Good morning. Thank you for this opportunity to present the views of the American Iron and Steel Institute regarding China’s compliance with its WTO obligations.

A dozen years after it acceded to the WTO, China continues to fail to comply with its WTO commitments. In fact, there is a broad consensus that China has abandoned a policy of economic liberalization and instead increasingly follows a policy of state capitalism that is antithetical to the principles of free and fair trade. This trend is a major problem, both for American steel producers and for other U.S. manufacturers, and AISI strongly urges the U.S. government to take a more aggressive approach to this issue. The key points in support of AISI’s detailed comments can be summarized as follows:

The current U.S.-China trade relationship is taking a tremendous toll on U.S. manufacturers. Over the last decade, the U.S. trade deficit with China has soared 384 percent, the United States has lost millions of manufacturing jobs, thousands of U.S. factories have been shuttered, and the American steel industry has been severely disrupted.

From 2000 to 2013, Chinese crude steel production increased by 651 million metric tons— a volume that is seven and a half times total crude steel production in the United
States. China’s increased production has been made possible, in large part, by massive government subsidies. The U.S. Department of Commerce has specifically identified numerous subsidies benefiting Chinese steel producers through a number of CVD investigations.

China not only maintains policies that will lead to further subsidization going forward, but also continues to manipulate its value added tax system to manage and promote exports of its steel products.

Although China pledged, as part of its WTO accession, that it would not “influence” commercial decisions of its state-owned enterprises, the Chinese government maintains a heavy amount of control over state-owned steel producers. Moreover, China’s recent policies (including its 12th Five-Year Plan and its 12th Five-Year Program for Steel) leave no doubt that the Chinese government intends to strengthen its control over its steel industry.

U.S. policymakers should also be extremely wary of China’s goal to “internationalize” its state-owned steel industry. As the OECD has detailed, SOEs often receive subsidies that provide them with a competitive advantage in their world-wide operations by lowering their costs and allowing them to set prices that are lower than their private-sector competitors. And because SOEs do not have the same pressure to make a consistent profit as their private competitors, they are more likely to engage in anti-competitive behavior.
China also has taken numerous measures to inappropriately aid its producers in securing access to raw materials and to manipulate raw material prices in a manner that gives Chinese producers an unfair advantage over their U.S. competitors. AISI commends USTR for the victories it has won at the WTO challenging certain export restraints as violating China’s WTO commitments. However, given China’s pervasive use of export restraints and other measures to control raw material prices, winning these challenges will only be the first step to bring China’s policies into compliance with its WTO commitments.

Despite years of complaints by American manufacturers – and widespread criticism from government officials and other experts – China continues to keep the value of its currency at artificially-low levels that give Chinese producers an unfair advantage in the U.S. market, as well as in the Chinese market and in third country markets.

The fact that China has not fully complied with its WTO obligations underscores the importance of effective enforcement of U.S. trade remedy laws. Among other things, the United States should continue to treat China as a non-market economy for purposes of U.S. antidumping laws, ensure that Chinese companies are not circumventing and evading U.S. antidumping and countervailing duty orders, and investigate and take strong action to address attempts by China to gain an advantage in unfair trade proceedings by hacking the computer systems of U.S. companies.

Thank you for the opportunity to present our views here today. I would be happy to answer any questions.