

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
APPROPRIATIONS
FOREIGN RELATIONS
SELECT COMMITTEE ON INTELLIGENCE
SMALL BUSINESS AND ENTREPRENEURSHIP
SPECIAL COMMITTEE ON AGING

April 3, 2018

The Honorable Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, D.C. 20508

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Ambassador Lighthizer and Secretary Mnuchin:

Chinese mercantilism poses the greatest external challenge to American economic leadership of our time. After China acceded to the World Trade Organization under generous terms and optimistic assumptions in 2001, the United States failed to manage the economic transition that followed, which, in turn, wrought havoc for millions of American workers and businesses.

China has used the economic foothold that it gained from trade liberalization to subvert U.S. national interests. It has used the American people's wealth to build up industrial strength in order to finance its goals of regional dominance and repression of its own people. The human costs of this unequal relationship—fractured American families and tortured Chinese human rights dissidents—must be stopped.

For this reason, I was glad to see President Trump announce bold actions to combat unfair Chinese trade and business practices. These necessary actions constitute an important break with the appeasement of previous administrations, and provide an opportunity to chart a new course for America's relationship with this strategic competitor.

As you know, China threatens retaliation against President Trump's announced actions. We should see these threats for the opportunity they are. When China responds to our protection of strategic industries from their aggression with tariffs of their own on other goods, the net effect can be a more productive U.S. economy. At the same time, the Administration and Congress should be prepared to help ease the impacts of retaliation on industries and workers by developing novel and innovative ways to maintain total demand for affected products like agricultural goods.

The U.S. productive capacity may grow even larger if China follows through on its reported threat to reduce its purchases of Treasury bonds, which could cause a change in their currency's value. Perhaps no other action on the table has the potential to bring fairness to our global trade balances like relative currency value, and the important precedent that it could set for the resolution of future negotiations with countries of like circumstance. The increase in U.S.

borrowing costs that would occur as a result of this action should be a message to Congress to get its fiscal house in order, not a reason to pass on this negotiating point.

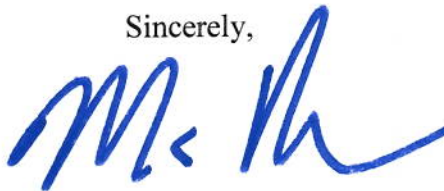
Furthermore, the Administration's intent to propose restrictions on investment by China in sensitive U.S. technology should be broad, given the trade- and security-related effects of Chinese investment in the United States. Chinese capital flows into the United States—without reciprocal flows back in similar categories—threatens to expose the U.S. economy to undue risks and asset overvaluation, which in turn further reduce U.S. exports. Moreover, a growing number of Chinese investments pose dangers to U.S. national security interests, and risk undermining American technological leadership to the advantage of Chinese competitors.

I urge the Administration to expand its ability to take strong action in this area by working with Congress to enact the *Foreign Investment Risk Review Modernization Act* (S. 2098), bipartisan legislation that I co-sponsored to strengthen the Committee on Foreign Investment in the United States (CFIUS).

In implementing trade actions against China, the Administration has the opportunity to enforce the rules of the international economic order that China is actively trying to break and remake. By carrying out a strategy to maximize the effects of trade actions and any retaliation to boost U.S. competitiveness, the Administration can best strengthen the basic engine of the international economic order—namely, American workers.

I pledge my support to this effort and look forward to carrying out the pro-worker agenda in Congress.

Sincerely,



Marco Rubio
U.S. Senator