



### INSIDE THIS ISSUE:

*Top Story* 1

*Finance* 2

*Business* 2

*Technology* 3

*Trade* 3

*Tourism* 4

*Land* 4

*Manufacturing* 4

*Law & Order* 5

### Top Story:

## *Recession Rampant 'Fiscal Cliff' and Stagnant Manufacturing Growth*

The Congressional Budget Office (CBO) projected that the U.S. economy can fall into a recession due to tax increases and automatic budget cuts scheduled for January 1st, 2013. Many expect the massive spending cuts and tax hikes referred to as the 'fiscal cliff' to worsen the economy by shrinking the country's GDP and economic outlook. The first half of 2013 will be particularly difficult, tax hikes and spending cuts will cause GDP to shrink 2.9%. There will be a slight bounce back in the second half of the 2013, but it will be weaker, only 1.9% to counter the initial GDP shrink of 2.9% at the beginning of the year. Stagnant manufacturing growth also adds to the gloomy economic projections. According to the US Manufacturing Purchasing Managers' Index (PMI), weak economic conditions in key export markets have slowed the manufacturing growth making it consistent with that of the Eurozone. ([Al Jazeera](#)) ([BBC](#))

### Implications

With government dependency on a rise due to Obama's broadening eligibility for welfare programs since 2009, the budget cuts set to be implemented next year will directly affect over half of the US population 165 million out of 308 million who are dependent on the state in some form. As a result of the slow economic growth the Federal Reserve has expressed its concern with the US economy and threatened to step in with quantitative easing in order to stimulate the economy. ([RT](#)) ([Guardian](#))

*"Many expect... the 'fiscal cliff' to worsen the economy by shrinking the country's GDP and economic outlook. "*



**Can our elected leaders prevent the U.S. economy from falling over the fiscal cliff?**



How will banks react to their new reality which involves less risky behavior.

## ***Finance:***

### ***The Gap Between Bank Lending and Deposits***

Despite the 2009 recession ending official three years ago, bank lending still remains below pre-recession level. As bank lending remains depressed, bank deposits swelled. The gap between bank deposits and bank lending recently reached record levels of 1.77 trillion dollars, more than seventeen times the pre-recession average, according to the Federal Reserve. Many banks use the excess deposits to purchase government bonds; banks more than doubled their purchases of government bonds as compared to last year. Bank reserves flow into treasuries because of fears about the global economy but the low yields of treasuries makes this practice unsustain-

able according to David Hendler. ([Bloomberg](#))

#### **Implications**

While the private sector deleverages regulators, like the U.S. Congress and Bank of International Settlements craft new rules like the Dodd-Frank financial reform bill and Basel III rulings. These rules require firms to hold more top quality assets like treasuries. Weak demand and new regulations represent two huge factors that influence the record gap between bank deposits and bank lending. You can view the descriptive graph at ([Businessweek](#)).

*“The gap between bank deposits and bank lending has reached record levels of 1.77 trillion dollars”*

## ***Business:***

### ***Africa’s Stunning Potential***

Africa’s growing economy and middle class entices many established companies as a new and potentially wealthy consumer base begins to mature. According to the African Development Bank, the amount of capital an individual must spend in order to be considered middle class rose from 27% in 2000 to 34% today. The population is also on a rise with expectations that it will reach 1.3 billion by 2020. Companies such as Nestle and Unilever use South Africa as a hub for introducing their products to Africa. Unilever’s new strategy consisting of creating a range of products aimed at the African population of South Africa instead of just the Anglo population, represents a new paradigm of corporate strategy. While inadequate infrastructure presents an issue for the disbursement of products, businesses remain optimistic about the new opportunities in Africa.

([economist](#))

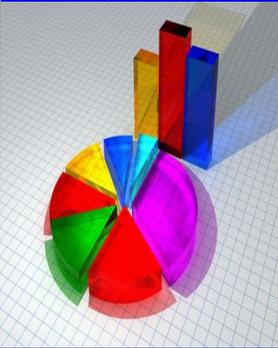
#### **Implications**

The economy of certain African states continue to grow at a rapid pace, even faster than some Asian countries. Combined with a growing overall population and a rising middle class, Africa represents a new market for businesses. Unfortunately, many countries in Africa suffer from poor infrastructure and security problems that obstructs consumers from receiving goods. Africans, new to consumerism, place a greater premium on price rather than branding. According to Gareth Ackerman, companies need to conquer markets one at a time.

*“Businesses remain optimistic about the new opportunities in Africa”*



Can companies capitalize on the opportunities brought by a wealthier Africa?



Information Technology provides ever increasing assistance to businesses

## Technology:

### *Analytics' Strategic Importance:*

Information technology has grown at an exponential rate over the years, rapidly shifting the archetype of businesses and past predictions of growth. In today's fluctuating business environment, organizations constantly reconfigure their strategic priorities. Major decisions in business employ technology in order to assess the information at hand both accurately and efficiently. Analytics rapid ascent to the forefront of the business world resulted in a redefinition of the process of decision-making. Analytics is the use of data, statistical and quantitative analysis, explanatory and predictive models used by companies to predict market trends, customer behaviors and

workforce staffing requirements. This information allows businesses to establish top-line growth and bottom line savings. ([BBC](#))

### **Implications**

Collaboration and information sharing across organizational boundaries describes the progress marked Analytics. The level of interdependence between companies continues to grow as it ensures their survival amidst its competitors. According to market research firm IDC, the market for business analytics software grew 14 percent in 2011, while projections expect it hit US\$ 50.7bn by 2016. ([BBC](#))

*"Analytics has made its way to the forefront of the business world "*

## Trade:

### *Russia's Successful Entry into the WTO*

After 19 years of negotiations the World Trade Organization (WTO) accepted Russia as a member. Membership into the WTO brings about a reduction in price of foreign goods available to the Russian consumers. In addition, Russia can most likely gain an extra 11% (\$162 billion) annually in GDP. If the US Congress can alter or expunge the piece of legislation from the Cold War period that denies normal trade negotiations with Russia, then Americans too stand to gain from Russia's entry to the WTO. Russia's growing interest in American goods means higher earnings for companies such as Tyson Foods, Boeing and General Electric. Recently, however, Russia's political actions harmed its reputa-

tion; and according to the World Bank's ranking, Russia ranked number 120 on a list of places for ease of doing business. For now, Russia is getting the better end of the deal but as tariffs fall, businesses in Russia will "have to evolve or die." ([businessweek](#))

### **Implications**

Currently, US manufacturers pay higher tariffs in Russia than do European or Asian manufacturers. In order for Americans to reap the benefits of Russia's membership, it is necessary for the US Congress to change legislation regarding trade with Russia. ([businessweek](#))

*"Americans too stand to gain from Russia's entry to the WTO."*



Russia's long awaited entry into the WTO presents a potential game-changer

## Tourism:

### Tourism Revival in The Kashmir Valley



India's beautiful Kashmir Valley undergoes a revival of tourism

Political unrest produced devastating results for India's Kashmir Valley tourism industry. However, the industry rebounded as peace now accurately describes the area while

tourism increased in Kashmir Valley by 600,000 visitors this year. Many tourists spent the night in their vehicles because of the lack of vacancies in the Kashmir Valley's hotels, houseboats and guesthouses. Due to the exceeding numbers of tourists, the Kashmir

tourism department offered incentives of 200,000 rupees (\$3,620) to locals to renovate their homes to house tourists for a homestay option. ([bbc](#))

#### Implications

Tourism remains Kashmir Valley's largest and most important industry. The staggering amount of tourists who had to sleep in their vehicles and who were asking for food at late hours of the night at a local restaurant amazed the locals. The lack of accommodations available for the rising need of tourists, and the record business for this largely Muslim community spells new opportunities for hotel and restaurant chains.

## Land:

### Shell worried by rising Australian LNG project costs

Projections expect Australia to overtake Qatar as the world's leading producer of liquefied natural gas (LNG). Shell's major interest in LNG projects in Australia results from their proximity to Asian markets. Shell's investments in LNG projects in Australia may soon total over 50 billion dollars. Despite the promise of this market many problems hinder the development Australia's LNG export market. The lack of skilled labor and a rapidly appreciating Australian dollar adds pressure by raising cost. These factors will determine whether or not Shell will construct the first ever Floating

Liquefied Natural Gas vessel (FLNG) in 2016. ([Hydrocarbon Processing](#))

#### Implications

Australia holds great potential in the field of LNG if its policy makers can manage the problems beset by the increasing cost of this sector. Also Shell's FLNG may be a game changer in the LNG market and have the ability to alleviate the increase cost of the Australian LNG market. ([Shell](#))

"Shell's investments in LNG projects in Australia may soon total over 50 billion dollars."

## Manufacturing:

### European Stocks Sink Following Awful PMI Reports

Flash PMI indexes report worrying trends in manufacturing for Europe and China. The Flash Germany Manufacturing PMI, Composite Output Index, and Manufacturing Output Index all recorded score of less the 47. In China the HSBC Flash Manufacturing PMI decreased from 49.3 to 47.8. Any score less than 50 represent contraction in the industry. Japan also reported their trade deficit widened twice as much as Japan's Finance Ministry expected. ([MarketWatch](#))

#### Implications

As the top news story indicates, U.S. manufacturing is also struggling. Add in the struggles of Germany, China, and Japan and one is presented with a worrying picture of the global manufacturing market. Slowdowns in these manufacturing markets illustrate the sluggishness in the global economy and weak demand for manufactured goods.



Will machines like these find themselves in idle use?

## Law & Order:

### *America Invents Act & the Little Guy:*

On September of last year the Senate passed a bill that reformed America's patent laws. Higher-quality patents infused greater certainty into the patent system by changing the method for determining the priority of patent applications to a "first to file" system from the long-standing "first to invent" method. A lone inventor named Mark Stadynek recently challenged the bill, known as the America Invents Act, in a Federal Court in Florida. Mr. Stadynek, along with small business owners claim that it will place big companies, which have the capacity of employing fleets of patent lawyers at a huge advantage over start-ups and small inventors. Arguing for the bill is Senator Patrick J. Leahy, a Vermont Democrat who was a primary sponsor of the bill. "For years, low-quality patents have been a drain on our patent system, and in turn our economy, by undermining the value of what it means to hold a patent." (NYT)

(NYT)

### **Implications:**

By strengthening the patent determination system through the America Invents Act, the United States has become more appealing to foreign investors who see an infuse of greater certainty into the patent system. The switch has also put the United States in harmony with patent offices in Europe, Japan and elsewhere, allowing them to share information with ease. On the other hand the fact that many large corporations such as General Electric, Caterpillar and I.B.M. supported the bill, tends to suggest that the Act favors big over small businesses. (NYT) (NYT)



**Patents are one of the most important issues with regard to innovation**

*"For years, low-quality patents have been a drain on our patent system"*



**WORLD TRADE CENTER  
ORLANDO**

### **WTCO News Update**

### **Peace and Prosperity Through Trade**

1600 East Amelia Street

Phone: 407-894-5740

E-mail: [info@worldtradecenterorlando.org](mailto:info@worldtradecenterorlando.org)

The concept of the World Trade Center was formed in 1968 following World War II, as the premiere international organization for the facilitation of international business. Today, World Trade Center Orlando is networked with over 289 World Trade Centers located in 85 countries. Since World Trade Center services are reciprocal, World Trade Center Orlando members can access the services of these global World Trade Centers; the world's major trading Centers for trade information and assistance, business leads, and a wide variety of international opportunities. Join over 1,000,000 worldwide World Trade Center members in marketing your products/services and receiving quality services offered by World Trade Centers to World Trade Center members

[Worldtradecenterorlando.org](http://Worldtradecenterorlando.org)