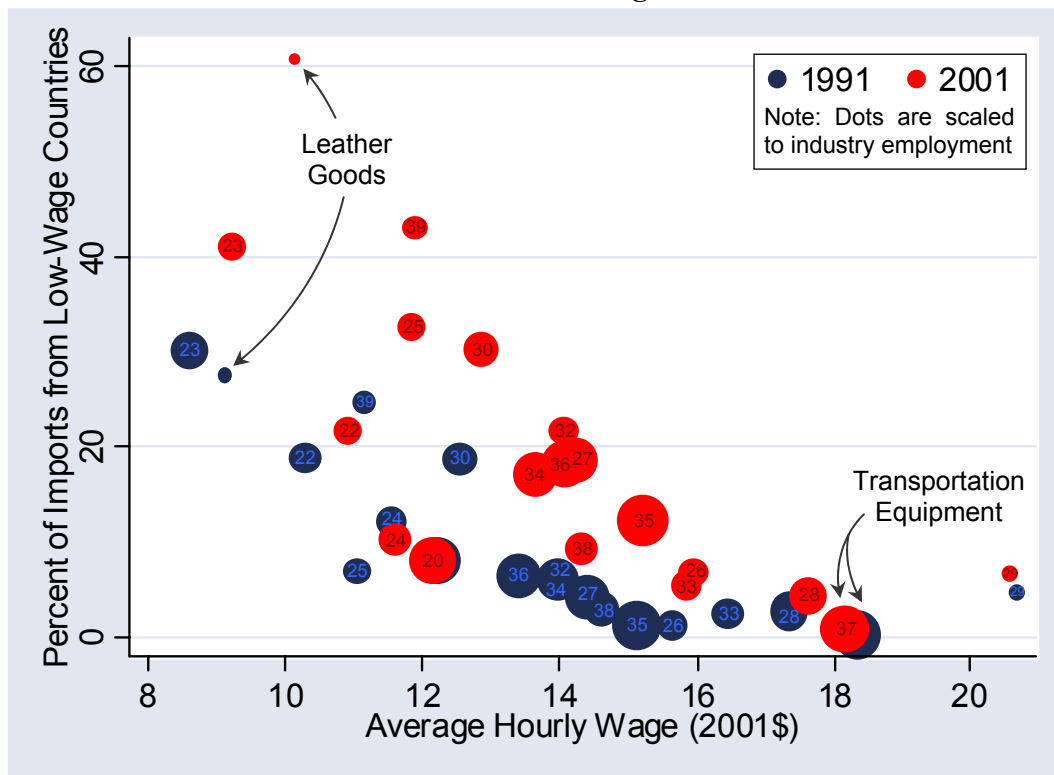


Do Low-Wage Countries Really Threaten U.S. Manufacturing?

Fact: U.S. Manufacturing industries vary substantially in their exposure to competition from China and other low-wage countries.

This figure depicts the relationship between hourly wages in 19 U.S. manufacturing industries and their exposure to competition from China and other low-wage countries in 1991 and 2001. For each industry, this exposure is defined as the percent of imports originating in low-wage countries. The size of each dot represents the industry's share of total U.S. manufacturing employment; numbers within the dots correspond to the industries listed in the table below. The pattern and sizes of dots reveal that the competition from poor countries has been, and continues to be, concentrated in small, low-wage industries like leather goods and apparel. Large, high-wage industries like transportation equipment and chemicals face much lower levels of competition.

**Exposure to Low-Wage Competition Varies Widely
Across U.S. Manufacturing Industries**



Implications: This figure dispels the popular myth that *all* of U.S. manufacturing is headed offshore. Managers need to be aware not only of their own firms' susceptibility to competition from low-wage countries, but also the threat faced by their suppliers and customers. Be prepared to take advantage of potential benefits from China's arrival in upstream markets and be warned that the risk faced by your downstream customers may

damage your bottom line even if your efficiency is world-class. Upstream benefits include lower prices for your inputs. Downstream risks include movement of your customers offshore, and their subsequent substitution of your products with those of alternate, local suppliers.

SIC Industry Key:

20 Food	31 Leather Goods
22 Textile	32 Stone, Concrete & Porcelain
23 Apparel	33 Primary Metal
24 Lumber & Wood Products	34 Fabricated Metal
25 Furniture	35 Industrial Machinery
26 Paper	36 Electronics
27 Printing	37 Transportation Equipment
28 Chemicals	38 Instruments and Controls
29 Petroleum	39 Miscellaneous (E.g. Toys, Jewelry)
30 Plastic & Rubber Products	

Data sources: U.S. Department of Commerce and the Bureau of Labor Statistics

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