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National Export Initiative Falls Short as a Winning U.S. Trade Policy

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On February 4, Commerce Secretary Gary Locke fleshed out the details of President Obama's National Export Initiative (NEI), a plan unveiled in the 2010 State of the Union address that promises to double U.S. exports over the next five years and support 2 million American jobs.¹ The NEI aims to bolster U.S. international competitiveness by creating (1) an export promotion cabinet that will oversee the expansion of both government programs and special financing for firms and farmers seeking overseas market opportunities and (2) tougher enforcement of international trade laws.

Recognizing the important role exports play in America's economic recovery is an important first step in forming an effective U.S. trade policy—and a welcome one from an Administration that has remained silent on the shape of U.S. trade policy for too long. However, export promotion and trade enforcement are only parts of a winning, comprehensive American trade policy, and these parts must be implemented in a way that truly yields success in global markets.

Therefore, instead of just an export and enforcement strategy, America needs a plan that addresses *all* aspects of trade. For America to excel in the world marketplace, U.S. trade objectives need to be clear and consistent with the open-market principles America has long promoted and, indeed, demands from other nations. These objectives, which would reestablish America as a credible global partner for economic growth and throw open doors to U.S. exporters, include:

- The formation of a comprehensive trade agenda,
- The dismantling of U.S. trade barriers enacted since the onset of the economic downturn,
- Reform of U.S. trade remedies to make them compliant with international trade rules, and
- A firm commitment to conclude—not just “shape”—the Doha Round.

It Is Not Just About Exports. Promoting exports alone undermines the primary benefits to be gained from freeing *all* trade: more efficient resource use and lower prices for households and firms that occur when a nation lowers its own barriers to trade. While imports may drive down production in less competitive industries, exporters and domestic producers that use lower-cost imported inputs gain a competitive boost that promotes investment, productivity, and growth in these industries.

Lower prices for imported goods also help households stretch their incomes, enabling families to buy more of everything, including goods and services that are produced domestically. With freer trade overall, investment increases and resources flow from less competitive uses to more competitive and efficient uses, creating opportunity and bolstering long-term economic growth and job creation.

This paper, in its entirety, can be found at:
www.heritage.org/Research/TradeandEconomicFreedom/wm2802.cfm

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Without the new investment that flows from trade liberalization, U.S. exports would increase largely as a result of lower production for domestic demand. This represents a shift of resources from one activity to another, not growth in all productive activities. Additionally, as countries continue to struggle with their own economic weakness, their demand for all products—including those from the U.S.—will be less. Were America to actively advance broad trade reform both abroad and at home, other nations would be able to join the U.S. in trading their way to prosperity—for the benefit of all.

The Best Trade Policy for Job Creation. U.S. trade policy should seek to eliminate costly barriers to trade and investment, subsidies, and government-run activities that are better provided by the private sector. While it is tempting to embrace subsidies as a means to promote U.S. exports and jobs, the cost of those subsidies on the economy as a whole would be less than the benefit that might accrue to the firms receiving government handouts.

Instead, the following recommendations embody some of the more important elements of a successful U.S. export-promotion strategy that bolsters both long-term growth and economic opportunity.

Advance Freer Trade Policies. Advancing freer trade through a comprehensive and substantive conclusion to the Doha Round of trade negotiations; ratification of the three pending free trade agreements with Colombia, Panama, and South Korea; and substantive participation in trade negotiations under the auspices of the Trans-Pacific Partnership to expand U.S. economic ties to Asia would promote investment and economic growth in the U.S. and economic development abroad.² Export promotion via comprehensive trade liberalization provides the most efficient, market-based export promotion strategy for U.S. interests.

Limit Government Export Promotion Activities to Trade Negotiations, Dispute Resolution, and Trade Capacity Building. Taxpayer dollars already pay for numerous endeavors aimed at financing and boosting U.S. exports, including education, data collection and dissemination, international trade missions, business services, and market research. While some of these activities certainly add value, much of what is being accomplished can be—and is being—done better by trade associations, business coalitions, and private business.

For example, one role the U.S. government can take in the America's trade strategy is providing technical assistance to developing countries to enhance trade capacity and improve the practices and policies supporting open markets and international trade. U.S. organizations, such as the Millennium Challenge Corporation, which ties investment to proven progress in economic and other important reforms, play an important role in advancing this objective.

Work Through Multilateral and Other Channels to Address Anti-Competitive and Protectionist Policies That Limit Trade Flows, with the Aim of Eliminating Such Practices Rather Than Relying on Retaliation. Instead of adopting the same “unfair” practices as a response to real or perceived inequities across countries trading in the world's markets, the better approach is to work to dismantle inefficient and anti-competitive programs in the first place. The U.S. should commit to eliminating trade barriers established in the aftermath of the financial crisis last year. Subsidies, tariffs, quotas, green protectionism, labor restrictions, domestic preferences in government procurement, and other discriminatory measures distort trade, undercut the effectiveness of the international rules-based approach to trade, and undermine the potential for concluding a new round of multilateral trade negotiations.

1. Secretary of Commerce Gary Locke, “National Exports Initiative Remarks,” February 4, 2010, at http://www.commerce.gov/NewsRoom/SecretarySpeeches/PROD01_008893 (February 4, 2010).
2. Daniella Markheim, “Pass Pending Trade Agreements with Colombia, Panama, and South Korea in 2009,” Heritage Foundation *WebMemo* No. 2167, December 12, 2008, at <http://www.heritage.org/Research/tradeandeconomicfreedom/wm2167.cfm>; Daniella Markheim, “America Should Follow Through with Trans-Pacific Partnership Trade Negotiations,” Heritage Foundation *WebMemo* No. 2719, December 4, 2009, at <http://www.heritage.org/Research/tradeandeconomicfreedom/wm2719.cfm>; Daniella Markheim, “The Importance of Reviving the Doha Round,” Heritage Foundation *WebMemo* No. 2123, November 5, 2008, at <http://www.heritage.org/Research/tradeandeconomicfreedom/wm2123.cfm>.

Job Growth Depends on All Trade—Not Just on Exports. Ultimately, job growth depends not just on exports but on all trade. Lower trade barriers spur investment, the lifeblood of growth—and the impetus for job creation—for any sector of the economy, including manufacturing, services, and agriculture. America needs a comprehensive trade policy founded on that understanding that keeps the momentum behind dismantling trade and investment barriers moving forward.

Economic recovery and job growth also depends on restoring confidence: Transparent, consistent, and beneficial liberal market policies are the correct approach in establishing a sustainable economic recovery. Thus, the best way to ensure that America continues to reap the benefits of international com-

merce, grow jobs, and expand its participation in the global marketplace is to lower trade barriers at home as well as in nations around the world.

Implementing a comprehensive U.S. free trade policy provides a clear signal to the international community that the U.S. is willing to reassume the responsibility of providing the leadership and vision needed to bolster a global economic recovery and generate economic prosperity for all nations.

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