Note on Export of Ceramic Tiles to Indonesia

**Background**

 Indonesia imports in the range of about 17 to 25 % of its ceramic tiles, where in 2014 it reached 22 percent, increasing to 23 percent in 2015 and in 2017 it came down to 18 percent. Imports are now around 70 million square meters, with overall demand dropping from 540 million square meters to 400 million square meters. Data on import of Ceramic Tiles by Indonesia for the last 3 years are attached. The import percentage of ceramic tiles is only likely to increase in the coming years, largely due to declining production.

2. At present the ceramics industry is experiencing a difficult period with the still high gas prices and the decline of the ACFTA (Asean-China Free Trade Agreement) import duty, which was brought down from 20% to 5%. Indonesian Ceramic Industry Association (ASAKI) also hopes that the government can immediately reduce the price of gas for industry, which so far is still burdensome to domestic ceramic producers. The price of industrial gas is very important component as it can reduce the high production costs. Due to these factors, the production capacity of ceramic manufacturers also continued to decline from 500 million square meters in 2013 to 330 million square meters at present. The decline was caused not only by a flood of imports, essentially from China, but also due to sluggish domestic demand driven by the weakening property sector in the short run. At present, national consumption of ceramics per capita is around 1.4 million square meters, a figure which is still low compared to other ASEAN countries that have reached more than 3 million square meters. On the other hand, national ceramics industry in the long run has a good prospective potential, along with the increasing domestic market. With the government programs giving an impetus to improving infrastructure, building property and housing, consumption of national ceramics is expected to increase.

3. China has hitherto been dominating the market in this product with market share reaching 98.84 % in 2016, which in 2015 was 97.19% and in 2017 slightly dropped to 96.03%. Imports of ceramics from China continued the upward trend until the first half of 2018. Based on the Central Statistics Agency (BPS), during the January-June 2018 period the value of imported ceramic products from China grew 58.86%, from US $ 181.46 million to US $ 288.26 million. Statistics of imports of Ceramic Tiles, in quantitative terms, for the last 3 years are attached. Chairperson of the Indonesian Ceramic Industry Association (ASAKI) has said that the domestic ceramic industry is currently slumping as imported goods continue to enter, which comes mainly come from China. For that case ASAKI will propose anti-dumping to stem imported products. Currently, Europe has imposed anti-dumping duty at 69 percent, while Vietnam has imposed 49 percent on imports from China.

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4. The Indonesian Anti-Dumping Committee (KADI) announced the commencement of an anti-dumping investigation on imported "frit" which is a raw material for ceramic products originating from China. KADI revealed that a total import of Frit into Indonesia in 2015 was 127,060 tons, most of which came from China, to a tune of 103,809 tons, 82% of total imports. Based on KADI's analysis of the petition from the petitioners, there were imports of frit suspected of dumping, causing material loss for the applicant, and a causal relationship established between the loss of the applicant and the import of dumped frit products from the China. KADI began the investigation on August 8, 2016 for products used as raw materials for the ceramic products. The Chinese product entered Indonesia with the tariff number 3207.20.90.00 and 3207.40.00.00. The investigation was carried out on an applications submitted by PT. Ferro Mas Dinamika and PT. Colorobbia Indonesia which represents the domestic Industry. KADI conducts investigations in accordance with Government Regulation No. 34 of 2011 concerning Antidumping Measures, Reward Measures, and Trade Safeguard Measures. In addition, the Minister of Trade Regulation No. 76 / M-DAG / PER / 12/2012 concerning Procedures for Investigation in the Context of Imposing Antidumping Measures and Reward Measures. Finally, the Indonesian Trade Safeguard Committee (KPPI) began investigating trade security measures (safeguards) on the surge in the volume of imports of ceramic tiles on March 29, 2018. The investigation was carried out after an application from the Association of Indonesian Ceramic Industries (ASAKI) representing the domestic industry producing ceramic tiles. Loss or threat of loss can be seen from several indicators of domestic industry performance in the 2015-2017 period, including the increase in the number of unsold goods, the decline in production volume and domestic sales which keeps domestic industries experiencing financial loss. In addition, there was a decline in productivity and domestic market share in Indonesian market and also a reduction in the number of workers. This finally resulted in imposition of 25.6% on ceramic raw material imported from China.

**Conclusion**

5. As is clear from the attached statistics of imports for the last three years, current share of India in the ceramic tiles market of Indonesia is very low. With anti-dumping duty of 25.6% slapped on China, its current share of 96.03% is likely to shrink drastically, giving scope to other countries to enter the Indonesian market. Together, decreased local manufacturing, as explained above, clearly paves way for India to significantly increase its share, which with only 4% Import Duty under the ASEAN-India FTA, is ideally placed in the current scenario.

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