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## **Don't discount trade in economic recovery**

By Harold McGraw III

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Both the World Trade Organization and Global Trade Alert recently issued reports detailing the alarming trend of creeping protectionism that threatens to slow the global economic recovery and hinder national competitiveness. At the G-20 meeting in Pittsburgh, President Barack Obama has a valuable opportunity to address this issue head-on by reasserting U.S. leadership in promoting free and open trade, which is essential to global economic growth, job creation and raising standards of living around the world.

Trade is vital to economies throughout the world, and the U.S. economy in particular. In 2008, exports of goods and services generated about \$1.84 trillion, or 13 percent, of U.S. gross domestic product, according to the Commerce Department. By some calculations, 10 percent of all U.S. jobs and 20 percent of our manufacturing jobs depend on exports. And trade-related jobs typically pay 13 to 18 percent more than the average U.S. wage. In the case of firms deeply involved in international markets, the wage premium is even greater. Such jobs pay an average wage of \$15,000 more than jobs in firms that are less internationally integrated, or \$50,000 versus \$35,000, according to a recent study.

International trade is never popular in times of economic stress, but the claims of its adverse impact on the U.S. economy are frequently exaggerated. A 2004 Federal Reserve study showed that the U.S. economy shed on average 15 million jobs and created 17 million new jobs annually during the previous decade, for a net annual increase of 2 million jobs. The Fed also found that import competition was responsible for only 2.5 percent of the job losses, with the vast majority of job churn in America's highly dynamic economy stemming from technology, domestic competition and changes in consumer choices. Even during the current economic slowdown, the resilience of our exports has been one of the few bright spots in our economy.

While economic progress through expanded trade and investment can trigger some dislocations, those impacts should be addressed not through protectionism but rather through the expanded Trade Adjustment Assistance program that was enacted as part of the Recovery Act. Dislocated workers as well as those just entering the work force must have access to education and training to acquire the skills they need to secure high-paying jobs.

Clearly, trade can be a driver of economic growth for the U.S. Some 95 percent of the

world's consumers and 80 percent of global purchasing power lie beyond our borders. While the U.S. and European Union still constitute 54 percent of the global economy, the dynamic economies of Asia have the strongest growth trajectories.

At my company, we have seen firsthand how important international engagement is to American jobs. Growing demand from around the world for our college-level engineering and computer science instructional materials have led to growth in our staff in Dubuque, Iowa. And McGraw-Hill Construction's input on major building projects in Korea, China, the Middle East and elsewhere has provided growth opportunities for our U.S.-based employees.

Some have suggested that we need to take a "timeout" from international engagement while we address such domestic issues as health care, education, energy and financial-services reform. But the world will not wait. Other commercial heavyweights are pushing ahead with preferential deals. For instance, while our trade accord with South Korea collects dust pending congressional consideration, the EU is moving toward ratification of its Korea agreement. Competition and change will continue to increase -- the only question is whether we embrace the change to create more opportunities here.

As important as international integration is to the U.S., the trade patterns of recent years cannot continue unaltered. Ensuring strong intellectual-property protections, enforceable government procurement and transparency provisions, and a level playing field in terms of tariffs and subsidies is critical if we are going to further the interests of all Americans.

To the Obama administration's credit, it has prioritized trade enforcement and strengthening support for American workers. U.S. Trade Representative Ron Kirk is right to insist that trading partners comply with their international commitments because an open economy is sustainable only if it is viewed as a fair economy.

But we need to do more. America's international economic policy should eliminate foreign barriers and open major markets throughout the world. We must secure legislative passage for pending agreements with Colombia, Panama and Korea. At the same time, we must pursue other major, market-opening initiatives, such as creating a new agreement with our Asia-Pacific trading partners and eliminating barriers for our services and manufactured and agricultural goods sectors.

Obama has pressed an ambitious agenda for reviving the U.S. economy, but it comes with a hefty price tag. Liberalizing global trade is an opportunity to generate the economic growth that will help to finance these initiatives. It is also an opportunity for the U.S. to affirm its position as a leading and competitive trading nation.

*Harold McGraw III is chairman, president and chief executive officer of The McGraw-Hill Companies and chairman of the Emergency Committee for American Trade.*

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