

OBAMA LAUNCHES TRADE DISPUTE OVER CHINESE AUTO PART SUBSIDIES

Back
in
January, the
Alliance for
American
Manufacturing
released

a report showing that as China has provided billions in subsidies for auto parts manufacturing, US jobs in that segment have been declining. In March, a bunch of (mostly Democratic) members of Congress wrote a letter demanding the Administration do something about China's unfair trade.

Today, Trade Representative Ron Kirk announced the Administration would ask the WTO to intervene.



United States Trade Representative Ron Kirk announced today that the United States has requested dispute settlement consultations with the Government of China at the World Trade Organization (WTO) concerning China's auto and auto parts "export base" subsidy program. Under the program, China provides extensive subsidies to auto and auto parts producers located in designated regions, known as "export bases," that meet export performance requirements. China's program appears to provide export subsidies that are prohibited under WTO rules because they severely

distort trade. The subsidies provide an unfair advantage to auto and auto parts manufacturers located in China, which are in competition with producers located in the United States and other countries. Based on publicly available documents, "export bases" made at least \$1 billion in subsidies available to auto and auto-parts exporters in China during the years 2009 through 2011.

It's one of a series of trade actions the Administration has taken (and just in time for election season!).

I worry, though, that this particular complaint is too little too late (though George Bush bears most of the blame). Even if parts manufacturers started leaving China because of this (a lot will remain because China often closes its own markets to parts unless you manufacture domestically), I suspect they'd come back to Mexico, not the US.

All that said, as Obama's WTO disputes get more and more general, it may well bring people to realize what a myth this whole free trade thing has been all these years, that American workers are losing their jobs because other countries make sure they create jobs.

Update: Former Bush econ flack Tony Fratto points to something else that may come out of this.

The owner of 500 million shares of \$GM is accusing China of subsidizing its auto industry.

In past disputes, China has threatened to look at ways we subsidize our manufacturing industry. This one may well cause them to do that (though with Chinese investment, for example, in subsidy recipient A123, they might prefer to profit of our subsidies).