



*Permanent Delegation of Turkey
to the European Union*

B/36

NOTE VERBALE

The Permanent Delegation of Turkey to the European Union presents its compliments to the Directorate General for Trade of the European Commission and has the honor to inform the Commission that Turkey has concluded the safeguard investigation concerning imports of Polyethyelen Terephthalate (PET) and hereby provides information concerning the notification made to the Committee on Safeguards, on making a finding that the industry concerned is adjusting and on taking a decision to extend a safeguard measure concerning PET.

This communication is made without prejudice to the notification obligations of Turkey under the WTO Agreements on Safeguards. A copy of the WTO notification is attached herewith.

The Permanent Delegation of Turkey to the European Union takes this opportunity to renew to the Directorate General for Trade of the European Commission the assurance of its highest consideration.

Brussels, 29 January 2018



Enclosure:

- WTO notification (9 pages)

DG TRADE
European Commission

c.c. DG NEAR
European Commission

**NOTIFICATION UNDER ARTICLE 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

(Polyethylene terephthalate)

We provide notification pursuant to Article 7.2, 12.1(c) and Article 9, footnote 2 of the Agreement on Safeguards, on making a finding that the industry concerned is adjusting and on taking a decision to extend a safeguard measure concerning Polyethylene terephthalate (PET) and non-application of the safeguard measure to developing countries. The initial safeguard measure was notified to Committee on Safeguards with the documents G/SG/N/8/TUR/13, G/SG/N/10/TUR/13 and G/SG/N/11/TUR/16, dated 24 June 2011. The extension of the measure pursuant to articles 9 and 12.1(c) was notified with documents G/SG/N/8/TUR/13/Suppl.1, G/SG/N/10/TUR/13/Suppl.2, G/SG/N//11/TUR/16 Suppl.1, dated 8 October 2014.

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 ARTICLE 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 carried out by the Turkish Investigating Authority. All relevant factors of an objective and quantifiable nature for the period of 2013-2017 (January-June) were evaluated. Following figures (other than consumption and market shares) on economic indicators of the domestic producers are based on the data submitted by 3 domestic producers which produce whole domestic production. Figures on consumption and market shares are based on the estimations of domestic sales of all domestic producers, general imports and vertical usage by the domestic producers.

(i) Consumption

Consumption of the product concerned in domestic market was established on the basis of total domestic sales of all domestic producers, vertical usage by domestic producers

and total imports of the product concerned into Turkey. The annual and periodical consumption the product concerned are shown in the following table:

Consumption	2013	2014	2015	2016	2016/6	2017/6
Index	100	101	103	105	56	50

Consumption of the product concerned increased steadily on annual basis. Consumption index, which was 100 in 2013, increased to 105 in 2016. Periodic consumption index, which was 56 in the first half of 2016, receded to 50 in the same period of 2017.

(ii) Market Share

Market shares of the imported and domestic products under investigation are as below.

Market share	2013	2014	2015	2016	2016/6	2017/6
Imported products (Index)	100	39	35	36	41	56
Domestic products (Index)	100	188	193	192	185	164

Market share of the imported products displayed a decrease between 2013 and 2014 as a result of a likewise decrease in imports. Market share index of imports decreased from 100 to 39 between these years. From 2014 on, market share of imports increased gradually, and index grew into 56 in the first half of 2017.

Market share of the domestic products increased steadily between 2013 and 2015, and index receded by 1 point in 2016. Index increased from 100 in 2013 to 192 in 2016. On periodical basis, index decreased from 185 in the first half of 2016 to 164 in the same period of 2017.

(iii) Production

Production	2013	2014	2015	2016	2016/6	2017/6
Index	100	195	193	209	109	87

Compared to 2013, annual domestic PET production almost doubled in 2014 and index increased from 100 to 195. Receding to 193 in 2015, production recovered in 2016 again and index increased to 209. Periodic production showed decrease in 2017. Index receded from 109 in the first half of 2016 to 87 in the same period of 2017.

(iv) Production Capacity and Capacity Utilization Rate (CUR)

Capacity	2013	2014	2015	2016	2016/6	2017/6
Index	100	100	111	111	56	38
CUR (Index)	100	195	174	188	197	226

Annual production capacity of the product concerned showed an increase in 2015, and it remained stable in other years. Capacity index, which was 100 in 2013, increased to 111 in

2016. Periodical capacity index decreased from 56 in the first half of 2016 to 38 in the same period of 2017.

Capacity utilization rate had a tendency to increase except for 2015. CUR index, which was 100 in 2013, rose to 188 in 2016. Tendency to increase continued periodically as well, and periodic CUR index increased from 197 in first half of 2016 to 226 in the same period of 2017.

(v) Domestic Sales Volume

Domestic sales	2013	2014	2015	2016	2016/6	2017/6
Index	100	143	135	146	79	44

Domestic sales followed a fluctuating pattern on annual basis. Sales index, which was 100 in 2013, increased to 143 in 2014, and then decreased to 135 in 2015. Index increased to 146 in 2016. Periodic domestic sales showed a decrease. Index decreased from 79 in the first half of 2016 to 44 in the same period of 2017.

(vi) Exports

Exports	2013	2014	2015	2016	2016/6	2017/6
Index	100	923	797	1.360	596	775

Export sales of producers increased by nine times in 2014. Export index increased from 100 in 2013 to 923 in 2014. Index receded to 797 in 2015, but it again increased to 1.360 in 2016. Periodic export sales index also showed an increase. Index increased from 596 in the first half of 2016 to 775 in the same period of 2017.

(vii) Stocks

Closing Stocks	2013	2014	2015	2016	2016/6	2017/6
Index	100	130	118	76	108	32

Closing stocks of domestic producers decreased steadily from 2014 on. Index, which was 100 in 2013, increased to 130 in 2014, and decreased until 2016 to the level of 76. Periodic stocks index also showed a decrease. Index decreased from 108 in the first half of 2016 to 32 in the same period of 2017.

(viii) Employment

Employment	2013	2014	2015	2016	2016/6	2017/6
Index	100	114	121	130	130	99

Employment in PET production showed a tendency to increase on annual basis. Employment index increased from 100 in 2013 to 130 in 2016. Periodic employment showed a downward display. Employment index decreased from 130 in the first half of 2016 to 99 in the same period of 2017.

(ix) Productivity

Productivity	2013	2014	2015	2016	2016/6	2017/6
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Productivity	2013	2014	2015	2016	2016/6	2017/6
Index	100	171	160	161	84	87

Productivity, in terms of production per person, increased steadily on annual basis, except for the slight decrease in 2015. Index, which was 100 in 2013, increased to 161 in 2016. Tendency to increase continued on periodic basis, and index increased from 84 in the first half of 2016 to 87 in the same period of 2017.

(x) Profitability

Profitability	2013	2014	2015	2016	2016/6	2017/6
Index	-100	-78	101	-69	9	131

Profitability of domestic producers showed a negative trend on annual basis, except for the year 2015. Profitability index, which was -100 in 2013 increased to 101 in 2015. In 2016, index receded to -69. On periodic basis, profitability figures illustrated a positive trend. Index, which was 9 in the first part of 2016, increased to 131 in the same period of 2017.

Conclusion

Although the market share of the domestic products had a fluctuating course on the annual basis, it has begun to increase following the application of safeguard measure. Lastly, in 2014, this increase with a rate of 80% has reached at the highest level. However, the domestic producers had to carry on their business in a low profit margin in order to compete with the low-priced import, leading to very low profit. Nevertheless, domestic producers have lost their market share since 2016 as a result of the increase in imports.

Additionally, some economic indicators of domestic production displayed a tendency to deteriorate in the investigation period. For instance, domestic sales and employment decreased in 2017, and total production capacity has narrowed in the same period. There occurred deterioration in some years in productivity, CUR, and export sales. Profitability rates followed a negative path on annual basis, except for the year 2015.

1.2. Information on the course of imports and imports relative to domestic production

For the evaluation of absolute imports and relative imports to domestic production, data covering the period of 2013-2017 (January-June) has been used.

(i) Absolute imports

Total imports of PET decreased between the years 2013 and 2015, and rose by 2% in 2016. Periodical indicators maintained the tendency to increase, and imports rose by 21% in the first part of 2017 compared to the same period of 2016.

On the other hand, the unit prices of imported and domestic products are compared with a view to assess the conditions of competition in the domestic market.

Prices	Unit	2013	2014	2015	2016	2016/6	2017/6
Price Undercutting	Index	100	173	633	576	626	62
Price Suppressions	Index	100	98	150	164	157	30

As can be seen in the table above, price undercutting and price suppression have been positive throughout the period. Price undercutting index increased until 2015, and decreased slightly in 2016. Index increased from 100 in 2013 to 164 in 2016. On periodic basis, price suppression index decreased from 157 in the first part of 2016 to 30 in the same part of 2017.

(ii) Imports relative to domestic production

Imports/production	2013	2014	2015	2016	2016/6	2017/6
Index	100	20	19	18	21	32

Ratio of imports to domestic production decreased steadily on annual basis. Index, which was 100 in 2013 decreased to 18 in 2014. On periodic basis, this tendency reversed and index increased from 21 in the first part of 2016 to 32 in the same period of 2017.

1.3. Precise description of the product involved

The HS based code 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
3907.61.00.00.00	Having a viscosity number of 78 ml/g or higher

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 7 November 2020 (7 November 2020 is included) in the form of variable duty which will be implemented as shown in the table below.

Turkish Customs Tariff Code	Description of The Product	1 st Period 8/11/2017- 7/11/2018) (%)	2 nd Period 8/11/2018- 7/11/2019) (%)	3 rd Period 8/11/2019- 7/11/2020) (%)
3907.61.00.00.00	Having a viscosity number of 78 ml/g or higher	6.40	6.20	6.00

1.6. Proposed date of introduction of the measure

The measure will come into force in 8 November 2017 with the publication of the approval of the Council of Ministers after the procedures are concluded.

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 is provided in Section 1.1.

Evidence that the industry concerned is adjusting:

A safeguard implementation purposes a domestic industry's adjustment to the market conditions. Structural adjustment programs submitted by the domestic producers include In the period after the measures taken, the plans for increasing the volume of production with new investments, accelerating of the studies on increasing productivity, enrichment of the product development and range, and R&D projects etc.

After entry into force of the initial safeguard measure and its extension in 2014, there was witnessed no indication that the measure has caused deterioration in the tough competitive environment of the Turkish PET resin market. In this process, there occurred a significant increase in capacity and the number of firms increased from 2 to 3. The figures related to consumption, domestic production and the number of producers in Turkey have shown an increase. It can be concluded that – during or after the recovery in data related to production, employment, sales and capacity- the competition in the industry has not caused any serious injury on domestic producers in Turkey. On the contrary, the measures taken have led to an increase in the competitive capacity and assured supply chain security of domestic industry.

The safeguard implementation has put a pressure on the competitiveness of imported products. Yet, with the entry of new producer to PET market, this competition has been kept alive. This competition has also led domestic PET producers to keep a sustainable profitability level, which forced them to diminish production costs and diversify their customer portfolio as well.

In this respect, it is observed that the domestic industry intends to implement and to fulfil the following activities in order not to necessitate any other measure to be adapted for competition environment in the future.

- Two producers have completed infrastructural preparation and one has also completed its auxiliary operations for a new line for PET production. The technology that will be employed in this production line is being designated.
- Specialist technical staff have been employed for the entities to provide more efficient productive output.
- Within the scope of the effort on lowering costs, natural gas units have been replaced with coal plants as a source of energy.
- A special technical staff have been comprised for the planning of further specialized product types. Within the scope of Research and Development studies, three TÜBİTAK (The Scientific and Technological Research Council of Turkey) projects were realized, two new projects were prepared, and one more project was submitted with the co-operation of two domestic producers. Additionally, as a R&D project output, hot-filling packing PET resin was produced, and a new investment was realized in Manisa/Akhisar on hot-filling jar production.
- Within the scope of product development studies, new investments on storage hoppers were realized with the aim of increasing product quality. In addition to this, different catalyzers and ingredients are being tested for the production of new PET types. The polymer type, named FH series, is a good example in this sense, and it provides for 30% additional capacity (without making any additional investment) and 25% energy saving.
- Within the context of increasing product diversity; plastic foils, blood collection tubes, spirals production increased; and new export-oriented products with high profitability and for exclusive use began to be produced. These products are being planned also for domestic use, and re-heat process of PET is also increasingly employed for providing energy saving in the process of PET preform production.
- After the implementation of the safeguard measure, R-PET process also gained popularity. With this process, in conformity with the rules of food chemical codex, PET resin is being chemically recycled and reused.
- With the new trijen investment, electrical energy required for the production facilities has been produced with natural gas. In this process, natural water has been obtained as a bi-product, and 93% efficiency has been obtained from the employment of natural gas.
- ERP system has been employed for more planned and streamlining business in PET production. With this system, which is planned to be completed in the end of 2017, productivity measurement will also be provided.

In this context, it is understood that the domestic producers have been realizing and/or planning to realize significant activities and outputs on the way to adjust into market situations. Without extension of the safeguard measure, it is evaluated that, domestic producers will not be able to realize planned investments and it can prevent domestic industry to adjust. Therefore, 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:

The introduction of the definitive safeguard measure was notified in the document numbered G/SG/N/8/TUR/13, G/SG/N/10/TUR/13, G/SG/N/11/TUR/16, dated 24 June 2011. The extension of the definitive measure was notified with the G/SG/N/8/TUR/13/Suppl.1, G/SG/N/10/TUR/13/Suppl.2, G/SG/N/11/TUR/16 Suppl.1, dated 8 October 2014.

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

The safeguard measure was initiated on 8 November 2011, was extended on 8 November 2014, and will be in force till 7 November 2017. Turkey now intends to extend the safeguard measure until 7 November 2020.

(iv) 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 variable duty, which was put into force on imports of PET by the Decree of Council of Ministers published in the Official Gazette dated 9 September 2011, no. 28049. The level of duties is identified in the table below.

Turkish Customs Tariff Code	Description of The Product	1 st Period 8/11/2014- 7/11/2015) (%)	2 nd Period 8/11/2015- 7/11/2016) (%)	3 rd Period 8/11/2016- 7/11/2017) (%)
3907.60.20.00.00	Having a viscosity number of 78 ml/g or higher	6.75	6.65	6.55

1.12. Information relating to exporting members

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

The main exporters to Turkey for the product concerned is Pakistan, India and China. Pakistan has 23 % import share, and is followed by China and India with each having 21% import share in 2016.

(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.

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

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.

<http://www.ekonomi.gov.tr/portal/url/buk>

2 NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2 OF THE AGREEMENT ON SAFEGUARDS

2.1.The measure

The measure that has been proposed to impose is described in Section 1.5.

2.2.The product subject to the measure

The product subject to measure is 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 their individual export share in quantities less than 3 per cent of imports and their collective share constitute less than 9 per cent to Turkey are listed below.

Afghanistan, Albania, Angola, Bangladesh, Benin, Bolivia, Bosnia and Herzegovina, Burkina Faso, Burundi, Butane, Cambodia, Cape Verde, Central African Republic, Chad, Chile, Comoros, Cook Islands, Cote d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Haiti, Indonesia, Jordan, Kenya, Kiribati, Kongo, Kongo Democratic Republic, Kosovo, Kyrgyzstan, Lao People's Democratic Republic, Lesotho, Liberia, Macedonia, Madagascar, Malawi, Mauritania, Mauritius, Micronesia (Federated States of), Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Nauru, Nepal, Niger, Nigeria, Niue, Paraguay, Philippines, Rwanda, Samoa, Sao Tome ve Principe, Senegal, Serbia, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Sudan, Swaziland, Tajikistan, Tanzania, Timor-Leste, Togo, Tonga, Tunisia, Tuvalu, Uganda, Ukraine, Uzbekistan, Vanuatu, Vietnam, West Bank and Gaza Strip, Yemen, Zambia.