



MARKETWATCH

America Needs a New Globalization Game

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By: Clyde Prestowitz

If you want to know what's wrong with America and why record numbers of Americans are telling the pollsters that they're fed up, just take a look at how we trade with China. Our major import is nearly \$50 billion of computer equipment while our major export is about \$8 billion of waste paper and scrap metal. Yes, that's right. We're swapping garbage for computers with China -- and lots of other countries as well.

Our trade has taken that shape because we have gutted the foundations of American prosperity as a result of our embrace of laissez faire globalization and our dogged allegiance to the flawed notion that free trade -- even when it is unilateral -- is always a win-win. The truth is that free trade is not always win-win and globalization is not working out at all as expected. Nor is it presently working at all in America's favor. How are the 10 million Americans now out of a job and those who lost their retirement investments going to recover if the US economy continues down the ruinous path it has been following for the past thirty years?

It was to address this question that President Obama was elected in the midst of the worst economic crisis since the Great Depression. Yet, despite its overriding importance, the question is not even a blip on our national political radar screen. Instead we talk of bank reform, stimulus programs, and supplementary unemployment benefits and even of "green jobs." But there is no strategy to assure that we will continue to have good jobs in a world class American economy fully competitive with the economies of China, India, Germany, or any other country. This is the main issue facing our country today.

Developing a new globalization strategy is more important than Afghanistan, Iraq, health care, banking reform, fixing climate change, and stopping Iran from getting the bomb, as none of these questions can be addressed if America is poor and uncompetitive. It is to spark the development of such a strategy that I have written the forthcoming book: *The Betrayal of American Prosperity: Free Market Delusions, America's Decline, and How We Must Compete in the Post-Dollar Era*.

For nearly fifty years, as a diplomat, businessman, U.S. trade negotiator and author, I have been watching the steady erosion of U.S. competitiveness. As I recently told a group of high ranking Obama administration officials, this erosion is now accelerating because all the incentives in the global system encourage the off-shoring of the production of tradable goods and the provision of tradable and services out of the United States. These wrong-headed incentives include undervalued currencies that subsidize exports; investment incentives like tax abatements, capital grants, and free land, and de facto access to foreign markets that is conditional on the transfer of technology to those markets.

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Take the recent examples of GE and BP moving photo voltaic solar cell production from the United States to China. This is not shirts and shoes. These are the industries and jobs we were told by our top economists and business leaders were supposed to be in our future.

America still has time to recover. It has better cards than any other country, but it needs to play them a lot better than in the past. While this does not mean turning our backs on globalization, it does mean we must stop fooling ourselves that globalization will be a panacea. The move of photo voltaic cell factories from America to China may be a win for China, but it is definitely not a win for the United States.

In this game, the winner is the country that ends up with the technological leadership and the low-cost production based on enormous economies of scale. The United States needs to start playing much smarter. The first steps must be to negotiate or enforce fair currency valuation, to establish a fund to match the investment incentives of other countries, to make U.S. corporate taxes internationally competitive, and to enforce full market opening reciprocity.



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