

PREPARED TESTIMONY  
U.S.-CHINA COMMISSION HEARINGS  
U.S. SENATOR MIKE DEWINE  
FEBRUARY 3, 2005

Commissioners, thank you for this opportunity to submit testimony. I have been very interested in your work investigating both the opportunities and challenges of trade with China. I am particularly appreciative that you held a field hearing in Akron, Ohio, last year on the Impact of U.S. Trade and Investment on Key Manufacturing and Industrial Sectors. I hope that you will consider doing more hearings in Ohio, and I look forward to continuing to work with you on your findings and recommendations.

Today I am here to testify on a matter that is of vital importance to my state and the country. I am talking about international trade. The economic future of our Nation will be determined by how we adapt to the expanding global economy. We can no longer afford to imagine a divide between large firms who trade globally and small companies with a purely domestic market. The information age means that every American business with an Internet connection can have a global reach, which has global implications for Congress.

Congress has answered the call of U.S. businesses large and small by opening new markets around the world through Free Trade Agreements and multilateral forums, such as the World Trade Organization. Yet, we in Congress have an obligation to embrace free trade responsibly. The full economic benefits of free trade can be realized only if the trade between nations is fair. Free trade should never be given more priority than fair trade because they are two sides of the same coin, and it is the job of Congress to protect our Nation's long-term economic security by ensuring the United States has the tools it needs in its arsenal to promote free trade on the one hand, while unrelentingly combating unfair trade practices on the other.

One tool we can use is the Continued Dumping and Subsidy Offset Act (CDSOA), a program I introduced in Congress in 1999, and Senator Byrd incorporated into law in 2000. The CDSOA program builds upon the Tariff Act of 1930, which gives the President the authority to impose duties and fines on imports that are being dumped in the United States or unfairly subsidized by foreign governments. The revenues raised through the duties and fines traditionally went into the U.S. Treasury. With the CDSOA program, those duties and fines are transferred to the injured U.S. companies to be reinvested in their plants and workers.

When I first introduced the CDSOA program it was for the workers in the Ohio River Valley and the other hard working steel laborers who were losing their jobs not because they were uncompetitive, but because foreign steel producers were trying to drive them out of the market using unfair trade tactics. Once implemented, however, the CDSOA disbursement reports demonstrated the full extent of the dumping and unfair trade problem our country faces.

To put it into perspective, no less than 458 companies received funds through the CDSOA program in 2004, alone. Almost every state has companies benefiting from the CDSOA program, which means that every

state has industries being targeted by unfair trade. This is why we enjoy broad bipartisan support for the program.

Detractors of the program often refer to the program as a subsidy, and portray CDSOA recipients as the fortunate recipients of a government hand out. Nothing could be farther from the truth. The companies who receive CDSOA funds are engaged in a monumental struggle with foreign companies who cannot compete with them fairly, and therefore artificially lower their prices to drive American companies out of business. Once the U.S. competitors are gone, the foreign company is free to raise its prices because it no longer faces any competition. This means that even the short-term benefit consumers gain by anti-competitive behaviors, like dumping, soon dry up, leaving everyone paying more for products that could have been produced at a fair and competitive price here in the United States.

Countervailing and antidumping duties were the intended remedies for unfair trade, and once imposed, were supposed to level the playing field by offsetting the artificially low prices of foreign imports flooding the U.S. market. Duties are how the World Trade Organization wants countries to deal with unfair trade, even though it is quite obvious that companies engaging in unfair trade are not deterred by the penalties. These foreign producers have done the math. They have made a calculated decision that the cost of the duties is a price they are willing to pay in return for the long-term market share they will control if they drive competing U.S. firms out of business.

To add insult to injury, the World Trade Organization found the CDSOA program WTO-inconsistent. Instead of working to find a remedy to the unfair trading practices that seem to be unchecked by our current international system of trade rules, the World Trade Organization decided to make a ruling based upon obligations the United States never agreed to in signing the WTO accession agreements, and never intended to assume. Congress should not allow an activist international organization to re-define our international trade obligations without our consent.

That is why I have joined forces with other concerned Senators in instructing the Administration to bring the United States into WTO compliance by clearly negotiating our right to a CDSOA program in the upcoming Doha Round trade talks. Through negotiations we can bring the program into WTO compliance and clarify our trade rights -- all without a single mention of repealing the program.

Ultimately, however, the fate of the CDSOA program is in the hands of the very trading partners who brought the case to the WTO. If foreign countries and their companies stop engaging in unfair trade practices, there would not be a need for the CDSOA program. So, if they want the program to stop, they need to stop.

Unfair trade is not just an Ohio issue -- it is an American issue, and one that we cannot afford to ignore. That is why I will continue to work to ensure that instead of repealing programs that help U.S. firms, we work harder to end the unfair and injurious trade targeting U.S. businesses.

Thank you for giving me this opportunity to testify, and I look forward to working with you on addressing the challenges and opportunities of international trade during the 109th Congress.