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Wednesday, February 1, 2012 12:34 PM GMT

China Trade Violations Put 1.6 Million US Motor Industry Jobs at Risk

By Geetha Pillai

China's illegal trade practices are causing huge job losses in the US auto industry, revealed three different studies on the sector released on Wednesday.

More than 400,000 jobs in the U.S. auto supply chain have been lost since 2000 and another 1.6 million U.S. jobs are at risk unless China's illegal trading practices are curtailed, according to the reports.

In New York itself, 58,429 jobs are at risk, according to a report by the Economic Policy Institute and the Stewart and Stewart, a lawfirm specializing in international trade cases.

"Taken together, these three reports show beyond a shadow of a doubt that China's blatant use of illegal government subsidies and a web of predatory trade practices on a massive scale are undercutting companies in the U.S. auto supply chain," Scott Paul, Executive Director of the Alliance for American Manufacturing (AAM), a partnership of leading manufacturers and the United Steelworkers, said in a statement.

"It's essential that federal action be taken to challenge these abuses before they completely undermine the job recovery underway in the U.S. auto industry," Paul added.

China is the largest exporter of auto parts to the U.S. markets over the past decade. Since 2001, \$62 billion worth of Chinese auto parts have been imported into the U.S., causing the auto parts trade deficit between the U.S. and China to increase by more than 850%, an investigation by the AAM has revealed.

Auto parts sector comprises 75% of employment in the U.S. auto industry with direct or indirect auto parts jobs in virtually every state. And about 1.6 million auto parts jobs are at risk because of the unfair trade competition, according to a report "Growing Threats to the U.S. Auto-Parts Industry from Heavily Subsidized Chinese Tires and Parts," by Robert E. Scott and Hilary Wething of the Economic Policy Institute (EPI).

"U.S. automakers have enjoyed a strong turnaround since the government aided the restructuring of GM and Chrysler, with U.S.-based automakers' sales up 29.1 percent since 2009. However, employment in the auto-parts and tire industry has rebounded at less than half that rate," said Scott and Wething in the report.

"Between 2000 and 2010, imports of Chinese auto parts into the United States increased about eight-fold and are expected to continue to increase," found out another report titled "Putting the Pedal to the Metal: Subsidies to China's Auto-Parts Industry from 2001 to 2011," by Usha C.V. Haley.

The Chinese government's extensive subsidies, many of which are in violation of WTO trade rules, have dramatically increased the U.S. trade deficit with China. Haley notes that "China's exports of auto parts to the United States are three times

those of its next highest trading destination (Japan)," and radically different from China's relations with other trading partners.

The subsidies from China's Central Government and seven local governments have gone to 73 companies for investment in coal, electricity, natural gas, glass, and cold-rolled steel, including \$18.4 billion in subsidies for technology development and industrial restructuring.

The massive government subsidies being given to Chinese producers, which are in violation of China's WTO commitments, will continue for years to come unless challenged by Congress and the President, according to a third study "China's Support Program for Automobiles and Auto Parts Under the 12th Five Year Plan," by Stewart and Stewart, a law firm that has won cases challenging China's unfair trading practices.

The Chinese government would be investing a total of \$1.5 trillion in the auto components sector over the next five years to enable them to grow at an annual rate of 35 percent.

Specific auto parts targeted in the plan include batteries, electric motors, electronic control systems, and fuel cells, according to the law firm's study.

"In addition to massive, illegal government subsidies, China also employs currency manipulation to artificially lower the cost of its exports. This deliberate mercantilism has the potential to cripple the U.S. auto-parts industry. What's urgently needed is federal action to address these predatory trade practices before thousands more U.S. jobs are lost," according to Scott Paul of AAM.

The U.S. auto-parts trade includes tires, engines, electrical and electronic equipment, and others.