

CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM CHINA

**PUBLIC HEARING BEFORE THE
UNITED STATES TRADE REPRESENTATIVE**

AUGUST 7, 2009

TESTIMONY OF THOMAS M. CONWAY
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UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Good morning. My name is Tom Conway, and I am an International Vice President of the United Steelworkers union. I thank you for the opportunity to appear before you today.

Faced with the overwhelming evidence in this case, opponents to relief have been forced to rely on a series of red herring arguments in a desperate attempt to distract you from the facts. Many of these arguments were already made at the ITC, and rejected there. These claims were unsupported there; and they are not supported here.

I would like to address three general arguments the other side has made.

First, opponents put great weight on their theory of attenuated competition between Chinese and U.S. tires based on three supposed “tiers” in the market. The Commission found there was one problem with this argument: there are no facts to support it.

China Tires 421:
Opponents' Claims Rejected by ITC

Rejected Claim #1:

Attenuated competition in a tiered market

- "The information in the record does not support their claim that competition between U.S.-produced tires and the subject imports is attenuated."
- "There is significant competition between the subject imports and domestic tires in the U.S. market."
- "Shipments in 2008 of both domestically produced tires and subject imports from China ... fell into all three categories."

USITC Publ. 4085 at 27 21

The record showed there was no consensus on how to define these tiers, even among those who argued they were a central feature of the market. Moreover, the Commission found that U.S. tires are present in every part of the market, and that tires from China are also present in every part of the market. The Commission found that there is "significant competition between" Chinese and U.S. tires across the entire spectrum.

We also submitted information to the Commission demonstrating that for a given tire specification, tires from China may be sold at price points that are higher or lower than the price point of U.S. tires.

China Tires 421:
Opponents' Claims Rejected by ITC

U.S. and Chinese tires compete across the spectrum

Tire Size	U.S. Prices	China Prices
205/55R16	\$77	\$73
	\$83	\$82
	\$86	
	\$92	\$92
	\$93	
	\$96	
	\$105	\$103
215/70R15	\$113	
	\$62	
	\$63	\$63
	\$67	\$66
	\$71	
	\$75	
	\$86	\$82

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Source: USW Posthearing Brief at Aranoff Question 5.

Even within the same tire brand, a range of offerings are available in a classic "good, better, best" marketing strategy. The truth is that domestic tires and Chinese tires are in direct and

sustained competition with each other throughout the market, both within and between the alleged tiers relied on so heavily by opponents.

Second, contrary to opponents' arguments, the domestic industry did not voluntarily "abandon" any part of the domestic tire market – nor will it hesitate to step back in if the opportunity is created.

China Tires 421:
Opponents' Claims Rejected by ITC

Rejected Claim #2:
The U.S. industry "abandoned" part of the market

- ITC majority: "We do not agree that domestic producers voluntarily abandoned the lower-priced part of the U.S. tire market."
- ITC minority: "We recognize that domestic tire producers have not abandoned the tier 3 market, as respondents maintain."

USITC Publ. 4085 at 26, 64

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All of the Commissioners, including the dissenting minority, rejected this "abandonment" argument. The domestic industry still has a significant presence in the so-called tier three of the market, where it sells nearly 19% of its products. And they will increase their participation if the opportunity is created. Indeed, the sworn statements of tire workers with decades of experience on the shop floors of U.S. tire plants attest to the fact that there is large unused capacity at U.S. facilities, and that this capacity can be used to produce a full spectrum of products that can compete across the board. As Mr. Hoover will explain, we have worked tirelessly to ensure our companies are positioned to exploit any new market opportunities relief creates, and we'll continue to do so. I find it incredible that our opponents think their unfounded speculation can outweigh the first-hand knowledge of the people who actually make tires in this country. The Commission didn't buy their arguments, and I hope you won't either.

Third, and finally, opponents make two fundamentally contradictory arguments to urge that relief be denied.

China Tires 421: Opponent's Contradictory Claims on Remedy		
	Remedy Will Have No Effect	Remedy Will Have Too Much Effect
American Coalition for Free Trade in Tires	Non-subject imports at prices significantly below US prices will replace "virtually all" Chinese imports if a remedy is imposed (ITC Remedy Brief at 7) "There wouldn't be any harm to the consumer." Transcript of ITC hearing at 336 (Mr. Phillip Barra, President, Community Wholesale Tire, Inc.)	A remedy will cost consumers an additional \$600 to \$700 million per year (USTR Submission at 2)
CCCMC & CRIA	If a remedy is imposed, importers will simply turn to other low-cost sources to supplement supply (ITC Remedy Brief at 7, 10)	It is "beyond dispute" that any import restriction will impose "enormous costs" on consumers and be "hugely costly" (USTR Submission at 32)
Les Schwab	Import restrictions will "merely reshuffle the sourcing" of imports, and distributors will buy tires from third countries at the same price as tires from China (ITC Remedy Brief at 4-5)	"The overall cost of the proposed remedy to U.S. consumers is staggering." (USTR Submission at 10)
API	Other countries will be the "primary beneficiaries" of any relief, replacing the imports from China (USTR Submission at 4-5)	Relief would create shortages, price increases, and delays in purchases (ITC Remedy Brief at 3, 5, 8) 24

On the one hand, they claim that relief will be ineffective: that imports from China will simply be replaced with non-subject imports, or that there won't be enough new incentive for the domestic industry to increase production. On the other hand, they state that relief will be too effective: that all imports from China will be blocked, that the market will shrivel to the point where tens of thousands of salespeople will lose their jobs, and that prices will shoot up so dramatically that consumers will risk their lives rather than buy new tires. Both arguments obviously can't be true – they can't have it both ways.

Our position, and that of the Commission majority, is consistent.

China Tires 421:
ITC Views on Remedy Benefits and Costs

"This increase in the tariff would significantly improve the competitive position of the domestic industry, increasing domestic production, shipments, and employment and restoring the domestic industry to at least a modest level of profitability."

"Any negative effects on U.S. consumers will likely be very small in absolute terms and even smaller in relative terms ... "

USITC Publ. 4085 at 35, 37

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A meaningful tariff on imports will enable the domestic industry to sell more product at more competitive prices. This will allow companies to attain a reasonable level of profitability so that they can sustain American jobs and communities, all at a minimal cost to consumers. And that is exactly how section 421 was intended to work.

On behalf of the thousands of workers who depend on the right outcome in this case, I urge you not to be distracted by the other side's frivolous arguments. The record speaks for itself, and it cries out for a meaningful remedy in this case.

Thank you.