

**NOTIFICATION UNDER ARTICLE 12.1(A) OF THE
AGREEMENT ON SAFEGUARDS ON INITIATION OF
AN INVESTIGATION AND THE REASONS FOR IT**

**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT
ON SAFEGUARDS BEFORE TAKING A PROVISIONAL
SAFEGUARD MEASURE REFERRED TO IN ARTICLE 6**

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

TURKEY

(Motorcycles)

We enclose a notification pursuant to Article 12.1(a) of the Agreement on Safeguards, on initiation of a safeguard investigation on the imports of certain motorcycles; a notification pursuant to Article 12.4 of the Agreement on Safeguards, before taking provisional safeguard measures for imports of certain motorcycles; and a notification pursuant to Article 9, footnote 2 of the Agreement on Safeguards, on taking a decision not to apply the measure to products originating in developing countries.

**A. NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON SAFEGUARDS
ON INITIATION OF AN INVESTIGATION AND THE REASONS FOR IT**

1. The date when the investigation was initiated

The investigation was initiated on 15 August 2006. The related Communiqué was published in the Official Gazette on the same date.

2. The product subject to the investigation

The product under investigation is motorcycles (including mopeds) and cycles fitted with an auxiliary motor (with reciprocating internal combustion piston engine of a cylinder capacity not exceeding 500 cm³), hereinafter referred to as "the product concerned".

The product concerned is currently classified as 8711.10.00.00.11, 8711.10.00.00.19, 8711.20.10.00.00, 8711.20.91.00.00, 8711.20.93.00.00, 8711.20.98.00.00, 8711.30.10.00.00 and 8711.30.90.00.00 within the Turkish Customs Tariff Schedule.

3. The reasons for the initiation of investigation

The investigation was initiated following an evaluation of a safeguard petition from the domestic industry and on the basis of the evidence and the information contained therein.

The information currently available indicates that there have been sharp increases in imports of the product concerned both in absolute terms, and relative to domestic production or consumption, as unit price of the imported product concerned went down.

Imports	2001	2002	2003	2004	2005
Volume (pcs.)	6,128	2,937	16,589	117,471	311,484
Unit price (USD/pcs)	1,307	1,129	765	696	655

The information currently available also shows a situation of continuously growing domestic consumption, increasing inventories, decreasing domestic sales and profitability and sharply declining market share for domestic industry.

4. Further information

Interested parties must make themselves known within the period of 30 days after the initiation of the investigation.

Interested parties must submit their views and questionnaire replies or any other information within the period of 30 days after the initiation of the investigation. The questionnaires can be obtained from <http://www.dtm.gov.tr/TTHALAT/gozkor/ithalat.htm>

Interested parties may apply in writing to be heard by the competent authority within 30 days after the initiation of the investigation.

All submissions and requests made by interested parties must be made in writing, and must indicate the name, address, e-mail address, telephone and fax numbers of the interested party.

The address of the competent authority for correspondence is:

Undersecretariat for Foreign Trade
Directorate General for Imports
Department of Safeguards
Tel: +90.312.222 65 00 / +90.312.204 77 17
Fax: +90.312.212 87 65 / +90.312.212 87 11
Web page: <http://www.dtm.gov.tr>
E-mail: korunma@dtm.gov.tr

B. NOTIFICATION UNDER ARTICLE 12.4 BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE

1. The product subject to the proposed provisional safeguard measure

The product subject to the proposed provisional safeguard measure is motorcycles (including mopeds) and cycles fitted with an auxiliary motor (with reciprocating internal combustion piston engine of a cylinder capacity not exceeding 500 cm³), hereinafter referred to as "the product concerned".

The product concerned is currently classified as 8711.10.00.00.11, 8711.10.00.00.19, 8711.20.10.00.00, 8711.20.91.00.00, 8711.20.93.00.00, 8711.20.98.00.00, 8711.30.10.00.00 and 8711.30.90.00.00 within the Turkish Customs Tariff Schedule.

2. The proposed provisional safeguard measure

It is proposed to impose provisional safeguard measure in the form of specific duty per piece varying according to Turkish customs tariff code of the product concerned. Tariff codes and the levels of duty per piece are shown in the table below.

Customs tariff code	Specific duty (USD per piece)
8711.10.00.00.11	200
8711.10.00.00.19	200
8711.20.10.00.00	250
8711.20.91.00.00	200
8711.20.93.00.00	200
8711.20.98.00.00	300
8711.30.10.00.00	300
8711.30.90.00.00	300

3. The date of introduction of the proposed provisional safeguard measure

The date of introduction of the proposed provisional safeguard measure is 15 August 2006.

4. The expected duration of the provisional safeguard measure

The provisional safeguard measure will be in force for two hundred days from the date of its introduction.

5. The basis for:

- (i) **Making a preliminary determination, as provided for in Article 6, that increased imports have caused or are threatening to cause serious injury**

UNFORESEEN DEVELOPMENTS

As will be observed below, the imports of the product concerned have continuously increased starting from 2003. Imports have increased in terms of both total quantity (pcs) and value. On the other hand, the average unit price of the imported product concerned has continuously fallen starting from 2001. Whilst the average unit price of an imported motorcycle covered by the application was 1,307 USD/pcs in 2001, it has gone down to 557 USD/pcs in the first four months of 2006.

Unit CIF price (USD/pcs)	2001	2002	2003	2004	2005	2006(1-4)
Total Imports	1,307	1,129	765	696	655	557

Although import price fluctuations were to be expected as a result of increasing domestic consumption, the extent of fall in prices was unforeseen. As price elasticity of motorcycle demand is high in Turkey, fall in average unit price of imported products in the period under examination led to a sharp increase in the import volume of motorcycles.

The value of the New Turkish Lira has appreciated unexpectedly since 2001. According to the data circulated by the Central Bank of the Republic of Turkey, the New Turkish Lira appreciated by 47% in real terms in 2005 compared to 2001. The real value gain of the New Turkish Lira speeded up the imports and lessened the competitive power and profitability of the domestic industry. The increased imports in significant quantities consequently eroded the domestic producers' market share.

These developments and their effects will be investigated further at the definitive stage of the investigation procedure.

INCREASE IN IMPORTS

A preliminary analysis of the increase in imports to Turkey of the product concerned has been carried out over the period from 2001 to 2005, both in absolute terms, and relative to domestic production. Imports of the product concerned increased considerably in that period.

Imports	2001	2002	2003	2004	2005
Volume (pcs.)	6,128	2,937	16,589	117,471	311,484

Imports of the product concerned decreased by 52 % in 2002, coming down to 2,937. However, imports have gone into a rising trend starting from 2003 and have reached 311,484 in 2005 with annual increases of 464 %, 608 % and 165 % respectively.

Imports/Domestic production	2001	2002	2003	2004	2005
Index (%)	100	67	146	714	1,893

It is observed that the index of ratio of imports to domestic production, which was 100 in 2001, has dropped back to 67 in 2002; afterwards it started to rise in 2003 and reached the figures 146, 714 and 1,893 in 2003, 2004 and 2005 respectively.

Based on import data for the period of 2001-2005, it is concluded on a preliminary basis that there is a recent, sudden and sharp increase in imports, both in absolute terms and relative to domestic production.

SERIOUS INJURY OR THREAT OF SERIOUS INJURY

In order to make a determination of serious injury or threat thereof to the domestic producers of the like product, a preliminary evaluation of all relevant factors of an objective and quantifiable nature having a bearing on their situation has been undertaken.

(i) Consumption

Consumption	2001	2002	2003	2004	2005
Index (pcs)	100	58	175	703	1,481

The data in the table show an increase in motorcycle demand in Turkey after 2002. The rates of increase in consumption were 201 % in 2003, 301 % in 2004 and 110 % in 2005.

(ii) Domestic Production

Production	2001	2002	2003	2004	2005
Index (pcs)	100	71	185	268	268

Looking at the domestic production figures, it is observed that production dropped by 29 % in 2002 and started rising again in subsequent years. In 2005, no increase in production was achieved, although the domestic market grew by 110 % compared to 2004.

(iii) Market share of domestic production

Market share	2001	2002	2003	2004	2005
Index (%)	100	105	81	41	17

The market share index of domestic production increased from 100 in 2001 to 105 in 2002; yet it has decreased rapidly in subsequent years. The index, which dropped to 81 in 2003 and 41 in 2004, has come down to 17 in 2005, the lowest value of the period under examination.

(iv) Capacity and capacity utilization rate

Capacity utilization rate	2001	2002	2003	2004	2005
Index (%)	100	71	185	258	258

The capacity utilization fell in 2002; afterwards it increased due to the growth in the market in 2003 and 2004. However, this increase has been poor to reflect the enlargement of domestic market. In 2005, the capacity utilization rate remained stable.

(v) Domestic sales

Domestic sales	2001	2002	2003	2004	2005
Index (pcs)	100	61	142	290	256

The domestic sales of producers dropped by 39 % in 2002, and showed an increase in 2003 and 2004. Domestic sales fell by 12 % in 2005 as imports reached its highest volume.

(vi) Inventories

End of period inventories	2001	2002	2003	2004	2005
Index (pcs)	100	163	142	263	345

It is observed that the end of period inventories of domestic producers rose by 63 % in 2002 and dropped by 13 % in 2003. The index (100 in 2001) continuously increased in subsequent years and reached 345 in 2005.

(vii) Employment

Employment	2001	2002	2003	2004	2005
Index (Persons)	100	82	146	194	177

The employment figures of domestic producers have fluctuated in the period under examination. In 2005, a fall by 9 % occurred in employment, as a result of the decrease in the share of domestic producers in the growing domestic market.

(viii) Productivity

Productivity	2001	2002	2003	2004	2005
Index (pcs /Person)	100	86	126	137	151

Looking at the productivity figures of domestic production operations, it is observed that after the decline in 2002, producers steadily increased their productivity. The productivity index, which was 100 in 2001, reached 151 in 2005.

(ix) Profitability

Profitability	2001	2002	2003	2004	2005
Index (%)	Loss	100	116	121	64

The profitability index of the domestic producers (100 in 2002), whose market share sharply declined, has come down to 64 in 2005.

CAUSATION

In order to examine the existence of a causal link between increased imports and the serious injury, and in order to ensure that injury caused by other factors is not attributed to increased imports, the effects of the following factors were analyzed:

- Effect of increased imports:

Imports have increased from 6,128 pcs. in 2001 to 311,484 pcs. in 2005, which means a 4,983% increase in the level of imports. In addition, the market share index of imports increased by 86%, 77% and 26% in 2003, 2004 and 2005, respectively. As a result of the continuous decrease in prices of imported products, domestic prices were undercut in 2002, 2004 and 2005.

For motorcycles with a cylinder volume not exceeding 125 cm³, imported products have undercut the price of domestic products by 54 % in 2002, 32 % in 2004 and 35 % in 2005. Similarly, a price undercutting of 41 % in 2004 and 46 % in 2005 were determined for motorcycles with cylinder volumes of 125 cm³ and above.

For the foregoing reasons, the preliminary conclusion is that there is a correlation between the increase in imports and the serious injury suffered by the domestic producers, and that the increase in imports has had injurious effects on the domestic industry particularly in terms of downward pressure on prices and a reduction in domestic sales and market share of the domestic industry.

- Other factors:

A preliminary analysis of other factors that may have contributed to the serious injury or threat of serious injury suffered by domestic producers has been carried out.

Demand for the product concerned has not decreased over the period under consideration; on the contrary, it has increased by 1,381% from 2001 to 2005. Competition among domestic producers has not created an injurious effect. The production technology used by the domestic industry is same with the technology used by foreign producers. There is no substitute product for motorcycle, which could affect the consumer preferences. Changes in financial costs did not contribute to the injury suffered by the domestic industry. Domestic producers exports remained stable between the years 2003 and 2005. Therefore, there is no link between the changes in exports and the injurious effects observed.

According to this preliminary analysis, the serious injury or threat of serious injury is not attributable to the factors other than the increase in imports.

(ii) Determining the existence of critical circumstances where delay would cause damage which it would be difficult to repair

The investigating authority has made a preliminary determination that critical circumstances exist in which delay would cause damage which it would be difficult to repair. As indicated above, serious injury is clearly imminent. Domestic producers are already suffering a decline, notably in market share, domestic sales and profitability, as a result of increased imports.

Available information relating to imports of the product concerned in the four months of 2005 and 2006 indicates that imports continue to increase with a greater rate than the previous years.

Period	Volume (pcs)	Rate of Increase (%)	Unit Price (USD/pcs)
2005(1- 4)	29,163	-	763
2006(1- 4)	190,885	555%	557

It can be anticipated that without the application of a provisional safeguard measure, imports of the product concerned into Turkey will continue at a high level; and particularly as a result of the price undercutting, the domestic industry will continue to lose its share in domestic market.

There exists a critical situation in which any delay in the adoption of a provisional safeguard measure would cause damage which it would be difficult to repair.

6. Offer of consultations under Article 12.4

Consistent with Article 12.4 of the Agreement on Safeguards, Turkey is prepared to consult on the provisional safeguard measure with those Members having a substantial interest as exports of the product concerned at any time after 15 August 2006.

C. NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2 UPON TAKING A DECISION NOT TO APPLY THOSE PROVISIONAL SAFEGUARD MEASURE TO CERTAIN PRODUCTS ORIGINATING IN DEVELOPING COUNTRIES

1. The measure

It is proposed to impose provisional safeguard measure in the form of specific duty as described in the notification under Article 12.4 above.

2. The product subject to the measure

The measure applies to the products described in paragraph 1 of the notification under Article 12.4 above.

3. The developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards

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

Afghanistan; Algeria; Antigua and Barbuda; Angola; Argentina; American Samoa; Anguilla; Antarctica; Aruba; Azerbaijan; Barbados; Bangladesh; Burkina Faso; Bahrain; Burundi; Benin; Belarus; Bolivarian Republic of Venezuela; Brunei Darussalam; Bolivia; Brazil; Bahamas; Bhutan; Botswana; Belize; Bermuda; Bouvet Island; British Virgin Islands; British Indian Ocean Territory; Democratic Republic of Congo; Central African Republic; Congo; Côte d'Ivoire; Cameroon; Chad; Colombia; Costa Rica; Cuba; Cape Verde; Cayman Islands; Chile; Christmas Islands; Cocos Islands; Cook Islands; Djibouti; Dominica; Dominican Republic; Ecuador; Egypt; Eritrea; Ethiopia; Fiji; Federated States of Micronesia; Falkland Islands; French Polynesia; French Southern Territories; Gabon; Grenada; Ghana; Gambia; Georgia; Greenland; Guinea; Equatorial Guinea; Guatemala; Guinea-Bissau; Guyana; Gibraltar; Guam; Honduras; Haiti; Heard Island and McDonald Islands; Indonesia; Iraq; Iran (Islamic Republic of); Jamaica; Jordan; Kazakhstan; Kenya, Cambodia, Kiribati, Comoros, St Kitts and Nevis, Kuwait, Kyrgyzstan; Laos; Lebanon; St Lucia; Sri Lanka; Liberia;

Lesotho; Libyan Arab Jamahiriya; Morocco; Madagascar; Marshall Islands; Mali; Moldova; Mongolia; Mauritania; Mauritius; Malaysia; Maldives; Malawi; Mozambique; Macao; Mayotte; Mexico; Montserrat; Namibia; Niger; Nigeria; Nicaragua; Nepal; Nauru; Netherlands Antilles; New Caledonia; Niue Island; Norfolk Island; Northern Mariana Islands; Oman; Panama; Peru; Papua New Guinea; Philippines; Pakistan; Palau; Paraguay; Pitcairn; Qatar; Russian Federation; Rwanda; Samoa; Saudi Arabia; Solomon Islands; Seychelles; Sudan; Sierra Leone; Senegal; Somalia; Suriname; Sao Tomé and Príncipe; El Salvador; Syrian Arab Republic; Swaziland; South Georgia and South Sandwich Islands; St Helena and dependencies; St Pierre and Miquelon; Tajikistan; Togo; Tunisia; Tonga; East Timor; Trinidad and Tobago; Turkmenistan; Tuvalu; Tanzania; Tokelau; Turks and Caicos Islands; Ukraine; United Arab Emirates; United States Minor outlying islands; Uganda; Uruguay; Uzbekistan; St Vincent; Vietnam; Vanuatu; Virgin Islands of USA; Wallis and Futuna Islands; Yemen; Zambia; and Zimbabwe.