

**Testimony of U.S. Senator Debbie Stabenow  
Before the United States-China Economic and Security Review Commission  
June 9, 2010 – as prepared**

Thank you, Chairman Slane and Chairman Mulloy.

Ten years ago, when China was admitted to the WTO, and I was serving in the House of Representatives, I voted against giving China *permanent* normal trade relations because of my serious concerns about their labor and environmental policies and their track record of favoritism for Chinese industry. And I was concerned that we would not be able to hold China accountable for their actions.

I had been to China a few years before that, in 1995, and saw how China was growing as a major player in international trade. At the time, they had a policy that required automotive companies to partner with Chinese companies before they could do business there, and they levied an 85% tariff on our vehicles.

In April of this year, I went back to China, and although the differences are striking, some things remain the same. China still requires our automotive companies to form joint ventures, and the tariff on cars is now "only" 25% -- which is a lot of money when you're talking about a car.

I was there to speak at the Global Automotive Leaders Summit, during the Beijing Auto Show, to challenge the Chinese government to play by the rules on a level playing field with our manufacturers. While I was there, I got a chance to see some of our American manufacturers trying to compete with and sell their products to the Chinese market. There's no question that China is an important market. While I was talking to some of our auto folks there, they said that 80% of their customers are buying their very first car – and so GM, and Ford, and Chrysler have to teach people how to do basic car maintenance, like changing the oil, or checking the tire pressure. This is a market that is huge, it's growing, and it wants to buy American products.

Unfortunately, the Chinese government is doing everything in their power to keep American products out. Since they joined the WTO, I have heard from many Michigan companies whose patents have been stolen by Chinese firms. Companies in my state have lost their contracts for speaking out about Chinese trade policies. And thanks to China's policy of currency manipulation, we've lost nearly 68,000 manufacturing jobs in my State of Michigan alone since China joined the WTO.

None of these policies are consistent with membership in the WTO.

That's why I've been working with my colleagues – and I'm glad to see them here today – to address these problems and level the playing field.

I joined Senator Schumer and Senator Graham in introducing the Currency Exchange Rate Oversight Act to reform and enhance oversight of currency exchange rates. Consistent with the International Monetary Fund, the bill changes the way Treasury finds an undervalued currency; and Consistent with the WTO, the bill requires that Commerce investigate claims of dumping and subsidies because of undervalued currencies.

I've introduced the Trade Prosecutor Bill with Senator Lindsey Graham to create a Chief Trade Enforcement Officer to help manufacturers who are hurt by illegal trade practices. This trade prosecutor would investigate other countries' trade violations and recommend the prosecution of cases before the World Trade Organization. Our bill would also establish a Chief Manufacturing Negotiator to ensure that the interests of the U.S. manufacturing industry are adequately represented during trade negotiations.

And I've also joined Senator Sherrod Brown in introducing the Trade Enforcement Priorities Act. The government releases a report every year listing all the barriers that other countries have put up to keep American products out. This year, the report was more than 500 pages long, and many of those barriers were put up by China. Our bill would also require the Trade Representative, in consultation with other relevant agencies, to focus their efforts on countries like China that have high trade deficits with the U.S. and those that have demonstrated a pattern of unfair trade practices.

But while I was in China, I also heard a lot about their indigenous innovation policy. The policy sounds nice enough – but it is clearly designed to keep American companies from doing business in China and encourages Chinese companies to steal our intellectual property. While this "only" applies to government procurement, keep in mind that the Chinese government directly controls 40% of Chinese industry and all of the nation's banks. Their state-run economy means that for the parts of the economy that aren't directly controlled by the government, the government still exerts considerable pressure and influence.

President Obama has stated his goal of doubling U.S. exports in the next 10 years – I'm proud to be on the President's export council, and I support that goal. But we will never make it there if we can't sell to China. If American companies can't sell to the Chinese government, they can't really sell their products in China at all.

In the ten years since they joined the WTO, China has never signed on to the Government Procurement Agreement, which would prohibit this kind of policy. Since they aren't a member, we have very little power to get them to change their unfair policies.

That's why, next week, I'll be introducing the China Fair Trade Act, legislation that will prevent Federal taxpayer dollars from being used to purchase Chinese products and services until they sign on to and abide by the WTO Agreement on Government Procurement, which will allow American companies to export into their government markets.

My bill will also implement two recommendations of this Commission to require a report on the Chinese industrial policies that are hurting our industries and workers, and to require the Department of Energy to identify how China is developing its renewable energy sector and what the impact of that is on our manufacturers.

It is my hope that by continuing to keep the pressure on the Chinese government, we can open their markets to American products, and create jobs for American workers.

Thank you.