



PRESS RELEASE

IS TRADE BALANCE A POOR GAUGE

Ho Chi Minh City, Feb 9, 2018 , American Chamber of Commerce (AmCham Vietnam), Ho Chi Minh City Chapter would like to release the article with topic “Is Trade Balance a Poor Gauge?” with details as following:

On Tuesday U.S. Trade Data was released. If ASEAN were a single market, its merchandise trade surplus with the United States would be second only to that of China. Service trade data will not be available until later this year. In 2016, the United States ran a \$9.4 billion service trade surplus with ASEAN.

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US MERCHANDISE TRADE WITH ASEAN, 2017

	U.S. IMPORTS	U.S. EXPORTS	BALANCE
Brunei	22.8	121.1	98.3
Burma	366.1	211.1	-155.0
Cambodia	3,064.2	400.0	-2,664.2
Indonesia	20,208.9	6,868.0	-13,340.8
Laos	96.3	25.7	-70.6
Malaysia	37,408.9	12,826.2	-24,582.8
Philippines	11,626.6	8,466.9	-3,159.7
Singapore*	19,396.8	29,753.1	10,356.2
Thailand	31,189.8	10,837.1	-20,352.7
Vietnam	46,483.5	8,163.5	-38,320.0
ASEAN	169,863.8	77,672.7	-92,191.1

Vietnamese and Americans may be startled by press accounts about the U.S. trade deficit, and some American politicians will likely protest at the size of the deficit. Trade balance has become an urgent political issue in the United States. But should it be The trade deficit is a poor measure of whether a set of trade policies and agreements are delivering benefits to the USA.



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A majority of economists concur that that foreign import and exports subsidies do not cause trade deficits and surpluses. Recently Martin Feldstein, Chairman of Council of Economics under President Regan wrote *“The real reason is that Americans are spending more than they produce. The overall trade deficit is the results of the saving and investment decisions of US households and businesses. The policies of foreign governments affect only how that deficit is divided among American trade partners”*.

A trade deficit is frequently a sign of economic good health, signaling that purchasing power is strong and consumers feel confident enough to spend, just as we see happening now in the USA. History has shown that the U.S. trade deficit expands in a growing economy at a faster rate than those of our major trading partner, it did as, in the 1980's and 1990's. By contrast, the U.S. trade balance has moved in the direction of a surplus in recessions, as in the 1930s and 2007 - 2009.

Researchers at the Peterson Institute for International Economics examined the relationship between trade balances and trade barriers across 125 countries and found that between 2003 – 2014 those countries with higher tariffs generally had bigger current accounts deficits or smaller surpluses than others. They did not find any statistically meaningful link between the two. This was supported by the Geneva based International Trade Center data from 2016, which shows that 21 of the 26 countries with the highest average applied tariffs have merchandise trade deficits. The economies with the lowest tariffs and other trade barriers, like Singapore and Hong Kong, are the most prosperous in the world.

Free trade opponents regularly claim that U.S. trade agreements have produced trade deficits, but this is just not factual. Trade in goods and services show that U.S. has run a cumulative trade surplus of \$25 billion with our 20 trade agreement partners as a group over the last 5 years (2012 - 2016).

Today's trade debate focuses on trade in manufactured goods, but here too the story is often misrepresented. Over the past decade, 2007 - 2016, the United States ran a cumulative trade surplus in manufactured goods of \$241 billion with our 20 trade agreement partners, according to the U.S. Department of Commerce Trade Stats Express site. International trade is complicated and the trade balance by itself is a poor gauge of whether a nation's trade policies are fostering economic growth and job creation.



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ABOUT AMCHAM

AmCham Vietnam in HCM City is an independent association of American and international businesses. With more than 450 member and associate companies, and over 1,000 representatives, our membership of manufacturing, brand management, transportation and logistics, professional services, and travel and tourism firms is unified by a common objective to promote trade and investment between Vietnam and the United States. Since 1996, AmCham Vietnam in HCM City has been a Member of the [U.S. Chamber of Commerce](#), which represents 3,000,000 businesses, 2,800 states and local chambers, 830 business associations, and 102 [American Chambers of Commerce](#) in 82 countries.