

TRADE POLICY AND THE CHINA SYNDROME *

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Abstract

The recent backlash against free trade is partially motivated by the decline in manufacturing employment due to the rise in import penetration from China. Politicians in high-income countries have claimed that the current world trading system does not allow them to protect their workers from “unfair” competition from China and other emerging countries. In reality, they have extensively used antidumping (AD) duties and other temporary trade barriers to protect their economies from increased import competition. In this paper, I focus on the United States and show that protectionist trade policies have contained the negative effect of import penetration on employment. To identify the causal effect of trade protection on employment, I construct a new instrument for AD duties based on the importance of an industry in swing states. My estimates imply that the negative effect of Chinese import competition on U.S. manufacturing employment would have been more than twice as large in the absence of AD protection.

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