

Punitive tariffs are added to U.S. goods

WTO action comes after U.S. Senate fails to remove steel levies

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WASHINGTON -- The World Trade Organization imposed penalties Friday on U.S. exports as diverse as apples and textiles, escalating a trade dispute the Bush administration has struggled to defuse by unsuccessfully urging Congress to repeal legislation aimed at protecting American steelmakers.

The administration signaled it would accept the penalties short term but also warned that the United States would aggressively protect its own trading interests and expects fair treatment from the WTO.

"We've worked hard to comply with the WTO," President Bush said, speaking to reporters in Crawford. "It's important that all nations comply with WTO rulings."

Bush said he has worked with Congress "to get in compliance," and "we expect the WTO as well to treat our trading partners as they treat us."

In Geneva, the 148-nation WTO, which referees global commerce, approved punitive taxes long sought by the European Union and other countries because of a law they say unfairly protects U.S. steel companies and other industries.

EU trade chief Peter Mandelson said the sanctions could be applied early next year.

The 2000 law, known as the Byrd amendment for its backer, Sen. Robert Byrd, D-W.Va., lets the U.S. government fine foreign companies that it judges to be selling goods in America at below-market prices. The revenue is paid to U.S. companies to help them better compete.

Two years ago, the WTO ruled the law was illegal, arguing that it punishes exporters to the United States twice: First they are fined, then those fines are given to their competitors.

The value of the sanctions hasn't been determined, but trade officials estimated them at more than \$150 million a year. That compares with the \$2 billion in sanctions the EU threatened in its successful bid to force the United States to lift illegal tariffs on foreign steel last year.

The EU was joined in the complaint by Brazil, Canada, Mexico, South Korea, Japan, India and Chile.

Other products on the strategic target list include U.S. cod, glassware, cigarettes, mobile

homes and heavy machinery made by companies such as Caterpillar Inc., based in Illinois -- the home state of House Speaker Dennis Hastert.

American officials said Friday that the United States would comply with the WTO ruling and work toward compliance. But strong Senate support for the Byrd amendment makes changes unlikely.

Senate Finance Committee Chairman Charles Grassley, R-Iowa, said he was disappointed but not surprised by the ruling. He criticized how the law was implemented -- inserted in an appropriations bill instead of going through the authorizing committee. "The fact that we are now subject to sanctions only underscores the need for quick congressional action," said Grassley, whose committee oversees international trade issues. "I intend to consult closely with my colleagues in determining the next steps."

WTO members expressed skepticism about the compliance promises.

"The United States cannot point to any progress for the repeal of the Byrd amendment," even though it has "received ample time to bring itself into compliance," said Canada trade official Rambod Behboodi.

EU trade official Raimund Raith said Brussels wants the Bush administration to "transmit this message to Congress" and defend "U.S. credibility in the WTO."