The Case for a Pan-American Manufacturing Ecosystem

Presented by
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Recent Bipartisan Policy – Reduce Reliance on China

2020 US-China Trade
- Exports were $164.9 billion
- Imports were $450.4 billion

STRATEGIC IMPERATIVES
- Replace Lost Trade
- Maintain the Comparative Advantages of Globalization

Biden Administration Increases Domestic Content Requirements under Buy American Act, Enhances Price Preferences for Domestic “Critical” Goods
- Single points of failure
- Long transit times
- Carbon footprint of ocean

- Transit times of weeks
- Long port delays
- Cash tied up in inventory
The supply chain imperative

- Resilience
- Sustainability
- Flexibility and Agility
- Cost savings
- Labor availability
- Climate Readiness (water)
- Cash and Inventory reduction
The Pan-American Land Transportation Network

- Starts in Prudhoe Bay, Alaska
- Ends in Ushuaia (Tierra de Fuego), Argentina
- 19,000-mile network of roads throughout North, Central and South America
- Only major break is the Darién Gap

**Near term:**
- Expand and upgrade current roads
- Bridge Darién Gap with latest tunnelling technologies

**Medium to long term:**
- Modern rail transportation network
Disruptions in South and Central America

Source: Resilinc EventWatchAI
The supply chain imperative

Resilience
Sustainability
Flexibility and Agility
Cost savings
Labor availability
Climate Readiness (water)
Cash and Inventory reduction

The strategic imperative

National security
Immigration
Geopolitical value
Reduced dependence on China
Improved relations with neighbors
Alignment of interests
Counter narcotics trade
A thriving ecosystem of suppliers critical to key industries
Auto, steel, chemicals, electronics, pharmaceuticals, apparel and footwear, and appliances

>17,000 suppliers with sites in South America

Source: Resilinc Supply Chain Mapping Network
Central American Countries

**GDP Growth Rates**

- **3.8%**
- **7.5%**
- **4.5%**
- **1.3%**
- **3.5%**
- **3%**
- **5.5%**

**Top Exports:** Bananas, coffee, cotton, sugar

**Advanced Manufacturing:** Medical devices in Costa Rica

**General manufacturing:** Apparel, food and related

Median age: 26-28 years

Unemployment: 4%-8%

Poverty Rate: 7-66% (Honduras)

**Resources:** Nickel, iron ore, fish, timber, oil, water

Percent of GDP on Infrastructure: ~2%
Demographics and Socioeconomic characteristics

**Median Age**

- S. America: 32.1
- C. America: 28.2
- Canada: 40.9
- Mexico: 29.2
- U.S.: 38.5

**Manufacturing Labor Costs Per Hour**

- U.S.: $38.20
- Canada: $24.01
- Mexico: $4.82
- China: $6.50

*Honduras, El Salvador, Nicaragua lower than Mexico*
Renewable Water: Critical resource for manufacturing

5 of the top 10 countries with freshwater resources

<table>
<thead>
<tr>
<th>Country</th>
<th>Fresh Water (Cubic Kilometers)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>8,233</td>
<td>62% of power generated is hydroelectric</td>
</tr>
<tr>
<td>Russia</td>
<td>4,508</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>3,069</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>2,902</td>
<td>60% of power generated is hydroelectric</td>
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<tr>
<td>China</td>
<td>2,840</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>2,132</td>
<td>70% of power generated is hydroelectric</td>
</tr>
<tr>
<td>European Union</td>
<td>2,057</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,019</td>
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<tr>
<td>Peru</td>
<td>1,913</td>
<td>70% of power generated is hydroelectric</td>
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</tbody>
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Final Thoughts

- Challenges to overcome
- How to monetize
- Working together across nations and industries
- Public – private collaboration
- Learning from incumbents (food, apparel)
- Outcompeting China - Beyond Pan-American
The Belt and Road Initiative and Beyond

China: Financing in LAC, 2005 - 2020

- Venezuela: $62.2b
- Brazil: $29.7b
- Ecuador: $18.4b
- Argentina: $17.1b
- Bolivia: $3.4b
- Jamaica: $2.1b
- Mexico: $1b
- Other LAC: $3.9b

Total 2005 – 2020 financing: $137.8 billion

LAC: Latin America and Caribbean


The Belt and Road Initiative

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China’s Belt and Road initiative, aims to invest in infrastructure projects, including railways and power grids, in central, west and southern Asia, as well as Africa and Europe.

Source: Mercator Institute for China Studies. C. Hr提起, 23/04/2018

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The Belt and Road 2.0

- China has prioritized a "more focused" Belt and Road
- Stated aim is to reduce the volume of lending and focusing on areas of strategic importance
- Recent Chinese policy makes one aim clear - Dominate Africa
"Africa is home to some 30 percent of the world’s mineral reserves, eight per cent of the world’s natural Gas and 12 per cent of the world’s oil reserves. The continent has 40 percent of the world’s gold and up to 90 percent of its chromium and platinum. The largest reserves of cobalt, diamonds, platinum and uranium in the world are in Africa. It holds 65 per cent of the world’s arable land and ten percent of the planet’s internal renewable fresh water source."
Sub-Saharan Africa’s population is growing at 2.7% a year, which is more than twice as fast as South Asia (1.2%) and Latin America (0.9%). That means Africa is adding the population of France (or Thailand) every two years.