



16 November 2020

(20-8220)

Page: 1/10

Committee on Safeguards

Original: English

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

**NOTIFICATION PURSUANT TO ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS**

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

TURKEY

(Polyethylene Terephthalate Chips)

The following notification, dated 13 November 2020, is being circulated at the request of the delegation of Turkey.

Concerning imports of Polyethylene Terephthalate (PET) Chips, Turkey had notified the initiation of a safeguard investigation with the WTO Document G/SG/N/6/TUR/27, dated 17 June 2020.

Turkey hereby provides notification to the Committee on Safeguards of findings of serious injury or threat thereof caused by increased imports and notification of a proposed definitive safeguard measure. The public version of the investigation report (in Turkish) together with references and sources can be found at the following internet address (to be published).

<https://www.resmigazete.gov.tr/eskiler/2020/11/20201113-3.htm>

Consistent with Article 12.3 of the *Agreement on Safeguards*, Turkey is prepared to consult with those Members having a substantial interest as exporters of the product concerned.

I. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

A. EVIDENCE OF SERIOUS INJURY

In order to make a determination of serious injury or threat thereof to the domestic producers of the like product, an evaluation of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry was undertaken for the period under consideration (PUC), January 2015-May 2020. The data, which were submitted by the applicant company and utilized in this analysis, represent major proportion of the total domestic production of the product involved according to the 2019 figures.

1. Consumption

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Consumption (Indexed)	100	119	147	160	214	100	116

Consumption index, which increased during the PUC continuously, reached its peak in 2019, a level 114% higher than its level in 2015. Similarly, increase in the index has been 16% in the first 5 months of 2020 compared to the same period of 2019.

2. Production

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Production (Indexed)	100	87	90	89	116	100	120

Production index fluctuated during the PUC. In the first 5 months of 2020, production increased by 20% compared to the same period of 2019.

3. Domestic Sales

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Domestic Sales (Indexed)	100	93	111	103	178	100	119

Domestic sales index reached 178 in 2019 after fluctuating between 2015 and 2018. Increase in the index has been 19% in the first 5 months of 2020 compared to the same period of 2019.

4. Foreign Sales

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Foreign Sales (Indexed)	100	79	77	77	78	100	100

Foreign sales of the domestic industry decreased by 21% in 2016 compared to the previous year. The index did not state a significant change in the following years.

5. Capacity and Capacity Utilization Ratio (CUR)

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Capacity (Indexed)	100	100	100	100	165	100	100
CUR (%) (Indexed)	100	87	90	88	70	100	120

Production capacity of the domestic industry remained unchanged until the new capacity investment in 2019. Capacity utilization ratio (CUR) index declined to 70 in 2019.

6. Stocks

Unit (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
Stocks (Indexed)	100	118	103	79	189	100	426

End of period stocks of the domestic industry increased by 89% from 2015 to 2019. This trend continued in the first 5 months of 2020.

7. Employment

Workers	2015	2016	2017	2018	2019	2019(5)	2020(5)
Employment (Indexed)	100	100	100	106	131	100	137

While the number of workers who were in charge of the production of the product concerned did not change until 2017, it increased by 6% in 2018. Employment index reached 131 in 2019 in which production capacity was also increased by the domestic producer.

8. Labor Productivity

Unit (Tons) per Worker	2015	2016	2017	2018	2019	2019(5)	2020(5)
Productivity (Indexed)	100	87	90	84	88	100	88

Labor productivity index displayed a fluctuating trend during the PUC. Following a drop to 87 in 2016, it was counted a similar level in 2019.

9. Profitability

Net Profit/Total Sales	2015	2016	2017	2018	2019	2019(5)	2020(5)
Profitability (Indexed) (%)	-100	200	1.100	1.100	300	100	86

Following a net loss in 2015, profitability of the domestic industry showed a recovery during the next three years; however, it decreased sharply in 2019. Indeed, this decreasing trend has also been maintained in the first 5 months of 2020.

10. Conclusion

During the PUC, the domestic industry's production, domestic sales and CUR fluctuated while consumption increased continuously. In the recent period, profitability of the domestic industry diminished drastically after 2018. Furthermore, in 2019 the stocks reached to a level exceeding the twice of that in the previous year. The data in the first 5 months of 2020 show that the erosion in profitability and expansion in stocks have followed the same deteriorating trend recently.

Taking into account all these factors, it is concluded that the domestic industry is exposed to threat of serious injury for the product concerned.

B. CAUSATION ANALYSIS

In order to examine the existence of a causal link between increased imports and threat of serious injury and in order to ensure that injury caused by other factors is not attributed to increased imports, the investigating authority analyzed the effects of the following factors:

1. Analysis of Causation Factors

(a) Effect of Increased Imports

Imports of the product concerned increased constantly during the PUC. From 2016 to 2019 annual increase rate in quantity of imports became 38%, 26%, 17% and 22%, respectively. Expansion in imports continued in the January-May period of 2020 by rising 14% compared to the same period of the previous year.

Likewise, the market share of imports increased significantly between 2015 and 2018. Despite a drop in the market share of imports in 2019, overall assessment shows that the domestic industry lost 7% of domestic market share to imports from 2015 to 2019.

Therefore, it is concluded that the increase in imports both in absolute and relative terms and the deterioration in economic indicators of the domestic industry followed a similar pattern throughout the period analyzed. The persistence of the rise in imports during the PUC clearly reveals the conclusion that the development of imports into Turkey has been the cause of deterioration in the situation of the domestic industry by eroding its market share in 2015-2018 period and by forcing it to waive sustainable profit rates in the recent period.

(b) Conditions of Competition

Despite being used in various fields of industry, Polyethylene Terephthalate Chips should be regarded as an intermediate good whose mostly marketed types have a homogeneous character. According to the information obtained during the investigation, the investigation authority stated that price was one of the most significant factors for user preference in the domestic market. In this respect, it is evident that price level directly determines the sales volumes of domestic and imported goods.

The figures of the unit prices of the imported goods of main suppliers in the Turkish market were obtained from the Turkish Statistical Database and demonstrated below. The products from Malaysia, India and Indonesia draw attention with their lower unit prices in the recent period. The fact that Malaysia is the only country who doubled the quantity of PET Chips delivery into Turkey in the first 5 months of 2020 (compared to the same period of previous year) presents an explicit example showing that price is the principal competition tool in the market.

Countries	Unit Import Prices (USD/Kilograms)						
	2015	2016	2017	2018	2019	2019(5)	2020(5)
Republic of Korea	1,05	0,92	1,02	1,23	1,15	1,2	0,93
Malaysia	-	0,84	0,99	1,17	1,02	1,09	0,84
China	1,06	1,16	1,09	1,28	1,13	1,21	1,07
Germany	1,23	1,1	1,2	1,4	1,25	1,36	1,05
India	1,01	0,88	1,02	1,22	1,07	1,1	0,85
Indonesia	1,03	0,89	1,04	1,2	1,05	1,17	0,86
Thailand	1	0,84	1,08	1,43	1,54	1,54	1,52
Chinese Taipei	1,03	0,96	1,06	1,2	1,02	0,99	0,86
Ethiopia	-	-	-	-	0,65	0,63	-
Lebanon	-	-	-	-	0,65	0,64	0,58
Others	1,13	1,02	1,06	1,31	1,16	1,42	1,04
World	1,07	0,95	1,05	1,24	1,12	1,19	0,93

Finally, the investigation authority found out that imported products undercut the price of domestic products in the period 2016-2019 in which domestic industry either lost a portion of its market share or it needed to reduce the profitability.

Unit Price Comparison (USD/Kilograms)	2015	2016	2017	2018	2019	2020 (5)
Unit Domestic Ex-Works Sales Price of the Domestic Product	X	X	X	X	X	X
Constructed Unit Price of the Domestic Product (Unit Commercial Cost + 5% Profit Margin)	X	X	X	X	X	X
Weighted Average Cost of the Imported Product	1,12	0,98	1,08	1,27	1,12	0,93
Price Undercutting	-X	X	X	X	X	-X
Price Suppression	X	X	X	X	X	X
Price Depression (Real Price of the Domestic Product)	X	X	X	X	X	X

(c) Coinciding Trends

It is understood that there is parallelism between all the relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry such as the decline in profitability, increase in inventories and the increase in the imports of the product concerned in absolute and relative terms together with the rise in the market share of the imports.

(d) Other Factors

(i) Enhancing Capacity of Domestic Industry

Following a stability in the production capacity in the period of 2015-2018, domestic industry launched new capacity investment which expanded the established capacity by 65% in 2019. Having checked the accounts of domestic producers during the investigation, the investigation authority did not find a causal link between the financial burden of the new investment and the deterioration of economic indicators.

(ii) Production Technology of the Domestic Industry

A number of interested parties claimed that the domestic industry could not compete with imported products in terms of quality due to using low-tech equipment in their process. However, the findings of the investigation authority on product types and production process of the domestic industry reveal that their production technology is mostly identical with that of the producers in exporting countries. Producing a large variety of the product concerned in a proved level of quality, the domestic industry has continued to export its products to prestigious companies from various countries. As a result, it appears that the level of production technology did not play a role in the threat of serious injury that the domestic industry has been facing.

(iii) Exports

Annual export quantity of the domestic industry has been stable in the period 2016-2019. Foreign sales index (2015=100) fluctuated between 77 and 79 throughout these years. In the first 5 months of 2020, this stable trend did not change. Indeed, the domestic industry did not work with full capacity during the PUC. Therefore, the domestic industry did not need to adjust its domestic activities depending on the demand conditions in foreign markets. As a result, threat of serious injury cannot be attributed to the developments in exports of the domestic industry

2. Conclusion on Causation

From 2015 to 2019, the quantity of imports increased significantly (140%) and import prices undercut the prices of the domestic industry in 2016-2019. In this framework, having concluded that there is a correlation between the increase in imports and the deterioration of various economic indicators of the domestic industry; and having determined that injurious effects cannot be attributed to the other known factors; the investigation authority reached to the conclusion that there is a causal link between increased imports and threat of serious injury that the domestic industry has been exposed to.

II. INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION**1. Unforeseen Developments**

The investigation authority researched the capacity, production and export trends of the product concerned and assessed the conditions of the global trade in the last years to determine whether there are unforeseen developments causing to increase imports into Turkey.

To begin with, the investigation authority analyzed global capacity and production level of polymer, the main intermediary form in the production of PET Chips as well as different products. The following table was received from a study of PCI Wood Mackenzie Chemicals.

Polymer	2015			2019		
	Capacity (1000Tons)	Production (1000Tons)	Share of Capacity (%)	Capacity (1000Tons)	Production (1000Tons)	Share of Capacity (%)
China	43.429	37.005	52%	57.250	49.836	57%
India	8.360	5.882	10%	9.683	7.420	10%
USA	4.783	3.803	6%	5.111	3.723	5%
Chinese Taipei	4.468	2.621	5%	4.191	2.611	4%
Republic of Korea	3.539	3.128	4%	3.347	2.983	3%
Indonesia	2.571	2.046	3%	1.974	1.846	2%
Thailand	1.837	1.413	2%	1.837	1.497	2%
Mexico	1.334	1.139	2%	1.414	1.027	1%
Japan	1.110	728	1%	1.306	592	1%
Pakistan	639	700	1%	1.302	1.020	1%
Vietnam	515	269	1%	1.230	901	1%
Brazil	1.007	617	1%	1.209	750	1%
Iran	1.020	451	1%	1.020	558	1%
Germany	842	638	1%	862	642	1%
Oman	850	445	1%	850	622	1%
Lithuania	601	597	1%	766	649	1%
Saudi Arabia	716	151	1%	750	224	1%
Russia	744	502	1%	744	586	1%
Malaysia	622	567	1%	622	541	1%
Spain	627	502	1%	594	520	1%
Others	3.762	2.624	5%	4.313	2.579	4%
World	83.376	65.828	100%	100.375	81.127	100%

According to the figures of 2019, with its capacity exceeding 57 million tonnes and the production around 50 million tonnes, China is the leading polymer supplier in the world. India, USA, Chinese

Taipei, Korea and Indonesia are other main producers. Having expanded its capacity by 32% from 2015 to 2019, China has come to a position claiming to be in aggressive marketing of all polymer-based products in the world recently. Furthermore, the fact that it increased its share in imports of Turkey from 8% in 2018 to 19% in 2019 is an explicit indication of the trend in capacity enhancement of China.

Secondly, global export amounts of main suppliers for the product concerned were analysed with respect to years from 2017 to 2019. For this analysis, data from International Trade Centre (ITC) were used, which is summarized below.

Global Exports of the Product Concerned by Main Supplier Countries						
Countries	Tons			Value (1000 USD)		
	2017	2018	2019	2017	2018	2019
China	318.637	429.559	538.856	332.260	527.572	560.237
Republic of Korea	500.513	501.852	470.951	554.213	660.307	560.937
Malaysia	69.089	190.971	321.183	82.256	213.065	292.887
India	132.754	225.976	202.701	132.715	272.324	216.939
Chinese Taipei	89.029	213.607	191.823	90.238	236.361	173.312
USA	161.489	150.588	150.691	264.958	256.532	243.695
Indonesia	111.245	157.494	150.269	101.409	152.145	116.539
Japan	96.142	104.934	138.265	97.277	109.885	141.129
Thailand	56.977	90.649	126.133	57.420	90.112	114.080
Germany	107.341	114.714	123.503	124.223	145.642	127.093
World	2.401.225	3.172.894	3.205.575	2.702.235	3.876.308	3.378.930

The same countries leading global polymer production are also present among the first ranks of the table showing exports of PET Chips. In addition to these countries, Malaysia appears as the 3rd largest exporter of the product concerned in the world in 2019. It is highly remarkable that Malaysia reached this position by increasing its exports to other countries by 365% from 2017 to 2019. This percentage of development in exports is unexpected and extraordinary for a period of two years. Less striking but significant, China's global export of the product concerned also increased by 69% in the same period. Therefore, the fact that these two countries are the ones increasing their market share significantly in the Turkish market recently is not surprising within the light of the figures above.

Thirdly, the analysis focused on the list of main export markets of Malaysia which was obtained again from ITC data and presented below.

Exports of Malaysia									
Countries	Tons			Value (1000 USD)			Quantity Share (%)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
China	3.444	61.404	140.051	6.530	51.071	100.471	5%	32%	44%
Turkey	7.410	22.867	41.836	6.890	23.661	38.739	11%	12%	13%
Bangladesh	15.539	20.723	38.863	12.832	18.645	34.961	22%	11%	12%
World	69.089	190.971	321.183	82.256	213.065	292.887	100%	100%	100%

These figures show that Turkey became the second largest market of Malaysia for the product concerned in 2018 and 2019. Thus, excess capacity and overproduction of Malaysia have targeted Turkey among others in recent period.

In conclusion, continuously increasing production quantities and expanding capacities in the developing supplier countries have paved the way for the increase in imports of PET Chips substantially into Turkey in the last years of the PUC. The increase in capacity and production in the developing countries led by China and Malaysia, their ability to direct the extra production to export markets and their capability to target Turkey as one of the main markets to expand aggressively have been unforeseen developments that have caused an absolute increase in the imports of the product concerned.

In the light of the evaluations above, the investigation authority concluded that the unforeseen recent developments in the world market had a pushing impact on the import trend of Turkey during the investigation period.

2. Increase in Imports

An analysis of the increase in imports into Turkey of the product concerned both in absolute and relative terms was carried out over the period from 2015 to 2019 and January-May 2020. In this period, imports of the product concerned increased considerably both in absolute terms and relative to domestic production.

a) Absolute Imports

Imports (Tons)	2015	2016	2017	2018	2019	2019(5)	2020(5)
	50.502	69.512	87.470	102.079	121.392	48.397	55.187

Imports of the product concerned increased in absolute terms constantly during the PUC. The quantity of imports climbed to 121.4 thousand tonnes in 2019 by recording a rise 140% from its level in 2015. Imports grew by 14% in the first 5 month of 2020 compared to the same period of 2019.

b) Imports Relative to Domestic Production

Imports/Production (% - Index)	2015	2016	2017	2018	2019	2019(5)	2020(5)
	100	158	191	228	207	100	95

The ratio of imports to domestic production rose by 128% between 2015 and 2018.

c) Market Share of Imports

Market Share of Imports (% - Index)	2015	2016	2017	2018	2019	2019(5)	2020(5)
	100	116	118	126	112	100	98

Between 2015 and 2018, imports of the product concerned increased its market share significantly.

d) Share of Supplier Countries in Turkey's Imports

Countries	2015	2016	2017	2018	2019	2019(5)	2020(5)
Republic of Korea	25%	37%	37%	50%	32%	38%	20%
Malaysia	-	7%	14%	13%	23%	22%	36%
China	8%	1%	3%	8%	19%	16%	17%
Germany	16%	15%	11%	9%	8%	9%	7%
India	10%	10%	10%	5%	4%	6%	3%
Indonesia	9%	6%	7%	5%	6%	5%	7%
Thailand	7%	4%	1%	1%	2%	2%	1%
Chinese Taipei	20%	14%	11%	5%	2%	0%	7%
Ethiopia	-	-	-	-	1%	1%	0%
Others	5%	6%	6%	3%	1%	1%	2%
World	100%	100%	100%	100%	100%	100%	100%

The distribution of imports share among supplying countries changed notably during the PUC. While the share of products originated from Malaysia and China expanded significantly in this period, the share of the products having Republic of Korea origin decreased after 2018. Malaysia, with its products having relatively lower unit price, has gone up to the first rank in the list of supplier countries in the first 5 months of 2020.

III. PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

The subject product is classified under 12-digit Turkish Customs Code 3907.69.00.00.00 in Turkish Customs Tariff Schedule of 2020. This product includes Polyethylene Terephthalate Chips which has a viscosity number of < 78 ml/g.

IV. DESCRIPTION OF THE PROPOSED MEASURE

The imposition of a definitive safeguard measure is proposed in the form of specific duty per kilogram, which will be implemented as shown in the table below.

Customs Tariff Statistics Code	Definition	Proposed Measure		
		1 st Year	2 nd Year	3 rd Year
3907.69.00.00.00	Others	0,060 USD/Kg	0,058 USD/Kg	0,056 USD/Kg

Below is the list of developing countries excluded from the measure, according to Article 9.1 of the *Agreement on Safeguards*, as they constitute less than 3% individually and 9% collectively of imports of Turkey. The exemption will be applied in the form of tariff quotas. To that end, each country may be granted, for each period, a tariff quota of 3.642 tons, the amount that represents 3% of imports of Turkey of the product concerned in the year 2019. Overall, total amount of tariff quota shall not exceed 10.926 tons, 9% of total imports of Turkey in 2019.

Afghanistan, Albania, Algeria, Angola, Antigua And Barbuda, Argentina, Azerbaijan - Nakhichevan, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Congo Dem. Republic, Cook Islands, Costa Rica, Cuba, Djibouti, Dominica, Dominican Republic, East Timor, Egypt, El Salvador, Equator, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Financial, French Polynesia, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Kirghizstan, Kiribati, Kosovo, Laos, Lebanon, Lesotho, Liberia, Libya, Macedonia, Madagascar, Malawi, Mali, Maldives, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Montserrat, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria, Niue, North Korea, Oman, Pakistan, Palau, Palestine, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Russian Federation, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, South Sudan, Sri Lanka, St. Vincent and the Grenadines, St. Kitts and Nevis, St. Lucia, Sudan, Suriname, Swaziland, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkmenistan, Tuvalu, Uganda, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

V. PROPOSED DATE OF INTRODUCTION OF THE MEASURE

The measure will enter into force on 13/12/2020. The related Presidential Decree was published in the Official Gazette on 13/11/2020.

VI. EXPECTED DURATION OF THE MEASURE

The expected duration of the proposed measure is three years.

VII. PROPOSED DATE FOR THE REVIEW

Not applicable.

VIII. EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

In order to induce adjustment, the proposed measure will be subject to liberalization on a regular basis following its imposition, thereby ensuring that there is a strong incentive for domestic producers to undertake progressively the necessary restructuring and adjustment programs. The proposed measure is to be progressively liberalized as indicated in item IV above.

IX. INFORMATION RELATING TO THE EXTENSION OF A SAFEGUARD MEASURE

Not applicable.
