

Opening Statement of the Honorable **Ted Poe (R-TX), Chairman**  
Subcommittee on Terrorism, Nonproliferation, and Trade Hearing:  
“China’s Predatory Trade and Investment Strategy”  
July 11, 2018

(As prepared for delivery)

No nation on Earth has benefited more from the post- War world order than China. From freedom of the seas, to free markets, to free exchanges of ideas, China has harnessed the international system built by the U.S. and its allies to become a major world power. In the last 30 years, with the embrace of the global economy, more than 800 million people have been lifted out of poverty in China.

But despite this historic achievement, China does not want to play by the rules. Rather than help preserve the global system that allowed China to grow so rapidly, it is exploiting its vulnerabilities to gain a strategic edge over competitors. China has no intention of becoming an equal partner in the world community.

Just as the Chinese Communist Party does not want rivals at home, it wants a fixed global system that assures its dominance. This includes surpassing the United States as the leading economic, political, and military power. To achieve economic dominance, China has resorted to cheating. This includes enacting predatory policies such as:

- stealing intellectual property,
- forcing technology transfers in exchange for market access,
- imposing discriminatory licenses on foreign companies while subsidizing competing Chinese companies,
- and intentionally investing in American companies to acquire sensitive U.S. technology.

Beijing is also intentionally overproducing steel and aluminum to drive down prices and make it harder for competing producers to remain profitable. Ultimately, billions of dollars and millions of jobs in the U.S. have been lost because of China’s cheating. But China has shown no sign of changing course. Instead, it has launched two major schemes to strengthen its economy and expand its control of the global market.

First, through its “Made in China 2025” plan, China is attempting to become the leader in hi-tech industries. To do this, China is subverting the free market by imposing quotas and state subsidies to prevent competition and gain self-sufficiency. It is also prioritizing the takeover of foreign tech companies through state-owned enterprises. Combined with state sponsored cyber theft, China hopes to monopolize hi-tech innovation and production at the expense of the U.S. and its allies.

Second, China launched the ambitious “Belt and Road” Initiative. Chinese officials claim the project is intended to strengthen trade infrastructure and partnerships across Asia, Africa, and Europe to revive and modernize the ancient Silk Road. But in reality “Belt and Road” is a debt trap for vulnerable economies that only benefits China. By providing massive loans to high risk markets, China fools developing nations desperate for investment into believing it’s a ‘win-win’ deal that will ensure jobs for their citizens and attract foreign business. However, 89% of the

construction contracts go to Chinese companies, Chinese workers, and Chinese materials, meanwhile the host country is left paying unsustainable debt when the projects go bust. Meanwhile, Beijing bribes and coerces local governments, ensuring Chinese influence. This results in countries being forced to side with China's interests or accepting a Chinese military presence. Additionally, this practice fuels corruption in struggling democracies.

In the end, China does not share our values. We have long seen this in their human rights record, but now it is obvious in their trade policies. In 2001, we encouraged China's inclusion in the World Trade Organization. We thought China was evolving from the backwards political theories of the past and opening up to free market and rule-based trade. We were wrong.

The liberalizing economic reforms we expected never came. Instead, the government increased its intervention in the economy. It is time we adapt our trade policies while working with our allies to confront China's bad behavior. Beijing has proven it is not a responsible and fair player in the global economy. It should suffer the penalties. This is necessary to maintain the stability and integrity of international markets.

China has enormous potential. It has a massive population that is hard working and well educated. It has a history of innovation and trade dating back thousands of years. It does not need to cheat to be a major power. Its only major obstacle is its repressive communist government. But so long as that government is in power and uses predatory trade and investment practices to get ahead, companies and nations should avoid doing business with China.

China needs to be held accountable for its bad behavior, not rewarded.

And that's just the way it is.