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# 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 $1.67 trillion in 2018, a 7.7% ($118.9 billion) increase from the 2017 level (**Table 1**). The value of U.S. merchandise imports was $2.5 trillion over the same period, up 8.6% ($202.7 billion) from 2017. U.S. imports increased more than U.S. exports, leading to an increase of $83.8 billion (10.4%) in the U.S. merchandise trade deficit to $891.3 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 $320.5 billion (19.2% of all U.S. exports). Canada was the second-largest export market ($299.4 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 ($540.3 billion, or 21.1% of all U.S. imports), followed by the EU ($490.8 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 ($419.3 billion), the EU ($170.3 billion), Mexico ($87.3 billion), and Japan ($68.9 billion).

U.S. merchandise exports to most major trading partners increased from 2017 to 2018. The largest was a $37.5 billion (12.5%) increase in U.S. exports to the EU. It was followed by a $21.7 billion increase in exports to Mexico (up 8.9%) and a $16.5 billion increase to Canada (up 5.8%). In percentage terms, on a country basis, the largest increases in U.S. exports in 2018 were to India (29.0%), Italy (25.7%), and the UK (17.8%). U.S. exports to China and Saudi Arabia decreased 7.2% and 16.7%, respectively.

**Table 1. U.S. Trade in 2018**

| | U.S.$ (billions) | % Change from 2017* |
|---|---|---|
| **Total Exports** | 2,500.8 | 6.4 |
| Exports of Goods | 1,672.3 | 7.7 |
| Exports of Services | 828.4 | 3.9 |
| **Total Imports** | 3,122.9 | 7.6 |
| Imports of Goods | 2,563.7 | 8.6 |
| Imports of Services | 559.2 | 3.1 |
| **Total Balance (Deficit)** | -622.1 | 12.6 |
| Balance on Goods (Deficit) | -891.3 | 10.4 |
| Balance on Services (Surplus) | 269.2 | 5.5 |

**Source:** Bureau of Economic Analysis, April 17, 2019.

**Note:** * not adjusted for inflation.

U.S. merchandise imports from all top trading partners—except Hong Kong—increased in 2018. The largest increases in imports were $53.4 billion (12.2%) from the EU, $34.0 billion (6.7%) from China, and a $32.9 billion (10.3%) from Mexico. In percentage terms, the largest increases were from Singapore (40.0%), Saudi Arabia (27.6%), and the UK (14.6%). U.S. imports from Hong Kong decreased 12.8%.

## U.S. Trade in Services

In 2018, U.S. exports of services increased 3.9% ($30.7 billion), from $797.7 billion to $828.4 billion, while U.S. services imports grew 3.1% ($16.7 billion), from $542.5 billion to $559.2 billion. The U.S. surplus in services trade increased 5.5% ($14.0 billion) to $269.2 billion.

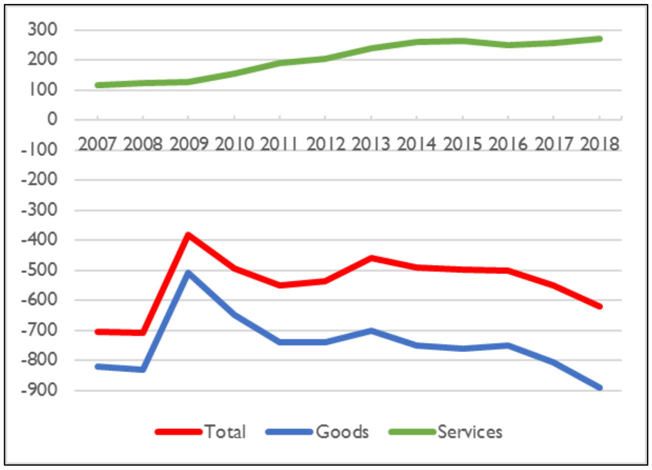
### Trade in Services with Leading Partners

The EU was the United States' top trading partner in terms of two-way (exports plus imports) trade in services 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 in 2018. It was also the largest foreign supplier of U.S. services imports, accounting for $255.9 billion (30.1%) of total U.S. services exports and for $196.01 billion (35.1%) of total U.S. services imports. After the EU, the top markets for U.S. services exports were the UK, Canada, China, and Japan, while the top sources of U.S. services imports were the UK, Canada, Germany, and Japan. In 2018, the United States maintained a services trade surplus with every major services trading partner except Italy ($3.6 billion deficit), India ($3.0 billion), and Taiwan ($1.6 billion).

U.S. services exports to nearly all leading trading partners increased in 2018. Exports declined to Japan (down $1.0 billion, or 2.2%) and Saudi Arabia (down $430 million, or 4.7%). The largest increase in value was $12.5 billion to the EU, followed by $5.3 billion to the UK and $3.4 billion to Canada. In percentage terms, on a country basis, the largest increases in U.S. services exports were to Singapore (16.3%), France (10.5%), Hong Kong (9.8%), and India (8.6%).

U.S. services imports from all but three of the major trading partners increased in 2018. Imports from both Brazil and Germany fell last year, down 12.4% ($896 million) and 6.8% ($2.4 billion), respectively. The largest increases in imports were from the EU ($6.4 billion), UK ($4.0 billion), and Canada ($3.5 billion). In percentage terms, the largest increase in U.S. services imports in 2018 was from Saudi Arabia (up 30.9%), followed by South Korea (up 13.7%) and Singapore (up 9.4%).

**Figure 1. U.S. Trade Balance**
(in billions of current U.S. dollars)




**Source:** Bureau of Economic Analysis, April 17, 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 $622.1 billion, up 12.6% 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 $891.3 billion, from $807.5 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 $576.4 billion (23%) of total U.S. exports, as well as the leading source of U.S. imports, which totaled $686.8 billion (22% of total U.S. imports) (**Table 2**). Canada was the second-largest U.S. export market, with $361.2 billion worth of U.S. exports (14.4% of total U.S. exports), and the fourth-largest source of U.S. imports, which totaled $360.0 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 7.2% of total U.S. exports and 17.9% of 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* | 1,263.2 | 576.4 | 686.8 | -110.4 |
| China | 738.6 | 179.9 | 558.7 | -378.7 |
| Canada | 721.2 | 361.2 | 360.0 | 1.2 |
| Mexico | 677.8 | 299.7 | 378.1 | -78.5 |
| Japan | 300.3 | 121.1 | 179.1 | -58.0 |
| United Kingdom | 263.5 | 141.5 | 122.0 | 19.6 |
| Germany | 251.7 | 92.4 | 159.2 | -66.8 |
| South Korea | 169.4 | 82.0 | 87.3 | -5.3 |
| India | 142.3 | 59.0 | 83.3 | -24.3 |
| France | 128.8 | 57.7 | 71.0 | -13.3 |
| Brazil | 102.3 | 66.2 | 36.1 | 30.1 |
| Rest of the World | 2,128.0 | 1,040.0 | 1,088.0 | -48.1 |

**Source:** Bureau of Economic Analysis, April 17, 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. Thus, the conventional trade 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 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. Also, questions affecting U.S. trade trends could arise as the Trump Administration renegotiates FTAs 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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