

# Standing Committee Report Summary

## Impact of Chinese Goods on Indian Industry

- The Standing Committee on Commerce (Chair: Mr. Naresh Gujral) submitted its report on 'Impact of Chinese Goods on Indian Industry' on July 26, 2018. Bilateral trade between India and China increased from USD 38 billion in 2007-08 to USD 89.6 billion in 2017-18. While imports from China increased by USD 50 billion, exports increased by USD 2.5 billion during the same period. This has widened India's trade deficit. Trade with China constitutes more than 40% of India's total trade deficit. Key observations and recommendations of the Committee include:
  - **Anti-dumping duty:** Dumping refers to the practice of exporting goods at a price lower than their market value in the originating country. The importing country conducts detailed investigations and imposes anti-dumping duty for these goods. The Committee noted that: (i) India's anti-dumping duties on Chinese goods are being evaded by misclassification of products, and (ii) the government is reluctant to review the effectiveness of anti-dumping measures undertaken by it. The Committee recommended that the Directorate General of Anti-Dumping: (i) address the problem of lax implementation of anti-dumping duties, and (ii) rationalise the duties and make them more in line with current domestic production costs.
  - **Illegal imports and smuggling:** The value of seized smuggled goods from China was Rs 1,024 crore in 2016-17. The Committee noted that the Directorate of Revenue Intelligence (DRI), India's chief anti-smuggling intelligence and investigations agency, works in a challenging environment with a small workforce. It recommended that the workforce of the DRI be adequately augmented to check smuggling.
  - **Impact on micro, small and medium enterprises (MSMEs):** The Committee noted that poor quality Chinese products dominate the unorganized retail sector. This sector comprises domestic MSMEs, producing more expensive but better quality products. The Committee noted that there is a need to promote domestic MSMEs. It suggested that import of finished goods be taxed at the highest rate, and raw materials at the lowest, to boost domestic production.
  - **Pharmaceutical Industry:** There is heavy reliance on Chinese imports for raw materials in the pharmaceutical industry. In some cases, such as for life-saving drugs, the dependence on Chinese imports is 90%. The pharmaceutical sector requires very high initial investment. The Committee suggested that a long term view of the pharmaceutical industry be taken to promote competition and price stability. It also recommended that the government provide adequate infrastructure support to this industry.
  - **Solar Industry:** 84% of the solar requirement of the National Solar Mission is met through imports from China. The Committee noted that import prices of such commodities in India are lower than their import prices in Japan and Europe, suggesting that Chinese goods are being dumped in Indian markets. It recommended that: (i) trade remedial measures, like anti-dumping duties, be taken to protect the domestic solar industry, and (ii) quality standards be imposed to ensure that imported Chinese solar products do not contain harmful substances such as antimony.
  - **Textile Industry:** The Committee noted that the existing Goods and Services Tax (GST) on synthetic fibres of 18% has increased the import of similar fabrics from China. Further, India has free trade agreements (FTAs) with Least Developed Countries such as Bangladesh. Chinese fabric is manufactured into garments in Bangladesh, and imported at cheap rates into India. The Committee recommended that such FTAs be reconsidered, as they nullify the effect of the anti-dumping duties on imports from China. Further, it also recommended that the government take steps to modernise this industry.
  - **Firecracker Industry:** The Committee observed that most Chinese firecrackers contain potassium chlorate, a highly explosive chemical which is banned in India. It recommended that the import of hazardous Chinese firecrackers be banned, as they involve public health concerns. The Committee also noted that the domestic firecracker industry is valued at Rs 4,000 crore, and is one of the most labour-intensive industries. It recommended that the existing GST rate of 18% be lowered to promote this industry.
  - **Bicycle Industry:** The Committee observed that the demand for bicycles in India has increased lately, mainly due to public bike share programs under the Smart Cities Mission. The Committee noted that Smart City administrations, especially in cities like Pune and Coimbatore, have been showing a preference for cheap Chinese bicycles over Indian ones. The Committee recommended that the government ensure Smart City administrations procure Indian bicycles under the Public Procurement (Preference to Make in India) Order, 2017.

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