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Trade Protest Is Planned on Eve of a Chinese Leader's Visit



By KEITH BRADSHER

HONG KONG — As the White House prepares for a Washington visit by the man who is expected to run China for the coming decade, trade tensions between the United States and Beijing are on the rise.

On Tuesday, a coalition of big American labor unions, Democratic politicians and trade advocacy groups plans to start campaigning for the Obama administration to file a series of trade cases against China in the auto industry. They accuse Beijing of unfairly subsidizing Chinese auto parts makers and illegally restricting the exports of crucial raw materials that foreign parts makers need to stay competitive.

The group says a 900 percent increase in auto parts imports from China over the last decade, to nearly \$12 billion a year, is to blame for job losses in Michigan, Ohio and Pennsylvania — three swing states that the administration cannot easily ignore in a presidential election year.

“The Chinese have cheated,” said Senator Sherrod Brown, Democrat of Ohio, who is a Congressional leader of the trade effort along with Senator Debbie Stabenow, Democrat of Michigan.

The group has been preparing its campaign for months. But it may be sensing a new opportunity after President Obama signaled a tougher trade stance against China in his State of the Union address last week, saying he would set up a trade enforcement unit to investigate unfair Chinese practices.

Separately, the Commerce Department is considering whether to levy punitive tariffs against China over green energy technology. And on Monday, Washington was on the winning side of a World Trade Organization ruling against China for its export restrictions on industrial minerals.

All of which promises to test diplomacy on both sides during a Feb. 14 White House visit by China’s vice president, Xi Jinping, who is expected to succeed President Hu Jintao next winter as China’s leader.

Chinese officials have vehemently denied that they violate international trade agreements. “Over the past 10 years, China has fully implemented its W.T.O. commitments, and its trade and investment liberalization and facilitation have been significantly increased,” President Hu said last month.

Senator Brown said Washington’s appetite for a more assertive trade policy was whetted last month by China’s imposition of steep tariffs on \$4.9 billion a year of imports of sport utility vehicles and large cars from the United States.

Hoping to reduce the trade tensions just before Mr. Xi’s visit, Chinese officials are preparing to send at least six business delegations on buying trips to the United States, people familiar with the plans but not authorized to discuss them said. Similar delegations have preceded past visits by top Chinese leaders to Washington and have focused on bundling planned purchases of Boeing jets, American grain and other exports into multibillion-dollar contracts that can be signed at elaborate ceremonies.

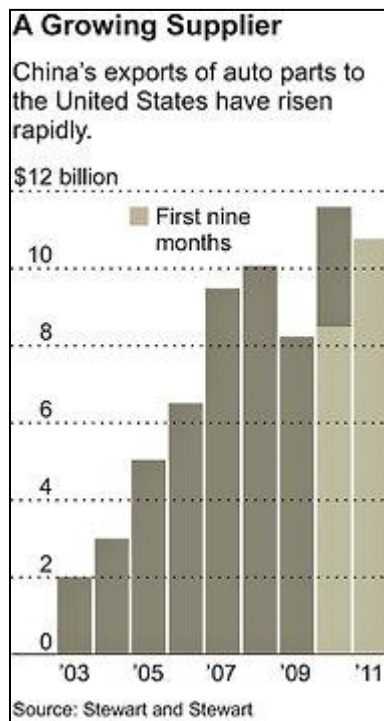
The Obama administration has also made a few small conciliatory moves. The Commerce Department planned to issue a preliminary ruling on Feb. 13 on whether to impose tariffs on Chinese solar panels to offset reported Chinese export subsidies. But when the United States and China agreed last week that Feb. 14 would be the date for Vice President Xi’s visit to Washington, the department pushed back its ruling until March 2.

But small gestures may not overcome the shock among American trade officials and auto industry executives last month when China imposed the tariffs on American vehicles.

An adviser to the Chinese commerce ministry, who insisted on anonymity because he was not authorized to comment, said that decision had been based mostly on jockeying among Chinese factions over the need to show toughness toward the United States and did not signal a broader shift in Chinese policies.

The Chinese move came as American labor unions, Democratic politicians, policy research groups and trade lawyers were already in the final stages of the auto parts campaign that they plan to announce in Washington on Tuesday. Besides numerous Democratic members of Congress, the coalition includes the United Steelworkers union, the United Automobile Workers union, the labor-backed Economic Policy Institute and the trade law firm Stewart & Stewart, as well as the Wessel Group, a trade strategy firm.

Although the U.A.W. and the Economic Policy Institute are new to the group, the others are the same parties that persuaded the Obama administration in September 2010 to start a broad investigation of whether China had violated international trade rules with policies like subsidies for renewable energy manufacturing.



For the new campaign, the coalition has been preparing legal briefs arguing that the administration should file trade cases at the Commerce Department and at the W.T.O. to challenge a wide range of reported Chinese subsidies for auto parts exporters. They also seek United States challenges to China's export restrictions on rare earth metals, which are needed for many auto parts.

The legal briefs also call for a W.T.O. challenge to Chinese rules that pressure American automakers to transfer to China their latest electric car technology, like that for the Chevrolet Volt, if they want these cars to qualify for green-energy subsidies when sold in China.

Notably, the complaints are coming from labor proponents, and not auto parts makers, which have many factories in China as well as in the United States. Like companies in most industries, they have been reluctant to risk retaliation by questioning Chinese policies.

Auto parts from China now dominate the American market for many replacement parts used by body shops, and they are starting to be used as original equipment in the United States as well. Parts categories with big surges in imports from China include radiators, ignition components, wheels and bearings.

The auto parts industry accounts for three-quarters of the approximately 600,000 people directly employed in auto manufacturing in the United States. That proportion has been slowly rising for many years as automakers have concluded that it is cheaper to buy large modules, often made at nonunion factories, instead of using expensive, unionized labor at assembly plants to put together a lot of parts and then install them in cars.

But the auto parts jobs have been a growing share of a shrinking pie, according to a paper from the Economic Policy Institute, which calculated that 400,000 parts jobs were lost from November 2000 to November 2011. The institute's paper, to be released on Tuesday, did not calculate how many of those job losses were the direct result of factories moving to China, as opposed to other causes, like greater automation of American factories.

The Chinese shipments "have had a big impact, and the impact is growing," said Bob King, the president of the U.A.W.

In separate telephone interviews, Mr. King and Leo W. Gerard, the president of the United Steelworkers union, sketched different views on how the auto parts coalition would proceed this spring.

Mr. King, of the auto workers union, said he wanted the administration to confront China but did not favor legislation by Congress that would force specific actions on the issue. The administration's bailout of General Motors and Chrysler in 2009 saved the American auto industry from collapse, he said, and so the White House should be entrusted with "the flexibility to figure out the best way to protect the interests of the American people."

But Mr. Gerard, for the steelworkers, said he was already working with Democrats and Republicans in Congress to force the administration to file trade cases. "We're going to take the case to the Congress and push the government to take the case," he said.

Senator Stabenow, of Michigan, said in an e-mail that there was broad interest in Congress in the issue. "At first there were just a handful of us working on these issues. Now momentum is building in both parties for measures that help level the playing field," she wrote.