

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

VENEZUELA

("Paper for Writing or Printing", "Sacks" and "Bags")

The following communication, dated 22 August 2003, has been received from the Permanent Mission of Venezuela.

Pursuant to Article 12.1(b) of the Agreement on Safeguards on making a finding of serious injury or threat thereof caused by increased imports, I have the pleasure to submit the following notification.

On 16 October 2001, by Decision No. ST-S-AP002/01, the Technical Secretariat of the Anti-Dumping and Subsidies Commission of the Venezuelan Ministry of Production and Trade agreed to initiate a safeguards investigation into imports of "paper for writing and printing", "sacks" and "bags".

The Government of Venezuela notified the initiation of the aforementioned investigation to the WTO on 24 October 2001, as indicated in document G/SG/N/6/VEN/4.

On 23 September 2002 the Provisional Technical Report was finalized, recommending the application of provisional safeguard measures to imports of "sacks" from countries members of the Cartagena Agreement and imports of "bags". It should be noted that the provisional safeguard measures recommended by the investigating authority have not yet been imposed.

The Final Technical Report of the Technical Secretariat of the Anti-Dumping and Subsidies Commission of the Venezuelan Ministry of Production and Trade, finalized on 31 July 2003, determined that definitive safeguard measures should be imposed on imports of "paper for writing and printing" and "sacks".

Pursuant to Venezuelan legislation on trade safeguards, when the investigating authority has decided that safeguard measures should be applied, it must send a report to the Minister for Production and Trade and the Minister for Finance confirming that the imports of the goods investigated have increased in such quantities and under such conditions as to cause serious injury to the domestic industry that produces like or directly competitive products so that the Ministers may evaluate the report and make their recommendations to the President of the Republic, who has to decide on the adoption of safeguard measures.

## **PAPER FOR WRITING AND PRINTING**

### **INCREASED IMPORTS**

During the investigation period (July 1998 - June 2001) the imports investigated increased by over 100 per cent in absolute terms; and showed a sharp increase relative to domestic production and consumption. The percentage of imports in comparison with domestic production more than doubled over the period investigated, from 39 per cent to 73 per cent and then 94 per cent in the first, second and third years of this period respectively. The share of the imports investigated in apparent consumption rose from 31.8 per cent to 52 per cent between the first and last years of the investigation period.

### **EVIDENCE OF SERIOUS INJURY**

The following variables were examined in order to decide whether or not the domestic industry suffered serious injury during the investigation period (July 1998 - June 2001) production, sales on the domestic market, exports, inventories, domestic ex-factory price, costs, operating margin, operating profits, market share, capacity utilized, number of persons employed, productivity, operating cash flow and return on current assets. This examination revealed the existence of serious injury to the domestic industry caused by a downturn in production, domestic sales, capacity utilization, the operating margin, inventories, operating profits expressed in thousands of dollars, market share, number of persons employed, operating cash flow and return on current assets.

### **CAUSAL LINK**

In determining the existence of a causal link between the imports investigated and the serious injury to domestic industry, the impact of other factors was also examined, in addition to analysing the injurious effects of the imports, but their harmful effects were not attributed to the imports. The other factors were: the trend in apparent consumption, export performance and the impact of the indebtedness of one of the domestic producers making the complaint.

As a result of the foregoing analysis, it was determined that, in addition to the injurious effects of the imports investigated on the domestic industry, injurious effects on the domestic industry were also caused by the decrease in exports and the indebtedness of one of the domestic producers. Nevertheless, given the limited impact of these two factors in comparison with the substantial negative effects of the imports, it was determined that there was a real and substantial causal link between the imports and the serious injury suffered by the domestic industry.

### **DESCRIPTION OF THE PRODUCT**

The following is a description of paper for writing and printing imported into Venezuela under the various subheadings of the Venezuelan customs tariff:

- 4802.51.00: weighing less than 40 g/m<sup>2</sup>, except all crepe paper;
- 4802.52.90: other, weighing 40 g/m<sup>2</sup> or more but not more than 150 g/m<sup>2</sup>;
- 4802.53.00: weighing more than 150 g/m<sup>2</sup>, except for artistic cards.

These subheadings are included under heading 4802, whose generic title is "Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and punch card stock and punch tape paper, in rolls or sheets".

- 4823.51.10: "continuous forms", printed, embossed or perforated;
- 4823.51.90: other, printed, embossed or perforated;
- 4823.59.00: other.

These subheadings are included in heading 4823, whose generic title is "Other paper, paperboard, cellulose wadding and webs of cellulose fibres, cut to size or shape; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of cellulose fibres.

#### PROPOSED MEASURE

The proposed measure consists of an increase of 22.5 percentage points in the tariff currently applicable, depending on origin, to imports of paper under headings 4802.51.00, 4802.52.90 and 4802.53.00, and an increase of 30 percentage points in the tariff currently applicable, depending on origin, to tariff subheadings 4823.51.10, 4823.51.90 and 4823.59.00 of the Venezuelan customs tariff.

#### PROPOSED DATE OF INTRODUCTION OF THE MEASURE

As yet there is no precise date for the imposition of the measure recommended as, pursuant to Venezuelan legislation on safeguard measures, a number of administrative procedures have to be accomplished by the Central Government, as well as requirements relating to the competitive readjustment plan, and this has not yet been done.

#### EXPECTED DURATION OF THE MEASURE

It has been recommended that the measure be imposed for a period not exceeding three years as of the date on which it comes into effect.

#### TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

Regarding its liberalization, if the measure is adopted for a period of three years, it has been recommended that tariff increases of 22.5 or 30 percentage points depending on the tariff heading should be applied during the first year and that they should decrease by one third in each of the two subsequent years, as indicated in the following table.

<b>Year of application</b>	<b>First year</b>	<b>Second year</b>	<b>Third year</b>
<b>Current tariff<sup>1</sup></b>	X%	X%	X%
<b>Tariff increase</b>	22.5 or 30 percentage points on the tariff rate, depending on the tariff heading	15 or 20 percentage points on the tariff rate, depending on the tariff heading	7.5 or 10 percentage points on the tariff rate, depending on the tariff heading
<b>Final tariff rate</b>	X% + 22.5 or 30 percentage points, depending on the tariff heading	X% + 15 or 20 percentage points, depending on the tariff heading	X% + 7.5 or 10 percentage points, depending on the tariff heading

<sup>1</sup> The rate depends on the tariff preferences granted or the status of the tariff reduction process, depending on the origin of the import.

## **SACKS**

### **INCREASED IMPORTS**

During the investigation period (July 1998 - June 2001), the imports investigated showed a sustained increase in absolute terms resulting in a net increase of 124.48 per cent over the period. The imports also increased significantly relative to domestic production and consumption; between the first and third years of the investigation period, imports rose from 71 per cent and 28 per cent to 299 per cent and 65 per cent of production and consumption respectively.

### **EVIDENCE OF SERIOUS INJURY**

The following variables were examined in order to determine whether or not the domestic industry suffered serious injury during the investigation period (July 1998 - June 2001): production, sales on the domestic market, exports, inventories, domestic ex-factory price, costs, operating margin, operating profits, market share, capacity utilization, number of persons employed, productivity, operating cash flow, and return on current assets. This examination revealed the existence of serious injury to the domestic industry caused by a downturn in production, domestic sales, inventories, market share, capacity utilization, number of persons employed, productivity, operating cash flow and the operating margin.

### **CAUSAL LINK**

In determining the existence of a causal link between the imports investigated and the serious injury to domestic industry, the impact of other factors was also examined in addition to analysing the injurious effects of the imports but their harmful effects were not attributed to the imports. The other factors were: the trend in apparent consumption; domestic sales of sacks during the investigation period by another domestic enterprise that no longer manufactures sacks; export performance and the concentration of sales to major clients by the domestic producer making the complaint.

As a result of the foregoing analysis, it was determined that, in addition to the injurious effects of the imports investigated on the domestic industry, injurious effects on the domestic industry were caused by the slight drop in apparent consumption and in exports. Nevertheless, given the limited impact of these two factors in comparison with the substantial negative effects of the imports, it was determined that there was a real and substantial causal link between the imports and the serious injury suffered by the domestic industry.

### **DESCRIPTION OF THE PRODUCT**

Sacks imported into Venezuela under the following subheadings of the Venezuelan customs tariff, as described below:

- 4819.30.10: Multi-ply; sacks (bags) having a base width of 40 cm or more;
- 4819.30.90: Other, having a base width of 40 cm or more.

### **PROPOSED MEASURE**

The proposed measure consists of an increase of 22.5 percentage points in the tariff currently applicable, depending on origin, to imports of sacks under headings 4819.30.10 and 4819.30.90 of the Venezuelan customs tariff.

## PROPOSED DATE OF INTRODUCTION OF THE MEASURE

As yet there is no precise date for the imposition of the measure recommended as, pursuant to Venezuelan legislation on safeguard measures, a number of administrative procedures have to be accomplished by the Central Government, as well as requirements relating to the competitive readjustment plan, and this has not yet been done.

## EXPECTED DURATION OF THE MEASURE

It has been recommended that the measure be imposed for a period not exceeding three years as of the date on which it comes into effect.

## TIMETABLE FOR THE PROGRESSIVE LIBERALIZATION OF THE MEASURE

Regarding its liberalization, if the measure is adopted for a period of three years, it has been recommended that tariff increases of 22.5 percentage points in the tariff should be applied, decreasing by one third over the next two years, as shown in the table below.

<b>Year of application</b>	<b>First year</b>	<b>Second year</b>	<b>Third year</b>
<b>Current tariff<sup>1</sup></b>	X%	X%	X%
<b>Tariff increase</b>	22.5 percentage points in the tariff	15 percentage points in the tariff	7.5 percentage points in the tariff
<b>Final tariff rate</b>	X% + 22.5 percentage points	X% + 15 percentage points	X% + 7.5 percentage points

<sup>1</sup> The rate depends on the tariff preferences granted or the status of the tariff reduction process, depending on the origin of the import.