

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

INDONESIA

(Tarpaulins made from Synthetic Fibres apart from Awning and Sunblinds)

The following notification, dated 7 July 2011, is being circulated at the request of the Delegation of Indonesia.

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In accordance with Article 12.1(b) of the WTO Agreement on Safeguards, herewith the Republic of Indonesia notifies on the findings of investigation concerning the importation of Tarpaulins made from Synthetic Fibres under HS code 6306.12.00.00, apart from Awning and Sunblinds, claimed by the domestic industry to be the cause of a serious injury.

The Republic of Indonesia invites Members having a substantial interest as exporters to the subject good to submit views as provided under Article 12.3 of the WTO Agreement on Safeguards.

**A. BACKGROUND**

On 16 March 2011, the Indonesian Olefin, Aromatic & Plastic Industry Association (INApLas) on behalf of the domestic industry filed an application requesting for the imposition of safeguards measure against imports of Tarpaulins made from Synthetic Fibres under HS code 6306.12.00.00, apart from Awning and Sunblinds, claimed to be the cause of a serious injury experienced by the domestic industry. Based on the aforementioned application, the Indonesian Safeguards Committee (Komite Pengamanan Perdagangan Indonesia/KPPI) hereinafter referred as "the Investigating Authority", initiated an investigation on 22 March 2011, after examining the application.

The initiation of the investigation was announced in *Bisnis Indonesia* daily newspaper on 22 March 2011. The Republic of Indonesia also notified members of the WTO on 24 March 2011, and circulated by the WTO Secretariat on the 28 March 2011 (G/SG/N/6/IDN/13).

## **1. Subject Good**

The coverage of product examined by the Investigating Authority is Tarpaulins made from Synthetic Fibres under HS code 6306.12.00.00, apart from Awning and Sunblinds. The general uses of the subject good are, covering and protection from natures (wind, sunlight, rain, and soil), also for building a tent, covering goods carry by trucks, basic occupancy structure, covering building renovation, water tank protection, tarpaulins fence, container of rain, market stall, storage and foods drying, aquaculture fish, and other low cost advertising purposes (advertisement and banner).

## **2. Period of Investigation**

The investigating period covers the calendar year of 2007 until the calendar year 2010.

## **3. The Applicant**

- (a) During the course of investigation, PT. Murni Mapan Mandiri has withdrawn from being the Applicant. Meanwhile, PT. Politama Pakindo has extended support of the Application claiming that it has been experiencing a serious injury caused by increased volume of imports of the subject good.
- (b) Against the background of the above mentioned situation, the Investigating Authority regarded PT Unggul Karya Semesta as the "Applicant" and PT. Politama Pakindo as "Supporter of the Application". Consequently, the Investigating Authority focused its investigation not only on PT. Unggul Karya Semesta but also on PT. Politama Pakindo.

## **4. Hearing**

With a view to provide opportunities to importers, exporting country governments or representatives, and the Applicant to submit evidence and comments, a hearing was held on 13 June 2011. The Investigating Authority received written comments and arguments from Importers Association of Indonesia (GINSI), Secretariat General of Indonesia Woven Polyolefin Manufactures Association (GIATPI), and Indonesian Olefin, Aromatic & Plastic Industry Association (INApLas).

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

### **1. Increased Level of Imports**

As provided in Table 1, the figures of the volume of imports of the subject good indicated a significant increase from year 2007 until 2010. In the year of 2008 there was a substantial increase of 1,193% from 2007, i.e. 66,477 Kg in 2007 to 859,803 Kg in 2008. The import volume of the subject good further increased significantly by 95% in 2009 compared to 2008, and continued to increase by 168% in 2010.

In addition, the Investigating Authority also found that the import figures of the subject good during the period of January 2011 to March 2011 was 2,226,746 Kg, an increase of 230% compared to the level of volume of imports in the same period of 2010.

Table 1: Volume of Imports of the Subject Good

Description	Unit	2007	2008	2009	2010
Imports	Kg	66,477	859,803	1,674,670	4,494,583

Source: Badan Pusat Statistik (BPS)

## **2. Unforeseen Development**

Prior to the period of investigation, the prospect of domestic industry of the product concerned was, in general, good. During the period, the growth and demand of the product concerned was 10% in average every year, mirroring the growth in those industries using plastic materials such as food and beverages, and agricultural industries. The growth was anticipated by the domestic industry of the subject good by increasing the capacity and regenerating the industry concerned. However, the good prospect was hampered by a significant increased volume of imports which have caused the domestic industry losing its market share in the domestic market. The significant increase was mainly caused by the alteration of consumer's preference from domestic produced product to imported one, due to cheap price of imported subject good. The shift of the preference has induced increase volume of imports. This situation was not anticipated by the domestic industry.

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

In order to investigate the claim of serious injury by the Applicant and the Supporter of the Application, the Investigating Authority evaluated all data and information having a bearing on their situation. The evaluation was made from the data and information gathered from the results of on-site verification as well as from other related sources. Moreover, in order to complete evidence of serious injury, the Investigating Authority also conducted the same investigation and evaluation to the Supporter of the Application.

The following Table 2, contained data and information of the situation of the Applicant and the Supporter of the Application, which is provided in indices due to confidentiality of the information concerned.

Table 2: Performance and Indicators of Serious Injury of The Applicant and The Supporter of the Application caused by the Increased Volume of Imports

Description	Unit	Year			
		2007	2008	2009	2010
National Consumption	Index	100	94	90	95
Volume of Imports	Kg	66,477	859,803	1,674,670	4,494,583
Market Share of the Applicant and the Supporter*	%	51.43	49.30	41.31	34.81
Market Share of other Domestic Industry**	%	48.29	46.79	50.74	44.97
Shares of Imports	%	0.28	3.91	7.95	20.22
Domestic Sales of Applicant and The Supporter	Index	100	90	72	64
Production of The Applicant and The Supporter	Index	100	88	87,6	89,9
Utilization Capacity of The Applicant and The Supporter*	%	66.62	58.92	58.35	59.89
Inventories of The Applicant and The Supporter	Index	100	99	165	273
Profit/Loss of The Applicant and The Supporter	Index	100	27	(117)	(194)
Employment of The Applicant and The Supporter	Index	100	94	94	94
Productivity of The Applicant and The Supporter	Index	100	93	93	93

\* not an indexed figure

\*\*non-Applicant and non-Supporter of the Application

Based on data and information in Table 2, the Investigating Authority came to the following conclusion:

- (a) There was a decreased of national consumption of the subject good in the year of 2008 compared to 2007. The national consumption continued to decrease in 2009 by 4 indexed points compared to 2008. Despite the fact that there was an increase of 5 indexed points in 2010 compared to 2009, the total national consumption in 2010 was below of 2007.
- (b) From year 2007 until 2010, domestic sales of the Applicant and the Supporter of the Application continued to decrease from year to year. The domestic sales of the Applicant and the Supporter of the Application was 100 indexed points in 2007, declined to 90 indexed point in 2008, and continued to fall to 72 indexed point in 2009, and further reduced to 64 indexed point in 2010.
- (c) In the period of investigation, the market shares of the Applicant and the Supporter of the Application have decreased significantly from 51.43% in the year of 2007 to 49.30% in 2008, and continued to decrease to 41.31% in 2009 and to 34.81% in 2010. On the other hand, the market share of imports has increased continuously in the same period, with a significant increase of 20.22% in 2010 compared to 2007. The market shares of other domestic industry also decreased from 50.74% in 2009 to 44.97% in 2010.
- (d) There was a decreased of production of the Applicant and the Supporter of the Application in 2008, 2009, and 2010 compared to 2007. Although there was a slight increase of production in 2010 compared to 2009 and 2008, the production in 2010 still below of 2007. According to the investigation in this specific factor, the Investigating Authority found that the small increase of production in 2010 was the result of their efforts to improve efficiency.
- (e) Parallel to the decrease in domestic sales, market shares, and production of the Applicant and Supporter of the Application, their utilization capacity was also decreased continuously from the year 2007 until 2009, which were 66.62% in year 2007 to 58.92% in year 2008 and reached a level of 58.35% in year 2009. However, in year 2010 the utilization capacity increased to 59.89% in line with the increased of production in year 2010.
- (f) The attempt of the Applicant and the Supporter of the Application to increase production, while domestic sales continue to decrease and the market shares continue to shrink, resulted in increase of inventories from 100 indexed points in year 2007 to 273 indexed points in year 2010.
- (g) As the result of a combination of declined in sales, market shares, production, and increase in inventories, there was a decreased of profits of the Applicant and the Supporter of the Application in 2007 to 2008 from 100 indexed points to 27 indexed points respectively. In the year of 2009 the financial situation of the Applicant and the Supporter of the Application has worsen with a big financial losses of 117 indexed points, and of 194 indexed points in 2010. A significant increase in inventories especially in the year of 2009 and 2010, contributed to financial burden to the Applicant and the Supporter of the Application because of the expenses related to the maintenance of inventories concerned.
- (h) Although, the Applicant and the Supporter of the Application had suffered from big financial losses in year 2009 to 2010, they made a serious effort to prevent layoffs. Consequently, the number of employees in 2009 and 2010 were the same level of 2008, which is smaller by 6 indexed points compared to the number of employees in 2007.

- (i) Despite the fact that the Applicant and the Supporter of the Application experienced a reduction of profits in 2008, and significant financial losses in 2009 and 2010, the productivity remain stable because the employees were kept at the same number in year 2008, 2009, and 2010.

Based on the information in Table 2, the Investigating Authority concluded that in addition to increase of inventories, the Applicant and the Supporter of the Application have been experiencing significant negative trends in domestic sales, market shares, production, utilization capacity, productivity, and the employment, during the period investigation, which has caused significant financial losses in the year of 2009 and 2010.

#### **D. CAUSAL LINK**

Based on the findings as elaborated in Point C, the Investigating Authority concluded that there was strong linkage between the loss of market shares of the Applicant and the Supporter of the Application, and the increased of market shares of imports, because increased of market shares of imports equal to the total decrease of market shares of the Applicant and the Supporter of the Application, as well as of other domestic industry. In other words, the serious injury of the domestic industry caused by increase of volume of imports of the subject good, where the market shares of the Applicant and the Supporter of the Application was taken by imports.

#### **E. OTHER FACTORS THAT MAY CONTRIBUTE TO INJURY**

The Investigating Authority has also analysed for the known factors other than increased volume of imports that may cause injury to the Applicant and the Supporter of the Application. The Investigating Authority findings are as follows:

##### **1. The Capacity of Production**

The Investigating Authority examined the production capacity of the Applicant and the Supporter of the Application, basically sufficient to supply the national consumption of the subject good. However, the Investigating Authority found that their production capacity was not fully utilized due to continuous reduction in domestic sales. Thus, it is concluded that the production capacity is not a factor that contribute to the injury of the Applicant and the Supporter of the Application, but the volume of imports which contribute to their inability to utilize the production capacity fully.

##### **2. Competition with other domestic industries**

The Investigating Authority came to a conclusion that during the period of investigation there was no changes in the condition of the competition between the Applicant and the Supporter of the Application and other domestic industries. It was based on the data of market shares of the entire domestic industries which tend to decline, while the market shares of imports increasing. Thus, the competition between the Applicant and the Supporter of the Application with other domestic industries did not cause a serious injury.

The above mentioned findings proved that other factors known to the Investigating Authority have not contributed to the serious injury of the Applicant and the Supporter of the Application.

## F. CONCLUSION AND RECOMMENDATION

1. In view of the findings contained in Point C, and D, the Investigating Authority reached the following conclusion:

- (a) There was a significant increase of volume of imports of the subject good during the period investigated i.e. the calendar year of 2007 until 2010.
- (b) The Applicant and the Supporter of the Application suffered a serious injury as indicated in a decline of domestic sales, market shares, production, capacity utilization, productivity, employment, increase in inventories, and financial losses.
- (c) There is a causal link between serious injury of the domestic industry as pointed out in paragraph b. caused by increased volume of imports of the subject good as pointed out in paragraph a.

2. On the basis of the findings that there was a causal link between the serious injury of the Applicant and the Supporter of the Application and increased volume of imports of the subject good, the Investigating Authority will recommend to the Government of the Republic of Indonesia to impose a safeguards measure in order to provide remedy to the serious injury and room for the Applicant and the Supporter of the Application to make adjustments.

3. It is recommended that the application of the safeguards measure on the importation of Tarpaulins made from Synthetic Fibres under HS code 6306.12.00.00, apart from Awning and Sunblinds, will be in the form of specific import duty. It is also recommended that the safeguards measure to be imposed for the period of 3 (three) years and gradually liberalized, with the following timetable:

Table 3: Recommended Timetable of the imposition of the Safeguards duty

Period	Specific Duty
Year 1	Rp. 13,643 per Kilogram
Year 2	Rp. 12,643 per Kilogram
Year 3	Rp. 11,643 per Kilogram

4. Consistent with Article 9.1 WTO Agreement on Safeguards, the safeguards measure shall not be applied against the subject good originating from developing countries with a market share of less than 3 per cent of total volume imports or that developing country Members with less than 3 per cent import share collectively account for not more than 9 per cent of the total volume imports 4,494,583 Kg.

5. The developing countries to be excluded from the measure are as shown in the following list:

List of Developing Countries Excluded from the Measure

No	COUNTRY	No	COUNTRY
1	Albania	40	The Gambia
2	Angola	41	Georgia
3	Antigua, and Barbuda	42	Ghana
4	Argentina	43	Grenada
5	Armenia	44	Guatemala
6	Bahrain, Kingdom of	45	Guinea
7	Bangladesh	46	Guinea Bissau
8	Barbados	47	Guyana
9	Belize	48	Haiti
10	Benin	49	Honduras
11	Bolivia, Plurinational State of	50	Hong Kong, China
12	Botswana	51	India
13	Brazil	52	Jamaica
14	Brunei Darussalam	53	Jordan
15	Burkina Faso	54	Kenya
16	Burundi	55	Kuwait
17	Cambodia	56	Kyrgyz Republic
18	Cameroon	57	Lesotho
19	Cape Verde	58	Macao, China
20	Central African Republic	59	Madagascar
21	Chad	60	Malawi
22	Chile	61	Malaysia
23	Chinese Taipei	62	Mali
24	Colombia	63	Mauritania
25	Congo	64	Maldives
26	Costa Rica	65	Mauritius
27	Côte d'Ivoire	66	Mexico
28	Croatia	67	Moldova
29	Cuba	68	Mongolia
30	Democratic Republic of the Congo	69	Morocco
31	Djibouti	70	Mozambique
32	Dominica	71	Myanmar
33	Dominican Republic	72	Namibia
34	Ecuador	73	Nepal
35	Egypt	74	Nicaragua
36	El Salvador	75	Niger
37	Fiji	76	Nigeria
38	Former Yugoslav Republic of Macedonia (FYROM)	77	Oman
39	Gabon	78	Pakistan



No	COUNTRY	No	COUNTRY
79	Panama	91	Sierra Leone
80	Papua New Guinea	92	Singapore
81	Paraguay	93	Solomon Islands
82	Peru	94	South Africa
83	Philippines	95	Sri Lanka
84	Qatar	96	Suriname
85	Rwanda	97	Swaziland
86	Saint Kitts and Nevis	98	Tanzania
87	Saint Lucia	99	Thailand
88	Saint Vincent & the Grenadines	100	Togo
89	Saudi Arabia, Kingdom of	101	Tonga
90	Senegal	102	Trinidad and Tobago
81	Sierra Leone	103	Tunisia
82	Peru	104	Uganda
83	Philippines	105	Ukraine
84	Qatar	106	United Arab Emirates
85	Rwanda	107	Uruguay
86	Saint Kitts and Nevis	108	Venezuela, Bolivarian Republic of
87	Saint Lucia	109	Zambia
88	Saint Vincent & the Grenadines	110	Zimbabwe
89	Saudi Arabia, Kingdom of		
90	Senegal		