

“OPENNESS AND THE AMERICAN CREED”

**ADDRESS BY
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Two months ago, seven thousand miles from where we meet today, I stood on a dividing line. On one side, there is a vibrant democracy where people freely express their opinions. On the other, there is only the mindless repetition of mind-numbing propaganda. On one side of this border, there is a strong economy that is opening up further to the world. On the other, poverty and famine are commonplace, and self-reliant isolation has become a state religion. On one side, candles are used in nighttime vigils to express political opinions. On the other, candles are used to light homes in a countryside that is shrouded in darkness.

There are few borders like the one at Panmunjom, Korea. On a visit there recently with Secretary of Commerce Carlos Gutierrez, I stood on the boundary between openness and oppression. Many of us have seen photos of North Korean soldiers staring at their counterparts through binoculars. Yet just behind the border guards peering south are other North Korean soldiers that you don't usually see in pictures.

Their backs are turned – they are facing inside North Korea. They are standing guard not against incursions from the South, but against defections from the North. These soldiers are North Korea's last line of defense against openness.

Openness Or Isolationism?

Like no other place on Earth, the Korean peninsula starkly demonstrates the difference between openness and isolationism. I was there to promote the Korea-U.S. Free Trade Agreement, or KORUS FTA. It would be our largest free trade agreement in nearly two decades, adding more than \$10 billion to the U.S. economy, and would expand America's circle of economic openness into East Asia. For many years, South Korea followed an economic model like Japan's, and was relatively closed to foreign goods and investment. In a remarkable shift, South Korea has now decided that the path to growth is the path of openness. It is ironic that as South Korea seeks more openness in its economy, some in the United States want to slam shut the door to our own.

For as long as America has existed, there have been defeatists who argue that America is in decline, and that it needs to close its doors to be competitive. Twenty years ago, it was widely believed that Japan would overtake the United States to become the world's pre-eminent economy. In Japanese investment in Rockefeller Center and Pebble Beach, many saw the

inexorable decline of America. And there were other perceived threats as well: the “giant sucking sound” of NAFTA, or the looming dominance of “Fortress Europe.”

But reality intervened. America continued growing, bouncing back from the oil embargo, from stagflation, from the dot-com bubble and from the terrorist attacks of September 11. Meanwhile, Japan has suffered economic sclerosis for more than a decade; in the aftermath of NAFTA we’ve seen all three countries grow; and in the EU the rate of employment and growth has been slower than in the U.S. In fact since August 2003 the United States has created more jobs than all major industrialized countries combined.

Today, instead of Japan or Europe serving as the focal point of hysteria, pundits suggest that a rising China will overtake America in the 21st Century. But one way to reliably lose money is to bet against America’s success, and I don’t believe China’s economy will inevitably overtake our own.

Openness: America’s Secret Ingredient for Success

What is it that is different about America? Why, despite many challenges, do we continue to grow, innovate, and remain the largest, most competitive economy in the world?

I believe America’s continuing success can be traced to one fundamental and differentiating principle: openness. America’s openness is the secret ingredient in our national recipe, the trump card in America’s hand. It is our openness that gives us a leg up in the global economy – we are stronger as a nation because we welcome the world’s products, ideas, investment, and people.

In Japan, China, and elsewhere, economies are relatively less open. To this day, Japan discourages foreign direct investment and immigration. China raised two hundred million people out of poverty through its reform policy, yet today shows disturbing signs of limiting foreign participation in its economy. In Latin America, Africa, and Asia, most economies are relatively closed, and relatively poor.

In America, our openness to trade gives us access to the world’s products at affordable prices, keeps us on our competitive toes, and creates new markets for our exports. Being open to foreign investment capital provides the lubricating oil for the American economic engine, with a total stock of foreign direct investment valued at \$1.8 trillion that supports nearly 6 million U.S. jobs.

Receptivity to foreign ideas, students, and scientists makes us a global hub for innovation; half of Silicon Valley start-ups today have at least one founder who is either an immigrant or a first-generation American citizen. As the proud son of an immigrant, I agree with Fareed Zakaria, who recently wrote in *Foreign Affairs* that our nation is “constantly revitalized by streams of people who are eager to make a new life in a new world.”

Fifty years ago, exports accounted for only 4.4 percent of American GDP. In the first quarter of 2008, exports accounted for nearly 13 percent of GDP, and topped \$1.6 trillion in 2007. Both are all-time records.

Partly because exports grew more than 17 percent in the first quarter of this year, our economy was able to show a bit of growth even in the face of the housing market downturn. Imagine where we would be today if vibrant exports were not cushioning the blow of the sub-prime mortgage fallout, or if foreign imports were not helping to keep inflation in check.

Consensus for Openness Is Withering

For more than 50 years there was a bipartisan consensus in America in favor of open markets and free trade. The result was trade agreements that tore down barriers, slashed tariffs, and opened new markets for American products. Yet especially during this election year, the post-war consensus for openness is under unprecedented attack.

There is no doubt that many Americans today are anxious because the pace of economic change has accelerated. But most jobs are lost due to changes in technology and productivity, not trade. When was the last time you went to a bank teller instead of an ATM, checked in for a flight with a gate agent instead of at a kiosk, or asked an operator to put through a call instead of just dialing your cell phone?

When I worked at Kodak in the late 1990s, tens of thousands of people were employed in upstate New York making traditional film and photographic chemicals. There are far fewer Kodak employees in Rochester today, but not because of trade. Technology changed, and modern digital cameras don't use film or chemicals.

Because our open, vibrant economy is flexible and responds well to change, jobs lost in some industries are replaced with new jobs in new industries, and our more-productive workers earn higher wages. Since 1993, more than 27 million net jobs have been created in America and real wages have increased almost eight percent. Fewer than three percent of mass layoffs have been due to trade, and this has been offset to a great extent by new jobs created by foreign direct investment.

But nobody mounts lobbying campaigns against ATMs. No politicians call for a "time-out" on the sale of digital cameras. It's much easier just to blame foreigners. Worried about economic change? Blame China. Or NAFTA. Or Mexican immigrants. Or Arabs trying to manage warehouses at the Port of Baltimore. Turn on the television to watch Lou Dobbs blame almost every problem on imports or immigrants – or both.

Openness is vital, and must be defended by leaders of both political parties. But today many American politicians advocate economic isolationism as a panacea for economic uncertainty. This is wrong, and dangerous. Protectionism doesn't protect. It gives us a false sense of security and provides an easy excuse to avoid changes that would keep us competitive,

like more portable health-care and pensions, better education, more effective worker re-training, and a tax system that rewards job-creating corporations rather than punishing them for success. Instead of having an informed discussion of these measures, during this election season we seem to be stuck in a time warp, reliving the trade debates of the 1980s and 1990s and arguing about whether to cancel NAFTA or establish managed trade in automobiles with Asia.

The history of trade protectionism is so checkered that today nobody, not even Mr. Dobbs, will admit to being an economic isolationist. Many in Congress claim they will support openness “if only” – but then list conditions which either cannot be met, or which are constantly shifting and elusive. For many years, the claim was that labor and environment rules needed to be included in trade agreements. Today, they are. But opponents have found new excuses to resist open trade and investment. That’s because economic isolationists can never be appeased. Their goal isn’t progress abroad – it is to slam shut America’s open doors in the belief that America cannot compete.

The Imperative of Spreading Openness

But if we believe that an open society is a free society, then we cannot be content just to maintain our own openness, but should seek to expand the circle of openness to other parts of the world. That is why we must remain leaders in negotiating and passing pending free trade agreements. When the Bush administration came into office, we had free trade agreements with three countries; today we have them with fourteen, and more are under negotiation. It is essential that Congress approve pending FTAs with Colombia, Panama, and South Korea. Collectively, these markets represent more than \$1 trillion and 100 million potential customers for U.S. goods and services.

In Colombia we have a close ally that is defeating the only active terrorist insurgency in the Western Hemisphere, while remaining committed to democracy and free markets. Yet die-hard opponents of trade, like the AFL-CIO, continue to caricature and distort the image of Colombia, wanting us to believe it is still the lawless land of the 1980s and 1990s.

Just last week, Colombia’s professional and modern military carried out a bloodless liberation of three Americans and many others who had been held hostage by terrorists for years. Yet economic isolationists were quick to issue their press releases declaring that nothing has changed. They would have us ignore that modern Colombia is a model for how to successfully defend democracy, freedom, and markets against violent terrorists. Congress refuses to give this brave ally even the simple courtesy of holding a hearing on the merits of its free trade agreement with the United States. This is shameful.

Colombia is not the only ally to have been snubbed by this Congress. In Korea, a friendly elected government has, at considerable political cost to itself, opened its market to American beef, as we asked. Yet Congress shows no signs of moving forward to consider the FTA with Korea that was signed more than a year ago.

Our leadership for openness also means that we should work for a successful conclusion to the Doha Round of negotiations in the World Trade Organization. The Doha Round is a once-in-a-generation opportunity to create hope and opportunity for millions by slashing trade barriers that divide us.

In two weeks, ministers and ambassadors will gather in Geneva for an important meeting to agree on modalities for market opening, especially in agriculture and industrial products. A successful Doha Round would provide an economic stimulus to the global economy. Even a one-third cut in global tariffs could raise the income of an average American family by \$2,500 a year, and lift 500 million people out of poverty worldwide.

And we must continue our policy of positive engagement with China. This is our most important economic relationship of the 21st Century. Thirty years ago, China was emerging from the Cultural Revolution—poor, isolated, and opposed to nearly every international institution. But China's leaders reversed course and embraced openness, and their people have benefited enormously. Their challenge is to stay on that course. And ours is to help them, not only because it is good for China, but because it is in our national interest.

Openness and the American Creed

Ladies and gentlemen, if closing oneself off from the global economy were the path to success, then North Korea would be the richest, most prosperous country on Earth. But there is little risk of anyone trying to escape to the North across the border at Panmunjom. America did much to create the conditions for South Korea's economic miracle. Now we stand poised to take the next step toward openness with the largest free trade agreement in recent history.

In the decision we make on this trade agreements and other now before us, Americans face a choice: to embrace openness or to make a futile attempt to put up walls around our country. America is not known for retreating. We compete, we innovate, we bring to new challenges the vigor and energy of a nation that is constantly reinventing itself, with products, capital, ideas, and people from all parts of the world.

Great nations know what they believe, and we believe that openness makes America different, dynamic, and strong. Being open to the world is about more than cutting tariffs. It is more than something we do out of self-interest. Openness is a part of who we are as Americans – it is part of the American creed. Even in this election season, surely that is something worth defending.

Thank you.