Doubling Exports by 2015:
Tracking Progress

By William Krist and Anthony Gausepohl

In his first State of the Union address on January 27, 2010 President Obama set a goal of doubling American exports by 2015. This announcement came in the wake of the 2009 financial crisis, and was intended to ensure the American populace that the Administration was seriously committed to revitalizing the economy. As explained by the president, increased exports lead to job creation, and job creation strengthens the middle class, which was hit particularly hard by the recession.

Doubling exports in five years, however, is no easy task. In the five year period prior to Obama's announcement (04-09) exports grew just 36 percent. In fact, since the 1970s no five year period has seen more than an 86 percent export growth.[1] The 70s saw several 5 year intervals where exports more than doubled, but the large numeric increase was more a result of high inflation levels than substantive export increases. Accordingly, to achieve its lofty goal, the administration needs a strong export promotion plan, as well as a little bit of luck with the world economy.

Shortly after setting this goal, Obama created the National Export Initiative (NEI) by executive order. The NEI delegated the responsibility for making good on Obama's pledge to a newly created Export Promotion Cabinet which included the heads of nearly every agency dealing directly with trade related issues.[2] The Export Promotion Cabinet is required to regularly brief the president on its progress as well as coordinate closely with the Trade Promotion Coordinating Committee.

In addition, the NEI set out policy goals to guide the Export Promotion Cabinet in their endeavor. An initial progress report broke the NEI's objectives into five main sections[3]:

- Improved advocacy efforts on behalf of US Exporters
- Reinforced efforts to remove trade barriers
- Strengthened enforcement of trade rules
- Increased access to export financing
- International promotion of strong, sustainable, and balanced economic growth policies

Midway through the president's time frame, it is appropriate to examine how the Export Promotion Cabinet has fared in reaching these objectives as well as how progress on these objectives has affected U.S. exports and the economy as a whole.

The NEI: At the Midpoint

A number of the five NEI objectives really mean working harder at what the government already had been doing. With regard to the first element, the flurry of blog posts on the International Trade Administration's (ITA) website around the NEI's two-year anniversary in March boast of the many trade shows and missions the ITA has facilitated since 2010[4]. However, trade shows and missions are not new; they have been an ITA method of trade promotion for some time.

In pursuing the second objective, reinforcing efforts to remove trade barriers, the EPC again follows already existing policy, since the United States has made concerted efforts to remove barriers to trade since the end of World War II. However, the Obama Administration is pursuing a major new initiative to further open world trade, namely the negotiations with 10 other countries to create the “Trans-Pacific Partnership” (TPP), which seeks to create a giant free trade area between 11 (and perhaps 12, if Japan joins the negotiations) East Asian, Oceanic, and American countries. If handled carefully, the TPP can create a model for future multilateral free trade agreements, as well set a base for future WTO negotiations.

To better enforce trade rules, the Obama administration recently created the Interagency Trade Enforcement Center (ITEC). The purpose of the ITEC is to “investigate unfair trade practices around the world,”[5] although it remains to be seen how effective it will be. Conducting the necessary research to successfully bring a trade case to the WTO is expensive and laborious. In his 2013 budget proposal Obama asked for a modest amount to finance ITEC, and, if the current House budget bill is any indication, he is unlikely to receive anywhere near his initial request. Without adequate funding it is unlikely that the government will be any more effective in bringing trade cases to the WTO than we have been in the past.

With regard to export finance, the Obama administration recently gained a substantial victory. On May 15, the Senate passed the bill to reauthorize and increase the credit exposure limit of the Ex-Im Bank. Although the Ex-Im Bank provided export finance prior to the creation of the National Export Initiative, the administration worked hard to ensure the bank’s ability to finance US exports was not undermined by congressional gridlock or reduced funding.

The final objective is the international promotion of strong, sustainable, and balanced economic growth policies. The Obama administration got a head start on this goal by hosting the 2009 G-20 summit in Pittsburgh. The Pittsburgh summit produced a multilateral framework for creating strong, sustainable, and balanced growth in the world. It called on the IMF and World Bank to monitor and advise the G-20 countries in achieving this goal.

Additionally, in the first half of 2011 President Obama and China’s President Hu Jintao created a bilateral framework also aimed at creating strong, sustainable, and balanced growth. While it is too early to tell if these framework agreements will make a lasting impact on world growth, the emphasis on summit level coordination between the world’s largest economies signifies the administration’s resolve.

The NEI’s effect on the US economy

U.S. exports have steadily increased since Obama’s pledge to double exports by about 15 percent a year, as can be seen in Table 1. If continued, this would put U.S. exports roughly on track to double by the end of 2014

Table 1: US Exports (Millions of US Dollars BoP Seasonally Adjusted)

Year	Agricultural Goods	Non-Agricultural Goods	Services	Total	% Change from 2009
2009	100,979	968,511	509,212	1,578,702	
2010	118,968	1,169,731	553,603	1,842,302	16.69
2011	139,985	1,357,403	605,961	2,103,349	33.23
2009 (1&2Q)	48,969	459,329	292,512	800,810	
2011 (1&2Q)	73,309	661,041	298,016	1,032,366	28.92
2012 (1Q)	34,556	354,585	154,420	543,561	

Source: Bureau of Economic Analysis Trade in Goods and Services 1992-present
http://bea.gov/newsreleases/international/trade/trad_time_series.xls
Bureau of Economic Analysis- International Accounts Products for Detailed Goods Trade
http://bea.gov/international/zip/IDS0008.zip
http://bea.gov/international/zip/IDS0008Hist.zip

While the administration deserves credit for the increasing exports, there are many other factors at play, many of which cannot be controlled by the United States. For instance, while US exports as a whole increased 33 percent from 2009-11, U.S. exports to the EU only increased 22 percent. The Euro debt crisis that has ravaged EU economy over this time frame sharply reduced the growth of EU imports, including those from the United States.

Just as the Euro debt crisis represents a negative effect independent of the NEI, a global business cycle favorable to increased exports has been a positive effect which has bolstered the export numbers but cannot be attributed to Obama's export promotion strategy. U.S. exports track closely with world import cycles. In 2009, due to the largely world-wide recession, world imports decreased, and there was a resulting sharp decrease in U.S. exports as well. In 2010, however, the opposite trend occurred meaning that one should expect U.S. exports to rise with or without an export promotion strategy.

Ceteris paribus, increased exports lead to a higher gross domestic product (GDP) and expanded jobs. Imports have a more complex impact on our domestic economy: to some extent expanded imports reduces U.S. GDP[6] and employment, although they also promote domestic efficiency and benefit the consumer, and these effects can offset the negative impact of increased imports in whole or part.

Accordingly, a more relevant goal than doubling exports would be a goal to eliminate or sharply reduce our trade deficit. Reducing our trade deficit through export expansion and replacement of some imports by domestic production would have a bigger impact on jobs and economic growth than simple export expansion. Unfortunately, as can be seen in Table 2 below, our trade deficit has increased by more (minus 31.3%) since January 2010 than our exports have increased (plus 27.4%).

Focusing on the trade deficit also has two other advantages over simple export expansion as a national goal. First off, our trade deficit has grown monumentally since 1971, when our trade balance first went negative, and most economists view our enormous trade deficit as unsustainable. Secondly, reducing our trade deficit is more under U.S. policy makers control than is export expansion. Future blogs will address what needs to be done to reduce our huge trade deficit.

Table 2. Our Trade Balance and Export Performance

Period	Balance			Exports		
	Total	Goods [1]	Services	Total	Goods [1]	Services
2010 Jan	-37,078	-48,855	11,777	143,735	99,354	44,381
2010 Feb	-40,679	-51,654	10,975	144,639	100,417	44,222
2010 Mar	-40,194	-52,028	11,835	148,960	104,260	44,699
2010 Apr	-41,418	-53,274	11,856	147,605	103,403	44,202
2010 May	-40,586	-53,208	12,622	152,195	106,463	45,731
2010 Jun	-45,682	-58,158	12,476	151,863	105,612	46,251
2010 Jul	-40,418	-52,888	12,469	154,711	108,186	46,525
2010 Aug	-45,112	-57,536	12,425	154,941	108,386	46,555
2010 Sep	-43,606	-56,446	12,841	155,816	108,625	47,191
2010 Oct	-40,425	-53,636	13,211	160,332	112,715	47,617
2010 Nov	-38,860	-52,703	13,843	162,190	114,139	48,051
2010 Dec	-40,677	-54,736	14,059	165,499	117,321	48,177
2011 Jan	-47,523	-61,946	14,422	168,098	119,050	49,048
2011 Feb	-44,801	-59,361	14,560	166,545	117,651	48,894
2011 Mar	-44,902	-60,051	15,149	174,169	124,217	49,952
2011 Apr	-43,556	-58,557	15,001	175,662	125,586	50,076
2011 May	-47,669	-63,038	15,369	175,673	124,910	50,763
2011 Jun	-50,324	-65,588	15,264	172,664	121,664	51,000
2011 Jul	-45,580	-60,889	15,309	178,339	126,585	51,754
2011 Aug	-44,775	-60,205	15,431	178,382	126,523	51,859
2011 Sep	-44,467	-59,522	15,056	180,629	129,053	51,576
2011 Oct	-45,703	-60,526	14,823	178,742	127,920	50,822
2011 Nov	-48,835	-63,293	14,458	176,710	126,385	50,325
2011 Dec	-51,748	-65,436	13,688	177,751	127,862	49,890
2012 Jan	-52,947	-66,876	13,929	178,509	127,957	50,552
2012 Feb	-45,433	-60,063	14,630	179,969	128,421	51,548
2012 Mar	-52,617	-67,523	14,906	184,443	132,123	52,320
2012 Apr	-50,597	-65,166	14,569	182,733	130,698	52,035
2012 May	-48,684	-63,533	14,849	183,092	130,718	52,374

Source: http://www.bea.gov/international/index.htm

Endnotes

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[1] http://www.census.gov/foreign-trade/statistics/historical/gands.pdf

[2] The Export Promotion Cabinet consists of the Secretary of State; the Secretary of the Treasury; the Secretary of Agriculture; the Secretary of Commerce; the Secretary of Labor; the Director of the Office of Management and Budget; the United States Trade Representative; the Assistant to the President for Economic Policy; the

National Security Advisor; the Chair of the Council of Economic Advisers; the President of the Export-Import Bank of the United States; the Administrator of the Small Business Administration; the President of the Overseas Private Investment Corporation; the Director of the United States Trade and Development Agency; and the heads of other executive branch departments, agencies, and offices as the President may, from time to time, designate. http://www.whitehouse.gov/the-press-office/executive-order-national-export-initiative.

[3] The progress report can be found at: www.whitehouse.gov/sites/default/files/**exports_progress**_report.pdf.

[4] Here is one of the many March 2012 bog posts http://blog.trade.gov/2012/03/06/the-national-export-initiative-making-progress-and-striving-for-more/.

[5] Quote from US Commerce Secretary John Bryson http://www.commerce.gov/news/press-releases/2012/02/28/us-commerce-secretary-john-bryson-and-us-trade-representative-ron-kir.

[6] The income approach to measuring GDP states that GDP equals the sum of consumption, investment, government spending, and exports minus imports.