



Textile News & Information

Contact: Cass Johnson: (202) 822-8025
Sarah Faye Pierce: (202) 822-8026

For Immediate Release
October 2, 2009

NCTO, Citing Leading Authorities, Ties Economic Recovery to Action against China

Washington DC – In testimony before an interagency group examining China’s trade policy and adherence to its WTO commitments, NCTO joined Paul Volcker, Jeff Immelt, the Chairman of General Electric and Robert Samuelson, the free trade economics writer, in arguing that the United States must take action against China’s predatory trade practices if it is to regain economic prosperity.

In his testimony, NCTO President Cass Johnson noted that, over the last ten years, our country has turned its back on our manufacturing base, which has the highest rate of return to the national economy of any other industrial sector. One in four manufacturing jobs has been lost, over five million jobs in total, the sharpest drop in our nation’s history. At the same time China’s exports of manufacturing goods to the United States have quadrupled, increasing an astonishing \$245 billion dollars.

Johnson noted that 1.1 million manufacturing jobs have been lost since the Obama Administration took office, a loss of one out of every eleven jobs. China, by contrast, just reported an 11 percent increase in industrial production for August.

Over the last ten years, we have seen our living standards go down, income inequality rise, unemployment jump, pensions shrink, support for trade liberalization collapse, national and personal indebtedness skyrocket and the number of people without affordable healthcare go through the roof. Johnson noted that that the decline of manufacturing jobs has made all of these trends worse, in some cases, significantly worse.

In addressing solutions, Johnson pointed to three leading authorities: the first solution is offered by Jeff Immelt, Chairman of General Electric. Immelt noted that every major producing country in the world has an industrial policy except one, the United States. Immelt goes on to argue that the United States cannot maintain its economic security and world status if it allows its manufacturing sector to be destroyed.

Another remedy came from Paul Volcker who noted earlier this week that in order to put our economy back on a healthy path, the United States must concentrate on “producing more, selling more abroad and becoming more competitive.” Frankly, our country has ignored our

manufacturing sector for many years now and forgotten its importance to our country's health and well being.

The final answer comes from Robert Samuelson, a free trade economic writer. Prior to the economic collapse, Samuelson warned that China had created an aberrant and "predatory" trade policy that was uniquely based on disadvantaging its neighbors, particularly the United States¹. China, Samuelson said, does this through undervaluing the yuan and using massive government subsidies tied to expanding exports. Samuelson believes that China's actions would inevitably "destabilize the world economy."

Johnson warned that the U.S. cannot get back on the path to economic prosperity without doing something about China and its predatory export policies. U.S. manufacturing cannot be resuscitated and become competitive again while U.S. manufacturers are forced to compete against the Chinese government.

NCTO suggested that four steps be taken by the Obama Administration to reverse this trend and help the U.S. economy begin producing more in order to recover in a meaningful way.

- 1) The U.S. government should cite China as a currency manipulator and should support legislation that allows U.S. industry to defend itself and its workers against this predatory practice. China's use of its currency as an economic weapon is the single largest export subsidy that China gives to its export sector.
- 2) The United States should condemn new mercantilist actions that China has taken since the global downturn in order to boost exports. China has pumped ten billion dollars in new export subsidies into its textile sector by increasing its export tax rebate by 40 percent during the last year. China has also embarked on a massive "China Only" stimulus program and increased a large number of subsidies.
- 3) The government should develop a comprehensive public database of China's laws, rules and regulations that favor China's industrial sectors. U.S. government efforts to try and fully understand the Chinese system have been minimal.
- 4) The government should follow through on its commitment to monitor textile and apparel exports from China. This commitment was made during the Presidential campaign and we have seen a huge surge in imports from China in key categories that were removed from safeguards on January 1st. A monitoring campaign is essential to prevent further job losses in the textile and apparel industry.

###

¹["China's Trade Time Bomb"](#) 5/9/07, Washington Post; ["The Real China Threat,"](#) Washington Post, 8/20/08.