



China's trade surplus widens in December

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China recorded the largest monthly trade surplus in nearly a decade in December, adding to pressure on the central government's efforts to manage demands for a revaluation of the Chinese currency.

The trade figure's release coincided with the arrival in Beijing of Don Evans, the outgoing US commerce secretary, whose visit signals a possibly more aggressive approach from the second Bush administration to reining in the bilateral trade deficit running at more than \$100bn a year.

China was also targeted in a report released on Tuesday in the US. Prepared for a union-backed think-tank, the report blamed trade with the mainland for the loss of nearly 1.5m jobs between 1989 and 2003.

Separately, China's foreign exchange reserves grew to \$610bn at the end of last year, according to a central bank official cited by Dow Jones. This would compare with forex reserves of \$403bn at the end of 2003, providing more evidence of continued large inflows of speculative money.

China recorded a trade surplus of \$11.1bn in December and \$32bn for the whole year, the highest full-year balance since 1998, according to JP Morgan.

The breakdown for December has yet to be released by the Commerce Ministry, but the overall figures are consistent with strong export growth to the US, Europe and Japan, China's three major markets.

China's total exports hit \$593.4bn in 2004 while imports rose 36 per cent to \$561.2bn.

Imports regained momentum towards the end of the year after a slump in some commodities purchases earlier in 2004 triggered by Beijing's credit-tightening measures.

China ran a global trade deficit for a few months in early 2004 but predictions that it might record a negative trade balance more consistently have evaporated.

However, economists said on Tuesday that China's global trade surplus would probably narrow over the coming year as export growth was tempered.

"Exports will probably slow while imports should be pretty stable," said Frank Gong, the China economist for JP Morgan.

However, more balanced trade with the world will not necessarily translate into a smaller surplus with the US because of the structure of the bilateral economic relationship.


Chinese textile exports to the US in particular are expected to surge this year with the removal of decades-old quotas restricting the trade in garments and apparel.

China is also increasingly the sourcing country of choice for large US retailers, such as Wal-Mart, because of its cheap and highly productive labour and highly efficient ports system.

Chinese exports to the US also reflect the country's position as the port of last assembly for many electronics goods, the most valuable parts of which have been imported from elsewhere in the region before being re-exported.

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