npr Marketplace

November 20, 2007

By JOHN DIMSDALE

A container ship sits at the Port of Oakland in California. (Justin Sullivan/Getty Images)

The amount of cargo being moved on ships is up nearly 150 percent over last year. China and India are buying up boatloads of food, coal and other raw materials to fuel their explosive growth. John Dimsdale reports.

KAI RYSSDAL: When you have to follow business news everyday, believe me when I tell ya you do everything you can to make it interesting. And we found a keeper today. Something called the Baltic Exchange Dry Sea Freight Index. It's a measure of global cargo shipment, although without oil included, since crude shipments vary quite a bit. So far this year, the index is up nearly 150 percent. Which is kind of a surprise given all the gloomy talk about the credit crunch and a slowing U.S. economy.

But Marketplace's John Dimsdale discovered the index does reveal some global economic growth that's being generated in new places.

JOHN DIMSDALE: It used to be the U.S. and Europe, with a little help from Japan, were the locomotives pulling the global economy. During the last U.S. recession, the Baltic Exchange gauge of world cargo shipments lost almost half its value. Now, even though shipments into U.S. ports are declining, the index hit an all-time high this month. India and China are now doing the pulling, and demand from new consumers there could help the U.S. avoid a recession, says Matt Slaughter at the Tuck School of Business at Dartmouth.

MATT SLAUGHTER: More centers of economic growth create the opportunity for one or more of those centers to pull along demand growth throughout the world if other centers seem to falter a bit.

The weak dollar makes U.S. products cheaper overseas. And that's another reason exports from Long Beach, California, the world's busiest port, jumped by a third in October, according to the Baltic Exchange. But David Rothkopf, a former trade official in the Clinton Administration, warns economic interdependence works two ways.

DAVID ROTHKOPF: You've found irrational exuberance in U.S. real estate markets, and as that's becoming unwound, if that brings down U.S. consumer confidence, if we stop buying as many Chinese and Indian products, if they start seeing the consequences of that in their economy and all of a sudden people head for the exits in their stock markets, then we've got a real problem.

The other looming problem is inflation. Rapidly developing countries are soaking up commodities from around the world, driving those prices up for everyone. In Washington, I'm John Dimsdale for Marketplace.