



U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

## **Hearing on Chinese State-Owned Enterprises and U.S.-China Bilateral Investment**

### **Opening Statement of Commissioner Michael Wessel March 30, 2011 Washington, DC**

Good morning and thank you for coming. Today's hearing on "Chinese State-Owned Enterprises and U.S.-China bilateral investments" is our fourth hearing of the year. I would like to thank Senator Sherrod Brown and his staff for helping to secure today's hearing venue.

For those who are new to our hearings, we are a bipartisan Congressionally-chartered Commission composed of 12 members, six of whom are selected by the Majority and Minority leaders of the Senate and six by the Speaker and the Minority Leader of the House.

Today's hearing will examine three aspects of China's economic policy. The first is China's state-owned or state-controlled companies and industries, which together constitute an estimated 30 to 40 percent of China's economy. These companies, generally the largest ones in China, are operated and managed by the central government of the People's Republic. They are an instrument of state power as well as the centerpiece of China's industrial policy. They receive massive government subsidies and are protected from competition from foreign companies. In addition, there are more than 100,000 smaller companies that are owned or operated by provincial and local governments. These companies also receive many benefits from their government ownership. Their persistence and their outsized influence in China certainly violate the spirit of the free market principles of the World Trade Organization.

All this is occurring just as our ability to address China's unfair trade practices is threatened by a decision from the World Trade Organization. Two weeks ago, the WTO issued a decision that attacks the vital ability of the United States to fight unfair Chinese subsidies. In addition, in just five years, China's official WTO designation as a non-market economy expires, further hobbling the U.S. ability to challenge China's unwillingness to embrace further economic reform.

These state-owned enterprises are increasingly active globally, seeking to expand China's economic opportunities and power around the globe. They're involved in aerospace, autos, oil, steel, telecommunications and numerous other industries.

As agents of the state, their activities demand enormous scrutiny as they come armed with support not only of their government, but with the trillions of dollars in financial reserves that the country has amassed.

But, we also need to understand what other Chinese entities are doing – not a simple task. Beyond the state-owned or state-invested enterprises, there are companies that act under the direction of the state or with delegated authority. We need to understand the implications of their efforts.

Two separate panels will examine U.S. direct investment in China and Chinese direct investment in the United States. Both forms of investment have been increasing, especially U.S. investment in China. As you will hear, more than half of the imports to the United States are from foreign invested enterprises in China.

We have some excellent witnesses today who are quite expert on these complex issues. I'd like to ask that each witness limit his remarks to just seven minutes in order to leave plenty of time for questions and answers. First, we will hear from Congresswoman Rosa DeLauro from Connecticut and when he is able to come, Congressman Maurice Hinchey from New York.