



**TESTIMONY BEFORE THE UNITED STATES INTERNATIONAL
TRADE COMMISSION'S HEARING**

On behalf of the Embassy of the Republic of Indonesia

**In opposition to the Petition Submitted by the Pressure Sensitive Tape Council,
3M Company, Intertape Polymer Corp., Shurtape Technologies, Inc., and Sekisui
TA Industries, Inc. to Remove GSP Eligibility for Certain Plastic Tapes when
Imported from Indonesia**

(HTS 39191020 and HTS 39199050)

December 1, 2010

Thank you for the opportunity to appear before you today. My name is Dandy Iswara, Assistant Commercial Counselor at the Embassy of the Republic of Indonesia.

Pursuant to the removal of Certain Plastic Tape from Indonesia only, the Government of Indonesia wishes to convey its concern about the petition to remove GSP eligibility for Certain Types of Self Adhesive Plastic Tape Products (HTS 3919.10.20 and HTS 3919.90.50).

The Certain Types of Self Adhesive Plastic Tape industry is an important sector of the Indonesian economy. GSP Program has so far allowed our major tape exporter, PT. Pitamas Indonusa and PT. Nasional Sispoly Indonesia, to access the U.S. market,

despite the constraints of expensive and relatively infrequent shipping service from Indonesia, limited physical infrastructure, and other difficulties. Mr. Anggasaputra is an example of an Indonesian businessman who has invested in this company to export, which has required self-financing to maintain his production capacity at a level that can compete in the global market. We admire the example he has set.

The company also provides an important source of employment for hundreds of workers both directly and indirectly. I would like also to convey to you the leadership role that PT. Pitamas and PT. Nasional have taken to help our economy by creating jobs for the people of Sidoarjo in East Java. Since May 2006, Sidoarjo has continued to experience the largest mud volcano in the world. The volcano expels hot gas along with approximately 1 million cubic feet of mud daily, which is equivalent to the contents of a dozen Olympic-size swimming pools. Experts expect the flow to continue for the next 30 years, with a recent peak occurring earlier this spring. The disaster has hit Sidoarjo economy very hard, and tens of thousands of residents have lost their land and jobs. PT. Pitamas and PT. Nasional, located only several miles from the disaster area, have hired many of the unemployed people of Sidoarjo to work in their facilities. Today, PT. Pitamas has 308 employees, whereas PT. Nasional has 64 employees. The companies provide their workers with a variety of benefits which includes social and health insurance; overtime pay when working extra hours, including third-shift overtime; bonuses for reaching production targets, and a condensed milk allowance. The removal of duty free status from these two products due to reasons that do not meet the statutory GSP criteria for competitiveness will affect Indonesian economy since the employees depend on this industry.

We also believe that Mr. Anggasaputra and his company are exactly what President Obama and President Yudhoyono were referring to when, in their Joint Declaration on the Comprehensive Partnership between the United States of America and the Republic of Indonesia, they stated, "On trade, (the two Presidents) recognized the importance of keeping markets open, as well as facilitation and capacity building programs to increase trade flows including creating and realizing opportunities for small business and entrepreneurs." During that visit, President Obama pledged that the U.S. will be Indonesia's number one trading partner in the future. The US and Indonesia will work together to increasing and doubling bilateral trade to at least US\$ 30 billion in 3 years time.

The GSP program is one of the oldest and most successful U.S. trade facilitation programs. We understand that the GSP program's purpose is to help the economies of developing countries grow sustainably through the expansion of their exports. We also know that the GSP program as mandated by the WTO Enabling Clause, and as affirmed by India's successful case against the EU GSP program, is a rules-governed system that must treat similarly-situated countries in a similar manner. To that end, the GSP law is clear when products from specific countries should lose GSP because of their competitiveness in the U.S. market. But, we are concerned and become less confident in the U.S. rules-based system when the U.S. government is considering taking away GSP for an industry in Indonesia whose exports are far below the GSP law's thresholds for either total trade or for percentage of all imports. And our tape industry is not a large one. Indonesia's tape export industry is primarily two sister

companies located on one piece of land and owned by a single person. It concerns us that this proposed action seems to be 26 large U.S. companies – several located in the U.S. and in other countries and importing from overseas facilities – targeting a single competitor located in Indonesia.

The Government of Indonesia respects that the GSP program is to provide the opportunity to expand exports of developing nations. The GSP statutes require termination of GSP benefits for products from specified beneficiaries if those products:

- a) account for 50% or more of the value of total U.S. imports of that product, and
- b) exceed a certain dollar value (US\$ 145 million in 2010).

U.S. imports of Indonesia's Certain Types of Self Adhesive Plastic Tape Products **meet neither of those criteria.**

The GSP program gives not just Indonesia the benefit to compete in the U.S. market for certain plastic tapes. Fourteen other GSP beneficiaries, including Brazil, India, and Thailand, export certain plastic tapes to the U.S. market using GSP duty-free preferences. In fact, through September 2010, India exported nearly \$3 million of the wider tape to the United States as compared to Indonesia's exports of approximately \$395,000 – one-seventh of India's export level. Just two years ago, India exported \$12 million of the wider tape, and its exports of the narrower type have grown 82 percent this year. For these reasons we strongly believe, that if the petition is approved, Indonesia's five percent import share that it has today will be gained by other GSP country beneficiaries, not by the U.S. domestic industry.

Our two governments are already in discussions before the WTO on an earlier U.S. action. We are not keen to expand our agenda there, but we are concerned that this petition, if approved, could undermine our Presidents' goals for bilateral trade growth, could undermine Indonesian companies' feelings of reliability in using the U.S. GSP program, and could undermine our government's confidence in the United States following its own rules-based programs.

On behalf of the government of the Republic of Indonesia and the Embassy of Indonesia, I have to convey my sincere appreciation for the opportunity to testify before you today.

Thank you.