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China Focus May Stall Bush's Trade Plans

By GREG HITT
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WASHINGTON -- President Bush starts his last year in office determined to press what is left of his trade agenda, including a pact with Colombia. But the most important item on the list may be blocking legislation that would crack down on trade with China.

At the dawn of an election year, trade skepticism is on the rise in the U.S., roiling the fights for control of the White House and Congress. It also clouds much of what Mr. Bush wants to do over the next 12 months.

Much of the anxiety is focused on the competition posed by China, which is the U.S.'s second-largest trading partner, after Canada. Democrats in the House of Representatives already are girding for action on legislation to address concerns over Chinese counterfeiting, product safety and currency policy, among other things.

- **On the Agenda:** The Bush administration's biggest trade challenge in its final year may be blocking legislation that would crack down on trade with China.
- **The Background:** The White House has been seeking engagement with China. But frustrated by what they see as slow progress, Democrats in Congress are weighing bills to address several concerns.
- **Also Talking:** The looming China debate could overshadow attempts to secure several bilateral trade deals.

The administration is pressing China to address those issues across a number of fronts, including direct negotiations and through litigation at the World Trade Organization, but its approach will face a political test on Capitol Hill.

"You're entering a difficult period here," said Karan Bhatia, until recently a top trade negotiator for Mr. Bush, with a focus on Asia. He said political pressure is understandable, but warned legislation is the "least well suited" of the many options for dealing with China.

"Managing that China relationship -- and keeping it on the rails -- is going to be a challenge and an important endeavor for the administration over the next 12 months," said Mr. Bhatia.

The looming China debate could overshadow Mr. Bush's attempts to secure new market-opening trade deals. He is lobbying the Democratic-led Congress to approve three agreements signed with Panama, Colombia and South Korea. All face opposition.

The Panama deal has been on ice since a Panamanian lawmaker -- accused in the U.S. of killing an American soldier in 1992 -- was tapped to lead that nation's Legislature. Questions dog the South Korea pact about whether it will fully open the Korean market to beef and autos from the U.S. Colombia is fighting to overcome doubts among U.S. lawmakers spurred by violence against labor organizers there.

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Congressional approval of any one of pending agreements might help provide momentum for the president's trade-expansion drive. Similar hopes were voiced after lawmakers approved a free-trade deal with Peru this past fall, but the three pending deals still languish.

Political strategists suggest that one way to proceed would be a bargain under which Democratic leaders allow votes on the three pending deals, in return for White House support for expanding federal aid for workers who lose their jobs because of foreign competition. That would allow both sides to claim political victory. But absent any immediate effort at compromise, the pending deals will stand on their own merits, with Colombia appearing most likely to move first. Some administration allies are pressing for action early in 2008 to minimize election-year politics.

"As the campaign intensifies there will be more tough rhetoric on trade," said William Rhodes, Citigroup Inc.'s senior vice chairman and chairman of the Council of the Americas, the business group that promotes trade and democracy in the Western Hemisphere. "It's not going to be easy, because -- let's face it -- next year is an electoral year."

Mr. Bush still is pushing to close out the Doha round of global trade talks. The White House would like to conclude a deal before Mr. Bush leaves office in January 2009, hoping to burnish his legacy. But those talks, launched in 2001 after the Sept. 11 terrorist attacks, were beset with problems from the beginning.

Led by the WTO, the discussions are mired in disputes over cutting farm supports and lowering barriers to trade in manufactured goods.

In the case of China, the Bush administration is pursuing engagement over conflict, preferring to address U.S. complaints through dialogue and negotiations.

Where dialogue hasn't made rapid progress, the administration has launched formal complaints at the WTO, and just recently settled a case in which Beijing agreed to revoke government-export subsidies the U.S. complained were unfair. Additional complaints pending at the WTO allege China isn't protecting intellectual property from the U.S., doesn't allow fair trade in auto parts, and denies access to Chinese markets for a range of U.S. goods.

The administration offers the WTO complaints as evidence of the maturing U.S.-Sino relationship. U.S. Trade Representative Susan Schwab said the cases are "a form of engagement," as she put it in a recent speech, that helps "prevent trade wars rather than fuel

The Widening Gap

Trade with China promises to be a point of contention during Mr. Bush's final year in office

U.S. trade with China



Top U.S. trading partners, 2007 year to date; in billions*

Country	Imports	Exports	Total trade
Canada	\$261.3	\$206.6	\$467.9
China	266.0	52.5	318.6
Mexico	174.4	114.2	288.6
Japan	121.3	52.2	173.5
Germany	78.0	41.2	119.3
U.K.	47.3	42.3	89.6
S. Korea	39.9	28.7	68.6
France	34.9	23.0	57.8
Taiwan	31.7	21.4	53.2
Netherlands	15.2	27.1	42.4

them."

She said it is likely that lawmakers "will grapple" with China in the coming year, but she urged them to resist intervening through legislation. New laws "are crude tools for a complex task," she said, adding that action on anti-China bills in Congress would add friction to U.S.-Sino relations and might end up hurting "the American workers, farmers and entrepreneurs they purport to help."

Administration critics don't have to look far to see reasons for legislation. The U.S. trade deficit with China is on pace to exceed \$250 billion in 2007. That would eclipse the previous record of \$233 billion set in 2006. Moreover, recent talks between the U.S. and China in Beijing produced only modest accomplishments and little or no progress on fundamental issues, chief among them complaints about currency.

Critics contend China keeps its currency artificially low, creating imbalances that give Chinese exporters an unfair advantage in the global marketplace. Beijing has allowed its currency to strengthen at a faster pace in recent weeks, though there is little indication this has satisfied U.S. critics of its currency policy. ([See related article](#)¹.) Rep. Sander Levin (D., Mich.), an important voice on trade policy in the House, said the recent negotiations showed the administration is "more talk than action." Rep. Levin, chairman of the Ways and Means trade subcommittee, said the talks' middling outcome has "increased the notion on the Hill that we really need to take a serious look at legislation." Members of the Senate also are pushing to give the White House new tools to toughen policy toward China.

Mr. Bhatia warned such actions could strengthen the hands of Chinese nationalists who want to slow Beijing's drive to integrate into the global economy.

Write to Greg Hitt at greg.hitt@wsj.com²

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