

Chinese Tire Makers, U.S. Steelworkers Make Cases Ahead of USTR Public Hearing

By Amy Tsui

Daily Report for Executives

August 2009

Ahead of an Office of U.S. Trade Representative public hearing on the Section 421 safeguard case against Chinese tire imports at the end of this week, in separate Aug. 5 meetings, nine representatives of the Chinese tire industry said that Chinese tires were fairly traded while the United Steelworkers said surges of Chinese tire imports were decimating the U.S. tire industry.

The USTR public hearing will take place Aug. 7 in Washington. USTR will make a recommendation to President Obama on whether or not to apply safeguard duties against Chinese tires around Sept. 2, but Obama is not bound by the recommendation and is expected to issue his decision on whether to apply duties by Sept. 17.

The Chinese tire representatives said that they wanted to make their voices heard both at the USTR hearing on Aug. 7, as well as in Congress and the executive branch. The Chinese tire manufacturers are meeting with the Commerce Department, State Department, the Labor Department, the USTR, and Treasury Department, according to David Spooner of Squires, Sanders & Dempsey, Washington. Spooner is representing the Chinese tire producers in the Section 421 safeguard case collectively.

The case is the first Section 421 case to be considered by the Obama administration and is being viewed as a test case for the administration's stance on the China-specific statute. A lack of remedy in the case would eliminate the U.S. tire industry, an important part of the U.S. economy, Gerard said. The Bush administration had rejected all the Section 421 safeguard cases, citing national security concerns.

The International Trade Commission—in a finding under Section 421 of the 1974 Trade Act—in June recommended the United States impose additional duties on Chinese tire imports that it found to be causing a market disruption, in response to a petition by the United Steelworkers (USW) petition (123 DER A-13, 6/30/09; 116 DER A-11, 6/19/09)

The ITC recommended additional duties of 55 percent in the first year, 45 percent in the second year, and 35 percent in the third year of relief.

Chinese Tires Fairly Traded

“Please make no mistake about it—Chinese tires are fairly traded, the Steelworker Union's petition makes absolutely no claim of unfair trade,” Xu Wenying, deputy secretary director general of the Chinese rubber industry association, said. She said that bringing a safeguard action against Chinese imports would be protectionist in the face of a downward trend of Chinese tire imports, even if it might be legally compliant under the World Trade Organization.

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.

Xu also said that Chinese tire makers are more interested in serving the growing Chinese market, and argued that Chinese tires do not compete with the higher end U.S. tire manufacturers because the lower priced Chinese tires go to the replacement market rather than new car market.

She emphasized that no U.S. tire manufacturer was part of the petition against Chinese tire imports, and said that U.S. tire companies had a global strategy of serving the higher end tire market and wanted to exit the lower end of the market.

Xu said about 20 Chinese tire companies were involved in this case, with about 100,000 Chinese employees' jobs at risk if China is shut out of the U.S. tire market. The Chinese representatives also said that U.S. jobs in the distribution area and those U.S. businesses that provide raw materials to the Chinese tire industry could lose jobs.

Tire Imports Up 20 Percent

USW President Leo Gerard said the union was simply asking the U.S. government to enforce existing trade laws and rules that China agreed to when it joined the World Trade Organization. Gerard said that tire imports from China had risen 20 percent since the case was filed, but that China had to live within the agreement it signed.

“For China to now complain that enforcing a [Section] 421 to save one of our basic industries from being demolished is unfair or discriminatory to China is simply outrageous and we reject it on its face,” Gerard said.

Gerard, in response to a question as to why the U.S. tire industry had not brought the case, said that USW had every right to bring the case, and that the tire industry was more willing to provide the information that the USW had not been able to generate on its own.

USW International Vice President Tom Conway said that U.S. tire manufacturers sell to all levels of the market and clearly competed with each other on all levels. Conway said that 20 percent of what was sold by U.S. manufacturers was in the lower end of the market.

Conway said that imposing the Section 421 safeguard tariff would not significantly affect U.S. consumers, while saving U.S. jobs and allowing the U.S. tire industry to retool to compete with the low-cost Chinese tire producers.