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## Deficit in Trade Tops \$43 Billion, a Monthly Record

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**W**ASHINGTON, March 10 — The United States trade deficit climbed to a monthly record of \$43.1 billion in January as imports continued to flood in from China and American exports were hurt by slumping demand from Europe and other parts of the world.

The new data, released Wednesday by the Commerce Department, was slightly worse than economists had expected and intensified the battle over trade and jobs playing out in the 2004 presidential campaign.

Trade analysts said the deficit widened in January in part because of higher prices for imported oil and a drop in meat exports that was tied to fears about a case of mad cow disease in Washington State. Exports of meat and poultry in January dropped by 40 percent, to \$379 million, the lowest since November 1993.

But the latest numbers also pointed to more enduring trade problems. The flood of products from China, which had a trade surplus with the United States of \$124 billion last year, climbed by \$1.6 billion in January compared with January 2003.

Analysts said the new trade report revealed more about the economic weakness in Europe than about the inability of American companies to compete. Imports and exports declined in January, but exports fell more, leading to a 0.9 percent increase in the overall trade deficit, to \$43.1 billion in January from \$42.7 billion in December. The previous record was \$43 billion last March.

American exports to Europe stagnated for the third month in a row, even though the value of the dollar plunged against that of the euro last year. A weak dollar should bolster American exports because it makes American products cheaper abroad.

But China has kept its currency locked at a fixed exchange rate

### Balance of Trade

The deficit is the excess of imports over exports for goods and services. Amounts are rounded, in billions of dollars, seasonally adjusted.



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to the dollar, and European consumer demand has yet to revive from the slowdown of the last few years.

"The real problem is that our trading partners are only beginning to recover, so U.S. export growth has really been flat," said James Glassman, a senior economist at [J. P. Morgan Chase](#).

Though the United States has been running trade deficits for many years, the gap between exports and imports has widened sharply over the last few years and reached an annual record of \$489.4 billion in 2003 — 4.5 percent of the nation's gross domestic product, up from 4 percent in 2002 and 1.9 percent in 1990.

Many economists say the widening trade gap is at least partly responsible for the weakness of the American job market. The Labor Department reported last week that job creation came to a near standstill last month, and the economy has lost about 2.2 million jobs since January 2001.

In addition to the effect on jobs, the trade deficit has also led to a huge increase in overall United States indebtedness to the rest of the world. The nation's net foreign obligations, which include debt and the claim on American profits by foreign investors, are equal to more than one-quarter of total American output.

The president's latest economic report said that foreign investment in stocks, bonds, factories and funds in the United States had largely balanced the trade deficit, but some economists said this could soon change.

China's trade surplus with the United States is larger than that of any other country, including the entire European Union.


In Congress, Democratic and Republican lawmakers have been pushing President Bush to challenge China's trade practices much more aggressively than he has and to pressure China to let its currency, the yuan, rise in value against the dollar. That would make goods made in China, including those manufactured for American companies, more expensive in the United States and would make American goods easier to buy in China.

President Bush and his likely Democratic challenger, Senator John Kerry of Massachusetts, spent the day trading accusations over outsourcing, the shifting of American jobs to China and other countries with lower costs, a serious political problem for Mr. Bush.

In Cleveland, Mr. Bush fiercely defended his trade policies in a tough new speech that hit hard at Mr. Kerry as a gloomy protectionist who would isolate the nation from the rest of the world.

"There are people who doubt our ability to compete," Mr. Bush told a forum of female entrepreneurs at the Cleveland Convention Center, without mentioning his likely Democratic opponent by name. "There are economic isolationists who surrender and wall us off. It's bad for the economy, bad for consumers. It's bad for workers. We'll prove the pessimists wrong again."

In Chicago, Mr. Kerry accused the president of callously ignoring the plight of American workers

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Associated Press

The flood of products from China, which had a trade surplus with the United States of \$124 billion last year, climbed \$1.6 billion in January.

whose jobs have been moved to nations like India.

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