The Impact Of India's Anti-Dumping Policies On Trade With China

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Abstract

The following paper seeks to evaluate the impact of Anti-Dumping policies employed by India against Chinese exports. It studies the Indian as well as the global framework on the given non-tariff measures. The stance of significant economies on such policies against China is examined and it is found that China has emerged as a target of the anti-dumping duties (ADDs) across the world. An analysis of the trends in the imposition of ADDs against China shows that they have been effective only to some extent after their imposition. Anti-dumping, when viewed sector-wise indicates that ADDs against China are mainly concentrated in chemicals, plastic and rubber articles, and iron and steel industries. The recommendations that follow provide for India's independent efforts along with joint cooperation with China, to improve the trade deficit besides protecting India's domestic industries.

Introduction

According to the Ministry of Commerce and Industry, India's widening trade deficit with China hit a record high of over US$85 billion in December 2022. China is infamous for its unfair trade practices across the globe, including not only high tariffs, granting of excessive export subsidies, handing special concessions to state-owned enterprises, and other traditional forms of protectionism but also rigged regulations that erect trade barriers by favoring Chinese companies and outright theft of foreign IPRs.

Dumping low-priced shoddy and spurious products from China in the Indian market is no secret. The flush of imports from China has adversely affected India's manufacturing and industrial sector and even caused some firms to shut down or take to sourcing goods from China and trading them in India to fetch higher profits. Besides small-scale industries like toys and ceramics, Chinese imports have wreaked havoc on hundreds of small manufacturers making products ranging from diesel engines to ceramics and bicycle parts. For instance, according to the Rajkot Engineering Association, the number of diesel engine manufacturers in the area has fallen from about 400 to 500 to around 70. LED products Manufacturers Association (LEDMA), says 20 to 30 such companies have shut down in the past few years. (2014)

It has also adversely affected local employment. The Department Related Parliamentary Standing Committee on Commerce revealed in 2018 that dumping of Chinese solar panels led to a loss of nearly 2 lakh jobs as nearly half of the domestic industry capacity remained idle. It has further, affected tax collections and impinged upon the Make in India programme, and stressed the banking sector which is already reeling under the burden of huge non-performing assets. Such practices by China have been causing injury to the domestic industries in India.

"Dumping is, in general, a situation of international price discrimination, where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country," as defined by the World Trade Organization.

Thus, the dumping of commodities provides an unfair advantage to the exporters who are backed by their governments to increase their competitiveness and, in turn, the market share as well as ravaging the domestic industries in developing countries. This is because consumer behaviour dictates an inclination towards cheap products that allow the exporting firms to exploit these choices by dumping their low-end products and gradually killing the domestic producers of the importing country who cannot match such low prices.

This is where anti-dumping policies act as relief measures from such unethical trade dealings. The imposition of this duty on the dumping of foreign products raises their prices when they enter the domestic market of the home country, thereby restoring fair competition.

India has imposed anti-dumping duties on a total of 426 Chinese commodities across various sectors as of September 2021. The first anti-dumping duty on Chinese goods was imposed by India in 1993 on caustic soda imports from China. Since then, India has imposed anti-dumping duties on various Chinese products, including steel, chemicals, textiles, electronics, and many others. In recent years, India's anti-dumping duties on Chinese products have increased significantly, as the two countries have become involved in a trade dispute. In 2020, India imposed anti-dumping duties on 99 Chinese products, including chemicals, steel, and fiber optic cables. These duties were in addition to other measures India took to reduce its trade deficit with China, such as increasing import tariffs and tightening restrictions on Chinese companies operating in India.

The following article examines literature and data on trends in Indian anti-dumping, considering the causes and implications of India's increased use of such a trade remedy, and its impact on India's trade with China.

Methodology

The following research uses data from secondary sources (news archives and previous literature) to analyse and provide a suitable conclusion on the subject. The numerical data and statistics are gathered from concerned official websites to curate graphs incorporated in the paper.

Review of Literature

1. Choi, N. (2016) assesses the impact of anti-dumping measures on imports to find out whether the trade restriction effect of anti-dumping duty is dominant in the US, the EU,

China, and India from 1996 to 2015. The effect of anti-dumping on imports has been evaluated with a basic estimation equation to examine the trade impacts of ADDs. The article has found that the import of a targeted product is reduced by about 0.43%–0.51% as a result of 1% increase in the ADDs. However, the article also finds that while anti-dumping was in force, targeted products' total imports increased by about 30% implying that ADDs are a temporary relief.

2. Feinberg (2010) studies the trends and impacts of India's anti-dumping enforcement. The paper examines sector-wise data to study anti-dumping targeting. It finds that India become a dominant worldwide source of antidumping enforcement, and seems to be expanding its focus towards other types of "administrative protection" as well. It also explains that there is a global movement to limit the protective role of anti-dumping.

3. Mahajan, Ashwani & Chand, Phool & Pasumarthi, Harsha. (2021) analyses the impact of anti-dumping duties on India-China trade between 2014 and 2018. It begins with a detailed discussion of the WTO rules for ADD and the process of investigation and imposition of ADD according to those rules. Finally, it interprets the available data using a graphical analysis method and uses the percentage difference method to estimate the import trends of these commodities. It reaches a conclusion that ADDs have been partially effective (about 56%) in reducing the imports of commodities.

4. Aggarwal, A. (2010) assesses the trade effects of anti-dumping (AD) duties levied on 177 (8-digit) products by India during the period 1994 to June 2001. She finds that the imposition of AD duties restrains trade (both volume and value) to a limited extent and raises import prices, which is beneficial to the domestic industries but at the expense of both consumers and downstream industries. The main aim of this study, as suggested by the title was to find out the actual beneficiaries of ADDs.

Anti-dumping - Concept and Mechanism

Anti-dumping is a measure to rectify the situation arising from the dumping of goods in the importing country. It distorts trade and unfair competition among producers. It is levied by the governments of importing countries on particular products from a specific exporting country to compensate for the difference between their export price (lower than normal) and their normal price. It is a relief measure taken by the government to bring the export price closer to the normal price by charging extra import duty to remove the injury caused to the domestic industries through dumping.

However, before imposing such duties, a government needs to prove that the injury caused or being threatened to occur to the domestic industry is due to dumping (low-priced imports) and justify the duties imposed vis-à-vis the extent of dumping (i.e., calculated by the difference between the export price and normal price). The agreement on Anti-dumping (discussed in the next section) provides for three ways of calculating the normal price. The first method is simply finding the price levied by the exporting firm in its domestic market, and when this is not available, the other two methods are – obtaining the price levied by the firm in other countries or by totaling the exporter's production cost and other expenses, and the normal profit margin.

Furthermore, more than just calculating, the extent of dumping is required. Investigating whether the dumping of goods has caused injury to the domestic market is equally necessary. This is because anti-dumping duties can only be levied if the domestic industry is hurt by dumping and no other economic factors. Besides, exporters can decide to undertake a price rise to an agreed level to avoid anti-dumping duties.

Some other conditions laid down in the agreement are – anti-dumping duty cannot remain in force for more than 5 years after the date of injury unless proven to cause further injury by investigation; anti-dumping duties cannot be imposed in case of imperceptibly small margins of dumping and when the volume of dumped goods is close to negligible. The Committee on Anti-Dumping Practices is authorized by the agreement to overlook the investigations by countries that have to report to it twice a year.

Global Framework on Anti-dumping

The World Trade Organisation does not comment on whether anti-dumping policies are fair or restricting in nature. There are differing opinions across the governments with many of them taking action against dumping to safeguard their domestic industries. The WTO has, however, framed an agreement, usually called the Anti-Dumping Agreement, that lays down the dos and don'ts while taking anti-dumping measures. It focuses only on disciplining anti-dumping actions and controlling State reactions to dumping, across its member nations.

The GATT (General Agreement on Tariffs and Trade), signed in 1947, requires that imported goods be not subject to internal taxes and duties over those imposed on domestic goods, to minimize barriers in international trade. Article VI of the GATT 1994, on the other hand, provides the basis of the framework for anti-dumping policy, i.e., basically authorizing the use of anti-dumping duties in cases where dumping may genuinely cause or threaten to injure domestic industries. The Agreement on Implementation of Article VI of GATT is commonly known as the

Anti-Dumping Agreement, and it elaborates further on rules and mechanisms for anti-dumping policy. The GATT was refined and expanded, leading to the creation of the WTO in 1995, with the Council for Trade in Goods (Goods Council) now responsible for the GATT and consisting of representatives from all WTO member countries.

The GATT 1994 has been developed after two previous rounds of negotiations on Codes relating to anti-dumping in 1967 (Kennedy Round Code) and 1980(Tokyo Round Code). The Kennedy Round Code held little significance as the United States of America never signed it. While the Tokyo Round Code was a major improvement from the previous one, it was no more than a general framework on the subject and was declared ambiguous on various controversial points.

This resulted in the creation of the Uruguay Round Code in 1994 which gave birth to the Anti-Dumping Agreement we follow today. This agreement lays down the procedural rules from investigation to dispute resolution as mentioned in Section 1.

Anti-dumping Laws in India

The policy of liberalization was introduced in 1991 in India, and it felt the need to impose its first anti-dumping duty only a year after, in 1992. India was a closed economy from its independence in 1947 to 1991 and was compelled to engage in international trade to fix its balance of payment crisis that had led to a severe recession. According to the working paper of the Indian Council for Research on International Economic Relations, "Between 1995 and 2000, India initiated 176 cases (individual country-wise) which is 12% of the total cases initiated across the world."

After the Uruguay Round of 1994 put forth the international standards for member nations to follow, India amended its domestic laws with effect from January 1, 1995, to align the national laws in concurrence with the Anti-Dumping Agreement.

The legal framework forming the basis of anti-dumping policies in India comprises –

1. ***Customs Tariff Act, 1975 - Sections 9A, 9B, and 9C***

The legal framework to prevent dumping and impose countervailing measures was designed in 1982 by the addition of Sections 9, 9A, 9B, and 9C to the Act of 1975.

Section 9A of the Act defines dumping as a practice by which products of a country are exported to India at less than their normal value. A product is considered as being exported at less than its normal value if its price:

a) is less than the comparable price for the like product in the exporting country, or

b) in the absence of such the domestic price is less than

i. the highest comparable price for the like product for export to any third country, or

ii. the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

2. *Customs Tariff (Identification, Assessment, and Collection of Anti-dumping duty on Dumped Articles and for Determination of Injury) Rules, 1995*

India being the signatory to the Uruguay Round Negotiations under GATT, the Parliament inserted sections 9A to 9C in the Customs Tariff Act. No. 6 of 1995 which replaced the earlier provisions of Sections 9, 9A, and B. The amendments were introduced to bring the Custom Tariff Act in conformity with the provisions of Article VI of the GATT 1994 and the agreements on subsidies and countervailing measures.

3. *Investigations and Recommendations by Designated Authority, Ministry of Commerce*

In India, anti-dumping and anti-subsidies & countervailing measures are administered by the Directorate General of Anti-dumping and Allied Duties (DAD) functioning in the Dept. of Commerce in the Ministry of Commerce and Industry which is headed by the "Designated Authority". The Designated Authority's function, however, is only to conduct the anti-dumping/anti-subsidy & countervailing duty investigation and make a recommendation to the Government for the imposition of anti-dumping or anti-subsidy measures.

4. *Imposition and Collection by the Ministry of Finance*

Once the Designated Authority conducts an investigation and recommends anti-dumping or anti-subsidy measures, the Ministry of Finance imposes such measures through a notification. The Director General (Safeguard) who functions under the Ministry of Finance administers the safeguard measures.

China's Non-Market Economy Status

According to WTO, non-market economies are where a monopoly of state-controlled units overshadows the market principles of competition. Article VI of WTO GATT noted that non-market economies have high state control.

When China joined the World Trade Organization (WTO) in 2001, it agreed to allow other WTO members to continue to use an alternative methodology for assessing prices and costs of products subject to antidumping (AD) measures. In other words, while calculating export prices in determining the dumping margin in case of a non-market economy, one could use the export price of a third country (or surrogate country) citing the non-market economy which typically leads to the imposition of even higher antidumping (AD) duties.

China claims that its economy meets the generally accepted definition of a market economy in most antidumping cases. It also argues that the United States and other major trading nations agreed when China entered the WTO in 2001 that the NME label would no longer be applied to China after 2016.

However, in an interim ruling in April 2019, WTO made it clear that China did not qualify for the status of a market economy.

Position of significant economies on anti-dumping against China

The U.S. stance

There was no trace of economic interaction between the U.S. and China for thirty years since the latter's independence in 1949. The ties between the countries began normalizing in 1979 but the trade value was negligible with little hint of it expanding to $386 billion in 2007. Today, China and the U.S. top each other's trade charts. Such proliferation in trade accompanied by benefits such as cheaper goods for consumers and high profits for corporations, comes with its costs.

There have been complaints by producers in the U.S. and other stakeholders, including politicians, against China's undervalued currency, paltry labor wages, and poor human rights work conditions to gain an undue trade advantage. This has led to calls for the imposition of tariffs and other protectionist schemes until China engages in ethical trade practices.

However, the increased levying of anti-dumping duties by the U.S. to restrict Chinese trade is a disputed topic. While many critics believe that U.S. policies discriminate against China, some owe it to the Non-Market Economic Status (NMES) of China (elaborated in the next section). The issue has been raised with the WTO as well but it has so far upheld the tariff decisions of the U.S. This has had a significant impact on the U.S.- China trade relationship causing a decline in trade and heightened tensions between the two.

The EU stance

The relationship between the EU and China has been largely built on bilateral trade making the EU increasingly reliant on Chinese manufacturing goods, specifically since the entrance of China into the WTO in 2001. China was the EU's second-largest trade partner in 2022 behind the US, with total imports and exports reaching EUR 856.3 billion which accounts for around 15.3 percent of the EU's total trade that year. China remains the EU's largest source of imports, with total imports reaching EUR 626 billion, accounting for 20.8 percent of all EU imports in 2022. China is the third largest destination for EU exports, after the US and the UK, with exports to China reaching EUR 230 billion in 2022, accounting for 9 percent of the EU's total exports.

The EU and the U.S. denied providing market economy status to China until 2016. Glancing at the huge volume and multi-commodity structure of bilateral trade, EU-China trade frictions continue to remain critical owing particularly to the hurt caused to domestic industries of certain EU members from the dumping of commodities by Chinese exporters. As of mid-October 2013, the EU had 52 anti-dumping measures and two anti-subsidy measures in force against imports from China. However, all these measures taken together, affect less than 1% of total imports from China.

A comparative study

Trade protection has seen escalation since the global financial crisis in 2008. There has been a growing use of anti-dumping duties by both, developed economies like the United States and the European Union, and emerging ones like India and Brazil, in the last 45 years. An interesting development on this front is the inception of China as the single most important target of both European and American AD actions.

China, the world's largest exporter, has been the main target of AD investigations, contributing to more than 20% to 14% of EU and American cases, respectively. China attracts almost half of all filings in the EU out of which more than 70% of cases have resulted in some kind of protective measures being taken. Similarly, in the US, where China represents 36% of all cases initiated between 2004 and 2015, 76% of investigations have resulted in the imposition of a final AD duty whose average level is almost 4 times as high as the average tariff facing all other exporters subject to AD measures.

A significant decrease in trade flows for goods subject to AD measures has been found, compared to similar products immune from this kind of protection. This fall in trade ranges from −28% in the case of exports to the EU to −50% when considering the U.S. It is also noticed that both the EU and the U.S. have been increasingly targeting intermediate and industrial goods, while somewhat lowering their coverage of consumption goods. Given that trade in parts and components has been growing faster than the trade in other types of goods in the last decade, a rapid increase in China's market share is likely to have triggered alarm bells in many countries, that have reacted by using AD measures to protect domestic producers of intermediate goods.

Following China's WTO accession in 2001, an increasing share of its exported products have been targeted by AD measures, either in the US or in Europe. However, the rate of increase is much higher for its American exports. Before 2001, less than 1% of products were subject to AD barriers. That figure has more than tripled for the US over the period 2002–2015, moving from 1% to 4.5%; in the case of exports to the EU, the share of products affected has increased from 0.4% to 2.4%.

Lastly, it must be acknowledged that employing such administrative protection is no longer confined to the giants like EU and the U.S., but has become a common practice among developing economies.

Analysis of trends in India's anti-dumping policies on trade with China

Trade relations between India and China

India and China have been among the world's most dynamic economies over the past decades, exhibiting economic growth rates that have surpassed those of many other economies in the region. In 2001, China was behind several countries, including Belgium and Singapore, in its share of India's total trade. While the US shared 14.4%, the UK shared 5.1%, and Belgium shared 4.1% of India's total trade, China shared only 3.5% of India's trade. However, the trade between the countries has picked up dramatically in the past years since 2008-09 with China unfolding as India's leading trade partner. Along with an influx of Indian exports into China, the latter has poured massive exports into the former causing a severe bilateral trade imbalance.

Total trade between India and China has increased 29% in the last five years to US$ 115 billion in the financial year 2021-22 from US$ 89.72 billion in the financial year 2017-18. Despite India's efforts to reduce its dependency on China through import substitution and free trade agreements (FTAs) with Asian countries, China's share in India's imports has increased over the years. In the financial year 2021-22, India imported goods worth US$ 94.2 billion from China. In 2020-21 and 2021-22, China's share in India's imports reached a record high of 16.53% and 15.43%, respectively, which is significantly higher than its pre-Covid level of imports. China's dominance in total non-oil merchandise imports is even more pronounced as India's dependence on China for non-oil imports can be as high as 25% or more. Items of import primarily include electrical and electronic goods, organic chemicals including pharmaceuticals, and plastic items, accounting for more than 70% of India's imports from China.

Regarding exports, India's export to China stood at US$ 21.25 billion in FY 2021-22, the third highest, after the US and UAE. The major items of exports to China include organic chemicals, cotton yarn, copper, and ores. India's trade deficit with China expanded to $73.3 billion In 2021-22 and it is expected to cross $100 billion in FY23.

Impact of levying ADDs on imports from China

India has initiated a total of 363 anti-dumping measures on its imports with 198 in force between 2014 and 2020.

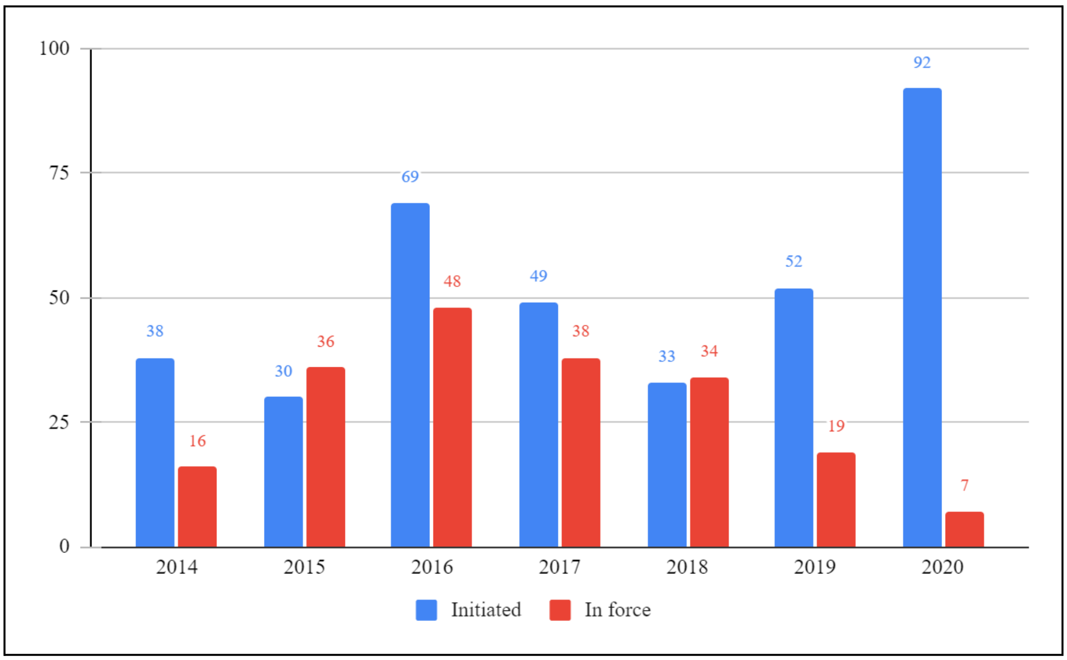

Figure 1: Anti-Dumping Measures by India on total imports
Source: WTO I-TIP Goods on non-tariff measures (NTMs)

Out of these, 147 (around 40.5%) are initiated against China with 96 in force as of December 2021.

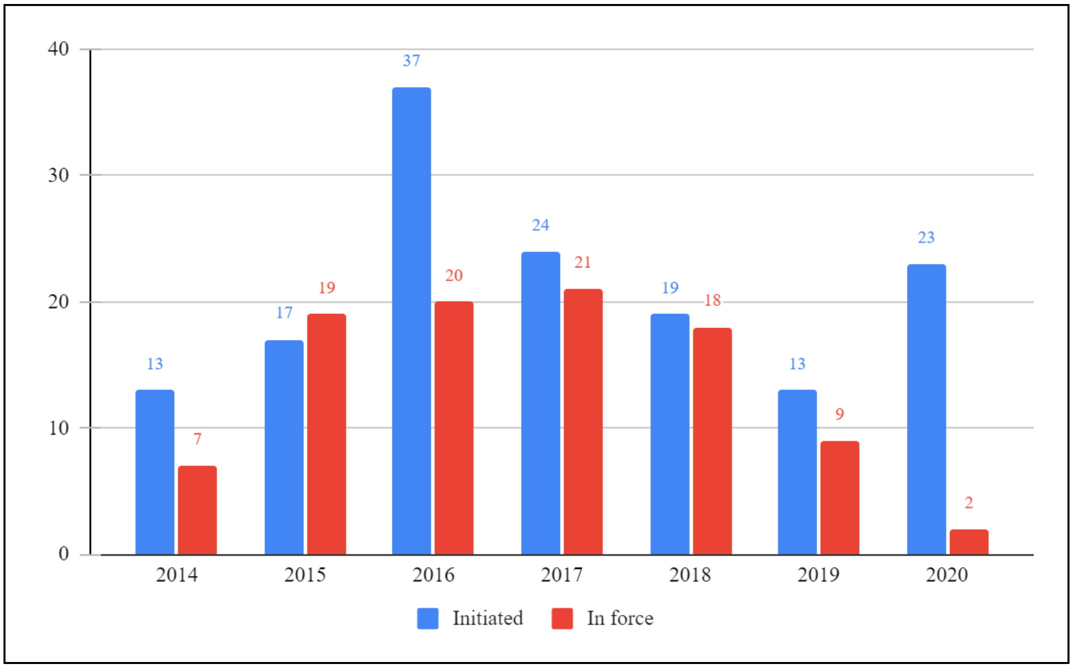

Figure 2: Anti-Dumping Measures by India on Imports from China
Source: WTO I-TIP Goods on non-tariff measures (NTMs)

Globally too, the largest number of ADDs has been initiated against China. Mahajan, Ashwani & Chand, Phool & Pasumarthi, Harsha. (2021) notes that out of all the countries included, a total of 1,269 ADDs have been initiated against China, proving that China dumps its goods across the world.

Chinese exports have been the target of Indian AD measures with the highest number of ADDs imposed on them among other significant economies.

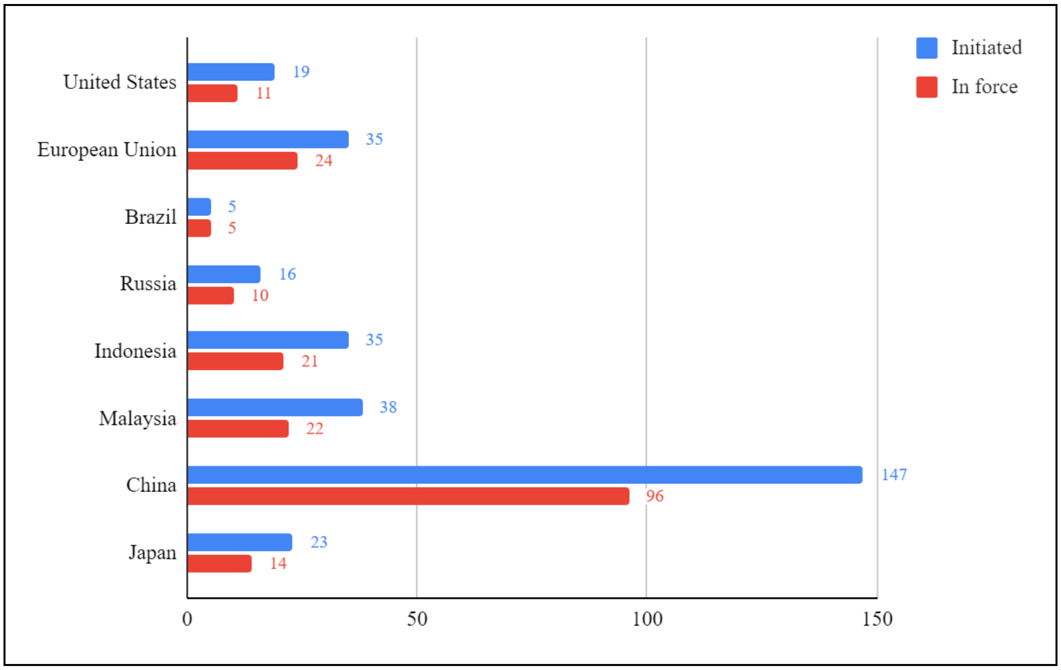

Figure 3: Anti-Dumping Measures by India on Imports from Significant Economies including China (2014-2020)
Source: WTO I-TIP Goods on non-tariff measures (NTMs)

Most of the literature available, that studies the impact of India's AD policies on trade with China, is a decade or two old. There is very little study conducted on recent data. While the facets of the studies and methodologies used for analysis vary across the papers, the results are in tune with each other. The anti-dumping duties have proved to be effective to some extent while they were in force.

Ganguli (2008) that directly studies the impacts of Indian antidumping cases on trade flows from targeted countries into India of HS 6-digit level data, finds that net overall imports fall by around 50 percent over three years post-initiation, suggesting antidumping has been quite effective in protecting to Indian manufacturers in the categories in which it has been applied.

Vandenbussche and Zanardi (2010) conclude that Indian imports are 10% lower than they would be in the absence of anti-dumping duties.

Aggarwal, A. (2010) shows that AD actions in India ensure protection for the domestic industry. Imports from the target countries increase during the year of investigation. But after the duty is levied, these imports decline and tend to stabilize at the previous level. In the years following the imposition of the duty, the effect gets softened and the rate at which imports decline slows down.

Choi, N. (2016) results indicate that a 1% increase in the anti-dumping duties decreases the import of the targeted product by about 0.43~0.51%. The actual statistics, however, show that the total imports of the targeted products increased by about 30 percent while an anti-dumping duty was in force, thus, indicating that an anti-dumping duty is just a temporary import relief. This is so when import diversion effects on the third country are greater than import reduction effects on the target country, an anti-dumping duty possibly does not decrease the total imports from all trading partners.

Mahajan, Ashwani & Chand, Phool & Pasumarthi, Harsha. (2021) finds that 54% of commodities from China have registered a decreasing import, while 46% of commodities have increased imports two years after the imposition of ADDs, indicating that ADDs are effective in more than half of the cases.

The same paper also suggests two possible reasons for ADDs not being so effective:

- First, the Chinese are very robust in countering any trade restrictions imposed on them. In the case of India, they resort to either under-invoicing or roundtripping the goods through either the ASEAN countries or countries like Bangladesh and Nepal. It was found that measuring tape and its components of Chinese origin were being exported to India from Singapore and Cambodia. Thus, the Indian government imposed anti-dumping duties on these products originating from China or any other country in July 2020 for five years.
- Second, the Chinese start shipping the closest form of the commodity for which ADDs have been imposed; for example, instead of shipping a finished commodity, the Chinese export the commodity which is just short of the consumption good. In doing so, they ship the closest form of the consumption good and avoid ADDs.

Sector-wise targeting of Anti-dumping

Feinberg (2010) has observed that the chemicals, plastics, and rubber sectors make up more than half of Indian AD cases even though they are not a large part of India's foreign trade (1990-2008). So was the case a decade later between 2014-2018 – Most ADDs have been imposed on chemicals, plastics, and rubber followed by iron and steel – as found by Mahajan, Ashwani & Chand, Phool & Pasumarthi, Harsha. (2021). Besides, exports from extractive industries of China, like mineral products and articles of stone, also have faced ADDs.

There are various possibilities as to why anti-dumping cases might be concentrated in these sectors. Miranda et al. (1998) argued that the world markets for steel, base chemicals, and plastics are highly cyclical. Thus, at the bottom of a cycle, firms operating in these markets may turn to pricing sales below cost. It is also possible that in the downturn, domestic firms in importing countries use anti-dumping laws to protect themselves.

While analyzing the impact of ADDs on import volumes from target countries, Aggarwal, A. (2010) explains that the smaller the trade, the lesser likelihood that it will be price responsive. Thus the impact of AD actions on named imports in volume terms will be small.

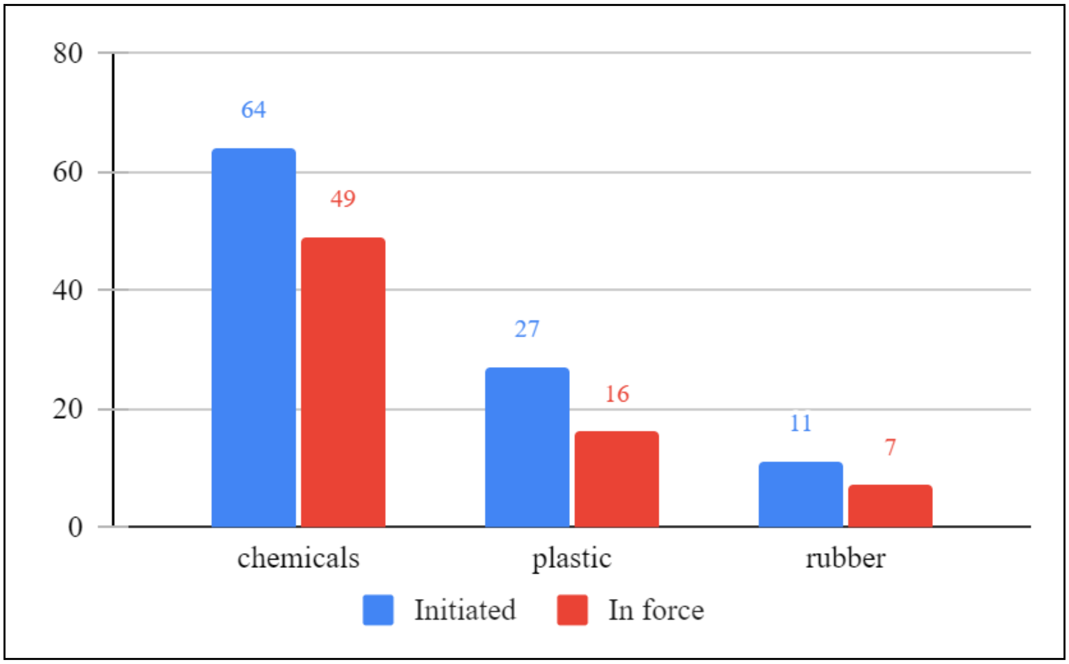

Figure 4: Anti-Dumping Measures Imposed against Chinese Exports (sector-wise) between 2014-2020
Source: WTO I-TIP Goods on non-tariff measures (NTMs)

Price and overall trade effects

ADDs aim to curb the dumping of low-priced goods by exporters to maintain fair competition in the domestic market. The effects of such measures should ideally, be the increase in the price of the imported goods and the decline in the volume of imports (which is already seen above).

In line with this proposition, Aggarwal, A. (2010) finds that the imposition of AD duties significantly restrains trade (both volume and value) and raises import prices. The volume impacts are short-lived and start dissipating in subsequent years but prices continue to rise. The prices rise significantly in the post-duty years. And this price rise is significant not only for the target countries alone; in fact, exporters from other countries also raise prices to avoid any AD action against them in the future.

She further notices that non-market economies like China react differently to these measures. During the investigation, after a case is filed against them, these exporters reduce the prices, resulting in higher values and quantities of trade due to a rise in demand. This is because the probability of duty imposition, i.e., the success of the investigation, is comparatively higher in the case of such economies.

Most recent trends in anti-dumping and their analysis

Most recently, anti-dumping duties have been imposed on certain flat rolled products of aluminium; sodium hydrosulphite (used in the dye industry); silicone sealant (used in the manufacturing of solar photovoltaic modules, and thermal power applications); hydrofluorocarbon (HFC) component R-32; and hydrofluorocarbon blends (both have used in refrigeration industry), according to separate notifications of the Central Board of Indirect Taxes and Customs (CBIC). (December 2021)

Discussed below, are the trends in various industries that have seen significant imposition of ADDs on Chinese exports.

The Steel Industry

The Anti-dumping duties on steel products have been proven effective in protecting the domestic industry by creating a more stable environment for domestic players in the face of volatility in the international market. In 2016-17, the government of India imposed ADDs on imports of a clutch of flat products of steel from several countries including China which were found to cause material injury to steel majors such as Tata Steel and JSW Steel. This was done following various tariff and non-tariff measures the government took in the past. As a result, India turned into a net exporter of steel in 2016-17 after a gap of three years with its steel imports falling by an annual 37% to 7.4 mnt, and exports increased by 102% to 8.2 mnt.

The Indian stainless-steel sector, the second largest producer and consumer in the world, has a total manufacturing capacity of more than 5 Mn tons of stainless steel annually (as of 2020). Barring 2020 for the pandemic-led decline, India's stainless-steel production has increased steadily between 2014-21. This is also evidence of the effectiveness of the ADDs in force between 2016 and 2021 among other factors.

However, with their expiry in 2021 and the withdrawal of trade remedies against certain steel products in the 2021 Budget along with the government proposal of bringing down or completely removing import duties on major metals, there is an air of apprehension among the steelmakers in the country. They are demanding the continuation of ADDs against certain steel products (including hot-rolled products with a coating, cold-rolled products, products with a color coating, and wire rods) to secure investments and employment and prevent bad loans. Moreover, the prediction that India is the only country with a 6.2% projected increase in steel consumption during 2021-2025 hints at the propensity for increased imports into India. Thus, there is a continued effort by steel manufacturers across the country to convince the government to re-introduces the safety measures.

The Tyre Industry

The tyre industry in the country has also benefitted from the anti-dumping measures against imports from China which accounts for 40% of the truck and bus radial (TBR) tyres and passenger car radial (PCR) tyres, and 75% of tractor tyres shipments to India from overseas. The enforcement of ADDs imports of certain new pneumatic tyres used in motor cars, busses, lorries, and motorcycles has bolstered the industry bearing the brunt of the slowdown caused by the pandemic. The tyre makers claim that domestic manufacturing capacity is ahead of the demand curve and India is self-sufficient in manufacturing practically all kinds of tyres. The Indian tyre industry which presently registers about 20 percent of its overall revenues from its export business, is likely to see this share grow to 30 percent by 2030.

Nevertheless, such curbs come with their costs which, in this case, are borne by the transport industry. The transport operators have alleged that tyre manufacturing companies have formed a cartel to keep the prices high and exploit the consumers. They demand the revoking of restrictions on imports and anti-dumping duties so that fair competition prevails in the market and transport cost is reduced.

The Glass Industry

India is the 2nd largest importer of glass and glass products in the world after Vietnam. China holds the largest share of glass imports to India which stood at 3.4 M shipments. The Directorate General for Trade Remedies (DGTR) has time and again found Chinese exporters guilty of dumping glass and glass products into India and has recommended the imposition of ADDs to ensure fair trading practices and create a level-playing field for domestic producers vis-a-vis foreign producers and exporters. In 2019, India had imposed an anti-dumping duty on solar glass imported from China in the range of $64.04 per metric ton (MT) to $136.21/MT. In 2020, it extended the ADD on float glass from China. Most recently, in 2022, it imposed ADDs on opal glassware from China and UAE for five years. In the same year, it also recommended the extension of anti-dumping duty on textured tempered imported glass (solar glass) from China by two more years.

Contradictorily, many module manufacturers believe that the imposition of anti-dumping duty to promote the domestic sector has done more harm than good. These duties have created an imbalance in the market with one producer (Borosil) holding the monopoly with the rest of the supply coming from China and Malaysia. While bigger manufacturers are not so much affected by the spiked prices, the small and medium enterprises are unable to procure solar glass at such competitive prices. The MSMEs argue that levying of anti-dumping will not help unless the suppliers and manufacturers scale up the production to a capacity that can cater to the market.

Current Scenario

There has been an explosion of anti-dumping suits since 1995. There have been more than 4000 anti-dumping suits brought by countries from 1995 to 2011, compared to less than 400 trade filings in the fifteen years before that, with the WTO in Geneva. And from 2012 to 2020, more than 2100 cases have been initiated.

China has, over the years, emerged as a target of these defensive measures from both developed as well as developing economies. It was the number one defendant, the target of 843 antidumping investigations, and had 630 anti-dumping measures leveled against them between January 1995 and December 2011, and 883 measures initiated from 2012 to 2020. This is not surprising since the EU, the US, and India have relied on anti-dumping initiatives as a short-term stopgap against the pressures of structural change resulting from highly volatile market conditions. Yet, China initiated only 191 investigations (2011) against other countries which is surprising as it contradicts the orthodox trade theory.

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, according to a reply made in Parliament by Commerce Minister Piyush Goyal.

Growing tensions between India and China at the LAC, and increasing aversion towards Chinese aggression and unfair trade practices worldwide, especially since the COVID-19 pandemic, have contributed to such a spurt in these protectionist trade measures, among other reasons. Clarion calls for the Make-in-India program in 2014 followed by the Atmanirbhar Bharat campaign for a self-reliant India in 2020 gave a fillip to the need for such trade defense.

Moreover, India’s widening trade deficit with China ($73.3 billion in FY 2021-22) has pushed for such a targeted levy to narrow down the sizeable gap but has made little headway in that direction. The fact that AD measures target the products that form a very insignificant portion of the total imports from China in addition to evasion of such measures by China (under-invoicing and round-tripping) and partial effectiveness of the duties in the long run, is also a plausible reason for incompetence to reduce the deficit. As pointed out by Aggarwal, A. (2010), even though ADDs lower the import volume, it is only as long as the duties are in force, post which the impact fades away; but import prices continue to rise. Thus, while the domestic industry benefits from price rises, there may be little implication for the trade balance of the country.

Conclusion

It is well-known that Chinese goods come with a price tag, which is 10% to 70% lower than that of comparable Indian products. China is one of the largest exporters of goods manufactured by labor-intensive industries such as chemicals, toys, electronics, textiles, and leather. A lower rate of indirect taxes on inputs and a high level of cash subsidies to its producers and exporters enable Chinese companies to participate in the world market at a lower margin and thus dominate it. Such circumstances have forced India to employ these non-tariff measures. Bajaj, P. (2019)

Many studies in the Indian context have also shown that the significant tariff cuts on account of trade liberalization that happened in the years of economic reforms led to new import protection in the form of ADI in the later years (2000-2003). Highly volatile market dynamics post-2008 financial crisis have intensified competition between China with the advanced capitalist world. Anti-dumping has become a barometer of the new world order and needs to be mapped and tracked rigorously.

This paper studies the trends in the imposition of ADDs by India on Chinese exports using the previous literature available on the subject. There is an analysis of various research papers that examine data over different periods on the timeline since the recognition of anti-dumping measures in the global forum. It can be concluded that anti-dumping duties have been effective only to some extent after their imposition. ADDs have led to lowered imports from the target country and an increase in the per-unit import value in post-initiation years. However, evidence shows that the occurrence of trade diversion to non-target countries tends to increase overall imports.

Another observation made was that ADDs against China are mainly concentrated to chemicals, plastic and rubber articles, and iron and steel industries, even though they form a limited amount of the total Indian imports. This has been constant through the decades as evident from various studies discussed above.

It was further, noticed that the trade-reducing effects of ADDs start tapering off in the second year of the duty imposition but import prices continue to rise. This implies that AD actions do have a positive effect on the financial health of the import-competing domestic industry. Nevertheless, the effectiveness of the measure in providing timely relief to smaller domestic manufacturers facing an existential crisis on account of suspected dumping has also been undermined in the past due to the sluggish process of investigation and following actions.

Recommendations

1. ***Improving the manufacturing prowess of India***

   Relying only on trade barriers and tariffs to fill the trade deficit gap would prove to be impotent. India must improve its domestic caliber to level up its manufacturing sector for it to compete with its affordable Chinese counterparts. Various measures such as attracting larger investments to boost the sector, and policy support to the producers for expanding the production capacity, improving the quality of goods to meet global standards, etc., especially in the industries that face injury due to large-scale dumping.

2. ***Amendments to the legislative framework***

   The Indian anti-dumping laws have many loopholes which need to be addressed for a smoother process of investigation and determination of injury to the domestic industry. A broadening of the horizon of the anti-dumping laws, controlling the misuse of its ambiguities to provide undesirable protection to domestic industries, and modifying the law to serve the larger interests of the economy.

3. ***To prevent anti-dumping from turning into a protectionist measure***

   Anti-dumping duty is meant to be a trade remedy against the dumping of low-priced goods by exporting countries to eliminate competition, thereby injuring domestic industries. However, countries are substituting discriminatory, unpredictable anti-dumping suits as domestic protection. Thus, the WTO members must strive towards creating a transparent system to curb the unfair imposition of such measures so that they do not turn into retaliatory actions causing damage to international trade.

4. ***Adopting a welfare-first approach***

   Imposing duties to raise prices comes with its costs such as losses to the consumers which ultimately outweigh the gains of the producers. Actions must be taken by the government to strengthen the situation such that the duties are levied in cases where it is the last resort. The focus of anti-dumping and similar measures must be to protect competition rather than competitors, to ensure the uninterrupted functioning of market dynamics.

5. *Need for a joint effort*

   Both India and China must work out their differences and come together for mutual reforms in the anti-dumping system. Keeping the economic rationale of expanding trade gains and improving national welfare in mind, both countries must engage in bilateral agreements to work for the removal of these barriers to advance toward a higher level of economic cooperation.

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