

Trump vowed to shrink the trade gap. It keeps growing.

By Ana Swanson

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The overall United States trade deficit continued to widen in the first nine months of 2019, data released Tuesday morning show, defying a Trump administration plan to try to shrink the figure by renegotiating trade agreements.

The trade deficit for both goods and services grew to \$481.3 billion in the first three quarters of the year, up 5.4 percent from the same period last year, according to data released by the Commerce Department. Total American exports fell by \$7 billion from the previous year, while imports grew by \$17.8 billion.

Economists have argued against the Trump administration's focus on the trade deficit, saying the figure is a poor metric for measuring American well-being or the health of the economy. They say the trade deficit continues to rise largely because the United States is growing faster than other countries around the world, which boosts American purchases of foreign products and weighs on its sales abroad.

But President Trump has pointed to the trade deficit — an excess of American imports over exports — as a sign of a hollowed-out manufacturing sector, and promised to shrink the figure by reworking the terms of trade between the United States and other countries.

The data released Tuesday suggest that the global trade wars Mr. Trump has launched have not had the effect he desires. The tariffs Mr. Trump has levied on more than \$360 billion of Chinese goods have clamped down on trade, but economists say that has hurt production rather than bringing about the manufacturing renaissance Mr. Trump promised.

In September, the trade deficit in goods and services narrowed from the previous month to \$52.45 billion, but both imports and exports declined. Imports of cellphones, toys,

machinery and semiconductors fell, suggesting that both American businesses and consumers are growing more cautious.

The figures also provided the first look at how new tariffs the Trump administration put into place on more than \$100 billion of Chinese goods on Sept. 1 affected trade. Compared with the previous month, both imports and exports of goods to China ticked down in September as the new levies went into effect.

The American trade deficit in goods with China shrank, both in September and in the first nine months of the year. But the data showed American companies shifting to purchase more goods from other locations instead, including Mexico, Vietnam and Taiwan.

The trade deficit in goods with Mexico grew to \$76.1 billion in the first nine months of 2019, up from \$59.1 billion last year. The trade deficit in goods with a group of countries along the Pacific Rim, excluding China, widened to \$84.7 billion in the first three quarters of 2019, from \$66 billion in the same period last year.

“In a very narrow sense, higher tariffs on China are working: They clearly have reduced trade and thus the trade deficit with China,” Brad Setser, an economist at the Council on Foreign Relations, wrote on Twitter. But “imports from both Taiwan and Vietnam are up substantially,” he added.

The data also showed that in September, the United States became a net exporter of petroleum products for the first time in more than four decades, driven by a boom in fracking. The United States exported \$14.97 billion of petroleum products, including non-energy goods like ethane, butane and benzene, but imported only \$14.71 billion of those products.

The new data come as Trump administration officials weigh whether to further roll back tariffs placed on more than \$360 billion of Chinese goods in order to clinch a so-called phase one deal in the coming weeks.

President Trump announced on Oct. 11 that he had reached a verbal agreement with China on an interim pact that the two sides would sign. The deal would increase Chinese protections for American intellectual property, open up Chinese financial markets and ensure large Chinese purchases of American agricultural goods, Mr. Trump said.

The two sides intended to sign that deal at a summit of global leaders in Santiago, Chile, in mid-November. But last week, Chile canceled the summit because of domestic protests.

They are now searching for another location for a signing ceremony. President Trump has floated Iowa as the site, likely to tout China's planned purchases of American farm products.

"First, we'll see if we get the deal," Mr. Trump told reporters last Saturday. "And if we get the deal, the meeting place will come very easily. It'll be someplace in the U.S."