



# Threat of Nuclear War Reminds Us Why Selling Out Manufacturing To China Was A Horrible Idea

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A new report confirms former President Bill Clinton was delusional about the long-term effects of trade with China on American workers and the U.S. economy.

In 2000, then-President Clinton deployed much of his political capital to help China become a member of the World Trade Organization (WTO). Clinton promised the American public that economic engagement would be a “win-win” for both the U.S. and China because free trade would “move China faster and further in the right direction.” Later that year, Clinton signed a trade bill granting permanent normal trade relations to China and allowing Chinese goods to enjoy the same low-tariff access to the U.S. market as many other nations did. China joined the WTO in 2001 and began two decades of double-digit economic growth.

Now we can see that the economic engagement failed to make Communist China more open and democratic. Instead, China transitioned from a poor authoritarian regime into a rich and powerful one at America’s expense.

Thanks to low-tariff access, inexpensive made-in-China goods flooded the U.S. market. In “The China Shock and Its Enduring Effects,” researchers at the Stanford Center on China’s Economy and Institutions define the China shock as a period between 2000 and 2012, reaching “peak intensity in 2010.”

## Massive Job and Income Losses

The researchers found that the China shock was responsible for nearly 60 percent of all manufacturing job losses in the U.S. between 2001 and 2019. The job loss hit workers who worked in “narrowly specialized, labor-intensive manufacturing (e.g., furniture making)” and those without college degrees the hardest. A succession of U.S. administrations did little to provide the necessary training to help these workers transition to other growth sectors. Consequently, researchers found that “manufacturing job losses caused by the China trade shock converted nearly one for one into long-term unemployment.”

Traditionally, manufacturing had been a pathway for scores of working-class Americans to move up to the middle class. But the shrinking manufacturing sector and the job losses essentially removed that economic ladder for many Americans. Researchers estimate that “6.3% of the U.S. population experienced absolute declines in real incomes” because “the gains from trade with China — primarily lowered consumer prices” and the government’s welfare benefits were insufficient to cover their income loss. The income decline was especially severe among men. According to a study by the Organization for Economic Cooperation and Development, “the median income of men without secondary school diplomas fell by 20% between 1990 and 2013; for men with secondary school diplomas or some college, median income fell by 13%.”

Researchers compared the economic impact of the China shock to other events that had caused great economic distress in U.S. history, including the 2008 financial crisis. They concluded, “while the impacts on employment, earnings, and population from import competition with China were qualitatively not unique relative to these other shocks, the large magnitude of the China trade shock and the extreme variation in labor market outcomes were without precedent.”

As John Mitchell, president and CEO of IPC, a global trade association representing electronic equipment, wrote in *The Hill*, “for more than three decades, the United States government has prioritized globalization while deprioritizing the strength and resiliency of its industrial base.” Meanwhile, many American businesses shut down their factories and relocated them to China in pursuit of lowering costs and maximizing profits.

Even after learning about the economic pain many American workers endured due to these shortsighted decisions, certain globalization advocates still refuse to budge. At an event organized by the Cato Institute, Adam Posen, head of the Peterson Institute for International Economics, a D.C.-based think tank focusing on free trade issues, said that a focus on domestic manufacturing is simply a “fetish for keeping white males with low education in the powerful positions they are in.”

Posen couldn’t be more wrong. A robust domestic manufacturing industry is crucial for our economy and American workers’ well-being and is vital to national security.

### **Lack of Industrial Base Weakens U.S. Security**

Probably for the first time in decades, the United States is getting dangerously close to engaging in a war with one or two major powers in the world. In Europe, the Biden administration is sleepwalking the U.S. into deeper involvement in the Ukraine war. Both Bloomberg and The Wall Street Journal reported that the Biden administration has sent Ukraine weapons worth billions of dollars and depleted the U.S. military’s inventory of ammunition and weaponry. Yet the Pentagon reportedly has been very slow to replenish arsenals and has sparked concerns that the shortage could jeopardize American military readiness. Poor planning and incompetency of those in charge probably contributed to the arsenal shortage. Also, ramping up production takes workers and time. The U.S. manufacturing industry faces a persistent skilled labor shortage. According to *The Wall Street Journal*, even if the industry has all the workers it needs, “In the U.S., it takes 13 to 18 months from the time orders are placed for munitions to be manufactured.

... Replenishing stockpiles of more sophisticated weaponry such as missiles and drones can take much longer.”

But Communist China will not wait for the U.S. to restock ammunition and weapons. After years of military buildup, China’s invasion of Taiwan is no longer a question of “if” but “when.” Suppose President Joe Biden meant what he said about sending U.S. troops to Taiwan if China invades the island. Will the U.S. military have all it needs to protect itself and defend our allies?

Hal Brands, a military strategist, wrote, “Modern war is prodigiously costly. ... It consumes epic quantities of missiles, artillery shells, and other munitions; it can wreck hard-to-replace planes, tanks, and warships in large numbers.” He points out that the U.S. and its allies won World War II partially due to the United States’ “industrial-age, mass-production economy that was well-suited to making the tools of global war.” Our nation essentially out-produced Germany and Japan and kept the U.S. and its allies in the war long enough to win.

Yet after decades of decline of the U.S. manufacturing industry, Brands said, “America lacks even the basic building blocks, such as adequate machine tools and a trained labor force, that it would need for wartime mobilization.” Meanwhile, China’s “shipyards and factories are spitting out warships and munitions at an astounding rate.” According to economist Noah Smith, “China can manufacture enough to sustain both itself and Russia” in a global armed conflict with Western democracies.

The research on the China shock’s economic toll on America’s economy and workers, the ongoing Russia and Ukraine war, and China’s continued military threat to Taiwan should all serve as a reminder that for the sake of America’s peace, prosperity, and security, we must refocus and revive our domestic manufacturing industry.