every•day•trade

DEBUNKING URBAN MYTHS

Myth #1: Free Trade costs the U.S. jobs.
Truth #1: The number of U.S. jobs has actually increased. Over the last decade, free trade has helped boost job growth by about 13 percent and has helped raise our gross domestic product (GDP)—what we produce—by nearly 27 percent.

Myth #2: Exporting is outsourcing.
Truth #2: Exporting is not outsourcing. Exporting is the selling of goods and services to other countries. Outsourcing refers to a company that contracts with another (often overseas) company to provide services that might otherwise be performed by their own firm. Not all outsourcing hurts the economy. For example, many U.S. companies are able to keep jobs in the U.S. by contracting out some production overseas.

Myth #3: Free trade has destroyed the manufacturing industry.
Truth #3: During the last 30 years, manufacturing output (amount of goods produced) has doubled, and efficiency (the amount of goods made in an hour's worth of time) has also grown. American workers have become more productive and technology oriented. Studies show that only about 3 percent of mass layoffs in the U.S. are attributable to trade. Plant automation and product technology have actually driven the decreased need for workers on assembly lines, not trade. Constantly improving technology has also made it so that Americans are working in more advanced sectors (jobs) as opposed to working on assembly lines. In fact, the manufacturing industry is facing a growing shortage of skilled workers. Increasingly, efforts are underway to retrain workers to meet the technological demands of the 21st century. Of the top 25 manufacturing economies, U.S. workers are the most productive.

Myth #4: International trade has kept. U.S. wages low.
Truth #4: International trade has actually increased wages. U.S. jobs supported by the export of goods pay more than other jobs. People who have these jobs have annual incomes higher than the U.S. national average. Further reduction in trade barriers will spur more and higher paying jobs.

Myth #5: Services industries don't export.
Truth #5: Exportable products include goods, services or intellectual property, such as software. A product does not need to physically leave the country in order to be considered an export, provided that it earns foreign currency. Professional services (accountants, architects, physicians, etc.), franchise, training and education, business consulting, advertising and marketing, inbound travel and tourism, and engineering and construction are all exporting industries. In recent years, rapid technological advances have also meant that intellectual capital can be transferred. Therefore, it is essential to understand that even though services are not physical goods, they play a large role in the performance of the economy. The United States continues to lead the world as the premier producer and exporter of services, with services accounting for 42 percent of GDP and small services companies accounting for more than 41 million jobs.

Myth #6: Closed boundary policies, such as only trading across state lines, is healthier for a nation's economy.
Truth #6: By selling to different countries, U.S. companies are able to diversify their market share and spread their risk. In other words, exporting allows companies to weather changes and the ups and downs of the domestic and global economy, and as a result become more competitive. For example, if some countries' economies slow down, others can be going strong, and vice versa. Taken as a whole, trading with the world contributes significantly to the U.S. economy because even when our own economy might be sluggish, people abroad are looking to buy our goods and services.

There is historical evidence for the success of trade. For example, in the early 1960s, South Korea was a relatively poor nation and had a lower per capita income than North Korea. During the last 40 years, however, South Korea joined the world economy and pursued a positive policy of trade, industrialization and openness. The nation has benefited greatly, and its economy is now prosperous. Its per capita income is about 11 times greater than North Korea's, which continues to practice a closed border protectionist policy.