

Press Release

JUNE 9, 2005

SCHAKOWSKY QUESTIONS ADMINISTRATION'S FAILURE TO ENGAGE CHINA ON TRADE

US TRADE DEFICIT WITH CHINA STANDS AT \$162 BILLION, SOARED SINCE PNTR

WASHINGTON, DC - Rep. Jan Schakowsky (D-IL), the ranking member on the House Subcommittee on Commerce, Trade, and Consumer Protection, made a statement today in a hearing of the subcommittee questioning the administration's failure to address trade issues with China. Rep. Schakowsky specifically asked to know why the administration has not addressed China's failure to uphold its WTO obligations, its counterfeiting, pirating, and forced labor practices, and the soaring trade deficit with China.

Rep. Schakowsky's full remarks are below, as prepared for delivery:

"Thank you Mr. Chairman for holding this hearing on the Administration's progress in addressing the serious trade issues that we have with China. I understand that the Commerce Department was reluctant to provide us with a witness for today's hearing. I can certainly understand the hesitation. I would demur as well if I had to defend the record of this Administration."

Failure by the Administration to address such US-China trade issues such as "forced labor" production practices, massive counterfeiting of American products and the refusal to allow the Yuan to float freely may be good for Walton family dividend checks from Wal-Mart but it has been a disaster for the American economy as a whole and America's working families in particular.

Furthermore, this failure to achieve meaningful resolution of the unfair trade practices

employed by China is having more and more serious consequences. As our trade deficit grows and those dollars are used to purchase ever more of the debt instruments created by this Administration, China becomes less and less vulnerable to retaliatory measures available to the United States government. By the time either this administration wakes up or is replaced by one more in tune with economic reality, we may find ourselves with no choice but to accept the terms of trade dictated by the Chinese because they will have the power to harm our economy with a computer stroke.

Despite promises made as a condition of US acceptance of the admission of China to the World Trade Organization, despite international treaties signed by the Beijing government, and in the face of public approbation worldwide, China continues to rely upon slave-like labor conditions for its export advantages, permits only unions whose sole function is to "transmit" government messages to the workforce, exploits its workers with subsistence wages, treacherous working conditions and little or no benefits. Women in the workforce face the worst exploitation. What has the Administration done about the import of goods made under these "competitive" conditions?

China has become the pirate capitol of the world. Goods that we have a notable comparative advantage in, namely movies, recorded music, & computer software generate little income to their American owners as pirates dominate sales in China. Current estimates are that 15-20% of China's manufactured goods are counterfeit encompassing 8% of its GNP. The counterfeiting problem has recently grown even more, threatening our economic wellbeing. Apparently designs for such large-scale items as GM cars and Cisco operating systems are being knocked off. If all of our technology continues to be appropriated at will by Chinese entrepreneurs then our economic demise is a long-term certainty.

China is also playing Russian roulette with the world economy by refusing to allow its currency to float freely. Our record trade deficit with China (\$162 billion in 2004 alone) and the related growth in foreign currency reserves (reportedly \$608 billion - more than triple the reserves of 2000) cannot be sustained. Inflationary pressures are bound to eventually reach the boiling point in China and another international financial crisis will result.

Finally I acknowledge that China, as a superpower, is a special case. It is understandable that this Administration would treat their economic imperialism lightly if such kids- gloves treatment resulted in political advances that made the region and the

world more stable. But what has the Administration gotten for its forbearance? The answer is nothing. For all its kid gloves approaches to China's economic aggression, this Administration has not advanced the cause of peace and democracy in China and in the region as a whole.

My question to the Administration is simple - when do the gloves come off? When are we going to get serious about the threat to our economy posed by China's unfair trade practices?"