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Contents

Article

Transparency & confidentiality in
AD investigation proceedings 2

Trade Remedy News

Trade remedy measures by India 5

Trade remedy actions against India 6

WTO News 6

Ratio Decidendi 9

News Nuggets 10



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Article

Transparency and confidentiality in AD investigation proceedings

By **Atul Gupta**

Investigation process adopted by the Designated Authority in anti-dumping cases has recently been called into question before the Hon'ble Delhi High Court by the participating exporters. Proceeding has been challenged mainly on the ground that the Designated Authority failed to supply the information and data relied upon by it in the investigation (*SanDisk International vs. Designated Authority*¹).

One of the basic requirements in an anti-dumping duty investigation is to establish the volume and value of the product under consideration. Product under consideration is the subject product which is imported and alleged to be dumped in India. The field formations or the department of customs in India receives information from the importers regarding the imports when the bills of entries are filed at the customs port. Such transaction-wise import data is received at various customs ports, airports and stations. The department of customs disseminates such information to various private agencies who in turn are entitled to provide such transaction by transaction data upon demand to various users of such data.

One of the government department under the Ministry of Commerce & Industries (i.e. the same Ministry under which the Designated

Authority for anti-dumping duty functions) known as Directorate General of Commercial Intelligence and Statistics (DGCI&S) also receives the transaction-wise import and export data from the department of customs. The DGCI&S compiles such data received from different customs ports, airports and stations. The DGCI&S like other private agencies makes available the import/export statistics to various users of such transaction-wise data. Such data is provided based on the HS codes.

Applicants seeking imposition of anti-dumping duties and safeguard duties on various goods are one of the biggest users of such import statistics in India. The application of such trade remedy measures is based on import statistics indicating (i) the volume of imports; (ii) landed value of imports; (iii) ex-factory export price for the exporters/producers in foreign countries. Therefore, such data is relied upon to establish (a) the injury to the Domestic Industry; (b) the causal link between import and injury to the Domestic Industry; (c) the injury margin; (d) dumping margin by using the ex-factory export price.

There is delay in supply of such data by DGCI&S in comparison to the private agencies. Therefore, at the time of submission of application for trade remedy measures, data

¹ High Court of Delhi, Judgment dated 18 March, 2015, WP(C) 744/2015 & CM Nos. 1319/2015, 2662/2015

obtained from private agencies is used for above purposes and a copy of the transaction-wise import data along-with the methodology used to compile it is also provide with the application. Such transaction-wise data along-with the methodology to compile it is made available so that the Designated Authority as well as the other interested parties may comment upon the correctness of the transaction-wise import data as well as the methodology adopted to arrive at the precise product under consideration which is alleged to be dumped in India.

Subsequently, the transaction-wise import data is also provided by DGCI&S to such applicant Domestic Industry after authentication by the Designated Authority.² The domestic industry compiles the transaction-wise data and submits it to the Designated Authority who uses it finally in the investigation. In few instances, Designated Authority uses data from private agencies after considering the fact that the volume of import arrived at from the DGCI&S transaction-wise data is lower than that arrived from the transaction-wise import data received from private agencies. In other cases, the Designated Authority extensively uses the DGCI&S data in its final determinations i.e. final findings.

The Indian AD rules as well as the WTO Anti-dumping Agreement investigations require the Designated Authority to disclose to the interested parties the information which is used by it in the investigations. It may be noted

that the submitter of the information may seek confidentiality over the information if it shows ‘good cause’ for the same. For example, a good cause can be said to exist, if it is shown that the disclosure of the information may give advantage to the competitors.

In the case of *European Communities – Definitive Anti-Dumping Measures on Certain Iron or Steel Fasteners from China*, DS/397, WTO Appellate Body in para. 537 held:

The requirement to show ‘good cause’ for confidential treatment applies to both information that is ‘by nature’ confidential and that which is provided to the authority “on a confidential basis”. The “good cause” alleged must constitute a reason sufficient to justify the withholding of information from both the public and from the other parties interested in the investigation, who would otherwise have a right to view this information under Article 6 of the Anti-Dumping Agreement.

The transaction-wise import data pertains to exporters/importers and not the domestic industry. Therefore, the interested party who could be seen as legitimately entitled to claim confidentiality over such data are the exporters/importers of the subject product. The applicant domestic industry cannot be seen as the interested party who can have access to such data and also be allowed to claim confidentiality over such data.

Such transaction-wise import data is not considered as confidential by the DGCI&S. The DGCI&S policy’s stipulations with regards

² Data Dissemination Policy and Fee Structure, available at <http://dgciscol.nic.in/pricing.asp>

data dissemination is stated below³:

...Transaction wise import data, suppressing the identity of the importers are provided to different private users for anti-dumping investigations after proper authentication by the Directorate General of Anti-Dumping and Allied Duties (DGAD). The following particulars of transaction level data are provided to the users under the Right to Information Act, 2005:

Interestingly, the Designated Authority usually declines to share transaction by transaction import data relied upon by them with the exporters/importers by treating it as confidential. As stated above, this is despite the undisputed fact that information pertains to them and is used against them. The domestic industry has access to such information without any restrictions even though such information does not pertain to the domestic industry.

Further, for the purpose of sharing of the information submitted during the course of investigation, it is immaterial to determine the need for use of such information by the interested parties. The test is whether such information, used in the investigation by the Authority, is finally relied upon in the determination or not.

In the investigation concerning import of USB Flash Drives, the applicant domestic producer relied upon and submitted with the application the transaction-wise import statistics obtained from Cybex Exim Solutions (P) Ltd. (Cybex). After a year, the applicant domestic producer

modified the data substantially and then again in the post hearing written submission further modified the data. The volume estimated by the applicant domestic producer from DGCI&S data was substantially lower than the volume estimated based on the same DGCI&S data by the Designated Authority in its final finding. Designated Authority refused to provide the relied upon transaction by transaction import statistics and the methodology used to refine the raw data to arrive at the volume and value of the product under consideration.

Also, during whole of the investigation proceedings, the interested parties made all submissions based on the import statistics provided by the domestic industry from Cybex. The participating exporters in the investigation challenged the final finding of the Designated Authority due to the failure to provide information relied upon by the Designated Authority which prejudiced their interest and right to effectively participate in the investigation process. Due to the violation of principles of natural justice in the investigation process, the Hon'ble High Court intervened under Article 226 of the Constitution and quashed the impugned recommendation, as a result of which, no anti-dumping duty was imposed on import of USB Flash Drives.

Union of India and domestic industry challenged the decision of the Hon'ble High Court in aforesaid case before the Hon'ble Supreme Court. Both, the Union of India and domestic industry are opposing the decision of

³ Ibid

the Hon'ble High Court which has essentially stressed upon the inveterate 'fairness' in the investigation process. Hon'ble Supreme Court has granted an interim stay on the decision of the Hon'ble High Court⁴ while the matters are now pending before it. Relying on such interim stay, Government of India issued the anti-dumping duty notification implementing the recommendation of the Designated Authority which was originally quashed by the Hon'ble Delhi High Court.⁵

Since the issue involved is systemic, the outcome of these appeals pending before

Hon'ble Supreme Court will be critical to the method adopted by the Designated Authority in investigation proceedings in future. In conclusion, the outcome of these decisions is also critical owing to the export interest that exporters and other WTO member countries have in India. Careful scrutiny can be expected of this legal development by the outside world as it would determine the extent of their role and effective participation in future anti-dumping investigation.

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Trade Remedy News

Trade remedy measures by India

Product	Country	Notification No.	Date of Notification	Remarks
Ceramic glazed tiles other than vitrified tiles	China PR	35/2015-Cus. (ADD)	31-7-2015	ADD – Finalisation of provisional assessment in respect of specified producer and exporter
Compact Fluorescent Lamps	China PR	34/2015-Cus. (ADD)	28-7-2015	Definitive anti-dumping duty continued after sunset review
Glass Fibres and articles thereof	China PR	33/2015-Cus. (ADD)	13-7-2015	Anti-dumping duty extended up to 13-7-2016
		F.No. 15/10/2015-DGAD	7-7-2015	Sunset Review initiated
Metronidazole	China PR	F No. 15/11/2015-DGAD	17-7-2015	ADD Mid-term review initiated
Phenol	South Africa	32/2015-Cus. (ADD)	10-7-2015	Definitive anti-dumping duty continued after sunset review
Polypropylene	Singapore	F.No. 15/14/2014-DGAD	24-7-2015	ADD Sunset Review investigation extended till 27-10-2015

⁴ Order dated May 22, 2015 in Special Leave to Appeal (C) No(s). 13583/2015

⁵ See Notification 21/2015-Cus (ADD), dt. 22-05-2015,

Product	Country	Notification No.	Date of Notification	Remarks
PVC Flex Film	China PR	F No. 15/13/2015-DGAD	27-7-2015	ADD Sunset Review initiated
Seamless tubes and pipes of iron and steel	China PR	F No. 14/2/2015-DGAD	8-7-2015	Anti-dumping investigation initiated
Soda Ash	China PR, EU, Kenya, Pakistan, Iran, Ukraine and USA	F No. 15/28/2014-DGAD	21-7-2015	ADD Mid-term Review initiated
Steel and fibre glass measuring tapes and their parts and components	China PR	31/2015-Cus. (ADD)	9-7-2015	Definitive anti-dumping duty continued after sunset review

Trade remedy actions against India

Product	Country	Notification No.	Date of Notification	Remarks
Flat hot-rolled carbon and alloy steel sheet and strip	Canada	Canada Border Services Agency Notice	13-7-2015	ADD and CVD - Re-investigation of the normal values and export prices, and amount of subsidy, initiated
Oil Country Tubular Goods	Canada	Canada Border Services Agency Notice	30-7-2015	Anti-dumping re-investigation time period extended by 75 days
Polyethylene Terephthalate Resin	USA	[A-533-861] 80 FR 45640	31-7-2015	ADD investigation – Preliminary determination postponed
Preserved Mushrooms	USA	[A-533-813] 80 FR 39053	8-7-2015	Anti-dumping duty continued in third Sunset Review
Zinc Coated (Galvanised) Steel	Australia	Anti-Dumping Notice No. 2015/93	30-7-2015	Anti-dumping investigation terminated

WTO News

WTO members move close to a deal on ITA expansion

Fifty four WTO Member countries which are presently participating in the expansion of the Information Technology Agreement (ITA)

have on 24-7-2015 confirmed the tentative accord reached between them earlier. The Agreement, also being referred as ITA-II, is expected to be signed at the December 2015 Ministerial meeting of the WTO Members in

Nairobi. The Agreement intends to eliminate tariffs on an additional list of roughly 200 products valued at about \$1 trillion in annual trade. The products now sought to be covered include new generation semi-conductors, GPS navigation equipment, medical equipment and ultra-sonic scanning apparatus. India is presently not a participant.

ADD and CVD on GOES from USA - Chinese measures not in line with DSB recommendations

The report of the Compliance panel, in the dispute involving China and the United States regarding “*China – countervailing and anti-dumping duties on grain oriented flat-rolled electrical steel from the United States*” (DS414), has been issued by the WTO on 31-7-2015. The USA had claimed that MOFCOM’s redetermination, as a result of which there was imposition of anti-dumping and countervailing duties on imports of GOES from the United States, violated various substantive and procedural provisions of the Anti-Dumping Agreement and the SCM Agreement. The panel concluded that MOFCOM’s conclusions regarding the price effects of subject imports were not consistent with Articles 3.1 and 3.2 of the Anti-Dumping Agreement and Articles 15.1 and 15.2 of the SCM Agreement. It was also held that revised finding by the Chinese authorities that subject imports caused material injury to the domestic industry was inconsistent with Articles 3.1 and 3.5 of the Anti-Dumping Agreement and Articles 15.1 and 15.5 of the SCM Agreement; and that the Chinese authorities acted inconsistently with Article 6.9

of the Anti-Dumping Agreement and Article 12.8 of the SCM Agreement with respect to the disclosure of essential facts regarding parallel pricing and sales obstacles. The panel hence concluded that China’s measures taken to comply with the DSB’s recommendations and rulings, were inconsistent with the relevant covered agreements, and China failed to comply with the recommendations and rulings of the DSB.

US measures restricting import of animals and meat from Argentina, violate SPS Agreement

The DSB of the WTO has issued its panel report, on 24-7-2015, in the dispute “*United States – Measures Affecting the Importation of Animals, Meat and Other Animal Products from Argentina*” (DS447). Finding that the US measures are SPS measures subject to the disciplines of the Sanitary and Phytosanitary Measures (SPS) Agreement, the panel has held that United States acted inconsistently with its obligations under Articles 1.1, 2.2, 2.3 3.1, 3.3, 5.1, 5.6, 6.1, 8 and Annex C(1)(a) and (b) of the SPS Agreement. It was held that ban of such imports was not based on the OIE Terrestrial Code, which is the relevant international standard, and that the measures were not maintained based on a risk assessment. The panel in this regard also found that the measures were inconsistent with Article 5.6 (not more trade-restrictive than required to achieve the United States’ appropriate level of protection), because alternative measures existed that could achieve such level of protection, are significantly less trade restrictive, and are

technically and economically feasible. India had also participated in the dispute as third party.

Two panels established against EU on request by Russia and China

The Dispute Settlement Body of the WTO has established two panels on 20-7-2015 to examine disputes filed by Russia and China against the European Union. While Russia disputes EU's "Third Energy Package" which, in its view, unjustifiably restricts imports of natural gas originating in Russia and discriminates against Russian natural gas pipeline transport services and service suppliers (DS467), China disputes EU's modification of its tariff concessions on certain poultry meat products (DS492). India has shown its interest in participating as third party in the dispute between Russia and EU which involves alleged violation of various provisions of GATS, GATT, SCM Agreement and the TRIMS Agreement.

Trade restrictive measures on the rise

The Director General of the Trade-related Developments has issued a report to the Trade Policy Review Body of the WTO on 3-7-2015. According to the report, 104 new trade-restrictive measures (excluding trade remedy measures) were put in place during the reporting period 16 October 2014 to 15 May 2015 – an average of around 15 new measures per month. However, the report also notes that the WTO Members had implemented 114 new trade-liberalizing measures – an average of more than 16 measures per month, during the same period.

Meanwhile it may be noted that WTO committee dealing with food safety, animal and plant health, formally known as the Committee on Sanitary and Phytosanitary (SPS) Measures, on 15th and 16th of July, heard a record number of specific trade concerns. The measures discussed were, European Union's proposed amendment of its approval procedure for genetically modified food and feed, China's proposed amendments of its safety assessment of agricultural genetically modified organisms, and Costa Rica's measure to temporarily suspend import certificates for avocados.

Safeguard investigations initiated by Indonesia and Ukraine

Indonesia has on 15-7-2015, notified the WTO's Committee on Safeguards about initiation of safeguard investigation on Dextrose monohydrate on 14th of July 2015. Interested parties can within a period of 22 days from the date of initiation, submit a written request to the Indonesian authorities.

Further, Ukraine has launched Safeguard investigations on Flexible Porous Plates, Blocks and Sheets of Polyurethane Foams. The investigation was initiated on 7-7-2015 (notified in WTO on 15-7-2015), and interested parties can within a period of 30 days from the date of initiation, submit a written request.

New Zealand ratifies revised WTO procurement pact

New Zealand becomes the second WTO member to formally accede to the revised Agreement on Government Procurement (GPA). The aim of the GPA is to open

up, government procurement markets to international competition, make government procurement more transparent, and provide legal guarantees of non-discrimination with regard to the products, services or suppliers of any party to the Agreement. It may be noted that GPA is a plurilateral agreement and hence is applicable only to those WTO members who have agreed to be bound by it. India presently is not part of this Agreement.

Twelfth Trade Policy Review of European Union takes place

The twelfth review of the trade policies and practices of the European Union took

place on 6th and 8th July 2015. As per the review, integration is increasing and, despite macroeconomic and fiscal problems affecting some member States, overall the EU has an open and transparent trade and investment regimes. However, the economic recovery remains fragile and there remain significant differences among the 28 member States in some policy areas, including direct taxation, state enterprises and fiscal policy. The report notes that in November 2014, the EU had a total of 108 anti-dumping and 14 countervailing measures in force while it has not applied any Safeguard measures since 2008.

Ratio Decidendi

Anti-dumping duty – Targeted dumping and differential pricing analysis

United States Court of International Trade has directed the US Department of Commerce to apply differential pricing analysis (Average-to-transaction methodology) to determine whether the examined foreign exporters were engaged in targeted dumping. Targeted dumping is a pattern of export prices (or constructed export prices) for comparable merchandise that differ significantly among purchasers, regions, or period of time. The department in this case was of the view that differential pricing analysis is applicable only to cases in which the original preliminary results were issued after March 4, 2013. The court however held that Commerce's failure to employ the differential pricing analysis was unreasonable and an abuse of its discretion, and that the arbitrary cut-off date made no

sense. Further, it was also held that the use of the word "may," in 19 U.S.C. § 1677f-1(d), does not give the department the freedom to act arbitrarily. [*Timken Company v. United States* - Slip Op. 15-72, dated 8-7-2015, US CIT]

Market Economy treatment – EU legislation vis-à-vis ADA

The European Commission appealed against the judgement of the General court annulling the imposition of anti-dumping duties on certain aluminium foil originating in Armenia—a non-market economy (NME). The Armenian producer sought market economy treatment which was denied since Armenia was mentioned in Article 2(7)(a) of the basic regulation as an NME. The normal value of imports from Armenia was determined on the basis of the price or constructed value in a market economy third country. It argued that

in establishing an exception not provided for by the ADA, Article 2(7) of the basic regulation infringed the general scheme of Articles 2.1 and 2.2 of the Anti-Dumping Agreement as regards the determination of dumping. The CJEU held that while the Anti-Dumping Agreement (ADA) may be an exception to the general rule that EU courts cannot review the legality of the acts of the EU institutions in light of whether they are consistent with the rules of the WTO agreements, there must a specific provision in EU law that it seeks to

implement into EU law a particular obligation stemming from the WTO agreements. A general reference to international agreements in the law is not sufficient to establish that the EU legislature intended to implement the particular obligations created by Article 2 of the Anti-Dumping Agreement and hence the General Court was wrong to test the legality of the AD regulation in light of WTO obligations. [*European Commission v. Rusal Armenal ZAO*, C21/14 P, CJEU decision dated 16-7-2015]

News Nuggets

Australia proposes new green-gold standard for COOL

USA went through a long drawn battle to protect its COOL (Country Of Origin Labelling) measures which were held to be protectionist and discriminatory. It seems to have inspired rather than deterred Australia from introducing its own labelling requirements. The proposed reforms to the existing rules include two aspects – whether the food was grown or made in Australia and what percentage of the ingredients in the food/product was Australian grown.

To comply with the new rules the product labels will have to carry the kangaroo figure in green and yellow with a graphic display of what percentage of the ingredients was Australian. A scale like figure below the kangaroo will be shaded in yellow to reflect the percentage. Like the US, Australia states that this will help consumers to make

‘informed choices’ about the food. Australian authorities are of the view that the measures do not seek to discriminate between domestic and imported products and are consistent with WTO rules. As opposed to the US measures which were seen as not fulfilling the objective of providing accurate information and being unnecessarily restrictive, the Australian measures are complete with graphic representation and do inform the consumer. An interesting angle to the Australia’s COOL debate is that food products from New Zealand where labelling requirements are not mandatory are allowed to be sold in Australia as per the Trans-Tasman Mutual Recognition Arrangement and this had led to apprehension of circumvention though there was insufficient evidence of the same.

According to the new rules ‘made in’ means substantially transforming ingredients so the

end product is something fundamentally different from the grown ingredients and, importing ingredients and performing minor processes on them, like slicing, freezing, canning, bottling, reconstituting or packing would not qualify as to 'made in'. However, as per the Codex General Standard For The Labelling of Prepackaged Foods which is often emphasised as an accepted standard, when a food undergoes processing in a second country which changes its nature, the country in which the processing is performed shall be considered to be the country of origin for the purposes of labelling.

TPP talks fail to breach trade barriers

Negotiators in the Trans-Pacific Partnership Agreement (TPP) failed to reach an agreement

in the recently concluded talks at Hawaii. TPP has received fair share of media attention as massive discussion took place before Japan, Canada were allowed to join and US voted to give its President Fast Track Authority to conclude trade deals, Australia's reluctance towards inclusion of Investor State Dispute Settlement mechanism and so on. However, differences between the nations on opening up of key sectors of the economy – dairy sector (Canada and New Zealand), Auto (US and Japan), period for data exclusivity or protection of clinical test data in pharma, could not be resolved. Though the countries state that they will continue to work towards the deal, it may be some time before they can achieve closure as US and Canada will shortly head for elections.

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