

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

The Honorable Charles B. Rangel
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

FEB 14 2006

Dear Cong.  —

Enclosed for your review is a copy of a report, "U.S.-China Trade Relations: Entering a New Phase of Greater Enforcement and Accountability," which summarizes the results of the "top-to-bottom" review I have conducted on our trade relations with China.

We took a thorough and detailed look at U.S.-China trade – its development over the past 20 years, the core principles underlying U.S. trade policy, and the challenges we face. While the United States has derived important benefits from the U.S.-China trade relationship, it is clear that the relationship today lacks equity, durability and balance in the opportunities it provides.

Chinese exporters have benefited enormously from the openness of the U.S. market – more than U.S. exporters have benefited from China's WTO accession. The disparity in opportunities is due in part to China's failure to honor certain commitments, including its failure to enforce intellectual property rights, its protection and support for certain domestic industries, and its refusal to fulfill certain market opening commitments, which have contributed to the record bilateral trade deficit.

As China nears the end of its transition period as a new WTO member, we are entering a new phase in our bilateral trade relationship, and we must readjust our trade priorities and resources accordingly. Given China's mixed record during its first four years in the WTO, the focus of U.S. policy must now shift to treating China as a mature trading partner that should be held accountable for its actions and required to live up to its responsibilities.

The report outlines objectives and priority goals focused on securing China's full and responsible participation in the open, rules-based international trade system, ensuring that U.S. trade laws are enforced fully and transparently, and capturing the benefits of China's participation in the global trading system for the American people. I want to make sure that our objectives and goals are fully informed by Congressional priorities so that we can work more effectively together to achieve them, and I welcome any input you may have.

The report announces initial actions we will take based on the "top-to-bottom" review. It also states that we will seek to develop additional initiatives in consultation with Congress and other stakeholders, to ensure that we make meaningful progress in achieving our trade objectives with China.

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In particular, I believe we require a more vigorous enforcement effort with respect to China, and the dedication of resources to make such an effort effective. To that end, the report announces the creation of a China Enforcement Task Force at USTR, headed by a new Chief Counsel for China Trade Enforcement. Although unprecedented at USTR, I believe this kind of dedicated, country-specific enforcement team is needed to improve China's compliance with its obligations.

The report also calls for the expansion of our trade negotiating capacity in Beijing, a new senior level advisory task force on China trade policy, and the dedication of new China-specific resources at USTR to ensure that our policy and enforcement are informed by comprehensive and forward-looking information regarding China's trade regime. The report also announces new mechanisms for enhanced interagency coordination within the Executive Branch, and calls for regular coordination with Congress on designing and implementing an effective China policy. In addition, USTR also commits in the report to enhance our existing coordination with other trading partners on China matters, and to continue a comprehensive effort to strengthen our trade relations with other Asian economies.

I look forward to working with you to implement a trading policy with respect to China that is suited to the new global trading environment and serves the needs of America's companies, workers, farmers, and communities.

Sincerely,



Rob Portman

enclosure