ECONOMIC POLICY INSTITUTE
1333 H STREET, NW • SUITE 300, EAST TOWER • WASHINGTON, DC 20005
PHONE: 202.775.8810 • FAX: 202.775.0819

EPI

www.epi.org

# China trade gap displaces 2.4 million U.S. jobs, says new EPI report

## China's currency manipulation fuels continued trade imbalance

NEWS FROM EPI

FOR IMMEDIATE RELEASE

TUESDAY, MARCH 23, 2010

CONTACT
Karen Conner
Tom Kiley
202-775-8810
news@epi.org

The growing trade deficit between the U.S. and China eliminated or displaced an estimated 2.4 million jobs in the U.S. between 2001 and 2008, according to a new report from the Economic Policy Institute.

The new report, ***Unfair China Trade Costs Local Jobs***, shows that every state in the country, as well as Washington, D.C. and Puerto Rico, suffered jobs lost or displaced because of the trade imbalance. The deficit grew by an average of $26.6 billion each year between 2001 and 2008; Chinese exports to the United States in 2008 were more than five times greater than U.S. exports to China.

A surge in imports of Chinese computer and electronic products accounted for more than 40% of the $186 billion increase in the U.S. trade deficit with China between 2001 and 2008, with these industries experiencing the largest trade-related job losses of any sector – 627,700 jobs, or 26% of all jobs lost or displaced between 2001 and 2008.

The hardest hit areas of the country are those where high-tech industries are concentrated, like California and Texas. [See Figure A on page 12 of the report.]

The study also includes new estimates of job losses by Congressional district. The three hardest hit districts are all located in California's Silicon Valley (the 14th, $15^{th}$ and 16th Congressional districts, which include San Jose and Palo Alto, had over 60,000 jobs lost or displaced). [See Congressional District tables online.]

A major reason for the trade imbalance is China's artificially low currency value. While the value of its currency should have increased as China exported more and more goods, it has instead remained artificially low, a result of China's aggressive efforts to manipulate the currency by acquiring more than two trillion dollars in foreign exchange reserves since 2001. This currency manipulation gives China an unfair advantage in global trade.

The House Ways and Means Committee is holding a full Committee hearing this week to examine China's currency manipulation. In the Senate, a bipartisan group of lawmakers introduced legislation last week to address the issue.

"We have allowed the Chinese government to game the system for far too long, with serious consequences for the U.S. economy," said the report's author, EPI economist Robert Scott. "The Treasury Department should publicly declare China to be a currency

-More-

manipulator, and the Congress should authorize tariffs of at least 25% if China doesn't start playing by fair rules."

At a recent EPI forum, Nobel Prize-winning economist Paul Krugman said China's currency manipulation has reached unprecedented levels. "These surpluses do come at the expense of jobs," he said.

Scott also points to factors besides exchange rates that exacerbate the U.S.-China trade imbalance. "China's repression of labor rights has suppressed wages, thereby artificially subsidizing exports," he said.

The U.S. trade deficit with China grew from $84 billion in 2001, the year China entered the World Trade Organization, to $270 billion in 2008, according to the report. In 2009, China was responsible for more than 80 percent of the United States' total, non-oil trade deficit.

For more information:
Re-Balancing U.S. Trade and Capital Accounts, Trade Policy and Job Loss

# # #