

## COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

May 23, 2018

The President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Trump:

We write to express our serious concern and dismay at the negative direction of the ongoing U.S.-China trade discussions.

Last Friday, while the Chinese trade delegation led by Vice Premier Liu He was still in Washington, we wrote to let you know that moderating the penalties imposed on Chinese telecom company ZTE is unacceptable economic and national security policy. We also underscored the critical need for your administration to secure substantive, structural changes to the unfair terms of China's trade and economic relationship with the United States.

We have not been alone in our consternation over ZTE. Members of Congress from the House and the Senate – both Democrats and Republicans – have registered their strong protest through letters like ours as well as statements and proposed legislation. And yet, Treasury Secretary Mnuchin continued on Tuesday to insist that your administration will revisit the ZTE penalties as a “favor” to President Xi Jinping of China. In the meantime, press reports about Trump business interests in Indonesia recently securing a Chinese state-owned partner that could be bringing along \$500 million in funding are, even when viewed in the best possible light, a very bad look.

Your administration has found that imports of steel and aluminum are threats to U.S. national security justifying the imposition of restrictive tariffs and quotas. There should therefore be no question for your administration that violations of U.S. controls on technology exports are threats to U.S. national security justifying the strictest of penalties. Let us be very clear: U.S. national security prerogatives are not for sale.

In the meantime, press reports indicate that as a result of last week's discussions with China, Commerce Secretary Ross will be traveling to Beijing to secure agreements from China to increase its purchases of U.S. agricultural commodities and energy, in order to buy down the U.S. trade deficit by a reported \$200 billion. Experts assess that under current economic circumstances, the United States does not have the capacity to increase production to supply an additional \$200 billion worth of goods to China. Furthermore, the emphasis on reducing the U.S. trade deficit with China by a substantial amount directly contradicts your administration's

tax policy goals, which will have the effect of increasing the U.S. trade deficit, including with China.

More importantly, we remind you that China's longstanding ambitions to ascend the value chain have been well-documented in its five-year plans and industrial plans, including the Made in China 2025 plan. China's economic development has been rapid and its rise in economic influence and industrial sophistication steep. As acknowledged by your administration's Section 301 investigation, China is relentlessly pursuing its plan to be globally dominant by the year 2025 in fields ranging from artificial intelligence to biomedicine to next generation vehicles to aerospace.

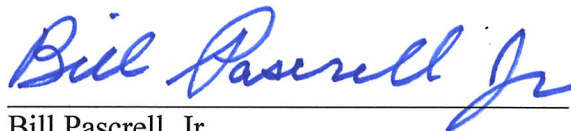
China is aiming high and it has demonstrated its ability to accomplish its goals effectively and in a short amount of time. China is a very serious contender. Settling for a deal to sell substantially more commodities and natural resources to China, without leveling the terms of competition in high value, cutting-edge sectors, is effectively to roll over and cede the future to China.

We urge you once again, in more pointed terms: don't sell America out and don't sell America short. The current trajectory of your administration's plans risks doing both.

Sincerely,



Richard E. Neal  
Ranking Member  
Committee on Ways and Means



Bill Pascrell, Jr.  
Ranking Member  
Ways and Means Trade Subcommittee

CC Hon. Robert Lighthizer, U.S. Trade Representative  
Hon. Steven Mnuchin, Secretary of the Treasury  
Hon. Wilbur Ross, Secretary of Commerce  
Larry Kudlow, Director, National Economic Council  
Peter Navarro, Assistant to the President, Director of Trade and Manufacturing Policy