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ECONOMIC VIEW; Haves and Have-Nots Of Globalization

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WHILE individual Americans debate the merits of globalization, corporate America has already moved overseas, with dramatic financial results.

United Technologies is a case in point. Fully 60 percent of its total sales are either made in the U.S.A. and exported, or made and sold offshore. It exports Pratt & Whitney engines and Sikorsky helicopters, mostly from Connecticut. And its Otis elevator and Carrier air-conditioning subsidiaries have carved out leading positions in emerging markets like China, where the two divisions assemble most of their products.

Aided by declines in the dollar, those foreign sales are bolstering the parent company's bottom line, which grew 18 percent last year. The price of its stock, one of the 30 in the Dow Jones industrials, reached a record high on Friday of $72.88. "There's a lot of tension and drum-banging over job losses," says James E. Geisler, vice president for finance at United Technologies, which is based in Hartford but has become a global company. In 2006, only 72,500 of the company's 215,000 employees were in the United States. The remainder are based abroad.

"The fact is, companies that are growing are better employers and some of those employees are in the United States," Mr. Geisler said.

The United Technologies story is part of a broad structural shift in how and where many American companies are making their money. The trend has been in the making for decades, and by now it clearly carries major economic implications, as well as significant investment opportunities. The trend accentuates the divide between workers who benefit from globalization and those who don't, sometimes within the same company. Financial analysts at United Technologies in Hartford overseeing Carrier's sales in India and Pratt engineers designing jet engines in Connecticut for export to Europe certainly benefit; but people who worked in Syracuse in the company's air-conditioning plant, now defunct, do not.

Another divide that seems to be widening is between those Americans whose investments capture international growth opportunities and those whose portfolios don't. In short, the economic divisions created by globalization are becoming ever sharper.

On the financial side, increasing globalization of American corporate profits may mean, for example, that United States stock markets can retain their lofty elevations even if domestic growth continues to prove tepid -- because leading companies are earning so much abroad. Companies in the Standard & Poor's 500-stock index that break out their international earnings reported at the end of 2006 that they racked up 45.2 percent of their sales through offshore sales and exports. That is up from 32.2 percent in 2001.

"The long-term trend is for more international," says Alec Young, chief international equity strategist at S.& P. Many top multinationals have crossed the 50 percent threshold, as General Electric says it will do this year.

Part of the explanation for the rising percentages is that the world is where the growth is. "In Japan, we're seeing some of the strongest economic growth since World War II," Mr. Young said. "And we're seeing upside growth surprises in Europe." Emerging markets from India to Brazil also are enjoying big economic gains. "Real consumerism is breaking out" in those markets, Mr. Young said.

The charge offshore seems certain to continue because chief executives want to invest where they expect growth to occur. The 10 companies with the largest foreign sales in 2006 were some of the biggest names in American business: Exxon Mobil, Ford Motor, General Motors, General Electric, Hewlett-Packard, the Altria Group, ConocoPhillips, I.B.M., the American International Group and Procter & Gamble, according to S.& P. Those figures include only the sales of their offshore subsidiaries, not goods or services exported from the United States. "Corporate profit growth is going to do better than it would have done if these companies had ignored the opportunities elsewhere," says Nigel Gault, an economist at Global Insight, an economic consulting group in Lexington, Mass.

Of course, that may be of scant solace to Americans who have been displaced in the work force. "You might say it's a bad idea for companies to invest overseas and that they should be creating jobs in the United States, but look at the unemployment rate -- it's 4.5

percent," said Mr. Gault, whose firm is an outgrowth of the former DRI-McGraw Hill. "Companies are having trouble finding skilled people. It's plausible to argue that the companies are making logical decisions for their own bottom line, but they're also logical if you look at the macroeconomic picture."

Even if the impact on the American worker is mixed, increasing international sales offer clear benefits to investors, including working people saving for retirement, said Jeff Tyler, senior vice president of American Century Investments in Mountain View, Calif. Investors who buy individual stocks may choose to concentrate on those of companies like I.B.M. or G.E. that are making big international pushes. G.E.'s stock has been flat for years, but has recently moved higher, nearing the $40 mark, partly because of investor enthusiasm for the company's move into markets like India. Another major company that has crossed the 50 percent threshold in international sales is PepsiCo, which reported a 16 percent increase in first-quarter profit based largely on its sales outside the United States.

S.& P. says American companies in the energy, technology and consumer goods sectors, including pharmaceuticals, tend to have a big proportion of their sales overseas. Sectors that aren't as internationalized, and therefore may not be as good as long-term plays, include retailing, real estate and construction.

Seen in the light of growing international sales and a weakening dollar, the auto sector becomes an interesting play. The stock prices of G.M. and Ford have been depressed because of long-suffering North American operations, but the companies' earnings are increasingly international. Among the Dow industrials, the stock of G.M. was the second-best performer of the second quarter, after Intel's.

Even a longtime sleeper like Honeywell International has been hitting new highs -- partly because 50 percent of its sales are outside the United States. Its share price gained 22.2 percent in the second quarter. Rob McCarthy, an analyst at Banc of America Securities in New York, maintains a buy rating on Honeywell in part because of what he calls its "international leverage." He also likes United Technologies, G.E. and Emerson Electric, all of which are positioned to capture growth outside the United States.

"Investors are reasonably skeptical about how long a United States economic expansion can last," Mr. McCarthy said, "and are tantalized by the opportunity in the emerging economies and by the fact that we have a resurgent European economy."

AMONG his firm's funds, he says one that is particularly well suited to capturing the international growth of United States companies is American Century Global Growth. About 45 percent of its assets are invested in domestic companies, most with strong international presences, and the rest in foreign companies. He expects current trend lines of higher international economic growth and a declining dollar to continue for several years. "It's a 5- to 10-year kind of workout," he says.

That's certainly the way Mr. Geisler of United Technologies sees the world. Regarding the fact that 60 percent of its sales are overseas, he said: "You're only going to see that number move up. Our biggest growth markets are in non-dollar-dominated markets such as China, India, Southeast Asia and the Middle East."

It's "demonstrated history," he said, that other currencies in the world are going to strengthen against the dollar as they have in the past. Not that long ago, he notes, it took 360 Japanese yen to buy a dollar; today it's only about 120. "As markets become more mature and attract more capital," he said, "their currencies strengthen."

If he's right, United Technologies' offshore earnings, in dollar terms, will keep climbing at double-digit rates. And individual Americans will keep facing increasingly divergent economic outcomes as a vast majority of multinationals follow suit.

Correction: July 15, 2007, Sunday The Economic View column last Sunday, about financial effects of globalization, incorrectly attributed a paraphrased comment and a quotation about current trends of stronger international economic growth and a declining dollar. It was Jeff Tyler, senior vice president of American Century Investments -- not Rob McCarthy, an analyst at Banc of America Securities -- who said he expected the trends to continue several more years and that "It's a 5- to 10-year kind of workout." It was also Mr. Tyler who said that among his firm's mutual funds, the Global Growth fund is one that is particularly well suited to capturing international growth of United States companies