

U.S. Likely To Accuse China Of Aluminum Protectionism

Foster Klug, Associated Press Writer

WASHINGTON (AP) — Analysts say the Obama administration, under congressional pressure to take a tough stance on Chinese trade policies, is expected to declare that China unfairly helped its aluminum industry.

The finding, which could spark higher import duties, was anticipated Tuesday as the White House attempts to strike a delicate balance ahead of November congressional elections that will be dominated by the weak U.S. economy.

The Obama administration wants to address worries by lawmakers who say the U.S. is losing jobs because an undervalued Chinese currency gives Beijing's exporters an unfair price advantage. But it also wants to preserve good ties with a country seen as crucial to dealing with global economic and environmental issues and with nuclear standoffs with Iran and North Korea.

Lawmakers have called for imposing stiff penalties on Chinese imports if China doesn't move more quickly to revalue its currency. The Obama administration, however, has so far focused on targeting individual Chinese industries.

The U.S. and China are also arguing over access to each other's markets for tires, steel, movies, music and other goods.

"What the administration is doing here is like a pressure valve for the Congress," said Derek Scissors, a specialist on Asian economies at The Heritage Foundation think tank. "It's a natural response to not wanting to infuriate the Chinese on currency but wanting to do something about the fact that China's a trade predator."

The Commerce Department in April launched an investigation into whether certain Chinese aluminum products were being dumped, or sold at improperly low prices, because of government subsidies or other aid.

Stephen A. Jones, an attorney for a group of 11 U.S. aluminum companies that requested the duties, said he was "optimistic that Commerce will find that the Chinese industry has received significant amounts of subsidies."

The U.S. companies argued that Chinese aluminum exporters benefited from a range of government help, including tax breaks, low-interest loans from state banks and subsidized rents.

The U.S. aluminum companies also alleged that the Chinese industry benefited from a currency policy that keeps the yuan undervalued against the dollar and makes Chinese products cheaper in the United States.

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It's not clear if Commerce will say anything about the currency issue on Tuesday, Jones said. If they chose to investigate the issue and decided that the currency was a subsidy, that could open up a wider range of imports to penalty tariffs.

Wang Baodong, a spokesman for the Chinese Embassy in Washington, said American industry won't be helped "by imposing a high rate of punishment on the Chinese imports." He called for an "expansion of trade between the two countries instead of trying to take measures to restrain the imports of similar Chinese goods to the U.S."

Sen. Sherrod Brown, D-Ohio, a regular critic of China, said in a statement that "there is no doubt in my mind that China is subsidizing its aluminum industry and manipulating its currency." He said the United States "can't sit idly by as China breaks every trade rule at the expense of U.S. companies and U.S. jobs."

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AP Economics Writer Christopher S. Rugaber in Washington contributed to this report.

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