



CONFERENCE NOTES

Keynote Presentation: Peter Hall, EDC Vice President and Chief Economist

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Should we be optimistic about the future of trade?

There is a lot of craziness and cynicism at the moment, but there are still strong ingredients for growth.

Millenials

Many economic indicators lead me to believe there is significant pent-up demand and future economic growth ahead, such as house purchases, number of appliances per house, car purchases – the younger generation graduating during recession had to delay these because of poor salaries and job opportunities. But now many have stabilized and are able to make these purchases, it wasn't that they didn't want to make them but were simply unable to until now.

The economy had to reorient itself around Gen Xers, who had to sit in basements waiting for their opportunity. Once they got it they became productive and made major purchases – why should we assume millennials are any different? Once they get competitive jobs and wages, they want the same things as everyone else.

- Since 2008, we have higher highs and lower lows in the business cycle, the cycle has also elongated so much that the most recent downturn has lasted as long as an entire business cycle once did.
- Now that the economy is finally returning to normal levels, national workforce participation has improved and those who graduated in 2008 or 2009 finally have good jobs, are finally ready to buy their houses, cars, etc., Their need to delay those purchases reduced economic growth at the time but will now lead to avalanche of growth.

Central banks increasing the interest rates caused some panic but it is needed to stop the overgrowth coming our way.

Emerging markets

While emerging markets are seeing GDP growth far superior to that of established markets, it doesn't make

them the motors of global growth, as they still have a long way to catch up to those established markets.

Nevertheless emerging markets still have tons of potential to grow in the future. Some are worried that their exceptional growth is starting to slow, but what used to be 18% growth in China is actually smaller (in terms of overall global economic growth) than 6% growth there is now, because their economy has grown so much since then. Still I believe China could see as high as 8% growth in the future (note that is a unique opinion among economists).

Protectionism

In every case worldwide, anti-trade and anti-globalization efforts have failed, with the one notable exception of the U.S. – even in their case, it was easier for them to tear up the TPP, from which no one had yet benefitted, than NAFTA which has existed for 25 years, and the loss of which would lead to huge job losses and price increases.

- Other nations affect the U.S. just as much as the U.S. affects them.
- Trade agreements, once implemented, usually take 3-5 years before their benefits are fully felt and understood on a wide basis.
- These are times of prosperity, with lots of potential. The economic cycle is going up despite all of the acrimony and skepticism around trade right now.
- There are huge opportunities for businesses, EDC is trying to increase its customer base from 7,500 to 30,000.

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