U.S. high-tech companies ramping up exports: survey

Lynn Adler, Reuters

(Reuters) - Most U.S. high-tech companies expect to export more cell phones, tablets and other electronics over the next two years to growing middle-class populations in developing nations, citing free trade pacts and rising labor costs abroad, a survey found.

About 85 percent of U.S. high-tech executives polled said the Obama administration was somewhat or very likely to meet its goal of doubling exports by 2015. Just 40 percent of executives were as optimistic two years ago after the export target was set.

The third annual survey was conducted by IDC Manufacturing Insights for United Parcel Service, the world's largest package delivery company.

"It's really being driven by this emerging middle class that have more disposable income and a heavy appetite for technology products like cell phones, tablets and laptops," Ken Rankin, high-tech marketing director at UPS in Atlanta, said in a Friday interview with Reuters.

Scott Davis, UPS chief executive officer, is on the President's Export Council and has touted free trade agreements as critical for boosting U.S. exports and the economy.

A free trade agreement between the United States and Panama will soon go into effect, U.S. Trade Representative Ron Kirk said on Friday. The U.S.-Colombian agreement went into force in July, after the U.S.-South Korea [1] pact in March.

Only 23 percent of the companies said they had export growth over the past two years, but 74 percent now expect to export more over the next two years, Rankin said.

"Despite all of the short-term talk of economic weakness and the dreaded fiscal cliff, the high-tech executives that we talked to really had a bullish outlook in the next two to five years when it comes to export growth for their products," he added.

The fiscal cliff refers to the year-end deadline for about $500 billion in expiring U.S. tax cuts and automatic spending cuts set for next year unless Congress can compromise over lowering the budget deficit.

The survey of 125 high-tech manufacturers included senior supply chain and logistics executives in consumer electronics, semiconductor, communications equipment and electronic component/accessories industries.

High-tech product sales and shipments are expected to grow the most, by 22 percent, in India, the Middle East and Africa, over the next three to five years, the survey said.

Increases are expected to range from 18 percent in Brazil [2] and 19 percent in the rest of South America to 15 percent in Eastern Europe, 13 percent in Korea and 8 percent in China and in other Asian nations.

Lingering barriers to boosting exports include the difficulty of managing spread-out global inventory, unstable global suppliers and security concerns, the survey found.

"Additional progress in free trade agreements would be a big winner, not only for the high-tech space but for all U.S. industry," Rankin said.

The high-tech companies that were surveyed sell and ship 97 percent of their products in North America. Within three to five years, that percentage will decline to 90 percent as demand mounts in emerging markets for their products.

"Winners will be those companies that successfully leverage the emerging market growth with strong products and executive import/export excellence," said Rankin.

As for moving the goods, 70 percent of the executives said they are planning to modify their distribution networks to handle more volume at East Coast ports once a wider Panama Canal is opened to bigger ships around 2015.

More than one-third of those polled said they planned to shift from air to ocean freight when that happens.

In anticipation, East Coast ports are heavily investing in dredging and other projects to be able to accept bigger ships.

Companies such as Federal Express and UPS have already seen a shift in demand for shipping products more cheaply, such as by sea, rather than premium-priced express air services, because of the weakening global economy.

(Editing by Prudence Crowther)

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