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

AAPA PORT FACILITIES ENGINEERING SEMINAR
Charleston, South Carolina

Robert West
Halcrow

November 17, 2009
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.

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

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
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</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>Japan</td>
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<td>China</td>
<td>China</td>
<td>China</td>
<td>U.S.</td>
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<tr>
<td><strong>Germany</strong></td>
<td>Germany</td>
<td>Japan</td>
<td>India</td>
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<td><strong>U.K.</strong></td>
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<td>India</td>
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<td>Russia</td>
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<td>Russia</td>
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<tr>
<td><strong>Brazil</strong></td>
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<td>Russia</td>
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<td>Italy</td>
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</tr>
</tbody>
</table>

Source: Global Insight World Service and Goldman Sachs
The years of 2-digit growth (containers) are behind us.
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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

- EU-27, 21%
- Canada, 19%
- Mexico, 11%
- China, 6%
- Japan, 5%
- Korea, 3%
- Brazil, 2%
- Taiwan, 2%
- India, 1%
- All others, 28%

Total: $1,170 billion

Source: U.S. Department of Commerce.
Our exports to China and Brazil have grown much faster than our exports to the rest of the world.

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

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.

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

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.

<table>
<thead>
<tr>
<th>Year</th>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports ($ billions)</td>
<td>4.5</td>
<td>5.5</td>
<td>6.7</td>
<td>8.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Annual Export Growth</td>
<td>21%</td>
<td>23%</td>
<td>28%</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

**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.

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<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports ($ billions)</td>
<td>1.8</td>
<td>2.2</td>
<td>2.7</td>
<td>3.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Annual Export Growth</td>
<td>22%</td>
<td>23%</td>
<td>38%</td>
<td>33%</td>
<td></td>
</tr>
</tbody>
</table>

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%.

<table>
<thead>
<tr>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports ($'000s)</td>
<td>26.2</td>
<td>27.6</td>
<td>32.2</td>
<td>34.4</td>
<td>34.7</td>
</tr>
<tr>
<td>Annual Export Growth</td>
<td>5%</td>
<td>17%</td>
<td>7%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

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”...
especially China and India, or CHINDIA.

(Real GDP, percent change)

China  India  South Korea  Australia  Taiwan  Indonesia

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.

(Real GDP, percent change)

Lots of RED INK

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

Current Locks

Beam 49 m (160’)

New Locks

LENGTH 366 m (1,200’)

12,600 TEU’s

ACP Halcrow
What happens in Cuba may affect how this story unfolds.

Caution: Are some USEC ports spending more than necessary?

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

Source: Data and tables from IHS Global Insight
India’s position is very similar to China’s, with more reliance upon imports.
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