

**Statement of Congressman Tim Ryan**

**Before the United States-China Economic and Security Review Commission**

*China and the WTO: Assessing and Enforcing Compliance*

**Senate Dirksen Room 124**

**February 3, 2004**

*The hearing will examine China's record of compliance with its WTO commitments and explore options for using U.S. trade laws and WTO mechanisms for addressing continuing trade problems, including China's undervalued currency and weak enforcement of intellectual property protections.*

**Introduction**

Commissioners, I would like to thank you for allowing me to testify today. How the United States deals with China on economic and security issues is of extreme importance. Although I represent a Congressional district in Ohio, our trade relations with China impact all of America.

**Ohio**

When dealing with China, I think it is immensely important to state the obvious: While the United States might be playing by the rules, China is playing to win. The rest of the world does not have the same sense of fair play and ethics as we do in America, and we should always be very cognizant of that fact.

Recently, your commission issued a study that ranked Ohio eighth in the number of jobs lost due to America's trade deficit with China. The loss of 61,914 Ohio jobs trails 211,045 jobs lost by California and 106,262 by Texas. Overall, the study shows that the rising trade deficit dislocated production that supported 1.5 million U.S. jobs. If this does not cause concern, the following statistics definitely will. The study found that the U.S. trade deficit with China has increased 20-fold over the last 14 years, rising from \$6.2 billion in 1989 to \$124 billion in 2003. Study after study shows we are losing ground as we help empower a communist country that does not share our democratic values and certainly doesn't have our best interests in mind. There can be no safety for the American people without a healthy economy and a vibrant middle class. The United States possesses a giant economy and its influence should be used to promote fair trade; and to not sell ourselves to the multi-national corporations that regard making money more than anything else.

### **Currency**

On the topic of China's currency manipulation and peg, which has been set at one dollar to 8.28 yuan since 1994, China operates in the international trade world by giving with one hand and taking with the other. As the economist Alan Tonelson put it, "Think about China during the 1990s. After devaluating the yuan in 1994 and 1996, China helped bring on the Asian financial crisis in 1997. For months afterwards, the region and the world held their breath wondering if China would offset the newly weakened currencies of its Asian neighbors by devaluing again. When Beijing demurred, the world cheered, and credited a newfound sense of international responsibility in Beijing. Yet, China fooled nearly everyone. While keeping the yuan stable, it boosted industrial and export subsidies, and received many of the benefits of devaluation without

paying any political price.” This is classic China trade policy and we should be very mindful of this as the United States encourages China to re-peg its currency. I am a firm supporter of demanding China to re-value its currency and drop its peg, but that is not the be all, end all of fixing our trade problems with China. We must also re-evaluate how the United States operates in the global economy.

## **WTO**

The United States’ problem with China’s trade practices is a symptom of a much larger problem – the internal structure of the World Trade Organization. From January 1, 1995 to October 31, 2004, there were 318 “Requests for Consultations” in the WTO to evaluate disputes between WTO members. Since China joined the WTO on November 11, 2001, there have been 78 Requests for Consultation, and China has been named the defendant only once – concerning its value-added tax on integrated circuits [*the Request was made by the U.S. and that Request was resolved by a mutual agreement between the U.S. and China*]. During the same time, the US has been named the defendant 27 times or almost 35% of the time. Essentially, the US is the target for other WTO members. We are the target because other countries want to get into our markets. We might be the biggest economy, but we can’t promote American interests when we are tied to having the same vote as other member countries, and in fact, a much weaker vote than the EU.

The EU, which is about to end its military arms trade embargo with China, is a WTO member in its own right as are each of its 25 member states, which totals 26 WTO members. The WTO is made up of only 148 members. Why doesn’t the United States have the same leverage in the WTO as the EU? Why doesn’t the WTO take into account the size of its members’ economies?

The United States has the most open market in the world. We are not trying to be a bully on the international market's playground and want to play fair, but we are getting our clock cleaned by not standing up for ourselves.

We need leadership to get us out of our trade deficit with China. We need the President and his administration to be strong in demanding China and the rest of the WTO to play by the rules. To this end, I have introduced a piece of legislation, H.Con. Res. 33., which urges the President to take immediate steps to establish a plan to adopt the recommendations of the United States-China Economic and Security Review Commission in its 2004 Report to the Congress in order to correct the current imbalance in the bilateral trade and economic relationship between the United States and the People's Republic of China.

### **Conclusion**

In conclusion, I will continue to seek a get-tough approach with China, and will introduce a number of bills that put a stop to the Chinese raid of American jobs and treasure. I will encourage my peers in Congress to follow suit in helping American workers, but we need true leadership from President Bush and his administration. So far, the Bush administration's silence on the China trade gap has been deafening.

Commissioners, thank you for your great work. Your commission was formed because of concerns regarding China's trade policies and trade agenda, and as your research has shown, those concerns have turned out to be true.