

TESTIMONY OF THE HONORABLE TIMOTHY J. RYAN (OH-17<sup>th</sup>)

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM THE PEOPLE'S REPUBLIC OF CHINA

INVESTIGATION NO. TA-421-7

JUNE 2, 2009

Madame Chair, Members of the Commission, I thank you for the opportunity to testify in support of the United Steelworkers' Section 421 petition on consumer tires. I am confident that after a fair and objective analysis of the facts, the Commission will determine that the criteria for an affirmative determination have been met and that you will recommend to the President the relief requested by the union.

As the letter I sent to the Commission just a few days after the union filed the petition pointed out, I am no stranger to Section 421 cases. In 2003, I testified in support of petitioners in a case involving welded non-alloy steel pipe. The ITC ruled in favor of the petitioner but President Bush opted against giving relief. Therefore, I am back, once again, urging that American jobs be saved from a continuing surge of imports from China. The market disruption in the current 421 investigation of consumer tires can only be stopped by an affirmative determination. I hope for a better outcome from the Obama Administration in the event the Steelworkers win at the ITC.

The final outcome of this investigation will have a huge impact on the well-being of thousands of American families and their communities around the country. American workers who make passenger and light truck

tires have the right to expect that our trade laws are enforced and that, at long last, appropriate remedies are applied to China in a section 421 safeguard investigation. If that does not happen here and now, these skilled jobs will be forever lost.

I trust you will find, as I have, that the facts presented by petitioners are persuasive. A surge has occurred in consumer tire imports from China of nearly 300 percent in dollar terms, and over 200 percent by volume from 2004-2008. At the same time, U.S. production has declined by 25 percent. Four plants around the country have closed and two more are scheduled to close this year. Thousands of skilled, high-wage workers have lost their jobs. During this period, Chinese-made consumer tires have increased their market share significantly and domestic makers, as a result, have lost market share. The petition and supporting documents establish this reality. As you consider these facts, I urge you to keep in mind how important remedies such as Section 421 are to the well-being of the hardworking people in my district and around the country.

Allow me to share with you my personal experience about how trade has contributed to tough times in some of the communities in the 17<sup>th</sup> Congressional District of Ohio. I am now in my fourth term of representing the people who live and work in communities in Ohio's Mahoning Valley. Youngstown and Warren are some of the best known. I am sure these places immediately prompt images of abandoned factories and vacant homes. In fact, some of the factories as well as several of the homes have simply been razed. The jobs and neighborhoods of hardworking Americans

have literally been wiped out. As a result, Youngstown has half the number of people it did in the 1950s. The steel mills that helped form the backbone of American manufacturing, and the 40,000 jobs these mills supported, are largely gone. Now, the auto industry is facing a life-and-death struggle. The parts makers, machine shops, and hundreds of other suppliers that depended on strong auto and steel sectors in Ohio are now in peril. U.S. trade policy has had much to do with this decline in manufacturing jobs and has put downward pressure on wages in my community and around the country.

Since 2000, four million manufacturing jobs have been lost in the United States. Our trade remedy laws, if vigorously applied, can prevent the decline from worsening. In fact, they are critical to achieving fairness on the international stage. Our foreign trading partners need to know that we are going to use an enforcement tool such as the Section 421 safeguard to combat market disruption that results from a flood of imports from China.

Section 421 was adopted when Congress voted to establish Permanent Normal Trade Relations with China and pave the way for its membership in the World Trade Organization (WTO). Congress insisted on - and China agreed to - certain safeguards as a condition of membership. It was clear that China's phenomenal growth could lead to increases in production and surges in imports that would cause economic disruptions to even the most efficient and competitive of domestic companies. That is exactly what we have seen in the consumer tire industry over the last five years. It is import surges such as this with their resultant impact on

American jobs and companies that lawmakers had in mind when Section 421 was conceived. The Chinese made a commitment in 2000 to respect and abide by this law, so I am disturbed to see the Chinese inappropriately attacking the provision and even trying to interfere with the legal process at the ITC.

U.S. trade policy needs to be revised and strengthened, not weakened, and I am pleased that, during his campaign, President Obama placed so much emphasis on enforcement. However, Chinese bilateral trade frictions in particular remain very problematic. The Chinese consistently keep the value of their currency artificially low. They provide massive state subsidies to all key industrial sectors and dump products in the U.S. market priced below the sales prices at home. I have introduced legislation to address this serious issue—the Currency Reform for Fair Trade Act of 2009 (HR 2378). However, in addition to legislation, we must work to solve the problem multilaterally at the WTO and bilaterally through the U.S. China Strategic Economic Dialogue.

I am here to ask how much more the hardworking people in the Mahoning Valley and places like it must take. Is it right to just give up on them? Should we just assume the world is changing and that some jobs are destined to inevitably leave the United States in favor of China and other countries?

The answer to these questions is an emphatic “no.” I believe it is unacceptable to ignore this opportunity to help workers stay on their feet.

Section 421 is important to the fate of the workers at companies like the Denman Tire Company, located in Leavittsburg, Ohio. Located just west of Warren, the Denman plant opened 90 years ago and produces high quality tires for autos, light trucks, earthmoving and farm machinery, and race cars. The company has a production capacity of nearly one million tires a year, roughly half of which are of the passenger and light truck variety—the subject of this investigation. The facility employs 270 unionized individuals in decent-paying, high skilled jobs. The company has been struggling and was forced to lay off over 80 workers this year. It needs to upgrade equipment so that it can remain competitive, but the crush of Chinese-made imports in recent years has made it difficult to make that kind of investment.

My constituents fully understand that competition is part of the American tradition. Successful companies are always looking for ways to improve products and services. Smart companies are eager to use new materials and technologies. Wise companies invest in the development of their employees' skills and care about their employees' well-being. This is what Denman has done for 90 years. These principles have allowed Denman and other companies to survive and thrive even as new players enter the market at home and abroad.

Despite this, the modern global marketplace has created competitive pressures that did not exist a generation or two ago. The emergence of China as a manufacturing powerhouse has carried with it notable

imbalances in trade dynamics. Despite its enormous impact on global trade, China's evolution from a developing country with a state-directed economy is not complete. Each year, the Office of the U.S. Trade Representative produces a report on China's progress in meeting obligations it undertook upon joining the WTO. Even now, almost ten years into that process, the report makes clear that China has not made a transition to a market economy and there are countless examples of state intervention in that country's economic affairs. That is why we need proper enforcement of Section 421.

As I said at the beginning of my testimony, sometimes remedies such as 421 are all that stand between economic stability and economic hardship for thousands of families and their communities. The proper use of remedies can make the difference between business profitability or bankruptcy. If public officials fail to apply appropriate remedies, they risk sacrificing the jobs of working people in the Mahoning Valley and other communities to a marketplace that is structurally imbalanced. We must not let this happen. I believe manufacturing can remain a viable part of the Mahoning Valley and so do the people I represent.

The people in my District and in the State of Ohio need the opportunity to regroup against this flood of consumer tire imports, particularly during a recession. It is crucial to restore fair competition for manufacturing jobs and, thus, ensure they are ready to play a role in our economic recovery and long-term prosperity.

Madame Chair, global trade works better when rules put in place to correct sudden disruption and distortions are applied. Public support for liberalized trade rests on the assumption that these rules will be applied in a timely manner so workers are not unfairly disadvantaged. One of the well-worn phrases of Administrations – both Democratic and Republican – is the vow to use all the tools in the enforcement tool box. Well, the 421 tool has never been used by an Administration. Now is the time for it to be applied before Section 421 sunsets in 2013.

I urge the Commission to make an affirmative determination that adopts the remedy recommended in the Petition. If you do so, I have faith that the President will act accordingly.

Thank you for the opportunity to testify today.