Benefits of Trade & U.S. Trade Agreements:
Drivers of American Growth & Jobs

July 2013
The U.S. economy has become more dependent on international trade as a source of growth and job creation, with trade now supporting more than one in five American jobs.

Trade agreements, and in particular the 14 current U.S. free trade agreements (FTAs) with 20 countries, have contributed importantly to U.S. growth, competitiveness and jobs.

Trade agreements, especially FTAs, have also helped put in place strong, enforceable, and fair rules governing trade in services, manufactured goods, and agricultural products, and promoting innovation and stronger protection for intellectual property rights.

Future customers and sales growth for American companies and their workers lie primarily outside the United States. To take fullest advantage of these important new markets, we need to complete more trade agreements, including FTAs, with other key trading partners.
BENEFITS OF TRADE
Benefits of U.S. Trade: Key Facts

1 in 5 American jobs supported by trade in 2011.¹

$300 billion U.S. output generated from the nation’s FTAs in 2008.²

46% share of U.S. goods exports that go to the nation’s FTA partners.³

61% share of imports used to produce U.S. finished products.⁴

96% share of the world’s population outside the U.S.⁵

6.5x U.S. trade-related job growth compared to total job growth from 2004-11.⁶

15-20% average wage premium of U.S. jobs linked to the export of goods and services.⁷

$58 billion US. manufactured goods trade surplus with its 20 FTA partners in 2012.⁸

12.8x more U.S. goods per capita purchased by FTA partners than non-FTA countries.⁹
During the past half century, the U.S. economy has become more dependent on international trade as a source of economic activity.

U.S. Trade Intensity

*Total Value of Traded Goods & Services as a Share of Gross Domestic Product*

Source: Bureau of Economic Analysis, National Income & Product Accounts, Table 1.1.5
As trade has grown, so has the number of U.S. jobs supported by trade.

**Total U.S. Jobs Supported by Trade**

*Percentage of All U.S. Jobs*

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs Supported</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>14 Million</td>
<td>10.4%</td>
</tr>
<tr>
<td>2011</td>
<td>38 Million</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

- In the past two decades, the United States has implemented a long series of trade agreements to help American companies, workers, and farmers compete in world markets. The resulting explosion of trade helped double the share of total American jobs supported by trade.
- By 2011, more than 38 million jobs in America — more than one in five — depended on U.S. exports and imports. This represents 24 million more trade-related jobs for U.S. workers than two decades ago.
- Exports support high-paying jobs. Positions linked to the export of goods and services pay on average 15-20 percent more than other jobs.¹⁰

Access to international markets is particularly important to American small businesses.

Companies Engaged in International Trade, 2011*

*Small businesses are defined as those with fewer than 500 employees; large businesses as those with 500 or more employees.

Source: U.S. Census Bureau
While the United States will remain an important market, growth in other countries will be the key driver of global growth.

World GDP Based on Purchasing-Power-Parity (PPP) Valuation of Country GDP*

*Purchasing-Power-Parity (PPP) is used to account for the fact that identical goods and services can cost different amounts in different countries, so comparisons can be made across countries.

Source: International Monetary Fund, World Economic Outlook (April 2013)
BENEFITS OF U.S. TRADE AGREEMENTS
U.S. Presidents on both sides of the aisle have long recognized that international trade is critical to American economic growth and job creation.

What American Presidents Have Said About Trade

“Our basic trade policy remains the same: We remain opposed as ever to protectionism, because America’s growth and future depend on trade. But we would insist on trade that is fair and free. We are always willing to be trade partners but never trade patsies.”

President Ronald Reagan State of the Union Address, 1987

“Standing as we are on the edge of a new century, we know that economic growth depends as never before on opening new markets overseas and expanding the volume of world trade.”

President William J. Clinton State of the Union Address, 1993

“Keeping America competitive requires us to open more markets for all that Americans make and grow...and we want people everywhere to buy American. With open markets and a level playing field, no one can out produce or out compete the American worker.”

President George W. Bush State of the Union Address, 2006

“We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores.”

President Barack Obama State of the Union Address, 2010
Consequently, the U.S. now has FTAs with many valued trading partners, and is pursuing still more.

Source: Office of the U.S. Trade Representative
Our 20 FTA partner countries are growing markets for U.S. exports.

### FTAs: Key to Expanding U.S. Exports

<table>
<thead>
<tr>
<th>FTA Partner Country</th>
<th>Entry into Force Date</th>
<th>2012 U.S. Goods Exports ($Mill)</th>
<th>Export Growth Since Entry*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>September 1, 1985</td>
<td>$14,270</td>
<td>453%</td>
</tr>
<tr>
<td>Canada</td>
<td>January 1, 1994</td>
<td>$291,758</td>
<td>190%</td>
</tr>
<tr>
<td>Mexico</td>
<td>January 1, 1994</td>
<td>$216,331</td>
<td>420%</td>
</tr>
<tr>
<td>Jordan</td>
<td>December 17, 2001</td>
<td>$1,712</td>
<td>405%</td>
</tr>
<tr>
<td>Chile</td>
<td>January 1, 2004</td>
<td>$18,886</td>
<td>596%</td>
</tr>
<tr>
<td>Singapore</td>
<td>January 1, 2004</td>
<td>$30,561</td>
<td>85%</td>
</tr>
<tr>
<td>Australia</td>
<td>January 1, 2005</td>
<td>$31,208</td>
<td>124%</td>
</tr>
<tr>
<td>Morocco</td>
<td>January 1, 2005</td>
<td>$2,258</td>
<td>353%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>March 1, 2006</td>
<td>$3,090</td>
<td>67%</td>
</tr>
<tr>
<td>Honduras</td>
<td>April 1, 2006</td>
<td>$5,733</td>
<td>76%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>April 1, 2006</td>
<td>$1,128</td>
<td>80%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>July 1, 2006</td>
<td>$5,913</td>
<td>109%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>August 1, 2006</td>
<td>$1,209</td>
<td>245%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>March 1, 2007</td>
<td>$7,097</td>
<td>33%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>January 1, 2009</td>
<td>$7,198</td>
<td>27%</td>
</tr>
<tr>
<td>Oman</td>
<td>January 1, 2009</td>
<td>$1,747</td>
<td>26%</td>
</tr>
<tr>
<td>Peru</td>
<td>February 1, 2009</td>
<td>$9,357</td>
<td>51%</td>
</tr>
<tr>
<td>South Korea</td>
<td>March 15, 2012</td>
<td>$42,318</td>
<td>n.a.</td>
</tr>
<tr>
<td>Colombia</td>
<td>May 15, 2012</td>
<td>$16,395</td>
<td>n.a.</td>
</tr>
<tr>
<td>Panama</td>
<td>October 31, 2012</td>
<td>$9,924</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

*Source: U.S. Census Bureau

*Growth between the last full year preceding implementation and 2012, except Israel and Jordan, which are based on growth between year of implementation and 2012 because of late entry into force. Growth data for South Korea, Colombia, and Panama will not be available until 2014.
FTA partners purchase hundreds of billions of dollars in American goods, supporting a wide range of U.S. manufacturing industries.

U.S. Goods Exports to FTA Partners, Top 7 Industries

*Billion U.S. Dollars, 2012*

- **Petroleum & Coal Products**: $62.5
- **Motor Vehicle Parts**: $48.8
- **Motor Vehicles**: $34.8
- **Ag., Constr., & Mining Equip.**: $29.5
- **Computer Equipment**: $28.9
- **Basic Chemicals**: $27.4
- **Semiconductors & Components**: $27.3

2012 FTA total: $718 billion

Source: U.S. Census Bureau
FTA partners purchase services from a wide range of U.S.-based services industries.

U.S. Services Exports to FTA Partners, Top 7 Industries

*Billion U.S. Dollars, 2011*

- Travel & Tourism: $32.3
- Passenger Fares: $8.7
- Royalties from Industrial Processes: $7.3
- Transportation & Freight Services: $6.8
- Computer Software: $6.5
- Management & Consulting Services: $5.2
- Insurance: $4.2

2011 FTA total: $114+ billion*

Source: U.S. Bureau of Economic Analysis

*Total services exports to FTA partners are understated because the U.S. government reports services data for some, but not all, FTA partners. This page reflects exports only to FTA partners for which services data are available.
Every state has benefited from our FTAs. FTA partners account for more than 40% of goods exports in half of all states.

Share of Goods Exports Going to FTA Partners by State, 2012

Source: The Trade Partnership
FTA partners spend more of their income on American-made goods than other countries do.

Purchases of U.S. Goods as a Share of GDP

*Percent, 2011*

Source: U.S. Census Bureau; World Bank
In fact, the U.S. runs a trade surplus in manufactured goods with FTA partners, while there is a wide U.S. trade deficit with other countries.

U.S. Trade Balances in Manufactured Goods

*Billion U.S. Dollars, 2012*

Source: U.S. Census Bureau
Conclusion

• U.S. economic growth and job creation depend on expanding U.S. trade and investment opportunities so U.S. companies can sell more American products and services to customers around the world.

• Trade agreements, and FTAs in particular, have been instrumental in giving U.S. companies and workers improved access to rapidly-growing markets abroad. American economic and job growth will benefit if we complete more trade agreements.

• The United States is negotiating several major trade agreements, including the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, and the Trade in Services Agreement.

• Congressional passage of Trade Promotion Authority is important for advancing pending and future U.S. trade agreements to open additional foreign markets to U.S. goods and services and to further support U.S. economic growth and jobs.
Endnotes


3 U.S. Goods Exports to FTA Partners – Derived from U.S. Census Bureau total merchandise exports data.

4 Laura M. Baughman and Joseph F. Francois, “Imports Work for America,” prepared for the Consumer Electronics Association, the National Retail Federation, the U.S. Chamber of Commerce, and the American Apparel and Footwear Association, May 2013.


8 U.S. Goods Exports to FTA Partners – Derived from U.S. Census Bureau total merchandise exports data.

9 U.S. Goods Exports to FTA and Non-FTA Partners – Derived from U.S. Census Bureau total merchandise exports data.

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