

**The Nightly Business Report**  
**China – A Scapegoat?**  
**June 24, 2003**

A political issue about China is quietly brewing on Capitol Hill. Small and medium-sized manufacturers are sounding the alarm. They are losing business to lower cost Chinese competitors. The rub is that some of this competition is coming from the Chinese branches or partners of large US companies.

It's true that a number of large American manufacturers are beefing up their operations in China. They want to build a base and gain the advantages of lower cost manufacturing.

This shifting of production facilities to lower cost areas is part of the fabric of globalization. It's something larger companies can do with relative ease. But small and medium-sized companies simply don't have the resources to shift production so easily. They are feeling the pinch and China is an easy scapegoat. These firms point to examples of unfair competition -- the burgeoning trade deficit and China's dragging its feet on its WTO commitments.

Politically it's the small and medium-sized players against the goliaths: China and the multinationals. But, small companies are this economy's biggest job creators, and they have political clout. My bet is that they will find an attentive ear as elections approach. Presidential candidates and Congress will have to take a fresh look at costs -- regulation, litigation, and health care -- if we want to keep more manufacturing here at home.

I'm Barbara Hackman Franklin.