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## The US runs a trade surplus on services, the core of the Mass. economy. Tariffs could change that.

Finance, travel, tech, and education all at risk

By [Hiawatha Bray](#) Globe Staff, Updated May 1, 2025, 8:00 a.m.

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While the nation runs a trade deficit for physical goods, we export a surplus of services. DAVID L. RYAN/GLOBE STAFF

For [President Trump](#), international trade is all about the physical stuff we buy and sell — cars and trucks, coal and steel, chicken and microchips. But the US also exports a vast array of services — computer software, banking and business consulting, travel and tourism. And Trump's aggressive use of tariffs to boost US manufacturing threatens to inflict collateral damage on service exporters that are vital to the Massachusetts economy.

The United States sold [\\$1.1 trillion in services](#) to the rest of the world in 2024. That's \$294 billion more than we bought. And this surplus partly offset our \$1.1 trillion deficit in physical goods.

“That has definitely been an underappreciated aspect of the trade deficit, including by the current administration,” said Josh Stillwagon, associate professor of economics at Babson College in Wellesley Hills. “I think it partly relates to their focus on manufacturing and producing tangible stuff.”

Stillwagon cited the administration’s “[Liberation Day](#)” tariff plan announced earlier this month. The initial plan would have levied massive tariff hikes on dozens of countries that run merchandise trade surpluses with the US — meaning they sell more stuff to the US than they purchase from us. Trump said that the trade surpluses prove these countries have erected barriers against US companies.

But Stillwagon noted that many of these countries buy more services from US companies than they sell. Thus they run a services deficit that should have been subtracted from their goods surplus when calculating the tariffs. But they weren’t, Stillwagon said, resulting in [tariffs](#) that were set too high.

Days after announcing his massive Liberation Day tariff hikes, Trump said he’d hold off imposing them on most countries for 90 days, although his massive tariff hikes against China have gone into effect.

The reprieve might turn into a comprehensive settlement, or it might give European Union and Asian nations a chance to plan new forms of payback. The size of the US services sector makes it a tempting target. “There’s been a lot of talk in the EU that if you want to hit back at the US you have to hit back in services,” said Willy C. Shih, a professor at Harvard Business School.

Massachusetts is home to a host of major companies that deal in services. These include financial giants [State Street](#) and Liberty Mutual, business software vendors PTC and Hubspot and travel service company TripAdvisor.

The Washington D.C.-based Coalition of Services Industries estimates that Massachusetts firms sold \$39 billion in services to foreign customers in 2022, the organization’s most recent estimate. That’s more than the value of the state’s merchandise exports — \$33.5 billion in 2024, according to the US Trade Representative’s office.

“We are disproportionately a service exporter,” said Stillwagon. “It’s a much bigger part of our economy than nationally.”

In 2023, the European Union enacted legislation giving it new powers to slap trade restrictions on all sorts of businesses in response to US trade policies perceived as unfair by the EU.

If the EU chooses to pull the trigger, Massachusetts banks, insurance companies, and tech firms could be caught in the crossfire. For instance, Cambridge-based Akamai could find it more difficult and expensive to sell its cloud-based data security services to EU customers. Last year, Akamai generated \$1.9 billion from international clients, 48 percent of its total revenues.

Akamai did not respond to requests for comment.

The most immediate threat to the Massachusetts services sector comes from Trump administration policies that threaten the state’s role as a favorite destination for international students. The money by these students on travel and tuition count as services exports on the nation’s balance sheet.

Research by NAFSA: Association of International Educators estimates that the US attracted 1.1 million foreign students during the 2023-2024 academic year, who supported 378,000 jobs and injected nearly \$44 billion into the economy. That’s equivalent to 15 percent of the US trade surplus in services.

Massachusetts alone hosted 82,000 international students, the third-most of any state after California and New York. These students generated 36,000 jobs and contributed \$3.9 billion to the state economy.

“Even a modest drop in those numbers will have a massive impact on the Mass. economy,” said [Dave Gulley](#), an economics professor at Bentley University, who noted that Trump’s policies could have exactly that effect.

The administration has cancelled hundreds of visas held by foreign students throughout the US, including about 140 in Massachusetts, in a bid to kick out those believed to harbor radical political views, such as support for Hamas in its war against Israel. Trump has also slashed billions in federal research funds to major universities including \$2.2 billion in aid cuts to Harvard University, and has threatened similar action against other schools. Foreign graduate students may respond by seeking out research opportunities at universities in other countries.

As the Trump administration attempts to cancel hundreds of international student visas and slash billions in research funds to major universities, “we’re giving people a reason to find an alternative to the US,” Gulley said.

Even before the latest crackdown, foreign students were having second thoughts about attending US universities. Common App, an online college application site, reported a 1 percent decline in international applications. And Chris Glass, a higher education professor at Boston College, estimates that the number of international students [has fallen by 130,000 over the past year](#).

It’s not just students who are losing interest in the US. Overseas visits to the US fell 11.6 percent in March from the year before, according to the US National Travel and Tourism Office. The slump may be due in part to multiple reports of tourists being arrested and detained for days or weeks by US immigration officials.

That’s bad news for Massachusetts, whose travel services businesses generated nearly \$6 billion in export earnings in 2022. TripAdvisor, for example, posted revenue of \$1.8 billion in 2024, with 65 percent of it coming from customers based outside the US.

Gulley believes that the administration’s anti-immigrant policies are scaring off foreign travelers, and their money.

“Even absent any official government action,” said Gulley, “there are a lot of folks in other countries who are just looking at the US and saying, ‘OK, I don’t want to send them any business.’”

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