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'Tire war' strains US-China relations
 By Eli Clifton

United States President Barack Obama's decision last week to impose tariffs on Chinese tire imports has sparked a war of words with Beijing, which could lead to retaliatory tariffs and a possible World Trade Organization (WTO) investigation into the US's use of emergency tariffs against one of its biggest trading partners.

Late on Friday evening, Obama authorized a 35% emergency tariff on Chinese tire imports in order to curb a "surge" of Chinese tires which, according to US trade unions, have cost 7,000 US factory workers their jobs.

Beijing responded quickly to condemn the US tariffs and threatened its own tariffs against US products.

Chen Deming, China's minister of commerce, condemned the US



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tariffs, saying that it "sends the wrong signal to the world" and, "[n]ot only does it violate WTO rules, it contravenes commitments the US government made at the [April] G20 financial summit".

On Sunday, Beijing took steps to initiate retaliatory tariffs against US [poultry](#) and automobile imports. Chinese and overseas reports also referred variously to chicken products and auto parts. It also suggested that it might ask the WTO to investigate the US use of emergency tariffs.

Obama's decision to come down hard on Chinese imports was defended by [the White House](#) as a reasonable response to offer relief to US tire manufacturers and hold China to the promises they made upon ascension to the WTO in 2001.

"When China came in to the [WTO], the US negotiated the ability to impose remedies in situations just like this one," said US Trade Representative Ron Kirk on Friday. "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](#)."

Indeed the "safeguard" measure to which Kirk was referring was written specifically to permit the US to impose tariffs on Chinese goods if imports are growing rapidly and hurting US manufacturers.

The measure was a condition of China's membership in the WTO and lasts until 2013, but Beijing has suggested it may use the WTO's review and dispute resolution mechanisms to challenge

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Obama's tire tariffs.

Since its ascension to the WTO eight years ago, China has shown both a capability and willingness to use sophisticated legal tactics within the WTO to protect its interests in disputes with trading partners.

Some analysts have expressed concern that the White House's harsh response to growing Chinese tire imports could spark a trade war of retaliatory tariffs and spur a protectionist trend in US trade policy.

"The good news is that we now have clarity about where the president stands on trade. The bad news is that his stance reflects his isolationist primary election campaign rhetoric and not the post-election messages of avoiding protectionism and repairing the damage done to America's international credibility by unilateralist [George W] Bush administration policies," wrote Daniel J Ikenson, associate director of the Center for Trade Studies at the pro-free trade Cato Institute, last week on the Cato website.

"Short of armed hostilities or political subversion, no state action is more provocative than banning another's products from entering your market," he said.

However, other analysts have said that recent history has shown China to err toward measured responses in trade disputes and an increasing tendency to resolve disputes through the WTO.

Obama's support of trade union's and the US tire industry may reflect the Democratic party's close ties to organized labor, a vital ally for any Democratic politician seeking election.

"For far too long, workers across this country have been victimized by bad trade policies and government inaction," said United Steelworkers president Leo W Gerard on Monday. "Today, President Obama made clear that he will enforce America's trade laws and stand [with American](#) workers. The president sent the message that we expect others to live by the rules, just as we do."

Beijing hasn't overlooked the US domestic political dimension in its decision to target poultry farmers and auto manufacturers for retaliatory sanctions. Both [agriculture](#) and [the auto industry](#) are politically sensitive industries in the US, and automobile manufacturers recently underwent a controversial multibillion dollar bailout.

At the root of the situation may be Obama's desire to show the US manufacturing sector that he will stand up to Beijing, enforce existing trade agreements and reduce a trade deficit with China that reached \$268 billion 2008.

For its part, Beijing must deal with increasing Chinese nationalism, which has pressured the government to address US criticism in more aggressive and outspoken ways.

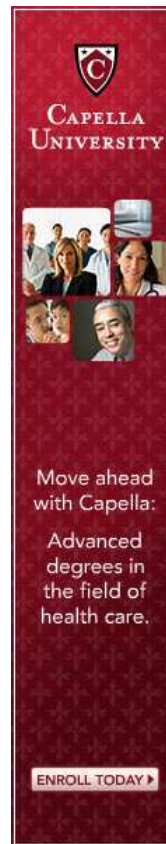
The trade dispute between Beijing and Washington will be hard to overlook at next week's G-20 summit in Pittsburgh, where an ambitious agenda will push member countries to make progress in a disparate array of issues, including North Korea, Iranian nuclear ambitions, [financial market](#) reforms, numerous proposed reforms of the global [financial system](#) and forming a roadmap to conclude the stalled Doha round of trade talks.

Most if not all of the initiatives will require the cooperation of the US and China - the world's first and third largest economies.

"I think it's in China's interests and our interests and the world's interests to avoid protectionism, particularly just as world trade is starting to bounce back from the huge declines that we've seen in [the last year](#)," Obama told CNBC.

He said he understood China's displeasure with the US decision to impose tariffs, "But keep in mind, we have a huge economic relationship with China. We have cultivated a strong strategic relationship with China."

(Inter Press Service)



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