

**Testimony of David M. Cote**

**Chairman and CEO**

**Honeywell**

**Before the Senate Committee on Finance**

**United States Senate**

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Chairman Baucus, Ranking Member Hatch, and distinguished Members of the Committee, my name is David Cote. I am Chairman and CEO of Honeywell. It is my pleasure to appear before you today on behalf of Honeywell, the Business Roundtable and Trade Benefits America, a coalition of about 160 associations and companies that support passage of 21<sup>st</sup> century Trade Promotion Authority (TPA) legislation.

In order to meet the challenges and seize the opportunities in the global economy, the United States needs policies to ensure American companies and workers are the most competitive in the world. A pro-growth trade policy – including passage of TPA – is an area where government can create an environment where jobs can be created.

I therefore commend you, Mr. Chairman and Ranking Member, for working with House Ways and Means Committee Chairman Dave Camp to develop legislation to significantly improve TPA to address today's trade issues. With more than 95% of the world's population<sup>i</sup> and about three quarters of world GDP<sup>ii</sup> outside of the U.S., economic growth and jobs increasingly depend on expanded trade and investment opportunities worldwide. By strengthening and passing TPA, a key enabler for trade agreements, Congress can help complete 21<sup>st</sup> century agreements that U.S. companies need to be competitive.

The global economic world has changed significantly over the last twenty years and will change even more over the next twenty. Twenty years ago

there were only about a billion people involved in the global economy... basically the U.S., Europe, and Japan. Today there are about 4 billion people participating in the global economy with the addition of China, India and numerous other countries that have recognized a robust private sector is essential for their prosperity.<sup>iii</sup>

This is a good phenomenon for the world as we now have at least 4 billion people thinking about how to make things better and how to improve productivity. Improved standard of living comes from productivity; the ability to innovate and invent; and the ability to have free flow of ideas, of people, of goods, and of money.

As a country we need to recognize: (1) that we are in a different global economy than we were twenty years ago; (2) that the global economy will move forward with us or without us; and (3) that in all our political arguments there is truth on both sides and we need to pull together towards a common objective.

While the negative effects of trade are sometimes more obvious, they are more than outweighed by its positive effects overall on jobs. Trading nations from the Phoenicians, to the Hanseatic League, to the Dutch, the British, and the US have done well.

According to research provided by the Business Roundtable (BRT), trade and U.S. trade agreements have helped support American growth and jobs. For example:

- o Trade — both exports and imports — supports more than 38 million American jobs, or more than one in five.<sup>iv</sup>
- o U.S. trade-related employment grew six and a half times faster than total employment between 2004 and 2011.<sup>v</sup>
- o The U.S. exported \$2.2 trillion in goods and services in 2012 – accounting for about 13 percent of U.S. GDP.<sup>vi</sup>
- o America's free trade agreement partners purchased 12.8 times more goods per capita from the United States than other countries did in 2012.<sup>vii</sup>

U.S. companies – including Honeywell – have capitalized on opportunities that trade agreements have created. Honeywell is a \$39 billion industrial company with more than 130,000 employees. Since 2002, we've grown sales more than 75% from a base of about \$22 billion. During that time we also grew sales outside the U.S. from 41% of total sales to about 54%. In other words, while sales in the U.S. during those ten years grew about 33%, sales outside the U.S. more than doubled.

Since the vast majority of the world's GDP is outside the U.S. and many developing countries are growing faster than the U.S., we need to be there. The rest of the world is moving, and we're not. There are legitimate concerns about labor and environmental laws, helping those disrupted by trade, and adherence to agreements, so we need to work together to achieve the best balance of both.

This will become especially important over the next twenty years because the geographic composition of world GDP will be changing substantially. As you can see on the chart provided with my testimony, according to the economic statistics from the U.S. Department of Agriculture and consistent with forecasts by other reputable economic forecasters like Global Insight, by 2030, the percentage of world GDP generated from the U.S. will decline from 26% to 24%. Other developed countries will decline from 39% to 29%. And importantly, developing economies will grow from 35% to 47% of world GDP.<sup>viii</sup> In other words, what we think of as "Developing Countries", in 20 years will account for about half of the world's GDP. That's a big deal and we need to be in there forging relationships now.

If the U.S. is not in the vanguard of pursuing new agreements, we risk falling behind other countries that are pursuing agreements of their own. We also surrender the opportunity to negotiate new rules to address trade barriers and issues that did not exist previously.

That's why it's critical for the U.S. to continue to aggressively pursue new agreements, like the Trans Pacific Partnership (TPP), the Trans-Atlantic Trade and Investment Partnership (T-TIP), and the Trade in Services Agreement (TISA).

That's an ambitious agenda, and TPA plays an important role in achieving it. That's why it is important for Congress to pass the improved Trade Promotion Authority.

Thank you again for the opportunity to testify, and I will be pleased to respond to any questions the Committee may have.

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<sup>i</sup> United Nations (2013). "World Population Prospects: The 2012 Revision." Department of Economic and Social Affairs. Note: Population data is for 2010.

<sup>ii</sup> U.S. Department of Agriculture (2013). International Macroeconomic Data Set. Economic Research Service. GDP data is for 2013 and in real (2005 \$) terms; See also International Monetary Fund (2013), World Economic Outlook database.

<sup>iii</sup> United Nations (2013). "World Population Prospects: The 2012 Revision." Department of Economic and Social Affairs. Note: Combined population of U.S., Japan, and Europe was 1.1 billion in 1990. Combined population of U.S., Japan, Europe, China, and India was 3.7 billion in 2010. See also Clyde Prestowitz, (2005) *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*. Basic Books, which estimates that three billion new capitalists were created between the fall of the Berlin Wall in 1989 and 2005.

<sup>iv</sup> The Trade Partnership (2010). "Trade and American Jobs, the Impact of Trade on U.S. and State-Level Employment: An Update" ([http://businessroundtable.org/uploads/studies-reports/downloads/Trade\\_and\\_American\\_Jobs.pdf](http://businessroundtable.org/uploads/studies-reports/downloads/Trade_and_American_Jobs.pdf)), as further updated by Business Roundtable (2013), "How the U.S. Economy Benefits from International Trade and Investment."

<sup>v</sup> *Ibid.*

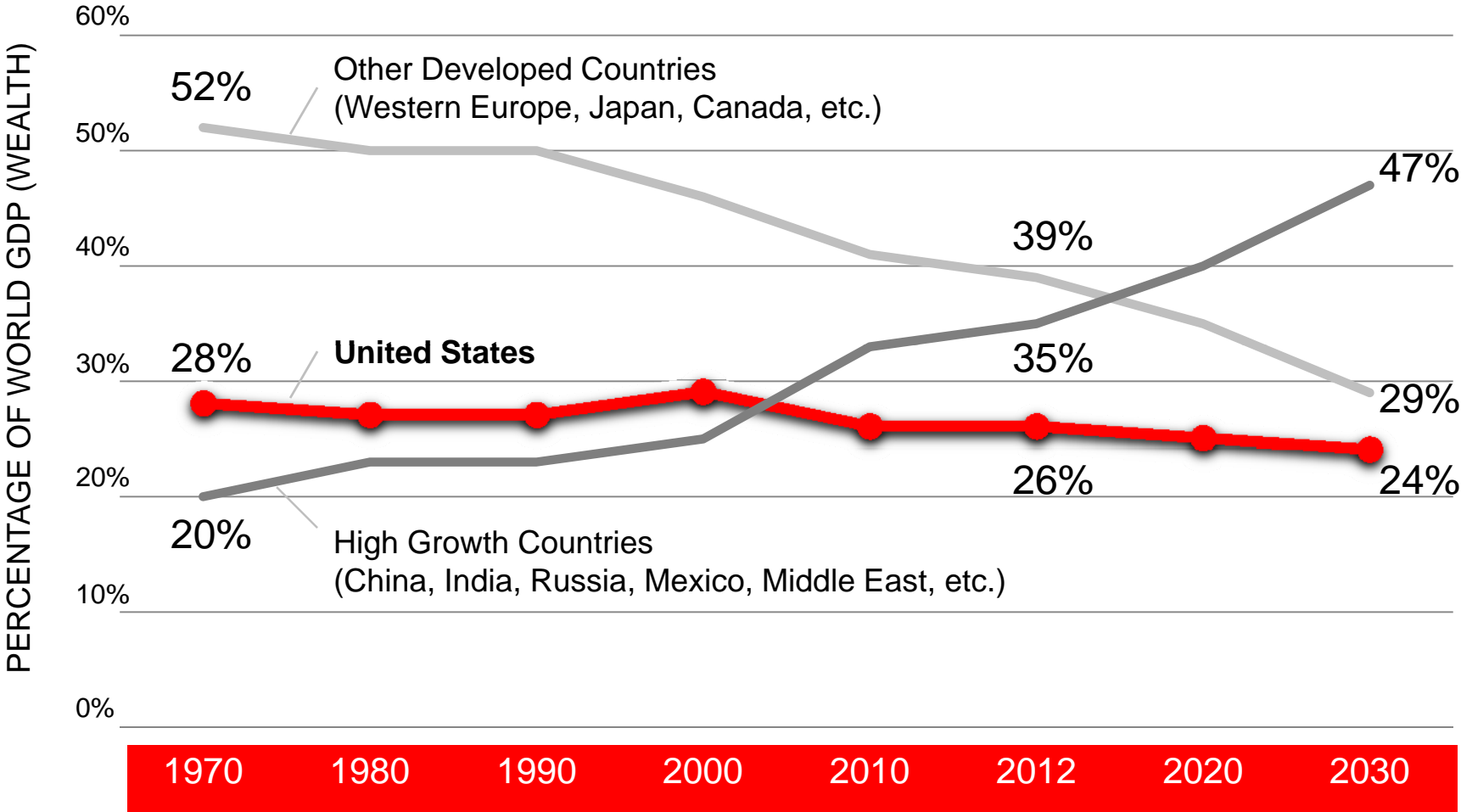
<sup>vi</sup> Bureau of Economic Analysis (2013). National Income and Product Accounts Table 1.1.5.

<sup>vii</sup> Business Roundtable (2013). "How the U.S. Economy Benefits from International Trade and Investment." Derived from The Trade Partnership.

(<http://www.tradepartnership.com/site/data.html>) and World Bank population estimates.

<sup>viii</sup> U.S. Department of Agriculture (2013). International Macroeconomic Data Set. Economic Research Service.

# Global Competitiveness



Source: Economic Research Service, US Department of Agriculture (1970 - 2030)

**World GDP to Change Substantially**