



GLOBAL IMPACT



A Publication of the Ocean Marine Division of Great American Insurance Group

1Q05 No. 31

AFTER THE TSUNAMI SOUTHEAST ASIA'S FUTURE LOOKS BRIGHT

Dear Friends:

Destruction and loss of life caused by natural disasters, terrorism or human error can have lasting negative repercussions for generations. The impact of the recent tsunami is no exception. Fortunately, Southeast Asia is projected to emerge stronger (p1-2).

After 9/11, transportation worker ID cards were mandated by Congress. Although a federal credential program is currently in the prototype phase, the project has suffered long delays and may not be implemented anytime soon (p3).

Finally, a recent report indicates that state governments could be doing more to help prevent recreational boating accidents, which claim 700 lives each year (p4).

We hope you enjoy this issue and, as always, we welcome your comments.

Sincerely,

John A. Rowney
Division President
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Within the past decade, the Southeast Asian region has taken a number of severe hits, including the impact from the recent tsunami. Nevertheless, the region is projected to prosper this year, and provide economic opportunity and jobs to local residents.

THE REGION IS RESILIENT

On December 26, 2004, an underwater earthquake off the coast of the Indonesian island of Sumatra registered 9.0 on the Richter scale. In turn, a huge tsunami ravaged the coastal regions of 11 countries. The result: an unsurpassed loss of human life and hundreds of thousands of displaced people.

In 1997, an Asian financial crisis spurred a financial diaspora that crippled many of the newly industrialized nations desperately trying to improve their economic condition. Yet the region pushed forward with impressive recovery plans and, within only a few years, returned to growth figures unmatched throughout the world. Then, in 2003 the Severe Acute Respiratory Syndrome (SARS) epidemic dealt a huge blow to the area, slowing growth and prospects once again. Unlike these other calamities, the impact of the tsunami is not expected to have severe economic repercussions.

SOLID GROWTH EXPECTED

The overall economic impact of the tsunami is forecasted to be mild for a variety of reasons. The tsunami hit mostly non-



industrialized regions of the affected countries with limited impact on major infrastructure. And some even speculate that the disaster may spur a regional construction boom that is likely to offset damage to the tourism and fishing industries—the most severely affected sectors. This positive economic assessment is part of the rationale held by investors and is reflected in a stable Asian stock market.

Overall, according to analysts, the economic recovery is expected to follow a V-shaped pattern: a large dip in economic activity, followed by an economic recovery.

INDONESIA HARDEST HIT

Although Indonesia was the hardest hit in terms of casualties, its economic performance is not expected to slow. Its gross domestic product (GDP) growth, which increased from 4.1 percent in 2003 to 4.8 percent in 2004, is still forecasted to reach approximately 5 percent this year, according to the International Monetary Fund (IMF).

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For U.S. exporters interested in helping to satisfy Indonesia's market demand, note that the United States currently accounts for 8.3 percent of Indonesian imports, which primarily consist of machinery and equipment, chemicals, fuels, and foodstuffs, according to the CIA.

THAILAND EXPECTED TO PERFORM WELL

Thailand is considered by many analysts as the most resilient of the affected nations. Its growth rate rose from 6.7 percent in 2003 to 7 percent in 2004. According to the IMF, GDP is expected to remain at approximately 6.7 percent in 2005. The economic shock caused by the tsunami



has encouraged central bankers to delay rate hikes. This is likely to help keep economic growth strong.

The U.S. is Thailand's largest supplier, providing 17 percent of all of Thailand's imports. U.S. imports consist mainly of capital goods, intermediate goods, raw materials, consumer goods, and fuels, according to the CIA.

MALAYSIA'S GROWTH TO CONTINUE

Similar to other regional countries, Malaysia's economy also is forecast to perform well this year. Its growth rate has been steadily rising, from 5.2 percent in 2003 to 5.7 percent in 2004; it is forecasted to reach 6.0 percent in 2005, according to the IMF. The United States is Malaysia's second largest supplier after Japan and provides 15.5 percent of Malaysia's imports. Primary U.S. exports to Malaysia include electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, and chemicals.

TAIWAN COMMANDS ATTENTION

Although Taiwan was not affected by the catastrophe, its economic position in the region commands attention. Taiwan's GDP growth rate, estimated to be 4.9 percent in 2005, the same as last year, is up from 3.2 percent in 2003, according to the IMF. The United States supplies 16.1 percent of Taiwan's imports, almost half of which consists of machinery and electrical equipment, minerals, and precision instruments.

SINGAPORE'S GROWTH TO SLOW DOWN

Singapore is the only nation covered in this article that is projected to incur a decrease in economic growth. In 2003 and 2004, its growth rate fluctuated from 1.1 percent to 5 percent. Its GDP growth in 2005 is projected to decline to 4 percent. Analysts believe this is the result of Singapore's high concentration in electronics manufacturing—a product category that has undergone a decrease in global demand—and not a result of the tsunami.

Singapore imports 14.1 percent of its goods from the United States. Primary imports from the U.S. include machinery and equipment, mineral fuels, chemicals, and foodstuffs.

SOUTHEAST ASIA STILL STRONG

The infrastructural damage caused by the tsunami in Southeast Asia was massive. Fortunately, however, the economic future appears positive. Foreign aid and governmental reconstruction policies have cushioned the blow and will help many to avoid harsh economic repercussions.

The tsunami's impact also has had a minimal effect on the region's ability to export. And importantly, analysts say that the region's credit confidence has not been altered, and may actually improve since local governments quickly demonstrated their ability to effectively respond to the crisis.

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World Trade Organization (WTO) Director General

Supachai Panitchpakdi urged WTO members to use trade measures to assist Southeast Asian countries. He says the best way to help the region is by further liberalizing trade. This also will "help to generate resources that can be used to reduce poverty, which in turn will improve the capacities of countries to prevent disasters, to cope with their effects, and to recover as quickly as possible," he said.

Southeast Asia, no doubt, will emerge economically stronger while offering local residents, as well as foreign exporters and investors, new opportunities. ■



FEDERAL ID CARD WILL BOOST SECURITY—JUST NOT ANYTIME SOON

On the drawing board the idea seemed urgent: a federal ID card for transportation workers to help secure America's ports. But ever since Congress mandated such cards after 9/11, getting them into workers' hands has proven difficult for the Transportation Security Administration (TSA).

TSA initially planned to issue its Transportation Worker Identification Credential (TWIC) in August 2004 to about 6 million maritime workers. Then came a series of costly delays, made worse by TSA's reorganization within the new Department of Homeland Security (DHS). Only last November did TSA begin the prototype phase for the cards, a process that will take seven months and involve up to



200,000 workers. TSA and the U.S. Coast Guard must then analyze the prototype results before deciding how to implement the cards nationwide. To date, no one in Washington can say when that will happen.

BUILDING A STRONGER CHECKPOINT

Once in place, the cards will link local port security with federal anti-terrorism technologies, creating a standardized checkpoint at America's port facilities. "The TWIC card is a key piece in TSA's efforts to secure all modes of the nation's transportation network," said Rear Adm. David Stone, assistant secretary of homeland security for TSA. "This technology will not only improve security by keeping known terrorists away from vulnerable areas, but it also will enhance the flow of commerce and protect individual privacy."

At the outset, information sharing with federal databases will make it impossible for known terrorists to receive credentials, TSA says. The tamper-resistant cards also will prevent fraudulent use by containing biometric information unique to the cardholder. The system will check the identity of port workers, from truck drivers to stevedores, against federal data at each port checkpoint in a matter of seconds. Such data sharing also will allow local officials to adjust port access based on specific threat alerts issued from Washington.

In addition, because many transportation workers currently carry multiple ID cards, a standardized TWIC could

improve the flow of commerce by increasing the efficiency of ID verification.

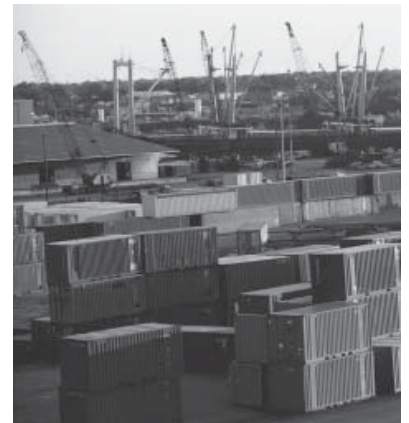
MANY POLICY HURDLES REMAIN

Yet, despite the apparent value of the TWIC program, it has suffered mightily at the hands of Washington bureaucracy. TSA had begun work on a similar program even before the Maritime Transportation Security Act of 2002 mandated a worker ID card that uses biological metrics, such as fingerprints. After TSA became part of DHS in March 2003, program officials had trouble receiving approval for prototype testing from DHS policy officials, who were preoccupied with setting up the new department, according to a recent report by the Government Accountability Office (GAO).

Further delays, including additional work assigned by Congress to assess various card technologies, caused TSA to miss its August 2004 deadline by a wide margin.

The GAO has recommended that DHS develop a badly needed comprehensive plan for managing the project's future—something the department currently lacks but says is on the way. Yet to be resolved are several major questions, including the degree of federal vs. local involvement in issuing cards, managing the program and providing sustained funding. Costs of the program over the next decade could run into the billions, at a time when local port authorities already face heavy cost burdens related to security with only limited federal support.

Future rule-making on the issue also will need to address such basics as eligibility requirements for the card, an appeal process for workers denied a card, and the scope of the card within the entire transportation industry.



Because of the delays, some port facilities already have proceeded with plans for local or regional ID cards. And Congress has gotten into the act, considering proposals for other biometric ID cards that could affect the design and implementation of TSA's card program. These and other distractions—including recent high-level personnel changes within DHS—make the appearance of a federal ID card in 2005 increasingly unlikely. ■

STATES URGED TO MAKE BOATING SAFER

State governments could do more to prevent hundreds of recreational boating accidents each year, according to the National Transportation Safety Board (NTSB). In updating its list of most-wanted safety improvements, the NTSB noted that several states still do not mandate personal flotation devices (PFD) for children, or require any kind of boater education or licensing. And more than a dozen states do not require businesses that rent personal watercraft, such as jet skis, to provide safety instruction.

About 700 people die each year in recreational boating accidents, most due to drowning. Among past drowning victims, 86 percent were not wearing PFDs at the time of death, the NTSB says. The agency has recommended that states require PFD use by children under 12 on recreational vessels. By the end of 2004, however, 22 states had laws covering children younger than 12 only, and six states¹ had no PFD laws of any kind for children on recreational boats, according to the NTSB.

KNOWLEDGE AND SAFETY INSEPARABLE

Unlike aviators and motorists, recre-

ational boaters are not always required to demonstrate an understanding of the "rules of the road" or an ability to operate a vessel. In fact, through 2004, 20 states² still had yet to require the education of recreational boat operators, despite an NTSB recommendation. Only one state, Alabama, requires licensing for recreational boat operators.

Personal watercraft, particularly when rented, present unique safety risks. In 2002, 71 fatalities and more than 1,300 injuries involved personal watercraft operators or passengers. An NTSB study showed that only one in three renters were required to demonstrate riding ability before entering the water.

By the end of last year, 16 states³ had yet to require safety instruction at personal watercraft rental operations, according to the NTSB. Last year more than a dozen states indicated they would consider adopting a pre-rental instruction requirement, but only one, New Hampshire, actually did so.

ANOTHER TRY IN '05

Similarly, four states and the District of Columbia considered PFD bills last

year, while five states considered boater education bills; yet only D.C. enacted legislation. The introduction of new bills in a few of the holdout states appears likely in 2005, with some states already taking action. The Virginia Senate, for example, introduced a bill in early January that would require children 12 years old or younger to wear PFDs on vessels under 21 feet long.

But vessel operators and rental businesses don't have to wait for state laws to help them save lives and reduce liability. Anyone wanting to reduce risk on the water can insist on life jackets and pilot competence before a vessel gets underway.

¹ Iowa, Minnesota, New Mexico, Virginia, Wisconsin, and Wyoming.

² Alabama, Alaska, Arizona, California, Idaho, Indiana, Iowa, Maine, Massachusetts, Minnesota, Montana, New Mexico, North Carolina, Oklahoma, South Carolina, Utah, Virginia, Washington, Wisconsin, and Wyoming.

³ Alaska, Arizona, California, Colorado, Georgia, Illinois, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Carolina, Oklahoma, South Carolina, and Washington. ■

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