Union Dismisses Tire Producers' Opposition to Section 421 Tariffs

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A United Steelworkers (USW) spokesman said Aug. 25 that recent statements made by Cooper Tire & Rubber Co. and Toyo Tire opposing a recommended tariff remedy in a Section 421 safeguard case on tire imports from China “are exactly why Congress ensured that workers—in addition to management—would have a right to petition for safeguard actions like the USW has done in this case.”

USW spokesman Gary Hubbard noted that both Cooper and Toyo manufacture and import tires from China.

The USW is the petitioner in a case filed under Section 421 of the 1974 Trade Act targeting surging tire imports from China, which the union is blaming for the loss of some 5,000 U.S. jobs. The ITC—which found market disruption under the statute (116 DER A-11, 6/19/09)—recommended imposing additional duties of 55 percent in the first year, 45 percent in the second year, and 35 percent in the third year of relief on imports of passenger vehicle and light truck tires from China (123 DER A-13, 6/30/09).

Unlike other trade laws, the safeguard is designed to temporarily protect U.S. industries from import competition without any allegation that the imports are unfairly traded.

Cooper Tire & Rubber Co. said in an Aug. 20 filing with the interagency Trade Policy Staff Committee (TPSC) that the ITC's proposed tariff remedy is “not reasonable or rational.” Cooper Tire has production plants in Findlay, Ohio, and Texarkana, Ark., where the workers are under union contract. It also has non-union plants—one of which will be discontinued by year-end 2009. Cooper Tire also imports tires from China at plants in which it has investments.

“The tires produced in China are made at a lower cost and allow Cooper Tire to even out its overall production costs, compete for sales in the United States, and meet its customer demands” the firm wrote.

Zero Quota

Toyo Tire Holdings of Americas Inc., a producer of tires in the United States that also imports tires from a joint venture in China as well as its facilities in Japan, has also come out against the proposed tariffs. Toyo—a Japanese firm with a plant in Atlanta—said in an Aug. 20 submission that the proposed remedy would prevent it from importing any tires from China during the three years of relief. “The ITC's proposed remedy would be, in effect, a zero quota,” Toyo said.

The interagency TPSC will make its recommendation to President Obama by Sept. 2 on whether to accept the ITC proposal or another remedy, or not to apply import relief at all.

Obama is not bound by either the ITC or TPSC recommendations and may fashion his own remedy or refuse to apply import relief if he determines that it is not in the U.S. security or economic interest. Obama's decision in the case is due Sept. 17—just ahead of a Group of 20 leaders' meeting in Pittsburgh to be attended by Chinese President Hu Jintao and other global leaders.

“Such a high tariff would prohibit Cooper Tire from importing any tires from the People's Republic of China. The added costs of the duties would make any such imports economically unfeasible,” Cooper said in its submission.

Cooper Tire is the fourth largest tire manufacturer in North America, and the ninth largest globally.

“Cooper Tire would be particularly burdened by any remedy that places restraints on the import of tires from China,” the submission said.

Interests in China?

Hubbard said that the firms are so tied to their interests in China that they are blinded to the merits of the ITC proposal. The recommended relief is vital to workers in American tire plants and to the communities that depend on those plants as well as to domestic companies—from wire rod makers to fabric producers—that supply the U.S. tire industry, he said.

According to Hubbard, Cooper has stated that it is required to export all of the tires it produces at its joint venture in China as a condition of its license to operate there. He said that the requirement was a blatant World Trade Organization violation. “[B]ut Cooper signed on the dotted line so it could get a foothold in the Chinese market. Cooper admits it felt forced to move production to China to compete with other companies already doing the same,” he said.

“In the USW, we have a name for this process: the race to the bottom. We filed this case to put the brakes on that race to the bottom so our domestic industry would have the chance to regroup, recover, and invest in its future,” he added.

The case is being closely watched by industry observers as a signal of the stance the new administration will take on the China-specific safeguard. Former President George W. Bush declined relief in all Section 421 cases he considered even where the ITC had recommended a remedy.

Section 421 was added to the Trade Act of 1974 by the U.S.-China Relations Act of 2000 in conjunction with China joining the World Trade Organization in December 2001.