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WTO bans Chinese tariffs on US steel

By Alan Beattie in Washington

The World Trade Organisation issued a final ruling on Thursday that Chinese tariffs on imports of US steel were illegal, the [latest in a string of cases](#) about subsidies distorting international trade.

The WTO's dispute settlement process confirmed an initial ruling in June that Beijing had broken international trade law in imposing anti-dumping and "countervailing duty" (anti-subsidy) tariffs on a type of high-tech steel used in power stations.

The case marks another use of WTO rules to prevent trade tensions escalating into a war of retaliatory increases in tariffs.

China imposed the tariffs in response to the "Buy America" provisions of the US fiscal stimulus of 2009 and to similar state-level laws, which restricted bidding on iron and steel contracts to producers from the US or countries with a reciprocal government procurement agreement.

Beijing contended that using procurement rules to favour domestic producers constituted a subsidy to US steel exports. But the WTO panel agreed with the US that China had failed to show why and by how much "Buy America" had harmed Chinese steelmakers.

Dan Ikenson, director of trade policy at the libertarian Cato Institute think-tank in Washington, said the case was "a victory for the rule of international trade law". Mr Ikenson said: "Having recourse to WTO adjudication – and the cooling effect that that process has on potentially explosive trade disputes – is far superior to individual governments, tempted by local political considerations, to respond in kind with tit-for-tat measures. We've made great progress since the 1930s."

President Barack Obama's administration has brought a string of WTO cases against China, claiming both illegal use of subsidies to Chinese producers and improper blocks on imports from the US. But Washington has also lost cases at the WTO and in US federal courts over its own use of emergency tariffs.

Last year, a federal district court ruled that the US was wrong to impose both anti-dumping tariffs – used against imports deemed to be priced unfairly low – and anti-subsidy duties on goods from China and Vietnam.

A WTO panel has also ruled certain aspects of the US double-duty policy illegal. This year, the US Congress passed a bill to overturn the district court's ruling, but the case has gone back to the courts to decide on the constitutionality of the new law. Beijing has also started a WTO case to challenge the new legislation.