

Opening Statement of Sen. Chuck Grassley
as Prepared for Delivery
Hearing, “The U.S. – China Economic Relationship: A New Approach for A New China”
Secretary of the Treasury Timothy F. Geithner, testifying
Thursday, June 10, 2010

Today’s hearing provides an opportunity for the Committee to engage Secretary Geithner on the outcome of last month’s Strategic and Economic Dialogue in Beijing.

I have serious concerns about the direction that China’s government is taking with respect to its economic and trade policies.

I want to hear from the Secretary specifically what these meetings accomplished, and what the Secretary sees in the way of next steps in our bilateral relationship.

For example, what are China’s intentions with regard to its currency exchange rate?

I emphatically disagreed with the Treasury Department’s decision in April to delay issuance of its currency report.

The time is long past for the Treasury Department to admit publicly what everyone else already knows—namely, that China is manipulating the value of its currency in order to gain an unfair advantage in international trade.

Treasury obviously felt differently, and I’d like to hear what this delay in issuing the report has accomplished.

I worry that, by delaying the report, Treasury has raised expectations that won’t be met. Is the Chinese government going to make a significant adjustment to its exchange rate, just because our Treasury Department held off on issuing this report? I doubt it.

I also want to hear about the Secretary’s discussions regarding China’s so-called indigenous innovation policy, which is a government policy to give preferences in China’s procurement market to products that contain intellectual property developed in China.

Our Ambassador to the World Trade Organization has described this policy as one of several Chinese policies indicating, quote, “a policy direction that seems designed to limit market access for imports and foreign investors and pressure enterprises to localize research and development in China, as well as transfer technologies,” end quote.

In other words, instead of doing everything it can to comply with the letter and spirit of its World Trade Organization obligations, the Chinese government appears to be looking for ways to evade those rules, or to find loopholes and gaps in the rules that it can exploit.

This is a troubling development that, in my view, calls for some careful rethinking about our overall approach to China on trade matters.

For example, if China continues to refuse to make a serious offer to join the Government Procurement Agreement in the World Trade Organization, we should take a harder look at our own procurement rules as they apply to the procurement of goods and services from China.

Separately, if China chooses to apply a “national economic security” test when it reviews foreign investment through mergers and acquisitions, perhaps we should do the same with respect to Chinese investments in the United States.

The point is, if one of the major beneficiaries of the world trading system engages in a pattern of refusing to play by the same rules as everyone else, then we should reconsider the rules that we apply to that country.

I look forward to hearing from the Secretary his intentions for prompt action to address these important issues.