

US trade practices blasted

By Chen Weihua
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Just as top US commerce and trade officials announced they would host their Chinese counterparts for an important annual talk in December, a US trade analyst claimed that US authorities have been using their most punitive and abusive practices against goods from China.

Bill Watson, a trade policy analyst at the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies, said the US sets anti-dumping duties against Chinese goods using what is called nonmarket economy (NME) methodology. The practice gives license to the US Department of Commerce to ignore Chinese producers' cost and price data and to turn, instead, to estimates for those data that are usually punitive and almost unrealistic.

"Without the legal discipline of the World Trade Organization's Antidumping Agreement, NME antidumping practice has been able to develop in a state of lawlessness," Watson said in an article published on Cato's website on Tuesday.

Watson said China's NME [designation](#) currently serves as an excuse for lawless protectionism, which not only inflames trade relations, but imposes enormous costs on downstream US industries and consumers.

To Watson, many of the nonmarket aspects of China's economic policies that the US commerce department points to are common in other countries comfortably recognized as market economies. But he said China's accession protocol gave the US the right to use NME methodology regardless of whether China was an NME.

In his recent book *Markets over Mao*, Nicholas Lardy, a senior fellow at the Peterson Institute for International Economics, argues that the economic reform process that began in the late 1970s has transformed China from a state-dominated economy into a predominantly market economy in which private firms have played a major role in economic growth, job creation and trade expansion.

Watson believed the US authorities were willing to resort to total nonsense to keep Chinese firms from competing in the US market.

He said nondiscriminatory treatment of Chinese imports would bring US trade policy into [compliance](#) with WTO rules while reducing the distorting effect of antidumping measures on the US economy.

While the current WTO rules permit the US to keep this [discriminatory](#) approach, which China agreed to back in 2001, the conditions will [expire](#) in December 2016.

"If that deadline passes without the US practice having changed, it will become grossly out of sync with WTO rules," Watson said.

Watson told China Daily on Tuesday that he has seen no sign of the US getting ready to change its treatment of China after 2016, when China automatically enjoys the market economy status.

"They may change the way they talk about it and to seem more like they are doing something different. There is no indication that they are really trying to comply and treat China like anyone else," he said.

Watson pointed out that means the US will then lose all the WTO cases against China in anti-dumping.

The trade analyst is not sure how much advantage the US has gained in money terms through such abusive practices over the years, but its disruption to Chinese industry is huge because the methodology the US used against Chinese producers is particularly difficult to predict, and the uncertainty and chilling effect on trade and investment is great.

Watson is also not sure if this issue will come up at the 25th session of the China-US Joint Commission on Commerce and Trade (JCCT) to be held Dec 16-18 in Chicago, but he believes the issue will [escalate](#) year by year.

"I certainly think there is potential for working together on this issue," he said.

US Secretary of Commerce Penny Pritzker and US Trade Representative Michael Froman will host a high-level Chinese government delegation at the JCCT session. US Secretary of Agriculture Tom Vilsack will also join the dialogue.

"Expanding the US-China bilateral trade relationship is critical to strengthening our nation's economy and supporting job creation in communities from Maine to Hawaii," Pritzker said in a press release on Monday.

"The JCCT has played a vital role in our efforts to [bolster](#) this mutually beneficial relationship for more than two decades," she said.

"The JCCT continues to be a place where the bilateral ties that link the US and China are reinforced through cooperation and constructive, face-to-face discussions focused on making concrete progress to address the challenges we face," said Froman.

Watson explained that part of the reason China has not raised it as a top issue is because China may see this as an area that the US is unwilling to make a move in.

"So if you just raise an issue and not get anywhere, this will be one of those," he said.

While Watson believes that the US will not change its unfair treatment of China even after the 2016 deadline, he said there are benefits for the US to address the issue early.

He described a change of US discriminatory practices as a "show of goodwill that can smooth over the relationship".

"I don't know if there is a benefit for the Chinese to complain about it early, but there is a benefit for the US giving up on it," he said.

That will have a positive impact on the overall bilateral relationship in other areas, such as political and security ties, and how the largest economies can work on other issues in the WTO and global trade systems.