



Hearing on “Risks, Rewards, and Results: U.S. Companies in China and Chinese Companies in the United States”

Thursday, February 28, 2019
Hart Senate Office Building, Room 216
Washington, DC 20002

Opening Statement of Commissioner Wessel

Good morning, and welcome to the second hearing of the U.S.-China Commission’s 2019 report cycle. Thank you for joining us today.

Today’s hearing seeks to dive deeper into what are the challenges and opportunities for the U.S. vis-à-vis our U.S. companies operating in China and, conversely, from Chinese companies operating here. These may sound like easy questions to answer but the reality is very different: Over the years that this Commission has been in existence, the ability to really find out what is happening to our companies operating in China – in a specific and granular basis – has been difficult, if not impossible to ascertain.

The issue of what is happening to, and what the activities of U.S. companies operating in China are, is of paramount interest, especially as negotiations between our two countries on trade issues appear to be near an end. Focus has been on intellectual property theft and the coercive activities of the Chinese government and its companies to force technology transfer as a condition of doing business there. But there is also attention to gaining greater access for U.S. investments into the Chinese market. That has been identified as a priority but a deeper examination of the desirability of focusing on that, in my view, is merited.

Is greater investment by our companies in China in our company’s interests and is it in the interest of our domestic producers and employees? Is it in the interests of our nation, as China has sought to advance its own interests by any means possible – legal and illegal? Do we really want our companies to move more of their operations there? With 46% of China’s exports emanating from foreign-invested-enterprises – U.S. and otherwise – will more of our investments there simply fuel more outsourcing of production and offshoring of jobs and more imports here?

What has been the track record of U.S. companies operating in China? Are they profitable? What are their sourcing patterns – have they simply replaced their use of U.S.-produced inputs for Chinese inputs? Are their operations enhancing or undermining U.S. interests?

In short, who wins?

Similarly, there is very little work that has been done regarding the activities and operations of Chinese companies operating in our market. While there’s been a recent dip, the investment by Chinese



companies in our market is extensive. Investments are still occurring. Indeed, investments in biotech by Chinese firms were significant last year. As well, Chinese companies are using U.S. markets to raise significant capital. Our staff prepared an inventory of listings by Chinese firms on our three major exchanges which now total more than \$1.2 trillion in capital raised.

From the latest publicly available tax information, there were 7,360 Chinese foreign-controlled companies filing returns. For that tax year, 2015, that was more returns than Germany, only 111 fewer than Japan, only 163 fewer than the United Kingdom and significantly more than many other nations. Yet, there has been little focus on these companies or an appreciation for the scope of Chinese operations in the U.S.

Investments by Chinese companies in the U.S. market, the capital they raise, and the operations they maintain, need greater scrutiny. The Commission hopes that today's hearing will shed greater light on what Chinese companies are actually doing here. Do they operate based on market principles? What are their key objectives? What are their employment practices? Are they profitable? These and other issues are of critical interest.

These are not easy questions to answer. And, from our prior work and the work done in preparing for this hearing it's clear to me that there are many gaps in our knowledge. I hope today we can identify what we do know, what we don't know, what information is obtainable, what tools are available to assist us in gathering the data to make appropriate policy assessments. And, where we do have adequate information to act, what policies should be considered.

To our distinguished witnesses, thank you for joining us to discuss these questions. I look forward to hearing from each of you. In addition, I would like to thank the Committee on Rules and Administration for securing this room for our use today. I now turn the floor over to my colleague and co-chair for this hearing, Vice Chair Robin Cleveland.