

Testimony of Senator Arlen Specter
U.S. International Trade Commission Hearing:
Certain Passenger Vehicle and Light Truck Tires from China
Investigation No. TA-421-7
June 2, 2009

Chairman Aranoff and members of the Commission, I appreciate the opportunity to testify before you today in support of the petition filed by the United Steelworkers on April 20, 2009, under Section 421 of the Trade Act of 1974 seeking relief from market disruption caused by the recent surge of imports of consumer tires from the People's Republic of China.

At issue are Chinese imports of consumer tires used on passenger cars, light trucks, minivans and sport utility vehicles. The United Steelworkers represents roughly 15,000 workers employed at 13 consumer tire-producing plants in 9 states, which accounts for nearly half of the industry's 2008 production capacity. Overall, the domestic consumer tire industry consists of 10 producers with 27 plants in 15 states. In Pennsylvania, 300 workers are employed in Indiana, PA.

Section 421, which was included in the legislation granting permanent normal trade relations to China in 2000, ensures that the federal government can take effective action when "products of [China] are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products."

The facts of the case demonstrate that a surge of imports has occurred and that it has caused market disruption to the domestic producers:

- 1. Imports of consumer tires from China surged 215 percent from 2004 to 2008, making China the largest single exporter of consumer tires to the U.S. market.** To put this surge in context, imports from the next largest sources after China – Japan, Canada, and South Korea – declined roughly 20 percent over the same span.
- 2. Chinese consumer tires are priced well below such imports from other countries.** In 2008 the average unit value of Chinese consumer tires was \$38.90 while the average unit value of all other imports excluding China was \$55.29.
- 3. Domestic production declined by roughly 25 percent over the surge period.** In addition, U.S. producer market share fell from 61.9 percent in 2004 to 47.6 percent in 2008, while Chinese market share increased from 4.93 percent to 17.3 percent during the same period.
- 4. Domestic industry and its workers have suffered substantially.** More than 4,400 domestic workers have lost their jobs due to tire plant closures since 2004, and roughly 2,400 more jobs are slated to be lost by the end of 2009 as additional plants close or stop production of consumer tires.

If relief is not granted, our domestic production facilities and the workers employed there will remain at risk. The petition requests that the Commission recommend to the President an import quota on China of 21 million consumer tires per year, the 2005 level, with an increase of five percent per year over a three-year period. This would allow domestic tire producers to regain lost market share, increase production and sales, and allow investment in capital equipment to better compete in the long term.

Unlike most U.S. trade laws, Section 421 specifically deals with imports from China, which has a record of unfair trade and anticompetitive business practices that have included subsidized capacity expansion, limited workplace and environmental standards, and currency manipulation. Because of the injurious effects that imports from China have had on the domestic industry in recent years, American workers and their families continue to face layoffs, shorter shifts, and pay reductions. Entire communities are being affected as businesses are forced to either cut production or close their facilities completely.

On September 19, 2000, the U.S. Senate voted 83-15 to grant permanent normal trade relations status to China. The inclusion of the 421 safeguard measure was a critical element to the adoption of that measure. Even with its inclusion, I opposed the measure because I felt that based upon the record that China had, normal relations could not exist. To date, domestic industries have filed six petitions to impose 421 Safeguards. In the four cases where the Commission found evidence of market disruption – wire hangers, steel pipe, brake drums and rotors and “pedestal actuators,” a component used in scooters for the disabled – former President Bush decided against granting relief to the injured domestic industries because he determined

that providing such relief was not in the national economic interest of the United States. If the Commission recommends relief, it is a realistic expectation that President Obama will take a fresh look at these Section 421 cases in light of the serious economic problems and the loss of 5.7 million jobs since the start of the recession in December 2007 and agree that vigorous enforcement and effective use of our trade laws is crucial for the domestic industry with foreign competitors such as China having vast overcapacity and having repeatedly demonstrated their willingness to send their products into our market in large quantities.

The record demonstrates that the recent surge in consumer tire imports from China has caused market disruption, negatively affecting domestic workers and producers. Section 421 relief should be implemented on behalf of the domestic consumer tire industry so that it may compete on a level playing field with China. I urge the Commission to fully and fairly consider the evidence presented in the petition, as well as the testimony provided here today, and issue an affirmative finding on behalf of U.S. workers.