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MORNINGTRADE

CHINA'S LOSING FIGHT AT THE WTO: China had good reason to pull back a World Trade Organization challenge against the European Union earlier this year. An interim panel report dated March 27 and seen by POLITICO shows that the ruling in a dispute centering around the EU's old anti-dumping methodology and — more importantly China's status as a non-market economy — would not have gone as intended for China.

China claims that per the terms of its accession to the WTO, it should have been recognized as a market-driven economy by the end of 2016. The status would stop the U.S. and EU from being able to inflate anti-dumping duties on Chinese goods due to the fact that China's home-market prices, subject to state-run economic policies and numerous industry subsidies, couldn't be trusted for a fair price comparison.

What the ruling would have said: **The ruling would have argued that in order for China as a whole or any specific industry to be treated as operating under market economy conditions, there first needs to be proof. Each WTO member will be entitled to "determine the normal value of Chinese imports ... when the importing member finds, on the basis of its own positive and objective determination, that market economy conditions do not prevail in the industry under investigation," the interim report said.**

China conceded that part of the ruling, as well as other issues it raised, would have been so detrimental that it suspended the case and asked for the report to not be published, keeping the panel's reasoning locked away. "To have an adopted panel that disagrees on that question would have been a major vexation for the Chinese," a Geneva official told our POLITICO Europe colleague Maxime Schlee.