

Antidumping Investigations on Shrimp Exports from India to US - A Case Study

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The anti-dumping investigation against India and five other major shrimp exporting countries by the US was initiated in December 2003. This paper examines the impact on the quantity and value of shrimp imports from these countries in general and India in particular, during the period of investigation and after. It was observed that there has been a negative impact on Indian shrimp exporters and the number of exporters has decreased considerably. The effect on the price in the US market has been negligible with the unit value of imports actually falling. Only a short-term rise in price index was observed during the initial phase of the investigation period as well as the period when the affirmative decision was announced.

Key words : Antidumping, shrimp imports, named countries, non-named countries, trade diversion

Introduction

The evolution of a new world trade order and the coming into being of the WTO has been on the premise that there should be a free flow of goods, services, capital and labour across national boundaries leading to the globalization process. However disputes may arise about 'open, free and fair' trade and nations can regulate trade in the form of action against dumping, subsidies and special 'countervailing' duties to offset the subsidies and emergency measures to limit imports temporarily so as to safeguard domestic industries (Trivedi, 2003). Dumping is said to have taken place when an exporter sells a product at a price lower than the price prevailing in its domestic market (Ministry of Commerce & Industry, Govt. of India, 2003). The normal value is the price charged by a firm in its home market, in the "ordinary course of trade". When there are no sales of the 'like product' in the ordinary course of trade in the domestic market of the exporting country a 'like product' is taken for comparison or a comparable representative price of the like product when exported to third country.

Antidumping (AD) is rapidly becoming a tool to restrict trade and as a form of protectionism in several countries. It is

generally observed that a particular product becomes the target for slapping of anti-dumping duties because of the competitor becoming a threat to the locally produced product and the local producers or because the product begins to capture a larger share in the market. When the product is generally priced very low, it depresses the prices of the locally produced product also. The trade effects of AD have been dealt with by various workers (Harrison, 1991; Hansen and Prusa, 1996, Prusa & Skeath, 2001; Lucenti, 2002). The developed countries have been traditional users of the AD legislation and it is increasingly being used against developing countries. Sixty two percent of all AD cases initiated by the US have resulted in affirmative outcomes. It has also been observed that developing countries are significantly vulnerable to AD measures now than they were a decade ago. Lucenti and Bhansal (2003) observe that increased imports of any product tends to increase the probability of protection. The initiation of investigation and the investigations itself has an impact on the imports (Krupp and Pollard, 1996).

In the case of shrimp imported into the US, the Department of Commerce in the US received petitions from the Ad Hoc Shrimp

Trade Action Committee, an ad hoc coalition representative of US producers of frozen and canned warm water shrimp and harvesters of wild-caught warm water shrimp, demanding imposition of AD duties on certain frozen and canned shrimp exported from the six countries viz., Thailand, Vietnam, India, China, Brazil and Ecuador, alleging that imported shrimp is being sold at prices below prices in their home markets. The six named countries were the major contributors to the supply of shrimp in the US and shrimp also played a significant role in the seafood export from all these countries.

This paper discusses the impact of the AD investigations on the named countries in general, and India in particular.

Materials and methods

Time series data under Harmonized Tariff Schedule (HTS) codes of shrimp and shrimp products imported into the United States was compiled from United States International Trade Commission (USITC) for the named countries, viz, India, China, Brazil, Thailand, Vietnam and Ecuador, and non-named countries, viz, all other countries (Mexico, Indonesia, Bangladesh, Honduras, Canada, Venezuela, Nicaragua, Guyana, Belize, Malaysia and Others). Annual, quarterly and monthly data was used for the analysis. Wild shrimp landing data of the U.S.A was compiled from National Marine Fisheries Services of the US Government.

The AD investigations on these countries began in December 2003 and the final determinations were made public in January 2005. There was a changed circumstances review for India and Thailand in the aftermath of the Tsunami that affected these two countries in December 2004. The final determination in the affirmative was made public in November 2005.

The impact of the AD investigations on consumer prices was studied using the HS (Harmonized Schedule) import indices published by the U.S. Department of Labor were used to study the impact on the consumer prices. Monthly price indices of Indian Black Tiger in the US market were calculated to

analyse the effect on Indian product prices in the US consumer market, data for which was compiled from the price indicator published by MPEDA (Marine Products Export Development Authority), Government of India.

Results and discussion

The supply of shrimp in the US comes from three sources, the domestic landings, aquaculture and imports. The total shrimp production (all species) has fluctuated around 100 thousand metric tonnes (MT) over the last few years, the production being 144 thousand MT in 2004 worth 446.19 million dollars (Fig. 1). Among the landed species, the warm water shrimp comes mainly from the Gulf of Mexico and the South Eastern Atlantic. The farm production of shrimp is restrained by environmental factors and is not very significant, contributing less than 5% share to the internal supply of shrimp in the US, though it has been increasing over the years from 200 MT in 1985 to 6021 MT in 2003. In contrast, the demand for shrimp has been rising and US consumption of shrimp per capita has touched a record high at 4.2 pounds in 2004 and it is now the most widely consumed seafood.

Thus the gap between domestic shrimp production and demand has been rising over the years as is evident from Fig. 2. Domestic production accounted for less than 25% of the US market in terms of quantity and less than 10% in terms of value. The gap is filled

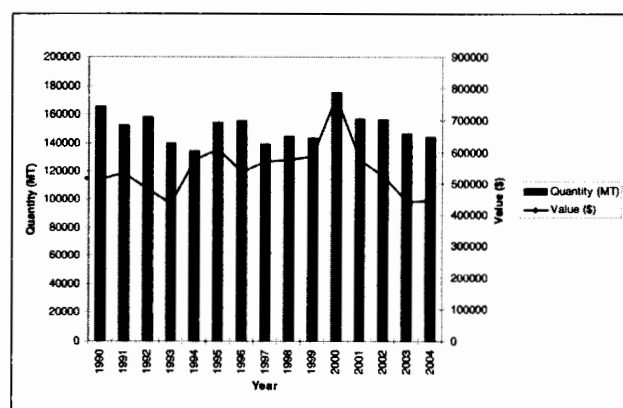


Fig. 1. Annual quantity & value of US wild shrimp landings

Source: National Marine Fisheries Services, US

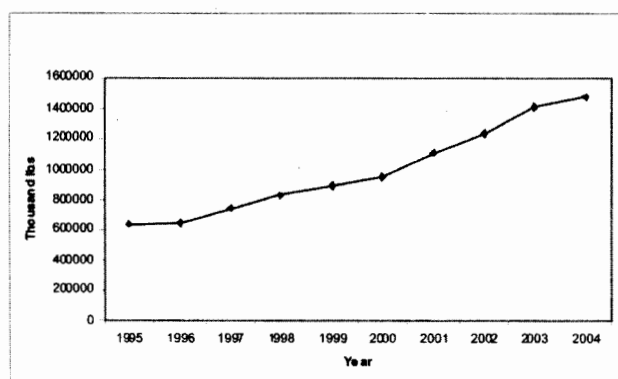


Fig. 2. Gap between demand and US landings 1995-2004.

by imports, especially imports from the countries that have been targeted under the AD investigations, whose contribution is discussed elsewhere in the paper.

The import of shrimp by USA has been steadily increasing over the years as is clear from Fig. 3. The annual increase during 1990-95, 1995-2000 and 2000-05 is presented in Table 1.

Table 1. Annual % increase in quantity and value of shrimp imports into the US

Period	% annual increase in quantity imported	% annual increase in value of imports (non-deflated)
1990-95	3.14	8.95
1995-2000	4.59	7.41
2000-05	8.99	-0.092

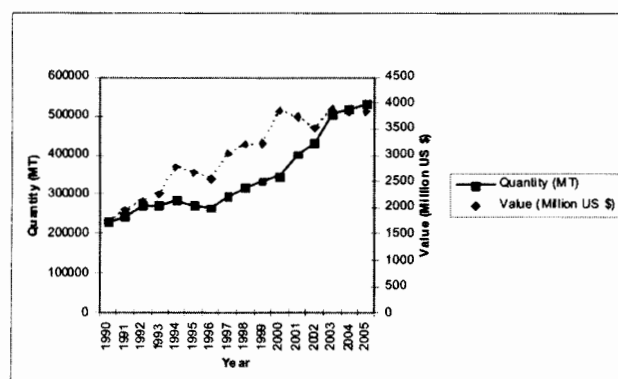


Fig. 3. Shrimp imports into the US (1990-2005).

The impact of the AD investigations is clear from the fall in value that was observed during the period 2000-05. This is in spite of the quantity imported having touched an all time high in 2005 having reached 532 thousand MT. The value of exports have however hovered around 3800 million dollars from 2003 through 2005, indicative of the fall in unit value of imports. The unit value of imports (non-deflated) had decreased from 11.13 \$/kg in 2000 to 7.18 \$/kg in 2005 (Fig. 4). In fact, the unit value has continued to fall even after the AD investigations were initiated against major exporting countries.

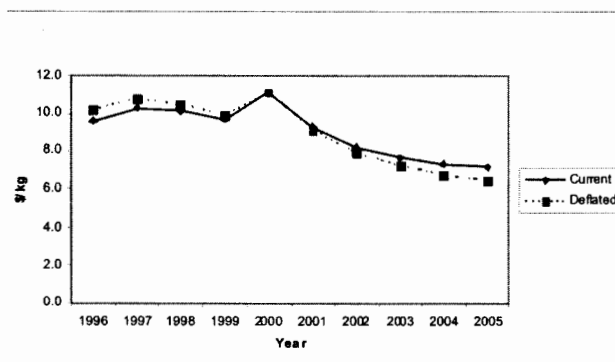


Fig. 4. Annual average unit value (\$/kg) of shrimp imported into the US.

It can be observed from Fig. 5 that the percentage contribution to the total shrimp import into the US from the named countries, including India, was substantial. Together these six countries contributed 61.89% in terms of quantity and 62.74% in terms of value of the total shrimp imports into US in 2000 and their contribution had increased to 73.89% in terms of quantity and

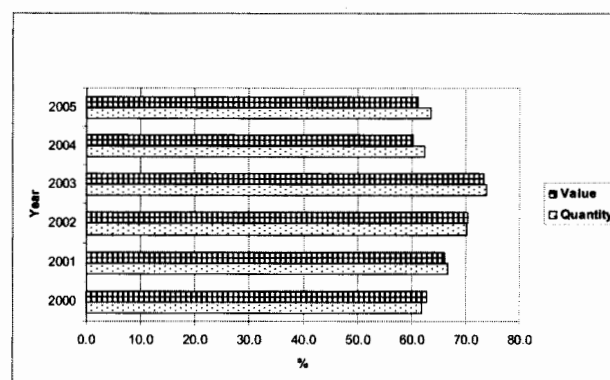


Fig. 5. Percentage contribution of named countries to total shrimp imports into US.

73.36% in terms of value by 2003 indicating the significance of these countries to the US domestic supply. The imports from these countries which was 139 thousand MT worth 1019.53 million dollars in 1990 rose to 165 thousand MT worth 1703.73 in 1995. In 2000 the imports into US from these countries stood at 214 thousand MT and in 2005 it has touched 338 thousand MT valued at 2340.18 million dollars.

Imports from India contributed 8.25% of the total quantity of shrimp imports into the US worth 6.50% of value in 2000 and touched an all time high of 9.01% of total quantity and 10.86% of total value in 2003. Among the six named countries, its contribution was 12.19% to quantity and 14.80% to value in 2003 after Thailand, China and Vietnam (Nikita Gopal et al, 2005). Thailand which contributed more than 50% in 2000 and 2001 has also seen its share falling to around 40%.

The imports from the named countries also has a high degree of correlation with the per capita consumption (correlation coefficient = 0.992, $P \leq 1\%$). With increase in supply into the US market, the prices also had fallen and the availability of the product at cheaper rates was one of the major reasons for the increase in domestic consumption of the product. The fall in domestic prices can be illustrated using the example of black tiger from India which was priced at 8.00 \$ per pound in 2002, fell to 6.00 \$ per pound by 2003. The prices accruing to the shrimp producers had also been falling (as is evident from Fig. 1) which was one of the major reasons for the issue coming to the USITC. An analysis of the available data on mean prices accruing to the same products showed that compared to 1997 the price had fallen by 24.48% for grade 16/20 and 20.17% for the grade 21/25 and there has been no appreciable increase even after the initiation of the AD investigations (Fig. 6).

The quarter-wise change in quantity and value of imports into US from the named countries during 2003, 2004 and 2005 is presented in Fig. 7. There has been a clear

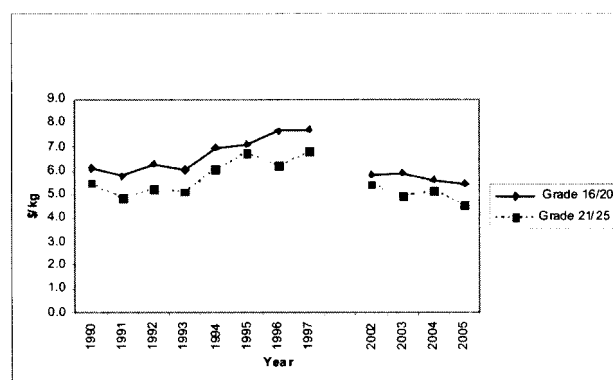


Fig. 6. Annual mean price (US \$/kg) of Black Tiger exported from India to US.

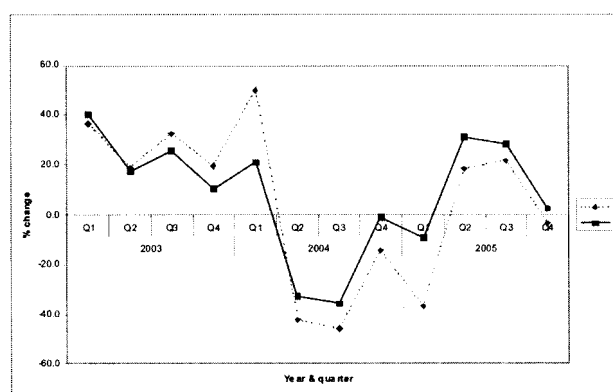


Fig. 7. % Change in quantity & value of shrimp imported from named countries.

fall from the quarter 2 of 2004 through quarter 1 of 2005, which was the period of investigation. The change in quantity and value from the named and non-named countries is presented in Fig. 8. It can be clearly seen that the fall in quantity from named countries has been compensated by the rise in imports from non-named countries. There has been a fall of 13.32% and

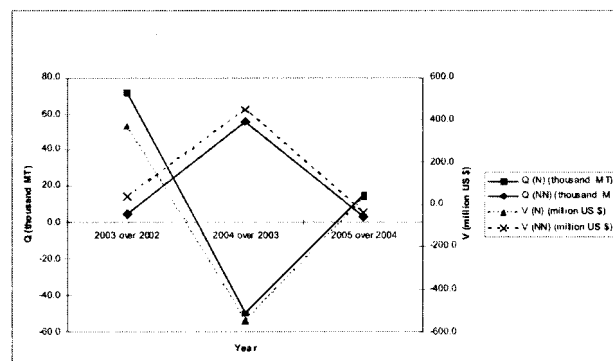


Fig. 8. Annual change in quantity and value of shrimp imports into US from named and non-named countries.

19.21% from the named countries and an increase of 48.46% and 46.41% from non-named countries in terms of quantity and value respectively in 2004 over 2003.

Imports from India have also followed a similar pattern as that of the named countries with the fall beginning in quarter 2 of 2004 after the investigations against India began (Fig. 9). The fall continued till quarter 1 of 2005 after which the 'changed circumstances review' process began post-tsunami which probably had a positive impact with the imports from India showing an upward trend. The fall after November 2005 reflects the impact of the affirmative decision after the review process.

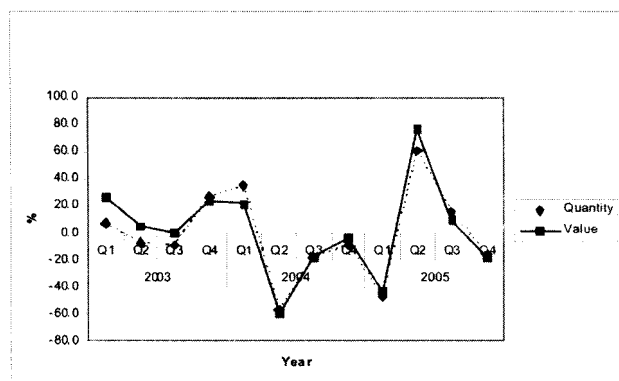


Fig. 9. Quarter-wise % change in quantity and value of shrimp imported from India into US during 2003-05.

The impact on India was much more pronounced with India's share in the import to US falling with the proportionate increase from other named as well as non-named countries. The benefit accrued by the non-named countries has also been higher. The impact of the initiation of AD investigation had a significant negative impact on India. This is also obvious from the fall in quantity imported into US from India during the year 2004.

Another major impact that the AD investigations, and the subsequent imposition of the AD duties on India, have been the fall in the number of Indian exporters exporting shrimp to the US. There were 179 exporters in 2001-02 and by 2004-05 the number had fallen to 109. The duty along

with the continuous bond requirement, equivalent to the value of product exported, proved to be a major set back to the exporters.

Whether the AD investigations have had any impact on the consumer prices has to be examined. It can be observed from the Fig. 10, that during 2004, the import prices which had steeply fallen till January 2004 began a sharp climb to reach a peak during April 2004 after which it declined and stabilized around the annual average. It is clear that the announcement of the affirmative decision has again triggered a price rise, which peaked in April 2005, and then again stabilized around the average. This is also reflected in the percentage change in import price indices which registered a fall of 11.7% in Jan 2004 over 2003 and then steadily increased to reach a maximum in January 2005 with an increase by 14.35% and stabilized by April 2005 (Fig. 11).

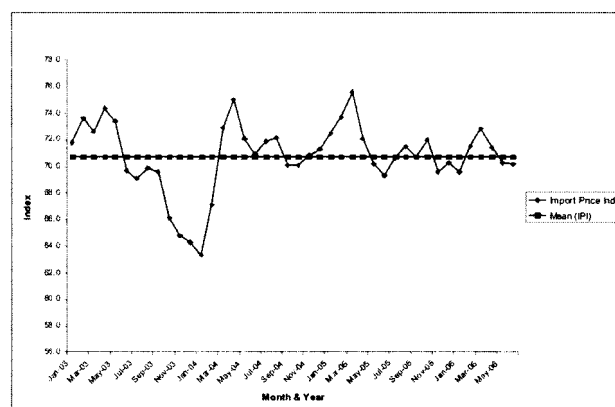


Fig. 10. Import price index of US shrimp import.

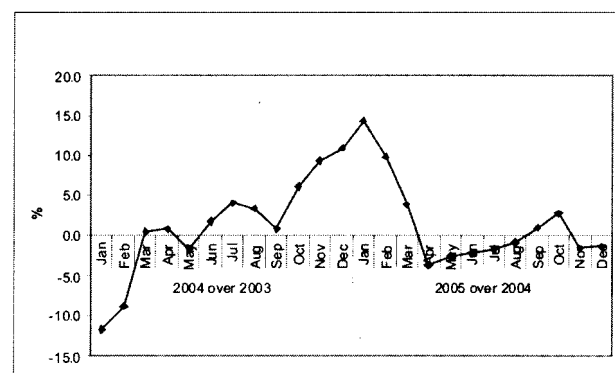


Fig. 11. % Change in import price indices of shrimp in the US.

The price indices of shrimp imported from India also showed a similar, though not so pronounced, trend (Fig. 12). An analysis of the seasonal index of black tiger exported from India shows that the index was rising after the initiation of the investigation. The increase was observed till April 2004 after which it has stabilized around the mean.

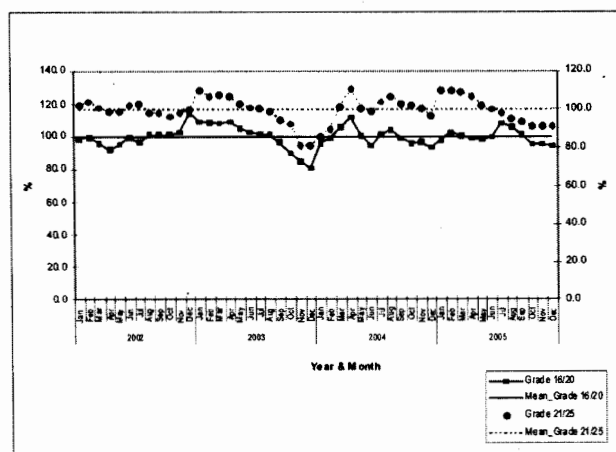


Fig. 12. Seasonal index of Black Tiger export from India to US (2002-2005).

In conclusion, it is clear from the study that the initiation of AD investigations and subsequent imposition of the duty has led to a decrease in shrimp imports into US from the named countries including India. It has also proved to be a major set back for the Indian shrimp exporters. In the short term, following the affirmative decision, the prices in the US domestic market also has risen but then stabilized at the pre-investigation levels indicating that the full extent of duty has not been transferred to the consumer and also that the fall in import from the named countries has been balanced from the imports from the non-named countries. The supply to the US market was thus maintained and no drastic reduction in the overall availability was observed.

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