



International Trade Update – Steel's Trade Actions Against China Instructive for Chemical Industry

The US steel industry has generally been at the forefront of trade actions against China. Steel's experience may be especially informative to chemicals since historically chemicals is second to steel in the number of trade actions. Consider the following:

1. **Anti-Dumping and Anti-Subsidy Actions.**

The US steel industry has led the charge in filing trade remedy petitions with US agencies alleging that imports are unfairly low priced and government subsidized. Steel's focus on imports from China has been especially successful resulting in the imposition of very significant anti-dumping and anti-subsidy import duties on steel imports.

Many government subsidies in steel that lead to these stiff duties exist in China's chemical industry as well. Chemical companies considering similar actions can look to the steel industry for support on subsidies such as (a) loans from quasi government banks at subsidized rates; (b) materials from state-owned suppliers at subsidized rates; and (c) land provided by the government at below fair market value.

2. **China's Export Restraints.** The United States has begun a WTO challenge to certain export restraints of China. The claim is that China's restraints on exports of certain products (e.g., coke used in steel production) mean more domestic supply in China and so a reduced price benefiting China-based manufacturers. Although the claim now regards steel products in

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particular, chemicals are similarly affected by such export restraints. Claims of this nature are somewhat novel, so the success of this approach remains to be seen.

3. **China Trade Remedy Law.** China has its own trade remedy law and often uses it. China has now begun a trade remedy case claiming unfair US transformer steel is entering China and injuring China's steel industry. There is some speculation that this case is in retaliation to the US steel trade remedy cases against China. Historically, though, when China has begun trade remedy cases for purported retaliation, the cases were dismissed as not consistent with WTO rules for a meritorious action. As with China's export restraints, this area is one to watch to see how the steel industry fares.

Although steel leads the way, the chemical industry is active in the trade remedy area. For instance, as to citric acid and certain citrate salts from China, the United States has just imposed anti-dumping import and anti-subsidy duties. In addition, China's anti-dumping actions against imports into China especially focus on chemicals.

That said, the US steel industry is at the forefront of pursuing trade actions, the results of which may be instructive to the chemical industry when considering international trade actions and defending against them.

For further information on trade actions and other legal issues related to the chemical industry, please contact your principal Squire Sanders lawyer or one of the individuals listed in this Alert.

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