

Global Supply Chain News: Furor over Decision to Hit China Hard on Tire Tariffs, as Fears of Renewed Protectionism Rise

Now Looking at Paper, Glass, Steel, Cement, Union President Says after Tire Success

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The Obama administration's decision last week to hit Chinese-made tires imported into the US with tariffs starting at 35% is causing an interesting and ultimately important game of global trade chess on both sides of the Pacific.

The tariff is came in response to complaints from the United Steel Workers Union, which represents workers in many US tire plants, that China was unfairly subsidizing its tire manufacturers, and that those companies as a result were "dumping" tires into the US market, meaning selling them below actual costs.

China has immediately taken several actions in response, with the Ministry of Commerce saying it is being hurt by "unfair trade practices." Having already taken a big hit in export volumes and related manufacturing jobs as a result of the global recession, which has hit US and European imports especially hard, the Chinese government said that as many as 100,000 jobs could be "affected" there as a result of the tariff action.

While the domestic China economy has stayed relatively strong, many believe it has been largely propped up by the government's stimulus spending, which can't last forever. On the export side, volumes there have continued to plummet, down by 23% year on year in both August and July and 21.4% in June.

Of course, US union leaders and many others view the situation differently.

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surge). We suggested ways to reach a negotiated solution and that (failed)," Larry Summers, director of the National Economic Council, said this week.

Moves and Countermoves

China has called for talks with the US at the World Trade Organization over the tire issue, while simultaneously saying it was going to look into complaints by Chinese companies that US firms were selling poultry and auto parts into some China markets at below cost.

Fearing such action, earlier in the month US pork, soybean and other farm-goods exporters urged Obama not to impose the tire tariff, retaliation against US food and agriculture products.

While in a speech Monday President Obama warned pledged to avoid "self-defeating protectionism," some see the tire decision as a potential catalyst for additional such complaints by other US industry sectors – and putting the administration in a tough spot with regards to its strong relations with US labor. Some are saying that the steel and apparel sectors are two that may think about simi-

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lar actions – although the issue is complicated, as the interests of the companies themselves and the labor unions are often not aligned here, as they might have been in the past. That's because many of those companies are themselves importing product from their own or outsources Chinese factories, rather than facing direct Chinese competition.

For example, the Tire Industry Association, which represents American tire retailers, said the decision was ill-advised and would lead to higher prices for consumers. However, the stock prices of US manufacturers such as Goodyear and Cooper Tire have risen since the decision, as investors believe they will have less competition and/or more pricing power.

"We're looking at what's happening in the paper sector, glass, cement, steel. That's our obligation to our members," said **Leo Gerard**, president of the Steelworkers union, according to the Wall Street Journal.

After the US decision, the state-controlled China Daily, an English-language publication, wrote in an editorial that "Given the severe consequences that the irresponsible U.S. move could trigger, such as a chain reaction of trade protectionist measures to



slow the pace of the global recovery, we are calling on the international community to raise the alarm against rising protectionism here and now."

Meanwhile, the US Chamber of Commerce in China offered similar thoughts this week in a statement saying that both countries must avoid "an escalation, of restrictive trade measures that could undermine economic recovery in both nations."