

January 14, 2005

FLOYD NORRIS

U.S. Tech Exports Slide, but Trash Sales Are Up

WHO says the United States cannot compete? Trade statistics may indicate the country is slipping in technology, but we're still tops in trash.

In the late 1990's, those who counseled Americans not to be worried about the growing trade deficit pointed to "advanced technology products" - a category tracked by the government that reflects what it calls leading-edge technologies. The United States was running a sizable trade surplus in that area, and shipments of those products were rising much more rapidly than other exports.

All that has changed. In November, the United States had a record trade deficit of \$5.8 billion in advanced technology products. For the most recent 12 months, the deficit was \$36.9 billion, also a record.

And where is the strength? The trade surplus in what the government calls "scrap and waste" is rising. The 12-month total of \$8.4 billion in such exports is up 31 percent from a year earlier.

"What is effectively rubbish," said John Lonski, the chief economist of [Moody's](#), "serves as one of the U.S.'s fastest-growing export categories."

Compare the annual levels of exports in those two areas with those of 1999, and you get a stark picture.

Exports of advanced technology products are down 21 percent, while those of scrap and waste are up 135 percent. To some extent the technology decline reflects the bursting of the bubble, but imports of technology products are up 28 percent, indicating that it's not just the bubble at work.

There are easy jokes to be made about trash and technology, but to make them is to risk overlooking the real importance of the deteriorating trade picture, which is that American competitiveness is waning rapidly, and the lower dollar has done nothing to correct that.

"Businesses and plants that might have weathered a few years of uncompetitive exchange rates are being permanently shut down," wrote Bob Prince of Bridgewater Associates, a money management and advisory firm, after the November trade numbers came out.

"If prices adjusted more fluidly, these businesses and plants would recover once the dollar fell," he wrote.

Instead, China, which runs the biggest trade surplus with the United States, does not allow its yuan to rise against the dollar, and other Asian countries have similar policies.

Mr. Prince calculates that the dollar is down only 5 percent against a basket of currencies weighted to reflect current American imports, although it is off 20 percent against a basket reflecting imports in 2000.

The willingness of China to put its money into Treasury securities has served both to prevent changes in currency values and to hold down American interest rates, thus encouraging more American consumption and bigger trade deficits. In the words of Cathy E. Minehan, the president of the Federal Reserve Bank of Boston, "Unavoidable economic logic suggests that eventually this situation will prove unsustainable."

But eventually can be a long time, and in Washington no one seems eager to deal with the root problems. The administration blames Europe and Japan for not growing rapidly enough, and thus wanting more American exports, which conveniently ignores questions of American competitiveness. Some other politicians hope to use the dismal trade numbers to gain support for protectionist legislation to benefit one industry or another.

It is not clear what will end this trend. For now, foreigners seem happy to lend Americans money - largely through purchases of government and corporate bonds - thus allowing Americans to buy things and keep the foreigners working. The Americans are happy to keep borrowing and buying.

But eventually there may be limits both to how much money foreigners will lend and to how much trash the United States can export.

[Copyright 2005 The New York Times Company](#) | [Home](#) | [Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [Help](#) | [Back to Top](#)