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Reworking a codependent relationship

Did you hear? The automotive biz is rockin' and rollin'. General Motors—that's right, the same GM that trudged to bankruptcy court earlier this year—reported 2009 growth of 40 percent. Heck, the industry overall reported 90 percent growth in August. Simply amazing!

Oh, I forgot to mention: You have to move to China to join the party.

2009 has been the year those in the U.S. car industry awoke to new realities. As U.S. plants shuttered, Chinese consumers snapped up cars like nobody's business. Some have been comparing the buying craze on the other side of the planet to what happened on this side of the planet during the first half of the last century. Chinese citizens who didn't think about owning a car several years ago are heading into showrooms. Sure, most of the buying is resulting in low-margin sales—small cars and such—but the number of cars being sold is still raising eyebrows.

The situation has miffed many here at home. Earlier this year, for instance, GM announced it was going to build its subcompact Chevrolet Spark in China and send some of them back to the U.S.

"If you're going to build them in China, sell them in China," said UAW's president, Ron Gettelfinger, according to a report in this week's *Economist* magazine.

The report surveyed not just the car business, but also the idiosyncrasies of **U.S.-Sino relations** as a whole. To put it mildly, it's a strange dance. We still buy more Chinese exports than any other country, though our lackluster consumption this year has helped shift the trade deficit slightly. China recently overtook Canada as our No. 1 trading partner. We send more money to China than anywhere else. China in turn has bought more U.S. Treasuries than any other foreign entity, surpassing Japan late last year. China's investments helped keep our interest rates low and prolong our consumption binge—until recently, of course.

In recent years talk of a "Chimerica" emerged, a term expressing not just how closely the two economies are linked, but also how much they depend on each other. But according to the *Economist* this week, it's "a marriage that may be headed for the rocks."

The report points out that the Chinese have reason to feel smug. Being the world's workshop has paid dividends. China's government stimulus makes ours look puny, and those funds have helped prop up the Chinese economy. As we struggle to emerge from the recession, China probably will end the year with 8 percent growth.

The picture's more complicated than this. The U.S. economy still is triple the size of China's. Reports have swirled questioning how much we can trust the data we're given. There's the currency exchange rate debate, and of course there's the sticky issue of human rights and lax environmental policies. It's a manufacturing powerhouse, an authoritarian state, and developing nation rolled into one.

These complications make for an unhealthy marriage, and one I'm glad to see breaking apart, if only a little bit. I'm all for free trade, but the U.S. and China have an unhealthy, codependent relationship that for the past decade hasn't seemed to be based on rational individual judgment. Would we, the U.S. consumers, really have bought more than we made if we were rational?

World industry has incredible capacity right now, and it needs to find more people who are ready and willing to consume. That confident consumer could live stateside as our economy improves (and it eventually will), and those consumers could come from anywhere else—say, China.

Earlier this fall I visited **Rotek Inc.**, a bearing manufacturer in Florence, Ky. During a group tour, Plant Manager Jim Goddard paused between workcells, turned around, smiled, and as an aside said, "We're actually shipping products to China. I'm very proud of that."

You go, Jim.