



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the U.S.-China Economic Relationship**

According to chaos theory, a butterfly beating its wings in America might start a hurricane in China.

As we emerge from the chaos of the worst financial crisis since the Great Depression, the relationship between what happens in America and what happens in China is as important as ever.

The U.S. and Chinese economies are increasingly interconnected. As consumer demand in the United States declined, China's exports fell dramatically. And as the United States fell into a deep recession, China's economic growth slowed significantly.

Now both the United States and China must recover and rebuild. But we cannot do so in isolation. China has failed to recognize this fact.

For too long, China's economic policies have focused on unsustainable export-oriented growth at the expense of American ranchers, farmers and workers. For too long, China has permitted the theft of U.S. intellectual property at the expense of American innovators. And for too long, China has protected its domestic industry at the expense of American businesses and exporters.

America can no longer afford to be complacent. We no longer have the luxury of pursuing failed approaches. We must rethink the U.S.-China economic relationship. We must act, not just talk.

China is the world's fastest growing economy. In 2009, China's Gross Domestic Product grew by almost nine percent. China's per capita GDP nearly doubled from 2005 to 2009. Consumer spending in nearly a quarter of Chinese cities is expected to double over the next ten years.

China is fueling global economic growth. And as China develops a new role in the global economy and global institutions, we must develop a new approach to a new China.

Last month's Strategic and Economic Dialogue (S&ED) meeting reinforced the need to rethink and revitalize. We entered the S&ED with expectations that China would take concrete action to address its currency and so-called "indigenous innovation" policies. We walked away with promises to engage in further discussions. Dialogue is important. But discussion does not equal action.

By seeking a new approach, we do not seek to start a hurricane. We do not seek to succeed at China's expense. Rather, we seek to foster long-term mutual cooperation, recognizing that in the short term we may need to take strong unilateral and multilateral action. We seek to ensure the long-term economic progress of America as well as China.

But we must address long-standing issues in our relationship. For example, a prominent CEO of a U.S. software company recently noted that many Chinese companies will legally purchase only 25 percent or less of their software needs. They illegally pirate the rest. We must take new steps to address persistent problems.

I propose four ways to redefine America's approach to U.S.–China economic relations.

First, the United States must formulate a comprehensive strategy to better manage our bilateral U.S.–China economic relationship. Different U.S. agencies are pursuing different, uncoordinated strategies. We can no longer approach our economic relationship in this piecemeal way.

We must craft a holistic strategy, orchestrated and led by the White House, to develop a strong, mutually beneficial U.S.–China economic relationship. In doing so, we must recognize that our bilateral economic relationship is an equal complement to our bilateral strategic relationship. Our economic relationship has taken a back seat to our strategic relationship for too long.

Second, we must approach China's economic policies as a global concern, not just an American concern. China's currency misalignment, ineffective protection and enforcement of intellectual property rights and industrial policies such as indigenous innovation hurt businesses around the world, not just U.S. businesses.

We must work multilaterally with key trading partners such as the European Union, Korea, and India to make it clear to China that the world is watching and is united in its concern. And we must effectively address these concerns through key multilateral fora such as the G-8 and G-20.

Third, we must look carefully at the tools offered by international institutions such as the International Monetary Fund and World Trade Organization. Where these tools provide effective recourse, we must be willing to aggressively pursue it. Where these tools are not adequate, we must work to strengthen them.

Fourth, we must be willing to take strong unilateral action. In April, the Treasury Department postponed publication of its biannual currency report until after the S&ED and G-20 meetings. As I noted, we must work multilaterally to resolve the currency issue. But we cannot expect our trading partners to take strong action if we are unwilling to do so.

America must be willing to take the lead, even as we ask others to join. As part of a coordinated strategy, America must take steps now to address the U.S.–China economic relationship.

The Treasury Department must negotiate effective solutions to address China’s currency manipulation. The Commerce Department must apply a rigorous analysis when investigating antidumping and countervailing duty petitions regarding Chinese imports. The Office of the United States Trade Representative must take all necessary steps to improve China’s protection and enforcement of U.S. intellectual property rights and to suspend China’s discriminatory indigenous innovation policy. And Congress must assess whether the administration needs stronger enforcement tools to address the U.S.–China economic relationship.

With these efforts, I am confident we will build an effective new approach for this new China. We can recast the U.S.–China economic dialogue. And by doing so, both the United States and China can recover from the global hurricane to build interconnected economies that are stronger than ever before.

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