

# STEEL COMPANIES TOLD TO CUT PRICES



The Commerce Ministry of India has asked indigenous steel makers to cut domestic prices of steel products or face a lower protective floor price on imports and desist from cartelisation.

The directive to the steel makers comes in the wake of large scale complaints from user industry that the prices were far higher than prevailing global prices for steel products, sources in the Commerce Ministry said.

It also follows a statement by major steel producers in the country ruling out any reduction in prices of steel products on the ground that the recent increase in prices were only covering the huge rebates. The domestic steel makers had been told informally to cut the prices and commerce ministry had pointed out to lower global costs as a reason for domestic manufacturers to pare the rates.

The informal order had also been made in view of the fact government was resigned to the reality that the floor prices set for imports are not compatible with norms of the World Trade Organisation (WTO). As per the government notification in December last, hot rolled (HR) coils (tmq) imports below cost, insurance and freight (CIF) value of \$ 302 are not permitted.

Similarly, a minimum import price of \$ 317 has been set for HR sheets, \$ 392 for cold rolled coils, tinplates (\$ 720), electrical sheets (CRNO) (\$ 763), plates (\$ 409) and alloy steel bars and rods (hot rolled in coils) (\$ 740).

The director general of foreign trade was likely to make imports cheaper by reducing the floor price in view of complaints from user industry and overseas exporters. Though the floor price on imports was primarily set to check imports from Russia and other Commonwealth of Independent States (CIS) countries, it would apply to other countries also.

The directorate of anti-dumping in the commerce ministry is all set to reject an application from Steel Authority of India Limited (SAIL) and Essar Steel to impose anti-dumping duty on steel product imports from South Africa on the grounds that the floor prices would cover all imports.

While Russia would not be able to contest the issue in the World Trade Organisation (WTO) as it is not a WTO member, countries like South Africa could challenge the DGFT order. As per WTO norms, anti-dumping duty could be imposed only to the extent it hurts the domestic industry and not the way as it had been done by fixing floor prices for imports.

On the other hand, domestic steel producers contend that they had to offer huge rebates prior to the fixing of the floor price in view of cheaper imports, which was reported to have affected the bottomline of most of the producers. Major steel producers including Essar, Jindal, Lloyds and Ispat Industries say even now prices are lower than what existed three years back.

Steel producers say the reference price imposed by DGFT is in line with the global practice to curb unfair trade practices detrimental to domestic industries. Russia was the first to object the protective floor prices on imports.

A high-level Russian delegation held talks with commerce ministry authorities on February 16 last to seek waiver of anti-dumping duty and floor price on hot rolled steel exported from Moscow. The Russians contended that the injury caused to the domestic industry and the causal links due to imports had not been adequately established.

However, Indian authorities convinced the Russians that the domestic floor prices had been fixed fairly in order to protect indigenous industry. The designated anti-dumping authority, in its final finding notified on November 18, 1998, imposed anti-dumping duties on hot rolled coils, strips, sheets, plates and boiler quality plates.

Apart from Russia, the government had imposed anti-dumping duties on HR steel imports from Kazakhstan and Ukraine also. In its final finding, the designated authority had pointed out that the profit of domestic steel industry had declined significantly in the investigation period compared to the previous year.