# INFORMATION REGARDING APPLICATION OF TRANSITIONAL PRODUCT-SPECIFIC SAFEGUARD MEASURE TO CHINESE TIRES

On September 11, 2009, the President of the United States signed a determination to apply an increased duty to imports of certain passenger vehicle and light truck tires from China for a period of three years in order to remedy a market disruption caused by a surge in tire imports as determined by the U.S. International Trade Commission (USITC). This measure was imposed under section 421 of the Trade Act of 1974, as amended (19 U.S.C. 2451) (Section 421).

**Q: What is the remedy?**

Certain passenger vehicle and light truck tires imported from China will be subject to an additional duty for a period of three years in addition to the normal 4 percent duty that applies to imports of tires. The additional duty is set at 35 percent *ad valorem* for the first year, 30 percent *ad valorem* for the second year, and 25 percent *ad valorem* for the third year.

**Q: When does the remedy go into effect and how long will it last?**

The additional duty will be effective with respect to goods entered or withdrawn from warehouse for consumption, on or after 12:01 a.m. EDT on September 26, 2009. The remedy will cease to apply on September 25, 2012, unless the remedy is modified or terminated earlier.

**Q: What are the products covered by the remedy?**

The remedy applies with respect to passenger vehicle and light truck tires consisting of new pneumatic tires, of rubber, from China, of a kind used on motor cars (except racing cars) and on-the-highway light trucks, vans, and sport utility vehicles, provided for in subheadings 4011.10.10, 4011.10.50, 4011.20.10, and 4011.20.50 of the Harmonized Tariff Schedule of the United States.

**Q: Why was this remedy imposed?**

The President's determination is a response to a surge of tire imports from China that has disrupted the domestic market.

The United States International Trade Commission (USITC) conducted an investigation under Section 421 and determined that certain passenger vehicle and light truck tires of Chinese origin were being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. The USITC's report, *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China*, Investigation No. TA-421-7, USITC Publication No. 4085, can be found on the USITC's website at http://www.usitc.gov/publications/safeguards/pub4085.pdf.

In making its market disruption determination, the USITC found, among other things, that imports of the subject tires from China had risen by 215.5 percent between 2004 and 2008 (the period examined). The USITC concluded that, whether viewed over the last one-, two-, or three-year period, the increase was large and rapid, and was continuing at the end of the period examined. The USITC also found that the domestic tire industry is materially injured, and that rapidly increasing imports from China were a significant cause of the material injury. It found that almost all the industry indicators declined during the period examined (2004 - 2008), with capacity, production, shipments, number of U.S. production and related workers and hours worked, productivity, and financial performance at the lowest level in 2008. It also noted that four U.S. plants were closed during that period, with plans announced to close an additional three plants during 2009.

Section 421 authorizes the President to take action to "prevent or remedy the market disruption" found by the USITC.

As an input into the President's determination, USTR conducted a fact gathering process to assist the President in formulating the appropriate remedy. This process included an opportunity for all interested parties to submit views and evidence regarding remedial action to the market disruption. In addition, USTR and an interagency team conducted additional research on the remedy issue. In this instance, building on the information gathered by the USITC and in the USTR's fact gathering process, USTR and an interagency team conducted further economic analysis on the tire market in the United States, to help assess the market and other economic effects of remedial action to the market disruption. Among other things, this economic analysis considered factors such as the types of tires bought and sold in the United States, variations in terms of tire quality and prices, and the degree of substitutability between domestically produced tires and imports, as well as information received regarding likely responses by producers, importers, and consumers to the imposition of a remedy.

Taking into account these and other factors, the President determined that a 35 percent additional duty would be the most appropriate action to remedy the market disruption found by the USITC. In addition, although not required by Section 421, the President also decided that the additional duty should be lowered in the second and third years to allow domestic producers to adapt gradually to competition from Chinese imports.

**Q: Where can I find the President's determination and proclamation?**

The President's determination was published in the Federal Register on September 16, 2009, 74 Fed. Reg. 47433. The Proclamation was published in the Federal Register on September 17, 2009, 74 Fed. Reg. 47861.