Trump's growth plan depends on a healthy dose of international trade

- Combined exports and imports represented roughly 27 percent of GDP in the third quarter and have averaged 28.5 percent over the past five years.
- Trade has been in a steady uptrend since the early 1970s, when it represented barely 10 percent of U.S. overall economic activity.
- 2017 could be the strongest year for net exports contributions to growth since 2009 and one of the best in the last 30 non-recessionary years.

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Economic data reveal a trend President Donald Trump and his advisers need to keep in mind as they work toward cementing their growth agenda.

The final reading on third quarter U.S. GDP, released near the end of December, showed annualized real growth of 3.2 percent following a 3.1 percent reading for the second quarter. If these figures hold after revisions, they represent the best one-two punch of growth since the second and third quarters of 2014, when the economy grew at annual rates of 4.6 percent and 5.2 percent, respectively.

So, things are off to a good start, and the president and his supporters are understandably excited.

The economy barely grew at 1.5 percent during 2016, only 1.2 percent during the first quarter of 2017 and 2.2 percent since the end of the great recession. Two consecutive quarters of growth at rates at which President Trump and his team insist are sustainable on the condition that his policies are fully implemented are a great segway to the wonderful possibilities ahead.

But the team, especially in the Department of Commerce, the U.S. Trade Representative's Office, and the Office of Trade and Manufacturing Policy, should look at the following:

When it came to aggregated economic activity purely from within the U.S., or "real final sales to domestic purchasers" including the government, the third quarter growth rate was only 1.9 percent on an annualized basis. This was considerably slower than the 2.6 percent pace of the second quarter and the 2.4 percent pace of the first quarter, and it was approximately 0.2 percent lower than the average growth rate since the end of the great recession.

So, if overall economic growth and that of purely domestic demand have been moving in-step since mid-2009 (both roughly 2.15 percent), but that of domestic demand has weakened since the beginning of 2017, then what explains the pickup in overall growth that we are experiencing today? Two factors: inventory accumulation and international trade.

Inventory accumulation is wildly volatile from quarter to quarter. While a big buildup like the one during the third quarter can represent confidence on the part of businesses for future orders, they can also represent a short-term miscalculation of present demand that would have to be unwound in the future. We will have to wait and see on that point.

International trade however, is an entirely different animal. Combined exports and imports represented roughly 27 percent of GDP in the third quarter and have averaged 28.5 percent over the past five years. Moreover, it has been in a steady uptrend since the early 1970s, when it represented barely 10 percent of U.S. overall economic activity.

Trade was a net positive contributor to economic growth in five of the six quarters through the first three quarters of 2017, and barring a significant slowdown in the final three months of 2017, it is likely to be additive for the whole year, and for the first time since 2013.

In fact, 2017 could be the strongest year for net exports contributions to growth since 2009 and one of the best in the last 30 non-recessionary years.

And all of this happened with the backdrop of the U.S. withdrawal from the Trans-Pacific Partnership, its potential withdrawals from the North American Free Trade Agreement and KORUS (a free trade agreement with South Korea), and a probable indefinite hold on many of the free-trade deals in the works. Just imagine what growth could have been if such dark clouds were not on the horizon of possibilities? An economic growth profile of 3.0 percent even in the short-run will likely be unattainable without positive contributions from trade.

The message should be clear to the president, Secretary Wilbur Ross, Ambassador Robert Lighthizer, and Director Peter Navarro. Tame the rhetoric around protectionism and don't rock the boat on trade if you want to be anywhere near your 3.0 percent growth target.

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