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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

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

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 THE PRODUCT SUBJECT TO THE PROPOSED PROVISIONAL SAFEGUARD MEASURE

Curtains (Including Drapes), Interior Blinds, Bed Valances, and Other Furnishing Articles ("the product concerned"), 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.

2 THE PROPOSED PROVISIONAL SAFEGUARD MEASURE

The proposed provisional safeguard measure is in the form of specific tariff as much as Rp. 41,083/kg.

3 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 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

There has been an increase in fabric industry's investment in the People's Republic of China (PRC) during 2016-2018. These new investments caused an increase in production and production capacity of the fabric industry in PRC. Therefore, this condition is an unforeseen development that indirectly causes an increase in exports of Chinese fabric downstream products (including product concerned) to other countries, such as Indonesia.

Increased Imports

a. absolute

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

Description	Period of Investigation					Trend (%)
	2016	2017	2018	January-June		2016-2018
				2018	2019	
Import Volume (Ton)	410	1,788	2,500	832	1,340	147

Source: Indonesian Statistics (BPS).

The import volume of the product concerned has increased during the period of 2016-2018, from 410 tons in 2016 to 1,788 tons in 2017 and increased again to 2,500 tons in 2018. During the period of 2016-2018, import volume has increased in absolute terms with the trend by 147%.

The import volume of the product concerned also increased in absolute terms by 61% in the period of January-June 2018 to the period of January-June 2019 from 832 tons to 1,340 tons.

b. relative to domestic production

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

Description	Period of Investigation					Trend (%)
	2016	2017	2018	January-June		2016-2018
				2018	2019	
Import relative to domestic production (Index)	100	533.64	694.38	100	209.65	163.50

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 533.64 index points in 2017, and continued to increase to 694.38 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 209.65 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)	2,263	90.53
Singapore	91	3.64
Other Countries	146	5.83
Total	2,500	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 90.53%, followed by the Singapore with a share of 3.64%, and Other Countries with a share of 5.83%.

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.

Indicators	Unit	Year					Trend (%)	Growth (%)		
		2016	2017	2018	January-June				16-18	Jan-Jun 18-19
					2018	2019				
Production	Index	100	81.14	86.71	100	76.65	-6.88	-23.35		
Domestic Sales	Index	100	81.49	83.28	100	84.53	-8.74	-15.47		
Productivity	Index	100	105.67	127.30	100	80.00	12.83	-19.75		
Capacity Utilization	Index	100	81.14	86.71	100	76.65	-6.88	-8.65		
Loss	Index	(100)	(491.34)	(537.96)	(100)	(114.16)	96.95	14.18		
Employment	Index	100	76.79	68.11	100	65.05	-17.47	-4.49		
Market Share of Applicant	Index	100	47.15	37.99	100	63.34	-38.36	-7.46		
Market Share of Non-Applicant	Index	100	47.52	38.80	100	63.56	-37.71	-5.74		
Market share of Imports	Index	100	252.37	278.30	100	120.64	66.82	13.19		

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

Based on table above, Applicant's production experienced a downward trend in 2016-2018 by 6.88%. Furthermore, in the period of January-June 2018-2019 the Petitioners' production also decreased by 23.35% from 100 index points in the January-June 2018 period to 76.65 index points in the January-June 2019 period.

The Applicant's domestic sales during the period of 2016-2018 decreased respectively from 100 index points in 2016, to 81.49 index points in 2017, and 83.28 index points in 2018. Furthermore, in the period of January-June 2018-2019 the Applicant's domestic sales also decreased by 15.47% from 100 index points in the January-June 2018 period to 84.53 index points in the January-June 2019 period.

Productivity during 2016 to 2018 increased with a trend of 12.83% due to the employment reduction. However, in the period of January-June 2018-2019 the Petitioner's productivity decreased by 19.75% from 100 index points in the January-June 2018 period to 80.00 index points in the January-June 2019 period.

Capacity utilization has decreased during the period of 2016-2018 with a trend of 6.88%. Moreover, in the period of January-June 2018-2019 the Applicant's capacity utilization also decreased by 8.65% from 100 index points in the January-June 2018 period to 76.65 index points in the January-June 2019 period.

In terms of operating loss, the Applicant's had experienced a loss of 100 index points in 2016, and in 2017 and 2018 the Petitioner suffer another financial losses of 491.34 index points in 2017 and 537.96 index points in 2018. Financial losses continued in the period of January-June 2018-2019 from 100 index points to 114.16 index points.

The decline in domestic sales has an impact on the decline in the production of the Applicant, so that the operational cost increases. As a result, the Applicant was forced to reduce employment in 2016-2018 with a trend of 17.47%. Furthermore, the reduction continued in period of January-June 2018-2019 from 100 index points to 65.05 index points.

The increase in national consumption that occurred in 2016-2018 was inversely proportional to the Applicant's domestic sales and taken over by imported goods which experienced a surge increased over a period of 3 years (2016-2018). The increase imports resulted in the eroded market share of the Applicant's and Non-Applicant's. During the period of 2016-2018 the market share of the Petitioners and Non-Petitioners decreased with a trend of 38.36% and 37.71% respectively, while

in the same period the import market share increased with a trend of 66.82%. Furthermore, in the period of January-June 2018-2019 the Applicant's Market Share also decreased from 100 index points in the January-June 2018 period to 63.34 index points in the January-June 2019 period.

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

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 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 a downward trend in production, domestic sales, capacity utilization, employment, and market share.
- c. During period of 2016-2018 the market share of imports increased with a trend of 66.82%, which caused the market share of Applicant declined with a trend of 38.36%, and the market share of Non-Applicant also declined with a trend of 37.71%. Furthermore, in period of January-June 2018-2019 market share of applicant and non-applicant was also been eroded by market share of import where the market share of import increase by 13.19%, meanwhile, the applicant and non-applicant market share decrease by 7.46% and 5.74%.

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 during 2016-2018 and period of January-June 2018-2019 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 90.6	≥ 100
	Quick Ratio	%	Average 52,5%	≥ 100
	Cash Ratio	%	Average 38.0%	≥ 100
2	Solvability Ratio			
	Debt to Equity Ratio	%	Average 253.7	≤ 100
3	Activity Ratio			
	Account Receivable Ratio	X	Average 4.4	≥ 10
	Inventory Turnover Ratio	X	Average 1.5	≥ 10

No	Ratios	Unit	Result	Benchmark
	Fix Assets Turnover Ratio	X	Average 2.0	≥ 10
	Total Assets Turnover Ratio	X	Average 0.5	≥ 10
4.	Profitability Ratio			
	Profit Margin	%	Average (10,6)	≥ 5
	Operating Profit Margin	%	Average (2.5)	≥ 5
	Return on Investment	%	Average (12.5)	≥ 5
	Return on Asset	%	Average (4.7)	≥ 5
5	Z-score	Score	Average 0.6	≥ 2.9

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

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.

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. 41,083/kg.

2 SPECIFY THE PRODUCT SUBJECT TO THE MEASURE

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

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 they 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	62	Liechtenstein
2	Albania	63	Macao, China
3	Angola	64	Madagascar
4	Antigua and Barbuda	65	Malawi
5	Argentina	66	Malaysia
6	Armenia	67	Maldives
7	Bahrain, Kingdom of	68	Mali
8	Bangladesh	69	Mauritania
9	Barbados	70	Mauritius
10	Belize	71	Mexico
11	Benin	72	Moldova, Republic of
12	Bolivia, Plurinational State of	73	Mongolia
13	Botswana	74	Montenegro
14	Brazil	75	Morocco
15	Brunei Darussalam	76	Mozambique
16	Burkina Faso	77	Myanmar
17	Burundi	78	Namibia
18	Cabo Verde	79	Nepal
19	Cambodia	80	Nicaragua
20	Cameroon	81	Niger
21	Central African Republic	82	Nigeria
22	Chad	83	Oman
23	Chile	84	Pakistan
24	Colombia	85	Panama
25	Congo	86	Papua New Guinea
26	Costa Rica	87	Paraguay
27	Côte d'Ivoire	88	Peru
28	Cuba	89	Philippines
29	Democratic Republic of the Congo	90	Qatar
30	Djibouti	91	Russian Federation
31	Dominica	92	Rwanda
32	Dominican Republic	93	Saint Kitts and Nevis
33	Ecuador	94	Saint Lucia
34	Egypt	95	Saint Vincent and the Grenadines
35	El Salvador	96	Samoa
36	Eswatini	97	Saudi Arabia, Kingdom of
37	Fiji	98	Senegal
38	Gabon	99	Seychelles
39	The Gambia	100	Sierra Leone
40	Georgia	101	Solomon Islands
41	Ghana	102	South Africa
42	Grenada	103	Sri Lanka
43	Guatemala	104	Suriname
44	Guinea	105	Chinese Tapei
45	Guinea-Bissau	106	Tajikistan
46	Guyana	107	Tanzania
47	Haiti	108	Thailand
48	Honduras	109	The former Yugoslav Republic of Macedonia (FYROM)
49	Hong Kong, China	110	Togo
50	India	111	Tonga
51	Israel	112	Trinidad and Tobago
52	Jamaica	113	Tunisia
53	Jordan	114	Turkey
54	Kazakhstan	115	Uganda
55	Kenya	116	Ukraine
56	Korea, Republic of	117	United Arab Emirates
57	Kuwait, the State of	118	Uruguay
58	Kyrgyz Republic	119	Vanuatu
59	Lao People's Democratic Republic	120	Venezuela, Bolivarian Republic of
60	Lesotho	121	Viet Nam
61	Liberia	122	Yemen

No.	Developing Countries	No.	Developing Countries
123	Zambia	124	Zimbabwe
