

PETITIONS PROTESTING CHINA REJECTED

By Jeffrey Sparshott

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The Bush administration yesterday rejected petitions by labor and manufacturing groups that said China's policies give the country an unfair advantage in international trade.

The administration's top trade, economy and labor officials said the decision to reject labor rights and currency petitions reflected a policy of "economic engagement" over "economic isolationism," a swipe at Democrats who have advocated trade barriers to counter China's surging exports.

"Accepting these petitions would take us down a path of economic isolationism. That is a path we will not take," said U.S. Trade Representative Robert B. Zoellick.

China's economy has grown rapidly and the country has increased sales to the United States, prompting worry by workers and manufacturers that jobs and companies will disappear under intense competition.

Chinese Prime Minister Wen Jiabao told Reuters news agency yesterday that his country needs "very forceful" measures to slow its fast-growing economy but also must maintain stability.

At a joint press conference, Mr. Zoellick, Treasury Secretary John W. Snow, Commerce Secretary Donald L. Evans and Labor Secretary Elaine L. Chao said they preferred to take advantage of that fast growth by increasing U.S. exports to China, rather than broadly raising trade barriers.

Democrats quickly chastised the administration for not doing enough to protect jobs from going overseas.

"The simple fact is that this administration has once again refused to make any serious effort to use the legitimate rules that govern trade to level the playing field and prevent our businesses and workers from being taken to the cleaners," said Sen. John Kerry, Massachusetts Democrat and presumptive presidential nominee.

Democrats have urged a get-tough policy with China — to be implemented with more cases submitted to the World Trade Organization and more vigorous use of U.S. trade laws to punish the Asian country when its products flood the United States or its policies block U.S. sales.

The AFL-CIO labor federation last month demanded that the Bush administration investigate workers' rights violations. AFL-CIO President John J. Sweeney said yesterday's decision to reject the petition was "an outrage and an insult to American and Chinese workers."

The Fair Currency Alliance, a group of manufacturers and unions, had planned a petition that would blame China for undervaluing its currency by as much as 40 percent, effectively making its exports cheaper and giving its manufacturers an unfair advantage.

That petition now is unlikely to be formally filed, said Frank Vargo, vice president for international economic affairs at the National Association of Manufacturers (NAM), a trade association. NAM was taking the lead on the petition.

Mr. Vargo said he still hoped to work with the president's economic team to find a solution to the currency issue.

Mr. Wen told Reuters that China must be careful in reforming its fixed currency.

"As to how and when this [reform] can be started, we must be very prudent," he said.

Administration officials did not deny problems with China but said the petitions would make them worse.

Although access to the large U.S. market is a carrot for Chinese reform, administration officials also said they would use a stick — the technical designation of "market economy."

China is considered a nonmarket economy, a designation that makes it easier for U.S. companies to say that Chinese products are sold below the cost of production, or dumped, in the U.S. market. The result is often trade barriers in the form of high duties.

The Tariff Act of 1930 requires the Commerce Department to determine market-economy status based on foreign currency convertibility, labor rights, investment climate and government control of the economy.

"In other words, China will be required to reform its labor standards and its currency policies before it can be granted market-economy status," Mr. Evans said.

The decision-making process, however, is not scientific. A "convertible" currency does not mean one that floats freely on international markets — a step that U.S. manufacturers wanted.

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