

INDIA'S ANTI-DUMPING DUTY ON BANGLADESHI JUTE PRODUCTS IMPORT

The irony of it all

AZFAZ HOSSAIN

WE have witnessed progress despite obstacles in the jute industry since my last op-ed (October 15, 2014, *The Daily Star*), where I had emphasised on the lack of a long-term development strategy, limited research and development, and a complacent execution of the mandatory packaging act.

The Bangladesh government under the leadership of Prime Minister Hasina has undertaken a long term strategy to completely overhaul the public sector (BJMC) jute mills. The state-owned mills have been making losses for several years in a row, with last year's loss amounting to Tk. 588 crore. With the help of Chinese funding, 24 public sector mills will be modernised, which is expected to generate about USD 119 million in profits and create 24,000 new jobs.

Furthermore, the government has decided to take up a project worth Tk. 2,800 crore for balancing, modernising, rehabilitating and expanding the mills. Investment from China will be about Tk. 2,240 crore. Upon completion of the project, the revenue of the public sector mills will increase to Tk. 3,743 crore up from Tk. 1,041 crore currently. The mills will be able to manufacture high value items, such as car dashboards, curtains and linen cloth amongst others, from raw jute. The Chinese company will buy back some of these goods produced by the mills after the completion of the project.

However, the traditional export markets of jute yarn continue to be weak and depressed due to the on-going conflict in the Middle East.

We have indeed started our journey towards the golden future that awaits, but there are obstacles along the way. The biggest obstacle in recent times has come in the form of the anti-dumping duty imposed by the government of India on the imports of jute products from Bangladesh.

The government of India has imposed an anti dumping duty of USD 6.30 to USD 351.72 per tonne on imports of jute products from Bangladesh and Nepal, following a recommendation by the Directorate General of Anti-Dumping and Allied Duties. This anti-dumping duty increases the cost of jute products imported from Bangladesh. Our products are no longer able to compete with jute products manufactured in India due to higher prices as a result of the anti-dumping

duty. The irony is that some of the raw jute used in making the jute products in India come from Bangladesh. Anti-dumping duty has not been imposed on raw jute. We export about 0.38 million tonnes of raw jute every year, the majority of which goes to India. Finished goods export to India are about 0.17 million tons.

Exports to India currently account for 20 percent of Bangladesh's total jute export revenue. Jute mills that are heavily reliant on exports to India may have to close down, rendering thousands jobless. Millers are no longer being able to make any profit on shipments to India. Numerous exporters are facing problems at the border, where their shipments are undergoing additional scrutiny for L/Cs opened prior to the imposition of the duty.

The Indian Jute Mills Association (IJMA) initiated this process by submitting a petition on behalf of 15 member mills to the Directorate General of Anti-Dumping and Allied Duties (DGADAD). These companies comprised 36 percent of the market share. This did not constitute a significant market share; hence a few other petitioner companies were added to the list by IJMA to comprise a significant market share as required by the

DGADAD to commission such a project. However, neither party explains as to why these companies were added later on, besides meeting the technical requirement of representing a certain percentage of the market share. There are 91 jute mills in India, of which 34 are members of IJMA, yet only a few were handpicked to file the petition. None of the non-member mills were part of the petition. The data presented by IJMA to DGADAD is highly skewed and biased.

This petition was filed in part due to the 19 jute mills shutting down as of June 11, 2015. There is no direct causality or empirical evidence that suggests that these companies shut down as result of imports from Bangladesh and Nepal. Birla Corporation, Gloster Jute Mills and Ludlow Jute and Specialties mention in their annual reports that the production of raw jute declined, thereby leading to higher raw jute prices.

Furthermore, there has been increased usage of synthetic bags and sudden and sharp increase in wages due to lack of manpower, as per the audit reports of Birla Corporation, Cheviot Company Ltd and Ludlow Jute & Specialties Ltd.

While manufacturers in India faced increases in labour and raw material costs,

mills in Bangladesh enjoyed cost advantages. They enjoy a government subsidy on exports in addition to lower labour costs. Bangladesh produces the most superior quality of raw jute in the world, with countries like India and China importing raw jute from here.

DGADAD analysed the imports to India from Bangladesh and Nepal for a period of nine months. Instead, the imports should be analysed for a period of 5-10 years. The research report is highly flawed due to improper sample selection and highly skewed data. The Indian government purchases 70 percent of the domestic production and the manufacturers are still unable to meet the total government demand.

The total consumption of jute and jute products in India is about 1.5 million metric tonnes, whereas imports from Bangladesh is about 0.17 million metric tonnes. Imports from Bangladesh constitute about 11 percent of the total Indian consumption, which is not a significant amount to cause damage to the domestic industry. Increases in cost of production in India have been higher than increases in revenue per tonne; this has led to a gradual decline in capacity utilisation.

As a result of the anti-dumping duty, Bangladeshi exporters are no longer able to

make profits on shipments to India. While the Indian government has imposed anti-dumping duty on jute products, no duty has been imposed on raw jute imports from Bangladesh. India is essentially allowing duty-free imports of raw jute to prevent loss of jobs in the Indian jute industry at the expense of loss of jobs in the Bangladeshi jute sector.

The export of raw jute to India is affecting the Bangladeshi jute industry in more ways than one. While these exports are helping to keep India's jute mills alive, they have resulted in a higher raw jute price in Bangladesh. Raw jute price in Bangladesh soared north of Tk. 2,400 per mound in 2016, up from Tk. 1,700-1,800 per mound a year ago. Due to increase in the cost of raw materials, our jute mills are struggling to supply to an already depressed export market.

In order to stabilise the prices of raw jute, the government of Bangladesh had temporarily banned the export of raw jute in late 2015. However, at the request and insistence of the Indian government, Bangladesh lifted the ban. The beneficiaries of the raw jute exports to India include only a few people - primarily jute traders who are the middlemen and the Indian jute industry.

As our priorities lie with protecting the jobs in the Bangladeshi jute sector, we must immediately ban raw jute exports to India while the anti-dumping duty is in place. Exporting finished jute goods and goods higher up in the value chain are more beneficial to Bangladesh than just exporting raw jute, as they will increase revenue and jobs. The desired result can also be achieved in the form of an export tax on raw jute as well. Only jute exporters, who are middlemen, will be affected by such an action. The benefits to the jute industry clearly outweigh the needs of the few middlemen.

A stabilised raw jute market is not just good for jute goods exports from Bangladesh in the short run, but also in the long run. Manufacturers would be motivated to innovate and undertake more research and development for new products. Such an ecosystem will foster growth and lead to higher export revenues and creation of more jobs in the jute sector. The government has ambitious plans for the jute sector, but without quality raw jute none of the products manufactured will be worthy of exports.

The writer is Deputy Managing Director at Nawab Abdul Malek Jute Mills.



Jute farmers gather with their produce at Sariakandi Sadar Haat in Bogra.

PHOTO: STAR

2017: A thunderous clash of politics, economies and policies



MARTIN KHOR

YET another new year has dawned. But 2017 will be a year like no other. There will be a thunderous clash of politics, economies and politics worldwide. We will therefore be on a roller-coaster ride, and we should prepare for it and not

only be spectators on the sidelines in danger of being swept away by the waves.

With his extreme views and bulldozing style, Donald Trump is set to create an upheaval, if not revolution, in the United States and the world.

He is installing an oil company chief as the Secretary of State, investment bankers in key financial positions, climate sceptics and anti-environmentalists in environmental and energy agencies and an extreme rightwing internet media mogul as his chief strategist.

US-China relations, the most important for global stability, could change from big-power co-existence with a careful combination of competition and cooperation, to outright crisis.

Trump, through a phone call with Taiwan's leader and subsequent remarks, signalled he could withdraw the longstanding US adherence to the One China policy, and instead use Taiwan as a bargaining card when negotiating economic policies with China. The Chinese perceive this as an extreme provocation.

He has appointed as head of the new National Trade Council an economist known for his books demonising China, including "Death by China: Confronting the Dragon".

Trump seems intent on doing an about-turn on US trade and investment policies, starting with ditching the Trans Pacific Partnership Agreement and re-negotiating the North American Free Trade Agreement.

Other measures being considered include a

45 percent duty on Chinese products, extra duties and taxes on American companies located abroad, and even a 10 percent tariff on all imports.

Thus 2017 will see a rise in protectionism in the US, the extent still unknown. That is bad news for those developing countries whose economies have grown on the back of exports and international investments.

Europe in 2017 will also be preoccupied with its own regional problems. The Brexit shock of 2016 will continue to reverberate and several European countries facing elections will see challenges to their traditional values and established order from xenophobic and narrow nationalist parties.

As Western societies become less open to the world and more inward looking, developing countries should revise their development strategies and rely more on domestic and regional demand and investments.

As North-South economic relations decline, this should also be the moment for expanding South-South cooperation, spurred as much by necessity as by principles.

2017 may be the year when resource-rich China, with its huge Road and Belt initiative and its immense financing capacity, fills in the economic void created by western trade and investment protectionism.

But this may not be sufficient to prevent a finance shock in many developing countries now beginning to suffer a reversal of capital flowing back to the US, attracted by the prospect of higher interest rates and economic growth.

Several emerging economies, which together received many hundreds of billions of dollars of hot money in recent years, are now vulnerable to the latest downturn phase of the boom-bust cycle of capital flows.

Some of these countries opened up their capital markets to foreign funds which now own large portions of government bonds denominated in the domestic currency, as well

as shares in the equity market.

As the tide turns, foreign investors are expected to sell off and transfer back a significant part of the bonds and shares they bought, and this new vulnerability is in addition to the traditional external debt contracted by the developing countries in foreign currencies.

Some countries will likely be hit by a terrible combination of capital outflow, reduced export earnings, currency depreciation and an increased debt servicing burden caused by higher US interest rates.

As the local currency depreciates further, the affected countries' companies will have to pay more for servicing loans contracted in foreign currencies and imported machinery and parts, while consumers suffer from a rapid rise in the prices of imports.

On the positive side, the currency depreciation will make exporters more competitive and make tourism more attractive, but for many countries this will not be enough to offset the negative effects.

Thus 2017 will not be kind to the economy, business and the pockets of the common man and woman. It might even spark a new global financial crisis.

The old year ended with mixed blessings for Palestinians. On one hand, they won a significant victory when the outgoing President Obama allowed the adoption of a UN Security Council resolution condemning Israeli settlements in occupied Palestinian territories by not exercising a veto. The resolution will spur international actions against the expansion of settlements which have become a big obstacle to peace talks. On the other hand, the Israeli leadership, which responded defiantly with plans for more settlements, will find in Trump a much more sympathetic president. He is appointing a pro-Israel hawk who has cheered the expansion of settlements as the new US ambassador to Israel.

With Trump also indicating he will tear up the

nuclear power deal with Iran, the Middle East will have an even more tumultuous time in 2017.

In the area of healthcare, the battle for affordable access to medicines will continue, as public frustration grows over the high and often astronomical prices of patented medicines including for the treatment of HIV/AIDS, hepatitis C, tuberculosis and cancers.

There will be more powerful calls for governments to curb the excesses of drug companies, as well as more extensive use of the flexibilities in the patent laws to counter the high cost of medicines.

Momentum will also increase to deal with antibiotic resistance, which in 2016 was recognised by political leaders meeting at the United Nations to be perhaps the gravest threat to global health.

All countries pledged to come up with national action plans to counter antibiotic and anti-microbial resistance by May 2017 and the challenge will then be to review the adequacy of these plans and to finance and implement them.

The new year will also see its fair share of natural disasters and a continued decline in the state of the environment. Both will continue to be major issues in 2017, just as the worsening of air pollution and the many earthquakes, big storms and heat-waves marked the previous few years.

Unfortunately low priority is given to the environment. Hundreds of billions of dollars are allocated for highways, railways and urban buildings but only a trickle for conservation and rehabilitation of hills, watersheds, forests, mangroves, coastal areas, biodiversity or for serious climate change actions.

2017 should be the year when priorities change, that when people talk about infrastructure or development, they put actions to protect and promote the environment as the first items for allocation of funds.

This new year will also be make or break for climate change. The momentum for action painfully built up in recent years will find a roadblock

in the US as the new President dismantles Obama-initiated policies and measures.

The Paris Agreement, which was adopted in December 2015 and came into force in record time in October 2016 as a demonstration of international concern over climate change, may face a major test and even an existential challenge in 2017, if Trump fulfils his election promise to pull the US out.

But Trump and his team will face resistance domestically, including from state governments and municipalities which have their own climate plans, and from other countries determined to carry on without the US on board.

Indeed if 2017 will bring big changes initiated by the new US administration, it will also generate many counter actions to fill in the void left in the world by a withdrawing US or to counter its new unsettling actions.

Many people around the world, from politicians and policymakers to citizen groups and community organisers are already bracing themselves to come up with responses and actions.

Indeed 2017 will be characterised by the Trump effect but also the consequent counter-effects.

There are opportunities to think through, alternatives to chart and reforms to carry out that are anyway needed on the global and national economies, on the environment, and on geo-politics.

Most of the main levers of power and decision-making are still in the hands of a few countries and a few people, but there has also been the emergence of many new centres of economic, environmental and intellectual capabilities and community-based organising.

2017 will be a year in which ideas, policies, economies and politics will all clash, thunderously, and we should be prepared to meet the challenges ahead and not only be spectators.

The writer is Executive Director of the South Centre, a think tank for developing countries, based in Geneva.

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QUOTABLE Quote



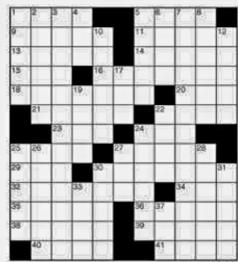
THOMAS SOWELL

AMERICAN ECONOMIST, TURNED SOCIAL THEORIST, POLITICAL PHILOSOPHER, AND AUTHOR

One of the sad signs of our times is that we have demonised those who produce, subsidised those who refuse to produce, and canonised those who complain.

CROSSWORD BY THOMAS JOSEPH

- ACROSS
- 1 Ump's call
 - 5 Cushy
 - 9 Drops
 - 11 Eastern rulers
 - 13 Simpton
 - 14 "Be quiet!"
 - 15 Copying
 - 16 Daily grind
 - 18 "Being There" star
 - 20 Golf position
 - 21 Jeer at
 - 22 Cracked
 - 23 Diner treat
 - 24 Be a contender
 - 25 Tears
 - 27 French wine
 - 29 Mess up
 - 30 Pre-bonus amount
 - 32 Small tract
 - 34 Verb for you
 - 35 Ridiculous
 - 36 Big dos
 - 38 Chops up
 - 39 Eggnog server
- 40 Trumpeter Baker
- 41 Colors
- DOWN
- 1 Parlor drinks
 - 2 Charm
 - 3 Landing lead-in
 - 4 Series-ending abbr.
 - 5 Splinter groups
 - 6 Poet Khayyam
 - 7 Wagering round
 - 8 One of the Nixons
 - 10 Peaceful
 - 12 Ranch animal
 - 17 Trickery
 - 19 Director Bunuel
 - 22 Staff member
 - 24 Of the hearth goddess
 - 25 Bridge answer
 - 26 Wry
 - 27 West of Hollywood
 - 28 King of music
 - 30 Fortunate
 - 31 Agreeable answers
 - 33 Dangling spot
 - 37 Craze



YESTERDAY'S ANSWER

TELL ERROR
AXIOM REEVE
SIMBA GATES
ELI RESPIRE
RETIRE NUT
TINS ASS
MUSE TREE
WIN DORA
ALE REWIRE
REQUIRE REX
SAUNA THESE
AGAIN SONIC
WELTS PENS

BEETLE BAILEY by Mort Walker



BABY BLUES by Kirkman & Scott

