

US – Tyres (China)

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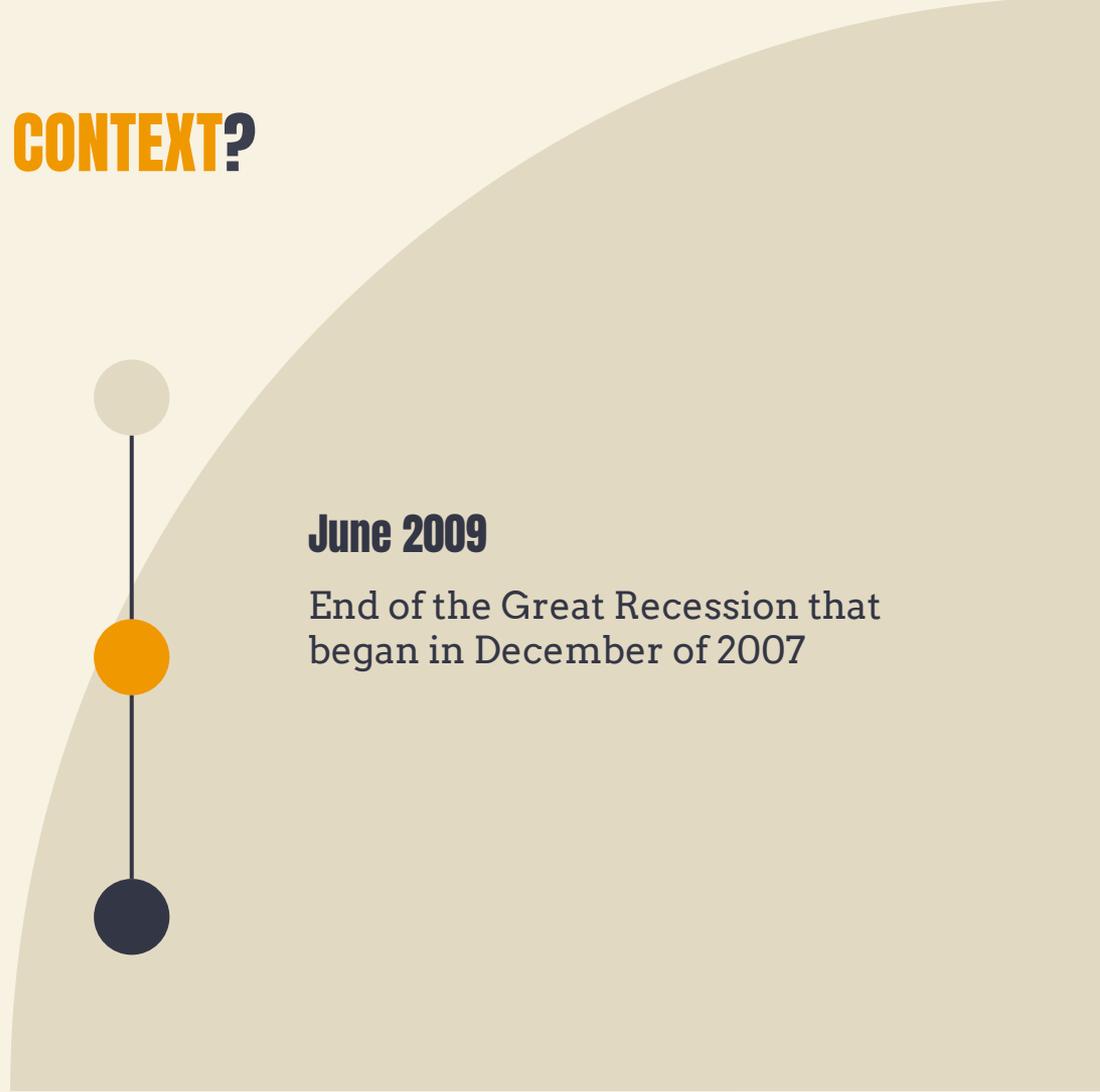


INTRODUCTION

- **Who:** The United States and China
- **What:** A case handled by the Dispute Settlement Body (DSB)
- **When:** 2009-2010 (AB appeal 2011)
- **Where:** Geneva, Switzerland
- **Why:** Import Tariffs



CONTEXT?



January 2009

Swine flu pandemic

June 2009

End of the Great Recession that began in December of 2007

September 2009

Unemployment was at a high of 9.9%

CASE BACKGROUND

Here's what you need to know about **US – Tyres (China)**:

- This is a case over tariffs
- China requested consultations with the United States over increased tariffs on passenger vehicle and light truck tyres from China
- The United States International Trade Commission said there was market disruption from imports of these tyres, claimed it was harming the domestic industry
- China argued that higher tariffs are inconsistent with Article I:1 (most favored nation treatment) of the General Agreement on Tariffs and Trade (GATT)
- China's 7 claims:
 1. The imports were not occurring at a significant rate for there to be an effect on the domestic market
 2. The U.S.'s tariff of these imports went against paragraph 16.1 and 16.4 of the GATT
 3. The U.S. failed to prove that the import of tyres was a sole cause of disruption do the domestic market
 4. The U.S imposing a tariff went beyond the extent necessary of interference
 5. The tariff was set to be impost for too long (3 years)
 6. The U.S was treating imports of China differently than imports from other nations
 7. There is no need for a safeguard measure on behalf of the U.S

CHINA'S 4 CORE ISSUES

1

The tyre imports are not really increasing rapidly

2

The U.S.'s definition to "contributing significantly" to domestic damage is not valid

3

Imports are not really a significant cause of market disruption

4

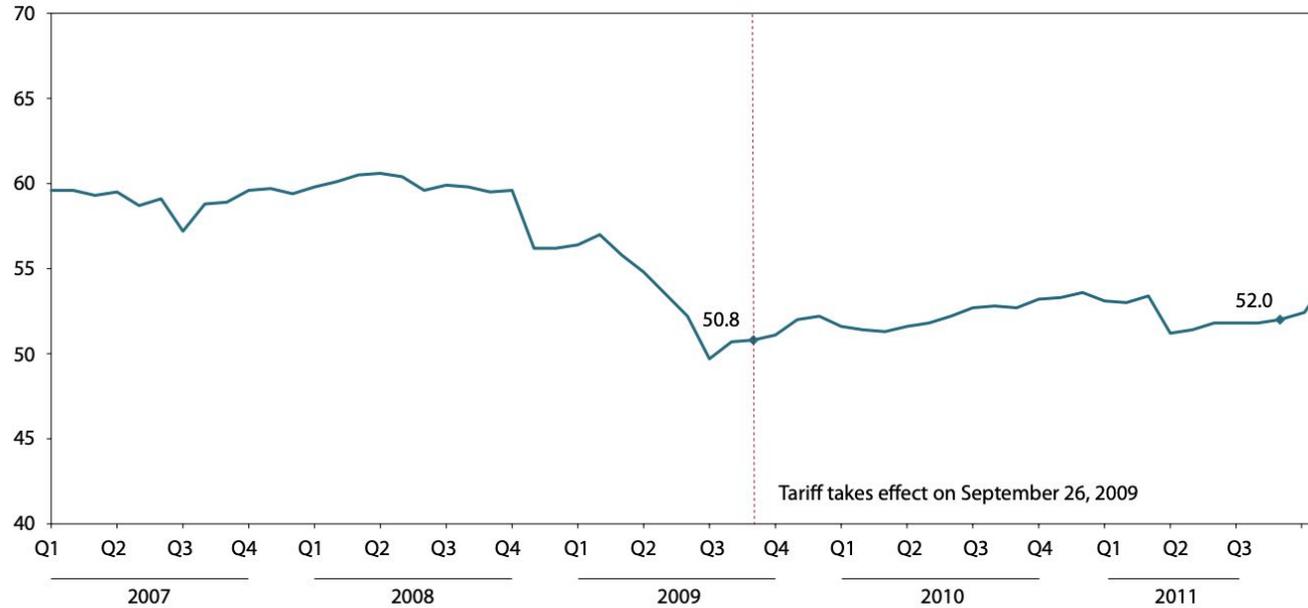
The duration of the tariff (3 years) did not match up with the import amount

CLAIMS OF THE UNITED STATES

- 35% tariff on Chinese tires came after companies complained about unfair competition
- The low cost of Chinese tires made it tough for U.S. companies to stay afloat
- Imposing this tariff will save U.S. jobs

Figure 5 Employment in the US tire industry

employees (thousands)



Source: US Bureau of Labor Statistics, authors' calculations.

Provisions

Article I:1 of General Agreement on Tariffs and Trade (GATT)

- “Most Favored Nation” Principle

“Requires members to accord to the most favorable tariff and regulatory treatment given to the product of any one member at the time of import or export” - Most-favoured nation treatment principle

Article XIX of GATT

- “Escape Clause”

“Authorizes a contracting party to withdraw concessions temporarily on specific products if, as a result of unforeseen developments, imports of these products are increasing rapidly and injuring the domestic industry” - Jorge F. Perez-Lopez, Case Western Reserve University School of Law

EACH NATION'S STANCE



US

“The Chinese are flooding us
with cheap tires”

- President Barack Obama



China

“This is a serious act of
protectionism”

- Chinese Government

PROCEEDINGS

- **December 9, 2009:** China requests establishment of panel
- **January 19, 2010:** DSB establishes a panel
- **March 10, 2010:** China requests the Director; General to determine the composition of panel
- **March 12, 2010:** Director-General composed panel
- **May 31, 2010:** China was informed that due to scheduling conflicts, hearing would take 6 months
- **November 8, 2010:** Final report issued
- **December 13, 2010:** panel report was circulated to Members

DECISION





“This is a tremendous victory for the United States as well as for American workers and manufactures...we will use our trade laws to stand up for our workers and address harm to them”

–Ron Kirk, United States Trade Representative

Additional Findings & Aftermath

- Panel found that the U.S imposing tariffs was a safeguard measure in respect to imports of tyres from china
- The United State did not fail to comply with its obligations as a member of the WTO

- **May 2011:** China notify DSB to appeal to the Appellate Body
- **September 2011:** Appellate Body report was circulated to Members
- **October 5, 2011:** Appellate Body upheld the Panel's findings

Final Thoughts

Questions?