



Empty Retaliation Threats Should Not Influence Tires Remedy Decision

Sept. 14, 2009 - As the President's decision on what import relief to provide in the safeguard case on tires from China approaches, those who oppose relief have claimed that imposing a remedy will lead to damaging retaliation from China. The claim is shameless fear-mongering, and it should play no part in the important decision the President has to make in this case.

Imposing relief in the tires case is fully consistent with the rights and obligations the U.S. and China negotiated at the World Trade Organization (WTO.) When China joined the WTO in 2001, it agreed that other WTO members, including the United States, would have the right for 12 years to impose safeguard relief on goods from China when imports of those goods increased rapidly and caused injury to domestic industries. This right is enshrined in Section 16 of China's Protocol of Accession to the WTO, and is based on the bilateral agreement the U.S. and China negotiated in 1999. It is these provisions that Congress implemented through the creation of Section 421. Providing relief in the tires case is fully consistent with these provisions and with our WTO rights.

China does not have the right to retaliate against actions that are WTO-consistent. Because imposing relief in the tires case is fully WTO-consistent, China would have no basis to justify retaliatory action if it chose to take such a step. While no one can prevent China from taking actions that are WTO-illegal, if China did so the United States would have the right to complain to the WTO and remedy the infraction.

Other countries have imposed relief under the China safeguard without provoking retaliation. At least four other countries have invoked the China-specific safeguard, including Colombia, India, Peru, and Turkey. China did not lodge any complaints at the WTO regarding these actions, and took no unilateral action against these nations. No "trade wars" erupted over the imposition of import relief by these countries.

China has more to lose than gain from unjustified retaliation. China exports \$5 worth of goods to the U.S. for every one dollar of U.S. products it imports. China's annual trade surplus with the U.S. has more than tripled since it joined the WTO – reaching \$270 billion in 2008. It is inconceivable that China would put this highly lopsided and remunerative relationship at risk by taking retaliatory actions against the U.S. that are not justified under WTO rules.

The retaliation threat is a transparent attempt to scare U.S. industries into urging the U.S. into giving up its rights and a fundamental condition the U.S. sought to permit China to accede to the WTO. China and the U.S. made a deal when China joined the WTO. China could enjoy all the rights of a WTO Member, even though it still had many years of reforms to undergo before it could fully comply with WTO rules. In return, during that transition process, the U.S. (and other WTO members) could take steps to shield its industries and workers from the worst effects of China's trade-distorting practices. China has taken full advantage of the deal it made. The U.S. has not. For eight years, the 421 safeguard has lain dormant, while American industries and workers have borne the brunt of disruptive import surges from China.

The American public trusts that a deal we make with another country is a two-way street, with concessions balanced by benefits. But that balance is undone if the President allows threats to U.S. interests that would be clear violations of WTO obligations of China to dissuade him from exercising any of the rights we have negotiated. This case provides the President with a valuable opportunity to demonstrate that trade can work for American industries and workers, that the rights we negotiate have meaning, and that, above all, our government will fight to ensure the deals we make with other countries are honored.