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The rubber meets the road for Obama

BY HAROLD MEYERSON
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Sometime before Sept. 17, President Obama has to make a decision that will tell us a lot about his commitment to American manufacturing. By that date, Obama has to accept, reject or modify a recommendation from the International Trade Commission to impose tariffs on the Chinese-made tires that are swamping the U.S. market.

The importance of this battle goes well beyond its impact on the tire industry. Much of Americans' skepticism toward free trade comes from their empirically verifiable sense that their government has been reluctant to enforce its own trade laws -- an issue that candidate Obama tackled head-on last year by his repeated pledges to enforce those laws.

Between 2004 and 2008, tire imports from China increased 215 percent, while imports from other nations decreased 5 percent and U.S. tire production declined 27 percent. The ITC found this a clear violation of a provision in the Trade Act (Section 421), added with Beijing's consent during the negotiations preceding Congress' 2000 enactment of Permanent Normalized Trade Relations with China, that allowed the U.S. government to levy tariffs on surging Chinese imports that were eviscerating an American industry.

Indeed, China's agreement to the anti-surge provision was a key argument in persuading Congress to permanently normalize trade relations. Section 421, contended Montana Sen. Max Baucus, a leading free-trader, "ensures that if shifts in trade patterns, following China's entry into the world trading system, cause or threaten dislocations to American workers, businesses and farmers, they will be able to obtain relief quickly."

Or not, as the case may be. Four times during George W. Bush's presidency the ITC -- a bipartisan, presidentially appointed commission -- recommended invoking Section 421 to counter surges of Chinese imports that were damaging American industries, and four times Bush declined its advice. The Chinese tire ruling is the first such case to reach Obama's desk; the ITC that sent it there comprises Bush appointees and one Clinton appointee, but none as yet from Obama.

Whatever its outcome, the case provides a revealing snapshot of the U.S. economy in the early 21st century. For one thing, the petitioner is the United Steelworkers union, which the rubber workers union merged into some years back. No U.S. tire companies joined the complaint, and it's easy to understand why: Almost all the leading tire manufacturers with major production facilities here -- including Bridgestone, Cooper, Goodyear, Michelin and Pirelli -- also have factories in China. What's more, the Chinese government often requires those factories to export all the tires they make. Cooper has opened two such factories under a government mandate stipulating that every one of their tires be exported for their first five years.

America's leading manufacturers, whether U.S.- or foreign-owned, no longer have American interests. In fact, by producing in China, they almost invariably opt, like Cooper, to serve Chinese interests. American workers, by contrast, can't generally cross oceans to follow their erstwhile employers, and the jobs they pick up when their factories close are likely to be in the lower-paying retail and service sectors.

Critics of the ITC ruling have argued that U.S. tire factories no longer produce the kind of low-end tires that China exports, but the ITC concluded that fully 20 percent of U.S.-made tires are inexpensive and directly compete with their Chinese counterparts. Critics have also predicted a soaring increase in the cost of tires, but the ITC's staff analysis forecast an increase of only \$3.50 per tire -- not nothing, to be sure, but a cost that has to be measured against the possibility of tens of thousands of job losses in U.S. tire factories (where more than 5,000 jobs already have been lost because of Chinese imports).

The implications of Obama's decision go well beyond tires. Section 421 was created to provide some protection for American workers while allowing China entry to our markets. If Obama opts not to enforce it, why would anyone concerned about American jobs believe such provisions in future trade agreements? Why would U.S. manufacturers maintain their domestic production if they know that none of the legal protections they've been promised will ever be invoked?

The financial crisis that was already raging when Obama became president compelled him to do more to rescue Wall Street than he surely ever wished. Endorsing the ITC's recommendation would not only honor his campaign promises and fulfill the mandates of our trade laws, but would also allow him to rescue the very Americans who, rightly or wrongly, have felt left out of his efforts to save the nation's economy.

Harold Meyerson is editor-at-large of American Prospect and the L.A. Weekly

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