



# ***Shifts in Global Trade Patterns***

***Presented to:***

**AAPA**

**Shifting International Trade  
Routes and Planning for the  
Panama Canal Expansion**

January 23, 2008

Port of Tampa

***Presented by:***

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# *Agenda*

- 
- **The weakening economic outlook**
  - **Shifts in trade patterns after the Canal expansion**
  - **Conclusions**

# ***World Outlook – Looking very shaky all of a sudden***

## **The Topic**

- Subprime crisis
- Oil prices
- U.S.
- U.S. dollar
- Europe
  
- China
- India
- Other emerging markets
  
- World recession risk
- Implications for trade

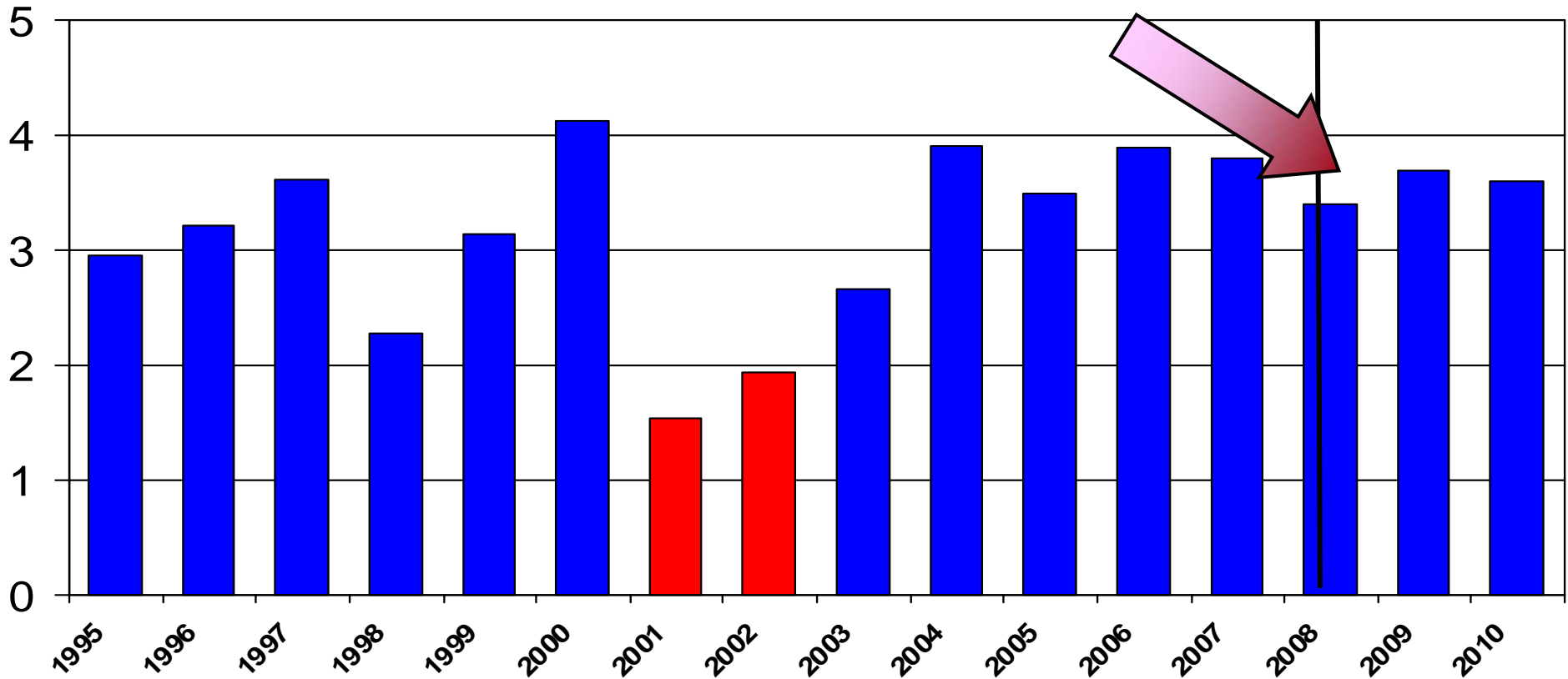
## **The Outlook**

- A global problem
- How big of a threat? Could fall to \$75
- A “harder” soft landing
- Still headed down
- No longer immune to U.S. economic problems
  
- Risk of a hard landing after the Olympics
- Relatively insulated from global shocks
- Happy days may finally be over, LA looks strong
- Still fairly low
- Not too negative & shift to exports in the U.S. and no China hard landing

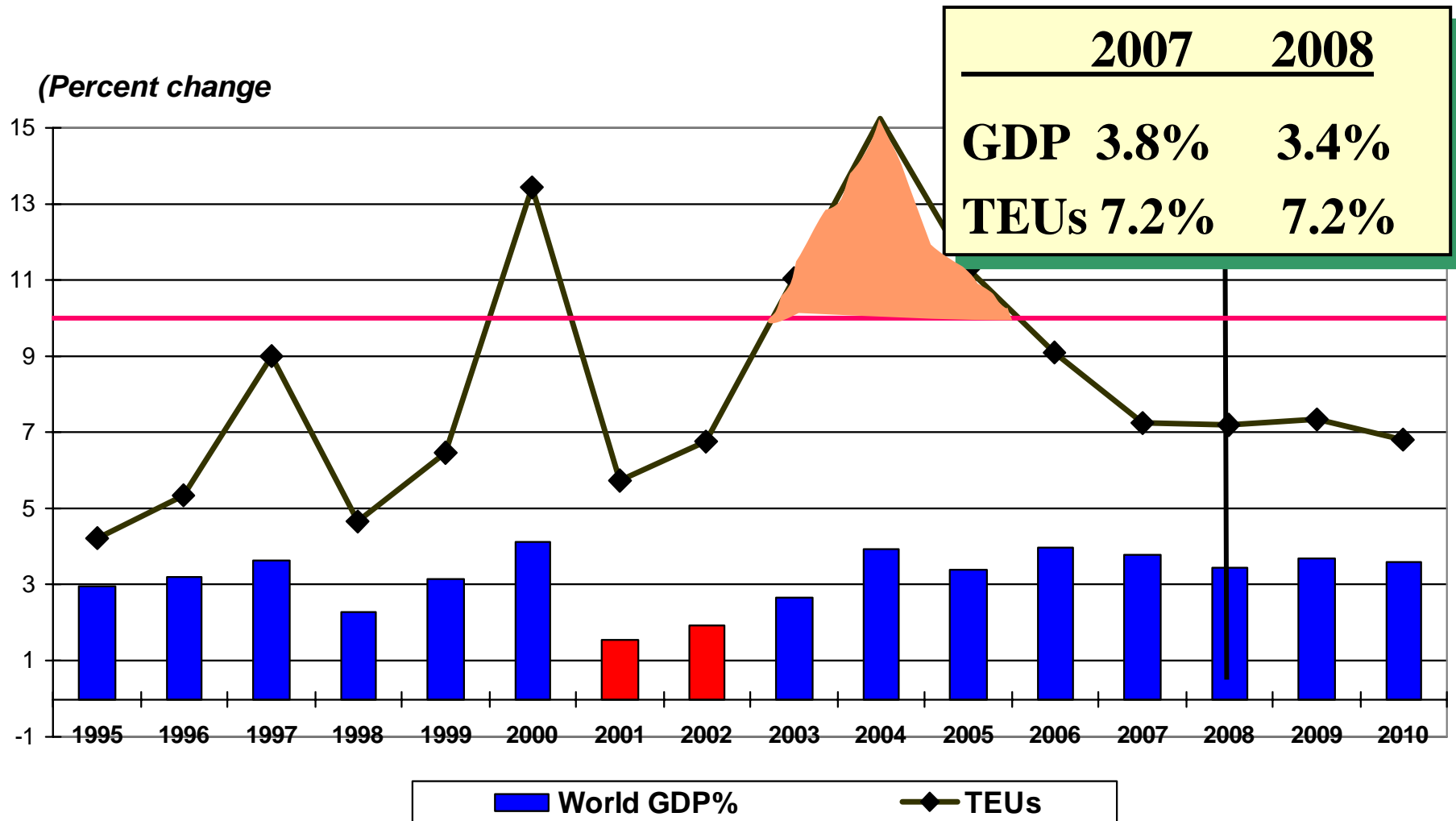
# World economic growth has peaked and is slowing . . .

The world economy is in recession when real GDP growth is below 2%.

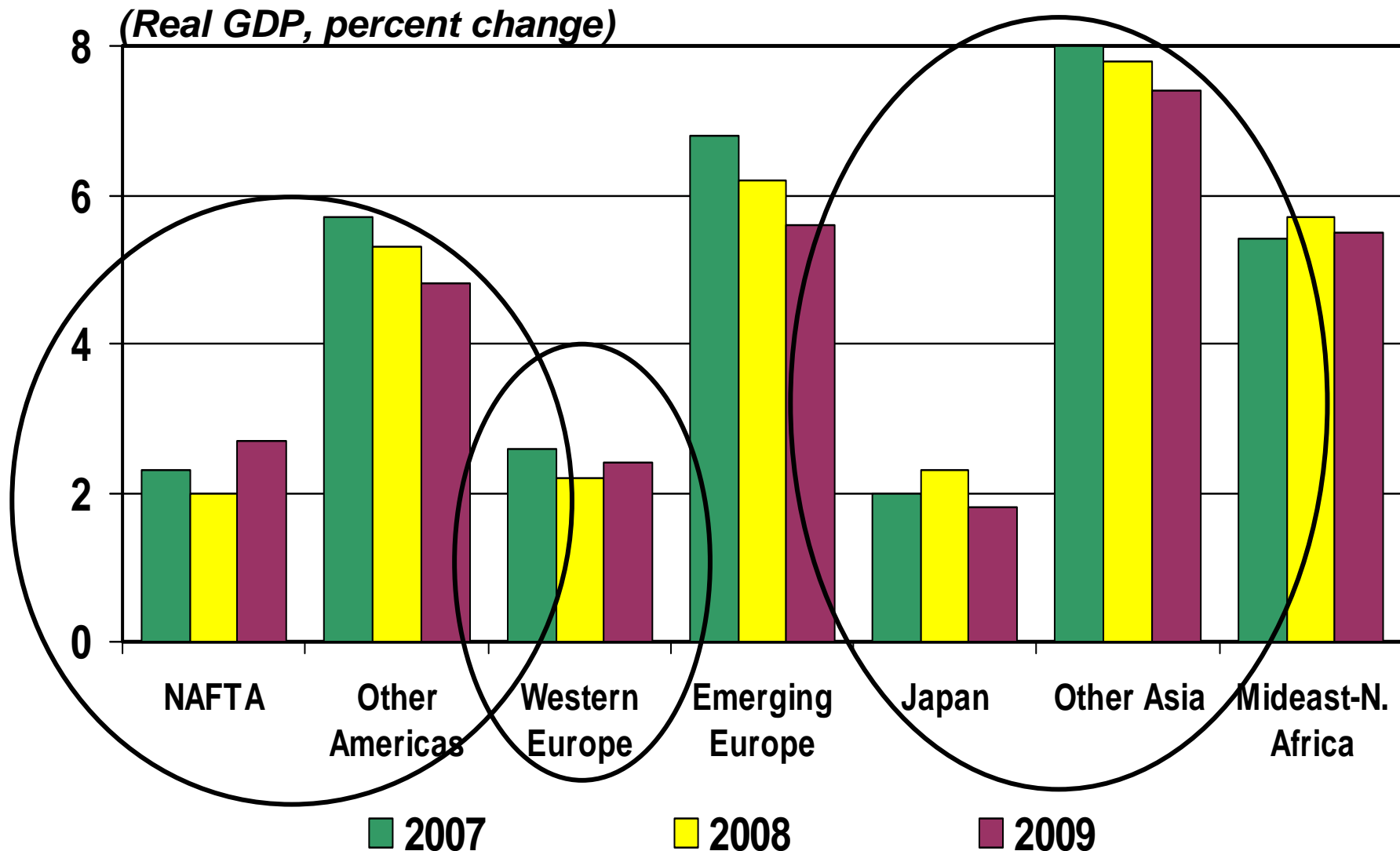
(Percent change, real GDP)



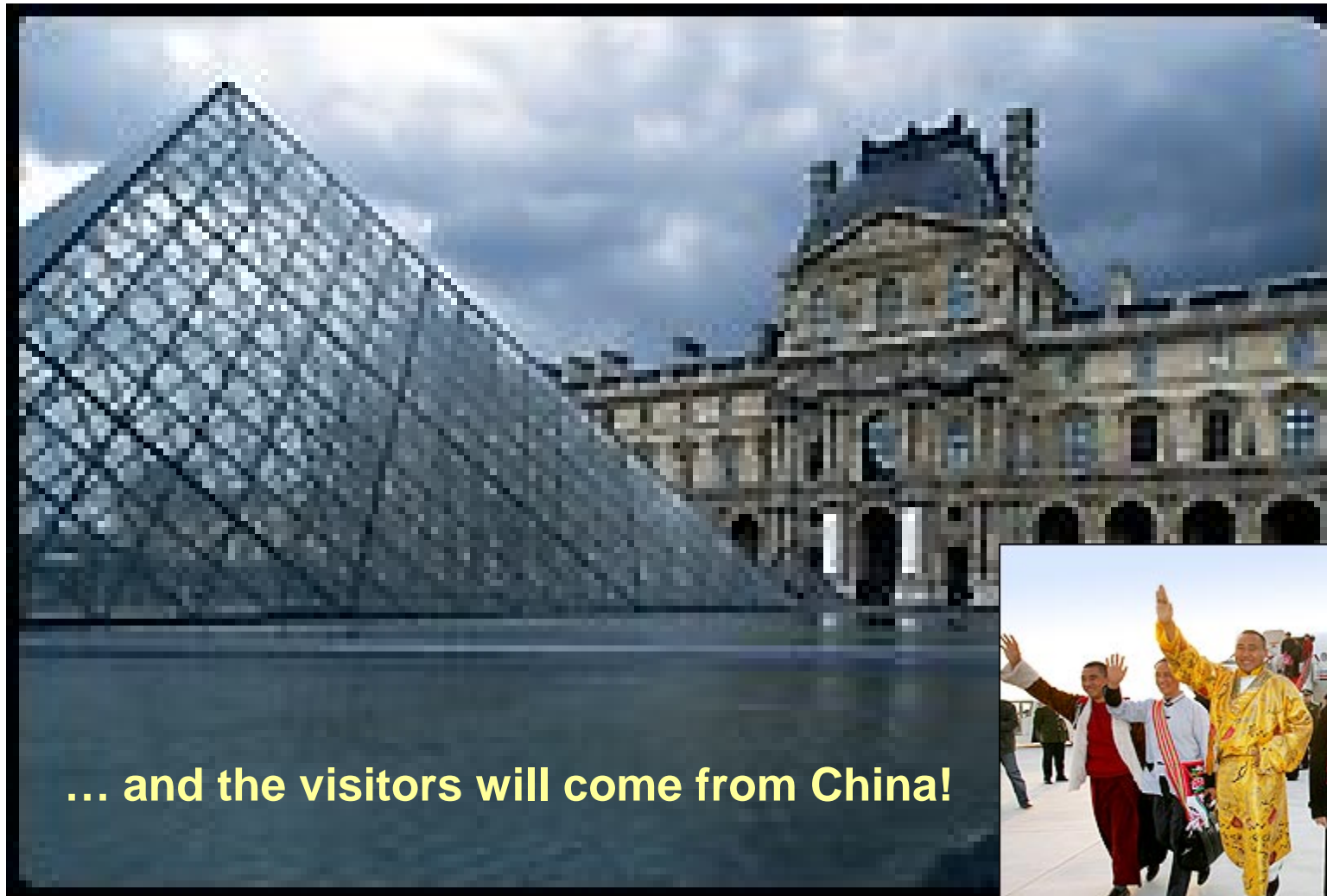
# Container trade normally grows faster than the world economy. The age of double-digit growth is over.



# Trade is linked to real GDP growth - uneven across the world – and emerging markets grow fastest.



# *Europe in the long term – a great museum?*



# Growth is not uniform: Market shifts are coming and will affect U.S. trade and transportation

(Country GDP Rank in Billions of Real (2003) U.S. Dollars)

2000	2010	2020	2030	2040	2050
U.S.	U.S.	U.S.	U.S.	U.S.	<b>China</b>
Japan	Japan	<b>China</b>	<b>China</b>	<b>China</b>	U.S.
Germany	Germany	Japan	Japan	<b>India</b>	<b>India</b>
U.K.	U.K.	Germany	<b>India</b>	Japan	Japan
France	<b>China</b>	U.K.	<b>Russia</b>	<b>Russia</b>	<b>Brazil</b>
Italy	France	<b>India</b>	U.K.	<b>Brazil</b>	<b>Russia</b>
<b>China</b>	Italy	France	Germany	U.K.	U.K.
<b>Brazil</b>	<b>India</b>	<b>Russia</b>	France	Germany	Germany
<b>India</b>	<b>Russia</b>	Italy	<b>Brazil</b>	France	France
<b>Russia</b>	<b>Brazil</b>	<b>Brazil</b>	Italy	Italy	Italy

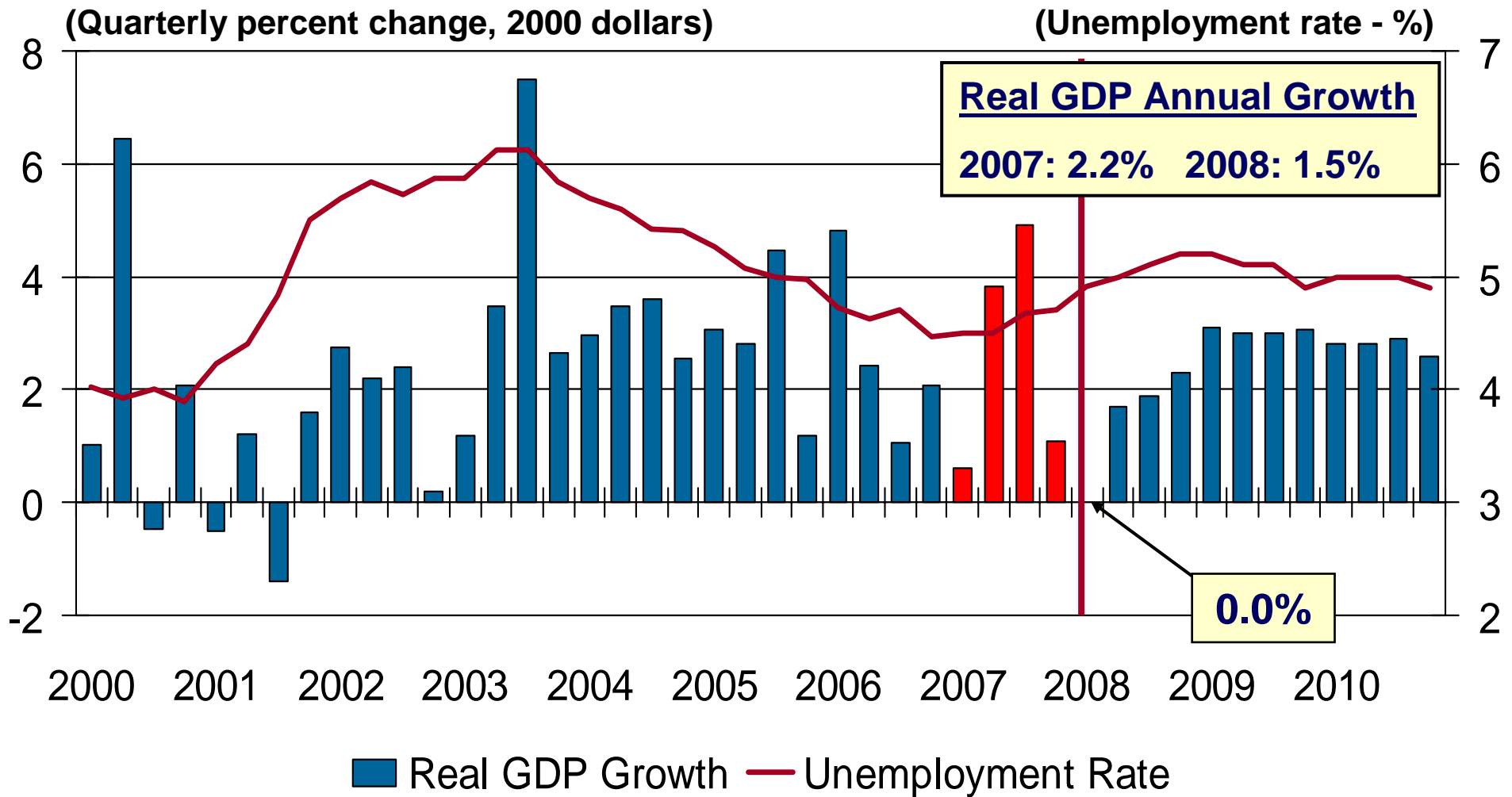
Source: Global Insight World Service and Goldman Sachs



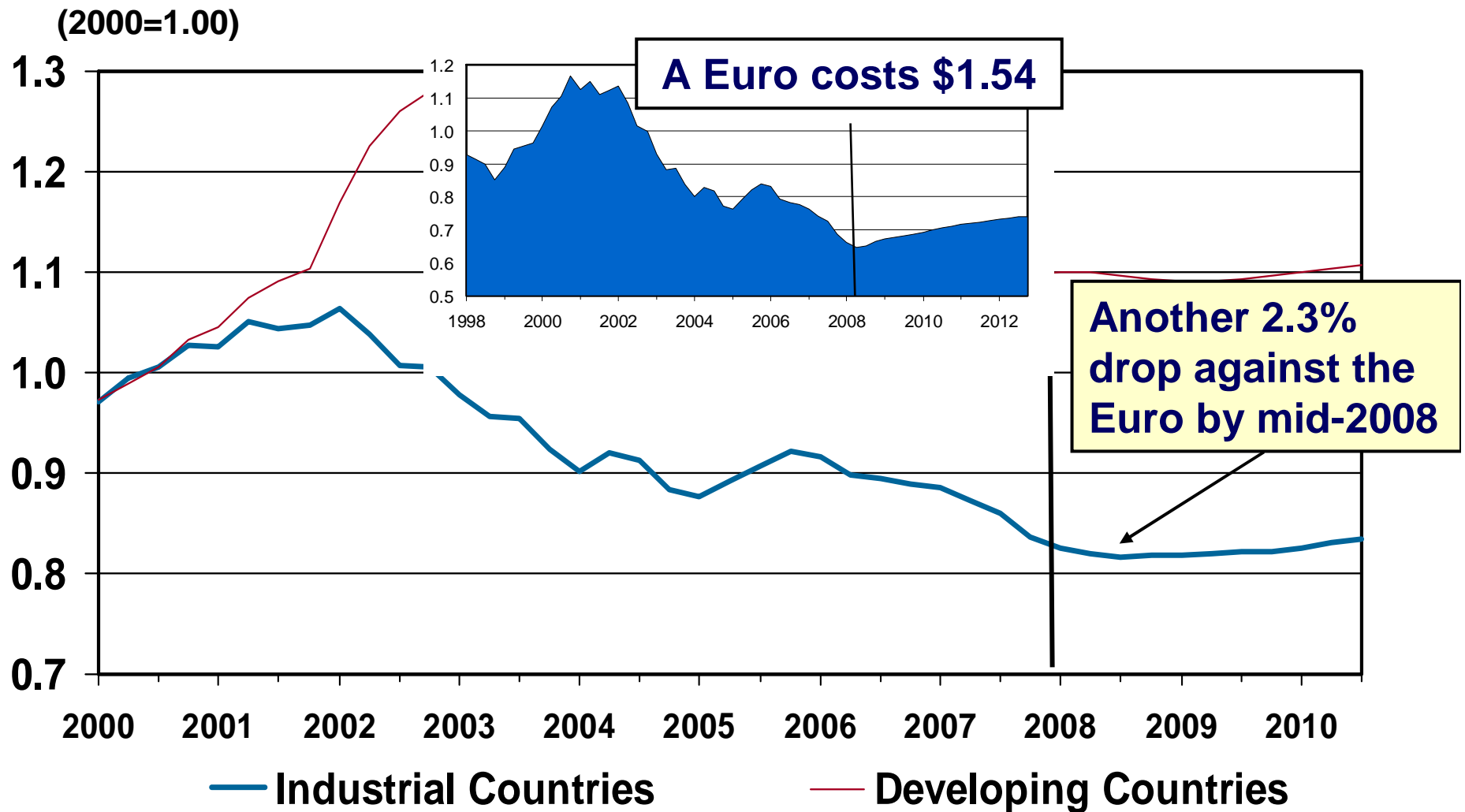
## ***The odds of a mild U.S. **recession** have risen***

- U.S. growth in 2008 is likely to come in between 1% and 1.5%
- The main culprits are still the housing/subprime crisis and high oil prices – the “double-shock” economy
- Consumer spending will slow significantly, as employment growth grinds down
- Capital spending growth will be lackluster
- The only saving grace will be **net exports**
- In the “danger zone” – recessionary or near-recessionary conditions in the first half of this year, with a high vulnerability to another shock
- The Fed will have to cut rates by another 50 basis points (to 3%)
- **Bottom line: there is a 60/40 chance of a recession in early 2008**

# We are in the middle of the “slowdown” now.



**The U.S. dollar will depreciate further – steady declines through mid-2008, due to the huge trade deficits (\$800 billion).**



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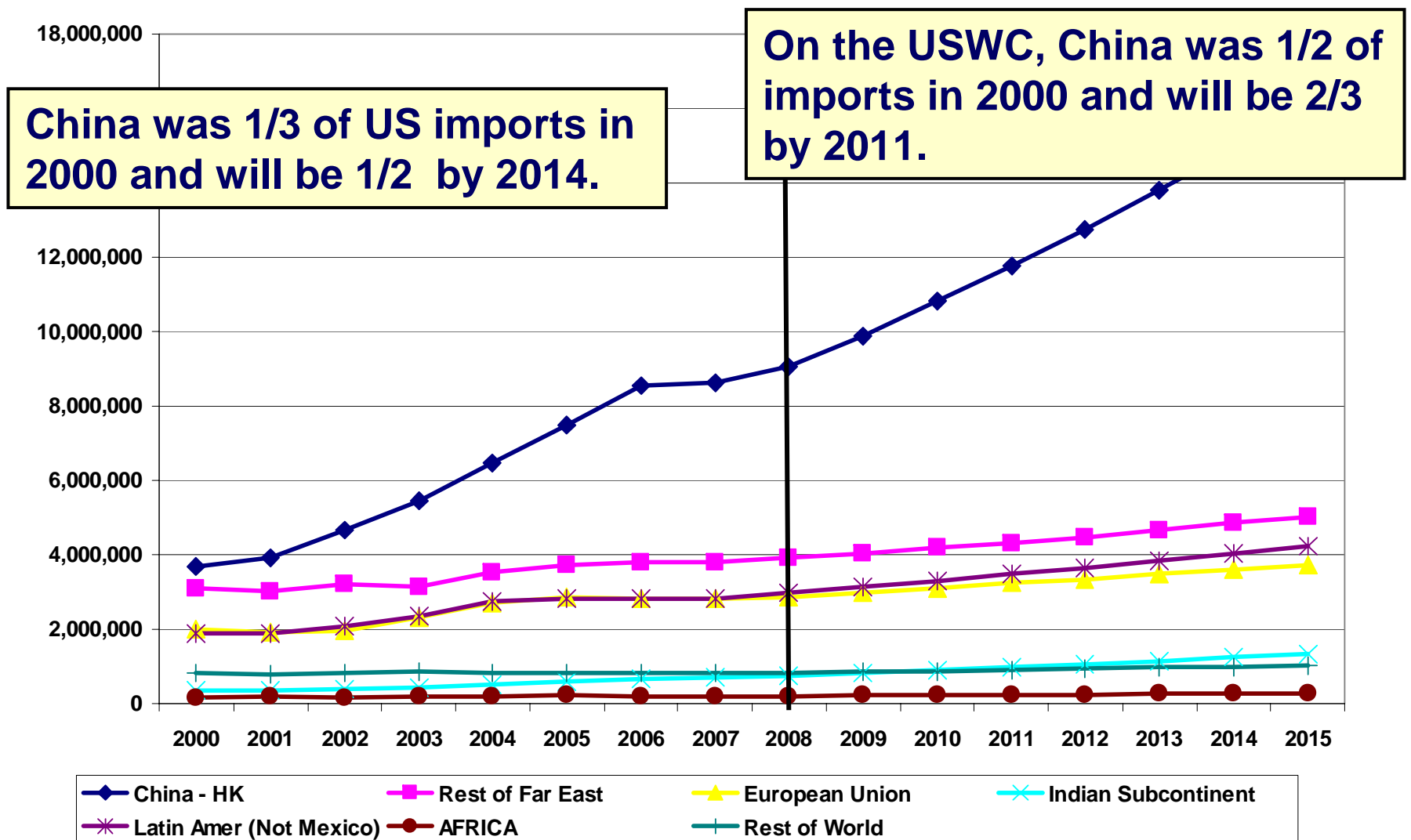
# Containerized Trade Movements

(Thousands of TEUs)

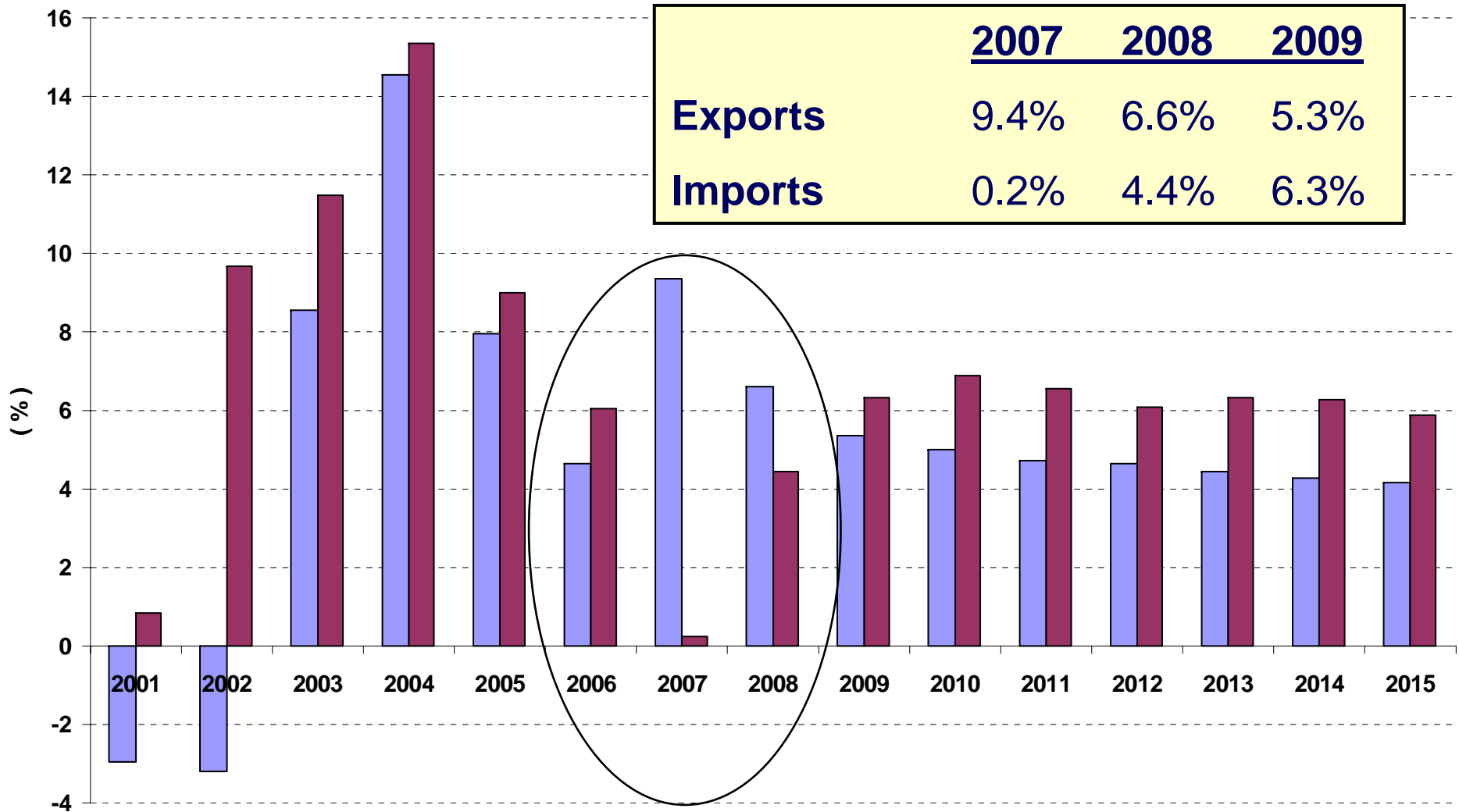
	2008	2010	2015	2008-2015 CAGR (%)
Transatlantic	9,925	10,895	13,295	4.3
Transpacific	24,615	28,360	39,129	6.8
U.S. Atlantic/Asia	5,380	6,161	8,379	6.5
Europe/Asia	22,287	25,964	35,449	6.9
<b>Total</b>	<b>117,837</b>	<b>137,074</b>	<b>185,120</b>	<b>6.7</b>

1/3 of world TEUs are Intra-Asia

**U.S. TEU imports slowed in 2007 to 0.2%, but should grow 4.4% in 2008. Chinese imports will grow fastest (8% on average through 2015).**

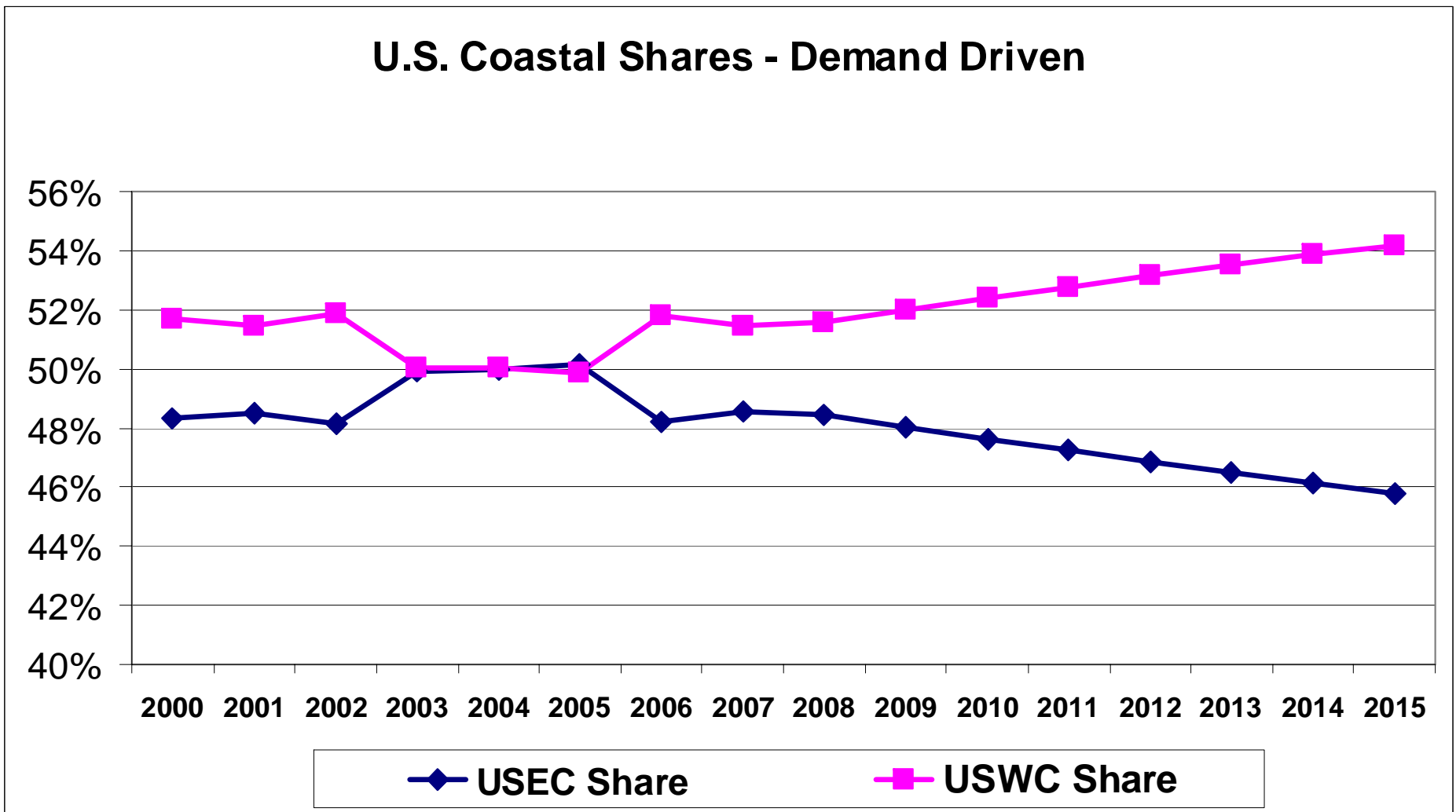


# For the U.S., TEU growth has shifted to exports.



*If there is enough capacity in the ports and railways, USWC ports should gain share, but . . .*

### U.S. Coastal Shares - Demand Driven

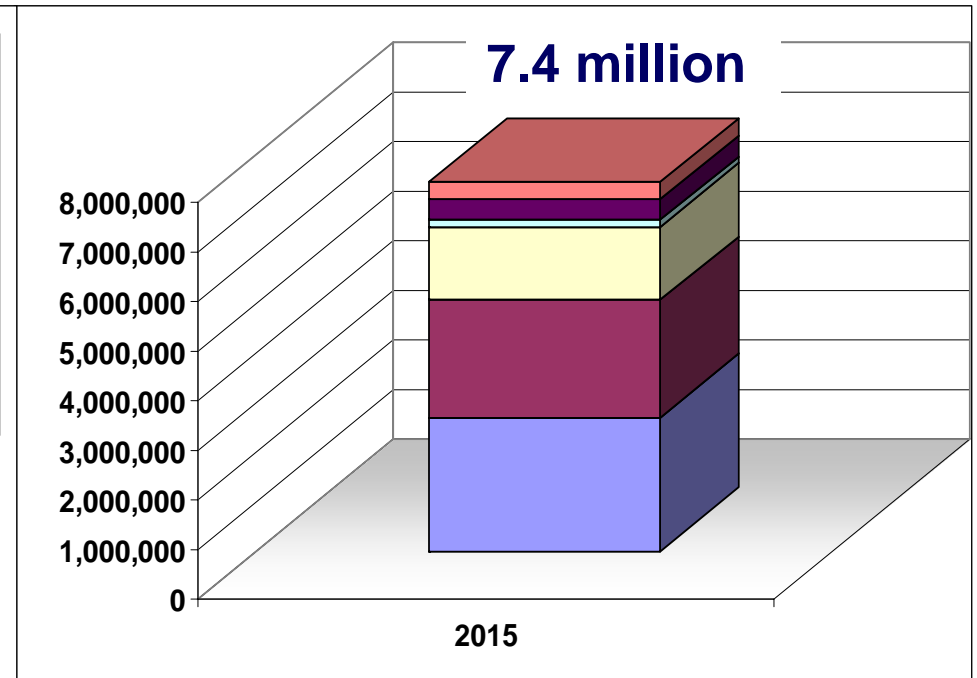
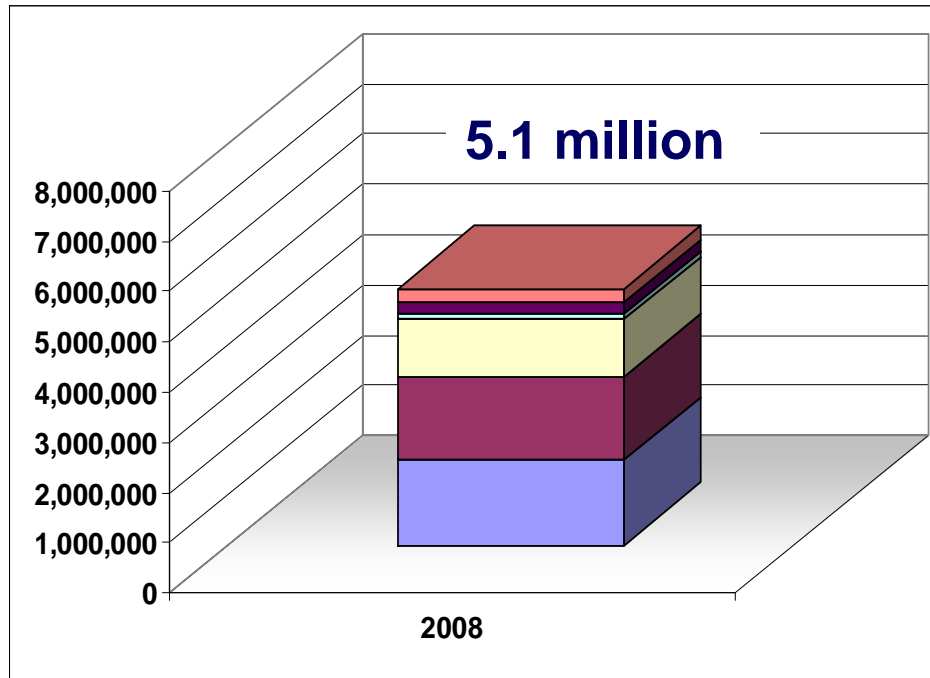




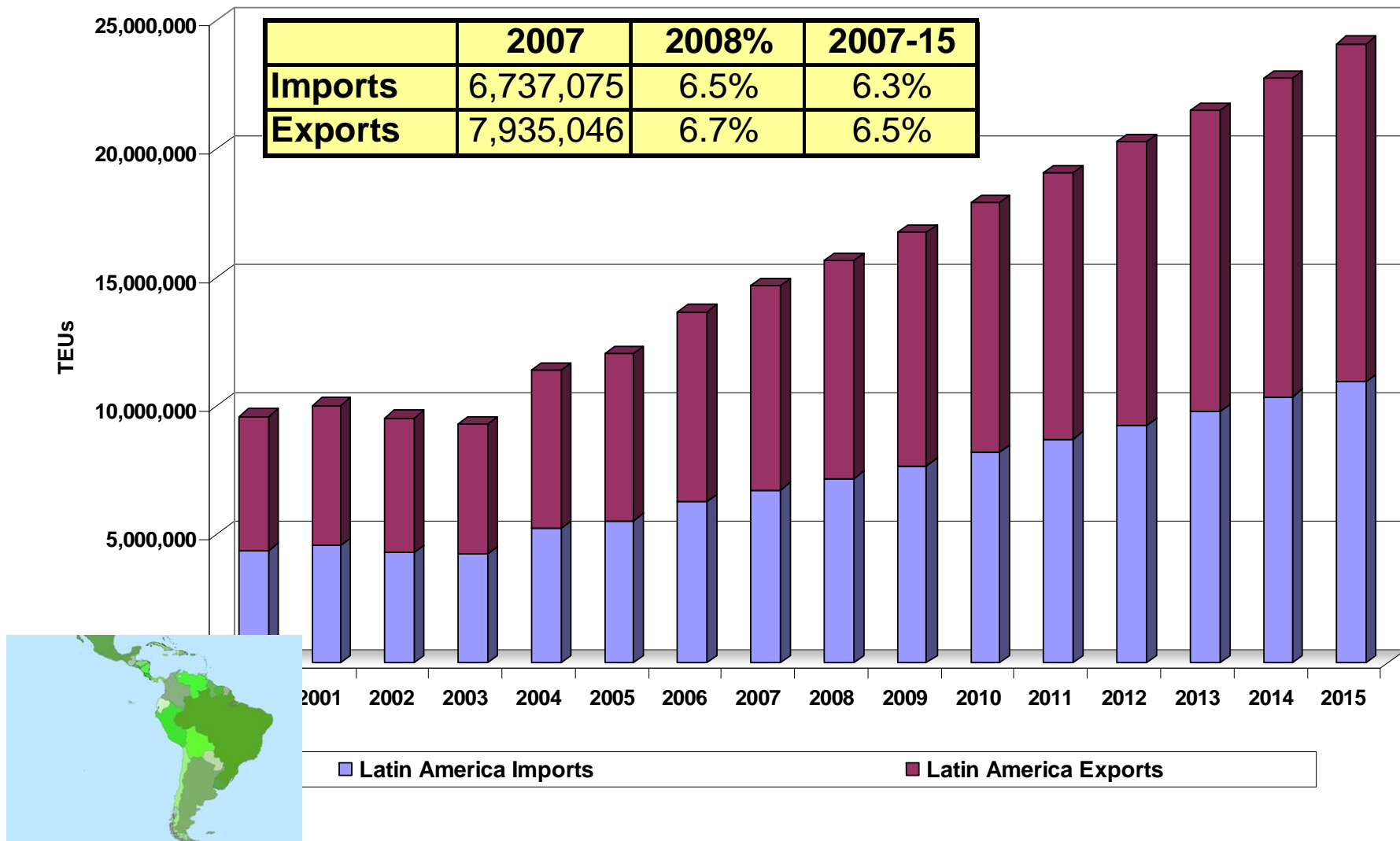
# TEU imports into Gulf and S. Atlantic will grow.

Growth rates: 2008-15

Far East	5.8%	Latin America	5.2%
Europe	3.8%	India	8.9%
Africa	3.2%	Rest of World	4.0%

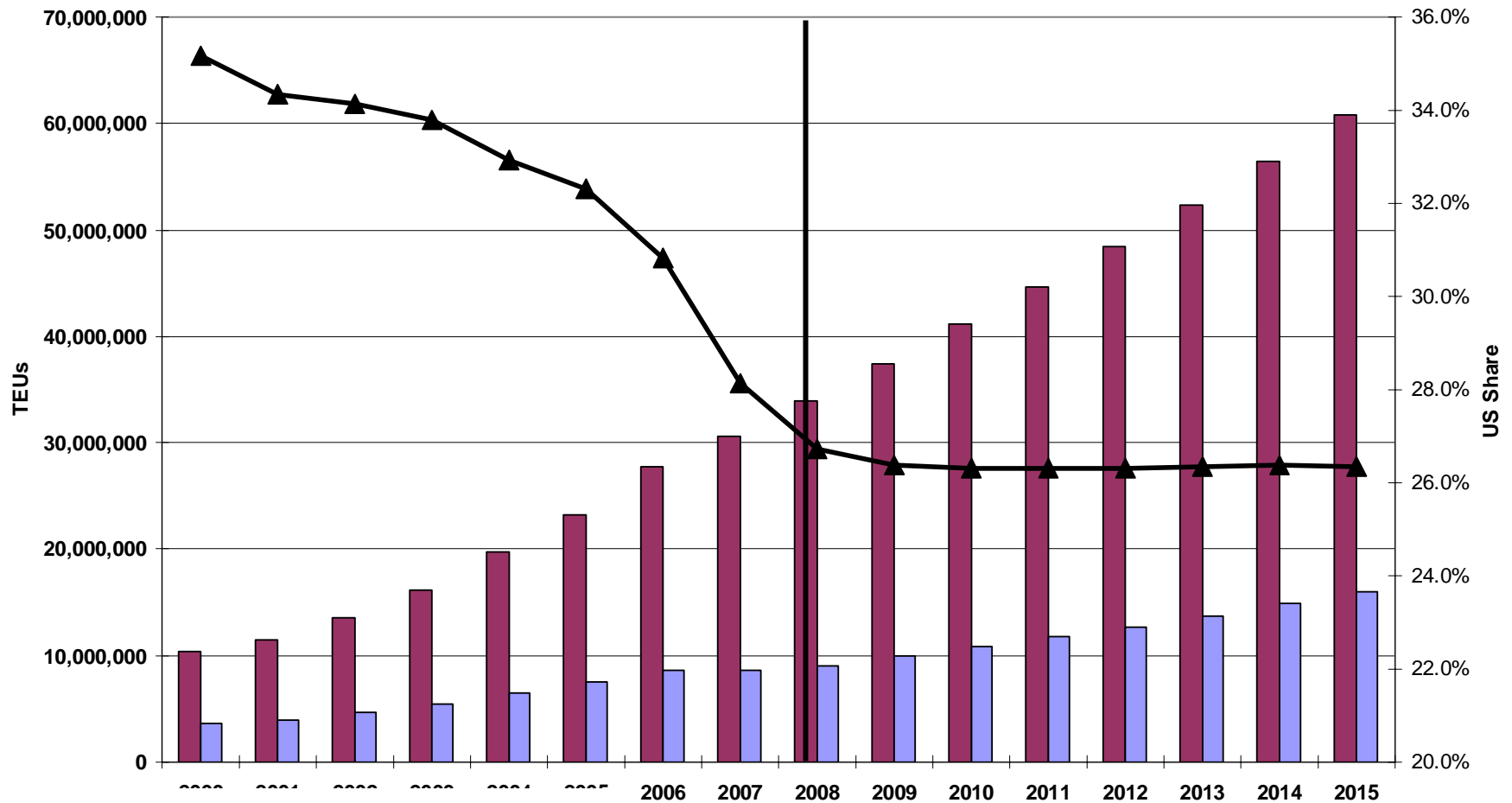


***Latin America's sea trade is expected to grow in line with general world sea trade growth. Exports will outpace imports, but the trade will be fairly well-balanced.***



# As China expands its markets, the U.S. becomes less important, but Latin America - -

US Share of China Exports



Source: Global Insight World Trade Model



World Total

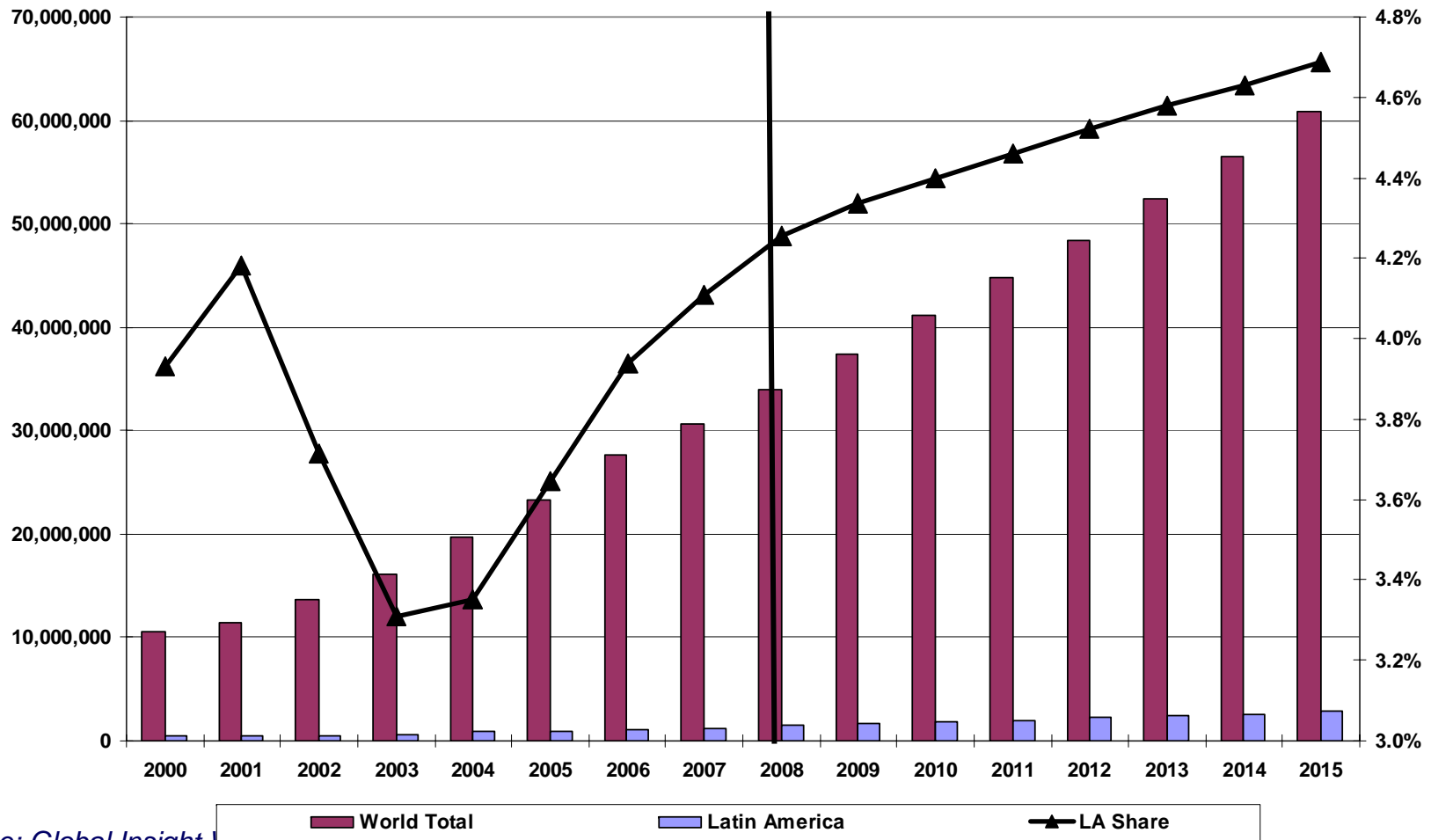
United States

United States Share of Ch Exp

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**... could absorb 5% of China's container exports by 2015, with strong growth in consumer products.**

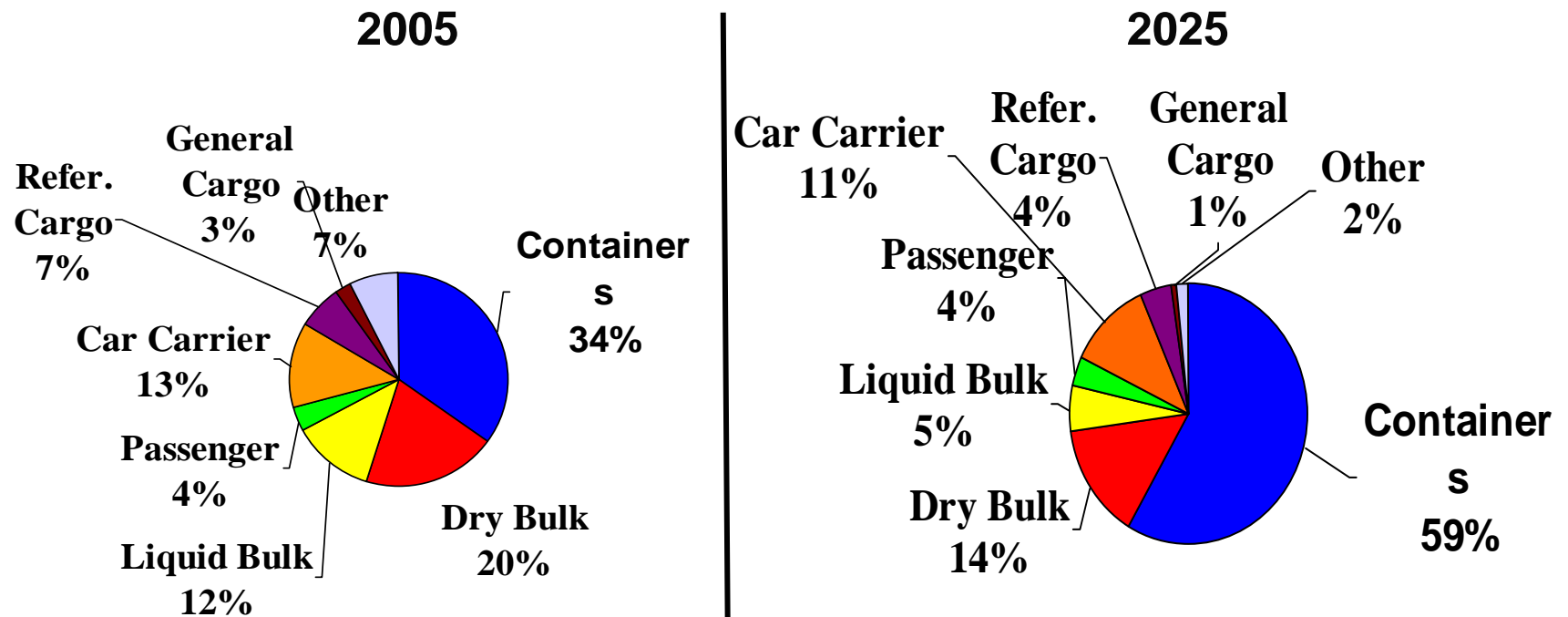
Latin America Share of China Exports



Source: Global Insight World Trade Model

***With expanded capacity, container traffic will account for nearly 60% of all Canal tonnage in 2025.***

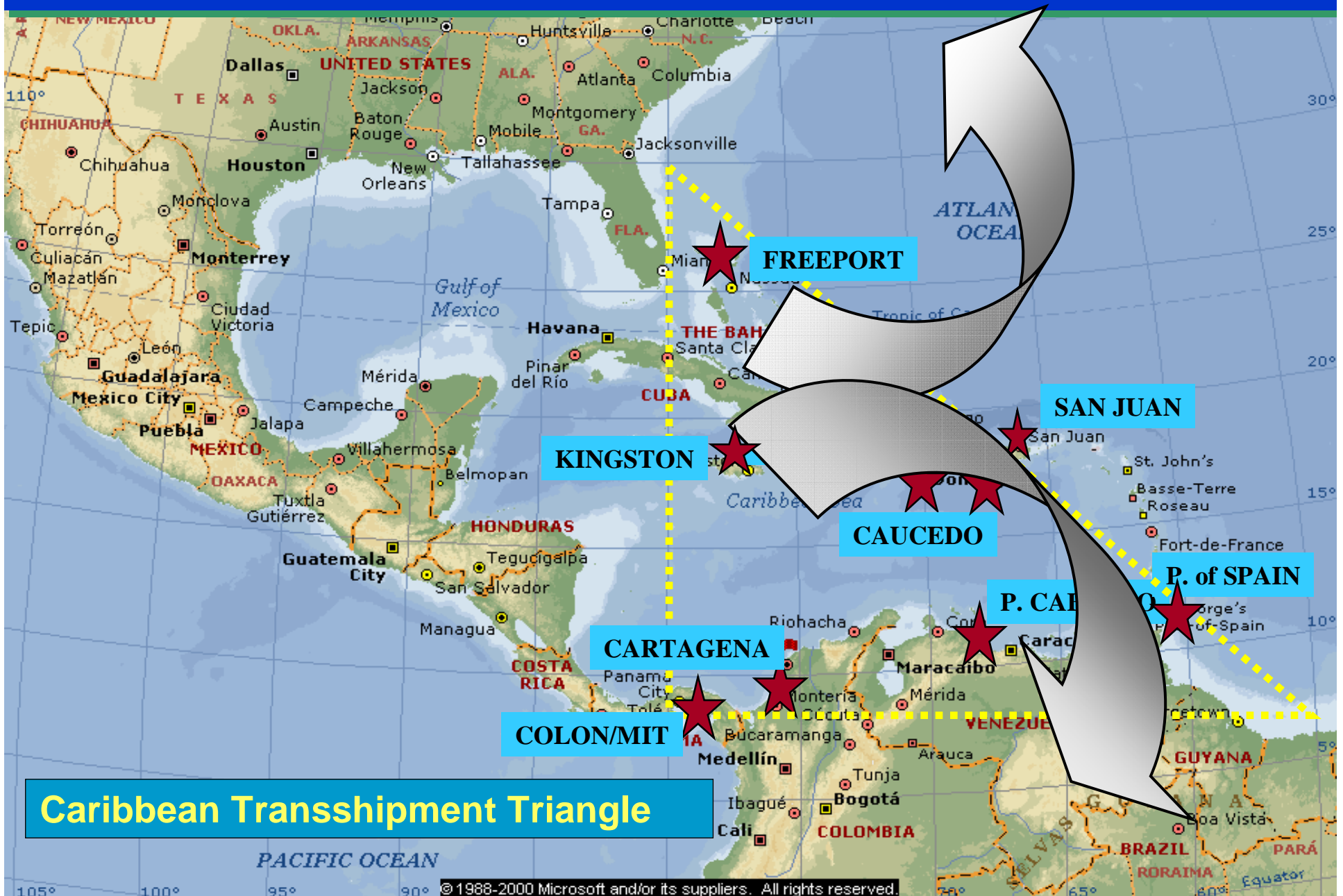
## Panama Canal Tonnage: 2005 vs. 2025



**After transiting the Canal, where will the big containerships go?**

Source: ACP; Norbridge, Global Insight forecasts

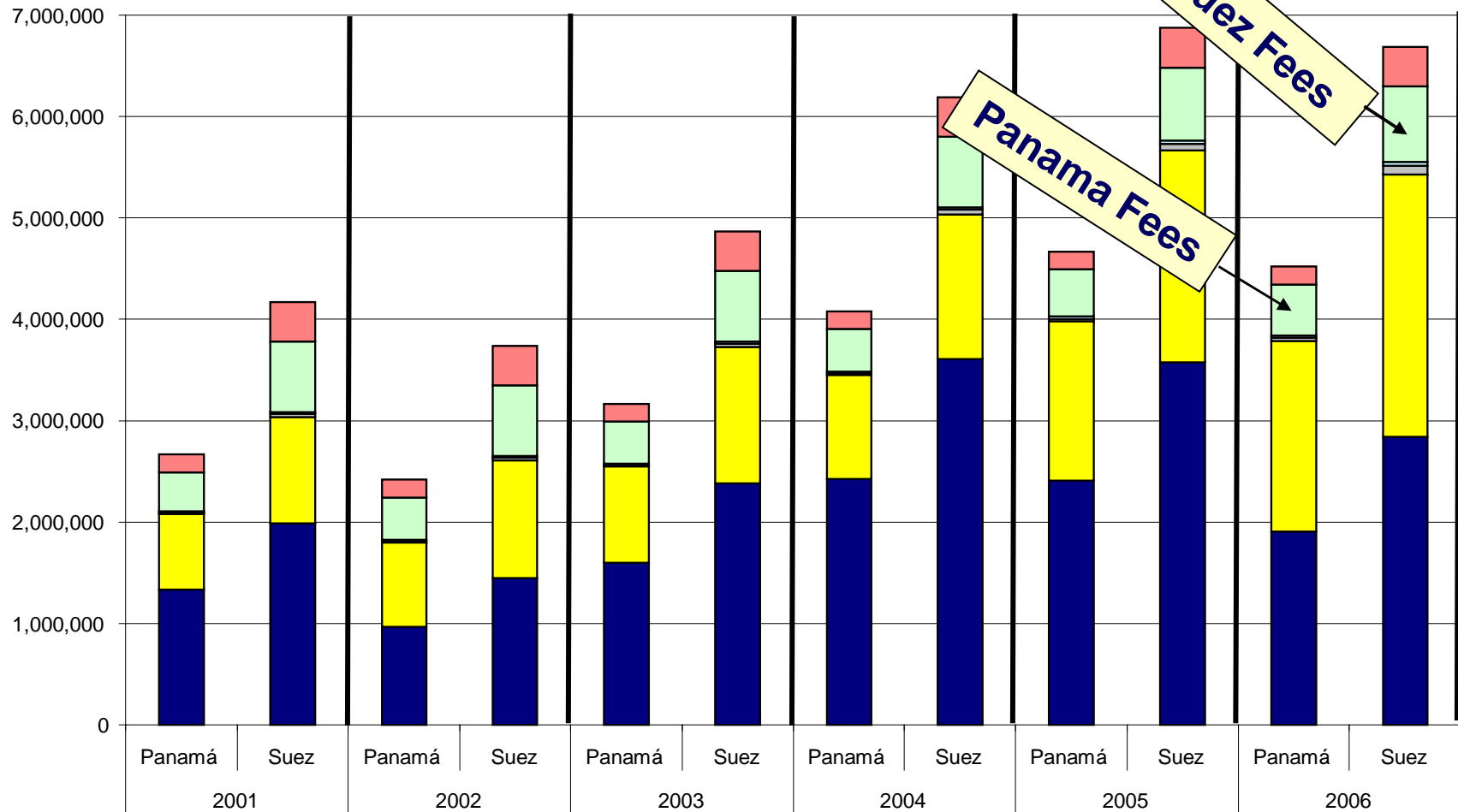
After the expansion, this is where the action will be.



Caribbean Transshipment Triangle

# Panama – Suez Route Cost Comparison

## Northeast China to USEC



Source: Panama Canal Authority

■ Ship provision costs  
 ■ Fuel costs - Canal

■ Fuel costs - sea  
 ■ Canal fees

■ Fuel Costs - Port  
 ■ Port fees

So  
the

**\$9 billion+**  
**UP + Hutchison**  
**BNSF + Grupo Mexico**  
**MTC + Carlos Slim (IDEAL)**  
**SSA?**

*being discussed – to feed  
a capacity squeeze.*



- Container volumes will continue to grow.
- USWC port and rail congestion could return – 5 years?
- All-water service costs will go up.
- But there are wrinkles to iron out in Mexico.

- MHFM Transport (Mexico)
- SPV (Japan)
- Arias Asia (China)



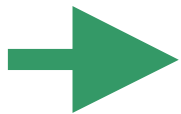
- FERROMEX
- FERROSUR
- TFM
- VALLE DE MEXICO
- LINEAS CORTAS
- DERECHOS DE PASO
- TEXAS PACIFICO
- UNION PACIFIC
- BNSF





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## ***Bottom Line***

- **U.S. is sliding into a “danger zone”**
- **Once the Expanded Canal is open, there will be a boom in transshipment in the Caribbean**
  - **Feeding North and South America**
- **If manufacturing shifts into Vietnam and India (for export), the USEC will see a lot more Suez traffic**
- **Despite the economic slowdown, container traffic growth within the next 5 years will push many ports to their full capacity limits, before the Canal is expanded – the search for more extreme alternatives is on.**



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