

**OPENING STATEMENT BY HEARING CO-CHAIR GEORGE BECKER**

**U.S.-China Economic & Security Review Commission**

**Hearing on  
“The Impact of U.S.-China Trade and Investment on  
Pacific Northwest Industries”**

**January 13, 2005  
Seattle, WA**

The Commission is pleased to be meeting today in Seattle to continue its comprehensive investigation of how the U.S.-China trade and investment relationship is affecting vital regions and sectors of our economy. This is the fourth in a series of field hearings the Commission has held across the United States since early 2004.

Before we begin I would like to join the Chairman in thanking Representative Jim McDermott for taking time out of his busy schedule to speak before the Commission and kick off today’s hearing.

In June of last year, the Commission issued our second comprehensive report to Congress. We did so with a unanimous vote – Democrats and Republicans, Commissioners with varied backgrounds in government and in the private sector. While the Commission’s report is comprehensive, its conclusion was simple: *“a number of the current trends in U.S.–China relations have negative implications for our long-term economic and national security interests, and therefore that U.S. policies in these areas are in need of urgent attention and course corrections.”*

Washington State’s economy is deeply involved in trade with Asia, which is the destination of almost half of Washington state’s exports. China, is the destination of almost 10 percent of Washington exports - - the third largest export destination for the state.

The key Pacific Northwest industries we are focusing on today -- aerospace, high-tech, agriculture, forest products, and shipping -- have all been affected by China’s rise as an economic and technology power. These industries see China as a vital market, but they also face major challenges from China’s own development in these sectors. How these industries seize these market opportunities and meet these challenges has ramifications not just for the Pacific Northwest economy, but also for the U.S. economy as a whole.

There are several key concerns that the Commission hopes to explore today. First, U.S. aerospace and aviation industry corporate strategy has focused on China as both a manufacturing base and a consumer market. The Commission is deeply concerned about the transfer of aerospace jobs and technology to China. The loss of high-paying quality jobs is a blow to the well-being of working families, while the transfer of technologies risks creating a future commercial rival and also holds national security dangers.

Companies may see such transfers as being in their private interest, but is it in the national interest? And is China applying illegal pressures to force companies to transfer production as a condition for winning contracts?

Second, high-tech and software companies such as Microsoft are finding China to be a desirable place to locate high-end R&D. Again, this erodes the high quality job base in the U.S., while shifting of R&D centers may undermine U.S. high-tech leadership. Again we must confront the question of whether what is good for companies at the individual level is also good for the nation.

Third, we will be looking at the apple and mint industries and the forest product industry. Apple and mint producers have battled with China over unfair trade practices and there are reports of China subsidizing its own forest product industry. All of these industries are at a competitive disadvantage because of China's under-valued currency. This suggests that agriculture and forest products have some of the same unfair China trade concerns as manufacturing.

Lastly, given that the Pacific Northwest is a key shipping hub for U.S.-China trade we want to understand the components of this trade - - what is being shipped into the area, and how has the mix changed over time. This can give us a window into the nature of recent developments in the Pacific Northwest.

In general, we want to understand not only how industries are fairing in their trade with China today, but where current trends will likely take them in the next decade. I look forward to a fruitful and engaging dialogue with the panelists.

Our first panel will present an overview of Washington State trade and investment with China. We are pleased to have with us, Joseph Borich, Executive Director of the Washington State China Relations Council. Mr. Borich will discuss the Washington State-China trade and investment relationship from the perspective of private businesses. Next we have Rick Bender, President of the Washington State Labor Council, who will discuss labor's perspective on this relationship. We will close the first panel with a presentation by Dr. Robert Scott of the Economic Policy Institute. Dr. Scott will present the findings from a recent commissioned study on the employment effects of U.S. trade with China.

We will break for lunch around noon before beginning our afternoon panels dealing with the software and high-tech industries and the agriculture, forest products, and shipping and maritime industries.

We will hear from the witnesses in the order in which they were introduced. So that all of the Commissioners can have adequate time to discuss these important issues with the witnesses, we ask that each witness speak for no more than 7 minutes. At the end of the panel's presentation, each Commissioner will be recognized for 5 minutes.

We are very pleased to be in Seattle today and I look forward to today's discussion.