

Free Trade Boosts US Exports and Creates American Jobs

Free Trade, 2013

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Bill Reinsch is president of the National Foreign Trade Council and serves as a member of the US-[China](#) Economic and Security Review Commission. In the following viewpoint, Reinsch explains the benefits to the US economy of the signing of three free trade agreements with Colombia, Panama, and South Korea, respectively. He asserts that such [trade agreements](#) will help the US economy by increasing [exports](#) and creating and supporting tens of thousands of jobs. Reinsch contends that Congress has made the mistake in the past of allowing public opinion against free trade to guide its policy decisions rather than basing policies on sound economic facts. Having learned from unjust trade agreements that hurt the US economic sector in the past, Congress has, Reinsch maintains, ensured that these new agreements contain provisions that allow the parties to combat unfair practices.

As you read, consider the following questions:

1. By how many billions of dollars is the Colombia free trade agreement expected to help the US economy grow, according to the viewpoint?
2. The extension of what waterway, according to Reinsch, is expected to help boost US sales, exports, and [employment](#) opportunities for American workers?
3. What does Reinsch say is the reason for the public's skepticism regarding these three FTAs?

Finally, after more than four years of debate and acrimony, Congress is expected to pass the free trade agreements the [United States](#) negotiated with Colombia, Panama, and South Korea. All three will go a long way in helping to give a much-needed boost to the economy by increasing US exports and supporting and creating tens of thousands of American jobs.

For those of us who speak for hundreds of US companies with thousands of workers and worldwide operations, these free trade agreements (or FTAs) are urgently needed. Despite a popular view that open trade kills American jobs, the particulars of these agreements show their benefits.

Free Trade Agreements Offer Many Significant Benefits

In the case of Colombia, the FTA will provide duty-free access for more than 75 percent of US agricultural goods and more than 80 percent of US consumer products—helping to increase two-way trade, which reached more than \$28 billion last year [2010]. The FTA—which is expected to help the American economy grow by \$2.5 billion and US exports by \$1.1 billion—allows us to seal a mutually beneficial deal with the third largest economy in South America and one of our longest standing democratic allies in the region.

Panama offers a key strategic location for US exporters to sell their goods and also to move them throughout the hemisphere via the Panama Canal. With canal expansion slated for completion in 2014, US companies in the machinery, [infrastructure](#), and services sectors are anxious to see the FTA carried out to boost sales, exports, and employment opportunities for American workers. The agreement will also pave the way for more trade between the two nations, which reached \$6.1 billion in 2010.

Finally, the South Korea agreement represents the most economically significant trade deal that the US has embarked on since the North American Free Trade Agreement [NAFTA]. All told, the South Korea FTA is expected to increase US exports by \$11 billion, spur [economic growth](#) by nearly \$12 billion, and support at least 70,000 American jobs.

At a time when the world economy has been stagnant, South Korea's economic growth exceeded 6 percent last year, making it the world's 15th largest economy. Opposition to the deal from domestic automakers and beef producers has been handled in agreements reached by the US and South Korean governments, and the South Korea FTA now enjoys widespread support—from the United Auto Workers and the National Cattlemen's Beef Association to big business.

Congress Is Swayed by Public Opinion and Not Economics

The economic arguments in favor of the FTAs are clear, so why has it taken so long to build support for these agreements in Congress, which is scheduled to vote on them today [in October 2011]? The answer lies in public opinion and politics. Proponents see trade liberalization as a win-win policy, but more than two-thirds of Americans believe that FTAs cost the United States jobs, according to an NBC News/*Wall Street Journal* poll conducted in September 2010. And nobody follows polls closer than politicians.

The reason for the public's skepticism lies in human nature. People like change in theory but it makes them nervous in fact, and trade accelerates change. Trade sharpens [competition](#), forcing companies to move more quickly to gain advantage over their competitors. It propels US businesses to look outside our borders for new customers.

The United States is a mature, slow-growth economy, and it increasingly faces aggressive competition from overseas. When 95 percent of the world's [consumers](#) are also outside the US, anybody who wants to grow needs to look there, in addition to the domestic market.

More competition also means having to streamline production and increase productivity. For some companies, that has meant layoffs and movement of facilities offshore, which contributes to the unpopularity of trade. Indeed, the American manufacturing sector is greatly diminished.

But that's why the president has insisted on renewal of an expanded "Trade Adjustment Assistance" program as part of the FTA package, which will help displaced workers find new jobs. Historically we

have not done that very well, but the expanded program will do a better job than before by providing workers an improved support structure (health benefits and relocation help). It also will extend [unemployment](#) compensation. Other measures to encourage US companies to stay here—such as corporate [tax reform](#)—would also help.

Regulations Are Included to Protect Against Unfair Practices

Another issue that contributes to public skepticism about trade is the unfair trade practices of other countries. The Senate has been debating Chinese practices—especially currency manipulation—for the past two weeks. Those are serious issues, and the administration has mounted an aggressive enforcement strategy using both World Trade Organization rules and America's own laws to combat them.

Fortunately, that is not as big of an issue with the new FTA countries. Having learned from the past, these agreements contain provisions, including ways to resolve disputes, that allow the parties to combat unfair practices if they turn up.

Congressional approval of the FTAs will not end the debate about trade, but it will increase jobs and help our economy grow—which are good things. Perhaps over time that growth will help Americans better understand that trade is an increasingly critical part of our economy that contributes to our prosperity.

Further Readings

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