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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLES 7.2 AND 12.1(C) OF THE AGREEMENT
ON SAFEGUARDS ON TAKING A DECISION TO APPLY A SAFEGUARD
MEASURE (EXTENSION OF THE EXISTING MEASURE)**

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

TURKEY

Wallpaper and similar wallcoverings

Supplement

The following communication, dated and received on 14 July 2021, is being circulated at the request of the delegation of Turkey.

Turkey encloses a notification pursuant to Article 7.2, 12.1(c) and Article 9, footnote 2 of the Agreement on Safeguards, on taking a decision to extend a safeguard measure that is being applied against imports of wallpaper and similar wallcoverings and non-application of the safeguard measure to developing countries. The initial safeguard measure was notified with the document G/SG/N/8/TUR/15 - G/SG/N/10/TUR/15 - G/SG/N/11/TUR/20, dated 26 June 2015. The first extension of the measure pursuant to Articles 7.2 and 12.1(c) was notified with the document G/SG/N/6/TUR/20/Suppl.1, dated 9 March 2018. The initiation of the review investigation pursuant to Article 7.2 regarding the extension of a safeguard measure was also notified with the document G/SG/N/6/TUR/20/Suppl.2, dated 20 January 2021.

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

**1 NOTIFICATION UNDER ARTICLES 7.2 AND 12.1(C) OF THE AGREEMENT ON
SAFEGUARDS UPON TAKING A DECISION TO EXTEND A SAFEGUARD MEASURE**

**1.1 Evidence that the safeguard measure continues to be necessary to prevent or remedy
serious injury or threat thereof caused by increased imports**

The investigation has been conducted by the Turkish Investigating Authority. In order to review the situation of the domestic industry after imposition of the safeguard measure, an evaluation of all relevant factors of an objective and quantifiable nature was undertaken for the period under consideration (PUC), January 2016-December 2020. The data, which were submitted by the applicant companies and used in this analysis, represent major proportion of the total domestic production of the product involved according to the 2020 figures.

(i) Consumption

In calculating the size of the domestic market, domestic sales figures of the applicant domestic producers and import figures in the related period are summed up.

Tons	2016	2017	2018	2019	2020
Consumption (Indexed)	100	106	99	61	64

Throughout the PUC, consumption index decreased, except for 2017 and 2020, and ended up with a decrease of 36 points in comparison with that of the base year.

(ii) *Production*

Tons	2016	2017	2018	2019	2020
Production (Indexed)	100	166	159	140	135

Annual production index of the domestic producers, which increased in 2017, decreased from 2018 onwards. In 2020, production index was recorded as 135.

(iii) *Domestic Sales*

Tons	2016	2017	2018	2019	2020
Domestic Sales (Indexed)	100	122	135	87	95

Domestic sales indicate annual increase rates of 22% and 10% in 2017 and 2018, respectively. However, the index decreased by 36% in 2019 and went back to 95 points in 2020.

(iv) *Capacity and Capacity Utilization*

Tons	2016	2017	2018	2019	2020
Capacity (Indexed)	100	100	160	160	160
CUR(%) (Indexed)	100	166	99	88	84

The capacity and the capacity utilization rate of the domestic producers are indexed in the table above. There is an increase in domestic production capacity in 2018. With the effects of the decreasing production, a decrease in the capacity utilization rate is observed from the year 2017 onwards.

(v) *Employment*

Number of Workers	2016	2017	2018	2019	2020
Employment (Indexed)	100	94	126	114	123

The overall number of workers employed by the domestic producers increased in 2018, in parallel with the increasing capacity. Following a decline in 2019, the index level of employment reached 123 in 2020.

(vi) *Productivity*

Tons per Worker	2016	2017	2018	2019	2020
Productivity (Indexed)	100	177	126	123	110

When the productivity indicator that describes the annual production amount performed by one worker is examined, it is seen an increase by 77% in 2017 in comparison to that of 2016. However, the productivity has a decreasing trend with the effects of low capacity utilization rates in 2018 onwards.

(vii) Stocks

Tons	2016	2017	2018	2019	2020
Stocks (Indexed)	100	312	310	399	410

The end of period stocks increased during the PUC, except for 2018. It is understood that the wallpaper sector tends to keep stocks due to its characteristics such as changing needs of end users and the difference between supply and demand conditions in certain periods.

(viii) Profitability

Net Profit/Total Sales	2016	2017	2018	2019	2020
Profitability (Indexed)	100	75	63	43	105

The index of the profitability of the domestic producers is given in the table above. According to these values, profitability index, which dropped by 25% in 2017, increased in the 2020.

(ix) Conclusion

With the introduction of the safeguard measure in 2015, absolute and relative imports of wallpaper and similar wallcoverings have decreased considerably and the situation of the domestic producers has entered an upward trend. As a result, the market share and the sales of the domestic producers increased relatively during the PUC and the domestic industry realized a capacity increase in 2018.

During the PUC, employment figures also went up, however, the capacity utilization rate and labor productivity have a decreasing trend with the effects of low capacity utilization rates from 2018 onwards. The stocks increased constantly during the PUC.

The profitability has been decreasing for the first four years with the increase of wallpaper production and the number of producers in the country. The main reason for this situation is increased costs. In addition to the increase in the prices of raw materials used in production, rising costs of basic inputs (labor, energy, etc.) and the negative impact of Covid-19, the newly established companies' increasing financial and research and development costs are among the main reasons for the decrease in profitability. However, the profitability began to increase and recover in 2020. Therefore, it is concluded that the economic figures of the domestic industry recovered to some extent.

1.2 Information on imports in absolute term and relative to domestic production

Imports figures of the PUC are presented in the table below. In addition to the figures covered by the PUC, imports statistics of the first 4-month periods of 2020 and 2021 are provided as supplementary information.

(i) General View of Imports

IMPORTS Period	Quantity	Value	Unit Price	Change		
	Kg	\$	(\$/Kg)	Kg	\$	(\$/Kg)
2016	2,224,999	13,214,426	5.94	-	-	-
2017	2,079,416	13,526,406	6.50	-7%	2%	10%
2018	1,214,959	8,496,343	6.99	-42%	-37%	8%
2019	664,602	4,985,626	7.50	-45%	-41%	7%
2020	654,789	4,781,271	7.30	-1%	-4%	-3%
2020(4)	164,337	1,273,031	7.75	-	-	-
2021(4)	192,975	1,522,746	7.89	17%	20%	2%

As seen in the table above, in the investigation period imports of the product concerned followed a decreasing trend after the entry into force of the safeguard measure in 2016. Imports decreased by 7% to 2,079 tons in 2017 compared to that of the previous year. Decrease rates became 42% and 45% in 2018 and 2019, respectively.

On the contrary, the most recent import data shows an increasing trend. In the first 4-month period of 2021, quantity of imports increased by 17%, compared to the same period of the previous year.

It is understood that within the scope of the investigation, imports of the product concerned have increased in unit price, except for 2020.

(ii) *Imports Relative to Domestic Production*

Imports/Production	2016	2017	2018	2019	2020
Index	100	62	38	24	25

Imports relative to domestic production has shown a sharply declining trend. The index, which stood at 100 in 2016, went down to 25 points in 2017.

(iii) *Market Share of Imports*

Market Share of Imports	2016	2017	2018	2019	2020
Index	100	89	55	49	46

The index of market share of imports decreased from 100 in 2016 to 46 in 2020.

1.3 Precise description of the product involved

The HS based codes under the Turkish Customs Tariff Schedule and description of the product concerned are listed in the table below.

HS Based Code	Description of the Product
4814.20.00.00.00	Wallpaper and similar wallcoverings, consisting of paper coated or covered, on the face side, with a grained, embossed, coloured, design-printed or otherwise decorated layer of plastics
4814.90.10.00.00	Wallpaper and similar wallcoverings, consisting of grained, embossed, surface-coloured, design-printed or otherwise surface-decorated paper, coated or covered with transparent protective plastics
4814.90.70.10.00	Wallpaper and similar wall coverings, consisting of paper covered, on the face side, with plaiting material, whether or not bound together in parallel strands or woven

1.4 Description of any part of the imported product that will no longer be subject to the measure in the extension

Not applicable.

1.5 Precise description of the proposed measure

The safeguard measure is proposed to be extended for 3 years until 5 August 2024 (5 August 2024 is included) in the form of specific duty which will be implemented as shown in the table below.

Turkish Customs Tariff Code	Description of The Product	1 st Period (6.8.2021- 5.8.2022)	2 nd Period (6.8.2022- 5.8.2023)	3 rd Period (6.8.2023- 5.8.2024)
4814.20.00.00.00	Wallpaper and similar wallcoverings, consisting of paper coated or covered, on the face side, with a grained, embossed, coloured, design-printed or otherwise decorated layer of plastics	3.00 USD/Kg	2.75 USD/Kg	2.50 USD/Kg
4814.90.10.00.00	Wallpaper and similar wallcoverings, consisting of grained, embossed, surface-coloured, design-printed or otherwise surface-decorated paper, coated or covered with transparent protective plastics			
4814.90.70.10.00	Wallpaper and similar wall coverings, consisting of paper covered, on the face side, with plaiting material, whether or not bound together in parallel strands or woven			

1.6 Proposed date of introduction of the measure

The measure will come into force on 6 August 2021.

1.7 Expected duration of the measure

The expected duration of the proposed measure is three years.

1.8 Proposed date for the review

Not applicable.

1.9 Expected timetable for progressive liberalization of the measure

The measure is proposed to be liberalized annually as stated in the Section 1.5.

1.10 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:

Not applicable.

1.11 Information relating to the extension of a safeguard measure

- (i) *Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof:*

With the entry into force of the safeguard measure, imports of the product under investigation decreased remarkably during the investigation period, while the weighted average import unit price increased continuously except for 2020. It is thought that the reason for the recent increase in imported unit prices is the shift in line with consumer preferences in wallpaper and similar wall coverings to the upper segment product types, which are more expensive on a global basis. It is understood that the increase in domestic production unit sales prices reflects a similar situation. In addition, the introduction of a specific safeguard measure has had imported products shift to upper segment high unit price segment in the market since they are subject to less burden of measure proportionately. Finally, rise in production costs is another reason behind the increase in unit prices.

The International Trade Center (ITC) data of the global exporters of wallpaper and similar wallcoverings classified in the Customs Headings as 4814.20 and 4814.90 which covers the top 5 countries ranked according to the amount of exports realized in 2020 and approximately constitutes 75% of the whole exports are presented in the following table.

Countries	Quantity (Thousand Tons)					Value (Million \$)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
China	73	93	90	111	119	280	340	327	378	402
Germany	54	54	48	44	43	261	257	246	211	209
Russian Federation	16	18	23	26	29	54	74	90	102	108
Ukraine	47	51	45	27	24	129	145	134	81	73
Belgium	18	19	18	22	21	108	116	115	125	128
Other	133	131	119	112	84	752	708	701	866	541
Total	341	365	343	342	319	1.584	1.641	1.613	1.763	1.461

Countries	Unit Price (\$/Kg)					%				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
China	3.84	3.65	3.64	3.41	3.38	21%	26%	26%	32%	37%
Germany	4.85	4.80	5.13	4.78	4.90	16%	15%	14%	13%	13%
Russian Federation	3.35	4.14	3.94	3.94	3.77	5%	5%	7%	8%	9%
Ukraine	2.76	2.85	2.97	3.00	3.05	14%	14%	13%	8%	7%
Belgium	6.11	6.07	6.32	5.73	6.10	5%	5%	5%	6%	7%
Other	5.63	5.43	5.89	7.74	6.46	39%	36%	35%	33%	26%
Total	4.65	4.49	4.70	5.16	4.58	100%	100%	100%	100%	100%

As seen in the aforementioned table, China, Germany and the Russian Federation are the largest exporting countries within the framework of global exports and the share of China, which was the largest exporter during the investigation period, in total exports has increased continuously and the export price has decreased constantly in the same period. Export unit prices of China and the Russian Federation, which are among the top 3 exporters, are below the general average export prices. In this context, it is understood that these countries continue to have the opportunity to export low unit price wallpaper and similar wall coverings to other countries.

In addition, although there was no price undercutting for general imports during the investigation period, it was determined that products originating from the Russian Federation would undercut the prices of domestic products if the measure were not implemented. In this context, it is thought that if the exports of these countries, which are in the first place in global exports, were increasingly forwarded into Turkish market with the mentioned low unit values, significant obstacles would arise for domestic manufacturers to adapt to the competition conditions.

In this respect, it has been determined that the safeguard measure continues to be necessary to prevent and remedy serious injury, taking into account that there is a delicate balance between imported and domestic product prices on the market.

(ii) Evidence that the industry concerned is adjusting:

It is understood that there has been a sharp decline in import figures with the implementation of safeguard measures in the investigation period, and it is also understood that domestic producers have recovered to some extent in economic indicators. Following the safeguard measure, some economic indicators such as production, sales, capacity and employment increased, and market share of imports declined considerably.

On the other hand, in terms of industrial costs derived from the increasing exchange rate due to the use of imported raw materials; and of commercial costs due to new factory establishment, capacity increase and increase in R&D expenditures, it is observed that there has been a decrease in profitability in the first four years of PUC, however, it began to recover in 2020.

It has been found that domestic producers have been endeavoring to adapt to a competitive environment in which safeguard measure will not be implemented in the future. Most of the companies, that started production activities especially after the safeguard measure, expanded their product ranges by developing new and different type and size wallpapers, focusing on premium products, established R&D units which were absent in the past and carried out some improvements within the company in order to increase quality standards.

On the other hand, Covid-19 pandemic has also had significant negative effects on the wallpaper sector, with a contraction in the market and rising raw material costs. It is known that efforts are being made by the companies in the sector to supply the raw materials from domestic producers, which are needed by the wallpaper sector. It is considered that the safeguard measure should be continued in order to make the paper and paint production in Turkey, which are the most important raw materials in terms of added-value and to develop the subsidiary industry branches more easily.

In this context, it is understood that the domestic wallpaper industry is in the process of adaptation within the framework of the external dependency on inputs, the resources allocated for the R&D for the fashionable products, the establishment of new factories and the financing costs due to the capacity increase. Besides, the domestic producers recently focused on the premium segment

products and also the new machines, which have the ability of production of different size wallpapers. The domestic industry started to establish a more firm and widespread marketing network after 2018 to be able to more competitive against the global companies.

(iii) *Reference to the WTO document that notified the initial application of the measure:*

The introduction of the definitive safeguard measure was notified with the document G/SG/N/8/TUR/15, G/SG/N/10/TUR/15, G/SG/N/11/TUR/20, dated 26 June 2015.

(iv) *Duration of the measure from initial application till the date at which it will be extended:*

The safeguard measure was initiated on 6 August 2015 and, after the first extension in 2018, will be in force till 5 August 2021. Turkey now intends to extend the safeguard measure until 5 August 2024.

(v) *Precise description of the measure in place prior to the date of extension*

The measure in place prior to the date of extension is a specific duty, which was put into force on imports of wallpaper and similar wallcoverings by the Council of Ministers decision published in the Official Gazette dated 10 August 2018, no. 30505. The level of duties is identified in the table below.

Turkish Customs Tariff Code	Description of The Product	1 st Period (6.8.2018-< 5.8.2019)	2 nd Period (6.8.2019- 5.8.2020)	3 rd Period (6.8.2020- 5.8.2021)
4814.20.00.00.00	Wallpaper and similar wallcoverings, consisting of paper coated or covered, on the face side, with a grained, embossed, coloured, design-printed or otherwise decorated layer of plastics	3.75 USD/Kg	3.50 USD/Kg	3.25 USD/Kg
4814.90.10.00.00	Wallpaper and similar wallcoverings, consisting of grained, embossed, surface-coloured, design-printed or otherwise surface-decorated paper, coated or covered with transparent protective plastics			
4814.90.70.10.00	Wallpaper and similar wall coverings, consisting of paper covered, on the face side, with plaiting material, whether or not bound together in parallel strands or woven			

1.12 Information relating to exporting members

(i) *The major exporting Members of imports of the product involved:*

Countries	Quantities (Tons)					Value (Thousand \$)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Germany	441	474	385	308	253	2.446	2.977	2.446	1.889	1.614
Italy	263	289	157	127	133	2.048	2.262	1.332	1.027	1.049
China	156	244	258	85	115	862	1.532	1.507	475	653
Belgium	98	139	75	60	60	942	1.251	709	459	524
Holland	76	52	36	27	28	662	460	303	245	244
Ukraine	327	225	102	7	15	1.314	889	418	24	60
Belarus	93	45	0	0	10	442	218			31
Russian Federation	124	188	86	20	10	398	763	472	90	26
France	48	37	22	5	9	339	289	279	124	86
Japan	7	3	7	5	7	70	41	86	64	54
Other	592	383	88	22	15	3.693	2.843	944	588	439
Total	2.225	2.079	1.215	665	655	13.214	13.526	8.496	4.986	4.781

(ii) *There are no exporting members to which the measure does not apply for any reason other than the application of Article 9.1*

Not applicable.

1.13 Members are encouraged to attach, in an electronic form, publicly available document(s) containing the relevant decision(s) made by the competent authority.

The official documents regarding the investigation and the final decision are available in the link below.

<https://ticaret.gov.tr/ithalat/ticaret-politikasi-savunma-araclari/korunma-onlemleri/yururlukteki-onlemler>

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

2.1 The measure

It is proposed to impose safeguard measure as described in Section 1.5.

2.2 The product subject to the measure

The measure is applied to the product described in Section 1.3.

2.3 Developing countries to which the measure is not applied under article 9.1 of the Agreement on Safeguards.

The developing countries which are excluded from the measure as they export in quantities less than 3% of imports to Turkey are listed below.

Afghanistan, Angola, Antigua And Barbuda, Argentina, Albania, Azerbaijan, Bangladesh, Barbados, Belarus, Belize, Benin, Bolivia (Plurinational State Of), Bosnia And Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Bhutan, Algeria, Djibouti, Cook Islands, Chad, Democratic Republic Of The Congo, Dominican Republic, Dominica, Ecuador, Equatorial Guinea, El Salvador, Indonesia, Eritrea, Ethiopia, Morocco, Fiji, Côte D'Ivoire, Philippines, State Of Palestine, French Polynesia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Grenada, Guatemala, Guyana, South Africa, South Sudan, Georgia, Haiti, India, Honduras, Iraq, Iran, Jamaica, Cambodia, Cameroon, Cabo Verde, Montenegro, Kazakhstan, Kenya, Kyrgyzstan, Kiribati, Colombia, Comoros, Congo, Kosovo, Costa Rica, Democratic People's Republic Of Korea, Cuba, Lao People's Democratic Republic, Lesotho, Liberia, Libya, Lebanon, Madagascar, Republic Of North Macedonia, Malawi, Maldives, Malaysia, Mali, Marshall Islands, Mozambique, Mexico, Egypt, Micronesia (Federated States Of), Mongolia, Republic Of Moldova, Montserrat, Mauritania, Mauritius, Myanmar, Namibia, Nauru, Nepal, Niger, Nigeria, Nicaragua, Niue, Central African Republic, Uzbekistan, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Rwanda, Russian Federation, Samoa, Sao Tome And Principe, Senegal, Seychelles, Serbia, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Saint Kitts And Nevis, Saint Lucia, Saint Vincent And The Grenadines, Sudan, Suriname, Eswatini, Chile, Tajikistan, United Republic Of Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad And Tobago, Tunisia, Tuvalu, Turkmenistan, Uganda, Ukraine, Oman, Uruguay, Jordan, Vanuatu, Venezuela (Bolivarian Republic Of), Viet Nam, Yemen, Zambia, Zimbabwe.