

**Congress of the United States**  
**Washington, DC 20515**

September 1, 2016

The Honorable Barack Obama  
The White House  
1600 Pennsylvania Ave. NW  
Washington, D.C. 20500

Dear Mr. President,

We write today as leaders of the Congressional Steel Caucus to request that you utilize the upcoming G20 Summit in Hangzhou, China, and the OECD Forum in Paris, to address the illegal trading practices of China and the growing global steel overcapacity crisis.

We understand that you are closely monitoring the glut of Chinese steel that is flooding the global marketplace and are seeking to hold China accountable for its illegal actions. We appreciate your recent commitment to reduce excess steel capacity and urge you to use the G20 Summit and OECD Forum to continue building international support for the development of clear consequences for China's role in the steel overcapacity crisis.

New research by the Alliance for American Manufacturing and the Center on Globalization, Governance & Competitiveness at Duke University, *Overcapacity in Steel: China's Role in a Global Problem*, outlines the scope of the problem in blunt terms: "The global steel sector is once again in a state of overcapacity. The sector, predominantly fueled by China's expansion since 2000, has grown to over 2,300 million metric tons (MT) while only needing 1,500 MT to meet global demand."

The report's analysis of the problem clearly singles out China, which has both publicly acknowledged its responsibility for the problem and made numerous promises to the United States to curb production of cut-price steel and other commodities. Unfortunately, these promises have not been upheld.

The resulting onslaught of illegally traded Chinese steel has resulted in mill closures, idling, and the laying off thousands of hard-working Americans throughout the nation. Since the start of 2015, the United States' steel industry has lost more than 14,500 direct jobs and approximately 91,000 indirect jobs as a result of this import crisis. This is unacceptable. The United States has the most talented workforce in the world, but we cannot compete against China when they refuse to trade on a level playing field with American producers. We request that you and your administration specifically address the issues below with President Xi Jinping and other leaders at the G20 Summit and OECD Forum early this month.

**1. Currency Manipulation** – China is a known currency manipulator that uses its currency to gain unfair competitive advantages over its trading partners, including the United States. The nation's currency manipulation makes its exports to the United States cheaper and makes U.S. exports to China more expensive – contributing significantly to our unprecedented trade imbalances with China. In 2015, the United States trade deficit was a record \$366 billion according to the United States Trade Representative. The U.S. has lost an upwards of five million jobs as a result of currency manipulation by China and other foreign competitors and we cannot afford to lose any more without putting our manufacturing industry at greater risk.

**2. Illegal Government Subsidies** – Chinese steel producers are propped up by the Chinese government through common subsidies such as cash grants, capital infusions, tax payment subsidies, and preferential

loans. The vast amount of government support has given rise to smog-choked steel cities that have reached colossal levels of productions. These illegal government subsidies have helped Chinese producers offset business expenses so they can increase their production capacity. For example, the Department of Commerce recently issued the collection of AD/CVD duty deposits up to 248 percent to counter the government subsidies that five Chinese exporters received. This demonstrates that the illegal government subsidization is a direct threat to domestic producers and the steel industry's stability.

3. **State-Owned Enterprises** - Approximately 95 percent of steel produced by the 25 leading steel companies in China comes from state-owned enterprises at the local, regional, and national level. Chinese President Xi Jinping vowed to overhaul the country's state-owned enterprises and replace them with private firms when taking office in 2013, however, state-owned enterprises still continue to play a dominate role in Chinese steel production and the Chinese economy.
4. **China's Non-Market Economy Status** – Beijing continues to play a direct role in nearly all aspects of China's economy, including the financial system, upstream resource and energy sectors, and through ownership and control of many strategic industries. In fact, many observers believe that China is sliding backwards on many of the economic reforms it has promised. Put simply, China does not share our free market principles and its requests for market economy treatment should be rejected outright until it demonstrates that it meets all of the criteria for treatment as a "market economy" under U.S. law.
5. **Cyber Warfare** – China's state support of cyber warfare against private sector companies, including American steel producers, threatens our businesses' intellectual property rights and greatly undermines the stability of the U.S. electrical grid. The Department of Justice has previously charged the Chinese Government with gaining illegal access to trade secrets, including those of domestic steel producers. This type of illegal activity harms our national economic and security interests, and it must stop.

China's legacy of broken promises and continued strategy of undercutting American workers must be met with a multi-pronged strategy to ensure the future prosperity of our domestic steel sector. This must include proactive, aggressive enforcement of America's trade remedy laws, seeking international consensus to holding Beijing to its word that it will take swift steps to reduce excess overcapacity, maintaining China's non-market economy status, and working to encourage demand at home with important investments in our crumbling infrastructure.

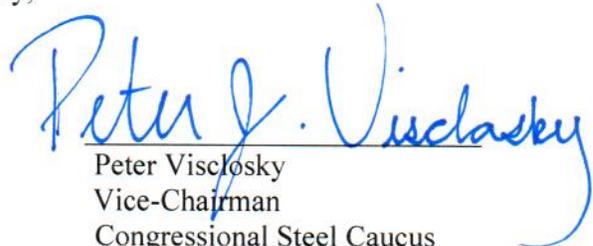
We appreciate your attention to this critical matter. It is vital to steel-producing communities across America that your administration continues to use all available means to maintain a level playing field for American steel companies and steelworkers.

Sincerely,



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Tim Murphy  
Chairman  
Congressional Steel Caucus



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Peter Visclawsky  
Vice-Chairman  
Congressional Steel Caucus