



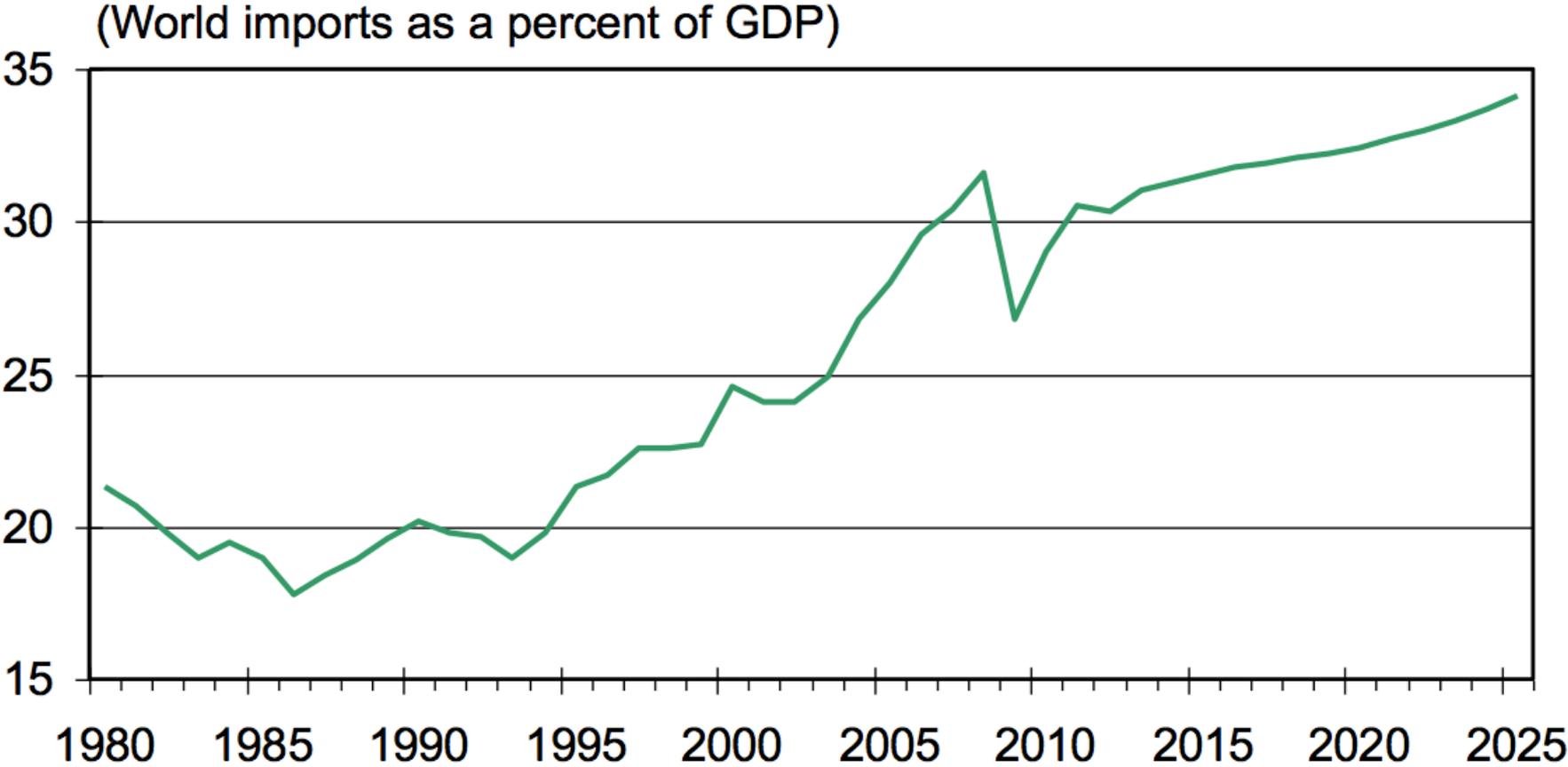
International Panel



A few topics that I would like to touch on for today's short discussion...

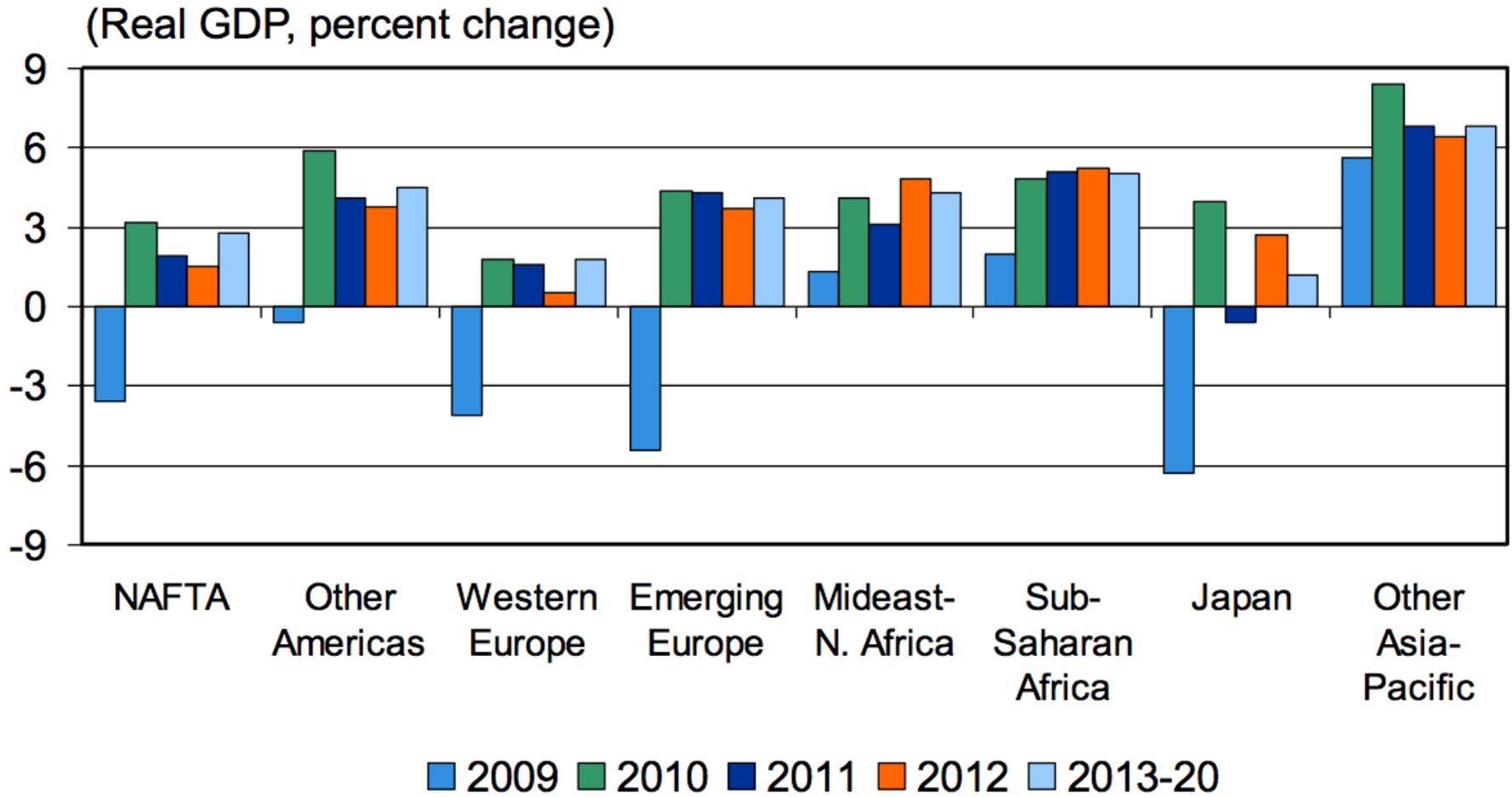
- Outlook in key trading regions
- Where growth may come from and how trade lanes might evolve going forward
- Key challenges facing trading nations
- Trends and drivers around near-shoring

World trade and globalization is expected to grow, but at a slower rate than previous periods



Source: IHS

From a GDP perspective, outlook is strong in most markets – particularly Latin America, broader Africa and Asia Pacific

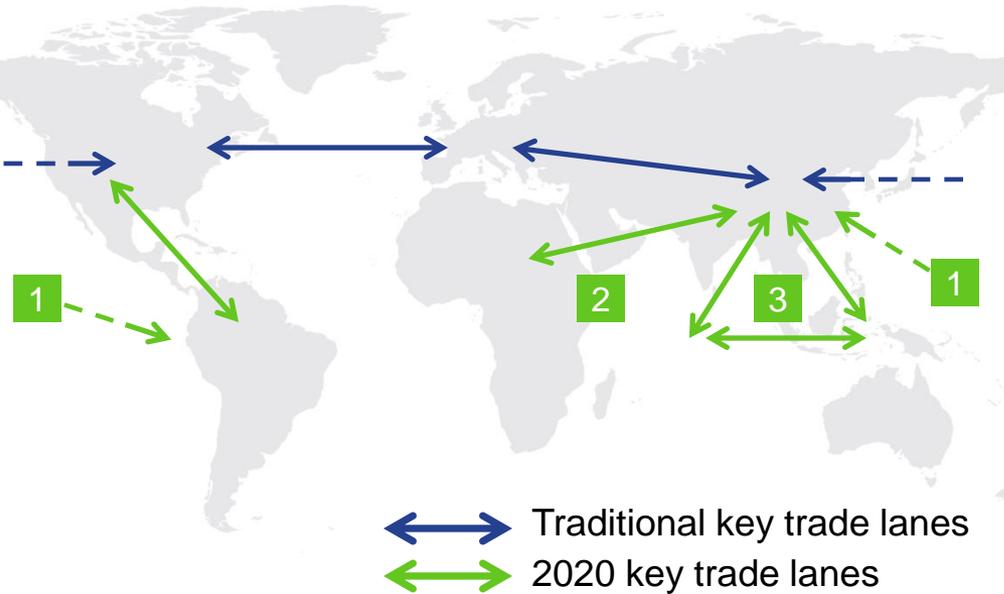


Source: IHS

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

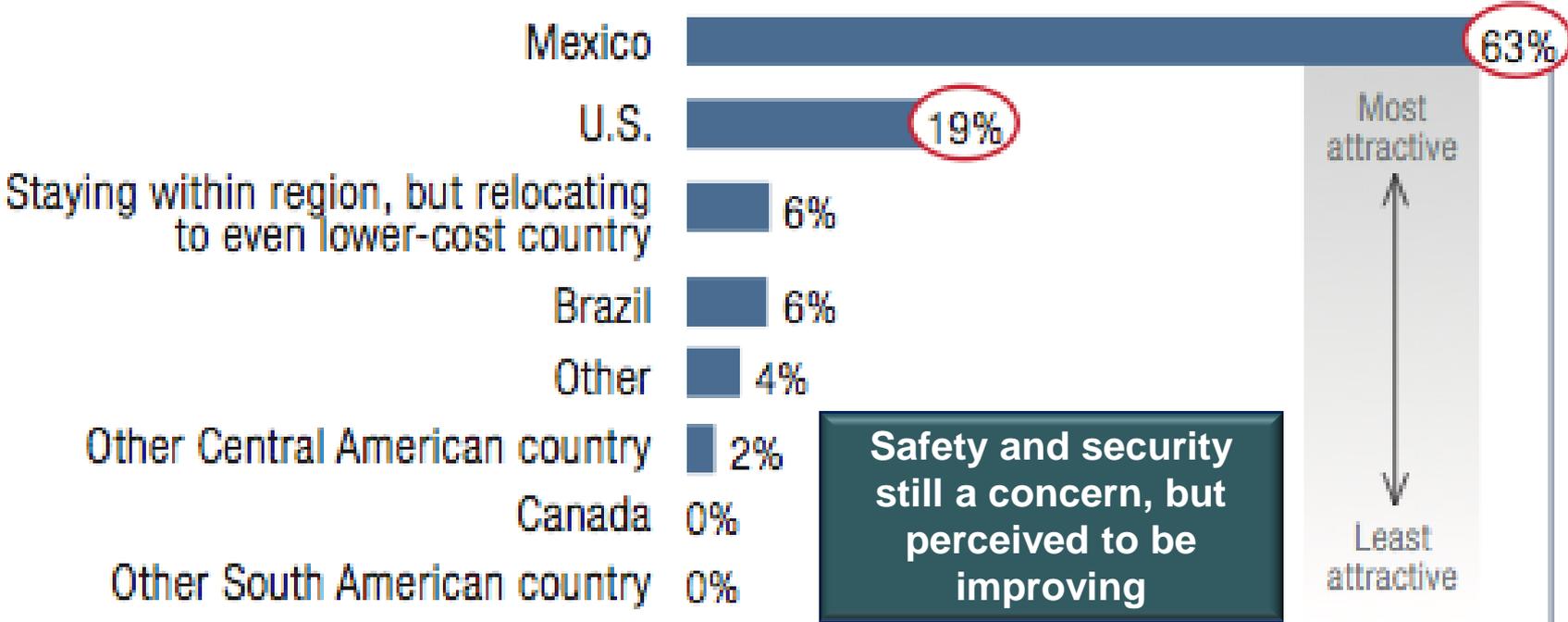
FIGURE 1: Timelines for Near-Shoring Plans



Source: Alix Partners

And among those actively considering near-shoring, Mexico is considered the most attractive location

FIGURE 2: Attractiveness for Near-Shoring, By Region



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

Source: Alix Partners