

June 23, 2006

The Honorable George W. Bush
The White House
Washington, DC 20500

Dear Mr. President:

On June 8, 2006, the AFL-CIO filed a petition under Section 301 of the Trade Act of 1974 requesting that the Office of the U.S. Trade Representative (USTR) initiate an investigation of China's labor practices. In its petition, the AFL-CIO calls on USTR unilaterally to impose tariffs on goods imported from the People's Republic of China (PRC) and then (with trade restrictions already in place) "negotiate" an agreement with China on its labor practices. In addition, the petitioner asks the Administration to impose new and burdensome reporting requirements on American companies that would do little to improve our understanding of working conditions in China and even less to improve those conditions. We understand that USTR has 45 days to decide whether to initiate an investigation.

For the reasons discussed below – the likely undermining of three decades of a consistent U.S. policy of engagement with China that has steadily yielded results; the damage that the measures called for in this petition would cause American farmers, workers, companies, and consumers; and the harm the requested measures would bring to our efforts to open markets abroad – we urge that the petition be rejected.

U.S. companies support and apply high labor standards in their operations at home and around the world. In China, American companies are at the forefront of introducing international best practices in workplace safety and environmental standards.

Improving labor conditions in China is a serious challenge, and we do not underestimate the magnitude of the task. We emphatically agree that the Chinese Government must enforce its labor laws and adhere to its International Labor Organization commitments and its obligations under other international covenants. Neither this petition nor the package of remedies it prescribes, however, will be effective in improving China's labor rights environment.

U.S. policy toward China throughout six administrations has rested on the understanding that deepening economic relations and a commitment to the furtherance of the rule of law are the most constructive ways to encourage China's development and improve the lives of its citizens. The U.S. Congress affirmed this policy in 2000, by voting in a bipartisan manner to grant China Permanent Normal Trade Relations upon China's entrance into the World Trade Organization (WTO). Congress also established additional measures designed to promote social and human rights progress in China.

This steady American approach has contributed to China's growing acceptance of international norms and standards, especially in the commercial sector. Many observers, for

example, have pointed out that there has been shrinking state interference in the daily lives of China's citizens as China's economy has rapidly grown. China's entry into the WTO in late 2001 has hastened the pace of progress inside China.

While much work remains to be done, this consistent policy, with its emphasis on increasing economic and non-economic engagement with China, provides the strongest foundation for improving labor practices in China.

The actions suggested by the AFL-CIO's petition, on the other hand, would greatly hinder efforts to promote constructive engagement and the rule of law and to sustain the progress that has already been achieved. If the United States were to impose unilateral trade sanctions on Chinese imports in clear violation of our WTO obligations, America's message to China would be clear and self-damaging: China must adhere to its international obligations, but the United States need not do the same. Such unilateral action in violation of the United States' own obligations would not only invite retaliation from China, it would compromise our ability in the future to secure other trading partners' compliance with their own WTO commitments.

Our exports to China have risen 157 percent since 2000, and nearly 40 percent in the first quarter of this year. The petitioner, by asking the U.S. Trade Representative immediately to impose high, market-closing tariffs on Chinese imports proposes a course of action that, contrary to the petitioners' suggestion, would violate our fundamental WTO commitment to non-discriminatory treatment for all WTO members. In effect, the United States would be launching a trade war with our third-ranked global trading partner and fourth largest export market.

Cutting off billions of dollars worth of trade would threaten the livelihood of American farmers and workers who are today providing U.S. products and services to China's growing market, without contributing to the improvement of labor conditions in China. Moreover, trade-restricting taxes on Chinese imports would ultimately be paid by American consumers, with the burden falling disproportionately on low and middle income Americans.

The petitioner asserts that the Administration cannot consider these broad effects on the American economy when determining whether to take action under Section 301. This is untrue. Section 301(a)(2)(B)(iv) gives the US Trade Representative exactly that authority. As such, the Administration should give due weight to the substantial negative economic impact of imposing unilateral tariffs that are counter to our WTO obligations when reviewing the petitioner's request.

The petitioner has further proposed that the Administration require American companies operating in China to file reports detailing the wages they pay to their Chinese employees and the working conditions at their facilities in China. These reporting requirements would constitute a significant burden for American companies and are beyond what they are required to do with regards to their employees and facilities in the United States and other countries. This is particularly troublesome for small and medium-sized American businesses, which are increasingly taking advantage of opportunities in China. Moreover, as American

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companies are generally leaders in bringing their international workplace standards to China, such reports would provide little data on the labor practices by non-U.S. companies the petitioners seek to uncover.

In urging that the U.S. Trade Representative reject this petition, we strongly recommend that the Administration utilize the full range of governmental and non-governmental resources that the current relationship provides, including those enumerated by the U.S. Congress in 2000, to help China observe internationally recognized labor standards.

Thank you for your consideration of our views.

Sincerely,

AeA

American Apparel and Footwear Association

Business Roundtable

Emergency Committee for American Trade

Footwear Distributors and Retailers of America

National Foreign Trade Council

National Retail Federation

Retail Industry Leaders Association

Toy Industry Association

Travel Goods Association

United States Council for International Business

US Association of Importers of Textiles and Apparel

US Chamber of Commerce

US-China Business Council

cc: Hon. Richard Cheney, Vice President of the United States

cc: Hon. Condoleezza Rice, Secretary of State

cc: Hon. John Snow, Secretary of the Treasury

cc: Hon. Carlos Gutierrez, Secretary of Commerce

cc: Hon. Elaine Chao, Secretary of Labor

cc: Hon. Susan Schwab, US Trade Representative

cc: Hon. Stephen Hadley, National Security Advisor