Congress of the United States
Washington, DC 20515

April 14, 2016

Ambassador David O'Sullivan
Head of Delegation
Delegation of the European Union to the United States
2175 K St. NW
Washington, D.C. 20037

Dear Ambassador O'Sullivan,

We are writing to you regarding the European Union's consideration on whether to transition China from non-market economy (NME) to market economy status (MES) for the purposes of the antidumping law. If China is granted MES, we fear that our mutual concerns with China's continuing subsidization, preferential support for sectors through legal and illegal means, currency misalignment, state-owned enterprises, and overcapacity would no longer be able to be remedied and could cause harm to the economy of the European Union and the United States, as well as the global economy.

As you know, China continues to utilize market-distorting tactics such as limitations on market access, export subsidies, state-owned enterprises, and import controls to support its own firms to the detriment of the global economy. Additionally, China continues to manipulate its currency in order to promote exports. China's mercantilist policies continue to protect its state-controlled local firms from international competitors, at the expense of the United States and the European Union. In our view, based on the prevalence of these policies, China does not operate as a market economy.

Granting China MES would also undermine the effectiveness of antidumping duties to remedy unfairly priced Chinese imports. These duties are vital in preventing domestic producers and their workers from being driven out of business or laid off due to unfairly underpriced imports. As China's economy has slowed, Chinese producers have sought to move their excess capacity to the global market. With its continued expansion of capacity despite promises to reduce production, China will continue to rely on exports to generate growth. Indeed, China has been the target of the vast majority of antidumping trade enforcement cases in the European Union, with six of the seven antidumping suits initiated in 2015 including China as an offending country. Failure to adequately defend industries against dumped imports will lead to lost jobs and would harm the European Union and the global economy by increasing the proliferation of dumped goods.

The European Union and the United States have the largest bilateral trade relationship in the world, accounting for nearly half of the global economy's output each year. Given that the U.S. and the European Union are currently in negotiations over a new trade deal, it seems prudent to consider a universal approach to China's trade and economic policies. It is imperative that the European Union and the United States maintain a united stance on such an important and controversial issue.

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The language of China's WTO protocol does not require us to automatically grant China MES. Therefore, we strongly urge the European Union to reject granting MES to China, and to similarly reject any proposal to use China's own prices and costs in antidumping calculations. While China has made significant strides in opening its economy, prematurely granting MES will remove incentives for the Chinese government to continue to move away from its market-distorting policies. Failure to adequately address these policies will lead to continued job losses and economic harm throughout the world. We thank you for your consideration of this recommendation.

Sincerely,

DANIEL W. LIPINSKI
Member of Congress

JACKIE WALORSKI
Member of Congress

PETER J. VISCLOSKY
Member of Congress

TIM MURPHY
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DAVID MCKINLEY
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