

U.S. trade balance sharply deteriorates

by Richard Freeman

The Asian phase of the world financial disintegration, plus the implementation of International Monetary Fund conditionalities in many nations, continue to decimate U.S. export trade. In August, a steep fall of U.S. exports to China led an overall decline of U.S. exports to the world.

In the U.S. economy, one in five goods-producing jobs depends on exports. Unless a fundamental policy re-orientation occurs, along the lines of Lyndon LaRouche's proposal for a Chapter 11 bankruptcy reorganization of the world financial system and implementation of great infrastructure projects, America's export level and trade balance will continue to deteriorate.

The U.S. deficit in goods and services rose to \$16.77 billion in August, up \$2.22 billion above the July level. August's is the widest monthly deficit since the United States recalculated the way it measures trade flows in 1992. The United States is on track to register a 1998 trade deficit of \$166.5 billion, which would be 50% greater than the 1997 trade deficit and the highest America has ever had.

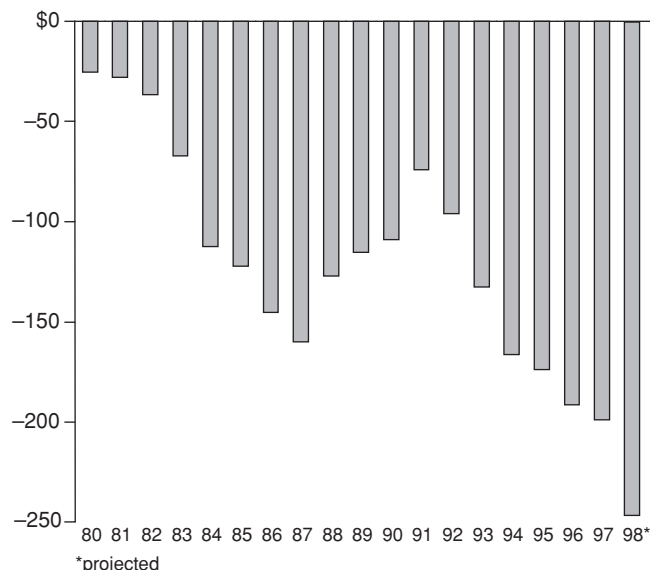
U.S. exports in August were \$74.84 billion, a fall of 0.3% from July. This is the lowest export level in 19 months. August imports increased by 2.2%, to \$91.61 billion.

The above figures refer to the U.S. trade deficit in goods and services. However, for merchandise (physical) goods alone, the picture is even worse. In August, the U.S. deficit on merchandise goods was \$23.2 billion, the highest recorded in U.S. history. In fact, from 1789 up until 1977, the United States never registered a yearly merchandise goods trade deficit of greater than \$6 billion. As **Figure 1** shows, the United States is now on track to record a merchandise trade deficit of \$247.2 billion for 1998. A nation that depends on a quarter-trillion dollars of goods imports per year to survive, in terms of "energy of the system," is functioning significantly below break-even.

Table 1 shows the level of U.S. exports to eight leading Asian trading nations, and also U.S. exports to Japan and China, for December 1997 and August 1998. It also shows the percentage of change in the volume of exports during that period.

Between July and August 1998, U.S. exports to China deteriorated sharply; in July, U.S. exports to China were \$1.117 billion; in August, they fell to \$888 million. (It is possible that this is a one-month aberration; it will have to be watched closely.) Overall, between December 1997 and

FIGURE 1
U.S. physical goods trade deficit, 1980-98
(billions \$)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; EIR.

August 1998, U.S. exports to China are down 28.1%. In the case of six of the eight leading Asian trading nations (excluding China and Japan)—South Korea, Taiwan, Hong Kong, Malaysia, Thailand, and Indonesia—U.S. export levels are down by 25% or more. For these eight nations as a group, U.S. exports are down by nearly 30%.

TABLE 1
U.S. exports to eight Asian nations, plus Japan and China
(millions \$)

	December 1997	August 1998	Percent change
Taiwan	\$2,235	\$1,326	-40.7%
South Korea	1,680	1,213	-27.8
Singapore	1,443	1,316	-8.8
Hong Kong	1,317	990	-24.8
Malaysia	851	582	-31.6
Philippines	601	543	-10.8
Thailand	538	335	-37.8
Indonesia	478	133	-67.5
Subtotal	9,143	6,453	-29.4
Japan	5,265	4,755	-9.7
China	1,235	888	-28.1
Total	15,643	12,096	-22.7

Source: U.S. Department of Commerce, Bureau of Census.