Transport and International Trade

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Breaking Down the Determinants of Trade

• Overall Economic Activity
  – GDP

• The Ratio of Trade/GDP
  – holding policy constant

• Changes in Policy
Overall Economic Activity

IMF World Economic Outlook, April 2017
Annual growth forecast

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<th>2016</th>
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<th>2018</th>
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Caveats

- This was before U.S. 2017 Q1 number disappointed last week
  - GDP grew at 0.7 percent annual rate
  - Weakest quarter since 2014:1

Source: IMF WEO, April 2017
Trade/GDP
Intermodal Association of **North America** reported a decline of 2.1 percent in total intermodal volumes for the year 2016 compared with 2015. The total of 17.1 million shipments was the first full-year decline since 2008.
"It does the American economy no long-term good to only keep the big box factories where we are now assembling ‘American’ products that are composed primarily of foreign components...We need to manufacture those components in a robust domestic supply chain that will spur job and wage growth."
Near withdrawal from NAFTA

- President Trump was reportedly on the verge of signing the order for withdrawal last week.
- Opted for renegotiation after conversations with Mexican and Canadian leaders.
Practical Lessons

• The administration faces a steep learning curve on benefits of trade.
• Congress has a big say
• Ultimate trade policies in a state of flux
• Likely to be heavily influenced by full trade team (not yet in place).
• On NAFTA experience last week, intense lobbying effort by manufacturing and especially agricultural sector seemed to make a critical difference