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## PRESS STATEMENT

### **New Data Shows China Responsible for 78.5 Percent of U.S. Trade Deficit in Manufactured Goods in 2009; Figure Up from 27.3 Percent in 2001**

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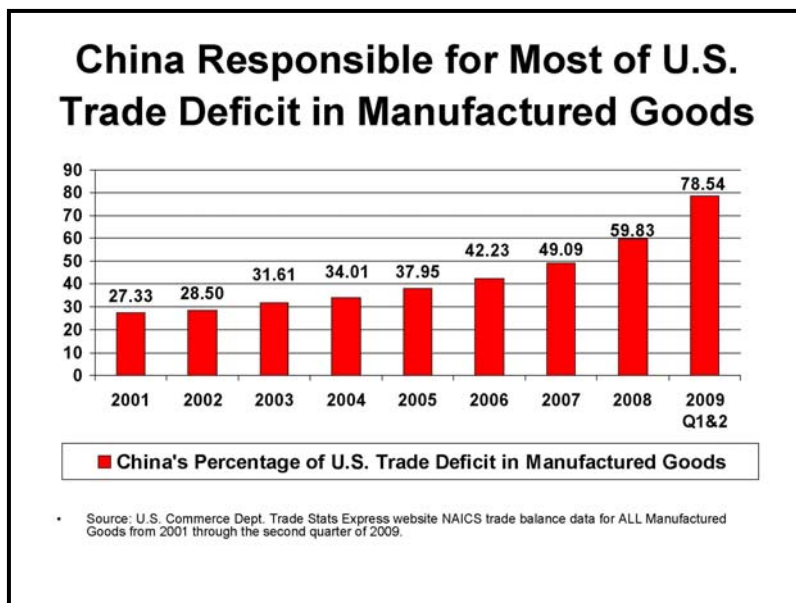
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WASHINGTON, DC – Recently published U.S. government data demonstrates that China is overwhelmingly responsible for the massive U.S. trade deficit in manufactured goods, accounting for 78.5 percent of the deficit for the first half of 2009.

"The knowledge that China, America's largest creditor, now accounts for more than three-quarters of the U.S. trade deficit in manufactured goods should alarm President Obama and the Congress," said American Manufacturing Trade Action Coalition (AMTAC) Executive Director Auggie Tantillo.

"With every passing day China is developing greater and greater influence over the make-up and stability of the U.S. economy. It is absolutely foolish for the United States to allow a major foreign power, especially a non-democratic one, to hold such a dominant position in our internal economic affairs. Major policy changes are needed right away to reverse this disturbing trend," Tantillo added.

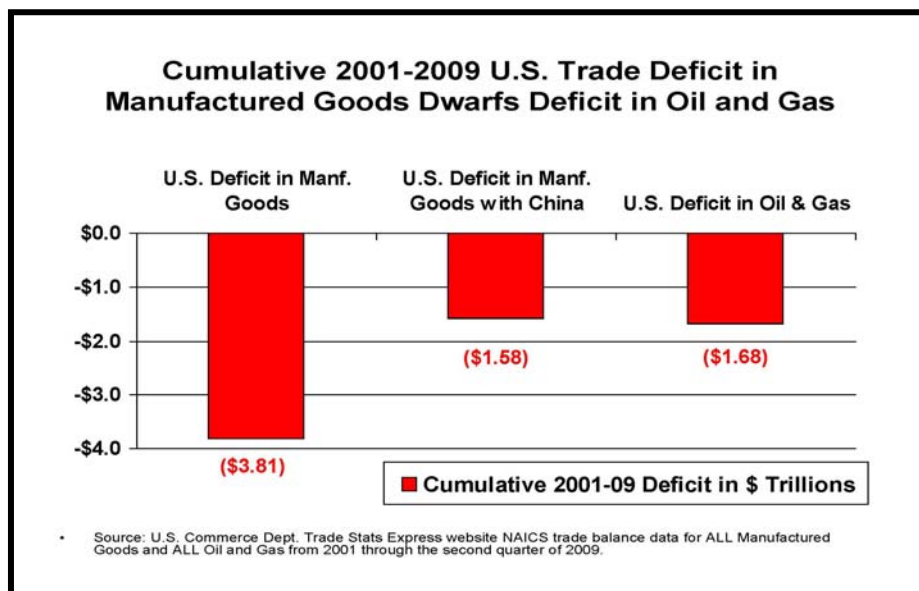
Analysis of data posted yesterday on the U.S. Department of Commerce's TradeStats Express website, <http://tse.export.gov/>, shows that under the NAICS classification system for "All Manufactured Goods" China is responsible for \$108.1 billion, or 78.5 percent, of the U.S. trade deficit in manufactured goods for the first six months of 2009. In comparison, China accounted for \$278.9, or 59.8 percent, of the U.S. trade deficit in manufactured goods for 2008 and for \$83.3 billion, or 27.3, percent of the 2001 deficit.



## **U.S. Manufactured Good Deficit with China Almost Equal to U.S. Deficit in Oil and Gas with World**

From the beginning of 2001 through the first half of 2009, the United States has run a cumulative \$3.81 trillion trade deficit with the world in manufactured goods, including a \$1.58 trillion trade deficit with China. The cumulative \$3.81 trillion deficit dwarfs the \$1.68 trillion U.S. trade deficit with world in oil and gas run during the same time period.

“Running a trade deficit for natural resources that the United States lacks is something that cannot be helped, but running a massive trade deficit in man-made products that America easily could produce itself is a choice – a poor choice that is bankrupting the country and responsible for the loss of millions of jobs,” Tantillo said.



## **Consequences of Deficits – Lost Production and Jobs**

While running record-setting trade deficits in manufactured goods, the United States has hemorrhaged 5.3 million manufacturing jobs. Moreover, U.S. manufacturing output also fell by nearly 4.3 percent for the first six months of 2009 compared to the same time period in 2001. This is the first eight-year decline in U.S. manufacturing output since the winding down of production following the end of World War II.

“Trade deficits cause lost production; lost production causes job losses. They are linked,” said Tantillo.

## **New Policies Needed to Make America More Competitive So We Can Create Jobs**

“With private consumption driving more than 70 percent of U.S. Gross Domestic Product (GDP) and with U.S. consumer spending unlikely to grow substantially in the near term because Americans are borrowed to the hilt, the only way for the United States to create badly needed jobs is to start producing more of what we consume,” Tantillo continued.

“Increasing U.S. output won’t happen unless the U.S. government adopts more competitive policies to encourage investment and manufacturing in the United States,” Tantillo added.

It should surprise no one that United States is running such a huge, job-destroying trade deficit with China when that country gives substantial competitive advantages to its producers such as the imposition and rebating of value-added (VAT) taxes, illegal currency manipulation, and a host of illegal export subsidy programs.

“How could any company rationally justify building a new factory in the United States when factoring in China’s economic inducements? It is high time for the United States to fight back and level the playing field for U.S. industry,” Tantillo declared.

## **Any Competitive Policy Will Tackle Foreign VAT and Currency Misalignment Problems**

To stop trade cheats like China and others from decimating U.S. manufacturing, U.S. government must fix its flawed trade policy and counter unfair foreign subsidies and trade barriers. For example, the imposition and rebating of foreign border-adjusted taxes, such as VAT taxes, by China and other countries disadvantaged U.S. producers and service providers by \$474 billion in 2007 alone.

To counter the VAT disadvantage, Congress should pass H.R. 2927, the Border Tax Equity Act of 2009 introduced by Congressman Bill Pascrell (D-NJ). H.R. 2927 has two basic components. First, the bill would direct the United States Trade Representative (USTR) to negotiate a remedy for the VAT inequity through the WTO by a date certain. Second, if there is no negotiated solution by that specified date then the United States would begin charging an offsetting tax at the border equal to the VAT assessed by the home country of the imported goods producer. The U.S. government would then also rebate taxes to U.S. companies exporting goods to foreign countries.

Congress and the Obama Administration also must work together to enact legislation that makes prolonged currency misalignment, especially as practiced by China, actionable under the countervailing duty (CVD) and anti-dumping provisions of U.S. trade law. Passing S. 1027/H.R. 2378, the Currency Reform for Fair Trade Act of 2009, introduced by U.S. Senators Debbie Stabenow (D-MI) and Jim Bunning (R-KY) and Congressmen Tim Ryan (D-OH) and Tim Murphy (R-PA) would do just that and help eliminate this illegal export subsidy and trade barrier.

“The U.S. economy did not collapse in a day and nor can it be fixed in a day. For the United States to achieve sustainable long-term economic growth, it must tear down its broken trade policy and replace it with a new more competitive structure that encourages domestic manufacturing instead of its offshoring,” Tantillo concluded.

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