Summary

International trade plays a massive and growing role in the U.S. economy. For the U.S. economy as a whole, exports and imports combined are equivalent to around 27 percent of GDP, up from around 17 percent 30 years ago. For U.S. freight railroads, international trade plays an even greater role: at least 42 percent of the carloads and intermodal units railroads carry, and more than 35 percent of rail revenue, are directly associated with international trade. (If freight indirectly associated with trade were included, the rail figures would be even higher.)

Turning our backs on international trade — for example, by imposing excessive tariffs on imports — does far more harm than good by worsening our nation’s economy, weakening key sectors, and diminishing our quality of life. Policymakers should not deprive Americans of the tremendous advantages brought about by engaging fully in the global economy.

Why Do We Trade?

Virtually no one in the world today is self-sufficient: we all obtain goods and services of value from someone else in exchange for something of value we offer in return. Put another way, we all trade. Our trading partners might be across the street or on the other side of the world, but the principle is the same: we trade because we produce some goods or services at costs lower than the costs our trading partners would incur to produce those same goods or services. Trade means we play to our strengths, leading to more goods and services to go around.

Trade is almost always voluntary: people and firms gain from it, or else they wouldn’t do it. The flip side is that barriers to trade — most notably tariffs — prevent people from making exchanges they want to make and make people pay more for what they want.

Trade may lead to fewer jobs at some firms that compete with imports, but it also leads to more jobs at firms that export or use imports to make products for the domestic market. Limits on trade might save certain jobs, but it also keeps other jobs — and the huge productivity and quality of life advancements they could entail — from continuing or coming into being.

Railroads Are Crucial to International Trade

By linking businesses to each other here and abroad, freight railroads have played a crucial role in America’s economic development for more than 185 years. Without railroads, American firms and consumers would be unable to participate in the global economy anywhere near as fully as they do today. And without trade, America’s freight railroads would be a fraction of what they are today.

In 2014, international trade accounted for an estimated 35 percent of U.S. rail revenue ($26.4 billion out of $75.1 billion in total revenue); 27 percent of U.S. rail tonnage
(511 million tons out of a total of 1.88 billion tons); and 42 percent of the carloads and intermodal units U.S. railroads carried (13.4 million units out of 32.2 million total units carried).

Of the $26.4 billion in U.S. freight rail revenue associated with international trade in 2014, $9.6 billion was from intermodal containers and trailers, and $16.8 billion was from carload traffic — that is, freight carried by boxcars, hopper cars, tanks cars, or other types of rail cars. Rail revenue associated with exports ($13.3 billion) exceeded rail revenue associated with imports ($12.4 billion).

**Rail movements associated with international trade involve countless commodities and every region of the country.** Just a sampling: Appalachian coal shipped by rail to Virginia ports for export; Canadian lumber shipped by rail to dozens of U.S. population centers for homebuilding; Midwest grain carried by rail to the Pacific Northwest for export to Asia; and containers with consumer goods shipped inland from ports.

Robust international trade means more jobs for railroaders. **Approximately 50,000 rail jobs, worth more than $5.5 billion in annual wages and benefits, depend directly on international trade.** This does not include other significant job-related impacts including employees at ports who handle shipments moving by rail; jobs at firms that supply goods and services to railroads and others in support of trade-related rail movements; and secondary and tertiary job impacts derived from the expenditures of railroad employees, port employees, and their suppliers.

**The U.S.-Mexico-Canada Agreement Should Be Ratified**

Freight railroads strongly support Congressional ratification of the U.S.-Canada-Mexico Agreement (USMCA). The new pact updates and builds upon the broad economic gains fostered by the North American Free Trade Agreement (NAFTA), which created a level of economic integration that made North America one of the world’s most competitive and successful trading blocs.

Ratification of the USMCA would significantly modernize and improve America’s vital trading relationships with Canada and Mexico; remove uncertainties regarding the future of this relationship; remove existing barriers to U.S. export growth; and create jobs for American workers. Failure to ratify the pact, or prematurely withdrawing from NAFTA prior to ratification of the USMCA, would harm American workers and needlessly damage the economy at large.