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US, EU, Japan pile pressure to remove local content clause

Amiti Sen, Economic Times

July 20, 2012, New Delhi: India's major trade partners-the US, the EU and Japan-have stepped up pressure to remove local content requirement clause in the ambitious national solar mission project and manufacture of certain electronic products.

However, New Delhi is preparing to defend its policies strongly at the World Trade Organization right till the dispute panel level.

"There is a possibility that US may launch a formal dispute against India, especially for the domestic content clause in the National Solar Mission, but we will fight it," a commerce department official told ET.

The US, the EU and Japan recently asked for a special meeting of the Trade Related Investment Measures or Trims committee of the WTO to address concerns on domestic content requirement or compulsory local-sourcing clause in some policy measures in India, Brazil, Indonesia and Russia.

India's decision to grant preference to domestically manufactured electronic products on security grounds, taken earlier this year, and the 30% mandatory domestic sourcing requirement in the JNSSM were strongly criticised by the three members.

The US expressed concern about telecom licensees in India having to purchase telecom equipment locally and wanted to know if the domestic sourcing requirement covered all private agencies.

"The US wanted to know which clause of security exceptions was being invoked and how security concerns are addressed by domestic content and value addition requirement," the official said.

India maintained that security issues are sacrosanct for all WTO members, and a detailed discussion was not possible since these issues are sensitive and confidential and are dealt on the basis of advice from security agencies.

The EU asked for a timeline on when detailed guidelines of the IT policy was expected, but India refused to give any date.

"We do not expect much trouble on electronic goods sourcing as we are well within our rights to take such measures for security reasons," the official said.

The ground, however, may be a bit wobbly when it comes to defending the requirements under the JNSSM that asks all investors to compulsorily use solar modules manufactured in India and source at least 30% of input locally. The Trims does not allow any member to impose sourcing restrictions without ample justification. New Delhi is now waiting for the next Trims committee meeting to see what the US, the EU and Japan plan to do on the matter. "We are prepared to fight it till the end, and we will do so," the official said.

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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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India exempts Japan from anti-dumping duty on PVC Paste Resin

PTI

New Delhi, July 28: India has exempted Japan from the anti-dumping duty imposed on chemical used in manufacturing of leather products, while confirming that the levy will remain on China, South Korea, Russia, Thailand, Malaysia and Taiwan.

The imposition of duty, which is for a period of five years, is aimed at protecting the interest of domestic players from cheap inward shipments into the country.

The duty ranges from USD 1,471 to USD 1,707 per million tonne of the Poly Vinyl Chloride (PVC) Paste Resin.

"The product had been exported to India from the subject countries (except Japan) below their associated normal values," the Department of Revenue said. The dumped imports of PVC Paste Resin have caused a material injury to the domestic industry, it said.

In June 2010, the Directorate General of Anti Dumping and Allied Duties (DGAD) had imposed a provisional duty on imports of these products from countries, including Japan.

Now, the DGAD again reviewed the situation and concluded that the duty will be imposed for a period of five years (unless revoked, superseded or amended) with a retrospective effect from July 26, 2010. This would not be applicable for Japan.

The chemical is used in artificial leather (Rexene), coated fabrics, tarpaulins, toys, automotive sealant and adhesives.

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