Another Perspective on U.S.-China Trade

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There is no doubt that a significant number of American workers have lost their jobs as a result of imports from other countries, including China. But we also have to recognize that a significant number of American jobs have been created by the rapid growth in exports to other countries, especially China. Moreover, the U.S. manufacturing sector has been evolving for more than 50 years—a process that has been driven by technological change and which began long before China was an economic power. Building a tariff wall to block Chinese imports would not stop this process, nor would it revitalize American manufacturing jobs. Rather, we should aggressively push China to further open its market to U.S. goods and services, a step that *would* actually create more U.S. jobs.

One of the greatest strengths of the U.S. economy is that American industry has embraced change. Change, whether from new technologies, such as computers and automation, or from new competition, has initially been disruptive, often resulting in job losses, but over the long run that change has also created new jobs and raised productivity and income. As American manufacturing has become more efficient and productive, it has required fewer workers. In fact, 1953 marked the peak point in the manufacturing share of total U.S. employment, long before China was even a factor in global trade.

In my view, the problem has not been in engaging in trade with China, it has been our failure to adequately assist workers whose jobs have been affected by that trade. The solution should not be attempting to keep out imports from China, as those goods would likely be replaced by imports from other developing countries, not from goods made in America. Rather, we have to ensure that our workforce has access to the resources that will enable them to compete, including better education and job training, relocation assistance and access to health care while they look for a new job.

Trying to forestall change with trade tariffs isn't likely to help American workers. For example, a study by the Peterson Institute for International Economics found that a 2009 decision to increase tariffs on new Chinese car and light truck tire imports "cost the U.S. economy around 2,531 jobs, when losses in the retail sector are offset against gains in tire manufacturing. Adding further to the loss column, China retaliated by imposing antidumping duties on U.S. exports of chicken parts, costing that industry around US$1 billion in sales." The study concluded that U.S. tire consumers ended up "paying higher prices regardless of whether they purchase a Chinese or non-Chinese tire," and that "the big winners from the 2009 safeguard tariffs were alternative foreign exporters, primarily located in Asia and Mexico, selling low-end tires to the United States."

It is also apparent that Chinese imports do not play as big a role in the U.S. consumer market as some imagine. A 2011 study by economists at the Federal Reserve Bank of San Francisco found that goods and services from China accounted for "only 2.7% of U.S. personal consumption expenditures in 2010, of which less than half reflected the actual costs of Chinese imports. The rest went to U.S. businesses and workers transporting, selling, and marketing goods carrying the ‘Made in China’ label.”

And U.S. exports to China have created U.S. jobs. Since China joined the World Trade Organization (WTO) in 2001, U.S. imports from China rose 354%, but U.S. exports to China rose 618%, far faster than the 79% growth rate of U.S. exports to the rest of the world.

The most constructive approach for U.S. workers would be to aggressively push China to further open its markets to U.S. goods and services, rather than to attempt to block Chinese goods from entering the U.S. market.

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