

Statement of the Honorable Ted Strickland
U.S. – China Commission Hearing on China and the WTO:
Assessing and Enforcing Compliance
February 3, 2005

Thank you for the opportunity to be here this morning to share with you my serious concerns about the United States' trade relationship with China.

In 2003, Chinese exports to the United States represented over a third of all Chinese exports. There is no doubt that the U.S. has leverage to make certain China complies with World Trade Organization (WTO) commitments. However, the current Administration refuses to use the trade tools designed to ensure compliance. Instead, our progress with China is being measured by the exploding amount of cheap goods and services being imported to the U.S. Using this test toward progress is unconvincing, unwise, and unacceptable. The Bush Administration's willingness to turn a blind eye toward China's unfair trade practices at this critical time forecasts the American people as the inevitable loser.

I would like to discuss three topics today: 1) our trade imbalance with China, 2) China's unfair trade practices, and 3) better enforcement of trade laws.

Trade Deficit:

The U.S. trade deficit with China is now larger than our trade deficit is with Japan, Canada, Mexico or any other trading partner. The trade deficit with China in 2004 is projected to be as high as \$160.5 billion. (Congressional Research Service, *China-U.S. Trade Issues*, January 26, 2005). This is nearly a 30% increase from the 2003 trade deficit with China. In a January 2005 report to this Commission, the Economic Policy Institute (EPI) states, "The rise in the United States' trade deficit with China between 1989 and 2003 caused the displacement of production that supported 1.5 million U.S. jobs."

The EPI report continues, "the number of job opportunities lost each year grew rapidly during the 1990s, and accelerated after China entered the World Trade Organization (WTO) in 2001." I cannot overstate the need for the United States to address these job losses and trade deficit trends immediately while we still have leverage with China to make meaningful progress, both economically and politically.

Maintaining a manufacturing base in this country is imperative – our national security depends on it. In fact, this Commission's 2004 report states, "...manufacturing is critical for the nation's economic and national security..." Ignoring China's failure to meet market access commitments closes the door on export opportunities for many of our industries – agriculture, intellectual property, pottery, steel, and more.

Even three years after accession to the WTO, China continues unfair trade practices and does so with little consequence. If our government checks China's bad behavior with inaction arguing such inaction is best for our national interests, China may lock our export door permanently leaving the United States holding a very large IOU for Chinese goods and services. How can we allow China's unfair trade practices to continue when we know it harms our manufacturing base and threatens our national security?

I know I am not alone in this view as the 2004 report this Commission issued to Congress states, "If we falter in the use of our economic and political influence **now** to effect positive change in China, we will have squandered an historic opportunity." (2004 Report to Congress of the U.S.-China Economic and Security Review Commission, June 2004).

China's Unfair Practices/Currency Manipulation:

In discussing China's trade advantages, I would like to invite the Commission to consider illustrating its next report on the effects of the trade imbalance with China by visiting the Sixth Congressional District of Ohio. There, you will see steel mills in bankruptcy, shuttered factories, empty industrial parks, laid-off manufacturers, former employees of the service providers that once supported the manufacturing sector, and now increasingly workers laid off from call centers and technology companies.

Ohio workers are desperate to make it, and they are willing to do whatever it takes to support themselves and their families, but there is only so much they can do to beat the relentless slide brought on by meager wages, human rights violations, intellectual property robbery, and disregard for the WTO agreement.

And while Ohioans are re-training and searching for jobs, what is the administration doing to push China to meet its WTO commitments so that we realize true trade equality and political reform with China?

My frustration with the Administration is evident, just as it is evident that China refuses to take steps to re-value its currency. And why shouldn't they refuse, ***when no one is urging them to cease this behavior, which allows every Chinese industry -- from socks to steel -- to flood the US and European markets with goods that are artificially cheap?***

By intentionally manipulating its currency values, China makes *every one of its exports* artificially cheap when it reaches the shelf in the US. On the other side of the coin, currency manipulation makes *every one of our exports* artificially expensive when it reaches the shelf in China. What's more, this manipulation is clearly illegal under China's IMP and WTO commitments.

As a Member of Congress, I continually respond to WTO rulings against the United States, which often involve repealing our own sovereign laws or backing down on tariffs. But it makes me especially angry to know that while we are being held accountable to other nations through this WTO process, China gets away with currency manipulation

because our administration stands idly by, refusing to use the process in a way that could begin to correct the gross imbalance of trade between these two countries.

Convincing China to re-value its currency certainly may not be the silver bullet that will once and for all create fair trade between these two nations, but it would be a very significant step toward eliminating the excessive trade deficit that punishes American workers and threatens the manufacturing base that has been the foundation of our economy for generations and is essential to our national security.

Better Enforcement of U.S. Trade Laws:

In addition to the Administration's acceptance of China's manipulation of its currency, it seems prepared to let the steel monitoring program expire and even advocates for the eliminate of the Continued Dumping and Subsidy Offset Act, known as the Byrd Amendment.

Under current Department of Commerce regulations, the Steel Import Monitoring Program, which was part of the President's steel safeguard program, will expire next month. This program is a critical tool that enables government and industry to identify surges in imports from our trading partners. I am aware of no objections to this program and sincerely believe continuation and expansion of the steel monitoring program should not take a second thought.

I must briefly underscore the importance of keeping the Continued Dumping and Subsidy Offset Act, also known as the Byrd Amendment, (CDSOA) on the books. Again, the Administration has the opportunity to stand up and protect vital U.S. industries and their workers by defending the Byrd Amendment. Instead, this Administration has proposed eliminating the program under pressure from our trading partners. This important legislation is a lifeline to American companies fighting to survive in an increasingly unfair and hostile world market. This is a perfect example of the Administration refusing to defend our trade laws and it is unacceptable.

In addition, Public Law 106-286, Normal Trade Relations for the People's Republic of China, Section 421, authorizes the President to provide trade relief for U.S. manufacturers from market disruptions attributed to imports from China. Under the law, increased duties or other import restrictions could be levied to protect U.S. producers from economic harm. *However, under the law, it is at the discretion of the President to determine whether or not such safeguards on behalf of domestic producers are in the national economic interest or could threaten our national security.*

There have been at least five completed section 421 investigations. In three of those cases the International Trade Commission found that increased imports threatened to cause market disruptions here at home. Unfortunately, in those three cases, the President decided not to grant trade relief. He defended that position by claiming such relief would not be in the national economic interest of the United States. With that response, I can

only assume, the Administration is neglecting to look past today and into our nation's future.

I firmly believe we are at a critical time for our nation with respect to China. We can no longer stand by applauding cheap Chinese imports with no recognition of the potentially devastating consequences this trade relationship may have on our economy at home and the ability to defend our country. Too much is at stake. In the short run, cheap goods and services are desirable. In the long run, we risk our leverage with China and our way of life in America.