



**Trade Trends in the
Western Hemisphere**
**Impact of the Panama
Canal Expansion and
prospect of opening Cuba
to U.S. Trade**



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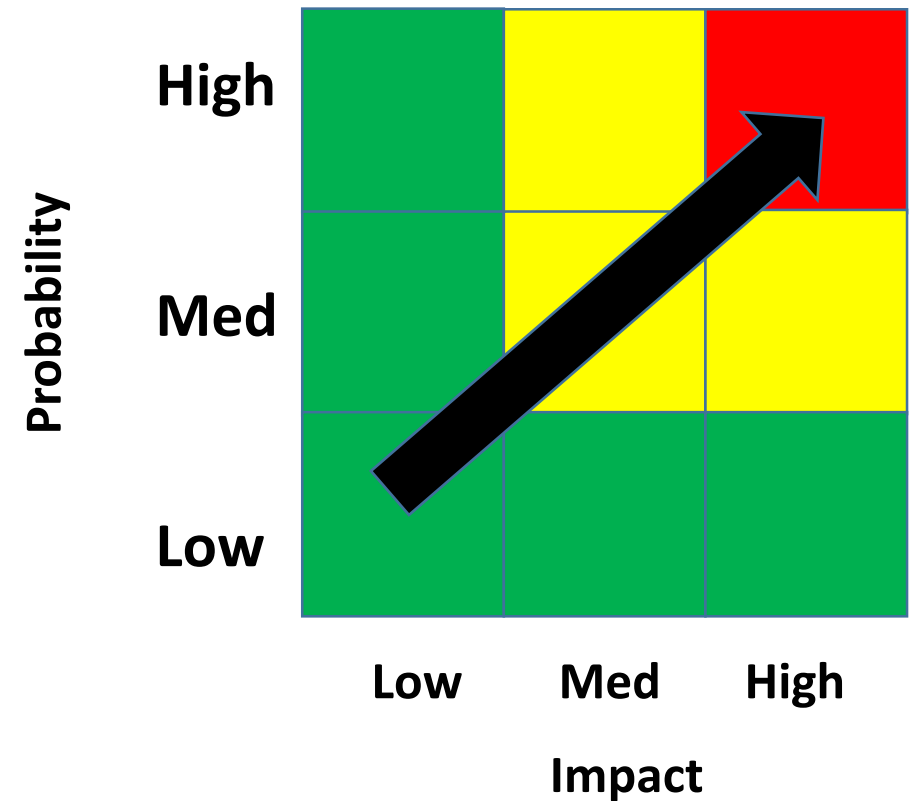
THE BLACK SWAN



The Impact of the
HIGHLY IMPROBABLE

Nassim Nicholas Taleb

Black Swans



Typically, planners predict behavior focusing on predictable scenarios

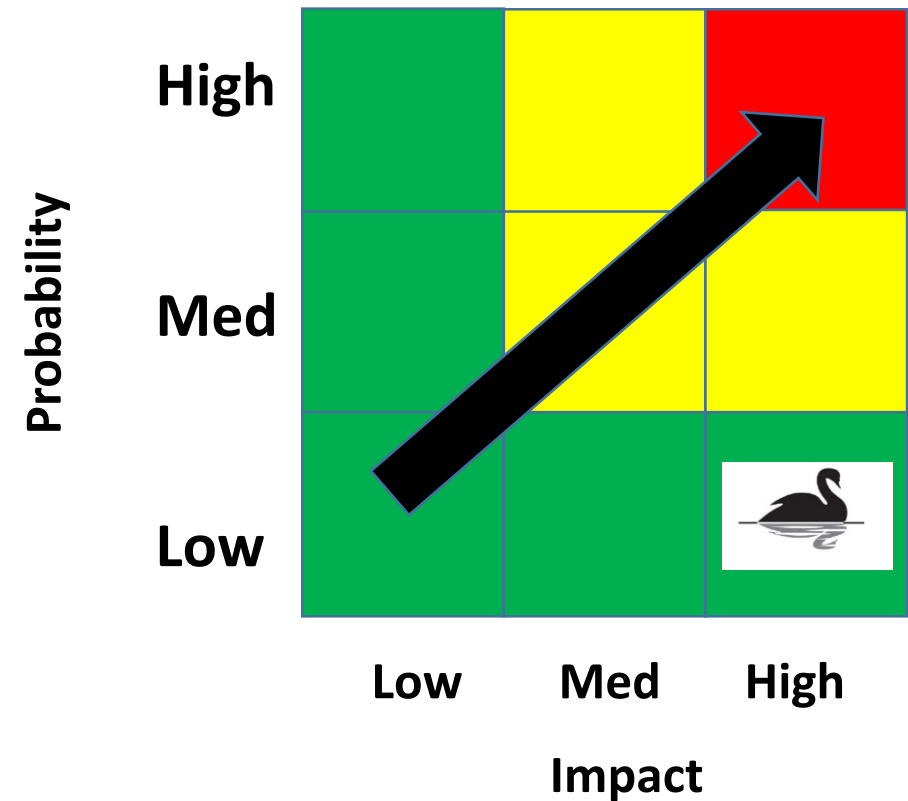
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Problem is that Black Swans are usually outside of the planner's radar screen

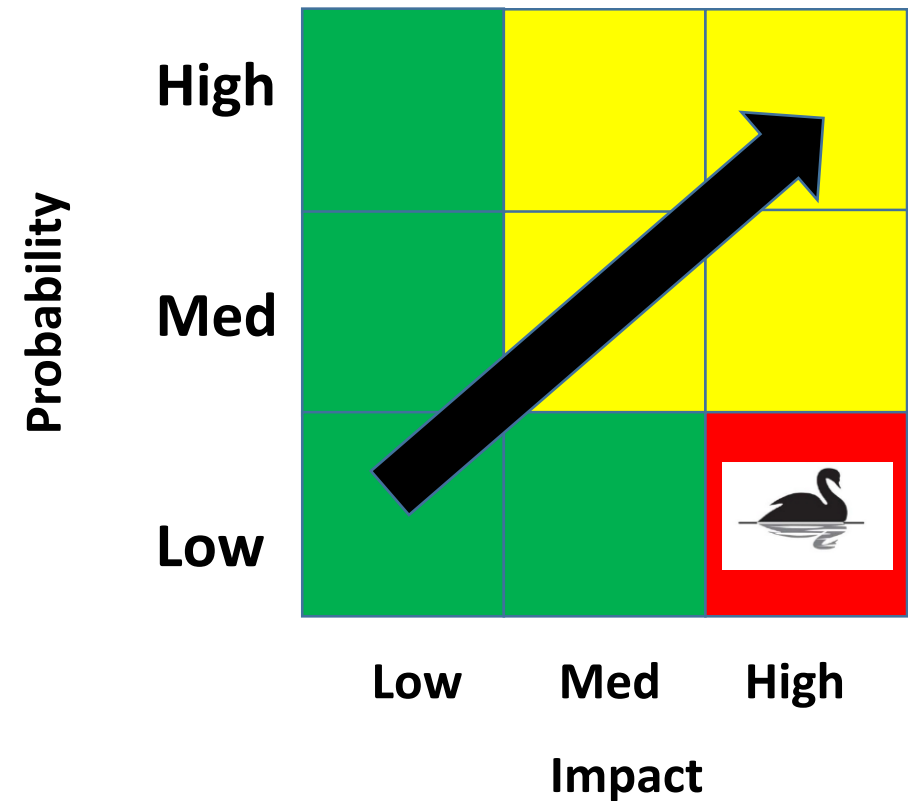
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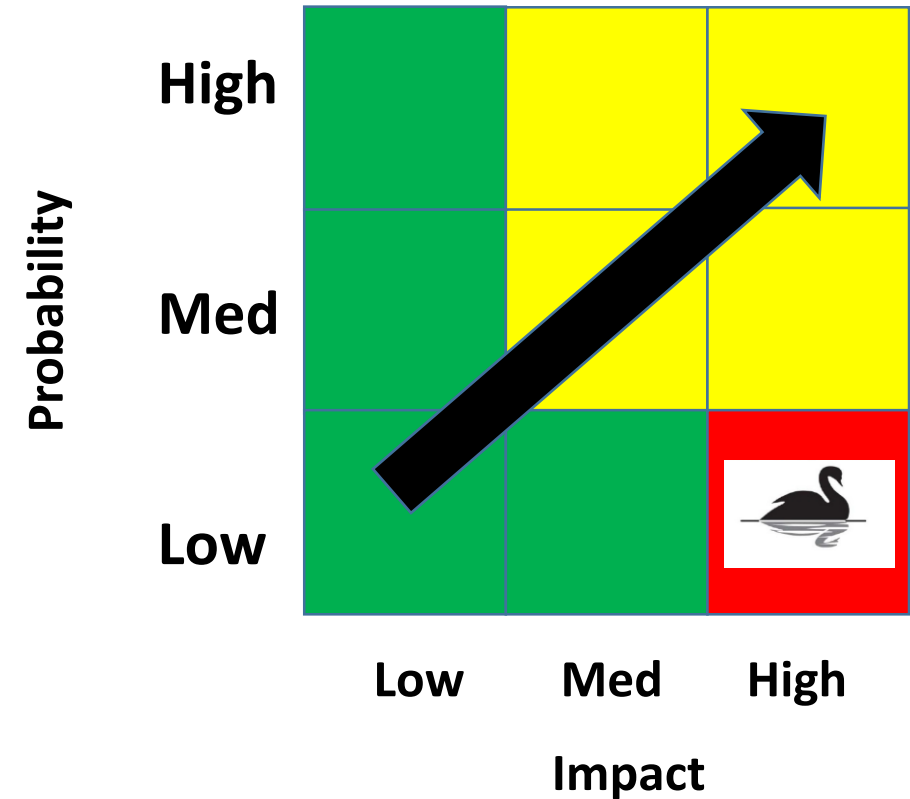
THE BLACK SWAN



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Black Swans



However, Black Swans can dramatically change the future, and make previous strategies fail

- The Expansion of the Suez Canal
- The Construction of a Nicaragua Canal
- Lifting of the Cuba Embargo
- The Expansion of the Panama Canal

**Are not Black Swans,
Their impact is predictable**

- The Expansion of the Suez Canal
- The Construction of a Nicaragua Canal
- Lifting of the Cuba Embargo
- The Expansion of the Panama Canal

**Their impact can be assessed with
prospective planning, and a flexible
outlook**

PREDICTABLE SCENARIOS BASED ON CURRENT TRENDS

- Slower economic growth (Recession in Brazil)
- Growing Population
- Aging Population in Industrialized Countries
- Migratory Revolution
- Share Economy
- Globalization fundamentals still valid
- New and wider scope Trade Agreements (Pacific Alliance - Mexico, Colombia, Peru and Chile)
- Increasing risks due to terrorism / Security concerns
- Increasing social tensión
- Religion diversity tolerance
- Lower demand from China
- Near sourcing/shoring
- Currency and commodity price declining
- Low Price of Oil
- Global Warming – Environmental concerns
- Fresh Water – a scarce resource
- More freight in fewer gateways / transshipment hubs
- Congestion
- New TICs / some disruptive (potential Black Swans) E-COMMERCE
- **Ocean carriers continue to invest in larger vessels**

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The Current State of the Industry: An Unhealthy Standoff



The Current State of the Industry: An Unhealthy Standoff



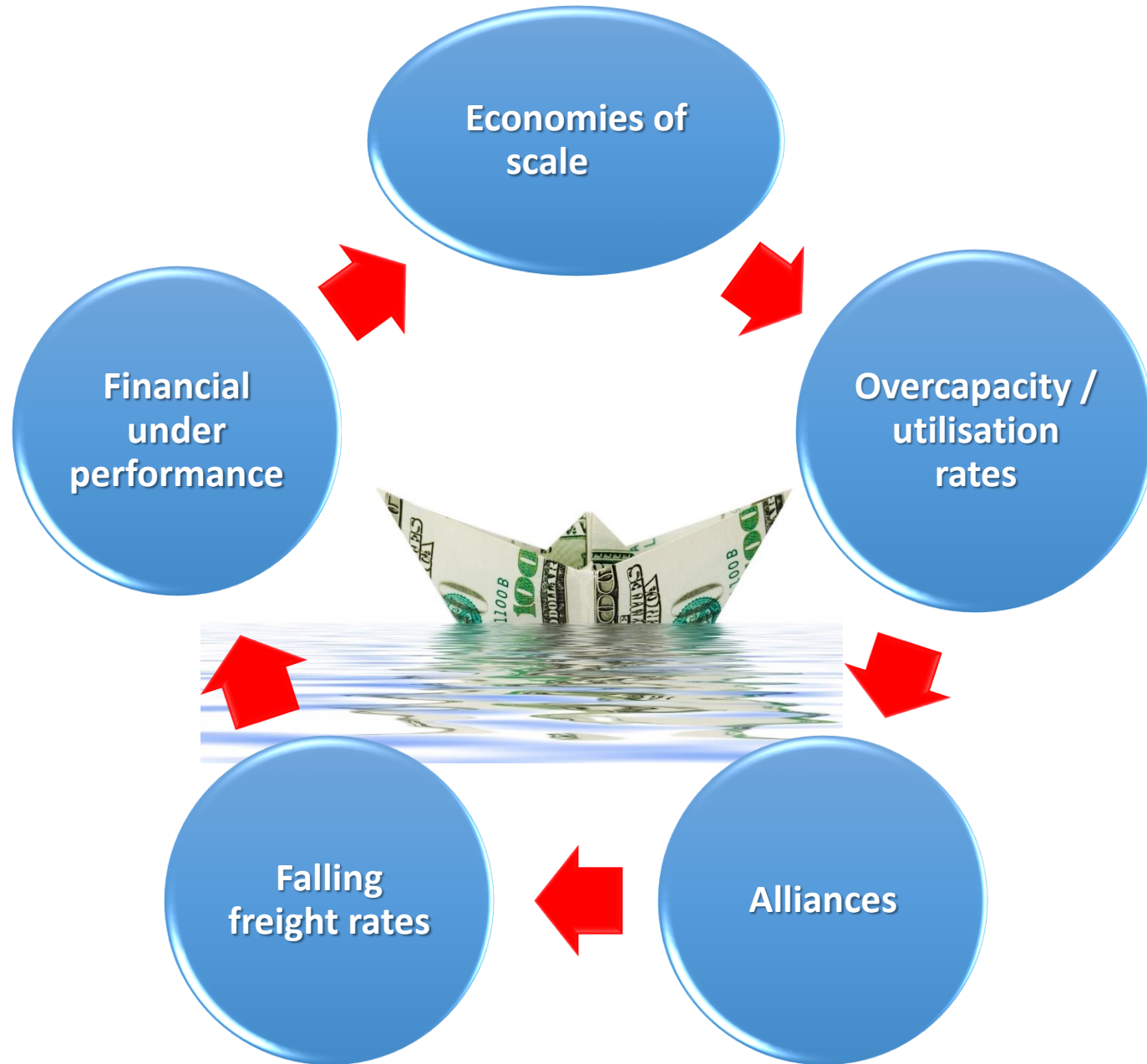
PORT
TECHNOLOGY

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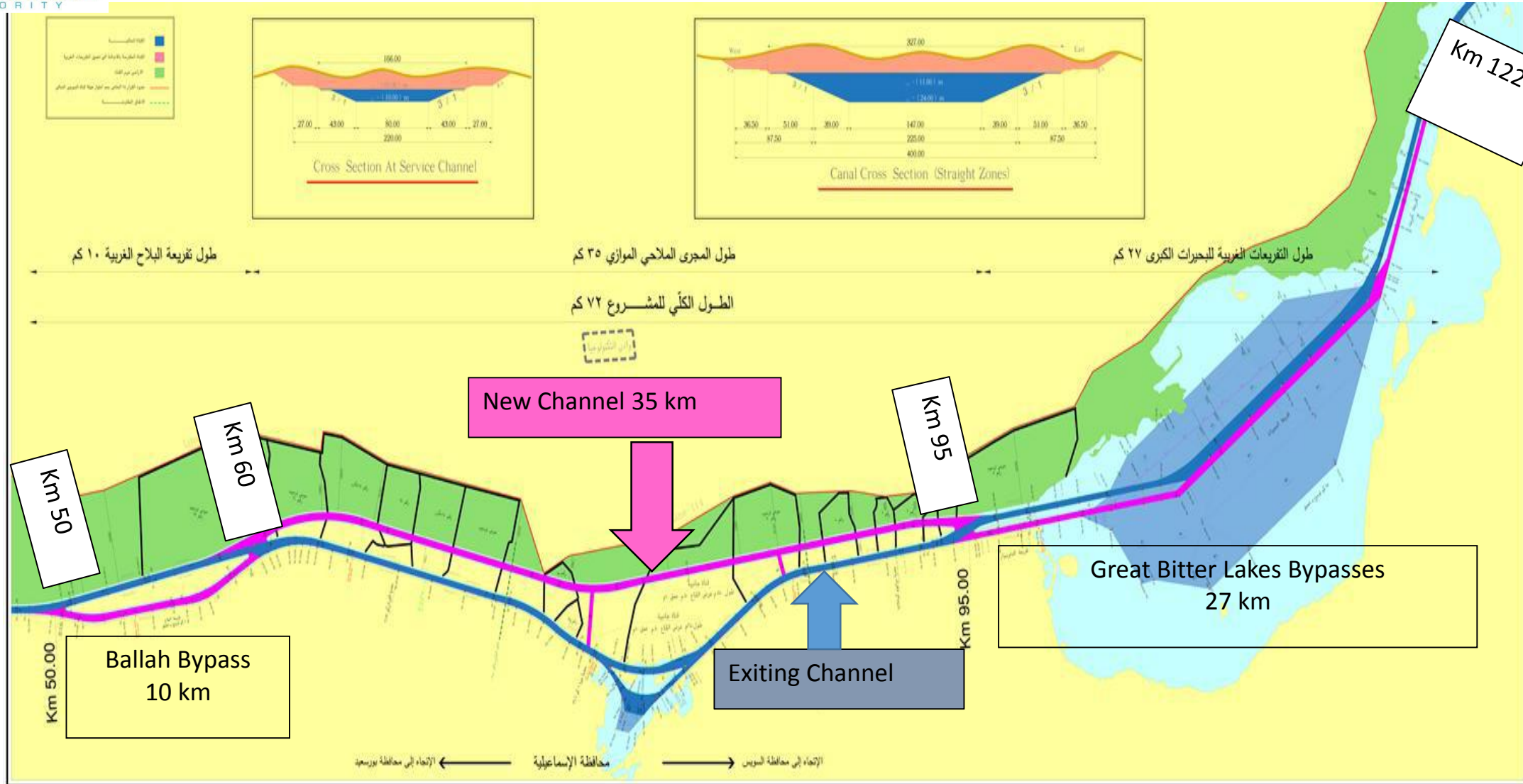




Source: Drewry Maritime Research

- The Expansion of the Suez Canal

Their impact can be assessed with prospective planning, and a flexible outlook



**Deepening Bypasses (37 km) to accommodate ships with draft 66 Ft
Dredging new channel (35 Km) From km 60 to km 95**

SUEZ CANAL EXPANSION



Analysis of the distance and time of navigation of some routes between Asia Europe and the East coast of the USA

The Shanghai-Rotterdam case

Route	Distance (in nautical miles)	Hypothetical days of navigation (15 knots)
Arctic Sea	8,031	22
Suez	10,525	29
Panama	13,411	37
Cape of Good Hope	13,843	38
Strait of Magellan	17,184	47

The Yokohama-Rotterdam case

Route	Distance (in nautical miles)	Hypothetical days of navigation (15 knots)
Arctic Sea	7010	19
Suez	11,133	31
Cape of Good Hope	14,448	40

The Hong Kong-New York case

Route	Distance (in nautical miles)	Hypothetical days of navigation (15 knots)
Panama	11,207	31
Suez	11,593	32
Cape of Good Hope	13,686	38





The Shanghai-New York case

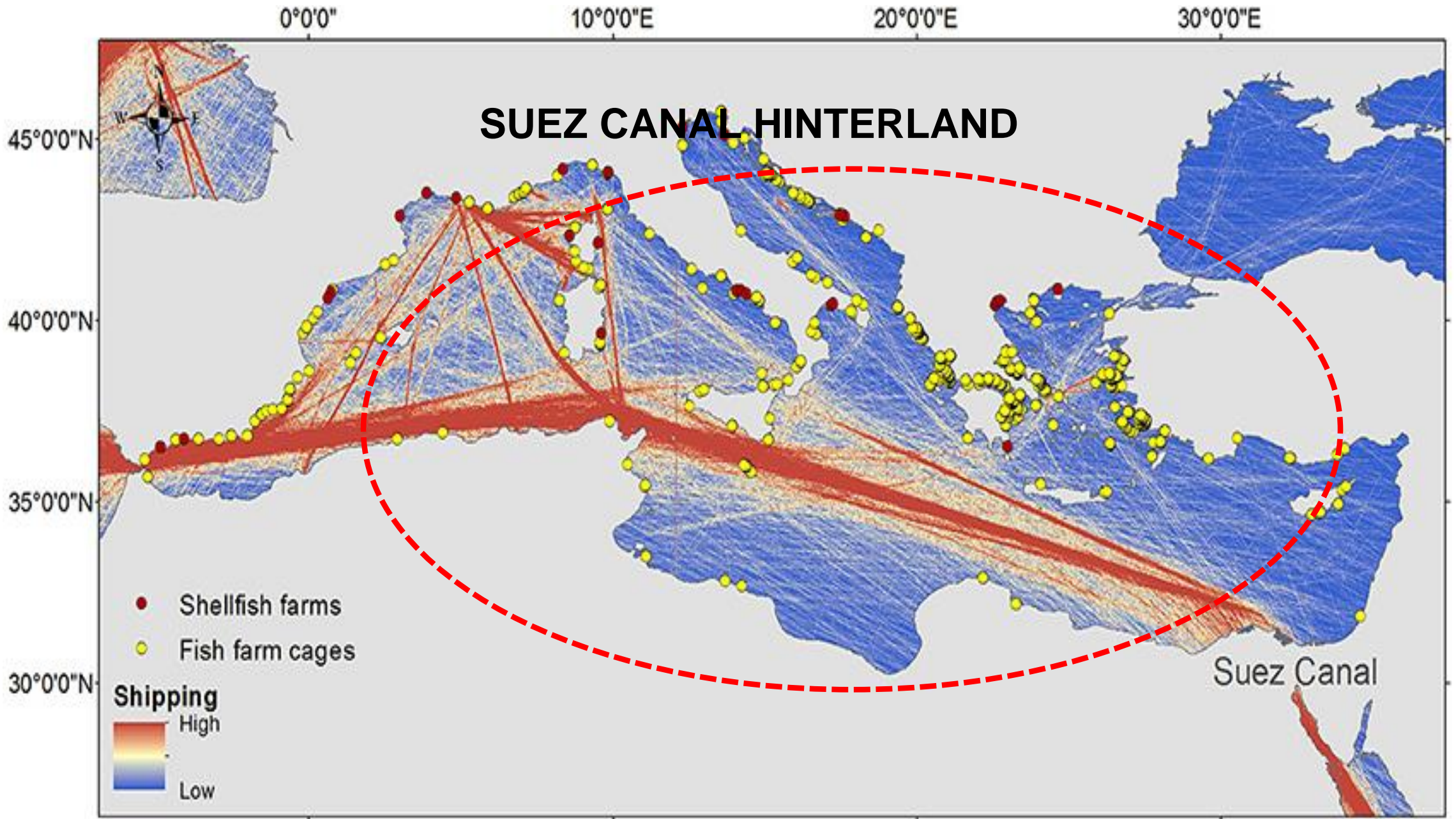
Route	Distance (in nautical miles)	Hypothetical days of navigation (15 knots)
Panama	10,852	30
Suez	12,370	34
Cape of Good Hope	14,468	40

The Shanghai-Houston case

Route	Distance (in nautical miles)	Hypothetical days of navigation (15 knots)
Panama	10,138	28
Suez	13,932	39
Cape of Good Hope	15,176	42

The impact of the Suez Canal's expansion

-  Route where Suez is already more competitive
-  Route where the potential competitiveness of Suez against Panama is considerable
-  Route where the potential competitiveness of Suez against Panama is evident
-  Route where there are no significant effects



Opportunities To Triple-Dip via Transshipment.



Regional Development Strategy



Areas of Opportunity

Project Sites

» Activities

Project Profiles

Ports, Logistics, and Maritime-related Activities

Industrial Development

Infrastructure Opportunities

ICT and Business Parks

🕒 Start Your Investment

📊 Investment Opportunities

⚙️ Our Services

Residential Areas

- **Ports & Logistics**
- **Maritime Services**
- **Industry**
- **ICT**
- **Renewable Energy**
- **Urban, Residential and Commercial**

Ports & Logistics

Investment opportunities in the development of Ain Sokhna Port and East Port Said Port and the associated terminals and facilities: container terminals, bulk and general cargo terminals, logistics, warehousing and distribution centres as well as dry ports.

Maritime Services

With over 17,000 ships passing through the Canal every year, the SCZone is ideally located for the development of maritime related activities including ship building and ship repair services, bunkering, vessel scrapping and recycling.

Industry

The industrial areas of Ain Sokhna, East Port Said and Qantara provide vast land areas for light, medium and heavy industry. Potential opportunities are available in pharmaceuticals, food processing, automotive, consumer electronics, textile and petrochemicals.

ICT

With a rapidly-expanding and well- recognised ICT industry in Egypt, the SCZone offers investors high quality facilities to engage in research and development, software development and other activities.

Renewable Energy

The renewables sector is highly promising with strong potential for solar and wind farm development, and for the establishment of clean energy industries.

Other Areas of Opportunity

The integrated nature of the SCZone is such that there will be numerous opportunities for residential, commercial, mixed use developments, as well as key social infrastructure.

- The Expansion of the Suez Canal
- **The Construction of a Nicaragua Canal**

**Their impact can be assessed with
prospective planning, and a flexible
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According to the schedule provided by HKND, the main works, including construction of the world's largest lock and full excavation of the waterway, will start by the end of 2016. A year before that happens, they are devoted to construct infrastructure facilities, logistics system and preparatory works for the West Port.

Source: HKND web page



Pang Kwok Wai indicated that the approval of the ESIA is a critical breakthrough and the Project is now moving forward as scheduled. In the next stage, the resettlement of 27,000 residents (6,800 households) is even more important and challenging than any other technical problems that might arise during the construction phase, he added.

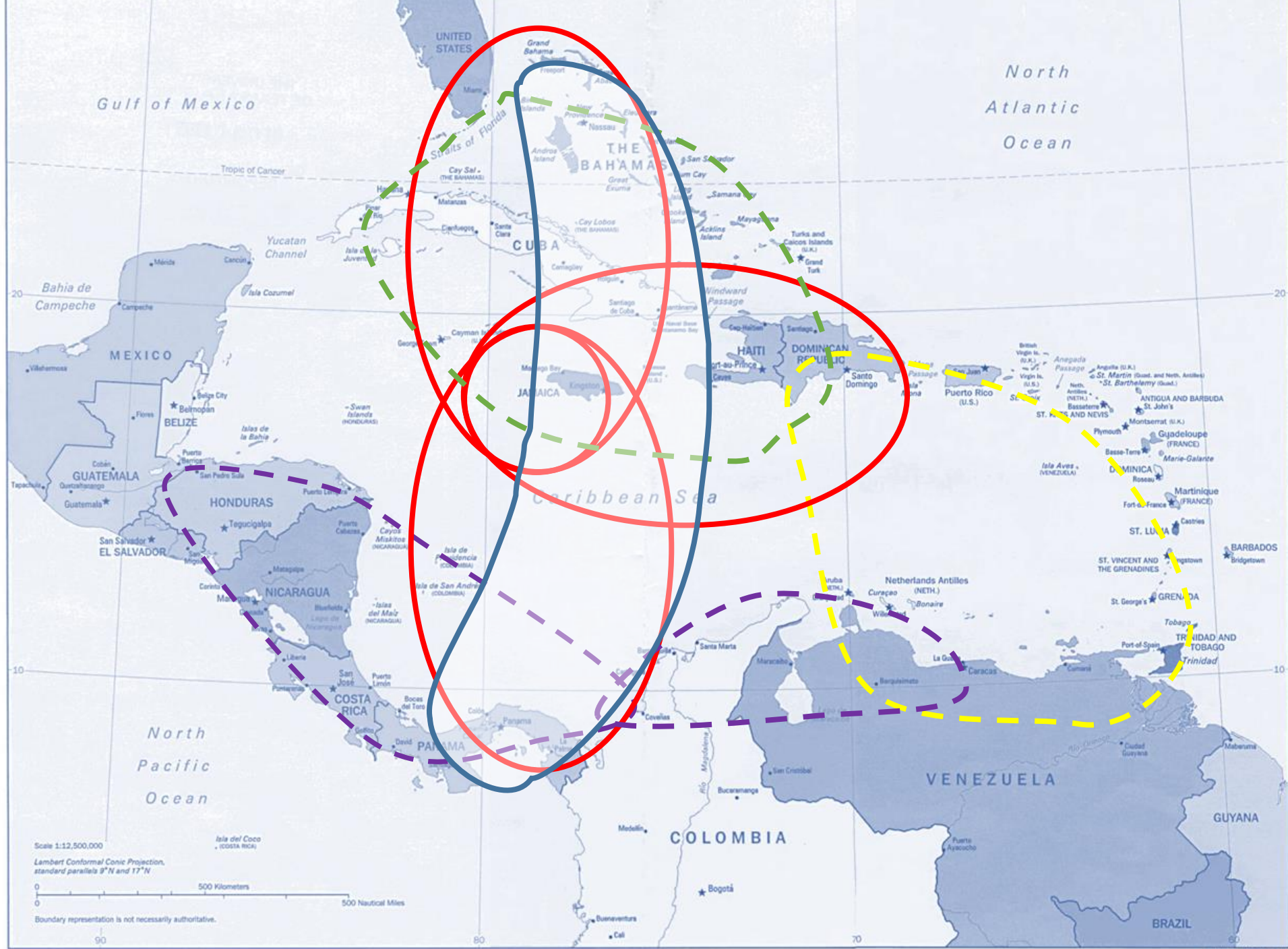
Source: HKND web page

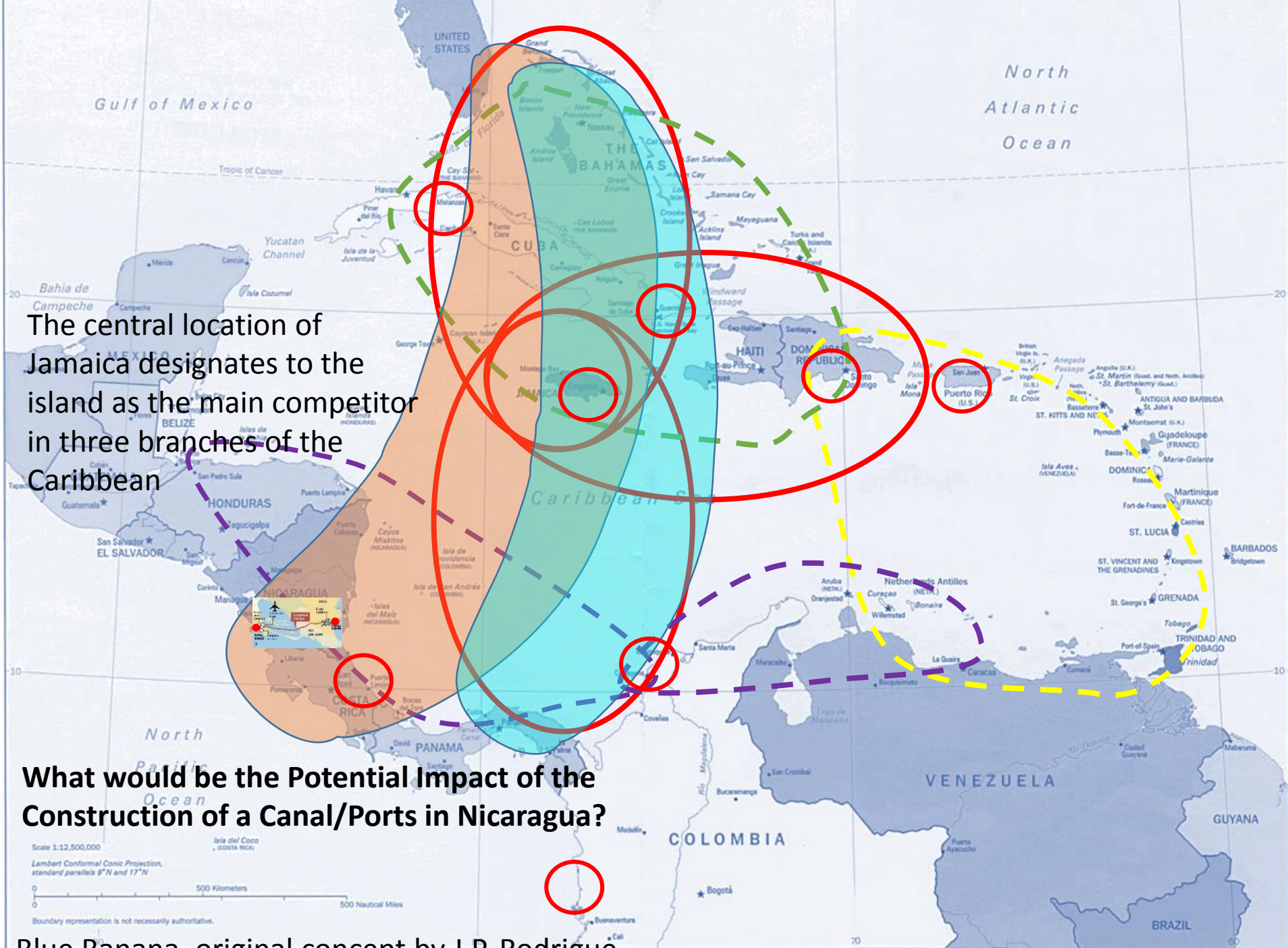


Doubts towards the Project involve financing and economic operating issues, for example, according to one calculation method, the annual return is expected to be US\$1 billion; then under the half split scheme with Nicaraguan government, how to reach the breakeven point and make it profitable. How would you respond to these doubts?

Pang Kwok Wai: The calculation method of many who doubt has serious defects. **The Project is not only relying on the transportation, but also on the Free Trade Zone, Ports, tourism and etc.** The economic feasibility study was carried out and completed by McKinsey & Company and now we are also doing further financial return projections.

Source: HKND web page





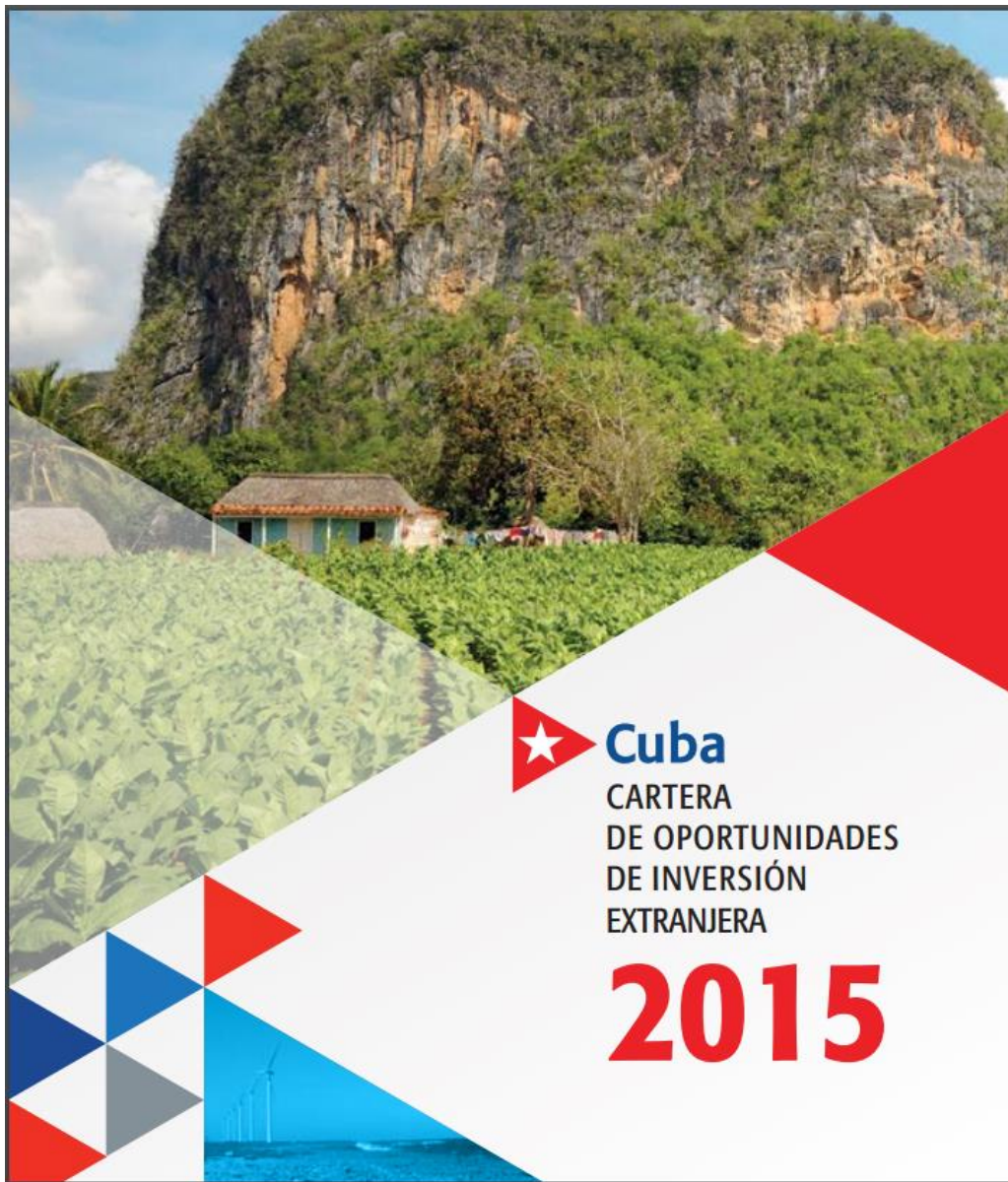
The central location of Jamaica designates to the island as the main competitor in three branches of the Caribbean

What would be the Potential Impact of the Construction of a Canal/Ports in Nicaragua?

Blue Banana, original concept by J.P. Rodrigue

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- The Construction of a Nicaragua Canal
- **Lifting of the Cuba Embargo**

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http://www.granma.cu/file/sp/cartera-de-inversion-14/datos/documentos/Cuba_cartera-de-oportunidades_2014_ESP.pdf

►9	CUBA COMO PLAZA DE INVERSIÓN
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12	Inversión Extranjera en Cuba
12	Inversión Extranjera en cifras
13	Principios generales de política para la Inversión Extranjera
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157	Sector Transporte
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201	Sector Comercio
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►215 CONTACTOS DE INTERÉS

December 17, 2014
January, 2015
May, 2015
July, 2015
August, 2015
October, 2015
November, 2015
December, 2015
2016...

Resumen ejecutivo

Actualización sobre eventos en Cuba
Estado Actual
<ul style="list-style-type: none">• Se restablece de dialogo entre Cuba y Estados Unidos – 17 de diciembre 2014• Se amplía las oportunidades de viajes y de remesas – enero 2015• EE.UU. la saca a Cuba de la lista de Estados patrocinadores de terrorismo – mayo 2015• Se reestablecen embajadas diplomáticas en ambos países – julio 2015• Secretario de Estado John Kerry visita Cuba – agosto 2015• Secretario de Comercio, Penny Pritzker visita Cuba – octubre 2015• Secretario de Agricultura, Tom Vilsak visita Cuba – noviembre 2015• Se abre el Puerto de Mariel<ul style="list-style-type: none">○ Primera etapa del proyecto (28 hectáreas de parque logístico)○ Más de 100 empresas invierten en el puerto del Mariel• Se establece acuerdo migratorio entre Panamá y Cuba en contribución a la seguridad migratoria – septiembre 2015• Se reabren los vuelos programados de Estados Unidos a Cuba• Se dialoga sobre acuerdos comerciales con Estados Unidos en inversiones en el puerto del Mariel• Cuba logra el segundo lugar en destinos de cruceros por detrás de República Dominicana• Se inicia la construcción del ferrocarril de la Habana al Puerto de Mariel ya que era el único puerto importante que no estaba conectado a las vías ferroviarias.• Santiago de Cuba abre nuevas potencialidades a turismo• El Presidente Obama apoya el fin del embargo de Cuba en la ONU• El Presidente Obama ha indicado su interés en visitar a Cuba – diciembre 2015

WORK IN PROGRESS

En Desarrollo

- Puerto de Mariel
 - Cuba autoriza a empresas de Estados Unidos para instalarse en Zona de Mariel
 - Puerto de Mariel recibirá buques Postpanamax
 - En busca de inversionistas para el centro logístico de Mariel
- Puerto de Santiago de Cuba: en construcción
- Desbloqueo Económico de Estados Unidos
- La cadena hotelera Meliá concentrara en Cuba su expansión
- Legislación sobre comercio:
 - Agricultura
 - Productos farmacéuticos
 - Energía

Cuba could be “game changer” for the region

- Cuba’s geographical position could make it the main logistics and manufacturing center for the U.S.;
- ## Want nearer sourcing?
- The impact on tourism alone, could be dramatic.
 - CHEC already began the development of a multipurpose terminal near Santiago, Cuba.



THE FINANCIAL TIMES, JUNE 16, 15****

Opinion: Could Cuba be Vietnam in the Caribbean?

Richard E Feinberg-Hanoi may have lessons for Havana

WANT MORE IMPACT OF NEAR SOURCING?

CORREDORES ECONÓMICOS INTEROCÉANICOS MULTIMODALES



VEHICLE EXPORTS FROM MEXICO, 2014



INTERMODAL INTEGRATION - NORTHAMERICA



- The Expansion of the Suez Canal
- The Construction of a Nicaragua Canal
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- **The Expansion of the Panama Canal**

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Photo: Maersk Line



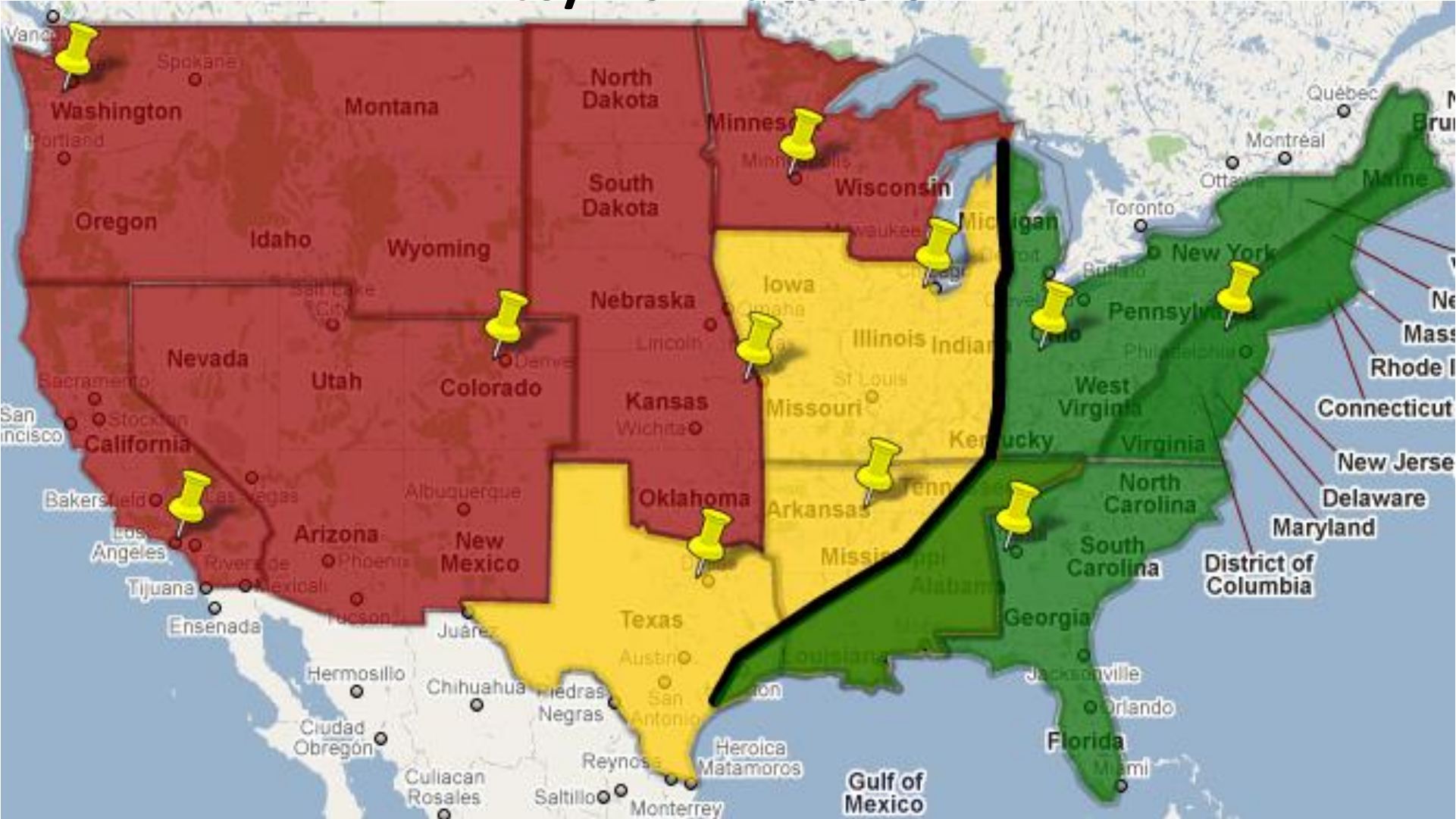
New Panama Canal makes thousands of ships redundant

BULK: The expansion of the Panama Canal will make thousand of ships in the Panamax fleet redundant, projects Drewry in comments to ShippingWatch. This puts shipowners in a dilemma that could ultimately impact the whole industry.

New Panama Canal could mean comeback for Capesize

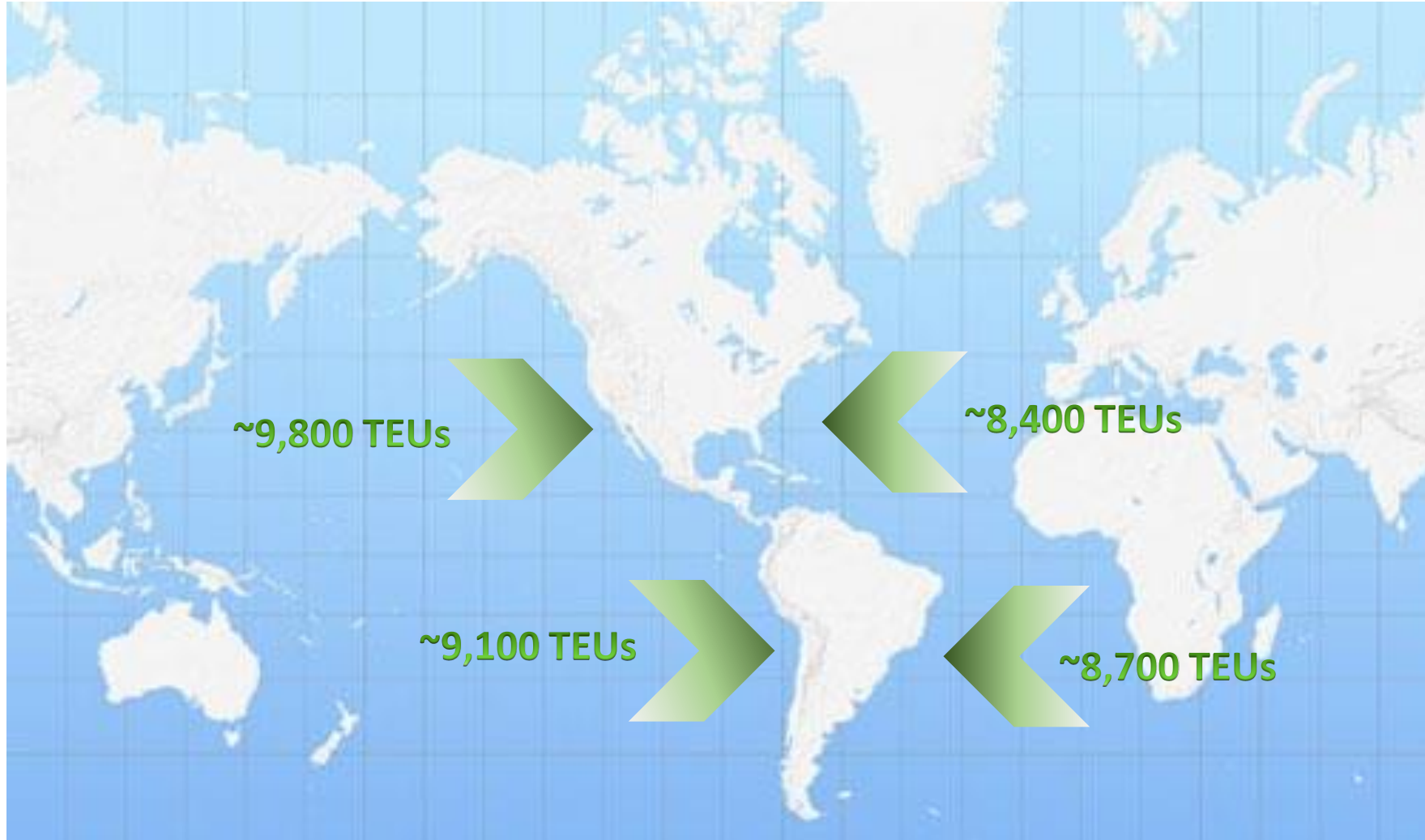
BULK: When the Panama Canal opens the new and expanded locks, new opportunities will arise for the many Capesize vessels, which make up one of the most troubled segments in the whole maritime sector.

Potential Impact of the Panama Canal in Trade Patterns to/from the U.S.



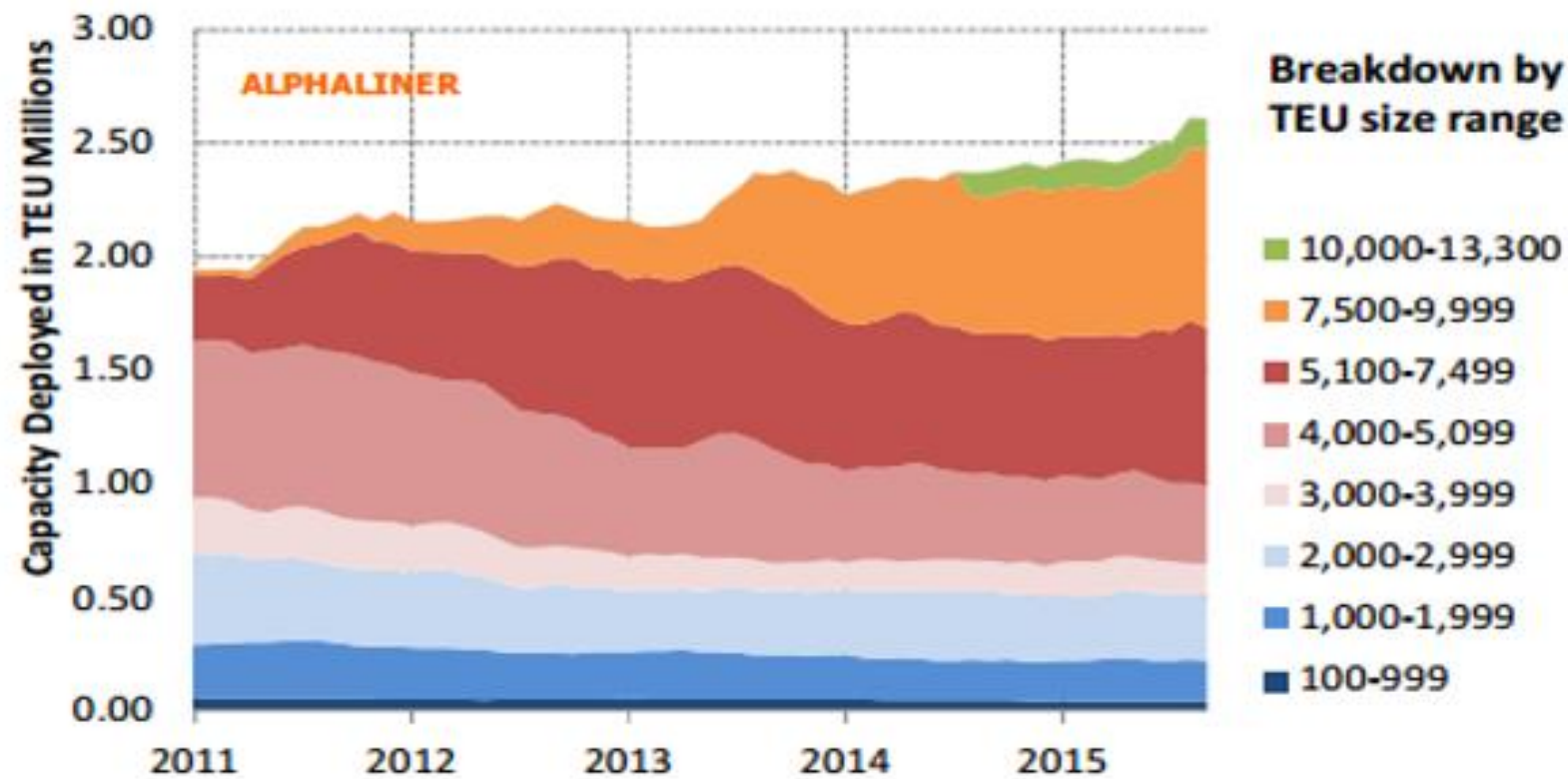
Source: ACP

POST-PANAMAX SHIPS ALREADY OPARTING IN LATAM



Excess capacity on South America routes leading to a negative circle

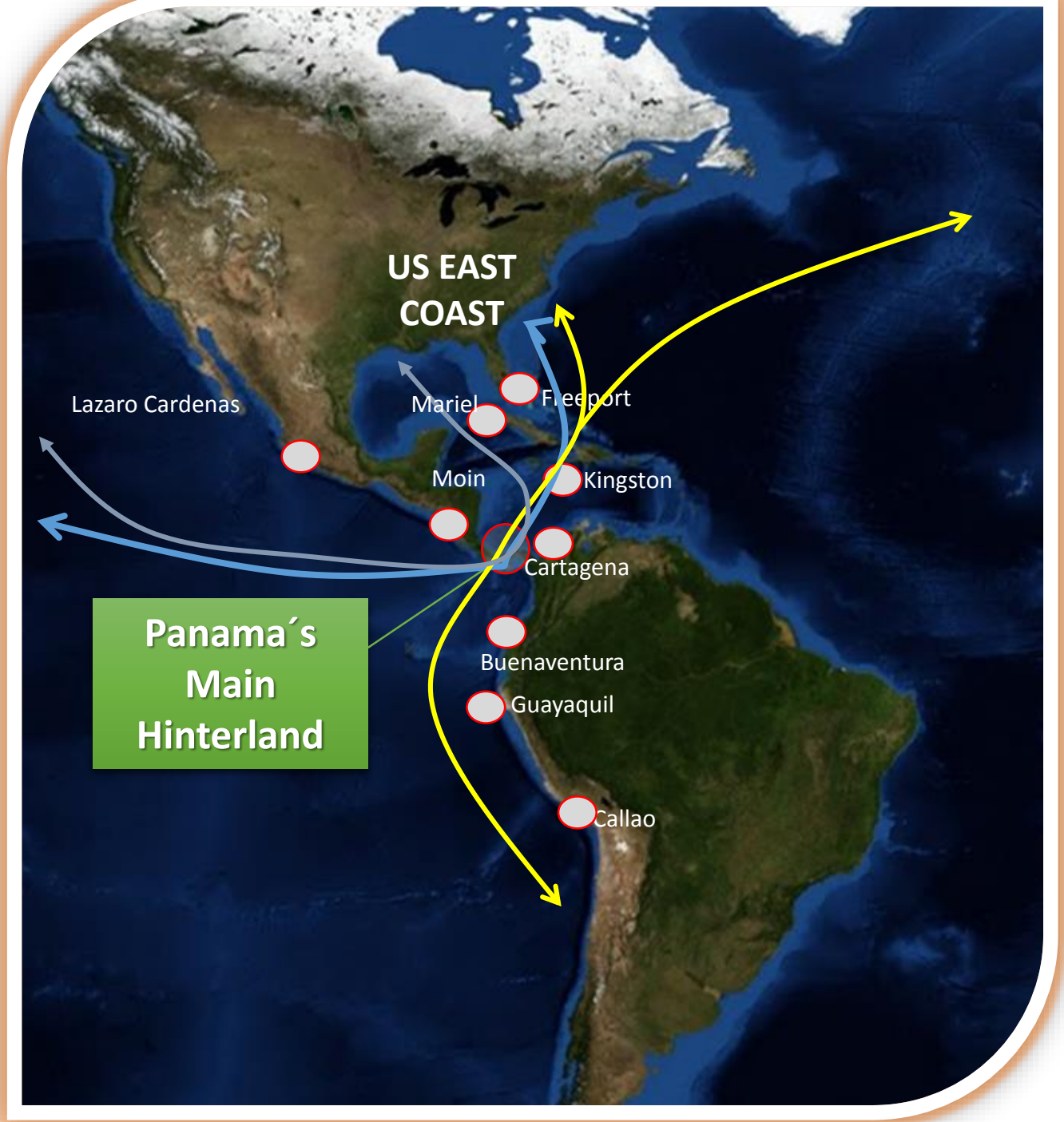
Total capacity deployed on Latin America related trades by vessel size (2011-2015)



What will happen to shipping after the Panama Canal Expansion?



- Larger ships are only sustainable if there is demand
- Potential shift In trade patterns with change in entry ports for cargo to the US



Networks after Panama Canal expansion

**Example carrier today:
9 services**



**Large Alliance network after
Panama Canal expansion**



Panama vs other hubs



TS growth by 2020

WCSA x2

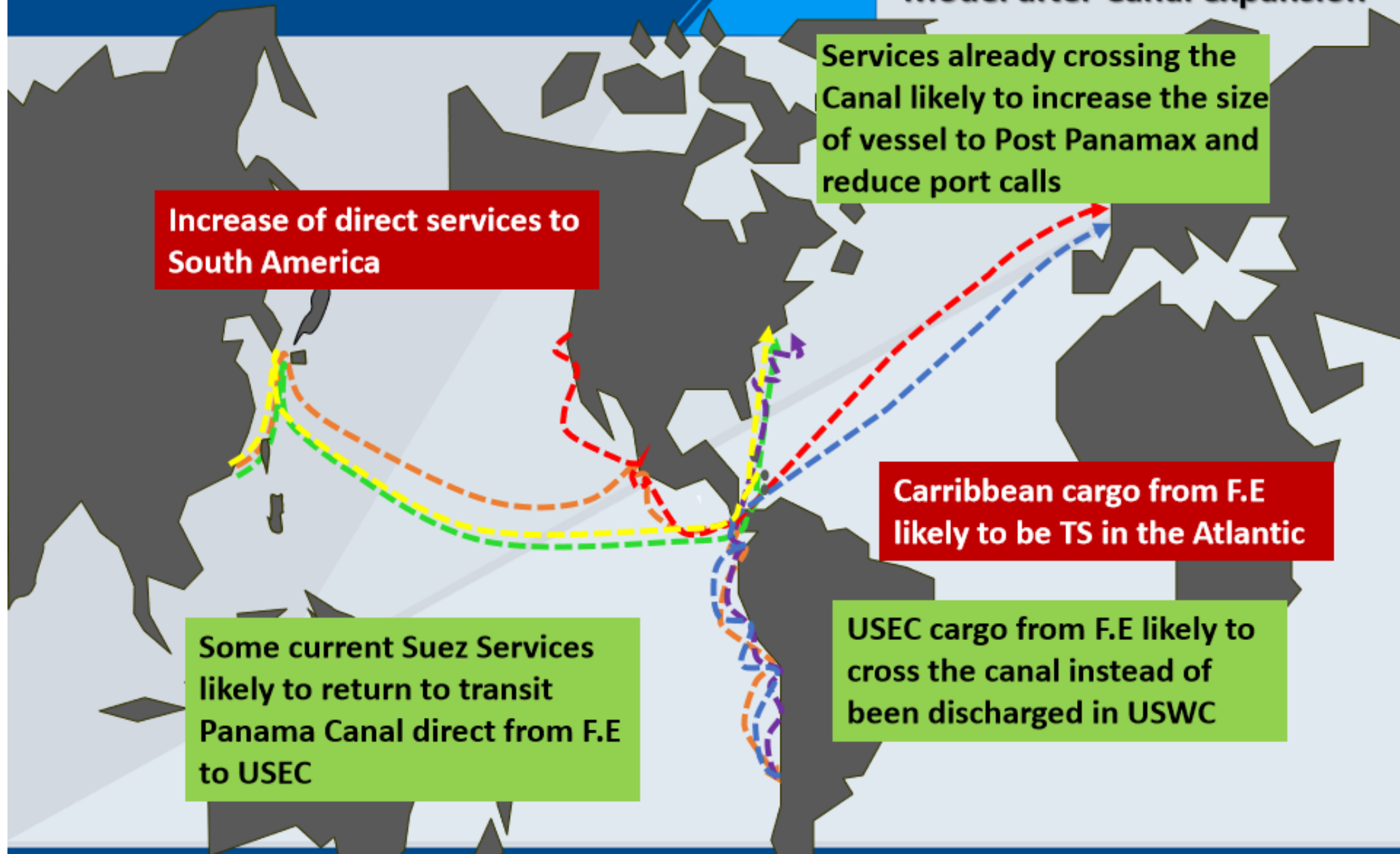
Central America x3

Cross trades x4

	TS market volume Index	Conne- tivity index	Facilities/ Capacity by 2018	TS rate index	Nautial miles to Shanghai
Panama	416	45.6	8.2	85	8500
Manz/LC	283	38.9	9.1	90	6800
Buenaventura	406	33.6	6.2	60	8700
Callao	380	30.9	6.0	105	9300



Panama Market Briefing Model after Canal expansion





Innovating to remain competitive = Generating “Cargo Stickiness”



Parts Distribution and Repair Centre

Air Freight Distribution Centre

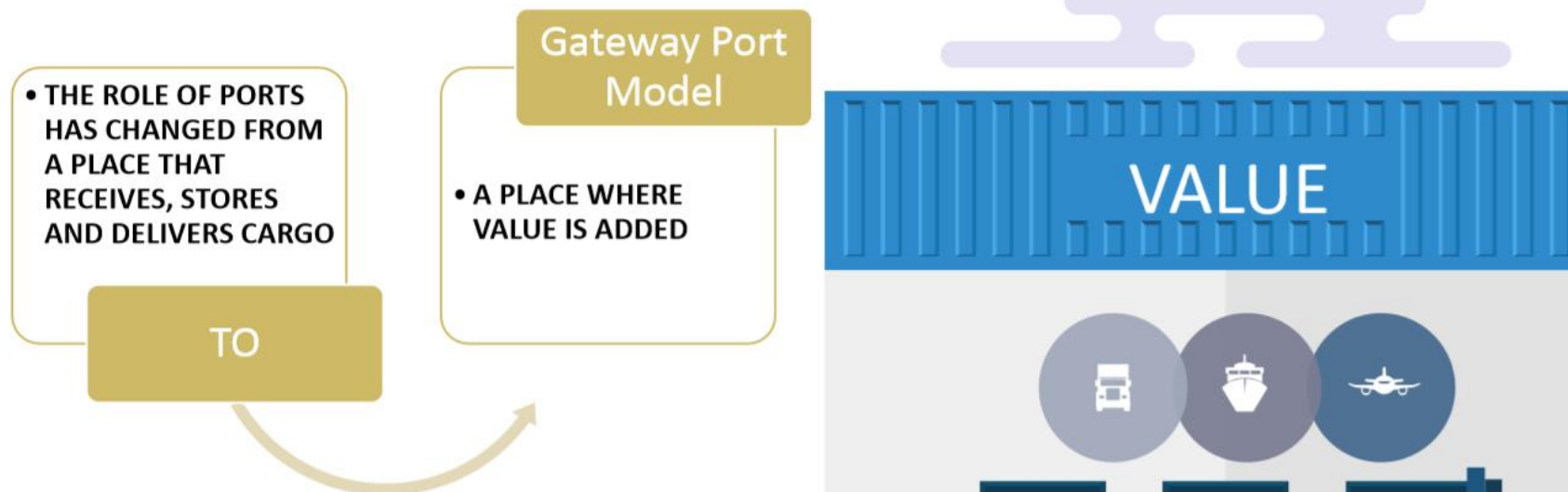
Land Transport to/from Central America

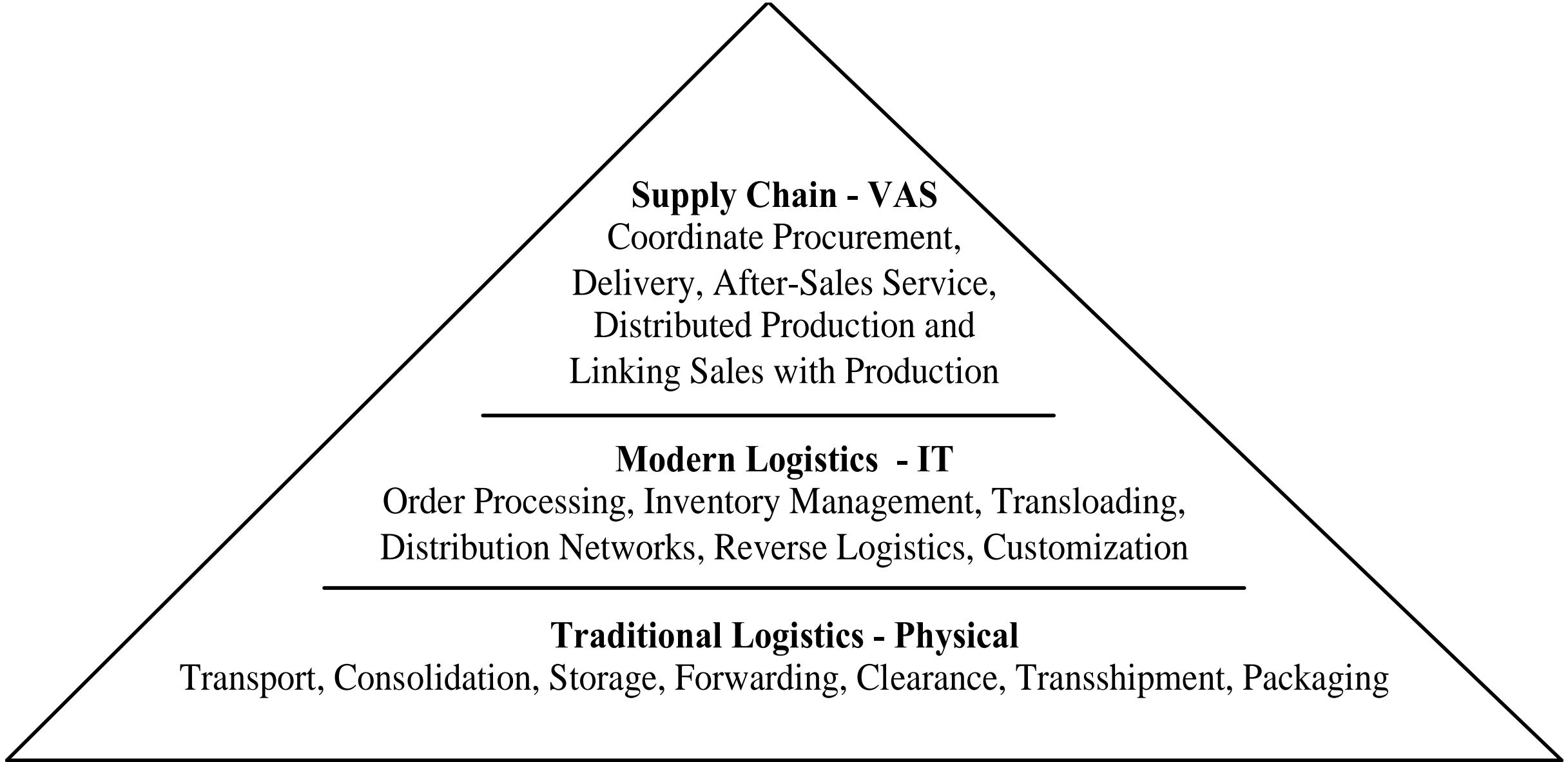
On dock Crossdocking Operator for Regional Products

TRANSSHIPMENT

SOURCES OF COMPETITION CAN RATHER EASILY BE IMITATED BY COMPETITORS THUS MAKING IT HARD TO CREATE A SUSTAINABLE COMPETITIVE ADVANTAGE

PARADIGM SHIFT IN THE ROLE OF PORTS





Supply Chain - VAS

Coordinate Procurement,
Delivery, After-Sales Service,
Distributed Production and
Linking Sales with Production

Modern Logistics - IT

Order Processing, Inventory Management, Transloading,
Distribution Networks, Reverse Logistics, Customization

Traditional Logistics - Physical

Transport, Consolidation, Storage, Forwarding, Clearance, Transshipment, Packaging

STRATEGIC FORESIGHT

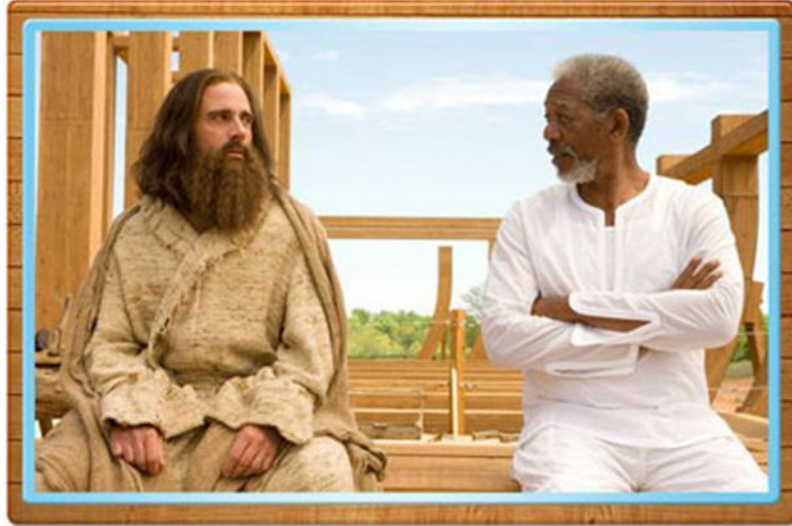


STRATEGIC FORESIGHT

A pair of hands is shown from a top-down perspective, cupping a glowing blue and white globe of the Earth. The hands are rendered in a dark, almost black, monochromatic style with some highlights on the fingers. The background is a dark, swirling, marbled texture in shades of blue and black. The overall mood is one of care, responsibility, and global stewardship.

Foresight is the ability to take a forward view. It enables action to be taken today with reference to, and within the context of, the possible futures.

The Beginings of Strategic Planning and Risk Management...



God Consulting LLC tells Noah about a possible future..."it is going to rain my friend, for a long while..."

Noah saves his family, and all living species



Noah designs a strategic plan, measures the risks, and executes

If you see it coming... and you don't prepare, it is YOUR FAULT





The best way to predict the
future is to create it.



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