

January 12, 2007

Ms. Susan H. Kuhbach
Senior Office Director for Import Administration
U.S. Department of Commerce, Room 1870
Central Records Unit
14th and Constitution Ave NW
Washington, DC 20230

Subject: Application of Countervailing Duty Law to Imports from the People's Republic of China

Dear Ms. Kuhbach:

NCTO is pleased to offer comments on the application of countervailing duty laws to non-market economies such as China. As the national trade association for the U.S. textile industry, NCTO strongly supports the application of countervailing duty laws to China and other non-market economies.

As the largest non-market economy in the world, China subsidizes its industry to a greater extent than any other country. As a result, subsidies employed by the Chinese government cause more harm to U.S. industry and cause more U.S. workers to lose their jobs than those of any other country. A U.S. government policy that forbids U.S. companies to seek redress against the world's principal perpetrator of subsidy injury makes a mockery of fair play in trade policy. For this reason alone, the policy should be reversed.

The Commerce proposition that any effort to unpeel subsidies is technically impossible is puzzling. Subsidies are created to give real and tangible benefits to industries and it seems amazing that the United States government actually contends that it cannot arrive at a defensible estimation of how much of a benefit a particular subsidy may deliver. The fact that every other developed country says that they can unpeel these subsidies from non-market economies makes such a stand indefensible. Such policies give the impression that, from a U.S. government perspective, China can do virtually anything and get away with it: they are a significant reason that we have a crisis of confidence in trade policy in this country.

With China's accession to the WTO and the accompanying requirements that it provide full and open disclosure of its subsidy structures, the U.S. government position is further weakened. If China is not disclosing its subsidies, as most experts agree, then the U.S. government should discover them through an intensive examination of China's policies. Such an examination is clearly within the U.S. government's capabilities, particularly since subsidies are only effective if their presence is communicated to the industries that they are intended to benefit. Chinese government subsidies in the form of grants, low interest or no interest loans, preferential tax rates, raw material and input subsidies and the like all must be directed somewhere and given the enormous size of China's manufacturing sector, it should not be difficult to determine what these subsidies are.

In addition, concerns that the Department lacks experience in apply third-country methodology information in calculating CVD rates should not prevent Commerce from moving forward on CVD cases against China. Simply moving ahead will force Commerce to develop experience and create methodologies for applying CVD law.

Other concerns that Commerce may lack clear authority to implement CVD law against China or to take into account double counting issues in regards to dumping duties should not prevent Commerce from taking the right step now by overturning an indefensible policy. Commerce should show leadership in defense of unfair trade laws and of a commonsensical interpretation of them.

Thank you for the opportunity for NCTO to make its views known.

Sincerely,

Cass Johnson
President