

## **U.S. Aid, in China, calls Quotas temporary**

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**By Chris Buckley**

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BEIJING Carlos Gutierrez, the U.S. secretary of commerce, on Thursday rejected complaints from Beijing that U.S. quotas on Chinese textile exports were protectionist and warned of rising bilateral tensions over intellectual property enforcement in China.

The U.S. quotas recently imposed on some Chinese textiles did not amount to protectionism and were a temporary step while the U.S. textile industry "finds new ways of competing," Gutierrez told a group of graduate-level business students at Qinghua University in Beijing, where was he making his first visit as commerce secretary.

The visit comes amid rising tensions between the United States and China over trade issues - particularly the surge in Chinese textile exports this year - and over what many U.S. officials and manufacturers say is an unfairly undervalued yuan.

The Bush administration has sought to limit Chinese exports of shorts, trousers, underwear and other garments since those exports jumped 250 percent in the first four months of this year following the lifting of longstanding global quotas on garment exports on Jan. 1.

Gutierrez said he hoped for a negotiated settlement of the textile issue but also suggested there was merit in China's claims that limits would hurt employment in China. U.S. manufacturers should have been better prepared for rising Chinese competition, he said.

"In this case there was a market disruption, and that's very hard to explain to the textile person in China who lost his or her job, and I know that," Gutierrez said. "But the reason we did it is that it was so fast and so big," he said of China's surging textile exports.

Earlier, in a speech to the U.S. Chamber of Commerce, Gutierrez focused on another issue that has troubled bilateral ties: the enforcement of intellectual property rights.

"President Bush understands that no one wins a trade war," Gutierrez said, referring to longstanding U.S. demands that China enforce legal protection of patents, copyright and other intellectual property. "Unfortunately, the slow pace of progress risks an outbreak of protectionism."

He said there was no room for negotiation. "Promises in principle eventually need to lead to results, and we believe it is about that time," he said.

Companies in the United States, Europe and Japan, as well as industry associations, have long complained about China's lax enforcement of intellectual property safeguards.

They complain that Chinese officials do little to enforce the many intellectual property laws on their books, and U.S. industry groups have pressed the Bush administration to consider taking China to the World Trade Organization unless enforcement improves.

In April, an assistant U.S. commerce secretary, William Lash, estimated that Chinese violations of intellectual property rights cost international companies over \$60 billion a year.

In Beijing on Thursday, however, it was clearly textile exports, not bootleg movies and counterfeit industrial parts, that Chinese businesspeople saw as the greatest source of economic contention between China and the United States.

"We have already given them 10 years to prepare," said Ding Zheng, a textile company manager and graduate business student who attended Gutierrez's question-and-answer meeting at Qinghua University. "I think it's their fault."

Ding, who said he worked for Esquel Group, a Hong Kong-based company that makes cotton and knit shirts and employs more than 20,000 people in mainland China, was referring to the 10-year period of preparation that led to the global lifting of textile export quotas at the start of this year.

Other Chinese students also peppered the commerce secretary with arguments that the U.S. quotas on Chinese clothes went against the spirit of free trade promoted by the United States.

Gutierrez defended the U.S. measure as "temporary," a yearlong step that would not impede the longer-term growth of China's clothes exports. "I don't believe it is protectionist; it is a temporary safeguard," he said. Earlier, he said the United States still hoped for a negotiated settlement to the dispute.

But he also suggested that U.S. industry should have been better prepared for the lifting of quotas.

Gutierrez said he would not directly negotiate with the Chinese officials over the textile issue but would "explain" the U.S. position. The quotas still allowed China 7 percent growth in exports to the United States in the products affected and would do little to affect the total volume of trade between the two countries, he said.

"The safeguards are not going to reduce our trade deficit," he told the students, noting that last year the U.S. trade deficit with China reached \$162 billion.

Gutierrez also indicated that he would leave discussion of China's exchange rate policy to other U.S. officials.

U.S. lawmakers have accused China of holding down the value of the yuan - which has been pegged at about 8.27 to the dollar for the past decade - to fuel a flood of cheap Chinese exports to the United States.

Some have promoted legislation to punish China if it does not revalue the yuan. The U.S. Treasury secretary, John Snow, has demanded that China raise the value of the yuan against the dollar by 10 percent within six months or face possible sanctions.