

Testimony of Senator Sherrod Brown
U.S. International Trade Commission Hearing on
Coated Paper

Thursday, September 16, 2010

Madam Chair Okun, thank you for the opportunity to testify on this case on behalf of NewPage Corporation and SMART Papers, coated paper producers based in my state, and their workers.

I've come to the International Trade Commission perhaps a dozen times over the last three years – on consumer tires, industrial tires, thermal paper, and different types of steel products. I had the opportunity to testify earlier this week on seamless standard, line and pressure pipe steel. It's always a priority for me and many members of Congress to support our industrial base when unfair, subsidized competition threatens to put key sectors out of business. That is why our trade enforcement laws are so vital, especially as we battle our way out of this recession.

In America, we have always been good at making things. In Ohio, and across this country, manufacturing matters. But we're at risk of letting our coated paper industry slip away if we continue to allow the anticompetitive practices of foreign companies to undermine the economic health of our producers. This translates not only into jobs lost in the coated paper industry but also in the communities that support them.

NewPage Corporation, one of the petitioners in this case, had a sheeting facility in Chillicothe, Ohio, just south of Columbus. In 2008, dumped and subsidized imports forced NewPage to close this facility and 175 Ohioans lost their jobs. SMART Papers, an innovative

coated paper manufacturer in Hamilton, has had to make significant cuts in its workforce as well. I can't emphasize enough how hard this is on the small towns and communities across Ohio.

I find it striking that Asia Pulp and Paper, the largest producer in China and Indonesia, can sell its coated paper in the U.S. market at prices that are often \$200 per ton below prevailing market prices. How can it do this, especially when China, in particular, lacks the natural resources for the manufacture of coated paper? China has to import the primary raw material needed to make paper -- pulp -- from other countries, primarily from Latin America. It is not economically feasible that Chinese companies could import the raw materials, make the paper, ship the paper to the U.S., and still undersell the lean and efficient U.S. companies by such large margins without receiving substantial assistance from the Chinese governments and without dumping. How is a normal business practice?

With respect to Asia Pulp and Paper's operations in Indonesia, environmental organizations have repeatedly raised concerns about the logging activities of the company and its wood suppliers in Indonesia. In 2004, Asia Pulp and Paper published a "Sustainability Action Plan," which was designed to shift all sourcing for the company's Indonesian pulp mills from indigenous trees to trees grown on plantations. But at least one industry analyst has noted that Asia Pulp and Paper "expanded pulp capacity much faster than plantation development," and that the company continues "to rely heavily on wood from natural forest." At the end of 2007, the Forest Stewardship Council ("FSC") formally disassociated itself from Asia Pulp and Paper due to continued concerns about the company's timber harvesting operations in Indonesia. U.S. producers should not be forced to compete with producers in Indonesia who benefit from free wood fiber procured through illegal logging activities.

As the Commission understands, Ohio has been hit very hard by the recession and the decline in the manufacturing sector. In the past ten years, only two states, Michigan and California, have lost more jobs. It will only worsen our situation if we allow our manufacturers and their workers to continue to suffer the illegal pricing strategies and subsidy practices of global competitors who refuse to compete on fair terms. In our history, manufacturing has led the economy out of recessions because it tends to respond quickly to changing economic conditions while creating tangible wealth. We must protect this resource and not allow other countries to use us as a stepping stone to their own wealth creation, especially when their policies run afoul of their international commitments.

As I stated earlier, our trade laws are indispensable. In the global market, it can be difficult to address situations in which free market competition based on sound pricing, solid workmanship, and efficiency, gives way to corrupted competition distorted by subsidies, dumping, and other anticompetitive practices. These remedies, when properly applied, defend against the type of unfair competition currently faced by the U.S. coated paper industry and its workers.

Thank you very much for the attention you have given this case. I urge you to examine closely the record and testimony given today and to make an affirmative final determination.