



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER
CHAIRMAN



Today, Sen. Charles E. Schumer (D-NY), Chairman of the Joint Economic Committee, and a member of the Senate Finance Committee, reacted to an announcement from the U.S. Trade Representative that the United States has requested the World Trade Organization to establish a dispute settlement panel to investigate possible Chinese violations of WTO rules. Specifically at issue are trade-distorting subsidy programs that favor the use of domestic products over imported products or encourage exports. China agreed to abide by the WTO Agreement on Subsidies and Countervailing Measures in December 2001 (when it joined the WTO), which prohibits such subsidies.

"I'm encouraged to see that the administration is moving beyond talk and into action with their request for WTO dispute settlement panel review of China's prohibited subsidies; but we must make sure the administration follows through by applying constant pressure to this process. China has gotten away with far too much, for far too long, and we can't afford to miss any opportunities to even the playing field."

Below is the statement from the USTR:

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United States Requests WTO Panel in Challenge to China's Prohibited Subsidies

Washington, DC - The Office of the United States Representative announced today that the United States has requested the World Trade Organization (WTO) to establish a dispute settlement panel regarding subsidies provided by China that appear to be prohibited by WTO rules.

“Although our two rounds of WTO consultations with China have been constructive, they have not resolved our concerns about China’s apparent use of trade-distorting subsidies that it pledged to eliminate upon joining the World Trade Organization,” said USTR Spokesman Sean Spicer. “China has taken a positive step by repealing one of the subsidy programs we challenged, but much more needs to be done. We continue to prefer a negotiated settlement to this dispute, but without assurance of complete corrective action by China, we must continue to pursue the WTO process to enforce our rights.”

The U.S. request for a WTO dispute settlement panel challenges several subsidy programs maintained by China that the United States believes are prohibited by WTO rules. Subsidies conditioned either on a firm's use of domestic over imported products or on exports are prohibited by the WTO Agreement on Subsidies and Countervailing Measures. They also are inconsistent with other WTO obligations, including specific commitments undertaken by China as part of its WTO accession agreement to eliminate such subsidies before it joined the WTO on December 11, 2001.

The United States and Mexico requested WTO consultations with China over these subsidies in February and then filed supplemental consultation requests in April after China eliminated one subsidy and passed a revised income tax law with new provisions that appear to provide for prohibited subsidies. While consultations have been productive and useful, China has not to date been able to assure the United States and Mexico that it will promptly eliminate all of the subsidy programs that remain of concern.

Mexico plans to join with the United States and file its own request for the establishment of a WTO panel today.

Background

The United States initiated the dispute over China's prohibited subsidies by requesting consultations with China on February 2, 2007. Mexico requested consultations with China on the same measures on February 26, 2007. Shortly before joint consultations were held on March 20, 2007, China eliminated one of the subsidy programs challenged by the United States and Mexico, but also adopted a new income tax law providing additional tax breaks for qualifying firms. In order to clarify whether these new tax breaks constituted new prohibited subsidies, the United States and Mexico requested supplemental consultations with China, which were held jointly on June 22, 2007.

Under WTO rules, the WTO Dispute Settlement Body (DSB) will consider the United States' request for the establishment of a panel at its next meeting on July 24, 2007. In addition to allegations under the WTO Agreement on Subsidies and Countervailing Measures and China's Protocol of Accession, the United States' complaint also alleges violations of the 1994 General Agreement on Tariffs and Trade and the Agreement on Trade-Related Investment Measures.

This is the second dispute against China for which the United States has requested a WTO dispute settlement panel. The United States, together with Canada and the European Communities, requested a panel in September 2006 to examine China's regulations imposing

local content requirements in the auto sector through discriminatory charges on imported auto parts. Panel proceedings in that dispute are underway.

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