



Hearing on “U.S.-China Competition in Global Supply Chains”

Opening Statement of Commissioner Bob Borochoff

June 9, 2022

Washington, DC

Thank you, Commissioner Goodwin, and good morning everyone. Welcome to the sixth hearing of the U.S.-China Economic and Security Review Commission’s 2022 Annual Report cycle. Thank you again to our witnesses for joining us today and for their invaluable testimony.

This hearing comes at a pivotal moment as global supply chains continue to face disruptions and effect everything from parts for your dishwasher, to microchips used to manufacture new automobiles, to our military’s supply of anti-aircraft missiles. It’s no secret that American families and businesses are experiencing firsthand the consequences of a diminished manufacturing base in the United States, which instead depends on foreign suppliers, including China, for some of the most critical materials and parts.

Globalization has lowered costs for consumers through outsourcing production, while also creating more complex and vulnerable supply chains that rely heavily on China. China is now the world’s largest manufacturer and although some companies have relocated supply lines to neighboring countries such as Vietnam, businesses are still lured to China by its robust, and often less expensive, manufacturing ecosystem. The decrease in homeland manufacturing has diminished the opportunities for businesses, small and large, to innovate new products and has hurt the employment opportunities of Americans of all ages from the apprentice to the semi-retired. As I am sure we have all experienced, the last several years of lockdowns, port closures, and shipping delays have tested the resiliency of our supply chains and revealed keen vulnerabilities in how we move goods from supplier to consumer. I have worked in and owned restaurants and other small businesses for over four decades and have seen and personally experienced how crucial it is to have strong supply chains in place. Restaurants are the second largest private employers in America. According to the National Restaurant Association’s analysis of Bureau of Labor Statistics data, the restaurant industry employs 15 million Americans directly, representing one in ten American workers. Half are family owned and each and every one depends on regular and reliable shipments of supplies, paper goods, and replacement parts for everything from air conditioners and fryers to cash registers and forks and knives. Virtually all businesses in America rely in some fashion either directly or indirectly on the ability to purchase goods, and rely on prompt deliveries be it by road, rail, sea, or air.

Importantly, overreliance on Chinese manufacturing presents serious national security concerns. For instance, China dominates portions of the supply chain for key materials used to build U.S. defense systems. This includes cast and forged products used in U.S. defense systems, which we will hear more about from our witnesses today. The U.S. defense industrial base plays a vital role in ensuring our military has everything it needs to be successful in wartime and prepared in peacetime and cannot afford to have weak supply chains or domestic capacity. As the U.S. continues to respond to the crisis in Ukraine, U.S. weapons stockpiles need thoughtful attention. A depleted stockpile, in addition to delayed delivery of defense system parts, has serious effects on the military's operational readiness.

The United States must restore its robust manufacturing base at home and judiciously coordinate with allies to build more diverse and secure supply chains. I hope our hearing today can help us identify weaknesses in U.S. supply chains and determine the best approach for restoring U.S. domestic manufacturing capacity in the most important sectors.

I, too, am excited and thankful to have the experts and distinguished representative of the Department of Defense appear before us today. Before we begin, I would like to remind you all that the testimonies and transcript from today's hearing will be posted on our website. Please also mark your calendars for the Commission's upcoming hearing on U.S.-China relations in 2022, which will be on August 3.

We'll now begin today's hearing with our first panel, which will examine China's position in global supply chains and Chinese Communist Party leaders' views of supply chain security.