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EU Antidumping Proceedings regarding imports of monosodium glutamate (MSG)

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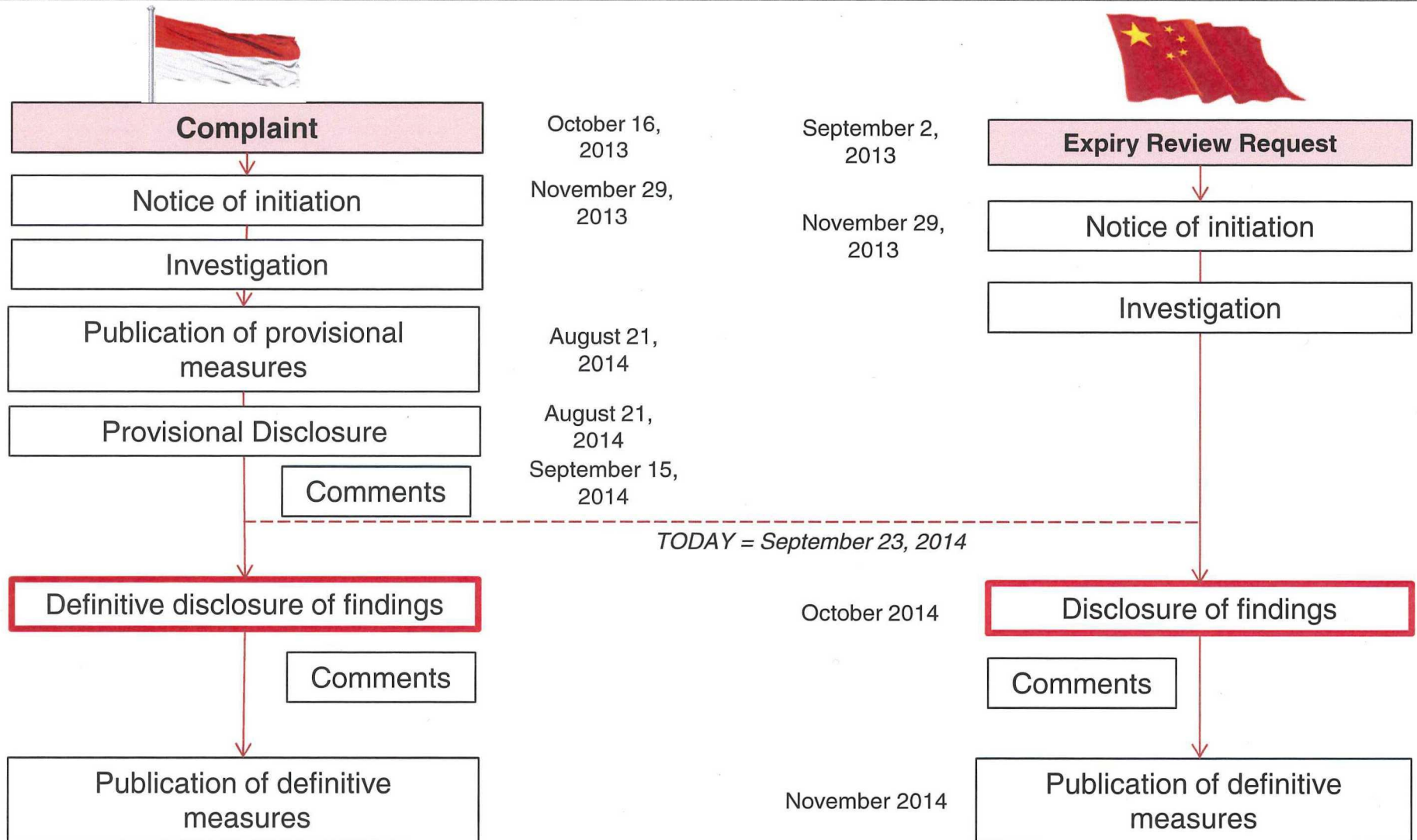
Introduction to parallel anti-dumping proceedings in Europe



- The **European Commission** (the Directorate General for Trade) is exclusively responsible for anti-dumping investigations within the European Union.
- Two cases relating to Monosodium Glutamate (“MSG”) are presently pending, and were initiated at the request of Ajinomoto Foods Europe (“AFE”), the European producer:
 - An expiry (“sunset”) review as regards imports of MSG from **China**.
 - A new investigation as regards imports of MSG from **Indonesia**.
- The two cases are procedurally in different stages, so that the Commission has adopted provisional measures with regard to imports from Indonesia, while the 2008 measures regarding imports from China remain in place while the sunset review is being conducted.



MSG anti-dumping proceedings: where do we stand?





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**Indonesia – Provisional anti-dumping
measures adopted by the Commission**

Indonesia



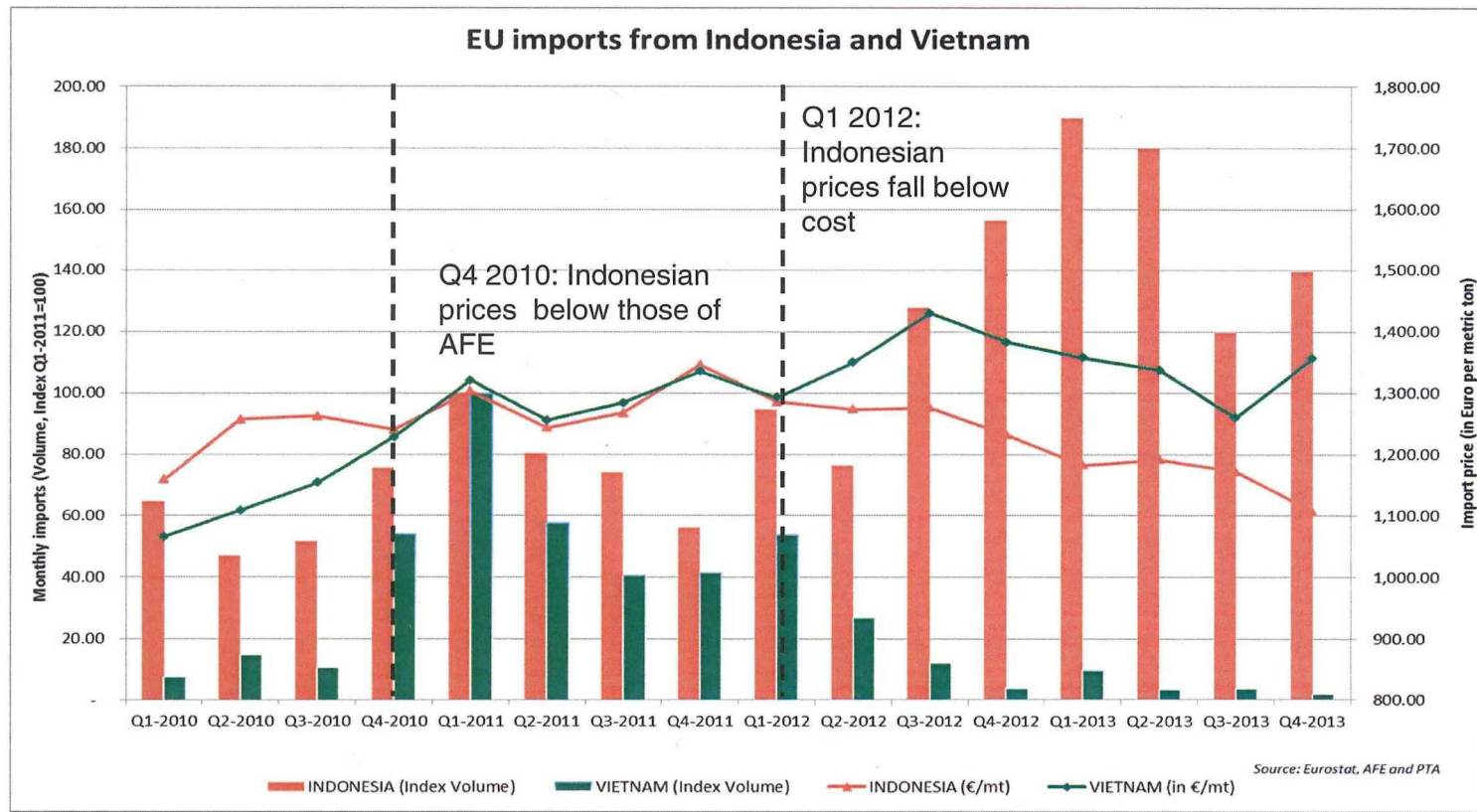
- The Commission has published its findings in the Provisional Duty Regulation (which publicly summarizes the findings).
 - The Union industry suffered material injury as a result of dumped imports originating in Indonesia, in particular price depression, reduced volumes, and declining profitability.
 - The material injury to the Union industry was caused by the dumped imports from Indonesia.
 - The dumping margins established and imposed on the various producers are the following:

Country	Company	Provisional anti-dumping duty
Indonesia	PT. Cheil Jedang Indonesia	7%
Indonesia	PT. Miwon Indonesia	13.3%
Indonesia	All other companies	28.4%



Indonesia (II)

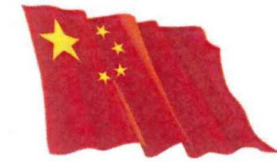
- The Chart below demonstrates that when Indonesian exports started to undercut AFE's and Vietnamese prices, (i) they displaced Vietnamese exporters (who were not willing to sell below cost and were eliminated from the market), thereby showing the price sensitivity of the market. This explains (ii) why AFE had to match the Indonesian prices.



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**China – Expiry Review Request pending
before the Commission**

China (I)

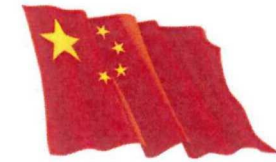


- Definitive dumping margins adopted in 2008 under Council Regulation No. 1187/2008 were as follows:

Country	Company	Definitive anti-dumping duty
China	Fujian Province Jianyang Wuyi MSG Co. Ltd	36.5%
China	Hebei Meihua MSG Group Co. Ltd and Tongliao Meihua Bio-Tech Co	33.8%
China	All other companies	39.7%

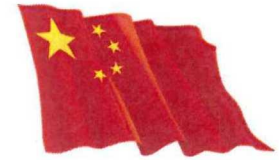
- As a result of the Commission initiating the expiry review, these duties are maintained until the conclusion of the review procedure, at which point the Commission can either extend the duties (typically for a 5-year period) or terminate them.

China (II)



- The Commission initiated an expiry review based on the prima facie evidence provided by AFE. The Commission explains, in paragraph 4 of the notice of initiation, the reasons for its decision to proceed:
 - **Chinese MSG production capacity** has continuously and significantly increased since 2009. Overall Chinese MSG production capacity increased by 36.7% between 2009 and 2012. Also, there is significant idle or underutilized capacity.
 - **The likelihood of recurrence of dumping and injury** is also underscored by other factors:
 - Significant volumes are available for sale to the EU that are presently sold at below the (already low) average export price.
 - It would be commercially attractive for Chinese exporters to redirect these sales to the EU.
- The latter point is reinforced by the subsequent initiation of the proceedings in the United States.


China (III)



- In addition, Chinese exports to the EU have continued in various ways and these exports have partially avoided the remedial effect of the measures imposed in 2008:
 - Chinese exporters targeted EU producers operating inward processing schemes (low-price sales for MSG that would be indirectly re-exported) applying very low prices.
 - Chinese exporters targeted Croatian producers prior to Croatia's accession to the EU and imported unusually large volumes into Croatia, just prior to the accession, for resale in the EU at large (with an increase of 60% of Chinese MSG exports to Croatia in the first semester of 2013).
- More serious attempts to circumvent duties were also identified. Traders reported that MSG was imported into the EU as “mixed seasonings” (without paying anti-dumping duties) in circumstances where the product imported was a mixture of 98% MSG and 2% salt.
- A detailed report was filed with the European Commission's anti-fraud unit (“OLAF”) in 2009 which led to an investigation. OLAF does not publish the result of such investigations. But market evidence suggested that the customs authorities of some Member States had reassessed imports and had issued fines for customs fraud.
- Recently, traders have again reported that their competitors offered Chinese origin MSG that would contain a minor proportion of salt and that would be sold as a mixed seasoning.

Concluding remarks

- I have provided you with this update on the EU proceedings, because the developments in Europe are instructive on how the MSG markets function throughout the world, and on the attitude of the relevant players.
 - A number of large customers, like Unilever, buy MSG throughout the world.
 - They buy from only a few suppliers, which include CJ, large Chinese producers, and Ajinomoto, all of whom are qualified to provide MSG to such large buyers.
 - Chinese producers have significant underutilized capacity available to supply the EU and the U.S. markets.
 - Indonesian producers have shown how quickly they were able to penetrate the EU market, when they offered MSG at declining prices when their costs went up. As a result of the fact that (i) provisional measures are now in place in the EU, and (ii) Chinese exports to Indonesia are increasing, I would expect these producers have an incentive to sell to the United States.
- I have read the public version of CJ's prehearing brief. My main reaction, based on the situation in the EU, is surprise at their claim that they have not been, and are not likely to be, a serious competitor in the U.S. market. CJ is supplying MSG to large worldwide buyers today and there is no reason to suggest that they would not continue to do here what they have done in Europe: namely, to offer MSG at low, dumped prices, if the opportunity arises.



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