



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on China's Impact on the U.S. Auto and Auto Parts Industries
Opening Statement of
Carolyn Bartholomew
Vice Chairman

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Dearborn, Michigan

Good morning and thank you for attending our hearing. My name is Carolyn Bartholomew. I am the vice chairman of the U.S. China Economic and Security Review Commission.

We are here today in Michigan, the home of the American “Big Three” auto companies, to examine the impact of China on the U.S. auto and auto parts industries. We are also considering the importance of America’s automotive industry to the overall health of the U.S. industrial base and to the nation’s military security.

Our Commission advises Congress on U.S. policy and legislation affecting our economic and security relationship with China. As part of our efforts, we hold hearings both in Washington and around the country to hear from the people and industries most affected by China’s rise as an economic and military power. Last year we held a similar hearing in Ohio to hear from the auto, machine tool, and rubber industries, among others.

Our Commission submits an annual report to Congress containing our conclusions and recommendations. Past annual reports and hearings transcripts are available on our website, USCC.GOV. The record of this hearing will also be included on our website.

The Commission recently returned from a fact-finding trip to China during which we toured an integrated auto plant with stamping, welding, painting and assembly operations all under one roof. It is a joint venture between Citroen and Peugeot of France, and a Chinese company, Dong Feng Automobile Company. As in many such cases in China, the plant appeared to benefit from a wide array of special subsidies, such as tax abatements, favorable loan rates from state-controlled banks, and discounted land purchases. Should the cars being made there ever be exported, they also will enjoy a 20 percent to 40 percent export subsidy in the form of an artificially undervalued currency. In addition, the Chinese auto industry sits behind a protective 25 percent tariff on imports of foreign-made cars.

The U.S. auto industry, which enjoys no such protection or subsidies from Washington, faces a daunting challenge in competing with the Chinese industry. U.S. auto parts suppliers, who represent an even larger pool of workers than the companies that assemble the cars, face even greater challenges. China maintains high tariff and non-tariff barriers to imported auto parts. Imported parts face tariffs of 10 percent to 25 percent. U.S. parts suppliers face a difficult choice—move production to China and risk

arbitrary government tax, regulatory and licensing actions and the loss of proprietary technology, or keep production at home and protect intellectual property but compete on a very uneven playing field.

In sum, China's activities in these industrial sectors pose a major challenge to their U.S. counterparts. The repercussions will be felt in overall U.S. economic performance, in the vitality of our defense industrial base, in the economies of several states, and in scores of cities, towns and communities. The Commission believes this issue is of high importance and that it merits the close attention of the Congress.

I'd like to thank the University of Michigan's Dearborn campus for making these facilities available today, and all who have come to offer their thoughts and analysis to us. Now, I'd like to turn over the hearing to the two co-chairs, Commissioner Daniel Blumenthal and Commissioner Michael Wessel, who is sitting in for Commissioner George Becker, the former International President of the United Steelworkers Union, who is unable to be here today.

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