

Chinese income

[Literature](#), [Russian Literature](#)



Assignment #3 If wages keep rising in China, then its comparative advantage in low-cost manufacturing will slowly be eroded by cheaper markets. The purpose of outsourcing overseas is to reduce costs, so if those costs increase then there is very little incentive to keep sending work there. Corporations in the United States currently choose to outsource low-cost labor because they can make a greater profit overseas, where the average wage is significantly less. Lately China has been an attractive place to outsource because of the low wages on offer and vast labor market that are not highly skilled. China used to have many hundreds of millions of people below the poverty line who could not support themselves, so finding manual labor jobs can be a lifeline for these types of people. The United States also gets something out of the deal in that its consumers get to purchase goods at lower costs than if those goods were made in America.

Trade between China and America is currently strong because each party can gain something out of the deal. If the conditions of trade change, such as an increase in Chinese wages, then this will negatively affect international trade because American firms will not make as much profit. It is likely that these firms will look for other countries that have relatively low wages, such as Bangladesh, Vietnam, and the Philippines, because their profit margins will stay the same. At the end of the day, trade revolves around benefits, usually in the form of profits. If these benefits are reduced, then international trade will decrease because only one party will be gaining from the deal.