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## Obama's Tire Tariff Draws Beijing's Ire

The 35% tariff on Chinese tires is way under the 55% levy recommended by the International Trade Commission. But Beijing says it will investigate U.S. dumping of cars and chicken in China

By [Steve LeVine](#)

A Chinese government outburst in response to a stiff tariff imposed by the Obama Administration on Chinese-made tires appeared to raise the specter of trade protectionism at a time of a fragile global economic recovery.

In official statements over the weekend, Beijing strongly protested the 35% tariff imposed by President Barack Obama in response to a complaint by the United Steelworkers. Beijing said it would investigate alleged dumping of U.S. automobile parts and chicken products in China and study the possibility of filing an unspecified trade complaint with the World Trade Organization.

Some experts said Beijing was simply conveying its unhappiness with the U.S. decision and that the dispute would blow over. But Eswar Prasad, a professor of trade policy at Cornell University, said he worried that the conflict could "easily ratchet up into a full-blown trade war and inflict serious economic damage on both countries. This could certainly turn ugly quickly," Prasad said.

Obama's decision late on Sept. 12 attempted to juggle at least [two conflicting priorities](#)—keeping Beijing engaged in a time of financial crisis and satisfying U.S. labor to shore up Democratic support for health-care reform, his main domestic priority.

### REPAIR WORK AT THE G20 SUMMIT

The President appeared to succeed in cheering his labor constituency. Democratic leaders and the USW hailed the decision. "Providing relief for beleaguered tire workers was the right thing to do," said Scott Paul, executive director of the Alliance for American Manufacturing, a coalition of the USW and steel companies. "President Obama deserves praise for being true to his word and for deciding a trade case based on facts rather than fears or philosophy. It bodes well for U.S. manufacturing that the Administration recognizes the need to enforce our trade laws."

But China's swift and pointed reaction, just over a week before world leaders, including Chinese President Hu Jintao, travel to Pittsburgh for a Group of 20 Summit, suggests that the U.S. has diplomatic repair work to do in the coming days. At two previous gatherings, G20 leaders vowed to avoid protectionist trade measures, a point raised by Beijing in its response to Obama's move.

In a statement, Chinese Minister of Commerce Chen Deming said the Obama decision "sends the wrong signal to the world. This is a grave act of trade protectionism. Not only does it violate WTO rules, it contravenes commitments the U.S. government made at the G20 financial summit."

The Chinese investigation into alleged U.S. dumping of automobile and poultry products was announced on the Commerce Ministry Web site. The statement cited complaints by Chinese industries of being damaged by "unfair trade practices" by the U.S.

In its trade complaint to the U.S. International Trade Commission, the USW invoked a provision in China's 2001 accession to the World Trade Organization that allows protection from surging imports from the country. The union documented a tripling of Chinese tire imports from 2004 to 2008 that it said threatened thousands of jobs at U.S. tire factories. No U.S. tiremakers backed the complaint, though that was expected since most of them manufacture tires in China and hence do not want to anger Beijing. The ITC ruled in the union's favor. That left Obama to decide whether to accept the decision and if so to what degree. He issued his decision five days before a Sept. 17 deadline and one night after commencing a hard push to get health-care reform approved in Congress.

"A RHETORICAL WARNING?"

In the decision, Obama imposed a three-year tariff on Chinese-made tire imports. In the first year the tariff will be 35%, far below the 55% levy recommended by the ITC. The second year it will be 30% and the final year 25%. The tariffs begin in 15 days.

In a statement, White House spokesman Robert Gibbs said Obama "decided to remedy the clear disruption to the U.S. tire industry based on the facts and the law in this case." Separately, U.S. Trade Representative Ron 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."

In response to the Chinese remarks, USTR spokeswoman Carol Guthrie said: "This action was taken precisely in accordance with the law and our international trade agreements."

Peter Allgeier, former U.S. ambassador to the WTO and now president of C&M International, a trade consulting firm, played down the prospect of retaliation by China. "The Chinese obviously want to send a warning that this should not become a pattern," Allgeier said. "I expect a rhetorical warning, but I can't see them taking any substantive action."

John Veroneau, a former deputy U.S. trade representative and now a partner at law firm Covington & Burling, agreed that the Chinese believed they had to respond vigorously in order not "to give the impression that they would be sanguine about more of these decisions."

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