

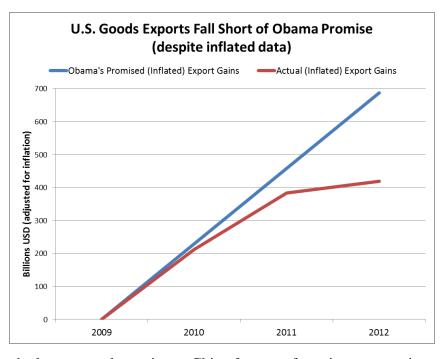
Reporters Memo: 2012 Annual Trade Data – USITC v. Census Bureau Data

USITC Trade Data Shows Obama Goal of Doubling Exports Is Even More Remote Relative to Census Bureau Data, Due in Part to Falling Exports under FTAs with Korea, Colombia and Panama

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The Obama administration's attempt to tout the decline in the overall U.S. trade deficit for 2012 as a trade policy success diverted from the three most critical trends that the annual data revealed:

- The drop in the overall trade deficit represented an increase in U.S. oil exports and a decrease in oil imports. However, the U.S. deficit in goods excluding oil actually rose six percent in 2012 to \$628 billion, the largest non-oil U.S. trade deficit in the last five years. The U.S. trade deficit with China (even with oil included) broke all past records, topping \$321 billion.
- Friday's 2012 annual <u>trade data</u> from the U.S. Census Bureau, despite using inflated figures that count "re-exports" goods not produced by U.S. workers, showed that President Obama's goal of doubling U.S. exports is seriously lagging. Data released over the weekend by the U.S. International Trade Commission (USITC) reveals that Obama's export growth goal is even more remote. After removing foreign-made "re-exports" from the Census figures, the USITC data shows that U.S.-made goods exports in 2012 were \$210 billion (more than 13 percent) below what Census reported.
- U.S. exports were particularly disappointing to the three countries with "free trade" agreements (FTAs) that the Obama administration pushed to passage in 2011. Under the Korea, Colombia and Panama FTAs, which took effect in 2012, combined U.S. exports to the three countries fell four percent relative to the same months of 2011. Despite this, the Obama administration is pushing an 11-nation Trans-Pacific Partnership (TPP) FTA based on the same model of the North American Free Trade Agreement (NAFTA).



The TPP pact includes Vietnam, the low-wage alternative to China for manufacturing outsourcing.

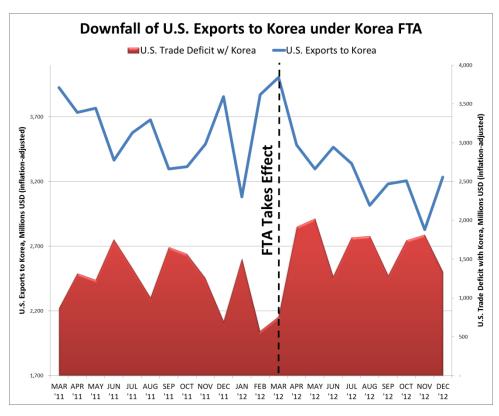
Goal of Doubling Exports off Track

In his 2010 State of the Union address, President Obama set a goal to double exports over the following five years. With two years left, the United States should be 60 percent of the way toward achieving this goal. Instead, the 2012 Census data, despite being inflated by the inclusion of foreign-made re-exports, showed that we are just 37 percent of the way toward Obama's export growth goal, with U.S. goods exports growing at less than one-sixth of the promised pace in 2012 (as indicated in the chart above). The USITC data, reporting only U.S.-made exports, shows that we are even farther from doubling exports and, under the sluggish 2012 export growth rate of two percent, will not achieve the president's goal until 2032, 18 years behind schedule. The picture would be worse were it not for the 2010 export growth spurt – an anomalous and predictable rebound after U.S. exports plunged in 2009 amid the global recession.

U.S. Exports to Korea Plummet 10 Percent under Obama-Backed FTA

The new USITC data shows that under the FTAs that took effect in 2012 with Korea, Colombia and Panama, combined U.S. exports to the three countries have actually fallen four percent relative to the same months of 2011. U.S. goods exports to Korea declined by 10 percent (more than \$3.1 billion) in comparison to 2011 levels for the same months. The U.S. trade deficit with Korea grew 26 percent during this period.

Driving the combined FTA export downfall was the decline in U.S. exports to Korea, by far the largest of the three economies, under the first nine months of the Korea FTA. Despite Obama administration promises that the pact would boost exports, U.S. exports to Korea took a dramatic plunge after the deal took effect in March 2012. and have continued the downward trajectory since. Some of the worst declines were in the sectors the administration touted as prospective "winners"

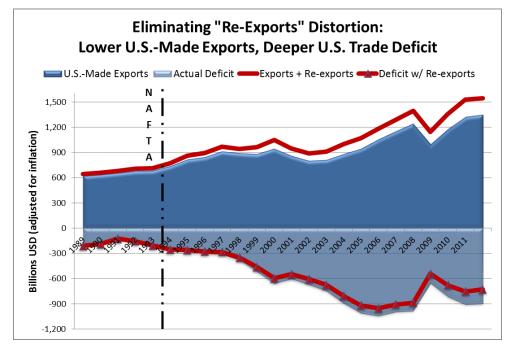


under the agreement. U.S. pork exports to Korea declined 17 percent under the FTA in 2012 relative to the same months in 2011, while beef exports fell 11 percent and poultry exports plunged 40 percent. While U.S. auto exports to Korea have increased four percent under the FTA, U.S. auto *imports* from Korea have surged 17 percent, causing an 18 percent rise in the U.S. auto trade deficit with Korea.

Overall, growth of U.S. exports to countries that *are not* FTA partners <u>has exceeded</u> U.S. export growth to countries that *are* FTA partners by 38 percent over the last decade. Between 2002 and 2012, U.S. goods exports to FTA partner countries grew by an annual average rate of only 4.8 percent. Goods exports to non-FTA partner countries, by contrast, grew by 6.6 percent per year on average.

Beware the Re-Export Data Trap...

As the chart to the right shows, the U.S. **Census Bureau** methodology inflates the value of U.S. exports by counting goods that actually are made overseas not by U.S. workers. These "re-exports" are goods made elsewhere that are shipped through the United States en route to a final destination. Since passage of NAFTA and similar FTAs, reexports have increased dramatically, causing a



growing gap between U.S.-made exports and the inflated export numbers reported by the U.S. Census Bureau.

As a result, the actual U.S. trade deficit in goods has exceeded the re-exports-skewed trade deficit data to an increasing degree, soaring more than 20 percent above the skewed number for the last four years. In 2012, the actual trade deficit exceeded the distorted trade deficit by \$170 billion, a difference that implies an additional 1.1 million net U.S. jobs displaced by unbalanced trade, according to a ratio used by the Obama administration.

<u>U.S. Trade Deficits Grow More Than 440 Percent with FTA Countries, but Decline Seven</u> Percent with Non-FTA Countries

The aggregate U.S. trade deficit with FTA partners is more than five times as high as before the deals went into effect, while the aggregate deficit with non-FTA countries has actually fallen slightly. The aggregate trade deficit with FTA partners increased by more than \$144 billion (inflation-adjusted) since the FTAs were implemented. In contrast, the aggregate deficit with all non-FTA countries decreased by more than \$55 billion since 2006 (the median entry date of existing FTAs). Two reasons: a sharp increase in imports from FTA partners – notably Mexico and Canada under NAFTA – and significantly lower export growth to FTA partners than to non-FTA nations over the last decade. Using the Obama administration's net exports-to-jobs ratio, the FTA trade deficit surge implies the loss of nearly one million American jobs.