

**REMARKS OF THE HONORABLE DONALD A. MANZULLO (IL-16<sup>th</sup>)**  
**BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION**  
**CERTAIN OFF-THE-ROAD TIRES FROM CHINA**

Investigation Nos. 701-TA-448 and 731-TA-1117  
Tuesday, July 8, 2008 at 1:00PM  
500 E Street, SW  
Washington, DC 20436

Madam Chairman, Commissioners, thank you for giving me the opportunity to testify today. Let me give you a little background on the community that will be affected by your decision.

Freeport is a struggling small city located in the American heartland. It also has a long and proud history. Freeport is also known as the Pretzel City, reflecting the ethnic heritage of the hard-working German immigrants who settled in Stephenson County and built Freeport during the 1840's and 1850's. Freeport was made famous during the second Lincoln/Douglas debate for the Senate in 1858 when Abraham Lincoln trapped Senator Stephen Douglas into supporting popular sovereignty in the territories on the slavery issue. This put Senator Douglas at odds with pro-slavery Southerners, which ultimately denied him the presidency in 1860 and propelled Abraham Lincoln into the White House.

The population of Freeport is now about 25,600 people, according to the latest 2005 Census figures. The city saw a small decline in population in the 1980 and 1990 Census, as manufacturing facilities closed up shop and moved elsewhere. The 2000 Census revealed that Freeport's population was back to where it was before the decline but in each of the ensuing years, Freeport gradually lost population again to now it is lower than it was in 1950's. Medium household income in Freeport is about \$35,400. The average house price in Freeport is about \$79,000. The unemployment rate in Freeport jumped to 6.7 percent in May 2008, which is higher than the state and nationwide average. Just last year, Freeport celebrated a relatively low unemployment rate of 4.8 percent.

Freeport is typical of many small towns in America where people get up each day and work hard to earn what many might consider to be barely enough to support a family. They want to be able to stay and raise a family – and then have their kids stay nearby because they do not feel compelled to move to either coast to find a decent paying job.

Titan Tire is just one of five major businesses in Stephenson County, which surrounds Freeport, that employ over 500 people. In fact, Titan and one other major company are the only two large manufacturers in Freeport. Titan Tire provides their employees with good union wages and benefits. The plant has been in Freeport for nearly 45 years. In fact, at one point in time, it was the largest employer in Freeport with over 900 workers. Many of these workers support a family and indirectly support and sustain many nearby small businesses and non-profit organizations.

Members of the Commission, the loss of this tire making plant would devastate Freeport, as one of the last remaining major employer in Stephenson County, and would have ripple effects throughout northwestern Illinois. After many years of turmoil and reductions in the workforce, Titan Tire assumed control over the Freeport tire facility in 2005 with a commitment to keep production in Freeport. I believe that this new management wants to make this off-road tire making facility a success in Freeport, as reflected in their investment in new plant equipment. If you grant an affirmative determination in these two cases, both Titan Tire and I expect to see increased employment, production, and shipments at the Freeport facility and in their other plants. There is a pool of about 200 laid off workers in Freeport that could easily be reinstated during a heightened production effort to meet growing domestic market demands. Unlike other cases, this will not be a situation of "short supply."

Increasing the long-term viability of the Titan Tire plant is part of an overall economic development effort for Freeport I am working on with local and state leaders. I'm trying to help revitalize the city of Freeport through various initiatives such as the Mill Race Crossing – an industrial park for new and innovative small businesses – and public infrastructure improvements in downtown Freeport to improve the attractiveness of Main Street. All this could be for naught if the tire plant closes because of unfair competition from China.

Your role today is to determine whether or not the U.S. off-the-road tire industry is being materially injured by unfair imports from China. I believe that the facts that you have before you in various prehearing staff reports and interviews will lead you to an affirmative answer.

First, let me commend you for your decision on the circular welded carbon-quality steel pipe case three weeks ago. This established for the first time the practical use of a new tool at the disposal of U.S. industry to challenge unfair government subsidies by non-market economies such as China. The Bush Administration also deserves praise for changing long-standing policy in this regard and I thank you for implementing this tool to the benefit of U.S. manufacturers.

Almost every day, we read stories about how the Chinese government subsidizes its industries. State-owned banks decide that loans do not need to be paid back anymore – and then these same banks receive massive capital infusions to replenish accounts from the central government. Various environmental, workplace safety, and labor laws are routinely ignored, as evidenced by the collapse of numerous buildings after the recent earthquake in central China. Exemptions to various tax laws in China are regularly granted. Raw materials by Chinese producers are procured at less than market price. Energy is provided on a preferential basis. On June 19<sup>th</sup>, China announced that it will cut its oil subsidies, raising the price of gas and diesel by 17 percent. But this is still not a free market price! And, yet we are all supposed to applaud that move while Americans suffer through market-based pricing for gas at the pump. While I welcome the gradual appreciation of the Chinese yuan, the Chinese government still heavily intervenes to insure that the RMB does not go above a certain range. These egregious Chinese practices together have a harmful impact on U.S. manufacturing and the U.S. economy as a whole. While an affirmative decision in this case will be a small step toward moving China more towards a market economy, it will be a large and significant step toward restoring a level playing field for Freeport, Illinois and domestic off-the-road tire makers such as Titan Tire.

What's sad is that while the demand for off-the-road tires rapidly grows, the U.S. market share for domestic producers of off-road-tires dropped from 57 percent in 2004 to 46 percent in 2007. At the same time, imports of these tires have dramatically increased by more than 81 percent between 2004 and 2007, resulting in a market share increase for off-road-tire importers from 19 percent in 2004 to 37 percent in 2007. This shows that importers are using subsidies and other advantages of producing in China to specifically target the U.S. marketplace. This is further confirmed by the fact that when the Commerce Department issued its preliminary countervailing and anti-dumping duty determinations several months ago, average monthly imports of off-the-road tires shrank by 38 percent from pre-petition levels.

In contrast, U.S. domestic off-the-road tire producers saw their production increase for the first time in several years during the first quarter of 2008 to 995,000 tires as compared to 910,000 tires produced during the first quarter of 2007. This evidence dramatically demonstrates the material injury caused by Chinese imports of off-the-road tires on U.S. producers. It also shows that U.S. domestic producers are willing and able to fill in the gap to meet domestic demand.

Thus, I respectfully encourage you to find material injury in this case and help spark a new revitalized chapter in the history of the great city of Freeport. Thank you, Madam Chairman.