

# Arizona Eyes on DC



## A window into Washington for business in Arizona

- news, trends, and discussions with thought leaders -

Total Spectrum/Steve Gordon & Associates

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The Presidential debates - for either party - would not be the place to hear positive things about free trade and America's negotiated agreements, past or future.

There's another side to that argument, and it too needs to be heard. We don't know a better advocate for free trade and its impact on national economy than the National Foreign Trade Council and Richard Sawaya.

The National Foreign Trade Council (NFTC) is the only business association dedicated exclusively to trade policy, export finance, international tax, sanctions, and human resources issues. The NFTC was founded in 1914 by a group of American companies that supported an open world trading system, and now has over 300 member companies with offices in New York City and Washington, D.C.

Richard Sawaya is NFTC's Vice President and is also Director of USA\*Engage, a coalition that promotes alternatives to the use of costly and ineffective unilateral U.S. sanctions. He also presses for reforms of the U.S. visa and entry policies and the export control system.

Prior to joining NFTC and USA\*Engage, Richard served in a

### About Us

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## Expertise

### 2016 and Beyond: In Praise of Free Trade and TPP

## Federal Pages

**New Commerce Report Illustrates Economic Benefits for U.S. Firms Doing Business with Trans-Pacific Countries**  
*(US Department of Commerce)*

**Comments Regarding Effects of Trans-Pacific Partnership on the United States Agricultural Sector**  
*(American Farm Bureau Federation)*

**The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress**  
*(Congressional Research Service)*

wide range of capacities in corporate America, associations, and higher education. He served Atlantic Richfield Company (ARCO) for over 13 years as a Senior Speechwriter, Manager of Corporate Issues, and Director of Government and Tax Affairs. He left ARCO in 2000, and founded the US-Venezuela Business Council, served Chevron as a Special Representative on the Middle East, then became Vice President of Government and International Relations and an Associate Professional Lecturer at George Washington University, before joining the National Foreign Trade Council in January 2009.

Richard is a very interesting and engaging person, and his responses to our questions were equally so.

Please let us know your thoughts on this interview or a topic for a future issue by contacting us:

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Thanks for your continued interest. We strive to be your Window on Washington.



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## 2016 and Beyond:

### In Praise of Free Trade and the Trans Pacific Partnership (TPP)

an interview with

**Richard Sawaya**

*Vice President, National Foreign Trade Council*

*Director, USA\*Engage*



*Arizona Eyes: What is the National Foreign Trade Council's view of the Trans Pacific Partnership?*

Richard Sawaya: The National Foreign Trade Council (NFTC) was founded 101 years ago to

support U.S. global trade. Our corporate members hail from every sector of the U.S. economy. We are active in the business coalition seeking Congressional approval of the TPP because the agreement covers 40 percent of global Gross National Product where much of future global growth will take place. TPP is forward leaning, with rules covering intellectual property, investment, labor and environmental standards.

*Arizona Eyes: Presidential candidates from both parties are talking tough on trade. Isn't this a terrible time to be pushing a trade deal?*

Richard Sawaya: Former President John Adams said that "facts are stubborn things; and whatever may be our wishes, our inclinations, or the dictates of our passions, they cannot alter the state of facts and evidence..."

We're only eight years out from the great financial recession, and we're in a presidential election year. It is probably the worst of times to be upholding the benefits of global trade. But the facts about the benefits of trade to American companies and consumers are the facts.

*Arizona Eyes: Some people aren't as sure as you are about the facts on the benefits of free trade. They contend that trade agreements since NAFTA and the 'great sucking sound' have created wealth concentration for a few, wage declines for many, the disappearance of good manufacturing jobs for millions, and the ruin of cities and whole areas where once great industries and good jobs once flourished. What say you?*

Richard Sawaya: Those are the accusations - but again I go to the facts. Trade does yield winners and losers in all sectors, but your list of horrors is not caused by trade.

Today, the U.S. manufacturing sector provides 17 percent of global output, second only to China. Since 2000, outbound U.S. investment in manufacturing was \$739 billion, and incoming manufacturing investment was \$1.39 trillion. The U.S. remains first in foreign direct investment.

U.S. manufacturing employment, however, peaked in 1979 at 17.9 million. Today it's 12.1 million with an estimated one million potential job openings.

The principal driver for the reduction of total manufacturing employment in the US is technology-driven, system-wide innovation. Technology and innovation have required a steep increase in the skills level required for prospective jobs.

Identifying rules-bound global trade as the culprit really amounts to bait and switch.

*Arizona Eyes: If the benefits of trade are not widely shared by all Americans, what's the point?*

Richard Sawaya: Benefits are widely shared - just ask all the foreign tourists who shop here. The Peterson Institute estimates the aggregate benefits of TPP for the U.S. population at 16 times the cost in terms of displaced workers.

And the strategic, the fundamental, benefit of global competition by means of rules-based trade is in fact at America's core: innovation and the capacity of our democratic republic to embrace change.

*Arizona Eyes: That's not what we hear from the Presidential candidates.*

Richard Sawaya: Here are some stubborn facts we don't hear from the candidates:

- In 2009, the administration placed a 35 percent tariff on Chinese-made tires, costing U.S. consumers an estimated \$900,000 per domestic job "saved."

- NAFTA was signed in December 1992. In 1993, federal outlays for 'job training' were \$11 billion in today's dollars. Today, that figure is \$7.6 billion.
- From 2004 through 2013, Germany spent 7 times more as a percentage of Gross Domestic Product on training than did the U.S.
- In 1955 - 'the good old days' - U.S. Gross Domestic Product with a population of 150 million was \$3 trillion and 'payments to individuals' - Social Security, pensions, and farm price supports - accounted for 21 percent of the federal budget.
- In 2015, the U.S. Gross Domestic Product with a population of 300 million was \$16.3 trillion and payment to individuals - Social Security, pensions, farm price supports, Medicare, Medicaid, and the Affordable Care Act - accounted for 72 percent of the federal budget.

Michael Hayden - former head of National Security Agency, the Office of National Intelligence, and the CIA - identifies U.S. fiscal policy as the number one strategic threat to U.S. national security.

*Arizona Eyes: Your contention appears to be that trade is not the culprit, but rather the problem is that we have not helped Americans who have been hurt by the changes in technology.*

Richard Sawaya: Correct. The stubborn fact is that we have not done a good job addressing those of us who have lost their way of life as a consequence of disruptive change due to trade and technological innovation.

We don't need to make America great again. America is great. We need to make America's governing institutions great again. As the former finance minister of Australia quipped, the U.S. is one budget deal away from 21st century global economic dominance. America's challenge is to set our fiscal house in order so that basic research, 21st century infrastructure above ground and underground, and effective, skills-focused occupational training are properly funded.

Income inequality is another topic not to be confused with trade. Want to encourage growth, investment, and broadly shared material benefits? Reform the tax code according to the principle that any dollar of income is treated on the same basis as any other dollar.

*Arizona Eyes: Those are tall orders. Anything else we should think about?*

Richard Sawaya: The title of a new book says it all: Smartest Places on Earth: Rust Belts as Global Innovation Hotspots. Goods and services are no longer about cheap as possible, but rather smart as possible. Reform of public institutions and economic recovery can work through local and regional partnerships among owners, workers, city hall, and the halls of the community college or university.

In 1978, when Pittsburgh's steel industry collapsed, average personal income in the metropolitan area was \$23,239 in current dollars. In 2014, average income was \$45,231, thanks to innovation and specialization at the University of Pittsburgh Medical Center, Carnegie Mellon University, and the area health care private sector.

Watch Detroit over the next five years. Visit Akron and check out hundreds of advanced polymer companies.

*Arizona Eyes: We will watch, and we thank you for your insight.*

