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PRESS STATEMENT

U.S. Trade Deficit with China Rises Again

Democratic Leadership in Congress and Bush Administration's Treasury Dept. Deserve "F" Grades for Failing to Stop China's Trade Cheating in 2007

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WASHINGTON, DC -- The U.S. trade deficit totaled \$57.8 billion for October 2007. The U.S. government also revised September's trade deficit to \$57.1 billion. Including this month's revised figures, the overall U.S. trade deficit is down 8.25 percent this year compared to last. Nevertheless, the U.S. trade deficit is on track to hit approximately \$696 billion in 2007.

The U.S. trade deficit with China in goods, however, jumped to \$25.928 billion in October 2007, up 6.3 percent from the \$24.397 billion deficit for October 2006.

"As long as China keeps cheating, both the U.S. trade deficit with that country will keep rising and U.S. manufacturing jobs will keep disappearing, said American Manufacturing Trade Action Coalition (AMTAC) Executive Director Auggie Tantillo.

"Both the Democratic leadership in Congress and the Bush Administration's Treasury Department deserve grades of "F" this year for failing to act to stop the problem," Tantillo continued.

The overall U.S. trade deficit with China grew by \$23.84 billion in the first ten months of 2007. The January to October U.S. trade deficit with China totals \$213.525 billion, up from \$190.722 billion for the same time period last year – an increase of 12 percent. At its current pace, the U.S. trade deficit with China in goods will exceed \$260 billion in 2007, dramatically up from last year's record of \$232.5 billion.

In the sensitive U.S. government-defined sector of trade called Advanced Technology Products (ATP), the U.S. trade deficit with China was \$55.219 billion for the first ten months of 2007. That figure was up from \$44.926 billion for the first ten months of 2006, an increase of \$10.923 billion (or 22.9 percent). At its current pace, the U.S. trade deficit with China in ATP is projected to run in excess of \$65 billion for 2007.

"The U.S. trade deficit with China is spiraling out of control. China realizes that it can unfairly seize market share by heavily subsidizing industry and exports as long as the U.S. government and Congress fails

to combat those predatory practices. This policy of negligent oversight is a prescription for more trade deficits and job losses,” Tantillo said.

“The Congress should stop focusing on job-killing trade agreements and gutting U.S. patent protections. Instead, it should focus on righting America’s economic ship by enacting legislation that addresses the disadvantage to U.S. producers caused by foreign border-adjusted taxes and by currency manipulation,” Tantillo continued.

“The international trade playing field 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. Something must change to reverse those losses,” 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 \$341 billion and service providers by \$87 billion in 2006. That's an estimated \$428 billion disadvantage for just a single year. As for individual countries, the estimated disadvantage with China was approximately \$50 billion. All of those numbers have only grown since then. Border tax 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 currency advantage and its VAT subsidies, 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. Congress 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:

- 3.2 million lost U.S. manufacturing jobs, and;
- More than \$4 trillion in accumulated trade deficits.

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