

Posted on Mon, Feb. 07, 2005

## INTERNATIONAL TRADE

### **Rise of China changing way S. Florida, U.S. live and work**

**The soaring U.S. trade with China is a boon to consumers and a mixture of competition and opportunity for U.S. and South Florida businesses.**

BY JANE BUSSEY

[jbussey@herald.com](mailto:jbussey@herald.com)

If you could peek inside an 18-wheeler barreling out of Miami's seaport these days, you would more likely find goods from a Chinese factory than from Brazil, the Dominican Republic, Colombia or Venezuela -- traditionally considered the port's top trading partners.

Buying a hair dryer or an electric toaster? You'd be hard-pressed to find one in American stores that isn't made in China. About 92 percent of the toasters sold in the United States and 82 percent of the hair dryers come from China, along with the bulk of laptop computers and athletic shoes, and just about every fourth item of clothing.

Whether you are a consumer embracing cheap Chinese goods, an executive rushing to cash in on the Chinese boom, or a domestic manufacturer fighting Chinese competition, it is becoming clear that the country of 1.3 billion people is changing the rules of global commerce, and with them the American way of life.

"In 2000, China just wasn't on our radar screen," said Brian Neff, vice president of the South Florida Manufacturers Association. "Today, it's global, global, global. Big-time shifts are happening."

For some local businesses, the ascendancy of China as an economic superpower is a source of anxiety.

"They scare me to death on everything," said Leon Silverstein, president and chief executive of Tamarac-based Arch Aluminum & Glass Co., a family-owned firm whose custom-designed windows and storefronts remain competitive despite the rising tide of Chinese glass and mirror imports.

#### **FEWER COSTS**

"They are a communist country that doesn't compete on a level playing field," Silverstein said. "Their companies don't have the cost of paying for healthcare, any liability costs or [occupational safety regulations]."

Others spot opportunity. Howard Ullman, a Davie executive who runs China Direct, which imports key chains and other souvenirs, sees another China. "Today China is just capitalistic," he said. "China is growing so quickly."

Since 1978 -- through two full cycles of boom and bust in Latin America -- China's economy has grown an average of 9 percent a year, a result of economic reforms and foreign investment.

Since 1990, Chinese manufacturing production has skyrocketed 400 percent -- spurred on by the end of the Cold War, which opened the country's labor force to the West and attracted U.S.

producers who moved their factories to China.

## **HEFTY RESERVES**

Chinese exports to the United States have grown so rapidly, from \$5 billion in 1986 to about \$190 billion last year, that Chinese foreign reserves -- a rainy-day account to protect a country against financial instability -- top \$600 billion. Only Japan, which took decades to build its reserves during an era when it was known as Japan Inc., has a larger cache, at \$844 billion.

Now China's explosive growth; its huge appetite for steel, cement and oil; its growing role as both the factory floor and the financier of America; and its tens of millions of rural poor willing to migrate to assembly-plant zones and work for as little as 25 cents an hour mean that suppliers around the world can be forced to play by Chinese rules and prices.

Still, a recent poll done for the Committee of 100, a group of influential Chinese Americans based in New York, shows that the majority of Americans have a positive attitude toward China.

But while 63 percent of those polled believe that low-cost Chinese products benefit American consumers, 60 percent of the respondents view China as a serious or potential economic threat.

A majority also expressed concern about China's poor human rights record and U.S. job losses, according to the poll carried out by Zogby International.

A recent study by the Economic Policy Institute for the U.S.-China Economic and Security Review Commission showed a net loss of 1.5 million American jobs -- including 60,000 in Florida -- to China from 1989 to 2003.

The institute, a nonpartisan Washington think tank, said the job losses were a result of China's lopsided trade with the United States, which exports about \$1 of goods to China for every \$5 it imports from that country.

Florida's job losses are not alarming at this point, said Bruce Nissen of Florida International University's Center for Labor Research and Studies. "More worrisome is the trend -- the trade deficit with China continues to grow rapidly and shows no sign of leveling off or shrinking."

## **EFFECT ON PRICES**

Demand in China is also pushing up world commodity prices. Cement shortages in Florida last year could be traced in part to rocketing demand in China, where a construction boom is in full swing.

And China's thirst for oil was one of the factors that pushed world prices to \$50 a barrel last year and gasoline prices to about \$2 a gallon.

China, some economists say, is moving the tectonic plates of the world economy, changing where goods are made, which regions can compete and who holds the purse strings.

"The industrialized countries of the world have 85 million manufacturing jobs," said Peter Morici, a University of Maryland business professor. "China has 150 million people who are underemployed. They can wipe out every manufacturing job, every mining job and most service jobs that compete globally."

Not everyone sees the situation in such dire terms. "It's easy to exaggerate the concerns," said Nicholas Lardy, a Washington economist and China expert. He places the blame for the huge trade imbalance at the feet of the United States. "We have a huge current-account deficit because of the shortage of savings," said Lardy, a senior fellow at the Institute for International Economics.

But Paul Craig Roberts, an assistant Treasury secretary during the Reagan administration, said China's strategy of driving its economy by increasing exports, gathering technology from the West and building up a financial war chest in the form of foreign reserves must be taken very seriously.

"This is making them a powerful nation, rich and powerful," Roberts said, referring to China's foreign reserves. "You have the next superpower right there."