



U.S.- CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on China and the WTO: Assessing and Enforcing Compliance

**Opening Statement of
C. Richard D'Amato
Commission Chairman**

**February 3, 2005
Washington, DC**

Welcome to our two-day hearing evaluating China's progress in meeting its WTO commitments and how the WTO might be used to address continuing problem areas.

The Commission has evaluated China's progress toward meeting its broad array of WTO commitments in our past reports and has highlighted a number of key problems, particularly China's undervalued currency and poor protection of intellectual property rights (IPR), both of which are fueling a dangerous, ballooning trade deficit in the U.S. The viability of the WTO itself, as the preeminent global trade organization, depends on whether it can deal with issues of the magnitude of China's IPR and exchange rate practices. If the WTO is to serve as steward of the global trading system, it must actively and successfully confront those practices that threaten the basic structure of that system. Clearly the U.S. must take the lead with the WTO if these issues are going to be resolved.

Another key concern of the Commission has been the fate of the WTO's special oversight system for China, the Transitional Review Mechanism (TRM). During China's accession negotiations, the U.S. pressed for the TRM in order to institutionalize a formal review of China's efforts to pull its economy and government in line with WTO standards. The hope was that the TRM would expose key problem areas and put collective pressure on China to address them. Instead, China's failure to fully cooperate with this process, despite having agreed to it, has left the TRM little more than an information gathering session.

Outside of the WTO, China is pressing its trading partners to confer market economy status on its decidedly non-market economy. Not only would such a designation confer market legitimacy on China's economy, it would diminish the ability to bring antidumping actions against low-cost Chinese imports. In the U.S., the Commerce Department controls this designation, though U.S. law provides guidelines as to what constitutes a market economy. At high-level meetings in the spring of 2004, the U.S. agreed to set up a joint working group to help China understand the non-market designation and work toward achieving market economy status. Obviously, the Commission would be pleased to see China actually move toward becoming a market economy. We are concerned, however, with the possibility that market economy status will be treated as a bargaining chip to be traded away as part of a political strategy, rather

than granted only when warranted by economic developments. China is a far, far cry from a market economy, by any stretch of the imagination, today.

Also on our agenda today is a discussion of the Continued Dumping and Subsidies Offset Act of 2000 (CDSOA), known as the Byrd Amendment. When the U.S. collects anti-dumping duties, the Byrd Amendment authorizes the government to distribute them to injured domestic producers, making it an important form of relief for U.S. firms. The WTO has ruled against the Byrd Amendment and has authorized U.S. trading partners to impose retaliatory duties. This ruling is despite the fact that nowhere in the WTO treaty is such a practice referred to, much less prohibited. We would like to determine how the U.S. should respond to this ruling – repeal the provision, accept retaliation, or search for other options.

Additionally, data collected for the CDSOA process has revealed that \$250 million in antidumping duties -- nearly half of the total imposed -- has gone uncollected, primarily related to agricultural imports from China. We hope to shed light on this issue at today's hearing and examine ways to resolve this problem that undermines the effectiveness of our trade laws.

As evidenced in our agenda, the WTO is involved in wide range of economic concerns that China presents to the U.S. In examining China and the WTO, we intend to maintain a sense of perspective, that we might improve our understanding of the broader trends in U.S.-China trade.

After a statement by the Commission's vice chairman, Roger Robinson, we'll turn the proceedings over to Commissioners Pat Mulloy and June Dreyer, who will co-chair this hearing. For myself and for the Commission, I thank them for the excellent work they have done in preparing this hearing.

All written statements submitted to the Commission by Members of Congress and other witnesses will be made a part of the record in full, and are available on the table in the back of this hearing room.

Vice Chairman Robinson.