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Trade deficit surges as oil imports hit record high

WASHINGTON (AP) -- America's trade deficit increased sharply in June as surging oil prices pushed petroleum imports to an all-time high. The politically sensitive deficit with China also set a record.

The Commerce Department reported that the imbalance between what America sells abroad and what it imports rose to \$58.8 billion in June, an increase of 6.1 percent from the May deficit of \$55.4 billion.

So far this year, the trade deficit is running at an annual rate of \$68.6 billion, 11 percent higher than last year's all-time record of \$61.7 billion. The trade performance has presented President Bush with a headache as critics have charged that the soaring imbalance represents the failure of the administration's free trade policies.

The June deficit came as U.S. exports of goods and services rose by \$52 million to a record of \$106 billion, reflecting higher sales of telecommunications equipment, aircraft engines and chemical fertilizers.

Imports, however, rose by a much larger \$3.44 billion to also set a record at \$165.7 billion, reflecting an increase in both the price and volume of petroleum shipments and higher imports of toys, clothing and other consumer goods.

More than half of the trade deterioration in June reflected America's surging foreign oil bill, which hit a record high of \$19.9 billion, an increase of 9.8 percent from the May level. Analysts say that figure is likely to be even higher in coming months, reflecting a continued surge in global oil prices, which set a new record of \$66 per barrel on Thursday.

The average price of a barrel of imported crude oil jumped to \$44.40 in June, the second highest monthly average for imports on record, exceeded only by a \$44.76 average in April.

America's deficit with China hit a record at \$17.6 billion in June, surpassing the old mark of \$16.8 billion set last October. Last year, the deficit with China hit \$16.2 billion, the highest imbalance ever recorded by any country, but this year's imbalance is running 32 percent above the 2004 pace.

Much of the deterioration reflects a flood of clothing and textile shipments from China since Jan. 1, when global quotas expired. Responding to pleas of American textile manufacturers about job losses and plant closings, the administration has moved to re-impose quotas in several clothing categories.

The administration also announced on Thursday that it would begin negotiations next week aimed at reaching an agreement with China on a comprehensive cap on Chinese clothing and textile imports.

Responding to rising protectionist pressures in Congress, the administration has also increased pressure on China to revalue its currency. The Chinese last month did announce a small 2.1 percent revaluation of the yuan but American manufacturers argue that the Chinese currency is undervalued by as much as 40 percent, giving China a huge competitive advantage over American products.

With the record trade deficits and the continued loss of jobs in manufacturing -- declines that total 3

since mid-2000 -- the administration has found it harder to sell new free trade agreements in Congr

Last month, President Bush won passage of the Central American Free Trade Agreement by a slim t majority in the House after a hard fought campaign in which critics contended that the trade deals v opening American workers to unfair competition from low wage countries.

The new trade report showed that America's deficit with Mexico hit a a record high of \$4.8 billion. M and Canada are partners with the United States in the North American Free Trade Area.

The deficit with Canada rose 13.7 percent to \$5.4 billion in June while the deficit with the 25-nation European Union rose by 2.7 percent to \$10.8 billion in June.