

United States Senate

WASHINGTON, DC 20510

May 10, 2017

Ms. Leah Wils-Owens
Department of Commerce
Enforcement and Compliance
1401 Constitution Avenue NW, Room 3720
Washington, DC 20230

RE: Inquiry Into the Status of the People's Republic of China as a Nonmarket Economy Country Under the Antidumping and Countervailing Duty Laws, ITA-2017-0002

Dear Ms. Wils-Owens:

We write to express concerns over the possibility of the Administration granting the People's Republic of China ("China") market economy status. China's economy remains subject to significant government control as prices and costs of many goods and services do not accurately reflect free market principles. We believe that the United States must strongly combat unfair foreign trade practices by China, and naming China a market economy – which it clearly is not – would undermine such efforts.

China should not be granted market economy status because its economy does not reflect free market principles with respect to most – if not all – of the relevant factors the Department of Commerce is required to consider in determining whether to grant market economy status. We offer two examples to illustrate our argument. First, according to a 2017 U.S. Trade Representative report, China's steel industry continues to add capacity, despite having no significant natural cost advantages over foreign producers and decreasing domestic demand, which fell 5% in 2015 and was projected to decrease further in coming years. Clearly this suggests market factors are not applicable in this key industry. Second, with respect to state-owned enterprises, there are approximately 156,000 state-owned enterprises in China that receive preferential treatment, in the form of subsidies and other incentives, resulting in price distortions. These are just two examples of the many reasons why China should not be granted market economy status.

Countless industry professionals, academics, and other experts share our view that China is not a market economy. Further, the U.S.-China Economic and Security Review Commission, a bipartisan panel established to report to Congress on issues such as this, released a report last year that decisively declared "China is not currently a market economy and is not on the path to become one in the near future."

Our constituents rely on the Department of Commerce to accurately and appropriately take steps to deter unfair and illegal trade practices by foreign producers who export their

products to the United States at prices below fair value. Dumping – the practice of exporting goods at a price below the goods’ fair value – undercuts U.S. workers and U.S. businesses. World Trade Organization (“WTO”) rules clearly authorize national governments to levy appropriate anti-dumping duties to combat dumped foreign goods. Because the calculation of anti-dumping duties relies closely on how prices are determined in a producer’s home country, treating China as a market economy could undermine the effectiveness of anti-dumping duties and place thousands of U.S. jobs and businesses at risk.

In conclusion, we believe that China is not a market economy. Wrongly granting China market economy status would imperil thousands of U.S. jobs and U.S. businesses, and therefore we urge you carefully consider this matter to ensure the full scope of non-market factors currently in place in the Chinese economy are considered in your review. Thank you for your consideration of our views.

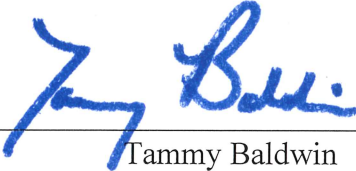
Sincerely,



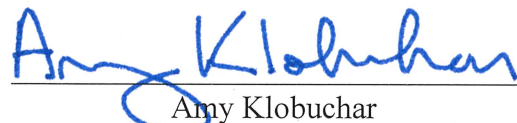
Al Franken
U.S. Senator



Sherrod Brown
U.S. Senator



Tammy Baldwin
U.S. Senator



Amy Klobuchar
U.S. Senator