



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

Albert Einstein said: "To keep your balance, you must keep moving."

For many years, the U.S.-China relationship has been marked by imbalances. We have a significant trade imbalance. We have a worrisome debt imbalance. And there's a lack of balance in China's currency policies.

Our trade imbalance — the focus of this hearing — results from many factors. China continues to erect barriers to U.S. exports. China infringes U.S. intellectual property at unacceptable rates. China discriminates against U.S. companies through its so-called "indigenous innovation" policies. China dumps many of its products on the U.S. market. And China improperly subsidizes many of its exports.

To build a successful relationship, we must address these imbalances. We must restore balance. To do so, we must keep moving forward.

But forward movement requires forward thinking.

China has changed dramatically. It is now the world's largest exporter and fastest growing economy. Consumer demand is increasing exponentially. Its gross domestic product is rising sharply.

And China is capitalizing on its emerging role as an engine of global growth. It is protecting its domestic industries. It is taking a more active role in the World Trade Organization. It is finding its place in the global economy.

China has kept moving. But the U.S. has not. America's approach to China remains the same.

The U.S. continues to pursue the same dialogues to discuss our trade irritants. These dialogues have helped deepen the U.S.-China economic relationship. But discussions are merely a means to an end. Dialogue alone is not a measurable result.

May's Strategic and Economic Dialogue meeting proved again that we cannot rely on discussion alone to produce movement. We sought ambitious outcomes on China's currency and indigenous innovation practices. We ended up with promises to keep talking.

In our hearing with Treasury Secretary Geithner, I proposed a four-pronged strategy to rethink U.S.-China trade and economic relations. USTR and Commerce will play key roles in ensuring the success of this strategy.

First, the administration must devise a comprehensive, administration-wide plan to improve U.S.-China economic relations. And each agency must develop a strategy to address its part within the administration-wide plan.

This strategy will include dialogue. But it cannot end there. It must include measurable steps for progress in our economic relationship.

Second, the United States must work multilaterally to address trade issues with China. USTR and Commerce maintain robust relationships with key trading partners like India and the European Union. Our agencies must use those relationships to identify and address common concerns raised by China's trade practices.

Third, the United States must look carefully at the tools offered by international institutions, like the WTO. I applaud USTR's strong commitment to enforcing China's WTO obligations. Since 2004, the USTR has filed several WTO cases against China. I urge USTR to consider carefully whether the United States should bring additional cases to ensure that China adheres to its WTO commitments.

And where China's existing obligations are not sufficient, USTR and Commerce must seek to strengthen them. For example, China has long promised to accede to the WTO Government Procurement Agreement. But China has failed to follow through. The United States must seek a timeline for China's accession. And we should seek leverage to ensure that China keeps to that timeline.

Fourth, the United States must take strong unilateral action to address our trade imbalance even as we pursue multilateral action. USTR must seek suspension of China's indigenous innovation policy. And USTR must dismantle Chinese barriers to U.S. agricultural and other exports.

And Commerce must apply our antidumping and countervailing duty laws to dumped and subsidized Chinese imports.

China opened the door to appreciating its currency last week. But Commerce must carefully consider whether China's currency practices constitute an improper subsidy under U.S. law.

Taking these four steps will help to achieve measurable results. Taking these four steps will help the U.S.-China relationship to keep moving. And doing so should help the U.S.-China economic relationship to find a new balance.

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