



# Protecting Atmanirbhar

## Report on challenges in protecting domestic industries

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## **Table of Contents**

1. Purpose	3
2. Background	3
3. Inadequacies in Anti-Dumping Measures	3
4. Unsound Argument Against Anti-Dumping Duties:	6
5. Reduction in Prices because of Anti-Dumping Duties	8
6. Absence of anti-dumping duties and its catastrophic consequences:	8
7. Conclusion	9

# 1. Purpose

The purpose of this report is to compile the challenges being faced by Indian industries that are competitive, but are facing injuries from foreign companies that are misusing their overcapacities to sell products in India at costs lower than what it costs in their respective domestic markets.

# 2. Background

India is undergoing sweeping changes and much of it is being driven by technologies. Supportive government policies have quickened this transformation, enabling Indian industries to become robust, self-reliant and globally competitive.

However, while Indian industry is fast becoming globally competitive, it is facing some serious challenges which threaten the industries and are detrimental to consumer interests. One of the key threats is large-scale dumping of goods by foreign players at prices that are lower than the prices in their own domestic markets.

Many of these foreign products are also often of very sub-standard quality. Deploying such products in crucial projects such as BharatNet saturation project significantly compromises Indian interests.

The import of such low-priced and poor-quality products are also undermining Indian industry. Indian manufacturers are unable to overcome the assault of dumping in the domestic market. Some have had to shut down, while many others are struggling to survive. This is nothing short of denial of access to domestic market for the domestic industry.

The cheap imports are at variance with what is at the heart of the initiative for Atmanirbhar Bharat, aimed at creating a self-reliant India. The imports are indeed having catastrophic consequences for the Indian industry.

Given the seriousness of the situation, there is an urgent need to take remedial measures and ensure that Indian manufacturers get a level playing ground.

One way to safeguard Indian industry would be to act against dumping of goods by foreign countries.

This report tries to elaborate and explain why anti-dumping measures are important, how the imposition of anti-dumping duties can ensure fair play, and how and why Indian steps against anti-dumping are falling short in recent years:

### 3. Inadequacies in Anti-Dumping Measures

Anti-dumping is meant to ensure fair trade when a country exports goods to another country at a price lower than its normal value. Though not strictly a protective measure, the purpose of anti-dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade, providing relief to the domestic industry against injury caused by dumping.

India has historically been a ground for dumping by some foreign countries. India too has from time to time responded by imposing anti-dumping duties on foreign goods for safe-guarding the domestic industry from 'injury'.

However, in the recent years – particularly between September 2000 and October 2022 – fewer number of anti-dumping duties are being levied by India on foreign companies and their goods, thereby imperiling Indian companies.

The process for imposing anti-dumping duty follows a definitive protocol. Indian companies or trade bodies, on finding that a particular foreign company is dumping goods within the country, moves the Director General of Trade Remedies (DGTR) under the Ministry of Commerce, with a request either to extend the anti-dumping duty that may have been levied earlier and has run its course (commonly called as Sunset review), or appealing for the levying of a fresh anti-dumping duty on a company and its goods if the phenomenon is new.

On receiving a complaint, the DGTR initiates a year-long transparent investigation during which all parties involved – the foreign company and the local industry impacted by the dumping included – are heard. The DGTR then adjudicates, recommending the levying or extension of anti-dumping duty on goods it deems fit.

The DGTR recommendation for levying/extending anti-dumping duty then goes to the Ministry of Finance (MoF) for action.

This is where a problem has now arisen. Compared to the period between 1991 and 2020 when the MoF accepted 1045 of the recommendations of the DGTR out of a total of 1052, only 44 DGTR recommendations out of a total of 120 recommendations have been accepted by MoF between September 2020 and October 2022.

MoF's rate of rejection of DGTR recommendations has jumped in the corresponding period from 0.67% to 61%.

The following table lists out the number of complaints, acceptance and rejections since 1991:

SI	Particulars	ADD	CVD	Total
A	From 1991 to 2020			
1	Total	1039	13	1052
2	Accepted	1032	13	1045

3	Rejected	7	0	7
4	Percentage rejection	0.67%	0.00%	0.67%
<b>B</b>	<b>From Sep 2020 to Oct 2022</b>			
1	Total	110	10	120
2	Accepted	40	4	44
3	Rejected	64	6	70
4	Pending	6	0	6
5	Percentage rejection	62%	60%	61%

The increasing instances of rejections by the MoF is perplexing, more so because the rejections are summary in nature.

While rejecting a DGTR recommendation for the levying/extension of anti-dumping duty, the MoF does not ascribe any reasons. Instead, it just says 'Rejected'.

While the DGTR has in some cases decided against imposing or extending anti-dumping duties by rejecting complaints, the 'rejections' in recent times have mostly come from the MoF.

Listed below are several case studies of how the 'rejections' are adversely impacting the Indian industry:

### **1. Cases where DGTR recommended imposition of anti-dumping duty, but MoF did not impose duty:**

a. Caprolactam from European Union, Korea RP, Russia and Thailand.

There was only one producer in India – Gujarat State Fertilizers and Chemicals Limited which was producing at the time of investigation. Imports from EU, Korea, Russia, and Thailand were at prices materially below the prices in those countries. Industry suffered financial losses, cash losses and negative return on investments due to increased imports. DGTR recommended imposition of anti-dumping duties, However, Mof decided not to impose duties.

b. Anti-dumping investigation on imports of Aluminium Primary Foundry Allow Ingot from Malaysia (Final finding dated 31 January, 2022)

The product is only produced in India by the applicants in the investigation, i.e., Vedanta Limited and Bharat Aluminium Company Limited. The DGTR investigated the subsidization of the production and sale of the product by the Malaysian government and its impact on the Indian industry. The DGTR found that Malaysian producers received significant subsidies from the government (in the range of 0-20%) which was being exported to India at a price below the non-injurious price of the Indian industry by about (0-20%). Despite a finding that the Malaysian imports

were putting serious price pressure on the Indian industry causing significant losses, the MoF did not impose countervailing duties.

## **2. Cases where anti-dumping duty was discontinued and the industry suffered injury:**

### **a. Metronidazole from China PR**

Anti-dumping duties were imposed on the imports from China PR. In the sunset review in 2017, DGTR decided not to recommend continued imposition of duties. Aarti Drugs Limited filed fresh application in 2022 requesting imposition of anti-dumping duties. The volume of imports from China increased in both absolute as well as relative terms and had an adverse impact on the profitability parameters of the domestic industry due to which the cash profit, PBIT, and ROCE have registered a very significant decline.

### **b. Viscose Filament Yarn from China PR**

Anti-dumping duties were imposed on the imports from China PR and Ukraine. In the sunset review in 2018, DGTR decided not to recommend continued imposition of anti-dumping duties. Grasim filed fresh application in 2022 requesting imposition of anti-dumping duties. The volume of imports from China increased in both absolute as well as relative terms and had an adverse impact on the profitability parameters of the domestic industry.

## **3. Indian Optical fibre/optical fibre cable industry & the Adverse Impact of Dumping:**

Dumping of products by foreign companies at prices lower than that in their own domestic markets is a threat to Indian manufacturers. Though competitive and with products that adhere to global standards, Indian manufacturers are being deprived of a level playing field.

A case in point is the Indian optical fibre/optical fibre capital industry.

Optical fibre cable – made from optical fibre – provides the backbone to the broadband infrastructure that is powering India's digital transformation.

The Indian optical fibre/optical fibre cable industry is capable of shouldering the responsibility of transforming India. It already employs around 20,000 people and this number is set to increase rapidly, given the capacity additions planned by Indian manufacturers in near future. Further, it impacts 1 to 1.1 lakh people, spread across manufacturing, deployment, and maintenance.

More importantly, India has the potential to become the optical fibre capital of the world.

It already has a manufacturing capacity that far outstrips the domestic consumption. Against domestic requirement of around 26 million fibre km, the country's manufacturing capacity is already around 90 million fibre Km (Mn FKM).

It means India can become a major exporter of optical fibre and optical fibre cable.

However, the continuous selling of products by foreign companies at costs lower than that in their respective domestic markets, is causing significant 'injuries' to the Indian industry.

Indian fibre manufacturers, despite their globally recognised quality, are losing ground in international trade because of Chinese manufacturers.

Global optical fibre demand rose from 52 MN FKM in 2021 to 540 Mn FKM in 2022. During the same period, Chinese exports of optical fibre grew by 82% as against India's 44%.

Import Volume KFKM	2019-20	2020-21	2021-22	Growth	2022-23 (till Jan'23)	Projected Growth
CHINA	2203	2892	11002	280%	13980	53%
KOREA	194	344	589	71%	109	-80%
Row	821	1362	2372	74%	1581	-22%

#### 4. Unsound Argument Against Anti-Dumping Duties:

At times, arguments are made by some quarters against anti-dumping duties. Those against anti-dumping duties say it serves no larger purpose, favour only a few big players, and are detrimental to the interests of downstream industries.

But there are enough case studies to prove that such arguments are unsound and without any basis.

Indian industry has immensely benefited from anti-dumping duties. Some examples are as follows:

##### a. Cases where DGTR imposed anti-dumping duties which led to growth of Indian industry

###### i. Anti-dumping duty on imports of Vitrified Tiles from China PR

The anti-dumping duty on imports of Vitrified Tiles from China was first imposed in 2002, the same continued till 2013, and lapsed thereafter. The DGTR recommended imposition of provisional anti-dumping duty on imports of Vitrified Tiles from China on 11 March 2016 and it was accepted and imposed by the MoF on 29 March 2016. Definitive anti-dumping duty was recommended on 8 April 2017 and was imposed on 14 June 2017.

There were only 5 producers of Tiles in 2005. Due to anti-dumping duty in force, the number of producers increased to 242 in 2021. The capacities too increased from 3 million square metre to more than 1,000 million square metres. The investment made by tiles industry was about INR 100 crores in 2000, which rose to INR 50,000 crore in 2021.

###### ii. Viscose Staple Fibre from China PR and Indonesia



Anti-dumping duties were imposed on the imports from China PR and Indonesia. Indian industry had a capacity of around 3 lakh MT when the duties were first imposed. Over the period of 15 years the duties were in force, the Indian industry expanded its capacity and the current capacity is more than 8 lakh MT.

Sl	Products	UoM	Number of Producers		Period		Capacity		Investment Rs. crores	
			From	To	From	To	From	To		
1	Acetone	MT	2	3	2003	2019	45,500	97,140		
2	Phenol	MT	2	3	2003	2020	74,200			
3	Alloy Road wheels	Million	3	9	2009	2020	38,00,000	1,65,40,000		
4	Caustic Soda	MT	11	31	1999	2020	8,30,000	17,42,350		
5	Ceftriaxone Sodium Sterile	MT	5	5	2003	2021	145	1,948		
6	Ceramic Tiles	Million SQM	5	300	2000	2020	3	500	1,000	50,000

The aforesaid table provides a good snapshot of how anti-dumping duties have been beneficial to India.

## 5. Reduction in Prices because of Anti-Dumping Duties

Imposition of anti-dumping duties have had many benefits, including the reduction in prices of products. Some Case studies of reduction in prices of products following imposition of anti-dumping duties are as follows:

i. Ursodeoxycholic Acid from China PR and Korea RP

Prior to the commencement of production by Indian industry, imports were priced in the range of 330 USD/KG. Post the commencement of production, import price declined to the range of 210-220 USD/KG.

ii. Anti-dumping duty on imports of Lovastatin from China

Indian industry started production in July 1996. The price of imports post-commencement of commercial production in India declined due to which the Indian industry was forced to cut prices.

Even after the drop in prices, the Indian industry was faced with accumulation of inventories of high value. The DGTR recommended imposition of anti-dumping

duty on imports of the product from China on 18 December 1998 and the duties were imposed by MoF on 29 January 1999.

Now the Indian industry for Lovastatin is established in India and there are multiple large-scale producers of the product in India.

## **6. Absence of anti-dumping duties and its catastrophic consequences:**

There have been instances when Indian industries could not compete in the absence of anti-dumping duty and had to shut down. A few examples of this are:

### i. Anti-dumping investigation on imports of Penicillin-G from China and Mexico

DGTR found that Penicillin-G was being dumped into India from China and Mexico. Due to the dumping of the product, the performance of the Indian industry deteriorated significantly in terms of production, sales, capacity utilisation, market share, profits, return on investments and cash profit.

According, DGTR recommended imposition of anti-dumping duty on imports from China and Mexico on 20 January 2011. However, the MoF did not impose anti-dumping duty on such imports.

Due to significant dumping, all the domestic producers in India shut down, leading to dependence of Indian users totally on imports.

### ii. Anti-dumping investigation on imports of Newsprint from Australia, Canada, EU, Hong Kong, Russia, Singapore and UAE

Newsprint is an uncoated paper used for printing newspaper. Since the world is moving towards deinitialization, the demand for newspapers and newsprints has declined across the world leading to overcapacities in all the countries.

Newsprint was being dumped on India from various countries which led to decline in performance of the Indian industry. The imports were undercutting prices of the Indian industry due to which it was forced to reduce production and sell at losses. The industry also faced accumulated inventories.

The DGTR recommended the imposition of anti-dumping duty on 19 January 2021. However, such duties were not imposed by the MoF. India faced an acute shortage of the product in 2022 due to closure of mills or switching to alternate products. The domestic production has declined substantially.

## **7. Conclusion**

It is clear that Indian industry require a level playing field to retain its competitiveness.

The continuing dumping of products by foreign companies at prices lower than that in their own domestic markets is causing substantial 'injury' to the Indian industry. The absence of a level playing field has forced many Indian companies to shut down. Many others are struggling to survive in the face of the assault of imported foreign products.

The products being dumped by foreign companies are also often of poor quality. Deploying such products in Indian infrastructure projects also compromises Indian interests.

Therefore, there is growing need for remedial measures against the adverse impact of dumping of foreign goods in India. Imposition of anti-dumping duties for ensuring a level playing field for Indian industry is of critical importance. It would help Indian industry to be Atmanirbhar.