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The Truth about Trade—The Good News that is Overlooked

Jerry Haar

A cursory examination of media stories on trade can mistakenly lead readers to believe that the current state of U.S. trade with the world is bleak. A merchandise trade deficit, the unsettled issue of a NAFTA replacement (the USMCA), and commercial squabbles with China do not paint a pretty picture. But closer scrutiny of the current state of U.S. trade competitiveness reveals much to celebrate—in two areas in particular: *services* and *trade facilitation*.

In the first instance, the U.S. remains the world leader in services exports (over \$560 billion), producing a *surplus* in non-merchandise trade for the nation. In fact, cross-border flows of services have grown over 60 percent faster than goods trade. Unfortunately, intangible assets transferred across borders, such as software, branding, and design, and data transfer are not adequately represented in national statistics. So, when politicians rant about the U.S. trade deficit, they are derelict in citing merchandise trade numbers only. Services already constitute more value in global trade than goods. In addition, all global value chains are becoming more knowledge-intensive. Only 18% of global goods trade is driven by labor-cost arbitrage. Offshore engineering, law and accounting, and consulting work along with royalty payments and franchising and licensing fees paid by foreign firms are services exports, as well. The same goes for tourists from overseas and foreign students in our universities (along with the “multiplier” effect of what they spend while here). Rarely considered, too, is the U.S. intellectual property component and value-added of imports of manufactured goods, such as pharmaceutical products and electronic equipment.

The second silver lining—trade facilitation—is the unsung hero of global commerce, receiving short thrift in the debate over global commerce. The objective here is to make cross-border trade faster, cheaper, safer and predictable through transparency, simplification and standardization. Modernizing customs processes and expanding the use of technology (electronic security seals on shipping containers) are making a lasting difference. As José Acosta of UPS asserts, the WTO’s 2017 Trade Facilitation Agreement significantly increases security, removes unnecessary costs and red tape, and raises standards overall.

Chile recently increased the long-standing value thresholds for expedited/simplified clearance for import and export. The import value limit was raised to US\$3,000 from US\$1,000 and the export limit went from US\$1,000 to US\$2,000. As Frank Santeiro of FedEx notes, this is a very positive development for which the express delivery industry (and importers) have long advocated.

One of the most innovative developments in trade facilitation in recent times is the new Compra Fora (“Buy Offshore”) program announced the end of January in Brasília by Miami-Dade County and the Brazilian Post Office (Correios). It is a first-of-its-kind, expedited shipping service that allows e-commerce packages of all sizes from anywhere in the world to be shipped to Miami International Airport (MIA), be pre-cleared by Correios, and arrive in Brazil as domestic cargo within days instead of what used to take weeks or months. A joint venture between Miami-based logistics providers SinerlogUSA and Interport Logistics, Compra Fora could be expanded to become Vende Fora (“Sell Offshore”).

In actuality, Miami could become the Cross-border E-commerce Hub of the Americas—a veritable air traffic control tower for intra-regional electronic commerce! The stars are surely aligned for this to happen. The current status and outlook for e-commerce are brighter than ever. Retail e-commerce sales worldwide exceed \$2.86 trillion, and Mexico and Colombia are two of the fastest growing e-commerce markets. Sales in the Latin American region will grow 5.1% this year to nearly \$53 billion, making the region the world’s fourth largest retail market. Total retail sales will continue to increase, reaching \$2.34 trillion by 2022. Brazil will garner the top spot as the region’s largest retail market, accounting for almost one-third of all regional retail sales this year, followed by Mexico with a 20.2% share. Mercado Libre and B2W Digital are the top two e-commerce sites in the region.

While the media focuses attention on the tensions and conflicts surrounding trade politics and public policy pronouncements, it is the *business* of trade that counts most. And here, the facilitation of cross-border trade and the growing, competitive performance of the service sector provide something to really cheer about.

Jerry Haar is a professor of international business at Florida International University and a Global Fellow of the Woodrow Wilson International Center for Scholars in Washington, D.C.