

**Remarks Cynthia A. Glassman
Under Secretary for Economic Affairs
U.S. Department of Commerce**

**At a joint meeting of the Oklahoma City, Tulsa, and State of Oklahoma Chambers
of Commerce -- Oklahoma City, Oklahoma
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Thank you Mr. Mayor (Shawnee Mayor Chuck Mills). It is great to be in Oklahoma City. It is the first time I have been here and it is a pleasure. I have wanted to come to your state for some time. Oklahoma is one of only seven of our states that I had not visited until today. I should not have waited so long. But perhaps the timing could have been better. I do apologize for distracting you from your big football weekend.

I would like to thank our hosts for organizing this lunch today and bringing us together:

- Natalie Shirley, Oklahoma Secretary of Commerce and Tourism
- Roy H. Williams, Greater Oklahoma City Chamber
- Mark Stansberry, Chairman Governor's International Team
- Richard P. Rush, President/CEO The State Chamber
- Mike Neal, President and Chief Executive Tulsa Metro Chamber and

Also let me recognize some of your elected officials and their representatives who have joined us today.

- Susan Savage, Oklahoma Secretary of State
- Craig J. Smith, Senator Tom Coburn's Office
- Nate Webb, Congresswoman Mary Fallin's Office
- Brant Cale, Congressman Dan Boren's Office

As Chuck said, I am the Under Secretary for Economic Affairs at the U.S. Department of Commerce. In that role, I am the principal economic adviser to Secretary Carlos Gutierrez. Secretary Gutierrez came to Washington from Kellogg's where he was the cereal maker's CEO. I find it refreshing and helpful to have a businessman heading a government agency. He knows well the opportunities and obstacles government can impose.

I also oversee two bureaus in the federal government that produce much of the economic data you read about in the newspaper. Gross Domestic Product, retail sales, and international trade data are several of a broad range of economic indicators that we produce. These bureaus and their data tell us how the economy is doing. One of the more well-known economic indicators that does not come from my bureau is the unemployment rate. It is calculated in the Labor Department, although the Census Bureau – which is in my purview – gathers the raw data.

The Labor Department reported today that non farm payroll employment increased by 110,000 jobs in September with upward revisions in the previous two months. Jobs have increased for a record 49 consecutive months.

Since August 2003, the U.S. economy has created more than 8.2 million jobs. Our unemployment rate is still at a historically low level of 4.7 percent—lower than the average in each of the past four decades.

Looking at the data—at the facts—tells me that the media is tending to focus more on economic problems, as it often does, and less on what is good about the economy. We clearly face some economic headwinds, but there are plenty of signs that the U.S. economy is resilient and will continue to grow and create jobs in the coming months. Retail sales and consumer spending are growing at steady rates, unemployment insurance claims remain low, and factory orders are growing. Second quarter GDP growth was a solid 3.8 percent with the significant contribution to growth coming from net exports.

Experienced observers expect exports to continue to grow strongly in the third quarter, and they also expect net exports to continue to be an important contributor to economic growth in that quarter.

Most impressively, the U.S. economy has quietly seen a dramatic improvement in our trade situation. Over the past 12 months, exports have grown significantly faster than imports. Further, exports have grown substantially faster than GDP for each of the last three years and it looks like they will do so again in 2007. Net foreign trade has added a hefty half a percent to GDP growth over the past four quarters.

That is why the topic I want to discuss today -- free trade agreements or FTAs -- is so important. As you may know, the Administration has sent four new free trade agreements to Congress for approval. These agreements -- with Peru, Colombia, Panama and South Korea -- are not the first bilateral free trade agreements for our country. We already have free trade agreements with 14 countries, representing 7.5% of global GDP and over 42% of our exports. These four agreements are only the latest in a series of successful treaties that have helped to open global markets.

The passage of these agreements is an important step in sustaining America's economic recovery and creating new jobs for American workers. Why? Let me go back to the question of the prospects for economic growth.

One of the basic questions economists ask when they look into their crystal balls is "where will growth come from?"

Somebody has to be willing to buy what is being produced. Broadly speaking, there are four possible types of customers. They are consumers, businesses, the government, or foreigners. Today, foreigners are the most likely source of growing demand for our products. Let me explain by discussing each possible customer in turn.

Over the past decade U.S. consumers have played an important role not just in keeping the U.S. economy growing, but in helping to keep the world economy growing as well. But just about everybody agrees that U.S. consumers cannot be the chief support of the global economy forever. In the short term, especially, the problems in the housing market

-- which affect the single largest investment most people make -- are likely to make consumers more cautious in the next few years. Caution is not necessarily a bad thing, of course. But it leaves the economy likely to see consumer spending slow a bit.

U.S. businesses will continue to be an important source of growth. Indeed, the Administration's tax and regulation policies are designed precisely to encourage investing in the U.S. economy. But business investment has to be for a purpose.

What makes businesses want to expand capacity and produce more? Ultimately, they need long-term markets. Business will not invest if other economic actors are slowing spending. So, while business will be part of the answer to "where will the demand come from?" it is not the whole answer.

What about the government? Government intervention reduces the economy's efficiency and cannot substitute for the long-run benefits of a strong competitive private sector. If we try to keep economic growth strong through higher government spending, we run the risk of creating more problems than we would solve.

That leaves foreigners. And here, we are in luck. Did you ever consider that 95% of potential customers -- the rest of the world's population -- for U.S. goods live outside the United States?

The biggest potential source of economic growth for this country lies outside our borders. So the answer to the question in the crystal ball is simple: Growth must come from foreign trade. That means that sustaining the good economic results of the past few years requires that we reject policies that would result in economic isolationism.

How can we ensure that the foreign sector will continue to contribute to U.S. economic growth? Clearly, we need to open more foreign markets to U.S. exporters. And one way to accomplish this is to come to an agreement with each of our trading partners, liberalizing trade while taking our and their legitimate concerns into account. That is the basic logic of a Free Trade Agreement. And that is why the United States sees free trade agreements as an important economic policy tool, and why we now have Free Trade Agreements with 14 countries.

Let me review for you some of the good things that happen when we sign a Free Trade Agreement:

1. FTAs help strengthen the business climate by eliminating or reducing tariff rates, improving intellectual property regulations, opening government procurement opportunities, easing investment rules, and much more.
2. American consumers have more choices and face lower prices. The Office of the U.S. Trade representative estimates that, over the past decade, major trade agreements -- NAFTA and the Uruguay Round -- have raised the living standard of the average American family by as much as \$2,000 per year.

3. Foreign consumers obtain the ability to purchase cheaper and better U.S. products. Almost as important, competition from the United States -- the largest market in the world -- forces their own companies to compete more efficiently, and provide better products and services for less. Since many of these countries are still developing, they see real and potentially very large improvements in their peoples' lives from the Free Trade Agreement.
4. Foreign workers find greater opportunities, higher wages, and better living standards by serving the U.S. market.

Some people claim that trade hurts our economy and takes away jobs. I do not understand how anybody can make that claim if they just look at basic economic data. Has trade hurt our manufacturing? It is hard to see how when manufacturing output in the United States is up over 16 % over the past five years. Has trade "cost jobs?" How, then, does it happen that the unemployment rate at 4.7% remains so low?

That is not to ignore the fact that the change -- whether from trade, new technologies, or obsolescence -- can be painful for some Americans.

We must help workers who are hurt by changes, whether from eliminating trade barriers or improving technology, to deal with the dislocation and to acquire the skills necessary to find good paying jobs.

The Administration has a number of programs to help those workers, and to ensure that all Americans are equipped with the skills necessary to compete in the global economy. But it would be a mistake to think that we can avoid hurting those workers by closing our borders instead of facing the problem directly. Trying to avoid change will damage our economy and hurt our workers much more severely than the change itself. Protectionism is not the answer.

Now, I must admit that the four latest FTA countries -- Peru, Colombia, Panama and South Korea -- are not exactly the largest markets in the world for U.S. products. The impact of the Free Trade Agreements with these countries is likely to be modest. So why are these agreements so important? I think there are three reasons that making the commitment to trade with these countries matters.

First, it ensures that we will continue to tear down barriers to trade and open up new markets for U.S. products. We need the momentum to continue this important work, which is so potentially important for the U.S. economy. And we need to send a message to other potential trade partners that we want to be part of the global economy, and that, as it were, the United States is open for business.

Second, there are real opportunities for U.S. businesses. Oklahoma exported just over \$100 million of goods to these four countries in 2006, which may not seem like much in the context of our \$13 trillion economy, but is an important component of Oklahoma's \$135 billion economy. Businesses in Oklahoma understand. Oklahoma's export

shipments of merchandise in 2006 totaled \$4.4 billion, up 79 percent from the 2002 level of \$2.4 billion. That is the ninth fastest growth among the 50 states over that time period.

I do not think we should lose sight of any opportunity to improve our economy and provide jobs for workers in Oklahoma and the rest of the country.

Third, these countries are all allies of the United States. Each of them has chosen to try to improve their business environment and adopt values that are consistent with those we in the United States believe in. Reform is difficult -- but all four countries are committed to creating free market economies that allow all of their citizens to reach their potential. After so many years of hearing that our country and ideals are unwelcome in Latin America, I hope that we can support those in the region who have come to realize that free markets and the rule of law are the best development strategy. There are competing voices in the region and we want to make sure that those promoting open markets and democracy succeed.

Some people approach the global economy with fear. But I think we should approach it with hope. American businesses and workers can compete successfully anywhere with a level playing field. And what playing field could be more level than one with fewer obstacles to trade in either direction? Today, more than 90 percent of imports from Peru Colombia and Panama already enter the U.S. duty-free, while U.S. exporters pay hundreds of millions of dollars in tariffs each year.

The U.S. market is already largely open to goods and services from these four countries. America will be economically stronger if we engage in the world-wide economy, if we open our markets and if we compete fairly in open markets abroad and level the playing field. That is why -- for the sake of Oklahoma and for the sake of the United States -- we need Congress to ratify the four pending free trade agreements.

Thank you. If we have some time, I would be pleased to answer a few questions or listen to your comments. I would particularly be interested in hearing your impressions of the Oklahoma economy and prospects for your businesses.