



# IMPACT ANALYSIS

Issues Impacting Global Business

Serving the State of Missouri and Southwestern Illinois

January-February 2011



Dear Friends:

*As we enter 2011, many Americans are less than optimistic about our future. Although the short term outlook may be less than stellar, the future of America is (p1-2).*

*Where do Tea Party members stand on free trade? Arguments that they are protectionist may be premature (p3-4).*

*The inconvenient truth is that women must get better at asserting themselves, says the author of "Dare to Ask." The reasons why women avoid negotiating are part cultural, social and biological (p5-6).*

*President Obama has endorsed the U.S.-Korea free trade deal. What does this mean for America and what are the non-economic benefits? (p7-8).*

*I hope you find this issue informative and, as always, we welcome your comments.*

Sincerely,

Tim J. Nowak  
Executive Director  
World Trade Center Saint Louis

## American Capitalism, Character and Constitution Ensure a Bright Tomorrow

*China will not dominate the future, but will share it with the U.S.*

By John Manzella

As we enter 2011, the American public is not feeling good about the future. According to a 2010 year-end Rasmussen Reports survey, a provider of public opinion polling information, only 31 percent of respondents said the country was headed in the right direction. A second December survey indicated that Americans were less optimistic about 2011 than any previous year since the question was first asked seven years ago.

This is understandable. The U.S. economic recovery is not vibrant enough to support job growth necessary to dent unemployment, which hovers near 10 percent. Although the short term outlook is less than stellar, the future of America is.

### Why America Will Remain Great

The American free enterprise system, entrepreneurialism, can-do

spirit, tolerance, rule of law, checks and balances, and acceptance of immigrants have made the United States the greatest nation on Earth. For generations, these factors, which promote stability and opportunity regardless of individual differences, have created an environment that empowers people to unleash their creativity and achieve their goals.

That's why U.S. innovation is responsible for more than half the world's patents each year. American companies like Facebook, Apple, Google and Microsoft, which have a combined market value of nearly \$700 billion, would have emerged and prospered in few other countries.

Foreigners recognize this. Thus, as the populations of many countries decline, the United States continues to grow, reaching 308.7 million, according to the 2010 census. What's more, over the last decade every U.S.



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state gained in population, except one. Much of this growth is attributed to legal immigration.

Why do foreigners flock here?

America continues to be the primary destination of those seeking a better life, including the world's brightest entrepreneurs, engineers and scientists. In fact, in 2008 alone, the United States issued 1.1 million permanent residence permits, 60 percent more than the next highest country destination, according to the Organisation for Economic Co-operation and Development.

The American dream, which may have taken a temporary respite due to the worst recession since the Great Depression, will continue well into the future. Part of being American is accepting that failure is sometimes part of a successful process.

### **Horatio Alger Lives**

Although not flawless, the American system of free market capitalism, which has been adopted around the globe, has created the greatest economic growth the world has ever seen. When discussing the benefits of capitalism, author and philosopher Michael Novak said, "No other system so rapidly raises up the living standards of the poor, so thoroughly improves the conditions of life, or generates greater social wealth and distributes it more broadly. In the long competition of the last 100 years, neither socialist nor third-world experiments have performed as well in improving the lot of common people, paid higher wages, and more broadly multiplied liberties and opportunities."

Horatio Alger, the 19th century American author who wrote rags to riches stories, illustrated how poor kids achieved the American Dream of wealth and success through hard work, courage, determination and concern for others. This truly American cultural and social ideal remains embedded in the American psyche. It gives people hope and confidence that in America anything is possible. And this optimism drives Americans to reach farther.

### **America's Values Will Keep It Strong**

To borrow a phrase from Lord John Acton, a member of British Parliament in the 1860s, the framers of the U.S. Constitution understood that "absolute power corrupts absolutely." They also understood the importance of transparency, rule of law, separation of church and state, and balance of power. Their experiment, which was founded on a philosophy and not a blood line, clearly sets the U.S. apart.

In a speech, Michael Novak stressed that checks and balances are to the political order what competition is to capitalism. The balance of power, whether political or economic, prevents any group from permanently imposing its will on others. This is essential if a free society is to survive.

## **Although China presents enormous challenges to American competitiveness, it's brand of authoritarian capitalism likely will undergo severe difficulties in the years ahead.**

It's also part of the formula that shepherds constant change—some good, some bad—and always allows for self correction and self regulation.

### **China Will Not Dominate the U.S.**

China does not possess these American strengths. As a result, although the Middle Kingdom presents enormous challenges to American competitiveness, it's brand of authoritarian capitalism likely will undergo severe difficulties in the years ahead. Plus, China's cultural reluctance to challenge the status quo does not encourage home-grown innovation.

When comparing India and China, Thomas Friedman, *New York Times* columnist and author of *The World Is Flat*, says that despite China's rapid economic growth, India could still race ahead because it has already passed the "speed bump" of Democratic reforms. India's advantage, he says, lies in the fact that it has gone

through democratic transition, which China must someday face.

If history is an indicator, every country that has opened its economy has been forced to open its political system. Although today the Communist Party is deeply rooted in every level of Chinese society, this inevitable future reality, which may be messy, will certainly impact China's economic trajectory.

With China's and East Asia's widely predicted "unstoppable rise" and America's assumed "inevitable decline," it would appear that the 21st century will be dominated by nations that border the Pacific Ocean. This is in sharp contrast to the 20th century, which was considered by many to have been dominated by

nations that border the Atlantic. Here, it's important to note that the United States also borders the Pacific.

Like the United States, China has many problems that won't be solved anytime soon. But although China has made enormous strides, many that have been documented on these pages, the Middle Kingdom will not dominate the future, but instead, will share it with the U.S.

As for the United States, simply being "America" does not guarantee a favorable future. But combined with policies that promote competitiveness and individual liberty, America will continue to be hard to beat. ■

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# Where Do Tea Party Members Stand on Free Trade?

*Worries the Tea Party will advocate for protectionism are overblown*

*By Daniel Griswold*

**O**n spending, debt and health care, the tea party message on Election Day was loud and clear. But where dozens of newly elected tea party candidates stand on trade policy is a big question hanging over the next Congress.

## Free Trade Benefits Questioned by Some Tea Party Influentials

While tea party members embrace free markets, limited government, and reduced federal meddling, some tea party leaders have openly questioned the benefits of free-trade agreements such as the North American Free Trade Agreement (NAFTA) and a recently reached deal between the United States and South Korea.

The majority of the movement's rank and file seems to share that skepticism. Recent polls by the Pew Research Center and NBC News found that more than 60 percent of tea party members hold a negative view of free trade and trade agreements—a higher share than is found among Republicans or the population as a whole.

## Tea Party Principles Should Embrace Free Trade

If tea party members apply their stated principles consistently, they should embrace every opportunity to promote free trade. The \$26 billion the U.S. government collects each year from tariffs amounts to the most regressive tax it imposes.

Remaining U.S. trade barriers drive up the cost of living for low- and middle-income American families who spend a larger share of their income on goods subject to the highest tariffs, such as food and low-end clothing. Repealing those tariffs



would be a tax cut for the poor.

Free trade also promotes U.S. goals abroad without expending tax dollars. Trade with less-developed

members who are angry about corporate bailouts really want to carry water for the United Steelworkers union, textile magnates and the sugar

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countries can pull people out of poverty far more effectively than foreign aid, and trade agreements can deepen our ties to allies such as South Korea and Colombia.

In contrast, protectionism is just another form of subsidy for politically connected producers. The same government that bailed out General Motors and Chrysler protects other special interests with tariffs and production subsidies. Will tea party

industry by supporting anti-competitive trade barriers?

## Worries the Tea Party Will Advocate for Protectionism Are Overblown

Where many of the newly elected Republicans stand on trade is unclear. Free trade was not a plank in the tea party platform, and most tea party candidates for the House had not had to think much about trade issues before, never mind actually vote on a trade bill.



Still, worries that the tea party movement will pull the Republican Party in a protectionist direction are probably overblown.

Despite the antiestablishment undercurrent that propelled the GOP wave in the midterm elections, the incoming tea party members will most likely support incumbent Republican leaders when the House organizes in January. Those leaders are far more supportive of trade than the Democratic leaders they ousted.

Presumptive House Speaker John Boehner (R., Ohio) has a long record of support for trade agreements. The same goes for incoming Majority Leader Eric Cantor of Virginia, Ways and Means Committee Chairman Dave Camp of Michigan, and Trade Subcommittee Chairman Kevin Brady of Texas. Under their direction, the House likely will be a friendlier place for trade agreements than it was under the outgoing Democratic leaders, who reflected their union supporters' hostility to free trade.

#### **Few Voiced Opposition**

Informal surveys show that few tea party candidates for Congress ran

against free trade. In fact, some high-profile tea party candidates embraced it as central to their message. In Illinois, for example, Bobby Schilling defeated Democratic incumbent Phil Hare with a campaign that empha-

**Under the direction of House Speaker John Boehner and Majority Leader Eric Cantor, the House likely will be a friendlier place for trade agreements than it was last year.**

sized, along with standard tea party themes, the benefits of free trade, especially for major regional employers such as Caterpillar and John Deere.

One quirky exception may be Rand Paul, the Republican senator-elect from Kentucky. Like his father, Rep. Ron Paul of Texas, Rand embraces free trade in the abstract but questions the constitutionality of trade agreements and U.S. membership in the World Trade Organization. As a result, his voting record on actual trade bills may resemble that of a more trade-skeptical Democrat.

#### **Early Test Ahead**

An early test for the tea party caucus could be the modified U.S.-South Korea trade agreement reached last weekend, which the Obama administration hopes to submit to

Congress early in the new year. A later test will be renewal of the protectionist, subsidy-laden farm bill.

How tea party members vote on those trade-related measures will reveal the extent of their commitment to their stated core principles of free markets and limited government. ■

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# Women Must Learn How To Effectively Negotiate

*The reasons why women avoid negotiating are part cultural, social and biological*

By Cait Clarke

Barely a month into his presidency, Barack Obama signed an executive order creating the White House Council on Women and Girls. "I want to be clear that issues like equal pay... are not just women's issues," affirmed the President in remarks. "Our progress in these areas is an important measure of whether we are truly fulfilling the promise of our democracy for all our people."

Creation of the Council that March morning was reasonably big news, noted in *The New York Times* ("The White House celebrated women on Wednesday," wrote Rachel Swarms). A spate of congratulatory columns and blogs followed. "Women issues getting traction," proclaimed the headline atop Nicholas Kristoff's op-ed column two days later.

Then, after the last ripples of launch publicity stilled, the Council effectively disappeared from public view. Its next mention in *The Times* would be 17 months later, this past October, and then only as a brief item in the week's calendar note ("The White House Council on Women and Girls will play host to a women's entrepreneurship conference in Washington featuring Valerie Jarrett, senior adviser to President Obama"). To my count, it hasn't shown up since.

I cite this story not to criticize the Council nor to minimize the praiseworthy work I'm sure it must be doing, but rather to underscore the notion that the mission of empowering women may constitute impeccable ideology but it elicits, at best, ephemeral popular support.

The 'inconvenient' truth is that, to fully prosper as both a class and—perhaps more importantly—as individuals, women must get better at asserting themselves. Policy



and statute are certainly critical to stop flagrant, documentable abuses. Context is important. But women themselves must, in a phrase, become considerably more comfortable about asking for what they want and be adept in getting it.

It was to that end—empowering individual women with skills that couldn't be marginalized—that I set out to write *Dare to Ask!* Good negotiating texts are available, but few directly show women how to negotiate as women!

The reasons why women avoid negotiating are part cultural, part social, and part biological.

Cultures worldwide almost universally proclaim the gender value that women not be perceived as pushy or aggressive vis-à-vis men (even at the language level, for example, there is no male counterpart to the female "bitch").

Socially, women have historically been fixed in subordinate roles, and

## Ten Commandments of Negotiating for Women ... and Men, too

1. Be clear about the difference between what you need (overall objectives) and what you want (specific demands).
2. Know everything you can possibly know about the other side.
3. Get to the table.
4. Have your opening offer prepared in advance.
5. Don't take "no" personally.
6. Silence is a weapon.
7. Never say "yes" to their first offer.
8. Be patient: 80 percent of the issues will be resolved in the final phase of the process.
9. Whenever you give something, get something back in return.
10. The measure of a good negotiation is the willingness of both sides to transact another negotiation in the future.

thus, conditioned to operate below the radar to get what they want. In the absence of socially sanctioned power, one doesn't have authority to make demands.

Biologically, women appear to have evolved in ways that facilitate social bonding, whereas men evolved with a premium placed on climbing and dominating hierarchies. Via a greater preponderance than men of such hormones as oxytocin (sometimes referred to as the love hor-

more) and lesser amounts of testosterone, women behave in ways that favor getting along by going along. Negotiation, on the other hand, is typically perceived as rewarding confrontation.

One more factor needs to be mentioned: women have typically not been mentored in negotiating. Most fathers don't teach daughters how to 'dare to ask' for what they want. At work, men often will be exposed early in their careers to situations that call for negotiating, but women generally aren't (although this is starting to change as more women penetrate the glass ceiling).

Examples of women suffering from their well-documented reluctance to negotiate are legion. We cite in *Dare to Ask!* a classic study of the starting salaries of graduates from prestige business schools: those of men were 6 percent higher than those of women (even more when bonuses are included, with initial differentials compounding over time) because, unlike their female counterparts, men didn't accept the first deal offered.

Even women lawyers get the blues. At the highest level of elite firms, female partners are paid on average \$66,000 less than their male counterparts, according to Professor Joan Williams of the University of California Hastings Law School.

For women to be effective negotiators, though, it is not enough for them to overcome their various inhibitions (such as the need to be liked, a proclivity to avoid potential conflict, the assumption that the other side will naturally do 'what is fair and right'). Additionally, they must learn tools and tactics particular to them as women.

When women pattern themselves after men, and when they model the aggressive style of the stereotypical male, research shows that they do poorly in negotiations, in fact, worse than they might have done otherwise. As Hannah Riley Bowles of Harvard and others have shown, such actions trigger gender biases unrelated to the substantive issues under discussion.



When they behave more according to gender expectation, however, women do much better. Rather than repudiate one's feminine identity when negotiating (which many think is required), just the opposite is called for.

Perhaps the most important argument in *Dare to Ask!* is that women,

they are good at forging consensus.

Thus, if a woman realizes that the social texture of her days is actually a succession of small negotiations, she'll see that negotiating actually comes naturally to her. We stress this idea in the book and, if I dare say so myself at the risk of being immodest, there is

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although they'll often defer from negotiating because they don't think they're good at it, actually possess significant natural negotiating advantages.

Those advantages are the social skills at which women (in general) excel: communicating, active listening, empathy, sensitivity to the other, willingness to share—even intuition.

The 'Big Idea' in the book is that if one can reframe the negotiating paradigm from "I win/you lose" (which is the standard 'male-centric' model) to something we call a "collaborative conversation" (in which the parties collectively problem solve to expand the pie), women are both experienced and adept at the process. They are comfortable with the give-and-take of conversation; they encourage inclusion so that everybody participates; and

great empowerment in this approach.

So, to come full circle back to the White House Women's Council, it is clear that it will not be enough to adjust institutional frameworks (no matter how necessary). If America is to fulfill our democratic promise as per the President's dictum, or on a more grandiose scale make real the Dalai Lama's vision that "western women will save the world," women must learn how to effectively negotiate. ■

*Cait Clarke, a Washington, D.C. attorney and leadership consultant, is co-author of the recently published "Dare to Ask! The Woman's Guidebook to Successful Negotiating." The only 'how to' negotiating book directed specifically to women is available at [www.WomenNegotiating.com](http://www.WomenNegotiating.com) and also at Amazon.com.*

# A Free Trade Agreement with Korea Will Benefit Both Nations

*It would promote both prosperity and security*

*By Doug Bandow*

President Barack Obama took office with a record of skepticism toward free trade, including several free trade agreements negotiated by the Bush administration. The Democratic Congress was even more hostile to liberalizing international commerce.

Now that the president has made trade promotion an administration priority—one of the surest strategies to grow the economy and increase higher-paying employment—he has endorsed the free trade agreement with South Korea. The deal, which has support from many Republicans as well as some Democrats, will soon be submitted for a vote.

## A Good First Regional Step

Although the accord is not perfect, it would substantially increase access to the South Korean market. Both the Republic of Korea (ROK) and the United States would benefit from increased exports, economic growth and job creation.

The long-term potential is even greater: as South Koreans grow wealthier, they are likely to increase their foreign purchases, and an eventual Korean reunification would greatly expand the Korean marketplace for American exporters.

The free trade agreement also offers important geopolitical benefits. China's rapid economic growth has helped expand Beijing's influence throughout East Asia. Indeed, there is now more trade between South Korea and China than between South Korea and the United States.

As American military dominance fades, the large and productive U.S. economy offers an important alternative form of regional engagement. Washington should seek to expand

trade throughout the Asia-Pacific. Reducing trade barriers with South Korea is an important first step.

## Expanding Export Opportunities

South Korea possesses one of the world's largest economies. Its Gross Domestic Product (GDP) ranked 13th in the world at last count and the country is among the world's top dozen trading nations.

Total bilateral trade in goods between the United States and Korea reached \$83 billion in 2008—before falling to about \$70 billion in 2009—making it America's seventh largest trading partner. Koreans are among the world's top customers for U.S.-exported civil aircraft, semiconductors, industrial machinery, chemicals,

plastics, and cereals.

In 2008, South Korea also purchased \$14 billion worth of U.S. service exports, making that country our 10th largest market. Unfortunately, despite its stunning trading success, South Korea has not completely opened its arms to foreign products. Korean business professor Moon Hwy-chang admitted that "Korea has not been a very open economy." Similarly, the Washington-based Korea Economic Institute observed, "Korea remains a very difficult place in which to do business."

Opening up the Korean market offers Americans significant economic benefits. Jeffrey Schott of the Peterson



Institute for International Economics reported, "The U.S.-Korea pact covers more trade than any other U.S. trade agreement except the North American Free Trade Agreement" and "opens up substantial new opportunities for bilateral trade and invest-

## The U.S.-Korea pact covers more trade than any other U.S. trade agreement except NAFTA and opens up substantial new opportunities for bilateral trade and investment in goods and services.

ment in goods and services."

Roughly 95 percent of commerce would become duty free within three years and most of the other tariffs would be lifted within a decade. The accord would provide particular benefits for U.S. agriculture, financial services, and American firms seeking access to ROK government procurement.

The Office of the U.S. Trade Representative offered a more detailed analysis, "In addition to eliminating South Korea's 7 percent average tariff on industrial goods, the KORUS FTA effectively addresses a wide range of discriminatory non-tariff barriers to U.S. goods and services. It will improve regulatory procedures and

due process in South Korea through the most advanced transparency obligations in any U.S. FTA to date. In addition, the Agreement contains an unprecedented package of automotive related provisions, including a unique dispute settlement mechanism that will level the playing field for U.S. automakers in this important market.”

“Obviously, the FTA does not eliminate all economic barriers in the ROK—just as it does not eliminate all import restrictions by the U.S. government. For example, former Senator Obama pointed to continuing limits on the sale of U.S. autos and agricultural products. But the FTA makes progress, eliminating ROK taxes on large U.S. autos and reducing the tariff on beef. Schott contends that the accord benefits both sides on autos and disproportionately benefits Americans on agriculture.” For this reason South Korean farmers stridently opposed the accord.

### Strengthening Trade and Relations

Liberalizing access is particularly important since U.S. producers have been lagging in the fast-growing Korean market. During the final KORUS FTA negotiations in 2007, Dr. Cheong Inkyo of Inha University in Incheon, South Korea, observed, “Trade relations between the United States and Korea have been getting weaker over time. The proportion of exports to the United States out of Korea’s total exports peaked at 39.98 percent in 1986 and declined to 14.54 percent in 2005. Korea’s share of total imports entering the United States declined from 3.31 percent in 2000 to 2.60 percent in 2005, and Korea’s share of U.S. exports declined from 3.58 percent to 3.05 percent during the period.”

Both countries would benefit economically from the FTA. The pact could increase South Korea’s GDP by up to 2 percent, according to the Korea Institute for International Economic Policy. The U.S. economy is much larger so the relative boost



would be smaller. Nevertheless, the increase in exports would be particularly helpful as America recovers from recession.

According to the U.S. International Trade Commission, the elimination of South Korean tariffs alone should add \$10 billion to \$12 billion to America’s GDP. Overall, the ITC figures that American exports to South Korea would go up nearly twice as much in volume as imports from the ROK.

**In November 2009, the U.S.-Korea Business Council predicted the FTA would add \$35 billion worth of exports, \$40 billion to the national GDP, and 345,000 jobs.**

Estimates of increased exports start at about \$10 billion.

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Sector analyses also suggest substantial benefits. For instance, the ROK has 10 times as many telecommunications exports as imports with the United States. The Telecommunications Industry Association estimates the FTA would improve American access. As noted earlier, American farmers likely would see a marked increase in their exports.

Demand for audiovisual and financial services also would likely increase substantially.

### Long Term Benefits Are Substantial

The long-term benefits could be even greater than the short term gains. First, South Koreans remain less affluent than suggested by their national GDP: the ROK’s per capita GDP is about \$17,000, between 27th and 37th in the world depending

on the estimate. Continued strong growth—especially if spurred by further economic reform in the face of increased U.S. economic competition—would enhance individual buying power, leading to increased purchases of American goods and services. Second, reunification with the North is likely some day. A unified Korea would be an even more important economic market for U.S. producers and consumers. ■

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