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Intern Newsletter

August 2013

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There is doubt that labor reforms in several South American countries will sufficiently allow for development in the region. Despite the bleak outlook of the economies of Latin countries, it was recommended by several economists to keep pushing towards production in all cases. In order to transform the labor market structure to optimize efficiency there needs to be a strong foundation of formality, education, and job creation.

Although Latin America showed much progress in the 1990s, the decline in structure over the past decade has led the region to a steady decline via lack of reform. This has made room for informality and decreased production, both important variables that factor into the desperate need for reform. We can use countries like Colombia, Mexico, and Brazil as examples for this case.

In Colombia, informality grows from workers declining jobs in the formal sector where they would be required to pay for their health plans in the form of contributions and copayments. They opt to remain in the informal sector where he are provided by the state with subsidized health plans very similar to those that formal workers receive without having to pay. Another problem emerges when 20% of workers sign a short-term contract with an employer which in turn lowers productivity. When employees see no form of improvement in their position, there is no incentive to strive to increase efficiency. The country aims to improve these issues by lowering payroll taxes that are paid by employers to reduce informality (which is currently over 65%).

Mexico is showing some improvement by modernizing their labor market. They have instituted a reform that allows employers to hire employees temporarily, changes the wage payment per hour, introduces flexibility, and lower the cost of hiring and firing workers. However, there is still room for growth. A fully structured reform would require improving taxing laws, getting rid of difficulties in developing new businesses, strengthening legal structures, increasing energy efficiency, and making education more widely available.

Brazil holds Latin America's largest labor force and operates with labor regulations that are forty years out of date. Development would require allowing foreigners into the labor force, reducing taxes, and creating incentives to increase education. Brazil's largest problem is the shortage of talent. This would be altered by developing skills in human resources departments to be able to compete in international markets; however, it is one of the most difficult tasks to complete when attempting to reform the labor structure of an entire country.

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China

After reaching a two-decade low last quarter, China's trade is beginning to increase again, with exports rising roughly 5% in July from a year earlier and imports up nearly 11%. Though many economists had expected to see a growth in China's trade in July, the actual rate was higher than what they had predicted. Iron ore imports rose 24% by volume and copper imports rose 12%; these are the fastest rates in more than a year. This is seen generally as a sign of improvement, but not yet as a return to normal rates of growth. Chinese leaders have set a goal of 7.5% growth for the year, which, though much higher than expectations for the US, Europe, and Japan, would be the country's worst performance in 22 years. Exports to the US rose 2.3%, giving China a trade surplus of $19.1 billion; exports to the EU shrank 2.8%, leaving China with a trade gap of $10 billion.

Japan

The Bank of Japan recently announced that it would not yet be making any changes to its monetary easing program. Japan has been struggling with deflation for over 15 years now, leaving many analysts to question an optimistic growth rate. The Bank of Japan, however, believes that the country's outlook is beginning to look brighter now, noting that early signs of rising prices indicate that it will likely reach its 2% inflation target within two years.

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India and Pakistan, rivals for years, might be turning a new leaf. Recent news has indicated the trade among the two countries has been increasing, which could mean the two enemies may be entering a less competitive era. India's exports to Pakistan rose 15% from April 2012 to February 2013; additionally, India's imports increased about 30% during the same time frame. This has been the highest trade increase seen between the two countries.

The Prime Ministers of Pakistan and India reached a travel permission agreement in September 2012 to facilitate easier passing limitations between the two states, in hopes of improving trade. Even though these provisional actions are small, it has impacted the economic bond for the countries and accelerated the growth for a better economy for the region.

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The United States' trade and investment relations with the countries of the Middle East and North Africa (MENA) have significant potential to the United States in terms of economic monetary value and further enhancing political relationships. The goals of the US in regard to policies with governments in MENA countries such as Jordan, Israel, Morocco, Bahrain (all of which it has free trade agreements with) and some others, including Libya (which is not a member of the World Trade Organization), are aimed at increasing exports and developing intra-regional partnerships focused on strengthening the economic growth of all those involved. Some exceptions to this focus of economic attention are Syria and Iran who are both subject to trade sanctions.

In 2008, the US had $215 billion in trade with MENA countries. Specifically, goods exports totaled $67 billion and imports totaled $139 billion for a total trade deficit of $72 billion. The most significant export categories were machinery ($12.3 billion), vehicles ($10.4 billion), aircraft ($8.4 billion), precious stones ($6.9 billion), and electrical machinery ($4.5 billion). The MENA countries occupying the largest share of the export market with the U.S. were United Arab Emirates ($15.7 billion), Israel ($14.5 billion), Saudi Arabia ($12.5 billion), Egypt ($6 billion), and Qatar ($3.1 billion). All together, the MENA countries would rank as the 4th largest export market for the U.S. in 2008. They also ranked as the fifth largest supplier of imports to the United States in 2008. Among some of the largest import categories are mineral fuel and oil (crude) ($108.7 billion), precious stones ($10.3 billion), pharmaceutical products ($3.7 billion), electrical machinery ($1.7 billion), and machinery ($1.5 billion). The top U.S. import suppliers from MENA countries include Saudi Arabia (54.8 billion), Israel ($22.3 billion), Iraq ($22.1 billion), Algeria ($19.4 billion), and Kuwait ($7.1 billion).

Since 2011, increasing political unrest and government transitions in the region have enhanced U.S. resolve in promoting economic ties with certain countries. In May 2011, President Obama announced the MENA "Trade and Investment Partnership Initiative" (MENA-TIP) with a goal for various federal government agencies to engage in efforts to spur trade and investment with the region. However, some members of Congress have taken a more cautious view and believe in greater scrutiny of U.S. engagement due to the volatile security concerns in some of the MENA countries.

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President Obama recently announced a plan to help double the amount of electricity in Africa. This plan, called Power Africa, seeks to bring "cleaner and more efficient" energy to a region where only one-third of residents have access to electricity. The source of the electricity is still unclear, whether it is fossil fuels or renewable resources. Many companies are attempting to work towards geothermal, hydro, wind, and solar energy, which will help these new countries learn to manage their energy responsibly.

This plan will not only help Africa, but could provide work to electricians and engineers within the United States as well. About 70% of Africans do not have any source of electricity. Services are most likely to be provided by those who have experience—in this case, Americans. Additionally, those who provide the tools and wires will benefit from this giant increase in the reach of companies. Overall, this should benefit everyone able to be involved internationally.

"Lack of Centralized Customs Authority Hurts EU"

The European Union, the world's largest importer of foreign goods, has twenty-eight different customs authorities. Many Chinese companies have been exploiting this discrepancy by undervaluing their products in order to skirt high tariffs. When one EU member cracks down on the practice, the offending companies simply move to another country. A decade ago Chinese clothing companies were declaring T-shirts for fifty cents in Naples. When the Italian government started investigating, the companies simply moved their business to Hamburg, as well as locations within other EU member states with lax import laws. Germany then became the largest importer of Chinese-made clothing, but was only the third biggest collector of duties on the product.

This kind of fraud is easy to perpetrate because each member of the EU has its own customs agency and different priorities in trade. There is an additional nationalistic element to this problem: "EU countries do not play as a team," according to an economist at the Italy-China Foundation in Milan, and this hurts the entire multi-state organization. China alone, for example, trades almost 1 billion euros each day with the EU, a profit many countries are unwilling to part with even if it means hurting their neighbor.

Scherer, Steve. "Insight: Jeans and shoes show criminal underbelly of China-EU trade." *Reuters.* Thomson Reuters, 24 July 2013. Web. 24 July 2013.

"European Union." *CIA World Factbook.* CIA, 11 July 2013. Web. 24 July 2013.

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A U.S. Senate panel voted unanimously last month to seek trade or other sanctions against Russia or any other country that offers asylum to former spy agency contractor Edward Snowden, who has been held up for weeks at a Moscow airport. The Senate Appropriations Committee adopted an amendment to a spending bill that would require Secretary of State John Kerry to meet with congressional committees to devise sanctions against any country that allows Snowden in.

Edward Snowden is wanted by the United States government for espionage for leaking information on details of government intelligence programs. Snowden is wanted by the United States on espionage charges for revealing details of government intelligence programs. On June 23 he landed in Moscow from Hong Kong where he was then trying to seek temporary asylum and escape capture by and trial in the United States.

President Barack Obama's administration was having "ongoing conversations" with Russia until Snowden was ultimately offered asylum.

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