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Trade deficit falls to $43 billion in July

Tom Abate, Chronicle Staff Writer
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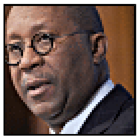

The U.S. trade deficit narrowed to $43 billion in July as President Obama pushes for export growth while critics urge him to slow the flow of imports that they blame for destroying jobs.

The Commerce Department said Thursday that exports rose by $2.8 billion to $153.3 billion in July. Imports fell $4.2 billion to $196.1 billion.

July's results cheered the administration, which hopes to double exports within five years.

But long term, the nation's trade gap continues to widen.

From July 2009 to July of this year, imports grew 20.5 percent while exports rose 18.3 percent, putting the nation on track toward a $495 billion trade deficit this year.

The last time the United States ran a trade surplus was 1975.

Robert Scott with the liberal Economic Policy Institute, argued that each $1 billion in imports displaces about 8,000 U.S. jobs - just as each $1 billion in exports would create 8,000 jobs.

"All the administration ever does is talk about exports," Scott said. "But imports are growing faster and that's our problem."

The July figures were released the day after U.S. Trade Representative Ron Kirk visited the Bay Area as part of a series of trips designed to convince Americans that the administration is watching both sides of the ledger.

"In order for trade to work you have to have a healthy balance," said Kirk, who hopes to build support for new trade agreements by fighting foreign trade barriers.

"A lot of Americans who believe in trade say, 'Ron, some of our trading partners are not playing by the same rules we are,' " said Kirk, whose office has created a list of anti-U.S. trade barriers erected by more than 60 nations.

Daniel Griswold, with the libertarian Cato Institute, welcomed Obama's emphasis on exports but said the administration is too beholden to labor to shrug off what he considers the specious jobdestruction argument.

Griswold argued that imports benefit U.S. consumers, who get cheaper products, as well as U.S. businesses, which get less expensive raw materials for finished goods.

Nor is Griswold bothered by the persistent trade deficit because foreigners end up reinvesting the dollars they earn, for instance buying U.S. Treasury bonds that keep interest rates low.

"Imports have fallen in value only six times over the last 50 years, the last time being in 2009," Griswold said, asserting that each time the drop correlated with a recession.

"When imports fall, that's when we should worry," he added.

But Ian Fletcher, trade expert with the U.S. Business & Industry Council, which represents small manufacturers, said Commerce Department figures show how imports retard U.S. economic growth.

In the second quarter of 2010, the trade deficit subtracted 3.37 percent from the gross domestic product, leaving the economy growing at the anemic rate of 1.6 percent.

California has a huge stake in the trade debate, as both a big exporter and a beneficiary of imports, which create jobs in transportation and warehousing, said regional expert Jock O'Connell with Beacon Economics in San Rafael.

E-mail Tom Abate at tabate@sfchronicle.com.

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