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May 3, 2018

New Data Show Trump's First Quarter 2018 China and Mexico Trade Deficits Largest on Record as All Eyes Focus on This Week's Trade Discussions in China, Looming NAFTA Deadline

U.S. Trade Deficit With World Largest Since 2008 Financial Crisis, Contrary to Trump's Campaign Pledge to Quickly Reduce Deficit to Bring Back Manufacturing Jobs

WASHINGTON, D.C. – Record-high first-quarter trade deficits add to the urgency of the Trump administration succeeding in reworking the terms of U.S.-China trade and the North American Free Trade Agreement (NAFTA), Public Citizen said today.

The 2018 first quarter goods trade deficit with China and with the world is significantly larger than figures for the first quarter of 2017 even as the March *monthly* goods deficit with China declined as U.S. exporters accelerated shipments to beat tariffs that may be imposed relating to the 301 action, which gave an extra boost to U.S. exports overall this month.

President Donald Trump's pledge to quickly reduce the U.S. trade deficit remained unfulfilled after the U.S. trade deficit rose in 2017. As his second year in office begins:

- The first-quarter goods trade deficit with China is the largest ever recorded at $91.1 billion, up from $80.7 billion for the same period last year;

- The goods trade deficit with the world of $196.7 billion is larger than any period since before the 2008 financial crisis – up 8.5 percent over the first quarter of 2017 deficit of $181.4 billion.

- The first-quarter goods trade deficit with Mexico is the largest ever recorded at $33.3 billion, up from $30.6 billion for the same period last year. After improving from 2011 to 2016, but worsening in 2017, the NAFTA first-quarter 2018 goods deficit is up slightly relative to the first quarter of 2017 – an increase from $49.1 billion to $49.6 billion. (NAFTA data exclude re-exports, which account for 20 percent of U.S. exports to NAFTA countries.)

- The 2018 first-quarter goods trade deficit with the world is up $24.4 billion compared to the $172.4 billion first-quarter global goods deficit in 2016, the last year of the Obama administration. The deficit in manufactured goods remained 88 percent of the overall deficit from 2016 to 2017, contradicting Trump's promises to help manufacturing workers.

  (All data in inflation-controlled terms.)

With the comment period on proposed China 301 tariffs closing at the end of May, Trump's senior trade and economic advisers are in Beijing this week seeking major changes to the terms of U.S.-China trade. NAFTA talks must be completed within weeks for a pact to be voted on this year, but only a deal that removes NAFTA's job outsourcing incentives and adds strong and strictly enforced labor and environmental standards could change the trade deficit trends. Given the failure of the Trans-Pacific Partnership to obtain majority support in Congress, such a major redo of the past U.S. trade agreement model is also necessary for a new pact to be approved by Congress.

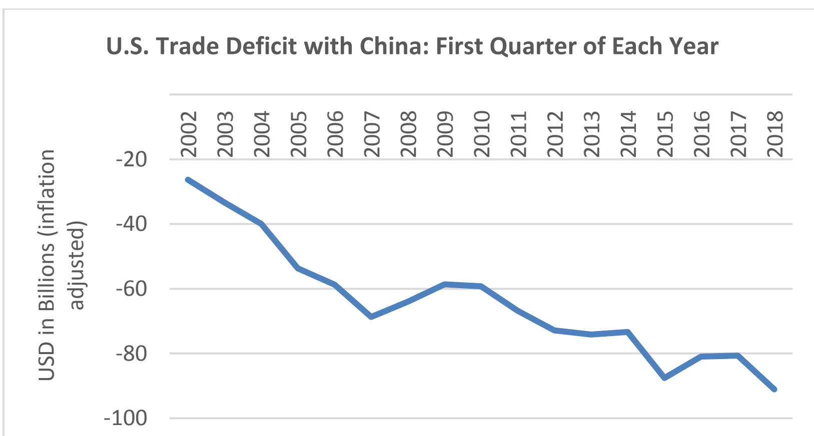
"This ever-expanding trade deficit is like the ghost of Trump trade promises past that is haunting the U.S. negotiators now in Beijing trying to remedy the debacle of our China trade policy and those trying to conclude a NAFTA replacement deal that ends the outsourcing incentives and thus could win broad support," said Lori Wallach, director of Public Citizen's Global Trade Watch.

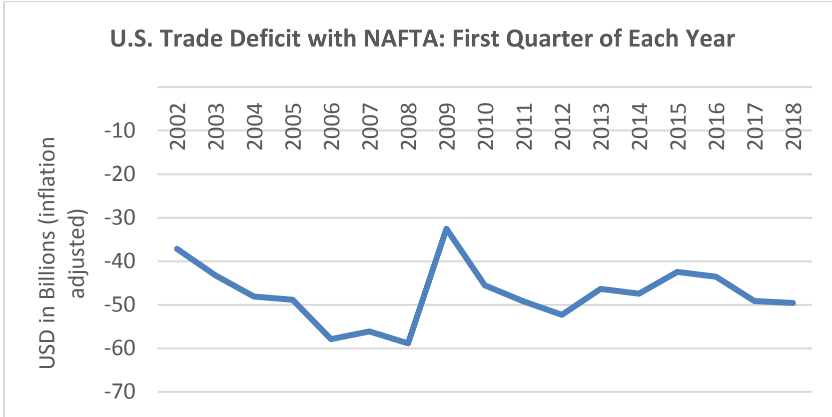
The Deficit Is Now Mostly Made Up of Manufactured and Agricultural Goods, With the Oil Deficit Down

Economists who critique the significance of bilateral deficits nonetheless agree that large sustained overall trade deficits can suppress demand and slow economic growth. The overall U.S. trade deficit is mostly made up of manufactured and agricultural goods. Growth in U.S. oil exports and a decline of oil imports since 2011 have masked the deterioration of the non-oil trade deficit.

Over the past three years, the worsening of the non-oil trade deficit has been comparable in magnitude to the worst part of the 2000s "China shock" period, reaching 3.5 percent of GDP between 2014 and 2017 compared to 3.6 percent of GDP between 2002 and 2005. The non-oil trade deficit increased from $573 billion to $756 billion from 2014 to 2017, including the increase in Trump's first year of office from $703 billion to $756 billion.

"Expect ever-expanding trade deficits that eviscerate Trump's grand trade reform promises unless the administration transforms our failed China trade policy and removes NAFTA's job outsourcing incentives, adds strong labor and environmental standards, and thus achieves a NAFTA replacement that can get through Congress," Wallach said.




U.S. Trade Deficit with NAFTA: First Quarter of Each Year
USD in Billions (inflation adjusted)
-10
-20
-30
-40
-50
-60
-70
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
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