

Understanding Our Economy

A Multinational Answers The Critics of Globalization

by Ruth R. Harkin

(NAPSA)—Over the past year and a half, many international conferences have become targets for anti-globalization protests, which have spurred heated discussion on the merits of removing barriers to international trade and investment.



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Some people are frightened by globalization, and oppose it out of deep conviction about how labor and environmental concerns are treated in the emerging global trade regime. But they tend to see

globalization as a “zero sum game” in which one party has to lose if another wins. To the contrary; if managed properly, it is a phenomenon in which the vast majority of people can win.

In the U.S., a decade of aggressive trade policies have resulted in historically low unemployment, rising wages and record economic growth. During this period, exports accounted for one quarter of our growth and contributed significantly to the high standard of living enjoyed by American families. More than 11 million American jobs are supported by U.S. exports, and those who fill them earn up to 20% more than others.

These benefits could not have been realized without the trade policy initiatives undertaken by our government over the past decade. These include working with our trading partners to reduce barriers, organizing the World Trade Organization to set rules for trade and investment and opening our borders to Canada and Mexico through the North American Free Trade Agreement. Each of these has helped create the prosperity America enjoys today.

Trade is also essential to international development. According to a recent A.T. Kearney study, countries that have linked their economies most closely to global markets experienced faster economic growth than others. For

example, Morocco, which ranked 42 out of 50 on the study’s globalization scale, suffered a negative GDP growth rate in 1999, while Singapore, at the top of the list, enjoyed more than 5% growth in that same year. China’s annual foreign trade in 1978, before its “open door” policy, was a mere \$21 billion. Twenty years later it was \$324 billion—more than 15 times larger.

Foreign investment in developing countries generally means progress: new jobs, higher wages and improved living standards for local employees. In Turkey, for example, wages paid by foreign companies are 124% higher than the average local salary. Employment in foreign companies has risen 11.5% per year while that in local companies grew under one percent a year. That’s strong testimony to the power of an open economy.

Trade and investment not only reduce poverty; they also help create the infrastructure to protect the environment. Taiwan is a good illustration. In their bid to join the first world, Taiwan’s entrepreneurs raced to create a modern economy in the 1970s and 1980s, paying little regard to the costs imposed on their environment. By the late 1980s, however, the Taiwanese had reached a level of affluence that permitted them to recognize the path of environmental destruction down which they were heading, and to funnel significant resources into cleaning up their industrial sector.

Corporations and governments have a responsibility to address environmental and labor concerns. Many, like my own company, United Technologies Corporation (UTC), already do so. A \$26 billion dollar corporation, UTC operates in 2,000 locations around the world. You know us best through our products: Otis elevators, Pratt and Whitney engines, Sikorsky helicopters, Carrier air conditioners and IFC fuel cells, among others.

UTC takes its global responsibility seriously, and we apply the same high standards to our overseas and domestic operations. Not

just in product performance and financial reporting, but in ethics, environment and employee health and safety. We adhere to the higher of the U.S. or local environmental standards in our facilities around the world. This sets an example for governments and other companies, and results in a cleaner, safer and better work environment for local employees.

We are also committed to educating our employees, regardless of where they work. Our employee scholar program pays tuition and fees for any employee to attend an accredited college, no matter what the course of study. Employees receive paid time off to study and a generous stock award upon graduation. More than 7,000 have earned degrees since the program was established, and participation among international employees has soared 90% since eligibility was extended to them. These are just a few of the ways global corporations help raise the standard of living around the world.

There is no denying that job losses sometimes occur, and that environmental and labor issues can sometimes be exacerbated, when markets are opened and trade is increased. But while some jobs may be eliminated, higher-paying U.S. jobs are also created. And while increased trade may exacerbate environmental and labor issues in a developing country, it also helps countries develop the awareness, economic strength and tools necessary to implement effective protections.

Trade has proven a powerful force for strengthening economies, promoting higher living standards and creating fairer and safer work environments. Whether to increase trade is not what we should be debating. Rather, the focus of our efforts must be on ensuring that governments work together to create a global trade regime in which the largest number of people can reap the benefits.

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