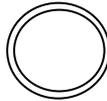


## Trans-Pacific Partnership FREE TRADE AGREEMENTS AND TRADE DEFICITS

Concern over the U.S. trade deficit is often cited by opponents of the Trans-Pacific Partnership (TPP) as a principal reason why the United States should not approve it. What the record shows after over 30 years of U.S. Free Trade Agreements (FTAs), however, is that they improve America's trade balance with our FTA partners compared to not having an FTA. Free trade agreements can and do increase opportunities for U.S. exporters of goods and services and, as such, contribute to the growth of U.S. exports and jobs related to those exports. By this measure, the TPP is a strong agreement that should be approved by Congress.



### **Can Trade Agreements Guarantee a U.S. Trade Surplus?**

The simple and straightforward answer is “no.” Countries run trade deficits or surpluses based on how much they save or spend, as a nation. The difference in that balance is reflected directly in the country's overall trade balance, and this overall trade balance changes over time. Put another way, countries that are net savers tend to run trade surpluses, while those that are not – including the United States over the past few decades – tend to run trade deficits. Since trade surpluses and trade deficits are based on national savings and consumption patterns, trade agreements are, at best, inadequate tools to eliminate a national trade deficit.

### **Is a Trade Surplus an Important Goal?**

Again, the answer is “no.” While many like to suggest that trade surpluses and deficits are report cards on an economic relationship, they are not. Indeed, there is no positive correlation between trade deficits and unemployment. In fact, U.S. employment has often been at its lowest level when the U.S. economy is growing stronger and running large trade deficits.

### **Trade Agreements Do Increase U.S. Exports and U.S. Competitiveness in Foreign Markets**

What high-standard U.S. trade agreements do, and do quite well, is leverage the best possible terms for U.S. exporters and, by extension, their workers. They do this by eliminating tariff and non-tariff barriers to U.S. goods and services in overseas markets. This, in turn, drives higher U.S. exports and sales to previously closed markets.

Here's the proof: According to the U.S. Department of Commerce, since 2009, U.S. goods exports to our FTA partners increased by 52 percent compared to 34 percent with the rest of the world, or our non-FTA partners. The United States ran a cumulative *trade surplus* in

manufactured goods with its FTA partners of more than \$280 billion over the past eight years (2008-2015), also according to data from the U.S. Department of Commerce.

Similarly, U.S. exports of agricultural products and services to our FTA partners have grown more than these exports to our non-FTA partners. Moreover, the United States often runs large trade surpluses with our FTA partners in agricultural and services trade. This is because trade agreements are effective in removing the high barriers that U.S. exports tend to face in these two areas, and thus contribute to increasing our export surpluses in these areas.

A comprehensive June 2016 assessment of U.S. FTAs conducted by the International Trade Commission (ITC) highlights these points. In 2015, the United States ran trade surpluses with 14 of our 20 FTA partners. Even in the six cases where the U.S. ran deficits with an FTA partner, the ITC estimates that the deficits with these countries would have been even higher without the FTA in place. For example, according to the ITC, the U.S. trade deficit with Korea, one of our newest FTA partners, would have been \$44 billion in 2015 but instead is significantly less, standing at \$28.3 billion – simply because of the much better access that the U.S.-Korea FTA has given U.S. exporters.

The bottom line is that the United States needs more, not fewer, trade agreements. Leveling the playing field and opening markets abroad to the products of American innovators, farmers, and companies – and by extension American workers – should be a higher priority than ever before. The best way to do so is to enter into strong, new trade agreements based on openness, accountability, and fair play. TPP fits the bill on all counts.