

Obama takes parting shot at China with WTO aluminium case

US is challenging Beijing's financing of its industries with low-cost loans

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US President Barack Obama has **fired a parting shot at Beijing** with his administration launching a challenge to one of the competitive pillars of the Chinese economy just a week before leaving office.

On Thursday, the **US launched a new case at the World Trade Organisation that is nominally targeted at the Chinese aluminium industry**. The US and others have accused China of flooding world markets with **underpriced aluminium**, steel and other products in recent years. But according to US officials, the latest case, filed just a week before Mr Obama leaves office, is aimed squarely at challenging how Beijing's financial sector subsidises China's industry via artificially cheap financing. "We're taking action to protect the workers — at home and around the world — who are hurt every day by these policies," Mr Obama said. "China gives its aluminium industry an unfair advantage through **underpriced loans** and other illegal government subsidies. These kinds of policies have disadvantaged American manufacturers and contributed to the global glut in aluminium, steel, and other sectors." The move highlights how trade tensions between the US and China have been growing even before Donald Trump takes office in Washington.

It is also a gift to Mr Trump. The incoming president has appointed a band of hawks to deliver on his campaign vow to crack down on China, which he said on Wednesday had "taken total advantage of us economically". Should the US win the latest case Mr Trump would be the one claiming victory.

Mr Obama's administration has taken a more measured public approach towards economic diplomacy with China. But it has also rolled out a steady stream of trade cases against Beijing. **Thursday's case is the 16th filed by the outgoing president against China at**

the WTO. The US has also mounted a steady stream of anti-dumping cases against Chinese steel and other products. “Our record of tough enforcement with China speaks for itself: When China cheats, we’ve been right there,” said Mike Froman, the US trade representative. US officials have grown frustrated with China’s slow delivery of **promised economic reforms and increasingly sceptical about the prospect for future reforms. That frustration has also been behind US resistance to granting China “market economy” status within the WTO,** something Beijing claims should have been awarded automatically last month with the 15th anniversary of it joining the global trade body. The latest case is aimed at one particular area of US frustration — what the US sees as China’s overproduction of aluminium and its damaging impact on US industry. The US and EU have been working hard to get China to address its overcapacity of steel, aluminium and other products. But the US has grown frustrated with China’s slow progress in delivering on promises to reduce that capacity.

The US claims that through artificially cheap loans China illegally subsidised its aluminium industry and caused an expansion of Chinese production and market share as well as a slump in global prices in recent years. Besides low-cost loans China also provides low-priced coal, electricity, and alumina to its producers, the US says. According to the US, between 2007 and 2015 Chinese primary aluminium production increased by more than 150 per cent while its capacity more than tripled even as prices fell by almost 50 per cent. “China’s subsidies have done enormous damage to the US and global aluminium industries,” said Michael Bless, CEO of Century Aluminum, which operates three of the five remaining aluminium smelters in the US. There were 14 in 2011. US aluminium output fell by almost 40 per cent between 2007 and 2015 and capacity almost halved during that period even as US consumption of the metal increased.