

# As Cheaper Chinese Tires Roll In, Obama Faces an Early Trade Test

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ALBANY, Ga. -- At the vast Cooper Tire plant here, workers heard for years about their rivals in Chinese factories. In meetings, managers urged employees to run production lines faster and more efficiently to help the company keep up. Overseas laborers were toiling for as little as 20 cents an hour, they were told, and working harder.

Even more ominously, while browsing the aisles of Kmart and Wal-Mart, Cooper employees could see that, sure enough, the Chinese tires were cheapest.

"They would have these meetings and say we're up against the Chinese," said Larry Burkes, 29, who worked at the plant, which rises on the city's outskirts just beyond a mobile-home park. "We'd hear it all the time: 'They work for less.' There was pressure."

Now the plant that employed 2,100 people in this small south Georgia city is being shut down, and the troubles afflicting the U.S. tire industry are at the core of what many consider to be one of President Obama's first major decisions on trade policy.

By Sept. 17, Obama must decide whether to slap a 55 percent tariff on tires imported from China, as recommended by a federal trade panel, or leave the matter alone, as a phalanx of lobbyists representing manufacturers in China and U.S. companies that import from them are urging.

From 2004 to last year, the number of Chinese tires imported to the United States more than tripled, and their share of the U.S. market rose from 5 percent to 17 percent. Over the same period, the share of the U.S. market served by U.S. factories declined by a similar amount. More than 5,000 U.S. jobs were lost.

Opponents of the tariff say the U.S. industry's shrinkage is unrelated to the surge in Chinese imports. The U.S. manufacturers, they say, have strategically moved into pricier, more profitable tires, shifting production of cheaper tires overseas.

"We hope the U.S. government will refrain from taking action, for the long-term healthy and stable development of U.S.-Chinese relations," a Chinese deputy commerce minister, Fu Ziyang, said at a news conference last month. "The case is neither supported by facts nor does it have valid legal grounds."

The ballooning trade imbalance with China has provoked complaints that the relationship is crushing U.S. manufacturers. Critics of the relationship say China manipulates its currency and employs other protectionist policies that make it difficult for U.S. factories to compete.

Congress passed legislation in 2000 that allows the United States to impose tariffs and other protections if a surge in Chinese imports damages a U.S. industry. China agreed to the provision while negotiating to join the World Trade Organization.

The general "safeguard" provisions of the law have never been invoked, however. The Bush administration was asked four times to impose measures to protect a U.S. industry, but it declined each time.

The proposed tire tariff represents the first such case presented to Obama, and his action will be closely watched and weighed against his campaign promises to "crack down on China" and "work to ensure that China is no longer given a free pass to undermine U.S. workers," as his Web site put it.

There are other political currents at work, as well.

The United Steelworkers union, which represents many of the nation's tire workers and brought the complaint, helped Obama win the presidency. The other side, meanwhile, boasts the aid of several former U.S. trade officials, who are representing the Chinese manufacturers and U.S. companies that import from China.

For the former plant employees here, however, the politics are a distant concern. They were not members of the union. They're trying to find jobs.

Many of them made \$18 to \$21 an hour, and in the Albany area, it's difficult to match that wage -- even in ordinary times. These days, unemployment is just short of 11 percent.

Larry Cannon, 37 and the father of three children, ages 13, 10 and 4, used to specialize in molds at the plant. Now, as he starts classes to become a biomedical technician, his wife has taken a job in the photo department at Wal-Mart.

Joseph Roberts, previously a shift manager in curing and finishing, said he's just beginning to feel the pinch of unemployment. At 49, he said, he feels like "I'm starting all over again."

Byron Botdorf, 59, is taking up welding at Albany Technical College. He'll be 61 when he's retrained for a new job.

"My son got into welding -- it's a good trade," he said. "But here's the thing with this economy: Everything nowadays is made in China. Go to Wal-Mart. It's hard to find anything down there that isn't made in China. The last pair of boots I bought were made in China. I don't like buying China stuff -- but you kind of have to."

Each of the 10 former Cooper employees interviewed expressed support for a tariff, though some wondered whether blocking Chinese tires might simply mean that the cheap imports would just arrive from other countries.

Mark Burns, 43, who used to drive a forklift at the plant, has been through layoffs before. Fifteen years ago, he was briefly laid off from the local cotton mill, Flint River Textiles. That company eventually shut down, citing the cost pressures of Asian imports. He then took the job at Cooper Tire. Laid off again, he now plans to become a welder.

"Welding is not something they could import very easily," he said.

While workers lay some of the blame for the plant closure on Chinese tires, tire companies in the United States that import tires, as well as the manufacturers in China that supply them, argue that on the contrary, those imports make the U.S. companies more efficient and more profitable.

They argue that the ability to import the cheapest tires from overseas enables U.S. manufacturers to focus on producing more expensive tires, which have a larger profit margin. Most major U.S. tire manufacturers have tire plants in China or import from there.

"When you are one of the guys who loses a job in the process, I know that's cold comfort -- but it's also a reality," said Marguerite Trossevin, who represents a coalition of U.S. tire companies that import Chinese tires to sell under their brands.

Even if the tariff goes into effect and essentially bans Chinese tires from the United States, tariff opponents say, companies are unlikely to expand U.S. production because the competition from the world's low-cost countries is too strong.

"You don't keep jobs here by forcing companies into unprofitable lines of business," Trossevin said.

So far, the federal government has looked askance at the claim that the surge of Chinese tire imports is unrelated to the shrinkage in the U.S. industry, however.

In a 4 to 2 decision released in July, the U.S. International Trade Commission, a quasi-judicial federal authority, ruled that the imports had damaged the domestic industry. They recommended the tariff that Obama is now considering.

In announcing the closure of the plant here, Cooper officials cited "intense pressure in recent years from increased lower-priced imports."

Today, 70 percent of the tires that Cooper sells in the United States are also manufactured in this country, a proportion that is larger than for any other major U.S. tire company, a spokesman said.

Yet Cooper's corporate officials oppose the proposed tariff.

It has built one plant and bought another in China in recent years, sometimes sending Albany workers there to help train the Chinese workforce. At one of the plants, the Chinese government stipulated that all of the production must be exported, a requirement that insulates Chinese manufacturers from competition.

The proposed tariff would apply to Cooper Tire products manufactured in China and brought to the United States.

It "could have significant negative impacts causing considerable market disruption" and "negative impacts on U.S. consumers," the company said in a statement. "Cooper Tire & Rubber Company believes in free and fair trade which allows markets to grow and be successful."

Botdorf was surprised to learn that Cooper opposed the tariff but then said the company seems to have shifted its concern away from employees in order to satisfy shareholders.

"Leaving things as they stand might be the right thing for American companies," he said. "But something has to be done for the workers, too. Otherwise we'll become a nation of retailers."