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Embracing More Of Trade's Virtues

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posted by DAN IKENSON

As a primer for the new Congress, my friend John Murphy of the U.S. Chamber of Commerce posted the "top ten reasons why pro-growth trade and investment policies and agreements are good for America." As usual, I agree with John's points. And I concur that the time is particularly ripe for educating policymakers about the virtues of trade.



Image via Wikipedia

But with all due respect to John, his list is not so much about trade and investment. It's really about exports (one of 10 points is about imports). Informing new members and reminding old of the benefits of exports to

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U.S. businesses and workers is clearly a worthwhile objective of the Chamber, the business community, and really anybody interested in economic growth. But in some respect there's a preaching-to-the-choir element in that approach. You're not going to find too many policymakers opposed to exports, and the administration has constructed a [whole new bureaucracy](#) devoted to the proposition that exports should double in five years.

Where the trade agenda has stalled (and where it always has problems) is on the rough terrain that—for lack of a better catchphrase—might be called “rationalizing” imports. That's been the hard part of trade advocacy over the years: “We had to cede some access to our markets, but look what we got in exchange!”

In pitching the very same bilateral trade agreements two and three years ago that the business community is pitching today, then-USTR Susan Schwab liked to remind Congress that the United States had an aggregate trade surplus with the countries with whom the Bush administration had concluded free trade agreements, as though that were the appropriate success metric. “We export more to them than we import from them; let's call this a triumph!” But anyone inclined to accept that statistic as conclusive could simply visit the Commerce Department's website and see that, at the time, our overall trade account was in deficit by about \$800 billion. Thus, if “exports minus imports” is the measure by which we judge the benefits of trade, then America should shun trade entirely. That sales approach doesn't seem to be in short- or long-run equilibrium. Mercantilist arguments only ensure that every step forward on trade requires a full-fledged battle. We need better—that is, more comprehensive—salesmanship of trade for the new Congress.

In 2002, then-USTR Robert Zoellick said of his new Doha Round proposal for zero tariffs on industrial goods by 2015 that it would “turn every corner store into a duty-free shop.” That was the right message—although apparently not for the timid White House at the time, which adhered to the sweep-imports-under-the-rug model. In 2011, we should remember, embrace, and revive Ambassador Zoellick's words in our advocacy of trade liberalization. In that spirit, I return to John Murphy's top ten list and introduce a few tweaks (**in bold**).

1. The United States is the number one manufacturing nation in the world, and that success depends on exports. **And since over half of the total value of U.S. imports consists of “intermediate goods” (products that are used as inputs for further value-added activity), manufacturing success also depends on imports.**

2. The United States is the world's number one services exporter and has been since services trade data have been tracked. **And one of the reasons that foreigners are able to purchase American services is because they have been able to earn dollars by selling goods to American businesses and consumers.**

3. U.S. agricultural exports support nearly a million jobs in the United States. **And, agricultural and manufactured imports have made life's necessities and conveniences more affordable to hundreds of millions of Americans.**

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4. 95 percent of the world's consumers lives outside the United States...**as do 95 percent of the world's workers, who produce many of the goods Americans consume as imports less expensively than Americans can, freeing up U.S. resources for investment, innovation, and consumption of the higher value products and services that Americans produce.**

5. FTA countries purchased more than 40 percent of U.S. exports in 2009. **And imports from those countries have helped extend families' budgets and reduced the costs of production for U.S. business relying on inputs from those countries.**

6. Since the creation of the WTO in 1994, U.S. exports of goods and services have doubled to more than \$1.5 trillion. **And real U.S. GDP has increased by 50 percent.**

7. Imports support millions of U.S. jobs in retail, research, design, sourcing, transportation, warehousing, marketing and sales...**and in manufacturing.**

8. U.S. exports to China have quadrupled over the past 15 years, and China is now the 3rd largest market for U.S. exports. **And U.S. imports from China, too often wrongly portrayed as evidence of U.S. profligacy or decline, have enabled U.S. industries that require access to lower-cost labor for economic viability to be born, to blossom, and to spark the advent of new products and industries.**

9. U.S. companies with overseas investments account for 45 percent of all U.S. exports. **And foreign companies operating in the United States employ 5.6 million Americans, support a payroll of \$408.5 billion, provide compensation that is 33% higher than the U.S. average, account for 18% of U.S. exports, pay U.S. taxes, support local charities, and act as investment magnets in communities across the country.**

10. Trade supports 38 million jobs in the United States—more than one in five American jobs. **And most Americans enjoy the fruits of international trade and globalization every day: driving to work in vehicles containing at least some foreign content; talking on foreign-made mobile telephones; having extra disposable income because retailers like Wal-Mart, Best Buy, and Home Depot are able to pass on cost savings made possible by their own access to thousands of foreign producers; eating healthier because they now can enjoy fresh imported produce that was once unavailable out-of-season, etc.**

Of course, all of these selling points are economic in nature. There is an even stronger [moral argument for free trade](#), which is what all Americans — indeed all earthlings — should embrace.

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