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Committee on Safeguards

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

**NOTIFICATION PURSUANT TO ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS
(NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE)**

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2
OF THE AGREEMENT ON SAFEGUARDS**

TURKEY

(Yarns Made of Nylon or Other Polyamides)

The following notification, dated 22 October 2019, is being circulated at the request of the delegation of Turkey.

Concerning imports of yarns made of nylon or other polyamides, Turkey had notified the initiation of a safeguard investigation with the WTO Document G/SG/N/6/TUR/25, dated 4 January 2019.

Turkey hereby provides notification to the Committee on Safeguards of findings of serious injury or threat thereof caused by increased imports and notification of a proposed definitive safeguard measure. The public version of the investigation report (in Turkish) together with references and sources can be found at the following internet address:

<https://www.resmigazete.gov.tr/eskiler/2019/10/20191022-10.htm>.

Consistent with Article 12.3 of the Agreement on Safeguards, Turkey is prepared to consult with those Members having a substantial interest as exporters of the product concerned.

I. EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

A. Evidence of Serious Injury

In order to make a determination of serious injury or threat thereof to the domestic producers of the like product, an evaluation of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry was undertaken. The data, which were submitted by the applicant companies and utilized in this analysis, represent major proportion of the total domestic production of the product subject to investigation according to the 2018 figures.

1. Consumption

Unit (Tons)	2015	2016	2017	2018
Consumption (Indexed)	100	112	119	113

Consumption index rose during the period under consideration (PUC). Consumption reached its peak in 2017 with a level that is 19% higher than its level in 2015.

2. Production

Unit (Tons)	2015	2016	2017	2018
Production (Indexed)	100	90	88	61

Production index decreased continuously and significantly during the PUC. Production level decreased by 39% from 2015 to 2018.

3. Domestic Sales

Unit (Tons)	2015	2016	2017	2018
Domestic Sales (Indexed)	100	100	85	64

Domestic sales index was stable from 2015 to 2016, whereas it decreased in the following two years. Consequently, the index declined to 64 as its lowest point in 2018.

4. Capacity and Capacity Utilization Ratio (CUR)

Unit (Tons)	2015	2016	2017	2018
Capacity (Indexed)	100	100	100	100
CUR (%) (Indexed)	100	90	88	61

Production capacity remained unchanged throughout the period. Capacity utilization ratio (CUR) index declined continuously from 100 in 2015 to 61 points in 2018.

5. Inventories

Unit (Tons)	2015	2016	2017	2018
Stocks (Indexed)	100	56	30	60

At the end of the investigation period, inventory index decreased to 60 points in 2018. In general, the inventory indicator followed a negatively fluctuating course during the PUC. Besides, inventories increased significantly at the end of the PUC compared to the level of the preceding year.

6. Employment

Workers	2015	2016	2017	2018
Employment (Indexed)	100	111	97	88

Employment index usually showed a descending pattern throughout the period under consideration in line with the production index.

7. Labor Productivity

Unit (Tons) per Worker	2015	2016	2017	2018
Productivity (Indexed)	100	81	91	70

Labor productivity index displayed a fluctuating trend of 81 points in 2016 and 91 points in 2017. The index declined to 70 points, its lowest level of the period, in 2018.

8. Profitability

Net Profit/Total Sales	2015	2016	2017	2018
Profitability (Indexed) (%)	100	-61	-55	-81

Domestic industry incurred significant losses from sales of the product concerned through 2016 onwards.

9. Conclusion

Domestic industry's production and domestic sales of the product concerned decreased notably whereas consumption increased during the PUC. The production capacity of the producers remained stable while the capacity utilization decreased gradually. As a result, employment decreased constantly together with the labor productivity. In addition, domestic industry faced significant losses throughout the period analyzed.

Taking into account all these factors, it is concluded that the domestic industry as a whole is exposed to serious injury for the product subject to investigation.

B. Causation Analysis

In order to examine the existence of a causal link between increased imports and the serious injury and in order to ensure that injury caused by other factors is not attributed to increased imports, the investigating authority analyzed the effects of the following factors:

1. Analysis of Causation Factors

(a) Effect of Increased Imports

Imports of the product subject to investigation increased constantly during the PUC. In the first 2 years of the investigation period, the imports increased by 15% from 2015 to 2016 and by 14% between 2016 and 2017. From 2017 to 2018, the quantity of imports increased by 2%, while the increase between the January-June periods of 2018 and 2019 was 4%.

Likewise, the market share of imports increased significantly between 2015 and 2018. Therefore, it is concluded that the increase in imports and the deterioration in the economic indicators of the domestic industry followed a similar pattern throughout the period analyzed due to the slump of the domestic sales of the producer companies within the Turkish market.

In conclusion, it is inferred that there is a correlation between the increase in imports and the serious injury that the domestic industry is exposed to.

(b) Conditions of Competition

The product concerned covers a wide scope of yarns that are being used in the manufacturing of various products such as nylon stockings, seamless underwear and home textile. According to the information obtained during the investigation, the investigation authority understood that price is the most significant criteria for the users of the product under consideration. In this respect, it is evident that price levels mainly determine the sales volumes of domestic and imported goods within Turkish market.

The figures related to the unit prices of the imported good show that the average unit prices of the imported good fell X % below the prices of domestic products. In order to make a comparison between sales prices of the imported and domestic goods, the unit prices of the textured yarns determined as the most imported product group among the PUC, were obtained from the domestic industry and the Turkish Statistical Database for 2019. The import prices of some exporter countries and domestic producers can be found on the following table.

Drawn textured yarn made of nylon or other polyamides	Unit Import/Sale Prices
Chinese Taipei	3,41 \$/Kg
P.R.C.	3,58 \$/Kg
Average of All Imports into Turkey	4,22 \$/kg
Domestic Producers (ex-works)	X \$/Kg

The average import prices of the first two import sources remain significantly lower than total average import prices. In this framework, it is concluded that imported goods undercut the prices of the domestic producers during the period concerned.

(c) Coinciding Trends

It is understood that there is parallelism between all the relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry such as the decline in the profitability, the recent increase in the imports of the product concerned in absolute and relative terms and the increase in the market share of the imports.

Moreover, the applicant companies could not increase their capacity due to the constraining impacts of the imports despite the fact that total consumption increased in the period from 2015 to 2018. For instance, while the imports increased significantly, the domestic production decreased harmoniously with the capacity utilization ratio in the investigation period.

Taking into account these evaluations, it is concluded that the surge in the imports of the product concerned and the serious injury on the domestic producers are related.

(d) Other Factors

(i) Exports

The investigating authority concluded that the changes in the level of exports were not a cause of serious injury suffered by the domestic producers.

(ii) Production Technology of the Domestic Producers

Some parties claimed that the domestic producers could not compete with imported product in terms of quality. However, not only the findings from on the spot investigations but also other documents submitted by the interested parties throughout the investigation reveal that the production technologies of the domestic producers are identical with the exporter companies' that allow them to produce all qualities of products.

As a result, it appears that technology did not play a role in the serious injury that the domestic industry has been facing.

2. Conclusion on Causation

From 2015 to 2018, the quantities of imports increased significantly at the rate of 33%. In this framework, having concluded that there is a correlation between the increase in imports and the serious injury that the domestic industry has been facing; having examined the effects of other known factors and having determined that no injurious effects resulted from these; the investigating authority reached to the conclusion that there is a causal link between increased imports and serious injury that the domestic industry has been exposed to.

II. INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

1. Unforeseen Developments-Developments in Other Markets

Global Exports of the Main Supplier Countries						
	2014	2015	2016	2017	2018	2014-2018
Country	Tons	Tons	Tons	Tons	Tons	% Δ
Chinese Taipei	135.676	118.166	115.075	108.324	98.354	-28%
P.R.C.	89.171	91.914	114.762	128.894	131.453	47%
Italy	115.122	108.983	107.805	105.929	101.070	-12%
Russian Federation	1.387	1.678	1.051	3.096	3.509	153%
Republic of Korea	35.657	34.485	32.665	31.476	30.864	-13%
Germany	25.060	22.799	19.862	20.445	16.901	-33%
Israel	13.682	10.523	14.925	12.502	10.086	-26%
India	1.967	1.604	1.788	3.242	5.421	176%
Slovenia	49.259	44.458	43.918	47.086	46.760	-5%
Indonesia	13.315	13.409	13.153	12.821	12.445	-7%

According to the International Trade Centre data for the period of 2014-2018, the share of Chinese Taipei, which is Turkey's primary source of imports, in global exports decreased significantly while imports from Chinese Taipei into Turkey increased notably at the same period. In addition to this fact, China, Russia and India increased the quantity of their global exports by rates of 47%, 153% and 176%, respectively. Continuously increasing production quantities in those developing supplier countries and their low raw material and labor cost levels have paved the way for increase in imports of yarns made of nylon into Turkey. Thus, domestic producers, which could once compete with those producers in the developed countries, had to face with huge suppliers in a very short span of time.

In the light of the above evaluations, the investigating authority concluded that the unforeseen recent developments in the world market had a negative impact on the import trend of Turkey during the investigation period.

2. Increase in Imports

An analysis of the increase in imports into Turkey of the product concerned both in absolute and relative terms was carried out over the period from 2015 to January-June of 2019. Imports of the product concerned increased considerably, both in absolute terms and relative to domestic production, during the period of investigation.

(a) Absolute Imports

Imports (Tons)	2015	2016	2017	2018	2018 (1-6)	2019 (1-6)
	24.986	28.622	32.514	33.174	18.050	18.833

Imports of the product subject to investigation increased constantly during the period analyzed. Imports grew by 4% in the first 6-month period of 2019 compared with the same period of 2018.

(b) Relative Imports

Imports/Production (% - Index)	2015	2016	2017	2018
	100	111	121	150

Similar to imports in absolute terms, the ratio of imports to domestic production rose dramatically throughout the period of investigation.

(c) Market Share of Imports

Market Share of Imports (% - Index)	2015	2016	2017	2018
	100	102	111	117

The imports of the product subject to investigation increased its market share significantly in the last 4-year period.

(d) Share of Countries in Turkey's Imports

Country	2015	2016	2017	2018
	Qty. (%)	Qty. (%)	Qty. (%)	Qty. (%)
Chinese Taipei	13%	10%	16%	25%
P.R.C.	13%	17%	22%	17%
Italy	14%	10%	11%	9%
Russian Federation	4%	1%	6%	6%
Republic of Korea	3%	4%	4%	6%
Germany	9%	7%	8%	6%
Israel	12%	12%	10%	5%
India	0%	0%	1%	4%
Slovenia	4%	2%	1%	3%
Indonesia	2%	4%	3%	3%
Thailand	2%	2%	1%	3%
Poland	1%	2%	2%	2%
Belarus	0%	0%	1%	2%
Vietnam	0%	1%	2%	2%
Croatia	2%	2%	2%	2%
Czechia	0%	1%	1%	1%
Belgium	0%	0%	1%	1%
Spain	3%	1%	1%	1%
Egypt	0%	1%	1%	1%
Bulgaria	1%	2%	1%	1%
Others	17%	22%	4%	2%

The distribution of imports among supplying countries changed notably during the period concerned. Particularly, the share of products originated in Chinese Taipei, that are characterized with relatively low unit price levels, expanded dramatically in 2017 and 2018 whereas products of Italian, Israeli and German origin lost their position in the composition of imports.

III. PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

The subject product is classified under Turkish Customs Codes 5402.31, 5402.32.00.00.00, 5402.45, 5402.51 and 5402.61 in Turkish Customs Tariff Schedule of 2019. It includes DTY (Drawn Textured Yarn), FDY (Fully Drawn Yarn), POY (Partially Oriented Yarn) and other yarns made of Nylon or other Polyamides.

IV. DESCRIPTION OF THE PROPOSED MEASURE

The imposition of a definitive safeguard measure is proposed in the form of specific duty per kilogram, which will be implemented as shown in the table below.

Customs Tariff Statistics Code	Definiton	Proposed Measure		
		1 st Year	2 nd Year	3 rd Year
5402.31	Of nylon or other polyamides, measuring per single yarn not more than 50 tex	0,30 USD/Kg	0,29 USD/Kg	0,28 USD/Kg
5402.32.00.00.00	Of nylon or other polyamides, measuring per single yarn more than 50 tex			
5402.51	Of nylon or other polyamides			
5402.61	Of nylon or other polyamides			
5402.45	Other, of nylon or other polyamides	0,10 USD/Kg	0,09 USD/Kg	0,08 USD/Kg

Below is the list of developing countries excluded from the measure, according to Article 9.1 of the Agreement on Safeguards, as they constitute less than 3% individually and 9% collectively of imports of Turkey. The exemption will be applied in the form of tariff quotas. To that end, each country will be granted, for each period, a tariff quota of 995 tons, the amount that represents 3% of imports of Turkey of the product concerned in the year 2018. Overall, total amount of tariff quota shall not exceed 2.986 tons, 9% of total imports of Turkey in 2018.

Afghanistan, Albania, Algeria, Angola, Antigua And Barbuda, Argentina, Azerbaijan - Nakhichevan, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana,

Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Congo Dem. Republic, Cook Islands, Costa Rica, Cuba, Djibouti, Dominica, Dominican Republic, East Timor, Egypt, El Salvador, Equator, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Financial, French Polynesia, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau,, Guyana, Haiti, Honduras, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Kirghizstan, Kiribati, Kosovo, Laos, Lebanon, Lesotho, Liberia, Libya, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Montserrat, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria, Niue, North Korea, Oman, Pakistan, Palau, Palestine, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, South Sudan, Sri Lanka, St. Vincent and the Grenadines, St. Kitts and Nevis, St. Lucia, Sudan, Suriname, Swaziland, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkmenistan, Tuvalu, Uganda, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

V. PROPOSED DATE OF INTRODUCTION OF THE MEASURE

The measure will enter into force on 21/11/2019. The related Presidential Decree was published in the Official Gazette on 22/10/2019.

VI. EXPECTED DURATION OF THE MEASURE

The expected duration of the proposed measure is three years.

VII. PROPOSED DATE FOR THE REVIEW

Not applicable.

VIII. EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

In order to induce adjustment, the proposed measure will be subject to liberalization on a regular basis following its imposition, thereby ensuring that there is a strong incentive for domestic producers to undertake progressively the necessary restructuring and adjustment programs. The proposed measure is to be progressively liberalized as indicated in item IV above.

IX. INFORMATION RELATING TO THE EXTENSION OF A SAFEGUARD MEASURE

Not applicable.
