



Committee on Safeguards

**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

Ceramic flags and paving, hearth or wall tiles

Supplement

The following communication, dated 14 July 2021 and received on 15 July 2021, 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, hereinafter referred as "GOI", hereby notifies the Committee on Safeguards on the investigation findings concerning the extension of safeguard measures against the importation of Ceramic flags and paving, hearth or wall tiles under HS Codes 6907.21.91, 6907.21.92, 6907.21.93, 6907.21.94, 6907.22.91, 6907.22.92, 6907.22.93, 6907.22.94, 6907.23.91, 6907.23.92, 6907.23.93 and 6907.23.94.

A. GENERAL BACKGROUND

On 9 April 2021, the KPPI hereinafter referred as the "Investigating Authority", received an application from Indonesian Ceramic Industry Association (Asosiasi Aneka Industri Keramik Indonesia/ASAKI) hereinafter referred as the "Applicant", requesting for the extension of safeguard measures on the importation of the Subject Goods, which continues to be necessary to prevent or remedy serious injury and that the domestic industry is adjusting. Other known domestic industry, PT. Cahayaputra Asa Keramik Tbk and PT. Satyaraya Keramindoindah, through a letter on a date of 4 June 2021 and 7 June 2021 stating that they are fully support the extension of safeguard measures so the domestic industry not suffered further injury.

The Investigating Authority initiated a safeguard investigation against importation of Subject Goods on 5 May 2021 (as announced in "Bisnis Indonesia" daily newspaper), and was notified to the WTO which had been circulated on 10 May 2021 (G/SG/N/6/IDN/28/Suppl.1).

1. Major Proportion

The total production of the Applicant is 54% from total domestic production, representing a major proportion of the total domestic production of the Subject Goods in Indonesia.

2. Evidence and Views by 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 24 May 2021.

3. The WTO document referring to the notification of initial application of the measure

G/SG/N/6/IDN/28/Suppl.1, dated on 10 May 2021.

4. The duration of the measure from initial application till the date at which it will be extended

The duration of initial application of the safeguard measure is three years (12 October 2018-11 October 2021).

5. Precise description of the product involved.

Referring to the notification made in accordance with Article 7.2 and Article 12.1(a) as circulated in document number G/SG/N/6/IDN/28/Suppl.1, and in light of the notification made in accordance Article 12.1(c) as circulated in document G/SG/N/10/IDN/20/Suppl.1 - G/SG/N/11/IDN/17, the Subject Goods under investigation is Ceramic flags and paving, hearth or wall tiles under HS Codes 6907.21.91, 6907.21.92, 6907.21.93, 6907.21.94, 6907.22.91, 6907.22.92, 6907.22.93, 6907.22.94, 6907.23.91, 6907.23.92, 6907.23.93 and 6907.23.94.

6. Period of Investigation

The period of investigation is 2016 to 2020.

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

1. Information on absolute increase in imports

Table 1: Volume of Imports

| Description | Year | | | | | Changes (%) | | | | Trend 16-20 (%) |
|---------------|-----------|-----------|-----------|-----------|-----------|-------------|-------|--------|--------|-----------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 16-17 | 17-18 | 18-19 | 19-20 | |
| Imports (Ton) | 1,069,859 | 1,257,123 | 1,484,320 | 1,337,661 | 1,334,486 | 17.50 | 18.07 | (9.88) | (0.24) | 5.17 |

Source: Indonesian Statistic

As shown in Table 1, it is verified that the absolute trend of increasing the number of imports of the Subject Goods is 5.17%. Eventhough, during the period of imposition of safeguard measures, it decreased by 9.88% in 2018 to 2019 and 0.24% in 2019 to 2020.

2. Information on imports relative to the domestic production

Table 2: Volume of Imports and Domestic Production

| Description | Unit | Year | | | | | Trend 16-20 (%) |
|---|-------|-----------|-----------|-----------|-----------|-----------|-----------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Volume of Imports | Ton | 1,069,859 | 1,257,123 | 1,484,320 | 1,337,661 | 1,334,486 | 5.17 |
| Domestic Production | Index | 100 | 98.96 | 99.28 | 111.38 | 95.08 | 0.17 |
| Imports Relative to Domestic Production | Index | 100 | 118.74 | 139.75 | 112.25 | 131.19 | 4.99 |

Source: Indonesian Statistic, Verification Result, and processed.

As determined in Table 2, the imports relative trend of increasing to the domestic production of the subject goods is 4.99%. The imports relative to the domestic production decreased in 2018 to 2019

after the imposition of safeguard measures by 19.68%. However, in 2019 to 2020, the imports relative to the domestic production has increased by 16.87%.

3. Evidence of serious injury or threat thereof caused by increased imports

The Investigating Authority examined all data and information available based on the actual condition of the domestic industry. In addition, the Investigating Authority also conducted on-site verifications to the domestic industry. The following table 3 and table 4, contained data and information of the situation of the domestic industry, which is provided in indices.

Table 3: Market Share of the Imports, Market Share of The Applicants and the non-Applicants

| No. | Description | Unit | Year | | | | | Trend 16-20 (%) |
|-----|------------------------------------|-------|------|--------|--------|--------|--------|-----------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| 1. | National Consumption | Index | 100 | 111.88 | 112.08 | 120.86 | 101.64 | 1.10 |
| 2. | Market Share of Imports | Index | 100 | 105.03 | 123.79 | 103.45 | 122.73 | 4.02 |
| 3. | Market Share of the Applicants | Index | 100 | 92.81 | 100.33 | 88.06 | 95.95 | (1.34) |
| 4. | Market Share of the Non-Applicants | Index | 100 | 106.32 | 85.26 | 113.44 | 91.60 | (1.10) |

Source: As verified by the Investigating Authority

Based on table 3 above, the market share of the Applicant in 2017 decreased to 92.81 index points compared to the previous year, then after the imposition of the safeguard measures, in 2018 it increased to 100.33 index points, but in 2019 it decreased by 88.06 index points due to the flood of imported goods, so that in 2020 the applicant's market share which increased to 95.95 index points. Looking at the 2016-2020 trends, the market share of Applicants experienced a declining trend of 1.34%, as well as the market share of the non-Applicants which experienced a declining trend of 1.10%, inversely proportional to the import market share which experienced an increasing trend of 4.02% in line with the increase of national consumption with a trend of 1.10%.

Table 4: The Applicants Indicators of Injury

| No. | Description | Unit | Year | | | | | Trend 16-20 (%) |
|-----|----------------------|-------|------|--------|----------|--------|--------|-----------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| 1. | Production | Index | 100 | 98.15 | 108.49 | 108.62 | 98.27 | 0.67 |
| 2. | Domestic Sales | Index | 100 | 103.83 | 112.45 | 106.43 | 97.52 | (0.26) |
| 3. | Capacity Utilization | Index | 100 | 98.15 | 108.20 | 99.71 | 90.21 | (1.89) |
| 4. | Profit and Losses | Index | 100 | 42.18 | (726.10) | 225.60 | 12.91 | (0.09) |
| 5. | Productivity | Index | 100 | 98.68 | 101.96 | 104.95 | 100.79 | 0.78 |
| 6. | Employment | Index | 100 | 99.46 | 106.40 | 103.50 | 97.50 | (0.11) |
| 7. | Inventory | Index | 100 | 95.54 | 97.23 | 141.82 | 172.03 | 15.95 |

Source: As verified by the Investigating Authority

- a) During the investigation period, the Applicant's domestic sales decrease with a trend of 0.26% due to a surge imports of the subject good, the decrease of domestic sales resulting an increased of inventories with a trend of 15.95%.
- b) The production experienced a slight increase with a trend of 0.67% during the investigation period. This condition causes the capacity utilization decrease with a trend of 1.89%.
- c) The number of Employment decreased with a trend of 0.11%, the downward trend occurred due to some of production lines forced to stopped caused by the increase of inventory resulting the productivity of the Applicants could not be fully optimized with a trend of 0.78%.
- d) The decline in domestic sales as a result of the increase of imported goods, directly impacted the decline in profits during the investigation period with a trend of 0.09%.

4. Evidence that the Applicant is adjusting

During the imposition of the initial period of safeguard measures the Applicant has undertaken the following adjustment program:

- a) Machinery improvement capacity
- b) Addition of Marketing Area
- c) Sending the Research team and development to international exhibitions of Subject Goods.
- d) Developing technology by searching for formulas and more stable sources of raw materials.

It can conclude that the Applicant is still adjusting to improve their production capacity on the machinery, the addition of marketing area, Sending the research team and development to international exhibitions of Subject Goods and the developed technology by searching for formulas and more stable sources of raw materials in order to compete with imported products.

5. Causal link

- a) There was an increase in imports of the Subject Goods in absolute terms in 2016-2020 with the largest import origin country of the People's Republic of China with a share of 67%, India with a share of 27% and Vietnam with a share of 5% in 2020.
- b) National consumption has increased, especially in 2016-2017, which is 11.88%. The trend of increasing national consumption in 2016-2020 was 1.10%.
- c) The market share of the Applicants and non-applicants decreased with a trend of 1.34% and 1.10%. At the same time, the import market share continued to increase with a trend of 4.02%;
- d) There is a downward trend in domestic sales volume, used capacity, profits, employment and an increasing trend in inventories.

6. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury.

- a) Even though the safeguard measure has been imposed on the Subject Goods, in fact the number of imports is still experiencing an increasing trend during the investigation period both in absolute and relative terms and it is increased imports will increase significantly if the safeguard measures is not extended.
- b) The applicant's performance data indicates a threat of serious injury as evidenced by a downward trend in several applicant performance indicators, including domestic sales, used capacity, profits, labor, and an increase in ending inventory. If the safeguard measure is not extended, the applicant's performance will suffer serious injury.
- c) The applicant has carried out several structural adjustment programs as stated in the initial investigation (original case). However, the applicant still needs additional time to be able to complete the structural adjustment optimally. In addition, the applicant is also committed to making additional structural adjustments if the safeguard measure is extended.

C. NOTIFICATION OF A PROPOSAL TO EXTEND A MEASURE

Proposed date of introduction of the measure

In view of the section B above, and taking into account the initial measure as previously imposed, the Investigating Authority has proposed to extend the imposition of the safeguard measures on the importation of the Subject Goods.

The proposed safeguard measures to be imposed is now being circulated for inputs from relevant government agencies, and will be elaborated in the notification under the Article 12.1(c) of the WTO Agreement on Safeguards.

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>.

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 5: Safeguard Measures

| Period | Safeguard Measures |
|---------------|---------------------------|
| Year 1 | 17% |
| Year 2 | 15% |
| Year 3 | 13% |

D. CONSULTATIONS

Members having a substantial interest as exporters of the Subject Goods should submit written request within a period of 7 days from the date of circulation of this notification. All written request must be sent both in written letter and in electronic format, and must indicate the name, address, email address, phones and fax number of the Members. In Accordance with article 12.3 WTO Agreement on Safeguards, 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 13 August 2021. The contact information for correspondence is:

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