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Cheap steel imports to flood market

Probal Basak & Ishita Ayan Dutt, Business Standard

Kolkata, July 20, 2012: The Comprehensive Economic Partnership Agreement (Cepa) with Korea and Japan is turning out to be the latest trouble for the Indian steel industry, already grappling with mining and land issues.

Imports of hot rolled coil (HRC), a benchmark product, from Korea surged 125 per cent and from Japan, 72 per cent, in 2011-12 over the previous year. While the flood is likely to continue further, experts say this is not just hurting the domestic steel industry in a weak market, but, in the short term, could be a disincentive for foreign direct investment (FDI).

A slew of Japanese companies — Kobe, JFE, Sumitomo and Nippon — are either a part of the India story, in some way or other, or are actively looking at it, while South Korea's Posco is still waiting in the wings. All these companies are in a way incentivised to sell the steel produce in their country and flood the Indian market. It will act as disincentive for these global steel majors to invest in producing steel in India.

"The trade pacts are not helping India, while affecting the industry adversely. Production and employment are taking place in those countries. We should encourage FDI instead," said Jayant Acharya, director, commercial & marketing, JSW Steel.

Consider this: Maruti Suzuki India Ltd (MSIL) has been importing steel from Japan and Korea much before the bilateral agreement came into existence. But it would stand to lose significantly if steel is moved to the sensitive list for exclusion under the CEPA, as is being demanded by the steel companies. The impact of withdrawal from Korea would be Rs 7.7 crore and from Japan, Rs 10 crore.

"We have imported over 190,000 tonnes in 2010-11 and over 200,000 tonnes in 2011-12, which are about 29 per cent and 28 per cent of our total requirements. Import quantity is dependent on demand changes and not on the bilateral agreement," said S Maitra, chief operating officer (supply chain), MSIL.

Steel industry representatives feel the onslaught of imports could lead to loss of jobs for Indians. "It might lead to idling of steel capacity. Most of the plants without captive iron ore are operating at much less than full capacity," they pointed out.

In view of the pressure the industry is facing, the government had increased the import duty on most steel products from five per cent to seven per cent in the budget. However, it doesn't quite affect the imports from Korea and Japan since under the provisions of Cepa the rate is subsidised at 3.125 per cent for Korea, while Japan attracts 3.3 per cent for 2012-13. The rate will reduce to zero by the beginning of
2017.

"I don't understand why these countries should enjoy concessional rates," asked Nitin Johri, director (finance) Bhushan Steel. Johri's sentiments were echoed by Essar Steel Executive Director (strategy & business development) Vikram Amin. "There is a definite case to exclude steel products from the ambit of the Free Trade Agreement (FTA) with Korea and Japan. Considering the high value addition in the steel industry and employment generation potential, it makes immense sense to export steel rather than exporting iron ore and importing steel," Amin said.

Though cumulative imports from these countries constitute more than 40 per cent of all flat steel imports into India, during November-December, the rise was as high as 400-600 per cent.

Industry representatives said, the Federation of Indian Chambers of Commerce and Industry (Ficci) has already taken up the matter with the government.

According to Acharya, it should be a level playing field. While cost of production in India is more or less at par with Korea or Japan, the financing cost is more conducive in those countries.

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Steel minister disapproves plea for removing steel from Japan, Korea FTA

Press Trust of India

September 24, 2012, New Delhi: Disapproving the demand for removal of steel from free trade pacts with Japan and South Korea, Steel Minister Beni Prasad Verma today advised the industry to become more competitive by reducing cost of production.

"I don't know what the industry is clamouring for. They have to understand that when import duty would be near zero by 2025, they have to compete. You have to lower operation cost, raise competency level and deploy latest technology. Only then, your cost of production will come down," Verma told PTI.

In view of growing imports of steel from Japan and Korea, leading private sector producers JSW Steel and Essar Steel had earlier this month demanded taking steel out of the purview of free trade pact with the two Asian economic superpowers.

India had signed FTA with South Korea in January 2010 and with Japan in August last year. Under FTA, duties on most of the products, traded between the countries, are either eliminated or reduced sharply.

Verma said since India is a signatory to the WTO, it has to reduce import duty to near zero by 2025. It would be better if the domestic industry gears up from now on to achieve the competitiveness. "There is still a 3.5% duty on steel imports. So, the industries in India must gear up to competition because, today or tomorrow you will enter into that near zero phase," he said.

Moreover, India has an adverse balance of trade with both Japan and Korea leaving it with less bargaining power to lobby for a product removal from the FTA purview.

"When you are contributing less (to bilateral trade), your negotiating power is also less. When you are in surplus, you can say we want to put iron, steel and others out of the purview," he said. JSW Steel's Chairman and Managing Director Sajjan Jindal had alleged that since economies of Japan and South Korea are not doing well, they are dumping lots of steel into India at a very low price, taking advantages of these FTAs.

Essar Steel Executive Director (strategy and business development) Vikram Amin said, "There is a definite case to exclude steel products from the ambit of the FTA with Korea and Japan."

India's steel imports stood at 6.83 million tonne (MT) in 2011-12.

According to Joint Plant Committee of the Steel Ministry, imports went up to 2.88 MT during April-July period of the current fiscal over 1.88 MT in the same period of last year, notching a growth of over 53%.

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No demand from steel companies to ban import from Japan, South Korea: Anand Sharma

PTI

26 November 2012, New Delhi: Government has not come across any demand from domestic steel makers for removing steel from the purview of free trade agreements (FTAs) with Japan and South Korea or imposing ban on imports from the two countries, Parliament was informed today.

"No," Commerce and Industry Ministry Anand Sharma informed the Lok Sabha in a written reply.

He was replying to a question whether indigenous steel makers have demanded the removal of countries like Japan, South Korea and China from the list of preferential Free Trade Agreement countries or for the imposition of ban on import of steel from these countries.

The minister's answer is in contrast to demands made by leading steel makers like JSW Steeland Essar Steel.

The two steel majors have sought removal of steel from the purview of FTAs with Japan and South Korea, while voicing concern on rising imports from the two Asian economic powers.

"Japan and Korea are pushing for more steel into India. There is more than 300% increase in imports of steel in just one year from these countries. So, the government needs to sit back and take a look at this. Steel should be outside of the purview of FTA," JSW Steel's Chairman Sajjan Jindal had said in September.

Steel Minister Beni Prasad Verma had also rejected their demand earlier and had said, "I don't know what the industry is clamouring for. They have to understand that when import duty would be near zero by 2025, they have to compete".

According to the Joint Plant Committee of the Steel Ministry, imports went up to 4.25 million tonne (MT) during April-October period of the current fiscal as against 3.27 MT in the same period of last year, a growth of 30 per cent.

In 2011-12, India's total steel import stood at 6.83 MT. In January, 2010, India had signed FTA with South Korea and with Japan in August last year. Under FTA, duties on most of the products, traded between the countries, are either eliminated or reduced sharply.

After FTA came into existence, import duty on Korean and Japanese steel products were reduced to 3.13 per cent from five per cent in 2010. Imports from other geographies attract 7.5 per cent import duty.

Cashing in on duty benefits, Japan and South Korea have also become leading exporters of steel to India replacing the traditional exporters European Union and Russia.

According to a Commerce Ministry data, Japan and South Korea together sold steel products worth $ 2.873 billion in 2011-12 to Indian consumers.

During the first half of the current fiscal, steel imports from the two countries were worth $ 1.653 billion.

As per the data, China has been the largest exporter of steel products to India, amounting over 25 per cent of total Indian imports at $ 2.738 billion in 2011-12. During the April-September period of the current fiscal, imports from China had been at $ 1.198 billion.

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Exclude steel products from free trade agreements with Japan, Korea: Assocham

Udit Prasanna Mukherji, Times of India

Kolkata, 7 February 2013: Amid growing concerns of steel companies arising out of free trade agreements (FTAs) with Japan and Korea, apex industry body Assocham has sought immediate exclusion of steel products under Chapter 72 of the International Trade Centre (ITC) code from the Indo-Korea and Indo-Japan Comprehensive Economic Partnership Agreement (CEPA).

"Reinstate import duty rates for exports of all steel products from Republic of Korea and Japan to India under Chapter 72 of the ITC code as per the normal prevailing import duty rates," appealed the industry body in a communication to the union steel minister Beni Prasad Verma.

"On behalf of the Indian steel industry, we at Assocham have time and again registered the growing concerns of the domestic steelmakers towards the unabated rise of steel imports from Japan and South Korea thereby taking undue advantage of concessional duty rates under the CEPA Free Trade Agreements (FTAs)," said DS Rawat, secretary general of Assocham.

"The FTAs should be evolved on the spirit of complementing the need and necessities of partner economies rather than exploitation for self-centric objectives," said Rawat.

"Unfortunately, with large surplus floating steel capacity together with rising steel production and declining demand for steel both Japan and South Korea have amply utilised the concessional duty rates under the CEPA FTA for salvaging part of their surplus steel thereby flooding steel exports into India," he said.

In its submission, Assocham has also stated that CEPA FTAs are extensively committed to the trade aspects which majorly favour the needs and necessities for exports of surplus manufactured and engineering goods by these countries and have no specific commitment to investment which is the major requirement by India.

"It is imperative that FTAs should focus on investment into manufacturing sector along with infrastructure development in India instead of encouraging import of manufactured goods from partner economies to salvage their surplus into India," Rawat said.

Further, Assocham has strongly recommended for exclusion of steel products under Chapter 72 from negotiations of the ensuing Indo-Australian FTA.

For all ensuing and "under discussion" FTA proposals, India should not negotiate any duty concessions for steel products under Chapter 72 with all the partner economies having surplus steel and/or the country is reeling under economic slowdown, it has said.

The apex chamber has also specifically requested to the minister of commerce and industry to review the representations from Assocham sent last year on May 5 and August 6 along with the oral submissions to joint secretary-commerce (Foreign Trade).

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India may gain little from Japan, Korea ban on US wheat imports

M. R. Subramani, Business Line (The Hindu)

Chennai, 2 June 2013: Though suspension of wheat imports from the US by Japan and South Korea is likely to offer opportunities to other nations exporting the foodgrain, India is unlikely to gain much from the development. During the weekend, Japan, the second largest wheat importer in Asia after Indonesia, and South Korea suspended wheat purchases from the US after a non-approved genetically modified wheat was found growing on a farm in Oregon.

The US is nowhere nearer to finding how this happened; though the Department of Agriculture officials said that a probe was on to see how the wheat which has a gene altered to make it resistant to herbicides reared its head. The US has allowed cultivation of various genetically-modified crops such as corn, soyabean, cotton and alfa-alfa grass but not wheat. As an immediate reaction to the finding of the wheat, prices on the Chicago Board of Trade dropped. However, prices in the other origins such as Europe gained. Prices of Europe, Australian and even Black Sea region wheat have gained. But this is likely to be a short-term gain. Once the US comes out with the result of its probe, things could change, said Tejinder Narang, a consultant with a wheat export firm. Impact on Indian wheat is likely to be minimal since it is treated more as a feed wheat abroad, where the US wheat is a soft one for milling, he said. This also means India, which is trying to export more wheat from its warehouses, may not find a buyer in Japan or South Korea in the short-term. It will be hard for India to meet Japan's specifications. They also need more clean wheat which goes against the Indian grain. Though facilities for cleaning wheat have come up at places such as Adani port, they are yet to be accepted,. said Pramod Kumar, Director of Sunil Agro Mills in Karnataka. Maybe, Korea could accept our wheat,. he said. Even Korea considers Indian wheat for feed purpose only, said Narang. It is not easy for Indian wheat to gain in markets where they look for high-protein produce which the US will be able to deliver. Japan mills have specifications for their products and we won't be able to meet them, said M.K. Dattaraj, former president of the Roller Flour Mills Federation of India. India is looking to export wheat to cut its warehouse stocks. As on May 1, the Food Corporation of India held 11.7 million tonnes of wheat as stocks. This is almost thrice the norms fixed by the Centre for buffer stocks that help meet any food emergency in the country. In April, the Government gave its approval to export three million tonnes of wheat but there have been a few buyers for Indian wheat abroad. This is because India is looking for a price of $300 a tonne that is much higher than the prevailing prices in the global market. The Government appeared a bit desperate to export wheat since it has estimated the current year's crop at 93.9 million tonnes. Some Indian wheat has been sold at $280 a tonne c&f for delivery in August. This is against $265 quoted for Black Sea region wheat,said Narang.

Indian wheat is finding its way through West Asian and North African markets. Still, prices are considered high. Though Indian wheat can be cleaned and efforts could be made for its acceptance for milling by mills abroad, the cost is seen prohibitive. There will be at least 2-3 per cent wastage when Indian wheat is cleaned. This could mean a loss of $10 a tonne. Even if $7 a tonne premium is given for clean wheat, it will still be a loss proposition, he said. Australia will be able to supply the quality that Japan requires, said Pramod Kumar. Canada can also supply quality wheat to Japan. But all these could be short-term developments only, Dattaraj said. Wheat prices at the New Delhi Lawrence market, a benchmark for the country, increased to Rs 1,590 a quintal on Saturday. On the National Commodities and Derivatives Exchange, wheat for delivery in July closed at Rs 1,624. On the Chicago Board of Trade, wheat July contracts quoted at $7.05 a bushel or $259 a tonne.

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Anti-dumping duty on rubber chemicals extended

K. R. Srivats, Business Line (The Hindu)

New Delhi, 8 July 2013: The Finance Ministry has extended the validity of existing anti-dumping duty on certain rubber chemicals from China and South Korea by one year.

The anti-dumping duty on rubber chemicals MBT, CBS, TDQ, PVI, and TMT imported from China will remain in force till May 4 next year, the Revenue Department has said.

For PX-13 (6PPD) imports from South Korea, the existing anti-dumping duty will also be continued till May 4, 2014.

These chemicals are used in treating natural rubber and synthetic rubber-based compounds.

The Revenue Department move follows the initiation of sunset review investigation on these rubber chemicals by the designated authority in the Commerce Ministry.

National Organic Chemical Industries Ltd (NOCIL), Mumbai had filed the petition seeking sunset review, it is learnt.

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The beachhead in East Asia

Amiti Sen, Business Line (The Hindu)

24 July 2013: The India-South Korea Comprehensive Economic Partnership Agreement (CEPA), now in its third year, was not just the first comprehensive trade deal that India signed with another nation, but an arrangement that firmly put the country on the path of greater integration with East Asia.

"It opened our eyes to how we should negotiate and what we should negotiate. Prior to the partnership, India had very little experience in the area as it had only signed a free trade agreement with Sri Lanka. It paved the way for negotiating and concluding more such agreements in the future," said Rahul Khullar, who was Commerce Secretary when the deal was signed in August 2009.

Work on the India-South Korea trade pact in the form of a joint working group feasibility report started in 2005, within a year of the United Progressive Alliance Government coming to power. Prime Minister Manmohan Singh's Look East policy for greater political and economic integration with East Asian countries added urgency to the whole exercise.

Apart from economic interest, increasing the country's presence in the region was strategically important to counter China's growing influence. Since South Korea already had substantial commercial interest here with companies such as LG and Samsung doing well, it wanted a bilateral trade and investment pact to be concluded soon.

Winning Deal

Full-fledged negotiations, therefore, were launched as early as 2006 and a team of four officials from the Commerce Department that included Khullar, Joint Secretary Dinesh Sharma and two Under Secretaries left for Seoul to carve a winning deal for India.

The work at hand was not easy as the Comprehensive Economic Partnership Agreement was to be a much broader agreement than a Free Trade Agreement going beyond goods to include services, investments and also non-trade barriers such as technical barriers to trade and sanitary and phytosanitary (SPS) measures.

"Imagine our situation when we reached Seoul and found that there were 30 officials waiting to negotiate with our team of four," recalls Khullar, who is now TRAI chairman. The four officials then decided to form four groups with eight officials each from the other side and divided the issues amongst themselves.

The negotiations gave Indian officials lessons both in aggression as well as restraint. "We realised that agriculture was a very sensitive area for the country as most Korean farmers were old and tariff protection was a sort of social protection there. Similarly, we told them of our sensitive areas. We learnt to respect red lines," Khullar added.

The pact did not just give a boost to India's exports to South Korea, but also generated investment-spurred exports. For instance, South Korean auto company Hyundai uses it to import auto parts and assemble them in its Chennai plants for re-export.

Increased Importance

More important, the deal helped India to establish its foothold firmly in East Asia and also the entire Asia-Pacific region.

It prompted Japan, which too was engaged in trade negotiations with India, to seal the deal within months after the South Korean deal was signed. The India-Asean FTA, too, came on the heels of the pact while the one with Malaysia was signed two years later.

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