



8 April 2021

(21-2929)

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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 OF A PROPOSAL TO IMPOSE A MEASURE

INDONESIA

Expansible Polystyrene in the Form of Granule

The following communication, dated and received on 7 April 2021, 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 "Expansible Polystyrene in the Form of Granule" 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 6 November 2020, an application for a safeguard measures was received by the Investigating Authority from PT. Kofuku Plastic Indonesia (PT. KPI) 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 November 2020, the Investigating Authority initiated a safeguard investigation on the import of "Expansible Polystyrene in the Form of Granule". The commencement of the investigation was announced in the Bisnis Indonesia newspaper on 18 November 2020 and the Ministry of Trade's website on 18 November 2020 (G/SG/N/6/IDN/38) and 1 December 2020 (G/SG/N/6/IDN/38/Suppl.1).

2. Period of Investigation

The period of investigation covers 2016 to 2019.

3. Major Proportion

The total production of the Applicant is 100% of the total domestic production of the Subject Goods. Therefore, it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

Table 1. Major Proportion

Companies	Proportion (%)
PT Kofuku Plastic Indonesia	100
National Production	100

4. 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 a public hearing on 16 December 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 2. Import Quantities**

Description	Unit	Year				Growth (%)			Trend % (2016-2019)
		2016	2017	2018	2019	2016-2017	2017-2018	2018-2019	
Import quantities	Tons	23,867	26,451	27,712	30,312	10.82	4.77	9.38	7.94

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

The import quantities increased each year from 23,867 tons in 2016 to 26,451 tons in 2017 or by 10.82% and increased to 27,712 tons or by 4.77% in 2018 and increased again to 30,312 tons or by 9.38%. During the period of 2016-2019 imports increased in absolute terms with a trend of 7.94%.

2. Relative increase in imports to Total Domestic Production**Table 3. Import Quantities, Total Domestic Production, and Relative to Total Domestic Production**

Description	Unit	Year				Growth (%)			Trend % (2016-2019)
		2016	2017	2018	2019	2016-2017	2017-2018	2018-2019	
Import quantities	Tons	23,867	26,451	27,712	30,312	10.82	4.77	9.38	7.94
Total Domestic Production	Index	100	86.52	72.91	75.97	(13.48)	(15.72)	4.20	(9.48)
Imports Relative to the Domestic Production	Index	100	128.10	159.25	167.17	28.10	24.31	4.98	19.23

Source: Statistics Indonesia and as verified by Investigating Authority.

As seen in Table 3 above, there was a surge increased in imports relative to the national production during the investigation period, from 100 indexed points in 2016 to 128.10 indexed points in 2017, and increase to 159.25 indexed points in 2018 and continued to increase to 167.17 indexed points in 2019. During 2016-2019, imports relative to the national production was increased with trend of 19.23%.

3. Imports from Main Countries

Table 4. Imports Shares

Country	2019	
	Volume (Tons)	%
Chinese Taipei	9,446	31.16
Japan	7,629	25.17
People's Republic of China	4,984	16.44
Viet Nam	2,520	8.31
Thailand	1,572	5.19
India	1,440	4.75
Republic of Korea	1,339	4.42
Other Countries	1,383	4.56
World	30,312	100

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

From the table above, the biggest shares of import in 2019 was the Chinese Taipei, which its shares of import in 2019 accounted for 31.16%. Other countries with share of imports above 3% during 2019 are Japan (25.17%), People's Republic of China (16.44%), Viet Nam (8.31%), Thailand (5.19%), India (4.75%), and the Republic of Korea (4.42%).

4. Unforeseen Development

The occurrence of an unforeseen development could not have predicted a surge in the number of imports of Subject Goods from the exporting countries, this was due to the existence of:

- a. The Increasing of the supply of packaging products, constructions and building automotive to countries in the Asia Pacific region. According to research data from Mordor Intelligence in 2019, it is known that in the previous period there had been an increase in the supply of the final products of the Subject Goods, including being used for packaging, constructions and automotive building from several producing countries to the Asia Pacific region including Indonesia. The increase in the supply of the final Subject Goods has resulted in an unexpected increase in the number of Indonesian Subject Goods.
- b. The application of Integrated Goods and Services Tax (IGST) in India is 18%. The Government of India has implemented the IGST Act since July 1, 2017, whereby every imported the Subject Goods entering India is subject to a tax rate of 18%. The application of the IGST Act has a positive impact on the growth and development of India's Subject Goods industry and has a negative impact on exporters from other countries that want to export to India because they have to pay an additional tax rate of 18% so that these other countries shift their exports outside India, including Indonesia. With the increasing supply of the Subject Goods, it has prompted Indian Subject Goods exporters to increase their exports to several countries including Indonesia. This condition was unexpected, resulting in a surge in the number of the Subject Goods entering the Indonesian domestic market.

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

The general economic indicators related to Subject Goods in the safeguard investigation are presented at the table below.

Table 5. National Consumption, Import Quantities, and Market Shares

No.	Description	Unit	Year				Trend % (16-19)
			2016	2017	2018	2019	
1.	National Consumption	Index	100	101.17	95.50	101.38	(0.16)
2.	Import quantities	Tons	23,867	26,451	27,712	30,312	7.94
3.	Applicant's Domestic Sales	Index	100	88.94	69.41	68.94	(12.75)
5.	Imports' market share	Index	100	109.55	121.58	125.27	8.11
6.	Applicant's market share	Index	100	87.91	72.68	68.00	(12.60)

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

Based on the table above, it can be concluded that the import market share has increased with a trend of 8.11% during the investigation period (2016-2019). This resulted in the Petitioner's market share experiencing a decline with a trend of 12.60%. Thus, it can be concluded that during the investigation period (2016-2019) the increase in the number of imports has taken the Applicant's market share.

Table 6. The Applicant's Indicators of Injury

No.	Description	Unit	Year				Trend % (16-19)
			2016	2017	2018	2019	
1.	Production	Index	100	86.52	72.91	75.97	(9.48)
2.	Domestic Sales	Index	100	88.94	69.41	68.94	(12.75)
3.	Productivity	Index	100	93.01	83.61	93.34	(3.09)
4.	Utilization Capacity	Index	100	86.52	72.91	75.97	(9.48)
5.	Profit/Loss	Index	100	82.79	71.57	50.72	(19.62)
6.	Employment	Index	100	93.02	87.21	81.40	(6.59)
7.	Inventory	Index	100	60.75	191.52	427.63	73.45

Source: As verified by the Investigating Authority.

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

- a. The Applicant made the Subject Goods by order. During the period of investigation (2016-2019) the Petitioner's production amount decreased with a quite significant trend of 9.48%. During the same period, domestic sales also experienced a downward trend of 12.75%, as a result of a surge increased imports with a trend of 7.94%.
- b. Productivity decreased during the investigation period (2016-2019) with a trend of 3.09%, as a result of decreased production and labor with a trend of 9.48% and 6.59%, respectively.
- c. With an overwhelming number of imported goods, the number of domestic sales was significantly eroded. It has an impact on decreasing company profits during the investigation period (2016-2019) with a downward trend of 19.62%.
- d. The amount of ending inventory during the investigation period (2016-2019) has increased with a trend of 73.45%, as a result of the flood of imports with a trend of 7.94%.

2. Other Factors That May Contribute to Injury

In order to ensure that the 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 has the latest technology in producing the Subject Goods. This is supported by the fact that the applicant's machine is capable of producing the Subject Goods used for various kinds of the Subject Goods with the latest technology purchased from Chinese Taipei and Japan. Therefore, the Petitioner's serious injury were not caused by technology.

b) National Production Capacity and National Consumption**Table 7. Portion of National Consumption to the National Production Capacity**

Unit: %

Description	Year			
	2016	2017	2018	2019
National Consumption to the National Production Capacity	96.22	97.34	91.89	97.55

Source: Ministry of Industry of the Republic of Indonesia.

As shown in Table above, the national production capacity is sufficient enough to meet the national consumption. In 2016 the national consumption was 96.22% of the national production capacity. Meanwhile, national consumption in 2017 was 97.34% of the national production capacity, national consumption in 2018 was 91.89% of the national production capacity, and national consumption in 2019 was 97.55% of the national production capacity.

Based on the information above, it can be concluded that during the period of investigation there were no other factors that caused a 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 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 in imports of the Subject Goods either in absolute terms (7.94%) and relative terms (19.23%).
- b) The import market share has increased with a trend of 8.11%. This resulted in a decline in the market share of the Petitioner with a trend of 12.60%.
- c) There is a downward trend in several performance indicators, including: production, domestic sales, productivity, used capacity, profit, labor, and increased inventories.

D. DESCRIPTION OF THE PROPOSED SUBJECT GOODS

Expansible Polystyrene in the Form of Granule, under Harmonized System (HS.) code 3903.11.10.

E. DESCRIPTION OF THE PROPOSED MEASURE

In a view of the aforementioned findings, a safeguard measure has been proposed in form of *ad valorem* duty with HS code, proposed date of introduction, and expected duration of the measure as follow:

Table 8. The Proposed on Safeguard Measures

Period	<i>Ad valorem</i> Duty of Safeguard Measures (%)
First Year	12
Second Year	11
Third Year	10

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 measures 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: <http://kppi.kemendag.go.id>.

F. PROVIDE PROPOSED DATE OF THE APPLICATION OF THE MEASURE

The safeguard measures is proposed to enter into force after the publication of the decree of the Minister of Finance of the Republic of Indonesia, which will be promulgated at the Official Gazette.

G. 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, e-mail address, phone number 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. The consultation is scheduled to be held no later than 30 April 2021.

The contact information for correspondence is:

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