

United States Senate

WASHINGTON, DC 20510

November 7, 2014

COMMITTEES:

HEALTH, EDUCATION,
LABOR, AND PENSIONS

BUDGET

SPECIAL COMMITTEE
ON AGING

COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS

COMMITTEE ON ENERGY
AND NATURAL RESOURCES

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President,

As you travel to China to meet with leaders at the Asia-Pacific Economic Cooperation summit, I am writing to urge you to prioritize policies that level the international playing field for American businesses and workers in your discussions with China and the leaders of the eleven countries involved in negotiating the Trans-Pacific Partnership (TPP) free trade agreement.

While I commend your Administration's goal of promoting good-paying jobs in the U.S. by expanding exports through new trade agreements, I have serious concerns about how those agreements will affect our economy—particularly Wisconsin's manufacturing sector and its workers, which have suffered from past flawed free trade agreements. As the United States negotiates TPP and a bilateral agreement with China, it is critical that we address trade problems that undermine the ability of American businesses to compete on a level playing field. It is equally important that we do not trade away existing policies that protect our businesses and workers. As such, I would urge you to prioritize the following issues as you negotiate the TPP and a Bilateral Investment Treaty with China.

Address Currency Manipulation

More than 20 countries, many of which are our top trading partners in the Asia-Pacific region, have dramatically increased their foreign exchange reserves in recent years. This stockpiling of assets keeps these countries' currencies undervalued, boosting their trade competitiveness and further exacerbating the United States' trade deficit. Recent estimates put the number of American jobs lost due to this foreign currency manipulation between 1 and 5 million.

The TPP is a once in a generation opportunity to change norms in the international financial system. The Bilateral Investment Treaty is an opportunity to correct the worrying trade imbalance between the United States and China. However, I am concerned by reports that cracking down on currency manipulation is not currently a priority in bilateral negotiations with China or the TPP. I urge you to make clear in any agreement that the United States, and any nation that wishes to be a party to the agreement, will not tolerate currency manipulation. Voluntary agreements by nations in the Asia-Pacific region will put pressure on China to change its ways or lose influence with its neighboring trade partners. I also urge you to include binding language into the agreement that includes agreed-upon penalties that the United States will impose on nations that do not comply.

Protect Intellectual Property

Any new trade deal we agree to must protect innovative American businesses by addressing growing accounts of global intellectual property theft. International theft of American intellectual property is costing U.S. businesses of all sizes jobs and revenue, all the while undermining incentives for innovation in manufacturing and emerging sectors.

Too often, I hear from Wisconsin business owners who enter the Chinese market only to discover that their patented designs and products have been stolen by the companies with whom they do business. The threat of theft alone causes small and medium size businesses to delay entering the global marketplace, thereby forgoing growth opportunities that create jobs. Therefore, any new trade deal must include high standards for protecting intellectual property so that American businesses may continue to benefit from their ingenuity and innovation. Insisting on high standards in trade law will reinforce pressure on other countries to strengthen their own domestic patent laws.

Preserve Buy American Requirements

Congress enacted the Buy American Act more than eight decades ago on the simple premise that when the government makes purchases with taxpayer funds, it should put American companies first. These requirements have a long history of bipartisan support and have had a strong impact in creating good middle class jobs in our country. I understand that the TPP will include a section on government procurement policy that would require all firms operating in TPP countries to be provided equal access to U.S. government procurement contracts. This means the United States would agree to waive all Buy American Act procurement policies to firms operating in TPP countries, including state-owned enterprises.

This potential tradeoff does not outweigh the risk of gutting Buy American preferences, especially considering that the total U.S. procurement market is about twice the size of the combined procurement markets of all the other countries negotiating TPP. I urge you not to trade away our ability to ensure that billions in U.S. government expenditures are invested back into our economy to create jobs, strengthen our manufacturing sector and develop new cutting-edge industries.

Support Enforcement of Unfair Trade Practices

As you know, when China joined the World Trade Organization in 2001, China agreed to allow other members to treat the country as a “non-market” economy through 2015. China was considered a “non-market” economy because the Chinese government operated state-owned enterprises and provided direct support to businesses that gave them an unfair advantage over companies in market economies, including ours. Importantly, “non-market” status is a critical trade enforcement tool that allows the U.S. Department of Commerce to more effectively prosecute trade violations because it forces companies in “non-market” economies accused of dumping to prove that their prices are not artificially low under higher, market-based standards.

With the expiration of China's non-market economy status approaching, I ask that you not prematurely grant China market economy status as the Chinese government still maintains much of the direct support to businesses that led to the initial "non-market" status determination in 2001. Furthermore, ending this designation would only make dumping more difficult to prove for American business, including those companies in my state that have found it impossible to compete with China's unfair trade practices.

As the United States negotiates future free trade agreements, I urge you to include strong and enforceable measures to address these ongoing issues that undermine American businesses and workers. I look forward to working with you to address these priorities within any new trade deals.

Sincerely,

A handwritten signature in blue ink, reading "Tammy Baldwin". The signature is stylized, with a large, flowing "T" and "B".

Tammy Baldwin
U.S. Senator

cc: Jack Lew, Secretary, U.S Department of the Treasury

Michael Froman, U.S. Trade Representative, Office of the U.S. Trade Representative

Stefan Selig, Under Secretary of Commerce for International Trade, International Trade Administration