

Union Accuses China of Illegal Clean Energy Subsidies

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New York Times

September 9, 2010

HONG KONG — A broad trade case filed on Thursday by an American labor union, accusing China of unfairly subsidizing its clean energy industry, pressed a hot-button jobs issue in the United States during a Congressional election season.

But even if the Obama administration agrees to pursue the case, it could prove hard to resolve, as both countries consider their industries crucial to energy security and future economic growth.

The filing, by the 850,000-member [United Steelworkers](#) union, accuses China of violating the [World Trade Organization](#)'s free-trade rules by subsidizing exports of clean energy equipment like solar panels and [wind turbines](#). Through its policies, fair or otherwise, China has helped turn its makers of that equipment into the global leaders, while manufacturers in the United States and Europe have struggled financially, cut jobs and in some cases moved operations to China.

[President Obama](#) has cited clean energy manufacture as a priority on economic and environmental grounds, and in a speech this week, he called for "a homegrown clean energy industry."

Mr. Obama has shown a willingness to confront China before, imposing steep tariffs a year ago on Chinese tire imports — a decision that China is itself challenging before a W.T.O. panel in Geneva, which is expected to give an initial ruling this month.

Whether or not the administration wants to risk escalating trade tensions with China right now, the timing of the union's petition has thrust the issue into the Congressional election season. The union filed under a law that requires the Obama administration to make a decision on whether to pursue the case within 45 days, which would be Oct. 24 — a week and a half before the elections.

"Once we file the case, we're going to take it to the rest of the public," Leo W. Gerard, president of the union, said before formally submitting the case. "We're going to mobilize around this."

If the administration does take up the case, the first step would be to ask China for bilateral consultations, which in a few months might lead to the formation of a W.T.O. dispute resolution panel in Geneva, unless either side backed down first.

A succession of mostly Democratic members of the House and Senate issued statements through the day on Thursday, endorsing the steelworkers' case. That support, together with public anxiety about unemployment and the rise of China, could make it hard for the administration to refuse the union's request.

Nefeterius A. McPherson, a spokeswoman for the Office of the United States Trade Representative, said that the office had accepted the union's petition and would reach a decision on whether to

open an investigation of Chinese trade practices within the designated 45 days, even though the administration has the option of extending that deadline.

The [filing of the trade case](#) comes as trade and currency frictions with China are mounting. On Friday morning in Beijing (late Thursday night in New York), China announced that it ran another large trade surplus in August of \$20.03 billion.

The Chinese mission to the W.T.O. in Geneva declined to comment on the steelworkers' filing on Thursday, on the grounds that no case had been filed yet at the W.T.O. and that any initial consultations between the United States and China would be bilateral.

Wang Baodong, a spokesman for the Chinese Embassy in Washington, urged cooperation instead of confrontation: "Great potential exists between China and the U.S. in developing clean energy. And both the Chinese and the U.S. governments support their enterprises in collaborating in this promising sector, with the aim of creating a win-win situation commercially and helping combat the [climate change](#) effect."

The issues go beyond jobs and exports, having real implications for efforts to curb global warming. Increasing China's use of renewable energy for its own electricity needs would help slow the rise in China's emissions of greenhouse gases. China passed the United States in total emissions in 2006, although emissions per person remain three times as high in the United States as in China.

Chinese energy policy makers have said in the past that developing a strong energy industry is a national priority that contributes to Chinese energy security. They say that China is helping to address global warming by rapidly increasing its output of renewable energy equipment and that the rest of the world should appreciate its heavy investment in clean energy, which has steeply pushed down the price of solar and wind energy in the past three years.

Many trade experts, though, say that China has made itself vulnerable to a W.T.O. case because much of its support for clean energy, often in the form of cheap land grants and low-cost loans from state-run banks, has benefited its export industries, rather than focusing on the domestic adoption of [solar power](#) and wind energy.

Trade lawyers in Washington have been saying for months that China's export subsidies for clean energy were so extensive that sooner or later, they expected someone to file a trade case. But multinational companies and trade associations in the clean energy business, as in many other industries, have been wary of filing such cases, fearing Chinese officials' reputation for retaliating against joint ventures in their country and potentially denying market access to any company that takes sides against China.

Besides Mr. Obama's imposition of tariffs on Chinese tires, the Commerce Department has separately granted dozens of requests to impose tariffs on narrow categories of imports from China, like steel wire strands for prestressed concrete, after finding evidence that they have been subsidized or dumped in the American market.

But special tariffs and other import restrictions still cover less than 3 percent of American imports from China. Unions and many Congressional Democrats have contended that the administration should be more assertive in forcing China to honor previous free trade commitments. But the United

States government has long depended on companies to gather commercial information for trade cases, and companies have been hesitant to do so.

China could greatly weaken the case against it, or even settle the matter entirely, by shifting more of its subsidies toward encouraging Chinese consumers to use clean energy, said Alan W. Wolff, a former deputy United States trade representative who has been one of Washington's best-known trade litigators since the 1980s.

Government subsidies primarily for domestic manufacture and consumption are less likely to violate international trade rules.

"It is time for China to vastly increase its share of world consumption of solar and wind equipment," Mr. Wolff said. "It needs to do so for its own environmental objectives and for peaceful trade relations with the other leading economies."

In the 1980s, many big American companies like [Kodak](#) and industrial groups like the semiconductor industry were willing to give legal backing and financial support for trade cases against Japan, when it was still an ascending industrial power. But these days, when facing China, multinationals have been reluctant to file similar cases.

The difference is that China, unlike Japan in the '80s, has encouraged the opening of many foreign-owned factories, making multinationals loath to file trade cases that could alienate Chinese officials and make it harder to do business there.

Section 301, the trade law provision being used by the steelworkers' union, gives legal standing to unions as well as corporations to file trade cases. The law provided the legal basis for threats of unilateral American trade restrictions in many confrontations with Japan and South Korea through the '80s and early 1990s.

Currently, the steelworkers' union is one of the few with the legal resources to challenge China. And it has nothing to fear but the further loss of jobs in the United States.

The United Steelworkers union represents employees in a wide range of energy-related jobs, including manufacturers who make the steel for wind turbine towers and nuclear reactors and glassworkers who make solar panels and various kinds of incandescent and halogen light bulbs. The union also represents workers involved in the assembly of wind turbine towers and those who make gears, valves, engines and other components of clean energy equipment. All of those job categories have faced increased competition from China and other countries in recent years.

Stewart & Stewart, a Washington law firm known for filing antidumping cases at the Commerce Department, prepared the legal brief for the union. The union's trade strategist for the case is Michael R. Wessel, best known as the trade adviser for many years to former House Democratic leader [Richard A. Gephardt](#), who ran for president in 1988 on a platform calling for a more assertive American trade strategy.