
China

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Change in 2003 from 2002:

U.S. trade deficit: Increased by \$20.7 billion (20 percent) to \$124.9 billion

U.S. exports: Increased by \$6.2 billion (30 percent) to \$26.7 billion

U.S. imports: Increased by \$26.8 billion (22 percent) to \$151.6 billion

- Increased production by foreign manufacturers in China,¹ bolstered by China's undervalued currency,² contributed to the U.S. trade deficit with China, which has almost doubled in the past 5 years. In each year since 2001, the United States recorded a larger deficit with China than with any other trade partner (see table US-3). The largest deficit expansion occurred in 2003.
- In 2003, the most significant growth in U.S. imports from China in absolute terms was for electronic products, followed by miscellaneous manufactures and machinery (see table CHINA-1). Despite the deficit with the United States, exports to China also have increased significantly over the past 5 years. Exports grew the most in 2003, owing to China's robust economic growth combined with reductions of import tariffs in that year.³

U.S. exports

- From 1999 to 2003, agricultural products posted the largest overall growth in U.S. exports to China (see table CHINA-2). Expansion of agricultural exports in 2003 was largely attributable to increased shipments of oilseeds—specifically soybeans. Record prices for soybeans in that year, along with China's growing population, strengthening economy, and limited domestic production accounted for the growth in U.S. exports (see Oilseeds in Agricultural Products).⁴
- Exports of semiconductors and integrated circuits to China increased by \$787 million from 2002 to 2003. The reported relocation of semiconductor-consuming industries (such as computers and communications)⁵ to China and the relatively strong global recovery of these markets also helped

¹ Stephen Roach, "Why We Ought to be Thanking the Chinese," *Fortune*, Mar. 22, 2004, p. 36.

² China maintains the yuan (renminbi) at a fixed rate of exchange to the dollar. Not all economists, however, consider the yuan to be undervalued. Brian Bremner and Dexter Roberts, "A Scouting Report on the Yuan," *Business Week*, Mar. 8, 2004 p. 31.

³ Import tariff reductions are owing to China's entry into the WTO. "China—The Economy of the Year," *Rediff.com*, Dec. 29, 2003, found at <http://www.rediff.com/money/2003/dec/29guest.htm>, retrieved Apr. 12, 2004.

⁴ Jim Butterworth and Wu Xinping, *China, Oilseeds and Products*, U.S. Department of Agriculture, Foreign Agricultural Service, Global Agriculture Information Network, rept. CH4007, Mar. 3, 2004.

⁵ "IC Demand on the Rise in China," *Reed Electronics News*, Mar. 24, 2004, found at <http://www.reed-electronics.com/electronews/article/CA405683?industryid=22113&industry=Semiconductors&nid=2019>, retrieved Mar. 25, 2004.

Table CHINA-1

China: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 1999-2003¹

Item	1999	2000	2001	2002	2003	Change, 2003 from 2002		
						Absolute	Percent	
	<i>Million dollars</i>							
U.S. exports of domestic merchandise:								
Agricultural products	965	1,895	2,101	2,128	5,129	3,001	141.0	
Forest products	637	787	820	1,058	1,314	256	24.1	
Chemicals and related products	2,149	2,430	2,315	3,069	3,816	747	24.3	
Energy-related products	145	86	130	142	180	39	27.3	
Textiles and apparel	166	221	261	339	405	65	19.2	
Footwear	41	43	46	35	36	2	4.6	
Minerals and metals	713	1,333	1,497	1,539	2,636	1,097	71.3	
Machinery	1,626	1,898	2,356	2,730	3,091	361	13.2	
Transportation equipment	2,888	2,368	3,198	4,293	3,757	-535	-12.5	
Electronic products	2,942	3,926	4,892	4,855	5,934	1,079	22.2	
Miscellaneous manufactures	113	132	136	137	143	6	4.1	
Special provisions	201	218	208	228	266	37	16.4	
Total	12,585	15,335	17,959	20,553	26,707	6,154	29.9	
U.S. imports of merchandise for consumption:								
Agricultural products	1,191	1,396	1,489	1,896	2,470	574	30.2	
Forest products	1,526	1,967	2,168	2,749	3,362	612	22.3	
Chemicals and related products	4,242	4,942	5,333	6,262	7,438	1,175	18.8	
Energy-related products	302	596	406	457	561	105	22.9	
Textiles and apparel	9,234	10,710	11,124	12,602	15,426	2,823	22.4	
Footwear	8,438	9,206	9,767	10,242	10,546	305	3.0	
Minerals and metals	5,520	6,947	7,250	8,656	10,054	1,398	16.2	
Machinery	6,285	7,742	8,620	10,467	13,922	3,454	33.0	
Transportation equipment	1,220	1,991	1,773	2,302	3,072	769	33.4	
Electronic products	20,917	27,588	27,231	36,270	47,150	10,881	30.0	
Miscellaneous manufactures	21,733	25,365	25,690	31,490	35,812	4,321	13.7	
Special provisions	914	1,132	1,218	1,401	1,808	406	29.0	
Total	81,522	99,581	102,069	124,796	151,620	26,824	21.5	
U.S. merchandise trade balance:								
Agricultural products	-226	499	612	232	2,659	2,428	1,047.4	
Forest products	-890	-1,180	-1,348	-1,691	-2,048	-357	-21.1	
Chemicals and related products	-2,093	-2,512	-3,017	-3,193	-3,622	-429	-13.4	
Energy-related products	-157	-510	-276	-315	-381	-66	-20.9	
Textiles and apparel	-9,068	-10,489	-10,863	-12,263	-15,021	-2,758	-22.5	
Footwear	-8,397	-9,163	-9,721	-10,207	-10,510	-303	-3.0	
Minerals and metals	-4,807	-5,614	-5,754	-7,117	-7,418	-301	-4.2	
Machinery	-4,659	-5,844	-6,265	-7,737	-10,831	-3,094	-40.0	
Transportation equipment	1,668	377	1,425	1,990	686	-1,304	-65.5	
Electronic products	-17,975	-23,662	-22,340	-31,414	-41,216	-9,802	-31.2	
Miscellaneous manufactures	-21,620	-25,233	-25,554	-31,353	-35,669	-4,316	-13.8	
Special provisions	-713	-914	-1,010	-1,173	-1,542	-369	-31.4	
Total	-68,937	-84,245	-84,110	-104,243	-124,913	-20,671	-19.8	

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table CHINA-2

Leading changes in U.S. exports to and U.S. imports from China, 1999-2003

Sector/commodity	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. EXPORTS:							
Increases:							
Oilseeds (AG032)	353	1,013	1,014	890	2,832	1,942	218.2
Semiconductors and integrated circuits (ET033)	642	686	946	1,238	2,025	787	63.6
Steel mill products (MM025)	48	44	49	52	429	377	726.7
Decreases:							
Aircraft, spacecraft, and related equipment (ET013) ..	2,294	1,689	2,429	3,367	2,447	-920	-27.3
All other	9,249	11,903	13,521	15,007	18,975	3,968	26.4
TOTAL	12,585	15,335	17,959	20,553	26,707	6,154	29.9
U.S. IMPORTS:							
Increases:							
Electronic products:							
Computers, peripherals, and parts (ET035)	7,761	10,670	10,548	14,928	22,141	7,213	48.3
Telephone and telegraph apparatus (ET017)	2,172	2,942	3,222	4,659	5,932	1,273	27.3
Apparel (CH049)	7,399	8,528	8,912	9,602	11,408	1,805	18.8
Furniture (MM054)	3,001	4,060	4,608	6,396	7,964	1,567	24.5
Printing and related machinery (MM081)	4	6	5	145	1,238	1,093	754.3
Decreases:							
Construction and mining equipment (ET004)	74	66	71	212	132	-80	-37.9
All other	61,111	73,308	74,703	88,852	102,805	13,953	15.7
TOTAL	81,522	99,581	102,069	124,796	151,620	26,824	21.5

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

spur China's demand for semiconductors (see Semiconductors and Integrated Circuits in Electronic Products).⁶

- To meet the input needs for its world-dominant textiles and apparel industries, China has become a major importer of natural and synthetic fibers, reflected in increased U.S. exports of cotton, not carded or combed, to China in 2003 (see Agricultural Products).⁷
- A worldwide slowdown in the large civil aircraft (LCA) manufacturing industry affected shipments of aircraft, spacecraft, and related equipment to China, for which U.S. exports dropped in 2003. Overall declining demand for LCA led to reduced commercial deliveries for both Boeing and Airbus in 2003 (see Aircraft, Spacecraft and Related Equipment in Transportation Equipment).⁸

U.S. imports

- The most significant sector growth from China occurred in electronics (see table CHINA-2), as U.S. imports of personal computers grew in 2003. According to the Chinese Ministry of Information, increasing economic development and preferential policies toward the information technology sector has led to higher production levels in China.⁹ This exemplifies the overall trend in the electronics industry as many foreign manufacturers are moving production to take advantage of China's low production costs (see Computers, Peripherals, and Parts in Electronic Products).
- China also expanded its role as the leading supplier of apparel to the U. S. market in 2003, as the United States imported increased amounts of apparel goods in 2003. With its large supply of low-cost labor and raw materials along with strong sewing skills, effective middle management, and technical know-how, China is able to produce a wide range of low-cost apparel goods (see Textiles, Apparel, and Footwear).¹⁰
- U.S. imports of furniture from China increased 25 percent in 2003. U.S. sourcing of furniture from China has grown steadily over the past 5 years as China's low-cost labor and state-of-the-art production facilities provide a competitive advantage to furniture producers in China (see Furniture in Miscellaneous Manufactures).¹¹
- Increased investment in assembly production and use of contract manufacturers in China (and Malaysia) by leading global cellular suppliers of telephone and telegraph apparatus also led to growth in U.S. imports in 2003, especially for cellular phones. Investments by U.S.-based

⁶ Semiconductor Industry Association, "Global Semiconductor Sales Up 18.3% in 2003," press release, Feb. 1, 2004, found at <http://www.semichips.org>, retrieved Mar. 8, 2004.

⁷ Michael Barry, "China," *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market*, USITC Inv. No. 332-448, publication 3671, Jan. 2004, pp. E-5 to E-23.

⁸ Airbus is a European firm. Phillip Finnegan, "Civil Avionics in the Doldrums," *Aviation Week & Space Technology*; Jan. 19, 2004, p. 203.

⁹ U.S. and Foreign Commercial Service, "Best Prospects for Non-Agricultural Goods and Services: Information Technology," Market Research Reports, *County Commercial Guide: China*, June 15, 2003, found at http://www.stat-usa.gov/mrd.nsf/vwCCG_Country/B72F0F83CA35543285256E5A0032D1B3?OpenDocument&sessID=B032049D01B4ABA, retrieved Apr. 1, 2004.

¹⁰ Barry, "China," p. E-5.

¹¹ Lawrence Benjamin, "One World, One Market: The China Solution," *Lodging Hospitality*, Mar. 2004, Vol. 60 Issue 3, p. 56.

Motorola¹² and European-headquartered Nokia and Siemens over the past several years reportedly were made to take advantage of lower wages in those countries (see Telephone and Telegraph Apparatus in Electronic Products).

- U.S. imports from China of printing and related machinery, specifically office printing machines and related products, grew in 2003 in response to their increasing popularity. These products are multifunctional digital office machines which can print, scan, and transmit facsimiles (see Printing and Related Machinery in Machinery).¹³

¹² Motorola, Inc., U.S. Securities and Exchange Commission Form 10-K filing, Mar. 27, 2003, pp. 1-15.

¹³ Olga Kharif, "Printing a Record of Growth," *BusinessWeek Online*, Feb. 17, 2004, found at http://www.businessweek.com/technology/content/feb2004/tc20040217_8510_tc055.htm, retrieved Apr. 6, 2004.