

**Secretary of Commerce Carlos M. Gutierrez**  
**Remarks at the 18th U.S.-China Joint Commission on**  
**Commerce and Trade Closing Press Conference**  
**Diaoyutai State Guest House**  
**Beijing, China**

At our last JCCT meeting, we discussed enforcement efforts against counterfeit textbooks and teaching materials in joint enforcement raids conducted by the FBI and Chinese security agencies. China and the U.S. agreed to exchange information on customs seizures and counterfeit goods in order to further focus China's enforcement resources on companies exporting such goods. In 2006, our numbers, these are our estimates, suggested 81 percent of the seizures by U.S. Customs and Border Protection of Counterfeit Goods come from China. We would like to work together to verify exactly what that number is and where it's coming from and enable us to get engaged in that very important task of ensuring that we keep counterfeit goods out of the country.

China agreed to strengthen enforcement of laws against company name misuse, a practice in which some Chinese companies have registered legitimate U.S. trademarks and trade names without legal authority to do so. The two sides also agreed to cooperate on case-by-case enforcement against company name misuse. This is not necessarily for copying a brand in an identical sense but it could be copying a brand and changing a letter but the brand looks exactly the same. So, they have agreed that it is a serious problem and they will focus their enforcement on them. This is something several companies have brought forward. I can tell you my own personal instance I had this experience about 10 or 11 years ago. In terms of product safety in addition to what you heard today that was signed by Secretary Leavitt, our two sides noted, of course the signing of the memorandum of agreement between the Department of Health and Human Services and China State Food and Drug Administration, on active pharmaceutical ingredients. Beyond this, China agreed in the JCCT to address specific loopholes in its regulation of bulk chemicals used as active pharmaceutical ingredients. China committed to expand its

regulations to control bulk chemicals used as the underlying source of many counterfeit drugs. This is important because many chemicals used in counterfeit drugs were not being put through the approval process for active ingredients. The Chinese Government will actually go out and try to identify as many of these as possible and put them into the system. It's very important as part of our overall thrust to improve product safety measures. On medical devices, China agreed to take action to eliminate remaining redundancy in its testing and certification requirements for imported medical devices and committed to implement a "one test, one fee" policy establishing a single conformity assessment systems for medical device testing. This will reduce time and increase the flow of imports of medical devices.

China also agreed to suspend its limitation of AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China) decree 95, a regulation that would have produced additional testing and inspection redundancies targeted exclusively at imported medical devices and we are pleased they agreed to that. The U.S. medical device industry estimates that it exported \$713 million dollars in medical devices to China and that the cost of testing redundancies are in the tens of millions of dollars. Such delays prevent Chinese patients from benefiting from new medical technologies and cost lost sales for U.S. companies.

In agriculture, China agreed to allow six U.S. pork processing facilities to resume exports to China. China agreed to remove contract value requirements from draft agricultural licensing regulations that would have required U.S. farmers and agricultural exporters to disclose confidential business information. China agreed to eliminate the requirement to submit viable biotech seeds for testing, which will reduce the possibility of illegally copying patented agricultural materials.

In telecommunications, China confirmed it will lower the registered capital requirements for U.S. telecom services to operate in China. That number today is \$240 million dollars.

On the Government Procurement Agreement, China confirmed it will submit by the end of 2007 its initial offer on Chinese government agencies that will be covered by the WTO Government Procurement Agreement. China's joining the GPA will provide

American companies access to a \$35 billion dollar per year government procurement market.

Other issues in terms of tourism, China and the U.S. signed a memorandum of understanding to increase Chinese travel to the U.S. and to allow U.S. destinations to market freely in China. It's a rare case where we have a tourism trade deficit with China so we have a lot more American tourists coming to China than Chinese tourists going to the U.S. On a whole, we have a trade surplus in tourism. So this will enable us to get a lot more Chinese tourists to the U.S. and hopefully reduce that gap. And, I think there are also a lot more benefits beyond just the commercial side of having Chinese tourists come to the U.S., see the U.S., and see it for themselves.

On aircraft financing, China committed to join the Cape Town Convention on Aircraft Financing which will reduce the financial risk of cross-border aircraft financing, making it easier for U.S. aircraft and aircraft parts manufacturers to sell products in China. China agreed to work with the U.S. to discourage companies from misusing famous brands or trademarks by registering the company as their own causing consumer confusion and profiting from this unfair competition. On the Cape Town Convention, China confirmed it initiated the ratification process. China's ratification of the Cape Town Convention will reduce the risk time in financing aircraft purchases, making less expensive financing terms available to Chinese companies.

Ensuring open and non-discriminatory investment regime—and this is a broad strategic issue and this will be covered I'm sure at the SED as well—China made a strong statement confirming its commitment to open investment and competition policies and to the principle of non-discrimination in investment regulation. The two sides also agreed to investment related discussions in the U.S.-China legal exchange and discuss specific U.S. concerns about implementation of the anti-monopoly law and mergers and acquisitions regulations.

So, overall, that is the progress that we made at the JCCT and I think it sets a good foundation to go into the SED which will start tomorrow. Any questions?

**Question:** A lot of these are old issues from the last JCCT - medical devices, telecom, and GPA – are you just reconfirming what they said then.

**Secretary Gutierrez:** I think in all fairness in the case of medical devices, some new processes were put in place and they didn't deliver what they were intended to deliver. And my understanding is that Madame Wu Yi met with her staff this morning before meeting with us, and we have a pledge to make it work this time around and make sure they have these processes in place to make sure it works. In terms of telecom, the big item here is the number, the amount. And, we will get confirmation of that number soon. GPA will be done before the end of 2007 so we're talking several weeks into the future so I believe those things are coming together. Maybe a little bit later than we would have expected or hoped but the important thing is that they are getting done.

**Question:** (inaudible)

**Secretary Gutierrez:** It is always ongoing. The Chinese Government agreed to accept beef that is less than 30 months with the bone out. We would like to have all ages, all in, and so we still have not come to that agreement and we'd rather not accept something when we believe we deserve more. We believe our beef is the safest there is in the world. There are countries around the world that accept all ages, all in, and we believe China should do the same. So, we decided not to move forward on that agreement.

**Question:** (inaudible)

**Secretary Gutierrez:** We are going to continue sharing data that we have shared with other parts of the world to essentially convince the Government of China that our beef is the safest there is in the world. There is absolutely no problem with our beef. You know our beef goes to the European Union. Not only that, but this is the beef that goes to consumers in the U.S. This is our standard in the U.S. We aren't asking China to take a standard that we don't take. So, we're going to continue to insist and this is ongoing but we agreed not to move forward with that specific requirement.

**Question:** On the pork issue (inaudible) crackdown on Ractopamine (inaudible).

**Secretary Gutierrez:** I'll answer that and if I need Chris or Warren to jump in they will. We have a disagreement on Ractopamine. We agreed to go back and present scientific data and everything we have regarding the safety of Ractopamine use—

obviously in reasonable amounts. So that has not been resolved but we do have the six plants that have been essentially liberated for business.

**Question:** Does that mean all the plants that were (inaudible) earlier this year or are there some that are (inaudible)? Also on the AOSIQ order 95 (inaudible).

**Secretary Gutierrez:** It was actually testing that we felt was discriminatory in nature, and yes, I believe it was at the border, and that has been suspended. The six plants.

**Question:** (inaudible)

**Secretary Gutierrez:** I'd like to think so but at this point we're dealing with the word suspension, it has been suspended, and I find that word more useful than postponed.

**Question:** (inaudible)

**Secretary Gutierrez:** We agreed within our high-technology working group to review the civil technology where there is an opportunity to increase our exports without breaching any of the national security guidelines. So that will taken up in a working group that we agreed to form early next year.

**Question:** (inaudible)

**Secretary Gutierrez:** Do you want to add anything to that?

**Under Secretary of Commerce Mario Mancuso:** What the guidelines do is they underscore our commitment from both sides to ensure that we're doing everything we can to promote high technology (inaudible). I should also add that the dialogue is our (inaudible) high technology and teaching trade working group established in 2005, as a product of the guidelines (inaudible).

**Question:** (inaudible)

**Secretary Gutierrez:** Great question and I'll try to answer it based on what we're hearing and what my sense is. Not unlike the U.S., there is an active debate going on in China. As you know there is an active debate going on in the U.S. as to

whether we should be as open as we are, whether free trade is good, whether free trade agreements are good. I believe that there is a debate going on as well within the Government of China. I also believe that there is a strong group and a strong current to keep China on the path of openness. And what we heard today was a strong desire to ensure that China not only continues to remain open but it continues to open up. And, continues to welcome foreign investment in all aspects of society. But, I can tell you this because I know it for a fact but it is my sense that there is a healthy debate going on very much the way we debate things in our government. But, what we heard this morning is that there is a recognition that openness is what has helped the Chinese economy grow as fast as it has been growing. I've seen some quotes recently by Premier Wen Jiabao talking about the importance of openness and the importance of keeping the economy open. So, I believe this is really their policy and that this is really their strategy. Very much the same way I told them that is our policy and that is our strategy. And, that is the Bush Administration's policy to ensure that everyone knows that we welcome foreign investment and that we welcome jobs that foreign investment creates. So, I felt the assurance was quite strong.

**Question:** (inaudible)

**Secretary Gutierrez:** Did she express displeasure? Yes. We had very open candid discussions and when we don't like something we express displeasure. And, when she doesn't like something she expresses displeasure. I don't believe that they have tempered their commitment to tackle IPR. I just can't fathom the idea that they would do that at a time when they need it for their own companies. But, they know it's a big attraction for foreign capital, when they have their own brands and their Chinese patents being registered in China are at an all-time high. Madame Yi went through a long list of initiatives they have taken on their own, offices they have opened in fortunate measures, people they are training; their IPR institute, everything they are doing to ensure that they continue to tackle this subject and continue to push it back and hopefully one day eliminate it. So, yes, there is displeasure but I do not believe that they've actually pulled back on the enforcement - because they are doing it for their economy. They're doing it because it benefits their economy and their image in the world and their ability to attract capital.

**Question:** (inaudible) do you get any sense that the civilian government can control this issue because the production factories that are putting out these products (inaudible).

**Secretary Gutierrez:** I think there is a reality that the civilian government is up against organized rings of crime that are getting very good at this. And, we know that plants will be shut down and new ones will open. Because unfortunately the margins are good, the demand is there, and this is one of those problems that we're going to have to work jointly on, and we're going to have to work very hard on. But, it's a lot more than just saying, "ok, we don't like IPR violations and we're not going to tolerate IPR violations."

I think we do have to go out jointly and address literally these crime rings that have been surfacing around the world and very specifically in China. And, who happen to be making a good amount of money in IPR violations. I hate to say it but it's become a world-wide business. And we need to tackle it and I believe there is a commitment and a desire to tackle it together. And, there are programs, DHS working together with their customs officials. You heard our FBI working together with security agency. But, we have to do a lot more than what we're doing today, there's no question about it.

**Question:** (inaudible)

**Secretary Gutierrez:** I have no knowledge of military-owned factories and I can't confirm it one way or the other.

**Question:** (inaudible)

**Secretary Gutierrez:** The one we've been working on longer than even the last JCCT was tourism. We've been at this for a while and it's a lot more complex than just saying group tourism. It requires visas, it requires a certain level of commitments from both sides and I think that is one that will help our numbers. Ultimately our agreements will be only as good as our ability to export more and do more business. The pharmaceutical agreement I think is a very important one. You know there are only six or seven AP active ingredients that were being regulated. And, they know that there are chemical companies who have actually found this loophole and they're going to go after these chemical companies and that's very

significant given our product safety efforts. And, I will also say that the medical devices are something we've been working on for a while and they didn't get it right. They were very open about the fact that they didn't get it right. I believe they will make progress on that and that is a growing business for us and something we know our companies can make a significant contribution to the Chinese economy and the Chinese healthcare system. So, I would say those three. It's some progress. Is it everything we would have liked? No, we come to these meetings with very, very high expectations. But, these meetings are about specific tangible incremental progress. And, we start work tomorrow to push ahead on other areas, and this isn't just about waiting for the next JCCT, but this is essentially an agenda to work on and to continue to push and drive and continue to open up markets. I would say the big test will be that last year our exports to China were 32 percent up. This year our exports are already 17 percent up. Ultimately the measure is are we selling more are we doing more business, are companies able to invest more, are companies able to compete, and that's really the proof of our efforts.

**Question:** (inaudible)

**Secretary Gutierrez:** I'm not going to talk for the House and the Senate. I'll just say as I've said before, that we believe we have a very viable three-prong strategy and the key part of that strategy is dialogue and engagement. Next week people will be here and we have dialogue and engagement every single week that goes on. But, that's the single biggest part of it. But then there are also the tools that we have at our disposal, and I believe we have proven we are willing to use them. Whether that be continued aggressive application of our own laws—anti-dumping laws as well as countervailing duty laws—and being willing to use the WTO mechanism when it is needed. And, the combination of those three continues to be our strategy and we believe that is the correct strategy going forward and that it would be a big mistake to start legislating protectionist measures as a way of managing a very, very complex relationship.

Thank you.