

**TESTIMONY OF RICK ANDERSON
OF 3M COMPANY
BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION ON
PRESSURE SENSITIVE TAPE FROM ITALY
FEBRUARY 2, 2016**

Good morning. I am Rick Anderson of 3M Company. I am the Global Business Manager for Box Sealing Tape in the Industrial Adhesives and Tapes Division of 3M. I testified at the Commission five years ago in the sunset hearing and plainly some things have changed in the industry since that time.

I have a bachelor's degree from the University of St. Thomas in St. Paul, Minnesota, and an M.B.A. from the University of Minnesota. I have been with 3M for over 21 years, and have been working in the industrial business sector of tapes for over 13 years. Before that, I worked in the consumer sector of tapes.

When I was here five years ago, I talked about the overlap between plastic packaging tapes using the three kinds of adhesives -- hot melt, acrylic and natural rubber. We in the industry recognized then that there is overlap among some purchasers in buying that product, but we also knew that these were well-recognized separate products and were sold as such worldwide. Five years ago, I also noted that while the production processes and the properties of acrylic and hot melt tapes are different, consumers are willing to trade off some of the better qualities of hot melt for the lower prices for acrylics.

That trade off remains the case and there certainly is some competition between the hot melt and acrylic products for some customers' business. Developments in the last five years, however, have taught us that the hot melt and acrylic markets are more distinct than we recognized and U.S. production of the products has moved in different directions. While there now is very little acrylic production left in the United States, the production of hot melt is doing quite well.

The reason for this divergence in performance, I have concluded, is due to the fact that the markets actually are more dissimilar than we assumed five years ago. Put another way, the performance characteristics of the hot melt and acrylic products do make enough of a difference to enough consumers to create separate "like products." Many important customers will purchase the hot melt product in preference to the acrylic product because they are sophisticated consumers in the industrial sector. Our ability to distinguish hot melt performance from that of acrylics, and sell the hot melt at good prices, have been better than we expected 5 years ago. While there has been competition, hot melt plainly is recognized as a distinct and superior product by many important customers.

Other witnesses will provide details on the production process differences between acrylic and hot melt tapes, but I think that it is significant that 3M has moved virtually all of its production offshore for the acrylic packaging tapes, but has been investing heavily in the United States in hot melt packaging tapes. The

Commission has the confidential figures, and I think that you will agree that the investments are substantial. I understand that other U.S. producers also are making significant upgrades to their hot melt production facilities. We are doing this because we believe that the future of hot melt packaging tapes in the U.S. should be promising and much different from the future for production of acrylics in the U.S.

Five years ago I mentioned that 3M had brought back some acrylic production from Asia to the U.S., in order to be closer to its customers. That attempt did not work out well and we now make virtually all of our acrylic tape in Asia, in our affiliate in Taiwan.

Let me now turn to the situation in Italy. As part of my duties at 3M, I travel to Italy to work with our Italian subsidiary, 3M Italia, so I think that I am fairly familiar with the situation there. First, we should recognize that Europe is a quite saturated market with regard to the consumption of tapes, including hot melt packaging tapes. Even with the expansion of the EU and growth for some new members such as Poland, our analysis is that European consumption growth for packaging tapes is relatively flat.

Second, Asia is not a good potential market for Italian hot melt tape. One reason is that Asia remains mainly a market focused on acrylic tape, where price is everything and thus the attraction of hot melt is reduced greatly. In addition, there

is some local hot melt capacity in Asia for those companies who might want to purchase that product, so profits in Asia, and the distribution network, are not very attractive to the Italian producers.

Other markets in the world, such as Latin America, Africa, and the Middle East, are limited in their ability to absorb very much Italian hot melt product.

That brings us to the largest consumer of hot melt packaging tape in the world, the United States. Because of the dumping order on Italy, the volume of hot melt packaging tape coming to the U.S. has been limited. However, we have provided information on sales prices of Italian producers in the U.K. in our brief, and we can see from that information that prices are low from major Italian producers. With a strong U.S. dollar relative to the Euro, and no other markets available for growth, we think that there is a likelihood that the Italian producers will sell to the United States at very low prices in order to re-enter the U.S. market, in the absence of a dumping order.

Finally, I have just a few words about the major Italian producers. There are about 25 or so producers of hot melt tape in Italy who are subject to this dumping order, and the Italian producers have the ability and incentive to sell at low prices to the U.S. But three require particular attention. Vibac, which recently absorbed another large producer, Syrom, now probably has the largest excess capacity for both hot melt and acrylic packaging tapes in Italy. Our information, gathered by

our affiliates in Europe, is that its prices have been very aggressive. A second producer, Sicad, now may be slightly smaller than Vibac, but has very significant excess capacity to produce packaging tape and its prices also have been low. Another of the very largest producers is NAR, which also has a huge amount of excess capacity. I should note that NAR tried to enter the U.S. in 1998 under this dumping order, but that the Commerce Department found a 12.66 percent dumping margin on their sales, so they seemed to have backed off.

With low prices and excess capacity, if the dumping order is revoked it will be easy for the Italian producers to get back into the U.S. market in substantial quantities, in less than 6 months, in my opinion. There has been a consolidation on the purchasing side for distributors of packaging tape, with several large distributors such as Veritiv, Landsberg Orora and Uline, being major players. These companies are a natural fit for the Italian producers seeking to re-enter the U.S. market. Big Box stores and private label sales, as well as Internet sales, create a market for Italian hot melt products based on price.

Thank you for your attention. I will be glad to answer any questions that you may have.