WORLD TRADE ORGANIZATION

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

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

TURKEY

(Polyester Staple Fibre)

The following notification, dated and received on 26 August 2021, is being circulated at the request of the delegation of Turkey.

Concerning imports of staple fibres of polyesters, not carded, combed or otherwise processed for spinning, Turkey had notified the initiation of a safeguard investigation with the WTO Document G/SG/N/6/TUR/26, dated 8 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 below.

https://www.resmigazete.gov.tr/eskiler/2021/08/20210824-6.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. The data, which were submitted by the applicant companies and utilized in this analysis, represent major proportion of the total domestic production of the product subject to investigation.

1. Consumption

Unit (Tons)	2016	2017	2018	2019	2019(9)	2020(9)
Consumption (Indexed)	100	170	266	297	100	103

Consumption index rose during the period under consideration (PUC). In 2019, consumption reached its peak which is 197% higher than its level in 2016.

2. Production

Unit (Tons)	2016	2017	2018	2019	2019(9)	2020(9)
Production (Indexed)	100	103	107	138	100	156

Production index increased continuously during the PUC. Production level increased by 38% from 2016 to 2019.

3. Domestic Sales

Unit (Tons)	2016	2017	2018	2019	2019(9)	2020(9)
Domestic Sales (Indexed)	100	132	132	167	100	141

Domestic sales index was stable from 2017 to 2018; overall, it increased during the PUC. The index rose to 167 as its highest point in 2019.

4. Capacity and Capacity Utilization Ratio (CUR)

Unit (Tons)	2016	2017	2018	2019	2019(9)	2020(9)
Capacity (Indexed)	100	104	141	412	100	100
CUR (%) (Indexed)	100	99	76	34	100	156

Production capacity increased throughout the PUC and the index reached 412 in 2019. Capacity utilization ratio (CUR) index declined continuously from 100 in 2016 to 34 in 2019.

5. Inventories

Unit (Tons)	2016	2017	2018	2019	2019(9)	2020(9)
Stocks (Indexed)	100	129	549	900	100	121

During the PUC, inventory index continuously increased and reached 900 in 2019. In particular, the inventory indicator marked a rapid increase in 2018 and 2019. The rise in inventories continued in 2020.

6. Employment

Workers	2016	2017	2018	2019	2019(9)	2020(9)
Employment (Indexed)	100	120	108	165	100	106

Employment index showed an ascending pattern throughout the PUC (with the exception of 2018).

7. Labor Productivity

Unit (Tons) per Worker	2016	2017	2018	2019	2019(9)	2020(9)
Productivity (Indexed)	100	86	99	84	100	147

Labor productivity index displayed a fluctuating trend during the PUC. The index increased by 47% in the first 9 months of 2020, compared to the same period of 2019.

8. Profitability

Net Profit/Total Sales	2016	2017	2018	2019	2019(9)	2020(9)
Profitability (Indexed) (%)	100	155	177	-4	100	304

While its profitability was positive in 2016-2018 period, the domestic industry incurred loss from the sales of the product concerned in 2019.

9. Conclusion

When the economic indicators of the domestic industry are examined, it is seen that the polyester fiber consumption in Turkey has increased continuously throughout the PUC. Under these market conditions, the domestic industry recorded a significant increase in its production capacity in 2018 and 2019, in line with the growth in consumption. In this regard, the market share of the domestic industry increased to X% in 2019, the highest level of the PUC. However, in this year, when a significant capacity increase was experienced and the market share of the domestic industry increased, profitability took a negative value. Indeed, it is noteworthy that the market share of the domestic industry could only slightly increase from X% to X% with a rate of growth X%, given the production capacity increased by X% in 2019. In line with this, the capacity utilization rate in 2019 remained at the level of X%, below the expected level.

In 2019, the end-of-period stocks of the domestic industry reached its highest level of the analyzed period with X thousand tons. In the same year, general imports also reached its peak with 214 thousand tons. Moreover, imports from Malaysia, which is the first and lowest priced main supplier, increased by 39% annually. It is also remarkable that price undercutting existed between 2016-2018 periods, and there was no undercutting in the first 9 months of 2019 and 2020 due to the decrease in the domestic sales price. On the other hand, imports from Malaysia and Egypt, which are the leading suppliers whose imports are not subject to customs duty and anti-dumping measures, continued to undercut the prices of domestic industry in 2019 and in the 9-month period of 2020. In addition, while total imports increased by 21% in the first 6 months of 2021, the rates of change in imports from the suppliers having relatively low unit price, namely Egypt and India, were 172% and 203%, respectively, in this period.

When evaluated as a whole, the domestic industry was far from making the expected breakthrough with the investment that came into effect in 2019, due to increased imports. Accordingly, the domestic industry had to reduce its prices and therefore its profitability below the sustainable level in order to maintain its position in the domestic market in the face of increasing imports. In this respect, it is considered that as of 2019, the domestic industry is exposed to a threat of serious injury due to increased imports.

On the other hand, there were temporary significant changes in market conditions in 2020 due to the impact of the Covid-19 outbreak. In this context, the increase in the demand for hygiene products, especially masks, due to Covid-19 has led to an increase in the demand for polyester fiber used in non-woven fabric production. In fact, in the first 9 months of 2020, despite the epidemic conditions in other economic sectors, there appeared an increase in domestic consumption of polyester fiber. However, polyester fiber users had to turn to domestic sources in supply in 2020 due to the problems that arose in the international supply channels and the logistics sector, as well as the increases in raw material and freight prices due to the impact of Covid-19. In this sense, domestic sales of the domestic industry increased significantly in the said year. Likewise, despite the extraordinary conditions, the foreign sales of the domestic industry also increased significantly in 2020. However, the profitability of the domestic production branch was still recorded at the level of X%, behind the first period of the PUC. Furthermore, this year, the capacity utilization rate of the domestic industry was realized at the level of X%, remaining below the sustainable level. In this context, the positive course in certain indicators due to the impact of the Covid-19 epidemic does not change the findings on the threat of serious injury based on the data of the previous period, due to the temporary nature of these conditions.

Taking into account all these factors, it is concluded that the domestic industry as a whole 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 the serious injury or threat thereof 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 2017 to 2019 increase rate in imports became 26%, 10% and 1%, respectively.

Likewise, the market share of imports increased by 5% between 2016 and 2018. Therefore, it is concluded that the increase in imports and the deterioration in the economic indicators of the domestic industry followed a similar pattern throughout the period analyzed.

In conclusion, it is inferred that there is a correlation between the increase in imports and threat of serious injury that the domestic industry is exposed to.

(b) Conditions of Competition

Despite being used in various fields of industry, polyester fibre 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 concluded that price of the product was the most significant factor 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.

Unit Price Comparison (USD/Kilograms)	**2016**	**2017**	**2018**	**2019**	**2019(9)**	**2020(9)**
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	1,18	1,28	1,48	1,3	1,34	1,07
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

When the imported unit costs of the products under investigation are compared with the unit domestic sales prices of the domestic product, it is seen that the unit costs of imported products are below the domestic sales prices of domestic products in 2016-2018. In this framework, the price undercutting ratios calculated for the years 2016-2018 are X %, X % and X %, respectively. There was no undercutting in the first 9 months of 2019 and 2020 due to the decrease in the domestic sales price. On the other hand, it has been observed that imports from Malaysia and Egypt, which are among the most important suppliers whose imports are not subject to customs duty and anti-dumping measures, have recently undercut the prices of domestic producers. The price undercutting rates were X% in 2019 and X% in the 9-month period of 2020 for Malaysia and X% in 2019 and X% in the 9-month period of 2020 for Egypt.

While calculating the price suppression, the "reasonable sale price", which is found with a reasonable profit added by 5% to the average commercial cost of the domestic producer, and the imported unit costs are compared. In this context, it is seen that the price suppression occurred only in 2016.

In addition, real domestic sales prices, calculated with Consumer Price Index in order to adjust for the inflation effect on the domestic sales price of the domestic producer, decreased from X TL/Kg in 2016 to X TL/Kg in the 9-month period of 2020.

(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 the profitability and the recent increase in the imports of the product concerned.

Moreover, although the applicant company have increased its capacity, due to the constraining impacts of the imports, total consumption has increased in the period from 2016 to 2018 mostly by import increase. In this period, while the imports increased significantly, the domestic production did not increase as much as the production capacity. Likewise, the capacity utilization ratio decreased harmoniously in the same period.

Taking into account these evaluations, it is concluded that the surge in the imports of the product concerned and the deterioration in the economic figures of domestic producers indicate a coincidence in terms of time frame.

(d) Other Factors

(i) Production capacity of domestic producers

The polyester fiber production capacity of the domestic industry was X thousand tons in 2016 and increased to X thousand tons in 2018. However, in 2019, the last complete year of the PUC, a large-scale capacity increase was realized and the installed capacity increased to X thousand tons. First, it is seen that the domestic consumption of the product under investigation has been following a constantly increasing trend in the period under review and the domestic production branch has been operating with excess capacity until 2019. In this context, it is seen that the capacity increase was in line with the domestic market conditions. In addition, despite the large-scale capacity increase that came into effect in 2019, the market share of the domestic production branch increased by only X % and X points. In this respect, it has been evaluated that the deterioration in economic indicators has not been caused by the losses due to capacity increase, and that the increase in capacity does not have an effect on the threat of serious injury.

(ii) Production Technology of the Domestic Producers

During the investigation, some interested parties claimed that the domestic producers could not compete with imported products in terms of quality. However, not only the findings from on the spot investigations but also other documents submitted by the interested parties throughout the investigation reveal that the production technologies of the domestic producers are broadly identical with that of the exporter companies. In this respect, the domestic producers manufacture the products in a large variety. As a result, it appears that technology did not play a role in the threat of serious injury that the domestic industry has been facing.

(iii) Domestic Sale Prices

A number of related parties claim that the domestic products are not preferred by consumers since the domestic sales prices of domestic products are higher than the unit prices of imported products. However, the unit prices of imported products undercut domestic product prices for most part of the investigation period. In addition, the main reason for the higher domestic sales prices is that the commercial costs of the domestic industry are above the weighted import unit costs. Accordingly, the profitability rate from the sales of the domestic producer also decreased, especially in 2019. In this context, domestic sales prices cannot be considered as a factor that has an impact on the threat of serious injury.

2. Conclusion on Causation

From 2016 to 2019, the quantities of imports increased significantly at the rate of 40%. In this framework, having concluded that there is a correlation between the increase in imports and the threat of serious injury that the domestic industry has been facing; having examined the effects of other known factors and having determined that no injurious effects resulted from these; the investigating authority reached to the conclusion that there is a causal link between increased imports and the 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

Global Exports of the Main Supplier Countries				
Country	**2017**	**2018**	**2019**	**2017-2019**
	Tons	**Tons**	**Tons**	**% Δ**
China	1.003.140	1.026.635	978.464	-2%
Republic of Korea	766.191	800.144	731.970	-4%
Thailand	276.182	306.007	332.232	20%
Chinese Taipei	382.210	352.505	302.757	-21%
India	218.421	250.886	274.274	26%
Indonesia	141.463	180.048	264.734	87%
Vietnam	57.753	107.414	193.364	235%
Malaysia	118.042	103.306	130.519	11%
Ireland	86.199	85.174	82.972	-4%
Romania	52.232	70.122	73.763	41%

When the export data of the main supplier countries are evaluated, it is seen that China was the largest exporter country in the world in terms of quantity in 2017 and 2018, while there was a decrease in exports in 2019. In addition, it is understood that Republic of Korea maintained its position as the second largest supplier in the 2017-2019 period. Furthermore, it is remarkable that Malaysia has increased its exports significantly in this 3-year period.

It is noteworthy that there was an unforeseen increase in the export amounts of countries such as China, Republic of Korea and Thailand in 2018 and in the exports of countries such as Indonesia, Vietnam and Malaysia in 2019, in line with the import data of Turkey. It is thought that this situation arises from the capacity and production increases in the aforementioned countries, and it is considered that the mentioned export figures might increase in the following years. Accordingly, it seems highly probable for the aforementioned exports to tend to Turkey given the domestic market growth. For this reason, it is thought that the global exports of polyester fiber increased in an unpredictable manner and that the leading exporting countries of the aforementioned product directed their exports Turkey as the target market.

While examining the export of Malaysia, it is observed that a significant part of Malaysia's exports of polyester fiber was carried out to Turkey. Indonesia and China, which have equal shares, come in the second and third ranks of the aforementioned exports. It is understood that Malaysia's exports to Turkey increased in terms of quantity in the period of 2017-2019, the export from 72.6 thousand tons to 78.6 thousand tons, and Turkey's share in Malaysia's total exports was preserved. In addition, when the import unit costs are analyzed by countries, the unit prices of imports from countries such as Malaysia, Vietnam and China to Turkey decreased significantly and unpredictably in 2020. In this context, the increase in the world exports of the product covered by the investigation, the increase in the production capacities and exports of the supplier countries with relatively low unit prices, accordingly the export from the said countries to the domestic market are evaluated as the unforeseen developments that led to an increase in the import amount of the product under investigation.

In the light of the above evaluations, the investigating authority concluded that the unforeseen recent developments in the world market led to a surge in imports of the product concerned during the investigation period.

2. Increase in Imports

An analysis of the increase in imports into Turkey of the product concerned in absolute terms was carried out over the period from 2016 to January-September of 2020. Imports of the product concerned increased considerably, in absolute terms during the period of investigation. In addition to the figures covered by the PUC, imports statistics of 2020 and the first 6-month periods of 2020 and 2021 are provided as supplementary information.

a) General View of Imports

IMPORTS	Quantity	Value	Unit Price	Change		
Period	**Kg**	**$**	**($/Kg)**	**Kg**	**$**	**($/Kg)**
2016	152.218.854	169.802.043	1,12	-	-	-
2017	192.040.046	233.953.155	1,22	26%	38%	9%
2018	211.764.816	292.815.820	1,38	10%	25%	14%
2019	214.311.376	261.695.847	1,22	1%	-11%	-12%
2019(9)	161.994.286	203.756.826	1,26	-	-	-
2020(9)	141.929.125	142.597.807	1,00	-%12	-%30	-%20

It is observed that the decline in imports in the first 9 months of 2020 due to the effects of the pandemic conditions has spread to the whole of 2020. On the other hand, as the effect of the epidemic conditions started to decrease, it is seen that there is a significant increase in imports in the first 6 months of 2021 compared to the same period of 2020. In this context, when evaluated as a whole, it is observed that imports increased every year during the period examined, except for 2020.

IMPORTS	Quantity	Value	Unit Price	Change		
Period	**Kg**	**$**	**($/Kg)**	**Kg**	**$**	**($/Kg)**
2020	184.370.920	183.482.487	1,00	-%14	-%30	-%19
2020(6)	94.773.385	99.457.469	1,05	-	-	-
2021(6)	114.240.891	138.533.749	1,21	%21	%39	%16

b) Absolute Imports

Imports (Tons)	2016	2017	2018	2019	2019 (1-9)	2020 (1-9)
	152.219	192.040	211.765	214.311	161.994	141.929

Imports of the product concerned increased continuously during the period analyzed. Additionally, imports grew by 21% in the first 6-month period of 2021 compared with the same period of 2020.

c) Relative Imports

Imports/Production (% – Index)	2016	2017	2018	2019	2019 (1-9)	2020 (1-9)
	100	122	106	78	100	56

The ratio of imports to domestic production rose in 2017, and fell at the end of the PUC.

d) Market Share of Imports

Market Share of Imports (% - Index)	2016	2017	2018	2019	2019 (1-9)	2020 (1-9)
	100	98	105	89	100	76

The market share of the imported products increased from 2016 to 2018 and then decreased in the next period.

e) Share of Countries in Turkey's Imports

Country	2016	2017	2018	2019
	Qty. (%)	Qty. (%)	Qty. (%)	Qty. (%)
Malaysia	34%	36%	20%	28%
China	15%	10%	18%	16%
Vietnam	14%	12%	14%	12%
Republic of Korea	7%	8%	11%	8%
Egypt	9%	10%	12%	10%
India	4%	6%	7%	6%
Chinese Taipei	4%	5%	5%	4%
Belarus	1%	2%	2%	6%
Romania	5%	5%	3%	4%
Germany	1%	1%	2%	1%
Others	5%	4%	6%	4%

The breakdown of quantity of imports among supplying countries remained almost stable during the PUC. Particularly, the share of the products originated in Malaysia and Vietnam, which are characterized with relatively low unit price levels, maintained their high share in the last 4-year period.

III. PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

The subject product is classified under Turkish Customs Codes 5503.20.00.00.00 in Turkish Customs Tariff Schedule of 2021.

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		
		1st Year	2nd Year	3rd Year
5503.20.00.00.00	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning	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 will be granted, for each period, a tariff quota of 5.531 tons, the amount that represents 3% of imports of Turkey of the product concerned in the year 2020. Overall, total amount of tariff quota shall not exceed 16.593 tons, 9% of total imports of Turkey in 2020.

Afghanistan, Angola, Antigua and Barbuda, Argentina, Albania, Azerbaijan, Bangladesh, Barbados, Belize, Benin, Bolivia (Plurinational State Of), Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Bhutan, Algeria, Djibouti, Cook Islands, Chad, Democratic Republic of Congo, Dominican Republic, Dominica, Ecuador, Equatorial Guinea, El Salvador, Indonesia, Eritrea, Ethiopia, Morocco, Fiji, Côte d'Ivoire, Philippines, Palestine, French Polynesia, Gabon, Gambia, Ghana, Guinea,

Guinea-Bissau, Grenada , Guatemala, Guyana, Republic of South Africa, South Sudan, Georgia, Haiti, Honduras, Iraq, Iran, Jamaica, Cambodia, Cameroon, Cape Verde, Montenegro, Kazakhstan, Kenya, Kyrgyzstan, Kiribati, Colombia, Comoros, Congo, Kosovo, Costa Rica, Democratic People's Republic Of Korea, Cuba, Lao People's Democratic Republic, Lesotho, Liberia, Libya, Lebanon, Madagascar, Republic of North Macedonia, Malawi, Maldives, Mali, Marshal Islands, Mozambique, Mexico, Micronesia (Federated States of), Mongolia, Republic of Moldova, Montserrat, Mauritania, Mauritius, Myanmar, Namibia, Nauru, Nepal, Niger, Nigeria, Nicaragua, Niue, Central African Republic, Uzbekistan, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Rwanda, Russian Federation, Samoa, Sao Tome and Principe, Senegal, Seychelles, Serbia, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Eswatini, Chile, Tajikistan, United Republic of Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Tuvalu, Turkmenistan, Uganda, Ukraine, Oman, Uruguay, Jordan, Vanuatu, Venezuela (Bolivarian Republic of), Yemen, Zambia, Zimbabwe.

V. PROPOSED DATE OF INTRODUCTION OF THE MEASURE

The measure will enter into force on 23/09/2021. The related Presidential Decree was published in the Official Gazette on 24/08/2021.

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.