Time to Act Now on China's Devastating Currency, Trade Practices

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July 30, 2008

China's continued undervaluation of its currency is a major, overriding trade issue, which requires immediate action, says a coalition of union and business leaders. And a new report released today shows China's trade practices cost 2.3 million good U.S. jobs, including 366,000 last year alone.

AFL-CIO Secretary-Treasurer Richard Trumka, who co-chairs the coalition, says, "China's manipulation of its currency since 1994 has taken an enormous and increasingly damaging toll on U.S. working families and manufacturing."

It undermines the U.S. economy and our national security. The U.S. government stands by as China persists year after year with this policy. The situation simply becomes worse as we trade jobs and dollars for airplane parts and debt, and the nation continues to lose more and more of its critical manufacturing base. American workers and their families expect better of our government. The time for action is long overdue.

Earlier this week, the China Currency Coalition called on Congress to take strong action against China's manipulation of its currency. The coalition wants new language added to the Trade Enforcement Act of 2008, which would treat currency depreciation by China or any other U.S. trading partner as a form of illegal subsidy and dumping.

The AFL-CIO, U.S. manufacturers and many economic experts maintain that China deliberately undervalues its currency to keep the value artificially low so it can boost exports and discourage imports—running up the U.S. trade deficit and costing good American jobs. An AFL-CIO report shows China's fixed currency rate artificially lowers the price of its goods by 40 percent, effectively subsidizing China's exports, putting U.S. companies at a competitive disadvantage and creating a record trade deficit.

Just how serious the situation has become can be seen in a new report, which finds that the increasing trade deficit with China cost 2.3 million American jobs between 2001 and 2007, including 366,000 last year alone. The study released today by the Economic Policy Institute (EPI), shows the displaced workers lost an average of $8,146 last year, a total of $19.4 billion, as they moved to lower-paying jobs. Click here to read the report.

Says United Steelworkers President Leo Gerard:

This new study shows how trade with China, on their terms, is undermining hard-working American families' earnings. This is an unbalanced trade relationship that must be changed, and Congress should act now.

While the deficit with China has cost millions of manufacturing jobs, the EPI report shows it is also taking away high-tech jobs as well. Rapidly growing imports of computers and electronic parts accounted for nearly half of the increase in the trade deficit between 2001 and 2007. More than one-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.

More than half (55.6 percent) of the jobs displaced by trade with China were in the top half of American wage earners. Nearly one-third (31 percent) of the jobs lost were among workers with a college degree. A dramatic example is the loss of 200,000 scientists and engineers within the manufacturing sector, a 10.7 percent drop.

China also is the main source of downward pressure on wages of other production workers, some 100 million Americans, EPI says. 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.

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.

EPI senior economist Robert Scott, author of the report, says this new data is "a wake-up call about the devastating effect of our unbalanced China trade on American jobs, wages and our economy."

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.