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China subsidizing auto parts exporters

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WASHINGTON: A US industry and union coalition accused China Tuesday of sweeping illegal subsidies to its auto-parts sector that threaten to destroy more than a million US jobs.

Launching a campaign to press for trade action against Beijing, the Alliance for American Manufacturing and senior politicians said the Chinese subsidies threaten to reverse the comeback of the US auto industry.

The AAM — which brings together the US steel industry and the United Steelworkers union — said alleged trade violations by China have already killed 400,000 jobs in the US auto supply chain, and threaten 1.6 million more.

“It’s essential that federal action be taken to challenge these abuses before they completely undermine the job recovery under way in the US auto industry,” said AAM executive director Scott Paul.

He said the studies present “pretty compelling” evidence of China’s breaking World Trade Organization rules against subsidized exports.

“For US makers, the cost of their inputs is greater than what the Chinese producers sell their products for” in some cases, he said.

The campaign was launched at the US Congress a week after President Barack Obama said he would step up pressure on China and other countries that unfairly subsidize exports and launch a new government body to pursue such cases.

The AAM released three reports that paint China as targeting the US auto-parts sector by supporting its own manufacturers in ways that allegedly violate WTO fair trade rules.

They argued that Chinese auto-parts exports increased more than 900 percent in the decade to 2010 helped by \$27.5 billion in subsidies, many of them illegal, and that the government has committed nearly \$11 billion more

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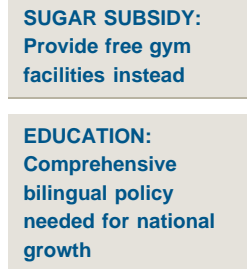


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in such support over the next decade.

The also said Chinese parts exporters benefit from the country's policy of keeping the yuan currency tied to the US dollar at an artificially low exchange rate.

This effort is targeted at the US market, they said.

"In auto parts, China runs trade deficits with every other major auto producer, including Japan, South Korea, and Germany. In contrast, China's trade surpluses on auto parts with the United States constitutes a notable exception," said Usha Haley of the Economic Policy Institute, who contributed one of the studies.

The result, the studies say, is that while the US auto industry has recovered strongly since being bailed out by the government in the 2008-2009 recession, parts makers continued to weaken.

"US automakers have enjoyed a strong turnaround since the government aided the restructuring of GM and Chrysler, with US-based automakers' sales up 29.1 percent since 2009," one of the studies said.

"However, employment in the auto-parts and tire industry has rebounded at less than half that rate." Haley also blamed the practices of US carmakers themselves for buying more China-made parts.

"While other foreign auto companies operating in China have linked to auto-parts suppliers back home, US auto companies have cut ties with suppliers in the United States or encouraged them to manufacture in China," she said.

"US global auto strategy currently centers on manufacturing in China and exporting back home. Consequently, China's exports of auto parts to the United States are three times those of its next highest trading destination, Japan." Paul said AAM was not filing its own trade complaint against China, but that it expected the Obama administration would move by itself with the evidence from the studies.

Obama "opened the door" with his speech last week, he said. "I take the president at his word for this." "We have delivered to the administration actionable information." The complaint opened up a new front in US-China trade tensions, after two years of stepped up measures and counter-measures that analysts say look more and more like a trade war.

"I think its more than rhetoric... The fears of a trade war are real," said China economy expert Yukon Huang of the Carnegie Endowment for International Peace, a Washington think tank. -- AFP



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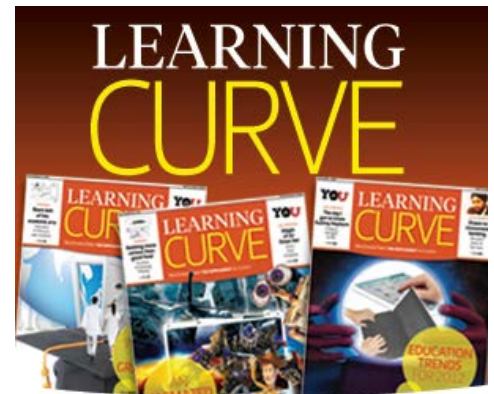
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