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U.S. International Trade: Trends and Forecasts

Abstract
[Excerpt] This report provides an overview of the current status, trends, and forecasts for U.S. import and export flows as well as certain balances. The purpose of this report is to provide current data and brief explanations for the various types of trade flows along with a brief discussion of trends that may require attention or point to the need for policy changes. The use of trade policy as an economic or strategic tool is beyond the scope of this report but can be found in various other CRS reports. Further detail on trade in specific commodities, with particular countries or regions, or for different time periods, can be obtained from the Department of Commerce, U.S. International Trade Commission, or by contacting the authors of this report.

Keywords
trade, commerce, forecasts, import, export, policy

Comments
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Congressional Research Service

U.S. International Trade: Trends and Forecasts

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Summary

The global financial crisis, now officially dated to the 19 months from December 2007 through June 2009, caused the U.S. trade deficit to decrease from August 2008 through May 2009, but since then it has begun to increase again as recovery has slowly progressed. The financial crisis caused U.S. imports to drop faster than U.S. exports, but that has been reversed as U.S. demand for imports have recovered.

In 2010, the *trade deficit in goods* reached $645.9 billion on a balance of payments (BoP) basis, more than the $505.9 billion in 2009, but less than the $830.1 billion in 2008. The 2010 deficit on merchandise trade (Census basis) with China was $273 billion, with the European Union (EU27) was $79.7 billion, with Canada was $28.5 billion, with Japan was $60.1 billion, and with Mexico was $66.4 billion. With the Asian Newly Industrialized Countries (Hong Kong, South Korea, Singapore, and Taiwan), the trade balance moved from a deficit of $5.5 billion in 2007 to surpluses of $2.2 billion in 2008, $3.5 billion in 2009, and $14.0 billion in 2010. Total *Imports of goods* of $1,934.5 billion increased by $359.2 billion, 22.8% over 2009. *Exports of goods* of $1,288.7 billion increased by $219.2 billion or 22.5%. The overall merchandise *trade deficit* for 2010 increased, or became more negative, by $131 billion or 27.7% over 2009.

Despite increasing debts, in 2010, the United States ran a surplus of $165 billion in investment income with the rest of the world. With China, however, there was a deficit of $35 billion and with Japan $33 billion. In automotive trade, the U.S. ran deficits of $44 billion with Japan, $37 billion with Mexico, $18 billion with Germany, and $11 billion with South Korea. In energy trade, the U.S. deficit in 2010 of $273 billion was 26% greater than the $217 billion in 2009, but less than the $415 deficit in 2008. We examine in detail: high technology trade; energy trade and the crude oil deficit and sources; and transportation trade.

Trade deficits are a concern for Congress because they may generate trade friction and pressures for the government to do more to open foreign markets, to shield U.S. producers from foreign competition, or to assist U.S. industries to become more competitive. Overall U.S. trade deficits reflect excess spending (a shortage of savings) in the domestic economy and a reliance on capital imports to finance that shortfall. Capital inflows serve to offset the outflow of dollars used to pay for imports. Movements in the exchange rate help to balance trade. A rising trade deficit (when not matched by capital inflows) places downward pressure on the value of the dollar, which, in turn, helps to shrink the deficit by making U.S. exports cheaper and imports more expensive. Central banks in countries such as China, however, have intervened in foreign exchange markets to keep the value of their currencies from rising too fast.

The balance on current account includes merchandise trade plus trade in services and unilateral transfers. In 2010, the deficit on current account grew to $470.9 billion from $376.6 billion in 2009 and from $677.1 billion in 2008. IHS Global Insight forecasts a higher deficit on current account for 2011, at $443.7 billion, and remaining near $400 billion through 2016.

The trade agenda of the 112th Congress centers on three Free Trade Agreements awaiting congressional action and trade with China. Selected Legislation: S. 380, S. 433/H.R. 913, S. 308, S. 328/H.R. 639, H.R. 1655, H.R. 29, H.R. 516, H.R. 554, H.R. 833, S. 98, S. 708.

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Most Recent Developments

In June 2011, the goods deficit increased $2.1 billion from May to $67.6 billion, and the services surplus increased $0.2 billion to $13.9 billion. Exports of goods increased $7.1 billion to $124.9 billion, and imports of goods increased $10.1 billion to $187.0 billion. Exports of services were unchanged at $49.6 billion, and imports of services also remained at $35.1 billion. The goods and services deficit increased $2.3 billion from May 2011 to $53.1 billion in June. For the year from June 2010 to June 2011, goods and services exports were up $19.5 billion, or 12.9%, and imports were up $25.7 billion, or 13.0%. Monthly balances are graphed in **Figure 1**.

For the year 2010, U.S. merchandise exports to the world rose 21%, U.S. merchandise imports rose 23%, and the U.S. merchandise trade deficit increased 28%, from -$506 billion in 2009 to -$646 billion in 2010. The U.S. top export commodities (by end-use) during this period were semiconductors at $47 billion, industrial machines at $42 billion, and electric apparatus at $32 billion. The top import commodities remained petroleum at $336 billion, followed by automotive vehicles and parts at $225 billion. With regard to countries, U.S. exports to China rose 32%; U.S. imports from China rose 23%; and the U.S.-China trade deficit grew by 20%. The trend in U.S. merchandise trade in 2010 is that U.S. exports, U.S. imports, and the U.S. trade deficit are recovering from their depressed 2009 levels, toward their higher 2008 levels.

The World Trade Organization issued a press release on April 7, 2011, on trade data from 2010 and forecasts for 2011, which was summarized by Oxford Analytica.

> World goods exports volume will expand by 6.5% this year, the WTO forecast yesterday. That would follow a record 14.5% rebound in 2010, which in turn came after a 12.0% contraction in 2009. The forecast for this year is based on expected growth of 3.1% in global output, following 3.6% in 2010. In 2010, developed-economy exports rose by more than imports (12.9% against 10.7%, respectively). In developing countries and the CIS, exports increased by 16.7%, while imports expanded by 17.9. Asia led global exports growth with 23.1% (28.4% in China and 27.5% in Japan), while South and Central America experienced the largest jump in imports (22.7%). The WTO argued that trade growth could have been even stronger without fiscal consolidation in Europe, high oil prices and unemployment suppressing domestic demand in the OECD. Moreover, many protectionist policies adopted in a number of countries since the crisis are still in place. Although such policies could become 'sticky' and dent trade somewhat, the WTO framework limits governments' options for protecting their producers. The slowdown in trade expansion expected this year will largely reflect a moderation in emerging-market growth.[1]

In 2009, as the global financial crisis worsened and the United States and other countries dropped into recession, the declining U.S. trade deficit contributed positively to the growth in the U.S. economy. The U.S. recession would have been worse without the shrinking U.S. trade deficit. As the world is recovering from the great recession, countries are vying to capture the increase in global trade by keeping the value of their currencies low, particularly China (see **Figure 3**). While U.S. imports declined in 2009, they rose in 2010, forcing companies competing with imports to continue to face diminished demand as the domestic economy remained sluggish. These conditions create increased pressures on political forces to protect domestic industry from imports, not only in the United States, but around the world.

[1] Oxford Analytica Combined Executive Summary April 8 2011.

The global financial crisis made 2009 a very difficult and negative year for the United States and other developed market countries trade by any measurement metric. In 2009, U.S. merchandise exports to the world declined by 18%, while U.S. imports from the world declined 26% relative to the same time period's 2008 values. Both flows reversed in 2010, with U.S. exports increasing by 20.5%, and U.S. imports increasing by 22.8%. In 2009, the U.S. deficit in merchandise trade dropped by more than one-third (39.1%), relative to 2008 as the U.S. recession caused imports to decline faster than exports, but it grew by 27.7% in 2010.

Trade in Goods

Table 1. U.S. Total Goods Trade With All Countries

(In millions of current U.S. dollars)

Description	2007	2008	2009	2010	% Change 2008/07	% Change 2009/08	% Change 2010/09
U.S. Goods Exports	1,164.0	1,307.5	1,069.5	1,288.7	12.3	-18.2	20,.5
U.S. Goods Imports	1,982.8	2,137.6	1,575.4	1,934.6	7.8	-26.3	22.8
U.S. Goods Balance	-818.9	-830.1	-505.9	-645.9	1.4	39.1	27.7

Source: U.S. Department of Commerce. Bureau of Economic Analysis and CRS.

Notes: Balance of Payments basis.

In 2010, the *trade deficit in goods* reached $646 billion on a balance of payments (BoP) basis, up from the $506 billion in 2009 but less than the $830 billion in 2008. On a bilateral basis, the 2010 deficit on merchandise trade with China was $273 billion (Census basis), with the European Union was $80 billion, with Canada was $29 billion, with Japan $60 billion, and with Mexico $66 billion. The balance with the Asian Newly Industrialized Countries (Hong Kong, South Korea, Singapore, and Taiwan) switched from deficits in 2004 through 2007 to surpluses of $3.6 billion in 2009 and $14 billion in 2010.

Exports of goods of $1,288.7 billion in 2010 increased by $219.2 billion or 20.6% over the $1,069.5 billion in 2009. This places the growth in exports on track to achieve a doubling over five years as outlined in the President's National Export Initiative. Exports of automotive vehicles and parts rose by $30 billion or 36.9% and industrial supplies and materials rose by $98 billion or 31.7%. *Imports of goods* of $1,934.6 billion increased by $359.1 billion (22.8%) over 2009. Increases in imports by sector were crude oil up $87 billion or 25%, automotive vehicles and parts up $68 billion or 30%, and industrial supplies and materials up $146 billion or 23%. U.S. exports and imports of goods began to decline in August 2008. This trend continued until exports of goods began to increase in May 2009 and imports began to increase in June. Monthly exports had dropped from $114.7 billion in August 2008 to $80.0 billion in April 2009. Similarly, monthly U.S. goods imports dropped from $186.8 billion in August 2008 to $119.2 billion in May 2009. This trend then reversed, with both exports and imports generally increasing as recovery has progressed.

Trade in Services

In 2010, total annual imports of services of $ 403.0 billion and exports of $548.9 billion yielded a surplus in U.S. services trade of $145.8 billion. The U.S. service industries, particularly financial

services, tourism, shipping, and insurance, tend to compete well in international markets. U.S. services exports peaked in June 2008, at $47.2 billion, declined during the ensuing recession, but recovered to $47.8 billion in November 2010 and have been gradually increasing since then. U.S. services imports likewise peaked in August 2008 at $35.7 billion. Both flows declined through March 2009 and since have been mainly increasing with monthly exports reaching $49.6 billion and imports reaching $35.1 billion in June 2011.

Trade in Goods and Services

Since the United States runs a surplus in trade in services, the combined deficit on goods and services is lower than the deficit on goods alone. In 2010, exports of goods and services of $1,837.6 billion and imports of $2,337.6 billion resulted in a deficit of $500.0 billion, down from $698.3 billion in 2008 but up considerably from $381.3 billion in 2009.

For 2010, the annual trade deficit on goods and services amounted to approximately 3.4% of U.S. gross domestic product (GDP, $14,526 billion in 2010), up from 2.6% in 2009 but down from 4.8% in 2008, 5.1% in 2007 and 5.8% in 2006. A level of 5% for countries is considered to be cautionary by economic observers. At that level, other countries have experienced problems paying for imports and maintaining the value of their currency. Given the "safe haven" effect (investors seeking a safe investment) associated with U.S. Treasury securities, however, foreign investors continue to buy U.S. securities, particularly those with short-term maturities, despite the rating downgrade by S&P in 2011. As a result, U.S. interest rates have remained relatively low and despite the debate over the federal debt there seems to be little doubt in financial markets concerning the ability of the United States to finance its trade deficit and not default on its sovereign debt. The U.S. trade deficit, however, does cause a weakening of the exchange value of the dollar.

Figure 1 shows U.S. trade balances in goods and in services by month for 2007-2010, and to date for 2011. The monthly deficit on goods began in 2007 at $66 billion, rose to $79 billion in July 2008, dropped to $36 billion in May 2009, and since then has been increasing to around $60 billion in 2011. The monthly services balance has ranged between $9 billion and $13 billion and has been at the all time high level of around $13 billion in 2011.[2]

This report provides an overview of the current status, trends, and forecasts for U.S. import and export flows as well as certain balances. The purpose of this report is to provide current data and brief explanations for the various types of trade flows along with a brief discussion of trends that may require attention or point to the need for policy changes. The use of trade policy as an economic or strategic tool is beyond the scope of this report but can be found in various other CRS reports.[3] Further detail on trade in specific commodities, with particular countries or regions,

[2] Monthly trade data are available from the U.S. Bureau of Economic Analysis at http://www.bea.gov/newsreleases/International/trade/2008/pdf/trad0808.pdf.

[3] See, for example, CRS Report R41145, *The Future of U.S. Trade Policy: An Analysis of Issues and Options for the 112th Congress*, by William H. Cooper; CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by J. F. Hornbeck and William H. Cooper; CRS Report RL31356, *Free Trade Agreements: Impact on U.S. Trade and Implications for U.S. Trade Policy*, by William H. Cooper; CRS Report RL31832, *The Export Administration Act: Evolution, Provisions, and Debate*, by Ian F. Fergusson, CRS Report RL33550, *Trade Remedy Legislation: Applying Countervailing Action to Nonmarket Economy Countries*, by Vivian C. Jones, CRS Report RS20088, *Dispute Settlement in the World Trade Organization (WTO): An Overview*, by Jeanne J. Grimmett, or CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson.

or for different time periods, can be obtained from the Department of Commerce,[4] U.S. International Trade Commission,[5] or by contacting the authors of this report.

Figure 1. Monthly U.S. Balances of Trade in Goods and Services, 2007-2011

(In billions of current dollars)

Source: CRS with data from U.S. Bureau of Economic Analysis on a balance of payments basis.

International Trade and U.S. Trade Policy

International trade in goods and services along with flows of financial capital affect virtually every person living in the United States. Whether one buys imported clothes, gasoline, computers or cars; works in an industry that competes with imports; or sells products abroad, the influence of international trade on economic activity is pervasive. Although the United States is one of the three largest exporters in the world (China and Germany are the other two), U.S. sales abroad are overshadowed by the huge demand by Americans for imported products. Since 1976, the United States has incurred continual merchandise trade deficits with annual amounts increasing steadily until the plateau of years 2005 through 2008. Then in 2009 the U.S. trade deficit on goods declined roughly 39% and in 2010 rose, or worsened, by 28% (see **Table 1**).

For Congress, the trade deficit and other aspects of international trade enter into public policy considerations through many portals. At the macroeconomic level, trade deficits are a concern because they affect U.S. economic growth, interest rates, labor, and the debt load of the economy.

[4] Commerce Department data are available at http://www.bea.gov/.

[5] U.S. International Trade Commission data are available at http://dataweb.usitc.gov/.

As the trade deficit rises relative to the total economy, the risk increases that the dollar will weaken, prices will rise, financial markets will be disrupted, and the economic well-being of the population will be reduced. A large trade deficit, however, naturally follows a booming economy as robust domestic demand generates purchases of both domestic and imported goods. On the strategic level, export and import flows often lead to a deepening of bilateral relations with other nations that can develop into formal free trade agreements or political and security arrangements. Trade also can be used as a tool to accomplish strategic objectives—particularly through providing preferential trading arrangements or by imposing trade sanctions.

On the microeconomic side, imports of specific products can generate trade friction and pressures from constituent interests for the government to shield U.S. producers from foreign competition, provide adjustment assistance, open foreign markets, or assist U.S. industries to become more competitive. At the household level, rising trade deficits and free trade agreements often are associated with the loss of jobs, an issue of high concern to the American public. For example, in January 2011, the Pew Research Center found that 87% of the respondents in a survey rated the economy as the top policy priority for 2011. As for free trade agreements, in November 2010, 35% said that they were good for the country while 44% said that they were bad. In the Pew survey, 55% thought free trade agreements lead to job losses, 45% to lower wages, and 43% to slower economic growth.[6]

The Obama Administration did not articulate its policy on trade until March 2010, arguably because of the urgency of dealing with the global financial crisis and the push for health care legislation. Until then, most of U.S. trade policy relied on existing mechanisms to protect American industries from unfair trade and from surges in imports (e.g., increased tariffs on imports of tires from China) and on taking no action on pending free-trade agreements with Columbia, Panama, and South Korea. In March 2010, following the passage of the health care legislation, the Administration began to turn its attention to other pressing issues, including international trade policy.

On March 3, 2010, the President sent his trade policy agenda to Congress. It included the following:

- *Support and strengthen a rules-based trading system* (support an ambitious and balanced Doha agreement that liberalizes agriculture, goods and services);
- *Enforce rights in the rules-based trading system* (strengthen monitoring and enforcement, use the WTO dispute settlement process, increase focus on nontariff barriers, and enforce labor and environmental rights in trade agreements);
- *Enhance U.S. growth, job creation and innovation* (emphasize relations with emerging markets and key trade partners, pursue regional engagement, particularly negotiation of a Trans-Pacific Partnership Agreement);
- *Work to resolve outstanding issues with pending free trade agreements (FTAs) and build on existing agreements* (resolve issues with and implement pending FTAs with Panama, Colombia, and South Korea and strengthen relationships with current trading partners such as Canada, Mexico, Japan, and the European Union);

[6] Pew Research Center for the People and the Press. "Public Support for Increased Trade, Except With South Korea and China," *Survey Reports*, November 9, 2010, and January 2011.

- *Facilitate progress on national energy and environmental goals;* and
- *Foster stronger partnerships with developing and poor nations.*

The Administration also is exploring the possibility of negotiating a multilateral agreement providing for free trade in environmental goods and for removing nontariff barriers to environmentally friendly services. The Administration's Trade Policy Agenda also includes a **National Export Initiative** that aims to double U.S. exports over the next five years. In 2010, exports increased by 20.6%, albeit from a low point during the global financial crisis. The Initiative's particular focus is on assisting small- and medium-sized enterprises to export more. The Administration also had indicated that it intends to submit legislation to implement the free trade agreements with South Korea, Panama, and Columbia.

In Congress, Members have expressed both support and opposition to the three pending free trade agreements (FTAs). The specific points cited in opposition to the FTAs include anti-labor activities in Columbia, potential tax havens in Panama, and the protected automobile and beef markets in South Korea. However, in the background seems to be a general reluctance to approve any FTAs at all unless they are seen to create jobs and meet certain labor and environmental standards. As of the end of August 2011, implementing legislation had not been introduced for any of the three FTAs.[7] Other trade policy issues in Congress have been China's undervalued currency, trade enforcement, consumer safety for imported goods, and environmental protection as it relates to trade.

Numerous bills in Congress address issues relate to trade. For example:

- S. 708, Trade Enforcement Priorities Act, a bill to renew and extend the provisions relating to identification of trade enforcement priorities, and for other purposes.
- S. 433, Free and Fair Trade Act of 2011, a bill to extend certain trade preference programs, and for other purposes.
- S. 380, the Andean Trade Preference Extension Act of 2011, seeks to reauthorize the Andean Trade Preference Act (ATPA), as a separate item. ATPA provides preferential tariff treatment to designated imported goods from Colombia and Ecuador.
- S. 433/H.R. 913, the Free and Fair Trade Act of 2011, would extend the Generalized System of Preferences (GSP) and ATPA through June 2012 and revoke eligibility for sleeping bags from GSP. GSP provides duty-free entry for up to 4,800 products from 129 specified countries.
- S. 328, Currency Reform for Fair Trade Act, a bill to amend title VII of the Tariff Act of 1930 to clarify that countervailing duties may be imposed to address subsidies relating to fundamentally undervalued currency of any foreign country.

[7] For details, see CRS Report RL34330, *The Proposed U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*, coordinated by William H. Cooper, CRS Report RL32540, *The Proposed U.S.-Panama Free Trade Agreement*, by J. F. Hornbeck, and CRS Report RL34470, *Proposed U.S.-Colombia Free Trade Agreement: Background and Issues*, by M. Angeles Villarreal.

- S. 308, Trade Extenders Act of 2011, would extend trade adjustment assistance (TAA) programs through June 30, 2012. Extends TAA for firms and farmers through June 30, 2013.
- S. 98, Creating American Jobs through Exports Act of 2011, Expresses the sense of Congress that the President should: (1) continue the National Export Initiative to increase global export and investment opportunities for U.S. businesses that create jobs in the United States; and (2) submit the United States-Korea Free Trade Agreement, the United States-Colombia Trade Promotion Agreement, and the United States-Panama Trade Promotion Agreement to Congress, and Congress should approve them, to create U.S. jobs and stimulate the economy by eliminating trade barriers faced by U.S. exports that result in loss of jobs in the United States.
- S. 708, Trade Enforcement Priorities Act, seeks to renew and extend the provisions relating to identification of trade enforcement priorities.
- H.J.Res. 66, Approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003.
- H.R. 2707, Agricultural Trade Facilitation Act, establishes trade negotiating objectives of the United States with respect to the application of sanitary and phytosanitary measures to agricultural products to facilitate trade in agriculture.
- H.R. 2287, NAFTA Accountability Act, assesses the impact of the North American Free Trade Agreement, requires further negotiation of certain provisions of the NAFTA, and provides for the withdrawal from the NAFTA unless certain conditions are met.
- H.R. 2072, Securing American Jobs Through Exports Act of 2011, reauthorizes the Export-Import Bank of the United States.
- H.R. 1887, Free Trade With Cuba Act, to lift the trade embargo on Cuba, and for other purposes.
- H.R. 1749, Reciprocal Market Access Act of 2011, enhances reciprocal market access for United States domestic producers in the negotiating process of bilateral, regional, and multilateral trade agreements.
- H.R. 1717, Balancing Trade Act of 2011, requires that, in cases in which the annual trade deficit between the United States and another country is $10 billion or more for three consecutive years, the President take the necessary steps to create a more balanced trading relationship with that country.
- H.R. 1603 establishes the Emergency Trade Deficit Commission.
- H.R. 639/S. 328, the Currency Reform for Fair Trade Act, aim to make undervalued currencies, such as the Chinese yuan, a countervailable subsidy, which could receive remedial action from the U.S. Department of Commerce. H.R. 639, with 125 House cosponsors, seems to have considerable House support.
- H.R. 1655, the Stop Iran's Nuclear Weapons Program Act of 2011, seeks to expand existing sanctions against Iran.

- H.R. 29 provides for the withdrawal of the United States from the North American Free Trade Agreement.
- H.R. 516, Bring Jobs Back to America Act, would direct the Secretary of Commerce to create a comprehensive national manufacturing strategy to increase overall domestic manufacturing, create private sector jobs, identify emerging technologies, and identify a strategy for repatriating jobs to the United States.
- H.R. 554, Freedom Trade Act, would deny nondiscriminatory treatment (normal trade relations treatment) from the products of a foreign country that (1) engages in violations of religious freedom, (2) restricts the freedom of workers to associate and to organize and bargain collectively, or (3) prohibits or limits the functioning of free and independent labor unions.
- H.R. 833, Agricultural Export Enhancement Act of 2011, seeks to define "payment of cash in advance" as the payment by the purchaser of an agricultural commodity or product and the receipt of such payment by the seller prior to (1) the transfer of title of such commodity or product to the purchaser, and (2) the release of control of such commodity or product to the purchaser. Would prohibit the President from restricting direct transfers from a Cuban financial institution to a U.S. financial institution executed in payment for a product authorized for sale under such Act.

The Trade Deficit and the Dollar

Overall U.S. trade deficits reflect a shortage of savings in the domestic economy and a reliance on capital imports to finance that shortfall. A savings shortfall is the analogue of excessive spending that is financed by borrowing. Households borrow for consumption; businesses borrow to invest; and the government borrows to cover its budget deficit. At the international transaction level, the savings shortfall is manifest when the United States imports capital to pay for its excess of imports (trade deficit).

Whether this foreign borrowing is beneficial for the U.S. economy depends on how the imports of capital are used. If they are used to finance investments that generate a future return at a sufficiently high rate (they raise future output and productivity), then they may increase the well-being of current and future generations. However, if the imports are used only for current consumption, the net effect of the borrowing will be to shift the burden of repayment to future generations without a corresponding benefit to them.

U.S. trade balances are macroeconomic variables that may or may not indicate underlying problems with the competitiveness of particular industries or what some refer to as the competitiveness of a nation. The reason is that overall trade flows are determined, within the framework of institutional barriers to trade and the activities of individual industries, primarily by macroeconomic factors such as rates of growth, savings and investment behavior (including government budget deficits/surpluses), international capital flows, and exchange rates.[8]

[8] For further information on trade deficits and the macroeconomy, see CRS Report RL33274, *Financing the U.S. Trade* (continued...)

Increases in trade deficits may diminish economic growth, since net exports (exports minus imports) are a component of gross domestic product. In the late 1980s and early 1990s, export growth was an important element in overall U.S. economic growth. In 2008, merchandise exports accounted for about 9% of GDP, compared with 5.9% in 1990. In 2009, as trade deficits declined, they provided some help to the ailing economy. As the trade deficit has risen in 2010, it is providing a drag on the economic recovery. It should be noted, however, that a large trade deficit naturally follows a booming economy, as increases in domestic demand lead to more purchases of imported goods.

Many economists fear that the rising U.S. trade and current account[9] deficits could lead to a large drop in the value of the U.S. dollar. The current account deficit, while decreasing from 6.0% of GDP in 2006 to 5.2% of GDP in 2007, 4.9% in 2008, and 2.9% in 2009, but rising to 3.4% in 2010, has placed downward pressure on the dollar, although the "safe haven" effect comes into play to have the opposite effect. A weaker dollar boosts exports by making them cheaper, narrowing the U.S. trade deficit. Compared to a Federal Reserve index of major currencies weighted by importance to U.S. trade, the dollar lost one-third of its value since 2002 (see **Figure 2**). The dollar had fallen against the euro, yen, British pound, Australian dollar, and Canadian dollar. In fact, the U.S. dollar fell to parity with the Canadian loonie in September 2007 for the first time in 30 years, but between July and November 2008, the U.S. dollar strengthened against other currencies as the global financial crisis increased "safe haven demand" for the dollar. Since November 2009, the dollar lost some value, partly due to the Federal Reserve's lowering of interest rates, but as the Eurozone debt crisis developed in 2010, global investors again sought the safety of U.S. Treasury securities and bid up the price of dollars, but that surge was temporary.

The Economist Intelligence Unit recently reviewed the problems involved with currency misalignment and trade imbalances:

> tensions come against a related backdrop of continued trade imbalances. In particular, China and some other leading exporters are running very large trade surpluses, offset by sizeable deficits elsewhere, leading to the surplus countries accumulating massive foreign-exchange reserves. These imbalances reflect in part exchange-rate mismatches. The prospect, following the crisis, of weaker consumer demand in some deficit countries means that consumer demand in surplus countries needs to rise to compensate if strong global growth is to resume—in other words, imbalances need to be addressed. The IMF warned in its latest report on the global economy that rebalancing was vital and was proceeding too slowly.
>
> The fall in global trade as a result of the economic crisis went some way towards correcting imbalances, but the fundamental pattern persists. China's current-account surplus, for example, fell from 11% of GDP in 2007 to 6% in 2009, but the Economist Intelligence Unit forecasts that the surplus will narrow only modestly this year, to just under 5% of GDP. And we think the US current-account deficit, despite having fallen to 2.7% of GDP last year, will actually widen to 3.9% of GDP in 2010. It will remain at about that level in 2011-14.[10]

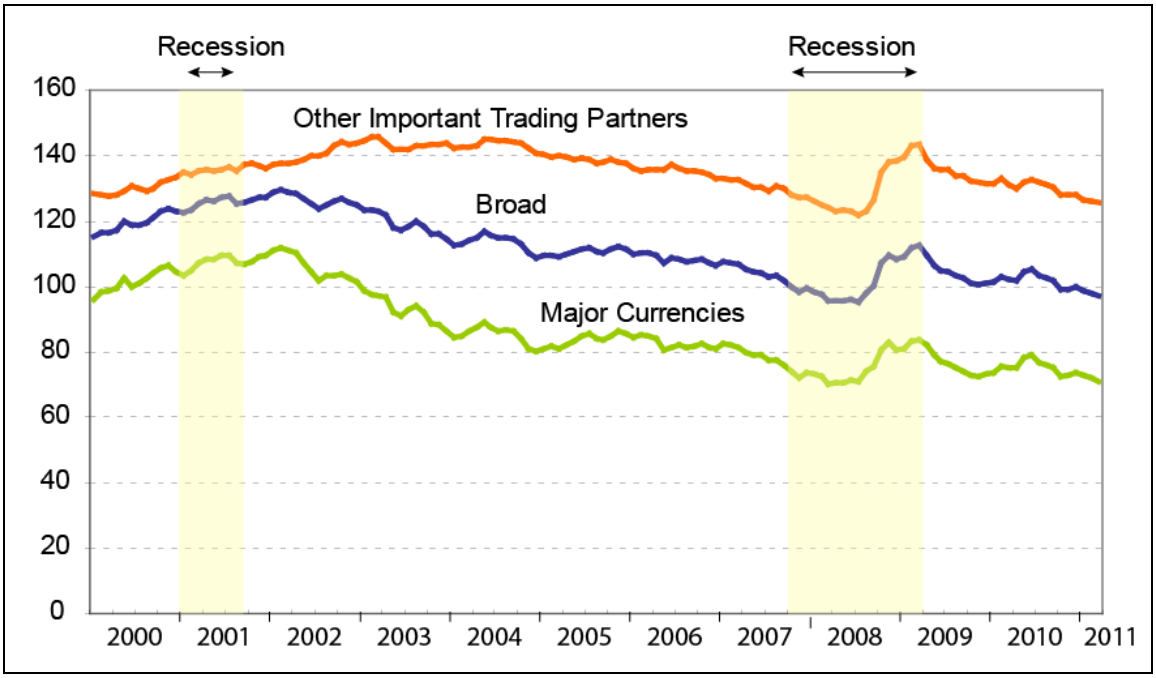
(...continued)

Deficit, by James K. Jackson, and CRS Report RL33186, *Is the U.S. Current Account Deficit Sustainable?*, by Marc Labonte.

[9] U.S. trade in goods and services plus net flows of investment income and remittances.

[10] ViewsWire, Economist Intelligence Unit. "World Economy: Co-operation Lacking As Imbalances Persist." October 11, 2010.

Figure 2. Month-End Trade-Weighted U.S. Dollar Against Broad, Major Currencies, and Other Important Trading Partner Indices, January 2000-March 2011



Source: Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/.

Notes: Broad Index (January 1997 = 100): Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia.

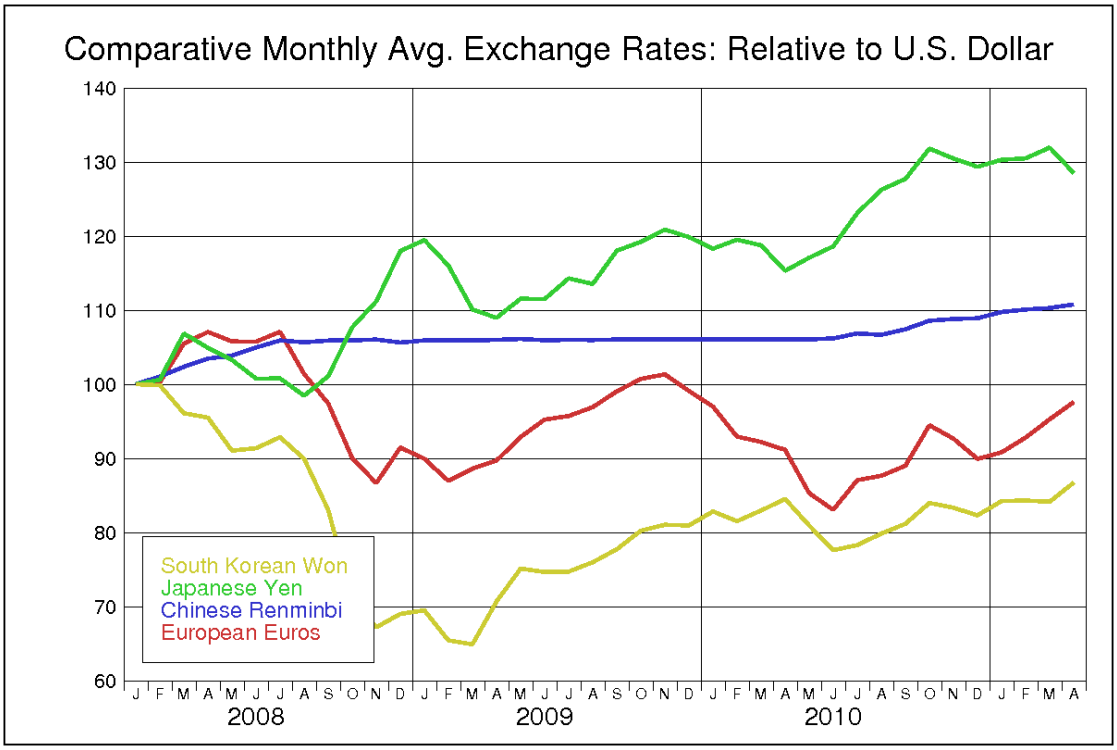
Major Currencies Index (January 1973 = 100): Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden.

Other Important Trade Partners Index (January 1997 = 100): Mexico, China, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Thailand, Philippines, Indonesia, India, Israel, Saudi Arabia, Russia, Argentina, Venezuela, Chile and Colombia.

Although a weakened dollar helps to reduce U.S. trade imbalances, it also may reduce the dollar's attractiveness to foreign investors. If foreign investors stop offsetting the deficit by buying dollar-denominated assets, the value of the dollar could drop—possibly precipitously. In that case, U.S. interest rates would have to rise to attract more foreign investment; financial markets could be disrupted; and inflationary pressures could increase. As shown in **Figure 2**, in terms of individual currencies, since January 2008, the dollar has been weakening with respect to the Japanese yen and Chinese renminbi but strengthening with respect to the euro and South Korean won.

Figure 3. The Exchange Value of the U.S. Dollar Compared with the Chinese Renminbi, Japanese Yen, EU Euro, and South Korean Won

January 2008 Through April 2011



Source: © 2011 by Prof. Werner Antweiler, University of British Columbia, Vancouver BC, Canada, and PACIFIC Exchange Rate Service. Permission is granted to reproduce the above image.

Note: Time period shown in diagram: January 1, 2008 - April 20, 2011.

Currently, foreign investment in dollar assets along with purchases of securities by investors seeking a safe haven as well as from central banks of countries such as China have bolstered the value of the dollar. China's central bank has intervened in currency markets to keep its exchange rate relatively stable. [11] As a result, as of February 2011 China held $1.1 trillion in U.S. Treasury securities. [12] As for Japan, following the March 2011 earthquake and tsunami, central banks intervened to buy dollars to decrease the value of the yen. As of February 2011, Japan held $890 billion U.S. Treasury securities.[13]

A recent development in foreign country holdings of dollars and other reserve currencies is that some are turning toward creating sovereign wealth funds (SWFs). These are funds owned by governments that are invested in stocks, bonds, property, and other financial instruments

[11] Statistics on Chinese international reserves are available from the Chinability website, a non-profit website that provides Chinese economic and business data and analysis, at http://www.chinability.com/.

[12] Statistics on foreign holdings of U.S. Treasury securities are available at http://www.treasury.gov/tic/mfh.txt. For further information, see CRS Report RS22331, *Foreign Holdings of Federal Debt*, by Justin Murray and Marc Labonte.

[13] Statistics on Japanese international reserves are released on a monthly basis by the Japanese Ministry of Finance and available at https://www.mof.go.jp/english/.

denominated in dollars, euros, or other hard currency. For China, Japan, South Korea, Russia, and the oil-exporting nations of the Persian Gulf, the source of capital for these funds is coming from governmental holdings of foreign exchange. For China and Japan, for example, foreign exchange reserves have traditionally been invested by their respective central banks primarily in low-yielding but low-risk government bonds (i.e., U.S. Treasury securities). The purpose of sovereign wealth funds is to diversify investments and to earn a higher rate of return. For example, in September 2007, China created a sovereign wealth fund—the China Investment Corporation (CIC)—with initial capital of $200 billion. Depending on how these funds are managed and what leverage they acquire, they could affect U.S. interest rates (foreign purchases of U.S. Treasury securities tend to reduce U.S. interest rates), corporate activities (if funds buy significant voting shares of companies), and foreign access to technology and raw materials. The U.S. trade deficit provides some of the foreign exchange that goes to finance these sovereign wealth funds.[14]

How long can the United States keep running trade deficits? U.S. deficits in trade can continue for as long as foreign investors are willing to buy and hold U.S. assets, particularly government securities and other financial assets.[15] Their willingness depends on a complicated array of factors including the perception of the United States as a safe haven for capital, relative rates of return on investments, interest rates on U.S. financial assets, actions by foreign central banks, and the savings and investment decisions of businesses, governments, and households. The policy levers that influence these factors that affect the trade deficit are held by the Federal Reserve[16] (interest rates) as well as both Congress and the Administration (government budget deficits and trade policy), and their counterpart institutions abroad.

In the 112th Congress, legislation directed at the trade deficit has been taking several strategies. Some bills address trade barriers by particular countries, particularly China. Others are aimed at preventing manipulation of exchange rates or at imposing import duties to compensate for the arguably undervalued Chinese currency.[17] Some legislation is listed at the beginning of this report and tracked in greater detail in other CRS reports dealing with trade.

Types of Trade Data

The U.S. government compiles trade data in four different ways. The data on merchandise trade are first compiled on a Census basis. Bilateral trade with countries and sectoral data are reported only on a Census basis. The Census numbers are then adjusted and reported monthly on a balance of payments (BoP) basis that includes adjustments for valuation, coverage, and timing, and excludes military transactions. The data are finally reported in terms of national income and product accounts (NIPA). The NIPA data also can be further adjusted to include correcting for inflation to gauge movement in trade volumes as distinct from trade values. Conceptually, this

[14] For more information on sovereign wealth funds, see CRS Report RL34336, *Sovereign Wealth Funds: Background and Policy Issues for Congress*, by Martin A. Weiss, CRS Report RL34337, *China's Sovereign Wealth Fund*, by Michael F. Martin.

[15] See Mann, Catherine L. *Is the U.S. Trade Deficit Sustainable?* Washington, Institute for International Economics, 1999. 224 p. See also CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson, and CRS Report RS21951, *Financing the U.S. Trade Deficit: Role of Foreign Governments*, by Marc Labonte.

[16] For details, see CRS Report RS20826, *Structure and Functions of the Federal Reserve System*, by Marc Labonte.

[17] For legislation related to trade with China and the Chinese currency, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison, and CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

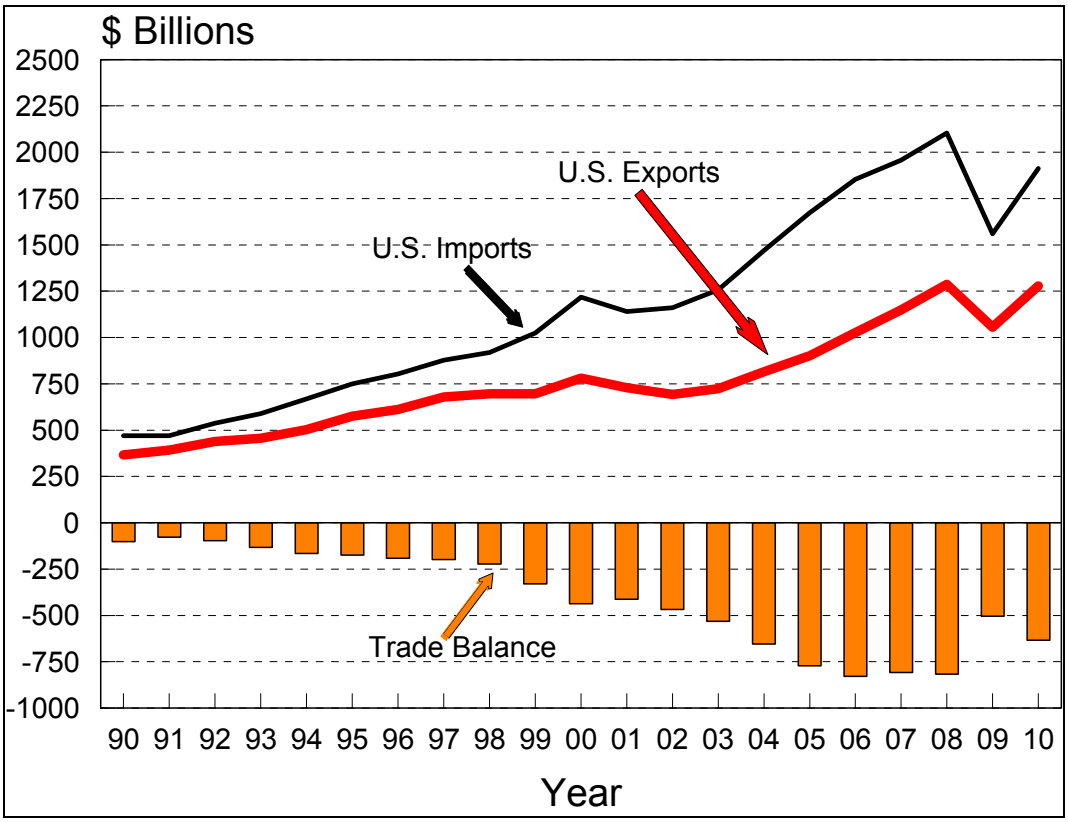
procedure is analogous to adjusting macroeconomic data from nominal to real values. Specific values help in understanding the concepts involved.

Valuation methods are very important in trade data evaluation. The Census Bureau also reports imports on a c.i.f. (cost, insurance, and freight) basis which includes the value of insurance, international shipping, and other charges incurred in bringing merchandise to U.S. ports of entry. The customs (or f.a.s.—free alongside ship) data do not include these supplementary costs. U.S. import data are reported on a customs basis with insurance and freight charges counted in U.S. services trade. Other countries, however, commonly report merchandise import figures that include insurance and freight charges. This tends to overstate their imports and understate their trade surpluses with the United States.

U.S. Merchandise Trade Balance

The merchandise (goods) trade balance is the most widely known and frequently used indicator of U.S. international economic activity. In 2010, total U.S. merchandise trade amounted to $3,190.2, a 22% increase from 2009. In 2009 total U.S. merchandise trade amounted to $2,614.8 billion, a 22.9% decrease from $3,391.1 billion in 2008. Merchandise exports in 2010 totaled $1,278.1 billion, while imports reached $1,912.1 billion (Census basis). The U.S. merchandise trade deficit fell massively from -$816 billion in 2008 to -$503 billion in 2009 but then increased to $634 billion in 2010. (See **Figure 4**.)

Figure 4. U.S. Merchandise Exports, Imports, and Trade Balance



Source: CRS with Census basis data from U.S. Bureau of Economic Analysis http://www.bea.gov/.

U.S. merchandise exports (as shown in **Table 2** and **Figure 5**) decreased in 2001 and 2002 in response to the global slowdown, but generally have been increasing each year. As shown in **Figure 5**, the growth of imports has also been steady, although they too fell by 6.4% in 2001 before recovering in 2002. In 2003, import growth was nearly double export growth, although in 2004, export growth almost caught up with that of imports, and in 2005, the rate of increase for both dropped slightly. Growth in exports and imports slowed in 2007 with exports rising by 12.3% and imports by 5.7%. Likewise in 2008, exports grew faster than imports (12.4% vs 7.3%), but the trade deficit still increased. This is because U.S. imports are about 63% greater than U.S. exports, so exports must grow about 63% faster than imports just for the deficit to remain constant. Then in 2009, with the full force of the financial crisis, exports decreased slower than imports (-17.9% vs -25.9%), before each took a sharp upward turn in 2010 as recovery began.

Table 2. U.S. Merchandise Exports, Imports, and Trade Balances on Census and Balance of Payments Bases

(In billions of current U.S. dollars)

	Census basis			Balance of Payments basis		
Year	Exports (f.a.s.)[a]	Imports (customs)[b]	Trade Balance	Exports (f.a.s.)[a]	Imports (customs)[b]	Trade Balance
1982	212.3	243.9	-31.6	211.2	247.6	-36.4
1983	201.7	261.7	-60.0	201.8	268.9	-67.1
1984	218.7	330.5	-111.8	219.9	332.4	-112.5
1985	212.6	336.4	-123.8	215.9	338.1	-122.2
1986	226.4	365.7	-139.3	223.3	368.4	-145.1
1987	253.9	406.3	-152.4	250.2	409.8	-159.6
1988	323.3	441.9	-118.6	320.2	447.2	-127.0
1989	362.9	473.4	-110.5	359.9	477.7	-117.8
1990	392.9	495.2	-102.3	387.4	498.4	-111.0
1991	421.8	487.1	-65.3	414.1	491.0	-76.9
1992	448.2	532.6	-84.4	439.6	536.5	-96.9
1993	464.8	580.5	-115.7	456.9	589.4	-132.5
1994	512.6	663.2	-150.6	502.9	668.7	-165.8
1995	584.7	743.5	-158.8	575.2	749.4	-174.2
1996	625.1	795.3	-170.2	612.1	803.1	-191.0
1997	689.2	869.7	-180.5	678.4	876.8	-198.4
1998	682.1	911.9	-229.8	670.4	918.6	-248.2
1999	695.8	1,024.6	-328.8	698.0	1034.3	-336.3
2000	781.9	1,218.0	-436.1	784.2	1230.4	-446.2
2001	729.1	1,141.0	-411.9	730.3	1152.3	-422.0
2002	693.1	1,161.4	-468.3	696.3	1171.6	-475.3
2003	724.8	1,257.1	-532.3	728.3	1269.8	-541.5
2004	818.9	1,469.7	-654.8	819.9	1485.5	-665.6

	Census basis			Balance of Payments basis		
Year	**Exports (f.a.s.)[a]**	**Imports (customs)[b]**	**Trade Balance**	**Exports (f.a.s.)[a]**	**Imports (customs)[b]**	**Trade Balance**
2005	901.1	1,673.5	-772.4	909.0	1692.8	-783.8
2006	1,026.0	1,853.9	-828.0	1035.9	1875.3	-839.5
2007	1,148.2	1,957.0	-808.8	1160.4	1983.6	-823.2
2008	1,287.4	2,103.6	-816.2	1304.9	2139.5	-834.7
2009	1,056.0	1,559.6	-503.6	1,068.5	1,575.4	-506.9
2010	1,277.5	1,912.1	-634.6	1,288.7	1,935.7	-647.1

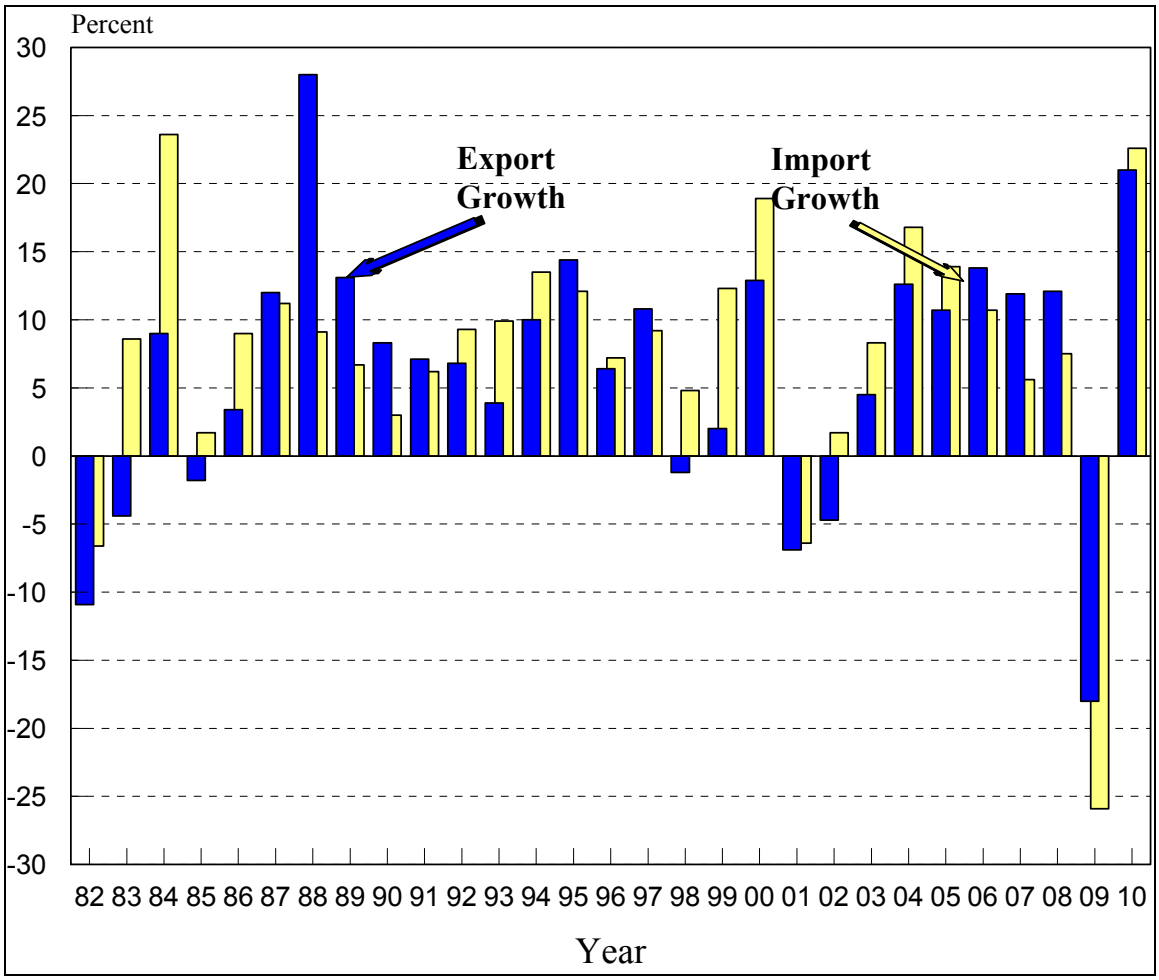
Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts Data.

Note: Goods on a Census basis are adjusted to a BoP basis to include changes in ownership that occur without goods passing into or out of the customs territory of the United States, to eliminate duplication, and to value transactions according to a standard definition. Export adjustments include counting military sales as services not goods, adding private gift parcels, and foreign official gold sales from U.S. private dealers. Import adjustments include adding in inland freight in Canada and foreign official gold sales to U.S. private dealers, and subtracting imports by U.S. military agencies.

a. Exports are valued on an f.a.s. basis, which refers to the free alongside ship value at the port of export and generally include inland freight, insurance, and other charges incurred in placing the goods alongside the carrier at the port of exportation.

b. Imports are valued as reported by the U.S. Customs Service, known as Customs basis, and exclude import duties, the cost of freight, insurance, and other charges incurred in bringing merchandise to the United States.

Figure 5. Annual Growth in U.S. Merchandise Exports and Imports, 1982-2010



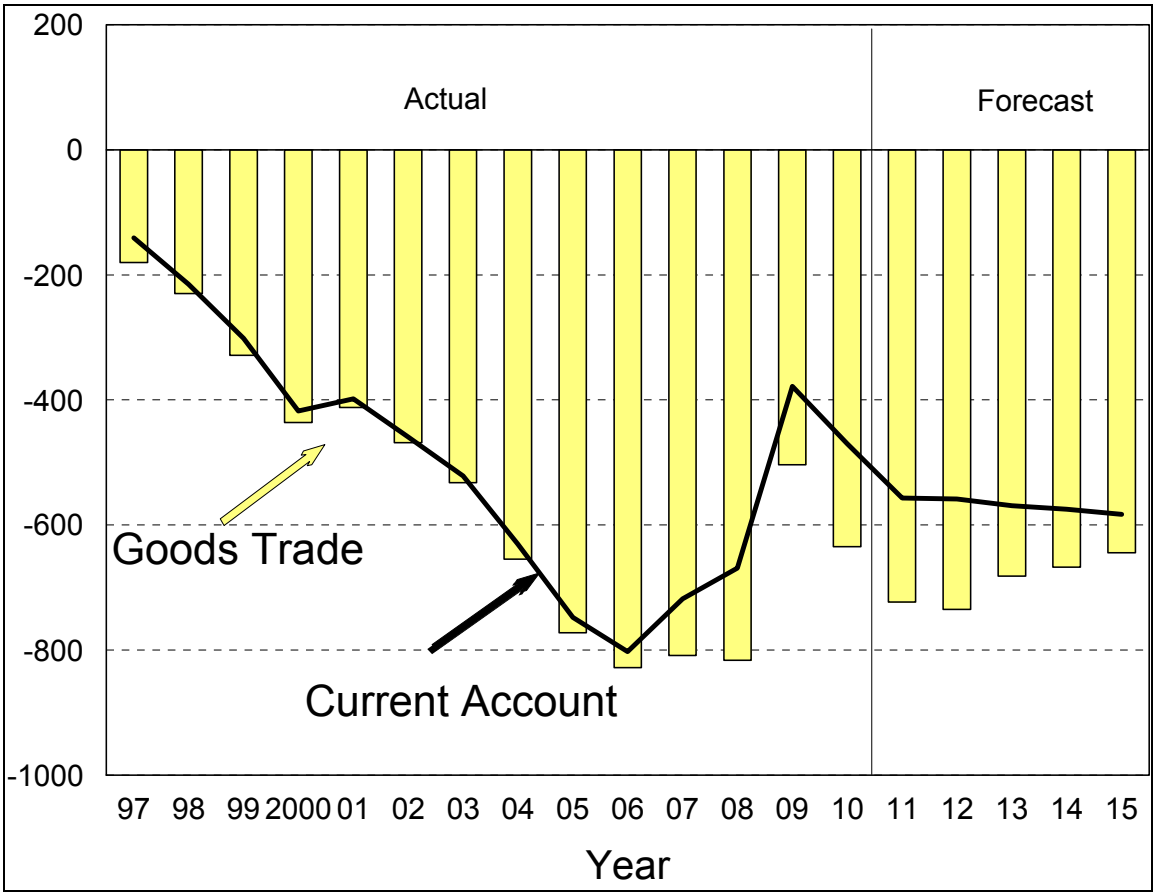
Source: Underlying data from U.S. Department of Commerce.

Current Account Balance

The current account provides a broader measure of U.S. trade because it includes services, investment income, and unilateral transfers in addition to merchandise trade (see **Table 2**). The balance on services includes travel, transportation, fees and royalties, insurance payments, and other government and private services. The balance on investment income includes income received on U.S. assets abroad minus income paid on foreign assets in the United States. Unilateral transfers are international transfers of funds for which there is no *quid pro quo*. These include private gifts, remittances, pension payments, and government grants (foreign aid). Data on the current account are announced several months later than those on trade in goods and services.

Figure 6. U.S. Current Account and Merchandise Trade Balances

(In billions of current U.S. dollars)



Sources: CRS with data from U.S. Bureau of Economic Analysis, U.S. International Transactions Account. Forecasts from IHS Global Insight.

Note: Merchandise trade data on Census basis.

Table 3 summarizes the components of the U.S. current account. In 2010, the U.S. deficit on current account rose to $470.2 billion from $378.4 billion in 2009. It was down considerably, however, from $802.6 billion in 2006. The 2010 deficit on current account amounted to 3.4% of GDP, below the 4.9% in 2008 and less than the 5% level of caution used by the International Monetary Fund. Since the dollar is used as an international reserve currency, the United States can run trade deficits without the same downward pressure on the value of the dollar as other nations. Historically, the current account deficit fell from a then record-high $160.7 billion in 1987 to $79.0 billion in 1990, and switched to a $3.7 billion surplus in 1991 (primarily because of payments to fund the Gulf War by Japan and other nations). However, since a slight decline in 1995, the current account deficit has been increasing significantly except for a slight dip in 2001 because of the U.S. recession and a similar situation in 2007 and 2008 before the large rise in 2009.

Table 3. U.S. Current Account Balances

(In billions of current U.S. dollars)

Calendar Year	Merchandise Trade Balance[a]	Services Balance[b]	Investment Income Balance[c]	Net Unilateral Transfers[d]	Current Account Balance[e]
1985	-122.2	0.3	25.7	-22.0	-118.2
1986	-145.1	6.5	15.5	-24.1	-147.2
1987	-159.6	7.9	14.3	-23.3	-160.7
1988	-127.0	12.4	18.7	-25.3	-121.2
1989	-117.7	24.6	19.8	-26.2	-99.5
1990	-111.0	30.2	28.6	-26.7	-79.0
1991	-76.9	45.8	24.1	9.9	2.9
1992	-96.9	57.7	24.2	-35.1	-50.1
1993	-132.5	62.1	25.3	-39.8	-84.8
1994	-165.8	67.3	17.1	-40.3	-121.6
1995	-174.2	77.8	20.9	-38.1	-113.6
1996	-191.0	86.9	22.3	-43.0	-124.8
1997	-198.4	90.2	12.6	-45.1	-140.7
1998	-248.2	82.1	4.3	-53.2	-215.1
1999	-347.8	82.7	13.9	-50.4	-300.8
2000	-454.7	74.9	21.1	-58.6	-416.4
2001	-429.5	64.4	31.7	-51.3	-397.2
2002	-485.0	61.2	27.4	-64.9	-458.1
2003	-550.9	54.0	45.3	-71.8	-520.7
2004	-665.6	56.3	67.2	-88.4	-630.5
2005	-783.8	69.6	72.4	-105.8	-747.6
2006	-839.5	80.2	48.1	-91.5	-802.6
2007	-823.2	121.1	99.6	-115.5	-718.1
2008	-834.7	135.9	152.0	-122.0	-668.9
2009	-506.9	132.0	121.4	-124.9	-378.4
2010	-647.1	151.4	163.0	-137.5	-470.2

Source: U.S. Bureau of Economic Analysis, U.S. International Transactions.

a. On a BoP basis.

b. Includes travel, transportation, fees and royalties, insurance payments, other government and private services, and investment income.

c. Income receipts on U.S. assets abroad minus income payments on foreign assets in the United States.

d. International transfers of funds, such as private gifts, pension payments, and government grants for which there is no quid pro quo.

e. The trade balance plus the service balance plus investment income balance plus net unilateral transfers, although conceptually equal to the current account balance, may differ slightly as a result of rounding.

Because the merchandise trade balance comprises the greater part of the current account, the two tend to track each other. Unlike the merchandise trade balance, however, the services account has registered surpluses. Since Americans are such large investors in foreign economies, the United States traditionally also has a surplus in its investment income ($163 billion in 2010), but the deficit in unilateral transfers (primarily dollars sent abroad by foreign workers and recent immigrants) totaled $137.5 billion in 2010. Unilateral transfers have now reached more than triple the level of the late 1980s.

Forecasts

According to IHS Global Insight, Inc., a leading U.S. economic forecasting firm, in 2008 the U.S. merchandise (goods) trade deficit is projected to decline to about $931.9 billion on a balance of payments basis and to stay at that level for 2009 and 2010 (see **Table 4** and **Figure 6**). The current account deficit is forecast to increase to $557 billion 2011 and remain at about that level for the next two years.

Table 4. U.S. Merchandise and Current Account Trade, 2006 to 2013 (Forecast)

(In billions of current U.S. dollars)

	2006	2007	2008	2009	2010	2011F	2012F	2013F
Merchandise Trade								
Exports								
Actual	1035.9	1,160.4	1,304.9	1,068.5	1,288.7	—	—	—
Forecasted	—	—	—	—	—	1,527.4	1,703.7	1,876.9
Imports								
Actual	1,875.3	1,983.6	2,139.5	1,575.4	1,935.7	—	—	—
Forecasted	—	—	—	—	—	2,250.8	2,438.4	2,558.8
Trade Balance								
Actual	-839.5	-823.2	-834.7	-506.9	-647.1	—	—	—
Forecasted	—	—	—	—	—	-723.4	-734.7	-681.9
Services Trade Balance								
Actual	80.2	121.1	135.9	132.0	151.4	—	—	—
Forecasted	—	—	—	—	—	171.4	183.6	196.9
Current Account Balance								
Actual	-802.6	-718.1	-668.9	-378.4	-470.2	—	—	—
Forecasted	—	—	—	—	—	-557.0	-558.6	-569.1

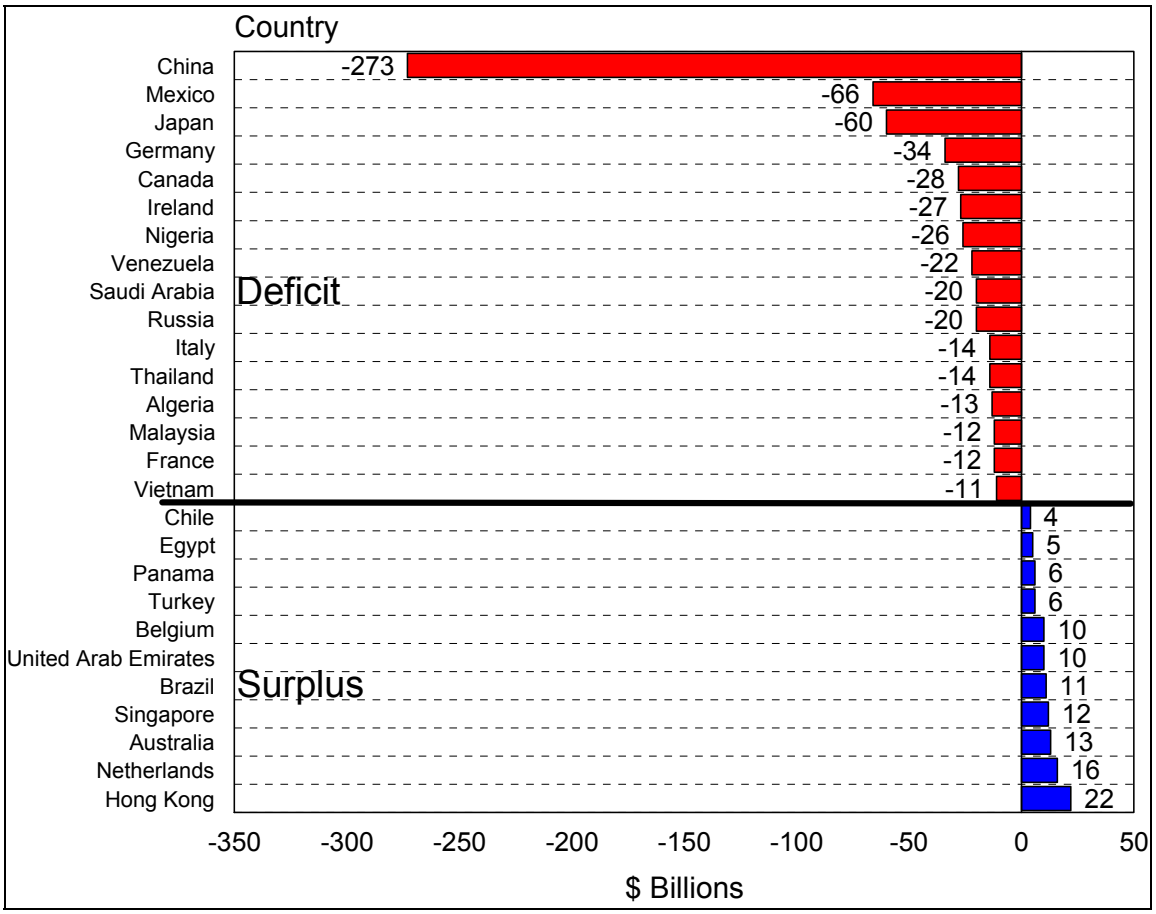
Sources: (BoP basis)**.** U.S. Bureau of Economic Analysis; and IHS Global Insight (searched August 18, 2010).

Note: "F" indicates forecast.

U.S. Trade with Selected Nations

The overall U.S. merchandise trade balance consists of deficits or surpluses with each trading partner. Many economists view the overall figure as more significant than bilateral trade balances, since rising deficits with some nations are often offset by declining deficits or growing surpluses with others. Nonetheless, abnormally large or rapidly increasing trade deficits with particular countries are often viewed as indicators that underlying problems may exist with market access, the competitiveness of particular industries, currency misalignment, or macroeconomic adjustment. **Figure 7** and **Table 4** and **Table 5** show U.S. trade balances with selected nations.

Figure 7. U.S. Merchandise Trade Balances With Selected Nations, 2010



Source: CRS with data from the U.S. Department of Commerce (Census basis).

Most of the U.S. trade deficit can be accounted for by trade with China, Mexico, Japan, Germany, Ireland, and Canada. Trade with the oil exporting countries, particularly Venezuela, Nigeria, and Saudi Arabia, also is in deficit. U.S. trade surpluses occur in trade with Hong Kong, the Netherlands, Australia, and the United Arab Emirates.

The U.S. trade deficit with China has soared over the past decade: from $32 billion in 1995 to $100 billion in 2000, then $227 billion in 2009, and $273 billion in 2010. The negative net

balance in trade with China has grown to account for about 40% of the total U.S. trade deficit.[18] The U.S. trade deficit with China exceeded that with Japan for the first time in the year 2000 and now is more than four times as large.

China claims that its trade is less imbalanced than U.S. data indicate. Chinese trade data differ from those of the United States primarily because of the treatment of Hong Kong as an *entrepot*. Although Hong Kong reverted back to China in 1997, it is a separate customs area from mainland China, and Beijing counts Hong Kong as the destination for its exports sent there, even though the goods may be transshipped to other markets. For example, China would count a laptop computer that is assembled in Shanghai but shipped through Hong Kong before being exported to the United States as a sale to Hong Kong. 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, not Hong Kong, including goods that contain Hong Kong components or involve final packaging in Hong Kong. The United States also counts Hong Kong as the destination of U.S. products sent there, even those that are then reexported to China. However, the PRC counts many of such reexported goods as U.S. exports to China. So by U.S. figures, U.S. exports to China tend to be understated, while by Chinese figures, Chinese exports to the United States tend to be understated. The net result is that the trade surplus with the United States at $102 billion in 2008 that China reported was less than half the U.S. deficit with China of $268 billion reported by the United States. For 2009, China reported a trade surplus with the United States of $182 billion while the U.S. figure was $273 billion.

Table 5. U.S. Merchandise Trade Balances with Selected Nations and Groups

(In millions of current U.S. dollars, Census basis)

Country	2005	2006	2007	2008	2009	2010
World	-772,373	-827,971	-808,763	-816,199	-503,582	-634,588
Russia	-11,344	-15,128	-12,031	-17,448	-12,868	-19,717
Japan	-83,323	-89,722	-84,304	-74,120	-44,669	-59,802
China	-202,278	-234,101	-258,506	-268,040	-226,877	-273,066
NAFTA	-128,347	-136,313	-142,964	-143,063	-69,353	-94,618
Canada	-78,486	-71,782	-68,169	-78,342	-21,590	-28,284
Mexico	-49,861	-64,531	-74,796	-64,722	-47,762	-66,334
EU 27	-124,395	-119,325	-110,243	-95,807	-61,202	-79,780
United Kingdom	-12,465	-8,103	-6,876	-4,988	-1,776	-1,259
Germany	-50,567	-47,923	-44,744	-42,991	-28,192	-34,478
France	-11,583	-13,528	-14,877	-15,209	-7,743	-11,541
Italy	-19,485	-20,109	-20,878	-20,674	-14,162	-14,272
Netherlands	11,606	13,617	14,434	18,597	16,143	15,965
ASIAN NICS	-16,606	-13,234	-5,509	2,184	3,526	14,041
Hong Kong	7,459	9,795	12,876	15,015	17,480	22,265
Korea, South	-16,210	-13,584	-13,161	-13,400	-10,604	-10,016

[18] For details and policy discussion, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison.

Country	2005	2006	2007	2008	2009	2010
Singapore	5,356	6,057	7,225	11,969	6,527	11,671
Taiwan	-13,211	-15,502	-12,449	-11,400	-9,877	-9,880
LATIN AMERICA	-50,549	-45,296	-28,035	-23,034	1,450	7,543
Argentina	-462	797	1,369	1,714	1,679	3,607
Brazil	-9,064	-7,480	-1,472	1,846	6,026	11,439
Colombia	-3,387	-2,557	-876	-1,656	-1,872	-3,603
Panama	1,835	2,281	3,304	4,508	3,991	5,690
OPEC	-104,650	-121,408	-128,769	-177,699	-69,577	-105,180
Venezuela	-27,557	-28,131	-29,709	-38,814	-18,744	-22,114
Saudi Arabia	-20,387	-24,049	-25,230	-42,263	-11,261	-19,829
Nigeria	-22,620	-25,630	-29,992	-33,966	-15,441	-26,476
Iraq	-7,680	-10,055	-9,835	-20,010	-7,491	-10,496
Iran	-79	-71	-28	579	216	115

Source: United States Census Bureau, Foreign Trade Division. For other countries and further detail, see U.S. International Trade in Goods and Services, December 2009, FT-900 (10-12), released February 10, 2011.

Table 6 lists the U.S. top deficit trading partners in merchandise trade, on a Census basis, with U.S. export and U.S. import data for additional insight. In 2000, China not only overtook Japan as the top U.S. deficit trading partner, but its continuing growth in annual trade deficits since 2000 has been stark. In 2010 the U.S. trade deficit with China increased by 20%, with Mexico 39%, and with Japan 34%. These countries were the top U.S. deficit trading partners. They were followed by Germany, Canada, Ireland, and Nigeria.

Table 6. Top U.S. Merchandise Deficit Trading Partners, 2010

In millions of current U.S. dollars with percentage change from 2009 to 2010

Rank	Country	U.S. Balance	% Change	U.S. Exports	% Change	U.S. Imports	% Change
0	WORLD	-634,588	26.0	1,277,504	21.0	1,912,092	22.6
1	China	-273,066	20.4	91,878	32.2	364,944	23.1
2	Mexico	-66,334	38.9	163,320	26.7	229,655	30.0
3	Japan	-59,802	33.9	60,545	18.4	120,348	25.6
4	Germany	-34,478	22.3	48,201	11.3	82,680	15.6
5	Canada	-28,284	31.0	248,194	21.3	276,478	22.2
6	Ireland	-26,626	29.0	7,272	-2.6	33,898	20.6
7	Nigeria	-26,476	71.5	4,040	9.6	30,516	59.5
8	Venezuela	-22,114	18.0	10,661	14.4	32,775	16.8
9	Saudi Arabia	-19,829	76.1	11,591	7.4	31,420	42.5
10	Russia	-19,717	53.2	5,968	11.9	25,685	41.1
11	Italy	-14,272	0.8	14,191	15.7	28,463	7.7
12	Thailand	-13,712	12.7	8,974	29.7	22,687	18.9

Rank	Country	U.S. Balance	% Change	U.S. Exports	% Change	U.S. Imports	% Change
13	Algeria	-13,324	38.6	1,194	7.8	14,518	35.5
14	Malaysia	-11,923	-7.4	13,982	34.4	25,905	11.3
15	France	-11,541	49.1	27,010	2.0	38,551	12.6
16	Vietnam	-11,158	21.4	3,710	19.8	14,868	21.0
17	Angola	-10,655	34.6	1,292	-9.2	11,947	27.9
18	Iraq	-10,496	40.1	1,646	-7.1	12,142	31.1
19	India	-10,308	118.2	19,223	16.9	29,531	39.5
20	Korea, South	-10,016	-5.5	38,844	35.8	48,860	24.6
21	Taiwan	-9,880	0.0	26,027	40.8	35,907	26.6
22	Israel	-9,703	5.6	11,272	17.9	20,975	11.9
23	Indonesia	-9,534	21.7	6,943	35.9	16,477	27.4
24	Sweden	-5,865	61.8	4,706	3.2	10,571	29.2
25	Trinidad & Tobago	-4,695	47.1	1,926	- 3.2	6,621	27.8

Source: CRS with U.S. Department of Commerce. U.S. International Trade in Goods and Services, FT-900 (10-12).

Notes: Data are on a Census basis. Exports are valued f.a.s.; imports are valued Customs.

Total merchandise trade, exports plus imports, presents a clearer picture of countries' overall importance than any other flow. As seen in **Table 7**, in the past three years, Canada continued to be the United States' largest total merchandise trading partner. Canada was followed by China, Mexico, Japan, Germany, the United Kingdom, Korea, and France. Brazil and the Netherlands switched places from number 9 in 2008 to number 11 in 2009. Canada's position as the historic largest supplier of U.S. imports in 2006 and before changed in 2007, as China surpassed Canada. In 2008 Canada regained the top spot in U.S. imports. In 2009, China regained first place in U.S. imports. Canada is by far the top purchaser of U.S. exports with Mexico second. In 2007 China passed Japan to become third. In 2009, Japan maintained the ranking of our fourth-largest export market.

Table 7. Top U.S. Trading Partners Ranked by Total Merchandise Trade in 2010

(In millions of current U.S. dollars)

Rank	Country	Total trade	% Share	U.S. Exports	U.S. Imports	U.S. Balance
0	World	3,189,595	100.00	1,277,504	1,912,092	-634,588
1	Canada	524,672	16.45	248,194	276,478	-28,284
2	China	456,822	14.32	91,878	364,944	-273,066
3	Mexico	392,975	12.32	163,320	229,655	-66,334
4	Japan	180,893	5.67	60,545	120,348	-59,802
5	Germany	130,881	4.10	48,201	82,680	-34,478
6	United Kingdom	98,252	3.08	48,497	49,755	-1,259
7	Korea South	87,703	2.75	38,844	48,860	-10,016
8	France	65,561	2.06	27,010	38,551	-11,541
9	Taiwan	61,934	1.94	26,027	35,907	-9,880
10	Brazil	59,275	1.86	35,357	23,918	11,439
11	Netherlands	54,031	1.69	34,998	19,033	15,965
12	India	48,754	1.53	19,223	29,531	-10,308
13	Singapore	46,628	1.46	29,150	17,478	11,671
14	Venezuela	43,436	1.36	10,661	32,775	-22,114
15	Saudi Arabia	43,011	1.35	11,591	31,420	-19,829
16	Italy	42,655	1.34	14,191	28,463	-14,272
17	Ireland	41,170	1.29	7,272	33,898	-26,626
18	Belgium	41,141	1.29	25,551	15,590	9,962
19	Malaysia	39,887	1.25	13,982	25,905	-11,923
20	Switzerland	39,821	1.25	20,692	19,129	1,563

Source: U.S. Department of Commerce, Bureau of the Census via World Trade Atlas.

Notes: Total trade = exports + imports. Data are on a Census basis. Exports are valued f.a.s.; imports are valued Customs.

U.S. Current Account Balances with Selected Nations in 2009 and 2010

Table 8 lists trade balances on goods, services, income, net unilateral transfers, and current account for selected U.S. trading partners. While trade in services, flows of income from investments, and remittances home by foreign workers are considerably smaller than merchandise flows, as the U.S. economy has become more globalized and service-oriented, these components of the current account have become more important. In many cases, the bilateral current account balances are quite different from bilateral balances on merchandise trade only. For example, Canada's merchandise trade deficit of $21.6 became a current account surplus of $16.1 in 2009.

Table 8. U.S. Current Account Balances With Selected U.S. Trading Partners, 2009

(In billions of current U.S. dollars)

Country	Merchandise Trade Balance[a]	Services Balance[b]	Investment Income Balance[c]	Net Unilateral Transfers[d]	Current Account Balance[e]
All Countries	-517.0	138.4	89.0	-130.2	-419.9
Mexico	-50.7	8.2	-1.3	-13.3	-57.1
Canada	-21.6	20.9	18.8	-2.0	16.1
Asia and Pacific	-315.2	43.9	-36.0	-27.6	-334.9
China	-227.6	6.7	-40.4	-2.9	-263.7
Japan	-45.5	17.5	-21.0	-0.1	-49.0
S. Korea	-11.3	4.7	1.9	-0.9	-5.5
European Union	-63.5	41.7	22.4	-6.0	-5.4
Germany	-28.4	-8.9	-6.2	-2.5	-46.0
United Kingdom	-1.6	14.7	-6.3	2.3	9.1
Latin America	-49.4	21.3	41.8	-31.3	-17.7
Middle East	-16.9	3.8	-4.6	-11.7	-29.5

Source: U.S. Bureau of Economic Analysis, International Transactions Account Data.

a. On a Balance of Payments basis.

b. Includes travel, transportation, fees and royalties, insurance payments, other government and private services, and investment income.

c. Income receipts on U.S. assets abroad minus income payments on foreign assets in the United States.

d. International transfers of funds, such as private gifts, pension payments, and government grants for which there is no *quid pro quo*.

e. The trade balance plus the service balance plus investment income balance plus net unilateral transfers, although equal to the current account balance, may differ as a result of rounding.

Specific financial and trade flow data for the United States with other countries in 2009, the first full year of the global financial crisis, were mainly at a lower level than previous years. For comparison, we will present 2009 data with data for 2008 in parentheses. Since Japan has invested considerable amounts in securities, equities, and in factories in the United States, the United States ran a deficit of $21 billion ($29.9 billion in 2008) in investment income with that country in 2009. This more than offset the surplus of $17.5 billion ($15.5 billion) in trade in services with Japan. As a result, the current account deficit with Japan of $49 billion ($90.5 billion in 2008) in 2009 exceeded the bilateral merchandise trade deficit of $45.5 billion ($75.1 billion). Likewise with China; the U.S. deficit on investment income of $40.4 billion ($43.2 billion in 2008) far overshadowed the U.S. surplus of $6.7 billion ($6.0 billion) in services.

In 2009, a different situation existed with the European Union and Canada. The United States earned a $22.4 billion ($49.7 billion in 2008) surplus in investment income with the EU in 2009, and the U.S. surplus in services with the EU was $41.7 billion ($44.5 billion). These two flows offset a merchandise deficit of $63.5 billion ($98.7 billion in 2008) to produce a U.S. current account deficit of -$5.4 billion ($11.6 billion), lower than the 2006 current account deficit of $86.9 billion. From Canada the United States received $18.8 billion ($24.4 billion in 2008) in investment income plus a surplus in services trade of $20.9 billion ($21.3 billion). Hence, the

current account surplus with Canada at $16.1 billion (deficit of $37.2 billion in 2008) was lower than the deficit of $21.6 billion ($81.0 billion in 2008) in merchandise trade.

The rising deficit with many countries in investment income reflects the accumulating debt of the United States relative to various countries and country groups of the world. Inflows of capital to compensate for the U.S. trade deficit and a low U.S. savings rate help to maintain the value of the dollar, but interest paid and other income that accrues to that capital is often repatriated to the home countries. That means more capital must be invested in the United States or the United States must export more to compensate for the outflows of investment income. In 2009, the overall U.S. balance on investment income registered a surplus of $89 billion, lower than the 2008 balance on investment income of $118.2 billion. Imbalances in investment income with certain countries have been growing and could become a problem in the future.

Table 9 provides data for 2010 that is parallel to that in **Table 8**. In 2010, nations emerged from the global financial crisis.

Table 9. U.S. Current Account Balance Flows with Selected U.S. Trade Partners, 2010

In billions of current U.S. dollars

Country	Goods Trade Balance	Services Balance	Investment Income Balance	Net Unilateral Transfers	Current Account Balance
All Countries	-647.1	151.4	163.0	-137.5	-470.2
Canada	-30.9	23.8	28.2	-3.1	18.1
Mexico	-69.6	9.1	2.3	-13.0	-71.1
Brazil	11.0	10.6	12.2	-1.0	32.8
Asia and Pacific	-371.7	57.5	-29.2	-33.3	-376.7
China	-273.1	10.4	-36.7	-3.0	-302.4
Japan	-61.3	20.0	-32.8	-1.2	-75.2
South Korea	-9.7	5.1	0.2	-1.2	-5.7
European Union	-80.9	37.0	37.7	-3.6	-9.8
Euro Area	-66.8	22.9	48.1	-2.3	1.8
Germany	-34.6	-5.5	-5.8	0.5	-45.5
United Kingdom	-2.3	10.6	-8.8	-0.3	-0.8
Latin America	-63.0	19.1	66.8	-33.9	-10.9
Middle East	-27.8	3.0	2.2	-10.9	-33.5
OPEC	-97.1	11.1	3.8	-7.5	-89.7

Source: U.S. Bureau of Economic Analysis, International Transactions data.

Notes: Data definitions are identical to previous table.

In 2010, the U.S. surplus in services at $151 billion continued to grow. The surplus in investment income at $163 billion was even larger despite net outflows of $37 billion to China and $33 billion to Japan. The deficit of $138 billion in unilateral transfers reflects the many workers in the United States who remit funds back to their home countries. Note that the U.S. surplus in services

and investment income with Canada turns a $31 billion deficit on goods into an $18 billion surplus on current account. For China and Japan, however, the large U.S. deficit in investment income caused the U.S. deficits on current account to exceed the deficits on goods.

Advanced Technology, Transportation, and Energy

High Technology Trade

Table 10 shows U.S. trade in advanced technology products. This includes about 500 commodity classification codes representing products whose technology is from a recognized high technology field (e.g., biotechnology) or that represent the leading technology in a field. The United States long ran a surplus in these products, but that surplus dropped sharply in 2000 and turned into a deficit in 2002. The U.S. trade balance in high technology products was last in surplus in 2001.

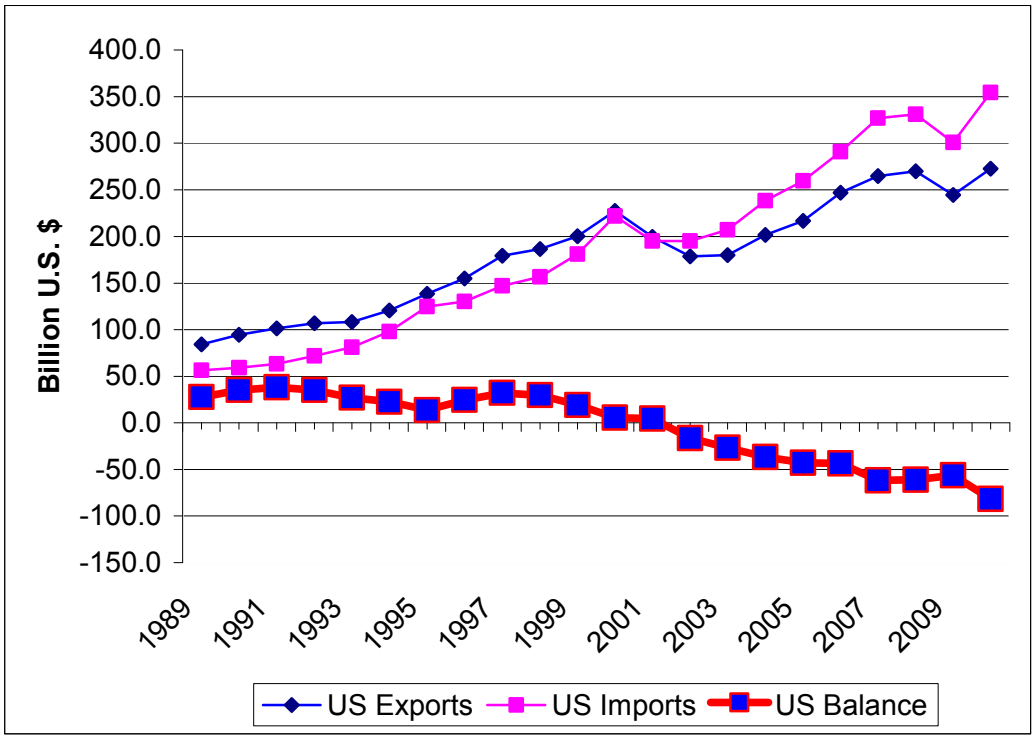
From 2002 to 2005, the United States ran a trade deficit in high technology products which grew roughly $10 billion dollars per year. In 2006 this deficit dropped to $38.1 billion, but in 2007 resumed its former growth path, jumping to $61.9 billion. In 2008, our advanced technology deficit stabilized at $61.1 billion, in 2009 decreased to $56.0 billion, and in 2010 jumped to $81.8 billion. This deficit does not necessarily imply that the United States is losing the high technology race, since many of the high technology imports are from U.S. companies (particularly electronics manufacturers) who assemble the products overseas. However, this growing deficit may warrant closer policy scrutiny.[19]

Figure 8 illustrates both our current deficit in high technology products and our continuing strong exports in these diverse areas.

[19] For information on the activities of multinational corporations in international trade, see CRS Report R40167, *Globalized Supply Chains and U.S. Policy*, by Dick K. Nanto.

Figure 8. U.S. Trade in High Technology Products

Values in current U.S. Billion dollars



Source: U.S. Census Bureau/Foreign Trade. U.S. Trade in goods by Country, at http://www.census.gov/goreign-trade/balance/.

Notes: Balance of Payments basis data.

Table 10. U.S. Trade in Advanced Technology Products

(In billions of U.S. dollars)

Year	U.S. Exports	U.S. Imports	Trade Balance
1990	93.4	59.3	34.1
1995	138.4	124.8	13.6
1996	154.9	130.4	24.5
1997	179.5	147.3	32.2
1998	186.4	156.8	29.6
1999	200.3	181.2	19.1
2000	227.4	222.1	5.3
2001	200.1	195.3	4.8
2002	178.6	195.2	-16.6
2003	180.2	207.0	-26.8
2004	201.4	238.3	-36.9
2005	216.1	259.7	-43.6
2006	252.7	290.8	-38.1

Year	U.S. Exports	U.S. Imports	Trade Balance
2007	264.9	326.8	-61.9
2008	270.1	331.2	-61.1
2009	244.7	300.9	-56.2
2010	272.7	354.5	-81.8

Source: U.S. Bureau of the Census. *U.S. International Trade in Goods and Services*. FT-900 (10-12), February, 2011.

Notes: Includes about 500 of some 22,000 commodity classification codes that meet the following criteria: (1) contains products whose technology is from a recognized high technology field (e.g., biotechnology), (2) represent leading edge technology in that field, and (3) constitute a significant part of all items covered in the selected classification code. Data are on a BoP basis.

Motor Vehicle Trade

Table 11 and **Figure 9** provide data on trade in passenger cars, trucks, and parts with major automobile producing nations for 2010. This does not include foreign cars assembled in the United States, or American cars assembled abroad. The United States incurs the largest deficits in this trade with Canada, Germany, Japan, South Korea, and Mexico. In 2009 the United States had a surplus in automotive trade with Canada. The U.S. trade balance in motor vehicles improved from a -$145 billion deficit in 2006 to a -$120.9 billion deficit in 2007, a -$106.6 billion deficit in 2008 to a -$73.4 billion deficit in 2009 and -$110.3 billion in 2010.[20] **Figure 9** shows that while the United States runs deficits in both cars and automotive parts, it runs a small surplus in trucks, and exports profitably in all three segments.

Table 11. U.S. Trade in Motor Vehicles (Passenger Cars, Trucks, and Buses) and Parts by Selected Countries, 2010

(In millions of U.S. dollars)

Country	Total	Cars	Trucks	Parts
U.S. Exports				
TOTAL	116,239	38,334	19,353	58,552
Canada	50,441	11,234	12,789	26,418
Germany	5,748	4,057	116	1,575
Japan	1,725	376	40	1,309
Korea	920	359	49	512
Mexico	20,987	2,867	697	17,423
U.S. Imports				
TOTAL	226,516	114,967	16,005	95,544
Canada	52,194	35,766	1,266	15,162
Germany	24,022	17,414	112	6,496

[20] For information on the automobile industry, see CRS Report RL32883, *U.S. Automotive Industry: Recent History and Issues*, by Stephen Cooney and Brent D. Yacobucci.

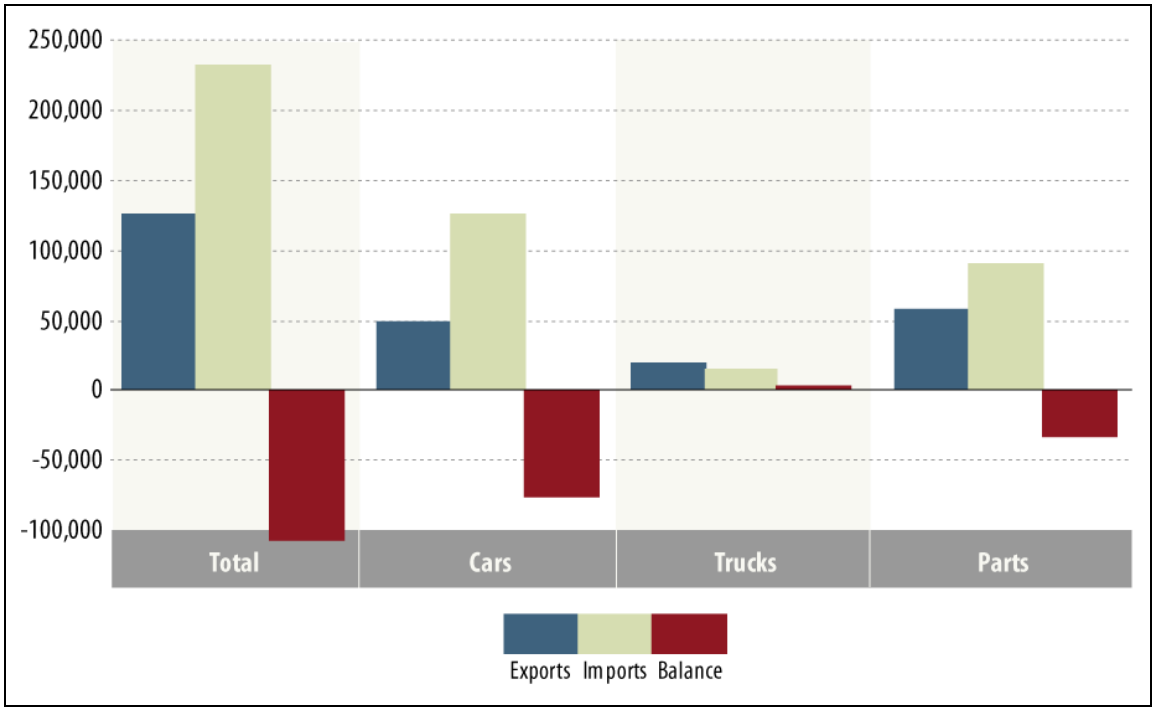
Country	Total	Cars	Trucks	Parts
Japan	45,887	31,931	492	13,464
Korea	11,731	6,550	2	5,178
Mexico	58,033	14,444	13,550	30,039
U.S. Balance				
TOTAL	-110,277	-76,633	3,348	-36,992
Canada	-1,753	-24,532	11,523	11,256
Germany	-18,274	-13,357	4	-4,921
Japan	-44,162	-31,555	-452	-12,155
Korea	-10,811	-6,191	47	-4,666
Mexico	-37,046	-11,577	-12,853	-12,616

Source: U.S. Bureau of the Census, *U.S. International Trade in Goods and Services*, FT-900.

Note: Census basis data.

Figure 9. 2010 U.S. Automotive Trade by Major Segment

(In millions of U.S. dollars)



Source: U.S. Bureau of the Census. *U.S. International Trade in goods and Services*. FT-900 (09-12).

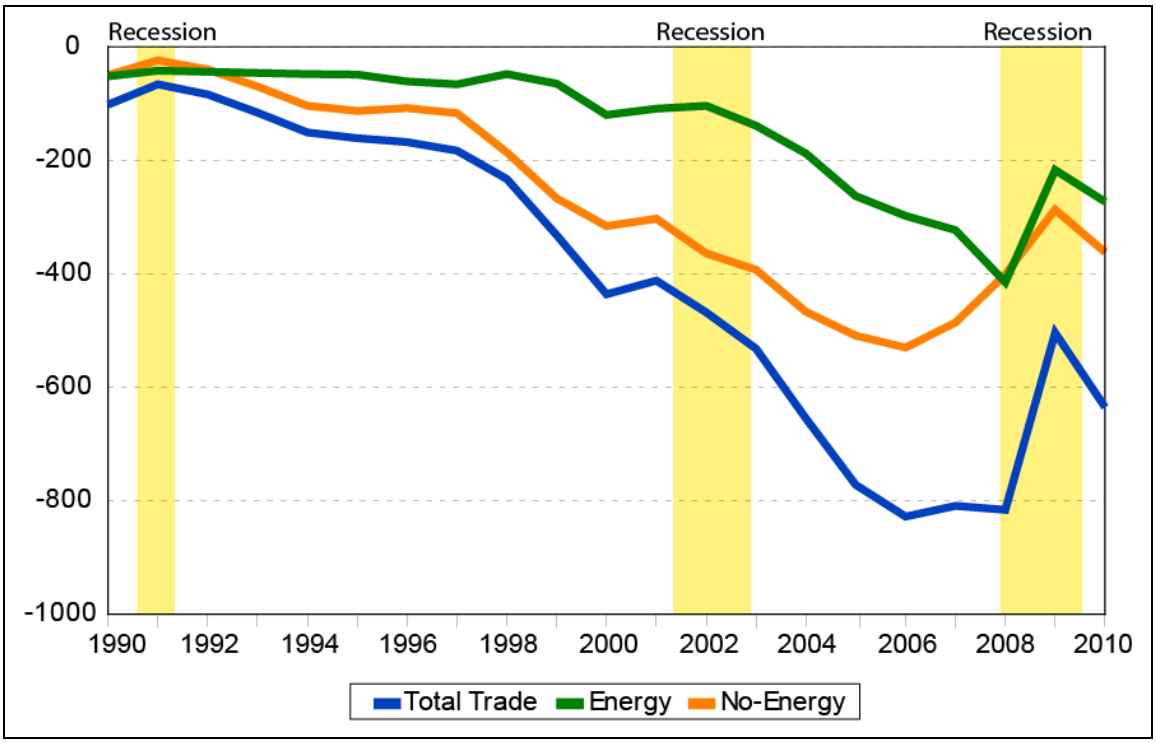
Energy Trade

Figure 10 illustrates the size and scope of the United States energy balance. The blue line graphs the U.S. merchandise trade deficit with the world in all commodities. The green line graphs the U.S. energy deficit. Subtract the green line from the blue line and you derive the U.S. no-energy trade deficit, the orange curve. In 2010, instead of a deficit of $634.6 billion, without energy's

$272.7 billion deficit, the U.S. trade deficit would equal $361.9 billion, 55% of its current size. Moving in that direction is the inspiration for the President's energy initiatives. President Obama recently said:

> But over the long term, the only way we can avoid being held hostage to the ups and downs of oil prices is if we reduce our dependence on oil. That means investing in clean, alternative sources of energy, like advanced biofuels and natural gas. And that means making cars and trucks and buses that use less oil.
>
> Other countries know this, and they're going all in to invest in clean energy technologies and clean energy jobs. I don't want other countries to win the competition for these technologies and these jobs. I want America to win that competition. I want America to win the future.[21]

Figure 10. U.S. Trade Balance, Energy Balance, and No-Energy Balance



Source: U.S. National Bureau of Economic Research, U.S. Bureau of the Census, CRS.

Notes: Census basis data. Energy is defined as all forms of energy, Harmonized System classification HS27.

The President and many others frequently discuss American dependence on foreign oil. How dependent are we on foreign energy and what are the sources of U.S. energy imports?

Table 12 shows exports, imports, and balance of primary forms of energy by major country source. The United States is the world's top importer, and at $354 billion our top import is energy.

[21] Administration of Barack Obama, 2011. The President's Weekly Address, May 7, 2011. Available through GPO FDSys Compilation of Presidential Documents at http://www.gpo.gov/fdsys/pkg/DCPD-201100334/pdf/DCPD-201100334.pdf.

Energy is also our sixth-ranked export commodity. The $272.7 billion U.S. deficit in energy accounted for 43% of the overall U.S. merchandise trade deficit in 2010.

Table 12. U.S. Energy Trade with the World, 2008-2010

	Total in Millions of U.S. Dollars			% Share of Total			% Change
Description	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2010/2009**
Total Energy Exports	76,940	55,059	80,965	100.0	100.0	100.0	47.1
Total Energy Imports	491,960	271,798	353,628	100.0	100.0	100.0	30.1
Total Energy Balance	-415,020	-216,739	-272,664				25.8
Crude Oil Exports	2,296	1,768	1,871	3.0	3.2	2.3	5.9
Crude Oil Imports	353,537	194,603	260,128	71.9	71.6	73.6	33.7
Crude Oil Balance	-351,241	-192,836	-258,257				33.9
Refined Exports	51,973	36,457	53,708	67.6	66.,2	66.3	47.3
Refined Imports	87,116	52,593	67,280	17.7	19.4	19.0	27.9
Refined Balance	-35,143	-16,137	-13,571				-15.9
Nat. Gas Exports	6,500	5,006	7,299	8.5	9.1	9.0	45.8
Nat. Gas Imports	40,452	18,874	19,815	8.2	6.9	5.6	5.0
Nat. Gas Balance	-33,952	-13,868	-12,517				-9.7
Electricity Exports	1,264	562	648	1.6	1.0	0.8	15.4
Electricity Imports	3,644	2,075	2,071	0.7	0.8	0.6	-0.2
Electricity Balance	-2,380	-1,513	-1,423				-5.9

Sources: U.S. Census Bureau via World Trade Atlas, using Harmonized Schedule (HS) 27 for total energy, 2709 for crude oil, 2710 for refined product, 2711 for natural gas, and 2716 for electricity.

Note: Census basis data.

Crude oil is the major U.S. energy import product. It accounted for 73% of U.S. energy imports in 2010, and, after subtracting exports of $1.8 billion, generated a sectoral trade deficit of $258.3 billion.Crude oil import values dropped from $354 billion in 2008 to $195 billion in 2009, then rebounded to $260 billion in 2010. While values changed significantly during the global financial crisis, percentages of total U.S. energy trade remained in the low 70s.

Table 13 shows the source countries for U.S. crude oil imports. Although Canada is the major U.S. supplier, roughly half came from the Organization of the Petroleum Exporting Countries (OPEC) with Venezuela, Saudi Arabia, and Nigeria the predominant suppliers. Imports from Iraq are recovering with $12 billion worth in 2010.[22]

The major U.S. energy export product is refined petroleum products, such as gasoline and aviation fuel. Refined petroleum products rank second to civilian aircraft, engines, and parts in top U.S. export products. Major markets for refined products are Mexico, Netherlands, Canada, Singapore, and Chile.

[22] For policy discussion, see CRS Report RS22204, *U.S. Trade Deficit and the Impact of Changing Oil Prices*, by James K. Jackson.

Table 13. U.S. Imports of Crude Oil from Top 20 Countries, 2008-2010

Value in millions of U.S. dollars; Quantity in millions of barrels

	2008		2009		2010	
Source Country	**USD**	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	353,537	3,716	194,603	3,428	260,128	3,482
OPEC	**205,687**	**2,117**	**99,701**	**1,740**	**135,950**	**1,785**
Canada	62,951	686	37,067	681	49,554	696
Saudi Arabia	**53,223**	**546**	**21,002**	**373**	**29,981**	**395**
Mexico	37,154	419	22,206	386	29,423	409
Venezuela	**43,734**	**475**	**24,619**	**445**	**29,090**	**407**
Nigeria	**35,945**	**345**	**18,288**	**282**	**29,069**	**362**
Iraq	**21,710**	**224**	**9,128**	**165**	**12,126**	**160**
Angola	**18,548**	**185**	**9,017**	**163**	**11,514**	**147**
Algeria	**15,118**	**153**	**7,878**	**133**	**10,856**	**137**
Colombia	5,897	63	5,153	90	8,833	120
Russia	4,957	47	4,884	82	7,480	96
Brazil	7,851	86	5,801	106	7,259	95
Ecuador	**7,102**	**80**	**3,438**	**66**	**5,578**	**75**
Kuwait	**6,631**	**74**	**3,654**	**65**	**5,152**	**69**
United Kingdom	2,609	27	2,406	40	3,402	43
Congo	4,930	50	2,971	48	3,127	40
Gabon	2,156	23	1,139	21	2,124	27
Azerbaijan	4,275	41	1,955	31	1,983	25
Equatorial Guinea	3,084	32	2,377	41	1,960	26
Chad	3,178	36	1,839	34	1,775	25
Libya	**2,865**	**27**	**1,408**	**24**	**1,642**	**21**

Source: CRS with U.S. Dept. of Commerce, Bureau of the Census via World Trade Atlas.

Notes: Census basis data. Countries in **bold** are members of **OPEC**.

Some Common Perceptions

This section of the report addresses a few common perceptions about trade that can be validated by data.

Is Trade with China Merely Replacing That with Southeast Asia?

Some observers claim that the rising U.S. imports from China are merely displacing those from other East Asian nations. Labor intensive industries, such as apparel, shoes, and consumer electronics, that produce for export to the United States and other industrialized nations are

simply moving to China from Southeast Asian nations, including South Korea, and Taiwan. The overall level of imports from Asia is not changing. Its composition is just shifting toward China.

For specific industries, the shift in imports from traditional Asian exporting nations to China is clear. In woven apparel (HS 62), for example, in 1990, Hong Kong, South Korea, and Taiwan accounted for 48% of U.S. imports as compared to China with a 14.7% share. By 2006, China accounted for 35.3% of such imports, as compared to 4.9% for Hong Kong, South Korea, and Taiwan combined. By 2010, China's contribution to U.S. imports of woven apparel increased to 43.1%. Hong Kong, South Korea, and Taiwan collectively had fallen to 0.6% of such imports.[23] The decline in woven apparel imports from Hong Kong, South Korea, and Taiwan also may reflect their shift to production of high-technology goods. As these Southeast Asian countries continue to industrialize, woven apparel imports from less-developed countries, such as Indonesia, Bangladesh, and Vietnam, likely will continue to increase. A new trend is the rise of producers of woven apparel located in the Americas.

Woven apparel trade, is not necessarily a precise predictor of general trade sources and values. In terms of overall imports, U.S. imports from Hong Kong, Taiwan, and South Korea rose from $50.6 billion (10.2% of total U.S. imports) in 1990 to $89 billion (5% of total) in 2010, while imports from China rose from $15.2 billion (3% of total) in 1990 to $365 billion (19% of total) in 2010.[24] Clearly, the share of U.S. imports from Hong Kong, Taiwan, and South Korea has been falling, while the share of imports from China is rising. The value of U.S. imports from both, however, continues to rise, while the value of those from China is rising faster. **Table 14** shows that by 2010, Hong Kong, Taiwan, and South Korea have fallen well below U.S. top 10 import source countries for woven apparel. China has expanded its percentage share of the market for U.S. woven apparel from 2007's 35.7% share to 2008's 37.3% share to a 43.1% share in 2010 despite the global financial crisis and U.S. recession.

[23] Calculations based on data from World Trade Atlas, using HS 62 for woven apparel.

[24] The numbers are comparable for all Asian and world countries.

Table 14. U.S. Imports of Woven Apparel

(Millions of U.S. dollars and percentages)

		U.S. Imports			% Share			% Change
Rank	Country	2008	2009	2010	2008	2009	2010	2010/2009
0	World	35,719	30,923	34,205	100.0	100.0	100.0	10.6
1	China	13,316	12,904	14,733	37.3	41.7	43.1	14.2
2	Bangladesh	2,413	2,496	2,834	6.8	8.1	8.3	13.6
3	Vietnam	2,341	2,117	2,438	6.6	6.9	7.1	15.2
4	Mexico	2,533	2,208	2,326	7.1	7.1	6.8	5.3
5	Indonesia	2,021	1,732	1,929	5.7	5.6	5.6	11.3
6	India	1,790	1,649	1,741	5.0	5.3	5.1	5.6
7	Italy	1,140	741	746	3.2	2.4	2.2	0.8
8	Cambodia	786	585	692	2.2	1.9	2.0	18.3
9	Sri Lanka	816	691	687	2.3	2.2	2.0	-0.6
10	Thailand	706	492	495	2.0	1.6	1.5	0.7
11	Egypt	430	429	481	1.2	1.4	1.4	12.0
12	Philippines	627	443	449	1.8	1.4	1.3	1.4
13	Honduras	535	420	437	1.5	1.4	1.3	4.2
14	Pakistan	460	385	429	1.3	1.3	1.3	11.6
15	Canada	422	294	304	1.2	1.0	0.9	3.5
16	Nicaragua	336	245	296	0.9	0.8	0.9	20.8
17	Dominican Republic	357	268	293	1.0	0.9	0.9	9.6
18	Guatemala	362	206	273	1.0	0.7	0.8	32.6
19	Jordan	287	223	236	0.8	0.7	0.7	5.9

Source: U.S. Census Bureau via World Trade Atlas.

Notes: Census basis data ranked by latest year (2010) source country.

The large U.S. trade deficit with China, moreover, is not just a transfer of the deficit from other Asian nations to China. The U.S. trade deficit with Hong Kong, Taiwan, and South Korea has gone from $17.9 billion (17.5% of the total U.S. deficit) in 1990 to $11.8 billion (1.5% of the total) in 2007. U.S. trade with Hong Kong actually went from a deficit in 1992 to a surplus in 1993, and remained in surplus through 2009. The U.S. trade deficit with China, meanwhile, went from $10.4 billion (10.2% of the total U.S. trade deficit) in 1990 to $226.8 billion (45.3% of the total) in 2009. What actually is happening is quite complex. While the U.S. trade deficit with the world is declining, it continues to rise with China, Mexico and oil exporting countries. **Table 15** illustrates this complexity. Negative percentage change numbers, indicate a shrinking U.S. merchandise trade deficit with that country or group. Positive percentage changes indicate growing deficits.

Table 15. Changes in U.S. Merchandise Trade Balances With Selected Countries and Groups, 2007, 2008, and 2009

	U.S. Merchandise Trade Balance			% Change	
Country	**2007**	**2008**	**2009[a]**	**2008/2007**	**2009/2008**
World Total	-$808,763	-$816,199	-$500,944	0.9	-38.6
China	-$258,506	-$268,040	-$226,826	3.7	-15.4
OPEC	-$128,769	-$177,699	-$69,681	38.0	-60.8
EU 27	-$110,243	-$95,807	-$60,543	-13.1	-36.8
Mexico	-$74,796	-$64,722	-$47,539	-13.5	-26.6
Japan	-$84,304	-$74,120	-$44,769	-12.1	-39.6
Germany	-$44,744	-$42,991	-$27,954	-3.9	-35.0
Canada	-$68,169	-$78,342	-$20,183	14.9	-74.2
Venezuela	-$29,709	-$38,814	-$18,735	30.7	-51.7
Nigeria	-$29,992	-$33,966	-$15,470	13.3	-54.5
Russia	-$12,031	-$17,448	-$12,838	45.0	-26.4
Thailand	-$14,418	-$14,472	-$12,164	0.4	-15.9
Saudi Arabia	-$25,230	-$42,263	-$11,242	67.5	-73.4
Korea, So.	-$13,161	-$13,400	-$10,595	1.8	-20.9
Taiwan	-$12,449	-$11,400	-$9,942	-8.4	-12.8
Vietnam	-$8,730	-$10,112	-$9,182	15.8	-9.2
Israel	-$7,907	-$7,849	-$9,177	-0.7	16.9
ASIAN NICS	-$5,509	$2,184	$3,634	139.6	66.4
Panama	$3,304	$4,508	$4,054	36.5	-10.1
Brazil	-$1,472	$1,846	$6,101	225.4	230.6
Singapore	$7,225	$11,969	$6,620	65.7	-44.7
UAE	$9,449	$13,131	$10,610	39.0	-19.2
Australia	$10,563	$11,630	$11,583	10.1	-0.4
Netherland	$14,434	$18,597	$16,244	28.8	-12.7
Hong Kong	$12,876	$15,015	$17,552	16.6	16.9

Source: U.S. Department of Commerce, Bureau of the Census via World Trade Atlas.

Notes: Merchandise trade data on a Census Basis. The U.S. balance with Singapore, Hong Kong and Asian 4 NICs are positive. Members of OPEC are listed in **Table 11**, above. Members of Asian 4 Newly Industrializing Countries (NICs) are Hong Kong, Singapore, South Korea, and Taiwan.

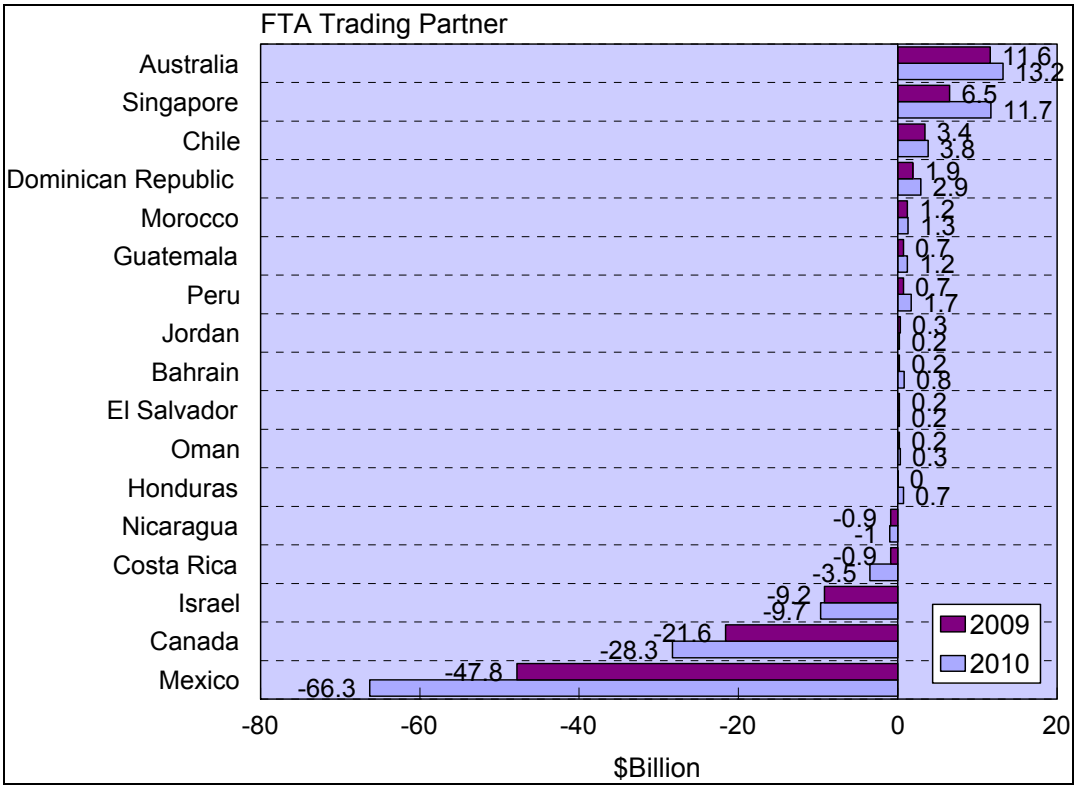
a. Rankings are based on 2009 data.

Trade Balances with Free Trade Agreement Nations

There is a commonly held perception that free trade agreements lead to larger U.S. deficits in trade. The perception seems to be generated mostly by U.S. trade with its immediate neighbors, Canada and Mexico. Research indicates that the United States runs both surpluses and deficits

with FTA partners. As shown in **Figure 11**, in both 2009 and 2010, the United States ran trade surpluses with Australia, Singapore, Chile, the Dominican Republic, Morocco, and seven other FTA countries, shown on the chart below. The United States ran deficits with Mexico, Canada, Israel, Costa Rica, and Nicaragua.

Figure 11. U.S. Balance of Merchandise Trade with FTA Partners in 2009 and 2010



Source: Congressional Research Service., U.S. Census Bureau.

Notes: The United States has signed free trade agreements with Columbia, Panama, and South Korea that have not been approved by Congress and implemented.

International Trade Statistics Web Resources

Listed below are a list of resources available online for international trade statistics.

The single most authoritative, comprehensive, and frequently-published trade data statistical source is the monthly "FT900". Its actual title is *U.S. International Trade in Goods and Services*. The FT-900 is issued monthly by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis. It provides information on the U.S. trade in goods and services (balance, exports, and imports) in specific commodities and end-use categories and with selected countries. The report also provides information on trade in advanced technology, petroleum, and motor vehicle products. The report is available from the U.S. Bureau of Economic Analysis at http://www.bea.gov/newsreleases/rels.htm. Under "International" click on latest news release.

Information on trade in specific commodities, with particular regions, or for different time periods also can be obtained from the U.S. International Trade Commission at http://dataweb.usitc.gov/ (registration is required).

Historical and current U.S. exchange rate data are available from the Federal Reserve Bank of St. Louis at http://research.stlouisfed.org/fred2/.

Information on foreign country holdings of U.S. Treasury securities are available at http://www.treasury.gov/tic/.

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