Thank you, Chairman Levin. I look forward to our discussion on the importance of trade with China from a U.S. economy-wide perspective.

A recent Wall Street Journal editorial noted that "China's economic growth is a dual-edged sword for its trading partners," like the United States, which desires trade on fair terms "but not at the price of jeopardizing entry into one of the world's fastest-growing markets."

I think this is a perspective that we must maintain - one of balance - that views China not only in terms of our trade deficit, but also its importance to our economy as a whole.

China is our 4th largest export market, accounting for 4.6 percent of overall U.S. exports. Chinese imports of U.S. manufactured goods have grown from $9.3 billion in 1994 to $41.8 billion in goods in 2005. Our top export categories to China are machinery, aircraft, medical instruments and agricultural goods, which provide jobs to tens of thousands of American workers.

Although we run a deficit in trade of goods with China overall, we currently maintain trade surpluses in both agricultural goods and services. Our exports of private commercial services accounted for $9.1 billion, including professional, technical, educational and transportation services, supporting an estimated 37,000 U.S. jobs.

On the import end, China was the second largest supplier of goods in 2005, accounting for 14.6 percent of overall U.S. imports.

The primary reason for the recent increase in the overall U.S. trade deficit in goods is the relative strength of the U.S. economy. Strong consumer demand has led to an increase in imports, while slower growth in much of the industrialized world has limited U.S. export growth.

The value of imports to our economy cannot be understated, however. They provide U.S. manufacturers the opportunity to source internationally, allowing them to maintain competitiveness by keeping final prices down. By exerting downward pressure on prices, imports lead to more choices for consumers, increasing purchasing power and real income for American workers and families and keeping inflation in check.

The size of the U.S. deficit in goods with China is somewhat misleading because China has become a significant assembler of other countries' components.

In fact, this is estimated to account for 60 percent of Chinese "exports" that were previously completed and shipped from other Asian countries directly to the U.S. Underscoring this point, as our goods deficit with China has increased, other East Asian imports have dropped by $10 billion.

China's economic growth has also kindled new opportunities for U.S foreign direct investment, which reached $16.9 billion in 2005, compared to China FDI in the U.S. of $481 million.

Still, as important as China's economic growth is for our own economy, it is essential that China plays by the rules. We must see that it complies with its WTO obligations such as protecting intellectual property rights and ending subsidies that violate its WTO obligations.

To be blunt, I am disappointed at the slow pace of reform in China on these issues.

While we've seen some improvement on IPR enforcement, its not enough and I encourage the USTR to maintain the pressure.

I am pleased at the announcement that the U.S. is bringing a case against China's export subsidies and import substitution. This case is truly about standing up for America's workers, as has been done before on semiconductors and auto parts, and in achieving positive outcomes in semiconductors and Kraft linerboard by threatening cases.

In our pursuit of balance in this debate, I believe the U.S. must continue to press China to open its markets to our goods and services.

Further, we must urge the world's most populated nation to adopt stable, pro-growth policies, which will lead to an increasingly large export market for U.S. producers and investors.