

# **ANNEX I**



## Annex I. U.S. Trade in 2005

### I. 2005 Overview

U.S. trade (exports and imports of goods and services, and the receipt and payment of earnings on foreign investment)<sup>1</sup> increased by over 15 percent in 2005 to a value of approximately \$4.3 trillion.<sup>2</sup> This marked the second consecutive year of strong growth (trade was up 17 percent in 2004). The increase in trade in 2005 largely reflected a strong U.S. economy (real GDP up 3.6 percent) as well as improved economic conditions in a number of U.S. trade partners. U.S. trade in goods and services increased by 12 percent, while U.S. trade of goods alone increased 14 percent and U.S. trade of services alone increased by 11 percent. Exports of goods and services, and earnings on investment increased by 14 percent in 2005, while imports of goods and services and payments on investment increased by 16 percent.

In 2004, the latest year in which data are available, the United States was the world's largest trading nation for both exports and imports of goods and services.<sup>3</sup> The United States accounts for roughly 17 percent of world goods trade and for roughly 19 percent of world services trade.<sup>4</sup> Through 2005, the value of U.S. trade has increased 32-fold since 1970, and 130 percent since 1994, the year before the start of the Uruguay Round implementation (figure 1).<sup>5</sup> U.S. trade expansion was more rapid in the 1970-2005 period than the growth of the overall U.S. economy, in both nominal and real terms. In nominal terms, trade has grown at an annual average rate of 10.4 percent per year since 1970, compared to U.S. gross domestic product (GDP) which grew at an average rate of 7.4% over the same period. In real terms, the average annual growth in trade was double the pace of GDP growth, 6.4 percent versus 3.1 percent.

The value of trade in goods and services, including earnings and payments on investment, was a record 35 percent of the value of U.S. GDP in 2005 (figure 2). This represented an increase from the corresponding figure in 2004 (32 percent).<sup>6</sup> For goods and services, excluding investment earnings and payments, U.S. trade represented a record 27 percent of the value of GDP in 2005, and was up from 25 percent in 2004.<sup>7</sup>

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<sup>1</sup> Earnings on foreign investment are considered trade because they are conceptually the payment made to foreign residents for the service rendered by the use of foreign capital. Beyond the overview section, however, this chapter deals with goods and services trade, excluding foreign investment earnings. All trade values are nominal unless otherwise indicated.

<sup>2</sup> In this Chapter, full year data for 2005 are estimated based on partial year data (January-November).

<sup>3</sup> Germany is the largest goods exporter, having surpassed the United States in 2003.

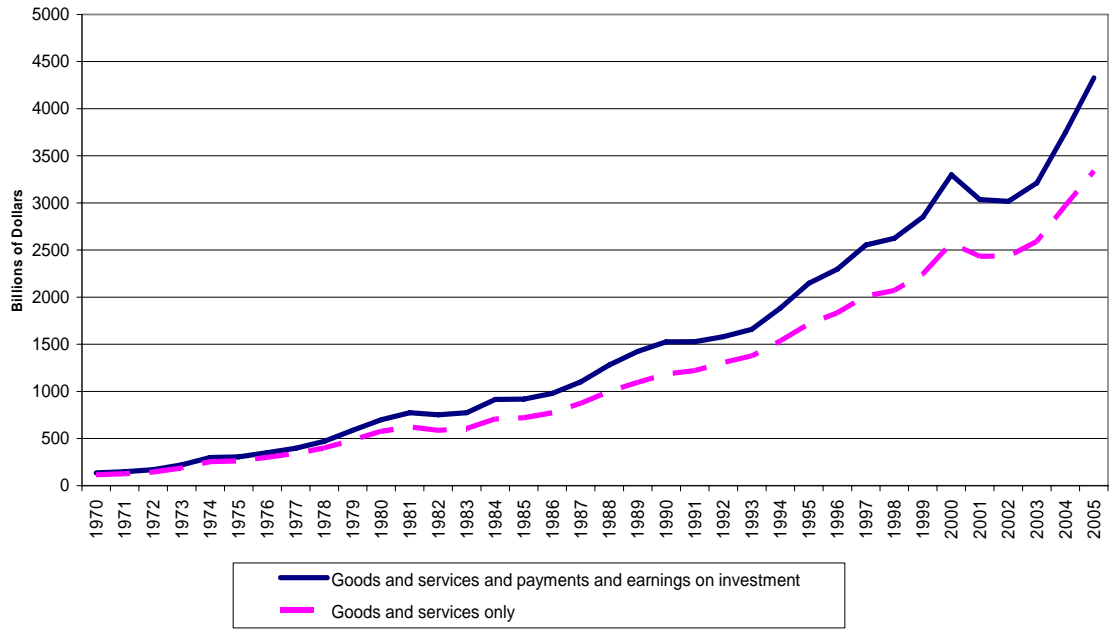
<sup>4</sup> Trade in goods and services excluding intra-EU trade.

<sup>5</sup> Trade in goods and services alone has increased nearly 29-fold since 1970 and 117 percent since 1994.

<sup>6</sup> Thirteen percent of the value of GDP in 1970 and 27 percent in 1994.

<sup>7</sup> Eleven percent of the value of GDP in 1970 and 22 percent in 1994.

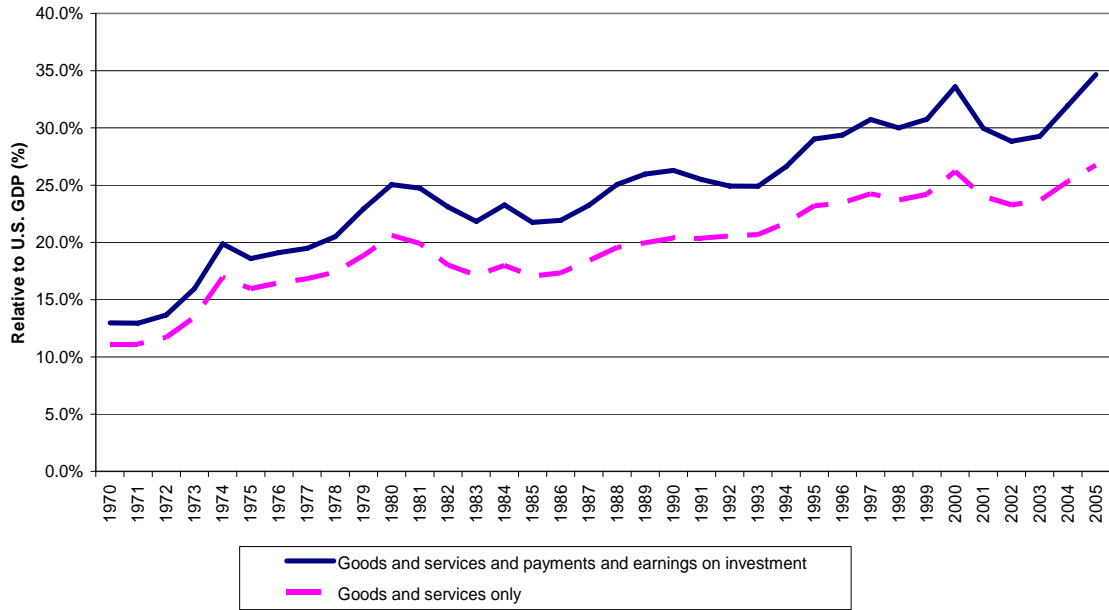
Figure 1:  
U.S. Trade Growth



Total exports + imports

Source: U.S. Department of Commerce

**Figure 2:  
Growing Importance of Trade in the U.S. Economy**



Total exports + imports as a percentage of the value of U.S. GDP

Source: U.S. Department of Commerce

This growth in trade has occurred in both U.S. exports and imports. U.S. exports of goods and services (including investment earnings) in 2004 are 25-fold greater than 1970 and 100 percent greater than 1994. U.S. imports of goods and services are 40-fold greater than 1970 and 158 percent greater than 1994.

With the value of U.S. exports increasing less than that of imports, the total deficit on goods and services trade (excluding earnings and payments on foreign investment) increased by approximately \$108 billion from \$618 billion in 2004 (5.3 percent of GDP) to \$726 billion in 2005 (5.8 percent of GDP). The U.S. deficit in goods trade alone increased by \$118 billion from \$665 billion in 2004 (5.7 percent of GDP) to \$783 billion in 2005 (6.3 percent of GDP). The services trade surplus increased by \$9 billion from \$48 billion in 2004 (0.4% of GDP) to \$57 billion in 2005 (0.5 percent of GDP).

## **II. Goods Trade**

### **A. Export Growth**

U.S. goods exports increased by 11 percent in 2005, as compared to the 13 percent increase in the preceding year (*table 1 and figure 3*). Manufacturing exports, which accounted for 86 percent of total goods exports, were up 10 percent, while agriculture exports, which accounted for 7 percent of total goods exports, were up by 3 percent. High technology exports, a subset of manufacturing exports, accounted for 24 percent of total goods exports and were up 6 percent in 2005. U.S. goods exports increased for every major end-use category in 2005, with the largest increase in the industrial supplies and materials category, up 14 percent.

Since 1994, U.S. goods exports are up 78 percent. Manufacturing exports increased 81 percent, while high technology exports increased 77 percent, and agriculture exports increased 42 percent. Exports of consumer goods and industrial supplies and materials have increased by more than 90 percent. Of the \$391 billion increase in goods exports since 1994, capital goods accounted for 40 percent of the increase, industrial supplies and materials accounted for 29 percent, and consumer goods accounted for 14 percent.

U.S. goods exports increased to all major markets in 2005 (*table 2*), led by a growth rate of 19 percent to China and 17 percent to Latin America excluding Mexico. U.S. exports increased 9 percent to high income countries and 12 percent to middle and low income countries. Since 1994, U.S. goods exports to low and middle income countries exhibited higher growth rates than that to high income countries, 94 percent compared to 64 percent. However, the United States still exports the majority of its goods to high income countries, roughly 54 percent in 2005.

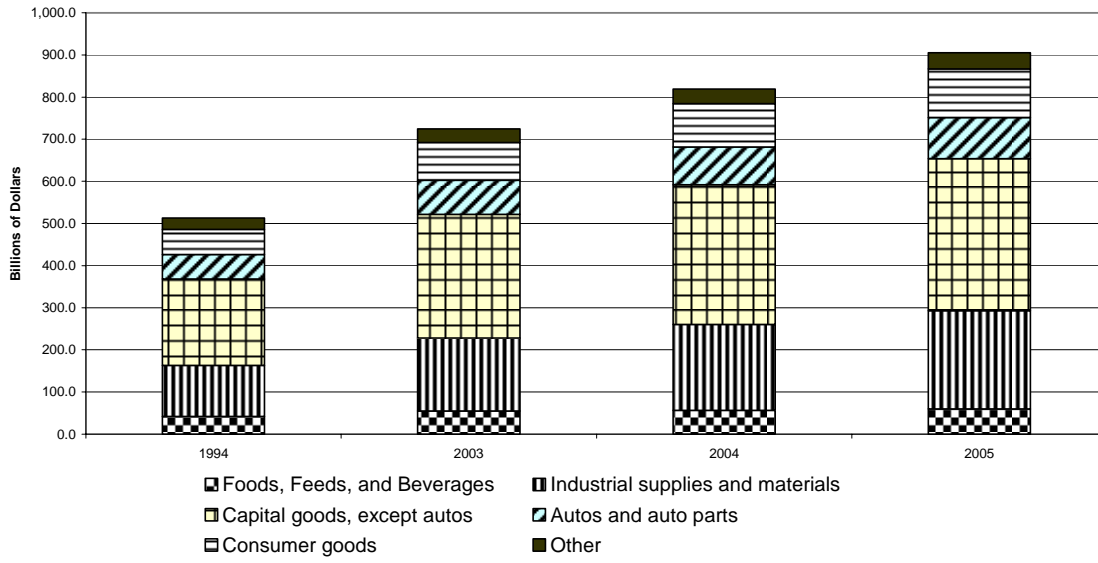
**Table 1**  
**U.S. Goods Exports**

Exports:	1994	2003	2004	2005*	04-05*	94-05*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	502.8	716.4	807.5	893.8	10.7%	77.7%
<b>Food, feeds, and beverages</b>	42.0	55.0	56.6	59.9	5.8%	42.7%
<b>Industrial supplies and materials</b>	121.4	173.0	204.0	233.3	14.4%	92.2%
<b>Capital goods, except autos</b>	205.0	293.6	331.5	360.4	8.7%	75.8%
<b>Autos and auto parts</b>	57.8	80.7	89.3	97.7	9.4%	69.1%
<b>Consumer goods</b>	60.0	89.9	103.1	115.6	12.2%	92.8%
<b>Other</b>	26.5	32.5	34.4	38.3	11.4%	44.7%
<b>Addendum: Agriculture</b>	45.9	61.4	63.4	65.4	3.0%	42.3%
<b>Addendum: Manufacturing</b>	431.1	627.1	710.3	780.9	9.9%	81.2%
<b>Addendum: High Technology</b>	120.7	180.2	201.4	214.3	6.4%	77.5%

\* Annualized based on January-November 2005 data

Source: U.S. Department of Commerce, Balance of Payments Basis for Total, Census basis for Sectors.

**Figure 3:  
U.S. Goods Exports**



2005 Annualized based on January-November 2005  
Source: U.S. Department of Commerce



**Table 2**  
**U.S. Goods Exports to Selected Countries/Regions**

Exports to:	1994	2003	2004	2005*	04-05*	94-05*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	114.4	169.9	189.9	211.8	11.5%	85.1%
<b>European Union (EU25)</b>	107.8	155.2	172.6	186.5	8.0%	73.0%
<b>Japan</b>	53.5	52.0	54.2	55.0	1.4%	2.8%
<b>Mexico</b>	50.8	97.4	110.8	119.8	8.1%	135.6%
<b>China</b>	9.3	28.4	34.7	41.5	19.4%	347.1%
<b>Asian Pacific Rim, except Japan and China</b>	85.0	108.1	120.7	125.8	4.2%	48.0%
<b>Latin America, except Mexico</b>	41.7	51.9	61.5	71.9	17.0%	72.5%
<b>Addendum: High Income Countries</b>	299.6	405.6	448.1	490.0	9.3%	63.6%
<b>Addendum: Low to Middle Income Countries</b>	212.8	318.9	370.7	413.7	11.6%	94.4%

\* Annualized based on January-November 2005 data

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

Goods exports to China continued to increase in 2005, up 19 percent, the sixth straight year of double-digit growth. Although constituting only 7 percent of U.S. exports to China, U.S. exports of autos and parts and consumer goods exhibited the largest growth in 2005, up 43 percent and 32 percent, respectively. Exports of capital goods and industrial supplies, which together accounted for 83 percent of U.S. exports to China in 2005, also increased by 18 percent and 25 percent, respectively. Agriculture exports declined by 4 percent in 2005, but still accounted for 13 percent of total U.S. exports to China. U.S. exports to China have quadrupled since 1994 (up 347 percent).

U.S. exports to Latin America (excluding Mexico) increased 17 percent in 2005, due mainly to strong export growth in capital goods (up 19 percent) and industrial supplies (up 17 percent). These two categories accounted for 73 percent of total exports to the region. Exports of autos and parts were up a strong 37 percent, but only accounted for 5 percent of total exports. U.S. exports to Latin America (excluding Mexico) have increased by 73 percent since 1994.

Exports to our NAFTA partners increased 10 percent in 2005, and have increased 134 percent since 1993, the year before NAFTA's implementation. Approximately 37 percent of aggregate U.S. goods exports went to NAFTA countries in 2005 (over \$330 billion), up from nearly 33 percent in 1993 (\$142 billion).

U.S. exports to Canada, the largest U.S. export market, accounting for 23 percent of U.S. exports, increased by 12 percent in 2005. Growth areas of U.S. exports to Canada include industrial supplies (up 18 percent) capital goods, except autos (up 15 percent) agricultural products (up 13 percent) and consumer goods (up 12 percent). Overall, U.S. exports to Canada are up by 85 percent since 1994.

U.S. exports to Mexico, the second largest country export market, accounting for 13 percent of U.S. exports, increased by 8 percent in 2005. U.S. exports were up 16 percent for industrial supplies and materials and 10 percent for agricultural goods. Since 1994, U.S. exports to Mexico have increased nearly 136 percent.

U.S. exports to the European Union were up 8 percent in 2005. Exports of industrial supplies (up 15 percent) and consumer goods (up 10 percent) both increased. In 2005, the EU accounted for 21 percent of aggregate U.S. exports. Since 1994, U.S. exports to the EU have increased by 73 percent.

U.S. exports to the Asian Pacific rim (excluding China and Japan) increased 4 percent in 2005, but are up 48 percent since 1994. U.S. exports to Japan increased only 1 percent in 2005, and are only up 3 percent since 1994.

## **B. Import Growth**

U.S. goods imports increased 14 percent in 2005 (*table 3 and figure 4*) down slightly from the 17 percent growth rate in 2004. Manufacturing imports, accounting for 77 percent of total goods imports, increased 10 percent in 2005. High technology imports, accounting for 16 percent of total goods imports, increased by 9 percent, while agriculture imports, accounting for 4 percent of total goods imports, increased by 10

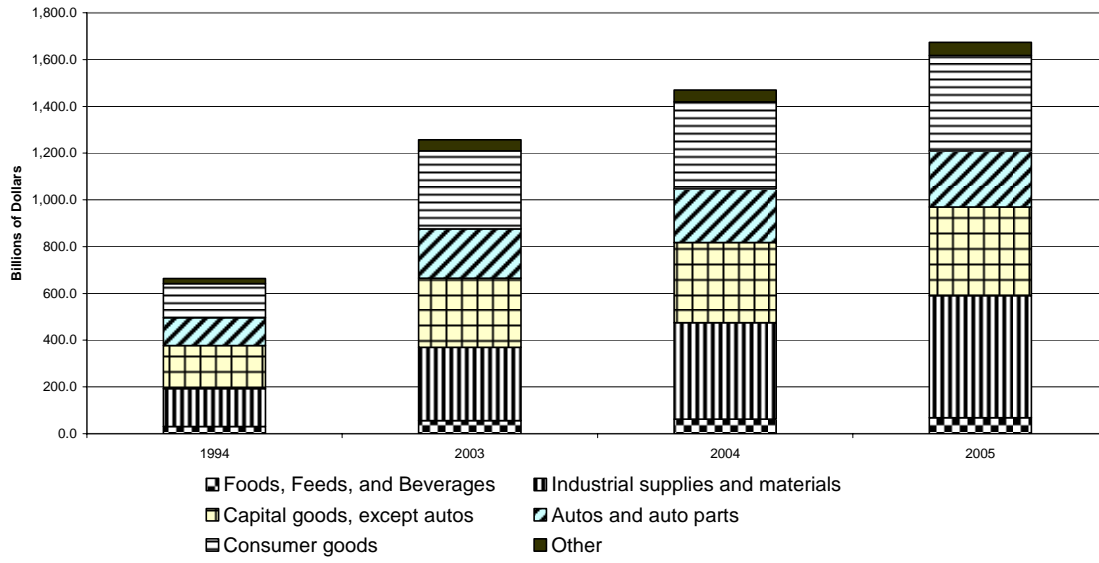
**Table 3**  
**U.S. Goods Imports**

<b>Imports:</b>	<b>1994</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>	<b>04-05*</b>	<b>94-05*</b>
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	668.7	1,260.7	1,472.9	1,677.0	13.9%	150.8%
<b>Food, feeds, and beverages</b>	31.0	55.8	62.1	68.2	9.8%	120.4%
<b>Industrial supplies and materials</b>	162.1	313.8	412.8	521.9	26.4%	221.9%
<b>Capital goods, except autos</b>	184.4	295.8	343.5	380.0	10.6%	106.1%
<b>Autos and auto parts</b>	118.3	210.2	228.2	239.0	4.7%	102.1%
<b>Consumer goods</b>	146.3	333.9	372.9	408.9	9.6%	179.6%
<b>Other</b>	21.3	47.6	50.1	55.8	11.4%	162.5%
<b>Addendum: Agriculture</b>	26.0	47.5	54.2	59.5	9.7%	129.1%
<b>Addendum: Manufacturing</b>	557.3	1,027.4	1,174.9	1,289.4	9.8%	131.4%
<b>Addendum: High Technology</b>	98.1	207.0	238.3	259.3	8.8%	164.3%

\* Annualized based on January-November 2005 data

Source: U.S. Department of Commerce, Balance of Payments Basis for Total, Census basis for Sectors.

**Figure 4:  
U.S. Goods Imports**



2005 Annualized based on January-November 2005  
Source: U.S. Department of Commerce

percent in 2005. U.S. goods imports increased for every major end-use category in 2005, with the largest increase (up 26 percent) in industrial supplies (including petroleum). The three largest end-use categories for U.S. imports together accounted for 78 percent of total U.S. imports (industrial supplies – 31 percent; consumer goods – 25 percent; and capital goods – 23 percent).

By value, U.S. imports of petroleum increased by nearly 40 percent in 2005 (\$71 billion), whereas U.S. imports of non-petroleum products increased by just 10 percent (\$133 billion). The increase in imports of petroleum was due to the 36% increase in price from \$34.30 per barrel to \$46.51 per barrel. By volume, imports of petroleum imports declined in 2005 by 1.4%.

Since 1994, U.S. goods imports are up over 150 percent, nearly doubling the rate of growth in U.S. exports. U.S. imports of manufactured products and agriculture products increased by 131 percent and 129 percent, respectively. U.S. imports of advanced technology products increased by 164 percent. For the major end-use categories, U.S. imports of industrial supplies increased by 222 percent since 1994, while imports of consumer goods increased by 180 percent. Of the \$1.0 trillion increase in goods imports since 1994, industrial supplies and materials accounted for 36 percent of the increase, consumer goods accounted for 26 percent, capital goods for 19 percent, and autos and auto parts for 12 percent.

On a regional basis, U.S. goods imports increased from all the major markets in 2005, led by a growth rate of 25 percent from Latin America excluding Mexico and 24 percent from China (*table 4*). U.S. imports increased by 17 percent from low and middle countries and by 10 percent from high income countries. Since 1994, U.S. goods imports from low and middle income countries exhibited higher growth (more than double) than that from high income countries, 224 percent compared with 99 percent. The share of U.S. imports from low and middle income countries has increased from 42 percent in 1994 to 54 percent in 2005.

U.S. goods imports continued its strong growth from China in 2005 (up 24 percent), marking the fourth consecutive year of growth that exceeded 20 percent plus growth. U.S. imports from China have increased by over 530 percent since 1994. China is the second largest single country supplier of goods to the United States, accounting for 15 percent of total U.S. imports in 2005, up from 6 percent in 1994. When imports from China, Japan, and the other Asian-Pacific Rim countries are considered together, however, the region's share of U.S. imports has actually declined from 39 percent in 1994 to 33 percent in 2005. Imports from China accounted for 20 percent of the overall increase in U.S. imports from the world since 1994 (second to NAFTA's 27 percent and just greater than the EU's 19 percent). A significant portion of U.S. imports from China are low value-added consumer goods, such as toys, footwear, apparel and some types of consumer electronics. Consumer goods made up 53 percent of U.S. imports from China in 2005, and grew 21 percent in 2005. U.S. imports of industrial supplies, capital goods, and autos and parts, however, each exhibited stronger growth in 2005, at 28 percent, 25 percent, and 22 percent, respectively.

**Table 4**  
**U.S. Goods Imports from Selected Countries/Regions**

Imports from:	1994	2003	2004	2005*	04-05*	94-05*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	128.4	221.6	256.4	285.5	11.4%	122.4%
<b>European Union (EU25)</b>	119.5	253.0	282.0	310.2	10.0%	159.7%
<b>Japan</b>	119.2	118.0	129.8	138.3	6.5%	16.1%
<b>Mexico</b>	49.5	138.1	155.9	169.3	8.6%	242.1%
<b>China</b>	38.8	152.4	196.7	244.6	24.4%	530.6%
<b>Asian Pacific Rim, except Japan and China</b>	103.2	148.5	166.1	169.2	1.9%	63.9%
<b>Latin America, except Mexico</b>	38.5	78.8	98.6	123.2	24.9%	220.3%
<b>Addendum: High Income Countries</b>	384.9	619.4	700.1	768.1	9.7%	99.5%
<b>Addendum: Low to Middle Income Countries</b>	278.3	637.7	770.5	903.3	17.2%	224.5%

\* Annualized based on January-November 2005 data

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

Imports from Latin America (excluding Mexico) increased by 25 percent in 2005, and accounted for 7 percent of total U.S. imports in 2005. Roughly 70 percent of the increase in imports from Latin America was in the mineral fuel category. U.S. import prices for crude oil through the first 11 months of 2005 were up 36 percent compared to the same period in 2004. U.S. imports from Latin America have increased by 220 percent since 1994.

U.S. goods imports from the EU, accounting for 19 percent of total U.S. imports, increased by 10 percent in 2005. More than three-quarters of U.S. imports from the EU consisted of capital goods (28 percent), consumer goods (25 percent), and industrial goods (22 percent). Import categories that exhibited the largest growth in 2005 included industrial supplies (up 21 percent) and capital goods (up 11 percent). U.S. imports from the EU have increased by 160 percent since 1994.

Imports from our NAFTA partners increased 10 percent in 2005 and have tripled since NAFTA started implementation. NAFTA imports accounted for 27 percent of aggregate U.S. goods imports in 2005, the same as in 1994.

U.S. imports from Canada, the largest single country supplier of goods to the United States, accounting for 17 percent of U.S. imports, increased by 11 percent in 2005. Nearly one-half of this increase was in the mineral fuel category. U.S. imports of industrial supplies from Canada were up 19 percent in 2005, while capital goods were up 12 percent. U.S. imports from Canada have more than doubled since 1994.

U.S. imports from Mexico, the third largest single country supplier of goods to the United States, increased by 9 percent in 2005. Roughly 40 percent of this increase was in the mineral fuel category. U.S. imports of industrial supplies increased by 24 percent, while imports of agriculture products increased by 15 percent. U.S. imports from Mexico have grown 242 percent since 1994.

Imports from the Pacific Rim (excluding Japan and China) increased 2 percent in 2005, and were up 64 percent since 1994. Imports from Japan increased 7 percent in 2005, and were only up by only 16 percent since 1994. Purchases from Japan in 2005 accounted for 8 percent of total U.S. imports, as compared to 18 percent in 1994.

### **III. Services Trade**

#### **A. Export Growth**

U.S. exports of services grew roughly 11 percent in 2005 to \$380 billion. Since 1994, U.S. services exports have increased by approximately 90 percent (*table 5 and figure 5*). U.S. services exports accounted for 30 percent of the value of U.S. goods and services exports in 2005.

**Table 5**  
**U.S. Services Exports**

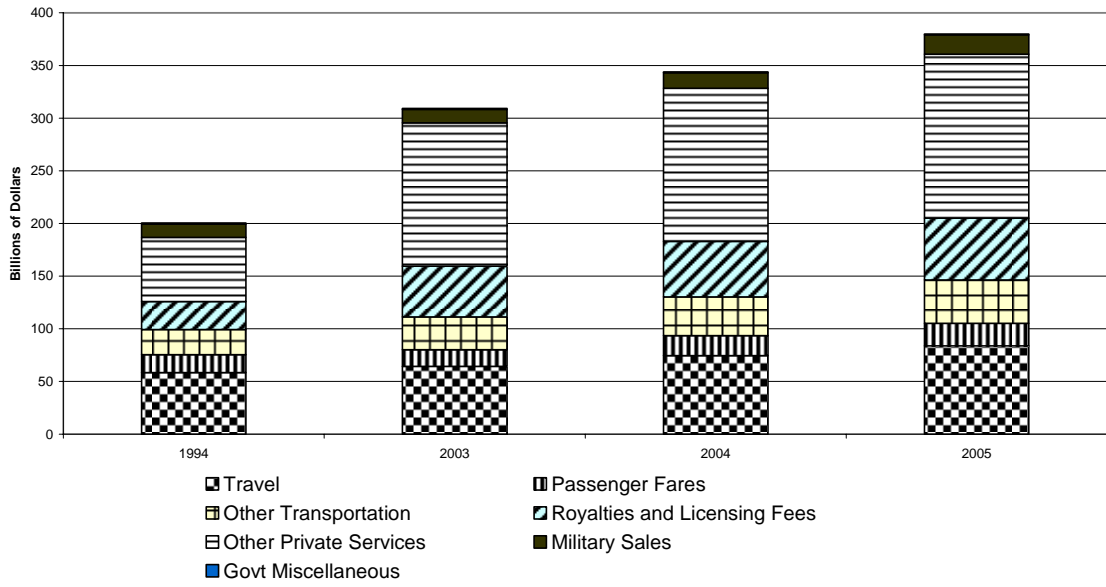
Exports:	1994	2003	2004	2005*	04-05*	94-05*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	200.4	309.1	343.9	379.9	10.5%	89.6%
<b>Travel</b>	58.4	64.3	74.5	83.7	12.4%	43.3%
<b>Passenger Fares</b>	17.0	15.7	18.9	21.5	13.9%	26.4%
<b>Other Transportation</b>	23.8	31.3	36.9	41.2	11.7%	73.3%
<b>Royalties and Licensing Fees</b>	26.7	48.1	52.6	58.5	11.1%	118.9%
<b>Other Private Services</b>	60.8	136.1	145.4	155.9	7.2%	156.3%
<b>Transfers under U.S. Military Sales Contracts</b>	12.8	12.8	14.8	18.3	23.6%	43.2%
<b>U.S. Government Services</b> <b>Miscellaneous</b>	0.9	0.8	0.8	0.8	2.3%	-5.3%

\* Annualized based on January-November 2005 data

Source: U.S. Department of Commerce, Balance of Payments Basis.



**Figure 5:  
U.S. Services Exports**



2005 Annualized based on January-November 2005  
Source: U.S. Department of Commerce

The growth in U.S. services exports in 2005 was largely driven by the other private services and travel categories. Of the \$36 billion increase in U.S. services exports in 2005, the other private services category accounted for 29 percent, while the travel category accounted for 26 percent. On a percentage increase basis, categories exhibiting the largest export growth rates in 2005 were the passenger fares, travel, other transportation, and royalties and licensing fees, all up between 11 and 14 percent.

Since 1994, all of the major services exports categories have grown. Export growth has been led by the other private services category, up 156 percent, and the royalties and licensing fees category, up 119 percent. The other transportation and travel categories also were up 73 percent and 43 percent, respectively. Of the \$180 billion increase in U.S. services exports between 1994 and 2005, the other private services category accounted for 53 percent of the increase, the royalties and licensing fees category accounted for 18 percent, and the travel category accounted for 14 percent.

Detailed sectoral breakdowns for exports of the other private services category are available only through 2004. In 2004, 33 percent of U.S. exports of other private services were to business related parties (to a foreign parent or affiliate). The largest categories for U.S. exports of other private services to related and unrelated parties, in 2004 were: business, professional and technical services, \$71 billion; financial services, \$27 billion; and education, \$14 billion. The business, professional and technical services category were led by research and development and testing services (\$9.8 billion), computer and information services (\$8.5 billion), operational leasing (\$8.2 billion), installation, maintenance, and repair of equipment (\$5.1 billion); and management and consulting services (4.5 billion).<sup>8</sup>

The United Kingdom was the largest purchaser of U.S. private services exports in 2004 (latest data available), accounting for 12 percent of total U.S. private services exports. The top 5 purchasers of U.S. private services exports in 2004 were: the United Kingdom (\$40.1 billion), Japan (\$35 billion), Canada (\$30 billion), Germany (\$19 billion), and Mexico (\$18 billion).

Regionally, in 2004, the United States exported \$115 billion to the EU-25, \$88 billion to the Asia/Pacific Region (\$45 billion excluding Japan and China), \$48 billion to NAFTA countries, and \$22 billion to Latin America (excluding Mexico).

## **B. Import Growth**

Services imports by the United States increased in 2005 by 9 percent to \$323 billion (*table 6, figure 6*). Three services import categories accounted for roughly 85 percent of the \$27 billion growth in U.S. imports of services in 2005: other private services (37 percent), other transportation (31 percent), and travel (16 percent). Categories exhibiting the largest percentage import growth rates in 2005 were other transportation, up 15 percent, and other private services, up 10 percent. U.S. services imports accounted for 16 percent of the level of U.S. goods and services imports in 2005.

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<sup>8</sup> Installation, maintenance, and repair of equipment services value for unaffiliated sales only.

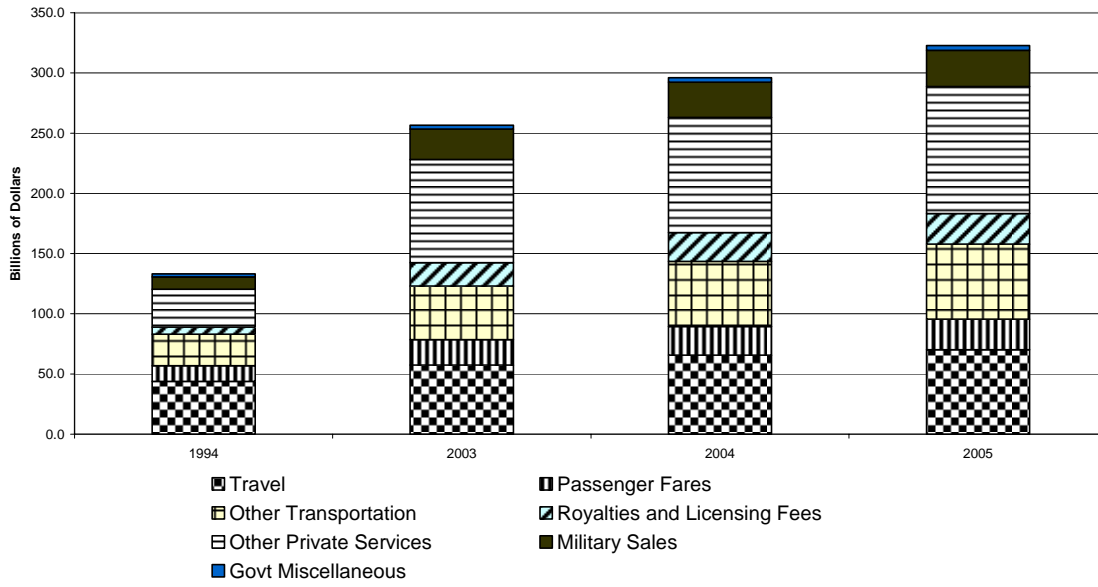
**Table 6**  
**U.S. Services Imports**

Imports:	1994	2003	2004	2005*	04-05*	94-05*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	132.9	256.7	296.1	322.8	9.0%	142.8%
<b>Travel</b>	43.8	57.4	65.6	70.0	6.6%	59.8%
<b>Passenger Fares</b>	13.1	21.0	23.7	25.5	7.4%	95.0%
<b>Other Transportation</b>	26.0	44.7	54.2	62.4	15.3%	140.0%
<b>Royalties and Licensing Fees</b>	5.9	19.4	23.9	25.3	6.0%	333.1%
<b>Other Private Services</b>	31.5	85.7	95.7	105.6	10.4%	235.9%
<b>Direct Defense Expenditures</b>	10.2	25.3	29.3	30.1	2.7%	194.5%
<b>U.S. Government Miscellaneous Services</b>	2.6	3.1	3.7	3.9	3.3%	50.7%

\* Annualized based on January-November 2005 data

Source: U.S. Department of Commerce, Balance of Payments Basis.

**Figure 6:  
U.S. Services Imports**



2005 Annualized based on January-November 2005  
Source: U.S. Department of Commerce

Since 1994, services imports grew by 143 percent or \$190 billion. This growth was driven by the other private services category (accounting for 39 percent of the increase) and the other transportation category (accounting for 19 percent of the increase). Imports in all of the major service categories have grown since 1994. U.S. payments (imports) of royalties and licensing fees have quadrupled, while imports of other private services and direct defense expenditures have increased by 236 percent and 195 percent, respectively.

As with exports, detailed sectoral breakdowns for imports of other private services are available only through 2004. In 2004, 38 percent of U.S. imports of other private services were from business related parties (from a foreign parent or affiliate). The largest categories for U.S. imports of other private services from related and unrelated parties in 2004 were: business professional and technical services \$41 billion; insurance services \$30 billion; and financial services \$11 billion. The business, professional and technical services category were led by the computer and information services (\$5.8 billion), management, and consulting services (\$5.0 billion), and research, development, and testing services (\$4.7 billion).

In the import sector, the United Kingdom remained our largest supplier of private services, providing \$33 billion to the United States in 2004 (latest data available). This accounted for 13% of total U.S. imports of private services in 2004. The United States imported \$20 billion from Canada, our second largest supplier, and \$20 billion from Japan, our third largest supplier. Germany and Bermuda were our fourth and fifth largest import suppliers, exporting \$18 and \$16 billion, respectively, worth of services to the U.S. in 2004.

Regionally, the United States imported \$96 billion of services from the EU-25, \$59 billion from the Asia/Pacific region (\$33 billion excluding Japan and China), \$33 billion from NAFTA countries, and \$12 billion from Latin America (excluding Mexico).

#### **IV. The U.S. Trade Deficit**

The U.S. goods and services deficit increased by \$108 billion in 2005 to a level of \$726 billion (*table 7*). The U.S. goods trade deficit alone increased by \$118 billion to \$783 billion in 2005. The services trade surplus increased by \$9 billion to \$57 billion in 2005.

As a share of U.S. GDP, the goods and services trade deficit was 5.8 percent of GDP in 2005, up from 5.3 percent in 2004 (*table 8*). The goods trade deficit was 6.3 percent of GDP in 2005, up from 5.7 percent in 2004. The services trade surplus was 0.5 percent of GDP in 2005, up from 0.4 percent in 2004. The regional distribution of the goods trade deficit for 2005 and the past three years is shown in table 9.

<b>Table 7</b>				
<b>U.S. Trade Balances with the World</b>				
<b>Balance:</b>	<b>1994</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
	<i>Billions of Dollars</i>			
<b>Goods and Services (BOP Basis)</b>	-98.4	-491.8	-617.6	<b>-726.1</b>

<b>Goods (BOP Basis)</b>	-165.8	-544.3	-665.4	<b>-783.2</b>
<b>Services (BOP Basis)</b>	67.5	52.5	47.8	<b>57.2</b>
* Annualized based on January-November 2005 data				
Source: U.S. Department of Commerce				

<b>Table 8</b>				
<b>U.S. Trade Balances as a Share of GDP</b>				
<b>Share of GDP:</b>	<b>1994</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
	<i>Percents</i>			
<b>Goods and Services (BOP Basis)</b>	-1.4	-4.5	-5.3	<b>-5.8</b>
<b>Goods (BOP Basis)</b>	-2.3	-5.0	-5.7	<b>-6.3</b>
<b>Services (BOP Basis)</b>	1.0	0.5	0.4	<b>0.5</b>
* Annualized based on January-November 2005 data				
Source: U.S. Department of Commerce				

<b>Table 9</b>				
<b>U.S. Goods Trade Balances with Selected Countries/Regions</b>				
<b>Balance:</b>	<b>1994</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
	<i>Percents</i>			
<b>Canada</b>	-14.0	-51.7	-66.5	<b>-73.7</b>
<b>European Union (EU25)</b>	-11.7	-97.9	-109.3	<b>-123.8</b>
<b>Japan</b>	-65.7	-66.0	-75.6	<b>-83.3</b>
<b>Mexico</b>	1.4	-40.6	-45.1	<b>-49.5</b>
<b>China</b>	-29.5	-124.1	-161.9	<b>-203.1</b>

<b>Asian Pacific Rim, except Japan and China</b>	-18.2	-40.4	-45.3	<b>-43.4</b>
<b>Latin America, except Mexico</b>	3.2	-26.9	-37.2	<b>-51.3</b>
<b>Addendum: High Income Countries</b>	-85.4	-213.8	-252.0	<b>-278.1</b>
<b>Addendum: Low to Middle Income Countries</b>	-65.5	-318.8	-399.8	<b>-489.6</b>
* Annualized based on January-November 2005 data				
Source: U.S. Department of Commerce				