

Is China Playing By the Rules? Free Trade, Fair Trade, and WTO Compliance  
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Opening Statement  
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The U.S. - China relationship is the most important relationship our country will have over the next 50 years. Managing this relationship will be as complicated as it is critical. We must get it right.

China's economic and political influence is growing, and few problems in the Asia-Pacific region can be solved without its cooperation. The United States and China are finding new ways to cooperate, from achieving stability in Northeast Asia, to intelligence sharing in the war against terrorism, to joint operations in battling international trafficking in narcotics. Despite this, we should not be surprised that we will continue to have serious differences with China. China must improve its human rights practices. It must improve its proliferation safeguards. And it must live up to its WTO commitments. Each of these issues, if left unresolved, will impact our overall relationship.

China's current trade and economic policies demand close scrutiny because they impact both U.S. national security policy and U.S. jobs. Trade remains the biggest common denominator between our two countries and it offers the mutual benefits necessary to build a stable relationship for the future. However, U.S. exports to China have failed to keep pace with imports and it is in the best interests of both countries to adjust this imbalance. This will require China meeting its obligations for full, effective and uniform application of WTO commitments at the national, provincial, and local levels. China must also develop a reasonable timetable to achieve full convertibility of the yuan. The question of whether a currency is under or overvalued, and by how much, cannot be settled in the absence of a free market.

China has undertaken many of its obligations under the WTO accession process, particularly in the area of tariff reductions. However, as the American Chamber of Commerce in China recently noted in its 2003 White Paper, "the WTO honeymoon period is over." China is failing to implement its own laws protecting intellectual property rights. It has not taken the concrete regulatory steps necessary to open specific industries and sectors to competition. Progress on soybeans has been particularly troubling. U.S. exporters have faced Chinese government policies that are as unclear as they are complicated, and most recently U.S. soybean exports have been disrupted by non-science-based phytosanitary restrictions. China's efforts to meet its WTO commitments to implement tariff rate quotas for bulk agricultural products have been equally unsatisfactory. China must move forward in meeting each of these obligations.

China understands that the political stability of Asia is closely linked to an expanding global economy, and this to the continued development of a fair and open trading system. China and the United States share this important goal. Building a cooperative agenda will not grow out of unrealistic expectations of what both sides can achieve in the short term, but instead out of the clear-eyed realization that we have a mutual interest in developing a common approach to a wide range of bilateral, regional and global issues in this new century. China's willingness to work with us in the coming weeks, months, and years will tell us much about whether China and the United States will move forward in building a deeper and more relevant relationship.