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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**

NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE

INDONESIA

Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles

The following communication, dated 28 February 2020, 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 "*Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles*" 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 12 September 2019, an application for a safeguard measure was received by the Investigating Authority from the Indonesian Textile Association/*Asosiasi Pertekstilan Indonesia* (API) 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 September 2019, the Investigating Authority initiated a safeguard investigation on the import of "*Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles*". The commencement of the investigation was announced in the *Bisnis Indonesia* newspaper on 18 September 2019 and the Ministry of Trade's website on 19 September 2019. (G/SG/N/6/IDN/33)

2 PERIOD OF INVESTIGATION

The period of investigation covers 2016 to 2019 (January-June).

3 MAJOR PROPORTION

The total production of the Applicant is 76.91% of the total domestic production of the Subject Good. Therefore, it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

4 PROVISIONAL SAFEGUARD MEASURE

On 5 November 2019 through the Minister of Finance Decree (PMK) No. 163/PMK.010/2019, the Government of the Republic of Indonesia stipulates the imposition of provisional safeguard measure on the importation of "Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles" under *Harmonized System* (HS.) code 6303.12.00, 6303.19.90, 6303.91.00, 6303.92.00, 6303.99.00, 6304.19.90, 6304.91.90, and 6304.92.00, in accordance with the 2017 Indonesian Customs Tariff Book (BTKI), with specific tariff of **Rp. 41,083/kg** for 200 days commenced from 9 November 2019 to 26 May 2020. (G/SG/N/7/IDN/4/Suppl.1 - G/SG/N/11/IDN/20/Suppl.1)

5 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 public hearings on 1 October 2019 and 13 February 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 1. Volume of Imports

| Description | Unit | Year | | | Semester | | Trend (16-18) | Growth (Semester 18-19) |
|-------------------|------|------|-------|-------|----------------|----------------|---------------|-------------------------|
| | | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) | | |
| Volume of Imports | Ton | 410 | 1,788 | 2,500 | 832 | 1,340 | 147 | 61.01 |

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

The volume of imports increased each year from 410 ton in 2016 to 1,788 ton in 2017 or by 336.21% and increased again to 2,500 ton or by 39.87% in 2018. During the period of 2016-2018 imports increased in absolute terms with a trend of 147%. Likewise, the volume of imports increased by 61.01% in the period of 2018 (January-June) to 2019 (January-June) from 832 ton to 1,340 ton.

2 RELATIVE INCREASE IN IMPORTS TO TOTAL DOMESTIC PRODUCTION

Table 2. Volume of Imports, Total Domestic Production, and Relative to Total Domestic Production

| Description | Unit | Year | | | Semester | | Trend (16-18) | Growth (Semester 18-19) |
|---|-------|------|--------|--------|----------------|----------------|---------------|-------------------------|
| | | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) | | |
| Volume of Imports | Ton | 410 | 1,788 | 2,500 | 832 | 1,340 | 147 | 61.01 |
| Total Domestic Production | Index | 100 | 93.92 | 95.20 | 100 | 75.95 | (2.43) | (24.05) |
| Imports Relative to the Domestic Production | Index | 100 | 464.43 | 640.84 | 100 | 211.99 | 153.07 | 112.05 |

Source: Statistics Indonesia and as verified by Investigating Authority.

As seen in Table above, there was a surge increased in imports relative to the national production during the investigation period, from 100 indexed points in 2016 to 464.43 indexed points in 2017, and continued to increase to 640.84 indexed points in 2018. During 2016-2018, imports relative to the national production was increased with trend of 153.07%. Imports relative to the national production during the period of 2018 (January-June) to 2019 (January-June) also experienced an increased by 112.05% from 100 indexed points to 211.99 indexed points.

3 IMPORTS FROM MAIN COUNTRIES

Table 3. Imports Shares

| Country | 2018 | |
|-----------------|--------------|-------|
| | Volume (Ton) | % |
| China | 2,263 | 90.53 |
| Singapore | 91 | 3.64 |
| Other Countries | 146 | 5.83 |

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

From the table above, the biggest shares of import in 2018 was the People's Republic of China, with share of import accounted for 90.53% followed by Singapore with share of import of 3.64%.

4 UNFORESEEN DEVELOPMENT

The increased imports of the Subject Goods from the exporting countries were unforeseeable. This is caused by a significant increase in investment of the textile industry in China since 2016 which is directly related to the newly increased fixed assets of the manufacturers of the Subject Good.

Based on the China Statistical Yearbook 2017-2019, investment in the Chinese textile industry sector increases every year during the period of 2016-2018 which caused an increased in the fixed assets in the same period. As is known, fixed assets are tangible assets that are used in the production or supply of goods, including machinery, production equipment, factory buildings, and so on, so that with the addition of investment and fixed assets have caused the production and production capacity of the textile industry in China also experienced an increase.

Increased production and production capacity as a result of increased investment and fixed assets in the textile industry sector in China was an unexpected condition (unforeseen) which indirectly caused increased in exports of the Subject Good from China to other countries, including Indonesia.

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

Table 4. National Consumption, Volume of Imports, and Market Shares

| No. | Description | Unit | Year | | | Semester | | Trend (16-18) 2017 | Growth (Semester 18-19) |
|-----|--------------------------------|-------|--------|--------|--------|----------------|----------------|--------------------|-------------------------|
| | | | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) | | |
| 1. | National Consumption | Index | 100.00 | 149.99 | 176.23 | 100.00 | 102.30 | 32.75 | 2.30 |
| 2. | Volume of Imports | Ton | 410 | 1,788 | 2,500 | 832 | 1,340 | 147 | 61.01 |
| 3. | Applicant's Domestic Sales | Index | 100 | 102.66 | 101.04 | 100 | 51.21 | 0.52 | (48.79) |
| 4. | Non-Applicant's Domestic Sales | Index | 100 | 82.14 | 85.05 | 100 | 84.88 | (7.78) | (15.12) |

| No. | Description | Unit | Year | | | Semester | | Trend (16-18) 2017 | Growth (Semester 18-19) |
|-----|------------------------------|-------|------|--------|--------|-------------------|-------------------|--------------------------|-------------------------------|
| | | | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) | | |
| 5. | Imports' market share | Index | 100 | 290.83 | 346.20 | 100 | 157.39 | 86.06 | 24.83 |
| 6. | Applicant's market share | Index | 100 | 68.44 | 57.33 | 100 | 50.06 | (24.28) | (23.01) |
| 7. | Non-Applicant's market share | Index | 100 | 54.76 | 48.26 | 100 | 82.97 | (30.53) | (1.82) |

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

Based on the table above, it can be concluded that during the investigation period the surge in market share of imports has eroded the domestic market share of both the Applicant and the Non-Applicant.

From 2016 to 2018 national consumption has increased with a trend of 32.75%. Conversely, volume of imports experienced a surge with a trend of 147% in the same period. The increase in the imports of the Subject Good resulted in a decline in the market share of the Applicant and Non-Applicant with a trend of 24.28% and 30.53%, respectively. Meanwhile, in the same period the market share of imports increased with a trend of 86.06%. In the period of 2018 (January-June) to 2019 (January-June) the market share of imports experienced another increase by 24.83% and resulted in the decline of the Applicant's and Non-Applicant's market share to 23.01 indexed points and 1.82 indexed points respectively.

Table 5. The Applicant's Indicators of Injury

Unit: Index

| No. | Description | Year | | | Semester | | Trend (16-18) 2017 | Growth (Semester 18-19) |
|-----|----------------------|------|--------|---------|-------------------|-------------------|--------------------------|-------------------------------|
| | | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) | | |
| 1. | Production | 100 | 97.65 | 97.13 | 100 | 75.63 | (1.44) | (24.37) |
| 2. | Domestic Sales | 100 | 102.66 | 101.04 | 100 | 51.21 | 0.52 | (48.79) |
| 3. | Productivity | 100 | 114.08 | 123.51 | 100 | 81.83 | 11.14 | (18.17) |
| 4. | Utilization Capacity | 100 | 97.65 | 97.13 | 100 | 75.63 | (1.44) | (6.74) |
| 5. | Loss | 100 | 49.20 | (41.91) | (100) | (580.46) | (95.45) | 480.46 |
| 6. | Employment | 100 | 85.60 | 78.64 | 100 | 92.42 | (11.32) | (7.58) |

Source: As verified by the Investigating Authority.

As shown in Table 5, the performance of the applicant can be seen as follows:

- a) Production experienced a decrease with a trend of 1.44% from 100 indexed points in 2016 to 97.65 indexed points in 2017 and decreased again to 97.13 indexed points in 2018. Likewise, production experienced a decrease in the period of 2018 (January-June) from 100 indexed point to 75.63 indexed points in the period 2019 (January-June).
- b) Domestic Sales relatively stable with a trend of 0.52% during 2016-2018, from 100 indexed points in 2016 to 102.66 indexed points in 2017 and then decreased to 101.04 indexed points in 2018. As oppose, in the period of 2018 (January-June) the domestic sales experienced a significant decrease from 100 indexed points to 51.21 indexed points in the period of 2019 (January-June).
- c) Productivity in 2016 was 100 indexed points, increasing to 114.08 indexed points in 2017 and 123.51 indexed point in 2018. During 2016-2018 the applicant's productivity has increased with a trend of 11.14%. Productivity seems to have increased; this is due to the reduction in the number of employees with a trend of 11.32% during 2016-2018. However, in the period of 2018 (January-June) productivity decreased from 100 indexed points to 81.83 indexed points in the period of 2019 (January-June).

- d) Utilization capacity experienced a decrease during 2016-2018 with a trend of 1.44% from 100 indexed points in 2016 to 97.65 indexed points in 2017 and 97.13 indexed points in 2018. On the contrary, in the period of 2018 (January-June) utilization capacity decreased significantly from 100 indexed points to 75.63 indexed points in the period of 2019 (January-June).
- e) Applicant's Losses experienced a decrease during 2016-2018 with a trend of 95.45%. The biggest financial losses occurred in 2019 (January-June) amounting to minus 580.46 indexed points or by 480.46% compared to the previous year. The losses occurred since 2018 was because the Applicant had to sell their product below production costs as a result of pressures from imported goods that flooded the domestic market.
- f) The Applicant's employment significantly decreased from 100 indexed points In 2016 to 85.60 indexed points in 2017 and 78.64 indexed points in 2018. Moreover, the Applicant's employee experienced further decreased from 100 indexed points in the period of 2018 (January-June) to 92.42 indexed points in the period of 2019 (January-June).
- g) Based on the explanation above, it can be concluded that during the investigation period, the Applicant experienced a threat of serious injury based on the Applicant's performance that indicated a downward trend in production, utilization capacity, employment, and increased financial losses.

2 OTHER FACTORS THAT MAY CONTRIBUTE TO INJURY

In order to ensure that the serious injury or threat of 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 already has the latest technology in producing the Subject Good. This argument is supported by the fact that the Applicant's machinery is able to produce sophisticated goods for the consumers. This shows that the threat of a serious injury suffered by the Applicant is not caused by technology.

b) Quality

The quality of goods produced by the Applicant has met the international standards such as OEKO-TEX certificate. Thus, in terms of quality, goods produced by the Applicant are able to compete with imported goods because they already met the internationally recognized standards.

c) Production Capacity

Table 6. Percentage of the National Consumption compared to the Domestic Production Capacity

| Description | Year | | | Semester | |
|--|-------|-------|-------|-------------------|-------------------|
| | 2016 | 2017 | 2018 | 2018 (Jan-Jun) | 2019 (Jan-Jun) |
| National Consumption to the Domestic Production Capacity (%) | 33.18 | 49.76 | 58.46 | 47.88 | 48.98 |

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

As shown in Table above, national consumptions during 2016 to 2019 (January-June) are less than the domestic production capacity. Therefore, the domestic production capacity is more than enough to meet the national consumption. In fact, a threat of serious injury suffered by the Applicant is not because the idle in production capacity, but because of the imported goods have flooded the domestic market resulting in many production capacities not fully utilized.

Based on the facts of a) to c) above, it can be concluded that during the period of investigation there were no other factors that caused a threat of 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 threat of 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 increase of Subject Good in absolute terms in 2016-2018 with a trend of 147%. Likewise, the volume of imports increased by 61.01% in the period of 2018 (January-June) to 2019 (January-June).
- b) There was a surge increase of Subject Good in relative to domestic production in 2016-2018 with a trend of 153.07%. Likewise, the relative increase in imports to domestic production increased by 112.05% in the period of 2018 (January-June) to 2019 (January-June).
- c) Imports' market share has increased with a trend of 86.06% in 2016-2018 and in the period of 2018 (January-June) to 2019 (January-June) the imports' market share increased by 24.83%.
- d) The Applicant's market share has decreased with a trend of 24.28% and the Non-Applicant's market share has also decreased with a trend of 30.53% during 2016-2018. Moreover, in the period of 2018 (January-June) to 2019 (January-June) the market share of the Applicant and non-Applicant experienced another decrease.
- e) Downward trends in production, utilization capacity, employment, and increased losses.
- f) There were no other factors that caused a threat of serious injury to the Applicant besides increased volume of imports of the Subject Goods.

D. DESCRIPTION OF THE PROPOSED SUBJECT GOODS

"Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles" under *Harmonized System* (HS.) code 6303.12.00, 6303.19.90, 6303.91.00, 6303.92.00, 6303.99.00, 6304.19.90, 6304.91.90, and 6304.92.00.

E. DESCRIPTION OF THE PROPOSED MEASURE

In a view of the aforementioned findings, a safeguard measure has been proposed in form of specific tariff duty with description, proposed date of introduction, and expected duration of the measure as follow:

Table 7. The Proposed on Safeguard Measure

| Year | Measure |
|--|----------------|
| Period I (27 May 2020 – 8 November 2020) | Rp. 41,083 /Kg |
| Period II (9 November 2020 – 8 November 2021) | Rp. 34,961 /Kg |
| Period III (9 November 2021 – 8 November 2022) | Rp. 28,839 /Kg |

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 measure 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: www.kppi.kemendag.go.id.

F. 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 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, consultation is scheduled to be held no later than 20 March 2020.

The contact information for correspondence is:

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