Testimony of Owen E. Herrnstadt
Before the House Select Committee on Strategic Competition Between the United States and the Chinese Communist Party
Hearing on "Outproducing the CCP: Restoring American Manufacturing"

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Thank you, Chairman Moolenaar, Ranking Member Khanna and members of the Committee for the opportunity to appear before you today on this important topic.[1] My name is Owen Herrnstadt. I am a former member of the Board of Directors of the Export-Import Bank of the United States. I am also a former Chief of Staff of the International Association of Machinists and Aerospace Workers (IAM). I am testifying today on my own behalf.

U.S. manufacturing is critical to our nation's economic and physical security and is essential for building a sustainable economy based on the jobs of today and the jobs of the future. According to NIST, manufacturing accounted for 10% of U.S. GDP and 9.3% of total employment in 2024-2025.[2] Manufacturing is a source of highly skilled jobs at very good wages. Investment in manufacturing research and development has contributed significantly to new industries and innovations that have employed generations of U.S. workers and that have made significant contributions to our economic health. Its impact goes well-beyond the sector. According to the National Association of Manufacturers, "for every $1.00 spent in manufacturing, there is a total impact of $2.69 to the overall U.S. economy." [3] Despite the importance of manufacturing to our nation's economy, millions of jobs in the manufacturing sector have been lost over the past several years. Some 50 years ago, in 1976, over 17 million workers were employed in manufacturing. Today, there are nearly 5 million less jobs in the industry.[4]

Industries that were once great contributors to our country are just fractions of what they once were. As the report indicates, once great U.S. industries that employed thousands of workers, like shipbuilding, and machine tools have been greatly offshored to other countries. Jobs in other leading edge industries, like aerospace, continue to be offshored. Unfortunately, even new industries, like those associated with renewable energy products that were developed in the U.S., are mostly produced outside the U.S. in countries like China.

While there are many reasons for the decline in manufacturing, including productivity gains and technological innovations, one of the fundamental reasons for the decline is the simple fact that the U.S. does not have a national manufacturing strategy and has not established a framework for creating one. To date, comprehensive government policies related to tax and investment, research and development, trade, employment, currency valuation, export initiatives and controls, government procurement and other areas are yet to be integrated to produce a cohesive

[1] Parts of this testimony may be found in my various other testimonies and articles.
[2] Competitiveness Dashboard | NIST
[3] https://nam.org/mfgdata/facts-about-manufacturing-expanded/)
[4] See, https://www.bls.gov/iag/tgs/iag31-33.htm#workforce

and effective strategy to restore the U.S. manufacturing sector and ensure the growth of high wage, sustainable manufacturing jobs.

At the same time, the rush to outsource work around the world has left the U.S. dependent on supply chains. Many of these supply chains have left the U.S. vulnerable when they are broken by pandemics, hostile acts and other developments.

In direct contrast to the U.S., one country that has embraced a powerful manufacturing strategy is China, as documented in the Committee's report. The U.S.-China Economic and Security Review Commission has made similar findings: "China's industrial policy targets and supports strategic industries identified as important to its economy…" (See also, NIST Report discussing Made in China 2025.[5]) Millions of U.S. jobs have been lost to China's aggressive national manufacturing plan. Six years ago, the Economic Policy Institute reported, 3.7 million U.S. jobs were lost between 2001 and 2018, due to the U.S. trade deficit with China.[6] With a trade deficit still above $200 billion one could safely assume that this number has only increased.

While there are many reasons for the U.S. trade deficit with China, China's use of market distorting strategies play a prominent role. One of these strategies includes the demand for the transfer of production and technology to China to gain market access and secure sales. In addition to raising national security concerns, the transfer of production and technology from vital U.S. sectors, like aerospace, continues to pose a related threat to U.S. jobs and our industrial base.

Among other things, the forced transfer of technology and production in leading edge industries like aerospace cost U.S. jobs and lead to a further decline in our industrial base in at least four different but related ways: First, jobs that may be associated with the transfer of technology and production are lost; second, the skills that accompany the transfers are lost leading to a further decline in our industrial base; third, future jobs are lost as China (and other countries) utilizes the transfer from the U.S. to create and strengthen their own aerospace companies that compete directly with U.S. companies; and fourth, the technology and production that would have led to more U.S. jobs through the development of innovative products is lost.

While the precise details of these transactions are not public, numerous reports shed light on how China continues to play the two world's largest commercial aircraft producers, Boeing and Airbus, against one another. For example, it is reported, "more than 10,000 Boeing aircraft use parts and components made in China".[7]

Not to be outdone, Airbus, the only other large commercial aircraft manufacturer in the world, reported that, "[T]he total value of industrial cooperation between Airbus and the Chinese aviation industry" is "over US $1 billion".[8] Indeed, the China Daily reports:

[5] https://nvlpubs.nist.gov/nistpubs/ams/NIST.AMS.600-17.pdf
[6] https://www.epi.org/publication/growing-china-trade-deficits-costs-us-jobs/; see also https://equitablegrowth.org/wp-content/uploads/2025/05/China-trade-shock.pdf
[7] https://english.www.gov.cn/news/202404/15/content_WS661c7c08c6d0868f4e8e60d7.html
[8] https://www.airbus.com/en/about-us/our-worldwide-presence/airbus-in-asia-pacific/airbus-in-china

> "European plane maker Airbus is deepening the integration of Chinese suppliers into its global manufacturing network, highlighting the country's strategic role as the company works to increase aircraft production worldwide…
>
> Today, Airbus works with about 200 suppliers in China, covering the entire value chain. Components made in China can be found across Airbus commercial aircraft programs…
>
> Airbus China CEO George Xu said the company's industrial cooperation value in China exceeded $1.4 billion in 2025, and is expected to continue growing as production rates increase." [9]

In addition to demands for the transfer of production and technology, China heavily subsidies its industries. For example, the CSIS estimates that:

> "With somewhere between $49 billion and $72.1 billion in state-related support, COMAC has benefitted from far more largesse than the $22 billion the WTO determined Airbus had received over many years from the European Union, Germany, France, the United Kingdom and Spain…"[10]

China also distorts the market by keeping labor costs relatively low through its failure to recognize and enforce fundamental human rights, like the right to form a legitimate union, engage in meaningful collective bargaining and its use of forced labor.

As the U.S. State Department documents in its country reports on human rights with respect to China:

> "The law did not provide for freedom of association, and workers were not free to organize or join unions of their own choosing. The All-China Federation of Trade Unions (ACFTU), a CCP organ chaired by a member of the Politburo, was the only union recognized under the law. Independent unions were illegal, and the law did not protect the right to strike."[11]

In addition, as the U.S. State Department Trafficking in Persons report states:

> "During the reporting period there was a government policy or pattern of widespread forced labor in government-affiliated sectors, including through the continued arbitrary detention of Uyghurs, ethnic Kazakhs, ethnic Kyrgyz, and members of other ethnic and religious minority groups in the Xinjiang Uyghur Autonomous Region (Xinjiang) under the guise of "vocational training" and "deradicalization." The government also reportedly continued to place ethnic Tibetans, Uyghurs, and members of other ethnic and religious minority groups in vocational training and manufacturing jobs as part of an ostensible "poverty alleviation" and "labor dispatch program" that featured overt coercive elements. Authorities continued to implement the policy or pattern of pervasive forced labor in

[9] Airbus banks on China supplier base - Chinadaily.com.cn
[10] https://www.csis.org/blogs/trustee-china-hand/chinas-comac-aerospace-minor-leaguer
[11] https://www.state.gov/reports/2024-country-reports-on-human-rights-practices/china/

other provinces and targeted members of other religious minorities under their auspices; the government also sought to coerce the repatriation and internment of religious and ethnic minority groups living abroad increasing their vulnerability to the government's policy or pattern of pervasive forced labor."[12]

As stated at the outset, there are many reasons for the decline of U.S. manufacturing, especially in view of China's aggressive development of the sectors covered in the report. The U.S. must urgently adopt a comprehensive manufacturing plan to produce a cohesive and effective strategy to restore the U.S. manufacturing sector and ensure the growth of high wage, sustainable manufacturing jobs. Some suggestions for consideration include the following:

1. Develop a coordinated effort to restore manufacturing that includes employment, training, procurement, tax and investment, research and development, trade, currency valuation, export initiatives and controls, and other areas, to produce a cohesive and effective strategy to restore the U.S. manufacturing sector and ensure the growth of high wage, sustainable manufacturing jobs.
2. Consider expanding and strengthening the U.S. Export-Import Bank's Make More in America Initiative into an independent manufacturing investment bank, utilizing the potential captured in the introduction of the Industrial Bank for America Act of 2026..
3. Ensure that Buy American and other domestic content requirements actually means that U.S. workers are supported and that, U.S. supplies and materials are used in manufacturing parts, components and products. For most consumers, a U.S. product is one that is domestically manufactured at home with U.S. materials and supplies. Congress and the Administration should move quickly to make domestic content calculations effective and transparent. Domestic content requirements for all government procurement programs (e.g., Buy American) and programs that support U.S. exports (e.g., the U.S. Export-Import Bank) should also be reviewed to ensure that the requirements are strengthened, honored and effectively implemented.
4. Institute effective measures to expand and strengthen Rules of Origin requirements in trade agreements like USMCA and implement rules for tracing materials, components, parts and products from other countries, especially China, throughout the supply chain.
5. Review the domestic and international application of "substantial transformation" where material or a component from another country, like China, substantially transforms into a product from another country, making traceability extremely difficult.
6. Consider unfair trade actions against China's forced transfer of technology and production. Every effort should be made to coordinate with the EU, UK and others in this effort.
7. Efforts to prohibit forced transfers of production and technology should also be made a priority in all trade negotiations with other countries, including the EU and UK. If the U.S., EU and UK were to agree to prohibit these transactions with respect to China (and each other), then U.S. and EU companies will be able to compete on the quality and price of their goods, not on who can give away more technology and production to China.
8. Consider trade actions against China for illegal subsidies to its aerospace industry. Billions of dollars of subsidies have been directed to the development of China's own

[12] https://www.state.gov/reports/2026-trafficking-in-persons-report/china

large commercial aircraft, the C919. Again, the U.S. should make every effort to coordinate with the EU and others.

9. Consider trade actions against China for unfairly subsidizing its companies by keeping its labor costs artificially low because of its failure to respect fundamental human rights.
10. Require employment impact statements to determine which government contracts create and support U.S. jobs.