Anti-dumping duty on Chinese goods

(Mains GS 3 : Effects of liberalisation on the economy (post 1991 changes), changes in industrial policy and their effects on industrial growth.)

Context:

India has imposed an anti-dumping duty on five **Chinese products**, including certain aluminium goods and some chemicals, for five years to guard local manufacturers from cheap imports from the neighbouring country.

Dumping the products:

- The items range from specific flat-rolled aluminium products for solar modules, and silicone sealants used in the manufacture of solar photovoltaic modules to some chemicals, including a component of the refrigerant hydrofluorocarbon.
- These duties were imposed following recommendations of the Commerce Ministry's investigation arm, the Directorate General of Trade Remedies (DGTR).
- The DGTR, in separate probes, has concluded that these products have been exported at a price below normal value in Indian markets, which has resulted in dumping.
- While the DGTR recommends the duty to be levied, the Finance Ministry imposes it.

Level playing field:

- Anti-dumping duty is a remedy sanctioned by the **WTO** to protect a member country's domestic industry from imports that have been priced at levels below those prevailing in the exporting nation's home market.
- The **anti-dumping duty** has become one of India's most widely used trade weapons, especially against a flood of cheaper Chinese imports.

- According to a reply made in Parliament by the Commerce Minister, as of February 2020, India had imposed anti-dumping measures on 90 Chinese products, with another 24 China-specific anti-dumping investigations in progress at the time.

Major cause:

- The anti-dumping duty imposed on multiple Chinese goods to promote domestic manufacturing and restrict cheaper imports from China may increase the cost of local production and consequently the prices of finished goods.
- Efforts to narrow the sizable trade deficit with China by targeted recourse to the levy have made little headway in addressing the widening gap as imports have continued to largely outpace India's exports.
- India's exports to China during the April-September 2021 period were worth $12.26 billion while imports aggregated at $42.33 billion, leaving a trade deficit of $30.07 billion.

De-risk businesses:

- The government's strategy is to give incentives to those investing in local manufacturing facilities, make raw material imports cheaper, and make imported finished products costlier through duties so that local producers get an edge over imports.
- The harm low-cost imports from China could cause to local producers had become evident when the coronavirus pandemic disrupted the global supply chain, which affected bulk drug supplies to the local pharmaceutical industry.
- Thus, companies worldwide are now seeking to de-risk their businesses from an excessive reliance on China in the wake of the **COVID-19 pandemic**.

Conclusion:

- The domestic industry has suffered material injury due to the dumping thus taking such steps will provide a level playing field.
- Further steps like the production-linked incentive (PLI) scheme will help reduce import dependence and boost domestic production of high-value products; and increase the value addition in exports.