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## **BAUCUS CALLS ON CHINESE PRESIDENT TO USE VISIT TO RESOLVE LONGSTANDING CHALLENGES TO THE U.S.-CHINA ECONOMIC RELATIONSHIP**

*Finance Committee Chairman Urges President Hu to Protect American Innovation, Appreciate Currency, Open Market to American Beef*

**Washington, DC** – On the eve of Chinese President Hu Jintao’s state visit to the United States, Senate Finance Committee Chairman Max Baucus (D-Mont.) today urged Hu to resolve critical economic and bilateral trade issues. In a letter to President Hu, Baucus specifically called for progress on China’s inadequate protection of U.S. intellectual property rights; policies that discriminate in favor of domestic Chinese – or “indigenous” – innovation; China’s unfair currency undervaluation; and unscientific restrictions on imports of U.S. beef.

**“President Hu’s state visit offers a momentous opportunity for the U.S. and China to finally resolve the challenges affecting our economic and trade relationships. Now is the time to overcome the hurdles in our relationship rather than just talk about them,”** said Baucus. **“A strong economic relationship between our two countries presents enormous potential for workers, ranchers, farmers, and manufacturers in Montana and across the United States, and benefits for the Chinese as well. But we must make meaningful progress on these critical issues so we can build a mature economic relationship that helps both our countries grow and prosper.”**

Baucus has long worked to resolve major issues facing America’s economic relationship with China. In October, [he traveled to China to meet with Chinese Vice President Xi Jinping](#) and other top economic and trade officials to discuss the critical need for China to allow its currency to appreciate, protect and enforce U.S. intellectual property rights, eliminate its policies favoring home-grown, or “indigenous” innovation that discriminate against American companies and remove its unjustified restrictions on beef and other U.S. agricultural products. Last month, Baucus and Senate Finance Committee Ranking Member Chuck Grassley (R-Iowa) [released a report](#) they requested from the U.S. International Trade Commission (ITC) detailing China’s infringement of intellectual property rights and discrimination against American industries.

The Finance Committee has jurisdiction over international trade. The full text of today’s letter follows [here](#).

January 17, 2011

His Excellency  
Mr. Hu Jintao  
President  
The People's Republic of China

**VIA HAND DELIVERY**

Dear President Hu:

As the world's first and second largest economies, the United States and China have an increasingly integrated and complex economic and trade relationship. This relationship presents enormous opportunities for workers, ranchers, farmers, and manufacturers in the United States, including my home state of Montana, and in China. The United States is expected to export more than \$100 billion of goods and services to China in 2011. And the United States remains China's largest export market. But while the U.S. – China relationship provides important opportunities, it also poses significant challenges. We must measure the success of our relationship by how we address these challenges, as well as by how we create and take advantage of economic opportunities.

As you prepare to visit the United States, I urge China to make progress on four critical challenges. First, I urge China to further improve its protection and enforcement of intellectual property (IP) rights. I commend China for the commitments it made during December's U.S. – China Joint Commission on Commerce and Trade (JCCT) meetings to ensure government agencies and enterprises purchase and use only legal software. These commitments were an important step forward, and I look forward to their timely implementation. But estimates indicate that software piracy rates in China stand at almost 80 percent. And despite years of commitments by China to tackle the problem, IP infringement remains pervasive and poses significant market access barriers for U.S. companies. Addressing these concerns will benefit China as well as the United States. Improved IP protection and enforcement is critical to China's efforts to develop its own domestic innovative industry. I therefore urge China to establish transparent, public and systemic procedures that ensure all government agencies at the central, provincial, and municipal levels, as well as China's government enterprises, purchase and use legitimate software.

Second, I urge China to implement its "indigenous innovation" policies in a non-discriminatory manner. During the JCCT, China took an important step toward this goal by agreeing not to discriminate against innovative U.S. companies that are competing for Chinese government procurements. China can further demonstrate its commitment to treat U.S. companies fairly by acceding to the World Trade Organization Agreement on Government Procurement (GPA). I look forward to China's submission of a robust revised accession offer this year. And I hope China's offer includes comprehensive coverage of state-owned enterprises as well as sub-central government entities.

Robust implementation of your JCCT commitments, along with a comprehensive revised GPA offer, will benefit American companies seeking to compete in the Chinese government procurement market and also ensure that Chinese companies continue to have access to cutting-edge American technology.

Third, China's currency practices continue to raise serious concerns in the United States Congress, and hinder our ability to constructively advance the U.S. – China relationship. While China has taken steps to

appreciate its currency since June 2010, this appreciation has not been meaningful. I urge China to demonstrate a renewed commitment to moving toward a market determined exchange rate. Such movement will not only help improve U.S. – China economic relations, it is a necessary step in China’s efforts to move its economy away from export-led growth and toward domestic consumption-fueled growth.

Finally, I urge China to permit imports of U.S. beef. I remain concerned that China continues to ban imports of U.S. beef even though the World Organization for Animal Health has recognized that U.S. beef derived from cattle of all ages are safe. I was pleased that China committed during the JCCT to resume negotiations on the importation of U.S. beef and beef products. But I am disappointed this issue has not yet been resolved, and I urge these negotiations to successfully conclude as quickly as possible. International scientific standards are clear, and there simply is no excuse for China’s refusal to abide by them.

I look forward to working with you to resolve these issues and deepen the U.S. – China economic relationship. And I look forward to building a mature economic relationship where we systematically address our concerns to the benefit of both our countries.

Sincerely,

Senator Max Baucus

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