

Testimony of Ambassador Ron Kirk

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Senate Finance Committee

**Hearing on “The U.S. – China Trade Relationship: Finding a New Path Forward”
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As Prepared for Delivery

Chairman Baucus, Ranking Member Grassley, members of the Committee, thank you for this opportunity to discuss the complex and evolving trade and economic relationship between the United States and China. As you suggested earlier this month, Mr. Chairman, America’s interests require us to approach China in a strategic and well-coordinated manner across all agencies. And we’re doing just that.

We are speaking with one voice, pressing for change with enhanced dialogue, enforcement of our WTO rights, and negotiations that include our key trading partners wherever appropriate. Coordinating with the White House, Secretaries Geithner, Clinton, Vilsack, Locke and I are working together seamlessly in the U.S.-China Strategic and Economic Dialogue (S&ED) and Secretary Locke and I are driving the U.S.-China Joint Commission on Commerce and Trade (JCCT) to achieve a more robust and outcome-oriented relationship with China.

USTR’s role in this important work is driven by our mission to open markets, enforce our rights under trade agreements, and anticipate and quickly dismantle obstacles that otherwise could cripple future opportunities for American workers, farmers, ranchers, manufacturers and service suppliers.

Our existing trade relationship with China represents years of progress. Since joining the World Trade Organization (WTO) in 2001, China has made many important reforms in its economy, removed trade barriers and opened its markets to U.S. exports. This reform and liberalization have created new opportunities for Americans across the country who have benefited from the tripling of manufactured goods exports to China since 2001. More recently, thanks to China’s strong recovery from the global recession, we have seen double digit growth in a variety of export sectors, ranging from high-end manufactured goods and chemical products to agricultural goods like soybeans. U.S. goods and services exports to China totaled \$85 billion in 2009, and China is now our third largest export market.

But let me be clear, China’s implementation of its WTO commitments has not been complete. We have serious concerns about new Chinese policies that limit market access or otherwise skew the playing field in our trade relationship. We are addressing these concerns by setting clear priorities and working in proven results-driven dialogues.

Top priority concerns with China include addressing indigenous innovation and other discriminatory industrial policies that are often intended to benefit state-owned enterprises and that limit our exports, improving enforcement of intellectual property rights, ending non science-based regulations that block U.S. agricultural exports and obtaining increased services market access.

These issues will top our JCCT agenda later this fall, a forum we have revamped for better results. The JCCT already has a solid track record of achieving important progress on issues ranging from restored market access for American pork products to the removal of restrictive testing and certification rules for private and SOE purchases of information security products. We are also working through the WTO Doha negotiations to seek better market access for U.S. firms in the multilateral context.

I also know this Committee is concerned about China's currency practices. In response to China's recent announcement on currency, the President noted that "China's decision to increase the flexibility of its exchange rate is a constructive step that can help safeguard the recovery and contribute to a more balanced global economy," and that he will be discussing these and other issues with China at the G-20 Summit in Toronto. My colleague, Treasury Secretary Geithner will be closely monitoring how far and how fast the Chinese let the currency appreciate.

Mr. Chairman, you recently suggested the Administration should be willing to take strong action. We could not agree more. We are prepared to make use of the full range of enforcement options when dialogue fails. We have been by far the most active – and successful – WTO Member when it comes to bringing WTO dispute settlement cases against China. Our most recent case challenges China's use of export restraints on key raw materials, which hurt our steel, aluminum and chemicals sectors, affecting workers and companies throughout the United States.

We will continue to coordinate with our interagency partners and Members of Congress, to ensure we are executing a comprehensive and effective China strategy. That includes working together to address the challenges posed by China's macroeconomic policies. We are pressing China to change its growth strategy to rely less on exports and more on consumption.

We are also pursuing U.S. interests through dialogue and negotiation with China in other fora. For example, we are engaging with China on workers' rights in an effort to ensure a level playing field for American workers, and we are pressing for China's accession to the Government Procurement Agreement and for a meaningful China contribution to the Doha Round. Our other interactions with China also need our attention. For example, in Africa, we should be working cooperatively to ensure our respective actions support Africa's development.

Chairman Baucus, Ranking Member Grassley, and members of the Committee, I cannot overstate the importance of getting our relationship with China right. Thank you for the opportunity to testify and I look forward to our discussions.