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Chinese Visit Next Month Most Critical Yet for Trade Hub

Kasey Volkmann, St. Louis Business Journal, Tuesday, September 7, 2010

Next month's visit from Chinese government and airline officials will make or break St. Louis' efforts to become a trade hub, said Mike Jones, who returned Saturday from a week-long trip to Beijing and Shanghai.

"Next month, I expect a breakthrough for a framework for a deal," said Jones, leader of the Midwest-China Hub Commission.

This most recent trip to China, which also included U.S. Sens. Christopher "Kit" Bond, R-Mo., and Claire McCaskill, D-Mo., laid the groundwork for the Chinese officials' visit to St. Louis slated for mid-October, he said. While here, Chinese officials plan to "kick the tires" at Lambert-St. Louis International Airport and meet with officials from Emerson and Sigma-Aldrich, he said.

The exact timeline for when cargo flights will start is still being negotiated between Lambert, Chinese airlines and the freight companies, Jones said.

Next month, local officials "will lay out a business case and the economic advantage of having a freight operation and establishing a hub relationship as opposed to landing the planes on a contract basis," he said. Advantages include relatively few weather delays and shorter taxi times and customs clearances compared with other airports, he said.

Meanwhile, across the Mississippi River in Illinois, a cargo test flight from China landed last month at MidAmerica St. Louis Airport in Mascoutah.

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McCaskill Hopeful for Two Chinese Cargo Flights a Week by Mid-2011

Tim Logan, St. Louis Post Dispatch, Tuesday, September 7, 2010

Sen. Claire McCaskill said Tuesday that she is "optimistic" that St. Louis will have at least two Chinese cargo flights a week by the summer of 2011.

McCaskill made the comments at a luncheon with the St. Louis Regional Chamber and Growth Association, about 16 hours after she got off a plane from Beijing, where she and Sen. Christopher "Kit" Bond had led a weeklong trade delegation for talks about the region's China Hub project.

Trade with China is a great opportunity for the U.S. to boost exports, she said, and St. Louis' economy will benefit if it positions itself as a key gateway between the two nations.

"There is an opportunity for massive amounts of American exports to China," she said. "They can not produce all the things their middle class needs."

While some of the delegation remains in China continuing to hammer out agreements, McCaskill said that more St. Louis-bound visits are planned this fall by Chinese airlines and business groups. Four airlines have agreed to study routes, and McCaskill said she was told the Chinese government would choose one to launch service.

In other comments, McCaskill predicted that the $50 billion infrastructure plan President Obama unveiled Monday would be popular, but only if it doesn't add to the federal budget.

"I think most people will be open to the President's suggestion if it's paid for. I don't think there'll be enough votes if it's not," she said. "I think we're no longer going to be doing things that are big like that if they go on the credit card. We have put too much on the credit card already."

It's not entirely clear how the White House plans to pay for it, but officials have indicated that cutting subsidies to oil and gas companies could easily generate $50 billion.

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Import Boost to Target US, EU

Li Qiaoyi, Global Times, Monday, September 6, 2010

Measures will be taken to gradually boost the country's imports and improve the trade imbalance, an official at the Ministry of Commerce (MOFCOM) said Monday.

The country's export growth has been recovering, while the imports have slowed in recent months, according to data from the General Administration of Customs. The sub-index measuring imports of the purchasing managers' index also continued to drop in August.

The government's vow to boost imports is part of the goal to shift from an export-driven economic model to one based more on domestic consumer spending, Chong Quan, a deputy international trade representative of the MOFCOM, said Monday at a forum in Beijing.

Yao Jian, spokesperson of MOFCOM, said in August that the country will further increase imports to better balance trade.

The country is in the process of industrialization and urbanization, which will spur the growth of a vast domestic demand market in the long-term, while boosting other country's exports to China, Chong said.

A series of measures will be taken to increase imports, according to Chong. Trade frictions and disputes will be properly dealt with and the country will encourage imports from major countries that have trade deficits with China, he said.

China will take the initiative to import resources, advanced technology and important equipment. The country will further improve the tariff structure to help enterprises increase imports, he added.

The nation's general import tariffs have been lowered to 9.8 percent, compared to an average level of 46.6 percent in developing countries across the world.

Major trading partners like the US and EU member countries will be the target import sources. The government's efforts to boost imports will help soothe trade frictions with the US and the EU while helping to revive their economic growth, given uncertainties in the recovery, said Wang Yuesheng, director of the Department of International Economics and Trade at Peking University.

But the imports of goods such as advanced technology also depends on trading partners' willingness to loosen restraints on their exports, Wang said.

Every country should cooperate to resist trade protectionism and open up markets to quicken the pace of global economic recovery, Chong also said.

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U.S. Trade Deficit Plunged in July on Rising Exports, Falling Imports

Joseph Lazarro, Daily Finance, Thursday, July 9, 2010

Aided by a jump in exports and an equally impressive fall in imports, the U.S. trade deficit unexpectedly shrank to $42.8 billion in July, the U.S. Commerce Department announced Thursday.

A Bloomberg survey had expected the trade deficit to fall to $46.8 billion in July from $49.8 billion in June. The measure totaled $41.8 billion in May.

July exports rose 1.8% to $153.3 billion, after a 1.3% decline in June. It was the highest export total since August 2008. Imports fell 2.1% to $196.1 billion, after a 1.3% increase in June.

Good News for Institutional Investors

Equally significant, nonoil imports -- which excludes the often-volatile energy component -- plunged 3% in July, after a 4.6% surge in June. That pushed the nonpetroleum deficit down to $33.2 billion in July from $39.7 billion in June.

Economists generally prefer that a nation run a trade surplus as opposed to a deficit because it usually implies that a nation's goods are competitive on the world stage, its citizens aren't consuming too much and that it's amassing capital for future investment.

Institutional investors who say the key to the U.S. economy's success remains the industrial sector will be pleased by July's trade report because capital goods exports rose $2.3 billion, excluding vehicles.

However, the trade deficit's three-month moving average inched slightly higher, to $44.8 billion in July from $43.9 billion in June. Also, the July data total brought the 2010 trade deficit to $288.8 billion for the first seven months of 2010, up 41.6% from $204.0 billion for the same period a year ago.

In July, trade surpluses were recorded with Hong Kong at $1.8 billion, down from $2 billion in June; Singapore at $1.2 billion, up from $1 billion; Australia at $900 million, down from $1 billion; and Egypt at $400 million, up from $200 million.

Top U.S. trade deficits were recorded with China at $25.9 billion, down from $26.2 billion in June; European Union at $9.9 billion, up from $7.8 billion; OPEC at $8 billion, down from $8.9 billion; Mexico at $5.3 billion, down from $6.2 billion; Japan at $4.9 billion, down from $5.2 billion; and Germany at $3.6 billion, up from

$3.1 billion.

Finding Buyers Abroad

July's trade report represents a shot-in-the-arm for the stock market's bulls because it shows that even though domestic U.S. consumer spending has been tepid and the housing sector still hasn't stabilized, the nation's products and services are finding buyers abroad. Exports remain a bright spot in the U.S. economic recovery, and provided that the uptrend is maintained, they'll continue to add to U.S. GDP.

Rising exports also generally lead to higher revenue and earnings for the U.S. multinational corporations -- and historically, as revenue and earnings go, so goes the U.S. stock market.

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Global Markets Climb to a Four-Week High

Bloomberg News, Monday, September 6, 2010

Global stocks rose Monday to a four-week high and industrial metals rallied amid growing optimism about the prospects for economic growth. European bonds rebounded from three days of losses.

The MSCI World Index of shares in 24 developed markets climbed 0.4 percent in New York, where exchanges were closed for the Labor Day holiday.

"People have to recognize we're not facing economic Armageddon," Mark Tinker, global equity-portfolio manager in London for Axa Framlington, told Bloomberg Television.

But European Central Bank Governing Council member Ewald Nowotny said policymakers will wait until December before discussing how to withdraw emergency measures to give the economy time to gather strength.

"We're still facing an economic development with a very high uncertainty in many respects," Nowotny said.

And European finance ministers this week will try to protect their clout at the International Monetary Fund after the U.S. unexpectedly forced a debate on which countries sit on the institution's board of directors.

Meeting in Brussels, European officials are under pressure to reduce the number of their seats to give emerging economies more voice. They're rushing to respond to a U.S. decision last month to block a proposal to maintain the IMF board in its current 24-seat form.

At stake is the governance of an institution that doesn't fully reflect shifts in the global balance of economic power 65 years after it was created to lend to cash-strapped countries. Giving emerging nations such as China, South Korea and Turkey a bigger say in IMF decisions may cost some European countries a seat at the table.

"It is a very tense situation because the U.S. has essentially forced the hands of the Europeans," said Eswar Prasad, a senior fellow at the Brookings Institution and a former IMF official. "It is bringing the issue to a head in a way that I don't think either the IMF or the Europeans wanted ."

Group of 20 leaders pledged last year to enhance the voting power of China and others.

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China's Domestic Market Size Reach US$2 Trillion in 2010

China Knowledge, Thursday, September 9, 2010

China's domestic market size may realize US$2 trillion or around RMB 13.56 trillion this year, an amount even exceeding the country's estimated exports, said Chong Quan, China's Deputy International Trade Representative, at a forum on imports and exports.

According to statistics released by the General Administration of Customs, the country's trade surplus for the first seven months of this year declined 21.2% year on year to US$83.93 billion, showing that a narrowing gap occurred between exports and swelling domestic market.

In July, China's trade surplus reached US$28.7 billion, an amount higher than US$20.02 billion in June.

Last year, China had US$286.8 billion in total exports and imports, comprising US$128.6 billion of exports and US$158.2 billion of imports.

Chong Quan added that the fuel domestic market will accelerate China's industrialization and urbanization and that the Chinese government will take measures to cut the barriers of imports.

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Japan, India Reach Free Trade Agreement

Hisane Masaki, Journal of Commerce, Thursday, September 09, 2010

Japan and India reached a bilateral free trade agreement in Tokyo on Thursday. The pact will eliminate import tariffs on most products traded between the two giant Asian economies within 10 years.

Yoichi Otabe, the deputy foreign minister for economic affairs, led the Japanese negotiating team. Rahul Khullar, the commerce secretary, headed the Indian delegation.

Top leaders of the two countries are expected to sign the Japan-India Economic Partnership Agreement during Indian Prime Minister Manmohan Singh's planned visit to Tokyo next month.

According to the Japanese Foreign Ministry, Japan exported $7.91 billion worth of products to India and imported $5.26 billion worth of goods from the South Asian country in fiscal 2008, which ended on March 31, 2009.

For Japan, the FTA with India will be the first such trade pact since the Democratic Party of Japan took power following a landslide victory in general elections in August 2009.

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Malaysia Rising as Destination for Business

Vijay Shankar, The Economic Times, Tuesday, September 7, 2010

As the world's focus shifts towards Asia, post the economic downturn in 2008 and 2009, one country that has been making quiet, yet steady progress is Malaysia. Although the nation's economy was hit by the global downturn, posting GDP rate of -1.7 per cent in 2009, its economy has since rebounded, with GDP figures of 10.1 per cent and 8.9 per cent, in the first and second quarters of 2010, respectively. Liberal trade and economic policies, have seen Malaysia transform, from a country dependent on agriculture and primary commodities in the 1960s, to an export-driven economy, with technology, knowledge-based and capital-intensive industries.

Last year, Malaysia's international trade and industry minister, Datuk Mustapa Mohamed, announced a target, to put Malaysia among the top 10 economies in the world for ease of doing business, by 2012. The Doing Business 2010 report, by the World Bank and the International Finance Corporation, which aims to provide a quantitative measure of business regulations and protection of property rights, across 183 economies, lists the Malaysian economy at rank 23, ahead of Asia's two big economies, China and India (ranked 89 and 133, respectively).

The country has also established five economic growth corridors, namely, Iskandar Malaysia in Southern Johor (IRDA), the Northern Corridor Economic Region (NCER) the East Coast Economic Region (ECER), the Sabah Development Corridor (SDC) and the Sarawak Corridor of Renewable Energy (SCORE), aimed at promoting free trade and business investment.

Cost-efficiency is another aspect, that Malaysia is hoping to cash-in on, to attract businesses. A report by DTZ Research, 'Global Occupancy Costs – Offices, 2010', shows that Kuala Lumpur's total occupancy cost per work station, per annum, is around $3,780. This is significantly lower than other cities in Asia, like Hong Kong ($16,970), Dubai ($14,520), Singapore ($8,440) or Mumbai ($10,910).

Continuing with rankings, Malaysia also moved up two places in the Economist Intelligence Unit's 'Digital economy rankings 2010', which benchmarks economies on their progress in leveraging information and communications technology (ICT), for the benefit of consumers, businesses and governments.

Other factors, such as consumer price inflation, which have remained in single digits (in the range of one to five per cent) and low unemployment rates (at around three to four per cent), have contributed towards a stable economic climate. Malaysia, it seems, on the path towards becoming a global competitor. The Swiss-based Institute for Management Development (IMD), according to its 2010 World Competitiveness Yearbook, places Malaysia as the tenth most competitive country in the world, ahead of several developed countries such as Denmark (13th) Netherlands (12th), Luxembourg (11th) and United Kingdom (22nd).

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