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<u>Commerce Under Secretary Cooper:</u>
Trade Deficit Narrows Reflecting Global Slowdown, Sept. 11 Effects

WASHINGTON—The U.S. trade deficit narrowed in September to $18.7 billion on declines in exports of 8.5 percent and imports of 14 percent, the U.S. Commerce Department reported today. The following is the statement of Under Secretary of Commerce for Economic Affairs Kathleen B. Cooper. Dr. Cooper is the chief economic adviser to Commerce Secretary Donald L. Evans and she oversees the Bureau of Economic Analysis and the U.S. Census Bureau, which produce the international trade figures and other economic, social, and demographic data.

"Today's trade data demonstrate the interdependence of the world and U.S. economies. Imports and exports have slowed relative to a year ago, consistent with sluggish growth here and abroad. Moreover, these data highlight the need to build on the Doha World Trade Organization meeting by continuing to open global markets and by passing Trade Promotion Authority.

"The data clearly reflects two striking effects of Sept. 11. First, $11 billion of the decline in imports was due to insurance claims. And second, international air travel was sharply reduced.

"Other repercussions of Sept. 11 are largely embedded in the source data such as the documents collected by the U.S. Customs Service and are difficult to isolate.

Recent Trends

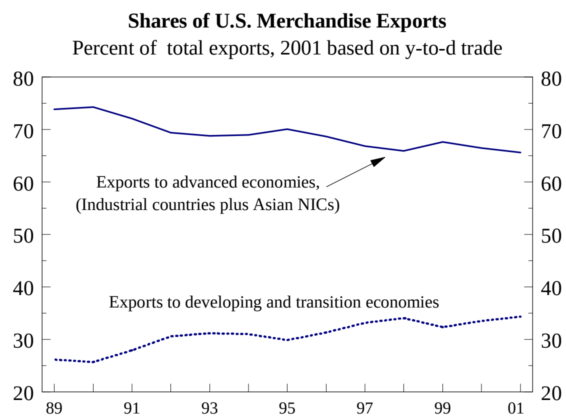
"Recent trends highlight the downward pressures in the global economy. The U.S. economy's subdued performance has limited domestic demand for foreign goods and services. U.S. real GDP edged down 0.4 percent at an annual rate in the third quarter, after growing a modest 0.8 percent in the first half of this year. Weakness in many foreign economies has dampened the demand for U.S. exports. In the first half of this year, the rate of growth in real GDP in Korea, the European Union and Canada modestly exceeded the U.S. pace, while real GDP in Mexico and Japan declined.

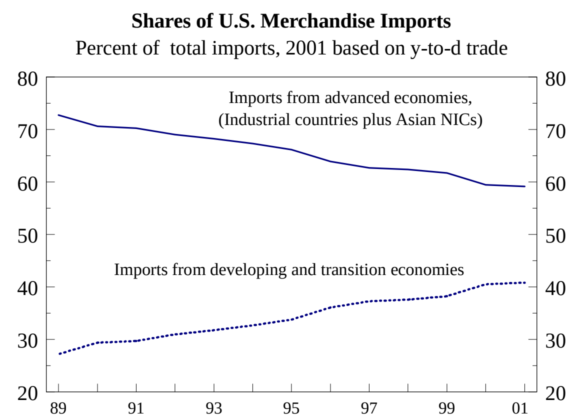
Real GDP Growth
Percent change at an annual rate

	2000, Q4 to Q4	First half 2001, Q4 to Q2	Share of U.S. exports in 2000
United States	2.8	0.8	--
Korea	5.2	1.5	4
European Union	2.8	1.3	21
Canada	3.5	1.2	23
Mexico	5.2	-0.6	14
Japan	2.5	-1.2	8

Longer-Run Trends

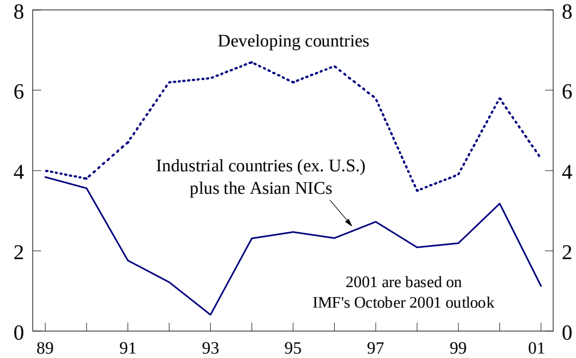
"The U.S. has experienced substantial shifts in its trading patterns in the past decade. The majority of our trade continues to be with industrial countries and the newly industrialized Asian countries (Asian NICs). Trade shares, however, have shifted rapidly toward the developing and transition countries. The share of total goods exports going to developing and transition countries has risen from one-fourth in 1990 to one-third so far in 2001. The share of our goods imports coming from developing and transition countries has increased from nearly 27 percent in 1989 to just over 40 percent so far in 2001.





"The shifts in trade, in large part, reflect differences in economic performance. The chart below shows that GDP growth in the developing countries consistently exceeded growth in the industrial countries and the Asian NICs.

Real GDP Growth in Foreign Countries
Year-over-year percent change



"Our trade with China is an important part of this story. Our imports from China have accounted for 8 percent of total goods imports so far in 2001, more than three times the 1989 share of 2.5 percent. Our exports to China have played a smaller role. These exports now account for 2.5 percent of total U.S. exports, up modestly from 1.6 percent in 1989.

Policy Developments

"China was welcomed into the World Trade Organization at the just-completed meetings in Doha. Their entry represents great progress both for China and for the world trading system. Their admission to the WTO will promote openness in China including the development of political and economic reforms. U.S. and foreign companies alike should benefit from greater, and more transparent, access to the Chinese market.

"Market access was a key issue at the Doha meetings. WTO members have committed themselves to negotiate agreements aimed at expanding market access in the coming years. For China and other developing nations, greater participation in the global marketplace is critical to expanding their trade. And for all countries, reducing barriers to international trade and expanding flows of goods, services, and investment remains a source for growth in income and wealth. It is clear that the U.S. will need Trade Promotion Authority to participate successfully in the upcoming negotiations."

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