Economic Interests

Can Obama Double Exports?

By Bruce Stokes

After a year of near radio silence on trade, President Obama has turned positively effusive in recent weeks, promising to increase exports, while touting trade agreements in both his State of the Union address and his remarks to Republican House members in Baltimore in late January.

Such talk was music to the ears of K Street lobbyists, who had despaired of any meaningful action on trade issues this election year. But it is highly doubtful that the administration can deliver on its promise.

"We will double our exports over the next five years," the president told Congress. Such ambitious growth is not unprecedented: U.S. exports of goods and services did, in fact, double in every five-year period starting with 1968 to '73 and continuing with '69 to '74, '70 to '75, and on through to '73 to '78. To do so again, U.S. exports, which totaled about $1.5 trillion in 2009, would have to hit $3 trillion by 2014.

This sum is not beyond reach. The global recession depressed exports last year, so a doubling would come off an artificially low base. Moreover, American companies exported a record $1.8 trillion in 2008. If exports return to that level as the economy recovers, then the leap to $3 trillion looks less daunting.

The president's export goal is also presumably measured in nominal terms. Assuming that inflation begins to pick up over the next few years, the value of U.S. goods will rise without any change in the nation's underlying export performance. But since those periods in the 1970s, exports have never doubled in any five-year period, so the administration has its work cut out. History suggests that a dramatic improvement in U.S. export performance will not be possible without a weak dollar.

The last time the United States succeeded in doubling its exports, during the Nixon, Ford, and Carter administrations, the achievement coincided with the dollar nearly halving in value against both the Deutsche mark and the Japanese yen. In the eyes of many foreigners, the president's export goal foretells a similar beggar-thy-neighbor policy by the Obama White House.

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In his State of the Union speech, Obama also promised "to shape a Doha trade agreement … [and to] strengthen our trade relations with key partners like South Korea and Panama and Colombia." Notably, he did not pledge to finish the moribund Doha Round of multilateral trade talks. Nor did Obama commit to sending the long-pending Colombia, Panama, and South Korea free-trade agreements to Congress for a vote this year. These deals would boost U.S. sales abroad, but their potential contribution to doubling American exports is limited.

A Doha agreement would increase annual U.S. exports by about $42 billion, only 14 percent of the $300 billion increase needed each year for the next five years to reach the administration's export goal, according to estimates by the Peterson Institute for International Economics. And this presumes that the Doha negotiations will be completed this year, an unlikely prospect. The outcome would also have to fully harvest the offers now on the Doha table for further opening up foreign markets to U.S. goods and liberalizing the trade in services, plus an easing of government red tape at borders. A Congress preoccupied with elections would have to pass the accord this year—which is unlikely—and all benefits from the agreement would have to kick in immediately, although liberalization is normally phased in over time.

Similarly, congressional passage of the Colombia and South Korea free-trade agreements would together increase annual U.S. exports by only $12 billion, according to estimates by the International Trade Commission. That's just 4 percent of the administration's needed growth in exports. This assumes that the accords could first be renegotiated to overcome congressional skepticism, particularly from Democrats, about their merits.

The political capital that the White House would have to spend to pass these controversial trade agreements, coupled with the relatively meager contribution they would make to doubling exports, only increases the likelihood that the administration will pursue its goal through a weak-dollar policy. The costs of that option—inflation and alienation of allies—will be tomorrow's problems.

Increasing exports is good for the U.S. economy. Export jobs pay more, have better benefits, and are more stable than comparable employment focused on the domestic economy. But the rapid increase in exports promised by the administration may be beyond America's reach. ■

bstokes@nationaljournal.com