

United States Senate

WASHINGTON, DC 20510

January 13, 2020

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

Dear Mr. President:

With the signing of the so-called “phase one” trade agreement between the U.S. and China expected on January 15, I write to express my serious concern that a weak agreement – one that fails to address the structural inequities in the U.S.-China trade relationship – will harm American workers and businesses for years to come. From what I understand from reading press reports, the terms of the agreement will result in very little progress in reforming China’s rapacious trade behaviors and seems like it could send a signal to Chinese negotiators that the U.S. can be steamrolled.

Without concrete commitments from China to curtail its practices of massive government subsidies to its domestic industries, state-sponsored cyber theft against U.S. companies, forced technology transfer, inequitable market access, and other egregious tactics, U.S. innovators will continue to lose billions of dollars, U.S. companies will fail to gain fair access to the China market, and millions of American jobs will be at risk. By giving away leverage with a temporary deal of some reduced tariffs in exchange for American goods and vague promises of reform, as China has made time and time again, these structural issues will only become more challenging to address in future negotiations.

Mr. President, I have long commended your tough instincts on China and for initiating more aggressive action against China’s unfair trade policies than past administrations. This will all be for naught, however, if the Chinese government fails to make substantive and enforceable commitments on structural change. To be clear, China pledging to make short-term purchases of American goods will not address the fundamental problems that undermine long-term U.S. economic opportunity, prosperity, and security.

There are a number of concerning policies and practices reportedly left unaddressed as part of this initial deal with China. To assure the American people of the commitments they can expect to see as part of this “phase one” deal, I respectfully request that you provide answers to the following questions before the agreement is signed:

1. Your senior trade advisor, Peter Navarro, has labeled the Chinese government’s market-distorting subsidies as one of China’s ‘seven deadly sins’. According to a 2018 Office of the U.S. Trade Representative (USTR) report, the Chinese government’s use of industrial subsidies has been “ubiquitous” over the past two decades and across economic sectors. These massive government subsidies fuel the excess production of Chinese goods, devastating global markets, distorting prices, and undermining the ability of U.S. companies to fairly compete. **What commitments, if any, address the Chinese government’s subsidy programs that continue to harm U.S. industry and workers?**
2. Another one of China’s longstanding predatory trade tactics includes the preferential treatment of its state-owned enterprises (SOEs), to the detriment of U.S. companies. The Chinese Communist Party exercises great control over SOEs, and provides them with numerous competitive

advantages, such as preferential access to land and capital, which are unavailable to non-state owned and foreign firms. **What commitments, if any, has China made on substantive state-owned enterprise reform as part of the “phase one” agreement?**

3. The U.S. has repeatedly found that Chinese companies are selling their products into the U.S. at artificially low prices, unfairly harming American companies and violating international trade obligations. **What commitments, if any, will curtail the dumping of Chinese products which puts American firms out of business and threatens U.S. jobs?**
4. In USTR’s Section 301 Investigation report, it was found that China conducts and supports unauthorized intrusions into, and theft from, the computer networks of American companies to access sensitive commercial information and trade secrets. These cyber intrusions have been labeled by Mr. Navarro as another one of China’s ‘seven deadly sins’. **What commitments, if any, will hold China accountable for unauthorized intrusions into U.S. commercial computer networks and cyber-enabled theft of intellectual property and sensitive commercial information?**
5. The ongoing trade dispute with China may result in the permanent loss of market share for America’s farmers. Your administration claims that China has committed to buying at least \$40 billion in U.S. farm products this year alone as part of the “phase one” agreement, but there are concerns that China will not make the changes necessary to meet these import demands. **To what extent will this “phase one” agreement regain lost market share for U.S. farmers?**
6. Billions of U.S. taxpayer dollars have been spent through the Department of Agriculture’s Market Facilitation Program to keep farmers afloat. Unfortunately, the program has not distributed these funds equitably to all impacted farmers. **Should farmers expect that additional rounds of program funding will address these inequities?**

If these issues go unresolved as part of this “phase one” agreement, I urge you to ensure that specific and enforceable concessions are made going forward. Anything less would be a severe and irreparable loss for the American people.

Thank you for your prompt consideration of, and response to, these critical questions.

Sincerely,



Charles E. Schumer
United States Senator