



Section 421 Tires Post-Remedy (May 2011) Trade Analysis

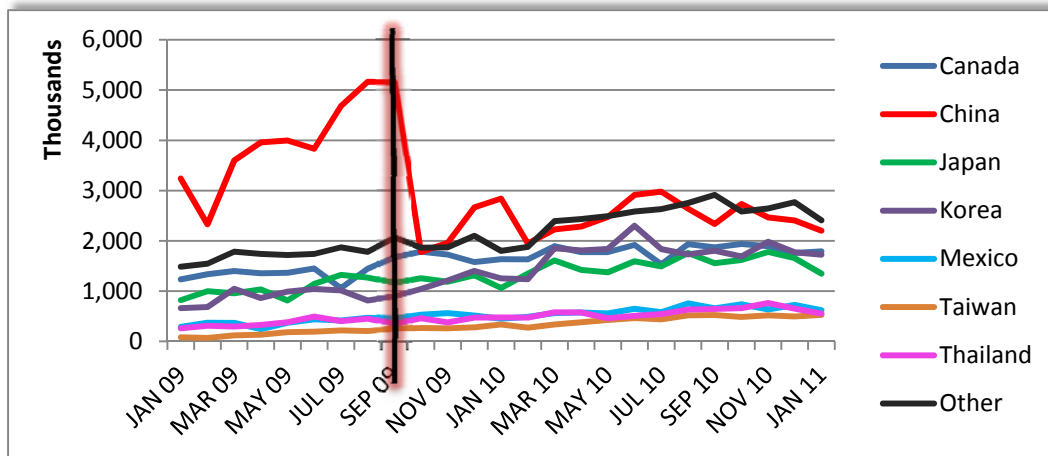
In order to remedy the market disruption identified by the USITC, President Obama decided to impose additional *ad valorem* tariff duties on imports of passenger vehicle and light truck tires from China for three years, at a level of 35 percent in the first year, 30 percent in the second year, and 25 percent in the third year. The remedy took effect on September 26, 2009.

Trade

U.S. imports of tires from China declined significantly upon implementation of the Section 421 remedy, dropping by 65 percent (by quantity) between September (5.15 million units) and October (1.78 million units) 2009. Chinese January 2011 tire imports still represent a decline of 57 percent over September 2009 levels.

A comparison between representative periods in 2009 and 2010 also indicates a significant drop in Chinese tire imports immediately after the initiation of the remedy. U.S. imports of tire from China declined significantly in October 2009 and have experienced increases and declines since, but the scale of any of the monthly rebounds were much smaller than the significant drop from October 2009, immediately following the remedy implementation. In terms of year over year differences, imports of Chinese tires in January 2011 were 22 percent below their January 2010 levels. See the chart below for a graphic depiction of U.S. monthly tire imports from September 2008 through November 2009.

U.S. imports of subject tires, Jan. 2009 to Jan. 2011



Changes in Chinese and other country imports by value followed a similar pattern, but due to the generally lower Chinese unit values, imports from other countries generally occupy a larger share of U.S. imports by value. China's average unit values declined slightly in the three months directly following implementation of the remedies, indicating that Chinese tire imports are not climbing up the value chain due to the remedy. However, since January 2010 there has been a steady increase in the unit values of tires from China, similar to the path of other countries. Unit values have continued to increase since September 2010 when the *ad valorem* tariff was decreased from 35 percent to 30 percent.

Result

Based upon tire imports from China in the sixteen month period following the Section 421 remedy, it appears that the remedy continues to have a significant effect. The decline in imports from China remains significant both in terms of the period immediately prior to the remedy as well as the similar period in 2008. China did rebound slightly in December 2009 and January 2010 and again in May and June 2010, though import levels remain depressed. Overall, Chinese imports of tires have decreased significantly since the section 421 remedy was applied.