

U.S. Trade Deficit Hits All-Time High

By MARTIN CRUTSINGER

The Associated Press

Tuesday, September 12, 2006

WASHINGTON -- Soaring global oil prices sent the U.S. trade deficit to an all-time high, and Democrats hoping to take control of Congress said the figures showed Republican policies have failed.

The trade deficit increased to \$68 billion in July as record oil prices pushed America's foreign oil bill to the highest level in history, the Commerce Department reported Tuesday.

Democrats said the worse-than-expected showing was evidence that President Bush's trade policies were failing to protect American workers from unfair foreign competition that they said had contributed to the loss of nearly 3 million manufacturing jobs since Bush took office.

"These record trade deficits are proof positive that the current trade agenda is not working for America," said Rep. Charles Rangel, D-N.Y., who is in line to become chairman of the House Ways and Means Committee if Democrats take control of the House.

"America's trade policies are a miserable failure," said Sen. Byron Dorgan, D-N.D. "We are choking on debt, a substantial portion of which we owe to China and Japan."

Through July, the deficit is running at an annual rate of \$776 billion, putting the country on course to rack up a record deficit for the fifth straight year.

The Citizens Trade Campaign, a vocal opponent of administration trade policies, said polls show the huge trade deficits and the loss of good manufacturing jobs are key concerns for voters.

"Voters are seeing the disappearance of good jobs, downward pressure on wages and the erosion of benefits and know that Congress has allowed this to happen," said Chris Slevin of the campaign, a coalition of labor, environmental and consumer groups.

Wall Street brushed aside the worsening trade figures to focus instead on seven days of falling oil prices, a decline that has lowered worries about inflation and raised hopes of stronger economic growth in coming months.

The [Dow Jones industrial average](#) rose 101.25 points to close at a four-month high of 11,498.09.

For July, U.S. exports, after setting three consecutive monthly records, edged down 1.1 percent to \$120 billion _ still the second-highest level in history. Sales of American jetliners, computers and industrial machinery slipped.

Imports rose to a record high of \$188 billion, an increase of 1 percent from the June level. America's foreign oil bill climbed 4.8 percent to an all-time high of \$28.5 billion, reflecting record oil prices in July.

The politically sensitive deficit with China did decline a slight 0.7 percent in July to \$19.6 billion but is still on track to exceed last year's \$202 billion deficit, the highest ever recorded with a single country.

Analysts said the deficit with China is likely to rise given that the Chinese reported on Monday that their trade surplus for August set a fourth straight monthly record.

The rising trade gap with China will put pressure on Treasury Secretary Henry Paulson, who leaves Thursday for an Asian trip that will take him to China for his first meetings with Chinese economic officials since he joined Bush's Cabinet in July.

The administration is pushing China to move more quickly to let its currency rise in value against the dollar as a way to narrow the yawning trade gap by making American exports cheaper in China and Chinese goods more expensive for U.S. consumers.

Sens. Charles Schumer, D-N.Y., and Lindsey Graham, R-S.C., have warned that if China does not act, they plan to push for a Senate vote before the end of this month on legislation that would impose 27.5 percent penalty tariffs on all Chinese imports.

Alan Tonelson, a research fellow with the U.S. Business & Industry Council, which represents mainly small American manufacturing companies, said he was not looking for any breakthroughs from Paulson's talks with the Chinese.

"China can't afford to revalue the yuan very much because continuing increases in exports are critical for job creation in China," he said.

The big jump in America's oil bill reflects the sharp rise in global oil prices. The average price for a barrel of imported crude oil rose to a record of \$64.84 in July, Commerce figures show.

However, since hitting a high of \$77 per barrel on spot markets in mid-July, prices have come down by about 13 percent, raising hopes that the trade deficit will start to improve in coming months.

The drop in exports in July was led by a \$1.2 billion decline in sales of U.S. capital goods, reflecting declines in shipments of civilian aircraft, computers, computer accessories and industrial machinery.

America's trade deficit with Japan rose by 8.1 percent in July to \$7.6 billion while the deficit with the 25-nation European Union jumped by 48 percent to \$13.4 billion.