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ROLL CALL

Gresser: A Trade Agenda for 2010

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Double exports in five years? Yes, the president's new trade goal, set out in last week's State of the Union address, is ambitious, realistic and more likely than any other option to provide the foundation for a new decade of growth and job creation. But to reach it, the president's team must overcome two obstacles.

Why is it right? Because American habits have changed quickly, profoundly and in ways that leave us few other choices. Until the crisis, families drove growth by shopping and borrowing for homes and cars. With property values down and job security a memory, they are now putting their money in the bank. Between 2007 and 2009, household savings soared from $180 billion to $515 billion.

The revival of thrift helps families worried about job loss, eases retirement planning and cuts America's trade and financial imbalances — but it also creates a problem. Having moved about 2 percent of the gross domestic product from consumption to savings, we must replace it for a strong recovery. Fiscal stimulus, a good temporary substitute, is not a permanent option. The alternative is to tap demand abroad through exports, aided by an ambitious program of opening markets, promoting exports and enforcing agreements.

In the way lies an obvious obstacle — the familiar trade divide among Democrats.

Like his 20th-century predecessors — Lyndon Johnson, Jimmy Carter and Bill Clinton — President Barack Obama has to overcome a party temptation toward a defensive populism. Its current symbol is Rep. Mike Michaud's (D-Maine) TRADE Act, advertised as a "new model" for trade policy designed to ease anxiety by rewriting existing trade agreements. It is an earnest, emotional effort whose effects would be the opposite of the authors' hopes. As none of the bill's 86 negotiating objectives envision opening markets for American exports, it cannot create jobs or growth. Instead, it would inadvertently block American exports by nullifying American trade enforcement goals. The European Union could use a clause barring challenge to policies ostensibly meant for "manufacturing security" to quash challenges to Airbus launch aid subsidies. China could use another to strip American green-tech firms of their intellectual property as a "response to climate change" — even if it refuses to limit carbon emissions. A human rights provision goes further, unwittingly exposing the United States to trade lawsuits over sensitive social issues. This is not what the country needs.

A less obvious obstacle is the trade agenda that the administration inherited last year.

Since China's entry to the World Trade Organization in 2001, the U.S. has had a three-tiered trade program, mixing 14 free-trade agreement relationships; a push for agricultural reform through the WTO's Doha Round; and an effort to reform labor policy in poor countries. Fine on their merits, these efforts are too small for the export boost that we need. The 14 FTA relationships cover only about 5 percent of American exports; agriculture, only 8 percent. Labor reform, an important humanitarian goal, is unlikely to have great effects on trade flows. To double exports, the administration needs to send its negotiators where the money is.

Passing the inherited agreements with South Korea, Panama and Colombia is a good first step, providing quick and badly needed export opportunities while clearing the decks for a new approach. It should then shelve the FTAs and put its energy elsewhere.

First, it should look to the big economies that buy the most stuff. The EU, Canada, China, Japan, Mexico, India, South Korea and Brazil together buy 70 percent of American exports. They should be at the center, not the margins, of policy.

Second, it should look to the big industries likely to provide growth, innovation and quality jobs. Such industries — health services and medical equipment, clean energy and environmental technology, information and media, and similar clusters of high-tech manufacturing and services — are not only American strengths but close matches with likely growth in foreign demand.

In Asia alone, 150 million people will retire in the next decade and tens of millions more will start college. Old and young, they will be massive buyers of everything from advanced medical equipment and telemedicine services to online entertainment. Their governments are investing tens of billions in telecommunications, energy and power grids, and hospitals. Trade policy should make sure that a lot of this goes to buy American technologies and services, using the WTO's Doha Round or a series of sectoral agreements among the big countries. Success will bring a doubling of exports in range.

Such an agenda would be a challenge to negotiate abroad and to pass at home. But unlike old-school populism, it will move the country in the right direction — and unlike the inherited trade agenda, it is ambitious enough to meet the president's export goal. In a country of newly thrifty families, waning appetite for stimulus and high hopes for recovery, it is the best path back — or forward — to confidence and health.

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