Wall Street Journal (9.17.11)

A Pro-Trade Agenda for U.S. Jobs

Why let the European Union and China take the lead on trade opening with the fast-growing economies of Asia and Latin America?

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If there is a single issue on which Republicans and Democrats in Washington should be able to agree, it is that expanded trade is vital for U.S. economic growth and job creation. Exports accounted for more than a third of U.S. economic growth in 2010 and have helped keep the economy out of recession in 2011.

Over the past five years, growth in the big developing economies like India, China and Brazil has been eight times faster than in the advanced economies. America's economic future depends on it becoming a more successful trading nation, selling U.S.-made goods and services into the world's fastest-growing markets.

Yet the United States—the country that fathered the modern world trading system—today has no real trade policy. Free trade agreements completed several years ago with South Korea, Panama and Colombia have yet to be approved by Congress. The Doha world trade talks have been dying a slow death for years. And the U.S. has let the European Union, Canada, China and other countries take the lead on trade opening with many of the fast-growing economies of Asia and Latin America. What has gone wrong?

In a Council on Foreign Relations independent task force report being released Monday, we argue that trade policy has stalled because Americans are simply not seeing enough in the way of benefits. In the face of falling incomes for the vast majority over the past decade and a stagnant jobs market, the public has turned against trade. A Wall Street Journal/NBC News poll last fall showed that more than half of Americans believe trade has hurt the U.S., and fewer than 20% believe it has helped.

While Americans enjoy the inexpensive consumer goods brought by globalization, support for trade will not return until it generates more job opportunities and higher wages for more Americans. Congress and the Obama administration must adopt a pro-America trade and investment policy that brings to more Americans more of the benefits of global engagement.

This approach is one that can unite both parties behind an ambitious agenda. New measures are needed that would spark greater investment in the U.S. linked to producing

goods and services for the world's fastest-growing overseas markets. The strategy rests on several pillars.

To begin, the U.S. must, for the first time in its history, take serious measures to attract international investment. Over much of the 20th century, multinational companies created well-paying jobs in the U.S. that boosted worker productivity. Indeed, most U.S. trade is accounted for by multinationals: In 2008 they shipped 61.8% of all U.S. goods exports. In the past decade, however, the number of U.S. jobs in these companies has fallen by over three million, a disastrous decline. The U.S. share of global foreign direct investment fell by more than half over that same period.

The Obama administration should launch a National Investment Initiative, as a complement to the president's National Export Initiative, which would make it a national objective—as it is in most other countries—to attract and retain investment. This means federal, not just state-led, efforts to court foreign investors, an overhaul of our uncompetitive corporate tax regime, a strategy to bring in investment from China and other developing economies, and steps to encourage high-skilled immigration and ease business travel into the U.S.

Secondly, the U.S. needs to concentrate its trade negotiations on the sectors and countries that promise the greatest potential market opportunities. With the exception of the Korea trade deal, most U.S. bilateral trade negotiations in the past decade have been with small economies. The administration should focus on the biggest emerging markets, even if that means making concessions that would not be required in talks with smaller countries.

Further, those negotiations must play to U.S. strengths by opening doors for exports and related international investment in services—software, telecommunications, finance, consulting, accounting, engineering and so forth. The employment potential from expanding services trade is large. America already has a strong comparative advantage in many knowledge-intensive services, Last year the surplus in services trade hit $152.6 billion, in contrast to a $669.5 billion deficit in goods trade.

Third, the U.S. must reform aid for displaced workers. The reality of a competitive global market is that businesses succeed and fail at warp speed. Current U.S. unemployment policies, designed decades ago, assumed cyclical recessions in which workers would be unemployed for brief periods and be rehired in the same industries. That is no longer the case.

Today, many jobs go unfilled even in a high-unemployment economy because workers lack the right skills. The U.S. needs programs that retrain those workers as quickly as possible for opportunities in new businesses.

This expanded safety net would need to be financed, which is a challenge in the current budget climate. But the costs would quickly be recouped in growing tax revenues as the unemployed return to the work force. And the up-front costs are tiny compared to the losses that are mounting from the continued failure to pursue ambitious trade policies that

open up new market opportunities abroad that will create jobs and raise incomes in the U.S.

Messrs. Card and Daschle were co-chairmen of the Council on Foreign Relations-sponsored Independent Task Force on U.S. Trade and Investment Policy, and Messrs. Alden and Slaughter were its co-directors. A copy of the task force report will be available Monday at www.cfr.org.