



---

**PRESS RELEASE**

---

For Immediate Release: July 8, 2004

Contact: Harald Stavenas (202) 225-2539

**Opening Statement of Chairman Duncan Hunter**  
*Hearing on the Impacts of Defense Offsets*

This morning we meet to receive testimony on the economic, technological, and engineering workforce implications of defense trade offsets on the U.S. defense industrial base.

This hearing is the second in a series of hearings during which the committee will explore how defense offsets are used in defense trade, how that use has changed over time, the quality and extent of information concerning offsets, short- and long-term economic and technological consequences of offsets, and the impacts of offsets on our engineering workforce.

It is important that we begin to move the debate beyond the short-term question of whether offsets themselves are a necessary evil. Instead, we must focus on the longer term question of secondary or unintended consequences that will result from the continuation of this policy.

The revelations that are now coming to light indicate troublesome trends for the U.S. prime and subcontractor defense industries. The Department of Commerce reported that the aerospace trade surplus declined from \$40 billion in 1998 to \$27 billion in 2000. Clearly, this market further eroded after 9/11.

We also know that since the end of the Cold War, global defense procurement has declined. So it is not surprising that U.S. defense exports for goods and services declined by 27 percent from 1998 to 2003. However, during the same period, U.S. defense imports for goods and services increased an amazing 93.4 percent. This raises questions: What role do offsets play in transferring the capability of the U.S. defense industrial base to foreign suppliers? Is this trend reducing the business opportunities for U.S. subcontractors and eroding our capabilities? Will the U.S. defense contractors find that they have contributed to the development of future foreign competitors? Further, with the decline in the aerospace market and domestic erosion in the defense industrial base, can we sustain a science and engineering workforce to maintain a technological superiority?

We hope that the testimony today will contribute to our ability to answer these and other important questions.

As I stated at our previous hearing, it is not the intent of this committee to put our defense contractors at a competitive disadvantage. To the contrary, this committee seeks a defense industrial base policy that is responsible to the taxpayer, good for the prime contractors, good for the subcontractors, and provides a national defense industrial base capable of sustaining our military and our national security.

###