



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on “U.S.-China Trade Impacts on the U.S. Defense Industrial Base”

**Opening Statement of
C. Richard D’Amato
Commission Chairman**

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Washington, DC**

Good Morning and welcome. Today’s hearing will address the issue of U.S.-China trade impacts on the U.S. defense industrial base. We are honored to have Congressman Manzullo speaking before us this morning. I want to thank him for taking the time to be here.

This hearing follows two important field hearings the Commission recently held. In April the Commission went to Stanford University, in Palo Alto, CA to hear testimony from former Secretary of Defense William Perry and high-tech industry leaders on the status of U.S. innovation and the impact of China’s high-technology development on the U.S. research and development sector. This was followed by a hearing in May in New York City at the Council on Foreign Relations where the Commission heard from a distinguished group of economists on the effects of globalization on the U.S. economy. Needless-to-say, these issues represent huge impacts on the U.S. economy. And it is the U.S. economy that is the heart of our national security and the U.S. defense sector.

This issue is particularly timely, as Congress has recently reviewed the “Buy American” provisions of our laws. The original “Buy American Act” and Berry Amendment, established certain requirements for government entities, including DoD, to use U.S. sources when possible. The requirement is waived when it is not deemed effective to use a U.S. source. Some legislators believe that the waiver process by which DoD is circumventing the Buy American provision is used arbitrarily. I anticipate Congressman Manzullo will address this issue later today.

The health of the defense industrial base is not only measured by the level of Defense Department reliance on foreign sourcing, but is generally caught in and affected by the process of globalization itself. We will hear views today on the effects of globalization on the U.S. defense industrial base. But regardless of the level of globalization different experts find appropriate, for the defense industrial base to benefit from globalization, there must be a level playing field for trade and a protection from piracy. The

Commission has found in both its 2002 and 2004 report that China poses challenges on both accounts and it is for that reason that we must examine this issue today.

I look forward to today's testimony and will now turn to the Commission Vice-Chairman Roger Robinson.