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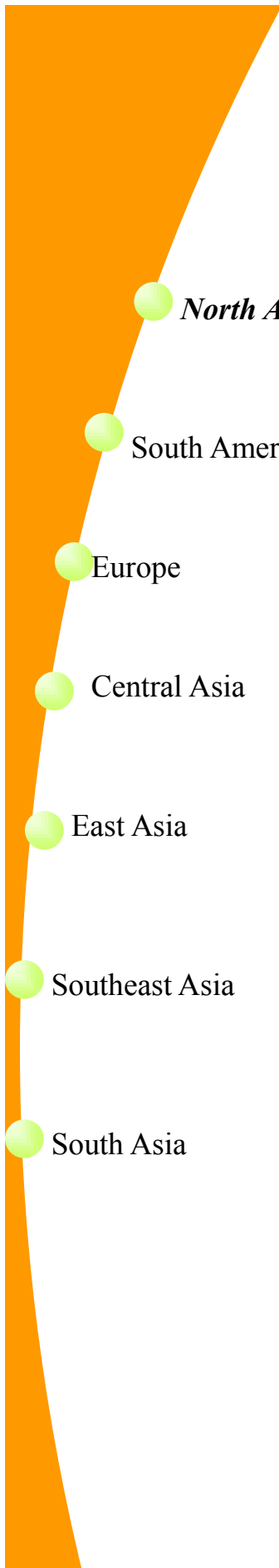
South Asia

Newsletter

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Panama is quickly modernizing trade in Central America and is becoming an even more important focus in global trade. In addition to the expansion of the Panama Canal, a loan was granted to the country that allowed Panama to launch a Foreign Trade Single Window. As a result, Panama will experience a quick increase in the competitiveness of the country's companies and a sharp reduction of processing times and operational costs of commercial transactions.

There lies a tremendous focus on the Customs Management System which began last year and will smooth the progress of the exporting process for companies involved in foreign trade. Thirteen public institutions have been tasked with controlling the foreign trade process bringing strength to Panama's economic development and continuing to enable the country's availability for trade.

According to Inter-American Development Bank's representative Tomas Bermudez, the Single Window will set a turning point for the economy in Panama which will experience competitive advantages driven by internal demand.

This movement in Panama is one of a series of Single Window Projects that compose a regional integration strategy with the goal of facilitating trade in this region against other regions around the globe.

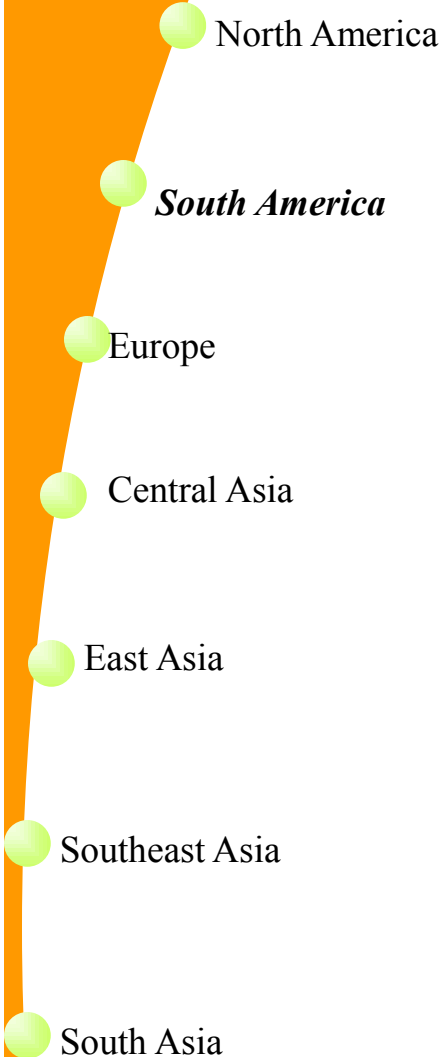
Andreina Weichselbaumer

Source:

http://www.iadb.org/en/topics/trade/panama-to-reduce-processing-times-and-operational-costs-of-international-trade-with-idb-support,8709.html#.UjhwfMbBN_I



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Peru's economy grew an average of 6.4% per year from 2002 through 2012 after adjusting for inflation. It has been a remarkable period of sustained expansion which has made Peru one of the world's star economies. Due to this growth, the poverty rate in Peru fell from 59% in 2004 to 26% last year. Peru's economy is heavily dependent on mining, and the country is the world's largest producer of copper and silver and the sixth largest producer of gold. But this growth has begun to slow. Production of raw materials such as copper, lead, and zinc—which fueled the Peruvian boom in recent years—dropped 12% by weight in the first six months of the year. Though the total volume of Peru's mineral exports in the first half of this year was about equal to that of the same period last year, their value fell by more than 15% due to lower prices. The decline was due to a decrease in demand resulting from a struggling world economy and a slowdown in China—one of Peru's top trading partners—along with the slow recovery in the United States and Europe. Gold mining, which accounts for a large share of Peru's mineral exports, has begun to decline as well, as existing mines have been tapped out and development of new mines has stalled due to protests.

All of this has led to a decline in Peru's economy. Though there has been talk of diversification, President Ollanta Humala is pinning his hopes for sustained growth on additional mining. There are several new copper mines expected to begin production over the next few years, which some believe will double the country's output. Peru's Minister of Economy and Finance, Miguel Castilla, stated that he expects the economy to grow between 5.5 and 6 percent this year. Even though the country's economic growth has not met earlier predictions, Peru still maintains its place as one of the fastest growing economies in Latin America. The country has robust international reserves, as well as a large emergency fund—which could be used as an economic stimulus in a crisis—and also low public debt.

Francisco Rodriguez



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Negotiations have not yet started for a potential trade pact between the United States and Europe, but the lobbying is already under way by some major corporations. The difficult demands of some are starting to complicate the trade talks, which no one expects to go quickly or smoothly, given the geopolitics involved. The comments from European companies include one from Ferrari urging the U.S. government to drop customs duties on cars and parts. Another one is DHL who wants airlines to be able to bid on public-sector shipping contracts regardless of nationality.

The agreement, if a deal is reached, would apply to almost a billion people who live in the combined markets. It would also make it easier for products to be traded between Europe and the United States because they would only have to pass one regulatory test instead of two. The negotiations could also become de facto global standards, given the size of the combined trans-Atlantic market. The United States and the European Union are already the world's two largest trading partners, with \$2.6 billion in goods and services exchanged daily, according to a European estimate.

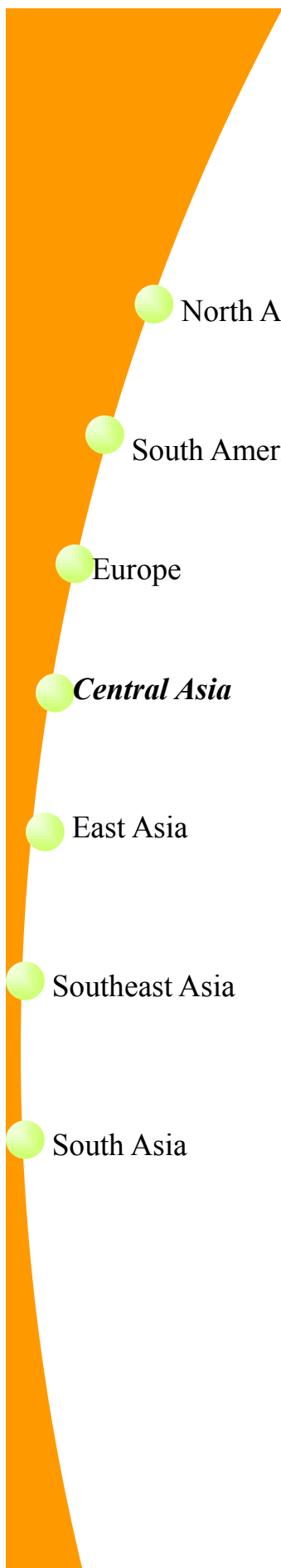
Jordan Atchison

Source:

<http://www.nytimes.com/2013/09/13/world/europe/corporate-spin-already-on-us-europe-trade-talks.html?pagewanted=all>



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Central Asia over the last few years has been a region of interest of the US, China, and Russia, with the former having invested over \$500 million in transit fees to four of the area's five countries. The US holds steady relations in the region due to the war in Afghanistan; Central Asia provides a clear access point to the war effort. China and Russia have also been attempting to gain influence in the region. China has become the biggest trading partner for each Central Asian state except Uzbekistan. Russia is pushing to have the region join its customs union and is also attempting to bolster its military presence in the region. Central Asia is quickly becoming a strategic battleground for three of the world's political powerhouses.

The region, however, is politically unstable. Uzbekistan and Tajikistan frequently dispute their shared border. Corruption and poor governance also deter some investors. A lot of the corruption comes from the drug trade funneled in from Afghanistan. Kyrgyzstan abolished its drug control agency in 2009. The region is also plagued by shortages of both water and energy, further fueling the political unrest in the region. Analysts predict more political and economic instability after 2014 when the US withdraws its troops from Afghanistan and ends much of its funding in the region. Analysts do, however, believe that Central Asia will be more open to US-sponsored reform after the withdrawal so that the Central Asian states will not lose the US-provided aid.

The region contains a variety of natural resources and boasts an immense energy reserve. This is crucial to investors because the region sits between Europe and East Asia. Central Asia has rich uranium and coal deposits in addition to large amounts of natural gas. The generally flat and sunny Eurasian Steppe also makes the region a good location for harnessing wind and solar power. The vast amounts of attainable energy give the region an important advantage far into the future. Sustainable development, however, is a problem, stemming from the largely negative environmental impact of the former Soviet Union. The states will need to work together towards the development of the region in order to play a major role in the global economy.

Carlos Orozco



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After an approximately five-month hiatus, the jointly operated factory complex in Kaesong, a border town in North Korea, has reopened. The factories were closed at the beginning of April as tensions grew between the two Koreas and North Korea withdrew the 53,000 citizens who were working there. The two states reached an agreement in August to reopen the area, and government officials have also been working to find ways to attract foreign investment and other methods to make the venture less vulnerable to future political tensions. About half of the South Korean-owned factories either resumed production or at least began test runs on Monday, September 16. Many South Koreans will remain on-site in order to manage the plants.

The area was first opened in 2004 as a “test case” for reunification between North and South Korea, and has since grown in size, producing \$470 million worth of goods in 2012. North Korea will exempt the South Korean-owned factories from taxation this year due to the millions of dollars in lost revenue during the closure over the summer.

Spencer Miller

Source:

<http://www.nytimes.com/2013/09/17/world/asia/jointly-run-factory-park-in-north-korea-resumes-production.html>



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Malaysia and Belize are seeking to establish trade ties, according to Belizean television network PlusTV, and Commissioner Remeé Yaakub of Malaysia's National Trade Promotion Agency. Mr. Yaakub expressed Malaysia's intent to pursue Belize as a more active trading partner, in a move to help diversify Malaysia's exports, primarily in rubber-based products. He also discussed the possibility of expanding into food products, palm oil, wooden furniture, and other items such as medical gloves and rubber catheters.

Belizean exports dropped from \$464.7 million to \$395 million between 2008 and 2009, which may be attributable to a worldwide decline in demand for Belize's export products—mainly fruits, clothing, fish, and oil. Scarce availability of credit may also be a contributing factor to Belize's struggling export market.

Mr. Yaakub also discussed the possibility of enhancing bilateral trade relations between Malaysia and Belize, which would spell good news for Belize's now-struggling export market.

Robert Bertram

Sources:

<http://www.plustvbelize.com/news/10951malaysia-seeks-more-trade-with-belize/>

http://economywatch.com/world_economy/belize/export-import.html



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Central bank governor Ajith Nivard Cabraal from Sri Lanka said free trade is being discussed between the Chinese President, Xi Jinping, and the Sri Lankan president, Mahinda Rajapaksa.

These discussions about a potential free trade agreement come at a time in China when wages are increasing and also when there is a shortage of labor in manufacturing. Currently in China, running a factory costs about US \$2.00 per hour compared to about US \$1.00 per hour in Sri Lanka. If a free trade agreement takes place it would benefit China and other investors, especially since there have been millions of dollars already invested in Sri Lanka by the Chinese in plants and other infrastructure.

This agreement clearly will benefit Sri Lanka as well. After the 26-year civil war ended in 2009, Sri Lanka has slowly gotten back on its feet. Its free trade agreement with India and Pakistan has helped their economy greatly. Today, Sri Lanka's earnings from manufacturing garments accounts for half of its entire industrial output, making manufacture an essential part of the country's economy. If the free trade agreement takes place, China's influence over Sri Lanka's economy would certainly be affected in a positive way. It would boost the nation's garment manufacturing and export potential.

Karen Guzman

Source:

So, Charlotte, and Annita Lam. "China eyes Sri Lankan free-trade deal." *South China Morning Post*. N.p., 16 Sept. 2013. <<http://www.scmp.com/business/china-business/article/1310570/china-eyes-sri-lankan-free-trade-deal>>.