Imports Work for America

By
Trade Partnership Worldwide, LLC
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AAFA american apparel & footwear association

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As the world's largest retail trade association and the voice of retail worldwide, NRF represents retailers of all types and sizes, including chain restaurants and industry partners, from the United States and more than 45 countries abroad. Retailers operate more than 3.6 million U.S. establishments that support one in four U.S. jobs – 42 million working Americans. Contributing $2.5 trillion to annual GDP, retail is a daily barometer for the nation's economy. NRF's *This Is Retail* campaign highlights the industry's opportunities for life-long careers, how retailers strengthen communities at home and abroad, and the critical role that retail plays in driving innovation.

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Representing more than 1,000 world famous name brands, the American Apparel & Footwear Association (AAFA) is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its four million U.S. workers, and its contribution of $350 billion in annual U.S. retail sales. AAFA stands at the forefront as a leader of positive change for the apparel and footwear industry. With integrity and purpose, AAFA delivers a unified voice on key legislative and regulatory issues. AAFA enables a collaborative forum to promote best practices and innovation. AAFA's comprehensive work ensures the continued success and growth of the apparel and footwear industry, its suppliers, and its customers.

Imports Work for America

"To be competitive in global value chains means companies must have access to high quality and low cost inputs. This is why I say that to shoot at imports is to shoot yourself in the foot because you are undermining your exports as well. This is why we need a new narrative which recognizes that trade is about imports as well as exports."

Pascal Lamy, Director-General, World Trade Organization, May 2012

Executive Summary

This comprehensive study measures the net effects of imports on the U.S. economy. These effects are many, including jobs and U.S. manufacturing competitiveness — two factors commonly and erroneously thought to be harmed by imports — as well as the long-acknowledged positive effects of imports on inflation and wider product choices for American families. We find that:

- *Imports improve American families' standard of living.* They help families make ends meet by ensuring a wide selection of budget-friendly goods, like electronics we use to communicate and many clothes and shoes we wear, and improve the year-round supply of such staples as fresh fruits and vegetables.

- *Imports support more than 16 million American jobs*. A large number of these import-related jobs are union jobs, held by minorities and women, and are located across the United States.

- *More than half the firms involved in direct importing are small businesses*, employing fewer than 50 workers.

- *American manufacturers and farmers rely on imports* including raw materials and intermediate goods to lower their production costs and stay

competitive in domestic and international markets. Factories and farms purchase more than 60 percent of U.S. imports.

- *Imports generate exports*. The United States is integrated into an international supply chain that means that even U.S. imports contain U.S. exports – R&D, design, and inputs that were exported for further manufacture abroad.

- *U.S. policy makers can increase the benefits of imports to American families, workers, farmers and manufacturers*. Many U.S. trade policies and practices limit the benefits of imports to the U.S. economy. Addressing these policies and practices would give families more dollars in their household budgets, lower the costs borne by U.S. farmers and manufacturers, and, as a result of both outcomes, increasing American jobs.

Imports Work for America

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I. Introduction

In his January 2010 State of the Union address, President Obama set the goal of doubling U.S. exports within five years (by the end of 2014). From the president on down, much is being said about efforts to promote U.S. exports, especially of manufactured goods, in order to increase U.S. employment.[1] Boosting exports is a worthy goal because exports foster economic growth and support jobs. Also, this goal focuses attention of the federal government on the important task of eliminating barriers that too often shut U.S. exports out of overseas markets.

However, the narrow focus of policy makers on U.S. exports, coupled with their silence on imports, has led the American public and many policy makers to believe that "exports are good," and "imports are bad."[2] Consequently, when U.S. lawmakers vote on trade agreements intended to strengthen the U.S. economy and competitiveness, they worry they will face opposition from an American public protesting expected job losses resulting from a flood of imports.

To a very large extent, the bias against imports in the view of policy makers, and in the news media, is due to a longstanding failure by those who benefit from imports to present the full picture of their impacts on the

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[1] See U.S. Department of Commerce, International Trade Administration, "National Export Initiative," http://trade.gov/nei/.

[2] Another important contribution to this notion that "imports are bad" is due to simple math. Economists calculate U.S. gross domestic product (GDP) with a simple equation learned by every beginning economics student: $Y = C + I + G + (X – M)$, where M stands for imports. To calculate GDP (Y), imports are subtracted from consumer spending (C), U.S. investment (I) government spending (G), and exports (X) to calculate U.S. output (GDP). They are subtracted because there is import value included in C, I, G and X, and to ensure that the value of GDP measures only U.S. output, the value of imports must be subtracted. (See Daniel J. Ikenson, "Made in America: Increasing Jobs through Exports and Trade," testimony before the Subcommittee on Commerce, Manufacturing, and Trade, Committee on Energy and Commerce, U.S. House of Representatives, March 16, 2011.) But that need to avoid including foreign value in the calculation of U.S. output is not widely known. What is widely known and reported is that the value of imports is subtracted to calculate the value of the U.S. economy and U.S. economic growth. Hence the popular perception: if imports are subtracted, they must be a "negative" for the economy.

U.S. economy. Stories in the news highlighting the "red ink" of the latest monthly trade deficit or U.S. plant closings seemingly linked to foreign production reinforce the public's fears about imports.[3] The positive contributions of imports are ignored because they are less obvious, and those who benefit from imports are silent.

In reality, the import story is not dire, as many Americans believe. Indeed, much of the story is quite positive. This study measures the many positive effects of merchandise imports on the U.S. economy,[4] from employment-creation and U.S. manufacturing competitiveness — two factors commonly thought to suffer ill effects from imports — to a higher U.S. standard of living and wider consumer choice. On balance, the net impact of imports on the U.S. economy and on U.S. jobs is positive.

We begin with a brief review in Chapter II of why countries import in the first place. We endeavor to answer the question: Why don't we just produce everything we need ourselves? Chapter III presents the most recent data available to help us to understand what the United States imports, and from whom. Chapter IV presents our estimates of the number of U.S. jobs that depend on imports, what those jobs pay, where they are located, and how many are unionized or important to minorities or women. Many U.S. importers are small businesses, and Chapter V tells their story. The most widely acknowledged benefit of imports is their impacts on American households; those impacts are detailed in Chapter VI. Imports also benefit American manufacturers, and those benefits are described in

[3] Bryan Riley in a January 14, 2013 blog post quotes a few such reports: "The U.S. trade deficit unexpectedly grew in November, a drag on economic growth;" "Net imports suck cash out of the economy, subtracting from gross domestic product;" "The jump [in the trade deficit] may mean that trade subtracted from growth last quarter," and "The widening gap will likely drag on 2012 economic growth." See Bryan Riley, "Don't Believe What You Read: Bigger Trade Deficit = More Economic Growth," January 14, 2013, http://blog.heritage.org/2013/01/14/dont-believe-what-you-read-bigger-trade-deficit-more-economic-growth/.

[4] This study focuses on goods (also referred to as merchandise) imports only because they have been the most controversial and the most misunderstood by the general public. The United States runs a surplus in its services trade account, and therefore U.S. services imports (for example, U.S. spending on travel abroad) have not generated the type of negative public policy attention so frequently received by goods imports.

Chapter VII. We conclude in Chapter VIII with an assessment of the ways in which U.S. trade policy enhances, or erodes, the benefits imports offer to American workers, consumers and producers.

II. Why Import?

This Chapter reviews two key reasons Americans import and, in particular, why importing is a fundamental and essential component of our standard of living and industrial competitiveness.

- We import to improve our standard of living; and

- We import so that we can export.

Imports Improve Our Standard of Living

Think of our standard of living as what we can buy for the work we do. We can improve living standards — increase the value of goods and services we can buy for a day's work — by earning more income, and we earn more income by becoming more productive. The more an individual can produce per unit of time, the greater the income earned. Individuals improve productivity by becoming better educated (be it at a university or a trade school), learning skills needed to function more effectively in the work place. Companies improve their productivity by deploying workers efficiently and finding new and better ways to use natural resources, machinery and other inputs to their best advantage.

Our standard of living — individually as well as for the economy as a whole — improves fastest when we do not try to do or make everything ourselves, just what we do or make best. As individuals and as an economy, Americans will always earn more by doing what we do best, and letting others with talents, skills and resources in other areas do what they do best. Imagine if each household had to grow all its own food, make all its own clothes, build its own shelter, and supply its own water and electricity — how little we would really accomplish and how meager our standard of living would be. In the real world, households dedicated to subsistence agriculture are the closest approximation to this extreme kind of self-sufficiency, and they are consistently among the world’s poorest. By selling to others the goods and services we produce best, and buying from them that

which they produce best, all benefit and total income increases.[5]

This is why America imports. Some countries have better climates for growing coffee than the United States, richer deposits of oil, or workforces more skilled at producing silk apparel. Similarly, the United States has a better mix of skills and resources to produce chemicals, design software, or create movies than many other countries. By importing coffee, oil and silk apparel, Americans can devote more time and resources to producing chemicals, software, and movies.

Exporting and Importing Are Interdependent

Not very long ago, an imported product labeled "Made in Country X" was, in fact, largely if not completely made in Country X. That is no longer true for many products imported into the United States today. The United States is now an integral part of an international supply chain, exporting designs, raw materials or parts to other countries for partial assembly, where they may then be exported again to another country for final assembly, from which they are exported back to the United States for sale to consumers or manufacturers. For many products, most notably automobiles and consumer electronics, exports and imports go hand in hand. If U.S. consumption of the finished goods were to drop due to a recession, import barriers, or other reasons, U.S. exports needed to produce the good abroad would also decline.

Americans will always earn more by doing what we do best, and letting others with talents, skills and resources in other areas do what they do best

Economists are beginning to measure the degree to which exporting and importing are interdependent. One recent study[6] found that 8.3 percent of the value of U.S. imports in 2004 reflected U.S. inputs – goods the United States exported that were used to manufacture the final product abroad. The study also found that 12.9 percent of the total value of U.S. exports in that year reflected foreign inputs; in this case, U.S. producers use imported raw materials and components to make finished products in the United States and then export them.

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[5] In the past, "comparative advantage" was considered in terms of the production of whole products – wine versus wool. Today, thanks to the internationalization of supply chains, which is described in detail throughout this report, countries specialize in stages or tasks to produce a product or service, based on what they do best. For example, the United States specializes in research and design, middle-income countries in Asia in the production of parts and components, and China in assembly of parts and components.

[6] U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, Tables 3.3 and 3.5.

III. The Facts About Imports

Many believe that imports from low-wage countries are the primary cause of a growing U.S. trade deficit. Many also believe that U.S. trade liberalization results in large surges in low-priced goods from these economies that displace American production and jobs. Both perceptions — which underlie many of the fears the American public harbors about the impact of trade on the economy — are wrong. This Chapter details a number of relevant facts about U.S. imports:

- More U.S. imports come from high-wage developed countries than from low-wage countries;

- One third of U.S. imports come from free trade agreement partners which have agreed to lower barriers to U.S. exports in exchange for duty-free access to the U.S. market;

- Imported products are rarely exact substitutes for products made in the United States.

Imports increase when the U.S. economy is strong, and decline when it is not

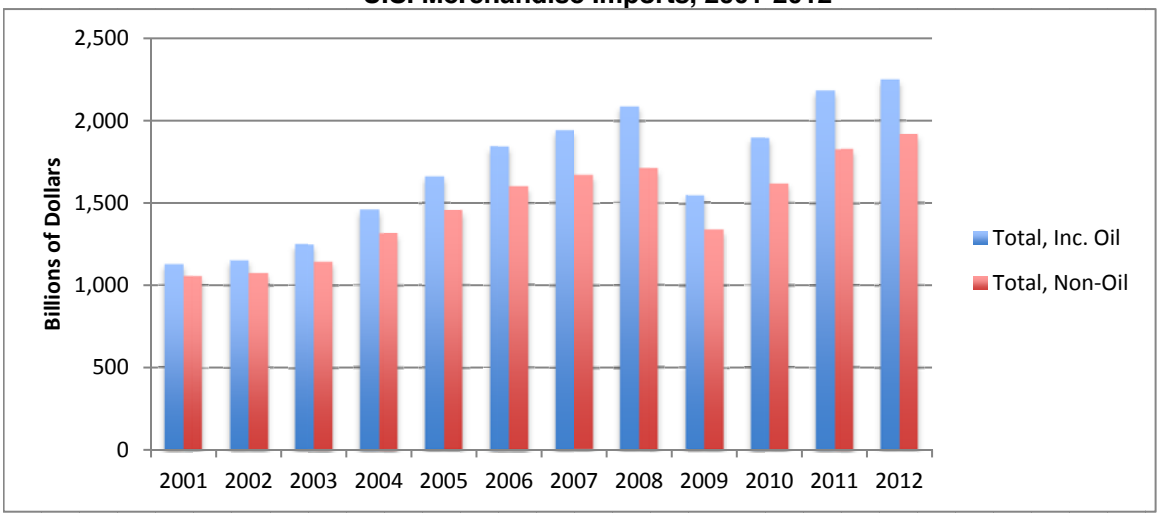
Imports Have Been Growing

That imports are growing may arguably be the one fact about imports that everyone knows, and that no one challenges. But less well known is the fact that imports increase when the U.S. economy is strong, and decline when it is not. Chart 1 show a sharp drop in goods imports during the recession of 2009-2010, and the beginnings of a recovery, with the resumption of growth in the economy, in late 2010.

Chart 2 shows that imports move in tandem with U.S. economic growth. When economic growth drops, so do imports. When the economy is growing, so are imports. Clearly, demand from a growing economy draws in imports. When economic growth stalls, so does demand for imports.

Chart 1

U.S. Merchandise Imports, 2001-2012

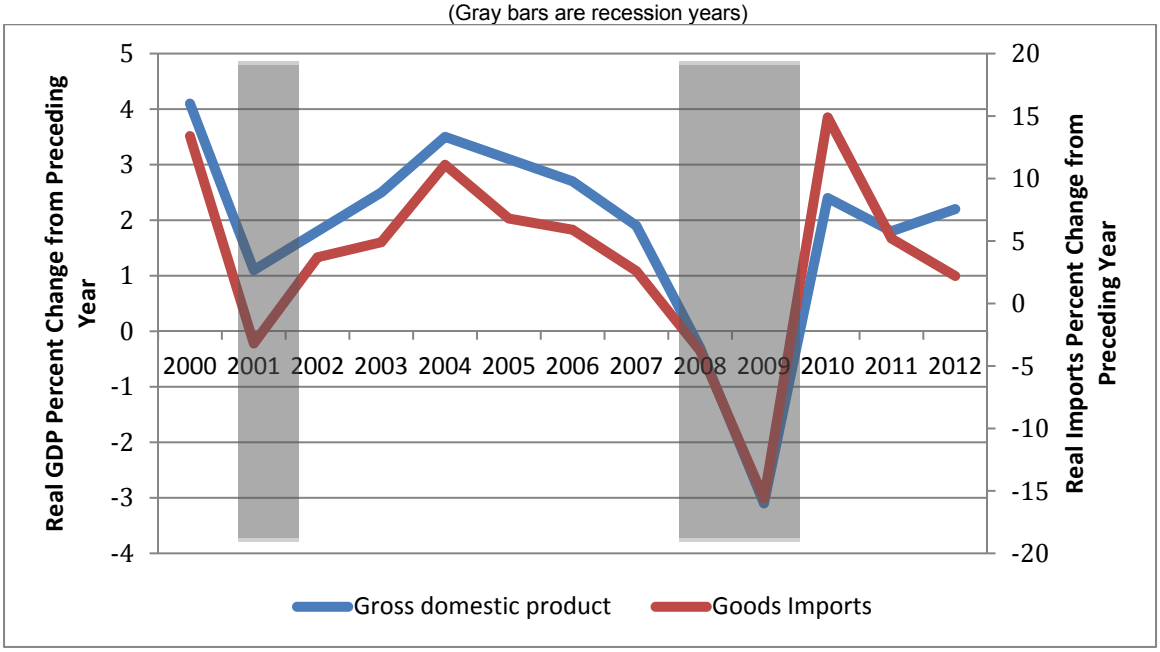


U.S. imports for consumption; Non-oil imports exclude HTS items 2709 and 2710.
Source: U.S. Department of Commerce and the U.S. International Trade Commission.

Chart 2

Annual Changes in Inflation-Adjusted U.S. GDP and U.S. Imports

(Gray bars are recession years)

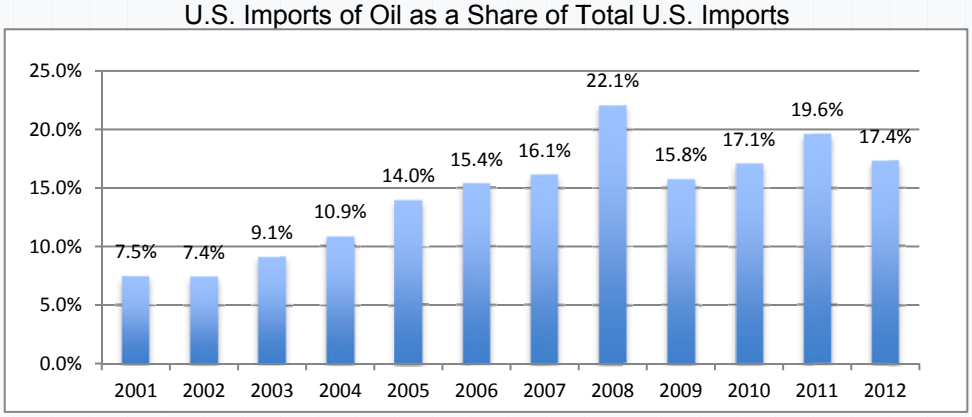


Source: U.S. Bureau of Economic Analysis.

Oil Imports

Oil has been accounting for a growing share of U.S. total imports over the last decade. The United States imports oil (crude and refined petroleum) from a large number of countries. As many as 119 countries supplied the United States with oil in 2012, including some unexpected sources such as the United Kingdom, India, Japan and Vietnam. The Middle East is *not* the largest supplier of oil – crude or refined – to the United States. The leading suppliers of crude oil are Canada and Mexico, which together accounted for 46 percent of the total value of U.S. crude oil imports in 2012. Countries in the Middle East supplied just 15 percent of total U.S. crude oil imports in that year. A larger number of countries supply refined fuels to the United States, and the mix of countries in the top 10 differs somewhat from those supplying crude petroleum. However, again the Middle East is not the largest supplier, even as a bloc: Russia and Canada are.*

U.S. Imports of Oil as a Share of Total U.S. Imports



Source: U.S. Department of Commerce and the U.S. International Trade Commission.

U.S. Oil Imports, 2012
(Millions)

	Crude Oil (HTS 2709)		Refined Oil (HTS 2710)	
Top 10			Top 10	
Canada	$69,468.1		Russia	$17,908.9
Mexico	36,775.6		Canada	16,846.4
Saudi Arabia	21,599.8		Saudi Arabia	7,923.4
Nigeria	17,387.2		United Kingdom	6,557.2
Venezuela	16,778.4		Venezuela	5,042.3
Colombia	14,656.3		Algeria	4,602.0
Angola	8,921.1		Netherlands	4,525.1
Iraq	6,941.3		India	2,957.5
Ecuador	6,563.8		Norway	2,611.1
Kuwait	5,928.9		Mexico	2,505.1
Top 10	205,020.5		Top 10	17,479.0
Other (30 sources)	23,923.4		Other (94 sources)	34,896.2
Total, All Sources	$228,944.0		Total, All Sources	104,019.2
Shares			Shares	
Top 10		89.6%	Top 10	68.7%
Middle East**		15.1	Middle East**	11.2

* Percentages are calculated based on the value of imports; an analysis of the volume of crude and refined oil imports yields similar results.

** Countries in the Middle East include Armenia, Azerbaijan, Bahrain, Gaza Strip, Georgia, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab emirates, West Bank and Yemen, per the CIA Factbook.

Source: U.S. Department of Commerce and the U.S. International Trade Commission.

U.S. Imports Are Concentrated Among Relatively Few Countries

While the United States imports from 234 countries and territories, in terms of value, most U.S. non-oil merchandise imports come from a small number of countries. Just 20 countries accounted for more than $4 out of every $5 worth of goods imported in 2012 (Table 1). And more than 70 percent of U.S. non-oil goods imports came from the top 10 suppliers in Table 1. While China has become the largest foreign supplier of U.S. imports, in fact it represents only 22 percent of total U.S. imports —— $1 of every $5 imported in 2012.

Table 1
Top 20 Sources of U.S. Non-Oil Merchandise Imports, 2012
(Customs Value in Billions of Dollars and Percent)

	Value	Share of Total Imports
China	$424.7	22.2%
Canada	237.0	12.4
Mexico	236.9	12.4
Japan	144.1	7.5
Germany	104.8	5.5
Korea	55.7	2.9
United Kingdom	47.2	2.5
France	39.9	2.1
Taiwan	38.5	2.0
India	37.1	1.9
Italy	34.8	1.8
Ireland	33.2	1.7
Malaysia	25.7	1.3
Switzerland	25.5	1.3
Thailand	25.3	1.3
Brazil	24.5	1.3
Saudi Arabia	22.8	1.2
Israel	22.0	1.1
Singapore	20.0	1.0
Vietnam	19.8	1.0
Top 10	1,365.4	71.2
Top 20	1,693.6	84.5
All Other	298.0	15.5
Total from World	1,917.0	100.0%
Top 10	1,292.4	70.7%
Top 20	1,534.4	83.9%

Source: U.S. Department of Commerce and the U.S. International Trade Commission.

U.S. Imports Are Sourced Evenly from High-Wage Developed Countries and Fast-Growing Middle-Income Countries

Another interesting feature of Table 1 is that a large number of high-wage countries figure among the Top 20 sources of U.S. imports. Canada (hourly compensation rate of $36.56 in 2011, compared to $35.53 for the United States[7]), Japan ($35.71), and Germany ($47.38) together accounted for one quarter of all U.S. imports in 2012. The United Kingdom ($30.77), France ($42.12), Italy ($36.17), Ireland ($39.83), Switzerland ($60.40), and Singapore ($22.60) also rank among the Top 20.

In fact, nearly half of U.S. imports come from other high-wage, developed countries, as defined by the World Bank (Table 2). Lower-wage, low-income countries accounted for less than 1 percent of the total. (One important reason low-income countries are such small suppliers to the U.S. market is that many of the products they produce most competitively – footwear, apparel, sugar-containing products – face steep U.S. import barriers that raise the costs of their product significantly (see Chapter VIII).)

[7] Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs in Manufacturing, 2011," Economic News Release, USDL-12-2460, Table 1, December 19, 2012. Hourly compensation costs are for manufacturing and measured in U.S. dollars.

Table 2

U.S. Non-Oil Goods Imports by Income Groups, 2012

(Share of Total U.S. Imports)

Income Categories**	Number Of Countries	Average 2010 Per Capita Income*	Share of Total Imports
High-Income Countries	56	$41,029	49.7%
Middle-Income Countries	105	4,634	49.7
Low-Income Countries	37	760	0.6
Total	198***	21,285	100.0

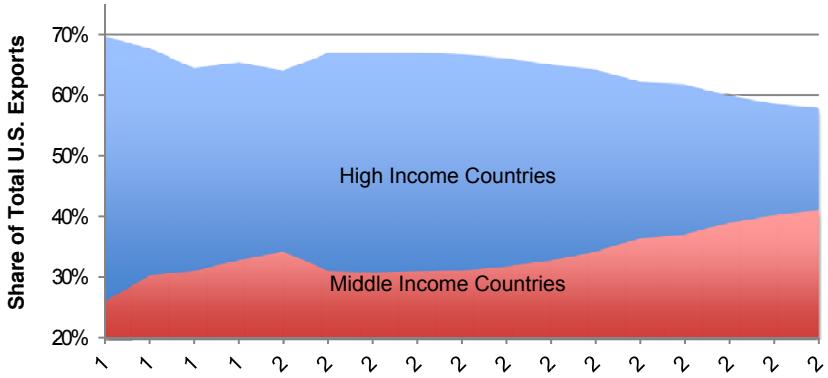
* Weighted by the value of total imports from each country.
** The World Bank defines "high income" countries as those with gross national income (GNI) per capita of $12,476 or more in 2011; "middle income" countries are those with a GNI per capita of $1,026 to $12,475, and "low income" countries are those with a GNI per capita of $1,025 or less.
*** 34 countries or territories could not be included in this table because World Bank GNI per capita data are not available for them. However, as a group they represent just 0.04 percent of total U.S. imports, so their exclusion from this table does not distort the results.

Sources: Trade Partnership Worldwide, LLC, from World Bank, "Gross national income per capita 2011, Atlas method and PPP," http://databank.worldbank.org/databank/download/GNIPC.pdf; GNI data for Taiwan came from the International Monetary Fund.

Middle-income countries are also important suppliers of goods to the U.S. market (Table 2). This group — primarily Mexico[8] (electrical machinery and equipment, including computers and monitors) and China (electrical machinery and equipment, including computers and telephones) — supplied just under half of U.S. imports in 2012, 49.7 percent. What is notable about this group of countries is that they account for a growing share of U.S. exports (Chart 3). Remember that exporting and importing are linked (see Chapter II), and this group drives that point home. Middle income countries accounted for 40 percent of U.S. exports in 2012, compared to just 28 percent in 1996.[9] (In 1996, this same group of countries accounted for 30 percent of U.S. imports.) So growth in U.S. imports goes hand in hand with growth in U.S. exports.

Chart 3

Middle Income Countries' Shares of Total U.S. Exports Compared to High Income Countries' Shares, 1996-2012



Source: Trade Partnership Worldwide, LLC from Census data.

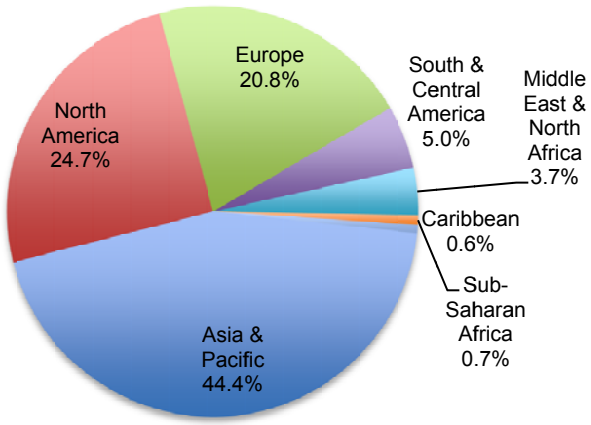
8 A recent *Washington Post* article began as follows: "A wary but tenacious middle class is fast becoming the majority in Mexico, in a profound demographic transformation that has far-reaching implications [in Mexico] and in the United States. Although many Mexicans and their neighbors to the north still imagine a country of downtrodden masses dominated by a wealthy elite, the swelling ranks of the middle class are crowding the new Wal-Marts, driving Nissan sedans and maxing out their Banamex credit cards. The members of this new class are not worried about getting enough to eat. They're worried that their kids eat too much." William Booth and Nick Miroff, "In Mexico, a Middle Majority," *The Washington Post*, March 18, 2012, p. A-1.

9 The drop in share in 2001 for middle income countries is due large to the reclassification of Korea from "middle income" to "high income" in that year.

The Asia/Pacific Region Is an Important Source of U.S. Import Supply

Not surprisingly given the importance of China, the Asia/Pacific region accounts for a significant share of total U.S. imports (Chart 4). Next in importance are our NAFTA partners, and then Europe.

Chart 4
U.S. Non-Oil Imports by Major Region, 2012



Source: U.S. Bureau of the Census

FTA Partners Matter As Well

Notably, U.S. free trade agreement (FTA) partners are also important sources of supply to the U.S. market. As a group, the 20 countries with FTAs in effect in 2012 supplied just over one-third (35 percent) of total U.S. imports, and a greater value of imports into the United States than did China, $786.1 billion compared to $424.9 billion from China.[10] Most of those imports come from Canada and Mexico, and reflect the growing integration of the NAFTA countries into U.S. production and supply chains for key products, like motor vehicles and consumer electronics. Imports from non-NAFTA FTA partners vary considerably (see Table 3). Several products are of keen interest to American consumers, including fresh fruits and wine from Chile, coffee from Guatemala and El Salvador, and apparel and jewelry from a number of FTA partners. American farmers benefit from fertilizers imported

Table 3
Leading U.S. Non-Oil Imports* from FTA Partners, 2012

Australia	Meat (including lamb); wine
Bahrain	Aluminum and aluminum products; fertilizer; apparel
Canada	Motor vehicles and parts; machinery; plastics
Chile	Copper and copper products; fish; grapes; wine
Colombia	Gold; coffee; flowers
Costa Rica	Semiconductors; medical equipment; fruit
Dominican Rep.	Medical equipment; cigars; electrical circuitry
El Salvador	Apparel; sugar; coffee
Guatemala	Bananas; gold; coffee
Honduras	Apparel; insulated wires/cable; coffee
Israel	Diamonds; pharmaceuticals; telephone sets
Jordan	Knit apparel; woven apparel; precious metal jewelry
Korea	Motor vehicles and parts; telephones; semiconductors
Mexico	Computers and monitors; motor vehicles; telephones
Morocco	Phosphates and fertilizers; semiconductors
Nicaragua	Apparel; coffee; gold
Oman	Fertilizers; plastics; precious jewelry
Panama	Fish; gold; sugar
Peru	Gold and silver; tin; coffee
Singapore	Organic chemicals; printers; semiconductors

[10] The results are similar even if oil is excluded: in 2012, FTA partner countries accounted for one-third (33.3 percent) of total U.S. non-oil imports, and as a group more imports than from China: $638.9 billion for FTA partners versus $424.7 billion for China.

from Bahrain and Oman. Still other key imports from FTA partners suggest they are important participants in U.S. supply chains, supplying U.S. manufacturers with raw materials like copper (Chile), gold (Peru) and aluminum (Bahrain), and parts and components like semiconductors (Costa Rica, Korea and Singapore), and auto parts (Mexico, Canada, and Honduras).

Few U.S. Imports Benefit from Special Trade Programs

The United States extends some unilateral trade preferences to selected countries for specific products.[11] The United States extends these benefits to developing countries unilaterally to promote economic development through trade, rather than aid. They consist largely of reduced-duty or duty-free treatment for specific products imported into the United States from the targeted countries.

Table 4
U.S. Duty-Free Imports Under Special Trade Programs, 2012
(Customs Value in Millions of Dollars and Percent)

	U.S. Imports Benefitting from Program	Share of Total U.S. Imports
African Growth and Opportunity Act	$32,748	1.45%
Generalized System of Preferences Program	19,857	0.88
Andean Trade Preferences Act	11,406	0.51
Caribbean Basin Trade Partnership Act*	1,633	0.07
Caribbean Basin Initiative	1,503	0.07
West Bank, Gaza Strip Preferences	1,028	0.05
All Preference Programs	68,175	3.03

* Includes Haitian Hemispheric Opportunity for Partnership Encouragement Acts.
Sources: Bureau of the Census and U.S. International Trade Commission.

However, contrary to the popular perception, the United States is a long way away from swinging wide its doors to imports from low-income countries with non-reciprocal trade preference programs. While these programs are very important to the beneficiary countries and their benefits to these countries should not be underestimated (see Box on Imports Benefit Development), in 2012, these special trade programs positively affected only 3 percent of the total value of U.S. imports (see Table 4).

[11] The analysis here addresses the charges of some that the United States unilaterally throws open its doors to imports from low-wage countries without getting anything in return, to the detriment of U.S. workers. While the preference programs are non-reciprocal in the sense that they do not demand comparable tariff or non-tariff reductions from beneficiary countries for free access to the U.S. market, they do require beneficiary countries adhere to longs lists of conditions for receiving benefits. These conditions include market access for U.S. goods, protection of U.S. intellectual property rights and investments, and other similar conditions that in some ways are aimed at achieving the same ends – increased U.S. exports, for example – as a reciprocal trade agreement. See Laura M. Baughman, "U.S. Trade Preference Programs: Lessons for Europe from the U.S. Struggle to Get It Right," The German Marshall Fund of the United States, Economic Policy Paper Series 2010, December 2010.

Imports from China

U.S. imports from China span a wide range of products destined for American families *and* American manufacturers. Consumer electronics comprise nearly half of U.S. imports from China. Some imports from China are assessed steep tariffs at the U.S. border – apparel, footwear and leather products, which are well in excess of the average for all imports into the United States, 1.32 percent.

Leading U.S. Non-Oil Imports from China, 2012
(Customs Value in Billions of Dollars and Percent)

Category (HTS two-digit level)	Value	Average Duty Rate
Electrical equipment: primarily telephones, monitors, power supplies, Consumer electronics and accessories, appliances	$110.6	0.98%
Machinery: primarily computers and parts, printing machinery/copiers, Pumps, compressors, air conditioners	99.2	0.37
Toys, puzzles, models, games	22.0	0.72
Furniture	22.4	1.92
Footwear and leather products	17.0	10.34
Apparel	29.6	15.63
Plastic products, including table ware, kitchen ware, storage containers	12.1	3.94

U.S. Department of Commerce and the U.S. International Trade Commission.

But the data above are misleading. They attribute to China the full value of the products when they are imported into the United States from China, even though in many cases the product was merely assembled in China from parts and components sourced from other countries, including the United States. New data recently published by the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO) adjusts for this distortion. It reports U.S. trade on a "value added" basis, attributing to each country the value contributed by each country along the production chain. The result: the value of U.S. imports from China drops, because so much of what is imported from China includes value from other countries. For example, according to the database, the value of China's exports to the United States in 2009 of textiles, apparel and footwear would be 75 percent lower than the value shown in U.S. import statistics (and reported above) if those exports reflected only the value added in China. In fact, the new OECD/WTO data reveal that the U.S. trade deficit would be 25 percent lower if measured on the basis of the value added by China to U.S. imports than it is as now calculated.*

* Organization for Economic Cooperation and Development and World Trade Organization, "OECD-WTO Database on Trade in Value-Added, Preliminary Results," undated, https://www.wto.org/english/res_e/statis_e/miwi_e/tradedataday13_e/oecdbrochurejanv13_e.pdf.

Imports, Development and Security

When The Trade Partnership last undertook this study on the impact of imports on the United States, we found that in 1997 10.3 percent of total U.S. imports came from low-income countries, and 24.9 percent from middle-income countries.* Today, we see from Table 2 above how much has changed: nearly half of all U.S. imports come from middle-income countries. Many if not most of those countries fell into the low-income category in 1997. They moved into the middle-income group in large part due to their ability to export to the United States and other open and hungry markets. It has long been accepted that trade has a greater positive impact over the longer term on development than aid. Indeed, promotion of trade, rather than extension of aid, was one of the motivations behind the development of the U.S. Generalized System of Preference program in the 1970s.

Promoting development goes beyond the laudable goal of ensuring that families have sufficient incomes to feed and clothe their families. Also of concern is the desire to ensure that countries in troubled areas of the world are economically stable to better enable them to secure the rule of law and stable government. Jobs contribute to economic stability. Export-related production creates many of those jobs. Ensuring that these countries can export to the United States (and other large and growing markets) is therefore important to U.S. security interests. The need for this export-generated job growth will only get bigger in coming years. Population projections show dramatic growth in young populations in developing country urban areas that are currently unfit to absorb them, find them jobs and housing. The most recent projections of the National Intelligence Council suggest that the need to ensure "youth bulges" in South Asia (in particular Afghanistan, Pakistan, and India), the Middle East and Africa have jobs will be paramount to avoiding de-stabilizing social unrest.** Instability in some of these countries in recent years underscores the importance of addressing this issue.

Given that trade will be an important driver of job creation in some unstable regions of the world, it is imperative that the United States do what it can to support that trade. This means ensuring that these countries can export to the United States goods they are already well-positioned to make. This includes apparel and other textile products, for example – products on which the United States assesses some of its highest tariff rates (see Chapter VIII). Other important ways to support trade-related job growth in developing countries include further integrating them into global value chains by lowering global barriers to trade though negotiations at the World Trade Organization, including by lowering the administrative costs of trade by finalizing a trade facilitation agreement (again, see Chapter VIII). The failure so far of the Doha Round negotiations to make progress toward liberalization of a host of barriers restricting developing country exports is a disappointment. Such an agreement would have done much to lower global barriers to trade that add unnecessary costs to developing country exports. However, movement on a trade facilitation agreement may yet be possible.

* The Trade Partnership, Imports and America: The Rest of the Story, August 1998, Table 3, http://www.tradepartnership.com/pdf_files/Imports_and_America.pdf.

** National Intelligence Council, *Global Trends 2030: Alternative Worlds*, December 2012, http://info.publicintelligence.net/GlobalTrends2030.pdf.

U.S.-Made Goods Often Cannot Substitute for Imported Products

The United States makes cars – and imports cars. We make apparel, and import apparel. Most products that are imported also are made in the United States.

Well, not exactly. It would be a mistake to conclude that every imported product can be made in the United States at the same price. They are different from seemingly similar U.S. products — imperfect substitutes, in the language of economists. For example, toys made in the United States tend to be higher-cost artisan-type dolls and stuffed animals and wooden craft toys; imported toys are the high-volume, low-priced items typically sold to consumers for whom price matters most. Footwear made in the United States tends to be higher-priced leather footwear; imported footwear — even leather footwear — is often of lower quality and therefore lower priced, again serving a different consumer market. Most economists — even those who criticize the effects of imports on U.S. jobs — agree that imports generally are in some way different from competitive products made by U.S. manufacturers.

These differences are significant. They mean that the sale of an imported product does not necessarily replace the sale of a U.S.-made product. This in turn means that the job of a U.S. worker making the product is not necessarily put at risk by the presence of similar imported products in the market.

Imports and Trade Deficits

Much has been made of the U.S. trade deficit and what it signifies about U.S. competitiveness and foreign barriers to U.S. exports. The bottom line is this: trade deficits – especially bilateral deficits -- are given more significance than they merit.

The total U.S. trade deficit is determined not by trade policy but by how much Americans save and invest. The trade balance is an accounting identity: the difference between savings and investment must equal the difference between exports and imports. Exchange rate changes ensure that the two sides of the equation balance out.* Artificially changing the trade balance side of the identity — for example, reducing imports with an across-the-board tariff — without also changing the savings and investment side of the equation merely forces changes in exchange rates that leave the accounting identity unchanged. Without either increasing savings or reducing investment, the trade deficit will persist.

Contrary to popular belief, trade deficits are not a sign of U.S. economic weakness.** In fact, they are associated with periods of economic growth, as a strong U.S. economy demands more goods and services than it can produce domestically. Looking at data from 1980-2010, one analyst finds that during periods when the U.S. trade deficit grew, GDP grew faster than when the trade deficit was narrowing, accompanied by robust job creation and advances in the stock market.***

While bilateral deficits may be influenced by trade barriers more than the total deficit, attempting to reduce the deficit with one country (e.g., China) often increases deficits with others (e.g., Vietnam, Bangladesh, and other countries capable of producing the same products that China exports to the United States).

Moreover, recent analytical work on the proper way to measure imports and exports has found that bilateral trade balances can change significantly if one measures trade based on the value of output ("value added") contributed to the landed cost of the product by each country in the international supply chain, rather than the value reported in trade statistics. "The value-added approach more accurately portrays the origin of the value in U.S. imports than officially reported import data can," says a U.S. International Trade Commission study.**** For example, as the example of Apple's iPod shows, the value of the imported iPod ($144) is credited in U.S. trade statistics wholly to China. But more of the value of that iPod is actually contributed by other countries, including the United States, and the actual share that is "Chinese" is just $5 or so.***** As noted above ("Imports from China"), measured on a value-added basis, the U.S. trade deficit with China drops by about 25 percent for 2009 according to newly-released WTO/OECD data.******

* An excellent description of the interrelationship between the trade balance and the savings/investment balance can be found in Daniel T. Griswold, "America's Maligned and Misunderstood Trade Deficit" (Washington, DC: Cato Institute, Center for Trade Policy Studies), April 24, 1998.

** One recurrent critic of imports and the trade deficit claims "Increases in exports increase GDP, and support job creation, while increases in imports reduce GDP and costs jobs. Period. No amount of smoke and mirrors or twisted legal reasoning can change these fundamental economic facts." Robert E. Scott, "the U.S. Export and Import Bank Should Help finance Sales of domestic firms That compete with Imports," *Huff Post*, April 11, 2012. Scott does not seem to understand that, the calculation of GDP subtracts imports only because imports are included in the other pieces of the GDP equation -- consumption, government spending, investment, and exports – and if we did not subtract an aggregate import value, then national output (DGP) would be overstated. See Dan Ikenson, "Another Reason Imports Get a Bad Rap," *Cato @ Liberty*, January 13, 2010.

***Daniel Griswold, "Beneficiaries of Trade: You and Me," *Barron's*, July 11, 2011.

**** U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, p. 3-16.

***** J. Dedrick, K. L. Kraemer and G. Linden, "Who Profits from Innovation in Global Value Chains?: A Study of the iPod and Notebook PCs," *Industrial and Corporate Change*, 2010, Vol. 19, No. 1, pp. 81-116.

****** "OECD/WTO Trade in Value Added (TIVA) Database: China," undated, http://www.oecd.org/sti/ind/TiVA%20China.pdf.

IV. Imports and American Jobs

There is no doubt that products imported into the United States have an impact on U.S. jobs. But attention tends to focus on charges that imports cause U.S. job losses. While this is true for some jobs, it is by no means universally true.

That positive side of the import story is simply this:

- Goods imports on balance supported more than 16 million jobs in 2011, and every state has a net positive stake in importing;

- Import-related jobs are "good jobs" — they often pay well, and many are held by union members, or minorities, or women.

Import-Related Jobs Are Located Throughout the Economy

The story of the employment benefits of imports is told infrequently. The government collects and publishes data detailing U.S. jobs tied to exports. The recent interest in promoting exports has resulted in new studies aimed at estimating the fuller range of U.S. jobs related to exporting, and this effort has been very useful in public policy analysis.[12] The closest the U.S. government comes to counting jobs related to imports is to tally those "dislocated" by imports and certified for assistance under the Trade Adjustment Assistance program, or workers dislocated by trade in the U.S. Labor Department's Extended Mass Layoff data series.[13] A recent Congressional Research Service analysis reports that the total number of workers certified for TAA benefits over the last nine years, from Fiscal Year 2003-2011, was 1,450,666.[14] The Mass Layoff survey puts the number

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[12] See for example, John Tschetter, "Exports Support American Jobs," U.S. Department of Commerce, International Trade Administration, International Trade Research Report No. 1, March 2010; Martin Johnson and Chris Rasmussen, "Jobs Supported by Exports: An Update," U.S. Department of Commerce, International Trade Administration, Manufacturing and Services, Office of Competition and Economics Analysis, March 12, 2012.

[13] See U.S. Department of Labor, Mass Layoff Statistics, http://www.bls.gov/mls/.

[14] Benjamin Collins, "Trade Adjustment Assistance for Workers," Congressional Research Service, Table 3, December 17, 2012, http://www.fas.org/sgp/crs/misc/R42012.pdf.

of U.S. jobs lost to import competition at much lower levels. Pulling the data as far back as 1996, the survey shows that the number of jobs lost to import competition totaled just over 200,000, representing 1.3 percent of total layoffs over the same 16-year period. Largely on the basis of these data, the public concludes that imports cost jobs.

But direct job losses are not the whole story. The need for a fuller assessment of the range of American jobs directly and indirectly linked to importing goods into the United States is clear. Certain types of jobs are more obviously linked to imports than others. For example, long before imported goods ever reach U.S. shores, U.S. designers develop products, and importers and producers arrange for financing through U.S. and foreign banks. When the goods arrive, dockworkers are mobilized, Customs agents process the shipments, and truckers and other transportation workers take the goods to warehouses or other points of distribution. Wholesalers deliver the goods to manufacturers or retailers. Advertising account executives devise campaigns to sell the goods. The "importer" may work in any one of four industries. Most typically, a wholesaler acts as the actual "importer," selling the imported goods to retailers and manufacturers. However, retailers, manufacturers and even farmers often import directly and therefore maintain staff who place orders, arrange for payment and actual importation of the goods, and get them from the ports to the store, manufacturing facility, or farm.

In addition to these jobs, there are millions of others that are not so obvious. The workers in other sectors of the economy provide goods and services to the workers in the more obvious import-related jobs, whether it's food at a local lunch spot, clothing and footwear to wear to work, subway/bus fares or parking fees to get to work, and other less visible activities that generate jobs. Workers with manufacturers, wholesalers and retailers place orders with U.S. and foreign suppliers for products ranging from paper boxes to coat hangers or computers and cash registers needed to sell the imported goods. There's still more: because imports lower the costs of goods (see Chapter VI) consumers have more money to spend on other goods and services, including for example education and leisure activities. The expanded business in these sectors supports jobs. Finally, the greater economic efficiencies that result from the availability of lower-cost imports, boosts U.S. productivity that in turn stimulates job-sustaining activity across the economy. For example, one study found that the widespread *usage* of new information technologies, made possible by lower costs resulting from international supply chains, accounts for as much as 80 percent of the economic benefits from technology (compared to 20 percent

from the *production* of that technology).[15]

Millions of Americans Owe Their Jobs to Imports

As we noted at the outset of this Chapter, it has been difficult to put a number on the full range of jobs related to importing because no official government data exist that count them. But just as methodologies have been devised to measure the number of U.S. jobs related to exporting, so too a (different, more comprehensive) methodology can be devised to measure the number of jobs that exist because the United States imports. Such a methodology is described in the Appendix, and the results are presented in Table 5.

Important Note About the Results

The jobs estimates represent jobs that exist – or do not exist -- because of U.S. goods imports in 2011. We refer to these jobs as "import-related jobs" or, net "jobs supported by imports." ***The negative estimates for some sectors should not be described as job losses in those sectors***. They represent jobs that did not exist in those sectors in 2011 because the United States imported $2.2 trillion in goods.

Table 5
American Jobs Supported by Imports, 2011

Sector	Number of Jobs	Share of Employment in Sector
Services	15,203,548	12.1%
Consumer services*	4,143,489	15.8
Business services**	3,862,419	10.5
Education, health care, social assist.	2,800,720	11.9
Retail trade	1,779,501	10.0
Finance, insurance	1,122,793	11.8
Transportation & warehousing	815,287	16.8
Wholesale trade	611,022	10.0
Utilities	68,317	11.9
Government	2,879,737	11.9
Construction	2,097,651	24.0
Manufacturing	-2,961,099	24.0
Agriculture, forestry, fisheries	-419,983	12.0
Mining	-387,047	27.1
Net Total	16,412,808	9.3

* Leisure and hospitality, and other similar services.
** All private business services not separately shown, including real estate and leasing services.
Source: Trade Partnership Worldwide, LLC

We find that in 2011,[16] U.S. imports supported more than 16 million *net*, direct and indirect American jobs, representing 9.3 percent of total U.S. employment. The results clearly show that one of the greatest and most widely acknowledged benefits of imports – their contribution to lowering costs and providing American families with greater spending power (see Chapter VI) – has enormous job-supporting impacts as well. A large number of jobs that exist because of

[15] Stephen J. Ezell, "Boosting Exports, Jobs and Economic Growth by Expanding the ITA," The Information Technology and Innovation Foundation, March 2012, pp. 3-4, http://www2.itif.org/2012-boosting-exports-jobs-expanding-ita.pdf.

[16] While other data in this study are for 2012, we provide employment estimates for 2011 because that is the most recent year available for the underlying detailed employment data required for this analysis. The Bureau of Economic Analysis publishes these data each September; data for 2012 will not be published before September 2013.

imports are found in sectors that benefit from this increased spending power: leisure activities, including entertainment and restaurants, which are part of "consumer services." Other jobs that exist because we import include those tied to greater economic activity generated by imports, including the need for infrastructure (e.g., utilities, construction). Thus sectors that many believe are not impacted by trade – health care, education, leisure services -- in fact are.

Import-Related Jobs Are Spread Across the United States

Import-related jobs are spread across the United States (see Table 6). Not surprisingly, a number are concentrated in states along U.S. coasts or borders, which benefit from significant port trade and related warehousing and transportation services. The 10 states accounting for the largest number of import-related jobs in 2011 were California, Florida, Georgia, Illinois, New Jersey, New York, Ohio, Pennsylvania, Texas, and Virginia. Thus, the benefits of imports touch a wide variety of local economies.

Table 6
State Distribution of Import-Related Jobs, 2011
(Net Number and Percent)

	Number of Import-Related Jobs	Share of Total State Employment		Number of Import-Related Jobs	Share of Total State Employment
Alabama	208,866	8.4%	Montana	59,901	9.5%
Alaska	41,476	9.1	Nebraska	105,178	8.5
Arizona	332,597	10.3	Nevada	164,833	11.0
Arkansas	115,130	7.4	New Hampshire	76,895	9.4
California	1,897,964	9.5	New Jersey	523,717	10.5
Colorado	321,059	10.0	New Mexico	103,210	9.7
Connecticut	211,232	9.6	New York	1,203,313	10.8
Delaware	56,908	10.7	North Carolina	481,730	9.2
DC	102,440	12.2	North Dakota	42,152	8.0
Florida	1,097,753	11.0	Ohio	549,023	8.4
Georgia	520,471	9.8	Oklahoma	155,121	7.2
Hawaii	95,914	11.4	Oregon	189,320	8.5
Idaho	76,688	8.7	Pennsylvania	658,722	9.1
Illinois	677,975	9.2	Rhode Island	58,017	9.9
Indiana	259,299	7.2	South Carolina	222,756	9.0
Iowa	146,072	7.4	South Dakota	47,286	8.4
Kansas	135,870	7.4	Tennessee	317,516	8.8
Kentucky	184,174	7.8	Texas	1,296,652	8.9
Louisiana	237,661	9.2	Utah	155,556	9.4
Maine	76,440	9.6	Vermont	38,651	9.2
Maryland	383,390	11.3	Virginia	503,035	10.5
Massachusetts	424,458	10.2	Washington	349,812	9.1
Michigan	425,670	8.3	West Virginia	73,594	8.0
Minnesota	294,550	8.5	Wisconsin	243,510	7.0
Mississippi	121,050	8.1	Wyoming	29,794	7.6
Missouri	318,353	9.1	Total	16,412,808	9.3

Source: Trade Partnership Worldwide LLC

States with ports of entry also benefit significantly from imports. These ports are the first point of contact of imports into the United States, and customs, dockworker, warehousing and transportation workers there play important roles in unloading and breaking down shipments and distributing them to the rest of the United States. The states through which U.S. non-oil merchandise imports first enter the United States through major Customs Districts are shown in Table 7, along with the largest product category (at the two-digit Harmonized Tariff System level of aggregation) entering that port.[17]

Table 7
Non-Oil Imports Into States with Customs Districts, 2012

	Leading Product Imported into District
Alabama (Mobile)	Iron and steel
Alaska (Anchorage)	Electrical machinery & equipment
Arizona (Nogales)	Vehicles and parts
California	
Los Angeles	Machinery
San Francisco	Electrical machinery & equipment
San Diego	Electrical machinery & equipment
Florida	
Miami	Pearls, gems, precious metals, jewelry
Tampa	Vehicles and parts
Georgia (Savannah)	Vehicles and parts
Hawaii (Honolulu)	Vehicles and parts
Illinois (Chicago)	Electrical machinery & equipment
Louisiana (New Orleans)	Electrical machinery & equipment
Maine (Portland)	Aircraft
Maryland (Baltimore)	Vehicles and parts
Massachusetts (Boston)	Precision equip., including medical
Michigan (Detroit)	Vehicles and parts
Minnesota	
Duluth	Fertilizers
Minneapolis	Machinery
Missouri (St. Louis)	Electrical machinery & equipment
Montana (Great Falls)	Machinery
New York	
New York City	Pearls, gems, precious metals, jewelry
Buffalo	Vehicles and parts
Ogdensburg	Pearls, gems, precious metals, jewelry
North Carolina (Charlotte)	Machinery and pharmaceuticals
North Dakota (Pembina)	Machinery
Ohio (Cleveland)	Machinery
Oregon (Columbia-Snake)	Vehicles and parts
Pennsylvania (Philadelphia)	Pharmaceuticals
Rhode Island (Providence)	Vehicles and parts
South Carolina (Charleston)	Machinery
Texas	
Laredo	Vehicles and parts
Houston-Galveston	Machinery
El Paso	Machinery
Dallas-Ft. Worth	Electrical machinery & equipment
Port Arthur	Organic chemicals
Vermont (St. Albans)	Aircraft
Virginia (Norfolk)	Machinery
Washington (Seattle)	Machinery
Washington, DC (Dulles)	Organic chemicals
Wisconsin (Milwaukee)	Aircraft

Source: U.S. Department of Commerce and the U.S. International Trade Commission.

Import-Related Jobs Are Good Jobs

Jobs related to imports are the very kinds of so-called "good jobs" that critics of imports seek to maintain in the United States – high-paying jobs that enable workers with just a high school education to live a "middle class" lifestyle, jobs held by union workers, jobs available to minorities and women.

[17] Some of these Customs Districts cover ports in multiple states. For example, the Boston Customs District covers Boston as well as several ports in Connecticut; the Philadelphia Customs District covers the port of Philadelphia and ports in Delaware (Wilmington) and New Jersey. All 50 states have one or more ports of entry.

Compensation[18]

Import-related jobs contribute significant value to the U.S. economy. Total compensation (gross wages, salaries and government-mandated employee benefits) of import-dependent jobs 2011 is estimated to equal at least $683.6 billion.[19] The average annual compensation for several sectors employing a large number of jobs positively tied to imports exceeds the average for the United States as a whole: jobs in the utilities sector, business services, transportation and warehousing, construction, and government jobs (see Table 8).

Table 8
Compensation* of Import-Related Jobs, 2011
(ranked according to number of import-related jobs, largest to smallest)

Sector	Number of Jobs	Average Annual Compensation
Services	15,203,548	$55,722
Consumer services**	4,143,489	25,791
Business services***	3,862,419	74,898
Education, health care, social assist.	2,800,720	38,945
Retail trade	1,779,501	33,476
Finance, insurance	1,122,793	105,909
Transportation & warehousing	815,287	60,919
Wholesale trade	611,022	78,225
Utilities	68,317	129,456
Government	2,879,737	68,458
Construction	2,097,651	62,810
Manufacturing	-2,961,099	77,073
Agriculture, forestry, fisheries	-419,983	33,679
Mining	-387,047	110,983
Net Total	16,412,808	60,789

* Compensation includes wages and salaries plus supplements to wages and salaries. The supplements are the sum of employer contributions for government social insurance and employer contributions for employee pension and insurance funds.
** Leisure and hospitality, and other similar services.
*** All private business services not separately shown, including real estate and leasing services.

Source: Trade Partnership Worldwide, LLC from U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data, Annual State Personal Income and Employment.

Some argue that manufacturing is unique in that workers without college degrees can earn high salaries that give their families a "ticket to the middle class."[20] In fact, such jobs also exist in several of the sectors that have a net positive stake in importing. In 2011, for example, 49 percent of the workers employed in the transportation and warehousing sector had at best a high school diploma (compared to 46 percent in manufacturing); in construction the share is 59.6 percent. In both these services sectors, the average hourly wage exceeds that of manufacturing.

Import-related jobs pay good wages, and workers need not have a college degree to hold many of these jobs

[18] This study does not examine the impact of imports on U.S. wages generally and on wage inequality in particular. A thorough recent examination of these impacts can be found in Lawrence Edwards and Robert Z. Lawrence, *Rising Tide: Is Growth in Emerging Economies Good for the United States?*, Peterson Institute for International Economics (Washington, DC: February 2013).

[19] This estimate understates the total value of compensation earned by workers with jobs that depend on imports. It was derived from applying the share of workers with import related jobs (9.3 percent of total employment, including sole proprietors) to compensation data published by the Bureau of Labor Statistics. However, those compensation data are only for wage and salary workers, they exclude sole proprietors, as many as 55 million workers.

[20] Most recently, see for example Ro Khanna, "5 Myths about Manufacturing Jobs," *The Washington Post*, February 17, 2013, p. B2.

Union Membership[21]

Some of the most vocal critics of importing are American labor unions. And yet, union members hold many import-related jobs. Table 9 shows that overall, more than 1.8 million union members have jobs thanks to imports -- nearly 11 percent of U.S. jobs exist because of imports. In fact, more union jobs exist because of imports than do not exist because of imports. Some sectors with a large number of jobs that exist because of imports have higher union membership rates than manufacturing: government (37.0 percent), transportation and warehousing (20.4 percent) and utilities (25.0 percent), for example. A larger number of union jobs exist in sectors that would lose jobs (2.1 million) than would gain jobs (345,000) in the absence of imports.

Table 9

Estimated Union Membership of Jobs Related to Importing, 2011

(ranked according to number of import-related jobs, largest to smallest)

	Number of Jobs	Share of Total Import-Related Jobs
Government	1,065,503	37.0%
Services	767,931	5.1%
Education, health, social services	210,037	7.5
Transportation & warehousing	166,319	20.4
Business services**	136,189	3.5
Consumer services*	111,875	2.7
Retail trade	87,196	4.9
Wholesale trade	26,885	4.4
Utilities	17,079	25.0
Finance, insurance	12,351	1.1
Construction	293,671	14.0
Manufacturing	-310,915	10.5
Mining	-27,867	7.2
Agriculture, forestry, fisheries	-5,880	1.4
Net Total	1,782,443	10.9

* Leisure and hospitality, and other similar services.
** All private business services not separately shown, including real estate and leasing services.

Source: Trade Partnership Worldwide, LLC. Derived by applying the share of total sector employment that are members of a union to the estimated number of jobs related to imports (from Table 5). Source for union shares: U.S Bureau of Labor Statistics, Current Population Survey, Table 3: Union affiliation of employed wage and salary workers by occupation and industry," 2011, http://www.bls.gov/news.release/union2.t03.htm

Good news for unions: millions of union jobs exist because of imports.

Minorities and Women

Imports provide employment opportunities for minorities and women. Nearly 13 percent of the jobs related to importing are held by minorities. The share is much higher in education and health, 22 percent, and in business services, 18 percent.

Import-related jobs are also important to women (Table 10). More than 8 million women held these jobs in 2011. The sectors that benefit from consumer spending

[21] We focus on workers that are "members of a union." The estimates would be even larger if we considered workers that are "represented by unions."

Table 10
Estimated Import-Related Jobs Held by Minorities and Women, 2011

	Minorities	Women
Services	2,109,197	7,708,551
Utilities	4,056	[a]
Transportation & warehousing	48,409	185,356
Wholesale trade	15,142	176,312
Retail trade	201,111	865,503
Business services*	695,633	1,695,102
Finance, insurance	63,957	614,274
Education, health, social services	616,003	2,082,034
Consumer services**	464,885	2,089,971
Construction	141,379	196,545
Government	133,960	1,291,800
Manufacturing	-299,219	-850,538
Agriculture, forestry, fisheries	-5,880	-98,660
Mining	-1,518	-58,079
Net Total	2,077,919	8,189,620

[a] Included in transportation and warehousing
* All private business services not separately shown, including real estate and leasing services.
** Leisure and hospitality, and other similar services.

Source: Trade Partnership Worldwide, LLC. Derived from U.S. Department of Labor, Bureau of Labor Statistics, *Labor Force Characteristics by Race and Ethnicity, 2011*, Report 1036, August 2012, Table 8, http://www.bls.gov/cps/cpsrace2011.pdf.

enabled by imports provided the greatest number of jobs to women: consumer services and education and health care. Also significant are high-paying jobs in business services.

Unfair Imports

Charges abound that competition from unfairly priced imports puts downward pressure on U.S. product prices. U.S. producers cannot compete with these imports, forcing them to lay off workers when companies downsize or, at the extreme, close to shift production abroad. What are these companies and workers to do?

Two U.S. government agencies assist U.S. companies and their workers in using a number of tools to combat unfair imports. First, U.S. "trade remedy" laws, administered jointly by the U.S. Commerce Department and the U.S. International Trade Commission, establish mechanisms by which companies and/or workers can petition the U.S. government to investigate allegations of unfairly priced or subsidized imports that are injuring, or even threatening to injure, U.S. producers. Antidumping (AD) investigations can result in the imposition of duties that offset the unfair and injurious prices. Countervailing duty (CVD) investigations can also result in the imposition duties that offset unfair and injurious subsidies extended by foreign governments to foreign producers. Through 2012, the United States had 289 individual AD or CVD duties in effect, some for as long as 35 years. In addition, the ITC handles investigations of imports that infringe intellectual property rights. The ITC may issue an order that directs Customs to stop infringing imports from entering the United States. In addition, the Commission may issue cease and desist orders against named importers and other persons engaged in unfair acts related to intellectual property rights. As of 2013, 93 exclusion orders were in effect.

Imports and Job Losses

It is true that some American jobs are lost to competition from imports. What about these workers? Shouldn't their jobs be protected?

While the benefits of international trade are large, we should be candid about the fact that not everyone shares in these benefits. We should assess with clear eyes who suffers genuine harm due to competition from imports, and they should be helped (see below).

But the answer to a worker losing his job at a typewriter factory is not to force the factory to keep making typewriters. Rather, it's to make sure that workers can move from a 20th century job to a 21st century job without turning their lives upside down.

While it may seem to be the compassionate thing to do, hiding uncompetitive workers behind import barriers imposes costs on other workers and on consumers, particularly low-income consumers. Diverting resources — investment dollars, for example — into an otherwise uncompetitive industry comes at the expense of more competitive industries that could use those dollars to invest and create new jobs. It also increases the costs of the products sold by the protected industry, as well as those imported products that manage to find their way into the U.S. marketplace or are used by manufacturers as inputs to domestic production.

The number of good import-related jobs that would be negatively affected if the United States were to erect barriers to imports must also be factored into the equation. Who is to say that these jobs are any less important to those who hold them than workers feeling competition from imports?

Instead, the United States should – and does – provide safety nets to assist workers who have lost a job due to imports to train for and transition to another job. The current import-focused program is called "Trade Adjustment Assistance" (TAA), and has been in effect since the early 1960s. It is a matter of debate whether TAA is up to the task, or even whether it is appropriate to have a program targeted at trade-related job losses rather than job losses generally, given that it may be unclear whether a job was lost due to imports or some other cause, such as technology. In fact, the Obama Administration has proposed a new Universal Displaced Worker (UDW) program, which would offer benefits similar to those of TAA but would not distinguish between jobs lost due to trade and those lost because of factors such as technological change. A recent report from the Council on Foreign Relations concluded "[g]iven the breadth of challenges facing today's U.S. labor market, what is clearly needed is a stronger safety net that assists workers in transition, regardless of the reason they find themselves moving from one job to another."*

* Council on Foreign Relations, *U.S. Trade and Investment Policy* (New York: Council on Foreign Relations, September 2011), p. 62.

V. Small Businesses as Importers

Importing matters to American small businesses.

- Thousands of small businesses import directly.

- Still more small businesses import indirectly, working with larger companies that are directly engaged in importing.

Thousands of Small Businesses Are Engaged in Importing

A large number of the firms involved in direct importing are small businesses. According to the U.S. Census Bureau, nearly 184,000 U.S. companies imported goods in 2011. Most of these importers are small businesses: more than half employed fewer than 50 workers (see Table 11).[22]

Table 11
Employment Size of U.S. Importers, 2011*
(Number and Percent)

Number of Employees	Companies**	Share of Total Importers
1 to 19	78,404	42.6%
20-49	18,976	10.3
50-99	9,750	5.3
100-249	7,974	4.3
250-499	3,298	1.8
500 or more	5,140	2.8
Other***	60,418	32.8
Total	183,960	100.0

* The most recent year data are available.
**These are the number of companies that the U.S. Census Bureau could link to an import transaction. In 2010, they represented 88 percent of total U.S. imports.
*** Number of companies for which the number of employees is unknown.
Source: U.S. Department of Commerce, Bureau of the Census, "A Profile of U.S. Importing and Exporting Companies, 2010-2011," April 5,2013.

The internationalization of the supply chain has also helped small businesses to become more engaged – directly and indirectly – in trade by providing services to much larger suppliers to international markets. Recent research at the U.S. International Trade Commission focusing on exports has found that small and medium-sized businesses are involved both directly and indirectly in trade – exports and imports – through larger multinational companies to which they supply goods and services. This involvement in trade

[22] While the greatest number of companies importing are small businesses, they account for only a small share of the value of U.S. imports. Companies employing less than 50 workers accounted for 10.4 percent of the value of U.S. imports that could be associated with a known importer. Companies employing 500 or more workers accounted for 69.3 percent of those imports. U.S. Department of Commerce, Bureau of the Census, "A Profile of U.S. Importing and Exporting Companies, 2010-2011," April 3, 2013, http://www.census.gov/foreign-trade/Press-Release/edb/2011/exh1d.pdf.

is not readily apparent from the trade data typically published by the U.S. Government.[23]

Many small businesses rely on special import programs — e.g., those shown previously in Table 4 — to compete with larger U.S. companies. For example, unlike larger companies, small manufacturers may not benefit from discounts suppliers may offer for bulk orders. For the smaller companies, the ability to import raw materials and components duty-free under the U.S. Generalized System of Preferences program can make all the difference to their ability to be profitable U.S. manufacturers.

[23] U.S. International Trade Commission, *Small and Medium-Sized Enterprises: Characteristics and Performance*, Inv. No. 332-510, USITC Pub. 4189, November 2010.

VI. Imports and American Families

All American families benefit from imports. While every worker may not have a job directly or even indirectly linked to imports, every person from the youngest to the most senior benefits directly from imports.

- Imports expand selection of budget-friendly goods, like electronics we use to communicate and many clothes and shoes we wear, and improve the year-round supply of such staples as fresh fruits and vegetables.

- Imports help families economically by ensuring this wide selection of goods is affordable.

Imports Broaden Product Selection

Imports make available to U.S. consumers a wide variety of products that are not made in the United States. According to the U.S. Department of Agriculture, more than a quarter of total agricultural and food imports are "non-competitive" imports — foods not produced in most of the United States, such as coffee, chocolate and tropical fruit.[24] Other imported products reflect consumer preferences for foods produced by particular regions of the world, such as French wine or Italian cheeses. Still others keep store shelves stocked when the U.S. season has passed. Fruits and vegetables imported from Chile and other countries south of the Equator complement U.S. production during the winter. Similarly, imports supply U.S. demand for children's shoes, many toys, numerous home appliances and other products not made in the United States.

Table 12 shows that the largest category of imported consumer products is motor vehicles. Many of these are cars from Canada and Mexico, which include parts and other components from the United States. A U.S. International Trade Commission study found

[24] Steve W. Martinez, *The U.S. Food Marketing System: Recent Developments, 1997-2006*, Economic Research Report No. 4 (Washington, DC: US. Department of Agriculture, May 2007), p. 15, http://www.ers.usda.gov/publications/err42/err42.pdf.

that 19.1 percent of the total value of U.S. imports of motor vehicles and parts (reported in Table 12) is actually of U.S. origin -- i.e., U.S. parts and components included in the imported car or truck.[25] The second largest category of imported consumer goods is home furnishings, followed by apparel and household goods (e.g., sheets and towels). Again, many of these products may say "Made in China" but they include U.S. raw materials (cotton for example) and components (e.g., semiconductors in the appliances).

Table 12
Imports of Consumer Goods, 2012
(Customs Value in Millions of Dollars)

Product	Value
Motor vehicles and parts	$178,196.3
New cars	*172,507.2*
Parts (e.g., tires)	*5,689.1*
Home furnishings	138,737.5
Furniture, household items, baskets	*25,505.1*
Household and kitchen appliances	*22,476.6*
Cookware, cutlery	*7,830.0*
Glassware, porcelain, chinaware	*2,126.3*
Rugs and other floor coverings	*2,035.7*
Other (clocks, etc.)	*78,763.7*
Apparel and household goods	99,751.2
Food products	93,785.1
Pharmaceuticals, dental products, vitamins	87,229.2
Computers and accessories	59,883.4
Computers	*35,373.8*
Accessories and peripherals	*24,509.6*
Consumer electronics	46,225.5
Television receivers, VCRs, etc.	*36,289.6*
Radios, stereo equipment	*6,679.3*
Records, tapes, disks	*3,256.6*
Toys, sporting goods, bicycles	42,376.6
Telecommunications equipment	26,861.0
Footwear	18,975.9
Jewelry (including watches)	11,792.7
Other	46,636.9
Artwork, antiques, stamps	*9,838.9*
Toiletries and cosmetics	*8,895.1*
Books, printed matter	*3,594.1*
Motorcycles and parts	*3,056.2*
Pleasure boats and motors	*2,266.5*
Coins	*1,933.5*
Musical instruments	*1,623.5*
Nursery stock, cut flowers, Christmas trees	*1,621.9*
Cameras and glasses	*587.4*
Other products	*13,219.8*
Total Consumer Goods	$850,451.4
Share of Total U.S. Imports	38.9%

Source: Trade Partnership Worldwide LLC from Bureau of the Census, five-digit end use categories. Some categories of imports could be use equally by consumers and businesses. I those cases (computers and related equipment, telecommunications equipment, and tires) we allocated half the imports to consumer use, and half to industrial use (Table 13). Total imports include oil, but exclude U.S. goods returned and reimports, minimum value shipments, and "other" (movies, miscellaneous imports and special transactions).

Imports Help Families Meet Tight Budgets

The integration of the United States into international supply chains has also helped to lower costs to families of important products such as apparel, electronics and footwear. By adopting increasingly sophisticated supply chain management techniques to track products, manage inventories and cut inefficiencies from the delivery process, wholesalers and retailers – and manufacturers – have been able to drive down retail prices to the benefit of American families.

Chart 5 shows that products that are more likely to be imported have experienced declining trends in prices, compared to goods and services less likely to be imported. Such price declines have been a key factor, for example, in moving products such as computers into most households across the United States. One economist found that " globalized production and international trade

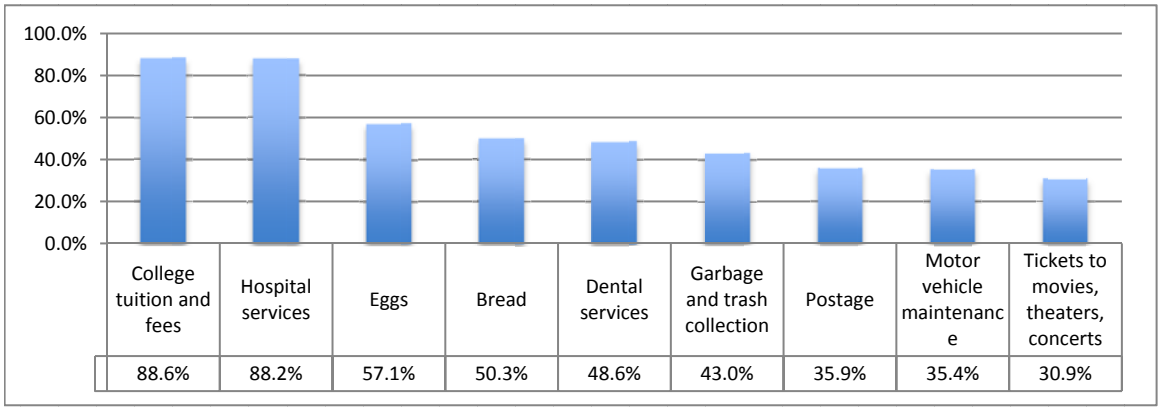
[25] U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, p. 3-38.

made [information technology, IT] hardware some 10 to 30 percent less expensive than it otherwise would have been."[26] Specifically for personal computers, she found that U.S. imports of computers lowered prices by about 10 percent.[27]

Chart 5

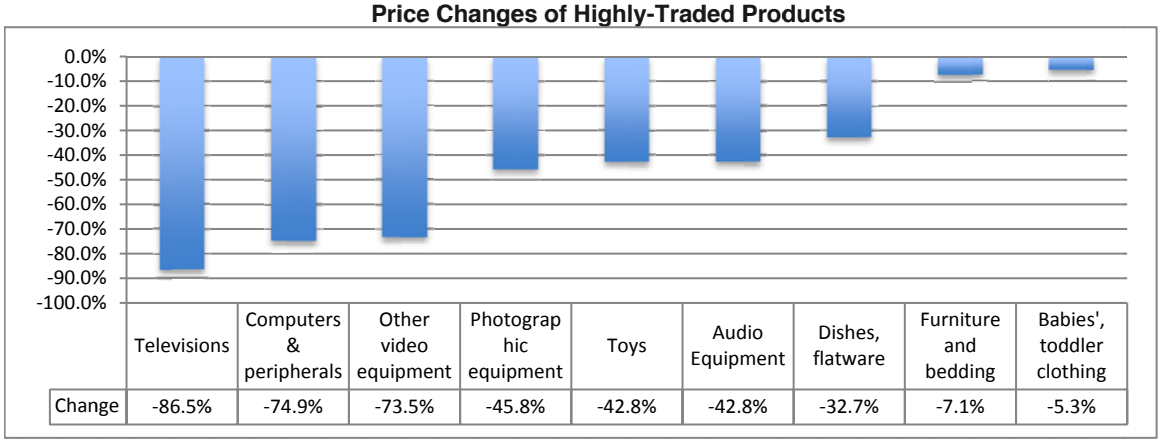
Price Changes of Goods and Services Less Likely to be Imported

(CPI-U, 2002-2012)



College tuition and fees	Hospital services	Eggs	Bread	Dental services	Garbage and trash collection	Postage	Motor vehicle maintenance	Tickets to movies, theaters, concerts
88.6%	88.2%	57.1%	50.3%	48.6%	43.0%	35.9%	35.4%	30.9%

Price Changes of Highly-Traded Products



	Televisions	Computers & peripherals	Other video equipment	Photographic equipment	Toys	Audio Equipment	Dishes, flatware	Furniture and bedding	Babies', toddler clothing
Change	-86.5%	-74.9%	-73.5%	-45.8%	-42.8%	-42.8%	-32.7%	-7.1%	-5.3%

Source: Daniel Ikenson, "How Imports Raise Real Incomes," *Cato @ Liberty*, June 9, 2010, updated from Bureau of Labor Statistics by Trade Partnership Worldwide, LLC.

[26] Catherine L. Mann, "Globalization of IT Services and White Collar Jobs: the Next Wave of Productivity Growth," *International Economics Policy Briefs*, No. PB03-11, December 2003, p. 1.

[27] *Ibid.*, footnote 4, p. 3.

Unsafe Imports

U.S. Customs and Border Protection (CBP) serves as the primary U.S. government agency charged with protecting consumers from unsafe imports. CBP works with a number of other government agencies each individually charged with keeping unsafe foreign products from entering U.S. commerce.

CBP begins the process of screening shipments by examining data submitted to it in advance of shipments arriving at U.S. ports in order to identify potentially high-risk containers. When these containers arrive, they are screened using large-scale X-ray, gamma ray, and radiation detection machines. Those that contain products of concern are set aside for further screening or inspection by CBP or other agencies, depending on the product.

All meat, poultry and egg products are examined by the Food Safety and Inspection Service (FSIS), part of the Department of Agriculture, at the port of entry after the incoming shipment is screened and approved by CBP. FSIS import inspectors check the documents and labels of each shipment and conduct random sample inspections on the products. In addition to port of entry screening, FSIS also ensures, through on-site foreign inspections, that countries exporting meat, poultry and egg products to the United States establish and maintain inspection systems that are equivalent to those of the United States. Yet another USDA agency, the Animal and Plant Health Inspection Service (APHIS), restricts the importation of some animal products because of the presence of animal diseases in the country of origin.

FDA conducts screening and inspections of other foods and drugs, cosmetics, medical devices and electronic products that emit radiation, which must meet the same safety and labeling requirements as U.S.-made products. Products may be imported as long as the facilities that produce, store or handle the products are registered with the FDA and FDA receives advance notice of each food import shipment. High-risk products are physically examined at the port of entry or country of origin. FDA regularly conducts foreign inspections and has a permanent ground presence in major exporting countries including China, India, Britain, and Mexico.

Consumer goods imports are screened at their point of entry by CBP and the CPSC's Office of Import Surveillance. When CPSC flags cargo it suspects may be problematic, that cargo is screened by CBP and then turned over to CPSC for further inspection in order to determine whether the product is hazardous and/or in violation of U.S. law. Hazardous and unlawful materials are then detained or destroyed.

Still more government agencies focus on other products: alcohol, tobacco, firearms, and explosives by the Bureau of Alcohol, Tobacco, Firearms and Explosives; pesticides by the Environmental Protection Agency; motor vehicles by the National Highway Traffic Safety Administration, and seafood by the National Marine Fisheries Service.

As noted in Chapter III, half of U.S. imports come from other developed countries with safety concerns similar to those of the United States. The other half at times has presented concerns. The U.S. agencies listed above have been working with Chinese authorities, in particular, to improve inspection operations prior to exportation of a good. And notably, Chinese consumers themselves have increasingly demanded better health and safety checks on goods consumed locally, particularly food products. This heightened domestic demand for safer products will improve the Chinese system for monitoring the health and safety of the goods produced there, and exported to the United States and around the world.

Imported Apparel

Most consumers believe that it is next to impossible to find clothing any more that says “Made in America.” They may be right that finding such a label is hard, but that doesn’t mean the apparel they see in stores doesn’t have a lot of America in it. Even though the product says “Made in China,” for example, because that is where it was assembled, in fact most of the value of the apparel is American. A recent ITC study found that more than 54 percent of what the consumer pays for imported apparel is U.S.-produced value.* Another study focusing on a sample of individual imported apparel products found that U.S. value can be much higher, representing more than 70 percent of the retail prices of those products.**

The U.S. value comes from U.S.-based product design, marketing, logistics and sales to consumers. For many years, the retail prices of apparel products have declined steadily as U.S. brands were able to use savings from lower-cost foreign assembly to help offset some of the higher costs of the U.S.-based components of production. That started to change in 2011: rises in cotton, foreign labor and transportation costs have found their way into rising imported apparel prices, which the Bureau of Labor Statistics reports increased 10 percent between 2010 and 2012. Whether it’s a long-term trend or even a short-term one remains to be seen. Bottom line: no matter where the label places the origin of the apparel product, the fact remains that it was largely made by U.S. workers, in America.

* U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, Table 3.4.

** Moongate Associates, “Analyzing the Value Chain for Apparel Designed in the United States and Manufactured Overseas,” (undated; press release dated February 13, 2013).

VII. Imports and U.S. Competitiveness

Imports contribute to improved U.S. competitiveness.

- Imports enable U.S. farmers and manufacturers to avail themselves of lower-cost inputs to domestic production, thereby lowering the cost of the products grown or made in the United States.

- Imports create markets for U.S. exports.

- Imports serve as a constant incentive to U.S. manufacturers to improve quality and develop new, more innovative products.

Imports Lower the Costs of U.S. Production

The largest category of goods imported into the United States is not consumer goods, but capital goods (e.g. machinery) and industrial supplies and materials (most notably, oil). Together they comprised more than 61 percent of the $2.1 trillion in goods Americans imported in 2012 (see Table 13). These goods are imported because they are not produced in the United States at all, are not produced in the United States in sufficient quantities to meet all of the demand of U.S. companies, or are not produced in the United States at prices manufacturers and farmers can afford. They include, for example, fertilizers used by farmers, fibers and machinery used by U.S. textile producers, and fuel, among many others.

The largest category of goods imported into the United States is not consumer goods, but capital goods and industrial supplies and materials

Much of the public's attention is focused on losses suffered by domestic producers because of imports, rather than the many benefits imports provide to farmers and manufacturers. The same benefits American households receive from imports — expanded choice and lower prices — also accrue to farmers and manufacturers who use imported inputs, components and other raw materials in their domestic production. These benefits ultimately contribute to their enhanced competitiveness both at home and abroad. Their costs are lower, their products are better, and they can sell more at internationally-

competitive prices, increasing employment in the United States. Indeed, one recent study from economists writing for a Federal Reserve Bank of St. Louis publication found that "imports have played a critical *positive* role in boosting manufacturing output in the United States – much more so, in fact, than exports."[28] This is because imports of intermediate products contribute even more to increased productivity in U.S. manufacturing and, consequently to growth in the production of final goods, than U.S.-sourced intermediate inputs.[29]

Imports Create Markets for U.S. Exports

As noted in Chapters II and III, importing and exporting are interdependent. Finished products that are imported often contain U.S. inputs – raw materials or other components that were exported for use in making the goods later imported back into the United States. A recent U.S. International Trade Commission study found that, in 2004, U.S. inputs accounted for 11 percent of the value of U.S. apparel imports. The share is even higher for motor vehicles and parts – 19.1 percent.[30]

Table 13

Imports (Including Fuel) of Raw Materials, Semi-finished Materials and Machinery, 2012

(Customs Value in Millions of Dollars)

Product	Value
Raw Materials	$352,901.2
Crude oil	*227,921.0*
Liquefied petroleum gases	*24,607.2*
Uncut, unset gem diamonds	*20,193.9*
Gold	*17,430.4*
Other precious metals	*12,622.8*
Bauxite and aluminum	*10,950.5*
Natural gas	*9,403.1*
Green coffee	*5,809.6*
Copper	*5,762.7*
Natural rubber and similar gums	*3,382.0*
Nickel	*2,885.6*
Other	*11,932.4*
Semi-Finished Materials	$611,600.8
Certain motor vehicle parts and accessories	*118,037.8*
Certain petroleum products	*76,882.3*
Fuel oil	*62,346.6*
Semiconductors and related devices	*37,608.1*
Chemicals	*51,233.5*
Engines and parts	*54,183.5*
Semi-finished iron and steel products	*48,865.4*
Non-steel finished metal shapes and products	*17,332.7*
Fertilizers, pesticides and insecticides	*16,120.5*
Plastics	*14,520.1*
Other	*114,470.3*
Machinery and Equipment	371,993.0
Total Industrial Goods	$1,336,495.0
Share of Total U.S. Imports	61.1%

Source: Trade Partnership Worldwide LLC from Bureau of the Census, five-digit end use categories. Some categories of imports could be use equally by consumers and businesses. In those cases (computers and related equipment, telecommunications equipment, and tires) we allocated half the imports to consumer use, and half to consumer use (Table 12). Total imports include oil, but exclude U.S. goods returned and reimports, minimum value shipments, and "other" (movies, miscellaneous imports and special transactions).

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[28] Kevin L. Kliesen and John A. Tatom, "U.S. Manufacturing and the Importance of International Trade: It's Not What You Think," Federal Reserve Bank of St. Louis *Review*, January/February 2013, 95(1), p. 47.

[29] Here, Kliesen and Tatom cite research by two U.S. Department of Labor economists, Lucy P. Eldridge and Michael J. Harper, "Effects of Imported Intermediate Inputs on Productivity," *Monthly Labor Review*, June 2010, pp. 3-15, www.bls.gov/opub/mlr/2010/06/art1full.pdf.

[30] U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, Table 3.3.

Imports and International Supply Chains

Much is (appropriately) being made of late about the growing integration of the United States into "international supply chains." These are networks that span the production process, from conceptualization of the product to delivering it to final consumers. But international supply chains are nothing new. U.S. producers have long used special programs to export parts and components from the United States to lower-cost countries for final assembly, reimporting the finished product back into the United States.* Today, according to the U.S. International Trade Commission (ITC), the United States is most heavily involved in international supply chains with Canada, Mexico, the European Union, Japan and China in the electronics, chemicals, motor vehicles and apparel industries.**

While international supply chains are nothing new, what is new is the growth in their use. Again, according to the ITC, U.S. manufacturers' use of international supply chains grew about fourfold between 1980 and 2006.*** This growth, which has accelerated since 1990, has developed for several reasons. Technological changes, particularly advances in telecommunications and the Internet, have made it possible to produce goods and services farther away from the United States, and in many different countries, and still get them to market quickly. Lower trade barriers and transportation costs and improvements in intellectual property rights protection have made it more cost-effective to produce some or all of a good in multiple countries. More efficient and cost-effective logistics services have smoothed the process and made global supply chains attractive to an increasing number of companies. Further improvements in these factors will only broaden and deepen international supply.

International supply chains make industries that use them more competitive. Production of goods and services has become more fragmented than ever before with the spinning off of some or all of the production of a good or service to multiple more competitive contract (or related) suppliers and retaining those tasks — most notably R&D and design — that can be most competitively done at home. But at the same time, international supply chains expose those industries to international shocks, including recessions in foreign markets or natural disasters, that disrupt the market for U.S. exports or create shortages for inputs into international production chains. Some companies seek to mitigate those disruptions by sourcing the same inputs for key products, like the latest Apple iPad, from multiple foreign suppliers.****

* The maquiladora program with Mexico is a long-standing program that has facilitated co-production between the United States and Mexico since the 1960s. Similar "production sharing" programs, which permitted finished products to enter the United States with duties assessed only on the non-U.S. value of the product, were particular popular programs for sourcing high-tariff products like apparel from assemblers in Mexico and the Caribbean. And the United States and Canada have been co-producing cars since the 1960s as well.

** U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, p. 3-11.

*** Ibid., p. 3-12.

**** Don Clark. "Under the Hood of Apple's Tablet." *The Wall Street Journal*. March 17-18. 2012.

Imports Spur Innovation in U.S. Manufacturing

Imports have made it possible for a wide array of affordable products to become integral parts of the American lifestyle. iPods have replaced the Sony "Walkman" which in turn replaced giant "boom boxes." Smart phones that also play music and video games, take pictures and show movies have replaced brick-sized cell phones, which are increasingly replacing land lines. American innovation and ideas gave birth to many of these new products, and foreign manufacturers made them affordable for American families. Today,

more than half of Americans would rather give up chocolate, alcohol, and caffeine for a week than part temporarily with their phones, especially if they are iPhones. One-third would rather give up sex for a week than part with their cellphones for that time.[31]

Textile Industry Imports

Certain fibers, yarns and machinery are not available from U.S. producers, so U.S. textile companies rely on imports to keep their U.S. manufacturing facilities in operation and competitive. However, the United States assesses tariffs on these imports that artificially raise the cost of the inputs to U.S. production. Periodically, therefore, U.S. companies ask Congress to eliminate temporarily U.S. import duties on those and other products generally not available from U.S. producers in what is known as a "miscellaneous tariff bill" (MTB).

In 2009, gridlock in Congress stalled that year's MTB effort, and as a result duties were reimposed January 1, 2010 on fiber and yarn imports that were formerly duty-free. The higher costs for needed imports hit the U.S. textile industry hard. Jim Chestnutt, President and CEO of National Spinning Co., which imports several acrylic fiber categories and has benefited from MTBs for years, summarized the impact: "'For the time being, [textile companies] have no other option than to absorb the costs and pray" Congress will renew the duty suspensions. Reimposed tariffs of 4.3 percent to 7.5 percent represented "a huge cost. It's been exacerbated by the fact that acrylic prices are exploding and there is a worldwide shortage."*

* Kristi Ellis, "Tariffs Pressure Domestic Companies," *Women's Wear Daily*, May 11, 2010.

[31] Telenav, "Survey Finds One-Third of Americans More Willing to Give Up Sex than Their Mobile Phones," August 3, 2011, http://www.telenav.com/about/pr-summer-travel/report-20110803.html.

VIII. U.S. Policy and Imports

Imports promote competition within the U.S. marketplace. This competition lowers prices and spurs U.S. innovation. Imports of raw materials and components help American farmers and manufacturers cut costs and improve productivity. Lower prices of the resulting finished products spur sales, both at home and abroad. Increased sales fuel U.S. employment opportunities (or, if the economy is at full employment, more hours of work and higher wages).

Now suppose that imports are restricted in some way. Some or all of the benefits of imports would begin to erode. Prices would rise, innovation would slow, sales would decline, as would employment (or wages) in more competitive sectors. Significantly, exports would also decline: because America exports to pay for imports, any reduction in imports by extension reduces exports.

Proposed changes to U.S. trade policies are typically offered in every session of Congress. Some would raise barriers to U.S. imports, directly with tariffs or indirectly with legislation designed to motivate changes in the values of foreign currencies. Some would lower U.S. barriers to imports or ensure that barriers that are already zero are not raised.

The United States Imposes Barriers to Imports

U.S. policy makers repeatedly claim that the United States is one of the “most open” economies in the world. They cite low average U.S. tariffs and compare them to the average tariffs of other countries that frequently register in the double digits.

While the U.S. market is more open than most other economies, U.S. trade policies and practices at times limit the benefits of imports to the U.S. economy — and consequently to employment. For example, the United States imposes tariffs – taxes – on imports of

certain products into the United States. It is true that overall, average U.S. tariffs are low, registering just 1.3 percent in 2012 if duty-free imports are included, and 4.2 percent if they are not. But averages can be misleading. In this case, they obscure the fact that a large number of products imported into the United States face high "tariff peaks" in the double digits. In 2012, more than 1,000 product categories[32] faced U.S. duties of 10 percent or higher. Table 14 reports just a sampling. Bottom line: tariffs raise the cost of imported products.

In addition to tariffs, the United States limits imports with a range of non-tariff barriers that also restrict the benefits of imports to U.S. workers, farmers, manufacturers and consumers. These include tariff-rate quotas, which assess relatively low tariffs on a set quantity of imports and much higher tariffs on imports over that quota amount. The United States maintains tariff-rate quotas on dairy products, sugar, sugar-containing products, ethanol, cotton, beef, canned tuna, and tobacco. Over-quota tariffs range up to 350 percent (tobacco). Bottom line: tariff-rate quotas raise the costs of imported products.

Table 14
Selected U.S. Tariffs, 2013
(Percent)

Product	
Consumer goods	
Peanuts, unshelled or shelled	up to 163.8%
Sports/athletic footwear	up to 48.0
Other footwear	up to 48.0
Tuna in oil, in containers	35.0
Apparel	up to 32.0
Brooms (of corn)	up to 32.0
Drinking glasses	up to 28.5
Porcelain or china dinnerware in sets	up to 26.0
Colby cheese	up to 25.0
Bed linen	up to 20.9
Fresh sweet corn	20.0
Fresh spinach	20.0
Textile-sided suitcases	17.6
Baby formula	up to 17.5
Chocolate milk drink	17.0
Panty hose	up to 16.0
Imitation jewelry	up to 11.0
Bicycles	up to 11.0
Fish sticks	up to 10.0
Goods used by U.S. farmers and manufacturers	
Wool fabric	up to 25.0
Trucks	25.0
Woven cotton fabric	up to 16.5
Titanium	15.0
Artificial/synthetic woven fabric	up to 25.0
Artificial/synthetic yarn	up to 14.5
Unwrought manganese	14.0
Rail freight cars	14.0
Steel wood screws	12.5
Cotton yarn	up to 12.0
Artificial/synthetic sewing thread	11.4
Wooden pallets	10.7
Precious and semi-precious stones	10.5
Ferrosilicon chromium	10.0

Source: U.S. International Trade Commission.

Those Barriers Hurt Consumers

The ability to buy lower-cost imported goods is particularly important to low-income families, for whom the purchases of such basic items as food, apparel and footwear represent a much larger share of family spending than they do for higher-income families. For example, in 2011 households classified in the lowest 20 percent of household incomes spend 35 percent of total after-tax income on

[32] Measured at the eight-digit category level of classification in the 2012 Harmonized Tariff System or the United States.

food and 8 percent on apparel and footwear. In comparison, households classified in the highest 20 percent of household incomes spend 7 percent of total household income on food and 2 percent on apparel and footwear.[33]

Import barriers reduce exports because they shift resources from more competitive sectors of the economy, which could be exporting more, to the protected industry. Competitive U.S. export sectors have fewer resources (capital, labor, raw materials) to make products that are more competitive on international markets. And if export sectors use imported products to make goods in the United States — imported products that are more expensive because of tariffs — that production becomes more costly and the finished product is less competitive internationally. Both domestic and foreign sales will fall below what they would have been absent the import protection.

Overall, according to the U.S. International Trade Commission (ITC), the higher costs imposed by tariffs and tariff-rate quotas cost the United States more than $2.6 billion annually in higher prices and diversion of productive resources to less efficient industries.[34]

Periodically, Congress considers legislation that would suspend temporarily many of these duties. These initiatives have included "**miscellaneous tariff bills**" (see box on page 44), and various bills to extend or expand tariff preferences for imports from developing countries, including the **Generalized System of Preferences, the African Growth and Opportunity Act, and the Andean Trade Preference Act (and the related Andean Trade Promotion and Drug Eradication Act**). These bills typically pass Congress, but often after the existing program has expired and importers are forced to pay duties until renewal legislation goes into effect. The 113th Congress will have before it legislation to enact an MTB, which lapsed on December 31, 2012 and which would eliminate U.S. tariffs on hundreds of specific items. The Generalized System of Preferences program and the Andean Trade Preferences Act both expire July 31, 2013.

Members of previous Congresses have introduced legislation that would eliminate U.S. duties on products of key interest to low-income consumers and least developed countries. These have included the **Affordable Footwear Act**, which would eliminate

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[33] Department of Labor, Bureau of Labor Statistics, "Consumer Expenditure Survey 2010," http://www.bls.gov/cex/tables.htm.

[34] U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011.

U.S. tariffs on low- and moderately-priced and children's footwear no longer made in the United States; legislation that would permit duty-free imports of certain apparel from selected developing countries (e.g., Sri Lanka and the Philippines), and the **U.S. Optimal Use of Trade to Develop Outerwear and Outdoor Recreation (OUTDOOR) Act**, which eliminates tariffs on recreational performance outerwear for which there is no commercially viable production in the United States. In the current session of Congress, legislation has been introduced that would eliminate U.S. tariffs on certain textile and apparel products when imported from selected least-developed countries (including Bangladesh, Cambodia and Laos), and Nepal.

Miscellaneous Tariff Bills

Miscellaneous tariff bills (MTBs) request the temporary reduction or suspension of U.S. import tariffs on certain imports. According to the Office of the U.S. Trade Representative, "The primary purpose of such bills is to help U.S. manufacturers compete at home and abroad by temporarily suspending or reducing duties on intermediate products or materials that are not made domestically, or where there is no domestic opposition. Such reductions or suspensions reduce costs for U.S. businesses and ultimately increase the competitiveness of their products."* In other words, MTBs lower the cost of importing, which makes U.S. producers more competitive.

Typically, each duty reduction should be "noncontroversial," i.e., there is no competing domestic production of the imported product subject to the tariff or, if there is, the U.S. producers(s) do not object. In addition, the forgone tariff revenue for each imported product cannot exceed $500,000 annually. The House Committee on Ways and Means and the Senate Finance Committee collect individual product proposals (each its own "bill") introduced by members of Congress and the U.S. International Trade Commission examines each to ascertain if there is any objection from domestic producers. If none arises, the bills are collected into one piece of legislation that is considered by each House of Congress, and if passed, sent to the President for signature.

* Office of the United States Trade Representative, "Miscellaneous Tariff Bills," http://www.ustr.gov/trade-topics/industry-manufacturing/industrial-tariffs/miscellaneous-tariff-bills.

It's not just U.S. import barriers that matter. U.S. consumers (producers as well as families) also have a stake in international initiatives to reduce tariffs and other costly barriers to trade maintained by other countries. Because some goods cross multiple borders as they make their way through global supply chains, the costs of tariffs and other barriers get magnified each time goods move from one country to another. U.S. duties are not the only tariff cost added to imported products; tariffs imposed by other countries on cross-border trade between them in parts and components also find their way into the costs of products ultimately imported into the United States. Goods that are produced by several countries in a global supply chain can be burdened by a good deal

of trade costs by the time finished products enter the United States.[35]

Trade agreements that eliminate tariffs on intermediate goods used in global supply chains would thus be highly beneficial to American producers and consumers. These include, for example, the pending expansion of product coverage under the **Information Technology Agreement (ITA)**, which is being negotiated by Members of the World Trade Organization (WTO). The ITA was negotiated in 1996 and has not been updated since, even though the pace of development of new information and communication technologies (ICT) since then has been dizzying. As Ed Gerwin of Third Way noted, "[s]imply put, the ITA is a 2G agreement in a 4G world."[36] Consequently, tariffs (both in the United States and abroad) apply to a host of ICT products that are often inputs in production of other ICT products, as well as final consumer products. Advocates of updating the ITA want it to cover all flat panel displays, including television, a wide array of audio and visual equipment like speakers and headphones, Bluetooth devices, GPS systems, smart meters, the latest semiconductor chips, and other advanced materials, parts and components used to make today's ICT products. Many of these products simply did not exist when the ITA was first negotiated. Expansion of the ITA will add in products that were exempted from the ITA in 1996, including TVs, video players and gaming consoles, as well as batteries, cables, chargers, headphones, speakers and transmitters. Clearly, expansion of the ITA would be a huge win for American consumers. It would also be a win for U.S. ICT manufacturers who would be able to buy lower-cost inputs. Lower costs to both purchasers will increase demand for these technologies and spur further innovation and the growth that goes with it.

Another international negotiation, also under consideration at the WTO, that would benefit U.S. producers and consumers would create a multilateral **Trade Facilitation Agreement**. Many countries, both developed and developing, maintain customs and administrative procedures that can delay or otherwise burden imports, delays and burdens that add cost to the imported products. The problem is particularly acute for products that rely on "just in time" production, i.e., speedy movement through customs. A Trade Facilitation Agreement that would simplify and automate customs procedures, provide for advance and transparent rulings and clear fees and documentation

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[35] See, for example, Michael J. Farrentino, "Using Supply Chain Analysis to Examine the Costs of Non-Tariff Measures (NTMs) and the Benefits of Trade Facilitation," U.S. International Trade Commission, Office of Economics Working Paper, No. 2012-01A, January 2012.

[36] Ed Gerwin, "Q&A on the ITA: Five Questions on the Information Technology Agreement," Third Way Digest, January 2013, p. 3.

requirements would go a long way to speeding up the importing process. According to a recent OECD study, implementation of the trade facilitation measures discussed in Geneva could reduce total trade costs by almost 10 per cent.[37]

Rules of Origin in FTAs Can Raise Costs of Importing

The United States has negotiated free trade agreements with 20 trading partners, and is currently negotiating a similar agreement with 10 countries spanning the Pacific (some of which already have FTAs with the United States) and will soon launch negotiations with the European Union. These agreements all contain "rules of origin," which restrict the products that can benefit from duty-free treatment under the FTA to those that are produced in the FTA region. Those rules can get complicated, in some cases so complicated that U.S. importers throw up their hands and choose to pay duties rather than jump though all the hoops needed to ensure duty-free treatment for the product they want to import. A long-standing debate between U.S. textile producers, on one side, and apparel producers and retailers on the other concerns the appropriate rules of origin for textile and apparel goods in U.S. FTAs. U.S. textile producers demand that FTAs include rules of origin that require that apparel imported duty-free under an FTA be made with yarns and fabric obtained within the FTA region. This typically means that U.S. yarns and fabrics must be exported to the FTA partner country for assembly into finished apparel that is then exported back to the United States duty free. Apparel producers and importers charge that these rules are too restrictive because exporting U.S. yarns and fabrics for use in apparel manufacturing in the FTA partner if frequently not cost-effective. Many believe that these rules render the FTAs of little use for importing apparel into the United States. Indeed, an ITC study found that U.S. yarn and fabric exports to FTA partners have declined in recent years in part because U.S. apparel firms and retailers have found it more cost effective to import apparel from Asian suppliers who offer more services at overall lower costs, even though this means the importers must pay U.S. tariffs on the imports.[38]

The ongoing negotiation of the Trans-Pacific Partnership (TPP) has resurrected the long-running debate between importers and U.S. producers: how best to devise rules of origin that ensure that a trade agreement's benefits accrue to signatories and not third parties,

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[37] Moïsé, E., T. Orliac and P. Minor, "Trade Facilitation Indicators: The Impact on Trade Costs," *OECD Trade Policy Working Papers*, No. 118, OECD Publishing, 2011.

[38] U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, Seventh Update 2011, USITC Pub. 4253, August 2011, p. 3-36.

but are not so restrictive that even businesses within the TPP region throw up their hands in frustration. The plethora of existing U.S. FTAs, each with its own rules of origin, further complicates matters, especially because some of these FTAs apply to TPP negotiating partners (e.g., Australia, Canada, Chile, Mexico, Peru, and Singapore). Some importers have therefore advocated, among other suggestions, that negotiators devise rules of origin for textiles and apparel in the TPP agreement that are as simple as possible, with as few product exceptions as possible; that allow for changes as markets change; and that are harmonized to one common rule applicable to all TPP partners.

Efforts to Restrict Imports

Proposals to lower the costs of importing abound, and so too do proposals to make importing more costly, thereby "forcing" buyers to use U.S.-made goods instead of imports. For example, in the past Congress has considered legislation that would effectively raise the cost of importing from China, using various approaches, to offset the "unfair" advantage China is believed to have in export markets as a result of an undervalued currency. At one point, legislation called for the imposition of a 27.5 percent tariff on all U.S. imports from China to offset the undervaluation. Legislation to require that more Federal purchases of goods and services be made from U.S. producers to boost demand (and employment) for U.S.-made goods and services ("buy American" legislation) is also a perennial favorite.

Frustrations with "unfair trade" and protracted U.S. unemployment are understandable. But proposals to restrict or reduce imports must be evaluated in the light of the facts that imported intermediate goods are vital for U.S. manufacturers, imported consumer products benefit American families, and imports generally support millions of American jobs. As this study shows and others have corroborated, policies that would reduce imports would have a negative impact on the very constituencies those policies are expected to benefit. By raising the costs of inputs, currency legislation and new "Buy America" proposals would actually harm U.S. manufacturers – and according to Kliesen and Tatom,[39] by more than they would benefit U.S. manufacturers. Reducing imports by definition reduces the number of jobs that exist because of imports – jobs often held by union workers and women and minorities, and that exist in every community across America. Raising the prices of imports with new tariffs or currency changes hurts

[39] Kliesen and Tatom, *op. cit.*

American families, particularly low-income families.

IX. Conclusions

Imports are not the bogeyman some Americans believe them to be. They are not an evil one must endure to export. On the contrary, they benefit our economy in a number of ways. They provide consumers of all income brackets with a greater variety of goods at lower prices. They constrain inflation. They encourage manufacturers to constantly improve quality and innovate while providing them with needed inputs at lower prices. And they create millions of high-wage jobs for U.S. workers — good jobs that often pay above average wages.

Although some jobs are lost to import competition (and, more significantly, technological advancement), millions of Americans owe their jobs to imports. America's economic future and our ability to maintain our high living standards depend on our ability as a nation to compete successfully in global markets, and to continue as leaders in innovation. Imports contribute positively to this effort.

It is time to give imports the credit they deserve.

Appendix

Methodology for Estimating Output and Employment Effects of Imports

Different options are available to estimate trade linkages to employment and output. One involves manipulation of input-output tables to map the linkages between imports to labor demand and total output across sectors. Such static, “snap shot” approach presents several problems, however. The first is that the shares in the base data basically fix the structure of production and demand. Such a view of employment related to trade would not account for job losses in such sectors as manufacturing from foregone U.S. production of similar products. In addition, there may be double counting, as the net effect of imports is not the simple sum of import effects. Moreover, such an approach may overestimate effects unless the impact of substitution toward trade with the rest of the world is also included.

A more appropriate approach is flexible or holistic in nature. It permits firms to shift output levels (and hence to adjust labor demand) when adjusting to the opportunity to source intermediate and final goods from other producers, be they domestic or foreign. In addition, the impact of changes in intermediate sourcing opportunities works like a productivity shock and so also impacts on labor demand. To accommodate these issues, we applied a computable multi-sector model of the U.S. economy. Computable general equilibrium (CGE) models are characterized by an input-output structure (based on regional and national input-output and employment tables) that explicitly links industries in a value added chain from primary goods, over continuously higher stages of intermediate processing, to the final assembling of goods and services for consumption. Inter-sectoral linkages are direct, like the input of steel in the production of transport equipment, and indirect, via intermediate use in other sectors. The model captures these linkages by modeling firms’ use of factors and intermediate inputs. The most important aspects of the model can be summarized as follows: (i) it covers all world trade and production; and (ii) it includes intermediate linkages between sectors.

Our data come from a number of sources. Data on production and imports are based on national social accounting data linked through trade flows (see Reinert and Roland-Holst 1997). These social accounting data are drawn directly from the most recent version of the Global Trade Analysis Project (GTAP) dataset, version 8.0. (Dimaranan and McDougall, 2002). The GTAP version 8 dataset is benchmarked to 2007, and includes detailed national input-output, trade, and final demand structures. This has been updated to 2011 based on national accounts data. The basic social accounting and trade data are supplemented with trade policy data, including additional data on tariffs and non-tariff barriers. The data are further supplemented with data from the U.S. Bureau of Economic Analysis on state level employment for 2011, the most recent year available. These data allow us to map nationwide effects to state-level employment.

The data on tariffs are taken from the World Trade Organization’s (WTO) integrated database and the CEPII MacMAPs database as integrated in GTAP. All of this tariff information has been mapped to GTAP model sectors within the version 8 database. The sectors in the model (GTAP basis) as mapped to US employment (NAICS basis) are shown in Table A-1.

Table A-1: Model Sectors

NAICS* Sector	Corresponding GTAP Sector
Agriculture, forestry, fishing (11); mining (21)	Primary (1-18)
Manufacturing (31-33)	Manufacturing (19-42)
Construction (23)	Construction (46)
Wholesale trade (42); retail trade (44-45), transportation & warehousing (48-49); business (51, 53-56); finance and insurance (52)	Services: Business (47-53)
Arts, entertainment & recreation (71); accommodation and food service (72), other services (81)	Services: Consumer (54, 55, 57)
Federal, state, local government (92); utilities (22); education (61), health care and social assistance (62)	Services: Public and Utilities (43-45, 56)

* NAICS represents North American Industry Classification System.

Aggregate demand in each region is modeled through a composite regional household, with expenditures allocated over government, personal consumption, and savings. The composite household owns endowments of the factors of production and receives income by selling them to firms. It also receives income from domestic taxes, tariff revenues, and rents accruing from import/export quota licenses (when applicable). Part of the income is distributed as subsidy payments to some sectors, primarily in agriculture.

On the production side, in all sectors, firms employ domestic production factors (capital, labor and land) and intermediate inputs from domestic and foreign sources to produce outputs in the most cost-efficient way that technology allows. Capital stocks are fixed at a national level. Firms are competitive, and employ capital and labor to produce goods and services subject to constant returns to scale.[40] Products from different regions are assumed to be imperfect substitutes in accordance with the so-called "Armington" assumption.

While the model, at the macro level, follows the basic GTAP structure (Hertel et al 1997, Hertel and Itakura 2000), we are ultimately interested in the impact of imports on national and state employment given the current U.S. wage structure. In other words, given the current wage structure of the labor force, how many jobs in the U.S. economy are linked either directly or indirectly to imports? This involves employing a labor market closure (equilibrium conditions) where we fix wages at current levels, and force employment levels to adjust. This provides a direct estimate of the jobs supported, at current wage levels, by the current level of imports. In addition, employment is mapped by a set of side equations (equations added to the core model) to capture state-level effects.

The experiments conducted with the model for total imports involve imposing changes in U.S. imports from the world. This allows us to deconstruct the import relationship, tracing changes at the border as they work through the U.S. economy. We reduce U.S. imports to zero by modeling the impact of a prohibitive tariff. We are not suggesting that a prohibitive tariff is a policy consideration of any party. Rather, we are using it to proxy the effect of imports on the U.S. economy: if there were no imports at all, what would be the employment impact at current wages. This approach allows us to see the reverse impact: what is the effect of current U.S. imports on current U.S employment, given current U.S. wages?

[40] Compared to dynamic CGE models and models with alternative market structures, the present assumption of constant returns to scale with a fixed capital stock is closest in approach to older studies based on pure input-output modeling of trade and employment linkages. In the present context, it can be viewed as generating a lower-bound estimate of effects relative to alternative CGE modeling structures.

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