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How Pigs Saved Our Bacon

Around the world, demand for the goods and services that Americans produce has never been greater.

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Jim Robbins's 3,000-acre family farm in Peotone, Ill., may not seem like a vital cog in the global economy. And yet Robbins, a fourth-generation corn and soybean farmer, exports 90 percent of his crops. Each year they either roll on trains to the Pacific Northwest or float on barges down the Illinois River, the first leg of their journey to Asia. "The containers that are bringing everything from China and Taiwan, we're shipping them back with corn, soybeans and soybean meal," he says.

Robbins is thriving in one of the American economy's few remaining bright spots: exports. As storm clouds gather—from California's housing sector to New York's wounded banks—the search for a silver lining frequently seems a fool's errand. The economy expanded at an anemic 0.6 percent annual rate in the 2007 fourth quarter, the worst showing since 2002. U.S. consumers have cut back on purchases of cars, clothing, home furnishings and much more. The economy lost 63,000 jobs last month. "We're either in a recession now or close enough so that the difference is imperceptible," says Jared Bernstein, a senior economist at the Washington-based Economic Policy Institute.

But around the world, demand for the goods and services that Americans produce has never been greater. While it's fashionable to say that the United States doesn't manufacture anything except debt and Disney movies, Americans do produce bumper crops of stuff the world needs: scrap paper, pharmaceuticals, coal, airplanes, wheat and livestock, to name a few. And thanks to the weakening dollar, American goods of all types are essentially on sale. The result: last year exports from the United States rose 12.2 percent, to $1.62 trillion. And while they accounted for about 9.1 percent of total economic output in 2002, exports last year were 11.7 percent of gross domestic product—"probably an all-time record," says Edward Gresser, director of the Trade and Global Markets Project at the Progressive Policy Institute. "In the last quarter of 2007, without foreign sales we would have been in recession." One measure of the growth: in January 2007 at the Port of Los Angeles, 61.7 percent of the outgoing containers stacked on cargo vessels left the port empty, after the imported goods had been dropped off; a year later only 51.5 percent of containers left empty.

The boom in American exports is a function of several factors. Support is growing for the decoupling thesis—the notion that the global economy has advanced to a point where it can expand even if its main engine, the United States, is stuck in neutral. Large developing economies such as China, India, Russia and Brazil continue to grow at an impressive clip, fueled by rising domestic demand there and greater volumes of trade.

The agricultural sector has been a beneficiary of all these trends. The United States last year exported $90 billion in farm products. Jim Robbins's corn mostly goes to Taiwan, where it's used for animal feed. And most of the soybeans go to China, where they're fed to hogs. India, Indonesia and Vietnam also import a lot of U.S. grain. "Everybody that's making more money wants more meat in their diet," Robbins says.

The combination of a weak dollar and growing prosperity around the globe is also boosting demand for American manufactured goods. For years, Baltimore-based Marlin Steel Wire Products struggled in the U.S. market against stiff competition from cheaper, Chinese-made products. But president Drew Greenblatt automated the factory line and abandoned the low-margin end of the wire-basket market—rack warmers for bagels, for example—to make more-expensive products like antimicrobial baskets for restaurant kitchens. Since the dollar began to decline two years ago, Marlin Steel has landed clients in Belgium, Canada, Mexico and Japan. Sales rose from $800,000 in 1998 to $3 million last year, and Greenblatt forecasts sales will rise by one third this year. "I was losing a hundred thousand dollars a year just a couple years ago, and now I'm shipping wire baskets to New Zealand," Greenblatt says.

As it scours the globe for orders, Marlin Steel has lots of company. Last year exports of manufactured goods rose 10.7 percent to $870 billion, driven by big-ticket sales of advanced equipment to developing markets. Boeing may have lost out on the big Air Force tanker contract. But in February, it sealed deals to sell planes to airlines in Malaysia, Singapore and the United Arab Emirates. Semiconductor exports to China more than tripled between 2002 and 2007, making China the top foreign market for the products. Total U.S. exports to rapidly modernizing India nearly doubled last year, from $9 billion in 2006 to $16.3 billion.

Of course, the United States still imports far more than it exports—the trade deficit dropped by 6.2 percent last year but still comes to $711.6 billion. And Mark Zandi, chief economist at Moody's/Economy.com, warns that slowing growth in Europe, Japan and Canada may dampen the export boom. Still, in the long term, exports should remain a key contributor to growth. And in the short term, they are helping to soothe nerves frayed by the continuing credit trauma. "It is not enough to stem the downdraft in housing," Zandi says. "But it is cushioning the blow."

With Karen Springen in Chicago, Stephen Glain in Washington and Temma Ehrenfeld in New York http://www.newsweek.com/id/120057/page/2