

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

INDONESIA

Cigarette Paper and Plug Wrap Paper Non-Porous

The following communication, dated and received on 6 September 2023, is being circulated at the request of the delegation of Indonesia.

Pursuant to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, the Government of the Republic of Indonesia, hereby notifies the Committee on Safeguards the investigation findings concerning the extension of a safeguard measure against the importation of Cigarette Paper and Plug Wrap Paper Non-Porous.

1. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and that the industry concerned is adjusting

The Government of the Republic of Indonesia initiated an investigation on the extension of a safeguard measure on 23 June 2023 ([G/SG/N/6/IDN/37/Suppl.1](#)). The scope of the investigation was to decide whether the safeguard measure should be extended or not.

To determine whether the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and whether the industry is adjusting, the Investigating Authority (*Komite Pengamanan Perdagangan Indonesia/KPPI*) undertook a comprehensive analysis of a broad set of data from multiple sources: the evidence provided by the Applicant's member industries in their questionnaire replies and written submissions, the information provided by interested parties (importers, exporters, and other interested parties) in their written submissions, as well as information available to the Investigating Authority including statistical databases and relevant publications.

1.1. Economic performance of the Applicant

To assess the economic performance of the Applicant, the developments of imports, and other relevant data included in its assessment, the Investigating Authority assessed the data for the period 2020-2022 ('the investigation period').

Description	Unit	Year			Changes (%)		Trend (%)
		2020	2021	2022	20-21	21-22	20-22
Production	Index	100	91	101	(9.22)	11.24	0.49
Domestic Sales	Index	100	87	95	(13.17)	9.86	(2.33)
Productivity	Index	100	101	113	1.28	11.80	6.41
Utilization Capacity	Index	100	91	101	(9.22)	11.24	0.49

Description	Unit	Year			Changes (%)		Trend (%)
		2020	2021	2022	20-21	21-22	20-22
Profit/Loss	Index	(100)	(715)	(820)	(614.94)	(14.72)	(99.49)
Employment	Index	100	90	89	(10.37)	(0.50)	(5.56)

Source: Verification Result

- a) Despite the increasing production trend of the Applicant from 2020 to 2022, the data indicated a reduction in Applicant's production from 2020 to 2021. The subsequent increase in production observed from 2021 to 2022 was attributed to the fact that the Applicant received additional orders from customers as the positive impact of the imposition of safeguard duties.
- b) Domestic sales of the Applicant decreased with a trend of 2.33%. From 2020 to 2021, the Applicant's domestic sales decreased by 13.17%, while from 2021 to 2022, domestic sales increased by 9.86% due to the positive impact of the imposition of safeguard duty. Although the Applicant was able to increase its sales in 2022, the Applicant's market share decreased due to order cancellation from customers.
- c) The Applicant strives to maintain its productivity levels and achieve a trend increase of 6.41%, by reducing the employment by 10.37% and 0.50% in 2021 and 2022, respectively.
- d) During the investigation period, the utilization capacity of the Applicant increased with a trend of 0.49%. The utilization capacity decreased from 2020 to 2021, and then increased from 2021 to 2022.
- e) During the investigation period, the Applicant continued to experience significant losses with a trend of 99.49%. These losses were caused by an increase in raw material costs and factory overhead costs, which covered 76.5% of total operational costs. This was due to the fact that the Applicant had to sell their product at a price below the production cost.
- f) The number of employment decreased with a trend of 5.56% during the investigation period. From 100 point index in 2020, it decreased to 90 point index in 2021 and 89 point index in 2022. This reduction in employment was due to the Applicant's effort to achieve cost efficiencies.
- g) During the investigation period, the Applicant continued to suffer significant financial losses, with a trend of 99.49%. These losses were due to an increase in raw material costs and overhead factory costs, both of which accounted for 76.5% of the total operating costs, and the Applicant was forced to sell at a price below the operating cost during the investigation period.

Description	Unit	Year			Changes (%)		Trend (%)
		2020	2021	2022	20-21	21-22	20-22
National Consumption	Index	100	91	110	(8.80)	20.83	4.98
Market Share of Imports	Index	100	156	144	55.73	(7.33)	20.13
Market Share of Applicant	Index	100	95	87	(4.80)	(9.08)	(6.96)
Market Share of Non-Applicant	Index	100	58	87	(41.92)	49.35	(6.86)

Source: Verification Result

During the investigation period, national consumption experienced an upward trend of 4.98%. Meanwhile, the market share of the Applicant and Non-Applicant declined with a trend of 6.96% and 6.86% during the investigation period. On the contrary, the share of imports in the same period experienced an increase with a trend of 20.13%.

1.2. Evidence that the industry concerned is adjusting

The domestic industry has conducted adjustment plans aiming at increasing its product innovation, raw material innovation, automation of machinery production, market expansion, and cost efficiency. The realization of the structural adjustment program that has been carried out by the Applicant is as follows:

Description	Target	Realization
The Structural Adjustment Program	100%	64.93%

Source: Verification Result

2. Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

Description	Unit	Year			Changes (%)		Trend (%)
		2020	2021	2022	20-21	21-22	20-22
Volume of Imports	Ton	7,896	11,215	12,558	42.03	11.97	26.11
National Production	Index	100	83	95	(17.20)	14.44	(2.66)
Imports Relative to National Production	Index	100	172	168	71.54	(2.16)	29.55

Source: Statistics Indonesia, Indonesia Customs and Ministry of Industry

Based on the table above, both imports in absolute and relative terms to the national production experienced an increase during the period of 2020-2022, with trends of 26.11% and 29.55%, respectively.

3. Precise description of the product involved

"Cigarette Paper and Plug Wrap Paper Non-Porous", under the Indonesia Harmonized System (HS.) Code: 4813.20.21, 4813.20.23, 4813.20.31, ex4813.20.32, 4813.90.11, ex4813.90.19, 4813.90.91 and ex4813.90.99" in accordance with Indonesian Tariff Book (BTKI) 2022.

4. If the final measure is extended, a Member is encouraged to provide a written description of any part of the imported product that will no longer be subject to the measure

Not applicable at this stage.

5. Description of the proposed measure

The proposed measure is in the form of a specific duty.

6. Proposed date of introduction of the measure

The proposed extension of the safeguard measure will come into effect on 30 November 2023.

7. Expected duration of the measure

The expected duration of the proposed extension of the safeguard measure is three years.

8. Proposed date for the review

Not Applicable.

9. Expected timetable for progressive liberalization of the measure

The measure will continue being progressively liberalized, at regular intervals, at the beginning of each period of application as follows:

Period	Safeguard Duty (Rupiah/Ton)
1 st Year (30 November 2023 - 29 November 2024)	3,923,900
2 nd Year (30 November 2024 - 29 November 2025)	3,885,850
3 rd Year (30 November 2025 - 29 November 2026)	3,847,800

10. If the notification relates only to a finding of serious injury or threat thereof, and does not relate to a decision to apply or extend a safeguard measure

Pursuant to Article 7.2 and Article 12.1(b) of the WTO Agreement on Safeguards, The Government of the Republic of Indonesia hereby notifies the investigation findings concerning the extension of safeguard measures against the importation of Cigarette Paper and Plug Wrap Paper Non-Porous. This notification is made only for the findings of the investigation. Once the decision to extend the safeguard measure is made, it will be notified under Article 12.1(c) of the Agreement on Safeguards.

11. Information relating to the extension of a safeguard measure

11.1. Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy threat of serious injury

Provided in item 1.2.

11.2. Reference to the WTO document that notified the initial application of the measure

Pursuant to Article 12.1(c) of the WTO Agreement on Safeguards, on 8 December 2021, The Government of the Republic of Indonesia notified the Committee on Safeguards regarding the decision to impose safeguard measures on the imports of Cigarette Paper and Plug Wrap Paper Non-Porous ([G/SG/N/8/IDN/29/Suppl.1](#) - [G/SG/N/10/IDN/29/Suppl.1](#)).

11.3. Duration of the measure from initial application till the date at which it will be extended

The initial definitive safeguard measure is imposed for 2 years, from 30 November 2021 until 29 November 2023. The extension of the safeguard measure is proposed to be imposed for 3 years, until 29 November 2026.

11.4. Precise description of the measure in place prior to the date of extension

The initial definitive measure was notified on 8 December 2021 ([G/SG/N/8/IDN/29/Suppl.1](#) - [G/SG/N/10/IDN/29/Suppl.1](#)).

12. Information relating to exporting members

12.1. The major exporting Members of imports of the product involved

The main exporting countries of the product concerned are Viet Nam, Austria, the People's Republic of China, Spain, and the Republic of Korea.

12.2. If there are any exporting Members to which the measure does not apply for any reason other than the application of Article 9.1, the names of such exporting Members and reasons for non-application of the measure

Not applicable.

13. Invitation of Consultations

Members who have a substantial interest in 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 a 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 Safeguards the Government of the Republic of Indonesia is open for consultation in order to provide opportunities for those Members, consultation is scheduled to be held virtually no later than 22 September 2023.

The contact information for correspondence is:

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14. Members are encouraged to attach, in an electronic form, publicly available document(s) containing the relevant decision(s) made by the competent authority

The non-confidential version of the Final Report of this investigation can be found on the website of the Indonesian Safeguard Committee: <https://bit.ly/DokumenPenyelidikanKPPIKertasSigaret>.
