

Paper Is Next Front in China Trade Fight

By Kris Maher
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PITTSBURGH -- Three paper companies and the United Steelworkers filed an antidumping case Wednesday against China and Indonesia, making good on the union's threat to protect other U.S. industries after winning a recent trade decision against China.

The petitioners said the timing of their complaint, on the eve of the G-20 economic summit here, was coincidental. But it threatens to raise tensions between the U.S. and its trading partners, particularly China, which is smarting from President Barack Obama's decision this month to place hefty tariffs on imported Chinese tires.

The complaint alleges China and Indonesia have been dumping tons of shiny, coated paper used, for example, in car brochures and annual reports. The case is being pursued through a different legal avenue than the one that yielded the tire tariffs and doesn't require approval by Mr. Obama.

But it nonetheless puts the White House in a delicate position, especially since Chinese delegates are expected to confront the administration with allegations of protectionist moves by Washington. Leaders of the G-20 have pledged to resist efforts to curb job losses in their countries by restricting access to their markets. A White House spokesman declined to comment.

Gilbert B. Kaplan, a Washington attorney for the petitioners, said the complaints weren't timed to the G-20 economic summit. He said the four separate petitions alleging dumping and subsidies by the two countries -- totaling more than 2,000 pages -- "have been prepared for some time."

The companies need to prove to the Commerce Department that the governments of China and Indonesia provided subsidies to coated-paper producers, and that imports were sold in the U.S. at prices below the home-market price or the cost of production. The petitioners also need to show the U.S. International Trade Commission that the paper imports caused material injury to the U.S. market or threaten to. "We have very strong evidence on all the factors which are necessary to prove this case," Mr. Kaplan said.

A spokesman for Indonesia's Trade Ministry declined to comment because the government has not yet viewed the antidumping petitions.

A spokesman at the Chinese Ministry of Commerce said: "The rising trade protectionism is worrying. The U.S. should be aware that trade protectionism is a double-edged sword and will do no good to either side."

The tire case was brought under a special provision for countries to temporarily shield their markets from disruptions caused by China's entry into the global trading system. The paper case, by contrast, is a more conventional trade dispute.

The case highlights the growing role of labor unions in U.S. trade issues. During last year's election, Mr. Obama promised to get tougher on trade -- a pledge that won him union votes. Unions now want him to make good on his promise and viewed the tire tariffs as a crucial step.

"Neither the companies nor the union will tolerate being obliterated without asking our government to investigate and enforce the rules of fair trade," said Leo Gerard, president of the Steelworkers union.

Vote: Will the G-20 have meaningful economic impact? The Steelworkers represent about 6,000 hourly workers at paper mills in nine states operated by the three companies that joined in the complaint. The filings claim that imports of coated paper grew nearly 40% in the first six months of 2009 -- to 185,422 tons -- compared with the same period last year; shipments by domestic producers, at the same time, were estimated to have fallen by about 38%.

China and Indonesia are thought to account for nearly 30% of the U.S. market for coated paper in the first half of 2009, nearly double their share from the first half of 2008. Total U.S. sales for coated paper in 2008 were estimated at \$1.8 billion.

This isn't the first time the U.S. has wrangled with China over coated paper. In 2007, the Commerce Department slapped temporary tariffs on coated paper from China, Indonesia and South Korea, after U.S. producers made similar claims. The decision was later reversed by the International Trade Commission.

Mark Suwyn, executive chairman of NewPage Corp., one of the paper companies that filed the petitions, said the trade conditions of 2007 have grown more severe. He estimated that three-quarters of coated-paper imports are from China, which has invested in factories capable of producing far more paper than the country can use.

Mr. Suwyn said the rapid growth of Chinese paper imports -- estimated at \$269 million in 2008 -- showed that paper was being dumped. "It's a commodity business," he said, "so the only way they could grow that big is by coming in with predatory pricing."

The other paper companies involved in the case are Appleton Coated LLC of Kimberly, Wis., and Sappi Fine Paper North America, the U.S. arm of South Africa's Sappi Ltd. A Commerce Department spokesman said the agency has 20 days to determine if the petitions meet the statutory requirements to begin an investigation.

The U.S. companies allege China is unfairly granting subsidies to its domestic paper producers in the form of low-interest loans, tax subsidies and grants. Similarly, they allege that Indonesian paper companies are benefiting from government loans, as well as timber from government-owned land that is sold at below-market prices.

—Kersten Zhang contributed to this article.

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Corrections & Amplifications:

Appleton Coated LLC is one of three firms that has filed an antidumping case against China and Indonesia. A previous version of this article incorrectly spelled the company's name Appelton.