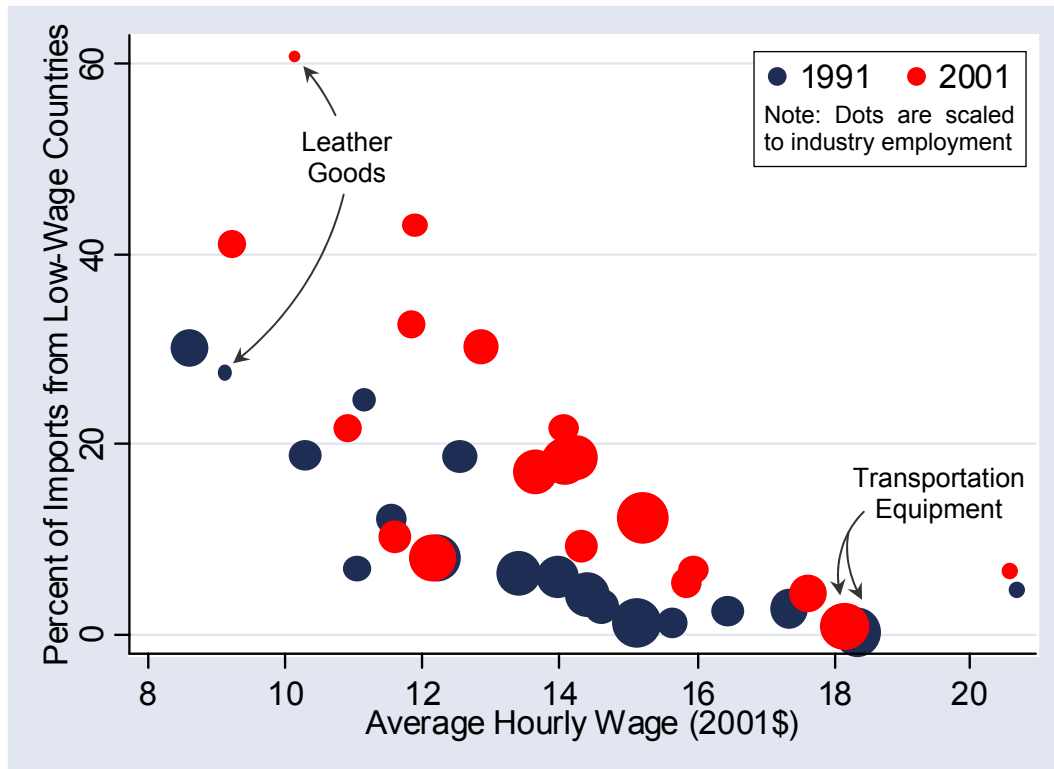


## Do Low-Wage Countries Really Threaten U.S. Manufacturing?

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

Message: Understand the actual threats faced by your firm, your industry, your customers and your suppliers. Exploit any benefits of upstream competition. Prepare for disruption among your downstream customers.

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



**Explication:** This figure depicts the relationship between industry exposure to low-wage country competition and hourly wages. This relationship is shown for 19 U.S. manufacturing industries in 1991 and 2001. For each industry, low-wage country competition is measured as the percent imports originating in countries with China-like wages. The size of dot represents the industry's share of manufacturing employment. The pattern and sizes of dots in both years reveal that competition from poor countries has been, and continues to be, concentrated in small, low-wage industries like Leather Goods and Apparel. Larger, high-wage industries like Transportation Equipment and Chemicals face much lower levels of competition.

**Implications:** This figure dispels the popular myth that all of U.S. manufacturing is headed offshore. In 1991, industries varied substantially in their exposure to low-wage

country competition. The same is true for 2001, indicating that *not all* industries are going the way of Leather Goods and Apparel.

What does this mean for your firm? Managers need to be aware not only of their own firms' susceptibility to competition from low-wage countries, but the threat faced by their suppliers and customers. Be prepared to take advantage of 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.

**Data Sources:** Data on imports, employment and wages are from the U.S. Department of Commerce ([www.census.gov](http://www.census.gov)) and the Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)).

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