International Panel
A few topics that I would like to touch on for today’s short discussion…

• Outlook in key trading regions
• Where growth may come from and how trade lanes might evolve going forward
• Key challenges facing trading nations
• Trends and drivers around near-shoring
World trade and globalization is expected to grow, but at a slower rate than previous periods

(World imports as a percent of GDP)

Source: IHS
From a GDP perspective, outlook is strong in most markets – particularly Latin America, broader Africa and Asia Pacific.
In the next decade, roughly 50% of global trade will be driven by trade lanes to/from emerging markets.

**KEY DRIVERS**

- Economic developments have created a **structural change of logistics flows especially to/from/in Asia**
- Production streams are **increasingly being redesigned as manufacturing** costs rise in current low-cost countries
- Basic **manufacturing is moving towards new low-cost locations**

1. **South America – Asia**
   - Forecast to **cover 5% of world trade by 2020**
   - Mainly driven by increased **consumer spending** in South America
   - Brazil, Chile, Peru, Argentina

2. **Middle-East/Africa – Asia**
   - Forecast to **cover 18% of world trade by 2020**
   - Mainly driven by an increased consumer spending in Africa and Chinese investment in African **natural resources**
   - UAE, Angola, Nigeria, South Africa

3. **Intra–Asia**
   - Forecast to **cover 25% of world trade by 2020**
   - Growth mainly driven by an increased trading between **emerging economies** in Asia
   - China, India, Indonesia, Malaysia, Bangladesh

Source: Global Insight
Some of the major issues that trading nations face

- Manufacturing costs and their relative impact on market competitiveness – threat of U.S.-based businesses near-shoring activities currently performed in Pacific and South Asia

- Quality of infrastructure to support transportation and logistics services – and how trading nations respond from an investment standpoint

- Perceived risk – safety, security, political and business practices in trading nations
In a poll of senior executives that sell into the U.S. market, 42% indicated that they are currently near-shoring or plan to do so in the next three years.

**FIGURE 1: Timelines for Near-Shoring Plans**

If near-shoring is a consideration, what is your time horizon for near-shoring Asian/Indian operations to the Americas, including Latin America?

- 54% Not under consideration
- 9% In process, or completed within last 3 years
- 12% 1 year
- 21% 2-3 years
- 1% 4-5 years
- 3% 5+ years

Key drivers – lower freight costs, lower in-transit inventory costs, improved speed to market

Source: Alix Partners
And among those actively considering near-shoring, Mexico is considered the most attractive location.

Safety and security still a concern, but perceived to be improving.

Source: Alix Partners

Note: Most of Brazil's manufacturing demand is consumed in Brazil, not exported for U.S. consumption.