

Statement of Senator Carl Levin
Congressional Executive Commission on China Hearing on
China's Compliance with World Trade Organization and International Trade Rules
January 15, 2014

I am pleased the CECC is holding this hearing on China's compliance with WTO and International Trade Rules. This is an important issue in need of close monitoring given China's past poor record of compliance. When Congress voted to grant China PNTR status upon its accession to the WTO it established the CECC as part of that legislation precisely to monitor China's progress in achieving its WTO commitments and in transitioning to the rule of international law.

Twelve years after acceding to the WTO, there is broad consensus that China has fallen far short in achieving the positive changes many expected WTO membership would bring about regarding complying with the international trade rules it committed to. In many ways, China continues to play by its own rules in the global marketplace; setting industrial policies to promote identified and favored domestic industry sectors and heavily subsidizing state owned enterprises.

The following quote from USTR's 2013 Report on China's WTO Compliance provides a succinct assessment of China's behavior as a WTO member:

With the state leading China's economic development, the Chinese government pursued new and more expansive industrial policies, often designed to limit market access for imported goods, foreign manufacturers and foreign service suppliers, while offering substantial government guidance, resources and regulatory support to Chinese industries, particularly ones dominated by state-owned enterprises.

Especially troubling to me are China's lack of intellectual property rights protections, failure to act against wide-spread counterfeiting, and theft of American technology and trade secrets in cyber space. As far back as 2011, the National Counterintelligence Executive said in its annual report to Congress that "Chinese actors are the world's most active and persistent perpetrators of economic espionage." USTR's Special 301 report stated that "Obtaining effective enforcement of IPR in China remains a central challenge, as it has been for many years." The report continued "This situation has been made worse by cyber theft, as information suggests that actors located in China have been engaged in sophisticated, targeted efforts to steal [intellectual property] from U.S. corporate systems."

Additional concerns include China's continued currency manipulation which gives Chinese exports an unfair price advantage, its abusive use of trade remedy laws for retaliatory purposes rather than for their permitted use to respond to prohibited trade actions and anti-competitive policies that favor China's domestic renewable energy technology sector, China's automotive sector, and other domestic sectors targeted for growth.

The U.S. must continue to hold China to its WTO commitments and initiate WTO challenges where appropriate. Doing anything less will continue to put American companies, workers and farmers in the position of continuing to have to compete against the resources of an entire country rather than individual companies.