

Trade War?

By; Chuck Vollmer, Jobenomics Founder & President

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Short Caption: Reciprocal trade versus trade war.

Caption: Is President Trump starting an unjust and unwinnable trade war or is he taking prudent actions to bring global trade into balance to protect the U.S. economy?

Free trade is an ideal goal. In practice, reciprocal trade is more realistic, especially in an ever-changing global marketplace. After WWII, the U.S. economy equated to about half the world's Gross Domestic Product (GDP, the value of all goods and services). For the first 3-decades after WWII, the United States could afford to assume the responsibility of rebuilding the economies of devastated European and Asian countries. In the subsequent 4-decades, Americans acquired an appetite for cheap foreign goods and launched new initiatives, like NAFTA, to make North America the most economically competitive continent in the world. Due to a stronger global economy, today U.S. GDP is now only one-fifth of world GDP. Perhaps, now is the time to break our dependency on foreign goods and rebuild our flagging middle-class that has eroded as a result of outsourcing our manufacturing and labor force to foreign competitors.

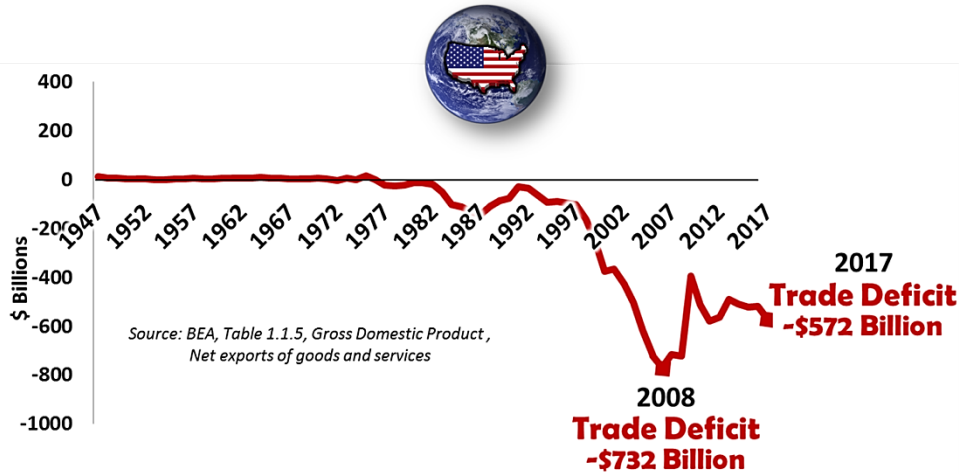
Every American president since Ronald Reagan to Barak Obama attempted to balance the trade deficit via diplomacy. However, habits are hard to break, and benefits are hard to revoke. American's are addicted to inexpensive foreign products, and foreign nationals are unwilling to relinquish the status quo. Since diplomacy did not ameliorate trade imbalances, President Trump is instituting big stick trade balancing policies (e.g., tariffs and quotas) aimed at the top-5 U.S. trading partners (China, Canada, Mexico, Japan, and Germany) who are responsible for 75% of the 2017 U.S. trade deficit. This big stick approach is alarming to domestic and international status quo supporters who claim that a trade war will ravage the global economy. On the other hand, \$11.8 trillion worth of trade deficits over the last 4-decades ravaged domestic U.S. industries and workers.

Is President Trump starting an unjust and unwinnable trade war or is he taking prudent actions to balance global trade and protect the U.S. economy? The following nine charts present a strategic perspective of the U.S. trade situation and foreign trade deficits. Data comes from the U.S. Census Bureau's Foreign Trade Balance Index¹ and the World Bank² databases. The charts speak for themselves. So, you determine whether the Trump Administration's approach to "reciprocal" trade is appropriate or not.

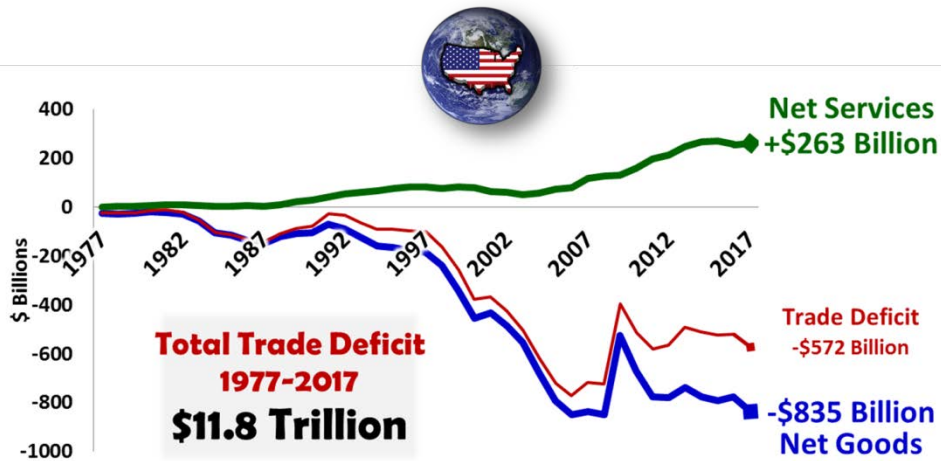
¹ U.S. Census Bureau, Foreign Trade Balance Index, <https://www.census.gov/foreign-trade/balance/index.html>

² The World Bank, GNI per capita, Atlas method (current US\$), China 1987-2016, <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?end=2016&locations=CN-US&start=1987>

U.S. International Trade Since WWII



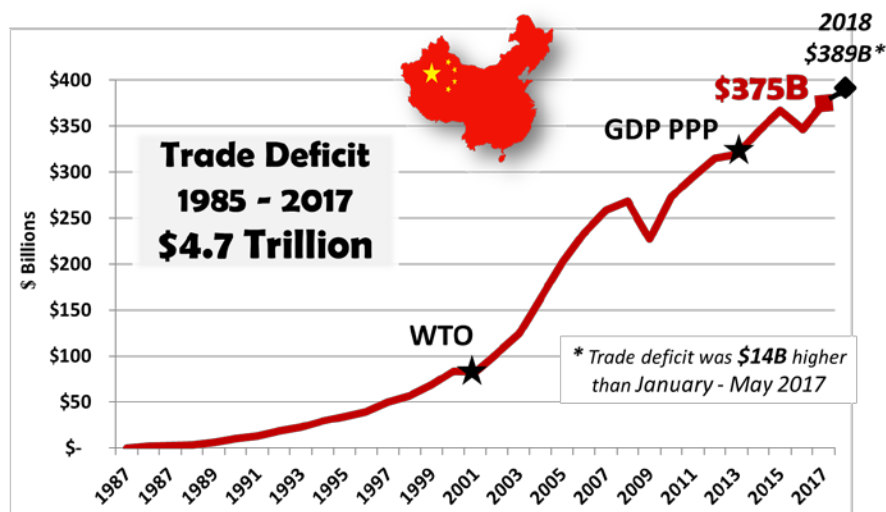
U.S. International Trade Since 1977



U.S. International Trade In 2017

Top 5 Trading Partners	Exports & Imports	% of Grand Total Trade	Trade Deficit	% of Grand Total Deficit
China	\$635	16%	\$376	47%
Canada	\$582	15%	\$17	2%
Mexico	\$558	14%	\$71	9%
Japan	\$204	5%	\$69	9%
Germany	\$172	4%	\$64	8%
Top 5 Total	\$2,150	55%	\$596	75%
All Others	\$1,738	45%	\$200	25%
Grand Total	\$3,888		\$796	
	\$3.9 Trillion		\$0.8 Trillion	

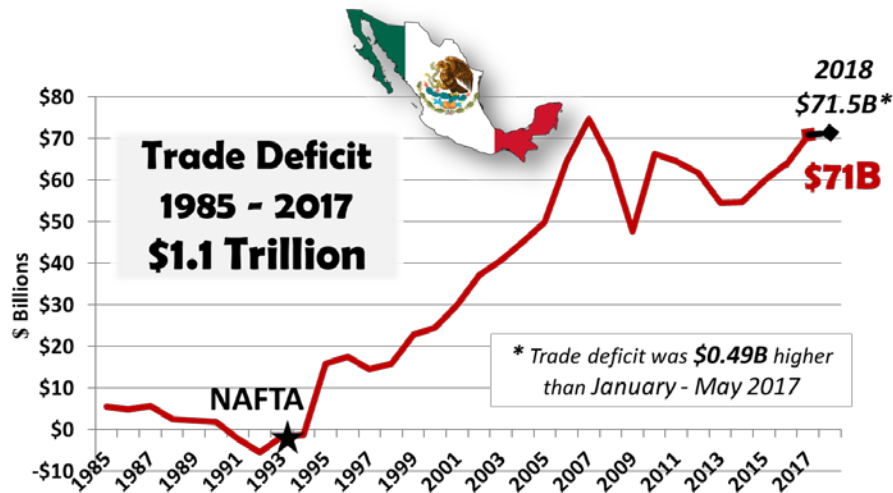
U.S. Goods Trade With China



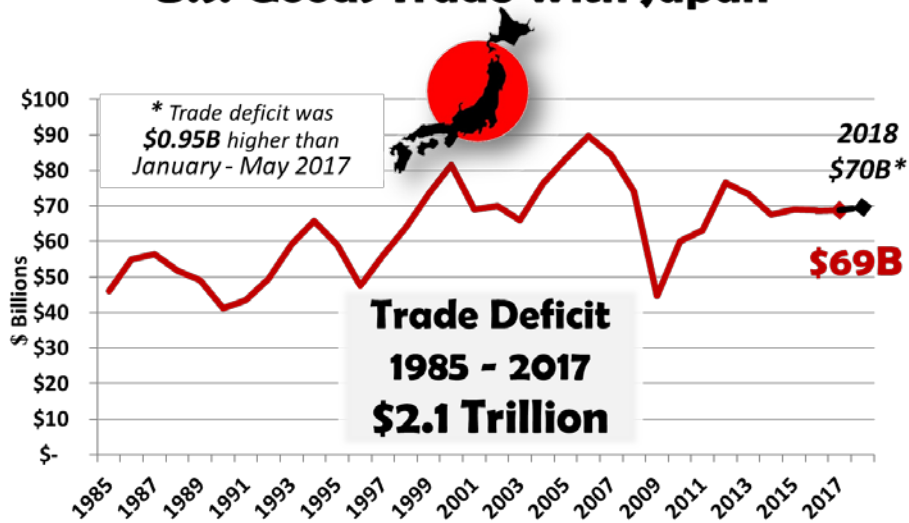
China Per Capita Income



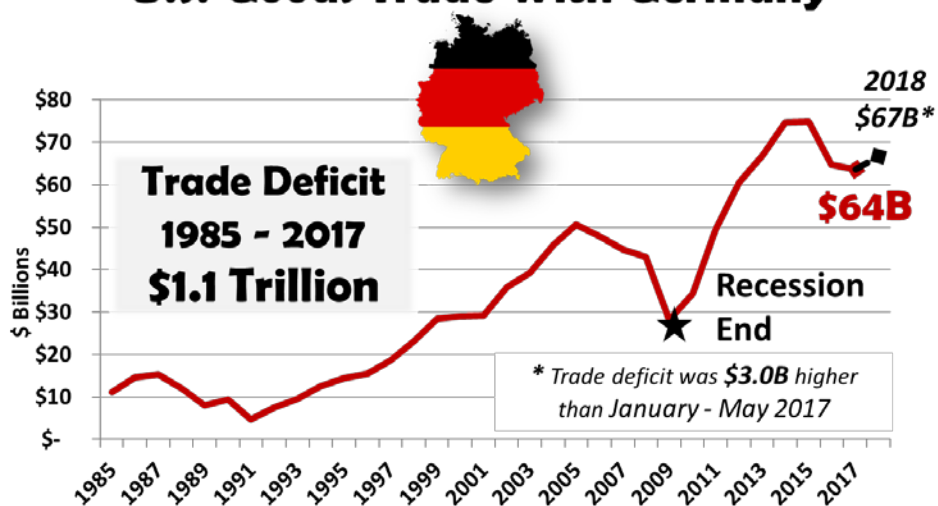
U.S. Goods Trade With Mexico



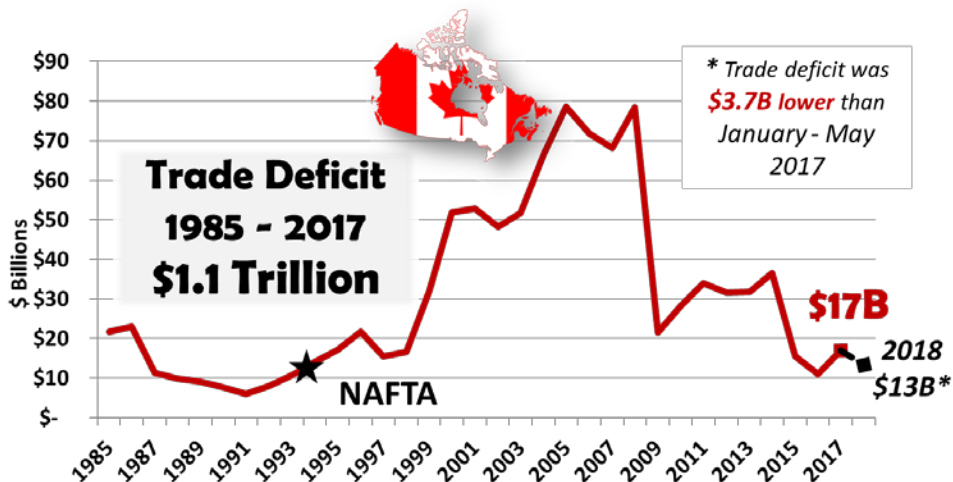
U.S. Goods Trade With Japan



U.S. Goods Trade With Germany



U.S. Goods Trade With Canada





About Jobenomics: *Jobenomics deals with the economics of business and job creation. The non-partisan Jobenomics National Grassroots Movement's goal is to facilitate an environment that will create 20 million net new middle-class U.S. jobs within a decade. The Movement has an estimated audience of 30 million people. The Jobenomics website contains numerous books and material on how to mass-produce small business and jobs as well as valuable content on economic and industry trends. For more information see <https://jobenomicsblog.com/>.*