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Why Obama's export push won't save jobs

By Jia Lynn Yang, writer January 29, 2010: 9:57 AM ET

WASHINGTON (Fortune) -- In one of his many applause lines at Wednesday night's State of the Union address, President Obama emphasized the importance of American exports: "Tonight, we set a new goal," he said, "We will double our exports over the next five years, an increase that will support two million jobs in America." It's no surprise that people cheered; what's not to like? There's just one problem: Growing exports is almost entirely out of the president's -- and even business's -- hands.

It's not that the growth he's calling for is impossible. Since 1960, the U.S. has seen two periods of fast, sustained growth. From 1970 to 1975, exports more than doubled, going from \$56.6 billion to \$132 billion. Then from 1976 to 1981, they doubled yet again, from \$142.7 billion to \$294.4.

More recently, the U.S. saw a 68% surge in exports between 2002 and 2007 to \$1.1 trillion. (The latest figure for goods exported: \$1.3 trillion.) Much of the more recent growth came from the meteoric rise of countries like China and India. The United States' chief exports -- sophisticated manufacturing items like planes and semiconductors -- benefited from the countries' need to rebuild (or, in many cases, to just build) nationwide infrastructures.

But a nation can only stock up on so many Caterpillar tractors at a time. Then the demand inevitably slowed.

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What the World Wants

Top 10 U.S. exports, 2008

EXPORT BY PRODUCT	IN BILLIONS
1. Civilian aircraft and parts	\$74.0
2. Semiconductors	\$50.6
3. Passenger cars	\$49.6
4. Pharmaceutical preparations	\$40.4
5. Vehicle parts and accessories	\$39.9
6. Industrial machines	\$38.1
7. Fuel oil	\$34.9
8. Chemicals (organic)	\$33.4
9. Telecom equipment	\$32.9
10. Plastic Materials	\$31.6

SOURCE: U.S. CENSUS BUREAU

To get back to the mid 2000s-kind of growth, the U.S. would have to bank on other countries' stimulus plans working flawlessly.

There are other paths to export success that involve less brute growth and more finesse. China's trade partners have long complained about the country's unwillingness to let the renminbi exchange rate float - right now it's pegged to the U.S. dollar -- which makes China's exports look cheaper and U.S. imports to the country more expensive.

Address this in China and in other countries in Asia with similar

practices, and demand for U.S. products abroad could rise. One economist, Gary Hufbauer, a research fellow at the Peterson Institute for International Economics, estimates that if China were to let the RMB rise by 25%, and if Hong Kong, Singapore, and a few of China's other neighbors were to do the same, the U.S. would see a 5% increase in goods exported.

"Heavily undervalued currencies are doing the most damage to U.S. trade and U.S. exports," says Robert Scott, director of international programs at the Economic Policy Institute. "That is really our number one unfair trade problem."

Another way to spur exports is to encourage smaller companies to send their goods abroad. According to Dan Griswold, director of the Center for Trade Policy Studies at the Cato Institute, small businesses account for 30% of total U.S. exports.



Obama garners a lukewarm review

On Wednesday night, Obama mentioned in passing he would create a National Export Initiative focused on helping farmers and small businesses sell their goods overseas. While the details have yet to be hammered out, Hufbauer suggests the administration needs to provide incentives to banks to allow more lending to small businesses that are pursuing greater exports.

Would that be enough? Any plan would have to account for how difficult it can be for smaller businesses to operate abroad. Even in the Skype and email era, discovering which markets will want what goods and then building relationships over long distances and countless time zones with potential buyers is enormously difficult -- especially when the exporter's production volume might not be very high.

The difficulty in aiding such small players explains why the government in the past has spent so much time and money on the largest, most capital-intensive industries.

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grew at staggering rates in 2009. [More](#)



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Blockbuster Inc	0.45	12.50%
MGM Mirage Inc	10.89	-7.40%
Lehman Brothers Holdings Inc	0.08	7.14%

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the nation's Export-Import Bank's loan guarantees -- the main arm of the government that helps promote exports -- went to just one company: Boeing (BA, Fortune 500). Not surprisingly, the Aerospace Industries Association released a statement today voicing their support for Obama's goal: "We're very pleased that President Obama is making it a priority this year to double exports, enforce trade agreements and reform export controls consistent with national security."

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In the end, the problem of creating jobs is so thorny that growing exports will only do so much. As Griswold points out, the health of the U.S. job market is determined mostly by domestic demand. If Americans aren't spending, there will be fewer jobs here, regardless of what's happening abroad. "[Raising exports] is not going to be a magic bullet for bringing down the unemployment rate," says Griswold. ■

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Carlito Alzona 2:14 pm

I am newly retired and previously worked for an Aerospace company providing OEI commerial airlines. The company has laid off employees in the US and moved work maintenance, repair and overhaul station in China and entered into a joint venture not only exporting jobs overseas, they are also exporting the technology and man creating their future foreign competitors for the sake of short term profits.



Greg Ebert 2:13 pm

First, we need to stop exporting jobs. Hundreds of thousands of manufacturing jobs schemes cooked-up on Wall Street: Go overseas for cheap labor, and send the products

Bringing the jobs back to the US allows products to be exported by the US.

If you remember Keynesian economics, money spent domestically (US employee wages) (accelerator effect) multiple times, enriching our nation.

Unfortunately, short-term profit taking is the soup du-jour of Wall Street. Maybe v



Minh Tran 2:06 pm

I can not believe it. Some people are still not thinking straight. They are denying that China. They are saying job lost because of automation replacing many jobs. Tell me majority of products made in China in any store or shop in USA and remember those Honeywell, Black and Decker, Broyhill, Staley, Fisher Price and more and more. All products in China now a day. How can any one fix that? These are the fundamental building blocks for centuries. These are the long term jobs for the long term economy.



David Morton III 1:25 pm

I have an idea tax the shit out of korean made cars that are here in the usa because vehicles to their country.



Jonathan Hoyne 12:53 pm

From 2002 to 2007 exports increased by 68% while manufacturing jobs decreased can't manufacture our way out of unemployment because manufacturing takes ver of product. It's automation, NOT outsourcing that is the reason for the loss of mar between 2000 and 2007 as well (nearly every country did).



Matthew Wilhelm 12:44 pm

OK CNN, I'm all for criticizing the president but this is probably the first metric he h against? Price competition from a manipulated Chinese currency?

That might play a minor role, but C'mon. Put the blame solely where it lies - poor dc manufacturing jobs overseas.



Rosario Espinoza 11:48 am

The judgment that a person is a "good" person always rests on an appraisal of the previously engaged in. A series of virtuous acts is the only test for a person 's 'good is only to summarize a series of his or her acts, and labeling a person as "goo of that person 's future or unknown acts.



Victor 11:33 am

Raising exports may not be the job machine that the President made it out to be, t trade deficit is a big part of the government's overall deficit problem. If money goe on that income. If money is spent on American products then the tax on the profit Woo Hoo Math!!!

That said we also need to attack the trade deficit from the other end. We need to biggest part of that is energy. Alternative energy would play a huge part in the tr tackled and the process needed to start . . . oh in the last presidency.

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