

## **U.S. slams China on exports**

*Steve LeVine*

*A complaint filed with the WTO claims China is restricting exports of nine key materials used to make steel and aluminum.*

The U.S. and the European Union on June 23 formally accused China of illegally hampering exports of raw materials in order to benefit its own manufacturers. The move comes during a period of heightened concern over protectionism amid the global economic crisis. It also coincides with resistance in Congress to an attempt by the Obama Administration to advance a bilateral trade agreement with Panama.

U.S. Trade Representative Ron Kirk said he has asked the World Trade Organization to step in and resolve the issue after two years of unsuccessful U.S. attempts to persuade China to "lift these unfair trade restrictions" on nine raw materials used in the making of steel, aluminum, and chemicals. The materials are bauxite, coke, fluor spar, magnesium, manganese, silicon metal, silicon carbide, yellow phosphorus, and zinc.

### Charges of protectionism

Kirk said the move does not mean that "tensions are escalating between the U.S. and China." Nevertheless, he said that he "is very concerned that China appears to be restricting the exports of these materials at the expense of U.S. industries that need these materials, and their workers....And we are deeply troubled that this appears to be a conscious policy to create unfair preferences for Chinese industries...by making raw materials cheaper for China's companies to get, and goods more economical for them to produce."

The EU filed a similar complaint the same day. In a statement, EU Trade Commissioner Catherine Ashton said, "The Chinese restrictions on raw materials distort competition and increase global prices, making things even more difficult for our companies in this economic downturn."

Kirk's office said in a fact sheet that China, the world's largest producer of "coking coal"—a key to making steel—charges a 40% export duty and limits coke exports to 12 million metric tons per year. The effect was that in August 2008 China's domestic price for coke was \$472 per metric ton, compared with a world price per ton of \$740. "Because it takes about one metric ton of coke to make one metric ton of steel in China, China's downstream steel producers obtained a dramatic competitive advantage by incurring input costs that were \$268 per metric ton less than their foreign counterparts," the Trade Representative's statement said.

### Political background

David Spooner, a former Assistant Commerce Secretary during the George W. Bush Administration and now a trade lawyer with Squire Sanders in Washington, said the U.S. complaint is not out of the ordinary. He noted that the Bush Administration filed two trade complaints against China last year, and that President Barack Obama said on the campaign trail that he intended to be tough on trade issues with China. "Frankly, I think all that happened is a realization that, 'We can't go a whole year and not file a case against China after saying we are going to get tough,' and this is the case that seemed the most ripe," Spooner said.

In recent weeks, Kirk has faced growing congressional resistance to finalizing a trade treaty with Panama negotiated during the Bush Administration. Critics in Congress have said the draft treaty does not go far enough in protecting labor and the environment, and Kirk recently has stressed his willingness to get tough, when warranted, on enforcing trade rules.

According to WTO procedures, China has 60 days to meet with the U.S. and the EU under WTO auspices to try to resolve the dispute. If that doesn't work, both the U.S. and the EU can request a formal ruling by a WTO panel.

In a joint statement, steel industry associations and unions said China had agreed to remove restrictions on the materials when it joined the WTO in 2001. The groups, led by the American Iron & Steel Institute, the Steel Manufacturers Assn., and the United Steelworkers union, said that the complaint involved a "straightforward case of trade barriers that China should have removed years ago, and which are causing significant harm to U.S. manufacturers as a result."

Jake Colvin, vice-president for global trade issues at the National Foreign Trade Council, said, "We think it is important for the United States to raise concerns when other countries aren't playing by the rules, and appreciate that an organization like the WTO exists which can help to ensure a fair and facts-based resolution of the dispute."

LEVINE, Steve. U.S. slams China on exports. **Business Week**, New York, June 22, 2009. Disponível em: <[www.businessweek.com](http://www.businessweek.com)>. Acesso em: 29 jun. 2009.

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