

US trade deficits hits \$41.8 billion in October

What can China do about it?

[Fadhel Kaboub](#) Dec . 15 . 2003

On Friday Dec. 12, the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced in their monthly trade report that the "total October exports of \$88.0 billion and imports of \$129.7 billion resulted in a goods and services deficit of \$41.8 billion, compared with \$41.3 billion in September."

"October exports were \$2.2 billion more than September exports of \$85.7 billion. October imports were \$2.7 billion more than September imports of \$127.1 billion," the report stated.

The October figures showed a record trade deficit with China of \$13.6 billion compared with \$12.7 in September.

US trade deficit in billions	September 2003	October 2003
China	\$13.6	\$12.7
Western Europe	\$8.9	\$9.4
Japan	\$5.1	\$6.4
Canada	\$5.3	\$4.9
OPEC	\$4.0	\$4.4
Mexico	\$3.3	\$3.5
South Korea	\$1.1	\$1.6
Taiwan	\$1.4	\$1.1
Brazil	\$0.6	\$0.6

During his visit to the U.S. last week, China's Premier Wen Jiabao had to admit that economic and trade relationship problems do exist between the two countries, "and mainly, the U.S. trade deficit with China," he said.

Premier Wen Jiabao said that China is taking this problem very seriously. And added that a "more realistic solution is for the US to expand its exports to China."

China's premier said that his country planned to import more than one trillion dollars worth of goods from around the world over the next three years.

The U.S. is pressuring China to move up the schedule for U.S. automakers to obtain trading and distribution rights to sell in China.

"China is sending buying missions to the United States for big-ticket export items, including a \$1.7 billion purchase of U.S. aircraft last month," said Scott McClellan, White House Press Secretary.

China announced this Friday that it is considering the possibility of loosening its rigidly regulated foreign exchange system. Currently China's currency, the yuan, is pegged at a rate of about 8.28 yuan per U.S. dollar.

U.S. officials believe that China exchange rate policy is keeping the yuan at an artificially low level, giving China's exporters an unfair advantage by making their products cheaper in overseas markets.

"China will promote improvements in the yuan exchange rate system and meet increasing market needs for products with a high liquidity, investment value and low risk, so as to speed up the process for the conversion of yuan," said Li Ruogu, deputy vice governor of the People's Bank of China.

A reduction in the U.S. trade deficit with China is very unlikely to occur in the near future. Especially that China has the world largest foreign currency reserves, which allows it to keep control over the value of its currency without having any problems.

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