

*Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2009
Review of a Competitive Need Limit Waiver (Investigation No. 332-512)*

HEARING STATEMENT OF LINDA ANDROS,

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Workers International Union ("USW")

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Good morning. I am Linda Andros, Legislative Counsel at the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"). I am here today opposing the petitions for waivers from competitive need limitations for motorcar radial passenger tires from Thailand. I am accompanied by Eric Salonen from the law firm of Stewart and Stewart.

The USW is the largest industrial union in North America, representing workers across broad swaths of the industrial manufacturing base. We represent nearly half of the 31,000 workers employed in plants in nine states across the U.S. producing passenger and light truck tires, including for Goodyear, B.F. Goodrich, Kelly, Dunlop, and other (including private) brand labels. The petitions at issue are filed by large, multinational tire companies – Bridgestone, Yokohama, Sumitomo and Falken. As you know, the USW was the petitioner in the section 421 safeguard case brought on tires from China. We sought relief – which the President provided in September of 2009 – to counter the incredible surge of Chinese tires and to help stop the further loss of jobs – more than 5,000 had already been lost. We certainly did not bring that petition so that companies could then seek waivers under the GSP system to avoid the special safeguard remedy and undermine its effect.

This is now the third GSP investigation conducted by the Commission that involves a competitive need limitation waiver for tires. In 2008, the Commission reported on the probable effects of granting a competitive need limit waiver for radial motor car tires from Indonesia and in 2007 for bus and truck tires from Thailand. One critically important difference between this investigation and the earlier ones is that this takes place in the wake of President Obama's decision to impose tariffs on imports of passenger car and light truck tires from China pursuant to Section 421 of the Trade Act of 1974. As the petitioner in that case, the USW believes that the Commission should not limit its analysis to its traditional methodology, but should take into account the probable effects of granting the waiver on the beneficial impact of the Section 421 remedy.

I am here to tell you that those tariffs are having their intended effect. Chinese imports have declined significantly. Tire companies such as Michelin are recalling laid off workers and hiring new ones, while other companies such as Cooper Tire and Rubber have announced significant new investments to expand capacity in their U.S. facilities. A recent report in Modern Tire Dealer confirmed that the safeguard tariffs have resulted in an increase in market share by the domestic industry. However, the industry's condition remains fragile. Relief has only been in place for a few months, while the economy has and will be slow to recover from the steepest contraction since the Great Depression. According to the Rubber Manufacturers Association, tire shipments in 2009 were 13 percent lower than in 2008. While shipments are expected to increase modestly in 2010, the fact is that the market will still be significantly smaller than it was two or three years ago. Indeed, Bridgestone's own prehearing brief estimates that demand in both the Original Equipment and Replacement tire markets in 2013 will still be some nine million tires less compared to 2007.

Certainly, the USW is very concerned that granting the waiver would adversely affect the domestic industry and its workers and our members by undermining the effectiveness of the Section 421 tariffs. Petitioners like Bridgestone claim that those tariffs caused imports from Thailand to increase and near or surpass the CNL threshold. We disagree. Imports from Thailand have been surging long before the Section 421 tariffs were implemented. Indeed, just between 2007 and 2008, imports of the subject tires from Thailand into the United States increased more than 70 percent by volume and more than 78 percent by value. That increase occurred some four months before the USW even filed its Section 421 petition. In 2009, the surge continued as imports were nearly 12 percent higher by volume and 22 percent higher by value compared to 2008. Please keep in mind that these increases occurred at a time of declining demand.

We also disagree strongly with the claim that Thai imports are unlikely to have a significant impact on the domestic industry because they only account for a small share of the market. Let's be serious -- the likelihood is that imports from Thailand will increase rapidly as companies such as Bridgestone close their U.S. facilities and eliminate U.S. jobs while sourcing more of their supply from offshore locations. Indeed, when Bridgestone petitioned for a CNL waiver for imports of bus and truck tires from Thailand, the company specifically told you that it planned to increase its production and exports of those tires to the United States if the waiver was granted. The large increase in imports of motor car tires from Thailand in 2007 and 2008 followed Bridgestone's closure of its Oklahoma City plant. So, companies like Bridgestone -- who are here seeking increases in preferential access -- are doing so for a reason -- to use that GSP access to move more and more U.S. production offshore and export it back here. If that

does not constitute harm to domestic workers and the domestic industry, then I don't know what would.

Furthermore, even relatively small increases in imports are likely to undermine the effectiveness of the Section 421 relief. Commissioners who recommended a 421 remedy estimated that the domestic industry would see an increase of between 3.4 and 6.8 percent in its shipments compared to 2008. That translates into an increase of between 4.6 and 9.3 million tires. So, clearly, even relatively small increases in Thai imports likely would reduce that increase significantly, thereby undermining the effectiveness of relief.

We also urge you to use the record information from the Commission's Section 421 staff report to inform your analysis concerning the condition of the domestic industry. The two previous GSP investigations provided incomplete accounts of the industry's condition. For example, the report concerning motor car tires from Indonesia showed the number of workers employed in the domestic industry at 55,000 in 2007. It indicated that shipment quantities declined only "slightly." Tellingly, that report had no information on the industry's financial performance whatsoever.

By contrast, the recent section 421 findings show that the passenger car and light truck tire industry had fewer than 32,000 workers in 2007 and that shipments had declined more than 25 percent between 2004 and 2007 – hardly what could be called only a "slight" decline. Between 2004 and 2008, the industry's average annual operating income margin was less than one percent – let me repeat -- less than one percent. Virtually all industry indicators showed significant declines over that period:

- Capacity: Down nearly 18 percent;
- Production: Down more than 26 percent;

- U.S. shipments: Down nearly 30 percent;
- Employment: Down more than 14 percent, with another 3,000 jobs lost in 2009;
- Hours worked: Down 17 percent;
- Wages paid: Down 12.5 percent;
- Net sales: Down more than 28 percent by volume;
- Gross profits: Down more than 33 percent;

The contrast is just as stark regarding plant closings. The Indonesian GSP report merely notes that domestic producers closed plants in response to declines in demand and that Goodyear had "sold off" one of its plants in Tyler, Texas. However, as the 421 case made clear, the plant closings and declines in employment were due largely to the surge in imports of tires from China. Imports increased in market share from under five percent to more than 16 percent between 2004 and 2008, while the domestic industry went from supplying more than 63 percent of demand to less than 49 percent.

I also feel I must respond to Bridgestone's claim that granting the waiver will work to the benefit of U.S. workers in its factories. The company states in its pre-hearing brief that "[T]he GSP benefits associated with its imports from [Thailand] have facilitated continued high capacity utilization at its two domestic passenger car radial tire production facilities. . . ." Bridgestone opened its Thai tire facility in 2004. Since that time, it has closed one passenger tire plant in Oklahoma City and ceased production of passenger and light truck tires in La Vergne, Tennessee, leaving more than 1,900 USW workers without work. The Labor Department granted trade adjustment assistance to the La Vergne employees after finding that Bridgestone had "increased reliance on imports" To suggest that granting continued GSP preferential

access to these imports will somehow work to the benefit of U.S. workers is contradicted by Bridgestone's own history and plain common sense.

We've lost over 8,000 jobs in this industry; we now have hard-earned relief provided under Section 421 for this industry, and we face the looming spectre of a jobless recovery and about 10 percent unemployment for the foreseeable future. The Generalized System of Preferences program was never intended to make things even worse by assisting companies such as Bridgestone to shift more and more U.S. production and jobs offshore by granting preferential tariff treatment to their imports into the United States. Now is the time to be looking out for the interests of American workers.