

U.S. exports, industry nose-dive under 'Asian phase' of world crisis

by Richard Freeman

The damage caused to the U.S. physical economy by the worldwide financial disintegration became apparent with the release on Oct. 6 of a U.S. Treasury report which showed that imports by collapsing Asian economies of physical goods from America, have contracted. During the first quarter of 1998, U.S. exports to Asia were \$40.2 billion, a fall of 11% from the \$45.1 billion of the first quarter of 1997.

The fall of U.S. exports to Asia were especially pronounced for the 15 states that are the largest exporters to Asia. During the first quarter of 1998, these states exported a combined \$30.5 billion worth of goods to Asia, three-quarters of the \$40.2 billion of exports that the United States exported to Asia during the first quarter. Of these 15 states, only three registered export increases, and only by a small amount: Washington State, with an increase of 7.4%; Colorado, up 2.5%; and Connecticut, up 2.2%.

Seven of these 15 largest exporting states to Asia registered declines of 15% or more: New York, a decline of 15.3%; Illinois, -15.6%; Pennsylvania, -17.6%; New Jersey, -19.7%; Ohio, -21.0%; Oregon, -21.8%; and Arizona, -30.6% (Table 1).

Given that U.S. exports to Asia account for 30% of all U.S. merchandise exports, and 40% of all U.S. agricultural exports, the fall of U.S. exports to Asia is having a deep effect on the U.S. physical economy, causing several U.S. manufacturing firms to announce production cutbacks and large-scale layoffs.

A hit on California

California is America's largest exporting state to Asia, accounting for one-quarter of U.S. exports to that region. California's first-quarter \$10.5 billion of exports to Asia was down 11.1% compared to the first quarter of last year. In 1997, California exported \$49.8 billion worth of goods to Asia, which accounted for 48% of California's merchandise exports.

During the first quarter of this year, California's exports to South Korea plunged 43% compared to last year's first-quarter levels, and its exports to Japan (California's largest trading partner) fell 12% compared to the same period last year.

California's exports of electric and electronic equipment

to Asia (its principal export to the region) fell 12% between the first quarters of 1997 and 1998. And, California's farm exports to Asia, a very large sector, also tumbled.

Manufacturing, farming

The drop in exports to Asia has slammed America's manufacturing sector. For example, let us look at "industrial machinery and computers," a broad category which encompasses some very necessary industrial equipment as well as less critical computers. A sampling of some of America's largest exporting states shows what has happened as Asia's economies contracted, forcing these nations to import fewer goods from America. Below, the figures compare first quarter 1998 export levels to Asia with those of first quarter 1997:

- Pennsylvania: Exports of industrial machinery and computers plummeted 39%.

- Illinois: Exports of industrial machinery and computers plunged 47%.

- Indiana: Exports of industrial machinery and computers tumbled 50%.

Other industrial sectors were similarly battered:

- New Jersey: Exports of chemical products fell by 23%.

- Florida: Exports of chemical products fell by 35%.

- Texas: Exports of chemical products nose-dived by 40%.

- Maine: Exports of paper products dropped by 53%.

- South Carolina: Exports of paper products dropped by 78%.

TABLE 1
U.S. states' exports to Asia, ranked by dollar value

State	Exports, first quarter 1998 (billions \$)	Percent change from first quarter 1997
1. California	\$10.5	-11.1%
2. Washington	3.6	+7.4
3. New York	2.6	-15.3
4. Texas	2.5	-4.0
5. Illinois	1.7	-15.6
6. Massachusetts	1.2	-9.0
7. Arizona	1.0	-30.6
8. New Jersey	1.1	-19.7
9. Oregon	1.1	-21.8
10. Connecticut	0.9	+2.2
11. Ohio	0.9	-21.0
12. Colorado	0.9	+2.5
13. Pennsylvania	0.9	-17.6
14. Virginia	0.7	-8.5
15. Michigan	0.7	-5.1

Source: U.S. Department of Commerce; Standard and Poor's.