



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on the “China-Europe Relationship and Transatlantic Implications”

Opening Statement of Commissioner Carolyn Bartholomew April 19, 2012 Washington, DC

Good morning, and welcome to the fourth hearing of the U.S.-China Economic and Security Review Commission’s 2012 Annual Report cycle, which will examine economic, national security and foreign policy aspects of the China-Europe relationship. I want to thank you all for joining us today.

As trade between Europe and China grows, we want to examine how individual European countries balance their interest in Chinese investment with EU-level economic priorities vis-à-vis China. While China provides a vast market opportunity for European companies, there are also a number of areas of concern, such as intellectual property theft, forced technology transfers, and Chinese government limits on market access.

Today’s hearing takes place at an important time. With continuing concerns about the European sovereign debt crisis, there are still many questions about what role China will play in resolving that crisis. EU leadership has been trying to build support for a European Financial Stability Facility (EFSF), seeking financial help from the IMF, the United States, and other rich countries around the world. But it has been China that they have been wooing the most.

China, with its \$3.2 trillion in foreign exchange reserves, seems uniquely positioned among world actors to provide funding when others, facing their own economic or political pressures, may be unable or unwilling to help. There are certainly plenty of reasons for China to do so: The EU is China’s biggest export market. Europe is struggling with economic survival and will be more open to Chinese acquisitions of European companies if it means additional jobs.

Moreover, China may be in a position to gain concessions from the EU in exchange for support. Concessions could include the granting of long-coveted market economy status and relaxing criticism of China’s undervaluation of its currency, the renminbi. Although there has been no official confirmation from the EU, some news reports allege that China offered to provide emergency financial assistance to the EU in return for, among other things, lifting the arms embargo. The embargo is a non-binding pact imposed by EU on China following the Tiananmen Square Massacre in 1989.

Like the United States, the EU has been running increasingly large trade deficits with China for many years. Coupled with China’s continued use of trade-distorting subsidies, this trend has led to growing economic frictions. Generally, American companies have the same concerns as their

European counterparts, and we'd like to learn how Europe is addressing these concerns. We'd also like to identify key areas where European and U.S. interests coincide, and where the potential exists for better coordination in our respective policies. The United States and the EU have been working together to address some of the challenges posed by China's anti-competitive trade practices. For example, The United States, EU and Japan have requested WTO consultations over China's limits on exports of rare earths, which is a precursor to the filing of a formal complaint.

We will hear from experts on the first and second panel before lunch. We will adjourn for a lunch break at 12:15, after which the hearing will resume in this room at 1:15.

Before I turn the floor over to my co-chair for this hearing, Commissioner Blumenthal, I would like to thank House Speaker John Boehner and his staff for securing this room for us today.

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