



U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

*Hearing on the Extent of the Government's Control of China's Economy, and Implications for  
the United States*

**Opening Statement of**

*Michael Wessel*

**Co-chair**

**May 24, 2007**

**Washington, DC**

Good Morning and thank you for coming.

When China joined the World Trade Organization in 2001, it became a member of a group whose purpose is to promote free and fair trade among nations. There are rules to follow -- often detailed rules -- on such issues as the protection of intellectual property, export subsidies, and many other issues. But the overall point of membership in the WTO is to advance a free market approach to international trade. That's the concept.

But as we shall see today, that's not necessarily the reality for China. The central government is determined to carefully control large segments of the Chinese economy. These favored sectors will remain under government control and will be the beneficiaries of a variety of governmental support programs and policies. China will be the home of "national champions" or mega-companies created from the strongest of the tens of thousands of state-owned enterprises. Just as the central government has already recapitalized its four largest banks with government funds and subsidies, it apparently now intends to create and subsidize global competitors while maintaining central government control.

Today's hearing occurs against the backdrop of the bilateral US-Chinese Strategic Economic Dialogue. Regrettably, the SED appears to have, once again, resulted in no significant breakthroughs to address the problems that exist in our bilateral relationship. The topic of this hearing is one that demands immediate attention.

We'll be hearing from a number of experts on the likely effect of these policies and from some members of Congress with businesses and workers in their districts who are already being affected by China's mercantilist policies.

We will also hear from a panel of experts in international trade law on the implication of China's continued refusal to adopt free market and fair trade principles.