

US moves to defuse trade dispute

By Alan Beattie in Washington

The US is proposing to restrict its own ability to impose emergency tariffs on imports deemed to be priced unfairly low, a move that could defuse a long-running dispute with major trading partners.

An announcement by the commerce department over the Christmas break has held out the hope of an **end to a controversial practice called “zeroing”**, which has repeatedly been ruled illegal by the World Trade Organisation.

But the EU, one of the trading partners that has brought WTO litigation against the US, said that while the announcement was welcome, it did not address the unfair advantages that US companies had gained in the past.

Zeroing allows the US to ignore unhelpful data when calculating “antidumping” duties, which are imposed against imports deemed to be priced lower in the US than in the exporters’ home market. In calculating the margin of dumping and hence the level of duty, the practice allows the commerce department to exclude, or set to zero, examples where the price is higher inside the US than outside.

Although involving complex calculations and abstruse points of trade law, zeroing has become a *cause célèbre* in negotiations over trade rules. The US regards the WTO rulings as emblematic of the organisation’s dispute settlement process going beyond its mandate. But those governments that have brought cases against the US – including those of the EU, Japan and Mexico – say Washington’s failure to comply with multiple rulings reveals a disturbing lack of respect for the judicial process.

The commerce department’s proposal, which is open to consultation for a month, would in effect prevent the use of zeroing when reviewing antidumping duties that are already in place. The US has already dropped the practice when calculating antidumping margins for new cases.

Greg Hume, an economist at the law firm Dewey & LeBoeuf in Washington, said the change would probably make only a moderate difference against imports from economies such as China’s, where dumping margins tended to be very large. “In the case of advanced market economies, where margins may be in the single-digits, it could be much more significant,” he said.

John Clancy, EU trade spokesman, said that the announcement was “a step in the right direction” but added: “We note that at this stage the proposal will apply to future cases,

and does not appear to deal with the issue of excess duties levied against a large number of EU firms because of zeroing since 2007.”

Gary Hufbauer at the Peterson Institute for International Economics in Washington said that the proposal was both good in itself and evidence that, defying fears about the future of globalisation, the system of global trade rules was holding up relatively well.

“Bureaucracies may drag their feet when complying with some rulings, but they generally comply in the end,” he said.

The US has also yet to implement WTO decisions against its cotton subsidy programme and against the exclusion of Mexican trucks from US highways, while Washington in turn complains that the EU has ignored rulings regarding restrictions on genetically modified food.

The US trade representative’s office said it would seek to negotiate a reinstatement of the practice of zeroing within the so-called “Doha round” of trade talks, part of which address antidumping rules. But with those talks having been stalled for some years and many other WTO members implacably opposed to zeroing, Washington is likely to face an uphill struggle.