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## **EXECUTIVE SUMMARY**

*This report is about maximum extension of safeguard action against imports of float glass*

This report addresses the question of whether extension of the definitive general safeguard action, in accordance with Republic Act No. 8800 (“Safeguard Measures Act”) and the WTO Agreement on Safeguards, would be justified against imports of clear and tinted float glass.

### **Background**

In 2004, the Secretary issued a decision imposing a definitive general safeguard duty for a period of three (3) years on imports of clear and tinted float glass.

In 2006, the Secretary ordered the extension of the imposition of safeguard measure for another three (3) years.

*The domestic industry requests for a final extension of four (4) years of the safeguard measure*

The domestic industry requests a final extension of four (4) years of the definitive safeguard measure. The domestic industry is asking for additional time for the positive adjustments to import competition undertaken by the domestic industry may continue and be completed.

*. . . pursuant to the provision of the Safeguard Measures Act*

The Secretary endorsed the request of AGPH to the Tariff Commission pursuant to Section 19(2) of RA 8800.

### **The Safeguard Action and the Role of the Commission**

*The Safeguard Measures Act, in consonance with the WTO Agreement on Safeguards, allows extension of definitive safeguard action against imports.*

An extension of the measure may be extended if:

- the action continues to be necessary to prevent or remedy the serious injury, and
- there is evidence that the domestic industry is making positive adjustment to import competition.

## Findings

*During the period under review...*

The period under review covers the last three (3) years, from 2006 to 2008 and up to the time of the latest available data.

*the current safeguard is effective from 2003-2005...  
...imports below the surge level...*

The current safeguard measure is effective. The volume of imports though increasing from 2006 to 2008 is still below the surge level.

*...showed improvements in production, sales, market shares, productivity and capacity utilization...*

The domestic industry showed improvements in its production, sales, market shares, productivity and capacity utilization, but still incurred losses indicating serious impairment in the financial condition of the domestic industry.

*If safeguard measure is terminated...*

*...China and Indonesia...their proximity... and sufficient freely disposable production capacity, and as a major source of imports since 2002...  
...pose a threat...exports...is likely to increase substantially*

Should the safeguard measure be terminated, China and Indonesia, because of their proximity to the Philippines and their sufficient freely disposable production capacities, and as major sources of imports since 2002, pose a threat to the domestic industry as exports to the Philippines is likely to increase substantially.

*Several trade remedy cases were filed against China and Indonesia...  
...support the likelihood...that exports...will be diverted...to the Philippines*

Several anti-dumping and safeguard cases filed against China and Indonesia further support the likelihood that exports from these countries will be diverted to the Philippines.

*Despite...imposition... imports came in at very low prices  
To protect the market share...AGPH...sell below cost resulting to serious impairment..*

Despite the continued imposition of the safeguard measure, imports came in at very low prices. In an attempt to maintain its market share, AGPH has to sell below cost resulting to serious impairment of AGPH's financial condition.

*Without the safeguard measure...  
...AGPH will sell below cost...will further worsen the financial condition...  
There is a threat of recurrence...if not extended.*

If safeguard measure is removed, AGPH will be forced to price its float glass even below its cost to protect its market share which will further worsen the financial condition of AGPH. There is a threat of recurrence of serious injury if the safeguard measure is not extended.

*...there is evidence that the domestic industry is making positive adjustment to import competition...*

The domestic industry made serious efforts to comply with its adjustment plan and there is evidence that the industry is making positive adjustment to import competition.

*Factors outside the control of AGPH negated the gains from its adjustment plan...  
...needs more time to fully put in place its commitments...*

However, factors beyond their control negated the gains resulting from its adjustment plan. AGPH requires more time to fully put in place its commitments in the adjustment plan to effectively face import competition.

*Non-extension...likely lead to...  
Increased imports....serious injury*

Non-extension of the safeguard measure will likely lead to increased imports of float glass which will cause serious injury to the domestic industry.

### **Conclusion and Recommendation**

*Extension of the imposition of safeguard action is justified in terms of R.A. 8800 and the WTO Agreements on Safeguards.*

The Commission concludes that the safeguard measure on float glass continues to be necessary to prevent the recurrence of serious injury and that there is evidence that the domestic industry is making positive adjustments to import competition.

*The extension of the safeguard measure will help the industry to complete their adjustment plan to positively adjust to import competition*

The Commission recommends that the imposition of safeguard measure be extended for another three (3) years. The measure shall continue to be liberalized by at least 5% or limited to the extent of redressing or preventing the injury and to facilitate adjustment by the domestic industry from the adverse effects directly attributed to the increased imports.

### **Effects of the Affirmative Recommendation**

*....on competition,*

As the measure is only temporary and will be progressively liberalized, competition will return to its normal level.

The option to choose between local and imported float glass remains as there are no quantitative restraints on imports.

*....on domestic industry,*

Imports will be maintained at their pre-surge levels; additional time will be provided to the domestic industry to complete its adjustment plan and put in place

efficiency measures to attain competitiveness *vis-à-vis* imports; increase in output will facilitate the attainment of economies of scale, and; recovered market share will be maintained enabling the industry to benefit from any growth of the market.

*... on user industries and consumer welfare,*

Continued existence of a viable domestic industry assures consumers of on-time delivery of volume and small lot orders and after-sales services for replacements of breakages and defects; credit line is extended by local industry to buyers, and; presence of local products mitigates foreign exchange risk because transactions are on peso basis.

*... on employment, and...*

The expected continued increase in output and sales would ensure the tenure of employment not only in manufacturing but also the related sales and distribution services.

*... on regional development ...*

The imposition of the definitive safeguard measure will ensure continuous operation of the industry. This will bring continuing community development to the city and nearby areas where Asahi is located.

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