

WTO rules against US duties on Mexican steel imports

The Canadian Press
December 20, 2007

GENEVA - The United States broke some trade rules in how it taxes Mexican steel imports, the World Trade Organization said Thursday in ruling that both sides claimed as a victory, but which both nations may appeal.

The WTO found in a 45-page report that the U.S. Department of Commerce imposed excessive dumping fees on steel from Mexico. But it upheld a complicated U.S. method for calculating the tax, provided it is done fairly, in contrast to previous WTO decisions.

The three-member WTO panel told the United States to bring the steel duties into "conformity with its obligations under the WTO agreement."

Dumping occurs when foreign producers export products at prices below cost - usually because the exports have been subsidized or in an attempt to corner the market. In certain circumstances, trade rules allow governments to impose additional duties on dumped goods to protect domestic producers.

But the WTO has consistently ruled against the U.S. - in disputes with the 27-country European Union, Canada, Japan and others - for how it determines what antidumping fees to apply, known in trade jargon as "zeroing." Panels have consistently found that zeroing leads to artificial and inflated margins of dumping, and thus higher duties.

The decision Thursday on "stainless steel sheet and strip in coils" deviated from previous panel rulings in finding that a U.S. method for is not "as such" inconsistent with WTO rules. It also upheld the U.S. Department of Commerce's dumping calculations in five reviews of Mexican stainless steel products.

"This is further proof of what the United States has been saying all along - that WTO rules do not prohibit zeroing and that WTO appellate body reports to the contrary have overreached," U.S. Trade Representative Susan Schwab said in a statement.

Those findings, however, would likely be overturned by the WTO's appeal body.

"This is obviously food for an appeal, but we will have to make a complete analysis," said Carlos Vejar, an official at Mexico's mission to the WTO. Nevertheless, he said the decision was a victory for Mexico. "It confirms that zeroing is prohibited in antidumping investigations."

The panel ruling came out just two days after the Geneva-based commerce body ruled that Washington failed to scrap a series of illegal subsidies paid to U.S. cotton growers - a

major victory for Brazil and the West African countries claiming to have been harmed by the American payments.

On Monday, the WTO opened a broader investigation into whether the U.S. farm policy was violating international trade rules limiting the subsidies available to American farmers, following complaints from Brazil and Canada.

There has also been an internal debate in the U.S. over antidumping levies on steel, with U.S. automakers and the steel industry squaring off last year at the U.S. International Trade Commission.

Car manufacturers - including General Motors Corp., (NYSE:GM) Toyota Motor Corp., Ford Motor Co. (NYSE:F), DaimlerChrysler AG, Honda Motor Co. and Nissan Motor Co. - argued that consolidation among steelmakers has made the steel industry profitable and the duties have kept prices unfairly high. They said they lost US\$3 billion in additional costs since 2004.

But the U.S. steel industry fought successfully to maintain the tariffs on imports on a number of countries, saying that imported steel would flood the domestic market if the duties expired and threaten the jobs of steelworkers.