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China Opens Inquiries Into U.S. Exports as Tensions Rise

By KEITH BRADSHER

HONG KONG — China unexpectedly ratcheted up pressure on the United States in a widening trade dispute on Sunday evening, taking steps toward imposing tariffs on American exports of automotive products and chicken meat in retaliation for President Obama's decision late Friday to levy tariffs on tires.

The action by China's commerce ministry came as both governments are facing domestic pressure to take tougher stands against the other on economic issues, even as leaders seek to work together to combat global security threats, like the nuclear ambitions of Iran and North Korea. Mr. Obama's decision to impose a tariff of up to 35 percent on Chinese-made tires came after he promised labor unions during the 2008 campaign that he would more strictly enforce trade laws, especially against China, which has steadily gained manufacturing jobs as the United States has lost them.

The Chinese government's counter-move came at the end of a weekend in which Mr. Obama's act triggered a crescendo of nationalistic vitriol against the United States on Internet sites in China. "The U.S. is shameless!!" said one posting, while another called on the Chinese government to sell its huge holdings of Treasury bonds.

The commerce ministry's threat against American auto and chicken shipments came a day after the same agency had issued a fairly formulaic criticism of the tire dispute. The abrupt shift toward a more combative stance underlined how Chinese public opinion, expressed on the Internet, is starting to influence policymaking in Beijing.

For many years, American politicians have been able to take credit for standing up to Beijing by taking largely symbolic measures against imports from China in narrowly defined categories. But rising nationalism is making it harder for Chinese officials to gloss over American criticism so as to preserve an unbalanced trade relationship in which the United States buys $4.46 in Chinese goods for every $1 of American goods sold to China.

"All kinds of policymaking, not just trade policy, is increasingly reactive to Internet opinion," said Victor Shih, a Northwestern University specialist in economic policy formulation.

In the last five years, the Commerce Department has restricted Chinese imports of everything from bras to oil well equipment, and Chinese officials have grumbled but done little. They complained again after the Commerce Department imposed preliminary tariffs last Wednesday on certain steel tubes, and made similar remarks in their initial response on Saturday to the tire decision.

But presidential involvement in the tire tariffs prompted heavy coverage in the Chinese media, and led to a surge of anti-American Internet postings.

Eswar Prasad, a former China division chief at the International Monetary Fund, said that escalating tensions between the United States and China could become hard to control. They could also become an issue at the meeting in Pittsburgh of the Group-20 heads of state in late September, and when President Obama visits Beijing in November.

“This spat about tires and chickens could turn ugly very quickly,” Mr. Prasad said.

China’s commerce ministry announced on Sunday evening that it would investigate “certain imported automotive products and certain imported chicken meat products originating from the United States” to determine if they were being subsidized or “dumped” below cost in the Chinese market. A finding of subsidies or dumping would allow China to impose tariffs on these imports.

The agency did not specify if it meant fully assembled cars or car parts.

China’s commerce ministry did not mention the tire dispute in its announcement on Sunday, taking pains to portray the investigations as “based on the laws of our country and on World Trade Organization rules.”

But the timing, on a weekend and so soon after the tire decision in Washington, sent an unmistakable message of retaliation. The official Xinhua news agency Web site prominently linked together its reports on the tire dispute and the Chinese investigations.

The commerce ministry statement, posted on its Web site, also hinted at the harm that a trade war could do while Western nations and Japan struggle to emerge from a severe downturn. “China is willing to continue efforts with various countries to make sure that the world economy recovers as quickly as possible,” the statement said.

The Chinese government sometimes organizes Internet postings, particularly to defend its policies. But some postings on the tire decision have been implicitly critical of the Chinese government, making it unlikely that they are part of a government-sanctioned effort.

“Why did our government purchase so much U.S. government debt?” said one posting signed by a “Group of Angry Youths.” The posting went on to say, “We should get rid of all such U.S. investments.”

China has accumulated $2 trillion in foreign reserves, mostly in Treasury bonds and other dollar-denominated assets. It has done so by printing renminbi on a significant scale and selling them to buy dollars.

This has held down the value of renminbi in currency markets and kept Chinese goods quite inexpensive in foreign markets. China’s exports have soared — China surpassed Germany in the first half of this year as the world's largest exporter — while China's imports have lagged, except for commodities like iron ore and oil that China lacks.

Worries that China might sell Treasury bonds — or even slow down its purchases of them — have been a concern for the Bush and Obama administrations as they have tried to figure out how to address China's trade and currency policies.

But China now finances a much smaller portion of American borrowing than a year ago. The savings rate in the United States has climbed during the recession and many private investors have been seeking the safety of Treasuries.

At the same time, the Chinese economy relies heavily on exports to the United States, while the American economy is much less dependent on exports in the other direction.

Exports to the United States, at 6 percent of China's entire economic output, account for 13 times as large a share of the Chinese economy as exports to China represent for the American economy. Tires, bras and other products involved in trade disputes together make up only a minuscule sliver of the two countries' trade relationship.

The bigger risk for China, economists and corporate executives have periodically warned, is that trade frictions could cause multinationals to rethink their reliance on Chinese factories in their supply chains. That could lead them to diversify their factory investments and components purchases to more countries.

The Chinese selection of autos and an agricultural product affects two politically powerful industries that may have the political muscle in the United States to dissuade the Obama administration from challenging China's policies.

General Motors sees much of its growth coming from its China subsidiary, the second-largest auto company in China after Volkswagen. The farm lobby in the United States has long pressed for maximum access to a market of 1.3 billion.

But spotlighting automotive trade may be risky for China. G.M. and Ford both rely almost entirely on local production to supply the Chinese market, because China has steep tariffs on automotive imports.

China has rapidly expanded its share of the American auto parts market at a time of high unemployment in the Upper Midwest, where the manufacture of auto parts has long employed more people than the final assembly of cars.