

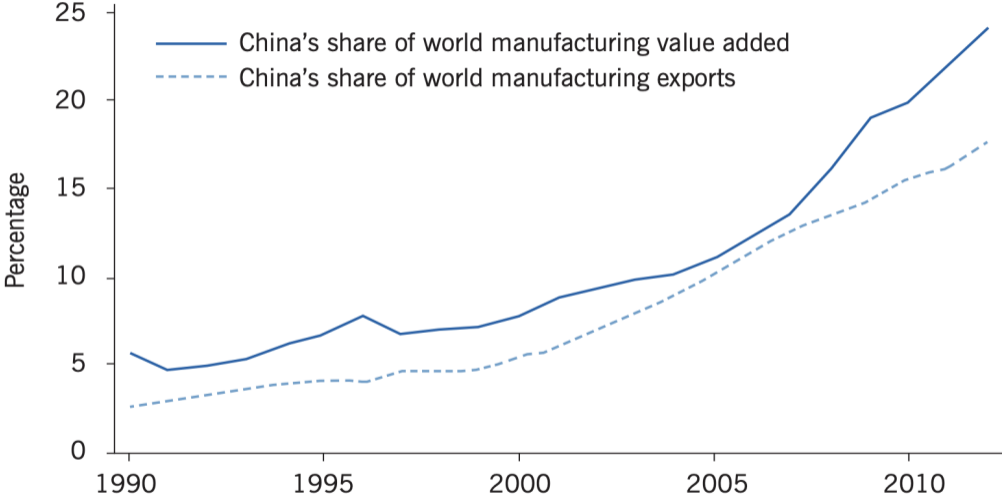
# U.S.-China Trade & the Return to Protectionism

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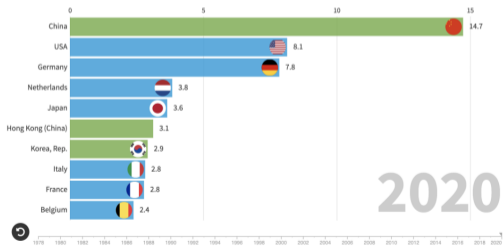
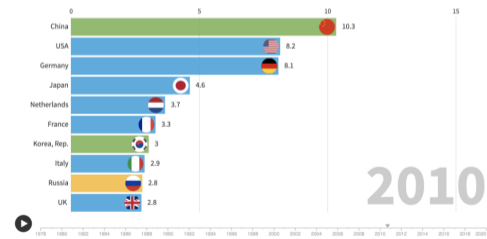
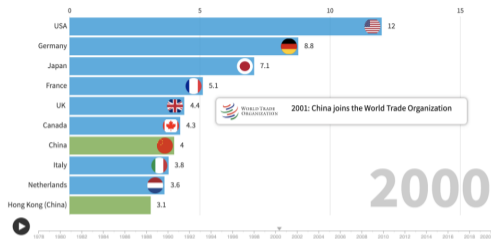
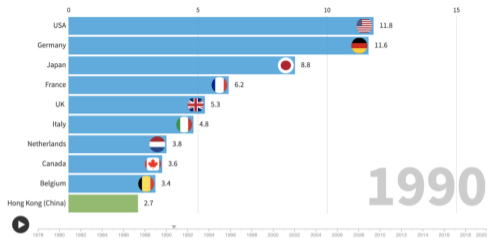
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# China's rise as an export powerhouse



Source: World Bank, World Development Indicators.

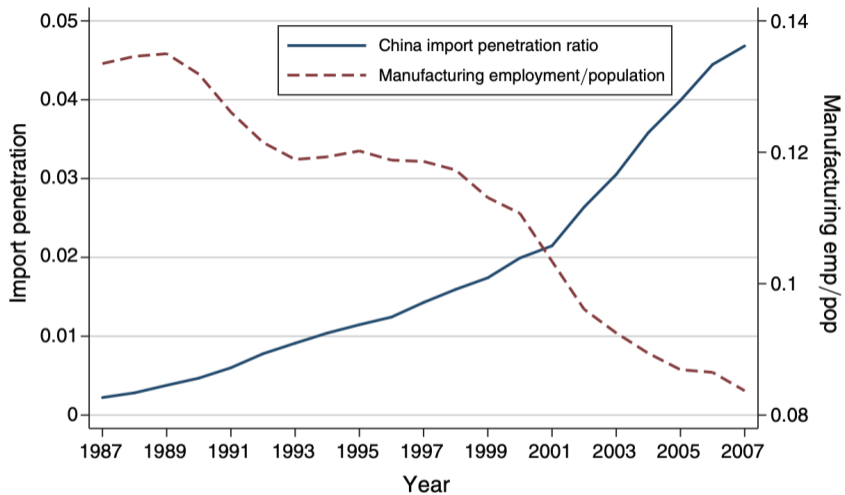


## Why did China's export growth accelerate after joining WTO?

- Contrary to popular belief, other countries did not actually reduce their tariffs towards China. Instead, it was the removal of uncertainty.
- Joining the WTO meant that China itself had to lower tariffs and make some other changes within their own economy.

## What is the “China Shock” and why study it?

- *Very rapid growth of Chinese exports to the world.*
- The China Shock is a special shock that was large enough as well as an unexpected one.
- It's usually hard to study the effects of trade on any economic variable, because many things are occurring simultaneously.
- There are many lessons to learn and they matter more than just trade with China.
- *Research: Who gains? Who loses? By how much? Under what conditions?*
- *Policy: What are the effective tools to manage and mitigate the costs of trade adjustment?*

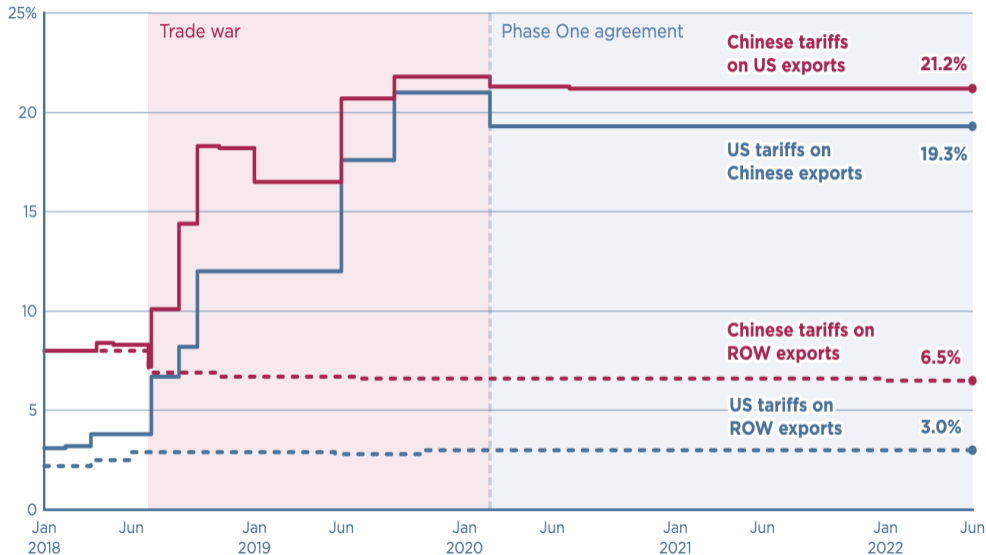


Source: Figure 1 of Autor, Dorn, and Hanson (2013); Data on United States

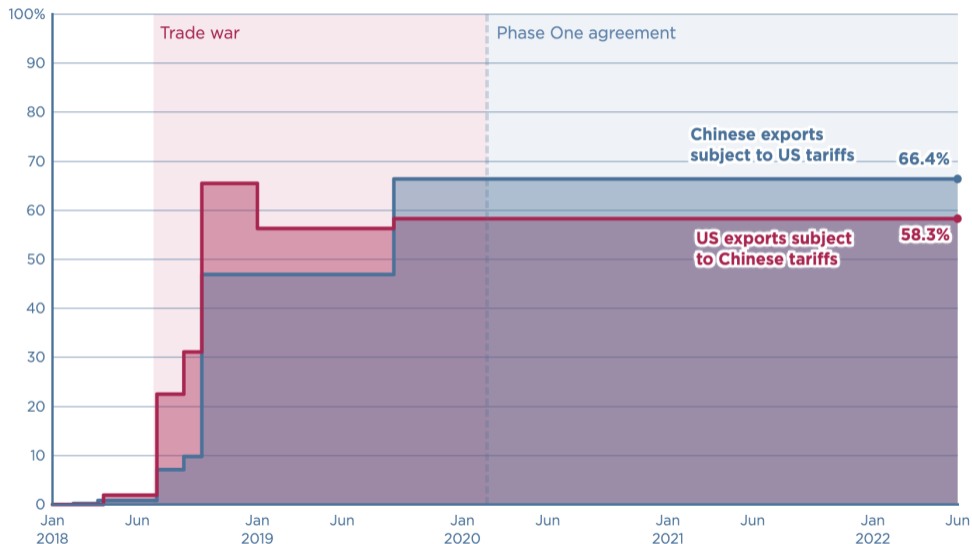
## Known effects of the China Shock

- China's rapid rise, while enormously positive for world welfare, has created identifiable losers in trade-impacted industries and the labor markets in which they are located.
- US industries facing rising exposure to Chinese imports experienced sizable contractions in employment, number of establishments, and employment per establishment.
- US industries in exporting sectors gained from access to cheaper Chinese inputs and increased employment.

# US-China tariff rates toward each other and rest of world (ROW)



# Percent of US-China trade subject to tariffs



## Known effects of the US-China Trade War

- Fall in bilateral exports and imports of US and China.
- Complete pass-through of tariffs to consumers.
- Distributional impacts in both US and China.
- Employment in export sector and sectors that use intermediate inputs decreased in the US.
- Bystander countries increased their exports to the US and the rest of the world and global trade increased overall.