

**“Coping with Change: Strategies for Success in a Globalized World”
Perspectives from the United States Chamber of Commerce**

**Kristal Alley
Director for Europe and Eurasia
U.S. Chamber of Commerce**

- “Everyone wants progress---but no one likes change”. When we talk about globalization—the politics of ‘change’ is a big part of what needs to be managed by governments, by business organizations, and by companies themselves.
- Most Americans, and the nation as a whole, benefit from global engagement. Yet despite the facts, global engagement is under attack. For example,
 - A Senate proposal would raise prices for American consumers through a 27.5% tariff on Chinese imports.
 - Repeated attempts to attach the so-called ‘Buy America’ amendments to pending legislation
 - Our legacy of being a welcoming nation is being put at risk by various forms of new immigration legislation
 - There are at least 195 measures that have been proposed in 45 states to restrict and punish companies that source around the world
- How do we deal with these challenges? The facts clearly support America’s continued and increasing global economic engagement. And that is where we have to start—with the facts.
- In late August, the Chamber released a report entitled *Global Engagement: How Americans Can Win and Prosper in the World Wide Economy*. As the facts about global investment and trade show, fears of “globalization” are not based on sound economics — but instead reflect on how we, as a society, cope with change.

- A quick review of the facts:
 - 1st: America cannot have a growing economy or continue to lift the incomes of its citizens unless we continue to reach beyond our borders and sell products, produce, and services to the 95% of the world's population that lives outside the United States. In 2005, our exports to the world totaled \$1.2 trillion, a 58% increase in 10 years. And exports mean jobs. Exports directly support an estimated 12 million workers who earn as much as 18% more than their counterparts in non-trade occupations.
 - 2nd: Imports help Americans too by improving the performance of our economy and boosting choice, quality and purchasing power for consumers. Open markets, rapid economic growth, a massive consumer economy, and reliance on foreign energy led to \$1.8 trillion in imports in 2005, a 114% increase since 1995.
 - 3rd: Just as important as trade is international investment. In 2004, foreign direct investment (FDI) in the U.S. equaled \$1.5 trillion while U.S. investment in other countries amounted to \$2 trillion. Europe accounts for more than half of all U.S. FDI abroad. And, investments by foreign companies in the United States have directly created 5.1 million jobs.
- While our companies often compete against one another--Europe is very much our partner --Europe is America's 2nd largest trading partner and its most important commercial partner generating roughly \$2.5 trillion in total commercial sales every year. Our top foreign employers come from Europe with almost 4 million U.S. workers on the payroll of European-owned companies.
- Let's face it--there is a global race for capital. It is critically important that the US continues to welcome investors from around the world. The same is true for Europe. A recent study by IBM's consulting arm, found that multinationals favor Europe over Asia when expanding abroad. This is a sign that they want to be close to customers and suppliers rather than simply tap into cheap labor and plants. The study found that Europe attracted 39% of new plants and projects in 2005, with Asia-Pacific receiving 31%. The UK was Europe's biggest recipient of inward investment.

- Global engagement is more than the exchange of trade and the flow of capital. The movement of people and work in the form of immigration, international education, travel and tourism, and outsourcing is occurring on an unprecedented scale.
- Nations that fully engage in the global race for talent will be the winners in the 21st century worldwide economy. Those that close themselves off will be the losers. This is especially true for highly developed economies such as those of the US, Western Europe, and Japan where low birthrates and rapidly aging populations have already produced labor shortages.
- Travel and tourism are huge sectors in the US and many European economies. Foreign students pay our institutions of higher education an estimated \$13.4 billion annually. Such payments count as US exports to the world, and we earn more from these exports than we do from arms sales. So, we must find a way to secure our borders while maintaining mobility and our legacy as a friendly nation that welcomes law-abiding workers, students, businesspeople and tourists.
- And America is not alone in facing the challenges of globalization. There is rising economic nationalism across Europe and Latin America and a backlash against immigrants in many societies. Not to mention the break down of global trade negotiations, which have the potential to lift hundreds of millions of people from poverty.
- Why? “Economic isolationists have seized on people’s sense of insecurity about the rapid pace of change even when the facts are not on their side.” Americans feel that their place in society is less certain and secure. Critics fan these fears.
- The U.S. Chamber believes that the strategy for success in a globalized world does not mean a return to isolationist and protectionist policies. Instead we should enhance our competitiveness through a vigorous program of domestic initiatives, including:
 1. Reforming our legal system
 2. Expanding domestic production of all forms of energy

3. Passing President Bush's competitiveness agenda, which boosts research and development tax credits for companies and federal support for basic research and math and science education for high school and younger students.
 4. Improving schools and vocational education. A special effort must also be made to retrain those who have lost their jobs to global competition.
 5. Strengthening U.S. capital markets
 6. Modernizing tax, regulatory, health, pension, and entitlement systems
 7. Expanding and improving the nation's infrastructure
 8. Combating the growing threat of intellectual property theft and counterfeiting
- We are very supportive of new European initiatives to foster innovation. Many of the points on education and encouraging research and development and fighting Europe's 'brain drain' are very similar to the Chamber's strategy for the US.
 - One final thought--the process of globalization may be inevitable, but our engagement in the worldwide economy is not. As Chambers of Commerce and leaders in the business community we must embrace change and lead it.