

A M T A C

American Manufacturing Trade Action Coalition

910 16th ST NW STE 760
Washington, DC 20006

www.amtacdc.org
amtac@amtacdc.org

Telephone (202) 452-0866
Facsimile (202) 452-0739

PRESS STATEMENT

U.S. Trade Deficit with China Keeps Growing

Congress Must Pass Border Tax Equity and Fair Currency Bills to Stop Trade Red Ink

For Immediate Release

July 12, 2007

CONTACT: Lloyd Wood, Dir. of Membership and Media Outreach
(202) 452-0866 or lwood@amtacdc.org

WASHINGTON, DC -- The U.S. trade deficit rose slightly to \$60 billion for the month of May 2007. Despite this month's rise, the overall U.S. trade deficit is down 7 percent this year compared to last.

The U.S. trade deficit with China, however, grew \$14.1 billion in the first five months of 2007. The January to May U.S. trade deficit with China totals \$96.34 billion, up from \$82.23 billion for the same time period last year – an increase of 17.16 percent. At its current pace, the U.S. trade deficit with China will exceed \$270 billion in 2007, dramatically up from last year's record of \$232 billion.

"With the U.S. Dollar hitting rock bottom against the Euro and other currencies, the U.S. trade deficit should be falling much faster," said American Manufacturing Trade Action Coalition (AMTAC) Executive Director Auggie Tantillo.

"The reason why the U.S. trade deficit remains sky high is because the U.S. government shirks from confronting the predatory trade practices of other countries. The 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," Tantillo continued.

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 tanking 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. Prior to breaking for August recess, the Congress 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.

"Rome is burning on this issue. Treasury has fiddled long enough. Congress must step in and act fast. There is no excuse for the Congress not to pass this legislation by the end of this summer to help stanch manufacturing job losses," Tantillo concluded.

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 2000 in the form of:

- 3.2 million lost U.S. manufacturing jobs, and;
- \$4.1 trillion in accumulated trade deficits.