

TRADE DEFICIT WITH CHINA COSTS OVER 2 MILLION JOBS NATIONWIDE Illinois, Ohio, Michigan among hardest hit, numerically



The dramatic rise in the United States' trade deficit with China from 1997 - 2006 has cost jobs in every state in the union, with **Illinois**, **Ohio** and **Michigan** ranking among the hardest hit states in numeric terms. In a new report issued today by the Economic Policy Institute, economist Robert Scott reports the trade deficit with China, now about \$235 billion -- nearly half the total non-oil goods trade deficit -- has displaced production that supported 2,166,000 U.S. jobs. Significantly, the vast bulk (1.8 million) of that job displacement has come since China's 2001 entry into the World Trade Organization, a move that was supposed to improve the trade balance.

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The real effect of trade on the U.S. economy creates and destroys jobs. Increases in U.S. exports tend to create jobs in the United States, but increases in imports tend to destroy jobs as imports displace goods that otherwise would have been made in the United States by domestic workers. Although U.S. exports to China have grown, U.S. imports from China have grown far more rapidly, with import growth outstripping export growth by over five to one.

As Scott details in his report, *Costly Trade with China*, the trade deficit with China has touched all 50 states and the District of Columbia. States in the **Midwest** region represent some of the hardest hit, as well as some of the least affected states. Numerically, **Illinois** (-79,900), **Ohio** (-66,100) and **Michigan** (-54,900) ranked among the 12 states that lost the most jobs, while **Nebraska** and **North Dakota** were among the least affected states, both numerically and as a share of total state employment.

"China's entry into the WTO was supposed to require that it open its markets to imports from the United States and other nations. Instead, it has further tilted the international economic playing field against domestic workers and firms, and in favor of multinationals," said Scott. "This has accelerated the global race to the bottom in wages and environmental quality and caused the closing of thousands of U.S. factories, cutting employment in a wide range of communities, states and entire regions of the United States."

The manufacturing sector has been hit hard by plant closings and job losses due to the trade deficit with China. Workers displaced by trade from the manufacturing sector have difficulty securing comparable employment elsewhere in the economy. More than one-third of workers displaced from manufacturing drop out of the labor force. Average wages of those who secured re-employment fell by 11% to 13%.

The data released today include state rankings, both by numbers of jobs and share of state employment affected by the rising U.S. trade deficit with China. Among the state and regional findings are:

- The 1.8 million jobs lost nationwide since 2001 are distributed among all 50 states and the District of Columbia. These are the hardest hit states in numeric terms: California (-269,300), Texas (-136,900), New York (-105,900), **Illinois** (-79,900), Pennsylvania (-78,200), North Carolina (-77,200), Florida (-71,900), **Ohio** (-66,100), Georgia (-60,400), Massachusetts (-59,300), **Michigan** (-54,900) and New Jersey (-49,500).
- The hardest-hit states, losing 1.5% or more of the share of total state employment, are: New Hampshire, -2.1% (-13,000 jobs); North Carolina, -2.0% (-77,200 jobs); California, -1.8% (-269,300 jobs); Massachusetts, -1.8% (-59,300 jobs); Rhode Island, -1.8% (-8,400 jobs);

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South Carolina, -1.6% (-29,200 jobs); Vermont, -1.6% (-4,900 jobs); Oregon, -1.6% (-25,700 jobs); **Indiana**, -1.5% (-45,200 jobs); Georgia, -1.5% (-60,400 jobs); Idaho, -1.5% (-8,500 jobs) and Alabama, -1.5% (-27,900 jobs).

- The South, as a region, contains a quarter of the 1.8 million jobs lost nationwide since 2001 due to the trade deficit with China. North Carolina is the hardest hit state in the region, losing 2.00% of total state employment. (Southern states include NC, SC, GA, AL, TN, AR, MS, WV, KY, VA, FL, MO, LA)
- The West, as a region, contains 21.8% of the 1.8 million jobs lost nationwide since 2001 due to the trade deficit with China. California is the hardest hit state in the region, losing 1.80% of total state employment. (Western states include CA, OR, ID, CO, UT, WA, AK, WY, MT, HI)
- The Midwest, as a region, contains 20.6% of the 1.8 million jobs lost nationwide since 2001 due to the trade deficit with China. **Indiana** is the hardest hit state in the region, losing 1.5% of total state employment. Indiana is followed closely by **Minnesota** and **Wisconsin**, which both lost 1.4% of total state employment. All but three states in the Midwest (Kansas, Nebraska, North Dakota) lost at least 1% of total state employment. (Midwestern states include IN, MN, WI, IL, IA, MI, OH, SD, KS, NE, ND)
- The Mid-Atlantic, as a region, contains 14.9% of the 1.8 million jobs lost nationwide since 2001 due to the trade deficit with China. Pennsylvania is the hardest hit state in the region, losing 1.4% of total state employment. (The Mid-Atlantic includes the District of Columbia and these states: PA, NJ, NY, MD, DE)
- The Southwest, as a region, contains 10.8% of the 1.8 million jobs lost nationwide since 2001 due to the trade deficit with China. Texas and Arizona tie as the hardest hit states in the region, with both losing 1.4% of total state employment. (Southwestern states include TX, AZ, OK, NM)
- New England states suffer an unusually high percentage of job loss as a share of their state employment. New Hampshire is the hardest hit state in the region *and the nation*, losing 2.1% of total state employment. (New England states include NH, MA, RI, VT, ME, CT)

A Call for Policy Changes

Costly Trade with China calls for a fundamental change in China's exchange rate policies and labor standards. Chinese monetary policy keeps the Yuan artificially low, making its exports cheap, and imports from the United States and other countries expensive. China also engages in extensive suppression of labor rights; it has been estimated that wages in China would be 47% to 85% higher in the absence of labor repression.

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