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St. Louis Trade News and International Business Headlines

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St. Louis-China Hub Almost Reality

Charles Jaco, St. Louis Fox 2, Wednesday, September 1, 2010

Missouri Senators Kit Bond and Claire McCaskill are in China right now. They tell FOX 2s Charles Jaco that the deal is just about done, and that two cargo flights a week from China will begin landing at Lambert Airport after the first of the year. And they think this will turn into something much bigger.

After two years of high-level negotiations, it looks like the Chinese may be set to start establishing a cargo hub at Lambert.

Jaco spoke to Senators Claire McCaskill and Kit Bond in Beijing, where they've both been in meetings about turning St. Louis into a major trade hub between the United States and China.

While the deal is not completely done, Bond said he's optimistic details are nearly ironed out.

McCaskill agrees, "We've made some real progress on this, and the way I like to look at it Charles, is we're going to be sending two planes full of Missouri products out of St. Louis a week."

China has hosted St. Louis delegations in five separate trips over two years. St. Louis has hosted high-level Chinese delegations. And now, crunch time.

The Chinese like Lambert and Mid-America airports because they're not crowded. A Chinese cargo plane made a test flight to Mid-America last week.

So why are two cargo flights a week a big deal? Organizers of the China hub initiative say they could turn into something much, much bigger.

"The China hub makes St. Louis and the St. Louis region a player in the trade and investment and commerce with China," Bond says.

The final meeting will be between another Chinese delegation and hub officials here in St. Louis next month.

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First Chinese Cargo Flight Lands at MidAmerica Airport

Kelsey Volkmann, St. Louis Business Journal, Thursday, August 26, 2010

A critical cargo test flight from China landed Thursday afternoon at MidAmerica St. Louis Airport in Mascoutah, Ill.

The purpose of the flight, which departed from Shanghai Pudong International Airport, was to complete all the procedures, communications and logistics coordination required for a long-term air commerce trade route into MidAmerica from Asia and back again, airport officials said.

With the success of the first flight, officials said they expect regular air cargo service from Asia to MidAmerica St. Louis Airport to begin in the fourth quarter of 2010.

"With the start of this new trade route, we believe the overall cargo operations here at MidAmerica will really take off," St. Clair County Chairman Mark Kern said in a statement.

The test flight carried 83 kilo tons of general cargo, including electronic equipment, power equipment parts and industrial equipment. Sky Lease Cargo, based in Greensboro, N.C., operated the aircraft, and Beijing Expedient Services and Transportation of China chartered the flight, consolidated the freight in Shanghai and coordinated the loading. En route from Shanghai, the aircraft made a servicing stop in Anchorage, as most aircrafts from Asia do.

After the successful landing at MidAmerica, the cargo was unloaded to waiting trucks that will transport it from there to Chicago's O'Hare, Dallas, New York, Minneapolis and Atlanta for further distribution. By mid-afternoon, the aircraft was back in the air to continue on to Piedmont Triad International Airport in Greesnboro, NC.

The new trade route at MidAmerica is six years in the making. In 2005, the airport completed the cargo terminal, and 3,600 acres of the airport became part of the Foreign Trade Zone 31. MidAmerica airport was named a U.S. Port of Entry in 2006 and received its first international shipment from South America. Two years later, the airport completed refrigeration capability and began welcoming regular flights from Latin America carrying fresh flowers, produce and herbs, along with pharmaceuticals and other perishable air freight.

Local and state leaders also have been working to make Lambert-St. Louis International Airport a trade hub with China. A delegation plans to leave for a week-long trip to Shanghai and Beijing on Saturday.

MidAmerica airport Director Tim Cantwell has said he doesn't consider Lambert's efforts to develop a $40 million cargo center competition.

With Boeing's plans to use an entire existing cargo terminal at MidAmerica by the first quarter of 2011, the airport plans to build another warehouse to host the perishable capability as well as general cargo in order to continue to facilitate existing and future international cargo operations.

Last week, Boeing said it would open a $7 million manufacturing plant at MidAmerica.

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Nigeria Embarks on Vast Free Trade Zone with China

Chijioke Ohuocha. Reuters Africa, Wednesday, September 1, 2010

Nigeria is building a multi-billion dollar free trade zone with Chinese investors on the edge of its commercial capital Lagos to try to develop a local manufacturing base and help reduce its import dependence.

The $5 billion first phase of the Lekki Free Zone, a 3,000 hectare site on the eastern fringe of the city, is 60 percent held by Chinese investors and 40 percent by the Lagos state government, the deputy head of the project told Reuters.

The consortium will provide basic infrastructure including roads, power plants and water plants before manufacturing firms are invited to set up business, Lekki Free Zone Development Co (LFZDC) deputy managing director Adeyemo Thompson said.

"We have a number of Chinese companies which are coming in the manufacturing area," Thompson said in an interview.

"They are coming to produce furniture, electronics, pharmaceuticals and heavy machinery. We are having a fair in November, which is when we kick off operations."

The Chinese shareholders in the project include China Railway Construction Corp., the China-Africa Development Fund Ltd and the China Civil Engineering Construction Corporation Ltd.

A total of 16,500 hectares of land bordered by the Atlantic Ocean and the Lagos and Lekki lagoons has been earmarked for the whole free zone, which will include a deepwater sea port and a new international airport in close proximity.

The aim of the free zone is to make it easier for foreign investors, particularly manufacturers, to build a foothold in sub-Saharan Africa's most populous nation and second-biggest economy while still owning 100 percent of their firms.

It is modelled on free zones around China which have helped the Asian giant to develop its manufacturing base and economy over the past three decades.

"We have a one-stop shop ... No investor has to deal with any government agency directly. We license the enterprises. You can register your enterprise within a week, get permits and everything you need to run your business," Thompson said.

"The free zone allows you to attract foreign direct investment into the country and investors are given some incentives ... It helps boost production, manufacturing, create employment and is a basis for sustainable infrastructure."

The manufacturing and agricultural sectors have been neglected since the 1970s oil boom, when Nigeria began making easy money from crude oil sales. Oil accounts for more than 80 percent of revenues and more than 60 percent of exports.

SHINING EXAMPLE OR WHITE ELEPHANT?

Nigeria imports everything from toothpicks to cement, with a growing proportion of the goods coming from China. The Lekki Free Zone will enable Chinese and other manufacturers to test their products on Africa's largest potential consumer market.

"There is a huge market in waiting," Lagos State Governor Babatunde Fashola said at an opening ceremony this month.

"When you look at how much our people spend importing goods from abroad, how much they pay in excess baggage at major airports, bringing this here is like bringing home prosperity."

The vast majority of Nigeria's 140 million people live on less than $2 a day but economists say a growing middle class means a consumer market is developing that could help its economy surpass South Africa's in the coming years.

The West African head of private equity firm Actis estimated earlier this year that some 10 million people had moved from low income towards the middle income bracket in Nigeria in the past five years alone.

Thompson said China was encouraging manufacturers whose Western export markets had suffered in the global downturn to explore frontier destinations such as those in Africa.

The administrative complex housing Thompson's office, customs and company registration officials, and a few warehouses are so far the only buildings to have been completed.

The architect's models show glistening glass and steel warehouses around a central lagoon, and the ultimate aim is to build a mini-city which will house more than 180,000 people.

Sceptics point to the lacklustre interest in some other free zones around Nigeria, particularly the $300 million Tinapa resort in the southeastern state of Cross Rivers, envisaged as a tourist resort and duty-free shopping paradise.

Its launch two years ago was marred by armed customs officers trying to impound products bought by its customers.

But Lekki's investors say the two are incomparable.

The new zone is adjacent to Nigeria's most populous city, Chinese investors own a majority stake, no commercial loans are involved, and manufacturing -- not tourism -- is at its heart.

"The choice of China as partner is because in recent times they have had experience of transforming an unrated nation into a world class nation," Thompson said.

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Changes Weighed in Military Exports

Nathan Hodge, the Wall Street Journal, Sunday, August 29, 2010

President Barack Obama will announce a series of initiatives this week aimed at streamlining the system that governs the export of weapons but also commercial products that have a potential for military use.

The policies are part of a broader effort to boost the competitiveness of U.S. manufacturing and technology sectors.

Mr. Obama, in videotaped remarks to be delivered Tuesday to an annual Department of Commerce conference on export controls, is expected to outline measures aimed at laying the foundation for a new export-control system to replace a decades-old system that critics say is burdensome and outmoded.

Among other steps, government agencies would revise their lists of items requiring export licenses to create a tiered system. It would distinguish between the "crown jewels" of military technology—such as stealth aircraft technology—and other more mundane and less sensitive items such as vehicle parts.

Such changes "will allow us to build higher walls around the most critical items to be exported, while allowing other items to be exported under less restrictive conditions," a senior administration official said in a briefing.

The U.S. defense industry, which is looking to expand sales to overseas markets in the face of a flattening U.S. defense budget, has generally welcomed the administration's push. Raytheon Co. Chief Executive William Swanson said in a recent interview that the current system was "trying to protect too much, and if you protect everything, you protect nothing."

The measures the White House is announcing this week will be carried out primarily by executive order. The administration has outlined additional plans to create a single licensing agency, a measure that would require congressional action.

The U.S. export control system was originally designed to prevent the Soviets from getting their hands on sensitive U.S. technology.

The U.S. government now maintains two primary lists of items subject to export control. The Munitions List, administered by the State Department, covers weaponry. The Commerce Department maintains a second list of commercial items that have possible military applications.

Officials describe the Munitions List as more open-ended, which means that every nut, bolt or screw on a weapon system may be subject to formal licensing requirements, even if similar items are commercially available. Thus, the brake pads on an Abrams tank require a license to be exported, even though they are virtually identical to the brake pads on a fire truck.

Mr. Obama also plans to sign an executive order creating an export-enforcement coordination center at U.S. Immigration and Customs Enforcement, which would work with other enforcement agencies that have overlapping authorities.

In addition, federal agencies involved in the process are supposed to move toward a unified IT system.

Secretary of Defense Robert Gates has backed the initiative, saying in an April speech that the "decades-old, bureaucratically labyrinthine system does not serve our 21st-century security needs or our economic interests."

U.S. defense manufacturers, which have long complained that the current system undercuts their competitiveness, are likely to welcome the move.

"You will find a lot of enthusiasm in the business community for the whole enterprise," said Bill Reinsch, president of the National Foreign Trade Council, a business group advocating an open global trading system.

Remy Nathan, assistant vice president for international affairs at the Aerospace Industries Association, a U.S. trade group, said industry has been calling for change for years. But now "it's the apparatus that's responsible for our national security taking a good hard look at the mechanism for export control."

Clif Burns, an export-control attorney at the law firm Bryan Cave LLP in Washington, D.C., expressed doubt that the next phase of the administration's plan would get through Congress.

"For people on both sides of the aisle, export reform is dynamite, because it's less understood than most things by voters," he said.

"But it's easily characterized as, 'Rep. so-and-so made it easier to send things to the Russians.'"

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The US-Korea Free Trade Agreement Must Move Forward

Ross Korves, Truth About Trade & Technology, Thursday, September 2, 2010

As the Obama Administration and U.S. businesses pursue efforts to double U.S. exports over the next five years as proposed by President Obama, finalizing the U.S.-Korea Free Trade Agreement (FTA) should be at the top of the list. The President hopes to have issues resolved before he visits South Korea in early November. The agreement would increase trade for the U.S., strengthen economic relations with a key Asian ally and show the rest of the world that the U.S. is serious about reengaging trade policy discussions after a three-year timeout.

The U.S. International Trade Commission (USITC) is required to analyze the impact of FTAs proposed by the President within 90 days of signing an agreement. U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects was released by the USITC in September 2007. According to the analysis, when the agreement is implemented, 82 percent of U.S. tariffs lines would be immediately tariff free and 80 percent of South Korea's tariff lines will be tariff free, compared to 38 percent now for the U.S. and 13 percent for Korea. After ten years, 99 percent of the U.S. tariff lines and 98 percent of Korean tariff lines would be tariff free. When the agreement is fully implemented, the removal of tariffs and tariff rate quotas could increase U.S. exports by $9.7-10.9 billion per year and U.S. imports could be $6.4-6.9 billion higher. Exports of machinery, electronics, transportation equipment, chemicals, rubber and plastics are expected to gain under the agreement. No significant changes in total employment are expected in the U.S. because the Korean economy is less than 10 percent of the U.S. economy, but specific industries like beef should see gains.

U.S. agriculture would gain exports because Korean tariffs are high for many agricultural products. The impact would be greatest on meats, fruits and vegetables where tariffs of 30-50 percent are common. USITC economic model analysis showed increased trade of 53-87 percent for vegetables, fruit and nuts, 58-165 percent for beef and beef products, 62-130 percent for beverages and tobacco products and 249-478 percent for dairy products. Benefits for grains and oilseeds would be limited because tariffs are minimal now due to the need to import wheat and vegetable oil for human consumption and coarse grains, feed wheat and protein meals for livestock feed. Rice is not included in the FTA and trade expansion would remain based on WTO commitments. Rules on sanitary and phyto-sanitary (SPS) issues are critical to market access and a bilateral standing committee would be established to address relevant SPS issues.

A stumbling block for U.S. agriculture has been beef trade. While the computer simulations based on the lower tariffs look good for beef, SPS issues have remained a problem, specifically the Korean government's response to BSE. A September 2006 agreement between the two governments never became commercially operational because it did not include bone-in products and lacked effective SPS procedures. An April 2008 protocol allows for trade in all beef from animals less than 30 months of age. Outstanding issues include beef from animals over the age of 30 months, equivalency of USDA inspection of processing plants and other SPS issues. According to the U.S. Agricultural Attaché in South Korea, in 2009 beef imports totaled 314,000 metric tons (MT), 58 percent of consumption, and imports from the U.S. were 83,000 MT, 26 percent of total imports. For a popular loin cut, domestic beef prices in 2009 were about 1.8 times the price of imports.

Working out issues for the U.S.-Korea FTA would show other countries that the U.S. is serious about moving ahead on agreements after three years of inaction, and would boost talks on the Trans-Pacific Partnership agreement being negotiated by the U.S., Australia, New Zealand, Peru, Chile, Singapore, Brunei and Vietnam. South Korea has expressed interest in joining the group if it expands to other countries. Some Asian countries want the U.S. to take a more active role in Asia after being preoccupied with the Middle East for the last decade. Asia will be the center of economic growth for the immediate future and other countries are working on agreements. South Korea recently completed an FTA with the EU and has had some negotiations with Mexico. It has had an agreement with Chile since 2004.

Another factor was recently added to the trade opportunities when the President of South Korea, Lee Myung-bak, raised the issue of a unification tax to prepare for the time when South Korea and North Korea would again become one country as happened with West and East Germany 20 years ago. While there are no prospects for unification anytime soon, it is an additional reason to reach an agreement. South Korea is a country of 48.5 million people with a GDP of $1.4 trillion in 2009 on a purchasing power parity basis (PPP), the world's 13th largest, and a per capita GDP of $28,900, 49th largest. Its land area is a little larger than Indiana with 17 percent of it arable. North Korea has a population of 22.7 million and a GDP of $40 billion, the world's 96th largest, with a per capita GDP of $1,900 in 2009, ranked 189th in the world. Its land area is 20 percent larger than South Korea with 22 percent of it arable.

South Korea is the world's ninth largest exporter and the twelfth largest importer. U.S. agricultural exports to South Korea were $3.82 billion in fiscal year (FY) 2009 and are estimated at $5.0 billion in FY2010 and projected at $5.0 billion again in FY2011. Some trade analysts have called the U.S.-Korea FTA the biggest trade agreement ever for the U.S. That may be an over statement in an economic sense with the importance of Canada and Mexico within NAFTA. It is certainly the largest bilateral trade agreement for the U.S. outside NAFTA, with the potential to further connect the U.S. economy to Asia.

South Korea and the EU are expected to sign their FTA later this month. It will then need approvals by South Korea's National Assembly and the leaders of the 27 countries in the EU, which are expected this fall. South Korea just finished negotiations with Peru on an FTA and talks with China will likely begin early next year. Moving forward with the U.S.-Korea FTA is long overdue. Both countries have too much to gain economically and politically from an agreement to let significant differences on some important issues result in failure.

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China, Japan Sign Seven Trade Pacts

UPI.com, Monday, August 30, 2010

Japanese and Chinese officials pledged to improve the countries' trade cooperation with seven new agreements.

High-level talks during the weekend led to the signed agreements covering energy efficiency, environmental stewardship, food quality and other issues, the China Daily newspaper reported Monday.

"China and Japan are among the most important economies worldwide. Enhancement of bilateral cooperation will not only benefit both sides but also help … the recovery of the world economy," Chinese Premier Wen Jiabao said.

China's minister of the National Development and Reform Commission, Zhang Ping, said: "Japan has advanced technology and China boasts a powerful consumption capacity. There is huge potential for cooperation in the sector."

A third Chinese official, Song Hong, director of the International Trade Department, said, "The cooperation in energy savings and environmental protection could stimulate Japanese economic growth and help China improve the quality of its economy."

Trade between China and Japan increased 34.9 percent January through July to $161.7 billion compared to the same period a year ago – a surge that measures last year's slump as much as it measures this year's recovery.

Japan is the largest foreign investor in China, the newspaper said.

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