Money | Subscribe | Mobile | Google USA TODAY stories, photos and more GO
Join USA TODAY
Sign in | Become a member
Home | News | Travel | Money | Sports | Life | Tech | Weather
Money: Markets | Economy | Personal Finance | Stocks | Mutual Funds | ETFs | Cars | Real Estate | Small Business

GET A QUOTE: GO | DJIA 12,871.88 -60.21 | NASDAQ 2,943.08 -3.19 | S&P 500 1,358.48 -5.24 as of 03:49 PM

China's cooling economy puts Obama export goal at risk

By Kathy Chu, USA TODAY

Updated 6d 21h ago

Recommend 35 37 4
Reprints & Permissions

HONG KONG – The slowing economies of China and other emerging nations are stunting foreign demand for U.S. goods, jeopardizing one of the Obama administration's most ambitious economic initiatives.

By Craig Mitchelldyer, for USA TODAY

Vince Piscitello of Vigor Industrial at a Portland dry dock where a container barge is being repainted for a shipping company.

In his 2010 State of the Union address, President Obama set a goal to double U.S. exports in five years — from $1.58 trillion in 2009 to $3.15 trillion by the end of 2014. With the world coming out of recession then, exports rebounded strongly at first — soaring 16.7% in 2010 and nearly 15% last year to $2.1 trillion, putting the U.S. ahead of schedule in meeting its goal.

A growing number of economists and trade experts say that performance is unlikely to be matched this year — or next — with much of Europe in a mild recession and two of the world's largest emerging economies, China and India, decelerating from a torrid pace of double-digit annual expansion.

The doubling of U.S. exports was "an aspiration when it was disclosed, and now it seems an increasingly difficult objective to meet," says Eswar Prasad, Cornell University senior professor of trade policy.

Exports are a key driver of the American economy, accounting for more than half its expansion last year. For every $1 billion of U.S. goods or services sold overseas, about 7,000 American jobs are created, estimates Gary Hufbauer, a senior fellow at the Peterson Institute for International Economics.

Driving exports is "just one component of growing an even healthier economy," says Francisco Sanchez, U.S. undersecretary of Commerce for international trade. With 95% of the world's consumers outside the U.S., "it would be a wasted opportunity not to promote our goods and services" overseas.

Yet U.S. export growth could slow to 5% this year, and then climb to 7.5% or 8% for the next two years, predicts Gregory Daco, principal U.S. economist for IHS Global Insight. To meet its goal, the U.S. needs about twice that growth rate — an average annual rise of 14.4% in exports — for each of the next three years.

U.S. exports to China, the largest export market outside of North America, have already decelerated from as high as 30% year-over-year growth rates in early 2011 to the single

Sponsored Links

LifeLock® Fraud Services
LifeLock® Credit Alerts For Fraud Protect Against Identity Fraud.
LifeLock.com

Woman is 57 But Looks 27
Mom publishes simple facelift trick that angered doctors...
ConsumerLifestyles.org

"Rare Fruit Melts Fat"
Learn How This Strange 62-Cent African Fruit Is Making Americans Thin
HealthScienceMag.com/AfricanMango

Buy a link here

Videos you may be interested in

Best Bikini Bodies of 2011
Obama to China: Help Rein In North Korea

Sponsored Link
Draft your own top pick
nflextrapoints.com
by Taboola
More videos

NAVIGATE INTERNATIONAL MARKETS WITH SCHWAB'S GLOBAL INVESTING SPECIALISTS:
Access 35 countries and over 60 international stock exchanges
Expert research and commentary keeps you informed
Schwab's Global Investing Specialists can help you make the right choices for you
Important Disclosure
TALK TO CHUCK
LEARN MORE
charles SCHWAB

Most Popular

Stories
U.S. home prices could rise 4% a year,...
Facebook IPO will be tough for investors to...
Kraft fined for underweight Oscar Mayer...
Stocks trim their losses after Greek...
Ask Matt: Is Apple stock becoming a bubble?

Videos
Raw video: Cheerleader in court on sex charge
Raw Video: Japanese ship rides Tsunami waves
Raw Video: Super moon above Washington

Photos
The 1100 horsepower Shelby 1000
Test Drive
Anna Wintour

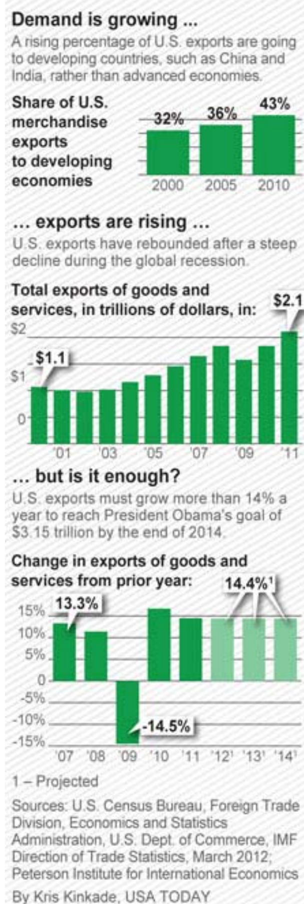
Most Popular E-mail Newsletter

Sign up to get:
Top viewed stories, photo galleries and community posts of the day
Most popular right now:
U.S. military snipers are changing warfare

Sign up for USA TODAY E-mail newsletters

digits at the end of the year. They grew at a slower pace last year than U.S. exports to the rest of the globe as the world's second-largest economy grappled with high inflation and the threat of a housing bubble. U.S. exports of agricultural products, computer electronics and primary metals also fell sharply to China last year, after adjusting for price increases, according to an analysis by Brookings Institution, a Washington, D.C., think tank.

As China's growing demand for goods from elsewhere in the world slips as well, that could weigh on other countries' economies, and in turn, their desire for U.S. goods. China's voracious appetite for commodities such as iron and soy has fueled economic growth in countries including Australia, Chile and Brazil.



A Chinese slowdown would "ripple through trade chains and put a squeeze on U.S. exporters, whether they ship directly to China or to other destinations," says Frederic Neumann, co-head of Asian economics for HSBC in Hong Kong.

In the first quarter, China's economy expanded 8.1% year-over-year, its slowest rate in three years. China has also lowered its 2012 economic growth target below 8% for the first time since 2005. Emerging nations such as India, Brazil and South Africa— which, along with China, are among the "priority markets" identified by the Obama administration because of their rising demand for U.S. goods — are also paring back expectations for expansion. And the developed world is grappling with a fresh recession in Europe, a slow Japanese recovery from last year's nuclear meltdown and sluggish growth elsewhere.

Mexico and Canada remain the U.S.' largest single export destinations, while the countries within the European Union account for roughly one-fifth of U.S. exports. Yet demand for American goods is rising fastest in emerging economies. Overall, 43% of U.S. exports now go to developing countries, compared with 32% a decade ago and 36% just five years ago, according to the International Monetary Fund.

The problem is, while the U.S. needs fast-growing emerging markets in order to meet its export target, there's little that the Obama administration can do to drive such growth in these markets.

With the outlook for the world economy constantly changing, "It's understandable that there will be challenges ahead in meeting the ambitious goals," Sanchez says.

"However, by striving to meet this goal, we're still helping U.S. companies to increase their presence overseas, export more products, and create more jobs here at home."

"It's too early," he adds, "to declare the (export) initiative to be successful or unsuccessful."

China's cooling growth chills U.S.

China's slowing growth is already starting to be felt across the U.S.

In Oregon, goods exported to China — the state's largest market — fell about a fifth last year. State exports of electronics, agricultural products and primary metals to the country also plunged, mirroring the national trend. Other states, from Nevada to Montana and Idaho, also saw merchandise exports to China drop in 2011.

USATODAYMONEY on Twitter

For the latest Money news, follow USATODAYMONEY On Twitter.

MONEY

USA TODAY Digital Services

Mobile | E-Newsletters | RSS | Twitter | Podcasts | Widgets | e-Edition | USA TODAY for iPad | Kindle Edition | Subscribe to Home Delivery

Reprints & Permissions | USA TODAY Topics | Reporter Index | Corrections/Clarifications | Contact Us | Archives

Even so, the swelling middle class in China — as well as in other emerging markets in Asia and Latin America— holds "huge opportunities" for Oregon companies, says Noah Siegel, director of international affairs in Portland Mayor Sam Adams' office.

Portland is among a small group of cities forging ties with government officials and the corporate sector in fast-growing emerging markets such as China, Brazil, Vietnam and the Philippines. Portland's thinking is that, "The more diversified our companies and our city, the less likely we are to lose employment," Siegel says.

That's also the hope for Portland shipbuilder Vigor Industrial, which has set its sights on Brazil, Chile and South Africa.

To capitalize on the boom in oil exploration, Vigor aims to export 200-foot-long vessels to Brazil that ferry people and equipment to offshore drilling platforms. It's already exporting to Chile filters that remove impurities from methane gas, which fuels generators used to make electricity. The company made the filters for a client and has looked at exporting them to South Africa as well. It also hopes to export ferries to Canada.

"Had we established export relationships prior to the worldwide recession, our (shipbuilding) division may have done better," says Vince Piscitello, vice president of business development for Vigor Industrial.

But as growth cools again in the global economy, so could demand for Vigor's vessels.

"Many of our customers transport goods. If our customers are not moving goods, then they need less repair and fewer replacement vessels," Piscitello says.

Trade disputes cause worry

Even in a roaring global economy, it can be highly challenging to sell American goods in emerging markets such as China.

For instance, the growing number of trade disputes between the U.S. and China over poultry, solar cells and other products is a "source of uncertainty," says Veronica Nigh, an economist at the American Farm Bureau. The fear is that escalating tensions could ignite a trade war that hurts manufacturers in both countries.

The U.S. buys nearly four times more from China than it sells — $399 billion compared with $104 billion in 2011 — yet exports from the U.S. to China have been rising at a faster pace than the other way around, according to Alaistair Chan, a Sydney-based economist at Moody's Analytics.

Market access also remains a key issue for U.S. companies doing business in China, according to Erin Ennis, a vice president at the U.S.-China Business Council.

And Chinese companies are coming into their own, competing with American firms for business in emerging and developing markets, Neumann says.

But perhaps the biggest obstacle for U.S. companies trying to tap into China's ballooning middle class is that the economy's growth remains skewed toward investment rather than consumption of goods.

"China's growth is somewhat unbalanced, which is not good for U.S. exports," Prasad says.

For more information about reprints & permissions, visit our FAQ's. To report corrections and clarifications, contact Standards Editor Brent Jones*. For publication consideration in the newspaper, send comments to letters@usatoday.com. Include name, phone number, city and state for verification. To view our corrections, go to corrections.usatoday.com.*

Posted 6d 21h ago | Updated 6d 21h ago

More from USATODAY

Bell, Marmol, Johnson losing their grips on closer's jobs *USATODAY.com in Fantasy Windup*

The truth behind the 'Maya apocalypse' *USATODAY.com in Tech*

More from the web

8 Incredible Cars Driven by the World's Richest People *The Fiscal Times*

Natural gas cars: A look under the hood *ExxonMobil's Perspectives*