

Up, up and away  
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Yes. That's the response you get when you ask just about anyone who keeps tabs on global trade whether they expect it to continue to grow in 2006. Policy-makers, economists, port analysts, shippers, logistics specialists and carriers all expect trade growth to continue unabated. As always, however, there are uncertainties, and even one unexpected event, such as an act of terrorism, could throw the whole picture out of whack.

Other factors that could affect the trade outlook include volatile swings in oil prices; currency fluctuations; trade disputes that, if unchecked, could grow into trade wars; natural disasters; labor strikes; and revolutions, civil war or political turmoil.

That said, however, moderate to strong economic growth in the U.S., along with the country's dependence on foreign suppliers such as China for an ever-increasing share of consumer goods, is likely to mean higher demand for imports.

"I definitely expect (imports) to grow in 2006 by about 6 to 7 percent," said Tony Hupfeld, senior vice president at "K" Line America Inc. in Richmond, Va.

And it should be a good year for exports. Abed Medawar, president of **Somerset Marine** LLC, a Hillsborough, N.J., forwarder and non-vessel-operating common carrier, expects a "bright future" in 2006.

"The Middle East (trade) is busy, and the Far East is expected to continue at a good pace," Medawar said.

A look at the numbers demonstrates the growth in U.S. trade, which long surpassed the trillion-dollar mark.

Between January and September, total U.S. trade was valued at \$1.9 trillion, up from \$1.7 trillion in the same period of 2004. Exports increased to \$666.7 billion from \$603.9 billion, and imports to \$1.2 trillion from \$1.1 trillion in the period. Trade in September alone broke a host of monthly records. Among them, the combined goods and services deficit (\$66.1 billion) and the goods deficit alone (\$71.1 billion) were records; imports of goods and services (\$171.3 billion) and imports of goods alone (\$144.5 billion) were records; and exports of services (\$31.8 billion) were a record.

Compare those figures with September 1995, when the total value of goods and services trade was \$143.8 billion, \$7 million less than the goods import bill alone 10 years later.

However, barriers to several market sectors persist worldwide.

"The United States already is very open to goods from other countries. Fully 70 percent of our imports already enter duty-free, and the average U.S. tariff rate on the remaining imports is about 3 percent. But according to the U.S. Trade Representative's office, American exporters face an average tariff rate of 30 percent abroad, 10 times as high," said David Heuther, chief economist at the National Manufacturers Association.

Big business has thrown down the gauntlet. "In 2006, our focus will be on (fighting) protectionist-type measures both in the U.S. Congress and elsewhere as it pertains to trade," said Brigitte Gwyn, director of international trade at the Business Roundtable, which represents chief executives of the leading U.S. corporations.

With relatively strong growth in their economies, emerging markets and developing countries will account for the bulk of the trade increase, some mainly as exporters, others as importers; still others, like China, as both.

"Activity in emerging Asia is being led by China and India, whose (economic) growth is expected to be 9 percent and 7 percent, respectively, in 2005, and only a little less in 2006. The growth rate in Latin America is also expected to remain strong, though a little less than the rate in 2004," Rodrigo de Rato, managing director of the International Monetary Fund, told the Spain-U.S. Chamber of Commerce in Miami on Sept. 30. "In the transition countries in emerging Europe, growth is expected to slow in 2005, reflecting capacity constraints and low growth in western Europe. Growth in Africa is expected to continue. Middle Eastern countries and other oil exporters will benefit from the rise in oil prices," he said.

Growing economies mean increased business for U.S. exporters and the carriers bound for those destinations. Best export prospects for emerging markets range from bulk commodities, environmental technologies and capital equipment for infrastructure and industrial development, to consumer items, information and communications technology, and medical and health-care equipment, according to Commerce Department officials.

Dave V. Sharma, North America cargo manager at SN Brussels Airlines in Lake Success, N.Y., is looking to markets in Africa.

"From the U.S. and Canada, we are pushing the African destinations, east and west. We are doing our best to promote them because the yield is pretty good on those markets compared to Europe, compared to any other place at the moment," he said.

The U.S. government currently is negotiating free-trade agreements with Middle East countries bursting with oil wealth. While plans for a regionwide Middle East Free Trade Area, announced in 2003, are expected to be completed by 2013, agreements with individual countries could be finalized in 2006.

"Our current and soon-to-be FTA (free-trade agreement) partners - Israel, Jordan, Morocco, Bahrain, Oman and the United Arab Emirates - provide excellent export opportunities for U.S. companies. Best prospects include civil aircraft, passenger

vehicles, agricultural products, pharmaceuticals and medical equipment, and water technologies," said Holly Vineyard, deputy assistant secretary of commerce, who directs the Market Access and Compliance unit for Africa, the Middle East and South Asia.

Trade with the Middle East is fueled in part by military shipments to support U.S. forces in Iraq. But increasing affluence in countries such as the United Arab Emirates also contributes to trade growth. Emirates Airlines' twice-weekly 747 freighter flights between Dubai and New York via Gothenburg, Sweden, are full in both directions, said Ed Chism, Emirates' cargo manager in North America. Increasing demand for passenger space prompted Emirates to add a second daily nonstop flight between New York and Dubai, a move that boosted the carrier's weekly capacity from 364 tons to 480 tons. U.S. exports carried by Emirates include pharmaceuticals, machinery and perishables. Textiles imported from the Indian subcontinent and other regions account for most of its inbound cargo.

With negotiations on the Free Trade Area of the Americas at a stalemate, some are pressing for bilateral agreements to open markets in the region.

"We hope the U.S. Trade Representative will be able to conclude negotiations with Panama and the Andean countries, and possibly move toward having those (sent) to the Congress," Gwyn said.

Clearly, however, Asia is the No. 1 hot spot for 2006 in terms of volume. For the Port of New York and New Jersey, "that's everything from Japan all the way through India. But the two major markets for us are China and India," said Peter Zantal, general manager, analysis and industry relations, in the Port Commerce Department of the Port Authority of New York and New Jersey.

"For the first half of this year, Asia accounted for 46 percent of all container traffic for imports and exports. It's our biggest market and fastest-growing market," Zantal said. "There's consumer goods coming in, and everything from furniture to clothing to household furnishings," he said. "Going out, it's mostly wastepaper, scrap metal, logs and lumber, some machinery, some autos . . . but used autos."

New suppliers from developing regions will rival, sometimes even overtake, long-standing European suppliers to satiate the U.S. appetite for imports, trade watchers say.

"You'll even see traditional European manufacturers moving manufacturing to China and Brazil. We've seen that in the furniture industry and others - tiles, for example. Before, Italy was the place (to get them), now we're getting them from China, India, Turkey and Brazil. We're even seeing that Brazil has become a large source for candy. It all depends on your price points," Zantal said. "Europe has remained a steady market. Its quantity of TEUs has not been reduced, but certainly its relative position has been reduced," he said.

Asia, led by China and India, will be the top supplier to the U.S. of so-called general department store merchandise for big retailers such as Wal-Mart, Kmart and Target. That

includes furniture, electronics, textiles and apparel, footwear, home improvement goods and toys.

"The growth from Asia has been growing about 20 percent per year for the last couple of years," Zantal said of port traffic in New York.

"K" Line's Hupfeld sees smaller Asian countries, including Vietnam and Indonesia, increasing their shipments.

China could be gearing up for another export blitz, this time with vehicles. News reports from Asia say the country's automakers are set to sell 6.4 million passenger cars, vans, buses and trucks in 2006, which will result in China replacing Germany as the world's third-largest automobile manufacturer. Chinese-made vehicles are already making headway in Caribbean markets.