

# **ANNEX I**

## Annex I. U.S. Trade in 2006

### I. 2006 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 17 percent in 2006 to a value of nearly \$5.1 trillion.<sup>2</sup> This marked the third consecutive year of strong growth (trade was up 17 percent in 2004, and 15 percent in 2005). The increase in trade in 2006 largely reflected a strong U.S. economy (real GDP up over 3.0 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 by 13 percent and U.S. trade of services alone increased by 9 percent. Exports of goods and services, and earnings on investment increased by 18 percent in 2006, while imports of goods and services and payments on investment increased by 17 percent.

In 2005, the latest year in which data is 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 18 percent of world services trade.<sup>4</sup> Through 2006, the value of U.S. trade has increased 37-fold since 1970, and 169 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 1970-2006 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 10.6 percent per year since 1970, compared to U.S. gross domestic product (GDP) whose average growth over the same period was 7.3 percent. In real terms, the average annual growth in trade was double the pace of GDP growth, 6.5 percent versus 3.1 percent.

The value of trade in goods and services, including earnings and payments on investment, was a record 38 percent of the value of U.S. GDP in 2006 (figure 2). This represented an increase from the corresponding figure in 2005 (35 percent).<sup>6</sup> For goods and services, excluding investment earnings and payments, U.S. trade represented a record 28 percent of the value of GDP in 2006, and was up from 27 percent in 2005.<sup>7</sup>

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1 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.

2 In this Chapter, 2006 is estimated based on partial year data (January-November).

3 Germany is the largest goods exporter, having surpassed the United States in 2003.

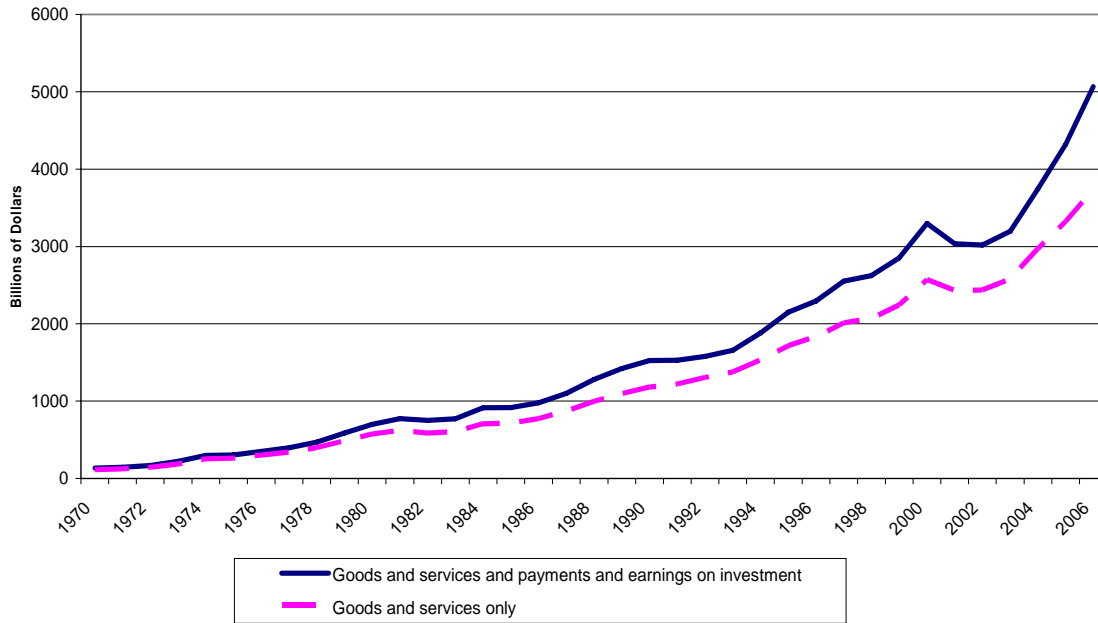
4 Trade in goods and services excluding intra-EU trade.

5 Trade in goods and services alone has increased 31-fold since 1970 and 117 percent since 1994.

6 Thirteen percent of the value of GDP in 1970 and 27 percent in 1994.

7 Eleven percent of the value of GDP in 1970 and 22 percent in 1994.

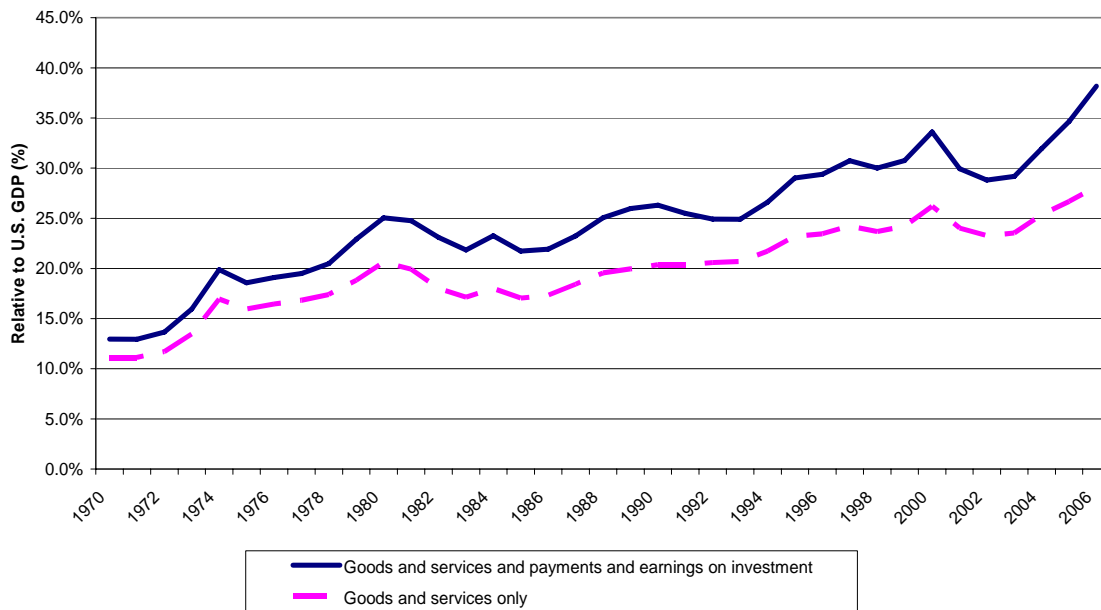
**Figure 1:  
U.S. Trade Growth**



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 2006 are 28-fold greater than 1970 and 136 percent greater than 1994. U.S. imports of goods and services are 46-fold greater than 1970 and 200 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 \$54 billion from \$717 billion in 2005 (5.8 percent of GDP) to \$771 billion in 2006 (still roughly 5.8 percent of GDP). The U.S. deficit in goods trade alone increased by \$60 billion from \$783 billion in 2005 (6.3 percent of GDP) to \$843 billion in 2006 (still roughly 6.3 percent of GDP). The services trade surplus increased by \$6 billion from \$66 billion in 2005 (0.5% of GDP) to \$72 billion in 2006 (0.5 percent of GDP).

## **II. Goods Trade**

### **A. Export Growth**

U.S. goods exports increased by 15 percent in 2006, as compared to the 11 percent increase in the preceding year (*table 1 and figure 3*). Manufacturing exports, which accounted for 86 percent of total goods exports, were up 14 percent, while agriculture exports, which accounted for 7 percent of total goods exports, were up by 12 percent. High technology exports, a subset of manufacturing exports, accounted for 24 percent of total goods exports and were up 17 percent in 2006. U.S. goods exports increased for every major end-use category in 2006, with the largest increase in the industrial supplies and materials category, up 19 percent.

Since 1994, U.S. goods exports are up 104 percent. Manufacturing exports increased 107 percent, while high technology exports increased 110 percent, and agriculture exports increased 59 percent. Exports of industrial supplies and materials, consumer goods and capital goods have more than doubled. Of the \$525 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 13 percent.

U.S. goods exports increased to all major markets in 2006 (*table 2*), led by a growth rate of 33 percent to China, and 23 percent to Latin America, excluding Mexico. U.S. exports increased 12 percent to industrial countries and 18 percent to developing countries. Since 1994, U.S. goods exports to developing countries exhibited higher growth rates than that to industrial countries, 131 percent compared to 83 percent. However, the United States still exports the majority of its goods to industrial countries, roughly 52 percent in 2006.

Goods exports to China continued to increase in 2006, up 19 percent, the 7<sup>th</sup> straight year of double-digit growth (and the 4<sup>th</sup> straight year of 20 percent plus growth). Exports of capital goods, industrial supplies, and autos and parts were the largest growth categories,

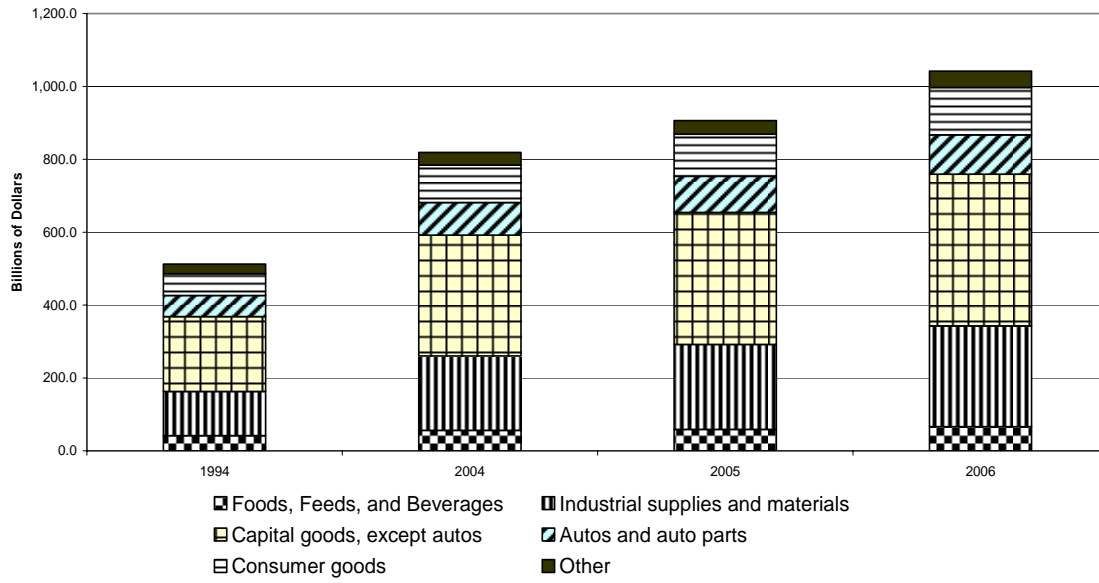
**Table 1**  
**U.S. Goods Exports**

Exports:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	502.8	807.5	894.6	1,028.3	14.9%	104.5%
<b>Food, feeds, and beverages</b>	42.0	56.6	59.0	66.6	12.9%	58.6%
<b>Industrial supplies and materials</b>	121.4	204.0	233.1	276.3	18.5%	127.6%
<b>Capital goods, except autos</b>	205.0	331.6	362.7	416.3	14.8%	103.0%
<b>Autos and auto parts</b>	57.8	89.2	98.6	108.0	9.6%	86.9%
<b>Consumer goods</b>	60.0	103.1	115.7	129.9	12.3%	116.6%
<b>Other</b>	26.5	34.4	37.0	44.8	21.2%	69.1%
<b>Addendum: Agriculture</b>	45.9	63.4	65.2	73.0	12.0%	59.1%
<b>Addendum: Manufacturing</b>	431.1	710.3	783.3	892.9	14.0%	107.2%
<b>Addendum: High Technology</b>	120.7	201.4	216.1	253.4	17.3%	109.9%

\* Annualized based on January-November 2006 data

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

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



2006 Annualized based on January-November 2006  
Source: U.S. Department of Commerce

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

Exports to:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	114.4	189.9	211.9	231.5	9.3%	102.3%
<b>European Union (EU25)</b>	109.6	172.6	186.4	214.1	14.8%	95.3%
<b>Japan</b>	53.5	54.2	55.5	60.1	8.3%	12.4%
<b>Mexico</b>	50.8	110.8	120.4	135.6	12.7%	166.7%
<b>China</b>	9.3	34.7	41.9	55.7	32.9%	500.1%
<b>Asian Pacific Rim, except Japan and China</b>	85.0	120.7	125.9	141.3	12.2%	66.2%
<b>Latin America, except Mexico</b>	41.8	61.5	72.4	89.2	23.2%	114.0%
<b>Addendum: Industrial Countries**</b>	297.4	444.5	486.1	544.5	12.0%	83.1%
<b>Addendum: Developing Countries**</b>	215.2	374.2	419.9	497.4	18.5%	131.1%

\* Annualized based on January-November 2006 data

\*\* As defined by the International Monetary Fund

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

up 46 percent, 39 percent, and 32 percent, respectively. Exports of capital goods accounted for 46 percent of U.S. exports to China in 2006, while exports of industrial supplies accounted for 39 percent, and autos and auto parts only 3 percent. Agriculture exports increased by 29 percent in 2006, but still accounted for 12 percent of total U.S. exports to China. U.S. exports to China have increased 5-fold since 1994.

U.S. exports to Latin America (excluding Mexico) increased 23 percent in 2006, due mainly to strong export growth in industrial supplies (up 27 percent) and capital goods (up 24 percent). These two categories accounted for 73 percent of total exports to the region. Exports of autos and parts were up a strong 28 percent, but only accounted for 5 percent of total exports. U.S. exports to Latin America (excluding Mexico) have more than doubled since 1994.

Exports to our NAFTA partners increased more than 10 percent in 2006, and have increased 159 percent since 1993, the year before the start of NAFTA's implementation. Approximately 35 percent of aggregate U.S. goods exports went to NAFTA countries in 2006 (over \$367 billion), up from nearly 33 percent in 1993 (\$142 billion).

U.S. exports to Canada, the largest U.S. export market, accounting for 22 percent of U.S. exports, increased by 9 percent in 2006. Growth areas of U.S. exports to Canada include consumer goods (up 15 percent), industrial supplies (up 12 percent), and agricultural products (up 11 percent). Overall, U.S. exports to Canada have doubled since 1994.

U.S. exports to Mexico, the second largest country export market, accounting for 13 percent of U.S. exports, increased by 13 percent in 2006. U.S. exports were up 15 percent each in both the industrial supplies and materials and agricultural goods categories. Since 1994, U.S. exports to Mexico have increased nearly 167 percent.

U.S. exports to the European Union were up 15 percent in 2006. Exports increased in industrial supplies (up 29 percent) and autos and auto parts (up 23 percent). In 2006, the EU accounted for 21 percent of aggregate U.S. exports. Since 1994, U.S. exports to the EU have nearly doubled. This growth was led by mostly manufactured goods as agricultural exports to the EU have remained relatively flat since 1996.

U.S. exports from the Asian Pacific rim (excluding China and Japan) increased 12 percent in 2006, and are up 66 percent since 1994. U.S. exports of agriculture were up 14 percent, though only accounted for 7 percent of total exports to the region.

U.S. exports to Japan increased 8 percent in 2006, and are only up 12 percent since 1994. U.S. exports of autos and auto parts were up 13 percent in 2006, but only accounted for 4 percent of total U.S. exports to Japan. U.S. exports of industrial supplies to Japan were up 12 percent.

## **B. Import Growth**

U.S. goods imports increased 12 percent in 2006 (*table 3 and figure 4*) down slightly from the 14 percent growth rate in 2005. Manufacturing imports, accounting for 76



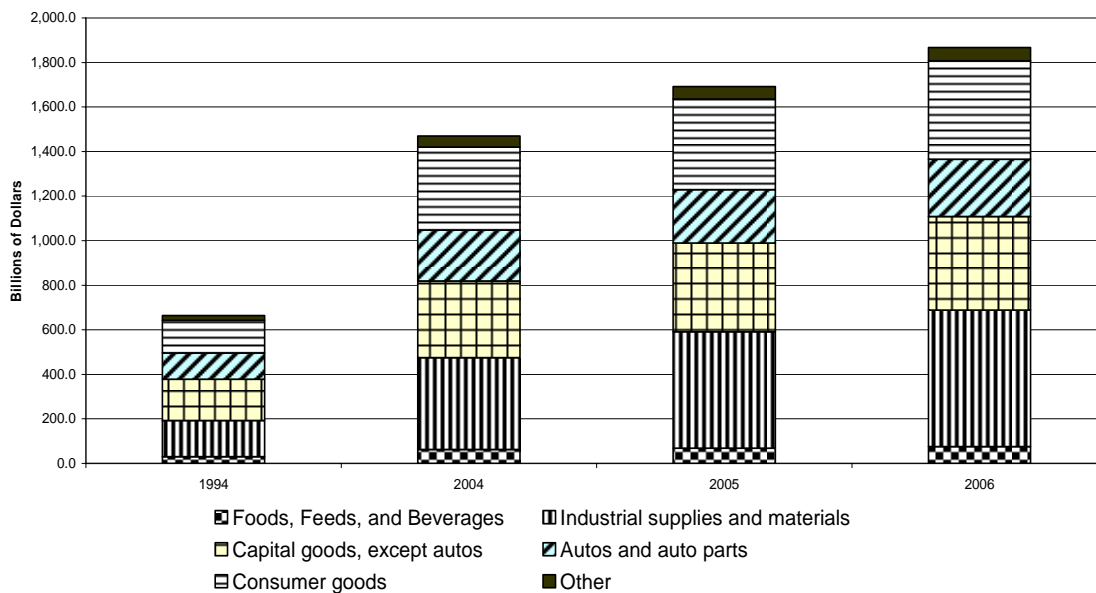
**Table 3**  
**U.S. Goods Imports**

Imports:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	668.7	1,472.9	1,677.4	1,870.8	11.5%	179.8%
<b>Food, feeds, and beverages</b>	31.0	62.1	68.1	75.4	10.8%	143.6%
<b>Industrial supplies and materials</b>	162.1	412.8	523.9	612.8	17.0%	278.0%
<b>Capital goods, except autos</b>	184.4	343.5	397.2	420.3	10.8%	128.0%
<b>Autos and auto parts</b>	118.3	228.2	239.5	257.1	7.3%	117.4%
<b>Consumer goods</b>	146.3	372.9	407.2	441.6	8.5%	201.9%
<b>Other</b>	21.3	50.1	55.6	59.4	6.9%	179.4%
<b>Addendum: Agriculture</b>	26.0	54.2	59.5	65.8	10.5%	153.5%
<b>Addendum: Manufacturing</b>	557.3	1,174.8	1,287.4	1,420.3	10.3%	154.9%
<b>Addendum: High Technology</b>	98.1	238.3	259.7	292.0	12.4%	

\* Annualized based on January-November 2006 data

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

Figure 4:  
U.S. Goods Imports



2006 Annualized based on January-November 2006  
Source: U.S. Department of Commerce

percent of total goods imports, increased 10 percent in 2006. High technology imports, accounting for 16 percent of total goods imports, increased by 12 percent, while agriculture imports, accounting for 4 percent of total goods imports, increased by 11 percent in 2006. U.S. goods imports increased for every major end-use category in 2006, with the largest increase in industrial supplies (including petroleum) (up 17 percent). The three largest end-use categories for U.S. imports together accounted for 79 percent of total U.S. imports (industrial supplies – 33 percent; consumer goods – 24 percent; and capital goods – 22 percent).

U.S. imports of petroleum are up nearly 22 percent in 2006 (\$51 billion), whereas U.S. imports of non-petroleum products are up just 10 percent (\$125 billion). The increase in imports of petroleum was due to the 25% increase in price from \$46.54 per barrel to \$58.36 per barrel. The volume of petroleum imports increased slightly in 2006 by 0.2%.

Since 1994, U.S. goods imports are up 180 percent, nearly three-quarters larger than the growth of U.S. exports. U.S. imports of manufactured products and agriculture products increased by 155 percent and 154 percent, respectively. U.S. imports of advanced technology products increased by 198 percent. For the major end-use categories, U.S. imports of industrial supplies increased by 278 percent since 1994, while imports of consumer goods increased by 202 percent. Of the \$1.2 trillion increase in goods imports since 1994, industrial supplies and materials accounted for 37 percent of the increase, consumer goods accounted for 24 percent, capital goods for 20 percent, and autos and auto parts for 12 percent.

On a regional basis, U.S. goods imports increased from all the major markets in 2006, led by a growth rate of 18 percent from China and Mexico (*table 4*). U.S. imports increased by 16 percent from developing countries and by 7 percent from industrial countries. Since 1994, U.S. goods imports from developing countries exhibited higher growth (more than double) than that from industrial countries, 275 percent compared with 113 percent. Accordingly, the share of U.S. imports from developing countries has increased from 42 percent in 1994 to 56 percent in 2006.

Although U.S. goods imports continued its strong growth from China in 2006 (up 18 percent), this growth has declined over the past 4 years (28 percent growth in 2003, 23 percent growth in 2004, 21 percent growth in 2005, and 18 percent growth in 2006). U.S. imports from China have increased by over 640 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 2006, up from 6 percent in 1994. Imports from China accounted for 21 percent of the overall increase in U.S. imports from the world since 1994 (second to NAFTA's 27 percent but greater than the EU's 18 percent). Much of U.S. imports from China are low value-added consumer goods, such as toys, footwear, apparel and some areas of consumer electronics. Consumer goods made up 54 percent of U.S. imports from China in 2006, and grew 14 percent in 2006. U.S. imports of industrial supplies, autos and parts, and capital goods, however, each exhibited stronger growth in 2006, 32 percent, 28 percent, and 22 percent, respectively.

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

Imports from:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Canada</b>	128.4	256.4	290.4	307.4	5.9%	139.4%
<b>European Union (EU25)</b>	121.5	282.0	308.8	331.2	7.2%	172.6%
<b>Japan</b>	119.2	129.8	138.0	148.3	7.5%	24.4%
<b>Mexico</b>	49.5	155.9	170.1	200.1	17.7%	304.4%
<b>China</b>	38.8	196.7	243.5	287.8	18.2%	642.0%
<b>Asian Pacific Rim, except Japan and China</b>	103.2	166.1	169.9	183.6	8.0%	77.9%
<b>Latin America, except Mexico</b>	38.5	98.6	122.9	135.7	10.5%	252.9%
<b>Addendum: Industrial Countries**</b>	382.9	694.2	764.6	815.8	6.7%	113.0%
<b>Addendum: Developing Countries**</b>	280.3	775.5	908.9	1,050.7	15.6%	274.8%

\* Annualized based on January-November 2006 data

\*\* As defined by the International Monetary Fund

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

Although imports from China have shown strong growth, non-China imports from Asia have slowed relative to overall U.S. imports, resulting from production shifting from other Asian countries to China. When U.S. 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 2006.

Imports from the Pacific Rim (excluding Japan and China) only increased 8 percent in 2006, and were only up 78 percent since 1994, far below the U.S. overall import growth of 12 percent in 2006 and 180 percent since 1994. Purchases from this region accounted for 10 percent of total U.S. imports in 2006, down from 16 percent in 1994. The largest import growth category in 2006 was industrial supplies, up 22 percent.

Similarly, import growth from Japan was below the overall U.S. growth rate, increasing 8 percent in 2006, and only by 24 percent since 1994. Purchases from Japan in 2006 accounted for 8 percent of total U.S. imports, as compared to 18 percent in 1994. The largest import growth category was autos and parts, up 14 percent in 2006.

Imports from Latin America (excluding Mexico) increased by 11 percent in 2006, and accounted for 7 percent of total U.S. imports in 2006. Roughly half of the increase in imports from Latin America was in the mineral fuel category. Industrial supplies and materials was the import category that exhibited the largest growth in 2006, up 16 percent. U.S. imports from Latin America have increased by 253 percent since 1994.

Imports from our NAFTA partners increased 10 percent in 2006 and have increased by over 250 percent since NAFTA started implementation. NAFTA imports accounted for 27 percent of aggregate U.S. goods imports in 2006, the same as in 1994.

U.S. imports from Canada, the largest single country supplier of goods to the United States, accounting for 16 percent of U.S. imports, increased by 6 percent in 2006. Roughly 43 percent of this increase was in the mineral fuel category. U.S. imports of industrial supplies from Canada were up 13 percent in 2006, while agriculture goods were up 9 percent. U.S. imports from Canada have increased by 139 percent since 1994.

U.S. imports from Mexico, the third largest single country supplier of goods to the United States, increased by 18 percent in 2006. Roughly 29 percent of this increase was in the mineral fuel category. The largest import growth category was industrial supplies (up 28 percent). U.S. imports from Mexico have grown 304 percent since 1994.

U.S. goods imports from the EU, accounting for 18 percent of total U.S. imports, increased by 7 percent in 2006. More than three-quarters of U.S. imports from the EU were capital goods (28 percent), consumer goods (26 percent), and industrial goods (23 percent). The import category that exhibited the largest growth in 2006 was industrial supplies (up 10 percent). U.S. imports from the EU have increased by 177 percent since 1994.

### **III. Services Trade**

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

U.S. exports of services grew roughly 9 percent in 2006 to \$414 billion, and since 1994, U.S. services exports have increased by approximately 107 percent (*table 5 and figure 5*). U.S. services exports accounted for 29 percent of the level of U.S. goods and services exports in 2006.

The growth in U.S. services exports in 2006 was largely driven by the other private services category. Of the \$33 billion increase in U.S. services exports in 2006, the other private services category accounted for 61 percent of the increase.

On a percentage increase basis, categories exhibiting the largest export growth rates in 2006 were the other transportation and other private services categories, up 14 percent and 13 percent, respectively.

Since 1994, all of the major services exports categories have grown. Export growth has been led by the other private services category, up 193 percent, the royalties and licensing fees category, up 132 percent, and the other transportation category, up 103 percent. Of the \$214 billion increase in U.S. services exports between 1994 and 2006, the other private services category accounted for 55 percent of the increase, the royalties and licensing fees category accounted for 17 percent, and the travel category accounted for 13 percent.

Detailed sectoral breakdowns for exports of the other private services category are available only through 2005. In 2005, 31 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, \$81 billion; financial services, \$34 billion; and education, \$14 billion. The business, professional and technical services category were led by research and development and testing services (\$10.1 billion), operational leasing (\$9.4 billion), computer and information services (\$8.2 billion), management and consulting services (\$6.4 billion), and the installation, maintenance, and repair of equipment (\$5.9 billion).<sup>8</sup>

The United Kingdom was the largest purchaser of U.S. private services exports in 2005, accounting for 13 percent of total U.S. private services exports. The top 5 purchasers of U.S. private services exports in 2005 were: the United Kingdom (\$45 billion), Japan (\$42 billion), Canada (\$33 billion), Mexico (\$21 billion), and Germany (\$20 billion).

Regionally, in 2005, the United States exported \$128 billion to the EU-25, \$99 billion to the Asia/Pacific Region (\$48 billion excluding Japan and China), \$53 billion to NAFTA countries, and \$24 billion to Latin America (excluding Mexico).

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8 Installation, maintenance, and repair of equipment services value for unaffiliated sales only.

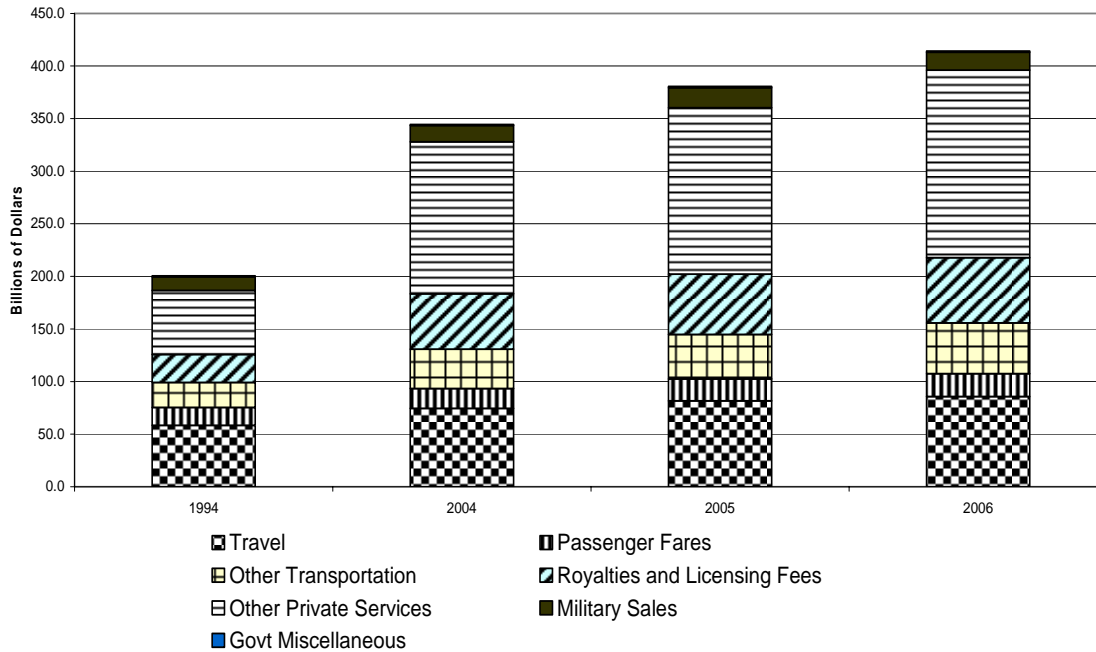
**Table 5**  
**U.S. Services Exports**

Exports:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	200.4	344.4	380.6	413.9	8.7%	106.5%
<b>Travel</b>	58.4	74.5	81.7	85.8	4.7%	46.3%
<b>Passenger Fares</b>	17.0	18.9	20.9	21.7	3.5%	27.5%
<b>Other Transportation</b>	23.8	37.4	42.2	48.3	14.4%	103.4%
<b>Royalties and Licensing Fees</b>	26.7	52.5	57.4	62.0	8.0%	132.1%
<b>Other Private Services</b>	60.8	144.7	158.2	178.4	12.8%	193.3%
<b>Transfers under U.S. Military Sales Contracts</b>	12.8	15.5	19.0	16.9	-11.0%	32.5%
<b>U.S. Government Miscellaneous Services</b>	0.9	1.0	1.1	1.1	4.4%	27.9%

\* Annualized based on January-November 2006 data

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

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



2006 Annualized based on January-November 2006  
Source: U.S. Department of Commerce

## **B. Import Growth**

Services imports by the United States increased in 2006 by 9 percent to \$342 billion (*table 6, figure 6*). The other private services category accounted for roughly 59 percent of the \$27 billion growth in U.S. imports of services in 2006. It was also the category which exhibited the largest percentage import growth rates in 2006, up 16 percent. U.S. services imports accounted for 15 percent of the level of U.S. goods and services imports in 2006.

Since 1994, services imports grew by 157 percent or \$209 billion. This growth was driven by the other private services category (accounting for 40 percent of the increase) and the other transportation category (accounting for 19 percent of the increase). All of the major service categories grew since 1994. U.S. payments (imports) of royalties and licensing fees have quadrupled, while imports of other private services and direct defense expenditures have more than tripled.

As with exports, detailed sectoral breakdowns for imports of other private services are available only through 2005. In 2005, 41 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 2005 were: business professional and technical services \$48 billion; insurance services, \$28 billion; and financial services, \$12 billion. The business, professional and technical services category were led by the computer and information services (\$9.0 billion), research, development, and testing services (\$6.7 billion), and management, and consulting services (\$5.9 billion).

In the import sector, the United Kingdom remained our largest supplier of private services, providing \$35 billion to the United States in 2005. This accounted for 13% of total U.S. imports of private services in 2005. The United States imported \$22 billion from both Japan, our second largest supplier, and Canada our third largest supplier. Germany and Bermuda were our fourth and fifth largest import suppliers, exporting \$19 and \$15 billion, respectively, worth of services to the U.S. in 2005.

Regionally, the U.S. imported \$106 billion of services from the EU-25 in 2005, \$68 billion from the Asia/Pacific region (\$39 billion excluding Japan and China), \$37 billion from NAFTA, and \$13 billion from Latin America (excluding Mexico).

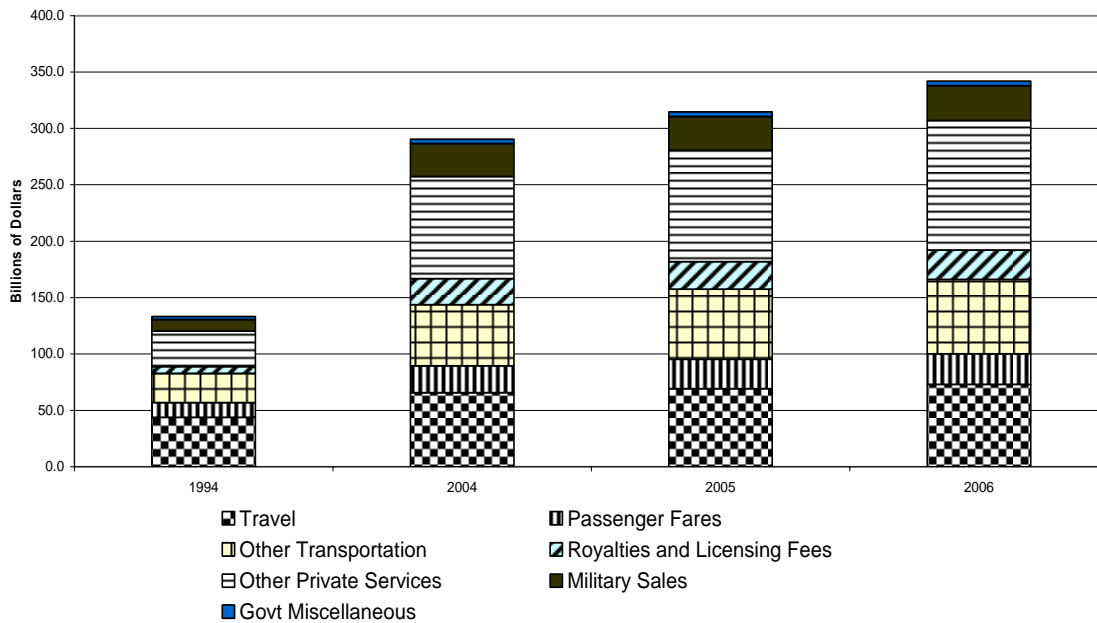
**Table 6**  
**U.S. Services Imports**

Imports:	1994	2004	2005	2006*	05-06*	94-06*
	<i>Billions of Dollars</i>				<i>Percent Change</i>	
<b>Total (BOP basis)</b>	133.1	290.3	314.6	342.0	8.7%	157.1%
<b>Travel</b>	43.8	65.8	69.2	73.0	5.5%	66.7%
<b>Passenger Fares</b>	13.1	23.7	26.1	27.2	4.5%	108.5%
<b>Other Transportation</b>	26.0	54.2	62.1	65.8	6.0%	153.0%
<b>Royalties and Licensing Fees</b>	5.9	23.2	24.5	26.1	6.4%	345.3%
<b>Other Private Services</b>	31.6	90.4	98.7	114.8	16.3%	263.6%
<b>Direct Defense Expenditures</b>	10.2	29.3	30.1	31.1	3.6%	204.7%
<b>U.S. Government Miscellaneous Services</b>	2.6	3.8	4.0	4.0	1.5%	57.7%

\* Annualized based on January-November 2006 data

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

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



2006 Annualized based on January-November 2006  
Source: U.S. Department of Commerce



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

The U.S. goods and services deficit increased by \$54 billion in 2006 to a level of \$771 billion (*table 7*). The U.S. goods trade deficit alone increased by \$60 billion to \$843 billion in 2006. The services trade surplus increased by \$6 billion to \$72 billion in 2006.

Petroleum accounted for more than 85 percent of the increase in the goods and services trade deficit and more than 75 percent of the increase in the goods trade deficit alone. Nearly all of the increase in the petroleum deficit was due to the increase in price, up 25 percent in 2006.

As a share of U.S. GDP, the goods and services trade deficit, the goods trade deficit and the services surplus were the same as in 2005 (*table 8*). The goods and services trade deficit was 5.8 percent of GDP in 2006, while the goods trade deficit was 6.3 percent of GDP and the services trade surplus was 0.5 percent of GDP.

The regional distribution of the goods trade deficit for 2006 and the past 3 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>2004</b>	<b>2005</b>	<b>2006*</b>
	<i>Billions of Dollars</i>			
<b>Goods and Services (BOP Basis)</b>	-98.5	-611.3	-716.7	-770.6
<b>Goods (BOP Basis)</b>	-165.8	-665.4	-782.7	-842.5
<b>Services (BOP Basis)</b>	67.3	54.1	66.0	71.9
<b>* Annualized based on January-November 2006 data</b>				
<b>Source: U.S. Department of Commerce</b>				

**Table 8**  
**U.S. Trade Balances as a Share of GDP**

Share of GDP:	1994	2004	2005	2006*
	<i>Percents</i>			
Goods and Services (BOP Basis)	-1.4	-5.2	-5.8	-5.8
Goods (BOP Basis)	-2.3	-5.7	-6.3	-6.3
Services (BOP Basis)	1.0	0.5	0.5	0.5
* Annualized based on January-November 2006 data				
Source: U.S. Department of Commerce				

**Table 9**  
**U.S. Goods Trade Balances with Selected Countries/Regions**

Balance:	1994	2004	2005	2006*
	<i>Billions of Dollars</i>			
Canada	-14.0	-66.5	-78.5	-75.9
European Union (EU25)	-11.9	-109.3	-122.3	-117.1
Japan	-65.7	-75.6	-82.5	-88.2
Mexico	1.4	-45.1	-49.7	-64.5
China	-29.5	-161.9	-201.5	-232.1
Asian Pacific Rim, except Japan and China	-18.2	-45.3	-44.0	-42.3
Latin America, except Mexico	3.2	-37.2	-50.5	-46.5
Addendum: High Income Countries**	-85.5	-249.6	-278.5	-271.3
Addendum: Low to Middle Income Countries**	-65.1	-401.3	-489.0	-553.3
* Annualized based on January-November 2006 data				
** As defined by the International Monetary Fund				
Source: U.S. Department of Commerce				