



## Major U.S. Trading Partners Before and After the Great Recession

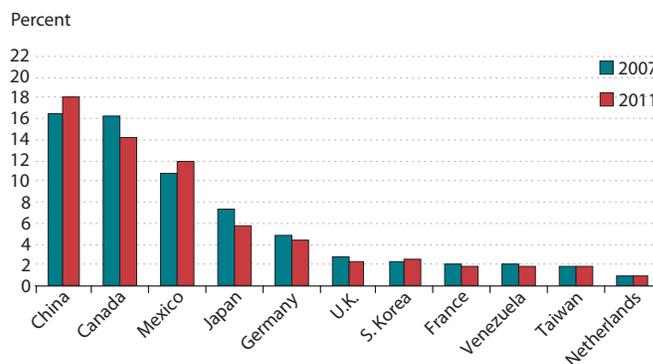
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The Great Recession of 2007-09 led to a global collapse of international trade flows. Indeed, international trade flows fell 30 percent relative to gross domestic product (GDP) (Eaton et al., 2011). From August 2008 through April 2009, U.S. non-petroleum real imports and exports fell about 27 percent, a much more pronounced drop than occurred in production (Alessandria, Kaboski, and Midrigan, 2010). The Great Recession, however, affected some U.S. trade partners more severely than others. Because international trade has become increasingly relevant to the U.S. economy, the country's growth perspectives depend more on the growth performance of its major trade partners (see, e.g., Contessi and Li, 2013). This essay examines whether a persistent realignment can be observed in the relevance of the different trade partners of the United States since the recession subsided.

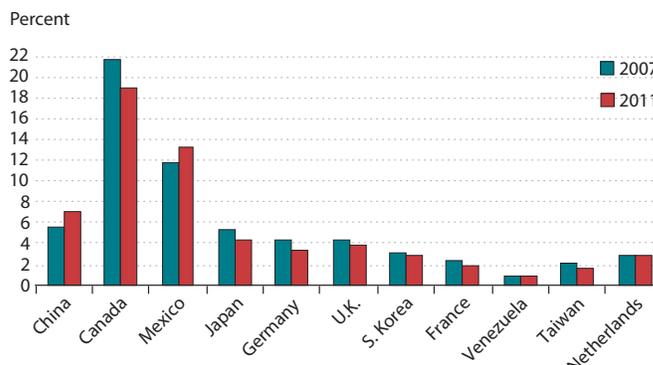
**One of the most interesting features of the Great Recession is that—contrary to other global recessions—it was mostly a rich-country phenomenon.**

We focus on the 11 countries that account for the top destinations of U.S. exports and the top sources of U.S. imports in 2007. We compare the trade of these countries with the United States in 2007 with that in 2011. The first two charts compare the percentages of U.S. imports and exports of goods (including oil) accounted for by these 11 countries in 2007 (blue bars in the chart) and in 2011 (red bars).<sup>1</sup> The major U.S. trade partners exhibit a remarkable dispersion in geographic location and income levels. Nine countries (China, Canada, Mexico, Japan, Germany, United Kingdom, South Korea, France, and Taiwan) are in both the top countries as exporters and importers. The Netherlands is the eighth-highest destination for U.S.

Percentage of Total U.S. Imports by Source Country



Percentage of Total U.S. Exports by Destination Country



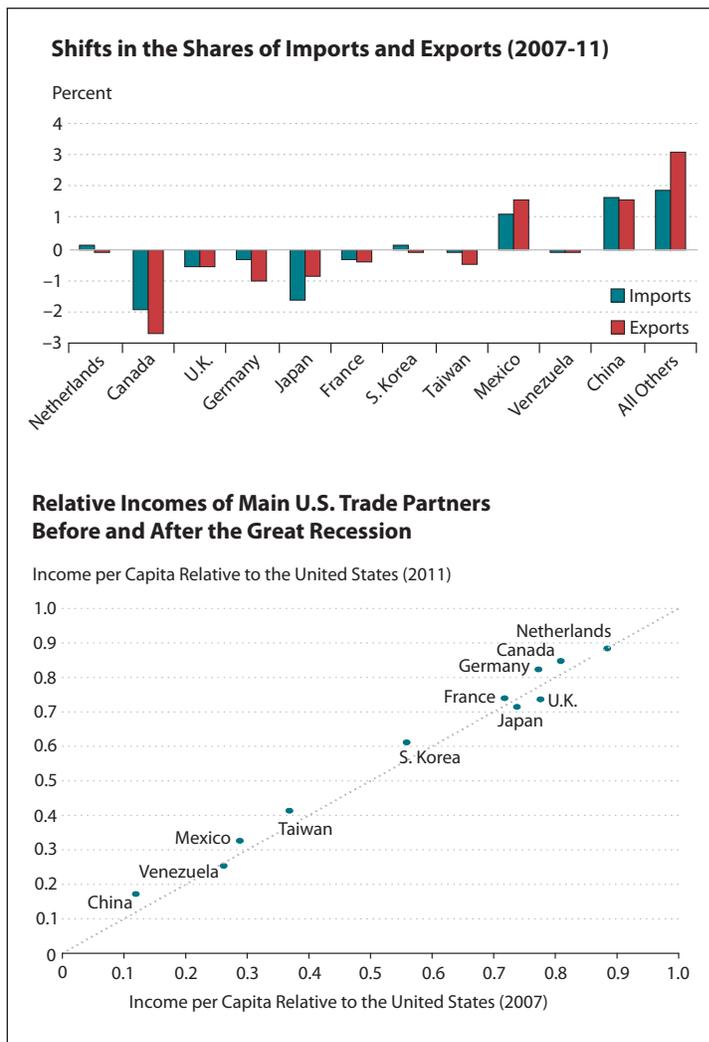
exports, while Venezuela is the eighth-highest source of imports, mostly oil. These 11 countries accounted for 68 percent of total U.S. imported goods and 64 percent of exported goods in 2007.<sup>2</sup> By 2011, these percentages fell to 66 percent and 61 percent, respectively. The charts show that the shares of exports and imports are positively correlated with each other in both 2007 and 2011. The remarkable exceptions are China and Venezuela, which import

much less from the United States than they export to it, and Canada, for which the opposite is true.

The first two charts show no abrupt changes in the U.S. trade pattern. Indeed, countries that were the major importers (exporters) in 2007 were also the major importers (exporters) in 2011. Moreover, there have been no dramatic changes in the rankings, except for South Korea, which overtook the United Kingdom as a source of U.S. imports and all but overtook Germany (and greatly closed its distance with the United Kingdom) as a destination of U.S. exports. Even though no abrupt changes are detected, the third chart shows a consistent shift of U.S. trade from richer countries to poorer ones. This chart shows the 11 countries in decreasing order, from left to right, according to their per capita GDP (adjusted for purchasing power parity differences).<sup>3</sup> The chart shows the change from 2007 to 2011 of each country's share as a source of U.S. imports and a destination of U.S. exports. The chart also shows the change in the shares for the rest of the world (i.e., all other countries except the 11 major U.S. trade partners.)

The two poorest U.S. trade partners, Mexico and China, significantly increased their importance as import sources, and their importance as destinations of U.S. exports increased even more. The same situation applies to the aggregate shares for the rest of the world. On the contrary, Canada, Japan, Germany, the United Kingdom, and France lost some of their importance. A main factor behind this shift is likely the performance of the different countries during the Great Recession. The fourth chart shows the 2007 and 2011 ratios of per capita real income of the 11 countries relative to that of the United States. As expected, the chart shows that the United States is richer than all its trade partners (in real terms) because all 2007 and 2011 ratios are below 1.0. More interestingly, many of the major trade partners made gains in catching up with the United States, as indicated by the ratios for most countries lying above the 45-degree line in the chart. The chart suggests that per capita income has grown in China and Mexico more than it has in the United States during this period, while the opposite occurred for Japan.

One of the most interesting features of the Great Recession is that—contrary to other global recessions—it was mostly a rich-country phenomenon. As such, it might have accelerated—but not by much—the long-run growth of the relative importance of emerging markets such as China and Mexico in global and U.S. trade. However, a



country's income growth rate can be only part of the story. Both Canada and Germany outgrew the United States in terms of income during the 2007-11 period, and their trade shares with the United States have declined. ■

**Notes**

<sup>1</sup> Trade data are from the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division. "U.S. Trade in Goods by Country." The data are available at <http://www.census.gov/foreign-trade/balance/>.

<sup>2</sup> There are important data limitations for trade in services. However, there are relevant differences for trade in services with respect to the trade in goods. See Borchert and Matto (2011).

<sup>3</sup> Data for per capita income are from the World Bank Development Indicators (<http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD>).

## References

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*Views expressed do not necessarily reflect official positions of the Federal Reserve System.*