

Testimony of Senator Jeff Sessions of Alabama on Frozen Warmwater Shrimp From China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam

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ITC Investigation Nos. 701-TA-491-497

Chairman Williamson, ITC Commissioners, I am pleased to appear before you to strongly support efforts by the U.S. shrimp industry to obtain relief from massively subsidized shrimp imports. This industry and the entire Gulf region needs your help in leveling the playing field against unfair competition from China, Ecuador, India, Indonesia, Malaysia, Thailand, and Vietnam. Providing relief to this industry will benefit the processors that produce the final frozen shrimp product and send it to market as well as shrimp harvesting boats and docks that supply them.

If you are able to affirmatively determine injury to our industry is occurring and support relief that curtails foreign government subsidies, we know that shrimp production will remain a way of life in the Gulf region. If you do not, the very survival of this vital and proud Gulf industry is in jeopardy.

When they filed this case in December 2012, the Coalition of Gulf Shrimp Industries (COGSI), an organization representing shrimp processors from North Carolina to Texas, documented a massive \$13.5 billion in subsidies from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. More than 100 specific subsidies were alleged from the seven nations, each of which provide very generous government assistance programs to their shrimp industries. In fact shrimp is a key export for many of these countries, often ranking in the top ten in terms of export revenue earned.

The U.S. shrimp industry is near and dear to my heart, but, more importantly, it is absolutely vital to the economy and culture of Mobile County in my state and to the entire Gulf region. A small rural community like Bayou La Batre at the far end of Mobile County is dependent on the success of the shrimp industry. The shrimpers who harvest the crustacean from their boats, the docks who supply the boats and land their product, and the shrimp processors who transform that raw material into final frozen form and get the product ready for commercial sale are all independent entrepreneurs, who work together for the benefit of the community. Many shrimp processors are family run business that have been in the industry for generations, and their endurance and hard work are a testament to the values we hold dear in Alabama and throughout this country.

Each year there is a Blessing of the Fleet festival in May to mark the start of the shrimping season, an event steeped in hundreds of years of tradition. The 2013 version of this great event, which I have attended in the past, includes a traditional seafood feast, a four mile run, and an actual blessing of the fleet by the Archbishop of Mobile, Thomas Rodi.

Recent events have not been easy to weather for the shrimp industry in Bayou La Batre and across the Gulf. In the 2000s they have faced several major hurricanes and the BP gulf oil spill. Each of these events severely tested the industry. However, there is no development more adverse to the U.S. shrimp industry than the massive government subsidies from China, Ecuador, India, Indonesia, Malaysia, Thailand, and Vietnam that are the subject of this case. Now, I would like to provide an overview of the facts in this case.

First and foremost for me is the economic impact of this industry on the state of Alabama. According to Alabama Seafood, the Alabama seafood industry directly employs more than 8,000 people and has an economic impact of \$336 million annually, including over \$135 million in generated income. More broadly, 1.23 billion pounds of seafood is harvested each year from the Gulf of Mexico, 30 percent of the nation's seafood overall. And, more than 70 percent of U.S. shrimp come from the Gulf of Mexico, underlining the economic and cultural importance to our region.

The problem in a nutshell that we face today is that shrimp exports from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam benefit from a wide array of subsidies including large government grants, loans way below market rates, debt forgiveness, massive tax breaks, and a myriad of export subsidies. Let me give you just three examples of government largess:

- The Government of Ecuador gives shrimp farms a special break from land use fees – while every other commercial user has to pay the government \$700 a year for each hectare of valuable coastal land they use, shrimp farmers get the first 10 hectares free, and then they only have to pay \$2.16 a hectare for the rest, saving them thousands of dollars of land fees each year.

- The Indian government provides shrimp producers with a wide array of subsidies that are specifically designed to encourage exports. For example, they give exporters of processed shrimp a special grant to help cover the cost of ocean freight for their exports, and they get an even bigger grant if they ship that shrimp to the U.S.

- In China and Vietnam, the governments have published explicit policies that direct their large state-owned banks to give shrimp producers preferential access to credit and to provide those loans at below-market rates.

Now, you all know that I am a fiscal conservative that prefers free market solutions. Keeping the government out of the way of U.S. industry on the tax and regulatory matters allows markets to function more efficiently. As Ranking Member of the Budget Committee I oppose wasteful government spending and policies. In short, I am 100 percent supportive of market based

solutions, but that means our competitors must also play by market rules. In this time of dramatically low labor participation rates, it is especially critical that every American job be protected against unfair foreign competition.

When foreign governments are distorting the market, our government needs to act to counteract these unfair and egregious foreign practices. We must confront these abuses of the trade system in order to preserve U.S. jobs and competitiveness. As you might know, I have advocated for years for the U.S. to use its leverage to move China and other nations away from currency manipulation and toward fairer, more market oriented exchange rates. In this case, just as in previous trade cases impacting Alabama businesses, I am deeply committed to ensuring that our trade laws are effectively enforced in order to bring about more market oriented behavior from our competitors. Trade cases need to be brought and won to counteract the kind of damaging and undisciplined subsidies these seven nations are providing to their producers.

As you know, this is one of the largest countervailing duty cases in U.S. history. In 2012, these seven nations exported 883 million pounds of shrimp to the United States, worth nearly \$3.6 billion. These seven nations account for 89 percent of U.S. shrimp imports and three quarters of the domestic market. Clearly, if these countries are not disciplined, the entire future of the U.S. industry and the way of life of thousands of people in Alabama and across the Gulf is in real jeopardy. Allowing the flood of subsidized imported shrimp to continue could drive our industry to extinction fairly quickly.

On May 29<sup>th</sup>, the U.S. Department of Commerce, your partner in this investigation found subsidies ranging as high as 62 percent from these nations. If you vote in the affirmative, these duties will provide valuable breathing space that will allow our folks to survive.

I believe in free and fair trade. When foreign distortions of trade are not checked and corrected by legal processes such as this one, vital American middle class jobs are lost and our competitiveness is eroded. Many, including me, have documented the loss of millions of manufacturing jobs across the country in the late 20<sup>th</sup> and early 21<sup>st</sup> centuries, but manufacturing is not the only industry that suffers from unfair foreign competition. Our agricultural and fishery producers are also at risk. I am here to tell you today that all sectors matter in job creation. Efforts to promote fair trade in one sector inevitably benefits others.

In my state, shrimp is a way of life – from the fisherman to the docks, from the processor to the grocery store, restaurant, and family table; we all have a stake in this industry. This vital part of our local culture has been passed down for generations, and will continue to survive and ultimately thrive if you make an affirmative determination of injury at your final vote on this case on September 19, 2013.

Thank you for the opportunity to testify today and I would be happy to answer any questions.