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## China fumes over new US tariffs

By China Correspondent, Tracy Quek

BEIJING - TRADE tensions between China and the United States increased dramatically yesterday, as Beijing denounced Washington's decision to impose tariffs on imports of made-in-China glossy paper.

China immediately demanded that the US reverse its 'unacceptable' action. The response suggests that tensions between the two could rise further, especially if Beijing retaliates or Washington follows through with tariffs on other exports from China.

In a statement, China's Commerce Ministry spokesman Wang Xinpei said Beijing was 'strongly dissatisfied' with the US move, and 'reserved all rights to safeguard China's legitimate rights'.

He added: 'This action of the US side goes against the consensus reached by the leaders of both countries to resolve disputes through dialogue.'

'China strongly demands that the US reconsider the decision and make prompt changes.'

The demand came a day after Washington said it would levy preliminary duties ranging from 10.9 to 20.4 per cent on Chinese glossy paper exports to compensate for alleged improper Chinese government subsidies.

The tariffs will take effect this week and become final after a review is completed later this year.

The decision, announced by US Commerce Secretary Carlos Gutierrez on Friday, reverses a 23-year-old US policy of not applying duties to subsidised goods from so-called non-market economies such as China.

Washington's action comes at a time when President George W. Bush is facing increasing pressure from a Democrat-controlled Congress to fix a soaring trade deficit with China, which rose to US\$200 billion (\$300 billion) last year.

The move also signals a tougher stance towards solving trade issues with China.

The 'softer approach' used by politicians such as Treasury Secretary Henry Paulson to get through to Beijing on a number of issues, including piracy and the value of the yuan, failed to bring about obvious results.

Washington's decision is being watched by US companies in many other businesses, from steel to furniture, which are struggling to compete with cheap Chinese imports which have flooded the US market in recent years.

The US has accused Beijing of handing out government grants, tax incentives, debt forgiveness and other unfair subsidies which benefit Chinese paper businesses and fuel exports, to the detriment of American companies.

China's exports of coated paper more than doubled last year to US\$224 million from their 2005 level, said

the official Xinhua news agency.

The move, said Mr Gutierrez on Friday, showed that the US was 'demonstrating its continued commitment to levelling the playing field for American manufacturers, workers and farmers'.

He added that the decision did 'not signal any economic retreat from engagement with China'.

'Rather it speaks of the growing strength of our commercial relationship and the fact that as economic partners, we must be, above all, fair.'

Beijing, however, is unlikely to see it that way.

Washington has also lodged complaints of unfair trade practices at the World Trade Organisation against China.

It alleged that Beijing was offering improper subsidies in steel, paper, semiconductor and other sectors to make its firms more competitive in world markets.

**tracyq@sph.com.sg**