



26 June 2023

(23-4377)

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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
(EXTENSION OF THE EXISTING MEASURE)**

INDONESIA

Fructose Syrup

Supplement

The following communication, dated and received on 26 June 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 Fructose Syrup.

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 14 April 2023 (G/SG/N/6/IDN/34/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 (users, importers, exporting producers and exporting country governments) 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
Domestic Sales	Index	100	181	204	80,83	12,78	42,81
Production	Index	100	181	204	80,99	12,83	42,91
Utilization Capacity	Index	100	181	204	80,99	12,83	42,91
Employment	Index	100	106	98	5,67	(7,38)	(1,07)
Productivity	Index	100	171	209	71,28	21,83	44,45
Profit/Loss	Index	100	505	(405)	405,14	(180,20)	(98,19)
Inventory	Index	100	629	1.414	528,57	125,00	276,07

Source: Verification Result

- a) Although the Applicant's production has increased with a trend of 42.91% during the investigation period, this increase has not yet reached the predetermined production target with an average of 80%. Increased production aimed at production efficiency is one of the Petitioners' efforts in realizing the structural adjustment program.
- b) Domestic sales of the Petitioners experienced an increase with a trend of 42.81% during the investigation period. The increase in domestic sales has not reached the Applicant's sales target with an average of 80% due to several orders being canceled by customers.
- c) Productivity has increased during the investigation period with a trend of 44.45% but it had a negative impact on the trend of increasing production compared to the trend of decreasing number of employment.
- d) During the investigation period, the Applicant's Utilization Capacity showed an increase with a trend of 42.91% but only reached approximately 50% of the Applicant's target with an average of 80%. The target of Utilization Capacity was not achieved due to problems with the production machine system and delays in ordering by customers due to the COVID-19 pandemic.
- e) During the investigation period, the Applicant's profits decreased significantly with a trend of 98.19%. This was due to the fact that the Applicant had to sell their product at a price below the production cost, which was caused by an increase in the price of the fructose syrup raw material.
- f) The number of Employment decreased with a trend of 1.07% during the investigation period. Even though there has been an increase in the number of Employment from 100 index points in 2020 to 106 index points in 2021, in 2022 there has been a reduction in the number of Employment to only 98 index points. This shows the potential for mass layoffs to occur in the future, if the imposition of safeguard measure on imported fructose syrup products is not extended.
- g) The Applicant's inventory continued to increase with a trend of 276.07% during the investigation period. Therefore, there is a cumulation of the Applicant's product in the storage warehouse, which causes an increase in storage costs and reduces the Applicant's profits or increases losses.

Description	Unit	Year			Changes (%)		Trend (%)
		2019	2020	2021	19-20	20-21	19-21
National Consumption	Index	100	63	57	(37,14)	(8,64)	(24,22)
Market Share of Imports	Index	100	45	24	(55)	(47,55)	(51,42)
Market Share of Applicant	Index	100	288	355	187,66	23,45	88,44
Non-Applicant's Market Sales	Index	100	240	343	139,93	43,09	85,28

Source: Verification Result

- a) During the investigation period, national consumption experienced a downward trend of 24.22%. due to the low demand for fructose syrup products from the domestic food and beverage industry.
- b) In the same period, the market share of imports also experienced a declining trend, but on the other hand, there was a significant increase in the share of imports from several countries that were exempted from the imposition of the safeguard measure.
- c) During 2020-2022, the market share of the Applicant and Non-Applicants has increased even though the increase in 2021 was not as much as in 2020. The effectiveness of the safeguard measure was believed starting to diminish and therefore the Applicant has the potential to experience a threat of serious injury.

1.2 Evidence that the industry concerned is adjusting

The domestic industry has conducted adjustment plans aiming at increasing its technology, domestic sales target, marketing expansion, production efficiency, installed capacity, and additional Employment. 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%	56.75%

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	55,294	15,642	7,495	(71.71)	(52.08)	(63.18)
National Production	Index	100	178	202	77.67	13.97	42.30
Imports Relative to National Production	Index	100	16	7	(84.08)	(57.95)	(74.12)

Source: Statistics Indonesia and Ministry of Industry.

Based on the table above, even though there was a decline in the amount of fructose syrup imports both in absolute and relative terms during the investigation period, the Applicant have so far been unable to prevent the threat of serious injury. This is clearly shown by the Applicant's profits during the investigation period which declined by 98.19%.

3 PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

"Fructose Syrup, under the Indonesia Harmonized System (HS.) Code: 1702.60.20" 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 ad valorem duty.

6 PROPOSED DATE OF INTRODUCTION OF THE MEASURE

The proposed extension of the safeguard measure will come into effect on 17 September 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 (%)
1 st Year (17 September 2023 - 16 September 2024)	18
2 nd Year (17 September 2024 - 16 September 2025)	16
3 rd Year (17 September 2025 - 16 September 2026)	14

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 Fructose Syrup. 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.

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 22 September 2020, The Government of the Republic of Indonesia notified the Committee on Safeguards regarding the decision to impose safeguard measures on the imports of Fructose Syrup on 22 September 2020 (G/SG/N/8/IDN/26/Suppl.1 - G/SG/N/10/IDN/26/Suppl.1 - G/SG/N/11/IDN/23).

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 3 years, from 17 September 2020 until 16 September 2023. The extension of the safeguard measure is proposed to be imposed for another 3 years, until 16 September 2026.

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

The initial definitive measure was notified on 22 September 2020 (G/SG/N/8/IDN/26/Suppl.1 - G/SG/N/10/IDN/26/Suppl.1 - G/SG/N/11/IDN/23).

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 the People's Republic of China, Türkiye, Republic of Korea and Thailand.

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 Safeguard, 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 7 July 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: <http://kppi.kemendag.go.id/>
