

January 29, 2016

**DOC Inv. Nos. A-570-040 and C-570-041**

**USITC Inv. Nos. 701-TA-\_\_\_\_ / 731-TA-\_\_\_\_**

**Total Pages: 3,664**

**Investigation**

**PUBLIC DOCUMENT**

**VIA ELECTRONIC FILING**

The Honorable Penny Pritzker  
Secretary of Commerce  
Attention: Enforcement and Compliance  
APO/Dockets Unit, Room 18022  
U.S. Department of Commerce  
14<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

**VIA HAND DELIVERY**

The Honorable Lisa R. Barton  
Secretary  
U.S. International Trade Commission  
500 E Street, S.W.  
Washington, DC 20436

***Re: Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Truck and Bus Tires from the People's Republic of China***

Dear Secretary Pritzker and Secretary Barton:

On behalf of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (“USW” or “petitioner”), we respectfully submit to the U.S. Department of Commerce (“the Department”) and the U.S. International Trade Commission (“the Commission”) the enclosed petitions for the imposition of antidumping and countervailing duties on U.S. imports of Truck and Bus Tires from the People’s Republic of China. The USW is a certified union with workers engaged in the manufacture and production of a domestic like product in the United States and thus is an interested party within the meaning of 19 U.S.C. § 1677(9)(D).

The Petitions are organized as follows:

- Volume I – General Issues and Injury;

- Volume II – Antidumping Duty Allegations; and
- Volume III – Countervailing Duty Allegations.


Certification Regarding Reasonably Available Information: Pursuant to section 207.11(b)(3) of the Commission's regulations, I hereby certify that any item of information specified in section 201.11(b)(2) of the Commission's regulations that the petitions do not include was not reasonably available to the petitioner.

Certifications of Simultaneous Filing: Pursuant to section 351.202(c) of the Department's regulations and section 207.10(a) of the Commission's regulations, we hereby certify that the petitions and all required copies were filed simultaneously today with both the Department and the Commission.

Certifications: We attach to this cover letter all appropriate certifications required by the regulations. These include the requisite union and counsel certifications regarding the completeness and accuracy of the information contained in the petitions.

If you have any questions regarding these petitions, please contact the undersigned.

Respectfully submitted,



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Geert De Prest, Esq.

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## UNION CERTIFICATION

I, Stan Johnson, International Secretary-Treasurer, currently employed by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("USW"), certify that I prepared or otherwise supervised the preparation of the attached January 29, 2016 *Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Truck and Bus Tires from the People's Republic of China* (A-570-040 and C-570-041). I certify that the public information contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature:



Stan Johnson

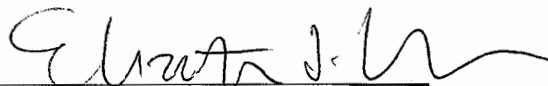
Date:

01/27/2016

## COUNSEL CERTIFICATION

I, Elizabeth J. Drake, of Stewart and Stewart, counsel to the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("USW"), certify that I have read the attached *Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Truck and Bus Tires from the People's Republic of China* (A-570-040 and C-570-041), filed on behalf of the USW on January 29, 2016. In my capacity as Counsel, I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature: \_\_\_\_\_



Elizabeth J. Drake

Date: \_\_\_\_\_


1/28/16

**CERTIFICATION OF COUNSEL**

City of Washington            )  
  )  
District of Columbia         )        ss

In accordance with section 207.3(a) of the Commission's rules, I, Elizabeth J. Drake, of Stewart and Stewart, counsel to Petitioner, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC, certify that (1) I have read the attached submission, and (2) based on the information made available to me by Petitioner, I have no reason to believe that this submission contains any material misrepresentation or omission of fact, and (3) the information contained in this submission is accurate and complete to the best of my knowledge.

Dated: January 28, 2016

  
\_\_\_\_\_  
Elizabeth J. Drake

DOC Inv. Nos. A-570-040 and C-570-041  
ITC Inv. Nos. 731-TA-\_\_ and 701-TA-\_\_  
Total Pages: 539  
Investigation

**PUBLIC DOCUMENT**

**BEFORE THE  
INTERNATIONAL TRADE ADMINISTRATION  
UNITED STATES DEPARTMENT OF COMMERCE  
AND THE UNITED STATES INTERNATIONAL TRADE COMMISSION**

**In the Matter of:**

**TRUCK AND BUS TIRES FROM THE PEOPLE'S  
REPUBLIC OF CHINA**

**VOLUME I:  
GENERAL ISSUES  
AND INJURY**

**PETITIONS FOR THE IMPOSITION OF ANTIDUMPING DUTIES AND  
COUNTERVAILING DUTIES ON BEHALF OF THE UNITED STEEL, PAPER AND  
FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND  
SERVICE WORKERS INTERNATIONAL UNION, AFL-CIO, CLC**

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**January 29, 2016**

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VOLUME I – GENERAL ISSUES AND INJURY

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**PETITIONS FOR THE IMPOSITION OF ANTIDUMPING AND  
COUNTERVAILING DUTIES ON TRUCK AND BUS TIRES FROM THE  
PEOPLE’S REPUBLIC OF CHINA**

**VOLUME I – GENERAL ISSUES AND INJURY**

**I. INTRODUCTION**

These petitions are filed on behalf of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (“USW”). These petitions seek the imposition of antidumping and countervailing duties on imports of truck and bus tires from the People’s Republic of China (“China”), pursuant to sections 701 and 731 of the Tariff Act of 1930, as amended (“the Act”), 19 U.S.C. § 1671 *et seq.* The USW is a recognized union which is representative of the domestic industry engaged in the manufacture of truck and bus tires in the United States, within the meaning of 19 U.S.C. § 1677(9)(D). Based on the information reasonably available to the petitioner and contained herein, the petitioner believes that imports of truck and bus tires from China are being sold for less than their fair value, are benefitting from countervailable subsidies, and are causing material injury, or threatening material injury, to the domestic industry producing truck and bus tires.

Volume I of these petitions contains general information (*e.g.*, the identity of the petitioner, the domestic industry, industry support, and the description of subject merchandise) and information supporting allegations that the subject imports are causing or threatening to cause material injury to the domestic truck and bus tires industry.

Volume II of these petitions contains information reasonably available to the petitioner indicating that truck and bus tires from China are being sold in the United States at less than their fair value. Volume III of these petitions contains information reasonably

available to the petitioner supporting allegations that truck and bus tires from China benefit from countervailable subsidies.

## II. GENERAL INFORMATION

### A. The Petitioner (19 C.F.R. § 351.202(b)(1))

The petitioner is the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (“USW”). The address and telephone number of the USW is:

United Steelworkers  
60 Boulevard of the Allies  
Pittsburgh, PA 15222  
(412) 562-2400

As explained in more detail in Section II.C, *infra*, the USW represents workers employed at domestic producers of truck and bus tires, including Bridgestone Americas Inc. (“Bridgestone”) and the Goodyear Tire & Rubber Company (“Goodyear”).

The USW is thus a recognized union which is representative of the domestic industry engaged in the manufacture of truck and bus tires in the United States. The USW therefore qualifies as an interested party under 19 U.S.C. § 1677(9)(D). Moreover, consistent with the statute, Congressional intent, and the agencies’ prior practice, a union that is representative of the domestic industry has the right to file petitions on behalf of that industry.<sup>1</sup> Congress has also expressed its intent that unions be able to file petitions regardless of company participation: “{W}orkers, as well as companies, may file and support petitions.”<sup>2</sup>

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<sup>1</sup> See 19 U.S.C. §§ 1671a(b)(1) and 1673a(b)(1). See also *Initiation of Antidumping Investigations; Color Television Receivers From the Republic of Korea and Taiwan*, 48 Fed. Reg. 23,879 (Dep’t Commerce May 27, 1983).

<sup>2</sup> Sen. Rep. 412, 103rd Cong., 2nd Sess., 35 (1994).

**B. The Domestic Like Product and the Domestic Industry (19 C.F.R. §§ 207.11(b)(2)(i) and (ii), 351.202(b)(2))**

There is a single domestic like product that is co-extensive with the product that is the subject of these petitions: truck and bus tires. A description of the subject merchandise is provided in Section II.E, below. The names, addresses, and telephone numbers of all known domestic producers of truck and bus tires is attached at **Exhibit I-1**.

The domestic like product in these investigations should be defined as a single like product, consisting of all truck and bus tires, co-extensive with the scope. Domestically produced truck and bus tires are the product which is “like, or in the absence of like, most similar in characteristics and uses with,” subject truck and bus tires from China.<sup>3</sup> In previous cases on tires, the Commission has determined that there is a single like product co-extensive with the scope based on the type of vehicle the tire is used on (*e.g.*, one domestic like product for passenger vehicle and light truck tires and one domestic like product for certain off-the-road tires).<sup>4</sup>

Both the Commission and the Department of Commerce consider six factors in determining how to define the domestic like product.<sup>5</sup> As explained in more detail below, each of these six factors supports a determination that there is a single domestic like product that is co-extensive with the scope.

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<sup>3</sup> See 19 U.S.C. § 1677(10).

<sup>4</sup> See *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. Nos. 701-TA-522 and 731-TA-1258 (Final), USITC Pub. 4545 (Aug. 2015) (“*PVLT Tires Investigation*”) at 7-9, excerpts attached at **Exhibit I-2**. See also *Certain Off-The-Road Tires from China*, Inv. Nos. 701-TA-448 and 731-TA-1117 (Final), USITC Pub. 4031 (Aug. 2008) at 3-10, excerpts attached at **Exhibit I-3**.

<sup>5</sup> See, *e.g.*, *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

## 1. Physical Characteristics and Uses

All truck and bus tires have the same physical characteristics and uses. As the materials attached at **Exhibit I-4** show, all truck and bus tires are produced largely from the same basic raw materials (e.g., natural and synthetic rubber, carbon black, oils, etc.) and have the same basic components (e.g., inner liner, body ply, sidewall beads, apex, belt package, tread, and cushion gum). There are no clear dividing lines between sizes or types of truck and bus tires. In addition, all U.S. and Chinese truck and bus tires have the same use – to be mounted on the wheels of trucks and busses.

All truck and bus tires must be capable of supporting vehicles with a Given Vehicle Weight (“GVW”) of 10,000 pounds or more. All such tires are governed by Federal Motor Vehicle Safety regulations which require such tires to have a minimum tread depth to be driven on the highway.<sup>6</sup> Examples of vehicles with a GVW over 10,000 pounds (vehicles in classes 3 through 8 and truck trailers) are attached at **Exhibit I-6**.

## 2. Interchangeability

While truck and bus tires must be of a specific size and have certain features to fit an individual truck or bus, a full array of tires with such sizes and features are offered by domestic and Chinese producers, as evidenced by the advertising materials in **Exhibit I-7**. In addition, as **Exhibit I-7** shows, while manufacturers offer tires with different features to be used in different steer, drive, and trailer positions on large trucks with trailers, they also offer “all-position” tires for such vehicles. **Exhibit I-7** also shows that the full array of steer, drive, trailer, and all-position tires is also offered by both domestic and Chinese producers.

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<sup>6</sup> See 49 C.F.R. § 571.119, attached at **Exhibit I-5**.

### 3. Channels of Distribution

All sizes and types of truck and bus tires are sold through the same channels of distribution. By definition, the same sizes and types of tires are sold in both the OEM and replacement markets, as replacement tires must meet the same specifications as the OEM tires they are replacing. Replacement truck and bus tires are sold directly to fleet owners and through dealers.

### 4. Common Facilities, Processes, and Employees

All types of truck and bus tires share common production facilities, production processes, and employees. In its safeguard investigation on passenger vehicle and light truck tires (“PVL T tires”) from China, the Commission explained that those tires are made using the same production processes and equipment at the same facilities and with the same workers:

An estimated 99 percent of tires are produced using a more or less conventional process, which begins with the mixing of specific chemicals (natural rubber, synthetic rubber, carbon black, and other chemicals) to form various rubber compounds (e.g., the tread is made from one compound, the carcass from another, and the sidewalls from a third). The compounds are then combined with the steel cord and textiles when appropriate, and the whole is formed into a specific shape (a “green” tire). The green tire is then cooked (cured) under pressure at about 200 degrees centigrade (which leads to a non-reversible chemical change in the compound) to form the hard, resilient type of rubber found in a finished tire. Depending on the ingredients used in the various compounds, the finished tire can provide different properties, including good rolling resistance, superb grip, and so forth .... Virtually all domestic producers that manufacture the subject tires produce both passenger vehicle and light truck tires in the same production facilities using the same production equipment and production-related workers.<sup>7</sup>

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<sup>7</sup> *Certain Passenger Vehicle and Light Truck Tires From China*, Inv. No. TA-421-7, USITC Pub. 4085 (July 2009) at 8 (citations omitted), excerpt attached at **Exhibit I-8**.

This is also the case for truck and bus tires, which are produced through largely the same process. The difference is that truck and bus tires are larger and heavier than PVL T tires, and thus require more raw materials and are made on larger presses and larger curing molds than PVL T tires. A description of the production process for truck and bus tires is attached at **Exhibit I-9**.

#### 5. Customer and Producer Perceptions

Customers and producers perceive all truck and bus tires as similar products with the same basic physical properties and essential function. While the tires vary in size and features depending on the truck or bus onto which they will be mounted, and, in some cases, depending on the position on the truck on which they will be mounted, they are all designed to be mounted on trucks and busses.

#### 6. Price

Truck and bus tires are offered along a continuum of prices. While larger tires or tires with additional features may in general be more expensive than smaller tires due to the additional materials needed to produce the tire, there are no clear dividing lines based on price. As the advertising materials attached at **Exhibit I-10** show, tires of the same type and size are also available in a range of prices.

For all of these reasons, the domestic like product in these investigations should be truck and bus tires, a single domestic like product co-extensive with the scope.

#### **C. Support for the Petitions (19 C.F.R. § 351.202(b)(3))**

Under the statute, the petitioner and any other domestic producers or workers supporting a petition must account for more than 25 percent of the production of the domestic like product and more than 50 percent of those expressing a position on the

petition.<sup>8</sup> Industry support may be measured on the basis of volume or value, and, where production data is unavailable, the Department of Commerce may refer to alternative data that is indicative of production levels.<sup>9</sup>

As far as the petitioner is aware, there is no publicly available information on the volume or value of truck and bus tire production by plant in the United States. There is, however, publicly available information regarding the production capacities of truck and bus tire plants in the United States. This information, which is current as of January 2015 and the most recent available, is attached at **Exhibit I-11**. The petitioner believes that this capacity data is indicative of production levels. The Department has previously relied on capacity as an alternative source of data indicative of production volumes.<sup>10</sup>

To determine the amount of production (or, in this case, capacity) accounted for by the USW, the Department of Commerce's regulations require the Department to "consider the positions of workers and management regarding the petition to be of equal weight."<sup>11</sup> The regulations direct the Department to assign a single weight to the positions of workers and management according to the production "of the firm in which the workers and management are employed."<sup>12</sup> In accordance with this regulation, the Department's consistent practice is to count the production of firms in which petitioning union members are employed as supporting petitions when the management of the firm in

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<sup>8</sup> 19 U.S.C. §§ 1671a(c)(4)(A); 1673a(c)(4)(A).

<sup>9</sup> 19 C.F.R. § 351.203(e)(1).

<sup>10</sup> Office of AD/CVD Enforcement, Countervailing Duty Investigation Initiation Checklist, *Certain Steel Grating from the People's Republic of China* (June 22, 2009), at Attachment II, 6. See also Office of AD/CVD Enforcement, Initiation Checklist, *Countervailing Duty Petition on Certain New Pneumatic Off-the-Road Tires from the People's Republic of China* (July 30, 2007) at Attachment II, Exhibit A n.2.

<sup>11</sup> 19 C.F.R. § 351.203(e)(3).

<sup>12</sup> *Id.*



question takes no position on the petition.<sup>13</sup> As shown below, the USW represents workers at five of the eight plants that produce truck and bus tires in the United States. Those five plants have a daily production capacity of 34 thousand truck and bus tires per day, a volume equal to 66.8 percent of the domestic industry's total daily production capacity.

Daily Truck and Bus Tire Production Capacity<sup>14</sup>

<b>Company</b>	<b>Location</b>	<b>Capacity</b>	<b>USW?</b>
Bridgestone	La Vergne, TN	6.2	Y
Bridgestone	Warren County, TN	9	Y
Continental	Mount Vernon, IL	6	N
Goodyear <sup>15</sup>	Buffalo, NY	2.3	Y
Goodyear	Danville, VA	11	Y
Goodyear	Topeka, KS	5.5	Y
GTY	Mount Vernon, IL	3.9	N
Michelin	Spartanburg, SC	7	N
Total		50.9	
USW		34	
USW %		66.80%	

Thus, the public information reasonably available to the petitioner demonstrates that the petitioner accounts for well over 50 percent of estimated domestic production.

The petitioner thus exceeds both industry support thresholds in the statute.<sup>16</sup>

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<sup>13</sup> See, e.g., Import Administration, Office of AD/CVD Enforcement, Countervailing Duty Investigation Initiation Checklist, *Drill Pipe from the People's Republic of China* (Jan. 20, 2010) at Attachment II, n.14. See also Office of AD/CVD Enforcement, Initiation Checklist, *Lightweight Thermal Paper from the People's Republic of China* (Oct. 2007) at Attachment II, 8 n.12; Office of AD/CVD Enforcement, Initiation Checklist, *Countervailing Duty Petition on Certain New Pneumatic Off-the-Road Tires from the People's Republic of China* (July 30, 2007) at Attachment II, Exhibit A n.1.

<sup>14</sup> See **Exhibit I-11**. Yokohama opened a truck tire plant in Mississippi in October of 2015. See *id.* See also **Exhibit I-1**.

<sup>15</sup> Goodyear relinquished its stake in the Buffalo plant to its JV partner, Sumitomo, effective Oct. 1, 2015. See **Exhibit I-1**.

<sup>16</sup> See 19 U.S.C. §§ 1671a(c)(4)(A); 1673a(c)(4)(A).

**D. Other Forms of Relief (19 C.F.R. § 351.202(b)(4))**

The petitioner has not filed for relief from imports of the subject merchandise under section 337 of the Act (19 U.S.C. § 1337), sections 201 or 301 of the Trade Act of 1974 (19 U.S.C. §§ 2251 and 2411), or section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862).

**E. Description of the Subject Merchandise (19 C.F.R. § 351.202(b)(5))**

The scope of these investigations is truck and bus tires.

Truck and bus tires are new pneumatic tires, of rubber, with a truck or bus size designation. Truck and bus tires covered by these investigations may be tube-type, tubeless, radial, or non-radial, and they may be intended for sale to original equipment manufacturers, fleet owners and operators, or the replacement market.

Subject tires have, at the time of importation, the symbol “DOT” on the sidewall, certifying that the tire conforms to applicable motor vehicle safety standards. Subject tires may also have one of the following suffixes in their tire size designation, which also appear on the sidewall of the tire:

TR – Identifies tires for service on trucks or buses to differentiate them from similarly sized passenger car and light truck tires;

MH – Identifies tires for mobile homes; and

HC – Identifies a 17.5 rim diameter code for use on low platform trailers.

All tires with a “TR,” “MH,” or “HC” suffix in their size designations are covered by these investigations regardless of their intended use.

In addition, all tires that lack one of the above suffix markings are included in the scope, regardless of their intended use, as long as the tire is of a size that is among the numerical size designations listed in the “Truck-Bus” section of the Tire and Rim

Association Year Book, as updated annually, unless the tire falls within one of the specific exclusions set out below.

Truck and bus tires, whether or not mounted on wheels or rims, are included in the scope. However, if a subject tire is imported mounted on a wheel or rim, only the tire is covered by the scope. Subject merchandise includes truck and bus tires produced in the subject country whether mounted on wheels or rims in the subject country or in a third country. Truck and bus tires are covered whether or not they are accompanied by other parts, *e.g.*, a wheel, rim, axle parts, bolts, nuts, etc. Truck and bus tires that enter attached to a vehicle are not covered by the scope.

Specifically excluded from the scope of these investigations are the following types of tires: (1) pneumatic tires, of rubber, that are not new, including recycled and retreaded tires; and (2) non-pneumatic tires, such as solid rubber tires.

The products covered by the petitions are currently classified under the following HTSUS subheadings: 4011.20.10.15 and 4011.20.50.20. Tires meeting the scope description may also enter under the following HTSUS subheadings: 4011.99.45.10, 4011.99.45.50, 4011.99.85.10, 4011.99.85.50, 8708.70.45.30, 8708.70.60.30, and 8708.70.60.60. For ease of reference, we attached at **Exhibit I-12** the relevant excerpts from the 2016 edition of the Harmonized Tariff Schedule. While HTSUS subheadings are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive. To the extent that tires that meet the scope description are imported under these or other HTS categories not listed above, they are intended to be covered.

The requested scope of investigations is attached at **Exhibit I-13**. Relevant excerpts from the “Truck-Bus” section of most recent 2015 edition of the Tire and Rim Association Year Book are attached at **Exhibit I-14**. Petitioner notes that the light truck tires covered by existing antidumping and countervailing duty orders on passenger vehicle and light truck tires are listed in a separate section of the Tire and Rim Association Year Book and are not covered by the scope of these petitions.

**F. Name of the Country of Manufacture of Subject Merchandise (19 C.F.R. § 351.202(b)(6))**

The name of the country in which subject merchandise is manufactured is the People’s Republic of China.

**G. Foreign Producers and Exporters (19 C.F.R. § 351.202(b)(7)(i)(A) and (ii)(A))**

The names and addresses of companies believed to sell the subject merchandise at less than fair value, and believed to benefit from countervailable subsidies, that export the subject merchandise to the United States from China are provided at **Exhibit I-15**. The proportion of exports to the United States that each person accounted for in the most recent 12-month period is not publicly available to the petitioner. While there is some volume reported in the Automated Manifest System, a significant portion of the volume of exports enters as undisclosed and thus is not identified with any individual foreign producer or exporter.

**H. Factual Information Relevant to Dumping (19 C.F.R. § 351.202(b)(7)(i)(B) and (C))**

Factual information regarding U.S. prices of subject merchandise is provided in Volume II of these petitions. The Department of Commerce has found China to be a non-market economy. Factual information relevant to the calculation of normal value

under the Department’s non-market economy methodology is also provided in Volume II of these petitions.

**I. Subsidy Allegations and Supporting Factual Information (19 C.F.R. § 351.202(b)(7)(ii)(B) and (C))**

Subsidy allegations and factual information reasonably available to petitioner to support these allegations are provided in Volume III of these petitions.

**J. Volume and Value of Imports (19 C.F.R. § 351.202(b)(8))**

The volume and value of the subject merchandise imported during the most recent three-year period and other recent periods (2012 through September of 2015) is below.

Imports of Truck and Bus Tires from China<sup>17</sup>

	2012	2013	2014	Jan-Sep 2014	Jan-Sep 2015
Customs Value	\$1,031,889,931	\$885,073,033	\$1,080,537,280	\$787,313,598	\$817,636,180
Number of Tires	6,320,456	6,276,247	8,419,617	6,048,859	6,701,201

**K. Importers (19 C.F.R. §§ 207.11(b)(2)(iii), 351.202(b)(9))**

The names, addresses, and other reasonably available contact information for companies that the petitioner believes import the subject merchandise are attached at **Exhibit I-16**.

**L. Pricing Products (19 C.F.R. § 207.11(b)(2)(iv))**

The petitioner requests the Commission seek pricing information on the following products:

Product 1. Truck and bus tire, size 11R22.5, 14 or 16 plies, load range of G or H, any speed rating.

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<sup>17</sup> USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20.

Product 2. Truck and bus tire, size 11R24.5, 14 or 16 plies, load range of G or H, any speed rating.

Product 3. Truck and bus tire, size 295/75R22.5, 14 plies, load range of G, any speed rating.

Product 4. Truck and bus tire, size 285/75R24.5, 14 plies, load range of G, any speed rating.

Publicly available information indicates these are among the most common and highest volume tire sizes in the U.S. market.<sup>18</sup> Consistent with its prior practice, the Commission should seek prices on an F.O.B. basis to unrelated customers.

**M. Lost Sales and Revenues (19 C.F.R. § 207.11(b)(2)(v))**

The petitioner represents workers in the truck and bus tires industry and thus is not in a position to provide lost sales and revenue allegations. However, as explained in more detail below, the domestic truck and bus tire industry has lost market share as imports of truck and bus tires have increased and undersold domestic producers. Thus, the petitioner has a reasonable basis to believe that significant lost sales and revenues have in fact occurred during the three years preceding the filing of these petitions.

**III. MATERIAL INJURY AND THREAT OF MATERIAL INJURY**

This section provides information reasonably available to the petitioner indicating that the domestic industry is suffering material injury, or threat of material injury, by reason of subject truck and bus tire imports from China.<sup>19</sup> In a preliminary determination, the Commission determines whether there is a “reasonable indication” that an industry in the United States is materially injured, or threatened with material injury,

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<sup>18</sup> See **Exhibit I-10** and **Exhibit I-14**.

<sup>19</sup> This section thus complies with the petition requirements set out at 19 C.F.R. § 351.202(b)(10).

by reason of subject imports.<sup>20</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>21</sup> In making its injury determination, the Commission considers the volume of imports, their effect on prices of the domestic like product, and their impact on producers of the domestic like product.<sup>22</sup> While the statute does not define “by reason of” – the causal link that must exist between subject imports and material injury – the Commission determines that injury is by reason of subject imports where subject imports are “more than a minimal or tangential cause of injury” and where there is a sufficient causal (not merely temporal) nexus between subject imports and material injury.<sup>23</sup>

The Commission considers all relevant factors that bear on the state of the domestic industry within the context of the business cycle and the industry’s conditions of competition; no single factor is dispositive in the Commission’s determination.<sup>24</sup> While the Commission must examine factors other than subject imports (such as changes in demand and trends in non-subject imports) to ensure that it is not attributing injury from these other factors to subject imports,<sup>25</sup> the Commission need not isolate the injury caused by subject imports from other factors, weigh the injury from subject imports against the injury from other factors, or determine that subject imports are the principal

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<sup>20</sup> 19 U.S.C. § 1671b(a)(1).

<sup>21</sup> 19 U.S.C. § 1677(7)(A).

<sup>22</sup> 19 U.S.C. § 1677(7)(B)(i).

<sup>23</sup> *Certain Aluminum Extrusions from China*, Inv. Nos. 701-TA-475 and 731-TA-1177 (Final), USITC Pub. 4229 (May 2011) at 15.

<sup>24</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>25</sup> SAA, H.R. Rep. 103-316, Vol. I (1994) at 851-52; S. Rep. 96-249 at 75 (1979); H.R. Rep. 96-317 at 47 (1979).

cause of injury – the existence of injury caused by other factors does not, in and of itself, require the Commission to make a negative injury determination.<sup>26</sup>

This section is organized as follows. Section III.A provides information demonstrating that imported truck and bus tires from China are not negligible. Section III.B provides information on the volume of subject imports, and section III.C provides information on the price effects of subject imports. Section III.D contains evidence that subject imports are having significant adverse effects on the domestic industry. Section III.E addresses the threat of material injury by reason of subject imports.

**A. Negligibility**

Imports from a country are considered negligible if they account for less than three percent of the volume of all merchandise imported into the United States during the most recent 12-month period for which data is available immediately preceding the filing of the petition.<sup>27</sup> The most recent 12-month period for which import data is currently available as of the filing of these petitions is the period of December 2014 through November 2015. That data is attached at **Exhibit I-17**. Imports from China accounted for 62.25 percent of U.S. truck and bus tire import volume during the period, and thus they were not negligible.

**B. Volume of Subject Imports**

The volume of subject imports from China is significant by any measure.

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<sup>26</sup> *Certain Aluminum Extrusions from China*, Inv. Nos. 701-TA-475 and 731-TA-1177 (Final), USITC Pub. 4229 (May 2011) at 16.

<sup>27</sup> 19 U.S.C. § 1677(24)(A)(i).



From 2012 to 2014, the U.S. imported from 6.3 to 8.4 million truck and bus tires a year from China, valued at close to or over a billion dollars each year. China exported more tires to the U.S. than all other countries combined throughout the period.

Imports of Truck and Bus Tires from China and the Rest of the World<sup>28</sup>

<i>Customs Value</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2015</b>
China	1,031,889,931	885,073,033	1,080,537,280	787,313,598	817,636,180
Other	1,126,070,970	998,189,143	1,170,992,076	874,485,165	951,763,485
World	2,157,960,901	1,883,262,176	2,251,529,356	1,661,798,763	1,769,399,665
China %	47.82%	47.00%	47.99%	47.38%	46.21%

<i>Number of Tires</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2015</b>
China	6,320,456	6,276,247	8,419,617	6,048,859	6,701,201
Other	4,242,502	3,927,057	4,746,588	3,499,397	4,081,586
World	10,562,958	10,203,304	13,166,205	9,548,256	10,782,787
China %	59.84%	61.51%	63.95%	63.35%	62.15%

The volume of subject imports also increased substantially from 2012 to 2014. By volume, annual U.S. imports of truck and bus tires from China rose by more than two million tires, or 33.2 percent, from 2012 to 2014. The rapid increase continued in 2015, with imports in the first three quarters up by 652,342 tires, or 10.8 percent, compared to the first three quarters of 2014. Imports also increased by value, rising by 48.6 million dollars, or 4.7 percent, from 2012 to 2014, and by another 30.3 million dollars, or 3.9 percent, over the interim period.

China also accounted for a growing share of U.S. imports over the period. Imports from China rose from 59.84 percent of the volume of imports from the world in 2012 to 63.95 percent in 2014, and remained at an elevated 62.15 percent in interim 2015.

<sup>28</sup> USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20.

Imports of truck and bus tires have also increased relative to domestic production and relative to domestic consumption. The tables below derive estimated domestic shipments by subtracting import volume from reports of total shipments in the U.S. market from all sources, *i.e.*, apparent consumption, from *Modern Tire Dealer*.

Volume of Imports and Domestic Shipments<sup>29</sup>

<i>Million Tires</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Total Consumption	21.3	20.7	23.1
China Imports	6.3	6.3	8.4
Non-Subject Imports	4.3	3.9	4.8
Domestic Shipments	10.7	10.5	9.9

<i>Market Share</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
China Imports	29.58%	30.43%	36.36%
Non-Subject Imports	20.19%	18.84%	20.78%
Domestic Shipments	50.23%	50.72%	42.86%
China % Dom. Ship	58.88%	60.00%	84.85%

As imports of truck and bus tires from China grew, they steadily gained market share entirely at the expense of U.S. producers. From 2012 to 2014, China increased its annual exports to the U.S. by more than two million tires. Over the same period, domestic producers' shipments fell by 800,000 tires, despite rising demand. Non-subject imports also rose, but by only half a million tires. As a result, imports from China increased their share of the U.S. market, growing from 29.58 to 36.36 percent of apparent consumption from 2012 to 2014. At the same time, U.S. producers lost market share, shrinking from 50.23 to 42.86 percent of the market. Thus, while China gained more than six percentage points of market share, domestic producers lost more than seven

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<sup>29</sup> MTD consumption data are in **Exhibit I-18**. Chinese and non-subject imports are from USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20. Domestic shipments are the difference between consumption and imports.

percentage points of market share, almost all attributable directly to the increase in imports from China.

Imports from China also increased relative to domestic shipments. While the volume of imports from China was less than 60 percent of domestic shipment volume in 2012, that ratio jumped to nearly 85 percent in 2014. In short, the ratio of Chinese to domestic tires increased dramatically as imports from China surged and domestic shipments fell.

Total consumption data does not appear to be publicly available for the first three quarters of 2015. However, the Rubber Manufacturers Association forecasted in August of 2015 that U.S. shipments of truck and bus tires would increase by 1.3 million tires, or 5.63 percent, from 2014 to 2015.<sup>30</sup> Meanwhile, imports from China had already grown by 10.78 percent in the first three quarters of 2015 compared to the first three quarters of 2014. Thus, imports from China likely continued to grow more rapidly than demand in 2015, indeed nearly twice as rapidly, meaning China continued to gain more market share at the expense of domestic producers in 2015.

In sum, Chinese imports increased more rapidly than demand over the period, permitting China to increase its market share. Subject tires took this market share directly from domestic producers, who did not participate in the growing market and instead saw their shipments decline. As a result, domestic producers lost over seven percentage points of market share, almost entirely to subject imports. Whether viewed by volume or value, and whether on an absolute or relative basis, the data support a finding that the volume of subject imports from China is significant.

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<sup>30</sup> “RMA: U.S. demand for tires to remain unchanged,” (Aug. 12, 2015), attached at **Exhibit I-19**.

### C. Price Effects of Subject Imports

In evaluating the price effects of subject imports, the statute directs the Commission to consider whether: 1) there has been significant price underselling by the imported merchandise; and 2) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>31</sup>

As discussed in Section II.B, above, truck and bus tires from the U.S. and China are available in the full range of sizes and truck and trailer positions found in the market.<sup>32</sup> In addition, they are sold side-by-side by the same dealers for the same applications.<sup>33</sup> Chinese truck tires are also offered as standard equipment or options by some OEMs.<sup>34</sup> Many Chinese truck and bus tire brands, like domestic brands, have earned designation by the Environmental Protection Agency as “SmartWay Technology” tires, which are tested to ensure they can help reduce fleet emissions.<sup>35</sup> Chinese tire manufacturers also offer fleet service programs and retreading warranties, just as domestic manufacturers do.<sup>36</sup> Indeed, at least one major Chinese truck and bus tire producer, Double Coin, advertises its truck and bus tires as directly competitive with

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<sup>31</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>32</sup> See **Exhibit I-7**.

<sup>33</sup> See **Exhibit I-10**.

<sup>34</sup> See Peggy Fisher, “China’s impact sizable on truck tire market; Improved quality more accepted; Affect {sic} on pricing,” TireBusiness.com (Apr. 28, 2014), attached at **Exhibit I-20**.

<sup>35</sup> See “SmartWay Technology,” epa.gov, attached at **Exhibit I-21** (listing Chinese brands including Dongfeng, Double Happiness, Double Coin, Fullrun, GT Radial, Horizon, Huasheng, Jinyu, Linglong, Long March, Qiangwei, Sailun, Sinotire, Sunny, Tech King, Triangle, and Wanli, among other).

<sup>36</sup> See **Exhibit I-22**. See also Peggy Fisher, “China’s impact sizable on truck tire market; Improved quality more accepted; Affect {sic} on pricing,” TireBusiness.com (Apr. 28, 2014), attached at **Exhibit I-20**.

those produced by major U.S. producers such as Bridgestone, Goodyear, and Michelin, confirming the head-to-head competition between domestic and Chinese truck and bus tires in the market.<sup>37</sup> Given the high degree of substitutability between domestic and Chinese bus and truck tires, competition is based largely on price.

Indeed, a number of industry publications have cited the adverse impact of low-priced Chinese bus and truck tires on domestic pricing. A 2014 industry article summarized the impact of Chinese price-undercutting:

... Chinese-produced truck tires provide tire dealers with better margins and profitability than tires produced by major tire manufacturers. The average customs value of a medium truck tire imported from China in 2013 was \$141.27 .... This leaves a whole lot of room for mark-up when competing with major brands whose average retail price is \$393.<sup>38</sup>

The article states that almost every commercial tire dealer sells some truck tires made in China, alongside domestic brands, because of this price difference.<sup>39</sup> The article concludes that Chinese tire manufacturers' presence in the U.S. market will continue to grow and "will continue to put downward pressure on pricing ..."<sup>40</sup> As detailed below, other publicly available information confirms that the growing volume of imports from China has had significant adverse price effects on the domestic truck and bus tire industry.

Publicly available price data indicate that there is widespread underselling by Chinese truck and bus tires. While the Commission reviews wholesale, F.O.B. prices to

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<sup>37</sup> See Double Coin Commercial Tire Data Book, attached at **Exhibit I-23**.

<sup>38</sup> Peggy Fisher, "China's impact sizable on truck tire market; Improved quality more accepted; Affect {sic} on pricing," TireBusiness.com (Apr. 28, 2014), attached at **Exhibit I-20**.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

unrelated parties in its investigations, these prices are not publicly available to the petitioner. However, a comparison of publicly available average prices for truck and bus tires in the U.S. market from 2012 to 2014 and average import unit values from China shows deep underselling by subject imports. This comparison understates the extent of underselling, as the average price in the U.S. market itself includes large volumes of Chinese imports.

Average Prices for U.S. New Truck Tire Sales and Chinese Import Unit Values<sup>41</sup>  
\$/tire

	<b>2012</b>	<b>2013</b>	<b>2014</b>
U.S. Market Price	\$425.00	\$401.27	\$381.50
China Import AUV	\$181.12	\$156.60	\$144.03
Underselling Margin	-57.38%	-60.97%	-62.25%

Publicly available retail tire prices from 2015 for replacement truck and bus tires indicate that deep underselling likely continues and is widespread. Indeed, for each tire size and specification in which an identifiable Chinese brand was available, prices for identical tires produced by identifiable domestic brands were uniformly higher. In the 30 product comparisons available from one commercial tire dealer’s website, Chinese tires undersold domestic tires 100 percent of the time, at margins ranging from 9.02 to 49.58 percent, with an average underselling margin across the 30 products of 29.26 percent.<sup>42</sup> As noted above, tire dealers enjoy higher mark-ups on Chinese tires, and thus these margins are likely significantly understated.

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<sup>41</sup> See “Double digit growth!,” *Modern Tire Dealer* (Jan. 2015), attached at **Exhibit I-24**. Average import unit values are landed duty paid, per tire, from USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20.

<sup>42</sup> See **Exhibit I-10**.

Publicly available data also indicate significant price depression by reason of imports of truck and bus tires. As shown above, average import unit values for truck and bus tires from China fell by more than 20 percent from 2012 to 2014, driving down the average price in the U.S. market by more than 10 percent. The fact that prices declined so dramatically even while demand was increasing only underscores the significance of the price depression caused by subject truck and bus tires. Average import unit values continued to fall in the first three quarters of 2015, falling from \$145.66/tire in the first three quarters of 2014 to \$138.33/tire in the first three quarters of 2015.<sup>43</sup>

In addition to underselling and price depression, the domestic industry likely suffered price suppression by reason of Chinese truck and bus tire imports. Unfortunately, domestic producers do not publicly disclose their sales revenue and costs of goods sold on a detailed enough basis to determine the precise extent of the cost-price squeeze the industry may have suffered over the period.<sup>44</sup> However, in its recent investigation on PVL T tires from China, the Commission found that the unit cost-of-goods sold for such tires fell by 8.1 percent from 2012 to 2014 due to a temporary decline in raw material costs.<sup>45</sup> Assuming a similar decline in unit costs was experienced by domestic producers of truck and bus tires over the period, even more rapidly declining Chinese prices likely caused significant price suppression. As noted above, the average import unit value of Chinese truck and bus tires fell by over 20 percent from 2012 to

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<sup>43</sup> Average import unit values are landed duty paid, per tire, from USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20.

<sup>44</sup> For further discussion of this issue, see Section III.D, below.

<sup>45</sup> *PVL Tires Investigation* at Table C-1, excerpts attached at **Exhibit I-2**.

2014, driving down U.S. market prices by more than 10 percent, outstripping any gains from temporarily declining costs.

In sum, publicly available data indicate that there is widespread underselling by Chinese truck and bus tires across all tire sizes and by significant margins. In addition, average unit values for imports from China, domestic pricing data, and available cost data for other types of tires indicate there has also been price depression and suppression over the period. These data are consistent with industry statements indicating that domestic tire prices have been falling due to the increase in Chinese tire imports. In short, all reasonably available public information supports the conclusion that imports of truck and bus tires have had significant adverse price effects on the domestic truck and bus tire industry.

**D. Impact of Subject Imports on the Domestic Industry**

Rapidly rising imports of low-priced and unfairly traded truck and bus tires from China have had significant adverse impacts on the domestic truck and bus tire industry.

As imports have grown, the domestic industry has lost shipment volume and market share. The steady losses have occurred despite rising demand.

Volume of Imports and Domestic Shipments<sup>46</sup>

<i>Million Tires</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>12 to 14</b>
Apparent Consumption	21.3	20.7	23.1	+8.45%
China Imports	6.3	6.3	8.4	+33.33%
Domestic Shipments	10.7	10.5	9.9	-7.48%
China Share	29.58%	30.43%	36.36%	+6.79 ppt
Domestic Share	50.23%	50.72%	42.86%	-7.38 ppt

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<sup>46</sup> Chinese and non-subject imports are from USITC Trade DataWeb, U.S. Imports for Consumption, for HTS 4011.20.10.15 and 4011.20.50.20. Domestic shipments are the difference between MTD consumption data in **Exhibit I-18** and total imports.



While demand rose by 1.8 million tires, or 8.45 percent, from 2012 to 2014, imports from China grew even more rapidly, growing by 2.1 million tires, or 33.33 percent. As a result, domestic producers saw their shipments decline by 800,000 tires, or 7.48 percent, and they participated in none of the demand growth over the period. Chinese truck and bus tires gained nearly seven percentage points of market share from 2012 to 2014, all of which were at the direct expense of domestic producers, who lost more than seven percentage points of market share over the period. As noted in Section III.B, above, imports from China continued to grow more rapidly than demand in 2015, likely further driving down the domestic industry's shipments and market share.

For every tire shipment and percentage point of domestic market share lost by U.S. producers during the period, Chinese producers gained all of the lost shipments and market share and more.

While there is no publicly available data on the value of U.S. producers' shipments from U.S. plants during the period, as noted above public data on prices in the U.S. market overall shows that prices were driven down from 2012 to 2014, as imports from China rose and entered at falling prices. Thus, it is likely that the value of domestic shipments declined as quickly, if not more quickly, than domestic shipment volumes.

While production data for U.S. producers' domestic operations is not publicly available, as noted above, domestic shipments fell 7.5 percent from 2012 to 2014 and likely fell again in 2015 as imports rose more rapidly than demand. If production did not decline by a similar amount as shipments, it means the domestic industry has either had to increasingly rely on exports and/or is burdened with growing inventories. While U.S.

exports of truck and bus tires did increase from 2012 to 2014 and over the interim period, the average unit value of those exports is far below prices in the U.S. market.

U.S. Domestic and Export Prices for Truck and Bus Tires<sup>47</sup>  
\$/tire

	<b>2012</b>	<b>2013</b>	<b>2014</b>
U.S. Market Price	\$425.00	\$401.27	\$381.50
U.S. Export AUV	\$256.77	\$235.51	\$236.41

Thus, exports are a second-best alternative to maintaining the industry’s share of a growing and higher-priced domestic market. The fact that sales shifted to lower priced markets likely also negatively impacted sales revenue and the industry’s financial performance.

If, on the other hand, production did decline despite the reliance on exports to absorb volumes that could not be sold in competition with growing volumes of Chinese tires in the U.S. market, it indicates that domestic capacity utilization rates and employment likely also fell. The tires industry is highly capital-intensive, making any decline in capacity utilization particularly problematic for the domestic industry.

None of the publicly traded companies that produce truck and bus tires in the United States reports U.S. production, sales, costs of goods sold, employment, operating income, or capital investments in a sufficiently detailed matter to enable an analysis of domestic industry trends over the period.<sup>48</sup> While some companies report certain line items for the North American market, these line items are unrepresentative for several

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<sup>47</sup> See “Double digit growth!,” *Modern Tire Dealer* (Jan. 2015), attached at **Exhibit I-24**. Average export unit values are FAS, per tire, from USITC Trade DataWeb, U.S. Domestic Exports, for HTS 4011.20.10.15 and 4011.20.50.20.

<sup>48</sup> See annual report excerpts, attached at **Exhibit I-25**. Bridgestone does not report any items for the North American region but only the Americas, which includes Latin America.

reasons. First, they include all tires, including bus, truck, passenger vehicle and light truck, off-the-road, agricultural, and other tires, and thus are not limited to truck and bus tires.<sup>49</sup> Second, they include sales in Canada and Mexico, as well as the United States. Third, they include the companies' production operations in Canada and Mexico. Three U.S. producers – Bridgestone, Goodyear, and Michelin – also have facilities in Canada and/or Mexico.<sup>50</sup> Fourth, sales in the U.S. would include not only sales of domestically-produced tires, but also sales of tires imported into the U.S. from other countries. For all of these reasons, figures on North American sales and income in the companies' financial statements do not provide reliable indications of the financial performance of the companies' U.S. truck and bus tires operations.

As noted in section III.C, however, publicly available data indicate that growing volumes of low-priced imports drove down prices more steeply than any cost savings the industry may have enjoyed due to declining raw material costs. While unit costs-of-goods-sold for other tire products fell by about 8 percent from 2012 to 2014, import unit values for bus and truck tires from China fell by more than 20 percent, driving down prices in the U.S. market overall for truck and bus tires by more than 10 percent. These figures indicate that the domestic truck and bus tire industry suffered declining gross profits, and thus likely declining operating income and net income, over the period.

The adverse market conditions resulting from the influx of low-priced tires from China also appear to have affected union contract negotiations conducted in 2013. Goodyear's new contract capped the company's legacy pension obligations, reduced the

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<sup>49</sup> *See id.*

<sup>50</sup> Bridgestone has plants in Joliette Quebec, Monterrey, Mexico, and Cuernavaca, Mexico. Goodyear has plants in Medicine Hat, Alberta and Napanee, Ontario. Michelin has three plants in Nova Scotia and one in Queretaro, Mexico. *See* MTD 2015 Plant List, attached at **Exhibit I-11**.

percentage of earnings paid out and the maximum annual payments to employees under the company's profit-sharing plan, and kept overall wage costs neutral for the company.<sup>51</sup> The contract also gives Goodyear the ability to reduce staffing by up to 15 percent at each facility.<sup>52</sup>

As detailed above, declines in shipments and market share, and potential declines in capacity utilization, employment, and profitability, all demonstrate that the domestic industry is suffering material injury by reason of truck and bus tire imports from China.

#### **E. Threat of Material Injury**

The domestic industry is not only suffering material injury at the present time; it is also imminently threatened with additional material injury absent relief from dumped and subsidized imports from China.

In assessing the threat of material injury, the statute directs the Commission to consider, among other factors, the extent of subsidies involved and whether any such subsidies are prohibited subsidies, unused capacity and capacity expansions, and the volume and prices of subject imports.<sup>53</sup> Each of these factors supports an affirmative threat determination in this case.

First, with regard to subsidies, Volume III of these petitions documents the wide range of subsidies available to truck and bus tire producers in China, including an array of export subsidies. Export subsidies alleged to benefit truck and bus tires producers in China include:

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<sup>51</sup> See "Goodyear outlines contract details," *Modern Tire Dealer* (Aug. 27, 2013), attached at **Exhibit I-26**. See also Goodyear, "North America United Steelworkers 2013 Agreement Conference Call" (Aug. 27, 2013), attached at **Exhibit I-27**.

<sup>52</sup> *Id.*

<sup>53</sup> 19 U.S.C. § 1677(7)(F).

- 1) Policy Loans (including based on export performance);
- 2) Discounted Loans for Export-Oriented Enterprises;
- 3) Export Seller's Credit;
- 4) Export Buyer's Credit;
- 5) Export Credit Insurance Subsidies;
- 6) Export Credit Guarantees;
- 7) Provision of Land-Use Rights for FIEs for Less Than Adequate Remuneration (including based on export performance);
- 8) Famous Brands Program;
- 9) Export Loan Interest Subsidies;
- 10) Export Interest Subsidy Funds for Enterprises Located in Guangdong and Zhejiang Provinces; and
- 11) Funds for "Outward Expansion" of Industries in Guangdong Province.<sup>54</sup>

As the Commission has recognized, Congress considers export subsidies "to be more likely to threaten material injury" than purely domestic subsidies "because they are directed specifically at the export market."<sup>55</sup>

The wide array of subsidies available to the truck and bus tires industry in China is specifically designed to increase domestic production and exports. Truck and bus tires have been identified by the Government of China as high-tech products for export, meaning that the government has adopted an official policy of promoting the export of truck and bus tires.<sup>56</sup> The Government of China has also adopted a *Tire Industry Policy*

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<sup>54</sup> See Volume III.

<sup>55</sup> *Leather Wearing Apparel from Uruguay*, Inv. No. 701-TA-68 (Final), USITC Pub. 1144 (May 1981) at 13-14; H.R. Rep. No. 96-317, at 43 (1979).

<sup>56</sup> See Volume III of these petitions at III-12 – III-25.

to encourage the development of radial tires by Chinese producers. The policy sets target rates for radialization of the industry and encourages the adoption of new technology to develop new tire products.<sup>57</sup> The Government of China has also adopted policies to develop and encourage the production of specialty raw materials for high-performance radial tires.<sup>58</sup> Provincial and local governments have adopted similar policies, including, in 2011, the government-backed creation of a “Rubber Valley” in Shandong Province to “make the industry bigger and stronger in fierce international competition.”<sup>59</sup>

Second, publicly available information indicates that Chinese truck and bus tire producers are in fact adding capacity and ramping up production and exports consistent with these policies. From 2006 to 2012, for example, Chinese tire production ballooned from 280 million sets of tires to 470 million tire sets.<sup>60</sup> China accounts for a quarter of global production, and it is now the world’s largest producer and exporter of tires.<sup>61</sup> A 2015 report notes that China’s overcapacity in the tire industry is particularly acute for truck tire producers, given a sharp decline in truck demand in China as the economy and investment slow.<sup>62</sup> Indeed, overcapacity in the Chinese tire industry was estimated at 20 to 25 percent.<sup>63</sup>

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<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> Aeolus, “Execute green manufacturing; Lead transformation & upgrading” (2013) at slide 13, attached at **Exhibit I-28**.

<sup>61</sup> *Id.*

<sup>62</sup> Global and China Tire Industry Report 2014-2015, attached at **Exhibit I-29**.

<sup>63</sup> *Id.*

Existing overcapacity will only grow as producers add to China's truck and bus tire capacity in the imminent future. A summary of some of the more significant recent and planned capacity expansion projects in China is below.

- In 2014, Kenda Rubber Industrial Co., Ltd. announced it was building a new dedicated truck and bus tire facility in Jiangsu, China with a daily capacity of 6,000 tires a day.<sup>64</sup>
- In March of 2015, ground was broken on a new truck tire plant in Anhui, China with a projected annual capacity of two million tires.<sup>65</sup>
- In September of 2015, Double Coin announced that it was going to expand the production of truck and bus radial tires by an additional 1.5 million tires at its plant in Rugao, China by 2018; many of the plant's tires are destined for the U.S. market.<sup>66</sup>
- In November of 2015, Qingdao Doublestar was relocating a truck tire plant to Qingdao, China; the plant's original capacity of 1 million truck and bus tires is estimated to potentially increase to 15.1 million units.<sup>67</sup>

Third, it is highly likely that a significant portion of this new production will be directed at the highly attractive U.S. market if relief is not imposed. China has demonstrated its willingness and ability to rapidly shift export volumes to the U.S. market when duty relief is not in place. Indeed, its exports of truck and bus tires have been increasingly concentrated in the U.S. market as it has increased exports to the U.S. more rapidly to the rest of the world. And U.S. prices are consistently higher than the prices available in other markets. Moreover, the gap between U.S. prices and those in other markets has increased since 2012.

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<sup>64</sup> See **Exhibit I-29**.

<sup>65</sup> See *id.*

<sup>66</sup> See *id.*

<sup>67</sup> See *id.*

China's Exports of Truck and Bus Tires to the World<sup>68</sup>

<b>KGs</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2015</b>
U.S.	416,886,256	457,070,499	656,690,473	487,363,281	449,630,038
World	2,334,271,723	2,670,106,390	3,150,953,028	2,340,054,628	2,324,183,438
U.S. % World	18.25%	17.82%	21.72%	21.55%	20.81%

<b>\$/KG</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2015</b>
U.S.	\$3.53	\$3.17	\$2.82	\$2.84	\$2.53
ROW	\$3.44	\$3.02	\$2.67	\$2.72	\$2.31
Difference	2.69%	5.02%	5.40%	4.45%	9.55%

The attractiveness of the U.S. market as the prime target for China's exports is further demonstrated by the existence of antidumping orders on Chinese tires in other third country markets. Imports of Chinese truck and bus tires are subject to antidumping measures or investigations in Brazil, Colombia, Egypt, the Eurasian Economic Commission, India, and Turkey.<sup>69</sup>

Fourth, the significant rate of increase in the volume and market penetration of Chinese imports since 2012 indicates the likelihood of substantially increased imports in the imminent future if relief is not imposed. As noted above, the volume of Chinese exports of truck and bus tires to the U.S. rose by 33 percent from 2012 to 2014, and their share of the U.S. market also increased significantly. Imports continued to increase by 10.8 percent in the first three quarters of 2015, rising nearly twice as fast as projected U.S. demand for truck and bus tires in 2015.

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<sup>68</sup> Source is China Customs data for HS 4011.20. Export data includes light truck tires that cannot be isolated from truck and bus tires at the six digit level.

<sup>69</sup> Relevant WTO Notification excerpts and other materials attached at **Exhibit I-30**.



These gains in market share have been made possible by widespread and deep underselling, as well as persistent price depression over the entire period. As import prices have fallen, import volumes have risen at the expense of domestic producers. If duties are not imposed, these trends will only worsen, threatening the domestic industry and its workers with further injury.

For all of these reasons, the domestic truck and bus tire industry and its workers are threatened with further injury by reason of subject imports if orders are not imposed.

#### **IV. CONCLUSION**

Based on the information reasonably available to the petitioner and presented in these petitions, truck and bus tires from China are being dumped in the U.S. market, they benefit from countervailable subsidies, and they are causing and threatening to cause injury to the domestic truck and bus tire industry. Accordingly, the petitioner respectfully requests that the U.S. Department of Commerce initiate antidumping and countervailing duty investigations on imports of truck and bus tires from China and issue affirmative determinations in each investigation. The petitioner further requests that the U.S. International Trade Commission initiate investigations into material injury, including threat of material injury, to the domestic industry by reason of subject imports and issue affirmative determinations of injury.

## VOLUME I – GENERAL ISSUES AND INJURY

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