DYNAMISM & DIVERSITY IN U.S.-BRIC TRADE

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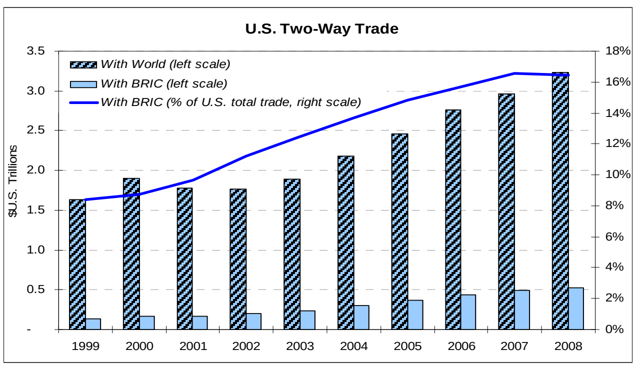
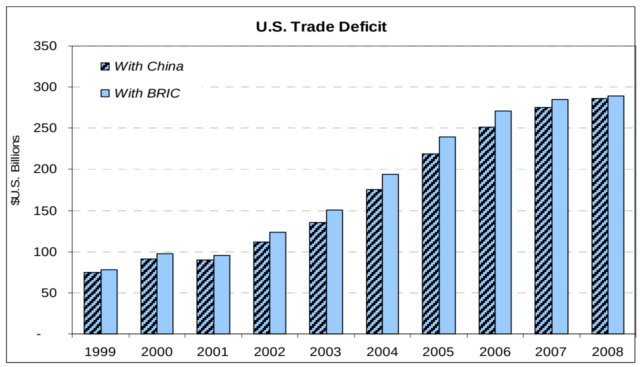
This briefing highlights the United States' recent trade position with some of the world's fastest growing emerging markets: Brazil, Russia, India, and China (the "BRIC" countries). It adds context to the first BRIC summit that took place in June 2009 in Russia, and demonstrates how BRIC partners have maintained different trade relationships with the United States—often reflecting their different development paths. Specifically, Brazil's export concentration in primary products (e.g., oil, iron ore, soybeans) and certain manufacturing sectors (e.g., aircraft), Russia's export concentration in oil products, India's export concentration in services, and China's export concentration in manufactured goods, have, in varying degrees, been reflected in their respective bilateral trade relationships with the United States.

Overview

BRIC countries' export-oriented growth has led increased trade with the United States in recent years.

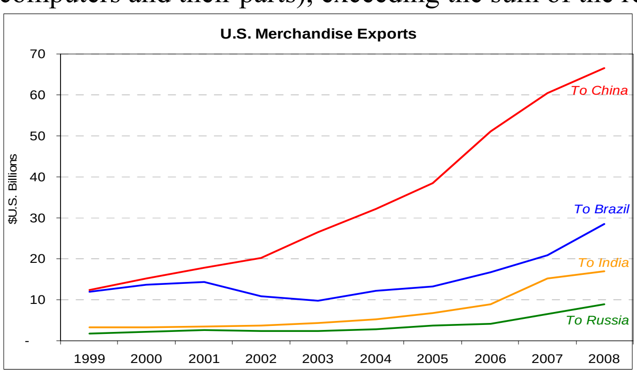
- In 2008, two-way trade with BRIC amounted to 16% of total U.S. trade, up from 9% a decade earlier.
- The U.S. merchandise deficit with BRIC widened to $290 billion by 2008, primarily due to surging imports from China, the United States' fastest growing major trading partner.

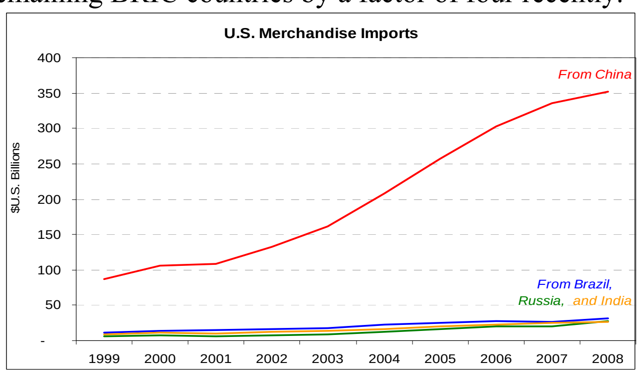




China Dominates U.S.-BRIC Merchandise Trade

Since 2002, the value of U.S. trade with China has exceeded the value of U.S. trade with all other BRIC partners combined. China's dominance has been most pronounced on the U.S. import side (mainly from computers and their parts), exceeding the sum of the remaining BRIC countries by a factor of four recently.





India Dominates U.S.-BRIC Service Trade

The U.S. trade surplus in services with Brazil, India, and China amounted to $9.4 billion in 2007 (data unavailable for Russia), and has exhibited robust growth from both export and import in recent years. Since 2007 India surpassed China as the leading source of U.S. service sector imports from BRIC, and was the only BRIC partner to register a service trade surplus with the United States ($662 million in 2007) -led by business, professional, and technical services. While measurement complexity and lack of international standards present challenges to service sector data analysis, Indian statistical sources and anecdotal information suggest that its country's services exports have been led by the software & IT sectors.

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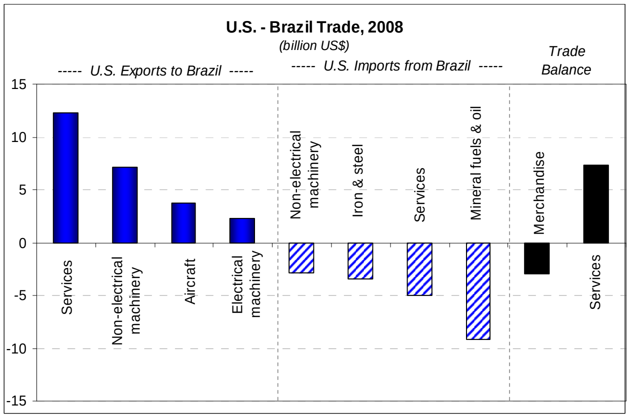
The United States has been the dominant merchandise export market for all BRIC countries, except Russia, for the past decade. However, the composition of trade varies considerably by country.

Brazil's Export Concentration in Primary Products

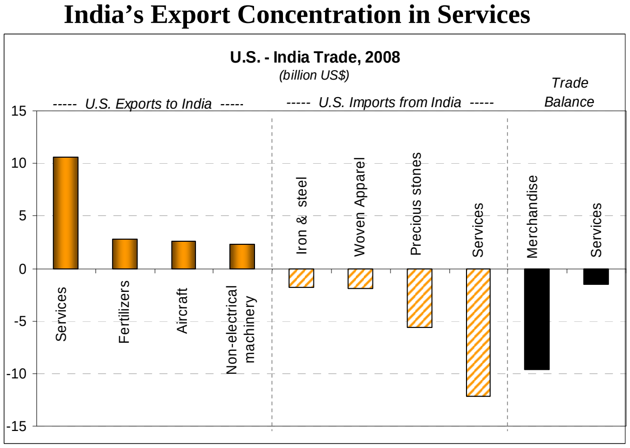


- *U.S. merchandise exports* to Brazil have mostly comprised of capital goods, including gas turbine engines (used for airplane manufacturing), machinery (e.g., semiconductors), and chemicals.
- *U.S. merchandise imports* have been led by crude oil, regional jet planes, iron, and primary products. They are less concentrated in primary products than Brazil's exports to the rest of the world.
- *Service sector trade* has largely been driven by travel services to and from Brazil.

Russia's Export Concentration in Oil

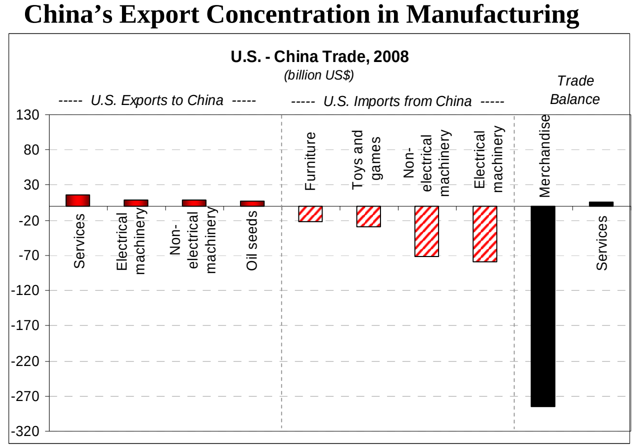
- *U.S. merchandise exports* to Russia mostly consist of capital goods, including machinery, autos, and airplanes. Agricultural exports, led by poultry, are also significant, though below potential levels given recent Russian bans on U.S. poultry goods.
- *U.S. merchandise imports* have been increasingly dominated by oil products; which represented 57% and 64% of U.S. imports from Russia in 2007 and 2008, respectively.
- *Service sector trade* data is unavailable for Russia.

India's Export Concentration in Services



- *U.S. merchandise exports* to India have, in recent years, been concentrated in aircraft, machinery (e.g., computers, telephone infrastructure products), and precious stones (e.g., diamonds, gold).
- *U.S. merchandise imports* have primarily been diamonds, clothing (e.g., suits, shirts), and iron pipes & tubes. The U.S. is India's top trade partner.
- *Service sector trade* has exhibited robust growth that has outpaced merchandise trade growth. This has been mainly attributable to commercial services (e.g., software & IT, engineering), according to Indian data and anecdotal information.

China's Export Concentration in Manufacturing



- *U.S. merchandise exports* to China mostly consist of machinery products (e.g., semiconductors, computer parts), and yellow soybeans. Most machinery products are used in the production of other electronic products that are either domestically consumed or re-exported.
- *U.S. merchandise imports* have been mainly consumer electronics (e.g., laptops, LCD screens, computer and telephone parts, toys).
- *Service sector trade* has been dominated by royalties/license fees on the U.S. export side and freight and port services on the U.S. import side.

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