TESTIMONY BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

On behalf of PT. Pitamas Indonusa, PT. Nasional Sispoly Indonesia, and Primetac Corporation in Response to a Petition to Remove GSP Eligibility for Certain Plastic Tape when Imported from Indonesia Alone (Inv. No. 332-521)

December 1, 2010

Thank you, Madame Chairman. My name is Marideth Sandler, Vice President of The Trade Partnership and former Executive Director of the GSP program from 2005 until April of this year. With me today are Andrie Anggasaputro, President Director of PT. Pitamas Indonusa and PT. Nasionale Sispoly of Indonesia; Peter A. Feniello, President of Primetac Corporation, New Jersey; and Peter J. Feniello, Vice President and Managing Partner of Primetac Corporation, New Jersey. We are testifying in opposition to the petition submitted to remove GSP eligibility for two tariff lines of plastic tape when imported from Indonesia alone.

Before I turn it over to my colleagues, I'd like to stress two important points. The first is that the failure of the petitioners to tell you that they themselves are large importers of acrylic plastic tape from China and Taiwan, and often from production facilities that they own. It is no surprise that U.S. import data show that imports of plastic tape from China and Taiwan are far larger and growing more than twice as fast than are U.S. imports from Indonesia. Other data sources confirm that significant amounts of plastic tape are regularly received by 3M from Alpha Beta's acrylic tape factory in Taiwan (which it has agreed to sell to 3M) and by Shurtape from its tape production facilities in Shanghai and Changsu, China. China and Taiwan are also where expensive PVC insulation tape and retail packaging tape are produced, contributing to the high average unit value of imports cited by the petitioners. Other petitioners also receive sizable, regular shipments from manufacturers in Taiwan, China, India, Japan, Canada, Mexico, and elsewhere.

The second point I would like to make is that under these circumstances, the removal of GSP benefits for Indonesia would serve only to protect petitioners' overseas investments, would ensure employment for workers – not U.S. workers but those working in petitioners' overseas production facilities, and would sharply reduce the ability of the Indonesian industry to compete in the U.S. market.

I'd like now to ask Peter J. Feniello to discuss his experience and insights as a longstanding U.S. importer of plastic tape produced by Indonesia as well as by other suppliers.

Thank you. Primetac Corporation has been in business for nearly 20 years, first importing plastic tape from Indonesia in 1999 and now is its largest U.S. importer and distributor. We are family-owned business seeking to remain competitive in a very difficult market.

I would like first to point out that the types of tape included in the two tariff lines are varied. It is untrue that most of the tape imported under the two tariff lines is commodity carton sealing tape. The two tariff lines comprise an extensive range – from low-value sealing tape to high-value PVC electrical tape and even higher value ultra-clear tape, noiseless tape and other tapes that are sold in dispensers and other retail-ready packaging. Packaging by itself requires extra material and labor cost, which raises the unit costs of the finished product. Petitioners acknowledge that product mix is an issue but dismiss it quickly at every turn. This large product mix results in artificially inflated "average unit values" from China and Taiwan that have no meaning in the real world of commodity carton sealing tape pricing.

Next, the petitioners' assertion that imports from Indonesia are forcing down market prices is a myth. For example, the petitioners stated that "In the 1st 9 months of 2010, the average unit value of imports from Indonesia...was 11 cents per square meter." They cite what they indicate to be comparable values from China and Taiwan at $.32 and $.20 per square meter for 2009. These latter figures are not reflective of selling prices in the market place, serving only to demonstrate the importance of acknowledging product mix and the various tiers of quality. Imports from China absolutely dominate the West Coast market – I returned from a trip there just ten days ago. These imports, many manufactured by petitioners with factories in China, are selling at prices much lower than the average values presented in the petitioners' submission. It is clear to us that this is a case not about the competitiveness of Indonesia's plastic tape exports. It is a situation where Indonesia's U.S. multinational competitors seek to use the GSP process to protect their overseas investments – be they in Taiwan, China, and even Canada, and to remove from the U.S. market a tiny competitor located on less than ten acres in a single developing country.

The primary reason I am here today is to tell you that we are experiencing severe downward pricing pressure by the petitioners. As an example, in September 2010, we increased our prices for commodity carton sealing tape because of increases in raw material prices. The petitioners then advertised their decision not to raise prices for equivalent product. We now have evidence that the petitioners are using our price increase as an opportunity to increase their market share. As you can see, Pitamas and Primetac are struggling to match the prices set in the U.S. market by the petitioners. The current situation of severe price suppression by the petitioners poses serious challenges to the viability of our business. Absent GSP benefits, we will find it difficult to continue to operate in the market.

We simply don't understand why Indonesia has been targeted for removal of GSP benefits. For the plastic tape of narrower width, Indonesian tape has just under a five percent import share. Indonesia's share was over six percent in 2008 only because Pitamas was supplying product to Intertape and Shurtape, two of the petitioners. This fact is absent from the petitioners' submission. When Shurtape opened its own factories in China and Intertape dropped Pitamas as a supplier, Indonesia's import share dropped. We are confused that if the petitioners see Indonesia as such a competitive supplier, why did two of the petitioners drop Pitamas as their own supplier?

Thank you and I would like to now introduce Mr. Andrie Anggasaputro who will conclude our testimony.

Good morning. I'd like to correct the petitioners' misrepresentation of our companies' technological capabilities and to emphasize how important GSP is to the viability of our production and export.

My two companies' production capacity is far less than that of U.S. producers and that of the truly state-of-the-art production facilities they own in China and in a matter of a few short months, in Taiwan. U.S. petitioners' sources for acrylic tape, mostly all in China and Taiwan, have multiple production lines that operate at faster speeds and handle wider tape that can my facilities. Specifically, this is the case at soon-to-be 3M's Alpha Beta plant that alone produces three times the acrylic tape than does Pitamas, with far fewer workers. Speed and width capability determine production "state-of-the-art," and Pitamas's facilities, despite the hard work and reinvestments we have made, are not current "state-of-the-art."

The petitioners allege my company has far more facilities than is true. We do produce a number of tapes for domestic sale; however, the items that we export are carton sealing tape (90 percent acrylic and 10 percent hotmelt) and a very small quantity of masking tape, which is not included in these two tariff lines. We do not produce natural rubber sealing tape, as the petitioners' allege.

Regarding our production capacity, its actual capability is about 500 million square meters of tape, about 50 percent of which is used to produce product for the U.S. market. Pitamas also serves Southeast Asia, Japan, Hong Kong, and Australia. When we produced tape for petitioners Shurtape and Intertape in 2007 and 2008, our capacity utilization was nearly 100 percent. Since Shurtape, however, opened its own state-of-the-art production facilities in China and Intertape moved to source from less expensive suppliers in 2009, our capacity utilization dropped nearly in half. Our third plant, Nachindo, serves only the domestic market.

In terms of our specific equipment, Pitamas and Sispoly combined have only 14 slitters, not the 30 slitters as the petitioners assert, and most are semiautomatic, using 20-year-old technology, requiring more labor, and operating at a slower production pace. Our packaging is far more limited with no collar wrap available for exported items. Lastly, our single hot-melt coater is narrower in width and slower than the top-of-the-line Rotomec and other high-end coaters used by the petitioners' U.S. plants and foreign production facilities. In short, our technology is far less sophisticated and efficient than that in use in the petitioners' U.S. and U.S.-owned overseas facilities.

Pitamas is an example of how the GSP program can work. It has given us the opportunity to access the U.S. market when we must also overcome high shipping costs and months-long transport times; limited internet bandwidths between Indonesia and the world; high raw material costs; and the necessity to compete against U.S. multinational corporations that have facilities in China, Taiwan, and elsewhere and can afford truly state-of-the-art high-speed tape production lines.

Thank you and we look forward to your questions.