International trade and trade agreements were a hot button issue during the Republican primary and the presidential election. Presidential candidate Donald Trump pointed out the large United States trade deficit with the world, often highlighting the deficits with China, Mexico, and other leading trading partners. See Exhibit 1. When President Trump gave speeches on the issue of trade, he characterized the United States’ trading partners as “eating our lunch” when it comes to trade. He described international trade as a zero-sum game, where United States trading partners are the winners and the United States loses in all cases. President Trump also criticized NAFTA and other trade agreements as being detrimental to the performance of the U.S. economy.

This paper will examine both trade in goods and in services. This is important since the United States economy has a surplus in its international trade in services. Additionally, service exports have been growing much faster than goods exports. It is especially relevant to the New York region which has a strong foothold in the export of key services.

Exhibit 1

**Top U.S. Trading Partners (2016)**

- **Source:** Census USA Trade Online

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1 Weissman Center Fellow and Director of NYCdata. Timothy Leung and Edwin Ojeda are research analysts for NYCdata. NYCdata is sponsored by the Weissman Center for International Business. NYCdata is a comprehensive website focused on New York City’s population and economy, trade and transportation, governance, and arts and culture. For more information go to www.baruch.cuny.edu/nycdata
President Trump’s views on trade runs counter to classical economic theory going back to Adam Smith and David Ricardo, who laid the foundation that trade promotes economic well-being. The theory of comparative advantage argues that more wealth is created when countries concentrate in the production of goods and services in which they can produce at a lower opportunity cost than other producers. Essentially, international trade takes place only when both the buyer and the seller believe that they benefit from the transaction.

In the first 100 days of his Administration, rhetoric against trade has become more subdued, although headlines often change. The accusation that China should be designated as a currency manipulator was dropped. Nevertheless, the Administration appears ready to apply tariffs and other barriers to imports on a case-by-case or industry-by-industry basis. Given this backdrop, this paper examines how trade has grown in the 21st century and highlights its importance to the U.S. and New York’s regional economy.

Since 2000, international trade has grown almost twice as fast as U.S. Gross Domestic Product (GDP). In inflation adjusted dollars, United States exports and imports of goods and services grew by 61 percent. Exports grew by 69 percent and imports advanced by 55 percent. In contrast, GDP grew by a much slower 33 percent. Thus, trade’s role and importance to the economy has increased dramatically over this period. The International Trade Administration has estimated that there are 11.5 million jobs supported by United States’ exports of goods and services. Service exports have increased by 93 percent over this 16-year period to almost $700 billion. See Exhibit 3. The United States sells more services globally than it buys and has a trade surplus totaling approximately $200 billion. Thus, any trade policies addressing the goods deficit could put the United States service trade surplus at risk.

Service exports are a strength of the New York regional economy. A study by the Brookings Institution with JPMorgan Chase has estimated the value of both goods and services exports from the New York metropolitan region. The study indicates that the New York Region had $131.6 billion in goods and services exports in 2015, making it the leading region for exports in the nation.
The leading industries that export are service industries and include Financial Services, Travel and Tourism and Management Consulting. The New York region is also a leader in exporting Education and Health Services. The study estimated that more than 534,000 jobs are directly related to exports, with an additional 440,000 jobs through the multiplier effect. Exports directly generate more than 100,000 jobs in Eating and Drinking Places, nearly 60,000 jobs each in Hotels and Entertainment Services, 32,000 jobs in Retail Services, and almost 31,000 jobs in Financial Services.

Trade benefits the economy in many ways. Since consumption comprises 70 percent of the economy, more cost-efficient imports stretches the purchasing power of the consumer, allowing more domestic purchases. Imports provide consumers with lower price goods and more choices.

Many imported goods are essential intermediate inputs into the production process of goods produced in the United States. Today, manufacturing in the United States relies on a global supply chain. Over half of all United States imports are either intermediate components or raw materials. Imports that are competitive with domestically produced goods tend to stoke competition, innovation and productivity gains in the United States.

International trade is also a job generator. Goods that are both exported and imported create millions of jobs in their handling, processing, inland distribution. These include jobs at the nation’s seaports and airports, trucking and rail jobs in the movement of goods to and from the nation’s gateways, freight forwarding and customs brokers, financing and wholesale distribution. A study commissioned by the American Association of Port Authorities estimated that the handling of cargo transported by water generates more than 1.7 million jobs throughout the economy. In addition, billions of dollars have been invested in infrastructure projects needed to facilitate trade, creating more employment.
Cargo Trade Through the New York District Almost Doubles


In 2016, the value of international air cargo reached $203 billion. This represents a 68 percent increase in trade since 2002. Inbound air cargo was valued at $111 billion, up 49 percent compared to 2002. Air cargo exports totaled $93 billion, up 98 percent since 2002. Air trade is more balanced than ocean trade, reflecting high value exports such as electrical and other high value machinery, optical and medical equipment, works of art and antiques, and diamonds. See Exhibit 5.
Trade Volumes Also Expand Greatly

The Port of New York and New Jersey’s general cargo tonnage has increased by more than 70 percent since 2002. In 2016, total general cargo tonnage reached 36.9 million metric tons, up from 21.6 million metric tons in 2002. More than 70 percent of the volume is from imports. See Exhibit 6.

Exhibit 6

New York’s General Cargo Tonnage Growth Since 2002

Source: Port Authority of NY-NJ

The Port handled 3.6 million containers in 2016, a 64 percent gain since 2002. The number of twenty foot equivalent units reached 6.3 million in 2016, reflecting a mix of 40 and 20 foot containers. See Exhibit 7.

Exhibit 7

Container Trade (Units)

Source: Port Authority of NY-NJ
In contrast to ocean cargo volumes, air cargo volumes have declined over the period reflecting more competition from other gateways. Nonetheless, air cargo volumes are still significant, totaling 1,335,000 tons in 2016. This represents a 7.4 percent decline compared to 2002. See Exhibit 8.

**New York-New Jersey Region Competitive Position**

This region’s port and airport facilities remain one of the most important international gateways in the nation. The Port of New York and New Jersey is the largest port on the east coast and the third largest port in the country, after Los Angeles and Long Beach. See Exhibit 9.
New York’s air cargo center remains the largest in the country even with losses in competitive position over the years. New York handled 20 percent of United States two-way trade in 2016. On a volume basis, 15.7 percent of the 8.1 million tons of air cargo moving through the nation’s airports was transported through New York. See Exhibit 10.
The Economic Impact of Trade

The economic activity involved in moving cargo through the region’s ports and airports create jobs, business income, and taxes throughout the metropolitan area. A study commissioned by the New York Shipping Association estimated that the movement of ocean cargo generates 337,000 regional jobs. The movement of air cargo through the region generates an additional 55,000 jobs. These jobs cut across a wide array of industries and skill levels.

The export of services, especially tourism, is a major generator of economic activity, especially in New York City. According to the U.S. Department of Commerce, ITA, International Travel & Tourism international visitors spent $21.0 billion on travel to, and tourism-related activities within, the United States in March 2017. Year-to-date tourism exports totaled a record-setting $63.0 billion for the first three months of 2017, an increase of more than 2 percent ($1.5 billion) when compared to the same period in 2016. New York City welcomed 12.3 million international visitors in 2015. International visitors stay longer and spend more money during their stay than domestic visitors. International visitors account for about 20 percent of all visitors but more than half of the $42 billion in direct visitor spending. An Occasional Paper on travel and tourism exports prepared for the Weissman Center for International Business indicates that New York City ranks either first or second as the destination of choice for international travelers to the United States. International visitor spending for hotels, gifts, and entertainment is substantially greater in New York City than for other destinations. These expenditure categories have the greatest impact on tourism related employment in New York City. For many long running shows on Broadway as much as 60 percent of the audience is composed of international tourists.

In addition, NAFSA, the Association of International Educators, has estimated the economic impact of foreign students attending colleges and universities in the United States. The NAFSA study for the 2015-2016 academic year estimated that the more than one million foreign students in the United States contributed $32.8 billion to the economy and supported over 400,000 jobs. There are over 114,000 international students attending school in New York State generating $3.9 billion in economic activity and almost 47,000 jobs. Much of this activity occurs in New York City given its large university complex.

In conclusion, any loss of trade, especially trade in services could have a deleterious impact on the New York metropolitan region’s economy.

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2 International Travel and Tourism Exports and the New York Economy, October 2011