



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

**NOTIFICATION OF A PROPOSAL TO EXTEND A MEASURE**

INDONESIA

*Supplement*

*(I and H Sections of Other Alloy Steel)*

The following communication, dated and received on 13 May 2022, is being circulated at the request of the delegation of Indonesia.

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Pursuant to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, the Government of the Republic of Indonesia hereinafter referred to as "GOI" hereby notifies the Committee on Safeguards on the investigation findings concerning the extension of safeguard measures against the importation of "I and H Sections of Other Alloy Steel" under HS. Code Ex. 7228.70.10 and Ex. 7228.70.90.

**A. GENERAL BACKGROUND**

**1. Initiation of Investigation**

On 7 January 2021, The KPPI hereinafter referred to as the "Investigating Authority", received an application from PT. Gunung Raja Paksi Tbk., hereinafter referred to as the "Applicant", requesting for the extension of a safeguard measure on the importation of the Subject Goods based on the claim that the imposition of a safeguard measure is still necessary for the domestic industries to prevent or remedy serious injury suffered by the Applicant and that the domestic industry is still undertaking the program of structural adjustment. Other known domestic industry, PT. Krakatau Wajatama, through a letter stating fully support the extension of safeguard measures so the domestic industry does not suffer further injury.

The Investigating Authority initiated a safeguard investigation against importation of Subject Goods on 18 January 2021 (as announced in "Bisnis Indonesia" daily newspaper), and was notified to the WTO which had been circulated on 14 April 2022 (G/SG/N/6/IDN/25/Suppl.4/Corr.1).

**2. Major Proportion**

The total production of the Applicant is 97.7% of the total domestic production of the Subject Goods in Indonesia. Therefore, it represents a major proportion as required by Article 4.1(c) of the WTO Agreement on Safeguards.

**Table 1. Major Proportion**

Companies	Proportion (%)
PT. Gunung Raja Paksi, Tbk	97.7
<b>National Production</b>	<b>100</b>

**3. Evidence and Views by 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, evidence, comments, and responses concerning the investigation. In light of the aforementioned, a public hearing was held on 10 March 2021.

**4. The WTO document referring to the notification of initial extension of the measure**

G/SG/N/6/IDN/25/Suppl.4/Corr.1

**5. The duration of the measure from initial application till the date at which it will be extended**

The duration of initial application of the safeguard measure until the date at which it will be extended is six years, the date of initial application of the safeguard measure is 21 January 2015 – 20 January 2018 and the first extension of the safeguard measure is 21 January 2018 – 20 January 2021.

**6. Precise description of the product involved**

6.1 I Section with a height or a width of 100 mm up to 600 mm, and H Section with height 100 mm up to 350 mm, of other alloy steel, not further worked than hot-rolled, hot-drawn, or extruded, under HS. Code ex. 7228.70.10; and

6.2 I Section with a height or a width of 100 mm up to 600 mm, and H Section with height 100 mm up to 350 mm, of other alloy steel, hot-rolled, hot-drawn, or extruded, and further worked, under HS. Code ex. 7228.70.90.

**7. Period of Investigation**

The period of investigation covers May 2017 to April 2020

**B. NOTIFICATION OF FINDING UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS****1. Information on absolute increase in imports****Table 2. Volume of Imports**

Description	Unit	Year		
		Period I (May 2017- April 2018)	Period II (May 2018- April 2019)	Period III (May 2019- April 2020)
Import quantities	Ton	18.934	32.499	23.242
growth	%	-	71,65	(28,48)
<b>Trend</b>	<b>%</b>		<b>10,79</b>	

Source: Indonesian Statistic/Badan Pusat Statistik (BPS).

As shown in Table 2, imports increased in absolute terms with a trend of 10.79%. It is verified that the volume of imports increased significantly by 71.65% in period II (May 2018- April 2019) compared to the previous period. Eventually, in period III (May 2019- April 2020) the import of the

subject goods decreased by 28.48% compared to the previous period, but this is still higher than the import quantities in the period I.

## 2. Information on imports relative to the domestic production

**Table 3. Volume of Imports and Domestic Production**

Description	Unit	Year		
		Period I (May 2017- April 2018)	Period II (May 2018- April 2019)	Period III (May 2019- April 2020)
Total Domestic Production	Index	100	86,93	62,71
Import quantities	Ton	18.934	32.499	23.242
Imports Relative to the Total of Domestic Production	Index	100	197,46	195,74
<b>Trend</b>	<b>%</b>	<b>39,91</b>		

Source: Statistics Indonesia and as verified by Investigating Authority.

As seen in Table 3 above, there was a surge increase in imports relative to the national production during the investigation period by a trend of 39.91%.

## 3. Evidence of Serious Injury or Threat Thereof Caused by Increased Imports

The Investigating Authority examined all data and information available based on the actual condition of the domestic industry. The Investigating Authority also conducted on-site verifications to the domestic industry. The following table 4 and table 5, contain data and information of the situation of the domestic industry, which is provided in indices.

**Table 4. Market Share of the Imports, Market Share of The Applicants and the non-Applicants**

Description	Unit	Year			Trend (%)
		Period I (May 2017- April 2018)	Period II (May 2018- April 2019)	Period III (May 2019- April 2020)	
National Consumption	Index	100	84.16	78.18	(11.58)
Market Share of Import	Index	100	203.96	157.02	25.31
Market Share of the Applicant	Index	100	96.7	98.0	(1.02)
Market Share of the Non-Applicant	Index	100	55.7	86.6	(6.94)

Source: as verified by the Investigating Authority.

Based on table 3 above, National Consumption during the period of investigation decreased by a trend of 11.58%, which in period I to Period II decreased by 15.84%, and in period II to period III continued to decline by 7.10%. This table also shows that market share of the applicant, and non-applicant, decreased with a trend of 1.02% and 6.94% respectively while market share of imports significantly increased with a trend of 25.31%.

**Table 5. The Applicant's Indicators of Injury**

Description	Unit	Year			Trend (%)
		Period I (May 2017- April 2018)	Period II (May 2018- April 2019)	Period III (May 2019- April 2020)	
Production	Index	100	87.24	62.82	(20.74)
Domestic Sales	Index	100	81.37	76.58	(12,.49)
Productivity	Index	100	115.87	83.91	(8.40)
Utilization Capacity	Index	100	87.24	62.82	(20.74)
Profit/Loss	Index	100	(8.51)	(77.02)	(92.58)
Employment	Index	100	75.29	74.87	(13.47)

Source: As verified by the Investigating Authority.

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

- a. The production experienced a decrease during the period of investigation with a trend of 20.74% from 100 indexed points in period I to 87.24 indexed points in period II and decreased to 62.82 indexed points in period III.
- b. Domestic sales decreased with a trend of 12.49% during the period of investigation, from 100 indexed points in period I to 81.37 indexed points in period II and then decreased again to 76.58 indexed points in period III.
- c. Productivity in period I was 100 indexed points, increased to 115.87 indexed points in period II, and in period III decrease to 83.91. During the period of investigation, the applicant's productivity experienced a decrease with the trend of 8.40% because of the decline in the employment and the production.
- d. Utilization capacity experienced a decrease during the period of investigation with a trend of 2.74%. This decrease was due to a decrease in production of the applicant.
- e. The applicant gained profit in period I but suffered a financial loss during period II and period III which in line with the increase in imports. Moreover, the decline in domestic sales as a result of the increased imports also directly impacted the decline of the applicant's profit during the period of investigation with a trend of 92.58%.

#### **4. Evidence that the Applicant is adjusting**

During the imposition of the safeguard measures, the Applicant has undertaken the following adjustment program:

- 4.1 Purchased and installed light section mill machine
- 4.2 Increased the capacity of the descender pump in the roughing mill process
- 4.3 Sold products with the franco method
- 4.4 Provided a sale with the cut-to-length service.
- 4.5 Expanded the Marketing Area
- 4.6 Recertification of Indonesian National Standard
- 4.7 Boosted Promotion through national/international exhibitions, newspaper, magazines, and e-Commerce
- 4.8 Improved the quality and quantity of Human Resources
- 4.9 Reinforced the workforce. However, it did not optimally work due to the increase in imports in particular in period I and II.
- 4.10 Maximized all production lines and increased the production capacity of the beam blank machine with the installation of a new beam blank caster machine in 2015. However, it did not optimally used due to the increase in import volume.
- 4.11 Sold most of the products from the inventory and reached the reasonable level of inventory on the period III by 36.85 index point. However, the production volume was keep decreasing due to the increase of import volume as shown on the table 6 below:

**Table 6. The Applicant's Production and Inventory**

Description	Unit	Year		
		Period I (May 2017- April 2018)	Period II (May 2018- April 2019)	Period III (May 2019- April 2020)
Production	Index	100	87.24	62.82
Inventory	Index	100	124.62	36.85

Source: as verified by the Investigating Authority.

## 5. Causal Link

- There was an increase in imports of the product under investigation during the investigation period, both in absolute terms (10.79%) and relative (39.91%).
- Market share of Imports during the investigation period experienced an increasing trend of 25.31%. This resulted in a decline in the market share of Applicant and Non-Applicant with a trend of 1.02% and 6.94%.
- There was a downward trend in performance indicators during the investigation period, namely a decrease in the number of productions, domestic sales, profits, capacity utilization, employment and productivity.

## 6. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury

- Even though the safeguard measure has been imposed on the product under investigation, in fact, the volume of imports is still increasing both in absolute and relative terms. Import volume is expected to remain significantly increase if the safeguard measures are not extended;
- The Applicant has carried out the structural adjustment program as previously committed in the first extension of the investigation. However, the Applicant still needs additional time to complete the structural adjustment to its optimal level. This is considered necessary so that the Applicant can be more ready to compete with imported goods in the future;
- During the investigation period, it has been proven that there was a causal link between increase in the import of the product under investigation and the serious injury experienced by the Applicant. The investigating authority therefore concluded that if the imposition of the safeguard measures was not extended, it would hamper the recovery of the applicant's performance.

## C. NOTIFICATION OF A PROPOSAL TO EXTEND A MEASURE

### Proposed date of introduction of the measure

In a view of section B above, the investigation authority has proposed to extend the imposition of the safeguard measures on the importation of products under investigation.

The proposed safeguard measure to be imposed is now being circulated for inputs from relevant government agencies, and will be elaborated in the notification under the Article 12.1(c) of the WTO Agreement on Safeguards.

The imposition of the safeguard measures will be carried out in accordance with 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 on the website of the Indonesian Safeguard Committee: <http://kppi.kemendag.go.id>.

In a view of the aforementioned findings, the safeguard measures have been proposed in a form of *ad valorem* duty with expected duration as follows:

**Table 7. Safeguard Measures**

<b>Period</b>	<b>Safeguard Measures</b>
Year 1	17.00 %
Year 2	16.75 %
Year 3	16.50 %

**D. CONSULTATIONS**

Members having a substantial interest as exporters of the Subject Goods should submit a written request within a period of 7 days from the date of circulation of this notification. All written requests must be sent both in a written letter and in electronic format, and must indicate the name, address, email address, phone and fax number of the Members. In Accordance with article 12.3 WTO Agreement on Safeguards, the Government of the Republic of Indonesia is open for consultation in order to provide opportunities for those Members. The consultation is scheduled to be held no later than 3 June 2022. The contact information for correspondence is:

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