

## **TABLE OF CONTENTS**

<b>ITEM</b>	<b>DESCRIPTION</b>	<b>PAGE</b>
	Tables .....	vi
	Annexes .....	vii
	Abbreviations .....	viii
	Executive Summary .....	xi
<b>1</b>	<b>TERMS OF REFERENCE</b> .....	<b>1</b>
1.1	The Application for General Safeguard Measure .....	1
1.2	The Preliminary Investigation .....	1
<b>2</b>	<b>SAFEGUARD ACTION AND THE ROLE OF THE COMMISSION</b> .....	<b>3</b>
2.1	The Safeguard Measures Act of 2000 .....	3
	<i>Prima Facie Determination</i> .....	3
	<i>Preliminary Determination</i> .....	4
	<i>Formal Investigation</i> .....	4
	<i>Decision</i> .....	5
2.2	The World Trade Organization Agreement on Safeguards .....	5
2.3	Articles 6 and 8 of the ASEAN Agreement on the Common Effective Preferential Tariff (CEPT) Scheme .....	7
	<i>Article 6. Emergency Measures</i> .....	7
	<i>Article 8. Consultations</i> .....	7
<b>3</b>	<b>THE COMMISSION'S INQUIRY</b> .....	<b>8</b>
3.1	Notifications .....	8
3.1.1	Commencement of Formal Investigation .....	8
3.1.2	Schedule of Public Consultation .....	9
3.2	Preliminary Conference .....	9
3.3	Staff Report .....	10
3.4	Public Consultation .....	10
3.5	Plant Visits/Verification of Data .....	10
<b>4</b>	<b>PARTICIPANTS' VIEWS</b> .....	<b>11</b>
4.1	Submissions Received .....	11
4.2	The Domestic Industry's Case .....	11

ITEM	DESCRIPTION	PAGE
4.2.1	Applicant .....	11
	<i>Product Comparability</i> .....	11
	<i>Increased Importation</i> .....	12
	<i>Serious Injury to the Domestic Industry</i> .....	12
	<i>Need for Government Intervention</i> .....	12
	<i>Adjustment Plan</i> .....	13
4.2.2	Other Submissions in Support of the Application .....	13
	<i>Philippine Institute of Interior Designers (PIID)</i> .....	13
	<i>Architect Villarosa, PIA</i> .....	14
	<i>Various Religious Groups</i> .....	14
4.3	The Opposing Case .....	14
4.3.1	Philippine Ceramic Products Importers Association, Inc. (PCPIA) .....	14
	<i>Like Product</i> .....	14
	<i>Increased Importation</i> .....	15
	<i>Serious Injury to the Domestic Industry</i> .....	15
	<i>Reduced Domestic Sales</i> .....	15
	<i>Decline in Profitability</i> .....	15
	<i>Employment</i> .....	16
	<i>Reduction in Production and Plant Utilization</i> .....	16
	<i>Price Undercutting</i> .....	16
	<i>Causal Link</i> .....	16
4.3.2	Cebu Oversea Hardware Co., Inc. ....	16
4.3.3	Indonesia .....	17
	a. Ministry of Trade and Industry .....	17
	b. Indonesian Ceramic Industry Association (Asosiasi Aneka Industri Keramik Indonesia, ASAKI) .....	17
4.3.4	Italian Trade Commission .....	18
4.3.5	European Commission .....	18
4.3.6	White Horse Ceramic (Phil.) Inc. ....	19
4.3.7	Robinsons Land Corporation .....	19
4.3.8	Other Submissions .....	20
<b>5</b>	<b>THE DOMESTIC INDUSTRY AND MARKET</b> .....	21
5.1	The Domestic Product .....	21
5.2	Tariff Rates on Ceramic Tiles .....	21
5.3	Market Participants .....	22
5.3.1	Domestic Producers .....	22
	Treatment of Eurotiles Industrial Corporation .....	23

ITEM	DESCRIPTION	PAGE
5.3.2	Kiln Capacities .....	23
5.3.3	Distribution Channels .....	23
5.3.4	Importers .....	24
5.3.5	Users .....	25
<b>6</b>	<b>DETERMINATION OF LIKE PRODUCT</b> .....	<b>26</b>
6.1	Product Under Consideration .....	26
6.2	Characteristics .....	27
6.2.1	Material Composition .....	27
6.2.2	Physical Characteristics .....	27
6.2.3	Manufacturing Methods and Technology .....	27
6.2.4	Uses .....	27
	Floor Tiles .....	27
	Facing (Wall Tiles).....	27
6.2.5	Tariff Classification .....	27
6.2.6	Product Standards on Ceramic Tiles .....	28
6.3	Findings .....	29
6.3.1	Manufacturing Method .....	29
6.3.2	Material Composition .....	29
6.3.3	Appearance .....	29
6.3.4	Quality .....	29
6.3.5	Size .....	29
6.3.6	End Use .....	29
6.4	Conclusion .....	29
<b>7</b>	<b>DETERMINATION OF INCREASED VOLUME OF IMPORTS</b> .....	<b>30</b>
7.1	Period of Investigation .....	30
7.2	Increase in Volume of Imports In Absolute Terms .....	30
7.3	Relative to Domestic Production .....	33
7.4	Findings .....	33
7.5	Conclusion .....	34
7.6	<i>De Minimis</i> Import Volume .....	34

ITEM	DESCRIPTION	PAGE
7.7	Unforeseen Developments Resulting In a Surge in Imports ....	35
<b>8</b>	<b>DETERMINATION OF SERIOUS INJURY</b> .....	36
8.1	Domestic Industry Requirement .....	36
8.2	Serious Injury Factors .....	37
8.2.1	Market Share .....	37
8.2.2	Production, Sales and Ending Inventory .....	38
8.2.3	Employment .....	40
8.2.4	Capacity Utilization .....	40
8.2.5	Productivity .....	42
8.2.6	Profitability .....	43
8.2.6.1	Return on Sales .....	44
8.2.6.2	Price Trends .....	45
8.3	Conclusion .....	45
<b>9</b>	<b>CAUSATION</b> .....	46
9.1	Market Share .....	46
9.2	Production and Sales .....	46
9.3	Employment .....	46
9.4	Productivity .....	46
9.5	Capacity Utilization .....	47
9.6	Profitability .....	47
9.7	Other Factors .....	47
9.7.1	Price Effects .....	47
9.7.2	Interest Expense / Foreign Currency Losses .....	47
9.8	Conclusion .....	47
<b>10</b>	<b>CONCLUSION</b> .....	48
<b>11</b>	<b>RECOMMENDATION</b> .....	49
<b>12</b>	<b>DEFINITIVE MEASURE</b> .....	50
12.1	Recommended Definitive Safeguard Measure .....	50
12.1.1	Tariff-Rate Quota .....	50
12.1.2	Specific Duty on Out-Quota Imports .....	51

ITEM	DESCRIPTION	PAGE
12.1.3	Equivalent <i>Ad Valorem</i> Duty of the Definitive Measure .....	52
12.2	Review of Definitive Measure .....	52
<b>13</b>	<b>EFFECTS OF THE AFFIRMATIVE RECOMMENDATION .....</b>	<b>53</b>
13.1	On Competition .....	53
13.2	On the Domestic Industry .....	53
13.3	On User Industries and Consumer Welfare .....	53
13.4	On Employment .....	54
13.5	On Regional Development .....	54

## TABLES

NO.	DESCRIPTION	PAGE
1	Tariff Schedule .....	21
2	Domestic Producers .....	22
3	Rated Capacity of Applicant Companies: 1996 – 2001 .....	23
4	Major Importers of Ceramic Tiles .....	25
5	Comparison of PNS 154:1992 with American and European Standards .....	28
6	Import Volume, Growth Rates and Country Shares .....	31
7	Share of Imports to Domestic Production .....	33
8	Developing Countries with <i>De Minimis</i> Import Volume .....	34
9	Production of Ceramic Tiles: 1996 – 2001 .....	36
10	Apparent Domestic Consumption of Ceramic Tiles and Market Shares: 1996 – 2001 .....	37
11	Production, Sales and Ending Inventory of Applicant Companies: 1996 – 2001 .....	39
12	Employment of Applicant Companies: 1996 – 2001 .....	40
13	Annual Rated Capacity, Actual Production and Capacity Utilization of Applicant Companies: 1996-2001 .....	40
14	Productivity of Applicant Companies: 1996 – 2001 .....	42
15	Statements of Income of Applicant Companies: 1996 – 2001 .....	43
16	Return on Sales of Applicant Companies: 1996 – 2001 .....	44
17	Weighted Average Selling Price (Peso/kg) .....	45
18	Quota Allocation .....	51
19	Equivalent <i>Ad Valorem</i> Duty of Definitive Measure Imposed on Out-quota Imports from Major Suppliers .....	52
	Figure 1. Distribution Network Flow Chart .....	24

## **ANNEXES**

<b>ANNEX</b>	<b>DESCRIPTION</b>
A-1	Notice of Formal Investigation, Published on The Manila Times on 04 December 2001
A-2	Notice of Formal Investigation, Published on The Philippine Star on 04 December 2001
B-1	Notice of Public Consultation, Published on The Manila Times on 14 January 2002
B-2	Notice of Public Consultation, Published on The Philippine Star on 14 January 2002
C	List of Participants: Preliminary Conference (11 December 2001)
D	List of Participants: Public Consultation (11,12 – 14 February 2002)
E	List of Visits
F	List of Submissions
G	Linkage Chart on Unglazed and Glazed Ceramic Tiles
H	Ex-Plant Selling Price, Cost to Produce and Sell and Operating Income Per Unit (Peso/kg)
I	Foreign Currency Denominated Loans
J	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 1996
K	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 1997
L	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 1998
M	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 1999
N	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 2000
O	Computation of Estimated (Ex-Warehouse) Importer's Selling Price for 2001

## **ABBREVIATIONS**

AFTA	ASEAN Free Trade Area
AIP-SEZ	Angeles Industrial Park - Special Economic Zone
ANSI	American National Standards Institute
ASAKI	Asosiasi Aneka Industri Keramik Indonesia (Indonesian Ceramic Industry Association)
ASCER	Asociación Española de Fabricantes de Azulejos y Pavimentos Cerámicos (Spanish Ceramic Tiles Manufacturers Association)
ASEAN	Association of Southeast Asian Nations
ASTM	American Society for Testing and Materials
ave.	Average
BOC	Bureau of Customs
CCA	Cebu Contractor Association
CCCI	Cebu Chamber of Commerce and Industry
CEN	Comité Européen de Normalisation
CEPT	Common Effective Preferential Tariff
CIAP	Construction Industry Authority of the Philippines
CIF	Cost, Insurance and Freight
cm.	Centimeter
CMO	Customs Memorandum Order
Commission	Tariff Commission
COP	Cost of Production
COPS	Cost to Produce and Sell
CTMA	Ceramic Tiles Manufacturers Association, Inc.
DA	Department of Agriculture
DTI	Department of Trade and Industry
E.O.	Executive Order
EBIT	Earnings Before Interest and Taxes
EN	European Norm
Eurotiles	Eurotiles Industrial Corporation
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product

GK	Gross Kilogram
HS	Harmonized Commodity Description and Coding System, otherwise known as Harmonized System
IED	Import Entry Declaration
IPF	Import Processing Fee
IRRs	Implementing Rules and Regulations
ISO	International Standards Organization
JPY	Japanese Yen
kg	Kilogram
kgf	Kilogram-force
KOTRA	Korean Trade Office in the Philippines
KPA	Kilo Pascal
lbs.	Pounds
LC	Landed Cost
Lepanto	Lepanto (Guoco) Ceramics, Inc.
M	Million
Mariwasa	Mariwasa Siam Ceramics, Inc.
MAV	Minimum Access Volume
max.	Maximum
MFN	Most Favoured Nation
min.	Minimum
MMI	Mariwasa Manufacturing, Inc.
Moh	Unit of hardness
MT	Metric Ton
NEDA	National Economic and Development Authority
NK	Net Kilogram
NSO	National Statistics Office
P/kg	Peso per kilogram
PCPIA	Philippine Ceramic Products Importers Association
PIA	Philippine Institute of Architects
PIID	Philippine Institute of Interior Designers
PNS	Philippine National Standard
POI	Period of Investigation

PROC	People's Republic of China
PSI	Pounds per square inch
R.A. 8800	Republic Act 8800, otherwise known as the Safeguard Measures Act of 2000
SG&A	Selling, General and Administrative Expenses
SP	Selling Price
sq. cm.	Square centimeter
sq. m.	Square meter
TRP	Tariff Reform Program
UAE	United Arab Emirates
US	United States
USA	United States of America
VAT	Value Added Tax
Wtd.	Weighted
WTO	World Trade Organization