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U.S. International Trade Commission rules in favor of U.S. steel industry on subsidized Chinese imports

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The U.S. International Trade Commission ruled Wednesday that a surge of subsidized Chinese steel has harmed or threatens to harm the U.S. industry, acting in one of the largest trade cases ever involving the two countries.

The volume of the steel pipes imported from China more than tripled from 2006 to 2008, rising from $681 million to $2.8 billion, according to the most recent Commerce Department figures.

The case means that the United States can collect duties on the Chinese imports.

"This is great news for the U.S. steel industry," said Roger Schagrin, an attorney for the U.S. steelmakers and the United Steelworkers union.

The case also promises to heighten U.S.-China trade tensions, which were aggravated earlier this year when the Obama administration imposed a tariff on imported Chinese tires.

Because the recent case was decided by the commission after a judicial-like process rather than by the administration, trade observers said the case may be less likely to provoke a reaction from the Chinese government.

"The president doesn't really get his hands dirty in this," said Dan Ikenson, associate director for trade policy studies at the Cato Institute. "I think the Chinese government knows this is not reflective of the Obama administration's trade policy."

Attorneys representing the Chinese steel producers in the case could not be reached for comment or said they had not received permission to comment.

In a statement last month, China's Ministry of Commerce called the proposed tariffs in the case "abusive protectionism."

The commission, which consists of three Republicans and three Democrats, voted unanimously on the matter.

According to the U.S. steel companies that filed the complaint along with the United Steelworkers, Chinese government subsidies to steelmakers unfairly allowed the Chinese firms to overwhelm their U.S. rivals.

The steel pipes at issue, known as oil country tubular goods, are used primarily by the oil and gas industry. By dollar volume of imports in the industry, the case represents the largest U.S.-China trade case ever, lawyers said.

The U.S. companies alleged that their Chinese rivals received discounts on raw materials and loans from government-owned firms. Between 2006 and 2008, the Chinese producers' share of the U.S. market jumped from 11 percent to 24 percent, according to the International Trade Commission's staff report. In the first nine months of 2009, the Chinese share rose to 30 percent.

The declining U.S. market share led to the loss of jobs. The U.S. industry dropped from 5,800 workers in 2008 to 3,400 workers in the first nine months of 2009, according to the report.

"Today's vote by the trade commission makes it clear to American pipe workers and industry that the U.S. government will stand up against China's violation of fair trade rules when domestic job losses and industry injury are clearly demonstrated," USW International President Leo W. Gerard said in a statement. "We are fed up with China's constant cheating and false claims of U.S. protectionism . . . "

But others said that the decision could harm the U.S. economy by raising costs for U.S. industries that use the steel.

"When the administration is trying to create jobs, this isn't going to help," Ikenson said.

Citing preliminary decisions in the case, the Commerce Department in November imposed duties on the steel pipes from China ranging from 10 percent to 16 percent. The ITC decision allows the duties to remain in place.

The commission is also considering complaints that the steel producers dumped their products in the U.S. market below their value.

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