

WTO Blocks EU Tariffs on Chinese Screws

BRUSSELS—The World Trade Organization Friday condemned European Union antidumping tariffs on imports of Chinese screws, *handing Beijing its biggest legal victory yet at the Geneva-based body.* EU officials described the decision as a significant setback.

Legal experts said the victory was a sign of the effectiveness of the Chinese strategy of fighting foreign import tariffs by hiring top-notch trade lawyers and lobbying heavily at WTO headquarters in Geneva.

The 394-page ruling could also set a precedent, making it harder for the EU and the U.S. to impose antidumping tariffs on developing economies like China and Vietnam.

China joined the WTO in 2001. Its exports to the rich world immediately soared, leading to tensions over currency values, public contracts, access to the Chinese market by Western companies and charges of "dumping," or exporting in a foreign country below cost.

The EU and the U.S. have made extensive use of WTO rules which allow countries to impose tariffs on dumped goods.

Countries where the state plays a large role in the economy, such as China or India, are frequent targets. Between 1999 and 2009, China was the target of 445 antidumping measures, or 24% of those imposed by all WTO members combined.

That hasn't sat well with the Chinese government. In a statement released Friday following the ruling, Chinese Ministry of Commerce complained of systematic "unfair treatments" over the last decade.

Beijing started putting up a fight around 2008, when it emerged as a key player for the first time, in the failed discussions on the Doha Round of trade talks. Around the same time, it inaugurated a brand-new mission, a football field away from WTO headquarters. China also started paying top dollar for expert trade lawyers. "We started lining up for their business," says a Geneva-based lawyer for an international trade law firm.

Since then, China has systematically challenged EU and U.S. tariff hikes against its exports. "They have a lot of complaints against them, and they've become adept at challenging other countries," Simon Lester, founder of WorldTradeLaw.net LLC, a Washington-based consultancy. Earlier this week, China appealed the methodology used two years ago by the U.S. to impose tariffs on Chinese steel pipes, tires and cloth sacks.

In early 2009, the EU imposed antidumping duties of up to 87% for five years on imports of Chinese screws and fasteners. The duties helped cut EU imports of those products to \$555.7 million in 2009 from \$1.39 billion in 2007.

In July, China appealed, and the WTO accepted a few months later.

Its main claim was that the EU unfairly used costs in India and the EU itself as comparisons when determining what the screws should have cost to make in China. Because China is classified as a "non-market economy," investigators are allowed to use a formula to determine what making the good should have cost without public aid.

On Friday, the WTO accepted the Chinese claim, accepting the Chinese argument that manufacturing in China is legitimately cheaper, even without help from the state.

In a statement, China welcomed the ruling. The WTO, it said, had made it "clear that the EU's antidumping legislation and practice are discriminatory and inconsistent with WTO rules."

"It is important to note that this is only an intermediary step because the EU or China can decide to appeal it. It is therefore too early to speculate on what kind of impact the ruling would have," said John Clancy, an EU spokesman. Off the record, EU officials admitted it was a significant defeat.

The EU now has 60 days to appeal. If it loses, it will have to revise these tariffs, and make changes to the way it investigates allegations of dumping.