

**PRESS CONFERENCE WITH
U.S. COMMERCE SECRETARY CARLOS GUTIERREZ
U.S. SECRETARY OF AGRICULTURE
MIKE JOHANNIS
U.S. TRADE REPRESENTATIVE ROB PORTMAN
CHINESE VICE PREMIER WU YI
AT THE ANNUAL MEETING OF THE U.S.-CHINA JOINT COMMISSION ON
COMMERCE AND TRADE
THE DEPARTMENT OF COMMERCE
WASHINGTON, D.C.
APRIL 11, 2006**

(Note: The vice premier's remarks are provided through interpreter.)

STAFF: Good afternoon, ladies and gentlemen, and welcome to the Department of Commerce. This afternoon's press conference will begin with opening remarks by Secretary Gutierrez and Vice Premier Wu Yi. Following their remarks, we will accept questions from the press. We'll start with three questions from American reporters directed to U.S. government officials. Then Madame Wu Yi will accept one question from the Chinese press.

At this point, I would like to introduce the United States secretary of Commerce, Carlos Gutierrez.

SEC. GUTIERREZ: Today we convene the 17th session of the Joint Commission on Commerce and Trade. U.S. Trade Representative Rob Portman and I chair this meeting for the United States. We're also joined today by Secretary of Agriculture Mike Johannis.

We're pleased to have with us Vice Premier Wu Yi, from China, as our co-chair.

The JCCT has become an important platform to identify and resolve problems so that we can expand fair trade between our two countries. Mature trading partners can engage in frank discussions when working to resolve problems, and we did exactly that during today's meeting.

Let me take a moment to thank Vice Premier Wu Yi for her delegation's hard work. We appreciate your commitment to our relationship.

I am able to report that through the JCCT, we were able to make clear progress in a number of core areas, and I will touch on four highlights.

First, we made headway in increasing U.S. access to the Chinese market. China has agreed to reopen its market to U.S. beef subject to completion of the technical protocol. We both committed to work closely together to do this quickly. This is an important market for American farmers and American ranchers.

China has agreed to appropriate adjustments in equity capitalization requirements in the telecommunications sector, with discussions to begin this year. This will remove a barrier to U.S. service providers who seek to compete in China.

China has also agreed to remove barriers to trade in medical devices. They have also agreed to establish a public-private dialogue designed to facilitate direct sales.

Second, the Chinese have taken steps to ensure greater transparency in their economy. China has announced that it will begin negotiations to join the WTO Government Procurement Agreement. Following technical consultations, China will submit its final offer no later than December 31, 2007.

This is an important development that will improve access of U.S. companies to Chinese government procurements.

For the first time, China is requiring all central, provincial and local governments to publish their new trade-related measures immediately in the central government's official gazette.

Third, there were commitments made by China to improve enforcement of intellectual property rights.

China's national copyright administration and the ministry of Information and Industry have issued rules requiring all manufacturers to preload legal software on computers sold in China.

Further, China has closed a number of factories producing pirated optical discs and is stepping up overall intellectual property enforcement.

And finally, we have made progress in a number of other discreet areas.

The first is to set up a new working group on the manufacturing of active pharmaceutical ingredients.

And the second is to enhance our new steel dialogue so that the private sector is brought into the process.

We've noticed with interest and appreciation the Chinese buying mission in the United States . We believe those efforts compliment the policy changes we agreed to today.

Let me now thank everyone who took part in the 17th JCCT session. Because of your hard work, we have shown that a relationship based on trust and based on candor can lead to positive growth for both partners.

The real outcome of this meeting, of course, will be known when we see the results. We will both be looking for results before the next annual meeting to bring additional equity and balance to the U.S.-China trade relationship.

STAFF: (Through interpreter.) Now Madame Wu Yi.

MS. WU: Ladies and gentlemen, friends, good afternoon. It is my great pleasure to meet with my friends from the press.

I'd like to first draw your attention to the composition of people present at the podium. In terms of the number of people present here, it is a 3 to 1, and in terms of gender, it is also 3 to 1. So obviously, I'm in the weak and disadvantageous position. I'll need more from your support.

(In English.) It's a joke. (Laughter.)

(Through interpreter.) Today, I co-chaired with Secretary Gutierrez and Ambassador Portman over the 17th China-U.S. Joint Commission on Commerce and Trade.

The two sides have had candid and in-depth exchange of opinion on a wide range of bilateral economic and trade issues and have reached a consensus or scored remarkable progress on some issues. Just now Secretary Gutierrez talked about the four highlights at the JCCT, and I completely agree with him on those four highlights.

Now I'd like to say a few words about some detailed and specific issues. Both sides agreed to improve the cooperation mechanisms of bilateral trade and economic cooperation under the JCCT; that China - U.S. high-technology and a strategic joint working group will be established under the JCCT framework.

According to the consensus reached under the JCCT tourism working group, discussions will be conducted on details concerning the groups of outbound Chinese tourists to the United States.

We will continue our discussions at the informal--(inaudible word) --dialogue, and IPR protection mechanism has already been initiated and will be reinforced.

And the two sides will also sign the memorandum of understanding of safety and animal and plant health, as well as three protocols concerning the export of Chinese fragrant (plants ?) to the U.S., the export of American plants to China, and the export of Alaskan timber logs to China.

A joint statement will be made to call for bilateral cooperation on the promotion of export to China by American enterprises, particularly by small- and medium-sized American enterprises. And through consultations, the Chinese side agrees to open the Shenzhen port as a new seaport for fruit imports.

The Chinese side also expresses its readiness to resume the import of meat from certain American meat enterprises. The U.S. side agrees to work hard and push ahead the lift of the ban on the import of cooked poultry meat from China.

The Chinese side provided a comprehensive elaboration on its achievement of IPR protection and the 14 measures to reinforce the protections that have already covered the major IPR concern of the U.S. side.

So these measures are as follows.

We have issued the action plan on IPR protection in China 2006. If my friends from the press are interested in this action plan, after this press conference you may approach to those two Chinese gentlemen to have that document.

I will not make any further elaboration about this IPR Action Plan on this occasion.

IPR trial chambers will be open in courts across China; 50 IPR Infringement Reporting Centers will be set up in 50 key cities in China, and IPR ombudsman has already been dispatched to the Chinese embassy here in the United States.

A regulation has been issued regarding the accelerated transfer of IPR cases from administrative enforcement bodies to criminal enforcement bodies. A regulation on IPR protection in trade fairs have been issued. A regulation will be issued requiring that legal operating systems must be preloaded on computers purchased by governments at all levels. A regulation will be issued requiring that computer producers and importers must preload legal operating systems on their computers and products, and that is an important measure taken by the Chinese side to address this issue from the very root.

The outline of IPR protection has already been formulated. The program of promoting Chinese enterprises to use legal computer software will be implemented. Traditional interpretations of civil prosecution will be formulated. It has been decided that the application for China's accession to the WIPO Internet Treaty will be submitted to China's National People's Congress before the end of June 2006.

(Seven/several ?) special operations on fighting IPR infringement will be carried out in 2006. Special campaigns of combating illegal optical disc production lines and market rectification have scored positive results. (Seven/several ?) production--or (seven/several ?) illegal optical disc production lines had already been closed up, and another eight lines have been suspended for internal rectification and improvements before the end of March. By the end of March 2006, a total of 224 production lines had been closed.

The Shangyang market in Shanghai has been closed, and the trademark authorization system has been implemented among vendors in Beijing 's major consumer markets.

The Chinese side made the following announcement at the meeting. The imports of American beef will be resumed conditionally. A single conformity assessment procedure and a single charge will be applied to eight categories of medical devices. Negotiations on China 's entry to the GPA will be launched no later than the end of December 2007.

The position has been reiterated that technology neutrality on three-G standards will be--remain. Consideration will be given to an appropriate adjustment to the telecom capitalization requirement.

The Chinese side has been earnestly implementing the instructions of the Chinese president, Hu Jintao, and Premier Wen Jiabao to increase its imports from the United States. The Chinese business mission traveling with me in the United States is composed of more than 200 Chinese business people, of whom 150 are presidents and CEOs. They will sign 106 purchase contracts and agreements during their stay in the U.S., involving a total value of 16.21 billion U.S. dollars.

Products to be purchased include not only computer software, communication equipment and power station equipment, but also electronic appliances, automobiles, auto parts, airport security equipment and optical devices.

The value of software purchase alone is already nearly 1.7 billion U.S. dollars, and following this press conference, the China aviation group and the Boeing company will sign a framework agreement on the purchase of 80 Boeing aircraft. This is the largest deal by far in terms of the number of aircraft purchased in one single deal, and apart from signing purchase agreements and contracts, the Chinese business mission has also conducted and will conduct trade and investment promotion activities in 14 cities of 13 states of America. All this is the active and

concrete measure taken by the Chinese side to ease the two-way trade imbalance between our two countries.

I am of the view that the 17th JCCT has already scored positive results. It illustrates the spirit of mutual benefit, development and win-win. It also demonstrates the goodwill of both sides to properly resolve problems through equal consultation and to ensure the steady development of China-U.S. economic and trade relations through a continued and a strengthened cooperation. The JCCT has proven to be a successful meeting.

The economic cooperation and the trade between China and the U.S. is of a nature of mutual benefit and win-win. The two sides share extensive interests in the economic and trade spheres. Between 2001 and 2005, U.S. exports to China had registered an average annual growth rate of 21.5 percent, and the figure of its exports to China in the year 2005 marks a 118 percent increase from that of the year 2001. This U.S. export growth rate to China is 4.9 times the growth rate of America 's worldwide exports, and the figure is also much higher than the growth rate of U.S. exports to its other key export markets. China has jumped from America 's number nine export market in the year 2001 to number four in 2005. It is starting as a major factor contributing to U.S. export growth.

In addition, U.S. companies have setup nearly 50,000 companies in China and have been increasing their shares in the China market. Their total sales value in the year 2004 alone was already over 75 billion U.S. dollars. At present, China is a major overseas source of profitability of American companies. Facts have proven that the complementary Chinese and American economies as far as the mutually beneficial economic and trade cooperation between these two countries is the foundation and the driving force of the sustained development of the China-U.S. economic and trade relations.

Strengthening these relations is in the fundamental interests of the two nations and the two peoples.

To promote the China-U.S. economic cooperation and trade requires the concerted efforts of both sides. The Chinese and American sides should reinforce their cooperation and safeguard the favorable environment for the future development of our bilateral economic and trade relations. I am full of confidence in the broad prospects of China-U.S. economic and trade relations.

(Continues in English.) Thank you for your attention. Thank you. (Applause.)

STAFF: We will now accept questions from the press. Again, we invite the first three questions from the American press, directed at either Secretary Gutierrez, Secretary Johanns or Ambassador Portman. When I call upon you, please identify yourself and your organization. We have a floating mike in the audience. When I recognize you, please wait for the mike.

First question. Mark.

Q Thank you. Mark Drajem from Bloomberg.

Secretary Gutierrez and Ambassador Portman, in recent weeks you've made some pretty epic statements about the costs of piracy in China and the scope of that. How important are the steps

announced today? They appear on first blush to be pretty modest in terms of addressing that. How far do you think they're going to go in cracking down on piracy? And do you think this brings China up to its WTO commitment in terms of cracking down on piracy?

SEC. GUTIERREZ: It sounds like that question should have been directed to Madame Wu Yi.

We believe that Chinese officials have made important steps and important progress in the area of intellectual property rights protection. And we especially applaud and recognize the fact that Madame Wu Yi has taken personal direct leadership over this important aspect of our trading relationship.

As in everything else, numbers will ultimately tell the story, and we will be able to track the sales of those products and brands that are in categories that were being impacted by piracy that is intended to be addressed by the policies that Madame Wu Yi announced.

AMB. PORTMAN: First, we had a very frank discussion today about intellectual property and the very real problems that American exporters face. And when you think about it, it's an area where we have an advantage because of our software advantage, also because of the recording industry, the movie industry. These are areas where the United States and our exporters are impacted by intellectual property theft and by piracy.

This is why I think the two areas that Secretary Gutierrez highlighted are significant--first, optical discs, and second, software. Late last year, Secretary Gutierrez and I sent a letter through Ambassador Zhou here in Washington outlining specifically what we thought needed to be done in terms of optical discs, particularly focused, again, on the recording industry. Today we were very pleased to see some specific steps being announced to address this issue of closing down optical disc plants, of taking the issue more seriously, frankly. And we think we're making progress.

Another issue we have raised repeatedly is the problem of illegal software. The commitment today to preload operating systems into computers is a very practical solution that gets at part of the problem. Would we like to see even more? Yes, we would. But we think that the steps announced today will work to help to reduce the amount of piracy, particularly with regard to new computers, and we think that we can continue to work together through this JCCT process to make even further progress to address what is a very real problem for U.S. exporters.

STAFF: Next question. Doug?

Q Hi. Doug Palmer with Reuters News Service. And this question is for Vice Premier Wu Yi. I noticed in your statement--

STAFF: Doug, we've asked you to direct your question to the American--

Q Oh. Okay. Sorry. (Inaudible.) Okay. Well--

STAFF: (Off mike.)

Q Okay. Yeah, well, I noticed in Madame Wu Yi's statement that she said that they had delivered their report on subsidies to the WTO. I just wondered if the U.S. had had a chance to review that

yet and if it provides any detail on the extent of subsidies -- you know, if you could characterize how -- you know, the degree of subsidies that are present in the Chinese economy and what the U.S. will do with this information, now that it finally has it after so many years.

SEC. GUTIERREZ: Doug is always good in breaking news. I was not aware that their announcement had been made, actually.

MS. WU: Yes, at the press conference I didn't announce the subsidy notification. But as a matter of fact, April the 7th of this year, China had already made its subsidy notification to the World Trade Organization. I can let you know that.

SEC. GUTIERREZ: Thank you.

Q (Off mike.)

SEC. GUTIERREZ: No, I have not seen it yet, nor has my team. And we look forward to analyzing it.

I will say that today there were two transparency announcements that I think were significant. One was with regard to the single- journal--and this is something the United States has been promoting for some time--it enables us to see all trade-related measures in a transparent way in one journal. And there was a commitment made to that today, which I believe you did discuss, Madame Wu Yi.

Second is with regard to the Government Procurement Agreement, and this is something that we have been promoting ever since the 2001. Why? Because by having China as part of the World Trade Organization Government Procurement Agreement, it gives our exporters the comfort to know that China will live within the rules --(inaudible)--discrimination against foreign exporters for government procurement, which, of course, is a very large part of China's economy still. So that announcement today was also a significant announcement in terms of transparency and in terms of a systemic and a structural change in our trade relationship.

We look forward to working with China over the very short period of time that we hope it will take to put together an offer on the Government Procurement Agreement, but these are both--in addition to whatever was announced either through JCCT or otherwise with regard to subsidies--these are both very helpful changes for us in terms of transparency and in terms of, again, having a more mature trading relationship with China.

And those were both part of the JCCT announcements today, Doug.

Q I'm Greg--(last name inaudible)--with The Wall Street Journal. In the United States , in Washington in particular, on Capitol Hill, there's been a rising set of concerns about the U.S. trade relationship with China.

You've seen that reflected in legislation that's been introduced on the Hill, and a lot of the rhetoric that you see from members of both parties in both houses. I'm wondering what today can you point to that addresses those concerns and may ameliorate them in some way.

And going forward, what can you point to as a framework that will allow you to assess the success of these talks and the commitments that are made. I ask this in particular because the

vice premier made reference, seemingly, to these concerns by noting the importance of reinforcing and safeguarding a favorable environment for the bilateral trade relations between the United States and China.

SEC. GUTIERREZ: Just--I'll say something and pass it on to Secretary Johanns and Ambassador Portman.

First of all, I'm not going to speak for the Congress, and you'll have to ask members of Congress how they feel about the progress made in the relationship.

The focus of the relationship has been the deficit and the lack of balance that that deficit represents. We have stated repeatedly that we believe that the way to address the deficit is by increasing our exports and not by creating barriers that will limit imports.

So we don't want to be put in a position where the only recourse we have is to limit imports. Therefore, what we have done throughout this meeting today and throughout the year and what we will do throughout the course of the year--it's not just at one meeting--is to continue to discuss ways to improve market access for U.S. companies, discuss ways where we can assure that intellectual property belonging to U.S. companies is protected in China, and that there is transparency in business law so that there is no discrimination against U.S. companies versus domestic companies.

We have made progress in all three areas, as Ambassador Portman said. There's still work to do. The important thing is that we be headed in the direction of market access, of IPR protection and transparency.

SEC. JOHANNNS: Let me, if I might, offer a very positive story about trade with China. When it comes to agricultural products, there is actually a trade surplus, and that trade surplus is on the U.S. side. Since China was admitted to the WTO in 2001, our exports to China have more than tripled. China is the fifth-largest market for U.S. ag products, and it's our largest market for U.S. soybeans and for U.S. cotton.

A number of positive things happened during the course of this last week with China and agriculture. Chinese importers of soybeans and cotton and poultry have been in the United States over the last week making purchases. We appreciate that. We will sign an MOU in just a few minutes on--to create a structure to address sanitary, phytosanity and food safety issues.

Quite honestly, that's very positive on China's part. It's something that we wish we could do with every country.

And finally, China's decision on U.S. beef is a very, very important decision. It makes me very happy, a very positive decision, and I think it sends a signal to the rest of the world.

So we appreciate that decision. That was a very important decision for this JCCT meeting.

So let me summarize by saying, relative to agriculture, this has been a very, very good week, a very good meeting for the United States relative to our bilateral trading relationship with China.

Thank you.

AMB. PORTMAN: Greg, I would just answer by saying that one meeting is not going to solve all of our outstanding trade issues with China, but--(interrupted by interpreter)--but through our discussions today, which were very frank and constructive, we were able to solve some problems. And those problems mean that the playing field will now be more level for American ranchers, workers, service providers, and we continue to make progress.

Our goal is to open the Chinese market to our products and our services, just as we have opened our market to China. We aren't there yet, but we're making progress.

And Secretary Johanns talked about agriculture trade. Among our major trading partners, China is currently our fastest growing export market.

We've had over 20 percent growth in the last three years each year, and through the trade policy, changes we're talking about today--we want to not just continue that growth, but expand it.

STAFF: Last question.

(Name inaudible)--China Press.

Q (Through interpreter.) We understand at today's JCCT session, trade imbalance is a fairly sharp issue for discussions between the two sides.

As Secretary Gutierrez said earlier, in order to narrow down the trade imbalance between our two nations, the U.S. should expand the exports to China rather than setting barriers to limit imports. So I have a couple of questions for Vice Premier Wu.

In your opinion, in order to address this issue of trade imbalance, apart from the efforts on the Chinese side, which means China can open wide its markets to U.S. products and services, what the U.S. side can do in this regard?

And my second question is actually about yourself. I understand you visited the United States for more than 10 years, and in the past you visited the U.S. as a very senior trade official, but this time, apart from Washington, D.C., you also visited a number of American states and had meetings with many American enterprises.

So I would like to know that in your opinion, what is the major difference between previous visits to the U.S. and the current visit to the U.S. What is your deepest impression about your current visit to the United States?

MS. WU: Thank you. The trade imbalance issue is an objective issue existing between the two countries. According to the U.S. statistics, U.S. total external trade deficit in the year 2005 was 767 billion U.S. dollars. According to U.S. statistics, U.S. trade deficit with China was 202 billion U.S. dollars, while the Chinese statistics show a trade deficit on the U.S. side of more than 100 billion U.S. dollars.

So even if we make a calculation according to the U.S. number, which is 202 billion U.S. dollars trade deficit with China, compared with the total U.S. trade deficit with the rest of the world, which was 767, the proportion taken by the trade deficit with China is only 26.3 percent of its total global trade deficit.

If we calculate with the Chinese statistic the proportion is even smaller, around 15 percent. Of course, no matter it is 26.3 percent or 15 percent, it is a truth that in our two-way trade China don't have a trade surplus with the United States, and the U.S. has a fairly remarkable trade deficit with China. However, I think it is unscientific and it's unfair to ascribe the U.S. trade deficit issue to China only. But still the Chinese side attaches great importance to solving this trade deficit issue on the U.S. side.

The Chinese market is open to the rest of the world. The value of China 's import trade in the year 2005 was 660 billion U.S. dollars. And in the next few years, every year, China is going to import 1 trillion U.S. dollars of goods.

So I don't believe that we are in the position to say that the Chinese market is unfair toward American companies or the Chinese market is not open enough for American companies, because as a matter of fact, the Chinese market is open. Of course, we are very much willing to increase our imports from the United States . However, in this regard, there is a fairly important element; that is, we look forward to seeing the relaxation of high-tech export controls practiced by the U.S. against China.

The United States is the world's most developed country, and the United States has the highest degree of high technologies and high- tech products in today's world.

You have a lot of advantageous industries and products, such as electronics technology, telecommunication technology, the biotechnology, as well as technologies in the evasion and aerospace areas. I do believe you should tap your potential in the above mentioned advantageous areas. All in all, China welcomes more American products to enter the Chinese market.

Starting from today, China will give more attention on one of the three pillars to its economic development; that is, the stimulation of domestic consumption. In China, we see a fairly high household saving rate. Last year, China's GDP was \$2.2 trillion U.S., while the savings of Chinese average households is as high as \$1.7 trillion U.S. So we will continue to stimulate our domestic market consumption by improving the consumption awareness among the Chinese general public and by lifting the quality and the level of their consumption. And we will also create favorable conditions for the entry of foreign countries' products, including the United States, to China.

China and the U.S. are two very important nations in today's world. The U.S. is the world's most-developed country, while China is the world's largest developing country, and our two economies are very much complimentary with each other. So all in all, we are willing and ready to observe the spirit of equality, mutual benefit and win-win, and ensure a sound and smooth development of our two-way trade and economic ties.

That reporter asked me about my impressions of my recent visit to several American states, and I can tell you I have got a lot of impressions.

I have visited several states, and I found not only the governors of those states but also the business people in those states have very strong interest and passion to work with China in the economic and trade field.

We organized (a total of 16 ?) trade and investment environment workshops and seminars in many states. And we found American business people--they'll warmly welcome the investments of Chinese enterprises in the U.S., and they also welcome Chinese business people to buy more things from the U.S.

My visit to those states makes me very excited. And I'd like to tell you the atmosphere in those states is absolutely different than the atmosphere here in Washington, D.C. And I do believe the atmosphere we found in those states is the true representative of the true willingness of American people.

(In English.) Thank you. (Applause.)

STAFF: Thank you, ladies and gentlemen. This concludes the press conference.

###