Free trade:

Coming and going

The Economist

Oct 1st, 2016

Clinton: 1993 and 2000

- “The North Atlantic Free Trade Agreement (NAFTA) with Canada and Mexico, would create 200,000 jobs in America.” (Clinton, 1993)
- Clinton on WTO (2000): It would require China quickly to cut its average import tariff from 24% to 9%, to abolish import quotas and licences and to open up some industries to American investment.

2016

- "This is a hundred-to-nothing deal for America when it comes to the economic consequences," said Mr Clinton.
- Sixteen years on the mood is rather different.
- Job losses in manufacturing states such as Michigan, Ohio and Pennsylvania have made trade a key issue in America's presidential election.

2016 election

- Bernie Sanders, Mrs Clinton’s opponent in the Democratic Party primaries, said trade deals had been “a disaster for American workers”.
- What is behind the change in mood?

China and WTO

- China's accession to the WTO caused a big shock.
- By 2013 it had captured one-fifth of all manufacturing exports worldwide, compared with a share of only 2% in 1991.
- This coincided with a fresh decline in factory jobs in America. Between 1999 and 2011 America lost almost 6m manufacturing jobs in net terms.

Jobs

- Research (Autor, et al): At least one-fifth of the drop in factory jobs during that period was the direct result of competition from China.
- In total, up to 2.4m jobs may have been lost, directly and indirectly, as a consequence of imports from China.

In other countries

- In other rich countries, regions or industries with heavy exposure to Chinese imports also suffered material losses in factory jobs.
- China's accession to the WTO was supposed to be a great bonus for America. So why was its impact on trade and jobs so unexpectedly large?
- One reason was that China got a very significant advantage out of the pact.

Current account

- Another factor: China joined the WTO, its current-account surplus widened from an average of around 2% of GDP in the 1990s to about 5% in the following decade.
- In other words, China saved more.
- That helps explain the modest offsetting gains in exports in the regions affected by Chinese imports.

Job policy

- Some rich countries, such as Germany, Britain and Canada, have done rather better than America at keeping prime-age men in work.
- Members of the OECD, set aside an average of 0.6% of GDP a year for “active labour-market policies”—job centres, retraining schemes and employment subsidies—to ease the transition to new types of work.
- America spends just 0.1% of GDP.