

WTO Backs U.S. in Tire Dispute with China

By TOM BARKLEY



In a 2009 photo, a worker moves tires at a tire factory in Hangzhou, in east China's Zhejiang province.

WASHINGTON—The World Trade Organization Monday sided with the U.S. over tariffs the Obama administration imposed last year on Chinese tires, **in a high-profile case likely to stoke tensions in coming U.S.-China trade talks.**

The WTO dispute-settlement panel ruled in favor of President Barack Obama's decision from September 2009 to levy tariffs of as much as 35% on Chinese tires under a rarely used safeguard provision to protect against import surges, provoking one of the biggest trade spats between the two countries in recent years. In addition to taking the case to the WTO, China retaliated by announcing a series of duties on U.S. chicken, nylon and other exports.

U.S. Trade Representative Ron Kirk called the decision a "**major victory**" that demonstrates the solid legal underpinnings of U.S. trade remedy laws.

The spokesman at the Chinese embassy in Washington wasn't available to comment.

The WTO panel's decision comes a day before Mr. Kirk and Commerce Secretary Gary Locke are scheduled to host their Chinese counterparts for annual trade talks. The WTO

ruling could further aggravate Chinese frustrations with the raft of duty cases the U.S. has pursued over the past couple years.

A U.S. trade official said last week that the visiting Chinese delegation, expected to approach 100 in size, will likely reiterate concerns about U.S. trade remedy policy and protectionism.

The specific nature of the tire case, which triggered a safeguard China agreed to when it joined the WTO in 2001, means the ruling may not have a long-term impact on overall U.S. trade policy. Trade experts say the U.S. is unlikely to consider any complaints using the so-called section 421 safeguard against China again, since the remedy expires in December 2013. Both sides have 60 days to appeal the ruling.

"My guess is that they will react angrily to the decision, and then it probably go away," said Bill Reinsch, president of the National Foreign Trade Council, which represents multinational corporations. He said the decision was no surprise since the legal issues involving the safeguard are clear.

China has challenged U.S. trade remedies more broadly at the WTO, which in October ruled in favor of the U.S. in a majority of those claims. The WTO decision also provides a timely boost for the Obama administration's effort to win Congressional approval for proposed trade opening deals with South Korea, Colombia and Panama. The administration has sought to reassure critics of those pacts that it can defend U.S. interests under international trade rules.

"This outcome demonstrates that the Obama administration is strongly committed to using and defending our trade remedy laws to address harm to our workers and industries," Mr. Kirk said in his statement.

Another victor in Monday's announcement is the **United Steelworkers union, which petitioned for the tire duties and has been one of the biggest agitators for a more aggressive response to China's trade practices—from currency policy to state support for green technology.**