



COMMISSION RELEASES STUDY ON THE JOB EFFECTS OF THE RISING U.S.- CHINA TRADE DEFICIT

*Report finds these effects being felt in every state and in high-tech industries once
considered "safe"*

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Washington, D.C. -- The U.S.-China Economic and Security Review Commission today released a new study titled "*U.S.-China Trade, 1989-2003: Impact on Jobs and Industries, Nationally and State-by-State.*" The study was prepared for the Commission by Dr. Robert Scott of the Economic Policy Institute.

The United States' trade deficit with China increased twenty-fold over the last 14 years, rising from \$6.2 billion in 1989 to \$124 billion in 2003. Moreover, it is expected to have increased by more than 20% in 2004 to over \$150 billion. This deficit is impacting an ever-broadening segment of U.S. manufacturing, including advanced technology industries like semiconductors once thought immune to lower-wage Chinese competition.

Using a state of the art input-output methodology that determines the number of jobs needed to produce exports and imports, Dr. Scott calculated that 1.5 million jobs have been displaced over the period 1989 – 2003 as a result of the growing trade deficit with China. The report also calculates jobs lost by individual states and by specific industrial sectors.

Commenting on the report, Commission Chairman C. Richard D'Amato said "In the rapidly changing big and broad economic relationship with China, it is crucial to have a full, comprehensive understanding of the facts and scope of the relationship. With such data, we can begin to assess the impacts China is having on our economic health and our national security. This report makes an important, groundbreaking contribution to developing that understanding."

Dr. Scott summarized the report findings as follows: "The assumptions we built our trade relationship with China on have proven to be a house of cards. Everyone knew we would lose jobs in labor-intensive industries like textiles and apparel, but we thought we could hold our own in the capital-intensive, high-tech arena. The numbers we're seeing now put the lie to that hope – as China expands its share even in core industries such as autos and aerospace."

The report's key findings are:

- The rise in the United States' trade deficit with China from 1989 to 2003 caused displacement of production that supported 1.5 million U.S. jobs. The loss of jobs due to the growing trade deficit with China has more than doubled since it entered the WTO in 2001.
- China's exports to the United States of electronics, computers, and communications equipment, along with other products that use more highly skilled labor and advanced technologies, are growing much faster than its exports of low-value, labor-intensive items such as apparel, shoes and plastic products.
- The U.S. trade deficit in Advanced Technology Products (ATP) with China is now \$32 billion, equal to the total U.S. ATP deficit.
- China is also rapidly gaining advantage in more advanced industries such as autos and aerospace products.
- The 1.5 million job opportunities lost nationwide are distributed among all 50 states and the District of Columbia, with the biggest losers, in numeric terms: **California** (-211,045), **Texas** (-106,262), **New York** (-87,037), **Illinois** (74,070), **Pennsylvania** (-73,612), **Florida** (-65,733), **North Carolina** (-65,279), **Ohio** (-61,914), **Michigan** (-54,313), and **Georgia** (-49,589).
- The ten hardest-hit states, as a share of total state employment, were: **Maine** (-15,396, or -2.54%), **Arkansas** (-19,859, -1.74%), **North Carolina** (-65,279, -1.72%), **Rhode Island** (-7,840, -1.62%), **New Hampshire** (-9,878, -1.60%), **Indiana** (-45,285, -1.56%), **Massachusetts** (-48,086, -1.51%), **Vermont** (-4,426, -1.48%), **Wisconsin** (-41,150, -1.48%), and **California** (-211,045, -1.46%).

The full report can be downloaded from the Commission's web site – www.uscc.gov. The Commission welcomes comments by researchers and interested parties on the contents, methodology and findings of the Economic Policy Institute report.

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