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editor's note...

The Reality That's China

by John O'Brien, Managing Editor

According to a report from the Economic Policy Institute (EPI), nearly 2.8 million U.S. jobs have been eliminated or displaced since 2001 due to the widening U.S.-China trade deficit.

The report, *Growing U.S. trade deficit with China cost 2.8 million jobs between 2001 and 2010*, by Robert Scott, EPI’s Director of Trade and Manufacturing Policy Research, shows the trade deficit with China grew from $84 billion in 2001, when China entered the WTO, to $278 billion in 2010. It eliminated or displaced 2,790,100 jobs, or about 2% of total U.S. employment over that period. Of the nearly 2.8 million jobs lost or displaced, 1.9 million of them were in manufacturing — a figure that represents nearly half of all U.S. manufacturing jobs lost between 2001 and 2010, the report notes.

Turning our attention to the paper industry, China has become the largest producer of paper in the world and the second-largest exporter (behind Canada) to the U.S., according to the U.S. International Trade Commission. In 2010, the U.S. imported $2.7 billion in paper from China, but exported $2.1 billion in paper back.

Production of paper and paperboard in China nearly tripled from 2000 - 2009, increasing from 34.7 million metric tons in the year 2000 to 93.9 million m/tons in 2009. I couldn’t find the production figure for 2010, but with China’s aggressive capacity expansion plans, the number should be well over 100 million tons.

In another report from EPI, *No Paper Tiger*, research associate Usha C.V. Haley writes, "... in December 2009, the Chinese government announced new policies for continued support of its paper industry. Data show that the Chinese paper industry will continue to expand for at least the next three years based on current policies and planned expenditures. Indeed, in 2009, Chinese paper-production capacity grew 21.5% over the previous year, despite the global economic slump."

Haley goes on to surmise, "The saturated Chinese market for paper cannot absorb present or planned output of Chinese paper. Consequently, one can reasonably assume that exports have driven the growth of China’s paper industry."

Haley points out the contrast between the world’s two largest papermaking industries noting that U.S. paper mills have shrunk with drops in output, employment, revenues, and number of companies, corresponding to the rise in Chinese imports. "Imports from China are rising faster than those of any other country for this industry, with the value of U.S. imports from China growing at an annualized rate of 22%," Haley notes.

So how did this happen? An idealistic WTO agreement that envisioned an evenly balanced flow of trade between China and the U.S. — the allure being China's burgeoning population in need of imported goods.

As Robert Scott explains, "China's entry into the WTO was supposed to bring it into compliance with an enforceable, rules-based regime that would require China to open its markets to imports from the United States and other nations by reducing tariffs and addressing nontariff barriers to trade."

Much of this never took place, and coupled with China's manipulation of its currency, the deal has been a colossal loser for the U.S. and other countries.

Unless our policymakers are able to firmly grasp reality and take action to reverse this trend — passing H.R. 639, the Currency Reform for Fair Trade Act would be a good start — it won't be long before the U.S. becomes a larger version of Greece.

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