

Seminar on
Anti-dumping Duty on Imports of Jute
Products from Bangladesh by India:
Challenges & Potential Way-out

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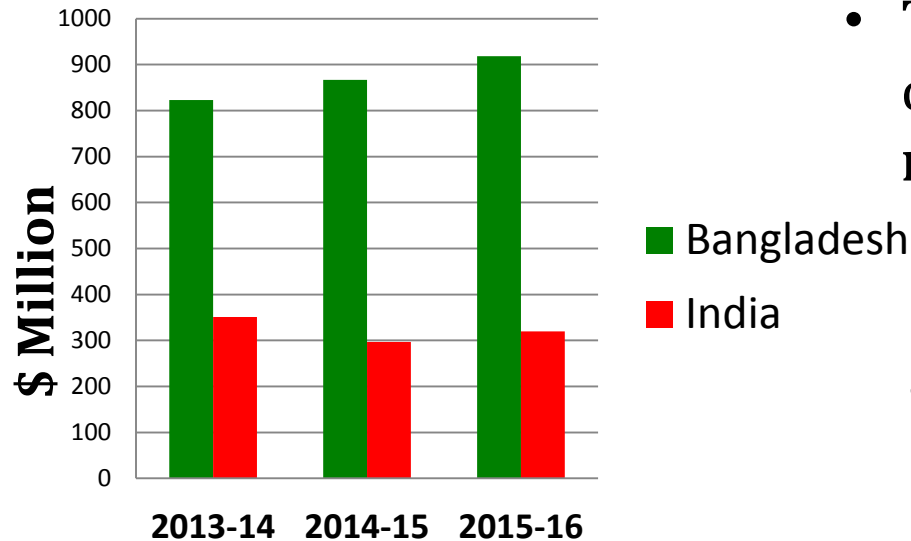
15 November 2016

Pan Pacific Sonargaon



ঢাকা চেম্বার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি

Jute Export: Scenario of **Bangladesh** and **India**



- Total jute and Jute Goods Export of **Bangladesh** was \$ **918 million** in Year 2015-16.
- Total jute and Jute Goods Export of **India** was \$**320 million** in Year 2015-16.

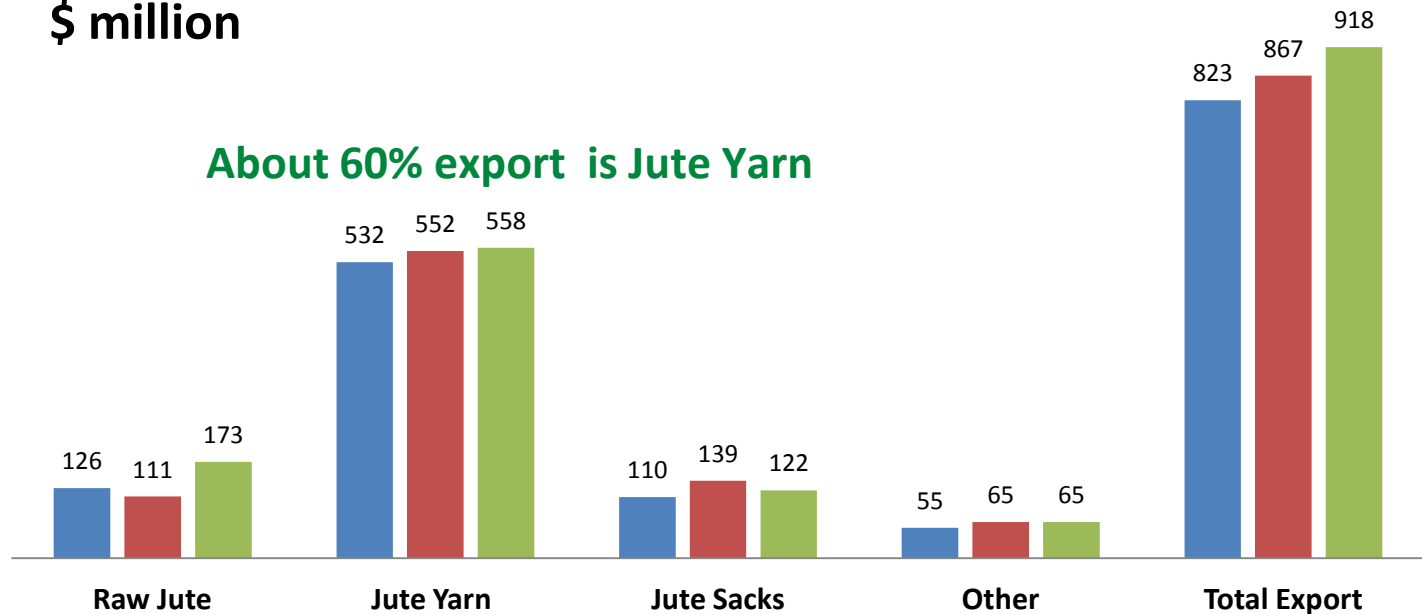
Jute : Emerging Billion Dollars Industry of **BD**

Bangladesh's share of global jute export is propelled by changing consumer mind set, adopting eco-friendly product...

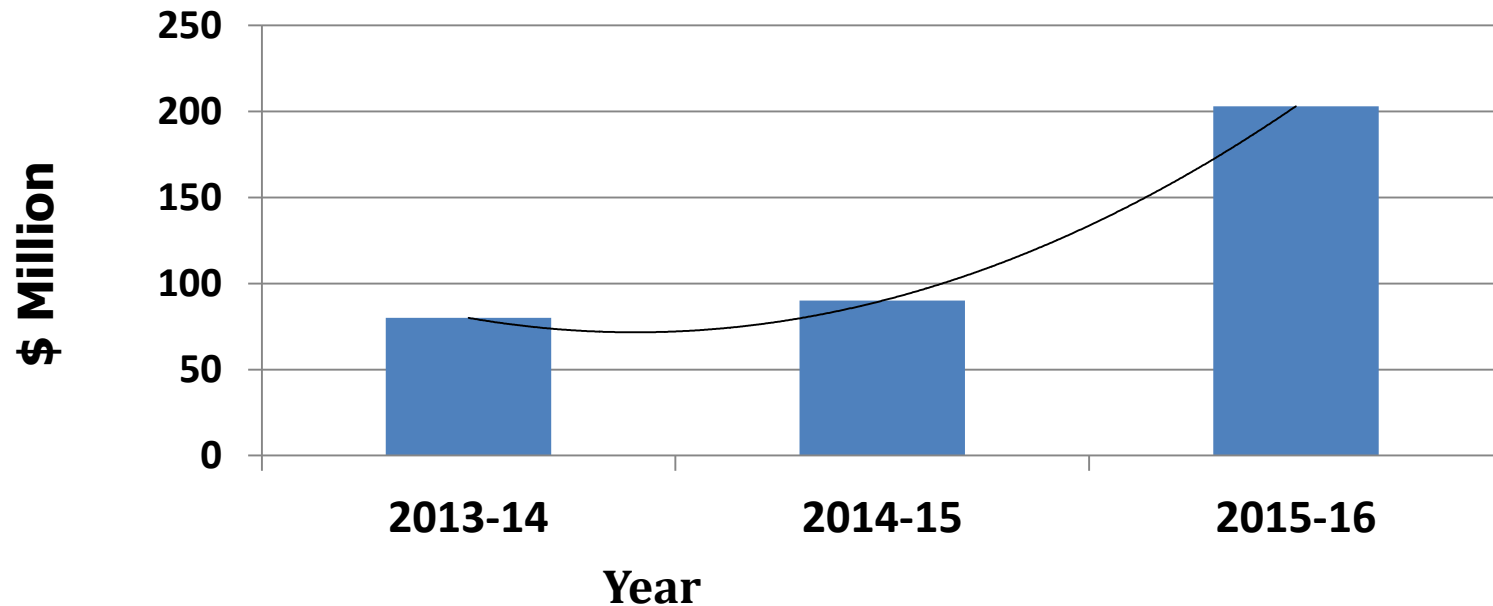
Total Jute Export: Bangladesh

■ 2013-14 ■ 2014-15 ■ 2015-16

\$ million



Jute Export of **Bangladesh** to India



- About 21.89% equivalent to \$200 Million of total Jute and Jute Goods export bound to India.
- About 29.46% of our total export earning from India accounts for Jute and Jute Goods.

Background of Anti Dumping duty on Jute

Indian Jute Mills Association (IJMA) alleged that **Jute Products** like **Jute Yarn/Twine**, **Hessian fabric**, and **Jute sacking bags** exported from **Bangladesh** and **Nepal** cause injury to local jute Industry.

On the basis of prima facie evidence of dumping of the subject goods, **DGAD of India** conducted Anti-dumping Investigation under the **WTO AD** agreement framework.

26 Jute Exporters from Bangladesh and 4 Jute Exporters from Nepal responded to the Notification and Questionnaire.

Jute Products Importers Association (JPIA) and **14 Jute Importers of India** responded to the Importers' Questionnaire.

Investigation was carried out for the **period from 1st April, 2014 to 31st March, 2015** with **Injury Analysis** Starting from **2011-12**.

Synopsis of Investigation Report

- Indian Jute Mills Association on behalf of **17 petitioner companies** comprising **42%** of **domestic market share** lodged the complaint.
- Petitioner reported **19 Indian Companies** have **shut down** though no evidence was established that Companies got shut due to imports from Bangladesh.

Synopsis of Investigation Report ...*Cont'd*

- About **10 Companies** in petition directly imported from Bangladesh.
- 'DGAD' applied '**plus**' and '**minus**' formula of Accounting Principles and constructed the Financial Data furnished by exporters.
- Of the 93 IJMA members, only **17 Companies** Provided Injury Information.

Synopsis of Investigation Report...*Cont'd*

- The petitioners have provided injury assessment information for **3 products** separately.
- DGAD carried out the **spot investigation** at the premises of the concerned exporters.

Synopsis of Investigation Report...*Cont'd*

- Dumping margin has been determined as per normal value and export price.
- Significant amount of sacking bags which is also Product under consideration is consumed by the Indian Govt. Sector.
- The petitioners have provided sale to Govt. sector separately.

Synopsis of Investigation Report...Cont'd

- Sales of the Indian domestic industry declined in the POI. However, the domestic market share has grown by 1.44% and 0.44% respectively in year 2011-12 and 2012-13.
- Though the petitioning domestic Industry production declined in POI, the other domestic producers witnessed around 10.28% growth.
- The profitability of the domestic industry has declined over the injury period.

Synopsis of Investigation Report...Cont'd

Composition of Indian Jute Market

| | Unit | 2011-12 | 2012-13 | 2013-14 | POI (2014-15) |
|--|-------------|----------------|----------------|----------------|--------------------------|
| Total Demand for Jute products | MT | 14,32,360 | 14,92,084 | 14,69,694 | 14,80,828 |
| Total Demand Excluding Govt. Procurement | MT | 8,66,506 | 8,07,607 | 7,55,840 | 6,32,442 |
| Share of Bangladesh against total Demand | % | 5.45% | 9.28% | 7.26% | 8.33% |
| Share of Nepal against total Demand | % | 3.35% | 3.02% | 3.77% | 3.45% |

Viewpoints of DGAD

- Imports significantly increased over the injury period.
- Import into India from each of the subject countries were at dumped prices.
- Constructive remedies suggested in SAFTA have been considered.

Viewpoints of DGAD ...Cont'd

- Other factors listed under the Antidumping Rules which could have contributed to injury to the domestic industry for examination of causal link between dumping and material injury have been considered.
- **Injury Margin** in POI:

| Country | Sacking Bags | Jute Yarn/Twine | Hessian Fabrics |
|------------|--------------|-----------------|-----------------|
| Bangladesh | 4.54% | 27.89% | 46.67% |
| Nepal | 4.54% | 23.80% | 3.23% |

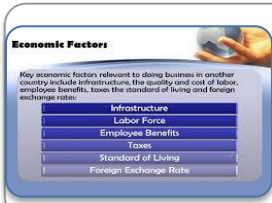
DGAD proposes to Impose **Anti-dumping Duty** in the range of **5% - 30%**.
Which is **minimum \$ 19 and maximum \$ 352** per metric ton.

Highlights of WTO on Antidumping Measures



- Less than 2% margin of dumping is de minimis. No remedy allowed for de minimis dumping.
- Petitioners application must include evidence of dumping, material injury or threat of material injury and causal link between dumping and injury.
- Petitioners must account for larger share of domestic industry

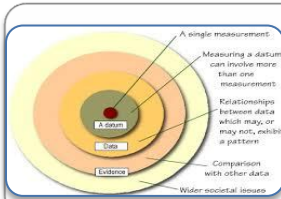
Highlights of WTO on AD Measures ...*Cont'd*



The examination of impact must include an evaluation of all relevant economic factors.



Actual and potential decline in sales, profits, output, ROI, utilization capacity, market share, cash flow, inventories, employment, wages, ability to raise capital and investment has to be established .



The accuracy and adequacy of the evidence must be examined to justify the initiation of investigation.



Duration of imposed Anti-dumping duty must not be longer than 5 years.



Designated Authority may suspend an investigation following receipt of price undertaking.

Compliance Matrix : DGAD's Report with WTO

| Indicators | WTO Framework | Did DGAD Comply? |
|-----------------------------|--|--------------------------------------|
| De-minimis level of Dumping | 2% | 8% (Complied) |
| Share of Domestic Industry | Major Share | Product category wise did not comply |
| Impact Evaluation | evaluation of all relevant economic factors | Not sufficiently Complied |
| Petitioner Application | <ul style="list-style-type: none"> •Evidence of dumping •Material injury or threat of material injury •Causal link between dumping and injury | Not sufficiently Complied |
| Investigation Outcome | <ul style="list-style-type: none"> •Evidence of Injury •Causal link between injury and dumping | Not sufficiently Complied |

Our Observations...

...Cont'd

- Petitioners have indulged in excessive confidentiality in the Petition process which has significantly impaired the ability of the Respondents to defend their interests.
- The petitioners claimed only 42% share of total domestic production comprising three category of products. But the requirement of major share of domestic industry for individual product category did not fulfill.

Our Observations... ..Cont'd

- Out of the three jute products, Jute yarn is raw materials for Hessian Fabrics and Jute Sacking bag. PUC can not contain raw materials and products higher in the value chain at the same time.
- Qualities of products are also different. In yarn category like CB/CRM/CRT/hessian/sacking are not comparable.
- A significant number of Petitioning Companies imported the PUC during investigation.

Our Observations... ..*Cont'd*

- Lack of evidence submitted in the application causes material deficiency in the petition.
- Respondents claimed that dumping margin determined in the Petition was inflated artificially.
- Indian Government is protecting the Indian producers of jute goods by compulsory jute packaging and procuring sacking bags at a cost plus profit based pricing.

Our Observations... ..*Cont'd*

- The Respondents have established that the Petitioners have failed to submit significant evidence supporting dumping and causes of injury to domestic industry.
- There is no separate jute pricing mechanism for India. Commodity prices are driven by open market system.

Our Observations... ...*Cont'd*

- The respondents established that more than 70% of domestic sale are sold to the Government Agencies under the cost plus profit based pricing. However, the domestic industry would only suffer if there is inadequate procurement order by the Government.
- Market intelligence shows many Petitioning Companies were able to make incremental and notable profits in 2015-16. Even companies made profit during injury period e.g. 2010-11 to 2013-14.

Our Observations... ..Cont'd

- Despite increasing import, Petitioning companies earned profit except during POI.

Net Profit in INR lac

← **Witnessed Profit** → **Profit** →

| Company | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----------------|---------|---------|---------|---------|---------|---------|
| Gloster Limited | 1408 | 1893 | 2020 | 1408 | 1326 | 2464 |
| Ludlow Jute | 1453 | 490 | 844 | 268 | (434) | 564 |
| Cheviot Co. Ltd | 2883 | 2886 | 3071 | 2680 | 3458 | 3647 |
| Budge Budge | 161 | 394 | 434 | 262 | (65) | 168 |

Import from Bangladesh is not a fact which is hurting their profit !

Our Observations... ..Cont'd

- Owing to global precarious economic situation many jute mills in Bangladesh also incurred losses in 2014-15.
- Investigation found none of the jute mills in India were shut-down due to jute import from Bangladesh rather were due to other likely exogenous economic factors.
- Indian Jute industry enjoy 13% cash incentive for export including 5% duty draw back, 5% under MEIS Scheme and 3% Working Capital loan subsidy.
- Lack of evidence to establish causal link between dumping and injury.

Possible **Impacts** of the Proposed Anti-dumping Duty: Bangladesh

Proposed Anti-dumping up to 30%

About \$170 million of export of Jute goods will be challenged

Half a million of job including growers will be at stake

Almost \$1 Billion jute export market will be destabilized.

Possible **Impacts** of the Proposed Anti-dumping Duty: India

- Due to supply shortage, Indian consumers will have to pay higher price for jute products which will discourage jute consumption and shrink the market of eco-friendly jute products.
- Many ancillary Jute industries which are mainly dependent on Bangladeshi imported jute yarn and cloth will be at big stake.

Our **Silver** Line

- There is **No injury to Indian jute industry. They are not suffering losses, nor their production is falling** due to import of Jute goods from Bangladesh.
- The imposition of Anti-dumping will **negatively impact the longstanding and deepening bilateral diplomatic relation** between Bangladesh and India.
- It will also give a signal that India would like to **restrict Bangladesh only to Jute farming** closing the door for value addition manufacturing activities.

Way-Forward

- Request Ministry of Finance of India to review the investigation Shifting the POI to the period of 2015-16, calculating domestic market share product category wise separately.
- Suspend the imposition of Anti-dumping until a further review study is conducted.
- Inclusion of Bangladeshi Jute goods in the Government Procurement of India.

Way-Forward...cont'd

- FTA with India (**like Nepal**) taking Jute goods in the FTA basket.
- Increase export incentive to 10%
- Reduce Bank interest rate to 7%
- Introduce minimum export price (Jointly by DCCI & EPB)

Counter Measures

- Bangladesh may consider of initiation of anti-dumping investigation on import from India.
 - Cotton Yarn
 - Onion

Yes to Jute, No to Trade Barriers

Thank You...

