

U.S. to Impose Tariff on Chinese Tires

By Jonathan Weisman
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WASHINGTON -- The Obama administration will put steep import duties on Chinese passenger and light truck tires, responding to what the U.S. International Trade Commission determined to be a surge of Chinese tire exports that has rocked the domestic U.S. tire industry and displaced thousands of jobs, U.S. Trade Representative Ron Kirk announced Friday night.

China's government responded quickly to the announcement, saying in a statement that it "strongly opposes" what it called "a serious act of trade protectionism." China "reserves the right to make further response," the Ministry of Commerce statement said.

The U.S. announcement of 35% import tariffs, which would decline to 30% in the second year and 25% in the third, comes at a sensitive time. The heads of state of the 20 largest economies arrive in Pittsburgh in less than two weeks for a summit of the Group of 20, amid rising trade tensions and looming economic disputes. The United States needs China to help float a U.S. deficit expected to reach \$1.56 trillion this year. President Barack Obama is also likely to seek new sanctions against Iran to combat its nuclear program, and China's vote on the United Nations Security Council is pivotal.

But administration officials said the president could not ignore findings that they said were violations of China's obligations under the rules of the World Trade Organization.

"The President decided to remedy the clear disruption to the U.S. tire industry based on the facts and the law in this case," White House spokesman Robert Gibbs said in a statement.

United Steelworkers backed the Obama administration's decision to impose tariffs on Chinese tires. "The President sent the message that we expect others to live by the rules, just as we do," USW International President Leo W. Gerard said in a statement.

Vic Delorio, Executive Vice President at GITI Tire, the largest manufacturer of tires in China, said he was "deeply disappointed" by the decision.

"By taking this unprecedented action, the Obama administration is now at odds with its own public statements about refraining from increasing tariffs above current levels," Mr. Delorio said. "This decision will cost many more American jobs than it will create. It will also increase costs for, and take away choices from, American consumers."

The Chinese government's statement, issued by commerce ministry spokesman Yao Jian on the ministry's Web site, said the U.S. decision "not only violates WTO rules, but also runs against U.S. pledges at the G-20 summits, constitutes an abuse of trade remedy measures, and sets an extremely bad precedent in the current backdrop of a world economy in crisis." China could refer the case to the WTO, the statement said.

With its massive export sector battered by the global recession this year, China's government has repeatedly voiced concern about protectionism. Premier Wen Jiabao called attention to this issue Thursday at a speech to the World Economic Forum in Dalian, China, saying "we must be on guard against, and act to correct, all kinds of hidden protectionist activity." Critics have accused China of itself making protectionist moves, such as the government's rejection earlier this year of a bid by Coca Cola Co. to buy a Chinese juice maker.

Between 2004 and 2008, China's tire production capacity surged by 152% and is projected to jump an additional 16% by 2010. At 235.2 million tires, China's production capacity in 2008 was more than three times greater than its shipments to its home market. U.S. imports of tires from 2004 to 2008 jumped from 14.6 million to 46 million. China's share of the U.S. tire market surged 255% in that time, to 16.7% from 4.7%.

Meanwhile, four U.S. tire plants closed in 2006 and 2007. Three more are planned for closure this year. There were 5,168 fewer workers in the U.S. tire industry in 2008 than there were in 2004.

"When China came in to the WTO, the U.S. negotiated the ability to impose remedies in situations just like this one," Mr. Kirk said. "This Administration is doing what is necessary to enforce trade agreements on behalf of American workers and manufacturers. Enforcing trade laws is key to maintaining an open and free trading system."

Mr. Kirk said U.S. trade negotiators consulted with China and timed the release for the start of the Chinese business day. The first tariffs should take effect in 15 days. The tariffs would come on top of 4% tariffs already levied on all passenger and light-truck tires imported into the U.S. market.

Mr. Obama campaigned for the presidency using tough trade rhetoric and appealing to union workers. He said he would renegotiate the North American Free Trade Agreement to incorporate stricter labor and environmental standards. And he said China must abide by the rules of the WTO or face consequences.

Since Inauguration Day, however, the president has toned down his stand. At the April G20 meeting in London and the July G8 meeting in Italy, he led leaders pledging to resist protectionism as a global recession led to rising worker anger. But administration officials have indicated they were taking a stern look at the ITC's findings of an unfair Chinese export surge in the tire market. Mr. Obama announced last night he was instructing the secretaries of commerce and labor to expedite consideration of additional tire worker assistance under the Trade Adjustment Assistance program, which offers education, retraining and other aid to workers whose lives were disrupted by trade agreements and unfair trade practices.

The case was originally brought by the United Steelworkers. Notably, the tire industry did not join the case -- tacit recognition that it has long ago left the US market for the low-end tires at issue.

President Obama's action stands in contrast to that of his predecessor. President George W. Bush rejected four ITC recommendations for tariffs against China.

Trade lawyers said the decision could invite a raft of similar petitions for temporary protection from Chinese imports. Such so-called safeguards -- meant to give U.S. industry a breather in the event of a

sudden surge of Chinese products -- were negotiated as part of China's accession the World Trade Organization at the beginning of this decade.

U.S. businesses won't be able to seek such safeguards after 2013.

—Peter Fritsch and Jason Dean contributed to this story

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