



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

**NOTIFICATION OF A PROPOSAL TO
EXTEND THE EXISTING MEASURE**

UKRAINE

(Flexible porous plates, blocks and sheets of polyurethane foams)

Supplement

The following communication, dated 27 May 2019, is being circulated at the request of the Delegation of Ukraine.

Pursuant to Article 12.1(b) of the Agreement on Safeguards Ukraine submits a notification of finding of serious injury or threat thereof, to the domestic industry of flexible porous plates, blocks and sheets of polyurethane foams.

On 6 April 2019 pursuant to the decision of № SP-409/2019/4411-03 the Interdepartmental Commission on International Trade (hereinafter referred as the "Commission") initiated the review of safeguard measures on imports to Ukraine of flexible porous plates, blocks and sheets of polyurethane foams regardless of country of origin and export.

The notice of the initiation of the review was published in the official gazette "Uryadoviy Courier" No. 67. The initiation was also notified in the WTO document G/SG/N/6/UKR/11/Suppl.1, circulated on 12 April 2019.

1 PROVIDE EVIDENCE OF SERIOUS INJURY OR THREAT OF THEREOF BY INCREASED IMPORTS

In order to determine serious injury to the domestic industry as a result of increased imports into Ukraine, an evaluation of all relevant factors of an objective and quantifiable nature affecting the situation in this industry has been undertaken.

The period of investigation covers 2012–2018. Certain social and economic indicators of the domestic industry were analyzed for the period before the application of safeguard measures and for the period of the application.

Table 1

Item	2012	2013	2014	3 quarter 2015 - 2 quarter 2016	3 quarter 2016 - 2 quarter 2017	3 quarter 2017 - 2 quarter 2018	2018
Volume of production							
Index 2012 – 100	100	0,7	-11,8	-37,4	-24,8	-12,4	-13,5
Index 3 quarter 2016 – 2 quarter 2017 – 100					100	16,5	15,0
Capacity utilization							
Index 2012 – 100	100	-33,7	-42	-58,8	-50,5	-42,4	-43
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	16,39	15,13
Total amount of stock of goods at the end of period							
Index 2012 – 100	100	264,7	500,0	64,7	76,5	217,6	241,2
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	80,0	93,3
Sales volume on the domestic market of Ukraine							
Index 2012 – 100	100	0,3	-12,6	-43	-36,1	-18,0	-18,6
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	28,3	27,4
Price on the domestic market of Ukraine							
Index 2012 – 100	100	-3,4	-8,2	-26,8	-25,9	-12,5	-14,1
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	18,1	15,9
Investments							
Index 2012 – 100	100	-33,7	-7,0	-83,0	-76,2	-58,9	-65,5
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	72,5	44,8
Employment							
Index 2012 – 100	100	-3,5	-14,4	-32,0	-26,1	-24,4	-23,4
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	2,2	3,6
Labor productivity							
Index 2012 – 100	100	4,4	3,0	-7,9	1,8	16,0	13,0
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	14,0	11,0
Profit							
Index 2012 – 100	100	-44,0	-71,5	-53,6	-53,9	-24,3	-4,4
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	64,2	107,3
Liquidity conditions							
Index 2012 – 100	100	-41,0	-50,5	-68,8	-72,8	-73,9	-70,3
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	-4,3	9,1
Share in consumption							
Index 2012 – 100	100	-1,4	-7,2	-18,9	-25,0	-8,2	-7,2
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	22,3	23,7

Table 1 shows that the main indicators of the domestic industry's performance have improved during the period of the application of safeguard measures. This trend indicates the positive effect of the measures on the domestic industry.

Nevertheless, the level of the mentioned indicators did not reach the level that had existed before the initiation of the safeguard investigation. This demonstrates that domestic industry has not recovered from the injury caused by increased imports (2012-2014).

- Applicant's production in 2018 decreased compared to the basic period (2012) with trend 13,5%;
- Applicant's sales of goods on the domestic market decreased by 18,6%;
- Applicant's income from goods sales on the domestic market decreased by 4,4%;
- Total amount of stock of goods increased by 241,2%;
- Applicant's capital investments decreased by 65,5%;
- Applicant's liquidity index decreased by 70,3%;
- Applicant's share in consumption decreased by 7,2%.

2 PROVIDE INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

Table 2

Indicators	2012	2013	2014	3 quarter 2015 – 2 quarter 2016	3 quarter 2016 – 2 quarter 2017	3 quarter 2017 – 2 quarter 2018	2018
Volume of imports, ton	2 005,46	2 191,56	2 581,02	2 775,17	3 897,97	2 549,11	2 408,23
Index 2012 – 100	100	9,3	28,7	38,4	94,4	27,1	20,1
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	-34,6	-38,2
Import price, US dollars/tonne	3 405,38	3 549,47	3 613,42	2 839,95	2 812,59	3 505,96	3 435,41
Index 2012 – 100	100	4,2	6,1	-16,6	-17,4	3,0	0,9
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	24,7	22,1
Like products price on the domestic market of Ukraine, US dollars/tonne							
Index 2012 – 100	100	-3,4	-8,2	-26,8	-25,9	-12,5	-14,1
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	18,1	15,9
Like product production cost							
Index 2012 – 100	100	0,9	-2,1	-27,7	-25,7	-13,0	-17,3
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	17,1	11,2
Imports relative to production of domestic industry							
Index 2012 – 100	100	8,5	45,9	121,0	158,4	45,1	38,8
Index 3 quarter 2016 – 2 quarter 2017 – 100	-	-	-	-	100	-43,9	-46,3

According to the investigation authority findings during the first period of the application of safeguard measures, imports of product under review increased in absolute terms and relative to domestic production compared to previous period (3 quarter 2015 - 2 quarter 2016). The safeguard measures had effect on reduction of imports only from the second annual application period. It should be noted that amount of imports in the period of safeguard measures being in force was higher than the amount of thereof in 2012-2014.

The level of prices of imports into Ukraine was lower than the level of prices of like product during the period of the application of safeguard measures and even lower than the level of production cost of like products of the domestic producer during the period before application of the measures.

3 PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

Flexible porous plates, blocks and sheets of polyurethane foams imported to Ukraine and classified as per UKTZED code of 3921.13.10.19.

4 DESCRIPTION OF ANY PART OF THE IMPORTED GOODS THAT WILL NO LONGER BE SUBJECT TO THE MEASURE

Not applicable.

5 PRECISE DESCRIPTION OF THE PROPOSED MEASURE

Table 5.1

Duty for the 1 st year period	Duty for the 2 nd year period	Duty for the 3 rd year period
11,22 %	10,66 %	10,13 %

6 PROPOSED DATE OF INTRODUCTION OF THE MEASURE

08.07.2019.

7 EXPECTED DURATION OF THE MEASURE

The safeguard measures are planned to be extended for the period of 3 years:

- 1st year period – July 8, 2019 – July 7, 2020;
- 2nd year period – July 8, 2020 – July 7, 2021;
- 3rd year period – July 8, 2021 – July 7, 2022.

8 PROPOSED DATE FOR THE REVIEW OF A MEASURES WITH A DURATION OF MORE THAN THREE YEARS

Not applicable.

9 PROVIDE EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

According to Article 18 of the Law of Ukraine "On Application of Safeguard Measures against Imports to Ukraine" and Article 7.4 of the Agreement on Safeguards, final safeguard measures will be liberalized (Table 5.1).

10 DATE OF PRIOR CONSULTATION WITH THE MEMBERS HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF GOODS

- i. Interested parties may submit comments on this issue and participate in prior consultations before 31.05.2019;
- ii. according to Article 12.3 of the Agreement on Safeguards prior consultation with the interested parties, which reveal a substantial interest as exporters of goods is proposed before 24.06.2019 in Kyiv (Ukraine).

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11 INFORMATION PROVIDED IN CASE OF PROLONGATION OF THE MEASURES

11.1 Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury.

Analysis of data of the domestic industry shows that the application of safeguard measures positively influence the adjusting process to the competition conditions. In 2017-2018, the domestic industry partially modernized production equipment, introduced new technologies to improve competitiveness.

However, the established period of the application of the mentioned measures has found to be insufficient for the adjusting process.

11.2 Reference to the WTO document that notified the initial application of the measure

G/SG/N/8/UKR/5-G/SG/N/10/UKR/5-G/SG/N/11/UKR/3 of 10 June 2016.

11.3 Duration of the measure from initial application till the date at which it will be extended

Three years.

11.4 Precise description of the measure in place prior to the date of extension:

The safeguard measures in respect of import to Ukraine of flexible porous plates, blocks and sheets of polyurethane foams regardless of their country of origin and export was applied due to the Decision of the Interdepartmental Commission on International Trade No. SP-356/2016/4411-05, of 26 May 2016.

The notice on the mentioned Decision was published in the official gazette "Uryadoviy Courier" No. 100 as of 28.05.2016.

The rate of safeguard duty:

- from the date of application – 13,09%;
- 12 months from the date of application – by 12,44%;
- 24 months from the date of application – by 11,81%.

According to the free trade agreements concluded by Ukraine with the EFTA States (24.06.2010), Montenegro (18.11.2011), participants of the Commonwealth of Independent States, (18.10.2011) and taking into account paragraph 8 of Article XXIV of the General Agreement on Tariffs and Trade 1994, imports of goods originating from Iceland, Liechtenstein, Norway, Switzerland, Montenegro, Armenia, Kazakhstan, Azerbaijan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan are excluded from the application of safeguards.

Besides, the safeguard measures are also not applied to such WTO members: Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Chad, Democratic Republic of Congo, Central African Republic, Djibouti, Gambia, Guinea, Guinea-Bissau, Haiti, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda, Vanuatu, Yemen, Zambia.

12 INFORMATION ON MAJOR EXPORTING COUNTRIES AND EXCLUSIONS FOR REASONS OTHER THAN THOSE MENTIONED IN ARTICLE 9.1 OF THE SAFEGUARDS AGREEMENT

12.1 Major exporting countries

The share of the total imports into Ukraine of products subject under review indicated in the Table 12.1.

Table 12.1

Country of origin	2018
Hungary	32,9%
Poland	23,6%
Germany	16,2%
Romania	11,7%
Other countries	15,6%

13 PUBLICLY AVAILABLE DOCUMENT CONTAINING THE RELEVANT DECISION MADE BY THE COMPETENT AUTHORITY IS ATTACHED, IN AN ELECTRONIC FORM, AND CAN BE FOUND BY THE FOLLOWING LINK:

Not applicable.
