United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

The Honorable Robert Lighthizer
U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20006

August 2, 2017

Dear Ambassador Lighthizer,

For years, China has forced U.S. firms to disclose important data and intellectual property (such as source code) or otherwise transfer technology as a condition of doing business there. As part of its broader national strategy to become a leader in the manufacture of high-technology products, China places significant limitations on U.S. firms' ability to compete through a host of mercantilist policies designed to impede U.S. firms attempting to operate in China and co-opt U.S. technology. I write to urge you to investigate China's forced technology transfer policies and take appropriate action to ensure that U.S. manufacturers and service providers are no longer pressured to sacrifice critical intellectual property and operational freedom as a condition for accessing China's market.

As I noted in a letter to the President in April, China's forced technology transfer policies are among the key challenges facing U.S. innovators operating in China or otherwise competing with Chinese firms. For example:

- China requires or pressures foreign firms wishing seeking to do business in China to establish joint ventures with Chinese partners;
- The Chinese government has established tools that provide Chinese agencies with broad authority to intervene in firms' daily operations to enable the transfer of U.S. and other foreign technology; and
- China imposes burdensome and non-productive IP licensing requirements on firms, such as requiring that mandatory adverse terms be applied to foreign IP licensors.

USTR most recently cited its concern with China's forced tech transfer policies in its trade enforcement report issued this week pursuant to Section 601 of the Trade Facilitation and Enforcement Act of 2015. As stated in that report, "China imposes requirements that U.S. firms develop their IP in China or transfer their IP to Chinese entities as a condition to accessing the Chinese market. China also requires that mandatory adverse terms be applied to foreign IP licensors, and requires that U.S. firms localize research and development activities."

U.S. enterprises in a wide range of manufacturing sectors, especially advanced technology firms, have been directly and indirectly impacted by Chinese "security" measures. China's policies directed at the transfer and acquisition of foreign technologies as well as those restricting market access are an important element of its top down, comprehensive and long term strategy to move from a low- and middle-technology manufacturing economy to become a leader in the manufacture of high-technology products. The policies are reflected in the Chinese government's Made in China 2025 initiative, which sets forth China's goal to become a global leader in 10 advanced manufacturing sectors including new energy vehicles (NEVs), next generation information technologies, aviation, and other sectors.

It appears that the Administration has been unable to make progress on these issues in dialogues with China, including as part of the Comprehensive Economic Dialogue the Administration launched with China this year. Therefore, I urge appropriate additional steps be taken promptly to counter China's attempts to strong-arm U.S. innovators into giving up their intellectual property and drive U.S. firms further out of the Chinese market.

I look forward to working with you on these critical issues.

Sincerely,

Ron Wyden

Ron Wyden
Ranking Member
Senate Committee on Finance