



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on “Evaluating China’s Past and Future Role in the World Trade Organization”

Opening Statement of Commissioner Patrick A. Mulloy

**June 9, 2010
Washington, DC**

Thank you Chairman Slane. It is now 10 years since Congress extended PNTR to China, which means permanent normal trade relations. This vote was a precursor to allowing China to join the WTO, which it did in 2001.

The purpose of today’s hearing is not to second guess what Congress did 10 years ago. Its purpose is to look at the arguments made in favor of China’s WTO entry by proponents and to consider the results. We also want to look at what the Chinese government hoped to obtain from its WTO entry, and what it got.

The President’s national security advisor, Sandy Berger, said at the time that “approval of PNTR and accession to the WTO will make China more likely to emerge as a more open, stable, cooperative nation that plays by the rules of the international system and provides greater freedom to its people. If we reject PNTR, I am equally convinced that we will subvert that goal and damage our national security.” Charlene Barshefsky, the President’s trade representative, told Congress that she supported China’s entry. “From the perspective of trade policy, China’s accession to the WTO is a clear win. China’s trade concessions are of one-way and enforceable.”

Kenneth Lieberthal, now at the Brookings Institution and at the time on the staff of the National Security Council, said on the PBS Newshour in November of 1999 that the U.S. trade deficit with China “will not grow as much as it would have grown without this agreement, and over time, clearly it will shrink with this agreement.”

Yet, in the years between 1978 and 2002, China accumulated a \$517 billion trade surplus in goods with the United States. Since joining the WTO in December, 2001, China accumulated an additional \$1.6 trillion in its cumulative trade surplus with the United States, for a total of \$2 trillion.

The day after the House of Representatives voted to grant PNTR to China, the Wall Street Journal published an article noting that even before the vote, “Corporate America was making plans to revolutionize the way it does business on the mainland. And while the debate in Washington focused mainly on the probable lift for U.S. exports to China, many U.S. multinationals have something different in mind.” Said Joseph Quinlan, an economist with Morgan Stanley: “This deal is about investment, not exports.”

On the day that it formally entered the WTO, December 11, 2001, The People’s Daily noted that, “We should actively spur foreign capital to flow into high and new technological industries and encourage transnational corporations to come to China to set up R&D centers and regional headquarters.”

In today's hearing, we want to examine these matters so we can eventually provide Congress with recommendations on how we can get a more balanced trade and economic relationship with China that better serves the interest of the American economy and American people.