



Chinese auto-parts influx vexes Hill

By: **Josh Boak**

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The government may have saved General Motors and Chrysler, only to see the auto-parts industry — a backbone of American manufacturing — increasingly migrate to China.

President Barack Obama proudly stumps this election year on the \$85 billion auto bailout, claiming it's proof that government intervention can rescue at least part of the battered economy.

"Some politicians were willing to let it just die," Obama said Friday in Ann Arbor, Mich., not far from the big Detroit automakers. "We placed our bets on the American auto industry, and today, the American auto industry is back. Jobs are coming back — 160,000 jobs."

The gamble, however, looks less promising for auto-parts suppliers, as Chinese competitors have voraciously gained ground.

Over the past 11 years, the auto-parts trade deficit with China has shot up 867 percent to almost \$10 billion, according to the United States International Trade Commission. Other auto producers, such as Germany, Japan and South Korea, run surpluses with China.

About 75 percent of the more than 600,000 automaker jobs in the U.S. are with parts companies. And because of how supply chains work, factories often cluster together. So should the trend continue, Americans could be left turning the last screws on vehicles mostly made in China.

And that's raising some eyebrows on Capitol Hill.

Along with the United Steel Workers and United Auto Workers, Sens. Bob Casey of Pennsylvania, Sherrod Brown of Ohio and Debbie Stabenow of Michigan, and Rep. Sander Levin (D-Mich.) asked the president on Tuesday to make good on his State of the Union pledge to investigate unfair trade practices.

A brief released at the event by the Alliance for American Manufacturing claims the Chinese government engages in "a variety of illegal and predatory practices" to protect its auto-parts industry, including an \$8.7 billion subsidy in 2010, mandates that any autos assembled in China feature engines made there, tax incentives, low-interest loans and export duties on auto parts.

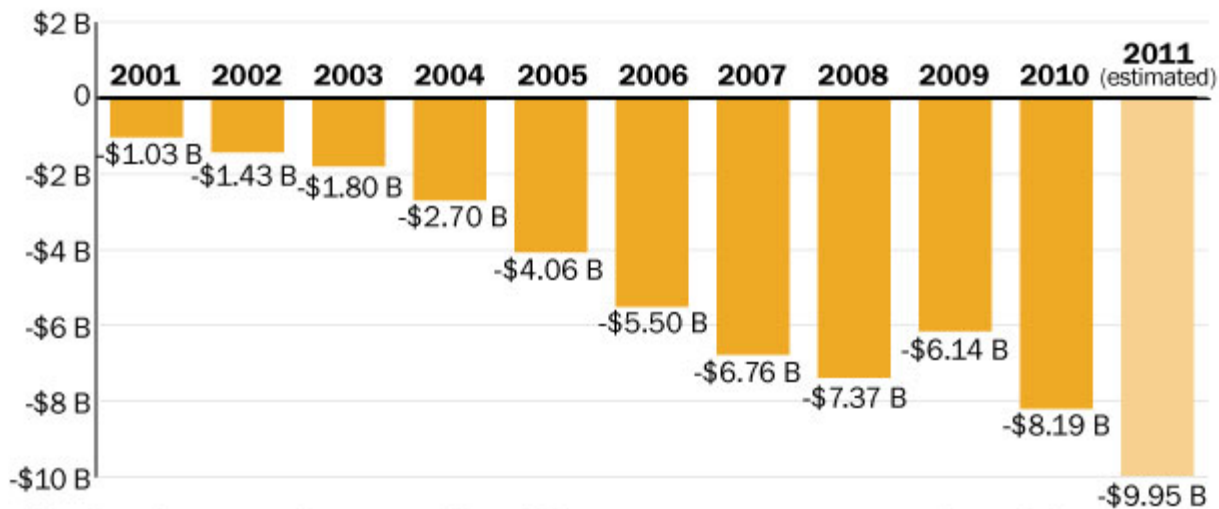
The different protections violate World Trade Organization guidance and can be challenged by the United States, according to the brief.

The question is whether the administration, which has successfully gone after China over tires and industrial raw materials, will take the fight to another level with auto parts.

"It's going to be a real test of whether the president is prepared to follow through on that commitment," said AAM Executive Director Scott Paul. "We're still at a stage where we haven't lost everything. This isn't like the toy industry, consumer electronics or garments and textiles. We can do something about this."

CAR PARTS DEFICIT ACCELERATES IN U.S.

The U.S. trade deficit in auto parts with China has grown more than eightfold since 2001.



SOURCE: U.S. INTERNATIONAL TRADE COMMISSION

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