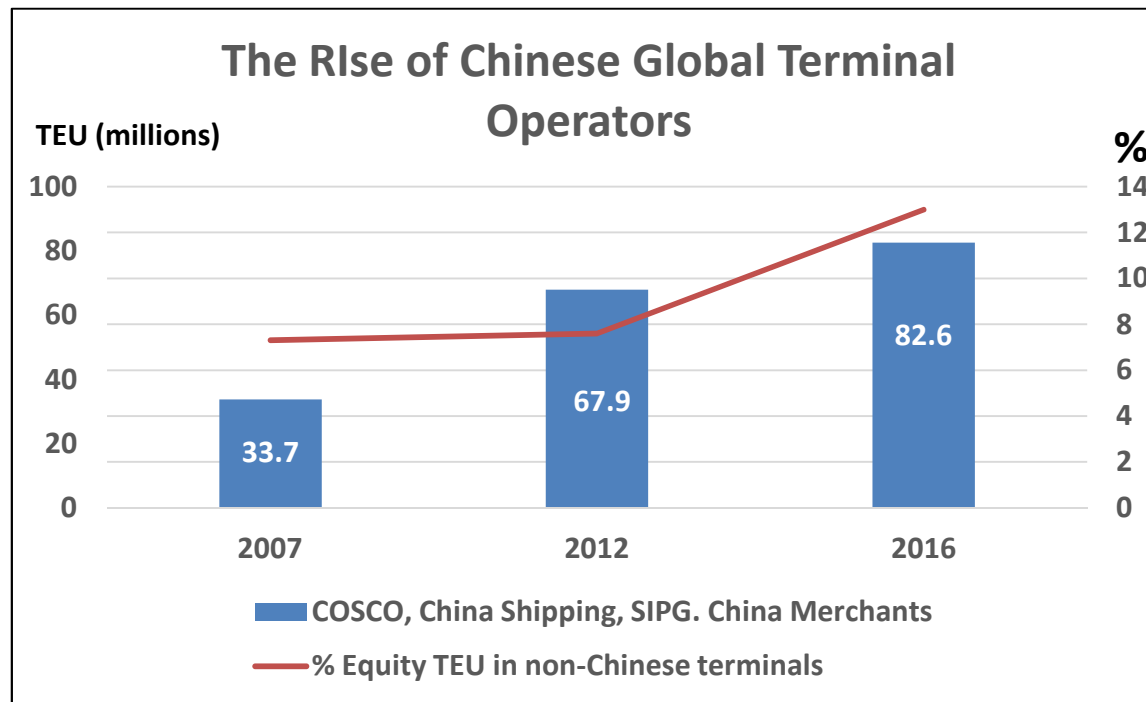


Largest ship to transit the expanded canal: 14,855 TEU

T. Roosevelt - Passing under the Bayonne Bridge



Chinese port operators are adding terminal capacity faster than trade growth



Source: Drewry

Globalization vs. Protectionism

China vs. USA

- “Trade protectionism is shortsighted and narrow-minded, and it cannot fundamentally address the problems of unemployment and economic growth worldwide.”
 - “Protectionism = Force”
- Henry George, Protection or Free Trade, 1905*
- ...but the US Government seems to feel that the trade deals must be “better” in order to make America great again.

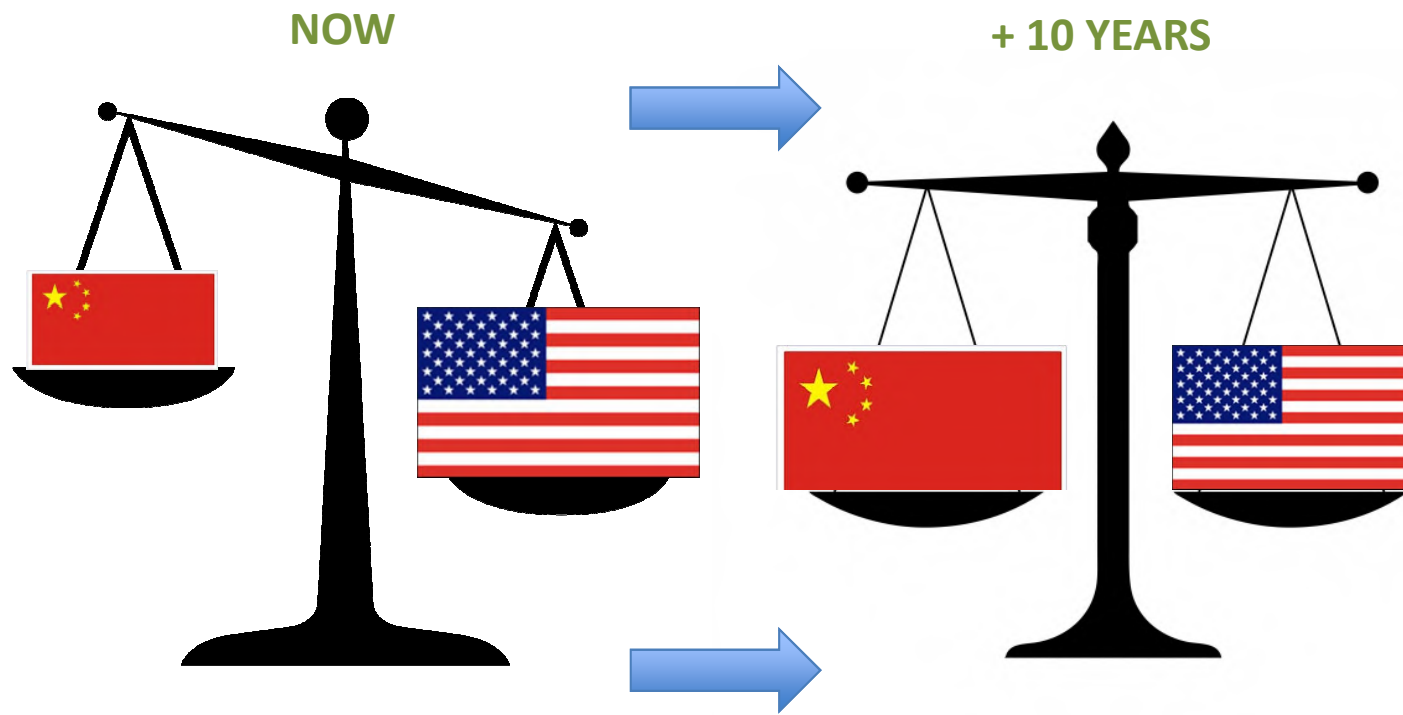
China’s Minister of Foreign Trade



Closing the doors?



Balance of global investment in Latin America



China intends to invest \$250 billion in LAM by 2020
Trade projections are \$500 billion

Agenda

- We are certainly uncertain!
- The economic and trade outlook
 - Globalization?
 - Protectionism?
- Key points



Key Points

- NOW is the time for the **Pacific Alliance** to step in, expand, be more active
 - Time to really globalize
- Protectionism is rampant but it's "old hat" and won't make any country great again
 - Venezuela is proof!
- Latin America's trade with the world will accelerate and conditions will improve
 - The USA is forcing Latin America to be more creative and self-reliant: a good thing in the end



The logo features the word "DUAGA" in a large, black, serif font. The letter "D" is replaced by a blue globe showing continents. Below "DUAGA" is the phrase "ideal partnership" in a smaller, black, lowercase serif font.

Continue the conversation online  #TOCAmericas @TOCWorldwide