US case against China export curbs signals tension

By MARTIN CRUTSINGER – 20 minutes ago

WASHINGTON (AP) — Long-simmering economic tensions between the U.S. and China boiled over Tuesday as the Obama administration filed its first unfair-trade case against Beijing, accusing it of restricting exports of materials needed to produce steel, aluminum and other products.

The administration vowed to protect the rights of American companies, and it got backing from the European Union, which filed its own case on the issue.

Some trade experts suggested China might settle the dispute rather than endure a prolonged hearing process before the Geneva-based World Trade Organization, the arbiter of global trade rules.

Analysts expect the fight over China's export restrictions will be just one of many trade cases the administration files against China. Obama made campaign pledges to take a tougher approach with U.S. trading partners in the face of soaring job losses and the longest U.S. recession since World War II.

The materials at issue include coke, bauxite, magnesium and silicon metal, the U.S. complaint notes. The U.S. and EU complaints say China's export restrictions give its companies an unfair edge over their foreign rivals by giving them access to cheaper materials, despite WTO rules against export curbs.

U.S. Trade Representative Ron Kirk said the Obama administration decided to pursue a WTO case after two years of talks between the Chinese and the Bush administration had failed to reach a resolution. He said China's actions were endangering American jobs.

"The United States believes that China is unfairly restricting exports of raw materials," Kirk said. "These actions are hurting American steel, aluminum and chemical manufacturers, among other industries, that desperately need these material to make their products."

The U.S. and EU filed separate complaints with the WTO, a step that triggers a 60-day consultation period. If the dispute is not resolved, they can formally request a WTO hearing panel. At that point, the cases likely would be merged.

If the U.S. and EU prevail at a WTO hearing — a process that can take up to a year — and China still refuses to lift the export restrictions, the two would be given a go-ahead to impose economic sanctions on China. Those sanctions would be equal to the harm inflicted on their companies by Beijing's actions.

"The United States has a strong case," said Dan Griswold, a trade economist at the Cato Institute, a Washington think tank. "And it certainly adds weight to the U.S. case that the two largest trading entities in the WTO have joined together. That should get China's attention."

Officials from the U.S. and EU sought to protect their domestic companies' collective ability to compete on a global scale.

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

Ashton and Kirk expressed hope the issue could be resolved during the consultation period. But if that doesn't happen, Kirk said the U.S. will go forward with a WTO case.

"Dialogue is our preferred course of action, but despite raising this issue with China repeatedly, China has not changed its policies," Kirk said.

Wei Xin, a spokeswoman for the Chinese embassy in Washington, had no immediate comment on the U.S. action.

The American Iron and Steel Institute _whose members include Nucor Corp. and United States Steel Corp. — the United Steel Workers and other industry groups released a joint statement praising the administration's decision to pursue a WTO case against China.

"When China joined the WTO in 2001, it committed to removing these restrictions," the groups said. They called the barriers on the export of raw materials and minerals "just another way in which China favors its domestic manufacturing industries at the expense of the rest of the world."

The U.S. complaint contends that China maintains measures that restrain the export of raw materials for products — such as coke, a key ingredient in steel production — for which it's the world's largest producer, or near the top.

A U.S. fact sheet said "a prime example of the highly distortive effects of China's export restraints" was its decision to limit exports of coke from 336 million metric tons in 2008 down to current annual exports of only 12 million metric tons. Before the export controls were imposed, China accounted for about 60 percent of global coke production.

Associated Press Writers Aoife White in Brussels and Bradley Klapper in Geneva contributed to

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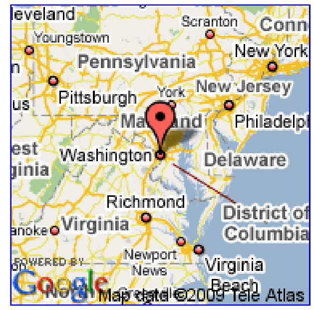

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