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China's Trade with the United States and the World

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Summary

As imports from the People's Republic of China (PRC) have surged in recent years, posing a threat to some U.S. industries and manufacturing employment, Congress has begun to focus on not only access to the Chinese market and intellectual property rights (IPO) protection, but also the mounting U.S. trade deficit with China as well as allegations that China is selling its products on the international market at below cost (dumping), engaging in "currency manipulation," and exploiting its workers. The 109th Congress has introduced several bills that would impose trade sanctions on China for not revaluing its currency or for engaging in other acts of unfair trade, while the Bush Administration has imposed anti-dumping duties and safeguards against some PRC products and pressured China to revalue its currency and remove non-tariff trade barriers.

China runs a trade surplus with the world's three major economic centers — the United States, the European Union, and Japan. Since 2000, the United States has incurred its largest bilateral trade deficit with China ($162 billion in 2004). In 2003, China replaced Mexico as the second largest source of imports for the United States (worth $196 billion in 2004). China's share of U.S. imports was 13% in 2004, although this proportion still falls short of Japan's 18% of the early 1990s. The United States is China's largest overseas market and second largest source of foreign direct investment on a cumulative basis. U.S. exports to China have been growing rapidly, although from a low base. In 2004, China replaced Germany and the United Kingdom to become the fourth largest market for U.S. goods.

In the past decade, the most dramatic increases in exports from China to the United States have not been in labor-intensive sectors but in advanced technology sectors, such as office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. China's exports to the United States are taking market share from other Pacific Rim countries; however, in absolute terms, exports from all East Asian countries have continued to grow.

China is purchasing heavily from its Asian trading partners — particularly machinery, electronic components, and raw materials for manufacturing. China is running trade deficits with Taiwan and South Korea and has become a major buyer of goods from Japan and Southeast Asia. In 2004, China replaced the United States to become Japan's largest trading partner.

This report provides a quantitative framework for policy considerations dealing with U.S. trade with China. It provides basic data and analysis of China's international trade with the United States and other countries. Since Chinese data differ considerably from those of its trading partners (because of how entrepot trade through Hong Kong is counted), data from both PRC sources and those of its trading partners are presented. Charts showing import trends by sector for the United States highlight China's growing market shares in many industries and also show import shares for Japan, Canada, Mexico, the European Union, and the Association for Southeast Asian Nations (ASEAN). This report will be updated bi-annually.

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U.S. trade with the People's Republic of China (PRC) has raised several policy concerns. The trade is highly unbalanced in China's favor with a U.S. deficit of $162 billion in 2004. In June 2005, the U.S. trade deficit with China was already $90 billion. Many associate this deficit with the concomitant loss of American jobs in industries competing with rapidly rising imports from China. Some policymakers as well as leaders of industry and labor blame China for unfair trade practices which they claim create an uneven playing field for U.S. companies when competing against imports from the PRC. U.S.-China trade issues are often driven by larger policy objectives. U.S. trade with China is but one aspect of the overall U.S. policy of engagement with the PRC, a policy that serves broader U.S. interests. Trade also underpins Beijing's development strategy and contributes to the legitimacy of the socialist government.

This report presents data and analysis of China's trade that shed light on various policy issues, provides an overview of recent U.S. legislative initiatives, and examines the goals and constraints of U.S. trade policy toward the PRC. Some of the specific questions addressed are how the U.S. trade balance with China compares with those of the European Union and Japan, whether imports from China are merely replacing imports from other Pacific Rim nations, and how imports from China by industry compare with imports from other countries.

The Rationale for U.S. Policy and Initiatives

The National Security Strategy of the United States touches on trade with the PRC mainly through the broadly stated goal of igniting a "new era of global economic growth through free markets and trade." Allowing trade with China to develop is part of the overall U.S. strategy of engagement with the PRC. The rationale behind engagement is that working with China through economic, diplomatic, informational, and military interchanges helps the United States to achieve important national security goals such as defeating global terrorism, defusing regional conflicts, and championing aspirations for human dignity.[1] These goals are aimed at achieving U.S. national interests of security and prosperity for all Americans.

U.S. trade policy toward China is based upon the assumption that trade between the two countries has both economic and political benefits: (1) in general, trade with China benefits both sides and allows for a more efficient allocation of available

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[1] The White House, *The National Security Strategy of the United States of America*. (September 2002), available at [http://www.whitehouse.gov/nsc/nss.pdf].

resources; (2) the rapidly developing Chinese economy affords a rare opportunity for U.S. businesses to embed themselves on the ground floor of a huge expanding market; (3) China's membership in the World Trade Organization (WTO) compels the PRC to comply with international trading rules and spurs the development of market forces in the country; and (4) foreign trade and investment create a dependency on exports, imports, and foreign investment and other interaction with the outside world in China, which in turn strengthen relations with the Western world, create centers of power outside the Chinese Communist Party, and foster economic and social pressures for democracy; (5) a country as significant as China — accounting for a quarter of the world's population, armed with nuclear weapons, and a member of the U.N. Security Council — cannot be ignored or isolated. According to some experts, globalization and economic interests may be exerting a moderating influence on Beijing's policies toward protecting China's national security interests. However, the Chinese Communist Party's determination to maintain political legitimacy through economic growth also creates tensions with other countries and with emerging non-Party political actors.

The possible problems raised by the U.S. strategy of economic engagement with China include (1) China has a poor record of adopting or enforcing internationally recognized standards for working conditions and environmental regulation — a situation that arguably may provide its businesses with an unfair competitive advantage; (2) imports from China may be dumped, subsidized, or unfairly aided by government entities in China, which still wield considerable influence in the economy;[2] (3) imports from China may be entering in such increased quantities that they are a substantial cause of serious injury, or threat thereof, to competing U.S. industries;[3] (4) according to some economists and many policymakers, the U.S. trade deficit with the PRC stems in large part from Beijing's policy of maintaining an undervalued currency; and (5) U.S. economic engagement with China arguably contributes to the legitimacy of the socialist government and the strengthening China's military by facilitating general economic development.

U.S. trade law and WTO regulations can deal with unfair trade practices and injury from imports (listed in items 2 and 3 above). Trade disputes with China would normally be first discussed bilaterally before taking the case to the WTO for dispute resolution. Item 1, China's violation of international labor and environmental standards as well as its own laws and government regulations, has fewer institutional remedies for the United States. Policy options include working to improve China's compliance through bilateral consultations and technical assistance, international organizations (such as the International Labor Organization), non-governmental

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[2] Unfair competition includes dumping (sales in the United States of an imported product at less than fair value), countervailable subsidies (excessive government subsidies of exporting industries) (see Subtitles A and B of Title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979 (19 U.S.C. §§ 1673 et seq.), and imports that infringe on intellectual property rights (see Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337).

[3] See Sections 201 to 204 of the Trade Act of 1974 (19 U.S.C. §§ 2251-2254).

organizations, multilateral treaties (such as the U.N. Framework Convention on Climate Change and Kyoto Protocol),[4] and the threat of trade sanctions.

Trade Policy Developments

In the past two years, the United States and China have taken some actions in response to many U.S. complaints about China's "unfair trade practices."[5]

- In January 2004, China cut its tax rebate on exports by 3% in response to pressure from its major trading partners.[6]

- In March 2004, the Bush Administration filed the United States' first complaint against China under the WTO's dispute settlement mechanism, charging that the PRC unfairly taxed imported semiconductors.[7] In July 2004, China eliminated the tax breaks for domestically-produced semi-conductors.

- In April 2004, the Bush Administration rejected a Section 301 petition filed by the AFL-CIO alleging unfair trade practices based upon exploitation of labor in the PRC and calling for a tariff of up to 77% on goods imported from China.

- In September 2004, the U.S. government rejected a Section 301 complaint filed by the China Currency Coalition alleging that China's fixed exchange rate constituted currency manipulation. In November 2004, the Administration rejected a similar petition filed by Members of Congress, while continuing to press and advise China on revaluing or floating its currency. In July 2005, Beijing announced that China would no longer peg its currency, the yuan, to the U.S. dollar and allowed an increase of 2% in its value. Under the new policy, the yuan is tied to a "basket" of major currencies. The currency can fluctuate against the dollar by 0.3% per day. However, China's central bank continues to intervene in the currency market in order to maintain a stable exchange rate.

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[4] See CRS Issue Brief IB89005, *Global Climate Change*.

[5] For further discussion of U.S. trade, U.S. -China trade, and U.S. trade policies toward China, see CRS Issue Brief IB96038, *U.S. International Trade: Data and Forecasts*, by Dick Nanto and Thomas Lum; CRS Issue Brief IB91121, *China-U.S. Trade Issues*, by Wayne Morrison; CRS Report RS20139, *China and the World Trade Organization*, by Wayne Morrison; and CRS Report RL32165, *China's Exchange Rate Peg: Economic Issues and Options for U.S. Policy*, by Wayne Morrison and Marc Labonte.

[6] "China Posts First Trade Deficit in 10 Months," *FT.com (Financial Times)*, February 11, 2004.

[7] Chris Buckley, "China on Unfamiliar Ground in Trade Fight with U.S.," *New York Times*, March 23, 2004.

- In December 2004, the U.S. government imposed anti-dumping duties on imported Chinese bedroom furniture. This case, the largest anti-dumping action against China, reportedly has both supporters and opponents in the U.S. furniture industry.[8]

- In May 2005, the Bush Administration imposed "safeguard" quotas on 16 categories of Chinese apparel in response to a surge in such imports following the lifting of textiles and apparel quotas worldwide in January 2005. In August 2005, U.S. and PRC officials failed to come to a comprehensive agreement on reducing U.S. imports of Chinese apparel. The Bush Administration then reimposed quotas on two types of Chinese textiles and clothing.[9]

Members of the 109th Congress have introduced several bills aimed at helping to reduce the U.S. trade imbalance with China. These bills address issues such as China's currency practices; other alleged unfair trade practices, such as dumping and export subsidies; violation of intellectual property rights; non-compliance with WTO regulations; maintaining U.S. technology leadership; and withdrawing NTR status from the PRC. Major bills affecting U.S.-China trade include the following:

- **H.Con.Res. 33.** (Ryan: Introduced January 26, 2005.) Urging the President to take immediate steps to establish a plan to adopt the recommendations of the United States-China Economic and Security Review Commission in its 2004 Report to the Congress in order to correct the current imbalance in the bilateral trade and economic relationship between the United States and China.

- **S. 295.** (Schumer/Graham: Introduced February 3, 2005) To authorize the imposition of a 27.5% tariff on goods imported from China unless the President certifies that China has made a good faith effort to revalue its currency to reflect its fair market value. This bill, which in April 2005 had the support of 67 senators, is expected to be voted on in October 2005. Related bill: **H.R. 1575** (Myrick).

- **H.R. 728.** (Sanders: Introduced February 9, 2005) To withdraw normal trade relations treatment from the products of the People's Republic of China.

- **S. 377.** (Lieberman: Introduced February 15, 2005) To require negotiation and appropriate action with respect to certain countries that engage in currency manipulation.

- **H.R. 3283.** (English: Introduced July 14, 2005) Amends the Tariff Act of 1930 to impose countervailing duties on certain

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[8] Doug Palmer, "U.S. Sets Duty of up to 198 Pct on Chinese Furniture," *Reuters News*, November 9, 2004.

[9] Evelyn Iritani and Don Lee, "U.S. Resumes Quotas on China Goods," *Los Angeles Times*, September 2, 2005.

merchandise from nonmarket economy countries. Passed in the House on July 27, 2005. Related bill: **S. 1421** (Collins).

Summary of Trade Data

What light do the trade data shed on the controversy over economic relations with China? First, China is a new trading powerhouse that has burst onto the U.S. trading scene in recent years. In 2003, the PRC surpassed Japan to become America's third largest trading partner, while the United States was the PRC's second largest trading partner and largest export market. As of January 2005, China's trade with the United States is approaching Mexico's ($20.4 billion compared to $21.3 million, respectively). The expanded European Union (25 nations) reportedly became China's largest trading partner in 2004.[10] Although China is a new player in international trade, it is taking major shares of markets once dominated either by other countries or domestic U.S. industries.

China is the second largest source of U.S. imports of merchandise ($196 billion in 2004) after Canada ($255 billion). The PRC surpassed Mexico in 2003 and Japan in 2002. China now accounts for over 13% of U.S. imports (2004), up from 12% in 2003, 8% in 1999, and 3% in 1990, although this proportion falls short of Japan's 18% in the early 1990s. In 2004, the United States was China's largest overseas market, followed by the EU-15[11] with $146.7 billion in imports from China and Japan with $94 billion.

Second, the data show that while U.S. trade with China is unbalanced, the same is also true for Europe and Japan, although to a lesser extent. China runs a trade surplus with the world's three major economic centers. The U.S. bilateral deficit in 2004 ($162 billion), however, was nearly twice as large as that of the EU-15 ($89 billion) and over eight times that of Japan ($20 billion). (As reported by the United States, EU, and Japan.)

Third, the data show that the U.S. trade deficit with China is rising with the overall U.S. trade deficit or growing at a slightly faster rate. Between 1996 and 1998, China's share of the overall U.S. merchandise trade deficit averaged 24%; between 1999 and 2001, China's share was 18%, and between 2002 and 2004, 22%. Over the same period, the shares of the U.S. deficit in goods trade accounted for by Japan, the Association of Southeast Asian Nations (ASEAN), and the East Asian newly industrialized countries (NICs) have decreased while that with the European Union has increased.

Fourth, the data show that U.S. exports to China are growing faster than U.S. exports to other nations. U.S. exports to China (up 159% between 1999 and 2004)

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[10] "EU Becomes China's Biggest Trading Partner — USDA Attache," *Reuters News*, February 25, 2005.

[11] The 15 original members of the European Union (prior to 1994): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

have grown faster than U.S. exports to Canada (up 12% over the same period), Mexico (14%), and Japan (-7%), although China's imports have grown from a low base.[12] In 2004, China replaced Germany and the United Kingdom to become the 4th largest market for U.S. goods, moving up from 11th place in 1999. The United States exported slightly more to China (32.6 billion) than it did to the United Kingdom ($31.7 billion) in 2004. According to Japanese, European, and Korean data, in 2004, Japan was the largest overseas supplier of products to China with $73.9 billion in exports. The EU-15 and South Korea were the second and third largest exporters to China in 2004 with $57.7 billion and $54.9 billion in exports, respectively.[13]

Fifth, the U.S. industrial sectors most at risk from import competition from China are generally labor intensive, but China is moving quickly up the technology ladder. The sectors in which the United States runs the largest trade deficits are generally those that depend on abundant and low-cost labor, while the United States accrues surpluses with China in some advanced technology items such as aircraft and in some agricultural products. In China's trade with the developed countries, over two-thirds of its exports are "low-end manufactures" — appliances, toys, furniture, footwear, apparel, and plastic goods — while 85% of its imports are capital-intensive machinery and equipment, electronic goods, and natural resource-related products.[14]

The United States has incurred large trade deficits with China in some high value-added sectors as well. These sectors include office and data processing machines, telecommunications and sound equipment, and electrical machinery and appliances. Some of China's competitiveness in these sectors may be based upon its underlying economic advantages combined with foreign technology and manufacturing processes, but in other areas, Chinese surpluses may be based largely upon import restrictions. In 2003, China became the third largest car market and the fourth largest maker of automobiles with an output of 4.4 million vehicles. Production of cars is expected to reach 5.6 million units in 2005. However, China is not a major global importer or exporter of cars.[15]

Sixth, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. PRC trade data differ from U.S. data primarily because of the treatment of products from or to China (mainland) that pass through the Hong Kong Special Administrative Region (SAR). Other reasons include different accounting systems and a lack of transparency in China's data reporting. China counts Hong Kong as the destination of its exports sent there, even goods that are then transshipped to other markets. By contrast, the United States and many of China's other trading partners count Chinese exports that are transshipped through Hong

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[12] U.S. Department of Commerce, International Trade Commission.

[13] *Global Trade Atlas*; "Economy Increasingly Dependent on Mainland Ties," *Nikkei Weekly*, June 14, 2004.

[14] Jonathan Anderson, "China, Asia's Paper Tiger?" *The Asian Wall Street Journal*, August 15, 2002.

[15] *China Online*, February 2, 2004; *Xinhua News Agency*, April 11, 2005.

Kong as products from China,[16] not Hong Kong, including goods that contain Hong Kong components or involve final assembly or processing in Hong Kong. Furthermore, the United States counts Hong Kong as the destination of U.S. products sent there, even those that are then re-exported to China. However, the PRC counts many of such re-exported goods as U.S. exports to China. Some analysts argue that the U.S. Department of Commerce overstates the U.S. trade deficit with China by as much as 21% because of the way that it calculates entrepot trade through Hong Kong.[17]

According to PRC data, China's trade surplus with the United States in 2004 was $80.3 billion — not $162 billion as reported by the United States government. In Japan's case, both countries claim to be running trade deficits with each other. According to Chinese data, the country is running trade deficits with Taiwan ($51.2 billion in 2004), South Korea ($34.2 billion), Japan ($20.7 billion), Malaysia ($10 billion), Germany ($6.3 billion), Thailand ($5.7 billion), Brazil ($5 billion), the Philippines ($4.8 billion), Saudi Arabia ($4.8 billion), and Russia ($3 billion).[18]

Seventh, some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim countries. China's share of U.S. imports has been rising while that from other Pacific Rim nations has been falling. Looking only at import shares, however, does not tell the whole story. Although changes in shares may be offsetting, the absolute values of U.S. imports from all major Pacific Rim countries and regions have been rising.

Eighth, the rapid growth of the Chinese economy is adding to world demand for basic commodities that is causing upward pressure on prices. Particularly significant are Chinese net imports of crude oil, copper, and soybeans.

China's Trade Balance and Imports

As shown in **Figure 1** and **Appendix Table A1**, according to PRC data, with the exception of 1993, China has run a global trade surplus in goods each year since 1990. That surplus emerged at the beginning of the 1990s, changed to a $11 billion deficit in 1993 (when the government temporarily loosened controls on imports), and reached a peak of $43.3 billion in 1998 before declining to $22.6 billion in 2001. In 2004, China's global trade surplus was $32.8 billion (PRC data).

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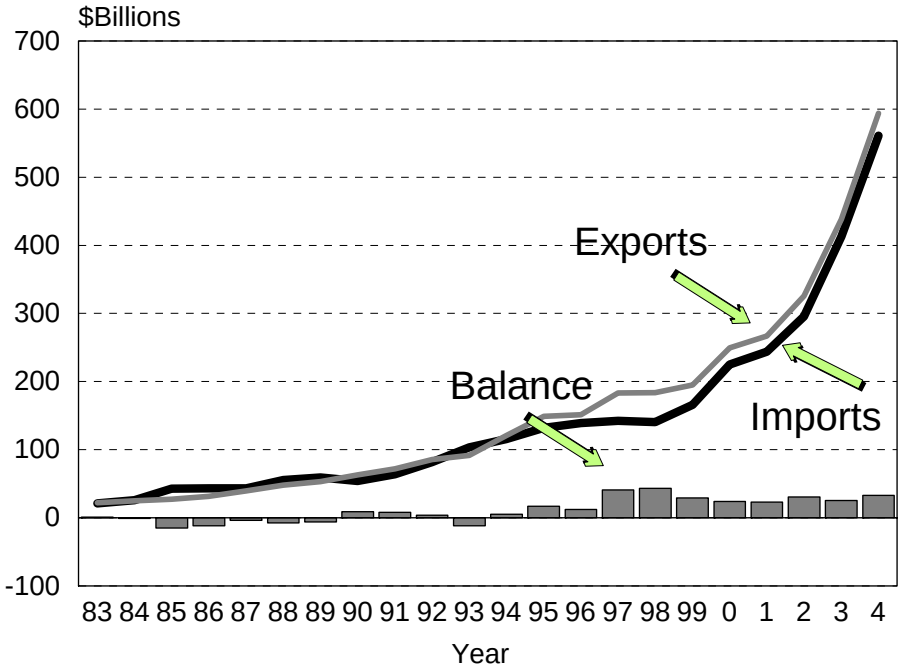
[16] According to the Hong Kong Trade Development Council, 55% of Hong Kong's total exports involve re-exports of Chinese (mainland) goods to markets other than China.

[17] U.S.-China Business Council, "Understanding the U.S.-China Balance of Trade," May 2003.

[18] *Global Trade Atlas*.

Figure 1. China's Exports, Imports, and Balance of Merchandise Trade, 1983-2004 (PRC data)



Sources: PRC General Administration of Customs; Global Trade Atlas (PRC data).

Between 1995 and 2001, China's current account surplus (includes trade in goods, services, and unilateral transfers such as remittances and government to government payments) was smaller than its surplus in merchandise trade because of a deficit in its services trade. The current account surplus exceeded the merchandise trade surplus in 2002 and 2003 due to large increases in services exports and remittances. In 2004, the current account surplus was $70 billion compared to the merchandise trade surplus of $32.6 billion. According to one projection, China's global current account balance will begin to decline in 2006 and enter into deficit in 2010, while China's trade surplus will reach a plateau in 2006 and begin to decline in 2010.[19]

As mentioned in the previous section, PRC data show much smaller bilateral trade deficits than those claimed by its trading partners. In 2004, the United States claimed it had incurred a $161.9 billion trade deficit with China, while China reported a trade surplus of only $80 billion with the United States. Japan reported a $20.4 billion merchandise trade deficit with China, while China likewise claimed a $20.6 billion trade deficit with Japan. In 2004, the European Union's trade deficit with China ($89 billion) was only $36 billion according to Chinese data (excluding Hong Kong). In 2004, the 156 countries categorized as the "world" by the International Monetary Fund reported an aggregate trade deficit with China of $267 billion. This is approximately 6.5 times the $41 billion total merchandise trade

[19] Global Insight, "International Analysis — China," August 2005.

deficit reported by China for that year (excluding Hong Kong).[20] (See **Appendix Tables A1-A5**.)

Not only have the surge in imports from China disrupted U.S. markets, but China has become a major importer of world commodities or primary goods. **Table 1** shows China's imports by major commodity. Imports of machinery (including electrical) have soared from a total of $46.8 billion in 1997 to $233.6 billion in 2004. Such an increase in demand for machinery, however, has only a moderate effect on overall prices. China's imports of mineral fuel, organic chemicals, iron and steel, ores, cotton, and wood, however, can affect world prices, particularly when combined with rising world demand or tightening supplies. In 2004, Chinese demand for mineral fuel, in particular, including crude petroleum ($48 billion in imports), added to upward world price pressures. As shown in **Figure 2**, China's net imports of crude oil switched from negative (net exports) in 1995 to nearly 5% of world imports in 2002. Global demand for oil is expected to increase by 40% in the next two decades, and much of that increase is expected to come from China, whose energy needs are projected to double by 2020.[21] Net imports of copper and soybeans, likewise, rose from virtually zero in 1990 to 15% and 20% in 2002 for copper and soybeans, respectively.[22]

Table 1. China's Imports by Major Commodity, 1998-2004
(billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Electrical Machinery	26.4	35.3	50.7	55.9	73.3	104.0	142.1
Machinery	24.7	27.8	34.4	40.6	52.2	71.6	91.5
Mineral Fuel, Oil, etc.	6.7	8.9	20.7	17.5	19.3	29.3	48.0
Optics, Medical. Instr.	4.0	5.0	7.3	9.8	13.5	25.1	40.1
Plastic	10.5	11.6	14.5	15.3	17.4	21.0	28.0
Organic Chemicals	3.5	5.5	8.3	9.0	11.2	16.0	23.8
Iron and Steel	5.8	7.2	9.6	10.9	13.2	22.2	23.6
Ores, Slag, Ash	2.3	2.2	3.1	4.2	4.3	7.2	17.3
Vehicles, Not Railway	2.0	2.4	3.6	4.5	6.5	11.8	12.9
Copper & Articles Thereof	2.2	3.1	4.7	4.9	5.7	7.2	10.5
Misc. Grain, Seeds, Fruit	1.3	1.6	3.1	3.3	2.8	5.7	7.3
Cotton and Yarn, Fabric	2.6	2.4	2.8	2.9	3.3	4.7	6.9
Wood	2.0	2.9	3.7	3.5	4.1	4.6	5.2

[20] U.S. Department of Commerce, International Trade Commission; Global Trade Atlas; International Monetary Fund, *Direction of Trade Statistics Quarterly*, June 2005.

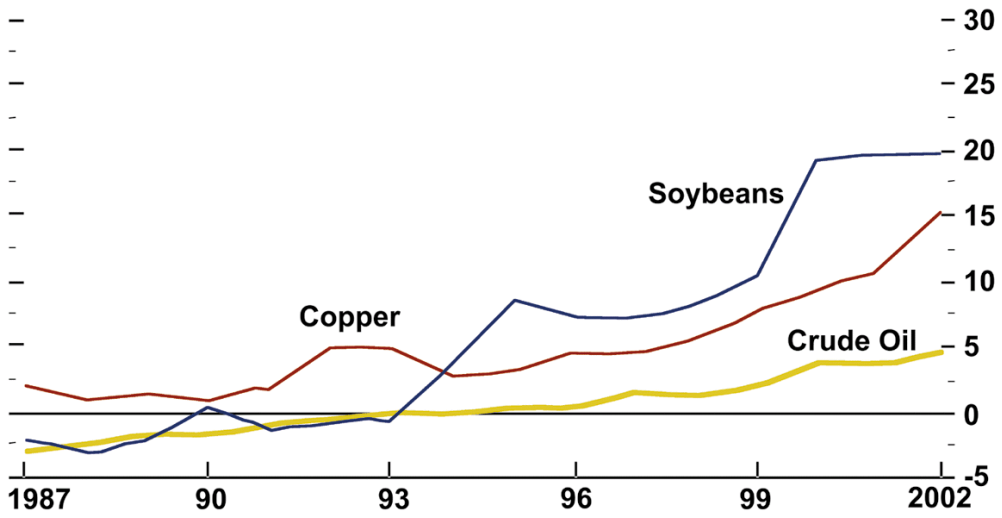
[21] Kris Axtman, "Oil's New High May Persist," *The Christian Science Monitor*, August 19, 2004, p. 1.

[22] International Monetary Fund, *World Economic Outlook*, April 2004, pp. 84-85.

	1998	1999	2000	2001	2002	2003	2004
Misc. Chemical Products	1.6	2.2	2.5	2.6	3.8	4.9	5.1
Aircraft, Spacecraft	3.2	3.2	2.2	4.4	4.1	4.5	4.9
Paper, Paperboard	3.6	4.0	4.0	3.6	4.1	4.4	4.6

Source: *World Trade Atlas* using Chinese data.

Figure 2. China's Net Imports of Crude Oil, Copper, and Soybeans as a Percent of World Trade in the Commodity



Source: International Monetary Fund

China and the Asia Pacific Region

While China is gaining manufacturing prowess and its trade surplus with the United States is spiraling, the country is purchasing heavily from neighboring trade partners. In 2004, China's imports rose by 35%, including machinery, raw materials, and components for manufacturing.[23] In addition, the bulk of China's exports are manufactured under foreign brand names, and over half of China's exports are produced by foreign-owned companies. According to PRC official estimates, 70% of PRC exports to the United States contain foreign components, particularly from Taiwan, South Korea, and Singapore.[24]

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[23] Robert J. Samuelson, "The World's Powerhouse," *Newsweek*, May 31, 2004.

[24] Taiwan's major exports to China include telecommunications products, computers, plastic products, steel, man-made fibers, industrial-use textiles, organic chemical products, optical and photo-taking instruments and parts, copper products, and polyester. Hong Kong Trade Development Council.

China has become the largest trading partner of Taiwan and Japan. The PRC has become South Korea's largest foreign investment destination and largest export market. According to Taiwanese and Korean data, in 2004, Taiwan's estimated trade surplus with China was $28 billion, while South Korea's surplus was $25.7 billion.[25]

China has become a huge buyer of raw materials, agricultural commodities, steel, industrial machinery, and electronic components from Southeast Asia, as well as an important source of foreign investment and second largest source of foreign tourists in the region.[26] According to PRC data, China's imports from ASEAN countries grew by 33% in 2004 while exports surged by 38%. China sells machinery, electronic goods, chemicals, and textiles and apparel to Southeast Asian countries. Despite worries about economic competition, in 2004, ASEAN, which ran a trade surplus of $20 billion with China that year (PRC data),[27] agreed to establish a free trade zone with China that would be implemented gradually over five years.[28] In the view of many of its major trading partners in Asia, China's economic growth and open trade policies have presented both competitive challenges and economic opportunities. However, according to some analysts, China's appetite for imports is slowing, while its export production shows little sign of abating.[29]

Some trade specialists suggest that the surge of U.S. imports from China do not pose an additional threat to U.S. industries and workers because it merely represents a shift of investment and production from other Pacific Rim countries. In other words, expanding imports from China have been offset by declining imports from other East Asian or Pacific Rim countries.[30] These countries include those at a similar level of development which are competing directly with China, such as Malaysia and Thailand, and more industrialized countries or special administrative regions that are moving their lower-end production to the PRC, such as Macao, Hong Kong, South Korea, and Taiwan. In sectors such as handbags, footwear, building and lighting fixtures, furniture, and apparel, U.S. imports from China have been displacing those from other developing Asian nations as well as Hong Kong, South Korea, Taiwan, and Mexico. As shown in **Figure 3**, China's share of U.S. imports grew from 3% in 1990 to 13% in 2004 (out of total U.S. imports of $491 billion and $1.46 trillion, respectively), while the rest of East Asia's (Japan, NICS, and ASEAN) share fell from 36% to 21.6%. Mexico's share of U.S. imports grew from 6% in 1990 to 11.6% in 2002. It fell to 10.6% in 2004. In absolute terms, however, U.S. imports from all major Pacific Rim countries and regions rose.

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[25] Taiwan data include Hong Kong. Directorate General of Customs, Ministry of Finance, Republic of China; Korean International Trade Association.

[26] Sadanand Dhume, "Buying Fast into Southeast Asia," *Far Eastern Economic Review*, March 28, 2002.

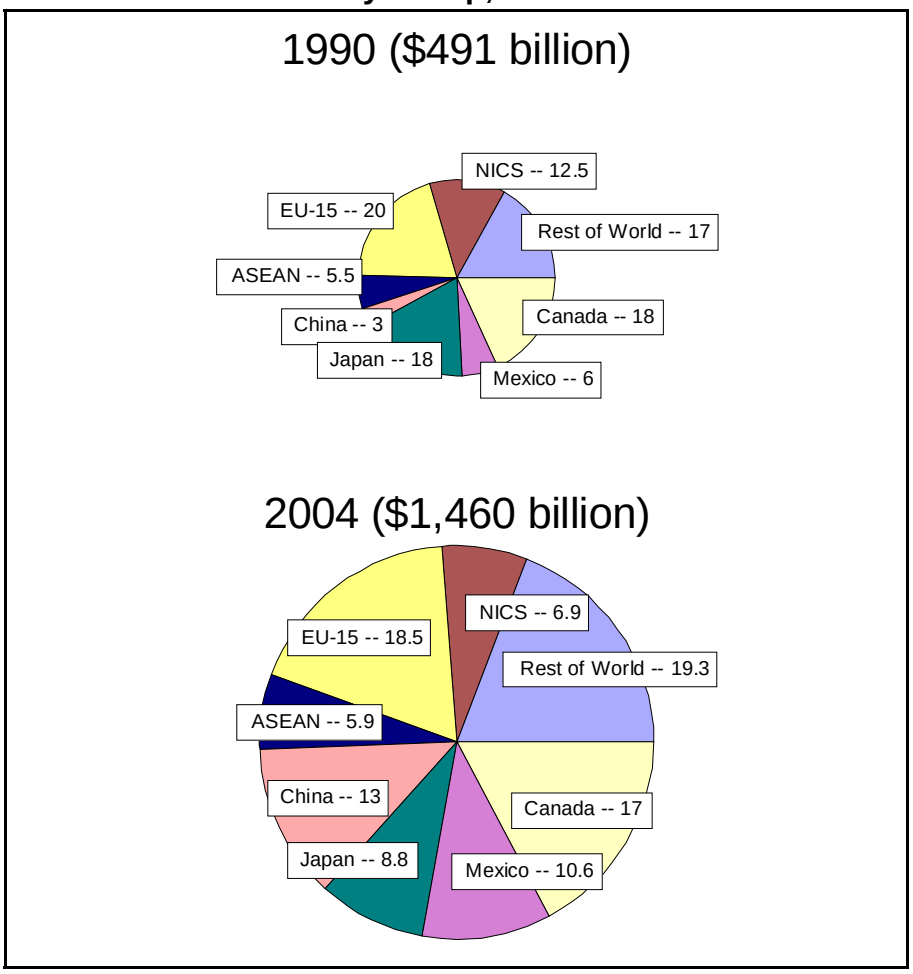
[27] *Global Trade Atlas*

[28] "China-ASEAN Trade Surges over 40 Percent in 2003," *Thai News Service*, February 11, 2004.

[29] Keith Bradsher and David Barboza, "As Exports Boom, China Risks Global Backlash," *International Herald Tribune*, April 9, 2005.

[30] Council of Economic Advisors, *Economic Report of the President*, February 2004.

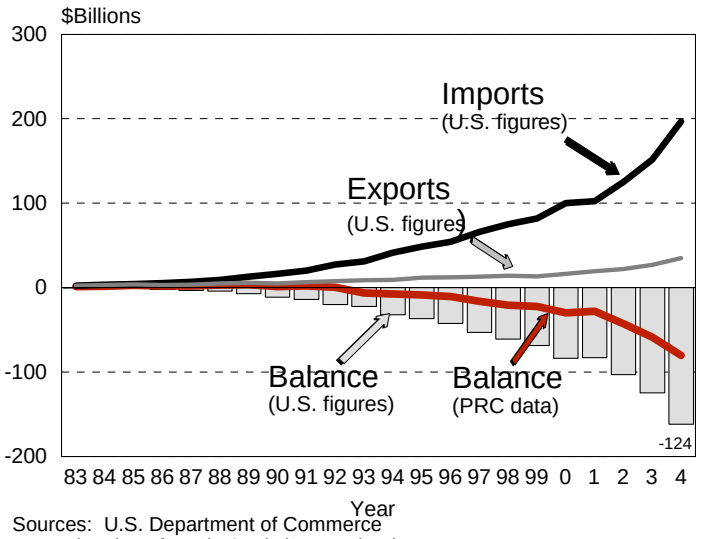
Figure 3. Shares (Percentages) of U.S. Imports by Country and Country Group, 1990 and 2004



China's Trade with the United States, Europe, and Japan

As shown in **Figure 4** and **Appendix Table A2**, by either Chinese or U.S. data, China runs a trade surplus with the United States. Although Chinese figures show it at only $80.3 billion in 2004, the United States reports it to be $162 billion. According to PRC data, China has run a trade surplus with the United States since 1993. According to U.S. data, the United States has incurred trade deficits with China since 1983.

Figure 4. U.S. Exports, Imports, and Balance of Trade with China, 1983-2004

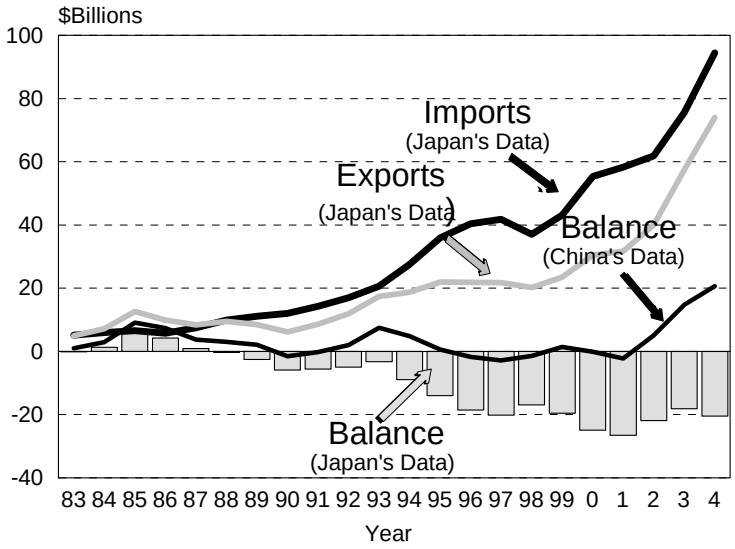


Sources: U.S. Department of Commerce
IMF. *Direction of Trade Statistics Yearbook*
Global Trade Atlas

As is the case with the United States, Japan has run a trade deficit with China since 1988 (according to Japanese data). As shown in **Figure 5** and in **Appendix Table A3,** Japan's balance of trade with China dropped from a surplus of $6 billion in 1985 to a deficit of nearly $6 billion in 1990. Japan's trade deficit with China reached a peak of $26.5 billion in 2001. In 2004, that deficit was $20 billion. Japan's exports to China have grown dramatically in the past few years. Japan's largest exports to China are electronics, general machinery, and optical, photographic, and medical equipment.[31]

[31] *Global Trade Atlas.*

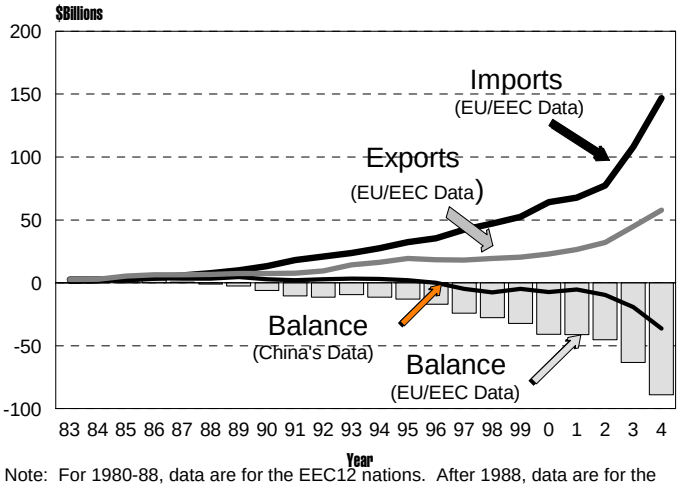
Figure 5. Japan's Merchandise Imports, Exports, and Balance of Trade with China, 1983-2004



Sources: IMF. *Direction of Trade Statistics Quarterly*
Global Trade Atlas

As shown in **Figure 6** and **Appendix Table A4**, according to EU data, the European Union incurred a trade deficit with China of $947 million in 1988, which grew to $89 billion in 2004. According to Chinese figures, however, the EU trade deficit with China began in the late 1990s and grew to only $31.8 billion in 2004.

Figure 6. European Union Merchandise Imports, Exports, and Balance of Trade with China, 1983-2004



Note: For 1980-88, data are for the EEC12 nations. After 1988, data are for the EU 15.
Sources: IMF. *Direction of Trade Statistics Quarterly*
Global Trade Atlas

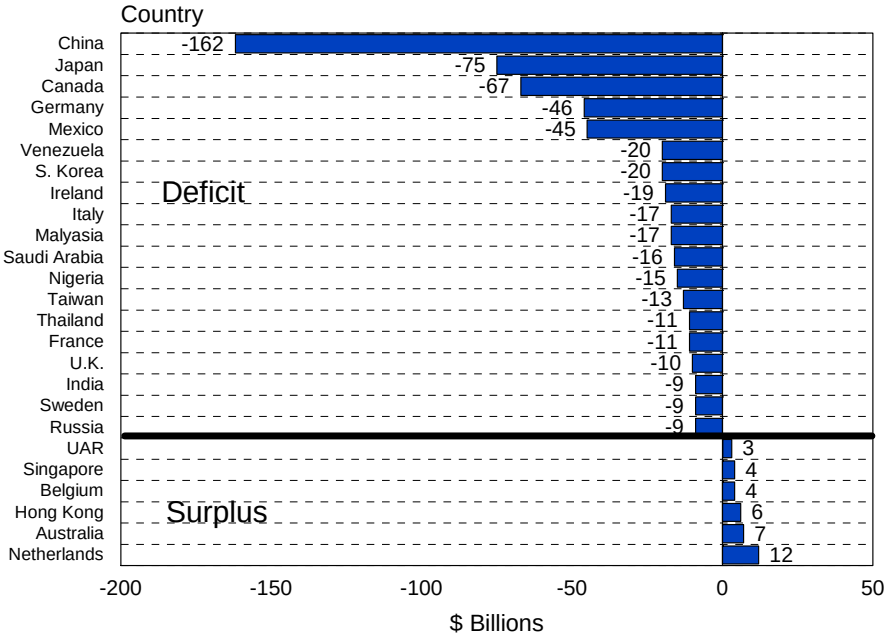
Compared to the world's two other major economic centers, the U.S. trade deficit with China at $162 billion in 2004 was the largest, followed by that of the EU at $89 billion and Japan at $20 billion. Within the EU, according to trading partner data, the U.K.'s trade deficit with China was $14.8 billion, Germany's was $12.4 billion, and France's was $7.8 billion in 2004. As shown in **Appendix Table A5**, however, China's trade statistics indicate smaller European trade deficits or even surpluses.

U.S. Merchandise Trade Balances with Major Trading Partners

How does the U.S. trade deficit with China compare with the U.S. trade deficit with other nations? In 2000, China surpassed Japan as the country with which the United States incurs its largest trade deficit. In 2004, the largest U.S. merchandise trade deficits were with China ($162 billion), Japan ($75 billion), Canada ($68 billion), Germany ($45.8 billion), and Mexico ($45 billion). Among Asian nations in 2004, the United States incurred large trade deficits with South Korea ($19.8 billion), Malaysia ($17 billion), Taiwan ($12.8 billion), Thailand ($11 billion), and Indonesia ($8 billion). (See **Figure 7** and **Appendix Table A6**.)

The U.S. trade deficit with China is notable for not only its size but also the large imbalance between imports from and exports to China. In 2004, Japan exported 2.4 times more to the United States than it imported, while Canada and Mexico exported 1.3 times and 1.4 times more, respectively, than they imported. China, by comparison, exported 5.7 times more to the U.S. market in 2004 than it imported from the United States. This indicates that the Chinese market has been vastly underdeveloped as a destination for U.S. exports.

Figure 7. U.S. Merchandise Trade Balances with Selected Countries in 2004



Source: U.S. Department of Commerce

U.S. Trade with China by Sector

U.S. Exports to China

As shown in **Table 2**, among the top twenty U.S. exports to China in 2004, the top five by dollar value were electrical machinery, oil seeds and fruits, metalliferous ores, transport equipment, and general industrial machinery. Exports of oil seeds and fruits and metalliferous ores have grown by over six times and seven times, respectively, since 1999, suggesting that China's appetite for raw materials and agricultural commodities has grown relative to that for specialized industrial machinery and office machines. Among the top 20 U.S. export items to China, textile fibers have experienced the largest growth in the past five years (1,568%). China's top ten imports from the world in 2004 were: electrical machinery, machinery, mineral fuel, optical and medical instruments, plastics, organic chemicals, iron and steel, ores, vehicles, and copper articles.

Table 2. Top Twenty U.S. Exports to China, 1996-2004
(millions of dollars)

Category	1996	1997	1998	1999	2000	2001	2002	2003	2004
Electrical Mach.	583	741	1,013	1,380	1,747	2,109	2,657	3,722	4,631
Oil Seeds and Fruits	422	419	288	354	1,020	1,014	890	2,832	2,332
Metalliferous Ores	212	180	195	285	618	919	956	1,525	2,198
Transport Equip.	1,718	2,127	3,604	2,325	1,695	2,471	3,443	2,495	2,025
Gen. Ind. Mach./Equip.	775	766	674	685	838	1,080	1,145	1,404	1,912
Specialized Industrial Machinery	688	770	538	481	758	819	1,124	1,218	1,744
Textile Fibers	888	682	199	98	154	160	278	909	1,638
Prof. & Scientific Instr.	346	429	527	538	583	886	931	1,167	1,568
Organic Chemicals	238	208	212	302	473	373	554	1,054	1,542
Office Machines	265	343	878	842	1,498	1,602	1,193	1,274	1,396
Plastics in Prim. Forms	314	340	320	394	545	628	740	931	1,342
Telecom, Sound Recording Equip.	670	644	655	573	817	1,204	1,110	978	1,104
Power Gen. Equip.	471	603	542	505	312	507	462	640	965
Pulp and Waste Paper	187	148	156	193	276	330	414	600	753
Misc. Manufactures	349	297	247	242	384	440	509	515	647
Road Vehicles	149	348	140	192	185	223	272	506	624
Metalworking Mach.	240	173	190	162	211	265	367	304	618
Chemical Materials	93	124	143	177	247	285	312	403	582
Hides, Furskins	107	112	126	96	237	402	397	457	521
Cereals	444	46	91	51	33	26	35	44	505

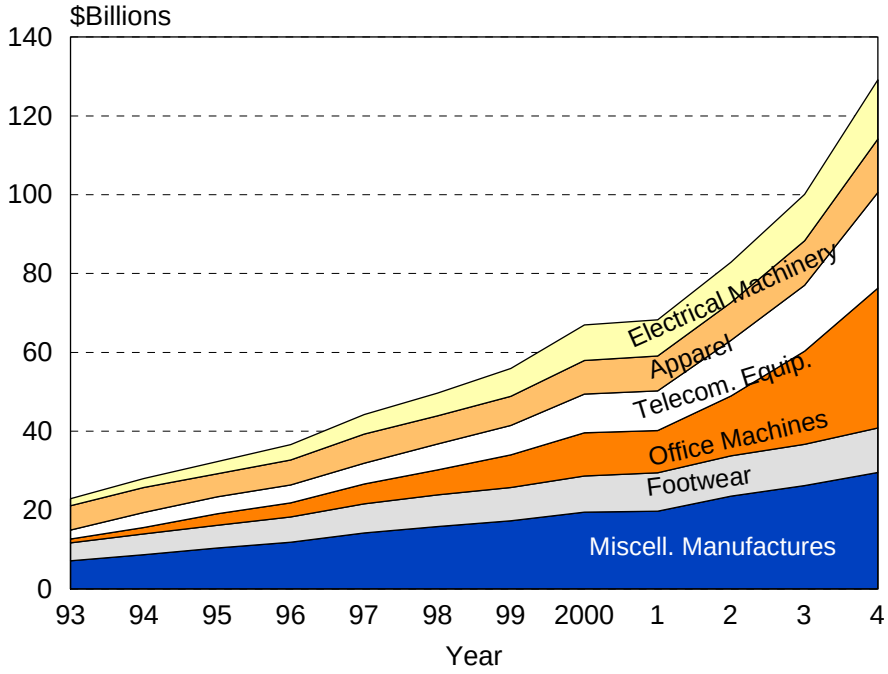
Note: Ranked by data for 2004.
Source: U.S. Department of Commerce, International Trade Commission.

U.S. Imports from China

As shown in **Figure 8** and **Table 3**, among the top twenty U.S. imports from China in 2004 by dollar amount, the top six were office machines and automatic data processing machines, miscellaneous manufactured articles, telecommunications and sound equipment, electrical machinery, apparel and accessories, and footwear. The value of U.S.-imports of PRC office and data processing machines alone ($35.5 billion) exceeded total U.S. exports to China in 2004 ($34.7 billion). While U.S. imports in all these categories have increased, the most dramatic percentage changes have not been in some traditional labor-intensive industries but in sectors that encompass advanced technology, such as office and data processing machines (up

331% between 1999 and 2004), telecommunications and sound equipment (up 229%), and electrical machinery and appliances (up 116%). Other items that have experienced large growth since 1999 are furniture (up 200%) and road vehicles (up 253%).

Figure 8. Top Six Imports from China by Industry, 1993-2004



Source: U.S. Department of Commerce

Table 3. Top Twenty U.S. Imports from China, 1996-2004

(millions of dollars)

Category	1996	1997	1998	1999	2000	2001	2002	2003	2004
Office Machines, Data Processing	3,562	5,019	6,329	8,239	10,980	10,763	15,230	23,612	35,579
Misc. Manufactured Articles	11,867	14,155	15,872	17,291	19,445	19,763	23,494	26,287	29,505
Telecom and Sound Equip.	4,438	5,126	6,405	7,382	9,812	10,118	14,144	16,723	24,311
Electrical Machinery, Parts, and Appliances	3,874	4,877	5,707	7,022	9,037	9,110	10,217	11,808	15,197
Apparel and Accessories	6,298	7,406	7,133	7,351	8,473	8,866	9,538	11,341	13,567
Footwear	6,367	7,354	8,016	8,438	9,206	9,758	10,241	10,546	11,347
Furniture and Bedding	1,109	1,545	2,183	3,261	4,476	5,018	6,954	8,742	10,905
Manufactures of Metals	1,414	1,816	2,238	2,878	3,651	4,119	5,219	6,284	8,250
General Industrial Machinery	982	1,180	1,449	1,833	2,087	2,414	3,259	4,107	5,502
Textile Yarn, Fabrics	1,042	1,369	1,432	1,583	1,816	1,854	2,501	3,347	4,236
Travel Goods, Handbags	1,665	1,917	1,942	1,974	2,214	2,171	2,741	3,136	3,936
Building Fixtures/Fittings	1,013	1,194	1,444	2,073	2,555	2,377	2,962	3,199	3,697
Road Vehicles	417	574	731	923	1,800	1,406	1,796	2,369	3,267
Nonmetallic Mineral Manufactures	963	1,216	1,441	1,681	2,059	2,165	2,431	2,624	2,953
Photographic Optical Equip, Watches, Clocks	976	1,211	1,400	1,600	2,016	1,935	1,842	2,001	2,239
Professional & Scientific Instruments	524	634	715	837	1,025	1,177	1,301	1,660	2,176
Misc. Low-Valued Items	232	282	425	586	759	784	957	1,229	1,652
Cork and Wood (Non-Furniture)	255	335	445	568	710	792	990	1,162	1,612
Iron and Steel	291	314	398	349	623	439	441	490	1,610
Paper Products	267	310	401	471	611	627	792	1,022	1,258

Note: Ranked by data for 2004
Source: U.S. Department of Commerce, International Trade Commission.

Balance of Trade by Sector

In modern economies, trade by sector generally follows two patterns. The first is based on traditional comparative advantage in which one country trades with another in those products in which it has an abundance of resources or in which it is comparatively productive. The United States economy is characterized by high technology, extensive farmland with high agricultural yields, expensive labor, and deep capital. As such, the United States would be expected to be strong in exports of high-technology goods, food and grains, and capital intensive products. The Chinese economy, on the other hand, is characterized by abundant and cheap labor, low capital intensity, and a mix of low, medium and high technology both in manufacturing and agriculture. As such, China would be expected to be strong in exports of not only labor-intensive manufactures, such as textiles and apparel, shoes, toys, and light manufactures, but also items produced under the tutelage of foreign companies that have invested in Chinese factories. These could include household appliances, electronics, tools, or automobile parts. One would expect trade that is conducted on the basis of comparative advantage to be unbalanced on a sector-by-sector basis. The United States, for example, would run a surplus with China in aircraft but a deficit in apparel.

The second trade pattern occurs among industrialized countries and is called intra-industry or trade within industrial sectors. This is typical of trade among North America, the European Union, and industrialized nations of Asia (e.g., Japan, South Korea, and Taiwan). The products traded usually carry brand names, are differentiated, and may be protected by intellectual property rights. For example, the United States both imports and exports items such as automobiles, machinery, electronic devices, prepared food, and pharmaceuticals. A considerable share of U.S. intra-industry trade is carried out within a multinational corporation (e.g., between Ford Motors and one of its related companies, such as Mazda in Japan, Jaguar in the United Kingdom, or with other subsidiaries abroad). A large deficit in an intra-industry trading sector in which the United States is competitive indicates that the trading partner country may be using import barriers to tip the trade balance in its favor.

Table 4 shows the U.S. balance of trade with China by major sector. Most of the sectors in which the United States runs the largest trade deficits with China are, as expected, those that depend on mostly abundant and low-cost labor. These include toys and sports equipment, furniture and bedding, footwear, textiles and apparel, and leather goods. Among the large deficit sectors, however, are machinery and mechanical appliances and electrical machinery. Some of China's competitiveness in these sectors may be based upon its underlying economic advantages combined with foreign technology and manufacturing processes, but in other areas the advantage may also indicate tariffs and non-tariff trade barriers. In plastic articles, optical and medical instruments, books and magazines (indicated by shading in the table), the United States runs a surplus in its balance of trade with the world but a deficit with China.

Table 4. U.S. Balance of Trade with China by Sector, 2002-2004

(millions of dollars)

	2002	2003	2004
Total China	-103,115	-123,960	161,977
Major U.S. Deficit Sectors (HTS Categories)			
Machinery/Mechanical Appliances	-16,105	-25,262	-37,628
Electrical Machinery	-20,453	-24,007	-34,113
Toys and Sports Equipment	-14,415	-16,070	-17,163
Furniture and Bedding	-9,842	-11,739	-14,339
Footwear	-10,191	-10,528	-11,318
Woven Apparel	-4,464	-5,484	-6,606
Leather Art; Saddlery; Bags	-4,456	-5,040	-5,708
Articles of Iron and Steel	-2,437	-3,086	-4,376
Knit Apparel	-2,613	-3,192	-4,092
Plastic Articles	*-2,771*	*-3,032*	*-3,402*
Misc. Textile Articles	-1,646	-2,353	-3,052
Vehicles, Not Railway	-1,656	-1,947	-2,729
Misc. Art of Base Metal	-1,256	-1,414	-1,809
Precious Stones and Metals, Pearls	-1,144	-1,391	-1,714
Optical, Medical Instruments	*-1,501*	*-1,650*	*-1,704*
Tools, Cutlery, of Base Metals	-1,108	-1,373	-1,554
Wood and Articles of Wood	-837	-1,019	-1,454
Miscellaneous Manufactures	-913	-1,023	-1,203
Ceramic Products	-1,025	-1,112	-1,203
Artificial Flowers, Feathers	-1,047	-1,091	-1,109
Rubber and Rubber Articles	-580	-698	-1,036
Books, Newspapers, Manuscripts	*-528*	*-653*	*-892*
Major U.S. Surplus Sectors (HTS Categories)			
Misc. Grain, Seed, Fruit	849	2,787	2,260
Aircraft, Spacecraft	3,374	2,388	1,870
Cotton and Cotton Fabrics	-29	587	1,260
Wood pulp, Etc.	413	599	752
Hides and Skins	427	477	527
Cereals	28	17	475
Copper and Articles Thereof	154	436	344
Fertilizers	662	401	267

Note: Categories in italics are those in which the United States runs a trade surplus with the world but a trade deficit with China. Classification is by Harmonized System tariff codes at the 2-digit level.
Source: U.S. Department of Commerce, International Trade Commission.

The sectors in which the United States runs a trade surplus with China mirror U.S. competitive advantages and include agricultural products, aircraft, and cotton and cotton fabrics. In 2004, the U.S. trade surplus in cereals jumped from $17 million in 2003 to $475 million, while the surplus with China in iron and steel fell steeply from $879 million to $45 million.

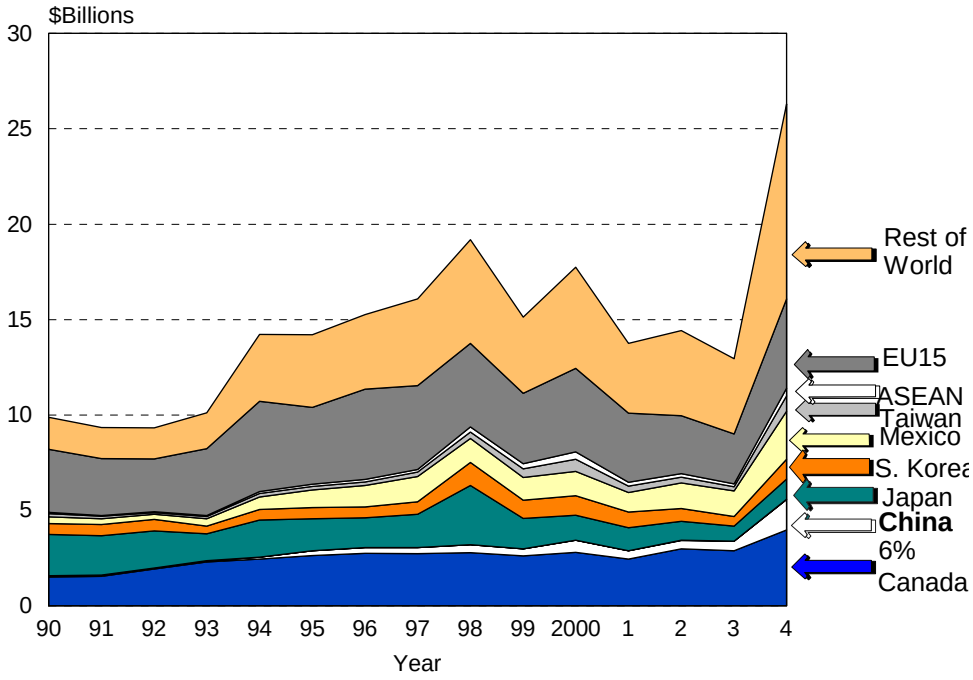
U.S. Imports From China — Sector Charts and Data

This section presents charts and data on U.S. imports from China by selected industrial sectors. The charts show imports from China as compared with imports from other major exporting countries or groups of countries. These include the European Union (fifteen original countries), the Association of Southeast Asian Nations (ASEAN, which includes, Indonesia, Malaysia, Singapore, Thailand, the Philippines, Brunei, Vietnam, Laos, and Myanmar [Burma]), Taiwan, Mexico, South Korea, Japan, Hong Kong, and Canada.

The data in this section are presented according to two-digit standard international trade classification (SITC) codes as reported by the U.S. Department of Commerce. The industries selected are those in which the share of imports from China has risen to a significant level or trade policy has played a significant role (e.g. iron and steel and automobiles) even though U.S. imports from China in those industries might be small.

Iron and Steel. In iron and steel products, China is becoming a major exporter. In 2004, China moved from seventh place in U.S. imports of iron and steel to fifth, surpassing South Korea, Japan, and Germany. The top steel exporters to the United States are Canada, Mexico, Brazil, Russia, and China. China's share of U.S. imports grew from 3.7% in 2003 to 6% in 2004. U.S. exports of iron and steel to China include scrap metal, iron tubes and pipes, and flat-rolled stainless steel, iron, and alloy products.

Figure 9. U.S. Imports of Iron and Steel Products (SITC 67) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

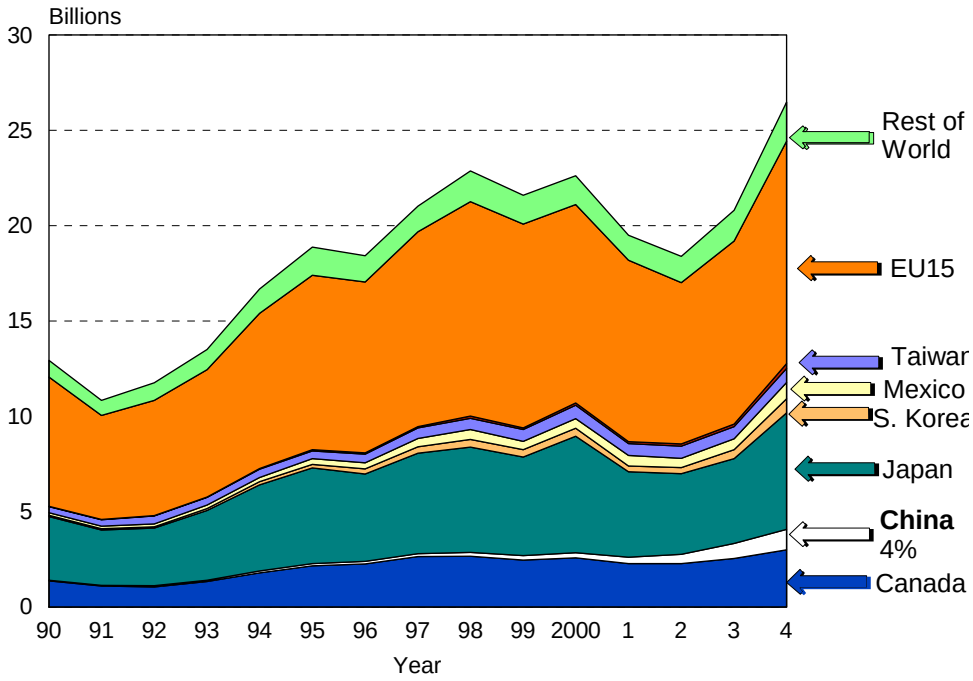
Table 5. U.S. Imports of Iron and Steel Products (SITC 67) from Selected Countries and Country Groups, 1990, 2000-2004
(millions of dollars)

	1990	2000	2001	2002	2003	2004
EU15	3,303	4,379	3,637	3,041	2,621	4,697
Canada	1,504	2,803	2,437	2,981	2,885	3,979
Mexico	357	1,267	1,021	1,340	1,334	2,530
China	71	623	439	441	490	1,610
Japan	2,097	1,320	1,213	991	799	1,072
Korea	574	1,019	815	687	505	1,031
Taiwan	154	649	346	290	219	803
ASEAN	65	389	191	193	161	395
Hong Kong	2	2	2	3	2	3
Rest of World	1,691	5,293	3,657	4,469	3,929	10,204
World	9,818	17,744	13,758	14,436	12,945	26,324

Source: U.S. Department of Commerce

Specialized Industrial Machinery. China is becoming an important supplier of specialized industrial machinery, which includes machine tools and sewing machines, but lags behind the European Union, Japan, and Canada and competes with other newly industrialized countries such as Mexico, South Korea, and Taiwan. China accounted for only 4% of U.S. imports in this category in 2004.

Figure 10. U.S. Imports of Specialized Industrial Machinery (SITC 72) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 6. U.S. Imports of Specialized Industrial Machinery (SITC 72) from Selected Countries and Country Groups, 1990, 2000-2004

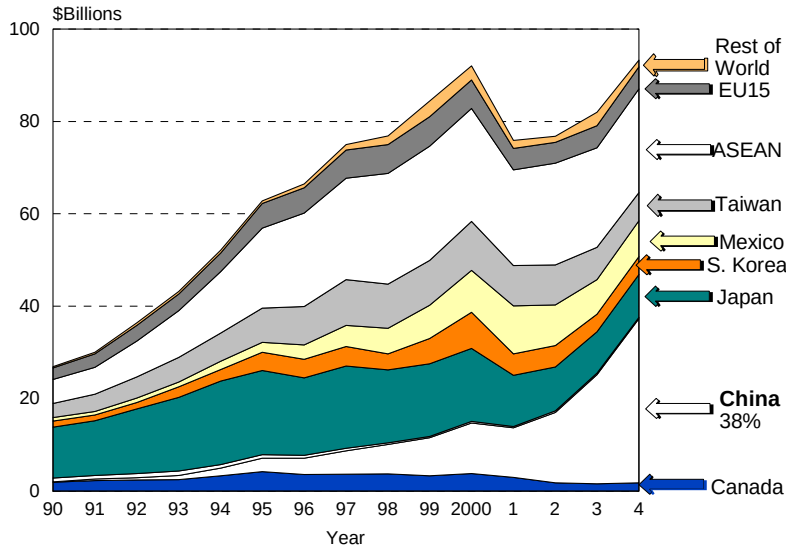
(millions of dollars)

	1990	2000	2001	2002	2003	2004
EU15	6,786	10,398	9,511	8,463	9,586	11,656
Japan	3,340	6,098	4,479	4,217	4,445	6,105
Canada	1,384	2,580	2,297	2,294	2,556	3,010
China	23	280	331	485	791	1,069
Mexico	139	506	537	490	578	862
Korea	69	425	305	325	467	746
Taiwan	313	704	626	638	623	730
ASEAN	13	113	101	113	145	250
Hong Kong	18	10	12	17	15	18
Rest of World	868	1,519	1,314	1,373	1,614	2,049
World	12,953	22,633	19,513	18,415	20,820	26,495

Source: U.S. Department of Commerce

Office Machines and Computers. In U.S. imports of office machines and automatic data processing machines (including television sets, computers and computer hardware), China has quickly become the largest supplier. Imports of such products from China rose by over 50% in both 2003 and 2004 and now account for 38% of U.S. imports in this category. Office machines and computers from other Asian producers — Japan, South Korea, and Taiwan — have been leveling off or decreasing, although many of their high tech manufacturers have built plants in China and export from there. The top exporters of office machines and data processing machines to the United States in 2004 were China, Malaysia, Japan, Mexico, Singapore, and Taiwan.

Figure 11. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 7. U.S. Imports of Office Machines and Automatic Data Processing Machines (SITC 75) from Selected Countries and Country Groups, 1990, 2000-2004

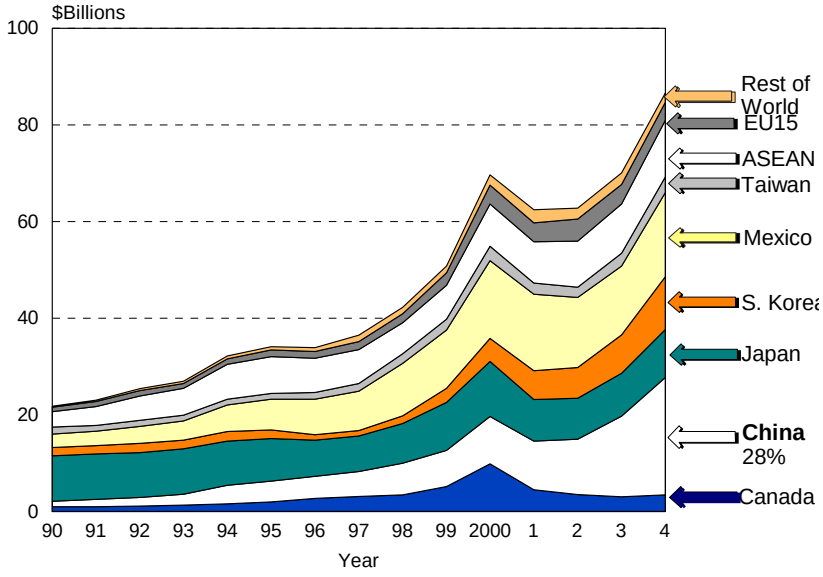
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	117	10,980	10,761	15,230	23,612	35,579
ASEAN	5,150	24,475	20,676	22,043	21,571	22,460
Japan	11,007	15,878	11,055	9,464	8,978	9,282
Mexico	706	9,058	10,377	8,828	7,516	7,726
Taiwan	3,084	10,592	8,751	8,659	6,996	6,132
EU15	2,461	6,156	4,676	4,505	4,815	4,810
Korea	1,347	7,831	4,657	4,632	3,779	3,885
Canada	1,893	3,778	2,942	1,825	1,644	1,865
Hong Kong	809	345	276	392	328	304
Rest of World	297	3,041	1,729	1,342	2,947	1,492
World	26,871	92,134	75,900	76,920	80,542	93,535

Source: U.S. Department of Commerce

Telecommunications and Sound Equipment. China's share of U.S. imports of telecommunications and sound equipment has risen to 28%. Such imports from China rose from $1.1 billion in 1990 to $24 billion in 2004. Imports of these products from other Asian countries have also been rising. The largest suppliers of telecommunications and sound equipment to the United States in 2004 were China, Mexico, South Korea, Japan, and Malaysia.

Figure 12. U.S. Imports of Telecommunications and Sound Equipment (SITC 76) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 8. U.S. Imports of Telecommunications and Sound Equipment (SITC 76) from Selected Countries and Country Groups, 1990, 2000-2004

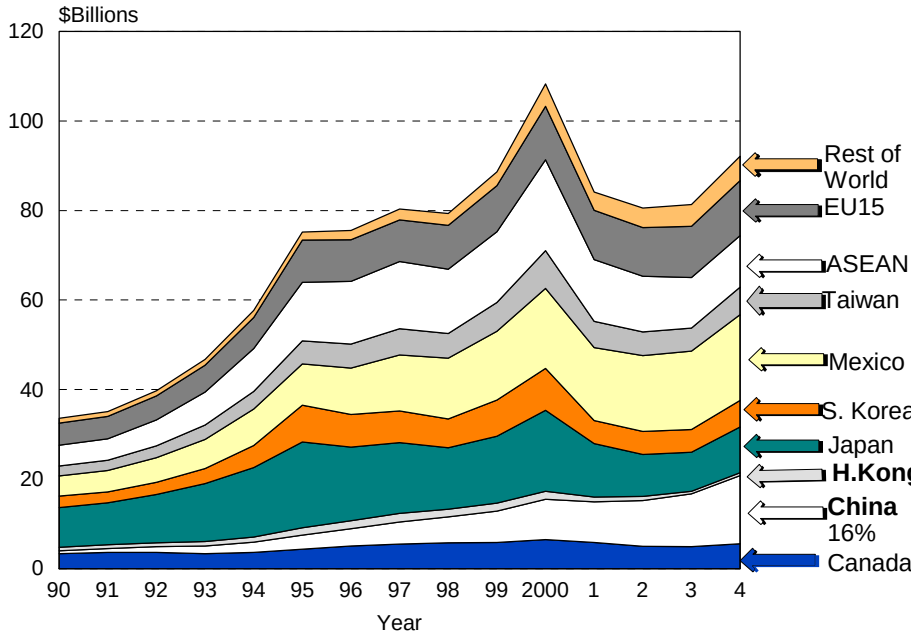
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	1,142	9,812	10,062	14,144	16,723	24,311
Mexico	2,302	16,073	15,765	14,483	14,239	17,475
ASEAN	3,122	8,779	8,548	9,514	10,218	11,779
Korea	1,632	4,729	6,001	6,353	7,955	10,942
Japan	9,061	11,429	8,577	8,473	8,889	9,967
EU15	890	3,860	3,883	4,559	4,051	3,707
Canada	972	9,846	4,533	3,543	3,053	3,435
Taiwan	1,426	2,986	2,361	2,137	2,655	3,261
Hong Kong	478	262	224	357	522	647
Rest of World	322	2,118	2,446	2,264	2,363	1,941
World	21,347	69,894	62,400	65,827	70,668	87,465

Source: U.S. Department of Commerce

Electrical Machinery and Parts. U.S. imports of electrical machinery and parts (including semi-conductors) have been growing dramatically from nearly all major suppliers. At 16% of such imports in 2004, China has become a significant supplier — surpassing Japan and ASEAN. Other leading exporters are Mexico and the European Union.

Figure 13. U.S. Imports of Electrical Machinery and Parts (SITC 77) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 9. U.S. Imports of Electrical Machinery and Parts (SITC 77) from Selected Countries and Country Groups, 1990, 2000-2004

(millions of dollars)

	1990	2000	2001	2002	2003	2004
Mexico	4,406	17,828	16,290	16,930	17,547	19,120
China	652	9,037	9,047	10,217	11,808	15,197
EU15	4,898	11,922	11,009	10,881	11,462	12,314
ASEAN	4,644	20,295	13,748	12,427	11,308	11,557
Japan	8,658	18,096	11,941	9,406	8,713	10,251
Taiwan	2,180	8,492	5,878	5,296	5,160	6,170
Korea	2,504	9,327	5,194	5,150	5,105	5,992
Canada	3,323	6,499	5,871	5,025	4,920	5,619
Hong Kong	792	1,782	1,050	881	585	637
Rest of World	1,080	4,988	4,112	4,359	4,916	5,414
World	33,137	108,266	84,140	80,572	81,524	92,271

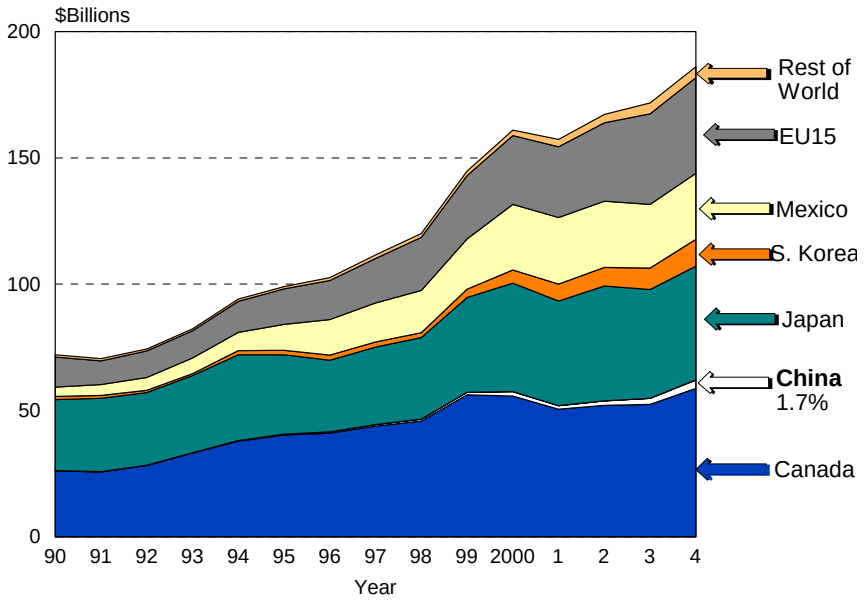
Source: U.S. Department of Commerce

Road Motor Vehicles. In 2003, China became the world's third largest auto market and fourth largest auto producer. However, China is not a significant player in the U.S. car market. U.S. road vehicle and related imports from China mainly consist of auto parts, bicycles and motorcycles, and specialty vehicles such as golf carts and beach go-carts. China is expected to lower tariffs on imported automobiles to 25-30% in 2005, down from 35% in 2004, pursuant to China's WTO accession agreement. China's own automobile production has absorbed heavy foreign investment — over 80% of the country's car market is held by Sino-foreign joint-ventures such as Shanghai Volkswagen and Shanghai General Motors (GM) — and is aimed primarily at Chinese buyers.[32]

China has become an important supplier of auto parts to the United States with $1.4 billion in selected parts in 2004, but trails Canada ($11.1 billion), Japan ($8.5 billion), Mexico ($6.6 billion), and Germany ($1.8 billion). China exported $470 million worth of motorcycles to the United States in 2004, accounting for 15% of U.S. motorcycle imports compared to Japan's 66%. Chinese auto makers such as Geely have begun exporting sedans to some Middle Eastern, North African, and South American countries. In addition, China has become a major supplier of motorcycles to Southeast Asia and, according to some analysts, poses a threat to Korean auto and auto-parts exports to Southeast Asia.

[32] Among foreign auto-makers in China, Volkswagen leads with about one-third of the Chinese car market; Shanghai-General Motors has captured about 10% of the market.

Figure 14. U.S. Imports of Road Motor Vehicles (SITC 78) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

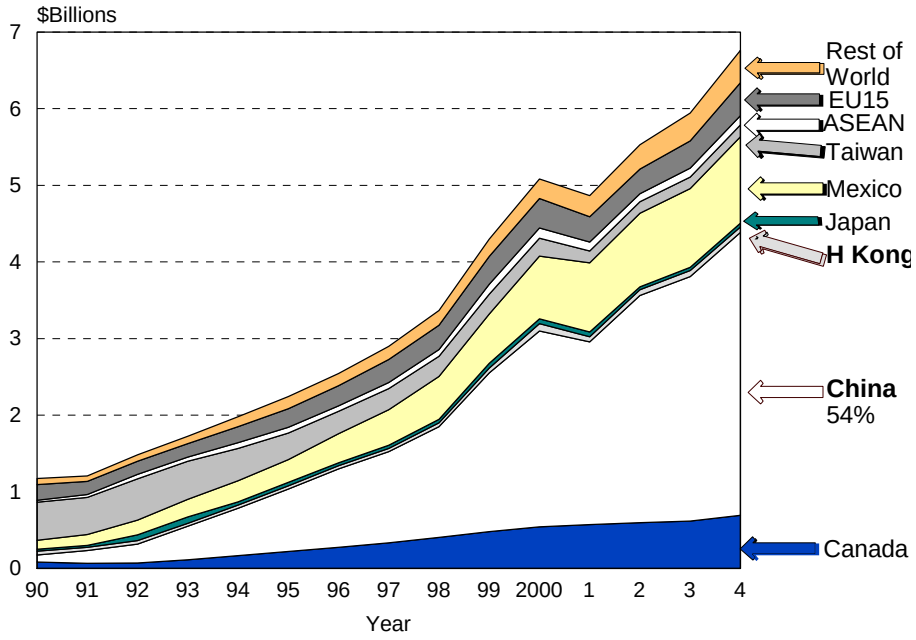
Table 10. U.S. Imports of Road Motor Vehicles (SITC 78) from Selected Countries and Country Groups, 1990, 2000-2004
(millions of dollars)

	1990	2000	2001	2002	2003	2004
Canada	26,094	55,703	50,477	52,050	52,448	58,832
Japan	29,839	42,917	41,429	45,449	43,178	45,033
EU15	12,270	27,176	28,022	31,043	35,975	37,813
Mexico	4,084	25,991	26,246	26,181	25,222	26,114
Korea	1,275	5,222	6,778	7,382	8,503	10,773
China	59	1,800	1,404	1,796	2,369	3,267
Taiwan	871	1,335	1,124	1,239	1,387	1,522
ASEAN	88	249	247	280	297	359
Hong Kong	7	30	13	14	38	43
Rest of World	930	2,205	2,892	3,338	4,271	4,412
World	75,517	162,628	158,632	168,772	173,688	188,168

Source: U.S. Department of Commerce

Building and Lighting Products. In U.S. imports of prefabricated buildings, sanitary, plumbing, heating and lighting fixtures and fittings, China has surged to become a dominant factor. The PRC accounted for over half such imports in 2004, although total imports of such products amounted to only $6.8 billion, making it the 12th largest Chinese import to the United States.

Figure 15. U.S. Imports of Building and Lighting Products (SITC 81) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 11. U.S. Imports of Prefabricated Buildings, Sanitary, Plumbing, Heating and Lighting Fixtures and Fittings (SITC 81) from Selected Countries and Country Groups, 1990, 2000-2004

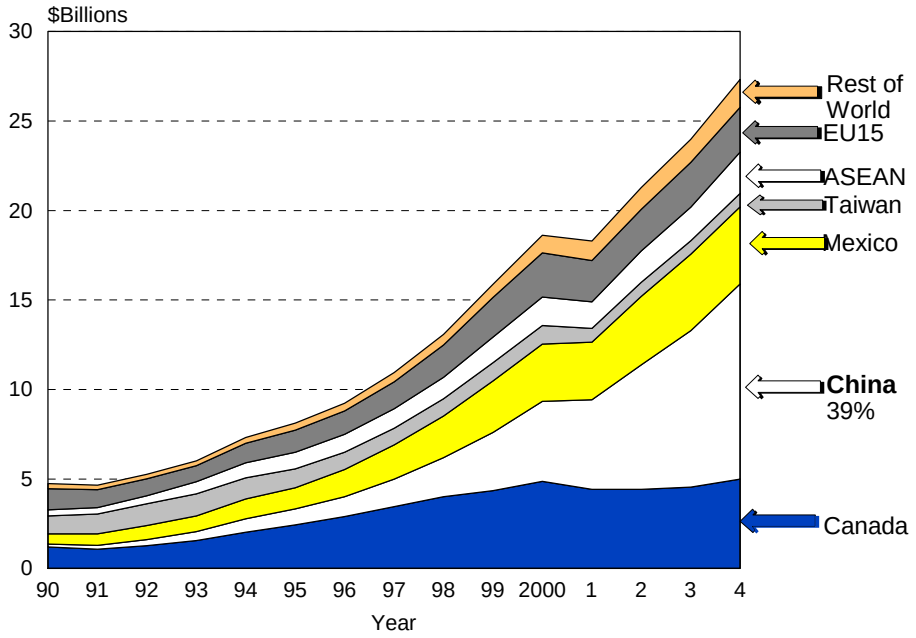
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	94	2,555	2,383	2,962	3,199	3,697
Mexico	117	819	903	961	1,036	1,132
Canada	80	544	572	598	617	693
EU15	205	384	329	319	356	428
Taiwan	495	235	156	152	151	154
ASEAN	27	132	116	106	115	121
Hong Kong	47	94	70	77	80	73
Japan	28	63	59	36	41	49
Korea	61	26	32	36	42	37
Rest of World	78	255	275	319	362	422
World	1,232	5,107	4,895	5,566	5,999	6,806

Source: U.S. Department of Commerce

Furniture. In U.S. imports of furniture and related parts, China has become a major supplier. It accounted for over nearly 40% of U.S. furniture imports in 2004, prompting complaints of dumping by some U.S. furniture manufacturers. China's share of U.S. furniture imports was roughly double those of Canada and Mexico, which were the leading foreign suppliers of furniture until the late 1990s.

Figure 16. U.S. Imports of Furniture and Parts (SITC 82) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 12. U.S. Imports of Furniture and Parts (SITC 82) from Selected Countries and Country Groups, 1990, 2000-2004

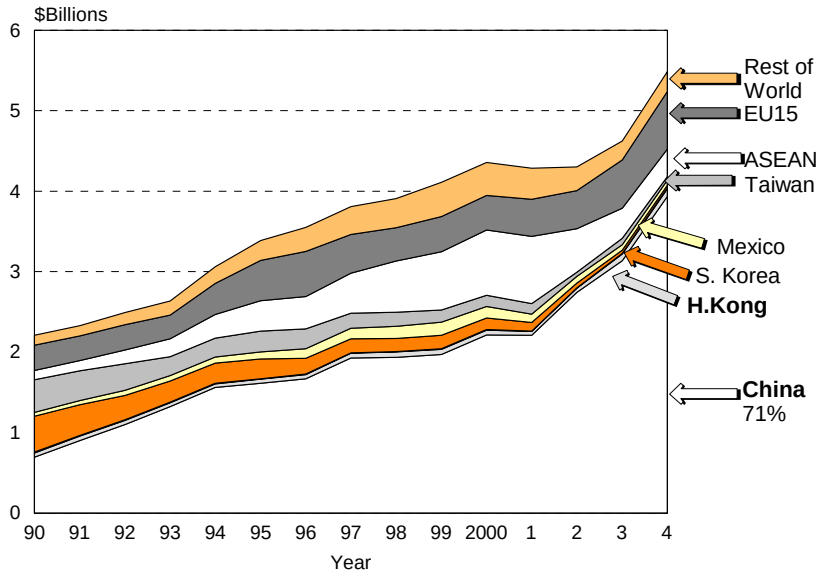
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	145	4,476	5,017	6,954	8,742	10,905
Canada	1,209	4,859	4,411	4,423	4,551	5,007
Mexico	578	3,201	3,212	3,824	4,275	4,316
EU15	1,174	2,473	2,309	2,321	2,489	2,491
ASEAN	331	1,593	1,492	1,753	1,886	2,303
Taiwan	1,009	1,031	765	794	748	753
Japan	162	141	141	107	135	181
Hong Kong	29	84	98	90	109	97
Korea	67	85	75	75	69	68
Rest of World	299	980	1,081	1,219	1,289	1,557
World	5,003	18,923	18,601	21,560	24,293	27,678

Source: U.S. Department of Commerce

Travel Goods and Handbags. China has become the dominant supplier of imported travel goods, handbags, and similar items, accounting for over 70% of U.S. imports of such merchandise in 2004. The EU has become an important supplier while China appears to have taken market shares from South Korea, Taiwan, and, more recently, ASEAN. This U.S. import category is ranked only 41st in total customs value.

Figure 17. U.S. Imports of Travel Goods, Handbags, and Similar Products (SITC 83) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 13. U.S. Imports of Travel Goods, Handbags, (SITC 83) from Selected Countries and Country Groups, 1990, 2000-2004

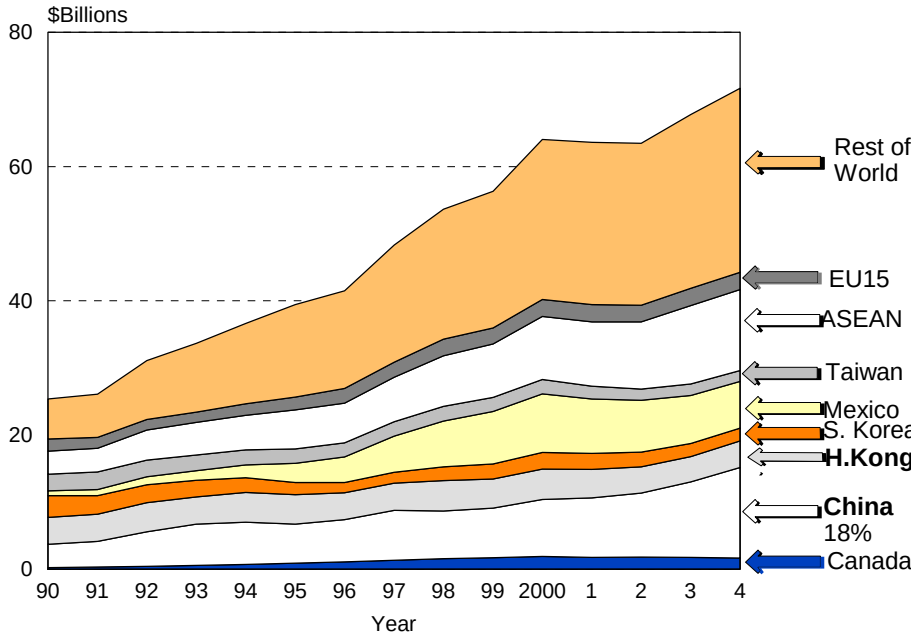
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	692	2,214	2,211	2,741	3,136	3,936
EU15	270	430	463	476	602	715
ASEAN	114	811	836	538	372	340
Hong Kong	50	59	46	52	85	95
Mexico	46	145	104	87	69	63
Taiwan	406	138	129	52	79	47
Canada	17	42	39	35	37	35
Korea	446	143	106	56	39	31
Japan	9	7	7	7	8	12
Rest of World	121	412	384	292	233	248
World	2,171	4,401	4,325	4,336	4,660	5,522

Source: U.S. Department of Commerce

Apparel and Clothing. U.S. imports of apparel and clothing accessories from China have been rising, reaching 18% of U.S. imports in 2004. According to some estimates, more than 80% of Chinese apparel exports are produced by joint-ventures, many of them involving East Asian investment.[33] Global quotas on imported textiles and apparel expired on January 1, 2005, pursuant to the Multi-Fiber Agreement, resulting in a surge in garment imports from China. Year-to-date (January-June 2005) apparel imports from China have increased by 69% compared to the same period in 2004. Other nations with large gains in U.S. apparel imports are India (38%), Bangladesh (23%), and Indonesia (17%). Those with large declining shares include Macao, Hong Kong, South Korea, and Taiwan.[34] Although wages for low skill labor in China reportedly are rising relative to other developing countries, Chinese clothing manufacturers retain competitive advantages such as high labor productivity, "vertical integration" — the ability to produce all manufacturing inputs domestically — and developed infrastructure.

Figure 18. U.S. Imports of Apparel and Clothing Accessories (SITC 84) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

[33] Jiang Jingjin, "China Not the Only Beneficiary," *China Daily (China Business Weekly)*, April 5, 2004.

[34] U.S. Census Bureau, "Foreign Trade Statistics," August 2005.

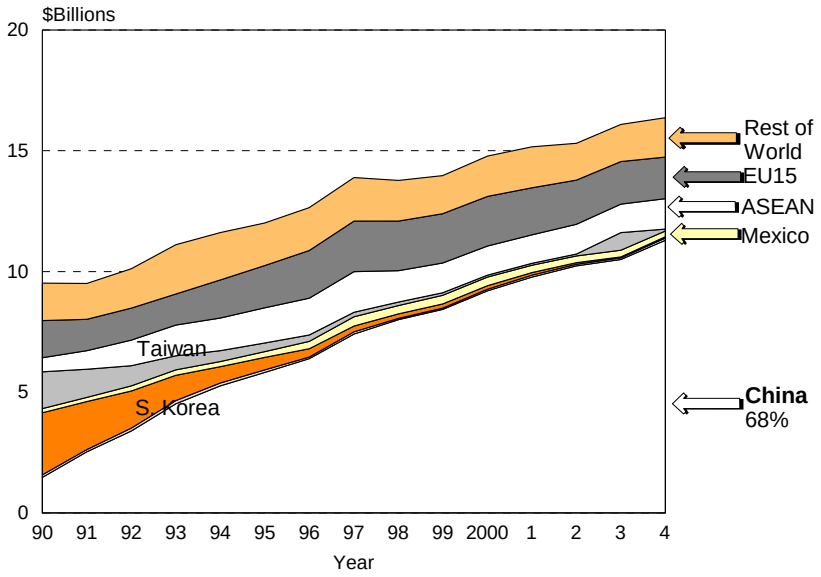
Table 14. U.S. Imports of Apparel and Clothing Accessories (SITC 84) from Selected Countries and Country Groups, 1990, 2000-2004
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	3,422	8,473	8,852	9,538	11,341	13,567
ASEAN	3,404	9,354	9,581	10,020	11,773	12,157
Mexico	709	8,730	8,127	7,731	7,199	6,943
Hong Kong	3,974	4,571	4,282	3,928	3,760	3,919
EU15	1,790	2,540	2,584	2,473	2,564	2,586
Korea	3,244	2,461	2,354	2,206	1,925	1,936
Canada	247	1,911	1,764	1,799	1,740	1,692
Taiwan	2,475	2,160	1,907	1,664	1,690	1,626
Japan	158	109	170	205	252	325
Rest of World	5,891	23,872	24,168	24,150	25,907	27,438
World	25,314	64,181	63,789	63,714	68,060	72,189

Source: U.S. Department of Commerce

Footwear. U.S. imports of footwear from China surged during the 1990s. From $1.5 billion in 1990, they rose to over $10 billion in 2002 or two-thirds of all such imports. China has largely replaced South Korea and Taiwan as the main source of Asian-produced footwear in the United States. Other large exporters are Italy and Brazil.

Figure 19. U.S. Imports of Footwear (SITC 85) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 15. U.S. Imports of Footwear (SITC 85) from Selected Countries and Country Groups, 1990, 2000-2004

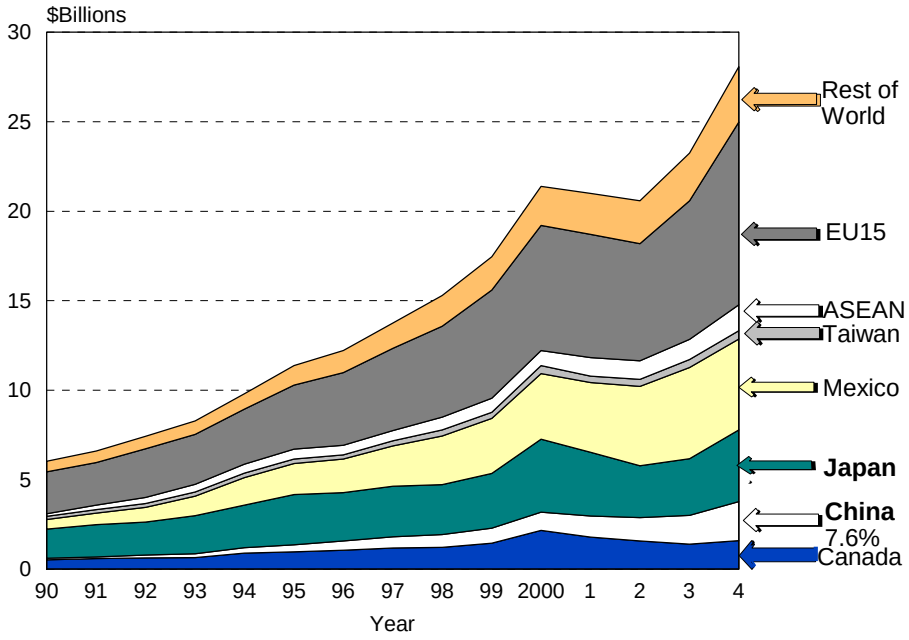
(millions of dollars)

	1990	2000	2001	2002	2003	2004
China	1,475	9,206	9,766	10,241	10,546	11,347
EU15	1,523	2,044	1,950	1,826	1,763	1,722
ASEAN	579	1,207	1,185	1,237	1,184	1,259
Mexico	165	351	311	278	275	242
Hong Kong	109	67	81	67	60	86
Taiwan	1,528	92	75	73	73	80
Canada	53	76	78	67	64	76
Korea	2,558	140	103	65	50	51
Japan	5	2	2	2	2	2
Rest of World	1,543	1,671	1,698	1,523	1,542	1,632
World	9,538	14,856	15,249	15,379	15,559	16,497

Source: U.S. Department of Commerce

Professional, Scientific, and Controlling Instruments. China is a minor supplier of U.S. imports of professional, scientific and controlling instruments, supplying 7.6% of U.S. imports in this category in 2004. Over two-thirds of such imports originate in the European Union, Mexico, and Japan.

Figure 20. U.S. Imports of Professional, Scientific, and Controlling Instruments (SITC 87) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 16. U.S. Imports of Professional, Scientific and Controlling Instruments and Apparatus (SITC 87) from Selected Countries and Country Groups, 1990, 2000-2004

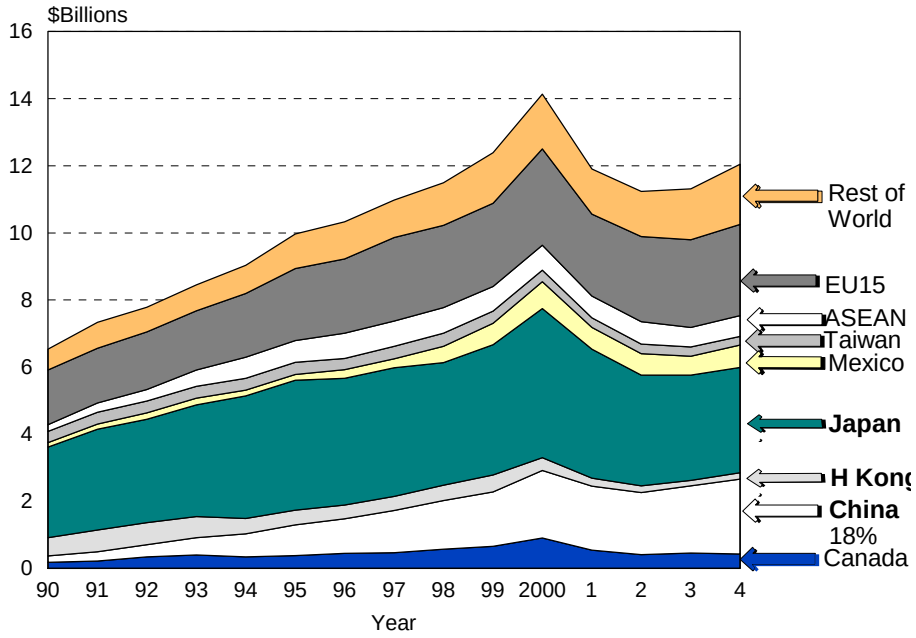
(millions of dollars)

	1990	2000	2001	2002	2003	2004
EU15	2,310	6,980	6,887	6,543	7,744	10,225
Mexico	513	3,665	3,895	4,436	5,090	5,082
Japan	1,494	4,075	3,561	2,902	3,177	4,016
China	74	1,025	1,172	1,301	1,660	2,176
Canada	527	2,167	1,793	1,575	1,406	1,611
ASEAN	152	860	1,027	1,037	1,139	1,448
Taiwan	176	434	372	393	450	458
Korea	89	152	152	156	153	177
Hong Kong	82	87	55	67	70	67
Rest of World	604	2,177	2,287	2,400	2,675	3,101
World	6,021	21,622	21,201	20,810	23,564	28,361

Source: U.S. Department of Commerce

Photographic and Optical Equipment and Timepieces. China is a rising supplier of photographic apparatus, equipment and supplies and optical goods as well as watches and clocks. In 2004, China accounted for 18% of U.S. imports of such products. Japan and the European Union still dominate U.S. imports. By country, the top three suppliers of such imports for the United States are Japan, China, and Switzerland.

Figure 21. U.S. Imports of Photographic Equipment, Optical Goods, Watches and Clocks (SITC 88) by Country and Group, 1990-2004



Source: U.S. Department of Commerce

Table 17. U.S. Imports of Photographic Apparatus, Equipment and Supplies and Optical Goods; Watches and Clocks (SITC 88) from Selected Countries and Country Groups, 1990, 2000-2004

(millions of dollars)

	1990	2000	2001	2002	2003	2004
Japan	2,668	4,450	3,848	3,309	3,138	3,140
EU15	1,619	2,868	2,439	2,535	2,612	2,716
China	191	2,016	1,908	1,842	2,001	2,239
Mexico	128	802	648	634	555	665
ASEAN	199	745	650	664	587	614
Canada	180	904	545	414	461	428
Taiwan	334	342	282	288	280	265
Hong Kong	526	378	236	200	164	182
Korea	127	179	168	150	134	124
Rest of World	574	1,626	1,348	1,353	1,510	1,797
World	6,546	14,310	12,072	11,389	11,442	12,170

Source: U.S. Department of Commerce

Foreign Direct Investment in China

Fueling China's export boom is an unprecedented infusion of foreign capital in the manufacturing sector.[35] Foreign direct investment (FDI) is directed toward investments in companies in which the foreign investor has a controlling interest. It is primarily for physical plant and equipment and for the costs of establishing enterprises in China. It is not for portfolio investment on China's stock exchanges. In 2002, China overtook the United States as the world's largest recipient of foreign direct investment. In 2004, China remained in that position, with $64 billion in utilized FDI. The United States is one of the largest sources of utilized FDI in China, investing $3.9 billion in 2004. (See **Table 18**.) China relies heavily upon investment from Hong Kong and other East Asian countries and regions. A significant amount of FDI from Hong Kong comes from Taiwan or from mainland Chinese companies via their subsidiaries in Hong Kong.[36] Annual or utilized FDI from Japan and South Korea surpassed that of the United States in 2003. In 2004, South Korea surpassed Japan as the third largest source of FDI in China. The United States remains the second largest source of cumulative FDI after Hong Kong. China's WTO commitments include allowing more foreign investment in sectors such as telecommunications, energy, banking, and insurance.

Table 18. China's Utilized Foreign Direct Investment Inflows, Top Foreign Investors, 2000-2004

(billions of dollars)

Country or Region					
	2000	2001	2002	2003	2004
Hong Kong	15.50	16.7	17.8	17.7	18.9
Virgin Islands[37]	3.84	5.0	6.1	5.7	6.7
South Korea	1.49	2.1	2.7	4.5	6.2
Japan	2.91	4.3	4.2	5.0	5.4
United States	4.38	4.4	5.4	4.2	3.9
Taiwan	2.29	2.9	3.9	3.4	3.1
Singapore	2.17	2.1	2.3	2.0	2
Germany	1.04	1.2	0.9	0.8	1
All Sources	40.71	46.9	52.7	53.5	64

Sources: U.S. Department of State, *2005 Investment Climate Statement — China;* U.S.-China Business Council.

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[35] For further discussion of China's economy and foreign investment, see CRS Issue Brief IB98014, *China's Economic Conditions*, by Wayne Morrison.

[36] Mainland subsidiaries in Hong Kong and Macao can take advantage of investment incentives for foreign companies on the PRC mainland.

[37] Many foreign firms, including U.S. companies, are registered in the Virgin Islands, Cayman Islands, and Western Samoa for tax purposes.

Appendix

Table A1. China's Merchandise Trade with the World, 1983-2004

(millions of dollars)

Year	China's Trade with the World (Chinese data)			World Trade with China (Partner Country Data)		
	China Exports	China Imports	China Balance	World Exports	World Imports	World Balance
1983	22,096	21,313	783	18,230	22,908	-4,678
1984	24,824	25,953	-1,129	24,640	26,904	-2,264
1985	27,329	42,534	-15,205	38,355	30,867	7,488
1986	31,367	43,247	-11,880	36,152	35,310	842
1987	39,464	43,222	-3,758	39,250	46,654	-7,404
1988	47,663	55,352	-7,689	51,794	59,748	-7,954
1989	52,916	59,131	-6,215	51,666	72,810	-21,144
1990	62,876	53,915	8,961	49,036	88,692	-39,656
1991	71,940	63,855	8,085	61,732	112,372	-50,640
1992	85,492	81,843	3,649	81,996	136,853	-54,857
1993	91,611	103,552	-11,941	108,406	156,896	-48,490
1994	120,822	115,629	5,193	120,634	191,663	-71,029
1995	148,892	132,063	16,829	145,897	233,614	-87,717
1996	151,093	138,949	12,144	156,200	254,440	-98,240
1997	182,917	142,163	40,754	165,230	286,540	-121,310
1998	183,744	140,385	43,359	152,890	289,620	-136,730
1999	194,932	165,717	29,215	162,650	322,080	-159,430
2000	249,212	225,097	24,115	212,060	398,060	-186,000
2001	266,200	243,600	22,600	221,450	413,280	-191,830
2002	325,642	295,302	30,339	270,930	483,610	-212,680
2003	438,472	413,095	25,377	422,590	601,920	-179,330
2004	622,808	581,727	41,081	527,370	794,480	-267,110

Note: Summation of data reported by 109 of China's trading partner countries in 1983 and 156 countries in 2004.

Sources: Chinese data: PRC General Administration of Customs; *Global Trade Atlas*. World Data: International Monetary Fund, *Direction of Trade Statistics*, Yearbook, various years.

Table A2. U.S. Merchandise Trade with China and China's Merchandise Trade with the United States, 1983-2004

(millions of dollars)

Year	U.S. Trade with China (U.S. data)			China's Trade with U.S. (Chinese data)		
	U.S. Exports	U.S. Imports	U.S. Balance	China Exports	China Imports	China Balance
1983	2,173	2,477	-304	1,713	2,753	-1,040
1984	3,004	3,381	-377	2,313	3,837	-1,524
1985	3,856	4,224	-368	2,336	5,199	-2,863
1986	3,106	5,241	-2,135	2,633	4,718	-2,085
1987	3,497	6,910	-3,413	3,030	4,836	-1,806
1988	5,017	9,261	-4,244	3,399	6,633	-3,234
1989	5,807	12,901	-7,094	4,414	7,864	-3,450
1990	4,807	16,296	-11,489	5,314	6,591	-1,277
1991	6,287	20,305	-14,018	6,198	8,010	-1,812
1992	7,470	27,413	-19,943	8,599	8,903	-304
1993	8,767	31,183	-22,416	16,976	10,633	6,343
1994	9,287	41,362	-32,075	21,421	13,977	7,444
1995	11,749	48,521	-36,772	24,744	16,123	8,621
1996	11,978	54,409	-42,431	26,731	16,179	10,552
1997	12,805	65,832	-53,027	32,744	16,290	16,454
1998	14,258	75,109	-60,851	38,001	16,997	21,004
1999	13,118	81,786	-68,668	41,946	19,480	22,466
2000	16,253	100,063	-83,810	52,104	22,363	29,741
2001	19,234	102,280	-83,046	54,300	26,200	28,100
2002	22,053	125,167	-103,115	69,959	27,227	42,731
2003	26,806	151,620	-123,960	92,510	33,882	58,628
2004	34,721	196,699	-161,978	124,973	44,652	80,321

Sources: U.S. data from U.S. Department of Commerce. Chinese data from PRC, General Administration of Customs.

Table A3. Japan's Merchandise Trade with China and China's Merchandise Trade With Japan, 1983-2004

(millions of dollars)

Year	Japan's Trade with China (Japanese Data)			China's Trade with Japan (Chinese Data)		
	Japan Exports	Japan Imports	Japan Balance	China Exports	China Imports	China Balance
1983	4,918	5,089	-171	4,517	5,495	-978
1984	7,199	5,943	1,256	5,155	8,057	-2,902
1985	12,590	6,534	6,056	6,091	15,178	-9,087
1986	9,936	5,727	4,209	5,079	12,463	-7,384
1987	8,337	7,478	859	6,392	10,087	-3,695
1988	9,486	9,861	-375	8,046	11,062	-3,016
1989	8,477	11,083	-2,606	8,395	10,534	-2,139
1990	6,145	12,057	-5,912	9,210	7,656	1,554
1991	8,605	14,248	-5,643	10,252	10,032	220
1992	11,967	16,972	-5,005	11,699	13,686	-1,987
1993	17,353	20,651	-3,298	15,782	23,303	-7,521
1994	18,687	27,569	-8,882	21,490	26,319	-4,829
1995	21,934	35,922	-13,988	28,466	29,007	-541
1996	21,827	40,405	-18,578	30,888	29,190	1,698
1997	21,692	41,827	-20,135	31,820	28,990	2,830
1998	20,182	37,079	-16,897	29,718	28,307	1,411
1999	23,450	43,070	-19,620	32,400	33,768	-1,368
2000	30,440	55,340	-24,900	41,611	41,520	90
2001	30,941	57,795	-26,558	45,078	42,810	2,267
2002	40,001	61,882	-21,881	48,483	53,489	-5,006
2003	57,474	75,579	-18,105	59,453	74,204	-14,751
2004	73,971	94,446	-20,475	73,536	94,191	-20,655

Sources: IMF, *Direction of Trade Statistics Quarterly*; *Global Trade Atlas;* PRC, General Administration of Customs.

Table A4. European Merchandise Trade with China and China's Merchandise Trade with the European Union, 1983-2004

(millions of dollars)

Year	EU Trade with China (EU data)			China's Trade with the EU (Chinese Data)		
	EU Exports	EU Imports	EU Balance	China Exports	China Imports	China Balance
1983	2,573	2,485	88	2,508	3,390	-882
1984	2,929	2,639	290	2,232	3,323	-1,091
1985	5,484	2,971	2,513	2,283	6,157	-3,874
1986	6,403	4,106	2,297	4,017	7,757	-3,740
1987	6,430	5,945	485	3,916	7,274	-3,358
1988	6,772	7,719	-947	4,746	8,176	-3,430
1989	7,360	9,877	-2,517	5,114	9,785	-4,671
1990	7,373	13,289	-5,916	6,275	9,147	-2,872
1991	7,719	18,160	-10,441	7,127	9,297	-2,170
1992	9,604	20,995	-11,391	8,004	10,863	-2,859
1993	14,301	23,730	-9,429	12,258	15,739	-3,481
1994	16,246	27,644	-11,398	15,418	18,604	-3,186
1995	19,327	32,333	-13,006	19,258	21,313	-2,055
1996	18,387	35,440	-17,053	19,868	19,883	-15
1997	18,054	42,172	-24,118	23,865	19,205	4,660
1998	19,298	47,005	-27,707	28,148	20,715	7,433
1999	20,326	52,573	-32,247	30,207	25,463	4,744
2000	23,063	64,022	-40,958	38,193	30,845	7,348
2001	26,620	67,634	-41,025	40,904	35,723	5,181
2002	32,195	77,495	-45,227	48,184	38,552	9,632
2003	44,974	108,132	-63,158	72,457	53,112	19,345
2004	57,703	146,774	-89,071	99,836	68,005	31,831

Note: From 1980-88, data are for the 12 nations of the European Economic Community and after 1988 for the 15 nations of the EU (addition of Austria, Finland, and Sweden).

Sources: IMF. *Direction of Trade Statistics Quarterly*; PRC. General Administration of Customs; *Global Trade Atlas*.

Table A5. Major Country Merchandise Exports to China, Imports from China, and Trade Balances with China, 2003 and 2004

(billions of dollars)

Partner	Trading Partner Data						Chinese Data					
	2003			2004			2003			2004		
	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal
U.S.	26.7	151.6	-123.9	34.7	196.6	-161.9	33.8	92.5	-58.7	44.6	124.9	-80.3
Japan	57.4	75.5	-18.1	73.9	94.4	-20.5	74.2	59.4	14.8	94.2	73.5	20.7
EU-15	44.9	108.1	-63.2	57.7	146.7	-89.0	52.7	72.4	-19.7	68.0	99.8	31.8
Hong Kong	95.2	100.7	-5.5	114.2	118.0	-3.8	11.1	76.3	-65.2	11.8	101.0	-89.2
Taiwan [a]	49.7	12.9	36.8	44.9	16.7	28.2	49.3	9.0	40.3	64.7	13.5	51.2
S. Korea	39.2	22.1	17.1	54.9	29.2	25.7	43.1	20.1	23.0	62.0	27.8	34.2
Germany	20.5	25.4	-4.9	26.0	38.4	-12.4	24.4	17.4	7.0	30.0	23.7	6.3
Singapore	10.1	11.0	-0.9	15.4	16.2	-0.8	10.4	8.8	1.6	14.0	12.6	1.4
U.K.	3.1	19.6	-16.5	4.3	19.1	-14.8	3.5	10.8	-7.3	4.7	14.9	-10.2
France	5.3	10.8	-5.5	6.7	14.5	-7.8	6.0	7.3	-1.3	7.6	9.9	-2.3

Sources: IMF, *Direction of Trade Statistics Quarterly (June 2004)*; *Global Trade Atlas*; Hong Kong Trade Development Council; Ministry of Economic Affairs, Board of Foreign Trade (Taiwan).

a. Taiwan exports and imports include China mainland and Hong Kong Special Administrative Region (SAR).

Table A6. U.S. Merchandise Trade Balances with Selected Asian Developing Nations, 1983-2004

(millions of dollars)

Year	China	Indonesia	S. Korea	Malaysia	Philippines	Taiwan	Thailand
1983	-305	-4,212	-1,953	-529	-370	-7,714	-131
1984	-377	-4,674	-4,188	-9983	-913	-11,266	-381
1985	-373	-4,152	-4,992	-936	-959	-13,295	-804
1986	-2,135	-2,757	-7,588	-807	-805	-16,069	-1,018
1987	-3,422	-2,955	-10,326	-1,159	-898	-19,221	-904
1988	-4,237	-2,438	-10,578	-1,715	-1,069	-14,314	-1,739
1989	-7,094	-2,618	-7,115	-2,052	-1,102	-14,305	-2,343
1990	-11,488	-1,785	-4,888	-2,071	-1,151	-12,347	-2,597
1991	-14,018	-1,675	-2,224	-2,446	-1,439	-11,038	-2,693
1992	-19,943	-1,927	-2,732	-4,144	-1,870	-10,601	-3,944
1993	-24,927	-3,117	-3,003	-4,858	-1,646	-10,050	-5,214
1994	-32,076	-4,209	-2,346	-7,454	-2,137	-10,864	-5,938
1995	-36,772	-4,599	523	-9,162	-2,070	-10,863	-5,452
1996	-42,431	-4,778	3,286	-9,809	-2,372	-12,610	-4,587
1997	-53,026	-5,222	1,269	-7,695	-3,370	-13,331	-5,699
1998	-56,927	-7,042	-7,456	-10,043	-5,211	-14,960	-8,198
1999	-68,668	-7,575	-8,308	-12,349	-5,153	-16,077	-9,340

Year	China	Indonesia	S. Korea	Malaysia	Philippines	Taiwan	Thailand
2000	-83,810	-7,839	-12,398	-14,573	-5,147	-16,134	-9,747
2001	-83,045	-7,605	-12,988	-12,956	-3,666	-15,239	-8,733
2002	-103,115	-7,062	-12,979	-13,661	-3,715	-13,805	-9,939
2003	-123,960	-6,999	-12,864	-14,517	-2,068	-14,111	-9,338
2004	-161,977	-8,142	-19,829	-17,288	— 2072	-12,866	-11,214

Source: U.S. Department of Commerce, International Trade Commission.