



THE US-CHINA BUSINESS COUNCIL

美中贸易全国委员会

October 17, 2007

US International Trade Commission
c/o Secretary
International Trade Commission Building
500 E Street SW
Washington, DC 20436

Re: Investigation No. 332-491

To the Commissioners:

The US-China Business Council (USCBC) is pleased to respond to your July 31, 2007 Federal Register Notice and assist in preparing the report “China: Government Policies Affecting US Trade in Selected Sectors.”

Founded in 1973, USCBC is the leading organization for US companies doing business in and with China. USCBC represents more than 250 US corporate members by providing advocacy and information services through its offices in Washington, DC, Beijing, and Shanghai.

The Federal Register notice detailed several specific sectors and issues that the Commission would review in its study. USCBC staff have met with Commission staff in Washington, DC and in China to respond to specific questions and provide data and guidance for further research. In addition, we are providing in this submission additional written inputs in response to the topics of interest in the Federal Register notice:

- **Sectors where leading US exports have not penetrated the Chinese market; macro-economic and other driving factors behind the growth in US-China trade**

The most significant factor in market access for US exports was China’s entry into the World Trade Organization (WTO) in 2001. China is now the fourth-largest market for US exports and US exports to China in 2006 were \$55.2 billion—an increase of 187 percent since 2001. There continue to be sectors, however, where foreign companies have been unable to gain access despite China’s WTO commitments. USCBC’s submission to the Trade Policy Staff Committee’s September 2007 hearing provides our most up to date assessment of these issues; a copy of the statement is attached.

- **PRC government policies and interventions to promote investment, employment and exports; how Chinese policies and actions are exacerbating existing global overcapacity**

In our 2007 membership survey, USCBC member companies continue to report growing sales and profitability, tied to China’s WTO entry. However, survey respondents also noted a variety of Chinese policies that limit market access or the full implementation of

key international trade tenets such as national treatment and transparency. In addition, competition and overcapacity were cited as the fourth most important concern in this year's report. A copy of the survey report is attached.

- **Sectors which are the primary drivers of the US-China trade deficit**

The US trade balance with China should be viewed in a global context over time to fully understand the trends. When the Commission held its previous hearing on these issues, USCBC submitted its study on the changing composition of the US' trade deficit with China and Asia as a whole. These issues remain at the core of any consideration of the matter. The biggest driver of the US bilateral trade deficit with China has been the shift of export manufacturing from the rest of Asia to China—and with it, our longstanding trade deficits with other Asian economies have also shifted to China. At the same time, Asia's share (including China) of the US global trade deficit has actually declined over the past ten years, as our trade deficit with the rest of the world has grown across the board. A copy of the USCBC report on these trends and our statement from the March 2007 hearing is attached.

- **Sectors where government policies and interventions are prevalent**

The Commission has identified several specific sectors that are detailed in USCBC research. Telecommunications access barriers are noted in the TPSC testimony already mentioned above and attached. Banking and other financial services have been a particular focus of USCBC's members. Our most recent assessment of China's financial services market is also attached.

We hope this research is helpful to you in as you consider these important issues. Please do not hesitate to contact me if we can provide additional information.

Sincerely,

John Frisbie
President

Attachments

1. "2007 Member Priorities Survey," September 2007
2. "China's Implementation of Its WTO Commitments: An Assessment by the US-China Business Council," September 27, 2007
3. "US-China Trade in Perspective: Asia's Emerging Union and Implications for the United States," June 2005
4. "Testimony of USCBC President John Frisbie to the US International Trade Commission," March 8, 2007
4. "Financial Services in China: An Overview and Assessment of Reforms and Market Openings, with Recommendations for Further Progress," September, 2007