

Responsive Strategies

--A Comparative Study on the USTR's U.S.-China Trade Relations

Report and Chinese President's Speech

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I. *Status quo* of U.S.-China Trade Relations

China: 4th biggest export market for the United States; 3rd largest U.S. trading partner; fastest growing export market among U.S. major trading partners (20% in 2005)

United States: biggest export market for China; 2nd largest China trading partner.

Bilateral trade: 285 billion dollars (U.S. Statistics)

China emerges as the world's 3rd largest trading power.

II. USTR'S U.S.-China Trade Relations Report

U.S.-China Trade Relations: Entering a New Phase of Greater Accountability and Enforcement (Top-to-Bottom Review), February 2006,

United States Trade Representative

1. China's emergence has not only redefined the global trading system, but also has far-reaching economic and political impact on China, the United States, East Asia and the world.
2. The trade relationship between the two countries has become increasingly central to the economies of both countries.
3. Continual challenges: lacks balance in opportunity, as well as equity and durability, with China's focus on export growth and developing domestic industries not being matched by a comparable focus on fulfilling market opening commitments and on the protection of intellectual property and internationally recognized labor rights. Trade deficit of almost 202 billion dollars in 2005.
4. Chinese barriers to U.S. exports have a corrosive effect on political support for the bilateral trade relationship. Absent tangible evidence that China is acting responsibly with respect to these issues, popular support for a 25 year old trade policy of constructive economic engagement with China could be in danger, with potentially damaging consequences for both countries.
5. China's ascendancy as a major international trading partner brings with it certain responsibilities for the maintenance of the multilateral, global trading system. China's constructive participation is increasingly critical to the international regimes governing trade practices—regimes that foster free and open markets, a level playing field, and transparent

regulations.

6. U.S.-China trade relationship is entering an important new phase: mature trading partners, the pursuit of a trade relationship that is more equitable and durable, China implementing the more difficult commitments and playing its part in addressing the global imbalances.

7. The scale and rate of growth of the Chinese expansion are unprecedented in the history of global trade, as is the entry into the global economy of a country as large as China. U.S. will be working to achieve six objectives through ten key action items.

III. Chinese President's Speech

Chinese President Hu's speech at Seattle on April 19, 2006

1. Both China and the United States share a strong desire to further develop our bilateral relationship, and that both sides appreciate the fact that China-U.S. relationships have gone far beyond bilateral context and have become increasingly global in importance.

2. A mutual benefit relationship

3. Whereas the rapid growth, the large scale and enormous fields of the bilateral relationship, problems are not a surprise and could be well solved through consultations and dialogues.

4. China will undertake to solve the issue of trade imbalance.

China will further increase the market access to U.S. goods and services,

and hope the U.S. could reduce the export restrictions to China and eliminate the trade protectionism.

China will strengthen the protection of intellectual property rights.

China will deepen the financial reform and ensure the stability of Chinese currency.

5. China and U.S. shall cooperate to maintain the free trade regime, facilitate the freedom of trade and investment, eliminate trade barriers, to build an open, just, reasonable, transparent, non-discriminatory multilateral trading system.

6. Strengthen dialogue, increase common understanding, enhance mutual trust, deepen cooperation, and promote the all-round growth of constructive and cooperative China-U.S. relations in the 21st century.