

Point of View:

Sep 20, 2007

## **How getting chummy with China helps North Carolina**

Gary Gereffi

DURHAM - The story of China gobbling up American manufacturing jobs is well-told, but it overlooks opportunities for states, counties and towns to benefit from relations with China.

Lessons learned about North Carolina's place in the global economy can be valuable for other states because our economy is, in many ways, a microcosm of the U.S. economy. North Carolina's main industries are diverse: traditional manufacturing, biotechnology, business services, information technology and agriculture-based sectors. Its challenge is familiar: Even though its manufacturing output remains high, employment in North Carolina's two top manufacturing sectors, textiles and furniture-making, fell by 90,000 jobs between 2001 and 2006.

Groups in North Carolina are working in several ways with Chinese companies and government agencies to benefit from the Asian super-exporter's economic rise. Here are some of the initiatives:

\* North Carolina is moving traditional manufacturing sectors such as textiles in a more high-tech direction, and China is now one of the state's growing export markets. In 2006, North Carolina exported \$52 million of textiles and fabrics to China, up from less than \$8 million five years earlier.

Textile exports to China still lag way behind those to Mexico and Central America, but they are significant because textiles sent to China tend to be in the growing markets of high-tech custom fabrics. North Carolina-based Glen Raven Custom Fabrics, for example, which made pantyhose, luggage fabric and yarn for apparel in the early 1990s, has refocused on expensive, customized industrial fabrics for outdoor furniture, boats and awnings, and now sells growing volumes of its products to China.

\* North Carolina recognizes its economy can grow not in spite of China's economy, but with it. A number of important multinational corporations have significant foreign direct investment in both North Carolina and China.

For example, after buying IBM's PC-division, the China-based Lenovo Group relocated its international headquarters from Purchase, N.Y., to Research Triangle Park. Enticed by

state and local incentives totaling \$11 million, Lenovo is building an \$84 million campus in Morrisville, which will add 400 jobs with an average annual salary of \$70,000 over five years.

\* Seeing the advantages of cooperating with Chinese companies, last year the state created the North Carolina China Center (NCCC) with the mission of facilitating trade. The center has already secured two major agreements. China Everbright International agreed to develop a research center for environmental science and technology jointly with the NCCC, and the Suzhou Industrial Park (a massive China-Singapore high-tech zone near Shanghai) is opening its North American headquarters in the Triangle in association with the NCCC.

\* Another strategy emerging in the state is to expand educational and cultural ties to China. All of the major North Carolina universities, including Duke, have extensive academic collaborations with their Chinese counterparts, and exchange programs are growing. Such programs both equip North Carolina students to do business in China and bring Chinese students to the state to pursue advanced degrees. A growing number of Chinese researchers contribute to North Carolina's high-technology firms, although the state lags behind others, such as California, in terms of technology companies created by Chinese immigrants.

China is a formidable economic competitor, but it also can be a strong partner if North Carolina companies and policy-makers take advantage of China's own desire to modernize its economy. North Carolina can benefit from a high-tech partnership with China, and at the same time be a model for what it takes to bolster our U.S. standing as well.

(Gary Gereffi is the director of the Center on Globalization, Governance & Competitiveness at Duke University and runs the North Carolina in the Global Economy web site, [www.soc.duke.edu/NC\\_GlobalEconomy](http://www.soc.duke.edu/NC_GlobalEconomy). This article is based on testimony he gave Sept. 6 to the U.S.-China Economic and Security Review Commission.)

<http://www.newsobserver.com/print/thursday/opinion/story/709762.html>