STAFF CONFERENCE BEFORE
THE U.S. INTERNATIONAL TRADE COMMISSION

CERTAIN NEW PNEUMATIC OFF-THE-ROAD TIRES FROM CHINA, INDIA, AND SRI LANKA

INVESTIGATION NOS. 701-TA-551-553 AND 731-TA-1307-1308 (PRELIMINARY)

January 29, 2016

TESTIMONY AND MATERIALS IN SUPPORT OF IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTY ORDERS

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CERTAIN OFF-THE-ROAD TIRES FROM CHINA, INDIA, AND SRI LANKA
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PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

JANUARY 29, 2016

STATEMENT OF PAUL HAWKINS
VICE PRESIDENT, SALES
TITAN TIRE CORPORATION

Good morning. My name is Paul Hawkins. I am the Vice President of Sales at Titan Tire Corporation. I have been with Titan for ten years, and I have overseen the company's off-the-road tire business both on the operations and sales side.

Eight-and-a-half years ago, I testified before this Commission's staff as Titan's Vice President of Operations. At that time, we were facing a surge of unfairly dumped and subsidized imports of certain off-the-road tires from China. Rising volumes of low-priced imports were seizing shipments and market share from Titan and other domestic producers, undercutting prices, adversely impacting the domestic industry and its workers, and leaving large amounts of our capacity to produce particularly smaller OTR tires under-utilized. The Department of Commerce found that these imports were being dumped below their normal value and subsidized by the Government of China. This Commission found that imported OTR tires from China were injuring the domestic industry. As a result, antidumping and countervailing duty orders were imposed on OTR tires from China.

These orders have had a profound benefit for Titan and other domestic OTR tire producers. Despite the imposition of these orders, eight years later our industry is facing renewed unfair competition and material injury. There are two significant changes that have occurred since the first case. First, our industry is now facing not only growing import volume but stagnant to declining demand, whereas in the last case we were experiencing an upswing in demand. The second difference is that while last time our concerns were focused on China, today we are facing a three-pronged attack from China, India, and Sri Lanka. Finally, this case covers tires whether they enter mounted or unmounted, whereas the first case only covered unmounted tires.

Since orders were imposed in 2008, Chinese producers started exporting mounted tires as well as unmounted tires. In addition, producers in India and Sri Lanka – both major producing nations for certain OTR tires – have also increased their focus on expanding market share in the U.S. market. Companies such as BKT and Alliance in India, and Solideal – known as Camso – in Sri Lanka, have been flooding the market with exports of OTR tires in recent years. Identifiable imports of unmounted tires from India and Sri Lanka and mounted certain OTR tires from all three countries grew from 1.38 million tires in 2012 to 1.5 million tires in 2014, not including mounted tires entering in basket categories.

This increase is even more significant given the overall declining demand for OTR tires because of cyclical downturns affecting a number of sectors. Since 2013, the market for agricultural tires, which are the largest share of the market for OTR tires, has seen a sharp downturn as commodity prices and farm income have collapsed. Corn prices, for example, are below the break-even point for most farmers, which deeply depresses sales of new agricultural equipment. As a result, demand for OTR tires for original agricultural equipment is down significantly. And demand for agricultural tires in the aftermarket was essentially flat from 2012 to 2014 and we believe on a downward trend in 2015. Demand for OTR tires in the construction and industrial sectors has also been down sharply at OEMs and essentially flat overall despite some uptick in construction as the economy slowly recovers. Finally, demand for mining tires is way down given the implosion of commodity prices as China's economy slows and the rest of the world's chugs along at a very moderate pace. The smaller sized mining tires included in this case, which tend to be used in coal mining, have also been hard-hit.

As subject imports from the three countries grew by nearly nine percent from 2012 to 2014 in a declining market, they gained market share at the expense of domestic producers. Subject imports continued to grow in 2015, even as demand has continued to contract, gaining a growing share of the U.S. market.

The way these foreign producers were able to gain market share was through aggressive price undercutting. Our own analyses of import unit values and market prices for OTR tires from the three countries show that they are being offered at prices that are twenty to sixty percent below Titan's own prices for comparable tires. In addition, prices for OTR tires from the three countries have dropped significantly, with average import unit values dropping by 12 to 22 percent depending on the country from 2012 to 2014. Prices continued to drop in 2015.

This price depression has driven down Titan's own prices, as we are forced to compete with these unfairly traded imports to make sales to a broad range of customers. During the first set of investigations, industry and distributors testified that price is the key element to business demand for OTR tires, particularly in the aftermarket for agricultural and industrial/construction tires. What was true then remains true in the period of investigation for this present set of cases. We know that the Commission staff will find when the questionnaire responses are compiled that imports from the three countries are highly substitutable with domestic product. Titan competes against imports from all three countries and where we lose business it is based largely if not exclusively on not being able to compete with them on price.

As subject imports have seized market share, Titan has been forced to reduce production and cut hours from schedule, leading to layoffs and lower payroll. Imports have driven down prices farther than what any temporary cost savings on raw materials would warrant, biting into the company's profitability as our questionnaire response makes clear. As a result, we have had to put off needed capital investments and research and development expenditures. We trust that when Staff have compiled the questionnaire responses for the domestic industry that the experience Titan has had will prove to be typical for the industry as a whole.

Given the attractiveness of our market, the large array of subsidies available to foreign producers, and the massive excess capacity and capacity expansions in these countries, these adverse trends will only continue if relief is not imposed. Without orders to discipline the dumping and subsidization that is occurring, we believe Titan, its workers, and the domestic industry as a whole will continue to suffer material injury.

Eight years ago, this Commission voted for relief from unmounted OTR tires from China, giving our industry the chance to recover from the harm caused by unfair trade. As we now face a renewed onslaught from dumped and subsidized imports not only from China but also from India and Sri Lanka, an affirmative preliminary injury determination by the Commission is critical to the industry and its workers.

I look forward to any questions you may have. Thank you.