# WHEN BIPARTISANSHIP ISN'T SO GOOD

According to conventional wisdom, American politics is growing increasingly partisan. Yet in one significant policy area, there is bipartisan agreement. We're referring to global trade. Strip away the stylistic differences, and both Presidential candidates were in virtual agreement on the issue. Republican Donald Trump referred to the North American Free Trade Agreement (NAFTA) as a "disaster" and the "worst agreement in history" and promised to repeal it. Democrat Hillary Clinton was only a tad less critical, even though the 1992 pact was championed by her husband's administration. As to the pending Trans Pacific Pact, which cuts trade barriers with Asia and is supported by President Obama, both candidates denounce it. "A pathetic agreement," said Trump; "bad for American workers," said Clinton. The election will be decided by the time you read this, but regardless of the outcome, liberalized trade will not have a champion in the White House.

As both candidates point out, global trade can be disruptive, causing job losses, company failures, and personal hardship. We've seen it firsthand in the music industry. Over the past two decades, a sizable amount of guitar, band instrument, and electronic manufacturing has moved off shore due to reduced trade barriers. Yet trade isn't the only disruptive force. During the same period, advancing technology has caused similar levels of dislocation and individual pain. Drum machines and DJ technology have taken jobs from performing musicians; computer-based recording technology has drastically reduced the number of working recording engineers; and the internet is making life tough for many brick-and-mortar retailers.

If there's a downside to both, why is it that politicians only turn their anger against trade? One reason is that it's easy to score points criticizing a distant country that can't vote. Another is that the benefits of new technology are readily apparent, while the benefits of trade are not. Most would agree that the benefits of a smartphone outweigh the damage the device has done to the camera business: down 48% in dollar volume since 2007. But in the case of imported guitars and band instruments, most see only job losses, not the benefits of more consumers having access to music, increased opportunities for teachers and retailers, and a bigger market for accessories.

If there's a way of precisely quantifying the economic impact of imported versus domestic production, we're not aware of it. However, we can say with conviction if either Presidential candidate achieves their stated goals of impeding trade flows, it will not be a good thing for our industry. In this issue, we quantify the global market, ranking the top 225 industry suppliers by sales volume and estimating the retail value of music products in 43 countries. The value of this activity stands at about $16.1 billion, little more than a rounding error in the world economy. Despite the diminutive scale, though, the industry is as globally integrated as any *Fortune* 500 multinational.

Without exception, the distributors on our Top 225 ranking offer products that originate from every corner of the globe. In even the smallest countries, guitars from the U.S., wind instruments from Europe, keyboards from Japan, violins from Vietnam, and electronics from China are heavily promoted. Manufacturers are equally dependent on a global supply chain. An "American-made" guitar most likely includes wood sourced from far off destinations, tuning machines from Asia, and plastic parts from Canada. Pry the lid off a keyboard from Japan, and you'll see a slew of U.S.-made semi-conductors. Guitar pickups from U.S. factories add value to guitars made in China and Korea; Chinese piano makers rely on German-made hammer felt; and software that drives so many products is sourced from a lengthy list of countries.

While politicians tend to characterize this flow of goods in sinister terms like "unfair practices" and "currency manipulation," the actual trade relationships referenced above represent good faith efforts to offer a better product for the end-user. Those searching the world for the best value are embracing the wisdom of seminal moral philosopher Adam Smith, who wrote in 1775, "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better to buy it from them."

The music industry's cross-border trade represents a complex ecosystem that is beyond the comprehension of any single individual, and that would include politicians, most of whom are schizophrenic about trade anyway. (Those who call for clamping down on "job stealing" foreigners are quick to celebrate the export prowess of American companies selling stuff abroad, presumably "stealing" foreign jobs.) Curtailing imports may score some quick political points, but is a risky proposition, as long as the law of unintended consequences is still in force. Current global trade agreements include numerous inequities. To cite just one example, why should Chinese-made goods flow into the U.S. with 3% to 6% duty, while U.S.-made goods entering China are hit with tariffs that range between 20% and 40%? Yet on balance, it's hard to argue that they haven't been of benefit to music consumers worldwide, and the industry itself. Upending them holds the prospect of many unpleasant surprises.

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