From New Delhi by Susan Maitra

Industrialists fear dumping

In the wake of import tariff liberalization, India finds it hard to ward off cheap steel and petrochemicals.

Despite a sharp 21.4% rise in India's exports in the first half of the current fiscal year and a significant drop in trade imbalances, Indian authorities are concerned about dumping of goods by foreign companies. In a recent address, the finance minister acknowledged the fears of industry and promised that anomalies in the tariff structure will be modified to prevent such dumping of goods in the future.

At the outset of the current fiscal year (April 1993), Finance Minister Dr. Manmohan Singh, the architect behind India's economic reforms, had slashed import tariffs across the board. India's import tariff structure was the highest in the world. The objective was to boost the industrial sector and spur new investment. While reducing import tariffs has helped India's export effort, as figures indicate, and did not push up imports significantly, it has caused imbalances within various sub-sectors of industry.

Addressing the 93rd annual general meeting of the Bharat Chamber of Commerce recently in Calcutta, Dr. Singh said: "A segment of the capital goods industry fears that the rationalization of import tariffs have been too much and too fast. Our government is alive to the responsibilities and will not do anything to hurt domestic industry." Dr. Singh was referring to the concern recently expressed by the Confederation of Indian Industry (CII), the federation representing the major engineering industries of India, over the alleged dumping of steel and steel products in the Indian market by Brazil and some Europeans.

The CII allegation, which came out in the form of a report, "Post-Decontrol Scenario of Steel," noted that prices charged by the producers in their own domestic markets were very high while most of the excess steel produced in those countries was dumped into India at a marginal cost or even at a loss. These losses were recouped from domestic customers by charging them the higher price. A study of prices presented by the CII showed that while the domestic price of hot rolled (HR) coils in Japan is as high as $587 per ton, the same HR coil is exported to India at $350 per ton from Japanese ports. The CII pointed out that at the prices at which these steel products are imported in India, it will be difficult for some producers to even recover their operation cost, let alone the capital cost.

Appealing to the government to redress the grievances, CII said: "While CII appreciates the overall government policy of liberalization it is only fair that the indigenous industry is protected from unfair international competition." The leading Bombay industrialists, voicing their concerns in tune with the CII, also asked the government to offer them a "level field" and not to provide any special privileges to foreign companies.

However, the first anti-dumping case of poly-vinyl chloride (PVC) resins has exposed the weakness of the Indian government. With anti-dumping laws having been confined to the books for ages, government and industry find that inexperience in dealing with the dumping cases has made the task arduous. While industry is seeking a quick solution, the government is showing extreme caution so that its economic reform is not discredited and the flow of trade is not hampered. Meanwhile, a number of anti-dumping cases have been filed, and industry is becoming restless.

Besides the fact that the government machinery to deal with these cases is grossly inadequate, new problems have surfaced. For instance, Chinese suppliers are alleged to have dumped bulk drugs, graphite electrodes, and chemicals in India. The dumping charges against the Chinese exporters cannot be dealt with using the existing anti-dumping legislation in India, which is based on the GATT code, since China is not a member of the GATT.

The complaint filed by the PVC Resin Manufacturers Association (PREMA) claims that dumped exports from Argentina, Mexico, Brazil, South Korea, and the United States have caused material injury to the domestic manufacturers, an allegation which the authorities have since refuted.

Despite these built-in inadequacies, officials have managed to resolve three cases, including PVC, on which final anti-dumping duty has been notified. The Commerce Ministry has even announced that anti-dumping provisions would be imposed on those chemicals whose industries are now in the process of cutting their own teeth.

India signed the GATT anti-dumping code in 1979 and amended its Customs Tariff Act in 1985 incorporating the provisions for anti-dumping duty. The anti-dumping duty equals the difference between prices at which the product is exported and its normal value in the exporting country.