



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on China's WTO Compliance and Industrial Subsidies

**Opening Statement of
Peter Brookes
Commissioner and Hearing Co-chair**

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Washington, DC**

Good morning. I am pleased to be chairing my first hearing with the U.S.-China Economic and Security Review Commission and I thank you all for joining us today.

China's economic clout demands that it play a responsible role in maintaining the rules-based system of global trade. Holding China responsible for its WTO obligations is a major step toward holding China responsible in all aspects of its international behavior -- be it cooperation in the U.N. Security Council on Iran's nuclear program, active participation in the Six-Party Talks, or a contribution to constructive dialogue on meeting global energy needs.

In its 2005 Report to Congress, this Commission found that "China remained in violation of its WTO commitments in a number of important areas. While China has made progress toward meeting some commitments, shortfalls persist in many of the most significant areas for U.S. industries. As a result, U.S. firms continue to face market access barriers in China and unfair trade practices in U.S. and third-country markets."

The topic of today's hearing is the WTO compliance of China's subsidization of domestic industry. China's system of preferential treatment and subsidies includes no-interest or low-interest loans, lower pricing to state-owned companies for upstream industrial products, and preferential tax policies. A look at this issue could not be more timely. Just last week, the U.S. Trade Representative, Ambassador Rob Portman, announced his request for WTO dispute settlement consultations with China on unfair treatment through discriminatory tax policy on imports for U.S. auto parts. In order to maintain a strong trade relationship with China and reap the successes of free trade and globalization, it is critical that China abide by its WTO obligations and these dispute settlement consultations are important in making that happen.

We are pleased to have Tim Stratford, Assistant U.S. Trade Representative for China Affairs, here today to discuss China's WTO compliance and, more broadly, the U.S.-China trade relationship and the Administration's strategy for that relationship. Mr. Stratford is responsible for developing and implementing U.S. trade policy toward

Mainland China, Taiwan, Hong Kong, Macao and Mongolia. Prior to his appointment, Mr. Stratford served as General Counsel for General Motors' China operations. Most recently, Mr. Stratford was largely responsible for the Administration's recent Top-to-Bottom Review of U.S.-China trade relations and I applaud him for his role in that undertaking.

In our second panel of the morning we will hear from Loren Yager, Director for International Trade at the Government Accountability Office. Among other foreign policy issues, Dr. Yager is responsible for GAO's work analyzing U.S.-China trade and the trade remedies available to the U.S. in managing that relationship. Prior to joining GAO, Dr. Yager was an economic analyst at the RAND Corporation, where he authored studies on high-technology trade and U.S.-Japan trade policy. Dr. Yager has also held positions as an economist with the Aerospace Industries Association and the Bureau of Labor Statistics.

I look forward to both panels. Let us begin with Mr. Stratford.