



## COMMISSION RELEASES STUDY ON THE IMPACT OF U.S. PRODUCTION SHIFTS TO CHINA

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**Contacts:** Kathy Michels (202) 624-1409

[kmichels@uscc.gov](mailto:kmichels@uscc.gov)

Web site: [www.uscc.gov](http://www.uscc.gov)

Washington, D.C. – The U.S.-China Economic and Security Review Commission today released a study titled “*The Changing Nature of Corporate Global Restructuring: The Impact of Production Shifts on Jobs in the U.S., China, and Around the Globe.*” The study was jointly prepared for the Commission by Dr. Kate Bronfenbrenner of Cornell University and Dr. Stephanie Luce of the University of Massachusetts, Amherst.

The authors conducted an extensive media-tracking exercise that examined a broad array of media sources for news of firm and job relocations. The study covered the period January 1, 2004 to March 31, 2004, and constitutes a follow-up to a prior study done for the Commission covering the period October 1, 2000 to April 30, 2001.

Commission Chairman C. Richard D’Amato stated that “This important study attempts to fill a severe knowledge gap in our understanding of the nature and scope of U.S. production shifts to China and elsewhere. The Commission has been on the front lines of urging Congress to enact corporate reporting requirements to get this vital information, and this report further highlights the need for such measures.”

Among the key findings of the study are the following:

- Production shifts out of the US particularly to Mexico, China, India, and other Asian countries have seen a major increase in the last three years.
- The pace of job shifts to China has grown considerably over the last three years. Over the same period, job shifting to India has grown at a faster pace – albeit from a much lower base. During just the first three months of this year, there were 58 such shifts to China documented across a range of industries as compared to 25 shifts to China during a similar period in 2001.
- The report projects that nearly 100,000 jobs will move from the U.S. to China as a result of production shifts in 2004 based on extrapolating the data it collected during the limited period of the study.
- The report’s media tracking methodology likely only “captures approximately two-thirds of production shifts to Mexico and about a third of production estimates to other countries”. Accordingly, “these data suggest that in 2004 as many as 406,000 jobs will be shifted from the US to other countries compared to 204,000 jobs in 2001,” of which nearly a quarter will go to China.
- Production shifts, with consequent employment loss, have spread across the economy and now affect sophisticated manufacturing industries, services, and information technology.
- All regions of the country are impacted by these shifts, but the Mid-West has been especially hard hit.
- Companies that are engaged in production shifts “tend to be large, publicly held, highly profitable, and well established.”
- The principal motive for production shifts to China is cost reduction rather than producing for the Chinese market.

- The number of jobs lost because of production shifts far exceeds that reported by the Bureau of Labor Statistics in its report on mass layoffs due to overseas relocation.
- Trade adjustment assistance to workers laid-off owing to overseas job relocation is poor, covering less than one-third of the cases where production shifts occur.

In their report, the authors note that “three years after our original report to the USCC, there continues to be no government mandated reporting system to track production shifts out of the US.” In its 2002 Annual Report to Congress, the Commission recommended that Congress enact a corporate reporting system to capture such data. The vital need for just such a system is highlighted by the results of the author’s work.

The full report is posted to the Commissions web site – [www.uscc.gov](http://www.uscc.gov). The Commission welcomes comments by researchers and interested parties on the contents, methodology and findings of the Cornell-UMass report.

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