

**Economic World Stage and Outlook for the Region:
2011 and Beyond**

E³ Summit of the Americas

Remarks by

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Introduction

Thank you very much and good morning ladies and gentlemen.

Let me begin by congratulating the Puerto Rico Chamber for creating such a terrific event. This conference would not have been possible without the tireless efforts of PRCC Chairman Raúl Gayá. Well done, Raúl!

The agenda puts its finger on the formula for competitiveness—education, exports, and entrepreneurship. And I look forward to addressing those topics in detail in just a moment.

But first, it's important to stop and think about why we want to be more competitive. Some will argue that increasing competitiveness involves a race to the bottom ... or that it's all about maximizing corporate profits or sticking it to the little guy.

Some want nothing to do with the global economy ... They want to put out the "Do Not Disturb" sign, draw the shades, and wall themselves off from the rest of the world. They want to get busy divvying up the pie as it exists, and not growing it.

Some think government can provide for our every need—and perhaps it could, but it would involve taking everything we've got!

The simple answer is if we don't compete, we don't grow economically. And if we're not growing economically, we're not creating jobs and opportunities. We're not investing and building for the future. We're not raising our standard of living. And in many ways we are not being true to our nature, which is to strive to make things better for our children and grandchildren.

So competitiveness is about maximizing economic growth. And we can never say this often and loudly enough—economic growth makes everything possible. It pays for essential government services, for the defense of our nation, and for environment improvements.

Now don't misunderstand me—government has a legitimate role to play. Government can help grow the economy and enhance competitiveness by setting clear rules of the road and by establishing conditions in which businesses and entrepreneurs can succeed.

But if history has taught us anything, it's taught us that there is an inverse relationship between the size of government and economic growth. The bigger the size of government ... the more it intrudes into the private sector ... the more expansive its scope ... the less we have of jobs, growth, and opportunity.

Competitiveness Challenges for the United States and Puerto Rico

If competitiveness and economic growth are our goals, what is standing in our way?

In the United States, the U.S. Chamber is deeply concerned about the tsunami of regulations. In fact, we believe the rising tide of rules, regulations, and mandates is the single largest impediment to the growth of our economy and our competitiveness.

Americans already pay \$1.7 trillion a year complying with government regulations—and many of them are worth it. We need them and they provide real benefits. But too many don't. Too many are based on poor science. Too many incur more cost than they provide in benefit. Too many are politically motivated.

Two new sweeping laws reforming health care and financial rules will not only results in billions of dollars in new taxes and thousands of rulemakings and studies, they will do real harm to our economy and our global competitiveness.

On top of that, our government agencies are churning out new and burdensome environmental, workplace, and labor regulations that will saddle our ability to compete in the world.

Regulations aren't the only barrier. We face a proliferation of lawsuits that is sucking the vitality out of some of our best companies. Our infrastructure system—once the world's best—has fallen into disrepair. And our government—its size, scope, spending, and deficits—has grown far too large.

Recent census data revealed this depressing fact: Today in America there are nearly twice as many people working for the government—22.5 million—than in all of manufacturing, 11.5 million. This is an almost exact reversal of the situation in 1960, when there were 15 million workers in manufacturing and 8.7 million collecting a paycheck from the government. More Americans work for the government than work in construction, farming, fishing, forestry, manufacturing, mining, and utilities combined.

As one columnist put it, we have moved decisively from a nation of makers to a nation of takers.

Puerto Rico shares many of these challenges. The island has suffered from a lost decade of economic growth. It's government has grown too bloated. The focus has been too insular. The business environment too unfriendly. Citizens are voting with their feet by leaving the island to pursue other opportunities.

Now, don't misunderstand me. Just because we share big and difficult challenges doesn't mean I'm not optimistic about our future. I am! It's part of being Irish!

In many respects, Puerto Rico and Governor Fortuño are leading the way. The governor's bold leadership and aggressive reforms have slashed government payrolls ... lowered corporate and personal tax rates ... privatized some government services ... streamlined the permitting process to get more projects moving more quickly ... and initiated some smart public-private partnerships on infrastructure.

As a result, Puerto Rico's deficit has been reduced to 11% of GDP from 44%, credit ratings on debt have been upgraded, business start-ups are growing, and unemployment is beginning to fall.

Now, you may not agree with all of these reforms or other actions taken by the administration, but I believe they are moving the island in the right direction.

To get America moving in the right direction again, we need to focus like a laser beam on the "3 Es"—exports, education, and entrepreneurship.

Exports

One of the single most effective ways to grow the U.S. economy and enhance our competitiveness is through increasing exports. Unfortunately, when it comes to trade, America has left the playing field. We've packed up our marbles and gone home.

Of 283 free trade agreements in force worldwide, the U.S. is party to just 11 of them, covering 17 countries. We are party to only one of more than 100 bilateral and regional trade pacts.

It's tough to sell your products to closed markets. Even tougher when your competitors have negotiated deals to lower their barriers into that market.

The best way to open them up is through free trade agreements. We know they work. 40% of U.S. exports go to the 17 countries we have an FTA with, even though they represent just 7.5% of global GDP.

We've been sitting on three excellent agreements for years—South Korea, Colombia, and Panama. After almost two years of outsourcing our trade agenda to the unions, the Obama administration is starting to get the joke.

They are pressing forward with the South Korea agreement—the largest of the three—but haven't committed to moving the other two at the same time.

It's pretty simple—we can't "make it in America" if we can't sell at least some of it abroad, where 95% of the world's customers live.

While we believe the Obama administration has done a good job managing our relationship with China—and putting its weight behind a Transpacific Partnership agreement—we're wondering where that leadership is when it comes to Latin America.

Latin America trades more with the United States than with Asia and Europe combined. The nations of the Western Hemisphere are by far the largest market for U.S. exports—and they are our fastest growing market, by a large margin. In the past decade, total U.S. trade with Western Hemisphere countries grew by a blistering 250%—or twice as much as U.S. trade with Asia or Europe!

But we could be doing so much more. And while we sit on our hands, our competitors are getting busy. Europe and Asia are gaining a competitive advantage over America by inking new trade deals, establishing partnerships and joint ventures, and securing strategic resources.

We need the American government to be more engaged and committed to the goal of advancing hemispheric relations—not just in words, but in deeds.

A stronger U.S.-Latin American partnership can help solve our economic problems, enhance our global security, and prove to the world that America is still a great global leader—not just in Asia ... not just in Europe ... but right here in our own hemisphere!

There are other commonsense steps we can take to boost U.S. exports. We can invest more in proven programs that help small and medium enterprises export. Many of these firms want to export, but need help navigating the complicated steps needed to get started. Other countries have very robust export assistance programs—so should the United States.

And let's not forget travel and tourism, a sector critical to the U.S. and Puerto Rican economies. It's a \$700 billion industry in America providing 7.4 million jobs. And guess what? When foreigners visit and spend money here, that's counted as an export! This is low-hanging fruit.

The U.S. Chamber successfully lobbied for a \$200 million annual program to promote the United States overseas. It was enacted a year ago and is up and running as we speak. We need to make sure we're smart about how we implement this program, and that both government and the private sector hold up their ends of the bargain.

We also need to reduce the “hassle factor” of visiting the United States without compromising security. And we need to bring more countries into the Visa Waiver program, which is a budget-neutral, job-creating stimulus for the travel and tourism sector.

Education and Workforce Training

However, it doesn't matter how many markets we can sell to if we don't have a skilled and educated workforce to create our products and services. When it comes to the workforce, America is facing a triple challenge—a shortage of workers, a growing skills gap, and a failing K-12 school system.

Dealing With a Worker Shortage

As odd as it might sound with an 8.8% unemployment rate, our nation is facing a massive worker shortage. Think about it—77 million baby boomers are just now beginning to retire. Who is going to replace them?

Comprehensive immigration reform is stalled in Congress, potentially cutting off hundreds of thousands of workers we'll need at both the high and low end of the skills spectrum.

So we're going to have to think outside the box. We need to ensure that everyone who wants to work is given an opportunity to work. Today nearly one in three U.S. workers is over 50. More businesses need to create workplaces that are eager and equipped to hire and retain older workers.

Another untapped resource is individuals with disabilities. Increasingly—and unfortunately—this includes wounded veterans returning from Iraq and Afghanistan. The unemployment rate for individuals with disabilities is extraordinarily high. We're talking about eight million people who want to work, and are able to work, yet are stuck on the sidelines. With minor accommodations, they can make major contributions in many key fields, like science, technology, and research.

The Chamber recently launched a major effort called “Hiring Our Heroes,” which will involve 100 work fairs that will pair employers looking for good workers with veterans in search of a good job. We are very excited about it.

Bridging the Skills Gap

If we're facing an impending worker shortage, we're already facing a huge skills gap. A great divide has emerged in the United States between the education and skills of the American workforce and the needs of the nation's employers. Ask about any executive and they will tell you! I hear it over and over again.

To address it, we need to change our mindset about what constitutes a “good” education. Employers and students repeat the mantra over and over again that a four-year college degree is the key to success. But that’s not altogether true.

There are tremendous needs for workers who obtain other post-secondary degrees—we need graduates with two-year degrees, certifications, and vocational training. We need them to fill a growing number of skilled technical positions.

How can we change this bias? We need more businesses involved in community colleges and vocational schools to ensure these institutions are focusing on our real workplace needs. We need to ensure that students who are pursuing a four-year bachelor’s degree can transfer their credits to other post-secondary programs. We need to open up more of our businesses to internships and apprenticeships.

In short, we need to take much more active involvement in the institutions that our producing our future workforce.

K-12

Finally, we need to fix our K-12 education system, which is failing too many of our kids. We need major education reform ... to build the best, most innovative, and most effective school systems in the world.

On this issue, we have praise for the Obama administration. It believes the need for innovation and reform is urgent. And it’s putting money where its mouth is. It’s \$4 billion Race to the Top grant program was a tremendous catalyst for greater innovation, accountability, and higher standards in American schools. It said if you want a piece of this pie to improve your schools, impress us with the depth and scope of your reforms. Get some real results. Stop business as usual.

The White House has also spoken out in favor of charter schools, teacher merit pay, and a greater emphasis on STEM, or “science, technology, engineering, and math.”

So we believe the administration is on the right track and we proudly support many of their efforts. The challenge will be enacting these reforms in the face of likely political and interest group pressure, especially the teachers’ unions. On the reform effort, the administration has not been bold enough in challenging one of its key constituencies.

The U.S. Chamber’s Institute for a Competitive Workforce is actively working with our members to increase their capacity at the local, state, and national levels so that they can be better partners and advocates for change.

We are using our bully pulpit to raise awareness for what works and what doesn’t. We are providing cover to those who are working to do the right thing.

Now is the time to ramp up reform efforts, not kill them. We must never forget that the ability to succeed in the 21st century is all about the race for human talent.

Entrepreneurship and Free Enterprise

We must never forget about the economic system that promotes economic growth and competitiveness—the free enterprise system.

Many Americans need a reminder of what built the greatest country on earth. They need a wakeup call. They need to be reminded that free enterprise is the only thing that can put us on a path to sustainable prosperity.

That's why the Chamber created a forward looking campaign to defend, protect, and advance the free enterprise system. We are doing events across the country, running advertisements, reaching out to our young people, and holding elected officials accountable on how well they adhere to free enterprise principles.

We need to recapture the spirit and adventure of entrepreneurship in America. We need to excite young people about it.

As I've said, government has an appropriate role to play in doing those things people cannot do for themselves. But government never has been—and never will be—a substitute for millions of entrepreneurs and small businesses.

It's their freedom to dream big ... to innovate and create ... and to provide products and services people want and need that makes our system the envy of the world. People from all over the globe want to come America because this is the place where dreams matter, where hard work counts, and where opportunity and personal responsibility mean something.

The secret of America's success has always resided in the entrepreneurial nature of its people.

Conclusion

I want to thank the Puerto Chamber for creating a forum in which we can discuss and advance competitiveness. This is at the heart of what the U.S. Chamber—and our partners at the Puerto Chamber—are doing every day. It is why we exist.

There is a tremendous battle of ideas taking place today about the role of government and the role of the private sector. Business must make certain its voice is heard loud and clear in this debate.

After all, we are the job creators ... we are the innovators ... we are the risk takers ... we are the doers and dreamers that drive our economy and make so many good things possible. We can never lose sight of that ... and never let anyone else forget about it, either.

Thank you very much.

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