

WE'RE LOSING MORE TECH JOBS THAN SOCKS JOBS TO CHINA

Some of the more amazing stories about China's domination

tion of manufacturing these days pertain to the cities in China that make most of just one of the world's consumer goods, like socks.

But a new study from the Economic Policy Institute makes it clear we haven't just lost textile jobs to China, we've lost high tech manufacturing jobs too. The study finds, for example, that since China joined the WTO, the outsourcing of tech manufacturing to China has been the biggest driver of our trade deficit with China.

Within manufacturing, rapidly growing imports of computer and electronic parts (including computers, parts, semiconductors, and audio-video equipment) accounted for more than 44% of the \$194 billion increase in the U.S. trade deficit with China between 2001 and 2010. The growth of this deficit contributed to the elimination of 909,400 U.S. jobs in computer and electronic products in this period. Indeed, in 2010, the total U.S. trade deficit with China was \$278.3 billion—\$124.3 billion of which was in computer and electronic parts.

Global trade in advanced technology products—often discussed as a source of comparative advantage for the United

TABLE 1
U.S. China trade and job displacement, 2001–10
U.S. trade with China (\$billions, nominal)

	2001	2008	2010	Changes in billions		Percent change
				2001–10	2008–10	
U.S. domestic exports*	\$18.0	\$67.2	\$85.7	\$67.8	\$18.6	377.5%
U.S. imports for consumption	182.1	337.5	364.0	262.0	26.5	256.7
U.S. trade balance	-84.1	-270.3	-278.3	-194.2	-8.0	232.0
Average annual change in the trade balance				-19.4	-8.0	14.2

	2001	2008	2010	Changes in thousands of jobs		Percent change
				2001–10	2008–10	
U.S. domestic exports jobs supported	308.9	528.4	637.7	488.8	129.4	289.4%
U.S. imports for consumption jobs displaced	3,071.5	3,208.0	4,350.4	3,279.0	582.4	396.0
U.S. trade deficit net jobs lost	962.6	3,239.6	3,682.7	2,790.1	453.1	36.9
Average annual change in net jobs lost				310.8	236.6	

* Domestic exports are goods produced in the United States, and exclude re-exports, i.e., goods produced in other countries and shipped through the United States. Total exports as reported by the U.S. International Trade Commission include re-exports. Total exports were estimated to be \$81.8 billion in 2010 while U.S. re-exports to Mexico represent 66.7% of total exports. The employment estimates shown here are based on domestic exports only. See text, note 5 for further details and references.

SOURCE: EPI analysis of data from the U.S. Census Bureau (2008), U.S. International Trade Commission (2011), and Bureau of Labor Statistics (2011a and 2010b). For a more detailed explanation of the data sources and computations, see the appendix.

States—is instead dominated by China. This broad category of high-end technology products includes the more advanced elements of the computer and electronic parts industry as well as other sectors such as biotechnology, life sciences, aerospace, and nuclear technology. In 2010, the United States had a \$94.2 billion deficit in advanced technology products with China, which was responsible for 34% of the total U.S.-China trade deficit. In contrast, the United States had a \$13.3 billion surplus in ATP with the rest of the world in 2010.

As a result, those parts of the country where such tech jobs had been concentrated have been inordinately affected.

The trade deficit in the computer and electronic parts industry grew the most, displacing 909,400 jobs—32.6% of all jobs displaced between 2001 and 2010. As a result, the hardest-hit congressional districts were in California, Texas, Oregon, and Massachusetts, where remaining jobs in those industries are concentrated.

[snip]

The three hardest-hit Congressional districts were all located in Silicon Valley in California, including the 15th (Santa Clara County, 39,669 jobs, 12.23% of all jobs in the district), the 14th (Palo Alto and nearby cities, 28,866 jobs, 9.0%), and the 16th (San Jose and other parts of Santa Clara County, 26,478 jobs, 8.72%).

Now, to a great degree, we already knew this. IBM sold its PC division to China in 2004. And whereas stories of abusive conditions for those who make branded goods used to focus on sneakers, they now focus on Apple's products.

But it also ought to be a wake-up call. It took some time for the upheaval caused by NAFTA to thoroughly devastate the Rust Belt and parts of the south. And while CA may be large and diverse

enough to recover from the loss of these jobs, in other places (surprisingly, perhaps, NH, which lost the highest percentage of its jobs to China), they're not.

Plus, there's the whole problem of lost capabilities. As this manufacturing goes to China, we lose the symbiotic effect of having people manufacture—say—iPhones down the road from the folks ~~losing~~ designing the new ones. Thus, while in the short term it may be easy for Steve Jobs to churn out new products sending this stuff to China, in the post-Steve Jobs era, particularly with this lost symbiosis, it may be harder to continue to innovate.

But don't worry. I'm sure working class Californians will be just as happy in their service jobs as Michiganders are. Which is to say, not that much.