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**ENERGY AND  
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**EU Joins Dispute Over Chinese Wind Power Subsidies**

The European Union (EU) has asked to join the U.S.-China consultations under the auspices of the World Trade Organization (WTO) over alleged Chinese subsidies for wind power manufacturers. The United States claims these subsidies are contingent on the use of Chinese suppliers over foreign suppliers and violate the WTO Agreement on Subsidies and Countervailing Measures. In joining the dispute, the EU cited the “substantive business interests of European Union producers of wind power equipment.” The EU’s participation boosts the credibility of the U.S. claim and broadens the scope of the issue beyond the United States, potentially reducing the perception that the U.S. claim is simply one of many the United States is using to pressure China on its economic practices.

The U.S. request for WTO consultations in December initiated a process that may result in a formal finding that China’s subsidies are inconsistent with WTO policy, which could lead either to the removal of the subsidies or countermeasures against China. The consultation period will last until March 7, 2011, after which a WTO panel may be asked to adjudicate the dispute. If the parties litigate the matter, a final decision concerning the alleged subsidies and possible U.S. countermeasures could take three to five years.

As we reported in our **December 23, 2010 bulletin**, the U.S. consultation request followed a United Steelworkers petition under Section 301 of the Trade Act of 1974, which led the Office of the United States Trade Representative (USTR) to investigate China’s export restraints on rare earth metals (see our **October 20, 2010 bulletin** for details). USTR reports it is not yet taking formal action against Chinese rare earth export restraints but has left the door open to future responses, including a WTO complaint.

**FOR MORE INFORMATION**

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