Before the
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

IN THE MATTER OF **POLYETHYLENE RETAIL CARRIER BAGS FROM CHINA, INDONESIA, MALAYSIA, TAIWAN, THAILAND, AND VIETNAM**	)))))))	**Inv. Nos. 701-TA-462 and 731-TA-1156-1158 (First Review) and 731-TA-1043-1045 (Second Review)**

TESTIMONY OF ISAAC BAZBAZ

February 18, 2016

Good morning. My name is Isaac Bazbaz. I am and have been a director of Superbag since its establishment in 1988. Superbag is a family-owned private company with headquarters in Houston, Texas. We are one of the largest U.S. producers of t-shirt style polyethylene retail carrier bags. We operate a single plant that is totally dedicated to the production of PRCBs.

The process for making PRCBs is generally the same everywhere in the world. It is a five-step process. First, polyethylene resins and color concentrates are blended and injected into an extruder. Second, the mixture is extruded into film. Third, the film is wound into rolls and fed into a printer where a custom design is printed on the film. Fourth, the film is converted into bags by cutting the film into the desired shape and size of the bag and heat sealing the top and bottom. Finally, the finished bags are inspected, packaged, and placed in inventory.

Our operations require a set volume in order to have any chance of operating successfully. This baseload volume consists in large part of sales to major retailers. Prior to the imposition of the Orders, subject imports from China, Malaysia and Thailand, then later subject imports from Indonesia, Taiwan, and Vietnam aggressively sought to take over our baseload business by charging very low prices.

Manufacturers of PRCBs in China, Indonesia, Malaysia, Taiwan, Thailand, and Vietnam use the same raw materials, employ generally the same production processes, and use similar production machinery as producers in the United States. Imported bags from these countries and PRCBs made in the United States are perfect substitutes. In fact, in most cases the imported and domestic products are identical. Many retailers buy t-shirt bags from U.S. producers, like Superbag, and they also buy PRCBs from subject countries, and they use domestic and imported products interchangeably. As a result, competition is based on price. The Commission found in its prior determinations that imports from the six countries were highly substitutable for the domestic products. The facts are no different in these investigations. There are no significant physical or other non-price differences between the t-shirt bags that we and other domestic producers make, and the t-shirt bags that are being imported from any of the subject countries.

This is why these products are commonly purchased by major retailers through Internet bids. In these internet events all suppliers are pre-qualified to bid and you wouldn't see such bidding procedures if the retailer viewed this as anything other than a commodity-like product.

This reality is also reflected in the fact that some of the domestic producers are using blended sales programs; that is, a domestic producer will sell to a customer both higher priced domestic bags and lower priced imported bags at an average price. This approach works only because the customer sees the imported and domestic products as identical; hence, the only way that we can try to compete with imports from the subject countries is on the basis of price.

It is critical that duties be maintained. As the Commission considers what would happen if the orders are revoked, the best place to start is to recall what happened when imports from those countries were not subject to any duties. In short, subject imports from all six countries increased rapidly and took market share from the domestic industry through underselling.

The Commission found that, from 2001 through 2003, subject imports from China, Malaysia, and Thailand increased by 101 percent, generally undersold domestic producers' prices, and increased import share of the U.S. market from 10.5 percent in 2001 to 18.6 percent in 2003. As a result, Superbag lost sales, to lower priced imports, reduced its prices in response to lower priced imports and suffered a 50 percent drop in operating income during a period in which demand increased by 14 percent. Superbag benefited from the imposition of the orders on China, Malaysia, and Thailand, and our operating performance improved immediately.

We then faced the challenge of increased dumped imports from Indonesia and Taiwan, and increased dumped and subsidized imports from Vietnam. Imports from these three countries doubled from 2006 through 2008, despite declining U.S. consumption during this period, and their share of U.S. consumption surged from 6.7 percent in 2006 to 14.4 percent in 2008. Our operating and financial performance declined and we suffered operating losses in 2008 and 2009 due in large part to this flood of additional unfairly traded imports.

I understand that in making your decision you will consider whether the orders have benefitted the industry. I can assure you that imposition of the Orders on imports from China, Malaysia, and Thailand in August of 2004 and the Orders on imports from Indonesia, Taiwan, and Vietnam in May of 2010 each had an immediate positive impact on Superbag. In both instances, customers who had been eager to purchase the cheap imports were now more willing to pay a fair price to U.S. producers.

Our operations have benefited tremendously from imposition of both sets of Orders. As a result of the Orders, we were able to increase our capacity every year from 2005 through 2009. The investments in new capacity and our continued investment in productivity improvements have made our operations much more efficient in terms of output per employee.

The benefit of the Orders is also clearly reflected in our improved profitability. After imposition of the Orders, the biggest positive impact was in our ability to increase our selling prices to reflect increased raw material costs, leading to substantial improvement in our profitability. Superbag's operating income, which had declined from 2001 through 2003, increased every year from the period immediately following imposition of the Orders on China, Malaysia, and Thailand in 2004 through 2007. Our operating income dropped in 2008 and 2009 due to the surge of low-priced imports from Indonesia, Taiwan, and Vietnam, and improved dramatically in 2010 immediately after the imposition of the orders for Indonesia, Taiwan and Vietnam and remained much healthier from 2010 through 2014.

The imposition of the Orders on imports from China, Malaysia, and Thailand gave us the confidence to expand capacity and to purchase more efficient equipment. The imposition of the Orders on imports from Indonesia, Taiwan, and Vietnam allowed us to continue making investments in productivity improvements while increasing capacity utilization, thereby preserving over 270 jobs, and supporting a like number of families in our community. We do not believe that Superbag would have continued manufacturing in the United States without the Orders on all six countries. So the continuation of our entire operation and employment of our workforce are a direct result of the Orders.

During the current period of review, we continued to face intense competition from imports from subject countries. For example, Spectrum is a major importer that routinely bids against us to supply PRCBs to major purchasers at very low prices. I know that Spectrum imports from Malaysian producer Bee Lian, and I believe that they also source from other countries. Spectrum has warehouses in the United States in which it keeps PRCBs in large inventories, allowing it to offer similar lead times as U.S. producers and compete solely on the basis of price. The continuing presence of non-subject imports in the U.S. market confirms that the manufacturers of subject imports also would ship to the United States, were it not for the existing antidumping and countervailing duties.

If the orders were to be revoked, I would expect imports from subject countries to have an even more adverse impact on the domestic industry than they had prior to the imposition of the Orders. The conditions of competition for PRCBs have not changed. If anything, we are more vulnerable to a renewed import surge from those countries. Available information indicates that there is more overcapacity today than in 2003 or 2008. The imports and domestic products are still highly interchangeable and sales are still made largely on the basis of price.

It is still true that the lower prices of imports do not create any additional demand. Our business plans are still the same—to operate 24/7 in order to spread the fixed costs of operating our plant over as many units of production as possible.

In addition, all available information indicates that the factories in the subject countries remain highly dependent on exports. The only reason that subject foreign producers ship their exports away from the United States, to the European Union and to other markets, is the existence of the Orders. If the Orders are revoked in the United States, manufacturers and importers from subject countries will have a strong economic motivation to return to this market.

If any of the Orders were revoked, I am sure that subject imports would once again rapidly increase by using low prices to take market share from Superbag and other U.S. producers. All available information indicates that there continues to be huge excess capacity in the six subject countries and that PRCB producers in each of the countries could redirect their exports from other markets to the U.S. market. As explained in your prehearing report, laws and regulations regarding the use and disposal of PRCBs have curtailed demand for PRCBs in major markets, including China and the European Union. That means that the U.S. market has become all the more attractive in comparison to these other markets if the duties were to be removed.

The revocation of the Orders would trigger a surge of low-priced subject imports and as a result, Superbag would lose sales and production output which would make our plant less efficient. In addition, this would force us to reduce our prices to avoid the loss of further sales. Furthermore, it is possible that we would be unable to raise our selling price enough to cover any increases in the cost of raw materials.

Our business is only sustainable if we are able to maintain adequate capacity utilization, running our plant 24/7 year-round, while selling PRCBs at a fair price. If the Orders were revoked, both our capacity utilization and our pricing would be insufficient to justify continued production. We would either shut down our operations completely or transition to become a distributor of imported PRCBs. Therefore, instead of supporting 270 employees in manufacturing activities, we would require only a handful of employees as an importer and distributor.

Keep in mind that the injury we suffered from 2001 through 2003 happened when demand was increasing. An increase in unfairly priced imports in the next couple of years would be even more injurious because it would happen during a period of flat demand, at best. We are fighting to preserve the size of the pie at the same time that foreign producers are trying to increase their share of the pie.

Our future as a manufacturer of PRCBs absolutely depends upon your affirmative votes in this sunset review. If fair trading is continued for imports from China, Indonesia, Malaysia, Taiwan, Thailand, and Vietnam, I am confident that we will be able to compete to maintain our existing factory and the 270 jobs it supports.

Thank you for the opportunity to appear before you today.