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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
(EXTENSION OF THE EXISTING MEASURE)**

INDONESIA

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

Supplement

The following notification, dated and received on 11 August 2022, is being circulated at the request of the delegation of Indonesia.

Pursuant to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, The Government of the Republic of Indonesia, hereby notifies the Committee on Safeguards the investigation findings concerning the extension of a safeguard measure against the importation of Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre.

1. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and that the industry concerned is adjusting

The Government of the Republic of Indonesia initiated an investigation on the extension of a safeguard measure on 28 April 2022 (G/SG/N/6/IDN/32/Suppl.1 - G/SG/N/14/IDN/5). The scope of the investigation was to decide whether the safeguard measure should be extended beyond 8 November 2022.

To determine whether the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and whether the industry is adjusting, the Investigating Authority (*Komite Pengamanan Perdagangan Indonesia/KPPI*) undertook a comprehensive analysis of a broad set of data from multiple sources: the evidence provided by the Applicant's member industries in their questionnaire replies and written submissions, the information provided by interested parties (users, importers, exporting producers and exporting country governments) in their written submissions, as well as information available to the Investigating Authority including statistical databases and relevant publications.

1.1. Economic performance of the Applicant

To assess the economic performance of the Applicant, the developments of imports, and other relevant data included in its assessment, the Investigating Authority assessed the data for the period 2019-2021 ('the investigation period').

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Domestic Sales	Index	100	88.83	102.57	(11.17)	15.47	1.28
Production	Index	100	84.22	94.54	(15.78)	12.25	(2.77)
Inventory	Index	100	122.77	110.81	22.77	(9.74)	5.26

Source: Verification Result

During the investigation period 2019-2021, domestic sales experienced an increasing trend of 1.28%. This proves that the imposition of the safeguard measure is very effective in increasing domestic sales. Even though the trend of domestic sales increasing, but production has decreased by a trend of 2.77% in the same period. In 2021 the Applicant has not been able to increase production and sales significantly because the domestic market is still flooded with imported goods.

In 2020, domestic sales decreased significantly by 11.17% compared to 2019, from 100 index points to 88.83 index points. Then in 2021, the Applicant's domestic sales increased by 15.47% compared to 2020, from 88.83 index points to 102.57 index points.

Production decreased significantly in 2020 by 15.78% compared to 2019, from 100 index points to 84.22 index points. Then, in 2021, in line with the increase in national consumption, the Applicant's production increased by 12.25% compared to 2020, from 84.22 index points to 94.54 index points.

During the investigation period 2019-2021, Applicant's inventory experienced an increasing trend of 5.26%. This is because the trend of domestic sales has increased, while the trend of production has decreased. In 2020 the Applicant's inventory increased by 22.77% compared to 2019, from 100 index points to 122.77 index points. Then in 2021, Applicant's inventory decreased by 9.74% compared to 2020, from 122.77 index points to 110.81 index points.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Production	Index	100	84.22	94.54	(15.78)	12.25	(2.77)
Utilization Capacity	Index	100	79.34	83.28	(20.66)	4.97	(8.74)

Source: Verification Result

The decrease in the volume of production as explained above a result of a decrease in utilization capacity with a trend of 8.74% during the 2019-2021 investigation period. Furthermore, in 2020 the utilization capacity decreased significantly by 20.66% compared to 2019 from 100 index points to 79.34 index points. Furthermore, in 2021 the utilization capacity experiences a slight increase of 4.97% compared to 2020, from 79.34 index points to 83.28 index points.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Production	Index	100	84.22	94.54	(15.78)	12.25	(2.77)
Employment	Index	100	101.57	98.78	1.57	(2.74)	(0.61)
Productivity	Index	100	82.92	95.70	(17.08)	15.42	(2.17)
Profit/Loss	Index	(100)	(494.93)	(654.06)	394.93	32.15	155.75

Source: Verification Result

During the investigation period 2019-2021, the Applicant's employment experienced a decrease with a trend of 0.61%. In 2020, employment increased by 1.57% compared to 2019, from 100 index points to 101.57 index points. In 2021, employment decreased again by 2.74% compared to 2020, from 101.57 index points to 98.78 index points. This is due to the fact that in 2021, the Applicant

reduced employment as a result of still not recovering from serious injury. Meanwhile, at the same time, the domestic market is flooded with imported goods.

During the investigation period 2019-2021, the Applicant's productivity experienced a downward trend of 2.17%. This was due to a decrease in the trend of production volume which was greater than the decrease in the trend of employment, which were 2.77% and 0.61%, respectively. In 2020 the Applicant's productivity has decreased by 82.92 index points compared to 2019, and in 2021 the Applicant's productivity has increased by 95.70 index points compared to 2020.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Domestic Sales	Index	100	88.83	102.57	(11.17)	15.47	1.28
Profit/Loss	Index	(100)	(494.93)	(654.06)	394.93	32.15	155.75

Source: Verification Result

During the investigation period 2019-2021, domestic sales experienced an increasing trend of 1.28%. In 2020, domestic sales decreased by 11.17% compared to 2019, from 100 index points to 88.83 index points. The decrease in sales resulted in an increase in the Applicant's financial loss in 2020 by 394.3% compared to 2019, from a loss of (100) index points to (494.93) index points. Furthermore, in 2021, the Applicant's financial losses increased compared to 2020 to (654.06) index points. Thus, during the 2019-2021 period, the Applicant experienced an increase in financial losses with a trend of 155.75%.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
National Consumption	Index	100	76.24	82.40	(23.76)	8.08	(9.22)
Market Share of Imports	Index	100	61.61	99.50	(38.39)	61.51	(0.25)
Market Share of Applicant	Index	100	116.51	124.48	16.51	6.84	11.57

Source: Verification Result

During the 2019-2021 period, national consumption decreased with a trend of 9.22%. In 2020, national consumption decreased significantly by 23.76% compared to 2019, from 100 index points to 76.24 index points. In 2021, national consumption increased by 8.08% compared to 2020, from 76.24 index points to 82.40 index points.

During the 2019-2021 period, the import's market share decreased slightly with a trend of 0.25%. Although the import market share trend during this period has decreased, in 2021 it increases significantly by 61.51% compared to 2020, from 61.61 index points to 99.50 index points.

During the 2019-2021 period, the Applicant's market share increased with a trend of 11.57%. In 2020 the Applicant's market share increased by 16.51% compared to 2019 from 100 index points to 116.51 index points, and in 2021 it increased again by 6.84% compared to 2020, from 116.51 index points to 124.48 index points.

The purpose of the extension of the safeguard measure is to fulfill the Applicant's commitment to completing their structural adjustment program as well as recovering the serious injury. Even though the trend of Applicant's market share is increasing, the Applicant is still experiencing serious injury. The extension of the safeguard measure is necessary so that the Applicant can fulfill the commitments to complete the structural adjustment program and improve the performance of their industries.

Description	Unit	Year			Trend (%)
		2019	2020	2021	19-21
Applicant's Selling price per unit	index	100	108.58	102.01	1.00
Import's Price per Unit	index	98.41	113.39	103.11	2.36
Price Undercutting	index	1.59	(4.81)	(1.12)	n/a

Source: Verification Result

During the investigation period 2019-2021, the Applicant's selling price per unit and import's price per unit increased with a trend of 1.00% and 2.36%, respectively. In 2019 there was a price undercutting where the selling price per import unit was below the selling price per unit of the Applicant, thus making it difficult for the Applicant to increase domestic sales and make a profit.

Description	Unit	Year			Trend (%)
		2019	2020	2021	19-21
Applicant's Selling price per unit	Index	100	108.58	102.01	1.00
Applicant's cost of production	Index	100.70	112.46	106.45	2.82
Applicant's profit margin	Index	(0.69)	(3.88)	(4.44)	n/a
Import's price	Index	98.41	113.39	103.11	2.36

Source: Verification Result

During the 2019-2021 period, the Applicant's production cost per unit increased with a trend of 2.82%. Along with the increase in Applicant's production costs per unit, the Applicant's selling price per unit also increased with a trend of 1.00% in the same period. Furthermore, in 2021 the Applicant's selling price per unit decreased in line with the decrease in import's selling price per unit. Thus, in 2021 there is a price depression.

Based on the table above, during the period 2019-2021 Price suppression occurred because the Applicant's production cost per unit of the Applicant continues to increase and is above the Applicant's selling price per unit, while the highest price difference occurs in 2021, which is equal to (4.44) index points. This causes the Applicant to continue to suffer a threat of serious injury.

1.2. Evidence that the industry concerned is adjusting

The Applicant has fulfilled some of its structural adjustment commitment programs in order to be able to compete again with imported goods. However, due to the large presence of imported Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre in the market, it causing the Applicant to not be optimal in fulfilling the structural adjustment program and causing delays in the recovery of the Applicant's injury. The realization of the structural adjustment program that has been carried out by the Applicant is as follows:

Products	Target	Realization
Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres	100%	34.15%

Source: Verification Result

2. Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Volume of Imports	Ton	14,211	6,675	11,651	(53.03)	74.56	(9.45)

Source: Indonesian Statistics (BPS)

As shown in the table above, the number of imports of the Subject Good during the 2019-2021 period experienced a downward trend of 9.45%. The downward trend in the number of imports of the Subject Good during the 2019-2021 period occurred due to the decline in the number of imports referred to in 2020 by 53.03%. This shows that the imposition of the definitive safeguard measure which has been in effect since 9 November 2019 is very effective. However, in 2021 the number of imports of the Subject Good experienced a sharp increase of 74.56% compared to 2020.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
Volume of Imports	Ton	14,211	6,675	11,651	(53.03)	74.55	(9.45)
National Production	Index	100	87.03	88.84	(12.97)	2.07	(5.75)
Imports Relative to National Production	Index	100	53.97	92.29	(46.03)	71.01	(3.93)

Source: Indonesian Statistics (BPS)

Based on the table above, imports relative to national production during the 2019-2021 period experienced a downward trend of 3.93%. The downward trend in imports relative during the 2019-2021 period occurred due to the decline in imports relative in 2020 by 46.03%, as a result of the effective imposition of definitive safeguard measure which has been in effect since 9 November 2019. However, in 2021, imports relative to national production increase again by 71.01% compared to 2020.

3. Precise description of the product involved

Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre under Harmonized System (HS.) codes based on Indonesian Custom Tariffs Book (BTKI) Year 2022: 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00, and 5510.90.00.

4. If the final measure is extended, a member is encouraged to provide a written description of any part of the imported product that will no longer be subject to the measure

Not applicable at this stage.

5. Description of the proposed measure

The proposed measure consists of a Tariff available for each HS code under BTKI 2022.

6. Proposed date of introduction of the measure

The proposed extension of the safeguard measure will come into effect on 9 November 2022.

7. Expected duration of the measure

The expected duration of the proposed extension of the safeguard measure is three years, until 8 November 2025.

8. Proposed date for the review

Not Applicable.

9. Expected timetable for progressive liberalization of the measure

The measure will continue being progressively liberalized, at regular intervals, at the beginning of each period of application is as follows:

Period	Safeguard Duty
1 st Year (9 November 2022 - 8 November 2023)	Rp 766/Kg
2 nd Year (9 November 2023 - 8 November 2024)	Rp 553/Kg
3 rd Year (9 November 2024 - 8 November 2025)	Rp 340/Kg

10. If the notification relates only to a finding of serious injury or threat thereof, and does not relate to a decision to apply or extend a safeguard measure.

Pursuant to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, The Government of the Republic of Indonesia hereby notifies on the investigation findings concerning the extension of safeguard measures against the importation of Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre. This notification is only made for the findings of the investigation. Once the decision to extend the safeguard measure is made, it will be notified under Article 12.1(c) of the Agreement on Safeguards.

11. Information relating to the extension of a safeguard measure**11.1. Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury.**

Although the definitive safeguard measure has been imposed on the Subject Good, the fact is that the imports are still increasing in absolute terms in 2021 and the volume of imports will increase significantly if the safeguard measure is not extended.

In addition, the Applicant's performance data shows a threat of serious injury as evidenced by a downward trend in several performance indicators of the Applicant, such as production, productivity, utilization capacity, and employment, as well as an increase in inventories and financial injury. If the safeguard measure is not extended, the Applicant's threat of serious injury will continue to occur and may even lead to serious injury, or even worse, bankruptcy. There is a causal link between the threat of serious injury suffered by the Applicant as a result of the increase in the number of imports of the Subject Good and not caused by other factors.

The Applicant has completed some of the structural adjustment programs, however, the Applicant still needs additional time to complete the programs. If the safeguard measure is not extended, the Applicant will not be able to complete the structural adjustment program and will experience difficulties again in competing with imported goods.

11.2. Reference to the WTO document that notified the initial application of the measure.

Pursuant to Article 12.4 of the WTO Agreement on Safeguards, on 13 November 2019 the Government of the Republic of Indonesia notified the Committee on Safeguards regarding the imposition of a provisional safeguard measure on the imports of Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre on 9 November 2019 (G/SG/N/7/IDN/3/Suppl.1 - G/SG/N/11/IDN/19/Suppl.1).

Pursuant to Article 12.1(c) of the WTO Agreement on Safeguards, on 3 June 2020 the Government of the Republic of Indonesia notified the Committee on Safeguards regarding the decision to impose safeguard measures on the imports of Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibre on 27 May 2020 (G/SG/N/10/IDN/25/Suppl.1 - G/SG/N/11/IDN/19/Suppl.2).

11.3. Duration of the measure from initial application till the date at which it will be extended

The duration of the provisional safeguard measure was 200 days from 9 November 2019 until 26 May 2020 and the initial definitive safeguard measure was imposed from 27 May 2020 until 8 November 2022. The extension of the safeguard measure is proposed to be imposed for 3 years, until 8 November 2025.

11.4. Precise description of the measure in place prior to the date of extension

The original measure was notified on 3 June 2020 (G/SG/N/10/IDN/25/Suppl.1 - G/SG/N/11/IDN/19/Suppl.2).

12. Information relating to exporting members

12.1. The major exporting Members of imports of the product involved

The main exporting countries of the product concerned are People's Republic of China, Viet Nam, Thailand, and India.

12.2. If there are any exporting Members to which the measure does not apply for any reason other than the application of Article 9.1, the names of such exporting Members and reasons for non-application of the measure

Not applicable

13. Invitation of Consultations

Members who have a substantial interest in 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 a written letter and in electronic format and must indicate the name, address, e-mail 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 2 September 2022.

The contact information for correspondence is:

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14. Members are encouraged to attach, in an electronic form, publicly available document(s) containing the relevant decision(s) made by the competent authority

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