



## U.S. Trade: Recent Trends and Developments

### Background

Over the past two years, Congress has demonstrated significant interest in U.S. and international trade trends as part of its efforts to examine U.S. trade policy and key U.S. trading relationships. In particular, demand for comparative analysis of bilateral trade flows and balances has heightened as the Trump Administration takes actions with the intention of reducing U.S. bilateral trade deficits, enforcing U.S. trade laws and agreements, and promoting what it considers to be “free,” “fair,” and “reciprocal” trade. The role of Congress in trade policy stems from a number of overlapping responsibilities, including its constitutional authority over regulating commerce with foreign countries and broad oversight responsibility over the performance of the economy. The changing dynamics and composition of U.S. trade are important to Members, because they can affect the overall health of the U.S. economy, the success of U.S. workers and firms, and the U.S. standard of living.

### U.S. Trade in Goods

U.S. merchandise exports totaled \$1.7 trillion in 2018, a 7.8% (\$120.7 billion) increase from the 2017 level (Table 1). The value of U.S. merchandise imports was \$2.6 trillion over the same period, up 8.6% (\$202.9 billion) from 2017. U.S. imports increased more than U.S. exports, leading to an increase of \$82.1 billion (10.2%) in the U.S. merchandise trade deficit to \$887.3 billion.

#### Trade in Goods with Leading Partners

In 2018, the European Union (EU)—as a single entity—was the United States’ top trading partner in terms of two-way (exports plus imports) merchandise trade, followed by China, Canada, and Mexico. China’s share in U.S. merchandise trade has increased dramatically over the past two decades, from 5.8% in 2000 to 15.6% in 2018. Ranked by exports, the EU was the leading market for U.S. exports, which totaled \$320.2 billion (19.1% of all U.S. exports). Canada was the second-largest export market (\$300.5 billion worth of U.S. exports or 17.9%), followed by Mexico and China. In terms of imports, China was the leading source of U.S. imports (\$540.4 billion or 21.1% of all U.S. imports), followed by the EU (\$489.8 billion or 19.1%), Mexico, and Canada. The United States had merchandise trade deficits with most of its major partners in 2018, including with China (\$419.6 billion), the EU (\$169.6 billion), Mexico (\$86.6 billion), and Japan (\$68.5 billion).

U.S. merchandise exports to most major trading partners increased from 2017 to 2018. The largest was a \$35.4 billion (12.4%) increase in U.S. exports to the EU. It was followed by a \$22.0 billion increase in exports to Mexico (up 9.0%) and a \$17.4 billion increase to Canada (up 6.1%). In percentage terms, the largest increases in U.S. exports were to Venezuela (48.3%), India (30.7%), and Nigeria (23.3%). U.S. exports to Saudi Arabia, China, and Hong Kong decreased 16.7%, 7.3%, and 5.9%, respectively.

Table 1. U.S. Trade in 2018

	U.S.\$ (billions)	% Change from 2017*
<b>Total Exports</b>	2,501.3	6.3
Exports of Goods	1,674.3	7.8
Exports of Services	827.0	3.5
<b>Total Imports</b>	3,122.9	7.8
Imports of Goods	2,561.7	8.6
Imports of Services	567.3	4.3
<b>Total Balance (Deficit)</b>	-627.7	14.1
Balance on Goods (Deficit)	-887.3	10.2
Balance on Services (Surplus)	259.7	1.8

Source: Bureau of Economic Analysis (June 20, 2019).

Note: \* not adjusted for inflation.

U.S. merchandise imports from all top trading partners—except Nigeria, Hong Kong, and Israel—increased in 2018. The largest increases in imports were \$52.1 billion (11.9%) from the EU, \$34.4 billion (6.8%) from China, and \$34.1 billion (10.7%) from Mexico. In percentage terms, the largest increases were from Singapore (36.7%), Norway (34.3%), Saudi Arabia (27.5%), and Russia (22.4%). U.S. imports from Nigeria and Hong Kong decreased 20.2% and 12.5%, respectively.

### U.S. Trade in Services

In 2018, U.S. exports of services increased 3.5% (\$28.0 billion), from \$799.0 billion to \$827.0 billion, while U.S. services imports grew 4.3% (\$23.4 billion), from \$543.9 billion to \$567.3 billion. The U.S. surplus in services trade increased 1.8% (\$4.6 billion) to \$259.7 billion.

#### Trade in Services with Leading Partners

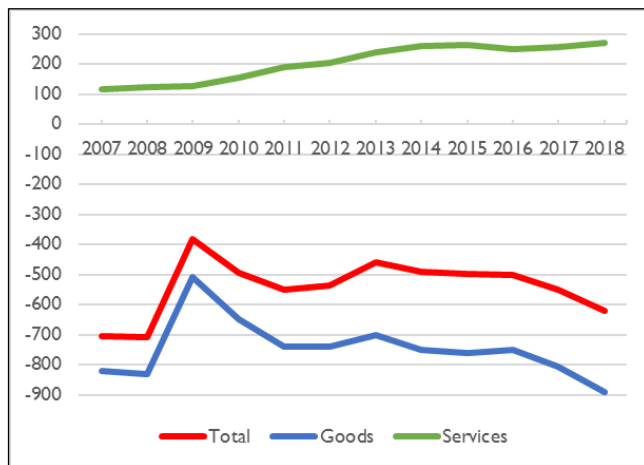
The EU was the United States’ top trading partner in terms of two-way (exports plus imports) services trade in 2018, while the largest single-country services trading partners were the UK, Canada, Japan, and China. Since 2000, the share of U.S. services trade with partners like the UK, Canada, and Japan has decreased, while that of China and India, for example, has grown dramatically. The EU was the largest export market for U.S. services and the largest foreign supplier of U.S. services imports in 2018. It accounted for \$253.6 billion (30.7%) of total U.S. services exports and for \$198.6 billion (35.0%) of total U.S. services imports. After the EU, the top markets for U.S. services exports were Canada, China, and Japan, while the top sources of U.S. services imports were Canada, Japan, and India. In 2018, the United States maintained a services trade surplus with every major services trading partner except India (\$4.4 billion deficit).

U.S. services exports to most leading trading partners increased in 2018. Exports declined to South Korea (down \$1.6 billion or 6.6%) and Japan (down \$790 million or 1.7%). The largest increase in value was \$9.3 billion to the EU, followed by \$5.8 billion to Canada and \$2.2 billion to Hong Kong. In percentage terms, the largest increases in U.S. services exports were to Hong Kong (20.7%), Canada (10.0%), and India (6.6%).

U.S. services imports from all but three of the major trading partners increased in 2018. Imports from Brazil, Argentina, and Venezuela fell 13.9% (\$992 million), 10.1% (\$290 million), and 14.6% (\$88 million), respectively. The largest increases in imports were from the EU (\$6.0 billion), Canada (\$2.7 billion), and Singapore (\$1.7 billion). In percentage terms, the largest increase in U.S. services imports in 2018 was from Singapore (up 22.0%), followed by South Korea (up 13.5%) and Canada (up 8.0%).

**Figure 1. U.S. Trade Balance**

(in billions of current U.S. dollars)



Source: Bureau of Economic Analysis (June 20, 2019).

## U.S. Trade in Goods and Services

In 2018, U.S. exports of goods and services totaled \$2.5 trillion, while imports totaled \$3.1 trillion, resulting in an overall deficit of \$627.7 billion, up 14.1% from 2017, but down from the all-time high level registered in 2006 (\$761.7 billion). The deficit on goods, however, increased to an all-time high of \$887.3 billion, from \$805.2 billion in 2017 (Figure 1).

### Trade in Goods and Services with Leading Partners

The EU was the United States' largest market for U.S. goods and services exports in 2018, accounting for \$573.8 billion (22.9%) of total U.S. exports, as well as the leading source of U.S. imports, which totaled \$688.4 billion (22.0% of total U.S. imports) (Table 2). Canada was the second-largest U.S. export market, with \$364.5 billion worth of U.S. exports (14.6% of total U.S. exports), and the fourth-largest source of U.S. imports, which totaled \$360.9 billion (11.5%). The share of China in U.S. trade has increased dramatically over the past few decades. In 2000, it accounted for 2.0% of total U.S. exports and 7.1% of total U.S. imports. Last year, China's share stood at 7.1% of total U.S. exports and 17.9% of total U.S. imports.

**Table 2. U.S. Trade in Goods and Services in 2018**

(in billions of U.S. dollars)

	Total Trade	Exports	Imports	Balance
European Union*	1,262.2	573.8	688.4	-114.6
UK	262.9	140.8	122.1	18.6
Germany	252.3	92.4	159.8	-67.4
France	129.2	57.9	71.3	-13.4
China	736.7	178.0	558.8	-380.8
Canada	725.4	364.5	360.9	3.6
Mexico	678.2	299.8	378.4	-78.6
Japan	300.3	121.2	179.1	-58.0
South Korea	167.3	79.9	87.3	-7.4
India	142.8	58.8	84.0	-25.3
Brazil	103.5	67.6	35.9	31.7
Rest of the World	1,514.0	757.8	756.2	1.6

Source: Bureau of Economic Analysis (June 20, 2019).

Note: \* includes trade with all 28 member states combined.

## Limitations of Trade Data

The growth in global production chains, intrafirm trade, and trade in intermediate goods means that traditional accounting methods may distort trade data and not fully reflect the source of resources used in producing goods and services. This makes it increasingly difficult to understand and interpret the implications of trade data trends for the U.S. economy. For example, conventional data that often drive policy discussions (and used here) may underestimate trade in services, as the data are not measured on a value-added basis and do not attribute any portion of the traded value of manufactured and agricultural products to services inputs. Intermediate services, such as transportation and distribution, R&D, design and engineering, and business services, are embedded within a value chain as inputs and thus are often not visible in the data.

## Issues for Congress

The changes in U.S. trade patterns pose both opportunities and challenges for the United States. These developments have intensified congressional interest in U.S. trade policy and demand for information and analysis of bilateral U.S. trade flows. In the coming months, Members of Congress may face issues such as shaping U.S. trade policy to reflect this changing composition of trade, enhancing the competitive position of U.S. firms and workers, and addressing tensions, trade barriers, and issues raised by the growing role of emerging economies in the global economy. In addition, questions affecting U.S. trade trends could arise as the Trump Administration renegotiates trade agreements and pursues new ones. Members might weigh potential costs and benefits to their constituents—and to the U.S. economy as a whole—as they debate and potentially ratify these agreements.

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