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Prairie View A&M University College of Business

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The Current Economic Crisis and Global Trade (Part 1)

The current economic crisis is likely to exact a heavy toll on the volume of global trade in 2009. Following the dramatic deterioration of the financial crisis since September 2008, real global output growth has slowed to 1.7% (compared to 3.5% in 2007), and is likely to fall by between 1% and 2% in 2009 - the first decline in total world production since the 1930s. WTO economists recently projected that the current economic crisis will drive global exports down by roughly 9% in 2009 - the biggest such drop since the World War II. The contraction in developed countries will be particularly severe with exports falling by 10% and in developing countries exports will shrink by 2% - 3%.

Signs of the sharp drop in trade were evident in the second half of 2008 as demand slumped and production dropped. Although world trade grew by 2% for the whole of 2008 (compared to 6% in 2007), it slowed down considerably in the last six months of the year. A key feature of the current slump in world trade is its synchronized nature - monthly exports and imports of major economies have been falling concurrently since September 2008.

Trade prospects for 2009 are heavily dependent on the financial crisis that began two years ago in the U.S. The financial crisis intensified following the collapse of Lehman Brothers in September 2008, and the government-led rescue of a number of financial institutions in the U.S. and elsewhere. Turmoil in the financial sector soon spread to the real sector, where falling asset prices and slumping demand translated into lower/negative production and trade growth.

Since the onset of the recession in the last quarter of 2008, prospect for trade in 2009 has remained bleak. The financial crisis has disrupted the banking system and deprived potential borrowers (both firms and households) of credit. Stock market crash and falling housing market have also caused negative wealth shocks, making households unwilling to spend. Although a blessing to consumers in importing countries, falling oil prices have deprived oil-producing countries of export revenues.

(Continued on page 3.)





Dr. Rahim Quazi
Editor

Editor's Note

Greetings. It gives us a great pleasure to present to you the 20th 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 (*The Current Economic Crisis and Global Trade - Part 1*) is the first part of a multi-part article that discusses how global trade has been negatively affected by the current economic crisis. The second section (*Bush Intercontinental Airport Promotes International Trade*), contributed by Dr. Gin Chong, briefly discusses a recent seminar organized by the Netherlands Texas Business Association on the impact of the George Bush Airport on international trade. The third section (*International Trade & Business News*) briefly summarizes some international trade and business news. The final section (*Title VI 50th Anniversary Conference*), contributed by Dr. Brian Lee, briefly discusses a conference organized by the Michigan State University to celebrate the 50th anniversary of Title VI of the Higher Education Act. 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 over a horizontal line.

Rahim Quazi, Ph.D.
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The Current Economic Crisis and Global Trade (Part 1)

(Continued from page 1.)

Not even the dynamic fast-growing Chinese economy can insulate itself from the global recession, as most of its main trading partners are also in recession. China's top six export markets, which accounted for 70% of the country's total exports in 2007, are currently experiencing economic downturn and are likely to exhibit depressed import demand in the near future. However, trade data show that merchandise imports have fallen through the first two months of 2009 for most major economies except for China (where merchandise imports registered a hefty 17% growth), Singapore, Taiwan, and Vietnam, which perhaps could be an early indication of a "bottoming out" of negative trade growth trends, at least in Asia.

Although a large drop in global trade is widely projected, there however remain substantial risks to these projections. On one hand, economic growth could resume more quickly than anticipated if financial sector reforms are expedited and credit markets begin to function normally, which is the key to transforming higher savings that household have currently amassed into productive investment. On the other hand, economic recovery could be slower than expected if private consumption does not return to its normal trend soon. Further negative developments in financial markets could prolong the current crisis, as could a surge in protectionist trade policies.

The Director-General of WTO, Mr. Pascal Lamy, is wary of the possibility of rising protectionism dealing a crushing blow to the already faltering levels of global trade. "Governments must avoid making this bad situation worse by reverting to protectionist measures, which in reality protect no nation and threaten the loss of more jobs... The use of protectionist measures is on the rise. The risk is increasing of such measures choking off trade as an engine of recovery. We must be vigilant because we know that restricting imports only leads your trade partner to follow suit and hit your exports. Trade can be a potent tool in lifting the world from these economic doldrums," Mr. Lamy said.

(To be continued in the next issue)

Source: "WTO sees 9% global trade decline in 2009 as recession strikes." WTO: 2009 Press Releases, Press/554, 23 March 2009 . (http://www.wto.org/english/news_e/pres09_e/pr554_e.htm).

Bush Intercontinental Airport Promotes International Trade

- Contributed by


Dr. Gin Chong, Associate Professor of Accounting

On March 5, 2009, I attended the monthly meeting of The Netherlands Texas Business Association (NTBA) in Houston. The NTBA encourages and facilitates the growth of bilateral trade, business and cultural relationships between the Netherlands and Texas, and works closely with the Association of European Chambers of Commerce and Industry to promote trade between Texas and Europe (more details about the NTBA can be found at: <http://www.netherlandstexas.com/index.htm>).



Dr. Gin Chong
Associate
Professor

Over thirty local business leaders attended the seminar, which provided a good forum for business professionals and firms to network. The speaker for the evening was Mr. Holden Shannon, Sr. Vice President, Global Real Estate and Security of Continental Airlines, who spoke on the future of the Bush Intercontinental Airport and what the airport means for Houston as a modern international city.

Mr. Shannon used various data to illustrate the importance and contributions of the Bush Intercontinental Airport to international travel and trade between the U.S. and its neighboring countries, particularly the Central and Latin American countries. He concluded that although the world is facing a deep recession, the airport remains, in terms of international trade volume, one of the fastest growing airports in the world. The airport plans to add more facilities to handle the surge in volume of international trade, especially in oil and gas and medical sectors. The expansion will help create jobs, but will also add challenges to maintaining the airport's securities and protecting the surrounding environment. 

International Trade & Business News

Update: U.S.-Cuban Relations

The U.S. government has recently announced two important steps to improve relations with Cuba:

- Authorization for U.S. telecommunications network providers to enter into agreements to establish fiber-optic cable and satellite telecommunications facilities linking the U.S. and Cuba.
- Adding certain humanitarian items to the list of items eligible for export through licensing exceptions.

Specific guidance on U.S. sanctions against Cuba can be found at this link:

<http://www.treas.gov/offices/enforcement/ofac/programs/cuba/cuba.shtml>

For a recent White House fact sheet, see

http://www.whitehouse.gov/the_press_office/Fact-Sheet-Reaching-out-to-the-Cuban-people/

Passports Required for Travel to Canada & Mexico

The Western Hemisphere Travel Initiative (WHTI), in effect for air travel since January 23, 2007, and for land and sea travel since June 1, 2009, requires U.S. and Canadian travelers to present a passport or other document that denotes identity and citizenship when entering the U.S. This requirement is a result of the Intelligence Reform & Terrorism Prevention Act of 2004 (IRTPA). More information can be found at: http://www.getyouhome.gov/html/eng_map.html

Access America - A new Chinese-language directory of U.S. firms

This directory provides customized services to Chinese companies that want to conduct business in the U.S., including finding partners and setting up offices. This directory also gives U.S.-based companies and economic development agencies access and exposure to Chinese clients who seek U.S. expertise in global logistics, trade finance, HR, tax, insurance, legal and regulatory issues, marketing, and other support. Firms can have their company information, logo, and contact details listed in the directory for an annual subscription fee of \$400. More information can be found at: http://www.buyusa.gov/china/en/access_america.html

2nd Sub Saharan Africa Oil & Gas Conference

Intercontinental Hotel, Houston, July 28-29, 2009

This 2-day conference will offer successful strategies for addressing the issues of field and market development, storage, distribution and safety in the emerging sub-Saharan African market. Cost: \$1,000 (2 day conference).

For details, see <http://www.energycorporateafrica.com/>

(Continued on page 5.)



International Trade & Business News

(Continued from page 4.)

Louisiana Gulf Coast Oil Exposition 2009

Lafayette, Louisiana, October 27-29, 2009
LAGCOE is the 2nd largest oil and gas show in the United States.

For details, see <http://www.lagcoe.com/>

U.S.-Mexico Border Energy Forum

Houston, Texas, October 15-16, 2009
Moving together toward a clean energy future
For details, see:

<http://www.borderenergyforum.org/>

Upcoming Webinars

- U.S.-Canada Non-Resident Importer Program. June 17, 2009, Time: 1:00-2:00 PM CST, Cost: \$35

<https://emenuapps.ita.doc.gov/ePublic/newWebinarRegistration.jsp?SmartCode=9Q8I>

- World Bank: How To Identify, Track and Pursue World Bank Funded Projects. June 24, 2009, Time: 1:00-2:30 PM CST, Cost: \$50

<http://www.buyusa.gov/environmental/wbwebinar.html>

- Sending Samples To Mexico: Trade Shows and Temporary Imports. June 25, 2009, Time: 1:00-2:30 pm CST, Cost: \$40

http://www.buyusa.gov/mexico/en/increase_international_sales.html

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

Title VI 50th Anniversary Conference

- Contributed by

Dr. Brian Lee, Professor of Accounting

This conference was organized on March 19-21, 2009, by Michigan State University with support from the U.S. Department of Education to celebrate the 50th anniversary of Title VI of the Higher Education Act. There were nearly 300 participants and 20 exhibitors in attendance. Several sessions and plenary presentations during the three-day conference period were designed to address three major themes:

1. Significant impact of the Title VI programs in the United States over the past 50 years
2. Pressing need for the Title VI programs given future and current needs
3. Future direction of the Title VI programs



Dr. Brian Lee
Professor

Title VI is comprised of ten programs in international education, which were originally authorized in the National Defense Education Act of 1958 and then incorporated into the Higher Education Act of 1965. Title VI programs focus on the enhancement of training and research in international fields, which are vital determinants for the United States to continue its prominence in world trade, as well as to preserve its national security.

Discussion topics and issues at the conference were carefully chosen to reflect the main spirit that underlies Title VI. During the dinner speech, the Honorable Madeleine K. Albright, the 64th Secretary of State of the United States, reiterated the importance of international education in promoting the global competitiveness of America in terms of its workforce and products.

Overall, this was a useful and informative conference offering a good opportunity to develop a network that connects institutions with different resources and interests in international education. Nonetheless, future conference organizers might consider inviting representatives from foreign countries to offer their viewpoints about how international issues should be defined and pursued. 🌐

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
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www.pvamu.edu/business



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