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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

Fructose Syrup

The following communication, dated 18 May 2020, is being circulated at the request of the delegation of Indonesia.

Pursuant to Article 12.1(b) of the WTO Agreement on Safeguards, the Government of the Republic of Indonesia, hereinafter referred as "GOI", hereby notifies to the Committee on Safeguards on its findings of serious injury or threat thereof caused by the increased imports.

GENERAL BACKGROUND

1 INITIATION OF INVESTIGATION

On 28 October 2019, KPPI (Komite Pengamanan Perdagangan Indonesia/Indonesian Safeguards Committee) hereinafter referred as the "Investigating Authority", received an application from PT. Associated British Budi (PT. ABB) hereinafter referred as the Applicant, requested for the imposition of a safeguard measure on the importations of Fructose Syrup under HS. Code 1702.60.20.

Based on the examination of the above-mentioned application, the investigating authority initiated a safeguard investigation on 13 November 2019. The initiation of the investigation was published in the national daily newspaper ("Bisnis Indonesia"), and Ministry of Trade website. The said initiation was also notified in the WTO document G/SG/N/6/IDN/34, circulated on 15 November 2019.

1. Period of Investigation

The period of investigation covers 2015 to 2018.

2. Major Proportion

The total production of the Applicant is 54% from total domestic production of the Subject Goods, therefore it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

3. 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 a public hearing on 10 December 2019.

2 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			
		2015	2016	2017	2018
Volume of Imports HS. 1702.60.20	Ton	67,244	106,566	138,997	109,884
Growth	%		58.48	30.43	(20.95)
Trend (2015-2018)	%	18.99			

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

It can be seen from the Table 1, import volume of the Subject Goods increased in absolute terms with a trend of 18.99%, during the period of investigation. The volume of imports was increase from 2015 to 2017, with the biggest increase in 2017 with a growth of 30.43%. Although the volume of imports dropped slightly to 109,884 tons in 2018, but the amount is greater than volume of imports in 2015 and 2016.

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			
		2015	2016	2017	2018
Volume of Imports HS. HS. 1702.60.20	Ton	67,244	106,566	138,997	109,884
Total Domestic Production	Index	100	101	69	66
Imports Relative to Total Domestic Production	Index	100	158	299	246
Trend (2015-2018)	%	39.62			

Source: Statistics Indonesia and as verified by Investigating Authority

Based on the Table 2, imports relative to domestic production have also increased significantly with a trend of 39.62%. It increased sharply from 100 index point in 2015 to 158 and 299 index point in 2016 and 2017 respectively. Although the imports relative were dropped slightly to 246 index point in 2018 compared to previous year, but the amount is more than the imports relative in 2015 and 2016.

3. Imports from Main Countries

Table 3. Imports Shares

Country	Unit	Year			
		2015	2016	2017	2018
People's Republic of China (PRC)	%	70.18	91.69	98.06	94.01
Philippine	%	1.40	0.17	0.00	5.22
Others	%	28.41	8.15	1.94	0.77
Total	%	100	100	100	100

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

From the Table 3, the biggest shares of import from 2015 to 2018 in the domestic market was PRC, which its shares of import in 2018 accounted for 94.01%. Other country that has share of imports above 3% during the period of investigation is Philippines, which its shares of import in 2018 was 5.22%.

3 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 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				Trend 2015-2018 (%)
			2015	2016	2017	2018	
1.	National Consumption	Index	100	144	166	136	11.07
2.	Volume of Imports	Ton	67,244	106,566	138,997	109,884	18.99
3.	Applicant's Domestic Sales	Index	100	98	74	68	(13.33)
4.	Non-Applicant's Domestic Sales	Index	100	144	82	88	(9.06)
5.	Imports' market share	Index	100	110	125	121	7.13
6.	Applicant's market share	Index	100	68	45	50	(21.97)
7.	Non-Applicant's market share	Index	100	100	50	65	(18.12)

Source: Statistics Indonesia and as verified by the Investigating Authority

- a) It can be seen from Table 4 that national consumption of the subject goods increased during the investigation period with a trend of 11.07%. However, the increased of national consumption in that period could not be utilized by the Domestic Industries.
- b) The Applicant's domestic sales declined in a trend of 13.33% during the investigation period due to the pressure of imports.

Table 5. The Applicant's Indicators of Performance

No	Description	Unit	Year				Trend 2015-2018 (%)
			2015	2016	2017	2018	
1.	Production	Index	100	98	74	68	(13.33)
2.	Domestic Sales	Index	100	98	74	68	(13.33)
3.	Productivity	Index	100	100	76	82	(8.26)
4.	Installed Capacity	Index	100	100	100	100	-
5.	Capacity Utilization	Index	100	98	74	68	(13.33)
6.	Profit/Losses	Index	100	86	79	(69)	(91.64)
7.	Employment	Index	100	98	98	83	(5.53)

Source: As verified by the Investigating Authority

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

- a) The Applicant's domestic sales decreased with a trend of 13.33%. The decrease in sales will affect its production in a negative direction. This was what happened during the investigation period, wherein Applicant's domestic sales and production had the same pattern of trend (negative trend).

- b) The decreased of Applicant's production during the period of investigation has an impact on productivity in the same period, the applicant production decreasing by 13.33%. In addition to that, the decreased of the production forced the Applicant to reduce the number of its employees in 2016 and 2018.
- c) Although the Applicant's capacity utilization decreased during the period of investigation, the capacity utilization in period of 2017-2018 were decreased into lower point than in 2015, which made negative trend of Applicant's capacity utilization during the period of investigation.
- d) During the investigation period, The Applicant suffered some losses with a trend of 91.64%. Besides, the increase of imports had forced the Applicant to sell its product under cost of production.

2. Other Factors That May Contribute to Injury

In order to ensure that the serious injury is only caused by increased imports, the Investigating Authority has examined the following other known factors:

- a) Exports sales

Table 6. The Applicant Sales

No	Description	Unit	Year			
			2015	2016	2017	2018
1.	Total Sales	Index	100	100	100	100
2.	Domestic Sales	Index	98.89	99.99	100	100
3.	Exports Sales	Index	1.11	0.01	0	0

Source: As verified by the Investigating Authority

It can be seen from Table 6 that the applicant had export sales with a very small in number and continue to decrease. In 2017 and 2018 the applicant did not even have export sales. Based on these data, export sales were not affected to their injury.

- b) Technology

Based on the result of the investigation, the applicant has the latest technology in producing fructose syrup that is similar to the product being investigated. This is supported by the fact that the machine is able to provide fructose syrup with the latest technology.

- c) Competition Between Domestic Industries

Table 7. Import Market share, Applicant, and non-Applicant Market share

No.	Description	Unit	Year				Trend 2015-2018 (%)
			2015	2016	2017	2018	
1.	Imports market share	index	100	110	125	121	7.13
2.	Applicant's market share	index	100	68	45	50	(21.97)
3.	Non-Applicant's market share	index	100	100	50	65	(18.12)

Source: Statistics Indonesia and as verified by Investigating Authority

It can be seen from the table above that during the period of investigation both the Non applicant's market share and the applicant's market share decreased. This circumstance indicated that there was no competition between domestic industries (either the Applicant or Non-Applicant), which were causing injury during the investigation period unless caused by imports.

Based on the facts above, it can be concluded that during the period of investigation there were no other factors that caused serious injury to the Applicant besides an 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 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 an increase of imports of the Subject Goods in absolute terms, during investigation period as shown in Table 1.
- b) The share of imports increased with a trend of 7.13% in the domestic market throughout the period of investigation. On the other hand, the Applicant's market shares decreased with a trend of 21.97%, during the same period.
- c) During investigation period, there were negative trends in the Applicant's performances, such as production, domestic sales, productivity, capacity utilization, profit/losses and employment. Moreover, the Applicant's financial losses showed an increasing trend, with a trend of 91.64%, which showed overall impairment in the Applicant's performance or serious injury suffered by the Applicant.
- d) Based on analysis on 3.2, it can be concluded that there were no factors other than increased imports, which were causing the decrease on the Applicant's performances.

Based on the conditions above, the Investigating Authority has examined all relevant factors in accordance with the Agreement on Safeguards, Article 4.1 and 4.2, and it can be concluded that the increased imports have caused a serious injury on the Applicant or domestic industries. No factors other than increased imports, which has caused injury to the domestic industries.

4 UNFORESEEN DEVELOPMENT

There were increased imports during the investigation period due to a shift in preference from domestic consumers on fructose syrup. The downstream fructose syrup industry, the food and beverage industry, changed the use of raw materials which initially using industrial sugar to using fructose syrup. The shift in preference was indicated by the increasing number of national consumptions of fructose syrup in 2017 compared to the previous year which increased by 14.81%. While the national consumptions of industrial sugar in 2017 decreased by 3.33% sourced from The Ministry of Agriculture of Republic of Indonesia. The increase in national consumptions of fructose syrup was due to the growth of the beverage industry which reached a growth rate of 7% in 2017. Therefore, the increase in the number of imported fructose syrup in Indonesia was caused by the changes in consumer preferences in Indonesia that previously used industrial raw sugar and change it to fructose syrup as the raw material. Fructose syrup is considered more practical and efficient for producing food and beverages. The changes in consumer preferences in Indonesia could not be predicted and anticipated before (unforeseen/unexpected).

5 DESCRIPTION OF THE PROPOSED SUBJECT GOODS

The description of the Subject Goods under Article 12.1(a) (WTO document G/SG/N/6/IDN/34), the product that is proposed to be imposed by safeguard measure is "Fructose Syrup under HS code 1702.60.20"

6 DESCRIPTION OF THE PROPOSED MEASURE

In a view of the aforementioned findings, a safeguard measure has been proposed in form of *ad valorem* tariff duty:

Table 8. The Proposed Safeguard Measure

Year	Measure (%)
Year 1	24
Year 2	22
Year 3	20

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 a period of three years.

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.

7 PROVIDE PROPOSED DATE OF THE APPLICATION OF THE MEASURE

A 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

8 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 will conduct consultation in order to provide opportunities for those Members, consultation is scheduled to be held no later than 8 June 2020.

The contact information for correspondence is:

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