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# U.S. Won't Grant China Market Economy Status, Senior Administration Official Says

*Americans say China's failure to allow market-driven economy  
Have fueled trade tensions*



By Ian Talley

WASHINGTON—The Obama administration has decided it won't grant China the official market-economy status Beijing thinks it deserves, a move sure to raise tension, as China pushes the U.S. and other countries to ratchet down import tariffs.

**China contends Washington and other members of the World Trade Organization should grant it market-economy status on Sunday, the 15th-anniversary of its WTO accession, under the terms of its joining the group.**

But the Obama administration disagrees. “The U.S. is not changing China’s status as a non-market-economy,” a senior U.S. administration official said in an interview. “China’s protocol of accession to the WTO doesn’t require the U.S. or any other WTO member to automatically grant China market-economy status after December 11 2016.”

**Market-economy status can dramatically lower tariffs WTO members can apply in cases charging another country with violating trade terms.**

The incoming Donald Trump White House isn’t likely to reverse the Obama administration’s decision, given the president-elect and his transition team have said they plan to place higher tariffs on Chinese imports, blaming Beijing for many of the American economy’s ailments.

Mr. Trump, at a rally in Iowa on Thursday, said: “China is not a market economy.” He cited alleged dumping of artificially low-price goods on the U.S. market and theft of intellectual property by Chinese companies. “They haven’t played by the rules, and they know it’s time that they’re going to start,” he said.

**Meanwhile, the Obama administration says China must formally file a case challenging U.S. treatment, something Beijing has yet to do.**

Even though the senior Obama administration official said the U.S. would have to decide on the merits of a challenge, the person signaled Washington wouldn’t likely change its outlook. “If China wants to benefit from treatment as a market-economy country, it must change its own practices to let the market play a decisive role in the economy,” the official said.

Tension between the U.S. and China has been elevated in recent years over a host strategic and economic issues. The Obama administration has filed scores of anti-dumping and counter-valuing duties on Chinese imports, from shrimp to steel to solar cells. “Maintaining China’s status as a nonmarket economy is yet another step in the Obama administration’s vigorous enforcement of trade laws against China and holding China to its WTO commitments,” the senior official said.

But since Mr. Trump has put China in his trade-policy crosshairs, those strains are expected to intensify.

Although China’s leadership has said in recent years that it plans to make its economy more market-driven, U.S. officials and companies complain Beijing has in many cases made things more difficult.

China’s state-owned enterprises are still deeply integrated in nearly every aspect of the country’s economy and international acquisitions. U.S. companies complain government

**subsidies give Chinese firms an unfair advantage. That behavior by the Chinese has led to one of the biggest trade frictions in recent years: China's huge excess steel production capacity that is pushing down prices globally.**

**Officials in Washington are also frustrated about the lack of access for U.S. investment in China. "China's failure to take action and in some ways becoming even less open, has given rise to increased trade frictions and has led to global firms to question their ability to succeed in that market," the official said.**