

January 26, 2010

The Honorable Hillary Rodham Clinton
Secretary of State

The Honorable Timothy Geithner
Secretary of the Treasury

The Honorable Eric H. Holder, Jr.
Attorney General

The Honorable Gary F. Locke
Secretary of Commerce

The Honorable Ron Kirk
United States Trade Representative

Dear Secretary Clinton, Secretary Geithner, Attorney General Holder, Secretary Locke and
Ambassador Kirk:

We seek your urgent attention to policy developments in China that pose an immediate danger to U.S. companies. The Chinese government has promulgated a series of “indigenous innovation” programs as part of a long-term plan that threaten to exclude a wide array of U.S. firms from a market that is vital to their future growth and ability to create jobs here at home. Given the far-reaching impact of these policies on the American economy, we urge you to make this a strategic priority in our bilateral economic engagement with China.

For several years, the Chinese government has been implementing indigenous innovation policies aimed at carving out markets for national champions and increasing the locally owned and developed intellectual property of innovative products. We are increasingly alarmed by the means China is using to achieve these goals.

Of most immediate concern are new rules issued by the Chinese government in November to establish a national catalogue of products to receive significant preferences for government procurement. Among the criteria for eligibility for the catalogue is that the products contain intellectual property that is developed and owned in China and that any associated trademarks are originally registered in China. This represents an unprecedented use of domestic intellectual property as a market-access condition and makes it nearly impossible for the products of American companies to qualify unless they are prepared to establish Chinese brands and transfer their research and development of new products to China.

This directive targets some of our most innovative and competitive manufacturing and service industries, including computers, software, telecommunications and green technology. Once this system is in place, it is expected to be expanded to other industries. The November directive

was followed in late December by the announcement that the government would develop a broader catalogue of indigenous innovation products and sectors to be afforded preferences beyond government procurement (i.e., including subsidies and other preferential treatment). The December announcement, which was issued by four Chinese agencies including the State Owned Assets Supervision and Administration Commission (SASAC), also raises the specter of China subtly encouraging its many state-owned enterprises to discriminate against foreign companies in the context of procurement, including for commercial purposes.


These particular programs are part of a broader set of government policy initiatives covering, for example, patents and standards, competition policy, encryption and tax, the effect of which is creating barriers to competition in the Chinese market for our most innovative companies.

They also run counter to repeated pledges by the Chinese government to avoid protectionism, including the joint commitment of President Hu and President Obama at their recent summit in November to pursue open trade and investment. Moreover, they do not provide a constructive framework for a positive, cooperative and mutually beneficial relationship.

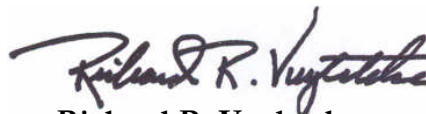
U.S. economic growth relies in significant measure on access to key international markets. China is the world's third largest economy and represents a major potential growth market for the United States. A healthy U.S.-China bilateral relationship requires an expanding economic relationship based on mutual openness. Systematic efforts by China to develop policies that build their domestic enterprises at the expense of U.S. firms and U.S. intellectual property is not a framework for a positive and cooperative relationship. Additionally, we are further concerned that such policies, if left unchallenged, will be pursued by other important trading partners, compounding the impact on the U.S. economy.

We respectfully request that your agencies make this issue in particular a strategic priority in your bilateral economic engagement with China; develop, in consultation with the business community and like-minded foreign governments, a strong, fully coordinated response to the Chinese government; and raise this issue with your Chinese counterparts in all appropriate multilateral and bilateral meetings and forums.

With best regards,



Stephen J. Ubl
President and CEO
AdvaMed



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President
The American Chamber of Commerce in
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The American Chamber of Commerce in
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Bob Vastine

President

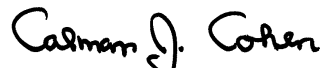
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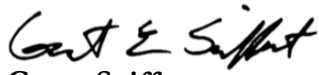
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