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India plans to move WTO against US over imposition of penal duties on steel import

Amiti Sen & Meera Mohanty, ET Bureau

Oct 22, 2011, New Delhi: India plans to approach the World Trade Organisation over the imposition of 18% to 500% penal duties by United States on imports of hot-rolled steel, a move that has priced Indian producers out of the US market. The move follows India's failure to sort out the issue with the US bilaterally.

The commerce department is shortlisting legal firms to formally lodge a complaint at the WTO against the countervailing, or anti-subsidy, duties, a government official told ET.

The US has imposed levies on steel exports from Indian companies over the past three years, arguing that it considers as subsidies incentives such as duty exemptions to units in special zones, loans from state-owned banks and purchases from government bodies. Coupled with an anti-dumping duty of over 20%, Indian producers of hot-rolled steel, such as Tata Steel, Jindal, Essar and SAIL, have become totally uncompetitive in the US.

"We have not been able to export at all to the US for over three years now," a representative of a top steel-producing company told ET on condition of anonymity.

The WTO allows imposition of countervailing duty on imports if it is proved that the government of the exporting country has subsidized the products.

India wants to challenge the US department of commerce's assumption that the iron ore bought from NMDC is supplied at subsidised rate because it is a "public body". "This is a totally absurd assumption as NMDC always sells at the prevailing market prices and the government does not control the pricing," the official said.

Commerce minister Anand Sharma has taken up the issue with commerce department officials in the US during his recent visits to the country, but the response has not been favourable.

"We have no option now other than approaching the WTO. We have examined the issue closely and are certain that we have a good case against the way the US calculates CVD," the official said.

Once India formally complains to the WTO, it will be directed to hold consultations with the US to see if the issue could be resolved without starting a dispute.

If the consultations fail, India will then request the dispute settlement board of the WTO to set up a panel to decide on the matter.

A WTO panel's recent verdict in favour of China against US imposition of CVD where it ruled that merely because an entity is owned by the government does not mean that the pricing is subsidised could help India in proving its point as well.

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Before knocking on WTO doors, India seeks talks with US on steel duty

Amiti Sen, ET Bureau

Dec 3, 2011,New Delhi: India has decided to seek consultations with the US on the 'wrongful' imposition of penal duties on its steel exports, a first step that a country takes before dragging another to the dispute settlement mechanism of the World Trade Organisation or WTO.

The US imposes steep penal levies in the form of countervailing and anti-dumping duties on Indian steel companies such as Essar, Tata, Jindal and Sail making exports from these companies unviable.

Earlier this week the US initiated fresh investigation against steel pipes from India despite New Delhi objecting to such duties on other steel products on the ground that the basis for calculating domestic prices of steel for imposing penalties was faulty. Commerce secretary Rahul Khullar, who is on an official visit to Washington, is likely to ask the US to begin consultations with India on the issue, a government official told ET.

"We have had our legal firms examine the issue and we are sure that the basis for their calculation of the penal levies is faulty," the official said.

Once bilateral consultations begin, India will give its legal views to the US on the issue and if the talks are unsuccesful, it could take the next step of discussing the issue at the WTO. If bilateral consultations at all levels fail, a country can then ask for setting up of a dispute settlement panel to settle the issue.

"The US is continuing its practice of faulty pricing calculations and if not checked India will never be able to export any steel products to the country," said a representative from a steel company that has stopped all exports to the US.

The US has been imposing countervailing duties or CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It also imposes antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US department of commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body.

"This is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea," the official said.

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Copper inflated by $6.3 billion in unending exports mystery

Rishi Shah & John Samuel Raja D, ET Bureau

Dec 26, 2011, NEW DELHI: Earlier this month, the government admitted to overstating export numbers for the first seven months of 2011-12 by $9 billion because of computation errors and said it would review the data. While it is rechecking, it may want to review the 2010-11 export numbers too. ET probed deeper into the astonishing 80% increase in engineering exports for that year, and found no explanation for the highest increase by category - 350% - in copper.

In value terms, that is $6.3 billion - increase to $8.1 billion, from $1.8 billion - of unexplained copper exports. Higher copper prices don't fully explain it as that increase in 2010-11 was only 33%. So, ET went top-down and knocked on each of the four links in the copper chain, but neither data nor officials could justify this sharp rise. Not copper manufacturers, not makers of an essential input, not traders, not even the government.

When we showed data on copper exports to Shakeel Ahmed, chairman and MD of Hindustan Copper, he said: "There has been some mis-reporting in data, knowingly or unknowingly."

As per the commerce ministry website, 781,000 tonnes of refined copper was exported in 2010-11. But, asks Ahmed: "How could so much be exported when India's entire production that fiscal was an estimated 650,000 tonnes?"

Emails and calls to Anup Pujari, the director-general of foreign trade, who heads the body that looks after trade policy formulation, went unanswered. An October 10 report by Kotak Institutional Equities that analysed overall export data alludes to the possibility of money laundering.

Its authors, Sanjeev Prasad, Sunita Baldawa and Amit Kumar, write: "Given limited available data, we are cautious about drawing definitive conclusions...(but) some reports have alleged that some individuals may have been compelled to bring back funds through the 'official' route by over-invoicing exports or even resorting to fraudulent exports."

STOP 1: ENGINEERING EXPORTS BODY

To make sense of the copper export numbers, our first stop was the Engineering Exports Promotion Council (EEPC), a body set up by the ministry of commerce and industry to drive engineering exports.

Suranjan Gupta, senior joint director, attributes the spike in copper exports to a policy change. In February 2010, the government increased the incentive for Indian copper refiners to import scrap copper, process it and export it.

Value-addition norms eased

The government reduced the minimum value-addition requirement for copper cathodes (essentially sheets) and wires made from scrap copper to 8%, from 15% earlier. So, if an Indian refiner imported $100 of scrap copper, the earlier policy mandated a minimum finished-product price of $115 for it to be exported. This was now reduced to $108. Gupta says "it is likely" that Indian companies imported scrap copper in large quantities, converted it into sheet and wire, and exported those to China in a big way. China consumes about one-third of the world's copper production. According to Gupta, in 2010-11, China faced a 40% deficit in copper products.

The same year, he adds, India's scrap copper imports increased by 161% and its exports of copper sheets to China rose 917%. Ruling out suggestions of over-invoicing, Gupta says: "We should be celebrating the role of our exporters rather than blaming them for over-invoicing." However, the ministry of commerce trade data for that period does not support Gupta's assertion. That data shows a 77% increase in imports of copper waste and scrap - to $625 million, from $352 million. Even at a minimum of 15% value addition, the older norm, $8 billion of exports seems far out.

STOP 2: SCRAP COPPER IMPORTERS

ET asked four active traders, based in Mumbai and Punjab, if there was a spike in scrap copper imports. "There is no surge in demand for scrap copper," says Suresh Mehta, director in Mumbai-based Asha Mercantile Private Limited. "In fact, it's only declining. I have stopped importing scrap copper, and others too are either importing at the same level or trying to opt out of copper."

Traders, say Mehta, are struggling to cope with the spike in copper prices, which means they need more money to buy the same amount of copper. In the past five years, he says, the price of scrap copper has jumped from $2,200 per tonne to $7,300 per tonne. According to Mehta, in 2010-11, the rise in price of scrap copper was relatively muted - from 370 per kg in March 2010 to 450 per kg in March 2011.

STOP 3: INPUT PROVIDERS

Another way to ascertain whether copper smelting in large numbers has occurred or not is to check the demand for borax, or boric acid. There are many ways in which copper can be smelted and using borax is one such. If the volume of copper smelting increased by more than 300%, the demand for borax should have increased too. There are two listed companies that sell boron products in India: Borax Moraji Limited and Indo-Borax & Chemicals Limited. There's no estimate in India for the market size of boron products, but two industry officials said these two were the largest.

According to the annual report of Indo-Borax & Chemicals, "boron materials are not found in India. The basic inputs have to be essentially imported". Indo-Borax's revenues increased by 15% in 2010-11, while Borax Moraji posted a 6% rise. The annual reports of both the companies attribute the growth primarily to higher prices. Borax Moraji, which is the bigger of the two, registered a volume growth of 0.3%. Officials of both companies could not be reached for comments.

STOP 4: COPPER MANUFACTURERS

Lastly, we asked producers if they produced more. Public sector undertaking Hindustan Copper has a monopoly in copper mining. However, its annual production of 3.6 million tonnes of iron ore meets about 4% of domestic requirement. With 1% copper content, it takes 100 tonnes of ore to make 1 tonne of finished copper.

In other words, Hindustan Copper's 3.6 million tonnes of ore can produce 36,000 tonnes of finished metal - about 5% of 2010-11 production. Thus, copper refiners such as Sterlite Industries (India) and Hindalco - the two biggest - rely on copper imports to meet demand. It's not known how much ore or scrap copper they imported. However, numbers on their copper sales are available. Let alone a spike, these show a fall in production in 2010-11. Sterlite, India's largest producer, posted a 9% drop in production of copper cathode and a 5% fall in copper rods.

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Iron ore exports seen plunging after tax rise

Reuters

3 Jan, NEW DELHI: India's iron ore exports are likely to be 75 per cent lower than previously expected in the quarter ending in March as a rise in export duties kicks in as part of the government's push to conserve supplies for domestic steelmakers. Asia's third-largest economy announced a 50 per cent jump in export duties on Monday to 30 per cent, prompting traders to slash their forecasts for exports for the year to March 2012 to around 50 million tonnes from 65 million. That was already down from 97 million tonnes last year. Given that India had exported about 45 million tonnes in the nine months to December, it is likely to ship only another 5 million tonnes in the three months to March 31, top industry body, Federation of Indian Mineral Industries, said on Tuesday. India is one of the world's biggest exporters of iron ore, with much of it bought by China, which has the world's largest steel industry. The shortage is expected to push up global prices by 7 to 10 per cent over the current $140 a tonne, traders said. "We are shocked at the decision to hike export tax on iron ore as such volatility in policy does not promote India's image as a reliable supplier," said Glen Kalavampara, secretary of the Goa Mineral Ore Exporters' Association. Goa is India's biggest exporter of iron ore. "Absence of supplies from India will help Australian and Brazilian suppliers to consolidate their domination of the global market." Indian exports were already down around a third from last year primarily due to legal wrangling over stalled shipments from a key producing state and efforts to conserve supplies. Shares in Indian exporters Sesa Goa and NMDC slid on Monday after the announcement of the tax hike but closed up on Tuesday on fund buying at lower levels. Deutsche Bank sharply reduced its earnings estimates for Sesa Goa -- by 29 per cent this fiscal year and by 24 per cent for 2012/13 -- on Tuesday, factoring in the increase in iron ore export tax among other reasons. Steel companies continued Monday's gains. Tata Steel Ltd rose 6.1 per cent to 361.85 rupees. Credit Suisse upgraded the world's No. 7 steelmaker to 'neutral' from 'underperform', citing valuation comfort at current levels. The government has shown an inclination to conserve resources, though it does not support a blanket ban on exports, largely because the domestic steel industry does not have the technology to use ore fines. India mostly ships fines to China.

New Delhi also hopes that sustained Chinese demand means buyers would be willing to pay a slightly higher price. "We think global demand will be able to absorb a slight adjustment in prices on the upside, which leaves a bit of room for us to adjust duties," an Indian ministry official said. GLOBAL PRICES Chinese steel mills had been expected to replenish stockpiles before their New Year holidays, which start on Jan. 22. Chinese markets are closed on Jan. 2. China's iron ore imports are expected to rise 6 per cent to a record 720 million tonnes in 2012, according to a Reuters poll conducted in December. India's government is trying to cut down on illegal iron ore mining and shipments but favours better tracking and monitoring along with higher taxes rather than blanket bans on exports. It last raised the export duty in February 2011. In April, the Supreme Court overturned an export ban imposed by Karnataka's state government in July 2010, but shipments have yet to pick up because of administrative delays.

The court has itself banned mining in some parts of the state due to environmental worries and allegations of illegal mining, allowing only state-run NMDC to mine in the areas.

Such regulatory uncertainty deflates industry confidence of India being a stable supplier.

Indian exports could slump below 10 million tonnes within three years as more ore is earmarked for domestic consumption, according to David Flanagan, managing director of Australian iron ore miner Atlas Iron.

Indian ore exporters say the government policy makes little sense as domestic steelmakers can hardly use fines.

Moreover, India's steel demand is likely to grow by only 6 per cent in the current fiscal year, nearly half the earlier forecast, as higher interest rates squeeze demand from the automobile and construction sectors.

"Low-grade iron ore should have been free for exports," Kalavampara said.

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Iron ore exports to hit a new low in FY13

Mahesh Kulkarni, Business Standard

Bangalore, Feb 10, 2012: India's iron ore exports are likely to hit a new low during the 2012-13 financial year and settle at about 40 million tonnes (mt), a drop of close to 35 per cent over the current year's estimates. Exports are estimated to decline to about 60 mt in 2011-12 from 100 mt in 2010-11, a fall of 40 per cent.

"The decline in exports is mainly due to rise in export duty to 30 per cent and railway freight, which is highly discriminatory for exports compared to domestic freight rates. Before 2003, nobody bought low-grade ore from India. In the future, too, apart from China, nobody will buy low-grade ore," said Basant Poddar, chairman, Federation of Indian Mineral Industries, South.

For example, the railways charge Rs 600 a tonne as freight for movement of ore for domestic consumption and Rs 2,800 a tonne for ore meant for exports. This has discouraged miners from exporting, he said.

Another major factor for low exports is the ban in Karnataka. In addition, the stoppage of mining in Karna-taka, following the Supreme Court order in July, added to a decline in exports during the current financial year.

Orissa's exports have come down mainly due to differential railway freight rates. Goa's exports have also declined substantially this year and may settle at about 34 mt, down from 55 mt last year, he said.

Karnataka's share in national exports was about 35 mt till 2009-10. Since August 2010, there have been no exports from the state. Next year, India's exports will touch the lowest level in the past decade.

"Demand from China is steady, but they are also getting ore from Australia and Brazil also. Australia and Brazil are together adding about 500 mt of exportable capacity in the next five years. Whereas, in India, we are closing our mines and losing our status as the third-largest exporter of ore in the world. We may drop to sixth or seventh position," Poddar said.

During the current year, India's share of exports in the world market is set to decline to about 10 per cent. In the next year, it is likely to further drop to about five per cent, at 35-40 mt.

Prices of 63 Fe grade iron ore, presently at $130-135 a tonne on a FoB basis in the international market, are likely to go up 8-10 per cent during the current quarter, as the demand from China is picking up after the beginning of the new year. At the same time, Indian miners are losing their position due to various reasons, said Praveen Kumar, chairman, Maya Iron Ores, a derivative commodity brokerage firm.

"If the Supreme Court accepts the Central Empow-ered Committee's (CEC) recommendation and puts a cap on the production of iron ore at 30 mt in Karnataka, investments in the steel sector will not only be affected, but it would also lead to loss of market share for India in the export market," he said.

The loss means future investments to the tune of about $5-10 billion in the ports and railway sectors taken up on a public-private partnership basis will be in jeopardy, Poddar noted.

"The Indian steel industry uses high grade ore and there is no market for low-grade ore, due to poor technology with steel mills. So, why stop low-grade ore exports , which has huge demand from China? If we can't export it, there will be a problem in managing low-grade fines and it would cause environmental damage," he added.

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Iron ore exports decline 60% in Feb on high duties

Business Standard

12 April 2012, Mumbai: Miners' association urges cancellation of December increase in export duty; says development hitting long-term interests

Export shipments of iron ore declined 60 per cent in February on high duty levied by the government to discourage supply to steel mills abroad.

Data compiled by the Federation of Indian Mineral Industries (FIMI) showed the overall export fell to 4.22 million tonnes in February, compared to 10.58 mt in the corresponding period last year. The overall export in the first 11 months of 2011-12 recorded a decline of 36 per cent to 55.8 mt as compared to 87.3 mt in the same period last year.

The drastic decline in February's shipment showed the government succeeded in its aim of discouraging these to make more available for domestic use. On December 30 last year, the government had raised export duty from 20 per cent to 30 per cent. About 90 per cent of India's iron ore export goes to Chinese steel mills.

FIMI has renewed its demand for a rollback in export duty so that mining companies would be able to sell low-grade ore to steel mills abroad. In a recent letter to the Prime Minister and finance minister, FIMI argued, "Iron ore exports have become unviable and a loss-making proposition after the hike in export duty and sharp fall in international prices by more than $60 a tonne from its peak. With a logistics cost of 45 per cent of the net realisation (39 per cent railway freight and the other six per cent on movement from mines to sidings and demurrage), 10 per cent royalty on the price declared by the India Bureau of Mines (IBM) and 10 per cent port cost, margins have turned negative for the industry."

Exports are expected to be half of last year's, while there is no corresponding increase in domestic demand and lower production, so the respective state governments are getting less royalty. Moreover, there will be lower economic activity, said R K Sharma, secretary-general of FIMI.

He said fines were co-produced with lumps while mining ore, in a 70:30 ratio. So, for every production of a tonne of lumps, about 2.5 tonnes of fines are produced.

There is not enough demand for fines in the domestic market and, hence, these have to be exported. Around 90 per cent of iron ore exports are fines; lumps are eight per cent. If export of fines is not allowed, this may lead to closure of mines or lower production. This would mean the prices of lumps may rise in the domestic market, hampering the steel industry and inducing inflationary pressure. Hence, says Fimi, there's also a need for better utilisation of fines in the domestic market through pelletisation and ensuring that future steel plants are fines-oriented.

Data collated by the IBM showed that between 2005 and 2010, the Geological Survey of India discovered 2,300 mt of new iron ore reserves, estimated at only 997 mt five years before, adds FIMI.

Sharma also contends the extra levy has led India to lose its competitiveness in the international market, with the share of our exports 11 per cent of the total in 2011 from 20.4 per cent in 2007.

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Another major factor for low exports is the ban in Karnataka. In addition, the stoppage of mining in Karna-taka, following the Supreme Court order in July, added to a decline in exports during the current financial year. Orissa's exports have come down mainly due to differential railway freight rates. Goa's exports have also declined substantially this year and may settle at about 34 mt, down from 55 mt last year, he said. Karnataka's share in national exports was about 35 mt till 2009-10. Since August 2010, there have been no exports from the state. Next year, India's exports will touch the lowest level in the past decade.

"Demand from China is steady, but they are also getting ore from Australia and Brazil also. Australia and Brazil are together adding about 500 mt of exportable capacity in the next five years. Whereas, in India, we are closing our mines and losing our status as the third-largest exporter of ore in the world. We may drop to sixth or seventh position," Poddar said.

During the current year, India's share of exports in the world market is set to decline to about 10 per cent. In the next year, it is likely to further drop to about five per cent, at 35-40 mt.

Prices of 63 Fe grade iron ore, presently at $130-135 a tonne on a FoB basis in the international market, are likely to go up 8-10 per cent during the current quarter, as the demand from China is picking up after the beginning of the new year. At the same time, Indian miners are losing their position due to various reasons, said Praveen Kumar, chairman, Maya Iron Ores, a derivative commodity brokerage firm.

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Customs duty reduction no big deal, says mining industry

Business Standard

Mar 17, 2012: To encourage value addition (conversion of low-grade iron ore into pellets) and augment overall ore supplies, the finance minister announced reduction of basic customs duty from 7.5 per cent to 2.5 per cent on imported plant and machinery for setting up of pellet plants and ore beneficiation ones.

This should benefit companies engaged in export of low-grade ore from Goa and Karnataka. A majority of the 55 million tonnes of iron ore exported by Goa last year was low-grade (below 55-56 per cent ferrous content). About 25 per cent of Karnataka's ore exports are of low-grade. The government charges 30 per cent duty on ore exports.

However, the industry feels the duty reduction would not make much difference. For example, a company setting up a four-mt per annum capacity pellet plant requires an investment of Rs 1,200 crore, which includes an import content of Rs 100-150 crore. With a customs duty of 2.5 per cent for machinery, the units will not save much more than Rs 5 crore, said Vinod Nowal, director and chief executive officer, JSW Steel.

Agreeing with him, R K Sharma, secretary general, Federation of Indian Mineral Industries, said: "More than importing machinery, the big cost for companies is towards water and power. More, there are no new mining leases being allotted in various states." He said the sector had wanted news on reduction of the export duty from 30 per cent, but was disappointed to find the minister hadn't touched the subject.

Presently, India has a capacity of 18 mt of pellets annually, of which 2.5 mt are exported. Sharma said there was a huge difference between the price of pellets and iron ore. "It would not make economic sense for many steel mills to use pellets rather than ore directly. Hence, not many are interested enough to invest in one," he said.

Further, the impact of a reduction in customs duty on coating material for manufacture of electric steel from 7.5 per cent to five per cent is negligible. Total electrical steel capacity in India is just 374,000 tonnes.

However, enhancing the export duty on chromium ore from Rs 3,000 per tonne to 30 per cent ad valorem is likely to make exports unfavourable, making the ore available for Indian steel makers.

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Iron ore exports decline 60% in Feb on high duties

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12 April 2012, Mumbai: Miners' association urges cancellation of December increase in export duty; says development hitting long-term interests

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The drastic decline in February's shipment showed the government succeeded in its aim of discouraging these to make more available for domestic use. On December 30 last year, the government had raised export duty from 20 per cent to 30 per cent. About 90 per cent of India's iron ore export goes to Chinese steel mills.

FIMI has renewed its demand for a rollback in export duty so that mining companies would be able to sell low-grade ore to steel mills abroad. In a recent letter to the Prime Minister and finance minister, FIMI argued, "Iron ore exports have become unviable and a loss-making proposition after the hike in export duty and sharp fall in international prices by more than $60 a tonne from its peak. With a logistics cost of 45 per cent of the net realisation (39 per cent railway freight and the other six per cent on movement from mines to sidings and demurrage), 10 per cent royalty on the price declared by the India Bureau of Mines (IBM) and 10 per cent port cost, margins have turned negative for the industry."

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There is not enough demand for fines in the domestic market and, hence, these have to be exported. Around 90 per cent of iron ore exports are fines; lumps are eight per cent. If export of fines is not allowed, this may lead to closure of mines or lower production. This would mean the prices of lumps may rise in the domestic market, hampering the steel industry and inducing inflationary pressure. Hence, says Fimi, there's also a need for better utilisation of fines in the domestic market through pelletisation and ensuring that future steel plants are fines-oriented.

Data collated by the IBM showed that between 2005 and 2010, the Geological Survey of India discovered 2,300 mt of new iron ore reserves, estimated at only 997 mt five years before, adds FIMI.

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India drags US to WTO over 'wrongful' imposition of penal duties on steel exports

Amiti Sen, ET Bureau

April 13, 2012: India has dragged the US to the WTO over 'wrongful' imposition of penal duties on its steel exports that has affected a number of companies including Essar, Tata, Jindal and Sail. It has sought consultations with the US under the WTO's dispute settlement mechanism on Thursday on the countervailing duties (CVD) imposed on steel.

The move comes just a few weeks after the US sought similar consultations with India over the import ban imposed by the country on poultry and poultry product imports because of the bird flu scare. India also has plans of filing a formal complaint with the WTO over the professional visa fee hike carried out by the US. "We decided to knock the WTO door formally as our informal consultations with the US on the issue failed to yield results," a commerce department official told ET.

ET had reported in December 3 last year that India had sought informal consultations with the US to persuade it to remove the countervailing duties on steel before taking the final step of filing a dispute with the WTO.

The US has been imposing CVD, a levy to neutralise government subsidies, on steel for the last decade. Duties on Indian companies range from about 18% on Essar to over 500% for companies such as Tata and Jindal.

It has also imposed antidumping duties, a penal levy on imports that are sold at higher prices in the home market of the exporter, of over 20%. India wants to challenge the US Department of Commerce's assumption that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body. India has argued that this is a wrong assumption as NMDC always sells at the prevailing market prices which is determined by their exports to Japan and South Korea.

If the consultations fail, India will ask for the setting up of a dispute settlement panel which will hear the arguments made by both sides and give its judgement.

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India to export 2.1 m tonnes of iron ore to Japanese, Korean steel cos

PTI

New Delhi, May 1: India, on Monday, said it would export 2.1 million tonnes (mt) of iron ore to steel mills of Japan and South Korea under a long-term agreement, which would be signed next month.
The iron ore, having 64 per cent Fe content, or high grade lumps, will be sourced from NMDC's Chhattisgarh mines and will be exported through MMTC. The Cabinet had approved the agreement last month.

“I have also conveyed to the (Japanese) Minister about our Cabinet approval for the renewable of the long-term agreement for the export of iron ore. An inter-Ministerial delegation will be reaching Japan within the next two weeks to formally sign the agreement,” Commerce and industry Minister Anand Sharma said here at a joint press meet. Mr. Sharma and his Japanese counterpart Yukio Edano were talking to reporters after their bilateral discussions.

“...right now, the agreement, which will be signed, is for 2.1 million tonnes for this year,” the Commerce Minister said.

The supplies will begin from July and the agreements will be signed for three years, NMDC Chairman N. K. Nanda said here.

“We will begin exports from July as the agreements will be signed by May. Prices will be decided on a quarterly basis,” he said, adding that the export quantity would increase in the next fiscal.
The iron ore will be supplied to leading steel mills of Japan and Korea, including Posco, Kobe and Nippon Steel.

The supply of iron ore, although in smaller quantities, had been a core element of India's bilateral ties with Japan and South Korea and would further strengthen the relations, an official said.

MMTC's earlier contract to supply iron ore for five years to Japanese and Korean steel mills had expired on March 31, 2011, and since then it was pending as price negotiations had not taken place.
Due to expiry of the contract, NMDC had exported only 1.6 lakh tonnes in the last fiscal and that, too, to the Chinese firms on an ad-hoc basis, Mr. Nanda said.

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US hikes duty on Indian steel pipe

Reuters

Washington May 25, 2012: The United States piled another layer of preliminary duties on Thursday on a certain type of steel pipe from India, one month after New Delhi complained at the World Trade Organisation about an earlier US round.

The US Commerce Department said it had determined that Indian companies were selling circular welded carbon-quality steel pipe in the United States at 48.43% below fair market value.

The duties will require importers to post bonds or cash deposits based on the preliminary rates until a final decision on anti-dumping duties is made later this year. The department also set preliminary anti-dumping duties on this kind of pipe of zero to 27.96% for Vietnam, 5.59% for Oman and 3.29% to 11.71% for the United Arab Emirates. US companies Allied Tube and Conduit, JMC Steel Group, Wheatland Tube and United States Steel Corp petitioned the government last year for import relief. In March, the Commerce department set preliminary "countervailing" duties of nearly 286% on the same type of steel pipe from India to offset government subsidies. That prompted India to request consultations with the United States on the action at the WTO, the first stage in filing a formal trade dispute. India rejects the US view that Indian manufacturers are subsidized because a portion of the iron ore they use to produce the steel pipes comes from India's top iron ore miner NMDC, a state-run company. The United States in 2011 imported about $64.5 million of the steel product from India, $53.9 million from UAE, $50.1 million from Vietnam and $28.0 million from Oman.

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Canada likely to side with India against US

Amiti Sen, Economic Times

May 25, 2012, New Delhi: India may get an ally in Canada in its fight against the US on imposition of penal import duties on certain steel products.

Canada, a major exporter of steel products, is keen on joining the talks between New Delhi and the US at the World Trade Organization on May 30. It has sought permission from the WTO to participate in the talks on countervailing duties on hot-rolled steel products exported by India.
If the talks fail, India may ask for establishment of a dispute settlement panel to settle the issue.
"Canada has a substantial trade interest in these consultations since the US is the largest market for Canadian hot-rolled carbon steel flat products. Accordingly, Canada requests to join these consultations," an official communication by Canada to the chairperson of the dispute settlement body earlier this month stated.

New Delhi dragged Washington to the WTO on the steel issue last month, after it failed to persuade the US to revoke penal duties imposed on hot-rolled steel products that are exported by Indian companies, such as Essar, Tata and Jindal. These duties are as high as 500% in some cases.

India has objected to the US treating the sale of iron ore by NMDC as a subsidy.

"We should not have a problem in allowing Canada to participate in our consultations. We may, in fact, benefit from the arguments that it brings in," a government official, who did not wish to be quoted, told ET.

As Canada itself has been at the receiving end of random imposition of countervailing and anti-dumping duties by the US, they would most certainly have interesting observations on US's conduct, believes Abhijit Das, head of the Center for WTO Studies, IIFT.

"Canada may want to air its views on how the US conducts its investigations which may be beneficial for India," Das said.

Canada has also been fighting against penal duties imposed by the US on a number of steel products, including wires exported by it at the NAFTA, or North American Free Trade Agreement.

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India escalates US steel duties dispute at WTO

Reuters

July 13,Geneva: India has asked the World Trade Organization to set up a panel to adjudicate on its dispute with the United States over US duties on some imports of Indian steel products, the WTO said on Friday. India complained in April that Washington had wrongly slapped punitive tariffs, so-called countervailing duties, on certain hot rolled carbon steel flat products from India. Countries impose countervailing duties when they believe their manufacturers are suffering because of competition from unfairly subsidised imports. In its complaint India challenged countervailing duties going back to April 2001, as well as the United States Tariff Act of 1930 and the US Code of Federal Regulations, which it said were inconsistent with WTO rules. By asking for a dispute panel to be set up, India is indicating that it has failed to resolve the issue via consultations with the United States. The United States is also in dispute with China over the US use of countervailing duties on a range of imports, including several types of steel products. China requested consultations on May 25 but has not yet asked for a panel to be set up.

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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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U.S. Blocks India's Request for WTO to Rule on Steel Duty

Jennifer M. Freedma, Bloomberg

July 23, 2012: The U.S. blocked a request by India for World Trade Organization judges to investigate the legality of American countervailing duties on some Indian steel products. A second request would be automatically accepted.

India complained at the Geneva-based WTO on April 24, saying U.S. anti-subsidy duties on certain hot-rolled carbon- steel flat products violate global trade rules. India is challenging a U.S. finding that Indian steel producers got an illegal subsidy by paying too little for iron ore from a state- owned producer.

The U.S. first imposed the tariff in December 2001 and extended it six years later. The duty is fixed at 102.7 percent, according to a notification submitted by the U.S. to the WTO. The two governments held consultations in an unsuccessful bid to resolve the dispute without resorting to a panel.

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