

Anti-dumping on Melamine – A Case Study



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

An Overview



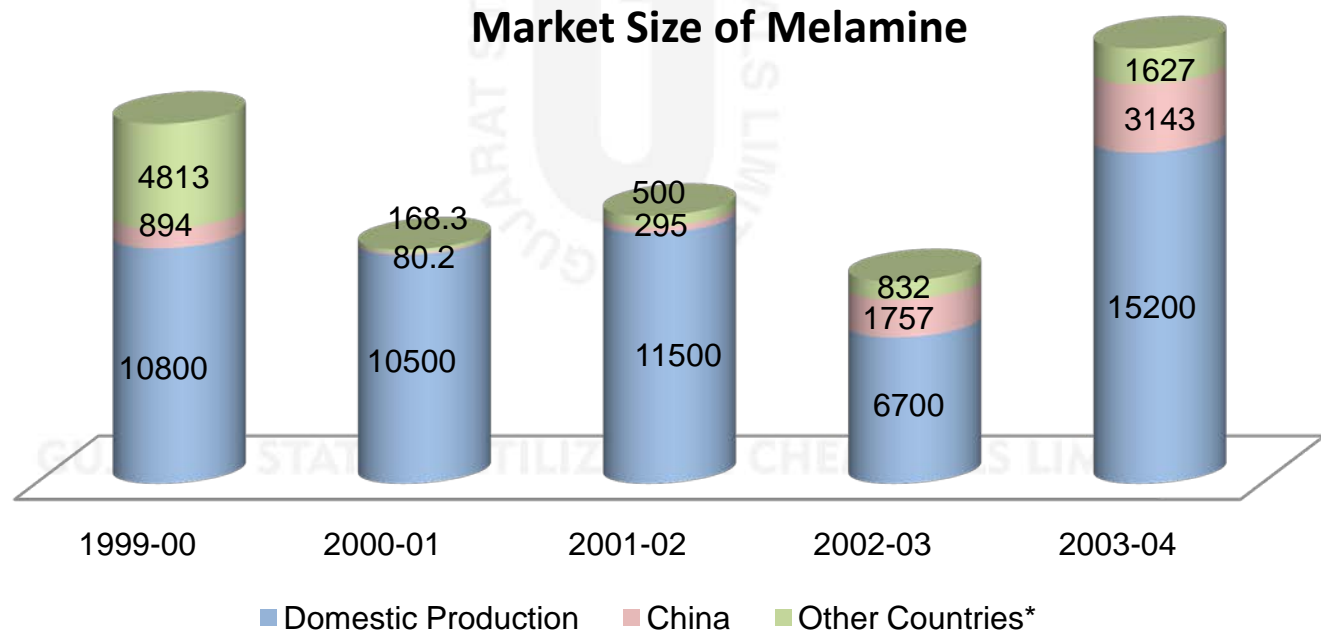
GSFC began its journey in 1962. With steady policy & diversification, today it is a multi product, multi dimensional, multi locational & fully integrated Fertilizer and Petrochemicals complex offering wide range of services to industrial consumers, farmers & end users.



Background: Rationale Behind Initiation of Anti-dumping Investigation



GSFC has two plants having rated capacity of 5000 MTPA and 10000 MTPA. Melamine is mainly used in Laminates, Plywood, paint, paper etc. In 2003, the demand for Melamine has grown at a 3 to 5 % CAGR rate. Import of melamine during 2003-04 was to the tune of 4,600 Tons. Imports from China have increased from 16% during 1999-00 to 65% in 2003-04 at cheaper prices, caused severe losses to sole producer of Melamine.



* Other Countries include Iran, Indonesia, Japan etc.

Anti-dumping investigations concerning imports of Melamine from China PR



M/s Gujarat State Fertilizers & Chemicals Ltd., the sole producer of Melamine in India, had filed a petition before the Designated Authority in accordance with the Customs Tariff (Amendment) Act, 1995 and Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 alleged dumping of Melamine originating in or exported from China PR in 2004.

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Investigation Process



Preliminary Screening

Initiation

Access to Information

Preliminary Finding

Provisional Duty

Oral Evidence

Final Determination

Disclosure of Information

Time limit for Investigation process

Termination



What is Dumping?



Dumping refers to the act of selling a product at a price that is less than marginal cost of production.

The WTO agreement clearly states dumping per se is not condemnable, as price discrimination in the form of dumping is a common international commercial practice. However, if such dumping causes 'material injury' to domestic firms producing 'likes products', requires cause of action.

**DUMPING PER SE
NOT ACTIONABLE**



- Cause of action only when dumping causes material injury.

Dumping occurs if:



Export Price

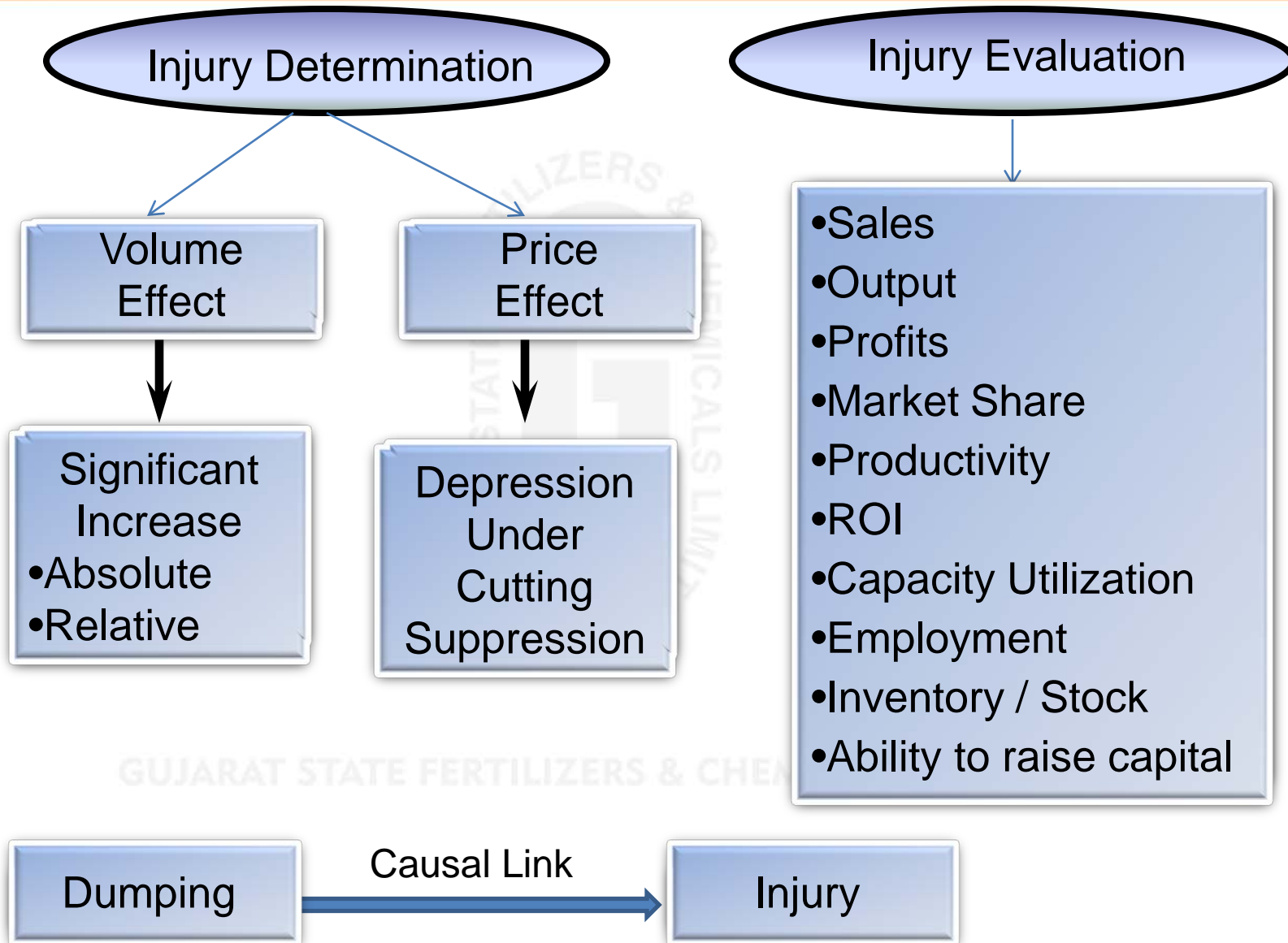
- Export Price of goods Imported in India.

Normal Value

- Comparable price of Like articles
- Domestic price in the exporting country
- Export Price to a Third Country
- Cost of Production Plus a reasonable addition for selling cost and profit

Margin of Dumping = Normal Value - Export Price

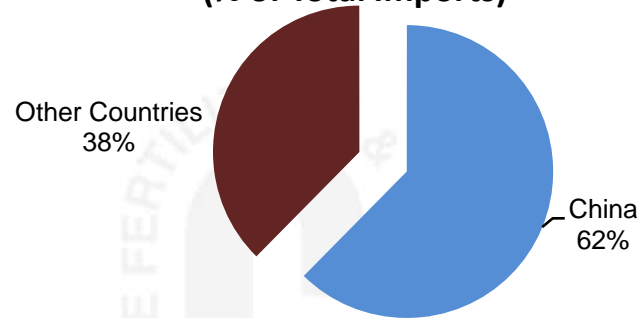
Determination & Evaluation of Injury



Anti-dumping investigations concerning imports of Melamine from China PR – Injury Determination

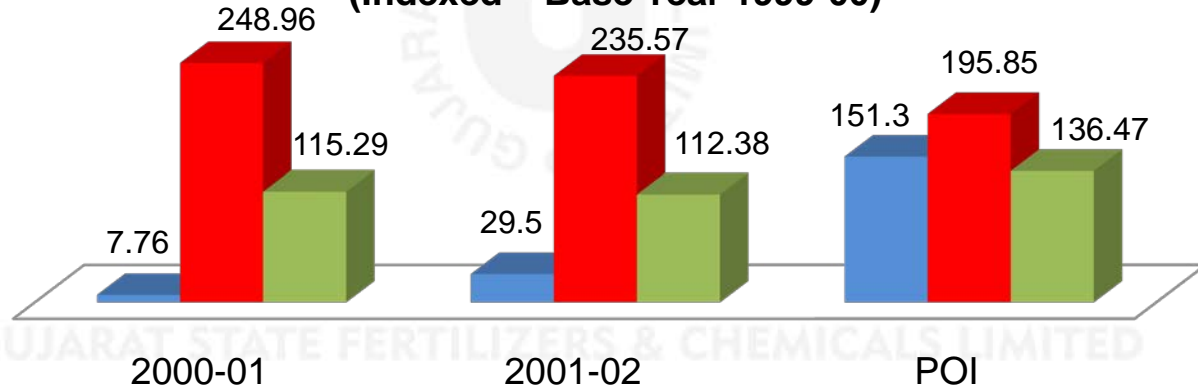


**Market Share during POI
(% of Total Imports)**



** Other Countries include Iran, Indonesia, Japan etc.

**Market Share in Demand
(Indexed – Base Year 1999-00)**



■ China Indexed ■ Domestic industry Indexed ■ Total Demand Indexed

Indexing has been shown wrt 1999-00 to amplify the change in circumstances from 2000-01 onwards

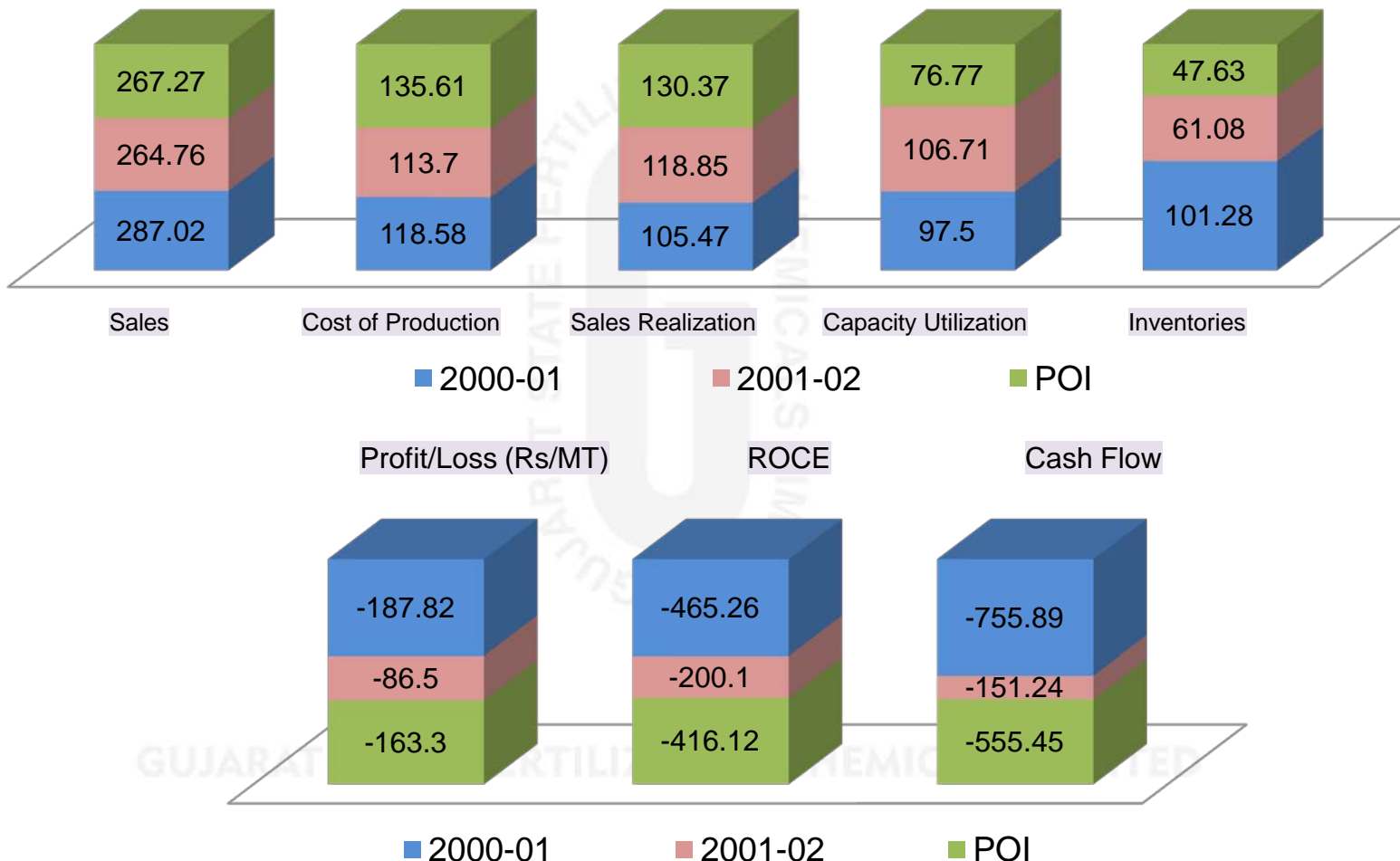
Note: Period of Investigation (POI): 1st April, 2002 to 30th June, 2003 (15 months)

Injury Evaluation

Performance of Domestic Industry



Injury & Causal Link



Indexing has been shown wrt 1999-00 to amplify the change in circumstances from 2000-01 onwards

** Period of Investigation (POI): 1st April, 2002 to 30th June, 2003 (15 months)

Magnitude of Dumping

Dumping Margin (%): In the range of 21.9% to 50.3%

Price Undercutting (%): In the range of 10% to 20 %

Price Underselling (%): In the range of 10% to 30 %



Case Outcome

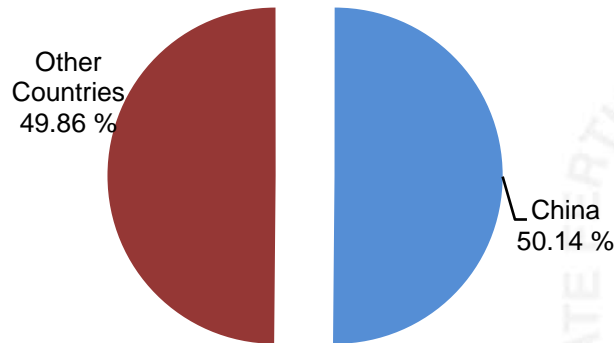


Injury parameters indicated that from 2000-2001 onwards there was price undercutting by imports from China PR. Domestic industry has lost a portion of the market share while facing significant price undercutting, price underselling and suppression of prices. Although there was a gradual rise in the net sales realization but it was meant to cover the rising cost of production. The other factors like capacity utilization, return on capital employed and cash flow corroborated the same. The final findings were notified on 3.9.2004 recommending anti-dumping duty as difference between USD 1284.38 to USD 1456.78 and landed value of imports per MT. Definitive duty was imposed vide Customs Notification dated 16.11.2004.

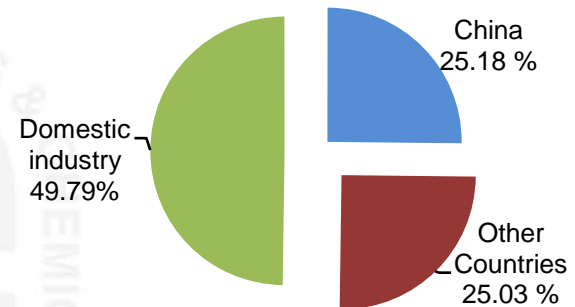
Sunset review of Anti-Dumping duties imposed on imports of Melamine originating in or exported from China PR – FY 2009



**China - Market Share during POI
(% of Total Imports)**

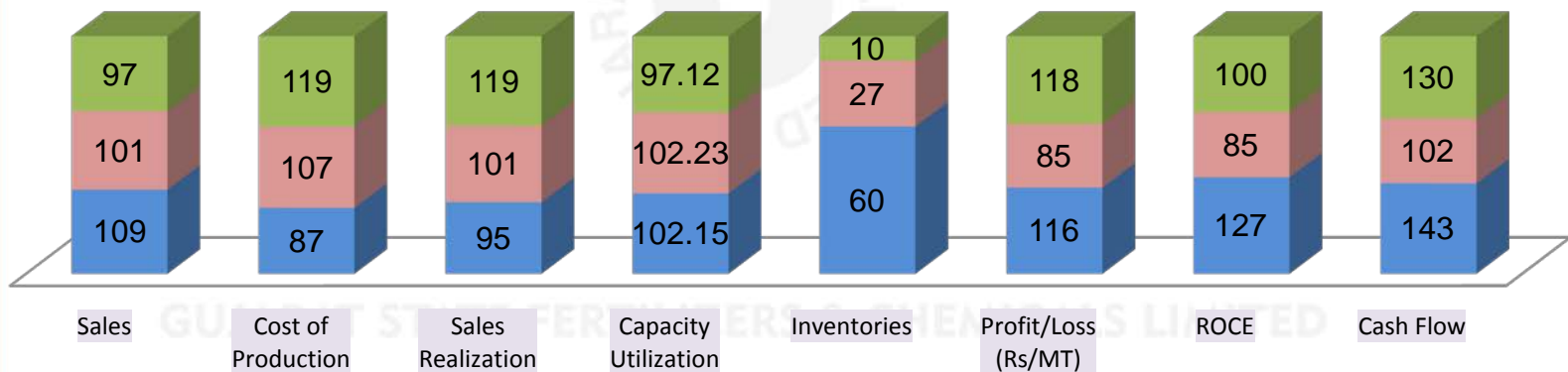


**Market Share during POI
(Total Market Size: 37552 MTs)**



** Other Countries include Iran, Indonesia, Japan etc.

Injury & Causal Link



■ 2005-06 ■ 2006-07 ■ POI

Indexing has been shown wrt 2004-05 to amplify the change in circumstances from 2005-06 onwards

Note: Period of Investigation (POI): 1st April, 2007 to 31st June, 2008 (15 months)

Magnitude of Dumping



Dumping Margin (%): 32.48 %

Price Undercutting (%): In the range of 0 – 5 %

Price Underselling (%): In the range of 8 - 12 %

Case Outcome



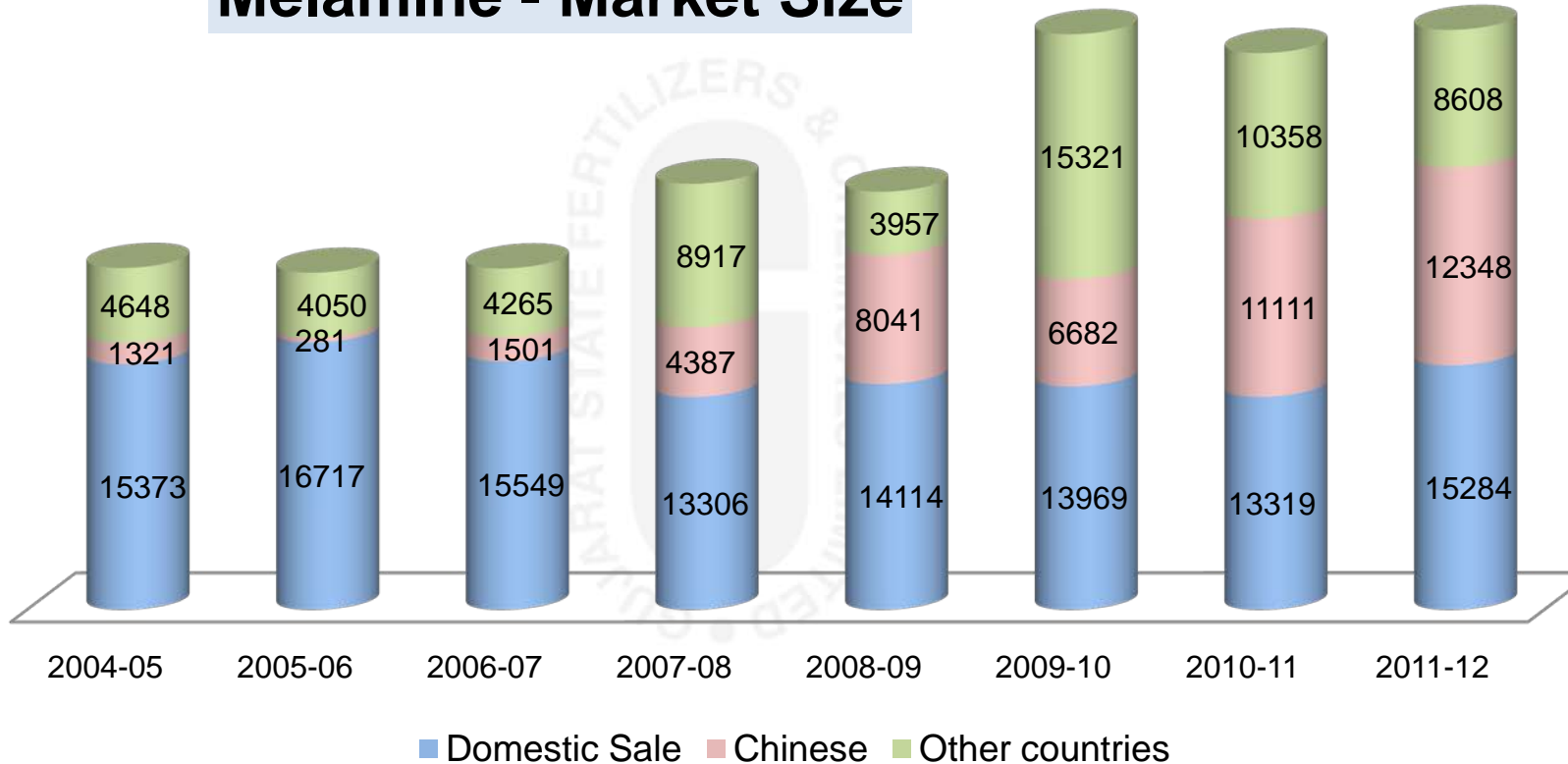
In view of positive determination of likelihood of dumping and injury on account of dumped imports from China PR, the Authority suggested the continuation of the measure against imports from China. The Authority recommended imposition of definitive anti-dumping duty equal to the margin of dumping or margin of injury whichever is lesser, so as to remove the injury to the domestic industry. Considering that the duty in the original investigation was imposed on benchmark duty basis, the Authority recommended continuation of definitive antidumping duty up to USD 1681.49.

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Summary: Growth Trend of Chinese Melamine; The Road Ahead



Melamine - Market Size



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

** Other Countries include Iran, Indonesia, Japan etc.

Rampant evasion of Anti-dumping duty



❖ Undue advantage of Export Incentives

Scheme

- The DFIA scheme avoids payment of anti-dumping duty upon transferability endorsement

❖ Avoidance of Anti dumping duty by

Misrepresenting name of country

origin / Supplying product through

third countries / Falsified tariff

classification.



Conclusion



After more than a eight years of hectic action of arguments in the investigation concerning imports of Melamine originating in or exported from China, the dust has finally settled down on the antidumping investigation of melamine originating on subject countries for levy of anti dumping duties. Through the final ruling of the petition of the Country's sole domestic Producer of Melamine has upheld the anti dumping duties on the Melamine imports in India, the magnitude of dumping margins is far ahead of the allegation and by implication their expectations as well.

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED
THANK YOU