Position paper

Related to the proceeding AD586 - 2012/C 44/07, publication C 44/22 dated 16th February 2012

Anti-dumping proceeding concerning imports of ceramic tableware and kitchenware originating in the People's Republic of China

The signatories of this paper are renowned wholesalers with long company traditions who are concerned about the negative consequences of the ongoing anti-dumping proceeding. This paper aims to give our opinion to the member states and to explain once again the relevant key points. Two of the signatories participated as importers in the official sampling of the Commission.

I. Disregard of basic EU regulations

I.1.

In the application, the products concerned are referred to as "tableware and kitchenware". This kind of products is intended to get in touch with food and beverages and is in Germany subject to the Bedarfsgegenständeverordnung (= German Commodity Ordinance) and in all other member countries subject to the EU-Verordnung Nr. 1935/2004 (= EU regulation no. 1935/2004). According to both regulations, a Europe-based company is required to import the products into the free circulation of the European Union. The products have to be labelled with a registered trade mark (according to Bedggstv. Section 10 (3)). The products that had been examined by the Commission in China were only porcelain and ceramic items that, according to the EU regulation 1935/2004, are not qualified to be appropriately traded in the free circulation of the European Union! This difference represents a formal error of the investigation!

I.2.

The application for opening an anti-dumping proceeding only represents 17.8 per cent of the sales and 18.8 per cent of the production amount of the European manufacturers (source: PRODCOM). This percentage is according to the European basic Regulation no. 1225/2009 not sufficient to justify the initiation of proceedings. Holst Porzellan has therefore made a formal protest which though has not been taken into account until today.

II. The presentations of the applicants

The application dated 22nd December 2011 concerning the proceeding as well as ANNEX G of the European porcelain manufacturers are mainly based on a small number of arguments.

1. The products imported from China are in terms of type and quality exactly the same like the European products.

2. The Chinese factories receive a positive export tax from the state.

3. The cheap Chinese products harm the European industry.

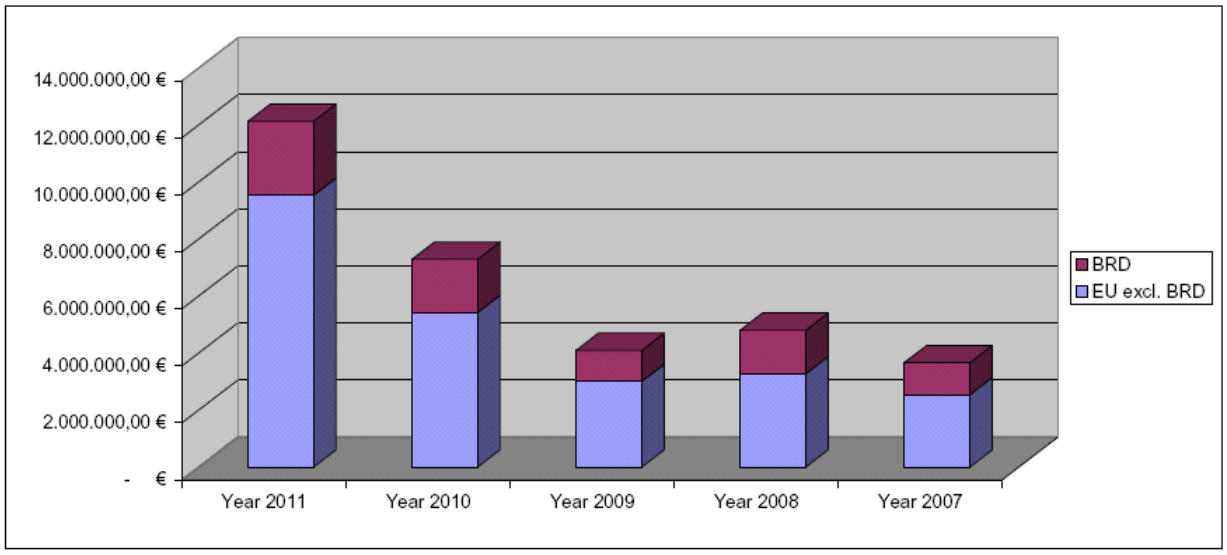
As far as these core points are concerned, we have already made available detailed statements including significant evidence to the Commission that have unfortunately not yet received much attention.

II.1.

Germany - with 42,928 tons of production (source: PRODCOM 2011) is the biggest porcelain manufacturer of the Union and makes up for more than 30 per cent of the overall production. The German premium brands, such as Meissen, Villeroy & Boch, Rosenthal, Tafelstern or Höchster Porzellanmanufaktur all position themselves in the luxury segment with the claim of perfection on the highest level. According to PRODCOM EUROSTAT, German porcelain was globally sold in 2011 at an average price of 9.67 €/kg. France and Italy follow with high-level brands such as Ricardo Ginori, Royal Limoge or Bernardaud. Denmark is extraordinary with a revenue of 24.90 € per kilo, determined by the exclusive brand Royal Copenhagen. Lithuania holds the number 1 position with € 62.93 per kilo. This proves that European porcelain is premium porcelain that is sold in the higher and highest price segments. The average European export price was 15.88 € per kilo in 2011 (source: PRODCOM). Overall, 564 million kilos of porcelain had been produced in the EU (source: Prodcom).

This represents about 15 per cent of the amount produced in China! The People's Republic rightfully lays historic claim to the invention of porcelain, to the longest production experience, to the cleanest kaoline as well as to the largest raw material deposits for porcelain and ceramic! More than 1 million people are employed in 12 economic regions. The Chinese porcelain industry - similarly hard hit by the economic crisis like the European manufacturers - has declined by about 30 per cent over last five years. In 2011, 3.5 billion kilos of ceramic products had been manufactured (source: CCCLA). In terms of amount and production, China is the global leader for earthenware.

If European porcelain was similar to Chinese porcelain, the rich Chinese people would not buy European porcelain! As this is not the case, European manufacturers successfully export to China! These exports have increased by nearly 50 per cent during the last year (source: PRODCOM). The success of these exports proves that the products of European manufacturers are by no means equal to the porcelain produced in China in terms of type and quality.



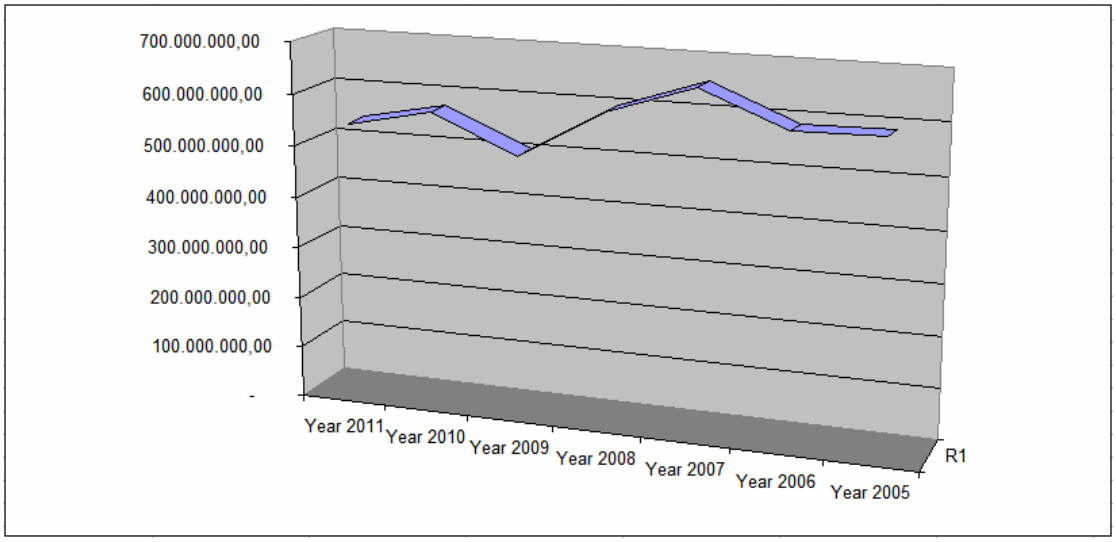
(EU exports Codex 6911 + 6912 from EU to China, source: PRODCOM)

II.2.

For exports, Chinese manufacturers get back 13 per cent of the taxes they have paid. In Germany, the rate of refund is 19 per cent. This tax offset is called "input tax deductability" and is applied almost all over the world. From this fiscal practice, no dumping can be derived.

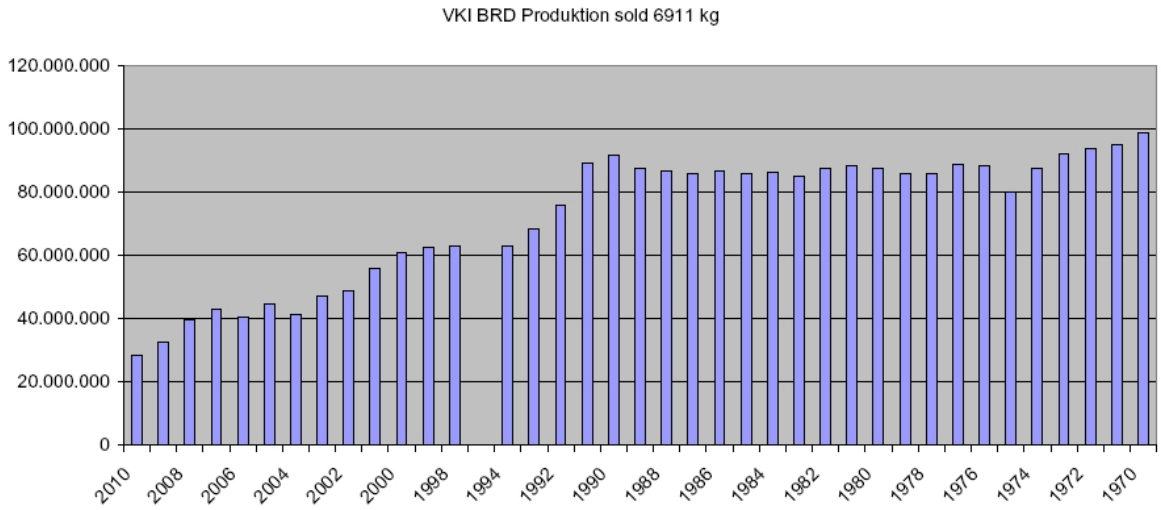
II.3.

European manufacturers mainly produce in the premium segment. During the last three years, the sales in this segment have considerably improved (source: PRODCOM). In the same period, the imports from China have decreased by 6.18 per cent / 35,490,600 tons.



(Chinese imports to the EU Codex 6911 + 6912 in kg, source: EUROSTAT)

This mere conclusion is sufficient to recognize that there is no damage to the European manufacturers. Many other presentations on the positive situation of the EU industry can be found in the dossier and also online. In point G.6, the applicants complain their damage only very generally in the way that sales, employment and profitability of the European manufacturers have decreased during the period of investigation as a consequence of imports from China. A graphic processing of the last 42 years shows that this industry sector has already been on decline since 1970 and has been suffering from the consequences of a general change in society's values.

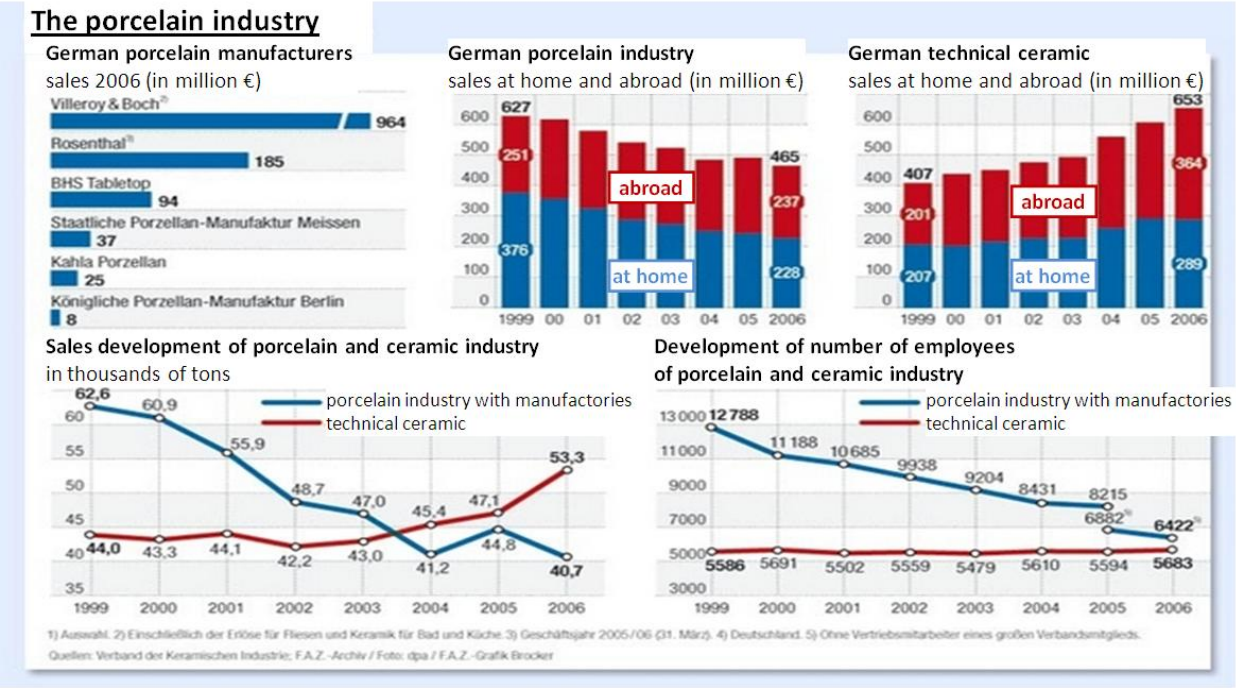


(= German production sold)

(source: VKI – Verband der Keramischen Industrie e.V., Selb)

(= German Association of the Ceramic Industry)

The high investment costs of the applicants resulted from the total industrialization of the sector and at the expense of the number of employees. This massive rationalization of a formerly handcraft-oriented sector has already cost more than half of the European jobs long before the period of investigation!



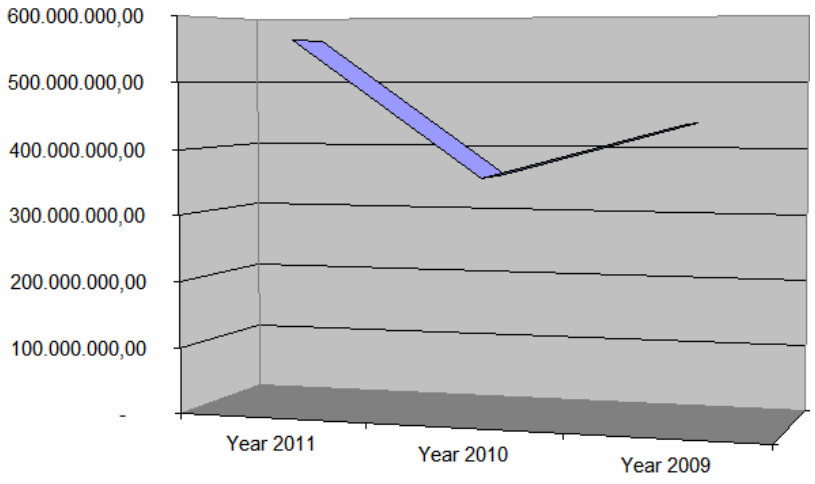
(source: FAZ 2006/VKI)

The application should create the impression that the investments and the job cuts resulted from the Chinese imports in order to distract from the brutal job destruction by the European manufacturers.

(source: Der Spiegel 15/1995)

III. Causal relation

The total market volume for products according to Codex 6911 and 6912 has developed positively for the complaining party in terms of production amount and sales in the year 2011. The EU production increased by 57.1 percent from 358.9 million kg to 564.03 million kg (source: PRODCOM). The imports from China have meanwhile decreased. This shows that the economic situation of the complaining party has improved in 2011 and hence the Chinese imports definitely cannot have led to an aggravation of the economic situation!



(EU production Codex 6911 + 6912 in kg, source: PRODCOM)

IV. The interest of the European Union

Anti-dumping measures concerning imports of ceramic tableware and kitchenware originating in the People's Republic of China will cause lasting damage to the European Union. Owing to the financial crisis, the current economic situation and employment situation of many Union countries are negatively characterized. The high non-employment rate and the economic uncertainty are very strongly reflected by the consumer behavior. The current forecasts for the European Economic Area are cautious to pessimistic.

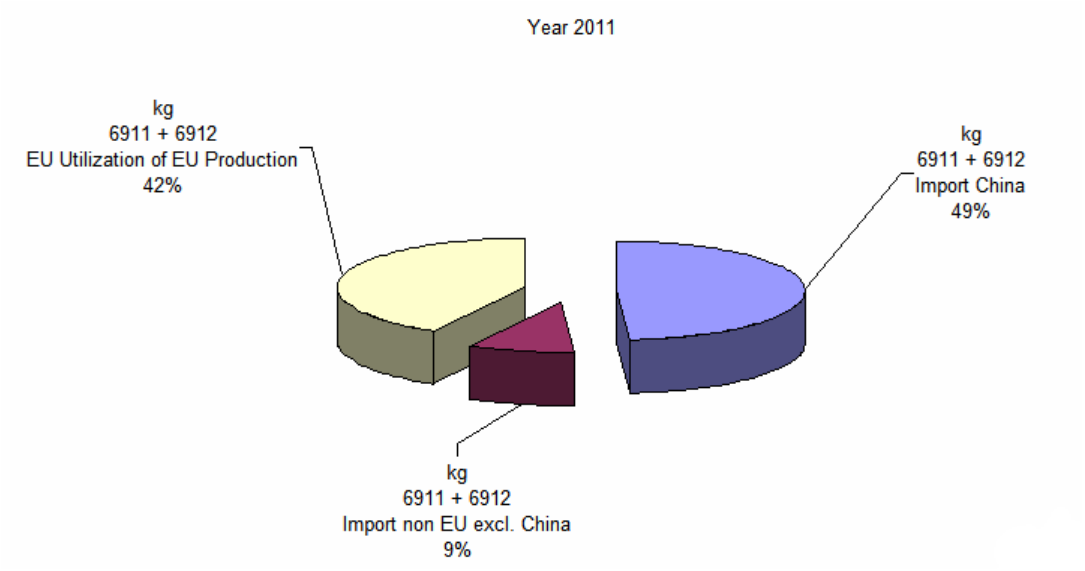
Many consumer groups depend on reasonably priced products. An artificial increase of the import prices as a consequence of this anti-dumping proceeding will have the effect that a substantial share of the demand can no longer be satisfied at affordable prices and thus will particularly place the low-income consumers in a less favorable position.

Especially public and religious institutions (hospitals, schools, universities, prisons, retirement homes, etc.) consume a substantial part of the products from China. In case of an anti-dumping measure, they would all be forced to buy premium goods in the future.

An imposition of anti-dumping duties from 20 per cent would raise the prices of the Chinese products to the European price level. As their quality is however poorer, their consumption would drop rapidly. More than half of the third country duties (2011: 78.6 million €, source: EUROSTAT) would get lost. The other half would remain as turnover and earn 81.8 million € of anti-dumping duties. This revenue will be exclusively generated by the low-income consumer groups and may hence be referred to as ”poor people’s tax”. Anti-dumping duties from 30 per cent would almost completely eliminate both the third country duties and the consumption.

The imposition of anti-dumping duties will have no influence on the number of employees in the porcelain and ceramic industry of Union’s States. This is, on the one hand, because EU manufacturers do not want to serve the thereby released price segments and, on the other hand, as premium brands are also not able to do this. Even if a small percentage of Polish, Romanian or Portugese manufacturers profited from the market loss of Chinese products, this would - as a consequence of their full automation - only lead to longer machine operating times.

Even if the EU industry moved into the low-price segment of the Chinese imports, it would not be able to double its production.



(source: PRODCOM and EUROSTAT)

In 2011, the EU manufacturers exported 17.8 per cent (source: PRODCOM) of their production to Non-EU countries thus obtaining a higher price than on the Internal Market. Thereby, 463.7 tons were left for the EU consumption. In the same period, China exported 539 million tons to the Euro area. In order to compensate this volume, the European industry would have to more than double in 2013. But it has to be acknowledged that the EU manufacturers do not want to serve this price segment (7th Statement Holst Porzellan).

China lays historic claim to porcelain! Asia's sovereigns have already drunk from tea cups at a time when, on this side of the globe, one was still occupied with making fire. Historically undisputed, porcelain has been mentioned in the records since the year 10 B.C.

In Brussels, this is off-the-record already referred to as a trade war between China and Europe. As Europeans and cosmopolitans, we should be aware of the consequences that will result from unilateral trade restrictions. Fashion, cosmetics, armament, automotive, mechanical engineering and many other sectors compete for the export market China. Can we afford to kill an 800 million € trading volume, i.e. a central nerve of the world's largest sales market?

Are we prepared to bear the consequences for this?

Europe, 12th October 2012

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