

White House defends tariffs on Chinese tires

President Obama's decision to add a 35% duty on tires imported from China could open him to charges of protectionism, analysts warn. The White House contends that he is merely enforcing trade laws.

By Don Lee
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Reporting from Washington - A White House official Saturday defended President Obama's decision to levy steep tariffs on tires from China, denying that it was an act of trade protectionism, as Chinese officials charged, or was intended to make a statement about the administration's broader strategy on trade policy.

"This is certainly not an action directed against globalization," said the official, who requested anonymity when discussing White House thinking, a day after Obama moved to add a 35% duty on automobile and light-truck tires. The tariff would take effect Sept. 26.

"The president is very committed to open and free trade," the official added. "Part of that is being committed to enforcing trade laws and trade agreements."

Some analysts, however, said that Obama's move would take him down a road fraught with risks -- opening him to criticisms of protectionism ahead of an important global economic summit in Pittsburgh next week, as well as subjecting him to demands from labor unions or U.S. manufacturers for other tariffs on Chinese products.

"I think Obama has put himself into what will prove to be a very uncomfortable position," said Nicholas Lardy, a China specialist at the Peterson Institute for International Economics, a Washington think tank. He said the decision certainly would not help bilateral relations, and could make it tougher for the U.S. to win concessions from China in future trade negotiations.

Analysts also argued that the Chinese tire duties, which would drop to 30% in the second year and 25% in the third, would in the end do little to help American workers because companies would shift outsourcing from China to other countries with cheap labor costs. Major American tire companies, which produce in China as well as the U.S., did not support the tariffs.

Obama made his decision after the U.S. International Trade Commission, a federal agency, recommended a 55% tariff. The appeal to tax the Chinese goods was brought by the United Steelworkers union, and Obama's decision was seen by some as a political move to fulfill his campaign trade promises and to maintain the support of organized labor as he pursues a healthcare

overhaul and tackles other domestic issues.

In signing the tariffs, the president for the first time invoked a special "safeguard" measure that allows the U.S. to apply duties on goods from China that cause "market disruption." President George W. Bush had rejected International Trade Commission recommendations for safeguard action in all four cases that crossed his desk.

China immediately criticized the tariff, contending that it violated World Trade Organization rules. However, Beijing agreed to the safeguard measure as part of its ascension to the WTO in 2001, and analysts said there was nothing illegal about the U.S. imposing the extra duties on tires.

At the same time, Lardy and trade specialists said the threshold for applying safeguard tariffs was low in that a mere surge of imports could be deemed as market disruption, as opposed to a tougher test of market injury.

In the Chinese tire case, about 4,000 to 5,000 tire production jobs in the U.S. have been lost since 2004, according to estimates from United Steelworkers and a trade publication. That manufacturing sector currently employs about 33,000 workers.

By law, Obama had until Sept. 17 to make a decision after the ITC recommended action.

The White House announced it late Friday night, just less than two weeks before the economic summit of the Group of 20 developed and major emerging countries, including China, begins in Pittsburgh. At the G-20 summit this spring in London, Obama and the other leaders pledged to avoid protectionism.

"He's going to be host of the next G-20 and . . . will have to justify what he did," said Daniel Ikenson, associate director at the Cato Institute's Center for Trade Policy Studies. "And that's problematic."

The Obama administration said the president's decision on Chinese tires was not inconsistent with his commitment to resist protectionism.

"We don't view enforcing trade laws as protectionism," the White House official said. He added that the U.S. economy, by the World Bank's measures, was one of the most open in the world. "We don't have to be defensive going into Pittsburgh," he said.

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