

### CFPA Annual Trade Conference Remarks

- Thank you. I am honored to be here tonight with my colleague, Senator Baldwin, and with Ambassador Lighthizer, and thanks to Dan and Jeff for your words.
- I also want to express my sadness at hearing of the passing of Michael Stumo's daughter. Michael and his family are in Jeannette and my prayers, and our hearts are with them, as I know yours are. He does fantastic work leading this organization, and we are all saddened that he couldn't be with us tonight.
- Thank you all for being here and representing America's manufacturers. What makes us strong as a nation is not just what we can buy, but what we can make. What we can build. What we can produce. Our ability to create is what you, and all the working men and women that are the backbone of these industries, and you embody that here this evening.
- You embody the strength of the American economy. And you represent a direct threat to the Chinese government's ambition to reduce us to a nation of consumers instead of producers, a nation that can only purchase the products of the 21<sup>st</sup> century's high-end industries, instead of making them.
- So I thank each of you for what you do and for the critical part you play in creating dignified work, which is the bedrock of our family and community life, and the part you play in securing the future of our prosperity.
- I would like to take a few moments to discuss the threat posed by the Chinese Government and Communist Party to America's

national and economic security, and how it is instructive of our broader challenge in creating dignified work for all Americans.

- Trade normalization with China occurred with the optimistic promise of fair-market access, economic liberalization, and an improvement in Chinese political and human rights.
- That didn't happen. China took advantage by playing fast and loose with international trade rules and global norms, to the detriment of American productive capabilities.
- After China's accession to the World Trade Organization, we saw what is now called the "China Shock," which was a devastation to American small- and medium-sized manufacturers in concentrated areas throughout the country.
- And now we're facing an unprecedented threat to American competitiveness from China's whole-of-society efforts to capture the high-value manufacturing industries of the 21<sup>st</sup> century.
- We have not encountered anything like this, and it is critical we understand the seriousness of the moment.
- This challenge is ultimately one of national security, and more fundamentally about whether or not the future of the world will be defined by authoritarianism or by democracy.
- If we get this wrong, we will have to explain to the next generation why they didn't get to grow up in the America that we did, the America that led the world in innovation, that created the greatest

prosperity in history, and that was a beacon of freedom and opportunity for millions around the world.

- We'll have to explain why we have become a second-tier power while the Communist Chinese government—a regime that has no respect for human rights, no respect for free speech or other basic freedoms, no respect for political and religious liberty—dominates everything that matters. A world whose most powerful nation is a one-party authoritarian state instead of a democracy is not a better world.
- But more immediately, Chinese economic ambition presents a serious threat to American industry. Through its whole-of-society strategy, the Chinese government is attempting to steal and subsidize and ultimately compete its way to the top of the global production value chain. They want to supplant American industrial leadership by any means necessary, including illegal means.
- China's "Made in China 2025" plan outlines a coordinated effort to achieve dominance in critical technological sectors, some of which the U.S. currently leads globally, and all of which will profoundly shape and drive the 21<sup>st</sup> century economy.
- And make no mistake: Whoever controls these technologies not only will control the upper end of the value chain, but also will be able to set the standards and terms of engagement for the rest of the world. And it's clear the Chinese government wants to dictate the terms and conditions of the future of global trade and global technological engagement, and to do so for their own benefit.

- This threat to American competitiveness and capacity is a threat to working Americans all across the country, who rely on innovation and investment in our real economy—who rely on our national capacity to make things—in order to find decent and well-paying jobs.
- It's a threat to the wages of American workers, and the well-being of American families, and the stability of American communities. It's our job as lawmakers to ensure that U.S. economic policy aligns with our national interests. And nothing is more critical to our national interest than ensuring that the American people can find dignified work.
- That's the other question we're going to have to answer for our children: Will they inherit an America where stable, well-paying work is available only to the few, or to the many? Will our country look like the land of shared opportunity that my parents found when they arrived here, or will we become a stagnant nation fighting over how to divide up what little opportunity is left?
- I believe our best and brightest days are still ahead. But for that to happen, we must meet the challenge honestly and creatively.
- We must choose to prioritize national development, economic dynamism, and small business competitiveness.
- We must invest in our own innovative capacity, and ensure we're fighting for high-wage industries, to the benefit of American businesses, workers, and their families.
- And we must directly confront China's unfair trade practices.

- Ambassador Lighthizer is here this evening. I'm grateful that we have someone serving as U.S. Trade Representative that is standing up for American industry as we negotiate with the Chinese government.
- Bringing balance to America's relationship with China is the geopolitical challenge of this century. The fact that we are in a position today to face that challenge so directly is impressive.
- The President has done what many thought the U.S. would be unable or unwilling to do: actually stand up to China and force them to the table. The pressure is starting to work. America's new assertiveness has created powerful leverage that could be used to change the behavior of China's government.
- This is a massive accomplishment. And it is critical that we make the most of the moment we've created. American negotiators must not waste their leverage by prematurely agreeing to a bad deal.
- We must not focus on a handful of individual trade matters at the expense of addressing structural imbalances. To take just one example: China's theft of American IP costs the U.S. almost \$600 billion every year. That more than the profits of the top 50 companies on last year's Fortune 500 list.
- An improved U.S. trade surplus in soybeans would not be enough. A quick deal to satisfy financial markets would not be enough. China wants to displace the United States in the 21<sup>st</sup> century – we must hold strong against the political pressures of the short-term.

- There is some news emerging recently that Chinese officials are dropping the use of the term “Made in China 2025” in official statements and are considering ending required technology transfers from companies investing in China.
- We cannot afford to accept more empty promises.
- Until the Chinese Communist government fundamentally alters its goals and methods, the U.S. must stay focused on the critical issues of economic theft and competition.
- If we accept a deal that does not bring fundamental structural changes to the U.S.-China economic relationship, we risk losing this century’s most important strategic, economic, and geopolitical competition.
- This challenge is also why I introduced the *Fair Trade with China Enforcement Act* (S. 2). This legislation would take a number of steps to ensure that our trade with China is in our own long-term best interests – starting by imposing duties on Chinese capital goods in the sectors targeted by the “Made in China 2025” plan, to ensure that American buyers do not inadvertently finance the long-term displacement of their own country’s manufacturing.
- It would also impose a tax on Chinese entities that earn investment and dividend income in the U.S., in order to discourage Chinese attempts to price out American exports.
- Trade is not the only question in front of us. We need to confront China directly. But ultimately China will not determine the future of American manufacturing for us. We will determine our future for ourselves.

- As I said earlier, we need to embrace a policy agenda of national development and economic dynamism that places working Americans and their families at the center.
- In today's global economy, high wages for American workers are not inevitable. We know this.
- Free markets are an unparalleled force for the creation of prosperity and wealth, but they also produce in response to the policy terms they are given. They produce in response to what we prioritize. And we have too often failed to make the well-being of working Americans the terms for market success.
- We like to talk about the status quo as if it's neutral, as if it's simply the result of a natural process. But, for example, prioritizing the growth of financial services instead of advanced manufacturing, like we've been doing for the last few decades, is a decision. It's result of policy choices that we've made. And I think we can make better ones.
- For example I think we should stop giving stock buybacks a tax preference. That's the incentive that exists now – the policy choice that exists now.
- If we're going to give tax preference to certain behavior, I think it should be for practices that create more jobs with better wages and benefits for American workers. We can do that.
- I also think we can find a common-sense, common-ground way to provide paid family leave to working parents. All of this is within

our ability. We can put dignified work and healthy families at the center of our policy decisions.

- We need to stand up to the Communist Chinese government, in the face of their economic aggression and ambition to capture the 21<sup>st</sup> century's high-value industries at our expense. We need to ensure they back down and back off trying to win at our expense.
- But our economic future is ultimately ours to choose. And I believe we can choose a future that prioritizes American innovation and production, our ability to make quality instead of just buy cheap.
- And I believe if we get it right, we'll be doing right by our fellow Americans who rely on industry for decent work, and who rely on policymakers to make them and their families our national priority.
- That's why I'm here, and that's why this award is so meaningful to me. I'll continue to fight for you. You continue to make the things that America needs. Thank you.

###