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Do China's Abusive Labor Practices Encourage Outsourcingand Drive Down American Wages?

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As we know, the current Administration believes that the outsourcing of jobs overseas is a good thing.

The President's recent Economic Report to the Congress said it flatly: "When a good or service is produced more cheaply abroad, it makes more sense to import it than to make or provide it domestically."

Today's hearing will address this question: When a good is produced more cheaply in China by defenseless workers in abusive factories, does it still make more sense to import it than to make it at home?

This is not just an academic question. Because the Bush Administration now must answer this question, whether it wants to or not.

The AFL CIO has filed a petition under Section 301 of U.S. trade law, which requires the President to impose trade sanctions on countries that abuse their own workers, if those abuses have harmed the U.S. economy.

The petition alleges that China's own abusive labor practices have cost American workers 727,000 jobs – and that's under a conservative estimate. To my way of thinking, this seems like pretty strong evidence of economic harm.

By law, the Bush Administration now has 45 days to decide whether this is a valid allegation.

I am sure that the Administration will be hearing from some pretty unhappy companies. Because unquestionably, China's labor practices have fattened the bottom line of some large corporations.

Take Wal-Mart, for example. Wal-Mart is famous for insisting that its suppliers cut costs to the bone. And it has used that strategy to grow into the biggest company in the world. In fact, I read a remarkable statistic in Forbes this week: If it were its own economy, Wal-Mart would rank 30th in the world, right behind Saudi Arabia.

Well, last year, Wal-Mart bought $15 billion worth of goods from China. That's over 10 percent of our country's $124 billion trade deficit with that country. When Wal-Mart held its annual board meeting not at its headquarters in Bentonville, Arkansas – but in Shenzhen, China.

But what do China's labor practices mean for American workers? Let's put this issue in context, by citing one specific example.

We all know Huffy bicycles. The Huffy bicycle company has a long history, dating back to 1898, when it opened its first plant in Dayton, Ohio. Huffy bikes are sold at Sears, K-Mart, Wal-Mart, and other stores.

Well, in 1998, the company celebrated its 100th anniversary by laying off 1,800 U.S. workers from plants in Ohio, Missouri, and Mississippi. The jobs were outsourced largely to a plant in Shenzhen, China. The plant is located in the very same Chinese city where Wal-Mart just held its annual board meeting.

The 850 Huffy workers fired in July 1998 from the Huffy plant in Ohio were members of the United Steelworkers of America (USWA). They earned hourly wages of $11, plus $6 in benefits. Surely the workers were not getting wealthy at those rates – but these were good, decent jobs.

By contrast, the average wage of the workers making Huffy bicycles in China is 33 cents an hour. The workers are forced to work 15-hour shifts, from 7:00 a.m. to 11:00 p.m., seven days a week. They are housed in crowded barracks, and fed only two meals a day. They have no health benefits. When these workers get sick, as many of them do, they lose their jobs.

Many of the fired Huffy workers are now working two, or even three, minimum wage jobs to try to make ends meet and not fall behind in mortgage and car payments, school and other expenses for their children.

No one should have to compete with workers making 33 cents an hour, working 15-hour shifts, with no benefits. That is a race that we cannot win, and should not want to.

As I said at the outset, the Administration now has an opportunity to do something meaningful, about the worst kind of outsourcing involving abused Chinese workers. The Administration can, under U.S. law, impose trade sanctions on China, and demand that China change its ways. This hearing will explore whether the Administration should do so.

I have invited witnesses with a variety of viewpoints, including an economist who believes that the Administration should not impose sanctions. I look forward to their testimony.