**U.S. tire levy unleashes a maelstrom in China**

CAROLYNNE WHEELER

BEIJING — Special to The Globe and Mail Last updated on Friday, Sep. 18, 2009 03:25AM EDT

Fearing that an increase in protectionism in the Western world could gum up China's already slowing export machine, Chinese government authorities have launched a full-scale public relations assault over a tire levy designed to pacify U.S. union leaders.

As morning broke on the first business day since U.S. President Barack Obama quietly announced a new 35-per-cent tariff on imports of Chinese tires, headlines in state-controlled Chinese media screamed about the levy and China's response: an anti-dumping investigation into imports of U.S. chicken and auto products.

Newspaper editorials are warning against "irresponsible" U.S. measures. A bulletin has gone out on Chinese embassy websites around the world.

Chinese ministers and deputy ministers, who are now demanding World Trade Organization talks on the matter, are repeating their message over and over.

"It was a misuse of the special safeguard measures and sent a wrong signal to the world," Chinese Commerce Minister Chen Deming said of the U.S. move in a statement. "Not only does it violate WTO rules, it contravenes commitments that the U.S. government made at the G20 summit."

Even the chairman of China's Rubber Industry Association is skipping meals to write petitions, or so he has told state media.

"The new tariff will be highly damaging to China's tire industry and may cause 100,000 Chinese tire workers to lose their jobs," Fan Rende, the association's chairman, was quoted as saying. "The effect will be immediately obvious."

China's anxiety over trade is, perhaps, understandable. Chinese authorities desperately want to avoid a repeat of the estimated 20 million to 30 million jobs lost early this year amid widespread factory closings. Officials are working frantically to ensure this year's economic growth reaches a targeted 8 per cent, for fear anything less will lead to spikes in unemployment and political unrest. Though government statistics are unreliable, the official jobless rate stood at 4.3 per cent for the first half of this year and the government has pledged to ensure it doesn't exceed 4.6 per cent.

But economists warn that China's promising numbers are based largely on government stimulus spending and cannot stabilize until exports pick up again. Despite otherwise positive indicators, China's exports have continued to plummet, by 23 per cent year on year in both August and July and 21.4 per cent in June.

A surge in protectionism would only force those numbers down further, observers here warn.

"Given the severe consequences that the irresponsible U.S. move could trigger, such as a chain reaction of trade protectionist measures to slow the pace of the global recovery, we are calling on the international community to raise the alarm against rising protectionism here and now," read an editorial in the state-controlled China Daily, an English-language publication whose message is often tailored to a foreign audience.

Chinese officials are especially keen to ward off any further such measures from the United States lest their European trading partners follow suit, analysts say.

"Really, the U.S. is not setting up a good example. China is worried about the obvious domino effect," said David Li, director of Tsinghua University's Centre for China in the World Economy.

Compounding the situation is that this is a politically sensitive period, with the ruling Communist Party's annual plenum opening today and just over two weeks remaining before China marks the 60th anniversary of the Communist revolution with a massive celebration and military parade, which will also include heavy security to prevent embarrassing interruptions by protesters.

The Chinese President, Hu Jintao, is also due in the United States on Sept. 21, attending a series of United Nations meetings before the opening of the G20 summit in Pittsburgh hosted by Mr. Obama on Sept. 24.

"It's a clear signal to the U.S. to take Chinese annoyance at the U.S. reaction seriously, but also not to expand the situation," said Russell Leigh Moses, a Beijing-based professor of Chinese politics who has been following the debate. "I think this has a ways to go before it goes from a skirmish into something extremely debilitating. ... The real risk is that public opinion begins to drive policies in both countries in such a way so that nationalist sentiment overrides economic sense."

However, observers in Beijing say they doubt the situation will escalate beyond the present tit-for-tat dispute, since both countries simply have too much at stake. China's export-driven economy cannot afford to sour relations, while the United States is dependent upon China's holding of $776.4-billion (U.S.) in Treasury bills for its economic recovery.

"Both sides would not want to see this escalate," Mr. Li said.