

# **STATEMENT FROM U.S. REPRESENTATIVE DALE E. KILDEE**

## **U.S.-CHINA ECONOMIC & SECURITY REVIEW COMMISSION** Field Hearing on China's Impact on the U.S. Auto and Auto Parts Industries

Dearborn, Michigan

July 17, 2006

I am very pleased that the U.S.-China Economic & Security Review Commission is holding a hearing on the important topic of China's impact on the U.S. automotive and automotive parts industries. This issue is very important to our nation and particularly to Michigan where the struggles of our domestic automotive and automotive parts industries have been felt the hardest. I regret not being able to join you in person today, but appreciate the opportunity to submit this statement for the record.

It is very clear that our harmful and unbalanced trade policies have hurt our domestic automotive industries and workers. This could not be more obvious than with our relationship with China. The most clear example of this is China's currency manipulation which has been devastating to the U.S. automotive industry. As Co-Chairman of the Congressional House Automotive Caucus along with Representative Fred Upton, we have held briefings, written letters and taken other actions to press the Administration to address China's currency manipulation. Yet despite all the evidence to the contrary, the Bush Administration continues to tell us that China is not manipulating their currency.

Another major issue is intellectual property theft by Chinese companies that directly threaten U.S. automotive suppliers. Last year, the Federal Trade Commission estimated that the domestic automotive supplier industry loses approximately \$12 billion in global sales annually due to intellectual property theft. This theft and the counterfeit and pirated automotive parts that it produces undermine U.S. and foreign safety standards and put customers at risk. In 2003, China accounted for 66% of all imported counterfeit products seized by U.S. Customs and Border Protection. Yet despite the lost dollars for U.S. manufacturers and the public safety risks, just as with the currency manipulation, our government has failed to address this issue in a meaningful manner.

Another issue, which is just beginning to make its way onto the radar screens of Congress, is the Chinese automotive manufacturing industry. Currently, two Chinese manufacturers have announced plans to begin selling cheap, Chinese-made cars in the U.S. in the very near future. However, China has a 25 percent tariff on American-made cars while the U.S. tariff on Chinese cars is 2.5 percent. For this reason, I joined Representative Walter Jones in introducing the Unfair Chinese Automotive Tariff Equalization Act that would prevent imports of passenger cars from China until the U.S. and Chinese tariffs on these items are equal. I believe this legislation is vital to ensuring that our domestic automotive manufacturers and workers have a fair playing field to compete on.

Lastly, it is very important to note that our trade policies and their effect on the U.S. automotive industry and its workers do not occur in a vacuum. While certainly our policies with China have played a harmful role, it is our overall trade policy that has hurt the U.S. automotive industry and workers the most. Our harmful and unbalanced trade policies have been devastating to our workers, small businesses, farmers, the environment and the economy. We are facing record trade deficits and an increasing pace of the outsourcing of American jobs. Our trade policies encourage the closing down of American factories and moving them overseas, usually to a country where wages are low and the standard of living is lower. Our trade policies are clearly flawed, yet Congress recently narrowly passed CAFTA and the Administration is currently negotiating more FTAs. We need to revisit American trade policy and stop entering into harmful and unbalanced Free Trade Agreements.

We need to call a 'timeout' on our headlong rush into free trade agreements and revisit our trade policies. For this reason, I introduced legislation, H.R. 4407, which would prohibit the U.S. from entering into any bilateral or regional trade agreement for a period of two years. H.R. 4407 would also immediately terminate any current negotiations. While I understand that in our current Congress it is unlikely this bill will be given consideration, this is a debate we must have if we are to end trade policies that further increase our race to the bottom.