

US set to challenge China over steel prices

James Politi and Geoff Dyer

US trade officials are close to filing a case against China at the World Trade Organisation challenging export restrictions on raw materials used in steel-making and other industries.

The US has been working on the case intensely for the past few months, and could move ahead with a request for consultations - the first step in the WTO dispute settlement process - within weeks, according to people close to the discussions.

The European Union has already opened three investigations into allegations of dumping by Chinese steel producers.

A WTO fight over China's treatment of raw materials would shake up the global steel and chemicals industries, where China has emerged as a leading producer and competitor to western companies in recent years.

The final decision has yet to be made but a move by the US before the presidential election in early November would support Republican claims that the Bush administration has not been shy about bringing WTO cases against China that it believes it can win. Amid increasing scepticism about the benefits of trade in the US, Democrats in Congress have attacked the administration for being too lax on trade enforcement.

The US is expected to argue that Chinese export quotas and taxes on raw materials such as metallurgical coke, molybdenum, silicon carbide and fluorspar used in steel production artificially deflate domestic prices and inflate global prices, putting US producers at a disadvantage in violation of WTO rules.

US officials have spent the past several months narrowing the focus of a potential case from an initial list of more than a dozen raw materials to a handful of products where the US is confident that China breached the "protocol of accession" it signed on joining the WTO in 2001, one person familiar with the matter said. Other items that have been considered include zinc, bauxite and antimony.

The office of the US trade representative declined to comment, as did China's commerce ministry.

Li Xinchuang, vice-president of China Metallurgical Industrial Planning & Research Institute, an industry organisation for steel and related companies, said: "I am not familiar with the lawsuit but I can tell you there is no trade barrier for exporting China's metallurgical coke."

Chinese steel exports rose sharply in 2006 and 2007 as a result of a massive expansion in domestic capacity that outstripped the rapidly rising local demand for steel.

A report prepared last year by the American Iron and Steel Institute, the main trade body representing US steelmakers, claimed that the Chinese steel industry benefited from \$52bn of government subsidies over the previous decade. Several Chinese companies have attacked the report as being "untrue".

US-China trade relations suffered a blow in late July when they blamed one another for the failure of the Doha round of multilateral trade talks.

Fonte: Financial Times, London, September 4 2008. Primeiro Caderno. p. 1.