

## A Note on U.S. Trade Statistics

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This note, prepared by the staff of the United States International Trade Commission (USITC), is intended to help the public understand the most widely cited figures on the U.S. merchandise trade balance. It begins with a definition of the underlying trade flows and proceeds to a discussion of the resulting balances. This note relies entirely on official U.S. trade data generated by the U.S. Census Bureau (Census).<sup>1</sup> Census provides two measures of goods imports and two measures of goods exports. The USITC's Data Web makes these measures, along with corresponding trade balance calculations, available free to the public.<sup>2</sup>

### Measures of U.S. merchandise exports and imports<sup>3</sup>

#### *Export measures*

Exports are reported by Census as “domestic exports” or “re-exports.”<sup>4</sup> The sum of these two measures is reported as “total exports.”

- **“Total exports”** measures the total physical movement of goods out of the United States to foreign countries whether such goods are exported from within the U.S. customs territory or from a Customs and Border Protection (Customs) bonded warehouse or a U.S. Foreign Trade Zone (FTZ).<sup>5</sup>
- **“Domestic exports”** measures goods that are grown, produced, or manufactured in the United States, and commodities of foreign origin that have been changed in the United States. Goods may be changed in a U.S. FTZ, from the form in which they were imported, or they may be enhanced in value or improved in condition by further processing or manufacturing in the United States.
- **“Re-exports”** measures foreign-origin goods that have previously entered the U.S. customs territory, a Customs bonded warehouse, or a U.S. FTZ, and, at the time of exportation, have undergone no change in form or condition or enhancement in value by further manufacturing in the U.S. customs territory or U.S. FTZs.

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<sup>1</sup> Census is the official source of U.S. import and export statistics for goods. See <http://www.census.gov/foreign-trade/index.html>.

<sup>2</sup> USITC, Interactive Tariff and Trade DataWeb, available at <http://dataweb.usitc.gov>.

<sup>3</sup> All definitions in this note are based on those provided by the Census Bureau's “Trade Definitions,” available at <http://www.census.gov/foreign-trade/reference/definitions/>.

<sup>4</sup> Re-exports are also known as “foreign exports” in U.S. trade statistics.

<sup>5</sup> FTZs are secure areas under the supervisions of Customs that are considered outside the territory of the United States for the purposes of duty payment. There were 174 active U.S. FTZs in 2012. Foreign Trade Zones Board, 2013, 74<sup>th</sup> Annual Report of the Foreign-Trade Board to the Congress of the United States, available at <http://enforcement.trade.gov/ftzpage/annualreport/ar-2012.pdf>.

Domestic exports measures the export value of goods associated with U.S. productive activities,<sup>6</sup> while re-exports generally have much lower domestic value-added. An example of a re-export is a good that a firm imported and then decided not to use or further process in the United States; the re-export could be in the same year as the import or in a future year, by the importing firm or an unrelated entity, and it could be exported after being cleared through Customs or exported from a U.S. FTZ. Re-exports can also consist of used goods; for example, a machine that was imported and used in the United States for a number of years, and then exported for use in another country.

### *Import measures*

Imports are reported by Census as “general imports” and “imports for consumption.”

- **“General imports”** measures the total physical arrivals of merchandise from foreign countries, whether such merchandise enters the U.S. customs territory immediately or is entered into bonded warehouses or FTZs under Customs custody.
- **“Imports for consumption”** measures the total of merchandise that has physically cleared through Customs immediately or after withdrawal for consumption from bonded warehouses or FTZs under Customs custody.

General imports includes all goods that physically arrive into a U.S. port or customs district for processing. U.S. imports for consumption, on the other hand, includes only goods that have been cleared through Customs.

### ***Broad and narrow measures of U.S. merchandise trade***

The two broadest measures of U.S. merchandise trade are total exports and general imports. The total exports measure includes all exports of goods that physically leave the United States and does not depend on whether they are enhanced in value in the United States. The general imports measure includes all goods entering the United States, and does not depend on whether they are cleared through Customs, whether they are consumed domestically, whether they are used in U.S. productive activities, or whether they are eventually exported from the United States. Hence, the general imports measure exceeds the value of imported goods consumed in the United States, and the total exports measure exceeds the value of exported goods that were produced or transformed in the United States.

The two narrower measures of U.S. merchandise trade are domestic exports and imports for consumption. True to its name, domestic exports measures the value of goods either wholly or partially produced in the United States that are being exported. Belying its name, U.S. imports for consumption may include goods that are not consumed in the United States. As noted, U.S. imports for consumption is the label given to all goods that have been cleared through Customs. Customs does not track the flow or use in the United States of goods that enter into the U.S. customs territory, and hence cannot monitor whether they are actually consumed here. The inability to distinguish whether imports are

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<sup>6</sup> Though the actual amount of domestic value-added in goods included in domestic exports can vary widely.

consumed in the U.S. has implication for measures of U.S. trade balances; these implications are discussed in the next section. Likely because globalization has brought broad changes to the patterns of U.S. and international production, and because tariffs applied to imports for consumption have fallen over time, imports for consumption for many products and trading partners now includes substantial amounts of goods that will become re-exports.

None of the measures of U.S. trade discussed above include transshipments that are known as “in-transit shipments” and “transiting goods.” These goods are shipped in transit through the United States from one foreign country to another; they are not subject to duties and are excluded from U.S. import and export statistics. For example, goods that remain on a cargo ship in a U.S. port before being shipped to another country would be excluded from U.S. trade statistics, as would goods loaded on a truck in Canada and shipped under bond through the United States to Mexico. While most transshipments are excluded from U.S. trade statistics, a portion of re-exports reported in official statistics may relate to shipments that clear through Customs and are almost immediately sent to another country.<sup>7</sup>

### **Measures of the U.S. merchandise trade balance**

This note discusses two approaches for measuring the merchandise trade balance. The first uses the broadest measures of U.S. goods exports (total exports) and the broadest measure of U.S. goods imports (general imports). The second uses the more narrowly defined measures of U.S. goods exports (domestic exports) and U.S. goods imports (imports for consumption).

*Trade balance measure 1: Trade balance = total exports minus general imports*

As noted above, the total exports measure includes re-exports, and the general imports measure includes goods that are destined to be re-exported. The total value of re-exports that enter the United States is likely similar to the value of re-exports that leave the United States.<sup>8</sup> By subtracting general imports from total exports, the value of re-exports would appear to be “cancelled out,” and hence the measure can be a good estimate of the net gain or loss of national revenue resulting from international trade. This measure is used in the Department of Commerce’s monthly release on “U.S. International Trade in Goods and Services,” which is the most widely reported source for the U.S. trade balance.<sup>9</sup> In

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<sup>7</sup> Re-exports are not equivalent to transshipments, as re-exports also include: (1) goods that enter the U.S. customs territory that are exported without significant modification; (2) used goods exports; and (3) repatriation of assets not significantly altered in value.

<sup>8</sup> This is likely true in most cases. The value of re-exported goods can be higher when they are exported, but because re-exports must be exported in substantially the same condition as when they arrive in the United States, in most cases little domestic value is added to re-exports. The value of re-exported goods can also be lower when they are exported than when they were imported, particularly for exports of used goods. The United States does not report trade statistics on these values.

<sup>9</sup> U.S. Department of Commerce, Census Bureau and U.S. Bureau of Economic Analysis, “U.S. International Trade in Goods and Services (FT900),” [http://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/#ft900](http://www.census.gov/foreign-trade/Press-Release/current_press_release/#ft900).

that report, this measure is referred to as the merchandise trade balance on a “total Census basis.”<sup>10</sup> This is also the measure most commonly used internationally, as many countries do not report imports for consumption or domestic exports; the measure is used in international statistics reported by the United Nations and World Trade Organization.

*Trade balance measure 2: Trade balance = domestic exports minus imports for consumption*

The domestic exports minus imports for consumption measure of the trade balance focuses on goods that pass into the U.S. customs territory.<sup>11</sup> This measure can be useful when analysis focuses on duty rate provisions (including trade that enters under free or preferential trade agreements), which is only measured by imports for consumption.

Because imports for consumption can include re-exports while domestic exports do not, this measure of the trade balance is affected by the presence of re-exports in a trading relationship. For example, of the \$208.2 billion of re-exports in total U.S. exports in 2013, as much as \$181.3 billion, or 87.1 percent, appear to be counted in U.S. imports for consumption statistics, even though these goods were eventually exported from the U.S. and not consumed here.<sup>12</sup> Hence the trade balance measured as domestic exports minus imports for consumption likely will generate larger trade deficits and smaller trade surpluses for some products and countries compared to the trade balance measured as total exports minus general imports. As noted, the difference between the two measures is largely due to the value of imports into the U.S. customs territory that are destined for re-export.

The difference between the two trade balance measures is largest for trade with Canada and Mexico, which together receive about 45 percent of U.S. re-exports. Table 1 below compares the two measures of the trade balance for U.S. trade with its largest trading partners and with the world in 2013.

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<sup>10</sup> Headline numbers for aggregate trade and some detailed data are also presented on a balance of payments (BOP) basis. The total Census basis and BOP measures are generally quite close, differing by less than 2 percent for aggregate U.S. trade in 2013.

<sup>11</sup> A small share of domestic exports come out of FTZs, and so do not enter into, or exit from, the U.S. customs territory; and a larger share of re-exports are shipped abroad from within the U.S. customs territory.

<sup>12</sup> The value of re-exports that enters into U.S. imports for consumption includes imports that enter U.S. customs territory directly and those that first pass through U.S. FTZs. These channels are not distinguished in U.S. statistics. The value of re-exports entering the U.S. customs territory directly is likely much lower than \$181.3 billion, but many re-exports initially imported into FTZs subsequently enter into the U.S. customs territory. The difference between general imports and imports for consumption (\$26.9 billion) in 2013 is used here as the estimate of the value of re-exports that did not enter the U.S. customs territory.

**TABLE 1** U.S. trade flows and alternative trade balance measures with selected trading partners, 2013, billion dollars

Trade flow	China	Mexico	Canada	World
<b>Merchandise imports and exports</b>				
U.S. total exports	121.7	226.1	301.6	1,579.6
U.S. domestic exports	114.0	181.6	251.8	1,371.4
U.S. general imports	440.4	280.5	332.6	2,268.3
U.S. imports for consumption	438.2	277.8	332.9	2,241.4
<b>Re-exports</b> (total exports minus domestic exports)	7.7	44.4	49.8	208.2
<b>Alternative merchandise trade balance estimates</b>				
Total exports minus general imports	-318.7	-54.4	-30.9	-688.7
Domestic exports minus imports for consumption	-324.2	-96.2	-81.2	-870.0

Source: Official trade statistics of the U.S. Department of Commerce, as maintained by the USITC.

The USITC's DataWeb allows users to calculate the merchandise trade balance both ways. The USITC has used both measures in its reports depending on the question that it is examining. Historically the two measures tracked each other fairly closely, but there has been a growing gap between the two measures as re-export activity has increased over time and more of these goods destined for re-export have been shipped into the U.S. customs territory. The difference is largest in trade within North America and in products such as electrical machinery and electronics that are actively traded in global supply chains. Trends in U.S. trade data suggest that goods destined for re-export that were formerly imported into U.S. FTZs or bonded warehouses and then exported directly are now more frequently being imported into the U.S. customs territory, where they are recorded as imports for consumption, before being re-exported.<sup>13</sup> Low tariffs, reliance on global value chains, and economies of scale in shipping and distribution may be factors contributing to this shift in trade patterns.

<sup>13</sup> The share of U.S. re-exports shipped directly from U.S. FTZs and bonded warehouses fell from 37.6% in 1989 to 12.9% in 2013.