



China's Surplus: The Real Numbers

October 13, 2005

Georgetown Economic Services

Chinese Trade Data Incorrect

Comparison of China-Reported Data with Trading Partner Data 2004 Bilateral Trade Surplus(+)/Deficit(-) Million U.S. Dollars

Country	China Data	Partner Data	<i>Understatement</i>
Canada	\$1,187	\$13,512	\$12,325
Japan	(\$15,946)	\$15,752	\$31,698
European Union (15)	\$35,232	\$81,914	\$46,682
United States	\$84,674	\$163,553	\$78,879

Prepared by Georgetown Economic Services

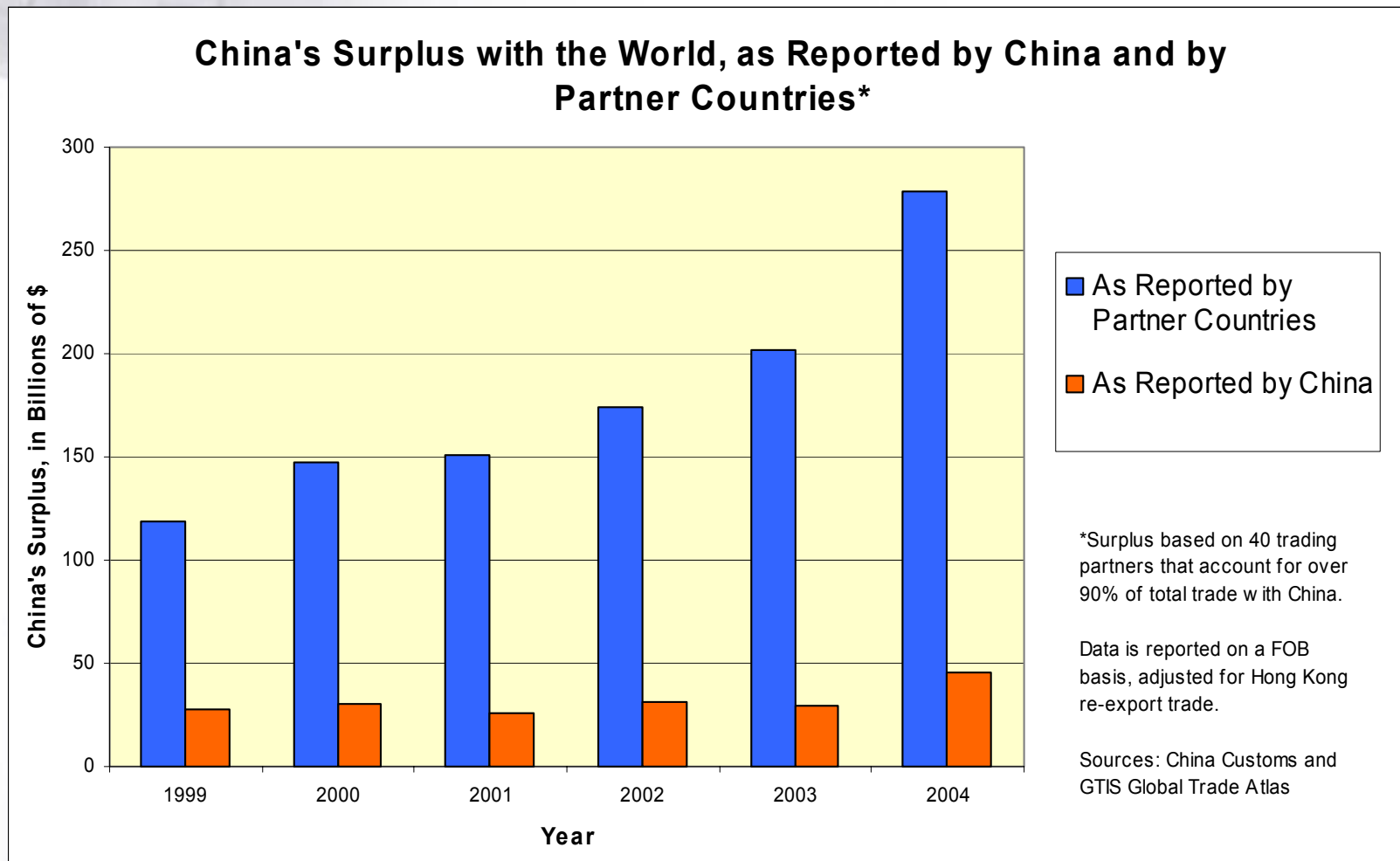
Chinese Trade Data Incorrect

**China's Global Trade Surplus (Exports-Imports),
Partner Data Adjusted for Hong Kong Re-Export Trade, 1999 – 2005 YTD
By Source, in Billions of US\$**

Year	China Data	Partner Data	Understatement
1999	\$27.8	\$118.6	\$90.8
2000	\$30.4	\$147.6	\$117.2
2001	\$26.0	\$151.2	\$125.3
2002	\$31.5	\$174.3	\$142.8
2003	\$29.7	\$201.8	\$172.1
2004	\$45.8	\$278.6	\$232.8
2004 (Jan-Mar)	(\$3.1)	\$51.5	\$54.6
2005 (Jan-Mar)	\$21.0	\$81.0	\$60.0

Prepared by Georgetown Economic Services

China's Surplus Is Understated



The Upward Trend Continues in 2005

40 PARTNER DATA:

	2004 (Jan-Mar)	2005 (Jan-Mar)
Chinese Imports	76,430,994,292	86,683,909,674
Chinese Exports*	127,908,542,572	167,724,799,799
<u>Chinese Surplus:</u>	<u>\$51,477,548,280</u>	<u>\$81,040,890,125</u>

- If China's surplus continues to grow at its 1st quarter rate, China will have a surplus of **over \$438 billion in 2005.**

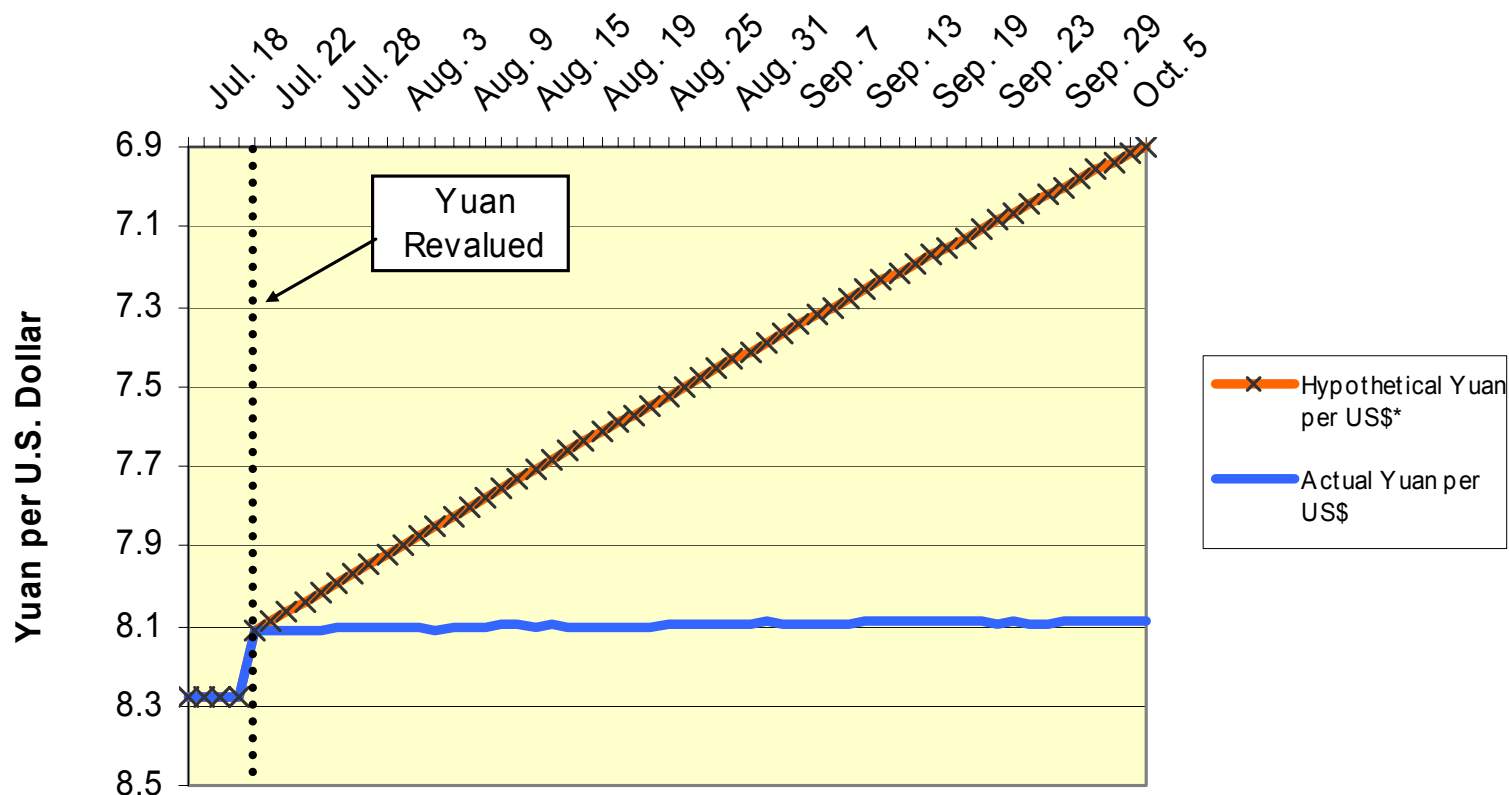
**57%
Increase
over Q1
2004**

Recent Currency Changes

- In July, China dropped the peg and instituted an exchange rate mechanism based on a basket of currencies.
- China also appreciated the yuan by 2.1% against the dollar.
- China incorporated a floating band that potentially allowed a 0.3% appreciation per day.

This Is What Has Happened So Far

Chart 1: U.S. Dollar Exchange Rate for the Yuan
Daily, July 18th, 2005 - Present



* Hypothetical value of the Yuan derived by assuming full 0.3% maximum daily appreciation against the US\$, as announced by the People's Bank of China on July 21, 2005.