



Is US Manufacturing Losing Ground to China?

US *manufacturing has lost more than 2 million jobs to China since 2001.*

How many times have you seen that number? So many times that a lot of people think it is true. But is it? No.

This “job loss” calculation assumes that every product imported from China would have otherwise been made in the United States, which is clearly wrong—several decades wrong, in fact. Go back again to that Sony TV example. It used to be made in Japan—and was an import. Look at the label now, and it is likely made in China—and still an import. Much of what we import from China is replacing imports from other countries, not products we make in the United States today. Undoubtedly, some jobs have gone to China, but a jobs-impact study that ignores the facts undermines its own credibility.

And finally, is it true that US manufacturing is losing ground to China?

The current economic environment is throwing real challenges at US manufacturers and makes this a difficult time in which to answer a question like this, but the numbers help to bring clarity to a complex matter.

It is absolutely true that some US companies have closed up shop because they could no longer compete, and it is absolutely true that US companies face daunting tasks competing internationally even with their distinct advantage in productivity. Productivity gains do mean, however, that it takes fewer people to make the same product—we make more than ever, but we do it with fewer people. In fact, US manufacturing jobs have been in a steady, decades-long decline that reflects these productivity gains—and far predates China’s entry into the global economy.

But what is *not* true is that US manufacturing as a whole is losing ground to China, or that the problems that do exist can be laid solely at China’s door. China may be a factor at the margins, but is not the main challenge for the health of our manufacturing future.

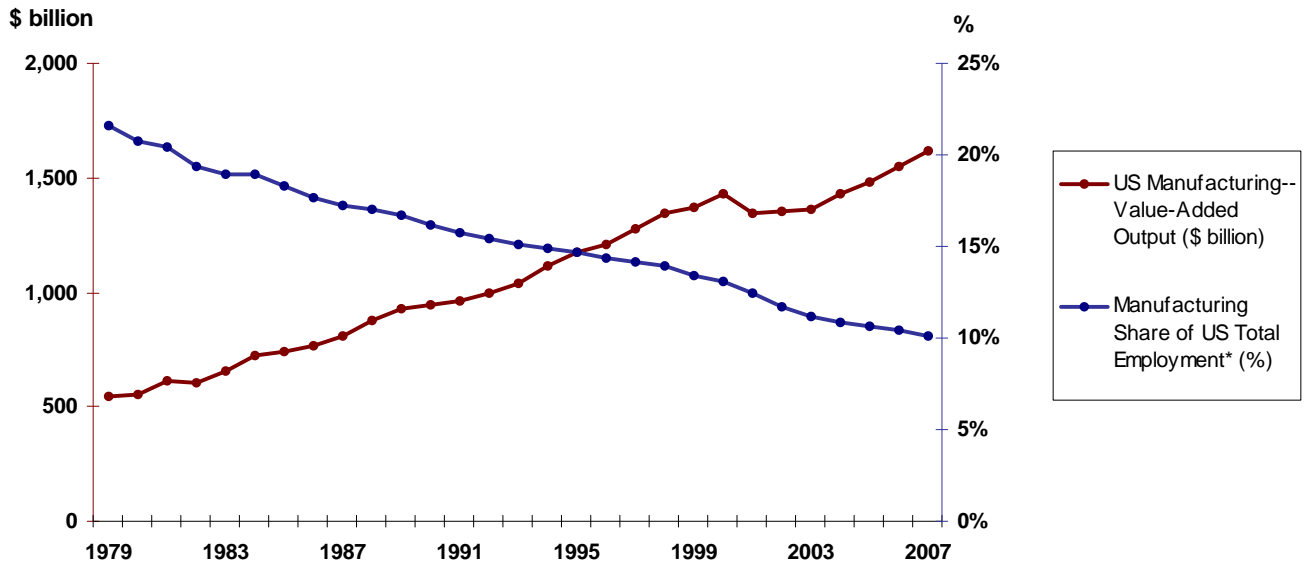
The United States is by far the world’s largest manufacturer, and its share of global output (just under 25 percent in 2007, the latest full year available) has been at least 20 percent since 1982. If China is taking a bite out of any country’s manufacturing hide, it is Japan’s (the Sony TV example, yet again).

Whether that continues to be the case in the coming decades depends more on steps taken here at home to strengthen the competitiveness of US companies than it does on China. Sensible policies on energy, healthcare, education, infrastructure upgrading, and innovation will do far more to keep us competitive than futilely trying to isolate ourselves from China and the international economy.

Action Plan

- Bolster the long-term competitiveness of the US economy and US enterprises by adopting smart policies on energy, education, healthcare, and innovation.
- Develop jobs by encouraging innovation and growth by US companies in industries that will become global twenty-first century leaders, such as technology, energy, and related sectors.
- Strengthen cost-effective programs to help workers transition to growth sectors of the US economy to help them succeed in the international economy.

US Manufacturing Output and Employment, 1979-2007

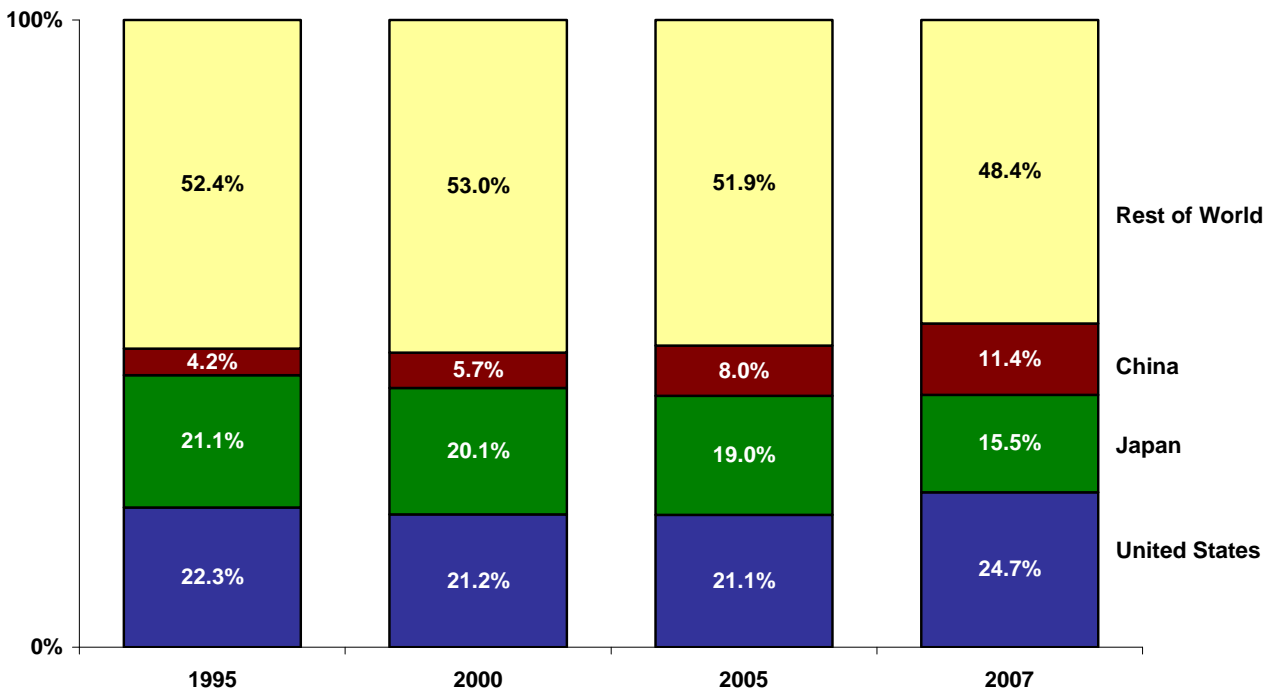


**Productivity gains have led to greater output but with fewer workers.
Employment continues its long-term shift from manufacturing to services.**

*Total non-farm annual average

Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, Oxford Economic Forecasting

Share of Global Manufacturing Output



The United States is maintaining its share of global manufacturing; China is taking share from Japan.

Source: United Nations Industrial Development Organization (UNIDO; 2007 is a UNIDO estimate)