

United States Senate

WASHINGTON, DC 20510

December 2, 2019

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Lighthizer:

We write to express grave concerns over the Chinese government's continued efforts to develop and deploy its Corporate Social Credit System (Corporate SCS), and the implications such a system may pose for American workers, companies, and investors. Specifically, we ask that the Administration include research and analysis of China's Corporate SCS in future reports produced regarding China and the conditions of commerce between our two nations.

In 2014, the Chinese Communist Party issued its "Planning Outline for the Construction of a Social Credit System (2014-2020)," which revealed the Party's efforts to create a unified algorithmic system to grade both domestic and international firms against more than 300 state-determined criteria, with the goal of "building a Socialist harmonious society."¹ In practice, we worry that the criteria envisioned under the Corporate SCS could be used to:

- Coerce the onshoring of research and development by U.S. companies within China's borders;
- Require technology transfer or otherwise make it easier for Chinese interests to steal American intellectual property; and
- Coerce American corporate support to China's industrial and foreign policies (like Made in China 2025, the upcoming 14th Five-Year Plan, and policies towards Taiwan).

Indeed, all corporate data collected and processed through the Corporate SCS will travel through basic infrastructure, databases, and algorithms managed by a consortium that includes Taiji Computer, Huawei, Alibaba, Tencent, and VisionVera. Key criteria informing the algorithms of the system could also be implemented in a manner that allows the Communist Party to extraterritorially pressure compliance with party doctrine and to suppress dissent. An August 2019 report prepared by the European Chamber of Commerce in China stresses that the "[Corporate SCS] will fundamentally change how business is done in China for every company and stakeholder in the Chinese market."

Once the Corporate SCS is fully operational, firms with scores below a certain state-determined threshold will face an interlocking series of sanctions across multiple Chinese government agencies, including restrictions on procurement and business licenses, less favorable

¹ Plan for Establishing a Social Credit System (2014–2020), State Council, 27th June 2014, viewed October 23, 2019, http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm, translated by Rogier Creemers.

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interest rates, higher inspection rates, and even potential debarment from the Chinese market.² Not only can scores be affected by the actions of the company and its employees, but also by the actions of supplier or partner companies, extending the threat of Chinese retaliation to any American firm with a presence, or supplier, in China. In short, the Corporate SCS raises fundamental questions about whether promised market openings and regulatory reforms on paper will yield a level playing field in practice for American firms doing business in and with China.

Equally, if not more concerning, penalties under the Chinese Corporate SCS could extend to the employees of American firms, including U.S. nationals. As a punishment for individuals representing companies deemed “untrustworthy,” the Chinese government envisions levying travel restrictions, tax discrimination, personal sanctions, and other retributions. In this respect, there are few punishments that can be ruled “off the table,” as the Communist Party’s disregard for the rule of law, checks and balances, transparency, and a free press could result in a broad array of unjustified punishments.

While the Corporate SCS is still in development, the skeleton of the system is coming online and already presenting serious challenges for U.S. companies. In September 2019, news reports indicated that the Chinese Communist Party threatened to reduce the social credit scores of American companies unless those companies acknowledged Macau, Hong Kong, and Taiwan as part of China.

What our country witnessed recently with respect to the National Basketball Association (NBA) over a tweet by one American team’s general manager is not an aberration, but the latest in a litany of attempts by China to deploy its state and economic power to bend American entities to its will. It seems the SCS is designed, in part, to further and formalize this practice. For these reasons, formal U.S. government research, reporting, and analysis about China’s Corporate SCS is critical to examining the terms of competition for our companies operating in and competing with China. Given the high stakes for open markets and our free market system, we urge you to ensure that this system is closely examined and considered in all relevant U.S. government reports.

Sincerely,



Mike Braun
U.S. Senator



Rob Portman
U.S. Senator

² For instance, the European Chamber of Commerce report reveals that in 2019, the average inspection rate for a customs enterprise deemed “untrustworthy” was 98.12%, in comparison to a rate of 0.5% for top-rated enterprises.

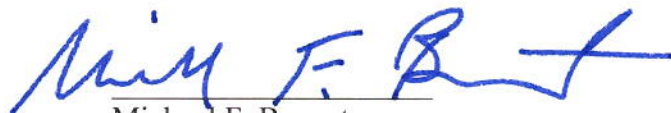
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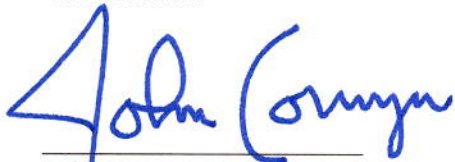
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Christopher A. Coons
U.S. Senator



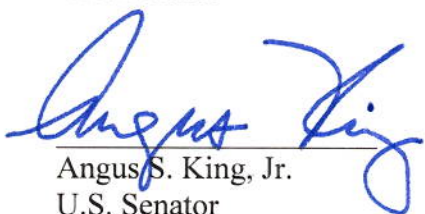
Michael F. Bennet
U.S. Senator



John Cornyn
U.S. Senator



Tom Cotton
U.S. Senator



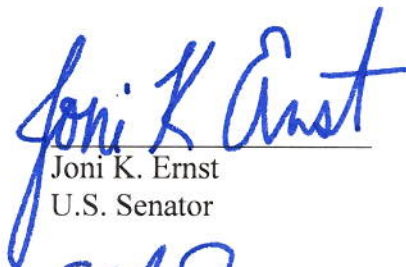
Angus S. King, Jr.
U.S. Senator



Thom Tillis
U.S. Senator



Todd Young
U.S. Senator



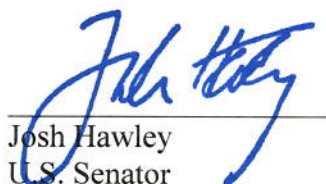
Joni K. Ernst
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Rick Scott
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Sheldon Whitehouse
U.S. Senator



Josh Hawley
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Marco Rubio
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Kirsten Gillibrand
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Jerry Moran
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Ted Cruz
U.S. Senator



David A. Perdue
U.S. Senator



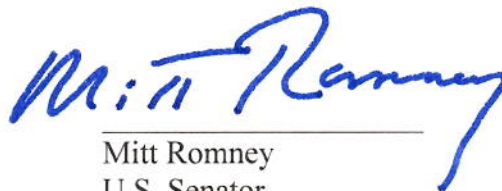
Michael S. Lee
U.S. Senator



Marsha Blackburn
U.S. Senator



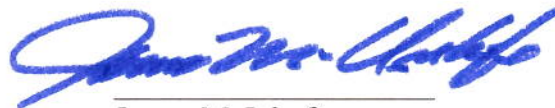
Cory Gardner
U.S. Senator



Mitt Romney
U.S. Senator



John Boozman
U.S. Senator



James M. Inhofe
U.S. Senator



Mark Warner
U.S. Senator

cc: The Honorable Steven Mnuchin, Secretary, United States Department of the Treasury
The Honorable Wilbur Ross, Secretary, United States Department of Commerce
The Honorable Mike Pompeo, Secretary of State, United States Department of State
Larry Kudlow, Director, National Economic Council.