



KEY POINTS:

“AMERICA’S WIN-WIN-WIN TRADE RELATIONS WITH CHINA” by Daniel T. Griswold, Congressional testimony before the House Ways and Means Committee, October 30-31, 2003 (<http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=109>)

America remains a global manufacturing power. Despite the recent slump, manufacturing output is still up 40 percent from a decade ago, according to the Federal Reserve Board. Manufacturing output is double what it was in the early 1970s and triple what it was in the 1960s. American factories employ fewer workers because today’s workers are so much more productive.

Trade is not to blame for the recession and loss of jobs. The problem is not too much trade, but not enough domestic demand. In the booming 1990s, when manufacturing output was booming, growth in manufacturing imports was surging by double digits. In 2001, when manufacturing output fell, so did manufacturing imports. The reason is simple: imports and output both rise and fall with domestic growth and demand.

American families benefit as consumers. China is a leading supplier of imported clothing, shoes, furniture, sporting goods, and consumer electronics—goods that poor and middle class families would typically buy at a discount store. Those imports keep prices down and raise the real wages of American workers.

Imports from China have grown rapidly, but they are nothing like a “flood.” In 2002, Americans bought \$125 billion worth of goods made in China—a small fraction of our \$10.4 trillion economy. There is nothing alarming about Americans spending about one penny of every dollar of our income on products made by the one-fifth of mankind that lives in Mainland China.

U.S. investment in China has been stable and modest. From 1999 through 2002, American manufacturers invested an average of \$1.2 billion a year in Mainland China, compared to an annual average of \$16 billion in U.S. direct manufacturing investment in the European Union. Investment in China is less than 1 percent of the \$200 billion invested each year in America’s domestic manufacturing capacity, and it is overwhelmed by the average net inflow of \$20 billion in foreign direct manufacturing investment in the United States each year.

Critics of trade with China ignore the country’s growing appetite for consumption and imports. While China is the world’s fourth leading exporter, it is also the world’s sixth leading importer. Because of soaring domestic demand, it has now displaced the United States as the world’s top importer of steel. While America’s total exports to the rest of the world were falling in 2002, our exports to China rose by 14.4 percent.