

**Testimony before the U.S. Senate Committee on Finance  
International Trade, Customs and Global Competitiveness Subcommittee**

April 11, 2018

*Remarks of Linda Menghetti Dempsey*

Chairman Cornyn, Ranking Member Casey and members of the subcommittee, thank you for the opportunity to testify on manufacturers' views on market access challenges in China.

The National Association of Manufacturers (NAM) is the largest manufacturing association in the United States, representing more than 14,000 manufacturers small and large in every industrial sector and in all 50 states. Manufacturing employs nearly 12.6 million women and men across the country, contributing a record \$2.25 trillion to the U.S. economy in 2017. U.S.–China commercial relations are a top priority given both the challenges and opportunities this relationship presents.

It's fair to say that our nation's trading relationship with China is complicated – very complicated.

**On the one hand, there are few places in the world where manufacturers export more or have increased sales more.** As a result of China's lowering of tariffs and implementation of many of the rules of the WTO system, manufacturers in the United States have been able to export more goods to China than any other market outside of our NAFTA partners in North America. Manufacturers exported nearly \$96 billion in goods in 2017, which, in turn, supports hundreds of thousands of U.S. manufacturing jobs. Exports of "made in the USA" manufactured goods to China have grown more than \$76 billion since 2002, more than to any other country besides Canada and Mexico. Similarly, our agricultural sector has grown its exports rapidly, helping increase domestic sales of manufactured goods such as agricultural equipment, fertilizer, seeds, cold storage and beyond.

This growth is especially important considering that more than half of American manufacturing workers depend on exports for their paychecks.

**But, on the other hand, there are few places in the world where trade has proven more challenging for American manufacturing.** We face substantial, unfair, discriminatory and distortive practices in China that are harming U.S. manufacturing and manufacturing workers and hold our country back. Among the troublesome issues on which I expanded in my written testimony are:

- **Localization Policies**, such as Made in China 2025, that discriminate against U.S. companies;
- **Intellectual Property Rights and Enforcement** that are insufficient for the 21<sup>st</sup> century;
- **Standards, Technical Regulations, and Conformity Assessment Procedures** that limit our ability to compete on a fair and equal basis;
- **Subsidies and other Measures** that distort the market and create damaging and unsustainable overcapacity;
- **Investment Restrictions** that depress market access and foster harmful technology transfer;
- **State-Owned Enterprises** that create unfair and anti-competitive conditions of competition
- **Tariffs and other Import Regulations** that block U.S. exports; and
- **Transparency and Rule of Law issues** that undermine fair commerce.

While some of these challenges can be addressed through the existing WTO rules, others require new approaches. The question, long debated, is how best to address them.

We at the NAM believe it is time to undertake a truly comprehensive and focused strategy designed to achieve the best outcomes for American workers and American enterprise. That means pursuing a modern, innovative and comprehensive bilateral trade agreement that wholly restructures our economic relationship with China. As NAM President and CEO Jay Timmons explained in a letter to the president on January 8, to be successful a free and fair agreement must:

- Eliminate barriers that unfairly block American companies and America’s manufacturing exports from full and fair access to the Chinese market;
- Raise standards in China and create new rules to prevent the wide range of market-distorting practices that violate free markets and fair competition and hurt American businesses and workers; and
- Create clear mechanisms to mandate strong and binding enforcement of the agreement, providing specific channels for government and industry alike to address cheating and violations.”

This is at once both a radical idea and, in our view, the most pragmatic and effective way forward. This approach must also be combined with ongoing enforcement of the WTO rules to which China has already committed, usage of U.S. trade remedy rules to address unfair trade that is harming our industries, and intensive work with our trading partners to address systemic challenges that are undermining trade globally.

Targeted actions such as tariffs can provide some relief in the short term to some manufacturing industries, they harm others in the form of significant added costs or provoke China to take further destructive actions. Ultimately, we think it's best to address directly the systemic issues that have given rise to the underlying challenges in the first place.

The U.S.–China commercial relationship has provided significant opportunities for the American economy and America's manufacturing sector. It holds a lot of promise to continue doing so. But, for that to be sustainable, the trading relationship simply must be more fair and more open. That's exactly what a comprehensive bilateral trade agreement with China would help achieve.

Thank you.

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