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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON
SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT
THEREOF CAUSED BY INCREASED IMPORTS**

NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE

INDONESIA

Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres

The following communication, dated 28 February 2020, is being circulated at the request of the delegation of Indonesia.

Pursuant to Articles 12.1(b) of the Agreement on Safeguards, the Government of the Republic of Indonesia submits a notification on finding serious injury or threat thereof, to the domestic industries producing "Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres" and a notification of proposed safeguard measures. This notification contains all pertinent information relating to the proposed safeguard measures in accordance with Article 12.2 of the Agreement on Safeguards and an offer of consultations pursuant to Article 12.3 of the Agreement on Safeguards.

A. GENERAL BACKGROUND

1 INITIATION OF INVESTIGATION

On 12 September 2019, an application for a safeguard measure was received by the Investigating Authority from the Indonesian Textile Association/*Asosiasi Pertekstilan Indonesia* (API) hereinafter referred as "the Applicant", against the importation of the product under investigation. After examining the properly documented application, the Investigating Authority concluded that there was a sufficient evidence to justify the initiation of a safeguard investigation.

Subsequently, on 18 September 2019, the Investigating Authority initiated a safeguard investigation on the import of "Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres". The commencement of the investigation was announced in the *Bisnis Indonesia* newspaper on 18 September 2019 and the Ministry of Trade's website on 19 September 2019. (G/SG/N/6/IDN/32)

2 PERIOD OF INVESTIGATION

The period of investigation covers 2016 to 2019 (January-June).

3 MAJOR PROPORTION

The total production of the Applicant is 50.14% of the total domestic production of the Subject Good. Therefore, it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

4 PROVISIONAL SAFEGUARD MEASURE

On 5 November 2019 through the Minister of Finance Decree (PMK) No. 161/PMK.010/2019, the Government of the Republic of Indonesia stipulates the imposition of provisional safeguard measure on the importation of "Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres" under Harmonized System (HS) code 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00 and 5510.90.00, in accordance with the 2017 Indonesian Customs Tariff Book (BTKI), with specific tariff of **Rp. 1,405/kg** for 200 days commenced from 9 November 2019 to 26 May 2020. (G/SG/N/7/IDN/3/Suppl.1-G/SG/N/11/IDN/19/Suppl.1)

5 VIEWS AND COMMENTS OF THE INTERESTED PARTIES

In accordance with Article 3.1 of the WTO Agreement on Safeguards, during the process of investigation, the Investigating Authority has provided opportunities to all interested parties, to submit their views, evidences, comments, and responses concerning the investigation. In light of the aforementioned, the Investigating Authority has held public hearings on 30 September 2019 and 13 February 2020.

B. INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

In the light to provide evidence whether there is an absolute increase in imports or an increase in imports relative to domestic production, the Investigating Authority has analyzed import data of the Subject Goods during the period of investigation.

1 ABSOLUTE INCREASE IN IMPORTS

Table 1. Volume of Imports

Description	Unit	Year			Semester		Trend (16-18)
		2016	2017	2018	2018 (Jan-Jun)	2019 (Jan-Jun)	
Volume of Imports	Ton	10,036	15,846	20,922	9,966	7,364	44.38

Source: Statistics Indonesia/*Badan Pusat Statistik* (BPS).

The volume of imports increased each year from 10,036 ton in 2016 to 15,846 ton in 2017 or by 57.89% and increased again to 20,922 ton or by 32.03% in 2018. During the period of 2016-2018 imports increased in absolute terms with a trend of 44.38%.

Table 2. Volume of Imports per Semester

Description	Unit	Semester				Trend (Jan-Jun 16-19)
		2016 (Jan-Jun)	2017 (Jan-Jun)	2018 (Jan-Jun)	2019 (Jan-Jun)	
Volume of Imports	Ton	4,821	6,750	9,966	7,364	18.06

Source: Statistics Indonesia/*Badan Pusat Statistik* (BPS).

Although the volume of imports decreased in the period of 2018 (January-June) to 2019 (January-June), but in fact, the volume of imports in January-June period for the last 4 years (2016-2019) increased significantly with a trend of 18.06%. The volume of imports in 2019 (January-June) amounted to 7,364 tons is far higher than the number of imports in 2016 (January-June) and 2017 (January-June). Therefore, the decline in the period 2019 (January-June) is considered as a temporary decline and there is concern that if there is no measure imposed, the volume of imports will re-increase in the future and will further aggravate the injury suffered by the Applicant.

2 RELATIVE INCREASE IN IMPORTS TO TOTAL DOMESTIC PRODUCTION

Table 3. Volume of Imports, Total Domestic Production, and Relative to Total Domestic Production

Description	Unit	Year			Semester		Trend (16-18)
		2016	2017	2018	2018 (Jan-Jun)	2019 (Jan-Jun)	
Volume of Imports	Ton	10,036	15,846	20,922	9,966	7,364	44.38
Total Domestic Production	Index	100	100.71	101.83	100	94.16	0.41
Imports Relative to the Domestic Production	Index	100	156.78	206.74	100	78.48	43.79

Source: Statistics Indonesia and as verified by Investigating Authority.

As seen in Table above, there was a surge increased in imports relative to the national production during the investigation period, from 100 indexed points in 2016 to 156.78 indexed points in 2017, and continued to increase to 206.74 indexed points in 2018. During 2016-2018, imports relative to the national production was increased with trend of 43.79%. Even though imports relative to the national production decreased during the period of 2018 (January-June) to 2019 (January-June), but it is considered as a temporary decline and there is concern that if there is no measure imposed, the volume of imports will re-increase in the future and will further aggravate the injury suffered by the Applicant.

3 IMPORTS FROM MAIN COUNTRIES

Table 4. Imports Shares

Country	2018	
	Volume (Ton)	%
China	14,104	67.41
Thailand	2,697	12.89
Turkey	1,575	7.53
Vietnam	1,050	5.02
India	659	3.15
Other Countries	837	3.99

Source: Statistics Indonesia/Badan Pusat Statistik (BPS).

From the table above, the biggest shares of import in 2018 was the People's Republic of China, which its shares of import in 2018 accounted for 67.41%. Other countries with share of imports above 3% during 2018 are the Royal Kingdom of Thailand (12.89%), the Republic of Turkey (7.53%), the Socialist Republic of Vietnam (5.02%), and the Republic of India (3.15%).

4 UNFORESEEN DEVELOPMENT

The increased imports of the Subject Goods from the exporting countries was unforeseeable, this is caused by the over-production in China in 2015-2017 and the impact of trade wars between China and the United States (US) in 2018 and 2019 which led to a shift in Chinese exports from the US to other countries and aggravate the surge in imports from China in Indonesia.

Based on the China Statistical Yearbook 2016-2019, the yarn industry in China experienced a significant increase in production followed by an increase in production capacity and productivity during the 2015-2017 periods. The excess production in China which was a carryover from previous years had an impact to the unforeseeably increase of the exports of Subject Goods from China throughout the world, caused a surge increased in imports of Subject Good in Indonesia.

The trade war between US and China in 2018 and 2019 also had a significant impact on the rapid supply of imported goods from China, especially for yarn, fabric, and other textile derivative products. As a result of imposing high tariffs on these goods, producers in China diverted their

exports unforeseeably from the US to other countries that have large markets, one of which is Indonesia, causing a surge increased in imports of Subject Good in Indonesia.

C. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

In a view to determine the existence of serious injury or threat of serious injury that is caused by increased imports, the Investigating Authority has analyzed and made an evaluation of all relevant factors in an objective and quantifiable natures. The following analyses are based on data provided by the Applicant, which has been verified by the Investigating Authority.

1 EVIDENCE OF SERIOUS INJURY OR THREAT OF SERIOUS INJURY

Table 5. National Consumption, Volume of Imports, and Market Shares

No.	Description	Unit	Year			Semester		Trend (16-18)	Growth (Semester 18-19)
			2016	2017	2018	2018 (Jan-Jun)	2019 (Jan-Jun)		
1.	National Consumption	Index	100	103.10	99.27	100	91.49	(0.36)	(8.51)
2.	Volume of Imports	Ton	10,036	15,846	20,922	9,966	7,364	44.38	(26.11)
3.	Applicant's Domestic Sales	Index	100	104.83	94.06	100	92.95	(3.01)	(7.05)
4.	Non-Applicant's Domestic Sales	Index	100	95.03	92.54	100	94.17	(3.80)	(5.83)
5.	Imports' market share	Index	100	153.15	209.99	100	80.77	44.91	(2.00)
6.	Applicant's market share	Index	100	101.68	94.75	100	101.60	(2.66)	0.75
7.	Non-Applicant's market share	Index	100	92.17	93.22	100	102.93	(3.45)	1.26

Source: Statistics Indonesia and as verified by the Investigating Authority.

The table above shows that the national consumption is relatively stable from 2016-2018 with a trend of 0.36%. Meanwhile, the volume of imports experienced a surge increase with a trend of 44.38% in the same period. The market share of imports in the same period also significantly increased with a trend of 44.91% resulting in the decline of the Applicant's and Non-Applicant's market share.

On the contrary, in the period of 2018 (January-June) to 2019 (January-June) the market share of Applicant and Non-Applicant slightly increased while the market share of imports declined. The decline in the period 2019 (January-June) is considered as a temporary decline and there is concern that if there is no measure imposed, the market share of imports will re-increase significantly and re-erode the market share of Applicant in the future.

Table 6. The Applicant's Indicators of Injury

Unit: Index

No.	Description	Year			Semester		Trend (16-18)	Growth (Semester 18-19)
		2016	2017	2018	2018 (Jan-Jun)	2019 (Jan-Jun)		
1.	Production	100	101.27	102.02	100	94.56	1,01	(5,44)
2.	Domestic Sales	100	104.83	94.06	100	92.95	(3,01)	(7,05)
3.	Productivity	100	107.26	111.75	100	97.40	5,71	(2,60)
4.	Utilization Capacity	100	101.27	101.91	100	93.30	0,95	(5,44)
5.	Loss	(100)	(180.23)	(77.09)	(100)	(52.82)	13,38	47,18
6.	Employment	100	94.42	91.30	100	97.09	(4,45)	(2,91)
7.	Inventory	100	113.58	119.09	100	120.50	9,13	20,50

Source: As verified by the Investigating Authority.

As shown in Table 6, the performance of the applicant can be seen as follows:

- a) Production experienced a slight increase with a trend of 1.01% from 100 indexed points in 2016 to 101.27 indexed points in 2017 and increased again to 102.02 indexed points in 2018. As oppose, in the period of 2018 (January-June) production decreased from 100 indexed point to 94.56 indexed point in the period 2019 (January-June).
- b) Domestic Sales in 2016 was 100 indexed points increased to 104.83 indexed points in 2017 and then decreased significantly to 94.06 indexed points in 2018. During 2016-2018 the domestic sales of the Applicant decreased by a trend of 3.01%. In the period of 2018 (January-June) the domestic sales experienced further decrease from 100 indexed points to 92.95 indexed points in the period of 2019 (January-June).
- c) Productivity in 2016 was 100 indexed points, increased to 107.26 indexed points in 2017 and 111.75 indexed point in 2018. During 2016-2018 the applicant's productivity has increased with a trend of 5.71%. However, in the period of 2018 (January-June) productivity decreased from 100 indexed points to 97.40 indexed points in the period of 2019 (January-June).
- d) Utilization Capacity has slightly increased from 100 indexed points in 2016 to 101.27 indexed points in 2017 and 101.91 indexed points in 2018. During 2016-2018 the applicant's utilization capacity is relatively stable with a trend of 0.95%. On the contrary, in the period of 2018 (January-June) Utilization Capacity decreased significantly from 100 indexed points to 93.30 indexed points in the period of 2019 (January-June).
- e) The Applicant experienced a financial loss each year with a trend of 13.38%. The biggest financial loss occurred in 2017 amounting to minus 180.23 indexed points or by 80.22% compared to the previous year. The loss occurred was because the Applicant had to sell their product below production costs as a result of pressures from imported goods that flooded the domestic market. Although in the period of 2018 (January-June)-2019 (January-June) the Applicant's losses were reduced, the Applicant still sold its goods below the production cost.
- f) The Applicant's employment significantly decreased from 100 indexed points in 2016 to 94.42 indexed points in 2017 and 91.30 indexed points in 2018. Moreover, the Applicant's employee experienced further decreased from 100 indexed points in the period of 2018 (January-June) to 97.09 indexed points in the period of 2019 (January-June).
- g) Inventory increased during 2016-2018 with a trend of 9.13%. Moreover, in the period of 2018 (January-June) to 2019 (January-June) Inventory experienced further increased by 20.50%.
- h) Based on the explanation above, it can be concluded that during the investigation period, the Applicant experienced a threat of serious injury based on the Applicant's performance that indicated a downward trend in domestic sales and employment, as well as increased financial losses and inventory.

2 OTHER FACTORS THAT MAY CONTRIBUTE TO INJURY

In order to ensure that the serious injury or threat of serious injury is only caused by increased imports, the Investigating Authority has examined the following other known factors:

a) Technology

Based on the results of the investigation, the Applicant already has the latest technology in producing the Subject Good. This argument is supported by the fact that the Applicant's machinery is able to produce sophisticated goods that are used as materials for any kind of fabrics. This shows that the threat of a serious injury suffered by the Applicant is not caused by technology.

b) Quality

The quality of goods produced by the Applicant has met the international standards such as LRQA ISO 9001: 2015 and OEKO-TEX certificate. Thus, in terms of quality, goods produced by the

Applicant are able to compete with imported goods because they already met the internationally recognized standards.

c) Production Capacity

Table 7. Percentage of the National Consumption compared to the Domestic Production Capacity

Description	Year			Semester	
	2016	2017	2018	2018 (Jan-Jun)	2019 (Jan-Jun)
National Consumption to the Domestic Production Capacity (%)	42.57	43.91	42.33	42.11	38.29

Source: Statistics Indonesia and as verified by the Investigating Authority.

As shown in Table above, national consumption was contributing not more than half of the domestic production capacity. Therefore, the domestic production capacity is more than enough to meet the national consumption. In fact, a threat of serious injury suffered by the Applicant is not because the idle in production capacity, but because of the imported goods have flooded the domestic market resulting in many production capacities not fully utilized.

Based on the facts of a) to c) above, it can be concluded that during the period of investigation there were no other factors that caused a threat of serious injury to the Applicant besides increased volume of imports of the Subject Goods.

3 CAUSAL LINK

The Investigating Authority has examined all relevant factors having a bearing in the Applicant situation, and came into a conclusion that threat of serious injury suffered by the Applicant mainly caused by significant increased volume of imports and not due to the other factors, as follows:

- a) There was a surge increase of Subject Good in absolute terms in 2016-2018 with a trend of 44.38%. Likewise, in the period of 2016 (January-June) to 2019 (January-June) there was an increase in the number of imports with a trend of 18.06%.
- b) There was a surge increase of Subject Good in relative terms in 2016-2018 with a trend of 43.79%.
- c) Imports' market share has increased with a trend of 44.91% in 2016-2018 and in the period of 2018 (January-June) to 2019 (January-June) the imports' market share was decrease by only 2.00%.
- d) The Applicant's market share decreased with a trend of 2.66% and the Non-Applicant's market share has also decreased with a trend of 3.45% during period of 2016-2018. Meanwhile, in the period of 2018 (January-June) to 2019 (January-June) the market share of the Applicant and Non-Applicant relatively stable.
- e) Downward trends in domestic sales, employment, increased losses, and increased inventories.
- f) There were no other factors that caused a threat of serious injury besides increased imports of the Subject Goods.

D. DESCRIPTION OF THE PROPOSED SUBJECT GOODS

Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres, under Harmonized System (HS.) codes 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00, and 5510.90.00.

E. DESCRIPTION OF THE PROPOSED MEASURE

In a view of the aforementioned findings, a safeguard measure has been proposed in form of specific tariff duty with description, proposed date of introduction, and expected duration of the measure as follow:

Table 8. The Proposed on Safeguard Measure

Year	Measure
Period I (27 May 2020 – 8 November 2020)	Rp. 1,405 /Kg
Period II (9 November 2020 – 8 November 2021)	Rp. 1,192 /Kg
Period III (9 November 2021 – 8 November 2022)	Rp. 979 /Kg

In a view of the aforementioned conclusion of the causal link, the Investigating Authority has proposed to the Government of the Republic of Indonesia to impose a safeguard measure on the importation of the Subject Goods for three periods.

The imposition of the safeguard measure will be carried out in accordance with the Article 2.2 and Article 9 of the WTO Agreement on Safeguards.

The non-confidential version of the Final Report of this investigation, can be found in the website of the Indonesian Safeguard Committee: www.kppi.kemendag.go.id

F. CONSULTATIONS

Members who have a substantial interest of the Subject Goods, shall submit a written request of consultation within a period of 7 days from the date of circulation of this notification. All written requests must be sent both in written letter and in electronic format, and must indicate the name, address, email address, phone and fax number of the Members.

In Accordance with Article 12.3 WTO Agreement on Safeguard, the Government of the Republic of Indonesia is open for consultation in order to provide opportunities for those Members, consultation is scheduled to be held no later than 20 March 2020.

The contact information for correspondence is:

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