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China Agrees To Eliminate Trade Subsidies

**By Martin Crutsinger, AP Economics Writer
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WASHINGTON (AP) — The Bush administration announced Thursday that China has agreed to eliminate improper trade subsidies it was using to the detriment of U.S. and other foreign companies.

The deal, announced in Washington by U.S. Trade Representative Susan Schwab, represented a major breakthrough in the tense trade relations between the two countries. It came after lengthy negotiations that started when the administration filed a case against China on the issue in February before the World Trade Organization, the Geneva-based body that oversees the rules of world trade.

Schwab said China had agreed to eliminate WTO-illegal tax breaks that encouraged Chinese companies to export more to the United States and other countries. She said the Chinese had also agreed to scrap tax and tariff penalties that had penalized U.S. and other foreign countries in trying to sell their goods in China.

"This outcome represents a victory for U.S. manufacturers, producers and their workers," Schwab said in a statement. She said it would eliminate a variety of trade subsidies the Chinese government was using to the detriment of a wide range of U.S. products from steel to information technology.

The administration has come under political pressure from Congress to take a tougher stance with China in light of a soaring U.S. trade deficit with that country. The subsidy case is one of four WTO cases the United States has filed against China in the past two years.

Schwab said the negotiated settlement — hammered out by delegations from both countries meeting in Geneva — showed President Bush's trade policies were showing results and would be more successful than the retaliatory tariffs that some in Congress would like to impose on Chinese products.

"This announcement makes clear that the administration's policy of serious dialogue and resolute enforcement is delivering real results," she said. "It clearly shows the wisdom of this approach over some legislative approaches that would simply impose retaliatory tariffs."

The breakthrough in the subsidy case comes less than two weeks before Treasury Secretary Henry Paulson is scheduled to lead a Cabinet-level delegation to China for the third round of the U.S.-China Strategic Economic Dialogue. While Paulson has said those talks offer the best hope of resolving a number of trade disputes with China,

critics in Congress have complained that few results have been achieved through the first year of discussions.