

OPENING STATEMENT BY CHAIRMAN C. RICHARD D'AMATO

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

Good morning, and welcome to the Commission's first hearing of 2005. We are delighted to be in Seattle to learn about the short and long term impacts of U.S. - China trade and investment on the Pacific Northwest economy. I want to express my gratitude to those who made this hearing possible and to Representative Jim McDermott for taking the time to be with us.

The Commission was established by the U.S. Congress to investigate the national security implications of our trade and economic relationship with China. Members of the Commission are appointed by the Republican and Democratic leaders of the U.S. Senate and House of Representatives. Congress has directed us to examine how our deepening economic relationship with China affects our basic economic health and prosperity. In conjunction with this mandate, we have been holding a series of hearings throughout the country to get a first hand look at how this relationship is affecting different sectors of our economy.

This time last year the Commission held a hearing in Columbia, South Carolina, where we heard testimony from local manufacturers about China's impact on jobs and the U.S. industrial base. In September of last year, the Commission held a similar hearing in Akron, Ohio that focused on industries particular to the upper-Midwest region. At both hearings witnesses expressed concern that China is unfairly advantaged by the continuing under-valuation of its currency and its extensive use of subsidies for its export industry.

There is a stark comparison with our hearings in Ohio and South Carolina, states whose economies are suffering badly from the effects of so-called globalization, including massive shifts in manufacturing capacity to China, outsourcing, competition from artificially cheap imports, and unfair Chinese trade practices. Seattle and the American Northwest have been a major American success story in marketing aerospace, software, high technologies, agriculture and forest products. Nevertheless, our hearing intends to explore early signs of concern in all these sectors with China, and we want to understand what long-term challenges face the Northwest, in hopes they can be effectively met and countered.

Today, we have a series of panels on how U.S.-China trade and investment patterns are impacting the aerospace, information technology, agriculture, forest products, and shipping and maritime industries. In addition to general economic impact, the Commission is interested in the larger security related questions. What is the nature of the U.S. aerospace industry's contribution to China's growth as an aerospace power? How has this affected the U.S. defense-industrial base? What are the implications of U.S. software and high-tech firms adopting China as a base for research and development? What impact does

that have on our ability to innovate? These are just a few of the questions we hope to examine today, and I know that the Congress will be keen to learn the answers as well.

With that I would like to turn over the proceedings to the co-chairs of today's hearing, my colleagues, Commissioner George Becker and Ambassador Robert Ellsworth.