

# ***Restoring U.S. Leadership in Global Trade***

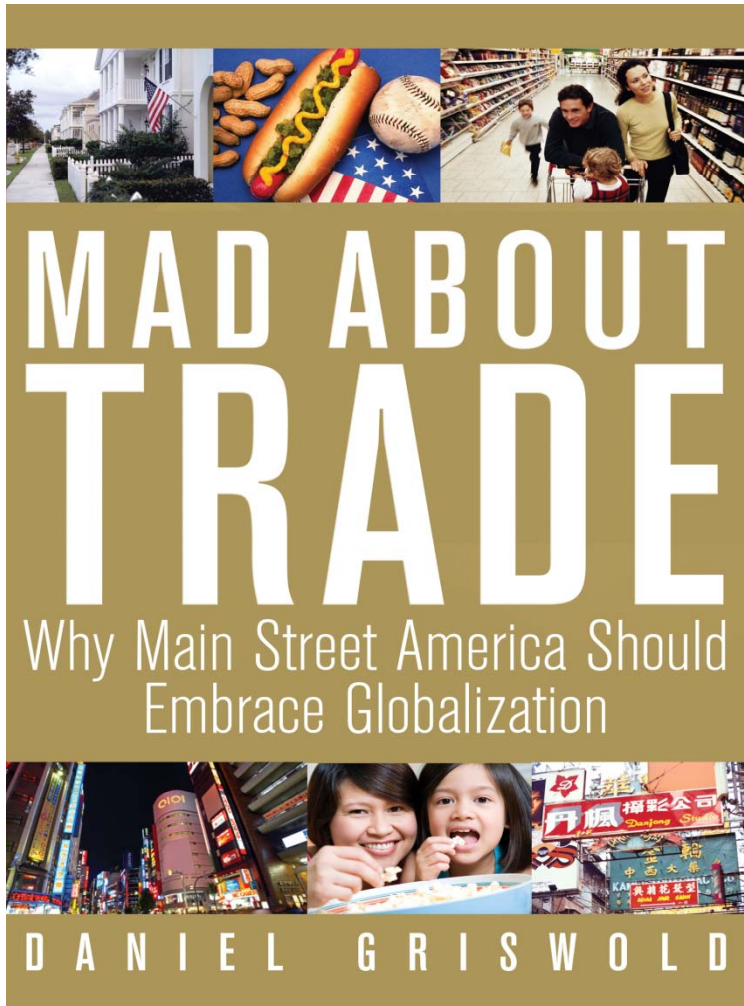
Daniel Griswold

Keynote Speaker Series, IBC Bank

TAMIU, Laredo, TX  
October 13, 2010



The Cato Institute



## ***Comments on Mad about Trade:***

A “tour de force ...”

— *The Washington Times*

“Griswold explains the complicated mechanisms of world trade with brisk, easy-to-read prose.”

— *Publishers Weekly*

“Let me explain it one more time, Lou.”



# Global Trade on the Rebound

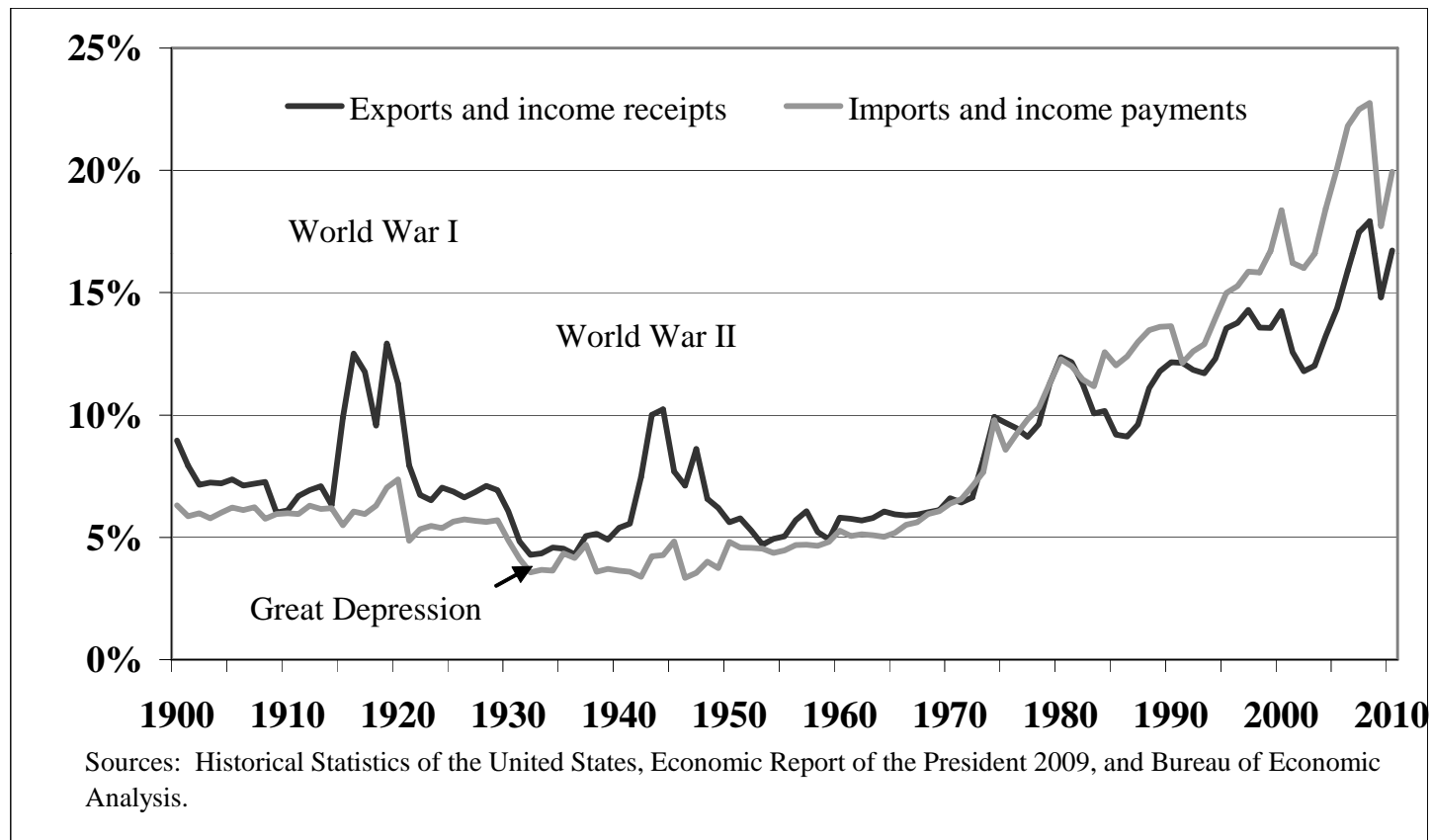
- Great Recession of 2007-09 imposed a “stress test” on post-war economic framework
- Volume of trade down 12% in 2009, roaring back in 2010
- The protectionist dog that barked but didn’t really bite
- Fears of a repeat of 1930s unrealized
- Reasons to be thankful



# Texas and the global economy

- No. 1 state in export revenue
- Not just the Fortune 500: 23,000 SMEs exporting from Texas
- Top markets: Mexico, Canada, China
- Foreign direct investment: more than 8,000 foreign-owned affiliates employing more than 400,000 Texans

# America's Growing Globalization



# Jet-propelled Globalization



- Lower trade and investment barriers
- Technology: jet aircraft, containerization, international calling, and the Internet
- Rest of the world catching up

# The Growing Global Middle Class

- Could reach 2 billion in developing world by 2030
- Global poverty cut in half since 1981
- More than half of U.S. exports now go to emerging markets
- Growing demand for U.S. goods and services: cars, pharmaceuticals, beef, poultry, medical equip.



Shanghai, China



# American Consumers: the Forgotten Special Interest

- Millions of consumers vs. a small group of producers
- Trade competition delivers lower prices, more choice, better quality.
- Helping struggling families make ends meet



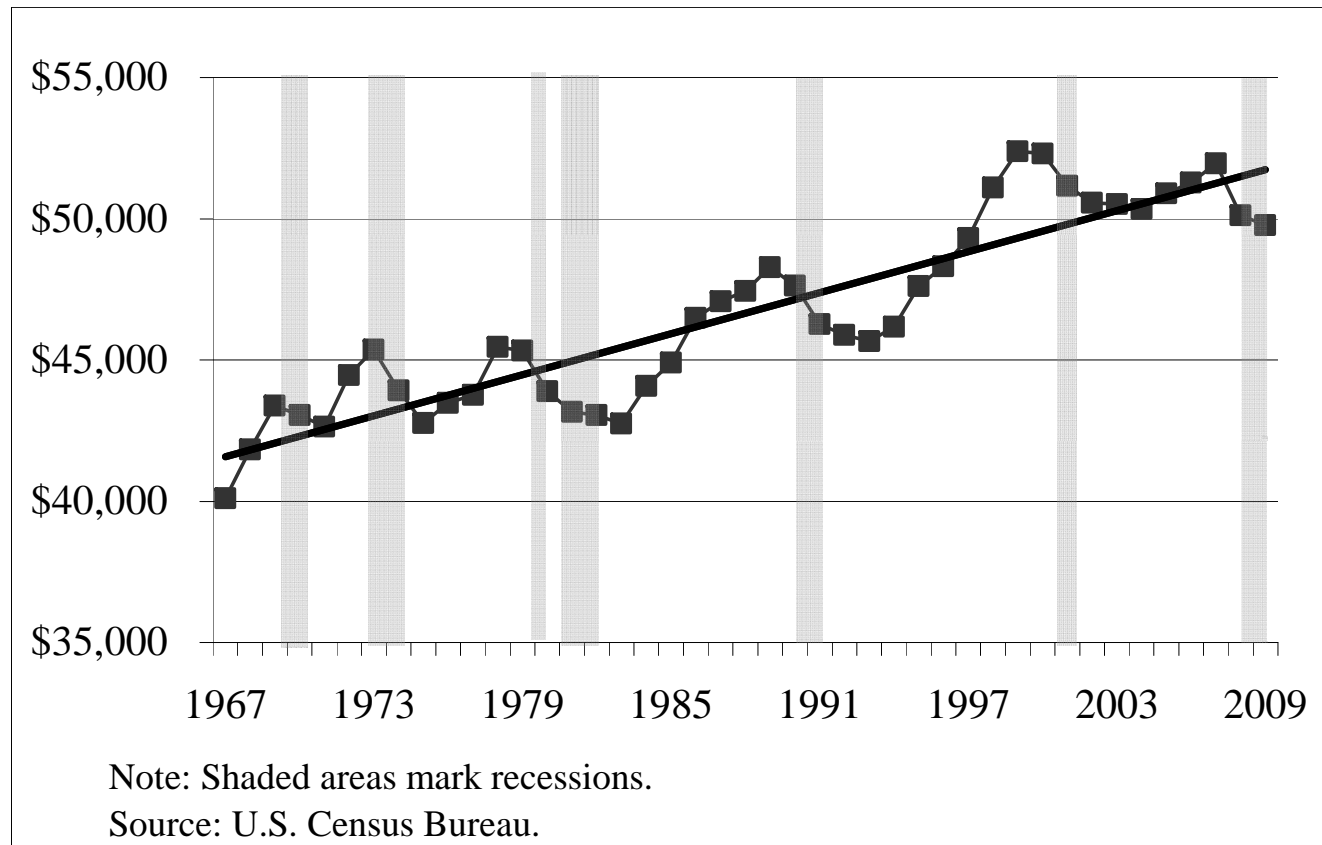
# Why the Critics are Wrong about Jobs

- Trade not about more jobs or fewer jobs, but *better jobs*
- Trade accounts for only 3 percent of annual gross job displacement—or 1 in 30 displaced workers
- Far more jobs lost to technology
- Bookstores, newspapers, film cameras

# A Middle-class Service Economy

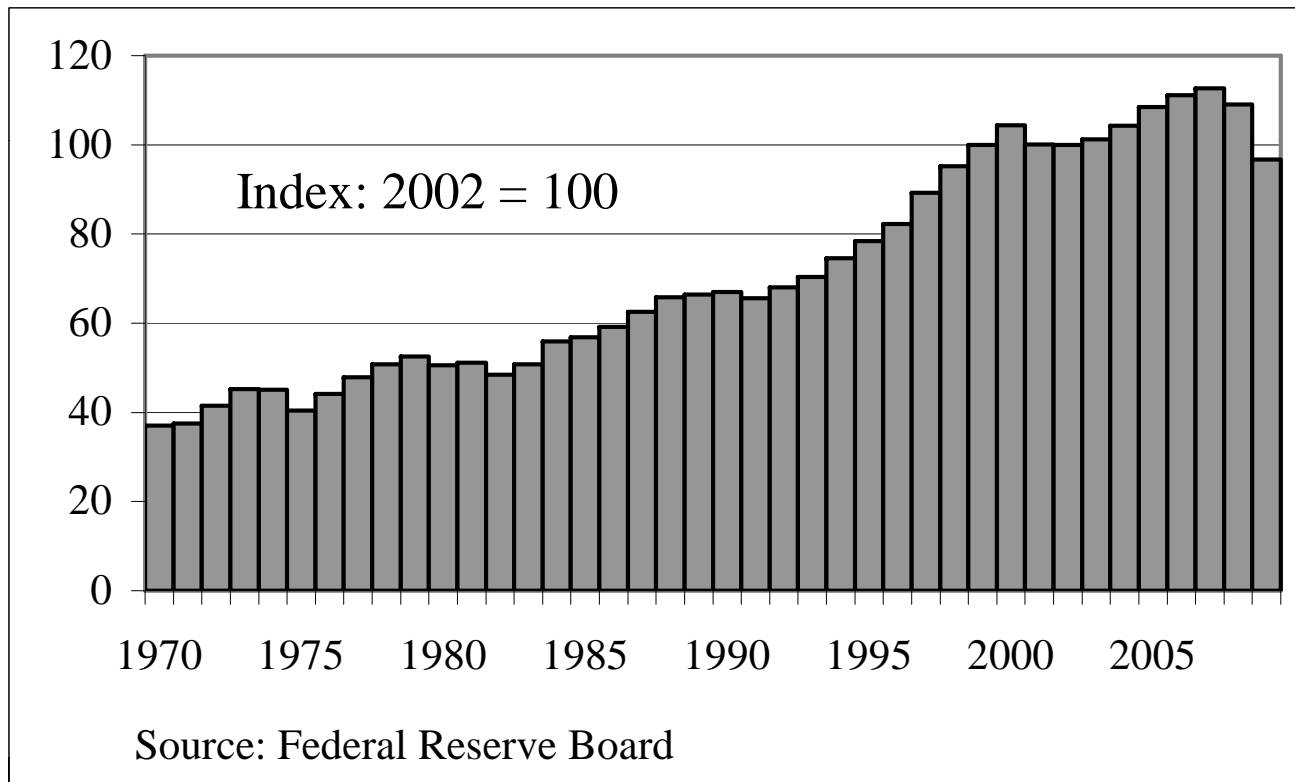
- It is a myth that high-wage manufacturing jobs are being traded away for low-paying service jobs
- Two-thirds of net new jobs created since 1991 are in service sectors that pay more than the typical manufacturing job
- Growth sectors: education, health care, business and professional services, financial activities, construction

# Median Household Income, 1967-2009



# Is America “de-industrializing”?

U.S. manufacturing output, 1970-2009

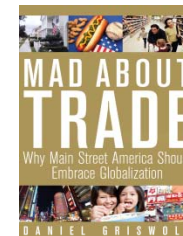




# “Nobody’s manufacturing anything!”

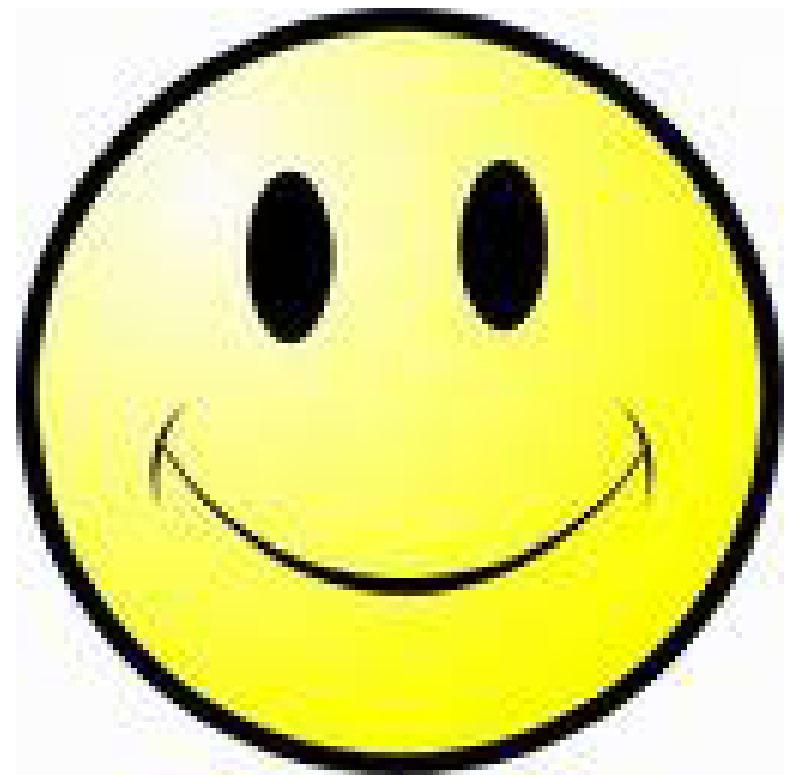


- Aircraft and aircraft engines
- Motor vehicles
- Computers
- Heavy appliances
- Rugs and carpets
- Chemicals
- Paint
- Semiconductors, pills, and books



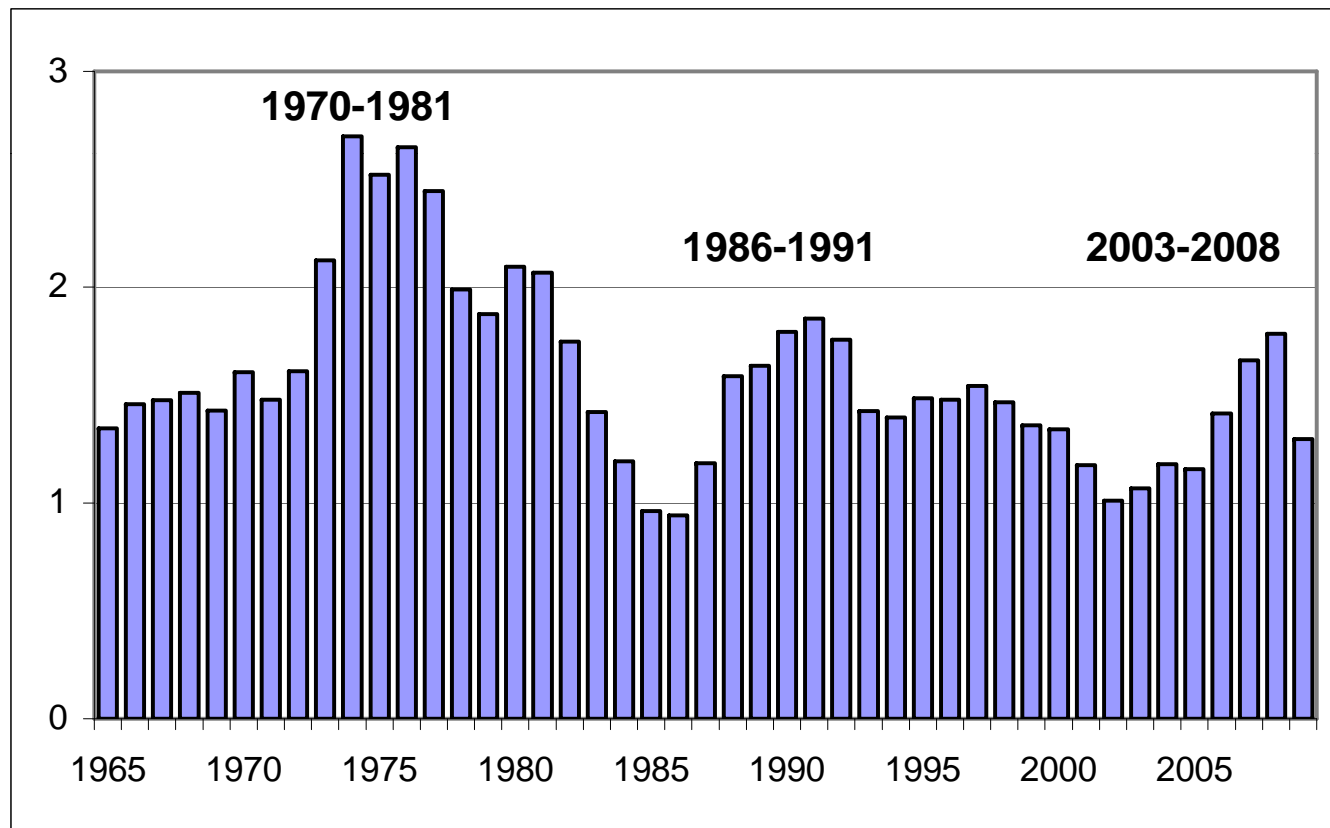
# China, iPods, & the “smiley curve”

- Highest value-added at the beginning and the end; lowest in the middle
- Lesson of the iPod: “Designed by Apple in California. Assembled in China”
- Staplers or iPods?



# National Export Initiative: How realistic?

Export growth during preceding 5 years



# Promoting U.S. exports

- Enact FTAs with Korea, Colombia, Panama
- Lift Cuban embargo
- Resolve trade disputes with Mexico, Brazil, EU, and Japan
- Avoid a trade war with China
- Open U.S. market wider to imports

# U.S. export success in China

- China's currency "a boot to the throat of our recovery"? Nonsense.
- Weak connection between currency, trade deficit, jobs, economy
- U.S. exports up 36% so far this year, 50% faster than to rest of world
- China now the no. 4 market
- Picking a fight with a top customer



# Concluding thoughts ...

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