

**TESTIMONY OF DAN DIMICCO
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CONGRESSIONAL STEEL CAUCUS
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I am Dan DiMicco, Chairman and CEO of Nucor Corporation. I am also here today on behalf of the American Iron and Steel Institute and the Steel Manufacturers Association. Thank you Chairman Murphy, Vice Chair Visclosky and the entire Steel Caucus for the opportunity to appear before you today and for your support of the American steel industry.

U.S.-based manufacturing holds the key to reinvigorated economic growth. This fact is finally receiving the attention it deserves. While a national discussion is welcome, at the end of the day all that matters is action. Twenty-three million Americans are still unemployed or underemployed. We have to do better. American manufacturers and workers have suffered long enough under the protectionist practices used by our trade competitors. Our economy is simply not going to recover until we get Americans back to work!

Fortunately, we are starting to see some action. Congress and the Administration are to be commended for working together to pass legislation that allows the Commerce Department to continue to apply our subsidy law to China and other non-market economies. This law overturns an erroneous decision by the Federal Court of Appeals that took away our ability to combat trade-distorting subsidies. If allowed to stand, this ruling would have eviscerated 24 existing remedies and 7 ongoing investigations on products ranging from steel grating to coated paper to wood flooring. The impact could have been devastating to more than 80 American companies and tens of thousands of American workers across the United States.

Congress needs to build on this momentum by passing currency legislation and sending it to the President's desk. The Senate did its part by passing bipartisan legislation last fall and now the House must follow suit. We have let China manipulate its currency for far too long. Our trade deficit in goods with China was \$295 billion last year alone and over \$2.4 trillion since 1999. This is the largest trade imbalance we've ever recorded with a single country! Enough is enough!

Ambassador Kirk and the Administration are also to be congratulated for taking a more aggressive approach to trade enforcement. The United States, Mexico and the European Union joined forces and won an important victory for manufacturers in a WTO complaint against China involving raw materials. Last week, the U.S., Japan and the E.U. filed a challenge against China's export restrictions on rare earth minerals. Finally, the Obama Administration is forming a Trade Enforcement Center with the goal of having multiple government agencies work more effectively to enforce our trade laws.

Remaining vigilant about trade enforcement will be even more important as additional countries enter the WTO. Bringing countries like Russia under WTO rules is good for global trade, but only if they play by the rules. Like Ronald Reagan said, "Trust but verify." We cannot afford to show the same indifference to Russia's failures to live up to their commitments to the WTO as we have with China's.

These actions by Congress and the Administration are a step in the right direction. But cooperation should be the rule, not the exception. By working together, we can level the playing field and grow our manufacturing base. We can get back to being a country that makes, builds and innovates. This is how we create the jobs we desperately need. And we can do this without adding one dollar to the deficit.

Why do we need better coordination and accountability? Our economic competitors certainly have strategies to grow their economies that are driven by protectionist trade practices. They are getting more and more sophisticated. Nowhere is that more apparent than in the growth of state-owned enterprises.

According to *The Economist* magazine, Chinese outward investment rose from \$10 billion in 2005 to nearly \$73 billion in 2011, and this growth is expected to rapidly continue. At least 80 percent of all Chinese outward investment has been funded by its SOEs. In Russia, SOEs make up 62 percent of the value of their stock market.

These state-owned enterprises pose a serious challenge and threat. They are moving beyond their own borders and entering foreign markets, like the United States, because of a government directive to grow internationally. China's latest five-year plan calls for its major steel companies to invest overseas in order to get access to key steelmaking technologies. Let's be clear about what is happening here. This expansion into foreign markets is driven by government policy, not company profitability.

Increasingly, American companies are not competing against other private companies, but against foreign governments, which creates major market distortions. Make no mistake about it, SOEs are foreign government entities, period. Competing against them globally, and when they enter the U.S. market, is not like competing against private foreign companies in the U.S. We welcome foreign investment, but it must be on commercial terms.

SOEs have advantages that most shareholder-owned companies do not. They get access to massive and often illegal subsidies like cheap capital from state-owned banks. They get free land. Their governments subsidize energy costs and exports. All these protectionist trade practices come together to feed their growth. While China has some of the largest SOEs in the world, these companies can also be found in Russia, Malaysia, Vietnam, Singapore and Brazil, just to name a few.

Investment by these state-owned enterprises into our energy, steel and information technology sectors also raises serious national security issues. These companies, and their governments, could potentially have access to sensitive information on critical infrastructure, military systems and personal consumer information.

That is why our government needs a comprehensive policy to address SOEs. The Trans-Pacific Partnership provides a good opportunity to include strong and binding language requiring these state-owned companies to compete in foreign and U.S. markets on a strictly commercial basis.

Including comprehensive language in the TPP would set an important marker for subsequent trade agreements.

However, trade agreements may take too long and may not address countries that present the biggest problems. Congress has a vital role to play to make sure that our companies are not forced to compete against SOEs that are getting massive subsidies and funding abroad.

America's long-standing policy has been to make sure that our own government has a limited but appropriate role in the private market; so why are we going to let a foreign government have an unlimited role? It is time to stop allowing their growth to come at our expense.

We can either shape our economic future or let others shape it for us. For too long we have let some of our trading partners dictate the terms of our relationship. That approach has been a total failure. Let's start shaping our own economic future. Let's build on the cooperation we saw on the countervailing duty legislation. With Congress, the Administration and federal agencies working together, we can ensure healthy, balanced global trade and put Americans back to work.