



## What our politicians get wrong -- America is not the 'biggest loser' on trade

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Donald Trump believes that America is in decline due to a rigged global economy. His view: “We lose on trade.” Hillary Clinton also has become staunchly anti-trade, saying China and other countries have “gamed the system for too long.”

The idea that the United States is a loser in the global economy must strike people in other countries as strange. When the rest of the world looks at America, what do they see? They see a nation with the world’s largest and most innovative economy, a great deal of individual opportunity that allows people to advance, and an unparalleled ability to participate in global affairs when it chooses to do so. “Why,” they must ask themselves, “is the United States gripped with such self-doubt?”

Part of the reason is simply that Americans tend to be keenly aware of their own personal and financial concerns, but may not pay much attention to the country’s broader role in the global economy.

So, how big is the United States? In a global economic context, it’s really big. The International Monetary Fund (IMF) estimates that world GDP in 2016 will be about **\$74 trillion**, and that the United States will produce 25 percent (\$18.6 trillion) of it. That’s well ahead of second-place China, which accounts for 15 percent (\$11.4 trillion).

America has the world’s third-largest population, estimated at **324 million** in 2016. That’s far behind China (1.382 billion) and India (1.326 billion), but the productivity of U.S. workers is much higher. A well educated workforce and high levels of capital investment have led to per-capita GDP of **\$55,805** (IMF 2015), fifth highest in the world. The countries with higher per-

capita GDP (Luxembourg - \$101,994; Switzerland - \$80,675; Qatar - \$76,576; and Norway - \$74,822) either have large financial sectors, or else a whole lot of oil.

Not surprisingly, the United States also is a major player in international trade. U.S. merchandise exports of roughly **\$1.6 trillion** are the second largest in the world. (China, which has been willing to accept lower living standards in order to drive export growth, ranks first at \$2.3 trillion.) America is the world's largest importer; about half of the **\$2.3 trillion** in imported goods are used as inputs by U.S. manufacturers, while the other half are finished products for direct consumption.

Regardless, many Americans are unsettled by their own finances and a long list of problems that afflict U.S. society. The deep recession of 2007-2009 demonstrated that economic security can be fleeting. It's natural to feel vulnerable when the future is unknown. The upside, though, is that millions of vulnerable Americans are working hard to make the future better. They have benefitted from 240 years of economic freedom and relatively enlightened governance. Frankly, America has done pretty well over time. Most people in the world would love to live in a country that is "losing" as successfully as the United States.

How can progress be maintained? Ever since the presidency of Franklin Roosevelt in the 1930s, the United States has been a leader in building a more-open and integrated global economy. Five decades of multilateral liberalization helped boost the value of global merchandise exports by more than 300 times, from \$58 billion in 1984 (inflation adjusted) to \$18.8 trillion in 2013. Increased trade has benefitted people everywhere.

As the biggest beneficiary (not the biggest loser) from international trade, America has a special responsibility to provide leadership. If the United States abandons the search for trade reform, no other country will be in a position to step forward and take its place.

There still is much economic growth to be gained by seeking reductions in other countries' trade barriers. There are benefits, too, from reducing barriers here at home. That's especially true for import restrictions that raise the costs of inputs for manufacturers, and those that increase the prices of basic necessities (shoes, clothing, etc.) that must be purchased even by people with lower incomes.

US leaders should honor the economic liberty of Americans by allowing them to buy from and sell to people of their own choosing, even if those transactions cross national borders. They should negotiate with other countries that are willing to liberalize trade. Instead of backing away from global markets – as Trump and Clinton are espousing – the United States should recommit confidently to engaging with the world.

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