

Obama trade policy tested in China tire tariffs case

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WASHINGTON — The United States is to hold a public hearing Friday on a proposal to impose stiff duties on tire imports from China in what is seen as a test case for President Barack Obama's trade policy.

The office of the US Trade Representative (USTR) said it would hold the hearing following a June recommendation by the US International Trade Commission for tariffs of up to 55 percent on Chinese passenger and light truck tires.

The commission had acted in favor of a petition led by the United Steelworkers Union, which said a huge increase in Chinese tire imports had forced plant shutdowns and the loss of jobs in six states over the past five years.

The commission, an independent, quasijudicial federal agency with broad investigative responsibilities on trade matters, voted 4-2 on June 18 that an upsurge in Chinese tire imports was causing market disruption in the US tire industry.

Eleven days later, the commission voted to recommend three years of duties on Chinese tires under the Trade Act -- tariffs of 55 percent on the value of the tires in the first year, 45 percent in the second year and 35 percent in the third year.

Under section 421 of the Trade Act, if the commission determines that imports from China cause market disruption to domestic producers, it has to send a report to the president and the US trade representative. The president makes the final remedy decision.

The commission said it submitted its investigation report to Obama and US Trade Representative Ron Kirk last month.

The USTR hearing would be the final event in the investigation before Obama rules on the ITC recommendation.

The USTR will submit its remedy recommendation to Obama by September 2. He is required to make a decision within 15 days after receiving it.

If Obama rejects the tariff proposal, he will disappoint unions and some leaders in his Democratic Party. And if he embraces the plan, he will anger China with one of the first major trade disputes between the two powers in the Obama presidency.

Beijing could retaliate against US exports at a time when the world's largest economy is reeling from prolonged recession.

In addition, the American Coalition for Free Trade in Tires, which represents the tire distribution and retail sectors, said thousands of American jobs would be at risk if Obama accepts the tariff recommendation.

It cited an expert study showing the American economy would shed 25,000 jobs, mostly in the tire distribution and retail sectors.

"For every job 'saved' by this protection, up to 25 jobs will be lost," lamented Dennis King, chairman of the coalition. "This is due to the fact that the tariffs recommended by the ITC will cost US consumers an additional 600 to 700 million dollars per year for tires."

The hearing comes amid Congressional wrangling over funding for a wildly popular "Cash for Clunkers" plan to entice Americans to trade in gas-guzzling cars for more fuel-efficient models.

The House of Representatives has already voted to pump another two billion dollars into the scheme, which has been a rare ray of hope for car makers, including General Motors and Chrysler, which are working through bankruptcy.

Senate Majority leader Harry Reid has said he is confident he has the votes to extend the plan before the Senate adjourns Friday for summer break.

Since taking office in January, Obama has not made any major trade policy decision.

"His honeymoon is about to end, thanks to a request by his union friends to 'safeguard' American jobs from Chinese tire imports," The Wall Street Journal said in a comment Tuesday.

"His looming decision will tell the world if he believes his own rhetoric about the dangers of protectionism in a weak global economy," it said.