

Global Trade Alert

NEVILLE PETERSON LLP

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President Imposes Additional Duties on Imports of Consumer Tires from China

Tariffs Follow ITC “Market Disruption” Determination

President Obama has imposed additional tariffs on a wide range of “consumer” truck and automobile tires from the People’s Republic of China, effective for goods entered, or withdrawn from warehouse for consumption, on or after 12:01 A.M. on September 26, 2009..

Presidential Proclamation 8414, which imposes the new tariffs, follows an investigation by the United States International Trade Commission (ITC) into a complaint by domestic labor unions into charges that increased imports of consumer tires from China have caused “market disruption” and injured domestic tire producers. The ITC, acting under Section 421 of the Trade Act of 1974, found that imports of Chinese tires had disrupted the United States market, and recommended the imposition of temporary additional tariffs as a remedial measure.

The Proclamation imposes additional tariffs, over and above those already charged on Chinese tires, at the rate of 35% ad valorem in the first year after the Proclamation; 30% in the second year; and 25% in the third year. The additional tariffs will thereafter expire.

Automobile, Truck Tires Affected

The Proclamation established two new temporary tariff subheadings which impose the additional duties on Chinese tires.

Temporary HTS subheading 9902.03.45 provides for an additional tariff on “Radial tires of a kind used on motor cars (other than racing cars), station wagons, sport utility vehicles, vans and on-the-highway light trucks (provided for in subheading 4011.10.10 or 4011.20.10)”.

In addition, temporary HTS subheading 9902.03.45 imposes the additional tariffs on “Other tires of a kind used on motor cars (other than racing cars), station wagons, sport utility vehicles, vans and on-the-highway light trucks (provided for in subheading 4011.10.50 or 4011.20.50)”.

China Reacts Angrily to Sanctions

The Chinese government reacted unfavorably to President Obama’s announcement of the additional duties, amidst concerns that the tariffs were imposed as a political favor to the petitioning United States labor unions. In this regard, it is notable that the major American tire producers had not actively supported the Section 421 petition for relief.

The Chinese government has reacted to the announcement of the additional tariffs by launching antidumping investigations into lucrative exports of United States car-parts and chicken products. The new trade sanctions threaten to cast a pall over the upcoming G20 economic summit in Pittsburgh, scheduled for September 24 and 25 – just prior to the entry in force of the new measures.

The Section 421 sanctions are particularly controversial because, unlike antidumping or countervailing duty remedies, they do not require a showing that China or its industries have engaged in unfair trade practices, in violation of international trading rules. Section 421 was added to the Trade Act to provide authority for a “safeguard” against surging Chinese imports as part of negotiations relating to China’s accession to the World Trade Organization (WTO).

Other Industries to Follow?

President Obama’s announcement of the tire sanctions has piqued concerns that other United States industries feeling the heat from Chinese competition, including the textile, apparel and chemistry sectors, might follow the lead of the unions engaged in tire-building and file their own petitions for Section 421 relief.

Safeguard duties are treated the same way as other duties for Customs appraisal and duty drawback purposes. Accordingly, some traders may be able to structure transactions in order to minimize their impact.

Our offices stand ready to provide any additional information or assistance which might be required concerning this important new trade development.

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