

# A M T A C

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## **PRESS STATEMENT**

### **U.S. Trade Deficit with China Surges Despite Economic Slowdown Any Stimulus Package Should Focus on Helping U.S. Manufacturing**

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WASHINGTON, DC -- The U.S. government reported the United States ran a \$56.5 billion trade deficit in September and a cumulative \$534.5 billion trade deficit from January-September 2008. Those same figures for 2007 were \$55.5 billion and \$526.5 respectively.

The U.S. trade deficit with China in goods, however, has surged despite the economic slowdown:

- It increased 16.6 percent when comparing the month of September 2008 to September of 2007, growing to 27.8 billion in September 2008 from \$23.8 billion in September 2007.
- For year to date (January to September) 2008 compared to the same time period in 2007, the U.S. trade deficit with China in goods is up 4.2 percent -- rising to \$195.4 billion in 2008 compared to \$187.6 billion for 2007.
- Moreover, the year to date (January to September) 2008 U.S. trade deficit with China in Advanced Technology Products (ATP) has grown 11.7 percent compared to the previous year, jumping to \$53.7 billion in 2008 from \$48.1 in 2007.

"The ongoing trade deficit is taking a severe toll on the U.S. economy and has contributed significantly to America's current financial crisis," said American Manufacturing Trade Action Coalition Executive Director Auggie Tantillo.

"The only way for the United States to get out of this mess is to produce more wealth at home. That's the only way to create the millions of new and valuable jobs needed to jumpstart the economy. To do that, Americans must start manufacturing more of what they consume," Tantillo stressed.

Noting that China has boosted export tax rebates three times and stopped the meager appreciation of the RMB in recent months, Tantillo observed, "China is doing everything it can to help its manufacturing sector during this economic downturn to save jobs."

"In contrast, the U.S. government has been asleep at the switch. They have done little to prevent the continued erosion of the U.S. manufacturing sector, the engine for middle-class growth in America," Tantillo stated.

"If the incoming Congress and new Obama Administration are serious about stimulating the U.S. economy right away, the best thing they could do is pass a legislative package to revitalize U.S. manufacturing. That would create hundreds of thousands of good jobs in short order," Tantillo concluded.

In AMTAC's view, any legislative package designed to revitalize U.S. manufacturing, among other things, would:

- Implement policies that promote American interests by requiring full reciprocity, fairness, and transparency in all U.S. trade agreements, including in such areas as labor and environmental standards.
- Eliminate tax disadvantages that undermine the competitiveness of U.S. producers at home and abroad, or that discourage investment in America. Specifically, America must negate the \$474 billion disadvantage to U.S. producers of goods and services caused by foreign border-adjusted taxes, such as value-added (VAT) taxes.
- Combat the illegal, mercantilist practice of prolonged currency misalignment, including by passing legislation to make it actionable under U.S. trade law.
- Aggressively enforce U.S. laws to halt foreign illegal trade activities such as dumping, subsidization, and intellectual property theft. In addition, U.S. policy must ensure that all goods sold here meet U.S. food and product safety standards.
- Expand "Buy American" provisions by including them in any comprehensive infrastructure revitalization legislation and by extending the Berry Amendment to the U.S. Department of Homeland Security.
- Reduce U.S. dependence on imported energy.

The U.S. Bureau of Labor Statistics reported that U.S. manufacturing employment fell by 90,000 jobs in October. In the last eight years, from October 2000 to October 2008, U.S. manufacturing employment has fallen from 17.215 million to 13.280 million, a loss of 3.935 million good middle-class jobs. The 13.280 million jobs figure is the lowest employment number for U.S. manufacturing since February 1942.

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