



U.S.- CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on China and the WTO: Assessing and Enforcing Compliance

**Opening Statement of
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Hearing Co-Chair**

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Washington, DC**

I am pleased to welcome you to the second day of our hearing examining China and the WTO and to take over the proceedings from my colleague and hearing co-chair Commissioner Patrick Mulloy.

China's entrance into the WTO was hailed as a historic development that would both enhance our export opportunities and move China toward adherence to rules-based systems, both domestic and international. Today, three years later, the jury is out on both. U.S. exports to China have expanded, but have not nearly kept pace with the surge in imports, driving our trade deficit with China to record levels. Internally, China has undertaken broad economic reforms to conform to its WTO commitments, yet considerable shortfalls remain, including in the two areas we will focus on this morning, agriculture and intellectual property rights (IPR) protection.

We will start out this morning with a representative of the Government Accountability Office (GAO). The GAO completed a report in October 2004 for the Congress evaluating the U.S. Government's efforts to enforce China's WTO compliance. We look forward to hearing the GAO's recommendations for improving U.S. efforts in this area. We also expect to discuss the ongoing GAO work on U.S. trade remedies. These reports, on the China-specific textile safeguard, countervailing duties, anti-dumping duties, and the product-specific China safeguard, will examine many of the issues at the heart of this hearing.

Addressing continuing large-scale problems with China's IPR protection, where the Commission has found piracy rates running above 90 percent, will be the aim of the next panel. The panel will consider the development of China's IPR laws and regulations as well as the key issue of IPR enforcement.

Many of the advantages held by U.S. producers in the U.S.-China trading relationship stem from the advanced nature of U.S. intellectual property. The ubiquity of IPR infringement in China thus presents a serious threat to U.S. producers and the U.S. economy as a whole. During high-level meetings between American and Chinese officials in April 2004, China pledged to improve IPR protection through a series of detailed steps. The Office of the United States Trade Representative is completing its review of China's implementation. We are asking industry representatives to give us their perspective on what improvements have been seen in the wake China's recent

promises. We will also look for strategies that the U.S. might employ, along with like-minded trading partners, to encourage China's protection of IPR.

Our final panel examining U.S.-China agricultural trade will address problems with both market access for U.S. exports to China and the challenges to U.S. producers from increased imports from China in the U.S. market. China's WTO commitments specified improvements in its quota system. China is also obligated to cease employing unscientific safety standards as import barriers. Our panelists will discuss whether China's import administration has become more transparent and fair, and whether improvements remain necessary to reduce uncertainty, arbitrary controls, and import obstruction.

Imports of Chinese agricultural goods are also a concern to the U.S. agriculture industry. Chinese apple products are presenting a serious challenge to U.S. producers, and our panel will discuss outstanding concerns regarding the health standards applied to such imports. Anti-dumping laws offer some relief against import surges, but the prevalence of uncollected dumping duties on imports of Chinese agricultural products has undermined the use of this trade tool and merits a close examination. We hope to come away from this panel with actionable recommendations for addressing these areas of concern.

We thank our panelists of yesterday and today. The testimony of individuals and organizations involved in U.S.-China trade is critical to our mission of researching and analyzing the bilateral relationship. And yet it is precisely these individuals and organizations that are in a position to be threatened with retaliation from China for sharing their perspectives with us and with the U.S. public. We want our panelists to know that we are fully aware of these risks, that we understand when our invitations are declined out of fear, and that we greatly appreciate those who are willing to be with us at this hearing.