Congress of the United States
Washington, DC 20515

July 9, 2013

The Honorable Jacob Lew
Secretary of Treasury
U.S. Department of Treasury
1500 Pennsylvania Ave, N.W.
Washington, D.C. 20520

The Honorable John Kerry
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20220

The Honorable Penny Pritzker
Secretary of Commerce
Herbert Clark Hoover Building
1401 Constitution Ave, N.W.
Washington, D.C. 20230

The Honorable Michael Froman
United States Trade Representative
Office of the United States Trade Representative
600 17th St, N.W.
Washington, D.C. 20508

Dear Secretaries Lew, Kerry, Pritzker, and Ambassador Froman:

With China's leadership transition complete, the upcoming U.S.-China Strategic and Economic Dialogue (S&ED) presents an important opportunity to address China's barriers to U.S. trade and investment, encourage China's efforts to rebalance its economy, and establish a clear path to achieve market-based reforms. We will be paying close attention to the outcomes of this year's S&ED – and implementation of past outcomes – to determine the strength and seriousness of China's commitment to reform and the resolution of U.S. trade concerns.

As we have written to you before, we remain very concerned that China has halted – and in many cases reversed – its market reforms. We support your continued efforts to address these problems through the S&ED. China must move away from an economic model dominated by state-owned enterprises (SOEs), trade-distorting subsidies, and economic protectionism. We also remain very concerned about China's forced localization practices that condition market access on whether U.S. companies turn over their intellectual property. In addition, China's discriminatory "indigenous innovation" policies continue to harm a broad array of American companies.

We are alarmed by the increase in trade secret theft and espionage activity targeting the United States and U.S. companies for the benefit of Chinese companies, including theft by electronic means. We understand that much of this activity is carried out with the support of the Chinese government. The theft of proprietary information threatens to undermine our economic relationship, is unacceptable, and must stop.

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More generally, China still has not put in place adequate institutional arrangements to demonstrate its commitment to protecting intellectual property rights (IPR). While we have seen incremental progress in certain areas, China has failed to fully implement its past commitments and must continue to strengthen its protection and, in particular, its enforcement of IPR. For example, China still has not fully implemented its commitment for a comprehensive software legalization program that applies to all levels of government. China should develop a similar program to ensure that SOEs are using legal software.

China's opaque and discriminatory regulatory process and investment restrictions significantly impede the ability of U.S. companies to bring products and services to market and allow China to give its companies a head-start and first-mover advantage. China too often uses these practices to advantage Chinese SOEs and block market access for U.S. companies. For example, when China adopts financial sector reforms such as raising equity caps, it should be clear that those rules apply equally to U.S. and Chinese companies and should be implemented in a manner that levels the playing field.

We also remain very concerned by China's continued currency misalignment. China must stop intervening massively and in one direction in the foreign exchange markets, and move more rapidly towards allowing the renminbi exchange rate to be set by market forces. In addition, China must accelerate financial sector and other structural reforms. These steps are essential to implementing China's own commitment to rebalance its economy and would improve the ability of U.S. businesses to compete in China, and around the world, on a level playing field.

In addition, China continues to maintain and adopt regulatory barriers to U.S. agriculture exports that are not supported by science, raising serious questions about whether China is complying with its World Trade Organization (WTO) commitments. For example, China's regulations continue to prohibit the importation of U.S. beef even though the World Organization for Animal Health has recognized that all cuts of U.S. beef derived from cattle of all ages are safe. In fact, U.S. beef is classified with the same rating as beef from Australia, New Zealand, and other countries that are permitted to export their beef to China.

Despite previous commitments to join the WTO Government Procurement Agreement, China still has not submitted an adequately robust offer. We urge you to have China commit to a target date for accession, agree to cover sub-central entities and state-owned enterprises, and commit to providing real and meaningful market access for U.S. companies.

Finally, China's implementation of its previous commitments on all of these areas in bilateral and multilateral fora has been woefully inadequate and incomplete. Moreover, implementation applies only to certain central government authorities; for implementation to be meaningful, it must also extend beyond to sub-central entities and SOEs. As a result, we have long called on the Administration to identify and use meaningful metrics to measure progress and to be aggressive in ensuring that China is fully implementing its commitments and doing so in a commercially meaningful way.

Continued progress on these issues is vitally important to ensure that U.S. companies, farmers, ranchers, and workers are competing on a level playing field in China and to demonstrate that China's new leadership is committed to improving the U.S.-China economic relationship.

Sincerely,

DAVE CAMP
Chairman
House Committee on Ways and Means

MAX BAUCUS
Chairman
Senate Committee on Finance

SANDER M. LEVIN
Ranking Member
House Committee on Ways and Means

ORRIN G. HATCH
Ranking Member
Senate Committee on Finance