

Congress of the United States
Washington, DC 20515

November 29, 2012

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

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

Dear Secretary Blank and Ambassador Kirk:

We are concerned that China continues to move away from market-based reforms and is more deeply embracing an economic model dominated by state-owned enterprises (SOEs), World Trade Organization (WTO)-inconsistent subsidies, and economic protectionism. China's state capitalist model presents a range of issues that impact the future prosperity of the United States and the economic stability of the world. As China undertakes its leadership transition, the United States must utilize every opportunity to address China's barriers to U.S. trade and investment and encourage China's efforts to rebalance its economy. Next month's meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) will provide a valuable opportunity to redouble efforts, and we will be paying close attention to the outcomes.

We have each written to you in the past about our key priorities and concerns. While incremental progress has been made, our list of concerns remains troublingly similar year-to-year. China fails to effectively enforce intellectual property rights (IPR) and has not put in place proper institutional arrangements to show a serious commitment to protecting IPR. Forced technology localization continues to rise as U.S. companies are forced to forfeit their IPR to do business in China.

China's regulatory system remains opaque, burdensome, and discriminatory. It is too often used to provide advantages to favored companies (typically Chinese SOEs) and block access to foreign companies and products. China's investment restrictions continue to unduly discriminate against U.S. companies and protect Chinese SOEs. China also still has not made a serious offer in its long-overdue accession to the WTO Government Procurement Agreement.

China's systematic currency misalignment continues to impair China's economic rebalancing. Adoption of financial sector reform and allowing the RMB to be set by market forces will advance China's economic rebalancing and ensure that U.S. businesses compete in China, and around the world, on a level playing field.

We continue to hear an increasing number of complaints about China's WTO-inconsistent retaliation against U.S. companies. The United States has already brought, and won, a case at

the WTO condemning China's retaliatory use of trade remedy laws. But the problem is broader. Unilateral retaliation undermines the rules-based trading system and cannot be tolerated.

China also continues to maintain sanitary and phytosanitary standards (SPS) that are not supported by science and severely limit – and in some cases prohibit – exports of U.S. agricultural products. For example, China continues to ban imports of U.S. beef without any scientific basis and 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.

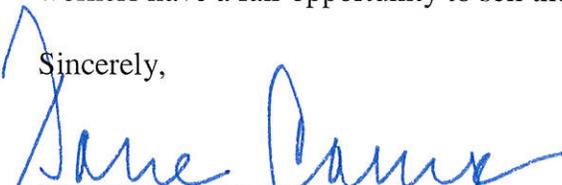
In all of these areas – and many more that we have previously identified – necessary progress is lacking. We are especially concerned that in far too many instances in which China has made commitments through the JCCT, Strategic & Economic Dialogue, or at the WTO, it has failed to follow through and implement its obligations. For implementation to be meaningful, it must also extend to sub-central entities and state-owned enterprises.

We have repeatedly called on the Administration to develop meaningful metrics to measure progress. We were encouraged by the announcement that the United States and China will use software sales as one of the metrics in determining whether China has implemented its commitments. The Administration should build on this progress and develop metrics for other areas. The Administration must ensure that progress is measured not only in the number of laws repealed but in new market opportunities for U.S. companies and products.

This year's meeting of the JCCT is a unique opportunity to demonstrate that the United States and China are working together meaningfully to address bilateral concerns, restore global economic health, and to fight against protectionism.

Progress on the full range of issues will show the American people that the U.S.-China economic relationship is headed in the right direction and that U.S. companies, farmers, ranchers, and workers have a fair opportunity to sell their goods and services in China.

Sincerely,



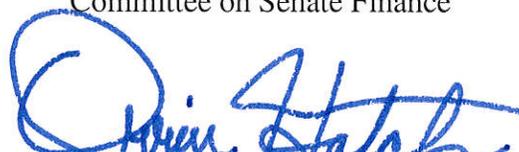
DAVE CAMP
Chairman,
House Committee on Ways and Means



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



MAX BAUCUS
Chairman,
Committee on Senate Finance



ORRIN G. HATCH
Ranking Member,
Committee on Senate Finance