STATEMENT OF BRENNA S. LENCHAK

ON BEHALF OF P.T. INDORAMA SYNTHETICS

Good Morning. My name is Brenna Lenchak of the law firm of Kalik Lewin. I am here today on behalf of P.T. Indorama Synthetics, the principal manufacturer and exporter of PET Resin from Indonesia to the United States, in opposition to the Petition requesting the withdrawal of GSP status for PET Resin from Indonesia. Thank you for the opportunity to appear for the Commission.

Our pre-hearing brief details the reasons why the Commission should determine that the continuation of GSP for PET Resin from Indonesia will have no adverse economic effect on the US domestic industry. However, if GSP status is withdrawn for PET Resin, US producers of PET Resin bottles will be forced to pay more for PET Resin and consumers will be forced to pay more for products using PET Resin packaging (such as soda, tea, and bottle water), or would have to purchase these products in more costly and/or less desirable containers. For these reasons. GSP should not be withdrawn with respect to PET Resin from Indonesia.

I will summarize our written submission on each on these points.

As a preliminary matter, I would like to discuss the Petition's combining of imports from Indonesia and India in its discussion of the impact of imports from these countries on U.S. producers. This suggests the Petitioners believe the Commission should cumulate imports from these countries in the Commission's economic analysis. There is no basis under the statute or in fact for this approach. Instead, the Commission should look at import data and the effect of imports from each country on a country specific basis. This separation would be consistent with both the statute and the fact that there is no meaningful geographic overlap between imports from the two countries, in terms of port of entry, and ultimately in terms of markets. As discussed in our brief, imports from India enter mostly into Eastern ports, closer to US production plants, while imports from Indonesia enter into Western ports, predominantly into the port of LA. Given the cost of inland freight across the U.S., the West Coast is not serviced by domestic production. Conversely, imports from Indonesia do not compete with Indian imports or domestic producers.

I'd like to now turn to the key points discussed in our prehearing brief.

First, the Petitioners claim that there has been a recent surge in imports of PET Resin from Indonesia. While imports from Indonesia have increased since 2007, an analysis of the time line for this increase shows that it corresponds directly with Thailand's loss of GSP on PET Resin in July of 2007, and the resulting dramatic decline in imports of PET Resin from Thailand. In effect, imports from Indonesia merely replaced imports from Thailand on the West Coast. What Petitioners do not discuss in their Petition is that combined imports of PET Resin from Indonesia and Thailand have actually declined since July of last year.

Second, since 2004, when Petitioners' previous petition to withdraw GSP on PET Resin was rejected, and since 2005—when the ITC determined that import of PET Resin from India, Indonesia and Thailand did not cause, or threaten, the US industry with material injury – major producers, such as Eastman Chemical Company and DAK Americas, have upgraded their U.S. facilities, developed new technology, phased out old technology and reduced cost. These facilities are more technologically advanced and much larger than the Indonesian facilities. U.S. consumption of PET resin, U.S. production capacity for PET Resin, and domestic shipments of

PET Resin all have increased by double digits since 2004, and these trends are expected to continue through 2012.

To put the growth of the U.S. industry into some perspective, since 2005 four new PET Resin manufacturing facilities have opened or are under construction, facilities with capacity or projected annual capacity of 350,000 metric tons, 204,000 metric tons, 800,000 metric tons, and 432,000 metric tons—an average annual capacity of 450,000 metric tons. In contrast, in the twelve month period following Thailand's loss of GSP on PET Resin in July of 2007, imports of PET Resin from Indonesia increased less than 23,000 metric tons. In other words, the "surge" in imports of PET Resin from Indonesia represents less than 5 percent of the average capacity of one of these new facilities, and a minuscule share of domestic shipments.

Third, U.S. Prices for PET Resin have increased in the face of rising raw materials costs. As reflected in data submitted in our pre-hearing brief, margins between the cost of raw materials to produce PET Resin in the United States and prices of domestically produced PET Resin have remained steady over the past two years, and, over the past year, margins between raw material cost and U.S. PET Resin prices actually have increased.

Imports of PET Resin from Indonesia have not suppressed U.S. prices, as alleged by Petitioners, and have not adversely affected the U.S. industry. Nor will continued GSP treatment on these imports adversely affect the U.S. industry. Indonesia's entire PET Resin industry is smaller than a number of individual U.S. facilities, and Indonesia's older, smaller facilities are at a competitive disadvantage in purchasing raw materials, which account for a significant share of the total cost of production of PET Resin, and in terms in terms of manufacturing costs, in relation to the newer, larger and more efficient U.S. facilities

The loss of GSP on imports of PET Resin from Indonesia would place Indonesian producers of PET Resin at a substantial competitive disadvantage in the U.S. market in relation to other import suppliers. Imports from Canada and Mexico receive duty-free treatment under NAFTA and have competitive advantages in terms of transportation cost and proximity to the U.S. market. Indonesian PET Resin producers also need GSP to compete with newer, larger and more efficient facilities in China, Korea, and Taiwan—all major exporters of PET Resin.

Finally, withdrawal of GSP for PET Resin from Indonesia would be contrary to the purpose of the GSP program and US trade policy between the countries. Indonesia is classified as a lower middle income country, ranked at 141 by the by the World Bank in terms of gross per capita national income. Indonesia is also one of the United States' largest trading partners and is a key player in ASEAN. The United States has sought to strengthen these relations and has executed various agreements with Indonesia to spur investment, protect IP rights, and combat illegal activities.

For these reasons, the Commission should find there would be no adverse economic effect on the US industry if GSP status for PET Resin is maintained. Contrary to the PET Resin Coalition's claims, the US industry is not being injured by imports of PET Resin from Indonesia and continuing GSP status on these imports. However, if GSP status is withdrawn, Indonesian producers will no longer be competitive with other major import supplying countries and consumers will be adversely affected.

Thank you for the opportunity to appear here today