

**US Economy**

# US trade deficit widens to near 5-year high

**Fast FT**

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US trade deficit widened to a near five-year high in January as demand for imported goods swelled.

The trade gap grew by \$4.2bn to \$48.5bn in January, Commerce Department figures showed on Tuesday. While the figure is in line with expectations, it is the biggest shortfall recorded since March 2012 and would probably be seized on by President Donald Trump as evidence of the need for the US to renegotiate its trade deals with major trading partners.

Reducing the trade deficit has been a key focus in Mr Trump's presidential campaign last year. Since taking office, he has cited the trade imbalance as signs that US trade policies have hurt American growth and jobs.

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# Trump could end global trade and force choice between US and China, says economist

Michael Every, an English economist based in Hong Kong, to tell conference world could be split into trading blocs based around currencies



The world cannot expect to 'ride out' Donald Trump's presidency, says Michael Every, the head of financial markets Asia Pacific for Rabobank, who will speak at the Abares Outlook conference. Photograph: REX/Shutterstock

## Gabrielle Chan

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The presidency of Donald Trump could mark the breakdown of global trade and the division of the world into trading blocs based around currencies - forcing Australia to choose between the United States and China.

That is the scenario that will be painted by Michael Every, head of financial markets Asia Pacific for Rabobank at the Australian Bureau of Agricultural and Resource Economics and Sciences (Abares) Outlook conference on Tuesday.

With agricultural growth surging in Australia according to the latest national accounts, Every will suggest that, as Trump pushes a more protectionist trade policy, Australia and the world will face a very different global trade landscape.

While Britain's vote to withdraw from the European Union caused shockwaves, Every believes the election of Trump could fundamentally change the trade landscape because of the world's reliance on the US currency for trade.

Every says Trump is approaching the United States as a businessman and that, in the business world, it makes sense to sell more than you buy. But, in world economic terms, with the international system priced in US dollars, Every says every country will be considering who will fill the potential US dollar vacuum and, by extension, which currency is used to do so.

"Free trade as we understand it is under extreme pressure," he told Guardian Australia. "If the US doesn't run a huge trade deficit, the world trade system as we understand it today breaks down."

Every believes it is highly unlikely that the world can expect to just "ride out Trump".

"People expecting to ride out Trump are naive," he said. "He is the leading edge of where we are going, based on what we see elsewhere too. It's a global trend, driven by weak demand and rising inequality."

He said Australia, with cultural ties to the United States and economic ties to Asia, might eventually have to choose. There was no currency to rival the US dollar in Asia as yet, he said, but if Australia chose to enter an Asian trade bloc based on Chinese currency, even if it could work without the US dollar to cement it, over time that would have potential political implications.

Every said it was unrealistic for Australia to step back without making a choice between China and the US at some point if present political trends were to continue.

"The historical lesson is that world trade has fractured before - and we must recall that Australia is propped up under Chinese demand ... under a US security umbrella."

Every said Australian farmers and exporters should prepare for exchange rate volatility, including a higher US dollar and fall in the Australian dollar by up to 15% in some scenarios, with Asian currencies falling by even more.

Every said policymakers needed to be realistic and accept that selling the free trade message did not solve the underlying problems.

"Australia is a naturally large food exporter and there is still naturally large food demand but the issue is going to be by what route is food going to get there."

The deputy prime minister, Barnaby Joyce, will open the conference on Tuesday.

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