Imports and America:

The Rest of the Story

Prepared by The Trade Partnership for

National Retail Institute
Council of the Americas

National Retail Federation
National Retail Institute

COUNCIL OF THE AMERICAS
AN AFFILIATE OF THE AMERICAS SOCIETY, INC.

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NATIONAL RETAIL FEDERATION
NATIONAL RETAIL INSTITUTE

By

The Trade Partnership
Washington, DC

August 1998

About the Sponsors and Author

The Council of the Americas is a business organization dedicated to promoting economic integration, free trade, open markets and investment, and the rule of law throughout the Western Hemisphere. Council members include approximately 250 U.S. manufacturing and services companies representing a broad spectrum of U.S. industry. Contact the Council at 1310 G Street, NW, Suite 690, Washington, DC 20005; Telephone: (202) 639-0724.

The National Retail Institute (**NRI**) is the non-profit education foundation affiliate of the National Retail Federation. NRI conducts research and education programs and promotes awareness of retailing's community involvement. The body of information generated through the NRI has, since its organization in 1981, served to further the interests of retailing, allied industries and consumers. Contact the NRI at 325 Seventh Street, NW, Suite 1000, Washington, DC 20004; Telephone: (202) 783-0370.

The Trade Partnership is an economic and trade research firm that specializes in assessing the ways in which U.S. trade policies and practices affect the U.S. economy. This study was prepared principally by Laura M. Baughman, Economist and President of The Trade Partnership. The firm can be reached at 1775 Pennsylvania Ave., NW, Suite 1250, Washington, DC 20006; Telephone: (202) 347-1041.

IMPORTS AND AMERICA: THE REST OF THE STORY

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Executive Summary

This comprehensive study attempts to measure, for the first time, the positive effects of imports on the U.S. economy. These are many, including employment creation and U.S. manufacturing competitiveness — two factors commonly and erroneously thought to be harmed by imports — as well as lower inflation and wider consumer choice, contributions more generally recognized and accepted by the American public.

- Imports (made possible by exports of U.S. goods and services) improve America's standard of living.
- Most U.S. imports come from a few high-wage developed countries.
- Most U.S. imports do not result from special non-reciprocal U.S. trade programs that ease the conditions under which products may be imported.
- Imported products are often not exact substitutes for products made in the United States, and consequently the presence of imports in the U.S. market does not automatically result in U.S. job losses.
- Imports support 10 million American jobs.
- Jobs supported by imports are include the very type of high-paying jobs that labor unions demand public policy should promote.
- A very large number of these import-related jobs are union jobs, held by minorities and women, and located in urban areas across the United States.
- More than two out of three firms involved in direct importing are small businesses.

Executive Summary (continued)

- Imports expand the variety of goods available for purchase and improve the year-round supply of such staples as fresh fruits and vegetables.
- Imports help families make ends meet by ensuring a wide selection of inexpensive goods.
- The largest category of goods imported into the United States is not consumer goods, but capital goods and industrial supplies and materials which support U.S. industry.
- Imports enable U.S. farmers and manufacturers to take advantage of lower-cost inputs to domestic production, thereby lowering the cost of many U.S.- made products.
- 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.
- Many U.S. trade policies and practices limit the benefits of imports to the U.S. economy — and consequently to employment.

Introduction

Although some Americans are suspicious if not fearful of the impact of imports on the U.S. economy,[1] public opinion polling supports the conclusion that the American public is far more supportive of trade liberalization when it has all the facts. After respondents to a recent Women in International Trade poll were given facts about the U.S. position in the global economy and the large number of jobs supported by exports — facts about which they were unaware — their support for free trade agreements increased from 61 percent to 75 percent.[2]

To a very large extent, the negative bias in the public's mind and in the news media is due to a failure by those who benefit from imports to present the full picture of their impact on the U.S. economy. Stories in the news media highlighting the "red ink" of the latest monthly trade deficit, plant closings seemingly linked to foreign production, and other negative news stories about imports combine to reinforce the public's fears about imports.[3] The positive contributions of imports are ignored because those who benefit are silent.

The import story is not the dire one many would have Americans believe: indeed, much of the story is quite good. This study attempts to measure, for the first time in a comprehensive way, the many positive effects of imports on the U.S. economy,[4] extending from employment-creation and U.S. manufacturing competitiveness — two factors commonly thought to suffer ill effects from imports — to lower inflation and wider consumer choice. When presented with the rest of the story on the impacts of imports, support for trade liberalization should broaden.

CHAPTER 1

Why Import?

This Chapter reviews some of the basic reasons Americans trade and, in particular, why importing is a fundamental and essential component of our standard of living and industrial base.

By selling to others the goods and services we produce best, and buying from them what they produce best, all benefit.

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 a company or an individual can produce per unit of time, the greater the income earned. Individuals improve productivity by becoming better educated, 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, capital 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, supply its own water and electricity — how little we could really accomplish and how meager our standard of living would be.[5] But 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.

This essentially is what economists refer to as the "theory of comparative advantage." It is also why America imports. Some countries have better climates for growing coffee than the United States, richer

deposits of oil, workforces more skilled at producing silk apparel. Similarly, the United States has a better mix of skills and resources to produce chemicals, software, movies or corn. By importing coffee, oil and silk apparel, Americans can devote more time and resources to producing chemicals, software, movies and corn.

If the United States did not import, other countries would not have the dollars they need to purchase U.S. goods and services.

Exporting and Importing Are Interdependent

The United States is able to concentrate its natural and human resources on producing the goods and services for which it has a comparative advantage over other countries — producing more of those products than we need, at better quality and prices than others. The extra goods and services are exported to other countries that cannot produce those goods and services as well as the United States. In exchange, those countries sell U.S. consumers the goods and services they produce better, quicker, and more cheaply than the United States. In this way, everyone benefits as incomes grow.

The picture can also by viewed from the opposite perspective: if the United States did not import, we would have a hard time exporting because other countries would not have the dollars they need to purchase U.S. goods and services. Even if other countries do not use all of their dollars to purchase U.S. goods and services, electing instead to use some of those dollars to purchase goods and services from other countries, or to invest in U.S. assets, eventually those dollars find their way back into the U.S. economy.

Table 1 shows that overall 79 cents of every dollar spent by Americans on foreign goods (i.e., on imports) returns to the United States when foreign companies purchase U.S. goods (i.e., U.S. exports). Canadians, for example, use 90 cents of every dollar they earn by selling goods to American manufacturers and consumers to purchase U.S. goods. For some trading partners, the return rate is significantly higher, particularly for countries that buy more goods from the United States than the United States buys from them (Brazil, Argentina, United Kingdom, Hong Kong, Korea, for example).

TABLE 1

Dollars Spent by Americans on Imports Later Returned to the U.S. When Foreign Companies Purchase U.S. Exports*

(Dollars)

North America	$0.88
Canada	0.90
Mexico	0.83
European Union	0.89
United Kingdom	1.12
France	0.77
Germany	0.57
South/Central America	1.18
Argentina	2.63
Brazil	1.65
Chile	1.90
Pacific Rim	0.62
Hong Kong	1.47
Korea	1.08
Singapore	0.88
Taiwan	0.63
Indonesia	0.56
Japan	0.54
China	0.21**
World	$0.79

* Total value of U.S. exports to country or region divided by the total value of U.S. imports from the country or region

** This relatively low rate needs to be viewed within the context of the very high return rate for Hong Kong. The Chinese and Hong Kong trading systems are closely intertwined: a large number of U.S. goods exported to Hong Kong are in turn reexported to China and would not be reflected in these data.

Source: The Trade Partnership from Bureau of the Census data.

CHAPTER 2

The Facts About Imports

The facts about imports are frequently at odds with popular perceptions.

Many erroneously 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 negative impact of trade on the economy — are wrong.

This Chapter sets forth a number of relevant facts about U.S. imports:

- Most U.S. imports come from a few high-wage developed countries;
- Most U.S. imports do not result from special one-way trade programs that unilaterally liberalize the terms under which products may be imported into the United States; and,
- Imported products are rarely exact substitutes for products made in the United States, reducing their potential to displace U.S. production and, by extension, U.S. jobs.

The United States Imports from Relatively Few Countries

U.S. imports are concentrated among just 20 countries out of 221 countries shipping goods to the United States in 1997. These 20 accounted for $4 out of every $5 worth of goods imported in 1997.

TABLE 2

Top 20 Sources of U.S. Imports, 1997
(Customs Value in Millions of Dollars)

Canada	$168,051
Japan	121,359
Mexico	85,830
China	62,552
Germany	43,069
United Kingdom	32,665
Taiwan	32,624
Korea	23,159
France	20,725
Singapore	20,067
Malaysia	18,017
Venezuela	13,449
Thailand	12,595
Philippines	10,436
Hong Kong	10,297
Brazil	9,630
Saudi Arabia	9,358
Indonesia	9,174
Switzerland	8,392
Israel	7,326
TOTAL FROM WORLD	$870,723
Top 20's Share of Total	82.5%

Source: Bureau of the Census.

The Biggest Suppliers to the U.S. Market Are High-Wage Developed Countries

Most U.S. imports come from other high-wage, developed countries. Canada, the European Union and Japan, alone — the top three foreign suppliers to the U.S. market — accounted for half the total of U.S. imports in 1997. Generally, high-income (and therefore relatively high-wage) countries represented 65 percent of total U.S. imports. Low-income countries accounted for just 10 percent of the total (China accounted for 70 percent of total U.S. imports from countries in the low-income grouping, but just 7 percent of total U.S. imports in 1997). Middle-income countries — including Mexico, the Mercosur countries,[6] Chile, and most countries in the Association of Southeast Asian Nations (ASEAN)[7] — made up the balance, one-fourth of total U.S. imports in 1997.

High-wage countries supply almost two-thirds of total U.S. imports.

TABLE 3

U.S. Imports by Income Groups, 1997
(Share of Total U.S. Imports)

Income Categories*	Number of Countries	Average Per Capita Income	Share of Total Imports
High-Income Countries	46	$24,930	64.8%
Middle-Income Countries	81	1,090	24.9
Low-Income Countries	64	430	10.3
Total	191**	4,880	100.0

* The World Bank defines "high income" countries as those with a gross national product (GNP) per capita of $9,386 or more in 1995; "middle income" countries are those with a GNP per capita of $766 to $9,385, and "low income" countries are those with a GNP per capita of $765 or less.

** 30 countries could not be included in this table because World Bank GDP per capita data were not available for them. However, as a group they represent just 0.01 percent of total U.S. imports, so their exclusion from this table does not distort the results.

Sources: The Trade Partnership from World Bank, World Development Report 1997, *Table 1, and* World Bank Atlas 1997, *pp. 36-37.*

No Single Region of the World Dominates U.S. Import Supply

Organized by region, America's most significant sources of imports are countries in the Pacific Rim, followed by our North American Free Trade Agreement partners, and Western Europe.

TABLE 4

U.S. Imports by Region, 1997
(Share of Total U.S. Imports)

Region	Share of Total Imports
North America	29.2%
South/Central America	6.2
Western Europe	19.9
European Union	18.1
Eastern Europe	1.0
Pacific Rim Countries*	36.2
South Asia**	1.4
OPEC***	5.3
Africa	1.9

* Includes Australia, Brunei, China, Hong Kong, Indonesia, Japan, Korea, Macao, Malaysia, New Zealand, Papua New Guinea, Philippines, Singapore and Taiwan.

** Includes Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka.

*** Members of the Organization of Petroleum Exporting Countries (OPEC) are Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

Source: U.S. Bureau of the Census.

Most U.S. Imports Do Not Benefit from Special Trade Programs

The United States extends some unilateral trade benefits to selected countries to improve the competitiveness of those countries' exports to the U.S. market.[8] 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.

However, contrary to the popular perception, the United States is a long way away from swinging wide its doors to imports with unilateral trade programs. While these programs are very important to those U.S. companies that use them and their benefits to these companies should not be underestimated, in 1997, these special trade programs positively affected only 2.4 percent of the total value of U.S. imports. Overall, 47 percent of U.S. imports continue to face some type of tariff or quota barrier to entry.[9]

Almost half of all U.S. imports continue to face tariffs and, in some cases, quotas.

TABLE 5

U.S. Duty-Free Imports Under Special Trade Programs, 1997
(Millions of Dollars and Percent)

Trade Program	Total Value of Imports Benefiting from Program	Share of Total U.S. Imports
U.S. Generalized System of Preferences Program	$15,546	1.8%
Caribbean Basin Economic Recovery Act of 1990	3,208	0.4
Andean Trade Preferences Act	1,353	0.2
West Bank, Gaza Strip Benefits	nil	nil
TOTAL	$20,107	2.4%

Sources: Bureau of the Census and U.S. International Trade Commission.

Imported Products Are Often Not Exact Substitutes for U.S.-Made Goods

The perception that low-wage developing-countries dominate U.S. import supply appears to arise from the fact that a large number of consumer goods sold in the United States come from these countries. The markets most dependent on imports include several agricultural products, footwear, food processors, and certain apparel.

TABLE 6

Import Penetration of Selected Consumer Products, 1997
(Percent)

Product	Import Penetration*	Leading Sources and Their Share of Total U.S. Imports
Apparel	53.3%	Mexico (11.8%), China (10.5%)
Sweaters	77.1[a]	China (24.8%), Hong Kong (22.1%)
Men's Pants	41.4[a]	Mexico (24.4%), Dominican Rep. (14.0%)
Infants' Apparel	67.4[a]	Philippines (14.8%), Thailand (10.0%)
Bananas/Plantains	99.6	Costa Rica (25.3%), Ecuador (24.1%)
Cocoa Beans	100.0	Cote D'Ivoire (39.5%), Indonesia (33.3%)
Coffee, raw	99.1	Columbia (20.5%), Mexico (17.0%)
Coffee Makers	72.0[a]	Mexico (37.7%), China (35.3%)
Consumer Electronics	52.0	Canada (7.0%), Mexico (4.4%)
Televisions	46.5[a]	Mexico (73.7%), Malaysia (11.3%)
Speakers	50.4[a]	China (32.1), Mexico (19.2%)
Microphones	55.0[a]	Japan (25.6%), Mexico (23.5%)
Electric Fans	63.2[a]	China (49.3%), Taiwan (34.6%)
Food Processors	84.7[a]	China (59.5%), Korea (10.7%)
Footwear	89.9	China (54.1%), Italy (8.8%)
Microwave Ovens	67.5[a]	Korea (57.2%), Thailand (20.4%)
Motor Vehicles	12.6	Canada (42.5%), Japan (28.1%)
Passenger cars	18.0	not available
Light trucks	51.2	not available
Printers	43.4[a]	Japan (49.0%), Singapore (25.9%)
Toys/Video Games	61.6	China (63.5%), Japan (12.9%)

*Share of the U.S. market for the product supplied by imports, based on value except for motor vehicles, which is based on volume.
[a]1996 import penetration rate.

Sources: The Trade Partnership from U.S. Department of Commerce Bureau of the Census, Electronics Industries Association, U.S. International Trade Commission, Toy Manufacturers Association, Automotive News *and U.S. Department of Agriculture data.*

About That Trade Deficit

Much has been made of the growing 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, however measured, are given more significance than they merit.

The 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 that is equal to the savings/investment balance: 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.[10] 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 changing the other side of the equation — either increasing savings or reducing investment — the trade deficit will persist. The only real way to affect the trade deficit is to increase domestic savings or reduce the need for domestic investment.

Contrary to popular belief, trade deficits are not a sign of U.S. economic weakness. In fact, they are actually a signal of economic health, as a strong U.S. economy demands more goods and services than it can produce domestically. Since the 1970s, U.S. industrial production has been increasing despite the persistence of trade deficits.

As for competitiveness, one way to evaluate America's position within the context of bilateral trade deficits is to look at U.S. and foreign per capita spending on U.S. exports and imports relative to income.[11] What share of income does the average American spend on Chinese goods compared to the share of income spent by the average Chinese consumer on U.S. goods? When viewed from this perspective, U.S. trade deficits are not indicative of a lack of U.S. competitiveness. With the exception of Japan, U.S. trading partners with whom the United States has large merchandise trade deficits spend more per dollar of income on U.S. goods than Americans spend per dollar of income on their goods. And the U.S. and Japanese spending shares are not enormously different from each other. In short, an imbalance in trade does not in and of itself suggest an inability to compete in foreign markets.

Relative Spending, 1995
(Millions of Dollars and Share of Per Capita Income)

	Merchandise Trade Deficit	U.S. Spending on Foreign Goods*	Foreign Spending on U.S. Goods**
Japan	$59,280	1.74%	1.30%
China	33,807	0.64	1.60
Canada	18,157	2.04	22.13
Mexico	15,394	0.87	15.20
Germany	14,470	0.52	0.99

* U.S. imports per American, divided by per-capita U.S. income.
** U.S. exports per foreign natinal, divided by foreign per-capita incomes.

Sources: The Trade Partnership from World Bank and U.S. Census Bureau data.

continued on next page

About that Trade Deficit, continued

It should also be noted that official government statistics measuring the trade deficit suffer from a serious flaw that results in an overstatement of its size. U.S. export data are notoriously inaccurate. U.S. companies exporting goods do not always file the necessary paperwork with the Customs Service reporting information about what is being exported. Customs does not have the resources to fully enforce filing requirements, or to verify their accuracy. Indeed, frequently the United States must revise its export data by comparing it to import data collected by its trading partners (in the case of Canada, the United States actually uses more accurate Canadian import data to estimate U.S. exports to Canada). Some government officials believe U.S. export data are understated by 5 to 10 percent. This means that 1997 exports of $689 billion could have been as high as $758 billion, reducing the trade deficit in that year by 38 percent.

However, it would be a mistake to conclude that each of these products — and many others — are or can be made in the United States at the same prices as the imported products. 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 (with some exceptions) 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 lost because of the presence of similar imported products in the market. Imports, by their very presence in the U.S. market, do not cause massive job losses, despite the popular perception. Indeed, as we show in Chapter 3, imports support a considerable number of U.S. jobs, including manufacturing jobs.

CHAPTER 3

Imports and American Jobs

Imports support a large number of good U.S. 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. The happier side of the story has been ignored at the expense of a now-suspicious American public.

That happier side of the import story is simply this:

- Imports support approximately 10 million American jobs;
- Many of the jobs supported by imports are high-paying jobs — the kind that labor unions demand public policy should promote;
- Indeed, a very large number of these jobs are union jobs, held by minorities and women, and located in urban areas across the United States.

Imports Support American Jobs

The story of the positive effect of imports on American jobs has remained untold. No government agency collects data identifying these jobs. In recent years, interest in the impact of trade on the U.S. economy has led several government agencies and government and private sector economists to develop ways to estimate the number of U.S. jobs related to exporting, and this effort has been very useful in public policy analysis.[12] But a similar effort for imports has been ignored.

Instead, union groups and "think tanks" funded in part by unions frequently issue reports alleging rampant American job losses to imports.[13] The closest the U.S. government comes to corroborating any of these estimates is in reporting the number of dislocated workers certified for the Trade Adjustment Assistance program, which counted less than 165,000 lost jobs in 1997.

Virtually every sector of the U.S. economy has a positive stake in importing.

But job losses are not the whole story. The need for a range of American jobs directly and indirectly linked to importing goods into the United States is clear. Certain types of jobs are more obviously directly linked to imports than others. For example, long before the goods ever reach U.S. shores, U.S. designers develop the product, and importers and producers arrange for financing through U.S. and foreign banks. Wholesale employees and retail workers place orders with U.S. manufacturing workers for products ranging from paper boxes to coat hangers, or computers to cash registers needed to sell the imported goods. When the goods arrive, dock workers are mobilized, Customs agents process the paperwork, truckers and other transportation workers take the goods to warehouses or other points of distribution. Wholesalers deliver the goods to retailers. Advertising account executives devise campaigns to sell the goods. Newspaper workers and others print ads.

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, frequently retailers, manufacturers and even agricultural producers do a certain amount of direct importing themselves and therefore maintain staffs 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.

It has been difficult to say how many jobs are 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) methodology can be devised to measure the number of jobs related to importing. Such a methodology is described in Appendix A, and the results are presented in Table 7.

The methodology yields the following results: in 1997, U.S. imports supported about 10 million American jobs, representing 8 percent of total U.S. employment in 1997. It should be emphasized that this job estimate is conservative. It does not include the number of jobs at manufacturing companies related to direct importing. Had it been possible to include them, the employment estimate could well exceed 10 million. The esti-

mate approaches the U.S. Government's estimate of the number of American jobs related to exporting: 12 million in 1996.[14] These import jobs represent significant shares of total employment in most sectors. Virtually every sector of the U.S. economy has a positive stake in importing.

Import-related jobs contribute significant value to the U.S. economy. Total compensation (gross wages, salaries and fringe benefits) of import-related jobs in 1997 is estimated to equal $324.6 billion.[15]

TABLE 7

American Jobs Supported by Imports, 1997
(Thousands and Percent)

Sector	Number of Jobs	Share of Total Employment in Sector
Retail trade	5,311.2	24.0%
Wholesale trade	1,965.3	29.5
Services	1,320.1	3.7
Manufacturing	520.0	2.8
Transportation, communication, and utilities	270.6	4.2
Finance, insurance and real estate	175.5	2.5
Agriculture, forestry, fishing	118.3	3.5
Government	82.0	0.4
Construction	29.6	0.5
Mining	14.9	2.6
TOTAL	9,807.6	7.8

Source: The Trade Partnership.

Retail Jobs

The sector with the largest number of jobs directly benefiting from importing is retailing. While industry experts estimate that retailers actually purchase most of the imported products they sell from wholesalers,[16] large retailers generally maintain whole divisions within their companies charged with watching over import orders. They include import managers and clerks, traffic clerks, U.S. Customs Service compliance managers, even designers of private-label merchandise. Sales and service jobs, which represent the largest number of retail jobs related to importing, are often held as part-time or second jobs for individuals going to school, for retirees seeking to supplement Social Security or pension incomes, and for parents who want to work part-time around their children's school schedules (this accounts for the relatively low average compensation data shown in Table 8).

TABLE 8

Key Retail Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Occupation	Number of Jobs	Average Annual Compensation*
Sales	2,257.3	$23,600
Service	1,226.9	11,600
Executives, administration, managerial	462.1	49,400
Handlers, laborers	382.4	16,700
Administrative support	361.2	34,300
Production, craft, and repair	286.8	36,800
Transportation	138.1	25,400
Professional specialty	106.2	48,000
Machine operators/assemblers	47.8	21,400
Technicians and support	37.2	34,300
Other	5.3	n/a
U.S. Average Annual Compensation		$33,100

* Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits, and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

TABLE 9

Key Wholesale Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Occupation	Number of Jobs	Average Annual Compensation*
Sales	713.4	$55,700
Administrative support	318.4	26,500
Executives, administration, managerial	231.9	59,100
Transportation	226.0	36,300
Handlers, laborers	169.0	26,300
Production, craft, and repair	129.7	39,300
Machine operators/assemblers	55.0	27,700
Professional specialty	45.2	52,300
Service	29.5	15,700
Technicians and support	15.7	46,300
Other	31.5	12,700
U.S. Average Annual Compensation*		$33,100

*Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

Wholesale Jobs

The bulk of products imported into the United States is imported by wholesale companies. These companies then resell the goods to manufacturers, retailers and, sometimes, directly to consumers. Sales jobs are a large component of the jobs created by imports in this sector. It should be noted that these are generally well-paying jobs, with average annual compensation exceeding $55,000 in 1997. Overall, individuals with import-related wholesale sector jobs make on average 28 percent more than the national average annual compensation.

Services Jobs

The largest services sector category of jobs related to importing is business services, which includes computer programmers, data processors, and credit reporters. Also important are jobs related to providing accommodations to the large number of traveling sales persons who owe their jobs to imports. Not insignificant are high-paying jobs in law, management and public relations, advertising, and research and development firms.

TABLE 10

Key Services Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Sector	Number of Jobs	Average Annual Compensation*
Business services (excluding advertising)	547.4	$36,900
Hotel and lodging services	137.2	25,700
Repair services	92.2	23,600
Legal services	75.1	73,500
Management and public relations	70.0	71,600
Accounting	54.9	53,500
Advertising	29.3	47,100
Research and development	19.9	57,700
U.S. Annual Average Compensation*		$33,100

* Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

Manufacturing Jobs

The very process of importing and moving goods from docks to store shelves requires equipment and supplies that are manufactured by U.S. companies. Paper is needed for everything from boxes to shopping bags to newspaper and magazine ads; chemicals are required to make inks for newspaper ads; fabricated metals must be manufactured into cash registers, forklifts and trucks; computers are needed, as are ovens and refrigerators, communications equipment, and furniture for offices, supermarkets and clothing stores. Plastics must be manufactured into bags and other containers. The list is seemingly endless. The manufacturing jobs associated with the import-generated demand for these products pay 46 percent more than the average national compensation.

TABLE 11

Key Manufacturing Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Sector	Number of Jobs	Average Annual Compensation*
Paper and related products	171.7	$47,700
Food and beverage products	77.6	40,500
Fabricated metals	37.7	46,532
Industrial and commercial machinery, computers	36.8	56,400
Rubber and misc. plastic products	33.7	53,800
Electronic and electrical equipment	30.1	56,000
Lumber, wood and furniture	28.7	37,100
Chemical and related products	25.6	62,500
U.S. Annual Average Compensation*		$33,100

* Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

These are high-paying jobs, many of them unionized.

Transportation, Communications and Public Utilities Sector Jobs

A large number of employment opportunities are created by the need to get imported goods from the docks to the manufacturers who use them as inputs and the retailers who sell them to customers. They include not only longshoremen and truckers, but also customs brokers who process the goods through U.S. Customs Service ports of entry and arrange for carriers to deliver them to those who re-package and crate goods for domestic shipping, and warehouse workers who store the goods. These are high-paying

TABLE 12

Transportation, Communications and Utility Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Sector	Number of Jobs	Average Annual Compensation*
Transportation	173.3	$47,000
Water	45.8	54,100
Rail	17.6	63,600
Air	39.5	59,655
Trucking and warehousing	56.8	41,400
Other transportation services	13.6	40,700
Communications	65.4	52,400
Public utilities	31.9	60,300
U.S. Annual Average Compensation*		$33,100

* Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

jobs, many of them unionized. Compensation of workers transporting imported goods, for example, exceed the national average by 42 percent. Average compensation can be considerably lower than the amount many of these workers actually earn. For example, average West Coast longshore compensation (wages, holiday pay, vacation pay, pay for travel hours, and taxable meals and fares) in 1997 ranged from $75,880 for general longshoremen to $104,526 for marine clerks to $139,703 for foremen.[17]

Import-related jobs are important sources of employment in inner cities.

Finance, Insurance and Real Estate Jobs

Banks and insurance companies are intimately involved in the importing process. The collections departments of U.S. banks work with foreign banks to process documents needed to pay for imports. Specialized insurance companies provide cover for loss or damage of goods when they are in transit. Commercial real estate agents are more indirectly benefited from imports: the need to sell the goods results in demand for more stores, shopping centers, and other commercial facilities.

TABLE 13

Finance, Insurance and Real Estate Sector Jobs Related to Importing, 1997
(Thousands and Dollars)

Sector	Number of Jobs	Average Annual Compensation*
Finance	74.3	$38,400
Insurance	24.5	49,200
Real Estate	76.6	43,500
U.S. Annual Average Compensation*		$33,100

* Includes benefits (paid leave, bonuses, insurance, retirement and savings, legally-required benefits and other benefits provided by employers).

Sources: Number of Jobs: Table 7 above. Salary data: The Trade Partnership from U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey, March 1997" and Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371.

Every state has a positive stake in importing.

Import-Related Jobs Are Good Jobs

In fact, jobs generated by imports are the very kinds of good jobs critics of trade liberalization seek to maintain in the United States. The following characteristics define import-related jobs:

- Many import-related jobs pay wages and benefits exceeding the national average.
- More than 516,000 of the workers holding import-related jobs — 5 percent of the total — are union members. They include 4,800 transportation equipment manufacturing workers, 1,200 textile and apparel workers, and 63,000 transportation workers.
- Imports provide employment opportunities for women and minorities. More than 14 percent of the jobs related to importing are held by minorities.[18] Forty-four percent of these jobs are held by women.

Imports and Job Losses

It is true that some American jobs are lost to competition from imports.[19] What about these workers? Shouldn't their jobs be protected?

Certainly no one wants to see people lose jobs to competition — domestic or foreign. But just as companies must continually offer better products and services at reasonable prices if they are to remain in business, so too must workers continually improve their contribution to the "bottom line." This is true whether the competition comes from a company down the street, or in New Delhi.

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 who 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. market place or are used by manufacturers as inputs to domestic production.

The number of good import-related jobs which 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?

TABLE 14

State Distribution of Import-Related Jobs, 1997
(Thousands and Percent)

	Number of Import-Related Jobs	Share of Total* State Employment
Alabama	147.3	7.9%
Alaska	18.9	7.2
Arizona	154.4	7.8
Arkansas	85.2	7.7
California	1,100.1	8.4
Colorado	160.6	8.1
Connecticut	127.8	7.9
Delaware	29.1	7.5
District of Columbia	29.5	4.8
Florida	560.6	8.8
Georgia	298.7	8.3
Hawaii	47.3	9.0
Idaho	41.2	8.1
Illinois	481.6	8.3
Indiana	222.6	7.8
Iowa	113.0	8.0
Kansas	98.7	7.7
Kentucky	132.1	7.7
Louisiana	142.3	7.9
Maine	43.7	7.9
Maryland	183.5	8.1
Massachusetts	251.1	8.0
Michigan	348.2	7.8
Minnesota	204.6	8.2
Mississippi	79.9	7.2
Missouri	208.1	7.9
Montana	30.0	8.2

* Total nonfarm employment
Source: The Trade Partnership from Bureau of Census data.

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State Distribution of Import-Related Jobs, 1997 (continued)

	Number of Import-Related Jobs	Share of Total* State Employment
Nebraska	69.5	8.1
Nevada	67.8	7.6
New Hampshire	46.6	8.2
New Jersey	323.8	8.7
New Mexico	52.5	7.4
New York	611.2	7.6
North Carolina	271.1	7.4
North Dakota	25.4	8.1
Ohio	441.6	8.2
Oklahoma	105.1	7.6
Oregon	124.7	8.2
Pennsylvania	433.1	8.0
Rhode Island	34.6	7.7
South Carolina	130.4	7.6
South Dakota	28.2	7.9
Tennessee	204.2	7.9
Texas	686.9	8.0
Utah	74.6	7.5
Vermont	22.6	8.1
Virginia	243.4	7.6
Washington	197.0	7.9
West Virginia	51.3	7.2
Wisconsin	205.7	7.7
Wyoming	16.5	6.9
Total	9,807.6	8.0

* Total nonfarm employment
Source: The Trade Partnership from Bureau of Census data.

Import-Related Jobs Are Spread Across the United States, and Are Particularly Important to Urban Areas

Import-related jobs are spread across the United States (see Table 14). 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 1997 were California, Florida, Georgia, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas. Thus, be they "Rust Belt" states or "Gateway" states, the benefits of imports touch a wide variety of local economies.

Moreover, over 25 percent of these jobs is located in central city areas, indicating that import-related jobs go a long way toward providing employment opportunities for workers in inner-city urban areas. For example, more than 245,000 jobs in New York City are directly or indirectly related to importing, representing 40 percent of total New York jobs related to importing. Similarly, 20 percent of the total number of jobs in the state of Illinois related to importing are located in Chicago.

TABLE 15

Import-Related Jobs Located in Selected Central Cities, 1997

	Number of Jobs
Chicago, IL	98,000
New Orleans, LA	15,700
New York City, NY	245,400
Los Angeles City, CA	140,400
Miami, FL	14,200

Source: The Trade Partnership, derived from Table 7 and Bureau of the Census data.

States with major ports of entry also benefit significantly from imports. These ports are the first point of contact of imports into the United States, and play important roles in breaking down shipments and distributing them to the rest of the United States. The states through which significant shares of U.S. imports first enter the United States are shown in Table 16.

TABLE 16

Imports Into States with Major Ports of Entry, 1997
(Millions of Dollars and Percent)

State	Value	Share of Total Imports
California	$231,331.9	26.9%
New York	144,690.1	16.8
Texas	93,506.7	10.9
Michigan	74,470.5	8.6
Washington	51,978.8	6.0
Louisiana	29,008.3	3.4
Florida	26,844.4	3.1
Illinois	25,238.4	2.9
South Carolina	15,223.4	1.8
Georgia	14,626.1	1.7
Virginia	13,356.4	1.6
Pennsylvania	13,608.4	1.6
Total	$861,333.3*	100.0%

* Import data by port do not include low-valued imports and therefore do not match the totals shown in other tables in this study.

Source: U.S. Department of Commerce, Bureau of the Census.

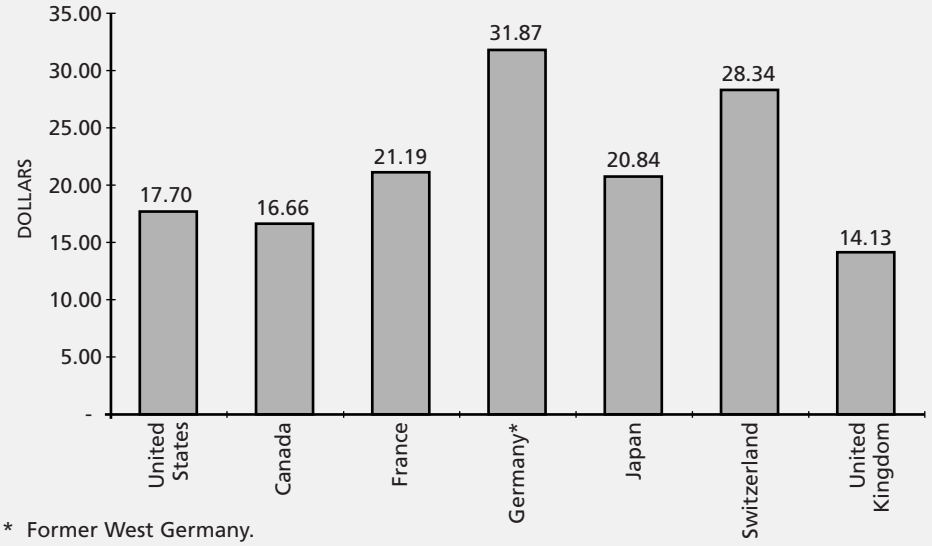
Imports and U.S. Wages

Charges abound that competition from low-priced imports puts downward pressure on U.S. wages, especially wages of low-skill workers. The logic seems solid: how can U.S. workers successfully demand higher wages from their employers when their competition extends beyond U.S. borders to workers earning mere cents per hour to make similar products destined for export to the U.S. market?

The logic is less solid when the facts about imports, described in Chapter 2 above, are factored into the equation. Remember that the United States imports primarily (65 percent of total 1997 imports) from rich, high-wage economies. Just 10 percent of total U.S. imports come from low-income (low-wage) countries. Trading partners shown in Chart 1 — those paying wages higher than, or close to, U.S. wage rates — are the sources of almost half of U.S. imports. The Council of Economic Advisers found that the trade-weighted average hourly manufacturing wage of U.S. trading partners in the aggregate was 88 percent of that in the United States in 1990 — and concluded that a 12 percent gap is too small a difference to have produced changes in U.S. relative wages.[20]

CHART 1

1996 Hourly Manufacturing Compensation Costs for Production Workers in Countries Supplying Almost Half of Total U.S. Imports



* Former West Germany.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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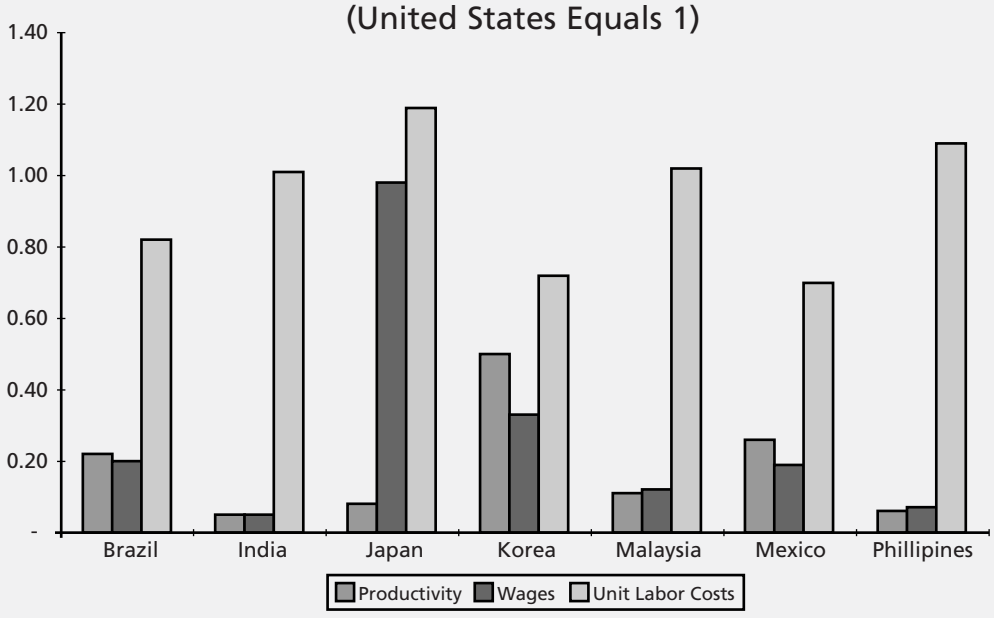
Imports and U.S. Wages, continued

But what about that 10 percent? And even the 25 percent of total imports represented by middle-income countries? Are not those shares significant enough to weigh heavily on U.S. wages? It might seem so, until one realizes that these wages are not as great an incentive to shift production or sourcing as one might expect. Wages are lower in developing countries than in the United States largely because workers are not as productive there as workers in the United States. Countries lack the things that improve productivity — education or technology like computers, for example. Employers pay workers lower wages to offset to some degree the higher costs associated with their lower productivity: a worker in a developing country must be paid for more hours of work to produce the same quantity of product as his or her U.S. counterpart. Adjusted for productivity, foreign wages are not as low as they seem, as the research summarized in Chart 2 shows. Firms pay attention to the total cost of labor, not just the hourly wage cost, and the total cost of labor per unit of output in low-income countries is much higher than the average hourly wage would lead one to believe.[21]

CHART 2

Comparison of Foreign to U.S. Wages, Productivity and Unit Labor Costs, 1990
(United States Equals 1)



Source: Stephen Golub, "Comparative and Absolute Advantage in the Asia Pacific Region," Pacific Basin Working Paper Series, Federal Reserve Bank of San Francisco, No. PB95-09, October 1995. China is not reported because it was not included in the study.

CHAPTER 4

Small Businesses as Importers

A large number of the firms involved in direct importing are small businesses. Analysis of a database of 27,637 U.S. companies that imported in 1997 indicates that more than two out of three — 69 percent — were small businesses, employing less than 100 workers. Companies employing less than 50 workers represented 55 percent of all U.S. companies importing in 1997.

More than two-thirds of firms importing in 1997 were small businesses.

Many small businesses rely on special import programs — e.g., those shown in Table 5 (page 9) — 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.[22]

TABLE 17

Employment Size of U.S. Importers, 1997

Number of Employees	Number of Companies	Share of Total
1 to 99	13,756	68.9%
1 to 4	98	0.5
5 to 49	11,000	55.1
50 to 99	2,658	13.3
100 to 499	4,460	22.3
500 to 999	853	4.3
1,000 or more	908	4.5

Source: Journal of Commerce, 1998 Directory of U.S. Importers.

CHAPTER 5

Imports and Inflation

There is a growing recognition that imports contribute to low inflation (and thus higher living standards) in the United States. Federal Reserve Chairman Alan Greenspan and the Council of Economic Advisers have pointed to import prices as one of several reasons why inflation is not rising as much as might have been expected, given the strong economy and low unemployment.[23] Indeed, the Council reports that recent declines in import prices "could have reversed much, if not all, of the increase in inflation that would have been predicted" because of prevailing tight labor markets in the United States.[24]

Imports have contributed to lower inflation to the advantage of both U.S. producers and consumers.

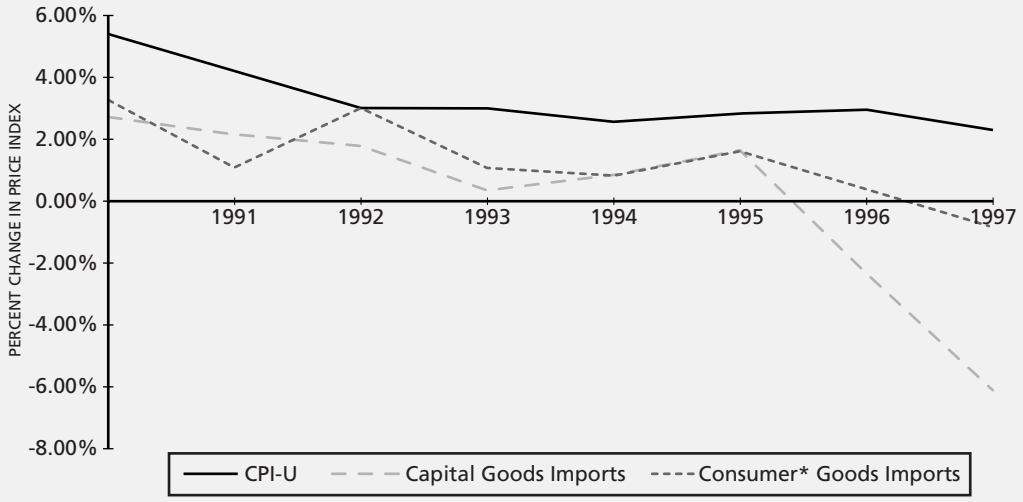
A recent international analysis concluded that declining import prices (including food and energy prices) over the 1996-97 period lowered the annual rise in U.S. producer prices by about 1.2 percentage points, and lowered the annual rise in U.S. consumer prices by 0.9 percentage points. "Thus, the fall in import prices may have dampened overall [U.S. consumer price] inflation by about 0.5 percentage points in each of the past two years."[25]

Recent data confirm that rates of increase in import prices have been falling and, with them, the U.S. inflation rate. Indeed, in 1997 the prices of imported consumer goods, excluding automobiles and parts, actually declined by 0.8 percent. The prices of imported capital goods declined much more significantly, by 6.1 percent (with U.S. farmers and manufactured goods producers the primary beneficiaries of these price declines).

This is not to imply that imports alone keep the inflation rate in check. Economists generally hold that the U.S. inflation rate is determined largely by growth in the money supply and, hence, monetary policy as practiced by the Federal Reserve Board. When inflation threatens to accelerate, the "Fed" can decrease the supply of money in the economy by manipulating interest rates, thereby dampening spending and removing some of the pressure for prices to increase. However, it is clear that the presence of lower-cost imports has lessened the need in recent years for the "Fed" to intervene in the market to slow inflation.

CHART 3

Inflation and Changes in Import Prices, 1990-1997



* Excludes autos and auto parts.

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index for all Urban Consumers" (CPI-U) and "Import Price Index by End-Use."

CHAPTER 6

Imports and Consumers

The benefits of imports are felt most widely by consumers. While every worker may not have a job directly or even indirectly touched by imports, every consumer from the youngest to the most senior benefits directly from imports.

- Imports expand the variety of goods available for purchase and stabilize the year-round supply of staples such as fresh fruits and vegetables.

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

While every worker may not have a job directly or even indirectly touched by imports, every worker is a consumer and as such benefits directly from imports.

Imports Broaden Product Selection

Imports make available to consumers a wide variety of products that are not made in the United States. According to the U.S. Department of Agriculture, almost one-third 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.[26] Others 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 off-season. Similarly, imports supply U.S. demand for silk apparel, many toys, video cassette recorders and other products not made in the United States. Some U.S.-made products, such as high-end bicycles made in the United States with top-end Shimano derailleurs from Japan, would not sell at all if they did not have foreign components.[27]

Imports Help Families Meet Tight Budgets

Imports also make it possible for consumers to select products from a range of prices. This is important to consumers, and in most cases is a priority over "protecting" U.S. jobs behind import barriers. Forty-one percent of the people interviewed in 1998 in a Women in International Trade poll said they would not be willing to spend more to buy only American-made products in order to protect American jobs; the 34 percent willing to pay more would set aside just $48 a month to buy only American-made products.[28]

The ability to buy lower-cost imported goods is particularly important to low-income families.

An earlier poll by the Gallup Organization found that while Americans say they prefer American products to those produced overseas, that preference is affected by the product's price and falls off sharply if the American good is more expensive.[29] While 32 percent of those surveyed prefer to buy U.S. products rather than foreign products, that group drops to just 19 percent of those surveyed if the U.S. goods cost 10 percent more than the foreign goods. Indeed, more important to consumers than where the product was made is the product's warranty, price and features.[30]

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 and apparel represent a much larger share of family spending than they do for higher-income families. For example, households classified in the lowest 20 percent of household incomes spend 40 percent of total after-tax income on food and 12 percent on apparel. In comparison, households classified in the highest 20 percent of household incomes spend 9 percent of total household income on food and 4 percent on apparel.[31] The savings the lower-income families get from imports — both directly and indirectly (as competition forces U.S.-made goods to be more competitively-priced) — helps to make ends meet.

These benefits are perhaps best illustrated by looking at how certain import restrictions increase the costs of goods to the distinct disadvantage of low-income families. A textile and apparel example clearly shows the impact. U.S. textile and apparel tariffs and quotas have been estimated to cost the average American household as much as $500 a year.[32] This estimate reflects the higher cost of both imported and domestically-produced textile and apparel products because of a complex web of U.S. tariffs and quotas which limit those imports. A restricted supply necessarily leads to higher

TABLE 18

Imports of Consumer Goods, 1997
(Customs Value, Millions of Dollars)

Product	Imports
Autos and Parts	$115,556.7
New passenger cars	78,449.1
Parts (e.g., tires)	37,107.6
Computers and Accessories	70,044.6
Computers	7,794.8
Accessories and peripherals	62,249.8
Apparel and Household Textiles	51,827.6
Home Furnishings	34,534.6
Clocks, other household goods	14,260.4
Furniture, household goods	8,264.9
Glassware, chinaware	2,009.0
Cookware, cutlery, tools	3,171.9
Household appliances	5,865.3
Rugs	963.0
Food Products	31,908.4
Fish and shellfish	7,683.1
Wine and related products	5,164.5
Meat products	4,160.8
Fruits, frozen juices	4,017.3
Vegetables	2,929.1
Other	7,953.6
Toys and Sporting Goods	23,635.6
Consumer Electronics	18,313.0
Televisions, VCRs, etc.	10,105.2
Stereo equipment	7,226.6
Records, tapes and discs	981.2
Pharmaceuticals	13,340.1
Footwear	10,529.5
Jewelry	6,526.2

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Imports of Consumer Goods, 1997 (continued)

Product	Imports
Other	32,548.2
Diamonds and other gems	8,870.3
Writing and art supplies	7,156.9
Artwork, antiques, stamps, coins	5,240.0
Motorcycles, pleasure boats, parts	2,535.8
Books, printed matter	2,534.9
Toiletries and cosmetics	2,156.4
Photographic equipment	1,980.5
Musical instruments	1,070.8
Nursery stock	1,002.6
TOTAL CONSUMER GOODS	**$408,764.3**

Source: Bureau of the Census

prices for both foreign and domestically-produced goods. The higher cost is equivalent to an extra tax on the income of low-income households (as defined above) of 8 percent, compared to less than 1 percent for high-income households.

CHAPTER 7

Imports and U.S. Competitiveness

Imports contribute to improved U.S. competitiveness.

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

Many of the same benefits consumers receive from imports — expanded choice and lower prices — also accrue to farmers and manufacturers who use imported inputs, components and other raw materials.

Imports Lower the Costs of U.S. Production

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. Many of the same benefits consumers 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.

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 half of the $841.7 billion in non-military goods Americans imported in 1997. These goods are imported because they are not produced in the United States at all, are not produced in the United

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

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,[33] machinery used by U.S. textile producers,[34] and oil, among many others.

Imports Create Markets for U.S. Exports

Chapter 1 noted that importing and exporting are interdependent. Finished products that are imported often contain U.S. inputs. Unfortunately, it is not possible to quantify the U.S. content contained in total U.S. imports.[35] We do know that $24.0 billion in U.S. parts and components were included in products imported in 1996 under a special production-sharing program,[36] and that U.S. content is significant for many individual products. For example, reported U.S. content contained in apparel imports

America's Footwear Producers Import

U.S. footwear producers import raw materials for use in their U.S. manufacturing facilities. In 1995, for example, U.S. manufacturers imported 61 million pairs of nonrubber footwear "uppers," 41 percent of U.S. production in that year. Uppers account for 45 to 50 percent of footwear production costs. Domestic rubber footwear manufacturers also import materials and components when they are not available domestically. Raw materials are also imported if U.S.-made substitutes are too expensive to make U.S. manufacturing of the finished product competitive. "[I]n every instance an imported component helps preserve the jobs in America of employees making the final product," according to the Rubber and Plastic Footwear Manufacturers Association. Major U.S. footwear manufacturers who imported footwear components in 1997 include: G. H. Bass (Maine), Dexter Shoe Co. (Maine), New Balance Athletic Shoe Co. (Massachusetts), Nine West (Ohio), and Timberland (New Hampshire).

U.S. footwear manufacturers also export parts of footwear to countries in the Caribbean and Mexico for assembly and reimportation into the United States. Industry sources contend that this production-sharing arrangement has enabled them to continue their domestic operations instead of relocating production to Asia and has prevented a loss of jobs in supplier industries.

Sources: Derived from Footwear Industries of America, ShoeStats, *1996; Sundar A. Shetty, "Structural Changes and Competitive Strategies of the U.S. Footwear Industry in the 1990s,"* Industry, Trade and Technology Review, *U.S. International Trade Commission, September 1995, p. 6; Rubber and Plastic Footwear Manufacturers Association, Submission to the U.S. Federal Trade Commission, "Made in USA Policy Comment File No. P894219," January 16, 1996, p. 1; and Journal of Commerce,* Directory of United States Importers, *1998, p. 201.*

TABLE 19

Imports of Raw Materials, Semifinished Materials and Capital Goods, 1997

(Customs Value, Millions of Dollars)

Product	Imports
RAW MATERIALS AND MACHINERY	$243,703.2
Agricultural Products and Machinery	7,924.3
Farming materials, livestock	608.0
Fertilizers	3,168.4
Agricultural Machinery	4,147.9
Paper and Paper Raw Materials and Machinery	6,760.9
Pulpwood and wood pulp	2,641.2
Pulp and paper machinery	4,119.7
Textile, Apparel, Leather Raw Materials and Machinery	13,801.6
Textile fibers and fabrics, leather	11,698.0
Textile and sewing machinery	2,103.6
Chemicals (excluding Fertilizers)	20,942.0
Other Raw Materials	98,317.4
Primary synthetic rubber	1,183.7
Metallic and nonmetallic minerals	19,044.4
Oil and gas	75,094.4
Steelmaking materials	2,994.9
Other Machinery	94,978.9
Generators and accessories	7,987.8
Drilling and oil field equipment	992.1
Specialized mining machinery	614.9
Industrial engines	6,440.7
Metalworking machine tools	8,236.8
Wood, glass and plastic machinery	4,635.8
Materials handling equipment	4,277.3
Business machines and equipment	7,457.7
Instruments and related products	21,292.1
Electric machinery	19,428.8
Other machinery	13,614.9
Other	978.1

continued on next page

Imports of Raw Materials, Semifinished Materials and Capital Goods, 1997 (continued)

Product	Imports
SEMIFINISHED PRODUCTS	$180,970.9
Semi-Raw Food Products and Machinery	12,594.4
Green coffee	3,575.3
Cocoa beans	468.9
Cane and beet sugar	981.3
Feedstuff and food grains	1,805.5
Nonagricultural foods, etc.	520.4
Tobacco, waxes, etc.	3,943.7
Food and tobacco machinery	1,299.3
Transportation Product Parts	22,390.4
Aircraft engines and parts	12,102.5
Marine engines and parts	635.9
Motor vehicle chassis and parts	9,652.0
Paper and Related Products	8,034.5
Newsprint	3,590.4
Paper and paper products	4,444.1
Construction-Related Products and Machinery	21,819.2
Wood products (e.g., shingles, plywood, wallboard)	12,809.3
Stone, clay and glass products	3,997.0
Excavating machinery	4,307.2
Nonfarm tractors and parts	705.7
Steel and Other Metal Products	22,925.2
Telecommunications Equipment	15,348.9
Semiconductors	36,878.3
Rubber and Plastic Materials	7,193.6
Finished Non-Consumer Transportation Equipment	21,274.3
Other	12,512.1
TOTAL	$424,674.1

Source: Bureau of the Census.

America's Textile Industry Imports

The U.S. textile industry typically leads the charge on Capitol Hill to seek increased protection from imports, or to fight efforts to reduce that protection. Yet, many textile manufacturers regularly petition Congress to grant special import duty suspensions for machinery they import. They argue that such imports are necessary for their competitiveness, and will not harm the U.S. textile machinery industry. The following major textile producers imported textile machinery in 1997:

- Avondale Mills (Alabama) - textile spinning machines
- Burlington Industries, Inc. (North Carolina) - yarn spinning/knitting machinery
- Forstman & Co., Inc. (Georgia) - machines for preparing textile fibers
- Galey & Lord (North Carolina) - spinning machines
- Greenwood Mills (South Carolina) - carding machines
- Guilford Mills (North Carolina) - finishing/coating machinery, and
- Milliken (Georgia) - carding, spinning machines

In addition, the following major textile manufacturers imported yarns, fabrics and other raw material in 1997:

- Greenwood Mills (South Carolina) - cotton products
- Milliken (Georgia) - wool, cotton yarn
- National Spinning (North Carolina) - cotton fabric, artificial staple fiber yarn
- Pendleton Woolen Mills (Oregon) - wool, wool and cotton yarn
- Quaker Fabrics (Massachusetts) - cotton yarn and fabrics
- Shaw Industries (Georgia) - cotton yarn and fabrics, vegetable fiber yarns
- Springs Industries, Inc. (New York) - wool products, woven silk fabrics
- J.P. Stevens (New York) - cotton yarn and fabrics
- Unifi, Inc. (North Carolina) - wool and cotton yarn, cotton fabrics, and
- West Point Pepperell (New York) - cotton yarn and fabrics.

Finally, even textile producers will admit that textile jobs in the United States benefit from textile trade liberalization. According to the American Textile Manufacturers Institute, two of the preferential trade programs shown in Table 5 (page 9) — NAFTA and the Caribbean Basin Economic Recovery Act — create related jobs for more than 50,000 U.S. textile workers.

Sources: Congressional Record, *February 20, 1998 (Senate), page S-585-586; Journal of Commerce,* Directory of United States Importers, *1998, pp. 181-186 and 239-240; and J. Patrick Danahy, President, American Textile Manufacturers Institute, Statement before the Committee on Finance, United States Senate, on the Africa Growth and Opportunity Act, June 17, 1998, p. 6.*

U.S. Seafood Imports Need U.S. Exports

Increasing seafood imports from Latin America have triggered a surge in demand there for U.S. refrigeration and processing equipment. Fish processors in Argentina, Chile, Colombia, Costa Rica, Ecuador and Mexico are purchasing U.S. fish feed, hatcheries, fishing vessels, packaging equipment, de-boning equipment, and more to supply the U.S. demand for seafood. According to the National Marine Fisheries Service, 57 percent of the seafood consumed in the United States in 1996 was imported. Because airlines are rejecting seafood packed in containers that are chilled with ice (it leaks), U.S. companies are also exporting artificial coolants to Latin America.

Source: Charles W. Thurston, "Latin seafood processors hook profits with equipment from US," The Journal of Commerce, *May 12, 1998.*

represented 15.1 percent of total U.S. apparel imports in 1996.[37] U.S. content represented 18.0 percent of the total value of television receiver imports in 1996.[38] But even these estimates are low: they do not include, for example, the value of U.S. cotton contained in imported apparel, or the value of U.S. inputs included in finished imported products that do not use the U.S. production-sharing program.

Thus, when critics point to a "rising tide" of imports into the United States, they may also be pointing to a rising tide of U.S. exports.

Imports Spur Innovation in U.S. Manufacturing

Perhaps no better example exists of the positive influence of imports on American manufacturing competitiveness than the U.S. motor vehicle industry. Very few people in the early 1980s believed that imports would have a positive effect on this important industry. After all, in 1980 prospects for the industry looked bleak. The industry lost an effort to win so-called "escape clause" import protection from the U.S. International Trade Commission, which concluded that the industry's poor condition was due more to the recession and structural shift in the market to smaller cars (the

OPEC oil embargo began in October 1973) than to increased imports. Nevertheless, legislation to restrict Japanese imports was gaining support in Congress by 1981, and so Japan agreed to "voluntarily" restrain its auto exports to the United States. This "Voluntary Restraint Arrangement" (VRA), which lasted five years, resulted in shortages of many Japanese models. But the competition from Japan is widely credited with forcing U.S. manufacturers to make smaller, more fuel-efficient and better-quality cars.

Automobile import barriers merely moved foreign competition to U.S. soil.

America's Apparel Industry Imports

Many Americans believe that competition from imports has forced the U.S. apparel industry into irreversible decline. While it is true that many foreign producers are more competitive suppliers of certain apparel products than U.S. producers, the fact is that many U.S. apparel producers continue to be key suppliers of the U.S. market. Those that have elected to focus on niche or high-fashion products, which must find their ways to retail shelves more quickly than foreign producers can manage, have continued to thrive.

Still others have embraced imports to their benefit. They do this by cutting U.S.-made fabrics into apparel pieces, shipping them to producers in Mexico or the Caribbean, where the pieces are assembled into finished garments, and reimporting them for sale to U.S. retailers. Using a special import program designed to promote this trade, U.S. apparel producers are able to remain competitive suppliers to U.S. retailers. They keep the high-wage design, managerial, cutting and distribution jobs in the United States and outsource the lower-cost labor-intensive assembly work.

The ability to lower labor costs by out-sourcing assembly has meant that many American apparel companies are able to remain in business. If they had been forced to use higher-cost U.S. assembly workers (if indeed they could find the number they needed), many may have had to shut down completely.

The VRA also had the interesting side effect of encouraging a transfer of auto production from Japan to the United States, beginning with a Honda Accord factory in 1982. Competition from Japan (and other foreign manufacturers) did not go away, it merely moved to U.S. soil in operations frequently called "transplants." But U.S. producers did not die: in fact, they re-emerged as strong suppliers by adopting production ideas and technology, including co-production, from their import competitors. In 1984, General Motors and Toyota teamed up to build the Toyota Corolla and the Chevrolet Prizm in California. In 1987, Mazda (partially owned by Ford Motor Company) opened a factory in Michigan to make Ford Probes and Mazda MX-6s and 626s. Mitsubishi and Chrysler formed a company in Illinois to make the Mitsubishi Eclipse, Eagle Talon and Plymouth Laser.

Now, 15 years later, with U.S. motor vehicle and parts employment reaching its highest levels since 1979, it is virtually impossible to define a "U.S." auto industry — it is truly international. Traditional U.S. nameplates often import auto lines; traditional Japanese or German nameplates are often made in the Untied States. The bottom line, however, is much improved quality and selection available to consumers — and more employment for American workers.[39]

CHAPTER 8

U.S. Policy and Imports

Imports promote competition within the U.S. marketplace. This competition keeps all product prices low and spurs U.S. manufacturing innovation. Imports of raw materials and components made in the United States 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).

Restrictive U.S. trade policies and practices limit the benefits of imports to the U.S. economy — and consequently to employment.

Now suppose that imports were 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 in more competitive sectors. Significantly, exports would also decline: because America exports to pay for imports, any reduction in imports by extension reduces exports.[40]

The United States Imposes Barriers to Imports

U.S. policy makers are fond of stating that the United States is the "most open" economy in the world. They cite low U.S. tariffs and compare them to the average tariffs of other countries that frequently register in the double digits.

In fact, however, U.S. trade policies and practices often limit the benefits of imports to the U.S. economy — and consequently to employment. U.S. tariffs are not always as low as they seem. It is true that average U.S. tariffs currently register just 2.1 percent if duty-free imports are included, and 4.6 percent if they are not. But these averages obsure the fact that a large number of products imported into the United States face double-digit tariffs. Table 20 reports a sampling.

TABLE 20

Selected U.S. Tariffs, 1998

Product	Tariff Rate
Apparel	16.4%
Men's man-made fiber trousers	29.3
Cotton knit shirts	20.5
Man-made fiber t-shirts	33.2
Swimwear	26.9
Footwear	10.7
Flashlights	15.0
Ceramic tiles	16.0
China tableware	26.0
Lead crystal glassware	18.0
Cheese	10.1

Source: U.S. International Trade Commission.

In addition to its 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.

In addition to its 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 quotas, which restrict the quantities of goods U.S. companies can import, and 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 quotas on imports of yarns, fabric, apparel, and many textile products, and tariff-rate quotas on dairy products, sugar, sugar-containing products, peanuts and peanut products, beef, cotton and tobacco.

Those Barriers Are Costly to the Economy

These trade barriers impose an enormous burden on the U.S. economy. According to the U.S. International Trade Commission (ITC), in 1993 the United States maintained high tariffs and quotas costing the U.S. economy $15.6 billion annually in higher prices and diversion of productive resources to less efficient industries. These high tariffs and quotas preserved

66,584 jobs in otherwise uncompetitive industries.[41] The cost amounts to over $234,000 a year per job "saved," clearly more than the annual salaries plus benefits of those jobs.

U.S. import barriers also reduce U.S. exports.

By far the largest component of this loss to the economy is the tariffs and quotas restricting U.S. imports of textile and apparel products. According to the ITC, these barriers alone result in a loss to the U.S. economy of up to $10 billion a year, affecting 57,251 workers (at a cost of $175,000 per worker).[42]

And because they shift resources from more competitive sectors of the economy, which could be exporting more, to the protected industry, import barriers reduce exports. 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 that are more expensive because of quotas or tariffs as inputs in domestic production, that production becomes more costly and less competitive internationally. Both domestic and foreign sales will fall below what they would have been absent the import protection.

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 greater choice and lower prices. They constrain inflation. They encourage manufacturers to constantly improve quality and innovate. And they create millions of high-wage jobs for U.S. workers.

Although some jobs are lost to import competition (and, more significantly, technology), many many more result from imports — and these are good jobs. To protect jobs in "sunset" industries (such as textiles and apparel) by restricting imports does not make sense, since the costs of protectionism, as research demonstrates, far outweigh its benefits. 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. Imports contribute to this effort.

It is time to give imports the credit they deserve.

APPENDIX A

Methodology for Employment Calculations

The Trade Partnership derived the estimates of the number of jobs related to goods imports in 1997 using the Bureau of Labor Statistics' "1995 Domestic Employment Requirements Study." This is a very detailed, sector-by-sector model that describes the jobs at detailed sectoral levels associated with the output (as measured by value added) in a given industry in 1992 dollars. It is based on historical input-output relationships, factoring in employment and productivity variables.[43] The table is based on a 1995 input-output table and 1995 employment-output ratios. The 1995 employment requirements table represents 1995 technology and labor productivity expressed in 1992 prices.

The table can be used to evaluate the employment impact of retail and wholesale sales of imported consumer goods in 1997. The first step is to estimate the value added by wholesalers and retailers to distribute the total value of imports in 1997. To do this, The Trade Partnership calculated from Census data the total landed value (Customs value plus tariffs and c.i.f. charges) of U.S. consumer goods and non-consumer goods (as defined by End Use Categories) in 1997. Imports need to be distributed between those handled by wholesalers and those imported directly by retailers or manufacturers. The Trade Partnership interviewed industry experts to ascertain approximately what share of total imports is imported directly by manufacturers, by wholesalers, and by retailers, and the value-added for each category of good was divided accordingly. To calculate the value added, The Trade Partnership then used wholesale and retail gross margins by type of wholesale or retail category as reported by the Bureau of the Census for 1996, the most recent year for which these data are available. Gross margins represent the "mark up" wholesalers and retailers need to apply to cover their labor and other costs associated with getting the products to their customers. It was assumed that consumer goods imported directly by wholesalers were next sold to retailers, who applied a markup before selling the good to consumers. That additional markup was reflected in the retail value added used to compute the employment resulting from imports. Next, the value-added was deflated to 1992 dollars, using the CPI for goods.

The resulting values were multiplied by the coefficients provided in the employment requirements table for wholesale trade, and retail trade (the columns for retail trade, excluding eating and drinking establishments, and eating and drinking establishments were each weighted by output and then added).

[The results for transportation workers were clearly too low. The employment requirements table assumes that the value of sales was produced domestically, and therefore the coefficients provided for dockworkers, for example, are lower than would be the case for sales of imports. Therefore, The Trade Partnership added to the transportation jobs results one-half of the total number of U.S. workers classified in those SIC categories relating to water transportation.]

The resulting job estimates are understated for several reasons:

- Industrial goods and raw materials imported directly by manufacturers were excluded from the analysis, even though clearly there are jobs within manufacturing companies related to importing these products.

- Imports of a group of miscellaneous imports (including, for example, military equipment) — and, consequently, the jobs associated with those imports — were also excluded from the analysis.

- Imports for consumption, rather than general imports, were used. Census import data categorized by end use, which unfortunately are only available for imports for consumption, have the advantage of making

it easier to distinguish between finished goods, which would usually be imported by wholesalers or retailers, and unfinished goods, which are more likely imported directly by manufacturers. However, imports for consumption have the disadvantage of excluding from the employment analysis a number of jobs associated with warehousing goods (significant for apparel) and foreign trade zone manufacturing (significant for automobiles and trucks, for example) prior to their formal importation into U.S. commerce, which general import data would capture.

- The gross margins applied to imports were the gross margins for sales of both imported and domestically-produced goods. The gross margins for the former tend to be somewhat higher for some goods than the latter, reflecting higher costs associated with bringing the goods to retail shelves, and higher expected markdowns.44 But use of average gross margins (gross margins specific to imported goods are not available) would result in lower estimates of the value-added by retailers in selling these goods and, consequently, underestimate the jobs associated with those sales.

Import-related jobs were distributed within broad sectors and among states and cities according to the distribution of jobs among each of the relevant sectors generally for that overall sector, state or city. For example, the distribution of union employees by two-digit Standard Industrial Classification (SIC) sectors at the national level was used to compute the distribution of import-related jobs that are unionized. Similarly, the distribution of employment by two-digit SIC for an individual state was used to estimate import-related employment in that state. Finally, the national distribution of types of retail jobs, for example, was used to estimate the types of retail import-related jobs.

A NOTE OF CAUTION: The methodology does not lend itself to any short-cuts for determining the number of jobs affected by imports. One cannot calculate the number of import-related jobs per billion dollars of imports and then apply this estimate to, for example, total imports from China to estimate the number of import-related jobs associated with those imports. This is because, in part, the mix of imports between consumer goods and raw materials, industrial supplies and capital goods is different for China relative to the national average. Approximately 80 percent of U.S. imports from China are consumer goods, compared to less than half for total U.S. imports. This results in very different margins relative to the national average, and consequently very different job estimates.

Endnotes

[1] See, for example, Los Angeles Times, August 3-6, 1996 and surveys by The Gallup Organization for the Chicago Council on Foreign Relations, October 7-25, 1994, described inRoper Center, "Review of Public Opinion and Polling," The Public Perspective, August/September 1997.

[2] EPIC-MRA, "Myth v. Reality of International Trade and Investment: The Nationwide Survey," conducted for The Association of Women in International Trade, May 19-22, 1997.

[3] An article by Daniel T. Griswold of the Cato Institute summarizes a recent reporting sequence: "Media reports were typically gloomy in February when the Commerce Department reported a $114 billion trade deficit for 1997, the largest trade gap since 1988. On February 19, the day of the report, Dan Rather announced on the *CBS News* that 'the government says the 1997 U.S. trade deficit was the worst in nine years.' The same day, Lou Dobbs, host of CNN's *Moneyline* program, said, 'We begin tonight with today's troubling report on trade, a report that showed the nation's trade deficit soared by 24 percent in December.' The next day, the *Wall Street Journal* added darkly that '1998 could shape up to be an even more dismal year for trade than 1997.'" Daniel T. Griswold, "America's Maligned and Misunderstood Trade Deficit," Trade Policy Analysis No. 2 (Cato Institute for Trade Policy Studies), April 20, 1998.

[4] The study focuses on goods 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, such as airfares which may have been purchased from U.S.-based travel agents) have not generated the type of negative public policy attention so frequently received by goods imports.

[5] Perhaps James Glassman from the American Enterprise Institute has drawn the most colorful analogy: "Imagine a flying saucer lands here and Martians plunk down a black box, which, at the push of a button, builds a car. Say they charge us $100 per auto. The result: hundreds of millions of cars created and hundreds of thousands of jobs in Detroit lost. Should we take the deal? Of course, since it would cut costs for each American family by about $3,000 a year. Trade, in less dramatic fashion, gives us black boxes." James K. Glassman, "A Victory for the Flat-Earth Caucus," The Washington Post, November 11, 1997, p. A19.

[6] Argentina, Brazil, Uruguay and Paraguay.

[7] Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

[8] The North American Free Trade Agreement and the U.S.-Israel Free Trade Agreement are reciprocal trade agreements and therefore excluded from this analysis. The United States received foreign trade barrier reductions and eliminations in exchange for for U.S. trade barrier reductions and eliminations under these agreements. The analysis here addresses the charges of some critics of trade liberalization that the United States unilaterally throws open its doors to imports without getting anything in exchange.

[9] U.S. Bureau of the Census, U.S. Merchandise Trade: Selected Highlights, Series FT 920.

[10] 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.

[11] This way of looking at competitiveness and bilateral trade deficits was suggested by Robert N. Mottice in "The U.S. Hasn't Lost Its Competitive Edge," The Wall Street Journal, April 3, 1987, p. 30.

[12] Lester A. Davis, Office of International Macroeconomic Analysis, Office of the Chief Economist, Economics and Statistics Administration, U.S. Department of Commerce, "U.S. Jobs Supported by Goods and Services Exports, 1983-94," November 1996.

[13] One of the most recent is a study issued by Robert E. Scott, Thea Lee, and John Schmitt, "Trading Away Good Jobs: An Examination of Employment and Wages in the U.S., 1979-94" (Economic Policy Institute: 1997), which reports an astounding conclusion that 4.7 million jobs were lost to imports between 1979 and 1994. This study is premised on a faulty assumption: that imports are perfect substitutes for all goods and services produced in the United States, and replace U.S. production one-for-one (see the previous Chapter of this study for a discussion of why imports are not perfect substitutes for domestically-produced goods). This assumption results in a significant overestimate of the number of jobs "lost" to imports. Nevertheless, even if it is only partially correct, the alleged job losses are nevertheless outweighed many times over by the number of jobs benefiting from imports in 1997 alone, as described later in this Chapter.

[14] Council of Economic Advisers, Economic Report of the President, February 1996, p. 225. There is some overlap between the export jobs and the import jobs reported in this study, particularly in transportation and warehousing. **Therefore, the two job estimates should NOT be added together to estimate the total number of U.S. jobs related to trade.**

[15] The Trade Partnership from Bureau of Labor Statistics, "Employer Costs for Employee Compensation," March 1997, USDL 97-371 and U.S. Department of Labor, Bureau of Labor Statistics, "Employer Costs for Employee Compensation, March 1997."

[16] The Trade Partnership spoke to trade association executives and company officials representing each of the major categories of U.S. imports (e.g., chemicals, apparel, footwear, food products, consumer electronics, autos).

[17] Pacific Maritime Association, 1997 Annual Report, p. 29.

[18] The data significantly understate the number of minorities because Census places individuals who designate themselves "Hispanic Americans" in a classification labeled "white."

[19] The U.S Department of Labor administers the worker component of the "Trade Adjustment Assistance" program and a more extensive program specific to the North American Free Trade Agreement. These programs provide special assistance to American workers who can show that they lost their jobs because of competition from imports. The U.S. Department of Labor estimates that 164,993 U.S. jobs were lost to imports in 1997.

[20] Council of Economic Advisers, op. cit., p. 243.

[21] Other variables figuring into the total cost calculation include mandatory benefits, taxation, infrastructure, access to affordable capital, politi-

cal stability, existence and enforcement of local labor (including health and safety) laws, for example.

[22] See, for example, the story of PBI-Gordon in "The U.S. Generalized System of Preferences Program: An Integral Part of the U.S. Economy," prepared by The Trade Partnership for the Coalition for GSP, January 1997, p. 27.

[23] Ibid., and Council of Economic Advisers, op. cit., p. 59.

[24] Ibid.

[25] Bank for International Settlements, 68th Annual Report, 1997/98 (issued June 8, 1998), pp. 24-25.

[26] U.S. Department of Agriculture, Economic Research Service, "U.S. Agriculture and World Trade."

[27] Bicycle Manufacturers Association of America, Inc., "Comments Regarding 'Made in USA' Claims with Respect to Bicycles," submitted to the Federal Trade Commission, January 22, 1996, p. 12.

[28] WIIT/EPIC-MRA, "Second Annual Survey of Public Opinion on International Trade," May 1998.

[29] The Gallup Organization, "Consumer Attitudes toward Product Sourcing," May 1994.

[30] Ibid.

[31] Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 1995.

[32] Estimated by The Trade Partnership from Gary Clyde Hufbauer and Kimberly Ann Elliott, Measuring the Costs of Protection in the United States (Washington, DC: Institute for International Economics, January 1994).

[33] For example, U.S. producers are not currently capable of making all of the ammonium nitrate, a nitrogen-based fertilizer used for growing corn and cotton, needed by farmers in today's market, forcing them to rely on imports. See submissions of Mississippi Chemical Company and others to the U.S. International Trade Commission, "Ammonium Nitrate: A Comparative Analysis of Factors Affecting Global Trade," Inv. No. 332-393.

[34] See related box in this study.

[35] Companies exporting goods to the United States are generally not required to identify the origin of the inputs to production of the product.

[36] This represents the total value of U.S. content contained in products imported under Chapter 98, Subchapter II of the Harmonized Tariff Schedule of the United States. These provisions provide a duty exemption for the value of U.S.-made components that are returned to the United States as parts of articles assembled abroad, or as imported articles using U.S.-origin metal (except precious metal) that are returned to the United States for further processing. See U.S. International Trade Commission, Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations, 1993-96, USITC Pub. No. 3077, December 1997.

[37] Ibid., and U.S. Department of Commerce, Major Shippers (Value), March 1998.

[38] Ibid.

[39] Lindsay Chappell, "Transplants create more economic muscle," Automotive News, April 27, 1998.

[40] See, for example, Douglas A. Irwin, Three Simple Principles of Trade Policy (Washington, DC: American Enterprise Institute for Public Policy Research), p. 2.

[41] This is a measure of the value of capital and labor being inefficiently used in uncompetitive industries, higher prices caused by the tariffs and quotas which reduces consumer purchasing power, and transfers of income from U.S. consumers to foreign producers who can charge higher prices because they own import quota rights. U.S. International Trade Commission, The Economic Effects of Significant U.S. Import Restraints: First Biannual Update, Inv. No. 332-325, Pub. No. 2935, December 1995, p. 2-3.

[42] Ibid., pp. 2-4 and 3-7.

[43] It is, coincidentally, the same methodology used by the Economic Policy Institute to calculate its estimates of jobs lost to imports. However, The Trade Partnership used the employment requirements table in a way sanctioned by the table's authors, NOT in the way used by EPI.

[44] National Retail Institute, Understanding Retail Markup, January 1993, pp. 18-24.

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