



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

**Hearing on “The Impact of Trade with China on New York State
and Opportunities for Economic Growth”**

**Opening Statement of Commissioner Patrick Mulloy
July 23, 2009
Rochester, NY**

I am very pleased to have the opportunity to co-chair today’s important hearing along with my friend and colleague, Commissioner Dennis Shea. I also want to thank the Rochester Institute of Technology for hosting today’s hearing.

In March this Commission held a hearing in Washington that examined China’s policy of promoting the growth of strategic or pillar industries, meaning key industries that China believes can support a high tech, high wage economy. This, in my view, is part of a strategy being used by China to build its comprehensive national power and to help China regain the nation’s former status as a great power.

I have no quarrel with China doing this as long as it is not done at the expense of the standard of living of our own people or our own economic strength. Unfortunately I believe the latter is the case and that we must formulate and adopt policies that protect our legitimate interests. This does not mean I favor provoking a confrontation with China, but rather I believe we can formulate policies to help maintain our high tech manufacturing industries. I hope today’s hearing can help us all understand a little better just what those policies might be.

Upstate New York was once a great industrial cluster, hosting such national champions as Kodak, Xerox, and GE. However, during the past 20 years we have witnessed the steady exodus of manufacturing production. Now, we see that research & development is following manufacturing and is also relocating overseas. China has policies in place to encourage such outsourcing including an underpriced currency. This outsourcing trend is threatening to impact our new advanced technology industries like optoelectronics and life sciences. One of our witnesses today, Dr. Willy Shih, wrote in a recent, important Harvard Business Review article, entitled “Restoring American Competitiveness,” that “decades of outsourcing manufacturing has left U.S. industry without the means to invent the next generation of high tech products that are key to rebuilding this economy.”

The Commission will make good use of today’s discussion when it formulates its Annual Report to Congress. We appreciate the work our distinguished witnesses have put into preparing their statements, and we thank them for being here to testify.

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