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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 OF A PROPOSAL TO IMPOSE A MEASURE

RUSSIAN FEDERATION

(Tableware and Kitchenware of Porcelain)

The following submission, dated 2 August 2013 is being circulated at the request of the Russian Federation.

On 3 September 2012 the Department for Internal Market Defence of the Eurasian Economic Commission (hereinafter 'the Department') initiated a safeguard investigation with regard to the imports of tableware and kitchenware of porcelain into the single customs territory of the Customs Union of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation (hereinafter 'the CU') (see WTO document G/SG/N/6/RUS/2).

In accordance with Article 12.1 (b) of the Agreement on Safeguards hereby the Russian Federation notifies the Committee on Safeguards that the Department has found serious injury to the domestic industry caused by increased imports.

The product which has been found to be imported into the CU in such quantities and under such conditions as to cause serious injury to the CU industry which produces like or directly competitive product is tableware and kitchenware of porcelain (hereinafter 'the product under consideration'). The like or directly competitive product produced by CU producers is hereinafter referred to as 'the like product'.

**1 PROVIDE EVIDENCE, CITING RELEVANT DATA AND THE APPLICABLE PERIOD OF
INVESTIGATION OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED
IMPORTS**

1.1 Analysis of the Customs Union market of the product under consideration

(a) Consumption

	2009	2010	2011	January- June 2011	January- June 2012
Volume of apparent consumption, tons	54 100	73 207	80 858	33 615	38 304
Change as compared to the previous period, %	-	35,3	10,5	-	14
Change as compared to 2009, %	-	35,3	49,5	-	-

Consumption of the product under consideration in the CU increased by 49,5% between 2009 and 2011. In the first half of 2012 it increased by 14% as compared to the same period of 2011.

(b) Production

	2009	2010	2011	January-June 2011	January-June 2012
Volume of production of the like product in CU, tons	16 075	15 071	15 629	6 849	7 007
Change in the volume of production of the like product in CU as compared to the previous period, %	-	-6,2	3,7	-	2,3
Change in the volume of production of the like product in CU as compared to 2009, %	-	-6,2	-2,8	-	-

In 2011, as compared to 2009, production of the like product in the CU decreased by 2,8%. In 2010, as compared to 2009, it fell by 6,2%, in 2011, as compared to 2010, it grew by 3,7%. In the first half of 2012, production increased by 2,3% as compared to the first half of 2011.

(c) Sales

	2009	2010	2011	January-June 2011	January-June 2012
Change in the volume of sales of the like product by the CU producers in the CU as compared to the previous period, %	-	-7,3	4,7	-	5,0
Change in the volume of sales of the like product by the CU producers in the CU as compared to 2009, %	-	-7,3	-2,9	-	-
Change of the market share held by the CU producers as compared to the previous period, p.p.	-	-8,9	-1	-	-1,4

Between 2009 and 2011 the volume of sales of the like product by CU producers on the CU market increased by 4,7%. In 2010 sales of the like product fell by 7,3% as compared to 2009, in 2011 they fell by 2,9% as compared to 2010. In the first half of 2012, sales of the of like product increased by 5,0% as compared to the first half of 2011. In 2010 the market share held by CU producers decreased by 8,9 percentage points as compared to 2009. Between 2010 and 2011 the market share held by CU producers decreased by 1 percentage point. In the first half of 2012 market share held by the CU producers on the CU market fell by 1,4 percentage points as compared to the same period of 2011.

(d) Imports

	2009	2010	2011	January-June 2011	January-June 2012
Volume of imports, tons	38 734,9	58 959,0	65 934,4	27 464,4	31 843,3
Change as compared to the previous period, %	-	52,2	11,8	-	15,9
Change as compared to 2009, %	-	-	70,2	-	-

Between 2009 and 2011 imports grew by 70,2% and the market share held by imports grew by 1 percentage point. In the first half of 2012 the volume of imports increased by 15,9% as compared to the first half of 2011.

1.2 Analysis of the situation of the CU industry

Following figures on economic indicators of CU industry are based on the data submitted by 5 domestic producers representing 80% of total domestic production.

(a) Production

	2009	2010	2011	January-June 2011	January-June 2012
Change in the volume of production of the like product by the CU industry as compared to the previous period, %	-	6,1	-8,3	-	-2,7
Change in the volume of production of the like product by the CU industry as compared to 2009, %	-	6,1	-2,7	-	-

The table above shows that between 2009 and 2011 production of the like product by the CU industry fell by 2,7%. In the first half of 2012, the volume of production of the like product by the CU industry decreased by 2,7% as compared to the same period of 2011.

(b) Sales

	2009	2010	2011	January-June 2011	January-June 2012
Change in the volume of sales of the like product by the CU industry in the CU as compared to the previous period, %	-	3,1	-7,9	-	-1,8
Change in the volume of sales of the like product by the CU industry in the CU as compared to 2009, %	-	3,1	-5	-	-

During the period from 2009 to 2011 sales of the like product by the CU industry in the CU fell by 5%. In the first half of 2012 the volume of sales of the like product by the CU industry in the CU decreased by 1,8% as compared to the first half of 2011, whereas the market share held by the CU industry decreased by 2,4 percentage points.

(c) Inventories

	2009	2010	2011	January-June 2011	January-June 2012
Change in the volume of inventories of the like product in the CU industry as compared to 2009, %	-	3,4	5,3	-	-
Change in the share of inventories in the volume of production of the like product by the CU industry as compared to the previous period, p.p.	-	-0,4	1,8	-	0,8

As a result of the loss of sales during the period under consideration inventories of the like product in the CU industry increased. As of the end of 2011 the volume of inventories in the CU industry exceeded their volume as of the end of 2009 by 5,3%. In 2010, as compared to 2009, the share of inventories in the volume of production of the like product by the CU industry decreased by 0,4 percentage points. In 2011 it grew by 1,8 percentage points as compared to 2010. In the first half of 2012 the share of inventories in the volume of production of the like product by the CU industry increased by 0,8 percentage points as compared to the first half of 2011.

(d) Exports

	2009	2010	2011	January-June 2011	January-June 2012
Change in the volume of exports of the like product by the CU industry as compared to the previous period, %	-	36,4	-26,7	-	-41,9
Change in the volume of the CU industry's exports as compared to 2009, %	-	36,4	0	-	-
Change in the volume of the CU industry's exports in relation to volume of the CU industry's production as compared to the previous period, p.p.	-	+ 0,9	- 0,8	-	- 1,1

As shown in the table above, during the period from 2009 to 2011 the volume of exports of the like product by the CU industry remained the same. In the first half of 2012, as compared to the first half of 2011, the volume of exports of the like product by the CU industry in absolute terms decreased by 41,9% and in relation to the volume of production decreased by 1,1 percentage points.

(e) Production capacity and capacity utilization

	2009	2010	2011	January-June 2011	January-June 2012
Change in production capacity as compared to the previous period, %	-	7,3	0,4	-	-1,2
Change in capacity utilization as compared to the previous period, p.p.	-	-0,6	-4,5	-	-0,7

During the period from 2009 to 2010 the production capacity of the CU industry grew by 7,3%. In 2011, as compared to 2010, the capacity of the CU industry grew by 0,4%, but in the first half of 2012, as compared to the first half of 2011, it fell by 1,2%. Between 2009 and 2010 the level of capacity utilization fell by 0,6 percentage points. In 2011, as compared to 2010, the level of capacity utilization further decreased by 4,5 percentage points, in the first half of 2012, as compared to the first half of 2011, it fell by 0,7 percentage points.

(f) Costs, price and profitability

	2009	2010	2011	January-June 2011	January-June 2012
Change in the weighted average cost of production of a unit of the like product by the CU industry as compared to the previous period, %	-	8,9	16,7	-	9,2
Change in the weighted average cost of production of a unit of the like product by the CU industry as compared to 2009, %	-	8,9	27,2	-	-

The table above shows that during the period from 2009 to 2011 the weighted average cost of production of a unit of the like product by the CU industry grew by 27,2%. In the first half of 2012 it grew by 9,2% as compared to the same period of 2011.

	2009	2010	2011	January-June 2011	January-June 2012
Change in the profitability of sales of the CU industry as compared to the previous period, p.p.	-	2,1	-5,2	-	-1,7

Between 2009 and 2010 the profitability of sales of the CU industry grew by 2,1 percentage points, but in 2011 it fell by 5,2 percentage points as compared to 2010. In the first half of 2012 the profitability of sales of the CU industry fell by 1,7 percentage points as compared to the first half of 2011.

	2009	2010	2011	January-June 2011	January-June 2012
Change in the weighted average price of the like product as compared to the previous period, %	-	11,1	11,2	-	7,5
Change in the weighted average price of the like product as compared to 2009, %	-	11,1	23,6	-	-

During the period from 2009 to 2011 the weighted average price of the like product grew by 23,6 %. Between 2009 and 2010 the weighted average price of the like product grew by 11,1%, in 2011 it further grew by 11,2% as compared to 2010. In the first half of 2012 the weighted average price of the like product grew by 7,5% as compared to the first half of 2011.

Despite the increase of the weighted average price of the like product it didn't meet the cost of production of the like product and profitability of the sales of the CU industry was negative.

(g) Employment

Between 2009 and 2011 the number of persons employed by the industry fell by 4,5%, at the same time wages increased by 12,5%. In the first half of 2012 employment in relation to the like product decreased by 6,7%, the wages grew by 9,8% as compared to the first half of 2011.

(h) Investments

During the period from 2009 to 2011 the funds invested by the CU industry in the production of the like product grew by 280%, in the first half of 2012, as compared to the first half of 2011 the volume of investments into the production of the like product fell by 56,6%.

1.3 Causality

	2009	2010	2011	January-June 2011	January-June 2012
Change of the market share held by the CU industry as compared to the previous period, p.p.	-	- 5,3	- 2,8	-	- 2,4
Change of the market share held by imports as compared to the previous period, p.p.	-	+ 8,9	+ 1	-	+ 1,5

During the period under consideration increased imports resulted in a substitution of the like product produced by the CU industry on the CU market by the imported product. As shown in the table above, in 2010 the market share held by imports increased by 8,9 percentage points as compared to 2009, while the market share held by the CU industry decreased by 5,3 percentage points; in the first half of 2012, as compared to the first half of 2011, it increased by 1,5 percentage points, while the market share held by the CU industry decreased by 2,4 percentage points.

	2009	2010	2011	January-June 2011	January-June 2012
Ratio of import price to price of like product produced by the CU industry, % ¹	67,2	69,9	65	70,5	66,9

During the period under consideration the weighted average price of the like product produced by the CU industry was higher than the weighted average price of the imported product.

The investigating authority analyzed the effects of other factors (exports of the CU industry, technological weakness) and found that they did not cause serious injury to the CU industry.

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

	2009	2010	2011	January-June 2011	January-June 2012
Volume of imports, tons	38 734,9	58 959,0	65 934,4	27 464,4	31 843,3
Change as compared to the previous period, %	-	52,2	11,8	-	15,9
Change as compared to 2009, %	-	-	70,2	-	-
Ratio of the volume of imports to the volume of production	2,41	3,91	4,22	3,90	4,37
Change as compared to the previous period, %	-	+62,4	+7,8	-	+12,2
Change as compared to 2009, %	-	-	+75,1	-	-

The above table shows that during the period from 2009 to 2011 imports increased in absolute terms by 70,2%. In the first half of 2012 imports increased in absolute terms by 15,9% as compared to the first half of 2011.

¹ ± 15% to actual data.

The ratio of the volume of imports to the volume of production during the period from 2009 to 2011 increased by 75,1 %, in the first half of 2012 the ratio of the volume of imports to the volume of production in absolute terms increased by 12,2 % as compared to the first half of 2011.

3 PROVIDE THE PRECISE DESCRIPTION OF THE PRODUCT INVOLVED PROVIDE THE HARMONIZED SYSTEM NUMBERS UNDER WHICH THE PRODUCT ENTERS AT LEAST AT A 6-DIGIT HS LEVEL, AND AT A SUB-NATIONAL LEVEL (E.G. 8-DIGIT HS, 9-DIGIT HS OR 10-DIGIT HS) IF PRACTICABLE. (THE HS CODES WILL BE PROVIDED FOR REFERENCE PURPOSES ONLY.)

Tableware and kitchenware of porcelain classified under code 6911 10 000 0 of the Single Commodity Nomenclature for Foreign Economic Activities of the Customs Union.

4 IF THE FINAL MEASURE REPLACES A PROVISIONAL MEASURE, OR IF A FINAL MEASURE IS EXTENDED, A MEMBER IS ENCOURAGED TO PROVIDE A WRITTEN DESCRIPTION OF ANY PART OF THE IMPORTED PRODUCT THAT WILL NO LONGER BE SUBJECT TO THE MEASURE AND THE HARMONIZED SYSTEM NUMBERS UNDER WHICH IT ENTERS AT LEAST AT A 6-DIGIT LEVEL, AND AT A SUB-NATIONAL LEVEL (E.G., 8-DIGIT, 9-DIGIT OR 10-DIGIT LEVEL) IF PRACTICABLE.

Not applicable.

5 PROVIDE PRECISE DESCRIPTION OF THE PROPOSED MEASURE.

The Department proposes to apply a safeguard measure in the form of a safeguard duty at rates as specified in the following table.

Period of application	First year	Second year	Third year
Amount of duty	1479 US dollars per ton	1035,3 US dollars per ton	591,6 US dollars per ton

6 PROVIDE PROPOSED DATE OF INTRODUCTION OF THE MEASURE.

September 2013.

7 PROVIDE EXPECTED DURATION OF THE MEASURE.

The expected duration of the measure is 3 years.

8 FOR A MEASURE WITH A DURATION OF MORE THAN THREE YEARS, PROVIDE THE PROPOSED DATE FOR THE REVIEW (UNDER ARTICLE 7.4) TO BE HELD NOT LATER THAN THE MID-TERM OF THE MEASURE, IF SUCH A DATE FOR THE REVIEW HAS ALREADY BEEN SCHEDULED.

Not available.

9 IF THE EXPECTED DURATION IS OVER ONE YEAR, PROVIDE EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE.

The measure is to be liberalized as stated in title above.

Period of application	First year	Second year	Third year
Amount of duty	1479 US dollars per ton	1035,3 US dollars per ton	591,6 US dollars per ton

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, PROVIDE INFORMATION REGARDING PROCEDURES FOR PRIOR CONSULTATION WITH THOSE MEMBERS HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF THE PRODUCT CONCERNED.

Consistent with Article 12.3 of the Agreement on Safeguards, the Russian Federation is prepared to hold consultation with those Members having a substantial interest as exporters of the product concerned, with a view to, inter alia, reviewing the information provided in this notification and exchanging views on the appropriate remedy.

11 IF THE MEASURE IS BEING EXTENDED, ALSO PROVIDE:

- (i) evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury;
- (ii) reference to the WTO document that notified the initial application of the measure;
- (iii) duration of the measure from initial application till the date at which it will be extended;

and,

- (iv) precise description of the measure in place prior to the date of extension (in this context, please note that the last sentence of Article 7.4 states that: "A measure extended under paragraph 2 shall not be more restrictive than it was at the end of the initial period, and should continue to be liberalized.")

Not applicable.

12 IF THE NOTIFICATION RELATES TO A DECISION TO APPLY OR EXTEND A SAFEGUARD MEASURE, MEMBERS ARE ENCOURAGED TO PROVIDE THE FOLLOWING INFORMATION:

- (i) The major exporting Members of imports of the product involved.
- (ii) If there are any exporting Members to which the measure does not apply for any reason other than the application of Article 9.1, the names of such exporting Members and reasons for non-application of the measure.

The major exporting Members of the product under consideration are China, the European Union and Ukraine.
