



U.S.- CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

*Hearing on China and the WTO: Assessing and Enforcing Compliance*

**Opening Statement of Commissioner**

**Patrick A. Mulloy**

**Hearing Co-Chair**

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**Washington, DC**

Welcome to our important two-day hearing looking at key aspects of the U.S.-China trade and economic relationship. I thank the Chairman and Vice Chairman for giving me the opportunity to chair today's hearing along with my distinguished colleague Commissioner June Teufel Dreyer.

I'll be chairing today's panels and Commissioner Dreyer will chair tomorrow's panels. We are fortunate this morning to have a number of Congressional Members sharing their perspectives with us. This Commission was created to serve Congress, and the presence and active participation of Members at our hearings helps us better understand the issues in the U.S.-China economic relationship that are of most concern to the elected representatives of the American people.

We will begin our panels today with representatives from the Executive Branch – from the Commerce and State Departments – who are directly involved in the our government's efforts to monitor and enforce China's compliance with its WTO commitments. As in years past, we of course also invited the office of the United States Trade Representative to appear, as they are the agency on the front lines of this issue. Unfortunately, because their key officials had scheduling conflicts, they were unable to attend this session.

Given today's hearing focus on the issue of China's exchange rate practices, we also invited the Treasury Department to send a representative. We hoped to receive an update on the progress of their discussions with China toward revaluing the significantly undervalued Chinese currency, which is operating as a large-scale subsidy for Chinese exporters and an inducement for foreign companies to move manufacturing facilities to China. Treasury has repeatedly denied our past requests to testify, and did so again this time. This is very disappointing. We continually read in the press statements from Treasury officials lauding the "progress" they are making in their negotiations with China on the exchange rate issue. At the same time, regular Treasury reports on exchange rate practices deny that China is manipulating its currency at all. We would like to question Treasury officials on this matter, because from where we're sitting it doesn't look like there has been any forward movement. To use a football analogy in this week before the Super Bowl, if the U.S. has gained any yards, it's not apparent to us.

When China joined the WTO, its accession agreement included provisions designed to compensate for the non-market elements of its economy. Most countries enter the WTO as market economies. China did not meet that test and thus its accession agreement included a detailed schedule of phased market access and market reform commitments. China's accession agreement also permitted its trading partners to utilize special China-specific trade safeguards.

Our second panel will feature two prominent trade attorneys and will examine the effectiveness of U.S. trade laws and WTO mechanisms for addressing our major trade concerns with China, including how we utilize China-specific safeguards. As part of this discussion, we will focus on the use of the Continued Dumping and Subsidies Offset Act (CDSOA), known as the "Byrd Amendment," as a tool for providing relief to U.S. firms injured by dumping from China and other countries. The Byrd Amendment has been struck down by the WTO, now the U.S. must decide how to respond.

The third panel will consider China's exchange rate practices. The Commission has clearly articulated its view that China's undervalued currency is acting as an unfair trade advantage. We have also noted that China is bound by WTO and IMF agreements prohibiting currency manipulation. We believe the time has come to explore how to address this problem through the WTO given the absence of any concrete movement by China from continual bilateral negotiations on this matter. This hearing will explore the possible options.

We will close the day with a panel on textiles. The global agreement to control textile trade was terminated at the beginning of 2005, and Chinese textile exports are expected to dramatically increase as a result. This panel will examine why a China-specific textile safeguard was included in China's WTO accession agreement and how it has been utilized.

Our hearing will continue tomorrow with panels on China's progress (or lack thereof) in protecting intellectual property rights, a paramount concern of U.S. exporters as it gets to the heart of U.S. competitiveness. We will also have a panel on U.S.-China agriculture trade, relating to market access in China as well as the dumping of Chinese agricultural products in the U.S. market. Commissioner Dreyer will introduce these topics and panels in more detail tomorrow, but it is important to note them here in the context of today's panels. Many of these topics overlap, and they certainly all fit together in building an accurate picture of U.S.-China trade.