19 January, 2012

AAPA - Shifting International Trade Routes

INTERNATIONAL ECONOMIC OUTLOOK & IMPLICATIONS FOR TRADE
Main Topics

- Global Economic and Trade Outlook
- Economic Perspectives in Latin America
- Implications for North America
- Conclusions
The World Economy is still recovering from the nightmare of 2008-09

Cargo trade demand reflects more volatile industrial production

(World GDP, Percent change)  Indust. Production, Percent change

-9  -8  -6  -4  -2  0  2  4  6  8  10

Real GDP  Industrial Production

Source: IHS Global Insight
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.

Gap between emerging and advanced countries will shrink slightly.

US > Europe, Japan
GDP growth rate differences affect the pace of trade growth and volumes by trade route.

Geography of production / consumption is changing as emerging markets grow 6% on average over the next decade vs. 2.3% for advanced countries.

Being a museum might be better:
- Assets with increasing value
- Stability
- Public willing to pay

Source: IHS Global Insight & WorleyParsons
World trade’s share of the economy grows again after a temporary decline

Globalization trend is *long-term* and has not reversed or stopped

Source: IHS Global Insight

This was NOT a reversal of globalization
World TEUs now exceed the 2008 numbers. However, the years of double digit growth (‘03, ’04, ’06) are not to be seen again.
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In Latin America, most countries are expected to have solid economic growth in 2012.

(Real GDP, percent change)

Source: Data from IHS Global Insight, CIA Factbook, OECD, Moody’s, Goldman Sachs, Oxford Economics
Some Latin American countries' trade is dominated by China. **MEXICO**

Mexico Trade Partner Shares

- **China**
- **Europe**
- **USA**

<table>
<thead>
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<th>Year</th>
<th>USA</th>
<th>CHINA</th>
<th>EUROPE</th>
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<tr>
<td>2000</td>
<td>20%</td>
<td>15%</td>
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<tr>
<td>2001</td>
<td>15%</td>
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<td>2002</td>
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<td>15%</td>
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<td>2003</td>
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<td>25%</td>
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<td>30%</td>
<td>5%</td>
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<td>2005</td>
<td>0%</td>
<td>35%</td>
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**Is China taking over?**
Is China taking over? NOT REALLY.

COLOMBIA

Colombia Trade Shares

USA  EUROPE  CHINA

Is China taking over? NOT REALLY.
Transshipment in the Caribbean

More growth ahead in the major hubs

Caribbean Transshipment Triangle

At capacity

FREEPORT

KINGSTON

CAUCEDO

CARTAGENA

MOIN

COLOM/MIT
Moín – Limón, Costa Rica

- $992 million by APM Terminals
- Designed for 100% domestic cargo only – but transshipment is possible
- Concession signed in August, 2011
- 1.2M TEU in Year 1
- It’s all about productivity
For Asia-USEC, the All-Water route is still the cheapest. Even with transshipment the All-Water cost is still comparatively cheap.

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
- Ship charter rates, Dec 2010
- Inland move by rail

4000 TEU ship

8000 TEU ship

*Share of the US population reachable by rail
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Economic outlook for U.S.

US Unemployment Rate

Nightmare

The future?

- flat
- horizontal
- unchanged
- neither worse nor better

Source: Congressional Budget Office
Washington DC
Unemployment is not THE problem.

Unemployment is a symptom

- Consumer fear
- Investment fear

U.S. Government gridlock

- Main street, Wall Street, and K Street: uncertainty
- Weak savings
- Improving exports, but not enough
CONCLUSIONS

- North American import growth will be sluggish in 2012
- Stronger trade growth is with the emerging markets
- After 2012, things should be more “normal”, heading into the Canal expansion opening (December 2014)
- Transshipment will grow, as a necessity – getting ready!
Success!!