New world economic order

By John J. Metzler

UNITED NATIONS — American exports surged last year to reach impressive new highs. Despite the recession, over $1.8 trillion in U.S. goods were shipped worldwide.

But before anyone thinks about popping the champagne corks to celebrate these new commercial successes, the U.S. Commerce Department also announced a dangerously high $498-billion trade deficit, representing an almost 33 percent increase which dampens the effervescence of the rebound.

American exports are booming for many reasons. A gradual global economic recovery, the quality of the products, and a weak dollar which makes the items more attractive, are among the reasons. So too are various free trade agreements (FTA) with key global partners. Given the Obama administration's politically stated goal of doubling exports, there's reason for initial optimism.

Trade partners and patterns illustrate so very much about international relations well beyond the business bottom line. East Asia's growing economic weight brings the region enhanced political clout and global gravity.

As recently as 1990, seven of America's top 15 export destinations were European. As one would expect the United Kingdom, Germany, France, the Netherlands, Belgium, Italy and Spain were on the list. So too were Japan, South Korea and Taiwan. Back then, the People's Republic of China was number 18.

But fast forward 20 years and look at 2010. Five European countries (the U.K., Germany, the Netherlands, France, and Belgium) made the list but new players abound. The “new world trade order” has Canada, Mexico, China, Japan, and the United Kingdom in the top five. Italy has been supplanted by Singapore.

Now let’s look at America’s imports. In 1990, four European countries (Germany, the U.K., France and Italy) were among the top 15. The top five still included Canada, Japan, Mexico, Germany and Taiwan.

Fasten your seat belts please! In 2010, European countries made up five of the top 15 sources of imports. But the People’s Republic of China has shoved aside Canada, for first place, so the new top five list reads, China, Canada, Mexico, Japan and Germany.

Equally by 2010, China became the world’s second largest economy, pushing Japan into third place.

That the China trade has swamped American markets, devastated industries, and decimated jobs is glaringly obvious.

While American businessmen are gloating over a record $92 billion in exports to the Mainland in 2010, the U.S. imported $365 billion in products from the People’s Republic.

Thus Washington’s trade deficit with Beijing hit a dazzlingly dangerous $273 billion and that’s in a recession! Looking at it another way, this is $273 billion sloshing around in China’s coffers gives Beijing the bling to keep up its global raw materials buying binge.

Major American exports to China include commercial aircraft, semiconductors and sophisticated industrial machines.

By now many readers may be saying and “what about India?” All the hype about India overtaking China, the Dragon versus the Tiger, etc. Well last year India became the U.S.’s 14th top source of imports, just behind Nigeria.

But look at the numbers. India imported $19 billion in goods from the U.S. while exporting $29 billion to the U.S. The trade deficit was just over $10 billion for the year. Looking at it another way, the U.S./PRC trade deficit in December alone was over $20 billion.

To illustrate how things have changed in less than a generation, tiny but entrepreneurial Singapore with a population of 5 million now has larger two-way trade with the U.S. than does Italy with a pop of 60 million. In today's world high-tech items seem to surpass fine foods, wines and fashion.

Clearly South Korea remains one of the U.S.'s top bilateral trading partners. In 2010 Korea was our seventh largest importer as well as exporter. Impressive indeed. Now at long last the Obama administration has revived an earlier plan by former President George W. Bush to sign an FTA with South Korea.

According to the free market-oriented Cato Institute, a free trade pact with South Korea would promote both prosperity and security. The U.S./Korea Business Council adds that an additional $35 billion in exports and 345,000 American jobs would emerge from the package, yet to be ratified.

Economic power is tilting toward East Asia and away from traditional West European partners. This allows Asia a growing commercial advantage as well as political weight in the global economic order.

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