

**UNOFFICIAL TRANSLATION**

**NON-CONFIDENTIAL SUMMARY OF SAFEGUARD  
MEASURE APPLICATION FILED BY DOMESTIC  
MANUFACTURERS REGARDING IMPORTS OF  
MOTORCYCLES**

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## 1. PREAMBLE

In the following sections, the application for safeguard measures relating to motorcycle imports filed by domestic manufacturers with Undersecretariat of the Prime Ministry for Foreign Trade dated 18/4/2006, no. 22244 is summarized and certain details are indexed. Claims and requests in the application listed in the summary will be reviewed under the framework of the safeguard measure inquiry to be conducted by Undersecretariat of the Prime Ministry for Foreign Trade.

## 2. GENERAL DETAILS ON APPLICATION

### 2.1. Subject matter of application

Motorcycles (mopeds inclusive) and scooters.

### 2.2. Applicants

Ramzey Motorsiklet San. ve Dış Tic. Ltd. Şti.  
Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş.  
Kuralkan Motorlu Araçlar Üretim Sanayi ve Dış Ticaret A.Ş

### 2.3. Percentage of representation of domestic production by applicants

Applicants carry out majority of domestic production of the product under examination.

## 3. BACKGROUND ON SUBJECT PRODUCT

### 3.1. Product description

Motorcycles (including mopeds) and cycles fitted with an auxiliary motor (with reciprocating internal combustion piston engine of a cylinder capacity not exceeding 500 cm<sup>3</sup>) included in subheadings 8711.10, 8711.20 and 8711.30 constitute the subject matter of this application. The product concerned, in addition to traditional type of motorcycles, also includes small motorcycles with small wheels and horizontal platforms added to the front and rear sections of the vehicle (scooters), mopeds with both engines and pedal systems and bicycles with auxiliary engines.

### 3.2. Customs Tariff Code

Customs tariff codes of the said article are given in the table below.

Customs Tariff Code	Item Description
8711.10.00.00.11	Mopeds
8711.10.00.00.19	Others
8711.20.10.00.00	Scooters
8711.20.91.00.00	Of a cylinder capacity exceeding 50 cm <sup>3</sup> but not exceeding 80 cm <sup>3</sup>
8711.20.93.00.00	Of a cylinder capacity exceeding 80 cm <sup>3</sup> but not exceeding 125 cm <sup>3</sup>
8711.20.98.00.00	Of a cylinder capacity exceeding 125 cm <sup>3</sup> but not exceeding 250 cm <sup>3</sup>
8711.30.10.00.00	Of a cylinder capacity exceeding 250 cm <sup>3</sup> but not exceeding 380 cm <sup>3</sup>
8711.30.90.00.00	Of a cylinder capacity exceeding 380 cm <sup>3</sup> but not exceeding 500 cm <sup>3</sup>

### 3.3. Background on production process

Necessary raw materials and materials are procured from domestic and international suppliers in accordance with main production plan prepared based on orders with these products accepted after going through the entry quality control process. Under the main production plan, detail production plans and production charts are furnished to the applicable production units (machining, press house, plastic injection, coating, weld house, dye house). Checks in line with quality control plan, of these products produced in these units are made and quality records are kept.

Products that are ready for assembly go through pre-assembly on assembly desks or are directly placed on the assembly line, resulting in production. Assembled products are placed on the motorcycle-testing device and go through mileage, acceleration, maximum velocity and brake-power tests with compliant products labeled ending the production process.

### 3.4. Fields of usage

Whilst motorcycles with a cylinder volume under 150 cm<sup>3</sup> are mostly used for service and transportation purposes in Turkey, motorcycles with a cylinder volume 150 cm<sup>3</sup> and above are mostly used for sports, hobbies and similar purposes.

### 3.5. Like or directly competitive product

It has been established that regarding the product concerned, those manufactured by domestic producers and imported ones have the same properties in terms of sale channels and fields of usage and hence they may be deemed to be directly competitive products.

### 3.6. Regulations

#### 3.6.1. Customs duties

In the List no. II annexed to Import Regime for 2006 published in the Official Gazette dated 30/12/2005, no. 26039 bis., customs duties applied in importing of the subject article are shown as follows. Furthermore, the table also gives the VAT and SCT rates in effect regarding the said article.

CUSTOMS CODE	VAT (%)	SCT (%)	CUSTOMS DUTY RATE (%)				
			EU and EFTA	GSP COUNTRIES			OTHER.
				L.D.C.	S.I.A.C	D.C.	
8711.10.00.00.11	18	22	0	0	0	4,5	8
8711.10.00.00.19	18	22	0	0	0	4,5	8
8711.20.10.00.00	18	22	0	0	0	4,5	8
8711.20.91.00.00	18	22	0	0	0	4,5	8
8711.20.93.00.00	18	22	0	0	0	4,5	8
8711.20.98.00.00	18	22	0	0	0	4,5	8
8711.30.10.00.00	18	37	0	0	0	2,5	6
8711.30.90.00.00	18	37	0	0	0	2,5	6

### 3.6.2. Other regulations

The product concerned is covered by Directive on Articles for which Warranty Certificate shall be Sought in Imports Thereof (200/6), Directive on Imports of Land Vehicles (2006/7) published in Official Gazette dated 31/12/2005, no. 26040.

## 4. UNFORESEEN DEVELOPMENTS

As it will be observed below, the imports of the product concerned have continuously increased starting from 2003. Imports have increased both by volume and also by value with the rate of increase by volume running at a lower rate, hence the weighted average import unit price of the subject article has dropped continuously starting from 2001. Whilst a motorcycle covered by the application was imported for USD 1.307 in 2001, the average import price of a motorcycle covered by the application has gone down to USD 557 in the first four months of 2006. The fact that whilst the import volume increased, import unit prices dropped in this magnitude and continuously emerge as an unforeseen development.

## 5. EVALUATION OF IMPORTS

### 5.1. Course of imports

#### 5.1.1. Overall Imports

Imports				Periodic Imports			
Year	Volume (pieces)	US Dollars	Unit Price	Period	Volume (pieces)	US Dollars	Unit Price
2000	18.677	16.414.248	878	2000(1- 4)	2.895	2.716.878	938
2001	6.128	8.014.516	1.307	2001(1- 4)	1.289	1.477.640	1146
2002	2.937	3.316.727	1.129	2002(1- 4)	911	878.661	964
2003	16.589	12.702.220	765	2003(1- 4)	2.161	2.075.569	960
2004	117.471	81.830.240	696	2004(1- 4)	19.049	14.127.007	741
2005	311.484	204.288.873	655	2005(1- 4)	29.163	22.271.099	763
2006*	1.632.915	799.627.453	489	2006(1- 4)	190.885	106.371.451	557

\*Approximate

Imports for year 2000-2005 and imports for 4 months of 2006 for motorcycles with cylinder volume less than 500 cm<sup>3</sup> is shown above. Accordingly, motorcycle import which amounted to 18,677 in 2000, dropped by 67 % in 2001 and 52 % in 2002, coming down to 2,937 this year. Imports have gone into a rising trend starting from 2003 and have reached 311,484 in 2005 with annual increases of 464 %, 608 % and 165 %, starting from 2003. It is observed that imports have risen by 554 % in the first four-month period of 2006, compared to the same period in 2005.

#### 5.1.2. Imports by countries

It is observed that upon an analysis of import statistics by countries of origin, the share of People's Republic of China (PRC) which was 11 % in 2000, has reached 85 % in 2005 and

93% in the first four-month period of 2006. Yet, the share of India has dropped from 30 % in 2000 to 7 % in 2005 in the same period, going down to 1 % in the first four-month period of 2006; Taiwan's share has come down from 15 % in 2000 to about 2 % in 2005.

## 5.2. Ratio of imports to domestic production

	2001	2002	2003	2004	2005
<b>Index (%)</b>	100	67	146	714	1,893

It is observed that the index of ratio of imports to domestic production, which was 100 in 2001, has dropped back to 67 in 2002, based on the drop in imports and the rise in domestic production. It is also observed that the said index started to rise in 2003 and reached the figures 146, 714 and 1,893 respectively in following years with a relative increase observed beside the absolute increase for the period under examination in imports.

## 5.3. Market share of imports

	2001	2002	2003	2004	2005
<b>Index (%)</b>	100	83	155	272	343

Upon analysis of the share imported motorcycles get from the domestic market by years, it is observed that the market share index, which was 100 in 2001, has dropped to 83 in 2002. The index has reached 343 in 2005, going into a rising trend in 2003. It is determined that the increase in the imports of products of PRC has made the most significant contribution to the increase in the market share of imports by threefold from 2003 until 2005.

## 5.4. Unit prices of imports

<b>CIF (USD/pcs)</b>	2001	2002	2003	2004	2005	2006(1-4)
Total Imports	1,307	1,129	765	696	655	557

Upon an analysis of unit prices of imports, it is observed that the weighted average import unit price, which was 1,307 USD/pcs in 2001, started to drop in 2002 and came down to 655 USD/pcs in 2005 with yearly consecutive drops of 13 %, 32 %, 9 % and 5 %. In the first four months of 2006, the average unit price was USD 557 USD/pcs.

# 6. DETERMINATION OF SERIOUS INJURY AND THREAT OF SERIOUS INJURY

## 6.1. Consumption

<b>Consumption</b>	2001	2002	2003	2004	2005
<b>Index (pcs)</b>	100	58	175	703	1,481

The quantity of domestic consumption units calculated by adding the domestic sales of domestic manufacturers and imports has gone down by 42 % in 2002. The consumption index, which increased continuously in subsequent years, has risen to 1,481 in 2005. The data in the table show the increase in motorcycle demand in Turkey post-2002 and the rise in consumption by 201 % in 2003, 301 % in 2004 and 110 % in 2005.

## 6.2. Production

Production	2001	2002	2003	2004	2005
Index (pcs)	100	71	185	268	268

Looking at the domestic production figures, it is observed that production dropped by 29 % in 2002 and started rising again in subsequent years. In 2005, no increase in production was achieved although the domestic market grew by 110 % compared to 2004. The production index taken as 100 for 2001 rose to 268 in 2004, yet stayed at the same level in 2005.

## 6.3. Market share of domestic production

Market Share	2001	2002	2003	2004	2005
Index (%)	100	105	81	41	17

The market share index of domestic production has gone up from 100 to 105 in 2002; yet it has decreased rapidly in subsequent years. The market share index, which dropped to 81 in 2003 and 41 in 2004, has come down to the lowest value of the period under examination in 2005.

## 6.4. Capacity and capacity utilization rate

	2001	2002	2003	2004	2005
Capacity utilization rate index (%)	100	71	185	258	258

The capacity utilization rate has dropped in 2002, yet has risen due to the growth in the market in subsequent years. However, this increase has remained well below the growth rate of the domestic market. In 2005, the capacity utilization rate has stayed unchanged from 2004 with manufacturers pursuing their operations at the same capacity utilization rate as the previous year.

## 6.5. Domestic sales

Domestic Sales	2001	2002	2003	2004	2005
Index (pcs)	100	61	142	290	256

The domestic sales of producers have dropped by 39 % in 2002, showing an increase in 2003 and 2004. Domestic sales fell by 12 % in 2005 when the increase in imports reached the highest volume. The domestic sale index, which was 100 in 2001, has gone down to 2006 in 2005 after a surge to 290 in 2004.

## 6.6. Export sales

Export sales	2001	2002	2003	2004	2005
Index (pcs)	100	91	260	222	261

The export sales of domestic producers have dropped by 9 % in 2002 and increased by 185 % in 2003. The export sales which declined by 14 % in 2004 have reached the highest level of the period under examination with an increase of 17 % in 2005.

### 6.7. Inventories

End of period inventories	2001	2002	2003	2004	2005
Index (pcs)	100	163	142	263	345

It is observed that the end of period inventories of domestic producers rose by 63 % in 2002 and dropped by 13 % in 2003. The end of period inventory index, which increased continuously in subsequent years, which was 100 in 2001, has risen to 345 in 2005.

### 6.8. Employment

Employment	2001	2002	2003	2004	2005
Index (Persons)	100	82	146	194	177

The employment figures of domestic producers has fluctuated in the period under examination. Employment, which declined by 18 % in 2002, has risen in 2003 and 2004. In 2005, on the other hand, a drop of 9 % occurred in employment, too, as a result of the drop in the share of domestic manufacturers in the growing domestic market.

### 6.9. Productivity

Productivity	2001	2002	2003	2004	2005
Index (pcs /Person)	100	86	126	137	151

Looking at the productivity figures of domestic production operations, it is observed that after the decline in 2002, manufacturers steadily increased their productivities. The productivity index, which was 100 in 2001, rose to 151 in 2005.

### 6.10. Profitability

Profitability	2001	2002	2003	2004	2005
Index (%)	Loss	100	116	121	64

As a result of the indexing carried out by assuming a profitability ratio of 100 for 2002, domestic producers, who closed the year 2001 with a loss at – 27 level, have achieved profitability starting from 2002 and were able to increase this profitability until 2004. However, the profitability index of the manufacturers, whose market shares declined steadily in the market growing after 2004 and who failed to achieve an increase in production, has come down to 64 with an approximately 50 % drop.

### 6.11. Price undercutting

The table below shows the price undercutting derived by comparing the prices of the subject domestically produced motorcycles and the imported motorcycles which are the subject matter of complaint. A dual distinction was made in this calculation with products



with a cylinder volume under 125 cm<sup>3</sup> and products with a cylinder volume of 125 cm<sup>3</sup> and above being separated from each other.

Price Undercutting		2001	2002	2003	2004	2005
Under 125 cm <sup>3</sup>	(%)	-	54	-	32	35
Above 125 cm <sup>3</sup>	(%)	-	-	-	41	46

As it is observed in the table, in motorcycles with a cylinder volume under 125 cm<sup>3</sup>, imported products have undercut the price of domestic products by 54 % in 2002, 32 % in 2004 and 35 % in 2005. Similarly, it was determined that a price undercutting of 41 % in 2004 and 46 % in 2005 occurred in motorcycles with cylinder volumes of 125 cm<sup>3</sup> and above.

## 7. EVALUATION OF LINK OF CAUSALITY

### 7.1. Export sales

Although the export sales of domestic manufacturers have risen in 2001-2003, there is no increase in the years 2003-2005. In this context, it is believed that the export performance of domestic manufacturers has not played a role on the impairment in domestic manufacturing indicators.

### 7.2. Domestic market

Considering the figures for domestic market consumption, it is determined that the market grew at high rates, especially after 2002. A more than 14-fold growth has occurred in the domestic market from 2001 to 2005. Considering that there was no contraction in the domestic market, it follows that the impairment in the domestic production indices are not related to the magnitude of the domestic market.

### 7.3. Domestic competition

Since especially after 2003, a significant portion of the domestic demand was met by imports, the competition of domestic products with imported products has gone ahead of the competition between local manufacturers themselves. Therefore, the competition between local manufacturers does not have a significant impact on the impairment in economic indices.

### 7.4. Productivity

The productivity indices for domestic manufacturing operations indicate an increase of 51 % between 2001 and 2005. Since there is no drop in productivity, it is believed that productivity has not played a role on the impairment in the economic indices of the domestic manufacturer.

### 7.5. Financial expenses

Net financing expenditures of domestic manufacturers have dropped steadily from 2001 to 2005, save for 2004. In this period, a decline of 79 % has occurred in net financing expenses. Therefore, it is believed that the net financing expenses have not played a role on the impairment in the economic indices of the domestic manufacturer.

### 7.6. Development of alternate products

Since the technological advances which took place on the production structure and product properties during the period under examination were reflected to their own manufacturing processes by domestic manufacturers, it is believed that alternate products brought about by technological change has not played a role on the impairment in the economic indices of the domestic manufacturer.

## **8. REQUESTED MEASURE**

In light of the above evaluations, it is requested that for prevention of the serious injury and threat of serious injury caused on domestic production by the volume, rate of increase and conditions for occurrence of imports, safeguard measures are adopted under Decree on Import Safeguard Measures (2004/7305) (Official Gazette date and no: 21.05.2004 – 25476) and Import Safeguard Measures Regulation (Official Gazette date and no: 08.06.2004 – 25486) in the form of additional financial liability in the imports of the said product from all countries for a term of three years, varying between USD 200 – 3,500/unit, depending on the cylinder volume of motorcycles.