Testimony before the U.S.-China Economic and Security Review Commission
"U.S.-China Economic Challenges"
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Thank you Chairman Wessel, Co-Chair Slane, and members of the Commission for the opportunity to testify before you today on the state of trade enforcement with China. I am Dan DiMicco, Chairman Emeritus and former CEO of Nucor Corporation. Nucor is the largest steel producer and recycler in the U.S. I am also currently on the boards of Duke Energy and the Coalition for a Prosperous America. From 2008 through 2011, I was a member of the U.S. Manufacturing Council.

For more than ten years, I have been warning that China's disregard for trade rules is doing significant damage to our economy. The evidence is clear. We lost 3 million manufacturing jobs over the last decade. Our trade deficit with China last year was $318 billion, the highest ever with a single country. I'll be blunt: if we do the necessary things to better balance this bilateral trading relationship, our economy and job creation will change significantly for the better. If we don't, our country will continue to experience economic malaise and anemic growth.

The steel industry provides an excellent example of all the tools China uses to unfairly advantage its companies. In 2000, China had roughly the same annual steelmaking capacity as the U.S. – 100 million tons. Today, China's steelmaking capacity is nearly 1 billion tons! They went from a net steel importer to the largest exporter in a matter of years. China accomplished this by manipulating its currency in order to drive exports of all its manufactured goods, including steel, and by providing massive subsidies to its industrial companies, most of which are state-owned enterprises.

The government support China's steel companies receive has created a glut of steelmaking capacity. Our open markets make the U.S. the destination of first and last resort for excess steel, and as imports surge into our market, U.S. steelmakers are faced with depressed prices and lost sales. From an economic perspective, the steel import surge makes no sense. U.S. steel producers are among the lowest cost producers in the world. We enjoy clear advantages in practically every aspect of steelmaking, but willful disregard of trade rules by China wipes these advantages out.

We know China breaks the rules of global trade, yet we have not done enough about it. Our economy and millions of American workers have paid a steep price for our failure to be more aggressive. My recommendation is straightforward: hold China accountable for the commitments it made when it joined the WTO.

Right now domestic industries have few tools at their disposal, mainly antidumping and countervailing duty laws. Trade cases are expensive to bring and woefully slow. By the time a case can finally be filed, the damage is already done. And even when you win, there is often rampant cheating that undermines the remedy.

Just look at what China is doing on oil country tubular goods. After they were found guilty of dumping, they shifted minor finishing operations to third-party countries such as Indonesia to evade the dumping order. This small tweak allowed China to resume pipe and tube shipments to the United States free of antidumping duties. Last week, at the request of the U.S. industry, the Commerce Department made a ruling that would close this loophole. Commerce got it right this time, but it took 18 months! <u>We have to do better</u>. When our own government agencies have discretion, they should be aggressive in enforcing the law, and our courts should back them up. And these schemes are not limited to steel – they're also doing it in solar panels, forcing the U.S. industry to go to the expense of bringing a <u>second</u> case when China exploited a loophole left in the first remedy.

The reality is our trade laws remain under attack at every turn. China and other countries are continuing to challenge the core of our trade laws in the WTO, and our federal courts are also weakening our ability to discipline unfair trade. For example, several court rulings have weakened the Commerce Department's longstanding ability to penalize Chinese producers when they stiff the Department by failing to participate in an investigation, or when they commit outright fraud. This behavior should not be tolerated!

We must be more proactive. The Administration deserves credit for bringing more cases at the WTO to defend U.S. rights, and winning them convincingly, but challenges remain. When China joined the WTO it committed to only operate its SOEs according to commercial considerations and eliminate export duties on the vast majority of products. More than ten years later, we are still waiting for them to comply. We must be relentless in ensuring these commitments are met.

We also need Congress to act. It should pass the bipartisan currency legislation that empowers U.S. industries to fight back by treating currency manipulation for what it is – an illegal export subsidy! And strong and enforceable provisions addressing currency manipulation should be included in new trade agreements.

Congress should also pass the "ENFORCE" Act, which would shut down the use of illegal evasion schemes foreign producers use to avoid lawfully-owed duties. Allowing evasion schemes to go unchecked is a license to cheat, signed by the U.S. Government. From bedsprings to honey, China is cheating and getting away with it.

Part of the reason our trade laws work is because they properly treat China as a government-run, non-market economy. And that shouldn't change – until China itself changes. So be wary of what some are claiming -- there is nothing in the law that requires us to treat China differently after 2016.

What I have learned working on trade disputes is that talk is cheap. In the 13 years since China joined the WTO, diplomacy has failed to result in significant change in China's behavior. We can no longer afford to be afraid of enforcing the rules of trade for fear of losing access to

China's market. No American company has the same access to China's market that it has to ours. It's a one-way street. We can continue to be played for fools, or we can fight back.

We would be wise to remember the words of President Reagan who said, "We will vigorously pursue our policy of promoting free and open markets in this country and around the world. We will insist that all nations face up to their responsibilities of preserving and enhancing free trade everywhere. But let no one mistake our resolve to oppose any and all unfair trading practices."

Thank you.