

USW BACKGROUNDER

ADVISORY FOR MONDAY, JUNE 29, 2009

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CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM CHINA, SECTION 421 INVESTIGATION NO. TA-421-7

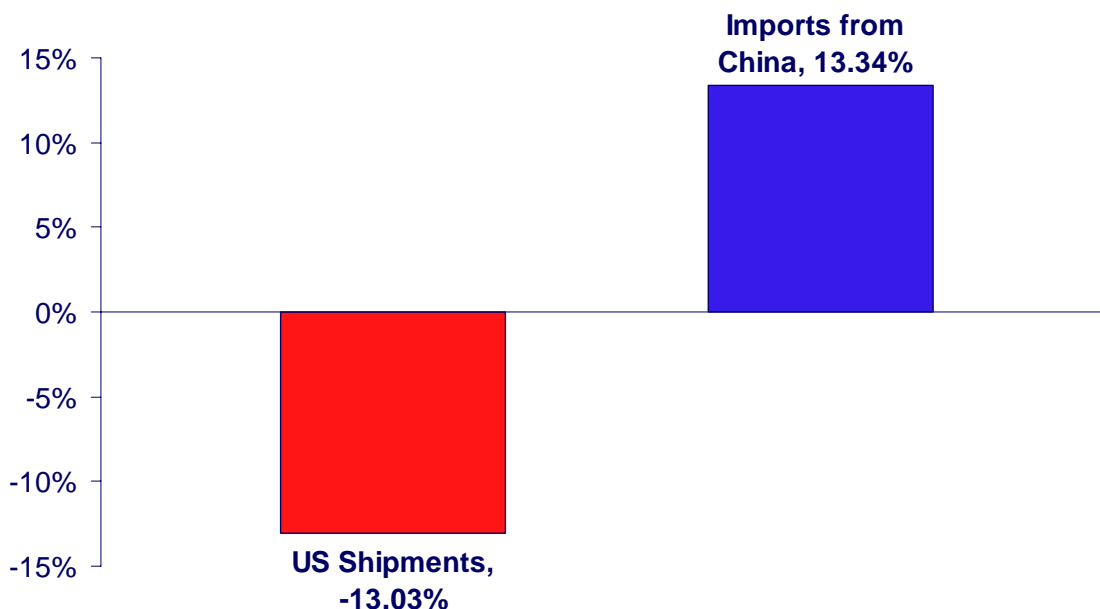
SEPARATING FACT FROM FICTION

Chinese producers and importers of Chinese tires have raised a number of arguments against imposing restraints on imports of Chinese tires. As reviewed below, none of these arguments is grounded in fact.

Argument #1: Imports are not the cause of the injury suffered by the industry.

The Facts: This issue has already been decided by the Commission. Facts in the ITC staff report simply do not support this claim. Indeed, Chinese producers' gains in U.S. market share for replacement tires came entirely at the expense of the domestic industry.

Share of apparent U.S. consumption – Replacement tire market, 2004-2008



Source: ITC Final Staff Report, page V-4, Table V-3.

Argument #2: Imports don't compete with domestic product as they sell in a supposed tier not pursued by domestic producers.

The Facts: This is another issue that was already raised during the market disruption phase of the investigation and the record did not support the claim.

- Chinese imports occur in all sizes and in all quality levels.

- Chinese tires and domestic tires are sold at various price points, often by the same dealers.
- The vast majority of purchasers (*i.e.* tire dealers) who replied to the ITC's questionnaire rated U.S. and Chinese tires as comparable in terms of whether the tires meet or exceed industry quality standards.
- The USW submitted confidential information showing significant unutilized production capacity in plants where USW members are employed, and that these plants are capable of producing tires of the same sizes and quality levels as those being imported from China.
- A 2008 survey by Modern Tire Dealer showed that tire dealers have widely varying perceptions about whether tires are private brands, associate brands, low-cost imports or major brands, a fact that was confirmed by the ITC's final staff report.
- At the ITC's hearing, the Chinese producers' and importers' own witnesses could not agree as to which brands of tires are so-called tier 2 or tier 3 tires.

Argument #3: Any relief will not benefit domestic producers and their workers.

The Facts: This claim is contradicted by the ITC staff's analysis, which shows a major portion of the relief flowing to domestic producers and their workers. The detailed economic report submitted by the USW shows even larger benefits to domestic producers and their workers (\$1.1 billion and more than 3,000 jobs). Further, as reviewed above, the domestic industry has a large amount of unused capacity to produce tires of all sizes and quality levels.

Argument #4: Tire dealers who currently import or sell Chinese tires will simply shift to other sources of low-cost tires.

The Facts: Third country suppliers largely are not lower priced, indeed generally they are much higher priced than imports from China. Thus, options to shift sourcing to third countries, while existing to some extent, are much more limited than claimed. Further, the record showed that countries cited by importers as alternative sources of low-cost imports (*e.g.*, Thailand, Vietnam and Indonesia) have limited capacity to supply the U.S. market with low-cost tires.

Argument #5: The domestic industry wasn't injured by imports from China because domestic producers had "abandoned" the lower priced segment of the market.

The Facts: This is another issue raised in the market disruption phase at the ITC, which was obviously not found to be credible by the majority of the Commission.

- Domestic producers have produced and continue to produce private brands, a fact confirmed by Chinese producers' and U.S. importers' own witnesses at the ITC hearing.

- Competition exists between private brands, so-called associate brands and so-called premium brands, as may be seen in the following table.

Tires Easy Listings for 215/70 R15 Tires

Brand	Load / Speed	Price
Primewell PS850*	98T	\$ 52.10
Triangle TR928*	98H	\$ 52.20
GT Radial Wingpro 70*	98H	\$ 55.80
Goodyear Integrity	98S	\$ 61.70
GT Radial Maxtour*	98T	\$ 62.20
BCT S600*	98H	\$ 62.20
BCT S600*	98T	\$ 62.90
Kumho Solus KR21*	97T	\$ 63.50
Republic Ensign Plus	98S	\$ 70.00
Cooper CS4 Touring	98T	\$ 72.10
Goodyear Assurance	98T	\$ 74.50
BF Goodrich Radial T/A	97S	\$ 75.40
Kelly Navigator Gold	97S	\$ 77.20
Republic Invader Radial G/T	97S	\$ 78.50
Goodyear Assurance FuelMax	98T	\$ 82.60
Republic Enterprise	97S	\$ 86.80
Bridgestone Turanza EL 400	97T	\$ 87.20
Michelin Harmony	97T	\$ 96.40
Michelin HydroEdge	98T	\$ 107.40

* Chinese brand tire.

Source: *Tires-Easy.com*.

- As reviewed above, domestic producers have unused capacity to produce tires of all sizes and all constructions/quality levels, including simpler builds and smaller sizes -- the lower priced tire segment.

So, the next time you hear someone say that imports of Chinese tires have not harmed the domestic tire industry, or that Chinese tires do not compete with U.S. tires,

JUST REMEMBER THE FACTS!