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THE WALL STREET JOURNAL

WSJ.com

ECONOMY | JANUARY 10, 2012

Obama Panel to Watch Beijing

By **CAROL E. LEE** and **SUDEEP REDDY**

WASHINGTON—President Barack Obama plans to create a U.S. government task force designed to monitor China for possible trade and other commercial violations as part of a larger White House effort to get more assertive with Beijing this election year, people familiar with the matter said.

The group, called the Enforcement Task Force, will aim to enforce U.S. trade rules. Despite the generic name, officials said the group is specifically meant to target China. It will include officials from various government agencies, including the Treasury Department, the Commerce Department, the Energy Department and U.S. Trade Representative's office.

Mr. Obama is expected to announce the initiative during or around his State of the Union address later this month. The committee—and Mr. Obama's broader effort to be tougher on China over currency, market access and intellectual property rights—also are expected to be on the White House's agenda when Vice President Xi Jinping of China visits Washington next month.

Part of Treasury Secretary Tim Geithner's mission during a trip to Beijing on Tuesday and Wednesday is to discuss the administration's plans with China's leaders, officials said.

The formation of the task force has significant political implications for the 2012 election. It is a large plank in Mr. Obama's broader intent to challenge China more, an effort he telegraphed during a trip through Asia last November.

China has emerged as an important issue in the Republican presidential candidates' battle. Former Massachusetts Gov. Mitt Romney has argued the U.S. needs to get tougher on Beijing. Meanwhile, Mr. Obama's former ambassador to China, Jon Huntsman, who also is running for the GOP nomination, has urged more caution in the U.S. approach. The two sparred over the issue in debates this past weekend, with Mr. Romney criticizing Mr. Huntsman's service in the Obama administration.

Confronting China has cross-party appeal. Democrats, particularly organized labor, would like the U.S. to get tougher on Beijing. That stance also resonates among Republicans and business owners, who have expressed concerns about Beijing having an unfair economic advantage.

The White House declined to comment on the task force, the details of which officials said were still being worked out.

Members of Congress have increasingly pressured the White House to take a tougher tack with China. Lawmakers heap blame on the country for hurting U.S. employers and GOP presidential candidates criticize the administration's engagement with the world's second-largest economy. U.S. businesses have been pressing policy makers to pressure China to protect American jobs and intellectual property.

"It's not a surprise to the business community that the administration wants to talk tough on China in an election year," said Myron Brilliant, senior vice president for international affairs at the U.S. Chamber of Commerce. "We have serious issues that need to be addressed in the commercial relationship and the administration has to walk a fine line between engagement and enforcement."

"The administration is sending a direct message to China that all actions are on the table and they won't hesitate to take trade and enforcement actions that are warranted," Mr. Brilliant said.

The formation of the new task force is being overseen by Mike Froman, the White House deputy national security adviser for international economic affairs. It marks the latest step in a top-down review of the relationship with China, leading to a potentially larger role for Vice President Joe Biden in the dialogue between the two countries.

The White House is exploring a variety of ways to challenge China as a trade partner, including a possible new trans-Atlantic partnership with the European Union, one senior administration official said.

The world's two largest economies have grown increasingly aggressive in recent months on trade concerns. Both nations face the prospect of political transitions starting this fall, with widespread economic fears weighing on leadership in Beijing and Washington. Neither government wants to be seen at home as backing down given heightened concerns about job creation, setting the stage for more friction on issues ranging from currency to market access to intellectual-property protection.

"The relationship is entering a difficult phase," said Eswar Prasad, a Cornell University professor of trade policy and former head of the International Monetary Fund's China division. "Given the political circumstances on both sides of the Pacific, there is going to be a hardening of positions."

The White House also faces mounting pressure from Congress to take a tougher position with China. Responding to complaints from U.S. businesses about what they see as an undervalued Chinese currency, lawmakers on both sides of the aisle have pushed the White House to fight China more aggressively to protect U.S. jobs. A weaker yuan supports Chinese exports, making U.S. products less competitive.

A bipartisan group of 63 Senate lawmakers in October voted for legislation intended to punish China, through tariffs or penalties, for keeping the yuan low. The measure hasn't progressed in the House. China warned that it could spark a trade war, and the White House warned that it could be counterproductive.

The administration also opted not to label China a currency "manipulator" in a semiannual Treasury report late last month, a move that would be largely symbolic. But Treasury said it would continue to press Beijing for greater exchange-rate appreciation, on top of the nearly 12% yuan appreciation against the U.S. dollar on an inflation-adjusted basis since June 2010.

Meanwhile, the administration has been pressing China on a number of other trade concerns—on products from chicken to tires—through the World Trade Organization, the international arbiter of trade policies. Those efforts led China to slap tariffs on imports of some U.S. vehicles last month.

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