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Evaluating China's Role in the World Trade Organization over the Past Decade

1. What benefits have the U.S. companies with offices and production in China gained from China's entry into the WTO?

They have gained very substantial benefits from being able easily to export to the United States without any fear of possible suspension of or interference with their flows of goods to the American market. The WTO made it very safe to invest and produce in China for export globally. It dramatically reduced the risk of investment in China. The WTO deal also opened some domestic Chinese markets to foreign producers that also proved beneficial to those producers.

2. What are the key areas in which China is failing to comply with its WTO obligations?

Probably China's inability to protect intellectual property is its biggest failing in this regard. Of course, its currency management regime is also very problematic and appears as if it may be in violation of several WTO provisions, but this is not entirely clear cut. The use of informal administrative guidance to enforce industrial policy directives is also a powerful factor that seems to violate several WTO provisions.

3. Principal difficulties for U.S. companies in China? Can the WTO fix them?

For U.S. companies trying to export to China from a U.S. base, the principal difficulties are the undervaluation of China's RMB and the constant administrative pressure to transfer production and technology to China. Recently this has become worse as a result of the China's new indigenous development campaign. The WTO might be able to deal with the currency issue, but a major country or group of countries would have to file a case

under one of the clauses of the WTO such as the nullification and Impairment clause or the illegal export subsidy provisions or possibly. The issues of administrative guidance and indigenous development could also be dealt with under WTO rules, but again it would require a major country or countries to file cases. This is a problem with the WTO. It does not monitor and enforce compliance on its own, but simply waits for complaints. Many countries will be quite reluctant to complain against a powerful rising China on which they are often quite dependent in a variety of ways. So as a practical matter, I believe it is highly unlikely that the WTO would actually be able to solve these problems. For U.S. companies doing business from a China base the big problems in addition to indigenous development and lack of intellectual property protection are formal and informal “buy China” rules, and the subsidization of targeted industries and favored companies by the Chinese government. Again, it is unlikely that the WTO will actually solve these problems.

4. Which of these difficulties result from China not carrying out its WTO obligations related to IPR protection, licensing requirements, and the use of subsidies to favored industries?

Many of them result from this as I noted above.

5. What has been the impact of China’s entry into the WTO on U.S. companies that are not doing business in China?

First of all it has forced a lot of companies to actually move to China in order to survive against competitors already there or in order to continue to be able to supply big companies like Wal-Mart, Boeing, and others. Second, it has dramatically increased the pressure of competition on all companies operating in the domestic U.S. market. Only if a company’s products or services are truly and wholly non-tradable has the entry of China into the WTO had no effect.

6. Has China’s entry into the WTO had a positive or negative effect on the WTO?

Perhaps the effect has been moderately negative in that it has strengthened the power of the block of member countries that embrace strategic trade and

that really don't adhere to free market values and practices in their domestic markets and with regard to their domestic industries. But we shouldn't overemphasize this. The fact is that the WTO is useful as a means of enforcing reduction of global tariffs. Beyond that it is wholly inadequate and even inappropriate to the demands of globalization. It was created to reduce tariffs and to remove import quotas and other border measures and it has largely achieved that. It also enforces that. Beyond that, it is not structured nor is it founded upon any principles that would enable it truly to deal with the issues of globalization as opposed to trade.