

Statement of Congressman Walter B. Jones

U.S.-China Economic and Security Review Commission Hearing on “China’s Industrial Policy and its Impact on U.S. Companies, Workers, and the American Economy”

March 24, 2009

Thank you to the Commission for holding this important hearing on China’s industrial policy and its impact on U.S. companies, workers, and the American economy. The U.S. economy is in shambles not because we have been consuming too much, but because we have been producing too little. A country can only be as rich as the wealth it produces and America must make boosting its production a priority if we are to avoid a prolonged recession or a depression.

The first thing I would like to note is that this hearing is about China’s industrial policy. There is an old saying in politics that you cannot beat a plan with no plan. I do not advocate a state-run economy, but the United States will not be able to compete economically with China in the long run unless we come up with a comprehensive policy designed to attract investment to domestic industries subject to global competition.

For instance, let’s take a look at manufacturing. Analysis of data posted on the U.S. Department of Commerce's TradeStats Express website, <http://tse.export.gov/>, shows that under the NAICS classification system for "all manufactured goods", China accounted for \$277,132,209,380, or 60.76 percent, of the total U.S. trade deficit in manufactured goods for 2008.

From the eight-year period of 2001 through 2008, the United States ran a cumulative \$3.63 trillion trade deficit in manufactured goods, including a \$1.46 trillion trade deficit with China. While running those trade deficits, the United States lost 4,469,000 manufacturing jobs. Total U.S. manufacturing employment is now at its lowest point since July 1941. U.S. manufacturing output also fell by 3.5 percent from January 2001 to January 2009, the first eight-year decline in U.S. manufacturing output since the winding down of production following World War II.

My home state of North Carolina has been hit especially hard. In January 1993, North Carolina manufacturing employment stood at 817,000. By January 2001, that number had fallen to 743,400. Today, the latest numbers available for January 2009 show that North Carolina manufacturing employment has fallen to 479,600. These numbers show that trade deficits do matter and have real world consequences.

As an example of the impact on a particular industry, North Carolina arguably is America’s leading state for textile production. Unfortunately, China’s heavily subsidized textile and apparel sector has seized massive chunks of market share from U.S. producers in recent years. In 2001, the year prior to China’s accession to the WTO, China exported 2.2 billion square meters (SME) of textile and apparel products to the United States and held a 6.7 percent U.S. import market share. By 2008, China’s textile and apparel exports to the United States had grown by more than 800 percent – jumping by 18.4 billion SME to 20.6 billion SME at a value of \$32.7 billion. For the year 2008, China held a 41 percent share of the U.S. import market for textiles and apparel. Moreover, the total value of China’s exports of textiles, apparel, and fiber to the world jumped from \$50 billion in 2001 to \$179 billion in 2008 while U.S. exports fell

from \$16.8 billion to \$16.2 billion. These numbers are important because China has a vertically integrated textile and apparel manufacturing sector and consumes few U.S.-made textile and apparel products. When hearing these numbers, it should surprise no one that since 2001 U.S. textile mill (yarns, fabrics, etc.) output has fallen 48 percent, textile product mill (towels, curtains, rugs, etc.) output has fallen 24 percent, and U.S. apparel output has fallen 50 percent. The cost of the fall in U.S. output has been the loss of 600,100 textile and apparel industry manufacturing jobs including 106,200 in North Carolina.

The question is where does America go from here? A good start would be to provide a level playing field for U.S. producers and service providers. To do this would require a major overhaul of U.S. trade policy to address problems like the \$474 billion disadvantage to U.S. producers and service providers caused by foreign border-adjusted taxes such as value-added (VAT) taxes, as well as the persistent problem of prolonged currency manipulation.

Last fall a diverse group of U.S. producers and workers came together under the banner of the Coalition to Fix America's Economy. They synthesized many of the problems you will discuss today and put out a statement that sets forth some common-sense steps needed to put America back to work. This statement has been signed by 56 national, state, and local organizations and numerous companies and prominent individuals. I have attached it as food for thought in trying to determine a way forward. Thank you for the opportunity to testify, and God Bless America.

JOINT STATEMENT

FIXING AMERICA'S ECONOMY: ENSURING GOOD JOBS, PROSPERITY & SECURITY

America's international economic policies threaten our prosperity and national security. These policies have handicapped domestic manufacturers, service providers, farmers and workers, leading to massive trade deficits, stagnant wages, the loss of millions of manufacturing jobs, a dangerous erosion of our industrial base, a long-term decline in our food and agriculture trade surplus, and the unprecedented transfer of trillions of dollars of American wealth offshore.

The trade deficit is a major cause of today's financial crisis. It undermines family-sustaining jobs and investment in productive assets, fostering a debt-driven economy dangerously dependent upon foreign borrowing. Because U.S. policies have betrayed too many American workers and families by offshoring their jobs and destroying their communities, we are also endangering the retirement security and health care of this generation of workers and squandering our children's futures. Without immediate fundamental change, America's standard of living is at risk.

Fixing America's international economic policy, therefore, must be the top priority for the administration and the Congress. Smart actions to boost production and dramatically reduce the trade deficit will create millions of new jobs, restore healthy growth, and strengthen national security. This will require investing in America, creating incentives for corporations to keep jobs here and to bring others home, and reducing reliance on foreign sources for energy, critical inputs, capital, and even food.

For these reasons, we the undersigned, many of whom represent U.S. producers and workers from diverse sectors, seek commitments from policy makers and office holders of all parties that they will:

- **SUPPORT** policies that promote American interests by requiring full reciprocity, fairness, and transparency in all U.S. trade agreements, including in such areas as labor and environmental standards.
- **SUPPORT** actions to combat the illegal, mercantilist practice of prolonged currency misalignment, including legislation to make it actionable under U.S. trade law.
- **SUPPORT** aggressive enforcement of U.S. laws to halt foreign illegal trade activities such as dumping, subsidization, and intellectual property theft. In addition, U.S. policy must ensure that all goods sold here meet U.S. food and product safety standards.
- **SUPPORT** the elimination of tax disadvantages that undermine the competitiveness of U.S. producers at home and abroad, or that discourage investment in America.
- **SUPPORT** a comprehensive strategy to reduce U.S. dependence on imported energy.

SIGNATORIES

As of March 3, 2009

National, State, and Local Organizations (in alphabetical order) – 56

1. AFL-CIO Industrial Union Council
2. American Corn Growers Association
3. American Foundry Society
4. American Iron and Steel Institute (AISI)
5. American Manufacturing Trade Action Coalition (AMTAC)
6. American Mold Builders Association (AMBA)
7. APMI International
8. Butler County Manufacturing Consortium
9. Coalition for a Prosperous America (CPA)
10. Coalition for a Prosperous America, Colorado Chapter
11. Cold Finished Steel Bar Institute
12. Colorado Springs Manufacturing Task Force
13. Committee on Pipe and Tube Imports (CPTI)
14. Congregational Action to Lift Lives (C.A.L.L.) - Erie, PA
15. Copper and Brass Fabricators Council
16. Copper and Brass Servicenter Association (CBSA)
17. Dakota Rural Action
18. Hand Tools Institute
19. JobsFirst.org - Bluefields, WV
20. Kansas Farmers Union
21. Manufacturers Assoc. of South Central Pennsylvania
22. Mesa County Cattlemen's Association (CO)
23. Metal Powder Industries Federation
24. Metals Service Center Institute (MSCI)
25. Michigan Business and Professional Association
26. Michigan Food and Beverage Association
27. Mississippi Livestock Markets Association
28. National Association for Surface Finishing
29. National Council of Textile Organizations (NCTO)
30. National Farmers Union (NFU)
31. National Textile Association (NTA)
32. National Tooling and Machining Association
33. Nebraska Farmers Union
34. North American Die Casting Association
35. Northwest PA Cooperation Council (Mercer County)
36. Ohio Farmers Union
37. OK-SAFE, Inc. (Oklahomans for Sovereignty and Free Enterprise)
38. Oregon Livestock Producers Association
39. Organization for Competitive Markets (OCM)
40. Penn Action - Philadelphia, PA
41. Pennsylvania Coalition to End Homelessness
42. Pennsylvania Farmers Union
43. Pittsburgh Chapter-National Tooling and Machining Association
44. Prospective Homeowners Association - Pasadena, CA
45. Ranchers and Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA)
46. Rocky Mountain Farmers Union
47. South Dakota Stockgrowers Association
48. Specialty Steel Industry of North America

49. Steel Manufacturers Association (SMA)
50. Tooling & Manufacturing Association (Illinois)
51. Tooling, Manufacturing, and Technologies Association (TMTA)
52. United States Industrial Fabrics Institute (USIFI)
53. U.S. Business and Industry Council (USBIC)
54. Western Organization of Resource Councils (WORC)
55. Women Involved in Farm Economics (WIFE)
56. Wood Machinery Manufacturers of America (WMMA)

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