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Prairie View A&M University College of Business

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MEXICO IMPOSES NEW TARIFFS ON U.S. PRODUCTS

The Mexican government has recently announced increased import tariffs on 90 different U.S. agricultural and industrial products. This tariff hike is in response to a recent U.S. decision to suspend funding for a pilot program that allows Mexican trucks (that meet U.S. safety and regulatory standards) to enter the U.S. under the NAFTA trade agreement. A study by the U.S. Department of Transportation has estimated that this ban on Mexican trucking will result in U.S. consumers paying more than \$400 million per year in increased costs.

The most affected U.S. products for the new tariff rates are: dates (new tariff is 20%), grapes (45%), pears (20%), apricots (20%), cherries (20%), sauces and salad dressings (20%), wines (15%), shampoos (15%), personal deodorant (15%), printed advertising or brochures (20%), sunglasses (15%), and fruit or vegetable juice (15%). Until now, these products were subject to zero tariffs. It is estimated that the products selected for the increased tariff account for over \$2.4 billion in U.S. exports to Mexico. Not only businesses in California, Oregon and Washington will be hurt by these tariffs, but also small and medium-sized firms in Texas will be hurt.

With economic slowdown looming on both sides of the border, this particularly is not a good time for any trade policy that can adversely affect the nearly \$370 billion in bilateral trade between the two neighbors. However, there seems to be growing support for increased protectionism in both countries, which can potentially amplify a small trade dispute such as this one into a wider trade war.

President Obama is scheduled to visit Mexico and meet with Mexican President Felipe Calderon for the first time on April 16th. It is expected that bilateral economic and trade relationship will take the center stage in discussions between the two leaders and there could be meaningful discussions on designing a long-term solution for the trucking problem. President Obama should also work with the U.S. Congress in resuming the pilot program to allow Mexican trucks into the U.S., which may not please everybody (especially organized labor and environmental groups), but that will serve the greater economic interests of both countries.

Source: "Mexico Increases Tariffs on U.S. Products", *International Trade Center Advocacy Update*, International Trade Center, San Antonio, Texas.





Dr. Rahim Quazi
Editor

Editor's Note

Greetings. It gives us immense pleasure to present to you the 19th issue of the *Prairie View International Business Digest*, an electronic quarterly newsletter produced by the Center for International Business Education at Prairie View A&M University.

This issue features four sections. The first section (*Mexico Imposes New Tariffs on U.S. Products*) discusses the causes and consequences of new tariffs Mexico has imposed on 90 different U.S. agricultural and industrial products. The second section (*Economic Slowdown in China*) discusses the current economic slump in China. The third section (*International Business News*) briefly summarizes some international business news. The final section (*Harris County International Trade & Transportation Conference*), contributed by Dr. Gin Chong, briefly discusses a recent conference on trade and transportation related issues. Please note that all URL links are active and you can go directly to an article from the table of contents section on the first page.

We hope you continue to find this e-newsletter a valuable channel for important information relating to international business. We do hope our efforts will inspire greater number of local firms to seek out new opportunities in international business. Should you have any questions or suggestions, please feel free to contact us. We would also like to hear from you on the content of future issues of this newsletter. Thank you for your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rahim Quazi', written in a cursive style.

Rahim Quazi, Ph.D.
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Economic Slowdown in China

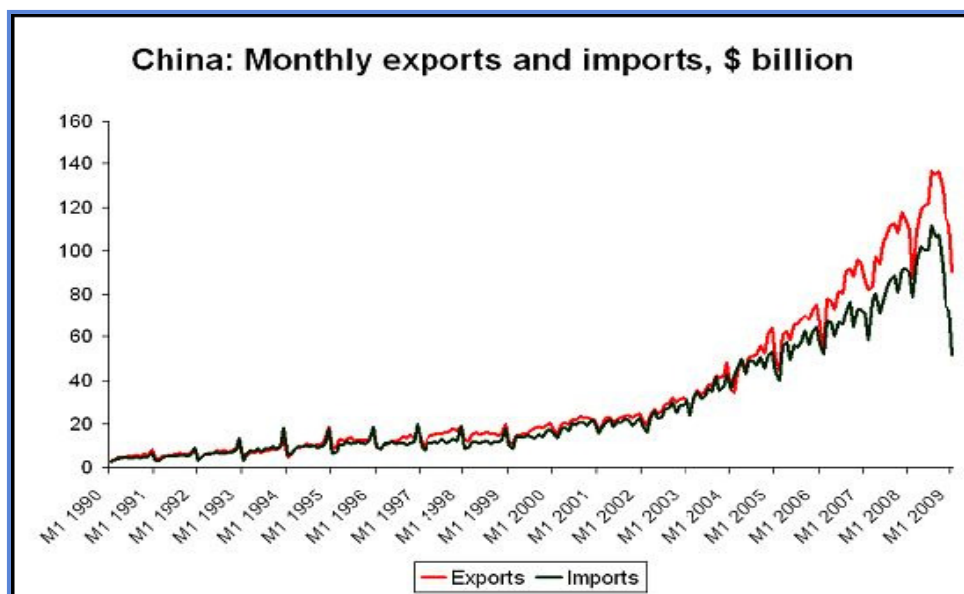
In the backdrop of the global economic slump, China's GDP growth stalled in the last quarter of 2008. In comparison, Japan's economy contracted by 3.3% in the same period from the previous quarter (which on an annualized basis amounted to a 12.7% contraction in GDP) - the worst performance for the Japanese economy in the last 35 years. Europe's GDP also fell by a 6% annualized rate and German GDP contracted by an 8% annualized rate.

The latest Chinese trade data reveal a 17% decline in exports and a staggering 43% decline in imports. Due to this massive decline in imports, China's trade surplus has remained very high (about \$39 billion - the second highest on record). Chinese exports to the European Union fell by 17.4% and to the U.S. fell by 9.8%. To boost faltering exports, Chinese government researchers have begun recommending deliberate government actions to depreciate the Chinese currency (Yuan) against the dollar. However, there is no indication as of now that the Chinese government will indeed adopt such a policy, which together with its record high trade surplus can potentially add to tensions with its trade partners.

The collapse of China's export sectors has rendered many rural migrant workers unemployed. According to government estimates, about 20 million of the

estimated 130 million rural migrant workers in China's industrial sector have become unemployed and returned home. The 15.3% unemployment rate among migrant workers is not captured in the official unemployment statistics, which is based only on urban workers who register as unemployed. That official unemployment figure in December 2008 stood at 8.86 million people, or 4.2% of the urban workforce, which possibly underestimates the true magnitude of the problem.

Some recent figures have caused speculation that the Chinese economy is perhaps close to turning the corner. The output index rose to 39.7 in January from 38.6 in December (which had been a record low), the new manufacturing order index was up to 39.9 from 37, and the export order index rose to 36.3 from 33.6. However, most experts believe that notwithstanding these dubious signs, a systematic and broad-based recovery of the Chinese economy is months away. 



Source: AT Capital Weekly Update, February 16, 2009, AT Capital Research
http://www.at-capital.com/images/at/at_capital_weekly_16_february_2009.pdf

INTERNATIONAL BUSINESS NEWS

State Department Website Provides Guidance & Advisories For International Travel

Keep up on conditions abroad that may affect your safety and security. Country Specific Information, Travel Alerts, and Travel Warnings available from the U.S. State Department can be accessed at: http://travel.state.gov/travel/travel_1744.html.

CS Houston Business Service Directory

Member company profiles are made available to U.S. exporters, international buyers, and clients of the U.S. Commercial Service. Cost: \$300 for small business (less than 500 employees). More details are available at:

<http://www.buyusa.gov/houston/houstonbsp.html>.

Connecting The Gulf Coast Community To The Global Market

L'Auberge Du Lac Casino Resort, Lake Charles, LA
(April 1-3, 2009)

International trade specialists and foreign dignitaries will attend this year's conference. Agenda topics include:

- Importance of Global Trade to Economic Survival
- Developing Sustainable Business through Trade
- Federal & State Business Resources

More details are available at:

<http://www.allianceswla.org/PageDisplay.asp?p1=5521>.

Export Finance: A Key To Economic Recovery

Omni Shoreham Hotel, Washington, DC. (April 16-17, 2009)

The 75th Anniversary Annual Conference organized by the Ex-Im Bank will include sessions on small business exports, Africa and India, and trade finance options with other U.S. government agencies. Cost: \$535 (\$150 for first time small business attendee). More details are available at: <http://www.exim.gov/>

Small Is Beautiful - Webinar Series -Export Opportunities In Europe

Cost: \$35

Time: 10:30 AM Central Time

Date: Nordic Region - April 1; Spain & Portugal - May 20;
Greece - June 3

More details are available at:

http://www.buyusa.gov/europe/team_events.html

Financing Exports During The Credit Crunch

The National Association of Manufacturers (NAM) and U.S. Commercial Service presented this webinar on February 3rd. The recorded version of this program can be accessed for \$25. More details are available at:

<http://www.buyusa.gov/manufacturing/exportsandcredit.html>.

Recent CS-Produced Market Research Reports

To access the CS Market Research Library, visit:

<http://www.export.gov/mrktresearch/index.asp>.

(Source: *Export News*, U.S. Export Assistance Center, Houston.)

Harris County International Trade & Transportation Conference

- Dr. Gin Chong

Associate Professor of Accounting

Dr. Quazi and I attended the first Harris County International Trade & Transportation Conference in Houston on January 11 and 12, 2009. This is expected to be an annual event.



Over 150 business leaders from Harris County and beyond attended the conference. Key themes of the conference included trade, transportation, economic partnerships between the U.S. and Mexico and the U.S. infrastructure. Presenters and moderators at the conference included Harris County Judge Edmond Emmett, Jeff Moseley (President & CEO of Greater Houston Partnership), Robert Voltmann (President of Transportation Intermediaries Association) and Jorge Canavati (Mexico Business Association of San Antonio).

Dr. Gin Chong
Associate
Professor

Judge Emmett organized the conference in view of the increasing volume of U.S. trade with Mexico and Asia, and the challenges faced by businesses engaged in international trade and transportation. The conference was well organized and provided a good platform for networking and exchanging ideas.

PVAMU College of Business Vision and Mission Statements

The vision of the College of Business is to be a premier business institution that empowers students to realize their dreams through an excellent education.

The mission of the COB is to provide a diverse student body with a business education that produces readily employable professionals who are productive, ethical, entrepreneurial, and prepared to succeed in a competitive global economy. The College is committed to the pursuit of excellence in teaching, research and service. We will achieve these through an outstanding faculty and alliances with stakeholders. While undergraduate education remains our primary focus, the COB aspires to expand its graduate programs. The student experience will be distinguished by personal attention, teamwork, leadership training, and an understanding of the link between business and society.



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If you would like to receive an electronic version of this newsletter, please contact Dr. Rahim Quazi in the College of Business at 936-261-9225 or rmquazi@pvamu.edu

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www.pvamu.edu/business



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