BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Certain Polyethylene Terephthalate Resin from Canada, China, India and Oman	)	Inv. Nos. 701-TA-531-533 and 731-TA-1270-1273 (Preliminary)

Testimony of Dale Behm, Pacific Rim Traders

1. Good afternoon. My name is Dale Behm, Managing Director of Pacific Rim Traders ("PRT"). PRT is the representative in North and South America of PET Resin for the Chinese producer Dragon Special Resin ("DSR"). PRT was founded in 2006, and I have been with the company since June 2012 as Managing Director / General Manager. My experience in the PET resin industry is much longer, however. I was one of the Development Engineers working at Continental Can Company where the very first PET container was developed in 1977 and have been working in the PET Resin industry in some capacity since that time. I personally hold 23 U.S. patents in the PET Resin field.

2. The U.S. PET Resin market has a number of important features that I would like you to keep in mind as you consider the

testimony you hear today. First, this is an industry that is dominated by the domestic PET producers. DAK, Indorama, M&G and Nan Ya collectively account for approximately 70 percent of the U.S. PET resin market today, based on my estimation drawn from public sources. This market share has been relatively stable over time and reflects the importance of geographical proximity. Carbonated soft drink producers ("CSD"), bottled water producers, and converters of a variety of both containers and extruded thermoformed packaging need to locate close to their end-user customers. Because of the costs and logistics involved, this means that the converters prefer to obtain the vast majority of their supply of PET resin from North American suppliers who are located relatively close to their plant or can supply them via rail in rail car quantities. Imports from outside of North America are present in this market, particularly in the west coast, and have been for a long time. But they are supplemental suppliers and their impact on the U.S. market is limited.

3. Second, the North American market is truly a single, integrated market. The domestic producers are all internationally-owned

corporations with PET affiliates in other markets. DAK is owned by the Alfa group of Monterrey, Mexico, which owns a PET resin manufacturing facility in Mexico. M&G's parent company is based in Italy and has manufacturing facilities in Mexico and Brazil. Indorama is based in Thailand and is the largest global producer of PET resin. It operates PET facilities in Mexico and in numerous locations in Europe, Asia and Africa. Nan Ya is based in Taiwan and has facilities in Vietnam. These multinational producers view North America as a single market and can serve the United States out of all of their North American facilities. It is my understanding that virtually all of the PET resin imported from Mexico is controlled by the domestic industry. Thus, in evaluating their true market share, their Mexican imports must be considered.

4. Third, the domestic producers have been continuously expanding and modernizing their North American capacity. M&G is currently in the process of building the largest integrated PTA/PET plant in the world in Corpus Christi, Texas, with production expected to begin next year. DAK has expanded its capacity by acquiring the PET assets

formerly operated by Eastman Chemical and Wellman. Indorama built a new facility in Decatur, Alabama in 2010 that is collocated with a BP Chemicals PTA facility. Indorama has announced plans to double the capacity of that facility by the end of 2015. Indorama also acquired the former INVISTA PET facility in 2011 and just recently purchased Cepsa's PTA production facility in Montreal, Canada. As new capacity is added, domestic producers are closing older, less efficient facilities. This is what happened in the case of DAK's closing of its Cape Fear facility in 2013. DAK had acquired the former Eastman Chemicals facility in Columbia, South Carolina in 2011. After a debottlenecking project was completed in that facility, it consolidated operations there and then closed the Cape Fear plant. M&G recently noted in its Global Offering document that a large share of North American production capacity is in the form of older, less efficient plants with less efficient production lines and estimated that 2.3 million metric tons (approximately 5 billion pounds) of current North American PET capacity is expected to be replaced with newer facilities.

5. Fourth, PET Resin pricing is derived from the cost of the raw materials, PTA and MEG, which collectively account for over 90 percent of the cost of production of PET resin. PET resin prices move in concert with these raw material prices, particularly PTA, which is the most significant because over 70 percent of PET is manufactured from PTA, which is derived from Parazylene via crude oil. Just over 30 percent of PET is produced from MEG, which is derived from natural gas. There are currently only three North American suppliers of PTA, and the largest by far is BP. BP experienced an unexpected shut down of one of its two PTA production units at its Copper River, South Carolina facility in August 2014 due to a fire. That unit is only now coming back to full capacity. Supply disruptions caused by the BP plant have put pressure on the margins of domestic producers. U.S. producers generally operate off of formula-based pricing that is directly tied to PTA prices. When prices are declining rapidly, producers are selling higher cost inventories at current prices and their margins are squeezed. I believe this explains much of the recent decline in domestic operating revenues that you heard about this morning.

6. Fifth, imports, particularly imports from the subject countries, are a modest player in the U.S. PET resin market. Recent increases in imports are not due to unfair pricing, but rather reflect short term supply-demand adjustments. This is why you are seeing non-subject imports, including imports from Mexico that are controlled by the domestic industry, increasing as well. As I mentioned, BP's PTA facility was closed for the latter part of 2014 due to a fire.

7. Given these conditions of competition, it should be clear that imports from China and the other countries under investigation are not the cause of whatever problems the domestic producers may be experiencing. M&G acknowledged in its Global Offering statement that overseas imports face high barriers to entry and are not competitive in many parts of the country due to the cost and logistics of moving PET from ocean ports by rail. In the case of my business, we are not selling into the carbonated beverage or hot fill segments of the market at all. Rather, we are selling primarily to second tier water bottle producers, converters for various applications, thermoformed clam shells and specialty containers. Unlike the tier one producers, these second-tier

producers are generally not located on a rail line and thus do not require – or want – deliveries by rail car.

8. More generally, it has been my experience that the large U.S. carbonated beverage producers are not willing to depend on Chinese and other offshore suppliers for a major portion of their supply. Rather, imports tend to be concentrated in the segments I have discussed, where PET resin has become the packaging of choice due to 100 percent recycle and reuse as either new containers or polyester thread. Imports constitute only a very small part of the hot-fill market. I developed "Heat-Set" at Johnson Controls in about 1980. Today most of your juice products are filled in these containers.

9. PET Resin is a global product, and pricing today is "global" and not by region. China importers pay 6.5 percent duties to import PET while some countries have zero percent import duties. This limits the competitiveness of Chinese imports in the U.S. market.

10. Thank you very much. I would be happy to answer any questions.