More Than Myth

A recent study estimates that the percentage of imports from low-wage countries will jump from 15% to 24% by early next decade.

INDUSTRY	PERCENTAGE OF IMPORTS, 2011 FORECAST	CHANGE FROM 2001 IN PERCENTAGE POINTS
Leather Goods	87%	26
Apparel	67	25
Misc. (eg. Toys, Jewelry)	65	22
Furniture	57	24
Plastic and rubber products	42	12
Stone and concrete products	36	14
Textile	32	10
Printing	31	13
Fabricated Metal	30	13
Electronics	28	10
ALL MANUFACTURING	***24***	***9***

Source: "Facing the Dragon: The Prospects for U.S. Manufacturing in the Coming Decade"

Import Prices May Drift Lower As Low-Cost Production Picks Up

By LOUISE STORY

The recent run-up in oil, dairy, lumber and other prices has prompted widespread concern that inflation may be percolating again. But even if overall inflation picks up in the short term, a recent study suggests prices on an array of imported consumer products will drift lower in coming years as their production moves to low-wage locales.

According to research conducted by economists Peter Schott at Yale University, Andrew Bernard at Dartmouth College and J. Bradford Jensen at the Institute for International Economics, a Washington think tank, prices on many products, including leather goods, bedroom furniture and expensive jewelry, will fall as their production moves from high-wage industrialized countries to low-wage countries in Asia and Africa.

Consumers already have benefited in recent years from falling prices on apparel, autos, appliances and many other goods as factory production shifted to China and Mexico from the U.S. The economists say factory production now is growing in low-wage countries such as Vietnam, Zimbabwe and Pakistan.

Their study found that by 2011, 24% of the goods entering the U.S. will come from the world's poorest countries—that is, countries in which the approximate per capita gross domestic product, or the value of all goods and services produced, is less than 5% of that of the U.S. The 24% figure would be up from about 15% three years ago, the latest year for which detailed country data are available.

While China is expected to remain a dominant exporter to the U.S., countries such as Canada and Mexico—currently the U.S.'s biggest trading partners—and some European countries likely will see their share of the U.S. import market shrink. "It really does matter where imports are coming from, because that's going to prod U.S. companies in different directions," Mr. Schott says.

One industry that will see significant change, for instance, is printing. According to Mr. Schott, imports from low-wage countries represented nearly 19% of all printing imports in 2001, and that will rise to more than 31% by 2011. The ability to zap content over the Internet to low-cost printing plants makes it likely that more and more books, loose-leaf binders and greeting cards will come from low-wage countries.

U.S. consumers could see prices of some higher-end products decline as well. Consider jewelry, for which imports from low-wage countries could rise to 35% by 2011, from just under 21% in 2001. In this industry, the shift mainly will be at the expense of other foreign countries that now export to the U.S. rather than domestic producers. That is especially evident in the market for pearls. Japan historically has been the dominant supplier of high-quality and expensive Akoya pearls, but China is starting to make inroads.

Consumers also can expect to see lower prices for furniture, an industry in which prices already have fallen 4.1% in the past 3 and a half years, according to Mr. Bernard, the Dartmouth economist. Canada was the largest furniture exporter to the U.S. until 2000, when it was overtaken by China. Last year, China exported about twice the dollar amount of what Canadian furniture makers sent to the U.S., says David Hanna, executive vice president of the Ontario Furniture Manufacturer's Association. Many Chinese furniture makers, he says, are moving to Vietnam.

Canadian furniture makers that specialize in leather furniture are being hit even harder by low-wage imports. Mr. Schott's study predicts that leather goods will see the biggest percentage-point increase of imports from low-wage countries, jumping to 87% of all U.S. imports coming from low-wage countries in 2011 from 61% in 2001.

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