

Macro Roundup Article

Headline: [Reciprocity and the China Shock](#)

Article Link: <https://www.nber.org/papers/w32835>

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Publication	National Bureau of Economic Research
Publication Date	August 20, 2024

Tweet: [. @ChadBown and team find that China's tariff reductions in its WTO accession exceeded reciprocity norms, increasing real incomes but driving an incremental 4% decline in labor demand for tradable goods in the rest of the world.](#)

Summary: When countries exchange tariff cuts that abide by reciprocity, relative world prices (the terms of trade between them) do not change. We find the tariff reductions China implemented after its WTO accession exceeded the norm of reciprocity. This deviation from reciprocity increased aggregate real incomes in the United States and in the rest of the world through improvements in their terms of trade, but it also amplified the magnitude of the China Shock. Figure 2 presents the percentage change in employment in the tradable sector and in the non-tradable sector in the rest of the world due to the movement in the terms of trade resulting from the actual changes in tariff between China and the rest of the world from 1990-2007. We find that China exceeding reciprocity resulted in employment shifting from the tradable sector to the nontradable sector in the rest of the world.

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Primary Topic: Trade (not deficits)

Topics: Academic paper, Database, GDP, Manufacturing vs Services, Trade (not deficits), Unemployment/Participation, Workforce, Workforce Reorganization

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