

WTO Challenge to Chinese Export Restrictions on Raw Materials

The United States and European Union launched a formal dispute at the World Trade Organization against China on June 23, 2009, over China's measures to restrict exports of important raw materials, including bauxite, coke, fluorspar, magnesium, manganese, silicon metal, silicon carbide, yellow phosphorus and zinc. These materials are crucial for the production of steel, aluminum and certain chemicals. China accounts for 60 percent of the world's production of coke and is a major producer of the other materials.

"The United States is very concerned that China appears to be restricting the exports of these materials for the benefit of their domestic industries, despite strong WTO rules designed to discipline export restraints," U.S. Trade Representative Ron Kirk said in a press release. "We are deeply troubled at what appears to be a conscious policy to create unfair advantages for Chinese industries that use these raw materials."

U.S. and European officials believe that Beijing's export restrictions keep prices artificially low in China, promoting cheaper Chinese exports of downstream products. At the same time, prices for the raw materials on the global market increase, impairing the ability of American producers of downstream products to compete with cheaper Chinese exports.

When China joined the WTO in December 2001, it committed to eliminate taxes and charges for all exports except those listed in a specific annex. The complaint alleges that China imposes quotas, export duties, and other burdensome export procedures on exports not listed in the annex and in violation of specific WTO rules.

China has rejected the allegations, saying that the goal of its export policy is to protect the environment and natural resources. At the same time, the Ministry of Commerce indicated that it would move ahead with a WTO challenge to a U.S. ban on Chinese poultry imports by requesting the establishment of a WTO dispute settlement panel to examine the issue.

These trade disputes come on the heels of what some see as increasing protectionism by China in response to slowing economic growth. Just a week ago, on June 16, 2009, China announced officially the inclusion of a "Buy Chinese" policy in its \$586 billion stimulus package. It also raised tax rebates on the export of high-end steel products earlier this month in an attempt to increase slumping foreign demand.

Both the United States and Australia are currently investigating allegations of dumping of Chinese aluminum at below market prices. On June 23, 2009, India imposed a 14 percent duty on imports of aluminum flat-rolled products and a 30 percent duty on imports of aluminum foils from China as a safeguard against cheap imports.

With this new flurry of protectionist activity around the world, more companies can be expected to take a hard look at initiating trade remedy cases to redress the perceived injury to their domestic industries.

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