

New York Times (January 20, 2012)

Obama Vow on Exports Is on Track, With Help

By ANNIE LOWREY

WASHINGTON — Two years ago, **President Obama** popped a surprise into his **State of the Union address**: His administration would double American exports in five years, helping to create two million jobs.

The bold promise sent the eyebrows of economists and policy experts upward, even as they applauded its intent.

“How will he perform this miracle?” Leslie H. Gelb, president emeritus of the Council on Foreign Relations, asked **at the time**. “It really is a mystery.”

Two years later, the administration is on track — for now — to meet its ambitious goal. Growing exports have been one of the central drivers of the recovery, accounting for about half the nation’s economic growth since the **recession** ended. Economists say the administration deserves credit for some of the gains. It has pressured China to increase the value of its currency and open its markets to American businesses. It has worked closely with American companies looking to sell goods and services throughout the world.

Exports are running at about \$180 billion a month, according to **Commerce Department data**, up from \$140 billion a month two years ago. They are currently growing at an annual pace of about 16 percent — a percentage-point higher than necessary to double exports to \$3.1 trillion by 2015.

But while economists and trade experts praise the export boomlet, they warn that some of the reasons behind the rise, including announcing the goal when exports were at a low point, may be waning.

“I’d say 90 percent is due to macro trends,” said Gary C. Hufbauer, a senior fellow at the Peterson Institute for International Economics. “You could say the best thing the Obama administration did for trade is the stimulus program,” bolstering domestic and global demand, he added.

That will not stop Mr. Obama from promoting export success in his State of the Union address on Tuesday. The White House pushed through three long-stalled free-trade deals, with Colombia, Panama and South Korea. In November, it also announced the framework

for a trade and investment agreement among nine Pacific nations, the [Trans-Pacific Partnership](#).

“If we’re going to grow, it’s going to be because of exports,” Mr. Obama told a meeting of [business executives](#) at the Asia-Pacific Economic Cooperation meetings in Hawaii in November.

Trade experts say those changes have done some good — but note that American exports got a major boost from economic trends over the last two years, including a global rebound from the depths of the recession and rising prices for commodities, like wheat, cotton and petroleum products.

Indeed, the Obama administration started its five-year clock when [global trade volumes](#) were near their recession-era lows. Manufacturing exports of goods like airplanes and machinery, for instance, have snapped back to nearly their prerecession peak.

“We’ve had 15 percent growth,” said Andrew B. Bernard, a professor at the Tuck School of Business at Dartmouth. “A lot of that is recovering — just getting back to where normal life would be. And a lot of it has to do with the rapid recovery of our trading partners.”

He said an “optimistic” — but more realistic — benchmark for annual export growth in the coming years was about 8 percent.

In the last two years, the recovery — and [roaring demand from developing countries](#) — also helped to drive up prices for commodities to the benefit of American farmers, miners and energy companies. Farm exports reached a [record \\$137.4 billion](#) in the 2011 fiscal year, which ended Sept. 30, beating the previous annual peak by \$22.5 billion, or 20 percent. Sales of petroleum products also hit a record of about \$90 billion in 2011, making fuels the country’s single biggest export.

“Coming out of global economic recession, trade does tend to come back faster,” said Ron Kirk, the United States trade representative.

But, he said, “the export initiative is real. And the success has been, actually, pretty remarkable,” he said. “We’re doing everything we can to facilitate trade, knock down barriers and do export promotion.”

Still, the global trends that aided American export growth in the last two years appear to be diminishing, and 2012 poses new headwinds.

First, global investors are flocking to the safety of the stronger dollar in light of the crisis in Europe. That has pushed the borrowing costs of the United States to near-record lows. But it makes American exports relatively more expensive and might mean that developing economies will turn to cheaper, euro-denominated goods and services.

More worrying is a global slowdown and easing commodity prices. Europe, the nation's biggest trading partner, is on the brink of recession. And the International Monetary Fund and World Bank are also warning that the emerging-market economies that provided the bulk of growth in the global recovery are cooling off.

A financial crisis in the euro zone could slash global trade by more than 7 percent, the World Bank forecast this week. And even if Europe merely muddles through, the bank expects global trade growth of 4.7 percent in 2012, down from 12.4 percent two years ago.

An emerging-market slowdown might prove even more consequential for American exporters than woes in rich European countries. Much of the export growth in the last two years has come from countries like China, South Korea, Brazil and India, and developing countries now buy a majority of exported goods and services. Sales of goods to China, for instance, have grown fivefold over the last decade — while exports to all countries have roughly doubled.

Many forecasters remain optimistic that exports will continue expanding in 2012, if not quite as quickly. And the long-term trends remain in the favor of the United States, as growing emerging-market economies move hundreds of millions of consumers into the middle class.

“There's a view that there's more potential” for American exports to China, a senior administration official said.

“If there were a stronger and better market opening, a better playing field and more protection of intellectual property and trade secrets, we could be doing more business with each other.”

In this year's State of the Union, the White House is expected to announce new measures to help bolster trade, including a new task force to monitor and enforce trade rules.