U.S. International Trade: Trends and Forecasts

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Summary

The U.S. trade deficit was shrinking through June 2009 because of the global financial crisis but has begun to increase again. The crisis caused U.S. imports to drop faster than U.S. exports. The global simultaneous recession, however, implies that exporting countries cannot rely on increased foreign demand to make up for slack demand at home. Even though U.S. imports are down considerably from 2008, companies competing with imports still face diminishing demand as the domestic economy has been hit by recession. These conditions imply that the political forces to protect domestic industry from imports are likely to intensify both in the United States and abroad.

In 2009, the **trade deficit in goods** reached $517.0 billion on a balance of payments (BoP) basis, less than the $840.3 in 2008 and $831 billion in 2007. The 2008 deficit on merchandise trade with China was $227 billion (Census basis), with the European Union was $60.5 billion, with Canada was $20.2 billion, with Japan was $44.8 billion, with Mexico was $47.5 billion, and with the Asian Newly Industrialized Countries (Hong Kong, South Korea, Singapore, and Taiwan) moved from a deficit of $5.5 billion in 2007 to a surplus of $2.2 billion in 2008 and a surplus again in 2009 of $3.6 billion. **Imports of goods** of $1,562.6 billion decreased by $554.7 billion, 26.2% over 2008. **Exports of goods** of $1,045.5 billion fell by $231.5 billion, 18.1%. The overall merchandise **trade deficit** for 2009 improved, or rose, by $323.2 billion, or roughly 38.5%. In the fourth quarter of 2008, as the U.S. recession worsened, imports declined faster than exports resulting in monthly trade deficits declining from August 2008 through February 2009. In 2009 goods imports reached their lowest recent level in May, at $119.2 billion. In 2009 goods exports fluctuated near $82 billion through May when they began to increase at about two billion monthly, reaching $99.1 billion in December.

Trade deficits are a concern for Congress because they may generate trade friction and pressures for the government to do more to open foreign markets, to shield U.S. producers from foreign competition, or to assist U.S. industries to become more competitive. Overall U.S. trade deficits reflect excess spending (a shortage of savings) in the domestic economy and a reliance on capital imports to finance that shortfall. Capital inflows serve to offset the outflow of dollars used to pay for imports. Movements in the exchange rate help to balance trade. The rising trade deficit (when not matched by capital inflows) places downward pressure on the value of the dollar which, in turn, helps to shrink the deficit by making U.S. exports cheaper and imports more expensive. Central banks in countries such as China, however, have intervened in foreign exchange markets to keep the value of their currencies from rising too fast. Bills in the 111th Congress relating to trade include: H.R. 3012/S. 2821, H.R. 496/S. 1466, H.R. 1875, S. 3103, S. 3134, S. 1254, S. 1027, H.R. 2378, H.Res. 934, H.Res. 987, and H.Res. 1124.

The balance on current account includes merchandise trade plus trade in services and unilateral transfers. In 2009, the deficit on current account fell to $419.9 billion from $706.1 billion in 2008 and $726.6 billion in 2007. IHS Global Insight forecasts a higher deficit on current account for 2010, at $552.2 billion, and 2011, at $625.9 billion. In trade in advanced technology products, the U.S. balance improved from a deficit of $61 billion in 2008 to $56 billion in 2009. In trade in motor vehicles and parts, the $73.4 billion U.S. deficit in 2009 was mainly with Japan, Mexico, and Germany.

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Most Recent Developments

World trade volume will rebound by 9.5% this year after plunging 12.2% in 2009 due to the global recession, according to a WTO report published on March 26, 2010. While exports from advanced economies are expected to grow by 7.5%, those from the rest of the world should increase by 11%. This forecast assumes global growth of 2.9% and stability in oil prices and exchange rates. Despite the increased forecast, the 2010 recovery will not be enough to offset last year's losses, which represented the largest slump in trade since the Second World War. According to the study, if trade continues to expand at its current pace, traded volumes will not surpass the 2008 peak until 2011. (Oxford Analytica Executive Report 3/29/10). Against this background in world trade, how did the United States fare in trade in 2009?

As the global financial crisis worsened and the United States and other countries dropped into recession, the declining U.S. trade deficit contributed positively to the growth in the U.S. economy. The U.S. recession would have been worse without the shrinking U.S. trade deficit. In 2009, the recession apparently bottomed out in North America, Japan, and Europe. China continues to exhibit strong growth. Given the simultaneous economic recession across major nations of the world, exporting countries were not able to rely on increased foreign demand to make up for slack demand at home. There was little prospect that any country could export their way out of recession. One exception, however, was South Korea, a country that maintained its exports by depreciating its currency nearly 50% against the U.S. dollar. While U.S. imports declined in 2009, companies competing with imports continued to face diminishing demand as the domestic economy stagnated. These conditions created pressure for political forces to protect domestic industry from imports worldwide.

In 2009, the U.S. deficit in merchandise trade dropped by about one-third (relative to 2008) to $517 billion as the U.S. recession caused imports to decline faster than exports. Total U.S. trade (exports plus imports of goods and services) also fell by about 23%. In 2009, U.S. exports to the world declined by 18%, while U.S. imports from the world declined 26% relative to the same time period's 2008 values.

In 2009, imports of energy-related petroleum products fell by about one-half as moderating prices for crude oil and weakening domestic demand for gasoline and other petroleum products cut into the need for imports. For 2009, imports of energy products remain the U.S. top import commodity, despite a decline in total import value of 45% relative to the same time period in 2008.

Trade in Goods

Table 1. U.S. Total Goods Trade With All Countries

In Millions of Current U.S. Dollars

Description	2007	2008	2009	% Change 2008/2007	% Change 2009/2008
US Goods Exports	1,138,384	1,276,994	1,045,543	2.2	-18.1
US Goods Imports	1,969,375	2,117,245	1,562,588	7.5	-26.2
US Goods Balance	-830,992	-840,252	-517,045	-1.1	38.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis and CRS.

Note: Balance of Payments basis.

In 2009, the **trade deficit in goods** reached $517.0 billion on a balance of payments (BoP) basis, less than the $840.3 billion in 2008 and less than the $831.0 billion in 2007. In **Figure 4**, the trade balance appears roughly the same from 2005 through 2008, with a pronounced lessening in 2009. The 2009 deficit on merchandise trade with China was $227 billion (Census basis), with the European Union was $60.5 billion, with Canada was $20.2 billion, with Japan was $44.8 billion, with Mexico was $47.5 billion, and the Asian Newly Industrialized Countries (Hong Kong, South Korea, Singapore, and Taiwan) switched from deficits in 2004 through 2007 to a 2009 surplus of $3.6 billion. **Imports of goods** of $1,562.6 billion decreased by $554.7 billion (26.2%) over 2008. Decreases in imports by sector were: crude oil down $159.1 billion, capital goods except automotive down $84.5 billion, automotive vehicles and parts down $73.8 billion, and industrial supplies and materials down $318.4 billion. **Exports of goods** of $1,045.5 billion fell by $231.5 billion (18.1%), particularly in industrial supplies, down $91.7 billion, capital goods except automotive down $67.3 billion, automotive vehicles and parts down $39.8 billion, and consumer goods down $11.3 billion. **U.S. exports and imports of goods began to decline in August 2008. This trend continued until exports of goods began to increase in May 2009 and imports began to increase in June. Monthly exports had dropped from $114.7 billion in August 2008 to $80.0 billion in April 2009. Similarly, monthly U.S. goods imports dropped from $186.8 billion in August 2008 to $119.2 billion in May 2009. This trend then reversed, with both exports and imports increasing with temporary downward fluctuations through latest data of March 2010.**

Trade in Services

In 2009, total annual imports of services of $370.8 billion and exports of $509.2 billion yielded a surplus in U.S. services trade of $138.4 billion. The U.S. service industries, particularly, financial services, tourism, shipping, and insurance, tend to compete well in international markets. **U.S. services exports peaked in June, 2008, at $47.2 billion. U.S. services imports likewise peaked in August 2008 at $35.7 billion. Both flows declined through March 2009 and since have been mainly increasing with exports reaching $45.2 billion and imports reaching $32.7 billion in March 2010.**

Trade in Goods and Services

Since the United States runs a surplus in trade in services, the combined deficit on goods and services is lower than the deficit on goods alone. In 2009, exports of goods and services of $1,554.7 and imports of $1,933.3 resulted in a deficit of -$378.6 billion, down from the -$695.9 billion in 2008 and -$701.4 billion in 2007.

For 2009, the annual trade deficit on goods and services amounted to approximately 2.6% of U.S. gross domestic product (GDP, $14,258 billion in 2009), down from 4.8% in 2008, 5.1% in 2007 and 5.8% in 2006. A level of 5% for countries is considered to be cautionary by economic observers. At that level, other countries have experienced problems paying for imports and maintaining the value of their currency. Given the "safe haven" effect (investors seeking a safe investment) associated with U.S. Treasury securities, however, as the global financial crisis worsened, foreign investors flocked to U.S. securities. As a result, U.S. interest rates remained relatively low, and in combination with the declining U.S. trade deficit have worked to allay concerns over the ability of the United States to finance the excess of imports over exports. Toward the end of 2009, however, investors slowed their buying of U.S. securities causing the dollar to weaken and raising some concern that U.S. interest rates may rise.

Figure 1 shows U.S. trade balances in goods and in services by month, for 2008, 2009, and beginning 2010. The 2008 monthly services balance began at $12.4 billion, rose through midyear, then dropped to $11.3 billion in December. Monthly services balances for 2009 and thus far in 2010 have averaged between $11 and $12 billion. Total 2009 annual imports of services of $370.8 billion and exports of $509.2 billion yielded a surplus in U.S. services trade of $138.4 billion.[1]

This report provides an overview of the current status, trends, and forecasts for U.S. import and export flows as well as certain balances. The purpose of this report is to provide current data and brief explanations for the various types of trade flows along with a brief discussion of trends that may require attention or point to the need for policy changes. The use of trade policy as an economic or strategic tool is beyond the scope of this report but can be found in various other CRS reports.[2] Further detail on trade in specific commodities, with particular countries or regions, or for different time periods, can be obtained from the Department of Commerce,[3] U.S. International Trade Commission,[4] or by contacting the authors of this report.

[1] Monthly trade data are available from the U.S. Bureau of Economic Analysis at http://www.bea.gov/newsreleases/International/trade/2008/pdf/trad0808.pdf.

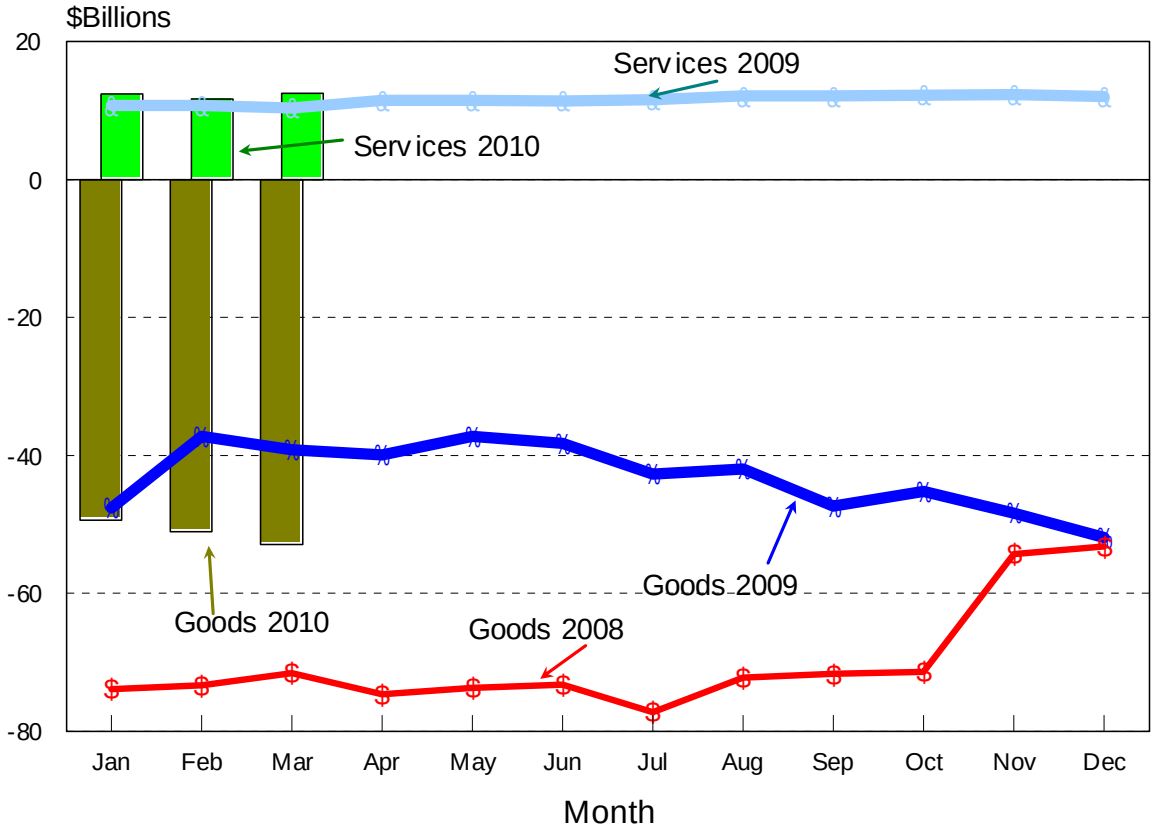
[2] See, for example, CRS Report R41145, *The Future of U.S. Trade Policy: An Analysis of Issues and Options for the 111th Congress* , by William H. Cooper; CRS Report RL33743, *Trade Promotion Authority (TPA): Issues, Options, and Prospects for Renewal*, by J. F. Hornbeck and William H. Cooper; CRS Report RL31356, *Free Trade Agreements: Impact on U.S. Trade and Implications for U.S. Trade Policy*, by William H. Cooper; CRS Report RL31832, *The Export Administration Act: Evolution, Provisions, and Debate*, by Ian F. Fergusson, CRS Report RL33550, *Trade Remedy Legislation: Applying Countervailing Action to Nonmarket Economy Countries*, by Vivian C. Jones, CRS Report RS20088, *Dispute Settlement in the World Trade Organization (WTO): An Overview*, by Jeanne J. Grimmett, or CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson.

[3] Commerce Department data are available at http://www.bea.gov/.

[4] U.S. International Trade Commission data are available at http://dataweb.usitc.gov/.

Figure 1. Monthly U.S. Balances of Trade in Goods and Services, 2008, 2009, and 2010

(in Current Billion Dollars)



Source: CRS with Data from the U.S. Department of Commerce.

Note: Balance of Payments basis.

International Trade and U.S. Trade Policy

International trade in goods and services along with flows of financial capital affect virtually every person living in the United States. Whether buying imported clothes, gasoline, computers or cars, or working in an industry that competes with imports, or sells products abroad, the influence of international trade on economic activity is ubiquitous. Although the United States is one of the three largest exporters in the world (China and Germany are the other two), U.S. sales abroad are overshadowed by the huge demand by Americans for imported products. Since 1976, the United States has incurred continual merchandise trade deficits with annual amounts increasing steadily until the plateau of years 2005 through 2008. Then in 2009 the U.S. trade deficit declined roughly 38% (see **Figure 4**).

For the Congress, the trade deficit and other aspects of international trade enter into public policy considerations through many portals. At the macroeconomic level, trade deficits are a concern because they affect U.S. economic growth, interest rates, labor, and the debt load of the economy. As the trade deficit rises relative to the total economy, the risk increases that the dollar will weaken, prices will rise, financial markets will be disrupted, and the economic well being of the population will be reduced. On the strategic level, trade ties often lead to a deepening of bilateral

relations with other nations that can develop into formal free trade agreements or political and security arrangements. Trade also can be used as a tool to accomplish strategic objectives—particularly through providing preferential trading arrangements or by imposing trade sanctions.

In the recent financial crisis, countries coordinated their stimulus packages but they also were loath to seek outside assistance, particularly from the International Monetary Fund. As a result, countries often had to rescue their own businesses and economies even if such actions came at the expense of other countries. In cases, this involved seeking national advantage by either protecting domestic industries through restricting imports or promoting exports.

On the microeconomic side, imports of specific products can generate trade friction and pressures from constituent interests for the government to shield U.S. producers from foreign competition, provide adjustment assistance, open foreign markets, or assist U.S. industries to become more competitive. At the household level, rising trade deficits and free trade agreements often are associated with the loss of jobs, an issue of high concern to the American public. For example, in November 2009, the Pew Research Center found that 85% of the respondents in a survey said that protecting jobs should be a top foreign policy priority and that economic issues were the greatest international problem confronting the United States, followed closely by the wars in Afghanistan and Iraq. As for free trade agreements, 43% said that they were good for the country while 32% said that they were bad. In the Pew survey, 53% thought free trade agreements lead to job losses, 49% to lower wages, and 42% to slower economic growth.[5]

The Obama Administration did not articulate its policy on trade until March 2010 arguably because of the urgency of dealing with the global financial crisis and the push for health care legislation. Until then, most of U.S. trade policy relied on existing mechanisms to protect American industries from unfair trade and from surges in imports (increased tariffs on imports of tires from China) and on taking no action on pending free-trade agreements with Columbia, Panama, and South Korea. In March 2010, following the passage of the health care legislation, the Administration began to turn its attention to other pressing issues, including international trade policy.

On March 3, 2010, the President sent his trade policy agenda to Congress. It included the following:

- *Support and strengthen a rules-based trading system.* (support an ambitious and balanced Doha agreement that liberalizes agriculture, goods and services)
- *Enforce rights in the rules-based trading system.* (strengthen monitoring and enforcement, use the WTO dispute settlement process, increase focus on nontariff barriers, and enforce labor and environmental rights in trade agreements)
- *Enhance U.S. growth, job creation and innovation.* (emphasize relations with emerging markets and key trade partners, pursue regional engagement, particularly negotiation of a Trans-Pacific Partnership Agreement)
- *Work to resolve outstanding issues with pending free trade agreements (FTAs) and build on existing agreements.* (resolve issues with and implement pending FTAs with Panama, Colombia, and South Korea and strengthen relationships

[5] Pew Research Center for the People and the Press. "U.S. Seen as Less Important, China as More Powerful, Isolationist Sentiment Surges to Four-Decade High," *Survey Reports*, December 3, 2009.

with current trading partners such as Canada, Mexico, Japan, and the European Union)

- *Facilitate progress on national energy and environmental goals.*
- *Foster stronger partnerships with developing and poor nations.*

The Administration also is exploring the possibility of negotiating a multilateral agreement providing for free trade in environmental goods and for removing non-tariff barriers to environmentally friendly services. The Administration's Trade Policy Agenda also includes a National Export Initiative that aims to double U.S. exports over the next five years. Its particular focus is on assisting small- and medium-sized enterprises to export more.

In Congress, Members have expressed both support and opposition to the three pending free trade agreements. The specific points cited in opposition to the FTAs include anti-labor activities in Columbia, potential tax havens in Panama, and the protected automobile market in South Korea. However, in the background seems to be a general reluctance to approve any FTAs at all unless they are seen to create jobs and meet certain labor and environmental standards. On April 20, 2010, Senators Max Baucus and Charles E. Grassley of the Senate Finance Committee sent a letter to the President urging effort to resolve issues relating to South Korean imports of beef and automobiles in order to win broad approval of the Korea-U.S. FTA. On March 10, 2010, Senators John Kerry and Dick Lugar of the Senate Foreign Relations Committee also sent a letter to the President urging the Administration to settle the issues holding up the Korea-U.S. FTA.[6] Other trade policy issues in Congress have been China's undervalued currency, trade enforcement, consumer safety for imported goods, and environmental protection as it relates to trade.

Numerous bills in Congress address issues related to trade. For example:

- The American Recovery and Reinvestment Act of 2009 (H.R. 1, P.L. 111-5) contained a "Buy America" provision.
- H.R. 4284, a bill to extend the Generalized System of Preferences and the Andean Trade Preference passed the Congress in December 2009.
- The Trade Act of 2009 (H.R. 3012/S. 2821) would require biennial reviews of certain free trade agreements and would provide that implementing bills of new trade agreements not be subject to expedited consideration unless such agreements included certain standards with respect to aspects such as labor; human rights; the environment and public safety; and food and product safety. The bill also would require the President to submit a plan to Congress for the renegotiation of existing trade agreements to bring them into compliance with such standards.
- The Trade Enforcement Act of 2009 (H.R. 496/S. 1466) would require the United States Trade Representative to: (1) review U.S. trade expansion priorities; and (2) report to Congress on priority foreign country practices which if eliminated will have the most potential to increase U.S. exports. It also would establish the Office of the Congressional Trade Enforcer and would require the USTR to (1)

[6] Ian Swanson, *Baucus, Grassley want action on South Korea trade deal*, The Hill's Blog Briefing Room, April 20, 2010. *Kerry, Lugar Urge Administration To Move Forward On The U.S.-Korean Trade Agreement* , Senate Foreign Relations Committee Press Release, May 10, 2010.

identify priority foreign countries that maintain technical barriers to trade, or sanitary or phytosanitary measures, that deny market access to U.S. products; and (2) initiate an investigation of such trade barriers to determine what trade action, if any, must be taken to remedy such barriers. It also would apply countervailing duty provisions to nonmarket economy countries.

- The End the Trade Deficit Act (H.R. 1875) would establish an Emergency Commission to End the Trade Deficit.
- The Small Business Job Creation Act of 2010 (S. 3103) would direct Administrator of the Small Business Administration to take certain measures to promote exports.
- Several bills address the issue of misaligned currencies. They include S. 3134, S. 1254, S. 1027, and H.R. 2378.
- Several bills address issues regarding the pending free trade agreements with South Korea, Columbia, and Panama. They include H.Res. 934, H.Res. 987, and H.Res. 1124.

The Trade Deficit and the Dollar

Overall U.S. trade deficits reflect a shortage of savings in the domestic economy and a reliance on capital imports to finance that shortfall. A savings shortfall is the analogue of excessive spending that is financed by borrowing. Households borrow for consumption; businesses borrow to invest; and the government borrows to cover its budget deficit. At the international transaction level, the savings shortfall is manifest when the United States imports capital to pay for its excess of imports (trade deficit).

Whether this foreign borrowing is beneficial for the U.S. economy depends on how the imports of capital are used. If they are used to finance investments that generate a future return at a sufficiently high rate (they raise future output and productivity), then they may increase the well-being of current and future generations. However, if the imports are used only for current consumption, the net effect of the borrowing will be to shift the burden of repayment to future generations without a corresponding benefit to them.

U.S. trade balances are macroeconomic variables that may or may not indicate underlying problems with the competitiveness of particular industries or what some refer to as the competitiveness of a nation. The reason is that overall trade flows are determined, within the framework of institutional barriers to trade and the activities of individual industries, primarily by macroeconomic factors such as rates of growth, savings and investment behavior (including government budget deficits/surpluses), international capital flows, and exchange rates.[7]

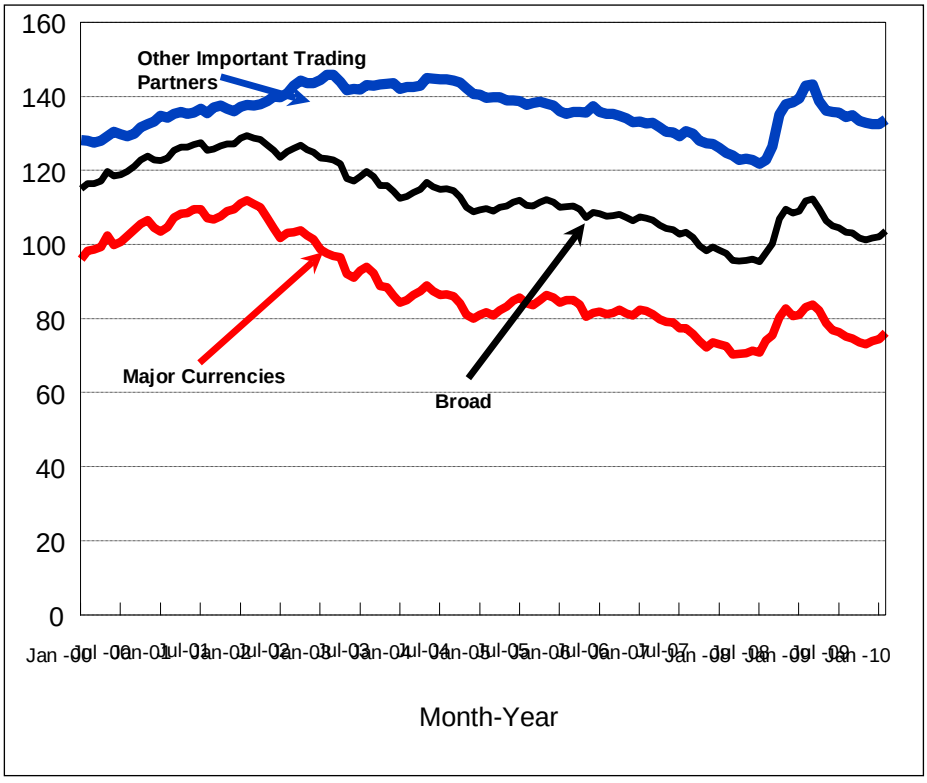
Increases in trade deficits may diminish economic growth, since net exports (exports minus imports) are a component of gross domestic product. In the late 1980s and early 1990s, export growth was an important element in overall U.S. economic growth. In 2008, merchandise exports

[7] For further information on trade deficits and the macroeconomy, see CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson, and CRS Report RL33186, *Is the U.S. Current Account Deficit Sustainable?*, by Marc Labonte.

accounted for about 9% of GDP, compared with 5.9% in 1990. In 2009, as trade deficits declined, they provided some help to the ailing economy. If they rise in 2010, as forecasted, they will provide a drag on the economic recovery.

Many economists fear that the rising U.S. trade and current account[8] deficits could lead to a large drop in the value of the U.S. dollar. The current account deficit, while decreasing from 6.0% of GDP in 2006 to 5.2% of GDP in 2007, and 4.9% in 2008, and 2.9% in 2009, continues to place downward pressure on the dollar. A weakened dollar boosts exports by making them cheaper, narrowing the U.S. trade deficit. Compared to a Federal Reserve index of major currencies weighted by importance to U.S. trade, the dollar has lost a third of its value since 2002 (see **Figure 2**). The dollar has fallen against the euro, yen, British pound, Australian dollar, and Canadian dollar. In fact, the U.S. dollar fell to parity with the Canadian loonie in September 2007 for the first time in thirty years, and remains roughly in that range. Between July and November 2008, the U.S. dollar strengthened against other currencies as the global financial crisis increased "safe haven demand" for the dollar. Since November 2009, the dollar has lost some value, partly due to the Federal Reserve's lowering of interest rates.

Figure 2. Month-End Trade-Weighted U.S. Dollar Against Broad, Major Currencies, and Other Important Trading Partner Indices, January 2000-January 2010



Source: Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/.

Notes: Broad Index (January 1997 = 100): Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia.

[8] U.S. trade in goods and services plus net flows of investment income and remittances.

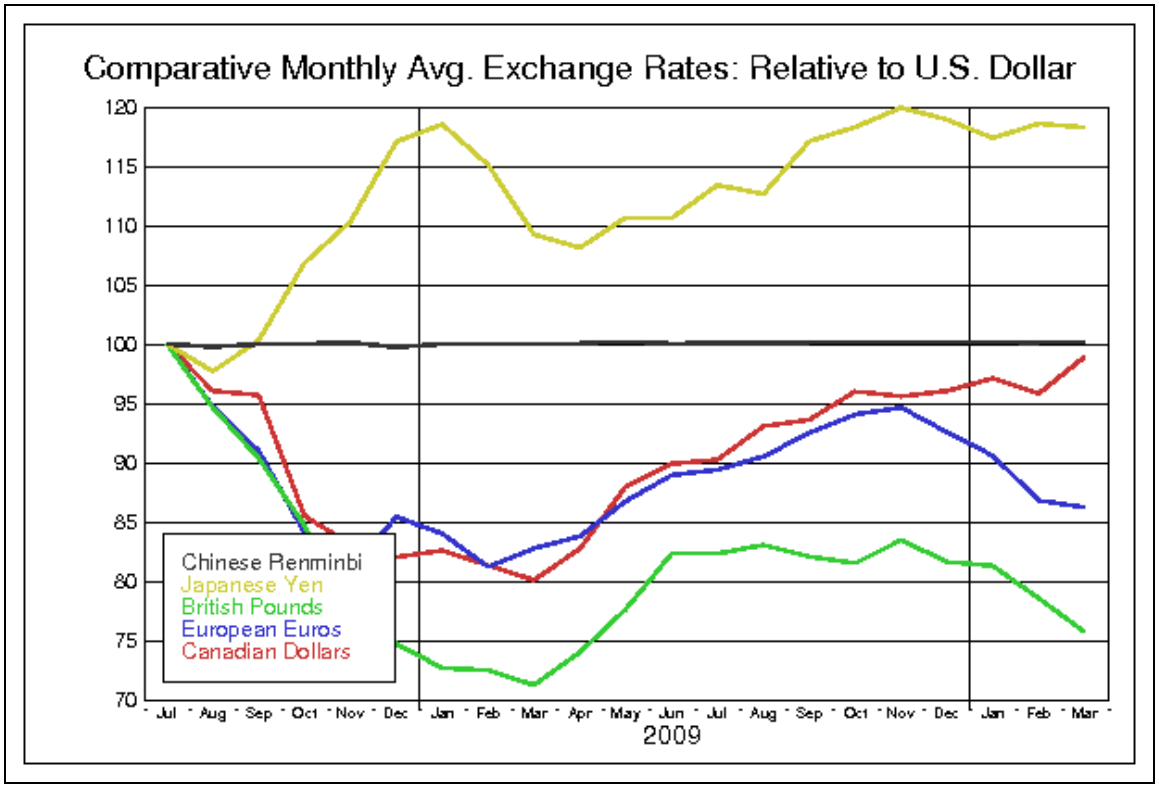
Major Currencies Index (January 1973 = 100): Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden.

Other Important Trade Partners Index (January 1997 = 100): Mexico, China, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Thailand, Philippines, Indonesia, India, Israel, Saudi Arabia, Russia, Argentina, Venezuela, Chile and Colombia.

Although a weakened dollar helps to reduce U.S. trade imbalances, it also may reduce the dollar's attractiveness to foreign investors. If foreign investors stop offsetting the deficit by buying dollar-denominated assets, the value of the dollar could drop—possibly precipitously. In that case, U.S. interest rates would have to rise to attract more foreign investment; financial markets could be disrupted; and inflationary pressures could increase. The global financial crisis first worked to strengthen the dollar vis-à-vis the EU euro, UK pound, Canadian dollar, and many currencies of developing nations, however, after mid-2009, the dollar weakened and then began to strengthen again. The Japanese yen has appreciated considerably as some investors have invested in yen-denominated assets instead of those denominated in dollars. During the global financial crisis, the Chinese government has kept the renminbi essentially pegged to the dollar, although it had appreciated somewhat prior to the crisis.

Figure 3. The Exchange Value of the Chinese Renminbi, Japanese Yen, British Pound, EU Euro, and Canadian Dollar

PACIFIC Exchange Rate Service



Source: © 2010 by Prof. Werner Antweiler, University of British Columbia, Vancouver BC, Canada. Permission is granted to reproduce the above image provided that the source and copyright are acknowledged.

Notes: Time period shown in diagram: July 2008 – March 2010.

Currently, foreign investment in dollar assets along with purchases of securities by investors seeking a safe haven as well as from central banks of countries such as China have bolstered the

value of the dollar. China's central bank has intervened in currency markets to keep its exchange rate relatively stable. Japan claims not to have intervened in currency markets since spring of 2004. This intervention adds to the foreign currency reserves held by these countries. As of March 2010, Japan's central bank held $1,042.7 billion in foreign currency reserves,[9] and the Bank of China held $2,447 billion.[10] In U.S. Treasury securities, as of February 2010, Japan held $768.5 billion and China $877.5 billion.[11] On July 21, 2005, China announced a 2.1% revaluation of its currency, and the value of the renminbi has appreciated steadily from 8.2 to 7.0 renminbi per dollar (15%). Continuing in that range, in March 2010 the renminbi was trading at 6.8 per dollar. Beijing apparently has indicated that it would take some action on the renminbi prior to the G-20 meetings in November 2010 in Seoul, Korea.

A recent development in foreign country holdings of dollars and other reserve currencies is that some are turning toward creating sovereign wealth funds (SWFs). These are funds owned by governments that are invested in stocks, bonds, property, and other financial instruments denominated in dollars, euros, or other hard currency. For China, Japan, South Korea, Russia, and the oil-exporting nations of the Persian Gulf, the source of capital for these funds is coming from governmental holdings of foreign exchange. For China and Japan, for example, foreign exchange reserves have traditionally been invested by their respective central banks primarily in low-yielding but low-risk government bonds, i.e., U.S. Treasury securities. The purpose of sovereign wealth funds is to diversify investments and to earn a higher rate of return. For example, in September 2007, China created a sovereign wealth fund—the China Investment Corporation (CIC)—with initial capital of $200 billion. Depending on how these funds are managed and what leverage they acquire, they could affect U.S. interest rates (foreign purchases of U.S. Treasury securities tend to reduce U.S. interest rates), corporate activities (if funds buy significant voting shares of companies), and foreign access to technology and raw materials. The U.S. trade deficit provides some of the foreign exchange that goes to finance these sovereign wealth funds.[12]

How long can the United States keep running trade deficits? U.S. deficits in trade can continue for as long as foreign investors are willing to buy and hold U.S. assets, particularly government securities and other financial assets.[13] Their willingness depends on a complicated array of factors including the perception of the United States as a safe haven for capital, relative rates of return on investments, interest rates on U.S. financial assets, actions by foreign central banks, and the savings and investment decisions of businesses, governments, and households. The policy levers that influence these factors that affect the trade deficit are held by the Federal Reserve[14] (interest rates) as well as both Congress and the Administration (government budget deficits and trade policy), and their counterpart institutions abroad.

[9] Statistics on Japanese international reserves are released on a monthly basis by the Japanese Ministry of Finance and available at https://www.mof.go.jp/english/.

[10] Statistics on Chinese international reserves are available from the Chinability website, a non-profit website that provides Chinese economic and business data and analysis, at http://www.chinability.com/.

[11] Statistics on foreign holdings of U.S. Treasury securities are available at http://www.treasury.gov/tic/mfh.txt. For further information, see CRS Report RS22331, *Foreign Holdings of Federal Debt*, by Justin Murray and Marc Labonte.

[12] For more information on sovereign wealth funds, see CRS Report RL34336, *Sovereign Wealth Funds: Background and Policy Issues for Congress*, by Martin A. Weiss, CRS Report RL34337, *China's Sovereign Wealth Fund*, by Michael F. Martin.

[13] See Mann, Catherine L. *Is the U.S. Trade Deficit Sustainable?* Washington, Institute for International Economics, 1999. 224 p. See also CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson and CRS Report RS21951, *Financing the U.S. Trade Deficit: Role of Foreign Governments*, by Marc Labonte.

[14] For details, see CRS Report RS20826, *Structure and Functions of the Federal Reserve System*, by Pauline Smale.

In the 111th Congress, legislation directed at the trade deficit has been taking several strategies. Some address trade barriers by particular countries, particularly China. Others are aimed at preventing manipulation of exchange rates or at imposing import duties to compensate for the arguably undervalued Chinese currency.[15] Other bills seek to find domestic substitutes for imported oil, or require the President or a policy group to take certain actions if the trade deficit exceeded a threshold amount. Legislation is tracked in other CRS reports dealing with trade.

Types of Trade Data

The U.S. government compiles trade data in four different ways. The data on goods trade are first compiled on a Census basis. Bilateral trade with countries and sectoral data are reported only on a Census basis. The Census numbers are then adjusted and reported monthly on a balance of payments (BoP) basis that includes adjustments for valuation, coverage, and timing and excludes military transactions. The data are finally reported in terms of national income and product accounts (NIPA). The NIPA data also can be further adjusted to include correcting for inflation to gauge movement in trade volumes as distinct from trade values. Conceptually, this procedure is analogous to adjusting macroeconomic data from nominal to real values.

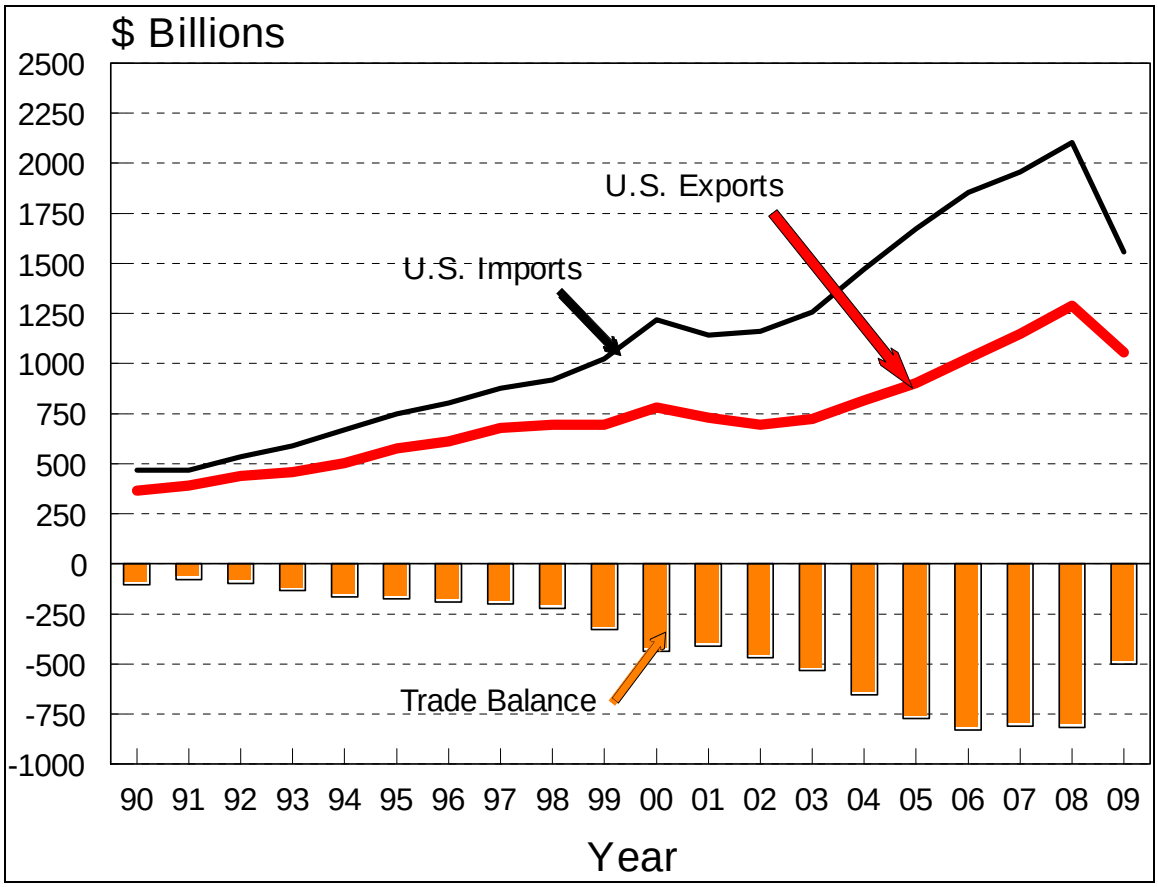
The Census Bureau also reports imports on a c.i.f. (cost, insurance, and freight) basis which includes the value of insurance, international shipping, and other charges incurred in bringing merchandise to U.S. ports of entry. The customs (or f.a.s.—free alongside ship) data do not include these supplementary costs. U.S. import data are reported on a customs basis with insurance and freight charges counted in U.S. services trade. Other countries, however, commonly report merchandise import figures that include insurance and freight charges. This tends to overstate their imports and understate their trade surpluses with the United States.

U.S. Merchandise Trade Balance

The merchandise (goods) trade balance is the most widely known and frequently used indicator of U.S. international economic activity (see **Figure 4**). In 2009, total U.S. merchandise trade amounted to $2,614.8 billion, a 22.9% decrease from $3,391.1 billion in 2008. Merchandise exports in 2009 totaled $1,057 billion, while imports reached $1,558 billion (Census basis). The U.S. merchandise trade deficit fell massively from -$816 billion in 2008 to -$501 billion in 2009. The merchandise deficit increased in double-digit rates by 23% in 2004 and 18% in 2005. The deficit increase slowed in 2006, by 9.2%, then fractionally in 2007, by 0.9%, before its decrease in 2009 by 38.5%.

[15] For legislation related to trade with China and the Chinese currency, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison and CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

Figure 4. U.S. Merchandise Exports, Imports, and Trade Balance



Source: CRS with Census basis data from U.S. Bureau of Economic Analysis http://www.bea.gov/.

U.S. merchandise exports (as shown in **Table 2** and **Figure 5**), decreased in 2001 and 2002 in response to the global slowdown, but generally have been increasing each year. As shown in **Figure 5**, the growth of imports has also been steady, although they too fell by 6.4% in 2001 before recovering in 2002. In 2003, import growth was nearly double export growth, although in 2004, export growth almost caught up with that of imports, and in 2005, the rate of increase for both dropped slightly. Growth in exports and imports slowed in 2007 with exports rising by 12.3% and imports by 5.7%. Likewise in 2008, exports grew faster than imports (12.4% vs 7.3%), but the trade deficit still increased. This is because U.S. imports are about 63% greater than U.S. exports, so exports must grow about 63% faster than imports just for the deficit to remain constant. Then in 2009, with the full force of the financial crisis, exports decreased slower than imports (-17.9% vs -25.9%).

Table 2. U.S. Merchandise Exports, Imports, and Trade Balances on Census and Balance of Payments Bases

In Billions of Current U.S. dollars

	Census basis			Balance of Payments basis		
Year	Exports (f.a.s.)[a]	Imports (customs)[b]	Trade Balance	Exports (f.a.s.) [a]	Imports (customs)[b]	Trade Balance
1982	212.3	243.9	-31.6	211.2	247.6	-36.4
1983	201.7	261.7	-60.0	201.8	268.9	-67.1
1984	218.7	330.5	-111.8	219.9	332.4	-112.5
1985	212.6	336.4	-123.8	215.9	338.1	-122.2
1986	226.4	365.7	-139.3	223.3	368.4	-145.1
1987	253.9	406.3	-152.4	250.2	409.8	-159.6
1988	323.3	441.9	-118.6	320.2	447.2	-127.0
1989	362.9	473.4	-110.5	359.9	477.7	-117.8
1990	392.9	495.2	-102.3	387.4	498.4	-111.0
1991	421.8	487.1	-65.3	414.1	491.0	-76.9
1992	448.2	532.6	-84.4	439.6	536.5	-96.9
1993	464.8	580.5	-115.7	456.9	589.4	-132.5
1994	512.6	663.2	-150.6	502.9	668.7	-165.8
1995	584.7	743.5	-158.8	575.2	749.4	-174.2
1996	625.1	795.3	-170.2	612.1	803.1	-191.0
1997	689.2	869.7	-180.5	678.4	876.8	-198.4
1998	682.1	911.9	-229.8	670.4	918.6	-248.2
1999	695.8	1,024.6	-328.8	684.0	1031.8	-347.8
2000	781.9	1,218.0	-436.1	772.0	1226.7	-454.7
2001	729.1	1,141.0	-411.9	718.7	1148.6	-429.9
2002	693.1	1,161.4	-468.3	685.2	1168.0	-482.8
2003	724.8	1,257.1	-532.3	715.8	1264.9	-549.1
2004	818.9	1,469.7	-654.8	806.2	1478.0	-671.8
2005	901.1	1,673.5	-772.4	892.3	1683.2	-790.9
2006	1,026.0	1,853.9	-828.0	1015.8	1863.1	-847.3
2007	1,148.2	1,957.0	-808.8	1138.4	1969.4	-831.0
2008	1,287.4	2,103.6	-816.2	1277.0	2117.2	-840.3
2009	1,056.8	1,558.1	-501.3	1,045.5	1,562.6	-517.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts Data.

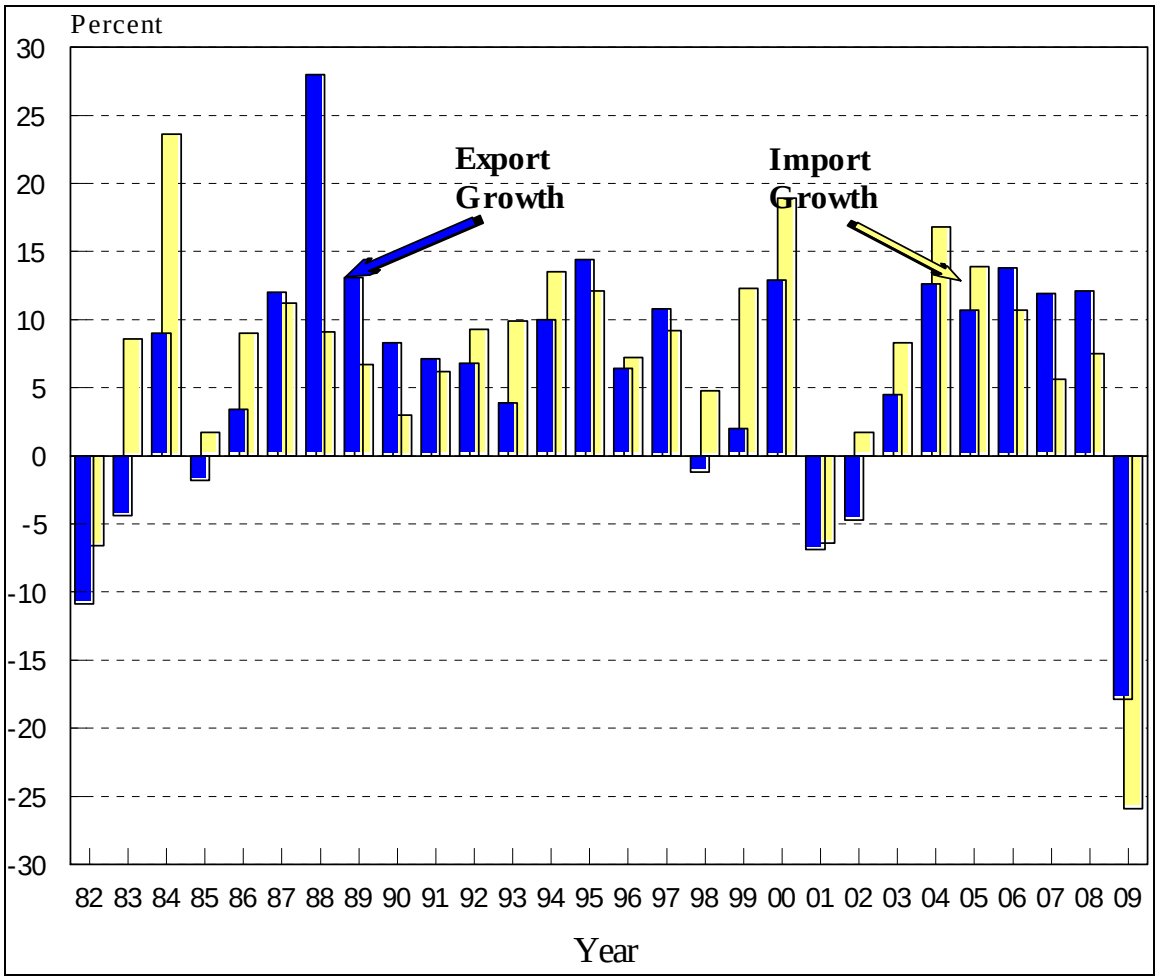
Note: Goods on a Census basis are adjusted to a BoP basis to include changes in ownership that occur without goods passing into or out of the customs territory of the United States, to eliminate duplication, and to value transactions according to a standard definition. Export adjustments include counting military sales as services not goods, adding private gift parcels, and foreign official gold sales from U.S. private dealers. Import adjustments

include adding in inland freight in Canada and foreign official gold sales to U.S. private dealers, and subtracting imports by U.S. military agencies.

a. Exports are valued on an f.a.s. basis, which refers to the free alongside ship value at the port of export and generally include inland freight, insurance, and other charges incurred in placing the goods alongside the carrier at the port of exportation.

b. Imports are valued as reported by the U.S. Customs Service, known as Customs basis, and exclude import duties, the cost of freight, insurance, and other charges incurred in bringing merchandise to the United States.

Figure 5. Annual Growth in U.S. Merchandise Exports and Imports, 1982-2009



Source: Underlying data from U.S. Department of Commerce.

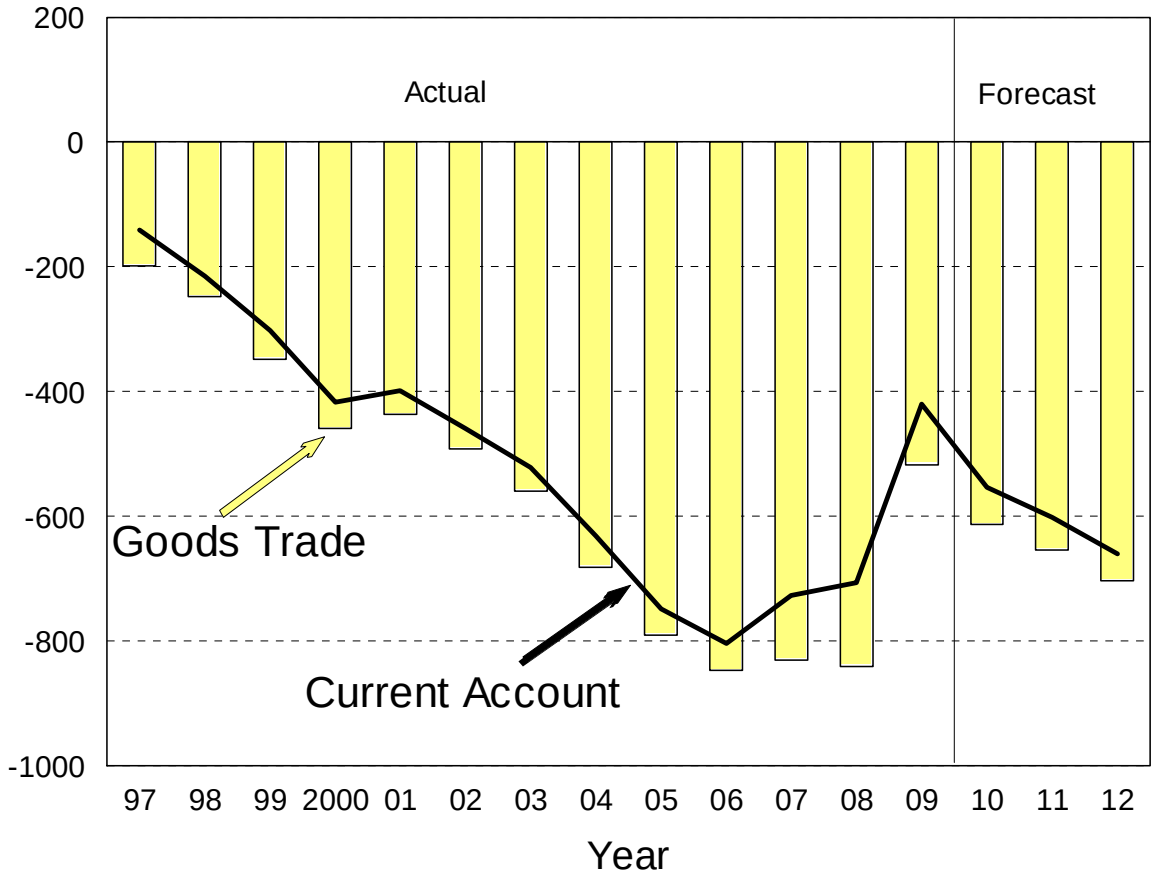
Current Account Balance

The current account provides a broader measure of U.S. trade because it includes services, investment income, and unilateral transfers in addition to merchandise trade (see **Table 2**). The balance on services includes travel, transportation, fees and royalties, insurance payments, and other government and private services. The balance on investment income includes income received on U.S. assets abroad minus income paid on foreign assets in the United States.

Unilateral transfers are international transfers of funds for which there is no *quid pro quo*. These include private gifts, remittances, pension payments, and government grants (foreign aid). Data on the current account are announced several months later than those on trade in goods and services.

Figure 6. U.S. Current Account and Merchandise Trade Balances

In Billions of Current U.S. Dollars



Sources: CRS with data from U.S. Bureau of Economic Analysis, U.S. International Transactions Account. Forecasts from IHS Global Insight.

Table 3 summarizes the components of the U.S. current account. In 2009, the U.S. deficit on current account decreased to $419.9 billion from $706.1 billion in 2008. The 2009 deficit on current account amounted to 2.9 % of GDP, down from 4.9% in 2008. Both these data remain below the 5% level of caution used by the International Monetary Fund. Since the dollar is used as an international reserve currency, the United States can run trade deficits without the same downward pressure on the value of the dollar as other nations. Historically, the current account deficit fell from a then record-high $160.7 billion in 1987 to $79.0 billion in 1990, and switched to a $3.7 billion surplus in 1991 (primarily because of payments to fund the Gulf War by Japan and other nations). However, since a slight decline in 1995, the current account deficit has been increasing significantly except for a slight dip in 2001 because of the U.S. recession and a similar situation in 2007 and 2008 before the large rise in 2009.

Table 3. U.S. Current Account Balances

In Billions of Current U.S. Dollars

Calendar Year	Merchandise Trade Balance[a]	Services Balance[b]	Investment Income Balance[c]	Net Unilateral Transfers[d]	Current Account Balance[e]
1985	-122.2	0.3	25.7	-22.0	-118.2
1986	-145.1	6.5	15.5	-24.1	-147.2
1987	-159.6	7.9	14.3	-23.3	-160.7
1988	-127.0	12.4	18.7	-25.3	-121.2
1989	-117.7	24.6	19.8	-26.2	-99.5
1990	-111.0	30.2	28.6	-26.7	-79.0
1991	-76.9	45.8	24.1	9.9	2.9
1992	-96.9	57.7	24.2	-35.1	-50.1
1993	-132.5	62.1	25.3	-39.8	-84.8
1994	-165.8	67.3	17.1	-40.3	-121.6
1995	-174.2	77.8	20.9	-38.1	-113.6
1996	-191.0	86.9	22.3	-43.0	-124.8
1997	-198.4	90.2	12.6	-45.1	-140.7
1998	-248.2	82.1	4.3	-53.2	-215.1
1999	-347.8	82.7	13.9	-50.4	-301.6
2000	-454.7	74.9	21.1	-58.6	-417.4
2001	-429.5	64.4	31.7	-51.3	-384.7
2002	-485.0	61.2	27.4	-64.9	-461.3
2003	-550.9	54.0	45.3	-71.8	-523.4
2004	-669.6	61.8	67.2	-84.5	-625.0
2005	-790.9	75.6	72.4	-105.8	-748.7
2006	-847.3	86.9	48.1	-91.3	-803.5
2007	-831.0	129.6	90.8	-116.0	-726.6
2008	-840.3	144.3	118.2	-128.4	-706.1
2009	-517.0	138.4	89.0	-130.2	-419.9

Source: U.S. Bureau of Economic Analysis, U.S. International Transactions.

a. On a BoP basis.

b. Includes travel, transportation, fees and royalties, insurance payments, other government and private services, and investment income.

c. Income receipts on U.S. assets abroad minus income payments on foreign assets in the United States.

d. International transfers of funds, such as private gifts, pension payments, and government grants for which there is no quid pro quo.

e. The trade balance plus the service balance plus investment income balance plus net unilateral transfers, although conceptually equal to the current account balance, may differ slightly as a result of rounding.

Because the merchandise trade balance comprises the greater part of the current account, the two tend to track each other. Unlike the merchandise trade balance, however, the services account registered surpluses of $86.9 billion in 2006, $129.6 billion in 2007, $144.3 billion in 2008 and $134.4 billion in 2009. Since Americans are such large investors in foreign economies, the United States traditionally also has a surplus in its investment income ($89.0 billion in 2009), but the deficit in unilateral transfers (primarily dollars sent abroad by foreign workers and recent immigrants) totaled $130.2 billion in 2009. Unilateral transfers have now reached more than triple the level of the late 1980s.

Forecasts

According to IHS Global Insight, Inc., a leading U.S. economic forecasting firm, in 2008 the U.S. merchandise (goods) trade deficit is projected to decline to about $931.9 billion on a balance of payments basis and to stay at the level for 2009 and 2010 (see **Table 4** and **Figure 6**). The U.S. current account deficit declined from the peak of $811.5 billion in 2006 to $749.6 billion in 2007. The current account deficit is forecasted to increase to $763.6 billion 2008 and then to decrease in 2009 and 2010.

Table 4. U.S. Merchandise and Current Account Trade, 2004 to 2011 (Forecast)

In Billions of Current U.S. Dollars

	2004	2005	2006	2007	2008	2009	2010F	2011F
Merchandise Trade								
Exports								
Actual	818.3	892.3	1015.8	1138.4	1277.0	1045.5	—	—
Forecasted	—	—	—	—	—	—	1,216.0	1,333.4
Imports								
Actual	1499.5	1683.2	1863.1	1969.4	2,117.2	1562.6	—	—
Forecasted	—	—	—	—	—	—	1,838.3	2,032.9
Trade Balance								
Actual	-669.6	-790.9	-847.3	-831.0	-840.3	-517.0	—	—
Forecasted	—	—	—	—	—	—	-622.3	-699.5
Services Trade Balance								
Actual	61.8	75.6	86.9	129.6	144.3	138.4	—	—
Forecasted	—	—	—	—	—	—	145.7	157.1
Current Account Balance								
Actual	-625.0	-748.7	-803.5	-726.6	-706.1	-419.9	—	—
Forecasted	—	—	—	—	—	—	-552.2	-625.9

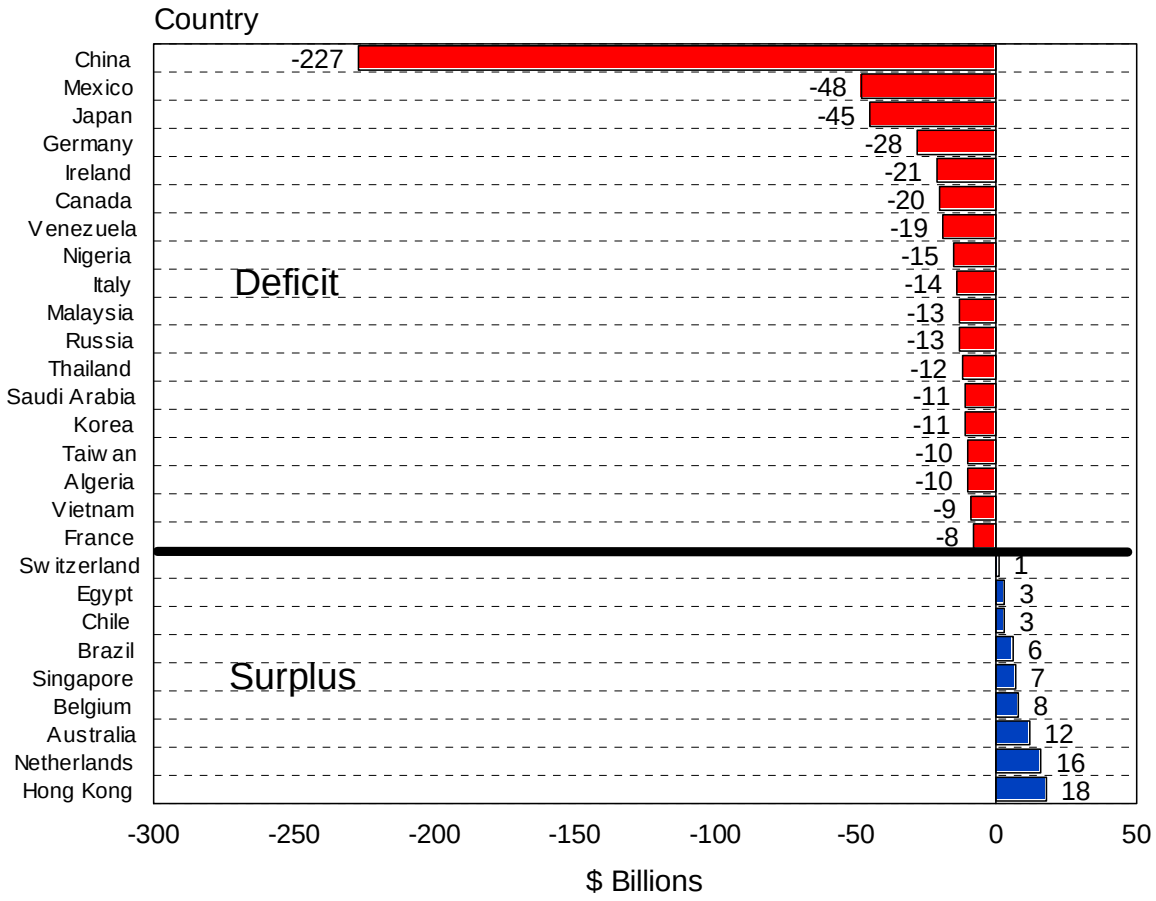
Sources: (BoP basis)**.** U.S. Bureau of Economic Analysis; and IHS Global Insight (searched March 2010).

Note: "F" means forecast.

U.S. Trade with Selected Nations

The overall U.S. merchandise trade balance consists of deficits or surpluses with each trading partner. Many economists view the overall figure as more significant than bilateral trade balances, since rising deficits with some nations are often offset by declining deficits or growing surpluses with others. Nonetheless, abnormally large or rapidly increasing trade deficits with particular countries are often viewed as indicators that underlying problems may exist with market access, the competitiveness of particular industries, currency misalignment, or macroeconomic adjustment. **Figure 7** and **Table 4** and **Table 5** show U.S. trade balances with selected nations.

Figure 7. U.S. Merchandise Trade Balances With Selected Nations, 2009



Source: CRS with data from the U.S. Department of Commerce (Census basis).

Most of the U.S. trade deficit can be accounted for by trade with China, Mexico, Japan, Germany, Ireland, and Canada. Trade with the oil exporting countries, particularly Venezuela, Nigeria, and Saudi Arabia, also is in deficit. U.S. trade surpluses occur in trade with Hong Kong, the Netherlands, Australia, and the United Arab Emirates.

The U.S. trade deficit with China has soared over the past decade. From $32 billion in 1995 to $100 billion in 2000, then $268 billion in 2008, and $227 billion in 2009, the negative net balance

in trade with China has grown to account for nearly 30% of the total U.S. trade deficit.[16] The U.S. trade deficit with China exceeded that with Japan for the first time in the year 2000 and now is almost five times as large.

China claims that its trade is less imbalanced than U.S. data indicate. Chinese trade data differ from those of the United States primarily because of the treatment of Hong Kong as an *entrepot*. Since Hong Kong is a separate customs area from mainland China, Beijing counts Hong Kong as the destination for its exports sent there, even though the goods may be transshipped to other markets. For example, China would count a laptop computer that is assembled in Shanghai but shipped through Hong Kong before being exported to the United States as a sale to Hong Kong. By contrast, the United States and many of China's other trading partners count Chinese exports that are transshipped through Hong Kong as products from China not Hong Kong, including goods that contain Hong Kong components or involve final packaging in Hong Kong. The United States also counts Hong Kong as the destination of U.S. products sent there, even those that are then reexported to China. However, the PRC counts many of such reexported goods as U.S. exports to China. So by U.S. figures, U.S. exports to China tend to be understated, while by Chinese figures, Chinese exports to the U.S. tend to be understated. The net result is that the trade surplus with the United States at $102 billion in 2008 that China reported was less than half the U.S. deficit with China of $268 billion reported by the United States. For 2009, China reported a trade surplus with the United States of $143.3 billion while the U.S. figure was $226.8 billion.

Table 5. U.S. Merchandise Trade Balances with Selected Nations and Groups

In Millions of Current U.S. Dollars, Census basis

Country	2004	2005	2006	2007	2008	2009
Total	-654,830	-772,373	-827,971	-808,763	-816,199	-501,190
North America	-111,650	-128,347	-136,313	-142,964	-143,063	-67,750
Canada	-66,480	-78,486	-71,782	-68,169	-78,342	-20,211
Mexico	-45,170	-49,861	-64,531	-74,796	-64,722	-47,539
European Union 27	-111,392	-124,395	-119,325	-110,243	-95,807	-60,543
United Kingdom	-10,372	-12,465	-8,103	-6,876	-4,988	-1,772
Germany	-45,850	-50,567	-47,923	-44,744	-42,991	-27,954
France	-10,688	-11,583	-13,528	-14,877	-15,209	-7,512
Italy	-17,413	-19,485	-20,109	-20,878	-20,674	-14,184
Netherlands	11,689	11,606	13,617	14,434	18,597	16,244
Russia	-8,930	-11,344	-15,128	-12,031	-17,448	-12,838
Japan	-76,237	-83,323	-89,722	-84,304	-74,120	-44,769
China	-162,254	-202,278	-234,101	-258,506	-268,040	-226,826
Newly Industrialized Countries (NICS)	-22,479	-16,606	-13,234	-5,509	2,184	3,634
Singapore	4,027	5,356	6,057	7,225	11,969	6,620
Hong Kong	6,513	7,459	9,795	12,876	15,015	17,552

[16] For details and policy discussion, see CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison.

Country	2004	2005	2006	2007	2008	2009
Taiwan	-13,038	-13,211	-15,502	-12,449	-11,400	-9,942
S. Korea	-19,981	-16,210	-13,584	-13,161	-13,400	-10,595
South/Central American Countries	-37,268	-50,549	-45,296	-28,035	-23,034	1,721
Argentina	-357	-462	797	1,369	1,714	1,670
Brazil	-7,273	-9,064	-7,480	-1,472	1,846	6,101
Colombia	-2,751	-3,387	-2,557	-876	-1,656	-1,862
OPEC	-78,391	-104,650	-121,408	-128,769	-177,699	-61,849
Venezuela	-20,153	-27,557	-28,131	-29,709	-38,814	-18,735
Saudi Arabia	-15,702	-20,387	-24,049	-25,230	-42,263	-11,242
Nigeria	-14,694	-22,620	-25,630	-29,992	-33,966	-15,470

Source: United States Census Bureau, Foreign Trade Division. For other countries and further detail, see U.S. International Trade in Goods and Services, December 2009, FT-900 (09-12), released Feb. 10, 2010.

Table 6 lists the U.S. top deficit trading partners in merchandise trade, on a Census basis, with U.S. export and U.S. import data for additional insight. In 2000, China not only overtook Japan as the top U.S. deficit trading partner, but its continuing growth in annual trade deficits since 2000 has been stark. In 2009 the U.S. trade deficit with China declined $41.2 billion from its 2008 level, an improvement in U.S. terms, of 15%. After, China, the next highest deficit trading partners are Mexico, Japan, Germany, Ireland and Canada.

Table 6. Top U.S. Merchandise Deficit Trading Partners, 2009

In Millions of Current U.S. Dollars and percentage change from 2008 to 2009)

Rank	Country	U.S. Balance	% Change	U.S. Exports	% Change	U.S. Imports	% Change
0	*World*	-500,944	-38.6	1,056,932	-17.9	1,557,876	-25.9
1	China	-226,826	-15.4	69,576	-0.2	296,402	-12.2
2	Mexico	-47,539	-26.5	128,998	-14.7	176,537	-18.2
3	Japan	-44,769	-39.6	51,180	-21.4	95,949	-31.1
4	Germany	-27,954	-35.0	43,299	-20.6	71,253	-26.9
5	Ireland	-20,550	-13.4	7,516	-1.2	28,066	-10.5
6	Canada	-20,183	-74.2	204,728	-21.6	224,911	-33.8
7	Venezuela	-18,735	-51.7	9,360	-25.8	28,094	-45.4
8	Nigeria	-15,470	-54.5	3,658	-10.8	19,128	-49.8
9	Italy	-14,184	-31.4	12,233	-20.9	26,416	-26.9
10	Malaysia	-12,877	-27.6	10,401	-19.7	23,279	-24.3
11	Russia	-12,838	-26.4	5,383	-42.3	18,221	-32
12	Thailand	-12,164	-15.9	6,921	-23.7	19,085	-18.9
13	Saudi Arabia	-11,242	-73.4	10,804	-13.5	22,046	-59.7
14	Korea, South	-10,595	-20.9	28,640	-17.4	39,235	-18.4

Rank	Country	U.S. Balance	% Change	U.S. Exports	% Change	U.S. Imports	% Change
15	Taiwan	-9,942	-12.8	18,432	-26.1	28,375	-21.9
16	Algeria	-9,609	-46.9	1,109	-10.8	10,718	-44.6
17	Vietnam	-9,182	-9.2	3,108	11.4	12,290	-4.7
18	Israel	-9,177	16.9	9,568	-34.0	18,745	-16.1
19	Angola	-7,916	-53.1	1,423	-29.5	9,339	-50.6
20	Indonesia	-7,832	-22.9	5,106	-9.5	12,938	-18.1
21	France	-7,512	-50.6	26,522	-8.0	34,034	-22.7
22	Iraq	-7,488	-62.6	1,775	-14.3	9,263	-58
23	India	-4,714	-41.2	16,462	-6.9	21,176	-17.6

Source: CRS with U.S. Department of Commerce. U.S. International Trade in Goods and Services, FT-900 (09-12).

Notes: Data are on a Census basis. Exports are valued f.a.s.; imports are valued Customs.

Total merchandise trade, exports plus imports, presents a clearer picture of countries' overall importance than any other flow. As seen in **Table 7**, in the past three years, Canada continued to be America's largest total merchandise trading partner. Canada was followed by China, Mexico, Japan, Germany, the United Kingdom, Korea, and France. Brazil and the Netherlands switched places from number 9 in 2008 to number 11 in 2009. Canada's position as the historic largest supplier of U.S. imports in 2006 and before, changed in 2007, as China surpassed Canada. In 2008 Canada regained the top spot in U.S. imports. In 2009, China regained first place in U.S. imports. Canada is by far the top purchaser of U.S. exports with Mexico second. In 2007 China passed Japan to become third. In 2009, Japan maintained the ranking of our fourth largest export market.

Table 7. Top U.S. Trading Partners Ranked by Total Merchandise Trade in 2009

In Millions of Current U.S. Dollars

Rank	Country	Total trade	% Share	U.S. Exports	U.S. Imports	U.S. Balance
0	World	2,614,808	100.00	1,056,932	1,557,876	-500,944
1	Canada	429,639	16.43	204,728	224,911	-20,183
2	China	365,978	14.00	69,576	296,402	-226,826
3	Mexico	305,535	11.68	128,998	176,537	-47,539
4	Japan	147,129	5.63	51,180	95,949	-44,769
5	Germany	114,552	4.38	43,299	71,253	-27,954
6	United Kingdom	93,200	3.56	45,714	47,486	-1,772
7	Korea South	67,875	2.60	28,640	39,235	-10,595
8	France	60,557	2.32	26,522	34,034	-7,512
9	Netherlands	48,450	1.85	32,347	16,103	16,244
10	Taiwan	46,807	1.79	18,432	28,375	-9,942
11	Brazil	46,249	1.77	26,175	20,074	6,101
12	Italy	38,649	1.48	12,233	26,416	-14,184
13	Singapore	37,937	1.45	22,279	15,659	6,620
14	India	37,639	1.44	16,462	21,176	-4,714
15	Venezuela	37,454	1.43	9,360	28,094	-18,735
16	Ireland	35,582	1.36	7,516	28,066	-20,550
17	Belgium	35,410	1.35	21,630	13,781	7,849
18	Malaysia	33,680	1.29	10,401	23,279	-12,877
19	Switzerland	33,532	1.28	17,499	16,033	1,466
20	Saudi Arabia	32,850	1.26	10,804	22,046	-11,242
21	Israel	28,313	1.08	9,568	18,745	-9,177
22	Australia	27,612	1.06	19,597	8,015	11,583
23	Thailand	26,006	0.99	6,921	19,085	-12,164
24	Hong Kong	24,685	0.94	21,119	3,567	17,552
25	Russia	23,604	0.90	5,383	18,221	-12,838

Source: U.S. Department of Commerce, Bureau of the Census via World Trade Atlas.

Notes: Total trade = exports + imports. Data are on a Census basis. Exports are valued f.a.s.; imports are valued Customs.

Table 8 lists trade balances on goods, services, income, net unilateral transfers, and current account for selected U.S. trading partners. While trade in services, flows of income from investments, and remittances home by foreign workers are considerably smaller than merchandise flows, as the U.S. economy has become more globalized and service-oriented, these components of the current account have become more important. In many cases, the bilateral current account balances are quite different from bilateral balances on merchandise trade only. For example, Canada's merchandise trade deficit of $21.6 became a current account surplus of $16.1 in 2009.

Table 8. U.S. Current Account Balances With Selected U.S. Trading Partners, 2009

In Billions of Current U.S. Dollars

Country	Merchandise Trade Balance[a]	Services Balance[b]	Investment Income Balance[c]	Net Unilateral Transfers[d]	Current Account Balance[e]
All Countries	**-517.0**	**138.4**	**89.0**	**-130.2**	**-419.9**
Mexico	-50.7	8.2	-1.3	-13.3	-57.1
Canada	-21.6	20.9	18.8	-2.0	16.1
Asia and Pacific	**-315.2**	**43.9**	**-36.0**	**-27.6**	**-334.9**
China	-227.6	6.7	-40.4	-2.9	-263.7
Japan	-45.5	17.5	-21.0	-0.1	-49.0
S. Korea	-11.3	4.7	1.9	-0.9	-5.5
European Union	**-63.5**	**41.7**	**22.4**	**-6.0**	**-5.4**
Germany	-28.4	-8.9	-6.2	-2.5	-46.0
United Kingdom	-1.6	14.7	-6.3	2.3	9.1
Latin America	**-49.4**	**21.3**	**41.8**	**-31.3**	**-17.7**
Middle East	**-16.9**	**3.8**	**-4.6**	**-11.7**	**-29.5**

Source: U.S. Bureau of Economic Analysis, International Transactions Account Data.

a. On a Balance of Payments basis.

b. Includes travel, transportation, fees and royalties, insurance payments, other government and private services, and investment income.

c. Income receipts on U.S. assets abroad minus income payments on foreign assets in the United States.

d. International transfers of funds, such as private gifts, pension payments, and government grants for which there is no *quid pro quo*.

e. The trade balance plus the service balance plus investment income balance plus net unilateral transfers, although equal to the current account balance, may differ as a result of rounding.

Specific financial and trade flow data for the United States with other countries in 2009, the first full year of the global financial crisis, were mainly at a lower level than previous years. For comparison, we will present 2009 data with data for 2008 in parenthesis. Since Japan has invested considerable amounts in securities, equities, and in factories in the United States, the United States ran a deficit of $21 ($29.9 in 2008) billion in investment income with that country in 2009. This more than offset the surplus of $17.5 ($15.5) billion in trade in services with Japan. As a result, the current account deficit with Japan of $49 ($90.5 in 2008) billion in 2009 exceeded the bilateral merchandise trade deficit of $45.5 ($75.1) billion. Likewise with China; the U.S. deficit on investment income of $40.4 ($43.2 in 2008) billion far overshadowed the U.S. surplus of $6.7 ($6.0) billion in services.

In 2009, a different situation existed with the European Union and Canada. The United States earned a $22.4 ($49.7 in 2008) billion surplus in investment income with the EU in 2009, and the U.S. surplus in services with the EU was $41.7 ($44.5) billion. These two flows offset a merchandise deficit of $63.5 ($98.7 in 2008) billion to produce a U.S. current account deficit of -$5.4 ($11.6) billion, lower than the 2006 current account deficit of $86.9 billion. From Canada the United States received $18.8 ($24.4 in 2008) billion in investment income plus a surplus in

services trade of $20.9 ($21.3) billion. Hence, the current account surplus with Canada at $16.1 (deficit of $37.2 in 2008) billion was lower than the deficit of $21.6 ($81.0 in 2008) billion in merchandise trade.

The rising deficit with many countries in investment income reflects the accumulating debt of the United States relative to various countries and country groups of the world. Inflows of capital to compensate for the U.S. trade deficit and a low U.S. savings rate help to maintain the value of the dollar, but interest paid and other income that accrues to that capital is often repatriated to the home countries. That means more capital must be invested in the United States or the United States must export more to compensate for the outflows of investment income. In 2009, the overall U.S. balance on investment income registered a surplus of $89 billion, lower than the 2008 balance on investment income of $118.2 billion. Imbalances in investment income with certain countries have been growing and could become a problem in the future.

Advanced Technology, Transportation, and Energy

Table 9 shows U.S. trade in advanced technology products. This includes about 500 commodity classification codes representing products whose technology is from a recognized high technology field (e.g., biotechnology) or that represent the leading technology in a field. The United States long ran a surplus in these products, but that surplus dropped sharply in 2000 and turned into a deficit in 2002. The U.S. trade balance in high technology products was last in surplus in 2001.

In 2002 to 2005, the U.S. ran a trade deficit in high technology products which grew roughly ten billion dollars per year, from -$16.6 billion to -$43.6 billion. In 2006 this deficit dropped to -$38.1 billion, but in 2007 resumed its former growth path, jumping to -$61.9 billion. In 2008, our advanced technology deficit stabilized at -$61.1 billion, and in 2009 decreased to -$56.0 billion. This deficit does not necessarily imply that the United States is losing the high technology race, since many of the high technology imports are from U.S. companies (particularly electronics manufacturers) who assemble the products overseas. However, this growing deficit may warrant closer policy scrutiny.[17]

Table 9. U.S. Trade in Advanced Technology Products

(billions of U.S. dollars)

Year	U.S. Exports	U.S. Imports	Trade Balance
1990	93.4	59.3	34.1
1995	138.4	124.8	13.6
1996	154.9	130.4	24.5
1997	179.5	147.3	32.2
1998	186.4	156.8	29.6
1999	200.3	181.2	19.1

[17] For information on the activities of multinational corporations in international trade, see CRS Report R40167, *Globalized Supply Chains and U.S. Policy*, by Dick K. Nanto.

Year	U.S. Exports	U.S. Imports	Trade Balance
2000	227.4	222.1	5.3
2001	200.1	195.3	4.8
2002	178.6	195.2	-16.6
2003	180.2	207.0	-26.8
2004	201.4	238.3	-36.9
2005	216.1	259.7	-43.6
2006	252.7	290.8	-38.1
2007	264.9	326.8	-61.9
2008	270.1	331.2	-61.1
2009	244.7	300.7	-56.0

Source: U.S. Bureau of the Census. *U.S. International Trade in Goods and Services*. FT-900 (09-12), December 2009.

Notes: Includes about 500 of some 22,000 commodity classification codes that meet the following criteria: (1) contains products whose technology is from a recognized high technology field (e.g., biotechnology), (2) represent leading edge technology in that field, and (3) constitute a significant part of all items covered in the selected classification code. Data are on a BoP basis.

Table 10 and **Figure 8** provide data on trade in passenger cars, trucks, and transportation parts with major automobile producing nations for 2009. This does not include foreign cars assembled in the United States, or American cars assembled abroad. It is important to note that the transportation sector in trade includes much more than passenger cars. The United States incurs the largest deficits in this trade with Japan, Mexico, Germany, and South Korea. In 2009 the United States had a surplus in automotive trade with Canada. The U.S. trade balance in motor vehicles improved from a -$145 billion deficit in 2006 to a -$120.9 billion deficit in 2007, a -$106.6 billion deficit in 2008 to a -$73.4 billion deficit in 2009.[18] **Figure 8** shows that while the United States runs deficits in both cars and automotive parts, it runs a small surplus in trucks, and exports profitably in all three segments.

[18] For information on the automobile industry, see CRS Report RL32883, *U.S. Automotive Industry: Recent History and Issues*, by Stephen Cooney and Brent D. Yacobucci.

Table 10. U.S. Trade in Motor Vehicles (Passenger Cars, Trucks, and Buses) and Parts by Selected Countries, 2009

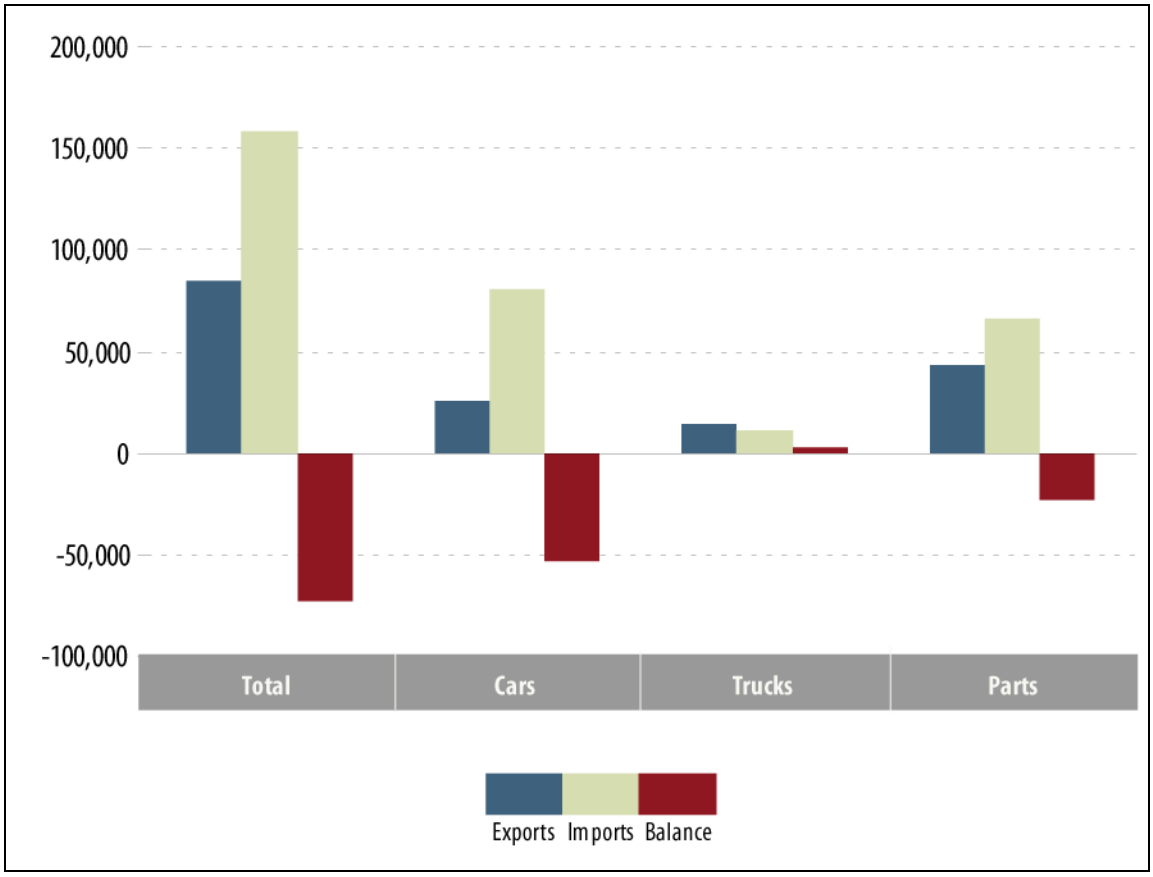
In millions of U.S. dollars

Country	Total	Cars	Trucks	Parts
		U.S. Exports		
TOTAL	84,844	27,507	14,503	42,834
Canada	37,439	8,383	9,177	19,879
Germany	6,042	4,705	66	1,270
Japan	1,162	289	38	836
Korea	492	161	16	314
Mexico	14,710	1,906	708	12,096
		U.S. Imports		
TOTAL	158,230	80,897	11,576	65,757
Canada	35,852	22,749	2,179	10,925
Germany	16,223	11,208	130	4,885
Japan	33,980	24,113	170	9,697
Korea	8,411	5,696	0	2,714
Mexico	38,117	10,049	8,708	19,361
		U.S. Balance		
TOTAL	-73,386	-53,390	2,927	-22,923
Canada	1,587	-14,366	6,998	8,954
Germany	-10,181	-6,503	-64	-3,615
Japan	-32,818	-23,824	-132	-8,861
Korea	-7,919	-5,535	16	-2,400
Mexico	-23,407	-8,143	-8,000	-7,265

Source: U.S. Bureau of the Census, *U.S. International Trade in Goods and Services*, FT-900 (09-04).

Figure 8. 2009 U.S. Automotive Trade by Major Segment

In millions of U.S. dollars



Source: U.S. Bureau of the Census. *U.S. International Trade in goods and Services*. FT-900 (09-12).

Table 11 shows exports, imports and balance of primary forms of energy by major country source. The United States is the world's top importer, and our top import is energy. Energy is also our sixth ranked export commodity. In 2009, the United States imported 45% less and exported 29% less energy than in 2008. Our deficit in energy products declined by $199.6 billion.

Our major energy import product is crude oil, constituting 72% of our energy imports in 2009, and, after subtracting exports of $1.8 billion, accounting for a trade deficit of -$192.6 billion. Crude oil imports are so important to the U.S. economy that we show source countries of U.S. 2009 crude oil imports in **Table 12**. Roughly half came from the Organization of the Petroleum Exporting Countries (OPEC) with Venezuela, Saudi Arabia, and Nigeria the predominant suppliers. Imports from Iraq are recovering with $9.1 billion worth in 2009. Over 40% of U.S. petroleum imports come from non-OPEC sources, primarily Canada and Mexico.[19]

Our major energy export product is refined products, such as gasoline and aviation fuel. Refined petroleum products rank second to civilian aircraft, engines, and parts in top U.S. export products.

[19] For policy discussion, see CRS Report RS22204, *U.S. Trade Deficit and the Impact of Changing Oil Prices*, by James K. Jackson.

Exports of refined petroleum products declined 30% in 2009. Major markets for our refined products are Mexico, Netherlands, Canada, Singapore, and Chile.

Table 11. U.S. Energy Trade With the World, 2007-2009

Values in U.S. $ million

				% Share			% Change
Description	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2009/2008**
Total Energy Exports	42,248.0	76,940.3	54,936.7	3.7	6.0	5.2	-28.6
Total Energy Imports	365,073.0	491,960.1	270,353.9	18.7	23.4	17.4	-45.1
Total Energy Balance	-322,825.0	-415,019.8	-215,417.2				
Crude Oil Exports	1,114.5	2,296.1	1,816.3	2.6	3.0	3.3	-20.9
Crude Oil Imports	245,771.2	353,536.8	194,390.0	67.3	71.9	71.9	-45.0
Crude Oil Balance	-244,656.7	-351,240.7	-192,573.6				
Refined Exports	26,833.8	51,973.0	36,536.8	63.5	67.6	66.5	-29.7
Refined Imports	74,116.6	87,115.9	52,598.8	20.3	17.7	19.5	-39.6
Refined Balance	-47,282.8	-35,142.9	-16,062.0				
Nat. Gas Exports	4,726.6	6,500.0	4,804.9	11.2	8.5	8.8	-26.1
Nat. Gas Imports	36,752.3	40,452.1	17,641.5	10.1	8.2	6.5	-56.4
Nat. Gas Balance	-32,025.8	-33,952.1	-12,836.7				
Electricity Exports	991.9	1,263.9	575.2	2.4	1.6	1.1	-54.5
Electricity Imports	2,968.9	3,644.1	2,070.6	0.8	0.7	0.8	-43.2
Electricity Balance	-1,977.0	-2,380.2	-1,495.4				

Sources: U.S. Census Bureau via World Trade Atlas, using Harmonized Schedule (HS) 27 for total energy exports, 2709 for crude oil, 2710 for refined product, 2711 for natural gas, and 2716 for electricity.

Note: Census basis data.

Table 12. U.S. Imports of Crude Oil from Selected Countries, 2009

Value in U.S. $ million; Quantity in barrels

Country	Customs Value	Quantity
—World—	$194,390.0	3,425,213,063
-OPEC-	$99,693.4	1,739,420,409
Canada	$36,950.9	679,644,449
Venezuela	$24,618.6	445,146,506
Mexico	$22,117.2	384,490,346
Saudi Arabia	$20,995.2	372,791,262
Nigeria	$18,287.9	281,541,013
Iraq	$9,128.0	165,152,962
Angola	$9,017.4	162,612,492

Country	Customs Value	Quantity
Algeria	$7,877.6	132,678,532
Brazil	$5,800.9	106,419,942
Colombia	$5,153.5	90,420,561
Russia	$4,883.9	81,949,733
Kuwait	$3,653.9	65,162,933
Ecuador	$3,438.1	65,929,773
Congo	$2,971.3	47,964,875
United Kingdom	$2,405.7	39,893,479
Equatorial Guinea	$2,376.5	41,157,962
Azerbaijan	$1,955.0	31,146,530
Chad	$1,838.6	34,174,673
Libya	$1,408.3	24,148,783
Norway	$1,239.5	21,186,174
Gabon	$1,139.3	21,010,313
Argentina	$976.5	18,668,947
Trinidad & Tobago	$791.0	13,260,761
Oman	$766.8	13,974,258
United Arab Emirates	$688.4	13,478,184
Vietnam	$554.4	9,506,475
Kazakhstan	$521.2	7,928,548
Thailand	$446.1	8,102,554
Indonesia	$416.6	7,222,557
Congo, Dem. Rep.	$315.7	5,298,032
Peru	$310.1	5,470,432
Australia	$286.3	5,928,110
Guatemala	$199.7	4,216,616
Egypt	$177.9	2,972,342
Qatar	$163.2	3,555,412
China	$109.4	1,962,738

Source: CRS with U.S. Dept. of Commerce, Bureau of the Census via World Trade Atlas.

Notes: Census basis data. Countries in **bold** are members of **OPEC**.

Some Common Perceptions

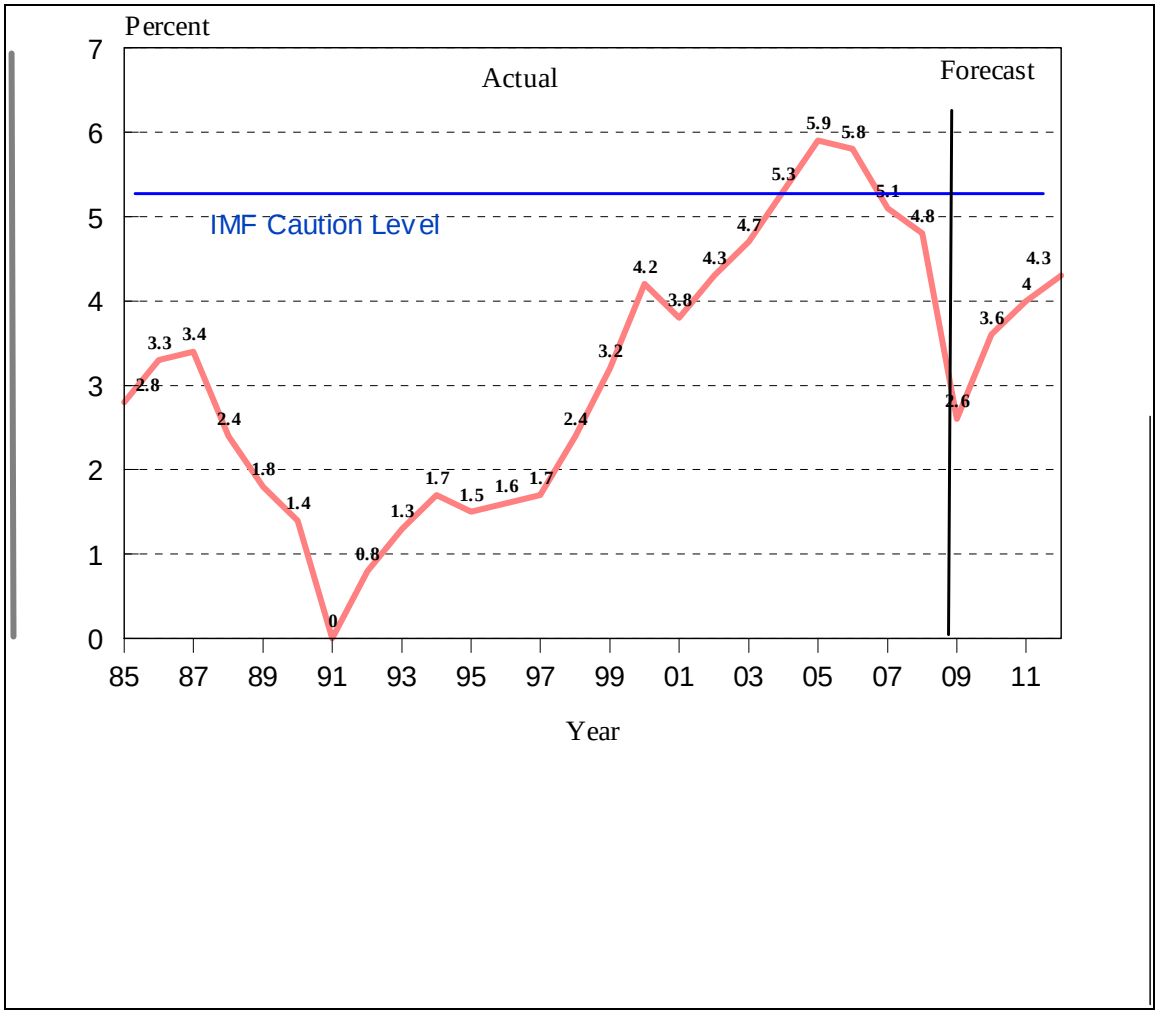
This section of the report addresses a few common perceptions about trade that can be validated by data.

Is the Trade Deficit at a Dangerous Level?

The International Monetary Fund has used its experience with currency and exchange rate crises to say that caution should be exercised when a nation's current account deficit reaches a level of 5% of gross domestic product. At this level, nations have difficulty borrowing to finance imports and the nation's exchange rate may come under severe downward pressure. The United States is a special case, since the dollar is a secondary medium of exchange (one can use dollars in many foreign countries without exchanging them for local currency) and dollars are used extensively as an official reserve currency by national banks. Still, the IMF has been warning that the size of the U.S. current account deficit could cause a large depreciation of the dollar and disrupt financial markets. In the current global financial crisis, the dollar and U.S. Treasury securities are being viewed as a safe haven for investors, so capital inflows into the United States have remained sufficient to cover U.S. budget deficits and other government borrowing.

Figure 9 shows the U.S. current account balance as a percent of nominal U.S. gross domestic product (GDP). It grew in magnitude from near zero in 1980 to 3.4% in 1987, dropped to zero in 1991 and rose to 5.3% in 2004 (exceeding the 5% level considered to warrant caution by the International Monetary Fund). This ratio remained in the IMF caution zone from 2004 through 2007. The current account balance-GDP ratio fell below the IMF caution level for 2008 at 4.8% and declined to 2.6% in 2009. However, forecasts for this ratio estimate a rise to 3.6% in 2010 and a continued rise to 4.3% in 2012, as the recession ends, imports rise, and the trade deficit becomes more negative.

Figure 9. The U.S. Current Account Deficit as a Percent of Gross Domestic Product, 1985-2011 (forecast)



Sources: Data from U.S. Department of Commerce, Bureau of Economic Analysis. Forecasts by IHS Global Insight, Inc.

Is Trade with China Merely Replacing That with Southeast Asia?

Some observers claim that the rising U.S. imports from China are merely displacing those from other East Asian nations. Labor intensive industries, such as apparel, shoes, and consumer electronics, that produce for export to the United States and other industrialized nations are simply moving to China from Southeast Asian nations, including South Korea, and Taiwan. The overall level of imports from Asia is not changing. Its composition is just shifting toward China.

For specific industries, the shift in imports from traditional Asian exporting nations to China is clear. In woven apparel (HS 62), for example, in 1990, Hong Kong, South Korea, and Taiwan accounted for 33.4% of U.S. imports as compared to China with a 14.7% share. By 2006, China accounted for 35.3% of such imports, as compared to 4.9% for Hong Kong, South Korea, and

Taiwan combined. In 2007, China's contribution to U.S. imports of woven apparel increased to 35.7%. Hong Kong, South Korea, and Taiwan collectively represented 3.4% of such imports, a decline from 2006.[20] The decline in woven apparel imports from Hong Kong, South Korea, and Taiwan also may reflect their shift to production of high-technology goods. As these Southeast Asian countries continue to industrialize, woven apparel imports from less-developed countries, such as Indonesia, Bangladesh, and Vietnam, likely will continue to increase.

In terms of overall imports, however, U.S. imports from Hong Kong, Taiwan, and South Korea rose from $50.6 billion (10.2% of total U.S. imports) in 1990 to $92.9 billion (4.7% of total) in 2007, while imports from China rose from $15.2 billion (3.3% of total) in 1990 to $321.4 billion (16.4% of total) in 2007.[21] Clearly, the share of U.S. imports from Hong Kong, Taiwan, and South Korea has been falling, while the share of imports from China is rising. The value of U.S. imports from both, however, continues to rise, while the value of those from China is rising faster. **Table 13** shows that by 2009, Hong Kong, Taiwan, and South Korea have fallen below U.S. top ten import source countries for woven apparel. China has expanded its percentage share of the market for U.S. woven apparel from 2007's 35.7% share to 2008's 37.3% share to a 41.7% share in 2009 despite the global financial crisis and U.S. recession.

Table 13. U.S. Imports of Woven Apparel

Millions of U.S. Dollars and Percentages

		Import Data			% Share			% Change
Rank	Country	2007	2008	2009	2007	2008	2009	2009/2008
0	World	37,599.1	35,719.3	30,928.4	100.0	100.0	100.0	-13.4
1	China	13,404.4	13,315.9	12,903.2	35.7	37.3	41.7	-3.1
2	Bangladesh	2,178.8	2,412.8	2,496.6	5.8	6.8	8.1	3.5
3	Mexico	2,813.3	2,532.9	2,208.1	7.5	7.1	7.1	-12.8
4	Vietnam	2,138.1	2,341.4	2,118.1	5.7	6.6	6.9	-9.5
5	Indonesia	2,235.7	2,020.8	1,732.7	6.0	5.7	5.6	-14.3
6	India	1,904.2	1,790.3	1,648.7	5.1	5.0	5.3	-7.9
7	Italy	1,211.1	1,139.9	741.3	3.2	3.2	2.4	-35.0
8	Sri Lanka	877.7	816.3	691.7	2.3	2.3	2.2	-15.3
9	Cambodia	836.4	786.0	585.7	2.2	2.2	1.9	-25.5
10	Thailand	740.0	706.0	491.7	2.0	2.0	1.6	-30.4
11	Philippines	773.0	627.2	442.8	2.1	1.8	1.4	-29.4
23	Hong Kong	943.4	680.5	141.0	2.51	1.91	0.46	-79.28
31	Taiwan	211.7	154.7	86.7	0.56	0.43	0.28	-43.98
41	Korea	142.2	84.3	40.4	0.38	0.24	0.13	-52.05

[20] Calculations based on data from World Trade Atlas, using HS 62 for woven apparel.

[21] The numbers are comparable for all Asian countries.

Source: U.S. Bureau of the Census via World Trade Atlas.

Notes: Census basis data ranked by latest year (2009) source country.

The large U.S. trade deficit with China, moreover, is not just a transfer of the deficit from other Asian nations to China. The U.S. trade deficit with Hong Kong, Taiwan, and South Korea has gone from $17.9 billion (17.5% of the total U.S. deficit) in 1990 to $11.8 billion (1.5% of the total) in 2007. U.S. trade with Hong Kong actually went from a deficit in 1992 to a surplus in 1993, and remained in surplus through 2009. The U.S. trade deficit with China, meanwhile, went from $10.4 billion (10.2% of the total U.S. trade deficit) in 1990 to $226.8 billion (45.3% of the total) in 2009. What actually is happening is quite complex. While the U.S. trade deficit with the world is declining, it continues to rise with China, Mexico and oil exporting countries. **Table 14** illustrates this complexity. Negative percentage change numbers, indicate a shrinking U.S. merchandise trade deficit with that country or group. Positive percentage changes indicate growing deficits.

Table 14. Changes in U.S. Merchandise Trade Balances With Selected Countries and Groups, 2007, 2008, and 2009

	Please Insert Appropriate Title			% Chg	% Chg
Country	2007	2008	2009[a]	2008/2007	2009/2008
World Total	-$808,763	-$816,199	-$500,944	0.9	-38.6
China	-$258,506	-$268,040	-$226,826	3.7	-15.4
OPEC	-$128,769	-$177,699	-$69,681	38.0	-60.8
EU 27	-$110,243	-$95,807	-$60,543	-13.1	-36.8
Mexico	-$74,796	-$64,722	-$47,539	-13.5	-26.6
Japan	-$84,304	-$74,120	-$44,769	-12.1	-39.6
Germany	-$44,744	-$42,991	-$27,954	-3.9	-35.0
Canada	-$68,169	-$78,342	-$20,183	14.9	-74.2
Venezuela	-$29,709	-$38,814	-$18,735	30.7	-51.7
Nigeria	-$29,992	-$33,966	-$15,470	13.3	-54.5
Russia	-$12,031	-$17,448	-$12,838	45.0	-26.4
Thailand	-$14,418	-$14,472	-$12,164	0.4	-15.9
Saudi Arabia	-$25,230	-$42,263	-$11,242	67.5	-73.4
Korea, So.	-$13,161	-$13,400	-$10,595	1.8	-20.9
Taiwan	-$12,449	-$11,400	-$9,942	-8.4	-12.8
Vietnam	-$8,730	-$10,112	-$9,182	15.8	-9.2
Israel	-$7,907	-$7,849	-$9,177	-0.7	16.9
ASIAN NICS	-$5,509	$2,184	$3,634	139.6	66.4
Panama	$3,304	$4,508	$4,054	36.5	-10.1
Brazil	-$1,472	$1,846	$6,101	225.4	230.6
Singapore	$7,225	$11,969	$6,620	65.7	-44.7

Country	Please Insert Appropriate Title			% Chg	% Chg
	2007	2008	2009[a]	2008/2007	2009/2008
UAE	$9,449	$13,131	$10,610	39.0	-19.2
Australia	$10,563	$11,630	$11,583	10.1	-0.4
Netherland	$14,434	$18,597	$16,244	28.8	-12.7
Hong Kong	$12,876	$15,015	$17,552	16.6	16.9

Source: U.S. Department of Commerce, Bureau of the Census via World Trade Atlas.

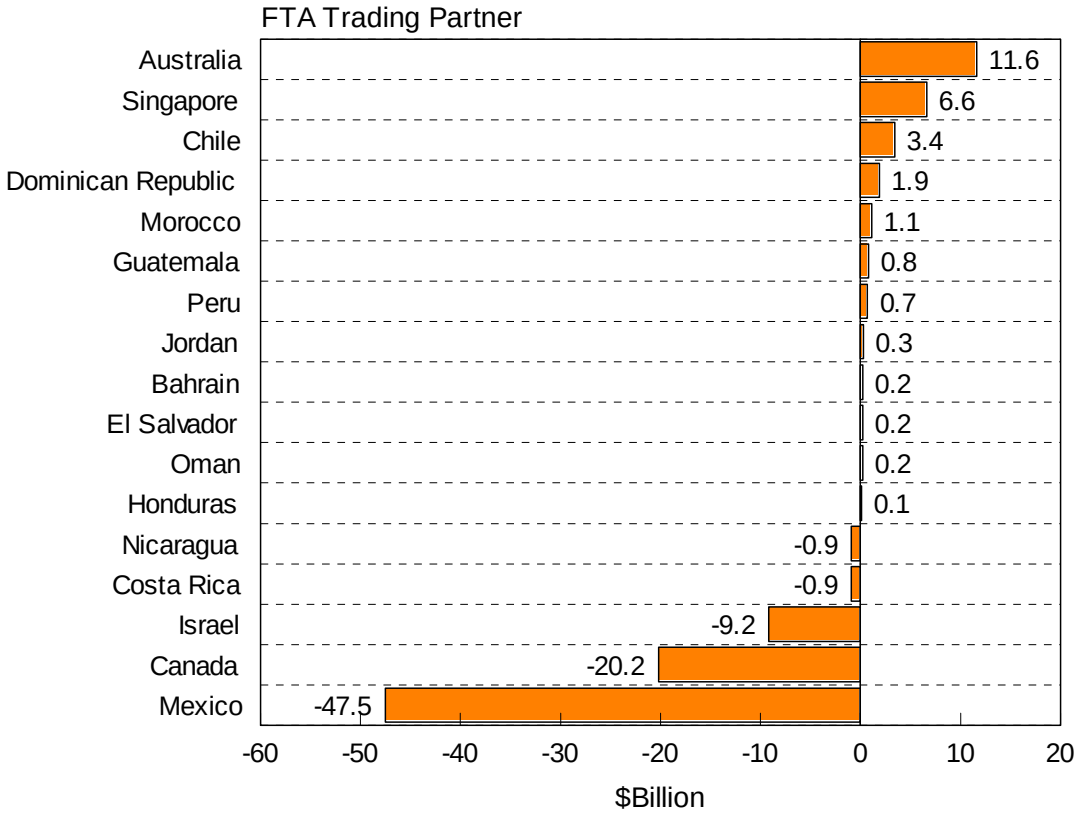
Notes: Merchandise trade data on a Census Basis. The U.S. balance with Singapore, Hong Kong and Asian 4 NICs are positive. Members of OPEC are listed in **Table 10**, above. Members of Asian 4 Newly Industrializing Countries (NICs) are: Hong Kong, Singapore, South Korea and Taiwan.

a. Rankings are based on 2009 data.

Trade Balances with Free Trade Agreement Nations

There is a commonly held perception that free trade agreements lead to larger U.S. deficits in trade. The perception seems to be generated mostly by U.S. trade with its immediate neighbors, Canada and Mexico. As shown in **Figure 10**, in 2009, the United States ran trade surpluses with Australia, Singapore, Chile, the Dominican Republic, Morocco, and seven other FTA countries, while it ran deficits with Mexico, Canada, Israel, Costa Rica, and Nicaragua.

Figure 10. U.S. Balance of Merchandise Trade with FTA Partner Countries



Source: Congressional Research Service. Underlying data accessed through Global Trade Atlas.

Notes: The United States has signed free trade agreements with Columbia, Panama, and South Korea that have not been approved by Congress and implemented.

International Trade Statistics Web Resources

Listed below are a list of resources available online for international trade statistics.

The single most authoritative, comprehensive, and frequently-published trade data statistical source is the monthly "FT900". Its actual title is *U.S. International Trade in Goods and Services*. The FT-900 is issued monthly by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis. It provides information on the U.S. trade in goods and services (balance, exports, and imports) in specific commodities and end-use categories and with selected countries. The report also provides information on trade in advanced technology, petroleum, and motor vehicle products. The report is available from the U.S. Bureau of Economic Analysis at http://www.bea.gov/newsreleases/rels.htm. Under "International" click on latest news release.

Information on trade in specific commodities, with particular regions, or for different time periods also can be obtained from the U.S. International Trade Commission at http://dataweb.usitc.gov/ (registration is required).

Historical and current U.S. exchange rate data are available from the Federal Reserve Bank of St. Louis at http://research.stlouisfed.org/fred2/.

Information on foreign country holdings of U.S. Treasury securities are available at http://www.treasury.gov/tic/.

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