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# For U.S. jobs, it pays to look overseas

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August 10, 2011: 5:00 AM ET

**Let's face it: The American consumer is bad for business right now. Smart CEOs are betting on emerging markets for growth at home.**

By [Nina Easton](#), senior editor-at-large

FORTUNE -- Our best future growth prospects are overseas -- and I say this as an agriculture company based in the Midwest." So says Chris Policinski, president and CEO of Land O'Lakes, a name that conjures up Norman Rockwell images of milk cows and butter churns, not village markets in Malawi (which is what he has in mind).



ILLUSTRATION: IMAGES.COM/COBIS

Policinski's declaration, made at a recent meeting of the U.S. Global Leadership Coalition, echoes what we are hearing from growing numbers of American CEOs these days -- and goes to the heart of a truism that has largely escaped the attention of Washington's myopic political leadership: U.S. companies are giving up on the American consumer as a catalyst for growth, preferring instead to bet on emerging markets overseas.

In other words, one key for U.S. job growth lays in selling more of our stuff to a non-American middle class.

The profligate American buyer, long the driver of the global economy and the engine behind booms (and busts), is taking a big break from spending. Gallup reports a "new normal" of everyday spending far below 2008 levels. A July 2011 Harris Poll shows more and more people skimping on everything from electronic goodies to haircuts. Personal savings rates are up. And with down payments on mortgages back at 20% levels, it's hard to afford a home, let alone use it as a credit card to buy boats and flat screen TVs.

Business strategists increasingly recognize that not only are 95% of their potential consumers living outside U.S. borders, they are living in high-growth developing countries -- places like Asia and Latin America (where the World Bank forecasts 4.5% economic growth this year) and Africa (where total household spending already exceeds that of India).

Tapping into those markets will help produce needed jobs. But the three trade agreements designed to put an American toe in those kinds of waters continue to languish in Congress -- largely because of spurious union demands. And while the White House gives lip service to expanding exports, it's instructive to listen to Ohio Republican Senator, and former U.S. Trade Representative, Rob Portman, who uses World Bank statistics to offer this observation to Fortune: "We are tied with Ethiopia in terms of our exports as a percentage of GDP, well below any of the other developed countries we trade with and well below China and Korea and countries we hope to trade with more through the Korean trade agreement."

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Certainly part of that is history and geography: America's own massive consumer market, and lack of regional integration (like Europe). But even countries like Canada rank far higher in exports as a percentage of the economy.

That leaves a lot of potential business on the table. "There are places where American companies can be very, very competitive," says Robert Zoellick, former U.S. trade ambassador and now president of the World Bank. "I can't go anywhere without [local] people asking how to get private capital into infrastructure projects" -- like health care systems. Germany's small and medium sized engineering firms are adept at tapping those markets, he notes as an example.

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**International sales, domestic jobs**

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Instead of encouraging multinational business, President Obama and his advisers offer their now familiar tirade against companies "shipping jobs overseas." In fact, companies *do* build overseas operations, and hire foreign workers, to tap offshore markets. But those operations also produce jobs here at home.

William Melick, an economist at Ohio's Kenyon College, notes that the 3.8 million offshore jobs created between 1997 and 2007 were complemented by 2.1 million produced by those same firms inside American borders.

Melick [calculated](#) that for two-thirds of U.S. based multinationals, jobs in foreign affiliates and the U.S. parent company move up and down together; only in a small minority does foreign employment rise at the expense of U.S. jobs.

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The federal international affairs budget -- funding everything from agencies supporting U.S. exports to aid to poor countries -- faces sharp cuts from Congress this fall. Part of that is a natural, and necessary, part of any serious effort to rein in government spending. But there is also the temptation -- at a time of economic crisis -- for lawmakers to turn inward rather than seek economic opportunity in continued American leadership abroad.

Part of the international affairs budget (which, contrary to public perception, is only 1.5% of the budget) supports exporting companies, like the Overseas Private Investment Corp., providing risk insurance and capital, the Export Import Bank to help finance exports, and the U.S. Trade and Development Agency that hosts trade missions. And humanitarian aid can redound to America's benefit.

"If done right, it spreads American influence in a positive way," Florida Senator Marco Rubio told a recent town hall, citing the widespread goodwill in Africa that resulted from President Bush's anti-AIDS initiative, credited with saving 4 million lives.

Despite comments like those from a popular Republican tea partier, parochialism is settling in on Capitol Hill. "I go to the Hill and ask what they're doing to make America more competitive," Zoellick says. "They're not looking beyond our borders. The private sector is so much farther ahead than the public sector in recognizing what's happening."

And there's someone else that's farther ahead on that score: China.

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Company	Price	Change	% Change
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General Electric Com...	15.36	-0.60	-3.76%
Microsoft Corp	24.90	-0.68	-2.66%
Cisco Systems Inc	13.92	-0.13	-0.96%
Ford Motor Co	10.48	-0.43	-3.94%

Data as of 1:06pm ET

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djc84, 10 minutes ago

"Between the second quarter of 2009 and the fourth quarter of 2010, real national income in the U.S. increased by \$528 billion. Pre-tax corporate profits by themselves had increased by \$464 billion while aggregate real wages and salaries rose by only \$7 billion or only .1%. Over this six quarter period, corporate profits captured 88% of the growth in real national income."

Im not going to post the link because it will get moderated but...[show more](#)

2 people liked this.



dnk512, 11 minutes ago

Well, you took the jobs and threw them overseas... OF COURSE unemployed people are BAD customers. They do not pay TAXES either (see the theme?). Nice going. Instead of saying: "Why Americans are not good customers any more... aha... they need more jobs" you are saying: "I took their jobs away, they have no more money... let me now do business elsewhere".

Does the term "SHAME" means anything to you?

1 person liked this.



KXS5020, 20 minutes ago

24 It is wrong for america to look overseas, rather other counties are looking at America as the largest market. The auther is underestimating america talents and strength and its people power.

57



Beka13, 35 minutes ago

14 If American Companies paid their American employees enough to buy the products they are making in America or even new replacement products made in America then maybe the American consumer market wouldnt look so bad.

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Maybe in the spirit of the Tea Baggers we should start pushing for a constitutional emmendment against greed. It is a cardinal sin against God dont ya know.....

1 person liked this.



Pedro Calmon, Today 11:45 AM

Here is the situation folks: Let's sway you are a US company that makes washer machines. Right now, the global market for washer machines is MUCH bigger than the US domestic market, which is already saturated. There is a huge growth potential abroad, in countries like Brazil, South Africa, China, Turkey, Chile, Thailand, India and so forth, where millions of people are joining the middle class every year and will be buying their first washer...[show more](#)

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