

# AMTAC

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## **PRESS STATEMENT**

### **U.S. Trade Deficit with China Keeps Rising**

### **Congress Must Pass Border Tax Equity and Fair Currency Bills To Meaningfully Cut U.S. Trade Deficit**

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WASHINGTON, DC -- The U.S. trade deficit declined to \$58.1 billion for the month of June 2007. Including this month's slight drop, the overall U.S. trade deficit is down 7.7 percent this year compared to last. Nevertheless, the U.S. trade deficit is on track to hit approximately \$725 billion in 2007.

The U.S. trade deficit with China, however, jumped to \$21.2 billion in June, up from \$20.0 billion in May. The overall U.S. trade deficit with China grew by \$15.6 billion in the first six months of 2007. The January to June U.S. trade deficit with China totals \$117.5 billion, up from \$101.9 billion for the same time period last year – an increase of 15.3 percent. At its current pace, the U.S. trade deficit with China will approach \$270 billion in 2007, dramatically up from last year's record of \$232.5 billion.

"The U.S. trade deficit with China is out of control. While the overall U.S. trade deficit is falling due to a weak dollar and other economic factors, the U.S. trade deficit with China keeps growing. Because China cheats by heavily subsidizing its industry and exports, the U.S. trade deficit with China only will keep rising," said American Manufacturing Trade Action Coalition (AMTAC) Executive Director Auggie Tantillo.

"Continued failure by the U.S. government to combat China's predatory trade practices is a prescription for more red ink. If reducing the U.S. trade deficit is a priority, enactment of legislation addressing the disadvantage to U.S. producers caused by foreign border-adjusted taxes and by currency manipulation is imperative," Tantillo continued.

"The international trade playing field for has been tilted against U.S. producers for too long. The predictable disastrous result has been the loss of more than three million middle-class manufacturing jobs," Tantillo added.

## **VAT Fairness/Border Tax Equity Act**

"Foreign border-adjusted taxes, mostly value-added (VAT) taxes, rebated on exports and imposed on imports disadvantaged U.S. producers by \$294 billion and service providers by \$85 billion in 2005. That's an estimated \$379 billion disadvantage for just a single year. As for individual countries, the estimated disadvantage with China was almost \$48 billion. All of those numbers have only grown since then. VAT fairness critically is needed," Tantillo stated.

To address this problem, AMTAC urges Congress immediately to take up H.R. 2600, the Border Tax Equity Act, introduced by Congressmen Bill Pascrell (D-NJ), Duncan Hunter (R-CA), Mike Michaud (D-ME), and Walter Jones (R-NC). This legislation would negate the price advantage gained by foreign competitors from VAT rebates and assessments.

## **Currency Misalignment**

"Currency misalignment, especially as blatantly practiced by China, must be stopped now. While the dollar has been plummeting against the Euro and other currencies, China persistently maintains its peg. Between this advantage and the VAT advantage, it is no wonder that China has accumulated more than \$1.3 trillion in foreign currency reserves and is running record trade surpluses," Tantillo said.

"The currency issue has been debated long enough. When Congress returns in September, it immediately should pass H.R. 2942, the Fair Currency Act of 2007 introduced by Congressmen Tim Ryan (D-OH) and Duncan Hunter (R-CA)," Tantillo said.

## **The Results of a Tilted Playing Field**

The tilted playing field against U.S. producers, caused in significant part by foreign VAT taxes and currency manipulation, has had a significant impact on the United States since 2001 in the form of:

- 3.05 million lost U.S. manufacturing jobs, and;
- \$4.0 trillion in accumulated trade deficits.