

of the “currency subsidy” and many other forms of Chinese unfair trade practices: (1) between 2000 and 2009, China’s steel production jumped from 15 percent to 47 percent of world steel production; between 2002 and 2008, China went from being 3 percent to 19 percent of total U.S. finished steel imports; between 2003 and 2008, U.S. steel imports from China rose from only 600,000 tons a year to nearly 5 million tons a year; during these same years, the U.S. steel trade balance with China went from being a slight surplus for the United States to China accounting for 25 percent of the total U.S. trade deficit in finished steel mill products; and, in the process, “America’s steel companies, employees and communities all suffered significant and long-lasting injury.”

In examining the effects of China’s currency mercantilism in the case of steel-intensive manufacturing industries, the testimony states that, because of the same types of artificial government assists provided to steel-related industries in China (including the huge currency subsidy): between 2001 and 2008, the U.S. experienced nearly \$1.5 trillion in cumulative manufacturing trade deficits with China and the U.S. lost 2.4 million manufacturing jobs due to China trade; between 2000

and 2009, China went from being 22 percent to 52 percent of the total U.S. manufacturing trade deficit; between 2004 and 2008, the U.S. indirect steel trade deficit with China (our manufacturing trade deficit expressed in tons of steel) grew from 3.7 to 5.9 million tons; during this period, China went from being 24 percent to 46 percent of the total U.S. indirect steel trade deficit; and, even in the Great Recession year of 2009, China’s share of this deficit increased again — to 53 percent.

According to the testimony, China is currently shipping approximately six million tons of steel a year to the United States in the form of steel-intensive manufactured goods such as automotive, machinery, construction and appliance products. This is roughly three times the amount of China’s direct steel exports to the U.S.

The testimony makes clear that the AISI strongly supports President Obama’s National Export Initiative (NEI) with its goal of doubling U.S. exports over the next five years. However, it also points out that this goal will never be achieved “unless U.S. policymakers address China’s currency manipulation” and enforce trade rules and agreements. In commenting on the recent announcement by Treasury

Secretary Geithner that the United States will delay its semi-annual report on currency to allow multilateral diplomacy more time to work with the government of China, the AISI says that this “should lead the Congress to expedite its enactment of an effective U.S. trade law remedy provision to address fundamental currency misalignment ... [because] we need U.S. trade remedy tools now to defend ourselves against currency manipulation and the domestic job losses it causes.”

The AISI testimony, in its conclusions, urges the following U.S. actions:

The Treasury Department should cite the Chinese government as a “currency manipulator” in its next report’;

Congress should pass urgently, and the Administration should sign promptly into law, H.R. 2378, the bipartisan “Currency Reform for Fair Trade Act”;

The U.S. government should make currency manipulation of the type practiced by China actionable under U.S. trade remedy laws, and the Commerce Department should apply countervailing duty (CVD) law to currency subsidies;

The Administrations should use every other available tool, including coordinat-

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