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China's Trade with the United States and the World

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China's Trade with the United States and the World

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China's Trade with the United States and the World

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China's Trade with the United States and the World

Summary

As imports from the People's Republic of China (PRC) have surged in recent years, posing a threat to some U.S. industries and manufacturing employment, Congress has begun to focus on not only access to the Chinese market and intellectual property rights (IPO) protection, but also the mounting U.S. trade deficit with China as well as allegations that China is selling its products on the international market at below cost (dumping) and engaging in "currency manipulation." In the past year, the 108th Congress has passed three bills that attempt to address these problems — S.Res. 219, H.Res. 414, and H.Res. 576 — while the Bush Administration has imposed anti-dumping duties and safeguards against some PRC products and pressured China to revalue its currency and remove non-tariff trade barriers.

China runs a trade surplus with the world's three major economic centers — the United States, the European Union, and Japan. Since 2000, the United States has incurred its largest bilateral trade deficit with China (\$124 billion). In 2003, China replaced Mexico as the second largest source of imports for the United States (worth \$151 billion). China share of U.S. imports was 12% in 2003, although this proportion falls short of Japan's 18% of the early 1990s. The United States is China's largest overseas market and second largest source of foreign investment. U.S. exports to China have been growing rapidly, although from a low base. In 2003, China replaced South Korea to become the sixth largest market for U.S. goods.

In the past decade, the most dramatic increases in exports from China to the United States have not been in labor-intensive sectors, such as apparel and footwear, but in advanced technology sectors, such as office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. China's exports to the United States are taking market share from other Pacific Rim countries; however, in absolute terms, exports from all East Asian countries have continued to grow.

China is purchasing heavily from its Asian trading partners — particularly machinery, electronic components, and raw materials for manufacturing. China is running trade deficits with Taiwan and South Korea and has become a major buyer of goods from Japan and Southeast Asia. According to some analysts, China's goods trade and current account balances are expected to turn to deficits by 2006.

This report provides a quantitative framework for policy considerations dealing with U.S. trade with China. It provides basic data and analysis of China's international trade with the United States and other countries. Since Chinese data differ considerably from those of its trading partners (because of how entrepot trade through Hong Kong is counted), data from both PRC sources and those of its trading partners are presented. Charts showing import trends by sector for the United States highlight China's growing market shares in many industries and also show import shares for Japan, Canada, Mexico, the European Union, and the Association for Southeast Asian Nations (ASEAN). This report will be updated periodically.

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China's Trade with the United States and the World

U.S. trade with the People's Republic of China (PRC) has raised several policy concerns. The trade is highly unbalanced in China's favor with a U.S. deficit of \$124 billion in 2003. Many associate this deficit with the concomitant loss of American jobs in industries competing with rapidly rising imports from China. Some policymakers as well as certain industry leaders and organized labor blame China for unfair trade practices which they claim creates an uneven playing field for U.S. companies when competing with imports from the PRC. U.S. trade relations with China, however, are but one aspect of the overall U.S. policy of engagement with the PRC, a policy that serves broader U.S. interests. Trade also underpins Beijing's development strategy and contributes to the legitimacy of the communist government.

This report examines the goals and constraints of U.S. trade policy toward the PRC, provides an overview of recent legislative initiatives, and presents data and analysis of China's trade relations that shed light on various policy issues.¹ Some of the specific questions addressed include how the U.S. trade balance with China compares with those of the European Union and Japan, whether imports from China are merely replacing imports from other Pacific Rim nations, and how imports from China by industry compare with imports from other nations.

The Rationale for U.S. Policy and Initiatives

The National Security Strategy of the United States touches on trade with the PRC mainly through the broadly stated goal of igniting a "new era of global economic growth through free markets and trade." Allowing trade with China to develop is part of the overall U.S. strategy of engagement with the PRC. The rationale behind engagement is that working with China through economic, diplomatic, informational, and military interchanges helps the United States to achieve important national security goals of strengthening alliances to defeat global terrorism, working with others to defuse regional conflicts, and championing aspirations for human dignity.² These goals are aimed at achieving U.S. national interests of security and prosperity for all Americans.

¹ For further discussion of trade with China, see CRS Issue Brief IB91121, *China-U.S. Trade Issues*, by Wayne Morrison.

² The White House, *The National Security Strategy of the United States of America*. (September 2002), available at [<http://www.whitehouse.gov/nsc/nss.pdf>].

The assumptions underlying U.S. trade policy toward China are that (1) in general, trade with China benefits both sides and allows for a more efficient allocation of available resources; (2) in China, foreign trade and investment creates a dependency on imports and exports, foreign investment, and other interaction with the outside world which in turn creates centers of power outside the Chinese Communist Party and strengthens forces for democracy, freedom of information, and more amicable relations with the Western world; (3) a country as significant as China — accounting for a quarter of the world's population, armed with nuclear weapons, and a member of the U.N. Security Council — cannot be ignored or isolated, (4) the rapidly developing Chinese economy affords a rare opportunity for U.S. businesses to embed themselves on the ground floor of a huge expanding market, and (5) a quick and sure method to induce change in China is for the Chinese people, themselves, to do so by responding to market incentives and for Beijing to be required to adopt and comply with international trading rules, particularly those of the World Trade Organization.

The problems raised by the U.S. strategy of economic engagement with China include (1) the Chinese economy has vast reserves of low-wage labor and is far behind in adopting internationally recognized standards for working conditions and environmental regulation — a situation that may provide its businesses with an arguably unfair competitive advantage; (2) imports from China may be dumped, subsidized by the PRC government, or otherwise constitute unfair competition for American industries;³ (3) imports from China may be entering in such increased quantities that they are a substantial cause of serious injury, or threat thereof, to the competing U.S. industry;⁴ (4) the large U.S. bilateral trade deficit with the PRC appears to be maintained partly by Beijing's exchange rate and other economic policies; and (5) the Chinese economy is in transition with remnants still extant of its communist-inspired central controls, government-centered business financing, and state-run enterprises. U.S. economic engagement with China arguably also contributes to the legitimacy of the current communist government and contributes indirectly toward strengthening China's military by facilitating general economic development.

Current U.S. trade law can deal with unfair trade practices and injury from imports (listed in 2 and 3 above). Item 1, China's large labor pool, gives the country a natural competitive advantage that comes with a population in excess of 1 billion that has long been isolated from world markets. Governmental regulations and enforcement of labor and environmental standards need improvement, but the question is how to accomplish this? Should the United States work to improve China's regulations through bilateral consultations, international organizations (such as the International Labor Organization), nongovernmental organizations, multilateral treaties (such as the U.N. Framework Convention on Climate Change and Kyoto

³ Unfair competition includes dumping (sales in the United States of an imported product at less than fair value), countervailable subsidies (excessive government subsidies of exporting industries) (see Subtitles A and B of Title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979 (19 U.S.C. §§ 1673 et seq.), and imports that infringe on intellectual property rights (see Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337).

⁴ See Sections 201 to 204 of the Trade Act of 1974 (19 U.S.C. §§ 2251-2254).

rotocol),⁵ or should the United States pressure Beijing by threatening to curtail imports from that country?

Conventional wisdom with respect to China includes the following assumptions: (1) China generally implements international agreements but lacks control over lower-level officials, has weak enforcement mechanisms, and a nascent judicial system; (2) the key to the legitimacy of government by the Chinese Communist Party lies in its ability to deliver a higher standard of living to the Chinese people; (3) Beijing's security interests trump economic, human rights, and diplomatic concerns, but globalization and economic interests seem to be exerting a moderating influence on Beijing's leaders; and (4) Beijing recognizes its dependence on the U.S. market and the negative consequences on its economy of untying its currency from the U.S. dollar. Other factors to consider are that (1) U.S. policy toward imports from China are subject to the rules and dispute settlement process of the World Trade Organization; (2) trade disputes with China would usually be first discussed bilaterally before taking the case to the World Trade Organization (WTO) for dispute resolution; (3) China has normal trade relations (most favored nation) status with the United States; and (4) China has most favored nation trading status with all major nations of the world.

Overview of Recent Trade Policy Measures

In recent years, the United States and China have taken — or declined to take — certain actions dealing with U.S. imports from China. In November 2003, the Bush Administration imposed anti-dumping duties on Chinese televisions and re-imposed safeguards or quotas on some categories of apparel pursuant to China's WTO accession agreement. The U.S. government revoked Section 201 (Trade Act of 1974) measures on imported steel after the WTO determined that they violated WTO agreements.⁶ In January 2004, China cut its tax rebate on exports by 3% in response to pressure from its major trading partners.⁷ In March 2004, the Bush Administration filed the United States' first complaint against China under the WTO's dispute settlement mechanism, charging that the PRC unfairly taxed imported semiconductors.⁸ In July 2004, U.S. Trade Representative Robert B. Zoellick announced that China had agreed to eliminate the tax breaks for domestically-produced semi-conductors. In April 2004, the Bush Administration rejected a Section 301 petition filed by the AFL-CIO alleging unfair trade practices based upon the exploitation of labor in the PRC and calling for a tariff of up to 77% on goods imported from China. The U.S. government also signaled opposition to

⁵ See CRS Issue Brief IB89005, *Global Climate Change*.

⁶ "China Scraps Final Safeguard Measures on Five Steel Products from December 26," *Interfax China Business News*, December 29, 2003; White House, Fact Sheet: The Presidential Determination on Steel, December 4, 2003; CRS Report RL32168, *Safeguards on Textile and Apparel Imports from China*.

⁷ "China Posts First Trade Deficit in 10 Months," *FT.com (Financial Times)*, February 11, 2004.

⁸ Chris Buckley, "China on Unfamiliar Ground in Trade Fight with U.S.," *New York Times*, March 23, 2004.

taking a currency case to WTO. In June 2004, the U.S. government imposed anti-dumping duties on imported Chinese bedroom furniture.⁹

Members of the 108th Congress have introduced over a dozen bills aimed at helping to reduce the U.S. trade imbalance with China. These bills address issues such as China's apparent currency manipulation, its economic and financial system reforms, China's WTO compliance and protection of intellectual property rights, congressional oversight of U.S. trade policy toward China, and retaliatory trade measures against the PRC. Three China trade bills received legislative action:

- **S.Res. 219** (introduced on September 9, 2003, and passed by the Senate on September 26, 2003) encourages China to establish a market-based valuation of the yuan and to fulfill its commitments under international trade agreements.
- **H.Res. 414** (introduced on October 28, 2003, and passed by the House on October 29, 2003) encourages China to fulfill its commitments under international trade agreements, support the U.S. manufacturing sector, and establish monetary and financial market reforms.
- **H.Res. 576** (introduced on March 24, 2004, and passed by the House on July 14, 2004) urges the Government of the People's Republic of China to improve its protection of intellectual property rights.

In June 2004, 29 Senators and 88 Members of the House sent bipartisan letters to President Bush calling for an emergency meeting of the WTO to reconsider allowing textile and apparel quotas to expire at the end of 2004.¹⁰

Summary of Trade Data

What light do the trade data shed on the controversy over economic relations with China? First, China is a new trading powerhouse that has burst onto the U.S. trading scene in recent years. In 2003, the PRC surpassed Japan to become America's third largest trading partner, while the United States was the PRC's second largest trading partner and largest export market. Although China is a new player in international trade, it is taking major shares of markets once dominated either by other countries or domestic U.S. industries.

⁹ For further discussion of U.S. trade and other policies toward China, see CRS Issue Brief IB91121, *China-U.S. Trade Issues*; CRS Report RS20139, *China and the World Trade Organization*; CRS Issue Brief IB98014, *China's Economic Conditions*; CRS Report RS21625, *China's Currency Peg: A Summary of Economic Issues*; CRS Issue Brief IB96038, *U.S. International Trade: Data and Forecasts*; and CRS Report RL31815, *China-U.S. Relations: Current Issues for the 108th Congress*.

¹⁰ Elizabeth Becker, "Bush Rejects Pressure from Congress to Extend Global Textile Quotas," *New York Times*, June 11, 2004.

China is the second largest source of merchandise imports into the United States (\$151 billion in 2003) after Canada (\$224 billion). It surpassed Mexico (\$137 billion) in 2003 and Japan in 2002. China now accounts for over 12% of U.S. imports, up from 8% in 1999 and 3% in 1990, although this proportion falls short of Japan's 18% in the early 1990s. In 2003, United States was China's largest overseas market, followed by the EU with \$108 billion in imports from China and Japan with \$75 billion.

Second, the data show that while U.S. trade with China is unbalanced, the same is also true for Europe and Japan. China runs a trade surplus with the world's three major economic centers. The U.S. bilateral deficit (\$124 billion), however, is twice as large as that of the EU-15 (\$56 billion) and over six times that of Japan (\$18 billion). (As reported by the United States, EU, and Japan.)

Third, the data show that the U.S. trade deficit with China is rising with the overall U.S. trade deficit. Since 1996, as a share of the overall U.S. trade deficit, the U.S. trade deficit with China has remained steady at about 23%. Over the same period, the shares of the U.S. trade deficits accounted for by Japan, ASEAN, and the East Asian newly industrialized countries have decreased while that with the European Union has increased.

Fourth, the data show that U.S. exports to China, while still relatively small, are growing faster than those from other nations. China's imports from the United States (up 85% between 1999 and 2003) recently have grown faster than Canada's imports (up 13% over the same period), Mexico's (25%), and Japan's (-9%), although China's imports have grown from a low base.¹¹ In 2003, China replaced South Korea to become the sixth largest market for U.S. goods, moving up from 11th place in 1999. The United States exported slightly more to Germany (\$26.8 billion) than it did to China (\$26.7 billion) in 2003. According to Japanese, European, and Korean data, in 2003, Japan was the largest overseas supplier of products to China with \$57.4 billion in exports. The EU and South Korea were the second and third largest exporters to China with \$44.9 billion and \$35.1 billion, respectively.¹²

Fifth, the U.S. industrial sectors most at risk from import competition from China are generally labor intensive, but China is moving quickly up the technology ladder. The sectors in which the United States runs the largest trade deficits are generally those that depend on abundant and low-cost labor, while the United States accrues surpluses with China in some advanced technology items such as aircraft and in some agricultural products. In China's trade with the developed countries, over two-thirds of its exports are "low-end manufactures" — appliances, toys, furniture,

¹¹ U.S. International Trade Commission.

¹² *Global Trade Atlas*; "Economy Increasingly Dependent on Mainland Ties," *Nikkei Weekly*, June 14, 2004.

footwear, apparel, and plastic goods — while 85% of its imports are capital-intensive machinery and equipment, electronic goods, and natural resource-related products.¹³

The United States has incurred large trade deficits with China in some high value-added sectors as well. These sectors include office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. Some of China's competitiveness in these sectors may be based upon its underlying economic advantages combined with foreign technology and manufacturing processes, but in other areas, Chinese surpluses may be based largely upon import restrictions. In 2003, China became the third largest car market and the fourth largest maker of automobiles with an output of 4.4 million vehicles. However, China is not a major global importer or exporter of cars.¹⁴

Sixth, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. PRC trade data differ from U.S. data primarily because of the treatment of products from or to China (mainland) that pass through the Hong Kong Special Administrative Region (SAR). China counts Hong Kong as the destination of its exports sent there, even goods that are then transshipped to other markets. By contrast, the United States and many of China's other trading partners count Chinese exports that are transshipped through Hong Kong as products from China,¹⁵ not Hong Kong, including goods that contain Hong Kong components or involve final assembly or processing in Hong Kong. Furthermore, the United States counts Hong Kong as the destination of U.S. products sent there, even those that are then re-exported to China. However, the PRC counts many of such re-exported goods as U.S. exports to China. Some analysts argue that the U.S. Department of Commerce overstates the U.S. trade deficit with China by as much as 21% because of the way that it calculates entrepot trade through Hong Kong.¹⁶

According to PRC data, China's trade surplus with the United States is \$58.6 billion — not \$124 billion as shown by U.S. figures. In Japan's case, both countries claim to be running trade deficits with each other. According to Chinese data, the country is running trade deficits with Taiwan (\$40.4 billion), South Korea (\$23.1 billion), Japan (\$14.8 billion), Malaysia (\$7.8 billion), Germany (\$6.9 billion), Thailand (\$5.0 billion), Brazil (\$3.7 billion), Russia (\$3.7 billion), the Philippines (\$3.2 billion) and Saudi Arabia (\$3.1 billion).¹⁷

Seventh, some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim

¹³ Jonathan Anderson, "China, Asia's Paper Tiger?" *The Asian Wall Street Journal*, August 15, 2002.

¹⁴ *China Online*, February 2, 2004.

¹⁵ According to the Hong Kong Trade Development Council, 55% of Hong Kong's total exports involve re-exports of Chinese (mainland) goods to markets other than China.

¹⁶ U.S.-China Business Council, "Understanding the U.S.-China Balance of Trade," May 2003.

¹⁷ *Global Trade Atlas*.

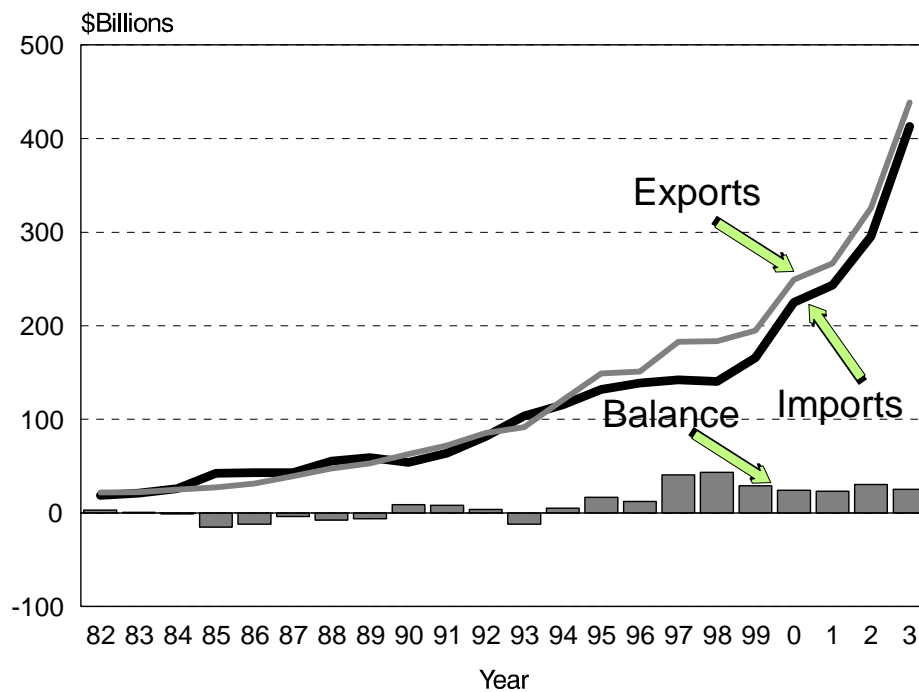
countries. China's share of U.S. imports has been rising while that from other Pacific Rim nations has been falling. Looking only at import shares, however, does not tell the whole story. Although changes in shares may be offsetting, the absolute values of U.S. imports from all major Pacific Rim countries and regions have been rising.

Eighth, the rapid growth of the Chinese economy is adding to world demand for basic commodities that is causing upward pressure on prices. Particularly significant are Chinese net imports of crude oil, copper, and soybeans.

China's Trade Balance and Imports

As shown in **Figure 1** and **Appendix Table A1**, according to PRC data, with the exception of 1993, China has run a global trade surplus in goods each year since 1990. That surplus emerged at the beginning of the 1990s, changed to a \$11 billion deficit in 1993 (when the government temporarily loosened controls on imports), and reached a peak of \$43.3 billion in 1998 before declining. In 2003, China's global trade surplus was \$25.3 billion.

Figure 1. China's Exports, Imports, and Balance of Merchandise Trade, 1982-2003 (PRC data)



Sources: PRC General Administration of Customs; Global Trade Atlas (PRC data).

Between 1995 and 2001, China's current account surplus (includes trade in goods, services, and unilateral transfers such as remittances and government to government payments) was smaller than its surplus in merchandise trade because of a deficit in its services trade. The current account surplus exceeded the merchandise

trade surplus in 2002 and 2003 due to large increases in services exports and remittances. In 2003, the current account surplus was \$45.8 billion compared to the merchandise trade surplus of \$25.3 billion. Some analysts expect the current account and goods trade balances to enter into deficits by 2006, as China lowers tariffs according to the WTO agreements, investment outstrips savings, consumer demand grows, and the PRC allows a modest appreciation of the yuan.¹⁸

As mentioned in the previous section, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. This occurs primarily because of imports from and exports to China (mainland) that pass through Hong Kong. China counts Hong Kong as the destination of its exports sent there, even goods that are then transshipped to other markets. By contrast, the United States and many of China's other trading partners count Chinese exports that are transshipped through Hong Kong as products from China,¹⁹ not Hong Kong, including goods that contain Hong Kong components or involve final assembly or processing in Hong Kong. Furthermore, the United States counts Hong Kong as the destination of U.S. products sent there, even those that are then re-exported to China. However, the PRC counts many of such re-exported goods as U.S. exports to China. Some analysts argue that the U.S. Department of Commerce overstates the U.S. trade deficit with China by as much as 21% because of the way that it calculates entrepot trade through Hong Kong.²⁰

This problem in how China and its trading partners compile trade data generates huge differences in the numbers reported as their trade balances. In 2003, the United States claimed it incurred a \$124.8 billion trade deficit with China, while China reported a \$58.6 billion trade surplus with the United States. Japan reported a \$18.1 billion merchandise trade deficit with China, while China likewise claimed a \$14.8 billion trade deficit with Japan. The European Union's \$63.2 billion trade deficit with China is only \$19.7 billion according to Chinese data. In 2003, the 156 countries categorized as the "world" by the International Monetary Fund reported an aggregate trade deficit with China of \$179.3 billion. This is seven times the \$25.4 billion total merchandise trade deficit reported by China for that year. (See **Appendix Tables A1-A5.**)

Not only have the surge in imports from China disrupted U.S. markets, but China has become a major importer of world commodities. **Table 1** shows China's imports by major commodity. Imports of machinery (including electrical) have soared from a total of \$46.8 billion in 1997 to \$175.6 billion in 2003. Such an increase in demand for machinery, however, has only a moderate effect on overall prices. China's imports of mineral fuel, iron and steel, organic chemicals, ores, chemicals, cotton, and wood, however, can affect world prices, particularly when combined with rising world demand or tightening supplies. In 2004, in particular,

¹⁸ Global Insight, "International Analysis — China," May 2004.

¹⁹ According to the Hong Kong Trade Development Council, 55% of Hong Kong's total exports involve re-exports of Chinese (mainland) goods to markets other than China.

²⁰ U.S.-China Business Council, "Understanding the U.S.-China Balance of Trade," May 2003.

demand for crude petroleum by China (\$29 billion in imports in 2003) added to upward world price pressures. Global demand for oil is expected to increase by 40% in the next two decades, and much of that increase is expected to come from China whose energy needs are projected to double by 2020.²¹

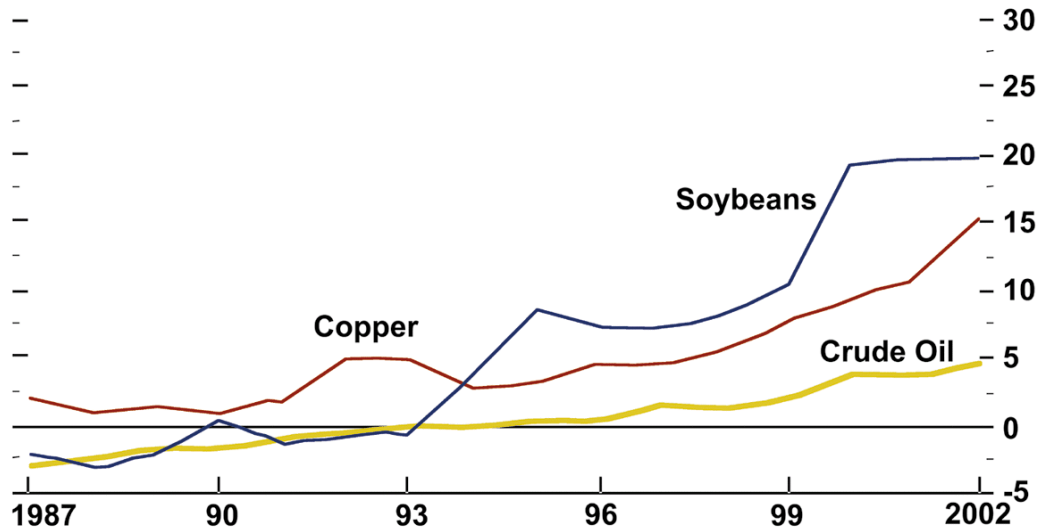
Table 1. China's Imports by Major Commodity, 1997-2003
(billions of dollars)

	1997	1998	1999	2000	2001	2002	2003
Electrical Machinery	22.0	26.4	35.3	50.7	55.9	73.3	104.0
Machinery	24.8	24.7	27.8	34.4	40.6	52.2	71.6
Mineral Fuel, Oil, etc.	10.2	6.7	8.9	20.7	17.5	19.3	29.3
Optics, Medical. Instr.	3.6	4.0	5.0	7.3	9.8	13.5	25.1
Iron and Steel	6.1	5.8	7.2	9.6	10.9	13.2	22.2
Plastic	10.2	10.5	11.6	14.5	15.3	17.4	21.0
Organic Chemicals	3.1	3.5	5.5	8.3	9.0	11.2	16.0
Vehicles, Not Railway	1.9	2.0	2.4	3.6	4.5	6.5	11.8
Ores, Slag, Ash	2.5	2.3	2.2	3.1	4.2	4.3	7.2
Copper & Articles Thereof	2.2	2.2	3.1	4.7	4.9	5.7	7.2
Misc. Grain, Seeds, Fruit	1.0	1.3	1.6	3.1	3.3	2.8	5.7
Misc. Chemical Products	1.3	1.6	2.2	2.5	2.6	3.8	4.9
Cotton and Yarn, Fabric	3.7	2.6	2.4	2.8	2.9	3.3	4.7
Wood	2.0	2.0	2.9	3.7	3.5	4.1	4.6
Aircraft, Spacecraft	3.2	3.2	3.2	2.2	4.4	4.1	4.5
Paper, Paperboard	3.5	3.6	4.0	4.0	3.6	4.1	4.4

Source: *World Trade Atlas* using Chinese data.

²¹ Kris Axtman, "Oil's New High May Persist," *The Christian Science Monitor*, August 19, 2004, p. 1.

Figure 2. China's Net Imports of Crude Oil, Copper, and Soybeans as a Percent of World Trade in the Commodity



Source: International Monetary Fund

The International Monetary Fund, in an April 2004 study, concluded that China has become an increasingly prominent importer of primary goods, accounting for a large and rapidly rising share of world trade in several key commodities, including crude oil, copper, and soybeans. As shown in **Figure 2**, China's net imports of crude oil switched from negative (net exports) in 1995 to nearly 5% of world imports in 2002. Net imports of copper and soybeans, likewise, rose from virtually zero in 1990 to 15% in 2002 for copper and 20% in 2002 for Soybeans.²²

China and the Asia Pacific Region

While China is gaining manufacturing prowess and its trade surplus with the United States is spiraling, the country is purchasing heavily from neighboring trade partners. Its merchandise trade and current account surpluses are thereby shrinking. According to some analysts, China's global trade surplus is expected to fall to zero in the next few years.²³ In 2003, China's imports rose by 41%, including machinery, raw materials, and components for manufacturing.²⁴ In addition, the bulk of China's exports are manufactured under foreign brand names, and over half of China's exports are produced by foreign-owned companies. According to PRC official

²² International Monetary Fund, *World Economic Outlook*, April 2004, pp. 84-85.

²³ *Global Insight*, June 2004.

²⁴ Robert J. Samuelson, "The World's Powerhouse," *Newsweek*, May 31, 2004.

estimates, 70% of PRC exports to the United States contain foreign components, particularly from Taiwan, South Korea, and Singapore.²⁵

China has become Taiwan's largest trading partner and largest export market. South Korea has become China's largest foreign investment destination and largest export market, while Japan has become China's largest source of imports. According to Taiwanese and Korean data, in 2003, Taiwan's estimated trade surplus with China was \$37 billion, while South Korea's surplus was \$12 billion.²⁶

China has become a huge buyer of raw materials, agricultural commodities, steel, industrial machinery, and electronic components from Southeast Asia, as well as an important source of foreign investment and second largest source of foreign tourists in the region.²⁷ According to PRC data, China's imports from ASEAN countries surged by over 50% in 2003 while exports grew by 30%. China sells machinery, electronic goods, chemicals, and textiles and apparel to Southeast Asian countries. Despite worries about economic competition, ASEAN is negotiating a free trade zone with China that would go into effect in 2010.²⁸ In the view of many of its major trading partners in Asia, China's economic growth and open trade policies have presented both competitive challenges and economic opportunities.

Some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim countries. In other words, expanding imports from China have been offset by declining imports from other East Asian or Pacific Rim countries.²⁹ These countries include those at a similar level of development which are competing directly with China, such as Malaysia and Thailand, and more industrialized countries that are moving their lower-end production to the PRC, such as South Korea and Taiwan. In sectors such as handbags, footwear, building and light fixtures, and furniture, for example, U.S. imports from China have been displacing those from other developing Asian nations as well as South Korea, Taiwan, and Mexico. As shown in **Figure 3**, China's share of U.S. imports grew from 3% in 1990 to 12% in 2003 (out of total U.S. imports of \$491 billion and \$1.25 trillion, respectively), while the rest of East Asia's share fell from 33% to 22%. Mexico's share of U.S. imports grew from 6% to 11% during the same period. In absolute terms, however, U.S. imports from all major Pacific Rim countries and regions rose.

²⁵ Taiwan's major exports to China include telecommunications products, computers, plastic products, steel, man-made fibers, industrial-use textiles, organic chemical products, optical and photo-taking instruments and parts, copper products, and polyester. Hong Kong Trade Development Council.

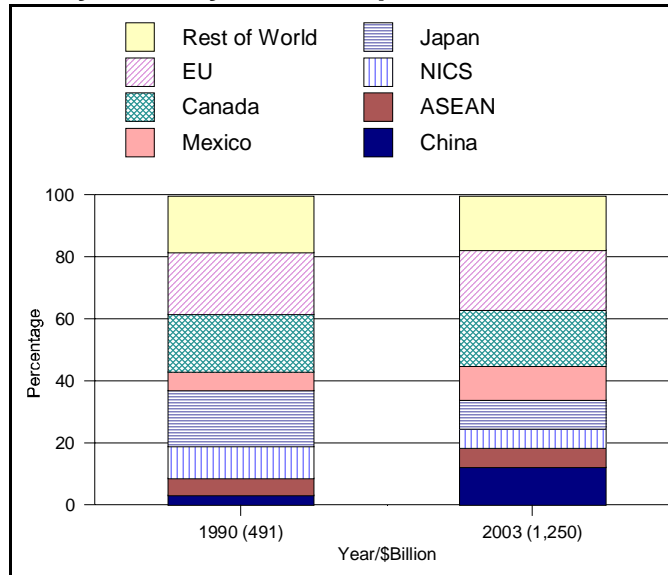
²⁶ Taiwan data include Hong Kong. Directorate General of Customs, Ministry of Finance, Republic of China; Korean International Trade Association.

²⁷ Sadanand Dhume, "Buying Fast into Southeast Asia," *Far Eastern Economic Review*, March 28, 2002.

²⁸ "China-ASEAN Trade Surges over 40 Percent in 2003," *Thai News Service*, February 11, 2004.

²⁹ Council of Economic Advisors, *Economic Report of the President*, February 2004.

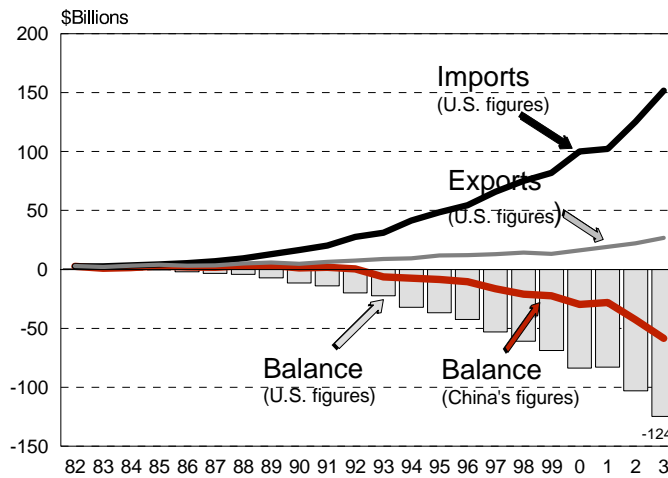
Figure 3. Shares of U.S. Imports by Country and Group, 1990 and 2003



China's Trade with the United States, Europe, and Japan

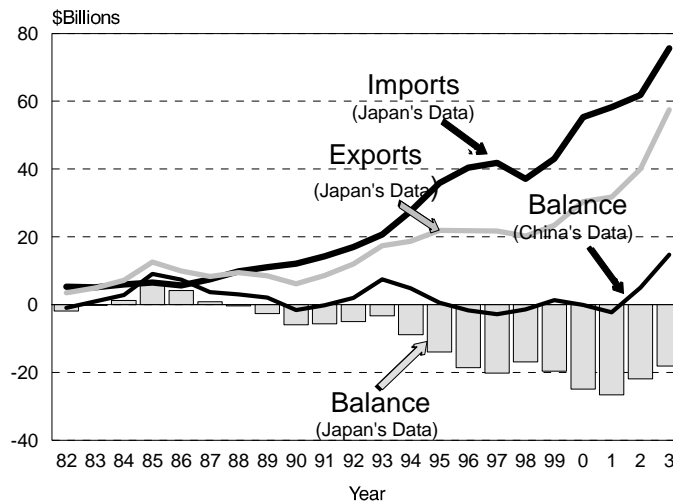
As shown in **Figure 4** and **Appendix Table A2**, by either Chinese or U.S. data, China runs a trade surplus with the United States. Although the Chinese figures show it at only \$58.6 billion in 2003, the United States report it to be \$123 billion. According to PRC data, China has run a trade surplus with the United States since 1993. According to U.S. data, the United States has incurred trade deficits with China since 1983.

Figure 4. U.S. Exports, Imports, and Balance of Trade with China, 1890-2003



Sources: U.S. Department of Commerce
 IMF, *Direction of Trade Statistics Yearbook*
 Global Trade Atlas

Figure 5. Japan's Merchandise Imports, Exports, and Balance of Trade with China, 1982-2003



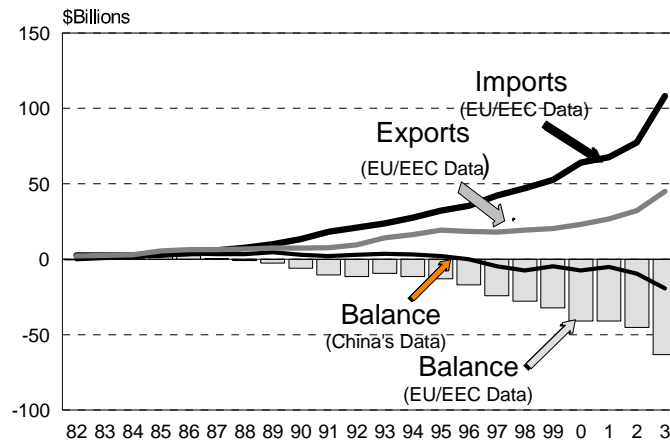
Sources: IMF, *Direction of Trade Statistics Quarterly*
Global Trade Atlas

As is the case with the United States, Japan has run a trade deficit with China since 1988 (according to Japanese data). As shown in **Figure 5** and in **Appendix Table A3**, Japan's balance of trade with China dropped from a surplus of \$6 billion in 1985 to a deficit of nearly \$6 billion in 1990. Japan's trade deficit with China reached a peak of \$26.5 billion in 2001. In 2003, that deficit was \$18 billion. Japan's exports to China have grown dramatically in the past few years. Japan's largest exports to China are electronics, general machinery, and transportation equipment.³⁰

As shown in **Figure 6** and **Appendix Table A4**, according to EU data, the European Union incurred a trade deficit with China of \$947 million in 1988, which has grown to \$63.1 billion in 2003. According to Chinese figures, however, the EU trade deficit with China began in the late 1990s and has grown to only \$18.9 billion in 2003.

³⁰ Research Institute of Economy, Trade, and Industry (Tokyo), March 1, 2004.

Figure 6. European Union Merchandise Imports, Exports, and Balance of Trade with China, 1982-2003



Note: For 1980-88, data are for the EEC12 nations. After 1988, data are for the EU 15.

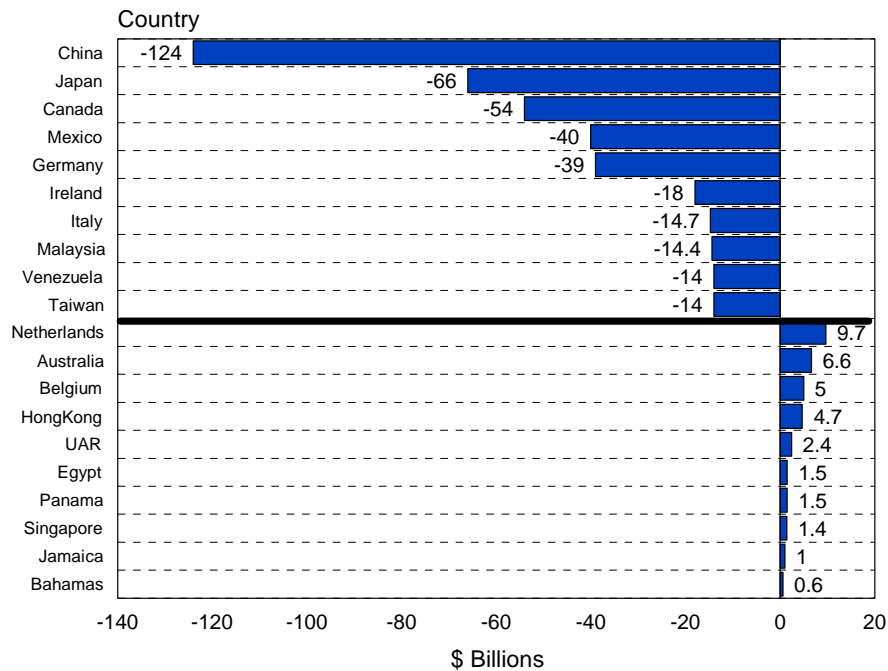
Sources: IMF, *Direction of Trade Statistics Quarterly*
Global Trade Atlas

Compared to the world's two other major economic centers, the U.S. trade deficit with China at \$124 billion in 2003 was the largest, followed by that of the EU at \$63 billion and Japan at \$18 billion. Within the EU, according to trading partner data, the U.K.'s trade deficit with China was \$16.5 billion, Germany's was \$4.9 billion, and France's was \$5.5 billion in 2003. As shown in **Appendix Table A5**, however, China's trade statistics indicate smaller European trade deficits or even surpluses.

U.S. Merchandise Trade Balances with Major Trading Partners

How does the U.S. trade deficit with China compare with the U.S. trade deficit with other nations? In 2000, China surpassed Japan as the country with which the United States incurs its largest trade deficit. In 2003, the largest U.S. merchandise trade deficits were with China (\$124 billion), Japan (\$66 billion), Canada (\$54 billion), Mexico (\$40 billion), and Germany (\$39 billion). Among major Asian nations in 2003, the United States incurred large trade deficits with Malaysia (\$14.5 billion), Taiwan (\$14.1 billion), South Korea (\$12.8 billion), Thailand (\$9.3 billion), and Indonesia (\$7 billion). (See **Figure 7** and **Appendix Table A6**.)

Figure 7. U.S. Merchandise Trade Balances with Selected Countries in 2003



Source: U.S. Department of Commerce

The U.S. trade deficit with China is notable for not only its size but also the large imbalance between imports from and exports to China. In 2003, Japan exported 2.4 times more to the United States than it imported, while Canada and Mexico exported 1.5 times and 1.6 times more, respectively, than they imported. China, by comparison, exported 5.6 times more to the U.S. market in 2003 than it imported from the United States. This indicates that the Chinese market has been vastly underdeveloped as a destination for U.S. exports. By joining the World Trade Organization, China is required to lower import barriers on many products in which the United States is competitive. For many U.S. manufacturers, this is expected to increase U.S. export opportunities there.

U.S. Trade with China by Sector

U.S. Exports to China

As shown in **Table 2**, among the top twenty U.S. exports to China in 2003, the top five by dollar value were electrical machinery, oil seeds and fruits, transport equipment, metalliferous ores, and general industrial machinery. Exports of oil seeds and fruits and metalliferous ores exports have grown by over seven times and four times, respectively, since 1999, suggesting that China's appetite for agricultural commodities and raw materials has grown relative to that for specialized industrial machinery and office machines.

Table 2. Top Twenty U.S. Exports to China, 1995-2003
(millions of dollars)

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003
Electrical Mach.	408	553	684	931	1,252	1,502	1,842	2,185	3,169
Oil Seeds and Fruits	52	422	419	288	354	1,020	1,014	890	2,832
Transport Equip.	1,187	1,718	2,127	3,604	2,325	1,695	2,452	3,381	2,486
Metalliferous Ores	247	198	180	195	281	604	879	902	1,451
Gen. Indust./Equip.	712	764	756	663	675	812	1,050	1,104	1,344
Specialized Industrial Machinery	675	685	765	519	478	744	772	1,102	1,181
Prof. & Scien. Instr.	323	327	388	451	465	563	755	885	1,101
Office Machines	306	254	324	830	697	1,154	1,207	913	1,034
Organic Chemicals	260	238	208	210	302	467	369	545	1,031
Plastics in Prim. Forms	280	314	340	320	392	539	623	733	915
Textile Fibers	1,040	888	682	199	98	154	160	272	881
Telecom, Sound Recording Equip.	712	643	621	626	540	777	1,105	910	721
Pulp and Waste Paper	183	187	148	156	189	259	329	409	585
Power Gen. Equip.	394	462	590	512	493	301	464	389	571
Road Vehicles	126	146	346	132	143	177	217	266	485
Fertilizers	1,204	891	1,050	1,064	930	658	415	656	457
Hides, Furskins	100	107	112	126	96	230	402	397	457
Iron and Steel	157	63	53	61	72	69	63	65	446
Misc. Manufactures	169	335	235	237	223	337	362	431	442
Paper Products	141	248	258	332	339	374	305	372	400

Note: Ranked by data for 2003.

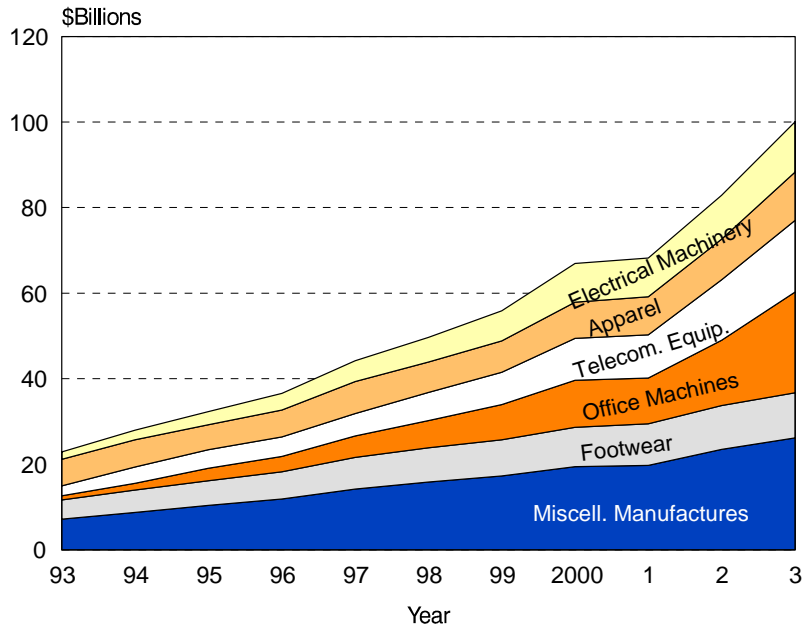
Source: U.S. Department of Commerce, United States International Trade Commission

U.S. Imports from China

As shown in **Figure 8** and **Table 3**, among the top twenty U.S. imports from China in 2003 by dollar amount, the top six were miscellaneous manufactured articles, office machines and automatic data processing machines, telecommunications and sound equipment, electrical machinery, apparel and accessories, and footwear. The value of U.S.-imports of PRC miscellaneous manufactured articles alone (\$26.2 billion) nearly equaled total U.S. exports to China in 2003 (\$26.7 billion). While U.S. imports in all these categories have increased, the most dramatic percentage changes have not been in sectors such as footwear and apparel — traditional labor-intensive industries — but in sectors that encompass

advanced technology, such as office and data processing machines (up 186% between 1999 and 2003), telecommunications and sound equipment (up 126%), and electrical machinery and appliances (up 68%).

Figure 8. Top Six U.S. Imports from China by Industry, 1993-2003



Source: U.S. Department of Commerce

Table 3. Top Twenty U.S. Imports from China, 1995-2003
(millions of dollars)

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003
Misc. Manufactured Articles	10,319	11,867	14,155	15,872	17,291	19,445	19,763	23,494	26,287
Office Machines, Data Processing	2,879	3,562	5,019	6,329	8,239	10,980	10,763	15,230	23,612
Telecom and Sound Equip.	4,215	4,438	5,126	6,405	7,382	9,812	10,118	14,144	16,723
Electrical Machinery, Parts, and Appliances	3,094	3,874	4,877	5,707	7,022	9,037	9,110	10,217	11,808
Apparel and Accessories	5,850	6,298	7,406	7,133	7,351	8,473	8,866	9,538	11,341
Footwear	5,817	6,367	7,354	8,016	8,438	9,206	9,758	10,241	10,546
Furniture and Bedding	877	1,109	1,545	2,183	3,261	4,476	5,018	6,954	8,742
Manufactures of Metals	1,227	1,414	1,816	2,238	2,878	3,651	4,119	5,219	6,284
General Industrial Machinery	811	982	1,180	1,449	1,833	2,087	2,414	3,259	4,107
Textile Yarn, Fabrics	1,155	1,042	1,369	1,432	1,583	1,816	1,854	2,501	3,347
Building Fixtures/Fittings	813	1,013	1,194	1,444	2,073	2,555	2,377	2,962	3,199
Travel Goods, Handbags	1,607	1,665	1,917	1,942	1,974	2,214	2,171	2,741	3,136
Nonmetallic Mineral Manufactures	824	963	1,216	1,441	1,681	2,059	2,165	2,431	2,624
Road Vehicles	412	417	574	731	923	1,800	1,406	1,796	2,369
Photographic Optical Equip, Watches, Clocks	913	976	1,211	1,400	1,600	2,016	1,935	1,842	2,001
Professional & Scientific Instruments	390	524	634	715	837	1,025	1,177	1,301	1,660
Misc. Low-Valued Items	202	232	282	425	586	759	784	957	1,229
Cork and Wood (Non-Furniture)	224	255	335	445	568	710	792	990	1,162
Fish and Related Products	306	285	321	323	431	579	657	864	1,143
Paper Products	240	267	310	401	471	611	627	792	1,022
Power-Generating Machinery	273	290	303	339	399	481	523	670	806

Note: Ranked by data for 2003

Source: U.S. Department of Commerce, United States International Trade Commission

Balance of Trade by Sector

In modern economies, trade by sector generally follows two patterns. The first is based on traditional comparative advantage in which one country trades with another in those products in which it has an abundance of resources or in which it is comparatively productive. The United States economy is characterized by high technology, extensive farmland with high agricultural yields, expensive labor, and deep capital. As such, the United States would be expected to be strong in exports of high-technology goods, food and grains, and capital intensive products. The Chinese economy, on the other hand, is characterized by abundant and cheap labor, low capital intensity, and a mix of low, medium and high technology both in manufacturing and agriculture. As such, China would be expected to be strong in exports of not only labor-intensive manufactures, such as textiles and apparel, shoes, toys, and light manufactures, but also items produced under the tutelage of foreign companies that have invested in Chinese factories. These could include household appliances, electronics, tools, or automobile parts. One would expect trade that is conducted on the basis of comparative advantage to be unbalanced on a sector-by-sector basis. The United States, for example, would run a surplus with China in aircraft but a deficit in apparel.

The second trade pattern occurs among industrialized countries and is called intra-industry or trade within industrial sectors. This is typical of trade among North America, the European Union, and industrialized nations of Asia (e.g., Japan, South Korea, and Taiwan). The products traded usually carry brand names, are differentiated, and may be protected by intellectual property rights. For example, the United States both imports and exports items such as automobiles, machinery, electronic devices, prepared food, and pharmaceuticals. A considerable share of U.S. intra-industry trade is carried out within a multinational corporation (e.g., between Ford Motors and one of its related companies, such as Mazda in Japan, Jaguar in the United Kingdom, or with other subsidiaries abroad). A large deficit in an intra-industry trading sector in which the United States is competitive indicates that the trading partner country may be using import barriers to tip the trade balance in its favor.

Table 4 shows the U.S. balance of trade with China by major sector. Most of the sectors in which the United States runs the largest trade deficits with China are, as expected, those that depend on mostly abundant and low-cost labor. These include toys and sports equipment, furniture and bedding, footwear, textiles and apparel, and leather goods. Among the large deficit sectors, however, are machinery and mechanical appliances and electrical machinery. Some of China's competitiveness in these sectors may be based upon its underlying economic advantages combined with foreign technology and manufacturing processes, but in other areas the advantage may also indicate tariffs and non-tariff trade barriers. Moreover, in plastic articles, optical and medical instruments, books and magazines, soaps and waxes, and perfumes and cosmetics (indicated by shading in the table), the United States runs a surplus in its balance of trade with the world but a deficit with China. These deficits run counter to market expectations.

Table 4. U.S. Balance of Trade with China by Sector, 2001-2003
(millions of dollars)

	2001	2002	2003
Total China	-83,046	-103,115	-124,814
Major U.S. Deficit Sectors (HTS Categories)			
Machinery/Mechanical Appliances	-9,649	-16,105	-25,262
Electrical Machinery	-16,295	-20,453	-24,007
Toys and Sports Equipment	-12,186	-14,415	-16,070
Furniture and Bedding	-7,404	-9,842	-11,739
Footwear	-9,711	-10,191	-10,528
Woven Apparel	-4,126	-4,464	-5,484
Leather Art; Saddlery; Bags	-3,897	-4,456	-5,040
Knit Apparel	-2,273	-2,613	-3,192
Articles of Iron and Steel	-2,020	-2,437	-3,086
<i>Plastic Articles</i>	-2,381	-2,771	-3,032
Misc. Textile Articles	-1,200	-1,646	-2,353
Vehicles, Not Railway	-1,299	-1,656	-1,947
<i>Optical, Medical Instruments</i>	-1,511	-1,501	-1,650
Misc. Art of Base Metal	-963	-1,256	-1,414
Precious Stones, Metals	-803	-1,144	-1,391
Tools, Cutlery, of Base Metals	-939	-1,108	-1,373
Ceramic Products	-864	-1,025	-1,112
Artificial Flowers, Feathers	-958	-1,047	-1,091
Miscellaneous Manufactures	-841	-913	-1,023
<i>Books, Newspapers, Manuscripts</i>	-377	-528	-653
<i>Soap, Wax, Polish, Dental Preps, etc.</i>	-133	-163	-169
<i>Perfumery, Cosmetics, etc.</i>	-132	-164	-163
Major U.S. Surplus Sectors (HTS Categories)			
Misc. Grain, Seed, Fruit	964	849	2,787
Aircraft, Spacecraft	2,389	3,374	2,388
Iron and Steel	265	251	879
Wood pulp, Etc.	330	413	599
Cotton and Cotton Fabrics	-101	-29	587
Hides and Skins	434	427	477
Copper and Articles Thereof	142	154	436
Fertilizers	398	662	401

Note: Categories in italics are those in which the United States runs a trade surplus with the world but a trade deficit with China. Classification is by Harmonized System tariff codes at the 2-digit level.
Source: U.S. Department of Commerce, United States International Trade Commission

The sectors in which the United States runs a trade surplus with China mirror U.S. competitive advantages and include agricultural products, aircraft, and iron and steel. In some sectors, a deficit in U.S. trade with China has turned into a surplus. Iron and steel went from a \$124 million deficit in 2000 to a surplus of \$251 million in 2002 and \$879 million in 2003. Cotton and cotton fabrics went from a deficit of \$29 million in 2002 to a surplus of \$587 million in 2003.

U.S. Imports From China — Sector Charts and Data

This section presents charts and data on U.S. imports from China by selected industrial sectors. The charts show imports from China as compared with imports from other major exporting countries or groups of countries. These include the European Union (fifteen original countries), the Association of Southeast Asian Nations (ASEAN, which includes, Indonesia, Malaysia, Singapore, Thailand, the Philippines, Brunei, Vietnam, Laos, and Myanmar [Burma]), Taiwan, Mexico, South Korea, Japan, Hong Kong, and Canada.

The data in this section are presented according to two-digit standard international trade classification (SITC) codes as reported by the U.S. Department of Commerce. The industries selected are those in which the share of imports from China has risen to a significant level or trade policy has played a significant role (e.g. iron and steel and automobiles) even though U.S. imports from China in those industries might be small.

Iron and Steel. In iron and steel products, China is not a major exporter — either to the United States or to the world. The top steel exporters to the United States are Canada, Mexico, Brazil, Japan, and Germany. China is the seventh largest supplier of steel to the United States (after South Korea). In 2003, China accounted for 3.7% of U.S. imports in this market. In 2003, the United States imported \$490 million worth of iron and steel products from China and exported \$446 million.³¹ U.S. exports of iron and steel products from China in 2003 increased by 581% compared to 2002 while imports increased by 11%. In 2003, U.S. imports of steel fell by 10% following the Bush Administration's imposition in 2002 of punitive tariffs on some imported steel products.

³¹ The largest iron and steel products imported from China were tubes and pipes, tube and pipe fittings, ferro-alloys, bars and rods. The largest U.S. steel exports to China were flat-rolled products of iron, steel, and stainless steel. (U.S. International Trade Commission)

Figure 9. U.S. Imports of Iron and Steel Products (SITC 67) by Country and Group, 1990-2003

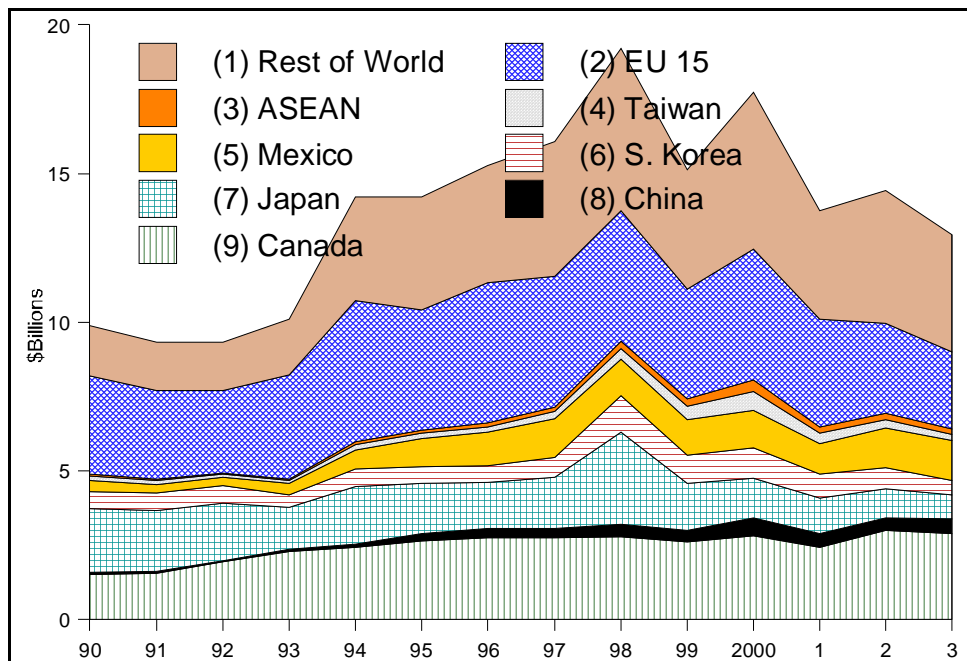


Table 5. U.S. Imports of Iron and Steel Products (SITC 67) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	1,504	2,607	2,803	2,437	2,981	2,885
China	71	350	623	439	441	490
Hong Kong	2	3	2	2	3	2
Japan	2,097	1,563	1,320	1,213	991	799
Korea	574	944	1,019	815	687	505
Mexico	357	1,202	1,267	1,021	1,340	1,334
Taiwan	154	449	649	346	290	219
ASEAN	65	262	389	191	193	161
EU15	3,303	3,714	4,379	3,637	3,041	2,621
Rest of World	1,691	4,005	5,293	3,657	4,469	3,929
World	9,818	15,100	17,744	13,758	14,436	12,945

Source: U.S. Department of Commerce

Specialized Industrial Machinery. China is becoming an important supplier of specialized industrial machinery, which includes machine tools and sewing machines, but lags behind the European Union, Japan, and Canada and competes with other newly industrialized countries such as Taiwan, South Korea, and Mexico. China accounted for only 3.7% of U.S. imports in this category in 2003.

Figure 10. U.S. Imports of Specialized Industrial Machinery (SITC 72) by Country and Group, 1990-2003

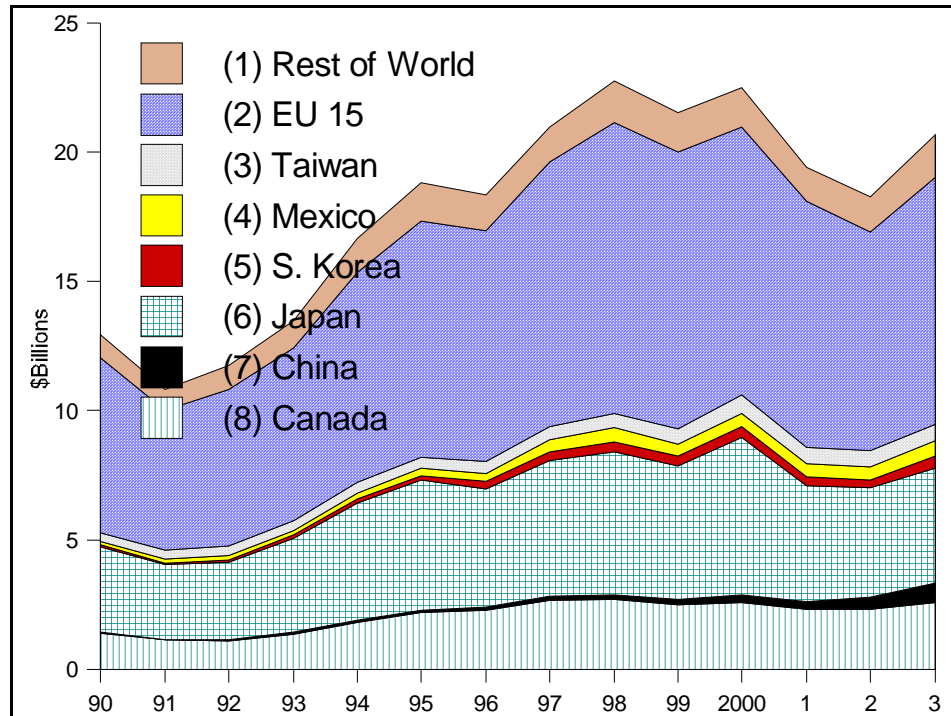


Table 6. U.S. Imports of Specialized Industrial Machinery (SITC 72) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	1,384	2,470	2,580	2,297	2,294	2,556
China	23	229	280	331	485	791
Hong Kong	18	10	10	12	17	15
Japan	3,340	5,170	6,098	4,479	4,217	4,445
Korea	69	380	425	305	325	467
Mexico	139	449	506	537	490	578
Taiwan	313	616	704	626	638	623
ASEAN	13	88	113	101	113	145
EU15	6,786	10,688	10,398	9,511	8,463	9,586
Rest of World	868	1,505	1,519	1,314	1,373	1,614
World	12,953	21,605	22,633	19,513	18,415	20,820

Source: U.S. Department of Commerce

Office Machines and Computers. In U.S. imports of office machines and automatic data processing machines (including television sets, computers and computer hardware), China is becoming a major supplier. Imports of such products

from China rose by over 50% in 2003 alone to account for nearly 30% of U.S. imports. Office machines and computers from other Asian producers — Japan, South Korea, and Taiwan — have been decreasing, although many of their high tech manufacturers have built plants in China and export from there.

Figure 11. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) by Country and Group, 1990-2003

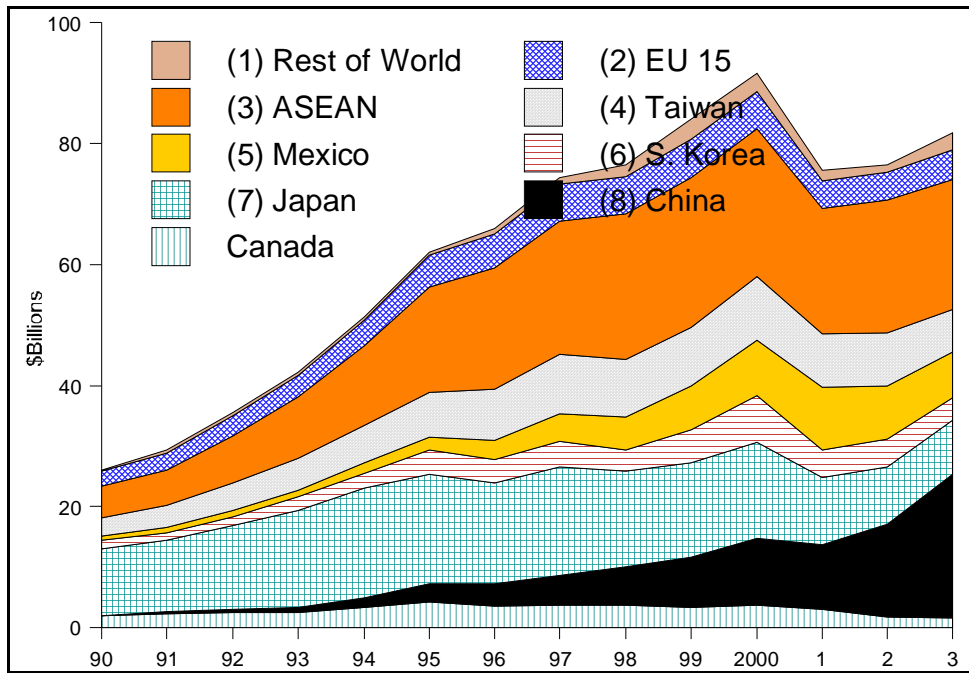


Table 7. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	1,893	3,269	3,778	2,942	1,825	1,644
China	117	8,239	10,980	10,761	15,230	23,612
Hong Kong	809	303	345	276	392	328
Japan	11,007	15,648	15,878	11,055	9,464	8,978
Korea	1,347	5,527	7,831	4,657	4,632	3,779
Mexico	706	7,169	9,058	10,377	8,828	7,516
Taiwan	3,084	9,641	10,592	8,751	8,659	6,996
ASEAN	5,150	24,723	24,475	20,676	22,043	21,571
EU15	2,461	6,373	6,156	4,676	4,505	4,815
Rest of World	297	3,451	3,041	1,729	1,342	2,947
World	26,871	84,343	92,134	75,900	76,920	80,542

Source: U.S. Department of Commerce

Telecommunications and Sound Equipment. China's share of U.S. imports of telecommunications and sound equipment has risen to 23%. Such imports from China rose from \$1.1 billion in 1990 to \$16 billion in 2003. Imports of these products from South Korea, ASEAN, and the EU have also been rising. The market shares of Canada, Japan, and Mexico have declined in recent years.

Figure 12. U.S. Imports of Telecommunications and Sound Equipment (SITC 76) by Country and Group, 1990-2003

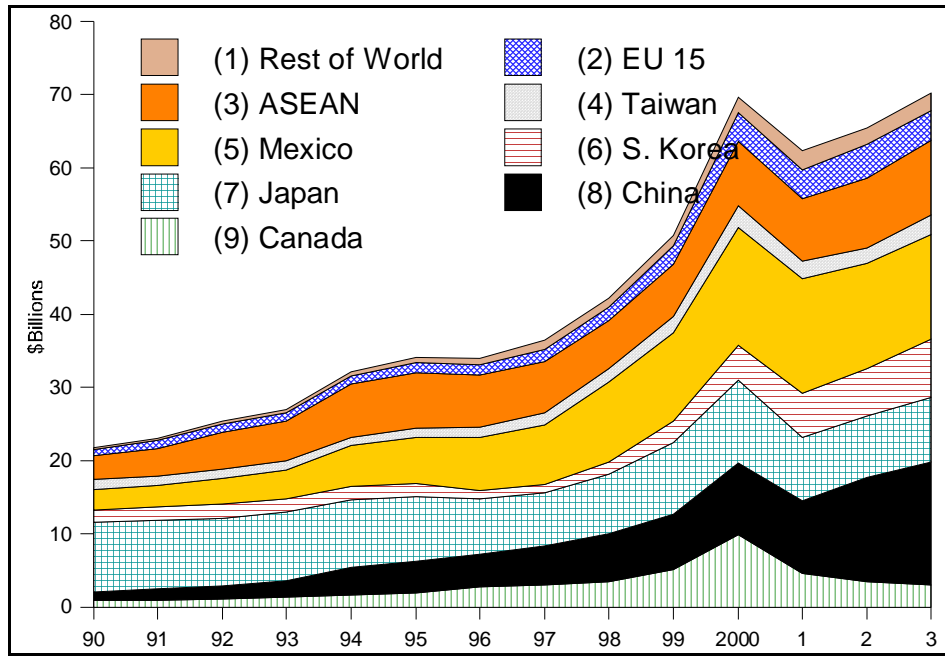


Table 8. U.S. Imports of Telecommunications and Sound Equipment (SITC 76) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	972	5,164	9,846	4,533	3,543	3,053
China	1,142	7,382	9,812	10,062	14,144	16,723
Hong Kong	478	171	262	224	357	522
Japan	9,061	9,789	11,429	8,577	8,473	8,889
Korea	1,632	2,896	4,729	6,001	6,353	7,955
Mexico	2,302	11,886	16,073	15,765	14,483	14,239
Taiwan	1,426	2,238	2,986	2,361	2,137	2,655
ASEAN	3,122	6,972	8,779	8,548	9,514	10,218
EU15	890	2,536	3,860	3,883	4,559	4,051
Rest of World	322	1,363	2,118	2,446	2,264	2,363
World	21,347	50,397	69,894	62,400	65,827	70,668

Source: U.S. Department of Commerce

Electrical Machinery and Parts. U.S. imports of electrical machinery and parts (including semi-conductors) have been growing dramatically from nearly all major suppliers. At 14% of such imports in 2003, China is becoming a significant supplier — surpassing Japan and ASEAN. Other leading exporters are Mexico and the European Union.

Figure 13. U.S. Imports of Electrical Machinery and Parts (SITC 77) by Country and Group, 1990-2003

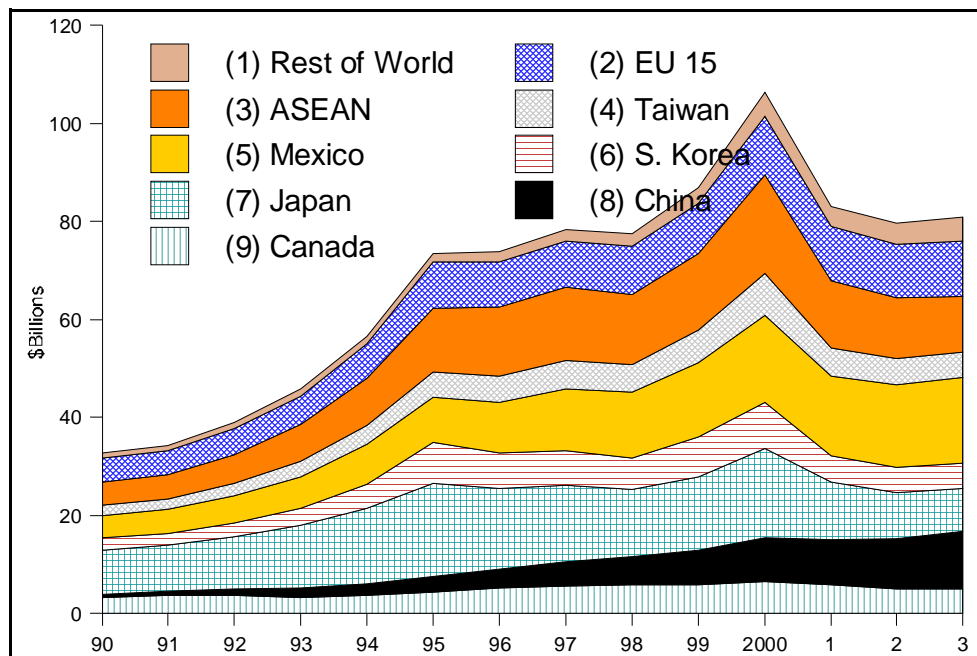


Table 9. U.S. Imports of Electrical Machinery and Parts (SITC 77) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	3,323	5,833	6,499	5,871	5,025	4,920
China	652	7,022	9,037	9,047	10,217	11,808
Hong Kong	792	1,747	1,782	1,050	881	585
Japan	8,658	14,665	18,096	11,941	9,406	8,713
Korea	2,504	8,087	9,327	5,194	5,150	5,105
Mexico	4,406	15,290	17,828	16,290	16,930	17,547
Taiwan	2,180	6,370	8,492	5,878	5,296	5,160
ASEAN	4,644	15,783	20,295	13,748	12,427	11,308
EU15	4,898	10,162	11,922	11,009	10,881	11,462
Rest of World	1,080	3,056	4,988	4,112	4,359	4,916
World	33,137	88,015	108,266	84,140	80,572	81,524

Source: U.S. Department of Commerce

Road Motor Vehicles. In 2003, China became the world's third largest auto market and fourth largest auto producer. The leading car exporters to China are Germany, Japan, the United States, South Korea, and Sweden. China is expected to lower tariffs on imported automobiles to 25-30% in 2005, down from 35% in 2004, pursuant to China's WTO accession agreement. China's own automobile production has absorbed heavy foreign investment — over 80% of the country's car market is held by Sino-foreign joint-ventures such as Shanghai Volkswagen and Shanghai General Motors (GM) — and is aimed primarily at Chinese buyers.³² China is not a significant player in the U.S. car market. U.S. road vehicle and related imports from China mainly consist of auto parts, bicycles and motorcycles, and specialty vehicles such as golf carts and beach go-carts.³³

China has become an important supplier of auto parts to the United States with \$1 billion in selected parts in 2003, but trails Canada (\$10.6 billion), Japan (\$7.2 billion), and Mexico (\$5.5 billion). China exported \$247 million worth of motorcycles to the United States in 2003, accounting for 10% of U.S. motorcycle imports compared to Japan's 68%. Chinese auto makers such as Geely have begun exporting sedans to some Middle Eastern, North African, and South American countries. In addition, China has become a major supplier of motorcycles to Southeast Asia and, according to some analysts, poses a threat to Korean auto and auto-parts exports to Southeast Asia.

Table 10. U.S. Imports of Road Motor Vehicles (SITC 78) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

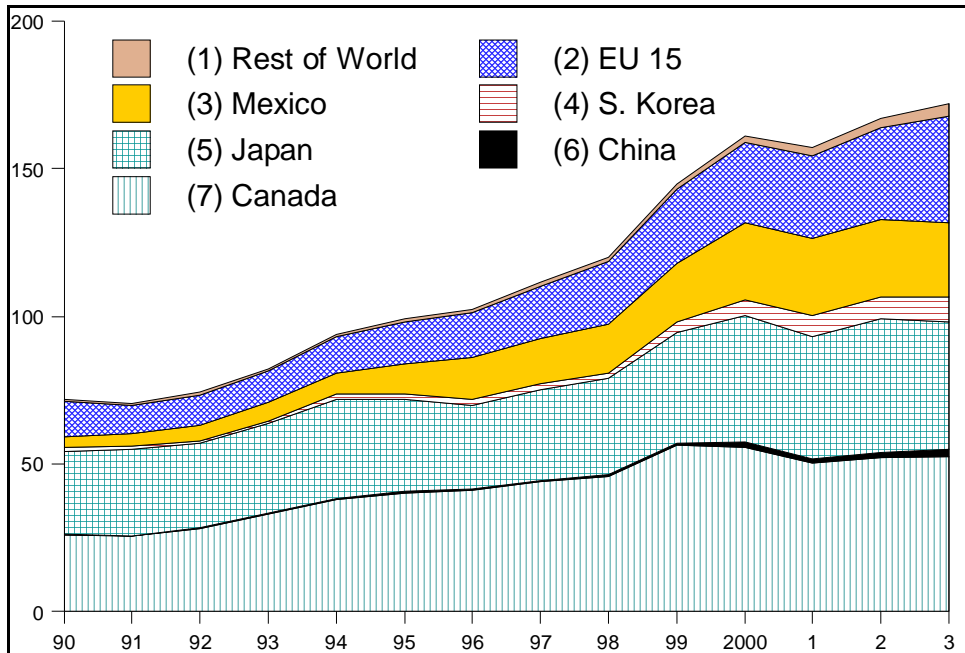
	1990	1999	2000	2001	2002	2003
Canada	26,094	56,266	55,703	50,477	52,050	52,448
China	59	923	1,800	1,404	1,796	2,369
Hong Kong	7	12	30	13	14	38
Japan	29,839	38,825	42,917	41,429	45,449	43,178
Korea	1,275	3,287	5,222	6,778	7,382	8,503
Mexico	4,084	19,963	25,991	26,246	26,181	25,222
Taiwan	871	1,168	1,335	1,124	1,239	1,387
ASEAN	88	262	249	247	280	297
EU15	12,270	26,092	27,176	28,022	31,043	35,975
Rest of World	930	1,711	2,205	2,892	3,338	4,271
World	75,517	148,509	162,628	158,632	168,772	173,688

Source: U.S. Department of Commerce

³² Among foreign auto-makers in China, Volkswagen leads with about one-third of the Chinese car market; Shanghai-General Motors has captured about 10% of the market.

³³ *Xinhua News Agency*, May 6, 2004; David Murphy and David Lague, "Time for a Tune-Up," *Far Eastern Economic Review*, July 4, 2002.

Figure 14. U.S. Imports of Road Motor Vehicles (SITC 78) by Country and Group, 1990-2003



Building and Lighting Products. In U.S. imports of prefabricated buildings, sanitary, plumbing, heating and lighting fixtures and fittings, China has surged to become a major player. The PRC accounted for over half such imports in 2003, although total imports of such products amounted to only \$5.9 billion, making it the tenth largest import to the United States.

Figure 15. U.S. Imports of Building and Lighting Products (SITC 81) by Country and Group, 1990-2003

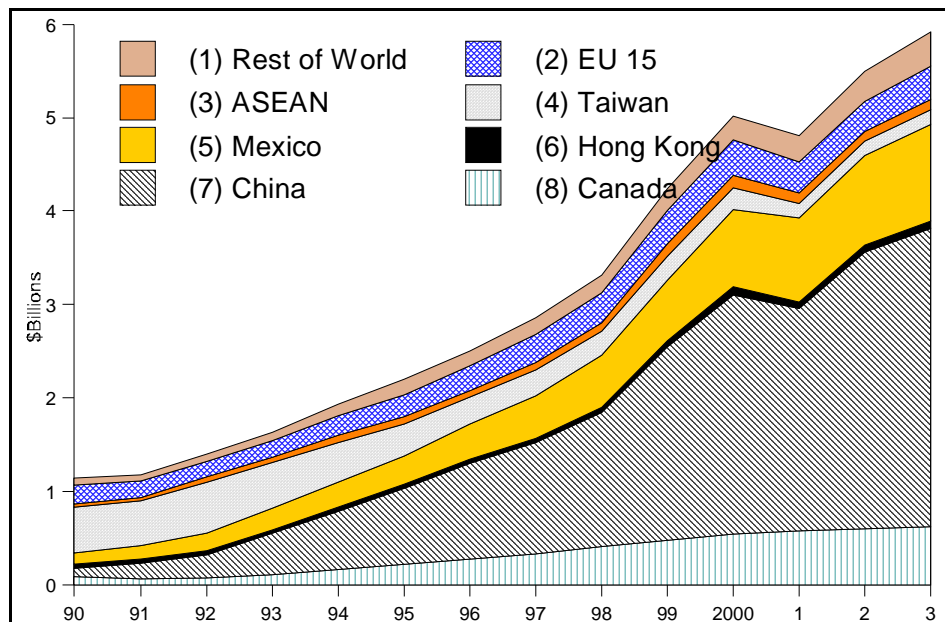


Table 11. U.S. Imports of Prefabricated Buildings, Sanitary, Plumbing, Heating and Lighting Fixtures and Fittings (SITC 81) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	80	481	544	572	598	617
China	94	2,073	2,555	2,383	2,962	3,199
Hong Kong	47	65	94	70	77	80
Japan	28	62	63	59	36	41
Korea	61	29	26	32	36	42
Mexico	117	642	819	903	961	1,036
Taiwan	495	261	235	156	152	151
ASEAN	27	126	132	116	106	115
EU15	205	360	384	329	319	356
Rest of World	78	228	255	275	319	362
World	1,232	4,327	5,107	4,895	5,566	5,999

Source: U.S. Department of Commerce

Furniture. In U.S. imports of furniture and parts, China has become a major supplier. It accounted for over one-third of U.S. furniture imports in 2003. China's share of U.S. furniture imports was approximately double those of Canada and Mexico, which were the leading foreign suppliers of furniture until the late 1990s.

Figure 16. U.S. Imports of Furniture and Parts (SITC 82) by Country and Group, 1990-2003

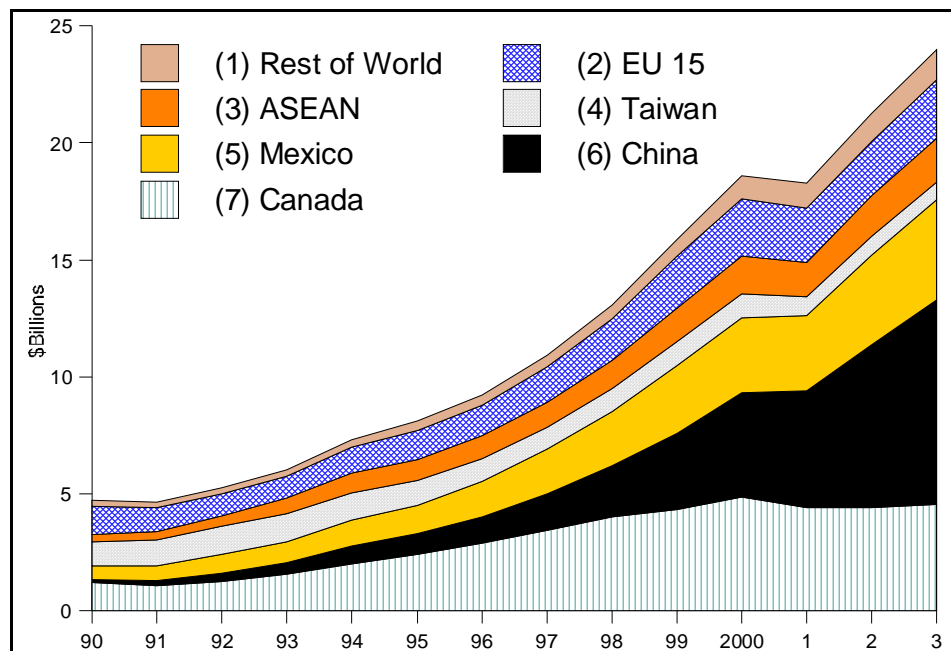


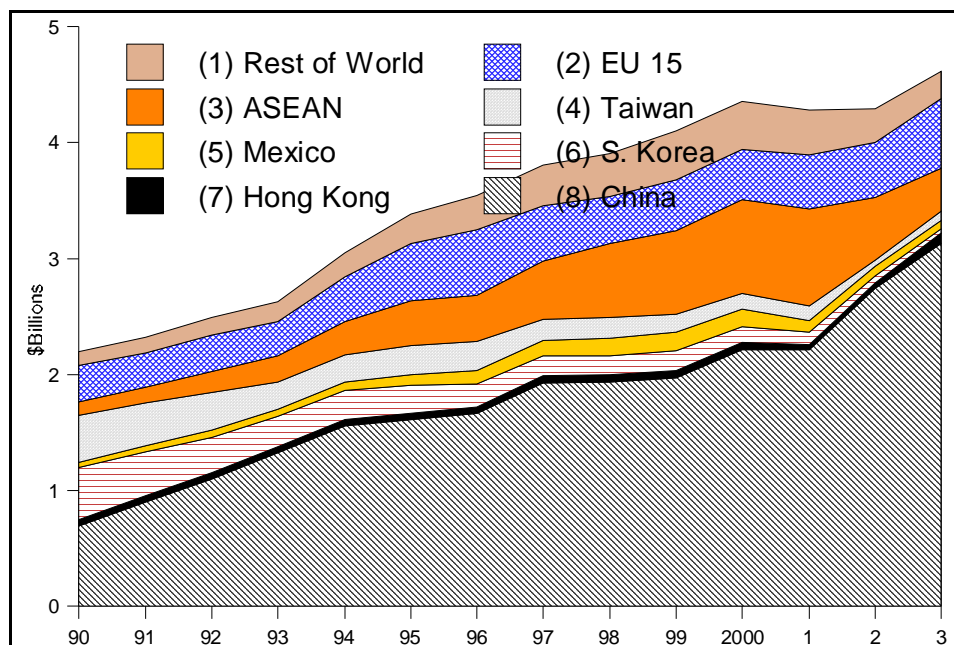
Table 12. U.S. Imports of Furniture and Parts (SITC 82) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	1,209	4,337	4,859	4,411	4,423	4,551
China	145	3,261	4,476	5,017	6,954	8,742
Hong Kong	29	75	84	98	90	109
Japan	162	145	141	141	107	135
Korea	67	76	85	75	75	69
Mexico	578	2,885	3,201	3,212	3,824	4,275
Taiwan	1,009	1,009	1,031	765	794	748
ASEAN	331	1,436	1,593	1,492	1,753	1,886
EU15	1,174	2,209	2,473	2,309	2,321	2,489
Rest of World	299	742	980	1,081	1,219	1,289
World	5,003	16,175	18,923	18,601	21,560	24,293

Source: U.S. Department of Commerce

Travel Goods and Handbags. China has become the dominant supplier of imported travel goods, handbags, and similar items, accounting for two-thirds of U.S. imports of such merchandise in 2003. The EU has become an important supplier while South Korea and Taiwan are no longer major suppliers.

Figure 17. U.S. Imports of Travel Goods, Handbags, and Similar Products (SITC 83) by Country and Group, 1990-2003



**Table 13. U.S. Imports of Travel Goods, Handbags, (SITC 83)
from Selected Countries and Country Groups, 1990, 1999-2003**
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	17	38	42	39	35	37
China	692	1,974	2,214	2,211	2,741	3,136
Hong Kong	50	47	59	46	52	85
Japan	9	7	7	7	7	8
Korea	446	168	143	106	56	39
Mexico	46	161	145	104	87	69
Taiwan	406	149	138	129	52	79
ASEAN	114	726	811	836	538	372
EU15	270	406	430	463	476	602
Rest of World	121	417	412	384	292	233
World	2,171	4,093	4,401	4,325	4,336	4,660

Source: U.S. Department of Commerce

Apparel and Clothing. In U.S. imports of apparel and clothing accessories, China's market share is rising, accounting for 16% of all such U.S. imports in 2003. Mexico's and Hong Kong's shares decreased somewhat in 2002-2003 while ASEAN's and the "rest of the world's" portions of the market have continued to grow. Other major exporting regions are South Asia and Central America. According to some estimates, more than 80% of Chinese apparel exports were produced by joint-ventures, many of them involving East Asian investment.³⁴ On January 1, 2005, WTO members are to eliminate existing quotas on imported textiles and apparel pursuant to the Multi-Fiber Agreement. According to some analysts, China, India, and Pakistan, with large, modern factories and skilled, inexpensive labor, are likely to be the major beneficiaries of this agreement, while smaller and less developed countries as well as U.S. clothing manufacturers may suffer. Others, including U.S. importers and retailers, contend that U.S. importers will continue to rely on a diversified base of suppliers.³⁵

³⁴ Jiang Jingjin, "China Not the Only Beneficiary," *China Daily (China Business Weekly)*, April 5, 2004.

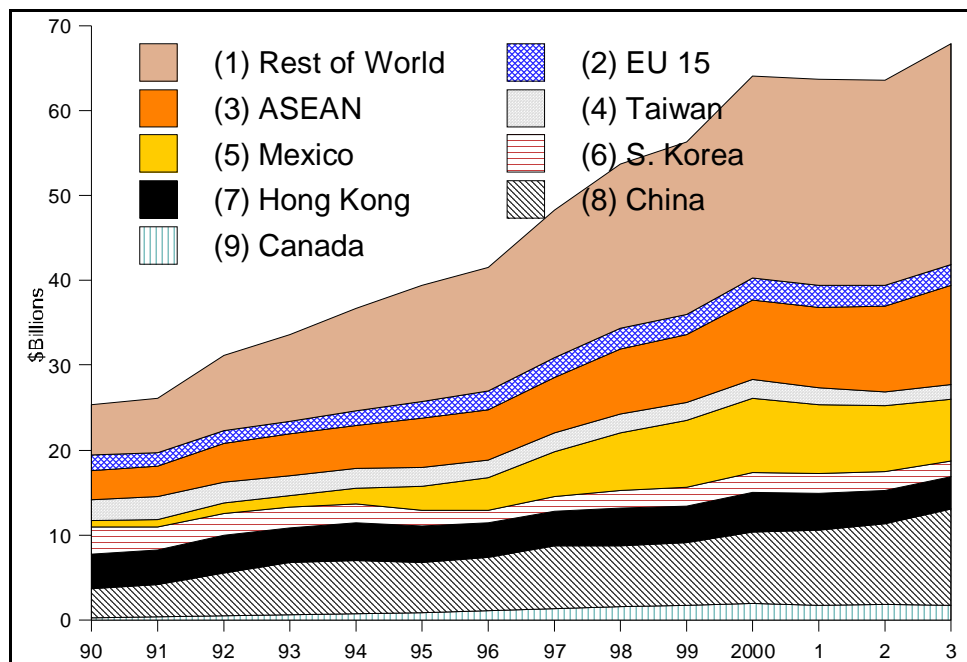
³⁵ Evelyn Iritani, "Firms to Fight End of Quota," *Los Angeles Times*, June 15, 2004.

Table 14. U.S. Imports of Apparel and Clothing Accessories (SITC 84) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	247	1,735	1,911	1,764	1,799	1,740
China	3,422	7,351	8,473	8,852	9,538	11,341
Hong Kong	3,974	4,341	4,571	4,282	3,928	3,760
Japan	158	93	109	170	205	252
Korea	3,244	2,256	2,461	2,354	2,206	1,925
Mexico	709	7,845	8,730	8,127	7,731	7,199
Taiwan	2,475	2,076	2,160	1,907	1,664	1,690
ASEAN	3,404	7,949	9,354	9,581	10,020	11,773
EU15	1,790	2,379	2,540	2,584	2,473	2,473
Rest of World	5,891	20,351	23,872	24,168	24,150	25,907
World	25,314	56,376	64,181	63,789	63,714	68,060

Source: U.S. Department of Commerce

Figure 18. U.S. Imports of Apparel and Clothing Accessories (SITC 84) by Country and Group, 1990-2003



Footwear. U.S. imports of footwear from China surged during the 1990s. From \$1.5 billion in 1990, they rose to over \$10 billion in 2002 or two-thirds of all such imports. China has largely replaced South Korea and Taiwan as the main

source of Asian-produced footwear in the United States. Other large exporters are Italy and Brazil.

Figure 19. U.S. Imports of Footwear (SITC 85) by Country and Group, 1990-2003

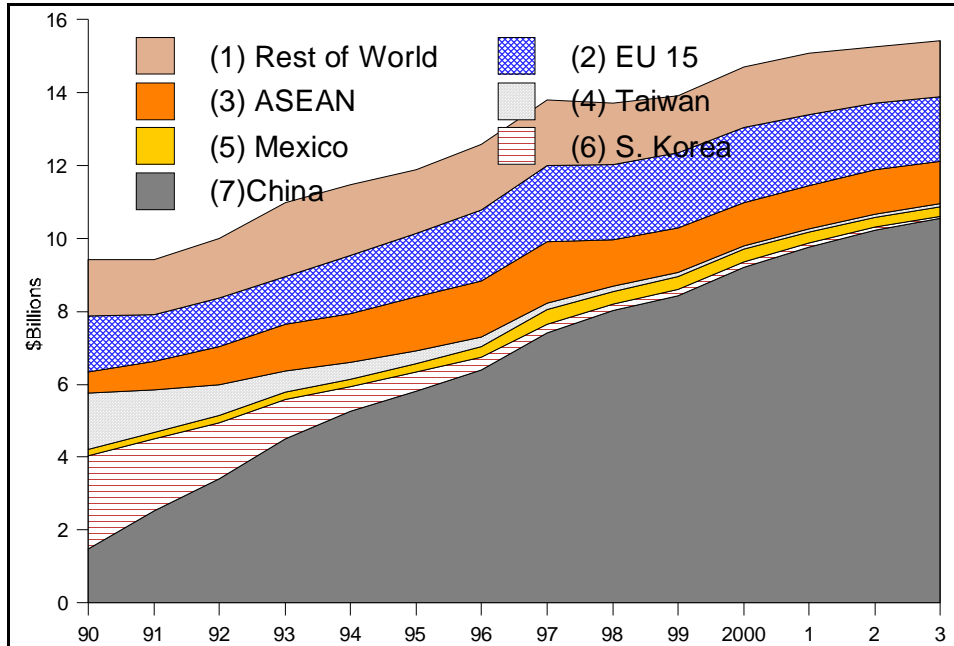


Table 15. U.S. Imports of Footwear (SITC 85) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	53	89	76	78	67	64
China	1,475	8,438	9,206	9,766	10,241	10,546
Hong Kong	109	58	67	81	67	60
Japan	5	2	2	2	2	2
Korea	2,558	162	140	103	65	50
Mexico	165	354	351	311	278	275
Taiwan	1,528	111	92	75	73	73
ASEAN	579	1,246	1,207	1,185	1,237	1,184
EU15	1,523	2,038	2,044	1,950	1,826	1,763
Rest of World	1,543	1,576	1,671	1,698	1,523	1,542
World	9,538	14,074	14,856	15,249	15,379	15,559

Source: U.S. Department of Commerce

Professional, Scientific, and Controlling Instruments. China is a minor supplier of U.S. imports of professional, scientific and controlling instruments and apparatus, with 7% or \$1.6 billion of such imports in 2003. Over two-thirds of such imports originate in the European Union, Mexico, and Japan.

Figure 20. U.S. Imports of Professional, Scientific, and Controlling Instruments (SITC 87) by Country and Group, 1990-2003

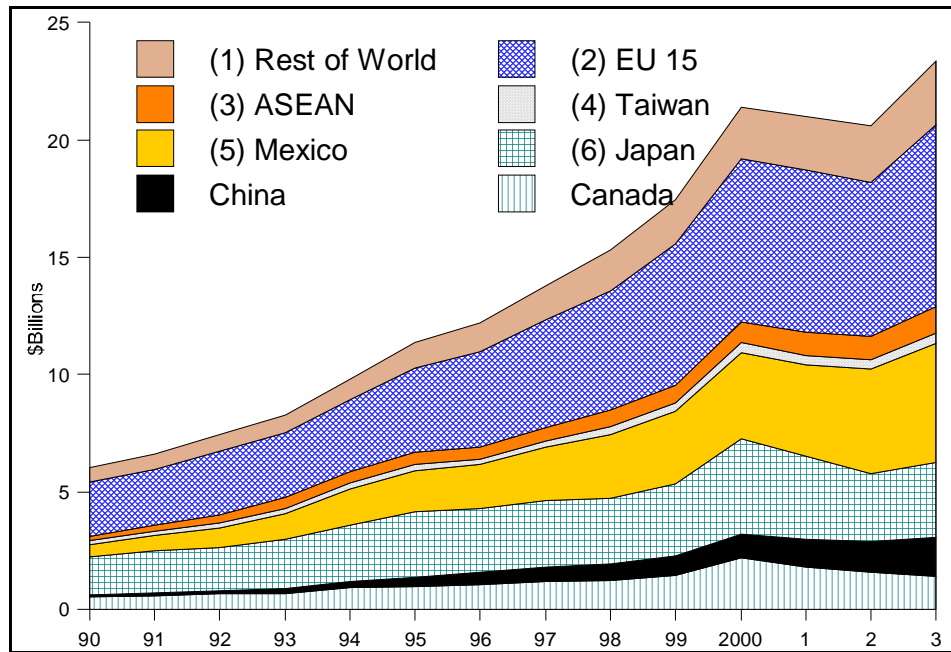


Table 16. U.S. Imports of Professional, Scientific and Controlling Instruments and Apparatus (SITC 87) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	527	1,443	2,167	1,793	1,575	1,406
China	74	837	1,025	1,172	1,301	1,660
Hong Kong	82	73	87	55	67	70
Japan	1,494	3,085	4,075	3,561	2,902	3,177
Korea	89	116	152	152	156	153
Mexico	513	3,082	3,665	3,895	4,436	5,090
Taiwan	176	344	434	372	393	450
ASEAN	152	769	860	1,027	1,037	1,139
EU15	2,310	5,870	6,980	6,887	6,543	7,744
Rest of World	604	1,857	2,177	2,287	2,400	2,675
World	6,021	17,476	21,622	21,201	20,810	23,564

Source: U.S. Department of Commerce

Photographic and Optical Equipment and Timepieces. China is a rising supplier of photographic apparatus, equipment and supplies and optical goods as well as watches and clocks. In 2003, China accounted for 17% of U.S. imports of such products or \$2 billion. Japan (\$3.1 billion) and the European Union (\$2.6 billion) still dominate U.S. imports.

Figure 21. U.S. Imports of Photographic Equipment, Optical Goods, Watches and Clocks (SITC 88) by Country and Group, 1990-2003

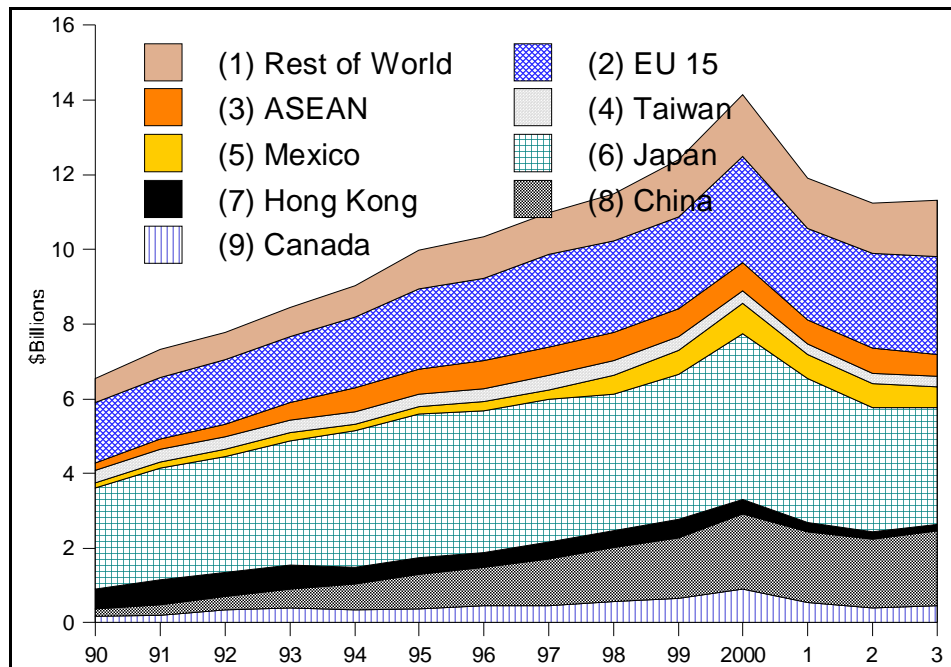


Table 17. U.S. Imports of Photographic Apparatus, Equipment and Supplies and Optical Goods; Watches and Clocks (SITC 88) from Selected Countries and Country Groups, 1990, 1999-2003
(millions of dollars)

	1990	1999	2000	2001	2002	2003
Canada	180	663	904	545	414	461
China	191	1,600	2,016	1,908	1,842	2,001
Hong Kong	526	408	378	236	200	164
Japan	2,668	3,919	4,450	3,848	3,309	3,138
Korea	127	190	179	168	150	134
Mexico	128	620	802	648	634	555
Taiwan	334	361	342	282	288	280
ASEAN	199	737	745	650	664	587
EU15	1,619	2,363	2,868	2,439	2,535	2,612
Rest of World	574	1,509	1,626	1,348	1,353	1,510
World	6,546	12,370	14,310	12,072	11,389	11,442

Source: U.S. Department of Commerce

Foreign Direct Investment in China

Fueling China's export boom is an unprecedented infusion of foreign capital in the manufacturing sector. Foreign direct investment (FDI) is directed toward investments in companies in which the foreign investor has a controlling interest. It is primarily for physical plant and equipment and for the costs of establishing enterprises in China. It is not for portfolio investment on China's stock exchanges. In 2002, China overtook the United States as the world's largest recipient of foreign direct investment. The PRC has remained in that position, despite a slowdown in FDI growth in 2003 due to the outbreak of Severe Acute Respiratory Syndrome (SARS). Foreign investment inflows are expected to increase by 10% in 2004.³⁶ The United States is one of the largest sources of utilized FDI in China, investing \$4.2 billion in 2003. (See **Table 18.**) China relies heavily upon investment from Hong Kong and Taiwan. A significant amount of FDI from Hong Kong comes from Taiwan or from mainland Chinese companies via their subsidiaries in Hong Kong.³⁷ Annual FDI from Japan and South Korea surpassed that of the United States in 2003. China's WTO commitments include allowing more foreign investment in sectors such as telecommunications, energy, banking, and insurance.

Table 18. China's Utilized Foreign Direct Investment Inflows, Top Ten Foreign Investors, 1999-2003
(billions of dollars)

Country or Region	Annual Foreign Direct Investment (not cumulative)				
	1999	2000	2001	2002	2003
Hong Kong	16.36	15.50	16.7	17.8	17.7
Virgin Islands ³⁸	2.66	3.84	5.0	6.1	5.7
Japan	2.97	2.91	4.3	4.2	5.0
South Korea	1.27	1.49	2.1	2.7	4.5
United States	4.22	4.38	4.4	5.4	4.2
Taiwan	2.60	2.29	2.9	3.9	3.4
Singapore	2.64	2.17	2.1	2.3	2.0
Germany	1.37	1.04	1.2	0.9	0.8
United Kingdom	1.04	1.16	1.0	0.9	0.7
All Sources	40.40	40.71	46.9	52.7	53.5

Sources: U.S. Department of State, *China Country Commercial Guide*, U.S. Embassy, Beijing, August 3, 2004.

³⁶ Jiang Jingjing, "China, New No. 1 FDI Recipient," *China Daily (Business Weekly)*, October 12, 2004.

³⁷ Mainland subsidiaries in Hong Kong and Macao can take advantage of investment incentives for foreign companies on the PRC mainland.

³⁸ Many foreign firms, including U.S. companies, are registered in the Virgin Islands and Cayman Islands for tax purposes.

Appendix

Table A1. China's Merchandise Trade with the World, 1982-2003
(millions of dollars)

Year	China's Trade with the World (Chinese data)			World Trade with China (Partner Country Data)		
	China Exports	China Imports	China Balance	World Exports	World Imports	World Balance
1982	21,865	18,920	2,945	16,345	23,095	-6,750
1983	22,096	21,313	783	18,230	22,908	-4,678
1984	24,824	25,953	-1,129	24,640	26,904	-2,264
1985	27,329	42,534	-15,205	38,355	30,867	7,488
1986	31,367	43,247	-11,880	36,152	35,310	842
1987	39,464	43,222	-3,758	39,250	46,654	-7,404
1988	47,663	55,352	-7,689	51,794	59,748	-7,954
1989	52,916	59,131	-6,215	51,666	72,810	-21,144
1990	62,876	53,915	8,961	49,036	88,692	-39,656
1991	71,940	63,855	8,085	61,732	112,372	-50,640
1992	85,492	81,843	3,649	81,996	136,853	-54,857
1993	91,611	103,552	-11,941	108,406	156,896	-48,490
1994	120,822	115,629	5,193	120,634	191,663	-71,029
1995	148,892	132,063	16,829	145,897	233,614	-87,717
1996	151,093	138,949	12,144	156,200	254,440	-98,240
1997	182,917	142,163	40,754	165,230	286,540	-121,310
1998	183,744	140,385	43,359	152,890	289,620	-136,730
1999	194,932	165,717	29,215	162,650	322,080	-159,430
2000	249,212	225,097	24,115	212,060	398,060	-186,000
2001	266,200	243,600	22,600	221,450	413,280	-191,830
2002	325,642	295,302	30,339	270,930	483,610	-212,680
2003	438,472	413,095	25,377	422,590	601,920	-179,330

Note: Summation of data reported by 109 of China's trading partner countries in 1983 and 156 countries in 2003 covering more than 90% of world trade.

Sources: Chinese data: PRC General Administration of Customs; *Global Trade Atlas*. World Data: International Monetary Fund, *Direction of Trade Statistics*, Yearbook, various years.

Table A2. U.S. Merchandise Trade with China and China's Merchandise Trade with the United States, 1982-2003

(millions of dollars)

Year	U.S. Trade with China (U.S. data)			China's Trade with U.S. (Chinese data)		
	U.S. Exports	U.S. Imports	U.S. Balance	China Exports	China Imports	China Balance
1982	2,912	2,502	410	1,765	4,305	-2,540
1983	2,173	2,477	-304	1,713	2,753	-1,040
1984	3,004	3,381	-377	2,313	3,837	-1,524
1985	3,856	4,224	-368	2,336	5,199	-2,863
1986	3,106	5,241	-2,135	2,633	4,718	-2,085
1987	3,497	6,910	-3,413	3,030	4,836	-1,806
1988	5,017	9,261	-4,244	3,399	6,633	-3,234
1989	5,807	12,901	-7,094	4,414	7,864	-3,450
1990	4,807	16,296	-11,489	5,314	6,591	-1,277
1991	6,287	20,305	-14,018	6,198	8,010	-1,812
1992	7,470	27,413	-19,943	8,599	8,903	-304
1993	8,767	31,183	-22,416	16,976	10,633	6,343
1994	9,287	41,362	-32,075	21,421	13,977	7,444
1995	11,749	48,521	-36,772	24,744	16,123	8,621
1996	11,978	54,409	-42,431	26,731	16,179	10,552
1997	12,805	65,832	-53,027	32,744	16,290	16,454
1998	14,258	75,109	-60,851	38,001	16,997	21,004
1999	13,118	81,786	-68,668	41,946	19,480	22,466
2000	16,253	100,063	-83,810	52,104	22,363	29,741
2001	19,234	102,280	-83,046	54,300	26,200	28,100
2002	22,053	125,167	-103,115	69,959	27,227	42,731
2003	26,806	151,620	-124,814	92,510	33,882	58,628

Sources: U.S. data from U.S. Department of Commerce. Chinese data from PRC, General Administration of Customs.

Table A3. Japan's Merchandise Trade with China and China's Merchandise Trade With Japan, 1982-2003

(millions of dollars)

Year	Japan's Trade with China (Japanese Data)			China's Trade with Japan (Chinese Data)		
	Japan Exports	Japan Imports	Japan Balance	China Exports	China Imports	China Balance
1982	3,500	5,338	-1,838	4,806	3,902	904
1983	4,918	5,089	-171	4,517	5,495	-978
1984	7,199	5,943	1,256	5,155	8,057	-2,902
1985	12,590	6,534	6,056	6,091	15,178	-9,087
1986	9,936	5,727	4,209	5,079	12,463	-7,384
1987	8,337	7,478	859	6,392	10,087	-3,695
1988	9,486	9,861	-375	8,046	11,062	-3,016
1989	8,477	11,083	-2,606	8,395	10,534	-2,139
1990	6,145	12,057	-5,912	9,210	7,656	1,554
1991	8,605	14,248	-5,643	10,252	10,032	220
1992	11,967	16,972	-5,005	11,699	13,686	-1,987
1993	17,353	20,651	-3,298	15,782	23,303	-7,521
1994	18,687	27,569	-8,882	21,490	26,319	-4,829
1995	21,934	35,922	-13,988	28,466	29,007	-541
1996	21,827	40,405	-18,578	30,888	29,190	1,698
1997	21,692	41,827	-20,135	31,820	28,990	2,830
1998	20,182	37,079	-16,897	29,718	28,307	1,411
1999	23,450	43,070	-19,620	32,400	33,768	-1,368
2000	30,440	55,340	-24,900	41,611	41,520	90
2001	30,941	57,795	-26,558	45,078	42,810	2,267
2002	40,001	61,882	-21,881	48,483	53,489	-5,006
2003	57,474	75,579	-18,105	59,453	74,204	-14,751

Sources: IMF, *Direction of Trade Statistics Quarterly*; *Global Trade Atlas*; PRC, General Administration of Customs.

Table A4. European Merchandise Trade with China and China's Merchandise Trade with the European Union, 1982-2003

(millions of dollars)

Year	EU Trade with China (EU data)			China's Trade with the EU (Chinese Data)		
	EU Exports	EU Imports	EU Balance	China Exports	China Imports	China Balance
1982	2,105	2,437	-332	2,168	2,178	-10
1983	2,573	2,485	88	2,508	3,390	-882
1984	2,929	2,639	290	2,232	3,323	-1,091
1985	5,484	2,971	2,513	2,283	6,157	-3,874
1986	6,403	4,106	2,297	4,017	7,757	-3,740
1987	6,430	5,945	485	3,916	7,274	-3,358
1988	6,772	7,719	-947	4,746	8,176	-3,430
1989	7,360	9,877	-2,517	5,114	9,785	-4,671
1990	7,373	13,289	-5,916	6,275	9,147	-2,872
1991	7,719	18,160	-10,441	7,127	9,297	-2,170
1992	9,604	20,995	-11,391	8,004	10,863	-2,859
1993	14,301	23,730	-9,429	12,258	15,739	-3,481
1994	16,246	27,644	-11,398	15,418	18,604	-3,186
1995	19,327	32,333	-13,006	19,258	21,313	-2,055
1996	18,387	35,440	-17,053	19,868	19,883	-15
1997	18,054	42,172	-24,118	23,865	19,205	4,660
1998	19,298	47,005	-27,707	28,148	20,715	7,433
1999	20,326	52,573	-32,247	30,207	25,463	4,744
2000	23,063	64,022	-40,958	38,193	30,845	7,348
2001	26,620	67,634	-41,025	40,904	35,723	5,181
2002	32,195	77,495	-45,227	48,184	38,552	9,632
2003	44,974	108,132	-63,158	72,457	53,112	19,345

Note: From 1980-88, data are for the 12 nations of the European Economic Community and after 1988 for the 15 nations of the EU (addition of Austria, Finland, and Sweden).

Sources: IMF. *Direction of Trade Statistics Quarterly*; PRC. General Administration of Customs; Global Trade Atlas.

Table A5. Major Country Merchandise Exports to China, Imports from China, and Trade Balances with China, 2002, 2003

(billions of dollars)

Partner	Trading Partner Data						Chinese Data					
	2002			2003			2002			2003		
	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal
U.S.	22.1	125.2	-103.1	26.7	151.6	-124.9	27.2	69.9	-42.7	33.8	92.5	-58.7
Japan	40.1	61.8	-21.7	57.4	75.5	-18.1	53.5	48.5	5.0	74.2	59.4	14.8
EU-15	32.1	77.3	-45.2	44.9	108.1	-63.2	38.5	48.2	-9.6	52.7	72.4	-19.7
Hong Kong	78.6	92.0	-13.4	95.2	100.7	-5.5	10.8	58.5	-47.7	11.1	76.3	-65.2
Taiwan ^a	40.7	9.6	31.1	49.7	12.9	36.8	38.0	6.6	31.5	49.3	9.0	40.3
S. Korea	23.8	17.4	6.4	39.2	22.1	17.1	28.6	15.5	13.1	43.1	20.1	23.0
Germany	13.6	18.0	-4.4	20.5	25.4	-4.9	16.4	11.4	5.0	24.4	17.4	7.0
Singapore	7.5	6.9	0.6	10.1	11.0	-0.9	7.0	6.9	0.1	10.4	8.8	1.6
U.K.	2.2	15.9	-13.7	3.1	19.6	-16.5	3.3	8.0	-4.7	3.5	10.8	-7.3
France	3.5	8.1	-4.6	5.3	10.8	-5.5	4.2	4.0	0.2	6.0	7.3	-1.3

Sources: IMF, *Direction of Trade Statistics Quarterly* (June 2004); Global Trade Atlas; Hong Kong Trade Development Council; Ministry of Economic Affairs (Taiwan).

a. Taiwan exports and imports include China mainland and Hong Kong Special Administrative Region (SAR).

Table A6. U.S. Merchandise Trade Balances with Selected Asian Developing Nations, 1982-2003
(millions of dollars)

Year	China	Indonesia	S. Korea	Malaysia	Philippines	Taiwan	Thailand
1982	410	-2,565	-677	-248	-121	-5,434	-95
1983	-305	-4,212	-1,953	-529	-370	-7,714	-131
1984	-377	-4,674	-4,188	-9983	-913	-11,266	-381
1985	-373	-4,152	-4,992	-936	-959	-13,295	-804
1986	-2,135	-2,757	-7,588	-807	-805	-16,069	-1,018
1987	-3,422	-2,955	-10,326	-1,159	-898	-19,221	-904
1988	-4,237	-2,438	-10,578	-1,715	-1,069	-14,314	-1,739
1989	-7,094	-2,618	-7,115	-2,052	-1,102	-14,305	-2,343
1990	-11,488	-1,785	-4,888	-2,071	-1,151	-12,347	-2,597
1991	-14,018	-1,675	-2,224	-2,446	-1,439	-11,038	-2,693
1992	-19,943	-1,927	-2,732	-4,144	-1,870	-10,601	-3,944
1993	-24,927	-3,117	-3,003	-4,858	-1,646	-10,050	-5,214
1994	-32,076	-4,209	-2,346	-7,454	-2,137	-10,864	-5,938
1995	-36,772	-4,599	523	-9,162	-2,070	-10,863	-5,452
1996	-42,431	-4,778	3,286	-9,809	-2,372	-12,610	-4,587
1997	-53,026	-5,222	1,269	-7,695	-3,370	-13,331	-5,699
1998	-56,927	-7,042	-7,456	-10,043	-5,211	-14,960	-8,198
1999	-68,668	-7,575	-8,308	-12,349	-5,153	-16,077	-9,340
2000	-83,810	-7,839	-12,398	-14,573	-5,147	-16,134	-9,747
2001	-83,045	-7,605	-12,988	-12,956	-3,666	-15,239	-8,733
2002	-103,115	-7,062	-12,979	-13,661	-3,715	-13,805	-9,939
2003	-123,960	-6,999	-12,864	-14,517	-2,068	-14,111	-9,338

Source: U.S. Department of Commerce, United States International Trade Commission.