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GLOBAL INSIGHT

Global Trade Outlook: Growing Demand for Transportation

Panel Session 'Accommodating Global Trade Growth'

Presented to:

**TRF Annual Forum
New York, New York
March 23, 2006**

Presented by:

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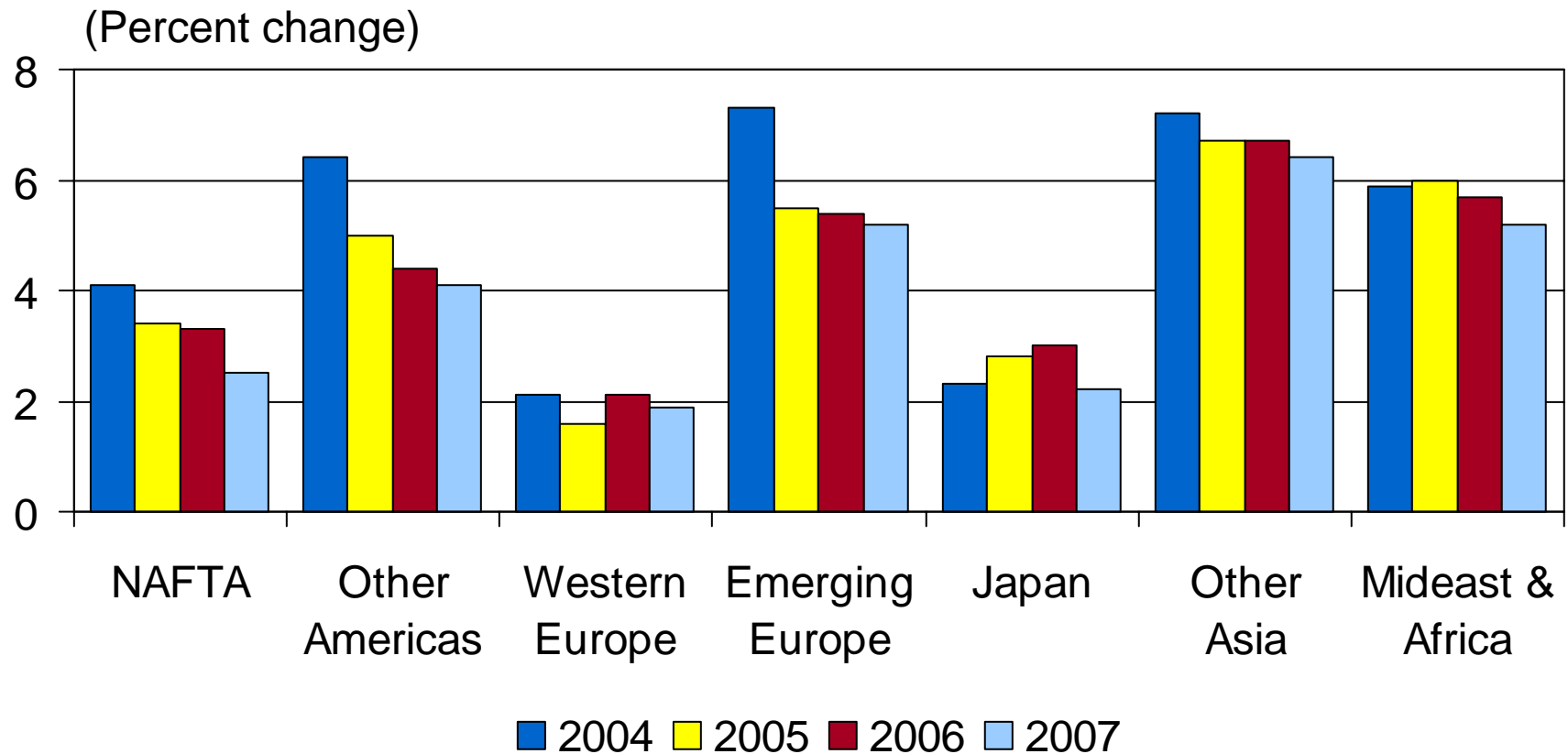
Global Growth is Not Uniform: Market Shifts are Coming Affecting Trade and Transportation

(Country GDP Rank in Billions of Real (2003) U.S. Dollars)

2000	2010	2020	2030	2040	2050
U.S.	U.S.	U.S.	U.S.	U.S.	China
Japan	Japan	China	China	China	U.S.
Germany	Germany	Japan	Japan	India	India
U.K.	U.K.	Germany	India	Japan	Japan
France	China	U.K.	Russia	Russia	Brazil
Italy	France	India	U.K.	Brazil	Russia
China	Italy	France	Germany	U.K.	U.K.
Brazil	India	Russia	France	Germany	Germany
India	Russia	Italy	Brazil	France	France
Russia	Brazil	Brazil	Italy	Italy	Italy

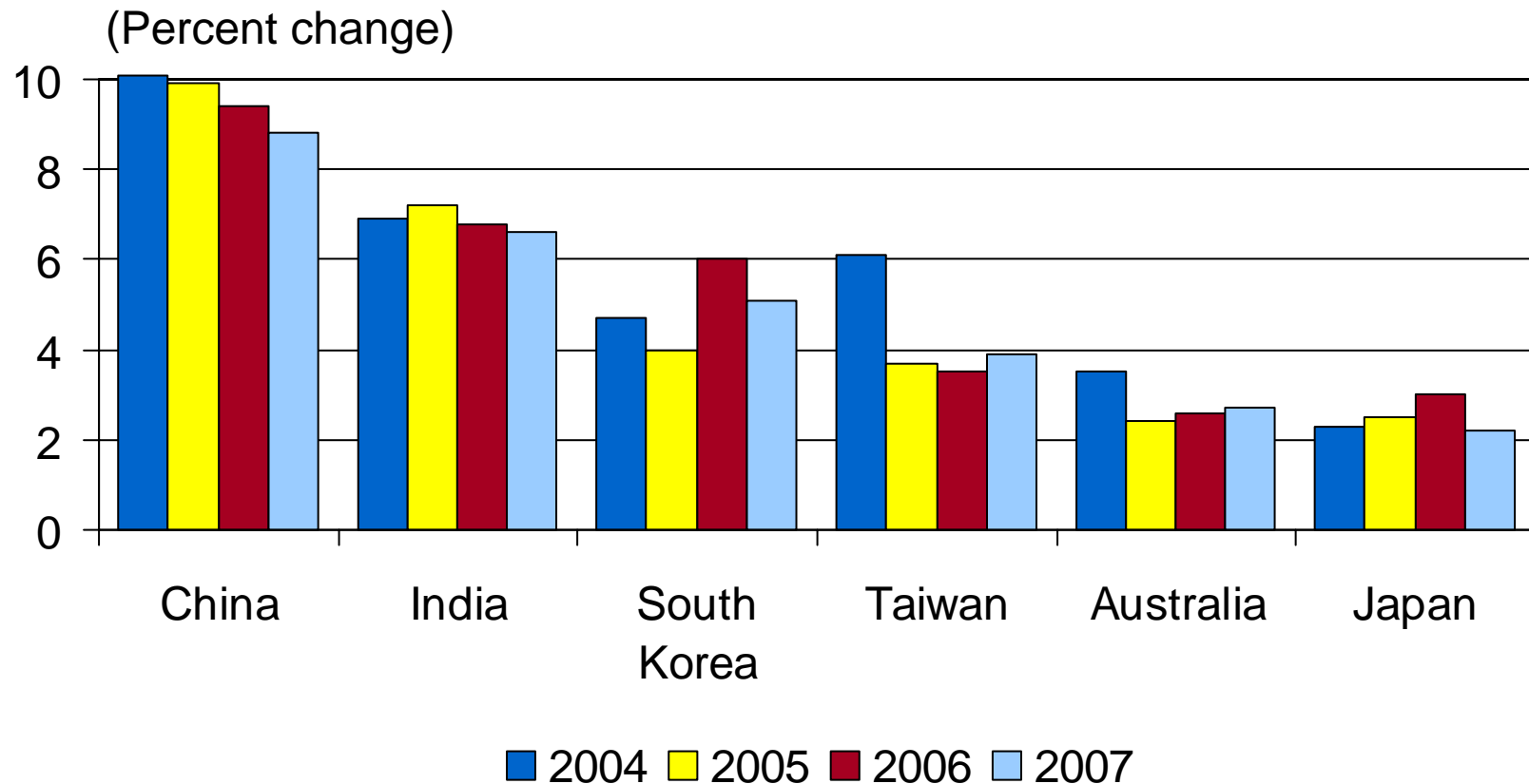
Source: Global Insight World Service

Real GDP Growth Is Uneven Across the World



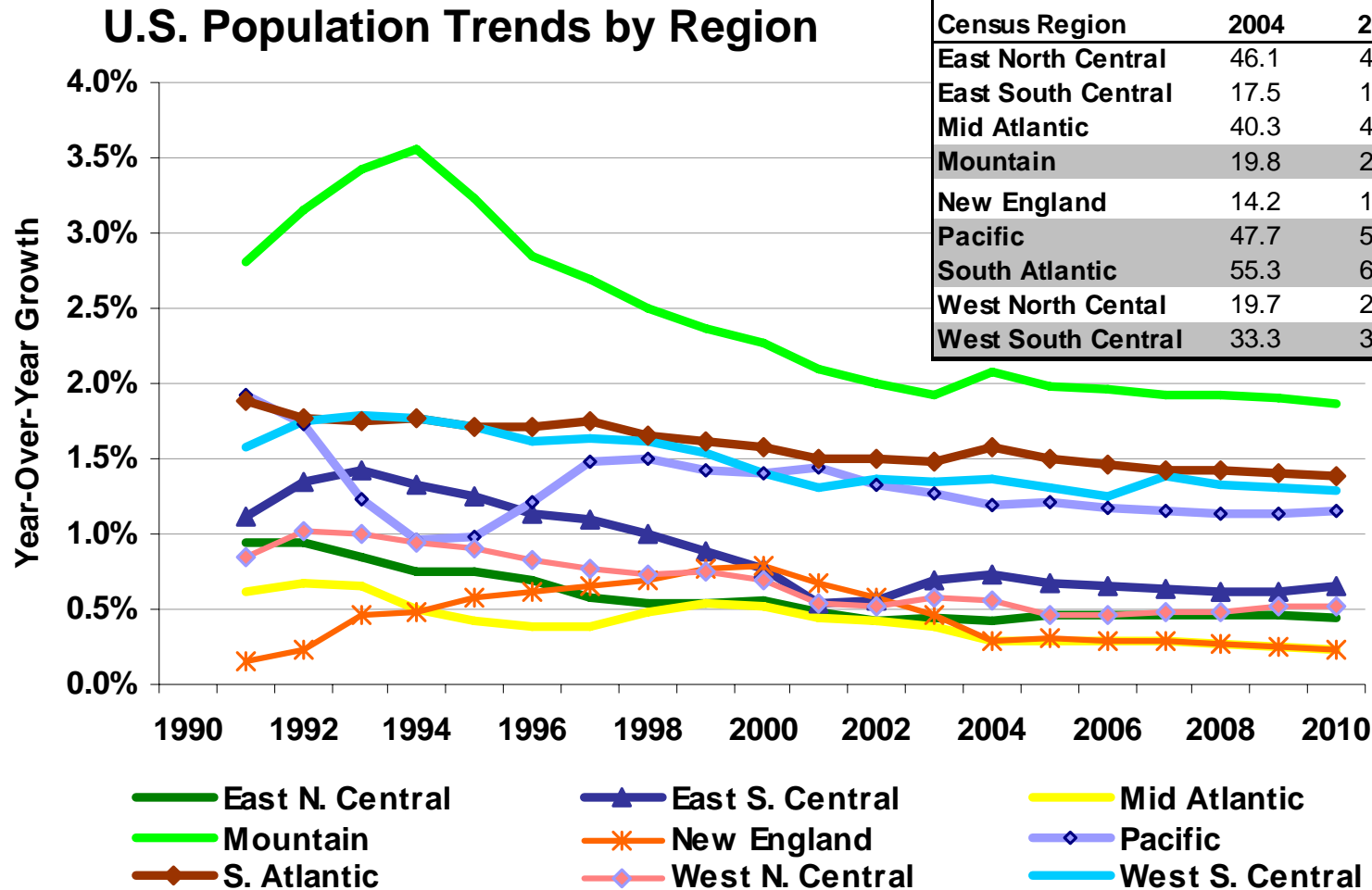
Source: Global Insight World Service

Real GDP Growth in Asia/Pacific Economies



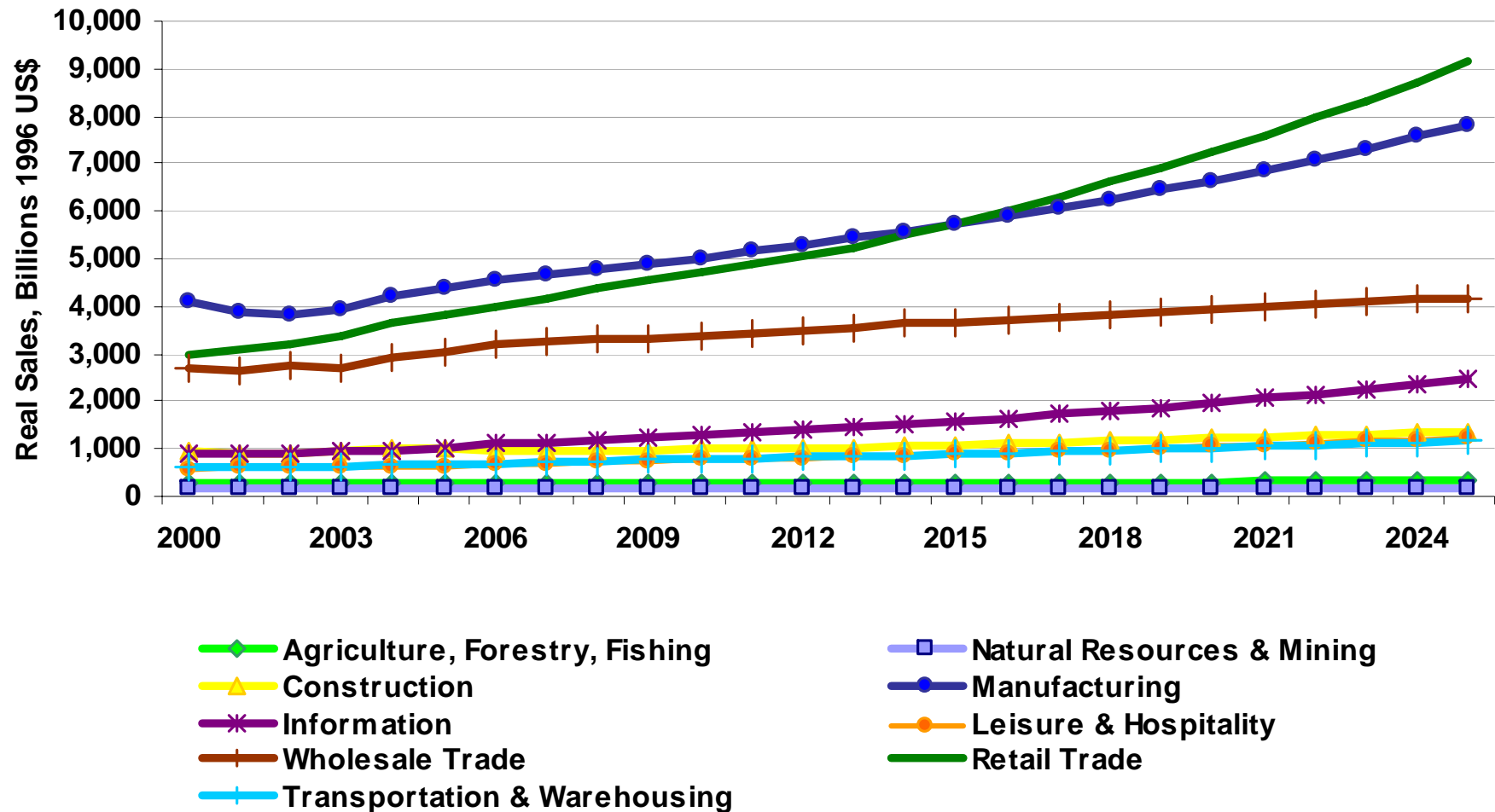
Source: Global Insight World Service

U.S. Regional Growth is also Uneven



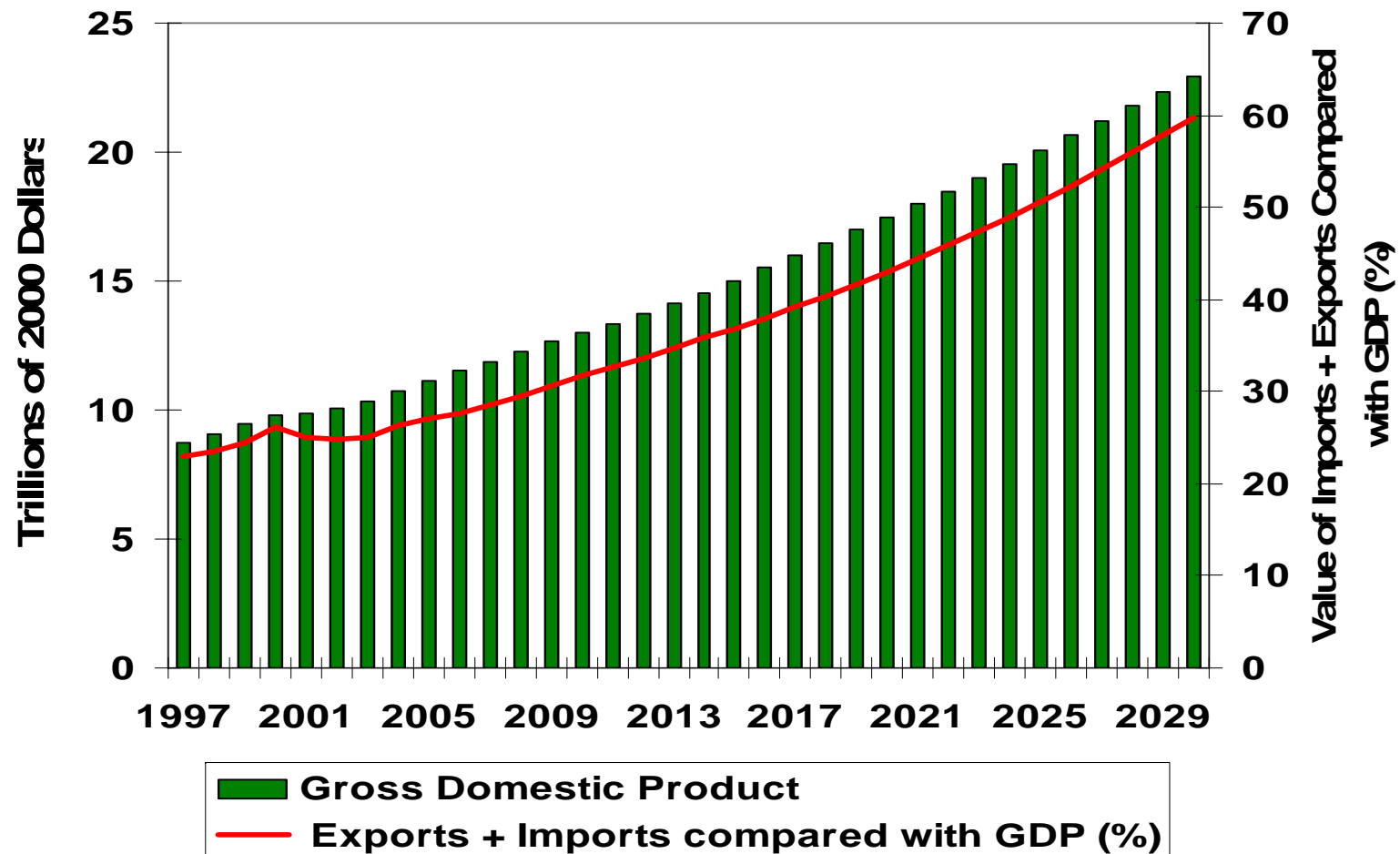
Source: Global Insight U.S. Regional Service

U.S. Business Sector Growth is Uneven as well



Source: Global Insight U.S. Industry Service

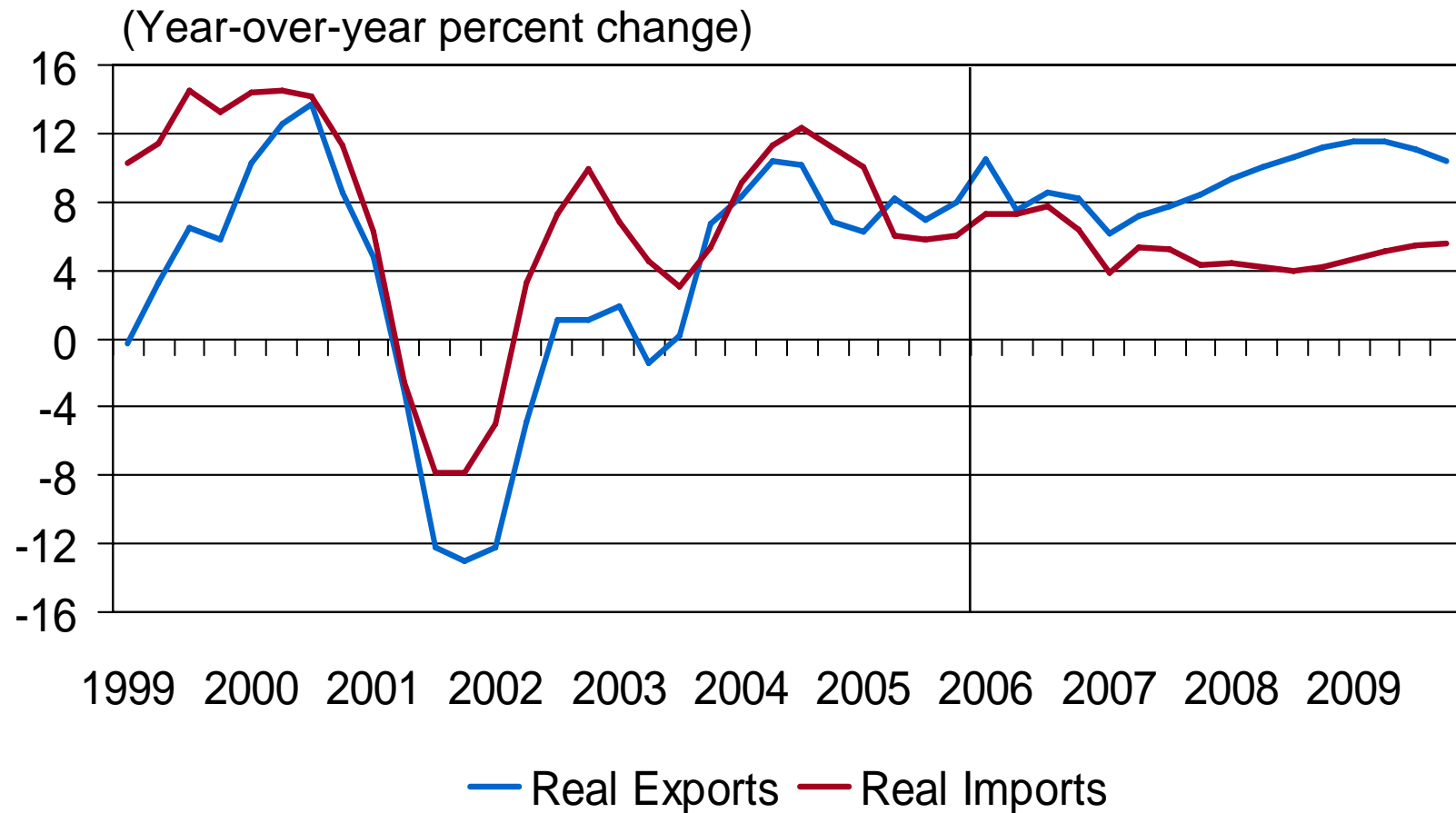
Globalization: Trade Grows in Importance in the U.S. Economy and Facilitates GDP Growth



Source: Global Insight U.S. Macroeconomic Forecasting Service

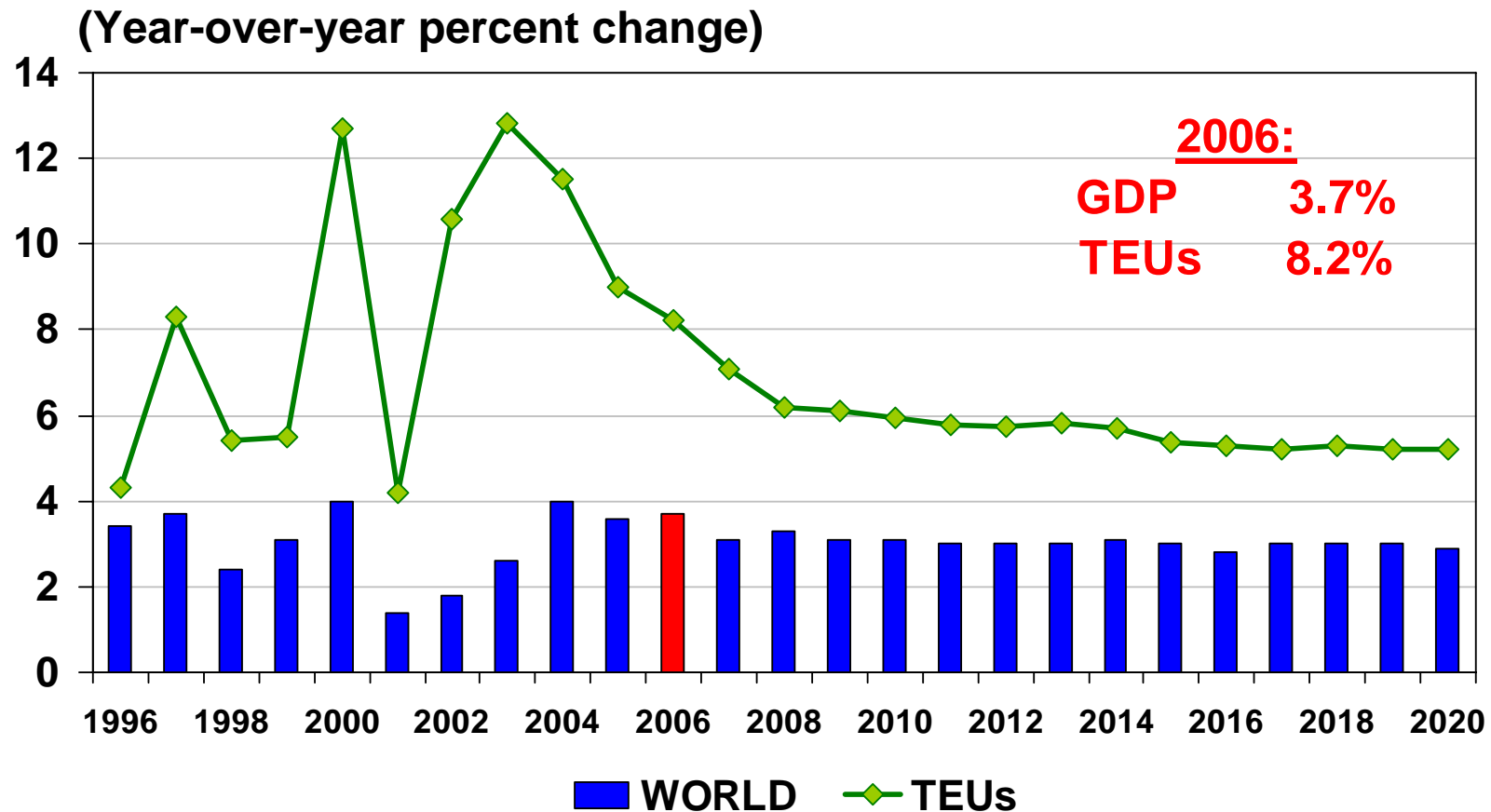
U.S. GDP of \$20 Trillion by 2025 Built on Doubling Trade Role in the Economy

Real Merchandise Export and Import Growth Reflect the Business Cycle and Exchange Rates



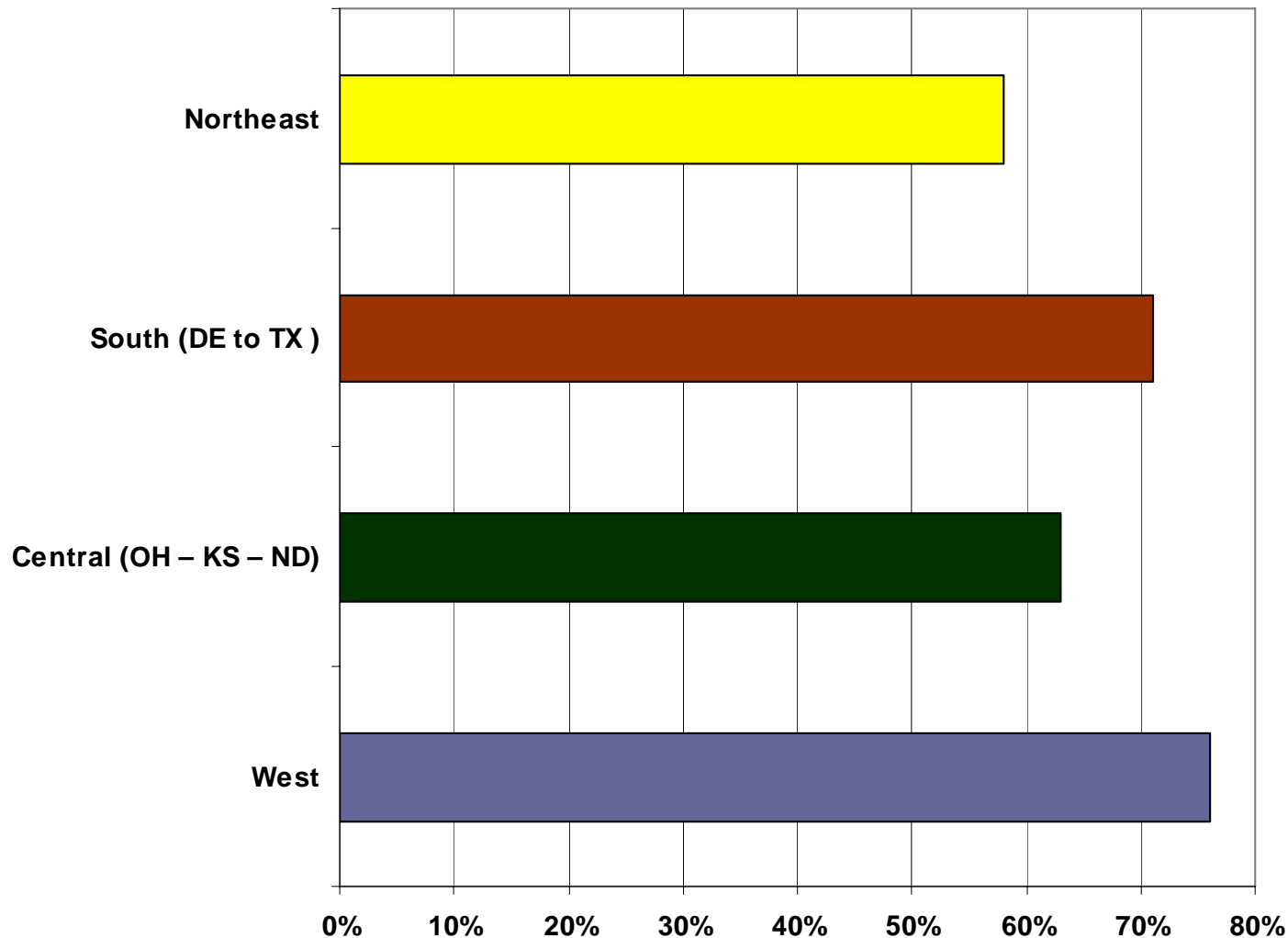
Source: Global Insight U.S. Macroeconomic Forecasting Service

Ocean Container Trade Volume Will Continue to Grow Faster than the World Economy



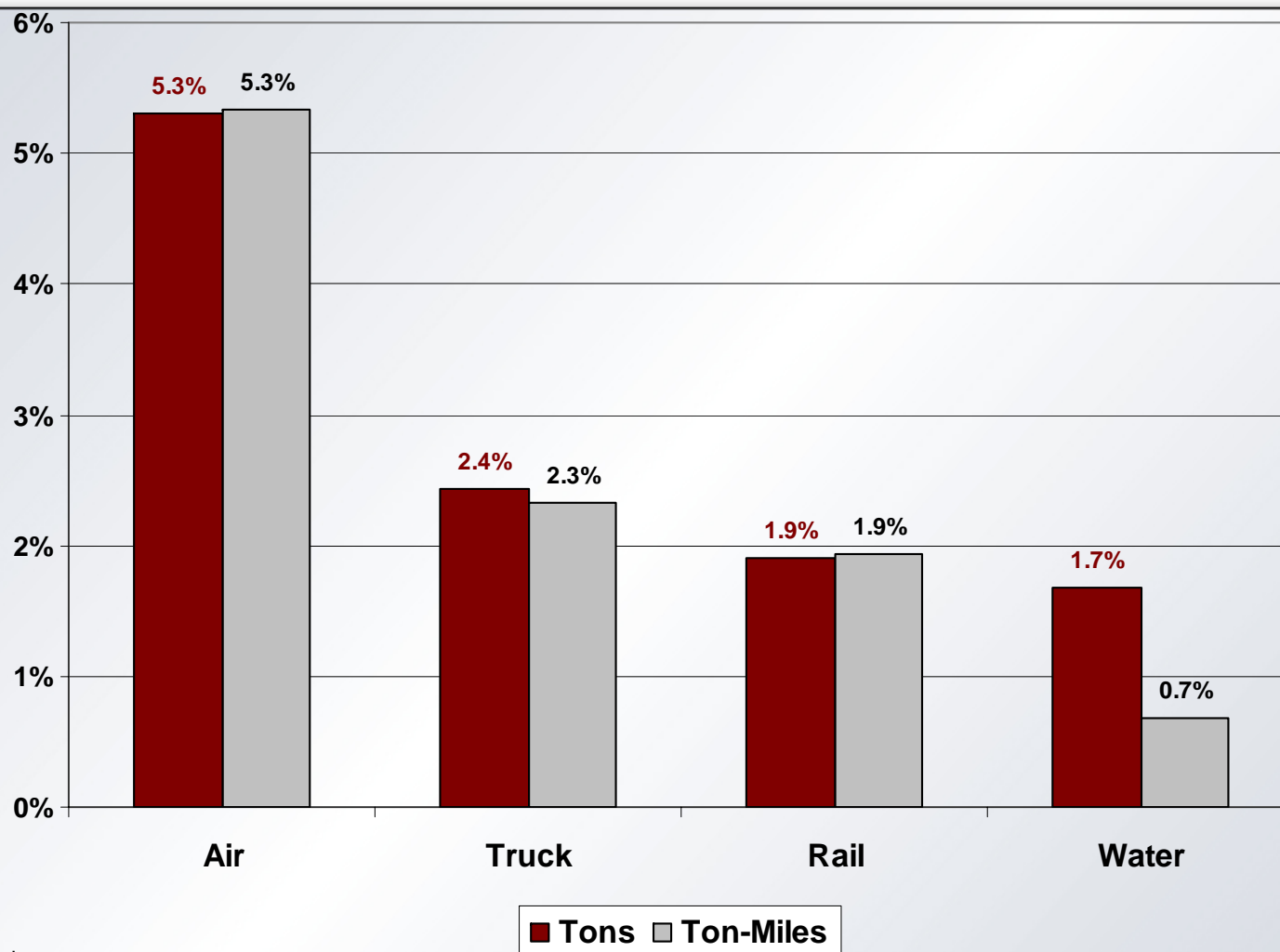
Source: Global Insight World Service and World Trade Service

U.S. Regional Freight Tonnage Growth 2000 - 2020



Source: Global Insight TRANSEARCH Insight

Compound Annual Growth Rates by Freight Mode Forecast from 2000 to 2020 in Tons and Ton-Miles



Source: Global Insight

Conclusion

- **The continued growth and development of the world's economies, facilitated by liberalized trade and globalization of supply sourcing is driving relentless, but uneven growth in trade.**
- **Developing economy trade grows faster than trade of developed economies.**
- **U.S. demand grows fastest in the South and Western regions.**
- **Trade in lighter weight, higher value products will outpace growth in bulk commodity categories, meaning more air cargo, truck and ocean container trade, and more pressure on facilities and intermodal transport.**
- **Growth of equipment size (container ships, aircraft, train lengths) will temper the decentralization to smaller trade gateways that lack infrastructure to handle the larger equipment, so pressures on key gateways remains.**



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Discussion

Q & A



Avian Flu Pandemic Risks

- **The World Health Organization estimates that a “medium-level” pandemic would kill 2 million to 7 million people world-wide.**
- **The number of people hospitalized would be 3 to 5 times higher, and the number of people with the flu would be 10% to 30% of the population.**
- **Supply-side effects: worker absenteeism, overwhelmed health care systems, closed schools and public transit, and restrictions on trade and travel.**
- **Demand-side effects: curtailed travel and tourism, shopping, and recreation, potential over-reaction by financial markets.**
- **SARS caused about 800 deaths, but reduced Asian GDP by 2% in the spring of 2003 and 0.5% in all of 2003.**

Fatalities By Region: Medium-Level Pandemic

	Population Shares (Percent)	Low Case (Millions)	High Case
United States	5	0.06	0.20
European Union	8	0.10	0.36
CIS & CEB	8	0.16	0.60
Asia-Pacific	55	1.20	4.40
China	20	0.50	2.00
India	17	0.40	1.40
Latin America	8	0.16	0.60
Middle East & Africa	16	0.32	1.20
Total	100	2.00	7.40

Based on WHO estimates, the U.S. and EU are assumed to have proportionally fewer deaths and Asia is assumed to have proportionally higher deaths

Avian Flu Pandemic Impacts on Global GDP

Demand-Side

Mild Reaction

Strong Reaction

Supply-Side

Medium Pandemic

Severe Pandemic

<ul style="list-style-type: none"> • World: -1% to -2% • Asia: -2% to -3% • SARS writ large • Probability: 15% 	<ul style="list-style-type: none"> • World: -3% to -4% • Asia: -4% to -5% • World recession – protracted stagnation • Probability: 3%
<ul style="list-style-type: none"> • World: -4% to -5% • Asia: -5% to -7% • World recession – relatively quick rebound • Probability: 5% 	<ul style="list-style-type: none"> • World: -6% to -10% • Asia: -7% to -15% • World depression • Probability: 1%