

CHINA TRADE GAP CAUSES MASSIVE JOB AND WAGE LOSSES



Every state lost good-paying jobs;
Displaced workers' lost wages surpassed \$19 billion in 2007

NEWS FROM EPI

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WASHINGTON – As the nation's economic woes mount, a new study details the devastating impact that the growing U.S. trade deficit with China is having on American jobs, wages and key industries. Between 2001 and 2007, 2.3 million American jobs were lost due to the China trade gap, including 366,000 last year, according to the report released today by the Economic Policy Institute (EPI).

Those displaced workers lost an average of \$8,146 in wages last year, a total of \$19.4 billion, as they took lower-paying jobs. China is also the predominant source of downward pressure on wages of other production workers, about 100 million Americans. Competition from low-wage workers in less developed countries and less bargaining power here at home pushed the median wage for full-time workers without a college degree – about 70 percent of the U.S. workforce – down about \$1,400 in 2006.

Contrary to the stereotype and to some economic theories which hold that jobs lost are predominantly in low-skill, low-pay industries, the trade deficit with China has in fact forced workers from better-paying jobs to lower-paying sectors. More than half (55.6 percent) of the displaced jobs were in the top half of American wage earners. Nearly a third (31 percent) of the jobs lost were among workers with a college degree. Growing China trade deficits have contributed to the loss of 200,000 scientist and engineer jobs within the manufacturing sector, a 10.7 percent drop.

The U.S. trade deficit with China increased from \$84 billion in 2001, when China was granted entry into the World Trade Organization (WTO), to \$262 billion last year. Proponents claimed China's admission to the WTO would increase U.S. exports and reduce the trade deficit, but instead the gap has increased by an average of \$30 billion a year, or 21 percent annually.

“This new data is a wake-up call about the devastating effect of our unbalanced China trade on American jobs, wages and our economy,” said EPI senior economist Robert Scott, author of the report. “The damage is being felt in every state. And as the trade deficit continues to grow and China moves into higher-wage sectors, the trend lines on the future loss of jobs and depression of incomes are especially alarming.”

The jobs lost due to the China-trade deficit range from those in traditional manufacturing to newer technology sectors. The largest states lost the most jobs since 2001 – with California losing over 325,000, Texas nearly 203,000 and New York about 127,000. Eleven states lost more than 10,000 jobs last year alone. But smaller states, in many cases, lost the largest share of their total state employment to the China trade gap. For

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example, Idaho's job losses were the equivalent to 2.6 percent of its workforce, New Hampshire 2.5 percent, and South Carolina 2.3 percent.

More than two-thirds of the lost jobs were in manufacturing, which generally pays better wages and benefits. The type of manufactured goods imported, however, is changing. "China is rapidly diversifying its export base and expanding into higher value-added commodities such as computer and electronic products, aircraft, and auto parts and machinery," the report said.

Rapidly growing imports of computers and electronic parts accounted for nearly half of the \$178 billion increase in the trade deficit between 2001 and 2007. More than a quarter of last year's trade deficit, \$68 billion, was due to advanced technology products, nearly six times the deficit in 2002. In contrast, the United States has a \$15 billion trade surplus with the rest of the world in advanced technology products. The growth in the U.S.-China trade deficit has eliminated 561,000 jobs in computer and electronic products since 2001, more than 3.5 times the loss in the apparel sector.

"The direct impact on incomes, more than \$8,000 per displaced worker per year on average, is catastrophic for the individual workers and the single most visible cost of globalization for American workers," said EPI economist Josh Bivens. "But it's also critical to recognize the *indirect* impact of trade on workers. Trade with less developed countries has reduced the bargaining power of all workers in the U.S. economy who resemble those displaced workers in education, credentials, and skills. Annual earnings for workers without a four-year college degree are roughly \$1,400 lower today because of this competition, and, this group constitutes a large majority (70%) of the entire U.S. workforce. China, the source of nearly 40 percent of our non-oil imports from less developed countries, is a chief contributor to this downward wage pressure."

The growing trade imbalance with China displaced about 230,000 black workers and 339,000 Hispanics. Asian Americans and other minorities lost over 219,000 jobs, a disproportionately large share.

"The major causes of the skyrocketing trade deficit with China are no mystery," said Scott. "China's manipulation of its currency makes the yuan artificially cheap, effectively subsidizing exports. Beijing's suppression of labor rights lowers wages. China subsidizes some key industries and maintains barriers to some imports. We must demand a fundamental change in exchange rate policies and labor standards in the Chinese economy as a critical first step toward restoring a level playing field where American workers can compete fairly."

Read the full report here: <http://www.epi.org/content.cfm/bp219>

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