



U.S.-China Economic and Security Review Commission

Monthly Summary of U.S.-China Trade Data

January 11, 2013

The U.S. Balance of Trade with China

The U.S. Census Bureau announced today that the cumulative trade deficit with China through November 2012 was nearly \$291 billion, more than \$18 billion higher than a year ago. Last year's trade deficit with China was a record imbalance and was the largest bilateral U.S. trade deficit in history with any country. At this pace, the bilateral trade deficit with China this year is expected to be the highest on record. Continuing the pattern of October, cumulative annual U.S. exports to China were up 6.4 percent over 2011, while imports increased by 6.6 percent. On a positive note, the year-on-year growth of exports and imports was closely aligned, which has slowed the expansion of the trade deficit; the gap between export and import growth was much wider in February through September.

In sharp contrast to October, when U.S. exports to China grew by a record 23.1 percent over the previous month, exports actually declined by 2.1 percent in November. November tends to be a weak month for bilateral trade; and yet, a year ago, U.S. exports to China still grew by 2.5 percent month-on-month in November. This pattern suggests heightened volatility in U.S exports to China. On the import side, Chinese goods entered the United States at a higher monthly rate than in November 2011. That appears to confirm the recovery of Chinese exports at the end of the year, as indicated in Chinese customs data.

Growth in U.S. Trade with China through November 2012

		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Month-on-month growth	Exports	4.6%	12.2%	-14.0%	5.2%	-4.3%	0.4%	0.6%	2.1%	23.1%	-2.1%
	Imports	-18.2%	12.0%	4.8%	5.8%	2.8%	5.6%	-1.7%	1.5%	6.4%	-1.8%
Year-to-date 2011-2012	Exports	4.5%	3.8%	4.3%	6.0%	6.7%	6.4%	5.9%	5.8%	6.4%	6.4%
	Imports	6.6%	9.0%	9.7%	9.0%	8.2%	8.1%	6.9%	6.5%	6.5%	6.6%

Source: U.S. Census Bureau, *Exports, Imports and Trade Balance by Country, Monthly totals, 1985-present* (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, January 2013). <http://www.census.gov/foreign-trade/statistics/country/>

Note: Exports in this report are based on F.A.S. values, and imports are based on Customs values.

Top Exports and Imports

Agricultural products were by far the top performing U.S. export to China in November, accounting for about a third of all exports. This strong export performance partly reflects seasonal harvest patterns. Agriculture also remains one of the few sectors in which the United States enjoys a trade surplus with China. On the import side, computer and electronic products accounted for nearly half of all imports.

Top Exports and Imports through November 2012
(in US\$ millions)

U.S. Top-Five Exports to China				U.S. Top-Five Imports from China			
	Exports	Share of total (%)	Change over Nov'11 (%)		Imports	Share of total (%)	Change over Nov'11 (%)
<i>Monthly (November 2012)</i>				<i>Monthly (November 2012)</i>			
Agricultural Products	3,372.78	31.8%	36.1%	Computer and Electronic Products	17,559.83	44.4%	20.1%
Transportation Equipment	1,388.54	13.1%	4.0%	Miscellaneous Manufactures	3,883.24	9.8%	0.6%
Computer and Electronic Products	1,055.55	10.0%	-3.8%	Apparel and Accessories	2,656.38	6.7%	-8.3%
Chemicals	979.37	9.2%	-11.5%	Electrical Equipment	2,348.26	5.9%	-4.1%
Machinery, Except Electrical	765.87	7.2%	0.3%	Leather and Allied Products	1,720.08	4.3%	-1.0%
Other	3,032.28	28.6%	-	Other	11,380.39	28.8%	-
Total	10,594.40	100.0%		Total	39,548.18	100.0%	
<i>Year-to-date (thru November 2012)</i>				<i>Year-to-date (thru November 2012)</i>			
Agricultural Products	18,530.71	18.5%		Computer and Electronic Products	144,479.11	37.0%	
Transportation Equipment	13,906.46	13.9%		Miscellaneous Manufactures	33,849.57	8.7%	
Computer and Electronic Products	12,645.45	12.6%		Apparel and Accessories	29,810.37	7.6%	
Chemicals	11,807.99	11.8%		Electrical Equipment	27,801.75	7.1%	
Machinery, Except Electrical	9,036.65	9.0%		Leather and Allied Products	22,759.08	5.8%	
Other	34,280.88	34.2%	-	Other	132,108.69	33.8%	-
Total	100,208.13	100.0%		Total	390,808.58	100.0%	

Source: U.S. Census Bureau, NAICS database (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, January 2013). http://censtats.census.gov/cgi-bin/naic3_6/naicCty.pl.

Sector Spotlight

Advanced Technology Products

The U.S. trade deficit with China in advanced technology products has widened so far this year by over \$10 billion. The most egregious deficits are in Information & Communications and Opto-Electronics. U.S. ATP exports to China are making notable gains, however, in biotechnology, life science, and aerospace – justifying optimism about China’s growing demand for technology-intensive products.

U.S. Trade with China in Advanced Technology Products (ATP) through November 2012
(in US\$ millions)

	Monthly			Cumulative year-to-date			
	Exports	Imports	Balance Nov'12	Exports	Imports	YTD Balance Nov'12	YTD Balance Nov'11
TOTAL	1,609	15,860	-14,251	19,896	128,643	-108,747	-99,689
(01) Biotechnology	19	6	13	255	62	193	143
(02) Life Science	220	185	35	2,496	1,845	651	444
(03) Opto-Electronics	24	628	-604	292	6,577	-6,285	-6,764
(04) Information & Communications	324	14,603	-14,279	3,537	115,427	-111,890	-100,833
(05) Electronics	299	268	31	3,664	2,864	800	1,411
(06) Flexible Manufacturing	71	75	-4	1,869	791	1,078	1,197
(07) Advanced Materials	21	17	4	269	194	75	38
(08) Aerospace	624	59	565	7,437	644	6,793	5,055
(09) Weapons	0	19	-19	1	153	-152	-148
(10) Nuclear Technology	8	0	8	75	85	-10	-231

Source: U.S. Census Bureau, *U.S. Trade with China in Advanced Technology Products - Monthly and Cumulative Data* (Washington, DC: U.S. Department of Commerce, Foreign Trade Division, January 2013). <http://www.census.gov/foreign-trade/statistics/product/atp/2012/11/ctryatp/atp5700.html>.

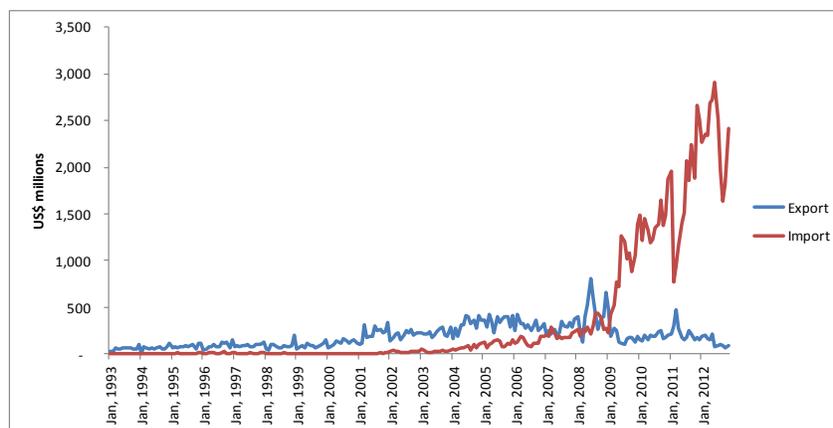
The Coal Trade

China is the world's largest coal producer and its largest consumer. China is expected to burn about half the world's production of coal in 2013, according to the U.S. Energy Information Administration. Coal supplied 70 percent of China's energy consumption in 2009, when it became a net coal importer, according to the agency. In 2011, China overtook Japan as the world's top coal importer.

China produces 80 percent of its electricity through coal-fired power plants, according to China's National Bureau of Statistics. China has the third largest coal reserves in the world, behind the United States and Russia, according to the World Energy Council. China's reserves account for 13 percent of the world's coal.

Despite its large reserves, China is expected to increase its coal imports because China's fragmented coal industry is plagued by outdated equipment, transportation bottlenecks in the coal-rich north and west, poor safety practices, water scarcities in coal mining regions, and inefficiencies related to the proliferation of tens of thousands of small coal mines, many of them owned by local governments.¹ Such mines produced a third of China's coal in the past decade but accounted for three-fourths of the annual coal miner fatalities.² The international price of coal has also been dropping, as the price of coal produced in China has been rising, due to market-based reforms, making foreign-produced coal more economical.

The Value of China's Coal Imports through November 2012
(in US\$ millions)



Source: China General Administration of Customs, via CEIC data.

China's 12th Five Year Plan envisions a massive consolidation of the domestic industry through mergers and acquisitions. Part of that consolidation is expected to include increased foreign investment in the Chinese industry, particularly in new technologies for coal liquefaction and gasification.

The U.S. coal industry stands to benefit from China's coal imports. China imported 113

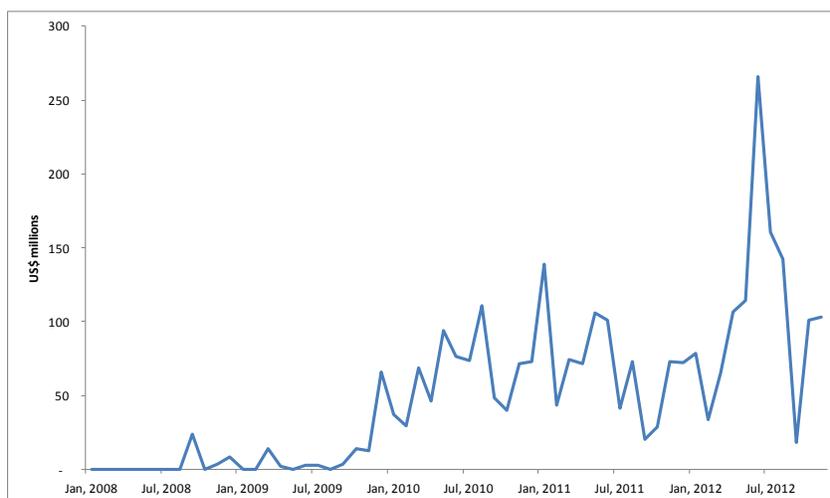
¹ U.S. Energy Information Administration, "Countries: Analysis Briefs: China," September 4, 2012. <http://www.eia.gov/countries/analysisbriefs/China/china.pdf>

² Kevin Jianjun Tu and Sabine Johnson-Reiser, "Understanding China's Rising Coal Imports," Carnegie Endowment for International Peace, February 16, 2010, p. 9.

million tons of coal in the first five months of 2012, an increase of 67.8 percent from the previous year.³ Indonesia and Australia supply half of China's current coal imports needs. But China's rapid industrialization favors exporters of coking coal, used in industrial applications rather than in generating steam for electricity production. The United States is the third largest producer of coking coal.⁴

The United States has also increased its exports to China. Coal exports from the United States to China grew by 560,000 Mt to 6.8 million Mt (1,100 percent) from 2008 to 2012, according to Chinese customs statistics.

*The Value of China's Coal Imports from the United States through November 2012
(in US\$ millions)*



Source: China General Administration of Customs, via CEIC data.

China's Economy

The Chinese government has yet to release the official GDP growth statistic for the final quarter of 2012. Nonetheless, on January 11, a prominent official at the National Development and Reform Commission (NDRC) suggested a growth rate of 7.7 percent. This figure would be higher than the government target of 7.5 percent, signaling a rebound of the Chinese economy that began in the third quarter of the year. Nonetheless, the announcement should be treated with caution; as Bloomberg has noted, the same NDRC official overestimated first-quarter GDP growth by 0.3 percent last April.⁵ A less ambiguous indicator of recovery is trade: official data released on January 10 confirmed that China's exports in December grew 14.1% from a year earlier, much higher than November's 2.9% year-on-year growth.⁶

A more mixed picture emerges from the purchasing managers indexes (PMI) for December

³ Du Juan, "Rising Stocks of Coal Fuel Concerns," *China Daily*, July 5, 2012, <http://www.cdeclips.com/en/business/fullstory.html?id=74451>.

⁴ World Coal Association, "Coal Statistics," 2012, <http://www.worldcoal.org/resources/coal-statistics/>.

⁵ "China's Economy Probably Grew 7.7% in 2012, NDRC Official Says," *Bloomberg News*, January 11, 2013. <http://www.bloomberg.com/news/2013-01-11/china-s-economy-probably-grew-7-7-in-2012-ndrc-official-says.html>.

⁶ David Pierson, "China's Trade Rises Sharply in December," *LA Times*, January 10, 2013. <http://www.latimes.com/business/money/la-fi-mo-china-trade-20120110,0,1014141.story/>.

2012, which were published in early January. PMI helps predict growth in the coming months. The Hong Kong bank HSBC and the Chinese Federation of Logistics and Purchasing (CFLP) publish separate PMI reports on a monthly basis. HSBC's PMI is seasonally adjusted and more carefully weighted, as well as more independent from government interference, which makes it more credible to many experts. But CFLP surveys more companies, especially state-owned enterprises. The two PMIs tend to produce slightly different results. Before and during the financial crisis, these discrepancies were less relevant, because they both illustrated the economy's strong growth and subsequent downturn. But now, as the state of China's economy is less certain, the differences between the indexes are becoming more significant.

China's Purchasing Managers Indexes Compared

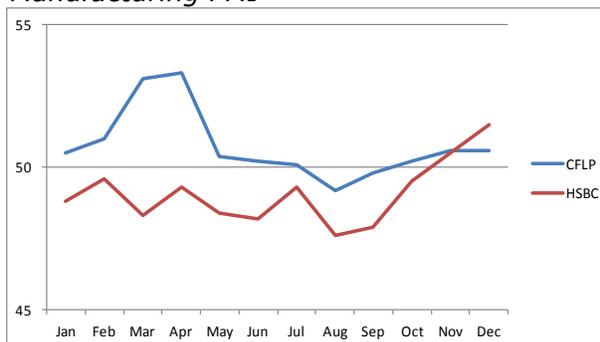
PMI survey	China Federation of Logistics and Purchasing	HSBC Markit
Institution	Chinese government	Private foreign bank
# of companies surveyed	820	430
Type of companies	More SOEs	More small private firms

Source: Tom Orlik, *Understanding China's Economic Indicators* (Upper Saddle River, NJ: FT Press Science, 2012), 20-65.

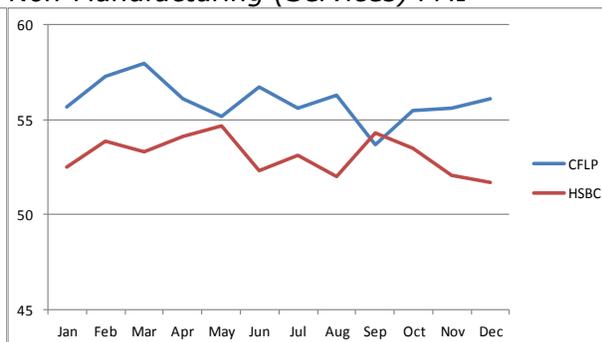
The HSBC PMI suggests a marked decline in China's service sector expansion, but a strong rebound in manufacturing sector sentiment at the end of the year. By contrast, the CFLP survey showed improvement in the service sector, but little change in the manufacturing sector.

Purchasing Managers' Index through December 2012: HSBC and CFLP PMI compared (*<50 = contraction, >50 = expansion*)

Manufacturing PMI



Non-Manufacturing (Services) PMI



Source: China's National Bureau of Statistics, via CEIC data; HSBC Purchasing Managers' Index. <http://www.hsbc.com/1/2/emerging-markets/em-index/purchasing-managers-index>.

China's Outbound Investment

In mid-December, China's Ministry of Commerce (MOFCOM) published its monthly update on non-financial outbound investment on its Chinese-language website. These statistics should be treated with caution – in 2011, the figures reported in December of that year were later revised by over US\$8 billion, when the official annual report was released. Further, the figure for re-investment of overseas profits is highly dubious, amounting to \$1.2 billion for every single month.

Nonetheless, the figures released so far for 2012 suggest that the value of outbound

investment remains on track to equal or surpass the 2011 figure. How this plays out will depend on outbound investment in December, as well as the likely upward revision of the 2012 figure later this year. In sum, outbound investment remains strong, but is unlikely to post any record year-on-year growth, as it did in 2009 and 2010. China's outbound investment may be peaking for the time being. And yet, the number of Chinese companies investing abroad is increasing steadily, indicating a diversification of outbound investors.

China's Outbound FDI Flows through November 2012
(in US\$ billions)

	Monthly			Cumulative year-to-date			
	Total	Re-investment of overseas profits	First-Time Outbound Investment	Total	Re-investment of overseas profits	First-Time Outbound Investment	No. of enterprises
<i>2012</i>							
Jan	4.38	1.20	3.18	4.38	1.20	3.18	355
Feb	3.06	1.20	1.86	7.44	2.40	5.04	706
Mar	9.11	1.20	7.92	16.55	3.60	12.95	1,096
Apr	6.61	1.20	5.41	23.16	4.80	18.36	1,445
May	5.36	1.20	4.16	28.52	6.00	22.52	1,709
Jun	6.90	1.20	5.70	35.42	7.20	28.22	2,163
Jul	6.80	1.20	5.60	42.22	8.40	33.82	2,407
Aug	5.46	1.20	4.26	47.68	9.60	38.08	--
Sep	4.84	--	--	52.52	--	--	2,491
Oct	5.65	--	--	58.17	12.00	46.17	3,254
Nov	4.36	1.20	3.16	62.53	13.20	49.33	3,596
<i>2011</i>				68.58	14.4	45.67	3,391
<i>2010</i>				60.16	--	--	3,125

Source: China's Ministry of Commerce website.
<http://www.mofcom.gov.cn/static/column/tongjiziliao/dgzz.html/1>.

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