The headline in the American Metal Market last Monday was- China Downstream steel push is called worrisome. Unfortunately, my industry, wire and wire products has been living this reality for many years. By the way, wire and wire products are everywhere- nails, staples, paperclips, telephone pole hardware, nuts and bolts for cars and many other uses, concrete reinforcement, book bundling wire, chain link fence and literally hundreds more items are made from wire. Now back to China who has built the world's largest steel industry and wire rod, the raw material for wire, has been their main focus. China has 65% of the world's production capacity for wire rod while they have roughly 45%- 50% for other steel products. The key issue, however, is China's Border Tax Regime where they impose a 15% export tax on wire rod and interestingly, don't impose any export tax on other steel products. Now the bad news- the export duty has forced all of this wire rod production into their domestic market at below world market pricing, giving their wire and wire products producers a significant cost advantage and then when they export they get a 5% to 15% VAT rebate- a powerful combination. The results are that they've flooded the world with cheap and dumped wire and wire products for the last 10 to 12 years. In the last 10 years in the US, China has gone from virtually a zero market share to supplying about 20% of our entire market. This Border Tax manipulation violates several WTO rules, but they defend their actions using an environmental defense and the USTR has been reluctant to challenge them even though the US and Europe recently won a similar case on basic steel inputs at the WTO.

The results have been devastating as far as job loss and shuttered businesses of all sizes and the list of wire products that today aren't made in the US anymore is long. However, once you read a Chinese Government Five Year Plan, it's clear that their strategy is all about creating jobs in China. The obvious problem in the US is the commensurate loss of jobs and in this case from mostly small privately owned companies, many of whom are no longer in business.

The good news is that 5 years ago our industry started using US trade laws to defend our market against dumped wire and wire products from China and other countries. Starting with the Garmet Hanger Case, our industry has won a series of Anti-dumping (AD) and Countervailing Duty (CVD) cases. In fact, my company is currently involved with five other US wire companies in an AD and CVD case against China and Mexico for galvanized wire. I testified last week at the ITC at a final injury determination hearing and we believe that the ITC will uphold the Commerce Departments duty determination that imposed AD duties on China from 194% to 235% and AD duties on Mexico from 21% to 38%.

These trade law remedies have provided much needed relief for our industry, but there are two problems that make addressing the numerous 'dumping' issues we face quite difficult, particularly if you are a small business. First, unless the Commerce Department tracks your product or products of interest in a separate category, it is difficult to gather the needed information on imports to build the facts for a case. This is particularly true for smaller companies or even groups of smaller companies that tend to find niche products or markets so they can compete successfully. And in our industry there are literally hundreds of wire and wire product items produced. The solution here is to make industry wide cases easier to develop and submit instead of the cumbersome 201 and 301 Trade remedies. Secondly, bringing an AD/CVD type case today costs the petitioners in excess of $1 million. That's a challenge for small businesses even when your confidence is high because it takes about ten to twelve months for cases to go through the system and that means even for successful cases the pay back is not timely. The cost is based on the legal complexity and other demands inherent in an AD/CVD case and certainly no small business could maneuver through the process without legal counsel. There is no obvious solution to this problem.

Another problem with even successful trade suits is enforcement. I'll spare you the details, but be assured that these circumvention and fraud issues are numerous. In fact, in the case of China there is a clear pattern of both fraud and circumvention highlighted by websites that promote “triangular trade” through other Asian US trading partners. Our industry has regular meetings with key Custom’s personnel and we are at the forefront of promoting the Enforce Act which we believe will strengthen our enforcement regime. We also recognize that austerity is the order of the day, but the return on investment in increased trade enforcement is real and substantial.

Of course, the recent legislation that the President just signed that confirms Congressional support for applying CVD orders to non market economics is timely and very important. China historically has and continues to give massive subsidies to virtually all of its manufactures and not holding them accountable after ten years of membership at the WTO would be ridiculous. Their major subsidy, however, is their undervalued currency. The fact is that China has created the greatest “mercantilist system” since the 18^{th} Century through their subsidies, border tax regime and many other market distorting practices. Their undervalued currency is the thread that weaves the system together into a powerful economic machine. Those of us outside the beltway are intrigued by the political maneuvering on the “currency bill”, but we do appreciate Rep. Critz leadership on this issue in the House. Please understand that many of us in industry, regard China as an important trading partner with great potential as an export customer, but we just don’t understand why there is such a great reluctance to hold them accountable for their actions that in almost every case are counter to their WTO and GATT commitments.

Finally, we cautiously support the Presidents’ proposal for an Interagency Trade Enforcement Center because there would be real value in organizing our trade related assets so they could be more transparent and user friendly.