

# Freight Railroads & International Trade

## Railroads are crucial to international trade.

By linking businesses to their customers both here and abroad, freight railroads play a crucial role in America's economic development and modern way of life. When U.S. consumers — including many freight rail customers — have access to global markets, they also gain access to a greater variety of goods at a more competitive price.

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

## Railroads move countless commodities to every region of the country and beyond.

Railroads carry Canadian lumber to U.S. cities for homebuilding, plastic pellets to Gulf ports for export to Asia, and containers with consumer goods inland from ports. Trade also has a large impact on the agricultural and automotive sectors:

- **Food & Agriculture:** Railroads offer a critical link connecting agricultural producers, dealers and consumers within the United States and around the world. Without railroads, it would be impossible to keep the shelves in our grocery stores stocked. Additionally, America's farmers are huge exporters — in a typical year, grain exports are equivalent to around 30% of U.S. grain production. That could not happen without railroads, which connect our nation's primary crop producing areas with ports hundreds or thousands of miles away. Railroads account for well over one-third of U.S. grain export movements, according to the USDA.
- **Automotives:** According to the Alliance of Automobile Manufacturers, the U.S. auto industry directly or indirectly supports nearly 10 million jobs. In 2019, U.S. companies exported more than \$52.3 billion worth of automobiles and auto parts to Canada and more than \$36 billion to Mexico. Freight railroads offer automakers safe, reliable rail service, laying the groundwork for continued growth in vehicle sales that span the globe. No matter where production plants are located, the rail network is the backbone of the auto supply chain.

## Robust international trade supports American jobs.

Approximately 40,000 rail jobs, totaling more than \$4.4 billion in annual wages and benefits, depend directly on international trade. This figure does not include other significant job-related impacts stemming from rail's involvement in trade, 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.

## Free trade agreements have largely facilitated international trade's positive benefits.

Virtually no one in the world today is entirely self-sufficient: we all trade by obtaining goods and services in exchange for something of value we offer in return. Barriers to trade — including tariffs — limit options and increase prices.

Freight railroads believe in free and fair trade and support the now-implemented U.S.-Mexico-Canada Agreement (USMCA), which provided needed updates to the North American Free Trade Agreement (NAFTA). As the benefits of the USMCA are realized, ties between our North American trading partners will be strengthened, and a message of confidence and stability will be conveyed for Mexico, Canada and the United States. This confidence will encourage railroads to respond to the needs of an increasing volume of goods in the North American market.

## Key Takeaways

- At least 42% of the carloads and intermodal units that railroads transport, and more than 35% of rail revenue, are directly associated with international trade.
- Trade agreements, such as the recently implemented USMCA, strengthen ties between trading partners and will help aid economic recovery from the COVID-19 pandemic.