

SHERROD BROWN
OHIO

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SELECT COMMITTEE ON ETHICS

United States Senate

WASHINGTON, DC 20510

July 8, 2013

The Honorable John F. Kerry
Secretary
U.S. State Department
2201 C Street NW
Washington, DC 20520

The Honorable Jacob J. Lew
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Kerry and Secretary Lew:

As you both commence this fifth Strategic and Economic Dialogue of the Obama Administration, I would encourage you both to work with your Chinese counterparts towards resolution of several issues essential for the growth of the U.S.-Chinese relationship as well as our economic and strategic well-being.

Late last month, I chaired a hearing of the Congressional-Executive Commission on China investigating the negative economic effects caused by China's theft of trade secrets. Trade secret theft undermines the willingness of both business and governments to forge strong ties with those engaged in such practices. For this reason, the Chinese government should be more aggressive in combating this pervasive problem. Stable, market-based economies protect the ideas and processes of the makers of those goods and ideas. China's efforts at domestic market development require an increased focus on enforcement of intellectual property protections and penalties for theft of trade secrets.

In addition, U.S. businesses and workers are concerned about the impact of state capitalism and the behavior of state-owned enterprises on U.S. competitiveness. Chinese state-owned enterprises receive considerable government-provided preferences and advantages, such as subsidies, that disadvantage U.S. businesses competing in the Chinese market and globally. American companies are further disadvantaged because China does not have proper environmental, labor, and other industrial standards and even those standards that exist are not equally enforced, meaning that U.S. products are consistently more expensive than China's products. New York's Metropolitan Transit Authority recently awarded the contract for repairs to the Verrazano Narrows Bridge to a contractor sourcing steel from a Chinese state-owned enterprise which will then be fabricated in China and shipped to America. The bid was the lowest, in spite of transportation costs for such a heavy product, highlighting the competitive disadvantage American producers face.

Many Americans are increasingly concerned with investment by Chinese state-owned enterprises in the United States. These concerns include both the security and safety of Americans as well as competitive concerns resulting from allegations that these investments are only possible due to Chinese government support. In order for our two countries to continue strengthening our relationship, China needs to take steps to equal the playing field, including withdrawing the privileges and support given to state-owned enterprises and requiring state-owned enterprises to operate on a commercial basis.

China's newly installed leaders have an opportunity to challenge and set on the path to permanent change China's prevalent censorship of the internet and media. Such practices stunt the growth of China's innovative and creative capacity which is crucial to continuing China's economic growth. The restrictions and limits placed on China's citizens by their government creates an environment of distrust which may lead to action by China's citizens. China needs to safeguard and champion the human rights of its citizens in order to fully take advantage of the skills and talents, forge a strong nation, and signal to the international community China's respect for and commitment to international standards and the rule of law. China will not realize its full potential through violating the human rights of its citizens and censoring free speech and access to information. I hope President Xi's Chinese Dream includes concrete steps to eliminate internet and press censorship and a renewed pledge to safeguard human rights for all of China's citizens, including a commitment to pursue more constructive and inclusive policies in Tibetan and Uyghur ethnic minority areas and to free all political prisoners, including the many whose only "offense" is practicing their faith or criticizing the Chinese government or the Chinese Communist Party.

Finally, currency manipulation distorts trade and weakens the global economy. I ask you to urge China to end its intervention in currency markets. In order to combat such unfair trade practices, I re-introduced the Currency Exchange and Oversight Reform Act, which passed the Senate in 2011. This bill would allow U.S. industries harmed by currency manipulation to seek relief and results to address those countries that seek to gain an unfair advantage through currency manipulation. A December 2012 report by the Peterson Institute for International Economics concluded currency manipulation by foreign governments cost the U.S. between 1 million and 5 million jobs and increased the U.S. trade deficit by \$200 billion to \$500 billion per year. American workers and manufacturers are the most competitive in the world as long as the playing field is level.

I hope you have an open and comprehensive discussion with your counterparts on these issues, so that our countries can work towards solutions on these issues of global importance. I look forward to working with you and your staff as the conversation progresses.

Sincerely,



Sherrod Brown
United States Senator