

Rethinking the China-US Balance of Trade: 1990-2005

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ABSTRACT
Since 1993, American trade deficit with China is expanding and the gap is becoming increasingly bigger. The widening bilateral trade imbalance has caused growing concerns. This paper, by using empirical method and adjusting the data of trade from 1989 to 2005, finds that the causes of the imbalance of China-US trade are as follows: 1) the imbalance of domestic demands of US; 2) the adjustment of American economic structure, and 3) the growing of multinational enterprises. The paper also finds that the imbalance of China-US trade is not as big as it was reported by US; the imbalance of China-US trade is an inevitable result of economic development, and the trade deficit does not necessarily mean a loss of profit. In fact, American investors and consumers have greatly benefited from China-US trade.

KEYWORDS
China-US Trade Imbalance; Adjustment; Conversion; HK Transit Trade; Economic Factors

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