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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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Gold import drops 40% to 350 tonnes

Dilip Kumar Jha, Business Standard

Mumbai, August 7, 2012: India's gold imports have declined 40 per cent so far this calendar year, due to subdued consumer sentiment on record high prices and the fear of measures by the government to curb imports to restrict the current account deficit (CAD).

Bullion dealers estimate the total imports at 350 tonnes in the seven months. Adding to an estimated 100 tonnes in the next two months, the overall import is seen at 450 tonnes by September. Data from the World Gold Council (WGC) showed total import in the first six months of 2011 at 553 tonnes, up to a staggering 753 tonnes by the end of September 2011.
"This year, the overall import may not surpass 450 tonnes by September on reduced consumer sentiment," said Prithviraj Kothari, president, Bombay Bullion Association, the premier traders' body.

In India, the effects of the global slowdown are evident through both domestic growth and local prices. India currently faces a bout of high inflation coupled with slow economic growth and currency weakness supporting sticky inflation.

Consumer demand was relatively weak this year as the Reserve Bank of India is planning to introduce an instrument which might offer returns equivalent to gold. The yellow metal has offered almost 100 per cent return in the last three-four years, resulting in an increase in its imports.

Meanwhile, gold prices hit a high of Rs 30,295 per 10g in Mumbai's Zaveri Bazaar on June 19 from a modest beginning of Rs 27,175 per 10g early this year. Standard gold hit the benchmark Rs 30,000 per 10g again on Monday in mid-trading session, but closed with a marginal gain at Rs 29,765 per 10g, a marginal rise from Saturday.

At this level, gold has offered 11.5 per cent return in rupees. Since the rupee depreciated to trade currently at 55.5 versus the dollar, the return in the US currency was lower at 4.4 per cent at the current price of $1,607 an oz.

"Jewellery buyers remained largely absent from active purchase for the last several months due to high volatility in the local market. If prices remain one side up or down, consumers book afresh amid concerns of further rise or fall. But, in the case of volatility, consumers await stability to order new ornaments.

Hence, jewellery buyers currently await a clear direction before placing fresh purchases," said Umesh Parekh, managing director (MD) of Shree Ganesh Jewellery House, a Kolkata-based manufacturer and retailer.

India imported a record 969 tonnes in 2011 while domestic demand stood at 933.4 tonnes, down from 963.1 tonnes in 2010, WGC data showed.

Rising gold imports widened the CAD as consumers opted to invest more in the yellow metal.

Consequently, for 2011-12, CAD was $78.2 billion, deeper than the $46 billion in 2010-11.

"Gold is purchased through cash. Hence, gold imported by the nominated agencies, including banks, should be disposed of within weeks, which does not happen normally during the lean monsoon season. Therefore, imports remained low so far this year," said Rajesh Mehta, MD, Rajesh Exports, one of the largest gold jewellery manufacturers and retailers in India.

Kothari hoped demand for gold would go up by September due to the festival season and beginning of investment in India's manufacturing sector. The scheduled mega exhibition, the India International

Jewellery Show in August, is also set to boost some orders during the quarter and set the trend for the rest of the year, he said.

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WTO to take up India's complaint against US on steel

Business Line

August 26 2012, New Delhi: The WTO's dispute settlement body will take up on August 31 India's complaint against duties imposed by the US on imports of some Indian steel products, the multilateral body has said.

In April, India complained that the US had wrongly imposed countervailing duties, a kind of restrictive duty, on certain hot-rolled carbon steel flat products from India.

"The duty imposed by the US is inconsistent with the WTO rules. The issue will now be discussed in the WTO's dispute panel," an official said.
Countries impose countervailing duties when they believe that their domestic manufacturers are suffering losses because of competition from unfairly subsidised imports.

India is contesting the US conclusion that Indian steel producers received subsidy on iron ore purchased from a state-owned company.

According to reports, in December 2001, the US imposed the restrictive duty and further extended the duty after six years. The duty fixed was 102.7 per cent.

By asking for setting up of a dispute panel, India is indicating that it has failed to resolve the issue via consultations with the US. Bilateral consultations are the first step under the WTO's dispute settlement mechanism.

In April, India had moved the WTO against the US on the issue but the matter was not resolved at the bilateral consultation stage.

India is also considering seeking consultations with the US under the aegis of World Trade Organisation (WTO) on visa fee hike for professionals, which it says discriminates against Indian software companies that send employees to America on short-term contracts.

Earlier in March, Washington had dragged New Delhi to the global trade body against India's ban on imports of certain American farm products, including poultry meat and eggs. The US had termed the ban as unjustified health-safety worries.

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Iron ore exports in FY13 set for 37% decline to 45 mt

Mahesh Kulkarni , Business Standarad

August 30 2012, Bangalore: Iron ore exports are likely to decline to about 45 million tonnes (mt) during the current financial year (2012-13), showing a drop of 62 per cent compared to an all-time high of 117 mt exported in 2010-11 and 37.7 per cent fall from the last financial year's 62 mt.

"Exports are no longer viable following a high export duty of 30 per cent and differential freight rate charged on iron ore for domestic and export use by the Indian Railways. Also, the ban on mining in Karnataka has added to the industry's woes," said R K Sharma, secretary general, Federation of Indian Mineral Industries (Fimi).

For the first quarter ended June 2012, exports declined by 45 per cent at 11.9 mt compared to 21.6 mt in the corresponding quarter last year.

"Except for Goa, no state is exporting. There is no freight cost for Goan miners due to the proximity of port. Also, they use river transport, which is very cheap. In the long run, only Goa would continue to export," Sharma said.

Presently, iron ore prices in international markets have dropped to $97 per tonne as against $150 per tonne a year ago, which is a drop of 35 per cent. "Exports from Goa have been showing a declining trend over the last 15 days. Chinese buyers might prefer to buy high-grade ore at $97 per tonne rather than buying low-grade ore originating from Goa. Hence, overall exports in the third quarter are likely to drop further," an industry analyst said.

The railways charge Rs 700 per tonne as freight for movement of iron ore for domestic consumption, while it charges Rs 2,800 per tonne of ore meant for exports. This differential tariff has discouraged miners from exporting ore, Sharma said.

The ban on exports imposed by Karnataka since July 2010 has also contributed significantly to the drop in exports of iron ore. Orissa's exports have come down mainly due to differential railway freight rates. Due to the problems in India, international majors are gaining an upper hand in the export market.

Australia and Brazil have taken advantage of India's internal problems and have gained an upper hand. They are gaining at the cost of Indian miners, Sharma pointed out.

He said the Fimi has written to the mines and finance ministries to reconsider the 30 per cent export duty on export of iron ore. "We recently met Finance Minister P Chidambaram and requested him to reduce duties on export of iron ore," Sharma added.

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Steel giant sparks trade row with allegations of dumping

Robin Pagnamenta, The Times

Mumbai, 31 August 2012: India's biggest privately owned steelmaker has triggered a trade row after it accused South Korean rivals of dumping steel.

Seshagiri Rao, the managing director and chief financial officer of JSW Steel, told The Times that Korean companies, including Hyundai and Posco, were abusing the terms of a free trade agreement and that he had appealed to Delhi to clamp down on the practice.

Mr Rao said: "An FTA should be of mutual benefit, not put one side at an advantage. That needs to be examined." An agreement signed in 2009 by Japan, India and South Korea cut Delhi's import duties on steel from 7.5 to 3.15 per cent. The duty is due to fall to zero by 2014.

Mr Rao said that because of the global downturn, Japan and Korea had been saddled with huge surpluses of steel. India's low import tariffs had created a situation where Korean and Japanese steelmakers were being encouraged to import raw iron ore from India, turn it into steel in their own mills and then re-export it back to India.

"It's dumping," said an executive at another Indian steelmaker, who warned that some manufacturers were being put out of business. "The scenario is very bad. They export at a marginal cost and sell at whatever price they can get — as low as $500 (£315) per tonne, which is below our cost of production. Small producers are really struggling. If it continues this way, we will have to shut down our operations."

In the three months to July, Indian steel imports surged to 2.99 million tonnes compared with 1.92 million tonnes during the same period last year. Almost all of the extra imports came from South Korea and Japan, which have about 196 million tonnes of installed steelmaking capacity between them but only 120 million tonnes of domestic demand.

The executive said that he believed foreign steelmakers were allowing imports to fall one in every six months to avoid violating WTO rules designed to curb dumping. A spokesman at Posco's Indian headquarters in Delhi declined to comment on the allegations.

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WTO panel to look into US duties on Indian steel

Sheila Mathrani, Financial Express

Geneva, September 1, 2012: The Dispute Settlement Body (DSB) of the WTO has set up a panel at India's request over the US imposition of countervailing duties on certain hot-rolled carbon steel flat products from India. New Delhi argues that the measure is inconsistent with several provisions of the agreement on subsidies and countervailing measures and the GATT, 1994.

Members which reserved their third-party rights were the EU, Saudi Arabia, Canada, Turkey and Australia.

India acknowledged at the meeting that every WTO member has a right to levy countervailing duties, but this right can be exercised only within the framework of the Agreement on Subsidies and Countervailing
Measures and the GATT, 1994.

Steel exports by leading Indian manufacturers (Jindal and Tata) have been rendered uncompetitive in the US because of the CVD imposed there. According to India, provisional CVD measures imposed by the US on 20 April 2001 were made final after the US conducted a sunset review, with effect from December 3, 2001. The US extended these measures for a further five years.

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India makes rare earthy pitch to rival China

Aditya Kaul, DNA

New Delhi, September 7, 2012: India may be emerging as a significant contributor to a global effort to challenge China's stranglehold on Rare Earths - a group of 17 elements that are key to modern technology.

Their absence could, literally, bring to a halt global production of precision guided missiles, satellite and communication systems, smart phones, hybrid cars, energy efficient lighting, wind turbines and petroleum.

They are not really rare, but are seldom found in high enough concentrations for mining to be commercially profitable.

China commands 97% global monopoly on various stages of RE production, but has only 37% of global RE reserves (US Geological Survey, however, estimates China has half of the world's reserves — 55 million tonnes).

World consumption, currently estimated to be 136,000 tonnes/year, is expected to reach 185,000 tonnes by 2015. According to USGS 'Mineral Commodity Summaries, January 2012', US is estimated to have close to 12% of global reserves — 13 MTs, Australia (1.6 MTs), Commonwealth of Independent States (19 Mts).

India has, so far, regularly attributed RE reserve figures of 2-3%. Latest Indian government statistics, however, show India may well have 9% of global RE reserves — 10.7 MTs.

In 2004, cheap Chinese RE supply had forced India to suspend production.

"We were producing oxide of RE Cerium at a price of Rs 600/kg. China was providing the same for $1.5/kg," Dr RN Patra, CMD of Indian Rare Earths Limited - a government enterprise under the Department of Atomic Energy (DAE) — told *DNA.*

Two years prior to that, cheap Chinese RE's had forced another closure — that of one of world's largest rare earth mine: Mountain Pass, in California. Incidentally, India was world's leading RE producer in the 1950s, followed by the US through the 1960s and 1980s.
By 2010, India was importing over 370 tonnes of RE compounds, which is not its actual consumption figure since most REs are imported as finished or semi-finished products.

The global frenzy on RE followed China's decision in September 2009 to reduce its RE exports (201015), citing "environmental concerns" and "preservation of scarce natural resources". From 65,580 tonnes in 2005 it came down to 30,246 tons in 2011.

China's decision angered the world as RE prices shot through the roof creating a huge gap between China's export and domestic prices. Cheap availability of RE in China has compelled a number of RE firms to move base to China.

It was, however, in September 2010 — when China temporarily suspended its RE exports to Japan over a maritime dispute — that the world began to realise the implications of Beijing's monopoly in this vital sector.

This March, US, European Union and Japan took China to WTO over its RE export policies.

US energy policy specialist Marc Humphries, in a report to the US Congressional Research Service in September 2011, said China's economic growth and increased demand has prompted it to ramp up for increased production of wind turbines, consumer electronics, and other sectors, which would require more of its domestic RE elements. China is already estimated to be consuming almost 65-70% of the global output of RE.

"In 2007 we had pointed out to the government that we should restart RE production," said Patra. But DAE then wasn't interested beyond the Thorium it was getting from Monazite's.

That's likely to change. US based Molycorp is reviving the Mountain Pass mine. Lynas Corporation is doing the same with Mount Weld mine in Australia.

By December India will have a Monazite mineral processing plant in Odisha. Monazite is found in beach sand, and is the chief source of RE in India. The government is also making a concerted effort to identify potential RE reserves in India. India is exploring joint development of REs with Japan and other countries.

Summing up the mood in New Delhi, a top strategic expert told *DNA*, "Whatever China did, it did... But it's an opportunity for India."

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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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India’s 2012 gold imports seen falling 25%

Ruchira Singh, Mint

15 October 2012, New Delhi: India’s gold imports in 2012 is estimated to drop by around 25% from last year as high prices, poor liquidity, high inflation and a hike in customs duty has dampened buying sentiment, a member of a trade body said on Monday.

“Gold has been hit in every way. There is a liquidity crisis because of high interest rates and the monsoon was not very good in some states (so purchasing power will be low),” said Prithviraj Kothari, a member of Bombay Bullion Association, a body representing bullion traders, manufacturers and retailers. “The whole cycle of investment has slackened. The equity market and real estate are both slow so it is affecting gold.”

Kothari said in the full year, gold imports can be expected to range between 650 to 700 tonnes. In 2011, India imported 933.4 tonnes of gold, down 7% from an all-time high of 1,006.3 tonnes in 2010, according to World Gold Council.

Some buying is expected to pick up later this week when an inauspicious period ends on Wednesday and purchasing for the oncoming festival and marriage seasons begin, Kothari said.

India’s inflation in September was at 7.81%, on the back of high food and fuel prices that lowered the chances of the Reserve Bank of India cutting interest rates to shore up the sluggish economy.

In the budget for this fiscal year, the government raised the import duty on non-standard gold to 10% from 5% earlier in a bid to slowdown the rising imports that were hurting the current account deficit. On gold coins and platinum, duty was raised to 4% from 2% earlier.

On Monday, spot gold traded at Rs 30,961 per 10 grams, down from Rs31,080 on Saturday, data on the Multi Commodity Exchange of India showed.

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Surge in India's steel imports is no cause for sinophobia

Kunal Bose, Business Standard

6 November 2012: That there will be quite a bit of hoo-hah when steel imports by India, the world's fourth largest producer of the metal and one of the few fast-growing markets for it, surge, is expected. The appetite for imports is whetted by depressed world steel prices, low local capacity use, often caused by raw material supply issues, delays in capacity commissioning and rupee gaining strength till recently. In the first five months of the current fiscal to August, India's steel imports leapt 39 per cent year-on-year (YoY) to 3.34 million tonnes (mt). September imports at 530,000 tonnes grew at nine per cent over the same month in 2011, the lowest in the past 11 months. During this period, our steel exports rose by only four per cent, thanks to the world negotiating weak demand.

For the reasons for high imports stated earlier, a trade official told Reuters that "India will be a forced net importer for at least the next two years." The country has been in that way for some time. The agency has also quoted JSW Steel Chairman Sajjan Jindal saying India's imports of the metal will rise 18 per cent to eight mt in 2012-13. Imports of this order will keep India a net importer of steel by some margin. It is to be said that had not land acquisition been such a long gestation issue, a good chunk of new capacity, maybe including that of Tata Steel's three-mt first phase of the six-mt Orissa project, would have come on stream by now. This no doubt would have made some imports redundant. Imports of certain grades of specialty steel, like grain-oriented flat rolled electrical steel requiring use of technology held closely by some offshore groups, will still be unavoidable. At the same time, once Tata Steel's three-mt Jamshedpur mill expansion is over, much of our auto grade flat steel imports will be substituted.

Indian steel import spurt is, however, no cause for sinophobia. For, it is mostly Japan and South Korea, which, taking advantage of the low import duty of three per cent because of their free trade agreements with us, are sending steel products here. Imports from China and other countries face the deterrence of 7.5 per cent duty. Some steel, however, continues to come from China. But that should be no cause of concern, at least for now. Not that everyone agrees. Uneasiness about Chinese surplus capacity and the pains it could inflict on another country's steel industry, haunt many of our steelmakers. Otherwise, why should Jindal be telling the Financial Times that "everybody knows that China has huge capacity and they can immediately crush the industry in another country." According to him, our neighbour could spell the doom for the Indian steel industry by sending here 10 mt a year. Prashant Ruia of Essar Steel believes surplus Chinese capacity "can... affect global pricing (of steel), and it can certainly affect raw materials pricing".

No precise figures of surplus Chinese capacity are available, but it could well be around 200 mt. China, the world's largest producer and user of steel, made 683.265 mt last year and 542.340 mt in the first nine months of 2012, a 1.7 per cent YoY rise. The World Steel Association (WSA) saying in its short range outlook, that China's steel use will be rising only 2.5 per cent in 2012 to 639.5 mt after recording consumption growth of 6.2 per cent last year to 623.9 mt is symptomatic of the headwinds the broader economy of that country is facing. The combination of Beijing's attempt to contain inflation and flagging exports, thanks to poor demand mainly from Europe and also the US, saw China's gross domestic product growth slipping to 7.4 per cent in the third quarter of 2012 marking a decline for seven quarters in a row. China could end the year doing marginally better than 7.5 per cent growth forecast earlier by Beijing. So, it is more than likely that WSA will prove right in its steel use forecast for China.

As this comes true, pressure will be growing on the Chinese steel industry to look at offshore markets, maybe including India in order to harness some idle capacity. Striking a balanced note SAIL Chairman Chandra Sekhar Verma says, "Chinese steel industry is basically domestic needs based. But we have to be watchful when it is beset with huge surplus capacity and becomes a large net exporter." It cannot be music to the ears of steel producing countries smarting under demand recession that China's export of the metal in the first nine months of 2012 rose 10.2 per cent to 41 mt. During this period, Chinese steel imports were down 12 per cent to 10.5 mt in yet another proof of lacklustre local demand. Chinese steel capacity grew at a breakneck speed in the past two decades to support urbanisation and infrastructure development without giving attention to production costs. An official of China Iron and Steel Association says ruefully, “The industry has grown rapidly but with a drawback – severe overcapacity.” Steel making in China being a high-cost operation, exports are seen as the last possible act. That should be of some reassurance for us.

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Government hikes import tariff value of gold, silver

PTI, Economic Times

15 November 2012, New Delhi: In the wake of rising global prices of precious metals, the government today increased the import tariff value of gold and silver marginally to $ 561 per 10 grams and $ 1,058 per kg, respectively.

The tariff value, which is released every fortnight, is the base price on which the customs duty is determined to prevent under-invoicing. During October, tariff value of gold stood at $ 556 per 10 grams and of silver at $ 1,039 a kg.

The Central Board of Excise and Customs (CBEC) today issued a notification in this regard. Besides, the government has reduced the import tariff value of RBD palmolein and brass scrap to $ 887 per tonne and $ 4029 per tonnes, respectively. In last month, tariff value of RBD palmolein stood at $ 889 per tonne, while brass scrap stood at $ 4,096 per tonne.

The government hiked import tariff value of precious metals following firm price trend in the global market. At present, gold prices are ruling at $ 1724.8 per ounce in London, while silver at $ 32.64 per ounce in London.

In the 2011 calendar year, about 1037 tonnes of gold was available in India, the world's biggest consumer, of which 967 tonnes was imported and the rest was from other sources like recycled, according to the World Gold Council.

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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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Govt plans gold import duty hike to trim CAD

Financial Express

New Delhi, 3 January 2013: As the current account deficit (CAD) hit a record 4.6% in the first half of the fiscal, a concerned government decided to clamp down on massive inflows of gold by raising the import duty on the "idle asset" for a third time in one year.

"As would be evident, gold imports constituted a substantial chunk of the imports and is a huge drain on the current account. Suppose gold imports had been one half of the actual level, that would have meant that our foreign exchange reserves would have increased by $10.5 billion. I would, therefore, appeal to the people to moderate the demand for gold, which leads to large imports of gold. I may add that we may be left with no choice but to make it a little more expensive to import gold. This matter is under the government's consideration," Chidambaram said on Wednesday. "I am confident that even if the year ends with a slightly larger CAD than last year, we would be able to finance the CAD without drawing upon reserves," he added.

Prime Minister Economic Advisory Council chairman C Rangarajan also said: "One of the approaches (to curb the CAD) is to to look at increasing the import duty on gold."

The plan to hike the import duty again from the current 4%, which has effectively been raised four fold since last January, reflects the government's growing uneasiness over large imports of an idle commodity-— unlike crude oil— worsening its current account, which comprises the balance of trade, net factor income such as interest and dividends and net transfer payments.

Although gold imports by India—the world's biggest consumer—dropped 30% in the first half of the fiscal to $20.2 billion, it was still more than what the country had bought from overseas during the entire 2007-08 fiscal and slightly lower than $20.7 billion in 2008-09.

Moreover, encouraged by the drop in the metal's imports following the duty increase, the government hopes another round of hike would put a check on purchases, especially when a slowing economy is dragging down exports.

The move is also significant as gold demand has started recovering since July after two successive quarters of a slowdown, thanks to the late revival of monsoon that raised rural income prospects, and restocking by traders and jewellers ahead of the festive and wedding season, according to the World Gold Council (WGC).

Indian gold demand surged 9% in the July-september period defying an 11% drop globally, in volume terms. Adding to policymakers' concerns, the WGC has forecast a rise in Indian gold demand in 2013 after a 25% fall in 2012 to 800 tonnes.

Last month, the WGC had also said the Indian consumers seemed to have adjusted to the rise in gold prices, following a sharp depreciation in the rupee and the hike in the import duty.

The country's trade deficit widened to a 17-year high of nearly $21 billion in the quarter through September, as exports tumbled by 12.2% while imports declined only 4.8%. Consequently, the CAD hit a record 5.4% of the country's gross domestic product (GDP) in the quarter through September, despite a sharp rise in foreign investments, driving up the deficit to a record 4.6% of the GDP, or $38.7 billion, in the first half of this fiscal. Worse still, while exports dropped 1.6% in October and 7.4% in November, imports rose 7.4% and 6.4%, respectively, during this period, which would impact the CAD in the third quarter.

"In a country where the use of gold is deeply entrenched in traditions and the culture, and where 5 million weddings happen annually, increasing the import duty won't serve the purpose. Gold imports dropped in the first half of this fiscal as prices were high following a 15% rupee depreciation and as high inflation hit rural people's purchase power, and not just because of the duty hike," said Prithviraj Kothari, managing director of Riddhi Siddhi Bullion.

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20% safeguard duty on stainless steel import from China

PTI

New Delhi, 7 January 2013: The government has imposed safeguard duty at a rate of 20 per cent on imports of a certain variety of stainless steel from China to protect domestic players. The duty has been imposed on hot rolled flat products of stainless steel-304 grade (up to a maximum width of 1605 mm), the Finance Ministry said in a notification.

"... the central government after considering the said findings of Director General (Safeguards), hereby, imposes on hot rolled flat products of stainless steel-304 grade (Upton a maximum width of 1605 mm) and encompassing all austenitic grades ... when imported into India from China, a provisional guard duty at the rate of 20 per cent ad valorem," it added.

It further said that the safeguard duty will be effective for a period of 200 days from the date of the notification, unless revoked, superseded or amended earlier.

Safeguard duty is a WTO-compatible temporary measure that is brought in for a certain time-frame to avert any damage to domestic industry from cheap imports.

The government currently levies 5 per cent import duty on imports of stainless steel.

"It is a positive move and sentiments will definitely become better as it will discourage cheaper imports from China," Jindal Stainless President and Executive Director Ramesh Nair said.

India has a surplus stainless steel production capacity at about 3.5 million tonnes per annum (MTPA). Of this, about 0.8 MTPA gets exported.

Despite this, the industry estimates that imports from China, amounting to about 2.5-3 lakh tonnes in a year, are taking place largely due to cheaper rates offered by the Chinese manufacturers.

As per the industry estimates, China currently produces about 12-13 MTPA, which is much more than their consumption at about 9 MTPA. The Chinese production is expected to rise to 20-25 MTPA in two-three years.

Among the domestic producers, Jindal Stainless, with a capacity of 1.8 MTPA, accounts for about 50 per cent of total domestic production. Other major players include Salem Plant of SAIL, Viraj Steel and Mukand Ltd.

In November 2011, government had imposed anti-dumping duty on certain categories of flat stainless steel from European Union, South Africa, the US and Taiwan to protect the domestic industry from cheap imports from abroad. The level of duty on the product varied from country-to-country.

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Import duty on gold hiked to 6 pc to curb demand

PTI

New Delhi, 21 January 2013: With spiralling demand for gold draining huge amount of foreign exchange, government today hiked the import duty on it from 4 to 6 per cent, a decision that immediately sent prices shooting up.

Simultaneously, the government also raised the duty on platinum by a similar percentage from 4 to 6, Economic Affairs Secretary Arvind Mayaram told reporters here as government appealed to the people to moderate their demand for gold.

Shortly after news of the duty hike, gold prices shot up by Rs 315 to Rs 31,250 per 10 grams and markets sources say it may go up to Rs 700 per 10 grams in the short term.

For the second time in a year, the import duty on gold has been hiked to check the spiralling trend of gold imports leading to a record current account deficit that has a cascading effect on various economic fronts including distorting the balance of trade.

Finance Minister P Chidambaram had on January 2 indicated the coming hike in duty when he said the government would be left with no choice but to make import of gold a little more expensive.
In a bid to channelise gold holdings into institutional channels, Government also proposed providing a link between Gold Exchange Traded Fund (ETF) and Gold Deposit Scheme (GDS).

The objective is to unfreeze or release a part of the gold physically held by mutual funds under Gold ETFs and enable them to deposit the metal with the bank under GDS.

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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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No need to hike import duty: Steel Min

PTI

New Delhi, 21 February 2013: The Steel Ministry has shot down domestic manufacturers' plea for hiking import duty on the alloy, saying there is no need to initiate such an action right now as imports have not reached an alarming level.

"Where is the need to slap import duty further on imports of steel? The imports have not gone up significantly. The fear of the steel makers is unfounded," a steel ministry official said.

According to a recent sectoral report by India Ratings and Research, steel imports grew by 24.8 per cent during the January-November period of 2012 to 7 million tonne over the same period of the previous year.

The official said that given the small volume of imports, which is not more than 6-7 million tonne, any move to make them costlier might prove wrong to others who depend on steel because of limited or zero availability in the country.

"We have not requested the Finance Ministry to raise import duty on steel in our Budget proposals for the next fiscal," he said.

In the Budget 2012-13, the government enhanced basic customs duty on non-alloy, flat-rolled steel from five per cent earlier to 7.5 per cent.

Domestic steel makers have been clamouring for a rise in import duty to rein in 'dumping' of the alloy - which has gone up by at least 40 per cent in the first six months of current fiscal.

"In order to protect interests of the domestic industry, Budget needs to revisit last year's hike in excise duty and take steps to discourage dumping of products," Tata Steel's Managing Director H M Nerurkar said in his Budget wish-list.

Jindal Steel and Power's MD & CEO Ravi Uppal asked the government to take steps for discouraging dumping into India as this would destroy the potential of the domestic steel industry.

"No dumping of steel should be allowed in India. The main challenge is China. They produce 750 million tonne steel, and can easily dump it in India. If that happens, then the baby (Indian steel industry) will die in its cradle," he said.

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US-India row over poultry, steel shifts formally to WTO

Amiti Sen, Business Line (The Hindu)

5 March 2013: The US and India are all set to begin their formal fight against each other at the World Trade Organisation over a poultry import ban imposed by New Delhi and penal duties on steel charged by Washington.

The panels for deliberating on the two cases have been now finalised and the hearings will begin soon, a Commerce Department official told Business Line.

The decision of the poultry panel would determine if India can continue to stop import of cheap chicken legs from the US citing the risk of avian influenza or bird flu.

The panel on steel duties, on the other hand, would look at the validity of the penal duties imposed by the US on hot-rolled steel sold by Indian companies on the ground that these were subsidised by the Indian Government.

Strengthening arguments

"Both countries had sought the establishment of dispute settlement panels in the middle of last year, but things got delayed due to disagreements over who would be included in the panels," the official said.

The countries involved have to approve the panels as they have to be assured of their neutrality.

India has used the last few months "productively'' to further strengthen its arguments in both cases and has also sought help of other Ministries and Departments, a Ministry official said.

"The Animal Husbandry Department is working on risk assessment studies on individual products to further strengthen our case for banning poultry from countries affected by bird flu," the official said.

The US, which is batting for its domestic poultry industry that sees a market worth $300 million in India, has argued in preliminary discussions with India that its measures are inconsistent with the relevant science, international guidelines and the standards India has set for its own domestic industry.

While the US is currently allowed to export poultry to India, it is not able to ship anything as India's strict avian influenza regulations increase the risk of import curbs and importers don't feel confident to place long-term orders.

The Indian poultry industry will be hit badly if the US starts exporting its cheap chicken legs as it would drive down prices drastically.

India is on a firmer wicket on the steel case where it has complained against the countervailing or penal duties, as high as 500 per cent in some cases, imposed by the US on companies such as Essar, Tata, SAIL and Jindal.

These companies have not been able to export hot-rolled steel products to the US for the past few years due to the levy.

"The US argument that the iron ore sourced by Indian steel makers from NMDC is supplied at subsidised rate because it is a public body is completely baseless as ore is sold at the prevailing market prices. We have enough proof to substantiate our case," the official said.

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India to give first submission to WTO dispute body

Amiti Sen, Business Line (The Hindu)

New Delhi, 1 April 2013: India will put on record its arguments against the penal duties imposed by the US on hot-rolled steel from the country in its first submission to the Dispute Settlement Panel of the World Trade Organisation (WTO) on Tuesday.

The countervailing duties, which are as high as 500 per cent in some cases, affect all major Indian steel producers including Essar, Jindal, SAIL and Tata, who have not been able to export hot-rolled steel to the US for the last few years.

The panel will give its initial report after two rounds of submissions are made by both sides. “We are trying to be convincing in our arguments at the submissions stage itself so that the panel doesn’t find it difficult to make up its mind when it is time for the panel report,” a Commerce Department official told *Business Line*.

The US imposed countervailing duties – a levy to neutralise subsidised exports – on hot-rolled steel from India on the grounds that the public sector NMDC supplied iron ore to Indian steel companies at subsidised rates.

India has rubbished the claims and stated that the prices charged by NMDC were purely market-driven and were comparable to the prices at which it exported iron ore to South Korea and Japan.

“We have the required data with us to prove our case. All this will be included in the submission,” the official said.

There is some way to go before the dispute settlement panel arrives at a decision. After two rounds of submissions, there would be interaction with both parties that could also include third parties interested in the dispute as well as experts.

The process could take up to nine months, following which an interim report would be released which would be finalised after another round of discussions with India and the US.

If US is found guilty, it would be asked to withdraw the duties within a time-frame failing which India would be free to penalise it by imposing higher duties on items imported from that country.

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India plans safeguard duties on iron, steel items from China

PTI

New Delhi, 2 May 2013: India plans to impose safeguard duties on some iron and steel pipes, tubes and profiles to protect domestic producers from a flood of imports from countries like China and Italy.

The Directorate General of Safeguards under the Finance Ministry has initiated an investigation on impact of large scale import of seamless pipes, tubes and hollow profiles of iron or non-ally steel from countries such as China and Italy.

"It has been found that prima facie increased imports of seamless pipes and tubes have caused and are threatening to cause serious injury to the domestic producers... and as such it has been decided to initiate an investigation in the matter," it said in a notice.

It sought comments from interested parties by May 21. The application for imposition of restrictive duties was jointly filed by Jindal Saw Ltd and Indian Seamless Metal Tubes Ltd and was supported by Maharashtra Seamless Ltd. The applicants account for more than 50 per cent of the total domestic production of seamless pipes and tubes in India.

The DGS will investigate imports between 2009-10 and 2012-13.

"The imports have increased from 307,581 tons in 2009-10 to 373,777 tons till 2012-13, recording an increase of 22 per cent," it said adding even though there was a decline in 2012-13 over the previous fiscal, but quarter wise analysis showed a sharp rising trend from Q2-Q3 on absolute basis.

In view of surging imports and loss of market share, the inventories with the domestic industry have also increased significantly - 5691 tons in 2009-10 to 14,170 tons in April-December 2012-13 fiscal.

An immediate safeguard duty is being sought for a period of four years.

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Govt imposes import duty on steel, aluminium, brass scraps

PTI

New Delhi, 10 May 2013: The government has imposed 2.5 per cent import duty on various types of scraps - melting steel, stainless steel and aluminium scraps, and has withdrawn exemption of special additional customs duty on brass scrap.

The measures were taken through two different notifications issued on Wednesday by the Finance Ministry. It did not give reasons for making changes except saying that it is in public interest.

"In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962, the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments...," said the notification, imposing 2.5 per cent import duty on steel and aluminium scraps.

Since 2003, import duty on melting steel scrap was nil, while on stainless steel scrap, the duty was reduced to zero in the Budget of 2011.

Besides, withdrawal of exemption of special additional customs duty (SAD) on brass scrap means that importers of brass scrap will now have to pay 4 per cent SAD on imports.

According to industry data, India imports about 7 million tonnes (MT) of melting steel scrap and about 1 or 2 MT of stainless steel scrap. However, no such data could be secured for aluminium or brass scrap as it is scattered and belong to medium and small scale industries.

The scrap is used as raw material largely by medium and small scale industries. As per the industry estimates, secondary steel producers account for about 40 per cent of India's total steel production at about 32 million tonnes.

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EU to impose anti-dumping duties on Indian steel

Priyadarshi Siddhanta, The Indian Express

New Delhi, 11July 2013: Just when the India-European Union free trade agreement was narrowing down to duty on wine and opening up of the insurance sector, the Indian steel industry has asked the government to protest against anti-dumping duties on their exports to Europe.

They have been supported by Steel Ministry's Economic Research Unit (ERU). The unit has cautioned that the European Commission will release an "action plan" to revive the European steel industry. "It may include subsidies and strong trade actions to reduce or eliminate competition from imports, especially from the developing nations," its advisory notes. This will be a piquant situation as Indian companies, including Tata Steel, operates from both Europe and India.

Incidentally, on Tuesday, Prime Minister Manmohan Singh had said that steps were needed to push steel production volumes in India that is now at less than 80 million tonnes every year. The government expects to raise the volume to 280 million tonnes by 2025, a CAGR of 13.35 per cent.

Eurofer, the apex body of European steel makers is planning to initiate anti-dumping and subsidy countervailing cases against import of stainless steel long products and galvanised sheets of which India is a major exporter to the EU. The European steel companies are still in the middle of a deep slowdown and are reeling under excess capacity of 60 million tonnes. "Given the intensity of the crisis in the EU region, there are talks of nationalisation or temporary government management of major steel mills there, for example ILVA of Italy," the policy advisory body said. In response to the ArcelorMittal plan to close two key facilities in France, the country's government has warned of nationalising the facility.

The possibilities of such measures from Europe are high, it said. Since India has filed some cases against Europe-produced steel, "The EU steel industry may be looking for some retaliatory measures. It is also a matter of concern that that the EC may adopt non-tariff barriers involving environmental issues," the steel policy advisory body reasoned. It said that in the recent past trade action were taken against Indian steel products in Indonesia and Thailand and the steel ministry was unaware of it and came to know about it only after their respective trade actions were notified.

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India imposes new gold import curbs to ease deficit

AFP

Mumbai, 23 July 2013: India, the world's biggest gold-buying nation, has slapped fresh curbs on imports of the precious metal in a bid to curb a record current account deficit.

The Reserve Bank of India (RBI) announced late Monday at least one-fifth of every shipment of gold imported must be set aside for jewellery and other sales overseas.

Some 16 percent of India's total merchandise exports are made up of jewellery and gems.

Authorised gold importers such as banks and gold trading agencies must ensure at least 20 percent of every lot of imported gold "is exclusively made available for the purpose of export", the bank said.

Gold and oil imports are the biggest contributors to India's current account deficit, the broadest measure of trade, that hit a record 4.8 percent of gross domestic product in the financial year ending March as imports outpaced exports.

The bank's move comes after India twice hiked the import duty on bullion earlier this year to discourage gold buying.

Gold is hugely popular in India, especially during religious festivals and wedding seasons, but Finance Minister P. Chidambaram last month implored Indians to "resist the temptation to buy gold" with the rupee's value also slumping.

"India does not produce an ounce of gold. You pay in rupees, but the government has to spend dollars to buy gold," Chidambaram said.

Many Indians -- especially in rural areas where there are few banks -- also buy gold in the form of jewellery, bars and coins as a hedge against inflation which has been stubbornly high.

Ratings agencies have threatened to downgrade India's sovereign investment rating to junk status unless the government improves the nation's finances, including its current account deficit.

The restrictions on gold have led to an upsurge in smuggling with Nepal police on Wednesday seizing 35 kilograms (77 pounds) of the commodity bound for India.

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US to probe India for selling steel pipe at unfairly low price

Lalit K Jha, PTI

Washington, 30 July 2013: The US Department of Commerce has opened a probe into allegations that India and eight other countries are illegally selling steel pipe at an unfairly low prices in America.

"Domestic steel pipe producers are being crippled by an onslaught of foreign competitors illegally dumping imports in the United States," Senator Sherrod Brown said, days after the Commerce Department launched a probe against South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

Brown and Senator Rob Portman yesterday called on the US International Trade Commission (ITC) to protect domestic producers of Oil Country Tubular Goods (OCTG) from foreign competitors that use unfair and illegal trade practices.

"The International Trade Commission must commit to Ohio's workers and businesses and crack down on countries that sell their products at unfair prices. As our trade deficit widens, levelling the playing field is the only way to protect local jobs, and in the future, create them," Browne said after sending the joint letter to US ITC.

Noting that Ohio-based companies that produce Oil Country Tubular Goods (OCTG) support many good-paying jobs in the state, Portman said if the ITC does not stand up for these American manufactured goods and punish foreign companies who are flooding US our markets with unfairly imported cheap products, businesses and thousands of American workers are at risk.

"American manufactured goods must be allowed to compete with their global competitors on a level playing field," Portman said.

OCTG are used for domestic oil exploration, particularly in the shale industry, and are produced in Ohio by companies including US Steel in Lorain, Wheatland Tube Company in Warren, Vallourec Star in Youngstown, and TMK IPSCO in Brookfield.

Each is among the plaintiffs accusing South Korea, India, Vietnam, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, and Ukraine of unfair and illegal trade practices.

The two Senators said OCTG imports from these countries have increased from 840,000 net tons in 2010 to more than 1,770,000 net tons in 2012, with the number continuing to rise.

Despite historically high level of demand for steel pipe, its domestic industry in the United States has deteriorated due to imports, which data shows, have consistently and substantially undersold the market.

This has resulted in petitions that allege dumping margins of at least 30 percent, and in most cases, significantly more, the lawmakers said.

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