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Article

Cohen's D test – An insight into the statistical tool used by the USDOC for determining targeted dumping

By Shyam Matanhelia

The article in this issue of International Trade Amicus examines how the Cohen's D test is utilized by the United States Department of Commerce (USDOC) for analyzing the existence of targeted dumping, which refers to a specific trade practice where exporters sell their goods at an export price differing significantly among different purchasers, regions or time periods. It elaborates on what is Cohen's D test including its formula, and its application covering the steps for computing Cohen's D and how the ratio of transactions passing or failing the Cohen's D test is computed by the USDOC. According to the author, understanding the complexities of the Cohen's D test and how it is used may help the exporters to the United States to formulate appropriate pricing strategies

Cohen's D test – An insight into the statistical tool used by the USDOC for determining targeted dumping

By Shyam Matanhelia

Introduction

In international trade law, 'targeted dumping' refers to a specific trade practice where exporters sell their goods at an export price which differs significantly among different purchasers, regions or time periods. This unfair trade practice has the potential to harm specific regions of the importing country's market. For this reason, Article 2.4.2 of WTO's Anti-Dumping Agreement permits the investigating authority to employ specific methods for determination of dumping margin in case of targeted dumping.

The first sentence of Article 2.4.2 identifies two methodologies for calculating the dumping margin that are ordinarily to be used: (1) the comparison of weighted average normal value with weighted average export price ('W-W methodology'); and (2) the comparison of transaction-wise normal value with transaction-wise export price ('T-T methodology'). The second sentence of Article 2.4.2 identifies a methodology for calculating the dumping margin if the investigating authority finds a pattern of export prices which

differ significantly among different purchasers, regions or time periods, viz. in the case of targeted dumping: the comparison of weighted average normal value to prices of individual export transactions, called the 'W-T methodology'.

However, before employing the W-T methodology for determining the dumping margin in case of targeted dumping, the investigating authority is required to establish that targeted dumping is indeed taking place. This is usually done by employing a statistical method for identifying the difference in the pattern of export prices.

In the United States, the United States Department of Commerce ('USDOC') employs the 'Cohen's D test'. Named after the American statistician, Jacob Cohen, the Cohen's D test is an important statistical tool that is used for determining the standardised difference between the statistical means of two groups of data. The USDOC uses this statistical tool for determining the standard deviation of the means of export prices between different purchasers, regions or time periods to identify targeted dumping by exporters to the USA.

This article examines how the Cohen's D test is utilized by the USDOC for analyzing the existence of targeted dumping.

What is Cohen's D test?

'Cohen's D' is computed by dividing the difference between means (weighted average) of the two data sets, i.e., test group and comparison group, by the pooled standard deviation. It is a statistical metric that quantifies the effect size, indicating the magnitude of difference between two groups i.e., test group and comparison group.

Below is the formula of calculating the 'effect size' of Cohen's D test:

$$d = (M_1 - M_2) / SD_{pooled}$$

Where:

M₁ and M₂ are the means of test group and comparison group, and

SD_{pooled} is the pooled standard deviation of the test group and comparison group

In the context of targeted dumping, Cohen's D test helps the USDOC in determining if substantial price differences exist between different purchasers (based on customer codes), regions (based on grouped destination zip codes) and time periods

(based on the quarter within the period of review) that may indicate potential targeted dumping. The test group typically consists of export prices of the article under investigation sold by an exporter to a particular purchaser, region or time period in the US market, which are under investigation for potential targeted dumping. On the other hand, the comparison group comprises of exports prices under all other export transactions of that exporter to the US market excluding the transactions under the test group of purchaser, region or time period. By comparing the test group with the comparison group, Cohen's D test assesses the magnitude of difference in export prices between the two groups. This statistical analysis is crucial in determining whether significant price differentials exist that could warrant anti-dumping duties to be imposed on targeted basis.

Application of Cohen's D test

1. Calculating the Cohen's D for export sale transactions

The first step in applying Cohen's D test is to identify the existence of deviation in the export prices. The USDOC does this by employing Cohen's D test in its differential pricing analysis. This involves comparing prices between test groups and comparison groups to identify the patterns that suggest deliberate pricing strategies. The extent of the difference

between the test group and the comparison group can be quantified by one of three thresholds defined by Cohen's D test:

- a. small (0.2)
- b. medium (0.5)
- c. large (0.8)

Steps for computing Cohen's D

- **Grouping of export sales database:** The export sales data to the USA is divided into different groups based on purchasers, regions and time periods.
- **Calculating mean and standard deviation:** For each group, the USDOC calculates the mean and standard deviation.
- **Computing effect size (d):** The effect size (d) is calculated for each comparison between groups
- **Computing significance:** The USDOC assesses whether the effect size (d) is greater than or equal to 0.8.

The USDOC considers the difference or deviation in export prices to be significant if the calculated effect size (d) is equal to or exceeds the large (i.e., 0.8) threshold. These transactions "pass" the Cohen's D test. A transaction may pass the Cohen's D if it passes the test either with respect to purchaser, or region or

time period. If a transaction fails to pass the Cohen's D test on all three fronts, it is deemed to not pass the test.

It may be noted that Cohen's D can be computed only when the test group and comparison group satisfy the following conditions:

- The test group and comparison group for a particular purchaser, region, or time period each have at least two observations; and
- The sales quantity for the comparison group accounts for at least 5 percent of the total sales quantity of both the groups taken together.

2. Calculating the ratio of transactions passing or failing the Cohen's D

The USDOC then calculates the percentage of sales values of transactions passing the Cohen's D test over the total sales value of all export transactions to the USA and divides them on following basis:

- **66 percent or more sales value transactions passing the Cohen's D:** In this situation, the deviations in export prices are large enough for USDOC to calculate the dumping margin by employing the 'W-T methodology'.

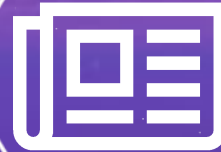
- *More than 33 percent but less than 66 per cent sales value transactions passing the Cohen's D:* In this situation, the deviations in export prices are large but not enough to apply W-T methodology on all transactions. The USDOC calculates the dumping margin in this case by employing the W-T methodology only to those transactions which "pass" the Cohen's D test and employs W-W methodology for transactions that do not pass the Cohen's D test.
- *33 percent or less sales value transactions passing the Cohen's D:* In this situation, the deviations in export prices are not large and hence the USDOC calculates the dumping margin by employing the W-W methodology.

Conclusion

The United States has been one of the earliest and heaviest users of trade remedy measures. The USDOC's use of a statistical method like the Cohen's D test for determining targeted dumping reflects the United States' advanced history and experience in anti-dumping investigations.

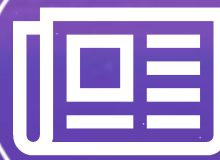
The Cohen's D test is a crucial tool for the USDOC in identifying targeted dumping. The USDOC relies on this method to detect dumping practices that would otherwise not be detectable under ordinary methods. Understanding the complexities of Cohen's D test and how it is used may help exporters to the United States to formulate appropriate pricing strategies.[The author is an Associate in WTO and International Trade Division at Lakshmikumaran & Sridharan Attorneys, New Delhi]

Trade Remedy News.



- Alloy steel chisel/ tool and hydraulic rock breaker in fully assembled condition from China PR and Korea RP – India imposes definitive anti-dumping duty
- Atrazine Technical from China PR – India's DGTR recommends continuation of countervailing duty (with revision) after sunset review
- Brass Rod from India – USA issues affirmative finding of material injury in an anti-dumping investigation
- Ceramic tiles from India – USA issues affirmative finding of material injury in a countervailing investigation
- Corrosion-resistant steel sheet from India – Canada issues affirmative expiry review
- Easy open ends of tin plate, including electrolytic tin plate (ETP), measuring 401 Diameter (99MM) and 300 Diameter (73MM) in dimension from China PR – India imposes definitive anti-dumping duty
- Forged Steel Fluid End Blocks from India – USA issues affirmative finding of receipt of countervailable subsidies between 1 January 2022 and 31 December 2022
- High Chrome Cast Iron Grinding Media from India – USA issues affirmative finding of material injury in anti-dumping and countervailing duties investigations
- Large Diameter Welded Pipe from India – USA issues affirmative sunset review of anti-dumping order
- Non-Refillable Steel Cylinders from India – USA continues with anti-dumping and countervailing duty orders
- Oil country tubular goods from India – Canada initiates re-investigation to update the normal values and export prices
- Organic Soybean Meal from India – USA issues preliminary finding of sale at below normal value during 2 November 2021 to 30 April 2023 by Shanti Worldwide
- Poly Vinyl Chloride Paste Resin from China PR, Korea RP, Malaysia, Norway, Taiwan and Thailand – India imposes provisional anti-dumping duty

Trade Remedy News.



- Silicomanganese from India – USA issues determination of sale at less than normal value between 1 May 2022 and 30 April 2023
- Sodium Cyanide from China PR, European Union, Japan and Korea RP – India imposes definitive anti-dumping duty
- Telescopic Channel Drawer Slider from China PR – India imposes provisional anti-dumping duty
- Welded Stainless Pressure Pipe from India – USA issues determination of sale at less than normal value between 1 November 2021 and 31 October 2022
- Welded Stainless-Steel Pipes and Tubes from China PR and Vietnam – India's DGTR recommends continuation of countervailing duty after sunset review

Trade Remedy actions by India

Product	Country	Notification No.	Date of notification	Remarks
Alloy steel chisel/ tool and hydraulic rock breaker in fully assembled condition	China PR and Korea RP	11/2024-Cus. (ADD)	27 June 2024	Definitive anti-dumping duty imposed
Atrazine Technical	China PR	F. No. 7/26/2023-DGTR	14 June 2024	Countervailing duty recommended to continue (with revision) after sunset review
Easy open ends of tin plate, including electrolytic tin plate (ETP), measuring 401 Diameter (99MM) and 300 Diameter (73MM) in dimension	China PR	12/2024-Cus. (ADD)	27 June 2024	Definitive anti-dumping duty imposed
Poly Vinyl Chloride Paste Resin	China PR, Korea RP, Malaysia, Norway, Taiwan and Thailand	9/2024-Cus. (ADD)	13 June 2024	Provisional anti-dumping duty imposed
Sodium Cyanide	China PR, European Union, Japan and Korea RP	10/2024-Cus. (ADD)	27 June 2024	Definitive anti-dumping duty imposed

Product	Country	Notification No.	Date of notification	Remarks
Telescopic Channel Drawer Slider	China PR	13/2024-Cus. (ADD)	27 June 2024	Provisional anti-dumping duty imposed
Welded Stainless-Steel Pipes and Tubes	China PR and Vietnam	F. No. 7/23/2023-DGTR	15 June 2024	Countervailing duty recommended to continue after sunset review

Trade remedy measures against India

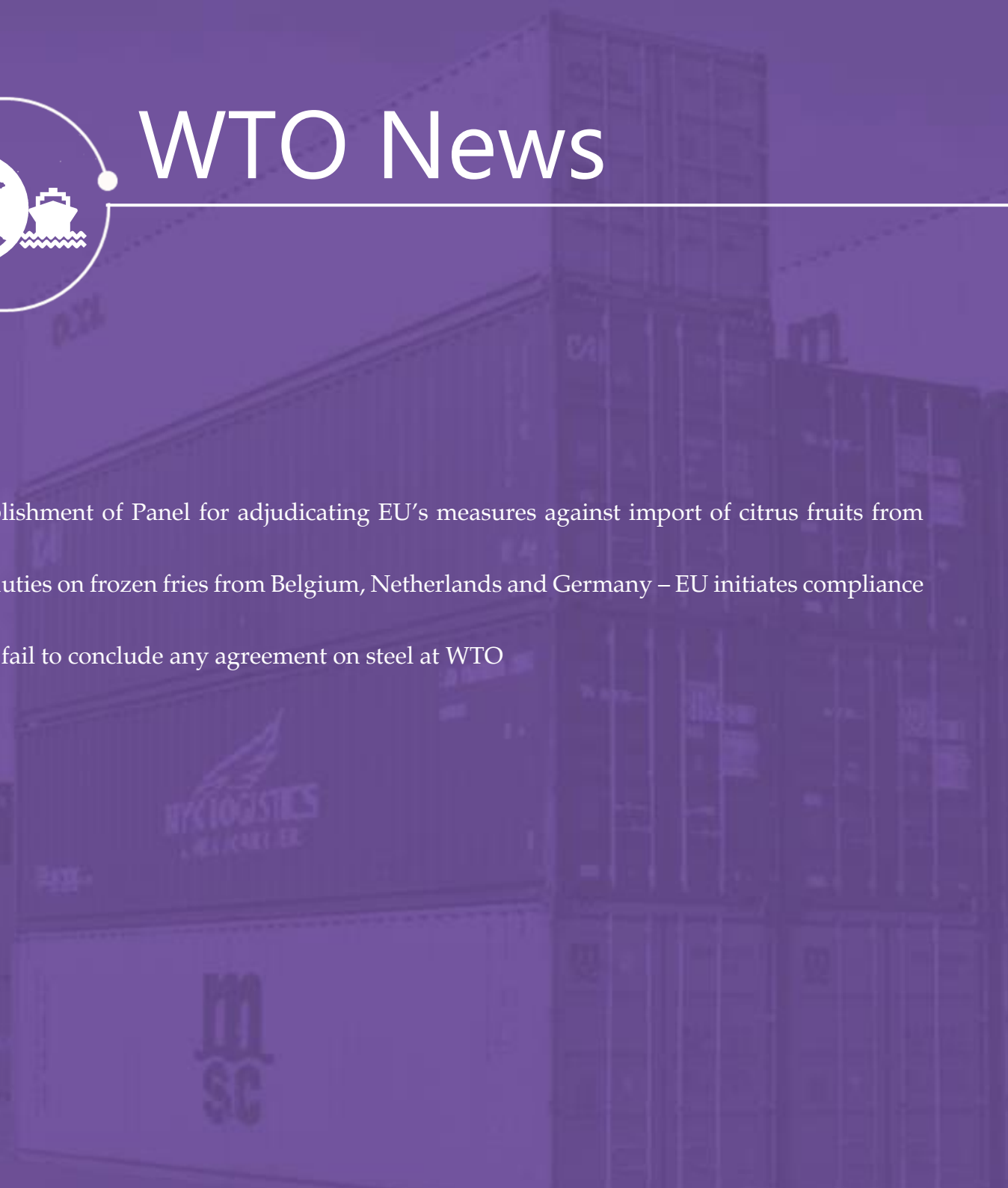
Product	Investigating Country	Document No.	Date of Document	Remarks
Brass Rod	USA	FR Doc No: 2024-12696	11 June 2024	ADD – Affirmative finding of material injury
Ceramic tiles	USA	FR Doc No: 2024-12476	7 June 2024	Countervailing duty – Affirmative finding on material injury
Corrosion-resistant steel sheet	Canada	COR1 2024 ER	13 June 2024	Affirmative expiry review issued
Forged Steel Fluid End Blocks	USA	FR Doc No: 2024-12610	10 June 2024	Countervailing duty – Affirmative finding of receipt of countervailable subsidies between 1 January 2022 and 31 December 2022

Product	Investigating Country	Document No.	Date of Document	Remarks
High Chrome Cast Iron Grinding Media	USA	FR Doc No: 2024-13055	14 June 2024	ADD and CVD – Affirmative finding of material injury
Large Diameter Welded Pipe	USA	FR Doc No: 2024-12514	7 June 2024	Affirmative sunset review of anti-dumping order issued
Non-Refillable Steel Cylinders	USA	FR Doc No: 2024-12797	12 June 2024	ADD and CVD – Affirmative finding on material injury
Non-Refillable Steel Cylinders	USA	FR Doc No: 2024-13040	13 June 2024	ADD and CVD Orders continued
Oil country tubular goods	Canada	OCTG 2024 RI	27 June 2024	Re-investigation to update the normal values and export prices
Organic Soybean Meal	USA	FR Doc No: 2024-12341	5 June 2024	Preliminary finding of sale at below normal value during 2 November 2021 to 30 April 2023 by Shanti Worldwide
Silicomanganese	USA	FR Doc No: 2024-12743	11 June 2024	ADD – Determination of sale at less than normal value between 1 May 2022 and 30 April 2023
Welded Stainless Pressure Pipe	USA	FR Doc No: 2024-12655	10 June 2024	ADD – Determination of sale at less than normal value between 1 November 2021 and 31 October 2022



WTO News

- South Africa asks for establishment of Panel for adjudicating EU's measures against import of citrus fruits from South Africa
- Colombian anti-dumping duties on frozen fries from Belgium, Netherlands and Germany – EU initiates compliance proceedings
- India and European Union fail to conclude any agreement on steel at WTO



South Africa asks for establishment of Panel for adjudicating EU's measures against import of citrus fruits from South Africa

South Africa has requested for the first time for establishment of a DSB Panel for adjudicating a dispute. The dispute pertains to certain measures by the European Union concerning import of citrus fruits from South Africa (DS613, DS624).

The measures in question concern import restrictions imposed by the EU to control spread of the insect *Thaumatotibia leucotreta*, or False Codling Moth, and the fungus *P. citricarpa*, known as 'citrus black spot'. According to South Africa, the EU measures are not based on scientific principles, are maintained without sufficient scientific evidence, and are more trade-restrictive than necessary to achieve the EU's appropriate level of protection. South Africa contends that the EU's measures violate various provisions of the GATT 1994 and WTO's Agreement on Sanitary and Phytosanitary Measures.

Colombian anti-dumping duties on frozen fries from Belgium, Netherlands and Germany – EU initiates compliance proceedings

The European Union has requested for consultations with Colombia concerning compliance of an award pursuant to

arbitration under Article 25 of the WTO's Dispute Settlement Understanding.

Notably, this is the first request for consultations concerning compliance proceedings following the issuance of an award pursuant to an arbitration initiated to decide an appeal of the panel report. The arbitration was agreed under the Multi-Party Interim Appeal Arbitration Arrangement to which both Colombia and the EU are party.

As per the document circulated in the WTO on 4 June 2024, the EU has alleged that by using flawed methodologies for calculating dumping in its measures taken to comply, Colombia has artificially created and/or inflated dumping margins for the exporting producers, and thus the measures at issue are inconsistent with Colombia's obligations under various provisions of the Anti-Dumping Agreement and the GATT 1994.

India and European Union fail to conclude any agreement on steel at WTO

As per reports, India and the European Union have failed to reach an agreement at the World Trade Organization on the concessions the EU can offer to India to mitigate the adverse impact of duties it levies on some steel imports. According to a

news item available [here](#), the two sides conducted consultations on June 7 on the EU's recent announcement of its decision to extend the existing safeguard measures on some steel product

imports beyond the current termination date of 30 June for another two years.

India Customs & Trade Policy Update



- Display assembly of a cellular mobile phone – Scope for BCD exemption clarified
- Gold jewelry import restricted – Imports (except parts) under India-UAE CEPA TRQ however permitted without restrictions
- Defence imports – Exemption extended till 30 June 2029

Display assembly of a cellular mobile phone – Scope for BCD exemption clarified

The Central Board of Indirect Taxes and Customs (CBIC) has clarified the constituents of Display Assembly of a cellular mobile phone, including essential parts and auxiliary components. Circular No. 6/2024-Cus., dated 7 June 2024 amends Circular No. 14/2022-Cus in this regard to also distinguish general mobile phone parts from parts that are integral to Display Assembly.

Pertinently, the revised Circular notes that exemption benefit under Notification No. 57/2017-Cus shall be available even if items like frame, receiver mesh, etc. are fabricated, embedded, fitted or attached with the display assembly. It is stated that such additions do not alter the essential characteristic of a display assembly.

However, it is clarified that where display assembly is fitted with items like PCBA, main lens, etc., then same will be treated as general part of cellular mobile, and exemption benefit shall not be extended to the same. The clarification is based on the recommendations of the Committee constituted with officials from both CBIC and Ministry of Electronics and Information Technology (MeitY).

Gold jewelry import restricted – Imports (except parts) under India-UAE CEPA TRQ however permitted without restrictions

The DGFT has amended the Import Policy of certain specified gold jewelry covered under Chapter 71 of the Schedule-I (Import Policy) of ITC (HS) 2022, from “Free” to “Restricted”. As per Notification No. 17/2024-25-DGFT dated 11 June 2024, the amendment is effective immediately and would be applicable on goods specified under ITC(HS) Code 7113 19 12, 7113 19 13, 7113 19 14, 7113 19 15 and 7113, 19 60. Additionally, a policy condition has been added to permit import of the restricted goods without import authorization, if imported under a valid India-UAE CEPA TRQ (except under Code 7113 19 60).

Further, it may be noted that as per Policy Circular No. 05/2024-25, dated 13 June 2024, the above restrictions will not apply to re-import of unsold jewelry exported for exhibition abroad in terms of paras 4.79 and 4.92 of the Handbook of Procedures, 2023. Also, as per Policy Circular No. 06/2024-25, dated 19 June 2024, the restrictions will not be applicable in respect of imports made by SEZ units (other than FTWZ units).

Defence imports – Exemption extended till 30 June 2029

Specified goods imported by the Ministry of Defence or the Defence forces, or the Defence Public Sector Units or other Public Sector Units, or any other entity, for the Defence forces are

exempted from Basic Customs Duty and IGST, subject to certain other conditions. This exemption, which was available till 30 June 2024, has now been extended till 30 June 2029. Notification No. 26/2024-Cus., dated 27 June 2024 has amended Notification No. 19/2019-Cus. for this purpose.



Ratio Decidendi

- Anti-dumping duty – Central Government can under Section 25(1) of Customs Act grant exemption from anti-dumping duty – Gujarat High Court
- Lanterns with USB port specifically for solar charging are classifiable as solar lanterns – CESTAT Kolkata

Anti-dumping duty – Central Government can under Section 25(1) of Customs Act grant exemption from anti-dumping duty

The Gujarat High Court has dismissed a petition contending that the Central Government does not have the power of granting exemption in respect of levy of anti-dumping duty, as the same is a trade remedy, which cannot be equated with customs duty. The Court in this regard observed that Central Government is entitled to grant exemption while exercising the powers under the provisions of Section 25(1) of the Customs Act, 1962.

The petitioner had submitted that the exclusion from the levy of anti-dumping duty for certain users of Metcoke (Metallurgical Coke) in the manner provided in Notification No. 69/2000-Cus. amounted to a discriminatory levy of anti-dumping duty on imports of Chinese Metcoke into India. It was also contended that the exemption from anti-dumping duty on certain users (manufacturers of Pig Iron or Steel using a blast furnace) was violative of Rule 19 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped

Articles and for Determination for Injury) Rules, 1995, which mandates imposition of duty on non-discriminatory basis. [*Fairdeal Supplies Pvt. Ltd. v. Union of India* – (2024) 19 Centax 23 (Guj.)]

Lanterns with USB port specifically for solar charging are classifiable as solar lanterns

The CESTAT Kolkata has held that lanterns with USB port specifically for solar charging, and also a separate AC charging point, are to be classified as solar lanterns under Tariff Item 9405 50 40 of the Customs Tariff Act, 1975. Dismissing the appeal filed by the Revenue department, contending classification under 8513 10 90, the Tribunal observed that there was nothing to deduce from the test report of the Revenue that the USB Ports cannot be used for charging the lanterns through solar panels. According to the Tribunal, overall, the lanterns were basically 'solar lanterns' with further ports given for normal charging through electricity in case of emergency. [*Commissioner v. Sigma Power Product Pvt. Ltd.* – 2024 VIL 669 CESTAT KOL CU]

<p>NEW DELHI 7th Floor, Tower E, World Trade Centre, Nauroji Nagar, Delhi – 110029 Phone : +91-11-41299800, +91-11-46063300 ----- 5 Link Road, Jangpura Extension, Opp. Jangpura Metro Station, New Delhi 110014 Phone : +91-11-4129 9811 ----- B-6/10, Safdarjung Enclave New Delhi -110 029 Phone : +91-11-4129 9900 E-mail : Lsdel@lakshmisri.com , lprdel@lakshmisri.com</p>	<p>MUMBAI 2nd floor, B&C Wing, Cnergy IT Park, Appa Saheb Marathe Marg, (Near Century Bazar)Prabhadevi, Mumbai - 400025 Phone : +91 (22) 30567800/ (22) 30567801 E-mail : lsbom@lakshmisri.com</p>
<p>CHENNAI 2, Wallace Garden, 2nd Street, Chennai - 600 006 Phone : +91-44-2833 4700 E-mail : lsmds@lakshmisri.com</p>	<p>BENGALURU 4th floor, World Trade Center, Brigade Gateway Campus, 26/1, Dr. Rajkumar Road, Malleswaram West, Bangalore-560 055. Phone : +91-80-49331800 Fax:+91-80-49331899 E-mail : lsblr@lakshmisri.com</p>
<p>HYDERABAD 'Hastigiri', 5-9-163, Chapel Road, Opp. Methodist Church, Nampally, Hyderabad - 500 001 Phone : +91-40-2323 4924 E-mail : lshyd@lakshmisri.com</p>	<p>AHMEDABAD B-334, SAKAR-VII, Nehru Bridge Corner, Ashram Road, Ahmedabad - 380 009 Phone : +91-79-4001 4500 E-mail : lsahd@lakshmisri.com</p>
<p>PUNE 607-609, Nucleus, 1 Church Road, Camp, Pune-411 001. Phone : +91-20-6680 1900 E-mail : lpune@lakshmisri.com</p>	<p>KOLKATA 6A, Middleton Street, Chhabildas Towers, 7th Floor, Kolkata – 700 071 Phone : +91 (33) 4005 5570 E-mail : lskolkata@lakshmisri.com</p>
<p>CHANDIGARH 1st Floor, SCO No. 59, Sector 26, Chandigarh -160026 Phone : +91-172-4921700 E-mail : lschd@lakshmisri.com</p>	<p>GURUGRAM OS2 & OS3, 5th floor, Corporate Office Tower, Ambience Island, Sector 25-A, Gurugram-122001 phone: +91-0124 - 477 1300 Email: lsgurgaon@lakshmisri.com</p>
<p>PRAYAGRAJ (ALLAHABAD) 3/1A/3, (opposite Auto Sales), Colvin Road, (Lohia Marg), Allahabad -211001 (U.P.) Phone : +91-532-2421037, 2420359 E-mail : lsallahabad@lakshmisri.com</p>	<p>KOCHI First floor, PDR Bhavan, Palliyil Lane, Foreshore Road, Ernakulam Kochi-682016 Phone : +91-484 4869018; 4867852 E-mail : lskochi@laskhmisri.com</p>
<p>JAIPUR 2nd Floor (Front side), Unique Destination, Tonk Road, Near Laxmi Mandir Cinema Crossing, Jaipur - 302 015 Phone : +91-141-456 1200 E-mail : lsjaipur@lakshmisri.com</p>	<p>NAGPUR First Floor, HRM Design Space, 90-A, Next to Ram Mandir, Ramnagar, Nagpur - 440033 Phone: +91-712-2959038/2959048 E-mail : lsnagpur@lakshmisri.com</p>

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