

US-China Economic and Security Review Commission  
Congressman Michael H. Michaud  
Testimony on China's Industrial Policy and its Impact on U.S. Companies,  
Workers and the American Economy

I regret that scheduling conflicts make me unable to testify in person today. Your work has been invaluable to those of us in Congress who are concerned about the economic, political, and security implications of the U.S. relationship with the People's Republic of China.

The hearing today on China's industrial policy and its impact on U.S. companies, workers, and the American economy couldn't come at a more crucial time. With a new Administration and a new Congress, coupled with an ailing economy, we're at a critical junction. Inaction on these critical issues is not an option.

During your last hearing, I spoke at length about my concerns regarding the patent reform legislation that passed the House in the 110<sup>th</sup> Congress. Some variant of the patent legislation considered in the 110<sup>th</sup> Congress will return for consideration this Congress.

In my testimony last year, I requested that you prepare recommendations for Congress on how it can provide legislation and oversight designed to defend the rights of U.S. patent owners involved in U.S.-China trade. Specifically, I outlined a few questions to answer that would be most helpful in educating Members of Congress about this complex legislation. I look forward to hearing the commission's recommendations.

I believe that we have a historic opportunity to address many of our trade imbalances with China, but I also realize the road ahead will be difficult. As co-chair of the House Trade Working Group, I organized a letter signed by 54 of my colleagues to President Barack Obama outlining a new American trade and globalization agenda that could produce the benefits of expanded trade while remedying the considerable problems of past approaches. The letter described an array of policies that Congress and President Obama can work together on to move a new trade agenda forward, and to address the enormous trade imbalance with China.

The House Trade Working Group is eager to work with the new Administration to resolve the pervasive China currency manipulation problem. Our immense trade imbalance with China is gutting the U.S. manufacturing base and has serious economic and security implications. We urged President Obama to remedy a broken U.S.-China trade relationship by engaging the Chinese government at the highest level, utilizing firm targets and deadlines.

Further, we urged him to halt negotiations recently launched by former President Bush to establish a new U.S-China Bilateral Investment Treaty (BIT). While many in Congress have echoed his call for an end to existing loopholes that promote offshoring, BITs provide new protections to assist U.S. firms' relocation of investment and jobs offshore.

A China BIT would also empower Chinese firms, including state-owned firms, to purchase even more U.S. assets under preferential terms. Moreover, a BIT based on the existing U.S. model would allow these Chinese firms to skirt U.S. courts and use foreign tribunals to challenge U.S. regulation of Chinese firms operating here, extending the investor-state system President Obama so rightly criticized during the campaign.

It is my sincere hope that the new Administration will address these pressing issues in the coming days. Again, I thank this Commission for its work and many contributions in helping Congress understand these key issues in the rapidly evolving U.S.-China relationship.

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