

# USTR NEWS

## UNITED STATES TRADE REPRESENTATIVE

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### **Obama Administration Challenges China's Export Subsidies To Auto and Auto Parts Manufacturers in China**

**Washington, DC** –United States Trade Representative Ron Kirk announced today that the United States has requested dispute settlement consultations with the Government of China at the World Trade Organization (WTO) concerning China's auto and auto parts "export base" subsidy program. Under the program, China provides extensive subsidies to auto and auto parts producers located in designated regions, known as "export bases," that meet export performance requirements. China's program appears to provide export subsidies that are prohibited under WTO rules because they severely distort trade. The subsidies provide an unfair advantage to auto and auto parts manufacturers located in China, which are in competition with producers located in the United States and other countries. Based on publicly available documents, "export bases" made at least \$1 billion in subsidies available to auto and auto-parts exporters in China during the years 2009 through 2011.

**"The Obama Administration is committed to protecting the rights of nearly 800,000 American workers in our \$350 billion auto and auto parts manufacturing sector. We insist upon having a level playing field on which our world-class manufacturers can compete. Today we are continuing to make it clear to our trading partners that we will fight to support each job here at home that this sector supports,"** said Ambassador Kirk. **"Export subsidies are prohibited under WTO rules because they are unfair and severely distort international trade. China expressly agreed to eliminate all export subsidies when it joined the WTO in 2001. China benefits from international trade rules and must in turn live up to its international obligations."**

**"The export subsidy program that we are challenging today is implemented through dozens of Chinese legal instruments,"** said Ambassador Kirk. **"We are in a position to address this trade problem because the Administration's newly created Interagency Trade Enforcement Center (ITEC) has provided crucial investigative and analytical resources to this effort. This is one example of how ITEC, relying on a whole-of-government approach, is expanding and accelerating the United States' trade-**

## **enforcement capabilities and activities.”**

This is the latest in a series of enforcement actions the Administration has taken to ensure that China complies with its WTO commitments. In 2010, the United States [challenged China's local-content subsidies to its wind power equipment manufacturers](#), resulting in China's revocation of the subsidy program. In three separate WTO disputes initiated between 2009 and 2011, the United States is challenging [unfairly imposed duties China places on U.S. automobiles](#); [U.S. steel products](#); and [U.S. poultry products](#). Earlier this year, the United States [successfully concluded a challenge to China's export restraints on key industrial raw materials](#) and, in March, [launched a dispute against China's export restraints on "rare earths,"](#) a class of raw materials used in high-tech and clean-energy products.

In July, the United States prevailed in its [challenge against China's market access restrictions on U.S. providers of electronic payment](#) (e.g., credit and debit card) services. The request for consultations also includes transparency-related claims addressing China's failure to notify the subsidies at issue to the WTO.

Separately, the United States today requested that the WTO establish a dispute settlement panel to address China's imposition of antidumping and countervailing duties on more than \$3 billion in exports of American-produced automobiles. The United States and China tried to resolve the matter following the U.S. request for formal dispute settlement consultations in June, but the consultations did not succeed. Therefore, the United States is taking the next step in the WTO dispute settlement process. This action underscores yet again the Administration's commitment to enforcing U.S. rights at the WTO on behalf of U.S. auto workers and their families.

### **Background:**

China has designated certain municipalities to be auto and auto parts "export bases" through which it provides funds and support to auto and auto parts manufacturers in the on the basis of their export performance. China requires that these "export bases" encompass auto and auto parts manufacturers who have demonstrated strength in the production and exportation of auto and auto parts and sets continued export performance requirements to maintain their "export base" status.

The auto and auto parts "export bases" use central and local government funds to provide a variety of export-contingent subsidies to auto and auto parts exporters such as grants, tax preferences and interest rate subsidies, in apparent violation of Article 3.1(a) of the WTO Agreement on Subsidies and Countervailing Measures. Based on publicly available documents, "export bases" made at least \$1 billion in subsidies available to auto and auto-parts exporters in China during the years 2009 through 2011.

Consultations are the first step in the WTO dispute settlement process. Under WTO rules, if

the matter is not resolved through consultations within 60 days, the United States may request the establishment of a WTO dispute settlement panel.

See a copy of the consultation request letter [here](#).

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