

**US China Economic and Security Review Commission**  
**February 3, 2005**  
**Statement by Senator Lindsey Graham**

Thank you for opportunity to appear before you again. I appreciate the work this commission and its members are doing to highlight the issues facing us.

We know that China continues to flaunt international standards and agreements when it comes to trade. We know they continue to peg their currency to the dollar in clear violation of their WTO commitments.

China's currency manipulation hurts US manufacturers, it hurts American workers, and quite frankly it hurts Chinese consumers.

The Chinese currency policy also puts incredible pressure on the European Union as it stifles growth. As the former EU Commissioner for external Relations, Chris Patten, pointed out: "There are concerns on the level of the Chinese exchange rate."

As many of you know, I have been working with Senator Schumer and others to encourage the Chinese to move forward on a market based valuation of their currency to give American manufacturers a level playing field.

This continued policy of pegging the yuan to the dollar results in a 29% tariff on all American exports into China and a 29% subsidy of their goods coming here and results in a steady supply of hard currency for the government in Beijing.

I think it's long past time for this to change. If China wants to be part of the community of nations, this is one of the best places they can start.

I would also encourage the regime in Beijing to begin abiding by the agreements they have already signed.

And what can we do?

The United States, on all levels of government, must do a better job of enforcing the agreements we have and start holding accountable our supposed partners to these agreements. That means STOP transshipping and protect intellectual property. Don't pay lip service to these issues, DO SOMETHING about them.

On the transshipment front, we know the Chinese continue to flaunt their international obligations. We know that even with the repeal of quotas on all textile and apparel at the beginning of this year, the Chinese prepared to transship billions of dollars of goods through Southeast Asian, Central American, and African countries should those quotas be reinstated. China must stop its daily attempts to circumvent the very agreements they signed. They must STOP TRANSHIPMENTS.

On the intellectual property side, we know that the Chinese government has attempted to enforce some rules, but only after their own intellectual property began to be copied, stolen, and reproduced. By the time a movie is released here in the US, you can buy a bootleg copy of it for the equivalent of one dollar on the streets of China.

My only real hope in the intellectual area is that the pinch on China's domestic industry will lead to a crackdown on violators of patent and trademark laws and agreements.

In Conclusion we need to act decisively on several fronts:

1. Enforce our existing trade agreements, especially before we consider others
2. Join forces with other free market economies, to fight the China threat
3. Balance our own budget, this will reduce China's ability to react to our new get tough policies
4. Protect intellectual property rights
5. And press strongly for a revaluation of the yuan.

I appreciate what the Administration has done on this issue, but if we continue to press the Chinese on these issues and they don't respond, we can only blame them for so long.

Eventually, and I believe that time has come, we must blame ourselves for doing nothing to stop the erosion of our manufacturing base.

If you won't stand up to the bully, you can only blame the bully so long.

We need to act aggressively, decisively, and immediately.