

CHINA CHEATS.

2.3 Million
Jobs &
Counting:

The
China
Trade Toll.

Any discussion of lost U.S. manufacturing jobs would be incomplete without mentioning a very key point: “**China Cheats.**” China uses illegal trade practices like dumping, subsidies, and currency manipulation to undercut U.S. manufacturers. The Economic Policy Institute (EPI) recently completed a study that noted some of the key consequences of large, ongoing trade deficits with China:

- **The U.S. has lost 2.3 million jobs to China since 2001**, including 366,000 jobs in 2007 alone.
- **The U.S. trade deficit with China clocked a record \$256 billion in 2007**—by far the largest bilateral trade deficit in world history.
- In 2007 alone, **workers displaced by unbalanced trade with China lost an average of \$8,146 in wages** as they moved to lower-paying jobs, a total of \$19.4 billion in lost wages.
- Continuing trade deficits with China are shifting U.S. jobs from higher-wage manufacturing to low-wage commodities exports like scrap products and agricultural goods that pay 4.4% less on average.
- More than a quarter of last year’s trade deficit with China was due to advanced technology products, **nearly six times the deficit in 2002.**
- More than half (55.6 percent) of the jobs displaced by trade with China were among the top half of American wage earners.
- Nearly a third (31 percent) of the jobs lost to China were among workers with a college degree, including **a loss of 200,000 scientists and engineers within the manufacturing sector** (a 10.7 percent drop).
- Competition from low-wage countries like China affects 80 percent of the U.S. private-sector workforce—**roughly 100 million workers.** In 2006 alone, low-wage competitive pressures reduced the annual wages of U.S. workers by an average of \$1,400 each.
- Job losses due to China’s unfair trade practices are having a major impact on minority Americans. Since 2001, **growing trade deficits displaced 230,065 African American and 339,065 Hispanic workers. Asian Americans and other minorities lost 219,235 jobs.**

The U.S. **has lost more than 3.5 million good-paying manufacturing jobs** since 2000, and more than **40,000 factories have closed in the past 10 years.** The end result is more unsafe imports and a greater dependence on foreign factories to produce both our every day consumer goods and military hardware.

Voters must tell candidates: “Before you get my vote, I want to know how you’ll stop China’s cheating.” Our elected officials must stand up for American manufacturing and emphatically state that they will hold China accountable.

Taking action on China and **enforcing U.S. trade law works.** A recent study by the Alliance for American Manufacturing (AAM) found that when U.S. trade laws are enforced, workers, communities, and businesses are able to **contribute 50 times more to the economy** than any resulting increase in consumer prices.

AAM is a unique partnership of labor and management that brings together several leading U.S. manufacturers and the United Steelworkers with the goal of strengthening U.S. manufacturing. More information can be found at www.americanmanufacturing.org.

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Alliance for American Manufacturing

Keeping America Strong

CHINA CHEATS. AMERICA LOSES

THE PROBLEM:

For years, China has been pursuing unfair and predatory illegal trade practices designed to tilt the playing field in China's favor. American workers and families have suffered as they have lost their jobs, and now the illegally dumped and subsidized Chinese products that have put them out of work are also endangering them and their children's health and safety. When a free market works as it is supposed to, poorly-made and defective products are weeded out by market forces, but this is exactly the problem. China is not a market economy – they play by different rules. China's cheating skews the market, and American workers, families, and children are paying the price.

THE PRACTICES:

■ **Illegal Subsidies:** China's economic growth plan is based on promoting exports at all cost, and regardless of legality. To accomplish this, the Chinese government provides massive subsidies to many of its industries to allow them to produce goods for export at an artificially lower cost. For instance, the Chinese government holds down the cost of fuel and electricity, which makes the cost of production lower. Also, the government provides free land and utilities to companies in key economic sectors, limits competition by regulating distribution of products, hands out free to low-cost loans to favored companies, and utilizes many other methods of promoting its export industries at the expense of those who play by the rules. (*Statement of Dr. Usha C.V. Haley before the U.S.-China Economic and Security Review Commission, April 4, 2006*)

■ **Illegal Dumping:** Dumping goes hand-in-hand with subsidies in non-market economies like China. The result of these subsidies is that companies can afford to flood export markets with products priced below where they should be priced. American compa-

nies cannot compete with these artificially priced products, and are being run out of business. The International Trade Commission currently has 61 separate orders outstanding regarding China's dumping in industries from paint brushes to hammers, from paper clips to industrial bearings, from tissue paper to steel. (*U.S. International Trade Commission, Antidumping and Countervailing Duty Orders In Place as of January 18, 2008, By Country, January 18, 2008*)

■ **Currency Manipulation:** From 1994 until 2005, China explicitly pegged its currency, the yuan, to the dollar, at a rate of roughly 8.28 yuan to the dollar. Since the Chinese economy was growing faster than the U.S. economy during this period, the result is that the yuan was significantly undervalued. This made China's exports to the U.S. relatively cheaper than they should have been and made U.S. exports to China more expensive than they should have been. This had twofold negative effects on American industry. On one hand, the relatively cheap Chinese imports drove domestic manufacturers who could not compete with that price out of business. On the other, the relatively expensive imports of U.S. products into China limited consumption of U.S. goods there, putting many export-intensive U.S. companies out of business. Since 2005, China has allowed the yuan to appreciate slowly, although it is still dramatically undervalued. (*Congressional Research Service, China's Currency: A Summary of the Economic Issues, July 11, 2007*)

■ **Labor Rights Abuses:** China's abuse of its workforce also contributes to the artificially low cost of Chinese goods. Millions of child workers and forced laborers are used to make products for export to the U.S. Independent labor unions are forbidden, and workers who attempt to form them are fired, imprisoned, or worse. These violations of internationally accepted workers' rights artificially depresses the labor market, leading to Chinese products being cheaper because the companies only have to pay workers 15 to 50 cents per hour. (*AFL-CIO, Section 301 Petition Against the Chinese Government, July 2006*)

THE RESULT:

China's cheating practices have cost Americans millions of jobs. It is estimated that from 2001-2007, the growth in the trade deficit with China has cost Americans 2.3 million jobs. (*Economic Policy Institute, July 30, 2008*).

In addition, China's unfair, noncompetitive practices have helped them corner the market on many products that Americans use every day. With that kind of stranglehold, the Chinese have shown little interest in ensuring that their products are safe. In the past year alone, over 80% of the product recalls by the Consumer Product Safety Commission involved Chinese products. This included roughly 17.6 million toys found to contain excessive lead. (*Congressional Research Service, China-U.S. Trade Issues, March 17, 2008*) Other examples include:

■ 4.2 million Aqua Dots toys in November were recalled after it was discovered that the toys included a chemical that converts to the "date rape" drug GHB if swallowed. (*Report: China Halts Export of Bead Toys Tainted With Toxic Drug, CNN, November 9, 2007*)

■ 1.5 million Sesame Street dolls were recalled in August after it was discovered that the toys included excessive lead levels (*Mattel Recall of Lead-Tainted Chinese Toys Cost \$30 Million, Bloomberg, August 2, 2007*)

■ The Boy Scouts of America recalled more than a million Cub Scout badges for excessive lead in October. These "Progress Toward Ranks" badges are generally worn on the shirt pockets of 7 and 8-year-old Cub Scouts. (*Boy Scouts Recall Lead-Tainted Chinese Badges, Reuters, October 5, 2007*)

■ In March 2007, the Food and Drug Administration issued warnings and recalls on over 150 brands of pet food and other pet food and animal feed ingredients from China, which were believed to have caused the sickness and death of many American pets. The FDA has also recalled poisonous Chinese toothpaste, and tainted catfish and shrimp that originate in China (*Congressional Research Service, China-U.S. Trade Issues, March 17, 2008*)

■ Recently, it was discovered that contaminated doses of the widely-used blood thinner Heparin had contributed to the deaths of at least 19 Americans, as well as hundreds of allergic reactions. It is increasingly clear that the contamination came when an alternative, cheaper, and unapproved ingredient was modified to mimic real Heparin in Chinese factories. Whether this contamination was deliberate, the result of Chinese drug counterfeiting is as yet unsettled, but likely. (*Heparin Find May Point to Chinese Counterfeiting, New York Times, March 20, 2008*)