

US tyre duties spark China clash

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A full-blown trade row erupted between the US and China after Beijing accused Washington of “rampant protectionism” for imposing heavy duties on imported Chinese tyres and [threatened action against imports of US poultry and vehicles](#).

[Trade](#) relations between two of the world’s biggest economies deteriorated after Barack Obama, US president, signed an order late on Friday to impose a new duty of 35 per cent on Chinese tyre imports on top of an existing 4 per cent tariff.

In his first big test on world trade since taking office in January, Mr Obama sided with America’s trade unions, which have complained that a “surge” in imports of Chinese-made tyres had caused 7,000 job losses among US factory workers.

Chen Deming, China’s minister of commerce, condemned the decision, saying that it “sends the wrong signal to the world” at a time when Washington and Beijing should be co-operating to deal with the worst economic and financial crisis in decades.

“This is a grave act of [trade protectionism](#),” Mr Chen said in a statement. “Not only does it violate WTO rules, it contravenes commitments the US government made at the [April] [G20 financial summit](#).”

Beijing said it had requested WTO-sanctioned consultations with the US over Washington’s new duties on tyres. Yao Jian, a commerce ministry spokesman, said the duties were in “violation of WTO rules”.

China said it would now investigate imports of US poultry and vehicles, responding to complaints from domestic companies.

The US earlier warned Beijing against taking retaliatory action. “Retaliation would be inappropriate, as the United States acted entirely within the bounds of trade laws and within the safeguard provision that China itself agreed to upon accession to the World Trade Organisation,” said an official from the Office of the United States Trade Representative.

US officials said they were scrutinising the export of poultry and vehicles, but said any action in retaliation by China could result in a complaint by the US to the WTO.

Key Tokyo rubber futures tumbled more than 9 per cent to a three-week low on Monday, according to Reuters. News of the additional duties on US tyre imports from China combined with sharply lower oil prices and a stronger yen to push Tokyo rubber futures prices below Y200 a kilogramme.

The dispute comes less than a fortnight before Mr Obama is due to host world leaders at a summit of G20 nations in Pittsburgh and ahead of his planned visit to China in November.

The decision to impose extra tyre tariffs followed a petition by the United Steelworkers union, which represents workers at many US tyre factories. Official US figures show an increase in imports by volume from 14.6m tyres in 2004 to 46m in 2008. The US data shows that the value of tyre imports from China increased from \$453.3m in 2004 to \$1.8bn in 2008. Four US plants closed in 2006 and 2007 and three more are likely to be closed this year. US production capacity has fallen by 17.8 per cent in the past four years, according to the official data.

Eswar Prasad, professor of trade economics at Cornell University, warned that the disagreement could escalate. “These protectionist measures, some of which amount to domestic political posturing rather than substantive restraints on trade, could easily ratchet up into a full-blown trade war and inflict serious economic damage on both countries,” he said.

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