

Congress of the United States
Washington, DC 20515

September 21, 2015

President Barack Obama
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

President Xi's upcoming visit provides an important opportunity for your Administration to address serious concerns about the direction of the U.S.-China economic relationship and how China conducts its economic and trade policies.

Exacerbating our specific concerns is China's lack of transparency and predictability in its administrative and regulatory policymaking processes, which allows many of these harmful policies to fester and grow. China also obstructs our efforts to obtain meaningful and measurable metrics to track progress on its existing commitments. Chief among the commitments that you seek from President Xi should be a concrete commitment that China will improve the transparency of its policymaking processes.

China's cyber policies raise serious concerns. Chinese government-sanctioned cyber-attacks have deeply eroded trust between the United States and China particularly given that they have often been economically-motivated and have targeted the proprietary and sensitive assets of U.S. private industry. China also continues to push policies that would compromise the integrity of U.S. technology companies' products and services by forcing them to localize data or production or disclose source code. While China has put on hold the application in one sector of certain rules that would have compelled U.S. companies to provide source code, install backdoors in their products and consent to invasive audits, China has not fully abandoned these policies and the recently-adopted national security law and draft cybersecurity and counterterrorism laws under consideration create grave concerns that China remains headed in the wrong direction when it comes to the global digital economy and innovation.

An overarching concern is the dominant role that state-owned enterprises (SOEs) continue to play in the Chinese economy. According to China's own data, private entities generate 40 percent of domestic profits and nearly 40 percent of revenue but hold only 26 percent of China's domestic assets; SOEs or government entities hold the remainder of domestic assets. This situation has hardly changed since 2010. Allowing SOEs to continue to dominate the economy hampers the functioning of the Chinese marketplace and is detrimental to all companies trying to compete in China.

The lack of adequate protection for intellectual property rights (IPR) in China also concerns us. In particular, the theft of trade secrets is a growing threat to U.S. businesses, and China has adopted, or is seeking to adopt, several new policies that would require U.S. companies, including in the technology and communications sectors, to forfeit their intellectual property or localize their activities. Inadequate institutional arrangements and a failure to fully implement past commitments, including ones made through the bilateral Strategic & Economic Dialogue and Joint Commission on Commerce and Trade fora, to strengthen and enforce IPR continue to deter U.S. companies from doing business in China. This, in turn, slows the development of the Chinese market and its integration into the global marketplace.

We believe that the Bilateral Investment Treaty negotiations should, among other things, address the problems that U.S. investors face arising out of the particularly problematic nature of China's economic, political, and legal systems. We are encouraged that China has submitted a revised negative list offer and hope that negotiations will accelerate. China's first offer, however, was far below the level of ambition that is necessary to successfully conclude an agreement. It is important that China not wait for the conclusion of the negotiations to continue to remove barriers to U.S. investment, including policies like equity caps and local content requirements. For example, removing equity caps in the insurance and financial services sectors now would encourage greater U.S. investment and support the development of more robust markets in China.

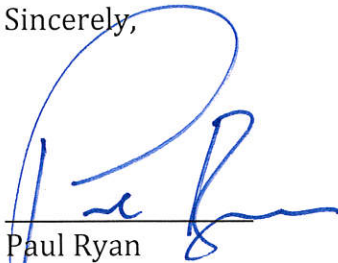
Currency practices continue to be a major issue of concern for many Members of Congress, particularly given the recent movements of the RMB. The continued misalignment of China's currency is unsustainable and unacceptable. China must curtail its interventions in the market, publicly disclose when it does intervene in foreign exchange markets, and accelerate necessary structural reforms. So long as China's currency is not set by market forces, China will be unable to rebalance its economy, and U.S. workers and companies will continue to be harmed.

As a systemic matter, we also remain troubled by reports of retaliation and threats of retaliation by China against U.S. and other foreign companies in the trade and economic sphere. Whether inflicted through discretionary discriminatory policies or the initiation of baseless trade remedy cases, these types of punitive and intimidating practices undermine the ability to maintain the type of rules-based environment that permits international trade and investment to thrive.

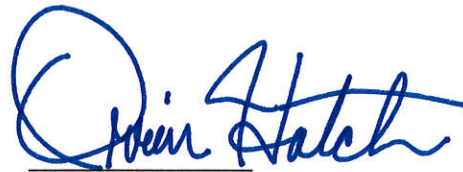
Finally, while China is a vital market for U.S. farmers and ranchers, China's regulatory barriers continue to drastically limit U.S. exports. In particular, the continued delays in review and regulatory approval of innovative U.S. biotech products prevent our industries from deploying state-of-the-art technologies on U.S. farms and serve as a barrier to U.S. exports. China should immediately approve the seven biotech products that are at the final approval stage and establish a more predictable, transparent, and effective regulatory process for future products.

We have outlined above several of our top concerns but caution that this is far from a complete list of the range of Chinese market access and other barriers that impede U.S. companies' ability to do business in China and that are a priority for our constituents and other Members. We recognize that progress is often incremental and slow, but we are increasingly concerned that we have lost forward momentum in the U.S.-China trade and economic relationship. China and the United States both have enormous responsibilities to the global economy, but recent developments suggest that China is not fulfilling that responsibility. We urge you to work with President Xi to correct course and improve these circumstances.

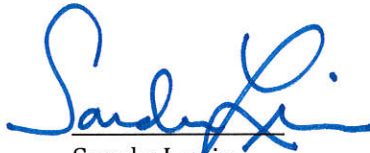
Sincerely,



Paul Ryan
Chairman
House Committee on Ways and Means



Orrin Hatch
Chairman
Senate Committee on Finance



Sandy Levin
Ranking Member
House Committee on Ways and Means



Ron Wyden
Ranking Member
Senate Committee on Finance