

Statement of Rep. Walter B. Jones (NC-3)
Hearing before the U.S.-China Economic and Security Review Commission
July 16, 2008

Chairman and Commissioners – Thank you for holding this hearing today. Last year I testified before the Commission on the problems with U.S. trade policy towards China. I was pleased to see many of my concerns reflected in the Commission’s 2007 report to Congress. I only wish that Congress and the Administration would take action on more of the report’s thoughtful recommendations.

I remain troubled that the U.S. government continues to do nothing to level the economic playing field with communist China. China uses a variety of predatory trade practices including rebating value-added taxes on exports, manipulating its currency, handing out loans at below-market-value rates, and rampant theft of intellectual property. China also ignores its own labor laws and destroys its environment for economic gain. As a result, America has lost over 1 million manufacturing jobs to China since the year 2000, and our trade deficit with China over the past decade is nearly \$1.1 trillion, including \$271 billion in 2007 alone. The Chinese government has used the proceeds of their trade surplus to buy up over \$437 billion of our public debt, and to triple their military spending since 1994.

Today’s hearing is timely, as many elites are arguing that surrendering America’s manufacturing base to China is not a problem because our economic future lies in moving up the value chain and focusing our resources on engineering, research and development (R&D) and the production of advanced technology products. That argument is fundamentally flawed, and in today’s hearing, I urge the Commission to examine the reasons why that is the case, including the following:

First, there is ample evidence to suggest that when an industry’s manufacturing capability goes to China, its suppliers, engineering, and research and development capability soon follow. In fact, many leading U.S. multinationals have made no secret of their plans to move as much of their operations to China as possible. John Chambers, the Chief Executive Officer of Cisco Systems, was quoted in 2004 as saying: "China will become the IT [Information Technology] center of the world.... What we're trying to do is outline an entire strategy of becoming a Chinese company." And Cisco is not alone. In a 2006 survey of over 200 multinationals, the National Academies found that “more companies . . . said they planned to decrease research and development employment in the United States and Europe than planned to increase employment.”

Second, any economic blueprint for this country that rejects manufacturing condemns rural America to a future of limited economic prospects. As this Commission pointed out in its 2007 report, manufacturing job losses to China are having a disproportionately negative impact on rural areas. The report did an excellent job of explaining China’s impact on the people of my home state of North Carolina, saying:

“Laid-off workers in North Carolina also tended to be from rural areas . . . Just less than half of rural dislocated workers laid off in North Carolina in 2002 were able to find work within a year. When displaced manufacturing workers in North Carolina found new employment, often it was in part-time work. Even if the hourly wage levels were equal—and often they were lower—such jobs obviously produce lower total wages. Also, part-time jobs seldom provide such benefits as retirement or health insurance.

“The better-paying factory jobs making textiles, clothing, and furniture were replaced by lower paying services-sector work, including jobs waiting tables, cleaning hotel rooms, and caring for hospital patients. Average compensation for employment in the manufacturing sector was 128 percent of North Carolina’s average wage in 2005 while that for health care was 91 percent and compensation in the leisure and hospitality sector was considerably lower. For example, compensation in hotels and resorts was just 50 percent of the average statewide compensation while restaurant work paid just 34 percent of the average.”

Mr. Chairman, the bottom line is that manufacturing is the magnet that attracts all other facets of production. Without a strong manufacturing base, the United States will lose its preeminent position in engineering and research development, and it will lose the defense industrial base that has allowed us to be the world’s arsenal of democracy. If this government doesn’t act to save U.S. manufacturing by fixing our broken trade policy with China, I fear for the future of our children and grandchildren. I appreciate this Commission’s efforts in helping the Congress and the American people understand what is at stake in the debate, and I urge you to keep up the good work.