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Committee on Safeguards

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

INDONESIA

Expansible Polystyrene (EPS)

Supplement

The following communication, dated 22 November and received on 25 November 2024, 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, hereby notifies the Committee on Safeguards of the investigation findings concerning the extension of a safeguard measure against the importation of Expansible Polystyrene (EPS).

1 EVIDENCE THAT THE SAFEGUARD MEASURE CONTINUES TO BE NECESSARY TO PREVENT OR REMEDY SERIOUS INJURY OR THREAT THEREOF AND THAT THE INDUSTRY CONCERNED IS ADJUSTING

The Government of the Republic of Indonesia initiated an investigation on the extension of a safeguard measure on 22 July 2024 ([G/SG/N/6/IDN/38/Suppl.2](#)). The scope of the investigation was to decide whether the safeguard measure should be extended or not.

To determine whether the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and whether the industry is adjusting, the Investigating Authority (*Komite Pengamanan Perdagangan Indonesia/KPPI*) undertook a comprehensive analysis of a broad set of data from multiple sources: the evidence provided by the Applicant's member industries in their questionnaire replies and written submissions, the information provided by interested parties (importers, exporters, and other interested parties) in their written submissions, as well as information available to the Investigating Authority including statistical databases and relevant publications.

1.1 Economic Performance of the Applicant

To assess the economic performance of the Applicant, the developments of imports, and other relevant data included in its assessment, the Investigating Authority assessed the data for the period 2021-2023 ("the investigation period").

Description	Unit	Year			Changes (%)		Trend (%)
		2021	2022	2023	21-22	22-23	21-23
Production	Index	100	117	97	17	(17)	(1)
Domestic Sales	Index	100	114	94	14	(17)	(3)
Productivity	Index	100	117	97	17	(17)	(1)
Utilization Capacity	Index	100	109	75	9	(31)	(13)
Profit	Index	100	90	83	(10)	(8)	(9)
Employment	Index	100	100	100	-	-	-

Source: Verification Result

- a. The Applicant produces EPS based on orders (by order). During the extension investigation period (2021-2023), the Applicant's production volume decreased with a trend of 1%. Production in 2021 was 100 index points, then in 2022 increased to 117 index points, but in 2023 decreased to 97 index points.
- b. Domestic sales experienced a decline with a trend of 3%. Domestic sales in 2021 were 100 index points, then in 2022 increased to 114 index points, but in 2023 decreased to 94 index points.
- c. In line with production developments, productivity has decreased with a trend of 1%. Productivity in 2021 was 100 index points, then in 2022 it increased to 117 index points, but in 2023 it decreased to 97 index points.
- d. In line with production developments, utilized capacity has decreased with a trend of 13%. Utilized capacity in 2021 was 100 index points, then in 2022 increased to 109 index points, but in 2023 decreased to 75 index points.
- e. The decline in domestic sales, with a trend of 3%, has an impact on the decline in the company's profits during the extension investigation period (2021-2023), with a downward trend of 9%. In 2022, domestic sales increased, but profits decreased. This condition occurred because the cost of raw materials increased, causing profit to decrease to 90 index points in 2022.
- f. The number of employments does not change or is stable during the extension period because the Applicant is trying to maintain its productivity.

Description	Unit	Year			Changes (%)		Trend (%)
		2021	2022	2023	21-22	22-23	21-23
National Consumption	Index	100	93	73	(7)	(21)	(14)
Market Share of Imports	Index	100	84	79	(16)	(5)	(11)
Market Share of Domestic Industries	Index	100	122	128	22	5	13

Source: Verification Result

During the investigation period, the imports market share decreased with a trend of 11%. This effect on the domestic industry market share increased with a trend of 13%. The increase in the domestic industry market share also occurred in 2023 compared to 2022, which was 5%. On the other hand, the import market share decreased by 5% in the same year.

1.2 Evidence that the industry concerned is adjusting

The domestic industry has implemented adjustment plans aiming at the addition of production buildings and finished goods warehouses, the addition of production capacity by purchasing reactor

and screener machines, the development of new grades, namely food grade, and human resource development by providing periodic training according to each division. The realization of the structural adjustment program that has been implemented by the Applicant is as follows:

Description	Target	Realization
Total Structural Adjustment	100%	35%

Source: Verification Result

Thus far, the structural adjustments program has been realized with an average of 35%. Therefore, the Applicant still needs time to complete the entire structural adjustment program.

2 INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

Description	Unit	Year			Changes (%)		Trend (%)
		2021	2022	2023	21-22	22-23	21-23
Volume of Imports	Ton	28.711	22.399	16.752	(22)	(25)	(24)
National Production	Index	100	117	97	17	(17)	(1)
Imports Relative to National Production	Index	100	67	60	(33)	(10)	(23)

Source: Statistics Indonesia, and Verification Result

Based on the table above, even though there was a decline in the amount of EPS imports both in absolute and relative terms during the investigation period, the Applicant has so far been unable to prevent the threat of serious injury. This is clearly shown by the Applicant's profits during the investigation period which declined by 9%.

3 PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

The product under investigation is "Expansible Polystyrene (EPS)" under HS Code 3903.11.10 under Indonesia Customs Tariff Book (BTKI) 2022.

4 IF THE FINAL MEASURE IS EXTENDED, A MEMBER IS ENCOURAGED TO PROVIDE A WRITTEN DESCRIPTION OF ANY PART OF THE IMPORTED PRODUCT THAT WILL NO LONGER BE SUBJECT TO THE MEASURE

Not applicable at this stage.

5 DESCRIPTION OF THE PROPOSED MEASURE

The proposed measure is in the form of a specific duty (Rupiah/Metric ton).

6 PROPOSED DATE OF INTRODUCTION OF THE MEASURE

The proposed extension of the safeguard measure is expected into effect on 23 December 2024.

7 EXPECTED DURATION OF THE MEASURE

The expected duration of the proposed extension of the safeguard measure is three years.

8 PROPOSED DATE FOR THE REVIEW

Not Applicable.

9 EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

The measure will continue being progressively liberalized, at regular intervals, at the beginning of each period of application as follows:

Period	Safeguard Duty (Rupiah/Metric ton)
1st Year (23 December 2024 – 22 December 2025)	2.352.478
2nd Year (23 December 2025 – 22 December 2026)	2.328.473
3rd Year (23 December 2026 – 22 December 2027)	2.304.468

10 IF THE NOTIFICATION RELATES ONLY TO A FINDING OF SERIOUS INJURY OR THREAT THEREOF AND DOES NOT RELATE TO A DECISION TO APPLY OR EXTEND A SAFEGUARD MEASURE

According to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, The Government of the Republic of Indonesia hereby notifies the investigation findings concerning the extension of safeguard measures against the importation of Expandable polystyrene (EPS) in granular form. This notification is made only for the findings of the investigation. Once the decision to extend the safeguard measure is made, it will be notified under Article 12.1(c) of the Agreement on Safeguards.

11 INFORMATION RELATING TO THE EXTENSION OF A SAFEGUARD MEASURE

11.1 Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy the threat of serious injury

Based on the explanation provided in items 1.1 and 1.2 above, it can be concluded as follows:

- a. Competition Conditions in the Domestic Market
 1. National consumption experienced a decline with a trend of 14%.
 2. In line with the decline in national consumption, domestic sales and the number of imports experienced a decline with a trend of 3% and 24% respectively.
 3. In line with the decreasing number of imports, the import market share also experienced a decline.
 4. Although domestic sales have decreased, the Applicant's market share has increased with a trend of 13%. Furthermore, the Applicant's market share has exceeded 50% in 2022 and 2023.
 5. The decline in the Applicant's domestic sales with a trend of 3%, resulted in a decline in production, productivity, capacity utilization, and profits with trends of 1%, 1%, 13% and 9% respectively. Meanwhile, the employment is stable, no reduction or addition of workers was made.
- b. Realization of Structural Adjustment
 1. The applicant has implemented structural adjustments in the form of construction of production buildings and finished goods warehouses with realization of 51%, followed by the realization of additional production capacity by purchasing reactor and screener machines, developing new EPS grades, namely food grade, and developing human resources by providing periodic training according to each division with realizations of 36%, 6% and 47% respectively.
 2. The average realization of The Applicant for 3 (three) years is 35%.

3. The application was unable to complete the structural adjustment program due to several constraints as follows:
- The applicant fails to purchase a new production line with a total investment of Rp.175 billion. The applicant will purchase the new production line if the applicant's domestic market share reaches 75 % to 80 %.
 - The potential buyers change their policies from the use of raw materials from EPS to paper, for producing noodle cups, to comply with the Regulation of the Minister of Environment and Forestry of the Republic of Indonesia Number P.75/MENLHK/SETJEN/KUM.1/10/2019, Concerning the Roadmap for Waste Reduction by Producers.
4. Regarding the constraints in point (3) above, the Applicant will take the following steps:
- The applicant will purchase a smaller reactor machine to produce food-grade EPS.
 - The applicant and the other upstream plastic industries are trying to do research on plastic materials including EPS, which can be recycled. The results of this research will be submitted to the Minister of Environment and Forestry of the Republic of Indonesia to revise the regulation Number P.75/MENLHK/SETJEN/KUM.1/10/2019, Concerning the Roadmap for Waste Reduction by Manufacturers.

11.2 Reference to the WTO document that notified the initial application of the measure

Pursuant to Article 12.1(c) of the WTO Agreement on Safeguards, on 16 December 2021, the Government of the Republic of Indonesia notified the Committee on Safeguards regarding the decision to impose safeguard measures on the imports of Expansible Polystyrene in the Form of Granule ([G/SG/N/10/IDN/30/Suppl.1](#) - [G/SG/N/11/IDN/26](#)).

11.3 Duration of the measure from initial application till the date at which it will be extended

The initial definitive measure imposed for 3 years, was notified on 16 December 2021 ([G/SG/N/10/IDN/30/Suppl.1](#) - [G/SG/N/11/IDN/26](#)).

12 INFORMATION RELATING TO EXPORTING MEMBERS THE MAJOR EXPORTING MEMBERS OF IMPORTS OF THE PRODUCT INVOLVED

The main exporting countries of the product concerned are Chinese Taipei, People's Republic of China and Viet Nam.

Exporting Countries	2023	
	Volume (Ton)	Share of Imports (%)
Chinese Taipei	7,889	47
People's Republic of China	6,293	38
Viet Nam	2,239	13
Others	331	2

Source: Statistics Indonesia

12.1 If there are any exporting Members to which the measure does not apply for any reason other than the application of Article 9.1, the names of such exporting Members and reasons for non-application of the measure

Not applicable at this stage.

13 INVITATION OF CONSULTATIONS

Members who have a substantial interest in 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 a written letter and in electronic format and must indicate the name, address, e-mail address, phone, 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 to provide opportunities for those Members, consultation is scheduled to be held virtually.

The contact information for correspondence is:

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14 MEMBERS ARE ENCOURAGED TO ATTACH, IN AN ELECTRONIC FORM, PUBLICLY AVAILABLE DOCUMENT(S) CONTAINING THE RELEVANT DECISION(S) MADE BY THE COMPETENT AUTHORITY

The non-confidential version of the Final Report of this investigation can be found on the website of the Indonesian Safeguard Committee: <https://kppi.kemendag.go.id/penyelidikan/penyelidikan-berjalan/expansible-polystyrene-eps>.
