

Committee on Safeguards

Original: English

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

**NOTIFICATION PURSUANT TO ARTICLE 12.1(C)  
OF THE AGREEMENT ON SAFEGUARDS**

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2  
OF THE AGREEMENT ON SAFEGUARDS**

INDONESIA

(Porcelain and non-porcelain ceramic tableware)

The following communication, dated 10 May 2005, is being circulated at the request of the Delegation of Indonesia.

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With reference to our notification as contained in document G/SG/N/6/IDN/1, dated 21 October 2004, I have the pleasure to submit herewith a notification under Article 12.1(b) of the Agreement on Safeguards on finding serious injury or threat thereof caused by increased imports regarding the recommend of the application of a definitive safeguard measure on porcelain and non-porcelain ceramic, classified under the tariff heading 6911.00.00.00 and 6912.00.00.00 except toilet articles.

I would therefore kindly request you to convey this notification to all members of the Committee on Safeguards, WTO and Members having a substantial interest as exporters of the product under investigation could inform its willingness to hold the consultations in accordance with Article 12.3 of the Agreement on Safeguards.

## **1. INTRODUCTION**

On 19 October 2004, the Republic of Indonesia initiated an investigation relating to serious injury to domestic producers of products like or directly competing with imported porcelain and non-porcelain ceramic tableware, classified under tariff heading HS 6911.00.00.00 and 6912.00.00.00 except toilet articles. The initiation of the investigation has been notified to the Committee on Safeguards in document G/SG/N/6/IDN/1 on 19 October 2004.

## **2. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS**

In accordance with the domestic legislation, the Committee on Trade Defense of Indonesia, responsible body for conducting respective investigation based on petition filed by domestic producers, concluded that domestic ceramic tableware industry has suffered a serious injury and which is attributable to a significant increase in imports and that a definitive safeguard measure is necessary to prevent and remedy serious injury. The investigation has taken into account data based on the period from 1999 to January – June 2004, which should further read as "investigation period". The investigating authority examined all relevant factors related to the investigation.

### **a. Increase Import**

The investigation reveals that the import quantities of the product concerned increased sharply and very significantly during the last five years either in absolute or in relative terms. In absolute terms, the import quantity of the product concerned in 1999 was only 11,603 tons. However, the import of product concerned in 2000 greatly increased to 21,470 tons, representing 85 per cent increase over the import quantity of previous year. In 2002, the volume of import continuously increased significantly to 35,131 tons or corresponding to 90 per cent compared to the import quantity in 2001. In 2003 and 2004, the volume of import continuously rose by 14 per cent and 25 per cent respectively.

The share of imported ceramic tableware in 1999 accounted for only 32 per cent of apparent Indonesian market. It increased to 42.7 per cent in 2000; however, it slightly declined to 38.3 per cent in 2001. Share of import to Indonesian market continuously increased to 55.9 per cent and significantly to 61 per cent in 2003.

### **b. Serious Injury**

Based on analysis of factors concerning the situation of domestic producers of the like or directly competitive product as indicated in Article 12(1) of the Presidential Decree No. 84/2002 and Article 4.2(a) of the Agreement on Safeguards, the investigating authority has analysed indicators for determining the injury to the domestic injury includes sales, profits, market share, production, capacity utilisation, inventory, employment, wages, and productivity. The findings of the investigation showed that domestic producers have suffered serious injury.

Injury indicators	Unit	1999	2000	2001	2002	2003	2004 Jan-June
Total import	Tonnes	11.603	21.470	18.534	35.131	40.018	25.081
Rate of increase	%		85	(14)	90	14	25
<b>Domestic sales</b>							
PT Lucky	Tonnes	100	126	133	123	118	74
PT Queen	Tonnes	100	87	83	79	60	0
Total domestic sales	Tonnes	100	117	121	112	104	56
<b>Share to Indonesian market</b>							
Total share of import	%	32.0	42.7	38.3	55.9	61.0	64.5
PT Lucky	%	100	91	100	71	66	61
PT Queen	%	100	65	65	47	35	24
Total share petitioners	%	100	89	98	70	64	58
Others	%	100	81	87	62	54	49
Total share of domestic industry	%	68.0	57.3	61.7	44.1	39.0	35.5
Total sales	Tonnes	100	116	121	112	104	112
Total sales revenue	Rp.	100	153	189	175	156	129
Profitability	Rp.	100	55	19	(252)	(264)	(199)
Employment		100	134	116	112	106	57
Wages	Rp.	100	112	165	222	230	12
Utilisation rate of capacity	%	67.6	85.5	75.2	96.7	88	69.6
Production	Tonnes	100	127	111	143	130	115
Productivity	Kg/empl	100	94	96	127	122	100
<b>Price comparison</b>							
Price undercutting	%	1.28	33	45	5.11	22.11	32.48
Price depression	%	(1.40)	40.65	15.58	18.50	21.80	20.62
Price suppression	%	(10.31)	27.89	5.08	7.74	10.74	9.67

Total sales declined since 2002 onward but profitability dropped since the beginning of investigation period, while employment showed sloped starting from year 2001 until the end of the investigation period. Wages demonstrates an increase primarily due to the amendment of government regulation on regional minimum wages and "golden shake hand" or lay off compensation that had to be paid by domestic industry. Capacity utilisation rate and production decreased from 2002 to 2003 and has been predicted to be continuing in the following years.

Import price had undercut before and during the investigation period. The highest price undercutting occurred in 2001 followed by year 2000 and 2003. Price depression and suppression occurred since year 2000 till the end of investigation period.

c. Causation

On the basis of available information the investigating authority has made a determination that there is clear evidence of causal link between the recent growth of imports of product under investigation and the injury caused to domestic industry that produces the like or directly competitive products.

d. Proposed Measures

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic industry caused by the surge of imports. The definitive safeguard measures are proposed to take the form of specific tariff as an additional duty requires to be paid. The measures will be applied for the import of ceramic tableware under the tariff heading 6911.00.00.00 and 6912.00.00.00 except toilet articles. The proposed measure is RP. 1.600,- per kg and will be liberalised for three years as follows:

Year	Year 1	Year 2	Year 3
Measures (per kg)	Rp. 1.600,-	Rp. 1.400,-	Rp. 1.200,-

e. Developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards.

The list of developing countries to which the measure does not apply is attached to this notification.

ANNEX

List of developing countries exempted from the application of this measure:

Albania	Madagascar
Angola	Malawi
Antigua and Barbuda	Malaysia
Argentina	Maldives
Bahrain	Mali
Bangladesh	Malta
Barbados	Mauritius
Belize	Mexico
Benin	Mongolia
Bolivia	Morocco
Botswana	Mozambique
Brunei Darussalam	Myanmar
Burkina Faso	Namibia
Burundi	Niger
Cameroon	Nigeria
Central African Republic	Nicaragua
Colombia	Oman
Congo	Pakistan
Costa Rica	Panama
Cote d'Ivoire	Papua New Guinea
Croatia	Paraguay
Cyprus	Peru
Democratic Republic of Congo	Philippines
Djibouti	Qatar
Dominica	Rwanda
Dominican Republic	Saint Kitts and Nevis
Ecuador	Saint Lucia
Egypt	Saint Vincent and the Grenadines
El Salvador	Senegal
Fiji	Sierra Leone
Gabon	Solomon Islands
Ghana	South Africa
Grenada	Sri Lanka
Guatemala	Suriname
Guyana	Swaziland
Guinea	Tanzania
Guinea-Bissau	Thailand
Haiti	The Gambia
Honduras	Togo
Chile	Trinidad and Tobago
India	Tunisia
Jamaica	United Arab Emirates
Jordan	Uganda
Kenya	Uruguay
Kuwait	Venezuela
Kyrgyz Republic	Zambia
Lesotho	Zimbabwe

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