

Written Statement of Congressman Bill Johnson
Submitted for the U.S.-China Economic and Security Review Commission
Hearing on "China's Foreign Policy: Challenges and Players"
April 13, 2011

I would like to thank the U.S.-China Commission for allowing me to share some thoughts on China's foreign policy, in particular China's economic foreign policy. When discussing our national interests in the Asia-Pacific region, it is impossible to not address the strong economic and financial ties the U.S. has with China and other Asian nations.

The Asia-Pacific region accounts for 50 percent of world trade and 60 percent of the world's gross domestic product. The staggering growth of this region has shown no sign of stopping and has weathered the recent economic crisis well. Over the next few years, increased exports will continue to play a pivotal role in the United State's economic recovery and drawing down unemployment numbers. The Administration's stated goal of doubling U.S. exports to \$3.14 trillion by 2015 will support two million new jobs in the United States. Our commercial and economic success in reaching this goal relies heavily on American relations with Asia, in particular with China.

As Asian economies continue to experience dynamic growth, the United States needs to maintain a constant regional awareness as we engage on multiple fronts with China and other nations in the Asia-Pacific region. Our relationship with China is complicated. This is precisely why the U.S.-China Commission has such an important mission in monitoring this relationship. Yet the U.S. government needs to do a more thorough job of oversight. I believe we need to have an overarching policy governing our relations with one of our largest trading partners and one of the greatest potential threats to our national security. Simply put, our lack of a coherent China policy addressing political, military, and economic issues has resulted in empty factories, shuttered businesses and high unemployment in eastern and southeastern Ohio.

When we think of trade with China, we tend to think in terms of cheap Chinese imports in America. But this is only one side of the coin. China is the third largest and fastest growing market for U.S. exports, totaling \$92 billion in 2010. Even in the year following the global financial crisis, U.S. exports to China were down far less than U.S. exports to other major trading partners.

In most of my district in southern and eastern Ohio, unemployment rates linger well above Ohio's overall 9.8 percent rate – an average of 11 percent or above. In 2000, exports from my district totaled \$11 million. China's entry into the WTO in 2001 increased these exports, promising greater potential for strong bilateral trade relations. By 2009, southern and eastern Ohio exported \$56 million worth of exports to China. These exports are very important to Ohio's economy. Unfortunately, this trade potential is weighed down with deep mistrust for China and its rampant unfair trade practices, which threaten the survival of American companies.

China has announced its intent to transition its economy to a worldwide source of innovation within 15 years. It has subsidized high tech industries such as aerospace, renewable

energy, computer science, and life sciences. It has placed limits on competition from foreign firms, and denied access to China's markets unless foreign firms operate in China and share their technology with Chinese firms. As a former CIO of a technology company, these practices are very troubling to me. We must be vigilant as we move to take advantage of the massive Chinese market for U.S. exports and cautious when weighing the costs and benefits of doing business in China.

U.S. businesses have taken great risks to develop new technologies. Because of American leadership in technology, protecting U.S. intellectual property is more important than ever, especially when it comes to China. The American people have always expressed a strong desire to achieve and move our Nation forward. We must protect the investments that American businesses have made in innovation, as other nations attempt to imitate our ingenuity and surpass us. We must have safeguards in place to ensure our continued position as a global leader in the high-tech sectors of the world economy. And we must encourage the Obama Administration to aggressively pursue China in the WTO when they do not live up to their trade commitments.

In 2010, our trade deficit with China was \$273 billion. While this may not be the direct result of any one policy, the fact that China manipulates its currency is a strong contributing factor. China's deliberate efforts to keep its currency from appreciating against the U.S. dollar leave U.S. companies at a severe competitive disadvantage. As America tries to compete with cheap imports from China, business owners face tough choices – particularly job layoffs.

These lopsided trade practices threaten American exports, businesses, and jobs. China's dumping of goods in the U.S. and use of tariffs to curb U.S. business in China should be issues resolved by China's membership in the WTO. All too often, American businesses experience a lack of enforcement of existing trade laws, or absence of trade laws all together. While the WTO should serve to resolve these trade imbalances, it provides little recourse. Often, lengthy and costly court battles are American businesses' only option, sometimes causing greater harm than good.

In addition, over the past decade, China has become the largest holder of U.S. debt. As our national debt continues to mount, I cannot stress enough the importance of tackling our Nation's financial situation as a way to strengthen our national security in light of China's involvement. China's holdings are not only a matter of national security, but also of U.S. financial stability and economic vitality.

There is general agreement that Chinese trade practices leave our economy at a severe disadvantage. But I would also like to point out that these concerns are not one-sided. As much as China does everything it can to circumvent the rules, it also strives to secure its position as an integral player in the world economy.

Unsustainable trade practices will not allow China to work towards economic stability. Chinese economic growth is hindered by undervaluation, causing the Chinese government to battle with inflation. China has allowed its currency to appreciate, albeit slightly, as it works to control the effects of undervaluation. While the U.S. is still experiencing a significant trade

deficit with China, other nations are not. This year, China experienced its first quarterly trade shortfall since 2004.

The importance of this region to America's economic, political, and military interests continues to grow. We must begin to enter serious discussions about what American policy toward China should consist of. The further we go down the road without a comprehensive strategy that addresses economic, political, and military issues, the worse our situation will become and the greater our concerns will be. The absence of a defined U.S. policy towards China puts America at risk on many levels.

As China partners with other Asia-Pacific nations, we need to stay actively involved. Our trade in the region needs to be the result of cooperation that leads to regional stability, both economically and politically. Efforts to that end will work to ensure the safeguarding of our national interests at home and abroad.

There have always been bad apples when it comes to our trading partners, and we must work to ensure that trade is about shared values and using those values to optimize U.S. exports. I am a supporter of fair trade, but rather than simply pursuing trade agreements, America should be pursuing Export Optimization Agreements. Because, when it comes down to it, U.S. exports mean U.S. jobs. However, if China wants to be a major player in the world market, it must stop trying to grow as a small one. Many of its practices will not only harm trade relations with major trading partners, but will also hurt China in the long run.

Again, I thank the Commission for allowing me to provide my perspective on U.S.-China foreign policy. I firmly believe that we must create a clear policy towards China in order to ensure our participation in the region for future generations of Americans.