



**Statement of U.S. Representative
Christopher Smith, Cochairman of the
Congressional-Executive Commission on
China (CECC)**

**CECC Hearing on “China’s Compliance With
the World Trade Organization and
International Trade Rules”**

January 15, 2014

In 2001, China acceded to the World Trade Organization. At that time China’s economy was liberalizing. It was a vast and promising market, and foreign businesses were eager to see the imposition of the WTO’s set of rules and principles bring some order to the Chinese investment and legal systems. Some also hoped that bringing China into the WTO would improve its record on human rights, though I and several other members of this Commission were skeptical. This hearing will revisit questions previously addressed by this Commission, namely, has China honored its commitments as a member of the WTO? Has China embraced human rights and the rule of law, as the optimists hoped?

Sadly, the answer is no. As this Commission’s most recent Annual Report documents, China continues to massively violate the most basic human rights of its own people and to systematically undermine the rule of law. Today, ethnic minorities are repressed. Freedom of religion is denied to those who worship outside state-sanctioned institutions. Believers are harassed, incarcerated, and tortured. The abuse of women and the draconian repressive one-child policy which has involved egregious abuses such as forced abortions and forced sterilizations remains firmly in place. Those who stand up to the central government and advocate for human rights are also detained and tortured.

It is not only the activists who suffer, but also their families and loved ones as well. As 2010 Nobel Peace Prize winner Liu Xiaobo continues to serve an 11-year prison sentence for peacefully advocating for political reform, his wife, Liu Xia, is forced to endure the extreme isolation of house arrest and is now reportedly experiencing severe depression. Self-taught legal activist Chen Guangcheng’s own nephew languishes in prison while other members of Chen’s family are kept under surveillance and harassed. Last month I chaired a hearing of the Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations that gave voices to five young women who called upon the Chinese government to free their wrongfully imprisoned fathers. The citizens of China deserve far better than leaders who use such ugly methods to bolster their own political power.

As a member of the WTO, China has experienced tremendous economic growth and become increasingly integrated into the global economy, benefitting greatly in the process. So how is it doing on living up to its obligations? Terribly. China agreed to abide by the WTO principles of non-discrimination and transparency. However, U.S. companies are still forced to compete with China’s large state-owned sector that benefits from unfair policies designed to favor Chinese producers.

U.S. exporters continue to face many barriers when trying to enter the Chinese market. Some of these barriers are obvious, such as China's indigenous innovation policy and restrictive investment regime. Others are more subtle and difficult to substantiate, such as reports from U.S. companies that Chinese officials sometimes require the transfer of valuable technology to gain market access or investment approval. These barriers represent blatant violations of WTO rules.

China's investment in the United States has sky-rocketed in the past few years as Chinese companies invest in everything from real estate projects to the pork producer Smithfield Foods. It, however, remains difficult for U.S. companies to access the Chinese market. China's multi-billion dollar government procurement market also remains largely closed to U.S. bids, and the Chinese government has dragged its feet on taking steps to open it.

China's record of protection of intellectual property rights, a fundamental WTO obligation, is abysmal. Infringement of our companies' IP leads to lost sales in China, the U.S., and other countries; lost royalty payments; and damaged reputations. The United States government and U.S. companies have been the victims of repeated and sustained cyber-attacks by Chinese entities. In 2013, the Commission on the Theft of American Intellectual Property reported that the U.S. loses hundreds of billions of dollars in IP theft, and estimated that China accounts for 50 to 80 percent of these losses.

Even China's internet censorship serves to keep American products and services out of the Chinese market. Both the New York Times and Bloomberg websites are blocked in China, reportedly resulting in the loss of millions of dollars in revenue. In December, the Chinese government delayed the visas of as many as two dozen foreign journalists. This blatant attempt at intimidation not only threatened these journalists' livelihoods, but also the closure of the China bureaus of several U.S. media organizations.

The level playing field promised as part of China's WTO accession has not been achieved. China has used the WTO as a tool to strike back against other members who legitimately challenge China's imposition of antidumping and countervailing duties. China has also become extremely adept at appearing to comply with WTO decisions without addressing the actual problems. This has caused great harm to U.S. companies, from automobile and steel manufacturers to publishing houses and movie studios.

In November 2013, the Chinese government once again released a plan outlining how they reform their economy. Only time will tell if these proposals will lead to meaningful reform. Until China's leaders are truly committed to embracing the rule of law and fundamental human rights, this plan, like those before it, will be full of nothing but empty promises.