

What Happened in 2009 and Where Do We Go From Here?

*AAPA PORT FACILITIES
ENGINEERING SEMINAR
Charleston, South Carolina*

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Halcrow

November 17, 2009

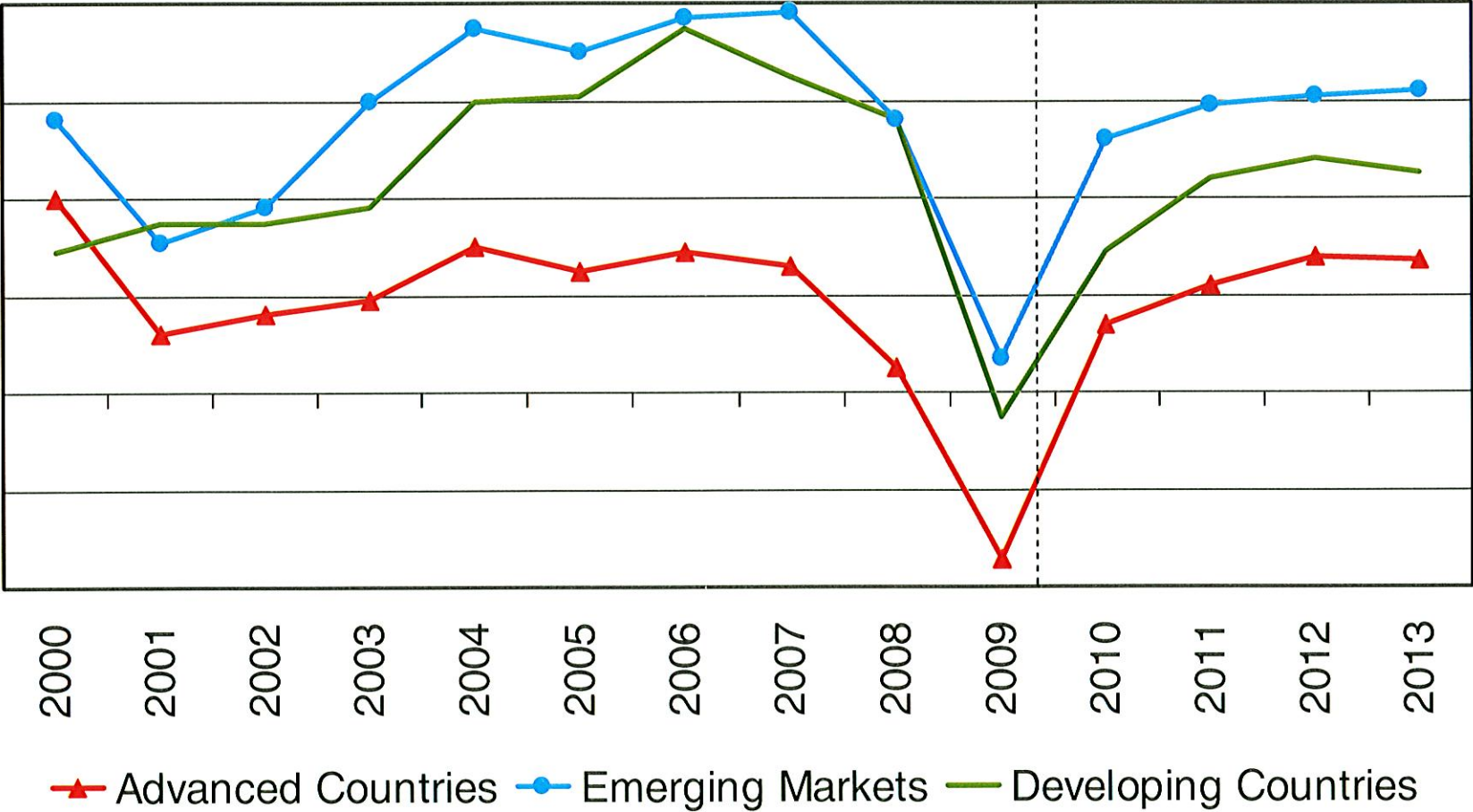
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Agenda

- 
1. The Global Economic Situation
 2. Global Export Markets – the outlook
 3. After the Canal Expansion
 4. Takeaways/Conclusion

The emerging markets have helped to keep the world from falling into an even deeper recession.

Real GDP (% change)



Source: Global Insight

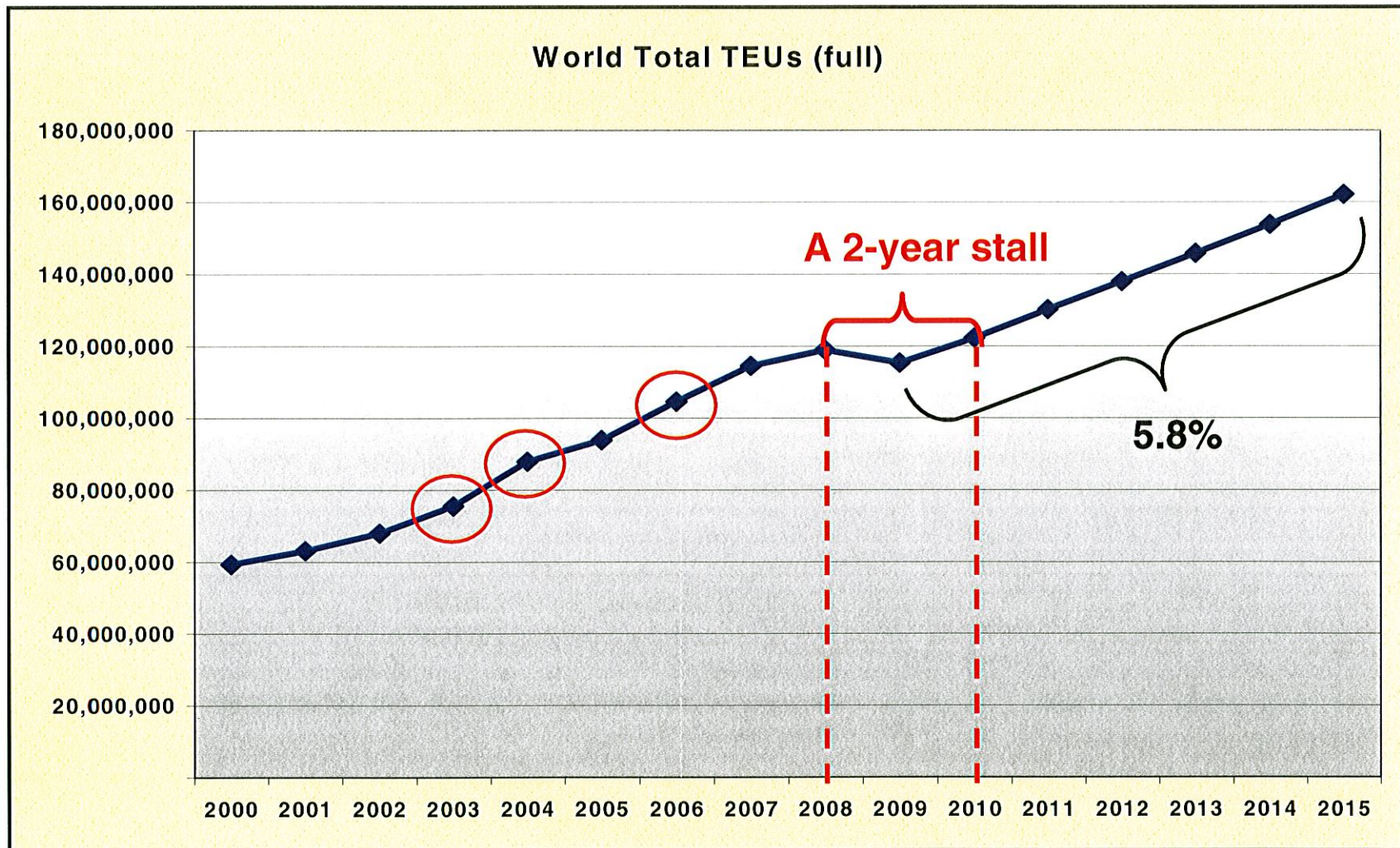
In the very long term, today's emerging markets will be the largest ones in the world.

(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.	China
Japan	Japan	China	China	China	U.S.
Germany	Germany	Japan	Japan	India	India
U.K.	U.K.	Germany	India	Japan	Japan
France	China	U.K.	Russia	Russia	Brazil
Italy	France	India	U.K.	Brazil	Russia
China	Italy	France	Germany	U.K.	U.K.
Brazil	India	Russia	France	Germany	Germany
India	Russia	Italy	Brazil	France	France
Russia	Brazil	Brazil	Italy	Italy	Italy

Source: Global Insight World Service and Goldman Sachs

The years of 2-digit growth (containers) are behind us.



Source: Data and tables from IHS Global Insight

Agenda

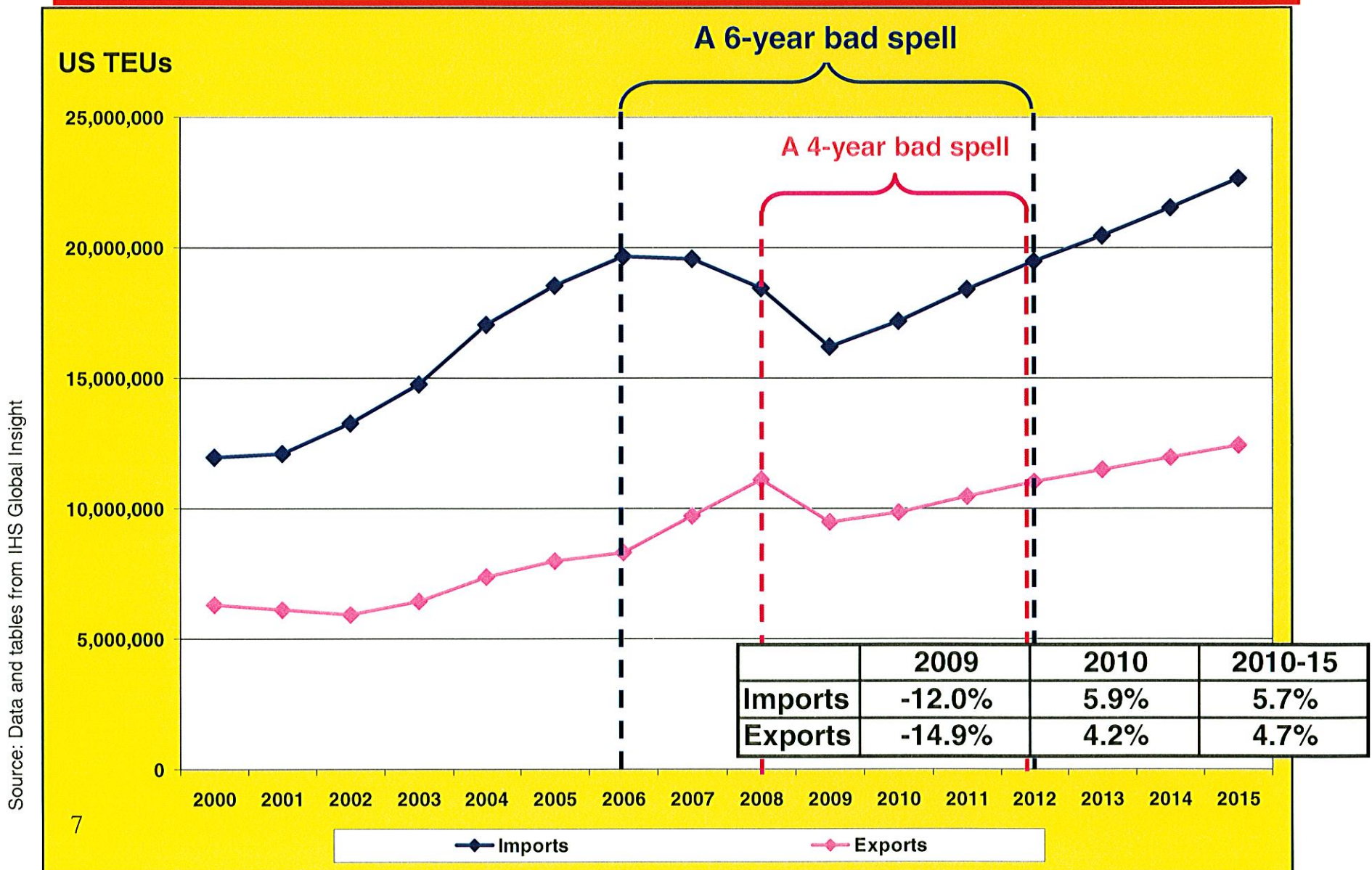
1. The Global Economic Situation

→ 2. Global Export Markets – the Outlook

3. After the Canal Expansion

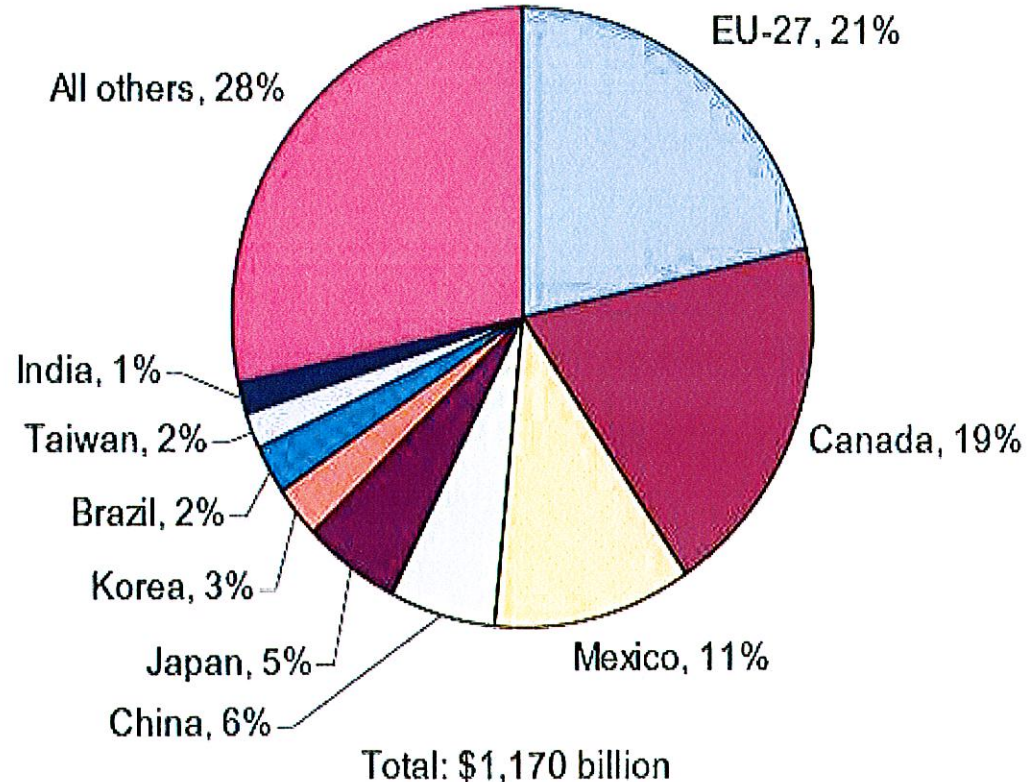
4. Takeaways/Conclusion

US imports suffered more than exports in the recession.



Our neighbors are the biggest destination for our exports. However, the EU trading block is our largest merchandise export market.

Leading U.S. merchandise export markets, by share, 2008



Our exports to China and Brazil have grown much faster than our exports to the rest of the world.

Rank	Country	Value of Exports (\$ billions)	CAGR in Exports from 2004 to 2008
1	Canada	\$261	6.6%
2	Mexico	\$151	6.4%
3	China	\$69	15.2%
4	Japan	\$65	4.0%
5	Germany	\$55	11.6%
6	United Kingdom	\$54	8.3%
7	Netherlands	\$40	10.5%
8	South Korea	\$35	5.8%
9	Brazil	\$32	18.4%
10	Belgium	\$29	11.4%
World (sum of all countries)		\$1,170	9.6%

Source: TradeStats Express

We have 17 existing and 15 proposed or pending Free Trade Agreements. In general, our export growth is faster after an FTA is in place.

Country	Date FTA Concluded	Value of US Exports (2008)	CAGR in Exports after FTA	CAGR in Exports for 5 yrs prior to FTA
Australia	2004	\$22.2 B	9.7%	2%
Bahrain	2006	\$829 M	20.5%	-4.1%
Chile	2004	\$11.8 B	26.9%	-2.5%
Israel	1985	\$14.5 B	8.5%	N/A
Jordan	2001	\$940 M	13.6%	-1.7%
Morocco	2006	\$1.4 B	19.7%	11.2%
Oman	2006	\$1.4 B	18.6%	13.3%
Peru	2007	\$6.2 B	22.5%	13.4%
Singapore	2004	\$27.9 B	7.5%	0.4%
TOTAL / AVERAGE		\$87.2 B	16.4%	4%

Source: TradeStats Express

Colombia, a nation of 45 million people, has one of the highest tariff structures in South America. It is rated a great place for private infrastructure investments.

Year	2004	2005	2006	2007	2008
Exports (\$ billions)	4.5	5.5	6.7	8.6	11.4
Annual Export Growth		21%	23%	28%	34%



Infrastructure Private Investment Attractiveness Index		
Rank	Country	Score
1	Chile	5.43
2	Brazil	4.40
3	Colombia	4.33

World Economic Forum, 2008



Demographic Profile:
 Population: 45,013,672
 Pop Growth: 1.43%
 Income per Capita: \$8,800 (PPP)

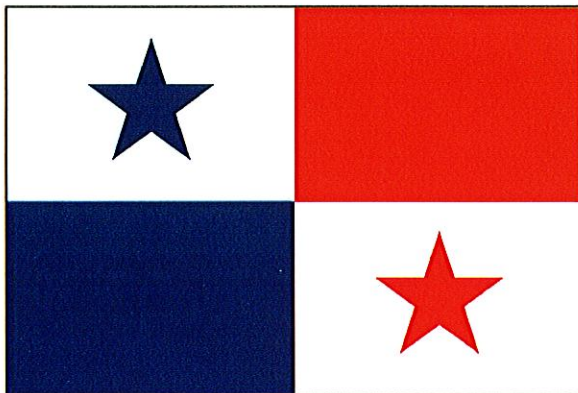
Colombia is more affected by Venezuela than by the recession

- ▶ Economic dip in 2009: -0.4%
- ▶ Bounce back in 2010: 2.1% growth
- ▶ Industrial production forecasted to fall 10% in '09, grow 4% in '10
- ▶ Trade spat with Venezuela over presence of U.S. military in region
- ▶ Peso has appreciated 27% against the dollar since Q1 2009
- ▶ Torrid import growth through 2009, expected to continue through 2010



Panama is a resource rich nation with a services-based economy. Our exports to Panama have been growing rapidly without a formal trade agreement.

Year	2004	2005	2006	2007	2008
Exports (\$ billions)	1.8	2.2	2.7	3.7	4.9
Annual Export Growth		22%	23%	38%	33%



Demographic Profile:

Population: 3,191,319

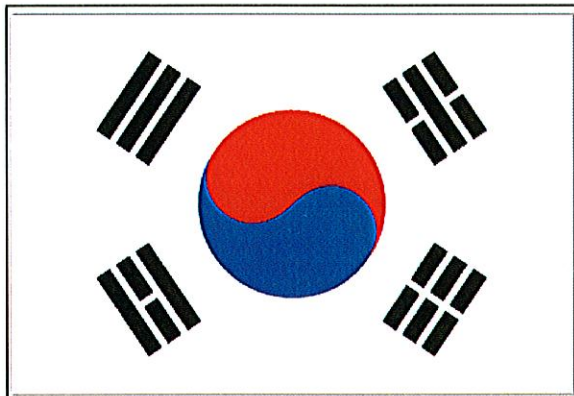
Pop Growth: 1.96%

Income per Capita: \$10,700 (PPP)



South Korea is our 7th largest trading partner. However, our agricultural exports face an average tariff of 52%.

Year	2004	2005	2006	2007	2008
Exports (\$ '000s)	26.2	27.6	32.2	34.4	34.7
Annual Export Growth		5%	17%	7%	1%



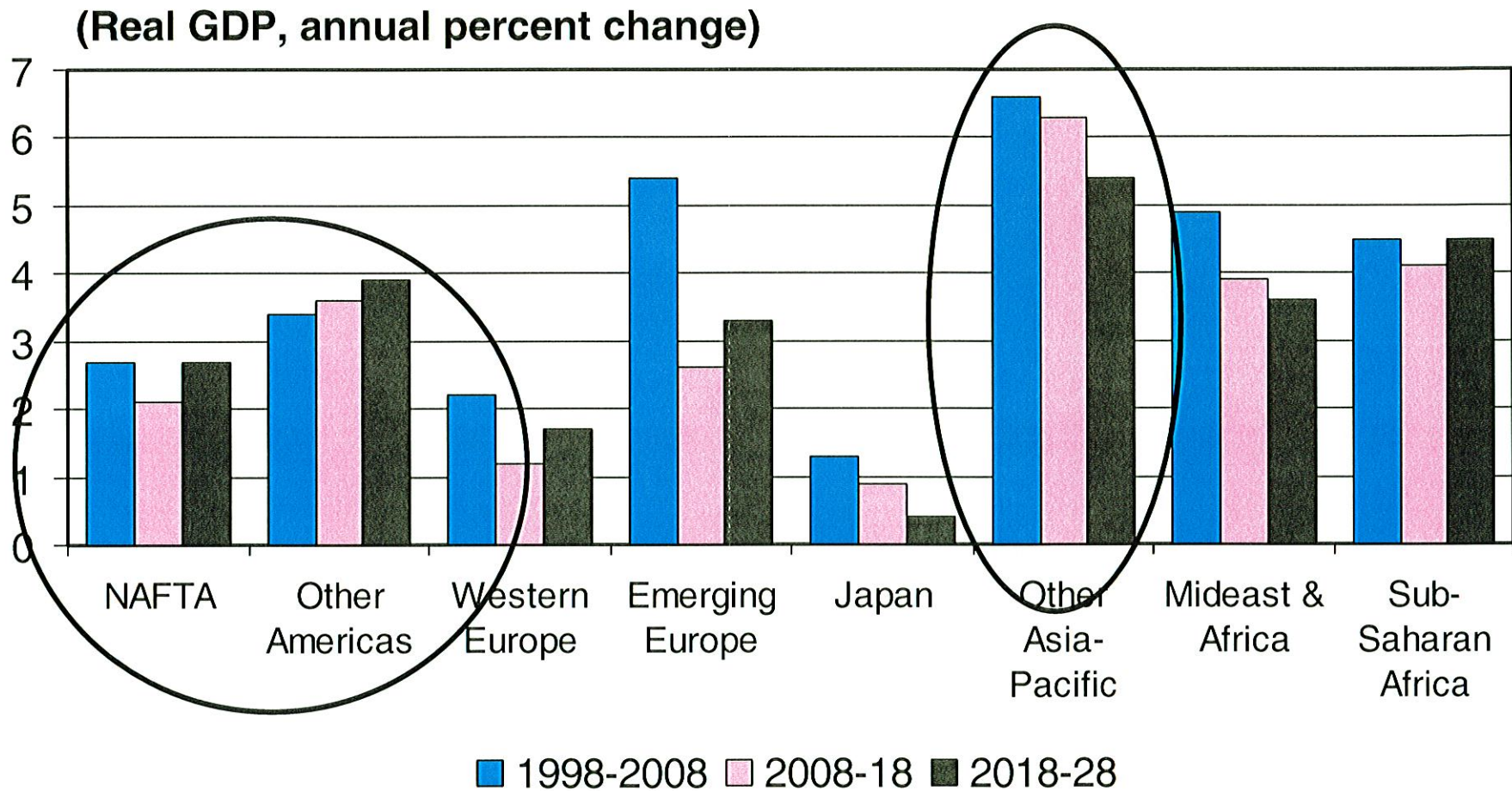
Demographic Profile:

Population: 49,044,790

Pop Growth: 0.58%

Income per Capita: \$27,646 (PPP)

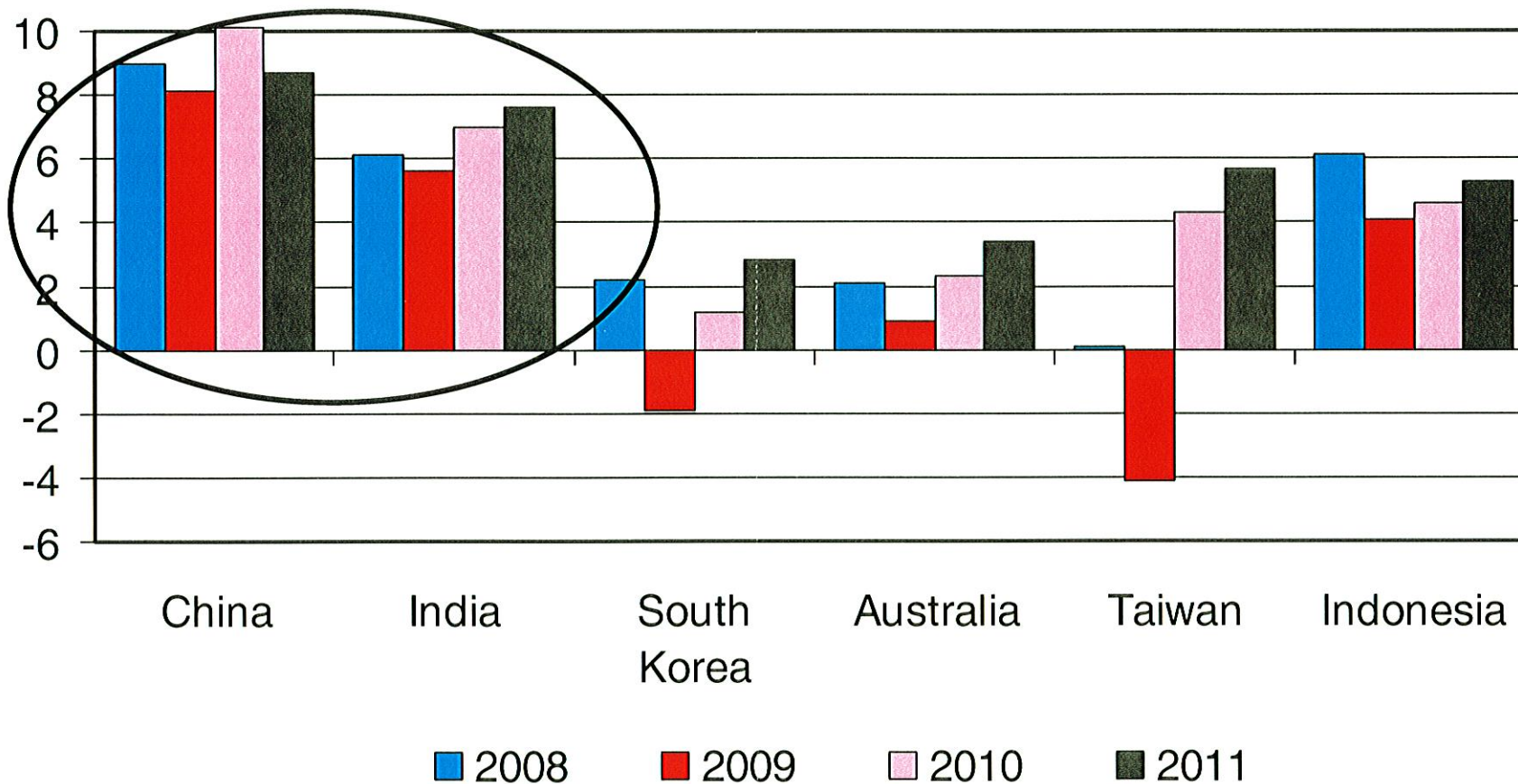
The Asia-Pacific region is the world's "growth engine" . . .



Source: Data and tables from IHS Global Insight

... especially China and India, or CHINDIA.

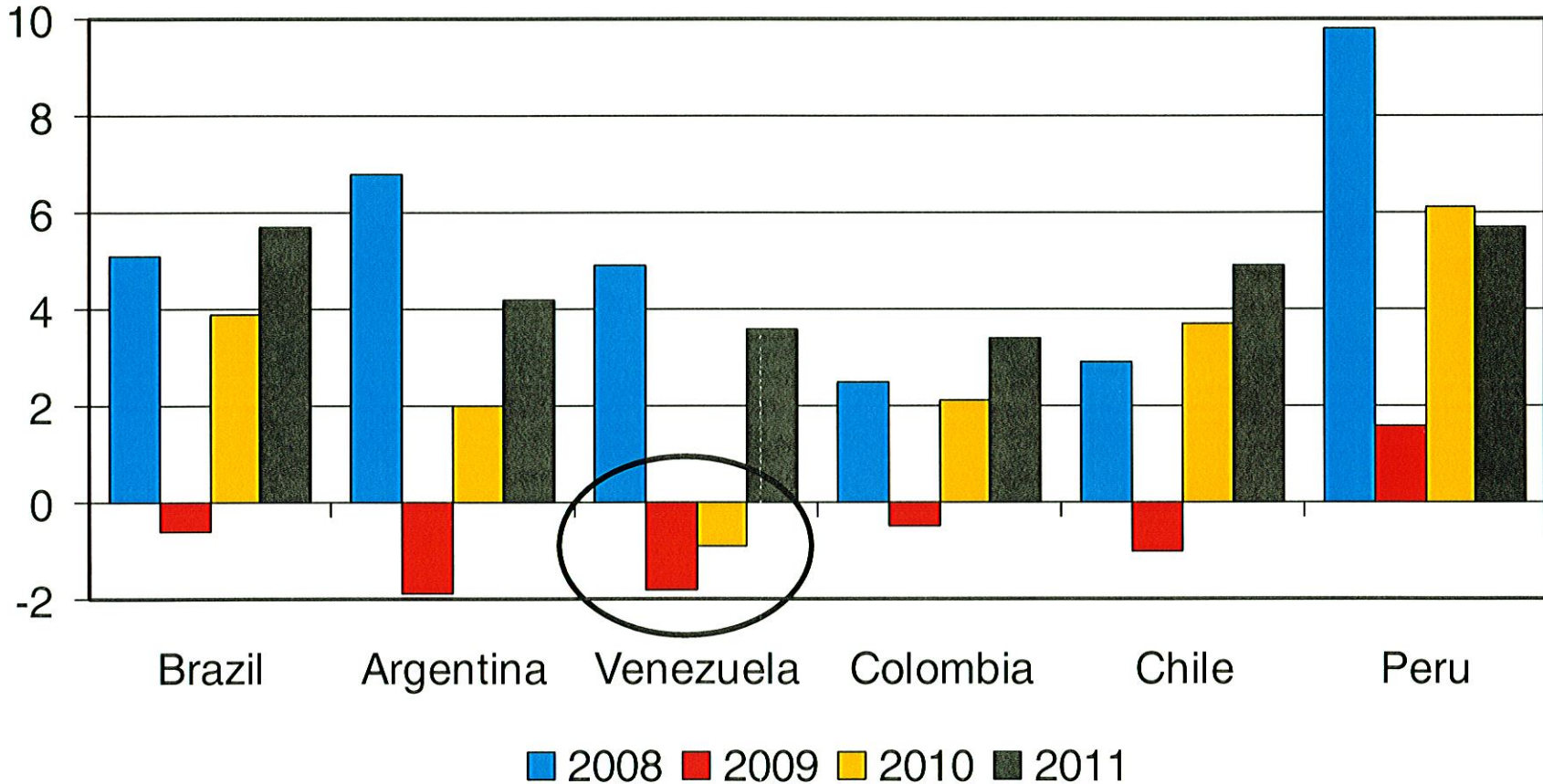
(Real GDP, percent change)



Source: Data and tables from IHS Global Insight

The outlook for South America is mixed, but most countries are expected to have solid economic growth in the next couple of years.

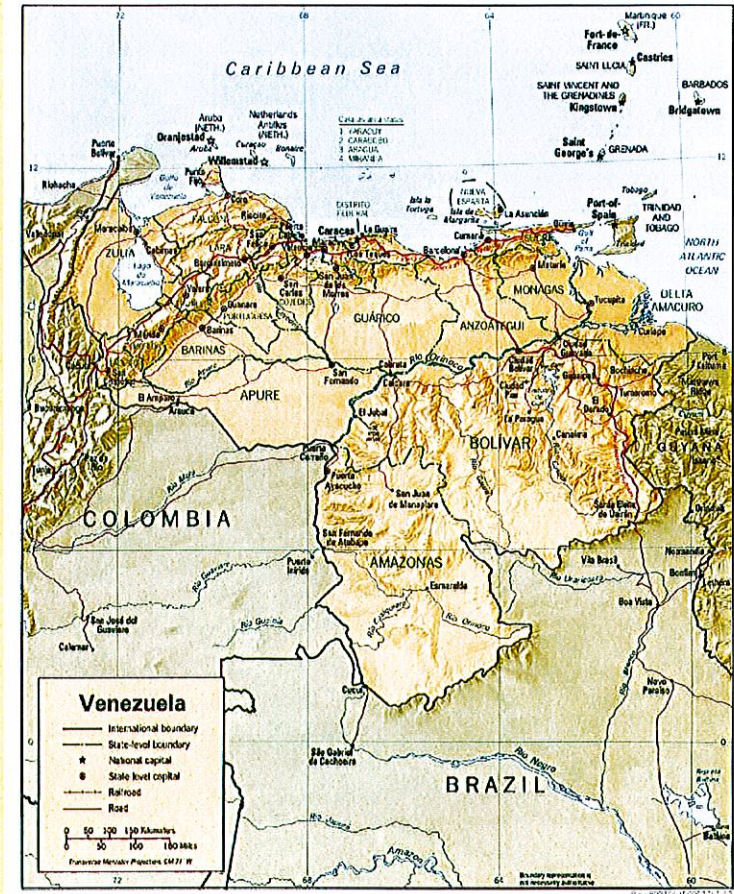
(Real GDP, percent change)



Source: Data and tables from IHS Global Insight

The situation in Venezuela appears dire...

- ▶ Economic drop in 2009: -5.6%.
- ▶ Worse in 2010: -6.4%.
- ▶ Budget deficit growing from zero to 6% of GDP.
- ▶ Keeping gasoline at US\$.30/gal costs US\$10 Billion per year.
- ▶ Deficit spending will fuel 40% inflation by year-end.
- ▶ Declining incomes, weaker Bolivar.
- ▶ Bank takeover: BIV.
- ▶ Still strong import prospects, but for the wrong reasons!



Argentina has a mixed outlook.

- ▶ Economic drop in 2009: -2.0%.
- ▶ Forecast is -0.9% for 2010.
- ▶ Sharp depreciation of the Peso against the Dollar in 2009.
- ▶ Unemployment is nearing 10%.
- ▶ The stock market gained 130% between March and October.
- ▶ Government wants to normalize relations with international capital markets after debt default.

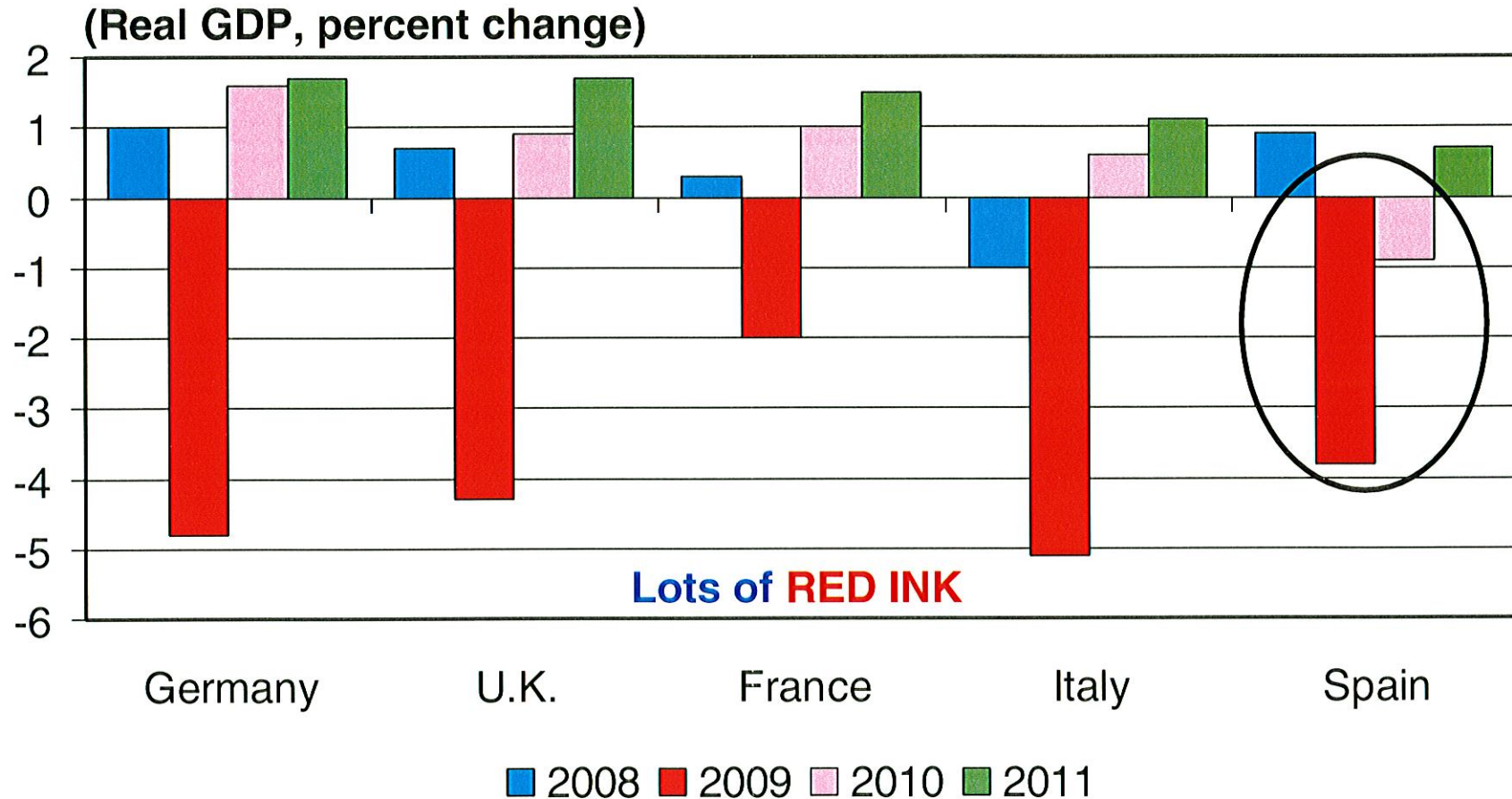


Chile was hit but will bounce back very strong

- ▶ Economic drop in 2009: -0.9%.
- ▶ Bounce back in 2010 with 3.6% growth.
- ▶ Unemployment nearing 10% in 2009.
- ▶ Deflation setting in and expected to carry well in to 2010- good for imports!
- ▶ World's largest lithium producer.
- ▶ Strong supermarket sales suggest return of consumer confidence.
- ▶ Winner of presidential elections in late 2009 will determine macroeconomic policy.



Europe is in for a difficult year, but *most* countries are expected to have positive growth next year.

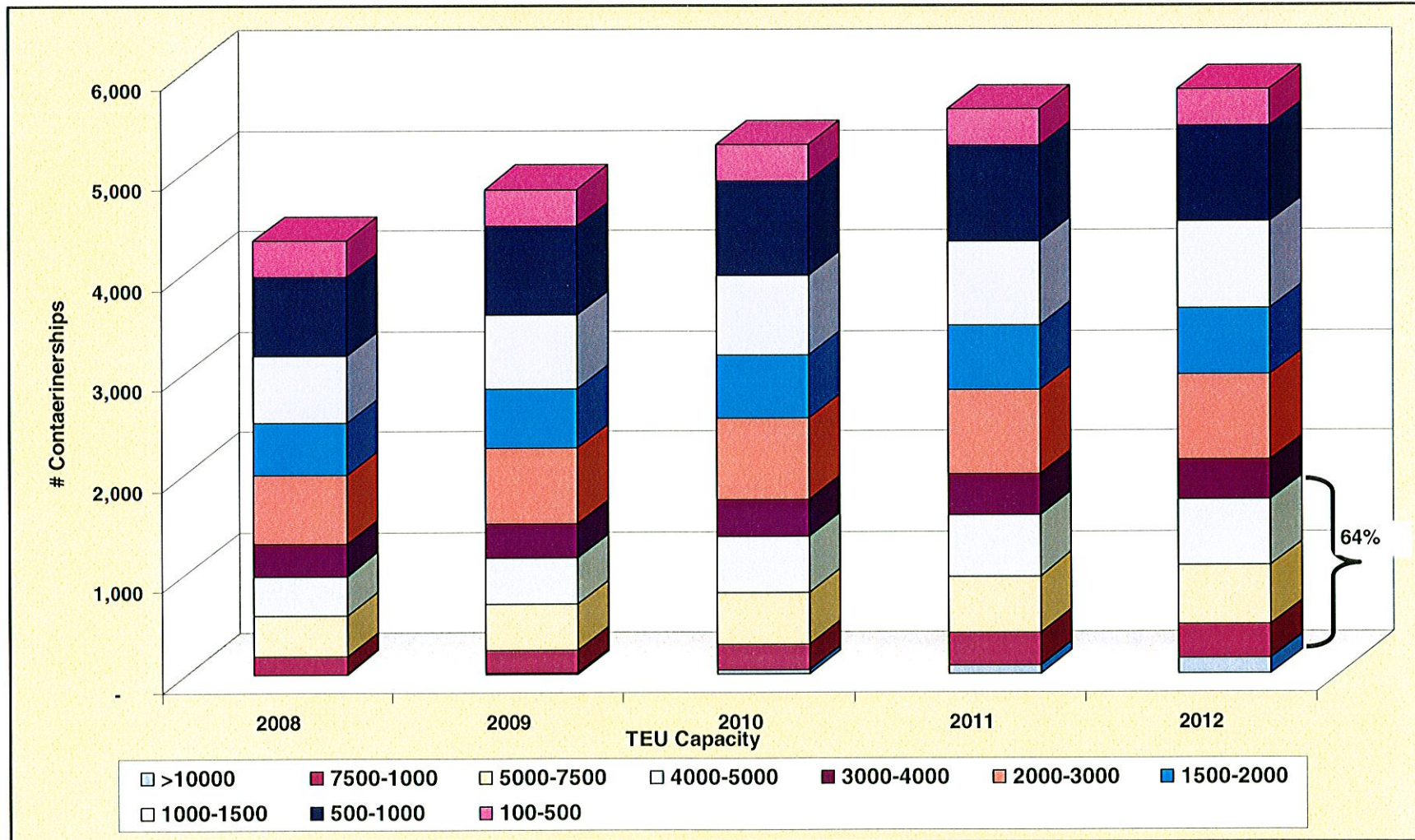


Source: Data and tables from IHS Global Insight

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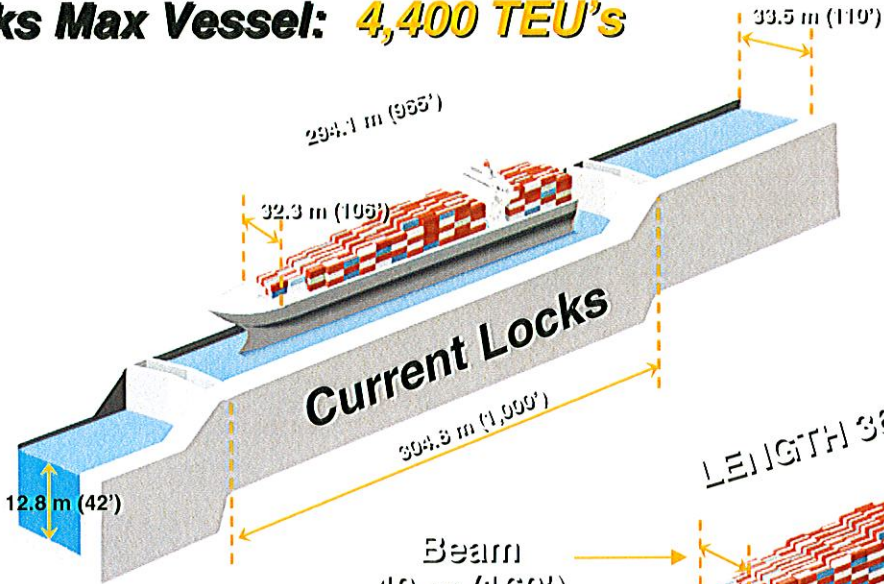
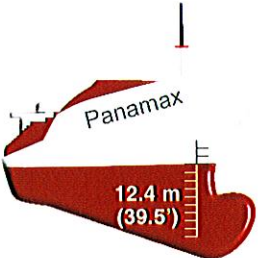
By 2012, 64% of containership capacity will be in Post-Panamax Vessels



Source: Clarksons

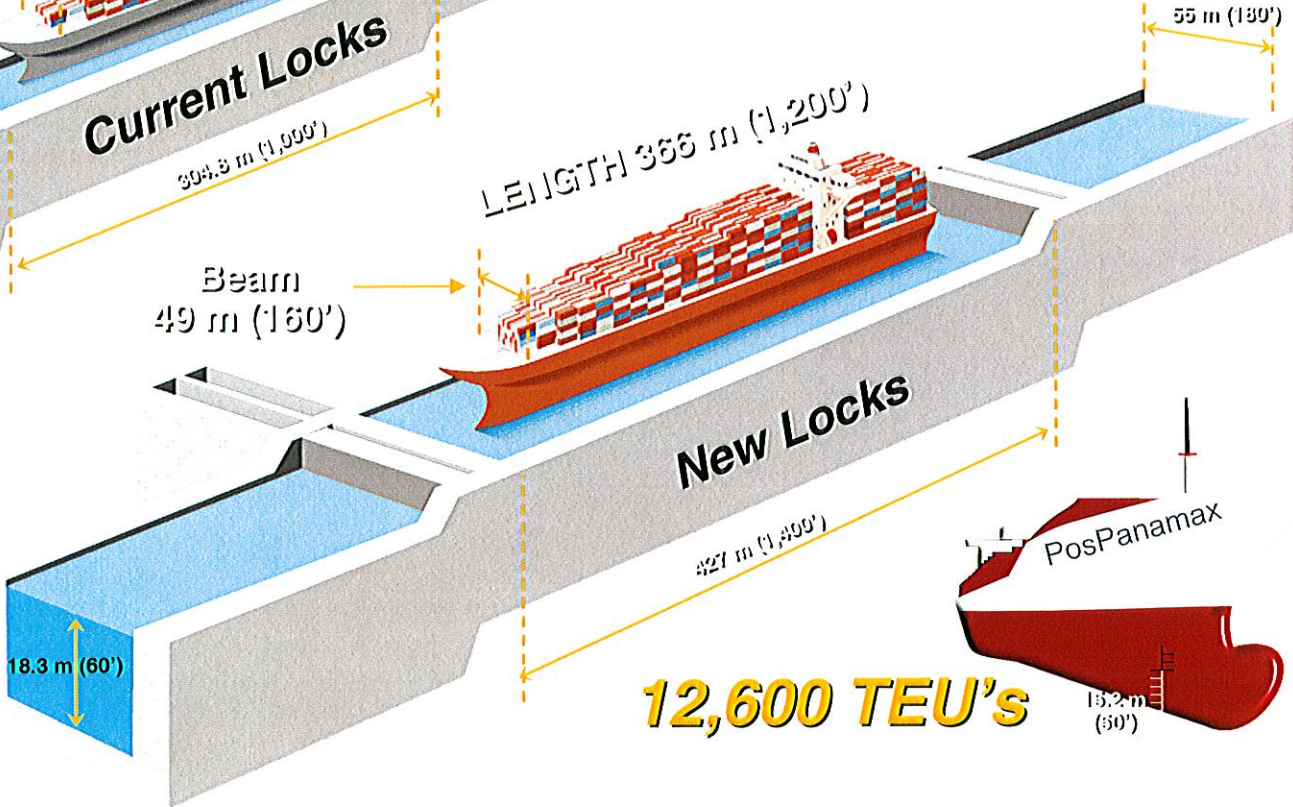
Dimension of new Panama Canal locks and New Panamax Vessels

Existing Locks Max Vessel: 4,400 TEU's

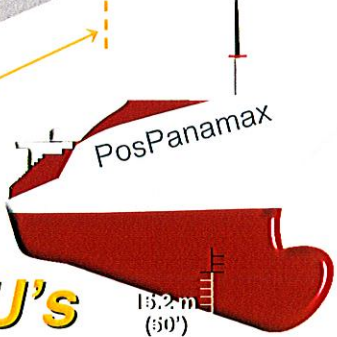


Beam
49 m (160')

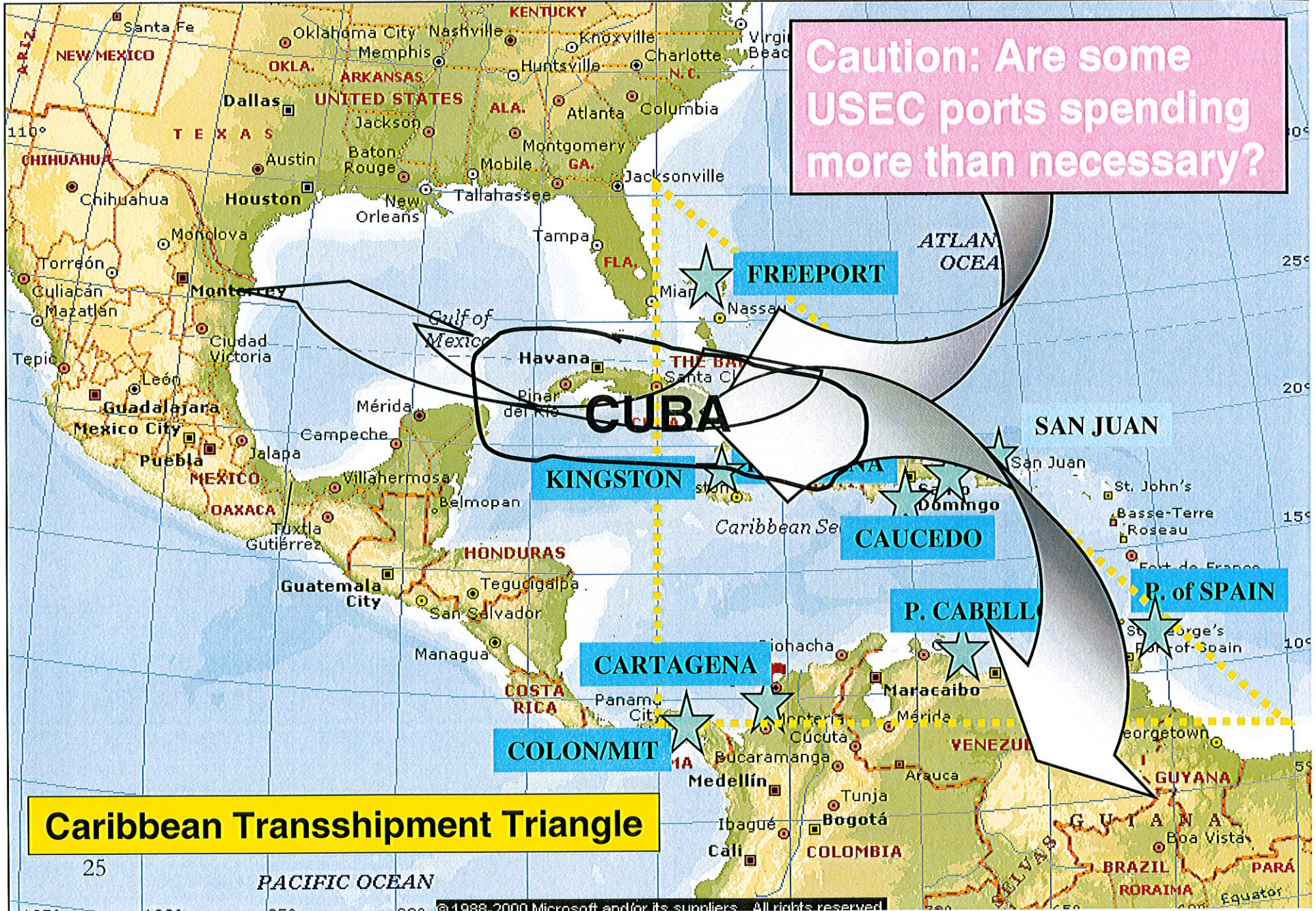
LENGTH 366 m (1,200')



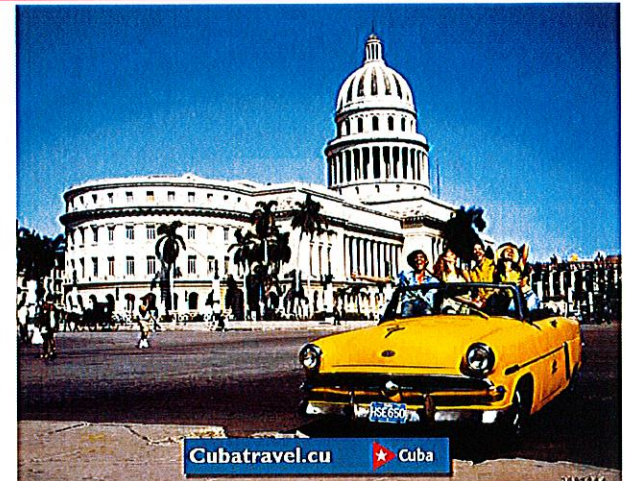
12,600 TEU's



What happens in Cuba may affect how this story unfolds.



Cuba has potential as a manufacturing hub, transshipment hub, and tourism hub.



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The container market has hit bottom.

Global traffic is expected to recover in the second half of 2009, followed by a slow recovery in trade flows for 2010, up by around 2.4 percent.



Takeaways

- ▶ **We are coming out of the global recession**
 - ▶ **Asia is leading the upturn; Europe will lag**
 - ▶ **Container volumes have started the upturn**
- ▶ **The Panama Canal expansion and US-Cuba relations will have repercussions for Western Hemisphere trade patterns**
- ▶ **The US is behind the trade curve**
- ▶ **Are some USEC ports over-spending in a race to expand?**



Contact me!

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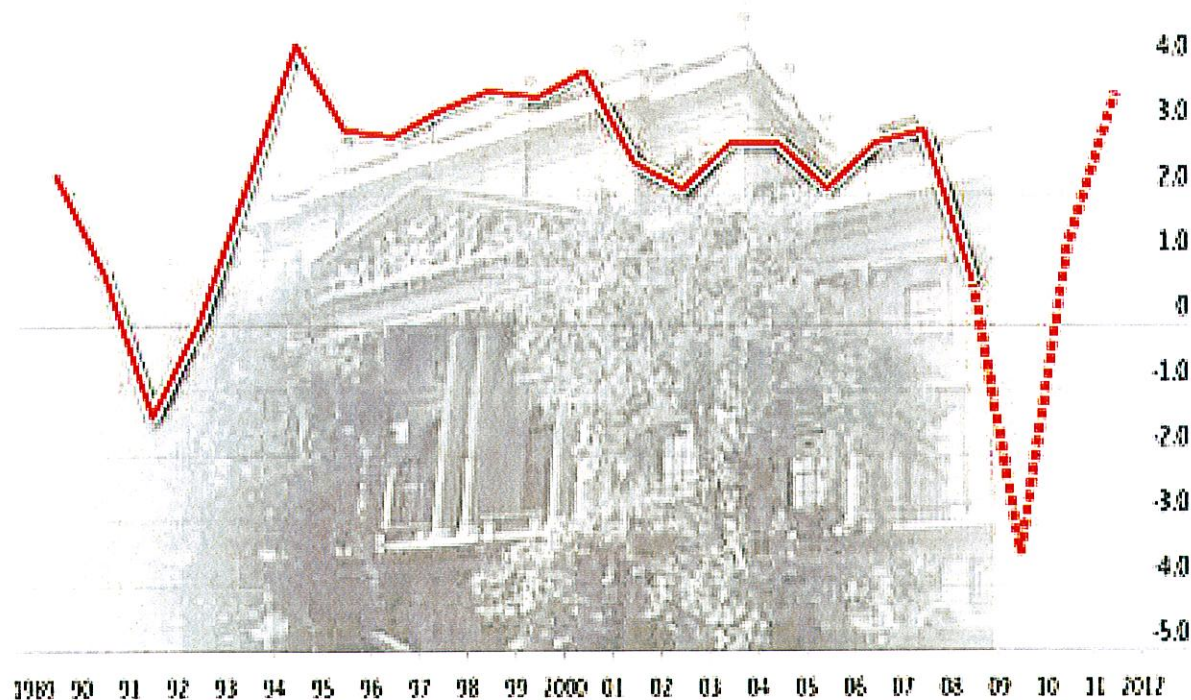
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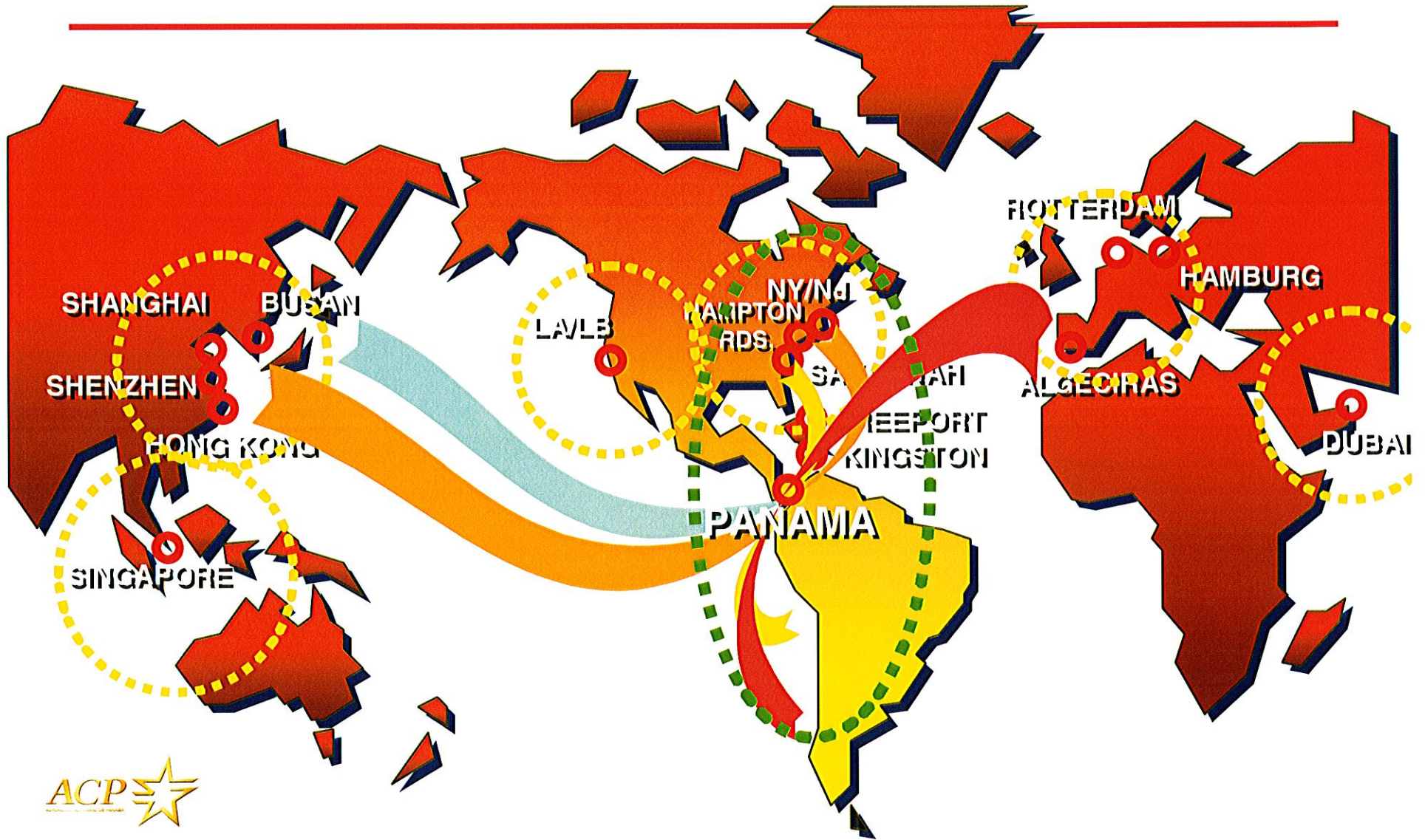
... and signs are pointing towards a V-shaped Recovery

- ▶ **Guy Verbene, Fortis Bank: “The global recovery is V-shaped and the economy is growing again”**
- ▶ **Recent aggressive restructuring has rendered hard-hit companies "lean and mean"**



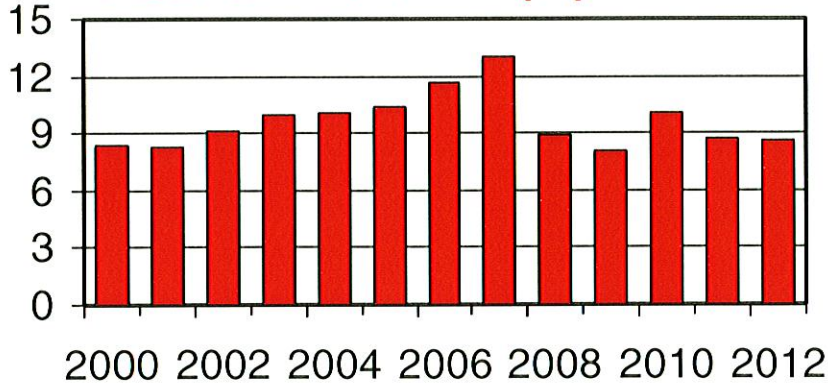
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Main Container Logistics Hubs

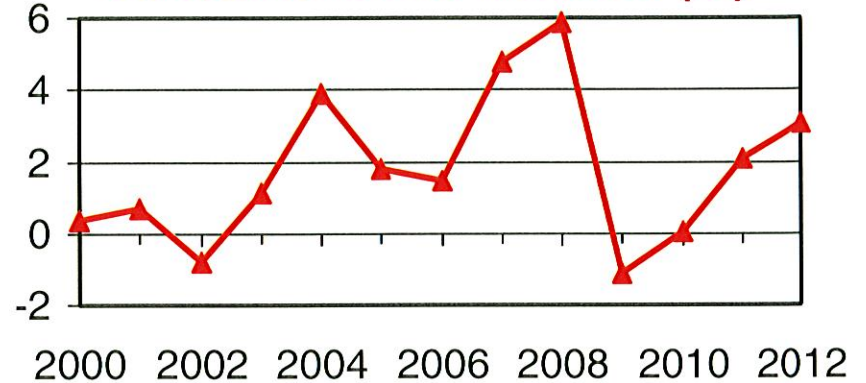


China is still a net exporter, but its booming middle class will fuel imports and sustain high growth levels.

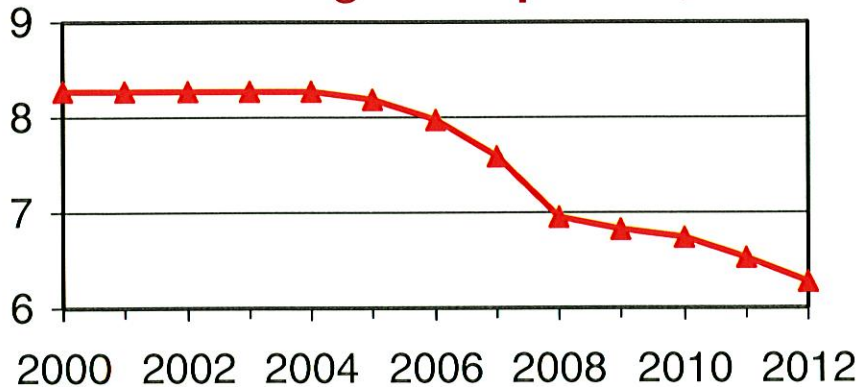
Real GDP Growth (%)



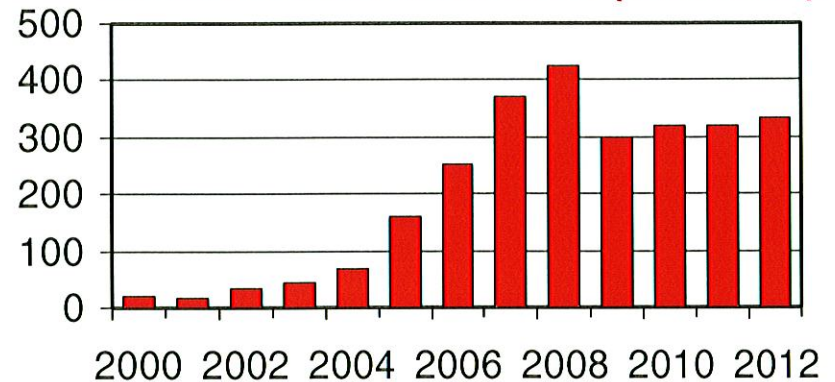
Consumer Price Inflation (%)



Exchange Rate per US\$



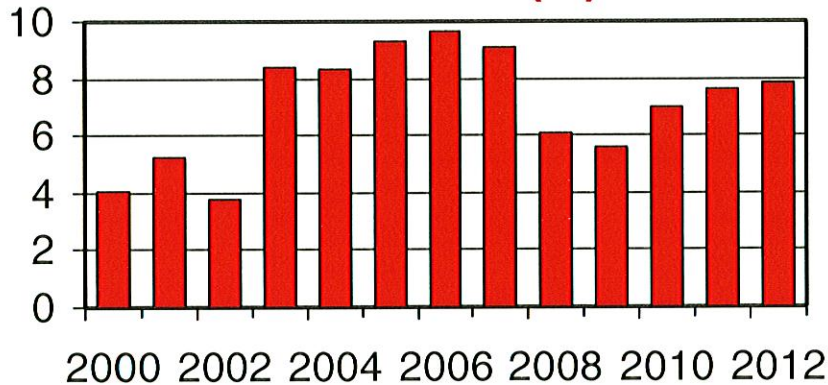
Current Account Balance (\$ billions)



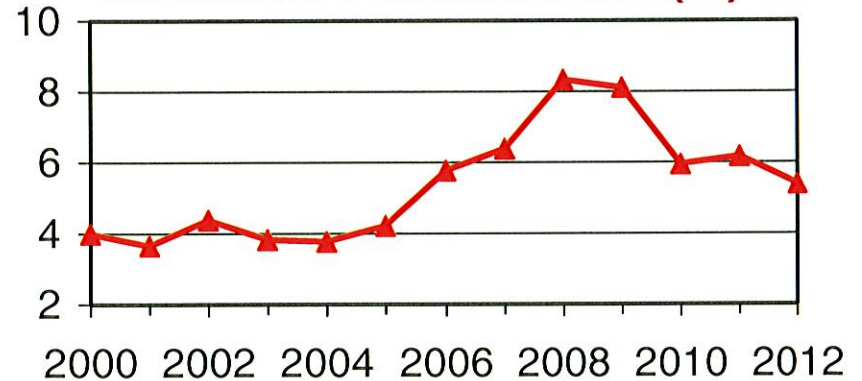
Source: Data and tables from IHS Global Insight

India's position is very similar to China's, with more reliance upon imports.

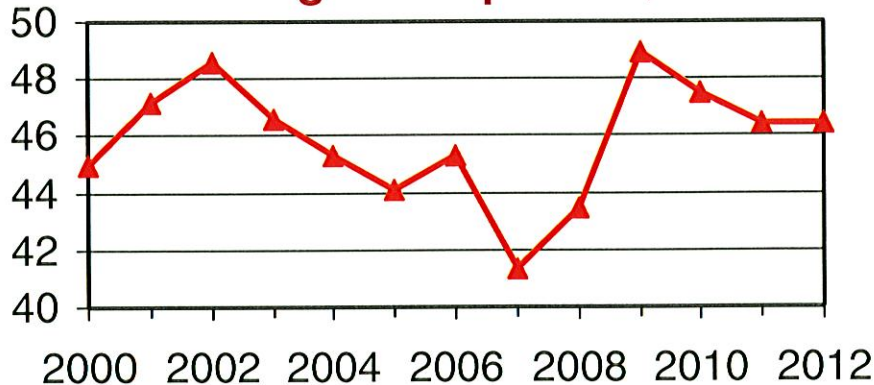
Real GDP Growth (%)



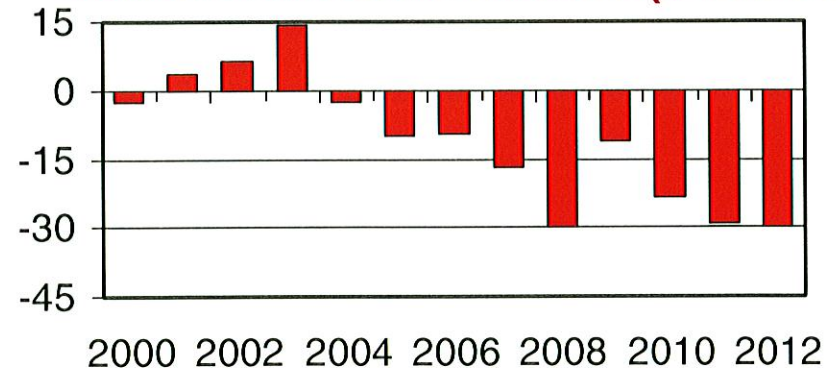
Consumer Price Inflation (%)



Exchange Rate per US\$

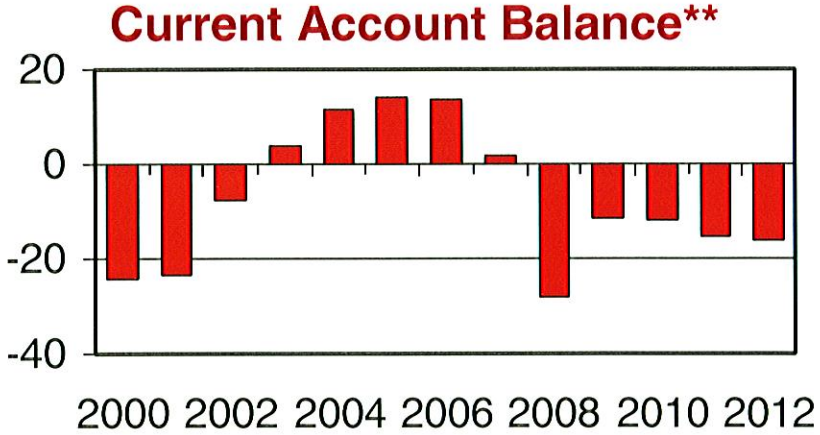
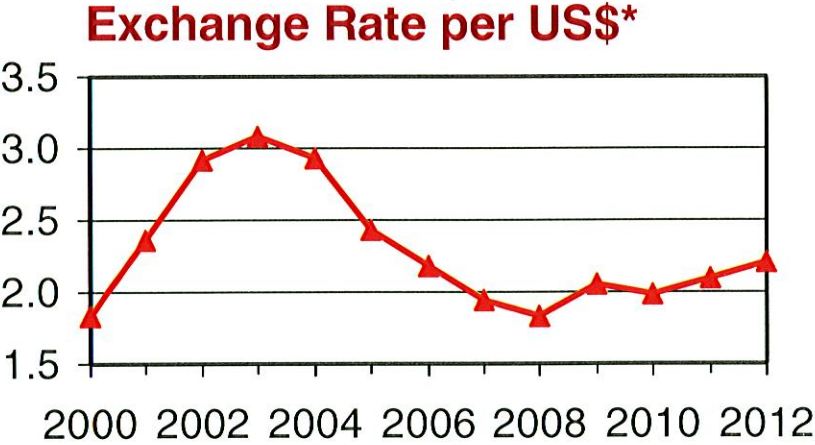
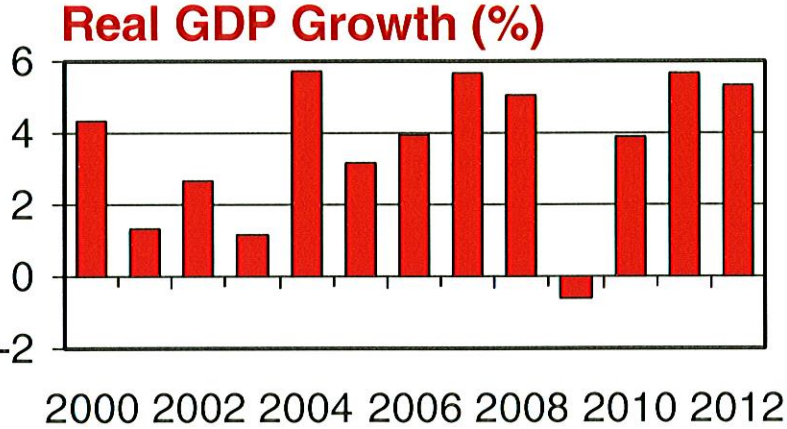


Current Account Balance (\$ billions)



Source: Data and tables from IHS Global Insight

Brazil did not escape the recession, but the short term outlook suggests it will bounce back very strongly.



Source: Data and tables from IHS Global Insight