

India imposes Anti-Dumping Duty on Saccharin from Indonesia

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Manifest Pedagogy

WTO and issues surrounding it, (especially agriculture) have been repeatedly asked in UPSC. In the era of hyperglobalization and protectionism these issues are important for both prelims and mains.

In news

India imposes anti-dumping duty on saccharin from Indonesia

Placing it in the syllabus

International trade: WTO

Static dimensions

- What is Anti-Dumping Duty?
- The special safeguard mechanism under WTO
- CVD and Infant industry augment

Current dimensions

- India and anti-dumping duty
- About Saccharine
- Why anti-dumping duty imposed on Saccharine?

Content

What is the anti-dumping duty?

An anti-dumping duty is a protective tariff imposed on foreign imports by a domestic government which it believes is priced below fair market value. Dumping is a process in which a company exports a product at a lower price than the price normally charged on its own home market.

Many countries impose strict duties on products that they believe are dumped on their domestic market to protect, undermining local businesses and markets.

The special safeguard mechanism under WTO

Background

- In addition to the existing safeguards (such as the Special Agricultural Safeguard or the SSG), the developing countries were granted a concession at the Doha Ministerial Conference to adopt a Special Safeguard Mechanism (SSM).
- The Special Safeguard Mechanism (SSM) of the World Trade Organization (WTO) is a protection measure that allows developing countries to take contingency restrictions against agricultural imports that harm domestic farmers.
- These safeguards are contingency or emergency restrictions on imports taken temporarily to deal with special circumstances such as a surge in imports. contingency restriction refers to the imposition of an import tax if the imports damage the domestic agricultural sector.

Countervailing Duties

Countervailing duties are the duties that are imposed in order to counter the negative impact of import subsidies to protect domestic producers.

In other words, CVDs are tariffs levied on imported goods to offset subsidies made to producers of these goods in the exporting country. CVDs are meant to level the playing field

between domestic producers of a product and foreign producers of the same product who can afford to sell it at a lower price because of the subsidy they receive from their government.

Infant Industry Argument

It is a classic theory in international trade, states that new industries need protection from international competitors until they become mature, stable and competitive. The infant industry argument is commonly used to justify domestic trade protectionism.

India and anti-dumping duty

- Anti-dumping in India is **administered by the Directorate General of Anti dumping and Allied Duties (DGAD)** functioning in the Dept. of Commerce in the Ministry of Commerce and Industry and the same 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. Such duty is finally imposed/levied by a Notification of the Ministry of Finance. Thus, while the Department of Commerce recommends the Anti-dumping duty, it is the Ministry of Finance, which levies such duty.
- Safeguard measures, on the other hand, are administered by another Authority namely, Director General (Safeguard), which functions under the Dept. of Revenue, Ministry of Finance. The Standing Board of Safeguards (chaired by the Commerce Secretary) considers the recommendations of the DG (Safeguards) and then recommends the impositions of the Safeguard Duty as it deems fit, to the Ministry of Finance which levies the duty.

About Saccharin

- Saccharin is a non-nutritive sweetener and is considered to be a low-calorie substitute for cane sugar. It is used in a variety of industries such as food and beverage, personal care products, tabletop sweeteners, electroplating brighteners, pharmaceuticals, etc. There are primarily two types of saccharin – soluble and insoluble. All forms of saccharin come within the scope of the present investigation.
- Saccharine is a compound most commonly used in sugar-substitute sweeteners.

Why anti-dumping duty imposed on Saccharine?

- Indonesia, until recently, accounted for a large chunk of India's saccharine imports. In 2017-18, India imported \$4.36 million worth of saccharine from Indonesia, which is 43% of the total imports of the sugar-substitute compound.
- The product under consideration has been exported to India from Indonesia below their normal values and consequently, the domestic industry has suffered material injury.