

Opening Statement
Senator Byron L. Dorgan
Chairman, Democratic Policy Committee

An Oversight Hearing on Trade Policy
and the U.S. Automobile Industry

Friday, February 17, 2006

Today, we are holding an oversight hearing to examine the impact that trade agreements have had on the U.S. auto industry and workers.

This hearing could not be more timely. Last month, Ford announced that it will layoff 30,000 workers. GM also plans to eliminate 30,000 jobs and close 12 facilities by 2008.

Whenever there are massive layoffs like these, you begin to hear proposals for different kinds of social programs to help the laid-off workers. But there is no social program as effective as a good job that pays well.

I know that the auto business is a complex one, and that there is fierce global competition. But I am concerned that our trade policy has put the U.S. auto industry at a disadvantage – and threatens to hurt it even more in the months and years ahead.

Take, for instance, the case of Korea. In 2005, we imported 730,863 cars from Korea. Our market is wide open to Korean cars.

But do you know how many cars we exported to Korea, which has one of the biggest car markets in the world? Just 4,251.

The fact is that over 99% of the cars on the roads of Korea are Korean made. Is that because Korean consumers don't like American cars? Hardly. It's because Korea has put up all kinds of barriers to their auto market.

So now the U.S. Trade Representative wants to open our markets even further to the Koreans, and sign a free trade deal with them. Can we trust Korea to open its markets to us under a free trade agreement, when they have shown such bad faith on auto trade?

Then, there is the case of China. Last year, Time Magazine had an article with the headline “Here Come the Really Cheap Cars.”

It reported that a Chinese firm, called the “Chery Automobile Co.,” has stolen production-line blueprints for a new GM compact car called the Chevy Spark.

The Chinese company’s copycat car, called the QQ, looks like an identical twin to the Spark. And the Chinese company is now offering it for sale in China for a \$3,600 sticker price, a third less than GM’s car.

Chery has now announced plans to sell five different models, including an SUV, in the United States. It has teamed up with Malcolm Bricklin, who brought the Subaru to America in the 1960s. Their plan is to import up to a quarter of a million Cherys a year starting in 2007.

GM filed a lawsuit against Chery last year, alleging theft of the Spark’s design, and infringement of the “Chevy” name.

Malcolm Bricklin says that Chery is on track to begin selling five Chery models in the United States starting in the summer of 2007.

I believe that this is a perfect example of U.S. trade policy having set us up for failure.

The U.S. negotiated a trade agreement with China in 2000 so that China could enter the WTO.

And as part of that agreement, our trade negotiators struck the following deal: the U.S. would impose a tariff of 2.5% on Chinese cars, and China would impose a tariff of 25% on U.S. cars.

China is a market of over 1.2 billion people, who are buying cars at record pace. But China’s tariffs on U.S. cars are ten times higher than U.S. tariffs on Chinese cars.

This is the sort of nonsense that explains why we had a trade deficit with China of over \$200 billion in 2005 – about two-and-a-half times what the deficit was in 2000, when we signed a trade deal with China.

Then there is the case of NAFTA. When NAFTA was created, that agreement's supporters said that it would create U.S. jobs. We were told that if we lost some jobs, they would be low-skilled, low-wage jobs.

Well, our top two imports from Mexico (excluding crude oil), are auto parts and autos.

So I am very concerned about the impact that our trade policy is having on the auto sector. And I look forward very much to the testimony at today's hearing.

We will hear from a wide variety of perspectives today.

Steve Beckman is with the United Auto Workers, where he is an international trade economist and Director of the Governmental and International Affairs Department.

Stephen Collins is the President of the Automotive Trade Policy Council (ATPC), a trade association that represents the "Big Three" automakers.

John Walker is the founder of Walker Die Casting, Inc., a Tennessee-based manufacturing firm that produces auto parts; he is also the chairman of the United States Business & Industry Council

Jeffrey Schott is a former Treasury Department official and a Senior Fellow at the Institute for International Economics. I think it is fair to say that he is a proponent of the "free trade" school of thought.

Charles McMillion is President and Chief Economist of MBG Information Services, and former Associate Director of the Johns Hopkins University Policy Institute. I think it is fair to say that Mr. McMillion is a proponent of the "fair trade" – as opposed to "free trade – school of thought.

I welcome the witnesses, and look forward to their testimony.