

PRAIRIE VIEW International Business Digest

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Prairie View A&M University College of Business

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The Current Economic Crisis and Global Trade (Part 2)

The precipitous decline in international shipping is a key indicator of the shrinking volume of global trade. According to data released by the International Air Transport Association, air cargo traffic was down 23% in December 2008 compared to a year earlier. Another key indicator of the overall volume of global trade is the Baltic Dry Index, which measures the cost of shipping bulk cargo by sea. Published by the Baltic Exchange in London, this index tracks global demand for manufactured goods. Between June and November of 2008, the Baltic Dry Index fell by 94%.

North America's commercial services trade grew rapidly in the first three quarters of 2008 (13% for exports and 10% for imports), but slowed precipitously in the last quarter (-2% for exports and -3% for imports). The most battered sector was travel & tourism (-2% growth for exports and -6% growth for imports). The deleterious impact of a global recession is also evident in the case of Europe, where exports of commercial services dropped by 11% in the last quarter of 2008 (down from a 19% growth in the first three quarters of 2008).

The current global recession has particularly hit hard the automobile industry globally. The U.S. automobile industry suffered a 41% decline in sales in February 2009 over the previous year. In the 4th quarter of 2008, exports of automotive products from Japan to the global market fell by 18% and to the U.S. fell by 30%. According to the European Automobile Manufacturers Association, passenger car registrations in 2009 were down 18% from the previous year. Automobile exports from Germany were down 51% in February 2009 over the previous year, while auto imports were also down 47%. Nevertheless, Germany witnessed a 22% boost in domestic automobile sales, thanks to the 2,500 Euro "scrapping bonus" provided by the German government to customers who replaced older vehicles with new vehicles.

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Dr. Rahim Quazi
Editor

Editor's Note

Greetings. It gives us a great pleasure to present to you the 21st 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 three sections. The first section (*The Current Economic Crisis and Global Trade - Part II*) is the last part of a two-part article that discusses how global trade has been negatively affected by the current economic crisis. The second section (*U.S. Trade Deficit Rises in July*) presents the most recent trade deficit data and discusses how economists see the rising U.S. trade deficit as evidence of an economic upturn. The third and final section (*International Trade & Business News*) briefly summarizes some international trade and business news. 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 be 'Rahim Quazi', written over a light blue horizontal line.

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The Current Economic Crisis and Global Trade (Part 2)

(Continued from page 1.)

In 2008, global merchandise trade growth slowed significantly to 2% (down from 6% growth in 2007). However, global trade still managed to grow faster than global output, which typically happens when output growth is still positive, and conversely, when output growth turns negative, trade volume tends to decline even faster, as we witnessed in 2009. The top 5 merchandise exporting countries in 2008 were Germany (\$1.47 trillion), China (\$1.43 trillion), U.S. (\$1.3 trillion), Japan (\$782 billion), and the Netherlands (\$634 billion). On the other hand, the top 5 merchandise importing countries in 2008 were the U.S. (\$2.17 trillion), Germany (\$1.21 trillion), China (\$1.13 trillion), Japan (\$762 billion), and France (\$708 billion).

Global commercial services exports rose 11% in 2008 to \$3.7 trillion. The top 5 commercial services exporting countries were the U.S. (\$522 billion), the UK (\$283 billion), Germany (\$235 billion), France (\$153 billion) and Japan (\$144 billion). On the import side, the top 5 countries were the U.S. (\$364 billion), Germany (\$285 billion), the UK (\$199 billion), Japan (\$166 billion) and China (\$152 billion).

The region with the fastest export growth in 2008 was the Commonwealth of Independent States (a group of former Soviet Union states), which recorded a 6% growth from 2007. The region also



had the second highest import growth (15% growth over the previous year). Asia's exports and imports dropped sharply in volume terms - export growth was 4.5% (down from 11.5% in 2007) and import growth was 4% (down from 8% in 2007). Europe registered the slowest export growth of any region last year, with a growth rate of just 0.5% (down from 4% in 2007), while import growth turned negative in 2008, falling by 1%. North America's exports and imports were down sharply from 2007 - exports grew by 1.5%, while imports dropped by 2.5%. 📉

(Adopted from: "WTO sees 9% global trade decline in 2009 as recession strikes." WTO: 2009 Press Releases, Press/554, March 23, 2009.)

U.S. Trade Deficit Rises in July

The U.S. Commerce Department reported on September 10, 2009 that the U.S. monthly trade deficit increased by 16.3% to \$32 billion in July, the highest level in six months. U.S. monthly exports increased by 2.2% to \$127.6 billion (this is the third consecutive monthly increase in exports, which is still below the record level of \$164.4 billion set in July 2008), which is mostly due to gains in shipments of civilian aircrafts, computers, industrial machineries and medical equipments. Caused by a spike in imports of auto and auto parts and crude oil, U.S. monthly imports in July increased by 4.7% to \$159.6 billion (this is the second consecutive monthly gain after imports had dropped for 10 straight months as the recession forced U.S. consumers to curb their appetite for foreign made goods). Economists are cautiously optimistic that these figures indicate that the most severe global recession in decades is perhaps beginning to come to an end.

There was a 21.5% spike in imports of autos and auto parts, which in part reflects a rebound in production at U.S. auto plants owned by GM and Chrysler. Faced with looming prospects of bankruptcy, these two companies had cut their production levels in previous months. These as well as foreign automakers with U.S. plants use a large volume of foreign-made auto parts in manufacturing operations. Imports of oil also increased in July, rising by 3.6% to \$22.4 billion (the highest total since December 2008), which was primarily caused by two factors - a rising volume of trade shipments and a higher price of crude oil.

The global recession hit the U.S. companies really hard as demand for their products dropped significantly in the domestic as well as major

export markets. Economists are optimistic that a rebound in global trade and a weaker dollar will help boost U.S. exports in ensuing months (a weaker dollar vis-à-vis other currencies makes U.S. products less expensive to foreign consumers).

The July 2009 trade deficit registered the second consecutive monthly increase after reaching a nine-year low of \$26.4 billion in May 2008. As of now this year, the U.S. trade deficit is currently running at an annualized rate of \$355.5 billion, which is

only half of last year's figure of \$695.9 billion. Economists predict that fueled by stronger growth in the U.S. economy (and also rising oil prices), the trade deficit will keep on rising in coming months. Economists, however, are also optimistic that the rising trade deficit is further evidence that the battered U.S. economy is about to turn a corner and the trade deficit in 2010 will possibly reach its pre-recession levels. 🌐



(Adopted from: "July Trade Deficit Climbs 16.3 Pct to \$32 Billion." Martin Crutsinger, AP Economics Writer, Thursday, September 10, 2009.)

International Trade & Business News

A Basic Guide to Exporting Webinar Series

Learn how to grow your business by selling to the global market. Register for two or more webinars and get a complimentary copy of the book. Cost is \$40 per session.

- How to Identify Potential Markets, September 9
- Trade Financing & Payments, September 23
- Cashing In with Free Trade Agreements, October 7
- Understanding Export Controls, October 21
- Finding International Partners, November 4
- Understanding Documentation, November 18
- Export Basics: Protecting Your IPR, December 2

For details, see http://www.export.gov/basicguide/eg_main_020109.asp



New WTO Tariff Information Website

This new website provides comprehensive information on past 3-years' tariffs at the standard Harmonized System subheading level for all 153 WTO members. For details, see <http://tariffdata.wto.org/Default.aspx?culture=en-US>

Find Foreign Companies with Operations in Texas

Free information is available on nearly 2,000 foreign-owned businesses that operate in Texas. For details, see: http://www.governor.state.tx.us/ecodev/business_research

Business Across Borders: Mexico, United States & Canada

(Intercontinental Hotel, Houston, September 24)

The Greater Houston Partnership, in collaboration with the University of Texas at Austin's Center for International Business and Education Research (CIBER), is organizing a half-day conference on Cross-Border Logistics. Special focus is on trade and supply chain issues affecting key industries in the NAFTA region. Cost: Members - \$75 & Nonmembers - \$150.

For details, see <http://www.houston.org/events/news/businessacrossborders/index.html>

Texas Global Trade Summit 2009 (Downtown Hilton, Austin, October 8)

The Office of the Governor is organizing a trade summit for small businesses to meet with export experts and discuss global trade opportunities.

For details, see <http://www.texastrade.org/>

U.S.-Mexico Border Energy Forum (Houston, October 15-16)

This annual event will cover energy infrastructure and continental security, clean technology, transportation fuel, natural gas, carbon solutions, future of energy policy, and other topics. Cost: \$200. For information and details, see <http://www.borderenergyforum.org/>

Women's Global Leadership Conference in Energy & Environment 2009

(Hilton Americas Hotel, November 3-4)

Industry leaders and international speakers will discuss critical issues such as recruiting and retention, interconnectedness of energy value chain, corporate strategy, etc. For details, see <http://www.wglnetwork.com/>

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

PVAMU College of Business Vision and Mission Statements



Next Issue - December 2009

Vision Statement:

Our vision is to empower students from diverse backgrounds to become productive and ethical business professionals who are among the best in the world.

Mission Statement:

We provide a diverse student body with an education that creates highly productive professionals who are ethical, entrepreneurial, and prepared to succeed in the global economy. The College achieves this through excellence in teaching, research and service, and engagement with the business community and other stakeholders. The student experience is distinguished by personal attention, teamwork, leadership training, and appreciation of the social responsibility of business.

If you would like to receive an electronic version of this newsletter, please contact
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