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World Markets

# Will Soaring Transportation Costs Reverse Globalization?

*Jeff Rubin*

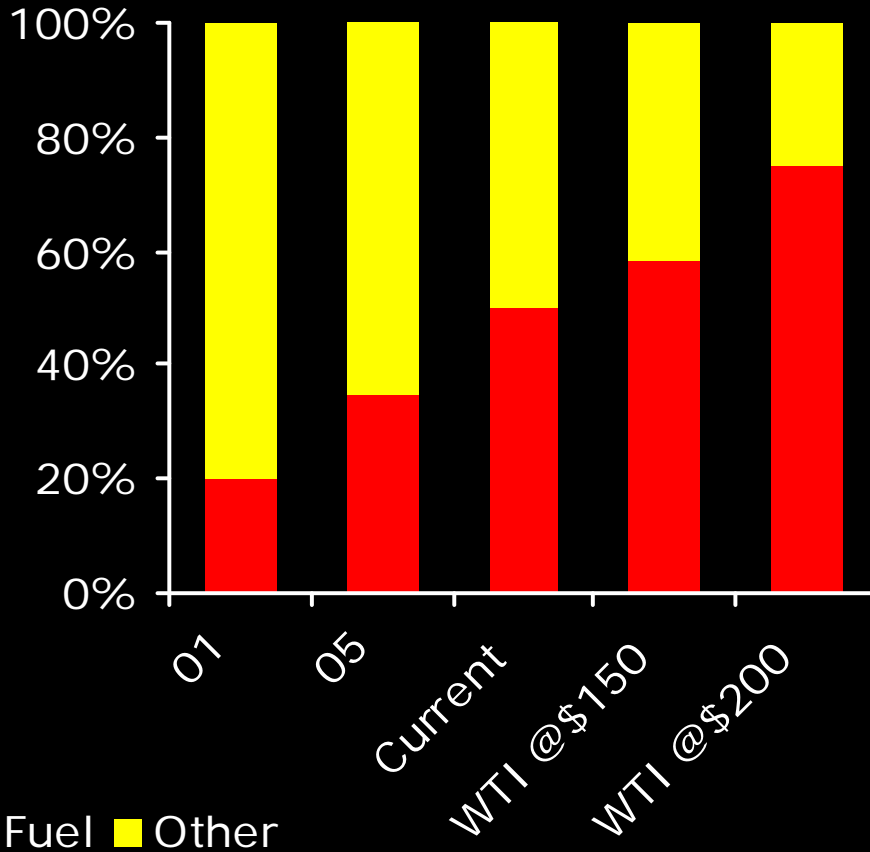
*Chief Economist & Chief Strategist*

**CIBC World Markets Inc**

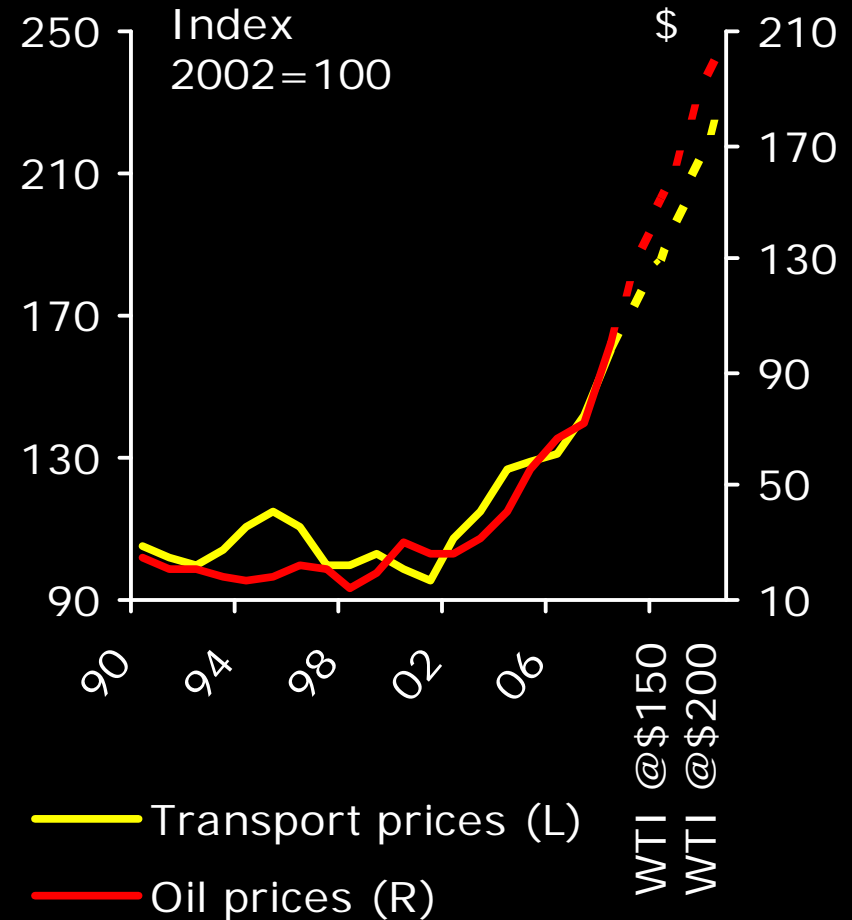
*Teleconference – August 21, 2008*

# Transport Costs Highly Sensitive to Oil Prices

Distribution of Operating Cost\*



Transport Costs vs. Oil Prices

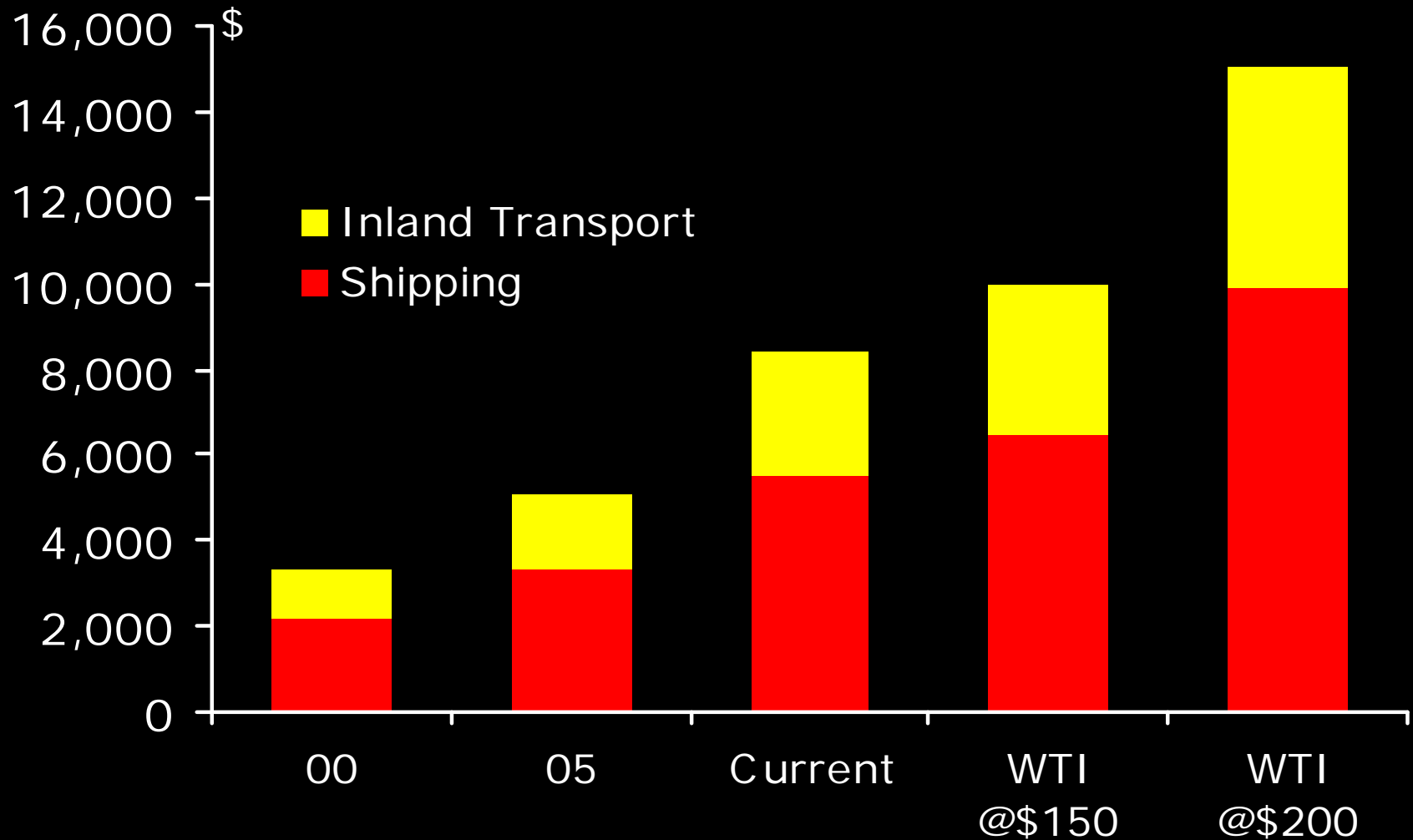


■ Fuel ■ Other

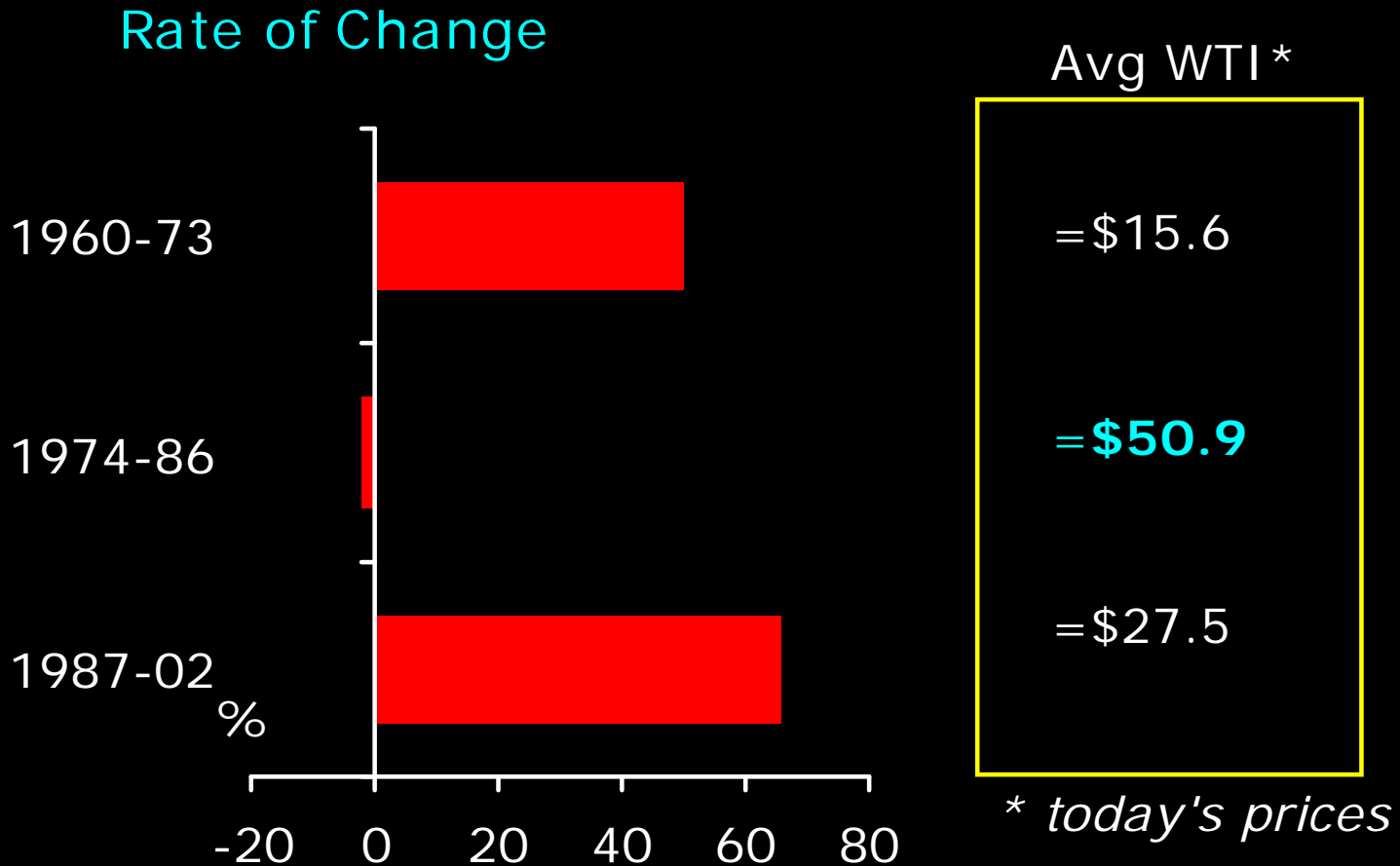
\* Avg of all transport modes

Source: RMT, CIBCWM

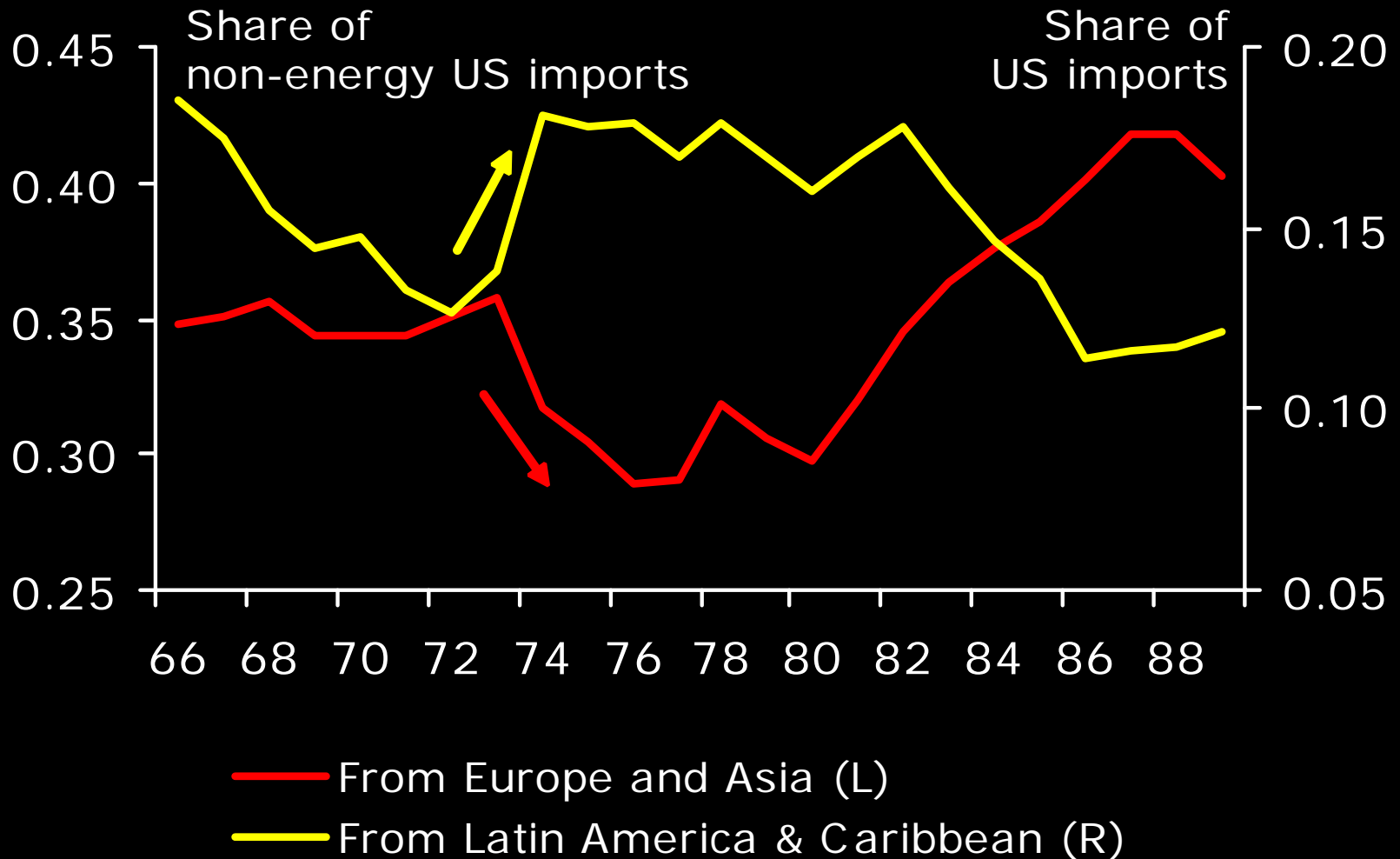
# Total Costs of Transporting a 40' Container From Shanghai to US East Coast



# World Exports as a Share of Global GDP: Highly Sensitive to Oil Prices

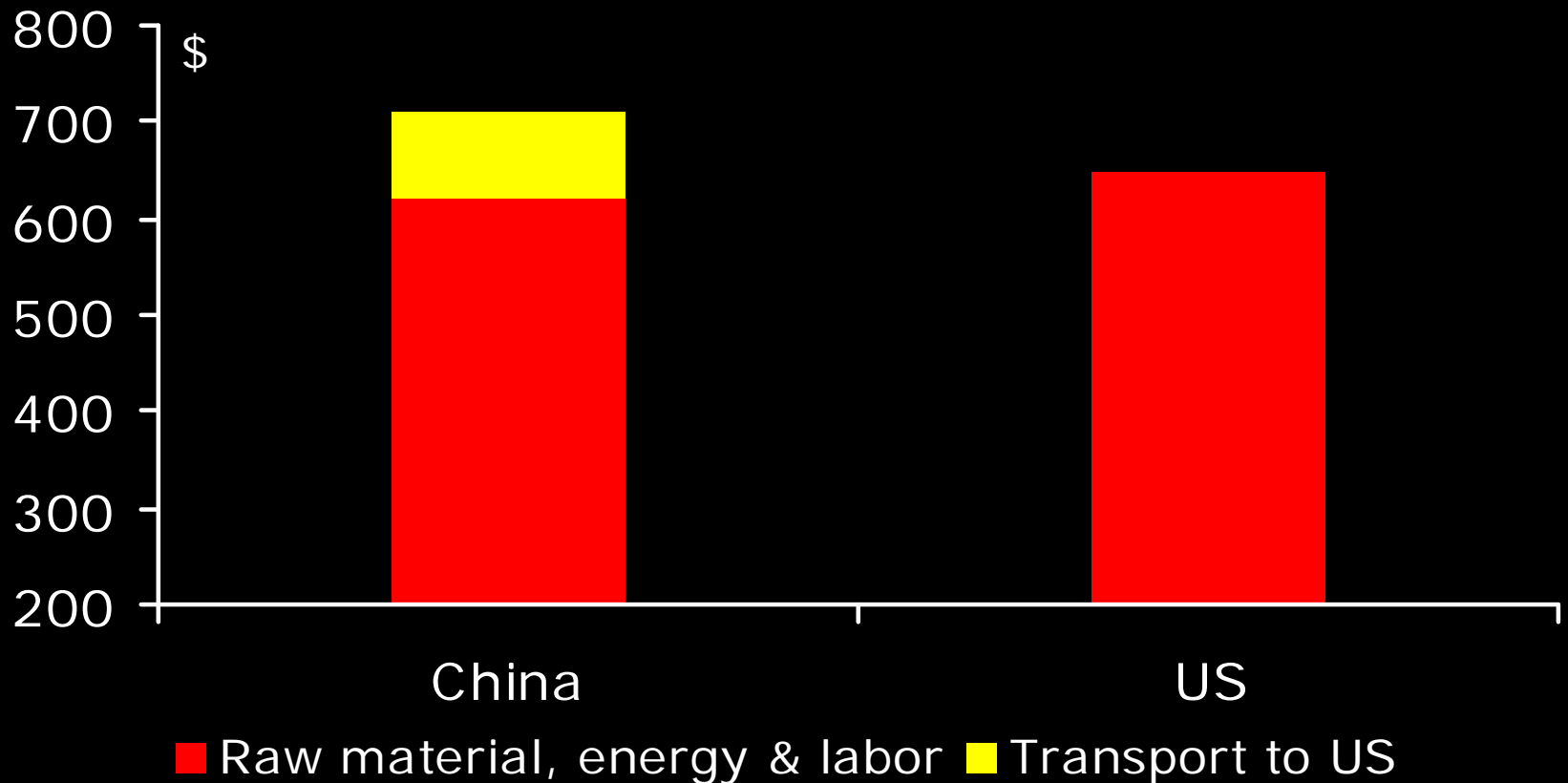


# Trade Diversion During the OPEC Oil Shocks



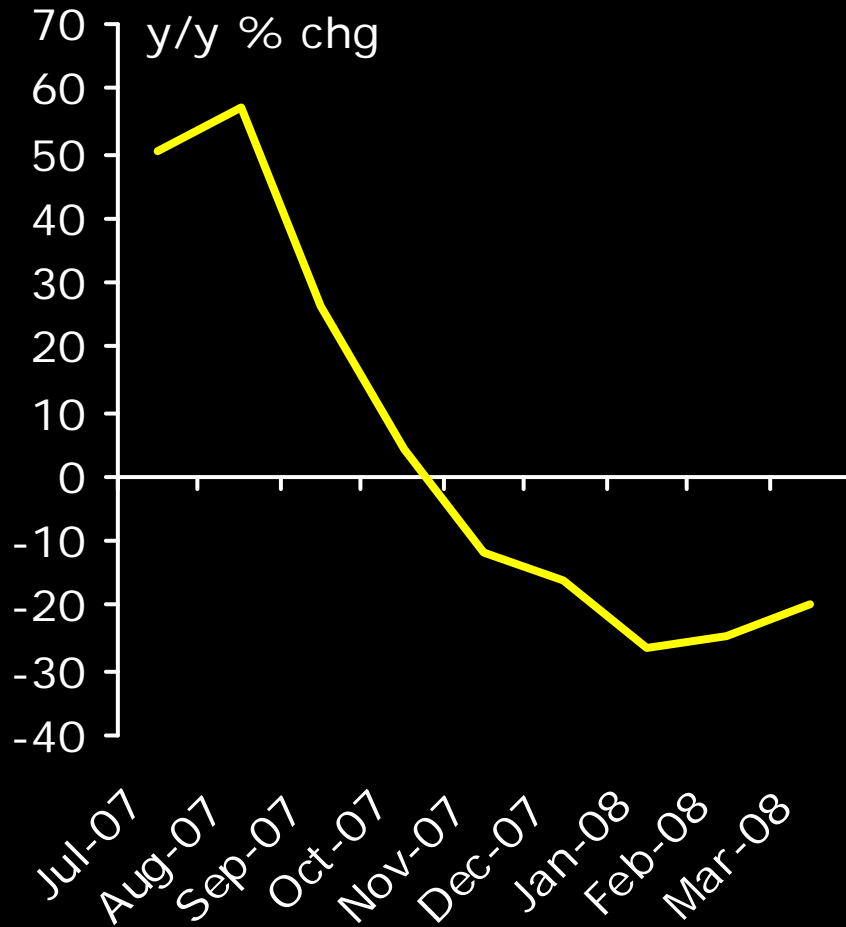
# US Steel Producers Now Have a Cost Advantage Over China

Avg cost of producing and shipping one ton of hot-rolled steel sheet

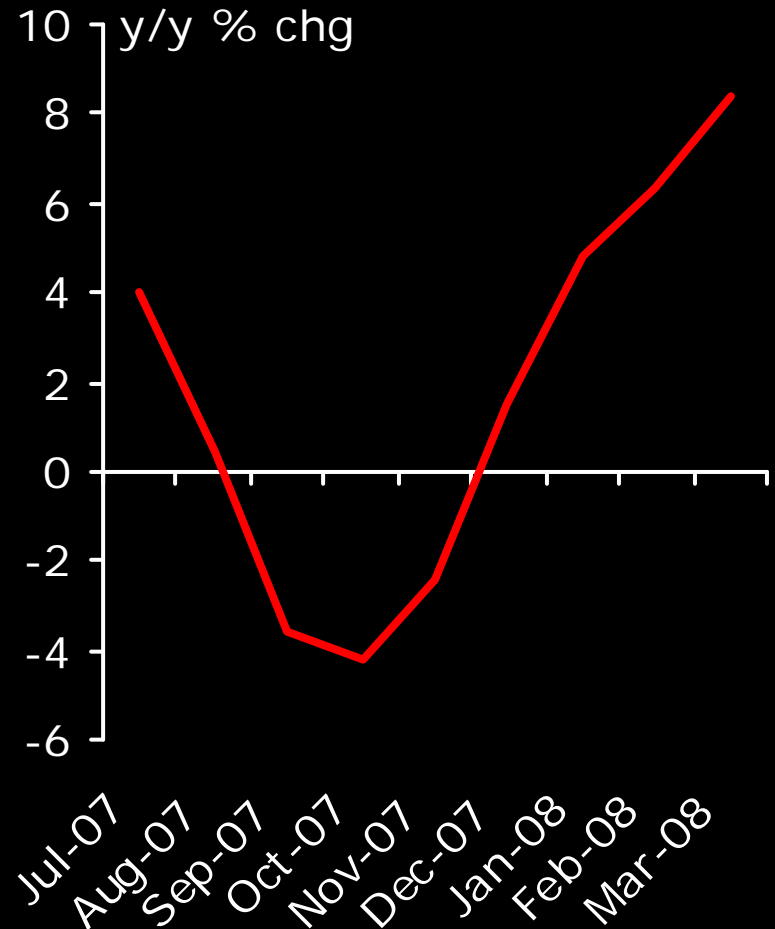


# China's Steel Exports to US Fall While US Steel Production Rises

## China's Steel Exports to the US



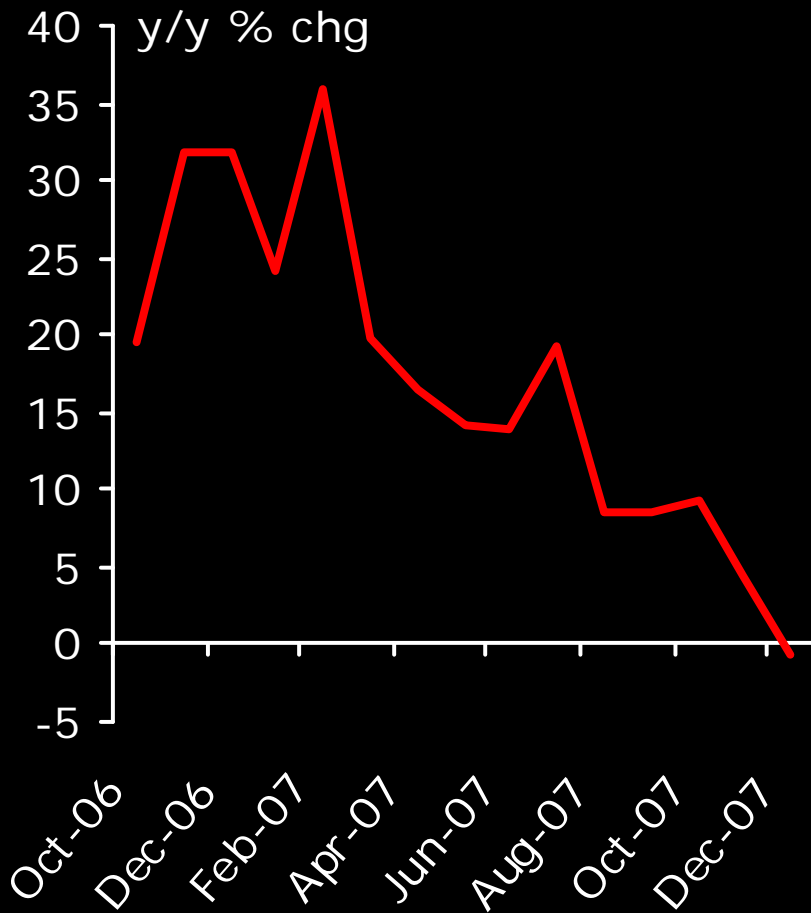
## US Steel Production



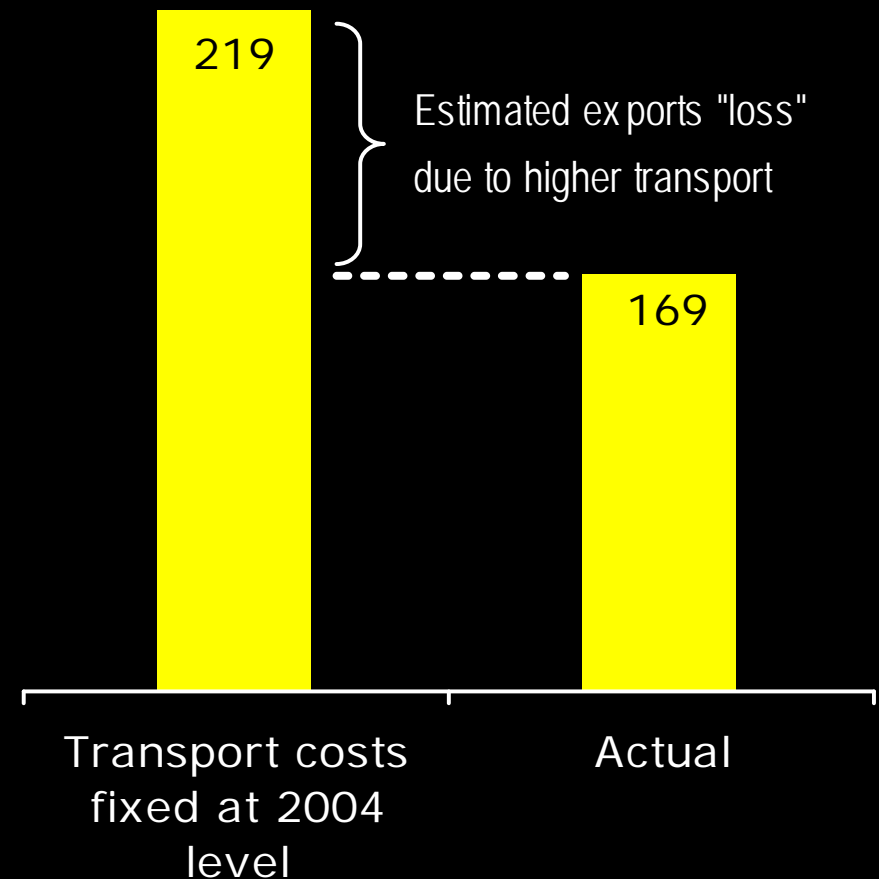
Source: US Census Bureau, CIBCWM

# Elevated Freight Rates Are Already Impacting China's Trade with US

Freight-Intensive Exports to US

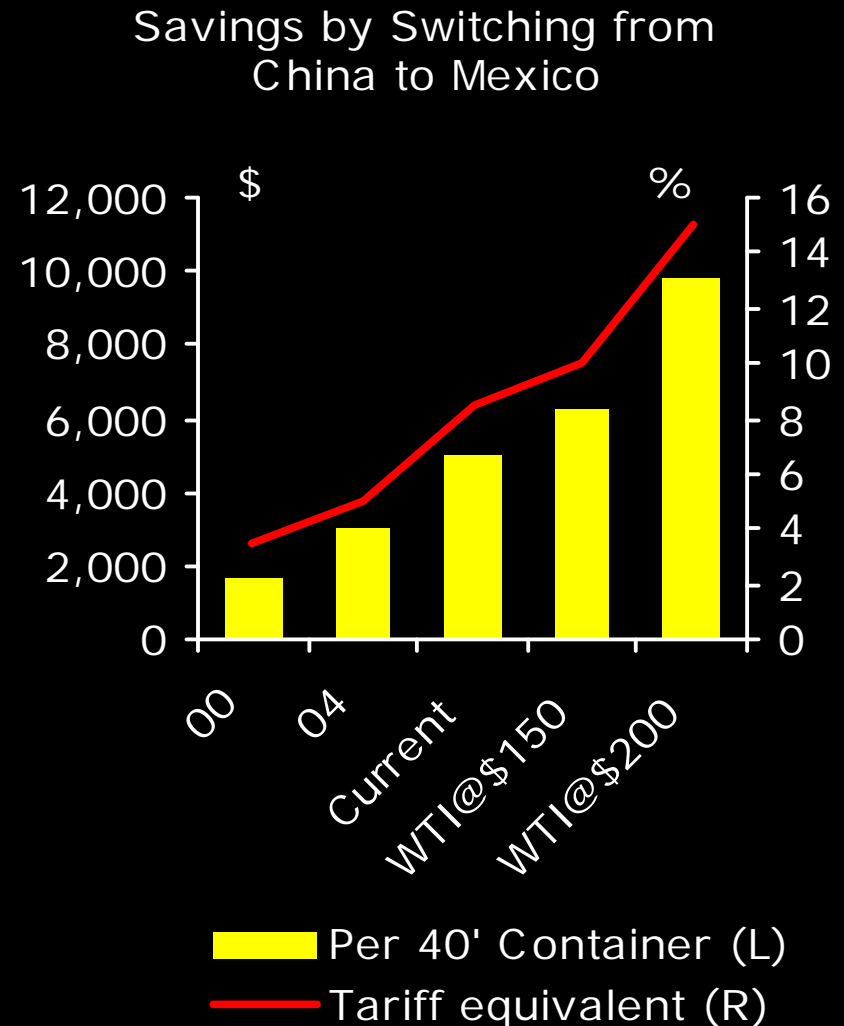
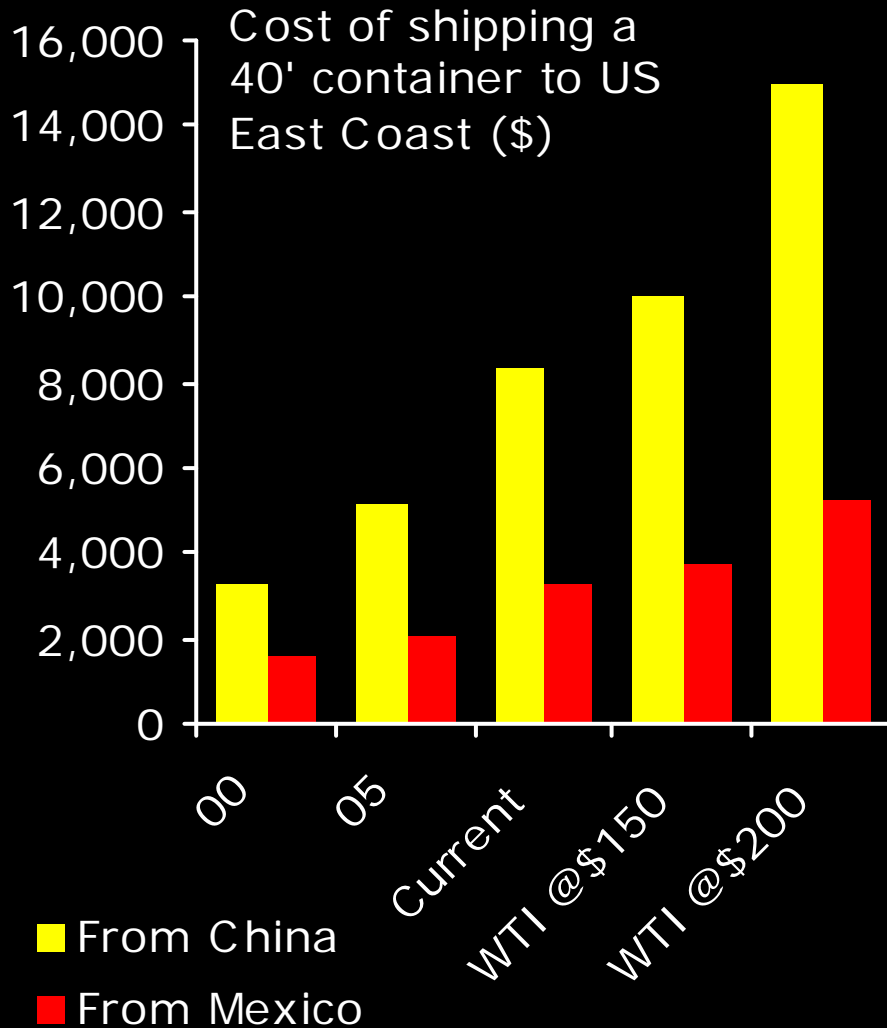


Growth in Non-Energy Exports (\$Bn) 2004-2007



Source: US Census Bureau, CIBCWM

# Relative Shipping Costs to the US East Coast : Mexico versus China



# Mexico's Non-Energy Exports to the US

