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Move Pleases Labor, Complicates Policy

By [PETER FRITSCH](#)

WASHINGTON -- President Barack Obama's decision to side with the United Steelworkers and impose temporary tariffs on Chinese car tires implies a potentially costly trade-off for the administration, trade and political experts said.

In the near term, the move should consolidate the support of blue-collar workers and union leaders for Mr. Obama's ambitious legislative agenda at a critical moment.

The cost: a potential wave of fresh U.S. industry complaints against Chinese imports that could force more uncomfortable choices on an administration walking a fine line between support for American workers and free trade. In addition, it is expected that U.S. consumers who buy low-end Chinese tires will have to pay more as producers try to fill the void in that part of the market.

The tire case, in which the United Steelworkers union argued that a surge of Chinese tire imports cost American jobs, wasn't supported by tire makers, most of whom also make tires in China and had already abandoned making in the U.S. the low-cost tires in question. The complaint was made under a special section of trade law that doesn't oblige industry to prove unfair trading practices; simply that a surge of Chinese imports has hurt U.S. industry. The tariffs -- a sort of time-out to allow U.S. companies to adjust -- will be in place for three years before expiring.

Mr. Obama's tire announcement, which was made late Friday evening, came just as the administration is about to lean heavily on organized labor to support the administration's health-care proposals.

Mr. Obama will meet with GM workers in Ohio on Tuesday before traveling to Pittsburgh to address union officials at the AFL-CIO's annual convention. AFL-CIO President John Sweeney was swift with praise for the tire decision.

China responded Sunday by saying it would launch antidumping moves against U.S. chicken and auto products.

Grass-roots union mobilization is key to Mr. Obama's health-care strategy, just as it was during his presidential campaign, in which Pennsylvania and Ohio played critical roles late in the contest. Labor's support will also be critical in next fall's midterm elections.

Organized labor had been increasingly frustrated that the president and a Democratic Congress haven't delivered on some of labor's top priorities -- frustration that the tire decision was calculated to address, some say.

"Many observers may conclude was a health-care judgment and not a trade-policy judgment, which in itself is an unfortunate commentary on the priority this administration assigns to trade," said Daniel Price, former assistant to President George W. Bush for international economic affairs and now a partner specializing in trade at law firm Sidley Austin.

A senior White House official played down claims that politics drove the decision, saying Congress had been frustrated with Mr. Bush's reluctance to address a rising tide of Chinese imports with tariff remedies.

"I never heard any linkage between the president's decision in the tire case and union support for health care," the official said. "The president's view is that enforcement of trade agreements and trade laws is part and parcel of maintaining a free and open trading system."

The official said the Chinese were alerted to the decision, which Mr. Obama made Friday afternoon, ahead of the formal announcement that evening.

While Mr. Obama took a strong stand on Chinese tires, he has been silent on pending trade deals with Panama, Colombia and South Korea, and has been largely silent on concrete concessions the U.S. is prepared to make in order to conclude the so-called Doha round of global trade talks.

The administration has been also been mum on Mexico's complaint that the U.S. continues to block Mexican trucks from plying American roads -- something the U.S. committed to under terms of the 1994 North American Free Trade Agreement.

In the Mexican trucking case, as in the Chinese tire case, the administration is feeling heat from its union constituency. Last month, Teamsters President James Hoffa sent a letter to U.S. Trade Representative Ron Kirk, citing concern that the USTR appeared to be open to allowing more Mexican trucks to cross into the U.S. as part of an effort to resolve a trade dispute with Mexico.

From the outset, the Obama administration has sought to make enforcement of existing trade rules a way to distinguish itself from Mr. Bush's trade policies, which critics said went too far in protecting corporate interests. The previous administration rejected all four opportunities it had to put special tariffs on Chinese products.

John Veroneau, who was the USTR's general counsel during those deliberations, said the logic of the trade law involved in the tire case -- which only says that U.S. companies need to show that imports of Chinese products were rising sharply, not that China was doing anything unfair -- led him to conclude that "if we did this once, we'd be doing it a lot since imports of hundreds if not thousands of Chinese products are up."

In theory, the tire decision should spur domestic production and employment in the tire industry. But that isn't likely to happen, tire industry officials say. That was a big reason the industry didn't support the USW complaint.

The other reason: U.S. tire makers now make a lot of their tires in China.

Cooper Tire & Rubber Co., an Ohio-based producer, is one of only two U.S. domestic producers left. Like others, it decided years ago that making low-end tires didn't have much of a future in the U.S.

Cooper has acquired control of Shandong Chengshan Tire, China's third-largest domestic producer and, with a Chinese joint-venture partner, is building a sprawling new factory in that country as well.

Many other U.S. companies in a host of industries are now in the same boat -- producing products in China for export to the U.S. and other countries. When special rules that allow companies to protest surging Chinese imports were adopted nearly a decade ago, China

accounted for about a quarter of the U.S. trade deficit in manufactured products. Today China accounts for about 80% of that deficit.

That may mean that labor will be left to do all the heavy lifting in support of any future complaints. The special China safeguards expire after 2013.

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