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# Global ABCs

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

- A**sia—still expected to be the location of roughly two-thirds of all additional global economic growth over the next 20 years
- B**ush—shares a characteristic globally that some would say also applies to Hilary Clinton domestically...people tend to intensely like or intensely dislike...with few in the middle
- C**hina—powerful economic growth continues, with leaders still trying to slow the economy down. China could challenge Japan's position as "number one" in the Pacific Rim within a decade
- D**ollar (the)—recent weakness in the dollar versus other major currencies is actually good news as it will help in reducing our enormous trade imbalance with the global community. A wholesale dumping of the dollar by global investors?...ain't gonna happen
- E**urope—growth expected near 2.0%-2.3% this year and next (after inflation). Such growth, weak by U.S. standards, would be Europe's strongest in six years
- F**rance—national unemployment near 9.0% limits opportunities for all, with jobless rates of young workers twice as high. Too many industries remain "protected" from global competition in this near Socialist nation
- G**lobal **G**rowth—real (inflation adjusted) growth in 2006 should approach 5.0% this year and next. Comparable growth since 2003 now equates to the strongest 4-5 year period since the early 1970s
- H**ealth **C**are—affordable health care is a major global issue in coming decades. Overall costs will rise as a share of global output as Baby Boomers around the globe reach their Golden Years
- I**nflation—another major issue drawing the attention of central bankers around the world. Our central bank (the Fed) seems to have most likely finished monetary tightening, we think, probably, while more tightening is likely in Europe and in Japan
- J**apan—the world's second largest economic power has slowed after stronger performance over the past couple of years. Concerns regarding sick investment portfolios, an enormous national debt, and a declining population remain
- K**orea (North)—nuclear ambitions, massive starvation of its people, and a failed economic system...What a mess! Meanwhile, Korea (South) enjoys solid economic growth
- L**atin (and South) **A**merica—economic growth is sporadic, especially in Argentina, Brazil, and Chile. Venezuela remains a political powder keg, with declining oil output
- M**exico—our Southern neighbor's economy is stable, but needs to grow faster to meet the needs of a rising population. Mexico's political elite have no problem with millions of their citizens crossing our border illegally. However, illegal immigrants from poorer nations south of Mexico who cross Mexico's Southern border are typically met with brutality and jail time. "Do as I say..."
- N**atural **G**as—perhaps a more powerful "weapon" for the Russians than missiles ever were. Europe is highly dependent on the Soviets for natural gas. Upsetting the Russians on any major issue could lead to some cold winter nights

**Oil & OPEC**—a modest oil glut and no major Gulf hurricanes led prices down from the \$70s to the high \$50s-low \$60s. We expect greater oil price stability in coming years near \$52-\$56 per barrel...a price that consuming and producing nations can live with. Much higher prices would provide consuming nations stronger incentives to develop non-oil energy alternatives...exactly what the Saudis DON'T want

**Poverty**—your garbage disposal eats better than two-thirds of the global population. Can't we do better?

**Quagmires**—there never seems to be a shortage. Today's list still includes Afghanistan, the Middle East, Chechnya, Iraq, Sudan, and other parts of Africa. Who's next?

**Russia**—solid economic growth has occurred in this hotbed of political corruption, tied primarily to solid oil production and high oil prices. Population decline is a major long-term issue. Here's a quick quiz: Name a major Russian city besides Moscow and St. Petersburg (formerly Leningrad)

**Social Safety Net**—we have anxiety in this country about the future affordability of Social Security, Medicare, and Medicaid. The challenges are much greater in Japan and "old" Europe

**Terrorism**—easily the most serious threat to the U.S. and the global community. Any significant terrorist "successes" in major Western nations (especially the U.S.) could temporarily derail the global economy

**U.N.**—a largely ineffective institution that must step forward and assume more responsibility around the world. Wouldn't it be nice if the U.S. could just be one member of a more relevant and viable United Nations?

**Volatility**—pick any descriptor...political...economic...financial market

**World Wide Web**—the powerful explosion in U.S. Internet activity has been followed by solid expansion around the world. One estimate has global companies saving \$1.25 trillion in operating costs during the next three years alone by using the Internet

**Exports**—one of the "keys" to success for global companies...product quality is crucial...price is secondary in select cases. Despite all we hear about China as a major exporter, its appetite for goods from around the world is enormous. U.S. exports need to accelerate, while our appetite for global goods needs to slow. A weaker dollar will help this process along

**Young People (around the world)**—facing a rising tax burden in coming decades to finance the retirement years of Baby Boomers (and Boomers' parents) if minor changes are not soon made

**Zones**—three major trading zones—North America, Europe, and the Pacific Rim—still define the planet's future.

Also **Zero Sum Game** (as in Domestic ABCs)...Any trade restrictions we impose on another nation are soon matched or exceeded by that nation. Democrats must be very careful

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