More Wealth, More Jobs, but Not for Everyone: What Fuels the Backlash on Trade

Trade is under attack in much of the world, because economists failed to anticipate the accompanying joblessness, and governments failed to help.

By Peter S. Goodman
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ROTTERDAM, the Netherlands — For as long as ships have ventured across water, laborers like Patrick Duijzers have tied their fortunes to trade.

He is a longshoreman here at Europe's largest port, and his black Jack Daniel's T-shirt, hoop earrings and copious rings give Mr. Duijzers the look of a bohemian pirate. His wages put him solidly in the Dutch middle class: He has earned enough to buy an apartment and enjoy vacations to Spain.

Lately, though, Mr. Duijzers has come to see global trade as a malevolent force. His employer — a unit of the Maersk Group, the Danish shipping conglomerate — is locked in a fiercely competitive battle around the world.

He sees trucking companies replacing Dutch drivers with immigrants from Eastern Europe. He bids farewell to older co-workers reluctantly taking early retirement as robots capture their jobs. Over the last three decades, the ranks of his union have dwindled to about 7,000 members, from 25,000.

"More global trade is a good thing if we get a piece of the cake," Mr. Duijzers said. "But that's the problem. We're not getting our piece of the cake."

Far beyond the docks of the North Sea, such laments now resonate as the soundtrack for an increasingly vigorous rejection of free trade.

For generations, libraries full of economics textbooks have rightly promised that global trade expands national wealth by lowering the price of goods, lifting wages and amplifying growth. The powers that emerged victorious from World War II championed globalization as the antidote to future conflicts. In Asia, Europe and North America, governments of every ideological persuasion have focused on trade as their guiding economic force.

But trade comes with no assurances that the spoils will be shared equitably. Across much of the industrialized world, an outsize share of the winnings have been harvested by people with advanced degrees, stock options and the need for accountants. Ordinary laborers have borne the costs and suffered from joblessness and deepening economic anxiety.

These costs have proved overwhelming in communities that depend on industry for sustenance, vastly exceeding what economists anticipated. Policy makers under the thrall of neoliberal economic philosophy put stock in the notion that markets could be trusted to bolster social welfare.

In doing so, they failed to plan for the trauma that has accompanied the benefits of trade. When millions of workers lost paychecks to foreign competition, they lacked government supports to cushion the blow. As a result, seething anger is upending politics in Europe and North America.

In the United States, the Republican presidential aspirant Donald J. Trump has tapped into the rage of communities reeling from factory closings, denouncing trade with China and Mexico as a mortal threat to American prosperity. The Democratic nominee, Hillary Clinton, has done an about-face, opposing an enormous free-trade deal spanning the Pacific that she supported while secretary of state.

In Britain, the vote in a June referendum to abandon the European Union was in part a rebuke of the establishment, from laborers who blame trade for declining pay. Across the European Union, populist movements have gained adherents as an outraged response to globalization, imperiling the future of major trade deals, including a pact with the United States and another with Canada.

“The trade policy of the European Union is paralyzed,” said the Italian minister of economic development, Carlo Calenda, during a recent interview in Rome. “This is a tragic situation.”

The anti-trade backlash, building for years, has become explosive because the global economy has arrived at a sobering period of reckoning. Years of investment manias and financial machinations that powered the job market have lost potency, exposing longstanding downsides of trade that had previously been masked by illusive prosperity.

This tide of animosity may prove nearly impossible to reverse, given that technological disruption and economic upheaval are now at work in an era of scarcity. Today, many major nations are grappling with weak growth, tight credit and a gnawing sense that a lean future may persist indefinitely.

The worst financial crisis since the Great Depression has left banks in Europe and the United States reluctant to lend. Real estate bonanzas from Spain to Southern California gave way to a disastrous wave of foreclosures, eliminating construction jobs. China’s slowdown has diminished its appetite for raw materials, sowing unemployment from the iron ore mines of Brazil to the coal pits of Indonesia.

Trade did not cause the breakdown in economic growth. Indeed, trade has helped generate what growth remains. But the pervasive stagnation has left little cover for those set back by globalization.

The North American Free Trade Agreement, or Nafta, exposed workers in the United States to competition with Mexico, but its passage came in the mid-1990s, just as investment was pouring into the web, creating demand for a range of manufactured goods — office furniture for Silicon Valley coders, trucks for the couriers delivering e-commerce wares. China’s entry into the World Trade Organization in 2001 unleashed a far larger shock, but a construction boom absorbed many laid-off workers.

The dot-com boom is now a distant memory. The housing bubble burst. Much of the global economy is operating free of artificial enhancements. Lower-skilled workers confront bleak opportunities and intense competition, especially in the United States. Even as recent data shows middle-class Americans are finally starting to share in the gains from the recovery, incomes for many remain below where they were a decade ago.

“The debates that we are having about globalization and the adjustment cost, these are the conversations that we should have been having when we did Nafta, and when China entered the W.T.O.,” said Chad P. Bown, a trade expert at the Peterson Institute for International Economics in

Washington. “There were people talking about these things, but they weren’t taken very seriously at the time. There’s a lot of policy regret.”

“We do need to have these trade agreements,” Mr. Bown said, “but we do need to be cognizant that there are going to be losers, and we need to have policies to address them.”

The extent of the damage suffered by these “losers” has accelerated an erosion of faith in the wealth-creating powers of free trade. A profound skepticism has taken root in some of the largest trading powers, notably the United States, France, Italy and Japan.

Successive administrations in the United States, led by Democrats and Republicans alike, have embraced liberalized trade as a central component of the nation’s foreign policy. Yet only 19 percent of American voters said trade with other countries created more jobs in the United States, according to a New York Times/CBS News poll released in July.

Even among those who support trade, doubts are growing about its ability to deliver on crucial promises. A 2014 Pew Research Center survey of people in 44 countries found that only 45 percent of respondents believed trade raised wages. Only 26 percent believed that trade lowered prices.

Volumes of economic data tell a different story.

Workers employed in major export industries earn higher wages than those in domestically focused sectors.

Americans saw their choice of products expand by one-third in recent decades, the Federal Reserve Bank of Dallas found. Trade is how raspberries appear on store shelves in the dead of winter.

Lower-income households have benefited from better prices on basic goods. As imports surged, the cost of baby and toddler clothes in the United States dropped by 10 percent from 1999 to 2013, according to an analysis by Pietra Rivoli, a trade expert at the McDonough School of Business at Georgetown University. The price of shoes went up much more slowly than the overall cost of living.

But the fear and anger over trade are well founded.

Vast numbers of laborers have lost jobs as imported goods from low-wage countries arrived. Mills have closed, while strip malls fill with dollar stores and payday lenders.

In the fallout, the United States maintained limits on unemployment benefits, leaving American workers vulnerable to plummeting fortunes. Social welfare systems have limited the toll in Europe, but economic growth has been weak, so jobs are scarce.

All the while, automation has grown in sophistication and reach. From 2000 to 2010, the United States lost some 5.6 million manufacturing jobs, by the government’s calculation. Only 13 percent of those job losses can be explained by trade, according to an analysis by the Center for Business and Economic Research at Ball State University in Indiana. The rest were casualties of automation or the result of tweaks to factory operations that enabled more production with less labor.

American factories produced more goods last year than ever, by many indications. Yet they did so while employing about 12.3 million workers — roughly the same number as in 2009, when production was roughly three-fourths what it is today.

At APM Terminals, where Mr. Duijzers works, a symphony of motion greets every arriving container ship. Cranes rev, lifting containers. But people are scarce. “Robots Running Things in Rotterdam,” proclaims an article on the company website. “Of the 74 machines operating in the yard, 63 run on their own with no human intervention.”

Yet if robots are a more significant threat to paychecks, they are also harder to blame than hordes of low-wage workers in overseas factories.

“We have a public policy toward trade,” said Douglas A. Irwin, an economist at Dartmouth College. “We don’t have a public policy on automation.”

The China Syndrome

When Michael Morrison took a job at the steel mill in the center of Granite City, Ill., in 1999, he assumed his future was ironclad.

He was 38, a father with three young children.

“I felt like I had finally gotten into a place that was so reliable I could retire there,” he said.

The mill had been there — just across the Mississippi River from St. Louis — since the end of the 19th century. It had changed hands, ultimately landing in the portfolio of United States Steel. But the basics held. For those willing to sweat, the mill was a reliable means of supporting a family.

Mr. Morrison began by shoveling slag out of the furnaces, working his way up to crane driver. From inside a cockpit tucked in the rafters of a cavernous building, he manned the controls, guiding a 350-ton ladle that spilled molten iron.

It was a difficult job requiring finesse and perpetual focus. He was compensated accordingly, earning $24.62 an hour.

He worked overtime shifts, amassing savings to send his children to college. Last year, he took home $86,000.

His eldest daughter recently finished her master’s in epidemiology. His son completed his sophomore year at McKendree University in nearby Lebanon.

But events playing out on the other side of the world would soon upend his life.

China’s relentless development was turning farmland into factories, accelerated by a landmark in the history of trade: the country’s inclusion in the World Trade Organization.

The W.T.O. was born out of the General Agreement on Tariffs and Trade, a compact forged in 1947 that lowered barriers to international commerce in an effort to prevent a repeat of global hostilities.

In the first four decades, tariffs on manufactured wares plunged to nearly 6 percent from about 35 percent, according to the Federal Reserve Bank of Chicago. By 2000, the volume of trade among members had swelled to 25 times that of a half-century earlier.

Most of this trade took place between wealthy countries with similar wages and labor standards. But the rollout of Nafta in the 1990s put American workers in direct competition with counterparts in Mexico, where wages were much lower and labor rights and environmental standards were minimal.

A washing machine maker with factories in the United States now had a ready way to cut costs: set up a plant in Mexico.

Still, Mexico — home to about 123 million people — was not big enough to refashion the terms of trade. When China joined the W.T.O. in 2001, that added a country of 1.3 billion people to the global trading system.

China targeted crucial industries for domination, lavishing favored companies with sweetheart credit terms while investing aggressively in ports, highways and electrical generation. Anyone with ideas about organizing Chinese labor risked landing behind bars.

In the first 13 years after China entered the W.T.O., its exports of goods swelled to nearly $2.3 trillion in 2014 from $266 billion, according to the World Bank.

The beneficiaries of this surge include anyone who has bought practically anything touched by human hands — an iPhone, a car, a Christmas ornament. Corporations that used China to cut costs raised their value, enriching executives and ordinary investors.

The casualties of China's exports are far fewer, but they are concentrated. The rugged country of western North Carolina suffered mass unemployment as Chinese-made wooden furniture put local plants out of business. So did glassmakers in Toledo, Ohio, and auto parts manufacturers across the Midwest.

A paper published last year by a trio of economists — David H. Autor at the Massachusetts Institute of Technology, David Dorn at the University of Zurich and Gordon H. Hanson at the University of California, San Diego — concludes that Chinese imports eliminated nearly one million American manufacturing jobs from 1999 to 2011. Add in suppliers and other related industries, and the total job losses reach 2.4 million.

Mr. Trump vows to slap punitive tariffs on Chinese goods. But that would very likely just shift production to other low-wage countries like Vietnam and Mexico. It would not turn the lights on at shuttered textile plants in the Carolinas. (Even if it did, robots would probably take most of the jobs.)

Granite City sat smack in the middle of this gathering storm.

From 2005 to 2015, China's share of global steel production swelled from just less than one-third to fully half, according to data compiled by the Peterson Institute for International Economics. China's steel exports more than quadrupled.

Last fall, United States Steel began slowing production in Granite City, laying off 40 or so apprentices. As layoffs accelerated, they reached the ranks of more senior workers.

Two days before Christmas, Mr. Morrison finished his shift and went into the break room. "Everybody was standing there like zombies, looking at the bulletin board," he said. A list of names was tacked there, along with instructions for those workers to clean out their lockers.

This is how Mr. Morrison found himself confronting a bewildering new state of affairs — joblessness.

"I've worked since I was 12," he said, recalling a paper route, then a job as a cook at his brother's taco place.

A blue Steelworkers union T-shirt hugs his burly frame. His calloused hands attest to years of physical labor. Suddenly, his $2,000 biweekly paycheck shrank to a $425-a-week unemployment check, plus some severance. In July, the unemployment checks stopped. He had reached the six-month limit.

He interviewed for a job as a supervisor at an Amazon warehouse, but it required computer skills that he lacked. So he took a position as a "fulfillment associate," working the night shift, pulling products off warehouse shelves and putting them in boxes. It paid $13 an hour — a little more than half his United States Steel wages.

His first night on the job, his knees gave out. He took painkillers. The next morning he could barely stand up. He called in and said he would not be coming back. He has an interview coming up for a forklift driving position at a warehouse. It pays $12 an hour, another step down.

"I had to tell my son that he can't go back to McKendree for his junior year," Mr. Morrison says, straining to choke back tears. "He has to go to community college."

He swallows hard. Tears emerge from the corners of his eyes.

"It just crushes you," he says. "I didn't get to go to college. I wanted my kids to succeed. When you see the disappointment in your kids' eyes. …"

Falling Without a Net

When Dan Simmons started working at the mill 38 years ago, talk centered on how to make steel. These days, he spends his days at a job for which he feels little prepared — de facto social worker.

Mr. Simmons is the president of the Steelworkers Local 1899, which represents 1,250 workers at the Granite City plant. On a recent morning, only about 375 of his people are employed. He sits at his desk inside the brick union hall, greeting laid-off workers who arrive seeking help.

One man wants guidance scanning online job listings. Another has hit a snag with his unemployment benefits.

A night earlier, Mr. Simmons took a call on his cellphone from the niece of a high school classmate, a laid-off millworker. He had shot himself to death, leaving behind two children.

Trade Adjustment Assistance, a government program started in 1962 and expanded significantly a dozen years later, is supposed to support workers whose jobs are casualties of overseas competition. The program pays for job training.

But Mr. Simmons rolls his eyes at mention of the program. Training has almost become a joke. Skills often do not translate from old jobs to new. Many workers just draw a check while they attend training and then remain jobless.

A 2012 assessment of the program prepared for the Labor Department found that four years after completing training, only 37 percent of those employed were working in their targeted industries. Many of those enrolled had lower incomes than those who simply signed up for unemployment benefits and looked for other work.

European workers have fared better. In wealthy countries like Germany, the Netherlands, Sweden and Denmark, unemployment benefits, housing subsidies and government-provided health care are far more generous than in the United States.

In the five years after a job loss, an American family of four that is eligible for housing assistance receives average benefits equal to 25 percent of the unemployed person's previous wages, according to data from the Organization for Economic Cooperation and Development. For a similar family in the Netherlands, benefits reach 70 percent.

Yet in Europe, too, the impacts of trade have been uneven, in part because of the quirks of the European Union. Trade deals are cut by Brussels, setting the terms for the 28 member nations. Social programs are left to national governments.

"You're pursuing trade and liberalization agreements at the E.U. level, and then leaving to the individual member countries how to deal with the damage," said Andrew Lang, a law professor at the London School of Economics.

In Granite City, the damage now dominates Mr. Simmons's day.

Inside the union hall, a supply cabinet has been outfitted as a food pantry. He hands out plastic bags full of canned foods — yellow corn, peas, green beans. He hands one to Mr. Morrison, who initially refuses to take it.

"These are some proud steelworkers, and it's very difficult for them to do this," Mr. Simmons says. "These guys are used to making a living, and not asking for handouts."

Kenneth Hahn had been working at the plant for more than 40 years when he was laid off in February. He spends most of his time in his garden, tending to vegetables.

His father lived on a Missouri farm without plumbing or electricity during the Great Depression.

"They grew everything they needed," he said.

If the mill does not start up again soon, Mr. Hahn is thinking about doing likewise.

“Move down to the holler,” he said. “I can always eat squirrel and rabbit.”

In China, farmers whose land has been turned into factories are making more steel than the world needs.

In America, idled steelworkers are contemplating how to live off the land.

The Bounty of the Sea

Rotterdam has a history of looking across the water and finding things that can be turned into money.

In the 16th century, it was herring. A burgeoning fleet set sail in pursuit. Merchants began salting and drying the catch in barrels for an emerging export trade. By the 17th century, local shipyards were clattering away, constructing vessels for the Dutch East India Company as it plied the spice routes to Southeast Asia.

As waterways linking the port to the industrial communities of the Rhine were deepened and channelized, German automobiles and machinery began flowing through Rotterdam on the way to the rest of the planet. Offices filled with law firms, insurance agents and logistics companies.

“The fortunes of this country have been built on trade,” said Wouter Jacobs, a transportation economist at Erasmus University Rotterdam. “It’s our lifeline.”

Yet even here, unease has entered the conversation.

Jacob van der Vis is paid to promote trade. An adviser on international business for the Netherlands Chamber of Commerce, he advertises innovations playing out at the port. He speaks of trade with China as a golden opportunity.

But Mr. van der Vis is skeptical of the enormous trade deal being negotiated between the United States and the European Union, the Transatlantic Trade and Investment Partnership, better known as T.T.I.P. He singles out a provision that would enable multinational companies to sue governments for compensation when regulations dent their profits.

Esso, a subsidiary of Exxon Mobil, the American petroleum company, has operations in the Netherlands. Suppose the government went ahead with plans to limit drilling to protect the environment?

“They could sue the Dutch state,” he fumed. “We are not so sure in the Netherlands whether we want to give the multinationals so much power. We are a trading country, but it’s not always that trade should prevail against quality of life.”

Out at the docks, the longshoremen fret about robots.

On a recent afternoon, the Mette Maersk, a Danish-flagged behemoth, sat tethered at APM Terminals. Some 18,000 shipping containers are stacked like children’s blocks on a deck longer than three football fields, bearing auto parts, scrap metal, electronics — any conceivable thing made on one continent and sold on another.

Robotic arms grip containers, lift them and deposit them on deck with thunderous rumbles. Trucks drive themselves.

Yet to absorb this scene and conclude that robots are about to render humanity jobless is to miss something vital. At offices a few miles away, coders are designing the software powering the automated port system, earning wages they distribute through the economy.

For the longshoremen still employed, automation has tamed their work.

John Arkenbout remembers working through ceaseless wind and drizzle when he started at the port 25 years ago. He lifted huge bricks from a pile and dropped them into rope sacks that a crane operator lifted skyward. He saw three people die — one crushed by a truck, two flattened by wayward containers.

Now many longshoremen sit in glass-fronted offices set back from the docks, controlling robotic arms via computer terminals.

“Before, it was physically taxing,” Mr. Arkenbout, 51, said. “Now it’s more mental.”

Most longshoremen earn about 50,000 euros a year, or $56,000. Mr. Arkenbout works a maximum of 40 hours a week.

But he sees the robots becoming more sophisticated. He hears from union leadership that as many as 800 jobs could be eliminated by 2020.

The union held a rare strike in January, winning job guarantees while robots are phased in gradually. But labor is playing defense. The robots will win in the end, because robots never strike. Robots improve with time.

Mr. Arkenbout scoffs at the notion that automation and trade are separate. The shipping companies are deploying robots to cut costs.

Trade deals, immigrant labor, automation: As Mr. Arkenbout sees it, these are all just instruments wielded in pursuit of the same goal — paying him less so corporations can keep more.

“When they don’t need me anymore,” he said, “I’m nothing.”

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