International Trade Outlook for the Western Hemisphere
Main Topics

- Economic growth - looking fairly healthy
- Shifting trade patterns
- China
- Better Logistics – performing like an orchestra
World TEUs will soon exceed the 2008 levels. However, the years of double digit growth (‘03, ’04, ’06) are not to be seen again.
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.

Source: Global Insight, Worley Parsons
In South America, most countries are expected to have solid economic growth in 2011.

Source: Data and tables from IHS Global Insight, CIA Factbook, OECD, Moody’s, Goldmand Sachs
After the BRICs, it’s the CIVETS

Moderate size, dynamic governments open to foreign investment, looking for free trade agreements

Colombia
Indonesia
Vietnam
Egypt
Turkey
South Africa
China has increased world trade volumes

- Now China intends to change the logistics, too
- Lower import costs
- Improved logistics

$7.6 billion

- A new city near Cartagena
- Chinese Development Bank
- Operator – China Railway Group
- Length – 221km (shorter than Nica)

A new railway in Colombia?
There will have to be more inland infrastructure built to connect the mines with the railway.
By 2012, 64% of containership capacity will be in Post-Panamax Vessels. Just 30% of the ships.

Source: Clarksons
There are truths and myths when it comes to the economics of bigger containerships.

- The PPX ships bring new efficiencies (lower costs) per TEU
- The PPXs make money only when steaming
- The PPXs will call many ports on the USEC and in the Caribbean
- Many USEC ports can quickly and efficiently handle 8000+ TEUs from one ship
1. Can load the ship in Asia with multi-destination cargo *(improve utilization)*

2. Can attract cargo from USEC, Gulf, Central and South America, and the Caribbean for the backhaul *(improve utilization)*

3. On Asia-USEC, the All-Water option is much cheaper than the landbridge option (e.g. through LA or Prince Rupert), opening a window for transshipment

4. On WCSA-Asia, a Pacific transshipment in Panama provides a link to USEC and Europe
Now, several Caribbean hubs are almost at full capacity.
CUBA will stop being a 4-letter word. Has potential as a manufacturing and transshipment hub. But has China already won the race?
The WCSA flows create the need for transfer ports from Callao to Panama.
On Asia-USEC, there is plenty of room for price flexibility at transshipment hubs.

EXAMPLE: CMA CGM PEX1 Service

Assumptions
Current rail charges LA-NY
$175/move in Caucedo
$120/move in Balboa and MIT
Assumes 85% capacity utilization
8000 TEU ship
Costs calculated as one-way $/TEU
For Asia-NY, the All-Water route is still the cheapest; but transshipment is not that far behind in terms of cost.

After the expansion, the cost per TEU will be $123 lower than the current one-way cost.
For a typical Asia-USEC voyage, shifting to an 8000 TEU vessel expands the market reach of the USEC ports.

**Assumptions**
- $400/MT bunker
- Canal tolls based on new 2011 rates
- Current ship charter rates
- Inland move by rail

**NOW**
- 4000 TEU ship

**2015**
- 8000 TEU ship

*Share of the US population reachable by rail*
The “equivalence line” in the Far East is shifting to the South.

Assumes containers shipped to Chicago.
Better Logistics
– performing like an orchestra –
Supply Chains have four major parts:

- **BUY**
- **MAKE**
- **SHIP**
- **SELL**

Physical Logistics: Ports
There are many parts of the supply chain, each with its own role, its place in the orchestra.
Creating an orchestra is hard to do.

Shifting forces make supply chains fluid – or breakable.

Therefore . . .
COMMUNICATE
COLLABORATE
ORCHESTRATE
Success!!