



U.S. Trade: Recent Trends and Developments

Background

In recent 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 may be 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 2019, a 1.3% (\$21.5 billion) decrease from the 2018 level (**Table 1**). The value of U.S. merchandise imports was \$2.5 trillion over the same period, down 1.7% (\$42.6 billion) from 2018. U.S. imports decreased more than U.S. exports, leading to a decrease of \$21.1 billion (2.4%) in the U.S. merchandise trade deficit to \$866.2 billion.

Top U.S. export categories in 2019 included machinery (\$379.1 billion), transportation (\$274.9 billion), chemical, plastics, and leather (\$256.3 billion), and minerals (\$209.7 billion). U.S. exports of art and antiques, wood products, and base metals were down 11.0%, 9.8%, and 7.4% respectively, from the 2018 level. In terms of U.S. imports, the top import categories were also machinery (\$717.5 billion), transportation (\$344.3 billion), chemicals, plastics, and leather (\$342.1), and minerals (\$208.2 billion). U.S. imports of minerals decreased 13.2% from 2018.

Trade in Goods with Leading Partners

In 2019, the European Union (EU27)—as a single entity and excluding the United Kingdom (UK)—was the United States’ top trading partner in terms of two-way (exports plus imports) merchandise trade, followed by Mexico, Canada, and China. Ranked by exports, Canada was the leading market for U.S. exports, which totaled \$293.3 billion (17.7% of all U.S. exports). The EU27 was the second-largest export market (\$268.9 billion worth of U.S. exports or 16.3%), followed by Mexico and China. In terms of imports, the EU27 was the leading source of U.S. imports (\$453.6 billion or 18.01% of all U.S. imports), followed by the China (\$452.7 billion or 18.0%), Mexico, and Canada. The United States had merchandise trade deficits with most of its major partners in 2019, including with China (\$345.5 billion), the EU27 (\$184.6 billion), Mexico (\$107.6 billion), and Japan (\$70.2 billion).

Table 1. U.S. Trade in 2019

	U.S.\$ (billions)	% Change from 2018*
Total Exports	2,498.0	-0.1
Exports of Goods	1,652.8	-1.3
Exports of Services	845.2	2.2
Total Imports	3,114.5	-0.5
Imports of Goods	2,519.0	-1.7
Imports of Services	595.4	5.0
Total Balance (Deficit)	-616.4	-1.8
Balance on Goods (Deficit)	-866.2	-2.4
Balance on Services (Surplus)	249.8	-3.8

Source: Bureau of Economic Analysis (April 20, 2020).

Note: * not adjusted for inflation.

U.S. merchandise exports to most major trading partners increased from 2018 to 2019. The largest was a \$15.4 billion (6.1%) increase in U.S. exports to the EU27. It was followed by a \$3.0 billion increase in exports to the UK (up 4.4%) and a \$968.0 million increase to India (up 2.9%). U.S. exports to China, Mexico, and Canada decreased 11.3%, 3.4%, and 2.4%, respectively.

U.S. merchandise imports from all top trading partners—except China—increased in 2019. The largest increases in imports were \$25.2 billion (5.9%) from the EU27, \$11.9 billion (3.4%) from Mexico, and \$8.5 billion (18.6%) from Taiwan. U.S. imports from China decreased 16.2% (\$87.7 billion), leading to a 17.7% (\$74.1 billion) decrease in the U.S.-China merchandise trade deficit.

U.S. Trade in Services

In 2019, U.S. exports of services increased 2.2% (\$18.2 billion), from \$827.0 billion to \$845.2 billion, while U.S. services imports grew 5.0% (\$28.1 billion), from \$567.3 billion to \$595.4 billion. The U.S. surplus in services trade decreased 3.8% (\$9.8 billion) to \$249.8 billion.

Trade in Services with Leading Partners

The EU27 was the United States’ top trading partner in terms of two-way (exports plus imports) services trade in 2019, 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 EU27 was the largest export market for U.S. services and the largest foreign supplier of U.S. services imports in 2019. It accounted for \$190.9 billion (22.6%) of total U.S. services exports and for \$147.5 billion (24.8%) of total U.S. services imports. After the EU27, 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, Japan, and India. In 2019, the United States maintained a services trade surplus with every major services trading partner except India (\$3.9 billion deficit).

U.S. services exports to most leading trading partners increased in 2019. Exports declined to China, down \$474.0 million or 0.8%. The largest increase was \$11.4 billion (6.3%) to the EU27, followed by \$3.5 billion (7.7%) to Japan and \$1.2 billion (4.9%) to India.

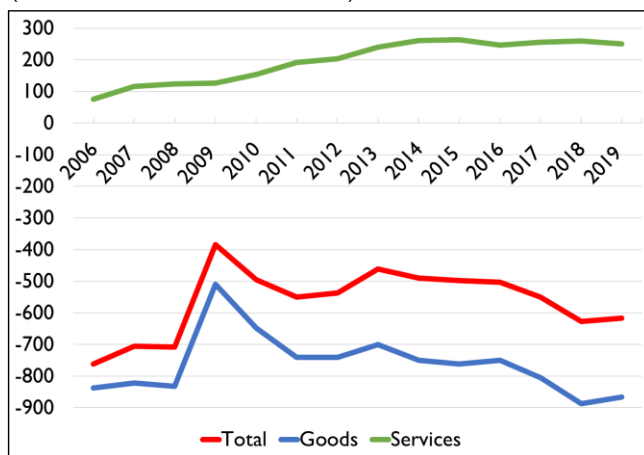
U.S. services imports from all but one of the major trading partners increased in 2019. The largest increases in imports were from the EU27 (\$9.6 billion), Canada (\$1.7 billion), the UK (\$1.6 billion), and Mexico (\$1.6 billion). Imports from Taiwan fell 2.6% (\$217 million).

U.S. Trade in Goods and Services

In 2019, U.S. exports of goods and services totaled \$2.5 trillion, while imports totaled \$3.1 trillion, resulting in an overall deficit of \$616.4 billion, down 1.8% from 2018 and 19.1% from the all-time high level registered in 2006 (\$761.7 billion). The deficit in goods decreased 2.4% to \$866.2 billion while the surplus in services decreased 3.8% to \$249.8 billion (Figure 1).

Figure 1. U.S. Trade Balance

(in billions of current U.S. dollars)



Source: Bureau of Economic Analysis (April 20, 2020).

Trade in Goods and Services with Leading Partners

The EU27 was the United States' largest market for U.S. goods and services exports in 2019, accounting for \$459.8 billion (18.4%) of total U.S. exports, as well as the leading source of U.S. imports, which totaled \$601.1 billion (19.3% of total U.S. imports) (Table 2). Canada was the second-largest U.S. export market, with \$358.0 billion worth of U.S. exports (14.3% of total U.S. exports), and the fourth-largest source of U.S. imports, which totaled \$363.3 billion (11.7%). China's share 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. While down from 2018, China's share in 2019 stood at 6.6% of total U.S. exports and 15.1% of total U.S. imports.

Table 2. U.S. Trade in Goods and Services in 2019

(in billions of U.S. dollars)

	Total Trade	Exports	Imports	Balance
European Union*	1,060.9	459.8	601.1	-141.3
Germany	258.5	96.1	162.4	-66.2
France	136.5	59.6	77.0	-17.4
Canada	721.3	358.0	363.3	-5.3
Mexico	682.5	290.7	391.8	-101.1
China	635.3	163.8	471.4	-307.6
Japan	305.5	124.0	181.5	-57.5
United Kingdom	270.4	144.3	126.1	18.2
South Korea	172.0	81.0	90.9	-9.9
India	149.0	61.0	88.1	-27.1
Taiwan	104.7	42.3	62.4	-20.1
Rest of the World	1,510.8	773.0	737.8	35.2

Source: Bureau of Economic Analysis (April 20, 2020).

Note: * includes trade with all 27 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, research and development, and design and engineering 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 if the Trump Administration negotiates new trade agreements. 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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