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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT ON
SAFEGUARDS BEFORE TAKING A PROVISIONAL SAFEGUARD
MEASURE REFERRED TO IN ARTICLE 6**

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

INDONESIA

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

The following communication, dated 5 November 2019, is being circulated at the request of the delegation of Indonesia.

**NOTIFICATION UNDER ARTICLE 12.4 BEFORE TAKING PROVISIONAL SAFEGUARD
MEASURES**

**1 SPECIFY THE PRODUCT SUBJECT TO THE PROPOSED PROVISIONAL SAFEGUARD
MEASURE**

Yarn (Other Than Sewing Thread) of Synthetic and Artificial Staple Fibres ("the product concerned"), under HS Code 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00, 5510.90.00.

2 SPECIFY THE PROPOSED PROVISIONAL SAFEGUARD MEASURE

The proposed provisional safeguard measure is in the form of specific tariff as much as Rp. 1,405/kg.

**3 SPECIFY THE PROPOSED DATE OF THE INTRODUCTION OF THE PROPOSED
PROVISIONAL SAFEGUARD MEASURE**

The provisional safeguard measure 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.

4 SPECIFY THE EXPECTED DURATION OF THE PROVISIONAL SAFEGUARD MEASURE

The provisional safeguard measure will be applied for 200 days from the date of its entry into force.

5 PROVIDE THE BASIS FOR:

- (i) Making a preliminary determination, as provided for in Article 6, that increased imports have caused or are threatening to cause serious injury;**

Unforeseen Development

- a. The yarn industry in People's Republic of China (PRC) experienced an increase in production capacity by 14.8% during 2015-2018, which lead to an increase in yarn

production in PRC. This condition unexpectedly led to a significant growth in production and export of PRC's yarn throughout the world, including Indonesia, which is unforeseeably causing a surge increase in imports of staple yarn in Indonesia.

- b. There has been a significant increase in yarn production in China with a trend of 6.91% over the 2015-2018 periods. In addition, the productivity of the PRC's yarn industry also increased during 2015-2018 with a trend of 6.33%. This situation led to the surge increase of yarn exports from PRC to other countries, including Indonesia, causing a surge increase in imports of yarn in Indonesia.

Increased Imports

a. absolute

The absolute increased imports of the product concerned are presented at the table below:

Description	Period of Investigation					Trend (%) 2016-2018
	2016	2017	2018	January-June		
				2018	2019	
Import Volume (Ton)	10,036	15,846	20,922	9,966	7,364	44.38

Source: Indonesian Statistics (BPS).

The import volume of the product concerned has increased during the period of 2016-2018, from 10,036 tons in 2016 to 15,846 tons in 2017 and increased again to 20,922 tons in 2018. During the period of 2016-2018, import volume has increased in absolute terms with the trend by 44.38%.

The import volume of the product concerned in the period of January-June 2018 to of January-June 2019 decreased from 9,966 tons to 7,364 tons. Although imports experienced a decline in January-June 2018-2019 period, the economic indicators of the domestic industry has not yet improved due to the impact of increased imports in previous years. It is worried that in the coming years the volume of imports will increase again and it will worsen the injury of the domestic industry in Indonesia.

b. relative to domestic production

The imports relative to domestic production of the product concerned are presented at the table below:

Description	Period of Investigation					Trend (%) 2016-2018
	2016	2017	2018	January-June		
				2018	2019	
Import relative to domestic production (Index)	100	156.52	206.69	100	78.60	43.79

Source: Indonesian Statistics (BPS).

As seen in table above, there was a surge in import relative to domestic production during the period of 2016-2018, from 100 index points in 2016 to 156.52 index points in 2017, and continued to increase to 206.69 index points in 2018.

The import volume relative to domestic production of the product concerned also increased in the period of January-June 2018-2019 from 100 index points to 78.60 index points.

c. share of imports

The share of imports of the major exporters in 2018 are presented at the table below:

Exporters	Volume (Ton)	Share (%)
People's Republic of China (PRC)	14,104	67.42
Thailand	2,697	12.88

Exporters	Volume (Ton)	Share (%)
Turkey	1,575	7.53
Vietnam	1,050	5.02
India	659	3.15
Other Countries	837	4.00
Total	20,922	100

Source: Indonesian Statistics (BPS).

Based on the table above, the largest exporters of product concerned to Indonesia in 2018 were the PRC with a share of 67.42%, followed by Thailand with a share of 12.88%, Turkey with a share of 7.53%, Vietnam with a share of 5.02%, India with a share of 3.15% and Other Countries with a share of 4%.

Serious Injury or Threat of Serious Injury

In order to make a determination of serious injury or threat thereof to the domestic producers of the products concerned, an evaluation of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry has been undertaken between 2016-2018 and period of January-June 2018-2019. Figures on economic indicators of the domestic producers are based on the petition submitted by domestic producers.

The general economic indicators related to all products concerned in the safeguard investigation are presented at the table below.

Indicators	Unit	Year					Trend (%) 16-18	Growth (%) Jan-Jun 18-19
		2016	2017	2018	January-June			
					2018	2019		
Production	Index	100	100.94	101.31	100	94.36	0.65	-5.64
Domestic Sales	Index	100	103.48	92.30	100	93.56	-3.93	-6.43
Productivity	Index	100	106.89	111.42	100	98.22	5.55	-1.78
Capacity Utilization	Index	100	100.66	101.25	100	93.19	0.62	-5.37
Loss	Index	(100)	(195.61)	(107.89)	(100)	(58.37)	4.22	41.63
Employment	Index	100	94.44	90.93	100	96.07	-4.64	-3.93
Inventory	Index	100	110.38	116.72	100	122.63	8.03	22.63
Market Share of Applicant	Index	100	100.98	94.00	100	101.90	-3.05	0.91
Market Share of Non-Applicant	Index	100	92.74	94.25	100	102.56	-2.92	1.07
Market share of Imports	Index	100	154.09	212.30	100	80.41	45.71	-1.99

Source: Indonesian Textile Association (API)'s Petition.

Based on table above, Applicant's production during 2016 to 2018 were relatively stable with a trend of 0.65%, but in the January-June 2019 period it declined again by 5.64% compared to the previous period.

The Applicant's domestic sales during the period of 2016-2018 decreased with a trend 3.93%. Moreover, in the period of 2016 to 2017 domestic sales increased from 100 index points to 103.48 index points, and then decline to 92.30 index points in 2018. Furthermore, in the period of January-June 2018-2019 the Applicant's domestic sales also decreased by 6,43% from 100 index points in the January-June 2018 period to 93.56 index points in the January-June 2019 period.

Productivity during 2016 to 2018 increase with a trend of 5.55%, and again decreased 1.78% in 2019 January-June compared to the same period the previous year.

The capacity utilization relatively stabled during the period of 2016-2018. However, in the period of January-June 2018-2019 the Applicant's capacity utilization experienced a decrease by 5.37% from 100 index points in the January-June 2018 period to 93.19 index points in the January-June 2019 period.

In terms of operating profit/loss, the Applicant had experienced a loss of 100 points in 2016, and in 2017 the Applicant suffer another financial losses of 195.61 index points in 2017 and 107.89 index points in 2018. Furthermore, financial losses continued in the period of January-June 2018-2019 by 100 index points and 58.37 index points.

The decline in domestic sales has an impact to the financial situation of the Applicant, which led to the financial losses and an increase of operational cost. This situation forced the Applicant to reduce employment in 2016-2018 with a trend of 4.64% and also in period of January – June in 2018 – 2019 by 100 index points to 96.07 index points.

The decrease in national consumption that occurred in 2016-2018 was in line with the decrease of the Applicant's domestic sales. This situation was inversely with the increase volume of import. The increase volume of import has taken the market share of the Applicant's and Non-Applicant's during the period of 2016-2018 with the decrease of trend by 3.05% and 2.92% respectively, while in the same period the import market share increased with a trend of 45.71%.

Based on the paragraphs above, the Investigating Authority provisionally concluded that during the investigation period, the Applicant suffered a threat of serious injury based on performance indicators which showed that there had been an upward trend in financial losses and inventory and a downward trend in domestic sales and employment.

Causal Link

Based on the results of the preliminary determination as mentioned in paragraphs above, the Investigating Authority provisionally concluded that there is a causal link between a threat of serious injury suffered by domestic industry to the increase in imports of the product concerned, based on:

- a. There was a sharp, sudden, recent, and significant increased in imports of product concerned in absolute and relative terms during 2016-2018 and January-June 2018-2019.
- b. There had been an upward trend in financial losses and inventory and a downward trend in domestic sales and employment.
- c. During period of 2016-2018 the market share of imports increased with a trend of 45.71%, which caused the market share of Applicant declined with a trend of 3.05%, and the market share of Non-Applicant also declined with a trend of 2.92%.

The Investigating Authority has not identified other factors that would weaken the causal link between the increase in imports and the serious injury of the domestic industry. Nevertheless, a more detailed examination of all other factors that have or may have contributed to the injury will be undertaken in the remainder of the investigation.

(ii) Determining that there are critical circumstances where delay would cause damage which it would be difficult to repair.

There are a number of the Applicant's member companies that are currently in a critical situation that is very problematic and can adversely affect the business activities of the referred members.

These critical circumstances can be seen in its financial ratio where the Applicant experiencing financial problems in terms of liquidity, solvency, activities, and profitability which if not immediately addressed will lead to business bankruptcy as stipulated from z-score.

No	Ratios	Unit	Result	Benchmark
1	Liquidity Ratio			
	Current Ratio	%	Average 95.7	≥ 100
	Quick Ratio	%	Average 38.2	≥ 100
	Cash Ratio	%	Average 2.7	≥ 100

2	Solvability Ratio			
	Debt to Equity Ratio	%	Average 208.1	≤ 100
3	Activity Ratio			
	Account Receivable Turnover Ratio	X	Average 6.0	≥ 10
	Inventory Turnover Ratio	X	Average 2.8	≥ 10
	Fix Asset Turnover Ratio	X	Average 1.4	≥ 10
	Total Asset Turnover Ratio	X	Average 0.7	≥ 10
4.	Profitability Ratio			
	Profit Margin	%	Average 0.1	≥ 5
	Operating Profit Margin	%	Average (1.1)	≥ 5
	Return on Investment	%	Average (23.7)	≥ 5
	Return on Asset	%	Average (0.2)	≥ 5
5	Z-score	Score	Average 1.0	≥ 2.9

Source: Indonesian Textile Association (API).

As it can be seen from the above ratios, the very viability of the producers concerned is a stake, and the preliminary determination of the Investigating Authority is that unless provisional safeguard measures are urgently taken, irreparable damage will result in terms of capacity shut downs, plant closures and eventual bankruptcy.

The table below shows eight yarn manufacturers in Indonesia who went bankrupt and closed their yarn businesses during 2016-2019 (January-June).

No	Companies	Employment
1	PT. Daya Samatex	1,000
2	PT. Firman Jaya Pertenunan	180
3	PT. Indopanca Centratex	500
4	PT. Mercuri Prima	2,000
5	PT. Pasific Texindo	1,500
6	PT. Tristate Indonesia	950
7	PT. Unilon	1,000
8	PT. World Yamatex	1,000
Total		8,130

Source: Indonesian Textile Association (API).

6 OFFER OF CONSULTATIONS

The Government of the Republic of Indonesia offers consultations on the provisional safeguard measures.

NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2 UPON TAKING A DECISION NOT TO APPLY THOSE PROVISIONAL SAFEGUARD MEASURES TO CERTAIN PRODUCTS ORIGINATING IN DEVELOPING COUNTRIES

1 SPECIFY THE MEASURE

The proposed provisional safeguard measure is in the form of specific tariff as much as Rp. 1,405/kg.

2 SPECIFY THE PRODUCT SUBJECT TO THE MEASURE

Yarn (other than sewing thread) of Synthetic and Artificial Staple Fibres, under HS Code 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00, 5510.90.00.

3 SPECIFY THE DEVELOPING COUNTRIES TO WHICH THE MEASURE IS NOT APPLIED UNDER ARTICLE 9.1 OF THE AGREEMENT ON SAFEGUARDS

The developing countries which are excluded from the provisional measure as their export in quantities less than 3% of imports to Indonesia are listed below under Article 9.1 of the Agreement on Safeguards.

TABLE. LIST OF DEVELOPING COUNTRIES MEMBERS OF THE WTO TO WHICH THE PROVISIONAL MEASURES DO NOT APPLY

No.	Developing Countries	No.	Developing Countries
1	Afghanistan	48	Honduras
2	Albania	49	Hong Kong, China
3	Angola	50	Israel
4	Antigua and Barbuda	51	Jamaica
5	Argentina	52	Jordan
6	Armenia	53	Kazakhstan
7	Bahrain, Kingdom of	54	Kenya
8	Bangladesh	55	Korea, Republic of
9	Barbados	56	Kuwait, the State of
10	Belize	57	Kyrgyz Republic
11	Benin	58	Lao People's Democratic Republic
12	Bolivia, Plurinational State of	59	Lesotho
13	Botswana	60	Liberia
14	Brazil	61	Liechtenstein
15	Brunei Darussalam	62	Macao, China
16	Burkina Faso	63	Madagascar
17	Burundi	64	Malawi
18	Cabo Verde	65	Malaysia
19	Cambodia	66	Maldives
20	Cameroon	67	Mali
21	Central African Republic	68	Mauritania
22	Chad	69	Mauritius
23	Chile	70	Mexico
24	Colombia	71	Moldova, Republic of
25	Congo	72	Mongolia
26	Costa Rica	73	Montenegro
27	Côte d'Ivoire	74	Morocco
28	Cuba	75	Mozambique
29	Democratic Republic of the Congo	76	Myanmar
30	Djibouti	77	Namibia
31	Dominica	78	Nepal
32	Dominican Republic	79	Nicaragua
33	Ecuador	80	Niger
34	Egypt	81	Nigeria
35	El Salvador	82	Oman
36	Eswatini	83	Pakistan
37	Fiji	84	Panama
38	Gabon	85	Papua New Guinea
39	The Gambia	86	Paraguay
40	Georgia	87	Peru
41	Ghana	88	Philippines
42	Grenada	89	Qatar
43	Guatemala	90	Russian Federation
44	Guinea	91	Rwanda
45	Guinea-Bissau	92	Saint Kitts and Nevis
46	Guyana	93	Saint Lucia
47	Haiti	94	Saint Vincent and the Grenadines

No.	Developing Countries	No.	Developing Countries
95	Samoa	109	Togo
96	Saudi Arabia, Kingdom of	110	Tonga
97	Senegal	111	Trinidad and Tobago
98	Seychelles	112	Tunisia
99	Sierra Leone	113	Uganda
100	Singapore	114	Ukraine
101	Solomon Islands	115	United Arab Emirates
102	South Africa	116	Uruguay
103	Sri Lanka	117	Vanuatu
104	Suriname	118	Venezuela, Bolivarian Republic of
105	Chinese Taipei	119	Yemen
106	Tajikistan	120	Zambia
107	Tanzania	121	Zimbabwe
108	The former Yugoslav Republic of Macedonia (FYROM)		