

**An Analysis of the U.S.-China Trade Deficit in  
2004**

**Prepared by the  
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## The U.S. Global Trade Deficit in 2004

- **The U.S. goods and services trade deficit in 2004 was a record \$617.5 billion, representing 5.6% of GDP.** The overall deficit increased by 24.4%. Imports grew by 16.3% while exports grew by 12.3%.

*Table 1. The trade deficit decomposed into exports and imports of goods and services.*

	<b>2004 (\$ billions)</b>	<b>2003 (\$ billions)</b>	<b>% change 2003-04</b>
Exports of goods	\$807.6	\$713.1	13.3%
Exports of services	338.6	307.4	10.1
<b>Total Exports</b>	<b>1,146.1</b>	<b>1,020.5</b>	<b>12.3</b>
Imports of goods	-1,473.8	-1,260.7	16.9
Imports of services	-290.1	-256.3	13.2
<b>Total Imports</b>	<b>-1,763.8</b>	<b>-1,517.0</b>	<b>16.3</b>
<b>Goods trade balance</b>	<b>-666.2</b>	<b>-547.6</b>	<b>21.7</b>
<b>Services trade balance</b>	<b>48.5</b>	<b>51.0</b>	<b>-4.9</b>
<b>Goods &amp; Services trade balance</b>	<b>-617.7</b>	<b>-496.5</b>	<b>24.4</b>

Source: United States Department of Commerce and Commission calculations.

- The driving factor behind the trade deficit and its persistent deterioration is the growing goods trade deficit. The goods deficit increased 21.7% in 2004.
- The U.S. runs a surplus in services trade, but this surplus is very small relative to the goods trade deficit. Moreover, the surplus in services trade fell by 4.9% in 2004.
- In 2004, imports of both goods and services grew faster than exports of goods and services.
- **In sum, the U.S. has a growing goods trade deficit, now equal to 6% of GDP, which many economists believe to be unsustainable. There is a surplus in services trade, but that surplus is falling and it is very small relative to the goods trade deficit.**

## The U.S.-China Goods Trade Deficit

- **The goods trade deficit increased in 2004 with every major region of the global economy.** This worsening is shown in Table 2.

- In particular, the goods trade deficit with China continues to grow at a far faster rate (30.9%) than the overall goods deficit (22.4%). China now constitutes almost one quarter of the total U.S. goods deficit, and its share is growing.

*Table 2. Regional composition of the goods trade deficit*

	<b>2004 Goods Trade Balance (\$ billions)</b>	<b>Percent share</b>	<b>2003 Goods Trade Balance (\$ billions)</b>	<b>Percent share</b>	<b>Percent Change 2003-4</b>
<b>Total (balance of payments basis)</b>	<b>- \$666.2</b>		<b>- \$547.6</b>		<b>21.7%</b>
<b>Adjustments</b>	<b>14.7</b>		<b>15.2</b>		
<b>Total (census basis)</b>	<b>- \$651.5</b>	<b>100.0%</b>	<b>- \$532.4</b>	<b>100.0%</b>	<b>22.4%</b>
<b>North America</b>	<b>- 110.8</b>	<b>17.0</b>	<b>- 92.3</b>	<b>17.3</b>	<b>20.0</b>
Canada	- 65.8	10.1	- 51.7	9.7	27.3
México	- 45.1	6.9	-		
			4		
			0		
			.		
			6		
<b>Western Europe</b>	<b>-114.1</b>	<b>17.5</b>	<b>-</b>		
			<b>1</b>		
			<b>0</b>		
			<b>0</b>		
			.		
			<b>3</b>		
Euro area	- 82.9	12.7	-		
			7		
			4		
			.		
			1		
<b>Pacific Rim</b>	<b>-282.5</b>	<b>43.4</b>	<b>-</b>		
			<b>2</b>		
			<b>3</b>		
			<b>0</b>		
			.		
			<b>5</b>		
Japan	- 75.2	11.5	-		
			6		
			6		
			.		

			0		
China	-162.0	24.9	-12.4		
OPEC	-71.9	11.0	-5.1		
Rest of the World	-72.2	11.1	-5.8		

Source: United States Department of Commerce and Commission calculations.

- The trade deficit with Pacific Rim countries represents 43.4% of the overall goods trade deficit.
- China represents 57.3% of the trade deficit with Pacific Rim countries. And the increase in the deficit with China in 2004 accounted for 72.9% of the increase in the deficit with Pacific Rim countries.
- The goods trade deficit with China increased by \$37.9 billion in 2004. China therefore accounted for almost one-third (31.8%) of the worsening of the overall goods trade deficit, which increased by \$119.1 billion.
- **The bottom line is that the U.S. has trade deficits with all major regions of the globe. The problem is particularly acute with regard to Pacific Rim countries. China is the single largest contributor to the deficit, and its contribution is growing fast.**

### **Advanced Technology Products (ATP) Trade with China**

- The U.S. trade deficit in ATP in 2004 grew by 38.1% in 2004, while the ATP deficit with China grew by 72%.
- The ATP deficit with China (\$36.3 billion) now accounts for almost the entire national ATP deficit (\$37.0 billion).

- ATP exports are growing slower than ATP imports, and this problem is extreme when it comes to China. ATP imports from China grew 55.4% in 2004.

*Table 3. ATP trade with the World and China.*

	<b>\$ Billions 2004</b>	<b>\$ Billions 2003</b>	<b>% Change</b>
ATP – Global Exports	\$201.5	\$180.2	11.8%
ATP – Global Imports	-238.5	-207.0	15.2
<b>ATP – Global trade balance</b>	<b>-37.0</b>	<b>-26.8</b>	<b>38.1</b>
ATP – China Exports	9.4	8.3	13.2
ATP – China Imports	-45.7	-29.4	55.4
<b>ATP – China trade balance</b>	<b>-36.3</b>	<b>-21.1</b>	<b>72.0</b>

Source: Department of Commerce and Commission calculations.

- **ATP trade is widely viewed as an indicator of leading edge competitiveness. The U.S. has a rapidly growing trade deficit in ATP trade with China, and imports from China are growing over three times as fast as exports.**