Congress of the United States
Washington, DC 20515

June 7, 2018

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

Dear Ambassador Lighthizer,

We write to you as Chairs of the Congressional Services Caucus to urge the Administration to ensure that addressing the major trade and investment challenges facing American services providers in China remains a key priority within the new framework for U.S.-China trade consultations. The services sector supports roughly 113 million American jobs and provides 80 percent of U.S. GDP, and ensuring that it continues to grow is critical to the health of the U.S. economy. While the United States generated a services surplus with China of $38.5 billion in 2017, this surplus likely would be far greater if China removed its onerous services market access barriers.

As the Chinese economy becomes increasingly more services-based, it is vitally important for China to address barriers to U.S. services suppliers in China. The new framework can provide an opportunity to achieve this goal.

The list of China's barriers to U.S. services providers is long. China continues to protect domestic services industries through restrictive investment regimes, in which China applies foreign equity caps and joint venture requirements. China also engages in arbitrary, non-transparent licensing of services activities. These barriers unfairly restrict U.S. services providers across many sectors, including financial services, cloud, online video, entertainment media production, internet services and telecommunications. Further, China's laws and regulations are forcing U.S. cloud service providers to hand over operation and control of their business to a Chinese company, transfer valuable U.S. intellectual property, and surrender use of their brand names in order to operate in the Chinese market, effectively barring U.S. cloud service providers from operating or competing fairly in China. China's announcement of its intent to remove equity caps across financial services and to reform its protectionist regulatory system to focus on consumer protection and financial stability are positive steps. However, these reforms will have commercial value only if the Administration keeps the pressure on China to implement them in accordance with established deadlines. If implemented fully, these reforms would open new financial services markets to U.S. companies, including the tax-advantaged retirement sector and licensing of electronic payment suppliers.

China has further handicapped U.S. services firms by imposing significant restrictions on cross border data flows, including through requirements to store data on servers in China, and through policies that either directly or indirectly require transfer of valuable intellectual property. Further, China maintains barriers to cross-border provision of video and music services as well as on cross-border data services, including Virtual Private Networks (VPNs). More broadly, China places numerous restrictions on provision of internet services.

As Services Caucus Chairs, we stand ready to work with you to address the full spectrum of barriers to U.S. services providers operating in the Chinese market.

We look forward to further engaging with you and your staff on these critically important issues.

Sincerely,

DAVE REICHERT
Co-chair, Congressional Services Caucus

GREGORY W. MEEKS
Co-chair, Congressional Services Caucus

CC: The Honorable Steve Mnuchin
The Honorable Wilbur Ross
Mr. Larry Kudlow