

**NON-CONFIDENTIAL SUMMARY OF
THE APPLICATION FOR
IMPLEMENTATION OF A
SAFEGUARD MEASURE ON
IMPORTS OF SAFETY MATCHES**

TABLE OF CONTENTS

1. DETAILS OF APPLICATION	3
1.1 Applicant	3
1.2 Definition of the Product Subject to Application.....	3
1.3 Production Process of the Product Subject to Application.....	3
1.4 Comparison of Domestic and Imported Products	4
2. INCREASE IN THE IMPORTS OF THE PRODUCT SUBJECT TO APPLICATION.....	5
2.1 Imports	5
2.2 Ratio of Imports to Domestic Production	5
2.3 Market Share of Imports	6
2.4 Import Shares by Countries.....	6
3. UNFORESEEN DEVELOPMENTS	6
4. SERIOUS INJURY/THREAT OF SERIOUS INJURY	7
4.1 Consumption	8
4.2 Production	8
4.3 Domestic Sales	8
4.4 Capacity and Capacity Utilization Ratio (CUR)	8
4.5 End of Period Inventories	9
4.6 Employment	9
4.7 Productivity.....	9
4.8 Profitability.....	10
5. CAUSAL LINK	10
5.1 Price Comparison.....	10
5.2 Effect of Other Factors	11
6. CONCLUSION	11
ATTACHMENT-1: IMPORTS STATISTICS BY COUNTRIES	13

SECTION ONE

1. DETAILS OF APPLICATION

1.1 Applicant

The domestic producer, Malazlar Kibrit Sanayi ve Ticaret A.Ş, filed a petition for application of a safeguard measure on imports of safety matches. The mentioned domestic producer represents majority of the domestic production of safety matches as of the application date.

1.2 Definition of the Product Subject to Application

The product subject to application, which is safety matches, are produced by cutting the tree logs to sticks and forming the fore by using various chemicals. Other than tree, cardboard or some suitable textile materials can rarely be used in the production of matchsticks.

Majority of the matches produced today are based on the principle of flaming of the matchstick only when it is rubbed to the special surface on the side of the matchbox. These types of matches are called safety matches. Beside this, the use of matches, which are flamed when it is rubbed to any hard ground, has quite decreased today.

Matches are generally used for lighting the tobacco products. Besides, consumers may demand matches for domestic use purposes.

The product subject to application is classified as “matches” under the 3605.00.00.00 Customs sub-headings.

1.3 Production Process of the Product Subject to Application

The production of matches which is the product subject to application can be evaluated as a whole in five production stages, which are production of matchsticks, production of match heads, production of match outer boxes, production of inner boxes and filling the matchsticks into the boxes and then packing.

The splints are produced from poplar logs by peeling machines and then splints are chopped into appropriate lengths by chopping machines to obtain matchsticks that are humid at the time of production. The produced matchsticks are then dried in the ovens by spraying mono ammonium phosphate onto them. The dried sticks are then moved to the screening machines and the proper ones are moved to the next production stage.

At the second stage of production, the heads of the matchsticks are covered with a flammable material by the machines. After this stage, the matchsticks whose flammable head have been formed are ready for being filled into the boxes.

The third stage of production is the production of outer boxes of matches. After the printing stage of the outer boxes, a mix of chemical materials that make the match to light when rubbed onto are applied on the sides of the box made of cardboard. The cardboard is dried in the related oven, the folding places are marked according to the plan of one open box and then they are formed as boxes in the outer box machines.

In the fourth stage of the production, the inner boxes of matches are produced by drawing and cutting the cardboards appropriately.

The filling of the matchsticks into the boxes and packing is the fifth and the last stage of production. In this last stage, 40 sticks in average are filled into the inside boxes by machines automatically and after that the inside boxes and outside boxes are combined. The formed match boxes are gathered firstly by clusters of ten and after these clusters of ten by groups of hundred and these groups of hundred are packed as thousand and two thousand packages.

1.4 Comparison of Domestic and Imported Products

The domestic and imported ones of the matches subject to application are heavily used for lighting the tobacco products. Besides, matches can be purchased for domestic use purposes. The most important factor that determines the demand of consumers is the price of the product. In this regard, the fields of use and demand conditions of the domestic and imported matches are same.

In general, the domestic and imported matches are supplied to consumers by the channel of grocers, newspaper vendors/kiosks and supermarkets. Matches reach to the final sale place by distributors/wholesalers that can distribute both imported and domestic matches. In this regard, it is concluded that the domestic and imported ones of the product subject to application reach to consumers by the same distribution channels.

Beside this, the production process of the matches explained above is standard all over the world. In this context, the domestic and imported products are produced by the same production technology.

In this regard, it is possible to say that the domestic and the imported products are like products in terms of supply and demand conditions.

SECTION TWO

2. INCREASE IN THE IMPORTS OF THE PRODUCT SUBJECT TO APPLICATION

For the product subject to application, the yearly trends of imports, rate of imports to domestic production, market share of imports in the domestic market and breakdown of imports by countries are given below. Since the economic indicators of the domestic producer, which are given in Section Three, include the January-September period of 2007 and 2008, the information relating to the mentioned period are also given in this Section. The rate of imports to domestic production and market share of imports are shown as indexes for confidentiality since one domestic producer did the application. The imports statistics by all countries are given in the Attachment-1.

2.1 Imports

Imports	Unit	2003	2004	2005	2006	2007	2008
Total Imports	Tons	80	118	180	354	637	1,229
Change	%	-	47	53	97	80	93

Imports of matches, which were 80 tons in 2003, have continuously increased in the following years. Imports increased at a rate of 93 % in 2008 according to 2007 and exceeded the level of 1,200 tons. Besides, the imports, which were 543 tons in January-September period of 2007, were recorded as 813 tons in the same period of 2008.

2.2 Ratio of Imports to Domestic Production

Imports	Unit	2003	2004	2005	2006	2007	2008 (1-9)
Imports/ Domestic Production	%- Index	100	147	201	405	1,103	5,048
Change	%	-	47	37	101	172	358

Ratio of imports to domestic production increased at a rate of 47 %, 37 %, 101 % and 172 % between 2004 and 2007. Ratio of imports to domestic production increased at a rate of 358 % in January-September period of 2008 compared to 2007.

2.3 Market Share of Imports

Imports	Unit	2003	2004	2005	2006	2007	2008 (1-9)
Share of Imports	%-Index	100	118	161	413	824	1,047

Share of imports in the match market continuously increased. The increase in the market share is more than 8 times in 2007 compared to 2003. The increase in the market share of imports continued in January-September period of 2008.

2.4 Import Shares by Countries

Countries	Unit	2003	2004	2005	2006	2007	2008
Indonesia	%	-	-	-	-	17	74
India	%	-	-	8	44	44	16
Germany	%	57	65	39	13	10	3
PRC	%	-	-	-	-	3	3
Poland	%	19	12	18	4	7	2
Others	%	24	23	35	39	19	2

While there were no imports of matches from Indonesia up to 2006, the products originating in this country constituted 17 % of imports in 2007 and 74 % of imports in 2008. Again, India, which is another country from which there were no imports in the years 2003 and 2004, have become an important supplier of the imported matches in the following years. On the other hand, Germany and Poland significantly lost their weights in the imports during the period concerned.

SECTION THREE

3. UNFORESEEN DEVELOPMENTS

Factors like raw material costs, closeness to raw materials, labor costs and closeness to the market beside technology and mechanization are the determinants of match production conditions. Related to that, the production of matches, which

concentrated on the developed countries of today for decades, have started to shift significantly to developing countries in recent years.

It is possible to evaluate the process that causes the developing countries to appear in the match production in two dimensions. Firstly, the population of the mentioned countries, which is already high and increasing, forms a cheap labor force for the large-scale production activities of matches. The production of this type of matches, which depends on semi-mechanization or totally hand production, has been continued as a social and economic activity for the large population groups. Secondly, it is known that the match producers located in the developed countries have undertaken investment activities in the developing countries for the reasons like, low labor costs, closeness to the market and distribution channel advantages. As a result, related to the factors mentioned above, it is possible to say that the worldwide production of matches has significantly shifted to developing countries in recent years.

Besides, an evaluation on the demand side reveals that the demand for matches is determined by the factors like import prices, population size, tobacco products use tendencies and development of substitute products' prices. In this regard, it is possible to say that the share of developing and under-developed countries in the world demand for matches has increased gradually as a result of the changes in the factors mentioned above in years.

All these changes realized in the world match market have had significant effects on Turkey's imports of matches. The concentration of match production in the developing countries that are characterized with low costs, and the decrease in the weight of developed countries in world match demand have resulted in directing of relatively low unit priced matches to Turkey, which is in a significant market status with its population size and tendencies of use of tobacco products. Thus, while there were no imports from Indonesia and India to Turkey up to 2004, the products originating in these countries constituted 90 % of imports in 2008. It is also possible to understand this period of change from the development of unit prices of imports that are given in Section 5.1.

In conclusion, the development of world match supply and demand conditions are evaluated as unforeseen developments that have caused a sudden increase in the match imports of Turkey.

PART FOUR

4. SERIOUS INJURY/THREAT OF SERIOUS INJURY

The economic indicators relating to the product subject to application are based on the data provided by the applicant company. The mentioned data are shown in indexes since they cover only one firm.

4.1 Consumption

Consumption	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Tons	Index	100	125	139	107	96	82	97
Change	%	-	25	11	-23	-10	-	18

Consumption of matches increased by 25 % and 12 % in 2004 and 2005 and reached to the maximum level of last five years. Consumption of matches decreased slightly in 2006 and 2007 but increased at a rate of 18 % in the January-September period in 2008 compared to same period of 2007 and passed beyond its 2007 level.

4.2 Production

Production	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Tons	Index	100	100	112	109	72	56	20
Change	%	-	0	12	-3	-34	-	-64

Compared with 2003, production of matches remained unchanged in 2004. Production had the highest value of last five years in 2005. Production of matches, which came down to its lowest level falling by 3 % and 34 % in 2006 and 2007, closed the January-September period of 2008 with a decrease of 64 %.

4.3 Domestic Sales

Domestic Sales	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Tons	Index	100	123	134	89	58	49	47
Change	%	-	23	9	-35	-35	-	-4

Domestic sales increased at a rate of 23 % in 2004 and at a rate of 9 % in 2005. Sales decreased at a rate of 35 % in 2006 and 2007. The decrease in sales continued also in the January-September period of 2008.

4.4 Capacity and Capacity Utilization Ratio (CUR)

Capacity	Unit	2003	2004	2005	2006	2007
Tons	Index	100	100	100	100	100

Capacity	Unit	2003	2004	2005	2006	2007
CUR (%)	Index	100	100	112	109	72

Production capacity of matches did not change from 2003 to 2007. Capacity utilization ratio reached to the highest level of last five-year period in 2005 and regressed significantly in 2007.

4.5 End of Period Inventories

Inventories	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Tons	Index	100	84	73	108	184	159	175
Change	%	-	-16	-13	48	70	-	10

End of period inventories regressed at a rate of 16 % and 13 % in 2004 and 2005. Inventories increased significantly in the next two years and reached to the highest level of last five years in 2007. Increase in inventories also continued in the January-September period of 2008.

4.6 Employment

Employment	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Number of Workers	Index	100	99	101	100	84	89	29
Change	%	-	-1	2	-1	-16	-	-67

Employment did not significantly change from 2003 to 2006. A decrease was recorded in employment at a rate of 16 % in 2007 and a high decrease at a rate of 67 % in January-September period of 2008.

4.7 Productivity

Productivity	Unit	2003	2004	2005	2006	2007	2007 (1-9)	2008 (1-9)
Tons/Worker	Index	100	101	110	109	86	63	69
Change	%	-	1	9	-1	-21	-	10

Labor productivity in the match production did not significantly change from 2003 to 2006, and regressed at a rate of 21 % mainly due to the decrease in

production in 2007. The serious rate of decrease in employment in January-September period of 2008 led to an increase at a rate of 10 % in labor productivity.

4.8 Profitability

Profit	Unit	2003	2004	2005	2006	2007	2008 (1-9)
Profitability (%)	Index	100	264	129	-92	-131	-31

It is seen that the profitability, while having positive values from 2003 to 2005, recorded negative values starting from 2006 to January-September period of 2008.

SECTION FIVE

5. CAUSAL LINK

5.1 Price Comparison

In the table below, imported product's price, which is constructed by adding other expenses to the weighted average import price, indicates the price of the imported product whose customs process is finished. "Domestic product price 1" shows the weighted average domestic sale price of the domestic industry, in other words ex-factory price of the domestic product. Besides, taking into account that the domestic industry operated with negative profitability from 2006 to 2008, "domestic product price 2" is constructed to indicate the "standard" price of the domestic product. "Domestic product price 2" was calculated by adding a reasonable profit to the industrial cost of the domestic product.

	Unit	2004	2005	2006	2007	2008
Imported Product Price (IP)	\$/Kg	2,61	2,00	1,55	1,78	1,50
Domestic Product Price 1 (DP1)	Index	100	98	76	84	89
Domestic Product Price 2 (DP2)	Index	100	113	113	144	147
Difference 1 (DP1-IP)	Index	-100	19	15	4	84
Difference 2 (DP2-IP)	Index	-100	-31	8	27	55

The price of imported product which was 2,61 \$/Kg in 2004, decreased to 1,50 \$/Kg in 2008. In the same period, the domestic product price that showed decreases from 2004 to 2006, increased gradually in 2007 and 2008. The price, which was

calculated by adding a profit to the industrial cost of the domestic product, showed a regular increasing tendency in years. Besides, the price of domestic industry was below the value that is calculated by adding profit to the industrial cost from 2006 to 2008. In this regard, it is seen that the imported products have caused price undercutting and price suppression on the domestic products.

5.2 Effect of Other Factors

Consumption: Domestic demand for matches reached its maximum level in 2005, and decreased by 23 % and 10 % in the following two years. Consumption increased at a rate of 18 % in the January-September period of 2008. Besides, imports increased at a rate of 93 % in 2008 on yearly basis. In this regard, it is not possible to say that the demand conditions have had effects on the injury of the domestic industry.

Capacity: Taking into consideration the fact that the capacity of domestic industry did not change in the period concerned, it is not possible to evaluate the excess capacity as a factor causing injury.

Productivity: Labor productivity that showed a regular trend from 2003 to 2006, decreased at a rate of 21 % in 2007 due to the decrease in production. However, productivity in January-September period of 2008 increased at a rate of 10%, despite the decrease in production at a rate of 64 %. For that reason, it is seen that the domestic industry did not experience any problem caused from labor productivity in the period concerned.

Domestic Competition: Considering that there has not been any new comer in the match production industry, it is concluded that the competition between domestic producers did not cause injury.

Exports: The trend of exports sales and weight of exports sales in total sales indicate that exports have not caused injury on the domestic industry in the period concerned.

SECTION SIX

6. CONCLUSION

In the application for the safeguard measure, it is requested, in line with Decree on the Safeguard Measures for Imports (2004/7305) (OG Date and No: 29.05.2004 - 25476) and Regulation on the Safeguard Measures for Imports (OG Date and No: 08.06.2004 - 25486), by the applicant, for the product subject to application

- That a safeguard measure at a level between 1,50 – 1,60 USD/Kg to all countries be adopted for 3 years in order to prevent the serious injury and the threat of serious injury on the domestic industry caused by recently increased imports,

- That a provisional safeguard measure be initiated due to the fact that critical circumstances exist in which delay would cause damage which it would difficult to repair.

It is mentioned that the domestic producer targets to increase productivity and control the costs effectively in the period that the safeguard measure requested shall be applied.

ATTACHMENT-1: IMPORTS STATISTICS BY COUNTRIES

36050000000 MATCHES (THE PIROTECHNI PRODUCTS IN 36.04 EXCLUDED) (KG)																								
	2004				2005				2006				2007				2008				2009(1-1)			
	QUANTITY	USD	U.P. QUANTITY	% QUANTITY	QUANTITY	USD	U.P. QUANTITY	% QUANTITY	QUANTITY	USD	U.P. QUANTITY	% QUANTITY	QUANTITY	USD	U.P. QUANTITY	% QUANTITY	QUANTITY	USD	U.P. QUANTITY	% QUANTITY	QUANTITY	USD	U.P. QUANTITY	% QUANTITY
ALL COUNTRIES	117.600	300.885	2,6	100,0%	180.039	353.359	2,0	100,0%	353.886	536.746	1,5	100,0%	637.041	1.112.195	1,7	100,0%	1.228.574	1.815.732	1,5	100,0%	133.353	212.072	1,6	100,0%
INDONESIA	...	...	...	...	...	...	...	...	...	...	...	...	110.700	140.228	1,3	17,4%	911.988	1.201.050	1,3	74,2%	97.020	125.499	1,3	72,8%
PRC	...	...	...	...	500	627	1,3	0,3%	29	104	3,6	0,0%	18.471	82.452	4,5	2,9%	34.543	82.912	2,4	2,8%	30.811	65.336	2,1	23,1%
SWEDEN	...	...	...	...	3.987	16.927	4,2	2,2%	8.582	34.982	4,1	2,4%	4.280	18.137	4,2	0,7%	9.674	38.660	4,0	0,8%	5.522	21.237	3,8	4,1%
INDIA	...	...	...	...	13.515	17.425	1,3	7,5%	157.018	187.853	1,2	44,4%	282.866	380.064	1,3	44,4%	190.362	288.428	1,5	15,5%	...	...	...	...
GERMANY	76.007	193.171	2,5	64,6%	69.525	135.995	2,0	38,6%	44.408	106.801	2,4	12,5%	64.101	162.611	2,5	10,1%	40.682	99.733	2,5	3,3%	...	...	...	...
POLAND	14.281	31.082	2,2	12,1%	31.776	63.315	2,0	17,6%	14.225	29.048	2,0	4,0%	44.181	109.945	2,5	6,9%	22.347	56.857	2,5	1,8%	...	...	...	...
BULGARIA	17.215	41.126	2,4	14,6%	27.982	57.198	2,0	15,5%	17.420	38.064	2,2	4,9%	18.341	42.150	2,3	2,9%	18.605	46.551	2,5	1,5%	...	...	...	...
UK	...	...	...	...	...	...	...	...	21	588	28,0	0,0%	14	296	21,1	0,0%	205	690	3,4	0,0%	...	...	...	...
JAPAN	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	122	431	3,5	0,0%	...	...	...	...
AUSTRIA	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	46	420	9,1	0,0%	...	...	...	...
CHILE	...	...	...	...	...	...	...	...	3	200	66,7	0,0%	...	...	...	...	...	...	...	...	...	...	...	...
HONG-KONG	...	...	...	...	...	...	...	...	35	1.892	54,1	0,0%	...	...	...	...	...	...	...	...	...	...	...	...
ITALY	...	...	...	...	...	...	...	...	10	255	25,5	0,0%	...	...	...	...	...	...	...	...	...	...	...	...
CZECH REP.	...	...	...	...	...	...	...	...	32.535	57.017	1,8	9,2%	76.000	148.748	2,0	11,9%	...	...	...	...	...	...	...	...
MALAYSIA	...	...	...	...	...	...	...	...	7.600	12.498	1,6	2,1%	...	...	...	...	...	...	...	...	...	...	...	...
UKRAINE	...	...	...	...	...	...	...	...	72.000	67.444	0,9	20,3%	...	...	...	...	...	...	...	...	...	...	...	...
SPAIN	10.167	35.506	3,5	8,6%	22	539	24,5	0,0%	...	...	...	...	15	327	21,8	0,0%	...	...	...	...	...	...	...	...
AUSTRALIA	...	...	...	...	124	457	3,7	0,1%	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
BOSNIA HERZI.	...	...	...	...	15.540	25.891	1,7	8,6%	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
HUNGARY	...	...	...	...	620	10.669	17,2	0,3%	...	...	...	...	72	1.205	16,7	0,0%	...	...	...	...	...	...	...	...
EGYPT	...	...	...	...	16.448	24.316	1,5	9,1%	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
USA	...	...	...	...	...	...	...	...	...	...	...	...	34	5.404	158,9	0,0%	...	...	...	...	...	...	...	...
RUSSIAN FED.	...	...	...	...	...	...	...	...	...	...	...	...	17.966	20.628	1,1	2,8%	...	...	...	...	...	...	...	...