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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.5 OF THE AGREEMENT  
ON SAFEGUARDS OF THE RESULTS OF A MID-TERM  
REVIEW REFERRED TO IN ARTICLE 7.4**

INDONESIA

*(Seamless Pipe Casing and Tubing)*

The following communication, dated 7 September 2015, is being circulated at the request of the Delegation of Indonesia.

This notification is made pursuant to paragraph 5 of Article 12 of the Agreement on Safeguards, which sets forth that mid-term reviews, under paragraph 4 of Article 7, shall be notified to the Council for Trade in Goods, in conformity with the format established in document G/SG/1/Rev.1, dated 5 November 2009.

**1 SPECIFY THE MEASURE AND THE PRODUCT SUBJECT TO THE MEASURE FOR WHICH THE MID-TERM REVIEW WAS CONDUCTED, AND PROVIDE REFERENCE TO THE WTO DOCUMENT THAT NOTIFIED THE SAFEGUARD MEASURE SUBJECT TO THE REVIEW**

The measure is a tariff on imports of Seamless Pipe Casing and Tubing. The duty payable was set with the aim of preventing a threat of serious injury to the Applicant. Further details regarding the measure are set out in the notification on definitive measures: G/SG/N/8/IDN/14/Suppl.1-G/SG/N/10/IDN/14/Suppl.1-G/SG/N/11/IDN/12 dated 26 August 2013. The Subject Good under investigation is seamless pipe casing and tubing made from iron or steel, with diameter width from minimum of 2 3/8 inch to maximum of 14 inch, and with yield strength of equal or more than 75,000 Psi, worked or un-worked pipe-end, under HS code Ex. 7304.29.00.90.

**2 PROVIDE THE DATES OF INITIATION AND CONCLUSION OF THE REVIEW**

On 14 January 2015, the Indonesian Safeguards Committee (*Komite Pengamanan Perdagangan Indonesia/KPPI*) hereinafter referred as "Investigating Authority" initiated an investigatory process relating to the definitive safeguard measure on imports of Seamless Pipe Casing and Tubing which had been imposed on 6 August 2013. The review was concluded on 31 August 2015.

**3 DESCRIBE THE RESULTS OF THE REVIEW, PROVIDING SOME DETAIL ON THE BASIS FOR REACHING THOSE RESULTS**

In order to review the situation of the domestic industry after the imposition of the safeguard measure, the analysis conducted by the Investigating Authority focused on data related to the period between the calendar year of 2012 until 2014, considering that safeguard measure has been in force as of 6 August 2013.

For the purpose of the review, KPPI has sent questionnaires to interested parties i.e. *Asosiasi Produsen Pipa Pemboran Minyak dan Gas Bumi Indonesia* (APROPIPE), and association of importer producers of the Subject Good (*Asosiasi Produsen OCTG & Accessories/PROA*).

### 3.1 Restructuring

The restructuring efforts made by the domestic industry were examined in the review:

1. Improving the Heat Treatment facility, Renewed the certification of API-5CT in order to fulfill specification and market demand.
2. Conduct certification training to all employees in the various areas of work such as production, quality control, technical sales and administration to increase efficiency.
3. Improving Safety, Health, and Environment to comply with: Certification to Occupational Health & Safety Advisory Services 18000 for Health and Safety, International Organization for Standardization 14000 certification for environmental, Coolant Management Filtration System for the machine in order to have a longer lifetime, achieved performance appraisal environmental company management from ministry of environment.
4. Adding the production facilities such as research laboratory for materials, Non-Destructive Test machine, and Sand Blasting facilities that are environmentally friendly.

### 3.2 Imports

#### 3.2.1 Volume of Imports

**TABLE 1: ABSOLUTE IMPORTS**

Description	Years		
	2012	2013	2014
Volume (Ton)	119.095	92.972	18.914
Change (%)		(22)	(80)
Trend (%)		(60)	

Source: Indonesian Statistics (BPS)

From the Table 1 above, it is shown that from 2012 to 2014 the volume of imports decreased with the trend of 60%. Since the enforcement of the safeguard measure of 6 August 2013, the volume of imports in 2013 was decreased by 22% and in 2014 was decreased again by 80%.

#### 3.2.2 Changes on Share of Imports by Main Countries

**TABLE 2: CHANGES ON SHARE OF IMPORTS BY MAIN COUNTRIES**

Unit: %

Countries	Years			Trend (12-14)
	2012	2013	2014	
People's Republic of China (PRC)	57,2	43,8	78,4	17
Japan	22,5	38,0	15,5	(17)
Singapore	13,8	12,3	3,6	(49)
Other Countries	6,6	5,9	2,5	(23)
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	

Source: Indonesian Statistic/*Badan Pusat Statistik* (BPS)

During the period of 2012-2014, share of imports from PRC increased with the trend of 17%, while share of imports from Japan decreased with the trend of -17%, share of imports from Singapore decreased with the trend of -49%, and share of imports from Other Countries decreased with the trend of -23%.

### 3.3 Applicant's Performance

The Investigating Authority examined data and information available having a bearing on the actual condition of the Applicant. As the result of the examination, the Investigating Authority found the following evidences.

**TABLE 3: APPLICANT'S PERFORMANCE INDICATORS**

Unit: Index

No.	Description	Years			Change 13-14 (%)	Trend 12-14 (%)
		2012	2013	2014		
1.	Domestic Sales	100	105	101	(3)	1
2.	Production	100	93	91	(1)	(4)
3.	Profit	100	183	65	(64)	(19)
4.	Productivity	100	69	74	7	(14)
5.	Production Capacity	100	100	100	-	-
6.	Utilization Capacity	14%	13%	13%	(1)	(4)
7.	Employee	100	135	124	(8)	11

Source: Applicant

**TABLE 4: DOMESTIC SALES, PRODUCTION, PROFIT, COST OF PRODUCTION, AND PROFIT MARGINS**

Unit: Index

No.	Description	Years			Change 13-14 (%)	Trend 12-14 (%)
		2012	2013	2014		
1.	Domestic Sales	100	105	101	(3)	1
2.	Production	100	93	91	(1)	(4)
3.	Profit	100	183	65	(64)	(19)
4.	Cost of Production	100	121	146	20	21
5.	Profit Margins	17	23	8	(64)	(30)

Source: Applicant

During the period of 2012 to 2014, costs of production continues to increase with the trend of about 20%. The increasing cost of production made the applicant continues to reduce its volume of production every year with the trend 4%. In 2013 compared to 2014, domestic sales decreased by 3% followed by the decrease of production volume by 1%.

During 2012 to 2013, increase in domestic sales led to the increasing of profit by 83 indexed points, on the contrary of that in 2013 to 2014, profit decreased by 118 indexed points because of the decline of profit margins, while production costs continue to increase with decreasing volume of sales.

**TABLE 5: PRODUCTION, PRODUCTION CAPACITY, AND UTILIZATION CAPACITY**

Unit: Index

No.	Description	Years			Change 13-14 (%)	Trend 12-14 (%)
		2012	2013	2014		
1.	Production	100	93	91	(1)	(4)
2.	Production Capacity	100	100	100	-	-
3.	Utilization Capacity	14%	13%	13%	(1)	(4)

Source: Applicant

During the period of 2012 to 2014, production experienced a decreased with the trend of 4% and the utilization capacity shown a decreased with the trend of 3%. The Utilization Capacity during the period of review is only in the range of 13%-14%, so the utilization capacity of the Applicant during the period of review is not optimal, considering there is no increase in production capacity on the period of 2012 to 2014.

**TABLE 6: PRODUCTION, PRODUCTIVITY, AND EMPLOYEE**

Unit: Index

No.	Description	Years			Change 13-14 (%)	Trend 11-13 (%)
		2012	2013	2014		
1.	Production	100	93	91	(1)	(4)
2.	Productivity	100	69	74	7	(14)
3.	Employee	100	135	124	(8)	11

Source: Applicant

Productivity experienced a decrease in 2013 and a slight increase in 2014, yet this increase is still lower if compared in 2012. This condition occurred because of the decline in employee was greater than the decline of production. The productivity during the period of review experienced a fall by 14%.

An increasing of employee in 2012 to 2013 by 35 points due to the expectation of increasing the production as an impact from the imposition of the safeguard duty. Further in 2014, the domestic industry is forced to reduce its employee by 11% due to the decrease of the domestic sales.

**TABLE 7: INVENTORIES, DOMESTIC SALES, AND PRODUCTION**

Unit: Index

No.	Description	Years			Change 12-13 (%)	Trend 11-13 (%)
		2012	2013	2014		
1.	Inventories	100	68	63	(7)	(20)
2.	Domestic Sales	100	105	101	(3)	1
3.	Production	100	93	91	(1)	(4)

Source: Applicant

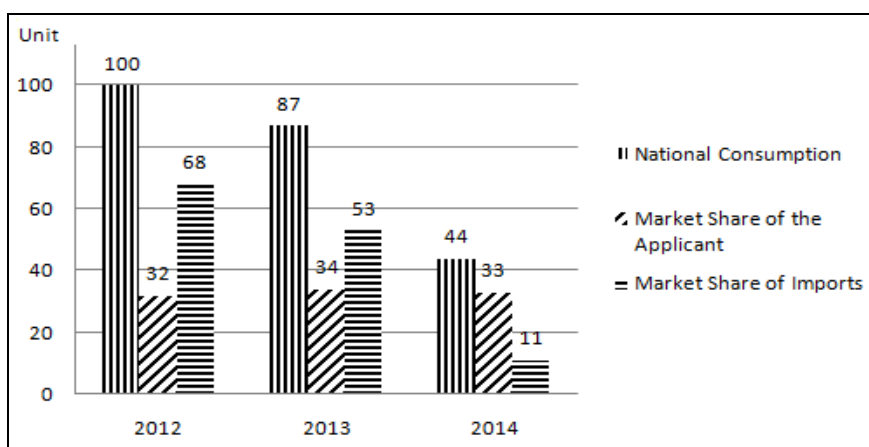
Inventory was declined in 2012 to 2014 with the trend of 20%. This decrease was mainly due to the decrease in production meanwhile the domestic sales were relatively stable.

### 3.4 Other Factors that Contribute to the Applicant's Injury

Investigating Authority seen that in 2013-2014 the imposition of safeguard measure was effective in lowering volume of imports by 80%. However, the performance of Applicant still indicates a threat of serious injury, with the indication of decreasing profit by 64% along with a decline in sales, production, capacity utilization, and employee. Therefore, it is necessary to investigate other factors which caused the domestic industry still experienced threat of serious injury, while import volumes have decreased significantly. The other factors analyzed were as follows:

**FIGURE 1: NATIONAL CONSUMPTION**

Unit: Index



Source: Indonesian Statistic/*Badan Pusat Statistik* (BPS), Applicant, processed

Based on the Figure 1 above, volume of imports during 2012 to 2014 decreased due to the decreasing of national demand of the Subject Good, which is caused by decreasing of world oil prices.

As can be seen from the figure, the decreasing of national consumption from 100 indexed points in 2012 to 44 indexed points in 2014 affected in decreased of import of the Subject Good from 68 indexed points to 11 indexed points at the same period. The demand of the Subject Good is expected to recover in the future and should the safeguard measure is removed it may trigger the increase of import of the Subject Good.

**TABLE 8: INDONESIA'S OIL AND GAS PRODUCTION**

Unit: Thousand barrels per day

No.	Description	Years		
		2012	2013	2014
1.	National Oil Production	861	825	818
2.	National Gas Production	1.260	1.214	1.224

Source: The Ministry of Energy and Mineral Resources Republic of Indonesia

Based on the data from the Ministry of Energy and Mineral Resources Republic of Indonesia (Table 8 above), the decline in the oil and gas production from 2012 to 2014 gives direct impact to a decline in the national consumption of the Subject Good.

### 3.5 Analysis of the Findings

During the period of midterm review, the biggest decline in import volume occurred in 2013-2014, particularly in the period after the imposition of safeguard measure which was in the second semester of 2014 where the volume of imports decreased by 80% compared to the second semester of 2013. The decrease volume of imports was due to the imposition of safeguard duty and influenced by a temporary declining in demand (national consumption) due to the falling of oil prices. According to the result of the review, the Applicant's performance is still experiencing threat of serious injury which is indicated by the decrease of sales, production, capacity utilization, employment, and profits.

KPPI analyze that imports would potentially increase if safeguard duty is removed, with the following reasons:

- a. During 2012-2014, decline in national consumption of the Subject Good is due to the decreasing of national oil and gas production. This decrease has an impact on the imports of the Subject Good which also showed the same pattern.
- b. The decreasing in national consumption greatly affected imports, while the domestic sales remain stable during the period of the review.
- c. The demand of the Subject Good is expected to recover in the future, and should the safeguard measure is removed, it may trigger increase of import to fulfill the domestic demand.

#### 3.5.1 Assesment of the effect of the measures

Based on the analysis above, it can be concluded that the safeguard duty was effective to decrease the volume of imports, even though there was a declining in the national consumption of the Subject Good. The safeguard duty expected to be continued so that the Applicant could recover from the threat of serious injury and could continue their structural adjustment's programs.

#### 3.5.2 Assesment of the necessity to continue the application of the measure

Based on 3.5.1 above, the Investigating Authority recommend that the imposition of the safeguard duty is still necessary to allow further recovery of the domestic industry.

## 4 CONCLUSION

Based on the result of the Midterm Review, the investigating authority recommend that the imposition of safeguard duty is still necessary and the pace of liberalization remains unchanged.

**INDONESIAN SAFEGUARDS COMMITTEE**  
**(KOMITE PENGAMANAN PERDAGANGAN INDONESIA - KPPI)**  
Jl. M.I. Ridwan Rais No.5, Building I, 5<sup>th</sup> floor, Jakarta 10110  
Telephone / Facsimile: (62-21) 385 7758  
E-mail: <mailto:kppi@kemendag.go.id>

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