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Auto industry in middle of US-China trade conflict

By Paul A. Eisenstein, NBC News contributor

With both nations facing possible leadership changes, the U.S. and China appear heading for a serious battle over trade – and the auto industry is caught in the middle.

President Barack Obama, clearly intending to look tough, has authorized the U.S. to file a new trade complaint with the World Trade Organization over China's subsidized auto and auto parts exports. But the Chinese landed the first punch today when they filed a complaint with the World Trade Organization over allegedly unfair duties the U.S. has enacted on 30 different types of goods including Chinese-made steel, paper and kitchen appliances.

China and the U.S. began squabbling over trade – and backing up the dispute with tit-for-tat sanctions – earlier this year. But the debate has been heating up for a number of years, especially over concerns about China's lackadaisical attitude towards American intellectual property.

In recent years, critics contend, it's become routine for the Chinese to copy American-made goods. Earlier this summer, in fact, Ford Motor Co. won a rare victory when it was able to block a Chinese competitor from producing a virtual clone of its big F-Series pickup. Despite some high-profile campaigns, however, American business officials say China has done little to stop the problem, especially when it comes to entertainment programming, such as films and videos.

Both countries continue to insist they want to take steps to improve – rather than limit – free trade. But the timing may make it difficult for either side to back down from their increasingly confrontational approach.

President Obama will announce the details of the new WTO complaint during a campaign swing through Ohio, later today. The timing and location are anything but coincidental. China has been rapidly building up its automotive export business to the U.S., something that has a direct impact in Ohio, a manufacturing swing state that could play a pivotal role in outcome of the November presidential election. About 12% of Ohio's workforce is employed directly or indirectly in the

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automotive sector.

And that's not lost on Republican candidate Mitt Romney who has been accusing the White House of ignoring the trade threat from China.

[US, China take trade battle up a notch](#)

The situation could grow worse if subsidized auto goods are allowed to continue freely entering the U.S. market, critics contend. The government complaint asserts the Chinese government provided about \$1 billion in support for that country's car parts manufacturers between 2009 and 2011, a move that allegedly benefited about 60 percent of the auto goods shipped to the U.S.

According to the White House, the U.S. auto parts industry lost about half its jobs between 2001 and 2010, the same time period during which it claims employment in the export side of China's auto parts making industry increased seven-fold. There's not a direct, one-to-one comparison; China, for one thing, exports parts to markets other than the U.S. But there's no question that lower-priced Chinese parts have been cutting into jobs at manufacturers as diverse as Delphi Corp. and American Axle.

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"Those subsidies directly harm working men and women on the assembly line in Ohio and Michigan and across the Midwest. It's not right; it's against the rules; and we will not let it stand," the President declared during a stop in Cincinnati. "American workers build better products than anyone. 'Made in America' means something. And when the playing field is level, America will always win."

The President's comments were countered by candidate Romney who issued an e-mailed statement insisting, "It is too little, too late for American businesses and middle-class families." The GOP nominee, who has taken significant fire for his own foreign affairs gaffes in recent months, asserted he will pursue a "comprehensive strategy (to) ensure a level playing field" with China.



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While a White House official insisted the timing of today's WTO complaint was coincidental, the result of months of preparation, the President clearly used the news for his own political advantage. He referred to Mitt Romney's long ties to Bain Capital noting, "I

understand my opponent has been running around Ohio claiming he's going to roll up his sleeves and take the fight to China. But here's the thing: his experience has been owning companies that were called 'pioneers' in the business of outsourcing jobs to countries like China.

"Pioneers!" the President added, "Ohio, you can't stand up to China when all you've done is send them our jobs."

This is the 15th trade complaint the U.S. has filed with the WTO since China joined that global trade regulating body in December 2001. But it's also the second time since the beginning of the current presidential campaign that the Obama White House has taken action against China for alleged trade violations in the automotive sector. The first complaint targeted the claimed dumping of Chinese-made tires.

But that move prompted a rapid backlash, China firing back by placing over \$3 billion in duties on U.S. automotive exports. The Chinese auto import tariffs vary widely by manufacturers but are stiffest for products built by Detroit's Big Three. The Cadillac CTS and Buick Enclave, for example, are subject to 22 percent duties, the Jeep Wrangler and Grand Cherokee models 15 percent. The

American-made Acura TL sedan, on the other hand, faces only a 4.1 percent mark-up.

While the bitter presidential campaign may be spurring the White House to move with the latest trade complaint, China has similar motivation to fight back. The country plans to install its own new president during the 10-year party meeting tentatively scheduled for October. But things have not gone nearly as smoothly as planned.

The all-powerful Communist Party was roiled by a corruption scandal involving rising star Bo Xili and his wife – the latter now convicted of murdering a British businessman. Complicating matters, Xi Jinping, the man expected to become president, has been virtually invisible in recent weeks raising serious questions about his health and the planned succession process.

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Experts warn the Chinese will not be ready to back down on trade issues at this crucial point, especially not on a sector as crucial to their economy as the auto industry. Complicating the situation, Chinese domestic auto sales have unexpectedly weakened in recent months making exports all the more important.

So the shots fired today could trigger still more unless the Geneva-based WTO finds a way to achieve a face-saving compromise for both sides.

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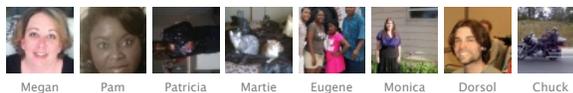
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