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Prairie View A&M University College of Business

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Future World Trade Patterns and International Accounting

(Contributed by Gin Chong)

In March 2011, PricewaterhouseCooper published *Future of World Trade* (the Report) which predicted the top 29 countries on bilateral trade relationships (either by sea or air freight) in 2030. Using the Delphi methodology to analyze and predict trade volume, PwC identified these 29 countries based on either actual levels of foreign trade or the potential for fast growth over the next 20 plus years. In summary, the Report:

- concludes that China, featuring in 17 out of top 25 international bilateral trade pairs in 2030, will overtake US and dominate world trade,
- identifies four key trade relationships that will experience high growth:
 1. trade within the Asia Pacific region
 2. trade between emerging economies and developed countries
 3. trade among emerging economies in Asia and South America
 4. trade between China and Africa
- lists key challenges and opportunities for transportation and logistics firms including cross boundary transactions, recruiting and retaining talented human resources, mitigating corruption, and understanding tax policies.



Dr. Gin Chong

Bilateral trade

Over the next 20 years, trade volume will increase due to continuing revolution in IT, interdependence among trading partners, and willingness to shift manufacturing to lowest cost countries, notably in the emerging economies and China. This means that by 2030 the US will lose its global dominance to China in terms of trade volume with other developed countries like Japan and the UK. Chinese exports to the US will be three times the reverse flow in absolute value, but China will remain a key importer of consumer goods from developed and the newly industrialized countries like South Korea. This will help in rebalancing existing trade flows between developed economies and China, and reducing inefficiency caused by current imbalances, for example, shipping empty containers back to China.

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Editor's Note

Greetings. It gives us a great pleasure to present to you the 29th 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 is an article by Dr. Gin Chong, an Accounting Professor at PVAMU, on the future global trade patterns. The second section presents a brief summary of a training workshop that we recently conducted for local high school educators. The final section highlights current global business/trade news and events.

We hope you continue to find this e-newsletter a valuable channel for important information relating to international business. Should you have any questions or suggestions, please feel free to contact us.

Thank you for your support,



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Dr. Rahim Quazi
Editor

Outreach Workshop

The PVAMU CIBE organized a daylong training workshop for local high school educators on August 10, 2011 (9:00-5:00 pm). High school educators from Houston, La Porte, Spring Branch, Clear Creek, and Deer Park ISDs attended the workshop. We also had guests from ExxonMobil and Federal Reserve Bank. The attendees received teaching tips and materials suitable for course and curriculum design, unit and lesson planning, and CPE letters. The workshop was funded by the BIE grant from the U.S. Department of Education.

Two PVAMU business faculty members, Dr. Bell and Dr. Quazi, were the main presenters. Dr. Quazi discussed several lesson plans on the basics of globalization and international trade, and Dr. Bell discussed several topics on cross-cultural communication. A video case study on sweatshops was also discussed and there were several hands-on learning activities.



Future World Trade Patterns and International Accounting

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Trade volumes between India and China will continue to rise in particular in electronic equipment, electrical products and manufactured items. This is due to abundance of cheap labor, improved infrastructure and ease of doing business. Trade volume between China and the oil rich countries in the Middle East will also increase due to continuing demand for oil to fuel China's production processes.

The shift in trade patterns between the US and developed economies like Japan, Germany and the UK arises due to increased urbanization and consumer demand for cheaper items from the emerging economies. Table 1 below lists the top 25 trade relationships in 2009 (actual) and 2030 (predicted). The data show not only an increase in trade volume, but also an increasing range of countries involved in global trade.

Table 1

	2009			2030		
	Air and Sea Freight Bilateral Trade Pairs		Value (mil \$ '09)	Air and Sea Freight Bilateral Trade Pairs		Value (mil \$ '09)
1	China	US	290,960	China	US	594,741
2	China	Japan	207,677	China	Japan	336,183
3	Japan	US	146,523	China	S. Korea	281,140
4	China	S. Korea	140,342	China	India	263,063
5	Germany	US	118,773	China	Germany	201,382
6	Germany	UK	113,209	Japan	US	189,785
7	China	Germany	102,171	China	Singapore	178,291
8	UK	US	97,624	China	Indonesia	169,356
9	Japan	S. Korea	69,008	Germany	US	167,467
10	UK	Netherlands	68,062	China	Malaysia	162,376
11	S. Korea	US	66,443	China	Nigeria	151,570
12	UK	France	62,388	Germany	UK	144,131
13	Hong Kong	US	58,016	UK	US	143,725
14	China	Singapore	56,446	China	Thailand	141,201
15	France	US	54,414	China	Saudi Arabia	140,320
16	China	Australia	54,163	China	Brazil	136,295
17	Netherlands	US	51,989	US	India	125,826
18	Japan	Hong Kong	45,941	China	UK	121,603
19	China	Netherlands	43,319	China	UAE	120,318
20	UK	Belgium	43,177	China	Australia	117,340
21	UK	Ireland	42,943	S. Korea	US	116,741
22	US	Brazil	41,984	Hong Kong	US	111,972
23	Japan	Australia	41,661	China	Netherlands	102,373
24	US	Belgium	41,491	China	France	92,581
25	US	Singapore	40,025	US	Brazil	90,756

Sources: PwC analysis, the World Bank and IMF

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Future World Trade Patterns and International Accounting

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Key opportunities and challenges

The projected increase in trade volume will create opportunities for logistics and transportation firms that are involved with trade within the Asia Pacific region, trade between the developed economies and emerging economies, trade among the emerging economies, and trade between China and Africa. Before venturing into these new markets, PwC advises firms to carefully plan for safeguarding assets including physical, human, and intellectual, and assessing the local economic and political stability, business regulations, inflation indices, business risk, corruption risk, and complicated tax regime. Firms may also face on-going challenges of recruiting and retaining key personnel.

Conclusion

Although the PwC report does not mention the extent and impact of global trade on international accounting and reporting issues, and on firms' internal controls, I suggest that all cross-border firms install an updated system for capturing and reporting international transactions for compliance with the international accounting standards, and for ensuring integrity and accountability. 

Reference: PricewaterhouseCooper, *Future of World Trade: Top 25 Sea and Air Freight Routes in 2030*, March 2011.

Global Trade & Business: Current News and Events

Exports = American Jobs

According to a report issued by the U.S. Department of Commerce's International Trade Administration, U.S. exports supported an estimated 9.2 million jobs in 2010, up from 8.7 million jobs in 2009, and for every billion dollars of exports, over 5,000 jobs are supported. Click [here](#) for more details.

National Export Strategy 2011 Edition Released

National Export Strategy is the annual report of the Trade Promotion Coordinating Committee (TPCC), an interagency body comprised of 20 federal agencies. The 2011 report focuses on methods of implementing 70 recommendations made in a 2010 report to President Barack Obama on the National Export Initiative (NEI), which calls for doubling of U.S. exports by the end of 2014. Click [here](#) for more details.



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Global Trade & Business: Current News and Events

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Houston Hispanic Chamber of Commerce Business Development Breakfast

Renaissance Hotel, Houston, October 12

This is one of the largest networking events in Houston where attendees have the opportunity to promote their businesses at expo tables. More details can be found [here](#).

US-Mexico Cross-Border Trucking Resolution - Retaliatory Tariffs on U.S Exports Reduced

In 2009, as a result of a cross-border trucking dispute between the U.S. and Mexico, the Mexican government imposed retaliatory tariffs on 89 products exported from the U.S. Following a recent Memorandum of Understanding (MOU) signed between the two governments, Mexico reduced those duties by fifty percent. For a list of products and tariff reductions, click [here](#).



Two Ways to Access Trade Data

Trade Stats Express. See <http://tse.export.gov/TSE/TSEHome.aspx>.

USA Trade Online. See <https://www.usatradeonline.gov/>.

For a comparison of the two services, click [here](#).

SBA Export Business Planner

This innovative tool is designed to serve as a roadmap for creating export business plans that explore foreign markets, develop marketing plans, explore financing and product costing, etc. Click [here](#) for details.

SBA Video Series

With nearly 96% of the world's customers living outside the U.S., small businesses that export can increase their sales and profits. Video success stories from small business exporters and interviews with expert trade specialists are hosted [here](#).

Exporting to South Korea Seminar

PVAMU Northwest Campus, September 27

Jointly organized by the PVAMU Center for International Business Education, SBDC and the Houston Export Assistance Center, the program will focus on international business opportunities and challenges for small businesses in South Korea. Cost: \$50 including lunch. Click [here](#) for more details.

Business Opportunities in Latin America

Doubletree Hotel, Downtown Houston, September 28

Co-sponsored by the Business Council for International Understanding (BCIU), Greater Houston Partnership (GHP), and US Commercial Service (CS) Houston, this event will feature the U.S. ambassadors and senior commercial officers for Colombia and Panama. Cost: \$35. More details can be found [here](#).

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Global Trade & Business: Current News and Events

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Americas Competitiveness Forum

Santo Domingo, Dominican Republic, October 5-7

Hosted by the President of the Dominican Republic, this forum will bring together leaders from all nations of the Americas. This year the conference will focus on education, renewable energy, business climate, and trade facilitation. More details can be found [here](#).

September						
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
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US-Mexico Border Energy Forum XVIII

El Paso Convention Center, October 27-28

In partnership with *Re-Energize the Americas*, this annual event brings together private and public sector leaders from all 10 U.S. border states, Mexico City and Washington, D.C. More details can be found [here](#).

October						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Women's Global Leadership Conference in Energy and Technology

Hyatt Regency, Downtown Houston, November 15-16

The mission of this conference is to provide a global platform for women leaders to discuss issues surrounding leadership in the energy industry. More details can be found [here](#).

The Big 5 Dubai

Dubai World Trade Center, November 21-24

Featuring more than 2,500 exhibitors and 70 country pavilions, *The Big 5* is the essential gateway to the huge construction market in the Middle East and North Africa (MENA). For details, contact Giles Hazel at

gilesh@kallman.com. 

November 2011						
S	M	T	W	T	F	S
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Sources: *Houston Export News*, U.S. Export Assistance Center, Houston
Mayor's International Newsletter, City of Houston

PVAMU College of Business Vision and Mission Statements

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.



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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

Visit our website!
www.pvamu.edu/business or
www.pvamu.edu/pages/4478.asp



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