

China Rules U.S. Carmakers Are Guilty of Dumping

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China has found some U.S.-made passenger cars benefited from unfair subsidies, damaging its carmakers, although Beijing side-stepped a potential trade row with the United States by not hitting them with duties.

That decision could ease fractious U.S.-China relations, already strained by tensions over the appreciation of the yuan and criticisms from the United States that Beijing is favoring giant state-owned enterprises by keeping borrowing costs low.

However, U.S. officials reacted frostily to the news and said Beijing may have violated World Trade Organization rules with the method it used to determine certain U.S. cars received subsidies and were sold in China at unfairly low prices.

"We are very disappointed (with those determinations), even though it appears that such duties will not be imposed immediately," said Carol Guthrie, a spokeswoman for the U.S. Trade Representative's office.

"The United States is closely reviewing the final determinations in these investigations, in particular their compliance with WTO rules," Guthrie said.

China's Commerce Ministry launched the investigation in November 2009 in an attempt to defend Chinese carmakers against U.S. competitors. U.S. exports of new and used passenger cars to China tripled to \$3.4 billion in 2010 over 2009's figures.

"After an investigation, the Commerce Ministry's final decision is that U.S. firms that make sedans and sports utility vehicles of 2.5 liters and bigger engaged in dumping and were given subsidies," the ministry said in a statement.

"China's domestic car industry ... has suffered substantial damage. There's a causal link between the dumping and subsidies and the material damage."

But the Customs Tariff Commission of the State Council has agreed "not to impose anti-dumping duties and countervailing duties for now on the products that are being investigated," the ministry said, adding further details would be released later.

China's announcement came just days before the once-a-year Strategic and Economic Dialogue, which covers various economic and diplomatic issues between the United States and China. Trade disputes are likely to feature prominently.

China is an increasingly important export market for the U.S., worth \$91.9 billion in 2010, a rise of 32.1 percent on 2009 levels. Total two-way trade was worth \$456.8 billion.

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The duties were expected to hit cars made by companies including General Motors Co, Chrysler and the U.S. units of German firms BMW and Daimler's Mercedes-Benz, which are fighting for a slice of China's booming car market -- the world's biggest ahead of the United States.

The commerce ministry's investigation centered on whether these companies had benefited from incentives and tax breaks granted by the U.S. federal government and the state of Michigan at the expense of China's carmakers.