

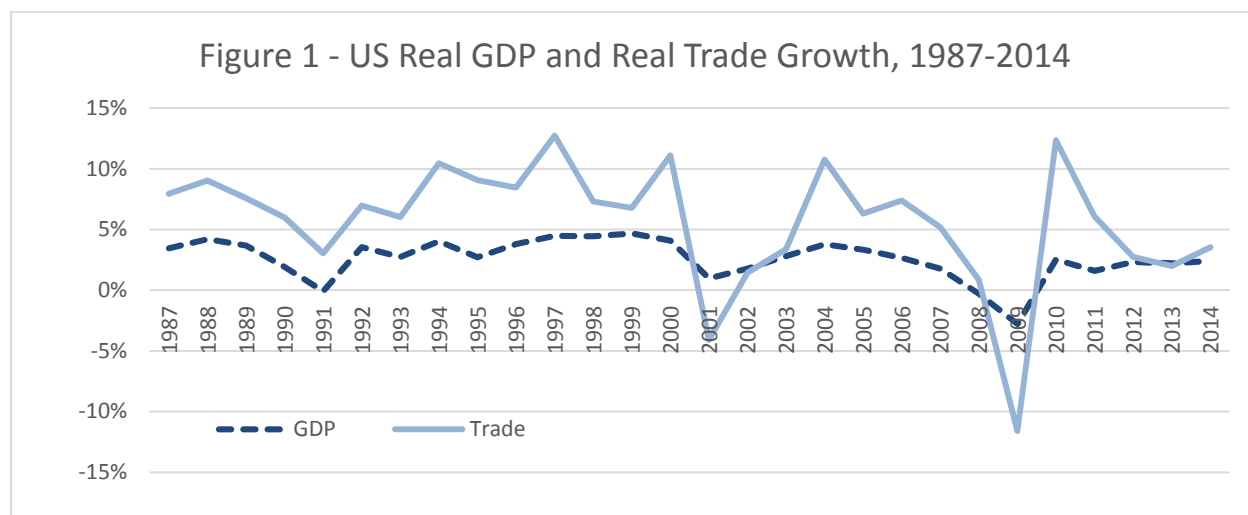
ANNEX I

U.S. TRADE IN 2014

I. 2014 Overview

Real world trade grew at an estimated 3.8 percent in 2014, faster than the previous two years (2.9 percent in 2012, 3.0 percent in 2013). However, this was a slowdown from the pre-crisis average of 7 percent for 1987-2007, as well the growth experienced in the early stages of the global recovery (up 12.6 percent in 2010 and 6.7 percent in 2011)³³. This slowdown reflects cyclical factors such as weak global economic growth of around 2.4 percent since 2011 (growth was 4.1 percent in 2010 and 2.9 percent in 2011), most notably in Europe but also with many emerging market economies. However, some of the slowdown in trade growth could be structural, reflecting a more modest pace in the fragmentation of global production processes (value chains) after years of rapid change causing the composition of trade to GDP to change.

The real growth rate for U.S. trade in goods and services, at 3.5 percent in 2014 was up from both 2013 (2.0 percent) and 2012 (2.7 percent) but lower than 2010 (6.1 percent) and 2011 (12.4 percent) and the average from the 20 years preceding the great recession 1987-2007 (6.7 percent) (figure 1). U.S. trade expansion, like global trade expansion, has been growing faster than the overall U.S. economy, in both nominal and real terms, since the 1970s. In real terms, the average annual growth in trade was 5.7 percent, from 1970 to 2011, compared to the pace of GDP growth of 2.9 percent over the same period. Over the last three years, 2011-2014, trade grew at an average annual rate of 2.8 percent, as compared to 2.3 percent for GDP growth. In nominal terms, trade grew at an average annual rate of 9.6 percent per year between 1970 and 2011³⁴ (from \$111.0 billion to \$4.8 trillion) as compared to U.S. GDP whose average annual growth over the same period was 6.7 percent. Over the last three years, 2011-2014, trade grew at an average annual rate of 2.7 percent, as compared to 3.9 percent for GDP growth.



Source: U.S. Bureau of Economic Analysis, on a NIPA Basis

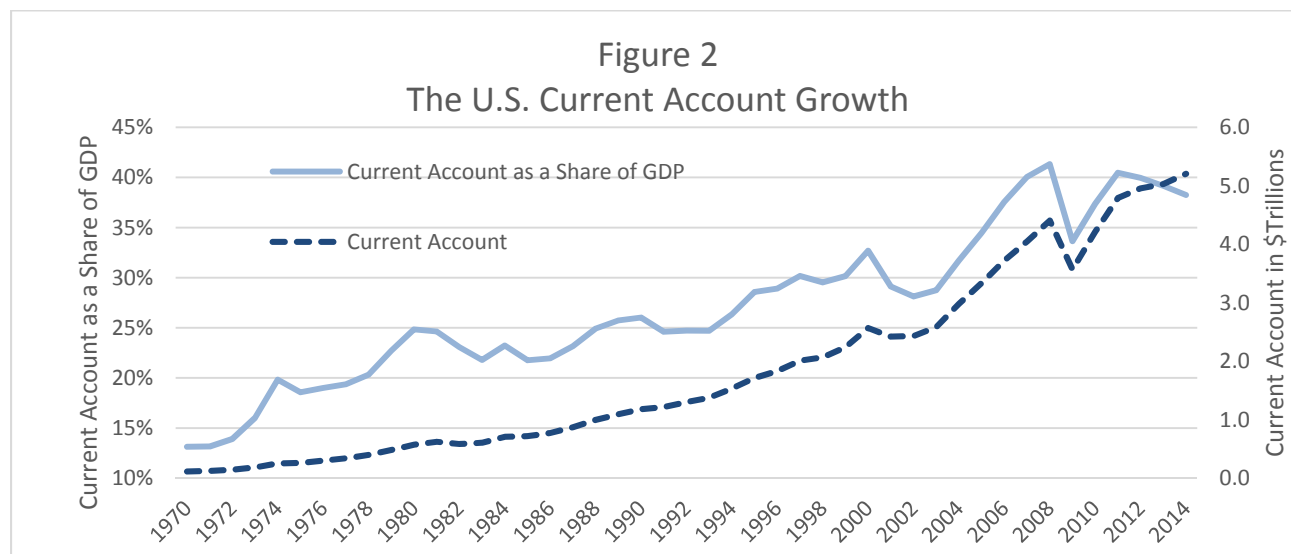
While trade growth has slowed, trade has still been an important contributing factor in the recovery. Over the past 5 and one-quarter years of recovery (2nd Qtr 2009 to 3rd Qtr 2014), U.S. real GDP is up 2.3 percent at an annual rate, and exports have contributed nearly one-third (31 percent or 0.6 percentage points) to this growth. Over this time frame, real exports of goods and services have grown more than 2.5 times the rate of the overall economy (6.1 percent at an annual rate for exports compared to 2.3 percent at an annual rate

³³ According to the International Monetary Fund

³⁴ On a BOP Basis

for the economy). In 2014, U.S. goods and services exports were nearly 44 percent above the level of exports in 2009.

In 2014, the U.S. Current Account (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)³⁵ grew by 3.3 percent to a record \$7.0 trillion (*figure 2*).³⁶ As a share of the value of GDP, the Current Account was up from 13 percent in 1970 to 38 percent in 2014, but was still below the record 40 percent reached in 2008 (*figure 1*).³⁷



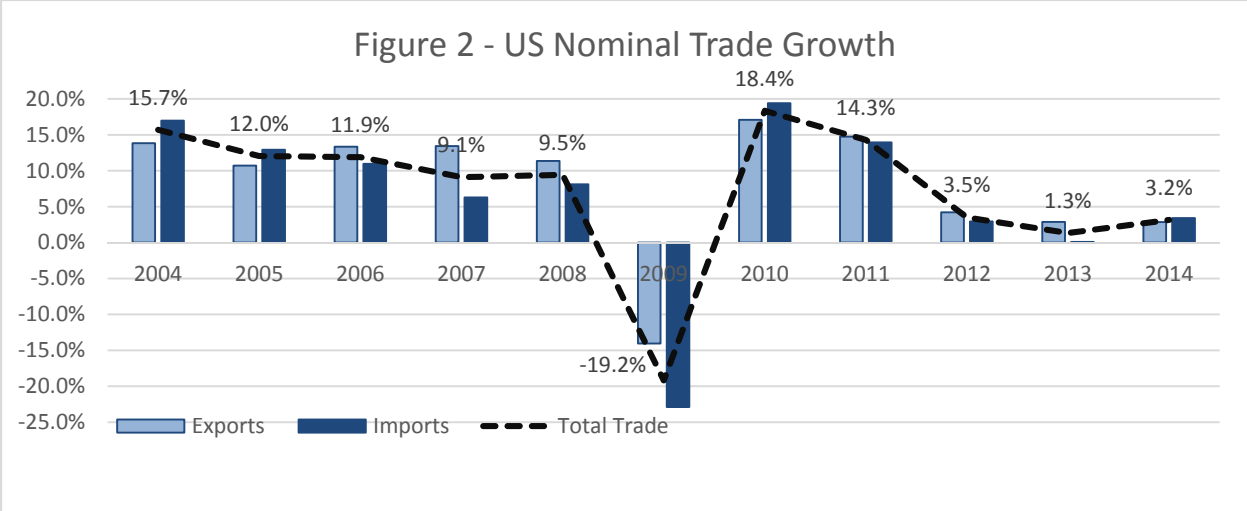
Source: U.S. Bureau of Economic Analysis

On a Balance of Payments basis U.S. trade in goods and services increased by 3.2 percent, in 2014— U.S. trade of goods alone increased by 3.1 percent and U.S. trade of services increased by 3.4 percent (*figure 3*). U.S. exports of goods and services were up by 2.9 percent in 2014, goods exports were up 2.7 percent and services exports were up 3.3 percent. U.S. imports of goods and services were up by 3.4 percent in 2014, goods were up by 3.4 percent and imports of services increased by 3.6 percent.

³⁵ The Current Account is the most complete picture of trade, as earnings on foreign investment are considered trade, because they are conceptually the payment made to foreign residents for the service rendered by the use of foreign capital. However, the majority of this chapter deals with goods and services trade, excluding foreign investment earnings. All trade values are nominal unless otherwise indicated.

³⁶On a National Income Products Account basis. In this Chapter, earnings and payments on foreign investment are annualized based on the first 3 quarters of 2014.

³⁷ For goods and services, excluding investment earnings and payments, U.S. trade represented 29 percent of the value of GDP in 2013, up from 9 percent in 1970.



Source: U.S. Bureau of Economic Analysis, on a BOP Basis

The total deficit on goods and services trade³⁸ increased by \$29 billion in 2014 to \$505 billion. The deficit was about 29 percent lower than its pre-recession level of \$709 billion in 2008 and 34 percent lower than the 2006 high of \$762 billion. As a share of GDP, the deficit increased from 2.8 percent of GDP in 2013 to approximately 2.9 percent of GDP in 2014, but was still lower than its high of 5.5 percent in 2006.

The U.S. deficit in goods trade alone increased by \$35.2 billion from \$701.7 billion in 2013 (4.2 percent of GDP) to \$736.8 billion in 2014 (still 4.2 percent of GDP), while the services trade surplus increased by \$6.5 billion, from \$225.3 billion in 2013 (1.3 percent of GDP) to \$231.8 billion in 2014 (still 1.3 percent of GDP).

II. Export Growth

U.S. exports of goods and services were up by 2.9 percent in 2014 (48 percent since 2009), to a record \$2.3 trillion (table 2). Goods exports were up 2.7 percent (\$42.3 billion) to a record \$1.6 trillion and services exports up 3.3 percent (\$22.9 billion) to a record \$710.3 billion (table 1).

Nearly 30 percent of all U.S. exports were to related parties (either to a foreign parent or affiliate). This accounted for 29.6 percent of U.S. goods exports and 27.3 percent of U.S. exports of services, in 2013 (latest year available).

³⁸ On a balance of payments basis.

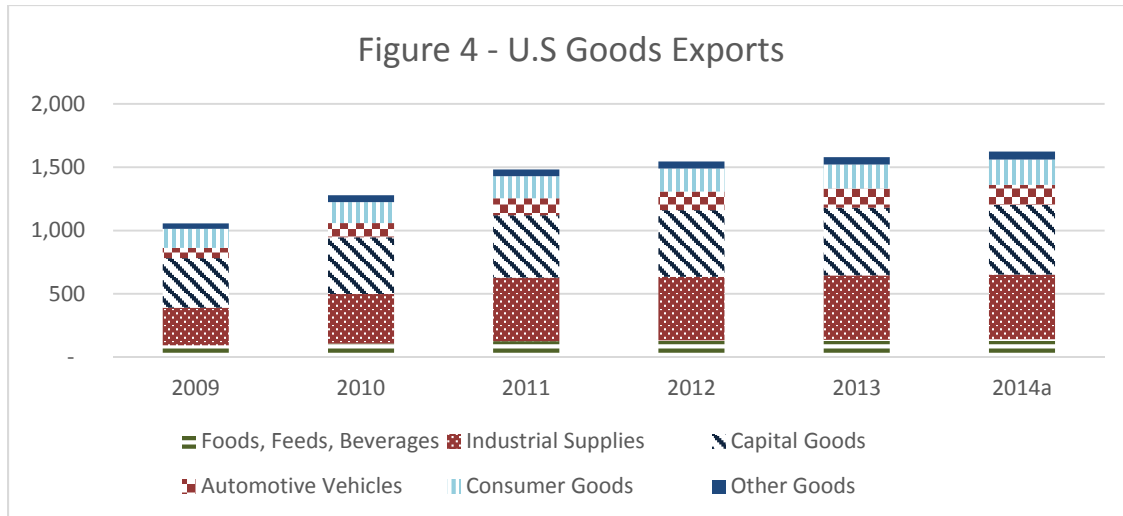
Table 2 - U.S. Exports

	Value (\$Billions)			% Change	
	2009	2013	2014	09-14	13-14
Total Goods and Services	1,583.1	2,280.2	2,345.8	48.2%	2.9%
Goods	1,070.3	1,592.8	1,635.1	52.8%	2.7%
Capital Goods	391.2	534.2	550.0	40.6%	3.0%
Industrial Supplies	296.5	509.3	506.8	70.9%	-0.5%
Consumer Goods	149.5	189.1	199.2	33.3%	5.3%
Automotive Vehicles and Parts	81.7	152.6	159.5	95.1%	4.5%
Foods, Feeds, Beverages	93.9	136.2	144.2	53.6%	5.9%
Other Goods	43.2	58.2	63.5	47.0%	9.1%
Petroleum (Addendum)	49.2	137.6	145.7	196.3%	5.9%
Manufacturing (Addendum)	917.9	1,382.7	1,403.1	52.8%	1.5%
Agriculture (Addendum)	101.3	148.7	155.1	53.1%	4.3%
Services	512.7	687.4	710.3	38.5%	3.3%
Travel	119.9	173.1	179.0	49.3%	3.4%
Charges for the use of intellectual property	98.4	129.2	134.9	37.1%	4.4%
Other business services	96.0	123.4	125.6	30.9%	1.7%
Transport	62.2	87.3	89.7	44.2%	2.8%
Financial services	64.4	84.1	89.5	38.9%	6.4%
Telecom, computer, and information services	23.8	33.4	33.3	39.8%	-0.4%
Government goods and services	21.3	24.5	23.8	11.7%	-2.9%
Maintenance and repair services	12.1	16.3	18.1	49.9%	11.1%
Insurance services	14.6	16.1	16.4	12.7%	2.1%

Source: U.S. Department of Commerce, Balance of Payments basis for total and services sectors, Census basis for goods sectors.

A. Goods Exports

Goods exports increased in 2014, by 2.7 percent to a record \$1.6 trillion (*table 1 and figure 4*). Manufacturing exports, which accounted for 86.4 percent of total goods exports and 47 percent of the increase in exports, were up 1.5 percent in 2014. Agricultural exports, which accounted for 9.6 percent of total goods exports and 15 percent of the increase in exports, were up 4.3 percent in 2014. U.S. goods exports increased for all major end-use categories in 2014, with the largest increases in capital goods, up 3.0 percent (\$15.8 billion), and consumer goods, up 5.3 percent (\$10.1 billion). U.S. petroleum exports, a subset of industrial supplies, were up 5.9 percent accounting for 18.6 of the increase in exports.



Source: U.S. Department of Commerce

Over the last 5 years, between 2009 and 2014, U.S. goods exports have increased by 52.8 percent (\$564.8 billion). U.S. agricultural exports grew by 53.1 percent (\$53.8 billion) and manufacturing exports grew by 52.8 percent (\$485.1 billion), over the same time period. Of the major end-use categories, exports of industrial supplies and materials (up \$210.3 billion, or 70.9 percent) led export growth in the 2009-2014 timeframe, accounting for 37.1 percent of the increase. U.S. petroleum exports, a subset of industrial supplies and materials, grew by 196.3 percent (\$96.5 billion) from 2009 to 2014., Capital goods were up \$158.8 billion (40.6 percent) and accounted for 28.0 percent of total exports and automotive vehicles and parts were up \$77.7 billion (95.1 percent) accounted for 13.7 percent of the increase.

In 2014, U.S. goods exports increased to the top 4 export markets, Canada (3.5 percent), China (1.9 percent), Japan (2.7 percent), and Mexico (6.3 percent) (table 2). In addition, U.S. goods exports to our 20 FTA partners increased by 4.3 percent, and U.S. exports to perspective FTA countries also increased (European Union up 5.5 percent, TPP countries up 4.0 percent).

Table 2 - U.S. Goods Exports to Selected Countries/Regions					
	Value (\$Billions)			% Change	
	2009	2013	2014	09-14	13-14
Canada	204.7	301.6	312.0	52.4%	3.5%
China	69.5	121.7	124.0	78.5%	1.9%
Japan	51.1	65.2	67.0	31.0%	2.7%
Mexico	128.9	226.1	240.3	86.4%	6.3%
European Union (28)	220.8	262.2	276.7	25.3%	5.5%
Latin America (excluding Mexico)	109.5	184.4	184.8	68.7%	0.2%
Pacific Rim (excluding Japan and China)	133.9	201.1	204.8	52.9%	1.8%
FTA Countries (Addendum)	466.1	733.3	765.1	64.2%	4.3%
TPP (Addendum)	456.5	699.1	727.0	59.3%	4.0%
Advanced Economies (Addendum)	613.9	836.4	864.1	40.8%	3.3%
Emerging Markets and Developing Economies (Addendum)	442.1	743.2	759.4	72.1%	2.4%

Source: U.S. Department of Commerce, Census basis

Advanced Economies and Emerging Markets as defined by the IMF

U.S. goods exports to advanced economies, accounting for 53.2 percent of U.S. total goods exports, increased by 3.3 percent, while goods exports to emerging markets and developing economies increased by 2.4 percent. This is the first year since 1999 that U.S. goods exports have grown faster to advanced economies than to emerging markets and developing economies. The share of U.S. goods exports going to emerging markets and developing countries increased from 34.8 percent in 2004 to 47.0 percent in 2013, before declining to 46.8 percent in 2014.

B. Services Exports

U.S. exports of services increased by 3.3 percent to a record \$710.3 billion in 2014 (*table 1*). U.S. services exports accounted for 30 percent of the level of U.S. goods and services exports in 2014.

All major services export categories exhibited increases in 2014, with the exception of telecommunications services and government goods and services. The growth of U.S. services exports was led by travel (up 3.4 percent, \$5.9 billion), intellectual property (up 4.4 percent, \$5.7 billion) and financial services (up 6.4 percent, \$5.4 billion).

U.S. services exports have increased by 38.5 percent over the past 5 years. Of the \$197.6 billion increase in U.S. services exports between 2009 and 2014, travel services accounted for 29.9 percent (\$59.1 billion) of the increase, while intellectual property and other business services accounted for 18.5 percent (\$36.5 billion) and 15.0 percent (29.6 billion), respectively.

Detailed services exports to countries/regions are available only through 2013. Canada was the largest purchaser of U.S. services exports in 2013, accounting for 9.2 percent (\$63.3 billion) of total U.S. services exports. The next 5 largest purchasers of U.S. services exports in 2013 were: the United Kingdom (\$60.3 billion), Japan (\$46.3 billion), China (\$37.8 billion), Ireland (\$31.7 billion), and Mexico (\$29.9 billion). Regionally, in 2013, the United States exported \$205.9 billion to the EU, \$196.9 billion to the Asia/Pacific region (\$112.9 billion excluding Japan and China), \$93.1 billion to NAFTA countries, and \$63.3 billion to South and Central America (excluding Mexico).

III. Imports

U.S. imports of goods and services were up by 3.4 percent in 2013 (44.9 percent since 2009) to a record \$2.9 trillion. Goods imports were up 3.4 percent (\$77.5 billion) to a record \$2.4 trillion and services imports are up 3.6 percent (\$16.6 billion) to a record \$479 billion (*table 3*).

40.5 of all U.S. imports were from related parties (either from a foreign parent or affiliate). This accounted for 50.1 percent of U.S. goods imports and 27.5 percent of U.S. imports of services, in 2013 (latest data available).

Table 2 - U.S. Imports

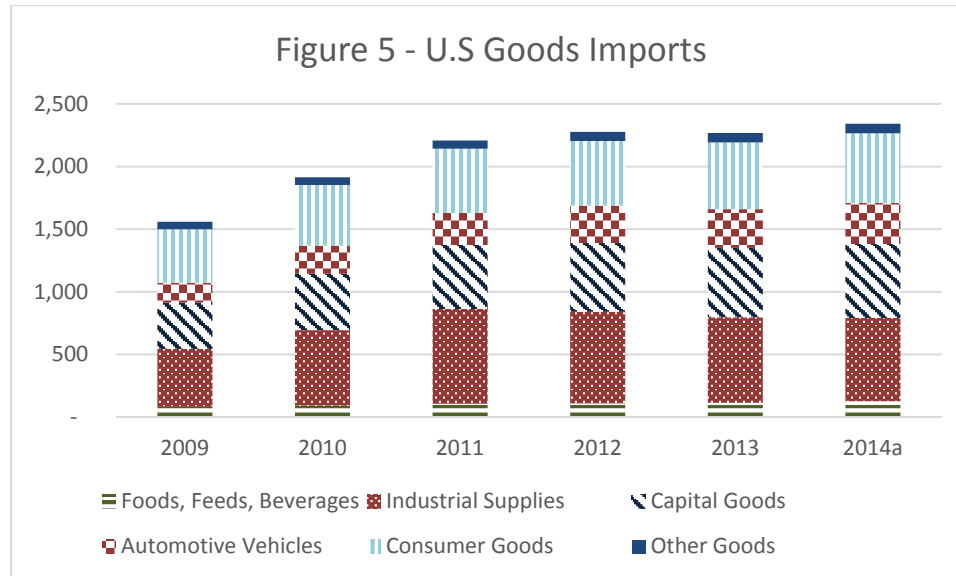
	Value (\$Billions)			% Change	
	2009	2013	2014	09-14	13-14
Total Goods and Services	1,966.8	2,756.6	2,850.5	44.9%	3.4%
Goods on a BOP Basis	1,580.0	2,294.5	2,371.9	50.1%	3.4%
Industrial Supplies	462.4	681.6	665.5	44.0%	-2.3%
Capital Goods	370.5	554.5	591.4	59.4%	6.5%
Consumer Goods	427.3	532.7	558.0	30.0%	4.3%
Automotive Vehicles	157.7	308.8	327.8	107.7%	6.1%
Foods, Feeds, Beverages	81.6	115.1	125.8	54.1%	9.2%
Other Goods	60.2	75.5	77.5	27.8%	1.8%
Petroleum (Addendum)	253.7	369.7	334.1	32.1%	-9.4%
Manufacturing (Addendum)	1,236.4	1,830.1	1,927.3	55.2%	4.8%
Agriculture (Addendum)	71.8	104.4	111.9	54.8%	6.6%
Services	386.8	462.1	478.5	23.8%	3.6%
Travel	81.4	104.7	111.4	37.2%	6.7%
Other business services	68.6	92.7	98.3	44.2%	6.6%
Transport	64.1	90.8	94.5	46.2%	3.3%
Insurance services	63.8	50.5	48.4	-24.6%	-4.6%
Charges for the use of intellectual property	31.3	39.0	41.3	32.6%	6.4%
Telecom, computer, and information services	25.8	32.9	33.4	30.2%	2.1%
Government goods and services	31.5	25.3	24.0	-23.6%	-5.2%
Financial services	14.4	18.7	19.3	36.4%	5.2%
Maintenance and repair services	5.9	7.6	7.9	28.7%	0.3%

Source: U.S. Department of Commerce, Balance of Payments basis for totals and services sectors, Census basis for goods sectors.

A. Goods Imports

U.S. goods imports increased by 3.4 percent in 2013, and were valued at \$2.4 trillion, accounting for 83.2 percent of total imports (*table 3 and figure 5*). U.S. manufacturing imports, which accounted for 82.2 percent of total goods imports, increased by 4.8 percent in 2014. Agriculture imports, accounting for 4.8 percent of total goods imports, increased by 6.6 percent.

U.S. goods imports increased for nearly every major end-use category in 2014, with only the industrial supplies and materials category declining (down 2.3 percent, \$16.1 billion). Petroleum imports, a subset of industrial goods imports, declined by 9.4 percent (\$35.6 billion). Fifty nine percent of this decrease in petroleum imports was driven by a decline in price, while the other 41 percent was driven by quantity as the U.S. imported the lowest volume of petroleum since 1993. The largest increases were in capital goods (up 6.5 percent, \$36.8 billion) and consumer goods (up 4.3 percent, \$25.2 billion).



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

Data Presented on a Census Basis

U.S. goods imports have increased by 50.1 percent since 2009. Over this same time period U.S. agriculture imports have increased by 54.8 percent, while imports of manufactured goods and petroleum products have increased by 55.2 percent and 32.1 percent, respectively. For the major end-use categories, U.S. imports of capital goods led growth since 2009 (up 59.4 percent, \$220.9 billion), followed by industrial supplies and materials (up 44.0 percent, \$203.1 billion), and automotive vehicles and parts (up 107.7 percent, \$170.1 billion).

	Value (\$Billions)			% Change	
	2009	2013	2014	09-14	13-14
Canada	226.2	332.6	346.1	53.0%	4.0%
China	296.4	440.4	466.7	57.4%	6.0%
Japan	95.8	138.6	133.9	39.8%	-3.4%
Mexico	176.7	280.5	294.2	66.5%	4.9%
European Union (28)	282.1	387.6	417.8	48.1%	7.8%
Latin America (excluding Mexico)	108.1	158.5	150.4	39.2%	-5.1%
Pacific Rim (excluding Japan and China)	140.8	192.3	207.3	47.2%	7.8%
FTA Countries (Addendum)	528.0	799.9	826.9	56.6%	3.4%
TPP (Addendum)	570.8	852.7	881.9	54.5%	3.4%
Advanced Economies (Addendum)	736.1	1,039.4	1,090.1	48.1%	4.9%
Emerging Markets and Developing Economies (Addendum)	823.5	1,228.9	1,255.1	52.4%	2.1%

Source: U.S. Department of Commerce, Census basis

Advanced Economies and Emerging Markets as defined by the IMF

In 2014, U.S. goods imports increased from our top 3 import suppliers, China (up 6.0 percent), Canada (up 4.0 percent), and Mexico (up 5.0 percent), while imports from Japan decreased (down 3.4 percent) (*table 4*). U.S. goods imports from the 20 FTA countries grew by 3.4 percent in 2014³⁹, and U.S. imports to perspective FTA countries also increased (European Union up 7.8 percent, TPP countries up 3.4 percent).

U.S. goods imports from advanced economies, accounting for 46.5 percent of U.S. total goods imports increased by 4.9 percent, while goods imports from emerging markets and developing economies increased by 2.1 percent. The share of U.S. goods imports coming from emerging markets and developing countries increased from 44.7 percent in 2004 to 55.0 percent in 2011, before declining to 53.5 percent in 2014.

B. Services Imports

U.S. services imports increased by 3.6 percent (\$16.4 billion) to \$478.5 billion in 2014 (*table 3*). This increase was less than the increase in services exports (up \$22.9 billion). All broad services categories increased in 2014, with the exception of insurance services and government goods and services. Travel services showed the largest increase in 2014, up 6.4 percent (\$6.7 billion), and other business services increased by 6.0 percent (\$5.5 billion). U.S. services imports accounted for roughly 17 percent of the level of U.S. goods and services imports in 2014.

U.S. services imports have increased by 23.8 percent (\$91.7 billion) since 2009, again lower than the growth in services exports during this same time period (up \$197.6 billion). Travel services accounted for 32.7 percent of the total increase in services imports over the last 5 years and other business services accounted for 32.4 percent.

As with exports, services imports to countries/regions are available only through 2013. The United Kingdom remained our largest supplier of private services, accounting for 12.3 percent of total U.S. services imports in 2013. The next 5 largest suppliers of U.S. services imports in 2013 were: Germany (\$32.9 billion), Canada (\$30.5 billion), Japan (\$30.0 billion), Bermuda (\$24.7 billion), and Switzerland (\$22.0 billion). Regionally, the United States imported \$163.5 billion of services from the European Union in 2013, \$118.8 billion from the Asia/Pacific region (\$74.5 billion excluding Japan and China), \$48.2 billion from NAFTA, and \$24.8 billion from South and Central America (excluding Mexico).

IV. The U.S. Trade Balance

The total deficit on goods and services trade⁴⁰ increased by \$28.7 billion in 2014 to \$505.4 billion. The deficit was about 29 percent lower than its pre-recession level of \$708.7 billion in 2008 and 34 percent lower than the 2006 high of \$761.7 billion. As a share of GDP, the deficit increased from 2.8 percent of GDP in 2013 to approximately 2.9 percent of GDP in 2014, but was still lower than its high of 5.5 percent in 2006.

The U.S. deficit in goods trade alone increased by \$35.2 billion from \$701.7 billion in 2013 (4.2 percent of GDP) to \$736.8 billion in 2014 (still 4.2 percent of GDP), while the services trade surplus increased by \$6.5 billion, from \$225.3 billion in 2013 (1.3 percent of GDP) to \$231.8 billion in 2014 (still 1.3 percent of GDP).

³⁹ The 20 FTA countries currently entered into force accounted for 35.3 percent of total goods imports in 2014.

⁴⁰ On a balance of payments basis.

Table 5 - U.S. Trade Balances						
	2009	2010	2011	2012	2013	2014
U.S. Trade Balances as a share of GDP						
Goods and Services	-2.7%	-3.3%	-3.5%	-3.3%	-2.8%	-2.9%
Goods	-3.5%	-4.3%	-4.8%	-4.6%	-4.2%	-4.2%
Services	0.9%	1.0%	1.2%	1.3%	1.3%	1.3%
U.S. Trade Balances with the World (\$Billions)						
Goods and Services	-383.8	-494.7	-548.6	-537.6	-476.4	-505.0
Goods on a BOP Basis	-509.7	-648.7	-740.6	-742.1	-701.7	-736.8
Services	125.9	154.0	192.0	204.5	225.3	231.8

Source: U.S. Department of Commerce

The increase in the overall deficit was more than accounted for by an increase in nonpetroleum goods and services, (up \$72.4 billion, 29.6 percent), as the petroleum deficit continued to decline in 2014, by \$43.7 billion (18.8 percent). The U.S. deficit in petroleum accounted for 37.6 percent of the overall goods and services trade deficit in 2013.