

## Obama's outsourcing ad is demagogic populism

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President Barack Obama's campaign ad slamming Gov. Mitt Romney for allegedly heading companies that "were pioneers in outsourcing U.S. jobs to low-wage countries," and claiming that "President Obama believes in insourcing" is unfair, hypocritical and dangerously deceptive.

I'm a generally a pro-Obama columnist, and I approve this message. The 30-second ad that has been airing in recent days in Florida, Ohio, Colorado and several other swing states is one of the most intellectually dishonest political claims I have seen in a long time. And the Romney campaign defensive response that, rather than Romney, "President Obama turns out to be the real outsourcer-in-chief," is just as pathetic.

In fact, both Obama and Romney support outsourcing, the long-standing practice whereby U.S. companies manufacture overseas goods that are too costly to produce at home. And they should.

Outsourcing is not only a necessity in today's global economy, but often helps the U.S. economy by making U.S. exports more competitive abroad, and by allowing U.S. consumers to pay less for many goods.

And most of the claims against outsourcing by U.S. politicians, including Senate Democratic Majority Leader Harry Reid's recent outrage over the fact that U.S. Olympic uniforms were manufactured in China, are based on half-truths or outward lies. Among the little-known facts about outsourcing that neither Obama nor Romney are daring to mention aloud:

First, contrary to the generalized perception, surveys of multinational firms show that proximity to foreign markets — and not low wages — is the main reason behind U.S. companies' investments abroad.

About 95 percent of the world's consumers are outside the United States, and U.S. firms need to be as close as possible to them, both to reduce shipping costs and to be able to tailor products to local consumers, studies show.

Second, it is not true that most of the goods produced by U.S. companies in low-wage countries are manufactured abroad in order to be exported to the United States.

“By and large, U.S. companies do not invest overseas to ship goods or services back to the United States,” U.S. Bureau of Economic Analysis economist Raymond Mataloni told me this week. “Over 90 percent of the goods and services that they produce overseas are sold overseas.”

Third, contrary to popular perception, most U.S. foreign direct investments do not go to low-wage countries, but to rich countries such as the Netherlands, Germany and Ireland. If low wages were the primary reason for investing abroad, Haiti would be flooded with U.S. manufacturing plants. It is not.

According to the U.S. Bureau of Economic Analysis, Europe, Canada, Japan, Australia and Singapore accounted for 72 percent of U.S. multinational’s investments overseas last year, while China accounted for less than 2 percent.

Fourth, we are in a global economy increasingly dominated by trade blocs, in which Asian and European countries respectively create supply chains within their regions to reduce costs. If the United States wants to remain a major world exporter of airplanes and cars, for instance, it will need to increase — rather than decrease — its supply chains in Mexico and Canada.

Fifth, regarding the phony political uproar over the Chinese-made U.S. Olympic uniforms, the United States as a country may be much better off producing aircraft than T-shirts.

“As our U.S. athletes march around the track at London’s Olympic stadium wearing their Chinese-made uniforms and waving their Chinese-made American flags, there is a good chance that Chinese athletes will have arrived in London by U.S.-made aircraft,” Cato Institute economist Daniel Ikenson rightly noted in a recent article.

Sixth, neither Obama nor Romney will likely impose anti-outsourcing rules that would result in U.S. consumers paying twice what they are paying now for their I-pads, TV sets or T-shirts.

My opinion: It’s no mystery that Obama is using the outsourcing theme against Romney because he knows it may work. As Ruy Teixeira of the pro-Obama Center for American Progress think tank noted recently, citing an NBC/Wall Street Journal poll showing that 86 percent of Americans think that outsourcing is the top reason for U.S. unemployment, “the public is very, very concerned about outsourcing.”

But Obama is deceiving public opinion (and Romney, too, by suggesting that he is also against outsourcing). When presidential candidates say things that they know are misleading, they help promote the idea that all politicians are liars, encourage voter apathy and hurt the democratic process. The “outsourcing versus insourcing” ad is populist demagoguery at its worse.