



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

December 22, 2009

The Honorable Lindsey Graham
United States Senate
Washington, DC 20510

Dear Senator Graham:

Thank you for your letter regarding the Department of Commerce's (the Department) treatment of subsidy allegations involving the currency practices of the People's Republic of China. I want to begin by assuring you that the Department remains steadfast in its commitment to provide maximum relief to U.S. workers and the domestic industry under the trade remedy laws.

Since revising its policy with respect to the application of the countervailing duty (CVD) law to China in 2006, the Department, in response to petitions received from U.S. industry, has conducted 23 CVD investigations involving subsidized Chinese imports from a wide range of industries, including steel, paper, tires and chemicals. Of those 23 investigations, nine (9) investigations are ongoing, 12 have resulted in the imposition of a CVD order, and two (2) were terminated as a result of a finding of no injury by the U.S. International Trade Commission. In addition, the Department currently has 82 antidumping orders against various imports from China.

I agree with you fully that subsidy allegations involving China's currency practices should be assessed no differently than any other subsidy allegation. Before investigating an alleged subsidy, the Department has an obligation to establish whether the allegation meets the requirements prescribed under U.S. law; that is, whether there is a financial contribution that is specific to an industry or group of industries which confers a benefit. Please be assured that the Department examines closely the facts of every subsidy allegation to determine whether or not it meets these requirements. However, when a subsidy allegation fails to meet these requirements, the Department cannot initiate an investigation.

The allegation that China provides a countervailable subsidy to exporters through its intervention in the exchange market has been made in previous CVD petitions involving Chinese imports, most recently in the petition filed in September involving imports of *Certain Coated Paper* from China. However, in these cases, the petitioning U.S. industry did not meet the statutory standard for the Department to investigate this subsidy allegation. For example, in the recent *Certain Coated Paper* petition, the U.S. industry failed to meet the specificity requirement of a countervailable subsidy under U.S. law.

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If you have any further questions, please contact me or April Boyd, Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,



Gary Locke



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The Honorable Charles E. Schumer
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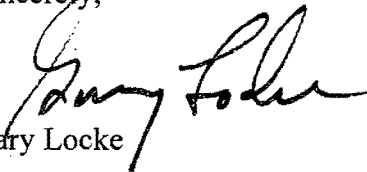
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