

## ***Trade Deficits: Economically Unsustainable and Dangerous***

- The U.S. trade deficit in goods and services rocketed upward by more than \$100 billion in 2005 to \$725 billion – or nearly \$2 billion a day.<sup>i</sup> It went over 6% of GDP during the last quarter. The 2005 U.S. merchandise deficit portion of the overall deficit rose 18 percent to \$782 billion.
- The trend in trade deficits all bad: manufacturing is by far the biggest part of the trade pie but the other parts that were supposed to help are all in trouble. Advanced technology is now in deficit, agriculture went into deficit at the end of 2005 and the services surplus dropped by nearly half in the last four years to \$58 billion.
- The 2005 trade deficit with China grew by 25 percent to \$202 billion. It is the largest bilateral deficit in world history. It was responsible for the entire increase in the United States' non-oil trade deficit<sup>ii</sup> and high-tech goods from China account for the United States' entire trade deficit in advanced technology products.<sup>iii</sup>
- The 2006 growth in the deficit has slowed but is still on line to set another record. However, the March deficit in manufactured goods, the biggest individual component of the nation's trade picture, jumped 12 percent, to \$50 billion. Moreover, the manufactures deficit for the first three months of 2006 is running six percent ahead of its level for the first three months of 2005 and the bilateral deficit with China continues to rise.

### ***Trading Jobs: If you Don't Make Things You Have Nothing to Trade***

- Since 1998, over 3.4 million manufacturing jobs have been lost—2.9 million of those since 2001. At the same time over 40,000 manufacturing establishments closed—medium and large plant closures accounted for 90 percent of the job loss<sup>iv</sup>.
- Extended unemployment and income decline characterize displaced U.S. workers in import-intensive industries: twenty-five percent remained unemployed six months after losing their jobs,<sup>v</sup> two-thirds earn less on their new job,<sup>vi</sup> one-quarter suffer wage losses of more than 30 percent.<sup>vii</sup> Manufacturing workers with long tenure suffer particularly high wage losses.<sup>viii</sup>
- In 2005, an additional 81,000 manufacturing jobs were lost. In the last two years the real hourly and weekly wages of U.S. manufacturing workers have *fallen* 3 percent and 2.2 percent respectively.
- Studies confirm ongoing job loss to China: Using the International Trade Commission model the AFL-CIO calculated that up to 973,000 manufacturing jobs and 1,235,000 total jobs are displaced by China's repression of labor rights; the Economic Policy Institute estimates 410,000 manufacturing jobs were lost to China between 2002 and 2004; US-China Economic and Security Review Commission (USCC) studies conclude that 70,000 - 100,000 jobs are moved each year from the U.S. to China, and those numbers *accelerated after 2001*.
- A recent study published by the Federal Reserve Bank of NY found that approximately 3.8 million jobs were displaced by U.S. trade in manufactured goods as of 2003.

- The 2001-2005 job loss by manufacturing sector is staggering:
  - Computer and electronics 543,900 workers or 29.2 percent
  - Semiconductor and electronic components 260,100 or 36.7 percent
  - Electrical equipment and appliances 152,500 or 26 percent
  - Vehicle parts 153,400 or 18.6 percent
  - Machinery 289,400 or 19.9 percent
  - Fabricated metal products 235,200 or 13.3 percent
  - Primary metals 144,800 or 23.5 percent
  - Transportation equipment 246,300 or 12.1 percent
  - Furniture products 58,500 or 13.4 percent
  - Textile mills 158,500 or 43.1 percent
  - Apparel 220,000 or 46.6 percent
  - Leather products 24,700 or 38.3 percent
  - Printing 159,300 or 19.9 percent
  - Paper products 122,600 or 20.4 percent
  - Plastics and rubber products 141,400 or 15 percent
  - Chemicals 94,900 or 9.7 percent
  - Aerospace 46,900 or 9.1 percent.

***Empty Cargo Containers: Our Leading Export to Asia.***

- Empty cargo containers are our largest export to Asia ... over 60% of the cargo containers that come into the U.S. from Asia return empty<sup>ix</sup>.
- Over the decade 1995 - 2005, U.S. merchandise imports from China exceeded U.S. merchandise exports to China by a cumulative total of more than one trillion dollars.<sup>x</sup> China is now the second leading exporter to the United States behind Canada and exceeds Mexico, the low-wage export platform south of our border.
- Of the top fifteen U.S. exports to China, three are “waste and scrap” - scrap metal, scrap paper and cardboard; four are raw materials or agricultural products -- soybeans and seed oils; six are parts -- many of which will return as finished products<sup>xi</sup> Our two leading finished product exports to China are commercial aircraft and computers. However, 70 percent of Boeing’s new 787 will be manufactured offshore primarily in China and Japan. Computers exports have already begun to shift.

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<sup>i</sup> U.S. Census Bureau and the U.S. Bureau of Economic Analysis

<sup>ii</sup> Economic Policy Institute, Trade Picture (February 19, 2006).

<sup>iii</sup> Economic Policy Institute, Trade Picture (February 19, 2006).

<sup>iv</sup> Bureau of Labor Statistics

<sup>v</sup> Lori Kletzer, Job Losses from Imports: Measuring the Costs (Institute for International Economics (2001) at p. 40.

<sup>vi</sup> *Id.*, at Table 3.3.

<sup>vii</sup> *Id.*.

<sup>viii</sup> Duane Leigh, Assisting Workers Displaced by Structural Change (Upjohn 1995) at p. 5.

<sup>ix</sup> Thomas Fuller, China trade unbalances shipping, International Herald Tribune, January 30, 2006

<sup>x</sup> MBG Information, at [www.uscc.gov](http://www.uscc.gov).

<sup>xi</sup> U.S. Census Bureau and the U.S. Bureau of Economic Analysis